

Executive summary

The world is facing one of the worst public health and economic crises in a century

The most serious pandemic in a century has triggered one of the worst economic crises since the Great Depression. Countries reacted with often strict containment and mitigation policies, which effectively limited the spread of the virus and avoided the collapse of health care systems and most importantly limited the number of fatalities. The combination of great uncertainty, fear of infection, individual restraints following public guidelines and mandatory lockdowns, however, immediately produced a sharp contraction in economic activity. In the first months of the crisis, new unemployment claims have soared in many countries and projections suggest that in the OECD area the unemployment rate will be much higher than at the peak of the global financial crisis. But the extent of the shock on the labour market is much larger: despite a massive shift towards telework, in all countries the number of those effectively working collapsed as companies have frozen hiring and put part of their workforce on hold through subsidised job-retention schemes. Available evidence also suggests that vulnerable groups – the low skilled, youth and migrants – as well as women are paying the heaviest toll of the crisis.

The labour market and social policy response has been unprecedented

OECD countries have taken massive steps to improve access to, and the generosity of, sick leave and out-of-work income support as well as job retention schemes, whose take-up has been unprecedented in many countries. These policy responses were aimed at containing damage and supporting workers and companies as well as at avoiding destruction of viable activities and competences, thereby preparing the recovery. Many countries also took steps to facilitate a massive transition towards teleworking for workers who do not have to be physically present at their workplace. Keeping workers safe as the economy reopens and ensuring adequate income protection and employment support for a crisis that may not yet be over must remain a priority. As economic activity picks up, however, policy must accompany the recovery by striking the right balance between providing continuous support to workers, households and companies still affected by persisting restrictions and encouraging business activity as well as permitting necessary restructuring.

Unemployment benefit rules must account for the specific trajectories of employees in non-standard jobs

Unemployment benefits are among the key instruments providing protection against earnings falls resulting from job losses. Yet a number of workers do not meet the criteria to receive adequate support. Even if entitlement rules are usually the same for all dependent employees, conditions on minimum employment duration or earnings before the unemployment spell are often harder to meet for those who lose a part-time job or have employment trajectories involving frequent transitions between employment and

unemployment. Consequently, the risk of falling into poverty is often greater for non-standard employees. Addressing inadequacy of benefit entitlements so as to provide greater income security for those in non-standard forms of employment may be challenging, but several policy instruments are available to create a policy mix that strikes the right balance between work incentives and income security for non-standard dependent workers.

Employment protection legislation is key for worker security

Dismissal and hiring regulations are important determinants of people's job security, career path and well-being. They influence the extent to which firms take into account the social cost of dismissals and how they react to technological and demand shocks. The OECD has updated and improved its detailed indicators of employment protection legislation. Comparisons of countries highlight the differences between employment protection systems. English-speaking countries have fewer restrictions on dismissals than many European Union countries, for example. This puts employees in English-speaking countries at a higher risk of job loss, but also gives them a greater chance of finding a job again if laid off. To limit labour market duality and segmentation, countries with strict job protection for regular workers usually have strict hiring laws for workers on temporary contracts. Several countries with apparently strict dismissal regulations reduce their effective stringency by offering unemployment benefits even when the worker agrees with the firm on the separation. Similarly, advance validations initially impose higher hurdles for dismissals, but can serve to avoid disputes later.

Job polarisation is mostly due to fewer younger workers entering middle-skill jobs than to older workers leaving them

In contrast to popular perceptions, the decline in the share of middle-skill employment is due primarily to fewer younger workers entering middle-skill occupations than to mid-career workers being displaced and leaving them. Since the 1990s, successive cohorts of young workers have been increasingly less likely to enter the labour market in middle-skill jobs – e.g. truck drivers and machine operators for men, cashiers and secretaries for women. Meanwhile, labour market trajectories of older cohorts after labour market entry have remained essentially unchanged. These career patterns for younger cohorts can be partially explained by the changing education and cohort demographic make-up. Individuals who would have been once regarded as “typical” middle-skill workers are now less likely to be working in middle-skill jobs, and more likely to be in low-skill employment. This trend has been marked for workers with a middle level of education.

Graduates from vocational education and training have strong labour market outcomes at the start of their career, but challenges are in sight

Many vocational education and training (VET) programmes organised at the upper secondary or post-secondary non-tertiary education level prepare students for middle-skill jobs that have been exposed to structural changes and face a significant risk of automation. Despite these challenges, VET graduates usually have higher employment rates and better working conditions in the first years after graduation than their general education peers. To ensure that VET continues to have a positive impact on students' labour market outcomes in a changing world of work, however, VET systems need to adapt to the rapidly evolving skills demand. Close co-operation with social partners is crucial, as is the investment in transversal skills in VET programmes and the development of smooth pathways between mid-level VET and higher education.