
Labor Markets & Labor Market Policies: A Global Look

Christopher T. King, Director

Ray Marshall Center, LBJ School of Public Affairs

The University of Texas at Austin

International Business Fellows Seminar

Professor Michael Dodd

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OUTLINE

World Labor Market Situation & Trends

Labor Market Policies Around the World

Concluding Thoughts

WORLD LABOR MARKET SITUATION

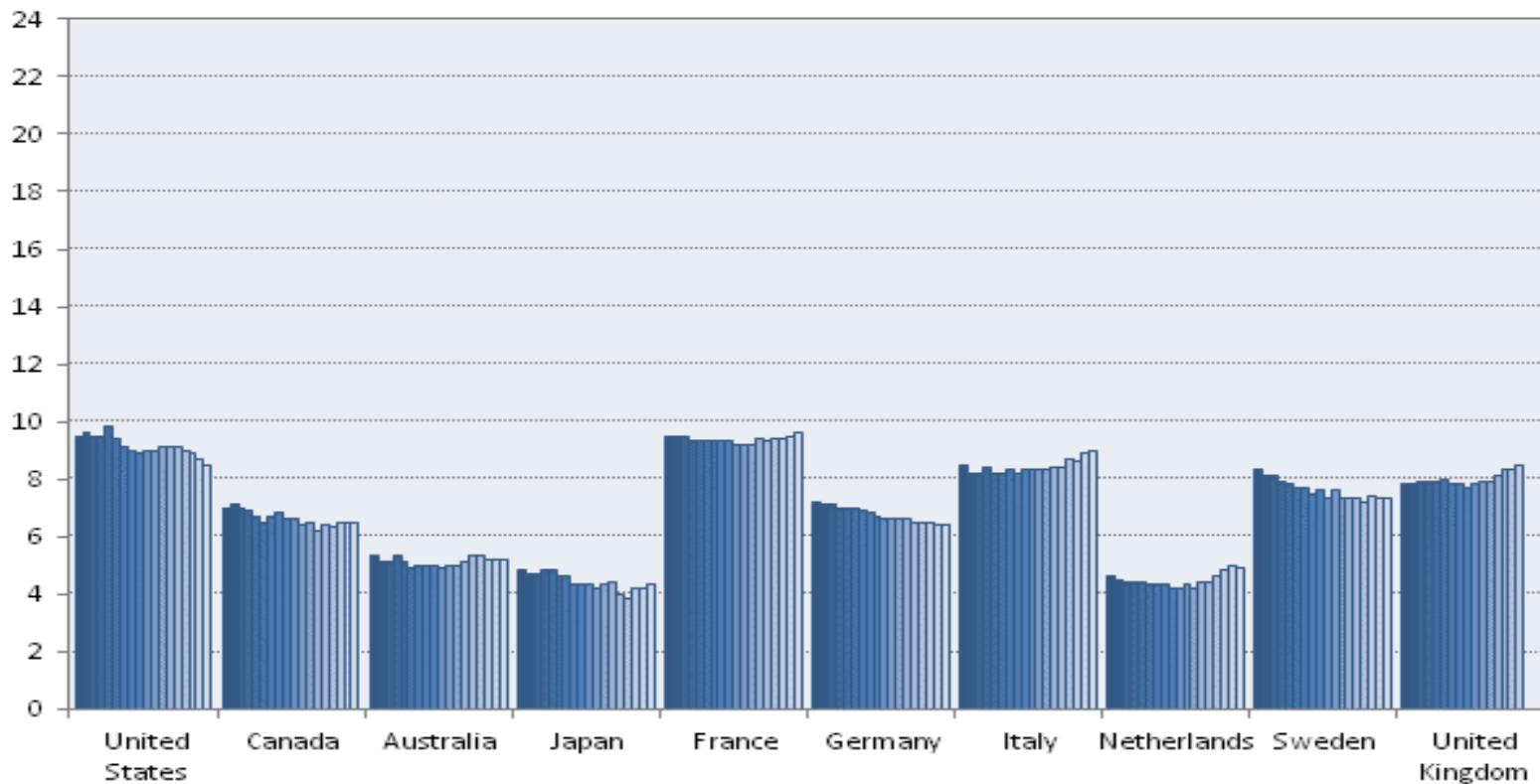
Sample indicators/rates (2011 prelim.), selected areas, for adults (ILO, 2012); far worse for youth:

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

UNEMPLOYMENT RATES

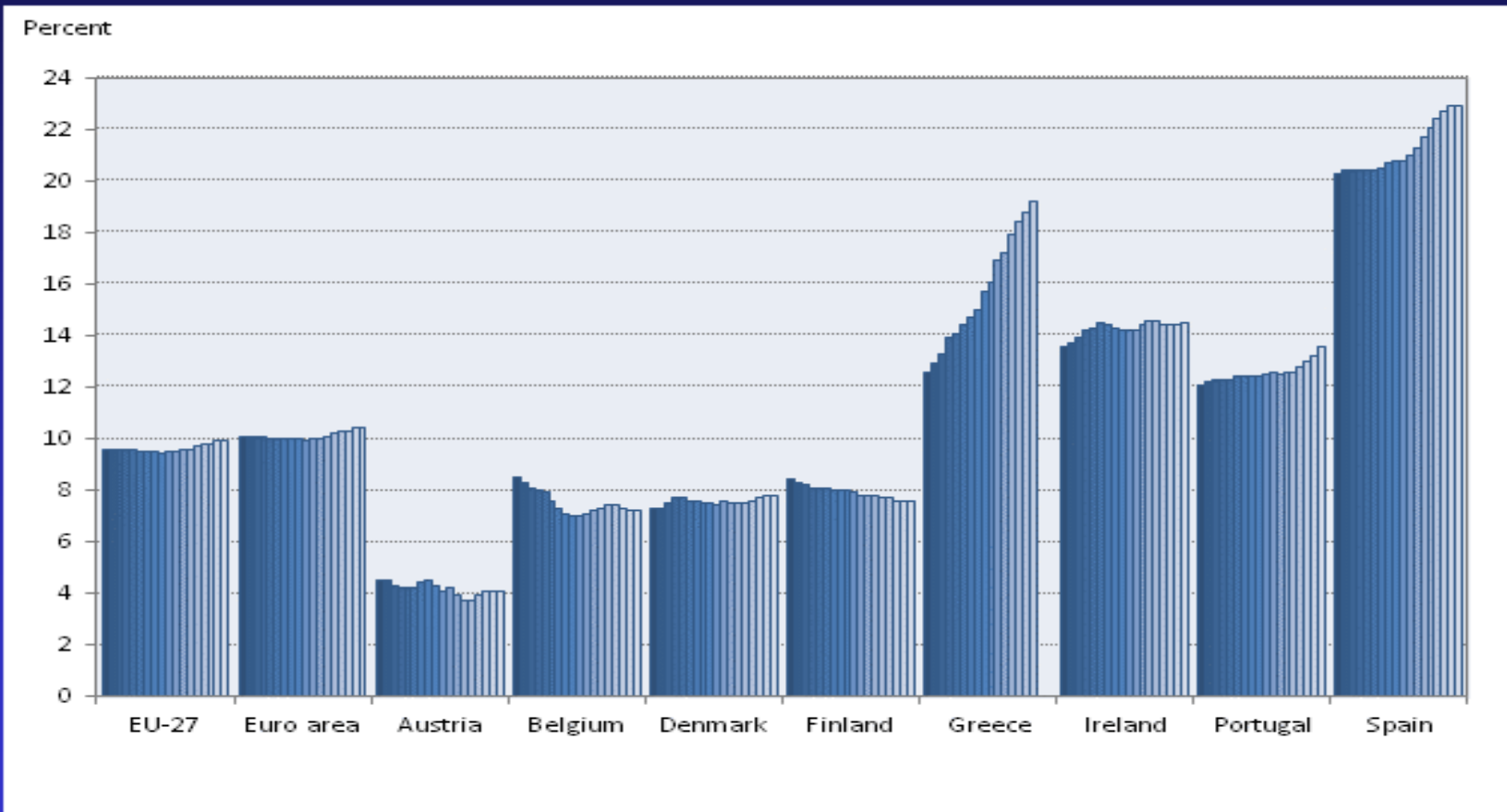
Seasonally Adj. (U.S. basis), July 2010 to December 2011

Percent



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

CRISIS ...

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.



CHANGING U.S. ECONOMY

Rob Atkinson (*Past and Future of America's Economy*, 2005), coiner of term “new economy,” offers a look at U.S. economic transformation focusing on **long waves of innovation** *a la* Schumpeter and Kondratieff.

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

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

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

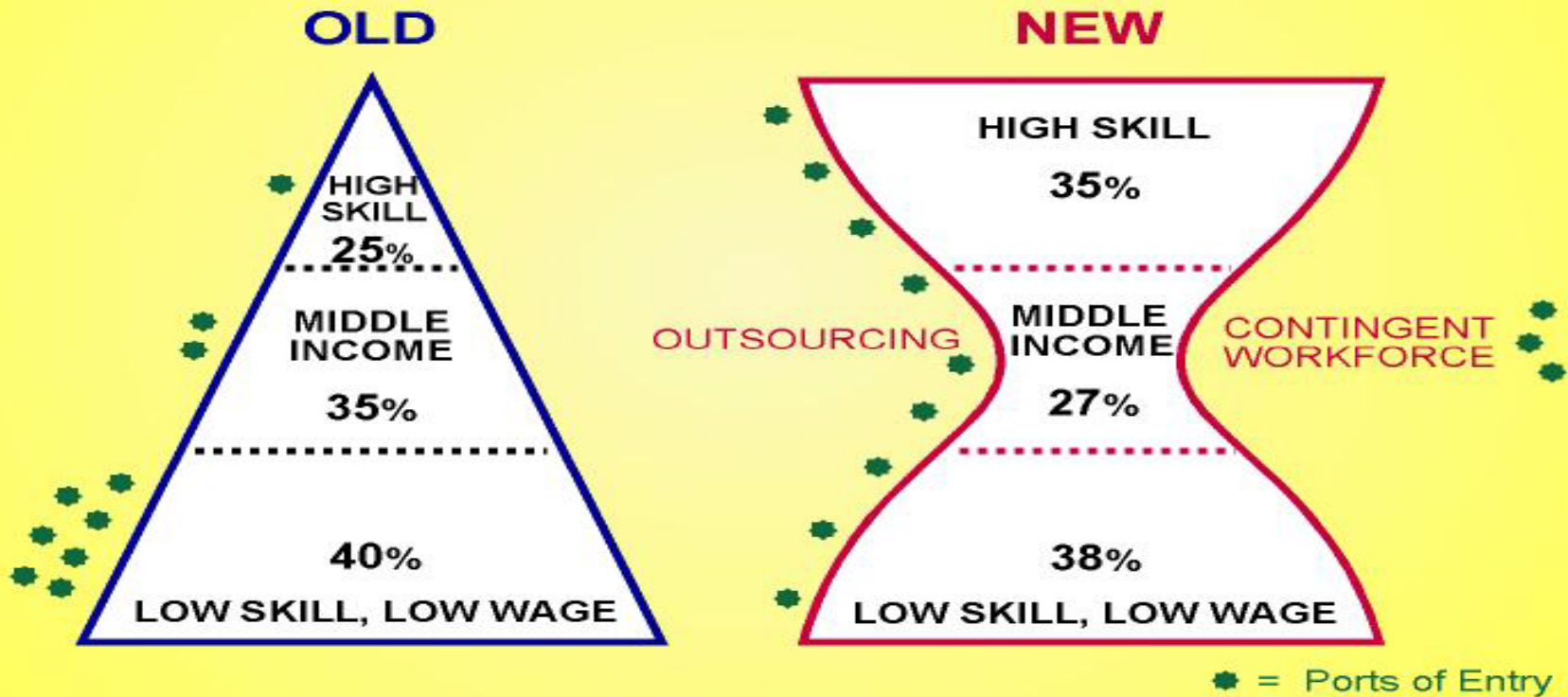
Per Levy and Murnane (2004), new and different skills are required.



Changing Work Organization

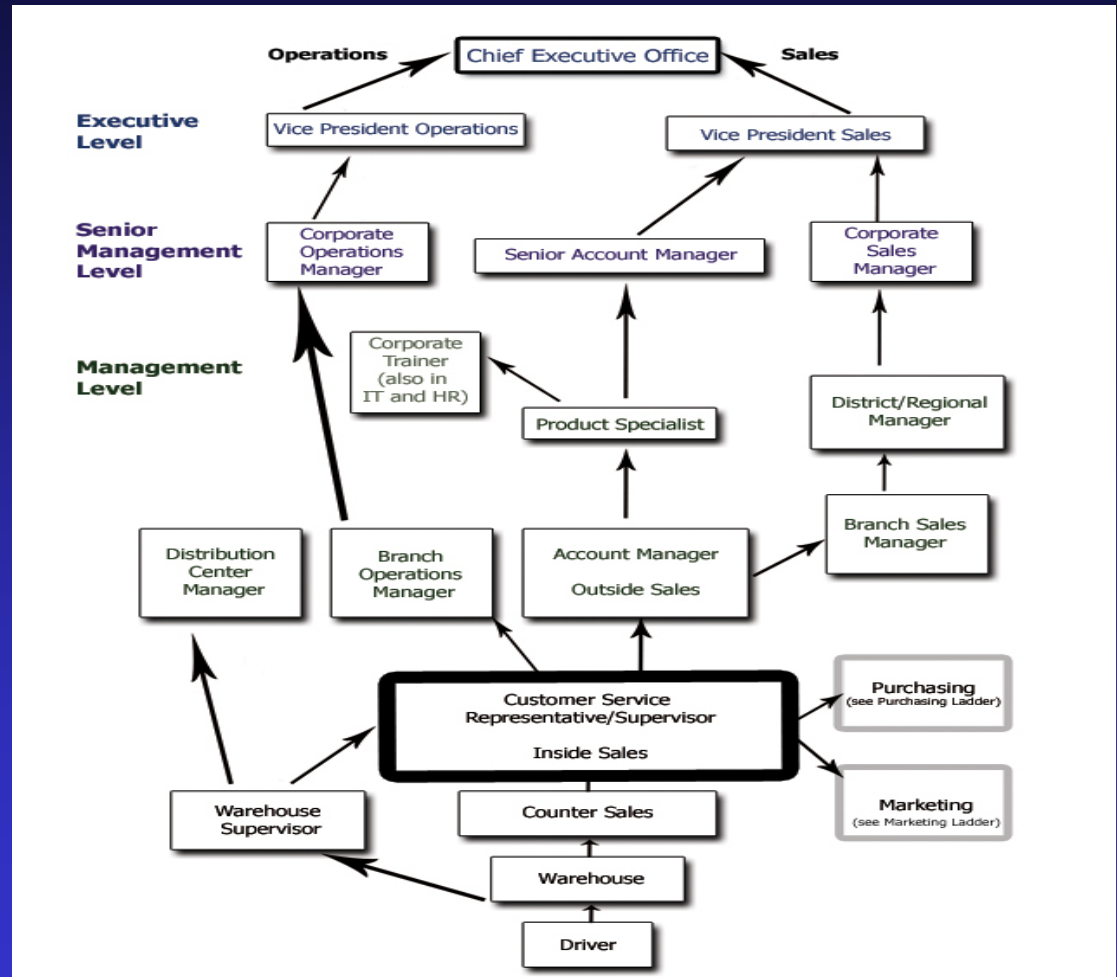
Fewer entry 'ports.' Fewer, flatter career ladders.

CAREER PATHWAYS AND PORTS OF ENTRY



Advancing in Labor Markets

Old view:
Career Ladders

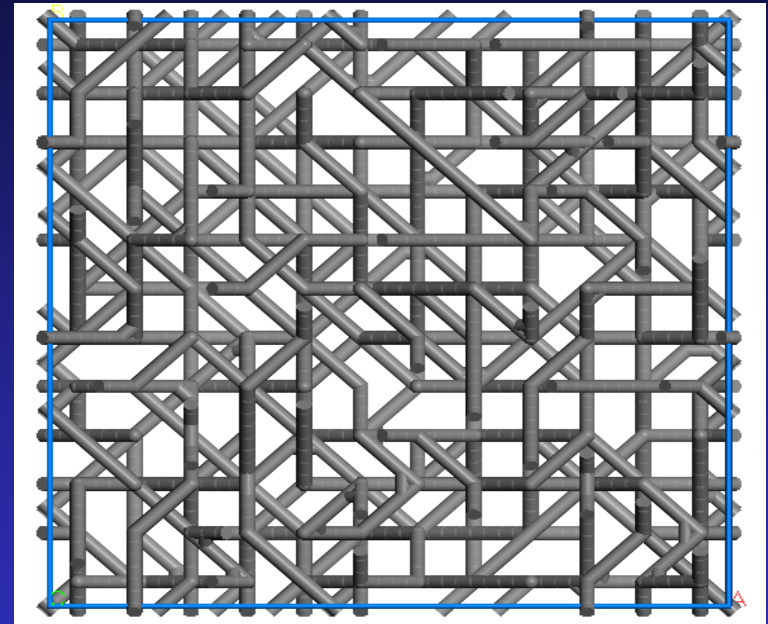


Advancing ...

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.

Two Forms of Labor Market Policies

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

LM Policies...

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)



LMP Models ...

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

LMP Models ...

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

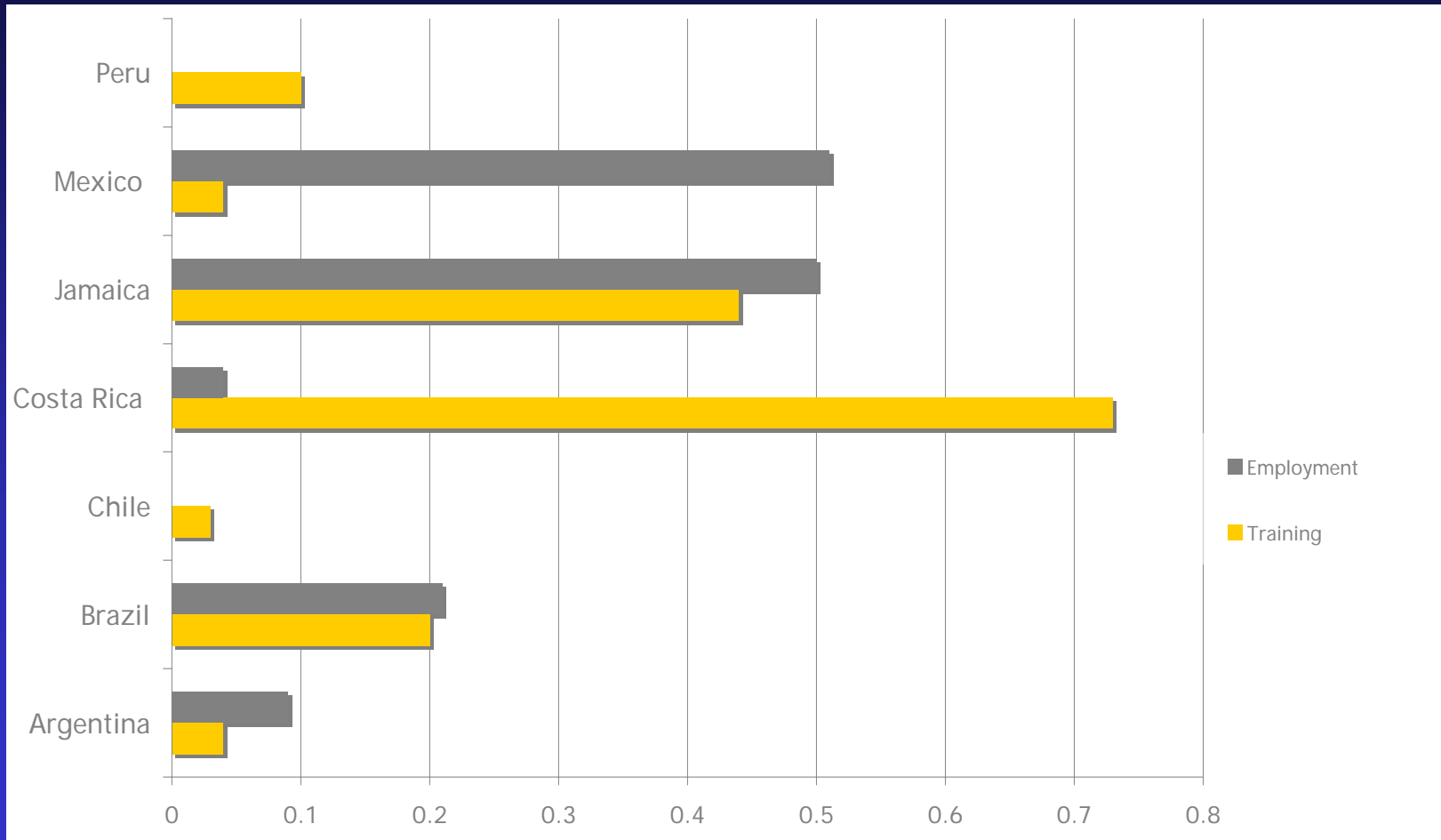
In Developing Countries

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



In Latin American/Caribbean Countries

LMPs emphasize —

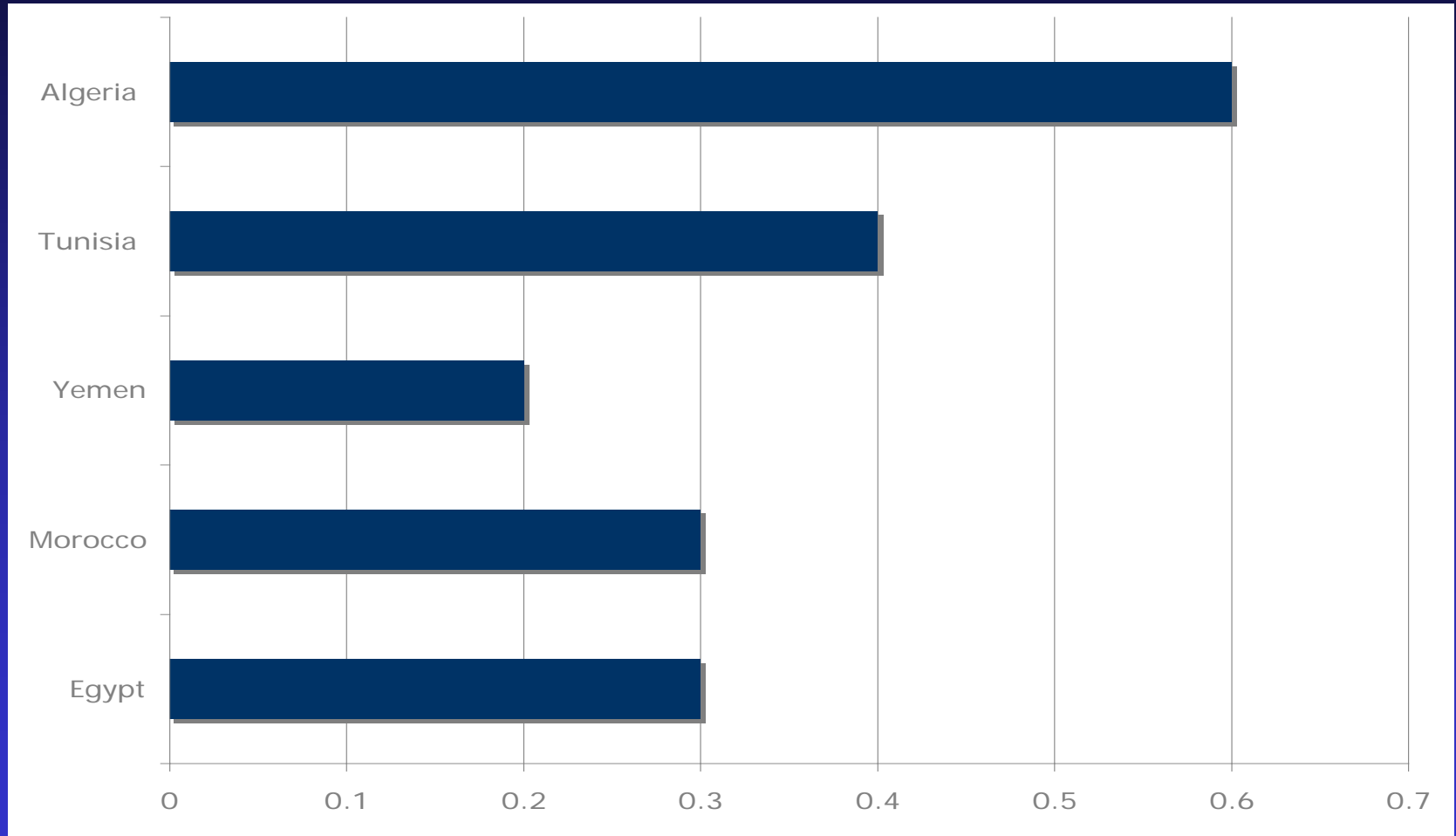
- Public Employment Services (for job search, job placement): lack unemployment services, typically understaffed and untrained
- Training: decentralized, women benefit but tend to be underserved
- Public Works: poverty alleviation
- Few employment subsidies
- Self-employment: micro enterprises, credit

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



In Transition Countries

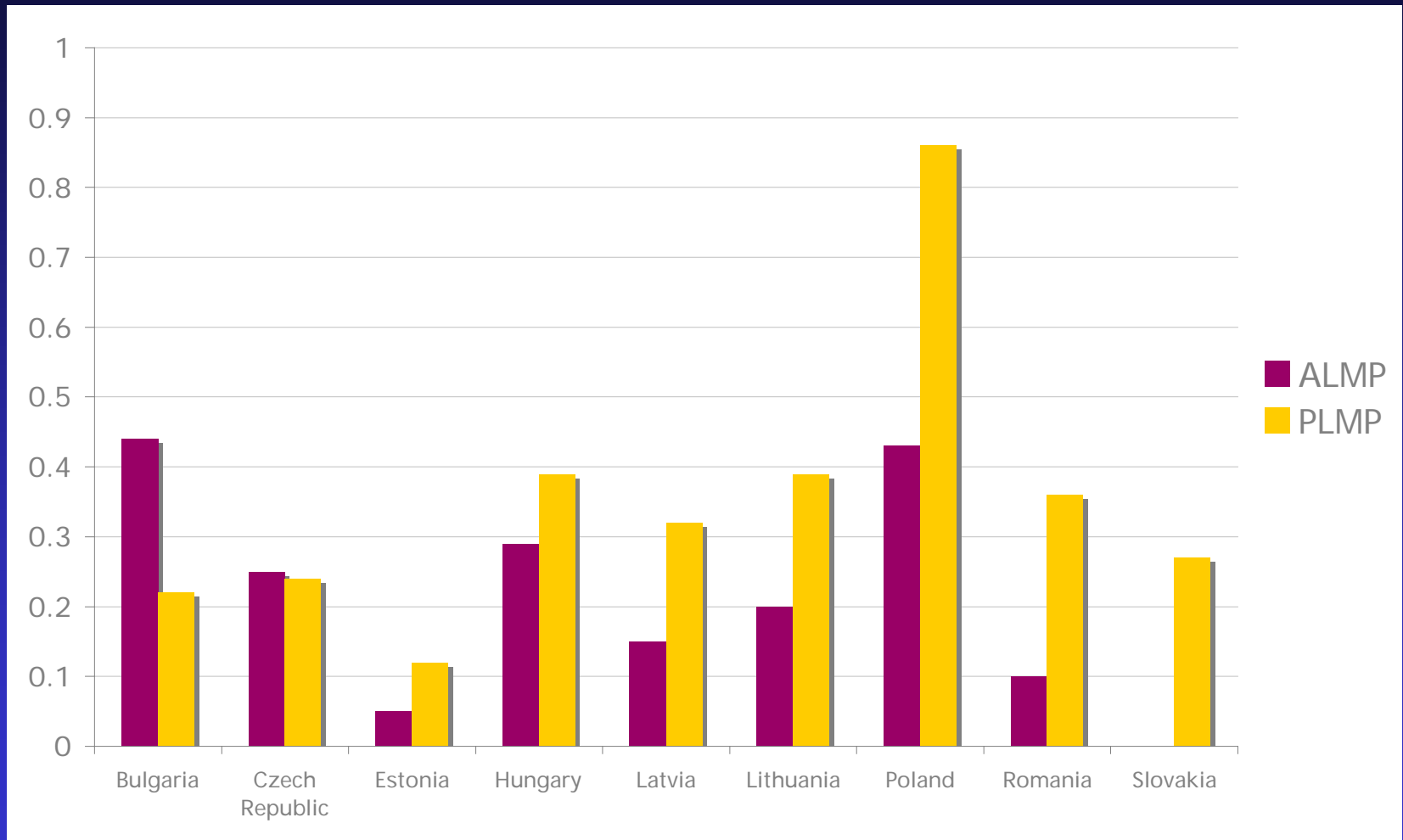
LMPs have —

- 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



In Asian Countries

Most common LMP strategies —

- Public works
- Job training
- Self-employment and micro-enterprise development, with particular success for rural women

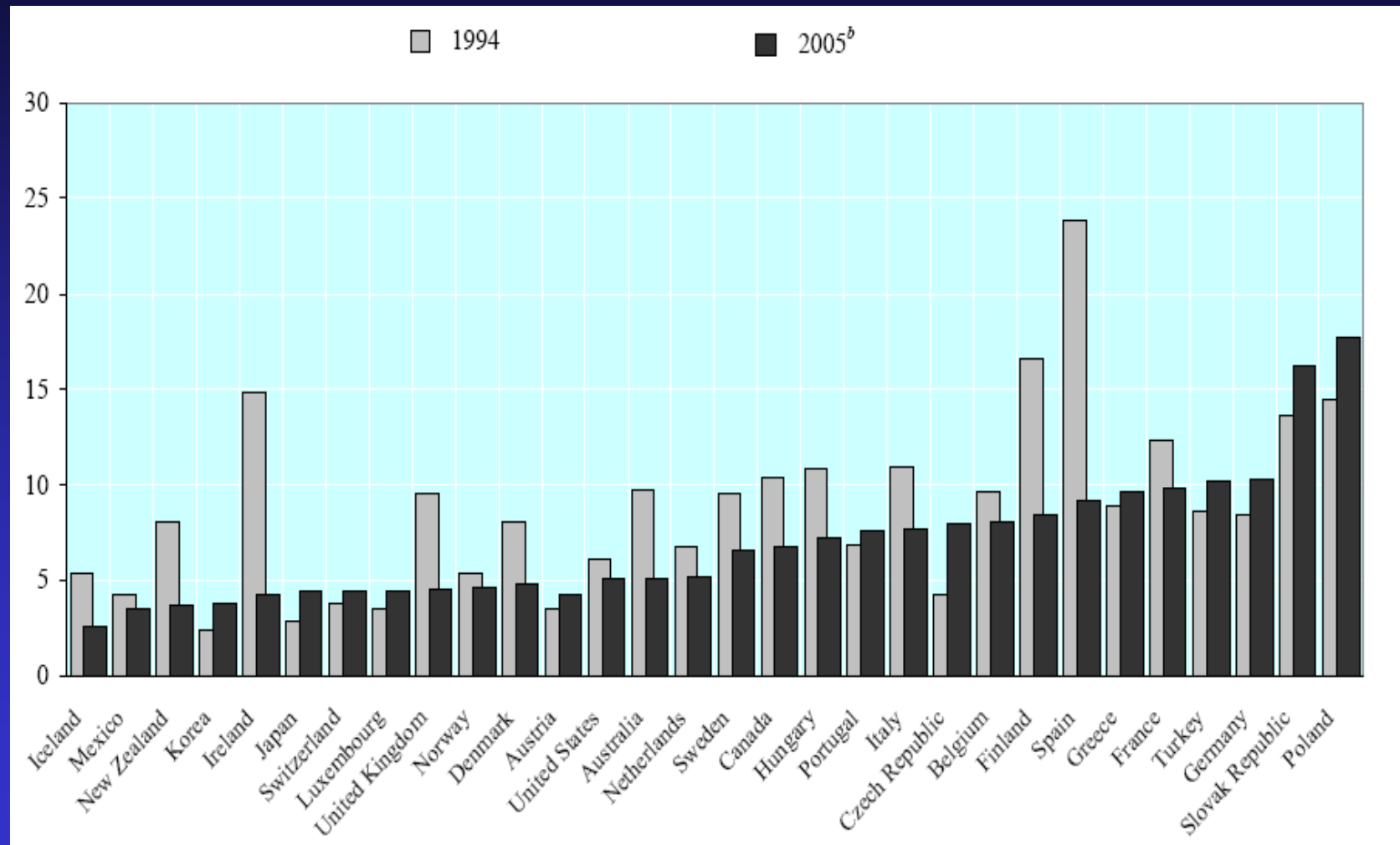
LMPs limited by —

- Large informal sector
- Lack of unemployment insurance systems and employment protections
- Administrative capacity
- Widespread poverty and unemployment

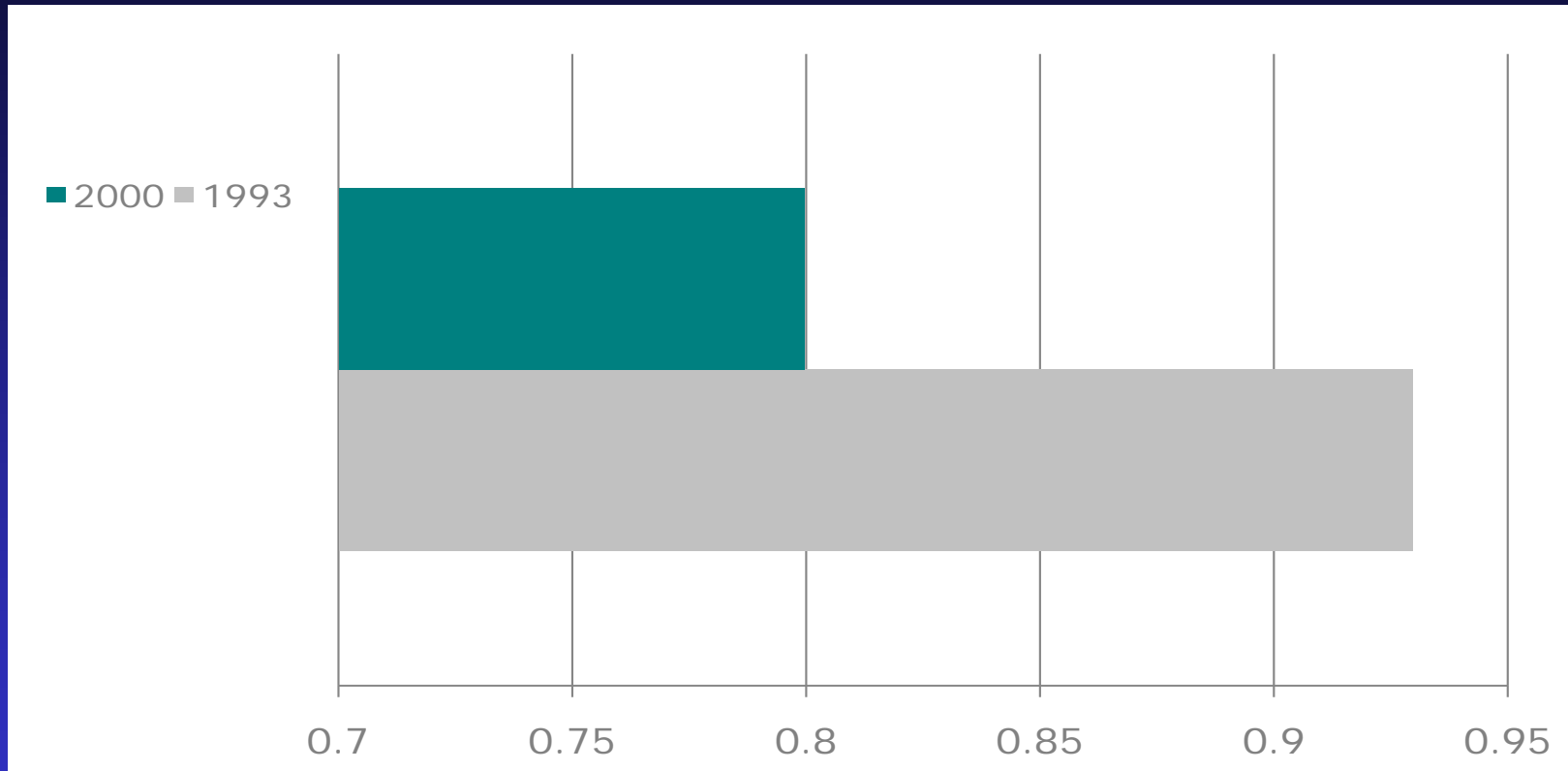
OECD Jobs Strategy, 1994

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

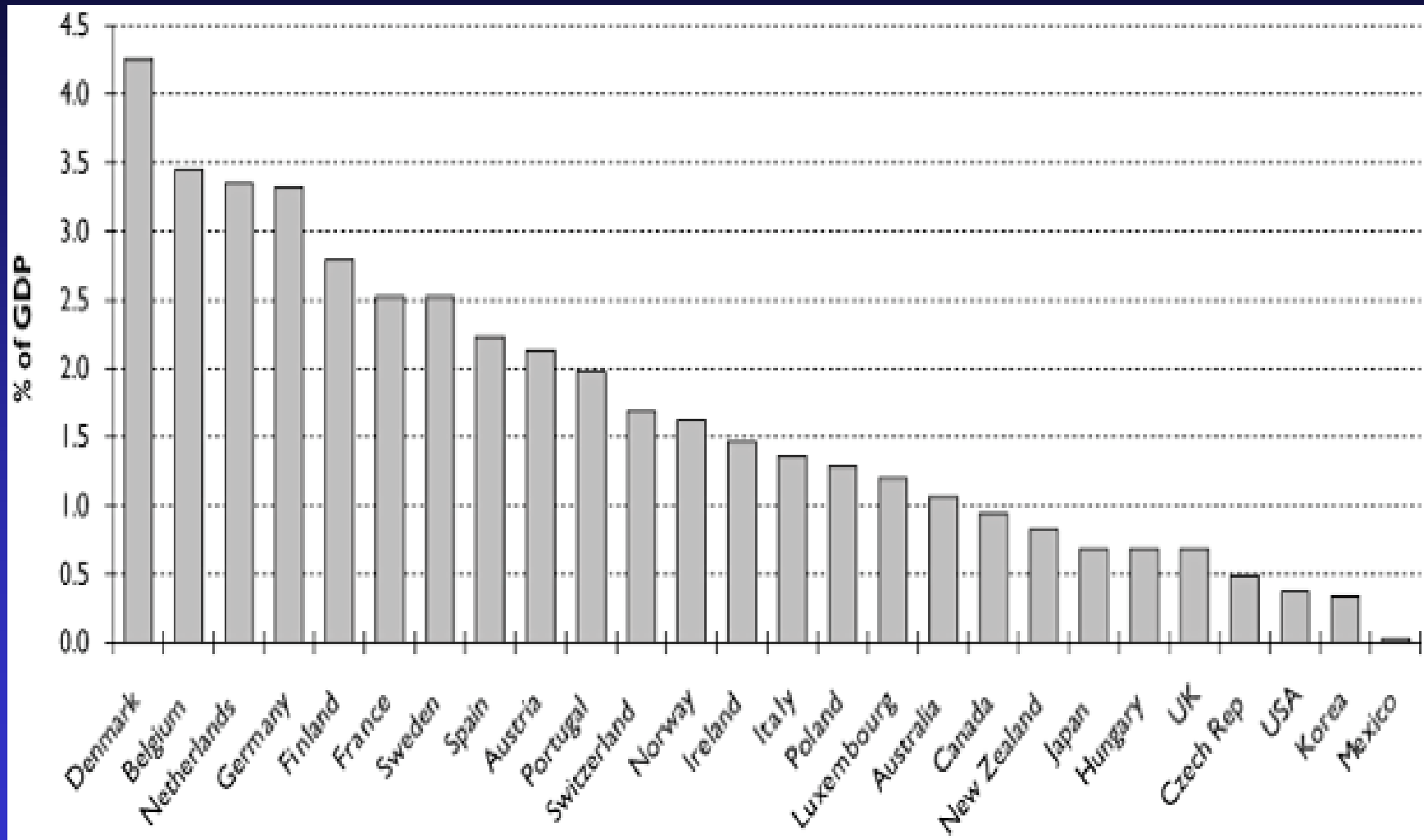


But ALMP Spending as % of GDP Dropped



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** —

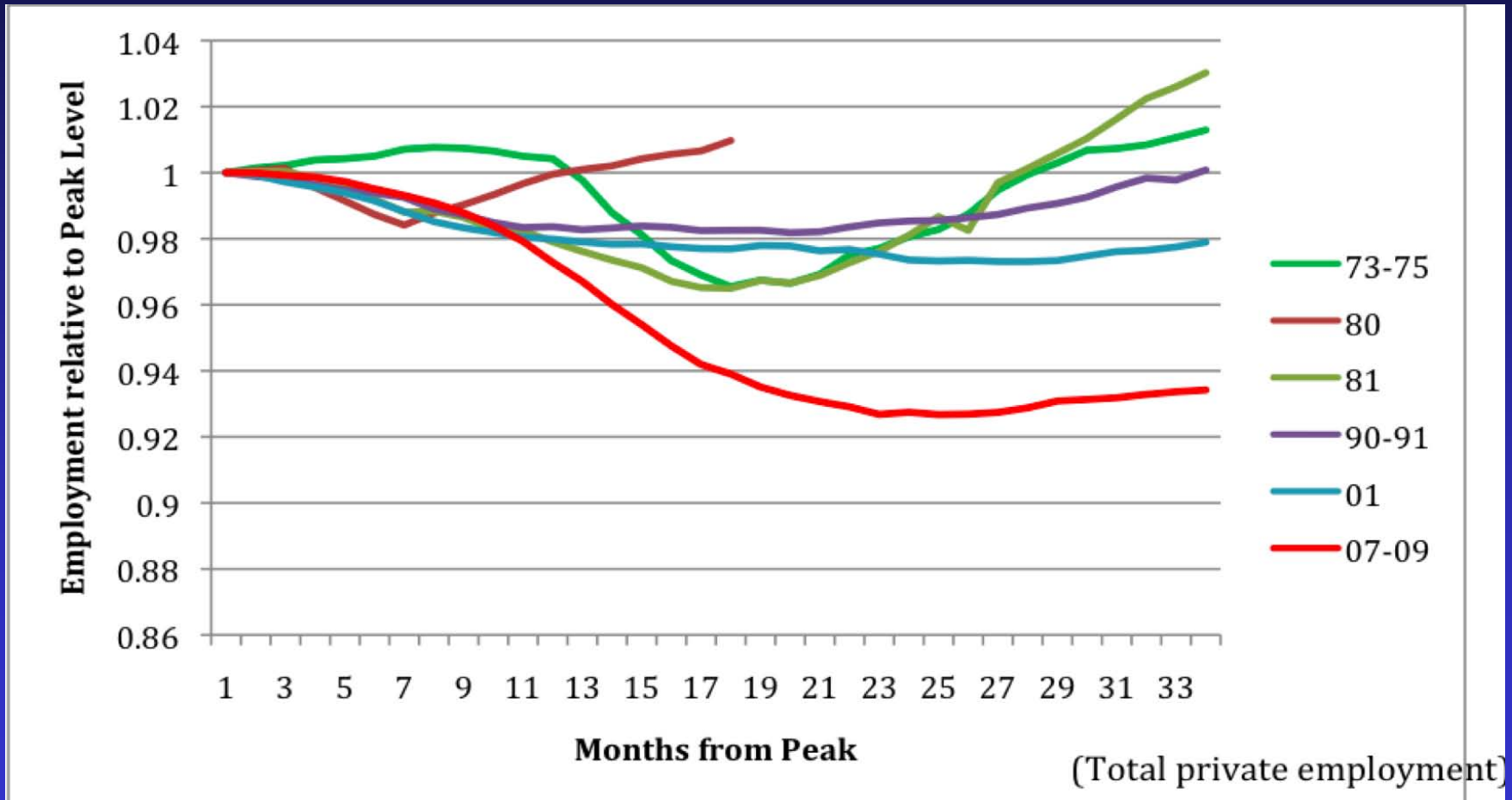
1. Set appropriate macroeconomic policies
2. Remove impediments to labour force participation and job search
3. Tackle labour and product market obstacles to labour demand
4. Facilitate development of labour force skills and competencies

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

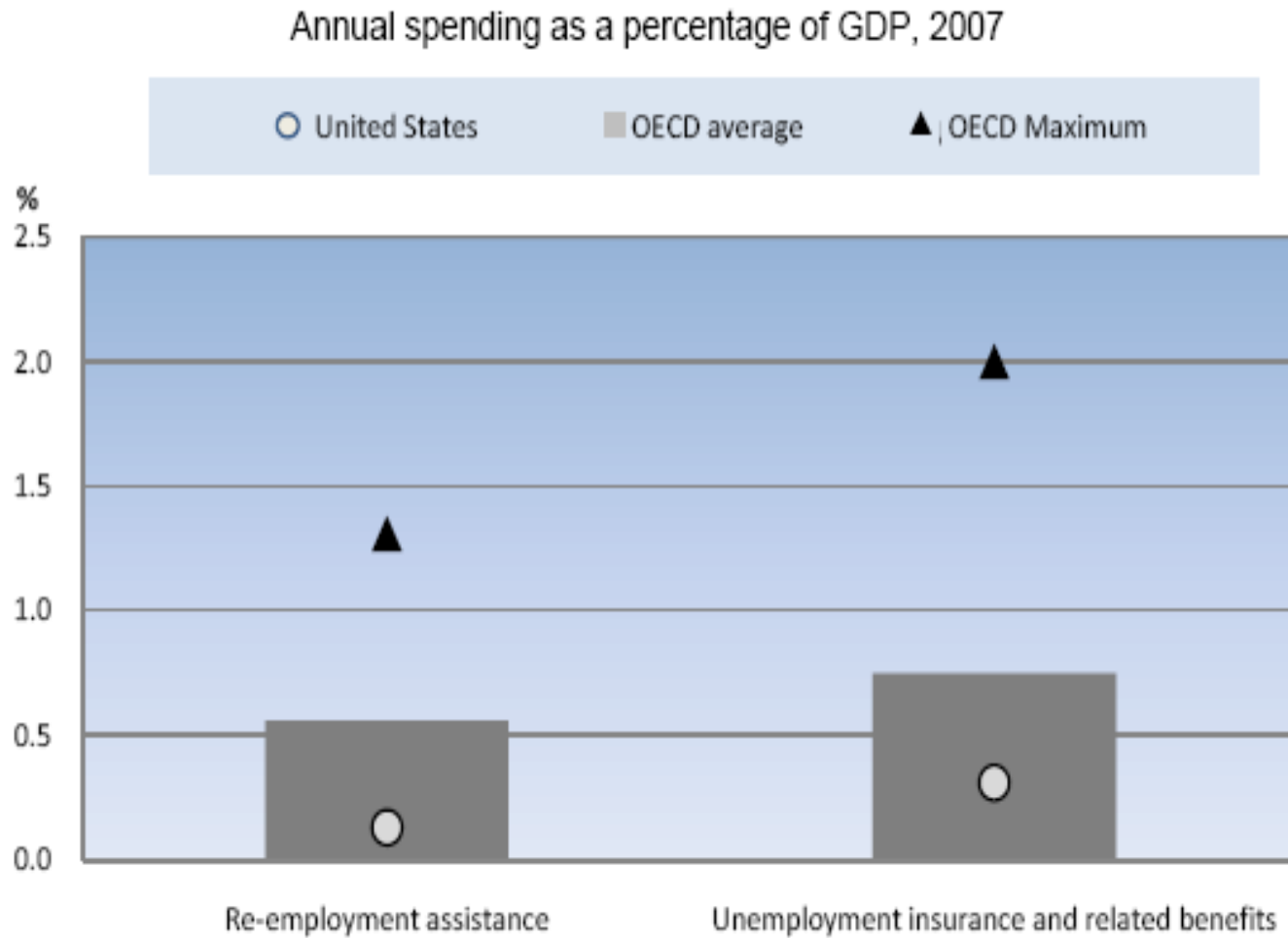
RECESSION & RECOVERY IN THE U.S.

U.S. employment relative to peak in postwar recessions & recoveries



Source: Eberts, 2010.

US Provides Relatively Little Help to Job Losers



SHARING BENEFITS

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

2007–2009	85%
2001	54%
1990–1991	0%
1981–1982	10%
1980	9%

A. Sum & J. McLaughlin, "The Massive Shedding of Jobs in America," *Challenge* (November-December, 2010).



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

Christopher T. King

Ray Marshall Center

LBJ School of Public Affairs

The University of Texas at Austin

512-471-2186

ctking@raymarshallcenter.org

<http://www.raymarshallcenter.org>

