



# Labor Market Report

Labor Market Policy

Sustainable Governance  
Indicators 2017

Indicator

## Labor Market Policy

Question

### How effectively does labor market policy address unemployment?

41 OECD and EU countries are sorted according to their performance on a scale from 10 (best) to 1 (lowest). This scale is tied to four qualitative evaluation levels.

- 10-9 = Successful strategies ensure unemployment is not a serious threat.
- 8-6 = Labor market policies have been more or less successful.
- 5-3 = Strategies against unemployment have shown little or no significant success.
- 2-1 = Labor market policies have been unsuccessful and rather effected a rise in unemployment.

### Malta

Score 9

Unemployment rates are at historically low levels in Malta. Eurostat figures for July 2016 indicated that Malta had the lowest unemployment rate and one of the lowest youth unemployment rates in the EU. Indeed, the national unemployment and youth unemployment rates stood at 3.9% and 7.1% respectively in comparison to the EU averages of 8.6% and 18.8%. Subsequent figures for August 2016 ranked Malta's unemployment rate third at 4.8%. The labor market participation rate increased marginally, through the introduction of free child-care centers in 2014 and other fiscal incentives including reforms to the maternity system, tax incentives and wage subsidies for women over 40 entering the labor market. The 2016 budget introduced a pilot scheme to subsidize care workers for the elderly. This pilot may enable more women to enter the labor market, as women are disproportionately more likely to care for elderly relatives. Already, these initiatives have resulted in an increase of 1.6 percentage points in the female participation rate. However, overall labor market participation remains low due to the low participation rates of women, older people and people with disabilities. Indeed, Malta currently has the widest labor market gender gap in the EU, which is a key reason why employment opportunities are increasingly filled by a growing migrant workforce. The government is attempting to address this challenge through its Strategy for Active Ageing, Youth Employment Guarantee Scheme and extended training programs. While Malta possesses a consolidated support system for the unemployed in terms of social benefits and retraining opportunities, schemes to help low-skilled individuals find employment are only now being introduced. In 2016, the government signed an agreement with the General Workers Union to manage a job plus scheme for the long-term unemployed. In the 2015 budget, a number of incentives were introduced to increase the rate of employment for individuals with disabilities. A new government organization, The Lino Spiteri Foundation, has been set up to facilitate the process. A follow-up report by the Malta Employers Association rated these measures as

positive in facilitating integration of this cohort and over 200 individuals have been placed in the job market. The figure should rise now that the foundation is active. However the 2016 EU Commission report indicate that education and training outcomes are still below target, affecting the quality of labor supply and labor market participation rate.

Citation:

Eurostat News Release Euro Indicators 163/2016

Eurostat News Release Euro Indicators 186/2016

Budget Speech (English) 2016 p. 21

Pre-Budget Document 2016 p. 13

[http://ec.europa.eu/eurostat/statistics-explained/index.php/Gender\\_statistics](http://ec.europa.eu/eurostat/statistics-explained/index.php/Gender_statistics)

Times of Malta 29/11/16 Job Schemes may be cut

EUROPEAN COMMISSION Brussels 18.05.2016 COM (2016) 338 Final

Equipping Employers for a more equal and inclusive labour market Service related ESF/MEA/2015/01 Research Study

Interview with Mr Natan Farrugia Executive director of The Lino Spiteri Foundation

## Switzerland

Score 9

Swiss labor-market policy is largely a success story. Labor-market flexibility in terms of hiring and firing is very high, trade unions and their representatives or allies on the firm level have no legal ability to interfere with employers' human-resources decisions (in contrast to Germany), and there is no minimum wage (Swiss voters rejected the establishment of a minimum wage in 2014).

Although the “golden age” of containing unemployment by managing the flow of labor from other countries is past, the achievements of Swiss labor-market policy remain remarkable. In September 2016, unemployment stood at 3.2%. Youth unemployment (among 15- to 24-year-olds) is only nominally above the overall unemployment rate (3.6% in September 2016) and the employment ratio (the working population as a percentage of the working-age population) is the second highest in Europe (behind Iceland). In addition, the overall employment rate of women has increased dramatically in recent decades.

Nevertheless, several major challenges are evident. The high employment rate is due to a particularly high share of part-time work. About 17% of employed men and 57% of employed women work part-time. Unemployment rates are highest among low-skilled foreign workers. Also, there remains considerable wage inequality between men and women. A 2016 report by the Federal Statistical Office shows that the median wage of female worker is 87% of their male counterparts, with 60% of this difference due to objective aspects such as education.

Highly skilled workers from EU countries pose few challenges for Swiss labor-market policy, particularly since these employees are quite likely to return to their native country after a period of employment in Switzerland (Cueni and Sheldon 2011). In contrast, low-skilled foreign workers tend to stay in the country even if

they become unemployed. Also, the employment rate among older workers is very high in international comparison. The government has rejected proposals to raise the age of retirement arguing that there is insufficient demand for workers over 65. Raising the retirement age has become a major issue in the current pension system reform effort, although those in favor of raising the age are aware that this proposal is doomed to fail if put to a popular vote.

Citation:

CUENI, D. & SHELDON, G. 2011. Arbeitsmarktintegration von EU/EFTA-Bürgerinnen und Bürgern in der Schweiz. Schlussbericht zu einer Studie im Auftrag des Bundesamtes für Migration (BFM), Basel, FORSCHUNGSSTELLE FÜR ARBEITSMARKT- UND INDUSTRIEÖKONOMIK (FAI).

## Canada

Score 8

The unemployment rate in Canada is primarily driven by the business cycle, which reflects aggregate demand conditions. Labor market policies and programs such as unemployment insurance and training programs have limited effect on overall unemployment, although these policies and programs are important for income support and the upgrading of skills. Overall, labor market regulation in Canada is relatively light, and there are few labor market rigidities that impede the operation of the labor market. The most significant of these may be regional employment-insurance benefits that may somewhat reduce the outflow of labor from regions with high unemployment rates, even though labor mobility in Canada, both inter- and intra-provincially, is generally high.

Specific labor market programs are available to increase the workforce participation of aboriginal Canadians, whose employment rates are persistently below those of non-aboriginal Canadians. Thus far, however, these programs seem to be ineffective; the aboriginal unemployment rate remains almost twice the national average, with no sign of improvement.

Many observers have expressed concern that the Canadian labor market is currently experiencing more weakness than is implied by the official unemployment rate, which is around 7% and rising again after a steady fall in recent years. The long-term unemployment rate shot up during the 2008 to 2009 recession and has remained high since, but is low by international standards.

The federal government has recognized both the need to improve the economic environment such that businesses hire new workers and the need for more effective workplace training, but many of its measures did not have the desired effect. Despite a decade of job losses, Canadian manufacturing firms still indicate that skills shortages and lack of policies around market access to the United States remain an issue.

The 2016 budget reduced taxes for middle-income earners. There have also been

changes to unemployment insurance, particularly for those in regions most affected by the declining oil and gas sector. The budget includes \$3.4 billion in infrastructure investment over the next five years to aid in job creation. At this point, it is unclear how many jobs will be created by these measures. There is discussion of changing the previously controversial temporary-foreign-worker program, which may relieve labor shortages in particular industries, including fisheries and manufacturing.

Overall, the Canadian labor market is very flexible, particularly for a developed country. According to the World Bank's 2010 Doing Business report, Canada ranked 17th out of 180 countries for the ease with which employers could employ workers. The United States ranked first, but all other G-7 countries ranked well below Canada.

Citation:

World Bank (2010) Doing Business 2011 [http://www.doingbusiness.org/report\\_s/global-reports/doing-business-2011/~media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB11-Chapters/DB11-EW.pdf](http://www.doingbusiness.org/report_s/global-reports/doing-business-2011/~media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB11-Chapters/DB11-EW.pdf)

World Bank (2009) Doing Business 2010 <http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB10-FullReport.pdf>

Centre for the Study of Living Standards, Ottawa. Press Release June 20, 2012, Aboriginal Labour Market Performance in Canada Deteriorates Since 2007, <http://www.csls.ca/PressReleaseJune202012.pdf>

Curry, Bill, "Ottawa poised to ease rules for temporary foreign worker program," The Globe and Mail, August 21, 2016, Accessed September 28, 2016, <http://www.theglobeandmail.com/news/politics/ottawa-expected-to-introduce-new-rules-for-temporary-foreign-worker-program/article31365448/>

2016 Federal Budget "Growing the Middle Class," posted at <http://www.budget.gc.ca/2016/docs/plan/budget2016-en.pdf>

Roland Tusz, Erika Rodrigues, and Matthew Calver (2015) "Interprovincial Migration in Canada: Implications for Output and Productivity Growth, 1987-2014," CSLS Research Report 2015-19, November. <http://www.csls.ca/reports/csls2015-19.pdf>

## Denmark

Score 8

The Danish labor model has become known as "flexicurity," referring to the fact that it is not costly to fire employees and that the social welfare state will provide income support and active labor market policies incentivizing an active job search and if needed, providing training to help workers find employment.

This model has been severely tested by the financial crisis. The model is not a safeguard against business cycle fluctuations, including a drop in employment caused by a fall in aggregate demand. Thus, the question is whether its main performance characteristics (i.e., high turnover, etc.) have been maintained. Indeed, a high level of turnover still characterizes the Danish labor market, implying that many are affected by unemployment, but most unemployment spells remain short. Consequently, the burden of unemployment is shared by a larger group and although there has been an increase in long-term unemployment, it is not dramatic when seen in relation to the fall in employment. The transition rate from unemployment into employment is thus the highest in the EU, which facilitates the labor market entry of youth.

It should also be mentioned that wage formation has adapted to the new economic situation. The deterioration in wage competition during the boom period prior to the crisis has, to a large extent, been eliminated. The main challenge in the Danish labor market remains among groups with low qualifications. Since minimum wages are relatively high, it is difficult for individuals with weak qualifications to find stable jobs.

The specifics of Denmark's labor market policy have been changed frequently in light of political discussion, experience and research results. The active labor market policy is a key element of the Danish labor market model and absorbs many resources, as a result it is continuously debated. Following recommendations from the Kock Group, a recent reform offers less rigid participation rules for programs aimed at better matching the characteristics of the individual with the needs of the labor market. A recent change in the social assistance scheme has changed to ensure that young people (below the age of 30) attain a labor market relevant education rather than receiving passive support. Additional work incentives for other groups on social assistance include both a cap on total transfers and an employment requirement to maintain support.

A controversial issue is whether the economic incentive to work is sufficiently strong: "does it pay to work?" Reforms of both the social assistance scheme and the tax system have been implemented to increase gains from work, and further initiatives are being discussed.

Citation:

Danish Economic Councils, The Danish Economy, Various issues. Latest issue: Autumn report 2016, English summary available at: [http://dors.dk/files/media/rapporter/2016/E16/E16\\_English%20Summary\\_1.pdf](http://dors.dk/files/media/rapporter/2016/E16/E16_English%20Summary_1.pdf). (Accessed 22 October 2016).

Ministry of Economic Affairs, Economic Survey - August 2016. <https://uk.fm.dk/publications/2016/economic-survey-august-2016>. (Accessed 22 October 2016).

Andersen, T.M., and M. Svarer, 2012, Active labor market policy in a recession, *IZA Journal of Labor Policy*, 1:7.

Andersen, T.M., 2015, The Danish flexicurity labor market during the Great Recession, *De Economist* 163, 473-490.

## Germany

### Score 8

Germany's success in reducing structural unemployment since the mid-2000s has been impressive. According to the German Council of Economic Experts (Sachverständigenrat), more than 43.6 million people were employed in Germany in August 2016, 0.6 million more than the previous year's record high. Unemployment rates are at their lowest level in 20 years (4.2% according to the OECD) and are further decreasing. Germany's youth unemployment rate is the lowest in the EU (6.8%), attributable largely to a highly effective vocational training system.

Germany has a comprehensive toolbox of active labor market programs, which includes financial support for vocational training programs, support for self-

employed individuals, provision of workfare programs and the subsidized employment of long-term unemployed individuals. Traditional instruments, such as job creation and training programs, are now seen as combinable. Tailored to individual needs, these instruments are designed to facilitate the reintegration of long-term unemployed individuals into the labor market.

The expansion of atypical employment contracts – such as temporary employment programs (Leiharbeit), part-time and agency work – reflects an increase in industrial flexibility over recent years. However, atypical employment contracts have potentially severe consequences on the social security system and, more generally, social justice. Still, according to the Federal Statistical Office, growth in employment has not reflected a disproportionate increase in atypical employment. On the contrary, between 2009 and 2014, the share of “normal employment” has increased, while the share of fixed-term employment has decreased and the share of “mini-jobs” (i.e., jobs involving maximum monthly earnings of €450) has remained constant. Over the previous year, normal employment has again risen slightly by 0.5 percentage points to a total share of 68.7%.

A national minimum wage has been in effect since January 2015. There are exemptions, in particular for adolescents and the long-term unemployed. In addition, during a transitional period ending in 2017, sector specific minimum wages may be lower than the general minimum wage. The current minimum wage is set at €8.50 and will be reviewed after five years by a commission comprising representatives of employers and employees. The commission has already recommended an increase to €8.84, which will take effect 1 January 2017 (Sachverständigenrat 2016: 387). The minimum wage has elevated the earnings of four million employees (11%, Sachverständigenrat 2016: 388). The German Council of Economic Experts has not reported any detrimental macroeconomic effects, though it is too early to assess the long-term consequences of a national minimum wage.

The growth in overall employment may hide some negative side effects. So far, the German Council of Economic Experts observed a disproportionate increase in consumer prices in sectors where many wages were previously below €8.50 (Sachverständigenrat 2016: 289). With regard to employment, depending on the method of evaluation there is little or no decrease due to the national minimum wage (Sachverständigenrat 2016: 390, 292).

The enormous increase in refugees claiming asylum in Germany will be a key challenge for future labor market policymaking. Reducing barriers to labor market access, especially the regular labor market, as well as support for training and education will be crucial for the successful integration of refugees (Sachverständigenrat 2016: 3). In this regard, the introduction of a national minimum wage may restrict employment opportunities for the many low-skilled refugees.

Citation:

Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung (2016): *Zeit für Reformen*,

Jahresgutachten 16/17, Sachverständigenrat: Wiesbaden. Online:  
<http://www.sachverstaendigenrat-wirtschaft.de/jahresgutachten-2016-2017.html>

## Latvia

Score 8

The unemployment rate fell from 20% in 2010 to 9.6% in the second quarter of 2016, although a labor flight to Western Europe bears as much responsibility for this trend as the creation of new jobs in the economy. The government is revising its active labor-market policies to focus more on structural unemployment. For example, in 2012, the government reformed vocational-training programs, extended the use of short-term vocational-training programs and introduced mobility allowances.

Further reforms to labor market policy, as well as to social security and tax policy, followed in 2013. These reforms were influenced by the publication of a World Bank Study that investigated Latvians' labor market status and use of social security programs. These reforms are intended to introduce a more nuanced approach to identifying and responding to the needs of particular job seekers.

Minimum monthly wage levels were increased from €320 to €360 in 2015, and to €370 in 2016. Another €10 increase is planned for 2017.

Labor market challenges include a working-age population that is shrinking faster than in any other OECD country, labor migration from rural regions to the capital city of Riga and high net emigration.

Citation:

1. European Commission, Unemployment Statistics, Available at: [http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php?title=File:Unemployment\\_rate,\\_2001-2012\\_%28%25%29.png&filetimestamp=20130417141135](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php?title=File:Unemployment_rate,_2001-2012_%28%25%29.png&filetimestamp=20130417141135), Last Assessed: 20.05.2013.
2. IMF (2012), Article IV Consultation and Second Post-Program Monitoring Discussions Report, Available at: <http://www.imf.org/external/pubs/ft/scr/2013/cr1328.pdf>, Last Assessed: 20.05.2013
3. European Commission (2015), Report on Latvia. Available at: [http://ec.europa.eu/europe2020/pdf/csr2015/cr2015\\_latvia\\_lv.pdf](http://ec.europa.eu/europe2020/pdf/csr2015/cr2015_latvia_lv.pdf), Last assessed: 22.11.2015
4. OECD (2016). OECD Reviews of Labor Market and Social Policies. Latvia 2016. OECD Publishing, Paris. Available at: <http://dx.doi.org/10.17187/9789264250505-en>

## Luxembourg

Score 8

The financial crisis affected Luxembourg later than it did other European countries. In August 2016, 416,986 people were employed in Luxembourg. The labor market is particularly volatile, especially with regard to the number of foreign workers. Workers from within the so-called Greater Region of Belgium, France, Germany and Luxembourg are particularly significant. Compared to the same period in 2015,

about 12,000 new permanent employees were paying compulsory social-security contributions in August 2016. Thus, thanks to its continuous growth, Luxembourg has seen a steady increase in jobs.

In first semester of 2016, only 27.3% of the workforce were Luxembourg nationals compared to 27.8% in the previous year, while 45.1% were so-called cross-border commuters (frontaliers). This situation that guarantees high flexibility and short-term fluctuations in the labor market. Within the cross-border labor market, commuters from within the Greater Region are crucial.

The ongoing restructuring of the employment agency has had a positive impact. Due a steady growth in the resident population, which has been driven by a high inflow of economic migrants, and combined with corresponding national job growth, the unemployment rate decreased to 6.4% in August 2016. In the same month, about 17,000 people (4.6% less than last year) were reported to be seeking employment. Of unemployed people, 47.7% had been out of work for longer than 12 months and 40.8% were deemed to hold low levels of education. About 3,000 foreign unemployed cross-border workers, benefiting from their state of residence in Luxembourg, are recorded separately.

The employment rate among workers aged 55 or older is 38.4%, compared to 42.5% in 2015. This is far below the EU average of 53.3 % and the government's own target. This situation is exacerbated by numerous incentives for older workers to leave the labor market early. About 5,000 people took part in reintegration and training programs in August 2016, 6% less than in the previous year. However, such measures are only initial steps, as unemployment cannot be reduced substantially in the absence of long-term opportunities. Training must lead to permanent jobs. While 90% of the government's budget for activation policies is directed toward employment incentives, only 10% is used for training and education. Because of this, the government has indicated that it intends to strengthen training measures for the unemployed.

Citation:

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“Employment rates for selected population groups, 2004 – 14.” Eurostat, ec.europa.eu/eurostat/statistics-explained/index.php/File:Employment\_rates\_for\_selected\_population\_groups\_2004-14\_(%25)\_YB16.png. Accessed 21 Feb. 2017.

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“Growing risk of social exclusion among early school leavers.” OECD, www.oecd.org/social/growing-risk-of-social-exclusion-among-early-school-leavers.htm. Accessed 21 Feb. 2017.

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Le nombre de demandeurs d’emploi diminue de 4,6% sur un an. ADEM - Facilitons l’emploi, 2016. www.adem.public.lu/fr/publications/adem/2016/bulletin-emploi-aout-2016/Communique-de-presse-Bulletin-Aout-2016.pdf. Accessed 21 Feb. 2017.

National plan for smart, sustainable and inclusive growth - Luxembourg 2020. Le gouvernement du Grand-Duché de Luxembourg, 2016. www.gouvernement.lu/5978972/2016-pnr-luxembourg-en.pdf. Accessed 21 Feb. 2017.

“Net national income.” OECD, data.oecd.org/natincome/net-national-income.htm. Accessed 21 Feb. 2017.

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## Netherlands

### Score 8

In September 2016, 5.7% of the working population was unemployed. Youth unemployment was 10.5%, the lowest level in five years. Yet, some consider youth unemployment a serious threat to long-term prospects, as economic independence among 20 to 25 year olds has fallen from almost 50% in 2000 to 27.2% in 2016. There are still some weak spots in the labor market situation: relatively low labor-market participation among migrants, especially youth; a low average number of hours actually worked by international comparison (despite high levels of labor productivity); a growing dual labor market that separates (typically older) “insiders” with high levels of job security from (both old and young) “outsiders,” who are often independent workers without employees and little to no job security; relatively high levels of workplace discrimination; and high levels of workplace pressure. In terms of labor-market governance, political conflicts between the conservative and progressive liberal parties (VVD and D66) and the labor-affiliated parties (PvdA, SP, PVV) have prevented the passage of any genuinely breakthrough policies. The new Work and Security Act phased in since 1 January 2015 aims to strengthen the position of temporary workers, ease dismissal procedures, and shorten the duration of maximum unemployment benefits from 38 to 24 months. At the time of writing, the jury is still out on whether or not the first two measures have been a success or a failure.

Citation:

CBS, De Nederlandse Economie, Den Haag, 2016

“Nieuw politiek taboe: de zelfstandige”, in NRC Handelsblad, 10 October 2015

“Jongeren van nu zijn verliezende generatie”, in NRC Handelsblad, 31 March 2015

Vragen van het lid Klein aan de Minister van Sociale Zaken en Werkgelegenheid, dd. 10 oktober 2016 (rijksoverheid.nl, accessed 31 October 2016)

## Norway

Score 8

Norway's unemployment rate is low, and remained so through the recent economic crisis. But due to declining oil prices and the postponement of planned investments, unemployment rates have increased in certain sectors of the economy, in particular in oil and petroleum-related industries. However, many of the newly unemployed are highly qualified and appear to have found employment elsewhere. The aggregate level of employment is still high by international standards, due mainly to the high rate of labor-force participation among women, often in part-time employment. But the level of absenteeism (short- and long-term illness and disability) is also high, potentially undermining the validity of unemployment statistics somewhat. The country's labor-market policy has traditionally been proactive, with an emphasis on retraining long-term unemployed workers. Unemployment benefits are generous. Employment-protection laws place limits on dismissal procedures. However, layoff costs are small for firms that need to downsize. This guarantees a certain amount of mobility in the labor force. Recent reforms have included the reorganization of the public offices serving job applicants. Salaries are often set largely through centralized bargaining processes and collective agreements. In general there is no minimum-wage policy. In most sectors, wage floors are set by negotiations between unions and employers. However, due to increased labor mobility, particularly from Eastern Europe, a growing number of economic sectors are now subject to a kind of minimum salary. There is also some concern relating to the export of welfare benefits. The government has engaged in several initiatives to prevent so-called social dumping. Recent economic literature portrays Norway and Denmark as successful examples of the flexicurity model, which combines high labor mobility (flexibility) with high levels of government-provided social insurance (security). However, there has been concern in Norway over workers' propensity to take early retirement, stimulated by early-retirement incentives, some of which were marginally tightened as part of a comprehensive pension reform that came into effect on 1 January 2011. The aim is to reverse the trend toward early retirement. High levels of migration from European Union countries and increasingly as a result of the instability in the Middle East are likely to become more challenging in a labor market with increased unemployment rates. However, as the Norwegian labor market is expected to contract, the number of incoming migrants from other European countries is expected to drop.

## United Kingdom

Score 8

After a period of remarkably good and stable labor-market performance in which the rate of unemployment was below that of the euro zone and the OECD average, conditions in the United Kingdom deteriorated in the wake of the 2008 crisis and the

ensuing economic downturn. Underlying weaknesses (such as the comparatively high degree of working age inactivity linked to the high number of claimants of disability-related benefits) came to the fore, and the unemployment rate rose to its highest rate since the mid-1990s. But after labor-market flexibility was increased through deregulation and the lowering of secondary-wage costs, the unemployment rate fell significantly from 8.3% at the end of 2012 to now 4.9% in September 2016. In fact, recent labor market performance has been so robust that the new government has declared full employment an official government objective. The UK labor market continues to attract substantial numbers of economic migrants.

However, the increase in employment has come at the cost of weakness in real wages. Furthermore, wages have only recently returned to their pre-crisis levels, partly because of a moderating effect of immigration. An increase in the national minimum wage to the level of the so-called living wage has been announced (£7.20 since 1 April 2016 for people over 25 and scheduled to rise more rapidly than average wages over the coming years), which is expected to reduce sharply the de facto subsidy to employers provided by tax credits. There has also been criticism of other facets of labor market flexibility. For example, the topic of zero-hour contracts gained substantial attention during the general election, though research has indicated that a sizeable proportion of people employed on zero-hour contracts are happy with their contracts (Brinkley, 2013). Although the rate of youth unemployment had fallen to 13.1% by September 2016, it is still more than double the overall unemployment rate of 4.8% and six percentage points above Germany, but much lower than the other major economies in Europe. Consequently, integration of young people into the UK labor market could be improved. However, the UK does well in retaining older workers in the labour market, with an employment rate for those aged 55-64 of 62%, compared with an EU average of 54%

Citation:

Brinkley, I. (2013) "Flexibility or insecurity? Exploring the rise of zero-hours contracts" London: The Work Foundation

<https://www.theguardian.com/uk-news/zero-hours-contracts>

## United States

Score 8

The United States continues to have one of the least regulated and least unionized labor markets in the OECD, with less than 7% of private-sector workers and only 36% of public-sector workers holding union membership. Although barriers to unionization promote employment, the U.S. government otherwise plays a minimal role in promoting labor mobility or providing support for training and placement.

Conditions with regard to employment statistics improved in the last year. However, job growth in this recovery continues to trail behind previous economic expansions. October 2016 marked the 26th consecutive month that the headline unemployment

rate was below 6%; indeed, the rate decreased to a low of 4.9%. However, unemployment rates are far higher among racial minorities and in inner cities. About one-third of recent high school graduates are underemployed, and 40% of recent college graduates are in jobs that do not require college degrees. The Obama administration, as well as numerous city and state governments, have sought to increase the minimum wage and expand its application to more workers.

Yet even if the labor market has experienced significant gains in employment in this recovery, growth has been slow by historical standards. Part of the reason is that the recovery has come with comparatively stronger employment growth within low-wage industries. One lingering effect of the 2007 recession is the number of long-term unemployment (looking for work for 27 weeks and longer). There were still nearly 2 million long-term jobless in June 2016 and the average length of unemployment remains far above pre-recession levels.

Citation:

Center for American Progress, The State of the U.S. Labor market: Pre-August 2015 Jobs Release, <https://www.americanprogress.org/issues/economy/news/2015/08/06/118877/the-state-of-the-u-s-labor-market-pre-august-2015-jobs-release/>

## Australia

Score 7

Following the mining boom and subsequent economic slowdown, the unemployment rate has declined from 6% to approximately 5.6%. However, the underemployment rate (i.e. the proportion of the labor force employed part-time but seeking more hours of work) is approximately 8% and increased slightly over the year. Moreover, wage growth has been very subdued, with almost no increase in average earnings since 2013.

Since coming to power in 2013, the Liberal-National coalition government has sought to tighten welfare eligibility criteria, and increase incentives and requirements for welfare recipients to seek employment. However, the government has had almost no success in passing the required legislation.

In recent years, so-called skills shortages have been a topic of recurrent concern within the Australian labor market. One response to the perceived shortages in skilled labor has been to allow more skilled immigrants to enter the country on temporary “457” visas. The number of workers on 457 visas increased considerably until 2013, reaching 126,348 in 2013. However, following concerns that employers were frequently misusing the program to obtain cheap labor, the federal government subsequently tightened the conditions under which 457 visas could be obtained, resulting in a decline of 457 visas to 94,890 in 2016.

Minimum wages, which are set by an independent statutory authority, the Fair Work Commission, have arguably emerged as an increasing constraint on employment

over the review period. The national minimum wage is relatively high by international standards, at around 55% of the median full-time wage; more importantly, there are also a large number of industry- and occupation-specific minimum wages that can be much higher than the national minimum wage. Taking effect in July 2016, the minimum wage was raised to 17.70 AUD per hour. The national minimum wage is comparatively high and about 70% higher than in the United States. This puts pressure on import-export companies. Real growth in minimum wages did not accelerate over the 2014 to 2016 period, but real-wage growth has stagnated in the broader economy, suggesting the “bite” of minimum wages (i.e. the extent to which they negatively impact employment) has been increasing.

Citation:

Department of Immigration and Border Protection ‘Changes to the Subclass 457 program’: <http://www.immi.gov.au/skilled/changes-457-program.htm>

Updated data on 457 visas granted is available on the Australian Border Force web site: <http://www.border.gov.au/about/reports-publications/research-statistics/statistics/work-in-australia>.

Minimum wage: How does Australia compare to other countries?: <http://www.abc.net.au/news/2016-05-31/minimum-wage-how-does-australia-compare/7461794>

## Estonia

Score 7

Labor market reforms have brought several positive results. Main labor market indicators such as general employment and unemployment rates, youth unemployment, and long-term employment have improved. However, low-skilled unemployment has not decreased despite targeted active labor market policies (ALMP).

The unemployment insurance fund (UIF) is in good financial shape, having accumulated significant reserves over last years. This has been possible due to the relatively high contribution rates, strict eligibility criteria and low level of actual benefits paid. In 2016, contribution rates remained at the previous level (0.8% of an employer’s payroll, and 1.6% of an employee’s wages or salary). The strategic aim behind collecting substantial reserves is to accumulate resources for an important and costly work ability reform (WAR) that is intended to bring at least 10% of the country’s disabled people into employment (about 100,000 people currently receive disability benefits). At the time of writing it is too early to evaluate the success of WAR.

Significant progress made in fighting unemployment is freeing up resources to tackle another government priority, that of low pay. About one-fifth of employed persons receive a wage that is less than two-thirds of the country’s average. This is significantly above the OECD average. Unfortunately, instead of seeking solutions through the labor market or industrial relations, the government has decided to implement tax credits for low-pay workers as of January 2017.

Minimum wage regulations are in force in Estonia, and the wage level is fixed annually in a tripartite agreement. Collective bargaining agreements are typically made at the level of enterprises or economic sectors. The minimum wage has increased modestly each year and should reach 42% of the average salary by 2017. The 2016 minimum wage was €430 per month, which is 39% of the country's average salary. Compared to 2015, the gap between the minimum and average wage has remained constant.

## Ireland

### Score 7

Ireland's rapid economic growth since 2014 has been reflected in an improving labor market situation. From a peak of 15% in 2012, the unemployment rate fell to 7.2% in the December 2016. The seasonally adjusted number of unemployed people was 157,700 in December 2016, a reduction of 35,500 people from December 2015. The youth unemployment rate fell to 14.5% (16.5% male unemployment and 11.4% female unemployment).

The composition of the labor force has shifted significantly away from relatively low-skill construction work toward higher-skill service and advanced manufacturing jobs.

Some active labor market strategies, such as making unemployment support payments increasingly contingent on evidence of active job search, have contributed to these favorable developments. However, there have been no dramatic changes in dismissal protection or collective bargaining agreement procedures. In addition, the present government restored earlier cuts in the minimum wage. On balance, therefore, the evidence points to a return to rapid economic growth as the main factor behind the improvement in labor market outcomes.

#### Citation:

"The Impact of Training Programme Type and Duration on the Employment Chances of the Unemployed in Ireland" by Seamus McGuinness, Philip J. O'Connell, Elish Kelly, *Economic and Social Review*, Vol. 45, No. 3 (Autumn 2014).

## Israel

### Score 7

Israel's labor policy focuses on incentivizing two income households and expanding job training services for low-skilled workers. Government actions include reforming the "earning potential" scale used for taxes and daycare subsidies, increasing funding for working mothers and labor training programs, and introducing a negative tax for low-paid workers. However, the OECD maintains that implementation has been slow and underfunded. The thirty-third government passed landmark legislation in 2014 which aims to reduce the number of ultra-Orthodox men exempted from military service. However, this legislation was amended in 2015, returning government policy back to what it had been prior to the 2014 legislation.

The Ministry of Economy is promoting programs that encourage and assist ultra-Orthodox communities to acquire academic education, supporting their entry into the larger labor market. Regarding employment rates, 65.8% of ultra-Orthodox take part in the formal labor force, 59% are women and 41% men. However, in 2016, a law requiring ultra-Orthodox educational institutions to teach core curriculum subjects (math, English, natural science and computer science) as a condition for state funding was cancelled.

The Israeli government largely supports a free market, with labor protection laws deemed by the OECD as reasonably flexible. Instead of the classic labor union and employer model, the government adopted the Danish “flexicurity model” of labor-market regulation. Based on trilateral agreements between the government, employers, and unions, it aims to improve the economic status of both unionized workers and the unemployed by ensuring that they receive severance packages and unemployment benefits while allowing employers more flexibility.

In 2014, an agreement was struck between the Histadrut Labor Federation and business leaders on a plan to increase the monthly minimum from NIS 4,300 to NIS 5,000 over two years. In November 2015, it approved another increase to NIS 5,300 by December 2017.

After many years of increasing numbers of foreign workers in Israel, particularly in nursing, agriculture, and construction, the Israeli government shifted toward diminishing foreign work and even abolishing it all together. This process is ongoing, but proceeding slowly due to pressure from the industrial sectors; from 2011 to 2012 the government still had not reduced quotas as intended. In 2011, however, new agreements were reached with foreign countries such as Bulgaria and Thailand to limit the country of origin of foreign workers for a given business sector in order to improve the monitoring of labor laws and prevent cases of exploitation by recruiting agencies. These efforts have been fruitful, with the number of foreign workers declining over the last two years; they now account to just 2.8% of the total workforce in Israel. However, a huge number of undocumented foreign workers are still in Israel.

Citation:

“Data on Ultraorthodox Employment”, The Knesset’s Research Center, March 2016.

“Data on Foreign Workers in Israel”, The Knesset’s Research Center, June 2016

Azolai, Moran, “The requirement to teach core curriculum was canceled”, 2.8.16, Ynet (Hebrew):

<http://www.ynet.co.il/articles/0,7340,L-4836161,00.html>

Averbukh, Lidia: Foreign Workers in Israel. How Ethno-Nationalism prevents Structures of Representation. In: Journal for Societal Progress, vol 5 (2), p. 88-96. [www.momentum-quarterly.org](http://www.momentum-quarterly.org)

## Italy

Score 7

In the past, Italy’s labor market policies have been inadequate in meeting the challenges of the recent economic crisis. The main measure to combat the effects of

a crisis was the “cassa integrazione,” which temporarily subsidized the salaries of workers, either partially or fully, kept idle by private companies. The aim was to encourage companies to avoid dismissing employees. However, cassa integrazione had no effect on those who were unemployed.

The difficult economic situation further worsened one of the problematic features of the Italian labor market: the polarization between protected sectors and those that are largely unprotected and precarious. While older workers in the public sector and in large firms of the private sector enjoy sufficient and, in some cases, even excessive protection, young people and in general those working for small private-sector firms are much less protected. Unemployment increased significantly over the last years, but the increase was particularly dramatic among young people. The lack of significant unemployment benefits has made young people’s economic position in society extremely precarious.

Starting in 2014, the Renzi government has shown a willingness to tackle this problem more resolutely. After some more limited but immediate measures to make the hiring of young people easier, the government launched a systematic revision of the labor code aimed at encouraging firms to adopt more flexible but also stable labor contracts. The law, informally called the Jobs Act, has given the government broad discretion to define specific labor market norms and has been accompanied by fiscal measures that should make the hiring of new workers more convenient for firms. During the period under review, the government has gradually expanded the scope of this law and encouraged a new type of labor contract. This new labor contract increases employers’ ability to hire and fire, while also encouraging a shift from precarious to long-term contracts. It has been received very favorably and 2015 data on new contracts indicates that it has been a significant success. However, in 2016, fewer such contracts were issued as economic incentives for employers have been reduced.

Overall the new policies have been relatively more successful in expanding the employment rates of the older than of the younger cohorts of workers.

The new and more inclusive social insurance benefit for those who have lost their job (NASPI, “nuova prestazione di assicurazione sociale per l’impiego”) is part of the Jobs Act and is a first step toward creating a national unemployment insurance. Though it does not cover young people who have never been employed.

## Japan

### Score 7

In recent years, Japan’s unemployment rate remained below 6%, reaching a low of 3.5% in 2015 (although this figure would likely be somewhat higher if measured in the same manner as in other advanced economies).

However, as in many other countries, the Japanese labor market has witnessed a significant deterioration in the quality of jobs. Retiring well-paid baby boomers have,

more often than not, been replaced by part-timers, contractors and other lower-wage workers. Non-regular employment has risen strongly; while only 20% of jobs were non-regular in the mid-1980s, this percentage has risen to about 40%. A major concern is that young people have difficulty finding permanent employment positions, and are not covered by employment insurance. Moreover, because of the nonpermanent nature of such jobs, they lack appropriate training to advance into higher-quality jobs. Most economists argue that the conditions for paying and dismissing regular employees have to be liberalized to diminish the gap between both types of employment.

Unemployment insurance payments are available only for short periods. In combination with the social stigma of unemployment, this has kept registered unemployment rates low. There is a mandatory minimum-wage regulation in Japan, with rates depending on region and industry. The minimum wage is low enough that it has not seriously affected employment opportunities, although some evidence shows it may be beginning to affect employment rates among low-paid groups such as middle-aged low-skilled female workers.

The LDP-led government has promised sweeping reforms. However, earlier measures have proved rather disappointing to the business world. In 2016, the Abe-led government announced a significant reform by March 2017, with “equal pay for equal work” a major slogan, based both on employment and distributional concerns. The newly created Council for the Realization of Work Style Reform held a first meeting in September 2016. It is open to what extent the government can truly prepare workable measures by next year. Simply raising wages of the irregular workforce by regulation seems hardly feasible. The government also intends to raise the minimum wage by 3% annually, so in 2020 it could reach 1000 JPY per hour (about €8.80).

The government’s visions of increasing the role played by women in the economy and of boosting the national birth rate have provide difficult to achieve at the same time. However, increasing the number of child care facilities is a noteworthy element of the 2016 fiscal stimulus program.

Citation:

Kyodo News, Gov’t report urges more labor reform, childrearing support, 28 October 2015, <http://www.japantoday.com/category/national/view/govt-report-urges-more-labor-reform-childrearing-support>

Robin Harding, Shinzo Abe fears wrath of the salaryman on labor reform, Financial Times, 12 October 2016, <https://www.ft.com/content/5e3114be-902a-11e6-8df8-d3778b55a923>

## New Zealand

Score 7

Although the National government is reluctant to use direct interventions in the labor market, New Zealand’s labor-market policy has been relatively successful. The unemployment rate was 5.1% in August 2016. Averaged over time unemployment rates have risen less than in most OECD countries. In addition to longer-term

measures to reduce non-wage labor costs, the government has concentrated on online information for job seekers (the Department of Labor's Jobs Online Index) and on measures to build up skill levels in the workforce and address skill shortages. For a number of years, a major problem in this regard was the persistent loss of highly skilled workers to Australia. The volume of this expatriation rose at its peak to over 50,000 persons per annum, a significant loss for a country with a population of only 4.6 million. This trend has been stopped. In June 2016, net migration amounted to plus 69,100. However, skills shortages in the telecommunication, IT and construction sectors remain a problem. In April 2016, the Global Impact Visa policy was announced. A collaborative public-private sector approach, the policy aims to identify the best applicants from around the world and provide support as they integrate into the New Zealand economy. Regarding low-skilled work, the Essential Skills Policy facilitates the entry of temporary workers to fill employment shortages. The maximum duration of Essential Skills visas has been extended from three to five years. Areas of concern remain, such as the differentials between urban and non-urban areas, and with respect to Maori and Pasifika populations, which had an unemployment rate of 11.4% and 10.1% respectively in the second quarter of 2016, a moderate decrease compared to the year before. The unemployment rate for young people (10.7% in the second quarter of 2016) has been decreasing since 2008. This is mainly due to the government's youth-based initiatives, including increased financial support for apprenticeship training, greater vocational preparation in schools and the introduction of a 90-day employment trial period. The rebuilding of Christchurch and the housing boom, especially in Auckland, stimulated economic growth. This has been sustained by sharp growth in tourism, a rise in net migration and an associated demand for housing, especially affordable housing targeted toward first-time buyers.

Citation:

Essential Skills Work Visa. New Zealand Immigration. 2016 (<https://www.immigration.govt.nz/new-zealand-visas/apply-for-a-visa/about-visa/essential-skills-work-visa>) (accessed 16 September, 2016)

Global Impact Visa policy. Ministry of Business, Innovation & Employment. 5 May 2016 (<http://www.mbie.govt.nz/about/whats-happening/news/2016/global-impact-visa-policy>) (accessed 16 September, 2016)

Quarterly Labour Market Report (Wellington: Ministry of Business, Innovation & Employment August 2016)

## South Korea

### Score 7

Labor-market policies successfully kept the unemployment rate to 3.7% in 2014, and to 3.5% in 2015. In May 2016, the overall unemployment rate of 3.7% was the third-lowest such rate in the OECD. On the other hand, the youth-unemployment rate, reaching 9.7% in May 2016, was at its highest level since 1980 and was around 4 percentage points above the OECD average. Moreover, labor-market policies have been less successful in preventing the proliferation of precarious working conditions and irregular employment. This problem is particularly severe for young college graduates, who cannot get regular jobs. The share of irregular workers as a proportion of all workers declined from 32.6% in June 2013 to 32.5% in October

2015. But the total number of irregular workers increased to 6.2 million due to an increase in older workers paid by the hour (as of November 2015). Thus, in terms of job quality, strategies against unemployment have shown little success.

Due to the problems of precarious employment, many unemployed individuals are discouraged from looking for jobs and eventually exit the labor market. Consequently, the overall employment rate of 66% in December 2015 remains below the OECD average due to low levels of employment among women and the ineffectiveness of government policies that target this problem. Park Geun-hye's administration addressed the problem of the low employment rate with a "roadmap to achieve an employment rate of 70% by 2017," announced in June 2013. It came close to achieving the roadmap's 2014 target employment rate of 65.6%. However, the youth employment rate (among those aged 19 to 29), declined to 56.8% in September 2014, falling below the senior employment rate (aged 60 to 64) of 57.2% for the first time.

A major change in country's labor-market policies was the introduction of the wage-peak system in 2015. The system guarantees employment among senior-age employees until retirement age, but with reduced wages. The system is not mandatory, but is encouraged by the government as part of a measure to increase job availability for youth. In January 2016, the Ministry of Employment and Labor released the final version of employment guidelines that allow companies to lay off underperforming workers, drawing vehement opposition from workers.

Citation:

OECD, Employment Outlook 2016, <https://www.oecd.org/korea/Employment-Outlook-Korea-EN.pdf>

OECD, Employment Outlook 2014, <http://www.oecd.org/korea/EMO-KOR-EN.pdf>

Pres. Park's dream of 70% employment still a long way off, The Hankyoreh, Jan. 16, 2014 [http://www.hani.co.kr/arti/english\\_edition/e\\_business/620022.html](http://www.hani.co.kr/arti/english_edition/e_business/620022.html)

Business Korea, wage peak system adopted by major businesses groups, [www.businesskorea.co.kr/english/news/politics/9257-wage-peak-system-wage-peak-adopted-major-business-groups](http://www.businesskorea.co.kr/english/news/politics/9257-wage-peak-system-wage-peak-adopted-major-business-groups)

Number of Irregular Workers Continue to Rise in South Korea, The Diplomat, November 10, 2015.

<http://thediplomat.com/2015/11/number-of-irregular-workers-continue-to-rise-in-south-korea/>

## Sweden

### Score 7

The heyday of full employment policies in Sweden is gone, seemingly forever. Current labor market statistics indicate that Sweden today does not differ in any significant way from comparable capitalist economies. If anything, unemployment among youth and immigrants is higher than in other comparable countries. This pattern raises questions about the efficiency of Sweden's labor market policies and the overall regulatory framework. The former, non-socialist government pursued a policy which incentivized unemployed to look for work by lower unemployment support. The current government (Social Democrats and Greens) is committed to increasing that support. Their policy stance marks a return to more government-sponsored employment as a means of helping the unemployed access the labor market. It is too early to assess whether this new (return to an older) approach to unemployment will be any more successful than that pursued by the previous

“Alliance” government. The huge refugee influx into Sweden in 2014 and 2015 will have significant impact on the labor market.

Ongoing EU integration and the mobility of labor has triggered a new set of issues related to the domestic regulations in the market. Also, there has been extensive debate about introducing an apprentice model to help younger age cohorts to make the transition from education to the labor market. Additionally, Swedish policymakers have been trying to create a short-time work scheme for public employees, as it exists in Germany. These examples may indicate that the old Swedish model of labor market policy is gradually moving toward the German model.

Union strength has declined rapidly in recent years, but union power remains strong by international standards. The strength of unions in part explains the relatively modest reform in labor market rules related to dismissal, minimum wage and apprentice arrangements, which would entail some workers earning a lower salary. But this applies only to insiders on the labor market because employment protection legislation for precarious work is underdeveloped. As in other European countries, Sweden’s labor market is undergoing dualization, albeit at a slower speed than, for example, in Germany.

Whether related to culture or differences in training and work experience, immigrants to Sweden have for a long time experienced severe problems in entering the labor market. Sweden shares this problem with a large number of countries but it has proven to be inept at addressing this aspect of integration. The large number of unemployed immigrants tears at the fabric of integration policies. In 2017 and 2018, large numbers of immigrants will be actively looking for employment, which will pose a significant challenge to the labor-market system.

Sweden’s Labour Market Agency is criticized by both business organizations and the unemployed for performing poorly in terms of matching the unemployed with vacant jobs. The agency has been subject to a massive internal reorganization process and developed a new model for its internal management, which will take time to establish.

Citation:  
OECD (2015), *Employment Outlook* (Paris: OECD)  
OECD (2016), *Employment Outlook* (Paris: OECD)

## Austria

### Score 6

Austrian labor market policies are comparatively successful, if the reference is to labor markets in other European (especially other EU member) states. In recent years, Austria’s unemployment figures have persistently been among Europe’s lowest. This has changed during the last years. Developments in Austria’s labor market are lagging behind some of the more successful European countries, such as

Germany. One reason for the economic lag is the political inability to pursue a consistent policy regarding the integration of migrants, political asylum seekers, and refugees who entered Austria in comparatively large numbers in 2015 and 2016.

One factor contributing to the still quite successful labor market outcomes is the social partnership between the Austrian Trade Union Federation (Österreichischer Gewerkschaftsbund, ÖGB) and the Austrian Economic Chambers. Many labor market policies in Austria are effectuated through the Public Employment Service, another institution key to the country's employment successes. The Austrian dual system of vocational education, in which young people receive on-the-job vocational training while still attending school, has also been successful, and is increasingly drawing international attention. The consensual way employers and employees address wage developments, resulting in an extremely low number of open conflicts like strikes, must still be considered a positive factor.

Nonetheless, unemployment rates have risen significantly in Austria over the last 20 years. Both neoliberalism and globalization have been cited as decisive factors in this regard. Neoliberalism is cited in explaining job losses associated with privatization, a trend that could arguably be reversed if decision makers would act more decisively to secure a stable labor market with better opportunities for employment. Globalization, however, involves the decline of traditional state power as a result of increasingly open global markets and is therefore not subject to control by any single national government. The shifting of public resources in favor of older generations has also been cited as a cause of rising youth-unemployment rates and declining international competitiveness for the highly skilled.

Labor market policies are traditionally influenced by organized labor, represented by the Austrian Trade Union Federation. Like other European trade unions, the ÖGB has seen its ability to attract members decline, but still enjoys a comparatively high membership density.

Austrian labor policy suffers from the fact that most political actors and society at large are hesitant to adopt a transnational outlook with regard to the labor market. The free movement of goods and people within the EU Single Market is seen by too many as a threat rather than an opportunity, and there is no consistent policy approach to managing inflows of migration (whether legal or illegal) from outside the EU. Open borders, liberalized Austrian labor markets and the influx of foreign workers and migrants have also contributed to a decline of real incomes among lower-wage Austrian blue collar workers over the last years.

As pension reforms have lengthened Austrians' working lives and continued immigration has increased the labor supply, a concerted effort to tackle the unemployment problem is crucial, in particular with respect to defeating populist parties and policies. Moreover, unemployment is a distinctively low-education problem, so it is the education and vocational training systems which are particularly involved.

Citation:

For real incomes see -> Rechnungshof Einkommensbericht 2014:  
[https://www.google.at/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&cad=rja&uact=8&ved=0ahUKEwjk6orgzdVJAhUmZ3IKHR-NCsUQFggIMAE&url=http%3A%2F%2Fwww.rechnungshof.gv.at%2Fberichte%2Ffansicht%2Fdetail%2Finkommensbericht-20141.html&usg=AFQjCNHIBx5DmSnDkTzJHE769MsZDnO2Sg&sig2=W5ntGzu-\\_UZOZxWU1ze5uA](https://www.google.at/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&cad=rja&uact=8&ved=0ahUKEwjk6orgzdVJAhUmZ3IKHR-NCsUQFggIMAE&url=http%3A%2F%2Fwww.rechnungshof.gv.at%2Fberichte%2Ffansicht%2Fdetail%2Finkommensbericht-20141.html&usg=AFQjCNHIBx5DmSnDkTzJHE769MsZDnO2Sg&sig2=W5ntGzu-_UZOZxWU1ze5uA)

## Belgium

### Score 6

At the onset of the financial crisis, unemployment rates did not increase as dramatically in Belgium as elsewhere in Europe, demonstrating the effectiveness of the Belgian social safety net. Economic inequality also remains well below the EU average.

Notwithstanding, the performance of the labor market eroded over the previous years. Eurostat data show that the Belgian unemployment rate fell in comparison with the euro zone average between 2007 and 2012, but has been creeping up since then. It remains substantially higher than in Austria, a country with comparable characteristics. Recent enterprise closures produced a slight drop in the 2016 activity rate for those aged 15 to 50. Government reforms aimed at increasing the activity rate of those aged 51 to 64 did produce some effect, though more modest than expected.

According to several analyses (including that of the Council of Europe), this is due to a lower than desirable link between wages and productivity, financial disincentives to work (in part due to high taxes and social contributions on labor), increasing mismatches between the demand and supply of labor skills, workers' insufficient geographic mobility between regions (Flanders, Wallonia, Brussels) in spite of the short distances, and pockets of high unemployment (particularly among the youth and/or under skilled), especially in the Brussels region and older industrial basins in Wallonia. Belgium has been forced to keep public spending under tight control due to the European Commission's macroeconomic imbalance procedure. This implies that there is chronic underinvestment in higher education, and no long-term plan for mid-career retraining (both competences are now largely exerted by the subnational authorities). This does not bode well for the supply of skilled labor. On the other hand, many other "structural" changes are underway. These have shown only minimal results as of yet, partly because of the current economically depressed environment in the EU.

Citation:

Council of Europe's recommendations: <http://data.consilium.europa.eu/doc/document/ST-9190-2016-INIT/en/pdf>

## Chile

### Score 6

By international comparison, Chile (like most Latin American countries) has very wide-ranging and restrictive labor-market laws and regulations, at least on paper. Excessive regulation of job content, firing restrictions, and flexible and part-time contracts create disincentives to formal-sector employment. Minimum wages are high relative to average wages in comparison with other OECD countries.

The unemployment rate increased during the period under review, reaching about 6.9%, one of the highest rates in the past five years. Also, between 70% and 80% of salary earners work in low-wage sectors or do not earn minimum wage, despite being statistically registered as employed. Policies that would increase labor market flexibility (e.g., greater integration of groups such as women and low-skilled workers), have largely been ignored. The strength of trade unions varies greatly, from very powerful (within state-owned companies and the central government) to very weak (within informal enterprises), with factors influencing this divide ranging from inadequate legislation and enforcement to the prevalence of informality.

Since powerful labor unions, including the Central Unitaria de Trabajadores (CUT) and Comisiones Obreras (CCOO), stress wage-related issues, the limited labor-market policies that have been implemented focus on wage levels rather than the quality of the labor force. Continuing education and skill enhancement training programs receive little support. Despite diminishing productivity, comparatively high wage levels have been established, mostly in the mining sector, with wage increases exceeding the rate of inflation.

Originally intended to be introduced in Congress in October 2014, the labor reform package was pushed back due to disagreements between the government and opposition. After several disputes in the Senate and an intervention by the Constitutional Court, labor reforms were finally enacted by President Bachelet in August 2016. The original reform proposal aimed to alter a number of laws originally passed under Augusto Pinochet and address the country's high degree of inequality. However, the enacted version had been modified significantly in order to pass Congress. The reform seeks to modernize labor relations, mainly relating to collective bargaining, broadening negotiable topics and implementing a female quota of at least 30% among the respective labor union representatives. Although the long-term effect of these reforms on unemployment and labor market performance in general remain unclear, the reform can be considered a step forward. Its effects will be visible in the years to come, as regulatory laws are enacted.

Citation:

See news on labor reform, for instance:

<http://www.emol.com/noticias/Economia/2016/08/29/819506/Cuales-son-las-principales-modificaciones-de-la-Reforma-Laboral.html>

<http://www.cnnchile.com/noticia/2016/08/29/presidenta-bachelet-promulgo-la-reforma-laboral>

<http://www.lanacion.cl/noticias/economia/laboral/reforma-laboral-senado-aprobo-veto-presidencial-y-esta-listo-para/2016-06-22/203636.html>

<http://reformalaboral.carey.cl/>

## Cyprus

### Score 6

The sharp increase in unemployment rates caused by the economic crisis appears to gradually have been curbed. From 15.9% in 2015, it is expected at 13% in 2016 and 11.6% in 2017 (IMF). These figures are lower than the peak of 17% (August 2013) and 14.2% when the bailout agreement was reached. These hardly compare with pre-crisis data, 3.7% with near-full employment (76.5%) in 2008. The public sector employed 15% of the working population, while the services sector accounted for 79.4% of jobs in the second quarter of 2015.

The regulatory framework protects labor rights, and includes provisions preventing unlawful dismissal from employment. However, serious shortcomings are evident in its implementation in the private sector. Over the years, “tripartism” in the form of agreements between the state, businesses and employees have made the labor market less flexible. The crisis has led to forced imposition of changes such as the suspension since 2011 – 2012 of the automatic cost-of-living adjustments (COLA) that protected incomes against inflation, as well as salary reductions. There are cases of employment with salaries below the legal minimum wage, no social insurance offered and other negative phenomena. Large privileged public and banking sectors ‘compete’ with a relatively weak private sector that is exerting pressure on benefits in a labor market marked by distortions. Unions have a strong voice particularly within the public sector. This allows them to secure their members’ benefits, while migrant EU and non-EU labor is often exploited. This is widening the economic gap. A survey on labor force showed that, in 2015, non-Cypriot workers accounted on average for 19.6% of the employed, of whom 11.2% were EU nationals and 8.4% migrants from developing countries.

Active labor-market policies, including counseling services, assistance with job searches and subsidized employment programs continued in 2016 and helped further curb persistently high unemployment rates. However, there are two issues of concern: youth unemployment remains high at 32.8% (2015 and 2016) and long-term unemployment registered 5.6% in mid-2016. Unemployment affects women slightly more than men. However, only 57.7% of women participate in the labor force and 49.2% are employed (2015), against 67.4% and 57.2% for men. In addition to labor market policies, factors such as high rates of short-term and part-time employment, a significant emigration rate and a pattern of students electing not to return to Cyprus after completing their studies have contributed to declines in unemployment figures. Projections for sustained growth in 2017 are likely to offer more opportunities in the labor market.

Citation:

1. Labour Force Survey 2015, Statistical Service ROC, 2016, [http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/9D885ED59D837AB3C2257FEA002DDF09/\\$file/LAB-LFS-A2015-EN-080716.xls](http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/9D885ED59D837AB3C2257FEA002DDF09/$file/LAB-LFS-A2015-EN-080716.xls)
2. Survey of Labour Market, Q2-2016, Statistical Service ROC, 2016 [http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/75F22FCE3441C971C2257752003A3990/\\$file/LAB-LFS-Q216-EN-230916.xls](http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/75F22FCE3441C971C2257752003A3990/$file/LAB-LFS-Q216-EN-230916.xls)
3. IMF, World Economic Outlook, Symptoms and Remedies, October 2016, <https://www.imf.org/external/pubs/ft/weo/2016/02/pdf/text.pdf>
4. Cyprus Post-Programme Surveillance, Statement EU and ECB, 2016, <http://www.ecb.europa.eu/press/pr/date/2016/html/pr160930.en.html>

## Czech Republic

Score 6

Labor market outcomes have improved considerably in recent years. While the employment rate has risen steadily over the past five years to reach 76.8% in the third quarter of 2016, the unemployment rate has fallen considerably since 2014. In Eurostat terms, it was the lowest in the EU in 2016. Some sectors, especially the manufacturing industry, are already experiencing a shortage of skilled labor.

While the decline in unemployment has gone hand in hand with a decrease in long-term unemployment, groups such as parents with small children, low-skilled workers, people with disabilities and Roma are still strongly disadvantaged on the labor market. Parents with small children and single parents are hampered in labor force participation by a shortage of affordable child-care services together with the limited use of flexible working hours. Low-skilled employment has suffered from tax disincentives, a weak capacity of public employment services and low regional mobility. Despite the growing risk of labor market shortages, the Sobotka government has done little to address these issues.

Citation:

European Commission (2017): Country report Czech Republic 2017. SWD(2017) 69 final, Brussels, 6-7, 18-20. ([https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-czech-en\\_1.pdf](https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-czech-en_1.pdf))

## Finland

Score 6

A deep depression in the Finnish economy in the 1990s resulted in a rapid and dramatic increase in unemployment rates. While the employment situation gradually recovered from this 1990s recession, unemployment has again become a serious challenge in recent years, aggravated by the European economic crisis. The unemployment rate in July 2014 was 7.0%; by June 2015, this rate had reached 10.0%. Figures for 2016 were 10.8% (May), 9.3% (June) and 7.8% (July). Forecasts estimate the unemployment rate to stand at around 8.2% in 2020. Present achievements in stemming long-term unemployment, youth unemployment and low-skilled unemployment are not satisfactory, and the high level of youth

unemployment is a particular cause for concern. In the area of active labor-market policies, recent government strategies have included efforts to improve employment subsidies and labor-market training, and youth unemployment has been specially targeted by recent reforms. While Finland maintains a system of minimum wages and collective agreements, more attention is needed in matters of worker-dismissal protections. Structural, institutional and political factors exacerbate the present difficulties. Finland is a large but sparsely populated country. Consequently, geography is an obstacle to labor mobility. Globalization has also become a threat to labor-market strategies, as companies have sought to reduce their costs by moving production abroad. In many sectors, the amount of temporary work contracts has been increasing. All this works against employment and job security.

The Sipilä government has initiated a reform of the unemployment benefit system, with first amendments coming into force 1 January 2017. The first part of the reform cuts the duration of earnings-related unemployment benefits from a maximum of 500 to 400 days, sets stricter conditionalities for the unemployed in accepting job offers and seeks to personalize employment services by interviewing job-seekers regularly. The reform marks a shift from passive to more active labor-market policies.

Citation:

Heikki Räisänen et al., "Labor Market Reforms and Performance in Denmark, Germany, Sweden and Finland", Publications of the Ministry of Employment and the Economy, Nr 19/2012.

"Finnish Unemployment Rate. Forecast 2016-2020", [www.tradingeconomics.com](http://www.tradingeconomics.com);

"Statistics Finland - Labor Market", [www.stat.fi](http://www.stat.fi)

"Työttömyysturvalakiin muutoksia - työttömyysturvan kesto lyhenee"; [http://stm.fi/artikkeli/-/asset\\_publisher/tyottomyysturvalakiin-muutoksia-tyottomyysturvan-kesto-lyhenee](http://stm.fi/artikkeli/-/asset_publisher/tyottomyysturvalakiin-muutoksia-tyottomyysturvan-kesto-lyhenee)

## Iceland

### Score 6

Historically, labor market policy has managed to keep unemployment low. At the end of 2007, the unemployment rate was just below 1%. However, this changed dramatically with the 2008 collapse. In 2010, the unemployment rate peaked at 7.6% before falling in 2011 to 7.1%. The average unemployment rate for 2012 (6.0%), 2013 (5.4%), 2014 (5.0%), 2015 (4%), and the drop in unemployment to 2.4% in November 2016 suggests increasing tightness of the labor market. No longer high even by domestic standards, Iceland's unemployment rate in 2016 was quite low compared with other European countries, such as Ireland and Spain. Overheating of the labor market and the economy at large is once again a serious concern.

Iceland's labor market legislation has essentially remained unchanged since 1938 with wage contracts negotiated by the leadership of labor unions and employers' associations. Most wage contracts were due for renegotiation in early 2015. There was great turbulence in the labor market in 2015 and 2016, such as a doctors' strike and other labor disputes, particularly within the public sector (e.g., a joint strike by nurses, other specialized hospital staff, and several other public sector unions). Most of these disputes were settled before the end of 2015 with collective agreements

running to 2019. However, primary school teachers are still without any agreement and tough negotiations could occur. Moreover, fishermen went on strike in late 2016. The October 2016 decision of the national Wage Council to raise the salaries of parliamentarians, ministers, and the president by more than 40% poured oil on the fire. These wage hikes imply a 75% increase for this group since 2013 whereas general collective agreements brought most wage earners a roughly 30% increase for the same period.

Citation:

Statistics Iceland website, <https://hagstofa.is/talnaefni/samfelag/vinnumarkadur/vinnumarkadur/>

## Lithuania

### Score 6

Though Lithuania's labor market proved to be highly flexible during the financial crisis, probably due to low compliance with the Labor Code, persistent labor-market challenges undermine economic competitiveness. Unemployment rates remain high, especially among young, low-skilled and long-term unemployed people. It is increasingly difficult for businesses to find suitable skilled labor. Skills shortages are emerging in certain sectors of the economy, which will become more acute in the future. In its 2016 report, the European Commission found that spending on effective labor market policy remains limited. The European Commission recommended addressing skills shortages by strengthening investment in human capital, matching education and labor market demand, raising the quality of teaching, developing more active labor market policies, and expanding adult learning programs.

In the Global Competitiveness Report 2016-2017, Lithuania ranked highest for the flexibility provided in determining wages (ranked 15 out of 138 countries). However, hiring and firing practices were considered relatively very restrictive (ranked 116 out of 138 countries), and taxation has a very negative effect on incentives to work (ranked 121 out of 138 countries). Implementation of the new Labor Code was expected to make hiring and firing practices more flexible, while the pension reform (also approved as part of the new "social model") will reduce social security contributions of employers by 1% from 2017 and introduce progressive ceilings on contributions from 2017 to 2022. However, although declared a major achievement of the 2012 to 2016 government led by the Social Democratic Party of Lithuania, these reforms have been postponed by the newly formed coalition government led by the of Lithuanian Farmers and Greens Union.

In 2013, the previous government increased the minimum wage by about 20%, to about €90, fulfilling an election pledge. Further increases to €100 and €125 followed in October 2014 and July 2015. In 2016, the minimum wage was further increased to €150, reaching about 50 % of average monthly earnings in the business sector. Though the increase in the minimum wage contributes to increased economic consumption, a high minimum wage to average wage ratio increases the risk of unemployment for low-skilled workers. Though there has been no perceptible

change in unemployment. Indeed, unemployment rates have continued to decline to 10.7% in 2014 and 9.1% in 2015. Relatively high rates of emigration to other EU member states have partially compensated for the country's inflexible hiring-and-firing rules and rigid labor code.

Citation:

COMMISSION STAFF WORKING DOCUMENT, country report Lithuania 2016:  
[http://ec.europa.eu/europe2020/pdf/csr2016/cr2016\\_lithuania\\_en.pdf](http://ec.europa.eu/europe2020/pdf/csr2016/cr2016_lithuania_en.pdf)

See the 2016 - 2017 Global Competitiveness Report of the World Economic Forum:  
[http://www3.weforum.org/docs/GCR2016-2017/05FullReport/TheGlobalCompetitivenessReport2016-2017\\_FINAL.pdf](http://www3.weforum.org/docs/GCR2016-2017/05FullReport/TheGlobalCompetitivenessReport2016-2017_FINAL.pdf)

## Mexico

### Score 6

The crucial challenge for Mexico's labor economy is the division of the labor market into formal and informal sectors. The informal sector consists of companies and individuals that are not legally registered for taxation and national insurance, these largely escape both the advantages and disadvantages of legal regulation. According to government estimations, this segment of the workforce accounts for 57% of the economically active population. By OECD standards, the size of the informal sector is very large. Moreover, Mexico is the only OECD country without a national system of unemployment insurance. Many small companies inhabit a twilight world in which they have both lawful and extra-legal features. Informality is also heterogeneous across regions, with the southern regions of the country generally performing worse.

A 2012 labor reform attempted to increase market flexibility and reduce hiring costs. Although eventually watered down with regard to union transparency, supporters of the law claim that it has the potential to increase productivity, boost employment, and improve competitiveness. In 2015 and 2016, unemployment was reduced even in the context of a challenging international environment. The new law reforms Mexico's labor regulations and allows employers to offer workers part-time work, hourly wages and gives them the freedom to engage in outsourcing. Opposing, but not being able to block the bill, the left-wing Party of the Democratic Revolution deplores the ease with which employers can now hire and fire workers, outsource jobs, sidestep giving workers health benefits and hire part-time workers for a fraction of the pay they would otherwise receive. On the other hand, the new law contains provisions to outlaw gender-based discrimination, and by lifting the ban on part-time employment, it will be easier for some, including single parents and students, to find work. Until recently, Mexican labor law was based exclusively on Article 123 of the constitution, as well as the 1931 labor law. The Mexican labor system was organized on principles that were fundamentally corporatist for insiders and exclusionary for the rest. The corporatist system declined as the economy became more oriented to market principles, the Cold War ended, and labor militancy became less of a threat.

However, a more modern philosophy did not replace the old system, and in turn, the labor legislation became cumbersome and anachronistic. The new law has thus

updated Mexico's labor legislation to some extent. However, the new law is unlikely to produce major changes. Durable long-term change is notably hard to achieve due to Mexico's chronic labor surplus and its large informal sector of the economy. The government is facing entrenched interests – particularly from the trade-union sector – who maintain a strong following and will try their best to halt reform. Despite the trade unions' relative loss of influence in the past two decades, they are still influential compared to those in other Latin American countries.

## Poland

### Score 6

Poland's favorable overall economic record has been associated with a marked decline in unemployment. The unemployment rate has fallen further and reached 8.8% in July 2016, the lowest level since 2008. The employment rate has slowly but constantly increased during the last years to 67.8%, but is still below the EU-28 average of 70.1%. Regional variations in (un-)employment, both between and within regions (voivodships), have been strong and persistent. Temporary employment contracts represent another problem, as Poland has the highest rate in the EU. The PiS government has done little to foster the integration of youth, less-skilled workers and women in the labor market and to increase the share of regular employment contracts. Its main reform project in the field of labor market policy has been the increase of the minimum wage from 3 PLN to 13 PLN per hour or PLN 2000 (€450) per month in July 2016. While this politically popular move has improved the financial situation of low-wage earners, it has raised concerns about negative employment effects and a rise of the shadow economy.

#### Citation:

Morawski, I. (2016): The labor market in Poland has become selective, in: Central European Financial Observer, May 20 (<http://www.financialobserver.eu/poland/the-labor-market-in-poland-has-become-selective/>).

## Slovenia

### Score 6

As a result of the economic recession, unemployment rates in Slovenia rose between 2009 to 2013. In 2013, the employment rate among those aged 20 to 64 fell below the EU average for the first time. Since 2014, the labor market situation has improved. The unemployment rate dropped from 12.3% in September 2015 to 10.4% in September 2016, and in August 2016 the number of registered unemployed persons fell under 100,000 for the first time since 2010. The improvement in labor market performance has been driven largely by the economic recovery. While Slovenia has a tradition of labor market policy that dates back to Yugoslav times and participates in a number of EU-funded programs (i.e., EURES), existing programs have suffered from budget cuts between 2009 and 2014 and are now slowly regaining their lost effectiveness.

Citation:

OECD (2016): Connecting people with jobs. The labour market, activation policies and disadvantaged workers in Slovenia. Paris.

## Spain

Score 6

Though still quite high compared to other OECD countries, unemployment rates in Spain began to fall in early 2013, as the Spanish economy entered recovery. The jobless rate reported by the Spanish Statistics Institute (INE) was 18.7% at the end of 2015, having fallen from an all-time high of 27% in the first quarter of 2013. The average rate over the past 40 years was around 16%. Despite some improvement, the Spanish labor market continues to languish under problems that public policies have been unable to solve. Perhaps the three most significant ones include: 1) a lack of flexibility in the labor force (insufficient mobility, few part-time contracts); 2) a high share of undeclared work (which also means the actual unemployment rate is not as extreme as official figures indicate); and above all, 3) the aforementioned dual labor market, which is a serious source of inequality. Analysts also point to the existence of several contract modalities, a flawed social dialogue and expensive compulsory social-security contributions. Finally, public-spending cuts have reduced the prevalence of active labor-market programs designed to help the unemployed find work (e.g., training).

Citation:

Economically Active Population Survey (EAPS-EPA) Quarter 3/2016. Spanish statistics institute INE. [http://www.ine.es/dyngs/INEbase/en/operacion.htm?c=Estadistica\\_C&cid=1254736176918&menu=ultiDatos&idp=1254735976595](http://www.ine.es/dyngs/INEbase/en/operacion.htm?c=Estadistica_C&cid=1254736176918&menu=ultiDatos&idp=1254735976595)

## Turkey

Score 6

Turkey's population and work force are growing significantly. From 2012 to 2015, the country's population increased by an estimated 2.5 million, to 78.2 million people. Likewise, the working-age population (those 15 years old and older) grew from 55 million in 2012 to 57.9 million in 2015, while the labor-force participation rate rose from 47.6% in 2012 to 51.3% in 2015, and again to 52.7% in July 2016. A total of 23.9 million people were officially registered as employed in 2012, rising to 26.6 million in 2015 and 27.6 million people in July 2016.

Employment figures in various sectors point to growing dynamism in Turkey's economy and labor market. Since the global financial crisis, Turkey has created some 7 million jobs. The recent employment figures in the industrial and services sectors point to an increase of 351,000 jobs in industry from 2012 to July 2016 and an increase of 2.9 million jobs in the services sector for the same time period. Agricultural employment increased by 426,000 jobs from 2012 to July 2016.

The official number of unemployed increased from 2.4 million in 2013 to 3.3 million in July 2016. The increase in unemployment shows that the number of new entrants to the labor force outnumbered the number of jobs created, reflecting demographic factors as well as the slowdown of the Turkish economy. The overall unemployment rate increased from 9% in 2013 to 10.7% in July 2016. Unemployment rose in the non-agricultural sectors from 10.9% in 2013 to 13% in July 2016.

A major challenge facing the government in the medium term is to create more and better jobs for Turkey's young and growing population, since many young people (15 to 24 years old) are neither in employment nor in education (NEET). The unemployment rate of young people increased from 15.8% in 2012 to 16% in April 2016.

Another major medium-term challenge for Turkey is to boost women's participation rate in the labor force. Despite notable job-creation successes in recent years, almost half of Turkey's working-age population fails to enter the labor market, a problem accounted for in large part by women's low participation rates. As of July 2015, Turkey's female population aged 15 years and older amounted to 29.7 million, of which only 8.4 million were employed, which represents an employment rate of 28.4%. Furthermore, about 35% of youth, mostly women, are neither working nor attending school. 43% of working youth are employed in the informal sector, compared to a population average of 33%.

The World Bank points to labor market rigidity and high labor costs as important constraints to job creation in Turkey. Minimum wages are high, and Turkey has a generous severance payment system. The government's recently approved National Employment Strategy includes measures to reform the severance payment scheme, unemployment benefits and temporary work contracts. In January 2016, the minimum wage was increased by 30%. Recent research on the minimum wage increase indicates this raise should boost the incomes of the poor. But the increase in labor costs may discourage new hiring and change the composition of total employment toward the informal sector.

Recent research on international trade shows that firms participating in international markets through exports or multinationals are in general larger, more productive, more capital intensive, more skill intensive and pay higher wages than domestic firms in the same industry. Thus, by promoting exports through means such as real exchange rate devaluations and integration into global value chains (GVC), the country can create higher paying jobs in export sectors than domestically-focused firms and lead to productivity increases in the economy. It should be emphasized that Turkey, under current economic policies, exhibits one of the lowest shares of employment sustained by foreign demand, and hence real exchange rate depreciations and deeper GVC integration would generate new jobs and employment.

Citation:

World Bank (2016) World Bank Group - Turkey Partnership: Country Program Snapshot, Washington D.C.: The World Bank (April).

World Economic Forum, Global Gender Gap Report 2016, Geneva.

## Portugal

Score 5

Unemployment maintained the downward trajectory identified in the last two reports. According to Eurostat, the unemployment rate was 13.6% in November 2014, 12.5% in October 2015 and 10.9% in October 2016.

This is the lowest unemployment level since July 2009 and marks a considerable decrease from the high of 17.9% in January 2013.

However, it is unclear whether this decline is the result of labor-market policies or is primarily due to other factors. The available evidence suggests there are two main factors driving this result. The first is a return to real economic growth after a period of contractionary between 2011 and 2012. The second is the effect of very high levels of emigration since 2011. Based on National Statistics Institute (Instituto Nacional de Estatística, INE) data, Pordata estimate that 101,203 people emigrated either permanently or temporarily in 2015, down from 134,624 in 2014. The expectation is that the pattern in 2016 will maintain the slight downward trajectory of 2015. While this data points to a stabilization and gradual fall in the numbers of emigration, it remains very high and above 100,000 per year. This number is relevant if we consider that, according to Eurostat, the number of unemployed people fell by 81,000 from 633,000 in October 2015 to 554,000 in October 2016.

Regarding labor market policy, the most significant change was the previous Coelho government's decision to increase the minimum wage to €30 per month in 2016. This decision continued a recent policy trend to increase the minimum wage, which the Costa government has pledged to further increase to €57 by 2017 and €60 by 2019.

The Costa government is also committed to protecting employees' rights following its negotiations with the Portuguese Communist Party (Partido Comunista Português, PCP), the Ecologist Party (Partido Ecologista "Os Verdes," PEV) and the Left Bloc (Bloco de Esquerda, BE). However, as yet there has been little change vis-à-vis the previous review period.

Citation:

<http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Profiles/Country/PRT.pdf>

[http://www.oecd-ilibrary.org/economics/country-statistical-profile-portugal\\_20752288-table-prt](http://www.oecd-ilibrary.org/economics/country-statistical-profile-portugal_20752288-table-prt).

Eurostat, "Unemployment rate by sex and age - monthly average, %," available online at: [http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=une\\_rt\\_m&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=une_rt_m&lang=en)

Pordata, “Emigrantes: total e por tipo - Portugal,” available online at: <http://www.pordata.pt/Portugal/Emigrantes+total+e+por+tipo-21>

Eurostat, “Harmonised unemployment rates (%) - monthly data”, available online at: [http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ei\\_lmhr\\_m&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ei_lmhr_m&lang=en)

## Bulgaria

Score 4

The drop in unemployment that set in in 2013 has accelerated in 2016. This is more pronounced for employed than for self-employed people, indicating that hiring conditions have improved. The labor market reforms of 2015, creating more flexible hiring in the agricultural sector and starting a program for free language and computer literacy courses for the unemployed and underemployed, may be bearing fruit. Despite these improvements, the serious long-term problem of a skills mismatch continues. The relatively low overall proportion of economically active people in the total population indicates that some of the low-skilled are de facto excluded from the labor force. Among the employed, many occupy jobs which are below their level of education and skill. The employer organizations have demanded revisions of social security thresholds and a regional differentiation of the minimum wage, but these proposals have not been taken up by the government.

Citation:

European Commission (2017): Country Report Bulgaria 2017 including an In-Depth Review on the prevention and correction of macroeconomic imbalances. SWD(2017) 68 final/3, Brussels ([https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-bulgaria-en\\_3.pdf](https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-bulgaria-en_3.pdf)), 29-32.

## Croatia

Score 4

After steadily increasing from 2009 to 2014, the unemployment rate fell from a peak of 17.3% in 2014 to 16.3% in 2015 and 12.8% in 2016. While the economic recovery contributed to the decline in unemployment, the main underlying factor has been the shrinking domestic labor force due to strong emigration to other EU countries. While unemployment fell by 93,000 between the third quarter of 2015 and the third quarter of 2016, employment increased by only 14,000 over the same period.

While the number of participants in active labor market programs has quadrupled since 2010, labor market performance has suffered from various institutional and policy shortcomings. The severance payment regime hinders labor mobility and discourages the use of open-ended contracts. The multi-layered social benefits system and generous early retirement options create disincentives to work. The wage-setting regime is not conducive to aligning wage dynamics to macroeconomic conditions. In particular, little has been done to facilitate job creation. From a comparative perspective, it is the low rate of job creation rather than a high rate of

job destruction that underlies the weak labor market performance in Croatia.

Like its predecessor, the Orešković government largely failed to address these issues. The announced reform of active labor market policy, which was to be informed by a February 2016 comprehensive external evaluation, did not materialize before the September 2016 elections. In June 2016, however, the government suspended five – relatively effective – active labor market programs, including the largest one (accounting for almost 50% of all participants). In an attempt to reduce the fiscal cost of active labor market policy, the government combined these program suspensions with a call on actors to expand measures financed by the EU’s operational program Efficient Human Resources.

Citation:

Bejaković, P. (2015): Croatian Employment Policy in the EU Context, in: D. Lajh, Z. Petak (eds.), EU Public Policies seen From a National Perspective: Slovenia and Croatia in the European Union. Ljubljana: Faculty of Social Sciences, 255-266 ([https://bib.irb.hr/datoteka/819245.EU\\_public\\_policies\\_seen\\_from\\_a\\_national\\_perspective.pdf](https://bib.irb.hr/datoteka/819245.EU_public_policies_seen_from_a_national_perspective.pdf)).

Croatian Employment Service (2016): External Evaluation of Active Labour-Market Policy Measures 2010-2013: Summary Evaluation Report. Zagreb ([http://www.hzz.hr/UserDocsImages/Sumarno%20evaluacijsko%20izvje%C5%A1%C4%87e\\_ENG\\_Vanjska%20evaluacija%20mjera%20aktivne%20politike%20tr%C5%BEi%C5%A1ta%20rada%202010%20-2013.pdf](http://www.hzz.hr/UserDocsImages/Sumarno%20evaluacijsko%20izvje%C5%A1%C4%87e_ENG_Vanjska%20evaluacija%20mjera%20aktivne%20politike%20tr%C5%BEi%C5%A1ta%20rada%202010%20-2013.pdf)).

IMF (2016): Croatia: Selected Issues. Country Report No. 16/188. Washington, D.C., 19-25 (<https://www.imf.org/en/Publications/CR/Issues/2016/12/31/Republic-of-Croatia-Selected-Issues-44011>).

## France

Score 4

Despite high overall spending and a large number of cosmetic reforms, labor market policy has shown poor results. Since 2012, unemployment increased by 500,000 people, but slight improvements can be observed in 2016 as the unemployment rate has fallen from 9.9% in the first quarter of 2016 to 9.3% in 2017. France has a notoriously high youth unemployment rate. Similarly, French citizens with immigrant backgrounds, particularly youth, face tremendous difficulties integrating into the labor market. The employment rate of workers over 55 years of age is one of the lowest in the OECD (48.6% in 2015 compared to an OECD average of 58.2% and an EU target of 50%).

The high level of youth unemployment is linked to the French job-training system, which relies heavily on public schools; yet diplomas from such training are not really accepted in the industry at large, which hinders a potential worker’s transition from school to a job. As for senior workers, a retirement age of 60 (which, after Sarkozy’s reform of the pension system, has increased to 62) and various early retirement schemes have led to the present situation of low employment among those over 55. Heavy labor market regulation is another issue, as well as the high cost of labor. There is a dual labor market: on the one side, a highly regulated and protected sector (including five million public employment positions, one of the highest figures in Europe), and on the other, a sector characterized by precarity, limited job protection,

and insecurity. The rigidity of the former sector has triggered the development of the latter. While stable contracts (*contrats à durée indéterminée*) still represent 85% of total contracts, 87% of all new contracts are of a limited duration, and 70% of all contracts in total are limited to less than one month.

The Hollande administration has been successful in realizing some controversial labor market reforms, based on an agreement between social partners that was concluded in January 2013 and transformed in a binding law applicable to all. It is supposed to introduce more flexibility in the job market in exchange for better health services and training for workers made redundant. The effects of this agreement still have to materialize. While labor market reforms remain highly controversial, the Hollande administration has adopted limited measures to facilitate redundancies by lowering bureaucratic and procedural barriers, as in the Macron Law and in the Law on Social Dialogue (both 2015). However, while admitting that the labor code is too complex and needs more flexibility, the government neither addresses the 35 hour workweek nor the bargaining monopoly of trade unions (which attract up to 7% of the workforce, mainly in the public sector). Faced with enduring unemployment above 10% and political resistance from the unions (excluding the reformist CFDT) and the leftist faction of the Socialist Party, the Government had to accept the dilution of the measures envisaged in the 2016 Labor Law, pushing lasting structural reforms into the future. The main innovation of the new law stipulates that in case of extraordinary circumstances (e.g., steep increase or decline in orders), company agreements may overrule sectoral or national agreements, reversing the usual hierarchy. This highly disputed change has been imposed in spite of fierce opposition in the streets and in parliament, notably from the left wing of the Socialist Party.

Citation:

According to a report released by the “Cour des Comptes” ( National Accounting Office), the policy measures put in place in favor of young people are costly ( 10,5 billion euros), inefficient (most young people do not find a job at the end of the publicly funded training program), and messy ( too many unattractive and poorly managed programs). Most young people are hired on short time contracts ( two-thirds of the contacts have a duration inferior to 1 month!). Le Monde, 6 oct.2016

## Hungary

Score 4

Official recorded unemployment has declined significantly since the resumption of economic growth in 2013.

However, this has largely been achieved by controversial public-works programs and an increase in the number of Hungarians working abroad. In 2016, the Orbán government’s public-works program provided about 220,000 unemployed people, i.e., more than 2 % of the overall population, some prospect of employment. However, participants perform unskilled work under precarious conditions and for very modest remuneration, and few participants have succeeded in transitioning to a job within the regular labor market. The main beneficiaries of the program have been local mayors who are provided with access to cheap labor to perform communal work. The large number of Hungarians working abroad, which is estimated at

600,000 and has thus reached the level of Poland, has reduced revenues from taxes and social insurance contributions. Moreover, the increasing brain drain of educated and skilled people is creating shortages in quality labor in many fields. This has become a major obstacle to the acquisition of FDI and to economic development. According to the research institute TÁRKI the unemployment rate would be about two times the official level if those in public works programs would be counted as unemployed and those working abroad were accounted for properly.

Citation:

European Commission (2017): Country Report Hungary 2017. SWD(2017) 82 final/2, Brussels, 21-22 ([http://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-hungary-en\\_1.pdf](http://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-hungary-en_1.pdf)).

TÁRKI (Social Research Institute) (2016): Social Report 2016. Budapest.

## Romania

Score 4

On the back of strong economic growth, the labor market situation improved in 2016. However, the decline in the unemployment rate and the increase in the employment rate were relatively modest. From a comparative perspective, economic inactivity, including the share of young people not in employment, education or training has remained high. The Ciolos government launched an overhaul of active labor market policy, which had been rudimentary and ineffective in the past. It also set up a tripartite working group to establish an indexation mechanism for future minimum wage adjustments. The substantial minimum wage increases in January and July 2016, however, were still adopted in an ad hoc fashion. As a result of the increases in the minimum wage in recent years, the share of workers earning the minimum wage has increased and the wage distribution has been strongly compressed at its bottom. Similar concerns about the negative employment effects of rising labor costs have been raised by public sector wage hikes in 2016, which has contributed to a strong overall growth in wages.

Citation:

European Commission (2017): Country report Romania 2017. SWD(2017) 88 final, Brussels, 20-22 (<https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-romania-en.pdf>).

IMF (2016): Romania: Selected Issues. Country Report No. 16/114, Washington, D.C., 29-44 (<http://www.imf.org/en/Publications/CR/Issues/2016/12/31/Romania-Selected-Issues-43890>).

## Slovakia

Score 4

Due to the strong growth of the Slovak economy, the unemployment rate fell from 11.5% in 2015 to 10.3% in 2016 and is expected to dip under 10% in 2017. At the same time, however, several structural problems persist which have not been adequately addressed by the government: Long-term unemployment is one of the highest in the EU, and the labor market participation of groups such as Roma, young people, women with children, the elderly and low-skilled persons is relatively low.

As labor market mobility within Slovakia is low, regional differences in (un-)employment are strong. A more recent problem is the growing shortage of qualified labor for industrial production. The Central Labor Office has been reorganized, but the potential for individualized support to the long-term unemployed and vulnerable groups has not been realized yet. Slovakia's expenditure on active labor market policy is low compared to the rest of the EU. In addition, there is no comprehensive evaluation of the efficiency and effectiveness of measures.

Citation:

European Commission (2017): Country Report Slovakia 2017. SWD(2017) 90 final/2, Brussels, 6-7 ([https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-slovakia-en\\_0.pdf](https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-slovakia-en_0.pdf)).

## Greece

### Score 3

In the period under review, the crisis continued to expose some of the rigidities in the labor market. Even for a pro-labor government, it has become increasingly difficult, to manage politically and the crisis's effects on the labor market effects are painful. The unemployment rate has fallen from 27% in 2013 to 23.3% in 2016. However, the rate of long-term unemployment and youth unemployment is so high that, on both of these counts, Greece is at the bottom of the corresponding ranking orders of OECD countries. About 75% of unemployed have been out of work for more than one year. This is a phenomenon with detrimental effects for economic growth called 'hysteresis': people lose their skills and they cannot find jobs, leading to a spiral of increasing poverty and social exclusion. Youth have been hit particularly hard by the economic crisis and almost 50% of 15- to 24-year olds in the labor force are unemployed, more than three times the OECD average.

The primary reason the labor situation has not improved is the government's reluctance to implement measures which would facilitate job creation in the private sector. There is still resistance, if not aversion, among government ministers toward large-scale, industrial or other private investments, which could create job opportunities.

According to the Greek employment agency OAED, there are currently 1,050,000 people registered as unemployed, and 10%, or 100,000 people, receive 360 euros per month. It is important to note that OAED numbers refer to "unemployed employees" only and not to self-employed or free-lancers who saw their businesses collapse during the economic crisis. Indeed the number of unemployed employees is probably inflated since many employees in the tourist industry do not seek employment in the winter months (around 200,000 do not seek a job). Unemployment allowances are capped at one year over an entire working lifetime. However, there is some progress. In 2016, the government announced subsidized work programs for some 36,000 jobless people.

In the meantime, the primary causes of the continuing closures of businesses are the

continuing fall-out of the lengthy economic crisis, the depletion of private deposits of households and the unstable prospects of the banking system. Many small and very small enterprises have failed, while former entrepreneurs and dismissed workers find it difficult to find new jobs, as many lack advanced skills. Unemployed people in the middle- and old-age groups also find it difficult to re-integrate themselves into a job market which, beleaguered by recession, has shrunk continuously since 2008.

The pre-crisis division between insiders and outsiders has become more acute, as public sector employees, most of whom enjoy job security, have more or less successfully adapted to lower living standards. In contrast, private sector employees are faced with the recurring problem of unemployment. Moreover, as in the previous period under review, there has been a rise in part-time and short-term labor contracts over contracts of indefinite time. In brief, the slight improvement in the overall unemployment rate in the period under review is a sign of progress, which however is endangered by a combination of adverse macroeconomic constraints and government policy choices.

Citation:

Information on unemployment, long-term employment and youth unemployment is drawn on SGI data available on this platform.

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