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OUTLINE

World Labor Market Situation & Trends
Labor Market Policies Around the World
Concluding Thoughts
### World Labor Market Situation

Sample indicators/rates (2011 prelim.), selected areas, for adults (ILO, 2012); far worse for youth:

<table>
<thead>
<tr>
<th>Area</th>
<th>U Rate</th>
<th>E/P Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dev. Econs &amp; EU</td>
<td>7.2%</td>
<td>55.2%</td>
</tr>
<tr>
<td>Cen. &amp; SE Europe</td>
<td>7.2%</td>
<td>54.3%</td>
</tr>
<tr>
<td>East Asia</td>
<td>3.2%</td>
<td>70.2%</td>
</tr>
<tr>
<td>SE Asia &amp; Pacific</td>
<td>2.7%</td>
<td>66.8%</td>
</tr>
<tr>
<td>South Asia</td>
<td>2.3%</td>
<td>54.9%</td>
</tr>
<tr>
<td>Latin Am &amp; Carib.</td>
<td>5.7%</td>
<td>61.5%</td>
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<tr>
<td>Middle East</td>
<td>6.6%</td>
<td>42.9%</td>
</tr>
<tr>
<td>North Africa</td>
<td>7.0%</td>
<td>43.6%</td>
</tr>
<tr>
<td>SubSahar. Africa</td>
<td>6.5%</td>
<td>64.5%</td>
</tr>
</tbody>
</table>
UNEMPLOYMENT RATES

Seasonally Adj. (U.S. basis), July 2010 to December 2011
UNEMPLOYMENT RATES …

Seasonally Adj., 10 EU Countries, July 2010 to December 2011
GLOBAL LABOR MARKET CRISIS

ILO (Global Employment Trends 2012) —
• 600 million more productive jobs needed by 2022
• Global job growth showing little improvement
• Youth particularly hard hit
• Falling LFPRs mask much larger problem of unemployment and underemployment
• E/P ratio showing sharpest decline ever
• Growing labor productivity gap between developed/developing nations (outside Asia)
• Progress on poverty but rising numbers now are working poor
Per ILO, three-stage crisis possible:

1. Initially, coordinated fiscal & monetary policy responses globally led to GDP and employment growth and falling unemployment.

2. Then, growing deficits & debt induced an austerity emphasis to bolster capital markets, leading to reduced GDP and employment growth.

3. Risk of further tightening that may further reduce GDP and employment growth and lead to higher unemployment.

Policy ‘space’ severely constrained by lack of resources. Little added stimulus expected.

- 1840s to 1890s **Mercantilist/craft Economy**
- 1890s to 1940s **Factory-based Industrial Economy**
- 1940s to 1970s **Corporate, Mass-production Economy**
- 1970s to 1994 **Turbulent Transition**, leading to …

And, since 1994, the **Entrepreneurial, Knowledge-based Economy**
## Old & New Economies Compared

<table>
<thead>
<tr>
<th>Issue</th>
<th>Mass Production Economy</th>
<th>Entrepreneurial, Knowledge Economy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economy-wide Traits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Markets</td>
<td>Stable</td>
<td>Dynamic</td>
</tr>
<tr>
<td>Competition Scope</td>
<td>National</td>
<td>Global</td>
</tr>
<tr>
<td>Organization Form</td>
<td>Hierarchical</td>
<td>Neworked</td>
</tr>
<tr>
<td>Production System</td>
<td>Mass</td>
<td>Flexible</td>
</tr>
<tr>
<td>Key Production Factor</td>
<td>Capital, Labor</td>
<td>Innovation, Knowledge</td>
</tr>
<tr>
<td>Key Technology Driver</td>
<td>Mechanization</td>
<td>Digitization</td>
</tr>
<tr>
<td>Competitive Advantage</td>
<td>Economies of scale</td>
<td>Innovation/quality</td>
</tr>
<tr>
<td>Importance of Research</td>
<td>Moderate</td>
<td>High</td>
</tr>
<tr>
<td>Firm Relations</td>
<td>Go it alone</td>
<td>Collaborative</td>
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<tr>
<td><strong>Workforce</strong></td>
<td></td>
<td></td>
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<tr>
<td>Policy Goal</td>
<td>Full employment</td>
<td>High incomes</td>
</tr>
<tr>
<td>Skills</td>
<td>Job-specific</td>
<td>Broad, sustained</td>
</tr>
<tr>
<td>Nature of employment</td>
<td>Stable</td>
<td>Dynamic</td>
</tr>
<tr>
<td><strong>Government</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business/govt. relations</td>
<td>Impose requirements</td>
<td>Assist firm growth</td>
</tr>
<tr>
<td>Regulation</td>
<td>Command &amp; control</td>
<td>Market tools/flexibility</td>
</tr>
</tbody>
</table>

Source: Atkinson, 2005.
TEN WORLD FLATTENING FORCES

Structural transformation underway globally (Friedman, 2005).

1. 11/9/89 (Berlin Wall)
2. 8/9/95 (Netscape)
3. Work Flow Software
4. Open-sourcing
5. Out-sourcing
6. Off-shoring
7. Supply-chaining
8. In-sourcing
9. In-forming
10. THE STEROIDS
FLATTENING FORCES ...

Triple Convergence post-2000:

✓ Creates a global playing field for collaboration
✓ Demands new business organizational forms and practices — horizontal v. vertical — and new employee skills to take full advantage
✓ Doubles the global workforce with new stay-at-home, ‘plug-and-play’ workers — some 1.5 billion new workers from China, India and the former Soviet Union
CHANGED WORK & WORKPLACE

Work no longer:

– Highly structured
– Repetitive
– Hierarchical
– Place-based

Work now more:

– Flexible
– Fluid
– Task-centered
– Mobile

Per Levy and Murnane (2004), new and different skills are required.
Changing Work Organization

Fewer entry ‘ports.’ Fewer, flatter career ladders.
Advancing in Labor Markets

Old view:
Career Ladders
Advancing ...

New metaphors:

*Career lattices*

*Climbing walls*
End of the Social Contract

Economists (e.g., Cappelli, Kochan, Osterman) suggest there is a “new deal at work” replacing the social contract:

- **Short-term**, not lifetime, commitment
- **Focus on the work** (tasks), not the job
- **Stress on quality and trust**
- **Individual**, not shared, **responsibility** for career progress
- **Stress on workers’ values being consistent with firm’s**

Effects of “new deal” on labor markets and on workers often quite unpleasant.
Active labor market policies (ALMPs) seek to expand employment, facilitate adjustments to technological or economic changes, and reduce poverty and inequality primarily through:

- Job matching and job search assistance
- Enhancing the labor supply (e.g., training)
- Reducing labor supply through early retirement
- Increasing labor demand
- Changing the structure of labor demand
Passive labor market policies (PLMPs) seek to ease the pain of labor market adjustments and assist workers and job losers primarily through:

- Extending or expanding unemployment insurance (UI) benefits
- Subsidizing early retirement
- Subsidizing health benefits

Nations vary widely in LMP approaches. ALMP/PLMP mix tends to be a function of degree of market orientation, culture, institutional traditions and other factors.
Primary LMP Models

European model, *mediating, public interest-driven labor market management style*.

• Objective to reduce labor market rigidities, better supply-demand matching

• Market laws & unemployment accepted as temporary conditions

• Government intervention limited to support for unemployed, training and job placement

• Unemployment support generous to provide adequate income maintenance.

• Governments directly support enterprises temporarily.

Source: Abrahart & Verne (2001)
American model as *liberal, market-driven labor market management system*, focused more on demand side, largely limiting government intervention.

- Objective is maximizing labor’s contribution to growth
- Employers free to shed labor in downturns
- Govt maximizes labor mobility, minimizes market rigidities
- Unemployed supported but expected to actively seek work
- Dynamic, individualistic approach calls for unique parallel court system to solve labor disputes

Growth reaches all (“rising tide lifts all boats”) and short-term investments ➔ long-term results
Japanese model enterprise-centered, industry-driven form of labour market management relying on full-employment as value to be preserved in stable society.

- Labor market imbalances seen as problem at company not market level
- Companies hierarchical, protect own workers in return for employee loyalty (version of ‘social contract’)
- Low labor conflict: workers protected first by company, then by govt
- Emphasis on internal over external markets

Note: collectivist not individualistic culture
LMP Trends in US

• Until and since Great Recession, support and funding for LMPs steadily declining in US
• Shift toward low-intensity job search assistance (JSA), away from long-term skill development and direct job creation
• Greater emphasis on connecting economic and workforce development
• Shift from traditional workforce providers more to relying on community colleges
• Rise of workforce intermediaries—brokers between employers, providers, workers
LMP Trends in US ...

- Increasing use of “conditionality” — US version of “activation” — in UI and cash welfare programs: must engage in certain activities in order to receive benefits
- Growing use of worker “profiling” to determine appropriate service strategy/mix
- Broader, enhanced service array available for trade-affected and dislocated workers than less-advantaged workers
- Sharply reduced emphasis on serving youth
In Developing Countries

Active LMPs —

• Increasingly implemented with longer-term focus on job creation, public works, and related strategies

• Emphasis more on job training, entrepreneurship, micro-enterprise development in recent decades

• Targeting youth and the informal economy

Data limitations are a serious limiting factor.
ALMP Expenditures as % of GDP, 1997

- Peru
- Mexico
- Jamaica
- Costa Rica
- Chile
- Brazil
- Argentina

[Chart showing ALMP expenditures as % of GDP for different countries in 1997. The chart includes bars for Employment and Training.]
LMPs emphasize —

- Public Employment Services (for job search, job placement): lack unemployment services, typically understaffed and untrained
- Training: decentralized, women benefit but tend to be underserved
- Public Works: poverty alleviation
- Few employment subsidies
- Self-employment: micro enterprises, credit
In African Countries

LMPs stress —

• Training: becoming more popular, but curricula often outdated
• Public Works emphasized: focus often on addressing natural disasters, emergencies
• Self Employment: through NGOs, government
• Subsidies scarce
Expenditures on Public Works as % of GDP, N. Africa & Middle East, 1995

- Algeria: 0.6
- Tunisia: 0.4
- Yemen: 0.2
- Morocco: 0.3
- Egypt: 0.3
In Transition Countries

LMPs have —

- Greater, though widely varying, focus on PES, job training and public works
- Less emphasis on self-employment and micro-enterprise development

LMPs limited by —

- Scarce financial resources
- Administrative capacity
- Widespread poverty and unemployment
LMP Expenditures as % of GDP in Selected Transition Countries, 2005

[Bar chart showing ALMP and PLMP expenditures as % of GDP for various countries: Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia.]

- ALMP
- PLMP
In Asian Countries

Most common LMP strategies —

• Public works

• Job training

• Self-employment and micro-enterprise development, with particular success for rural women

LMPs limited by —

• Large informal sector

• Lack of unemployment insurance systems and employment protections

• Administrative capacity

• Widespread poverty and unemployment
OECD Jobs Strategy, 1994

1. Set macroecon. policy to encourage sustainable growth
2. Creation, diffusion of technological know-how
3. Increase flexibility of working-time
4. Entrepreneurial climate to create, expand enterprises
5. Flexible wage and labour costs
6. Reform employment security provisions inhibiting private sector job expansion
7. Strengthen emphasis on effective ALMPs
8. Improve labour force skills and competences through E&T system reforms
9. Reform UI and related benefit systems
10. Enhance product market competition
Unemployment Fell with Jobs Strategy
But ALMP Spending as % of GDP Dropped

OECD average is 0.80. U.S. spent 0.15.
Most ~ Netherland (1.57) and Denmark (1.54)
Least ~ Mexico (.04) and Czech Republic
Total LMP Spending as % of GDP, 2005
OECD Restated Jobs Strategy, 2006

1994 Jobs Strategy mainly focused on reducing high, persistent unemployment; no single strategy emerged as most successful.

Four “pillars” in 2006 Restated Jobs Strategy —

1. Set appropriate macroeconomic policies
2. Remove impediments to labour force participation and job search
3. Tackle labour and product market obstacles to labour demand
4. Facilitate development of labour force skills and competencies
LMP Trends in OECD Countries

- One-stop Centers for labor market services
- “Work-first” (low-intensity) approaches
- “Activation” strategies requiring participation in job search and related programs before 12 months of UI/welfare benefit receipt, esp. in EU, US, Japan
- Paid time-off for participation in training/education in many EU countries
- Selectivity of training a problem in many OECD countries, particularly US, Japan & others
U.S. employment relative to peak in postwar recessions & recoveries

US Provides Relatively Little Help to Job Losers

Annual spending as a percentage of GDP, 2007

- United States
- OECD average
- OECD Maximum

<table>
<thead>
<tr>
<th>%</th>
<th>Re-employment assistance</th>
<th>Unemployment insurance and related benefits</th>
</tr>
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<tbody>
<tr>
<td>0.0</td>
<td></td>
<td></td>
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<tr>
<td>0.5</td>
<td></td>
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<tr>
<td>1.0</td>
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<td>1.5</td>
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<tr>
<td>2.0</td>
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<tr>
<td>2.5</td>
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Sharing the fruits of productivity gains with labor simply hasn’t been happening in the U.S. in recent decades ...

Pre-tax Corporate Profits Change as Share of Total Profits and Wage Change, Past Five US Recessions

<table>
<thead>
<tr>
<th>Year Range</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>2007–2009</td>
<td>85%</td>
</tr>
<tr>
<td>2001</td>
<td>54%</td>
</tr>
<tr>
<td>1990–1991</td>
<td>0%</td>
</tr>
<tr>
<td>1981–1982</td>
<td>10%</td>
</tr>
<tr>
<td>1980</td>
<td>9%</td>
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</table>

CONCLUDING THOUGHTS

Nations all in this together, more than ever before. No nation, acting alone, can successfully address its labor and economic issues.

No longer seriously discussing “unfettered free markets” as the approach of choice (see Galbraith’s *Predator State*) — well, mostly not!

Issue one of “fair” — not “free” — trade.

Piecemeal change ineffectual *and* costly: sinking standard of living, deadweight losses associated with partial reforms, rising inequality.

Building and sustaining future-oriented investment mentality among policymakers and leaders crucial.
FOR MORE INFORMATION

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