



# Labor Market Report

Labor Market Policy

Sustainable Governance  
Indicators 2016

## 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** Employment rates are at historically low levels. Moreover, Malta registered one of the lowest unemployment rates in the euro area during 2015, with an unemployment rate of 3.2% compared to 10.9% for the EA19. The youth unemployment rate was also one of the lowest in Europe with the national rate standing at 8.7% in comparison to the EU28 rate of 20.4%. 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, and tax incentives and wage subsidies for women over 40 entering the labor market. The 2015 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. Moreover, increasing employment opportunities will no longer be filled by the domestic workforce, but will have to be matched by increasing Malta's 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.

Citation:

Framework Agreement on Inclusive Labor Market March 2010 p. 4

Europe 2020 – A European Strategy for Smart, Sustainable and Inclusive Growth March 2010 p. 3

European Economic Forecast Winter 2013 p.66

Pre-Budget Document 2013 p.3

Council Recommendation on the National Reform Programme 2012 of Malta and delivering a Council opinion on the Stability Programme of Malta July 2012 p.4, p.7, p.8.

Europe 2020 Target: Early School Leaving p.2  
 Malta National Reform Programme 2012 April 2012 p. 32  
 Caruana, C & Theuma, M. The Next Leap: From Labor Market Programmes to Active Labor Market Policy. UHM  
 Times of Malta, Minister laments low response for Youth Guarantee Scheme, 11/08/2014.  
 Times of Malta, More retirees are still working, 31/07/2014.  
 Malta's female labor-market participation rate on the EU agenda. Voice of the Workers 02/01/14  
 Central Bank of Malta Economic Update 9/2015 p. 3  
 Eurostat News Release 147/2015 p. 1, p.2.  
 Malta National Reform Programme Annex Table 2 p. 3  
 Pre-Budget Document 2016 p. 13  
 European Semester Thematic Fiche – Undeclared Work p.9  
 European Semester Thematic Fiche – Early School Leavers from Education and Training p.2

## Switzerland

### Score 9

Swiss labor-market policy is largely a success story, with some blots on the record. Labor-market flexibility in terms of hiring and firing rules 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 – a policy that was rejected by the Swiss people in a popular vote in 2014. Although the “golden age” of containing unemployment through the political management of the inflow and outflow of labor from other countries is past, the achievements of Swiss labor-market policy remain remarkable. In September 2015, unemployment stood at 3.2%. Youth unemployment (among 15- to 24-year-olds) is only insignificantly above the average unemployment rate (3.5% in September 2015), and the employment ratio (the working population as a percent of the working-age population) of 84% in the 2nd quarter of 2015 was well above the average employment rate in neighboring countries.

Nevertheless, a few major problems are evident. The high employment rate is due to a particularly high share of part-time work. About 17% of men and more than 60% of employed women work part-time. The employment rate of women overall has increased dramatically in recent decades. In 2014, the female employment rate was 75%. However, the employment rate for women is still considerably lower than that among men (84%).

A number of other inequities are also evident. Unemployment rates are highest among low-skilled foreign workers. There is still considerable wage inequality between men and women. In 2014, the median monthly wage in the private sector was CHF 6,189 for all employees, CHF 6,536 for men and CHF 5,548 for women. Not all of these differences can be attributed to different skill levels; discrimination and the high share of part-time employment among women, which is an impediment to establishing a standard career, also play a role.

Highly skilled workers from EU countries pose few problems 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.

The employment rate among older workers is very high in international comparison. The government rejected any proposal to raise the age of retirement arguing that there is not sufficient demand for workers over 65. Raising the retirement age has been a major issue in the current pension system reform, 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 intraprovincially, 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 2015 budget put the emphasis on tax cuts rather than direct job creation to stimulate employment. The Small Business Job Credit lowers employment insurance premiums for eligible small businesses. The budget also announced a 10-year accelerated capital-cost allowance of 50% for manufacturing and processing as well as smaller measures to address skills shortages. The government has curtailed its controversial temporary-foreign-worker program, under which a growing number of low-skilled temporary foreign workers have entered the workforce.

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>

2015 Federal Budget "Strong Leadership", posted at <http://www.budget.gc.ca/2015/docs/plan/budget2015-eng.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>

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 step in with income support and, when necessary, motivation and 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. The social assistance scheme has also been changed with the aim to ensure that more young people (below the age of 30) obtain a labor market relevant education.

A controversial issue has been whether "it pays to work." The new Liberal government, led by Lars Løkke Rasmussen, which came to power in June 2015 has announced reforms that will increase the gains from work, especially for low income groups. The Job Reform measure will include a cash benefit ceiling in 2015 and lowering taxes on earned income in 2016.

Citation:

Danish Economic Councils, The Danish Economy, Various issues. Latest issue: Autumn report, English summary available at: [http://dors.dk/graphics/Synkron-Library/Publikationer/Rapporter/Efter%202014/Trykte%20rapport/E14\\_English\\_Summary.pdf](http://dors.dk/graphics/Synkron-Library/Publikationer/Rapporter/Efter%202014/Trykte%20rapport/E14_English_Summary.pdf)

Ministry of Economic Affairs, Economic Survey - August 2014. [http://english.oim.dk/media/666426/Economic\\_Survey\\_August\\_2014.pdf](http://english.oim.dk/media/666426/Economic_Survey_August_2014.pdf)

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

Andersen, T.M., 2015b, The Danish flexicurity labour 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 million people will be employed in Germany in 2015, a new record. Unemployment rates are at their lowest level in 20 years and are further decreasing. Germany's youth unemployment rate is the second lowest in the world, due 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 back 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. Nevertheless, recent data from the German Council of Economic Experts (Sachverständigenrat, 2015, p. 230) indicates that the growth in employment does not reflect 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 a maximum monthly earnings of €450) has remained constant. Of those interviewed, less than 20% of people working part-time said that they would like to work more hours, which indicates that the increase in part-time employment largely reflects the preferences of individual employees.

A national minimum wage has been in effect since January 2015. 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. Although it is too early to assess the long-term effects of a national minimum wage, the German Council of Economic Experts has so far not reported any detrimental macroeconomic effects. However, the council did warn that the growth in overall employment might hide such detrimental effects (Sachverständigenrat 2015: 249ff). The council suggests that the loss of mini-jobs in eastern Germany since the introduction of the minimum wage may be evidence of this possibility.

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 2015). 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 (2015): *Zukunftsfähigkeit in den Mittelpunkt*, Jahresgutachten 15/16, Sachverständigenrat: Wiesbaden.

Knabe, Andreas, Ronnie Schöb and Marcel Thum (2014): “Der flächendeckende Mindestlohn”, *Perspektiven der Wirtschaftspolitik* 15(2), pp. 133-157

## Latvia

Score 8

Unemployment rates have fallen from 20% in 2010 to 9.7% in the third quarter of 2015, although this 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. However, with four different politicians holding the post of education and science minister between April 2013 and December 2014, there has been a lack of consistent leadership.

Minimum monthly wage levels were increased in 2015 from €280 to €320.

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

## Luxembourg

Score 8

The financial crisis affected Luxembourg later than it did other European countries. Since 2009, certain groups have suffered some job losses, but these numbers did not immediately affect national employment statistics. However, over 384,000 people were employed in September 2015. Compared to the same period in 2014, about 10,000 new permanent employees were paying compulsory social-security contributions in September 2015. Thus, thanks to its continuous growth, Luxembourg has seen a steady increase in jobs.

Luxembourg's labor market shows considerable labor mobility. Due to flexible contracting, 120,000 new employment agreements were made in 2014. In the second quarter of 2015 only 27.8% (compared to 28.4% in the previous year) of the workforce were Luxembourg nationals, while 44.7% were so-called transborder commuters (frontaliers), a circumstance that guarantees high flexibility and short-term fluctuations in the labor market.

The labor market is particularly volatile, especially with regard to the number of foreign workers. Within the cross-border labor market, commuters from within so-called Greater Region – which includes the adjacent regions of Belgium, Germany and France along with Luxembourg itself – are crucial. Since 2013, these non-national groups have been recorded separately in unemployment statistics. As part of EU regulation 883/2004, which covers the coordination of social-security systems



within the European Union, Luxembourg has to reimburse the member state in which a formerly commuting worker is resident for the first three months' payments of unemployment benefits (which are handled by and paid according to the laws of the country in which the newly unemployed individual is resident).

A restructuring of the employment agency has shown positive effects. Reintegration grants have been cut, and staff members are focused more heavily on advisory services and tailored activation measures.

Because of the steady growth of the resident population thanks to a high inflow of economic migrants, along with corresponding national job growth, the unemployment rate decreased to 6.7% in September 2015. In this month, about 18,000 people (5.2% less than last year) were reported as seeking employment. Among the unemployed, 45.5% had been out of work longer than 12 months and 43% of all unemployed were deemed to hold low levels of education. The employment rate among workers 55 years old or older is 42.5% (compared to 40.5% in 2013), far below both the EU average (51.8%) and the country's own national goals. This situation is exacerbated by the many incentives for older workers to leave the labor market. About 5,400 people annually have taken part in reintegration and training programs (an increase of 7.3% over the last 12 months). However, these important measures are only initial steps, as unemployment cannot be reduced substantially in the absence of long-term opportunities. Training must thus lead to permanent jobs. While 90% of the activation budget goes into employment incentives, only 10% are used for training and education. For this reason, the administration has indicated it intends to strengthen training measures for the unemployed. Furthermore, the Chamber of Craft and Commerce, working jointly with the Employment Office, plans to create 5,000 new jobs and strengthen job-placement services.

The government has enacted a plan to help boost youth employment (Plan d'action en faveur de l'emploi des jeunes), with a particular focus on young graduates having trouble finding work. The state Employment Agency has also responded with new measures for young university graduates. Other initiatives include a youth-employment center (established in 2012), strategic plans to support and promote lifelong-learning programs and the establishment of regional employment services. On the other hand Luxembourg cannot solve the high rate (22.6% in 2014) of youth unemployment, but it is still lower than many other EU countries. The government has already implemented the European youth guarantee, which seeks to make a long-term impact on disadvantaged young people's access to the labor market.

Because of a significant expansion in social-care services for children and the elderly, as well as the implementation of the European Employment Strategy, more women entered the workforce during the period under review. The female employment rate has increased to 65.5% (up nine percentage points since 2004). Nevertheless, Luxembourg is only just a middling performer in this regard, ranking 15th among the EU-28.

## Citation:

<http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&pcode=tesem140&language=en>

<http://ec.europa.eu/eurostat/tgm/table.do?tab=table&plugin=1&language=de&pcode=tsdde100>

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[http://ec.europa.eu/eurostat2020/europe-2020-in-your-country/luxembourg/national-reform-programme/index\\_en.htm](http://ec.europa.eu/eurostat2020/europe-2020-in-your-country/luxembourg/national-reform-programme/index_en.htm)

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[http://www.odc.public.lu/publications/pnr/2013\\_PNR\\_Luxembourg\\_2020\\_avril\\_2013.pdf](http://www.odc.public.lu/publications/pnr/2013_PNR_Luxembourg_2020_avril_2013.pdf)

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[http://www.odc.public.lu/publications/perspectives/PPE\\_029.pdf](http://www.odc.public.lu/publications/perspectives/PPE_029.pdf)

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## 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 increased in 2014 and 2015 in certain sectors of the economy. 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.

## 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 years. There were 10.9 million more jobs in June 2015 than in June 2009. Overall, job growth has been particularly robust in recent years with an average growth of about 243,000 jobs per month. However, job growth in this recovery continues to trail behind previous economic expansions. June 2015 marked the 10th consecutive month that the headline unemployment rate was below 6%; indeed, the rate decreased to a record low of 5.3%. However, unemployment rates are far higher among racial minorities and in central cities. The Obama administration, as well as numerous city and state governments, have sought to increase minimum wages and expand their application to more workers. In June 2015, long-term unemployment too hit a record low, hitting less than one-third of its post-recession peak.

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 because the recovery has come with comparatively stronger employment growth within low-wage industries.

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

Between May 2011 and October 2015, the unemployment rate rose from 5% to 6.2%, though the labor market has been strong enough to accommodate a 1.5% average annual rate of population increase between 2005 and 2014.

While a series of reforms were implemented over the 1990s and 2000s with the aim of improving flexibility and removing barriers to employment, no significant changes to industrial-relations legislation occurred in the review period. There were also few changes to supply-side labor-market policies. The May 2014 budget initially contained measures introducing a six-month waiting period for unemployment benefits for jobseekers aged under 35, but this accompanying legislation was blocked by the Senate.

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 457 visas issued has expanded considerably in recent years, from approximately 68,000 in 2009 – 2010 to 125,070 in 2011 – 2012, and 126,348 in 2012 – 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, with the new regulations taking effect on 1 July 2013. The new regulations appear to have reduced the number of 457 visas granted by about 25%, as the number of visas issued declined to 96,090 in 2014 – 2015.

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 2015, the minimum wage was raised to AUD 17.29 per hour. Real growth in minimum wages did not accelerate over the 2014 – 2015 period, but real-wage growth has stagnated in the broader economy, suggesting the “bite” of minimum wages – that is, 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 (new) Australian Border Force web site: <http://www.border.gov.au/about/reports-publications/research-statistics/statistics/work-in-australia>.

## Austria

Score 7

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.

One factor contributing to these rather 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.

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.

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=0ahUKEwjK6gorgzdVJAhUmZ3IKHR-NCsUQFggIMAE&url=http%3A%2F%2Fwww.rechnungshof.gv.at%2Fberichte%2Ffansicht%2Fdetail%2F Einkommensbericht-20141.html&usq=AFQjCNHIBx5DmSnDkTzJHE769MszDnO2Sg&sig2=W5ntGzu-UZOZxWU1ze5uA>

## Estonia

Score 7

The labor-market reforms aimed at long-term unemployed and low-skilled workers are demonstrating their first positive results. All main labor-market indicators such as general employment and unemployment rates, youth unemployment, and long-term employment have improved. However, youth unemployment has decreased to a lesser extent than the others, and what gains have been achieved are associated primarily with the improving economic situation. Counseling centers (called

Rajaleidja, or path-finder centers) introduced in 2014 assist young people in making smart work and educational choices.

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 2015, contribution rates decreased slightly (from 1% to 0.8% of an employer's payroll, and from 2% to 1.6% of an employee's wages or salary). The strategic aim behind collecting substantial reserves for the UIF is to accumulate resources for an important and costly labor-market reform that is intended to bring at least 10% of the country's disabled people (about 100,000 persons are currently receiving disability benefits) into employment.

The significant progress made in fighting unemployment is freeing up resources to tackle the next major government priority, that of low pay. About fifth of employed persons receive a wage that is less than 2/3 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.

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. In 2015, the minimum wage is €390 per month, which is 39% of the country's average salary.

## Israel

### Score 7

Israel's labor market has shown positive developments such as reduced unemployment and rising labor force participation rates in recent years. However, it suffers from a chronic problem of social groups opting out of the workforce. This situation is especially prevalent among Arab-Israeli women and ultra-orthodox Jewish males. Despite its increasingly technology-driven economy, Israel is predicted to struggle with supporting a growing segment of its aging and non-working population unless it expands and improves its education and job training infrastructure.

Israeli 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 that is used for diverse purposes (such as taxes and day care 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 is slow and underfunded. The previous government passed landmark legislation in 2014 which aimed to reduce the number of ultra-orthodox men exempted from military service. The Ministry of Economy intended to follow this legislation with a substantial program of active measures directed at encouraging

ultra-orthodox men to join the labor force. However, this landmark legislation was amended in 2015, reversing course back to the previous policy.

The Israeli government largely supports a free market and its labor protection laws are seen by the OECD as reasonably flexible. Instead of the classic unions-employers negotiating, 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 2012, new legislation increased the number of labor inspectors and their powers. Following a general strike, a new labor agreement was introduced to ameliorate working conditions for contract workers that are employed by government and municipal services. In 2014, an agreement was struck between the Histadrut Labor Federation and business leaders on a plan to increase the monthly minimum from ILS 4,300 to ILS 5,000 over two years. Shortly after, the government amended the Minimum Salary law and in November 2015 it approved a ILS 5,300 minimum salary to be implemented by 2017.

After many years of increases in the number of foreign workers in Israel, especially in nursing, agriculture and construction, the government shifted its policy toward diminishing foreign work and even abolishing it all together. This process is ongoing, but proceeding slowly due to pressures from 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.

Citation:

Field, Simon and Kuczera, Małgorzata, “OECD Reviews of Vocational Education and Training. A Skills beyond School Commentary on Israel,” OECD website, December 2012:

[http://search.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=EDU/EDPC/VET\(2012\)10&docLanguage=En](http://search.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=EDU/EDPC/VET(2012)10&docLanguage=En) (English).

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<https://www.knesset.gov.il/mmm/data/pdf/m02210.pdf> (Hebrew).

Swartz, Eliezer and Biton, Ilan, “Description and analysis of employment policy in Israel,” Knesset research institute, Jerusalem, 31.10.2010:

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<http://www.globes.co.il/en/article-cabinet-approves-nis-5300-minimum-salary-by-2017-1001077580> (English).

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Heruti-Sover, Tali and Bior, Haim, “The Agreement was signed: Minimum wage will increase to 5000 ILS”, The Marker, December 2014:

<http://www.themarker.com/career/1.2502816> (Hebrew).

## 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 so-called *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.

During 2014, the Renzi government began to demonstrate a willingness to tackle this problem more resolutely. Starting with some more limited but immediate measures to make the hiring of youth 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 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.

The new and more inclusive social insurance benefit for employees (*"nuova prestazione di assicurazione sociale per l'impiego"*) is part of the so-called Jobs Act and is a first step toward creating a national unemployment insurance.

## Japan

### Score 7

In recent years, Japan's unemployment rate remained below 6% (although this figure would likely be somewhat higher if measured in the same manner as in other advanced economies). While unemployment rates for those under 30 years of age, especially among 20-to-24-year-olds, continue to be above average and have indeed risen since the late 2000s, the incidence of unemployment among 60-to-64-year-olds has declined significantly since the early 2000s – in large part due to government support schemes – and is now close to average.



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. The incidence of non-regular employment has risen strongly; while only one-fifth of jobs were non-regular in the mid-1980s, this ratio had risen to one-third by 2010. 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 in the future. 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, the measures taken thus far have proved rather disappointing to the business world. The tightening labor market, with unemployment rates around 3.6% in autumn 2015, along with the rising active-job-openings-to-applicants ratio (around 1.2), have reduced the pressure for the government to act decisively. 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. An October 2015 White Paper published by the Ministry of Health, Labor and Welfare showed awareness of this tension, and proposed more child-care support in line with Abe's "new three arrows." However, the paper lacked specific details indicating how such support would be achieved.

Citation:

Ryo Kambayashi, Daiji Kawaguchi and Ken Yamada: The Minimum Wage in a Deflationary Economy: The Japanese Experience, 1994-2003, IZA Discussion Paper No. 4949, May 2010

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>

## Netherlands

Score 7

In September 2015, 6.8% of the working population was unemployed. Youth unemployment was 11.5%, slightly down from 12% in September 2014. There are still some weak spots: relatively low labor-market participation among migrants, especially youth; few transitions from unemployment to new jobs (especially among workers 50 years old or above); 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. Thus, no substantial reforms to dismissal-protection rules have been implemented (but monetary-compensation rights have been limited); minimum wages have not been reduced (but some have been given a shorter duration); and collective labor agreements have not been reformed.

Citation:

CBS, *De Nederlandse Economie*, Den Haag, 2014

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

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

## New Zealand

### Score 7

Although the National-led government is reluctant to use direct interventions in the labor market, New Zealand’s labor-market policy has been relatively successful. Following the world financial crisis, unemployment dropped to below 6% before edging back up in late 2015. Averaged over time, however, 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. Driving this trend was the strength of the Australian labor market relative to that of New Zealand. However, there are now clear signs that a downturn in the Australian labor market, especially in the mining industry, is not only stemming the outward flow, but causing many New Zealanders to return home. The government has started supporting this by holding job fairs in Australian cities. With regard to mainly low-skilled work, the Essential Skills Policy facilitates the entry of temporary workers to fill shortages where suitable New Zealand citizens or residents are not available for the work offered. The maximum duration of Essential Skills visas has been extended from one year to three 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 12.6% and 12.1% respectively in the second quarter of 2015. The unemployment rate for young people (11.1% in the second quarter of 2014) 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 Christchurch rebuild, following a series of devastating earthquakes, is beginning to provide strong growth stimulus for the economy, as well as new labor-market momentum deriving in part from an anticipated construction boom. The government has put a number of policies in place to facilitate this.

Citation:

Household Labour Force Survey (Wellington: Statistics New Zealand June 2014) (quarterly reports).

OECD Employment Outlook 2014 (Paris: OECD 2014).

Department of Labour, 'Labour Market Factsheet' (<http://www.dol.govt.nz/publications/lmr/labour-market-factsheets.asp>), March 2013.

Quarterly Labour Market Report (Wellington: Ministry of Business, Innovation & Employment August 2015)

## South Korea

### Score 7

Labor market policies successfully kept the unemployment rate at 3.7% in 2014, or less than half the OECD average. The youth unemployment rate, at about 10%, is much higher but still below OECD average. On the other hand, 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 have been dubbed the “88 generation” since the late 2000s because they cannot get regular jobs, and their first irregular job or internship typically pays about 880,000 won (approximately \$800 dollars) a month. The share of irregular workers as a proportion of all workers declined from 32.6% in June 2013 to 32.4% in September 2014. But the total number of irregular workers increased to 6.08 million due to an increase in older workers paid by the hour (as of August 2014). 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 65% 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.

Citation:  
 OECD, Employment Outlook 2011, [http://www.oecd.org/document/46/0,3746,en\\_2649\\_33729\\_40401454\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/46/0,3746,en_2649_33729_40401454_1_1_1_1,00.html)  
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[http://www.hani.co.kr/arti/english\\_edition/e\\_business/620022.html](http://www.hani.co.kr/arti/english_edition/e_business/620022.html)  
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## Sweden

### Score 7

Swedish labor market policy needs to be understood in its historical context. The more than 40 years of Social Democratic rule elevated the policy goal of full employment above and beyond partisan differences. The 1970s and 1980s saw Swedish industry undergo massive restructuring, and although unemployment increased, it was still moderate comparatively speaking. Since the 1990s, a new scenario has emerged in which unemployment remains relatively high, and at the same time, economic growth is comparatively strong. This situation poses a new type of policy challenge.

The 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. To that effect, the previous incentives to employ young people have been removed. 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 declined rapidly during recent years, but union power still 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 statement does apply only to insiders on the labor market because employment protection legislation for precarious work does decline significantly. As in other European countries, in Sweden a dualization of the labor market is taking place, 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 erodes integration policies to a great extent and this will be a major challenge for policymakers in the future.

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

## United Kingdom

### Score 7

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 5.2% in September 2015 – which means a current seven year low. 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, 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 more recent 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 fell to 13.3% for September 2015, it is still more than double the general rate of unemployment and higher than the

other dominant economies of the EU. Consequently, the sustainable integration of young people into the UK labor market could yet be improved. “Work first” continues to be at the core of the government’s approach to welfare reform.

Citation:

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

## 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. But the performance of its labor market has continually eroded since then. Unemployment in the euro area peaked in 2013, but continued to increase in Belgium throughout 2015. Employment growth, by contrast, has stagnated at 0.6% per annum.

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 underskilled), 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 skills. On the other hand, many other changes are underway (incentives to work have been strengthened by making access to unemployment benefits and early retirement more difficult, for instance), but have shown only minimal results as yet.

Citation:

Council of Europe’s Recommendations: [http://ec.europa.eu/europe2020/pdf/csr2015/csr2015\\_belgium\\_en.pdf](http://ec.europa.eu/europe2020/pdf/csr2015/csr2015_belgium_en.pdf)

## Chile

Score 6

By international comparison, Chile (like most of Latin America) 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 showed no significant change during the period under review, remaining at or near 6%. That said, between 70% and 80% of salary earners work in low-wage sectors or do not even earn minimum wage, despite being statistically registered as employed. Issues that would increase the flexibility of the labor market, such as greater integration of groups such as women or low-skilled workers, have largely been ignored. Trade unions are on average relatively weak, with a large variance in strength ranging from very high (in state enterprises and the central government) to very low (in informal enterprises and state-owned enterprises), with factors influencing this divide ranging from inadequate legislation and enforcement to the prevalence of informality.

The pressure brought to bear on wage topics by strong labor unions such as the Central Unitaria de Trabajadores (CUT) and Comisiones Obreras (CCOO), labor-market policy has resulted in a limited focus on wage levels; however, the quality of labor has received less attention. Continuing education and skill-enhancement training programs receive little support. Despite diminishing productivity, comparatively high wage levels have been put in place, with wage increases exceeding the rate of inflation. After more than a year in power, Michelle Bachelet's government was still working on a labor reform as of the time of writing, with the aim of changing a number of laws originally passed under Pinochet, and – more broadly – addressing the country's high degree of inequality. Originally intended to be introduced in Congress in October 2014, the labor-agenda legislative package was pushed back due to disagreements between the government and the opposition. Former Labor Minister Javiera Blanco engaged stakeholders in unions and the private sector in discussions seeking to develop a consensus, but as of the time of writing, the reform had not yet passed the parliament.

Citation:

See news on labor reform, for instance:

<http://www.miningpress.cl/nota/275874/cuando-enviara-el-gobierno-la-reforma-laboral-al-congreso>

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

<http://www.lanacion.cl/conozca-los-10-puntos-que-contempla-la-reforma-laboral/noticias/2014-12-29/141306.html>

<http://www.cut.cl/pdf/Analisis%20Proyecto%20de%20Ley%20de%20Reformas%20Laborales.pdf>

## Czech Republic

### Score 6

Since 2014, the Czech Republic has experienced a moderate but steady decline in unemployment. According to national statistics, the unemployment rate stood at 6.5% in 2015 and is expected to decline to 5.9% in 2016 and 5.5% in 2017. While long-term unemployment has declined, groups such as parents with young children, low-skilled workers, persons with disabilities and Roma are still strongly disadvantaged on the labor market. Operationally poor public employment services hinders the transition from unemployment to employment, and the shortage of affordable high-quality child-care services together with the limited use of flexible working hours makes it difficult for mothers with small children to remain in the labor market.

## 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 recovered from this 1990s recession, unemployment has again become a serious challenge in recent years, aggravated by the recent European economic crisis. The unemployment rate in July 2014 was 7.0%, an increase from 6.6% in July 2013; by June 2015, this rate had reached 10.0%, up from 9.2% in June 2014. Comparatively, present achievements in stemming long-term unemployment, youth unemployment and low-skilled unemployment are not satisfactory. The high level of youth unemployment is a particular cause for concern. In the area of active labor-market policies, recent government strategies include efforts to improve employment subsidies and labor-market training. In 2010, the government initiated measures to promote self-motivated education and training for unemployed people receiving unemployment benefits. Youth unemployment has been specially targeted by reforms that entered into effect at the beginning of 2013. 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 is increasing. All this works against employment and job security.

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.  
<http://www.findikaattori.fi/fi/table/34>.  
Tilastokeskus/Työvoimatutkimus.

## Ireland

Score 6

Ireland's rapid economic growth in 2014 and 2015 has been reflected in an improving labor market situation. From a peak of 15% in 2012, the unemployment rate fell to 9.4% in late 2015 and is forecast to decline further to just over 8% during 2016. By 2015, the outflow due to net emigration had fallen to two-thirds of its 2012 peak. It is likely that during 2016 net immigration will again be recorded. The number of employed has risen by 6 percentage points since the 2011 trough and are likely to surpass the 2007 (boom year) peak in 2016. Moreover, the composition of the labor force has shifted significantly away from relatively low-skill construction work toward higher-skill service and advanced manufacturing jobs.

While the continuing high level of long-term unemployment remains a serious concern, the number of unemployed out of work for a year or more has fallen by 42



percentage points from the peak at the beginning of 2012. Similarly, the number of unemployed among the population aged 15 to 24 in the labor force peaked in mid-2012 and by mid-2015 had declined by almost one-half.

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:

A recent study shows that Irish training programs for the unemployed have been moderately effective.

“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).

## Lithuania

### Score 6

Although Lithuania’s labor market proved to be highly flexible during the financial crisis, ongoing labor-market difficulties present some of the primary challenges to Lithuania’s competitiveness. Unemployment rates remain high, especially among youth, the low-skilled, and the long-term unemployed. In its 2015 report, the European Commission found that the scope of active labor-market policies remained narrow, with a focus on comparatively inefficient measures. The Commission has recommended improving the coverage and amount of unemployment benefits and cash social assistance, and suggested implementing programs improving the employability of those looking for work.

The country earned its highest rating in the Global Competitiveness Report in the area of labor-market efficiency (11th worldwide), largely due to the flexibility provided in determining wages. However, hiring and firing practices are considered to be too restrictive (120th place worldwide), and taxation has a very negative effect on incentives to work (123rd place worldwide). In 2013, the current Lithuanian government increased the minimum wage by about 20%, to about €290, in order to fulfill pre-election promises. Further increases to €300 and €325 followed in October 2014 and July 2015. These decisions have not caused any perceptible spike in unemployment; indeed, unemployment rates have continue to decline, reaching 10.4% in 2014, and with further decreases to 9.4% in 2015 and 8.6% in 2016 forecast. 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.

In June 2015, acting on recommendations from an external study, the government approved a new “social model” that contains numerous amendments to the Labor

Code and other legislation related to labor relations and state social insurance. Despite its submission to the legislature, it is not clear when the full package will be adopted by the parliament due to the large scope of these changes, disagreements within the ruling coalition, ongoing consultations with social partners and trade-union resistance to more flexible labor regulations.

Citation:

COMMISSION STAFF WORKING DOCUMENT, country report Lithuania 2015: [http://ec.europa.eu/europe2020/pdf/csr2015/cr2015\\_lithuania\\_en.pdf](http://ec.europa.eu/europe2020/pdf/csr2015/cr2015_lithuania_en.pdf).

See the 2015-2016 Global Competitiveness Report of the World Economic Forum: [http://www3.weforum.org/docs/gcr/2015-2016/Global\\_Competitiveness\\_Report\\_2015-2016.pdf](http://www3.weforum.org/docs/gcr/2015-2016/Global_Competitiveness_Report_2015-2016.pdf)

## Mexico

### Score 6

The most important issue in Mexico's labor economy is the differentiation of the labor market into so-called formal and informal sectors. The informal sector consists of companies that are not legally registered for taxation or national insurance, and largely escape both the advantages and disadvantages of legal regulation. By OECD standards, the size of the informal sector is quite large. Many small companies inhabit a twilight world in which they have both lawful and extra-legal features.

In November 2012, Mexico enacted a new labor-reform bill intended 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. 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 by about three percentage points from its peak in early 2013. While employment has grown, the employment rate is still below the EU-15 average. This gap is most pronounced for elderly women, as Poland's employment of women between 55 and 64 years for 2014 was at 32.9% compared with the EU rate of 47.8% for the same year. 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 2014 amendment of the Act on Employment Promotion and Labor Market Institutions introduced measures to better tailor career guidance and counseling toward individual job seekers. Nonetheless, the envisaged strengthening of activation measures has progressed slowly. Public expenditures on labor-market policy are relatively low, and labor-market policies only slowly profit from better monitoring, coordination and an increase in skilled personnel.

## Turkey

### Score 6

Turkey's population and work force are growing significantly. From 2012 to 2014, the country's population increased by an estimated 2 million, to 77.7 million people. Likewise, the working-age population (those 15 years old and older) grew from 55 million in 2012 to 57 million in 2014, while the labor-force participation rate rose from 47.6% in 2012 to 50% in 2014, and again to 52.4% in July 2015. A total of 23.9 million people were officially registered as employed in 2012, rising to 25.9 million in 2014 and 27.3 million people in July 2015.

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 5.7 million jobs. The recent employment figures in the industrial and services sectors point to an increase of 198,250 jobs in industry from 2012 to 2013 and an increase of 563,250 jobs in the services sector for the same time period. These numbers grew once again by 214,000 and 851,500 respectively from 2013 to 2014. However, agricultural employment fell by 97,000 jobs from 2012 to 2013, increasing by 265,750 from 2013 to 2014.

The official number of unemployed increased from 2.4 million in 2013 to 2.9 million in 2014, and further to 3 million by July 2015. 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 9.9% in 2014. By July 2015, the unemployment rate stood at 9.8%. Unemployment rose in the non-agricultural sectors from 10.9% in 2013 to 12% in 2014, and remained at 12% by July 2015. Informal employment represented 32.8% of total employment in July 2014 and increased to 35% by July 2015.

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 18.3% in July 2015.

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 29.3 million, of which only 8.3 million were employed, which represents an employment rate of 28.3%. According to the World Economic Forum's 2014 Global Gender Gap Report, Turkey ranks 125th out of 142 countries in terms of women's economic participation and opportunity.

The World Bank (2015) 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 very 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.

Citation:

Ministry of Development (2014) 'Pre-Accession Economic Program 2014-2016', Ankara

World Bank (2015) World Bank Group - Turkey Partnership: Country Program Snapshot, Washington D.C.: The World Bank (April).

World Economic Forum, Global Gender Gap Report 2014, Geneva.

## Cyprus

Score 5

Cyprus' labor market was characterized until 2008 by near-full employment (76.5% employment rate), with an unemployment rate of 3.7% in 2008. The public sector employed 16.7% of the working population, while the services sector accounted for 80% of jobs in the second quarter of 2015. The economic crisis led to a sharp increase in the unemployment rate, from 4% in 2010 to 14.2% in March 2013, reaching a peak of 17% in August 2013. It is expected to decline further from 15.7% (2015) to 14.6% in 2016.

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. In some cases, salaries have fallen below the minimum wage set by law, while no social insurance is offered, and other negative phenomena can be observed. The coexistence of large privileged public and banking sectors with a relatively weak private sector offering limited opportunities has led to labor-market distortions. Unions have a strong voice particularly within the public sector, but migrant labor from the EU and elsewhere is often exploited, widening the economic gap. The labor-force share of migrant workers, a majority of whom are EU nationals, has declined from an estimated 30% of the workforce in 2011.

Various active labor-market policies, including counselling services, assistance with job searches and subsidized employment programs helped curb the persistently high unemployment rates in 2015. While remaining very high, the unemployment rate among young people also decreased, from over 37.5% (Q2 2014) to 31.7% (Q2 2015). The unemployment rate for women is slightly lower than that for men. However, the employment rate among women (63.9%) was significantly lower than that among men (71.6%) in 2014. The overall long-term unemployment rate was 6.8% in mid-2015. High rates of short-term and part-time employment, as well as a significant emigration rate and a pattern of students electing not to return to Cyprus after their studies have contributed to declines in the unemployment rate. Government projections for economic growth in 2015 and 2016 hold out hope for slight improvements in the labor market.

Citation:

1. Ministry of Finance, Labor market, [http://www.mof.gov.cy/mof/mof.nsf/All/73C17AA5CDAB59F8C2257EEB00402891/\\$file/Labour market October 2015 PPT \[Compatibility Mode\].pdf](http://www.mof.gov.cy/mof/mof.nsf/All/73C17AA5CDAB59F8C2257EEB00402891/$file/Labour%20market%20October%202015%20PPT%20%5BCompatibility%20Mode%5D.pdf)
2. Survey of Labour Market, Q2-2015, [http://www.cystat.gov.cy/mof/cystat/statistics.nsf/All/75F22FCE3441C971C2257752003A3990/\\$file/LAB-LFS-Q215-EN-250915.xls?OpenElement](http://www.cystat.gov.cy/mof/cystat/statistics.nsf/All/75F22FCE3441C971C2257752003A3990/$file/LAB-LFS-Q215-EN-250915.xls?OpenElement)
3. European Commission, Cyprus Forecast, Autumn 2015, [http://ec.europa.eu/economy\\_finance/eu/forecasts/2015\\_autumn/cy\\_en.pdf](http://ec.europa.eu/economy_finance/eu/forecasts/2015_autumn/cy_en.pdf)
4. Eurostat, employment rate by sex, <http://ec.europa.eu/eurostat/web/lfs/data/main-tables>

## Iceland

Score 5

Historically, labor market policy has successfully kept unemployment low. At the end of 2007, the unemployment rate was just below 1%. However, this changed dramatically since 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%) and 2014 (5.0%) suggests that unemployment has reached a

plateau. Although high by domestic standards, Iceland's unemployment rate is quite low compared to other European countries, such as Ireland and Spain.

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. Recent developments in the labor market have been marked by turbulence. A doctors' strike, which resulted in a wage increase agreed by the state, was the first of many labor disputes, particularly within the public sector, such as nurses and other specialized hospital staff. In the spring of 2015, several public sector unions organized a joint strike. The dispute was sent to the Arbitration Court. In the autumn of 2015, several industrial disputes are ongoing, including a dispute between the workers at the country's aluminum plant in Straumsvík and its foreign owner, Rio Tinto. This dispute threatens to close down the aluminum plant.

Citation:

Statistics Iceland website, <http://www.hagstofa.is/Hagtolur/Laun,-tekjur-og-vinnumarkadur>

## Portugal

Score 5

Unemployment maintained the downward trajectory identified in last year's SGI report. According to Eurostat, the unemployment rate stood at 13.6% in November 2014, but fell to 12.5% in October 2015 (with a low of 11.8% in July 2015). The unemployment level in October 2015 was the lowest since July 2011, and marks a considerable decrease from the high point of 17.9% in January 2013.

However, the question is whether this decline was the result of labor-market policies or was primarily due to other factors. The available evidence suggests there are two main factors driving this result. First was the presence of real economic growth, with the economy rebounding – albeit modestly – after a contractionary period in 2011 and 2012. Second was the effect of emigration, with the very high levels of emigration noted in last year's report continuing. Data produced by the National Statistics Institute (Instituto Nacional de Estatística, INE), provided by Pordata, estimates that some 135,000 Portuguese emigrated either temporarily or permanently from the country in 2014, a slight increase vis-à-vis 2013 (128,000). According to Eurostat, the number of unemployed fell by 275,000 from January 2013 (908,000 unemployed) to October 2015 (633,000 unemployed).

There was little change in Portugal's labor legislation and policy in the period here under review. This too appears to reflect the political constellations of the pre-election year as well as the weaker pressure on the government in the post-bailout period.

That said, there were three changes that largely came into effect during the review period, even if implemented earlier. The first was a €20 increase in the monthly

minimum wage, raising it to €505, which came into effect in October 2014. This increase – the first since 2011 – was compensated for by a reduction in the social tax paid by employers for workers on minimum-wage salaries from 23.75% to 23%. The second was the introduction of priority rules for layoffs, coming into effect in June 2014. The third was a new regulation on collective-bargaining agreements that reduced their period of validity; this came into force in September 2014. However, the net effect of these changes to labor-market policy’s capacity to address unemployment does not appear to be significant.

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>

## Slovenia

Score 5

As a result of the economic recession, unemployment rates in Slovenia rose from 2009 to 2013. In 2013, the employment rate among those aged 20 to 64 fell below the EU average for the first time. In 2014 and 2015, the labor-market situation began to improve. Unemployment dropped to 12.3% in September 2015, down from 12.6% in October 2014 and 14.2% in January 2014. 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 and have not proven too effective.

## Spain

Score 5

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 20.7% 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 16.3%.

The Popular Party (Partido Popular, PP) government passed a radical reform (Royal Decree Law 3/2012) when the number of jobless workers reached a peak of 6 million, up from 2.1 million only five years before. The 2012 reform sought to address the inflexibility of employment regulations (particularly concerning layoffs), the rigidity of collective agreements, and above all the existence of a dual labor market (with 40% of workers having no job protection, and 60% deemed

overprotected). The primary measure in this package was to prioritize enterprise-level agreements over collective-bargaining agreements, with the aim of moderating wages. By the end of the period under review, the number of jobless workers had fallen to 5 million, and it can thus be said that Spanish labor-market policies have shown some success.

However, though a quarter of the new jobs were directly connected to a new contract modality introduced by the 2012 decree, it is difficult to conclude that the labor-market reform (rather than the broad effect of the economic recovery) has driven this new positive trend. If anything, the new regulation's impact has come in the reduction of dismissal protections and a decline in salary levels (as collective agreements have become more flexible), through a process of internal devaluation that has reduced labor costs. As a result, the Spanish economy is now somewhat more competitive. Though this trend has led to the creation of jobs, it has come at the expense of job security and wages.

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) latest quarter. Spanish statistics institute INE. [www.ine.es/dyngs/INEbase/es/operacion.htm?c=Estadistica\\_C&cid=1254736176918&menu=ultiDatos&idp=1254735976595](http://www.ine.es/dyngs/INEbase/es/operacion.htm?c=Estadistica_C&cid=1254736176918&menu=ultiDatos&idp=1254735976595)

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<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=teilm100&plugin=1>

## Bulgaria

Score 4

Bulgaria has experienced a sharp rise in unemployment in the period 2009 – 2012, followed by a moderate decrease since 2013. Employment and unemployment structures indicate large and increasing mismatches. For one thing, the unemployed largely consist of people with low qualifications, experience and education. For another, while most people with higher education are employed, their work is very often in an area different than what they studied. The second Borrisov government has started to address these issues. In July 2015, it amended the labor code to allow for short-term labor contracts in the agricultural sector, which is an important breakthrough toward gradually increasing flexibility in hiring. It has launched a new program, financed by EU structural funds, which aims at providing free language



and computer literacy courses to unemployed and underemployed individuals (<http://azmoga.kabinata.com/>). The most recent data indicate an acceleration of job creation during 2015, which may be interpreted as a signal for improved ability of the labor market to match people with jobs.

## Croatia

**Score 4** After steadily increasing from 2009 to 2014, the unemployment rate fell from a peak of 18.3% in the second quarter of 2014 to 16.2% in October 2015. While falling unemployment numbers can in large part be attributed to the economic recovery, an expanded and more effective active labor market policy has also helped reduce unemployment. Since 2010, the country has seen more than a fourfold increase in the number of participants in related programs. However, various institutional and policy shortcomings continue to affect labor market performance. 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.

## France

**Score 4** Despite high overall spending and a large number of cosmetic reforms, labor market policy has shown poor results during the review period. Unemployment has been rising since 2008. A particular problem is notoriously high youth unemployment. Similarly, (particularly young) French citizens with immigrant backgrounds face tremendous difficulties integrating into the labor market and the employment rate of workers over 55 years is one of the lowest in the OECD (45.6% in 2013 compared to an OECD average of 54.9% 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, will increase to 62) and various early retirement schemes have led to the present situation. 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. Today, most new contracts are of a limited duration.

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; the number of stable contracts (*contrats à durée indéterminée*) has dramatically declined. 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, for political reasons, does not address the 35 hours 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 pressures, the government has preferred classical short-term measures to lasting structural reforms.

## Hungary

Score 4 Recorded unemployment in Hungary has fallen and now stands substantially below the EU average. However, this has largely been achieved by controversial public-works programs and an increase in the number of Hungarians working abroad. The Orbán government's public-works program has annually provided about 200,000 unemployed people 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 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.

## Romania

Score 4 Romanian policymakers face a dilemma that has been exacerbated by the removal of labor restrictions to Romanian citizens by nine EU countries. On the one hand, low labor costs are needed to attract multinational investors to the country. On the other hand, the country needs to improve job conditions and to raise wages in order to retain qualified workers. The unemployment rate has remained below the EU

average, but has not further declined in 2015, despite strong economic growth and substantial out-migration. The employment rate has been increasing in recent years, but is below the EU average. The share of young people not in employment, education or training is relatively high. Labor market policies have done little to address these issues. Spending on active labor market policy is low and badly coordinated with the European Social Fund. While passive policies absorb 85% of national spending on labor market policies, the coverage of the short-term unemployed by unemployment benefits is estimated to be among the lowest in the EU.

## Slovakia

### Score 4

While the labor market has shown signs of recovery in the wake of strong economic growth, Slovakia's unemployment rate has remained among the highest in the EU and OECD. Active labor-market policies have contributed to the decline in youth unemployment, but have been insufficient to bring down long-term unemployment, as well as unemployment among Roma and the low-skilled. The Roma minority remains largely excluded from the labor market, and there are strong regional differences in unemployment rates. The employment rates for women remain below EU average.

## Greece

### Score 2

The crisis exposed some of the rigidities in the labor market and it has led to a transition that is difficult to manage politically and is painful in its social effects. The unemployment rate was 27% in 2013, remained almost the same (26.7%) in 2014 and declined to 25% in mid-2015. This rate was the worst among all countries surveyed by the SGI. In addition, long-term unemployment was also very high. Youth unemployment rate stood at 58% in 2013 and 52% in 2014.

The labor situation did not improve in the second half of 2015 because of government instability (two parliamentary elections in the span of eight months) and the government's aversion to private investment, which could have created job openings. Indeed, the electoral victory of the radical left party Syriza in January 2015 and again in September 2015 did not ameliorate the situation for the unemployed, as the party's priority was to re-hire public sector employees dismissed from Greece's national broadcaster (ERT), the Ministry of Finance (i.e., cleaning personnel) and state-run primary schools and high schools (i.e., porters), all of whom had been sacked by the preceding government. In the private sector, the new government revoked the license of a large foreign gold-mining company operating in Northern Greece (in Halkidiki), which reacted by placing approximately 2,000 workers on leave. In other words, in the period under review, the government focused on hiring

its electoral clientele to the public sector, rather than on paving the way for private investment, which could have started absorbing some of the unemployed.

Many small and very small enterprises have failed, while former entrepreneurs and dismissed workers find it difficult to find new jobs, as most of them do not possess 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 situation became worse after July 2015, in the wake of the government's decision to launch a referendum on the European Commission's third rescue package. With the threat of Grexit in sight, Greeks rushed to withdraw their bank deposits, capital controls were imposed and cash-starved enterprises, which had been taken by surprise, either dismissed workers or went out of business altogether.

The pre-crisis division between insiders and outsiders has been modified in two respects. First, insiders of the public sector, such as "stagiaires" and employees hired on political patronage-driven fixed-term contracts, have been laid off. The ranks of the outsiders have grown also because of the spread of labor contracts which promote flexible labor relations. Businesses offer prospective employees only individual, tailor-made contracts and do not negotiate collective agreements with labor representatives. In the meantime, there has been a rise in part-time and short-term labor contracts over contracts of indefinite time. Thus, increasingly more employees receive a fraction of an already low minimum salary (€80 gross per month since 2012). Employers exploit the widespread fear of unemployment and call in workers to work unpredictable and long hours.

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