



LABOUR MARKET STRUCTURE AND WAGES

POLICIES TO REDUCE INEQUALITY IN OECD
COUNTRIES

**Expert Group Meeting
United Nations**

New York, 26th June 2018

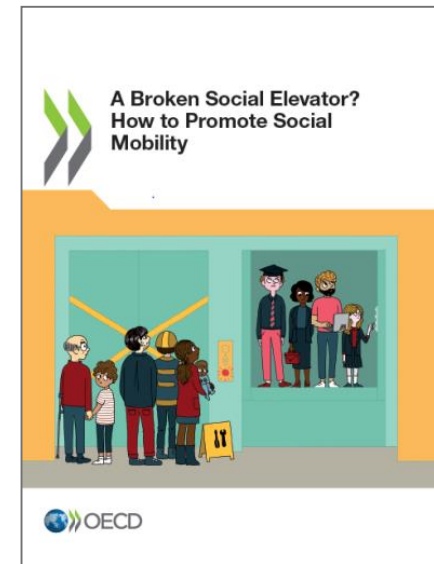
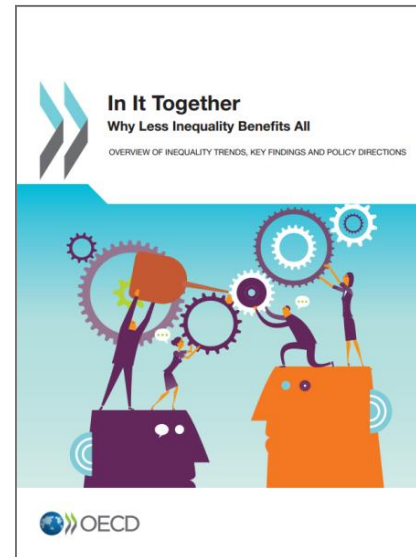
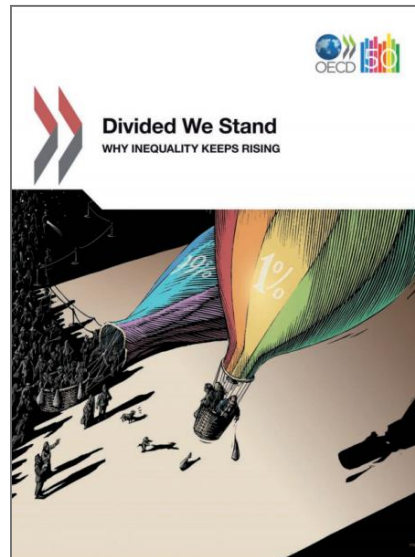
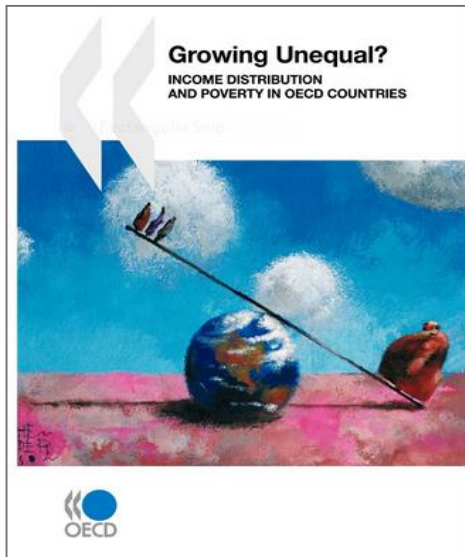
Céline Thévenot
Jobs and Incomes Division
Directorate for Employment, Labour and Social Affairs
OECD



The OECD has been at the forefront to document the rise in inequality

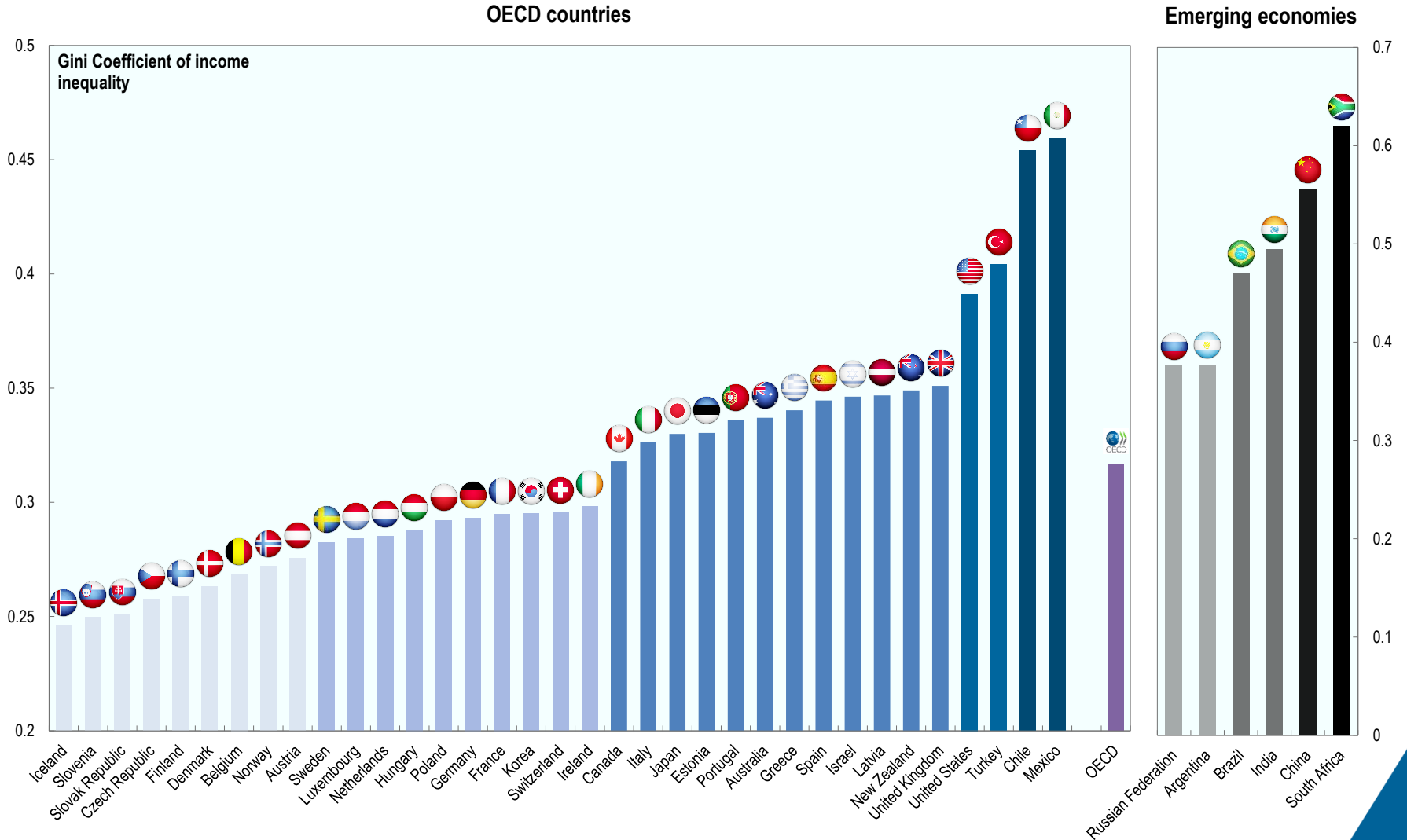
“Inequality can no longer be treated as an afterthought. We need to focus the debate on how the benefits of growth are distributed.”

Angel Gurría, Secretary General of the OECD





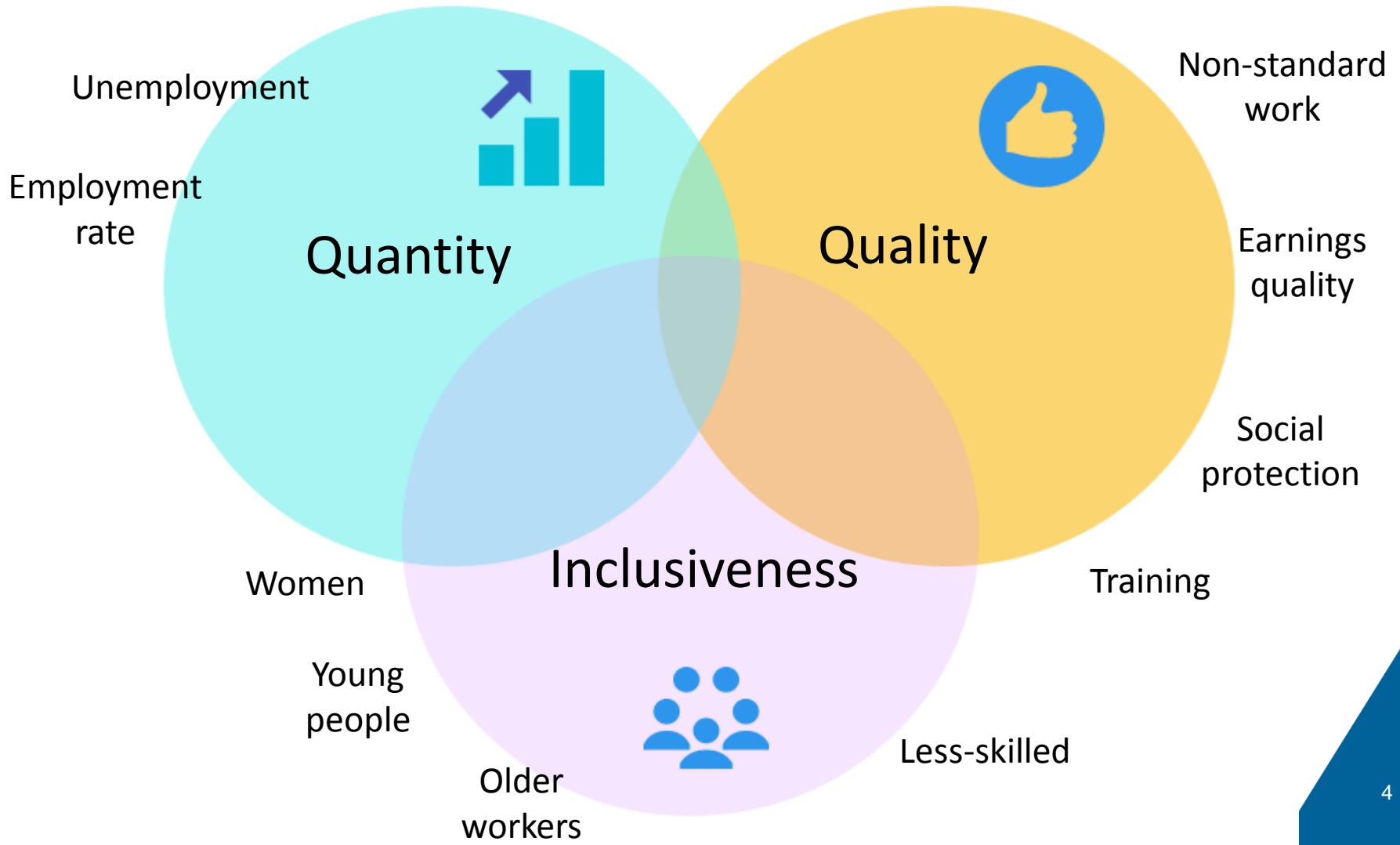
Large country differences in levels of income inequality



Source: OECD (2018), Income inequality (indicator). doi: 10.1787/459aa7f1-en (Accessed on 08 June 2018)



Channels to mitigate inequalities steaming from the labour market

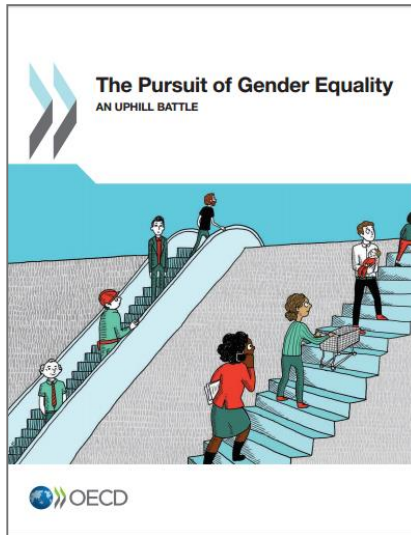




Women's employment and earnings can put a brake on increasing inequality

Income inequality increased by about **3pp** since the 1980s. Without the increased women's labour force participation, this figure would be **2 points higher**.

Source: OECD, In It Together, 2015



Policy responses

- Support paid maternity leave
- Provide access to quality and affordable childcare
- Incentivize parents to share caregiving more equally
- Ensure the gender pay gap, for instance by transparency in firms accounts
- Embed gender equality in all policy making



Non-standard forms of work

Temporary, part-time, self-employed

1:3 jobs

1:2 jobs created since 1995

Lower hourly wages

Higher job insecurity

Less training

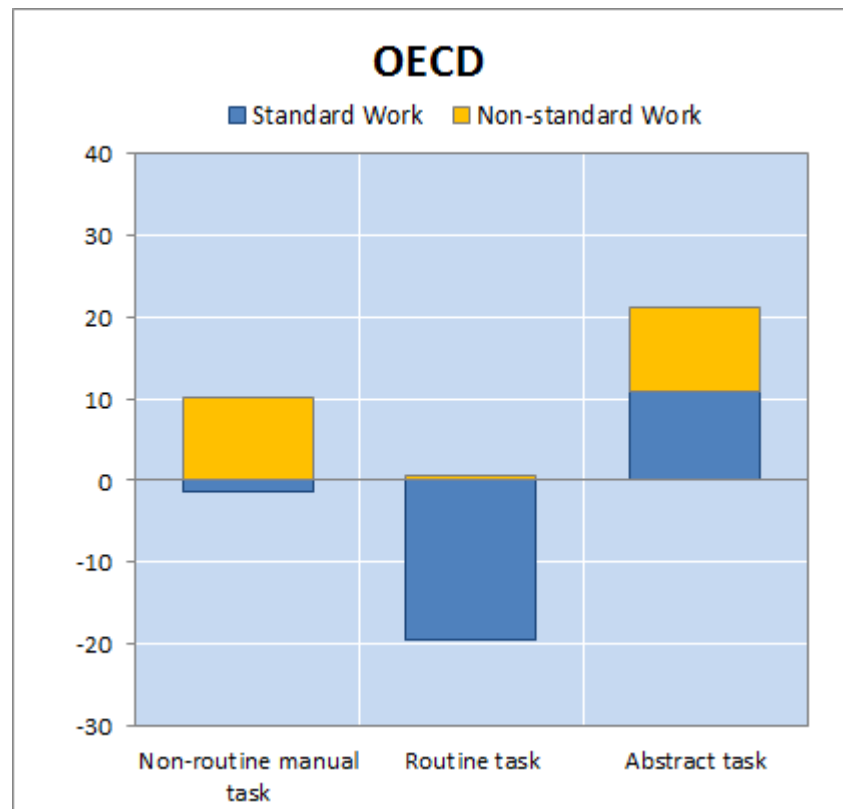
Higher level of job strain

Less well-covered by social protection, esp. the “new self-employed”

Policy responses Narrow the gaps

- in employment protection legislation
- in social protection coverage
- in access to training

Percentage change in employment shares of task categories, Mid-90s-latest available year



Source: OECD (2015), “In It Together”, 2015



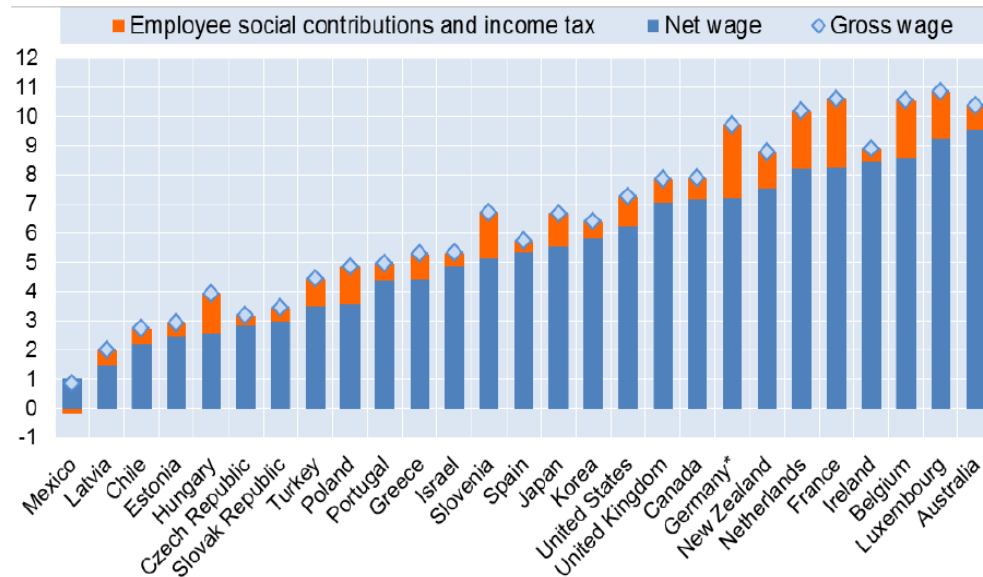
Quality of employment: earnings, security, working environment

26 out of 34 OECD countries have a form of statutory minimum wage

Levels and setting mechanisms vary markedly across countries

2. Very big differences in net minimum wages

Hourly minimum wage before and after taxes, 2013, in US dollars at purchasing power parities



Policy responses

- Minimum wages co-ordinated with tax-benefit policies to be more effective in underpinning incomes of low-paid workers
- Well functioning collective bargaining
- Occupational health and safety regulation



Job-related training – most in need get the least

Participation rate in job-related adult education varies drastically by literacy proficiency levels

High-skilled : 60%



Medium level of skills: 40%



Less-skilled: 20%



Policy responses

- Provide workers with opportunities to develop, maintain and upgrade their skills
- Increase the benefits of adult learning
- Help individuals to overcome financial situations
- Offer good vocational education and guidance



Protect individuals against labour market risks

Most jobseekers do **not** receive unemployment benefits

Countries which **spend more** on active labour market programmes have a lower share of middle income households moving down to the bottom of the income distribution

Policy responses

- High coverage of social assistance schemes
- Support job seekers for a quick reintegration
- Address problems before they arise

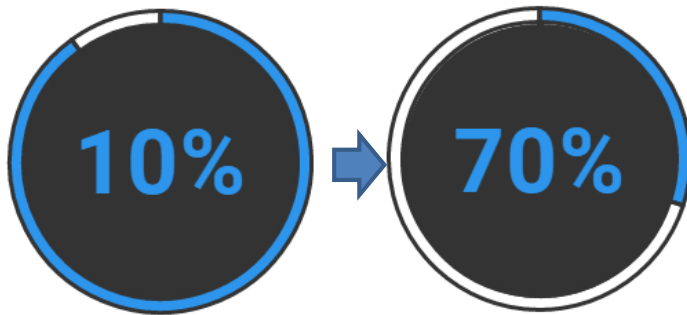
Total spending in ALMP pr unemployed in GDP per capita, %





Emerging economies: same framework, but specific challenges

Informality in emerging economies



Social protection is weaker,
Job quality is weaker
Informality is higher
In-work poverty is higher

Policy responses

- Increase the benefits of formality
- More effective social protection systems and labour laws
- Strengthen academic and vocational training
- Careful design of ALMPs



Take home messages



PROMOTE an environment in which high-quality jobs can flourish



PREVENT labour market exclusion and protect individuals against labour market risks



PREPARE for future risks and opportunities that may emerge in the labour market

5 dimensions

- Gender equality
- Sound regulatory framework
- Training opportunities for all
- Protect individuals
- Address informality



Thank you for your attention



A Broken Social Elevator? How to Promote Social Mobility

OECD

The Pursuit of Gender Equality AN UPHILL BATTLE

OECD

In It Together Why Less Inequality Benefits All

OVERVIEW OF INEQUALITY TRENDS, KEY FINDINGS AND POLICY DIRECTIONS

OECD

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<http://oe.cd/social-mobility-2018>

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OECD POLICY BRIEF ON THE FUTURE OF WORK The Future of Social Protection: What works for non-standard workers?

May 2018

Key facts about the future of social protection in OECD countries

- Non-standard work is a rapid phenomenon that is on the rise in many OECD countries. It is expected to increase further as the OECD on average, and a further rise in self-employment. This is especially true for women and older workers, who will need access to growing equity.
- Some countries have started to introduce schemes to help non-standard workers. For example, the Netherlands has introduced a new scheme to support self-employed workers with the right to participate in the national pension scheme.
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OECD

OECD POLICY BRIEF ON THE FUTURE OF WORK Putting faces to the jobs at risk of automation

March 2018

Key facts about the risk of job automation in OECD countries

- About 14% of jobs in OECD countries are highly automatable, meaning that they are at high risk of being automated.
- Automation mostly affects the manufacturing industry and administrative jobs, but also affects a wide range of jobs in high-automatable sectors.
- For the labor market, the impact of automation will be mixed. Some jobs will be lost, but new jobs will be created. The net effect will depend on the extent of automation, the skills of the workforce, and the ability of the economy to create new jobs.

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OECD Employment Outlook 2015

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Thank you for your attention

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POLICY BRIEF ON THE FUTURE OF WORK

The Future of Social Protection: What works for non-standard workers?

July 2015

www.oecd.org/employment/future-of-work

Key facts about the future of social protection in OECD countries

- Non-standard work is not a marginal phenomenon: one in six workers is self-employed across the OECD on average, and a further one in eight in advanced economies. It is a feature of national labour markets, which also need to be addressed in policy responses to growing inequality.
- Global protection of non-standard workers is often lacking, especially for the self-employed. Policy makers should: who should be liable for their employer? What should be covered? And how can the situation be improved?
- Universal social security is a goal. Social security should be extended to all workers, including those in the gig economy and those in temporary employment.

POLICY BRIEF ON THE FUTURE OF WORK

Putting faces to the jobs at risk of automation

March 2016

www.oecd.org/employment/future-of-work

Key facts about the risk of job automation in OECD countries

- About 14% of jobs in OECD countries are highly automatable. Another 25% of jobs could face substantial change in how they are carried out.
- Automation mostly affects the manufacturing industry and agriculture. In some service sector jobs are highly automatable too.
- Entering the labour market now because most difficult to avoid people as student skills and experience positions have a higher risk of automation than jobs held by older workers.
- The higher risk is concentrated in routine jobs with low skill requirements and often low wages. Will the lower risk apply to a broader range of occupations, professionals to social workers?
- Training is not working to offset these risks as specific training is significantly lower for workers in the high-risk of automation than for other workers.
- These estimates are subject to considerable uncertainty. Moreover, not all the skills are becoming obsolete as new technologies are developed. Other jobs will also be created and so employment in total may continue to rise.

The tasks that AI and robots cannot do are shrinking rapidly

New technologies such as robotics and artificial intelligence are rapidly changing people's jobs and lives. They have the potential to free up workers to do more productive, less routine tasks and to provide consumers with more and better products and services. However, technology will likely change many of the existing jobs, requiring workers and companies to adjust. Some jobs may become entirely redundant although the extent of automation will likely depend on policy, institutions and social preferences.

There has been considerable public debate about the extent of job destruction and whether automation and digitisation are leading to more technological unemployment, to which many jobs will be done by computers and robots. This is fuelled by the perception that technological change is faster paced and broader based than in the past, making many more jobs automatable than previously thought. While only 10 years ago computers performed poorly in more routine cognitive and manual tasks (Autor et al., 2003), cutting-edge technologies now open the possibility for tasks as diverse as medical diagnosis, insurance underwriting and driving to be automated.

What are emerging bottlenecks?

The seminal work by Fey and Osborne (2012) identified three sets of tasks which currently cannot be easily automated, as their production is challenging. These have become known as 'linguistic', 'creative' and 'social' tasks. These are particularly relevant in particular where they are performed in non-routine, complex situations such as operating a craneship work space.

- 1) Tasks related to perception and manipulation, such as coming up with original ideas.
- 2) Tasks related to creative intelligence, such as coming up with original ideas.
- 3) Tasks related to social intelligence, such as understanding other people's reactions to social contexts, negotiating and coping with others.

The Pursuit of Gender Equality AN UPHILL BATTLE

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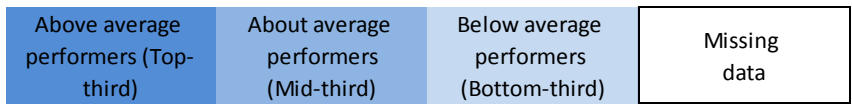
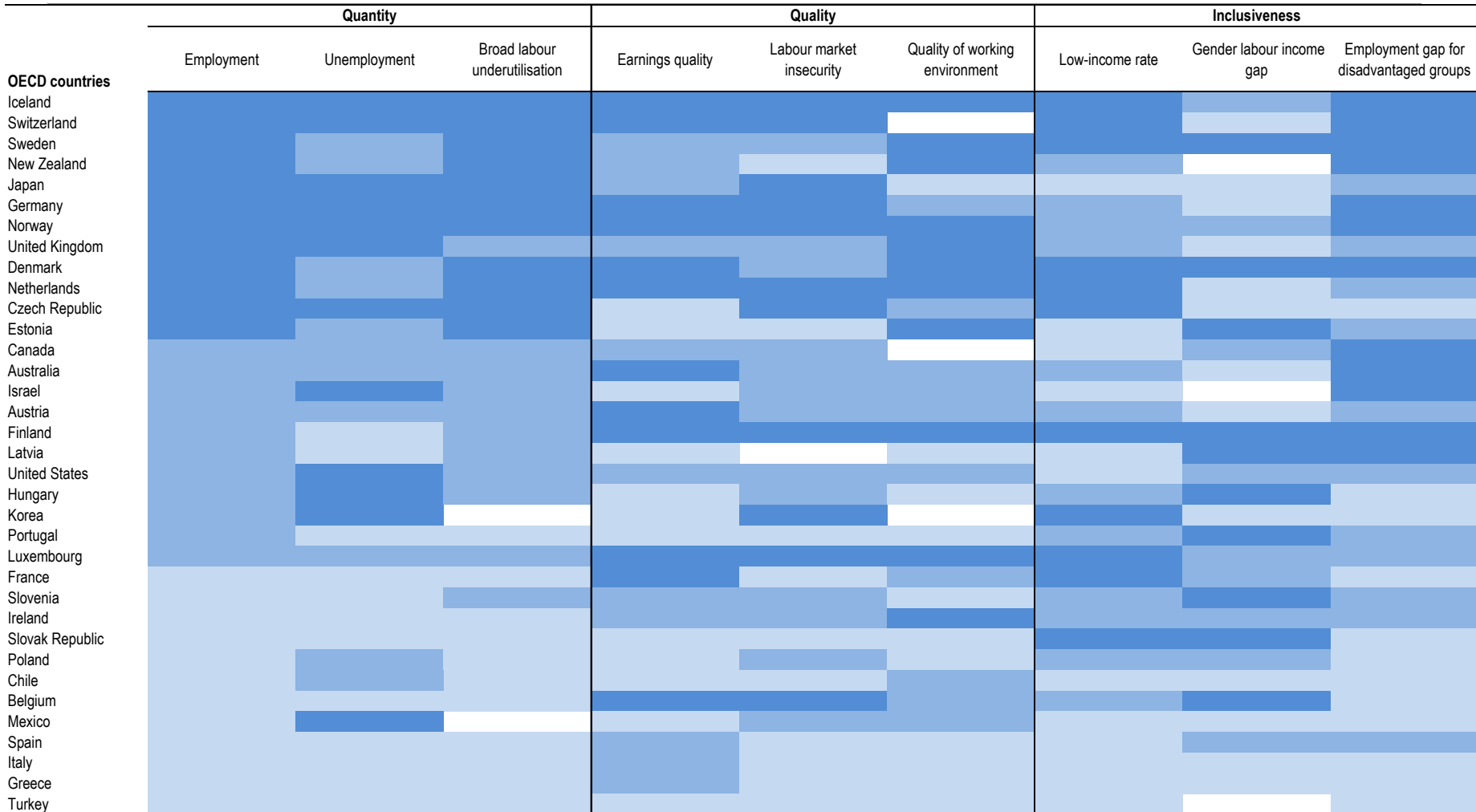
INCLUSIVE GROWTH

OECD

COPE Centre for Opportunity and Equality



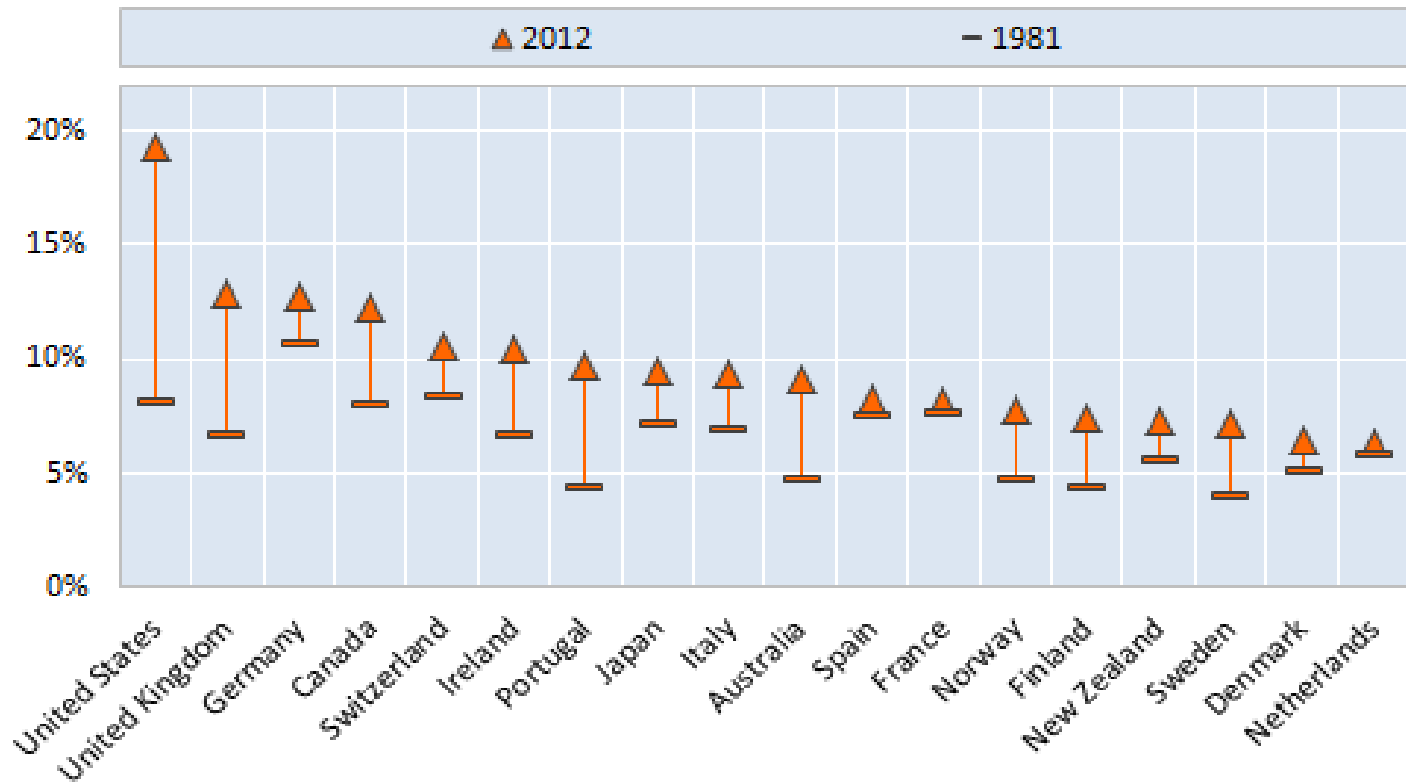
No trade-off between quantity, quality and inclusiveness





At the upper end of the distribution, the shares of very high incomes surged in many countries

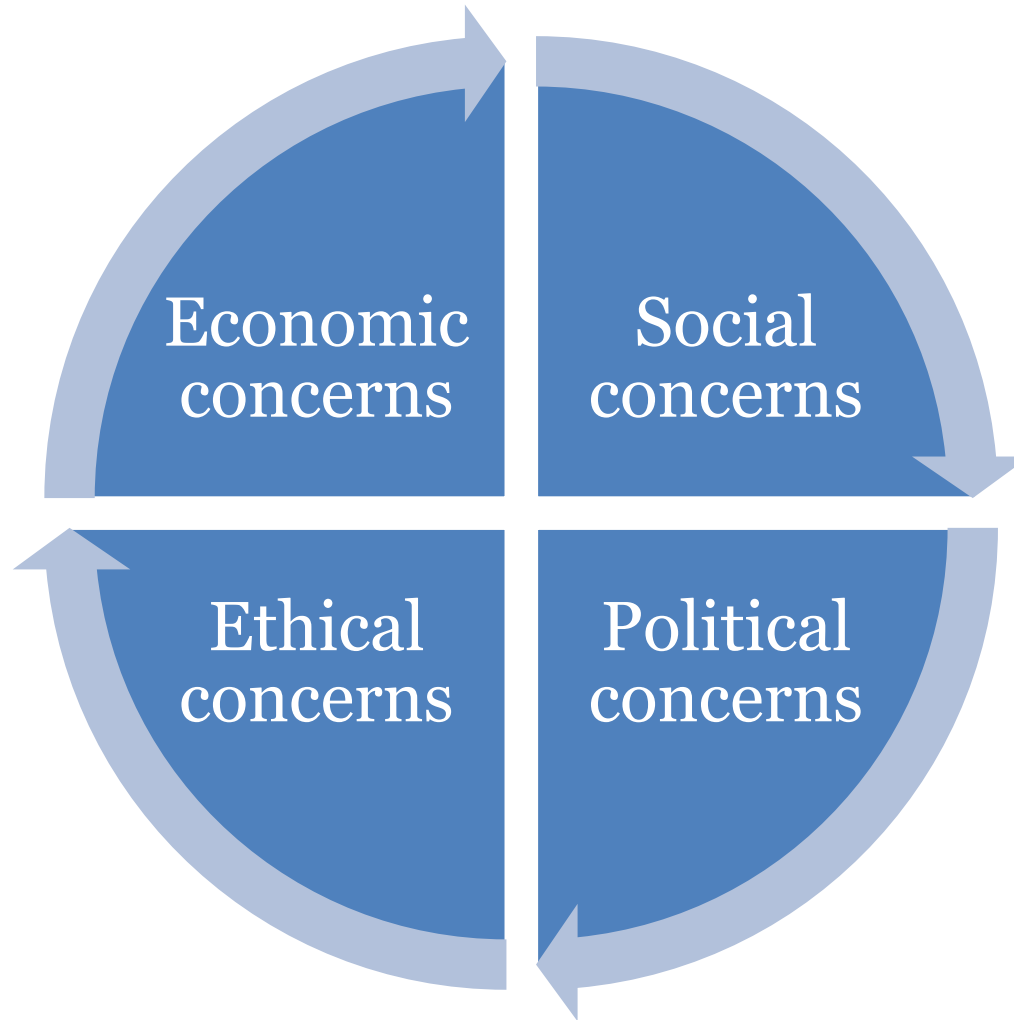
Shares of top 1% incomes in total *pre-tax* income, 1980 – 2012 (or closest)



Source: OECD 2014, *Focus on Top Incomes and Taxation in OECD Countries: Was the Crisis a Game Changer?* (<http://www.oecd.org/els/soc/OECD2014-FocusOnTopIncomes.pdf>), Based on World Top Income Database. Note: Incomes refer to pre-tax incomes, excluding capital gains, except Germany (which includes capital gains). Latest year refers to 2012 for the Netherlands, Sweden and the United States; 2011 for Norway and the United Kingdom; 2009 for Finland, France, Italy and Switzerland; 2007 for Germany; 2005 for Portugal; and 2010 for the remaining countries.



The consequences of high inequality: why do we care?





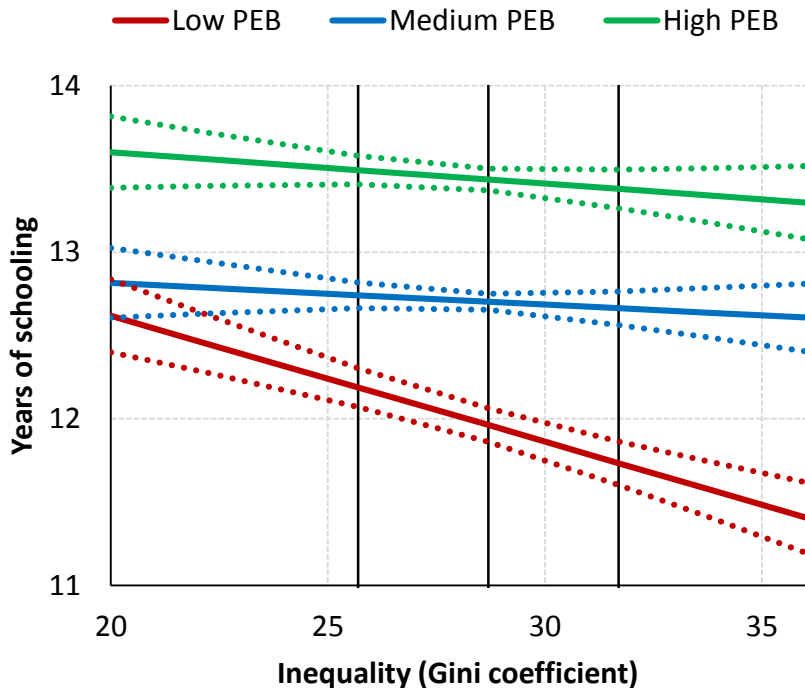
(How) does inequality affect growth: main findings from the OECD study

1. Higher income inequality **lowers** subsequent economic growth in the long-term
 - Increasing income inequality by **1 Gini point** lowers the growth rate of GDP per capita by **~0.12 %-points per year**
2. This is **driven** by disparities at the lower end of the distribution, incl. lower middle classes, not just the poor
3. **Redistribution** through taxes and transfers does *not* necessarily lead to bad growth outcomes
4. Prominent **mechanism**: high inequality hinders skills investment by the lower middle class and harms education outcomes, in terms of quantity and quality

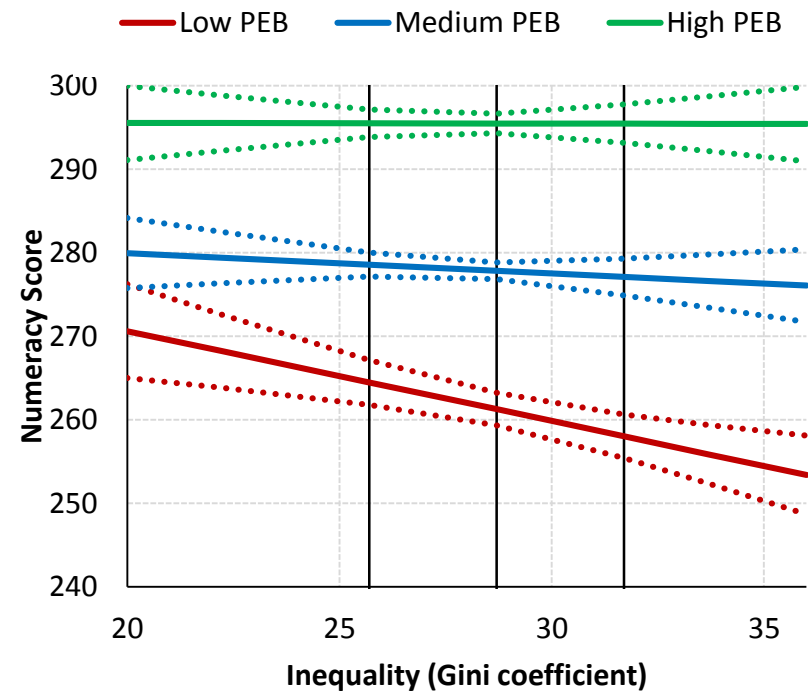


Higher inequality hinders skills investment by the lower middle class

Average years of schooling by parental educational background (PEB) and inequality



Average numeracy score by parental educational background (PEB) and inequality



Source: OECD (2015),
"In It Together"

Increasing inequality by ~5-6 Gini pts. (the current differential between Chile and the US) is associated with less average schooling of low PEB individuals by ~half a year

Note: Low PEB: neither parent has attained upper secondary education; Medium PEB: at least one parent has attained secondary and post-secondary, non-tertiary education; High PEB: at least one parent has attained tertiary education. The bars indicate 95% confidence intervals.



The main drivers of rising inequalities



Direct drivers

- **Changes in employment** patterns and working conditions
- Weaker **redistribution** via the tax/benefit system



Indirect effects

- Skill-biased **technological change**
- **Globalisation** (trade, FDI)

Institutional effects

- Changes in product and labour market **regulations** and **institutions**



Lesser culprit

- Changing **demography** and family structures



Off-setting factors

- Increase in **education**
- **Female** labour market participation





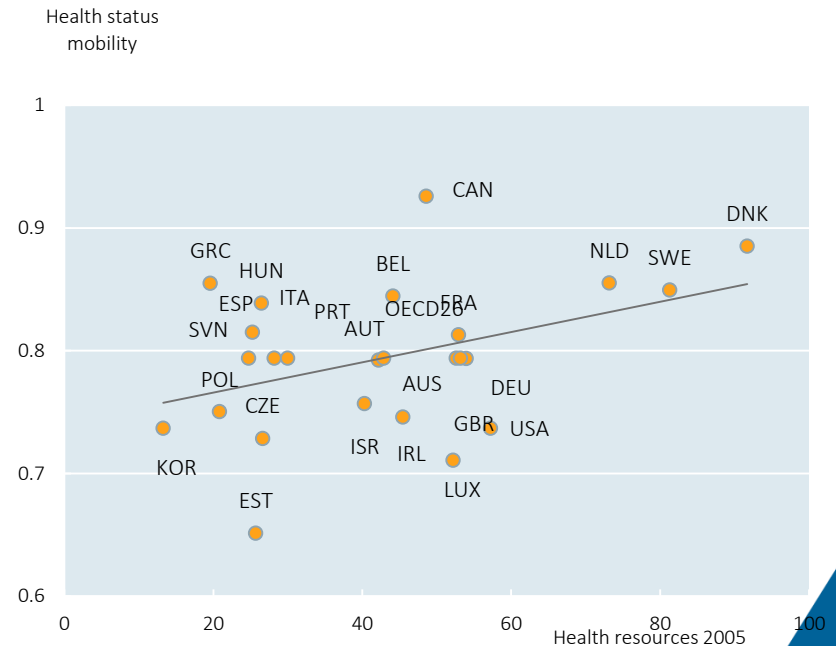
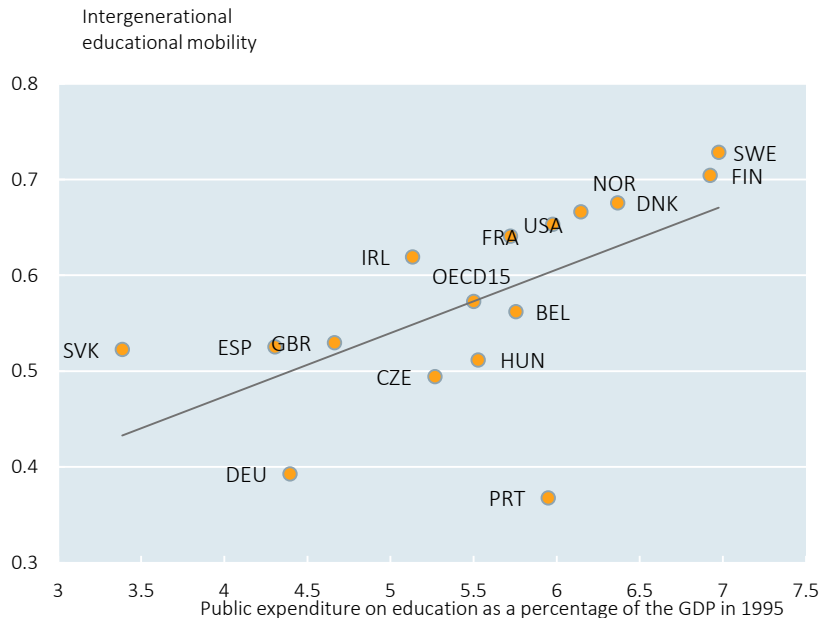
There is room for policies to make societies more mobile



Countries which in the past spent more on public education tend to have higher educational mobility



Countries which devoted more resources to health tend to feature higher health mobility



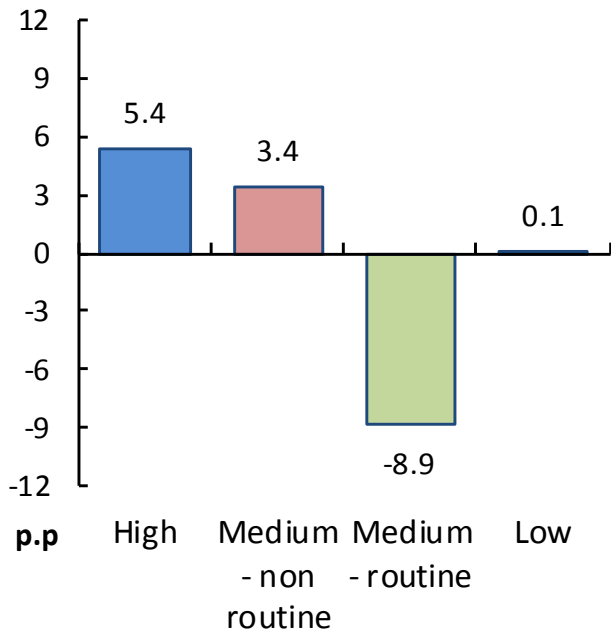


Widespread labour market polarisation

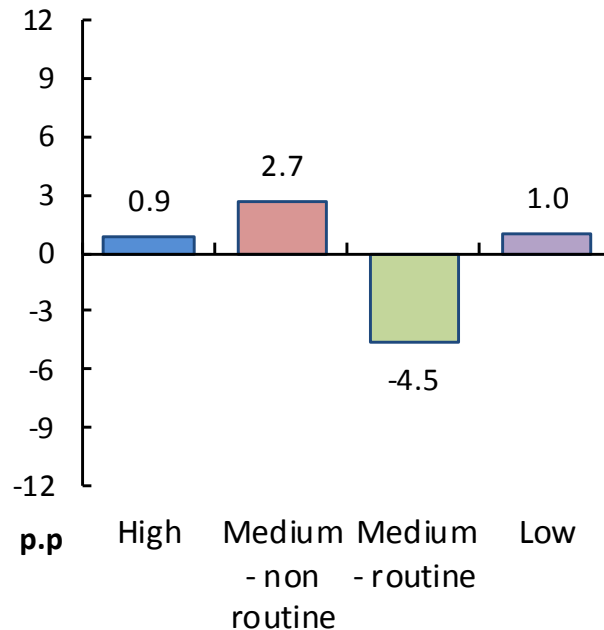
Job polarisation in major OECD economies, 2002-14

Percentage points changes in employment shares by occupation

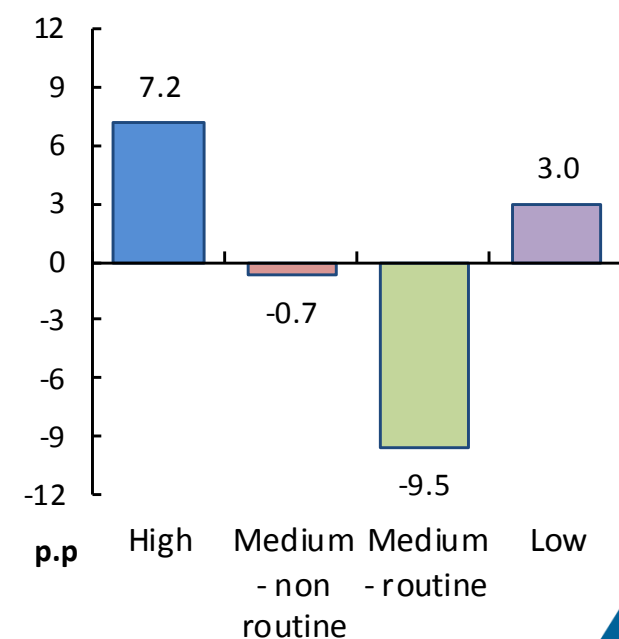
European Union



Japan



United States



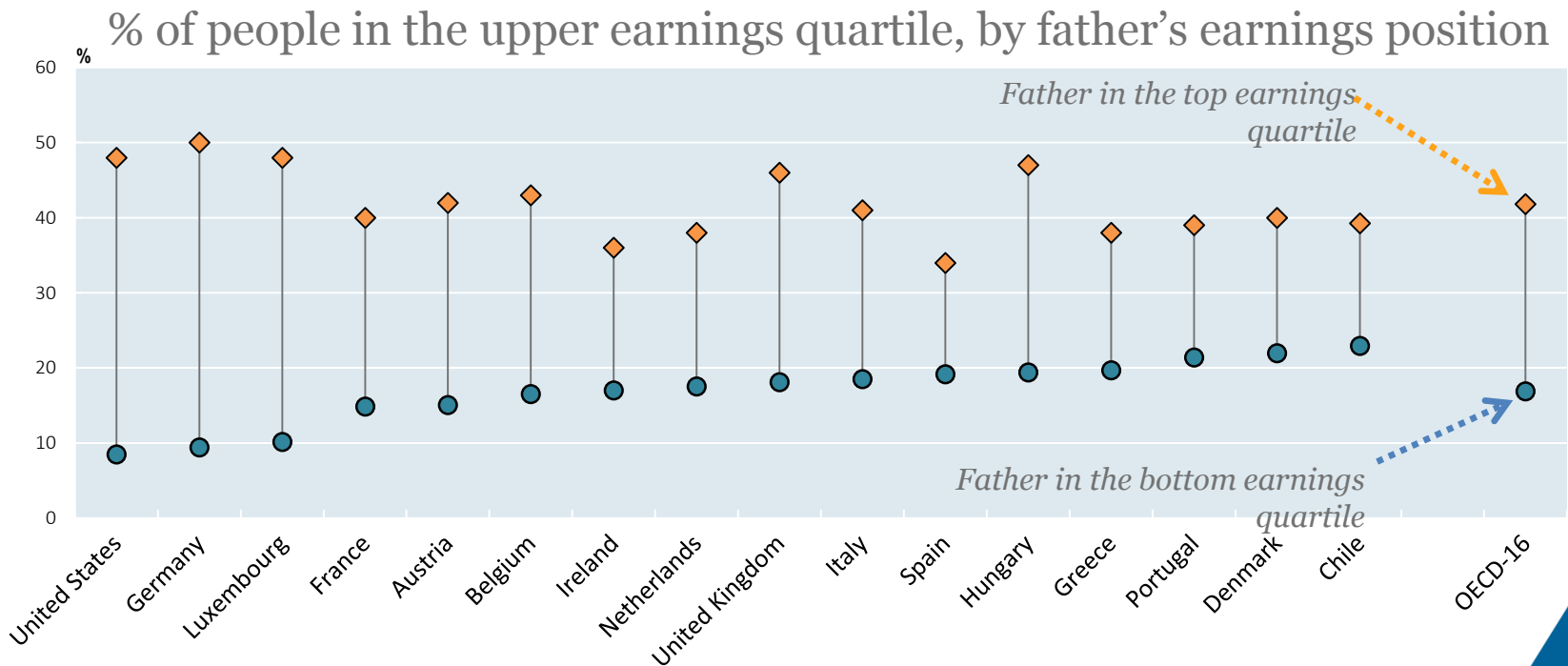
Source: OECD estimates based on EU-LFS, Japanese Labour Force Survey, BLS Current Population Survey.



Sticky floors at the bottom, Sticky ceilings at the top



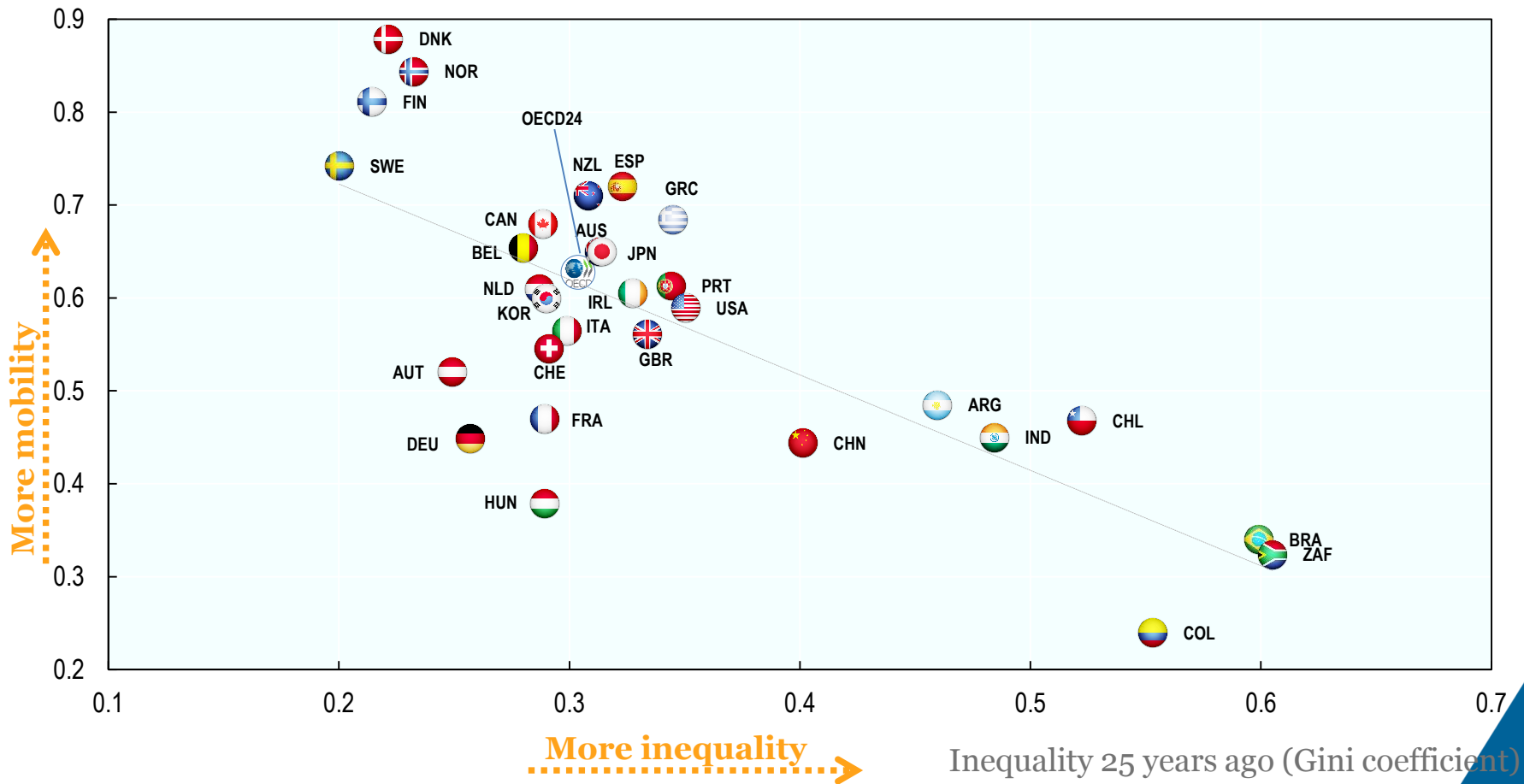
Children from disadvantaged background struggle a lot to move up the ladder





More inequality does *not* mean more social mobility

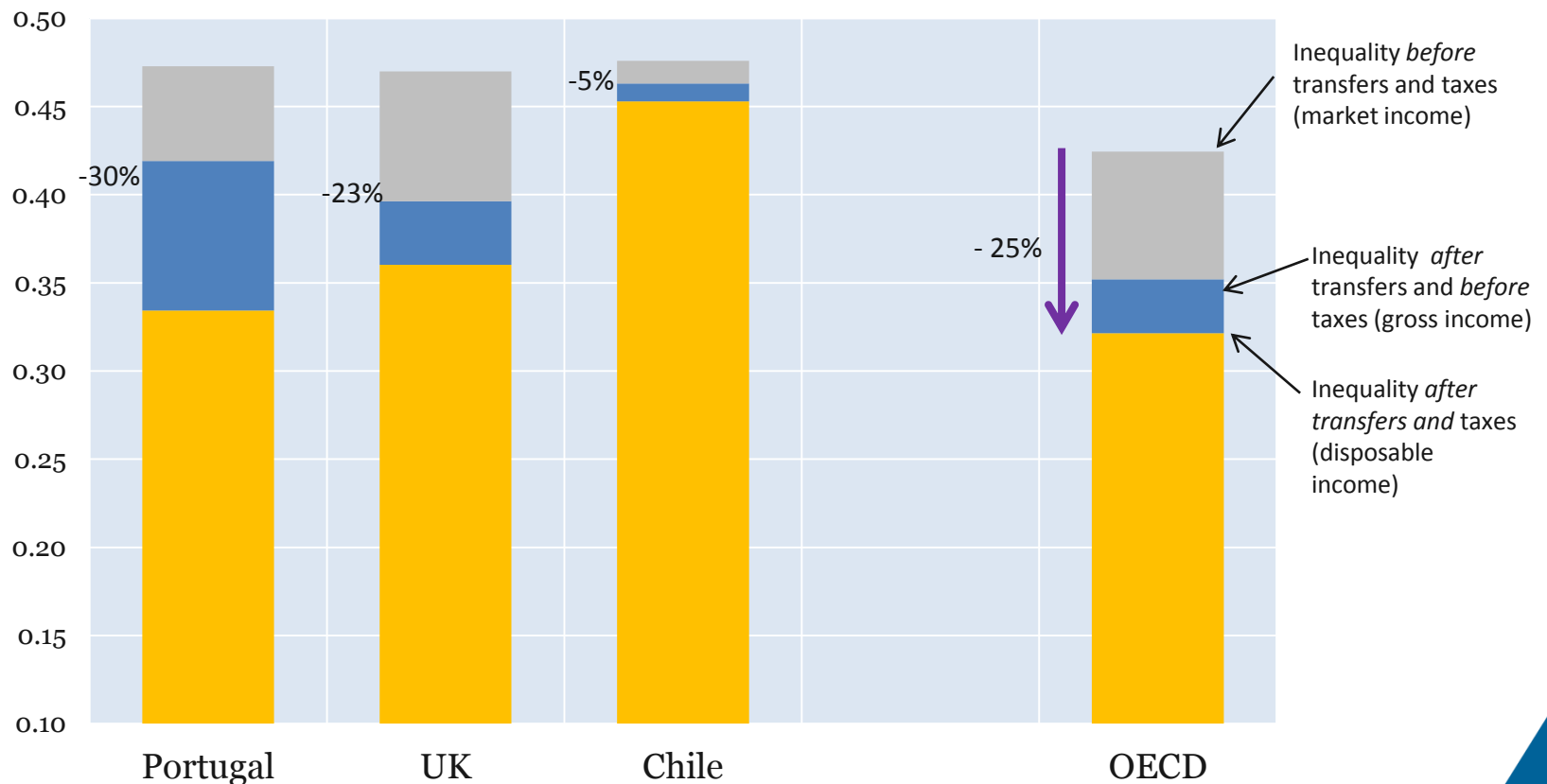
Earnings mobility across generations today





Redistribution through income taxes and cash benefits plays an important role in OECD countries

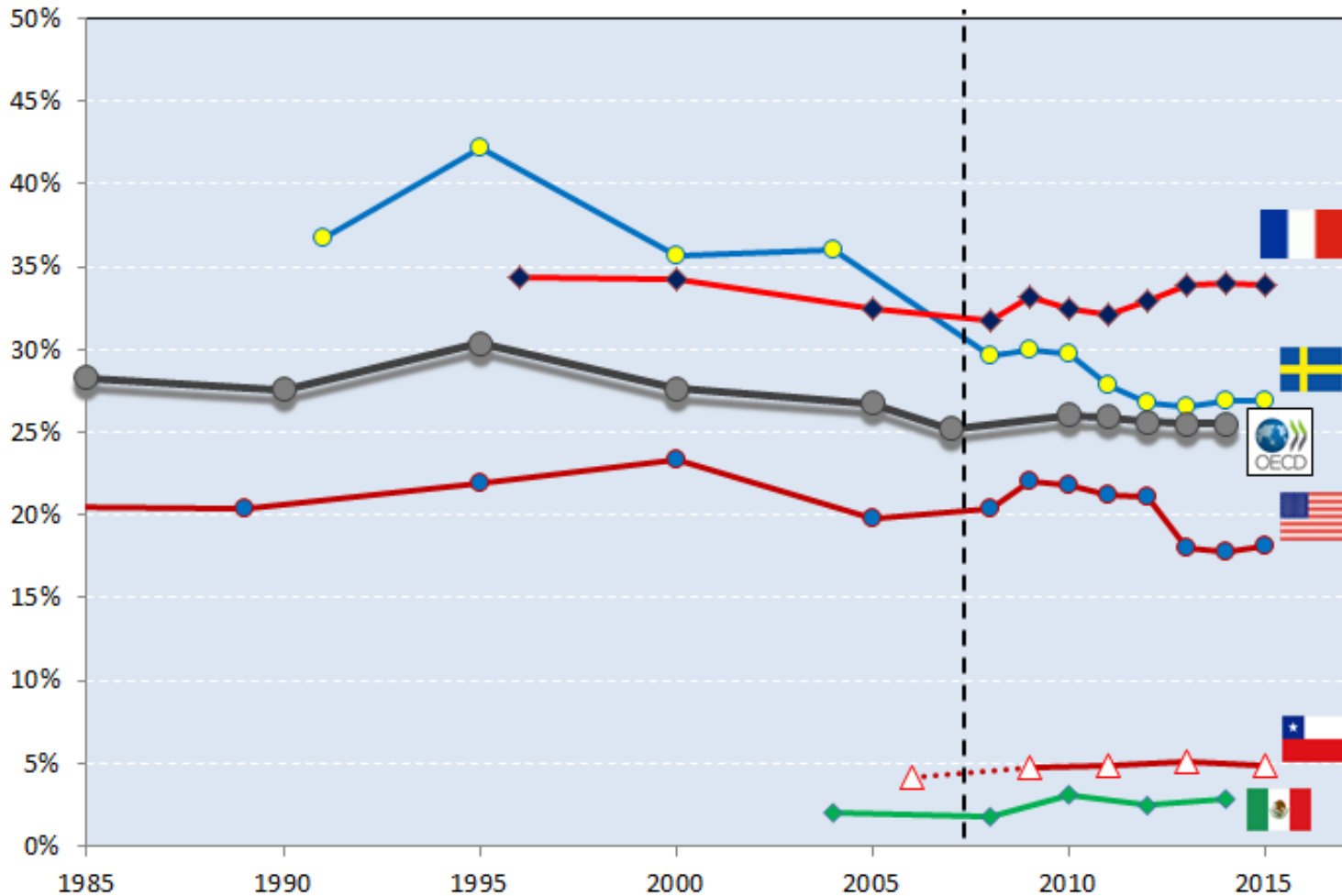
Gini coefficient of disposable and market income: impact of taxes and transfers, working-age population, 2015





Redistribution became weaker in most OECD countries until the crisis

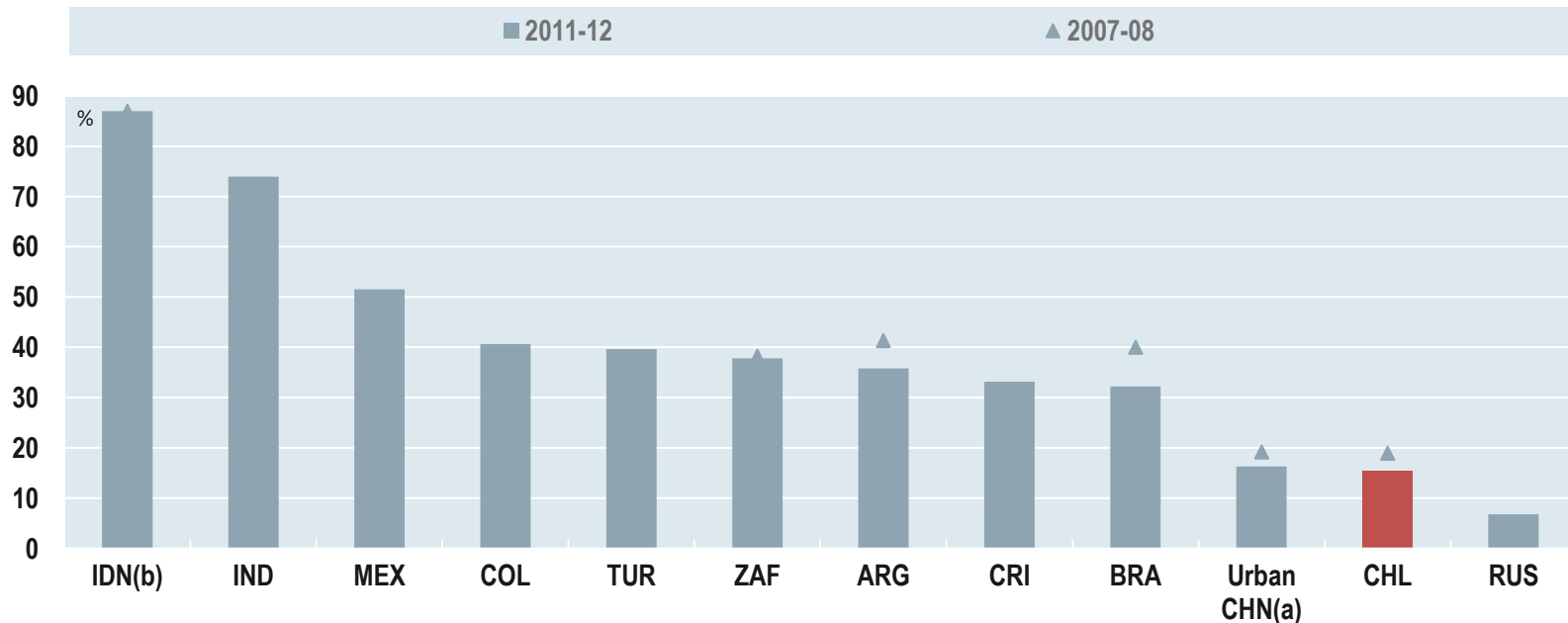
Trends in market income inequality **reduction**, working-age population





Informal work in low- and middle-income countries

Incidence of informality in selected low- and middle-income countries



Note: Informality is defined to include: i) employees who do not pay social contribution, except for Colombia where contract status is used; and ii) self-employed who do not pay social contributions (Brazil, Chile, China, India, Indonesia, Turkey) or whose business is not registered (Argentina, Colombia, Costa Rica, Mexico, South Africa).. a) The figures for China are for 2008 and 2009. b) All figures for Indonesia are for 2007.

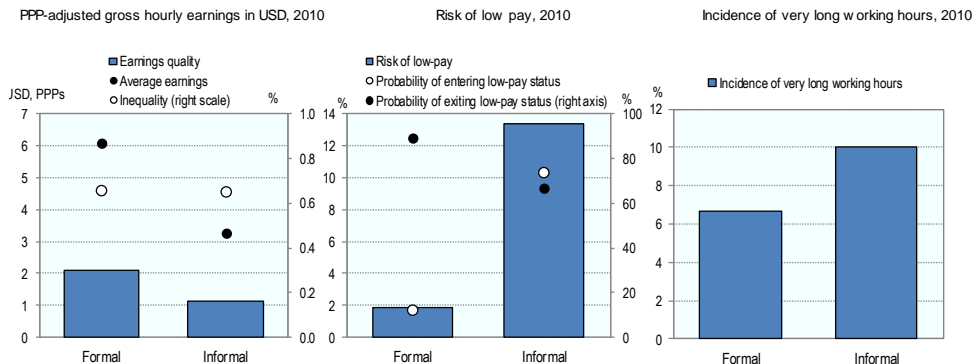
Source: OECD calculations based on national household and labour force surveys (EPH: Argentina, PNAD: Brazil, CASEN: Chile, UHS: China, GEIH: Colombia, ENHAO: Costa Rica, NSS: India, SAKERNAS: Indonesia, ENIGH: Mexico, NIDS: South Africa), the EU-SILC national files (Turkey) and the European Social Survey (Russia).. See OECD Employment Outlook 2015, Chapter 5.



Emerging Economies: same framework, but specific challenges

- In emerging economies,
 - Social protection is weaker,
 - Informality is higher
 - In-work poverty is higher

Job quality among formal and informal workers in emerging economies



Source: Chapter 5, OECD Employment Outlook 2015

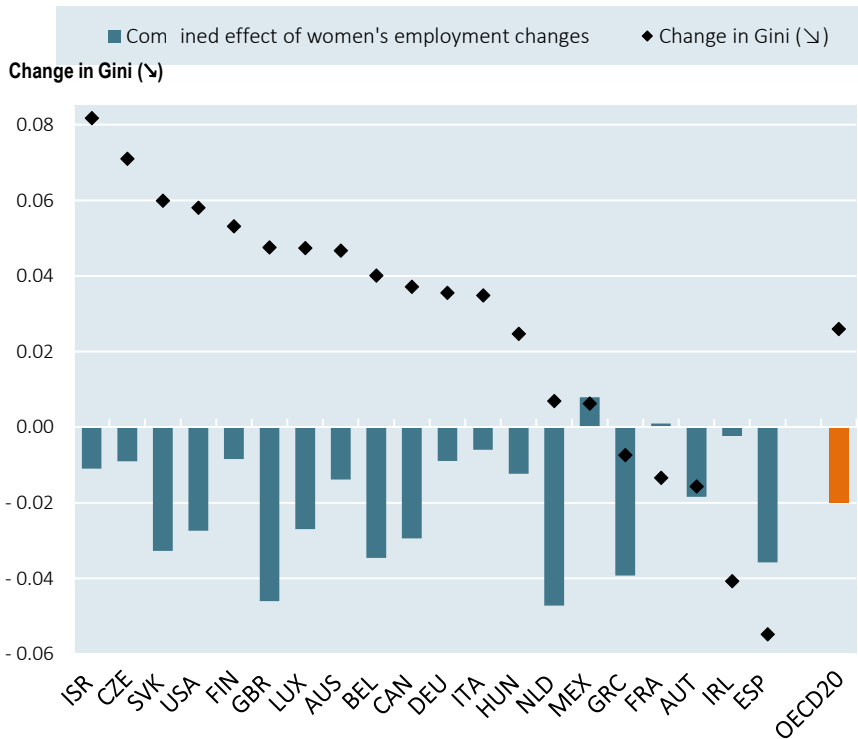
Policy responses:

- More effective social protection systems and labour laws
- Strengthen academic and vocational training
- Careful design of ALMPs
- Increasing the benefits of formality



Women's employment and earnings can put a brake on increasing inequality

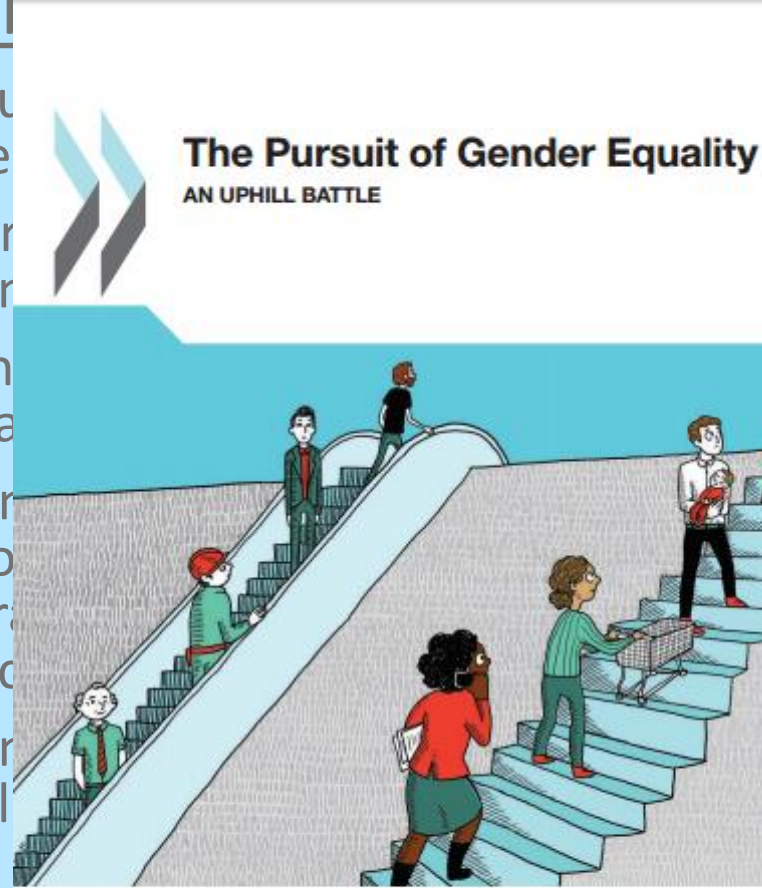
- Women's labour market participation contributed to decrease inequality mid-1990s to 2007 or latest



Source: OECD, In It Together, 2015

Policy responses

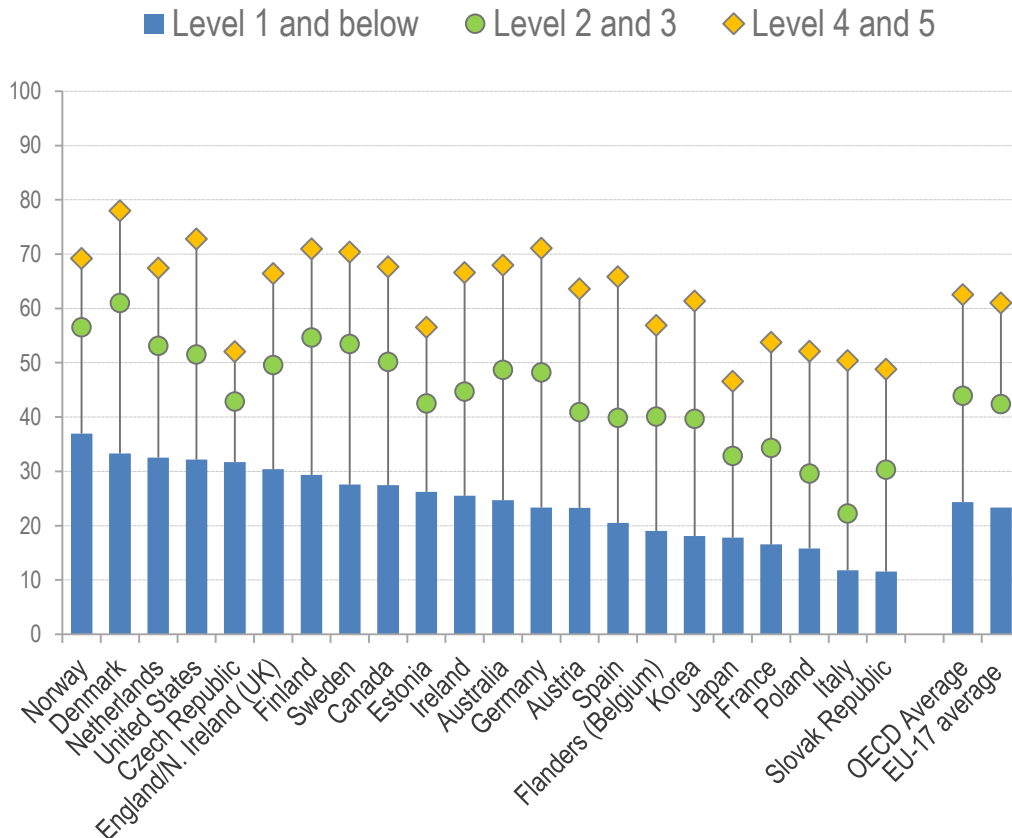
- Support...
- Promote...
- Increase...
- Encourage...
- Eradicate...





Job-related training – most in need get the least

Percent of workforce in job-related education and training by level of proficiency in literacy



Source: OECD (2013), OECD Skills Outlook 2013: First Results from the Survey of Adult Skills , OECD Publishing.

Policy responses

- Provide workers with opportunities to develop, maintain and upgrade their skills
- Increase the benefits of adult learning
- Help individuals to overcome financial situations
- Offer good vocational education and guidance