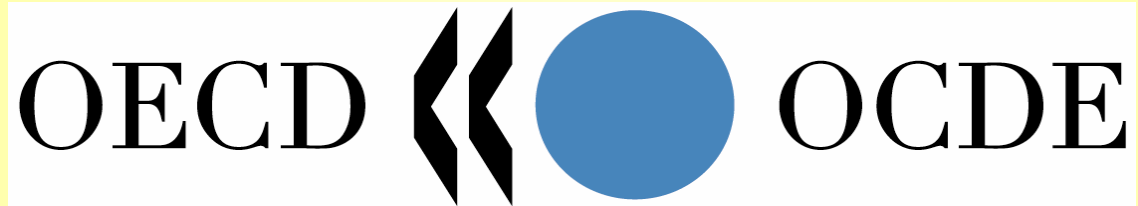


More and Better Jobs:

Findings from the 2003 OECD Employment Outlook

Paul Swaim and David Grubb
OECD Directorate for Employment, Social and Labour
Affairs

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08 October 2003



Towards More and Better Jobs

**Meeting of OECD Labour Ministers (Sept. 29-30)
OECD Employment Outlook (2003 Issue)**

General Overview by Paul Swaim

**Directorate for Employment, Labour and Social Affairs,
OECD**

October 2003

MAIN THEMES

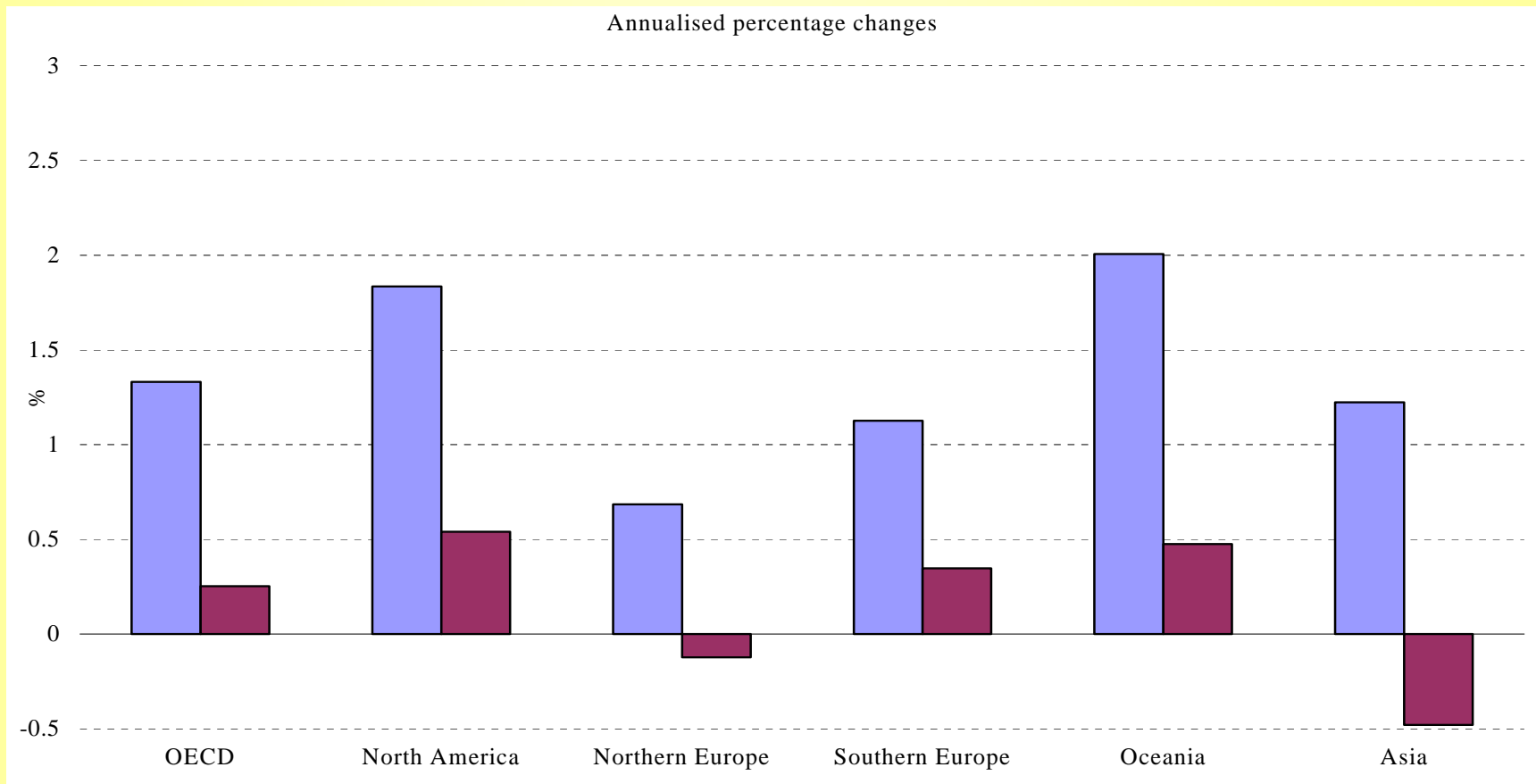
- **Long-run challenges for employment policy**
 - **Towards more jobs:**
 - **Why raise employment rates?**
 - **Who should work more? (mobilising under-represented groups)**
 - **Towards better jobs:**
 - **Employment retention and career advancement for vulnerable groups**
 - **Broader concerns about job quality (stress, work life/family life)**
- **Policies that work (quick overview)**
 - **Making work pay (e.g. EITC)**
 - **Activation strategies for working-age persons receiving income-replacement benefits**
 - **Continuing vocational training for vulnerable groups in the workforce**
- **Activation policies (detailed analysis by David Grubb)**
 - **Benefit dependency (the diagnosis)**
 - **Activation measures (towards a cure)**

MOBILISING “INACTIVE” PERSONS OF WORKING AGE: WHY NOT SIMPLY FOCUS ON THE UNEMPLOYED?

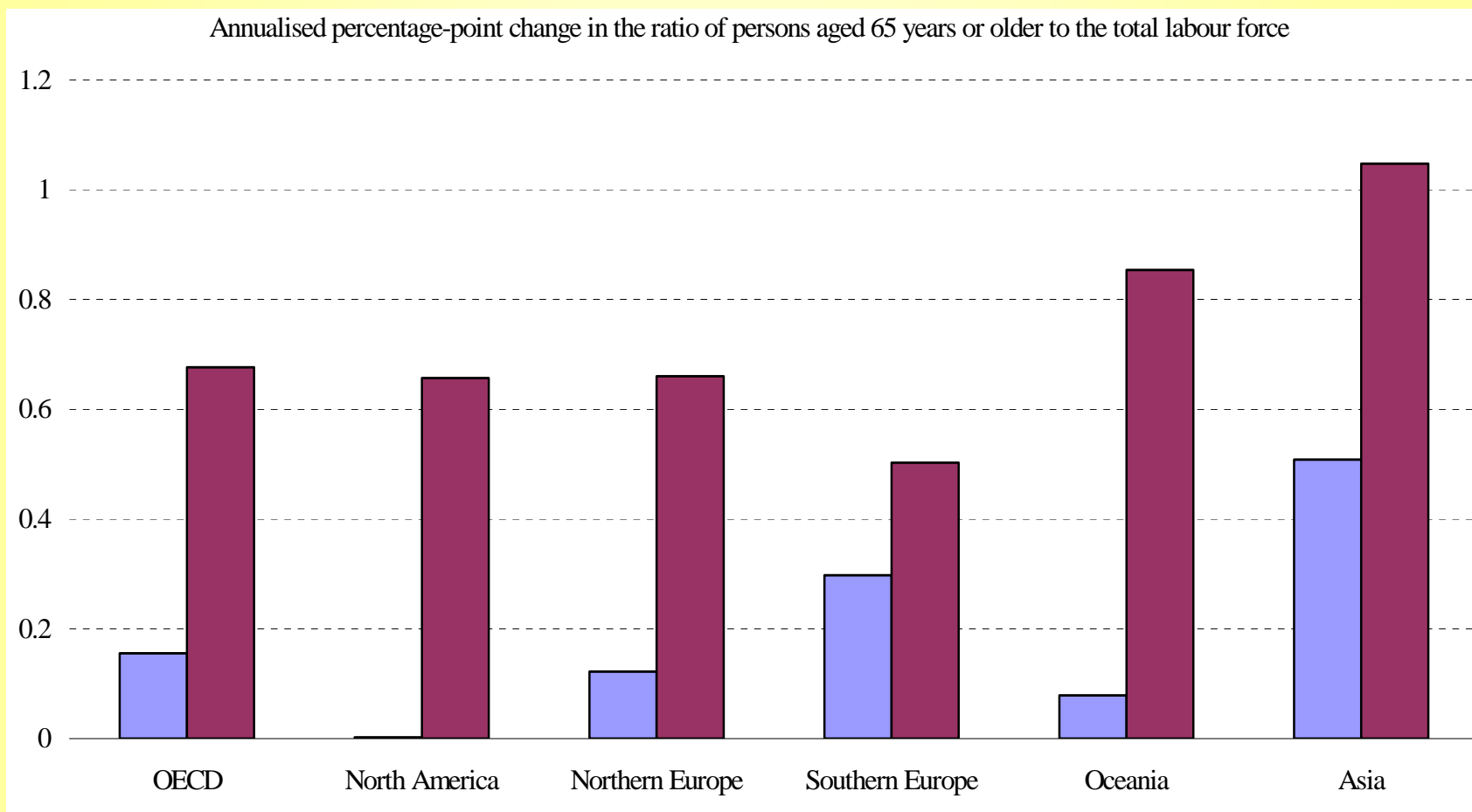
- **Population ageing requires higher employment rates**
- **Most potential labour supply is found among “inactive” persons of “working age”:**
 - progress in reducing unemployment
 - “under-represented” groups are key (mothers, low skilled, older workers, partially disabled)
- **Often, it is reasonable to encourage higher participation:**
 - reducing benefit dependency (lowering fiscal pressures/mutual responsibilities philosophy)
 - many inactive persons would like to work (12%)
 - social inclusion via overcoming barriers to working

The demographic challenge: adapting to population ageing

Labour force growth will slow dramatically (1970-2000 vs. 2000-2030)...

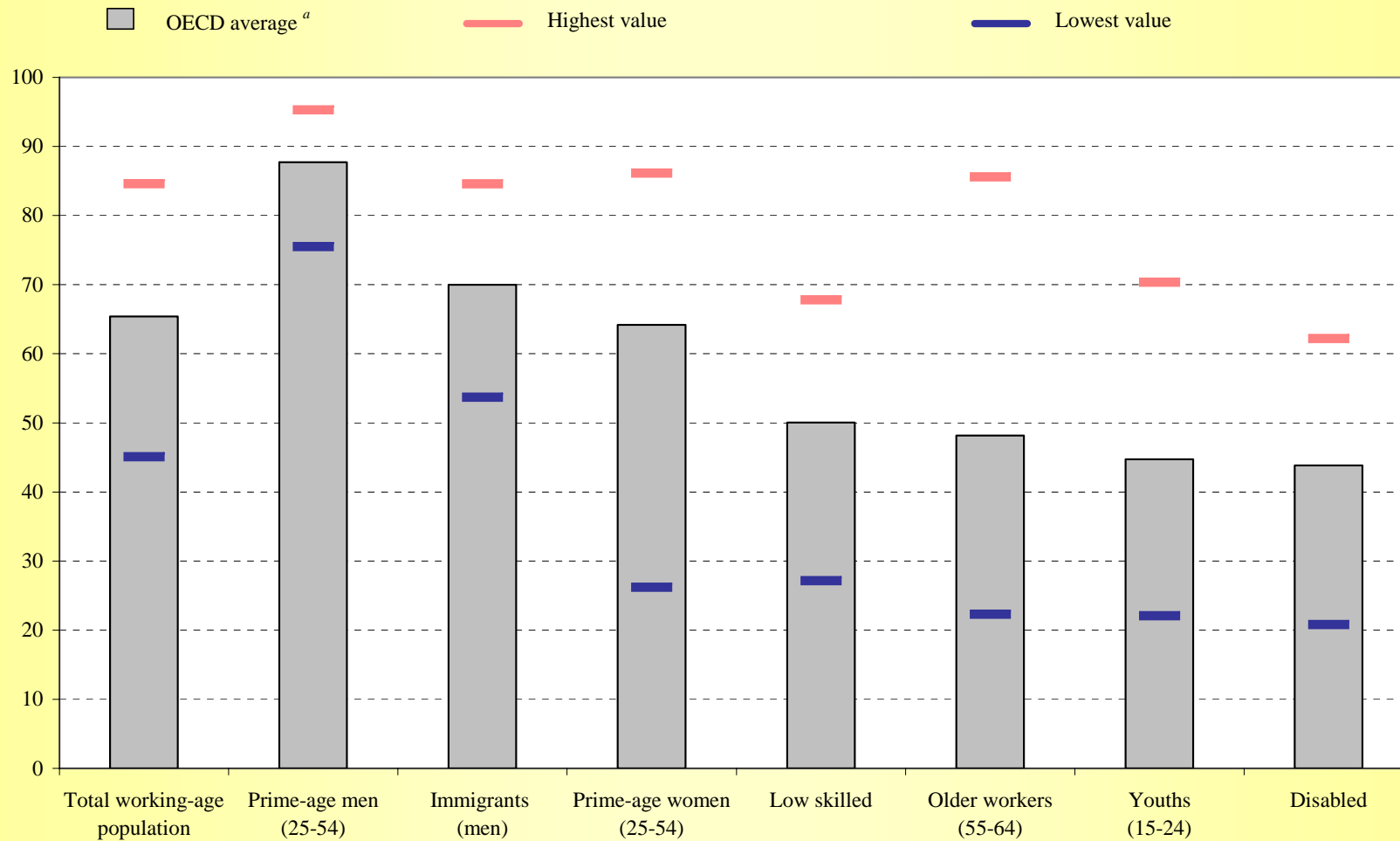


The demographic challenge: adapting to population ageing ... while dependency ratios soar (1970-2000 vs. 2000-2030)...



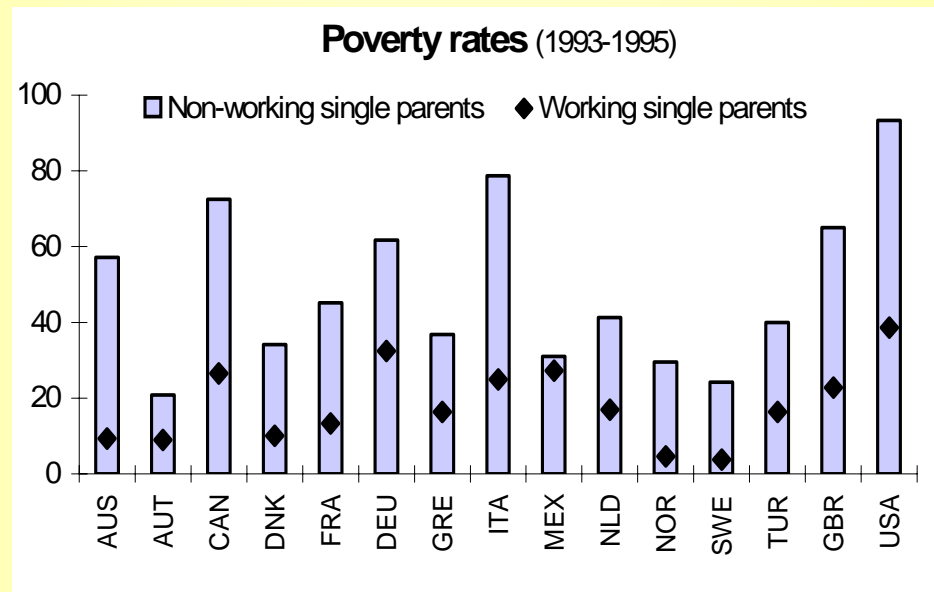
Some groups are significantly under-represented in employment

Employment rate in 2001 (percentage)



Higher employment rates might further equity and social inclusion goals: the case of women

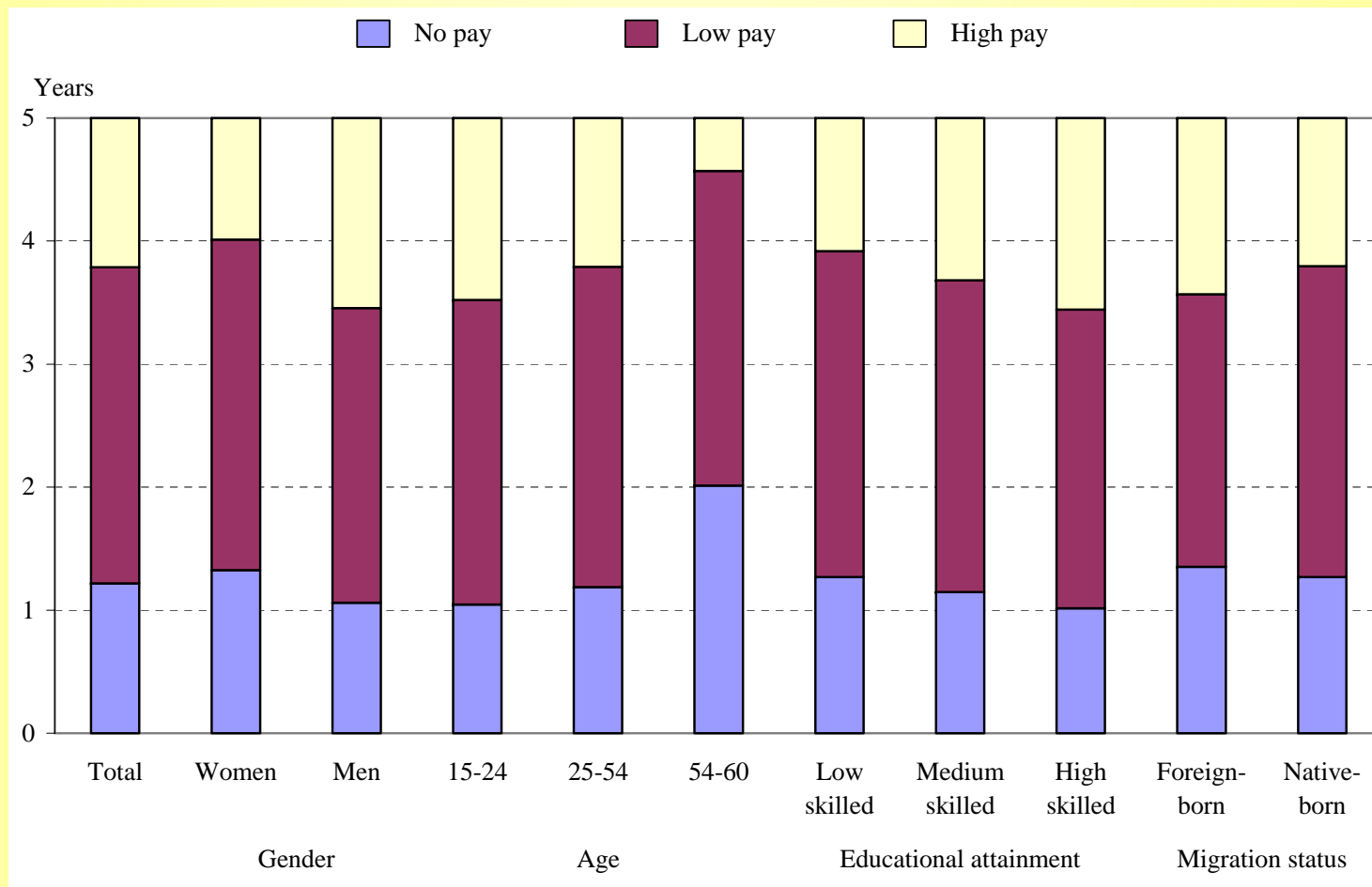
- A significant proportion of non-active women state that they would like to have a job (more than 17% of non-active women aged 25-54 in 2001, on average over 19 European countries).
- Non-employment among lone mothers leads very often to poverty.



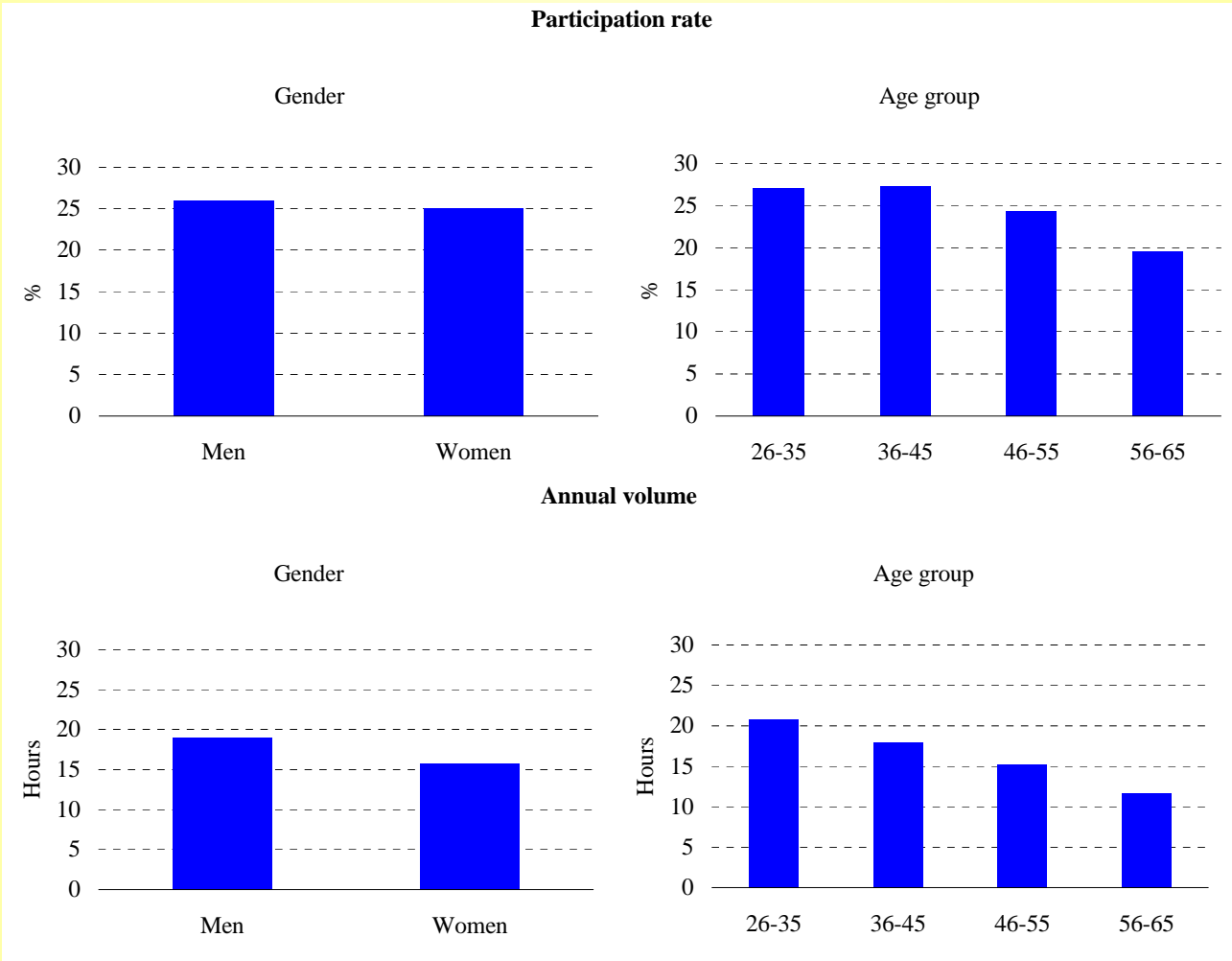
TOWARDS MORE JOBS: POLICIES

- **Framework conditions for strong job creation and low unemployment are still critical, but should be complemented by**
- **Targeted measures for groups on the margins of the labour market, including:**
 - **Fiscal incentives to make work pay (e.g. EITC) or to make hiring profitable (e.g. subsidies to firms)**
 - **Making work possible by accommodating the special needs of a heterogeneous workforce (e.g. family leave and flexible hours for mothers)**
 - **Activation measures for persons on benefits (David Grubb's presentation)**
- **But, what about job retention and career prospects?**

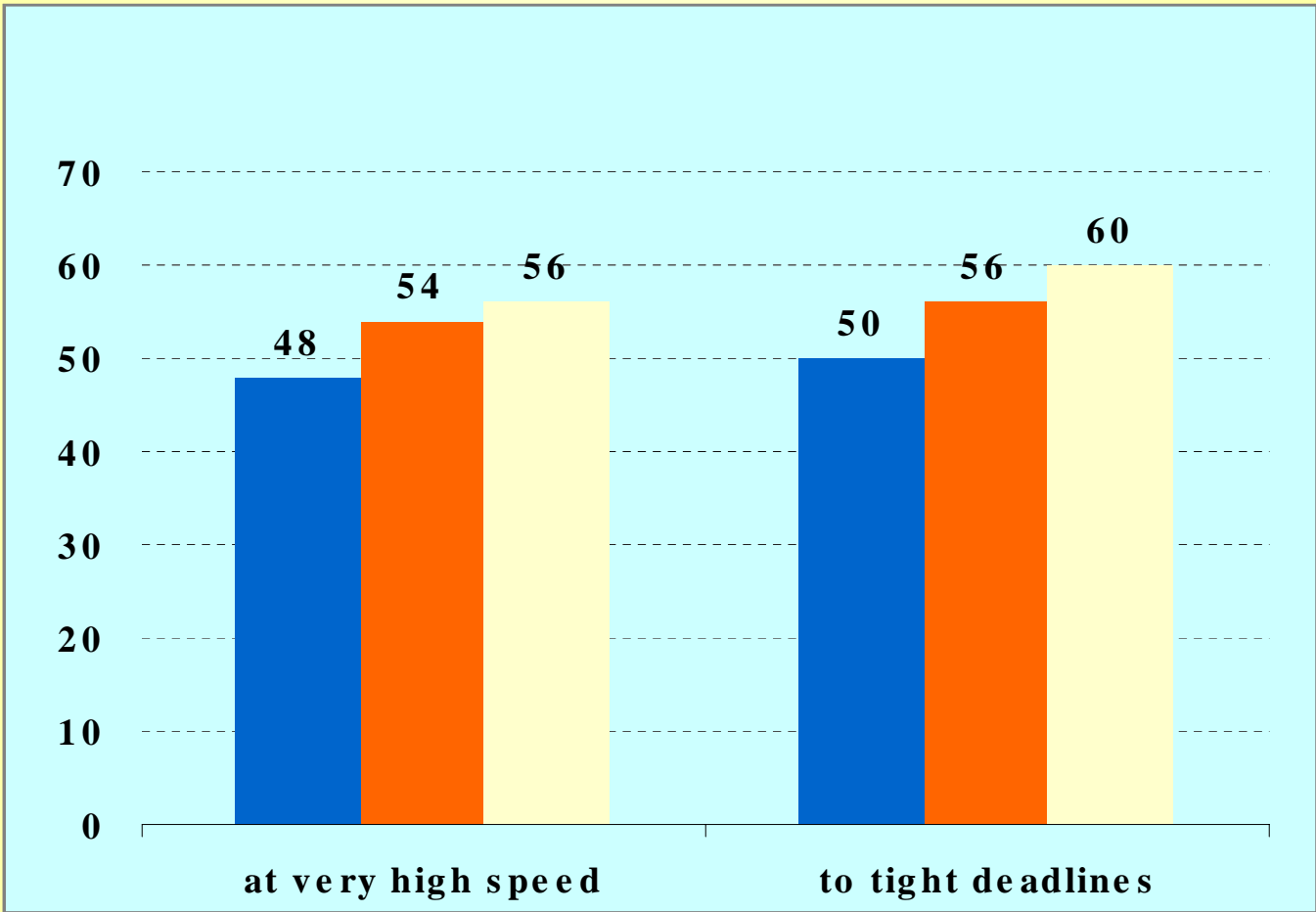
Low-paid employment often alternates with non-employment 5-year experiences of persons low-paid in the first year (11 EU countries)



Older workers and women receive less training

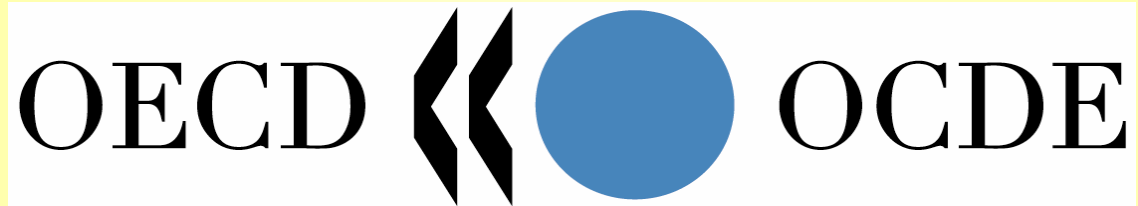


More persons report working at very high speed or to tight deadlines, Europe 1990-2001



TOWARDS BETTER JOBS: POLICIES

- **Less is know about what works**
- **Potential trade off between regulations setting minimum job quality standards and employment opportunities (e.g. minimum wage laws may reduce hiring of low-skilled workers)**
- **Challenge to achieve a labour market that is both dynamic and inclusive may be becoming more difficult:**
 - flexible adaptation to new technologies and intense international competition
 - may be raising skill requirements and job stress
 - tending to exclude e.g. older and less educated workers
 - and/or force them to accept worse employment conditions
- **Improved access to continuing vocational training for vulnerable members of the workforce is one piece of the puzzle**
 - sustained employability from life-long learning
 - experiments with different forms of co-financing



Benefits and employment: friend or foe?

by David Grubb

**Directorate for Employment, Labour and Social Affairs,
OECD**

October 2003

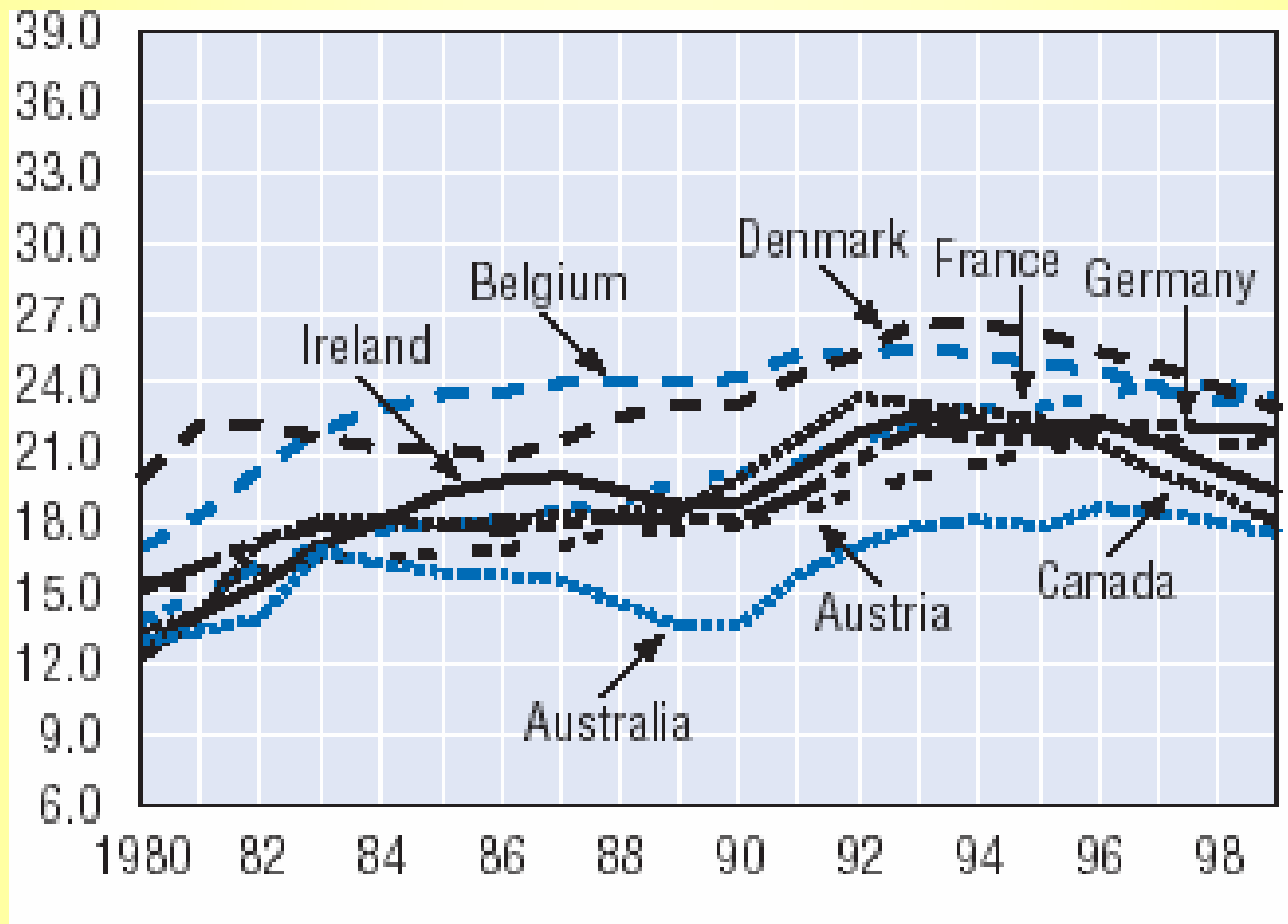
THREE QUESTIONS

- What are “benefit dependency” rates and how do they vary across countries and over time?**
- “Activation” measures can get people off benefits: what is involved?**
- How do “activation” measures affect employment rates, earnings, and the structure of benefits?**

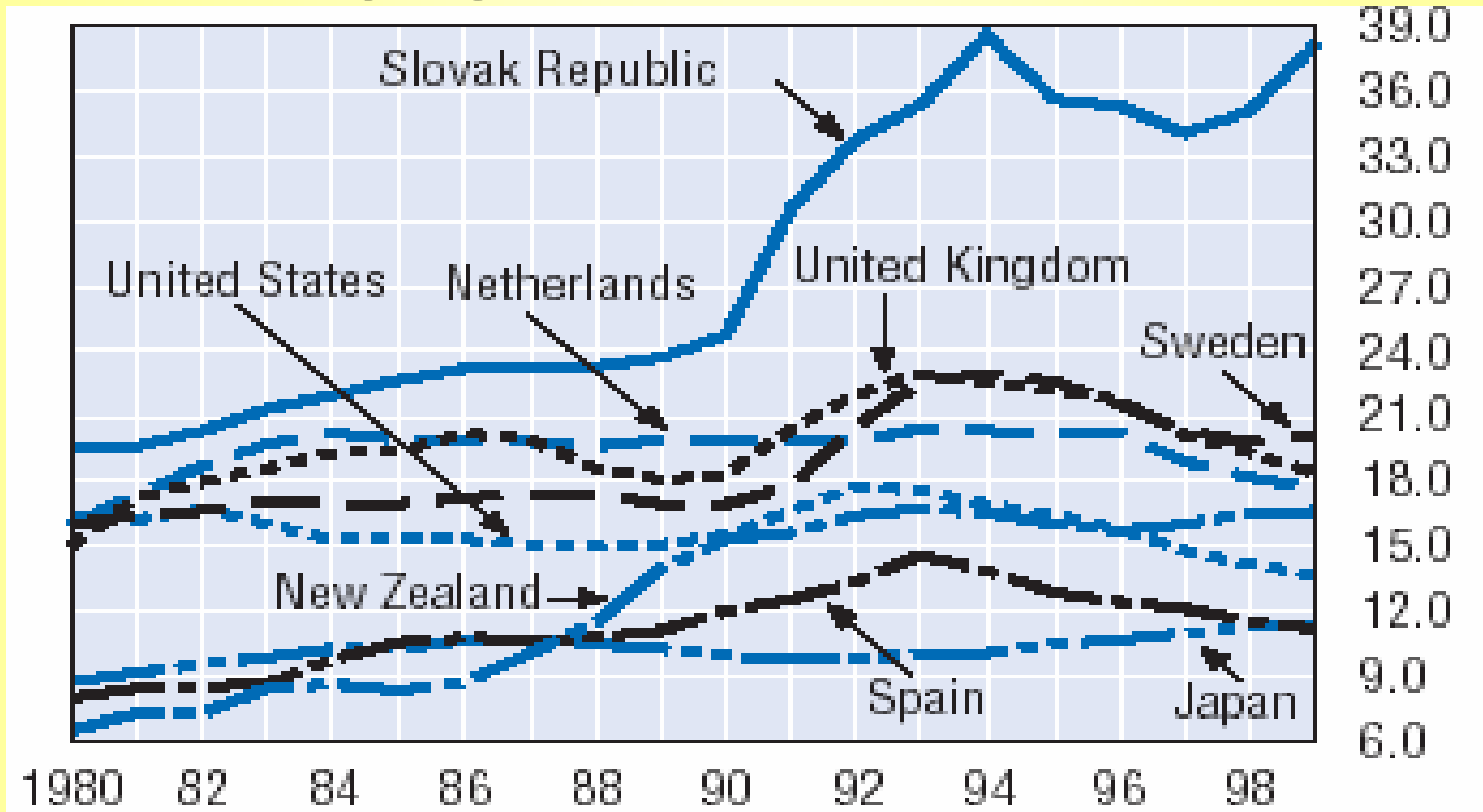
BENEFIT DEPENDENCY RATES – WHAT THEY ARE

- This study reports the proportion of the *working age* (15-64) population that is receiving a *public income-replacement* benefit. In the US, the main benefits concerned are:
 - OASDI and Federal/State employee *old age* pensions, and SSI (old age) - when paid to persons aged under 65
 - OASDI and Federal/State employee *disability* pensions and SSI (disability)
 - Short-term sickness benefits
 - UI
 - General Assistance (only exists in some US States), Food Stamps (which only partially replace income) and AFDC/TANF

RESULTS – total benefit dependency % of working-age population (1)



RESULTS – total benefit dependency % of working-age population (2)



BENEFIT DEPENDENCY – US vs. other countries (countries shown above only)

- **The US currently has one of the lowest overall rates of benefit dependency**
- **The US has below-average rates for old age (under 65) benefits, widow pensions, maternity and parental benefits and unemployment compensation. US is average for sickness benefits (counting quasi-public group insurance benefits). Until recently, it was above-average for welfare (AFDC/TANF). It is still above-average for disability benefits.**
- **The highest overall rate is in Slovak Republic. Other high rates are in Europe – Belgium, Denmark, France, Germany.**
- **Rates in Australia, Canada and New Zealand are above Japan and US, but below the average European country.**

BENEFIT DEPENDENCY– changes since 1980

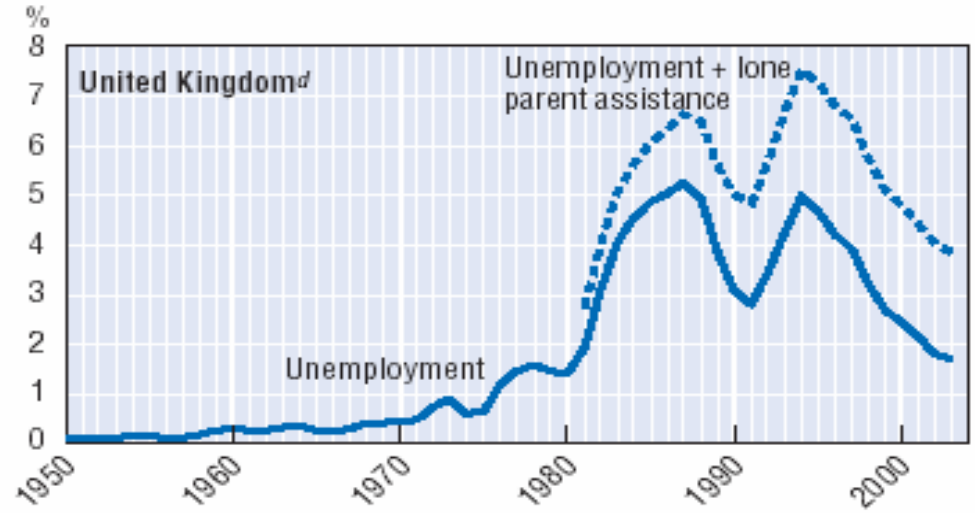
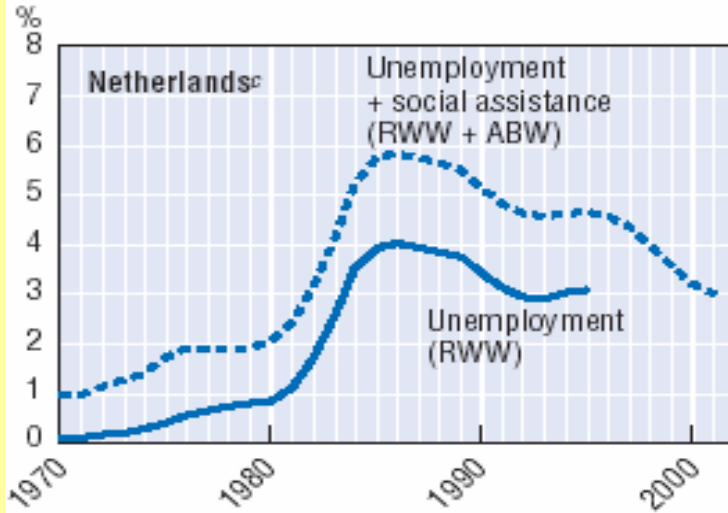
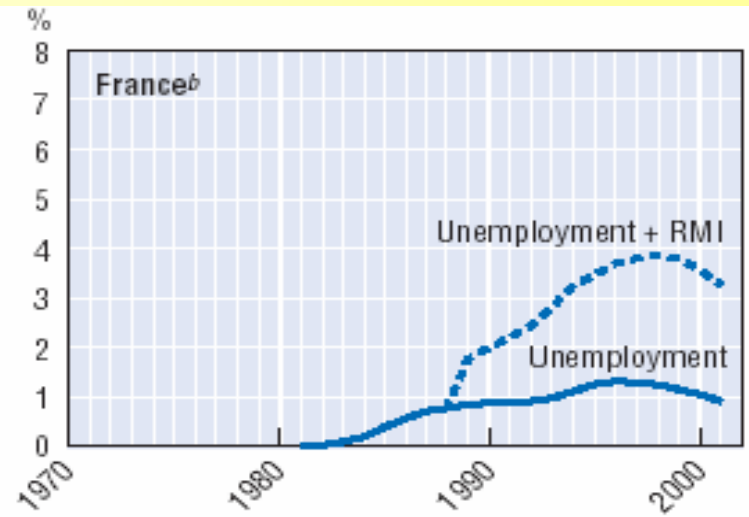
- **In 1980, the US rate (17%) was above the OECD average. But from 1980 to 1990, rates in most other countries rose sharply. And from 1990 to 1999, the US rate fell. By 1999 the US rate (14%) was well below the OECD average.**
- **Since 1993, reciprocity of AFDC/TANF (by adults) has more than halved. The fall was 2 percentage points of the working-age population, and this was a major factor lowering overall benefit dependency in the US.**
- **In other OECD countries, after 1990 growth in benefit dependency continued, but much more slowly. For unemployment benefits growth stopped, on average. This may be the beginning of a partial roll-back.**

BENEFIT DEPENDENCY – vs. employment and study

- In most OECD countries including US, the majority of working-age adults who are not employed and are not students are receiving one of these income-replacement benefits.**
- Exceptions include Spain and Japan, where many people are not employed, nor students, and also are not receiving a benefit. In Spain, where benefits are not widely available, youths (living at home) and wives relatively often rely on the income of other family members.**

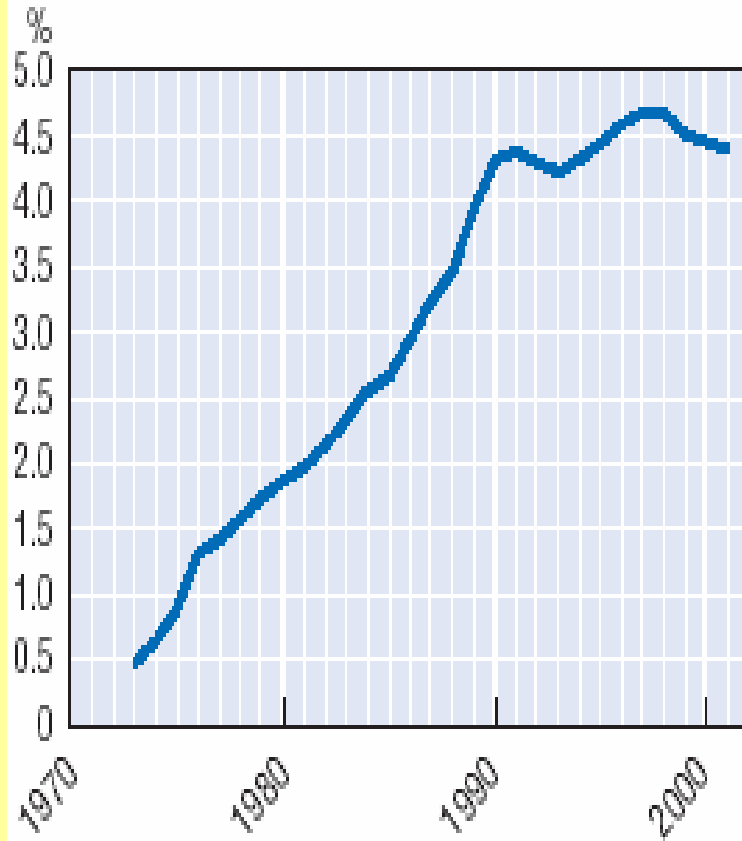
LONG-TERM CHANGES – 15-25 years

A. Introduction of new unemployment assistance and social assistance benefits in four European countries
% of population of working age

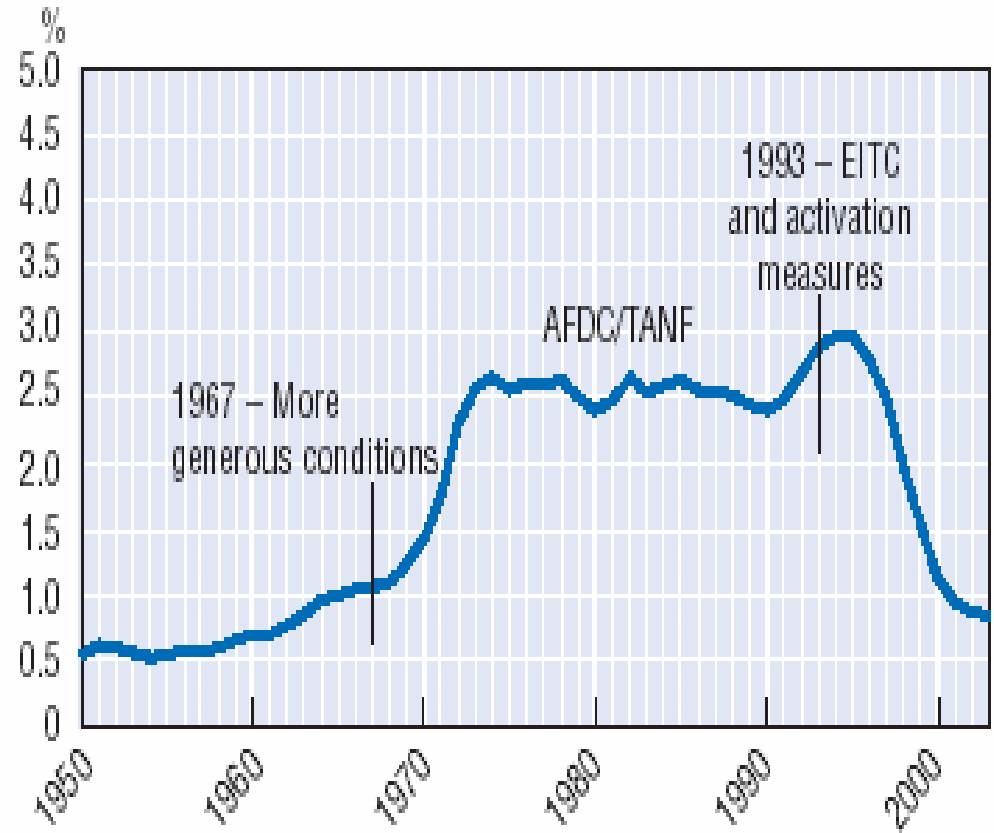


LONG-TERM CHANGES - Lone parents

B. Introduction of lone-parent benefits in New Zealand^e



C. Welfare reform in the United States^f



WHY UNCONDITIONAL ASSISTANCE BENEFITS FAIL

- **Minimum income benefits aim to ensure that no-one lives in poverty, by paying benefits to families with no earnings and no assets.**
- **But after unconditional minimum income systems are put in place, the number of families with no earnings and no assets has tended to increase (over 15-25 years). In the worst cases, unconditional systems may increase poverty as much as they reduce it.**

ACTIVATION STRATEGIES – benefit recipients...

- ❑ Are guaranteed significant income gains from working (e.g. thanks to EITC and child-care assistance).
- ❑ Are encouraged to find other solutions even before they start on benefits (“claim diversion” strategies).
- ❑ Must search for jobs, and be ready to take them (or benefits may be stopped)
- ❑ Face time limits (time-limits on benefits, or a “workfare” requirement).
- ❑ Must frequently see employment counsellors (e.g. every 2 weeks) to report job-search efforts and monitor their back-to-work plan
- ❑ Get intensive individual job-search assistance – this can include initial help with issues of drug abuse, child care, vocational training before entering the job market.

ACTIVATION STRATEGIES – for institutions and administrators

- **Benefit payment and employment counselling should be coordinated. In small localities, the same staff can do both jobs**
- **The cost of paying benefits falls on the local (e.g. state or municipal) budgets - so that local people feel “they” are paying for the welfare benefits - not some faraway (federal) government**

IMPACT ON BENEFIT RECIPIENCY RATES

- **A successful activation strategy need not include every one of the elements listed above. But it needs to combine several of them.**
- **Reforms take time (in relation to US welfare, EITC reforms began in 1987; AFDC “waivers” in early 1990s; PRWORA enacted in 1996; State strategies are still changing) and their impact builds up over about 10 years.**
- **Impacts are partly measurable, but also partly invisible (e.g. when potential claimants initiate fewer claims, it is hard to prove the exact reason for this).**

WHAT ELSE HAPPENS?

- **In the US, about 2/3 of those who left welfare are working. Of the others, some have no reported income, some get help from their family (e.g. parents).**
- **US lone parents in work usually earn low wages (slightly above minimum wage). But child poverty rates have fallen – partly thanks to in-work benefits (EITC, etc.).**
- **Strict job-search requirements alone may force people to take lower-paid jobs. But more costly programmes, providing intensive employment assistance, seem able to achieve some increase in earnings.**

Detailed data for welfare and work in the US

Table 4.4 Decline in welfare recipiency and increase in employment for single mothers in the United States

Source	Adult AFDC/TANF beneficiaries		Single mothers ^b			Percentages of single mothers aged 16-45, excluding disabled and students, ^c who had nonzero annual income from:				Total adults with income during the year from AFDC/TANF ^d	
	Total	Of which: single mothers ^a	Total	Of which: employed	Employment rate	Work, not welfare	Work and welfare	Welfare, not work	Neither work nor welfare		
	Administrative data		Current Population Survey			Current Population Survey, March supplement					
	000s	000s	000s	000s	%	%	%	%	%		000s
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)		
1984	3 713	3 024	7 027	3 910	55.6	62.9	9.7	20.8	6.6	..	
1985	3 648	3 019	7 161	4 059	56.7	61.9	11.5	20.1	6.6	..	
1986	3 695	3 082	7 288	4 249	58.3	61.0	11.8	20.4	6.9	..	
1987	3 684	3 113	7 604	4 432	58.3	61.6	12.2	18.9	7.3	3 611	
1988	3 595	3 084	7 570	4 386	57.9	62.7	11.6	19.4	6.4	3 639	
1989	3 565	3 094	7 769	4 549	58.6	65.3	10.5	17.7	6.4	3 518	
1990	3 705	3 208	7 789	4 744	60.9	62.8	13.1	17.9	6.3	3 951	
1991	4 079	3 431	8 221	4 818	58.6	61.4	12.6	19.4	6.6	4 327	
1992	4 399	3 624	8 566	4 917	57.4	60.9	12.8	19.3	6.9	4 337	
1993	4 583	3 721	8 905	5 169	58.0	61.2	14.2	18.0	6.6	4 649	
1994	4 615	3 744	9 378	5 512	58.8	64.5	14.6	14.3	6.6	4 224	
1995	4 379	3 574	9 375	5 773	61.6	67.2	13.3	12.4	7.1	3 806	
1996	3 974	3 250	9 435	6 002	63.6	68.6	13.5	10.8	7.1	3 634	
1997	3 154	2 496	9 598	6 349	66.1	71.7	12.5	8.3	7.5	2 914	
1998	2 523	2 092	9 378	6 484	69.1	75.0	11.6	5.6	7.8	2 329	
1999	1 869	1 587	9 433	6 741	71.5	79.9	9.6	3.8	6.7	1 924	
2000	1 576	1 370	9 266	6 810	73.5	82.0	7.2	3.6	7.1	1 686	
2001	1 478	1 284	8 899	6 515	73.2	81.9	5.9	3.2	8.9	1 600	
Change from 1988 to 2001	-3 105	-2 437	-6	1 346	15.2	20.7	-8.3	-14.8	2.3	-3 049.0	

AFDC: Aid to Families with Dependant Children.

TANF: Temporary Assistance for Needy Families.

a) Single mother recipients are estimated as total recipients, less child recipients, less the percentage of adult recipients who are married or widowed (estimated for years prior to 1998 using data for unemployed parent beneficiaries).

b) Excludes widowed mothers.

c) Includes widowed mothers. "Welfare" refers to income from AFDC/TANF.

d) Includes adult caretakers in child-only AFDC/TANF cases, who are not beneficiaries.

Source: Columns 1 and 2: US Department of Health and Human Services, Indicators of Welfare Dependence (aspe.hhs.gov/hsp/indicators02/appa-tanf.htm); Columns 3 and 4: unpublished tabulations by the Bureau of Labour Statistics, provided by Gary Burtless; Columns 6 to 9, calculations from Current Population Survey, March supplements, provided by Jeffrey Liebman; Column 10: CPS March supplements at www.census.gov/hhes/income/dinctabs.html and Richard Bavier.

“ACTIVATION” REDUCED BENEFIT RECIPIENCY IN OTHER COUNTRIES

- **Denmark – long-term UI**
 - **Netherlands – unemployment and social assistance**
 - **UK – unemployment assistance**
- **Recipiency rates arguably were halved, or better, in these cases too**
 - **“Activation” strategies might not work so well in all labour markets**

CONDITIONAL ASSISTANCE BENEFITS CAN SUCCEED

- **Some European countries that combine generous benefits with intensive employment assistance measures keep employment rates high and poverty rates low.**
- **But this tends to be expensive - Denmark, Sweden spend about 3% of GDP on unemployment compensation and re-employment measures (the US spends about 0.5%).**
- **“Golden ages” – combining fairly comprehensive social protection and low benefit dependency rates – have existed (e.g. Sweden, New Zealand, in the 1960s).
Something like this probably remains attainable, with the right policy mix.**

DEPENDENCY ON “INACTIVE” BENEFITS

- **“Activation” policies only directly reduce reciprocity rates for the targeted benefits.**
- **But the number of people on “inactive” benefits (such as disability and early retirement) has increased. Since their beneficiaries are not legally required to seek work, activation strategies are not applicable, or have only limited impact.**
- **Possible policy steps include abolishing benefits (e.g. early retirement), tightening entry (e.g. disability benefits), and creating a requirement to be available for work (e.g. lone parents). But such measures are politically controversial.**
- **Some countries have no people on public early retirement or parental benefits – these benefits are possible, not essential. But nearly all developed countries have several % of the working-age population on public disability benefits. Not everyone can reasonably be expected to work.**

FURTHER READING

- **OECD (2003), Employment Outlook 2003, Chapters 3 and 4.**
- **OECD (2003), Transforming Disability into Ability.**
- **Many US studies of welfare-to-work (e.g. briefs are available on www.brook.edu).**
- **Many OECD studies of labour market policies and the public employment service.**