



Read the full book on: 10.1787/empl_outlook-2015-en

Labour market conditions are improving but the recovery is far from complete

Labour market conditions are generally improving in OECD countries but the recovery from the recent economic crisis remains very uneven across countries. Employment is still growing too slowly in the OECD area to close the jobs gap induced by the crisis any time soon. The jobs mix has shifted towards more part-time work and away from manufacturing and construction jobs which may be making it harder for some unemployed to find full-time jobs. Consequently, unemployment will remain high even by end 2016. At 7.1% in Q4 2014, the OECD average unemployment rate was still 1.6 percentage points above its pre-crisis level. Unemployment is projected to continue its slow decline during the rest of 2015 and 2016, reaching 6.6% in the last quarter of 2016 while remaining above 20% in Greece and Spain. Long-term unemployment also remains unacceptably high and there is a danger that many in this group have become disengaged from the labour market, making it harder to reduce unemployment. Youth unemployment remains well above its-pre crisis levels in many countries as does the share of young people who are not working or studying (the so-called NEETs). Weak real wage growth also remains a concern, particularly in the euro area.

Minimum wages must be closely co-ordinated with tax-benefit policies to be more effective in underpinning incomes of low-paid workers

A statutory minimum wage was recently introduced in Germany, bringing the number of OECD countries with some form of national minimum wage to 26 out of 34. Minimum wages can help underpin the income of low-paid workers but this is conditional on two important factors. First, they should not be set too high, otherwise they can lead to job loss and a loss of income for low-paid workers. Second, there needs to be co-ordination with tax-benefit policies in order to ensure that increases in the minimum wage translate into higher take-home pay while limiting the rise in labour costs for employers.

Wage inequality is lower in countries that are better at meeting the rising demand for skills

Inequality has been rising in a large majority of OECD countries and efforts to halt or reverse this rise rank very high on the policy agenda. New data on the information-processing skills of the workforce from the Survey of Adult Skills (PIAAC) highlight the role of skills in explaining cross-country differences in wage inequality which is a key driver of household income inequality. Overall, investing in skills matters for wage inequality – particularly where skills are scarce relative to demand. Countries where skills are less equally distributed also have higher wage inequality. Putting skills to better use can help reduce inequality, by strengthening the links between workers' skills, productivity and wages.

Activation policies for more inclusive labour markets

Ensuring that all people have better opportunities to participate actively in the labour market is essential given rapid population ageing and the need to heal the economic and social scars left by the global economic and financial crisis. Effective activation policies can help harness the productive potential of each country's population and contribute to economic growth, social cohesion and the sustainability of its social protection system. To do this, they need to maintain the motivation of jobseekers to actively pursue employment while also improving their employability and expanding their opportunities to be placed and retained in appropriate jobs. The implementation of these three elements – motivation, employability and opportunity – has to be managed by effective and efficient labour market institutions and policies, which are the keystone of any successful activation strategy.

The quality of working lives: Earnings mobility, labour market risk and long-term inequality

How earnings inequality at any point in time translates into long-term inequality in labour incomes depends on the degree of earnings mobility – defined as moving up or down the earnings ladder and in and out of work. Simulation techniques are used to analyse workers' careers for 24 OECD countries based on short panel data. On average, three quarters of inequality in a given year is shown to be permanent in nature, while the remainder evens out over the life cycle as a result of mobility. Mobility does not appear to be higher in countries with more inequality. Chronic unemployment, weak cognitive skills, atypical work arrangements and poor productivity firms are major determinants of low long-term earnings. Unemployment insurance plays a major role in securing worker careers by mitigating income risks due to unemployment. Minimum wages reduce the risk of extreme low pay, but their impact in reducing earning inequality is muted in the long-term due to the equalising effect of mobility and potential adverse employment effects.

Enhancing job quality in emerging economies

Poor job quality is a major policy concern in emerging economies. While not easy to measure because of limited data availability, job quality in key emerging economies is analysed along three dimensions in line with the OECD's Job Quality Framework: earnings quality (a combination of average earnings and inequality); labour market security (capturing both the risk of unemployment and the risk of extreme low pay); and the quality of the working environment (measured as the incidence of job strain or very long working hours). Emerging economies perform worse than OECD countries in all three dimensions. Youths and low-skilled and informal workers typically hold the poorest quality jobs. From a policy perspective, the experience of the best performing OECD countries shows that high job quality can be coupled with high employment rates. Thus, measures to improve job quality should not be viewed as a necessary drag on job creation. The labour market and social protection policies best suited to promote quality jobs in emerging economies are identified.

© OECD

Reproduction of this summary is allowed provided the OECD copyright and the title of the original publication are mentioned.

Multilingual summaries are translated excerpts of OECD publications originally published in English and in French.

They are available free of charge on the OECD Online Bookshop www.oecd.org/bookshop

For more information, contact the OECD Rights and Translation unit,

Public Affairs and Communications Directorate at: rights@oecd.org or by fax: +33 (0)1 45 24 99 30.

OECD Rights and Translation unit (PAC)

2 rue André-Pascal, 75116

Paris, France

Visit our website www.oecd.org/rights



[Read the complete English version on OECD iLibrary!](#)

© OECD (2015), *OECD Employment Outlook 2015*, OECD Publishing.

doi: 10.1787/empl_outlook-2015-en