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Employment policy must address the concerns underlying the populist backlash against globalisation

While an expanding majority of OECD countries have finally closed the massive jobs gap that opened during the Great Recession of 2008-09, people in a number of countries are expressing rising dissatisfaction with core economic policies, including the promotion of international trade and investment. The populist backlash against globalisation challenges the policy advice offered by international organisations like the OECD, which have long emphasised the benefits of global integration. In view of the growing scepticism about policy orthodoxy, it is important to reassess economic policy stances, including which choices labour market policy makers have got more or less right and which they have got wrong and where a change of approach is required. While a definitive assessment is not yet available, it is already clear that many of the concerns underpinning the backlash against globalisation and trade are real and that they highlight areas where employment, skills and social protection policies need to be reinforced and adapted to a changing economic environment.

Labour market performance needs to be understood broadly

Labour market policy choices should be assessed in light of the many ways that employment outcomes affect well-being. Labour market performance has often been judged primarily in terms of employment and unemployment rates, because these are important outcomes and easily measured. However, other labour market outcomes also matter and can also be measured. These include job quality (pay, security, working environment) and the inclusiveness of the labour market (income equality, gender equality, employment access for potentially disadvantaged groups). This edition of the OECD Employment Outlook contains a new comparative scoreboard of labour market performance encompassing job quantity, job quality and labour market inclusiveness that provides a rich overview of the strengths and weaknesses of different national labour markets. It shows that during the past decade, the majority of OECD countries managed to better integrate women and potentially disadvantaged groups into the labour market and improve the quality of the working environment, whereas the unemployment rate and earnings quality were more or less stable, and labour market security and the low income risk worsened. The scoreboard also shows that there is a group of countries that score well on most or all indicators, implying that there are no hard trade-offs that prevent countries from performing well in all areas.

Labour market resilience in the wake of the crisis differed greatly across OECD countries

The Great Recession was a severe stress test for OECD labour markets. The OECD unemployment rate has returned to close to its pre-crisis level, but the unemployment cost of the Great Recession has nonetheless been very large and long lasting in a considerable number of countries. Moreover, as the recovery in output has been weak relative to the recovery in employment, labour productivity and wage growth remain low. Sound macroeconomic and labour market policies are important determinants of labour market resilience. Macroeconomic policies are highly effective in limiting employment declines during economic downturns and preventing cyclical increases in unemployment from become structural.

Spending on active labour market policies needs to respond strongly to cyclical increases in unemployment to promote a quick return to work in the recovery and preserve the mutual-obligations ethos of activation regimes. Overly strict employment protection for regular workers reduces resilience by promoting the use of temporary contracts and slowing job creation in the recovery. Co-ordinated collective bargaining systems can promote resilience by facilitating wage and working-time adjustments.

Technological change and globalisation are transforming labour markets

The Outlook examines the impact of technological progress and globalisation on OECD labour markets over the past two decades, focusing on job polarisation and de-industrialisation. Both are associated with severe disruption in workers' lives and rising inequality, and uncovering their root causes is of fundamental importance for policy. Almost all OECD countries have experienced occupational polarisation during recent decades – that is, a decline in the share of total employment attributable to middle-skill/middle-pay jobs – which has been offset by increases in the shares of both high- and low-skill jobs. About one-third of the rise in polarisation reflects a shift in employment away from manufacturing and towards services, while the larger part reflects occupational shifts within industries. Technology displays the strongest association with both polarisation and de-industrialisation. The role of globalisation is less clear cut, but there is some indication that international trade has contributed to de-industrialisation. Skills policies, activation measures and up-to-date social protection systems can play a key role in helping workers to successfully navigate the ongoing transformation of the labour market and reap the benefits of technological progress.

Collective bargaining is evolving quite rapidly in OECD labour markets

To assess whether collective bargaining is maintaining its efficacy in the context of rapidly changing labour markets, this Outlook includes a comprehensive and up-to-date review of collective bargaining systems for OECD countries and a selected group of emerging economies that are in the process of accession to the OECD. Comparable estimates of membership to trade unions and employer organisations as well as collective bargaining coverage indicate that collective bargaining still has an important role, although the share of workers whose terms of employment are set through collective bargaining fell during the past three decades. There has also been a trend toward more decentralised bargaining, with firm-level bargaining tending to expand at the expense of sectoral or national bargaining, often through mechanisms such as derogations and opt-out clauses that allow lower-level negotiators to deviate from terms set at higher levels of bargaining. The different ways that decentralised bargaining can be co-ordinated, the effective level of contract enforcement and the multiple types of worker representation that can be present within firms also play important roles in collective bargaining. The overall quality of labour relations, as assessed by senior executives or as indicated by the public's level of trust in trade unions, varies markedly across OECD countries, but is not found to be linked to any specific model of bargaining. A summary comparison of national collective bargaining systems illustrates how the different aspects of collective bargaining in a country fit together into an interconnected whole.

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