Labor Market Report
Labor Market Policy

Sustainable Governance Indicators 2019

SGI Sustainable Governance Indicators
| Bertelsmann Stiftung |
Labor Market Policy

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.

Estonia

Score 9

Recent labor market reforms have focused on the employability of disabled people in order to expand labor supply and increase the sustainability of pension funds. The Unemployment Insurance Fund and EU resources have been used to extend active labor market policy measures and implement the 2016 Work Ability Reform, which aims to bring at least 10% of the country’s disabled population into employment. A new set of proactive measures was introduced in 2017 – 2018 (e.g., the Work and Study Program) to help workers with limited or outdated skills to upgrade their qualifications.

Helped by these reforms and favorable economic developments, employment levels have increased and long-term unemployment has decreased. However, low-skilled employment remains high and low pay is common. The government has responded to in-work poverty and low pay by extending tax credits for low-paid workers. In 2018, the government initiated a strategic plan to adjust the labor law to the changing world of work. To balance labor supply and demand, the government envisages increased flexibility, better regulation of fixed term employment, a transition toward more tele- and platform work, and updated workplace safety regulations for digital jobs. In general, the plans have been warmly welcomed by employers, but more cautiously welcomed by trade unions. Nevertheless, substantial debates and parliamentary proceedings on amending the Employment Contracts Act will likely start in fall 2019.

The national Unemployment Insurance Fund is in good financial shape, having accumulated significant reserves due to the relatively high contribution rate, a strict eligibility criteria and a low level of benefit payouts. The contribution rate have been fixed for the period 2017 – 2020 (0.8% of an employer’s payroll and 1.6% of an employee’s wages), which provides some stability to labor demand.
Germany

Germany’s success in reducing structural unemployment since the mid-2000s has been impressive. Most recent statistics make it clear that Germany’s employment rate is again increasing, with 45.1 million people currently in employment. This is an increase of more than 0.55 million compared to October 2017. The unemployment rate is at its lowest level since German unification, currently 5.2% compared to 5.7% in 2017. The unemployment rate is expected to decrease further in 2019. Conversely, there is a shortage of qualified workers and the number of job vacancies has increased from 0.73 million to nearly 0.8 million. Between 2009 and 2018, there has been a constant increase in the number of job vacancies in 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 and may also reflect workers’ preferences, for example, for part-time schemes. However, atypical employment contracts may have negative consequences for the social security system and, more generally, social justice. Still, according to the Federal Statistical Office, atypical employment has slightly increased by 0.17 million people to a total of 7.72 million people, a smaller increase than in previous years. The number of “minijobs” has decreased in absolute numbers since the introduction of the minimum wage. The proportion of people in atypical compared to regular employment is about 20.8% and remains more or less constant.

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, which concluded at the end of 2018, sector-specific minimum wages may be lower than the general minimum wage. Since January 2018, a uniform minimum wage has been in force and is set at €8.84. It will increase in 2019 to €9.19 and in 2020 to €9.35. The minimum wage has elevated the earnings of four million employees, about 11% of the employed workforce. The German Council of Economic Experts has not reported any detrimental macroeconomic effects, though it is difficult to assess the long-term consequences of the national minimum wage.

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 enormous increase in refugees claiming asylum in Germany was and still is a key challenge for future labor market policymaking. Reducing barriers to labor
market access, especially to the regular labor market, as well as support for training and education will be crucial for the successful integration of refugees. Germany is on the path to successfully integrating these refugees, as illustrated by the constantly decreasing unemployment rate of refugees. In addition, faced with a shortage of labor, the further training and – hopefully – further integration of refugees into the labor market is one of the main challenges confronting labor market policies.

Citation:

Luxembourg

Score 9

The labor market in Luxembourg continues to prosper and grow. It also attracts many cross-border workers from neighboring countries. Workers from 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).

The number of jobseekers registered with the Employment Agency at the end of September 2018 was 14,582. That is 7.7% or 1,208 fewer than at the end of September 2017. The seasonally adjusted unemployment rate is now at 5.4%. This is the lowest level since May 2009. The 2008 financial crisis had driven the unemployment rate to over 7%. It has only begun to decline continuously since 2014, due to improved economic performance. Youth unemployment has fallen particularly sharply at 15.5% year-on-year to only 2,799 people in 2018. Furthermore, the number of low-skilled jobseekers dropped significantly, by 9.3%. However, this category of jobseekers represents more than half of the total population with 7,596 registered people. The number of people enrolled in a job creation program totaled 4,704 in 2018, 6.4% fewer than in September 2017. In addition, there are also 3,234 job vacancies, 60 vacancies less than a year ago.

Luxembourg has a very dynamic labor market. In the period 2005 – 2016, employment increased by 36%. Compared to neighboring countries, this growth is particularly remarkable. In the same period, employment grew by 11% in Germany, 9.5% in Belgium, 4.7% in France and 5% across the European Union. While employment fell across the European Union as a result of the 2009 economic crisis, employment in Luxembourg continued to rise considerably, although growth has slowed slightly since 2009.

In the third quarter of 2017, 406,102 people employed in Luxembourg were subject to social security contributions. This is 3.3% more than in the third quarter of 2016. In addition, around 26,000 people work in non-social insurance-related employment (e.g., self-employed and assisting family members). This employment group increased by 1.8% last year. Cross-border workers (i.e., people who do not live in
Luxembourg but work there) account for 45% of employees subject to social security contributions in Luxembourg.

Luxembourg’s economy is dominated by the financial and service sectors. For example, 71% of employees work in the service sector, while only 6% work in the industrial sector. About 10% of employees work for central or local governments, while 12% of the total workforce work in the financial sector. The banking sector generates about 20% of government revenue. Including indirect taxes, such as income taxes paid by banking sector employees, the overall contribution by financial institutions accounts for about 30% of government revenue. This highlights the importance of financial services to public spending. In recent years, the structure of the Employment Agency (ADEM) has been reformed by the government. The authority is now better positioned.

A new EU scheme to regulate unemployment benefits for cross-border workers stipulates that in the future people will settle their money (and their application to the Employment Agency) in the country where they worked, regardless of their place of residence. Luxembourg has been given five to seven years from 2018 to fully implement the reform. In return, Luxembourg has made several financial concessions. From 2019, the Grand Duchy will contribute 60% to the unemployment benefit of a cross-border worker, which will increase to 80% in 2022 and 100% in 2023.

Citation:


Malta

Unemployment rates are at historically low levels in Malta. Eurostat figures for July 2018 indicated that Malta had the sixth-lowest unemployment rate in the EU, at 4%, and the second-lowest youth-unemployment rate in the EU, at 6.3%. The overall labor-market activity rate was estimated at 71.2% during the first quarter of 2018, and represents the EU’s 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 Aging, 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 have only been introduced recently.

Various measures have also been introduced to increase female labor-market participation rates. Policies worth noting include the introduction of free child-care
centers in 2014, along with the strengthening of breakfast and after-school clubs. Paid leave maternity, adoption and assisted procreation policies are all now well established. The government has also established a collective maternity fund financed by the private sector, with the goal of reducing discrimination. The in-work benefit scheme has also been extended for single-earner households with children, with 2,684 individuals receiving benefits as of January 2018. Nonetheless, Malta still has the widest labor-market gender gap in the EU (32.5%), a fact directly related to women’s traditionally lower labor-market participation rate.

This critical gender gap is further exacerbated by an increasingly aging workforce (the number of persons aged 65+ is expected to increase by 44% by 2035). Moreover, 30% of companies report skills shortages, a skills mismatch and a growing reliance on foreign labor. Additionally, 30% of individuals in the private-sector workforce are foreigners. For instance, out of the 11,000 new jobs created in 2016, only 2,500 were filled by Maltese. Foreign workers have been found to be relatively transient, with only 45% staying longer than two years. This leads to constant labor-force turnover. In view of this fact, the cabinet has approved plans to supplement the current 43,000-strong foreign workforce with thousands of non-EU workers.

The influx of foreign workers contributed to a moderation of unit labor costs during 2016 and 2017. However, the tightening labor market is expected to lead to upward pressures on wages in 2018 and 2019. Moreover, concerns related to working conditions remain present, as some employers continue to exploit gaps in the law and employ workers at less than the minimum wage.

Citation:
Eurostat News Release Euro Indicators 135/2018
National Statistics Office (NSO) News Release 101/2018
Pre-Budget Document 2018 p. 13
National Reform Program 2018 p.27
2018 Report on Equality between Women and Men in the EU p. 60
Formosa Marvin (2014) Socioeconomic implications of population ageing in Malta: Risks and Opportunities
Times of Malta 26/10/17 Economy will need 12,500 workers next year
Times of Malta 27/06/2018 43,000 foreign workers in Malta, and more are expected

Switzerland

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. A particularity of the Swiss labor market is the large share of foreign workers. Almost a third of the workforce (31.7% in December 2017) is composed of foreign labor.
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 August 2018, the unemployment rate stood at 2.4%. Youth unemployment (i.e., among 15- to 24-year olds) is only slightly above the overall unemployment rate (2.6% in August 2018). The share of long-term (i.e., more than 12 months) unemployed persons in total unemployment is only 16%. The employment rate of 80% (the ratio of employed to 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 2018, Switzerland had a female employment rate of 75%. In the OECD, only Sweden and Iceland report a higher female employment rate. 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 EU did not endanger the employment prospects of domestic workers. Most EU immigrants are highly skilled, with 54% having finished tertiary education as compared to 39% of Swiss citizens. There is a very strong bimodal distribution of foreign labor by education: the shares of immigrants with tertiary and very low educational achievement is far higher than in the Swiss labor force. The recent growth of immigration of highly qualified labor from the EU is dramatic.

Nevertheless, several major challenges are evident. The high employment rate is due to a particularly high share of part-time work. In 2017, 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. According to the OECD, unemployment rates are highest among low-skilled foreign workers. Also, there remains considerable wage inequality between men and women. The median wage of female workers is 87% of their male counterparts. Some studies arrive at the conclusion that only 60% of this difference is 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. In contrast, low-skilled foreign workers tend to stay in the country even if they become unemployed.

Citation:
OECD 2018: Employment Outlook, Paris: OECD
SECO 2018: Die Lage auf dem Arbeitsmarkt, Bern: SECO
Canada

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.

The national labor market continued to perform strongly in 2018 and is expected to do so in 2019. The official unemployment rate of around 6% is near its lowest point in 40 years. The long-term unemployment rate shot up during the 2008 to 2009 recession and has remained elevated since, but is low by international standards. Yet, the labor force participation rates of some groups (specifically women, young Canadians and Indigenous peoples) are lower than they could be, representing a significant untapped source of potential economic growth. Unemployment rates of Indigenous Canadians, particularly those of Inuit and members of First Nations living on reserves, remain very high suggesting that existing programs fail to hit the mark. The 2018 budget announced a series of measures to increase the labor force participation rate of women and to continue efforts to reinforce the labor market participation rates of Indigenous peoples, but the effectiveness of these policies remains to be seen.

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. Labor shortage is a growing problem. The Canadian Federation of Independent Business (CFIB) reports a record number of almost 400,000 vacant private sector jobs, reflecting a continued rise in the job vacancy rate to 3%, up from 2.4% in 2016. 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.

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.
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. While the Danish labor market was severely hit by the financial crisis, the key feature of the flexicurity models remain intact and unemployment is back to the low level reported before the financial crisis. Wage formation has proven rather flexible and adaptable to the economic situation. 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.
Ireland

Ireland’s rapid economic growth over the last six years has been reflected by significant improvements in the labor market. In the second quarter of 2018, the number of persons in employment had reached 2,255,000, an increase of 377,000 (20.1%) over the same period in 2012. The number of people in employment increased between 2017 and 2018 by 74,000, an increase of 3.4% since the second quarter of 2017. Full-time employment continued to grow by 73,000 and amounted to 1,798,700 of total employment in the second quarter of 2018.

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 16% in 2012, the unemployment rate fell to 6.2% in 2017 and further to 5.3%, in 2018. Employment rose by 3% (65,000) in 2018 and is expected to grow by around the same amount in 2019. The fall in the unemployment rate in 2018 to 5.3% 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 34,000 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 2017 and – while estimates for 2018 indicate that there has been a considerable increase in building and construction – the number of new houses built will still fall far short of the required 34,000 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.
Israel

Labor-market indicators are still strong, as the economy is hovering around full employment, with the January 2018 unemployment rate at 3.7%.

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 73% of ultra-Orthodox women aged 25 to 64 years old participate in the labor force, only 52% of ultra-Orthodox men are employed. This latter figure represents a decline after a decade of continuous increases, from 40% in 2003 to 54% in 2014. The respective employment rates for Israel’s general population are 87% for men and 83% for women. However, Israeli-Arabs exhibit lower rates of employment due to a lack of education and job opportunities. The employment rate for Israeli-Arab men is only slightly lower than that of the general population, but they work mainly in low-productivity jobs with low wages. However, employment rates for Israeli-Arab women are much lower than that of Israeli-Arab men, with an employment rate of around 21% and high unemployment even for educated Israeli-Arab women.

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. From 2014 to 2017, the monthly minimum wage in Israel was raised from ILS 4,300 to ILS 5,300 as part of an agreement between the Histadrut Labor Federation and business leaders.

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 – increasing from 71,281 legal foreign workers in December 2013 to 93,214 in June 2018. In April 2017, Israel signed a deal to bring in 6,000 Chinese construction workers, but only 3,500 workers had arrived by July 2018, with 700 more on their way.
In May 2018, the Ministry of Labor, Social Affairs and Social Services approved a Plan for Expanding the Skilled Workforce for the High-Tech Industry by subsidizing computer science degrees for individuals from peripheral or disenfranchised backgrounds. The plan aims to provide a solution to the high-tech labor shortage in Israel.

Citation:


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“The Ministry of Labor and Social Services initiate new program – study and work in high-tech in less than a year – for free,” Ministry of Labor, Social Affairs and Social Services website, 07/05/2018 (Hebrew): http://www.molsa.gov.il/Dover/Pages/NewsPage.aspx?ListID=76c733fb-5c7e-40b4-bde1-204b8f9a9e8b&WebId=57a9edc-fbba-4897-85eb-c3379813e505&ItemID=873

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Latvia

The unemployment rate in Latvia has fallen from 20% in 2010 to 8.9% in 2017 to 6.9% in 2018. Following increases in 2016 and 2017, the minimum monthly wage was further increased in 2018 to €430. Accordingly, in the second quarter of 2018, compared to the second quarter of 2017, the average monthly gross wage grew by
8.4% or €78. The average monthly income now exceeds €1,000.

However, rising wages with labor shortages is indicative of a tightening labor market. The main labor market challenges for Latvia remain a rapidly shrinking working-age population, internal migration from rural regions to the capital city of Riga and high net emigration.

Citation:

Netherlands

Score 8

In July 2017, 4.9% of the working population was unemployed, while CBS reported that this percentage had decreased to 3.7% by October 2018. The youth unemployment rate was 8.9% in June 2017, declining to 7.2% in July 2018 – only Germany and Czechia had performed better. 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 those young people lack a basic level of literacy, computer literacy or technical craft skills. Better educational and school-to-work transitional arrangements 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. Although the proportion of fixed jobs surpassed flexible jobs in 2017, flexibilization of jobs remains a highly prominent trend. At present (2018) the ratio of flexible to fixed jobs is 40% flexible to 60% fixed, while in 2003 it was 25%/75%. The majority of 15- to 25-year-old employees work flexible jobs, with a ratio of 27:73 in 2018, compared to 45:55 in 2003. Although there is strong economic growth, decreasing unemployment and even a looming labor shortage (1.6 unemployed people to 1 job vacancy in 2018, compared to 7:1 in 2013), real wage increases are practically nonexistent. Economic research points to a complex conjunction of many causal factors: automation and digitization; global production and consumption; improved employer search methods; the large gap between a net wage increase for an employee and gross...
increase for the employer; low interest rates and unproductive investments; limited bargaining power for un-unionized flexible workers; employees increasingly prioritizing leisure, family time or lifelong learning arrangements over monetary income; and underestimated economic growth and inflation rates resulting in excessively low demands for wage increases.

Citation: RaboResearch. Acht redenen waarom de lonen achterblijven. Themabericht (27 augustus 2018)

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Nederlands Jeugd instituut, Cijfers over Jeugd werkloosheid (nji.nl, consulted 23 October 2018)

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New Zealand

Core fact 8

In recent times the New Zealand labor market has started to improve. Under the Labour-NZ First coalition government, the unemployment rate has declined from 4.7% in September 2017 (the lowest rate since December 2008) to 3.9% as of September 2018. While the under-utilization rate also fell (to 11.3%), the employment rate rose to 68.3% (with an annual increase of 0.6%). However, areas of concern remain. These include variations in the unemployment rates between urban and non-urban areas, between the North and South Islands, and, most critically, within the young, Māori and Pasifika (Pacific Island) populations.

Although still of concern, the unemployment rate for young people has been falling since 2008. In the September 2018 quarter, the seasonally adjusted rate for people aged 15–24 years who were not in employment, education or training, fell to 10.1% (from 10.9% in the previous quarter). While unemployment for 15-19 year olds was approximately 19%, for Māori it was 29%, down from 34.5% a year earlier. Similarly, the Pasifika rate of unemployment was 12.6% (down from 22.8% in 2017). For 20 to 24 year-olds, unemployment declined from 8.8% in June 2017 to 7.7% in June 2018. For Māori in this same age group, there was a sharp decline from 16.6% in June 2017 to 8.3% in June 2018. Annually, the largest occupational increases in employment occurred in: professional, scientific, technical, administrative and support services; wholesale trade; and in education and training. Wage rates however increased only modestly during this period, by 1.8% annually.


Norway

Norway’s unemployment rate is low, and remained so through the recent economic crisis. The aggregate level of employment is 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 EU member states 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.

Sweden

The heyday of full employment policies in Sweden is gone, seemingly forever. Current labor market statistics indicate that Sweden (with an unemployment rate of 6.6% in November 2018) 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 2006 to 2014 center-right “Alliance” government pursued a policy which incentivized unemployed to look for work by lower unemployment support. The
2014 to 2018 Social Democrats-Greens government was 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.

The huge influx of asylum seeker into Sweden in 2015 and 2016 was expected to significantly impact the labor market in 2017 and 2018, when successful asylum-seekers had registered 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. One of the key problems is matching the recently arrived refugees to the often knowledge-intensive jobs that are available in the job market. Also, language skills remain a significant barrier for the recently arrived job seekers. Nevertheless, more and more asylum-seekers successfully enter the labor market. Overall, employment increased significantly since 2014 and reached an all-time high in 2018. Additionally, the NEET rate is very low in Sweden, even slightly lower than in Germany. These data indicate that despite high open unemployment, the Swedish labor market is rather successful in integrating a large share of people into the labor market.

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

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

Whether related to culture or differences in training and work experience, immigrants to Sweden have for a long time experienced severe problems in entering the labor market. Sweden shares this problem with many countries but 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 were actively looking for employment, posing a challenge to the labor-market system in terms of matching job seekers with available jobs. However, there are reports that show that employment in 2017 and 2018 increased mainly among foreign-born Swedes.
Sweden’s Labor 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 implement. Additional proposals have been floated that the agency should be reorganized and that market-based actors should be invited to help match job seekers with available jobs.

Citation:

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 4.0% in August 2018. 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. The
youth unemployment rate fell to 10.8% compared to 12% a year before. This is the lowest youth unemployment rate since comparable records for unemployment by age group began in 1992, still significantly higher than the overall unemployment rate of 4.0%, but comparatively low in relation to other major European economies (20.4% in France, 31.6% in Italy, 31.6% in Spain and 14.9% across the European Union).

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

United States

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 2018 continued its long slow decline since the 2008 and 2009 recession, with the official unemployment rate of 4%. In addition, the tightening labor market led to the first gains in average wages in two decades. However, unemployment rates remain far higher among racial minorities and in inner cities.

The Trump administration has cut some Obama-era training programs and funding for enforcement of labor regulations. Trump’s policies may somewhat increase the supply of low-wage labor, while reducing the compensation of some working people.

Citation:

Australia

Since the peak of the mining boom in 2012, unemployment has risen but continues to be comparatively low. However, underemployment – part-time workers seeking more hours of work – has remained very high. Wage growth has been very subdued,
with almost no increase in real average earnings since 2013. Questions have been raised as to whether the industrial relations system has excessively reduced the bargaining power of employees, for example through restraints on the right to strike, contributing to tepid wage growth.

Minimum wages, which are set by an independent statutory authority, the Fair Work Commission, have potentially acted as an increasing constraint on employment over the review period. The national minimum wage is relatively high by international standards, at approximately 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 substantially higher than the national minimum wage. Taking effect in July 2018, the minimum wage was increased by 3.2% to AUD 18.93 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. Nevertheless, high minimum wages have arguably contributed to stabilizing domestic demand.

So-called “skills shortages” have been a recurring topic of concern in the Australian labor market in recent years. One response has been to allow more skilled immigrants to enter the country on temporary 457 visas. The number of workers on 457 visas increased considerably up to 2013, reaching 126,348 in that year. However, following concerns that employers were 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. The Australian government in effect tightened the conditions for temporary workers from abroad. The “Temporary Skills Shortage Visa” is a new visa category (482) and results in both higher costs for the employer and in stricter conditions, which include a minimum wage for the foreign worker of AUD 53.900 plus retirement provisions. The visa application alone will cost larger corporations AUD 7.200 in government fees alone.

Citation:


Australia to axe foreign workers visa scheme, Financial Times, 19 April 2017, p. 4.

Chile

Score 7

By international comparison, Chile (like most Latin American countries) has very wide-ranging and restrictive labor-market laws and regulation, at least on paper. Excessive regulation of job content, termination 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.

Despite significant economic growth, the unemployment rate increased slightly during the period under review, reaching about 7.2%, one of the highest rates in the past six 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 (in the public sector) to very weak (in the informal private sector); different factors influence this divide, such as inadequate legislation, a lack of enforcement or 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 on work conditions or on 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 government and opposition. After several disputes in the Senate and an intervention by the Constitutional Court, the labor reform was finally enacted by former 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. It was only able to pass Congress after several modifications. The enacted reform sought 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 still remains unclear, the reform can be considered a step forward. Its effects will be visible in the years to come, as regulatory laws are enacted.

In 2018, President Sebastián Piñera announced a further labor reform initiative, which had already been included in his government program. The initiative that was finally presented to the Congress in January 2019 focused on modifying the Labor Code in the following way: (1) ensuring that a company be able to continue its
operations in the event of a strike; (2) ensuring the recognition and involvement of all stakeholders in collective bargaining processes; and (3) the flexibilization of work schedules, which include the introduction of an overtime account with a weekly or monthly limit. Chile has working hours per month, which can now be distributed differently each week. The working week is spread over no less than four and no more than six days (previously: no less than five and no more than six days). Supporters of this reform argue that it will promote labor flexibility and productivity while providing regulations for cases that today must be decided by the courts. Critics anticipate a strengthening of the employers’ side at the expense of the trade unions and workers.

Citation:
See news on labor reform, for instance:
http://reformalaboral.carey.cl/

Study about wages and salary income structure in Chile:

Sebastián Piñera’s labor reform initiative:
https://radio.uchile.cl/2018/12/27/proyecto-de-reforma-laboral-derecho-al-abuso/

Czechia

Score 7

The labor market situation in Czechia has improved considerably since 2014, but broadly stabilized after 2017 and has seen little change in 2018. The unemployment rate was the lowest in the EU in 2018 and the lowest in Czechia since 1998. However, the government has done little to address the substantial differences in unemployment with regard to regions and qualifications and the growing labor shortages reported across the economy. In 2018, the number of vacancies reached almost three times the number of active job seekers. The shortage of skilled labor is a major constraint on the manufacturing industry, discouraging inward investors from moving more demanding activities into Czechia. Complex regulations complicate the employment of foreigners from outside the EU, the European Economic Area and Switzerland.

The growing labor shortages, along with more aggressive bargaining practices from trade unions, has helped drive wage increases to a level only slightly below that of 2017, reaching 8.5% in nominal terms for the first three quarters of 2018. However, the biggest stimulus for higher wages has been government decisions over minimum wages and public sector pay, with the biggest increase being 13.2% in education, billed as indicating a recognition of the importance of that sector for economic performance.
France

Score 7

Between 2012 and 2017, unemployment had increased by 500,000 people. However, slight improvements can be observed since 2016 as the unemployment rate has fallen from 9.9% in the first quarter of 2016 to 9.1% in second quarter of 2018. The employment rate of workers over 55 years of age is one of the lowest in the OECD (52.2% in 2015 compared to an OECD average of 61.3% 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 Macron government has decided to get rid of the cosmetic measures adopted in order to artificially lower unemployment, such as subsidized jobs for young people, and a special focus on training and employability. In 2018, the rate of unemployment continued to decline, although a very low margin in spite of the large number of unfilled job vacancies across various sectors of the economy. More and more unskilled jobs are filled by non-EU migrants or workers from Eastern and Central Europe recruited on temporary contracts in particular in the building and agriculture sectors.

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 trade unions, is already producing positive effects by lowering the number of legal cases related to the firing of employees (the law has fixed standard rates of financial compensation). The government has also launched immediate measures to improve the job qualifications of long-term unemployed and young people who left school without a diploma, a program involving €15 billion over five years. Furthermore, a reform of the job training system was adopted in 2018, which will upgrade apprenticeship schemes which suffer from a poor reputation. This reform has still to be implemented. During the summer 2018, a new bargaining session opened in order to reform the unemployment insurance scheme, which should be adopted in 2019. The aim is
twofold: to reduce the huge deficit that has accumulated and to create more efficient incentives (both positive and negative) to encourage unemployed workers to re-enter the labor market.

Japan

Score 7

Japan’s unemployment rate reached a quarter-century low of 2.4% in August 2018 (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 non-regular employment has risen substantially 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 non-permanent 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 Labor Standards Law was finally changed in mid-2018. Among its provisions, the allowed quantity of overtime work, a serious problem in Japan, was limited to 100 hours per month. While this may be considered timid, it can be regarded as a step toward healthier and possibly even more productive labor conditions. At the same time, work-hour limitations and overtime payments for highly paid professionals have been removed. While this is understandable, the definition of professionals employed may lead to misuse. The law also addresses the wage gap between regular and non-regular work in a section dubbed the “equal pay for equal work” provision. However, some details have been left unaddressed, a fact that may lead to further controversies. Based on 2013 legislation, beginning in April 2018, fixed-term employees with at least five years of service can demand to become indefinite-term employees, although employers are still free to avoid using fixed-term contracts of this length.

The government has sought 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 2018 New Economic Policy Package is the elimination of child-care placement waiting lists.

Citation:
The Mainichi: As work-style reform bills pass, workers’ health, lives must be protected (Editorial), 30 June 2018, https://mainichi.jp/english/articles/20180630/p2a/00m/0na/016000c

Portugal

Unemployment rates maintained the downward trajectory identified in the last four reports. According to Eurostat, Portugal’s general unemployment rate was 6.6% in September 2018, a drop of almost two percentage points relative to October 2017. This was the lowest such rate since September 2002. The unemployment rate has fallen consistently since its peak of 17.9% in January 2013. It is also back in single-digit territory – the norm for the low wage, low unemployment Portuguese economy – since April 2017, after more than eight years of double-digit unemployment, beginning in February 2009.

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 the 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 2017, produced by the National Statistics Institute (Instituto Nacional de Estatística, INE) and provided by Pordata, indicates that some 81,051 people emigrated (on either a permanent or temporary basis) in 2017. This is still a very high number, although maintaining a downward trajectory since 2014 (when it reached some 135,000). While emigration numbers are falling, they remain very high. The number is all the more 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 110,000 in 2017.

As in the previous period, youth unemployment remains a blot in the generally positive development of the labor market. Youth unemployment declined at a much slower rate than overall unemployment, from 24.6% in October 2017 to 19.6% in September 2017, well above the euro zone average of 16.8%. The relative stickiness shown by youth unemployment is consistent with the analysis that labor market policies have not been wholly responsible for the decline in unemployment.

The monthly minimum wage saw a €23 increase to €580 in 2017. This marks the fourth consecutive year of increases in the minimum wage, after a four-year plateau at €485 during the bailout period (2011 – 2014). Unlike the 2016 increase, however, this increase did not have the support of business associations. Yet, in practice, this increase does not appear to have had a negative effective on the labor market.
The government of Portugal passed and published a new labor code in March 2018. The impact of the new code, of course, remains to be seen at this early date.

Citation:
Eurostat, “Unemployment rate by sex and age – monthly average.”
Eurostat, “Harmonised unemployment rates (%) – monthly data.”
Pordata, “Emigrantes: total e por tipo – Portugal,” available online at: http://www.pordata.pt/Portugal/Emigrantes+total+e+por+tipo-21
Pordata, “Salário mínimo nacional,” available online at: https://www.pordata.pt/Portugal/Salário+m%C3%ADnimo+nacional-74
cite.gov.pt/pt/legis/CodTrab_indice.html

South Korea

South Korea’s unemployment rate rose to 4.2% in August 2018, up from 3.7% in 2017. While this is still low in international comparison, the prevailing expectation was that the Moon administration would bring down unemployment. Rates are also substantially higher within specific segments of society, such as among youth (10.5%). According to the OECD, South Korea performs relatively poorly with regard to several aspects of job quality and labor-market inclusiveness. The employment rate of 66.6% still remains below the OECD average, and the employment rate among women in particular is comparatively low. Nearly 40% of employees at South Korean conglomerates are irregular workers, a fact that highlights the country’s issues with insufficient job security and low job quality.

The 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. In a first step, the minimum wage was raised by 16.4% in 2018 to KRW 7530. Businesses and the media immediately blamed the steep minimum-wage increase for the weak pace of job creation, although it is still too early to say whether this relationship is indeed significant. The Moon administration substantially reduced the maximum allowed weekly working hours from 68 to 52 hours, a change that is expected to increase productivity and employee well-being, although implementation of the new rule has been slow.

The Moon 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 2018, the National Assembly approved a supplementary budget of KRW 3.9 trillion that is focused on the creation of jobs for young adults. 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.

Citation:

Spain

Score 7

Though still quite high compared to other OECD countries, Spain’s jobless rate fell again during 2018 to 15%, 12 points below an all-time high of 27% five years before. In the first semester of 2018, job recovery was better than expected, with 469,900 jobs created in the second quarter (no three-month period had previously come close to achieving such a figure). Although this progress is positive news (take into account that the average unemployment rate over the past 40 years has been around 16%), most jobs created have been unstable and of inferior quality, as shown by the high temporal increase in unemployment in August 2018 (the biggest since 2011).

The Socialist government that took office in June 2018 lacked the majority needed to introduce changes in a labor-market regulatory regime that has continued to show a number of problems, including: 1) a lack of flexibility, 2) a high share of undeclared work and, 3) a dual labor market that affects young and low-skilled workers particularly strongly. Analysts also point to the existence of several contract modalities, a flawed social dialogue and expensive compulsory social-security contributions. Finally, public-spending cuts implemented in the early 2010s (which have not yet been reversed) reduced the prevalence of active labor-market programs (e.g., training) designed to help the unemployed find work.

Citation:
INE (2018) Economically Active Population Survey:
https://www.ine.es/dyngs/INEbase/es/operacion.htm?c=Estadistica_C&cid=1254736176918&menu=ultiDatos&idp=1254735976595
Austria

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 recent economic upswing 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.

The new ÖVP-FPÖ coalition has recently liberalized working time regulations by significantly relaxing the maximum weekly working hours (working time act). Although this reform has prompted protests from trade unions and the social democratic party, it was unilaterally pushed through by the government. This move can thus be interpreted as an attempt to push back the Austrian social partnership and challenge its traditional role as a “shadow government” for labor regulations. At the same time, this move will likely provoke stronger opposition from organized labor. The central labor union (the ÖGB as well as its specific organizations) sees itself in a defensive position in opposition to the government without the support of the social-democratic SPÖ – the party the majority of the unionized labor identifies with. For that reason, greater labor unrest (e.g., more strikes) can be expected.

Belgium

At the onset of the financial crisis, unemployment rates in Belgium did not increase as significantly as in the rest of the euro zone. According to Eurostat data, the employment rate in the euro area dipped by 3.5 percentage points between 2008 and 2013, but by 0.8 percentage points in Belgium, reflecting the effectiveness of the Belgian social safety net.

However, this was achieved at the cost of structurally low employment rates in Belgium (67.7% in 2016 and 68.5% in 2017), well below the EU2020 target of 73.2%. In comparison, levels in the euro area were 70.9% and 72.3% in 2017, respectively. In spite of its 2017 pickup, the country’s labor-market participation rate is actually falling behind the rate in neighboring Germany and the Netherlands (Eurostat Employment rate statistics).

The analysis of the European Semester points to multifactor structural issues that are hard to address in Belgium’s complex institutional setup. One issue is the “restrictive regulatory framework in services. […] As a result, competition is subdued in these sectors with low entry rates of new companies coming into the market” (Council of Europe recommendation of 13 July 2018, paragraph 20). Another issue is the major skill mismatch, and the unemployment trap for low-wage earners, one of the European Union’s highest (paragraphs 17 and 18). Other analyses also point to the rigid wage structure, which links wage to employment experience instead of
productivity, which in turn also explains the structurally high underemployment of people aged above 55.

Citation:

Cyprus

Unemployment rates continued to decline, falling from 10.3% in September 2017 down to 7.3% in the second quarter of 2018. The peak crisis rate was in August 2013 (17%); a sharp contrast to the 3.7% with near-full employment (76.5%) observed in 2008. In 2018, the broad public sector was employing 17.8% of workers, while the services sector accounted for 81.6%.

The regulatory framework protects labor rights and includes provisions preventing unlawful dismissal from employment. However, serious shortcomings are evident in its implementation. “Tripartism,” in the form of agreements between the state, businesses, and employees, made the labor market less flexible and is going through a period of tension. In mid-2018, the government amended the law on reductions of salaries and pensions in the broad public sector to gradually decrease cuts imposed in 2011 and 2012. All reductions will cease in January 2023. The private sector suffered severe cuts in salaries and benefits; salaries below the legal minimum wage were observed, as were instances of employment with no social benefits. The labor market is marked by distortions, where the public and banking sectors are privileged and “compete” with a relatively weak private sector which, additionally, is subject to sustained pressures on benefits by employers. While trade unions generally have a strong voice, their resistance to benefits cuts has weakened. Conversely, powerful public sector unions manage to secure their members’ benefits. Migrant EU and non-EU labor remain the most vulnerable groups, often exploited by employers, resulting in a widening economic gap. According to a survey, in mid-2018, non-Cypriot workers accounted for almost 19% of the employed; 11.4% were other-EU nationals and 7.5% third-country nationals.

The European Commission observed that participation in active labor market programs is significantly lower than the EU average. Also, the provision of services to employers and job seekers by the public employment service remains suboptimal.

Serious issues of concern are a high youth unemployment rate (17.9%, down from 25.3% in 2017) and long-term unemployment (2.5%). Women are affected slightly more than men. However, only 57.1% of women participate in the formal labor force
and 52.8% were employed in 2018, compared to 67.2% and 62.4% for men. The labor force has declined since 2012, due to emigration of non-Cypriot labor. The previously mentioned figures demonstrate a clear improvement in the labor market, though short-term (15%) and part-time employment (12.1%) rates remain high.

Citation:

Finland

Score 6

A deep depression in the Finnish economy in the 1990s resulted in a rapid and dramatic increase in unemployment rates. While the employment situation gradually recovered from this 1990s recession, unemployment has again become a serious challenge in recent years, aggravated by the European economic crisis. Little by little, however, positive signs are now discernible. The unemployment rate was 6.8% in August 2018, down from 7.5% in August 2017. The number of unemployed jobseekers in August 2018 was 16,000 less than a year earlier. 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 reformed the unemployment benefit system, with first amendments coming into force 1 January 2017. The first part of the reform cut the duration of earnings-related unemployment benefits from a maximum of 500 to 400 days, set stricter conditionalities for the unemployed in accepting job offers and sought to personalize employment services by interviewing job-seekers regularly. In January 2018, additional activation measures came into force, as a result unemployment benefits will be reduced for jobseekers who fail to meet a number of activation requirements. An initial evaluation indicates that the activation measures have first and foremost cut benefits for jobseekers whose labor market position is weakest (i.e., jobseekers over 55 years old). Overall, a considerable proportion of jobseekers have been unable to meet the conditions necessary to continue to receive their benefits. These reforms have marked a shift from passive to more active labor-market policies.

Citation:
Iceland

Score 6

For a long time, labor market policy and labor market mobility within Iceland have kept unemployment low in general. Just before the collapse in 2008 the unemployment rate was below 1%, reflecting an overheated economy. However, this changed following the collapse, but less than might have been expected. In 2010, the unemployment rate peaked at just under 8%. Thereafter, joblessness gradually declined to below 3% in 2018, 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. 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, with many more due to expire between 2018 and March 2019. The renegotiation of these contracts will be complicated. Several decisions by the Wage Council in 2017 – including granting double-digit, retroactive wage increases to members of parliament, senior public officials and the president of Iceland – have caused resentment among ordinary wage earners, as have rising differentials between CEO compensation and average wages. For this reason, a cloud of uncertainty hangs over future wage developments. Therefore, inflation and unemployment seem likely to rise 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:
Italy

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 and Gentiloni governments have shown a willingness to tackle this problem more resolutely. After some 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 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. 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 rate of older rather than younger workers. Furthermore, the significant increase in the number of employed people during 2017 and 2018 has been due mainly to the increase in short-term rather than permanent contracts (ISTAT). 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. The new government has promised to significantly change these policies by giving more space again to the “Cassa di Integrazione” and by introducing from next year a broad “citizenship income” to be subordinated to the acceptance of jobs proposed by restructured employment centers. The details of these policies are still not well defined.
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, a mismatch between labor supply and market demand 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 some sectors of the economy, posing an increasing challenge in the tight labor market. 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 2018, Lithuania ranked highest for the flexibility provided in determining wages (ranked 5 out of 140 countries). However, hiring foreign labor was considered very restrictive (ranked 111 out of 140 countries) and that taxation has a very negative effect on incentives to work (ranked 130 out of 140 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. The minimum wage was further increased to €380 per month in 2017 and to €400 in 2018. In October 2018, the Lithuanian government decided that the minimum wage will be increased again to €430 per month in 2019. 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, from 7.9% in 2016, to 7.1% in 2017 and 6.5% in 2018, and are expected to continue declining to 6.3% in 2019 (according to 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. It should be noted that according to the Eurostat, in the third quarter of 2018, the growth in hourly labor costs compared to the same period a year ago was 10.7%, among the highest in the EU-28 (EU average growth being 2.7%).

Citation:

Mexico

Score 6

The crucial challenge for Mexico’s labor economy is the division of the labor market into formal and informal sectors. The informal sector consists of companies and individuals that are not legally registered for taxation and national insurance, 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 the second quarter of 2018 was 3.3%, signaling a recovery from the financial and global economic crisis of 2008. However, employed people as a share of the population is still 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 recent years, unemployment has declined even amidst a challenging international environment and the situation is projected to continue to improve in 2019. 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.

Public expectations are high regarding incoming president López Obrador’s announcement of a new program to combat youth unemployment. The program, called “Young people building the future,” aims to include 2.6 million people between 18 and 29 years who are not in education or work. The cost of the program is forecasted to cost MXN 110 billion, which will be invested in scholarships.

Citation:
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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 3.9% in 2018, a historic low since 2008 and one of the lowest such rates in the EU. The employment rate has slowly but constantly increased during the last years and has now nearly reached the EU-28 average. Regional variations in (un-)employment, both between and within regions (voivodships), have been strong and persistent. Temporary employment contracts represent another problem, as Poland still has the highest rate of such agreements 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. Since the PiS government’s introduction of the generous “500+” child allowance policy, it is estimated that over 100,000 women have withdrawn from the labor market. The government’s main reform project in the field of labor-market policy has been the increase of the minimum wage. Following strong rises in the past, the latter was further increased from PLN 13.70 per hour and PLN 2,100 per month in 2018 to PLN 14.70 and PLN 2,250 in 2019, a rise of more than 7%. 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 shortages have become an increasingly pressing issue, and the decrease in the pension age will contribute to an even lower labor-force participation rate, especially among women. The new EU workers’ directive, which stipulates that posted workers be paid the wages of the sending country after 12 months, has been opposed by the Polish government without success. A total of 22% of all posted workers across Europe come from Poland.
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 9.1% in 2015 to 8.1% in 2016 to 6.7% in 2017 and to 5.2% in 2018. In August 2016, the number of registered unemployed persons fell under 100,000 for the first time since 2010. From 83,843 in August 2017, it further declined to 75,920 in August 2018, its lowest level over the past eight 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 the period 2009 – 2014 and have only slowly regained their effectiveness.

Turkey

Score 6

Turkey’s population and work force are growing significantly. From 2015 to 2018, the country’s population increased by an estimated 3.2 million to 81.9 million people in 2018. The working-age population (those 15 years old and older) grew from 57.8 million in June 2015 to 60.6 million people in June 2018, while the labor-force participation rate rose from 52.1% in June 2015 to 53.8% in June 2018. A total of 27.3 million people were officially registered as employed in June 2015, rising to 29.3 million in June 2018.

Employment figures in various sectors point to growing dynamism in the Turkish labor market. Recent employment figures for the industrial and service sectors indicate an increase of 356,000 jobs in industry and 2.1 million jobs in the service sectors between June 2015 and June 2018, and to a decrease in employment in industry by 83,000 people between June 2015 and June 2018. On the other hand, agricultural employment decreased by 374,000 people during the same period.

The official number of unemployed increased from 2.9 million in June 2015 to 3.3 million in June 2018. 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 9.6% in June 2015 to 10.2% in June 2018. Strikingly, unemployment rose in the non-agricultural sectors from 11.7% in
June 2015 to 12.1% in June 2018.

Between January 2018 and June 2018, an additional 1.3 million people were employed due to several governmental measures that were introduced. The reason for the increase was the desire to affect the distribution of votes in parliamentary snap elections, which were scheduled for 24 June 2018. On the other hand, the number of public employees between the last quarter of 2017 and the second quarter of 2018 increased by 528,000 to 4.1 million.

Informal employment increased 5.7% between June 2017 and June 2018, and was estimated to account for 34% of total employment in June 2018. Displacement of native workers by refugees (who work without job security and for lower wages) is 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 June 2015 to 19.4% in June 2018. Another major medium-term challenge for Turkey involves boosting 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 significant constraints on job creation in Turkey. Minimum wages are high and Turkey has a very generous severance payment system. The IMF (2018) maintains that the formal labor market could be made more flexible by reforming the severance pay system, which is overly burdensome for employers in the formal sector and discourages labor mobility due to non-transferable built-up rights. 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, by promoting exports through alternative means (e.g., real exchange rate devaluations), the country can create higher paying jobs in export sectors than domestically oriented firms, which will drive productivity increases in the economy.

Citation:
Bulgaria

Score 5

In 2017, employment levels in Bulgaria surpassed the pre-2009 level and grew further in 2018. The unemployment rate continued to fall and is now below the EU average. These favorable developments have largely stemmed from the sustained economic recovery. By contrast, the modernization of the Employment Agency and an improved targeting of labor market policy have only played a marginal role. Among other groups, employers have complained about a growing lack of sufficiently qualified labor and increasing skills mismatch. This development is increasingly undermining the sustainability of economic growth and has not been adequately addressed by the government. Among employed people, many occupy jobs which are below their education and skills levels. Policies such as the national minimum wage and social security thresholds affect different regions of the country very differently, and are becoming a major cause of the very uneven and unequal regional economic development. Growing disparities are threatening to become unsustainable. Employer associations have demanded policy revisions, but these proposals have not been taken up by the government.

Citation:

Croatia

Score 4

After steadily increasing from 2009 to 2014, the unemployment rate fell from a peak of 17.5% in 2014 to 8.4% in October 2018, while the number of unemployed in the same year, which fell to approximately 130,000, was the lowest Croatia has had since 2008, one year before the economic crisis of 2009. A similar unemployment rate was recorded in Croatia in the final years of former Yugoslavia (8.0% in 1989 and 8.6% in 1990). The number of employed persons has almost reached the pre-crisis level: In 2017, there were 1,625,000 employed persons, which fell just short of the highest level achieved so far – 1,636,000 – in 2008. Despite this improvement, it is notable that Croatia has one of the lowest employment rates in the EU, at just 61.9% in the third quarter of 2018, compared to an average of 69.0% in the EU. 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 young people with university qualifications, who therefore seek opportunities outside Croatia.

Wages have been falling or stagnant during the period of recession and have only just begun to increase. The overall share of wages in GDP fell from 49.5% in 2009 to
46% in 2017. At the end of 2017, the minimum wage was raised by 5% to €456 per month. Nominal wages are expected to increase by around 2.5% in 2018 and 2019. At the same time, there are other encouraging signs of improvement in the labor market, including an increase in the proportion of permanent employment contracts in the total number of new hires and a corresponding reduction in temporary contracts.

Croatia’s labor market has been significantly affected by the working-age population’s emigration to developed European countries, which has resulted in a serious shortage of workers in sectors like construction, tourism, hotels and restaurants and agriculture, but also in a growing number of industrial sectors. The Plenković government has been trying to solve this problem by importing workers from other countries (primarily from those outside the EU) and by introducing employment policy measures that would stimulate the working-age population to join the labor force. But the government managed to increase the number of the working-age population only marginally.

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. Nevertheless, policy in this area is improving, especially following the introduction of a new network of career-guidance centers across Croatia in partnership with local authorities, which provide individual and tailored career guidance to all, but with a focus on young people not in employment, education or training (NEETS).

**Greece**

In 2017, unemployment fell to 20.8% (EU average: 9.1%). Even though the rate remains the highest in the EU, Greece should be credited with making progress, given that in 2013 the unemployment rate stood at 28% and in 2015 at 25%.

There are clear signs of broad-based recovery. The so-called tradeable sector, which brings revenues to Greece from abroad, as well as tourism, industry, professional services, and information and communication services recorded substantial job gains. Some of these gains should be considered with caution, however, as they reflect partially successful efforts by authorities to combat undeclared work.

The recorded progress in tackling unemployment is owed to several factors, including low wages, a rise in part-time jobs, growth in the tourism sector (where jobs are available over the long Greek summer, lasting from April to October), and an increase in emigration (of both skilled workers and migrants).
Meanwhile, the number of unemployed is probably inflated since many employees in the tourism industry do not seek employment in the winter months. Unemployment allowances are capped at one year over an entire working lifetime and – what is worse – the take-up of unemployment allowance has consistently been very low (between 10% and 20%). For several years, the Greek government, with the agreement of the EU, has used money from the European Social Fund (ESF) to offer short-term employment opportunities to unemployed people in municipal and other state-owned organizations. Many 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 also Social Inclusion).

About 75% of unemployed people have been out of work for more than one year. Most of these long-term unemployed people lose their skills and are unable to find new jobs. They are thus driven into poverty and social exclusion or leave the country. Young people have been hit particularly hard by the economic crisis. As usual, youth unemployment remains a blight on the Greek economy, with 45% of 15- to 24-year-olds being out of work.

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 country clearly needs, among other specialties, more technicians, sales assistants, skilled and semi-skilled tourism workers, and computer scientists. Yet, the university system annually produces a very large number of graduates in the humanities, including hundreds of theologians, philologists and social scientists every year. There are also large numbers of physicians who cannot find employment in Greek hospitals nor can they find the financial resources to start their own medical practices. The total number of doctors in Greece (specialized and general practitioners) is approximately 69,000. Among OECD member countries, Greece has the highest ratio of doctors to population (Greece has 6.3 doctors per 1,000 inhabitants while the OECD average is 3.3 doctors per 1,000 inhabitants). As a result, hundreds of Greek physicians, who have been trained for free in respectable Greek state medical schools, emigrate to northern and western European countries, where they practice medicine. The same applies to architects and civil engineers, with engineering schools educating large numbers of students despite an over-abundance of such professionals in Greece. Since 2008, 427,000 young university graduates and professionals have left Greece to seek work in Germany, the United Kingdom and other countries.
The pre-crisis division of 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.

In summary, the slight improvement in the overall unemployment rate in the period under review is a sign of progress. This progress, however, is endangered by a combination of adverse macroeconomic constraints, rise in precarious work, continued brain drain and degradation among the long-term unemployed.

Citation:

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 have provided “workfare” rather than “welfare” and 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 the first labor market during the last years 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. Approximately 80,000 open jobs are waiting for employees. The government’s “coming home” programs have so far failed to turn the tables. A new idea is to turn Corvinus University into a top international university attracting Hungarians working abroad and international scholars by paying them internationally competitive salaries.

Citation:

Romania

Score 4

In 2018, Romania’s labor market continued to benefit from the country’s strong economic performance. The unemployment rate dropped from 5.1% in 2017 to 4.3% in 2018 and reached a ten-year low in December 2018. However, the Tudose and
Dâncilă governments have failed to address long-standing issues such as a high inactivity rate of the working-age population, massive youth unemployment, a growing skills mismatch, strong disparities between rural and urban areas, and the brain drain of the most educated and ambitious youth. Instead it has focused on raising wages in the public sector and the minimum wage. In January 2019, the latter will rise from RON 1,900 to RON 2,050 per month (€440). The resulting strong general increase in wages is likely to threaten the country’s competitiveness and stifle employment growth.

**Slovakia**

Score 4

Due to the strong growth of the Slovak economy, the unemployment rate has gradually fallen in the last years, falling below 7% in 2018. Further improvement of the labor market is expected in the medium term. At the same time, however, several structural problems persist which have not been adequately addressed by the Fico and Pellegrini governments. Long-term unemployment is one of the highest in the EU, and the labor market participation of groups such as Roma, young people, women with children, the elderly and low-skilled persons is relatively low. As labor market mobility within Slovakia is low, regional differences in (un-)employment are strong. A more recent problem is the growing shortage of qualified labor for industrial production. The Pellegrini government has sought to reduce it by simplifying recruitment procedures for non-EU workers and expediting permit issuance. However, the new provisions apply only to certain sectors and administrative barriers are still relatively high. Spending on active labor market policies in Slovakia remains one of the lowest in the EU.
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