

Chapter 3. A new framework for assessing labour market performance

This chapter presents the conceptual and operational framework of the new OECD Jobs Strategy for assessing labour market performance. The conceptual framework distinguishes between three outcome dimensions through which the labour market contributes to inclusive growth and well-being: i) the quantity and quality of jobs; ii) labour market inclusiveness; and iii) resilience and adaptability. The framework is operationalised by means of a dashboard that allows an easy comparison of labour market performance along these different dimensions and the identification of possible reform priorities.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Introduction

A well-functioning labour market is a key condition for achieving inclusive growth – that is, a strong and sustained process of economic growth whose benefits are widely shared – and rising levels of well-being. As discussed in Chapter 2, the main challenge for policy makers is to reconcile the ability of an economy to sustain aggregate productivity gains with the capacity to generate jobs with good working conditions (both monetary and non-monetary) as well as ensuring that the gains from growth are fairly shared.

Since the publication of the OECD's *Reassessed Jobs Strategy* in 2006 (OECD, 2006^[1]), the challenge of achieving inclusive growth has acquired renewed urgency: many OECD and emerging economies have experienced continued low productivity growth, unprecedentedly high levels of inequality and dislocations related to technological progress, globalisation, demographic change as well as the global economic and financial crisis of 2008-09.

In light of this, the new OECD Jobs Strategy develops a new conceptual and operational framework for assessing labour market performance. The conceptual framework distinguishes between three dimensions through which the labour market contributes to inclusive growth and well-being: i) the quantity and quality of jobs; ii) labour market inclusiveness; and iii) the resilience and adaptability of the labour market to absorb and adjust to economic shocks and make the most of new opportunities. The framework is put into operation through the new OECD Jobs Strategy dashboard that allows assessing labour market performance and identifying reform priorities based on a number of selected indicators for each of the dimensions of the framework.

The remainder of this chapter is structured as follows. Section 3.1 presents the new OECD Jobs Strategy's framework for assessing labour market performance. Section 0 puts the framework into practice by using selected indicators to provide a broad assessment of labour market performance in OECD countries and emerging economies.¹ The conclusions emphasise that a well-functioning labour market that promotes economic and social progress requires a combination of labour and non-labour market policies in a whole-of-government approach.

3.1. The OECD Jobs Strategy framework

A well-functioning labour market is a key condition for achieving inclusive growth and rising levels of well-being.² It promotes prosperity by matching workers to productive and rewarding jobs and facilitating the adoption of new technologies and new ways of organising work, including by providing workers with opportunities to acquire and update relevant skills in a rapidly changing economic environment. A well-functioning labour market further ensures that increased prosperity is reflected in increased well-being and job quality, in both monetary and non-monetary terms, by creating good job opportunities for all, ensuring productivity gains are transmitted to wages, and protecting and improving the living standards of the most vulnerable. Thus, the new OECD Jobs Strategy recognises that policies that improve the functioning of the labour market are crucial for raising economic growth and its inclusiveness in a socially sustainable way.

Recent policy concerns have focused on reconciling the ability of an economy to sustain aggregate productivity gains with the capacity to generate jobs that are fairly remunerated and associated with good non-wage working conditions as well as ensuring that the gains from growth are broadly shared (Chapter 2). In light of this, the framework of the new

Jobs Strategy has been broadened compared with previous versions of the OECD Jobs Strategy (1994, 2006) and now encompasses three over-arching policy objectives that together define good labour market performance and are each necessary for inclusive growth and well-being more generally (Figure 3.1):

- **More and better jobs.** This captures the labour market situation in terms of both the quantity of jobs (e.g. unemployment, labour force participation, working time) as well the quality of jobs by taking account of the three dimensions of the OECD Job Quality Framework that are key for worker well-being: i) earnings; ii) labour market security; and iii) the quality of the work environment.
- **Labour market inclusiveness.** This dimension focuses on the distribution of opportunities and outcomes across individuals. Ensuring equal opportunities to succeed in the labour market for all reduces the risk that people are excluded from fully participating in the labour market and fall into poverty. Labour market inclusiveness therefore relates to both dynamic aspects of inequality such as the prospects for social mobility and career advancement, as well as static ones such as the distribution of individual earnings and household incomes, and differences in access to quality jobs between different socio-economic groups.
- **Adaptability and resilience.** This dimension relates to the effectiveness with which individuals, institutions and societies absorb and adapt to economic shocks, and make the most out of the new opportunities arising from megatrends such as technological change (including automation and digitalisation), climate and demographic change and globalisation.

The first two dimensions focus on current outcomes of individuals and their distribution. The third dimension contains a forward-looking element that focuses on the ability of workers and labour markets to withstand future shocks and seize new opportunities. Adaptability and resilience are essential to ensure the sustainability of *good labour market* and *economic performance* in a constantly evolving world.

Figure 3.1. The conceptual framework of the OECD Jobs Strategy



Good labour market performance along these dimensions does not depend on labour market policies alone but also on a range of other policies, including sound macroeconomic and financial policies, productivity-enhancing policies in product, financial, and housing markets, education and skill policies, tax policies, entrepreneurship policies, regional policies, as well as the protection of property rights and the rule of law. In turn, labour market policies do not only affect labour market performance but also other dimensions of economic performance, well-being and social progress. Thus, a whole-of-government approach is needed to ensure that the new OECD Jobs Strategy is well embedded in the OECD Inclusive Growth Initiative (see Box 3.1 for details). Such whole-of-government approach recognises that there are synergies between effective labour market and social policies, a conducive macroeconomic environment and other key strategies of the Organisation, including *Going for Growth*, the OECD Skills Strategy, the OECD Innovation Strategy, the OECD Green Growth Strategy and the OECD *Recommendations on Gender Equality, Mental Health, and Ageing*.³

Box 3.1. The OECD Inclusive Growth Initiative

Persistently high inequalities of income, wealth and well-being and the slowdown in productivity growth are undermining social mobility, holding back progress in living standards and threatening political stability. The OECD is seeking to address these trends through the Inclusive Growth Initiative that was launched in 2012. The work on inclusive growth is organised along four pillars: i) shared prosperity; ii) inclusive markets; iii) equality of opportunities; and iv) inclusive growth governance. The new Jobs Strategy relates closely to each of these pillars:

- ***Shared prosperity recognises*** that the measurement of economic performance and social progress needs to go beyond gross domestic product (GDP) by taking account of both material and non-material living conditions as well as their distribution in society. This is reflected in the new Jobs Strategy which seeks to promote good quality jobs for all. This requires not only promoting the availability and access to jobs, but also ensuring that job quality is consistent with a healthy working life. It further emphasises the importance of labour market resilience and adaptability to ensure that labour market performance can be sustained in an uncertain future.
- ***Inclusive markets recognise*** the importance of well-functioning markets as well as the need for additional measures to ensure that everybody can participate fully in society. The new Jobs Strategy incorporates the key insight that inclusive markets require more than flexibility. It recognises that flexible markets are necessary to achieve good economic and labour market performance, but that supporting public policies are needed to promote more and better jobs for all.
- ***Equality of opportunities*** recognises equality of opportunity as the foundation of future prosperity. Similarly, the new Jobs Strategy emphasises the importance of equality of opportunity and social mobility for reducing the depth and persistence of economic inequalities, while raising long-term economic growth. Equality of opportunity is seen as a key component of the inclusiveness dimension of the new Jobs Strategy framework.
- ***Inclusive growth governance*** recognises the need for coordination and integration of policy actions using a whole-of-government approach. The new Jobs Strategy also recognises that winning the twin challenge of high inequality and low productivity growth requires comprehensive and integrated policy actions that reduce inequality while minimising potential adverse effects on economic growth, embedding the new Jobs Strategy as a key pillar of the Inclusive Growth Initiative.

Source: OECD (2018_[2]) “The Framework for Policy Action on Inclusive Growth”, Meeting of the Council at Ministerial Level, 30-31 May 2018, <https://www.oecd.org/mcm/documents/C-MIN-2018-5-EN.pdf> (accessed 25 August 2018).

3.2. The OECD Jobs Strategy dashboard

To what extent can policy improve labour market performance along each of the three dimensions of the new Jobs Strategy? Can synergies be developed or are trade-offs inevitable? How do policy priorities differ across countries? A good way of getting a first idea about the answers to these important questions is to review key indicators as presented in a dashboard that allows comparisons of labour market performance across OECD countries and major emerging market economies along each of its dimensions. Table 3.1, Panel A uses the employment rate, the unemployment rate, and the broad labour utilisation rate (defined as the share of inactive, unemployed and involuntary part-timers in the non-student working-age population) to measure job quantity; earnings quality, labour market security⁴ and the incidence of job strain⁵ for job quality; and the share of persons in low-income households, a general measure of gender inequality in the labour market and the typical employment gap of disadvantaged groups for inclusiveness (youth, older workers, mothers with children, people with disabilities and migrants).⁶

The main conclusion from the dashboard presented in Table 3.1, Panel A is that **policies can be combined into coherent packages that enhance synergies across policies and minimise possible trade-offs**. More specifically:

- *It is possible to combine good outcomes in terms of job quantity, job quality and inclusiveness.* Many countries that have relatively high employment rates tend to do relatively well with respect to the different components of job quality and inclusiveness. For example, the Nordic countries, such as Iceland, Denmark, Norway and Sweden, as well as Germany are among the best performing countries across at least two-thirds of the dimensions of the dashboard, while they are absent from the bottom third of low performers. At the other end of the spectrum, a number of Southern European and emerging economies score relatively low on the majority of indicators. This suggests that there are few systematic trade-offs, and crucially, that it is possible to design policies that simultaneously raise job quantity, job quality and inclusiveness.^{7,8}
- *While more affluent countries tend to perform better along most outcomes, other factors – including sound employment and social policies – also play an important role.* After accounting for the role of economic development most Nordic countries, as well as Czech Republic, Estonia, Latvia, and New Zealand rank among the top performing countries in the OECD in terms of average performance (see Annex Table 3.A.3).⁹ By contrast, Mediterranean countries (except France and Israel), as well as Ireland and the United States are among the least performing countries in the OECD. These differences in average performance are likely to reflect the role of various factors, including that of policies, institutions and social capital.
- *Changes in performance over time reflect a combination of policy developments, structural changes and the legacy of the global financial crisis.* A decade after the onset of the global financial crisis labour market insecurity and low-income rate remain elevated in several countries compared with their levels in 2006. Earnings quality has remained more or less stable. At the same time, however, most countries managed to improve the quality of the work environment, narrow the gender labour income gap and better integrate disadvantaged groups into the labour market (cf. Table 3.1 and Annex Table 3.A.1). Moreover, most countries

have improved job quantity over the past two decades, largely thanks to the rise in female and older-worker employment rates (cf. Annex Table 3.A.2).

- *Performance has been uneven across countries.* Those European countries that were badly hit by the financial crisis and had to undergo significant fiscal restraint experienced worsening performance in many indicators over the past decade.¹⁰ By contrast, Chile, Czech Republic, Germany, Japan, Israel and Poland stand out for having achieved significant improvements along at least four of the nine performance dimensions, while being stable along the other dimensions. Finally, many English-speaking countries are characterised by a striking stability of their performance over the past two decades, though often at intermediate-to-low levels of job quality and inclusiveness.¹¹

Are countries prepared for the opportunities and challenges posed by the future of work? Table 3.1, Panel B provides descriptive evidence on these issues by comparing framework conditions for resilience and adaptability across OECD and a number of emerging market economies.¹² Resilience is measured by the estimated average increase in the unemployment rate in the three years following a negative shock to GDP of 1%, i.e. the capacity to limit fluctuations in unemployment and to quickly rebound in the wake of an aggregate shock.¹³ Framework conditions for adaptability are measured by the following indicators:

- the *rate of labour productivity growth* as a key pre-condition for high growth of output, employment and wages;
- the *ability of productive firms to attract workers* and grow as a key component of labour productivity and therefore wages;
- the *decoupling or real median wage growth from productivity growth*, as a measure of the extent to which productivity gains are transmitted to the wages of the typical worker during periods of rapid structural change;
- *adult skills*, as higher skills promote learning, innovation and higher wages; *student skills*, as an indication of the readiness of the next generation to respond to future challenges; as well as the *share of non-standard workers in total employment* - defined in terms of self-employed and temporary workers - since non-standard work can contribute to adaptability by providing flexibility to workers and firms, but may pose challenges in terms job quality and inclusiveness;
- *regional disparities in unemployment rates* within countries as a measure of the extent to which countries adapt to the uneven regional impact of mega-trends such as technological change, globalisation and demographic change.

The key message from Table 3.1, Panel B is that framework conditions for resilience and adaptability are closely related to labour market outcomes in terms of job quantity, job quality and inclusiveness.¹⁴ In most cases, framework conditions for resilience and adaptability are complementary to all dimensions of good labour market performance. However, in some cases there can be potential trade-offs in the sense that some framework conditions may raise labour market performance along some dimensions but reduce it along others.

- *Countries with more resilient labour markets and a higher share of skilled workers do better across all dimensions of labour market performance.*

- Labour market resilience is crucial not only to contain the short-term social costs of economic downturns but also to support labour market and economic performance in the medium to long term by avoiding that cyclical downturns translate into structurally lower growth of output, employment and wages. In fact, the unemployment rate and the low-income rate are generally lower while labour market security is higher in countries with more resilient labour markets. Labour market resilience is high in countries such as Japan and a number of Nordic countries (Finland, Iceland, Norway and Sweden), whereas it is low in a number of Mediterranean countries and the United States.
- A skilled workforce promotes innovation and the adoption of new technologies and work organisation practices, thereby boosting productivity, employment and wages. In fact, countries with a highly skilled workforce perform better across all dimensions of labour market performance. Countries with particularly low shares of low-skilled individuals include the Scandinavian countries, Germany, Japan and the Netherlands, but on average around one fifth of adults and one third of students in OECD countries do not have the basic skills required to succeed in a rapidly changing labour market.
- *Countries in which productive firms can more easily attract workers and grow also perform relatively better on job quantity.* A number of countries, such as Germany, the Netherlands and Norway, in which labour markets allocate workers efficiently – in the sense that employment growth is higher in more productive firms than in less productive ones – are also among the best-performing ones on most indicators of job quantity. However, a high ability of productive firms to attract workers is not sufficient to perform well on job quantity, as illustrated by a number of Mediterranean countries and the United States.
- *Countries in which real wage growth follow more closely labour productivity growth have generally done well on both job quantity and inclusiveness.* A large number of countries have experienced very low productivity growth over the past two decades, with productivity growth only partly transmitted to the real wage of the typical worker. Consequently, real median wages have stagnated in a large number of countries. Countries in which real median wage growth has closely tracked productivity growth, such as Denmark and New Zealand, have generally done well on both job quantity and inclusiveness. By contrast, countries in which real median wage growth has exceeded productivity growth, especially in the run-up to the crisis, such as Greece, Italy and Spain, have experienced large increases in unemployment. This suggests that large positive deviations of wage growth from productivity growth are unsustainable and may harm employment prospects in the long run. Countries in which real median wage growth has fallen short of productivity growth, such as Ireland, Poland and the United States, have typically experienced sub-par performance in terms of inclusiveness without any clear benefits in terms of job quantity.
- *Countries with high shares of non-standard workers and high regional disparities do worse than other countries on job quality and inclusiveness,* without apparent benefits in terms of job quantity. Around one fifth of workers in OECD countries are employed on non-standard contracts, which raises flexibility for employers and workers – including on working time – but may also pose challenges for skills development, job quality and inclusiveness. In fact, job quality and inclusiveness are lower in countries with high-shares of non-standard workers,

such as most Mediterranean countries. A similar pattern emerges for countries with high regional disparities that typically do worse than other countries in terms of job quality and inclusiveness but do not systematically do better on job quantity.

A whole-of-government approach is needed to make framework conditions for resilience and adaptability conducive to good overall economic and labour market performance. Labour market policies can influence most framework conditions for resilience and adaptability. For instance, well-designed and adequately funded education and training policies could improve adult skills and productivity growth while providing workers with the right tools to navigate change, thereby reducing skill mismatch and improving the ability of productive firms to attract qualified workers. However, labour market policies alone cannot achieve framework conditions for resilience and adaptability. Key non-labour market policies are:

- *Sound macroeconomic policies* smooth business cycle fluctuations in aggregate demand and can have longer-term effects by reducing the scope for hysteresis-type mechanisms that turn temporary downturns in activity into sustained periods of low economic activity. This may, for instance, happen if cyclical increases in unemployment translate into increases in structural unemployment or reduced labour force participation, or if cyclical declines in investment reduce growth expectations, resulting in a low-growth trap characterised by low investment and low growth in productivity and wages.
- *Productivity-enhancing policies and institutions* not directly related to the labour market are key to promote a vibrant economic environment that is conducive to innovation and the efficient re-allocation of factors of production. Business dynamism could be promoted by facilitating the entry of new firms, the reallocation of workers towards the most productive firms and the restructuring (or orderly exit) of the weakly productive ones. Raising the efficiency of tax systems; providing a sound legal and judicial infrastructure; enhancing the robustness of financial markets that serve the real economy; continuing efforts to strengthen the rule of law and fight corruption; and creating a level playing field and improving the governance of state-owned enterprises are other policy areas that will be key to sustainably raise productivity, employment and wages.
- In accordance with the OECD Skills Strategy, the challenge for *skills policies* is to provide learning opportunities from early childhood throughout the working life. A high-quality initial education and training system will be crucial to give individuals the best possible start in the labour market by providing them with strong basic skills, socio-emotional skills and specific skills required by employers, as well as the capacity for lifelong learning and to make education, training and occupational choices throughout their working lives.

Table 3.1. OECD Jobs Strategy dashboard for labour market performance

Panel A. Dashboard of job quantity, job quality and inclusiveness

	Quantity			Quality			Inclusiveness		
	Employment	Unemployment	Broad labour underutilisation	Earnings quality	Labour market insecurity	Quality of working environment	Low-income rate	Gender labour income gap	Employment gap for disadvantaged groups
	Share of working-age population (20-64 years) in employment (%) (2017)	Share of persons in the labour force (15-64 years) in unemployment (%) (2017)	Share of inactive, unemployed or involuntary part-timers (15-64) in population (%), excluding youth (15-29) in education and not in employment (2016)	Gross hourly earnings in USD adjusted for inequality (2015)	Expected monetary loss associated with becoming and staying unemployed as a share of previous earnings (%) (2016)	Share of workers experiencing job strain (%) (2015)	Poverty rate after taxes and transfers, poverty line 50%, working-age population (18-64) (%) (2015)	Difference between average annual earnings of men and women divided by average earnings of men (%) (2015)	Average employment gap as a percentage of the benchmark group (prime-age male workers) (2016)
OECD countries									
Iceland	87.2	2.9	12.6	22.7	2.2	23.8	6.5	35.3	9.2
Switzerland	82.1	5.0	18.3	28.4	1.7	..	6.4	48.3	14.6
Sweden	81.8	6.8	19.5	20.3	3.8	23.6	8.4	25.6	13.3
New Zealand	81.3	4.9	21.4	16.8	4.4	21.6	9.7	..	17.7
Japan	80.3	3.0	24.0	16.1	1.6	31.2	14.5	57.7	24.7
Germany	79.2	3.8	21.0	25.0	1.9	28.5	10.0	42.6	20.2
Estonia	78.7	5.9	21.9	7.5	5.2	23.0	12.9	30.4	22.1
Czech Republic	78.5	2.9	20.7	9.0	1.8	25.4	5.8	44.3	30.3
Norway	78.3	4.3	19.2	29.0	1.9	13.8	9.3	35.0	16.0
United Kingdom	78.1	4.5	23.5	17.7	2.7	20.7	10.1	42.6	22.9
Netherlands	78.0	4.9	22.9	28.7	1.9	23.4	8.8	46.2	22.2
Denmark	76.9	5.9	21.0	29.8	3.1	18.2	7.0	29.8	16.7
Canada	76.3	6.4	26.0	19.6	3.8	..	14.1	38.7	19.3
Lithuania	76.0	7.3	23.5	7.5	..	30.8	14.7	26.9	17.6
Australia	76.0	5.8	28.5	21.9	3.8	25.6	10.2	41.5	21.4
Israel	75.5	4.3	24.0	8.7	3.5	25.1	14.3	..	14.6
Austria	75.4	5.6	25.4	23.0	2.6	28.5	8.7	47.8	21.6
Latvia	74.7	8.9	26.8	6.4	..	30.3	13.0	24.9	17.7
Finland	74.3	8.8	26.6	21.2	2.0	16.3	6.8	21.4	18.6
United States	73.6	4.4	25.7	17.7	3.7	25.8	15.5	39.5	25.4
Slovenia	73.4	6.7	27.6	14.2	3.5	31.8	8.7	22.8	27.4
Portugal	73.4	9.2	29.8	8.7	7.0	33.2	12.3	29.0	22.0
Hungary	73.3	4.2	26.8	7.2	3.2	36.4	10.0	29.3	33.6
Ireland	72.7	7.0	33.5	19.3	3.1	23.9	9.9	39.9	26.3
Korea	71.6	3.8	..	9.9	2.4	..	8.5	61.0	31.8
Luxembourg	71.5	5.5	27.5	28.8	2.2	23.1	10.9	31.9	24.0
Slovak Republic	71.1	8.2	29.7	8.8	6.4	32.0	7.6	31.7	33.5
France	71.0	9.2	32.7	21.9	4.4	25.8	8.3	34.6	27.8
Poland	70.9	5.0	29.4	7.6	4.0	30.0	11.0	35.5	31.5
Chile	69.1	7.0	33.2	6.6	7.1	28.2	14.2	46.4	27.5
Belgium	68.5	7.1	30.0	29.3	2.4	25.8	9.5	33.3	30.0
Mexico	66.6	3.6	..	4.6	4.0	28.9	13.9	54.5	40.4
Spain	65.5	17.3	39.3	17.5	17.5	35.0	15.9	34.0	27.5
Italy	62.3	11.4	42.9	19.1	10.7	29.6	14.7	44.3	34.0
Greece	57.8	21.7	44.8	10.0	22.7	47.9	16.0	49.1	38.2
Turkey	55.3	11.2	44.2	5.8	13.0	42.9	13.5	..	47.1
OECD	72.1	5.9	27.2	16.6	4.9	27.6	10.9	38.1	24.7
Non-OECD countries									
Colombia	73.1	9.7	30.2	3.7	11.0	..	..	42.5	34.3
Costa Rica	66.6	9.2	37.8	5.5	7.2	..	17.5	48.5	44.9
Argentina	69.0	8.5	36.2	7.4	7.5	..	..	45.1	38.8
Brazil	65.9	13.0	32.7	4.8	6.6	..	17.3	48.2	39.2
China	79.0	2.9	..	..	5.8	28.9	26.0	..	32.0
India	59.5	3.7	..	2.7	3.6	30.7	17.1	78.1	50.1
Indonesia	72.6	5.6	29.6	1.6	8.2	..	..	62.7	40.1
Russian Federation	74.9	5.2	23.3	6.8	5.1	33.4	12.8	33.2	35.4
Saudi Arabia	60.0	5.7	..	..	..	..	..	..	..
South Africa	49.8	27.4	50.2	2.5	22.6	26.7	23.9	50.1	50.3

Above average performers (Top-third)

About average performers (Mid-third)

Below average performers (Bottom-third)

Note: Countries are ordered in descending order by the employment rate. Dark blue stands for better performance, light blue for worse one. Youth, aged 15-29 years, in education and not in employment are excluded from both the numerator and the denominator of broad labour underutilisation. The groups considered in the last columns are youth, older workers, mothers with children, people with disabilities and non-natives. Data refer to the latest available data for each group. Data on job quantity refer to 2017 (2016 for broad labour utilisation) except for China (2010), India (2011-12) and Saudi Arabia (2016). Data on earnings quality refer to 2015, except for Argentina, Japan and the Russian Federation (2013) and India (2011-12). Data on earnings quality for non-OECD countries are provisional estimates. Data on labour market insecurity refer to 2016 except for Israel (2015) and non-OECD countries (2013). Data for job strain are preliminary estimates for 2015. Data on low-income rate refer to 2015 except for Costa Rica, Finland, Israel, Latvia, the Netherlands, Sweden and the United States (2016); Australia, Hungary, Iceland, Mexico and New Zealand (2014); Brazil (2013); Japan (2012), China, India and the Russian Federation (2011). Data on labour income gap per capita refer to 2015 except for Argentina, Chile, Colombia, Indonesia and the United States (2016); Canada, Iceland, Ireland, Italy, Luxembourg, the Russian Federation and Switzerland (2014); Korea (2013) and India (2011-12).

Source: OECD (2016_[3]), “Recent labour market developments and the short-term outlook”, in *OECD Employment Outlook 2016*, https://dx.doi.org/10.1787/empl_outlook-2016-5-en; OECD (2017_[4]) “How are we doing? A broad assessment of labour market performance”, in *OECD Employment Outlook 2017*, https://doi.org/10.1787/empl_outlook-2017-5-en; OECD (2018_[5]), “Still out of pocket: Recent labour market performance and wage developments”, in *OECD Employment Outlook 2018*, https://doi.org/10.1787/empl_outlook-2018-5-en; *OECD Employment Database* <http://www.oecd.org/employment/database>; *OECD Job Quality Database*, <http://www.oecd.org/statistics/job-quality.htm> and *OECD Income Distribution Database*, <http://www.oecd.org/social/income-distribution-database.htm>.

Panel B. Framework conditions for resilience and adaptability

Resilience		Adaptability										
Unemployment cost of a decline in GDP	Labour productivity growth	Ability of productive firms to attract workers		Wage-productivity decoupling	Adult skills	Student skills	Non-standard workers	Regional disparities				
Average increase in unemployment rate over three years after a negative shock to GDP of 1% (pp) (2000-16)	Average annual labour productivity growth (%) (2000-16)	Cross-firm employment growth differential associated with 10 pp productivity differential (2003-13)		Difference between annual real median wage growth and labour productivity growth (pp) (2000-13)	Share of adults with numeracy skills below level 2 in PIAAC (%) (2012, 2015)	Share of 15-year-olds not in secondary school or scoring below Level 2 in PISA (%) (2015)	Own-account self-employed and temporary workers in % of total employment (2013)	Coefficient of variation in regional unemployment rates (2000, 2016)				
OECD countries												
Iceland	0.1	1.5	o	..	..	..	28.8	20.6	Low	↑		
Switzerland	0.4	0.4	↓	Low	o	..	19.0	18.7	Low	↑		
Sweden	0.3	1.3	o	Average	o	0.4	↑	14.7	25.9	19.0	Average	↓
New Zealand	0.4	0.7	o	..	..	0.3	o	18.9	29.3	..	Low	o
Japan	0.2	0.7	↑	Average	↑	-0.5	↑	8.1	15.4	20.2	Low	o
Germany	0.4	0.6	o	High	o	-0.4	o	18.4	20.6	18.1	High	↓
Estonia	0.7	2.8	↓	Average	o	..	..	14.3	17.6	8.4	Average	↑
Czech Republic	0.3	2.1	o	..	..	0.3	o	12.9	26.8	21.2	High	o
Norway	0.2	0.5	↑	High	o	-0.5	o	14.6	24.3	11.8	Low	o
United Kingdom	0.4	0.8	o	Low	o	-0.2	↓	24.2	34.4	16.1	Average	o
Netherlands	0.4	0.7	↑	High	↓	-0.7	..	13.2	20.8	25.9	Average	o
Denmark	0.6	0.6	o	Low	o	0.1	↓	14.2	23.1	13.6	Low	o
Canada	0.5	0.6	o	..	..	-0.6	o	22.4	28.5	21.2	High	↓
Lithuania	0.5	4.2	↓	..	..	..	..	17.4	32.7	..	Low	↑
Australia	0.4	1.0	o	..	..	-1.0	↑	20.1	29.3	32.1	High	o
Israel	0.6	0.7	o	..	..	-0.6	..	30.9	36.4	..	Low	o
Austria	0.1	0.4	o	High	o	-0.0	o	14.3	34.8	15.4	Average	↑
Latvia	0.8	3.9	↓	High	↓	..	..	30.2	..	..	Low	↑
Finland	0.2	0.6	o	Average	o	1.0	o	12.8	15.9	21.8	High	↓
United States	0.7	1.3	↓	High	↑	-1.5	↑	28.7	41.0	..	Average	o
Slovenia	0.3	1.0	o	Average	o	..	..	25.8	22.2	18.6	Low	o
Portugal	0.3	0.8	↓	Low	o	0.5	↓	..	33.2	31.0	High	↓
Hungary	0.3	1.7	↓	Average	o	-0.6	o	..	35.5	15.9	Average	↑
Ireland	0.3	3.0	↑	Low	o	-1.1	↓	25.2	18.0	19.5	Average	↓
Korea	0.2	2.5	↓	Average	↑	-1.1	↑	18.9	22.5	32.7	Low	o
Luxembourg	0.1	0.0	↑	Low	o	..	..	..	35.0	11.9	..	..
Slovak Republic	0.5	3.2	↓	..	..	-0.8	↑	13.8	35.5	22.3	High	o
France	0.4	0.6	o	Average	o	0.7	o	28.0	30.4	20.8	Average	↓
Poland	0.6	2.7	↓	Average	↑	-1.3	↓	23.5	24.7	37.4	Low	o
Chile	0.3	1.4	↓	..	..	..	..	61.9	59.6	..	Average	o
Belgium	0.3	0.6	o	Low	o	-0.2	↑	13.4	25.7	16.9	High	o
Mexico	0.2	0.2	↑	..	..	..	..	..	73.2	..	Average	o
Spain	0.9	0.7	o	High	o	0.5	↓	30.6	29.3	32.1	High	↓
Italy	0.5	-0.4	o	High	↓	1.0	↓	31.7	38.4	27.9	High	↓
Greece	0.8	0.2	↓	Low	↑	1.4	↓	28.5	41.5	35.6	Average	o
Turkey	0.2	2.6	o	..	..	..	..	50.2	66.0	30.2	High	↓
OECD	0.4	1.2	o	..	..	-0.2	o	22.7	32.4	22.0	..	..
Non-OECD countries												
Colombia	0.2	1.9	o	..	..	..	..	74.8	..	..	Average	o
Costa Rica	0.6	2.1	o	..	..	..	..	76.2	..	..	..	..
Argentina	..	0.7	o	..	..	..	..	75.9	..	..	..	..
Brazil	0.3	1.5	↓	..	..	..	..	79.0	..	..	Average	o
China	0.0	2.1	o	..	..	..	..	46.2	..	..	High	-
India	..	6.5	o	..	..	..	..	..	..	..	..	..
Indonesia	..	3.7	o	..	..	..	..	78.6	..	..	..	..
Russian Federation	0.1	2.8	↓	..	..	..	..	22.8	..	..	High	↑
Saudi Arabia	..	-1.8	↓	..	..	..	..	..	..	..	..	..
South Africa	0.3	0.6	↓	..	..	..	..	..	..	..	Low	o

Note: Countries are ordered in descending order of the employment rate. OECD unweighted average. The signs ↑, o, ↓ indicate differences in the most recent period (see Annex Table 3.A.4 for the details) relative to the overall period, with ↑ denoting an increase, o indicating approximate stability and ↓ indicating a decline. For instance, ↑ for the decoupling indicator means that over 2010-13 real median wage growth accelerated relative to labour productivity growth. Changes in indicators are considered to be significant when they are at least as large as one-half of the standard deviation of that indicator across OECD countries.

Source: Resilience: OECD calculations based on OECD (2017^[6]), *OECD Employment Outlook 2017*, http://dx.doi.org/10.1787/empl_outlook-2017-en; Labour productivity growth: OECD Economic Outlook database (labour productivity measured in per worker terms); Wage-productivity decoupling: OECD calculations based on OECD National Accounts Database and OECD Earnings Database (labour productivity measured in per hour terms); Ability of productive firms to attract workers: OECD calculations based on the 2013 ORBIS vintage; Low-skilled adults: OECD (2016^[7]), *Skills Matter: Further Results from the Survey of Adult Skills*, <http://dx.doi.org/10.1787/9789264258051-en>; Low-performing students in mathematics: OECD (2016^[8]), *PISA 2015 Results (Volume I): Excellence and Equity in Education*, <http://dx.doi.org/10.1787/9789264266490-en>. Non-standard workers: OECD (2015^[9]), *In It Together - Why Less Inequality Benefits All*, <http://dx.doi.org/10.1787/9789264232662-en>. Regional disparities: OECD (2018), *OECD Regional Statistics Database*, <https://dx.doi.org/10.1787/region-data-en>.

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Conclusions

The conceptual framework of the new Jobs Strategy introduced in this chapter distinguishes between three broad performance areas: i) the quantity and quality of jobs; ii) labour market inclusiveness; and iii) the resilience and adaptability of the labour market. This framework is then applied by using the OECD Jobs Strategy dashboard to assess labour market performance and identify reform priorities.

The multidimensional approach to labour market performance adopted by the new Jobs Strategy potentially raises difficult questions for policy-makers as a result of possible trade-offs between different outcomes. Evaluating such trade-offs is difficult as social preferences may well differ significantly and across countries. In that sense, evaluating trade-off involves inherently political choices. The new OECD Jobs Strategy does not take a stance on the relative importance of the different dimensions beyond recognising that all are important in their own right.

A key insight of this chapter is that, while trade-offs between the performance areas of the framework are likely to be important in some cases, there are also important synergies. For instance, it is possible to design policy packages that simultaneously raise job quantity, job quality and inclusiveness. To some extent this reflects the role of economic development which not only tends to be associated with higher incomes, but also better public institutions and more resources for education, employment and social policies. However, it also suggests that coherent policy packages can go a long way towards mitigating possible trade-offs.

The remainder of Part I consists of three chapters that respectively consider the role of policies and institutions for labour market performance (Chapter 4), discuss their effective implementation in specific countries (Chapter 5), and contain the detailed policy recommendations of the new OECD Jobs Strategy (Chapter 6).

Notes

- ¹ Chapter 17 will develop this further to identify to challenges and priorities in specific countries.
- ² The OECD measures well-being as a multi-dimensional construct capturing material conditions, the quality of life and the sustainability of well-being in the future (OECD, 2017_[10]).
- ³ Recommendation of the Council on Gender Equality in Public Life (OECD, 2015_[11]), Recommendation of the Council on Gender Equality in Education, Employment and Entrepreneurship (OECD, 2013_[14]), Recommendation of the Council on Integrated Mental Health, Skills and Work Policy (OECD, 2015_[13]) and the Recommendation of the Council on Ageing and Employment Policies (OECD, 2015_[14]).
- ⁴ Because of data availability, the measure of labour market insecurity considered here – that is the expected monetary loss associated with becoming and staying unemployed as a percentage of previous earnings – does not incorporate the broader issue of “earnings insecurity” due to unpredictable hours or extremely low pay, which is equally important for economic security, particularly in emerging economies.
- ⁵ Job strain measures the risk that work impairs peoples’ health due to the combination of excessive job demands and insufficient job resources to meet work requirements. Job demands relate to physical demands, work intensity and the flexibility of working time. Job resources relate to task discretion and work autonomy, training and learning opportunities and scope for career advancement. For further details, please visit: <http://www.oecd.org/statistics/job-quality.htm>.
- ⁶ More specifically, the three dimensions of inclusiveness considered in the scoreboard are: i) the share of the working-age population with disposable income substantially below that of a typical working-age person; ii) the gender gap in labour income per capita; and iii) the gap in employment rates between prime-age men and selected disadvantaged groups – youth, older workers, mothers with children, people with disabilities and migrants (i.e. the foreign-born). The reason for including these measures is threefold: i) labour income – along with out-of-work transfers and the taxation of employment-related income – is a key determinant of household disposable income for the working-age population, particularly in the lower range of the distribution, which implies that an economy with an inclusive labour market is one in which relatively few working-age persons have disposable income that lies far below the median income; ii) an inclusive labour market means that opportunities to develop a successful career should not differ by gender; and iii) an inclusive labour market should ensure that potentially disadvantaged groups are not left behind. A more exhaustive discussion of these choices and the robustness of the scoreboard to their measurement is available in OECD (2017_[4]).
- ⁷ While the tendency for performance to go together across different outcomes reflects to some extent the role of economic development, accounting for this does not change the message that it is possible to do well in terms of each of the dimensions of labour market performance at the same time.
- ⁸ Of course, higher employment rates do not necessarily imply better quality jobs or greater inclusiveness and vice versa. Policy priorities and effectiveness can differ significantly across countries.
- ⁹ The role of economic development is accounted for by regressing each of the indicators of labour market performance on GDP per capita across OECD countries (excluding Luxembourg), retrieving and standardising residuals and when necessary multiplying by minus one so that positive values are associated with better performance. The results are reported in Annex Table 3.A.3.
- ¹⁰ A few of them have however significantly improved their job quantity performance in the past two decades (e.g. Ireland and Spain).

¹¹ The United States, where the employment rate has fallen by 1.7 percentage points and broad labour underutilisation has increased by 2.5 percentage points in the past decade, represents a notable exception to this pattern of stability.

¹² See Chapter 13 and 14 of this Volume for a detailed policy discussion of these issues and Annex Table 3.A.4 for further information on framework conditions for resilience and adaptability and their measurement.

¹³ An alternative indicator using the employment rate instead of the unemployment rate has also been calculated and provides a qualitatively similar picture. The pairwise rank correlation between the indicators of unemployment and employment resilience is 0.7.

¹⁴ The conclusions in this paragraph are based on rank correlations between the levels of the indicators in Panel B and the levels/changes of the indicators in Panel A. Changes of the indicators in Panel A are computed over the period 2006-16.

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Annex 3.A. Additional information

Annex Table 3.A.1. Dashboard of job quantity, job quality and inclusiveness, 2006 or closest available date

	Quantity			Quality			Inclusiveness		
	Employment	Unemployment	Broad labour underutilisation	Earnings quality	Labour market insecurity	Quality of working environment	Low-income rate	Gender labour income gap	Employment gap for disadvantaged groups
	Share of working-age population (20-64 years) in employment (%) (2006)	Share of persons in the labour force (15-64 years) in unemployment (%) (2006)	Share of inactive, unemployed or involuntary part-timers (15-64) in population (%), excluding youth (15-29) in education and not in employment (2007)	Gross hourly earnings in USD adjusted for inequality (2006)	Expected monetary loss associated with becoming and staying unemployed as a share of previous earnings (%) (2007)	Share of workers experiencing job strain (%) (2005)	Poverty rate after taxes and transfers, Poverty line 50% Working-age population (18-64) (%) (2006)	Difference between average annual earnings of men and women divided by average earnings of men (%) (2005)	Average employment gap as a percentage of the benchmark group (prime-age male workers) (2006)
OECD countries									
Iceland	87.0	3.0	10.6	21.2	1.1	..	5.2	41.2	10.4
Switzerland	80.5	4.1	18.6	26.6	1.4	..	..	..	18.8
Norway	79.6	3.5	17.5	25.3	0.7	21.8	8.6	38.6	20.0
Denmark	79.4	4.0	20.6	27.1	1.8	23.2	5.3	31.6	21.5
Sweden	78.8	7.1	23.1	18.5	2.5	21.2	7.5	32.3	16.8
New Zealand	78.4	3.9	21.8	14.9	3.1	24.8	8.3	..	21.1
Canada	75.8	6.4	24.6	16.9	3.2	30.1	12.8	41.2	20.8
Estonia	75.6	6.1	21.7	5.7	4.0	30.7	11.2	37.2	22.6
United States	75.3	4.7	23.2	18.0	3.4	28.1	14.1	44.2	26.0
United Kingdom	75.0	5.4	24.9	17.6	3.1	28.4	10.4	46.3	25.5
Ireland	74.7	5.0	24.4	16.4	1.8	27.6	9.4	49.3	29.7
Netherlands	74.6	4.3	22.8	27.5	1.1	27.8	6.6	56.0	28.8
Australia	74.5	4.9	27.3	20.1	2.7	27.3	10.7	46.7	24.3
Japan	74.5	4.3	26.0	15.0	1.8	37.8	13.4	64.3	29.5
Finland	74.0	7.7	24.5	19.9	2.6	20.3	7.1	27.5	19.4
Latvia	73.2	7.2	24.1	4.2	..	37.5	11.9	..	21.3
Portugal	72.6	8.1	27.1	8.6	5.5	46.8	10.5	..	23.0
Austria	71.6	5.3	26.7	20.9	2.1	31.0	..	50.3	28.6
Slovenia	71.5	6.1	24.6	13.4	2.1	41.1	5.9	23.3	25.4
Lithuania	71.3	5.8	27.6	6.1	..	46.1	10.4	27.2	22.7
Czech Republic	71.2	7.2	25.1	8.4	2.2	37.8	5.0	46.7	35.9
Germany	71.1	10.4	28.2	22.8	3.4	44.8	8.7	51.8	28.6
Korea	69.6	3.6	..	8.0	2.2	38.7	11.1	67.9	35.1
France	69.4	8.5	31.0	20.8	3.1	34.1	7.4	38.7	30.7
Luxembourg	69.1	4.7	27.0	28.3	1.3	29.1	..	58.3	30.7
Spain	69.0	8.5	30.8	15.6	5.5	49.2	11.3	..	28.4
Israel	68.1	10.8	34.0	8.6	5.4	35.8	14.4	..	21.6
Belgium	66.5	8.3	31.7	27.4	3.1	30.0	8.3	47.9	36.7
Mexico	66.1	3.7	..	4.8	3.8	31.5	15.2	..	41.1
Slovak Republic	66.0	13.3	30.4	7.3	8.1	37.4	5.3	34.7	39.2
Greece	65.6	9.1	32.6	11.4	7.5	49.8	11.3	..	35.2
Chile	64.0	9.2	..	4.1	8.1	..	16.3	59.0	37.9
Hungary	62.6	7.5	35.0	7.0	4.0	49.8	6.7	33.5	38.4
Italy	62.4	6.9	38.0	18.5	5.0	35.6	10.7	..	37.8
Poland	60.1	14.0	35.0	6.3	4.8	39.1	10.8	32.7	40.6
Turkey	48.2	10.5	51.8	6.0	9.7	57.2	12.2	..	52.3

	Quantity			Quality			Inclusiveness		
	Employment	Unemployment	Broad labour underutilisation	Earnings quality	Labour market insecurity	Quality of working environment	Low-income rate	Gender labour income gap	Employment gap for disadvantaged groups
	Share of working-age population (20-64 years) in employment (%) (2006)	Share of persons in the labour force (15-64 years) in unemployment (%) (2006)	Share of inactive, unemployed or involuntary part-timers (15-64) in population (%), excluding youth (15-29) in education and not in employment (2007)	Gross hourly earnings in USD adjusted for inequality (2006)	Expected monetary loss associated with becoming and staying unemployed as a share of previous earnings (%) (2007)	Share of workers experiencing job strain (%) (2005)	Poverty rate after taxes and transfers, Poverty line 50% Working-age population (18-64) (%) (2006)	Difference between average annual earnings of men and women divided by average earnings of men (%) (2005)	Average employment gap as a percentage of the benchmark group (prime-age male workers) (2006)
OECD	70.3	6.3	27.0	15.3	3.6	34.9	9.8	43.4	28.5
Non-OECD countries									
Colombia	66.8	11.5	..	2.9	..	..	..	51.3	..
Costa Rica	69.3	5.8	..	..	..	..	..	..	..
Argentina	68.8	10.3	36.0	5.6	..	..	..	54.3	35.1
Brazil	71.9	8.6	31.7	3.5	..	..	17.6	54.2	36.8
China	83.8	3.7	..	..	..	..	..	..	..
India	63.4	4.5	..	..	..	..	17.4	..	46.4
Indonesia	67.5	10.6	..	..	..	..	..	..	43.6
Russian Federation	74.2	7.1	..	5.5	..	42.7	..	..	..
Saudi Arabia	56.9	5.8	..	..	..	..	..	..	..
South Africa	53.1	22.6	..	..	..	38.0	..	58.9	..

Above average performers (Top-third)

About average performers (Mid-third)

Below average performers (Bottom-third)

Note: Countries are ordered in descending order by the employment rate. Dark blue stands for better performance, light blue for worse one. The groups considered in the last columns are youth, older workers, mothers with children, people with disabilities and non-natives. Data on job quantity refer to 2006 except for Colombia and Saudi Arabia (2007); China (2000). Data on job strain are preliminary revised estimates for 2005. Data on low-income rate refer to 2006 except for Israel and the United States (2005); Hungary, Spain and Turkey (2007); Australia, Mexico, Norway, New Zealand and Sweden (2008); India (2004). Data on gender labour income gap refer to 2006 except for Japan (2005).

Source: OECD (2016^[3]), “Recent labour market developments and the short-term outlook”, in *OECD Employment Outlook 2016*, https://dx.doi.org/10.1787/empl_outlook-2016-5-en; OECD (2017^[4]) “How are we doing? A broad assessment of labour market performance”, in *OECD Employment Outlook 2017*, https://doi.org/10.1787/empl_outlook-2017-5-en; *OECD Employment Database*, www.oecd.org/employment/database, *OECD Job Quality Database*, <http://www.oecd.org/statistics/job-quality.htm> and *OECD Income Distribution Database*, <http://www.oecd.org/social/income-distribution-database.htm>.

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Annex Table 3.A.2. Dashboard of job quantity, 1995 or closest available date

	Quantity	
	Employment	Unemployment
	Share of working-age population (20-64 years) in employment (%) (1995)	Share of persons in the labour force (15-64 years) in unemployment (%) (1995)
OECD countries		
Iceland	86.0	5.0
Switzerland	79.4	3.4
Norway	77.0	5.0
Sweden	76.0	9.2
Czech Republic	75.6	4.0
Denmark	75.3	7.0
United States	75.2	5.6
Japan	75.1	3.3
New Zealand	72.6	6.5
Estonia	71.4	9.7
Austria	71.3	3.7
Korea	70.9	2.1
United Kingdom	70.7	8.7
Canada	70.5	9.6
Australia	70.1	8.6
Israel	68.3	8.9
Portugal	67.8	7.4
Netherlands	67.6	7.1
Germany	67.6	8.2
Slovak Republic	67.4	13.1
Finland	66.3	15.4
France	65.1	11.6
Poland	64.3	13.7
Luxembourg	62.4	2.9
Chile	62.2	7.5
Belgium	61.4	9.4
Mexico	61.1	7.1
Ireland	60.7	12.4
Greece	59.9	9.3
Hungary	58.9	10.2
Turkey	55.9	7.8
Italy	55.2	11.7
Spain	51.8	22.8
Latvia	..	..
Lithuania	..	..
Slovenia	..	..
OECD	68.3	7.6
Non-OECD countries		
Colombia	..	..
Costa Rica	63.6	5.2
Argentina	..	..
Brazil	..	..
China	..	..
India	..	..
Indonesia	..	..
Russian Federation	70.2	9.5
Saudi Arabia	57.2	4.4
South Africa	..	..

Above average performers (Top-third)

About average performers (Mid-third)

Below average performers (Bottom-third)

Note: Countries are ordered in descending order by the employment rate. Dark blue stands for better performance, light blue for worse one. Data refer to 1995 except for Chile (1996) and Saudi Arabia (1999).

Source: OECD Employment Database, www.oecd.org/employment/database.

StatLink  <http://dx.doi.org/10.1787/888933881097>

Annex Table 3.A.3. Dashboard of job quality, job quantity and inclusiveness after adjusting for the role of economic development

2017 or latest available year, taking in account GDP per capita using the residuals of regressing each indicator on GDP per capita, standardised

	Quantity			Quality			Inclusiveness		
	Employment	Unemployment	Broad labour underutilisation	Earnings quality	Labour market insecurity	Quality of working environment	Low-income rate	Gender labour income gap	Employment gap for disadvantaged groups
Iceland	1.9	0.8	1.8	0.3	0.3	0.1	1.2	0.3	1.7
New Zealand	1.4	0.6	1.0	0.4	0.2	1.2	0.5	..	1.1
Estonia	1.3	0.5	1.2	-0.7	0.4	1.4	-0.4	0.7	0.8
Japan	1.1	1.0	0.4	-0.1	0.8	-0.7	-1.3	-1.9	-0.1
Czech Republic	1.1	1.2	1.2	-0.9	1.0	0.7	2.0	-0.6	-0.5
Sweden	1.0	-0.2	0.8	-0.1	0.0	0.2	0.6	1.3	1.2
Lithuania	0.8	0.1	0.9	-0.8	..	0.0	-1.0	1.1	1.5
Latvia	0.8	-0.2	0.6	-0.5	..	0.3	-0.2	1.3	1.7
United Kingdom	0.6	0.6	0.5	0.1	0.5	1.1	0.2	-0.4	0.1
Germany	0.6	0.6	0.7	1.1	0.5	-0.6	0.1	-0.4	0.3
Switzerland	0.6	0.0	0.6	0.5	0.0	..	0.9	-0.9	0.5
Israel	0.5	0.8	0.7	-1.0	0.6	0.7	-1.0	..	1.7
Hungary	0.4	1.0	0.5	-0.5	0.9	-0.9	0.8	0.8	-0.6
Portugal	0.4	-0.4	0.0	-0.5	-0.1	-0.4	-0.1	0.9	0.9
Slovenia	0.2	0.2	0.2	0.4	0.7	-0.3	1.0	1.5	0.0
Netherlands	0.2	0.3	0.2	1.4	0.3	0.1	0.3	-0.8	-0.2
Canada	0.1	0.0	0.0	0.0	0.0	..	-1.4	0.0	0.4
Denmark	0.1	0.0	0.6	1.9	0.1	1.1	1.0	0.9	0.7
Poland	0.0	0.8	0.1	-0.5	0.7	0.3	0.4	0.2	-0.4
Australia	0.0	0.1	-0.5	0.2	0.0	-0.2	-0.1	-0.3	0.0
Finland	0.0	-0.6	0.0	0.8	0.6	1.8	1.4	1.7	0.7
Chile	0.0	0.4	-0.2	0.0	0.2	0.9	-0.5	-0.9	0.5
Austria	-0.1	0.2	0.0	0.6	0.3	-0.6	0.5	-0.9	0.1
Slovak Republic	-0.1	-0.2	-0.1	-0.7	0.0	-0.3	1.4	0.6	-0.8
Mexico	-0.3	1.4	..	0.0	1.1	1.0	-0.3	-1.7	-1.1
Korea	-0.3	0.8	..	-1.2	0.7	..	0.9	-2.3	-0.9
Norway	-0.3	0.1	0.3	-0.1	-0.2	0.9	-0.3	0.4	0.0
France	-0.5	-0.6	-0.8	1.2	0.1	0.3	0.9	0.4	-0.4
United States	-0.8	0.2	-0.4	-1.7	-0.4	-0.7	-2.3	-0.1	-0.9
Belgium	-1.1	-0.2	-0.6	2.3	0.4	0.0	0.3	0.5	-1.0
Spain	-1.2	-2.7	-1.6	0.7	-2.8	-1.1	-1.6	0.4	-0.2
Ireland	-1.6	-0.8	-2.0	-2.9	-0.8	-1.2	-0.8	0.0	-1.7
Italy	-1.8	-1.2	-2.1	1.0	-1.2	-0.2	-1.2	-0.6	-1.1
Greece	-2.1	-3.6	-2.0	0.3	-3.6	-2.8	-1.3	-1.1	-1.2
Turkey	-2.6	-0.8	-2.0	-0.7	-1.4	-2.0	-0.5	..	-2.5
Correlation with column (1)	1.0	0.7	1.0	0.0	0.7	0.6	0.4	0.2	0.8

Above average performers (Top-third)

About average performers (Mid-third)

Below average performers (Bottom-third)

Note: The role of economic development is accounted for by regressing each of the indicators of labour market performance on GDP per capita across OECD countries (excluding Luxembourg), retrieving and standardising residuals and, when necessary, multiplying by minus one so that positive values are associated with better performance. Countries are ordered in descending order by the employment rate. Dark blue stands for better performance, light blue for worse one. For details on variable definitions see Table .

Source: See Table .

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Annex Table 3.A.4. Extended information on framework conditions for resilience and adaptability

Resilience		Adaptability									
Unemployment cost of a decline in GDP	Labour productivity growth		Ability of productive firms to attract workers		Wage-productivity decoupling		Adult skills: low-skilled adults	Student skills	Non-standard workers	Regional disparities	
Average increase in unemployment rate over three years after a negative shock to GDP of 1% (pp)	Average annual labour productivity growth (%)		Cross-firm employment growth differential associated with 10 pp productivity differential (%)		Difference between annual real median wage growth and labour productivity growth (pp)		Share of adults with numeracy skills below level 2 in PIAAC (%)	Share of 15-year-olds not in secondary school or scoring below Level 2 in PISA (%)	Share of Own-account self-employed and temporary workers in total employment (%)	Coefficient of variation in regional unemployment rates (%)	
2000-16	2000-16	2010-16	2003-13	2010-13	2000-13	2010-13	2012, 2015	2015	2013	2000	2016
OECD countries											
Iceland	0.1	1.5	1.4	..	..	..	..	28.8	20.6	15.0	22.3
Switzerland	0.4	0.4	-0.1	0.1	0.1	..	..	19.0	18.7	23.6	31.7
Sweden	0.3	1.3	0.9	0.2	0.3	0.4	1.9	14.7	25.9	19.0	12.2
New Zealand	0.4	0.7	0.9	..	..	0.3	-0.4	18.9	29.3	..	24.3
Japan	0.2	0.7	0.6	0.3	0.4	-0.5	0.5	8.1	15.4	20.2	13.9
Germany	0.4	0.6	0.7	0.8	0.9	-0.4	0.1	18.4	20.6	18.1	30.1
Norway	0.2	0.5	0.5	0.6	0.5	-0.5	0.0	14.6	24.3	11.8	16.7
United Kingdom	0.4	0.8	0.7	0.1	0.0	-0.2	-1.0	24.2	34.4	16.1	20.2
Denmark	0.6	0.6	0.8	0.1	0.2	0.1	0.8	14.2	23.1	13.6	6.6
Netherlands	0.4	0.7	0.8	1.1	0.3	-0.7	..	13.2	20.8	25.9	20.0
Czech Republic	0.3	2.1	1.2	..	..	0.3	0.3	12.9	26.8	21.2	36.2
Estonia	0.7	2.8	1.2	0.4	0.4	..	..	14.3	17.6	8.4	38.5
Canada	0.5	0.6	1.0	..	..	-0.6	-0.5	22.4	28.5	21.2	29.3
Australia	0.4	1.0	1.3	..	..	-1.0	0.9	20.1	29.3	32.1	46.0
Israel	0.6	0.7	0.8	..	..	-0.6	..	30.9	36.4	..	17.3
Austria	0.1	0.4	0.2	0.7	0.7	0.0	0.4	14.3	34.8	15.4	46.3
Finland	0.2	0.6	0.1	0.2	0.3	1.0	0.7	12.8	15.9	21.8	13.1
Latvia	0.8	3.9	2.5	0.5	0.3	..	..	..	30.2	..	40.7
United States	0.7	1.3	0.5	0.5	0.7	-1.5	-1.0	28.7	41.0	..	21.1
Hungary	0.3	1.7	0.1	0.4	0.3	-0.6	-0.3	..	35.5	15.9	43.9
Korea	0.2	2.5	1.3	0.3	0.5	-1.1	0.8	18.9	22.5	32.7	20.1
Portugal	0.3	0.8	0.3	0.2	0.3	0.5	-1.2	..	33.2	31.0	15.0
Luxembourg	0.1	0.0	0.3	0.1	0.0	..	..	..	35.0	11.9	..
France	0.4	0.6	0.6	0.3	0.4	0.7	0.9	28.0	30.4	20.8	17.2
Slovenia	0.3	1.0	0.9	0.2	0.1	..	..	25.8	22.2	18.6	15.9
Ireland	0.3	3.0	5.5	0.1	0.1	-1.1	-3.1	25.2	18.0	19.5	13.6
Slovak Republic	0.5	3.1	1.5	..	..	-0.8	0.5	13.8	35.5	22.3	38.5
Poland	0.6	2.7	2.3	0.2	0.5	-1.3	-2.0	23.5	24.7	37.4	24.8
Chile	0.3	1.4	1.2	..	..	..	..	61.9	59.6	..	25.2
Belgium	0.3	0.6	0.4	0.1	0.0	-0.3	0.9	13.4	25.7	16.9	56.1
Mexico	0.2	0.2	1.3	..	..	..	..	..	73.2	..	28.7
Spain	0.9	0.7	0.9	0.5	0.4	0.5	-0.6	30.6	29.3	32.1	28.9
Italy	0.5	-0.4	-0.4	0.4	0.3	1.0	-0.4	31.7	38.4	27.9	46.8
Greece	0.8	0.2	-1.0	0.2	0.6	1.4	-1.4	28.5	41.5	35.6	19.7
Turkey	0.2	2.6	2.6	..	..	..	..	50.2	66.0	30.2	50.3
Lithuania	0.5	4.2	2.0	..	..	..	..	17.4	32.7	..	29.6
OECD	0.4	1.3	0.8	0.3	0.3	-0.2	-0.1	22.5	31.3	22.0	27.4
Non-OECD countries											
Colombia	0.2	1.9	1.7	..	..	..	..	..	74.8	..	21.9
Costa Rica	0.6	2.1	2.7	..	..	..	..	..	76.2	..	..
Argentina	..	0.7	-0.3	..	..	..	..	..	75.9	..	..
Brazil	0.3	1.5	-0.2	..	..	..	..	..	79.0	..	33.6
China	0.0	2.1	2.0	..	..	..	..	..	46.2	..	..
India	..	6.5	5.6	..	..	..	..	..	..	..	..
Indonesia	..	3.6	3.8	..	..	..	..	..	78.6	..	..
Russian Federation	0.1	2.8	0.6	..	..	..	..	..	22.8	..	63.2
Saudi Arabia	..	-1.8	-2.7	..	..	..	..	..	..	..	..
South Africa	0.3	0.6	-0.3	..	..	..	..	..	..	14.0	20.0

Note: OECD unweighted average. Resilience: The indicator of labour market resilience measures the estimated average increase in the unemployment rate over the three years following a 1% decline in GDP. The indicator is obtained from estimating the following model: $U_{t+s} - U_{t-1} = \beta_0^s + \beta_1^s \ln GDPV_t + \beta_2^s dU_{t-1} + \beta_3^s \ln GDPV_{t-1} + \beta_4^s dU_{t-2} + \beta_5^s \ln GDPV_{t-2} + \sum_{j=1}^s \beta_4^j \ln GDP_{t+j} + \varepsilon_{t+s}$, where U_t is the unemployment rate, $GDPV_t$ is real GDP in period t and s indicates the number of periods after the GDP shock. The model is estimated separately for each country and each s , with the estimated β_1^s denoting the impulse-response function of unemployment to a 1% increase in GDP. The average change in unemployment is computed as the average of β_1^s over the three years following a 1% reduction in GDP. Data refer to the period 2000-16 for all countries. Labour productivity growth: Labour productivity is measured in per worker terms. Data refer to the period 2000-16 for all countries except Colombia (2001-16). Ability of productive firms to attract workers: The efficiency of labour re-allocation measures the elasticity of firm-level employment growth to lagged labour productivity. The baseline estimated equation is: $\Delta \ln L_{i,j,c,t} = \sum_{c=1}^{26} \beta_c C_c \ln LP_{i,j,c,t-1} + \theta x'_{i,j,c,t-1} + \gamma_{jct} + \varepsilon_{ijct}$, where $\Delta \ln L_{i,j,t}$ denotes employment growth in firm i , industry j and country c ; C_c are country dummies; $\ln LP_{i,j,c,t-1}$ is labour productivity in gross output terms; $x_{i,j,t-1}$ are employment and age of the firm; and γ_{jct} are industry-country-year fixed effects to control for unobserved time-varying country-industry specific determinants of employment growth. The country-specific β_c parameters provide a measure of dynamic allocative efficiency. Data refer to the period 2003-13 for all countries except Portugal (2006-08) and Hungary (2009-13). To control for effects of the business cycle on the efficiency of labour re-allocation, over the sample period 2003-2013 the baseline specification is augmented with an interaction term of lagged labour productivity with a dummy variable taking the value 1 if the lagged change in the output gap is below 0. Countries omitted from the table do not have sufficient coverage of firms in the ORBIS dataset. Wage-productivity decoupling: The indicator of decoupling measures the percentage point difference between real median wage growth and labour productivity growth. Using the notation $\Delta\% X$ to denote the per cent growth rate of X , macro-level decoupling is defined as follows: $Decoupling \equiv \Delta\% \left(\frac{W^{med}}{PY} \right) - \Delta\% \left(\frac{Y/PY}{L} \right)$, where W^{med} denotes the nominal median wage, Y denotes nominal value added, PY denotes the value added price and L denotes hours worked. Data refer to the period 2000-13 for all countries except Australia, Canada, France, Italy, New Zealand, Poland, Spain and Sweden (2000-12); Greece and Portugal (2004-13); Israel (2001-11); the Slovak Republic (2001-12). Low skills adults: Data refer to 2012 for all countries except Chile, Greece, Israel, Lithuania, New Zealand, Slovenia, Turkey and Jakarta (Indonesia). Data for Belgium refer to Flanders; data for the United Kingdom are the weighted average (2/3 and 1/3) of the data for England and the Northern Ireland; data for Indonesia refer to Jakarta. Low-performing students in mathematics: Data for China refer to Beijing-Shanghai-Jiangsu-Guangdong. Argentina: Coverage is too small to guarantee comparability. Non-standard workers: Workers on temporary contracts and self-employed (own account) workers aged 15-64, excluding employers, student workers and apprentices. Regional disparities: Data refer to the Territorial Level 2 (TL2) classification except for Australia, Estonia, Latvia and Lithuania (TL3), and to 2000 and 2016 except for Denmark (2007, 2016); Estonia, Chile, Israel, Mexico and the Russian Federation (2000, 2014); Spain (2002, 2014); Latvia and Lithuania (2000, 2015); Slovenia (2001, 2016); Turkey (2004, 2016); Brazil (2004, 2013); China (2008); Colombia (2001, 2014) and South Africa (2008, 2014).

Source: Resilience: OECD calculations based on OECD (2017_[6]), *OECD Employment Outlook 2017*, http://dx.doi.org/10.1787/empl_outlook-2017-en; Labour productivity growth: *OECD Economic Outlook Database* and WEO-IMF; Wage-productivity decoupling: OECD calculations based on *OECD National Accounts Database* and *OECD Earnings Database*; Ability of productive firms to attract workers: OECD calculations based on the 2013 ORBIS vintage; Low-skilled adults: OECD (2016_[7]), *Skills Matter: Further Results from the Survey of Adult Skills*, <http://dx.doi.org/10.1787/9789264258051-en>; Low-performing students in mathematics: OECD (2016_[8]), *PISA 2015 Results (Volume I): Excellence and Equity in Education*, <http://dx.doi.org/10.1787/9789264266490-en>; Non-standard workers: OECD (2015_[9]), *In It Together - Why Less Inequality Benefits All*, <http://dx.doi.org/10.1787/9789264232662-en>; Regional disparities: OECD (2018), *OECD Regional Statistics Database*, <https://dx.doi.org/10.1787/region-data-en>.

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