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OECD Employment Outlook 2003: Compelling evidence for a new approach towards more and better Jobs

The *OECD Employment Outlook 2003* is being released at a time of deteriorating employment. Three years ago, in 2000, the combination of faster growth sustained over several years and active employment policies meant that the return to full employment looked possible again. That opportunity has been lost - the economic slowdown of the past two years has taken its toll on working families around the globe. According to the ILO the number of unemployed worldwide has grown by 20 million since 2000. The ILO dubs this "global out-of-work in progress". OECD unemployment has risen up to an estimated 7.2 per cent in 2003. The slowdown has also meant that male labour force participation rates have been falling in nearly all OECD countries. And an increasing number of workers have been forced into precarious and badly paid jobs. Taken all together, this calls for a new approach to combat unemployment and to increase labour market participation.

Immediate action is required to improve the quality of jobs

As far as the quality of jobs is concerned, the *Employment Outlook 2003* provides substantial evidence indicating the need for immediate action. Particularly important is the evidence of under-provision of training as well as on the inequality of access to continuous vocational training, not caused by a lack of interest on the side of the workers. Other important findings are the problems associated with redesigned social protection systems directed towards the promotion of employment. There is considerable evidence of the existence of "low pay traps", concerning in particular women and older workers in low-paid employment. They are facing a higher risk of falling into poverty. Moreover, there is also evidence suggesting that low-paid non-standard work strongly increases the likelihood of workers having bad jobs. Despite the ongoing increase in non-standard work, there is evidence indicating that long-term-jobs are alive and well. However, both types of jobs are facing the challenges of increased competition in a global economy, bringing about higher work intensity.

Increasing labour force participation –pushing labour supply alone doesn't work

In order to combat unemployment and to increase participation in the labour market across all groups of the workforce, TUAC calls for a new approach of labour market and employment policies. Beside concerted and coordinated monetary and fiscal policy action

to kick-start growth and promoting the availability of jobs, labour market policy approaches must ensure the attractiveness of work and; decent wages and salaries, guaranteeing a living wage, limiting and excluding the risk of being caught in low pay traps; gender equality in the labour market; equal access to training and adult learning; and a supportive environment reconciling working and non-working life by improving access to public transport, child and elderly care. Our key message is: Better Job quality will increase labour supply and boost productivity.

The recent increase in unemployment is anything but mild

As far as the labour market impact of the current economic slowdown is concerned, the picture presented by the *Employment Outlook* does not match reality. It doesn't take account of the surge of job losses across the OECD countries over the last few months. By leaving out of consideration the ongoing and disturbing job losses, contributing to a rise in unemployment, as well as by using optimistic growth and employment forecasts for 2003 and 2004, the *Employment Outlook* provides a complacent picture of the challenges faced by labour market and employment policy. It is hard to understand why an increase of unemployment of more than 2 percentage points in the US from 4 to 6, 2 per cent, from 3, 9 to 6 per cent in Austria, from 2, 4 to more than 4 per cent in the Netherlands, from 3, 8 to 5, 2 per cent in Ireland, in order to name but a few countries, can be described as a relative mild effect of the current economic slowdown on unemployment.

Structural reform: no winning formula for employment success

Moreover, the *Employment Outlook* fails to provide compelling evidence supportive to the implicit assertion of the *Jobs Strategy*, the OECD blue print for labour market reform, that weaker labour market institutions and deregulated labour markets will allow the economy to operate at a higher degree of activity. That it is not at all surprising. The OECD's Growth study had already revealed that even the most faithful efforts to implement the prescriptions for labour market deregulation, did not lead to an impressive performance regarding employment and growth as asserted.

And a recent study, examining the widespread belief that labour market institutions are the culprits of high unemployment, found very little evidence supporting that labour market deregulation is the best route to increase employment rates. Using OECD data and constructing an index of the extent of labour market deregulation, the study "showed that there is no meaningful relationship between labour market deregulation and shifts in the NAIRU".¹ Similar evidence has been provided by a World Bank study. Its analysis also shows that economies perform better in coordinated labour markets.²

¹ Baker, D. A., Glyn, A., Howell, D., Schmitt, J., Labour Market Institutions and Unemployment: A critical analysis of cross-country evidence, Center for Economic and Policy Analysis, Washington D. C., 2002, p. 54

² Aidt, T., Tzannatos, Z., Unions and Collective Bargaining: Economic Effects in a Global Environment, Washington D.C., 2002

High levels of social protection are compatible with employment success

Specific forms of social regulation are consistent with remarkable employment performance. Well-funded and efficient welfare states and decent systems of employment protection do not prevent high rates of employment. Some of the countries in “old Europe”, like Austria, Denmark, Ireland, the Netherlands and Sweden, not following the prescriptions of the rigidity account and not emulating the US model have got lower unemployment rates than the US.

Lessons for the reassessment of the OECD Jobs Strategy

The long overdue reassessment of the *Jobs Strategy*, the OECD blue print for labour market reform, must address the following issues:

- Why did even the most faithful efforts to implement the prescriptions for labour market deregulation, as revealed by the OECD *Growth Study*, not lead to an impressive performance regarding employment and growth as asserted.
- Why did many reform efforts fail to adequately tackle the important issues of employment promotion, social security and inclusion as well as cohesion?
- Why have employment and labour market policies in a number of countries, not following the prescription of the *Jobs Strategy*, been successful?
- How can social security linked best to flexibility in order to make both more compatible and mutually supportive?