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Meeting of Employment and Labour Ministers
Paris, 29-30 September 2003

COMMUNIQUE

TOWARDS MORE AND BETTER JOBS
OECD Employment and Labour Ministers met in Paris on 29-30 September 2003, under the chairmanship of M. François Fillon, Minister of Social Affairs, Labour and Solidarity (France). The Vice-Chair was M. Frank Vandenbroucke, Minister for Employment and Pensions (Belgium). The meeting was preceded by a Forum on “Good Jobs/Bad Jobs: Myths and Realities?”. BIAC and TUAC also participated at the Forum and held a consultation with the Ministers.

Ministers concluded that, in co-operation with all levels of government, employers, unions and civil society:

- Greater efforts are needed to fight unemployment which is on the rise in a majority of countries, and is affecting vulnerable workers and their families disproportionately. More policy attention should also be devoted to mobilising under-represented groups into jobs and helping them realise their career potential.

- Success on these fronts would improve employment performance and social cohesion and help safeguard future living standards and the sustainability of our welfare systems.

- In the past, policies to promote early retirement have been used with the aim of lowering unemployment. Disability and other social benefits have sometimes been diverted from their original objectives with much the same aim. Ageing societies can no longer afford practices that reduce labour market participation.

- A comprehensive strategy for more and better jobs is therefore needed, including i) effective activation measures and employment services, combined with enhanced monitoring of social benefits; ii) changes in taxes and benefits so that work pays; iii) more equal access to lifelong learning; iv) job-related training that enhances career prospects and addresses skill mismatches; and v) lower barriers to labour demand and improved functioning of labour markets so as to strike a balance between flexibility and security. This should go hand-in-hand with appropriate macroeconomic policies and market reforms that support growth and job creation. Promoting gender equality in the labour market is an essential component of this strategy. In some countries, it is also important to develop policies to facilitate the transition to formal employment.

- Policies should be evaluated rigorously in order to make employment programmes cost-effective. OECD should assign a high priority to identifying and disseminating what works and what doesn't in this area.

- Ten years on, OECD should reassess the recommendations of its OECD Jobs Strategy and see if they need to be amended.
Unemployment is rising now, but could begin falling next year

2. As a result of the world economic slowdown, unemployment is on the rise in the majority of member countries. In 2002, the unemployment rate in the OECD area as a whole was 6.9% (almost 36 million persons unemployed) and is estimated to reach 7.2% in 2003. Youth have been especially affected by the worsening job prospects. The OECD’s assessment is that the recovery currently underway in the United States will be sustained, leading the way for a broader recovery throughout the OECD area. As a result, the labour market situation could improve in 2004.

Medium-term trends also give grounds for some optimism…

3. Notwithstanding recent trends, the OECD-area employment record improved during the past decade. Over 40 million new jobs were created in the business sector between 1993 and 2002. And the extent of job loss associated with the current slowdown is somewhat less than was the case in past recessions. We acknowledge that reforms which have been carried out in line with the recommendations of the OECD Jobs Strategy have resulted in improved employment performance.

…but much more remains to be done

4. Not all countries have registered progress. And not all groups have benefited equally. Less than 60% of older workers (aged 50 to 64) are employed. Only 50% of women of working age have a job, and the socio-economic status of lone parents remains precarious. Migrants, ethnic groups and, in some countries, the aboriginal population, are disproportionately hit by unemployment. The employment chances of persons with disabilities are very low. Disadvantaged youth have difficulties entering the labour market, especially when aggregate labour demand is weak. And many workers continue to suffer from job precariousness and a high incidence of joblessness.

Mobilising under-represented groups is an urgent priority…

5. Promoting job prospects for under-represented groups makes sound economic sense and helps reduce poverty and social exclusion. In all our countries, there is room for enhancing supporting services and incentives to labour market participation of these groups, while also improving their career opportunities. A worsening labour market situation hits these individuals hard. We need to act urgently.

6. Mobilising under-represented groups is also key to meet the challenges of population ageing. In this regard, we are especially concerned about the situation of older workers. By 2020, one in three persons of working age will be aged over 50 in the OECD as a whole, compared to one in four now. Today, many of these workers are in early retirement. Higher labour market participation is needed to strengthen the sustainability of our welfare systems, address skilled-labour shortages and support economic growth.

…as is improving career prospects of those at-risk

7. We are also concerned about the fact that some people are trapped in jobs with little career prospects. The incidence of non-standard jobs (e.g. temporary jobs, part-time jobs, informal employment, casual employment) remains high in many of our countries. However, these non-standard jobs should not necessarily be equated with “low-quality” jobs. They may facilitate access to permanent employment and can help reconcile
work with family life. Indeed, the challenge is to help workers acquire a career, thus realising their productivity and earnings potential and supporting long-term economic growth.

**The situation of under-represented groups is partly due to misguided policies**

8. The labour market is not a zero-sum game. In periods of economic weakness, or in the face of mass industrial restructuring, it is tempting to encourage older workers to leave employment, on the grounds that this would reduce open unemployment and make room for younger cohorts to get jobs. Such practices are misguided and run counter to social cohesion objectives. Experience in some countries shows that early retirement and other policies that discourage work have removed valuable productive resources from the economy, while increasing social spending. In addition, the demographic context has changed.

9. Greater mobilisation of inactive people will lead to higher employment rates in the medium-run. Many inactive individuals relying on non-employment benefits could work. In some cases, such inactivity traps are founded on well-entrenched behaviour on the part of both workers and employers, and rapid change is difficult. In addition, the necessary changes in tax and benefit systems, including occupational pension schemes, involve difficult trade-offs between efficiency and redistribution objectives. But the potential gains in terms of well-being and social cohesion are significant.

**Giving more and better job opportunities to all requires, first, stronger work incentives…**

10. Several countries have introduced schemes to “make work pay”. These policies can be successful in raising employment and cutting poverty. But they are not a magic bullet. They are costly and must be financed by increased taxes elsewhere or cuts in public spending. So they need to be well targeted and implemented carefully, and their interaction with social benefits has to be taken into account. The financial incentive should be sufficiently large and the duration of the measures long enough to modify behaviour and improve career prospects.

…second, adequate supporting services combined with more effective activation …

11. Not all people will be able to take full advantage of making work pay schemes unless a range of supporting social and labour market services are on offer. This is why it is important to implement family-friendly policies and promote opportunities for flexible arrangements, such as part-time work, which may help reconcile work and family life. More fundamentally, we are committed to promote gender equality in the labour market.

12. Many disabled citizens of working age want to work but find it very hard to do so. It is vital to assist them in this task, while providing income security to those who cannot work. Access to quality support services and the provision of work facilities are needed to promote jobs for persons with disabilities. And, in general, there is room for enhancing the employment orientation of social policies.

13. It is also important to encourage the unemployed and other benefit recipients actively to seek work and to remove disincentives to job search. Employment services lie at the core of any activation strategy. They help maintain an effective contact in order to support job search and monitor behaviour. Exploiting the synergies between public and private employment services and introducing an element of competition in this market seem promising reform avenues. The use of information and communications technology to facilitate job matches and, more generally, the move towards “management by objective” in the public employment service are also interesting developments.
third, enhancing the incentives to invest in human capital, especially for under-represented groups…

14. More progress needs to be made to improve the skills and competencies of the workforce. To use new technology effectively and exploit its productivity potential, workers’ skills need to be improved and work practices modernised. And population ageing means that workers will have to remain employable throughout their career, requiring continuous adult learning and changes in working conditions that facilitate the retention of older workers.

15. Existing training inequalities are worrying. On average, every year, less than 15% of low-educated workers participate in some form of training, compared with 35% in the case of high-educated workers. Some individuals lack the motivation or are not sufficiently encouraged to develop their human capital. And sometimes employers lack the incentive to train under-represented groups. To meet these challenges, it is essential to develop education and training systems which respond quickly to the changing skill requirements. New forms of co-financing of training by employers, workers and government may also be needed.

…and, in some countries, helping them move from undeclared work to formal employment.

16. In some countries, there is no comprehensive system of unemployment benefits or welfare support. In these circumstances, people cannot afford not to work. Quite often the choice is between an undeclared job, with little social protection and low productivity potential, or no job at all. While the welfare system develops, careful design of tax/benefit systems, labour law and collective bargaining reforms and greater emphasis on human capital and local development policies may facilitate the transition to formal employment.

All this requires a comprehensive strategy involving both supply- and demand-side action.

17. Policies spelt out above need to be implemented as part of a comprehensive strategy. Moving in all areas together is indeed mutually-reinforcing and has been the key to success in some countries.

18. This must be accompanied by support to aggregate labour demand and action to reduce demand-side barriers that affect specific groups and geographical areas. We invite employers and workers’ organisations to discuss how to adjust employment practices to the realities of demographic and structural change. Success also presupposes sound macroeconomic fundamentals and well-functioning markets – key lessons from implementing the OECD Jobs Strategy.

19. In short, labour market policies must be inclusive. They must help a wide cross-section of the community, and not just those who are the most able-bodied or best educated, to participate in the world of work and to engage in a continuous renewal of job skills. Experience shows that policies which discourage labour force participation are ultimately unsustainable and end up promoting benefit dependency rather than a more inclusive society.

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20. Although this is a reform agenda for OECD countries, we recognise that globalisation is shaping labour markets worldwide. We are committed to engage in a fruitful international dialogue with other international bodies and close co-operation with the ILO on these issues.
ANNEX -- AREAS FOR FURTHER OECD WORK

21. The OECD can assist us in the task of designing and implementing a comprehensive strategy, by identifying and evaluating policies. We recommend that:

- Over the next two years, the Employment, Labour and Social Affairs Committee (ELSAC) works in close collaboration with the Economic Policy Committee (EPC) to reassess the recommendations of the OECD Jobs Strategy, in the light of past experience and the challenges posed by structural and demographic changes. Bearing in mind country-specific circumstances, the reassessment will consider recommendations to lower barriers to labour market participation, promote career developments and reduce structural unemployment.

- The ELSAC, as part of its regular work programme, should convene as a Policy Forum to review progress on what works, what doesn’t and for whom in policy areas of a cross-cutting nature, such as labour and training polices, employment-oriented social policies or migration policies. A first meeting of this Forum might focus on the main lessons from the Thematic Review on Older Workers.

22. We invite the OECD to carry out further work in the following areas, subject to sufficient resources being available:

- Furthering the analysis of the issue of job quality and its implications for productivity and growth: cross-country analysis of how labour and product market reforms have affected job quantity and quality and work organisation, and the consequences for productivity and growth.

- Assessing how human capital formation affects employment and career prospects: measuring and assessing the skills and competencies of the adult workforce, and analysing the links between skill developments, job retention and career prospects with special focus on the workplace.

- Examination of experiences and prospects for labour-related migration: the stakes, the limits and in particular the challenge of integrating immigrants into the labour market and society at large.

- The implications of changing patterns of foreign direct investment for labour market outcomes: analysis of how recent and prospective shifts in foreign direct investment flows impact on employment, earnings and industrial relations.

23. Some of this work would benefit from close collaboration between ELSAC, the Directing Committee of the Local Employment and Economic Development Programme and the Education Committee.

24. We look forward to reviewing progress on this work in five years time.