Trade Union
Advisory Committee
to the OECD
Commission syndicale consultative auprès de l'OCDE

Comments on the Employment Outlook 2021

– More descriptive than prospective

Paris, 21 July 2021

Executive summary

- The OECD Employment Outlook 2021 manages to fulfil one purpose: it shows the effects of the crisis on employment, jobs and vulnerable groups, as well as highlights government responses. It also opens up new issue areas: domestic outsourcing and the regulation of working time. Both are timely and the analysis on them very comprehensive.
- What it misses is a new vision of how to get out of this crisis with better jobs and better wages. The report is very much descriptive on what was done and what happened, far less prospective on lessons learned and what needs to be done, in contrast with the previous editions of the Employment Outlook.
- At best, it is the old recipes that are featured: training, active labour market policies, short-term employment incentives and investments in all that is digital. These are needed, but far from sufficient.
- On non-standard forms of work, the discussion is limited to social protection coverage – which in itself is important – but it does not bring the discussion back to employment status and regulation issues.
- The role of collective bargaining in the crisis and recovery, with some notable exemptions, falls flat throughout the Outlook, with a few exceptions (implementation and design of job retention schemes, funding training transition schemes and governance of active labour market policies).
- Acknowledging the asymmetrical impact of the crisis ("persistent job losses in some sectors (e.g. hospitality, travel and tourism) and job creation in others (e.g. technology and care services)"), the policy proposals seems somewhat limited (skills and retraining). The TUAC would argue that it remains essential to spur public investments and increase incentives for job creation;
- The Outlook includes a very comprehensive and forward-looking chapter on domestic outsourcing. Therein, the OECD recommends "policies that confer employer responsibilities on both lead and third-party contracting firms and ensure that outsourced jobs do not fall under a less advantageous collective bargaining agreement".
- The Outlook's final chapter provides an in-depth look into working time regulation, featuring the role of collective bargaining in negotiating working hours and working time arrangements.

Key figures

- Unemployment levels have not recovered to pre-crisis levels and 22 million more people were jobless for more than 6 months compared to before the pandemic by the end of last year.
- Working hours for low-paying jobs dropped dramatically during the peak of lockdown measures and are 7-10% below pre-crisis levels in Q1 2021.
- Short-time work schemes may have saved up to 21 million jobs and in some countries covered up to 35% of the workforce at the peak of the pandemic (e.g. France).
- Recovery will be slow in most countries and take up to 2024 to regain pre-crisis employment levels. "With the exception of the United States, however, job vacancies remained well below their pre-crisis levels until the end of 2020. At least in part, this is likely to reflect weak labour demand related to the high degree of uncertainty about the short-term outlook." (p. 118)
- Both in the United States and in Canada youth unemployment rates increased by 17 percentage points in just two months, reaching over 27% in April 2020. In the European Union, however, youth unemployment has, thus far, remained substantially below levels seen during – and for some time after – the global financial crisis (p. 54). Yet, the levels in inactivity are rising and could be "particularly damaging for the career prospects of young people, high levels of inactivity among young NEET risk enhancing scarring" (p. 59).

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General comments

The employment recovery must be a quality jobs recovery. Workers in OECD countries feel financially insecure, as they perceive their employment position to be precarious. It is imperative to respond to their concerns, starting with a reversal in labour policy reform trends, strengthening employment protection and labour market institutions, and putting workers at the centre of the policy agenda.

The OECD released its Employment Outlook on 7 July. One would expect this sense of urgency to be reflected in the Organisation's flagship publication on employment. Indeed, it runs with the title "*A once-in-a-lifetime opportunity to build a better world of work*". In the end, it manages to fulfil one purpose: displaying the effects of the crisis on employment, jobs and vulnerable groups, as well as highlighting government responses. It also opens up new issue areas: domestic outsourcing and the regulation of working time. Both are timely and the analysis on them very comprehensive. What it misses is a new vision of how to get out of this crisis with better jobs and better wages. The report sticks largely to old recipes: training, active labour market policies, short-term employment incentives and investments in all that is digital. These recipes are needed, but far from being sufficient. As the Outlook's very own data confirms, structural labour market divides remain, and the lack of take-up in adult learning is still a considerable source of concern. On the latter, we learn that "*only about 40% of all adults participates in training in* *normal times (OECD, 2020). However, it is also likely to reflect the difficulty of organising training in such a way that it can be combined with temporary reductions in working time*". (p. 132) Previous OECD research on income inequality also confirmed the limitations of an only-skill-policy approach.

The publication's editorial, the place to look for policy ideas, does not delve enough on solutions and does not discuss failures of past policy reforms or the need for broader investments. Social partners and collective bargaining are not mentioned. Referring to long-standing income inequalities since 1985, it does not give any indication on how these could be reversed, nor how labour policies in OECD countries over the past thirty years have contributed to such rise, or at least failed to prevent it. On non-standard forms of work, the discussion is limited to social protection coverage – which in itself is important – but it does not bring the discussion back to employment status and regulation issues. As it flags portability of benefits as one of the solutions, it seems to signal that nothing should be done about the very nature and employment status of these jobs, including regulations and counter-measures to prevent their diffusion. Similarly, on digitalisation, we are served with the classic *faits accomplis*: creative destruction and changing business models (e.g. with respect to telework).

While the challenges exposed by the crisis are well highlighted, the policy ideas to get out of the crisis are not novel or taken too far. For example, the text says that there is a unique opportunity to use planned recovery funding to address long-term structural challenges, but it does not expand as to how this should be done. All chapters are rich in details on policies and regulatory frameworks used during the crisis but make less of a connection to what else can and is being deployed for recovery, including investments in job retention and creation. Importantly, they appear very much descriptive on what was done and what happened, far less prospective on lessons learned and what needs to be done, in contrast with the previous editions of the Employment Outlook.

The next OECD Labour and Employment Ministerial will take place in December 2021. Despite the Outlook reticence to propose new avenues for policymaking, there is hope that OECD members will make stronger commitments for labour market resilience and fairer labour market outcomes. As such, discussions will be important on job creation, public investments into infrastructure at large, expanded access rights to public employment services and adult learning, hands-on approaches to new non-standard forms of work and new work organisation patterns (including hybrid and telework).

Social dialogue and collective bargaining – the missing pieces

The role of collective bargaining in the crisis and recovery, with some notable exemptions, literally falls flat in the Outlook. There is little in the report that suggests that social dialogue matters for policymaking – an area on which the OECD could focus much more to distinguish the different forms it can take from the national arena to workplace democracy.

What is recognised is the role of the social partners in the implementation and design of job retention schemes (p. 102) – and some examples are given, also submitted by the TUAC –such as lay-off bans or social partner schemes on temporary secondments in Japan (p. 75). The OECD also recognises that "*requiring an agreement with a trade union or worker representative can also help to alleviate deadweight effects, while at the same time ensuring a sound process. Since* *participation is costly for workers, a firm-level agreement can help to prevent firms from claiming support when there are no jobs at risk*". (p. 106)

The role of social partners in funding training transition schemes and in the governance of active labour market policies (ALMPs) is highlighted (p. 160). Indeed, the OECD's survey data shows that during the crisis "*close to half of the countries that consider the co-operation of stakeholders as a particularly beneficial practice, highlight that engaging the social partners in the development of their short- and long-term responses has been of particularly high value*." (p. 166)

In conclusion, what is missing is a stronger statement on the need for social partner engagement in recovery and on the role of far stronger collective bargaining in "*build a better world of work".* There would have been enough space in the publication to do so, as was the case last year.

Job retention schemes & active labour market policies

As mentioned, the publication does not draw many lessons from the 2008 financial crisis: there is nothing on the failures of austerity measures that followed in 2009-20210, nor on structural labour market reforms, which brought more workers into 'vulnerable groups'. The one observation the Outlook makes is the fact that job retention schemes were not widespread when the crisis erupted in 2008, but were well in place during the COVID-19 crisis: "*the use of [job retention] support peaked in April 2020 at the unprecedented level of around 20% of employment, supporting approximately 60 million jobs, more than ten times as many as during the global financial crisis*" (p. 99).

The OECD confirms that there is no apparent link with other policies, such as employment protection legislation. Further, they presume that the use of support schemes is going back: "*the strong decline in take-up in response to improved economic conditions suggests that the unprecedented levels of use are unlikely to persist once the economic recovery takes hold. However, take-up is likely to become more persistent as time goes by since firms with structural problems are more likely to continue relying on [job retention] support*" (p. 99).

This is also why support to job retention and targeted policies addressing structural inequalities should not be phased out prematurely. The OECD's Employment Outlook 2021 shows that short-time work schemes may have saved up to 21 million jobs and in some countries covered up to 35% of the workforce at the peak of the pandemic. Countries will take up to 2024 to go back to initial employment levels. Low-paying jobs are at 7-10% below pre-crisis levels. OECD members have to commit to maintain support where needed and to start addressing labour market polarisation. The Outlook is favouring targeted support and gradual phasing out of support for now.

Regarding active labour market policies during the crisis, it is indeed hard to draw conclusions now (p. 195). The OECD could have taken a stronger stance on the need to universal access to public employment services (PES) and a right to adult learning (including affordable access). It takes a more moderate, yet important position to expand and tailor services to certain groups: "*not all these groups show up on the radar of PES, which is why it is important to identify the groups at risk and their needs, develop effective outreach strategies, and provide integrated, comprehensive and well-targeted support*". (p. 156) The OECD also argues for greater investments into PES including their "*digital capacity, channel management, automation and efficient internal processes*" (p. 195).

Investments & job creation

The OECD recommends investments in two areas: *"First, additional expenditure on ALMPs will be needed over the course of 2021 and the years to come to enable public and private employment services to serve a higher number of jobseekers and offer additional support to those who do not return to work quickly. Second, strategic investments into digital infrastructures of employment services are needed to increase ALMP effectiveness and efficiency both in the short and long term*". (p. 168)

When it does look at job creation, the Outlook has a rather focussed short-term view: "*it is important to support job creation temporarily through scaling up and introducing new measures to support the demand for labour and economic recovery when the pandemic gets under control. This support can take the form of employment subsidies to support the hiring of workers, public works programmes that directly create public sector jobs and business start-up incentives for jobseekers to encourage take up self-employment*" (p. 185). Indeed, as it shows "*almost two-thirds of OECD and EU countries have scaled up their employment incentives and 42% of countries lowered social security contributions for some or all employers*". (pp. 155-156) Many of these measures were targeted to specific groups such as young job seekers or disadvantaged groups.

Besides investments into digital capacity and ALMPs – including in the up-skilling and re-skilling of unemployed and displaced workers – the Outlook's proposals for a recovery investment agenda for job creation are limited. What is missing for example, is clearer guidance and projections on how recovery plans can be best used – be it sector-wise (e.g. care economy), mission oriented (e.g. green transition and technology), or people-centred (e.g. infrastructure plans encompassing a whole-of-economy perspective, including public sector jobs).

On automation, the Outlook also displays the need for action: "*While there is no clear-cut evidence of a negative effect of automation on employment at the aggregate level, important concerns remain as to the negative effect that technological change (including digitalisation and automation) can have on specific groups of individuals such as the low skilled or those with poor digital skills. Further evidence (Georgieff and Milanez, 2021[68]) indicates, in fact, that occupations that were at higher risk of automation in 2012 experienced lower employment growth than average or even modest declines in employment levels in the subsequent period, up to 2019"*. (p. 69) Also, a discussion is missing on how this can be financed in the longer-term to sustain fiscal space.

Acknowledging the asymmetrical impact of the crisis, the Outlook states that "*persistent job losses in some sectors (e.g. hospitality, travel and tourism) and job creation in others (e.g. technology and care services) may leave economies with a surfeit of some skills and a deficit of others*" (p. 180). The report uses this evidence to argue against lock-in effects and for re-training. It would have helped to argue also for increasing public investments and private incentives into job creating sectors. In addition, there is urgency to do so with "*evidence [showing] that firms' job creation responses following a major reallocation shock lag behind the job destruction response by at least one year*". (p. 181)

Domestic outsourcing

The Outlook includes a very comprehensive and forward-looking chapter on domestic outsourcing. This chapter, which is not tied to the on-going crisis, shows the difficulties in defining and regulating the different types of job outsourcing. It goes into clear examples that display how and why firms choose to opt for this method, outlining the disadvantages faced by workers.

Reading this chapter is worthwhile. Therein, the OECD recommends "*policies aimed at preserving the positive aspects of outsourcing while improving the job quality for affected workers. These include policies that confer employer responsibilities on both lead and third-party contracting firms and ensure that outsourced jobs do not fall under a less advantageous collective bargaining agreement (or under no agreement at all). Finally, labour law could allow those in outsourced jobs access to internal training and employment opportunities at lead firms*" (p. 213). This is an important recommendation.

Job outsourcing is an increasing, albeit often neglected phenomenon, not least because it is hard to measure. According to the Outlook, *"from 1995 to 2018, the share of total employment in administrative and support services, which typically include many domestic outsourcing activities, increased from 3.6% to 6.3% in OECD countries"* (p. 213). Some services are more affected than others. In particulars, guards and cleaners employed in this industry have roughly doubled over the past 25 years, and while they represent a small share of total outsourced jobs, they are a precise indicator of a general trend.

Job outsourcing represents a classic example of alternative strategy for private companies to reduce cost of labour. The analysis clearly points that this practice is used to circumvent sectoral agreements, and that strengthening collective bargaining might help the situation:

- *"Firms may outsource the work of support roles and even core functions to reduce wage and benefit costs. The clearest case is for firms covered by collective bargaining agreements. In countries with firm-level bargaining, outsourcing work from a unionised firm to a third-party firm likely implies a loss of collective bargaining coverage for affected workers. Third-party firms are generally under no obligation to honour collective agreements signed with the lead firm (Abraham and Taylor, 1996[19]). For countries with sectoral level bargaining, similar arguments apply, with the administrative and support services sector (or generally the sector of the third-party contracting firm) likely finding itself covered by a sectoral agreement that allows for reduced wages and benefits for certain occupations, or no agreement at all.*" (p. 220)

- *"Regardless of the country and collective bargaining system, outsourcing leads to lower wages for outsourced workers. However, sectoral or national collective agreements may wish to consider certain inter-industry occupational wages, particularly for occupations found in almost all industries. This might prevent outsourcing decisions that bring no productivity improvement but are made purely with the aim of exploiting different wage levels for the same occupations in different industries where the tasks performed are largely the same"* (p. 246).

Working time

The Outlook's final chapter provides an in-depth look into working time regulation. It includes findings from the OECD Policy Questionnaire on Working Time Regulation (p. 279) – also sent to TUAC members. In this vast collection of data, two things become clear: systems are quite heterogeneous in terms of covering the various aspects of working time, and more streamlining and complementary measures are needed to address the new realities arising during and after the pandemic (including more flexible and hybrid working time arrangements).

Here, collective bargaining is thankfully part of the framework on working time regulation (Figure 5.1). The chapter discusses the role of collective bargaining in negotiating working hours or working time arrangements. This concerns the governance of working time rules (i.e. the way in which these rules are set, through law or through various types of collective bargaining, conditions for derogations, and the hierarchy between different types of statutory and negotiated rules) and the content of working time rules (such as the upper limits for weekly working hours, or the level of overtime premium) (p. 277). The results show that collective bargaining can provide derogations at sector and firm level on working hours, but also has an impact on the length of annual leave (which is longer with CB) and introduces new arrangements that take workers' preferences into account (p. 325).

On telework, the Outlook shows that "*targeted investments in technology and in training might be necessary – although some jobs will simply not be teleworkable. Further, changes in regulation designed to help overcome the cultural barriers to teleworking in low-skilled occupations might also be needed*" (p. 318). In terms of the governance of telework (Table 5.2), the Outlook shows that most countries do not have enforceable rights and framework in place – including via collective agreements. This certainly has to be reviewed given the likely increase in tele- or hybrid work post-Pandemic.

Incidentally, the results show that "*teleworking was highest on average - and most steadily rising since 2000 - in countries where access to teleworking is granted trough collective bargaining, while it was below average (but rising) in countries where access is statutory - with the exception of the United Kingdom and the Netherlands in recent years*" (p. 298).