

Chapter 1. Key messages and recommendations

The new OECD Jobs Strategy provides guidance to policy makers on policies that enable workers and firms to make the most of emerging challenges and opportunities and ensure that the fruits of growth are broadly shared. The key policy recommendations are organised around three broad principles: i) promote an environment in which high-quality jobs can flourish; ii) prevent labour market exclusion and protect individuals against labour market risks; iii) prepare for future opportunities and challenges in a rapidly changing labour market. To support countries in building stronger and more inclusive labour markets, the new OECD Jobs Strategy goes beyond general policy recommendations by providing guidance on the implementation of reforms.

Introduction

Since the publication of the OECD's *Reassessed Jobs Strategy* in 2006 (OECD, 2006^[1]), OECD and emerging economies have undergone major structural changes and faced deep shocks: the worst financial and economic crisis since the Great Depression and continued weak productivity growth; unprecedentedly high levels of income inequality in many countries; and substantial upheaval linked to technological progress, globalisation, and demographic change. In light of these major changes, and the central role of labour policies in addressing them, OECD Employment and Labour Ministers in January 2016 called for a new Jobs Strategy that fully reflects new challenges and opportunities to continue to provide an effective tool to guide policy makers.

The new OECD Jobs Strategy is more comprehensive in scope and forward looking in outlook than previous OECD Jobs Strategies, putting a well-functioning labour market at the centre stage of inclusive growth. The original OECD Jobs Strategy of 1994 (OECD, 1994^[2]) emphasised the role of flexible labour and product markets for tackling high and persistent unemployment – the main policy concern at the time. Providing a growth-friendly environment, including through flexible product and labour markets, was seen as the key to promoting job creation and good labour market performance more generally. The 2006 Reassessed Jobs Strategy placed more emphasis on promoting labour force participation and improving job quality. The main message was that there are “several roads to Rome”, i.e. good labour market performance is consistent with more market-reliant models that emphasise labour and product market flexibility, but also with models that involve a stronger role of public policies, generally coupled with strong social dialogue and a combination of stronger protection for workers with flexibility for firms.

Building on these previous jobs strategies, the new OECD Jobs Strategy provides guidance to policy makers on labour market and other policies that enable workers and firms to harness the opportunities provided by new technologies and markets, while helping them to cope with the required adjustments and ensuring that the fruits of growth are broadly shared. The new Jobs Strategy continues to stress the links between strong and sustained economic growth and the quantity of jobs, but also recognises job quality, in terms of both wage and non-wage working conditions, and labour market inclusiveness as central policy priorities. Resilience and adaptability are placed at the heart of the new Jobs Strategy as in a rapidly evolving economy and labour market, policy needs to foster economic dynamism and be forward-looking to allow individuals and firms to absorb, adapt and make the most of challenges and opportunities related to changes in macroeconomic conditions and the megatrends affecting the future of work.

The main message of the new OECD Jobs Strategy is that while policies to support flexibility in product and labour markets are needed for growth, they are not sufficient to simultaneously deliver good outcomes in terms of job quantity, job quality and inclusiveness. This also requires policies and institutions to promote job quality and inclusiveness, which are often more effective when supported by the social partners. In this sense, the new OECD Jobs Strategy represents a significant evolution from the 2006 strategy, and even more from the original 1994 strategy. It is based on new evidence that shows that countries with policies and institutions that promote job quality, job quantity and greater inclusiveness perform better than countries where the focus of policy is predominantly on enhancing (or preserving) market flexibility. In other words, it is necessary to combine policies that encourage economic growth with policies and work practices agreed by the social partners that foster inclusiveness and protect workers. Thus,

a whole-of-government approach is needed, embedding the new OECD Jobs Strategy in the OECD Inclusive Growth Initiative and making appropriate linkages to other OECD strategies.¹

1.1. Key policy principles

The key policy recommendations of the new OECD Jobs Strategy are organised around three broad principles: i) promote an environment in which high-quality jobs can flourish; ii) prevent labour market exclusion and protect individuals against labour market risks; iii) prepare for future opportunities and challenges in a rapidly changing labour market.

Promote an environment in which high-quality jobs can flourish

High-quality employment requires a sound macroeconomic policy framework, a growth-friendly environment and skills evolving in line with market needs. This is broadly consistent with previous strategies, but with some important nuances.

- The recent global economic and financial crisis was a stark reminder of the importance of counter-cyclical macroeconomic policies for stabilising economic and labour market outcomes and preventing temporary downturns in activity from turning into low-growth traps. When monetary policy is constrained, letting automatic fiscal stabilisers operate freely and complementing them with additional fiscal measures in response to large economic shocks becomes particularly effective. This requires a fiscal policy framework that creates sufficient fiscal space during upturns to allow for a stimulating fiscal policy response during downturns and rapidly scaling up income support and active labour market programmes as needed. An important nuance with respect to the Jobs Strategy of 2006 is that the new strategy recognises that it can be useful during sharp economic downturns to channel fiscal resources to well-designed short-time work programmes that seek to preserve vulnerable jobs that are viable in the long term, while scaling them down quickly as conditions return to normal.
- Flexibility in product and labour markets is essential to create high-quality jobs in an ever more dynamic environment. Barriers in product and labour markets to the entry of new firms, the expansion of high-performing firms and the orderly exit of underperforming firms need to be reduced. However, some forms of flexibility are better than others. For example, partial labour market reforms that liberalise the use of temporary contracts, but maintain high levels of employment protection for workers on open-ended contracts can be counter-productive. This can result in an excessive use of temporary contracts, leading to low overall job quality, high levels of inequality and low resilience, without a clear benefit for the overall number of jobs. Similar issues can arise in emerging economies where overly strict employment protection for employees in the formal sector, alongside a range of other factors such as high non-wage labour costs, contribute to high levels of informal work without providing effective protection to workers.
- Moreover, policies need to strike the right balance between employment flexibility and stability. The challenge is to ensure that resources can be reallocated to more productive uses while providing a level of employment stability that fosters learning and innovation in the workplace. Employment stability can be promoted by having moderate and predictable employment protection provisions that provide security to all workers and by strengthening the

link between employers' unemployment insurance contributions and the cost of unemployment insurance benefits for displaced workers (e.g. partially experience-rated contributions). Moreover, by facilitating flexibility in earnings, in particular through adjustments in working time, collective bargaining and social dialogue can also support employment stability by helping to preserve good-quality jobs during difficult times.

- High-quality employment also depends crucially on having an effective education and training system, which equips workers with the skills needed by employers and offers opportunities and incentives for education and training throughout their working lives. To better match skills with labour market needs, it is important to develop stronger links between the world of education and the world of work and have robust systems and tools for assessing and anticipating skills needs.

Prevent labour market exclusion and protect individuals against labour market risks

The best way of promoting an inclusive labour market is by addressing problems before they arise. This means that a shift in emphasis is required from remedial to preventive policies. This enables workers to avoid many of the social and financial costs associated with labour market risks (such as unemployment, sickness and disability); it contributes directly to economic growth by expanding opportunities for workers; and alleviates fiscal pressures by reducing the overall costs of social programmes. Such an approach could therefore boost efficiency and equity at the same time.

- The core of a preventive approach to labour market inclusiveness is to strengthen equality of opportunities so that socio-economic background does not act as a key determinant of success in the labour market. This key policy priority crucially hinges on tackling barriers to the acquisition of adequate levels of education and labour market skills by individuals from disadvantaged backgrounds, through targeted interventions during (pre-)school years and in the transition from school to work.
- A preventive approach also requires a life-course perspective, to avoid an accumulation of individual disadvantages that require costly interventions at a later stage. To reduce the risk of workers becoming trapped in low-quality jobs or joblessness, they should have continuous opportunities to develop, maintain and upgrade skills through learning and training at all ages. This would help them navigate a labour market that will increasingly require frequent changes of jobs and activities throughout a career. Similarly, working conditions should be adapted to workers' needs over the life course. By making it easier to combine work, care and social responsibilities and preventing the development of work-related health problems, this increases labour force participation over a working life among both men and women, narrows gender gaps and reduces the risk of poverty and exclusion. But, as new forms of work are emerging, such policy instruments must be extended beyond those in dependent employment.
- A preventive approach cannot avoid that some people fall through the cracks. As suggested by the 2006 OECD Jobs Strategy, activation measures, wage-setting rules and the tax-and-benefits system can be combined to make work pay and handle individual shocks by protecting workers rather than jobs, so that the required adaptability of the labour market is not jeopardised. In this way, the

protection of workers against labour market risks and exclusion can be achieved by supporting and accompanying job-seekers towards new economic activities, conditional on individual commitment and job-search efforts (the so-called “mutual-obligations” framework).

- Previous *Jobs Strategies* have pointed to the need to ensure that unemployment, disability and other social benefits do not unduly discourage active job search. Recent evidence suggests, however, that reaching a high coverage of unemployment, disability and social assistance benefits, conditional on the rigorous enforcement of mutual obligations, plays a pivotal role in the success of activation strategies: by providing a key instrument for connecting with jobless people it allows addressing barriers to employment related to the employability of workers, the availability of suitable job opportunities and worker motivation. This also means extending the reach of social protection to new forms of work as much as possible.

Prepare for future opportunities and challenges in a rapidly changing labour market

Product and labour market dynamism will be essential to deal with the rapid transformation of economies resulting from technological progress, globalisation and demographic change. However, helping workers move from declining businesses, industries and regions to those with the highest growth prospects should be accompanied by policies to help individuals maintain and upgrade their skills, assist lagging regions, strengthen social safety nets and enhance the role of social dialogue in shaping the future world of work. Skills policies, social protection and labour market regulations will need to be adapted to the new world of work to achieve greater job quality and inclusiveness. In some cases, this may require a fundamental rethink of current policies and institutions.

- A first challenge is to equip workers with the right skills in a context where the demand for skills is likely to evolve rapidly and people continue working at a higher age, with an increased emphasis on Science, Technology, Engineering and Mathematics (STEM) as well as soft skills, and incentives for the acquisition of non-transferable skills may be eroded. The increased fragmentation of production processes and the likelihood that workers will move between jobs more frequently may reduce incentives for firms and workers to invest in firm-specific skills. The policy challenge lies in: i) designing novel tools that reduce barriers to lifelong learning by linking education and training to individuals rather than jobs, while updating existing ones like grants and loans to make them more accessible to all adults; ii) strengthening work-based learning programmes (e.g. apprenticeships). More generally, existing infrastructures for lifelong learning may need to be scaled up, for example by fully exploiting the opportunities afforded by new technologies.
- A further challenge is to ensure that workers remain protected against labour market risks in a world where flexible forms of work may increase. This includes ensuring that everybody has access to social protection and is covered by basic labour market regulations. Workers on ‘flexible’ labour contracts often have limited or no access to certain forms of social protection, such as workplace accident and unemployment insurance, and they may not be covered by basic labour market regulations. To some extent, it might be possible to address this concern by extending or adapting existing social security schemes and by

clarifying and effectively enforcing existing labour market regulations. In other cases, innovative solutions need to be found to ensure adequate wages and working conditions.

- Possible approaches for extending social protection coverage include: creating new, specially designed benefit schemes; expanding the role of non-contributory schemes; implementing minimum floors to social benefits; and making social protection more portable. A more radical solution would be to introduce a universal basic income (UBI), although it is unlikely that such a scheme could provide effective protection to all workers without significantly raising fiscal pressure or making some people worse off because of the need to cut other, well-targeted benefits to finance the UBI. In terms of labour market policies and institutions, policy makers should experiment with new instruments to fight in-work poverty and put in place a legal framework that allows labour relations to adapt to new emerging challenges.

1.2. Policy implementation

To support countries in building stronger and more inclusive labour markets, the new OECD Jobs Strategy goes beyond general policy recommendations by providing guidance for the implementation of reforms:

- Policy reform strategies need to be adapted to a country's specific characteristics in terms of its institutional set-up, social preferences, administrative capacity and social capital. While sub-par performance in an area of the labour market suggests the need for policy reform, countries should adapt their reform strategies to their specific situation. For instance, where social capital is low and administrative capacity lacking, policy action should aim at being simple, transparent and easily accountable.
- Policies are also often more effective when combined into coherent packages that enhance synergies and limit the potential cost of reforms in the short-run or for specific groups. For example, interventions targeted at specific groups should simultaneously address all barriers to employment through co-ordinated actions concerning the design of tax-and-benefits policies and the provision of employment, health and social services.
- Packaging and sequencing reforms in effective ways – acting first on those that are a prerequisite for the success of others – minimises trade-offs between individual policies and can broaden support among the electorate. For example, product market and employment protection reforms tend to be less costly in the short term when the former precede the latter.
- Building support for reforms is vital for their success. This requires winning a mandate for reform, effective communication including through the use of new technologies, and complementary reforms and policy actions to cushion short-term costs, including appropriate use of macroeconomic policy levers.
- Once reforms are passed, ensure that they are fully implemented, effectively enforced and rigorously evaluated. This requires investing in data collection if suitable data for monitoring compliance and outcomes are not available and strengthening evaluation mechanisms into policy actions to allow assessing their effects.

- Building strong and inclusive labour markets also requires proactive policy making. This requires innovative systems that help identifying potential challenges and opportunities ahead of time, rather than firefighting problems when they arise and recognising opportunities when they have long been missed. Anticipating future challenges and opportunities, finding solutions, managing change proactively, and shaping the future world of work can be achieved more easily and effectively if employers, workers and their representatives work closely together with the government in a spirit of co-operation and mutual trust.

1.3. Roadmap

Part I of this volume provides an overview of the new OECD Jobs Strategy. Chapter 2 presents the main motivation as the dual challenge of reviving productivity growth and making labour markets more inclusive in a rapidly changing world of work. Chapter 3 introduces the OECD Jobs Strategy framework for assessing labour market performance that focuses on three key 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. It is operationalised by the OECD Jobs Strategy dashboard that can be used to assess labour market performance and identify country-specific reform priorities. Chapter 4 provides an overview of the role of policies and institutions in promoting good labour market performance, with the underlying evidence and background analysis being discussed in Parts II – IV of this Volume. Going beyond the general policy principles of the Jobs Strategy, Chapter 5 provides concrete guidance to countries regarding implementation based on Part V of this Volume. Chapter 6 presents the detailed policy recommendations of the new OECD Jobs Strategy.

Part II of the Volume discusses in depth how policies and institutions can contribute to the **quantity and quality of jobs**. Since productivity growth is a pre-condition for better wages and working conditions in the long-term, Chapter 7 provides a comprehensive discussion of the role of policies and institution for worker productivity. However, productivity growth does not automatically translate into higher wages, better working conditions and sufficient job opportunities. Chapter 8, therefore, discusses the role of wage-setting institutions and labour taxes in ensuring that productivity gains translate into higher wages and better working conditions while maintaining high employment. Chapter 9 emphasises the need to combine high-quality job creation with measures to support labour supply by ensuring that work is accessible, attractive and sustainable over the life-course.

Part III focuses on promoting **labour market inclusiveness** so that everybody benefits from increased prosperity. The OECD Jobs Strategy emphasises the importance of promoting equal opportunities, but also recognises that excessive inequalities in outcomes are incompatible with equal opportunities and could in many cases be reduced without unduly reducing employment and growth. Chapter 10 discusses how policies and institutions can tackle deep and persistent inequalities in the labour market by promoting equal opportunities and containing excessive income inequalities. A number of groups, e.g. workers with low skills, persons with caring responsibilities or disabilities and migrants, face particular barriers to accessing good quality jobs and require specific support. Chapter 11 discusses the role of measures tailored to the needs of each of these groups and distils a number of common lessons. Chapter 12 considers a range of policies that can help policy makers balance innovation in work arrangements with the concern

that new forms of work – including those related to the emergence of the platform economy – may push vulnerable workers into jobs with limited worker protections.

Part IV of the Volume discusses the role of resilience and adaptability in ensuring good quality jobs in a rapidly changing world of work. Chapter 13 emphasises the role of labour market resilience in limiting the social costs of economic downturns, with a particular focus on the potential role of state-dependent employment and social policies to provide effective support to workers while reinforcing the stabilising role of social expenditures for aggregate demand. Chapter 14 discusses how labour markets can be made more adaptable to structural change by promoting: i) the efficient reallocation of workers across jobs, firms, industries and regions; ii) responsive, effective and worker-centred adult learning systems; and iii) effective employment and social policies to support displaced workers.

Part V of this Volume goes beyond the general policy principles of the new Jobs Strategy by providing concrete guidance to countries on the implementation of reforms. Chapter 15 discusses factors that make reform happen and support the reform process. Chapter 16 translates the general recommendations of the new Jobs Strategy to the specific context of emerging economies that need to address the challenge of broadly shared productivity gains with limited fiscal and administrative capacity. Chapter 17 identifies country-specific reform priorities and a range of contextual factors that need to be taken into account for developing country-specific recommendations using the OECD Jobs Strategy dashboard.

Box 1.1. The main policy recommendations of the new OECD Jobs Strategy

This Box summarises the main policy recommendations of the new OECD Jobs Strategy. The full policy recommendations can be found in Chapter 6 at the end of Part I “Overview” of this Volume. These policy recommendations are a key pillar of the OECD Inclusive Growth Initiative. In the implementation of the new Jobs Strategy, it will be important to exploit synergies among different policy areas and ensure consistency with the OECD Going for Growth recommendations, the OECD Skills Strategy, the OECD Innovation Strategy and the OECD Green Growth Strategy. Thus, a whole-of-government approach is necessary.

A. Promote an environment in which high-quality jobs can flourish

1. Implement a sound macroeconomic policy framework that ensures price stability and fiscal sustainability while allowing for an effective counter-cyclical monetary and fiscal policy response during economic downturns.
2. Boost investment and productivity growth, and promote quality job creation by removing barriers to the creation and expansion of successful businesses, the restructuring or exit of underperforming ones, and by creating an entrepreneurship-friendly environment.
3. Ensure that employment protection legislation generates dismissal costs that are predictable, balanced across contract types and not overly restrictive, while protecting workers against possible abuses and limit excessive turnover.
4. Facilitate the adoption of flexible working-time arrangements to help firms adjust to temporary changes in business conditions, while helping workers to reconcile work and personal life.

5. Reduce non-wage labour costs, especially for low-wage workers, and differences in fiscal treatment based on employment status.
6. Consider using a statutory minimum wage set at a moderate level as a tool to raise wages at the bottom of the wage ladder, while avoiding that it prices low-skilled workers out of jobs.
7. Promote the inclusiveness of collective bargaining systems while providing sufficient flexibility for firms to adapt to aggregate shocks and structural change.
8. Foster the development of suitable skills for labour market needs, while promoting the use of these skills and their adaptation during the working life to respond to evolving skills needs.
9. Promote formal employment by enhancing the enforcement of labour market rules, making formal work more attractive for firms and workers and promoting skills development to enhance worker productivity.

B. Prevent labour market exclusion and protect individuals against labour market risks

1. Promote equal opportunities to avoid that socio-economic background determines opportunities in the labour market through its influence on the acquisition of relevant labour market skills or as a source of discrimination.
2. Adopt a life-course perspective to prevent that individual disadvantages cumulate over time, requiring interventions at a later stage, which are usually less effective and involve larger fiscal costs.
3. Develop a comprehensive strategy to activate and protect workers, by combining adequate and widely accessible out-of-work benefits with active programmes in a mutual-obligations framework.
4. Adopt specific policies for underrepresented and disadvantaged groups, ensuring that they simultaneously address all barriers to employment.
5. Support lagging regions through coordinated policies at the national, regional and local levels that promote growth and competitiveness based on their specific assets and tackle social problems associated with local concentrations of labour market exclusion and poverty.

C. Prepare for future opportunities and challenges in a rapidly changing labour market

6. Promote the reallocation of workers between firms, industries and regions, while supporting displaced workers.
7. Enable displaced workers to move quickly into jobs, using a mixture of general and targeted income support and re-employment assistance, combined with prevention and early intervention measures.
8. Accompany innovation in new forms of employment with policies to safeguard job quality by avoiding abuse, creating a level-playing field between firms, and providing adequate protection for all workers regardless of employment contract.
9. Plan for the future by anticipating change; facilitating inclusive dialogue with the social partners and other relevant stakeholders on the future of work; and where necessary, adapting today's labour market, skills and social policies to the emerging needs in the changing world of work.

D. Implementation

10. Make reforms successful by adapting them to country specificities, carefully packaging and sequencing them to limit their potential cost in the short-run or for specific groups and building support for them.
11. Ensure that reforms are fully implemented effectively enforced and rigorously evaluated; invest in data collection if suitable data are not available.

Note

¹ The OECD Inclusive Growth Initiative was launched in 2012. It has resulted in the OECD Framework for Policy Action on Inclusive Growth as well as the development of Inclusive Growth dashboard (OECD, 2018^[3]). The Framework is organised around four pillars: i) shared prosperity; ii) inclusive markets; iii) equality of opportunities; and iv) inclusive growth governance. For a discussion of the links between the Inclusive Growth Initiative and the new Jobs Strategy see Chapter 3 of this Volume.

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