

Editorial

Ensuring Equality of Job Opportunities for All

Labour market performance has improved, and ensuring equality of opportunities for all is now the challenge ahead

OECD labour markets have shown significant improvements over the past decade. The average unemployment rate dropped to 5.6% in the OECD area in 2007, the lowest rate since 1980. Employment has also increased significantly and, on average, two-thirds of the working-age population now have a job, an unprecedented achievement in the post-war era. This is welcome news, but no grounds for complacency. Labour market conditions remain difficult for some groups, and downside risks in the global economic environment loom large with possible negative effects on the labour market (see the *OECD Economic Outlook* No. 83 for a discussion).

Looking beyond the current cyclical weakness, the main labour market challenge in OECD countries is how to promote further improvements in living standards in the context of population ageing. The *Reassessed OECD Jobs Strategy* provides a comprehensive policy framework for boosting jobs and incomes. It highlights the fact that assisting potential workers from under-represented groups to find jobs is a key policy priority; in many countries, women, youth, older people and disabled people have relatively low employment rates. But assistance with finding a job is insufficient; major efforts are also needed to ensure that all individuals have access to the same job opportunities. A significant part of the employment growth in many OECD countries over the past two decades has come through increasing the share of workers holding precarious and/or low-paid jobs.

Labour market reforms have fostered participation...

Labour market reforms, implemented by a number of OECD countries, have fostered labour market participation of under-represented groups. These include the implementation of “activation/mutual obligation” strategies, where effective re-employment services are combined with strong job-search incentives; tax/benefit reforms aimed at reducing the tax wedge and making work pay, particularly for low-paid workers; and removal of disincentives to continued work in old-age pension systems and early retirement schemes. For women, they also include flexible working arrangements, adequate parental leave and good quality, affordable child-care.

... but these reforms will be insufficient if barriers limiting access to jobs, such as discrimination, are not properly addressed

Policy actions to raise labour force participation will have limited success if labour demand for under-represented groups does not follow. Promoting equality of opportunities in the

labour market requires long-term investment in education and training, as well as policy interventions to promote access to productive and rewarding jobs. A persistent mismatch between the skills acquired by individuals and those required by firms to navigate in a globalised and more competitive environment still represents a barrier to the employability of certain groups.

In addition, in many countries, labour market discrimination – i.e. the unequal treatment of equally productive individuals only because they belong to a specific group – is still a crucial factor inflating disparities in employment and the quality of job opportunities. For example, while female employment rates have expanded considerably and the gender employment and wage gaps have narrowed virtually everywhere, women still have 20% less chance to have a job than men, on average, and they are paid 17% less than their male counterparts. Evidence presented in this edition of the *Employment Outlook* suggests that about 8% of the variation in gender employment gaps and 30% of the variation in gender wage gaps across OECD countries can be explained by discriminatory practices in the labour market. At the same time, workers from ethnic minorities have to search 40% to 50% longer than individuals having the same characteristics but belonging to majority groups before they receive a job offer, which renders them much more vulnerable to the risk of long-term unemployment. And, if employed, the average wages of native-born ethnic minorities in a number of countries are more than 10% less than those of their majority-group counterparts.

Structural reforms can help to reduce discrimination...

Structural reforms, *per se*, are likely to improve the employment prospects of under-represented groups by reducing the scope of discriminatory behaviours. Indeed, by implementing competition-enhancing reforms of product markets in the past two decades, many OECD countries have killed two birds with one stone. On the one hand, they have promoted a better allocation of resources and stronger and more sustainable economic growth, thereby boosting labour demand. On the other hand, by reducing market rents, stronger competition has also weakened the ability of employers to cover the costs of their prejudices in hiring and promoting. In addition, reductions in the expected costs of hiring low-productive workers, relaxation of employment protection legislation where it is overly strict, moderation in minimum wage increases and compression of the tax wedge on low-paid workers all have the potential to weaken discrimination in hiring, when the latter is based on prior beliefs or stereotypes about average group performance.

... but effective enforcement of the legal prohibition of discrimination is crucial...

But specific anti-discrimination legislation and other policies are also needed to combat discrimination effectively. Moreover, legal prohibition of discriminatory behaviour can only be effective if it is enforced. And herein lies a major problem: in all OECD countries, enforcement essentially relies on the victims' willingness to assert their claims. But many people are not even aware of their legal rights regarding discrimination in the workplace. And even if they are, proving a discrimination claim is intrinsically difficult for the claimant and legal action in courts is a costly process, whose benefits down the road are

often small and uncertain. All this discourages victims from lodging complaints. Countries that effectively tackle this issue provide adequate institutional support to plaintiffs. They also specify in their anti-discrimination legislation well-identifiable compensatory damages, and make available alternative simplified procedures for dispute resolution.

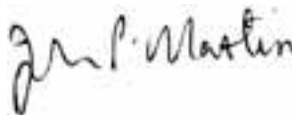
Legal rules, however, will have more impact if the enforcement is not exclusively dependent on individual action. Many OECD countries have put in place specialised anti-discrimination agencies. But in only a few of them are these agencies effectively empowered, in the absence of individual complaints, to investigate companies, take actions against employers suspected of operating discriminatory practices, and sanction them when they find evidence of discrimination.

... as are specific incentives for non-discriminatory behaviour and positive actions

Fighting discrimination in the labour market should also go beyond the repression of unwanted behaviours and the compensation of victims. It also demands interventions that promote cultural changes and redefine socially acceptable practices. Enacting simple, consolidated laws and promoting codes of conduct can help employers avoid discriminatory actions in the first place. And, perhaps more importantly, governments can develop incentive schemes to elicit virtuous behaviours, such as labels for non-discriminatory practices and financial incentives for specific positive actions.

Promoting equality of job opportunities for all requires a combination of structural reforms and direct anti-discrimination measures

The *Reassessed OECD Jobs Strategy* has proven to be a useful framework for a comprehensive policy to promote more and better jobs. The good news is that this reform agenda can also contribute to reducing discrimination in the labour market. But direct measures to prevent discrimination are also required. Otherwise, a level playing field cannot be assured for all workers.



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