



Business and Industry Advisory Committee to the OECD

Comité Consultatif Economique et Industriel Auprès de l'OCDE

INTERNATIONAL CONFERENCE ON JOBS

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BIAC Statement

BIAC is pleased to present this statement on behalf of the business community from OECD countries to the International Conference on Jobs. The topics selected for this conference have long been a pressing issue for OECD Member countries. With high unemployment persisting in many countries, this conference presents a timely opportunity for OECD and EU decision makers to encourage activities that create sustainable jobs. Since unemployment is particularly high in many EU countries, the recommendations of the OECD Jobs Strategy are of particular relevance to European decision-makers.

Still Too Many Rigidities - the OECD Jobs Strategy is Needed

The fact that unemployment, and in particular structural unemployment, is still far too high in many - mainly European - OECD Member countries underlines the importance of pushing vigorously ahead with the appropriate reforms. The OECD has made an excellent contribution on how to address these problems in its 1994 Jobs Study and subsequent follow-up strategy and reports. The OECD Jobs Strategy should also in future be taken as the point of departure for EU's Employment Strategy and related activities in individual EU Member countries.

In most countries, the current high unemployment rates are linked to, among other issues, overly strict job protection and other rigidities in labour legislation, high non-wage labour costs, minimum wages and income taxes, overly generous benefit systems as well as excessive administrative barriers. All these elements are disincentives for companies to hire. OECD findings confirm that more jobs would be created in the private sector if there were fewer barriers to adapting companies' use of human resources to the changing economic circumstances and market needs. In addition, high incomes and overly generous benefits often discourage individuals to look for and accept jobs, notably those with lower than average skill requirements and wage levels.

Job growth can only be achieved if governments implement the necessary structural reforms of their economies and facilitate policies which are conducive to greater flexibility, competitiveness and job creation. BIAC therefore strongly supports further work to promote the implementation of the recommendations emerging from the OECD Jobs Strategy. Particular emphasis should be placed on the following issues:

- the creation of self-employment, micro-businesses and SME's
- the growing employment potential of new technologies and labour-intensive sectors
- incentives for employers in the operational environment to offer work opportunities to young and ageing individuals
- the role of wage flexibility and wage dispersion.

Make Work Pay

In recent years, many countries have introduced in-work benefits or wage-subsidy schemes as measures to increase the income of the low skilled. However, in most cases, the effects are not large. While policies to make work pay, if well designed, may alleviate certain problems to some extent, they should under no circumstances be seen as a substitute for longer term policies aimed at upgrading skills and employability and those policies aimed at improving the general framework conditions of the labour market.

Direct or indirect wage-subsidies distort competition and deteriorate healthy hiring practices. Another inevitable consequence of increasing support for those with low skills is that the incentives to increase skills are reduced. Long-term recipients should be helped equip themselves for employment and be encouraged to improve their skills to respond to market demands. Education and practical training at the workplace are among the most important components of employability and competitiveness and as such need to be actively encouraged, bearing in mind that personal initiative is indispensable.

In many countries, a dependency culture has been created with unemployment benefits being so high and long-lasting that active job-seeking is discouraged. Only if people are actively searching for work and are willing to accept work if they find it while at the same time enhancing their skills according to labour market requirements, will policies be effective. The benefit structure and the relationship of benefits to one another will need to be analysed to target the benefits to those in greatest need. The difference between remuneration for work and benefits should always be high enough to stimulate increased individual motivation for active job-seeking and training.

Minimum wages have sometimes been considered as a means to complement these policies. However, overly generous minimum wages will undoubtedly harm employment prospects for low-productivity workers and will negatively influence the access of young people to the labour market.

Strengthening Employment Opportunities for Young and Ageing Individuals

In order to alleviate the difficulties for groups at the margin of the labour market, the overall labour market must be functioning smoothly and real incentives to work must be given. This requires government policies that, for example, encourage job creation through entrepreneurial activity by reducing taxes and eliminating regulations that needlessly impede starting or expanding an enterprise. The use of part-time work and fixed-term contracts, for example, is a useful means of getting people into the labour market, and certainly more beneficial than being without employment prospects. Research has shown that overly strict employment protection legislation hinders employment of those at the margins of the labour market.

Higher levels of education reduce the risk of unemployment and increase chances of finding work, while lower levels of education are associated with diminished job and career opportunities. Thus, encouraging students/job-seekers to improve their skills to respond to changing labour market requirements should be a paramount goal. Low-skilled workers should also bear personal responsibility and be given suitable opportunities and incentives to strive to improve their employability in a rapidly changing economy.

School-to-work programmes of various kinds have been a staple of education and labour policies in some OECD countries to fight against youth unemployment. The precise mix of youth

training/apprenticeship policy should be left to the individual country, but the hallmarks of the system should be flexibility and the ability to respond rapidly to the changing needs of modern economies and marketplace shifts.

Familiarisation of young people with information and communication technologies (ICT) is of crucial importance. It should start during initial education and continue throughout working life. Information technology offers major opportunities while at the same time adding a further challenge as both young and older job-seekers increasingly need continued training and retraining in order to keep up with changes in technology and the marketplace.

The role of the government should be to facilitate, through flexible regulatory frameworks and qualification schemes as well as innovative financing and partnership agreements, the development and implementation of school-to-work programmes. Business is an active partner in investing in education and human resources, but expects a fair return on its investment. Also, appropriate strategies need to be developed to tackle the problem of ageing populations, including incentives for employers to offer work opportunities to ageing individuals.

Making Active Labour Market Policies More Effective

Active labour market policies (ALMPs) should not be considered as substitutes for good policy in other areas which affect job creation. It is essential that they have a clear timetable for performance evaluation. The most important criterion in this evaluation is that they must be successful in bringing people back to a normal employment situation. The fight against unemployment cannot be won by simply creating (partly) publicly funded "artificial jobs", but by creating productive jobs in the private sector operating under competitive conditions and by helping the unemployed to become competitive for these jobs.

It is crucial to focus on active and rapid job search assistance, in addition to improving the quality of the general job brokerage systems. Matching between companies' needs and job-seekers skills must be improved, which could be facilitated by closer liaison with companies. Public employment services should therefore work closely with employers and become more flexible to adapt to the needs of a changing labour market.

Most ALMP spending currently goes to temporary employment programmes. The ability of these programmes to create sustainable jobs is very weak. Only a small fraction of spending goes to real job brokerage, labour market information, placement and labour market training. We recommend that the spending should be more balanced. Also, the activities of private employment agencies need to be encouraged.

Policy Implications

Governments should place particular emphasis on the significant potential offered by the ongoing developments in ICT. New information networks and associated technologies offer new job opportunities while at the same time enabling an open learning environment that can greatly enhance the possibilities of integrating training activities with the working life of an individual. Early and continued familiarisation with ICT is essential to facilitate a smooth transition to the labour market.

Action to reduce unemployment must be carried out along a broad front of policy areas. A sound and feasible policy framework strengthening the competitiveness of companies is an essential

prerequisite for the private sector to make its full contribution to sustainable employment. BIAC therefore urges governments to:

- further implement the recommendations of the OECD Jobs Study at the local and national levels
- reform the benefit system to encourage individual responsibility and employment
- encourage the enhancement of skills and employability, in particular for those at the margins of the labour market
- focus on effective and rapid job search assistance.

The sharing of information on existing programmes which have proven to be successful is extremely valuable in helping other countries introduce such systems. The OECD should continue to offer outlines for job creation activities in Europe and work closely with the EU to monitor, evaluate and develop these activities. The EU's Employment Strategy should also in the future have this benchmarking concept as a core pillar, while at the same time widening it to cover, in addition, countries outside the EU. Above all, it should encourage local and national activities which create sustainable jobs. The responsibility for the administration of these activities has to remain at these levels.

International co-operation, involving the active participation of the business community, is necessary to facilitate the development of strategies in these areas at the local and national levels. BIAC, which represents the business community in the OECD, would be pleased to contribute to this effort.

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