

REASSESSMENT OF THE 1994 OECD JOBS STRATEGY

SUBMISSION BY TUAC TO OECD HIGH-LEVEL POLICY CONFERENCE

“Boosting Jobs and Incomes: Lessons from OECD Country Experiences”

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I. Introduction

1. In addition to its initial input in the process of reassessing the 1994 *Jobs Strategy*, TUAC has recently submitted two sets of written comments, concerning the outcome of the reassessment. A first comment focused on the draft Employment Outlook 2006, the so-called main report “*OECD Jobs Strategy: Lessons from a decade’s experience*” and on accompanying reports. A second comment focused on the first draft on the policy lessons and recommendations, presented and discussed in the final stage of the reassessment: “*Boosting Jobs and Incomes: Policy Lessons from Re-Assessing the OECD Jobs Strategy*” – objectives that we clearly share. Both submissions were supplemented by oral comments made by TUAC delegates during consultations with working parties and committees of the OECD in charge of the reassessment in early January and at the beginning of April 2006. TUAC welcomed the serious effort to develop more robust empirical testing of the effects of the JS recommendations on employment, whilst having several critical remarks particularly on implications of the analysis regarding unemployment benefits and the tax wedge, the work done on equity and the theoretical and practical basis of the political economy of reform. The present note offers initial reactions from TUAC regarding the policy lessons and recommendations released by the OECD Secretary General on June 13.

2. TUAC does not disagree with the “four pillars” of the policy lessons derived from past experience, namely:

- Appropriately set macroeconomic policies;
- The removal of alleged impediments to labour market participation and job search;
- Policies tackling labour- and product-market obstacles to labour demand; and
- Policies facilitating the development of labour-force skills sets.

However, there should be more balance between these items and the central role of macroeconomic policy recognised.

The policy lessons convey important messages:

- The trend increase in unemployment has been arrested or reversed in many OECD countries (Figure 1 however indicates that 11 out of the 30 member countries had higher unemployment in 2005 than in 1994);

- Labour market reforms in line with the recommendations of the 1994 *Jobs Strategy* have been rewarded by an improved labour market and employment performance. According to the policy lessons, “reforming countries have in general done better in reducing unemployment” (p. 9);
- Labour market institutions like employment protection legislation and minimum wages cannot be considered any longer to be impediments to employment;
- There is, as the Editorial of the 2006 Employment Outlook has put it, "no single golden road to better labour market performance" (p. 13); i.e. there is no one-size-fits-all combination of policies and institutions to achieve and maintain good labour market performance;
- Reducing unemployment requires the removal of disincentives to work, less stringent protection of workers, increased flexibility of wages and working time arrangements and more obligations on the unemployed.

3. The recommendations place excessive emphasis upon the labour market and its institutions alone to reduce unemployment. The approach concentrates upon increasing “incentives” to work by calling for less generous unemployment benefits and time-constrained benefit entitlements. Moreover, it is assumed that the number of employable workers in the economy determines the number of jobs available. Hence, it does not give sufficient attention to the central contributions of both aggregate demand and investment in productive capacity to achieving full employment and rising living standards. By giving more weight to the objective of promoting labour market participation and employment, the policy recommendations have been made more specific with regard to areas of policy action. Thus, their number has gone up from previously ten to now twenty major recommendations. Almost two thirds of them, namely 13 out of 20, are focusing on the alleged need to further reform labour market institutions as indicated in the Table at the end of our note.

II. TUAC’s Main Comments

Unemployment remains a serious policy challenge

4. In 2005 unemployment across the OECD was slightly lower than the average for the period 1993 - 2003. However, in 13 out of 30 member countries unemployment in 2005 was higher than the average over the 11 previous years. And for 9 of the member countries the short-term labour market prospects are rather gloomy: Unemployment is projected to remain unchanged or to increase even further. It is particularly disappointing that despite strong economic growth in recent years, more than 36 million workers will still be unemployed across the OECD in 2007. Moreover, for 2006 and 2007, the third and fourth consecutive year, OECD employment growth is predicted to remain modest. According to the predictions, employment growth is expected to remain again far behind economic growth. While the latter is projected to increase on average for the OECD by 3.1 per cent in 2006 and 2.9 in the coming year, employment growth is expected to increase only by 1.3 per cent in 2006 and to fall back to 1.1 per cent in 2007. That will leave more than 36 million workers without a job, among them many younger workers. This reflects the fact that the position of youth in the labour market has generally not improved since 1994. It is disappointing to note that in 22 out of 30 OECD countries the unemployment rate of young adults, aged 20 to 24, is more than twice that of adults, aged 25 to 54. Moreover, the growth rate of average real compensation per employee is projected to remain again below average growth in labour productivity.

The implementation of the *Jobs Strategy* – a success story?

5. The policy recommendations and the supporting material raise serious questions about what it means to follow the restated Jobs Strategy recommendations. As already mentioned, the policy report asserts that the OECD Jobs Strategy has been an effective programme to improve labour market performance and that countries, that have made serious efforts following the policy prescriptions have been rewarded with lower unemployment. A recent working paper of the OECD Economics Department has undertaken an effort to substantiate the assertion that the implementation of the Jobs Strategy has been a success story. Following a previous stocktaking exercise, the working paper tries to provide a detailed description of labour market reforms in member countries over the past ten years as well as to give a short overview of changes in macroeconomic policies and reforms affecting product markets. As part of the reform stocktaking, an indicator of reform “intensity” - based on a consideration of a wider set of qualitative information on reforms (changes in work test requirements for unemployment benefit for example) – has been constructed. It is not surprising that the authors claim, tentatively however, to have identified a significant relationship between reform intensity over the period 1994-99 and subsequent decline in structural unemployment. [Footnote: Brandt, N. et al. 2005. *Assessing the OECD Jobs Strategy: Past Developments and Reforms*. Paris OECD Economics Department Working Paper No. 429]

6. The employment performance of the countries ranking highest according to the “Summary reform indicator”, Denmark, Netherlands and Finland, does fit into the picture. That, however, is not the case with respect to many other countries; their ranking and their labour market performance don’t fit together. That applies above all to Germany, which ranks 4th, suggesting a serious reform effort; however, the employment performance doesn’t correspond to the predictions made with regard to the *Jobs Strategy*. The same applies also to a number of other countries. What is particularly striking is to see the yawning gap between the “measured” reform-intensity, the related ranking and labour market performance regarding countries like Germany, Ireland and Spain (they are ranking as 4th, 9th respectively 24th). While the latter, without implementing a comprehensive labour market reform package as recommended by the OECD, have accomplished an impressive reduction of unemployment, Germany has not - despite its amplified reform efforts in line with the OECD recommendations.

7. Neither the working paper nor subsequent econometric analysis conducted during the re-assessment of the OECD Jobs Strategy has provided sufficient evidence confirming that lower wages for the less skilled, less generous unemployment benefits, weaker labour unions, greater decentralisation in collective bargaining and less job security are requirements for good labour market and employment performance. On the contrary, there is compelling evidence that good employment performance has been achieved not primarily by deregulating the labour market and shrinking the welfare state but rather by effectively coordinating macroeconomic and social policies with the system of collective bargaining, based on social dialogue involving the government, trade unions and employer associations.

There is no single combination of policies and institutions guaranteeing good labour market performance

8. In this respect it is important to note that differences among national models of labour market policy have not ceased to exist. They have decreased only in a limited way; despite a shift away from passive support for the unemployed towards activation and labour force

participation, there has been a rather limited convergence. Against this background it is very unfortunate that the Employment Outlook 2006 does not provide any findings based on in-depth country studies regarding labour market and employment performance. Such country studies could have addressed important issues like the interaction between policies pursued in different domains, the policy mix required for good labour market and employment performance, the design, organisation and timing of reform policies as well as the role of consensus and coordination respectively the relationship between the government and the social partners.

9. It is welcome that the policy conclusions acknowledge that good labour market performance can be achieved and maintained by different policy packages. However, this is not appropriately reflected in the key policy recommendations. They remain tilted in favour of what are called “liberal regimes”, characterized by low levels of welfare benefits and limited taxation to fund these benefits, little employment protection and a limited role for collective agreements. This bias towards “liberal regimes” appears to be based on the argument that public policy is costly in budgetary terms while refusing to take into account the social costs of unemployment, inequality and poverty. However, well-targeted and active public policies that steer the economy and the labour market can increase the employment rate and the economy’s productive performance, thereby generating important return effects for government revenue. For example, those countries that have chosen such a path can achieve sound public finances (e.g. the Nordic countries). Social policy is a force for productive change. High inequality, poverty and social exclusion do not only have social costs, they are also an unsound basis for the OECD countries to raise competitiveness and productivity in a more globally competitive world economy. By investing in social policies, countries can be in a better position to address global competition by way of innovation and productivity instead of competing on the basis of low wages.

10. In this respect it is very unfortunate that the reassessment of the *Jobs Strategy* has been limited to alleged policy areas which are considered to have the strongest bearing on labour market performance - beside macroeconomic policy structural reforms in the labour market and policies aiming to strengthen competition in product markets. Regrettably, the reassessment of the *Jobs Strategy* does not include any effort to analyse how globalisation is reshaping employment patterns and policy choices.

Unemployment and deteriorating quality of jobs - remaining challenges

11. Despite over a decade of acceleration of structural reforms this has not translated sufficiently into lower unemployment. In some countries, job losses during the recession appear to be followed by a jobless recovery. In other countries, in particular the large member countries of the euro area, a real recovery from the slump in growth has simply not materialized. In a number of specific cases, lack of recovery of economic growth has gone hand in hand with a collapse in productivity and the creation of precarious jobs that offer no security and long term prospects for workers and their families. Thus, high unemployment across the OECD remains a challenge, as does the integration of young people into labour markets. Structural reforms are no simple ‘magic bullet’. For structural reforms to deliver more and better jobs, they need to be focused on those reforms that improve innovation and productivity and they need to be flanked by active and counter-cyclical aggregate demand policies. Recommendations A1 and A2 focusing on “stability” and sustainable public finances do not adequately reflect the activist role that macroeconomic policy must play.

The restated *Jobs Strategy* fails to contribute to the reduction of precariousness and insecurity

12. The ongoing deterioration of the quality of jobs as reflected by increases of in work poverty is not addressed adequately in the 2006 issue of the Employment Outlook. Likewise the policy lessons fail to outline a strategy aimed to reduce precariousness and insecurity. A positive policy initiative is required, introducing labour market and workplace reforms to respond to employee needs and aspirations not weakening protections designed to give security and dignity to employees at the workplace. This agenda of positive reform should recognize that any policy to invest in modern social policies and to help workers face globalization need to unlock the productive potential that is present in many labour market institutions that protect workers from possible abuse by employers. For example, job protection and in particular prior notification of redundancy, should not be seen as rigidity but as a possibility to prepare retrenched workers to find a productive job elsewhere. The recommendations C7 and C8 -despite a slight reformulation subsequent to joint consultations with TUAC and BIAC and a joint session of OECD Committees in April- still do not therefore reflect this need nor do they appear based on the empirical findings presented by the 2006 issue of the Employment Outlook.

13. There is an urgent need to reform conventional social security systems in order to enable them to respond appropriately to new forms of systemic risk and uncertainty that are brought about by economic changes within the emerging new global economy. Social security systems need to be strengthened and even broadened so that workers and citizens remain open to the phenomenon of globalization despite the volatility and increased insecurity global markets bring with them. This implies securing a broader financial basis for social security which in turn must lead to measures to fight international tax evasion by the production factors that are the most mobile. In view of the challenges of globalization, ageing and technological developments, social security systems also need to develop new initiatives such as a right to sabbatical social protection, in particular for older workers and lower skilled workers. These elements are missing from the policy recommendations.

Unemployment benefits – not the main causes of unemployment

14. Unemployment benefits provide the unemployed with the financial means to look for another job and a job that matches their skills. OECD research itself has shown that many problems arise from failure of the job-seeker to engage effectively with employment services, in other words they do not point to a serious abuse by the unemployed of the system but to misunderstandings of administrative and bureaucratic processes. We question whether the emphasis on reducing benefit replacement rates as advocated will lead to substantial reductions in unemployment rates. (B1)

Lower tax wedges do not necessarily translate into higher employment

15. With regard to the priority given to reducing tax wedges, possible employment effects, if any, will depend on what element of the tax wedge is being reduced. Decreasing the non-wage contribution of employers may simply lead to wage slides and few new jobs will emerge. Decreasing the tax share of the wage-earner may require a long time until the cut translates into new employment. Cuts of the tax wedge or reductions in the payroll tax are difficult to target and to administer. Moreover, they are costly without boosting sufficiently income and demand. Instead of focusing on policies to reduce merely the tax wedge, TUAC

would suggest to pursue a broader approach of policies, aiming to strengthen social security systems and to facilitate a socially sustainability modernization of the economy. (B7; C9) We would also point to inconsistency between the recommendations reducing tax wedges – the recommendation B7 on in-work benefits and the recommendation C1 on limiting minimum wages. A decent minimum wage floor that takes workers out of poverty is needed to stabilize the labour market. As commented on below, in-work benefits have a role of compensating for individual circumstances beyond that. It is significant that the empirical work reported by the Employment Outlook 2006 recognized that well-set minimum wages are not a barrier to good employment performance;

Active labour market policy must be maintained, the “mutual obligations” approach must be rebalanced

16. In discussing *activation strategies* the policy lessons are seriously biased; they focus predominantly on the supply side of the labour market. The fact that jobs must be available in order to make *activation strategies* work by bringing unemployed workers and benefit recipients back into work, is not taken into account. The underlying “mutual obligations” approach appears to be one-sided. Activation strategies often place more emphasis on obligations. Regrettably, the facelifted *Jobs Strategy*, claiming to be a restatement for the future, has failed to call for a better balance of rights and obligations. That reflects above all the fact that the OECD subsequent to the release of the 1994 *Jobs Strategy* has developed a rather critical stance on active labour market programmes (ALMP; concerned about allegedly high budgetary costs of ALMP, increasing emphasis has been placed on improving the effectiveness of ALMP spending. (B1)

17. The restated *Jobs Strategy* does not go beyond calling for the conduct of regular and rigorous assessments of active labour market policies. Besides the fact that active labour market policies will have little effect in periods of low growth and low job creation, assessments of active labour market policies also need to take the special position of disadvantaged groups into consideration. For these groups, training and job creation schemes are often successful and these policy measures should not be discarded on the basis of a too general analysis. So, instead of calling for a termination of inefficient programmes the revised *Jobs Strategy* should have called for an ongoing redesign of labour market programmes. In this respect it is rather disappointing that the revised *Jobs Strategy* does not call upon governments to ensure appropriate financing of active labour market policies. (B3)

Lifelong learning policies cannot be limited to the creation of a well-functioning training market

18. It is welcome that the policy lessons emphasise the need to strengthen lifelong learning and ensure worker training. TUAC welcomes in particular the call upon governments to facilitate the development of skills jointly with the social partners. However, the language used in this respect (recommendation D1) is not very encouraging. Nevertheless, it is important that the recommendations do also address some of the major barriers preventing workers from undergoing training (lack of time, lack of access, the ongoing discrimination of women and older workers). However, the fact that continuing training tends to reinforce existing skill differences resulting from unequal access to and participation in education in all countries have not sufficiently been taken into account. (D1)

19. The policy lessons suggested in order to raise the level of enterprise-based training are limited in scope; they are primarily concerned with the creation of training markets. Instead, they should have emphasised the aim to strengthen the role of employers in the provision of training to be organised and conducted with full social partner involvement. (D2)

Macroeconomic strategy –a visible hand of demand management is needed

20. The macroeconomic strategy advocated by the restated *Jobs Strategy* remains along the same lines as advocated in 1994. The focus is primarily on the aims of price stability and sustainable public finances which in turn via low interest rates may facilitate investment, productivity and growth. However, macroeconomic policy, in particular institutional coordination and the structures of economic policy governance are of key importance for strategies successfully reducing unemployment and promoting employment. Recent country case studies, which have not been reviewed during in the process of reassessing the *Jobs Strategy*, also highlight that maintaining strong aggregate demand can be particularly effective if financial and monetary policies are closely coordinated with collective bargaining, based on social dialogue and consensus building. Recent examples include, among others, the US and the UK. (A1 and A2)

New working time arrangements must be based on joint agreements between workers' representatives and employers

21. Because quality of working life and work-life balance issues are of primary importance for workers and their families, trade unions are increasingly advocating for the introduction of new and innovative working time arrangements. However, in order to benefit both employees and employers, the implementation of flexible working time arrangements cannot be left simply to agreements between the individual employee and the employer as advocated by the policy recommendations. The implementation of new working time arrangements must be based upon joint negotiations and agreements between workers' representatives and employers. (C6)

Wage setting institutions: Sectoral wage bargaining and minimum wages no impediments to employment success

22. We are still seriously concerned about the recommendation C3, aiming to undermine collective bargaining at sectoral level. This has no foundation in the empirical work provided by the Employment Outlook 2006. Studies referred to in this respect are at best sources for an historical analysis, based mainly on strong priors derived from simple economic reasoning and lacking any serious credibility in order to serve as basis for policy recommendations. A more serious and up-to-date analysis would have found that collective bargaining at sectoral level is not exempted from any "market discipline". In this respect it is important to note that Employment Outlook 2006 has confirmed the value of coordinated bargaining systems. As a consequence, institutional changes in national bargaining systems should be left primarily to their key actors, trade unions and employers. In many countries they have started already a process of institutional transformation without abandoning collective bargaining at the sectoral level. They have recognized that bargaining agreements at the sectoral level can provide a framework for conditions of work and pay, while the actual terms and conditions for both individual firms and workers, agreed upon on firm level, can vary in accordance with competitiveness and productivity of the firm. However, in order to prevent a cost-cutting race

to the bottom and to protect workers, a wage floor provided by sectoral agreements is indispensable. (C3)

23. Sectoral wage bargaining is not an impediment to good labour market performance. The call to move away from sectoral wage bargaining and phase out extension mechanisms is based on a simplistic view of labour market functioning and is not supported by any evidence. The outcome of sectoral wage bargaining and its determinants show that economic survival and competitiveness of firms is a key precondition for the security of jobs, regardless of the level of negotiations. Furthermore, globalization implies competitive pressures have intensified also at the sectoral level. The issue is not so much the level of negotiations but the extent to which bargaining is coordinated so that macro-economic objectives can be taken into account in wage formation, thereby avoiding costly conflicts with policy actors such as the central bank.

24. Sectoral wage bargaining is especially appropriate for economies where small companies prevail. Negotiation costs become ‘centralised’ and harmful ‘demonstration’ effects or situations in which firms are bidding up wages against each other are avoided by sectoral wage increases that provide the function of constituting a ‘fair’ wage increase. Sectoral wage bargaining systems imply also a “peace-keeping” function by transferring wage conflicts between management and the workforce to a level above the firm. There are good reasons for leaving institutional changes in national bargaining systems primarily to their key actors, trade unions and employers rather than dictating a particular direction of reform that is not supported by empirical evidence. This is treated further in the annexed note from the European Trade Union Confederation.

Minimum wage - no impediment to employment

25. Those working families relying on minimum wages are struggling to make ends meet. The reality is that many households depend on minimum-wage workers. In order to have a decent living, they need not only appropriately set minimum wages but also access to affordable goods and services.

26. With regard to the importance of wage floors, the policy lessons are overly critical on the role and importance of minimum wages. Thus, it is important to emphasize that in the analytical work of the reassessment no significant impact of the minimum wage on the aggregate unemployment rate was found. The 2006 issue of the Employment Outlook reports that "no significant direct impact of the level of the minimum wage on unemployment" was identified. It is anything but surprising that in line with that finding, the outgoing chairman of the *UK Low Pay Commission*, Adair Turner, reported recently that “since its introduction in 1999 the minimum wage has been a major success. It has significantly improved the wages of many low earners; it has helped improve the earnings of many low-income families; and it has played a major role in narrowing the gender pay gap. But it has achieved this without significant adverse effects on business or employment creation.”

27. Concerns, causing the OECD to call for sub-minimum wages for youth, can be dispelled by a reference to the labour market outcome of a recent youth minimum wage reform in New Zealand. A reform of the youth minimum wage in New Zealand lowered the eligible age for the adult minimum wage from 20 to 18 years and resulted in a 69 percent increase in the minimum wage for the 18 and 19 year olds. Further steps of the reform increased also the minimum wage for 16 and 17 years-olds by 41 percent over a period of two years. A study,

analyzing the effects of a large reform of the youth minimum wage did not find robust evidence of any adverse effect of the minimum wage change on youth employment or hours worked. Thus, any claim for youth subminimum wages appears to be highly disputable. (C1)

Enhanced product market competition: a challenge for active labour market policy

28. The policy recommendations assert that increased competition in product markets is likely to be good for employment. The underlying assumption is based on an alleged interplay between increased productivity, lower prices, higher real wages and thus an increase in demand and output which will in turn increase aggregate employment. However evidence from sectoral studies suggests that subsequent to deregulation employment at sectoral level tends to decrease, which means in the short run almost always layoffs. The assumption that in the long run higher productivity could lead to higher output and in turn to higher employment in the deregulated sector is not supported by serious evidence. On the contrary, a number of case studies have revealed that employment at sectoral level decreases subsequent to deregulation. That, however, means that the policy lessons are overly optimistic regarding the alleged employment impact of enhanced product market competition. Thus, policy makers and governments cannot ignore that enhanced competition in product markets requires far more intensive efforts to establish policies designed to manage change, in particular for active labour market policies. (C4; C6).

III. Follow-up to the restated Jobs Strategy: an evidence-based approach is required

29. As a follow-up to the 1994 OECD Jobs Study, the OECD Secretariat has tried to monitor countries' progress in implementing the policy recommendations. Attention has been given to efforts to measure the degree to which countries have followed through on policy recommendations and implemented structural reforms primarily affecting labour markets. As a substantive part of this work, indicators, measuring the "follow-through rates" of individual member countries regarding country-specific recommendations and the "reform-intensity" have been developed. But efforts to police implementation of the Jobs Strategy recommendations based on check marks have not turned out to be helpful.

30. Regarding the absence of a "single golden road" to better labour market performance, evidence-based follow up is required rather than being based on a simple and purely economically coined concept of structural reform policy. Instead, we must acknowledge that it is legitimate for a democratic society to develop and apply norms, based on different concepts of social welfare; including those comprising a redistributive social safety net designed to address equity concerns. Thus, TUAC would suggest that:

a) Packages of policies have to be assessed.

The "template approach" of country reviews looking at individual policies should be dropped in favour of case studies to improve the understanding of interactions between policies and institutions. There is a clear need to redefine the concept of "structural reform". Labour market reform policies provide a case in point in this respect. The prevailing concept of labour market reform is closely linked to the aims of creating an ideal competitive market and to redistribute revenues, making –as the Employment Outlook 2006 has put it - some groups of individuals ending up worse. Over the period from 1985 to 2002 European countries have implemented more than 240 "labour market reforms", designed to decrease protection and generosity of benefit systems. The

outcome, however, has often been disappointing. More importantly, the structural economic performance of alleged reform-prone countries, judged against a range of indicators, is not in line with the predictions of the rigidity account of unemployment underlying the 1994 Jobs Strategy. On the contrary, a number of countries achieved an outstanding employment performance without faithfully implementing the policy prescriptions of the Jobs Strategy. Moreover, case studies must also give particular attention to the role of counter-cyclical macro-economic policy triggering growth and employment. And last but not least, they must also look after causes and outcomes of policies re-regulating labour markets, particularly in countries with “liberal” labour market regimes.

b) Improving the measurement of labour market performance

The assessment of labour market and employment performance must take into consideration that unemployment as well as employment rates are inadequate indicator as a *measure of labour market performance* across regions and countries. Labour markets related to different countries showing identical rates of unemployment (based on a standardised measure), do by no means necessarily suggest that both markets are equally performing. Thus, a comprehensive assessment of labour market performance must go beyond the use of rates of unemployment and employment as indicators of efficiency; it must also take into account working conditions and employment inadequacy (low wage, low skill jobs, incidence of poverty etc.). The same applies to the ability of labour markets to provide decent work and ensuring socially acceptable levels of well-being of workers.

c) Policies aiming to strengthen security and to improve the quality of jobs and career perspectives

The observed increase in inequality and poverty in a number of member OECD member countries is a cause of serious concern. Regrettably, the reassessment has not lead to policy recommendations aimed to halt and reverse the trend towards increased poverty and inequality. Likewise, the focus on promoting career prospects and job quality of disadvantaged groups, as requested by the mandate to reassess the Jobs Strategy, is anything but convincing. Thus, future work needs to delve more into the issue in order to inform policies on how to tackle inequality and the deteriorating quality of jobs. Particular attention must be given to a redesign of work systems providing decent work by changing workplace practices in order to promote participatory work systems, allowing workers to assume increased responsibility and discretion and to facilitate innovation and productivity.

d) There needs to be a cross-disciplinary approach involving the various OECD Committees in follow-up

ANNEX

Recommendations of the revised Jobs Strategy to reform labour market institutions and to promote employment

I.) Proposed actions to reform labour market institutions

- Make work pay by reducing payroll taxes on labour and improved work-incentives: B7, C2, C9
- Relaxation of EPL and regulations on fixed-term and temporary contracts: C7, C8
- Provision of sub minimum wages for low productivity workers C1
- Set unemployment benefit replacement rates to encourage job search B1
- Enforcement of work availability, job search and compulsion B1, B2, B4
- Implementation of opt-out clauses in order to limit the scope of sectoral collective bargaining coverage C3
- Reducing administrative extension of collective bargaining agreements C3
- Remove all alleged incentives for early labour market exit B5
- Further flexibilisation of working-time arrangements B6, C6

II.) Actions to improve the framework for labour-market participation and employment

- Enhance competition in product markets C4, C5
- Improve labour force skills and facilitate school-to-work-transition D1, D2
- Improve the performance of employment services B3
- Appropriately set macroeconomic policies A1, A2