## What an inclusive recovery needs is more, and better, jobs

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Time progresses inexorably. Six years have already elapsed since the onset of the global financial crisis, and employment in many countries is still far below its pre-2008 levels. Even for people who still have jobs, working conditions have deteriorated. Until recently, we were decrying a jobless recovery, but now the data suggest that growth itself may be fading in several countries. The conversation has become one of job losses among family and friends, as everyone feels exposed to cutbacks at work, falling wages, falling activity, insecurity, and the task of simply trying to make ends meet.

There has been some good news though: unemployment in the OECD countries finally fell below the 8% mark where it had been stuck for three years, easing to 7.3% of the labour force in August 2014. Youth unemployment, which reached record high levels in some countries, is also declining, albeit very slowly. The unemployment rate is projected to continue dropping slightly throughout 2015.

But more effort is needed. Almost 45 million people are still recorded as unemployed—11.9 million more than just before the crisis—and an unknown number of people have disappeared from the labour force because they have given up looking for work. More than 100 million people are unemployed in the G20 countries, with many more under employed in precarious jobs and jobs with low productivity. At the same time, joblessness is becoming more entrenched with over 16 million people out of work for over a year in the OECD area. That means one in three job seekers, rising to half of all jobseekers in the European Union. Labour market conditions vary significantly across advanced economies, and even more with respect to the large emerging economies: over 60% of jobseekers are long-term unemployed in South Africa, for instance. All countries face the same challenge of strengthening the pace of job creation and, wherever possible, improving the quality of jobs.



But job scarcity and high unemployment are not the only hardships in this ongoing crisis. Many of those who kept their jobs have also encountered hard times, as the OECD's Employment Outlook 2014 shows. On average, the crisis squeezed the growth rate of average real wages (that is, wages adjusted for inflation) down to about 1-2% in the G20 and other advanced economies. This modest growth is attributable almost entirely to emerging economies, particularly China, while wage growth in advanced economies has been fluctuating around zero and actually negative since 2009, notably in countries like Greece, Spain, Italy and the UK. This downward adjustment in wages has helped to contain the pace of job losses in troubled firms and sectors. It has also helped some euro area countries in particular to restore competitiveness. But there comes a point when further cuts can no longer save or create jobs, but can create further hardship instead. Not only do people reduce their spending, even on necessities, but with inflation close to zero in several advanced countries, squeezing real wages inevitably means cutting into nominal wages too: people will actually get less cash from one month to the next.

What is more, wage moderation only makes sense if firms in turn reduce prices and boost their competitiveness. This hasn't always happened, so policymakers need to make sure that lower wages do not bolster higher profit margins (so-called market rents) but, rather, are transferred to consumers. This requires more effort to boost competition in the markets for goods and services, notably via product market reforms.

A major concern is the loss of income of low-paid workers and their families, with single parents, often women, taking the toll. A statutory minimum wage may be part of the solution. This now exists in 26 OECD countries and a number of emerging economies and, if set at an appropriate level, can help underpin the wages of low paid workers with little if any adverse effect on employment, as countries like Brazil have shown and simulations of a planned increase in the US minimum wage suggest. More progressive taxation of income can also ensure that those doing best in the economy pay their fair share. Policymakers can also look to examples of a number of countries that have introduced, or recently scaled up, in work benefit schemes to support low paid workers and reduce household income inequality.

While getting people back to work is a key priority for policymakers around the world, attention should also be paid to job quality and career prospects. In the two decades leading up to the global economic crisis, non-regular employment—that is, all forms of employment that do not benefit from a permanent or open-ended contract, and including a variety of fixed-term, "atypical" and often precarious jobs—has become more widespread in the OECD area. And while job losses in the downturn were concentrated among those with these non-regular jobs, largely young people, women and the low skilled, many of the new jobs created in the recovery have also been non-regular: in Spain almost 90% of jobs created in

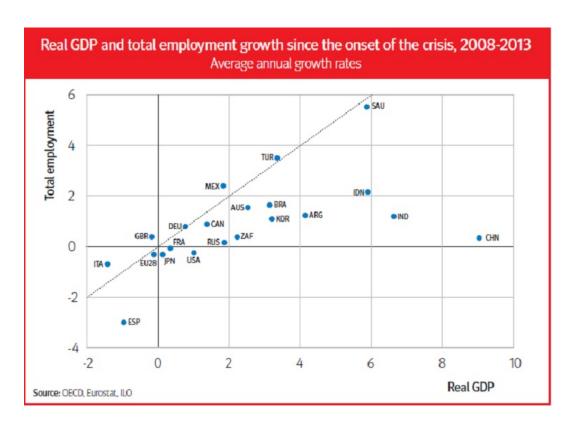
2011-12 were fixed-term contracts, as were between 70% and 80% of those created in Portugal, France, the Netherlands and Italy. In the emerging economies too, after an encouraging period of decline in informal employment there has been a stabilisation, if not a worrying pick-up. Indeed, such jobs in these countries are already the norm for most workers in the large informal sector, which accounts for about one-third of total employment in Turkey and China, about half in Argentina and Mexico, and up to more than three-quarters in India.

Unfortunately, as the Employment Outlook shows, these non-regular or informal jobs are often not the automatic stepping stone to permanent, more stable and productive work that many people claim. In Europe, fewer than half of temporary workers, many of them women and young people, actually moved into a permanent contract three years later, and in countries like France, Italy or Spain the proportion is around 20%. Too often, workers on these jobs either get pushed out of the workforce, continue with a sequence of short-term contracts or stay in the informal sector.

Nor do these contracts create the labour flexibility sought in these countries: on the contrary, they reinforce protection of regular contracts, and extra vulnerability for non-regular ones. The evidence shows that non-regular employees get far less training too. Allowing non-regular employment to continue rising, with worse conditions, could lead to a deterioration of human capital, lower productivity, and an unfair and ineffective labour market. A number of countries, such as Spain (see Employment Roundtable), Portugal and Italy have already initiated reforms to address this, and other governments should follow suit.

Improving labour markets for all relies not only on policymakers, but also on people and their own individual capacities. What can today's employees and future employees do to better their own chances? Getting the right skills at the right time can influence a person's employment status and salary. Early on in a career, the field-specific skills gained from studying matter more. But later on, more generic skills have a stronger impact on hourly wages. For young people, education is the biggest cause of differences in hourly earnings, though gaining practical experience also plays an increasingly significant role. Yet the evidence suggests that few young people seem to combine work and study, which points to a role for policymakers, and fortunately there are best practices in OECD and G20 countries for them to follow.

Adults, even those in work, also need incentives and support to adapt their skills and make sure they can maintain, if not improve, their employability. We must turn life-long learning into a reality, with appropriate policies and the strong involvement of employers and other social partners. After all, investment in human capital throughout people's working lives is the best way to secure the future prosperity and well-being of nations.



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