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OECD EMPLOYMENT OUTLOOK

The attached release contains a summary of, and tables from,
the OECD Employment Outlook July 1990.

A press conference on the "OECD Employment Outlook"
will be held in Room 5, OECD New Building,
19, rue de Franqueville, at 10.30 a.m., on Thursday 12th July 1990.
The proceedings of the conference will, like the publication itself,
be under embargo until 00.01 hours Paris time,
Friday 13th July 1990.

- The July 1990 issue of the annual "OECD Employment Outlook" reviews both past and prospective developments in employment and discusses the challenges and opportunities for labour market policies in the 1990s. Chapter 1 examines recent trends in the labour market with special references to annual hours worked and flows into and out of unemployment. Other topics selected for detailed study are: displacement and job loss (Chapter 2); supply and demand in regional labour markets (Chapter 3); occupational diseases (Chapter 4); child care (Chapter 5); the impact of employer and employee taxes on employment (Chapter 6); and involuntary part-time work and underemployment (Chapter 7).

OECD EMPLOYMENT OUTLOOK

Labour Markets in the 1990s: Challenges and Opportunities

1. After almost a decade of sustained economic growth, labour markets in the OECD area are experiencing both successes and disappointments. Employment growth is strong and the proportion of the working-age population holding jobs has reached record levels in many OECD countries. However, while in 1989 the unemployment rate in the OECD area fell again for the sixth consecutive year, it still remains above the levels recorded at the peak of the last recovery in 1978-79 for most OECD countries. In addition, the incidence of long-term unemployment remains high in several countries.

2. This persistent unemployment is basically structural in nature as it would appear that many OECD economies are operating at levels of demand close to or even above potential output. There seems to be little scope for addressing unemployment by aggregate demand measures. In fact, a slowdown in the growth of the working-age population is occurring at the same time as more and more businesses are reporting shortages of skilled labour, or overall labour shortages. The answer lies mainly in structural policies.

3. Adjustment and adaptation in labour markets is required in a number of areas. Technological change is both increasing the variety and complexity of skills required for employment. This has made much more difficult the task of reabsorbing into employment those who have been displaced by structural change. Employment is also being hindered by the maintenance of informal and formal barriers to flows of people and their skills between labour markets in the face of the increasing globalisation of product and investment markets. Large regional disparities in unemployment and participation rates remain despite increasing flows of migrants from outside the OECD area. While women have been attracted into the labour market in ever-greater numbers and despite record participation rates, they are often constrained in the type of work they can seek. The availability of child-care services and taxation policies are both factors influencing women's potential impact on skill shortages.

4. Some adjustments have already begun in many OECD countries. Different forms of employment relationships other than long-term full-time work have developed and spread in many sectors and areas. This is a necessary step in creating flexible labour markets but should not be at the expense of safety considerations, access to training and the provision of social security insurance.

5. Over the long term, pervasive new technologies, trade liberalisation and reforms in eastern and central Europe will provide both opportunities for and potential risks to, economic growth and job creation. Policies are required which will mobilise the potential supply of labour, which will enhance training and skill development of those with and without jobs and which will facilitate job search and recruitment. In fact, many countries are now switching away from "passive" labour market policies of income support to "active" policies which seek to improve the job search skills of the unemployed and encourage reintegration as well as providing income support. In this context, the Statement on "Challenges and Opportunities for the 1990s" (attached to this year's editorial in the Employment Outlook), adopted by the Manpower and Social Affairs Committee, has been particularly welcomed as it offers a framework in which labour market policy can both contribute and respond to overall economic adjustment. (The basis for the Statement can be found in a recent OECD publication Labour Market Policies for the 1990s.)

Chapter 1: Labour market trends and prospects

6. The 1985-1990 period constitutes a turning point with respect to demographic changes underway in OECD countries. The youth population is now decreasing in most countries and the working-age population is growing, if at all, at rates substantially slower than in the first half of the decade (Table C.). This turnaround has been taking place in a period of strong demand, yet the labour squeeze that might have been expected from such developments has not been excessively severe. Countries most affected by these demographic changes are generally experiencing a slowdown in the trend towards earlier retirement and larger increases in the participation of women in the work force than in the past. In certain countries, the demand for labour has been met in part through increases in immigration or by reductions in the pool of unemployment created during the last recession. In others, however, labour markets have not adapted to these changes and this may give rise to some upwards pressure on wages. As the working-age population begins to decline, any growth in the labour force will have to come from increased immigration or from a rise in participation rates.

7. Despite continued economic growth, unemployment rates in many countries are generally higher than they were a decade ago. Countries where long-term unemployment is relatively less common and where unemployment rates have declined substantially (North America, Australia and Scandinavia) appear to be characterised generally by higher turnover. Job search and hiring in these countries are relatively familiar activities which may well be conducive to job matching. The varied work experience of many unemployed workers may also be an element in facilitating their integration into new work environments. The situation of the long-term unemployed in many countries does not seem to have substantially improved, since much of the observed reduction in unemployment can be explained by large declines in unemployment inflows, due in part to demographic developments, although this situation may be changing. The declining youth cohort will require a shift in the emphasis of labour market programmes.

8. The 1980s have seen a deceleration in most countries in the historical trend toward reduced annual working hours (Table L.). Full-time work by women has been expanding more rapidly than part-time work in some countries, especially in Scandinavia and in countries where the fall in the youth population has been the greatest. In other countries part-time work continues to progress faster than full-time work. Although the service sector continues to provide most new jobs, there has been an increase in industrial employment in many countries over recent years.

9. Prospects for 1990 and 1991 are for a slow down in output growth in the OECD area to around 3 per cent in both years. Given expected increases in productivity, employment growth is projected to slow down to about 1 1/4 per cent this year and only slightly less next year which should be just sufficient to absorb the growth in the labour force (Table 1.A.2). Thus, little change from current levels is projected in the unemployment rate for the OECD area (Table 1.A.3).

Chapter 2: Displacement and Job Loss: the Workers Concerned

10. The early 1980s were marked by large-scale redundancies which, for most countries, were concentrated among manual workers in heavy industry but which have since spread throughout the entire economic fabric and have affected all types of occupations. Some caution is required in making international comparisons because of methodological differences in the compilation of statistics on job losses: of the unemployed in 1988 who lost a job, only 22 per cent in Spain gave dismissal or redundancy as the reason for job loss whereas in Germany the proportion was just over 80 per cent (Table 2.A.1). Nevertheless, some broad patterns can be discerned. Men of prime working age make up the bulk of the unemployed who have lost a job but it is women and young people who run the greatest risk of redundancy. The available flow data or follow-up survey data suggests that it is older, unskilled or unqualified workers who experience the greatest difficulty in finding a new job.

11. Faced with the risk of these workers swelling the ranks of the unemployed -- in particular, the long-term unemployed -- many OECD countries have provided public programmes to promote their redeployment into new activities. These programmes may be permanent or one-off and may be aimed at improving social equity and/or economic efficiency. In certain countries, retraining measures are available to all redundant workers, whereas in others only a minority have access to retraining.

Chapter 3: Supply and Demand in Regional Labour Markets

12.• Following up the analysis of unemployment in the 1989 issue, this issue gives a full colour map showing labour force participation rates for 182 regions in 22 OECD countries. Regions suffering high unemployment also frequently have low participation rates, the lowest being concentrated in the southernmost parts of Europe (Table 3.1). In addition, regions with rapid population growth generally have equally rapid employment growth which suggests that demographic pressures do not necessarily provoke unemployment. After declining in the 1970s, internal migration flows stabilised and then increased slightly in the mid-1980s and tend to be from high unemployment regions into low unemployment ones (Table 3.4). Regional differences in the average level of nominal earnings are wide in some countries with regions tending to maintain their relatively high or low earnings position through time, even in the United States where large changes in regional unemployment relativities have been experienced. Regional policies in OECD countries also reviewed. In the EEC, regional policy spending is now set to increase sharply in line with the removal of internal barriers to trade in 1993. (Separate prints of the maps of regional unemployment and of regional participation patterns are available to the Press on request.)

Chapter 4. Occupational Diseases

13.• Complementing last year's analysis of occupational accidents, this issue presents the available data on the evolution of occupational diseases in OECD countries. The evidence suggests that the number of deaths from occupational disease is roughly comparable to those resulting from accidents (Chart 4.1). However, unlike the rate of occupational accidents, there has not been a declining trend in disease-related fatalities over the last two decades. Newly registered occupational diseases have increased considerably in many OECD countries during the 1980s in contrast to a mainly stagnating or declining trend for accidents (Chart 4.3). However, the majority of countries show a much lower rate for diseases than for accidents. By industry, miners are by far the most likely to fall ill or die from an occupational disease. Illness rates in manufacturing and construction are also above average. Registered occupational diseases probably represent only a fraction of the true incidence of occupational ill health, so that rising numbers of reported diseases may only indicate improved reporting procedures.

Chapter 5. Child Care

14. The rise of female participation rates, together with the importance of early social interaction and of good quality educational services for young children, has contributed to an increase in the demand for child care services in all OECD countries and this trend will continue over the next few years. Compulsory education and preschool play a major role in providing child care in the broad sense (Table 5.3). While the supply of regulated services is increasing in most countries, it still covers only partially overall needs while the provision of informal care is widespread. Child care is an area of public policy showing wide differences among countries. Some governments give preference to building up a regulated sector while others are neutral as regards help for specific services. Some governments favour redistribution towards certain target groups whereas others attempt to provide universal aid. Provisions for maternity and parental leave also vary considerably across countries (Table 5.8). However, the financial contribution by all governments to child care is relatively small. It would seem desirable to define needs more precisely and to improve the co-ordination of the various services. Finally, given the decline in the numbers entering the work force over the forthcoming years, more and more women with young children can be expected to be employed, including some who, in the past, provided informal child care services. Therefore, the demand for more formal provision of child care can be expected to grow.

Chapter 6. Employer and employee taxes: the impact on employment

15. In economic models which assume flexible wages and prices, the final incidence of a tax is unaffected by whether it is paid by the supplier or the demander of the good. Applied to the labour market, such models predict that high levels of employer social security contributions or a payroll tax will not reduce employment by more than alternative taxes such as the personal income tax or employee social security contributions. However, when employer taxes on labour rise, wages do not immediately adjust downwards and labour costs rise. This can reduce employment by making production unprofitable or by encouraging the use of more capital-intensive methods of production. The negative effect appears to last for several years, although there is some evidence that in the longer term there is complete wage adjustment. More generally, the long-term impact of taxation on employment depends on labour supply as well as labour demand behaviour. Historical experience and detailed microeconomic evidence indicate that female and part-time labour supply are particularly flexible. Part-time work by married women is taxed differently in various countries and cross-country comparisons suggests that rates of part-time employment are influenced as a result (Table 6.2).

Chapter 7. Involuntary part-time work as a component of underemployment

16. • The concept of underemployment is extremely broad and its measurement difficult. Point-in-time data has been gathered on the measured extent of different types of involuntary part-time employment for 15 OECD countries (Table 7.1). In every country, while women are much more likely than men to be working part-time because they cannot find full-time work, they are less likely to be looking for a different or additional job. Over-the-year labour force flow data for Spain and the United States indicate that, on average, about one-third of involuntary part-time workers had moved into full-time work one year later. In addition, a slightly greater percentage of these workers appear to enter full-time jobs compared to the unemployed. This suggests that being employed part-time makes the transition to full-time jobs somewhat easier. However, men were more successful than women in making this transition. Given the gender division of labour, women may be more constrained by non-paid work responsibilities making it more difficult to match their availability with the work schedules that employers are able or willing to offer.

• Journalists may obtain a copy of this report from the OECD Press Division, 2 rue André Pascal, 75775 Paris cedex 16 (tel. 45 24 80 87 or 80 88).

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