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**The contribution of labour market and employment policies to  
addressing the needs of vulnerable workers and areas in a globalising  
economy**

*Background paper prepared by*

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## **The contribution of labour market and employment policies to addressing the needs of vulnerable workers and areas in a globalising economy**

Globalisation is more an opportunity for stronger and more sustainable growth than a social threat. Harnessing the full benefits from a deepened world economic integration requires, however, policies to enhance the adaptive capacity of the economy, while also assisting workers to navigate successfully in highly dynamic labour markets. Effective employment policies have an important role to play in addressing both of these challenges. Experience also suggests that they may be able to help regions within the OECD countries to remain competitive in a rapidly changing economic environment.

To reap the benefits of globalisation, policies should facilitate the reallocation of labour from declining firms and sectors to expanding ones. Recent research suggests that productivity and output growth requires a continuous process of reallocation of resources – including labour – towards most productive uses. In this context, many jobs are created and destroyed, even within individual sectors. While a highly dynamic labour market contributes to raising overall living standards, it also represents a potential source of insecurity for workers and the communities where they live. Accordingly, employment and social policies need to help workers cope with the demands created by enhanced labour mobility resulting from technological changes and the globalisation process.

A more dynamic labour market may pose particular problems for workforce groups who typically have difficulties in keeping a foothold in employment or moving up job ladders. Should this be the case, it would represent a major challenge to policy makers, because raising the employment of groups underrepresented in employment, such as women, immigrants, low-skilled workers and both young and older workers, is an important policy goal in the context of population ageing and concerns about widening economic inequality.

However, the risk of job loss due to e.g. a rise in imports of manufactured goods or the offshoring of service jobs is not restricted to groups traditionally found at the margins of the labour market. Indeed, a significant share of trade-displaced workers previously held stable, high-wage jobs. Furthermore, all workers residing in an area where the local economy is adversely affected by rising international competition are potentially at risk of job loss or stagnating wages,

at least in the short term before new sources of local competitive advantage can be developed. Adjustment assistance measures for workers adversely affected by globalisation should thus be prepared to address a wide range of needs for a very diverse group of workers and local areas.

This note examines the employment policy challenges for G8 countries arising from globalisation. It first discusses how an appropriate mix of domestic economic policies can enhance the adjustment capacity of the economy so as to strengthen the benefit of closer integration while ensuring strong overall labour market performance. It then turns to policies to address the specific needs of vulnerable workers and geographical areas. It is argued that a comprehensive package of policies is required in order to seize the new opportunities created by globalisation, while also meeting social goals. The *Reassessed OECD Jobs Strategy* of 2006 provides a useful benchmark for assembling such a policy package.<sup>1</sup>

## **A. What are the labour market opportunities and challenges of globalisation?**

### ***Globalisation entails higher incomes and welfare...***

History demonstrates that globalisation holds the promise of better living standards for the economy as a whole. For example, according to the OECD Growth Study, a ten percentage point increase in the ratio of trade to GDP is associated in the long run with a 4% increase in per capita income.<sup>2</sup> Moreover, foreign direct investment (FDI) is a major source of knowledge and technological transfers across countries. Not surprisingly, there is evidence that more open economies tend to grow faster than less open ones.

### ***... and higher employment rates***

Open and more integrated economies not only have the potential to reap greater benefits in terms of long-term growth but also of creating more and better jobs. The past decade of unprecedented deepening in international integration has indeed witnessed significant progress in the OECD labour markets: the average unemployment rate in the OECD fell below 6% in 2007, for the first time in two decades. The OECD employment rate is also at an all-time high, due to both rising participation for women and the decline in unemployment since the mid-1990s.

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<sup>1</sup> See OECD (2006), *Boosting Jobs and Incomes: Policy Lessons from Reassessing the OECD Jobs Strategy*, OECD, Paris; and OECD (2006), *Employment Outlook – 2006*, OECD, Paris.

<sup>2</sup> See OECD (2003), *The Sources of Growth in OECD Countries*, OECD, Paris.

Looking at the unemployment trends in the G8 since 1990 suggests rather different country experiences, even though the ongoing process of globalisation impacted all of the countries concerned (Figure 1, Panel A). Unemployment rates fell in Canada, Italy, Russia, the United Kingdom and the United States. The unemployment rate is essentially unchanged in France and it rose in Germany and —from low levels— in Japan. A look at the evolution of employment rates confirms that there is no obvious relationship between globalisation and aggregate employment outcomes (Figure 1, Panel B). Outside the G8, Ireland and Spain are the two OECD countries which have achieved the most impressive gains in employment. And these are also two countries that have become considerably more open to international trade, foreign investment and migration flows.

### ***But globalisation is also a potential source of losses for workers***

Despite the positive links between greater economic integration, structural changes and overall labour market conditions, globalisation is sometimes perceived as a source of job losses and growing labour market insecurity. Indeed, despite the decline in unemployment and greater employment opportunities, employment opportunities remain limited for some groups, including youth and the low skilled. And despite the fact that much of the improvement in employment observed in OECD countries over the recent past are structural in nature, labour market conditions remain highly sensitive to the business cycle as witnessed by the recent rise in unemployment in some countries following the deterioration in macroeconomic conditions.

More generally, there is also a feeling that some groups in the labour market benefit more than others from globalisation. The fact is that globalisation is occurring in the context of wider wage inequalities. In most OECD countries for which data are available, the earnings of workers at the top of the wage distribution have risen relative to those of workers at the bottom since the early 1990s. Success in increasing the numbers of people in work meant that overall earnings inequality did *not* rise any further in the most recent past. But the increasing importance of self-employment income and capital income meant that market income inequalities *have* continued to rise. Despite increased taxation and social spending, the increase in income inequality and poverty has been fairly widespread (affecting two thirds of all OECD countries).<sup>3</sup> Moreover, globalisation and stronger competitive pressures have been accompanied by a surge in atypical job contracts – fixed-term contracts and jobs through temporary work agencies. While providing

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<sup>3</sup> Trends in income inequality, poverty and wealth are reviewed in detail in OECD (2008), *Growing Unequal*, OECD, Paris, (forthcoming).

greater flexibility for firms to adapt quickly to a rapidly evolving demand, they are a source of uncertainty for workers.

***To realise the opportunities created by globalisation, adjustment is needed –and this can be painful for some workers***

The labour market plays a crucial role in the realisation of the potential gains from globalisation. Labour market adjustment to globalisation is best thought of as a continuous process of reallocation of labour from declining firms and sectors to expanding ones. Every year in all market economies many firms enter the market and create new jobs, while others exit the fray destroying jobs. At the same time, existing firms are in a continuous process of adaptation to changes in market conditions and technology that also involves changes in the size and composition of their workforce. This process of “creative destruction” through which dynamic market economies grow involves high rates of job creation and job destruction, even within individual sectors.<sup>4</sup>

Workforce adjustment is not costless, however. Whereas some job losers find comparable jobs quickly, others remain jobless for long periods or move back to employment but have to accept lower wages than on the lost job.<sup>5</sup> Production workers who had accumulated many years of tenure on the lost jobs are particularly at risk of experiencing major adjustment difficulties in terms of both prolonged unemployment and pay cuts.

Historically, trade-displaced workers have been somewhat more likely than other job losers to have been displaced as part of a major retrenchment in a declining industrial sector and,

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<sup>4</sup> In this regard, the labour market effects of globalisation are similar to those arising from technological change. Studies for a number of OECD countries suggest that, on average, one fifth to one-fourth of all firms enter or exit the market each year and 15 to 20% of all jobs are created or destroyed. The movement of workers from “dying” to “newly born” jobs accounts for an important share of overall productivity growth (Bartelsman, Haltiwanger and Scarpetta, “Measuring and Analyzing Cross-country Differences in Firm Dynamics,” *IZA Discussion Paper Series*, No. 1374, 2004; Cahuc, P. and A. Zylberberg (2004), *Le Chômage, fatalité ou nécessité?*, Flammarion). Perhaps, surprisingly, only a relatively small share of these job flows appear to be attributable to globalisation and it is not clear that job turnover rates are higher now than in earlier decades.

<sup>5</sup> In the United States, 63% of workers displaced from jobs in high-international-competition manufacturing industries are re-employed within two years after job loss. In the EU-15, this is the case of only 52% of displaced workers. Moreover, workers displaced in the United States experience an average pay cut of 13% once re-employed, with one-quarter experiencing large earnings losses of 30% or more. By contrast, earnings are unchanged on average for European workers becoming re-employed following the loss of a job in manufacturing. Overall, this suggests that adjustment occurs mainly through pay cuts in the United States and through lengthy unemployment spells in Europe (OECD (2005), *Employment Outlook - 2005*, Chapter 1, OECD, Paris).

hence, to be high-tenure production workers residing in areas experiencing economic difficulties. Not all trade-displaced workers fit this profile. A novel feature of the ongoing globalisation wave is that the adjustment challenge now concerns a broader range of jobs than in the past, when mainly unskilled production workers and industrial sectors were affected. Indeed, an important characteristic of the ongoing globalisation process is that it goes hand-in-hand with the rapid adoption of information and communications technology. Such technology facilitates the fragmentation of the production of goods and services, and outsourcing of certain tasks to other countries. This has contributed to extend the reach of globalisation to more service sectors. Consequently, the ongoing process of globalisation entails job gains and losses within sectors, as well as between them.<sup>6</sup> In short, adjustment opportunities and challenges potentially concern a broader range of jobs, both skilled and unskilled, in services and goods-producing sectors.

In order to maximise the gains from globalisation, labour markets need to support rapid worker adjustment towards expanding sectors, firms and occupations. There is also a need to address widening wage inequalities and perceptions of job insecurity. Public support for furthering international economic integration (and the structural reform agenda more broadly) could wane if the perception that many workers do not benefit from it takes firm root.

## **B. What can policies do to promote employment opportunities arising from globalisation and reduce adjustment costs?**

One focus of policy should be to enhance the capacity of the economy to adapt to a changing economic environment. Employment policies have a key role to play here, but many other types of policies are also needed.

### ***Helping firms and individuals seize new opportunities***

Reduced barriers to competition, entrepreneurship and growth are instrumental in strengthening the economy's capacity to adjust and to reallocate resources efficiently. In particular, such policies may unleash the considerable potential of the service sector as a source of job creation. OECD work provides robust evidence that measures in this area stimulate job

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<sup>6</sup> Offshoring, while growing, is more limited than is often assumed and is not associated to date with net reductions in employment in the industries in which offshoring has been most intensive (OECD (2007), *Employment Outlook - 2007*, Chapter 3, OECD, Paris). The competitive advantages achieved by offshoring certain jobs result in about as many new jobs being created. However, job-skill requirements for the newly created jobs exceed those for the lost jobs, creating potential adjustment difficulties for the affected workers.

creation, while also boosting productivity and real incomes –to the extent that greater competition puts downward pressure on consumer prices, raising the purchasing power of wages.<sup>7</sup>

### ***Facilitating mobility through well-designed employment regulations***

Globalisation requires mobility to ensure that workers are not trapped in jobs which have no future. In this regard, overly-strict employment protection legislation (EPL) may reduce mobility by constraining firms' ability to cope with a rapidly changing environment. Since firms' firing as well as hiring practices are likely to be affected by the restrictiveness of EPL, both the inflow to, and outflow from, unemployment could potentially be reduced. In addition, when severance pay is tied to the existing job, workers with a permanent contract and long tenure will have limited incentives to change jobs voluntarily. This is especially problematic when these jobs are located in declining sectors, while new job opportunities are available elsewhere in the economy. Finally, overly-strict protection of permanent contracts, combined with a loosening of EPL governing temporary contracts, has also been associated with a surge in the use of temporary contracts in several OECD countries. While this may lessen the impact on firms' hiring and firing practices, it also divides the labour market into segments providing different levels of protection. Workers on temporary contracts tend to bear most of the brunt of the enhanced flexibility and, because of less access to on-the-job training, they may have difficulties in climbing career ladders.

However, a certain degree of employment protection, such as advance notification of plant closing or other large-scale layoffs, may reduce adjustment costs by providing all interested parties time to plan and implement the necessary adjustments. Reasonable advance notice to workers and governmental bodies is often a prerequisite for cooperation between the firm, its workers and public employment services in preparing for imminent job losses.

It is also possible to provide adequate workers' compensation against dismissal, while at the same time reducing some of the drawbacks of traditional severance pay systems. For instance, Austria replaced in 2003 its traditional dismissal compensation system with individual saving accounts that workers can carry with them in the event of changing jobs -- thus facilitating mobility. Making legal procedures governing dismissals more predictable and less onerous for both employers and employees is also important. Indeed, in the context of increased economic risks associated with globalisation, legal uncertainties are especially detrimental to recruitment

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<sup>7</sup> See OECD (2008), *Economic Policy Reforms: Going for Growth 2008*, Paris; and OECD (2006), *OECD Employment Outlook*, Paris.

under permanent contracts. This is probably why employers in the Netherlands have increasingly recourse to a dismissal system which is predictable –though more expensive in terms of severance pay than the traditional system.<sup>8</sup> Finally, in Denmark, dismissal procedures are relatively light, there is significant turnover in the labour market and workers' protection is mainly provided through a generous, work-oriented benefit system –the so-called Danish “flexicurity” system.

These innovations show that it is possible to reform overly-restrictive EPL in a manner that strikes a balance between the need for flexibility and workers' security. Nonetheless, reforming EPL raises difficult technical and political questions and national practices continue to vary significantly, including across G8 countries (see Figure 2).

### ***Boosting the incomes of those who lose their jobs***

Reintegrating displaced workers is particularly challenging and involves policies to ensure sufficient job opportunities and hiring incentives, as well as efforts to strengthen their employability. While time-limited targeted policies might be envisaged in some cases, particularly in the face of trade shocks that affect disproportionately certain low-skilled groups or are concentrated in particular localities, the overriding advice from the *Reassessed OECD Jobs Strategy* to countries is to aim for good general policies to cope with structural adjustment problems, whatever their origins.

In particular, countries' unemployment benefit systems play an important role in the reintegration of displaced workers. Unemployment benefits help to cushion the income losses of job losers. However, if badly designed, they can act as a disincentive to job search, hindering the reallocation process in the labour market.

One way of ensuring high re-employment incentives for job losers is to grant them low benefits levels of limited duration. But this approach means that those who do not manage to find new jobs suffer large income losses, potentially undermining support for globalisation among those who fear for their jobs. The alternative, of having higher benefits, is sensible only if

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<sup>8</sup> In the “dual” dismissal system of the Netherlands, employers can opt for a relatively short (Court-based) procedure which entails relatively predictable dismissal pay. Alternatively, they can process the dismissal case through the traditional route, i.e. labour authorities (Centers for Work and Income). In the latter case, dismissal procedures take much longer than with Courts –though dismissal compensation tends to be much less. Interestingly, recourse to Courts, instead of the traditional route, has been increasing over the past decade.

combined with well-designed mutual obligations/activation policies, which increase the re-employment opportunities while mitigating the work dis-incentive effects embodied in generous welfare systems. This includes, in particular, effective job-search assistance and compulsory participation in a labour market programme after a period of unemployment (as is done in Australia, the United Kingdom and some Nordic countries); this is backed up by the threat of moderate benefit sanctions if the jobseeker does not take steps to search for work actively or improve employability. OECD evidence suggests that a well-designed and well-implemented mutual obligations / activation strategy will pay dividends in terms of improved labour market outcomes.<sup>9</sup>

### **C. What can policies do to address the needs of vulnerable workers and areas?**

#### ***Underrepresented groups require special attention***

As discussed above, there are good economic and political reasons to assure that effective adjustment assistance is available to workers displaced by trade. However, policy makers should not lose sight of the fact that in a more dynamic but also uncertain economic environment other labour force groups encounter difficulties and require assistance, if they are to realise their full potential. This is particularly true for members of groups in the working-age population which are consistently underrepresented in employment.

Prime-age men have high and similar employment rates in all OECD countries, as well as in the Russian Federation, despite the fact that they account for a significant share of workers losing their jobs due to international competition (Figure 3). By contrast, employment rates are lower and show much more cross-country variation for other groups in the working-age population. Among the groups often found at the margins of the labour market are women, the low-skilled, youth and workers approaching the standard age of retirement. When employed, these groups have much higher probability of being in low-paid and temporary jobs.

OECD analysis has shown that lower employment rates for these underrepresented groups reflect greater barriers to participating in paid employment. For example, women typically bear much of the responsibility of caring for young children and elderly relatives and this role can be difficult to reconcile with paid employment in the absence of family-friendly employment practices (OECD, 2007, *Babies and Bosses: Reconciling Work and Family Life*, Paris). Similarly, the

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<sup>9</sup> See OECD (2005), *Employment Outlook – 2005*, Chapter 4, OECD, Paris; OECD (2006), *Employment Outlook – 2006*, Chapter 3, OECD, Paris.

incentives built into some public pension systems, along with the reluctance of many employers to hire, train or retain older workers, can cause many workers to retire earlier than would otherwise be the case (OECD, 2006, *Live Longer, Work Longer*, Paris). Moreover, even in countries where overall employment performance is strong, the transition from school to work continues to be difficult for some youth. This is particularly true for early school-leavers because OECD labour markets offer fewer opportunities for workers lacking basic qualifications.<sup>10</sup>

Some of the international differences in employment rates for underrepresented groups represent differences in cultural preferences or are desirable on other grounds. Nonetheless, experience in a number of countries has shown that appropriate reforms can significantly raise employment rates for these groups by making it easier for them to obtain a secure foothold in the labour market and to move up job ladders. Such reforms can raise living standards and are particularly important in the context of population ageing. These types of reforms can also reduce poverty and social exclusion.

### ***Can the twain meet?***

Policies to foster successful adjustment to globalisation could conflict with policies to assist underrepresented groups, at least to some extent. For example, increasing the targeted adjustment assistance provided to trade-displaced workers would, in general, reduce the budgetary resources available for programmes providing labour market assistance to underrepresented groups. Nonetheless, there is a broad complementarity between measures to make the labour market more dynamic and measures to make it more inclusive.

Policy reforms aimed at strengthening labour market adaptability will benefit both the underrepresented groups in the labour market and displaced workers by contributing to stronger growth and job creation. As discussed above, this is the case for EPL: relaxing EPL will not only strengthen the adaptability of the labour market but also potentially contribute to improve employment opportunities for underrepresented groups. Similarly, measures to improve workforce skills can contribute to both structural adjustment and greater labour market inclusion. More generally, OECD evidence suggests that further reforms aimed at strengthening competition in product markets have the potential to not only promote productivity growth but also create more job opportunities.

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<sup>10</sup> See OECD (2008), *Employment Outlook – 2008*, Chapter 1, OECD, Paris, (forthcoming); OECD, *Jobs for Youth*, various issues.

### ***Promoting employment and earnings prospects of low-skilled workers***

Low-skilled workers are a particularly disadvantaged group in a globalising economy. Freer trade and investment, combined with skill-biased technology, tend to reduce the demand for unskilled labour relative to that for skilled labour. This will exert downward pressure on the relative wages of unskilled workers. If these wages do not respond accordingly, there is a risk of higher unskilled-labour unemployment. And if wages do respond so that employment is maintained, the result may be higher working poverty –except if lower social contributions on low-paid work help cushion the effects of lower wages on the take-home pay of workers. This is not just of academic concern: the latest OECD figures to be published soon in the *Growing Unequal* report show that over half of all poor people in the OECD area have some income from work. If we are to make progress in reducing poverty rates, it is necessary not just to move jobless people into work, but also to increase the incomes of low-paid workers and their families.

### ***Strengthening incentives to take up low paid jobs***

There is a need to develop so-called “*make work pay*” policies to help not only those who cannot find a job, because of globalisation or any other reason, but also those who struggle to make ends meet relying on low-paid, precarious employment. Experience shows that “making work pay”, through in-work benefits (e.g. the Working Tax Credit of the United Kingdom or the Earned Income Tax Credit of the United States) combined with a moderate minimum wage can be effective -- particularly for certain groups at risk of joblessness and in-work poverty, such as lone parents. Even in relation to the overall labour force, employment gains can still be significant. The expansion of the in-work payment in the United Kingdom in 1999 is estimated to have increased total employment by 0.4% of the labour force, for example.

Many countries that have introduced make-work-pay policies also have a statutory minimum wage that provides a floor and thus reduces the risk that the provision of in-work benefits leads to lower pay. However, in countries with widespread wage floors set through collective agreements, there is less of a need for introducing a statutory minimum wage in combination with in-work benefits. This is the case, for example, in Germany –although there is evidence that, even in this country, a growing number of workers are not covered by collective agreements, which may require introducing a nationwide minimum wage set at an appropriate level so as not to harm the employment prospects of low-productivity workers.

### ***Promoting skill development and life-long learning***

In-work benefits *cum* moderate minimum wages will not fundamentally improve the career prospects of low-skilled workers. Thus, improving skill development opportunities for low-educated workers is important as well. Better skilled workers are more mobile across occupations, industries and regions than their lower skilled counterparts. They also face a lower risk of layoff. And, when they lose their job, better skilled workers have a relatively good chance of obtaining new employment.

This reinforces the need for implementing the skill development pillar of the *Reassessed OECD Jobs Strategy*, which encompasses i) reducing early school failure and achieving high-quality initial education; ii) strengthening the links between initial education and the labour market; and iii) promoting incentives on the part of both workers and firms to invest in human capital, complemented with well-targeted public support.

Although these general principles are clear, there is still much to be learned about putting them into practice. Several ongoing OECD projects are intended to deepen understanding of how best to foster lifelong learning in the context of rapid economic and demographic change. The *Jobs for Youth* project consists of detailed country reviews of the school-to-work transition and are focussed on identifying policy strategies for reducing school failure and making it easier for youth finishing their initial education to access jobs which provide opportunities for further learning and career advancement.<sup>11</sup> The OECD *Programme for the International Assessment of Adult Competences* (PIAAC) should provide much clearer information than is currently available concerning the skills possessed by the adult workforce and how they compare with job requirements.<sup>12</sup>

### **The contribution of employment policy to regional economic development**

The labour adjustment costs associated to globalisation and changing comparative advantages tend also to be concentrated geographically; they affect disproportionately those regions with specialisation in import-competing, declining sectors. Many workers residing in these regions may confront a daunting choice between moving to another, more dynamic, area or risking a prolonged period of joblessness and underemployment. As can be seen in Figure 4, the unemployment rate in economically lagging regions can be much higher than that in regions where the local economy is strong. Since globalisation can have highly disparate effects on

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<sup>11</sup> Sixteen countries are participating in the review process, including Canada, France, Japan, the United Kingdom and the United States.

<sup>12</sup> Twenty-two countries are participating in the development stage of PIAAC, including all G7 countries.

different areas within a country –stimulating growth in some localities while causing factories to be shuttered elsewhere– it is a factor contributing to regional disparities. Another implication of globalisation, including the emergence of China and India and other large emerging economies as major exporters, is that many regions in industrialised economies need to continually develop new sources of comparative advantage to replace historical specialisations that are being undermined by increased international competition.

Employment policy may be able to make an important contribution to assisting areas to adapt successfully to globalisation, particularly in areas facing economic stress due to the loss of historic sources of comparative advantage. To some extent, such a contribution will arise naturally out of national policies to foster labour market adjustment and tap underutilised labour resources, such as those discussed above. However, the economic challenges facing different regions vary dramatically and locally tailored employment policies also have an important role to play.

Recent experience in a number of OECD countries demonstrates how local labour market authorities can play a key role in local economic development strategies. This can take a number of different forms, but two tentative lessons have emerged from recent successful examples (e.g. the *Wired* programme in the United States and the *Schéma régional des formations* in France). First, local employment programmes must be allowed sufficient flexibility to coordinate effectively with other relevant government agencies and key economic actors in the private sector in mobilising local resources to meet local needs. Second, the increased centrality of innovation and workforce skills to economic competitiveness in advanced economies means that labour authorities can sometimes make a key contribution to these local partnerships by helping to develop and implement a comprehensive workforce development strategy.<sup>13</sup>

The potential of decentralised employment policies to contribute to local and regional development should be further developed. Nonetheless, it must not be forgotten that employment policies are primarily people-, rather than place-centred. If good employment opportunities can be generated where individuals prefer to live for non-economic reasons, that is all to the better. However, economic growth involves qualitative changes in production activities –across firms,

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<sup>13</sup> The OECD LEED Programme and the Italian Government organised a high-level conference to discuss how the decentralisation of labour market policy can best contribute to local economic development in 17-19 April 2008. The *Venice Action Statement* endorsed by the conference participants affirms that “it has become urgent to review the organisation of employment policy so that it is better able to respond to the opportunities and threats experienced by localities in a knowledge-based economy.”

industries and occupations, but also across locations. There can be a high payoff to fostering economic rejuvenation in lagging regions. This involves creating the appropriate infrastructure to promote new private initiatives, efforts at improving the skills of the local labour force but also close coordination at the local level, particularly between employment and economic development policies.<sup>14</sup>

But employment programmes should not lose sight of the fact that geographic mobility will be the best solution for some workers in these regions. Greater internal mobility is often hampered by housing policies. Further reducing tax incentives and subsidies in favour of homeownership, which are still in place in most OECD countries, may help in reducing obstacles to mobility. Moreover, policies aimed at reducing transaction costs – legal, taxes, but also real-estate fees – on housing would also help. And credit constraints, which may weigh particularly on low-income workers when looking for rental accommodation to move to a new job, may also need to be removed.

### **Concluding remarks**

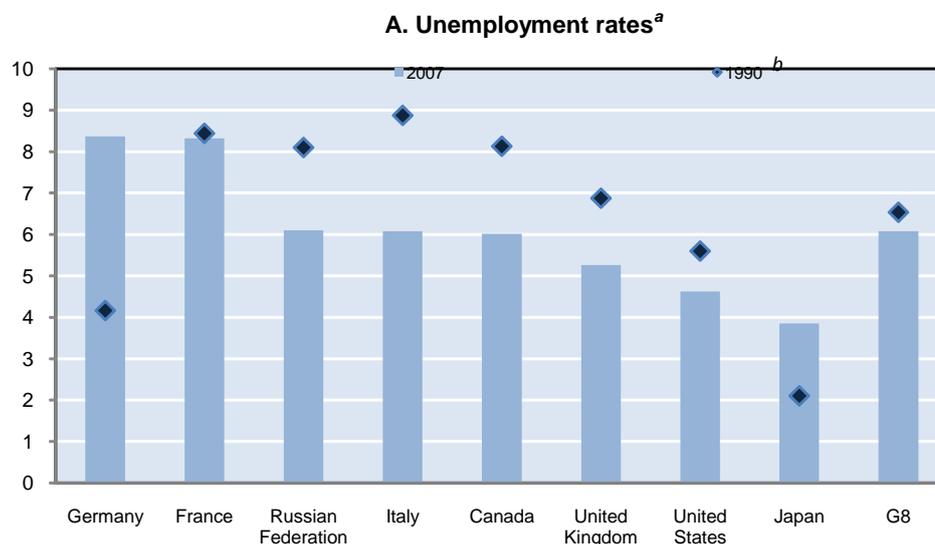
The policies advocated here are instrumental for enhancing the benefits from globalisation while addressing the needs of vulnerable workers and areas. A large range of policies are potentially relevant, but which are most in need of attention will vary according to country-specific circumstances. What is important is to move ahead with a coherent, successful package.

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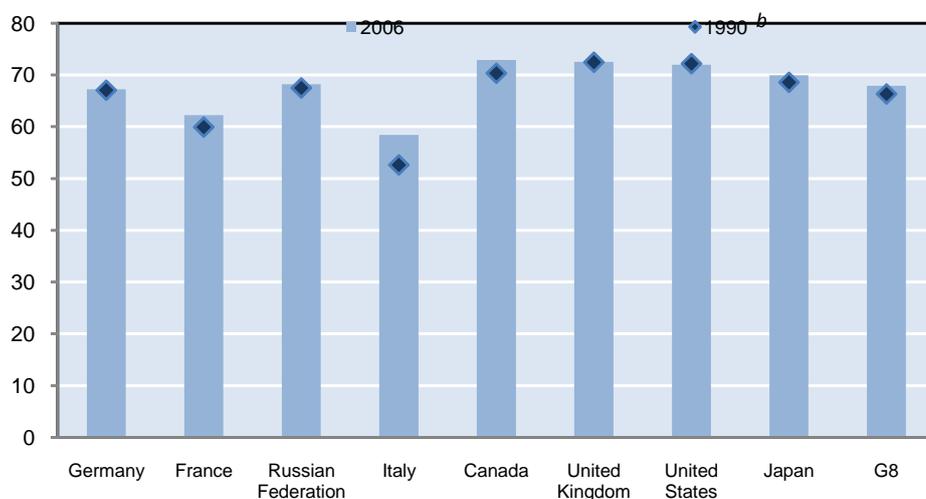
<sup>14</sup> OECD (2008), “More Than Just Jobs: Workforce Development in a Skills-Based Economy”, OECD, Paris.

**Figure 1. Employment and unemployment rates in G8 countries, 1990 and last available year**

Percentages



**B. Employment rates, persons aged 15 to 64, percentages**

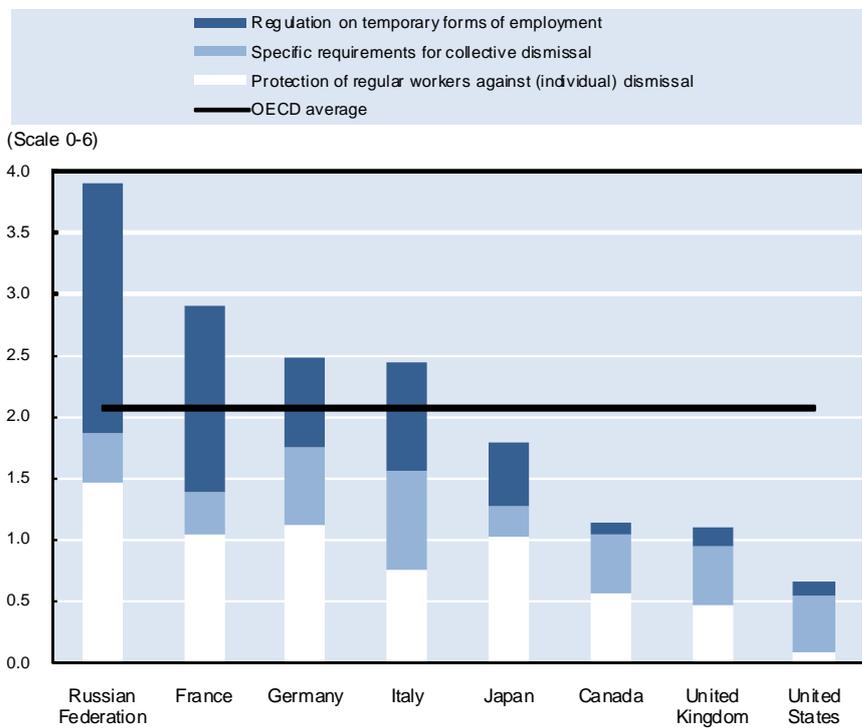


a) Standardised unemployment rates for G7 countries. Unemployment rate for the Russian Federation is from household labour force survey, which is designed to be consistent with ILO recommendations. Thus the unemployment rates presented should be reasonably comparable with the standardised rates.

b) 1991 for Germany, 1994 for the Russian Federation.

Source: OECD Main Economic Indicators; OECD (2007) *Employment Outlook*, Paris; National Household Labour Force Survey (for the Russian Federation).

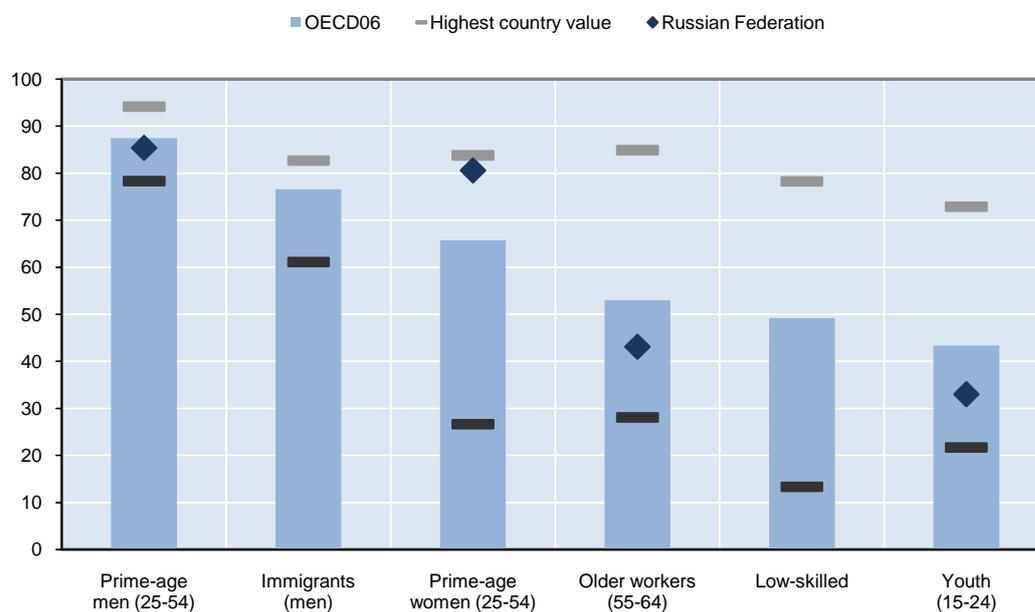
Figure 2. Overall summary index of EPL strictness and its three main components



Note: Data refer to 2003 except 2007 for the Russian Federation.

Source: OECD (2004), *Employment Outlook*, Paris, and data provided by national authorities.

**Figure 3. Employment rates differ strongly across population groups<sup>a</sup>**  
 Employment rate, OECD average, 2006<sup>b, c</sup>

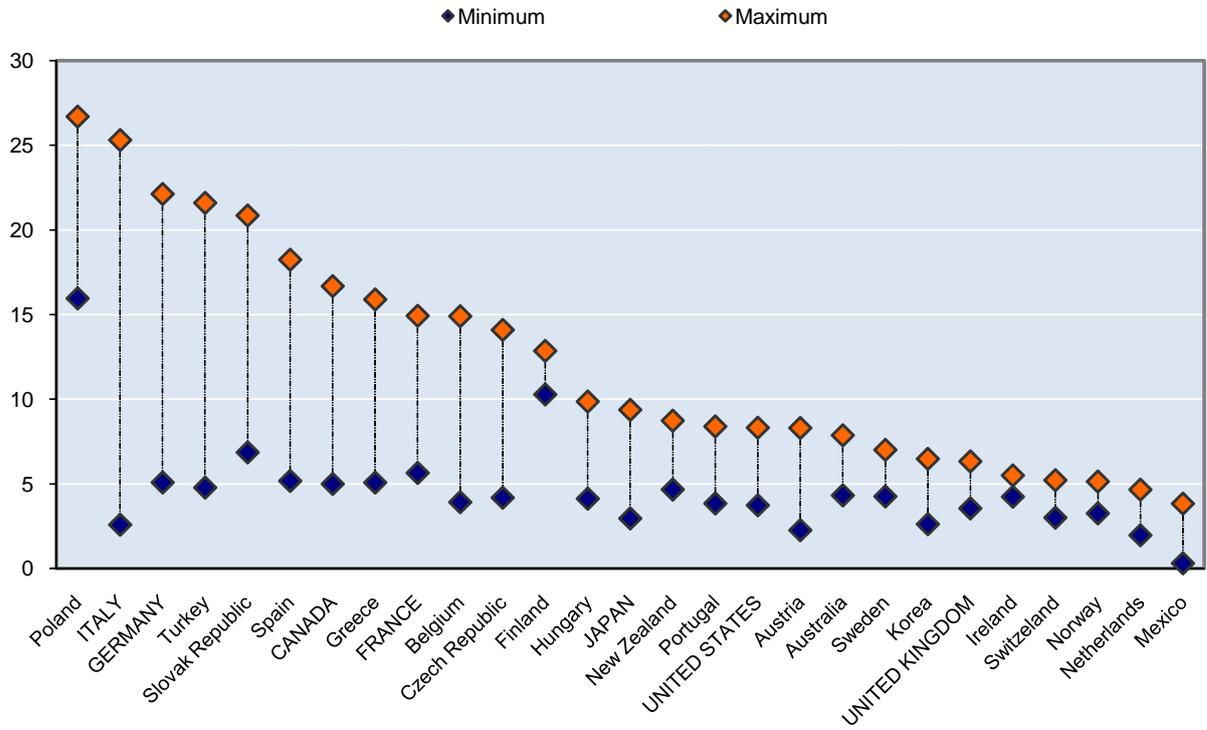


- a) Some of the groups overlap.
- b) Population-weighted averages for, respectively, all OECD countries (prime-age men, prime-age women, low-skilled, older workers and youth), and for the following countries for male migrants: Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Iceland, Italy, Luxembourg, the Netherlands, Norway, Portugal, the Slovak Republic, Spain, Sweden, Switzerland, the United Kingdom and the United States.
- c) 2005 data for the Russian Federation (all groups) and for OECD countries for immigrants (except 2003 for Canada) and for the low-skilled group (except 2003 for Japan).

Source: OECD database on Labour Force Statistics; OECD (2007), *Education at a Glance - OECD Indicators*, September, Paris; OECD (2007), *Employment Outlook*, Paris.

Figure 4. Regional disparities in labour market performance

Regional unemployment rate in percentage, 2003<sup>a</sup>



a) 2000 for Japan, Korea, New Zealand and Switzerland.

Source: OECD (2005), *Employment Outlook*, Paris.