



Labor Market Report

Labor Market Policy

Sustainable Governance
Indicators 2018

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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.

Germany

Score 9

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 44.3 million people were employed in Germany in November 2017, 0.6 million more than the previous year's record. Unemployment rates are at their lowest level in 20 years (4.0% according to the OECD) and are further decreasing. Germany's youth unemployment rate is the third lowest in the OECD (7.0%), attributable largely to a highly effective vocational training system. The unemployment rate is expected to further decline in 2018. Increasingly, the German labor market shows signs of a labor shortage with 1.1 million unfilled vacancies in the third quarter 2017 (Institut für Arbeitsmarkt- und Berufsforschung 2017).

Germany has a comprehensive toolbox of active labor market programs, which includes financial support for vocational training programs, support for self-employed individuals, provision of workfare programs and the subsidized employment of long-term unemployed individuals. Traditional instruments, such as job creation and training programs, are now seen as combinable. Tailored to individual needs, these instruments are designed to facilitate the reintegration of long-term unemployed individuals into the labor market.

The expansion of atypical employment contracts – such as temporary employment programs (Leiharbeit), part-time and agency work – reflects an increase in industrial flexibility over recent years. Atypical employment contracts may to some extent mirror employees' preferences (e.g., with respect to part-time contracts). Nevertheless, atypical employment may have negative consequences for social justice, such as increasing risk of poverty in old age or higher risk of unemployment, although unemployment has decreased sharply given the increasing shortage of

labor. Atypical employment has only slightly decreased from 20.8 (2015) to 20.7 (2017) but recently has fallen more quickly. While the number of employed people increased by 638,000 in 2017 to 2018, the number of people working “Minijobs” or self-employed fell in the same period (Statistisches Bundesamt 2018).

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

The enormous increase in refugees claiming asylum in Germany is 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. The German Council of Economic Experts estimates a constantly decreasing unemployment rate of refugees during the next years from 76.2% in 2016 to 43.1% in 2022 (Sachverständigenrat 2017/2018: 150). Concerns that the 2015 wave of refugees would push up the total unemployment rate have so far not materialized with unemployment further declining throughout 2017.

Citation:

Institut für Arbeitsmarkt- und Berufsforschung 2017: www.iab.de/de/befragungen/stellenangebot/aktuelle-ergebnisse.aspx

OECD 2017: <https://data.oecd.org/jobs.htm#profile-Unemployment>

Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung (2017/18): Für eine zukunftsorientierte Wirtschaftspolitik, Jahresgutachten 17/18, Sachverständigenrat: Wiesbaden. Online: https://www.sachverstaendigenrat-wirtschaft.de/fileadmin/dateiablage/gutachten/jg201718/JG2017-18_gesamt_Website.pdf.

Statistisches Bundesamt 2018: Pressemitteilung Nr. 001 vom 02.01.2018: Zahl der Erwerbstätigen im Jahr 2017 um 1.5 Prozent gestiegen.

Malta

Score 9

Unemployment rates are at historically low levels in Malta. Eurostat figures for August 2017 indicated that Malta had the third lowest unemployment rate in the EU and a below EU-average youth unemployment rate. Indeed, the national unemployment and youth unemployment rates stood at 4.2% and 11.9%, respectively, in comparison to the EU averages of 7.6% and 11.9%. The overall labor market participation rate was estimated at 68.7% during the first quarter of 2017 and represents the highest rate recorded among persons 25 to 54 years old. This is largely

attributable to a broad range of measures undertaken by the government to reduce unemployment. These include a Strategy for Active Ageing, the Youth Employment Guarantee Scheme, extended training programs, a reduction in income tax, tapering of social benefits and an in-work benefit scheme. While Malta possesses a consolidated support system for the unemployed consisting of social benefits and retraining opportunities, schemes to help low-skilled individuals find employment are only now being introduced. Within this context, in 2016 the government signed an agreement with the General Workers Union to manage a scheme for the long-term unemployed on behalf of the national employment agency, Jobsplus. The 2015 budget included provisions for the enforcement of a positive quota in relation to the employment of persons with disabilities. As a result, the employment of persons with disabilities has more than tripled since 2014. Moreover, the recently set up Lino Spiteri Foundation is playing a significant role in integrating vulnerable individuals into gainful employment.

Various measures have also been introduced to increase female participation rates. These include the introduction of free child-care centers in 2014 and other fiscal incentives, including reforms to the maternity system, tax incentives, and wage subsidies for women over 40 entering the labor market. The 2016 budget also introduced a pilot scheme to subsidize care workers for the elderly and, thereby, reduce the burden on the careers of family members, a burden disproportionately felt by women. Collectively, these initiatives resulted in a 4.5 percentage point increase in the female participation rate during 2016. Nonetheless, Malta still has the widest labor market gender gap in the EU, which is directly related to the traditionally lower participation rate of women in the labor market.

The government must address several anomalies in the workforce: a female participation rate of 50%, shrinking workforce (by 2035 there will be 20,000 fewer workers), skills mismatch leading to a shortage of suitable labor, 16% of part-time workers wishing to upgrade to full time and a growing reliance on foreign labor. In 2016, 11,000 new jobs were created of which only 2,500 were filled by Maltese. Foreign workers were found to not be putting down roots on the island country; only 45% staying longer than two years – a constant hemorrhaging of the labor force. It is estimated that in 2018 2,000 jobs will remain unfilled; government is seeking to facilitate work permits for third country nationals. Employers continue to exploit gaps in the law, retaining workers on less than minimum wage. Unit labor costs have remained moderate, but are projected to rise faster than the euro zone average in 2018 and 2019.

Citation:

Eurostat News Release Euro Indicators 145/2017

Budget Speech (English) 2016 p. 21

Pre-Budget Document 2018 p. 13

National Statistics Office (NSO) News Release 103/2017

National Reform Program 2017 p.3

2017 Report on Equality between Women and Men in the EU p. 55

<https://jobsplus.gov.mt/employers-mt-MT-en-GB/employing-persons/employing-persons-disability>

Times of Malta 17/01/2017 Working disabled up, more than triple 2014

<http://linospiterifoundation.org/our-vision/>

Formosa Marvin (2014) Socioeconomic implications of population ageing in Malta: Risks and Opportunities

Economy will need 12,500 workers next year, Times of Malta 26/10/17

New deals to import non-EU foreign workers to Malta, Times of Malta 18/11/17

Netherlands

Score 9

In July 2017, 4.9% of the working population was unemployed. The youth unemployment rate in June 2017 was 8.9%, the lowest level in five years. Yet, some consider youth unemployment a serious threat to long-term prospects. An estimated 138,000 young people are not in education or employment. A large proportion of young people lack a basic level of literacy, computer illiteracy or technical craft skills. Better education and better arrangements for transitions between school and employment are crucial. Other labor market weaknesses include: relatively low labor market participation rates among migrants, especially young migrants; an increasingly two-tiered labor market that separates (typically older) “insiders” with significant job security and (old and young) “outsiders,” who are often “independent workers,” lack employment protection and have little to no job security; and high workplace pressure. In terms of labor market governance, political conflicts between the conservative and progressive liberal parties (VVD, D66, CDA) and the labor-affiliated parties (PvdA, SP, Green Left) have prevented the passage of any genuinely breakthrough labor market policies. The new Work and Security Act phased in since 1 January 2015 aims to strengthen the position of temporary workers, ease dismissal procedures, and shorten the duration of maximum unemployment benefits from 38 to 24 months. At the time of writing, with negotiations over the formation of a new cabinet between four political parties (VVD, D66, CDA, CU) still pending, the jury is still out on whether or not this law will be maintained or repealed. Given the economic boom, many Dutch employees are expecting a wage increase, on top of a (largely invisible) increase in purchasing power (+4.9% in 2016, the largest increase in 15 years) due to zero-inflation and considerable tax reduction measures.

Citation:

CBS, De Nederlandse Economie, Den Haag, 2016

Arbeidsfit%20-%20Platform%20Overheid.webarchive (consulted 27 September 2017)

“Waarom werkgevers u een loongolf gunnen,” NRC-Handelsblad, 26 September 2017

“Het is een verlengde proeftijd geworden,” NRC-Handelsblad, 3 October 2017

Switzerland

Score 9

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

Although the “golden age” of containing unemployment by managing the flow of labor from other countries is past, the achievements of Swiss labor-market policy remain remarkable. In September 2017, the unemployment rate stood at 3.0%. Youth unemployment (among 15 to 24 year olds) is only nominally above the overall unemployment rate (3.2% in September 2017). The share of long-term (i.e., more than 12 months) unemployed persons in total unemployment is only 17%. The employment ratio (the working population as a percentage of the working-age population) is the second highest in Europe (behind Iceland). In addition, the overall employment rate of women has increased dramatically in recent decades. In 2016, Switzerland had the highest female employment rate (75%) in the OECD. A recent report on the effects of the free movement of labor between the European Union and Switzerland found that in general strong immigration from the European Union did not endanger the employment prospects of domestic workers. Most EU immigrants are highly skilled with 57% having finished tertiary education (Observatorium zum Freizügigkeitsabkommen Schweiz-EU 2017).

Nevertheless, several major challenges are evident. The high employment rate is due to a particularly high share of part-time work. In 2016, about 11% of employed men and 45% of employed women worked part time (i.e., less than 30 hours a week). Only the Netherlands has a higher rate of female part-time employment. Unemployment rates are highest among low-skilled foreign workers. Also, there remains considerable wage inequality between men and women. A 2016 report by the Federal Statistical Office shows that the median wage of female workers is 87% of their male counterparts, with 60% of this difference due to objective aspects such as education.

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

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 INDUSTRIÖKONOMIK (FAI).

Observatorium zum Freizügigkeitsabkommen Schweiz-EU(2017): 13. Bericht des Observatoriums zum Freizügigkeitsabkommen Schweiz-EU. Auswirkungen der Personenfreizügigkeit auf den Schweizer Arbeitsmarkt, Bern: Schweizerische Eidgenossenschaft.

Canada

Score 8

The unemployment rate in Canada is primarily driven by the business cycle, which reflects aggregate demand conditions. Labor market policies and programs such as

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

Specific labor market programs are available to increase the workforce participation of Indigenous Canadians, whose employment rates are persistently below those of non-Indigenous Canadians. Thus far, however, these programs seem to be ineffective; the unemployment rate for Indigenous Canadians, particularly for Inuit and members of First Nations living on reserves, remains very high, with little 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 6% after having declined over the past year to reach a new low since 2008. In 2017, job creation exceeded the expectations of forecasters and is projected to continue to rise over the next year. The long-term unemployment rate shot up during the 2008 to 2009 recession and has remained high since, but is low by international standards.

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

The 2016 budget reduced taxes for middle-income earners. There have also been changes to unemployment insurance, particularly for those in regions most affected by the declining oil and gas sector. There is discussion of changing the previously controversial temporary-foreign-worker program, which may relieve labor shortages in particular industries, including fisheries and manufacturing.

Overall, the Canadian labor market is very flexible, particularly for a developed country. According to the 2017-2018 Global Competitiveness Report, out of 137 countries, Canada ranked seventh for labor market efficiency and third for efficient use of talent.

Citation:
2016 Federal Budget "Growing the Middle Class," posted at <http://www.budget.gc.ca/2016/docs/plan/budget2016-en.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/PressReleaseJune 202012.pdf>

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

OECD (2017). How does Canada compare? Employment Outlook 2017. <https://www.oecd.org/canada/Employment-Outlook-Canada-EN.pdf>

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

Statistics Canada. Table 282-0087 – Labour force survey estimates, by sex and age group, seasonally adjusted and unadjusted. CANSIM (database). Accessed October 4, 2017.

World Economic Forum (2017). The Global Competitiveness Report 2017-2018. <http://reports.weforum.org/global-competitiveness-index-2017-2018/>

Denmark

Score 8

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

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

Wage formation has proven rather flexible and adaptable to the economic situation. Wage competition, which declined during the boom period prior to the crisis, has recovered. Furthermore, low wage growth, despite falling unemployment, can partly be explained by migrant worker flows. The main challenge in the Danish labor market remains among groups with limited qualifications. Since minimum wages are relatively high, it is difficult for individuals with limited 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 changed to ensure that young people (below the age of 30) attain a labor market relevant education rather than receiving passive support. Additional work incentives for other groups on social assistance include both a cap on total transfers and an employment requirement to maintain support. Active labor market policies have become less rigid, but it is debatable to what extent these policies are sufficiently used.

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

Citation:

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

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Andersen, T.M., 2017, The Danish labour market, 2000-2016, *IZA World of Labor*, 2017:404.

Estonia

Score 8

Labor market reforms have brought several positive results. Main labor market indicators such as general employment and unemployment rates, youth unemployment, and long-term employment have improved.

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. Contribution rates have been fixed for the period 2017 to 2020 (0.8% of an employer’s payroll and 1.6% of an employee’s wages), which provides some stability to labor demand. UIF resources are used to extend active labor market policy measures and implement activation reforms such as the 2016 Work Ability Reform (WAR), which aims to bring at least 10% of the country’s disabled population into employment (about 100,000 people currently receive disability benefits). At the time of writing, it remains too early to evaluate the success of WAR. A new set of proactive measures introduced in 2017 aims to aid workers with low or outdated skills to upgrade their qualifications.

Tackling low pay is a government priority as it is significantly above the OECD average, with about one-fifth of workers earning less than two-thirds of the country’s

average salary. Since 2017, government is aiming to alleviate poverty via tax credits for low paid workers, with additional measures beginning in January 2018. In-work poverty is not tackled via strategic labor market policies, although minimum wage regulations exist and the wage level has steadily increased. According to regulations, the minimum wage should be about 40% of the average salary.

Latvia

Score 8

The unemployment rate fell from 20% in 2010 to 8.9% in the second quarter of 2017, although a labor flight to Western Europe bears as much responsibility for this trend as the creation of new jobs in the economy. The government is revising its active labor-market policies to focus more on structural unemployment. Vocational training programs have been revamped.

Minimum monthly wage levels were increased from €370 in 2016 to €380 in 2017. Another €50 increase is planned for 2018.

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

Citation:

1. European Commission, Unemployment Statistics, Available at: http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Unemployment_statistics_at_regional_level. Last Assessed: 01.10.2017.

2. European Commission (2015), Report on Latvia. Available at: http://ec.europa.eu/europe2020/pdf/csr2015/cr2015_latvia_lv.pdf, Last assessed: 22.11.2015

3. OECD (2016). OECD Reviews of Labor Market and Social Policies. Latvia 2016. OECD Publishing, Paris. Available at: <http://dx.doi.org/10.17187/9789264250505-en>

Luxembourg

Score 8

During the first semester of 2017, 412,830 people were employed in Luxembourg. Almost all of them (93%) have a permanent employment contract. Only 5% hold a temporary employment contract and 2% are temporary workers. Nevertheless, the labor market is agile, especially with regard to the number of foreign workers. Compared to the same period in 2016, 13,508 new permanent employees were paying compulsory social security contributions. The job market is very volatile. As a result, from June 2016 to June 2017, 145,830 employees were recruited in Luxembourg, compared to 131,550 terminated contracts. Only about 20% of new jobs are occupied by nationals and the employment rate of migrants is higher than that of Luxembourgers. Workers from the other Greater Region countries (Belgium, France and Germany) are particularly prominent. Furthermore, thanks to its

continuous economic growth, Luxembourg has seen a steady increase in jobs (with an increase of 3.2% in 2017).

Luxembourg's economy is dominated by the financial and service sectors. 71% of employees work in the service sector and only 6% in the industrial sector. About 10% of employees work for the state and municipalities, while 12% of the total workforce work in the financial sector. The banking sector generates about 20% of government revenue. When including indirect taxes, such as income taxes paid by banking sector employees, the overall contribution by financial institutions (direct & indirect) accounts for about 30% of government revenue. This highlights the importance of financial services to public spending.

The ongoing restructuring of the employment agency has had a positive impact. Due to steady population growth driven by a high inflow of economic migrants and corresponding national job growth, the unemployment rate fell under 6% in October 2017. In the same period, less than 16,000 people (6% less than last year) were reported to be seeking employment. Among the unemployed population, 44.7% (47.7% in 2016) had been out of work for longer than 12 months and 38.3% were considered to have low levels of education. About 3,000 foreign unemployed cross-border workers, benefiting from their residence in Luxembourg, are recorded separately.

The employment rate among workers aged 55 or older was 39.6% in 2016, far below the EU average of 55.3% and the government's own target. This situation is exacerbated by numerous incentives for older workers to leave the labor market early. About 5,000 people took part in reintegration and training programs in October 2017. However, such measures are only initial steps, as unemployment cannot be reduced substantially in the absence of long-term opportunities. Training programs must lead to permanent jobs. While 90% of the government's budget for activation policies is directed towards employment incentives, only 10% of it is used for training and education. Because of this, the government has indicated that it intends to strengthen training measures for the unemployed.

Citation:

“Erwerbstätigenquote älterer Erwerbstätiger.” Eurostat, www.ec.europa.eu/eurostat/tgm/table.do?tab=table&plugin=1&language=de&pcode=tsdde100. Accessed 14 Oct. 2017.

“Buletin de l'emploi 10/2017.” www.adem.public.lu/fr/actualites/adem/2017/11/bulletin-emploi-oct-2017/index.html. Accessed 13 Oct. 2017. Accessed 14 Dec. 2017.

“Tableau de bord du marché du travail luxembourgeois” www.adem.public.lu/fr/publications/faits-et-chiffres/2017/Tableau_de_bord_juin_2016_juin2017/Tableau_de_bord_juin2016_juin2017.pdf. Accessed 14 Dec. 2017.

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“Observatoire de la compétitivité.” Le portal de l'actualité gouvernementale, Accessed 21 Dec. 2017.

Norway

Score 8

Norway's unemployment rate is low, and remained so through the recent economic crisis. But due to declining oil prices and the postponement of planned investments, unemployment rates have increased in certain sectors of the economy, in particular in oil and petroleum-related industries, but the rate of unemployment has fallen in 2017. 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, in particular in relation to mobility within the Single Market and the European Economic Area. The government has engaged in several initiatives to prevent so-called social dumping. Recent economic literature portrays Norway and Denmark as successful examples of the flexicurity model, which combines high labor mobility (flexibility) with high levels of government-provided social insurance (security). However, there has been concern in Norway over workers' propensity to take early retirement, stimulated by early-retirement incentives, some of which were marginally tightened as part of a comprehensive pension reform that came into effect on 1 January 2011. The aim is to reverse the trend toward early retirement. High levels of migration from European Union countries and increasingly as a result of the instability in the Middle East are likely to become more challenging in a labor market with increased unemployment rates. However, as the Norwegian labor market is expected to contract, the number of incoming migrants from other European countries is expected to drop.

United Kingdom

Score 8

After a period of remarkably good and stable labor-market performance in which the rate of unemployment was below that of the euro zone and the OECD average, conditions in the United Kingdom deteriorated in the wake of the 2008 crisis and the ensuing economic downturn. Underlying weaknesses (such as the comparatively high degree of working-age inactivity linked to the high number of claimants of

disability-related benefits) came to the fore, and the unemployment rate rose to its highest rate since the mid-1990s. But after labor-market flexibility was increased through deregulation and the lowering of secondary-wage costs, the unemployment rate fell significantly from 8.3% at the end of 2012 to now 4.3% in October 2017. 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 and weak productivity growth. Real wages 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 was announced (£7.20 since 1 April 2016 for people over 25 and scheduled to rise more rapidly than average wages over the coming years). This 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 of 2015 but has not been effectively addressed yet, as Brexit continues to dominate the political agenda. Although the rate of youth unemployment had further fallen to 12% in October 2017 compared to 13% a year before, it is still almost thrice that of the overall unemployment rate of 4.3% and almost double that of Germany's 6.7% youth unemployment rate. At the same time, it is still much lower than the other major economies in Europe. However, the United Kingdom does well in retaining older workers in the labor market, with an employment rate for those aged 55-64 of 64.1% in the second quarter of 2017, compared with an EU average of 57.0%.

Citation:

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

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

United States

Score 8

The United States has 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. Some states have "right-to-work" laws that prevent unions from requiring membership as a condition for employment and federal labor policy has not responded to evolving management strategies for avoiding union organizing. The low levels of unionization should generally promote employment, by lowering the price of labor. The U.S. government otherwise plays a minimal role in promoting labor mobility or providing support for training and placement. In recent years, federal policies regarding labor and employment have not changed. Trends in local and state government have gone in different directions. Several cities and states with left-leaning governments have sharply increased

minimum wages. Other states have adopted “right-to-work” laws (e.g., Michigan) or have imposed constraints on public employees’ unions (e.g., Wisconsin).

Unemployment in 2017 continued its long slow decline since the 2008 and 2009 recession, with the official unemployment rate hovering around 5%. In addition, the tightening labor market led to the first gains in average wages in two decades. However, unemployment rates are far higher among racial minorities and in inner cities. About one-third of recent high school graduates are underemployed and 40% of recent college graduates are in jobs that do not require college degrees.

The Trump administration has proposed cutting some Obama-era training programs and is reducing Labor Department budgets for enforcement of labor regulations. The overall effect of these changes will depend on controversial judgments about the costs and benefits of the training programs and of labor union organization.

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/> CUT OR UPDATE.

Australia

Score 7

Since the peak of the mining boom in 2012, unemployment has risen moderately, but continues to be comparatively low. However, wage growth has been very subdued, with almost no increase in real average earnings since 2013. The significant rise of wages during the mining boom, including the minimum wage, has been serving as a break on additional wage increases since 2012.

In recent years, so-called skills shortages have been a topic of recurrent concern in the Australian labor market. One response to the perceived shortages of skilled labor has been to allow more skilled immigrants to enter the country on temporary 457 visas. The number of workers on 457 visas increased considerably until 2013, reaching 126,348 in 2013. However, following concerns that employers were frequently misusing the program to obtain cheap labor, the federal government tightened the conditions under which 457 visas could be obtained, resulting in a decline to 95,360 by March 2017. Previously, one-quarter of 457 visas were given to software developers from India.

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 2017, the minimum wage was raised to AUD 18.29 per hour. In the context of stagnation in real wages in the broader economy, the “bite” of minimum

wages (i.e., the extent to which they negatively impact employment) has been increasing. At the same time, the high minimum wage has contributed to stabilizing domestic demand.

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Chile

Score 7

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

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

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

Originally intended to be introduced in Congress in October 2014, the labor reform package was pushed back due to disagreements between the government and opposition. After several disputes in the Senate and an intervention by the Constitutional Court, labor reforms were finally enacted by President Michelle Bachelet in August 2016. The original reform proposal aimed to alter a number of laws originally passed under Augusto Pinochet and addressed the country's high

degree of inequality. However, it was only able to pass Congress after several modifications. The enacted reform seeks to modernize labor relations, mainly relating to collective bargaining, broadening negotiable topics and implementing a female quota of at least 30% among the respective labor union representatives. Although the long-term effect of these reforms on unemployment and labor market performance in general remain unclear, the reform can be considered a step forward. Its effects will be visible in the years to come, as regulatory laws are enacted.

Citation:

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

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

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<http://www.fundacionsol.cl/estudios/los-verdaderos-sueldos-chile-panorama-actual-del-valor-del-trabajo-nesi2016/>

Czech Republic

Score 7

The labor market situation in the Czech Republic has improved considerably since 2014. According to Eurostat, the unemployment rate was the lowest in the EU in 2016 and 2017 (and the lowest in the Czech Republic since 1998). Skilled labor shortages are felt across much of the economy and are a constraint on the manufacturing industry, discouraging inward investors from moving more demanding activities into the Czech Republic. Even routine motor-vehicle assembly faces difficulties to such an extent that the Volkswagen Group considered moving part of the Skoda car production to Germany, where labor costs are almost three times the level of the Czech Republic by the official exchange rate, but production would still be profitable.

The tight labor market is a factor behind wage increases which averaged 7.6% year-on-year for the first half of 2017. They are also driven by a more aggressive bargaining approach from trade unions, around the slogan “an end to cheap labor,” and the government responding to such pressure by raising public sector pay and minimum wage levels. As a consequence, the wage increase averaged 7.5% in health and social care and 5.0% in education. The minimum wage, decided by the government after consultation with trade unions and employers, rose by 11% in 2017, behind the level of Slovakia and only 37.5% of the national average wage in October of that year.

While the decline in unemployment has gone hand-in-hand with a decrease in long-term unemployment and youth unemployment, groups such as parents with small children, low-skilled workers, people with disabilities and Roma remain disadvantaged on the labor market. Female employment remains negatively affected by motherhood. However, conditions for parents with small children and single

parents slightly improved thanks to an improved offer of affordable childcare service for children older than three years of age.

Finland

Score 7

A deep depression in the Finnish economy in the 1990s resulted in a rapid and dramatic increase in unemployment rates. While the employment situation gradually recovered from this 1990s recession, unemployment has again become a serious challenge in recent years, aggravated by the European economic crisis. Little by little, however, positive signs are now discernible. Polls of employers suggest the strongest hiring intentions in five years. The unemployment rate was 7.5% in July 2017, down from 7.8% in July 2016. The number of unemployed jobseekers in July 2017 was 49,400 less than a year earlier and an increase in staffing levels is anticipated for the fourth quarter of 2017. However, recent achievements in stemming long-term unemployment, youth unemployment and low-skilled unemployment are not entirely satisfactory, with the high level of youth unemployment a particular cause for concern. In the area of active labor-market policies, recent government strategies have included efforts to improve employment subsidies and labor-market training, and youth unemployment has been specially targeted. While Finland maintains a system of minimum wages and collective agreements, more attention is needed regarding worker-dismissal protection. Globalization has become a threat to labor-market strategies, as companies have sought to reduce their costs by moving production abroad. In many sectors, the amount of temporary work contracts has been increasing. Importantly, the Sipilä government has initiated a reform of the unemployment benefit system, with first amendments coming into force 1 January 2017. The first part of the reform cuts the duration of earnings-related unemployment benefits from a maximum of 500 to 400 days, sets stricter conditionalities for the unemployed in accepting job offers and seeks to personalize employment services by interviewing job-seekers regularly. The reform marks a shift from passive to more active labor-market policies.

Citation:

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Statistics Finland 2017, www.stat.fi;

"Työttömyysturvalakiin muutoksia - työttömyysturvan kesto lyhenee"; http://stm.fi/artikkeli/-/asset_publisher/tyottomyysturvalakiin-muutoksia-tyottomyysturvan-kesto-lyhenee.

Ireland

Score 7

Ireland's rapid economic growth since 2014 has been reflected by significant improvements in the labor market. The composition of the labor force has shifted significantly away from relatively low-skill construction work toward higher-skill

service and advanced manufacturing jobs. From a peak of 15% in 2012, the unemployment rate fell to 6.2% in 2017 and is forecasted to fall further, to 5.4%, in 2018. Employment has pushed over the two million mark to 2,072,000 and the unemployment level has correspondingly fallen to 136,000. Long-term unemployment constituted 43% of total unemployment in October 2017 compared to 45% a year earlier. With respect to long-term unemployment, there has been some improvement as it fell by a rate of 19% in 2017 faster than short-term unemployment (rate of 11%). 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.

The expected fall in the unemployment rate in 2018 to 5.4% reflects the strong growth performance of the economy. The greatly improved labor market statistics for Ireland have several important consequences. In the first place, continued economic growth will necessitate a growth in immigration to ensure that the economy does not face capacity constraints. To facilitate this growth in immigration there is a need to improve the infrastructure, particularly with respect to housing. It has been estimated that at least 35,000 housing units need to be added annually. However, the lagged effects of the financial crisis have had significant negative consequences for the construction sector. Because of the collapse in the property market between 2008 and 2014, the knock-on effects to the construction sector caused skilled construction workers to emigrate and building entrepreneurs to go into liquidation. De-leveraging by the banks, which had been massively over-committed to the property market, meant that the flow of finance available for construction and mortgages was greatly reduced. Less than 15,000 housing units were built in 2016 and while the forecast for 2017 suggests an improvement to 19,000 housing units it is still considerably below the target figure of 35,000 units.

A second important consequence of the strong growth in the labor market will be the impact on future earnings. Hitherto because of the strong deflationary effects on earnings created by the financial crisis of 2008 to 2014, the growth in nominal wages has been subdued. The growth in average hourly earnings was 2.2% in 2015, 2.5% in 2016 and 2.8% in 2017. The ESRI forecasts that the growth in average hourly earnings will be 3% for 2018. However, it will be difficult to contain the growth in earnings on such a subdued scale if the economy continues to register a 5% growth rate.

Citation:

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

Israel

Score 7

Labor-market indicators continue to be strong. The economy is hovering around full employment, with the December 2017 unemployment rate (among people aged 25 to

64) at 3.6%.

Israel's labor policy focuses on providing incentives for both members of two-adult households to work, and on expanding job-training services for low-skilled workers. The government has recently reformed the "earning potential" scale used for purposes such as calculating taxes and day care subsidies; increased funding for working mothers and labor-training programs; and introduced a negative tax for low-income workers. However, the OECD maintains that implementation of policies in this area is slow and underfunded. The Ministry of Economy is promoting programs to encourage and assist members of ultra-Orthodox communities to obtain academic educations, which will help them fit into modern workplaces. Currently, while 70% of ultra-Orthodox women take part in the labor force, only 51% of the community's men are employed. This latter figure represents a decline after a decade of continuous increase, from 40% in 2003 to 54% in 2014.

Israeli government largely supports the free market, and its labor-protection laws are seen by the OECD as reasonably flexible. The government has adopted the Danish "flexicurity model" of labor-market regulation. Based on trilateral agreements between the government, employers and unions, this aims to improve the economic status of both unionized workers and the unemployed by ensuring that workers receive severance packages and unemployment benefits when they lose jobs, while still allowing employers considerable hiring-and-firing flexibility. In 2014, an agreement was struck between the Histadrut Labor Federation and business leaders on a plan to increase the monthly minimum wage. In November 2015, the parties to the agreement approved another increase, and by December 2017 the minimum wage had increased to ILS 5,300 – ILS 1,000 more than in 2014.

After years of increase in the number of foreign workers in Israel, especially in the nursing, agriculture and construction sectors, the government sought to slow the flow of foreign workers. These efforts began to bear fruit, but given the need for more construction to address Israel's housing crisis, Israel has again changed this policy, and the number of foreign workers is again on the rise – from 71,281 legal foreign workers in December 2013 to 84,485 in December 2016. Lately, in April 2017, Israel signed a deal to bring in 6,000 Chinese construction workers, but only 2,500 workers arrived by May 2017.

In January 2017, the government approved a National Plan for Expanding the Skilled Workforce for the High-Tech Industry. The plan's aim is to provide a solution for the estimated shortage of 10,000 high-tech workers in Israel. One of the action points is to attract foreign nationals to the program in 2018.

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Italy

Score 7

In the past, Italy's labor market policies have been inadequate in meeting the challenges of the recent economic crisis. The main measure to combat the effects of a crisis was the "cassa integrazione," which temporarily subsidized the salaries of workers, either partially or fully, kept idle by private companies. The aim was to discourage companies from dismissing employees. However, cassa integrazione had no effect on those who were unemployed.

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

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

success. However, in 2016, fewer such contracts were issued as economic incentives for employers have been reduced.

During 2017, a number of new measures have been introduced to strengthen protections for workers on short-term contracts and independent workers.

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

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

Japan

Score 7

Japan’s unemployment rate reached a 23-year low of 2.8% in August 2017 (although this figure would likely be somewhat higher if measured in the same manner as in other advanced economies).

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

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

The LDP-led government has announced sweeping reforms. In March 2017, it made public a reform agenda that addresses the wage gap between regular and nonregular work – often dubbed the “equal pay for equal work” provision – and also includes a cap on overtime and an expansion of childcare facilities. The government also raised the minimum wage by 3% in fiscal year 2017.

A revision of the Labor Standards Law and related legislation was scheduled for an extraordinary parliament session in 2017. However, due to the snap election in that year, decisions in this area were put on hold.

The government has sought both to increase the role played by women in the economy and to boost national birth rate. In fact, these two goals have proven difficult to achieve in parallel. However, one noteworthy element of the 2016 fiscal-stimulus program was an increase in the number of child care facilities.

Citation:

Parties must commit to work style reforms that curb excessive overtime, The Japan News (by the Yomiuri Shimbun), 17 October 2017, <http://the-japan-news.com/news/article/0004008308>

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New Zealand

Score 7

Although the National-led government was reluctant to intervene directly in the labor market, New Zealand's labor-market policy has been relatively successful. The unemployment rate was at 4.8% in June 2017, the lowest rate since December 2008 and the onset of the global financial crisis. Averaged over time, unemployment rates have risen less than in most OECD countries. In addition to longer-term measures to reduce non-wage labor costs, the government has concentrated on online information for job seekers (the Department of Labor's Jobs Online Index) and on measures to build up skill levels in the workforce and address skill shortages. For a number of years, a major problem in this regard was the persistent loss of highly skilled workers to Australia. The volume of this expatriation rose at its peak to over 50,000 persons per annum, a significant loss for a country with a population of only 4.8 million. This trend has been stopped. In 2017, net migration amounted to over 70,000. However, skills shortages in the telecommunication, IT and construction sectors remain a problem. In April 2016, the Global Impact Visa policy was announced. A collaborative public-private sector approach, the policy aims to identify the best applicants from around the world and provide support as they integrate into the New Zealand economy.

In April 2017, changes were announced to the Essential Skills visa program, which is designed to facilitate the entry of temporary workers needed to fill employment shortages. These changes included requiring Essential Skills visa holders to leave New Zealand for a period of 12 months after having resided a maximum of three years in the country before they can apply for another Essential Skills visa to work in another low-skilled position.

Areas of concern remain, such as the differentials between urban and non-urban areas, and in terms of unemployment rates for the Maori and Pasifika populations

(11.1% and 10.1% respectively for the second quarter of 2017). The unemployment rate for young people has been on the decline since 2008. This is mainly due to the government's youth-based initiatives, including increased financial support for apprenticeship training, greater vocational preparation in schools and the introduction of a 90-day employment trial period. The rebuilding of Christchurch and the housing boom, especially in Auckland, stimulated economic growth. This has been sustained by sharp growth in tourism, a rise in net migration and an associated demand for housing, especially affordable housing targeted toward first-time buyers.

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South Korea

Score 7

South Korea's labor-market policy had succeeded in keeping the overall unemployment rate at a comparatively low 3.8% as of June 2017, although the youth unemployment rate was much higher. According to the OECD, South Korea performs relatively poorly with regard to several aspects of job quality and labor-market inclusiveness. Moreover, the employment rate among women is comparatively low. Nearly 40% of employees at South Korean conglomerates are irregular workers, a fact that highlights the country's issues with low job security and low job quality.

The newly elected Moon Jae-in administration has placed a top priority on the creation of high-quality jobs and the reduction in the share of irregular jobs. Moon established a job-creation commission tasked with decreasing the number of non-regular workers, while promising to reduce working hours, increase the minimum wage to KRW 10,000 by 2020, and expand youth-employment quotas to include private companies. His administration has also promised to create new public-sector jobs, and took a first symbolic step by transferring irregular employees in the public sector into permanent employment. The Ministry of Employment and Labor budget has increased by about 30% to KRW 23.7 trillion, and KRW 19.2 trillion has been allocated for job creation. The funds dedicated to youth employment in particular have been significantly expanded. In addition, the government has created specific labor policies for SMEs and the public sector. For example, for every three young people hired by SMEs on a regularized basis, the government now offers a "supplementary employment subsidy" supporting the wage of one of the three. This so-called 2+1 employment policy is designed to spur the creation of high-quality

jobs for the young by reducing the wage burden experienced by SMEs. The Moon government also has a plan to create more jobs in the public sector through the expenditure of public funds.

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Sweden

Score 7

The heyday of full employment policies in Sweden is gone, seemingly forever. Current labor market statistics indicate that Sweden today does not differ in any significant way from comparable capitalist economies. If anything, unemployment among youth and immigrants is higher than in other comparable countries. This pattern raises questions about the efficiency of Sweden's labor market policies and the overall regulatory framework. The former, non-socialist government pursued a policy which incentivized unemployed to look for work by lower unemployment support. The current government (Social Democrats and Greens) is committed to increasing that support. Their policy stance marks a return to more government-sponsored employment as a means of helping the unemployed access the labor market. It is too early to assess whether this new (return to an older) approach to unemployment will be any more successful than that pursued by the previous "Alliance" government. The huge influx of refugees into Sweden in 2014 and 2015 was expected to significantly impact the labor market in 2017, when successful asylum-seekers register as job seeking. So far, however, the strong economy has kept unemployment (primarily among native swedes) at a very low level, thereby moderating the impact of the growing number of jobseekers. The more long-term challenge of integrating refugees into the labor market still looms large.

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

Union strength has declined rapidly in recent years, but union power remains strong by international standards. The strength of unions in part explains the relatively

modest reform in labor market rules related to dismissal, minimum wage and apprentice arrangements, which would entail some workers earning a lower salary. But this applies only to insiders on the labor market because employment protection legislation for precarious work is underdeveloped. As in other European countries, Sweden's labor market is undergoing dualization, albeit at a slower speed than, for example, in Germany.

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

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

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Austria

Score 6

Austrian labor market policies are comparatively successful, if the reference is to labor markets in other European (especially other EU member) states. In recent years, Austria's unemployment figures have persistently been among Europe's lowest. Despite some negative trends (concerning the relative success of Austria's labor market policy), the economic upswing which has reached Europe as a whole has had a positive impact on the Austrian labor market. However, unemployment remains high among less well-educated persons, persons over 50 years old and first generation immigrants.

One factor contributing to the still quite successful labor market outcomes is the social partnership between the Austrian Trade Union Federation (Österreichischer Gewerkschaftsbund, ÖGB) and the Austrian Economic Chambers. Many labor market policies in Austria are effectuated through the Public Employment Service, another institution key to the country's employment successes. The Austrian dual system of vocational education, in which young people receive on-the-job vocational training while still attending school, has also been successful and is drawing

international attention. The consensual way employers and employees address wage developments, resulting in an extremely low number of open conflicts like strikes, must still be considered a positive factor.

Nonetheless, unemployment rates have risen significantly in Austria over the last 20 years. Though this trend reversed in 2017 due to large economic growth. Both neoliberalism and globalization have been cited as decisive factors. 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 European 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 European Union. Open borders, liberalized Austrian labor markets and the influx of foreign workers and migrants have also contributed to a decline in real incomes among lower-wage Austrian blue-collar workers over the last years.

As pension reforms have lengthened Austrians' working lives and continued immigration has increased the labor supply, a concerted effort to tackle the unemployment problem is crucial, in particular with respect to defeating populist parties and policies. Moreover, unemployment is a distinctly educational problem, and educational and vocational training systems must be addressed.

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Belgium

Score 6

At the onset of the financial crisis, unemployment rates in Belgium did not see increases as dramatic as those elsewhere in Europe, reflecting the effectiveness of the Belgian social safety net. Economic inequality rates also remain well below the EU average. Eurostat and National Bank of Belgium data show that standardized unemployment rates remain low in comparison with the euro zone average.

Nevertheless, labor-market performance has declined in recent years. Unemployment-rate data have masked stagnation in the employment rate. This means the country's labor-market participation rate is eroding in comparison with Germany and the Netherlands. However, it is on par with France's, another poor performer (see Eurostat's Employment rate statistics)

According to several analyses (including that of the Council of Europe), this employment-rate sluggishness is attributable to an insufficiently strong 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 (reflecting low levels of investment in higher and continuing education); workers' insufficient intra-regional mobility (that is, between Flanders, Wallonia and Brussels); and pockets of high unemployment especially in Brussels and the former industrial basins in Wallonia.

Citation: Council of Europe's recommendations: [http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32017H0809\(01\)&from=EN](http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32017H0809(01)&from=EN)

Eurostat's Employment rate statistics: http://ec.europa.eu/eurostat/statistics-explained/images/3/39/Employment_rate_by_sex%2C_age_group_20-64%2C_1993-2016_%28%25%29.png

Source: NBB (2017). "Economic indicators for Belgium (2017-45)". <https://www.nbb.be/doc/dq/e/dq3/histo/iee1745.pdf>

Cyprus

Score 6

The sharp increase in unemployment rates caused by the economic crisis appears to gradually have been curbed. As expected, unemployment fell from 15.9% in 2015, to 10.3% in September 2017 (IMF). These figures are lower than the peak of 17% (August 2013) and 14.2% when the bailout agreement was reached. These hardly compare with pre-crisis data, 3.7% with near-full employment (76.5%) in 2008. The public sector employed 15% of the working population, while the services sector accounted for 79.4% of jobs in the second quarter of 2015.

The regulatory framework protects labor rights, and includes provisions preventing unlawful dismissal from employment. However, serious shortcomings are evident in its implementation in the private sector. Over the years, "tripartism" in the form of

agreements between the state, businesses and employees have made the labor market less flexible. Issues under negotiation in 2017 include salary reductions as well as the suspension since 2011 of the cost-of-living adjustments (COLA). There are cases of employment with salaries below the legal minimum wage, no social insurance offered and other negative phenomena. Large privileged public and banking sectors “compete” with a relatively weak private sector that is exerting pressure on benefits in a labor market marked by distortions. Unions have a strong voice particularly within the public sector. This allows them to secure their members’ benefits, while migrant EU and non-EU labor is often exploited. This is widening the economic gap. A survey from the second quarter of 2017 showed that non-Cypriot workers accounted on average for 20.4% of the employed, of whom 13% were EU nationals (up 2 percentage points since 2015) and 7.4% third-country nationals (down 1 percentage point since 2015).

While active labor-market policies continued in 2017 and helped further curb persistently high unemployment rates, the European Commission notes a limited scope of actions, no follow up, and training shortcomings. Additional issues of concern are youth unemployment, which remains high at 29% in the second quarter of 2017 and long-term unemployment (5.8% in 2016). Unemployment affects women slightly more than men. However, only 56.6% of women participate in the formal labor force and 48.2% are employed (2016), compared to 66.4% and 58.9% for men. In addition, we note high rates of short-term (16.5%) and part-time employment (14.3%) as well as a 4.5 percentage point decline in the labor force since 2012, due in part to emigration. Sustained growth in 2017 has offered more opportunities in the labor market.

Citation:

1. Labour Force Survey 1999-2016, Statistical Service ROC, 2017, [http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/8914F6A811F8D1AFC2257F730037C429/\\$file/LAB-LFS-A99_16-EN-280717.xls](http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/8914F6A811F8D1AFC2257F730037C429/$file/LAB-LFS-A99_16-EN-280717.xls)
2. Survey of Labour Market, Q2-2017, Statistical Service ROC, 2017 [http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/2F431DE5F0B79F8CC2257FEA002E6D4B/\\$file/LAB-LFS-Q217-EN-200917.xls?OpenElement](http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/2F431DE5F0B79F8CC2257FEA002E6D4B/$file/LAB-LFS-Q217-EN-200917.xls?OpenElement)
3. EUROSTAT, Employment Statistics September 2017, http://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment_statistics
4. EU Commission Semester Report Cyprus, February 2017, <https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-cyprus-en.pdf>

France

Score 6

Despite high overall spending and a large number of cosmetic reforms, the labor market policy of the Hollande administration has shown poor results. Since 2012, unemployment increased by 500,000 people. However, slight improvements could be observed in 2016 as the unemployment rate has fallen from 9.9% in the first quarter of 2016 to 9.3% in 2017. The employment rate of workers over 55 years of age is one of the lowest in the OECD (48.6% in 2015 compared to an OECD average of 58.2% and an EU target of 50%). France has a notoriously high youth

unemployment rate. Similarly, French citizens with immigrant backgrounds, particularly young people, face great difficulties integrating into the labor market. According to a report released in 2017 by the National Accounting Office, the labor market policy measures currently in place to support young people are costly (€10.5 billion annually), inefficient (most young people do not find a job at the end of their publicly funded training program) and messy (there are too many unattractive and poorly managed programs). Most young people are hired on short-time contracts (two-thirds of the contracts have a duration of less than one month).

The Hollande administration did adopt some limited yet controversial labor market reforms in January 2013 and in July 2016. However, while admitting that the labor code was too complex and needed more flexibility, Hollande's government failed to address the 35-hour workweek or the bargaining monopoly of trade unions (only 7% of the workforce are union members, while most union members work in the public sector). The main innovation of the 2016 Labor Law stipulates that in case of extraordinary circumstances (e.g., a steep increase or decline in orders), company agreements may overrule sectoral or national agreements, reversing the usual hierarchy. But, on the whole, the measures were half-hearted, and the government went back on its initial ambitions under the pressure of social mobilization and political opposition.

One year later, the landscape has radically changed. Macron announced during his presidential campaign his intention to substantially reform the labor law code by using ordinances (drafted and adopted by the executive alone). After two months of intense consultations with the unions (but without negotiation), the ordinances were adopted and signed on 22 September 2017. The ordinances are characterized by multiple adjustments rather than the adoption of a brand new grand design. They introduce more flexibility, simplify rules, merge diverse internal bodies involving social partners at the company level, and give greater space to regulations at the company level compared to the sectoral level in order to allow more flexibility especially for small- and medium-sized companies. This highly controversial measure, fiercely opposed by some unions, has been seen as a test of Macron's ability to implement his huge reform agenda in spite of significant social obstacles. Another contested measure is the gradual reduction of state-financed jobs. The government argues that these jobs are costly and artificial, and fail to enable full integration into the labor market.

Iceland

Score 6

Historically, labor market policy has managed to keep unemployment low. Just before the collapse in 2008 the unemployment rate was below 1%, reflecting an overheated economy. However, this was to change dramatically with the collapse. In 2010, the unemployment rate peaked at 7.6% before falling in 2011 to 7.1%. Thereafter, the unemployment rate declined gradually to 3% in 2016, and is expected

to rise toward 4% over the next few years, a low rate compared with other European countries.

Iceland's labor market legislation has essentially remained unchanged since 1938 with wage contracts negotiated by the leadership of labor unions and employers' associations, granting both partners significant market power. Many wage contracts are due for renegotiation in 2018. There was great turbulence in the labor market in 2015 and 2016, such as a doctors' strike and other labor disputes, particularly within the public sector (e.g., a joint strike by nurses, other specialized hospital staff, and several other public-sector unions). Most of these disputes were settled before the end of 2015 with collective agreements running to 2019 while others were settled in 2016. A few wage contracts expired in 2017. Many more will expire in 2018, including the wage contract with the Icelandic Confederation of Academics (BHM), and still more contracts will expire in March 2019. The renegotiation of these contracts will be complicated by several recent decisions by the Wage Council to grant double-digit, partly retroactive wage increases to members of parliament and senior public officials, including the president of Iceland. For this reason, a cloud of uncertainty hangs over wage developments, and thus also the prospects for inflation and unemployment over the next few years.

Wage rivalry between labor unions remains a prominent feature of Iceland's labor market, a phenomenon that helps to explain Iceland's high inflation in the past and current fears that inflation may rebound despite favorable external conditions for price stability.

Citation:

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

Gylfason, Thorvaldur, and Assar Lindbeck, "Union rivalry and wages: An oligopolistic approach," *Economica*, May 1984.

Lithuania

Score 6

Though Lithuania's labor market proved to be highly flexible during the financial crisis, probably due to low compliance with the Labor Code, persistent labor-market challenges undermine economic competitiveness. With unemployment rates declining in recent years, the mismatch between labor supply and market demand in has become the main issue of the labor market. It is increasingly difficult for businesses to find suitable skilled labor. Although immigrant workers from Ukraine and Belarus increasingly fill job vacancies in sectors such as construction and transport, immigration procedures are complex and create significant barriers to employment. Skills shortages are emerging in certain sectors of the economy, which will become more acute in the future. In its 2017 report, the European Commission recommended addressing skills shortages through effective active labor market policies, adult learning and improved educational outcomes by rewarding quality in

teaching and higher education.

In the Global Competitiveness Report 2017-2018, Lithuania ranked highest for the flexibility provided in determining wages (ranked 13 out of 137 countries). However, hiring and firing practices were considered relatively very restrictive (ranked 111 out of 137 countries), and taxation has a very negative effect on incentives to work (ranked 117 out of 137 countries). Implementation of the new Labor Code is expected to make hiring and firing practices more flexible, thus improving the country's position in this ranking.

In recent years the minimum wage has been increased a number of times by the previous and current governments. After the roughly 20% rise in 2013, increases to €300, €325 and €350 per month followed in 2014, 2015 and 2016, reaching about 50% of average monthly earnings in the business sector. In 2017, the minimum wage was further increased to €380 per month and the Tripartite Council agreed to set at €400 per month from 2018 (still subject to approval by the government). The council decided to depoliticize the setting of the minimum wage by indexing it to the average wage. Though the increase in the minimum wage contributes to increased economic consumption, a high minimum wage to average wage ratio increases the risk of unemployment for low-skilled workers. However, unemployment rates have continued to decline, falling to 7.9% in 2016, and are projected to decline further to 7.3% in 2017 and 6.8% in 2018 (European Commission forecasts). 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 the coming years, the shortage of labor, and structural mismatches between the supply and demand of skilled labor will be the biggest constraint on the economy's continued convergence to the EU average.

Citation:

COMMISSION STAFF WORKING DOCUMENT, country report Lithuania 2017: <https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-lithuania-en.pdf>
The 2017 – 2018 Global Competitiveness Report of the World Economic Forum: <http://www3.weforum.org/docs/GCR2017-2018/05FullReport/TheGlobalCompetitivenessReport2017%E2%80%932018.pdf>

Poland

Score 6

Poland's favorable overall economic record has been associated with a marked decline in unemployment. The unemployment rate has fallen further and reached 6.8% in September 2017, a historic low since 2008. The employment rate has slowly but constantly increased during the last years, but is still below the EU-28 average of 70.1%. Regional variations in (un-)employment, both between and within regions (voivodships), have been strong and persistent. Temporary employment contracts represent another problem, as Poland has the highest rate in the European Union. The PiS government has done little to foster the integration of youth, less-skilled workers and women in the labor market, who still earn 17% less than men, and to increase the

share of regular employment contracts. Its main reform project in the field of labor market policy has been the increase of the minimum wage. Following a strong rise in 2016, the latter was further increased from PLN 13 to PLN 13.50 per hour and PLN 2,000 to PLN 2,080 per month in June 2017. While these politically popular moves have improved the financial situation of low-wage earners, they have raised concerns about negative employment effects and a rise in the shadow economy. In some parts of the country and for some professions, labor shortage has become an increasingly pressing issue.

Portugal

Score 6

Unemployment rates maintained the downward trajectory identified in the last three reports. According to Eurostat, Portugal's general unemployment rate was 8.5% in October 2017, a drop of more than two percentage points relative to October 2016. This was the lowest such rate since April 2008. It should be noted that the rate was 17.9% in January 2013. This is very good news for Prime Minister Costa's government, which made labor policy a key election-platform issue.

However, this decline has not been entirely due to labor-market policies. The available evidence suggests that two main factors have driven the phenomenon. The first is a return to real economic growth after a period of contraction between 2011 and 2013. The second is the continued effect of very high levels of emigration. The most recent data for 2016, produced by the National Statistics Institute (Instituto Nacional de Estatística, INE) and provided by Pordata, indicates that some 97,151 people emigrated (on either a permanent or temporary basis) in 2016. This is still a very high number, even if somewhat lower than the 2015 figure (101,203 emigrants). While this data indicates that emigration numbers are stabilizing and even falling, it must be noted that at close to 100,000 per year, they remain very high. This number is relevant if we consider that, according to Eurostat, the absolute number of unemployed people declined by a quantity that closely mirrors the emigration statistics, with the number of unemployed people falling by 89,000 between October 2015 and October 2016 (639,000 to 550,000 unemployed); and by a further 109,000 between October 2016 and October 2017. The Costa government honored its pledge to increase the minimum monthly wage in 2017, boosting it to €57 per month from €30 in 2016. This increase was approved by business associations, which negotiated a 1.25 percentage-point reduction in their social-security contributions for workers who benefit from this wage increase.

Moreover, it should be noted that youth-unemployment rates did not decline over this period. While the overall unemployment rate has fallen – to a point below the euro zone average in October 2017 – the youth-unemployment rate has remained fairly stable at a high level. In November 2016, it stood at 26.9%; in October 2017, it was 25.6%, reflecting a small increase since July of that year. This total was well above the euro zone average of 18.6% in October 2017. The stability shown by

youth unemployment is consistent with the analysis above – that is, that labor-market policies have not been wholly responsible for this fall in unemployment.

With the backing of its parliamentary allies, the government has sought to combat the circumvention of legal requirements to provide contracts to workers. One example of such tactics is that of “fake green receipts,” which involves paying workers who de facto are full-time employees of a company as independent workers, thus according them considerably less job security and social security. A new law (Law 55/2017) that came into effect in August 2017 seeks to tighten control over these situations. The actual effects of this legislation will become clear over time, but initial evidence suggests there has been no immediate impact.

Citation:

RTP 30 May 2017. *Economia*.

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Eurostat, “Harmonised unemployment rates (%) – monthly data,” available online at:

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Eurostat, “Harmonised unemployment rate by sex,” available online at: <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=teilm020&plugin=1>

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Slovenia

Score 6

As a result of the economic recession, unemployment rates in Slovenia rose between 2009 to 2013. In 2013, the employment rate among those aged 20 to 64 fell below the EU average for the first time. Since 2014, the labor market situation has significantly improved. The unemployment rate dropped from 12.3% in September 2015 to 10.4% in September 2016 and to 9.1% (July 2017). In August 2016 the number of registered unemployed persons fell under 100,000 for the first time since 2010. In August 2017, it was further down to 83,843 persons, the lowest value in the past seven years. The improvement in labor market performance has been driven largely by the economic recovery. Despite improvements in recent years, major structural challenges have remained. Long-term unemployment still stands at more than 50% of total unemployment, the employment rates of older and low-skilled

workers remain below the EU average and their participation in active labor market policies remains low. 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 introduced in 2009 and continuing through 2014, and are only slowly regaining their effectiveness.

Citation:

European Commission (2018): Country Report Slovenia 2018 Including an In-Depth Review on the prevention and correction of macroeconomic imbalances. SWD(2018) 222 final, Brussels, 31-35 (<https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-report-slovenia-en.pdf>).

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OECD (2017): Economic Survey Slovenia. Paris (www.oecd.org/eco/surveys/economic-survey-slovenia.htm).

Spain

Score 6

Though still quite high compared to other OECD countries, unemployment rates in Spain began to fall in early 2013, as the Spanish economy entered recovery. The jobless rate reported by the Spanish Statistics Institute (INE) was 16.5% in 2017, having fallen from an all-time high of 27% in the first quarter of 2013, but remains among the highest in the EU, especially among young and low-skilled workers. The average unemployment rate over the past 40 years was around 16%. Although the recent progress is positive news, most jobs created are unstable and of inferior quality. 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 (e.g., insufficient mobility); 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 dual labor market, which is a serious source of inequality. Analysts also point to the existence of several contract modalities, a flawed social dialog and expensive compulsory social security contributions. Finally, public-spending cuts have reduced the prevalence of active labor-market programs (e.g., training) designed to help the unemployed find work. The European Youth Employment Initiative (EYI) has somewhat compensated the cuts in national funding. After a slow start, implementation of the EYI improved in 2017, but inefficiencies remain and the impact of the program is limited.

Citation:

Economically Active Population Survey (EAPS-EPA) Quarter 3/2017. Spanish statistics institute INE: http://www.ine.es/dyngs/INEbase/economia/operacion.htm?c=Estadistica_C&cid=1254736176918&menu=ultiDatos&idp=1_254735976595

Export.gov, Spain Labor Policies and Practices

<https://www.export.gov/article?id=Spain-Labor>

Turkey

Score 6

Turkey's population and work force are growing significantly. From 2014 to 2017, the country's population increased by an estimated 2.4 million to 79.8 million people in 2017. The working-age population (those 15 years old and older) grew from 56.6 million in January 2014 to 59.9 million people in July 2017, while the labor-force participation rate rose from 48.2% in January 2014 to 53.7% in July 2017. A total of 24.5 million people were officially registered as employed in January 2014, rising to 28.8 million in July 2017.

Employment figures in various sectors point to growing dynamism in Turkey's economy and labor market. Recent employment figures for the industrial and services sectors indicate an increase of 71,000 jobs in industry and 2.4 million jobs in the services sector between 2014 and July 2017. On the other hand, agricultural employment increased by 107,000 jobs between 2014 and July 2017.

The official number of unemployed increased from 2.8 million in January 2014 to 3.4 million in July 2017. 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 slightly from 10.3% in January 2014 to 10.7% in July 2017. Strikingly, unemployment rose in the non-agricultural sectors from 12.1% in January 2014 to 13% in July 2017. Between January and July 2017, an additional two million people were employed due to several governmental incentives. On the other hand, the number of public employees between 2016 and the second quarter of 2007 remained stable at 3.5 million.

Informal employment increased 6.8% between July 2016 and July 2017 and was estimated to account for 35.2% of total employment in July 2017. Displacement of native workers by refugees who agree to work without job security and for lower wages is the one of the factors driving this development. On the other hand, Turkey adopted the International Labor Force Law in July 2016, which aims to attract high-skilled workers to protect and increase productivity. The requirement of a "professional competence certificate" is expected to increase the qualified domestic labor force and increase competition in the job market.

A major medium-term challenge facing the government is the need to create more and better paying jobs for Turkey's young and growing population, since many young people (15 to 24 years old) are not in employment, education or training. The unemployment rate of young people increased from 17.7% in January 2014 to 21.1% in July 2017. 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 largely attributable to women's low participation rates.

The World Bank (2016) pointed 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. On the other side, recent research indicates that firms participating in international markets through exports or multinationals are in general larger, more productive, more capital intensive, more skill intensive and pay higher wages than domestic firms within the same industry. Thus, the country by promoting exports through alternative means (e.g., real exchange rate devaluations) can create higher paying jobs in export sectors than domestically oriented firms, which will drive productivity increases in the economy.

Citation:

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

World Economic Forum (2017) Global Gender Gap Report 2017, Geneva.

Bulgaria

Score 5

In 2017, the level of employment reached a 20-year high. Unemployment has fallen significantly since 2013. The labor-market reforms of 2015, creating more flexible hiring in the agricultural sector and starting a program for free language and computer literacy courses for the unemployed and underemployed, may be bearing fruit. While the serious long-term problem of a skills mismatch continues, some reforms to secondary education claiming to address this problem have been announced. Among the employed, many occupy jobs which are below their level of education and skill. The employer organizations have demanded revisions of social security thresholds and a regional differentiation of the minimum wage, but these proposals have not been taken up by the government.

Citation:

European Commission (2018): Country Report Bulgaria 2018 including an In-Depth Review on the prevention and correction of macroeconomic imbalances. SWD(2018) 201 final, Brussels, 30-34 (<https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-report-bulgaria-en.pdf>).

Mexico

Score 5

The crucial challenge for Mexico's labor economy is the division of the labor market into formal and informal sectors. The informal sector consists of companies and individuals that are not legally registered for taxation and national insurance, and that largely escape both the advantages and disadvantages of legal regulation. According to government estimations, this segment of the workforce accounts for 57% of the

economically active population. By OECD standards, the size of the informal sector is very large. Moreover, Mexico is the only OECD country without a national system of unemployment insurance. Many small companies inhabit a twilight world in which they have both lawful and extra-legal features. Informality is also heterogeneous across regions, with the southern regions of the country generally performing worse. As of last year, there were no significant changes in the overall divisions between formal and informal sector employment: six in 10 workers are employed informally in Mexico.

According to the OECD, the unemployment rate in April 2017 was 3.6%, signaling a recovery from the financial and global economic crisis of 2008. However, employed people as a share of the population was 2.2 percentage points below pre-crisis levels of 2007, and unemployment rates are significantly higher among youth and elders.

A 2012 labor reform attempted to increase market flexibility and reduce hiring costs. Although eventually watered down with regard to union transparency, supporters of the law claim that it has the potential to increase productivity, boost employment and improve competitiveness. In 2015 and 2016, unemployment was reduced even amidst a challenging international environment. The new law reforms Mexico's labor regulations and allows employers to offer workers part-time work, hourly wages and gives them the freedom to engage in outsourcing. The left-wing Party of the Democratic Revolution opposed the bill, but was not able to block it. It deplores the ease with which employers can now hire and fire workers, outsource jobs, side-step 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. 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.

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, particularly compared to other Latin American countries, but less so when compared to several OECD countries.

Citation:

<https://www.oecd.org/mexico/Employment-Outlook-Mexico-EN.pdf>

Croatia

Score 4

After steadily increasing from 2009 to 2014, the unemployment rate fell from a peak of 17.5% in 2014 to 11.3% in 2017. However, much of this is driven not by job creation but by a shrinking domestic labor force that is associated with aging demographics and a strong emigration flow to other EU countries. While the employment rate has recorded a relatively strong increase since 2013, it is still one of the lowest in the EU and the OECD and remains below its 2008 level.

While the number of participants in active labor market programs has quadrupled since 2010, the adopted measures have not been very effective. Long-term unemployment has remained high, and only a small number of program participants have eventually found a job, mostly in the public sector. In the case of young people, the expansion of active labor market programs has led to the neglect of other ways of entering the labor market, such as internships and traineeships. Labor market performance has suffered from various other institutional and policy shortcomings. The severance payment regime hinders labor mobility and discourages the use of open-ended contracts. The multi-layered social benefits system and generous early retirement options create disincentives to work. The wage-setting regime is not conducive to aligning wage dynamics to macroeconomic conditions. 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 weak labor market performance in Croatia. A particularly troubling aspect of Croatia's labor market is the structure of labor demand. It is highest for waiters, cooks, shop assistants and drivers – not particularly encouraging for the young people with university qualifications, who therefore seek opportunities outside Croatia. The only profession requiring university qualifications for which there was a very high demand in the observed period were teachers.

Greece

Score 4

In the period under review, unemployment has fallen. Nevertheless, the crisis continued to expose some of the rigidities in the labor market. It has proven to be difficult for a pro-labor government (which has been in power since January 2015) to tackle unemployment within a context of private disinvestment and fiscal crisis.

The unemployment rate fell from 28% in July 2013 to 21% in July 2017 (18% for men, 25% for women in July 2017). As the economy has stagnated, and domestic and foreign investors are still reluctant to invest given Greece's unpredictable institutional environment, whatever progress has been achieved in tackling unemployment is due to the following reasons: lower wages, a rise in flexible forms of employment, growth in the tourism sector where jobs are available during an almost six-month-long summer season, and an increase in emigration (of both skilled

workers and migrants). Some 68,000 of the 150,000 jobs created over the last three years are part-time or rotation jobs.

About 75% of unemployed people have been out of work for more than one year. This phenomenon, which has detrimental effects for economic growth, is called hysteresis: people lose their skills and cannot find new jobs, leading to increasing poverty and social exclusion. Young people have been hit particularly hard by the economic crisis. Yet there has been some progress, as unemployment among 15 to 24 year olds (excluding students and soldiers) fell from 59% in July 2013 to 43% in July 2017. Of course, this is still one of the highest youth unemployment rates among OECD countries.

Unemployment statistics refer to “unemployed employees” only and not to self-employed or free-lancers who saw their businesses collapse during the economic crisis. Indeed, the number of unemployed employees is probably inflated since many employees in the tourism industry do not seek employment in the winter months (around 200,000 do not seek a job). Unemployment allowances are capped at one year over an entire working lifetime and – what is worse – the take up of unemployment allowance has constantly been very low at 10%. The remaining 90% of unemployed people, who receive no unemployment allowance, depend on support from their kin or rely on a recently introduced social safety net called Social Solidarity Allowance (see the section on social inclusion). However, for several years the Greek government, with the agreement of the European Union, has used money from the European Social Fund (ESF) to offer short-term employment opportunities to unemployed people in municipal services.

The primary reason why the labor situation has failed to improve much is the government’s reluctance to implement measures which would facilitate job creation in the private sector. The government continues to give contradictory messages to investors. Throughout 2017, Prime Minister Tsipras and his finance ministers traveled abroad, including to the United States, in order to attract foreign investors, while other government ministers and the governing party Syriza still resist large-scale, industrial or other private investments, which could create job opportunities.

In the meantime, the primary causes of the continuing closure of businesses are the continuing fallout from the lengthy economic crisis, the depletion of private deposits of households and the unstable prospects of the banking system. Many small and very small enterprises have failed, while former entrepreneurs and dismissed workers find it difficult to find new jobs, as many lack advanced skills. Unemployed people in the middle- to old-age groups have found it difficult to re-integrate into the labor market.

The pre-crisis division between insiders and outsiders has remained acute. Public sector employees, most of whom enjoy job security, have more or less successfully adapted to lower living standards. In contrast, private sector employees are faced with the recurring problem of unemployment. Moreover, as in the previous period

under review, there has been a rise in part-time and short-term labor contracts over contracts of indefinite time. In brief, the slight improvement in the overall unemployment rate in the period under review is a sign of progress, which however is endangered by a combination of adverse macroeconomic constraints and contradictory signals given by the government.

Citation:

Information on unemployment, female unemployment, long-term employment and youth unemployment is drawn on the Hellenic Statistical Authority's website, <http://www.statistics.gr/>

Hungary

Score 4

Recorded unemployment has declined significantly since the resumption of economic growth in 2013. However, low unemployment has largely been achieved by controversial public-works programs and an increase in the number of Hungarians working abroad. The public-works programs, which still covered 4% of the workforce in 2017, have seldom resulted in the integration into the first labor market. Participants perform unskilled work under precarious conditions and for very modest remuneration. The main beneficiaries of the program have been local mayors who are provided with access to cheap labor to perform communal work. The number of Hungarians working abroad is estimated at 600,000, many of them highly educated and skilled. The resulting brain drain has become a major obstacle to the acquisition of FDI and to economic development in general. The salary boom in 2017 has been driven by the lack of qualified labor, arguably the main current challenge to labor market policy, and the resulting increase in competition among companies to find a qualified workforce.

Citation:

European Commission (2018): Country Report Hungary 2018. SWD(2018) 215 final, Brussels. 2-3 (<https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-report-hungary-en.pdf>).

Romania

Score 4

Romania's labor market has benefited from the strong economic growth. In 2017, the number of employed exceeded 5 million people and the unemployment rate dropped to 4.9%, its lowest level in more than 20 years. As a result of an increase in the minimum wage by 17%, wage hikes in the public sector and the tightening labor market, wages have grown strongly. Despite some reform attempts under the preceding Cioloș government, active labor market policy has remained rudimentary and ineffective and has failed to address long-standing issues such as a high inactivity rate of the working-age population, massive youth unemployment, a growing skill mismatch, strong disparities between rural and urban areas and the brain drain of the most educated and ambitious youth.

Slovakia

Score 4

Due to the strong growth of the Slovak economy, the unemployment rate has gradually fallen in the last years and has declined to about 8% in 2017. At the same time, however, several structural problems persist which have not been adequately addressed by the third Fico government. Long-term unemployment is one of the highest in the European Union, and the labor market participation of groups such as Roma, young people, women with children, the elderly and low-skilled persons is relatively low. As labor market mobility within Slovakia is low, regional differences in (un-)employment are strong. A more recent problem is the growing shortage of qualified labor for industrial production. While labor market programs have been refined and the implementing of an action plan for the integration of long-term unemployment adopted in November 2016, has started, spending on labor market policy and the rate of participation in such measures are still low.

Citation:

European Commission (2018): Country Report Slovakia 2018. SWD(2018) 223 final. Brussels, 22-26 (<https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-report-slovakia-en.pdf>).

Ministry of Finance (2017): National Reform Programme of the Slovak Republic 2017. Bratislava, 10. (<https://ec.europa.eu/info/sites/info/files/2017-european-semester-national-reform-programme-slovakia-en.pdf>).

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