



Business and Industry Advisory Committee to the OECD

Comité Consultatif Economique et Industriel Auprès de l' OCDE

## Business opinion on the review of the OECD Jobs Strategy

At the Council Meeting at Ministerial Level in April 1998, Ministers recognised that the OECD Jobs Strategy sets forth an effective response to the problems of unemployment and social exclusion, and emphasised the importance of promoting employability and creating flexible and adaptable labour markets. They also requested a comprehensive review of progress in this area in 1999 to aid them in implementing the necessary reforms.

Given this review, BIAC surveyed its member organisations to determine whether the recommendations of the Jobs Study report of May 1994 are still valid and whether there has been adequate and effective implementation of the recommendations at the national level. Although the situation and circumstances vary by country, the result of this survey clearly indicated that, in BIAC's view, the recommendations of the 1994 Jobs Study not only remain valid but are still of crucial importance. The implementation at national level, however, needs to be forcefully encouraged. A comprehensive approach for reducing unemployment and raising living standards should remain one of the top priorities of OECD Member countries.

The work carried out by the OECD since the 1994 Jobs Study has confirmed one of the report's central conclusions, i.e. that the differences between countries in their ability to create jobs and to bring down unemployment lie in their different capacities for structural adjustment. The recommendations and the central finding of the Jobs Study remain valid: There is a pressing need to deal with the inability of many economies to adjust rapidly to changing circumstances. Companies require a sound macro-economic and regulatory environment to be dynamic and thus make a major contribution to sustainable employment. Governments must therefore enact additional substantive reforms to adapt to the changing circumstances of this era of globalisation and increased competition.

The business community recommends that in the framework of future activities to encourage the implementation of the Job Strategy recommendations, the OECD should place particular emphasis on the following issues:

1. In many OECD Member countries, the current difficulties of the labour market are linked to, among other issues, overly strict job protection, overly generous benefit systems, high non-wage labour costs, minimum-wages and income taxes as well as excessive administrative barriers. OECD findings confirm that more jobs would be created in the private sector if there were fewer barriers to adapting employment to companies' economic circumstances. Further analysis, for example, on the role of wage flexibility to reduce the risk of cyclical unemployment is therefore required.
2. A sound economic environment is essential for sustained growth and a strengthening of employment and living standards. A long-term reduction of unemployment cannot be achieved by creating "artificial jobs" in civil service or (partly) publicly funded activities, but by encouraging the creation of sustainable jobs in the private sector. Particular attention should be paid to the growing employment potential of new technologies, as well as to promoting the creation of self-employment and SMEs, which play an essential role in job creation.

3. Marginal groups in the labour market deserve particular attention. BIAC welcomes the youth employment initiative launched by the OECD to analyse the causes and consequences of high youth unemployment and effective remedies to deal with the problem. This will require further in-depth analysis of the transition of education to the labour market and of the incentives for skill upgrading and training. In addition, appropriate strategies need to be developed to tackle the problem of ageing populations, including incentives for employers to offer work opportunities to ageing individuals.

Education needs to be considered as a continuous, lifelong process whereby individuals acquire skills and knowledge on an ongoing basis and are thus adequately equipped for working life, no matter how swift the pace of change. BIAC supports efforts to encourage lifelong learning, which requires both individual responsibility on behalf of the employees and incentives for employers to invest in lifelong learning.

In addition, problems related to weak wage dispersion, above all in low-skill work which can often be a means for young job-seekers and marginal groups to enter the labour market, should be given increased attention. There must be a strong correlation between work productivity and compensation. Minimum wages that are too high can impede employment.

BIAC welcomes the efforts of a number of OECD countries to introduce greater flexibility and reduce non-wage costs of employment. However, the fact that unemployment, and in particular structural unemployment, is still far too high in many OECD Member countries underlines the importance of pushing ahead more vigorously in all of the areas identified by the 1994 Jobs Study and related follow-up activities. It is thus unfortunate that in many countries both the general and the country specific recommendations have not yet been sufficiently implemented.

Although we recognise that many of the necessary reforms may be opposed by certain pressure groups, governments need to push ahead with such measures as rapidly as possible. There is therefore a continuing need to conduct a frank and open dialogue on these issues at all appropriate levels. The importance of the Jobs Strategy and the forceful continuation of its follow-up and implementation activities at local and national levels should be clearly spelled out in the conclusion of the 1999 meeting of the OECD Council at Ministerial level with a mandate for the OECD to enhance its related activities.

International cooperation in these areas is important since it can lead to the identification of best practices and can help governments with the implementation of the necessary measures. The OECD should continue rigorously monitoring the implementation of the Jobs Study's recommendations and create new opportunities for the concerned parties to learn about OECD's work in this area and to exchange views on different national and local experiences. Consistent with our message to OECD Heads of Delegation on the Financial Crisis<sup>1</sup>, we believe that it would be very useful to extend these discussions to non-member countries, particularly potential new members, so that they may benefit from the OECD peer review process. In this context the monitoring process of the EDRC should be strengthened and more effort should be made to engage the relevant actors and the public during the country-specific survey activities. BIAC would be pleased to assist the OECD with activities related to the Jobs Strategy follow-up.

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<sup>1</sup> See BIAC Discussion Paper for the 1998 Consultation with the OECD Liaison Committee with International Non-Governmental Organisations: "Maintaining Financial Stability in a Global Economy: Is there a Role for the OECD?"