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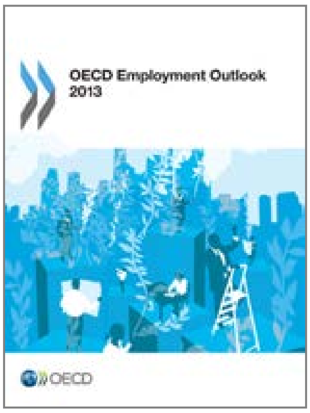
OECD Employment Outlook 2013

Summary in English



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High levels of unemployment are set to continue

Over five years have passed since the onset of the global financial and economic crisis and yet unemployment still remains high in many OECD countries. In April 2013, there were over 48 million people out of work, representing an unemployment rate of 8.0%, only half a percentage point below the crisis peak of 8.5%. But there are big variations between countries: unemployment is close to or below 5% in five OECD countries, but exceeds 25% in two others (Greece and Spain). Looking ahead, the OECD projects little change in unemployment for the OECD area through to the end of 2014, with a projected rise by at least a percentage point in six European countries offset by a fall by half a percentage point or more in five other OECD countries.

Older workers are faring relatively well

Certain groups, most notably low-skilled young men, are doing particularly poorly in the labour market. By contrast, older workers have weathered the crisis better than in previous deep recessions. A number of factors are at work and appear to predate the crisis: among them is a trend among older workers to retire at a later age, in part because they are better educated and healthier than previous generations. The closure or tightening of access to early retirement schemes has also played a role.

An analysis of the relationship between employment of younger and older workers over time and across countries shows that the better performance of older workers in the labour market did not come at the expense of youth. This reinforces the conclusion that previous attempts by governments to help youth gain a foothold in the labour market by encouraging early retirement among older workers were costly policy mistakes. Reassuringly, governments have so far resisted introducing early retirement schemes in response to today's high rates of youth unemployment. Instead they should pursue strategies that will improve employment prospects for both younger and older workers, including through growth-enhancing structural reforms and targeted active labour market measures to help those in both groups with specific problems of finding or staying in employment.

Employment protection legislation is becoming less strict

Over the past decade, and particularly since the crisis, OECD countries have tended to reduce the strictness of employment protection legislation – the rules covering the hiring and firing of workers – especially regarding collective and individual dismissals. There have also been changes, albeit less far-reaching, to reduce the gap between the level of protection afforded to permanent and temporary contracts. In the 1990s, temporary contracts were widely deregulated, which fuelled the emergence of dual labour markets split between workers on stable, long-term contracts and others on insecure, short-term contracts.

These recent reforms should help ensure labour markets respond more flexibly to economic change while reducing the gap between workers on temporary and permanent contracts. Research suggests workers, on average, should benefit, as it will become easier for them to find jobs that match their skills. Inevitably, however, some workers may face significant losses. Governments need to respond with policies to reduce the negative impact of these reforms and help such workers find new jobs.

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Well-designed activation policies encourage and help the jobless find jobs

Activation policies refer to labour market policies that aim to encourage people on welfare benefits to return to work. Approaches vary, but they include help with job hunting and training, and linking benefit payments to evidence of job search and requirements to participate in measures to improve employability. Based on detailed reviews by the OECD of activation policies in seven countries, a number of key lessons are identified.

First, in order to prevent welfare dependency, all countries with a well-developed system of income support for unemployed people can benefit from a strong employment-focused activation system. This should consist of measures to assist job search and improve work readiness, backed up by requirements to participate in employment and training programmes. Second, it is important to persevere with reforms to introduce or extend work-related requirements for groups such as lone parents, unemployed older workers and people with partial work-capacity. These reforms have proved to be successful in helping these groups return to work even if initially they may result in some increase in "open" unemployment as these groups lose their inactive status. Third, implementing a successful activation strategy may require institutional reforms such as co-ordinating the administration of benefits and job-search assistance as well as funding arrangements at the national and local levels. Finally, the effectiveness of public and private employment services can be improved through performance management based on measures of employment outcomes that are adjusted for jobseeker and local labour market characteristics.

Getting back to work after redundancy

In countries for which data is available, between about 2% and 7% of workers face lay-offs or redundancies in a typical year. Compared with prime-age workers, older and younger workers are at greater risk, although their experience of finding new jobs differs. Older workers generally find it harder to re-enter the workforce than younger workers and suffer greater losses in earnings whereas younger people find a new job relatively quickly and one that requires higher skill levels. Others at higher risk of redundancy are workers in small firms and those who rely on physical and craft skills which may not be much in demand in expanding sectors such as information technology.

Because many aspects of non-wage benefits rise with job tenure, laid-off workers who find a new job are less likely to be entitled to paid holidays and sick leave. They may also be required to work unsociable hours or part-time. In general, however, the main financial cost for laid-off workers results from loss of salary while out of work and not reduced earnings in a new job.

There are several policy implications from these findings: To reduce the financial burden on laid-off workers, it is essential to get them back to work quickly. Also, if public resources are scarce, they should be targeted at older and low-skilled workers. Finally, relying on firms to provide outplacement and retraining may not be the best approach if layoffs are concentrated in small firms that are often not required to offer or fund such services.

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