

# Introduction

## *Towards More and Better Jobs*

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### *Mobilising under-represented groups into jobs has become a key policy objective...*

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Unemployment is on the rise in a majority of member countries, reminding us that the fight against high and persistent unemployment should remain at the top of the policy agenda. The deterioration of labour market conditions could affect disproportionately some groups, such as older workers, women, lone parents, people with disabilities, immigrants and disadvantaged youth. As stressed in this edition of the *Employment Outlook*, these groups are already under-represented in employment, and mobilising them into jobs should now be a key policy objective for OECD countries. This requires a broader approach of reducing *non-employment*, which embraces both unemployment and inactivity.

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### *... because this serves both economic and social goals*

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Adopting the broader target of reducing non-employment – and not just unemployment – has three main advantages. First, it serves a social objective. The shift towards an employment-oriented social policy reflects the judgement that many working-age recipients of social benefits could work with the proper encouragement and assistance, and that both they and society would benefit from their greater integration into the labour market. Second, policies that have attempted to reduce unemployment through subsidising the withdrawal of people from the labour market have proven to be counter-productive. Third, population ageing requires urgent action to better mobilise under-represented groups. Unless their participation rates are increased, population ageing will lead to a significant slowdown in labour force growth, with adverse consequences for future growth prospects. In sum, the economic and social returns to fostering greater participation are very high.

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### *To some extent, participation patterns reflect a personal choice*

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However, one has to recognise that non-employment sometimes reflects individuals' work-leisure preferences. For instance, some parents – especially those with young children – prefer to take care of their children rather than participate in the labour market. Similarly, retirement is sometimes a household decision: when one partner retires, it is often the case that the other partner withdraws from the labour market, even if this means

a loss of income. Clearly, governments should respect these differences in life situations and personal preferences.

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*But in many cases under-represented groups face demand- and supply-side barriers to work...*

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But non-employment is often due to the presence of barriers to labour market participation – on both sides of the market. High minimum wages and regulations setting minimum quality thresholds for jobs have the potential to limit employment opportunities, especially for certain groups. The tax/transfer system may also influence the decision to participate in the labour market, thereby creating “inactivity traps”. Another example is that many public pension systems and early retirement schemes often create strong financial disincentives to remain in employment until the official retirement age.

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*... and find it hard to progress up the career ladder if they get a job*

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In addition, some under-represented groups have difficulties moving up the career ladder even when they find a job. The result is that they often drop back into unemployment or inactivity. Therefore, consideration should be given to issues of career progression, as well as helping the under-represented groups get into work.

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*This volume examines how to provide more and better jobs for all*

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The first part of this volume examines the employment challenge facing OECD policy makers. It documents labour market developments since the early 1990s (Chapter 1) and looks at the labour market situation of groups which are under-represented in employment (Chapter 2). The second part analyses a range of policies to improve the employment position of these groups (Chapters 3 to 5). Such specific policies should, of course, be accompanied by support to aggregate labour demand and, more generally, higher economic growth – issues which go beyond the scope of this volume.

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*It starts by noting a mixed employment situation...*

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Chapter 1 reports some encouraging signs of structural improvement in OECD labour markets. An important portion of the employment gains registered over the past decade was structural, and thus sustainable. Though the employment situation has deteriorated since 2000-2001 in all member countries, the rise in unemployment to date is less pronounced than was the case in earlier periods of economic weakness. This chapter also reviews trends in the quality of jobs, looking at indicators of job precariousness, work intensification and stress at work. No clear pattern of improvement or deterioration in job quality is found.

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*... in which certain groups are finding it hard to progress*

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Chapter 2 documents the considerable scope for improving the employment position of under-represented groups. When they get into work, many women, older workers and low-educated persons are at risk of getting trapped in low-paid jobs. And they are also subject to considerable employment instability. Indeed, in both Europe and the United States, those who are low-paid in a given year are likely to spend nearly four of the following five years in either low-paid employment or non-employment. This suggests that policies that help people move up career ladders should become an important component in any medium-term employment strategy.

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*It then considers a comprehensive policy strategy, including making work pay and facilitating access to employment,...*

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Addressing these problems requires a comprehensive strategy to reduce demand- and supply-side barriers to employment. In particular, work should be financially attractive (Chapter 3). This is especially important for low-skilled individuals who have a limited earnings capacity, as well as low-income families and lone parents who receive an income-replacement benefit. Various countries have used in-work benefits and tax credits (so-called “making work pay” policies) to improve the financial incentives for welfare recipients accepting work. But pay must also be affordable by employers. Reduced social security contributions on low wages have proven effective in supporting labour demand in some countries.

But financial incentives, on their own, are not enough: access to work should also be facilitated by a variety of services and flexible working arrangements such as part-time jobs. This may help reconcile work and family life, or help disabled persons make the most of their reduced work capacity. For older workers, flexible retirement schemes, encouragement of second careers, together with action to ensure that disincentives to hire or retain these workers are removed, provide interesting reform avenues.

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*... effective activation policies,...*

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Greater efforts to move beneficiaries of unemployment and other non-employment benefits into jobs are also needed. Activation policies can play an important role here. Chapter 4 shows that several common principles underlie effective activation strategies. First, to receive benefits the recipient has to search actively for a job and/or be willing to take steps to improve his/her employability. Second, a range of re-employment services should be available for the job-seeker. Third, the public employment service or related agency should maintain effective contact with people on benefits in order to deliver adequate support services, monitor their job-search behaviour and ensure constant efforts to return to work.

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*... and job-related training which pays attention to existing learning inequalities*

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Job-related training is essential to improve career prospects. Once in jobs, some workers may fall into low-wage traps, and training may reduce this risk by helping them realise their productivity and earnings potential. Yet, Chapter 5 shows that under-represented groups receive relatively little training. The nature of this inequality varies considerably from one group to the other. In some cases employers lack the incentive to invest in the human capital of the groups. In other cases, it is the workers themselves who lack interest in participating in learning activities. This is why policies should improve the incentives to invest in lifelong learning on the part of both employers and individuals. And the thorny issue of who should pay for job-related training should also be addressed in co-operation with the social partners and other stakeholders.

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*OECD Employment and Labour Ministers will discuss the policy dilemmas posed by such a medium-term strategy*

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This edition provides the analytical background for the meeting of OECD Employment and Labour Ministers to be held on the 29-30 September 2003, entitled “Towards More and Better Jobs”. Ministers will discuss some of the policy trade-offs involved in mobilising under-represented groups. In particular, they will discuss whether policy priority should be given to the groups which suffer the greatest labour market disadvantage (*e.g.* persons with disabilities), or those offering the largest labour resource potential (*e.g.* women and older workers). The extent to which it is sufficient to get more people from under-represented groups into work or whether policy makers need to give consideration to low-wage traps and employment instability is another key question for Ministers. They will also examine how to extend existing employment policies, which have been designed to deal with unemployment, to groups on the margins of the labour market. They will exchange views on what works and what doesn’t, while paying special attention to the cost-effectiveness of the measures – at a time of very tight fiscal constraints.

More fundamentally, the Ministerial discussions will provide an opportunity to highlight that mobilising under-represented groups serves economic objectives, while also promoting a more inclusive society.



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