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Priorities for Labour Markets

Ottheinrich von Weitzershausen

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Lower Dismissal Protection

Businesses do need clear rules, in order to be able to terminate an employer-employee relationship

- in a fixed period
- to moderate and known costs
- The German experience shows clearly that the costs and the complexity of dismissal procedures effect job creation negatively

Create Different Forms of Work Contracts

The labour law must permit various forms of work contracts

- Temporary employment or limited work contracts meet the needs of businesses for flexibility and adjustment. Both created further chances for occupations
- The deregulation of temporary employment has been effective as new source of both flexibility and as a job engine in Germany

Simplify Transfers

The labour law must leave the enterprises leeway for inter - company transfers to another job and/or transfers to another location

- Further education (training) secures the occupation ability. It facilitates the change from unprofitable jobs into jobs with good perspectives in the future

Decentralise the Setting of the Effective Wages

Labour costs must correspond to the respective creation of value added

- A differentiated wage structure is necessary, and effective wage increases have to be agreed on at the firm level.
The basic remuneration must let scope for performance-related and profit-related elements
- Over five years sinking unit labour costs have been the main pre-condition for the recent increase in employment in Germany. This was achieved by a long period of negative wage drift

Reduce Tax Wedge

High taxes on remunerations have a negative impact on the motivation of premiums

- Furthermore, they are an obstacle for the deepening of the division of labour in the range of low skill activities
- A partial switch from contributions to a value added tax for financing the social security is favourable for B2B but not for B2C in the same way

Give Incentives to Work

- The protection against the effects of unemployment must contain noticeable incentives, so that unemployed persons take up as fast as possible new employment
- Generous granted unemployment benefits over a long period suggest false security and lead to long unemployment and an unnecessary waste of the human capital (here: stoppage of work and skills)

Activate People

To an activating strategy also belongs the creation of a low wage labour market

- It should be added by a system of earned income tax credit. People who earn money must be better off than those who rely on subsidies only
- There is clear evidence that the beginning reduction of long term unemployment in Germany is correlated with the boost of low paid jobs
- Minimum wages are not necessary and can be counterproductive

Make Job Placement Effective

An efficient system of job placement is needed, which helps businesses to find the employee with the best qualification available within a short period of time

- Thus, micro- and macro-economically unnecessary costs can be avoided

Finally: Improve Education

The education system has to be able to adjust to the developments in the business sector later, in order to bring the quality of the respective training in line with the required conditions and the appropriate capacities