

OECD LABOUR/MANAGEMENT PROGRAMME
ACHIEVING EFFICIENCY AND SOCIAL EQUITY IN THE LABOUR MARKET

Report on a meeting of trade union experts held under the OECD Labour/Management Programme

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

Paris

59483

Document complet disponible sur OLIS dans son format d'origine

Complete document available on OLIS in its original format

OECD LABOUR/MANAGEMENT PROGRAMME

ACHIEVING EFFICIENCY AND SOCIAL EQUITY IN THE LABOUR MARKET

Report on a meeting of trade union experts
held under the OECD Labour/Management Programme

(Paris, 15 September 1997)

Formal relations between the OECD and representatives of trade unions and of business and industry in Member countries are conducted through two organisations officially recognised by the OECD Council. These are the Trade Union Advisory Committee to the OECD (TUAC) and the Business and Industry Advisory Committee to the OECD (BIAC). In addition to various forms of policy discussion throughout the year, arrangements provide for meetings at the technical level, which do not engage the responsibility of the organisations. Such meetings are held either in the form of ad hoc discussions with the Secretariat, or under the Labour/Management Programme for which a series of meetings devoted to specific themes is established at the beginning of each year.

After meetings held under the Programme, a rapporteur draws up a report of the discussion on his own responsibility, for distribution to the social partners and to the relevant OECD Committees. The opinions expressed in such reports are those of the rapporteur, except where they are specifically attributed to individual participants, and do not necessarily reflect the views of other participants or of the OECD.

Copyright OECD, 1997

**Applications for permission to reproduce or translate all or part of this material should be made to:
Head of Publication Service, OECD, 2 rue André-Pascal, 75775 Paris Cedex 16, France**

TABLE OF CONTENTS

FOREWORD	4
FINAL REPORT ON THE MEETING	5
1. THE ISSUES	5
2. WAGES AND JOBS	6
2(i) <i>The wages-jobs trade-off</i>	7
2(ii) <i>Equity and efficiency in a dynamic context</i>	8
2(iii) <i>The role of aggregate demand</i>	9
3. WORKFORCE AND WORKPLACE CHANGE.....	11
3(i) <i>Training and the development of skills</i>	11
3(ii) <i>Change at the workplace</i>	12
4. SUMMARY	13
ANNEX -- LIST OF PARTICIPANTS	17

FOREWORD

Under the OECD Labour/Management Programme for 1997, a meeting of trade union experts on "Achieving Efficiency and Social Equity in the Labour Market" was held in Paris on 15 September 1997. The meeting was prepared in collaboration with the Trade Union Advisory Committee to the OECD (TUAC).

Below is an overall report of the discussions of the meeting of experts, prepared by Professor Mary Gregory, who was designated as General Rapporteur for this activity.

**THE OPINIONS EXPRESSED AND ARGUMENTS EMPLOYED IN THIS REPORT
ARE THE RESPONSIBILITY OF THE AUTHOR
AND DO NOT NECESSARILY REPRESENT THOSE OF THE OECD**

FINAL REPORT ON THE MEETING

by Prof. Mary Gregory
St. Hilda's College and Institute of Economics and Statistics, Oxford
(United Kingdom)

1. THE ISSUES

1.1. Achieving efficiency and social equity in the labour market is an issue of huge scope. It is also a contentious one. The interpretation of efficiency is liable to be conditioned by the economic paradigm adopted. Even within a common paradigm its assessment may be disputed where the empirical evidence is inadequate or contradictory. Social equity cannot be defined by a simple criterion, and judgements may involve differing values and trade-offs between differing concerns. Combining the two aspects compounds the complexity and greatly increases the scope for disagreement. Whatever the views taken, however, the issues could hardly be more important; at stake is the welfare of the entire working population.

1.2. The persistently high levels of unemployment across OECD countries which prompted governments to commission the 1994 *Jobs Study* are currently declining in some countries, though remaining very high in many others. Developments in unemployment are, however, only one among a complex set of poor labour market outcomes, and do not, in themselves, adequately reflect overall concerns. Non-employment is increasing among men in their prime working years. Earnings have become significantly more unequal, notably in the United States, the United Kingdom, New Zealand and Australia, though trends in other countries are not as clear-cut. While not widespread, low-paid and unstable work are on the increase in some countries and among some groups of workers. Coupled with this is evidence of a growing perception of insecurity among workers. In effect, there is a growing gap emerging between those well placed to profit from the new career opportunities being created and those who are not. A risk now facing many OECD countries is that labour market exclusion, and even marginalisation within the labour market, can turn into poverty and dependency. Social protection systems, through unemployment benefits and social assistance, can help alleviate economic distress; they cannot promote societal participation unless they are closely tied to measures to combat labour market problems.

1.3. What policies will most effectively tackle this complex of problems and promote improved labour market outcomes -- towards efficiency with social equity -- for OECD countries? This was the central theme for this one-day meeting within the OECD's Labour/Management Programme. Reflecting the structure of the meeting, analysis of these issues is organised under two broad heads.

1.4. The first directly addresses what has become the heart of current concerns about efficiency and social equity in the labour market: the relationship between employment and relative wages. Are lower wages necessary or sufficient to secure an increase in employment, especially among groups facing the greatest risk of exclusion? Should policies to expand low-paid jobs be seen as part of the cure -- or part of the problem? Are there alternative policy measures which offer better outcomes in terms of efficiency, equity or even both? This is one of the oldest debates in economics, and one of the most fundamental.

Recent analytical developments and further empirical evidence offer new insights, but the issue remains far from settled.

1.5. The second aspect centres on a more positive perspective, but for the longer run. Achieving efficiency with equity is best realised through a future of “high wage, high productivity” jobs. The promotion of “good careers” for as many people as possible in a fast-changing environment will require an extensive and continuing process of training and upgrading of skills. What are the most effective forms of training and how can the provision of training be best organised and rewarded? What should be the respective roles of government, employers, unions and individuals? Non-standard arrangements on working time will also be part of the future business environment; some employees will wish to work part-time or under other non-standard arrangements. Combining the requirements on both sides efficiently and equitably is a central issue in managing change at the workplace. While the view of the future combining efficiency with equity through “high wage, high productivity” jobs wins wide assent, many practical problems have to be solved and commitments entered into along the way.

2. WAGES AND JOBS

2.1. The intensive analysis of unemployment in OECD countries carried out in the 1994 *Jobs Study* culminated in the ten broad and around sixty detailed policy recommendations. Since then the OECD has worked to refine the analysis via thematic reviews and has developed country-specific policy recommendations [OECD (1997b)]. *The Employment Outlook* [OECD (1996), OECD (1997a)] has also provided detailed analysis of crucial policy areas. These cover a wide range of dimensions, including the macroeconomic context, the promotion of technology and entrepreneurship, labour market flexibility, the social benefit system and product market competition. TUAC gives strong endorsement to many of the objectives and policies, notably those on education and training, and technology and investment. It has, however, also recorded its concern about the implications of certain recommendations, and its dissent from several of those relating to labour market flexibility.

2.2. The OECD Secretariat reported on their on-going monitoring of the implementation of the *Jobs Strategy*. They noted that those countries which have gone furthest in implementing the *Jobs Strategy* have achieved significant reductions in structural unemployment and, in most cases, recorded good aggregate job performance; developments in the United Kingdom, Ireland, the Netherlands and New Zealand were particularly commended. It was acknowledged that the principal reason for slow and sporadic implementation elsewhere of *Jobs Strategy* policies, particularly those relating to enhanced wage flexibility and reform of social transfer systems, is the perception that undertaking these reforms involves conflict with policy objectives concerning equity and social cohesion across members of the work force or the population at large.

2.3. The OECD country surveys, conducted under the auspices of the Economic Development and Review Committee, indicate that, while they do not give conclusive evidence on the nature and magnitude of any potential trade-offs, these objectives may not necessarily conflict when seen in a dynamic perspective. For example, increased employment will at least partially offset the impact on income distribution of greater wage dispersion and restricted social transfers. Moreover, there is evidence of considerable mobility of individuals over time within the wage scale, implying that, in some cases, low-paid employment may be a stepping-stone to better pay. And, it is argued, lower relative wages at the bottom of the scale may raise incentives for investment in human capital, reducing income dispersion in the longer run and assisting the adaptation of the work force to changing skills requirements.

2.4. The evaluation of these trade-offs, in terms of both efficiency and equity, depends heavily on analytical orientation and on the interpretation of the empirical evidence. Much can be said on each of these dimensions. The review will be grouped under three heads: the wages-jobs trade-off; how far a dynamic perspective alters the trade-offs; and the potential contribution of alternative policies.

2(1) *THE WAGES-JOBS TRADE-OFF*

2.5. The United States experience has been a powerful influence supporting the role of relative wage adjustments in stimulating expanded employment opportunities. Over the past quarter century total employment in the United States has increased by 50 percent while relative wages for the low-skilled have fallen sharply; unemployment has remained essentially untrended at its level of the early 1970s. This seems to provide evidence that there is a trade-off between relative wages and jobs, and that wage flexibility induces job creation. This interpretation is challenged on two grounds. Per capita job creation in services has not been at a significantly lower rate in the European economies than in the United States; the main difference between the two regions has been in the much higher rate of employment contraction in agriculture and industry in Europe, reflecting different phasing in the process of long-run structural change [Glyn (1995)]. The lower rates of net employment growth in the European economies are not sufficient, on their own, to establish that wage rigidities have impeded job creation. Also, even with the very large falls in wages experienced by low-skill workers in the United States their relative employment has lagged behind other groups. Over the past two decades, stagnating real wage growth and widening wage inequality has brought in-work poverty for low-skill American workers while not preventing the erosion of their relative employment opportunities [Freeman (1995)]. The efficiency argument for much wider wage dispersion, on macroeconomic evidence, is seen as contestable. The adverse equity outcome is unambiguous.

2.6. On a more microeconomic perspective, the concentration of unemployment among the low-skilled has led to the view that minimum wages have restricted their employment. The presence of minimum wage fixing arrangements, whether statutory or collectively bargained, clearly raises the lowest wages and reduces dispersion. The evidence on this has recently been reinforced by United Kingdom experience following the abolition of Wages Councils. Even although the mechanisms for enforcement of their minimum rates had been extremely weak, wages on offer for low-skill jobs in previously covered sectors have fallen; shortly after the abolition the Low Pay Unit found one-third of such jobs being offered at rates below previous Wage Council minima [Machin and Manning (1994)]. The most direct evidence on the employment effects of minimum wages derives from the “controlled experiments” where rates are adjusted. While claims that an increase in minimum wages in the United States has been associated with an increase in the employment of low-wage workers is disputed, significant employment reductions have not been documented [Card and Kreuger (1995); Kennan (1995); Neumark and Wascher (1992)]. Similarly in the United Kingdom the abolition of Wage Council minima has not been followed by significant employment growth in these sectors. Research from other countries, e.g. France, Spain and the Netherlands, is rather inconclusive. Some studies find no or little impact while others find significant disemployment effects [Dolado et al. (1996); Benhayoun (1994); Bazen and Martin (1991)]. The key issue, of course, is not a minimum wage in itself, but its level. The Trade Union experts do not dispute that excessively high minima would be damaging to employment. But, at levels currently prevailing the evidence that reductions would generate more jobs is not sufficiently robust.

2.7. The wages/jobs trade-off, that lower wages are necessary in order to allow the expansion of employment, is based on the downward-sloping labour demand curve within the implicit framework of competitive markets. As the Trade Union experts noted, in a monopsony framework and in some

bargaining models, where the firm has wage-setting power, the wage is below the value of the worker's marginal product and the wage-employment outcome follows the labour supply curve, not the labour demand curve; within the relevant range, wages and employment can rise simultaneously [Gregg, Machin and Manning (1994)]. The monopsony framework is arguably relevant for low-paid jobs. When skills and wages are low travel-to-work costs limit the area for job-search, and the costs of job-changing become high relative to earnings. These frictions to labour supply give firms a degree of wage-setting power typically reflected in pre-announced and non-negotiable wage rates for these jobs. How widely and how far wages are below marginal product because of monopsony considerations is an empirical issue, and quite a difficult one. To the extent that they are, the monopsony model demonstrates that a minimum wage policy will not have adverse effects on employment. But where the incidence of low wages reflects dispersion in marginal products rather than in the margin between the wage and marginal product, then, even in a monopsony context, minimum wages will cost jobs [Boal and Ransom (1997)]. However, in spite of these ambiguous predictions, the monopsony model makes an important contribution to the debate on labour market de-regulation. Emphasis on the effects of minimum wages in maintaining wages above market-clearing levels leads to the view that the constraint on employment is the limited supply of jobs by employers; hence the need to improve incentives to hire, even if this means making jobs less attractive to workers. This view sees monopoly power on one side of the labour market only. The monopsony perspective reminds us that employment outcomes are determined by supply as well as demand, and that monopoly power is potentially present on both sides of the market. De-regulation undermines institutional arrangements which have evolved in order to give workers some countervailing power against employers. If de-regulation makes monopsony power more important, it may not reduce unemployment even if wages fall. Its efficiency as well as its equity can be challenged. Again, these are empirical questions.

2.8. The issue of equity in relative wages is wider than simply the immediate impact on dispersion. An important unanswered question deriving from a strategy of wage flexibility is: what distribution of wages is considered suitable? This reflects the issue of how far low pay is seen as a problem of low-worth workers and how far of low-worth jobs. The trade union experts, and indeed TUAC more generally, argues strongly for the role of minimum wage protection in setting incentives for firms to structure jobs in ways which validate the minimum, so contributing to enhanced productivity.

2.9. Employment protection is regarded as an impediment to job creation, adding to employer costs in adjusting employment. But hiring and firing costs lead to a "zone of inaction" on employment adjustment rather than systematically higher or lower employment. More importantly, by encouraging employers to think short-term rather than long-term the reduction of employment protection may militate against employer investment in worker skills; similarly the insecurity fostered by their reduction may not be favourable to skill acquisition by employees. Insecurity and short-termism work against innovation.

2.10. The trade union experts further support wage protection as a central route to income protection. In-work benefits, which can be argued to support incomes without inhibiting job creation, encourage, it is argued, bad employers by passing to the tax-payer costs which the employer should meet. In addition, as the OECD analysis confirms, it is extremely difficult to structure them without creating the further inefficiency of poverty traps [OECD (1996a); OECD (1997c)].

2(II) *EQUITY AND EFFICIENCY IN A DYNAMIC CONTEXT*

2.11. The welfare implications of low pay are very different when this affects the individual only temporarily as against a situation where it is a long-term state. The increasing availability of longitudinal

data tracking the individual's income and labour market experience through time has enhanced our knowledge of life-cycle patterns. Some regularities are obvious. Career progression carries many young men, particularly the more educated, upwards in the earnings distribution as they acquire experience. This is much less true of young women [Gregory and Elias (1994)]. But, as documented in the 1997 *Employment Outlook* [OECD (1997a)], for substantial numbers of low-paid workers over the age of 25 immobility rather than mobility is the more typical experience. Not only do the same skill and occupational groups tend to be low-paid across countries and over time, but the same individuals are continually present in these groups. There is considerable evidence that some individuals are trapped in low-paying jobs or move back and forth between no pay and low pay, as segmentation theories suggest. Over an extended period, the average accumulated time in low pay grows quite steeply: by 1991, workers who were low-paid in 1986 had cumulated an average of two to four years in low pay. Total time in low pay over the six-year period grows more steeply in countries where cross-section earnings inequality is greater, such as the United Kingdom and the United States than in other countries. If workers moving from low pay to no pay are also considered, total time in either rises even more rapidly. In other words, high mobility does not imply that low-paid employment is generally a fleeting phenomenon.

2.12. Further, family-based research is documenting the weakness of intergenerational immobility: the children of disadvantaged families themselves tend to repeat the pattern of low educational attainment followed by poor labour market outcomes. While higher potential earnings can be claimed to provide the incentive to improved educational commitment, this appears to be more than offset by the low expectations and limited access which follow from social marginalisation.

2.13. Again on the dynamic perspective, a major element of the "low pay rather than no pay" argument in support of the expansion of low-paying jobs is their potential role as stepping stones, allowing workers who would otherwise be excluded from jobs to get into work and start to acquire, or re-acquire, the work-experience and skills which should lead to better jobs. The evidence on the contribution of the growing number of low-paid part-time or short-term jobs in providing transitions into work and then forward into better jobs is still limited. Most of those holding part-time jobs in Italy wish to work full-time. In Spain, the huge growth of temporary jobs seem to be replacing permanent jobs, rather than providing access routes to them. In the United Kingdom, there is an increasing pattern particularly among older workers of low-paid and temporary jobs interleaved with repeat spells of unemployment. Rather than allowing individuals to progress up the jobs ladder, the development of more flexible employment arrangements appears to be leading to more churning at the bottom of the jobs ladder, and the extension of the jobs ladder downwards rather than upwards. Nonetheless, OECD research has found that getting a foothold into the labour market via a low-paying job is often a step to better paying jobs, especially among youth [OECD (1997a)].

2(III) *THE ROLE OF AGGREGATE DEMAND*

2.14. The *Jobs Strategy* emphasises that its policy recommendations are structured as a package, and implementation on a comprehensive basis will bring synergies among the various elements. The role for macroeconomic management is a limited one; of the 59 individual policy recommendations, three concern macroeconomic policies. These are: maintaining demand at a level appropriate for achieving non-inflationary growth; fiscal consolidation; improving the mix of tax and public expenditure. The central emphasis is on macroeconomic stabilisation in the form of sound public finances and effective control of inflation. A stable macroeconomic environment within these parameters will minimise short-term negative demand effects, and provide synergies with structural reforms in the labour market.

2.15. This emphasis reflects the thrust of the OECD analysis, that unemployment is predominantly structural and only to a minor extent cyclical. The *Jobs Strategy* however notes that cyclical increases in unemployment may be converted into structural unemployment if appropriate labour market arrangements are not in place, and also that in all the countries where structural unemployment has fallen this has occurred when growth has been sufficiently rapid for actual unemployment to fall.

2.16. The Trade Union experts take a different stance. They argued for a more active approach towards stabilising and reducing unemployment through demand. The emphasis on the control of inflation, leading to high real interest rates, the priority to fiscal consolidation, and in some cases also commitments on exchange rates, have led, in their view, to a consistently restrictive stance of aggregate demand in Europe. Adverse demand shocks in conjunction with persistence (hysteresis) are seen as having clearly played a role in bringing about the current high levels of unemployment. The converse to the points made by the OECD Secretariat can be maintained: a robust macroeconomic expansion brings re-employment even for those groups, such as the long-term unemployed, whose unemployment is easily classified as structural. If cyclical unemployment can become structural, apparent structural unemployment can disappear with a cyclical upswing. The role of hysteresis, with estimated equilibrium unemployment following actual unemployment upwards at least for a time, makes it difficult to separate demand and supply (cyclical and structural) influences; the division is surely partly conditioned by the modelling applied [Bean (1994)]. However, the message was also clear that demand-side measures alone are not sufficient, although it was not urged that they should be launched regardless of the fiscal position. Moreover, aggregate demand can have beneficial effects on supply which are often omitted in formal modelling. Investment in physical infrastructure and in training were particularly noted by the Trade Union experts as supply-side friendly. More generally, a buoyant demand environment gives firms the confidence to invest, innovate and develop new markets, while giving workers security in a changing environment.

2.17. Workers with lower educational attainment and skills are those most at risk throughout the advanced economies; indeed the long-standing disadvantages of this group have typically worsened, in relative and, often absolute terms everywhere. Two explanations frequently canvassed for this are technology and international trade. Technical progress may be biased against the low-skilled by being increasingly complementary to skills while automating standardised processes and displacing low-skilled workers. There is no evidence that the rate of technical progress, as far as it can be measured, has accelerated or that its impact has become markedly more adverse for the low-skilled. Indeed, many of the jobs now being eliminated or fundamentally altered by technical progress, notably computers and information technology, are not low-skilled [OECD (1994)]. The growing presence of the newly industrialised and industrialising nations as exporters of manufactures has increased “world” supplies of lower-skilled workers, depressing their actual and potential earnings in advanced economies. The trade union experts do not fundamentally disagree with the OECD’s assessment that, up to now, except for particular groups, the impact of trade on the employment opportunities and relative wages of the less skilled has not been quantitatively significant. Moreover, technological progress is seen as having a central role in creating high-quality employment and raising living standards.

2.18. TUAC endorses the view that the concentration of unemployment among the low-skilled is more heavily conditioned by macroeconomic conditions than by particular adverse changes in the demand for skills. It has been estimated that at most 20 percent of the rise in unemployment among the unskilled is due to “non-neutral” demand shifts [OECD (1997a); Nickell and Bell (1995)]. Rather, the low-skilled come at the back of the hiring queue when demand overall is insufficient. This, in the trade union view, gives a further efficiency argument in support of a more positive role for aggregate demand. It also obtrudes an equity issue: one group systematically pays the price for a general problem.

3. WORKFORCE AND WORKPLACE CHANGE

3.1. OECD member countries are in the midst of a far-reaching economic transition involving closer integration among national economies, the rise of service- and knowledge-based industries, and the widespread diffusion of information and communication technologies. These developments, which have been the subject of considerable work at the OECD, alter the nature of economic activity and tend to be associated with more flexibility in the organisation and scheduling of work [Government of Canada and OECD (1997)]. In addition to requiring higher levels of employee qualifications and increased emphasis on skill formation, more jobs are becoming more complex, involving “multi-tasking”, and “multi-skilling”. Within this new environment enterprises have to become “high performance” workplaces through technological innovation and new forms of work organisation. TUAC’s view is that high productivity, high investment economies offer the most effective opportunities for creating more jobs while contributing to prosperity and rising living standards. They, therefore, provide the most positive route to achieving efficiency with social equity in the labour market.

3.2. High productivity economies require a workforce with high levels of skills. To ensure that these skills are available involves major and on-going investments in education, training, skilling and re-skilling, and in ensuring widespread access to such opportunities. In addition, improved levels of education and skills can be desirable in themselves as routes to enhanced personal achievement. TUAC supports much of the OECD Secretariat’s analysis in this area. On change at the workplace, the trade union experts argued for a policy agenda of positive adaptability to move economies forward [TUAC (1995)]. It is committed to the creation of high quality jobs by promoting adaptability and innovation within the firm, through worker involvement, the diffusion of good practice, and the reduction and reorganisation of working time, in conjunction with investment in skills. As the route towards this “partnership for change” is seen as essential. The two areas of central importance to the implementation of this strategy, education and training, and the management of workplace change, are addressed in turn.

3(1) TRAINING AND THE DEVELOPMENT OF SKILLS

3.3. The high performance modern economy is based in education and skills for all the working population. This will require a sustained commitment to raising achievement and educational quality at all levels. In the context of overall labour market outcomes, the inequality of earnings and structural unemployment, what matters is not just the average level of education, but its distribution across the potential workforce, *i.e.* the distribution of earnings potential. If the low-skills/low-pay/unemployment nexus is to be broken minimum standards of educational attainment must be secured for all young people. These involve technical and social skills as well as literacy and numeracy, to lay the necessary foundation for continuing learning and skill development. A particular priority must be to reduce the drop-outs from the education process, particularly at the school stage. Developments in education, even targeted ones, are expensive. The expected social returns, in enhanced economic efficiency and social cohesion, make a compelling case for a key role for public funding, although private initiative is also important. The issue is not whether governments can afford to pursue these developments; it is whether they can afford not to.

3.4. A key set of training requirements are those of the immediately post-school teenager preparing for the transition into work, also setting the stage for lifelong learning [OECD (1996b)]. Traditional types of craft training have collapsed in a number of countries, for a range of specific reasons, but basically under the pressure of rapid change in job and skill requirements. This has left a critical gap in the range of training provision for young people and in the supply of certain types of skills. A priority requirement is to define appropriate forms of “new apprenticeships”. The best way forward involves the development of

integrated systems, combining workplace training with classroom-based learning; this also involves combining public and private participation. The German pattern was urged as an effective model for ensuring widely based and systematised provision of training for post-school teenagers, although it was recognised that many practical problems exist in many Member countries to implement such provisions.

3.5. Moreover, the provision of training can only achieve its objectives if individuals are willing to make the effort and commitment to take it up. There is an argument that a compressed wage distribution and generous social transfers reduce the private incentives to take up training, although theoretical and empirical work in the area suggests more complicated relationships. Income constraints seem far more influential, and there is particular concern that, given imperfect capital markets, increased inequality in incomes could prevent educational investment by those at the bottom of the income scale, for themselves and for their children. Returning to an earlier theme, it was also noted that today's young workers are already better educated than their predecessors; for some of them it is jobs, not skills, which are lacking.

3.6. The second major requirement which was identified at the meeting was for the development of policies which support life-long learning. It was agreed that, in spite of its prominence in current political discussions, life-long learning remains something of an empty box. Essential elements are the continuous upgrading and development of skills, along with expanded and improved systems of certification and qualifications to ensure that these skills are portable over a lifetime. The tactical use of training, through measures to inhibit or restrict its portability, secures short-run private competitive advantage at the cost of wider economic efficiency as well as fairness to the individual. Concern was expressed that, while the formal provision of employee training is expanding, a disproportionate amount of it is concentrated on those who have already attained, or heading towards, executive and managerial positions, and who are already relatively highly trained. This unequal treatment in training provision threatens further polarisation within the workforce, with a growing gap between those whose knowledge continues to be reinforced and those left aside. A further concern is the tendency for part-time and temporary workers to be particularly disadvantaged by restricted access to training. This is an illustration of the inefficiency as well as the inequity of certain dimensions of labour market flexibility.

3.7. The high skills, high performance firm faces competition from firms geared to lower wages and cost-cutting. While skills bring their return in higher value added, these firms face the risk that temporarily adverse demand conditions will force the abandonment of this strategy for short-run cost reductions. If the only jobs on offer are low-skill then the incentive to acquire the skills disappears; the scarcity of skills then inhibits the development of jobs which utilise them. The economy becomes caught in a low-skills equilibrium trap. If this is to be avoided the macroeconomic context must be supportive to the high skills, high value added strategy.

3(II) CHANGE AT THE WORKPLACE

3.8. The OECD Secretariat reported that their research found a rising incidence of "high productivity, high trust" workplaces, but that these remain a minority. Only around one-third of workplaces are involved, mostly larger units [Government of Canada and OECD (1997)]. These "high productivity, high trust" workplaces are usually characterised by higher than average levels of labour productivity and profitability. High trust was indexed by a high level of distributed responsibilities, often with pay linked to performance by the use of merit pay. They were also workplaces with extensively articulated training and employee selection strategies. Given the apparent efficiency advantages of this form of organisation, the question which obtrudes is: why have these practices achieved only limited diffusion, and what measures can be taken to further this?

3.9. This points again to the tension between working towards a high performance environment, with the investments which it requires, and meeting immediate competitive pressures. But, product market pressures, if severe enough, can bring a successful reorientation in strategy. Many examples exist of unions and collective bargaining facilitating the adoption and adaptation of new technologies and the work rules to support them, along with innovative practices in forms of worker participation. TUAC (1995) gives several examples. Against this, the worry, particularly expressed by the Trade Union experts, remains that incremental pressures could drag firms into a downward spiral of deteriorating conditions. Some are still unpersuaded by the quality of change which has been achieved, awaiting evidence that the employee voice in human resource issues has increased.

3.10. Average weekly working time in some OECD countries has increased over the past 15 years. In many contexts it is driven by employer pressure, although the changing patterns among professionals can also be noted. Trades Unions' traditional role in curbing excessive working hours remains important, even when reductions in hours have to be opposed because they are aimed at imposing a squeeze on wages. The move towards more flexible working time offers opportunities; reductions in working time may be achieved in exchange for flexible working time arrangements. But they also carry dangers, particularly that employers require compensatory time. The issue of working hours is of growing importance, as reduced actual working hours are increasingly required to allow for more training and learning time by and in firms.

3.11. The growth of part-time and temporary employment has been a marked feature of the past decade. For many employers, particularly in service industries, the flexibility provided by part-time work has an important contribution to make. However, many, although not all, men who work part-time do so because of the lack of a suitable full-time job. The majority of women who work part-time, on the other hand, do so in preference to a holding full-time job. These preferences should be respected through socially acceptable job-sharing or similar arrangements, although many issues are raised in the context of "job-sharing" concerning appropriate roles for governments and the social partners. The OECD Secretariat is rather sceptical of legislated solutions [OECD (1994)]. Full and equal employment rights must be secured for part-time workers, putting part-time work on an equal status footing with full-time work. Equally, non-standard or flexible contracts must not be a route to creating a category of "second class" workers. Employment rights are essential to give a climate of security which encourages positive change. Conflicts between employer and employee objectives in terms of flexibility typically centre on the individual workplace and are best resolved at the level. Works Councils were seen at the meeting as one effective forum for tackling these.

3.12. How far these various trends are associated with negative effects for society at large is uncertain. It remains to be seen how far extended working hours and the growth of two-earner couples continues to be compatible with successful family life. Variable work schedules can impose further difficulties on working parents trying to juggle child-rearing and day-care arrangements. A family-friendly context is still largely lacking in the world of work.

4. SUMMARY

4.1. The trade union experts and TUAC more generally welcome the priority being given to employment issues on the international policy agenda and aims to contribute to the political debate. They endorse the objective of economic efficiency, as the route to higher living standards, but this must also be combined with concern for social equity.

4.2. The trade union experts view is that the emphasis on further deregulation in the labour market is not the best route to improving labour market outcomes. TUAC interprets OECD and other research evidence as casting doubt on whether widening wage inequality and reduced employment protection would significantly reduce unemployment, while working poverty and rising inequality clearly conflict with social equity and cohesion. Low pay impedes innovation and does little to create good jobs. Many of the rigidities in the labour market are seen by trade union experts as proper protection of the more vulnerable members of the workforce. The strategy for job creation should not be lower wages but higher productivity.

4.3. An expansionary macroeconomic context has a major role to play. The emphasis on restraining aggregate demand in order to control inflation and secure fiscal stabilisation has been a major contributor to high and persistent unemployment. Governments must ensure an adequate level of demand to give firms the confidence to invest and develop new markets and workers security in change.

4.4. The trade union agenda for efficiency and social equity in the labour market is positive adaptability to move economies forward and maintain social cohesion: full employment based on quality jobs, to be implemented through partnership for change. This involves a commitment to structural reforms to achieve a skilled, adaptable workforce and high productivity workplaces. It is an agenda for more and better jobs, with investment in people to prepare workers for these, and in workplaces to ensure competitiveness through good jobs. It is a strategy for efficiency with a social dimension.

REFERENCES

- Bazen, S. and Martin, J.P. (1991), "The Impact of Minimum Wages on the Earnings and Employment of Young People and Adults in France", *OECD Economic Studies*, No. 16.
- Bean, C.R. (1994), "European Unemployment: A Survey", *Journal of Economic Literature*.
- Benhayoun, G. (1994), "The Impact of Minimum Wages on Youth Employment in France Revisited", *International Journal of Manpower*.
- Boal, W.M. and Ransom, M.R. (1997), "Monopsony in the Labor Market", *Journal of Economic Literature*.
- Card, D. and Krueger, A. (1995), *Myth and Measurement: The New Economics of the Minimum Wage*, Princeton University Press, Princeton, New Jersey.
- Dolado, J., Kramarz, F. Machin, S., Manning, A., Margolis, D. and Teulings, C. (1996), "The Economic Impact of Minimum Wages in Europe", *Economic Policy*, October.
- Freeman, R. (1995), "The Limits to Wage Flexibility to Curing Unemployment", *Oxford Review of Economic Policy*, Spring.
- Glyn, A. (1995), "The Assessment: Unemployment and Inequality", *Oxford Review of Economic Policy*, Spring.
- Government of Canada and OECD (1997), *Changing Workplace Strategies: Achieving Better Outcomes for Enterprises, Workers and Society*, Ottawa, Canada.
- Gregory, M. and Elias, P. (1994), "Earnings Transitions of the Low Paid in Britain 1976-91: A Longitudinal Study", *International Journal of Manpower*.
- Gregg, P., Machin, S. and Manning, A. (1994), "High Pay, Low Pay and Economic Efficiency", in Glyn, A. and Miliband, D. (eds.), *Paying for Inequality: the Economic Cost of Social Injustice*, Rivers Oram Press, London.
- Kennan, J. (1995), "The Elusive Effects of Minimum Wages", *Journal of Economic Literature*.
- Machin, S. and Manning, A. (1994), "Minimum Wages, Wage Dispersion and Employment: Evidence from the UK Wage Councils", *Industrial and Labor Relations Review*.
- Nickell, S. and Bell, B. (1995), "The Collapse in Demand for the Unskilled and Unemployment Across the OECD", *Oxford Review of Economic Policy*, Spring.
- Neumark, D. and Wascher, W. (1992), "Employment Effects of Minimum and Subminimum Wages: Panel Data on State Minimum Wage Laws", *Industrial and Labor Relations Review*, No. 1.
- OECD (1994), *The OECD Jobs study: Evidence and Explanations*, Paris.

OECD (1996a), *Employment Outlook*, Paris, July.

OECD (1996b), *Lifelong Learning for All*, Paris.

OECD (1997a), *Employment Outlook*, Paris, July.

OECD (1997b), *Implementing the OECD Jobs Strategy: Lessons from Member Countries' Experience*, Paris.

OECD (1997c), *The OECD Jobs Strategy: Making Work Pay: Taxation, Benefits, Employment and Unemployment*, Paris.

TUAC (1995), *Adaptability versus Flexibility: A Trade Union Agenda for Managing Change*, TUAC, Paris.

ANNEX -- LIST OF PARTICIPANTS

TRADE UNION EXPERTS

Mr. Bob Harris	Representative Australian Confederation of Trade Unions (ACTU)	AUSTRALIA
Ms. Ortrun Gauper	Economist Brussels Office Federation of Austrian Trade Unions (ÖGB)	AUSTRIA
Mr. Jens Frank	Economist Salaried Employees' and Civil Servants' Confederation (FTF)	DENMARK
Mr. Jan K. Rasmussen	Economist The Danish Confederation of Trade Unions (LO-DK)	DENMARK
Mr. Matti Koivisto	Chief Economist Finnish Confederation of Salaried Employees (STTK)	FINLAND
Mr. Jacques Bass	Secrétaire confédéral Confédération française démocratique du travail (CFDT)	FRANCE
Mr. Thierry Maarek	Secrétaire permanent Confédération française démocratique du travail (CFDT)	FRANCE
Mr. Philippe Arondel	Conseiller Technique Confédération Française des Travailleurs Chrétiens (CFTC)	FRANCE
Mr. Hartmut Görgens	Economic Department German Confederation of Trade Unions (DGB)	GERMANY
Mr. Roland Schneider	Economist German Confederation of Trade Unions (DGB)	GERMANY

Ms. Rannvieg Sigurdardottir	Economist Federation of State and Municipal Employees in Iceland (BSRB)	ICELAND
Mr. Carmelo Caravella	Chef du Département -- Marché du travail Confédération Générale Italienne du Travail (CGIL)	ITALY
Mr. Angelo Gennari	Head - Studies & Research Department Confederazione Italiana Sindacati Lavoratori, Confédération Italienne des Syndicats des Travailleurs (CISL)	ITALY
Mr. Takamasa Nakashima	Researcher Research Institute for Advancement of Living Standards (RIALS) Japanese Trade Union Confederation (RENGO)	JAPAN
Ms. Grivel Yokoyama Uhko	Interpretor	
Mr. Kim Yoo Sun	Director Policy Department Korean Confederation of Trade Unions (KCTU)	KOREA
Mr. Karl Seip	Economic & Social Affairs Department Norwegian Confederation of Trade Unions (LO-N)	NORWAY
Ms. Irene Wennemo	Economist The Swedish Trade Union Confederation (LO-S)	SWEDEN
Mr. Jan Bröms	Chief Economist The Swedish Confederation of Professional Associations (SACO)	SWEDEN
Mr. Bill Callaghan	Chairman of the Meeting Head of the Economic & Social Department Trades Union Congress (TUC)	UNITED KINGDOM
Mr. Tom Palley	Assistant Director, Public Policy Department American Federation of Labor and Congress of Industrial Organizations (AFL-CIO)	UNITED STATES

TRADE UNION ADVISORY COMMITTEE TO THE OECD (TUAC)

Mr. John Evans General Secretary

Mr. Andreas Botsch Senior Policy Advisor

Mr. Roy Jones Senior Policy Advisor

RAPPORTEUR

Professor Mary Gregory St. Hilda's College UNITED KINGDOM
Oxford University

OBSERVERS

Mr. Peter Jankowitsch Permanent Representative to the AUSTRIA
OECD

Ms. Nermin Karakaya Counsellor TURKEY
Permanent Delegation to the OECD

OECD SECRETARIAT

Directorate for Education, Employment, Labour and Social Affairs

Mr. John Martin Deputy Director

Mr. Norman Bowers Head of the Employment Analysis and
Perspectives Division

Mr. John Martin Evans Principal Administrator
Employment Analysis and Perspectives
Division

Mrs. Françoise Coré Principal Administrator
Labour Market Policies Division

Mr. Mark Pearson Principal Administrator
Social Policy Division

Mr. Paul Swaim Principal Administrator
Employment Analysis and Perspectives
Division

Mr. Greg Wurzburg Principal Administrator
Education and Training Division

Economics Department

Mr. Jorgen Elmeskov Counsellor for Structural Policy

Mr. Howard Oxley Principal Administrator
Public Economics Division

Directorate for Science, Technology and Industry

Mr. Graham Vickery Principal Administrator
Industry Division

General Secretariat

Mr. François Rousseau Deputy Head of the External Relations
Division