

## Middle-class fears

### Jobs and Growth

Tuesday morning, 3 June 2008

*Moderator:* **John P. Martin**, Director, Employment, Labor and Social Affairs, OECD  
**Geoffrey I. Gallop**, Professor and Director, Graduate School of Government, University of Sydney, Australia  
**Marie-Louise Knuppert**, Confederal Secretary, Danish Confederation of Trade Unions  
**Enrico Letta**, Member of Parliament, Italy  
**Dennis J. Snower**, President, Kiel Institute for the World Economy, Germany  
**Avivah Wittenberg-Cox**, CEO, 20-first

Despite there recent slowdown in OECD economies, the last decade has generally been good for employment, with average jobless rates falling below six percent amidst fairly rapid economic growth. Why then, do workers in many countries still feel threatened by globalisation, and how should governments encourage them to see it as an opportunity? The right balance between protection and incentives can be tough to measure, especially as workforces age. But it was with this in mind that moderator **John P. Martin** asked panelists for their proposals during Tuesday morning session on jobs and growth. For a workforce to maintain flexibility at a time when the number of working years will increase, he said, governments and society must focus on retraining. And reorient certain values when necessary. Ironically, both workers and employers seem to favour increasingly early retirements at a time when lifespans are increasing, and this is just the type of disconnect that should be addressed. Globalisation produces outsourcing, off-shoring and increased competition, and it causes many jobs to be lost, but also many to be newly created.

The panel agreed on the importance of culture, flexibility and training in these seemingly turbulent times. Deep rooted culture, often overlooked, is a fundamental ingredient in deciding whether an economy grows or stagnates. Indeed, the tendency to retire earlier is often the result of cultural norms rather than economic rationale. Flexibility in the labor market is also essential for reaping the benefits of globalisation and compensating the losers. And lastly, training increases the employability of the work force which, in turn, results in higher flexibility.

**Geoffrey Gallop** presented the measures that the Australian government was taking to this effect. After opening up the financial market in the eighties and implementing microeconomic reforms in the nineties, Australia's third wave of reforms is focusing on human capital, education and social inclusion. "It is a full lifecycle approach" he said, "based on lifelong learning and with a focus on key points in a person's life, especially the early years of education and the transition from school to work." He also emphasized

the importance of the partnerships between the government and states and the government and communities. While he admitted Australia's decentralised system was a bit particular, because in it the central government holds a particularly strong budgetary carrot to encourage regions to adopt lifelong learning programs, he said other governments could use similar incentive packages to mobilise their own private sectors.

While much touted as panacea to labour market reform in heavily regulated economies, governments must remember that Denmark's "flexi-security" model is based on high education levels and available retraining, said **Marie-Louise Knuppert**. The real basis of Denmark's model remains education. But the country's famously high tax level is only a part of the solution. More important however, she said, is the strong partnership between unions, governments and companies – a system that allows agreements to be reached due to high stakeholder participation. But without consensus between Danish political parties, the all-important trust factor that underlines the system would crumble. These underlying principles are enshrined by confidence that the system, while adaptable to different situations, will remain constant. "Everyone knows that a new government will not come in and change policy," she said. Unions advocate a genuine realistic approach, tailoring their demands to economic reality: "We don't go and say we want a 20% raise – when we negotiate, we say we want a four percent raise but also funds for (life-long learning) projects." Above all, she said, "The focus should not be on rules but on the ability for workers to be mobile."

More and more, the middle-class seems to be afraid of globalisation, and they are increasingly feeling more of its negative than positive effects. Nowadays, a diploma is generally not sufficient to cope with fast-paced changes in labour markets. And since volatility can have enormous effects on consumer sentiment, governments need to take action to head off negative economic reactions, said **Enrico Letta**. "If we don't manage the negative aspects, there is risk of a revolt by the middle classes." International institutions must take on a bigger role, he said, to level the playing field. In the EU, for example, mandatory programs should be instated, obliging governments to set standards on life-long learning and retraining programs. But they should strike a proper balance between protection and incentives.

"Skills are no longer a guarantee for job security" asserted **Dennis J. Snower**. He explained that changes which are currently affecting the labour market of most of the OECD countries have put new demands on workers. Emphasis has to be put on acquiring specific skills, but above all mobility: "The implications of today's changes mean that it is vital to promote the adaptability of the workforce", he said. So it is important to support lifelong learning by providing continuous training to workers. He also suggested the unemployed receive training vouchers as part of a proposed benefit transfer scheme. This would empower the jobless to use their vouchers to attract employers, who would receive the vouchers if a hire is made. Snower insisted on adaptability as the key issue in the new globalised labor market.

**Avivah Wittenberg-Cox** focused on women's growing integration into the labor market. She asserted that countries' competitiveness is increased when women participate more in the workforce. She also pointed out the link between high birth rate, growth and proactive natal policy. "Look at the Nordic countries—these are the countries that have promoted the most gender balance in their political and economic systems" she said. As the population in developed countries continues to age, she said, countries would be wise to steer culture away from old, hierarchical traditions, and tap more into this resource.

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