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**Creating jobs in the 21st century**

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**Boosting Jobs and Incomes**

In the early 1990s, many OECD countries were struggling with high and persistent unemployment. In order to assist them, the OECD released its wide-ranging Jobs Strategy. As the first such report with more than 70 detailed policy recommendations grouped under its “10 Commandments” or Guidelines, this had a major impact on the policy debate. While the Jobs Strategy had its critics, the record shows that those countries which implemented its recommendations consistently outperformed those who did not.

But time passes and policy goals evolve. While some countries still need to cut unemployment, especially in continental Europe, new challenges loom. Two, in particular, I would single out are population ageing and globalisation. What have we learned from the more-than-a-decade experience with implementing the Jobs Strategy recommendations in terms of what works and what does not? The OECD took up the challenge of reassessing the Jobs Strategy recently. The empirical results from this facelift are presented in the 2006 issue of the Employment Outlook; the resulting set of policy recommendations is presented in a companion volume. Both reports will be released to the press on the 13th June and they will be discussed at a High-Level Forum in Toronto on the 15-16 June which will involve many OECD Employment Ministers.

Many of the policy recommendations are unchanged from the original Jobs Strategy: they have stood the test of time and relevance. That is why it is a facelift. But the Reassessment has also yielded new insights and policy lessons. I would like to highlight eight of them.

First, new evidence shows that so-called “activation/mutual obligations” approaches can co-exist with relatively generous unemployment benefits while providing strong incentives for the unemployed to find work. What is needed is a judicious mix of carrots and sticks. The former includes effective re-employment services to help the unemployed find a new job; the latter includes monitoring the job-search efforts of the unemployed to ensure that they are actively looking for work, backed up by the threat of moderate benefit sanctions. These services can be delivered by either performance-driven public employment services or private employment agencies, as in Australia and Norway.

As many countries have managed to cut their unemployment rolls by applying such approaches, a new problem has emerged. There are large numbers of people of working age drawing other non-employment benefits, e.g. sickness/disability, lone-parent and early retirement benefits. Some countries are experimenting with different activation approaches to help many of these people to find work. But is unclear yet what works best

for this very heterogeneous group of people. It will be a priority for the future to monitor these efforts closely to determine what works and why.

Second, it is vital to boost labour force participation among women. Several family-friendly policies have shown their worth in this regard. They include flexible working patterns, adequate but not-too-long paid parental leave, good-quality, affordable child care and more sharing of caring responsibilities between men and women. This is an area where the social partners can play a leading role.

Third, it will also be vital to ensure that older workers remain active in the labour market much longer than is the case in many OECD countries today; Work has to be made a more attractive and rewarding proposition for older workers than early retirement, and employers have to play a full part in this. It will also be a major task to reverse the expectations of early retirement which have developed over recent decades among workers and employers, especially in many European countries. We have recently published a major study on what needs to be done entitled *Live Longer, Work Longer*.

Fourth, it is time to grasp the nettle of employment security vs. flexibility. Too often, countries have opted to ease the conditions governing temporary jobs while leaving the conditions governing permanent jobs unchanged. While this may lead to some short-term job gains, it leads to growing duality in labour markets and hinders investment in training, thereby hindering productivity growth. Fortunately, there are better alternatives to hand. One much-hyped alternative is so-called “flexicurity”, but there are others such as the Austrian individual savings accounts. These have the merit of guaranteeing much greater predictability to employers concerning the costs of hiring and firing while providing essential security to workers who are laid off.

Fifth, policies to expand labour demand are crucial. Here, the empirical evidence is unambiguous: policies to stimulate product market competition will open up many new jobs, especially in services.

Sixth, effective lifelong learning policies have great potential to help workers adjust to changing skill demands and aspire to better-paid jobs. There is much to be done in schools, as the PISA results show. But learning must continue during working life. Here there are many obstacles to overcome. One task is to ensure that training markets function better. Another is to ensure that there are sufficient financial incentives for firms and workers to invest more in on-the-job training. Co-financing can help a lot here. And it is important to reduce time constraints, e.g. by well-designed training leave schemes. But a further task looms in this area: how to reduce the large inequalities in access to training for the less skilled? This is another potentially promising area for collective bargainers to tackle.

Seventh, macroeconomic policy has a crucial role to play in any jobs strategy. Stability-oriented macroeconomic policy provides the framework within which economic agents can take appropriate decisions regarding saving and investments. Macroeconomic policies can also interact positively with structural reforms in order to bring forward the gains in terms of higher output and employment. In this way, they can build the political support for difficult structural reforms.

Finally, experience shows that there is no single golden road to better labour market performance. There are several models of successful performers to hand from which to adapt inspiration to fit specific national circumstances and history. However, this does not imply that anything goes. The successful performers share some common features: an emphasis on macroeconomic stability and strong product market competition are notable among them.

It is now vital for the lagging countries to take heart and implement the necessary reforms. The costs of inaction are too high in terms of continued unsatisfactory labour market performance. The successes achieved by some OECD countries show what can be done if there is sufficient political will.