



# Labor Market Report

Labor Market Policy

Sustainable Governance  
Indicators 2020

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Indicator

## Labor Market Policy

Question

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

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

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

### Denmark

Score 9

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. Unemployment is low and structural barriers, including qualifications, are the main barrier to further reductions in unemployment. Concern about labor shortages has weakened somewhat in the light of moderate economic growth forecasts for the Danish economy. 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 changed frequently in light of political discussion, experience and research results. This applies in particular to active labor market policies, an essential part of the flexicurity model, but also to how resources are distributed. Following recommendations from the Kock Group, recent reforms offer 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. The role and effectiveness of job centers are also discussed.

The question of whether the economic incentives to work are sufficiently strong – “does it pay to work?” – remains a contested issue. Reforms of both the social assistance scheme and the tax system have been implemented to increase gains from

work, although more recent focus has moved toward the implications of these reforms for inequality.

Citation:

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## Germany

### Score 9

Germany's success in reducing structural unemployment since the mid-2000s has been impressive. Most recent statistics show that Germany's employment rate is still increasing despite the falling levels of GDP growth, with 45.3 million people employed by the end of the review period (+0.33 million compared to October 2018). Unemployment rates are at their lowest level since German unification, again decreasing to 4.8% (under the national definition) in October 2019 as compared to 5.1% in 2018. However, due to the deteriorating situation in the export-oriented industries, unemployment rates may be at a turning point, and may increase in the coming years. While there is still a shortage of skilled workers and the number of job vacancies remains high, this number decreased in autumn 2019 for the first time since 2010. There are also other indications that the number of vacancies may have seen its peak.

The extent to which the share of atypical employment contracts – such as temporary employment programs (Leiharbeit), part-time and agency work – should be seen as a downside of the employment boom remains a debated question. This share grew in the 1990s and early 2000s. But with the onset of the employment boom after 2009, it declined from 22.6% in 2007 to 20.1% in 2018 (Destatis 2019, Specht 2019). The largest portion of atypical employment is part-time work among women, particularly in Western Germany. On the one hand, atypical employment also reflects an increase in industrial flexibility, and may to a considerable extent also be in line with workers' leisure preferences. On the other hand, atypical employment contracts may have detrimental consequences for the social security system due to revenue losses, and can increase social risks such as that of old-age poverty.

A national minimum wage has been in effect since January 2015. There are exemptions in particular for adolescents and the long-term unemployed. The minimum wage increased from an initial level of €8.50 to €9.19 in 2019, and €9.35 from January 2020 onward. The minimum wage has elevated the earnings of 1.4 million employees, or about 11% of the employed. In some sectors, minimum wages are higher as a result of collective-bargaining processes. 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, especially in times when the labor market is less dynamic.

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. Moreover, the subsidies for short-time working schemes (“Kurzarbeit”) have proven to provide an effective protection against dismissals in a cyclical downturn.

The enormous increase in the number of refugees claiming asylum in Germany since 2015 still poses a critical challenge for labor-market policymaking. Reducing barriers to labor-market access, especially to the regular labor market, and providing support for training and education will be crucial for the successful integration of refugees. Germany has already gone a long way toward integrating these newcomers, as illustrated by the constantly decreasing unemployment rate among refugees. In addition, given the looming shortage of labor, further training and – hopefully – further integration into the labor market must be one of the main tasks of present and future labor-market policies.

Citation:

Destatis (2019): 2018 erstmals seit 2002 wieder mehr als 70 % der Erwerbstätigen in Normalarbeitsverhältnissen, Pressemitteilung Nr. N004 vom 9. Oktober 2019.

Specht (2019): Die Zahl der atypischen Beschäftigten in Deutschland bleibt stabil, Handelsblatt vom 24.06.2019.

<https://www.arbeitsagentur.de/news-arbeitsmarktzahlen-2019>

<https://de.statista.com/statistik/daten/studie/2903/umfrage/jahresdurchschnittswerte-des-bestands-an-offenen-arbeitsstellen/>

## Luxembourg

Score 9

Luxembourg’s working population at the start of 2020 numbers 466,000 people, of which 200,000 are cross-border commuters who arrive daily to work. Of these 466,000 employees, 100,000 are French, 50,000 are German and 50,000 are Belgian (mainly French speaking and German-speaking Belgians). Around 50% of the total working population lives in Luxembourg, and only one-fourth of the working population holds Luxembourgish citizenship. Without the foreign workforce, Luxembourg’s economy could not function. Every year, about 15,000 new jobs are created in the country, and around 15,000 people are unemployed. At the time of this writing (January 2020), the unemployment rate is 5.4% (seasonally adjusted). A slight increase in the unemployment rate was evident during the review period due to a change in the way the rate is calculated. Nevertheless, the absolute number of long-term unemployed citizens has been falling for years. Overall, the country’s labor market has a strong need for workers, especially in the fields of accounting, IT and

finance. The rights accorded to unemployed citizens in the EU are being reformed. The new law states that unemployment benefits are to be paid by the countries where the unemployed person last worked. Luxembourg is particularly affected by this reform, and has therefore called for transitional arrangements. Debate over the new unemployment law was interrupted by the European elections in 2019 and the formation of the new EU Commission under Ursula von der Leyen.

Citation:

“Ein dynamischer Arbeitsmarkt.” Luxemburger Wort, 2. Oktober 2019, page 11.

“The Luxembourg Jobmarket.” <https://adem.public.lu/de/marche-emploi-luxembourg.html>. Accessed 20 Nov. 2019.

“Luxemburg übernimmt Arbeitslosengeld für Grenzpendler.” Luxemburger Wort, 21 March 2019. <https://www.wort.lu/de/politik/luxemburg-uebernimmt-arbeitslosengeld-fuer-grenzpendler-5c93a165da2cc1784e3404bf>. Accessed 7 Dec. 2019.

## Malta

Score 9

Unemployment rates are at historically low levels in Malta. Eurostat figures for August 2019 indicated that Malta had the fourth-lowest unemployment rate in the EU, at 3.4%, and one of the lowest youth-unemployment rates in Europe, at 5.1% as compared to the EU-28 average of 6.3%. The overall labor-market activity rate was estimated at 75.7% during the second quarter of 2019, which is the EU’s highest recorded rate among persons 25 to 54 years old. This is largely attributable to a broad range of measures undertaken by the government to reduce unemployment, including 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 were introduced only relatively recently. Though the minimum wage remains relatively low at €69.76 a week, and has seen one of the lowest rate of increase in the EU, Malta’s strong labor market has lifted wages, and the official median salary in 2019 was €19,390.

Various measures have also been introduced to increase labor-market participation rates among women. In the last five years, 30,000 women have joined or rejoined the work force. 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. Nonetheless, Malta still has the widest labor-market gender gap in the EU (24.1%), a fact directly related to women’s traditionally lower labor-market participation rate. Women are also statistically more present in lower-paid occupations, even though their average

educational levels are higher than those among men. The gender pay gap has also increased, with women currently earning an average of 12% less than men.

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, fully 30% of companies report skills shortages, a skills mismatch and a growing reliance on foreign labor. A labor shortage is also being felt in various governmental areas of operation. For instance, the Ministry of Education recently announced plans for the engagement of foreign teachers to address shortages in key areas. At the end of 2018, there were 55,000 foreign workers in Malta (a considerable increase from the previous year's total of 43,000). A policy note published by the Central Bank of Malta found that about 25% of foreign workers leave after a single year while about 45% leave after two years. This leads to constant labor-force turnover.

Malta does not have a unified labor market, but is split into a number of sectors. Nevertheless, tensions have risen in all of them due to recruitment problems. The strongest level of demand has come in the digital and financial sectors, where wages continue to climb. However, other sectors can be characterized by low pay and precarious work conditions. The influx of foreign workers and the higher rate of labor-force participation among women contributed to a moderation of unit labor costs during 2017. However, the tightening labor market is set to lead to an increase of 1.2% in labor costs in 2020. 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. The U.S. state department identified Malta as a source and destination country for human trafficking, and in 2019 the Malta government launched an awareness campaign and allocated more resources to identify and assist victims.

Citation:

TVM 30/08/2019 Malta With Fourth-Lowest Unemployment Rate Among EU Countries

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Times of Malta 08/03/2019 Malta With Highest Gender Employment Gap

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Times of Malta 20/01/2019 'The Economy Cannot Do Without Foreign Workers'

Central Bank of Malta 'The Length of Stay of Foreign Workers in Malta' January 2019 p. 5

Spring Economic Forecast 2019 p.122

Malta Today 20/07/19 Malta steps up anti trafficking awareness

Malta Independent 18/11/19 Gender pay gap in Malta lower than EU average but is increasing

Malta Independent 21/01/19 Labour Markets

## Switzerland

Score 9

Swiss labor-market policy is largely a success story. Labor-market flexibility in terms of hiring and firing is very high, trade unions and their representatives or allies

on the firm level have no legal ability to interfere with employers' human-resources decisions (in contrast to Germany), and there is no minimum wage. Swiss voters rejected the establishment of a minimum wage in 2014. A particularity of the Swiss labor market is the large share of foreign workers. Foreign labor comprises nearly a third of the workforce (32% in 2018).

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 October 2019, the unemployment rate stood at 2.2% (Swiss definition; according to the OECD definition it was 4.1%). Youth unemployment (i.e., among 15- to 24-year olds) is only slightly above the overall unemployment rate (2.3% in October 2019). The share of long-term (i.e., more than 12 months) unemployed persons in total unemployment is only 13%. The employment rate of 82% (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 2019, Switzerland had a female employment rate of 76%. In the OECD, only Iceland reports a higher female employment rate, and Sweden has about the same 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 from northern, western and eastern Europe are highly skilled, with two-thirds having finished tertiary education as compared to 37% 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 2018, about 11% of employed men and 45% of employed women worked part-time (i.e., less than 30 hours a week). Only the Netherlands has a higher rate of female part-time employment. Unemployment rates are highest among low-skilled foreign workers. Also, there remains considerable wage inequality between men and women. The median wage of female workers is 88% (2016) of their male counterparts. Some studies arrive at the conclusion that only 57% 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.

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Employment rates: <https://stats.oecd.org/Index.aspx?DataSetCode=STLABOUR>  
 Median wage: <https://www.bfs.admin.ch/bfs/de/home/statistiken/kataloge-datenbanken/medienmitteilungen.assetdetail.5226936.htm>

wage differentials: <https://www.bfs.admin.ch/bfs/de/home/statistiken/kataloge-datenbanken/medienmitteilungen.assetdetail.7206413.html>

## Canada

Score 8

The unemployment rate in Canada is primarily driven by the business cycle, which reflects aggregate demand conditions. Labor-market policies and programs such as unemployment insurance and training programs have limited effect on overall unemployment, although these policies and programs are important for income support and the upgrading of skills. Overall, labor-market regulation in Canada is relatively light, and there are few rigidities that impede the operation of the labor market. The most significant of these may be regional employment-insurance benefits. Together with the high cost of living in growing metropolitan areas, these benefits reduce the outflow of labor from regions with high unemployment rates, which could explain Canada's large drop in the ranking of internal labor-market mobility in the most recent World Economic Forums Global Competitiveness report.

The national labor market continued its strong performance in 2019, with Canada's unemployment rate reaching a 40-year low of 5.9%. The increase was due to higher than normal employment figures in the service industry, offsetting stagnation in the energy industry. The long-term unemployment rate shot up during the 2008 to 2009 recession and has remained elevated since, but is low by international standards. Nevertheless, the labor-force participation rates of some groups (specifically women, young Canadians and Indigenous peoples) are lower than they could be, with these groups representing a significant untapped source of potential economic growth. Unemployment rates among Indigenous Canadians, particularly those of Inuit and



First Nations members living on reserves, remain very high, suggesting that existing employment-support programs are insufficient. While 2018 did see an increase in the labor-force participation rate for women, and a 1% decrease in the unemployment rate among off-reserve Indigenous peoples, both of these rates remain far from the corresponding rates among white male. The 2019 budget attempted to build on the previous year's budget in this area by including a series of measures designed to increase labor-force participation and employment rates for these groups.

The federal government has recognized both the need to improve the economic environment (for instance, by encouraging businesses to hire new workers) and the need for more effective workplace training, but many of its measures in this area have not had the desired effect. Labor shortages are a growing problem. The 2019 budget attempts to address this issue with the introduction of the Canada Training Credit, which people can apply toward fees at training services, colleges, universities and other eligible institutions providing occupational skills.

Overall, the Canadian labor market is very flexible, particularly for a developed country. In the 2019 Global Competitiveness Report, Canada's labor market was ranked eighth out of 141 countries overall, and sixth with regard to the current labor force's skill levels. While these rankings are quite good relative to other OECD countries, it still represents a decline from the previous year's ranking of seventh place.

Citation:

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## Estonia

Score 8

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 training measures was introduced 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 unemployment has decreased; employers are increasingly concerned about labor shortages. In 2018, the government initiated a strategic plan to adjust the labor law to the changing world of work. The plan envisaged increased flexibility, better regulation of fixed-term employment, expansion of tele- and platform work, and updated workplace safety regulations for digital jobs. Yet, the change of government in spring 2019 put these large-scale plans on hold. Instead, some local problems were addressed. To combat higher unemployment in borderland regions, a governmental program (2019 – 2021) was launched. It provides wage and training subsidies for employers who create new jobs in the northeast and southeast of Estonia. The regulation of migrant workers has been discussed several times, although no major changes have so far been introduced as a result of these discussions.

A 2019 report by the Praxis Centre for Policy Studies suggests that welfare support for unemployment people suffers from low rates of benefits and limited coverage. The lack of cover and short benefits period can encourage early retirement.

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 payout. The contribution rate has 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.

Citation:

Praxis Centre for Policy Studies (2019). Unemployment insurance benefits and unemployment allowance system analysis. Available at: <http://www.praxis.ee/en/works/unemployment-insurance-system/>

## Ireland

Score 8

Ireland's rapid economic growth over the last six years has been reflected by significant improvements in the labor market. Total employment amounted to 2,305,000 in 2019.

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, to 5.3%, in 2018. In October 2019, the seasonally adjusted unemployment rate had fallen to 4.8%.

The greatly improved labor market statistics for Ireland have several important consequences. In the first place, continued economic growth will necessitate a

growth in immigration to ensure that the economy does not face capacity constraints. To facilitate this growth in immigration there is a need to improve the infrastructure, particularly with respect to housing. It has been estimated that at least 35,000 housing units need to be added annually. However, the lagged effects of the financial crisis have had significant negative consequences for the construction sector. Because of the collapse in the property market between 2008 and 2014, the knock-on effects to the construction sector caused skilled construction workers to emigrate and building entrepreneurs to go into liquidation. De-leveraging by the banks, which had been massively over-committed to the property market, meant that the flow of finance available for construction and mortgages was greatly reduced. In 2017, 15,000 housing units were built, with a further 18,000 built in 2019 and 22,000 expected to be built in 2020. While showing an upward trend, the number of new houses built will still fall far short of the annual target of 35,000 units.

A second important consequence of the strong growth in the labor market will be the impact on future earnings. Hitherto because of the strong deflationary effects on earnings created by the financial crisis of 2008 to 2014, the growth in nominal wages has been subdued. The growth in average hourly earnings was 2.2% in 2015, 2.5% in 2016 and 2.8% in 2017. The ESRI forecasted that the growth in average hourly earnings was 3% for 2018, increasing to 3.5% in the second quarter of 2019. However, it will be difficult to contain the growth in earnings on such a subdued scale if the economy continues to register a 5% growth rate.

Citation:

Central Statistics Office, Labour Force Employment Series Quarter 2 2019, Preliminary estimates of the Earnings and Labour Costs Quarterly Release (November 2019)

## Israel

### Score 8

Labor market indicators are still strong, as the economy is hovering around full employment. According to the Central Bureau of Statistics' latest annual report, unemployment has been decreasing over the past five years. In 2018, the unemployment rate was 4%. On the other hand, Israel's labor force participation rate has shrunk over the past five years and, in 2018, it stood at 63.9%.

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 daycare subsidies; increased funding for working mothers and labor-training programs; and introduced a negative tax for low-income workers. However, the OECD maintains that the implementation of policies in this area is slow and underfunded.

The Shoresh Institution for Socioeconomic Research reports a strong correlation between economic growth and the quality of schooling in Israel, including for ultra-Orthodox Jews and Arab Israelis. The Ministry of Economy is currently promoting

several programs to encourage and assist members of ultra-Orthodox Jewish communities to obtain academic qualifications, which will help them fit into modern workplaces. On the other hand, ultra-Orthodox Jewish political parties have been consistent partners in government coalitions, with recent governments paradoxically promoting incentives for not participating in the labor market (e.g., higher childcare subsidies, and bigger budgets for “Kollels” and “Yeshivas”). Indeed, the government has targeted a 63% employment rate for ultra-Orthodox Jewish men in 2020. However, the rise in the employment rate of ultra-Orthodox Jewish men since 2015 plateaued at 51% and, in 2018, decreased to 50%. The employment rate of ultra-Orthodox Jewish women, on the other hand, increased over the same period and in 2018 stood at 76%. Among the non-ultra-Orthodox Jewish population, the employment rate for men and women in 2018 stood at 87.5% and 83.1%, respectively. In addition, a recent study showed that educational achievement is lower among the ultra-Orthodox Jewish population than for the general population, as fewer ultra-Orthodox Jewish students are eligible for a matriculation certificate – 12% of ultra-Orthodox Jewish students are eligible, compared to 77% in the general not ultra-Orthodox Jewish population. In 2017, only 3.5% of all the university students in Israel were ultra-Orthodox Jews. Still, in both areas, there is a careful increasing trend.

The employment rate of Arab Israelis is also relatively low. According to the Central Bureau of Statistics, while the general population’s employment rate in 2018 (including Arab Israelis) stood at 63.9%, the employment rate of Arab Israeli workers stood at 45.9%. The employment rate for men is also significantly higher than that for women, being 61.3% and 30.4% respectively. On the other hand, women tend to work in more academic professions than men, rates were 31% and 10% respectively. According to a 2018 study (that relied on data from 2017), educational attainment among Arab Israelis is on average lower than in the general population. In the Arab education stream, 64.2% of students are eligible for matriculation compared to 79.5% of students in the Hebrew education stream. Meanwhile, Arab Israeli university students constitute only about 13% of the entire university student body. Nevertheless, the proportion of Arab Israeli students is increasing gradually. On 30 December 2015, the government of Israel announced Decision 922, a development to be implemented between 2016 and 2020. The plan commits to vastly increasing funding for Arab Israeli development projects, including budgets for education. Two years into its implementation, the plan is being implemented and developments are being made although at a slightly slower pace than anticipated.

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, the model aims to improve the economic status of both unionized and unemployed workers by ensuring that workers receive severance packages and unemployment benefits when they lose

jobs, while 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.

Citation:

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## Japan

Score 8

Japan's unemployment rate reached a 26-year-low of 2.2% in July 2019 (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 to higher-quality jobs. Most economists argue that the conditions for paying and dismissing regular employees have to be liberalized to diminish the gap between the two types of employment.

Unemployment insurance payments are available only for short periods. In combination with the associated social stigma, this has kept 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 changed in 2018. Among its provisions, the allowed quantity of overtime work, a serious problem in Japan, was limited to 100 hours per month. At the same time, work-hour limitations and overtime payments for highly paid professionals have been removed. The law also addresses the wage gap between regular and non-regular work ("equal pay for equal work"). However, a number of structural issues have not yet been fully addressed. In December 2018, the OECD published a report in which it recommended further improvements in job quality and reforms to the mandatory retirement age.

The government has sought to increase the role played by women in the economy while additionally boosting the national birth rate. These two goals have proven difficult to achieve in parallel.

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>

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## Netherlands

Score 8

In July 2019, 3.3% of the working population was unemployed, down from 3.9% the year before. The youth unemployment rate was 8.9% in June 2017, declining to 7.2% in July 2018. Nevertheless, some observers consider youth unemployment to be a serious threat to the country's long-term prospects. An estimated 138,000 young people are not in education or employment. Youth unemployment rates are twice as high among those without an official qualification and among those with a migration background. 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 levels of workplace pressure. Although the proportion of fixed jobs surpassed flexible jobs in 2017, the flexibilization of jobs remains a highly salient trend. As of 2018, the ratio of flexible to fixed jobs was 40% flexible to 60% fixed, while in 2003 it was 25% to 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. In Europe this makes the Netherlands an outlier in terms of work flexibilization. This "dualization" of the labor market between well-protected older workers and less protected younger ones is attributed to government policy; for firms, flexible workers are financially much more attractive (*ceteris paribus* by as much as 7% in labor costs) than are workers with fixed contracts. An OECD report judges the Dutch labor-market situation as being problematic in the long run, because firms will invest less in the education of their flexible workers, thereby threatening the long-term labor productivity of the economy as a whole. In late 2018, the government established an independent expert commission tasked with designing policies that would align labor law, social security and fiscal policies with a view to redesigning the labor market to benefit all workers in a sustainable national economy.

Citation:

M. Stellinga, *Revolutie op de markt voor arbeid*, NRC-Handelsblad, 6 July, 2019

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## New Zealand

### Score 8

Labor market figures have improved steadily since the global financial crisis in 2008. The rate of unemployed New Zealanders dropped to 3.9% in June 2019 – the lowest unemployment rate since June 2008. However, it needs to be noted that unemployment continues to vary widely across different regions and social groups. In particular, Taranaki (5.2%), Northland (5.1%), and Gisborne/Hawke’s Bay (4.8%) struggle with above national average unemployment rates. Unemployment also remains comparatively higher among Māori (7.7%), despite falling from 9.4% in June 2018. Meanwhile, the proportion of young people (aged 15–24 years) who are not in employment, education or training is still over 10%.

To address these employment inequalities, the Labour government launched a regional development program in 2018. The Pathways to Work (Te Ara Mahi) skills and jobs initiative has been allotted more than NZD 100 million and focuses specifically on reducing income and employment gaps for Māori and Pasifika (Pacific islands) people. In addition, the government committed a further NZD 15 million to an already existing scheme aimed at tackling youth unemployment in rural areas (He Poutama Rangatahi) and launched an additional program targeting unemployed youths in urban areas (Pae Aronui).

Unemployment figures appear to be unaffected by the minimum wage increase under the Labour administration. On 1 April 2019, the minimum wage was raised from NZD 16.50 per hour to NZD 17.70 per hour. The minimum wage will continue to rise in annual increments, reaching NZD 20 per hour by 2021. Largely as a result of these policies, private sector salary and wage rates rose 0.8% for the June 2019 quarter. The impact of the minimum wage change on industry groups was most significant in retail trade (up 1.4%), and accommodation and food services (up 2.3%) for the June 2019 quarter.

Meanwhile, the New Zealand job market suffers from a shortage of skilled workers and seasonal labor. Viticultural and horticultural sectors in the Hawke’s Bay and Bay of Plenty regions have been particularly affected by low workforce availability. Hospitals and schools have also complained of shortages. The construction industry says it needs over 50,000 skilled workers by 2023 to meet demands. The government has increased funding for teaching education and increased its intake of nurses from overseas. Some easing of immigration rules has been applied to address seasonal worker shortages, and improvements to the vocational training system (including trades associated with construction) is underway. More generally however, the



government has been reluctant to ease immigration rules to attract foreign jobseekers, mainly because – in the run-up to the 2017 elections – both Labour and New Zealand First campaigned on promises to tighten immigration, in part to ease pressure on infrastructure which had failed to keep abreast of the significant increases in net migration experienced during the term of the previous government. In view of the current policy stasis, the Reserve Bank of New Zealand forecasts annual net immigration of working-age people to fall to 29,000 in 2021 from 40,000 in 2018 and a mid-2017 peak of 72,400.

Citation:

Reserve Bank of New Zealand, Monetary Policy Statement (<https://www.rbnz.govt.nz/monetary-policy/monetary-policy-statement>)

Stats NZ, Labour market statistics: June 2019 quarter (<https://www.stats.govt.nz/information-releases/labour-market-statistics-june-2019-quarter>)

Stats NZ, Minimum wage rise boosts private sector pay rates (<https://www.stats.govt.nz/news/minimum-wage-rise-boosts-private-sector-pay-rates>)

## Norway

### Score 8

Norway has featured low unemployment rates, also throughout the economic crisis of 2007/2008. The aggregate level of employment is high by international standards and is due mainly to the high rate of labor-force participation among women, who are 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 the tendency among workers to take early retirement, which is driven 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 number of migrants arriving in the country has slowed in recent years, but integrating these migrants into the labor market remains a challenge.

## 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 3.8% in September 2019. 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 productivity, especially in manufacturing. Real wages only recently returned to their pre-crisis levels and started to rise in real terms, partly because of a moderating effect of immigration. An increase in the national minimum hourly wage to the level of the so-called living wage was announced and is supported across the political parties. From £7.20 for people aged over 25 in April 2016, it rose to £8.21 in April 2019 and is scheduled to rise faster 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. Youth unemployment rose slightly to 11.8% from 10.9% a year before. Although this is a significantly higher number compared to the overall unemployment rate of 4%, it is comparatively low in relation to other major European economies (32.2% in Spain, 27.1% in Italy and 19.2% in France, with an EU average of 14.2%) a year before.

#### Citation:

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

### Score 8

The United States has one of the least regulated and least unionized labor markets in the OECD. Some states even have "right-to-work" laws that prevent unions from requiring membership as a condition for employment. The low levels of unionization, which in principle lowers the price of labor, should generally promote employment.

The U.S. government 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 undergone any major change. Trends at the local and state government levels have gone in different directions. Whereas 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 2019 continued to decline, reaching 3.7%, which is the lowest officially registered rate since 1969. In addition, the tightening labor market produced gains in average wages. At the time of this writing (before the Covid crisis of 2020), median household incomes had increased by 12% since Trump had taken office. At the same time, because income grows even faster at the top, income inequality has been exacerbated. The unemployment rates for groups that have tended to receive a smaller share of the expansion’s rewards – high school dropouts, African Americans and Latinos – also dipped in the period from December 2018 to December 2019.

The Trump administration has cut some Obama-era training programs and sharply reduced the enforcement of labor regulations; it has also rejected an increase in the federal minimum wage. Trump’s policies may increase somewhat the supply of low-wage labor and reduce compensation for some working people.

Citation:

Patricia Cohen, *After a Decade of Hiring, Plenty of Jobs but raises are tiny*, *New York Times*, Jan. 20, 2020

## Australia

Score 7

Since the peak of the mining boom in 2012, the overall unemployment rate has risen, but continues to be comparatively low at 5.3%. However, underemployment rates – reflecting part-time workers seeking more hours of work – have 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.

Australia has managed to maintain a comparatively low rate of long-term unemployment. The combination of a lack of welfare payments for newly arrived migrants and a high minimum wage has helped to facilitate the integration of migrants into Australian society. At the same time, the stagnation in real wage levels may be the result of the migration of low-skilled labor to Australia.

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 2019, the minimum wage was increased by 3% to AUD 19.40 per hour. Given the stagnation in real wage levels 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) introduced in March 2019, which entails higher costs for the employer and includes stricter conditions, including a requirement to pay a Skilling Australians Fund levy of at least AUD 1,200 and up to AUD 5,000.

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

Updated data on 457 visas granted is available on the Australian Border Force web site:

<http://www.border.gov.au/about/reports-publications/research-statistics/statistics/work-in-australia>.

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

Temporary skill shortage visa: <https://immi.homeaffairs.gov.au/visas/getting-a-visa/visa-listing/temporary-skill-shortage-482>

Low-skill migration may contribute to poor pay growth at bottom end of labour market – report, The Guardian, 29 July 2019. Available at <https://www.theguardian.com/business/2019/jul/30/low-skill-migration-may-contribute-to-poor-pay-growth-at-bottom-end-of-labour-market-report>

## Austria

### Score 7

During the 18 months of the previous coalition government between the ÖVP and FPÖ, some reforms were initiated, which were seen by organized labor as a shift toward a pro-business, pro-market policy approach – directed against the tradition of Austrian neo-corporatism (“social partnership”). Labor argued that the government was attempting to reduce labor’s veto power in various fields of social affairs. The rather unexpected implosion of the government in June 2019 occurred before any substantial backlash – initiated by organized labor or the opposition in parliament (especially the Social Democrats) – occurred.

As unemployment figures before and after the coalition’s collapse remained low, any significant labor unrest has been avoided. First and foremost, this has been the result

of a period of economic growth which started before 2017 (i.e., before the ÖVP-FPÖ coalition came to power) and has survived the coalition's end. However, as unemployment is linked to immigration (from EU members states as well as from other countries and regions), any new government will have to deal with the consequences of a rigid immigration policy (which was especially favored by the FPÖ) and recent labor market developments. Immigration and its effects on the labor market will be a big issue for the next government, which may not be formed before the beginning of 2020.

## Czechia

### Score 7

The labor market situation in Czechia is stable. Employment rates are high, and the unemployment rate has been the EU's lowest for some time. However, the government has done little to address the substantial differences in unemployment rates both with regard to regions and worker skill levels, or the growing labor shortages reported across the economy. The "lack of staff with the right skills" is identified as a barrier to investment by 95% of firms, the highest such figure for any EU member state. This in part reflects weaknesses in the education system, and in part the pay levels for highly skilled workers, which remain unattractive by international standards. Filling low-skilled jobs is less of a problem, thanks to foreign workers. In 2004, such individuals accounted for less than 4% of total employment; by mid-2019, this figure had grown to 13.2%. The tight labor market, the relatively strong economic performance, and government commitments to low-paid and public sector employees are all factors driving wage increases in the private and public sector. The most substantial minimum-wage increase since 1991 took place in January 2019, to CZK 13,500 (€28, about 3.2% of the average wage); however, this is still low relative to the EU average. Another important factor driving wage increases has been the increasingly aggressive bargaining approach pursued by trade unions, exemplified by the "end to cheap labor" initiative led by the Czech-Moravian Confederation of Trade Unions. Since 2015, representatives of trade unionists from across the country have held autumn meetings to support collective-bargaining wage demands.

Citation:

European Investment Bank (2018), EIB Investment Report 2018/2019: Retooling Europe's economy. Brussels ([http://www.eib.org/attachments/efs/economic\\_investment\\_report\\_2018\\_en.pdf](http://www.eib.org/attachments/efs/economic_investment_report_2018_en.pdf)).

## France

### Score 7

Between 2012 and 2016, absolute unemployment figures increased by 500,000 people. Since that time, the unemployment rate has decreased slowly, from 9.9% in the first quarter of 2016 to 9.1% in the second quarter of 2018, and further down to 8.5% during the second quarter of 2019. The employment rate of workers over 55

years of age is still among the OECD's lowest. France also has a notoriously high youth-unemployment rate. According to a report released in 2017 by the National Accounting Office, the labor-market policy measures put in place to support young people were costly (€0.5 billion annually), inefficient (most young people do not find a job at the end of their publicly funded training program) and incoherent (there are too many unattractive and poorly managed programs). Most young people were hired on short-time contracts, with two-thirds of the contracts holding a duration of less than one month. The Macron government has decided to eliminate cosmetic measures adopted in order to lower unemployment rates artificially, such as subsidized jobs for young people, and instead place a special focus on training and employability. Paradoxically, there are numerous unfilled job vacancies across various sectors of the economy. More and more unskilled jobs, particularly in the construction and agricultural sectors, are being filled by non-EU migrants or workers from Eastern and Central Europe recruited on temporary contracts.

During his presidential campaign, Macron announced an intention to substantially reform the labor-law code by using ordinances (drafted and adopted by the executive alone). 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. These highly controversial measures, fiercely opposed by some trade unions, are 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), although some courts are resisting application of the reform by invoking international treaties. 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. The number of apprentice contracts substantially increased in 2018 – 2019.

During the summer of 2018, negotiations began on a reform of the unemployment insurance scheme, with plans to adopt the reform in 2019. In May 2019, however, the government rejected the solutions negotiated between trade unions and business organizations. Instead, it introduced a set of more sweeping measures aimed at restricting unemployment benefits and reducing the program's huge deficit. A system of bonuses and penalties has also been introduced with the aim of reducing the number of very short-term contracts (which allows employers and employees to exploit insurance-system loopholes).

## Latvia

### Score 7

In 2019, approximately half of the population of Latvia were economically active. The unemployment rate in Latvia has fallen from 20% in 2010 to 6.4% in 2019. 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. Furthermore, more than 40% of all emigrants between 2009 and 2016 were high skilled, which continues to contribute to rising skill shortages.

According to the 2019 OECD recommendations, future labor policies in Latvia will have to focus on reducing long-term unemployment, supporting discouraged workers and expanding the menu of active labor market policies, which target disadvantaged groups. Key active labor market policies will focus on job seeker mobility between regions, raising older workers' skill levels and supporting unemployed young people. Furthermore, it was recommended that the general operation of the State Employment Agency be improved, establishing new training programs, promoting regional mobility and making more effective use of existing employment data.

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2. Central Statistical Bureau (2019) Increase in Earnings, Available at: <https://www.csb.gov.lv/en/statistics/statistics-by-theme/social-conditions/wages/key-indicator/increase-earnings-still-observed>, Last assessed: 25.10.2019
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## Lithuania

### Score 7

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 2019 report, the European Commission noted a number of challenges as a shrinking labor force, skills shortages and territorial disparities.

In the Global Competitiveness Report 2019, Lithuania was ranked highest with regard to the flexibility provided in determining wages (ranked 5th out of 141 countries). However, rules for hiring foreign labor were considered very restrictive (ranked 112th out of 141 countries), and the reported noted that the tax system has a very negative effect on incentives to work (ranked 131st out of 141 countries). Implementation of the new Labor Code has made hiring-and-firing practices more flexible, thus improving the country's position in this area (59th out of 141 countries in 2019).

In recent years, the minimum wage has been increased a number of times by the previous and current governments. The minimum monthly wage is set to increase from €55 to €607 (before taxes) beginning in 2020. The council decided depoliticizing 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 again to 6.4% in 2018, and are expected to continue declining in the future. 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 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 such rate in the EU-28 (EU average growth being 2.7%). The IMF staff concluded in November 2019 that "raising productivity via structural reforms is crucial to sustain high wage growth going forward."

Citation:

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[http://www3.weforum.org/docs/WEF\\_TheGlobalCompetitivenessReport2019.pdf](http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf)  
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## Portugal

### Score 7

Following a downward trajectory in the unemployment rate over the past five years – falling from a peak of 17.9% in January 2013 to 6.6% in October 2018 – unemployment has stabilized. Between October 2018 and September 2019, the unemployment rate has fluctuated between a minimum of 6.4% and a high of 6.7%. The rate in September 2019, the most recent month for which there is data, was 6.6% – identical to the rate in September 2018.

This remains the lowest level since September 2002 and means the unemployment rate is firmly back in single-digit territory – the norm for Portugal’s low wage, low unemployment economy – after more than eight years (February 2009 – April 2017) of double-digit rates.

However, the low level of unemployment is not entirely due to labor-market policies. The available evidence suggests that two factors have contributed. 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 2018 indicates that some 81,754 people emigrated (on either a permanent or temporary basis) in 2018. This is a level that is marginally higher than that of 2017 (81,051) and marks the first time since 2014 that emigration has not decreased. Emigration thus remains high and seemingly stable, at least in 2018. This is all the more relevant if we consider that the absolute number of unemployed people declined by a quantity that closely mirrors emigration: some 97,000 in 2018.

As in the previous SGI period, youth unemployment remains a blot on the record of the labor market. Like overall unemployment, youth unemployment has remained fairly stable over the period under review, albeit at a much higher level, standing at 19.4% in the most recent data for September 2019, only marginally below the level for September 2018 (19.6%). Not only is this higher than the euro area average, but the difference between Portugal’s rate and the euro area average increased from 2.9 percentage points in September 2018 to 3.5 percentage points in September 2019.

The monthly minimum wage was increased to €600 in 2019. This marks the fifth consecutive year in which the minimum wage was increased, after a four-year plateau at €485 during the bailout period (2011 – 2014). This increase had the support of business associations, but not of labor unions, who wanted a higher increase.

The government of Portugal passed and published a new labor code in July 2019. The legislation was approved with the support of the center-right PSD and of business associations, with the Socialists’ left-wing allies in parliament voting against this legislation. The new law, which came into effect in October 2019, doubles the experimental period for first-time job-seekers and the long-term

unemployed to 180 days, and also establishes tighter limits on companies renewing temporary worker contracts.

Citation:

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## South Korea

Score 7

In August 2019, South Korea posted its lowest unemployment rate since November 2013, with the figure falling to just 3.1 percent from 4.1 percent in August 2018. Total jobs increased by 146,000 to 27.2 million over this period. However, the August 2019 employment rate of 61.4% remains below the OECD average, and the employment rate for women in particular is comparatively low. Youth unemployment rates are considerably higher than those among the population more generally. The Moon administration has placed a top priority on the creation of high-quality jobs and a reduction in the share of non-regular jobs. Moon established a job-creation commission tasked with decreasing the number of non-regular workers, while promising to reduce working hours and increase the minimum wage to KRW 10,000 by 2020. Despite the government’s efforts, however, the number of non-regular workers has increased, hitting a record high of 7.5 million, or 36% of all salaried workers in 2019. This paradoxical result, unexpectedly reflecting an increase in the share of non-regular workers in the economy, is partly attributed to government policies distributing a large share of resources to vulnerable classes in the short term. Although this increase is partly due to a change in measurement strategies, it seems clear that President Moon has underperformed with regard to one of his signature policies. The Moon administration also 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.

## Citation:

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

The Korea Herald. (2018, June 15). S. Korea's jobless rate rises in May, job creation lowest in over 8 yrs. Retrieved from <http://www.koreaherald.com/view.php?ud=20180615000129>

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## Sweden

### Score 7

The heyday of full employment policies in Sweden is gone, seemingly forever. Current labor market statistics indicate that Sweden (with an unemployment rate of 7.1% in August 2019) 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 huge influx of asylum-seekers into Sweden in 2015 and 2016 has put a pressure on the labor market. Unemployment among immigrants in August 2018 was more than twice as high (15.4%) as among native Swedes. In 2017 and 2018, the strong economy kept unemployment (primarily among native Swedes) at a very low level, thereby moderating the impact of the growing number of job seekers. With a recession expected to hit Sweden in 2020 and 2021, we should expect unemployment to increase further.

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. There is also a more general problem associated with matching. The Public Employment Service (Arbetsförmedlingen) has for some time now been criticized for underperforming in this respect. The agency has also undergone a massive internal reorganization process and developed a new model for its internal management, which will take time to implement. In the midst of this process, a key part of the January Accord – a 2019 agreement between the government, the Center Party and the Liberals – involves relaxing regulation on private business to boost the efficiency of matching job seekers and available jobs. The initial reform of the Public Employment Service was effectively dismantled with the 2019 budget, which significantly reduced the agency's resources in lieu of a reform opening up the task of matching unemployed with available jobs to private businesses.

While language skills and professional skills remain major problems in matching job seekers with job vacancies, more and more asylum-seekers do successfully enter the labor market. Overall, employment has increased significantly since 2014 and

reached an all-time high in 2018. In 2019, a large number of immigrants are actively looking for employment, posing a challenge to the labor market system in terms of matching job seekers with available jobs. The proportion of adults not in education, employment or training (NEET) in Sweden is about the OECD average. This indicates that, despite high open unemployment, the Swedish labor market is successfully 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.

Thus, whether related to culture or differences in training and work experience, immigrants to Sweden continue to have severe problems entering the labor market. Sweden shares this problem with many countries but has proven to be particularly inept at addressing this aspect of integration. The large number of unemployed immigrants tears at the fabric of integration policies.

Citation:

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## Belgium

Score 6

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 zone dipped by 3.5 percentage points between 2008 and 2013, but only by 0.8 percentage points in Belgium, reflecting the effectiveness of the Belgian social safety net.

However, this happened against a background of structurally low employment in Belgium (68% in 2008, 67.2% in 2013 and 69.7% in 2018), well below the European average of 71% in 2007 and 73.2% 2018. According to Eurostat’s employment rate statistics, the country’s labor-market participation rate is actually falling further behind neighboring Germany (Belgium’s employment rate was 5 points below Germany’s in 2007 and a full 10 points in 2018) and the Netherlands (respectively 7.8 and 9.5 points).

The government attempted to encourage labor market participation by increasing the retirement age and reducing unemployment benefits, and took some steps to reduce labor costs. However, this has not addressed the structural mismatch between the demand and supply of skills. According to a study by Bodart, Dejemeppe and Fontenay (2019), these actions had little actual impact on employment dynamics.

In the European Semester’s diagnosis several key issues are listed, such as: “Important financial disincentives to take up employment remain. [...] Belgium remains the only Member State in which unemployment benefits are not limited in time [...]. There are financial disincentives for beneficiaries of sickness and disability schemes and second earners to take up full-time employment. [...]. Moreover, coordination problems may arise due to the split of responsibilities for the social protection between the federal, regional and local levels. [...] The decline in educational performance and the existence of significant disparities in the education system [...].”

Citation:  
 Council of Europe’s recommendations: <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1560258016104&uri=CELEX:52019DC0501>  
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 OECD’s analysis:  
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## Chile

### Score 6

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

The unemployment rate remained roughly stable during the period under review at about 7.2%, one of the highest rates seen in recent years. 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 certain social 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 are given little support. Despite diminishing productivity, comparatively high wage levels have been established mostly in the mining sector, where wage increases have exceeded the inflation rate.

After several disputes in the Senate and an intervention by the Constitutional Court, a labor reform was enacted by former President Michelle Bachelet in August 2016. The reform sought to modernize labor relations mainly with regard to collective bargaining, broadening negotiable topics and mandating that at least 30% of labor-union representatives had to be women.

In 2018, President Piñera announced a further labor-reform initiative that had 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 companies can continue their operations during strikes; (2) ensuring the recognition and involvement of all stakeholders in collective-bargaining processes; and (3) making work schedules more flexible, in part through the introduction of an overtime account with a weekly or monthly limit. In addition, due to the pressure generated by the social and political crisis of October 2019, the Congressional Commission for Labor approved a bill to reduce total official weekly working hours from 45 to 40. By the end of the period under review, no overall studies evaluating the impact of the reforms and reform projects on the labor market had yet been presented. The reform bill had not yet come to a vote in Congress.

Citation:

See news on labor reform, for instance:

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

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

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

Study about wages and salary income structure in Chile:

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

Sebastián Piñera's labor-reform initiative:

<https://radio.uchile.cl/2018/12/27/proyecto-de-reforma-laboral-derecho-al-abuso/>

Reduction of weekly working hours

<https://www.df.cl/noticias/economia-y-politica/laboral-personas/40-horas-comision-aprueba-excluir-colacion-de-tiempo-de-trabajo/2019-11-04/160022.html>

Instituto Nacional de Estadística  
<https://www.ine.cl/estadisticas/laborales/>

## Cyprus

### Score 6

The Cypriot labor market continued to improve in 2019. The unemployment rate declined from 7.3% to 6.5% in the second quarter of 2019, following an EU trend. This decline shows significant progress since August 2013, when unemployment stood at 17%. It does, however, continue to contrast with the rate seen in 2008 of 3.7%, near-full employment conditions (76.5%). The labor force in 2019 was 62.8% of the population. The broader public sector employs 17.8% of the labor force. Per sector employment in 2019 was as follows: 18.1% in industry, 2.5% in agriculture and 79.4% in the services sector (81.6% in 2018). In 2018, the proportion of young people not in education, employment or training (17.4%) was among the highest in the EU.

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, remains a useful procedure, though it is going through a period of tension. Cuts to salaries and pensions imposed since 2011 in the broad public sector will gradually decrease, with all reductions ceasing in January 2023. The private sector also suffered severe cuts in salaries and benefits; in addition, there remain instances of salaries below the legal minimum wage and of employment with no social benefits. Distortions in the labor market persist, with the privileged public and banking sectors “competing” with a relatively weak private sector. In addition, there are sustained pressures on benefits from private employers. The resistance of strong trade unions to benefits cuts appears to have weakened, due in part to employees accepting cuts to avoid a loss of employment. In contrast, powerful public sector unions remain successful in securing their members’ benefits. Migrant EU and non-EU labor remain the most vulnerable groups, often exploited by employers, resulting in a widening economic gap. They accounted for 20.6% of the employed in mid-2019, of which 12.6% were other-EU and 8.0% third-country nationals.

The European Commission has observed low efficiency in the country’s employment services, which remains a challenge. The Commission notes the need for reinforcing outreach and activation support for access to employment.

Despite improvements, serious issues of concern remain. These include a high youth unemployment rate (14.9%, compared to 17.9% in 2018) and significant long-term unemployment (2.2%). Also, women are affected slightly more than men. Only 57.4% of women participate in the formal labor force and 53.6% were employed in 2019, compared to 68.6% and 64.2% for men. Finally, persisting high rates of short-term (15%) and part-time (11.5%) employment are also problematic. The long-term

sustainability of public employment service capacity remains an issue, as additional staff were recruited for only 2 years.

Citation:

1. Survey of Labour Market, Q2-2019, Statistical Service ROC, 2019  
[https://www.mof.gov.cy/mof/cystat/statistics.nsf/All/84335198B5D80A9FC2258316004762F0/\\$file/Labour\\_Force\\_Survey-Q219-EN-050919.doc?OpenElement](https://www.mof.gov.cy/mof/cystat/statistics.nsf/All/84335198B5D80A9FC2258316004762F0/$file/Labour_Force_Survey-Q219-EN-050919.doc?OpenElement)
2. EU Commission Semester Report Recommendations, Cyprus, July 2019,  
[https://ec.europa.eu/info/sites/info/files/file\\_import/2019-european-semester-country-specific-recommendation-commission-recommendation-cyprus\\_en.pdf](https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-country-specific-recommendation-commission-recommendation-cyprus_en.pdf)

## Finland

### Score 6

A deep depression in the Finnish economy in the 1990s resulted in a rapid and dramatic increase in unemployment rates. While the employment situation gradually recovered from this 1990s recession, unemployment has again become a serious challenge in recent years, aggravated by the European economic crisis. Little by little, however, positive signs are now discernible. The unemployment rate was 6.1% in September 2019, down from 6.8% in August 2018. The number of unemployed jobseekers in August 2018 was 16,000 less than a year earlier, and by August 2019 this figure had decreased by another 17,000 persons. 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 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. At the time of writing, the center-left government led by Antti Rinne was expected to revoke many, or at least some, of the activation measures initiated by the Sipilä government.



## Citation:

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<https://sv.tradingeconomics.com/finland/unemployment-rate>

Statistics Finland 2017, [www.stat.fi](http://www.stat.fi);

Official Statistics of Finland (OSF): “Labour Force Survey [e-publication],” [www.stat.fi/til/tyti/2018/08/tyti\\_2018\\_08\\_2018-09-25\\_tau\\_016\\_en.html](http://www.stat.fi/til/tyti/2018/08/tyti_2018_08_2018-09-25_tau_016_en.html)

Ministry of Social Affairs and Health. “Activation Model for Unemployment Security,” <https://stm.fi/en/unemployment/activation-model-for-unemployment-security>

“Aktiivimalli sai tylyn tuomion Teollisuusliiton kyselyssä,” Tekijä, 29.11.2018. <https://tekijalehti.fi/2018/11/29/aktiivimallikysely/>

## Iceland

### Score 6

For a long time, labor market policy and labor market mobility within Iceland 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 before rising to 4%, still a low rate compared with other European countries. However, the bankruptcy of WOW air, an Icelandic airline, in late March 2019 has changed things. The collapse of WOW air led to 1,500 people losing their jobs, with a large proportion of these people still unemployed at the time of writing. The unemployment rate rose from 3.2% in March 2019 to 3.7% in April 2019 due to the bankruptcy (Vinnumálastofnun, April 2019).

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 were renegotiated between 2018 and 2019. In April 2019, two of the largest trade unions – VR (the Store and Office Workers’ Union) and Efling (a union covering workers across all sectors except commerce and trade) – reached a moderate collective agreement with the Confederation of Icelandic Enterprise (SA). Though, at the time of writing, several wage negotiations have not reached agreement, including negotiations covering almost the entire public sector.

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.

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:

<https://vinnumalastofnun.is/media/2271/april-2019-skyrsla-lok.pdf> (Icelandic Directorate of Labour).

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

## 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.

According to the national statistics institute, the unemployment rate in the second quarter of 2019 was 3.5%, 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. Furthermore, average pay in Mexico is the lowest among the 35 OECD countries.

As a major project of the Mexican government, a labor market reform was initiated. Its intentions are to strengthen workers' rights and democratize workers' organizations. The adoption of such a reform was a U.S. condition in the negotiations for the USMCA. Mexico has a big problem with the existence of "ghost unions," which are organizations set up by and answer to employers, and act at the expense of the workers.

Citation:

[https://www.latinnews.com/component/k2/item/81319.html?archive=33&Itemid=6&cat\\_id=818858:tracking-trends](https://www.latinnews.com/component/k2/item/81319.html?archive=33&Itemid=6&cat_id=818858:tracking-trends)

<https://www.elsoldemexico.com.mx/finanzas/hay-potencial-en-plan-laboral-de-amlo-manpower-1983094.html>

[https://www.latinnews.com/component/k2/item/81319.html?archive=33&Itemid=6&cat\\_id=818858:tracking-trends](https://www.latinnews.com/component/k2/item/81319.html?archive=33&Itemid=6&cat_id=818858:tracking-trends)

## 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 5.1% in September 2019, a historic low and one of the lowest such rates in the

European Union. 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 labor market integration of young people (unemployment disproportionately affects 15 – 24 year olds), lower-skilled workers and women. 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 per hour and PLN 2,250 per month in 2019 (i.e., a rise of more than 7%), with the government promising further increases in its 2019 election campaigns. 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. Hence, there has been a huge influx of people from Ukraine (2 million over the last four years), who have received work visas in order to fill low-skilled job vacancies in sectors where there is a shortage of domestic workers.

## Slovenia

### Score 6

While the unemployment rate increased from 2009 to 2013, since 2014, the labor market has significantly improved. In 2016, the number of registered unemployed persons fell below 100,000 for the first time since 2010 and continued to decline each year, reaching a ten-year nadir in September 2019 of 69,834. In recent years, the unemployment has fallen steadily from 9.1% in 2015 to 4.4% in 2019. However, the improvement in labor market performance has been driven largely by the economic recovery. Despite improvements in recent years, major structural challenges have remained. Still high, long-term unemployment has been increasing slightly, the employment rates of older and low-skilled workers remain below the EU average, and their participation in active labor market policies remains low. A December 2019 amendment to the Labor Market Regulation Act is designed to address some of these problems.

Citation:

Stropnik, N. (2020): Slovenia revises its unemployment benefit regulation to foster employment. ESPN, Flash Report 2020/14, Brussels.

## Spain

**Score 6** Though still quite high compared to other OECD countries, Spain's jobless rate fell again during 2019 to 14.1%, 13 points below an all-time high of 27% six years before. In the first semester of 2019, job recovery was still positive, with 446,000 jobs created. After public-spending cuts implemented in the early 2010s, public employment grew by 107,900 employees. Although this progress is positive news (take into account that the average unemployment rate over the past 40 years has been around 16%), the unemployment rate remains very high and the high degree of labor market segmentation between temporary and open-ended contracts impedes faster labor productivity growth. In addition, jobs creation figures during 2019 are the weakest since the summer of 2014.

The Socialist government 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. At the end of the period under review, a minimum salary hike was approved with the consequences for unemployment uncertain.

Citation:

INE (2019) Economically Active Population Survey:

OECD (2019), Unemployment rate (indicator). doi: 10.1787/997c8750-en

## Bulgaria

**Score 5** In 2019, employment levels in Bulgaria reached a record high, approaching EU averages. Unemployment rates fell to their lowest point since measurement started in the early 1990s. Both developments have primarily been due to the continuing economic growth. By contrast, more specific labor market policies such as activating inactive groups within Bulgarian society, addressing the growing skills mismatch persistently reported by businesses, and closing the gap between educational curricula and the requirements of a modern labor market have been far from successful.

The weak labor market policy is increasingly undermining the sustainability of economic growth. 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. If the expectations of a coming recession prove justified, the severity of these problems will intensify.

## Hungary

**Score 5** Recorded unemployment has declined significantly since the resumption of economic growth in 2013 and now stands at about 3%. 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. The main beneficiaries of the program have been local mayors who are provided with access to cheap labor to perform communal work. Moreover, participants in public-works programs have been pressured to vote for Fidesz. 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. Despite its campaign against migration, the government has imported a large army of “migrant” workers from abroad, not only from neighboring countries (Ukraine and Serbia), but also from remote countries like Vietnam and Mongolia.

Vidra, Z. (2018): Hungary’s punitive turn: The shift from welfare to workfare, in: *Communist and Post-Communist Studies* 51(1): 73-80.

## Italy

**Score 5** Traditional labor market policies in Italy have been inadequate to 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, this policy measure had no effect on those who were unemployed. The difficult economic situation of the past 10 years further worsened the most problematic feature 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 rates increased significantly after the economic crisis of 2008, but the increase was particularly dramatic among young people, making them the most vulnerable group in terms of poverty and exclusion.

The reforms of the labor market under the Renzi and Gentiloni governments showed a willingness to tackle this problem more resolutely. The reforms of the labor code (the so-called Jobs Act) on the one hand increased employers' ability to hire and fire, but also introduced measures encouraging a shift from precarious to long-term contracts. Overall, the new policies have been relatively more successful in expanding the employment rate among 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 first Conte government introduced two innovations in this field. The first was the "Decreto dignità," which was intended to increase protections for short-term workers and encourage transitions to permanent contracts. The initial data indicate a mixed success in this regard; while transitions from short-term into permanent contracts have indeed taken place, the overall balance of the labor market has not been significantly altered (see Lavoce.info 2019). The second innovation was the citizen's income, a measure with two goals: to support people in poverty, and to assist unemployed people in finding a job with the support of a new network of employment centers. In this latter case, the citizen's income is made requisite upon the acceptance of jobs proposed by the employment centers. The impact of the second aspect of the reform is much more uncertain than the first, given the slow process of implementation of the new employment centers. Both reforms are stronger with regard to the principles they are seeking to affirm than in the quality of their technical articulation. As of the time of writing, the second Conte government did not appear ready to correct their deficiencies.

Citation:

[www.istat.it/it/archivio/219893](http://www.istat.it/it/archivio/219893)

<https://www.lavoce.info/archives/60922/tanto-rumore-per-nulla-un-anno-dopo-il-decreto-dignita/>

## Turkey

### Score 5

Turkey's population and work force are growing significantly. Between 2016 and 2019, the country's population increased by an estimated 3.1 million to 82.4 million people in 2019. The working-age population (those aged 15 years old and over) increased from 58.7 million in June 2016 to 61.4 million people in June 2019, while the seasonally adjusted labor-force participation rate rose from 51.8% in June 2016 to 52.9% in June 2019. A total of 27.7 million people were officially registered as employed in June 2016, a figure that rose to 28.5 million in June 2018.

Employment figures in various sectors point to growing dynamism in the Turkish labor market. Sector-specific employment figures indicate an increase of 287,000 jobs in industry and 759,000 jobs in the service sectors between June 2016 and June 2019, and a decrease in employment in agriculture of 185,000 people during the same period.

The seasonally adjusted official number of unemployed increased from 3.3 million in June 2016 to 4.5 million in June 2019. The overall unemployment rate increased from 11% in June 2016 to 13.9% in June 2019. Strikingly, unemployment rose in the non-agricultural sectors from 13% in June 2016 to 16.2% in June 2019.

Between January 2019 and March 2019, an additional 638,000 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 municipal elections, which were held on 31 March 2019. On the other hand, between the last quarter of 2018 and the first quarter of 2019, the number of public employees increased by 165,000 to 4.52 million.

Informal employment increased 0.7% between June 2018 and June 2019, and was estimated to account for 35.2% of total employment in June 2019. Displacement of native workers by refugees (who work without job security and for lower wages) is one of the factors driving this development. A major 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 19.4% in June 2016 to 24.8% in June 2019.

Following the 2018 currency crisis, the unemployment rate increased from 10.8% in July 2018 to 14.7% in January 2019 and remained above 14% during February and March 2019. This was due mainly to the 14.4% decline in quarterly GDP between the last quarter of 2018 and first quarter of 2019.

In order to overcome labor market rigidities and high labor costs, the IMF (2018) recommended 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 rights. The government's National Employment Strategy of 2017 includes measures to reform the severance payment scheme, unemployment benefits and temporary work contracts. However, the proposed measures have not been introduced, so far.

Citation:

International Monetary Fund (2018) 'Turkey 2018 Article IV Consultation-Press Release: Staff Report; and Statement by the Executive Director for Turkey,' Washington D.C.: IMF (April).

Turkish Statistical Institute, 'Statistics on Employment, Unemployment and Wages,' Ankara.

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

## Croatia

Score 4

After steadily increasing from 2009 to 2014, the unemployment rate fell from a peak of 17.5% in 2014 to below 7% in 2019. However, Croatia still has one of the lowest employment rates in the European Union, at just 61.8% in the second quarter of 2019, compared to an EU average of 69.3%. This figure masks a very uneven

situation across Croatia's 21 counties. Whereas Zagreb, the capital, boasts an employment rate of more than 80%, less-developed mainland counties record rates of less than 50%. Another 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.

After a period of decline, wages have begun to increase. A new minimum wage law was introduced in January 2019. The law ensures social partners are consulted when setting the minimum wage, which is to be determined on 31 October each year. At the end of 2019, the minimum wage was €505.90 per month, about 44% of the average wage. 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. Since peaking at 22% in 2016, the percentage of temporary and part-time contracts has fallen to less than 20%.

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 European Union) and by introducing employment policy measures that would stimulate the working-age population to join the labor force. 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). The Law on the Promotion of Employment was introduced in 2019 to support these measures.

## Greece

### Score 4

In August 2019, the main unemployment rate fell to 17.0% (EU average: 6.2%). Though the rate remains the highest in the EU, Greece has made substantive progress, given that the unemployment rate stood at 28% in 2013 and at 25% in 2015.



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 (among both skilled and unskilled workers).

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 social safety net called Social Solidarity Allowance (introduced in early 2017; see also “Social Inclusion”).

Greece continues to show the OECD’s highest long-term unemployment and youth-unemployment rates. Most 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.

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 are often unable to find new jobs, as many lack advanced skills. Unemployed people in the middle- to old-age groups face considerable impediments in reintegrating 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 overabundance of such professionals in Greece. The distribution of openings for first-year students in university departments is decided by the Ministry of Education. This allows the government to raise the number of students allowed into popular departments, a practice steadily followed by the last government, which lost the elections of July 2019. As a result of this practice, university graduates' job prospects have become very dim. Bank of Greece data show that in 2008 – 2015, approximately 427,000 young university graduates and professionals left Greece to seek work in Germany, the United Kingdom or other countries.

The pre-crisis division of insiders and outsiders in the labor market 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 rise in precarious work, continued brain drain and degradation among the long-term unemployed.

Information on unemployment is drawn on Eurostat: [https://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment\\_statistics#targetText=Recent%20developments,-Unemployment%20in%20the&targetText=Eurostat%20estimates%20that%2015.432%20million,were%20unemployed%20in%20August%202019.&targetText=The%20EU%2D28%20unemployment%20rate,from%206.7%20%25%20in%20August%202018.](https://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment_statistics#targetText=Recent%20developments,-Unemployment%20in%20the&targetText=Eurostat%20estimates%20that%2015.432%20million,were%20unemployed%20in%20August%202019.&targetText=The%20EU%2D28%20unemployment%20rate,from%206.7%20%25%20in%20August%202018.)

Information on brain drain is based on Bank of Greece estimations, reported in <https://www.dw.com/en/greece-central-bank-reports-brain-drain-of-427000-young-educated-greeks-since-2008/a-19373527>

## Romania

### Score 4

Buoyed by strong economic growth, unemployment in Romania has fallen to a record low. However, unemployment is unevenly felt, with Romania's youth unemployment rate as of August 2019 two percentage points above the EU average (16.2% vs. 14.2%). Moreover, labor market participation in Romania remains among the lowest in the EU. Labor force activity is disproportionately low for Roma people, women, those with disabilities, and those living in rural areas. Romania's labor market has been strongly shaped by massive emigration. Some 18.2% of the country's population, including nearly two in five Romanians with a higher education, live abroad. Emigration has contributed to low unemployment levels but has also resulted in labor shortages and brain drain. The healthcare sector, for

instance, faces an unprecedented shortage of qualified personnel, as doctors and nurses have left for higher paying jobs in the EU. While the period under review saw some efforts to remedy this – for instance, through an exemption from income tax for ten years and an increased minimum wage for construction workers – the latter’s outcome is unclear. To curb the loss of medical professionals, the government doubled wages in the sector during the period under review, but physician retention rates have remained negligible, especially outside Bucharest. In an attempt to bolster the country’s labor supply, the government raised quotas for non-EU foreign workers in 2019 to an all-time high of 30,000 work permits.

## Slovakia

### Score 4

Due to the strong growth of the Slovak economy, the unemployment rate has gradually fallen in the last years. This trend continued in 2019 with unemployment declining to below 6%, the lowest rate since the independence of Slovakia in 1993. At the same time, however, several structural problems persist which have not been adequately addressed by successive governments. Long-term unemployment is one of the highest in the European Union, and the labor market participation of groups such as Roma, 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. More recent problems include the growing shortage of qualified labor for industrial production and the rising number of unfilled public sector vacancies due to low salaries. The Pellegrini government has sought to reduce the labor shortage 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 European Union. Instead of improving active labor market policy, the government has focused on increasing the minimum wage and certain one-time bonuses. With a view to the upcoming February 2020 parliamentary elections, the monthly minimum wage will be raised from €20 to €80 as of January 2020.

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