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TACKLING THE JOBS CRISIS:
THE LABOUR MARKET AND SOCIAL POLICY RESPONSE

TUAC STATEMENT TO THE OECD MEETING OF EMPLOYMENT AND LABOUR MINISTERS

PARIS, 28-29 SEPTEMBER 2009

EXECUTIVE SUMMARY

1 The OECD Employment and Labour Ministers are meeting amidst reports that the global recession is bottoming out and that governments are preparing their strategies for exiting from the fiscal stimulus measures. Trade unions have warned G20 leaders meeting in Pittsburgh that exiting now would be dangerously premature. The outlook for recovery, which is still uncertain, is at best modest and due almost exclusively to government stimulus measures. There is still no sign of self-sustaining economic recovery.

2 Moreover, job losses in OECD countries continue to grow, despite the fact that 15 million workers had already been forced into unemployment between December 2007 and June 2009. Young people are among the hardest hit, with youth unemployment rates of over 20 percent now appearing in a number of OECD countries¹. Globally, by the end of 2009, it is estimated that unemployment will have increased by close to sixty million since the financial crisis began in 2007². Over 200 million workers could be pushed into extreme poverty, mostly in developing and emerging countries where there are few or no social safety nets.

3 TUAC welcomes the focus of the Ministerial on 'Tackling the Jobs Crisis' and urges Employment and Labour Ministers to ensure that policy responses to this crisis fully support this objective. Labour markets were not the cause of the crisis, but they are now where its effects are being most severely felt. Experience of past crises tells us that unemployment is a lagging indicator, signalling that the worst is still to come: some OECD countries run the risk of returning to a period of mass unemployment. Unemployment now represents the largest single threat to recovery through its deflationary effects on demand.

4 TUAC is gravely concerned that the fiscal stimulus packages to date have been insufficiently focused on job creation and other employment and labour market

IN PARTNERSHIP WITH



1. OECD, Employment Outlook, September 2009 and Eurostat News Release, Five Million Young People Unemployed in the EU27 in the First Quarter 2009 23 July 2009. BLS news release, Employment and Unemployment Among Youth -- Summer 2009; August 27, 2009.

2. ILO, Global Employment Trends, Geneva, May 2009.

issues. The employment effects of fiscal stimulus packages for 19 OECD countries are estimated for 2010 to be in the range of 3.2 to 5.5 million additional jobs³. This is but a small fraction of the number of jobs that have been lost in the crisis and will do little to stem the devastating rise in unemployment across the OECD. This is why the Global Unions have called on G20 leaders meeting in Pittsburgh to continue and extend their fiscal stimulus measures until there is real recovery⁴. Employment and Labour Ministers must act to ensure that these recovery packages are designed to have maximum impact on employment. Priority must also be given to investment in 'green jobs' that will support a 'just transition' to a low carbon economy.

5 Moreover, Employment and Labour Ministers must ensure that governments use this period of slow growth and slack labour markets to invest in the education and skills of employed and unemployed workers. Skills deteriorate rapidly in periods of extended unemployment, whereas our economies need highly skilled workforces to meet the competitive challenges of the 21st century and provide prosperity that can be shared by all. No worker should have less education than they are willing and able to acquire; and no worker should be prevented from taking the highest value-adding job that they are willing to take, for reasons of lack of training.

6 Looking beyond the short-term response to the Jobs Crisis, it is imperative that governments lay the policy foundations for the creation of decent jobs and a productive workforce. This crisis has come on top of an explosion in inequality⁵ – the result of an economic model that served to deny workers their fair share of the fruits of growth. The danger now is that the crisis will serve to deepen existing income inequalities⁶, further erode social cohesion and thereby worsen distributive justice. As economies emerge from this recession, OECD Employment and Labour Ministers have a specific responsibility to ensure that the labour market policies put in place fully reflect the lessons of this crisis and help create more secure and better paid jobs.

7 Creating decent jobs and productive work requires a fundamental re-think of the current economic model and a break with 'business as usual'. TUAC has no confidence that the medium-term policy responses currently under discussion discharge this responsibility. In 'Tackling the Jobs Crisis' Employment and Labour Ministers must re-focus their policies to include demand as well as supply-side measures. TUAC calls on Ministers to:

- Ensure that governments maintain policies to stimulate demand 'as long as necessary' to combat the jobs crisis and that fiscal stimulus measures are sufficiently focused on employment and social protection;
- Discourage companies from making redundancies by, for example, supporting short-time working schemes, which reduce the number of working hours, whilst providing compensation for loss of income so as to maintain purchasing power;
- Design labour market programmes that avoid the placing of workers in precarious work. Priority must be given to creating decent and skilled jobs and to strengthening adherence to core ILO labour standards;
- Use direct public sector employment to absorb excess labour supply. Laying-off public sector workers will impede the recovery of both the labour market and the economy;
- Support young workers by broadening the eligibility criteria for unemployment benefits, social assistance and access to training, supporting apprentices and trainees, providing 'Employment Guarantee Schemes' for young workers unemployed for more than six months and expanding further education;

3. OECD Contribution to ILO: Protecting People, Promoting Jobs. An ILO report to the G20 Leaders' Summit, Pittsburgh, 24-25 September 2009.

4. Global Unions' Declaration to the Pittsburgh G20 Summit, September 2009.

5. OECD (2008), Growing Unequal? Income Distribution and Poverty in OECD Countries.

6. Atkinson, A. (2009), Three questions about the global economic crisis and three conclusions for EU and Member State policy-makers, ECFIN Economic Brief, Issue 2, June 2009, p 23.

- Provide income support, in particular through expanded unemployment benefit programmes, tackle the problem of inadequate unemployment benefit and amend regulations so as to increase access to social protection;
- Adjust activation policies so that the unemployed are not penalised at this time of crisis, when there are an insufficient number of jobs available;
- Increase the level of training and retraining for unemployed workers to prepare them for future job opportunities and increase access to training by changing the eligibility criteria and providing additional income support;
- Use the recession to provide additional education and training measures for employed workers, so as to prepare for an economic recovery. Link public support for additional training to short-time work schemes;
- Ensure that companies seeking to cut jobs comply fully with national and international standards on workers' rights regarding termination of employment, including compliance with the provisions of the OECD MNE Guidelines;
- Take steps to eliminate the gender pay gap, which is at risk of being exacerbated by the recession;
- Ensure that migrant workers do not become the victims of this crisis and ensure the full respect of their rights in line with other citizens;
- Invest in 'green' infrastructure so as to create the 'green jobs' required to shift to a low carbon economy and support a 'just transition'.

8 The OECD Employment and Labour Ministers must ensure that the lessons of this crisis are reflected in a new policy agenda that does not return our economies to the past policies of inequality – to 'business as usual'. They must ensure that the future work programme of the OECD is aligned with this objective by mandating the OECD to work on the following:

- Improve measurements of labour market performance to include progress in creating decent work both over time and between countries;
- Analyse the causes of growing labour market inequality as a follow-up to the research undertaken on 'Growing Unequal'⁷;
- Revise the OECD's Employment Protection Legislation (EPL) Indicator;
- Re-assess the impact and role of activation policies, giving specific attention to job quality and income effects;
- Conduct research on identifying and addressing the drivers of precarious and informal work, focusing on gender aspects;
- Undertake research on industrial composition as a determinant of labour market performance;
- Carry out research on the workplace adjustments required to improve working conditions to meet the needs of an aging society;
- Conduct research on the employment implications of 'just transition'⁸ to a low carbon-economy and the skill requirements of the 'green jobs' agenda;
- Strengthen cooperation with the ILO by supporting the ILO Global Jobs Pact and updating the OECD/ILO Memorandum of Understanding.

9 Finally, TUAC emphasises the importance of greater worker participation in the economic restructuring process and calls on Ministers to:

- Strengthen social dialogue between ELSAC and TUAC and BIAC by mandating the secretariat to develop an enhanced consultation process.

7. OECD (2008), Growing Unequal? Income Distribution and Poverty in OECD Countries.

8. 'Just transition' requires governments to take steps to smooth the shift towards a more sustainable society by building the capacity of the "green economy" to sustain jobs and livelihoods for all.

A DEEPENING JOBS CRISIS

10 Despite the talk of “green shoots” of recovery and the rebound in stock markets over recent months, the outlook for 2009 remains bleak with OECD forecasts⁹ indicating that GDP will fall by 3.7 percent in 2009 across the G7 economies. In 2010, most OECD countries are expected to experience stagnation in GDP, or at best hesitant recovery. It is to be hoped that a recovery is indeed underway, but this is far from certain. The outlook for recovery is at best modest and the slowing of the decline is due almost exclusively to government stimulus measures. There is still no sign of self-sustaining economic recovery.

11 The economic crisis is severely affecting labour markets across the OECD, with almost 15 million OECD workers joining the ranks of the unemployed between December 2007 and June 2009, representing a 48% increase in unemployment in 18 months¹⁰. Recent data reveals that unemployment is continuing to rise sharply. Indeed some countries already reached unemployment rates during summer 2009 that are close to or beyond the rates predicted for the fourth quarter of 2010, the period in which unemployment is expected to peak¹¹. Globally, the ILO is projecting a possible increase in unemployment of up to 59 million by the end of 2009¹².

12 The fact that this crisis hit OECD countries at a time of favourable labour market conditions in terms of low unemployment rates provides no reason for complacency¹³. Whilst unemployment is lower today than in previous crises, job losses have been proportionately greater. This is the case in particular for the US, Spain, Japan, the UK, Canada and France, which together account for 12 million of the 15 million workers laid off between the end of 2007 and June 2009.¹⁴ Lessons from past financial crises show that labour markets lag behind economic recovery. They also show that increases in long-term, unemployment are extremely difficult to reverse. All these factors point to a real risk of prolonged mass unemployment – this must be averted.

SUPPORT LABOUR DEMAND – KEEP WORKERS IN WORK

13 TUAC calls on Employment and Labour Ministers to re-focus their policies so as to give sufficient emphasis to demand-side as well as supply-side measures. Tackling the Jobs Crisis’ requires governments to increase substantially the financial resources available for active and passive labour market policies, including complementary social policies and the provision of compensatory income support. The level of resources allocated per unemployed worker must be higher than the pre-crisis level. Moreover, these measures must be large-scale and long-lasting going beyond the temporary, limited and targeted measures recommended by the OECD¹⁵.

14 First and foremost, Ministers must provide a strong voice within governments calling for measures to be maintained for ‘as long as necessary’. OECD countries must not exit from their fiscal stimulus measures prematurely. Some countries may need to undertake extra annual stimulus, which should be sustained until there are clear signs of recovery.

9. OECD Interim Economic Assessment, 3 September, 2009.

10. OECD, Employment Outlook, September 2009.

11. OECD Harmonised Unemployment Rates; Paris, 14 September 2009.

12. ILO, Global Employment Trends, Geneva, May 2009 update, p. 5.

13. OECD (2009b), The Jobs Crisis: What are the Implications for Employment and Social Policy? Background Document for the Meeting of the Employment, Labour and Social Affairs Committee at Ministerial Level (28-29 September 2009). DELSA/ELSA(2009)7; p. 6.

14. OECD (2009c), Employment Outlook, p. 19.

15. OECD (2009a), p.15.

15 Ministers must also ensure that fiscal stimulus packages are targeted to have the greatest impact on employment. The U.S., for example, has used its fiscal stimulus package at different levels of government to maintain and create employment. TUAC is gravely concerned that, overall, the fiscal stimulus packages to date have been insufficiently focused on job creation, employment and other labour market issues. According to the OECD, the average employment effects of fiscal stimulus packages for 19 OECD countries are estimated for 2010 to range from 0.8% to 1.4%, corresponding to the creation of between 3.2 and 5.5 million additional jobs¹⁶. This is but a small fraction of the number of jobs that have been lost due to the crisis and will do little to stem the devastating rise in unemployment.

16 Employment and Labour Ministers must also ensure that measures undertaken to support labour demand, such as wage subsidies to employers, do not lead to wage deflation. As noted by the OECD Employment Outlook 2009, there is a serious risk that the numbers of 'working poor' will increase sharply coming out of this crisis, as a result of either wage cuts, job losses, or reductions in the number of hours worked.

17 Furthermore, the quality of jobs created matters. The expansion of precarious forms of work and deregulation of the labour market are not the answer to the employment crisis – the insecurity of working people over recent decades was a significant contributor to today's recession. A major challenge facing OECD countries is how to build labour market security in a globalised economy. Labour market flexibility must not be achieved through the severing of the standard employment relationship, the erosion of workers' fundamental rights and a significant reduction in workers' welfare.

18 TUAC is calling on OECD Employment and Labour Ministers to:

- Urge governments to maintain policies to stimulate demand 'as long as necessary' to combat the jobs crisis;
- Ensure that the fiscal stimulus measures maximise job creation and include support for active labour market policies;
- Support policies to address temporary slumps in demand by enabling firms to retain workers by reducing the number of working hours. Short-term working time regimes (e.g., *Kurzarbeit* in Germany) have proved to be an effective tool. Trade unions and employers have successfully worked together to avoid redundancies through the reduction of working hours in a number of European countries on the basis of collective bargaining and supportive public policies¹⁷;
- Ensure that direct support provided to firms to increase labour demand (e.g., hiring subsidies, the reduction of non-wage labour costs, training subsidies, tax exemptions and deferrals for enterprises) avoids deadweight and displacement effects, that employment continues after the subsidy has expired and that the quality of jobs conforms with the requirements of decent work;
- Establish floors in labour markets, with regard to wage subsidies, to prevent employers from lowering wages at the expense of taxpayers and at the cost of a worsening spiral of deflation of earnings and prices. Set minimum wages at a level ensuring a 'living wage,' to extend the coverage of collective bargaining agreements and to strengthen wage setting institutions;
- Take steps to address the problem of precarious work, which is affecting increasing number of workers across OECD countries, and in particular women. The policies of deregulating labour markets as a means of increasing flexibility must be brought to an end. Labour market programmes must be designed in such a way as to prevent the placing of workers in precarious work. This includes strengthening compliance with core ILO labour standards;

16. OECD Contribution to ILO: Protecting People, Promoting Jobs. An ILO report to the G20 Leaders' Summit, Pittsburgh, 24-25 September 2009.

17. European Foundation (2009), Tackling the Recession: Employment-related Public Initiatives in the EU Member States and Norway, Dublin.

- Ensure that companies seeking to cut jobs comply fully with national and international standards on workers rights regarding termination of employment, including compliance with the provisions of the OECD MNE Guidelines that governs changes in company's operations involving closures and lay-offs¹⁸. This crisis must not be used as a pretext to weaken workers rights.

Support Public Sector Employment

19 Governments have a key role to play in directly maintaining and creating jobs through public sector employment, so as to help absorb excess labour supply and support the recovery of both the labour market and the economy.

20 First and foremost, Employment and Labour Ministers must act to protect public sector employment at this time of crisis. Laying-off public sector workers to deal with the burgeoning public sector debt would jeopardise recovery in both the labour market and the economy. It would also be manifestly unjust, causing the costs of this crisis to fall most heavily on workers and their families – those who played no part in creating this crisis and those who are least resilient to its effects.

21 The temporary provision of funds for public works projects at local and regional levels, in addition to fiscal stimulus measures, is a potentially effective tool for creating decent jobs for the unemployed at times of recession. TUAC supports the proposals made by Bell Blanchflower¹⁹ to allow public sector and non-profit organisations to fill job vacancies through the provision of increased public funding over a period of at least two years. The provision of funds directly to public sector organisations would help fill existing vacancies. The temporary lifting of budget constraints would allow additional employees to be hired: teachers, youth and social workers.

22 TUAC is calling on OECD Employment and Labour Ministers to use public sector employment as a means to tackle the jobs crisis and:

- Provide temporary funds for public works projects at local and regional levels;
- Ensure that such public sector job creation schemes meet the requirements of decent work as defined by the ILO so as to protect workers: minimum wages, maximum hours and limitations on the use of short-term contracts. Minimum wages need to be high enough to ensure that workers and their families have decent living conditions.

FOCUS ON YOUTH

23 This recession is hitting young workers hard – particularly new entrants to the labour market. Employers throughout the OECD have responded to the collapse in demand by introducing recruitment freezes and laying-off young workers who are considered less skilled/experienced than older workers. In the first quarter of 2009, almost all OECD countries recorded a significantly higher youth unemployment rate than in the first quarter of 2008²⁰. Over the same period most also experienced a widening of the gap between the level of youth and total unemployment (see *BOX 1*).

24 Prior to the crisis, there was clear evidence that the types of jobs available to young workers had changed significantly. Young people are increasingly employed in low paid, low skilled and less secure jobs, particularly in the service sector. The incidence of temporary employment for young workers has also increased substantially in all OECD countries irrespective of the alleged type of labour market; 'low-regulated' or 'rigid and inflexible'. In the UK in 2008, for example, 40% of young

18. OECD (2000), *The OECD Guidelines for Multinational Enterprises*, Chapter IV, para. 6.

19. For details of the proposal see Bell, D. Blanchflower (2009), *What Should Be Done about Rising Unemployment in the UK?*, Bonn, Germany, IZA Discussion Paper 4040., p. 64.

20. Eurostat news release, *Five million young people unemployed in the EU27 in the first quarter 2009*, July 09.

workers aged 16-24 were in temporary employment because they were unable to find a permanent job. The context of high and increasing youth unemployment makes it unlikely that temporary jobs will act as a stepping stone to permanent contracts. Furthermore, across the labour market, the bridge between lower-quality and better-quality jobs is disappearing, making it increasingly difficult for young workers to move to better paid jobs.

25 The OECD recommends that governments use the current crisis in youth employment “as an opportunity to promote structural reforms” and to further relax EPL²¹. TUAC considers this recommendation, if interpreted as a call for weakening employment protection, to be at odds with the evidence, including the OECD’s own analysis of the empirical impact of EPL on unemployment²². Studies show that weakening EPL in the context of temporary (fixed-term contract) jobs for youth has little effect on employment opportunities or the youth unemployment rate²³. Rather, combating youth unemployment depends on implementing a comprehensive set of education, training and labour market policy measures.

26 OECD Employment and Labour Ministers must take the following measures to address the urgent and growing crisis in youth unemployment:

- Adjust social safety net and active labour market policies to cover young workers by increasing eligibility for unemployment benefits, social assistance and access to training provided by labour market programmes. Focus on apprentices affected who have lost their jobs due to the crisis and are unable to complete their training. Consider providing a “Jobs Guarantee” for young people who have been unemployed for more than six months. These should be high quality jobs in line with the requirements of decent work;
- Facilitate school-to-work transition by ensuring that young workers have the opportunity to enter jobs on the basis of a stable employment relationship. They must not be forced into precarious work;
- Ensure that enterprises offer sufficient apprenticeships and training places. Voluntary approaches that rely on the goodwill of employers have failed to deliver. In addition to subsidies for vocational training, governments should consider imposing compulsory training levies on employers. Evidence from a range of industries and countries illustrates that training levies lead to higher incidences of training²⁴;
- Provide incentives for youth to stay in further or higher education and increase the capacity of further and higher education institutions to take increasing numbers of students;
- Reduce the number of early school leavers and education drop-outs by improving conditions for learning and teaching as part of a broader set of measures to improve schooling. Focus in particular on the needs of youth from disadvantaged social and migrant backgrounds.

21. OECD (2009d), Helping Youth to Get a Firm Foothold in the Labour Market, Background Document prepared by the OECD-Secretariat for the ELSAC Meeting at Ministerial Level, p. 19 and 22.

22. OECD Employment Outlook 2006 and 1998.

23. Howell, D., Schmitt, J. (2006), Employment Regulation and French Unemployment: Were the French Students Right After All?

24. Greenhalgh, C. (2001), Does an Employer Training Levy Work? – The Incidence of and returns to adult vocational training in France and Britain, SKOPE Research Paper No. 14, University of Warwick, Coventry.

U.S.

Between April and June 2008, youth unemployment in the U.S. increased by more than 1.2 million. Around 3.45 million young people aged 16-24 were unemployed. At 14.4%, the youth unemployment rate was the highest since 1992. In June 2009, more than 4.6 million young people were unemployed, an increase of about 1.15 million, giving a youth unemployment rate of 19.9%.

Canada

From October 2008 - May 2009 the youth unemployment rate in Canada rose from 12.2% to 14.9%.

Euro zone

In the first quarter of 2009, 3.1 million young people aged 15-24 were unemployed giving a youth unemployment rate in the Euro zone of 18.3%. This represented an increase of 3.9 % against the first quarter of 2008. The increase in youth unemployment from 2008 to 2009 was: Spain: 12.9%; Ireland: 11.3%; France: 4.7% ; Italy (4.5%); Finland (1.7%); Germany (0.3%) Austria 0.8%; Netherlands: 0.8%. In the early summer of 2009 unemployment was under or close to 10% in the Netherlands, Denmark, Austria and Germany. Most other OECD countries reported much higher rates of youth unemployment.

Sweden

From the first quarter of 2008 to the first quarter of 2009, youth employment for Sweden rose by 4.6% from 19.6% to 24.2%.

UK

In the UK, youth unemployment rose by 4.1% from 13.8% to 17.9 % for young people aged 15-24. Unemployment in the 18-24 age-group represents one third of the overall increase in unemployment that has occurred since the beginning of 2008. In the final quarter of 2008, 800,000 of the 1.97 million persons unemployed in the UK were aged 16-24 years.

EXPAND SOCIAL PROTECTION

²⁷ Most OECD countries' unemployment protection systems do not provide adequate social security during periods of high and persistent unemployment. Income support for the unemployed varies substantially across the OECD. Benefit replacement rates – the net income of a recipient of unemployment benefits compared to net income from his or her previous job – range from 72% in Norway to just 28% in the U.S. and the UK. In many countries the benefit is available for less than 12 months. The same applies to social assistance and other 'last-resort benefits', which in most countries are insufficient for preventing recipients from falling into poverty, or lifting recipients out of poverty.

²⁸ Extending the period of unemployment benefits in a severe recession with high unemployment makes sense on social as well as economic grounds. When the labour market is weak and demand for labour low, unemployed workers require more time to find a job. On the other hand, premature termination of benefit entitlements will weaken consumer demand and thereby impede economic recovery.

25. Eurostat News Release, Five Million Young People Unemployed in the EU27 in the First Quarter 2009, 23 July 2009.

- 29** Ministers must take steps to increase social protection at this time of crisis and:
- Provide income support, in particular through expanded unemployment benefit schemes including temporarily relaxing rules for entitlement to unemployment benefits, increasing replacement rates and extending the duration of entitlement. Of particular importance is the expansion of coverage for temporary and short-term income compensation for workers in precarious employment. Most workers in precarious work as currently not eligible for unemployment benefit;
 - Ensure that unemployment benefit schemes are designed in such a way as to prevent employers from blocking or slowing the payment of such entitlements.

ADAPT ACTIVATION POLICIES

30 As the OECD notes, high and increasing levels of unemployment pose a serious challenge to activation policies, particularly those that have sought to force benefit recipients into work by limiting cash benefits and other means of support²⁶. At their most negative, activation policies have focused on limiting eligibility criteria for benefits, lowering benefit levels and shortening the benefit period thus forcing the unemployed to accept poor salaries and working conditions. At their most positive – pursued by only a few governments – they have been linked to a broader set of active labour market policies, including the support of training to strengthen the employability of the unemployed.

31 Activation policies may have been successful in reducing caseloads, but major question marks remain over their overall impact. Recent studies from the U.S. and the UK indicate that activation policies have had adverse effects on job quality and income. A recent cost-benefit analysis of 28 welfare-to-work programs implemented in the US and two Canadian provinces found that the mandatory job-search-first programmes were successful in terms of improving the government's budget position but failed to increase participants' income²⁷. An evaluation of the Job Seekers Allowance (JSA) reform in the UK concluded that "it remains unclear whether the move from the unemployment benefit and income support system to the JSA was beneficial either in terms of reducing benefits or of helping more people into work"²⁸. There is also evidence of a range of unintended negative effects including increased levels of wage inequality, higher numbers of 'working poor' and an increase in the number of precarious jobs²⁹. As such activation policies have reinforced the 'risk shift' of recent years, whereby financial and social risks are being increasingly transferred away from governments and employers and on to individuals and their families – those able to bear them least. Furthermore, activation policies have also served to weaken the effectiveness of automatic stabilizers thus impeding recovery from the crisis: "[I]n some countries, the [benefits] are now too small and paid for too short a time to be effective as automatic stabilizers: they will not do enough to offset falling demand"³⁰.

32 Ministers should recognise that activation policies were introduced during a period of expanding employment. At a time of economic crisis with high and rising unemployment and 'no jobs to go to', there is a need for the OECD to re-focus its policies away from supply-side activation – helping the unemployed back into work calls for an approach other than the stick.

26. OECD (2009b), Maintaining the Activation Stance during the Crisis. Background Document prepared by the OECD Secretariat for the ELSAC Meeting at Ministerial Level, p.17.

27. Greenberg, D. et. al. (2009), Welfare-to-Work-Program Benefits and Costs.

28. Petronglo, B., The unemployment trap, (2008), CentrePiece Spring 2008, p. 6

29. Evidence of this is provided by the State of Wisconsin Department of Workforce Development (2001); An Evaluation of the Wisconsin Works (W-2) Program by the Legislative Audit Bureau, Madison. See also Blank, R. (2007), What We Know, What We Don't Know and What We Need to Know about Welfare Reform; Conference paper.

30. Financial Times, Support demand, not employers. Leader comment; January 31, 2009.

33 Ministers must take urgent steps to adjust activation policies so that the unemployed are not penalised at this time of crisis:

- Governments should focus on labour market development through training and the creation of decent jobs: ‘work-first’ activation, as called for by the OECD, should be replaced with a ‘train-first’ approach³¹.

INVEST IN SKILLS

34 Governments must use active labour market policy to invest in education and skills to prepare workers for the recovery. Worker skills deteriorate rapidly in periods of extended unemployment, whereas our economies need highly skilled workforces to meet the competitive challenges of the 21st century and to generate broadly-shared prosperity. A recession provides a period of slow growth and slack labour markets which is the ideal time to invest in the education and skills of employed and unemployed. No worker should have less education than they are willing and able to acquire; and no worker should be prevented from taking the highest value-adding job that they are willing to take for reasons of lack of training.

35 TUAC is calling on OECD Ministers to:

- Increase the level of training and retraining for unemployed workers to prepare them for future job opportunities and increase access to education and training. A number of countries may require a change to their eligibility criteria to assure greater and more equal access;
- Use the recession to provide additional education and training measures for employed workers, so as to prepare for an economic recovery. Link public support for additional training to short-time work schemes;
- Increase the level of resources to support an increase in education and training courses and for the provision of additional income support;
- Top up the level of unemployment benefit for those in training while unemployed, as an incentive to stay in training.

SUPPORT ‘GREEN JOBS’ AND ‘JUST TRANSITION’

36 It is essential that Ministers take steps to support the shift towards a more sustainable society by building the capacity of the “green economy” to sustain jobs and livelihoods for all. This means recognising the need for ‘just transition’ which requires major investments to develop long-term sustainable industrial policies, aimed at retaining and creating decent, ‘green’ and sustainable jobs.

37 TUAC calls on the OECD Employment and Labour Ministers to:

- Undertake large-scale and labour-intensive investments in green infrastructure, such as energy efficiency, buildings, renewable energies and public transport;
- Develop training and skills’ development programmes for workers to accede to good quality ‘green jobs’. These must target in particular vulnerable communities, such as those affected by the current economic crisis.
- Put in place mechanisms for consulting with trade unions and employers to ensure that there is consensus and fairness in achieving the shift to a low-carbon economy.

31. OECD, Employment Outlook, Tackling the Jobs Crisis, editorial, September 2009.

GENDER AND MIGRANT WORKERS

38 Ministers must give particular priority to addressing gender discrimination. Women, already over-represented in low-paid jobs, are experiencing significant downward pressure on wages during the crisis. According to a recent study by the International Trade Union Confederation (ITUC), the gender pay gap in 20 countries is estimated to stand at more than 22 per cent³². Political commitment and effective public policies to address the underlying causes of gender inequality are essential in order to remedy existing patterns of discrimination and exploitation. They require strong support of the social partners.

39 Governments must also take steps to protect the rights of migrant workers who are among the most vulnerable at times of economic crisis. Migrant workers tend to be highly represented among those workers in precarious work and are often first to lose their jobs. Moreover, they are likely to have limited or no access to social protection. Governments should take steps to ensure that migrant workers have the same rights as other citizens. Their stigmatisation not only leads to xenophobia, but ultimately exacerbates poverty and inequality, whether in the host or the home country.

40 TUAC is calling on Employment and Labour Ministers to;

- Increase efforts to eliminate the gender pay gap and ensure that achieving gender equity and the elimination of discrimination against women in employment becomes a priority of the national and international policy agenda;
- Take steps to ensure that migrant workers have the same rights as other citizens and do not become the victims of this crisis. Their stigmatisation not only leads to xenophobia, but ultimately exacerbates poverty and inequality, whether in the host or the home country.

BEYOND THE CRISIS – RE-BALANCE LABOUR MARKETS: FUTURE OECD WORK

41 Trade unions are concerned that if the root causes of this crisis are left unaddressed, poverty and inequality levels will continue to increase, thereby sowing the seeds of the next crisis. Inadequate regulation of the financial sector, which allowed speculative activities in real estate and an unsustainable expansion in the level of credit, was a major contributor to the crisis. However, the causes were not only financial. Structural changes in income distribution, and in particular declining wage shares and surging corporate profits that led to income inequality levels approaching those of the 1920s, were also key factors. The failure of earnings to keep pace with increases in productivity has led to increased inequality. A number of countries, and most notably the U.S., maintained high rates of growth by substituting credit for labour income. This trend was compounded by the development of 'innovative' financial instruments. Growth was maintained at the price of increasing private and public indebtedness, and increasing global imbalances.

42 Coming out of this crisis, governments must put in place policies that reverse the growth in income inequality that has blighted our economies and societies. History warns us of the possible adverse distributional effects, with previous banking-induced recessions all being associated with subsequent rises in income inequality³³. This must not be allowed to happen again. Governments have a responsibility to ensure that the costs of this crisis recession do not fall most heavily on those who are least responsible and those least able to bear them: workers and their families.

32. ITUC, *Gender Inequality in the Labour Market: an Overview of Global Trends and Developments*, 2009. The pay-gap is calculated on the basis of data for 20 countries, most of which are represented in ESAC: Argentina; Brazil; Chile; Denmark; Finland; Germany; Hungary; India; Italy; the Republic of Korea; Mexico; Netherlands; Paraguay; Poland; Russian Federation; South Africa (9,041); Spain; Sweden; UK; U.S.

33. Atkinson, A. (2009), p 23.

43 It is essential that the future work programme of the OECD is aligned with the objective of building a fairer labour market that reconnects wages with growth in productivity, thereby laying the foundations for a more cohesive society and a more sustainable economy. TUAC calls on Ministers to give the OECD a mandate to undertake work in the following areas:

- **Labour market performance:** Integrate OECD work on “measuring progress” in society into the work of the ELSAC so as to measure the progress of economies in creating decent work both over time and to indicate differences between and among countries;
- **Labour market inequality:** Analyse the causes of growing inequality as a follow-up to the publication of ‘Growing Unequal’;
- **Employment Protection Legislation (EPL) Indicator:** Decent employment protection for all workers should form the backbone of a modern labour market. The OECD’s EPL indicator has been used as the basis for misguided policy, recommending blanket deregulation across and beyond the OECD. Immediate steps must be taken to revise the EPL;
- **Precarious work:** The OECD should undertake work aimed at identifying the drivers of precarious work and an effective means of addressing them so as restore rights and security to all labour markets. A particular focus should be placed on gender;
- **Activation policies:** The OECD should re-assess the impact and thereby the role of activation policies in the context of the lessons of the crisis. Specific attention should be paid to job quality and income effects;
- **Industrial composition:** The OECD should examine the role of industrial composition as a determinant of labour market performance. Previous OECD research has not addressed this issue;
- **Ageing society:** Undertake research on the adjustments required to improve working conditions and to re-design workplaces and work systems to meet the needs of an ageing society;
- **‘Green jobs’ and ‘just transition’:** Studies to date have focused mainly on the jobs potential of a ‘green’ economy, rather than the impacts of transition on the labour market and employment. The OECD should particularly focus on how to ensure that labour market and training policies facilitate a ‘just transition’ towards a low carbon-economy;
- **OECD/ILO Cooperation:** The OECD should carry out work in support of the ILO Global Jobs Pact and update its Memorandum of Understanding with the ILO.

44 Finally, we remind OECD Ministers that the G8/G14 Social Summit in Rome in March called for macroeconomic policies to be “*flanked by social and employment policies that avert unemployment and the risk of social exclusion and make for rapid re-entry into the job market*”, highlighting the need for strong social dialogue and pointing to the value of greater worker participation in the economic restructuring process. TUAC calls on Ministers to:

- Strengthen the process of social dialogue with TUAC and BIAC in ELSAC’s policy formulation. This means going beyond the current arrangements for limited consultations with the ELSAC. Ministers should mandate the secretariat to develop an enhanced consultation process.