

ISSUES FOR DISCUSSION

Meeting of OECD Employment and Labour Ministers

PARIS, 29-30 SEPTEMBER 2003



OECD 

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Towards More and Better Jobs

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ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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The recent rise in OECD unemployment is mainly a reflection of the global cyclical weakness. But it is a timely reminder that labour market reform should be intensified. In many countries, structural unemployment remains high. At the same time, greater efforts need to be made to help groups under-represented in the labour market get into work and develop their careers. This is especially important if OECD countries are to cope with the challenges posed by ageing populations and workforces. This requires comprehensive changes in employment programmes, the tax/benefit system, basic education and adult learning policies, as well as efforts to reduce obstacles to labour demand.

Ministers are invited to discuss these broad policy issues, under two themes, namely i) how to ensure that under-represented groups get a job; and ii) how to help them and other workers move up the career ladder and improve their skills. The **working lunch** will focus on the specific role of the public employment service and recent innovations in the market for employment services in achieving these goals. Finally, the issue of job quality will be debated at the **Forum**. The *Employment Outlook* provides the analytical background for these discussions. It analyses in detail the various reform options and provides examples of good practice. This note suggests some questions to help guide the discussion among Ministers.

FORUM

Good Jobs/Bad Jobs: myths and realities?

Some observers have expressed concerns about the “quality” of the employment relationship. This view is based on perceptions of job insecurity and a rising incidence of non-standard forms of employment (short-term contracts, part-time work, temporary jobs, casual employment, undeclared work, etc.). Available indicators, scarce and patchy as they are, suggest growing stress at work – which might be related, in part, to the pressures stemming from enhanced product-market competition and the introduction of new workplace practices.

On the other hand, perceptions of job insecurity are not always matched by objective data on job tenure. It is also the case that many non-standard jobs and short-term work arrangements serve as stepping-stones to better jobs and realising one’s earnings and productivity potential, especially for the young. They also permit many workers to combine jobs with family responsibilities or as a path to flexible retirement. And, in general, some individuals may prefer certain non-standard work arrangements, rather than permanent employment.

Questions

- Will concerns about job precariousness, low-pay traps and other dimensions of job quality gradually disappear as more jobs are created? If not, how should policy tackle the job quality issue?

Theme 1: Mobilising under-represented groups

Despite some increase in employment rates in many OECD countries since the mid-1990s, a high proportion of the working-age population does not participate in the labour market. In a majority of countries, certain groups are disproportionately affected by unemployment and/or inactivity, i.e., they are under-represented in the labour market (Chart 1). This is, as documented in the *Employment Outlook*, particularly the case among women with caring responsibilities and older workers. But these are also significant pockets of inactivity among disabled people, the low-skilled, migrants, ethnic minorities and disadvantaged youth.

More must be done to mobilise under-represented groups into work – and there is no reason to delay the process. Success on this front would contribute to a more inclusive labour market. But it would also help meet the challenge of population ageing. Indeed, in the absence of change in the employment patterns of these groups, OECD labour force growth is likely to decline over the coming decades, and in some countries the labour force may even fall in absolute terms (Chart 2). This would hit the economy hard, while also putting public finances and the welfare state under severe strain. Ageing also means greying workforces, which pose additional challenges to employers and workers in terms of workplace management, training and retirement policies and make it vital to tackle the problem of high youth unemployment.

Enhancing job prospects for under-represented groups will take time. But it can be done through a *comprehensive and mutually-reinforcing package* of reforms. In some countries, practically all the individuals without work receive some form of unemployment or other social benefit (Chart 3). So beneficiaries should be encouraged to actively seek work and work must be made financially rewarding for them *vis-à-vis* benefit receipt. As shown in the *OECD Thematic Review on Older Workers*, pension systems should be reformed as a matter of urgency and subsidised early retirement phased out in view of the need for older workers to stay longer in the labour market, as longevity improves. Implementing family-friendly policies and facilitating part-time work will also help. And barriers to labour demand must be tackled, so that work not only pays but is also possible.

Questions

- **To what extent should the policy effort to mobilise under-represented groups be targeted on those most at risk?**
- **What are the specific roles of tax/benefit reform, activation programmes, family-friendly policies and flexible arrangements such as part-time work and part-time retirement in the mobilisation task?**
- **How can dialogue with the social partners and other stake holders facilitate reform?**
- **In the face of cyclical weakness, how urgent is it to implement reforms now?**

WORKING LUNCH

Recent innovations in the public employment service and the market for employment services

The public employment service should play a crucial role in helping mobilise under-represented groups and promoting a better-functioning labour market. Effective counselling and employment support services are especially important for the former task.

At the same time, the public employment service has to face new challenges such as greater reliance on the Internet as a vehicle for job matches in the labour market and the growing role of private employment agencies. Countries are responding to these challenges in several different ways. One approach is to enhance complementarities with private employment agencies. A second is to introduce market mechanisms in the running of the public employment service such as financial incentives to reward good performance and contracting out of training services. Sometimes, this has taken place as part of a process of decentralisation of employment services. A third is to abolish the public employment service and promote competition in the market for employment services by offering incentives for private providers to place the unemployed in jobs.

Questions

- **How best to enhance the efficiency of the employment services market so that under-represented groups can be assisted effectively to find work and embark on good careers?**
- **Should private agents and/or market mechanisms be given a larger role in this market?**
- **What are the pros and cons of greater decentralisation of employment services?**

Theme 2: Enhancing career prospects for workers at-risk and improving skills

Some progress has been made to help unemployed and/or inactive people get a job, notably through reforms to unemployment benefit systems, more effective active labour market programmes and making work pay policies. But there is concern that some individuals who find work by these means remain vulnerable in the labour market: they tend to lose jobs easily, do not earn enough to lift them and their families out of low income permanently and have few chances to build good careers. This risk is especially acute for individuals trapped in the informal sector, or whose job is undeclared. In short, many workers have limited opportunities to realise their full potential.

In-work benefits and activation strategies can be designed in ways that support workers' efforts to move up career ladders. For instance, some countries offer training courses to unemployed people who find a job. Another approach is to make sure that taxes and benefits do not end up creating a low-wage trap- in other words, such systems must be designed in a way which ensures that work really does pay.

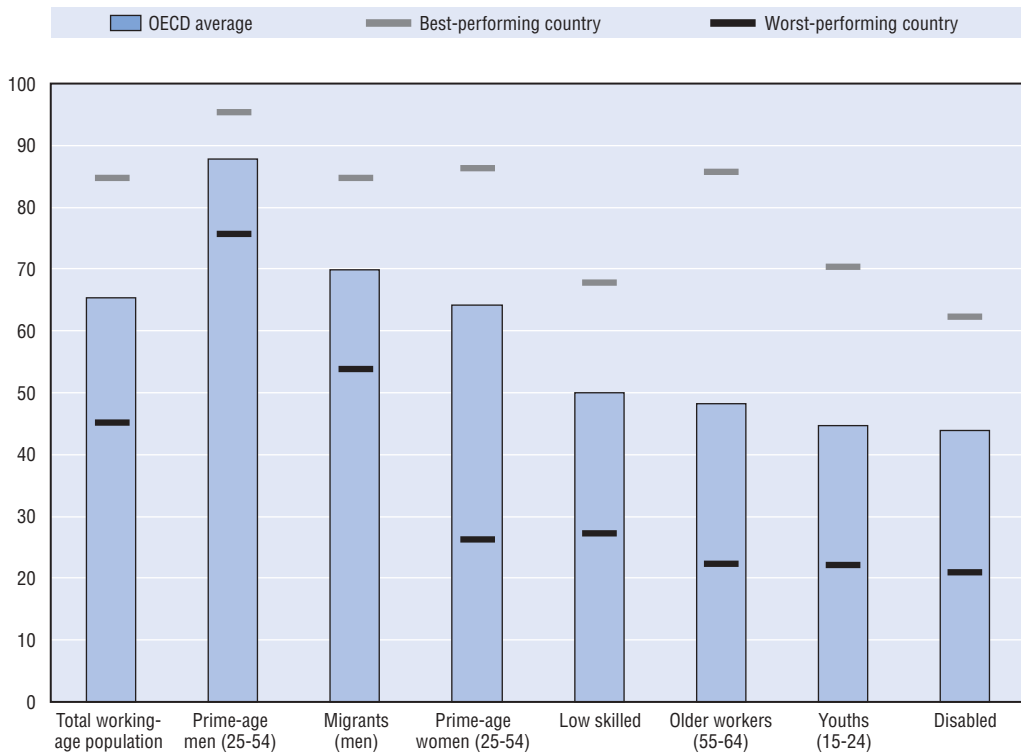
But the best preparation for a good career remains a quality basic education for all extended by investment in continuous adult learning. The latter, accompanied by career guidance, evaluation and certification of skills and competences, is essential to ensure that workers remain employable throughout their working lives. Training also plays a vital role in overcoming skill shortages and mismatches. Job-related training can be instrumental in improving career prospects for the low-skilled, low-paid workers, who often lack basic education. Yet the fact is that individuals from under-represented groups who need it the most receive less training than those who are already highly skilled and/or higher educated (Chart 4). Public policy may help reduce these inequalities, through a targeted combination of incentives for firms and individuals. But this is an area where there is relatively little good international evidence on what works and for whom.

Questions

- **How can activation strategies and make-work pay policies be extended to help individuals at-risk remain employed and move up the career ladder?**
- **Through what mechanisms should adult skills and competencies be upgraded, notably for older workers and the low-educated? How to make lifelong learning strategies more responsive to labour market requirements?**
- **Who should pay for job-related training? What is the role of social partners and other stakeholders in the design of adult learning and its co-financing?**

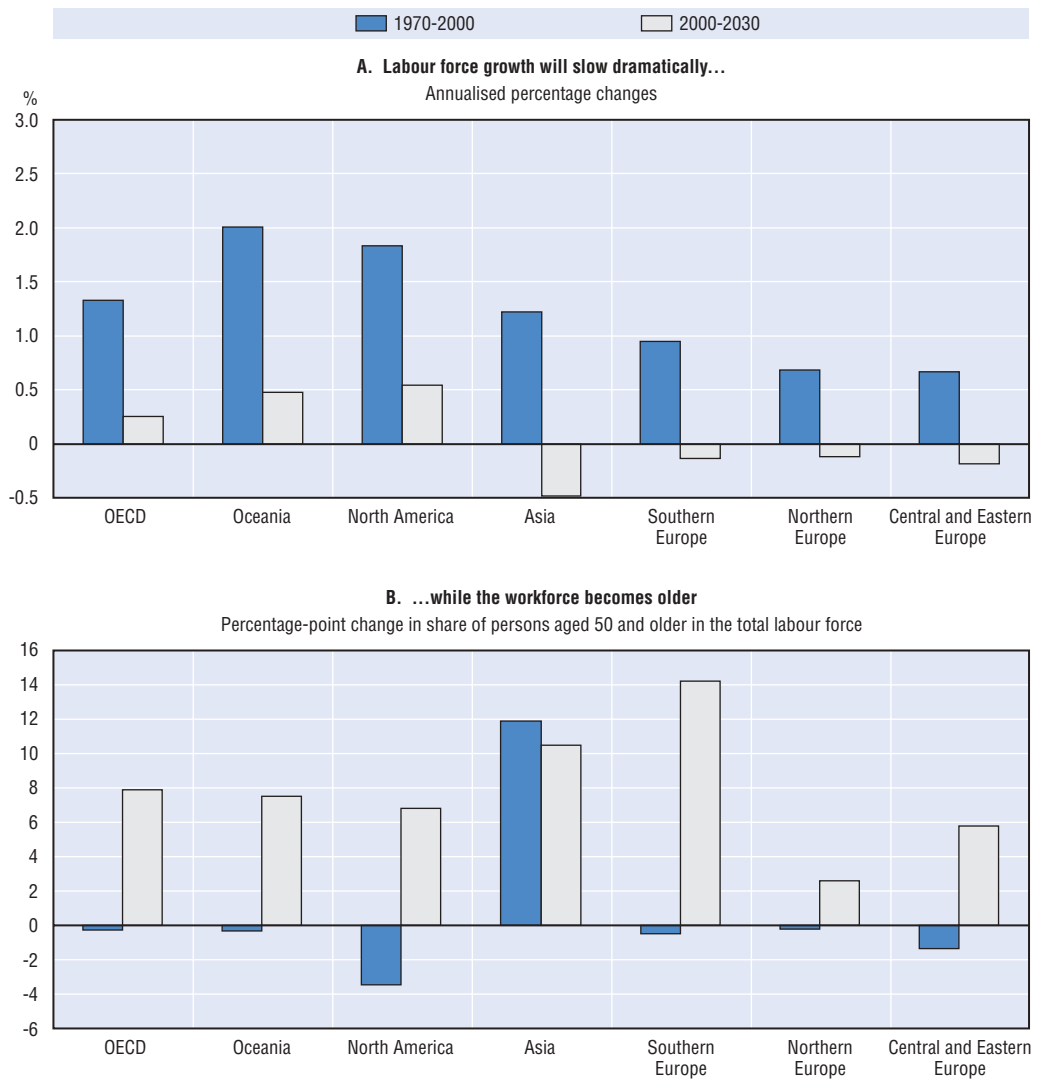
Chart 1. **There is considerable scope for raising employment of some groups^a**

Employment rate in 2001



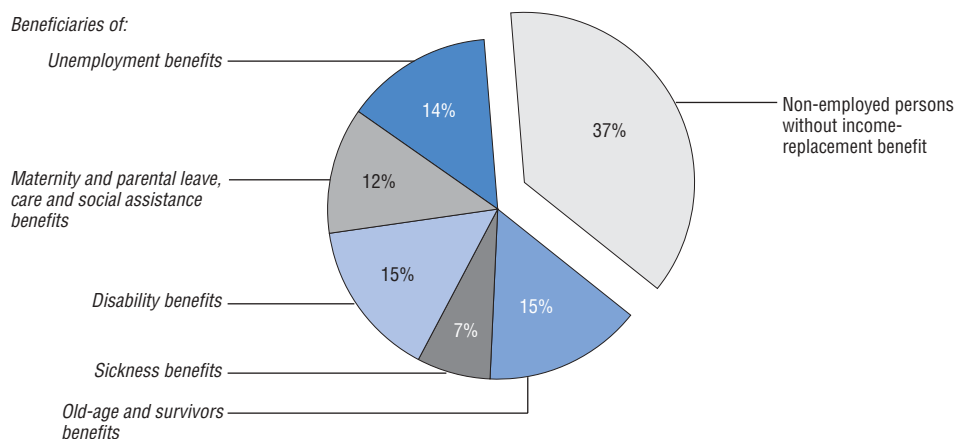
a) The immigrant, low-skilled and disabled groups overlap with the four age-gender groups.

Source: OECD *Employment Outlook*, 2003.

Chart 2. **Population ageing will impact on available labour resources^a**

- a) The demographic-driven scenario which underlies the projections to 2030 assumes that age and gender-specific unemployment and participation rates remain unchanged at their 2000 values during 2000-2030.
- b) Population-weighted averages for the following regional groupings: Asia (Japan and Korea); Central and Eastern Europe (Czech Republic, Hungary, Poland and the Slovak Republic); North America (Canada and the United States); Northern Europe (Denmark, Finland, Norway and Sweden); Oceania (Australia and New Zealand); Southern Europe (Greece, Italy, Portugal and Spain); OECD (all 30 member countries).

Source: OECD *Employment Outlook*, 2003.

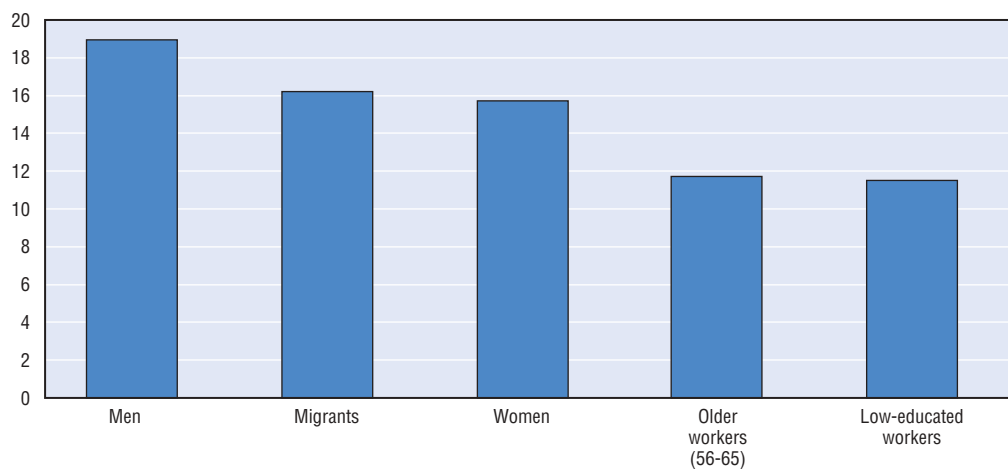
Chart 3. A majority of non-employed persons receive a benefitPercentage of total non-employment^a, 1999, OECD average^b

- a) The chart excludes non-employed persons who study or are engaged in other learning activities converted in full-time equivalents (OECD estimates).
- b) Average of the following countries: Australia, Austria, Belgium, Canada, Denmark, France, Germany, Ireland, Japan, the Netherlands, New Zealand, the Slovak Republic, Spain, Sweden, the United Kingdom and the United States.

Source: OECD Employment Outlook, 2003.

Chart 4. Training inequalities are significant

Average annual training hours per worker



Source: OECD Employment Outlook, 2003.

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