Beating the jobs crisis

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Despite signs of recovery, make no mistake: this crisis is far from over. We are in the midst of the most serious jobs crisis since the Great Depression and the economic recovery is still very weak and fragile.

In the US alone, the recession has opened an 11+ million hole in the labour market: 15 million workers are now officially unemployed, and at least a further 9 million are underemployed in involuntary part-time work; a record 44% of unemployed workers have been without a job for six months or more; the unemployment rate is just below 10%, with some economists predicting that it will be many years before unemployment returns to pre-crisis levels.

The economic, social and political implications of this level of joblessness are simply unacceptable. OECD finance ministers are meeting this month, just weeks after the first G20 Employment and Labour Ministers' Meeting, where TUAC and the International Trade Union Confederation (ITUC) delivered a strong message on the need for aggressive action on jobs (see the "Global Unions Statement to the G20 Employment and Labour Ministers' Meeting", available at www.tuac.org). Trade unions are calling on OECD governments to act now to power a strong recovery, put our people back to work and ensure that the jobs of the future are good jobs.

First, in the short-term, governments must address the emerging gap between economic recovery and employment growth. There is a real danger that, as financial markets begin to stabilise and growth resumes, governments will be tempted to "exit" from the extraordinary measures they have taken long before there is robust employment growth, leaving millions of workers behind. A "jobless recovery" is no recovery at all. We need governments to keep doing more, not less, to create the tens of millions of jobs we need. Recovery programmes in the US have "saved or created" 2.5 million jobs, according to the Obama administration, compared to the 11+ million jobs deficit opened by the recession. The International Labour Organization (ILO) estimates that G20 recovery programmes "saved or created" 18.2 million jobs through 2009, compared with the 34 million jobs lost in the recession. Without recovery programmes, the ILO estimates unemployment would have risen to 55 million as a result of the crisis.

OECD employment and labour ministers have already recognised the need for governments "to deal with the consequences of high and persistent unemployment" with "comprehensive and innovative employment and social policies". It is critical that fiscal and monetary support is maintained until there is clear evidence of strong and sustainable employment growth, and full employment is in sight.

Moreover, OECD governments, having spent hundreds of billions of dollars on rescuing failing financial institutions, should now call on the banks to pay their fair share of the costs of rebuilding the real economy by enacting a globally co-ordinated financial speculation tax that would orient banks to lending, rather than speculating, and restore finance to its proper role as the servant of the real economy, not the master.

Second, in the longer run, governments must address the growing gap between productivity and wages. Even before the crisis, wage shares were falling in most OECD countries. Indeed wage shares have been falling faster in Europe than in the US and faster in Japan than in Europe.

Governments are being advised to restore potential output growth damaged by the crisis and "double down" on structural reform–draconian fiscal consolidation and labour market deregulation. Such policies will only weaken the quality of jobs of the future and undermine social protection.

We do need labour market reform, but not deregulation. Indeed, many of the countries with effective labour market protection suffered much less unemployment than the US, which is the most deregulated labour market in the OECD. If the jobs of the future are to be good jobs, we must restore balance between workers and their employers by ensuring that workers everywhere enjoy their fundamental rights to freely associate and, if they choose, form unions and bargain collectively.

In the US, tens of thousands of workers are fired every year for attempting to form unions. For example, there can be no excuse for T-Mobile, the US telecommunications company, to viciously oppose unions in the US while its corporate parent, Deutsche Telekom, supports bargaining rights and recognises unions throughout Europe. Unless workers' rights are enforced in all countries, there will be a "race to the bottom" in wages and working conditions–a race that will undermine decent work everywhere.

> There is a real danger that governments will "exit" long before there is robust employment growth

Third, governments must build a fairer, more sustainable economic model that has good jobs and effective social protection at its core. G20 leaders have recognised the importance of the social dimension of global economic policy in the Framework for Strong, Sustainable and Balanced Growth established in Pittsburgh, and the OECD is committed to building a "stronger, cleaner and fairer" global economy.

The OECD together with other G20 governments should support our call for a permanent Workgroup on Employment and Social Protection at the G20, which should involve both workers and their employers in regular consultation. We also need ministers to request the OECD to assess the impact of all its policy recommendations on income distribution, in line with commitments to fairness, so as to help ensure that the benefits of our future prosperity are broadly shared.

References

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Joblessness: The full picture

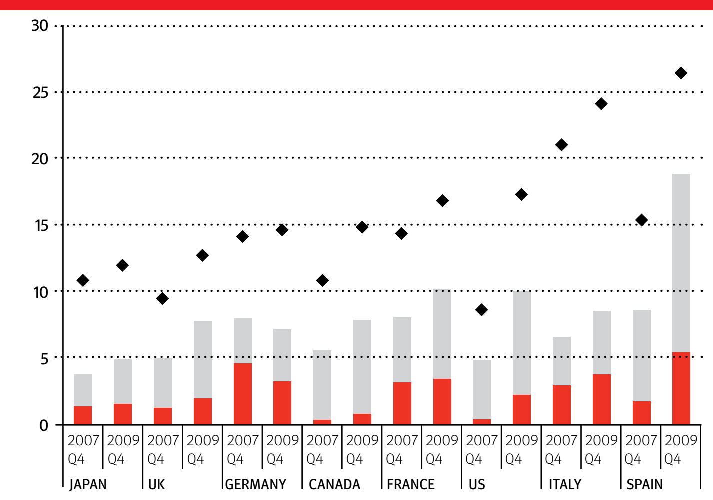
Unemployment statistics don't tell the whole story about this recession. While unemployment has climbed in nearly every OECD country between the fourth quarter of 2007 and the fourth quarter of 2009, only Germany shows a slight decline in unemployment. But that's because instead of laying off workers, many German companies opted to cut their employees' hours–saving jobs and money at the same time. The upshot was a rise in underemployment, and it is rising in other countries too. In fact, because of it, labour market slack affects nearly twice as many workers as are included in conventional unemployment statistics.

Total underemployment and unemployment rose from just over 10% to around 12% in Japan between the fourth quarter of 2007 and the fourth quarter of 2009. There was a particularly sharp rise in Spain during that period, from 15% to around 36%.

Long-term unemployment is also a concern. What's striking in this recession is that in the US, which has historically had far lower levels of long-term unemployment than many OECD countries, the rate has already increased sharply. This could be because of structural changes occurring in the US economy or because many jobless workers who would normally be quite mobile are now unable to sell their homes and follow whatever work opportunities are available. The true extent of this change in the profile of unemployment in the US will not be known for several years.

Unemployment and underemployment

Different measures of labour market slack, 2007 Q4-2009 Q4 ranked by 2009 total, seasonally adjusted data



Long-term unemployed (one year or more) as a % of the labour force.
Unemployment rate (ILO definition).
Unemployed plus underemployed workers plus persons marginally attached to the labour force–those who did not look for work in the 4 weeks prior to the survey, but who wish to work and are available to work–as a % of the labour force.

Source: OECD estimates.

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