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**TUAC EVALUATION -- OECD EMPLOYMENT OUTLOOK (June 1999)**

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**OECD EMPLOYMENT OUTLOOK**  
**June 1999**

**TUAC EVALUATION**

**Overview**

1. The OECD's June 1999 Employment Outlook predicts little improvement in the overall unemployment situation in the OECD in the two coming years. With growth in the OECD forecast for 1999 and 2000 at a little more than 2%, average unemployment is likely to remain at around 35 million - 7.0% of the labour force. Small falls in unemployment in continental Europe, Canada and Australia are forecast to be counterbalanced by rises in the United Kingdom, United States and Japan. In Korea measured unemployment is forecast to stabilise at around 1.6 million - 7.5% of the labour force and three times the average of the last decade.

2. Over and above the employment forecasts in recent years the annual editions of the OECD Employment Outlook have provided valuable analysis and empirical work on key aspects of the employment policy in OECD countries. The June 1999 edition is particularly useful summarising in its editorial the conclusions of the OECD/US Conference on Youth Employment held in February 1999, reviewing evidence on the quality of part time jobs (Chapter 1) and setting out more detailed findings on employment protection and employment (Chapter 2), the training of adult workers (Chapter 3), and new work practices (Chapter 4).

3. The Outlook is drafted by the OECD's Department for Employment, Education, Labour and Social Affairs (DEELSA), but is discussed in detail by the OECD's Working Party on Employment made up of officials from predominantly labour and employment ministries in OECD countries. When taken together with the findings from previous Outlooks on minimum wages (1998), collective bargaining (1997) and earnings inequality (1999) and when set beside the joint work between DEELSA and the OECD Economics Department on income inequality and poverty, it is clear that attempts to deregulate labour markets, whilst having significant social costs, have not contributed to better economic outcomes. On the contrary, it would appear that there is evidence to support the maintenance of decent minimum standards in the labour market and active involvement of trade unions as factors, which improve economic performance and provide a sound basis for managing structural change.

**Youth Employment**

4. As part of an OECD initiative on Youth Employment a joint OECD/US Conference was held on Youth Employment in Washington in February 1999 in which a TUAC delegation took part alongside OECD government, business and academic participants. The Outlook editorial summarises the broad consensus reached at the Conference on the lessons learnt over the last two decades for youth employment policy.

5. Despite an overall problem of declining employment rates for youth (1979: 53 - 1998: 45%) the most serious problem facing OECD countries is the appearance of a "hard core" of disadvantaged youth

often coming from deprived family and social backgrounds who experience long periods of unemployment interspersed with spells of low wage employment.

6. Part of the necessary policy response is seen to be the reform of basic education to identify the youths at risk as early as possible and develop more balance between vocational and academic studies. A further part of the response is to achieve better transition from education to employment if possible through “dual” apprenticeship systems or where these are not feasible through work-based learning within schools leading to qualifications within unified frameworks of certification. Whatever the system, employer and trade union engagement is seen as a key to success.

7. Finally more knowledge is being accumulated on what works and what doesn't in the field of active labour market programmes for youth. A key factor is the quality of schemes and the need to avoid a “revolving door” situation of young people participating in successive schemes but without finding decent jobs at the end of them. The Outlook sets out some of the features of high quality schemes.

8. The conclusions of the Conference concur closely with the experience of the trade union participants. It is significant that reducing youth wages was not seen by participants in the Washington Conference as a particularly effective route for increasing job opportunities for youth; on the contrary the North American participants in particular emphasised that minimum wage jobs were regarded as unattractive by many young people. If all that was on offer were minimum wage jobs then the number of labour market dropouts would increase.

### **Part-time Work**

9. The general chapter on labour market developments focuses on the quality of part-time jobs. Part-time jobs have grown as a share of total employment in most OECD countries since the early 1970's. The OECD average is 14.3% with the highest share in the Netherlands (30%), Australia, Switzerland and the United Kingdom. The OECD Jobs Study in 1994 urged governments to foster the growth of voluntary part-time work as a factor that would lead to higher employment. Trade unions have in general adopted a more differentiated approach, recognising that part-time jobs for some workers can make a significant contribution to family income allowing them to balance work and child-care responsibilities. But on the other hand, there has been concern at the low quality of part-time jobs in terms of pay, training and career enhancement. In several countries unions have sought to expand trade union membership amongst part-time workers and also facilitate the voluntary transition of part-time to full-time employment.

10. The Employment Outlook shows that there is still much to be done to improve the quality of part-time jobs. Depending on the country, part-time hourly earnings are between 55% and 90% of full-time hourly earnings. Those countries and occupations with the highest level of part-time employment have the smallest differentials. Part-time workers receive less training than full-time workers: in the EU training of part-time workers relative to full-time is 70% for men and 60% for women. In most countries the majority of men working part-time report that they would prefer to work full-time whilst the majority of women say they prefer to work part-time. The share of involuntary part-time work is lower in those countries with most part-time workers.

11. The Outlook raises a key policy issue concerning these findings. With more adults, often part-time women, living in single-parent households, with lower relative earnings and receiving less training, there is a clear risk of a significant group of workers falling even further behind the rest of the workforce. Trade union efforts to raise earnings and access to training for part-time workers are therefore crucially important.

## **Employment Protection Legislation**

12. The OECD Jobs Study in 1994 recognised that employment security provisions whether in legislation or collective agreements could have conflicting effects on employment. On the one hand, they provide a long-term reciprocal commitment between firms and workers encouraging training and retraining and hence improving performance. On the other hand, they could make firms more cautious in hiring new workers, worsening employment prospects for those entering the labour force or the unemployed. The overall conclusion was that public policy should recognise this trade-off and strike a balance between the conflicting effects. In the follow-up to the Jobs Study, however, Economic Surveys of individual countries have consistently argued in favour of the removal or weakening of employment protection provisions. TUAC has been critical of this, arguing "... many of the labour market recommendations involved trade-offs between long and short term effects, static and dynamic efficiency, resource allocation and innovation goals as well as economic and social goals. These were recognised in the Jobs Study, but had become largely absent from the follow-up. Moreover the exact nature of these trade-offs were likely to vary according to national circumstances and differing institutional structures, yet rather than using national experiences to enrich the strategy the country specific recommendations appeared to present a 'one size fits all' solution"<sup>1</sup>.

13. Chapter 2 of the 1999 Employment Outlook presents the first serious review by the OECD of the empirical evidence on whether excessively strict employment protection legislation has been an important factor behind the persistently high unemployment in many OECD countries since the early 1980's. It is therefore highly significant that the Outlook concludes that "EPL strictness has little or no effect on overall unemployment" (page 88). It does, however, find that stricter EPL lowers some forms of labour market turnover "... fewer individuals become unemployed, but those who become unemployed are at a greater risk of remaining unemployed for a year or more" (page 88). The policy conclusion of the Employment Outlook is to emphasise that initiatives to reform employment protection need to confront this policy trade-off. TUAC would argue that this conclusion must be carefully borne in mind in future country-specific recommendations by the OECD on employment. It is refreshing that the OECD has published this work facilitating open debate on policy.

## **Training of Adult Workers in OECD Countries: Some Recent Findings**

14. With the transition towards a "knowledge-based economy", the extent and quality of education and training are considered by the OECD as key factors explaining productivity and employment growth. Extending lifelong learning is now a central policy objective. Chapter 3 of the Employment Outlook seeks to answer whether the rhetoric on education and training have been reflected in practice. It tries to analyse a specific "type of job training received by incumbent workers", based on prior research. The analysis is based on four different surveys, which differ both in the process of data collection and in terms of definitions. But all of them provide measures concerning both the level of and the distribution of training. They allow a comparison of participation rates, the volume and the distribution of training across countries.

15. The main findings of the chapter are:

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<sup>1</sup> TUAC Note to OECD Economic Development Review Committee on "Implementing the OECD Jobs Strategy: Member Countries' Experience", May 1997. Available on TUAC website [www.tuac.org](http://www.tuac.org)

- Across OECD countries there is a significantly differing level of training. Formal, continuing training is rather low in southern European countries and relatively high in central and northern Europe.
- Regarding the overall participation rates in job related training, men and women appear to participate at fairly equal rates, but men receive more financial support from their employers. A closer look into detail reveals ongoing discrimination of women. With regard to the period of employment between school leaving and retirement, women face a significantly lower expectation of training than men. Women are facing a further disadvantage, because as seen they are more often employed as part-time and temporary workers and so receive less training.
- The progress in reaching the objective of lifelong learning has been limited and uneven. According to one of the surveys, covering 11 countries, in a lifetime an average worker receives less than a year (1,288 hours) of training after the period of initial vocational training. It appears that continuing training, which differs significantly across countries, is concentrated in the early stages of working life. Particularly in some western and southern European countries older workers receive much less training than younger workers.
- Continuing training tends to reinforce existing skill differences resulting from unequal access to and participation in education in all countries.
- In countries with higher overall average levels of educational attainment as well as in countries devoting a larger share to R&D, workers tend to receive more training. Quite often a high overall training rate goes along with a more equal distribution of training.
- In general, the findings suggest that schooling and training are complements, therefore policies to strengthen schooling might become a means to encourage continuing training.

16. The promotion of continuing training and providing for equal training opportunities is by no means an exclusive task of government. It is also a challenge, faced by business and trade unions. Their strategies and activities must be considered as key factors in the promotion of continuing training. To achieve further progress regarding the goal of lifelong learning, existing strategies should be reconsidered. Any reconsideration must take into account some more findings related to the current practice of continuing training:

- In most countries, training participation is significantly higher for employees than for the unemployed. In almost all countries less-educated workers are significantly less likely to be trained.
- Workers on temporary contracts and in part-time jobs are significantly less to be trained.
- Larger firms are significantly more likely to invest into human capital and to train employees.
- The introduction of both new work systems and new forms of work seems to be strongly related to a higher training participation.
- A higher degree of unionisation of employees is associated with a higher rate of participation in training.
- Greater job stability could contribute to increased returns of investments in human capital made by employers; international comparisons have often found that lower labour turnover is associated with higher training.

17. TUAC will seek to apply these conclusions in our work with the OECD on lifelong learning in the months ahead.

### **New Enterprise Work Practices**

18. Chapter 4 of the Employment Outlook draws on empirical work developed as part of a recent OECD project on “flexible enterprises”, alongside work by the European Foundation for the Improvement of Living and Working Conditions.

19. The chapter examines changes taking place in workplace organisational structures including: the flattening of management structures; a greater involvement of “lower level” staff; the introduction of team working; and job rotation. These all have an impact on the extent to which jobs are re-designed to reflect increased complexity, with higher skill levels, and improved communications between management and staff.

20. The findings of the OECD are that trade unions and works councils play a positive role in workplace change. For example, trade unions go hand in hand with initiatives to flatten management and introduce team working, while works councils, especially where there are worker representatives in the largest occupation group recognised for consultation or joint-decision making are more likely to have developed initiatives in all areas except team working. The criticism that the public sector is sclerotic as compared to the private sector is not borne out by the evidence: the existence of any of the four initiatives are just as likely in a state owned or private workplace. Furthermore, the OECD found that “few strong relationships” could be found between conditions in the wider labour market and moves to introduce high performance workplaces. The conclusions therefore give support to the objective of ensuring an active trade union role in workplace change.

### **Conclusions**

21. OECD countries are confronted by two conflicting approaches of reforming labour markets to create more jobs. One is to move to yet further deregulated labour markets where employers can dispose of workers more easily, there are wider earning disparities, and social safety nets are set at increasingly lower levels. The former US Labour Secretary, Robert Reich, described the dilemma facing policy-makers under such an approach as the “diabolical choice between more and better jobs”.

22. An alternative approach is to recognise that the employment relationship has to reflect longer-term considerations and develop trust between employers and employees and public authorities. This is necessary if training is to be undertaken, workers are to be innovative and transition to knowledge-based firms is to be managed effectively. It has been clear that this approach is socially more desirable. The significance of the evidence accumulated by successive OECD Employment Outlooks is that such an approach is also economically more efficient. The OECD is to be undertaking a study on new sources of growth, including human capital. The Employment Outlook findings are an important resource for this work and TUAC will seek to be actively engaged in the dialogue.