

INTRODUCTORY REMARKS

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HIGH LEVEL JOINT MEETING OF THE EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS

COMMITTEE AND THE ECONOMIC POLICY COMMITTEE

16 JUNE 2006

Honourable Ministers, Ladies and Gentlemen,

I would like first to thank to the Canadian authorities for hosting this important OECD meeting. I would like to welcome you all to this High-level Policy Conference to discuss one of the most important policy challenges facing OECD countries: **how to boost jobs and income**.

1. **Raising employment** has become a key policy priority for OECD countries. Population **ageing** is indeed looming large. To cite just one figure: today, there are four active workers for each retiree in the OECD area. If nothing is done, this is projected to fall to around two workers to each retiree in 2050. A failure to raise participation rates in the face of these demographic trends will place the sustainability of current systems of social protection at risk. It would also cause the long-run rise in living standards to slow.

2. Raising employment will also serve **social objectives** --when OECD social ministers met in Paris in under the chairmanship of Minister De Geus from the Netherlands, there was broad agreement that employment integration is central for tackling poverty and social exclusion.

3. This is not simply a matter of cutting unemployment, as crucial indeed as that is in many countries. Within OECD countries **35% of people of working age, 260 million, people do not have a job.** . And the bulk of these people are not unemployed. They are so-called inactive, i.e. not looking actively for a job. It must be emphasised, however, many of these people would like to work, if appropriate employment opportunities were available to them and if they

were not discouraged to work in some countries by badly designed tax and welfare systems. . It is no simple matter, of course, to guarantee good employment opportunities to all persons of working age that want to work;. Nonetheless, the fundamental policy challenge is clear:, policy makers and governments owe it to citizens to create the conditions for more and better jobs.

4. If the policy goal is relatively clear, it is no simple matter to identify the most effective policies for realising these goals. At the request of its 30 member governments, the OECD Secretariat has thoroughly reassessed the 1994 Jobs Strategy — which provided a policy framework for tackling high unemployment — during the past several years. The first purpose of this meeting is to report back to you on the results of our reflections. In a few minutes, my colleague, John Martin, will present the restated OECD Jobs Strategy and summarise some of the analysis underlying this reform agenda. For now, I will simply say that the 4 pillars of this strategy define a comprehensive reform agenda for achieving high levels of employment and broadly shared prosperity. They do this by fostering both high rates of labour market participation and strong job creation, in a balanced manner; that is, by supporting both labour supply and labour demand.

5. The main purpose of today's meeting is to provide you with the opportunity to discuss employment policy from the point of view of high-level policy makers with responsibility for **identifying the best policy approaches** and **assembling the necessary public support to implement them**. To facilitate the exchange of viewpoints and national experiences, we will invite you to organise you discussion around **two themes**:

- **The first theme** is essentially economic, namely, **which mix of policies** works best for achieving high employment and incomes? This is a large question with many facets. For example, does macroeconomic policy need to actively support structural reforms in labour and product markets? One way in which to reform the labour market is indeed via the product and capital markets. Product market reforms and increased competition have a

tangible effect on wage formation. But how do you get people to accept that?

Governments need to help them adapt. Protect people. Not jobs.

Are high levels of social protection compatible with high employment rates and dynamism? Countries protect people by using active labour market policies. Some countries also have generous and effective unemployment insurance. Last month at the annual OECD Ministerial Council Meeting, economy and finance ministers discussed structural reforms for delivering prosperity - Implementing Economic Reforms for Growth and Employment . The Swedish State Secretary for Finance shared with us his view: Had they made far-reaching reforms of their safety net, he doubted that Sweden would have been able to do so much in terms of liberalising financial- and product markets. By providing social bridges for people to move to new jobs we get, in return, a readiness for change and openness among the general public. Without it, he said that he was afraid that people would be against globalisation and against free trade. But we also need to be aware that unemployment insurance should be a bridge to walk on. Not a platform to stand on.

At the same meeting last month, economy and finance ministers expressed their concern about trade-offs between policy goals, particularly when social objectives were seen to conflict with economic priorities. However, our restated Jobs Strategy found no evidence that countries that have succeeded in lowering unemployment over the past decade have **systematically** been confronted with increasing inequality and relative poverty.

- **The second theme** that we invite you to discuss is **how to gather public support for reform**. One minister at the OECD Ministerial Council that I mentioned shared his belief that there are two ways to carry out structural reforms. Either you wait for the problem to explode so that you get a large and significant crisis. Or you look around the corner and address the issues before it explodes on your lap! Past experience shows that political

opposition can stymie reform efforts, but also that some OECD countries have successfully implemented very ambitious programmes of reform. What accounts for these differences? Is **rising awareness** of the challenges posed by population ageing and globalisation creating a political environment that is more conducive to building a viable constituency for reform? How can the OECD assist member governments in the reform process?

6. I am very much looking forward to listening to your points of view on these issues.