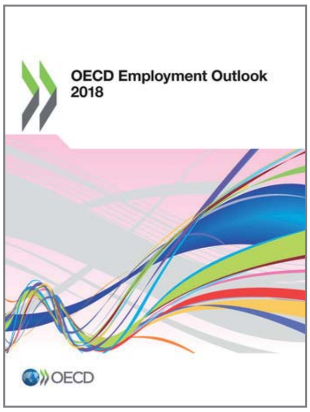
OECD *Multilingual Summaries*
OECD Employment Outlook 2018

Summary in English



Read the full book on: 10.1787/empl_outlook-2018-en

Wage growth remains sluggish despite the fall in unemployment

While the impact of the global financial crisis on job quality and inclusiveness persists, employment rates are historically high in most OECD countries and the average unemployment rate is back to its pre crisis level. In spite of this, nominal wage growth remains significantly lower than it was before the crisis for comparable levels of unemployment, and the downward shift in the Phillips curve – the relationship between unemployment and wage growth – has continued during the recovery. Low inflation expectations and the productivity slowdown, which accompanied the Great Recession and have not fully recovered yet, have both contributed to this shift. Low pay jobs have also been another important factor. In particular, there has been a significant worsening of the earnings of part time workers relative to that of full time workers associated with the rise of involuntary part time employment in a number of countries. Moreover, the comparatively low wages of workers who have recently experienced spells of unemployment, combined with still high unemployment rates in some countries, have pushed up the number of lower paid workers, thereby lowering average wage growth.

Labour share declines partly reflect the emergence of "superstar" firms

Real median wage growth in most OECD countries has not kept pace with labour productivity growth over the past two decades, partly reflecting declines in the share of value added going to labour – i.e. the labour share. Technological progress in the sectors producing equipment goods and the expansion of global value chains have reduced labour shares within firms and increased the share of value added accounted for by firms with lower labour shares. Moreover, the dampening effect of technological progress on the labour share tends to be particularly large in countries and industries with a high proportion of low skilled and high routine jobs. Countries with falling labour shares have witnessed both a decline in the labour share at the technological frontier and a reallocation of market shares towards firms at this frontier ("superstar" firms) with low labour shares. The labour share decline at the technological frontier reflects the enhanced "creative destruction" process brought about by the technological dynamism of new entrants with lower labour shares rather than anti competitive forces. These results suggest that the way to help workers make the most of ongoing technological advances is to effectively raise their skills. It is therefore crucial that countries develop high quality education and training services and provide accessible learning opportunities while developing systems for anticipating skill demands.

Collective bargaining institutions play a key role for labour market performance

The pay and working conditions of one in three workers in the OECD are governed by a collective agreement. Bargaining systems that co ordinate wages across sectors tend to be linked with lower wage inequality and better employment outcomes, including for vulnerable groups. Wage co ordination increases solidarity between workers in different sectors and helps ensure that collective bargaining improves employment by taking due account of macroeconomic conditions. However, in centralised systems, lower inequality and higher employment may come at the expense of lower productivity growth.

The experience of several countries suggests that it can be important to provide employer and worker representatives in the firm with sufficient room to refine or adjust sector level agreements to take account of company conditions ("organised decentralisation"). Overall, co ordination and organised decentralisation with broad based social partners help attain better labour market outcomes, combining good levels of inclusiveness and flexibility. Social dialogue in the workplace is also associated with a higher quality work environment.

Labour market programmes help workers who lose their jobs for economic reasons

The "creative destruction" process that underlies economic growth and rising living standards causes a considerable number of workers to lose their jobs to economic change every year and many of these workers experience significant income losses and other hardships. The starting point for improving the re employment prospects and income security of workers who have been made redundant is to make further progress at developing effective national activation strategies that address the barriers faced by this group and their particular advantages when searching for a new job. Two of the most important differences between workers who lose their job for economic reasons and other jobseekers are the greater scope for proactive measures, beginning during the notice period before the layoff occurs, and the large contribution that employers can make to fostering successful mobility for workers they dismiss, ideally in close collaboration with unions and labour market authorities. An important issue for income support is how, if at all, workers who become re employed at a significantly lower wage should be compensated for their loss of earnings power. Conditions of access to unemployment benefits during the whole unemployment spell also play a crucial role.

Most jobseekers do not receive unemployment benefits

Discussions of the labour market effects of unemployment benefits commonly assume that jobseekers have ready access to such transfers. Accessible unemployment support is a crucial ingredient of an inclusive labour market policy that protects workers rather than jobs. But fewer than one in three jobseekers receive unemployment benefits on average across the OECD, and the longer term downward trend of benefit coverage has continued in many countries after the financial and economic crisis. The reasons behind the decline in coverage rates provide an indication of whether this might be a policy concern, and which measures may be suitable for maintaining benefit accessibility at desired levels. Since the onset of the crisis, changes in the characteristics of jobseekers, such as migration flows or sizeable changes in the shares of the long term unemployed, have been important drivers of coverage trends. But part of the recent widening of what might be called the "coverage gap" can be clearly ascribed to policy reforms that aimed at reducing unemployment benefit generosity either in search of fiscal restraint or in order to dampen job search disincentives for the unemployed.

Why does the gender gap in labour income increase over the working life?

Even if the gap in annual average labour income between men and women has gone down significantly, women's annual labour income was still 39% lower on average than that of men in 2015. Comparable estimates of the gender gap in labour income throughout the lifecycle indicate that most of it is generated in the first half of the career. The smaller number of job changes experienced by women in the early stages of their working life and the effect of childbirth and child rearing on mothers' participation in the labour market have a long lasting impact on women's careers and, therefore, the way the gender gap evolves over the working life. Part time work plays a less clear cut role, as it can prevent withdrawal from the labour force but may also represent a career trap for women. The relative importance of each dimensions of the gender gap in labour income – gender differences in employment rates, hours worked and hourly earnings – provides valuable guidelines for policy action. Family policies, measures to encourage behavioural changes among both men and women, and actions promoting changes in the workplace, such as increased take up of part time and flexible working time arrangements by both fathers and mothers, can play a key role in helping women to successfully navigate the crucial childbirth phase of their career, stay attached to the labour market and seize the same career opportunities as men.

Read the complete English version on OECD iLibrary!

© OECD (2018), *OECD Employment Outlook 2018*, OECD Publishing.
doi: 10.1787/empl_outlook-2018-en