Labor Market Report

Labor Market Policy

Sustainable Governance Indicators 2022

©vege - stock.adobe.com

SGI Sustainable Governance Indicators

Bertelsmann Stiftung

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 "flexicurity" labor model, which refers to the fact that Danish employers can easily respond to broader economic dynamics by hiring and firing employees as needed while the country's social safety net, active labor market policies that incentivize active job searches, and the provision of training to help workers find employment help keep people in the labor market. Unemployment is low and structural barriers, including qualifications, are the main barrier to further reductions in unemployment. Concern about labor shortages has increased due to the fast and somewhat unexpected recovery of the Danish economy after the lifting of COVID-19 restrictions.

This has prompted a political discussion about lifting some of the restrictions on labor movement for individuals from outside the EU. Social democratic Prime Minister Mette Frederiksen has recently signaled a willingness to propose legislation designed to remove barriers to attracting labor from non-EU countries. There is also a policy discussion about whether the level of unemployment benefits for college graduates should be reduced to that received by incumbent workers, in order to incentivize job search activitiy.

Since the minimum wage is relatively high, it is difficult for individuals with limited qualifications to find stable jobs. The question of whether the economic incentives to work are sufficiently strong – "does it pay to work?" – remains a contested issue. Social assistance and tax reforms have been implemented in an effort to increase the benefits of employment, although the focus more recently has shifted toward the impact these reforms have on inequality. A commission has been appointed to consider so-called 2nd generation reforms that would increase employment without increasing inequality.

Citation:
Andersen, T. The Danish labor market, 2000–2020. IZA World of Labor 2021: 404 doi: 10.15185/izawol.404.v3Danish Economic Councils, The Danish Economy, Various issues. Latest issue: Autumn 2021.
Reformkommissionen, 2021, Erkendt, forsøgt løst, uløst, København.

Germany

Score 9

Germany’s success in reducing structural unemployment since the mid-2000s has been impressive. Germany’s employment increased from 41.0 million to 45.3 million between 2010 and 2019 (Destatis 2022) and features an employment rate that is far above the OECD average (OECD 2021). Before COVID-19 reached Germany, the unemployment rate decreased to 5% (2019 average, national definition, Bundesagentur für Arbeit 2021). This suggests that the labor market has successfully integrated the large influx of refugees that arrived in 2015. Employment growth has been accompanied by a decline in both temporary work and minor employment contracts (“Minijobs”) and confirms that the boom is not driven by a flight into atypical employment. However, a high part-time share of female workers in particular is another feature of the German employment boom, which could increase the risk of old-age poverty due to lower pension entitlements.

The negative impact of the pandemic on employment was surprisingly mild. Employment declined from 45.3 to 44.9 million from 2019 to 2020 but stabilized again in 2021 (Destatis 2022). After rising to 6.4% in the summer of 2020, the unemployment rate fell back to roughly its pre-pandemic level of 5.1% by November 2021 (Bundesagentur für Arbeit 2021), which points to the resilience of the labor market. Current predictions indicate that the German labor market of the future will no longer be characterized by a significant unemployment problem but, on the contrary, by a dramatic shortage of workers in many sectors.

There are several factors that help explain the German labor market’s structural and cyclical strengths. First, the Agenda 2020 reforms of the early 2020s have proved effective in increasing incentives to take on employment and reforming labor market administration. Second, researchers point to a high degree of wage flexibility that began already in the 1990s as a result of harmonic industrial relations and industrial accountability (Dustmann et al. 2014). Third, the government has a toolbox of tested labor market instruments to use in protecting jobs in a crisis situation. In 2020, the short-time work subsidies once again played a decisive role in helping firms affected by the lockdowns to keep their employees on payroll, despite plummeting sales. The government quickly increased replacement rates, made the scheme more accessible, expanded its duration and waved social security contributions. This helped firms effectively slash their wage costs during the most acute periods of the crisis. However, by international comparison, the German short-time work scheme is very generous in the support it provides and its unique increasing wage replacement rate could, over time, disincentivize structural change and the relocation of workers (Scarpetta et al, 2020).

In recent years, government regulation of the labor market has increased as new restrictions for temporary employment programs have been introduced. A national minimum wage has been in effect since January 2015, with exemptions for young employees and the long-term unemployed in particular. The minimum wage has increased from initially €8.50 to €9.82 from January 2022 onward. The new government plans to further lift the minimum wage to €12 (Koalitionsvertrag 2021). 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, particularly during less dynamic periods.

While international organizations like the OECD have acknowledged Germany's dynamic employment growth, they have regularly pointed to a key obstacle to achieving even higher labor use: the very high marginal tax rates on labor in general and for a family's second earner in particular. Very high marginal tax rates are particularly harmful when it comes to integrating single parents into the labor market and create substantial work disincentives for a household's second earner (OECD 2021).

Citation:
Bundesagentur für Arbeit (2021): Monatsbericht zum Arbeits- und Ausbildungsmarkt, November 2021.

Destatis (2022): Erwerbstätigkeit 2021 auf gleichem Niveau wie 2020, Pressemitteilung Nr. 001 vom 3. Januar 2022.

Dustmann, Christian, Bernd Fitzenberger, Uta Schönberg, and Alexandra Spitz-Oener (2014), From Sick Man of Europe to Economic Superstar: Germany's Resurgent Economy, Journal of Economic Perspectives, 28(1): 167-88.

Koalitionsvertrag (2021): Mehr Fortschritt wagen, Bündnis für Freiheit, Gerechtigkeit und Nachhaltigkeit, Koalitionsvertrag zwischen SPD, Bündnis 90/Die Grünen und FDP.

OECD (2021): Germany, Economic Policy Reforms 2021: Going for Growth, Country Note, April 2021.

Scarpetta, Stefano, Mark Pearson, Alexander Hijzen, and Andrea Salvatori (2020), Job Retention Schemes During the COVID-19-19 Lockdown and Beyond. OECD Tackling Coronavirus (COVID-19): Contributing to a Global Effort.

Malta

Score 9

Unemployment rates are at historically stable levels in Malta. Eurostat figures for October 2021 indicated that Malta had one of the lowest unemployment rates in the European Union, at 3.6% compared to the European average of 6.7%. Malta also had one of the lowest youth-unemployment rates in Europe, at 8.2% as compared to the EU-27 average of 15.9%. The overall labor market activity rate was estimated at 77.2% during the second quarter of 2021, with the highest rate being recorded among persons aged 25 to 54. This is largely attributable to a broad range of measures undertaken by the government to reduce unemployment, including the 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. Extensive benefits have been made available to enterprises and individuals during 2020 and 2021 in a bid to counteract the negative effects of the pandemic on the economy. These measures include vouchers, wage support and rent subsidies. Indeed, Malta’s labor market slack rate was one-third of the EU rate, confirming that the impact of the pandemic on the labor market was contained with certain industries never being fully locked down, government infrastructure projects continuing and new employment opportunities surfacing.

Malta possesses a consolidated support system for the unemployed, consisting of social benefits and retraining opportunities. Meanwhile, schemes to help low-skilled individuals find employment have been introduced in recent years. While Malta’s strong labor market has lifted wages, the average annual gross salary was estimated at €19,594 in 2019 with variances based on sex and district of residence. The minimum wage remains relatively low at €169.76 a week and has increased at one of the lowest rates (1%) in the European Union (an EU average of 6%). Emphasis on the need to introduce a living wage has increased.

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 workforce. Policies worth noting include the introduction of free childcare centers in 2014, along with the strengthening of breakfast and after-school clubs. Paid maternity leave, 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. Presently female participation in the labor force stands at 48.3% (EU average 51.09%).

Until recently, Malta had one of the highest gender pay gaps in the European Union. However, this has now been reduced to 11.6%, which is lower than the EU average of 14.1%. Data recently released but the National Statistics Office has highlighted the fact that the average annual wage for men is €20,974, while for women it is €17,771. Women are also statistically more present in lower-paid occupations, even though their average educational levels are higher than those among men.

The Maltese labor market is also facing challenges related to an aging workforce (the number of persons aged 65 and over is expected to increase by 44% by 2035). A small proportion of the workforce would prefer to work more hours. At 1.7%, this rate is half the EU average. Moreover, companies are still reporting skills shortages, a skills mismatch and a growing reliance on foreign labor. A recently launched employment policy highlights the need to create a better skilled workforce and better salaries. Nonetheless, it warns that foreign labor is still required. A labor shortage is also being felt in various governmental areas of operation. For instance, one in every seven medical professionals is foreign-born. As of September 2020, the number of foreigners that are living and working in Malta stood at 69,919, which means that the number has effectively quadrupled since 2013. In 2021, the government relaxed the rules for work permits for non-EU nationals. The constant flow of low paid imported labor points to a structurally weak economy, which needs to be addressed with best practice models that facilitate better training of workers and incentives for older cohorts to remain in the labor market.

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. In 2020, estimated hourly labor costs stood at 14.5 compared to the EU average of 28.5. Moreover, concerns related to working conditions remain present, as some employers continue to exploit gaps in the law and employ workers at less than the minimum wage.

Citation:
Eurostat News Release 134/2021
National Statistics Office (NSO) News Release 173/2021
European Economic Forecast Autumn 2020 p.109
National Statistics Office (NSO) Regional Statistics Malta 2021 Edition p.107
Times of Malta 08/03/2019 Malta With Highest Gender Employment Gap
The Malta Independent 11/11/2021 NCPE Conference Highlights Current Developments in Existing Gender Pay Gap
2019 Report on Equality between Women and Men in the EU p. 18
Formosa Marvin (2014) Socioeconomic implications of Population Aging in Malta: Risks and Opportunities
Times of Malta 07/03/2018 Third of Companies in Malta Reporting Skills Shortage
Times of Malta 20/01/2019 The Economy Cannot Do Without Foreign Workers
Malta Today 05/10/2021 Employment Policy Seeks Better-Skilled Workforce but Warns Foreign Labour Still Needed
Malta Daily 04/06/2021 1 in 7 Medical Workers in Malta are Foreign
The Malta Independent 20/04/2021 Number of Foreigners Working in Malta Almost Quadrupled since 2013
https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Wages_and_labor_costs
The Jounral.mt Malta: The country with the least labor market slack in the Euro area
Times of Malta 05/08/21 Fixing a flawed labour market
Times of Malta 10/02/21 The Case for a Living wage has never been stronger

Switzerland

Score 9

The Swiss labor market is very liberal, which translates into a high degree of flexibility in terms of hiring and firing. Trade unions and their representatives or allies on the firm level also 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. Foreigners comprise 27% of the labor force (2020), with an even higher share in dependent employment.

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. Despite the pandemic, the unemployment rate stood at 3% in

2021. Youth unemployment (i.e., unemployment among 15 to 24 year olds) is even lower than the overall unemployment rate (2.5% in 2021). The share of long-term (i.e., more than 12 months) unemployed persons in total unemployment has increased from around 15% before the pandemic to 23% in 2021.

In the third quarter of 2021, the employment rate (the ratio of employed to the working-age population) stood at 80%, which was the third highest in Europe (behind Iceland and the Netherlands) (OECD 2022a). In addition, the overall employment rate of women has increased dramatically in recent decades. In 2021, Switzerland had a female employment rate of 76%. In the OECD, only Iceland and the Netherlands report a higher female employment rate. Likewise, Switzerland was successful in keeping older age groups in employment, avoiding major exits due to early retirement. A report on the effects of the free movement of labor between the European Union and Switzerland found that in general strong immigration from the European Union did not endanger the employment prospects of domestic workers. Most EU immigrants from northern, western and eastern Europe are highly skilled, with two-thirds having finished tertiary education compared to 37% of Swiss citizens. (Observatorium zum Freizügigkeitsabkommen Schweiz-EU 2019). During the pandemic, it became obvious that the Swiss healthcare sector critically depends on the immigration of healthcare professionals from EU member states (Observatorium zum Freizügigkeitsabkommen Schweiz-EU 2021). There is a very strong bimodal distribution of foreign labor by education. The share of immigrants with tertiary and very low educational achievement is far higher than in the Swiss labor force. The recent increase in the immigration of highly qualified labor from the European Union is dramatic.

Nevertheless, several major challenges are evident. The high employment rate is due to a particularly high share of part-time work. In 2020, about 11% of employed men and 44% 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 (OECD 2022b). 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 member states pose few challenges for Swiss labor market policy, particularly since these employees are quite likely to return to their native country after a period of employment in Switzerland. In contrast, low-skilled foreign workers tend to stay in the country even if they become unemployed.

Citation:
Combe, B. & Oesch, Daniel 2019: Die Lohnungleichheit zwischen Frauen und Männern beginnt lange vor der Familiengründung, Lausanne: NCCR Lives

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

FORSCHUNGSSTELLE FÜR ARBEITSMARKT – UND INDUSTRIEÖKONOMIK (FAI).

FELFE, Christina et al. 2015. Studie zu den statistischen Analysen der Eidgenossenschaft betreffend die Lohngleichheit von Frau und Mann, im Auftrag des Eidgenössischen Büros für die Gleichstellung von Frau und Mann, St. Gallen: Universität St. Gallen.

Observatorium zum Freizügigkeitsabkommen Schweiz-EU (2019): 15. Bericht des Observatoriums zum Freizügigkeitsabkommen Schweiz-EU. Auswirkungen der Personenfreizügigkeit auf den Schweizer Arbeitsmarkt, Bern: Schweizerische Eidgenossenschaft.

Observatorium zum Freizügigkeitsabkommen Schweiz-EU (2021): 17. Bericht des Observatoriums zum Freizügigkeitsabkommen Schweiz-EU. Auswirkungen der Personenfreizügigkeit auf den Schweizer Arbeitsmarkt, Bern: Schweizerische Eidgenossenschaft.

OECD 2022a: https://data.oecd.org/emp/employment-rate.htm

OECD 2022b:https://data.oecd.org/emp/part-time-employment-rate.htm.

SECO 2021: Die Lage auf dem Arbeitsmarkt (December), Bern: SECO https://www.newsd.admin.ch/newsd/message/attachments/69848.pdf, see also : https://www.newsd.admin.ch/newsd/message/attachments/69854.pdf; https://www.seco.admin.ch/seco/de/home/seco/nsb-news.msg-id-86721.html

Wanner P. and I. Steiner (2018). Ein spektakulärer Anstieg der hochqualifizierten Zuwanderung in die Schweiz. Social Change in Switzerland No 16. Retrieved from https://wwww.socialchangeswitzerland.ch DOI: 10.22019/SC-2018-00008

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 are important for income support and the upgrading of skills.

Pre-pandemic, the national labor market continued its strong performance, with Canada’s unemployment rate reaching a 40-year low of 5.9% in 2019. However, as economic output tumbled in response to lockdowns and the pandemic, the rate of unemployment surged. Indeed, among OECD countries, Canada along with the United States, experienced some of the largest increases in temporary unemployment. However, with economic recovery and measures such as the Canada Emergency Wage Subsidy and Canada Emergency Response Benefit to help buffer the most severe impacts of the recession, Canada’s unemployment rate has now fallen back down, almost to pre-pandemic levels at 6.0%. Among G-7 countries, Canada has been one of the leading countries in jobs recovery (Canada 2021, 20).

Nevertheless, the labor-force participation rates of women, young Canadians, racialized Canadians and Indigenous peoples were especially negatively impacted by the pandemic and rates 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. Indeed while non-Indigenous employment has rebounded to levels just slightly below those of 2019, employment rates for Indigenous peoples have remained stuck essentially at 2019 levels. Non-indigenous employment specifically rebounded for men just 0.8 percentage points off 2019 and for women just 0.9 percentage points off 2019 (not seasonally adjusted).

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 and the situation is particularly acute among nurses and personal care attendants.

Citation:
Government of Canada, Economic and Fiscal Update 2021, 2021, https://budget.gc.ca/efu-meb/2021/home-accueil-en.html.

OECD, Employment Outlook: 2021, 2021, Paris: OECD Publishing.

OECD, Employment Outlook: 2020, 2020, Paris: OECD Publishing.

Statistics Canada, Labour Force Survey, November 2021, 3 December 2021, https://www150.statcan.gc.ca/n1/daily-quotidien/211203/dq211203a-cansim-eng.htm.

Estonia

Score 8

Recent labor market reforms have focused on the employability of disabled people in order to expand labor supply. Young people, especially NEET, have been another focus of ALMP. The evidence on policy efficiency remains mixed – career guidance has been by far the most widespread measure both for young and disabled people, but its quality is evaluated by the target groups as low (see Centar 2021). Unemployment among young people remains almost twice as high as the general rate. Several other targets in transition from unemployment to employment for various social categories were also not reached (Töötukassa 2021).

COVID-19 has substantially changed the planned course of reforms. In the first half of 2020, 17,534 enterprises (mostly in commerce and industrial sectors) received wage support from the Unemployment Insurance Fund (ca €256 million) to compensate for a loss in turnover and to keep workers in employment. Employers who benefited from this scheme were not allowed to fire workers in the following six months. A recent analysis (Praxis 2021) revealed that the measure effectively combated poverty (especially among those aged 50 and over) and kept about 65,000 people in employment.

In 2021, the economic situation stabilized – the employment rate recovered close to the pre-crisis level and the general unemployment rate remained below 10%. In the second half of 2021, labor shortages became a greater concern than unemployment. Immigration policy has remained strict, and hiring immigrant workers is administratively difficult and economically costly for enterprises. At the same time, the Act on Unemployment Insurance was amended in August 2020, allowing registered unemployed persons to take mini-jobs without losing their unemployment benefit.

Moreover, the unemployment benefit replacement rate for the first 100 days of unemployment increased from 50% to 60%, which has helped to reduce poverty among the unemployed. Platform and gig-economy workers are legally defined as self-employed, which means that they are not eligible for labor market support measures and cannot join a union in order to protect their rights.

Citation:
Centar (2021). Karjääriteenused Eestis: teel terviklahenduseni. Lõppraport. Tallinn. https://www.tootukassa.ee/sites/tootukassa.ee/files/karjaariteenuste_uuring_loppraport.pdf (accessed 02.01.2022)
Praxis (2021). COVID-19 sotsiaal-majanduslik mõju:Töötukassa töötasu hüvitis 2020. Tallinn
Eesti Töötukassa (2021). Majandusaasta aruanne 2020. https://www.tootukassa.ee/sites/tootukassa.ee/files/tootukassa_aastaaruanne_2020.pdf (accessed 02.01.2022)

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:
Burke-Kennedy, E., 'Wage growth in Irish economy recorded at 2% last year', The Irish Times, 1 March 2022, https://www.irishtimes.com/business/economy/wage-growth-in-irish-economy-recorded-at-2-last-year-1.4815161
Central Statistics Office, Labour Force Employment Series Quarter 2 2019, Preliminary estimates of the Earnings and Labour Costs Quarterly Release (November 2019)
Morgan, G., 'House prices soaring by €100 a daysproperty heats up to boom time level', Irish Independent, 28 March 2022, https://www.independent.ie/business/personal-finance/property-mortgages/house-prices-soaring-by-100-a-day-as-property-heats-up-to-boom-time-levels-41493411.html

Luxembourg

Score 8

Luxembourg's labor market is quite specialized and highly dynamic. For example, from 2005 to 2018, total employment increased by 45.8%, compared with only 5% in the EU as a whole. The workforce is made up of cross-border workers (45%), Luxembourg nationals (27%), EU nationals (24%) and third country nationals (4%). According to STATEC, the country's working population on 1 January 2020 numbered 474,300 people, of which 197,200 were cross-border workers, coming for the most part from France (105,700), Germany (50,300) and Belgium (48,800). However, cross-border workers face traffic congestion and long commuting hours, while ever-rising housing prices make it difficult to take up residence in Luxembourg. The development of cross-border work in Luxembourg dates back to the mid-1980. It was a response to the rapid economic growth experienced by Luxembourg and to the need to rapidly fill the new jobs created.

Over the past 12 months, the overall employment growth rate was 1.6%, and that related to the cross-border workers was 2.2%. In 2020, the most vigorous sectors were healthcare (+4.3% rise in employment); specialized, scientific and technical activities (+4.2%); construction (+4%); e-commerce (+4%) and financial services (+3.9%). In 2021, the growth in the labor market in Luxembourg was expected to stabilize at 2.5%, a much higher figure than the average in the euro area. Despite the active labor-market measures taken by the national employment agency (Agence pour le développement de l'emploi (ADEM)), the unemployment rate among people under 30 remains high (21%), although this rate has declined significantly in recent years. The most affected is the 15-24 age group, with 66.9% of people of this age in education or training, 24.8% in employment, and 5.3% in non-standard employment. At the same time, the placement of low-skilled workers, older workers and, to a lesser extent, women in employment remains an important policy challenge. In Luxembourg, 59.6% of the population is highly skilled. Moreover, two-thirds of jobs created in Luxembourg are aimed at people with tertiary degrees. In January 2021, the number of job seekers had risen by 20.7% compared with January 2020, while the quantity of available jobs had decreased by 14.4%, and the unemployment rate had reached 6.3%.

The coronavirus crisis produced a major paradigm shift in the Grand Duchy's labor market. On the one hand, this has been due to the widespread practice of teleworking, thanks to the country's reliable digital infrastructure and the high proportion of service jobs for which remote work was possible. Sectors that in 2020 and 2021 developed teleworking include education (with home schooling during the periods of school closure); the public sector, with its 31,049 state employees (with 74% working from home); ICT, banks and insurance (61%); and research, science and technology. Those in healthcare or the social services sector, tourism and hospitality, or construction, or who performed local and community-based work or low-skilled work, generally continued to work on site. To alleviate the situation of workers negatively impacted by the restrictions due to the coronavirus pandemic, the government funded partial unemployment measures in numerous sectors of the economy (hospitality, tourism, events, small-scale industry, retail, etc.). Partial unemployment covered 80% of the employee's salary (or 100% of the social minimum wage, which was €2,201.93 gross per month on 1 January 2021).

The risk of in-work poverty and social exclusion is increasing in Luxembourg. Luxembourg indeed ranks among those EU countries where this risk is the highest. Figures for 2019 show that 12.1% of workers (namely 103,600 people) live below the monetary poverty threshold, considered to be €1,804 per month for a single adult. The groups most exposed to poverty are non-Luxembourgish nationals, low-skilled individuals, job seekers, part-time workers and single-parent families.

Citation:
"Bilan Compétitivité et Résilience 2021: Très bonne résistance de l'économie luxembourgeoise." Le Gouvernement du Grand-Duché de Luxembourg. Ministère de l'Économie. Perspectives de politique économique, No.37/Décembre 2021.

Danescu, Elena. "Luxembourg Economy." In Hartly C. (Ed). Western Europe 2022. Western Europe Book Series. Routledge, Abington:UK, 2022. pp. 464-481.

"Boost to growth." STATEC, Note de conjoncture 1-21. (No.28/08.06.2021). https://statistiques.public.lu/en/news/economy-finance/economic-outlook/2021/06/20210608/Statnews-NDC-1-21-EN.pdf. Accessed 3 Jan.2022.

Rapport d'activité 2020. (Mars 2021). Le Gouvernement du Grand-Duché de Luxembourg. Ministère du Travail, de l'Emploi et de l'Économie sociale et solidaire. https://adem.public.lu/en/publications/adem/2021/rapport-activites-complet-mteess.html. Accessed 3 Jan.2021.

"Working Yet Poor Project." National Report for Luxembourg (6 July 2021). https://workingyetpoor.eu/press/. Accesed 3 Jan.2022.

"Neistart Lëtzebuerg. Nouvelles mesures de soutien pour préparer la relance économique" (2020). Union des Entreprises luxembourgeoises. https://www.uel.lu/fr/article/neistart-letzebuerg/. Accessed 3. Jan.2022.

New Zealand

Score 8

Despite the ongoing COVID-19 pandemic, the unemployment rate in New Zealand plunged to a record low in 2021. In the three months through the end of the September, the unemployment rate dropped to 3.4% (down from 4% in the June quarter) – the lowest rate of unemployment the country has ever recorded (matching the rate in the three months to the end of December in 2007). The "underutilization" rate (which measures unemployment along with the proportion of people in work but who would like more hours, as well as those who want jobs but are either unavailable or not actively seeking work) also fell – from 10.5% (in the June quarter) to 9.2% (in the September quarter) (Pullar-Strecker 2021).

The historic drop in unemployment figures was partly due to travel restrictions on international arrivals, which prevented migrants from swelling the domestic labor supply. In particular, the COVID-19 pandemic worsened workforce shortages in the agricultural and horticultural sectors. While the government did provide exemptions to seasonal workers from Tonga, Samoa and Vanuatu to travel to New Zealand, industry representatives continued to complain about a lack of policy certainty (Tokalau 2021).

In addition, labor market figures have also been bolstered by the financial support provided by the government to employers with the goal of mitigating the negative impact of public health measures during the COVID-19 pandemic. During the delta lockdown in the second half of 2021, the government provided up to $940 million per fortnight to support businesses, paid at a base rate of $1,500 per eligible business and $400 for each full-time employee (FTE), up to a total of $21,500. In November, subsidies were increased to $3,000 per business and $800 per FTE, up to a maximum of 50 FTEs (New Zealand Herald 2021).

However, while aggregate unemployment figures look promising, they hide structural problems in the labor market. In particular, young Māori and Pacific Islander people have a consistently higher unemployment rate than do young New Zealanders of European descent. In the quarter ending in September 2021, youth unemployment rates were 7.8% among those of European descent, 15.5% for Māori and 11.2% for Pacific people (Sadler 2021). The Labour government has been trying to address these issues by increasing funding for targeted employment programs such as the Māori Trades and Training Fund (.6 million) and He Poutama Rangatahi (.6 million) (New Zealand Government 2021).

There has also been ongoing criticism of the current government's lack of attention to the impact of COVID-19 on women workers. Evidence indicates that women's underutilization rates were higher than men's prior to the pandemic, but increased once job losses began in 2020 (Giovanetti, 2020). Moreover, the unemployment figures do not capture the many women who lost their jobs but then stopped looking for work because they were needed at home to provide care services. Women picked up much of this care work during New Zealand's lockdowns in both 2020 and 2021. Finally, the economic response packages, financial support for workers and businesses, and stimulus packages were directed more toward physical infrastructure and trades jobs rather than social infrastructure (care work) (Curtin et al, 2021).

Citation:
Curtin, J. et al. (2021). The Conversation, 21 May 2021 https://theconversation.com/nz-budget-2021-women-left-behind-despite-the-focus-on-well-being-161187

Giovanetti, J (2020). https://thespinoff.co.nz/politics/01-10-2020/the-elections-message-to-women-losing-their-jobs-to-covid-19-pick-up-a-hammer

New Zealand Government (2021) "Government Delivering More Pathways Into Mahi For Jobseekers." Scoop. https://www.scoop.co.nz/stories/PA2108/S00103/government-delivering-more-pathways-into-mahi-for-jobseekers.htm

New Zealand Herald (2021) "Covid 19 Delta outbreak: What Government's business support package means." https://www.nzherald.co.nz/business/covid-19-delta-outbreak-what-governments-business-support-package-means-940m-per-fortnight/OYNEKGRHCFUODPGJZPSGFBBP54/

Pullar-Strecker (2021) "Unemployment rate plunges to 3.4 per cent, matching record low in 2007." Stuff. https://www.stuff.co.nz/business/126872476/unemployment-rate-plunges-to-34-per-cent-matching-record-low-in-2007

Sadler (2021) "Youth unemployment rate declines to 9.6 pct - but it's still three times the national average." Newshub.

Tokalau (2021) "Covid-19: Seasonal employment travel bubble with Pacific nations put on hold." Stuff. https://www.stuff.co.nz/national/politics/126262274/covid19-seasonal-employment-travel-bubble-with-pacific-nations-put-on-hold

Norway

Score 8

The aggregate level of employment is high by international standards, mainly due to the extensive labor-force participation of women (40% of employed women work part time). Unemployment rates are low, but the levels of absenteeism due to sickness and disability are also high, which potentially undermines the validity of low unemployment levels. The country's labor market policy is proactive and emphasizes training and competency-building measures for the long-term unemployed. Unemployment benefits amount to 60% of an individual's former wage, and are paid for 104 weeks. Employment-protection laws regulate dismissal procedures. Layoff costs are small for firms that need to downsize. This fosters a high level of mobility in the labor force; 20-25 % take up a new job each year. Wages in most industries are set through national, centralized bargaining between the social partners. In general, there is no legislation on minimum wages, however, due to increased labor mobility, particularly from Eastern Europe, and in order to prevent social dumping, all companies are by law subject to national agreements that have been reached between unions and employers. Social insurance coverage is universal, but benefits are wage- and employment-related. The combination of active labor market policies, high levels of mobility and generous social protection schemes makes Norway a prime example of a flexicurity model, in which labor is flexible and subject to market forces, but social security is guaranteed by the welfare state. However, there is concern in Norway over the tendency among workers to retire permanently from employment at a too low age. Since 2011, the country's old-age and disability pension schemes have been subject to a series of reforms aimed at incentivizing prolonged economic activity and combining work with pensions. The anticipated effects on employment levels have yet to be verified.

United Kingdom

Score 8

Given the high share of services in output (almost 80% of the economy) and its integration in the world economy, the United Kingdom was among the most affected OECD economies during the COVID-19 crisis due to extended periods of lockdown. Nevertheless, as a result of the rapid introduction of cushioning measures, unemployment did not rise much in 2020, peaking at 5.1%. A key reason was government support for the wages of up to 10 million "furloughed" workers, close to a third of the workforce. After lockdown restrictions were eased in the summer of 2021, unemployment fell to 4.1% at the end of 2021, while vacancies reached a record high.

Citation:
Taylor, H. et al. (2020): Post-Brexit Labour Supply and Workforce Planning: Key questions for policymakers, London: The Work Foundation
OECD (2020) Economic Survey United Kingdom October 2020, Paris: OECD

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. With the exception of temporary social policy measures enacted during the COVID-19 pandemic, 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).

In 2019, before the pandemic, unemployment continued to decline, reaching 3.7%, which was the lowest officially registered rate since 1969. In addition, the tightening labor market produced gains in average wages. In April 2020, the COVID-19 crisis favored a very sudden increase in the unemployment rate, which rose by about 10 points in one month to move above the 14% mark. Fortunately, starting in May 2020, the unemployment rate began to fall, gradually yet steadily, to 6% in March 2021 and 4.6% in October of the same year. But the labor forces participation rate is still below the rate of pre-pandemic times and more than 2.7 million Americans can be considered as long-term unemployed, a unusally high number for the United States.

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

Australia

Score 7

Between 2012 and 2019, the overall unemployment rate rose only slightly, sitting at 5.2% in November 2019 (the beginning of the review period). The onset of the pandemic saw the unemployment rate rise to 7.4% by July 2020, and the underemployment rate rose from 8.6% in February 2020 to a peak of 13.6% in April 2020. However, since mid-2020 both unemployment and underemployment have trended downward, respectively reaching 4.6% and 7.5% in November 2021. This has been driven by government stimulus measures, as well as strong domestic demand due to restrictions on travel and reductions in labor supply due to the effective freeze on immigration.

Wage growth has nonetheless remained very subdued, with almost no increase in real average earnings since 2013. Questions have been raised as to whether the industrial relations system has excessively reduced the bargaining power of employees, for example, through restraints on the right to strike, contributing to tepid wage growth.

Minimum wages, which are set by an independent statutory authority, the Fair Work Commission, have potentially acted as an increasing constraint on employment over the review period. The national minimum wage is relatively high by international standards, at approximately 55% of the median full-time wage; more importantly, there are also a large number of industry- and occupation-specific minimum wages that can be substantially higher than the national minimum wage. Taking effect in July 2021, the minimum wage was increased by 2.5% to AUD 20.33 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.

In March 2021, the Morrison government passed legislation that for the first time formally defined “casual” employment (no firm advance commitment to ongoing work with an agreed pattern of work). The legislation also required employers with 15 or more employees to offer casual employees permanent work if they have been employed for 12 months or more and have had a regular pattern of hours on an ongoing basis for at least the last six months. The legislation has the potential to improve job security for a significant number of employees. However, it is unclear how many casual employees will take up the offer of permanent employment, since it typically involves the loss of the 25% loading paid in lieu of the entitlements accruing to permanent employees.

So-called skills shortages have been a recurring topic of concern in the Australian labor market, which the immigration freeze since March 2020 has only exacerbated.

Citation:
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

Legislation regarding casual employment: https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/bd/bd2021a/21bd053

Belgium

Score 7

Despite an economic growth rate that has been consistently below 2% since 2010, a slate of reforms had produced the lowest unemployment rate for more than 25 years right before the onset of the coronavirus crisis. However, Belgium’s neo-corporatist and consociational system remains complex, and protects specific pockets of jobs over non-traditional forms of employment. This produces structural mismatches between the demand and supply of skills, and according to a study by Bodart, Dejemeppe and Fontenay (2019), helps explain why Belgium’s employment rate (which increased from 67% in 2011 to 70.5% in 2019) has continuously trailed Germany’s (76.5% in 2011; 80.6% in 2019).

The Michel I cabinet (2014-18) took steps to encourage labor market participation by gradually increasing retirement age, restricting access to unemployment benefits and reducing labor costs. One of these measures was a (rather badly designed) decision to allow people to undertake “small jobs” (less than €6,340 per year) without having to pay taxes. This lack of a comprehensive policy showed its limits with the coronavirus crisis, when socioeconomically disadvantaged adolescents who had to work to maintain a living went slightly beyond this threshold, say by 25€, and found themselves having to pay thousands of euros in social security and tax arrears (see the December 2020 article from Le Soir).

An important ruling in December 2021 over the Deliveroo platform defined the company’s gig workers as independent contractors, which should open many doors to the gig economy in Belgium. A week earlier, another ruling, against Uber, forbade that company from operating in Brussels, forcing the regional government to improvise a legal quick fix to allow them to resume operations a couple of weeks later. Such mishaps may eventually trigger a more comprehensive review of the incentives to work, which would hopefully result in a much more dynamic job market within a decade.

Insofar as traditional employer-employee jobs are concerned, Belgium's consociational system provides a much more fruitful policy framework. In particular, the 2008 crisis shock already induced Belgium to undertake partial unemployment measures that protected jobs by offering financial support to employers. Such schemes were rapidly resuscitated in 2020, and were extended to the self-employed and the companies most impacted by the lockdowns across multiple sectors.

Citation:
Council of Europe's recommendations: https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1560258016104&uri=CELEX:52019DC0501
Bodart, Dejemeppe, and Fontenay (2019) "Évolution de l'emploi en Belgique : tentons d'y voir plus clair," Regards Economiques No 146.
OECD's analysis:

https://www.oecd-ilibrary.org/sites/83a87978-en/index.html?itemId=/content/publication/83a87978-en

Articles about gig economy:
https://plus.lesoir.be/344780/article/2020-12-21/impots-des-livreurs-sommes-de-rembourser-plusieurs-milliers-deuros
https://www.lesoir.be/411251/article/2021-12-08/les-coursiers-deliveroo-sont-des-independants-les-details-du-jugement
https://www.lesoir.be/408442/article/2021-11-24/uberx-force-linactivite-des-vendredi-soir-bruxelles

Czechia

Score 7

The labor market situation in Czechia is stable. Employment rates are high, and the unemployment rate has been the European Union's lowest for some time. In the years before the COVID-19 pandemic, Czechia experienced a labor shortage that has been more severe than in any other European country, according to evidence from employer surveys. The lack of staff with the right skills is identified as a barrier to investment by employers. This situation partly reflects weaknesses in the education system and, in part, pay levels for highly skilled workers, which remain unattractive by international standards. An adequate active labor market policy plan to prepare the labor market for the economy's necessary restructuring has not yet been developed.

As a result of the COVID-19 pandemic, the unemployment rate rose from an average of 2.0% in 2019 to an average of 2.6% in 2020 and to a peak level of 3.5% in March 2021, before falling to 2.3% in November 2021. Total employment has yet to return to pre-pandemic levels, but the shortage of labor experienced in previous years seems to have intensified. The number of employed persons increased across most sectors of the economy in the later months of 2021, while they remained below previous levels in service sectors that faced reduced demand due to lower levels of tourism. The number of self-employed also declined, owing to the large number of self-employed in hospitality and catering, which were hit hard during the pandemic.

Labor shortages elsewhere have been partly covered by an increase in the employment of foreign workers, with 720,000 foreign workers or almost 18% of the labor force at the end of 2021, the highest level ever in Czechia. The labor shortage has also increased pressure for higher wages in some sectors. Average wages were up by 5.7%, with similar figures in manufacturing, and public and private services (third quarter of 2021 over the same period in 2020), albeit this equated to only a 1.5% increase in real wages owing to the higher price level. An exceptionally large increase was 8% in health and social care, while the minimum wage increased by only 4.1%, suggesting a possible loss in purchasing power for the lowest earners. Thus, the pandemic has not significantly changed existing trends, with labor shortages affecting all skill levels.

France

Score 7

Over the last decade, France has struggled with a high level of unemployment, reaching 9.9% in the first quarter of 2016. Since then, the unemployment rate has been decreasing slowly, but some specific concerns remain. In spite of slight progress since 2020, the overall employment rate remains low, beneath the OECD average, a problem especially significant for workers over 55 years of age (one of the lowest such employment rates within the OECD). Moreover, the rate of youth unemployment (among people 15-24 years old) is still high, a problem related to the complex and unsatisfactory school-to-work transition mechanism. Although all governments put in place special labor market policies to meet these challenges and support young people, a report released in 2017 by the National Accounting Office showed that these measures were costly (€10.5 billion annually), inefficient (most young people did not find a job at the end of their publicly funded training program) and incoherent (there were 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.

From the very beginning in 2017, the Macron government adopted a different strategy, deciding to eliminate measures having purely cosmetic effects (such as subsidized jobs for young people), and instead placing a special focus on training and employability. In parallel, measures have been taken to make unemployment benefits less attractive, or to better control efforts to game the system by both employers and employees. 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. By the end of 2019, the first positive effects started to be felt, and the unemployment rate had fallen from 9.5% (2017) to 8.1% (fourth quarter of 2019).

The pandemic crisis had paradoxical effects, since the massive support granted to companies avoided a labor market collapse even though the unemployment rate rose again, approaching 2017 levels (from 8.1% to 9.1% in the fourth quarter of 2020).

Thanks to the massive economic emergency and recovery measures, especially the enhancement of the job retention scheme, economic activity rebounded, and the unemployment rate fell again to the level of the pre-pandemic period (8.1%). The overall employment rate is at the highest level since 1975 (67.5% of the active population; 70.3% among men and 64.8% among women), and the number of unfilled jobs has hit a near-record high. However, the black spots mentioned above remain, including the low rate of employment among older workers and the very high rate of youth unemployment. The proportion of young persons between 15 and 24 years who are neither in employment nor in education or training (NEET), which peaked at 28% in 2012, still remained at 19.9% for women and 18.1% for men in 2020, above the OECD average (17.2%/14.3%). Beginning in February 2022, the Macron government has decided to create from 500,000 grants for young people searching a job, conditioned on their attendance at training programs (Youth Guarantee scheme). If the pandemic does not disrupt economic forecasts too much, the unemployment rate is projected to continue falling.

Concerning the labor-law code and the labor market, several reforms were realized during Macron's first term. In his presidential campaign in 2017, Macron
announced his intention to substantially reform the labor-law code by using ordinances (drafted and adopted by the executive alone). The ordinances which followed in the same year were characterized by multiple adjustments rather than the adoption of a brand-new grand design. They introduced more flexibility, simplified rules, merged diverse internal bodies involving social partners at the company level, and gave 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, have produced positive effects by lowering the number of legal cases related to the firing of employees (the law has fixed standard rates of financial compensation). The government has also launched immediate measures to improve the job qualifications of long-term unemployed and young people who left school without a diploma, a program involving €15 billion over five years. Furthermore, a reform of the job training system was adopted in 2018, which has upgraded apprenticeship schemes (with the number of contracts increasing from 275,000 in 2016 to 675,000 in 2020).
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). Unions objected to the implementation of the new scheme, and it was temporarily suspended during the pandemic. But the case brought by the unions to the administrative court was rejected, and the government decided to go ahead with implementation beginning on 1 October 2022.

Citation:
OECD: Youth not in employment, education or training (NEET)
https://data.oecd.org/youthinac/youth-not-in-employment-education-or-training-neet.htm

Israel

Score 7

Israel entered the pandemic with a sound labor market – historically high rates of labor force participation (which are nevertheless relatively low in comparison to the OECD average), particularly for women, and low rates of unemployment. However, when the pandemic hit, Israel adopted a furlough model, which meant that workers placed on a leave of absence were entitled to receive unemployment benefits, but only if they did not work at all. These workers retained their contractual connection with their employers, but there were no options for continuing to work part-time while receiving partial unemployment benefits (Zontag, Epstein, and Weiss 2020). Concurrently, the government extended the duration of unemployment benefits for workers on furlough until June 2021, allowing businesses to put all of their workers on unpaid leave regardless of how much their revenues were hurt. According to a report published in August by the Israeli employment service, while on the one hand this binary policy created some certainty in the economy, helped businesses stay open for longer and gave employees a measure of relief, on the other hand it also hurt the connection between employee and employer, created a negative incentive for employees to return to work, and will result in much higher long-term unemployment. Indeed, the labor market participation rate dropped by two percentage points. The adoption of a more flexible model, in which the government would cover only the hours of lost work rather than pay unemployment compensation for entire salaries, would have cost the government less and would have lowered the unemployment rate. The government could have also invested more in vocational training, which would have created incentives for workers to go back to work.

More generally, the Israeli labor market continues to be characterized by a sharp divide between high earners, especially in the booming financial and technological sectors, and low earners, especially in the low end of the service sector. This results in a very high low-pay incidence. Recently, the government decided to raise the monthly minimum wage from ILS 5,300 to ILS 6,000 over the next four years. A persistent challenge is the low participation and skills levels of ultra-Orthodox Jews and Arab Israelis (particularly men) in the labor market. Government policies that aim to increase employment among these populations have so far seen limited success.

Citation:
Peleg, Bar (2021), "Income Inequality in Israel Widens in 2021, Despite a Drop Last Year," Haaretz. Retrived from: https://www.haaretz.com/israel-news/.premium-income-inequality-widened-in-2021-despite-economic-rebound-1.10502510

OECD (2022), Labour productivity forecast (indicator). doi: 10.1787/cb12b189-en (Accessed on 05 January 2022)

Zontag, Noam, Gil Epstein, and Avi Weiss (2020). “The Israeli Labor Market Under the Coronavirus: An Overview.” State of the nation report: Society, economy and policy in Israel

The State Comptroller. 2020. ” The Government’s Handling of the Unemployed and Work-Intensives in the Corona Crisis: Interim Findings for a Report to be Published in 2021,” Retrieved from https://www.mevaker.gov.il/sites/DigitalLibrary/Pages/Publications/710.aspx

Israeli Employment Service. 2020. Information and publications, “Continuation of the Corona Crisis: The Need for Rapid and Focused Intervention for the Encouragement of Employment and Human Capital Development,” retrieved from https://www.taasuka.gov.il/he/InfoAndPublications/ReasearchAndReviews/pages/coronaencouragingemployment.aspx Public Health Order (New Coronavirus 2019) (Instructions for the Employer of a Home Insulation Employee) (Temporary Order), 2020,” retrieved from https://www.nevo.co.il/general/CoronaUpdates.aspx#Item08

The Jerusalem Post, “Israel’s minimum wage is increasing: Here’s what you need to know,” January 26, 2022, https://www.jpost.com/business-and-innovation/banking-and-finance/article-694611

Italy

Score 7

Traditional labor market policies in Italy have proven largely inadequate to addressing the challenges of economic crises. The main measure to combat the effects of the pandemic crisis has been the “cassa integrazione,” a furlough scheme which temporarily subsidizes the salaries of workers, either partially or fully, who are made idle by private companies. The aim is to discourage companies from dismissing employees. By freezing occupation, this instrument reduces the incentives to innovate of firms.

The dramatic impact of the pandemic crisis on the Italian labor market was one of the most difficult challenges for government during the review period. The second Conte government mainly tackled the challenge with defensive measures. Increasing the availability of the existing “cassa integrazione” and prohibiting dismissals from work were the main measures adopted. This strategy, however, protected only a proportion of the workforce. Young people and women often employed in less regular jobs were more easily dismissed. The Draghi government in spite of resistance defined a time limit to these policies and prioritized investments as a way of boosting the economy. This gradually led to an improvement in occupation levels. However, the decent results of 2021 cannot be considered certain due to the expected recovery of the economy. The government also revised the citizens’ income policy, which was introduced by the first Conte government. The revisions made the requirements for granting the citizens’ income more stringent in order to reduce disincentives to entering the labor market.

Japan

Score 7

Despite the devastating impacts of the pandemic on the Japanese economy in 2020, its effects on employment were relatively mild. The total unemployment rate stood at 2.9% in October 2021 (although this figure would likely be somewhat higher if measured in the same manner as in other advanced economies).

Like many other countries, the Japanese labor market has witnessed a significant deterioration in the quality of jobs. Retiring well-paid baby boomers are often been replaced by part-timers, contractors and other lower-wage workers. The incidence of non-regular employment has risen substantially to about 40%. Many young people have difficulty finding permanent employment 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 reduce the gap between the two types of employment. The incidence of non-regular employment is not just a concern for young people but also for women. According to the Japan Statistical Agency, whereas the total non-regular employment rate in 2021 was 37.1%, the rate among men was 22.1% and among women was 54.4%. A recent study of job separation and re-employment due to COVID-19 by the Japan Institute of Labor (JIL) found that while 93% of workers continued to work at the same company, the job separation rate was higher among women, younger workers and non-regular workers than it was among male and older workers as well as permanent employees.

Adding to the deterioration in the quality of jobs, Japan has been facing a growing labor shortage in both skilled and semi-/unskilled sectors as a result of population aging and decline, a situation that has worsened as a result of the COVID-19 pandemic. Although there are some signs of a shift toward a more open immigration regime, a reform of immigration policies to attract foreign workers will be inevitable.

Unemployment insurance payments are available only for short periods. In combination with the associated social stigma, this has kept unemployment rates low. The government raised the mandatory minimum-wage to ¥930/hr (.15/hr) in March 2021. 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, while the 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 proved difficult to achieve in parallel.

Citation:
Takahashi, K., Job Separation and Reemployment amid the COVID-19 Crisis in Japan, https://www.jil.go.jp/english/jli/documents/2021/031-01.pdf

OECD: Working Better with Age: Japan, 20 December 2018

Japan Statistical Agency: Unemployment, https://www.stat.go.jp/english/data/roudou/results/month/index.html

Long closed to most immigration, Japan looks to open up amid labor shortage, Washington Times, November 18, 2021, https://www.washingtonpost.com/world/2021/11/18/japan-labor-shortage-immigration/

Latvia

Score 7

In 2021, approximately half of the population of Latvia was economically active, with economic activity mainly concentrating in Riga and the surrounding areas, where around 53% of the country's population resides. The unemployment rate in Latvia fell from 20% in 2010 to 6.4% in 2019. However, the COVID-19 pandemic had an impact on the labor market, with the unemployment rate climbing from 6.2% at the beginning of 2020 to 8.6% in July 2020, and then remaining at 8.2% in early 2021, the highest unemployment rate seen in recent years.

The average monthly income reached €1,143 in 2020, which amounts to a 6.2% increase from 2019. Following increases in 2016, 2017 and 2018, the minimum monthly wage was further increased in early 2021 to €500. However, rising wages with labor shortages is indicative of a tightening labor market, a condition that has also been noted by the OECD (2019). One of the main labor market challenges for Latvia remains a rapidly shrinking working-age population. The population numbers in Latvia have been decreasing for a long time, declining by 474,000 between 2000 to 2020 (decreasing on average by 0.4% to 0.5% per year). Furthermore, internal migration from rural regions to the capital city of Riga and high rates of net emigration remain challenges. In addition, more than 40% of all emigrants between 2009 and 2016 were highly skilled, which continues to contribute to rising skill shortages.

According to the 2019 and 2020 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 targeting disadvantaged groups. Key active labor market policies will focus on enhancing 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 through the establishment of new training programs, the promotion of regional mobility and efforts to make more effective use of existing employment data.

Citation:
1. European Commission (2021) Labour market information: Latvia, Available at: https://ec.europa.eu/eures/public/living-and-working/labour-market-information/labour-market-information-latvia_en, Last accessed: 03.01.2022.

2. Central Statistical Bureau (2021) In 2020, the average salary before taxes was € 1 143 per month, Available at: https://www.csb.gov.lv/en/statistics/statistics-by-theme/social-conditions/wages/search-in-theme/2944-changes-wages-and-salaries-2020, Last accessed: 03.01.2022.

3. 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 accessed: 03.01.2022.

4. Ministry of Welfare (2021) Minimum Monthly Wage, Available at: https://www.lm.gov.lv/en/minimum-monthly-wage, Last accessed: 03.01.2022.

5. OECD (2019), Connecting People with Jobs, Evaluating Latvia's Active Labour Market Policies, Available at: https://www.oecd.org/publications/evaluating-latvia-s-active-labour-market-policies-6037200a-en.htm, Last accessed: 03.01.2022.

6. OECD (2019), Economic Survey: Latvia, Available at: https://www.oecd.org/latvia/oecd-economic-surveys-latvia-25222988.htmf, Last accessed: 05.01.2022.

7. OECD (2021) Economic Policy Reforms 2021: Going for Growth: Shaping a Vibrant Recovery: Latvia, Available at: https://www.oecd-ilibrary.org/sites/3abc28fe-en/index.html?itemId=/content/component/3abc28fe-en, Last accessed: 03.01.2022.

8. Ministry of Welfare (2021) Labour Market Report 2021, Available at: https://www.lm.gov.lv/en/labour-market-reports-and-statistics, Last accessed: 03.01.2022.

9. Swedbank (2021) Macro Research Analysis: Latvia, Available at: https://www.swedbank-research.com/english/flash_latvia/2021/21-08-30/lv_labour_market_and_wages_q2_2021.pdf, Last accessed: 03.01.2022.

Lithuania

Score 7

Though Lithuania's labor market proved to be highly flexible during the financial crisis, which could be due to low compliance with the Labor Code, very decentralized labor bargaining and high levels of labor mobility, persistent labor market challenges continue to undermine economic competitiveness. Prior to the pandemic, unemployment rates had been declining, but a mismatch between labor supply and market demand had become the main hurdle in 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 have emerged 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 such as a shrinking labor force, skills shortages and territorial disparities. However, even as business organizations have increasingly called for a relaxation of immigration procedures, thus allowing for labor migration, policymakers have retained a cautious attitude on respect to this issue.

The pandemic brought its own challenges. The unemployment rate jumped significantly, especially in the "vulnerable" sectors such as accommodation and transport. However, wage growth also continued at a fast pace, supported by the government's countercyclical policies, as noted by the IMF. For the first time, the average after-tax wage has exceeded the symbolic threshold of €1,000. At the same time, Lithuania currently performs worse than most of its SGI peers on measures such as the unemployment rate, the incidence of low pay and long-term unemployment rates. In the coming years, the labor shortage and structural mismatches between the supply and demand of skilled labor will be among the biggest constraints on the economy's continued convergence to the EU average. An IMF staff report concluded in November 2021 that "(s)ustained productivity growth, supported by the implementation of politically difficult but needed structural reforms, is the only way to support high wage growth and convergence with Western Europe."

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. The minimum monthly wage was increased from €642 to €730 (before taxes) at the beginning of 2022. Though the increase in the minimum wage has helped increase economic consumption, a high minimum-wage-to-average-wage ratio increases the risk of unemployment for low-skilled workers.

Citation:
COMMISSION STAFF WORKING DOCUMENT, country report Lithuania 2019: https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-country-report-lithuania_en.pdf
The 2019 Global Competitiveness Report of the World Economic Forum: http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf
IMF, STAFF REPORT FOR THE 2021 ARTICLE IV CONSULTATION, 2021, file:///C:/Users/Vytautas/Downloads/1LTUEA2021001.pdf

Netherlands

Score 7

In 2020, the coronavirus-triggered contraction caused economic growth to plummet from +1.8% in 2019 to -3.7%. In February 2020, the unemployment rate was at a record low of 2.9 % (277,000 unemployed); but due to the contraction, increased by the end of the year to 4.6 % (or 384,000 unemployed). Due to very generous (non-pharmaceutical) government support to firms and entrepreneurs, by November 2021 unemployment was back to its pro-coronavirus level of 2.9%.

Nothing much changed in the underlying structure of unemployment figures, though. The youth unemployment rate was at an all-time low of 6.7%, which in 2020 increased to 9.1%. Some observers consider youth unemployment to be a serious threat to the country’s long-term prospects. A very considerable number of young people are not in education or employment. Youth unemployment rates are twice as high among those without official qualifications and among those with a migration background. A large proportion of those young people lack a basic level of literacy, and show deficits in computer literacy and technical craft skills. Better educational and school-to-work transitional arrangements are crucial.

Other structural labor-market weaknesses include relatively low labor market participation rates among those with a migrant background, 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. The OESO considers the Netherlands an outlier in Europe in terms of work flexibilization.

This “dualization” of the labor market is attributed to government policy; for firms, flexible workers are financially much more attractive (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 invest less in the education of their flexible workers, thereby threatening the long-term labor productivity of the economy as a whole. This labor market precarity also leads to lower capacity to invest in housing, family planning and other core conditions that provide a healthy and safe work-life balance, crucial for high productivity.

In late 2018, the government established an independent expert commission (Commissie Borstlap) 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. In January 2020 the commission published its report, titled “In what country do we want to work?” It proposes strong remedies for differences in protection and taxation between different categories of workers with a view to continuous labor market participation of all. These proposals are very controversial; the IMF, WEF and the Dutch association of entrepreneurs (VNO/NCW) are, for example, very positive about the high degree of flexibility and consider it a major asset of the Dutch economy. For this reason, they oppose major changes in policy and regulation. Without being specific, the December 2021 coalition agreement states that, using the Borstlap commission report and advice from the Socioeconomic Council as a guideline, the government intends to decrease differential treatment between fixed and flexible work (in income, taxation and social security).

Citation:
CBS, 22 July, 2021, Werkloosheid in juni onder de 300 duizend

Elseviers Weekblad, 18 November 2021, Werkloosheid weer net zo lag als voor corona, en fors lager dan elders in de eurozone

NRC, 23 January 2021 (Pelgrim), Waar blijven de nieuwe regels rond werk. Het is oorverdovend stil.

Nederlands Jeugdinstituut, Cijfers over Jeugdwerkloosheid (nji.nl, consulted 1 December 2021)

OECD, June 2019. OECD Input for the Netherlands Commission for Regulation of Work. (pdf)

Coalitieakkoord 2021-2025, 15 December 2021.Omzien naar elkaar, vooruitzien naar de toekomst

Portugal

Score 7

The country's unemployment rate was low and stable in the pre-pandemic period, at around 7%, a far cry from the peak of 17.9% in January 2013. The pandemic did temporarily increase the unemployment rate to 8% in August and September 2020, but unemployment in the last six months for which there was data at the time of writing was even more restrained than in the pre-pandemic period, with a rate ranging between 6.2% and 7%.

The small increase in unemployment was largely due to the introduction of job-protection schemes, such as simplified layoff provisions, across all sectors (Neutel 2020).

However, the low level of unemployment in 2021 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. The second is the continued effect of very high levels of emigration. The data for 2019 indicates that some 77,040 people emigrated (on either a permanent or temporary basis) in 2019, a marginally lower level than that of 2018 (81,754). Moreover, despite the restrictions on travel in 2020, another 68,209 people. Emigration rates thus remain high and seemingly stable, the pandemic notwithstanding, with an impact on the level of unemployment.

As in the previous SGI period, youth unemployment remains a blot on the country's labor market record. Like overall unemployment, youth unemployment was fairly stable in the pre-pandemic period, albeit at a much higher rate, averaging 19.8% in the period of November 2019 to February 2020. However, youth were far more exposed to the effects of the pandemic, with the youth unemployment rate never falling below 20% after June 2020.

The monthly minimum wage was increased from €600 per month in 2019 to €635 in 2020 and €665 in 2021 and €705 in 2022. This marks an increase of more than €200 from the four-year plateau of €485 during the bailout period (2011 – 2014). However, one of the issues that led the Communist Party to reject the 2022 budget was its support for an increase in the minimum wage to €800 in 2022.

The rejection of the budget and the subsequent dissolution of parliament meant that a number of government proposals, particularly those under its Dignified Work Agenda, were not submitted to parliament.

Citation:
Eurostat, “Harmonised unemployment rates (%) – monthly data,” available online at: https://ec.europa.eu/eurostat/databrowser/view/ei_lmhr_m/default/table?lang=en

Eurostat, “Unemployment rate by sex and age – monthly average,” available online at: https://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do

Neutel, H. (2020). “Lay-off custa 563 milhões por mês. É a maior fatia da despesa de combate à Covid-19,” TSF, 8 May 2020, available online at: https://www.tsf.pt/portugal/economia/lay-off-custa-563-milhoes-por-mes-e-a-maior-fatia-da-despesa-de-combate-a-covid-12168551.html

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

Pordata, “Salário mínimo nacional,” available online at: https://www.pordata.pt/Portugal/Salário+m%C3%ADnimo+nacional-74

Vania Duarte, The Portuguese labour market in times of the pandemic
https://www.caixabankresearch.com/en/economics-markets/labour-market-demographics/portuguese-labour-market-times-pandemic

Slovenia

Score 7

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, which came to an abrupt stop in 2020 due to the COVID-19 pandemic, which also affected unemployment (5.2% in 2020). But with the major incentives to support the labor market provided by the Janša government, unemployment rates did not fall dramatically and started to rebound as early as late 2020, reaching a record low of 3.8% (65,379 persons) in November 2021. Despite improvements in the period under review, some structural challenges have remained, but long-term unemployment rates decreased slightly in the period under review.

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

South Korea

Score 7

Despite the COVID-19 pandemic, unemployment rates in Korea remained stable and modest. From 3.8% in 2019, unemployment rose to about 4% in 2020 before returning to 3.6% in 2021. However, while unemployment rates are relatively low, Korea’s employment rate (65.9% in 2020) is below the OECD average – with particularly low labor force participation rates among women (52.7% in 2020) and youth (27.1% in 2020). Some portion of these underrepresented groups become discouraged and drop out of the labor force altogether after long periods of un employment and/or underemployment. Hence there is the paradoxical combination of a low unemployment rate and a low employment rate. At the same time, Korean workers work the second-longest workweek in the OECD, and the rate of deaths related to overwork and industrial accidents is among the highest as well. In 2018, the Moon administration did substantially reduce the maximum allowed weekly working hours, from 68 to 52 hours, a change that is expected to increase productivity and employee well-being. This reform was implemented for firms with 300 or more employees in 2019; firms with 50 to 229 employees in 2020; and firms with between five and 49 employees in 2021.

The most serious and worsening structural issue is Korea's dual labor market – that is, the coexistence of relatively stable and protected regular employees with precarious non-regular workers (e.g., sub-contracted workers, fixed-term workers, part-time workers). Despite the Moon administration's attempt to create high-quality jobs and reduce the share of non-regular jobs, the incidence of non-regular employment has been increasing over the past few years. The share of non-regular workers among all workers rose to an all-time high of 38.4% in August 2021 – from 36% in 2019; 33% in 2010; and 27% in 2001. At least part of this increase has been attributed to the Moon administration's creation of non-regular public sector jobs for senior citizens; as well as its minimum wage hike (see below) which incentivizes companies to hire young people as non-regular workers. Some criticize Moon's policy for increasing unstable, low-quality jobs for both seniors and young people.

Non-regular workers earn only about 50% the average monthly wage of regular workers and have much lower rates of social benefits coverage. The Moon administration has tried to narrow the gap by increasing the minimum wage to KRW 10,000 by 2020. Accordingly, the minimum wage was increased by 16% in 2018 and 11% in 2019. But following protest by business groups and given COVID-19's negative effect on small businesses, minimum wage hikes were more modest in 2020 and 2021 – 2.9% and 1.5%, respectively. The government has announced a 5.1% minimum wage hike for 2022, which will bring the minimum wage to KRW 9,160. As for social benefits, the coverage rate for regular workers ranges from 88% to 93% for pensions, health insurance and employment insurance; while the coverage rate for non-regular workers ranges from 38 to 49%. Women are disproportionately more likely to be non-regular workers – 45.3% of women workers are non-regular, compared to 29.3% of male workers – which likely contributes to Korea's large (largest in the OECD) gender wage gap.

Overall, despite efforts over the past few years to improve labor market policy, reforms have been insufficient to address serious and worsening structural issues.

Citation:
Kim, Soo-yeon. "Non-Regular Workers Rise to over 38 Pct of Total amid Pandemic." Yonhap News Agency, October 26, 2021. https://en.yna.co.kr/view/AEN20211026004700320.
Kim, Yon-se. "[News Focus] Widening Wage Gap Seen between Nonregular, Regular Jobs." The Korea Herald,

April 18, 2021. http://www.koreaherald.com/view.php?ud=20210418000075.
Korea Ministry of Employment and Labor. "Survey Report on Labor Conditions by Employment Type," n.d.
Korea National Statistics Office. "'Economically Active Population Survey (EAPS) Supplementary Results of the Economically Active Population Survey by Employment Type," n.d.
OECD. "Gender Wage Gap." Accessed January 18, 2022. https://www.oecd-ilibrary.org/employment/gender-wage-gap/indicator/english_7cee77aa-en.
OECD. "OECD Economic Outlook, Volume 2020 Issue 2," December 1, 2020. https://www.oecd-ilibrary.org/economics/oecd-economic-outlook/volume-2020/issue-2_39a88ab1-en.
OECD. "OECD Economic Outlook, Volume 2021 Issue 2," December 1, 2021. https://www.oecd-ilibrary.org/economics/oecd-economic-outlook/volume-2021/issue-2_66c5ac2c-en.
OECD. "OECD Economic Policy Reforms 2021: Going for Growth Shaping A Vibrant Recovery," April 14, 2021. https://www.oecd.org/economy/going-for-growth/.
Pak, Mathilde. "Korea: Roadmap to Narrow Digital Gaps." ECOSCOPE Blog, August 10, 2020. https://oecdecoscope.blog/2020/08/11/korea-roadmap-to-narrow-digital-gaps/.
The Donga Ilbo. "Non-Regular Workers Surge to Historic High," October 28, 2021. https://www.donga.com/en/article/all/20211028/3012508/1.

Spain

Score 7

Although the effects of the coronavirus pandemic continued to be felt in the Spanish labor market, at the end of 2021 the labor market had recovered from the 2020 COVID-19 crisis, and the unemployment rate had recovered to pre-pandemic levels.
In order to cushion the impact of COVID-19 on the labor market, the government applied temporary employment regulation schemes (ERTE). The ERTE scheme is a lesson learned from the economic and financial crisis. An ERTE allowed firms to lay off workers temporarily until the end of the first nationwide state of alarm. Affected workers were entitled to 70% of their basic wage under the benefit. The Spanish government, together with Spain's two largest unions (UGT and CCOO) and the business confederation (CEOE), approved several extensions to the ERTE scheme. Although the Bank of Spain questioned the "suitability" of the program, the ERTEs mitigated job destruction during the pandemic remarkably, and paved the way for a quick labor market recovery.

The RRP includes employment measures seeking to reduce labor market segmentation and enhance active labor market policies. Moreover, the European Commission advised reforming the labor market to favor a transition toward indefinite-duration contracts, along with an improvement in unemployment benefits.

In July 2021 the Congress approved law 6/2021, also called the "riders' law," which states that delivery workers are to be considered company employees, rather than self-employed workers merely associated with the apps.

In December 2021, the government proposed new organizational measures and tools to improve employment policy, training and access to job offers throughout Spain. One measure will be the transformation of the decentralized Servicio Público de Empleo Estatal (SEPE) into a state agency, which will increase speed, agility and flexibility in active labor policy.

At the end of December 2021, the government, after reaching an agreement with trade unions and employers, approved a royal decree-law on urgent measures for labor market reform, the guarantee of employment stability and the transformation of the labor market. The reform aims to put an end to existing labor market dysfunctionalities. The main measures of the regulation include the following: the priority given to company agreements over other agreements is repealed; the standard contract will be the permanent contract; permanent discontinuous contracts will have the same social protection rights as other contracts; and there will be two types of training contracts, with public incentives for companies to invest in training. Moreover, the reform simplifies the procedures for companies to take advantage of ERTEs.
The reform is the result of several months of negotiations among the government, unions and the business association. However, as of the time of writing, the royal decree-law still needed the support of the lower house of parliament, the Congress of Deputies. Some regional parties and leftist groups have already voiced their opposition to the new legislation, on the grounds that it is not a complete overhaul of the legislation put in place in 2012.

Citation:
Gobierno de España (2021), Recovery, Transformation and Resilience Plan, specifically component 23 “New public policies for a dynamic, resilient and inclusive labor market,” https://planderecuperacion.gob.es/politicas_y_componentes/componente-23-nuevas-politicas-publicas-para-un-mercado-de-trabajo-dinamico-resiliente-e-inclusivo

Real Decreto-ley 6/2021, de 20 de abril, por el que se adoptan medidas complementarias de apoyo a empresas y autónomos afectados por la pandemia de COVID-19.

Real Decreto-ley 32/2021, de 28 de diciembre, de medidas urgentes para la reforma laboral, la garantía de la estabilidad en el empleo y la transformación del mercado de trabajo.

Austria

Score 6

During the 18 months of the ÖVP-FPÖ coalition government (2017–19), some reforms were initiated that 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. However, as unemployment figures before and after the coalition’s collapse in May 2019 remained low due to an extended period of economic growth, any significant labor unrest has been avoided.

As in other countries, the coronavirus pandemic threw the Austrian labor market into turmoil, causing unemployment figures to rise to temporarily high levels by the end of 2020 / beginning of 2021. The ÖVP-Green government responded with a series of measures, most of which were designed to save jobs at any cost, though critics contended that the main focus of those financially costly governing activities had been on helping employers rather than employees through the crisis. Over the course of the pandemic, Austria – once a European top scorer in terms of employment figures – lost ranks and came to operate in the upper medium level of EU member states. At the end of 2021, the unemployment rate fell below 5% again.

Scattered survey research suggests that the ebbs and flows of the pandemic and the government's labor market policies did not bring much change for long-term unemployed people and their self-perceptions.

As 2021 drew to a close, it became increasingly likely that there would be a new "degressive" regime of unemployment loans (with higher payments in the first months of unemployment) – a reform measure that had been on the government's agenda since its inception. This may prove problematic given the large number of people temporarily laid off in Austria.

Citation:
Schönherr, Daniel, Zur Situation von Arbeitslosen in Österreich 2021, SORA, Vienna, August 2021, https://www.sora.at/fileadmin/downloads/projekte/2021_SORA_21086_Momentum_Studie_Arbeitslosigkeit_in_der_Coronapandemie.pdf

https://www.wienerzeitung.at/nachrichten/politik/oesterreich/2126325-Alle-bis-auf-Neos-fuer-zu-Beginn-hoeheres-Arbeitslosengeld.html

https://kurier.at/mehr-platz/die-arbeitslosigkeit-ist-in-oesterreich-niedriger-als-vor-corona/401791631

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, but are significantly lower when considering actual purchasing power parity.

When the COVID-19 pandemic reached Chile in March 2020, the unemployment rate was about 7.2%. However, the rate of informal employment was 29.6%. Both rates represented one of the highest of the recent years. During 2020, unemployment increased significantly, reaching a rate of nearly 13% at its peak, but recovered to a pre-pandemic level by the end of 2021 (7.5%).

About 70% of salary earners work in low-wage sectors or do not even earn minimum wage, despite being statistically registered as employed. This structural problem was exacerbated by the COVID-19 pandemic, as the group of self-employed and informal workers were disproportionately affected by the public health crisis and the resulting restrictions, given that they usually depend on close physical proximity to other people in order to offer their services or products.

To address the effects of the pandemic on the labor market, the government implemented a series of measures such as the employment protection law, by which employers can temporarily stop paying salaries to their employees while maintaining their legal obligation to cover social security, as well as new regulations governing teleworking.

In general terms, 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); a variety of factors influence this divide, such as inadequate legislation, a lack of enforcement and 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 skills-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.

A labor reform enacted in 2016 modernized 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 2019, President Sebastián Piñera presented a further labor-reform initiative that 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.

By the end of the period under review, only the first-mentioned draft law, related to assuring minimum service levels during strikes, was about to be approved. Other legislative initiatives had yet to be approved by the parliament or had shown no significant progress.

Citation:
National Institute of Statistics (INE) – Indicators, https://www.ine.cl, last accessed: 13 January 2022.

On minimum wage in Chile:
Fundación Sol, “Salario mínimo en perspectiva comparada. Evidencia actualizada a 2020”, September 2020, https://fundacionsol.cl/blog/estudios-2/post/salario-minimo-en-perspectiva-comparada-6648, last accessed: 13 January 2022.

Study about wages and salary income structure in Chile:
Fundación Sol, “Los verdaderos sueldos en Chile”, September 2021, https://www.fundacionsol.cl/blog/estudios-2/post/los-verdaderos-sueldos-de-chile-2021-6796, last accessed: 13 January 2022.

On the progress of draft legislation:
Fundación Ciudadano Inteligente, https://deldichoalhecho.cl, last accessed: 13 January 2022.

United Nations (UN) Economic Commission for Latin America and the Caribbean (ECLAC), Observatorio COVID-19 en América Latina y el Caribe – Impacto económico y social (2020), https://www.cepal.org/es/temas/covid-19, last accessed: 13 January 2022.

Cyprus

Score 6

The labor market benefited from the recovery of the economy in 2021. Unemployment was 6.6% in the third quarter, against 6.5% in mid-2019, and some sectors will face labor shortages in 2022. Support measures linked to the pandemic maintained the rate at 8.2% in fall 2020. The labor force in 2021 comprised 64.6% of the population, against 62.8% in 2019 and 62.9% in 2020. The broader public sector employs 14.8% of the labor force. Per sector employment in 2021 was 17.3% in industry, 2.8% in agriculture and 79.9% in services (79.4% in 2019). In 2021, the NEET indicator for young people (aged 15–29) fluctuated between 14.3% and 16.9% (17.4% in 2018).

During the pandemic, support for businesses came with a clause that prevented them from dismissing personnel. The regulatory framework protects workers from being unlawfully dismissed. However, shortcomings in the implementation of labor rights in recent years have affected “tripartism,” a system of consultation between the state, businesses and employees, leading to tensions in labor relations. Cuts to salaries and pensions imposed since 2011 in the broad public sector will be completely lifted in January 2023. The private sector also suffered severe cuts in salaries and benefits. There are also instances of employment with very low salaries and no social benefits. Labor market distortions persist, with the privileged public and banking sectors “competing” with a relatively weak private sector.

The pandemic unevenly affected groups and sectors of activity, with young persons and women suffering the most. The IMF has recommended active labor market policies to reallocate labor and resources. Mitigating the impact of the pandemic on inequalities would require strengthening family support policies, adjusting education to market needs, and introducing retraining and other measures. To address these issues, authorities need to improve their planning and implementation capacity.

Serious issues of concern include persistently high rates of youth unemployment (14.5% against 14.9% in 2019) and long-term unemployment (2.2%, same as in 2019). Meanwhile, problems exist in employment status – the short-term rate is 13.1% against 15% in 2019, and part-time rate is 10.2% against 11.5% in 2019.

Women are affected slightly more than men. Only 59% of women participate in the formal labor force and 54.8% were employed in the third quarter of 2021, compared to 70.6% and 66.3% for men.

Migrant workers, who comprise 21.9% of the employed workforce (11.2% other-EU migrants and 10.7% non-EU migrants), remain the most vulnerable group and are often exploited by employers, which negatively affects their economic situation.

Citation:
1. Labour Force Survey, Q3-2021, Statistical Service ROC, 2021 https://www.cystat.gov.cy/en/PressRelease?id=64815
2. IMF, Cyprus: Cyprus 2021 Article IV Consultation – Press Release and Staff Report, June 2021, https://www.imf.org/-/media/Files/Publications/CR/2021/English/1CYPEA2021001.ash x

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 again became a serious challenge after the global economic and financial crisis.

Like most other EU member states, Finland has not been prepared to use macroeconomic policy to reduce unemployment since around 1990. This has been the case in spite of unemployment levels that have remained relatively high over the past few decades.

Finland is known for its tradition of using active labor market policies as a tool to tackle economic crises' adverse impacts on employment. The Finnish service repertoire for long-term unemployed persons is geared toward individualized support and tailored to the needs of individual claimants (Kangas and Kalliomaa-Puha 2015). Employment office authorities define integrated action plans jointly with the claimants. The intensity and content of the measures included in the plans vary according to individual needs. In principle, the measures include a number of components including labor market training, self-motivated studies, part-time work, preparatory work training, on the-job training, integration measures for immigrants and various kinds of rehabilitative work activities. Immigrant claimants participating in activation measures or registered as jobseekers can be required to take a Swedish or
Finnish language course. Young people below the age of 25 are obliged to apply for a slot to study in secondary education if they have not already completed this level of education.

The service repertoire for the long-term unemployed with reduced work capacity includes medical rehabilitation to restore their physical capacity, rehabilitative work experience, vocational rehabilitation to increase their chances of returning to employment and rehabilitative psychotherapy for those whose employment problems are related to mental health. Social rehabilitation aims to strengthen the social skills of the long-term unemployed. The recipient's obligations can be enforced by sanctions. In Finland, the basic amount of subsistence support can be lowered by up to 20% for two months at a time in the case of non-compliance (up to 40% for repeated non-compliance). The severity of the sanction is partly left to the discretion of the case workers. Moreover, their discretionary powers are further limited by legal provisions based on the constitution. According to these provisions, the reduction in the benefit should not leave the recipient with less than the indispensable subsistence level of income necessary for a life of dignity, and it should not otherwise be regarded as inequitable. In the case of refusal to accept work, the offer should have been specific and explicit, and the job or labor market measure should enable him or her to secure their living for a reasonably long period of time.

Over recent decades, unemployment benefits' replacement rates have deteriorated, and coverage has become weaker (Kantola & Kananen 2013). The aim of policy reform has been to increase the supply of labor (i.e., the number of workers and job-seekers). These policy reforms have not had the desired effect of increasing employment. Several studies have also indicated that active labor market policies are ineffective. Instead, policy reforms have created new hierarchies in the labor market, undermining solidarity both within organizations and on the labor market as a whole. The Marin government is implementing a large pilot in which the responsibility for employment services is transferred from employment offices to municipalities.

After the onset of the COVID-19 crisis, the parliament approved the government's proposals on temporary amendments concerning layoffs, cooperation procedures, and the right of laid-off employees and entrepreneurs to unemployment security until the end of 2020. As per the temporary amendments, the period of notice required before laying someone off and the duration of cooperation negotiations regarding layoffs were shortened to five days. In addition, it became possible for employers to lay off a fixed-term employee and to terminate an employee's contract during the trial period on financial or production-related grounds. On the other hand, the period in which an employer is obligated to re-employ an employee dismissed for financial or production-related reasons was temporarily extended to nine months. The temporary amendments apply to the private sector.
Meanwhile, since 8 April 2020, entrepreneurs have been temporarily entitled to labor market support to deal with the sudden and unforeseen decline in demand due to the coronavirus epidemic. The aim has been to ensure the livelihood of entrepreneurs (Prime Minister's Office, 2020).

Citation:
Kangas, Olli & Kalliomaa-Puha, Laura (2015) ESPN Thematic Report on integrated support for the longterm unemployed Finland.
Kantola, Anu & Kananen, Johannes (2013): Seize the Moment: Financial Crises and the Making of the Finnish Competition State. New Political Economy 18(6): 811-826.
Ministry of Finance. Economic forecast, winter 2019. (Taloudellinen kasvu. Katsaus talvi 2019. Valtiovarainministeriö) 2019:69. Accessed 18.12.2020.
https://julkaisut.valtioneuvosto.fi/bitstream/handle/10024/161966/VM_2019_69.pdf
Prime Minister's Office. 2020 " Measures that have brought security and flexibility to labor markets during coronavirus epidemic will be extended." Accessed 18.12.2020. https://valtioneuvosto.fi/en/-/1410877/jatkoa-toimille-joilla-on-tuotu-turvaa-ja-joustoa-tyomarkkinoille-korona-aikana

Iceland

Score 6

For a long time, labor market policy and labor 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 after the collapse, but less than might have been expected. In 2010, the unemployment rate peaked at just under 8% of the labor force. Thereafter, joblessness gradually declined to below 3% in 2018 before rising to 6% during 2020–2021, still a low rate compared with many European countries. Most of the increase in unemployment, about 90%, is attributed to the collapse of tourism due to the pandemic. As the pandemic subsides, unemployment is expected to revert to 4% or thereabouts, a point or so above Iceland's natural rate of unemployment by common assumption. Whether this happens, or happens quickly, depends on whether tourism will return to its pre-pandemic scale and scope, an uncertain prospect in view of concerns about foreign travel and climate change.

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. Recent wage contracts resulted in high nominal wages. Real wages have risen by nearly 50% since 2010, but they have recently been eroded by rising prices, triggering concerns about destabilizing wage negotiations in late 2022, including competing wage claims (leapfrogging).

Citation:
OECD (2018), "How does Iceland compare?" https://www.oecd.org/iceland/jobs-strategy-ICELAND-EN.pdf

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

Poland

Score 6

Poland's favorable overall economic record has been associated with a marked decline in unemployment since 2013. Unlike in most other OECD and EU countries, the unemployment rate did not increase in 2020. However, 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. The tax exemptions for young people who earn below PLN 85,528 per year, introduced in 2019, have not turned the tables and the government's generous "500+" child allowance policy has even contributed to the withdrawal of over 100,000 women from the labor market.

The government's main labor market reform project aims to increase the minimum wage. Following strong rises in the past, the minimum wage was further increased from PLN 2,250 per month (PLN 14.70 per hour) in 2019 to PLN 2,800 per month in 2021. 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.

As a result of the COVID-19 pandemic, the labor shortages in some parts of the country and for some professions have become an even more pressing issue. A huge influx of people from Ukraine and Belarus, who have received work visas in order to fill low-skilled job vacancies in sectors where there is a shortage of domestic workers, cannot fully compensate for this gap. In October 2021, around 634,000 Ukrainians were registered with the Social Insurance Institution. This is more than five times more than in 2015. It is estimated that another 1.5 million Ukrainians work illegally in Poland. For Belarussian citizens, the second-largest group of foreign workers in Poland, around 16,500 working permits were issued in the first half of 2021.

Sweden

Score 6

Traditionally, unemployment rates in Sweden have been low, but current labor market statistics indicate that Sweden – with an unemployment rate of 8.5% in October 2021 – does not differ in any significant way from comparable market economies. If anything, unemployment rates in general, driven by high unemployment levels among young people and immigrants, are higher than in other comparable countries. For the same data point (October 2021), the average unemployment rates were 5.71% in OECD countries, 6.7% in the EU-27 and 7.30% in the euro area (OECD 2021). Having said this, the National Institute for Economic Research (NIER; Konjunkturinstitutet) forecasts that the unemployment rates in Sweden will decrease to 7.5% in 2022 and to 6.7% in 2023 (Konjunkturinstitutet. 2021).

High unemployment rates raise questions about the efficiency of Sweden's labor market policies and the overall regulatory framework. Unpacking the unemployment statistics reveals cleavages along immigrant status in addition to age, educational attainment and geography, a trend that has persisted for some years now.

The huge influx of asylum-seekers into Sweden in 2015 and 2016 put pressure on the labor market. 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. 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. Inequalities persist, and the pandemic crisis exacerbated them.

The pandemic crisis affected different sectors of the labor market differently. For example, turnover in manufacturing recovered relatively quickly after the initial drop in 2020, and in March of 2021 stood at just under normal levels. This was not the case in the service sector or in some cultural industries. For example, in April 2021, turnover among travel agencies was about 72% lower than normal levels. Given that 42.5% of hotel and restaurant workers were born outside Sweden, it is not surprising that in 2020 the unemployment rate among this population rose seven times as much as among people born in Sweden. In addition, partly connected to this factor and in terms of geography, the more densely populated a region, the higher was the unemployment rate in 2020 and 2021 (Finanspolitiska rådet, 2021). A disproportionate representation of young people in the service sector is also cited as a significant factor behind the higher unemployment rate among people between 20 and 24 years of age, though a quarter of that group consists of students. (Finanspolitiska rådet, 2021).

However, the proportion of adults not in education, employment or training (NEET) in Sweden is lower than the OECD average, and is especially very low among women between 20 and 24 years of age; the rate is 9.8% in Sweden, much lower than the OECD average of 17.2% for 2020 (OECD, 2022). This indicates that, despite high levels of open unemployment, the Swedish labor market is successfully integrating a large share of young people into the labor market. This statistical artifact can be explained by the fact that in Sweden there is no compulsory insurance against the risk of unemployment, hence unemployment rates are mainly generated via surveys. As a result, youth unemployment rates are often overestimated, because to a certain extent students and even pupils are counted as unemployed.

The government took a series of measures aimed at assisting persons who became unemployed because of the pandemic, with the goal of preventing them from falling into long-term unemployment. As a means of increasing matching of employees with skills in demand by employers, the government invested in education, providing an increased number of places in universities, colleges, professional training programs and remedial education services ahead of higher education exams (Finanspolitiska rådet, 2021).

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. Wages increased considerably faster in 2021 than in 2020, and at a slightly higher rate than during the 2017-2019 period. Based on central agreements between unions and employers, salaries rose an average of 2.5% per year (Konjunkturinstitutet, 2021).

In summary, the pandemic crisis hit the Swedish labor market hard, but there is cause for optimism in 2022 and 2023. Moreover, the political effort to activate the labor force and integrate people with an immigrant background is very pronounced in Sweden.

Citation:
Finanspolitiska rådet. 2021. ”Svensk Finanspolitik: Finanspolitiska Rådets Rapport 2021.” https://www.fpr.se/download/18.3e9ba604179f5fc737de1d0/1624285470841/Svensk%20finanspolitik%202021.pdf

Konjunkturinstitutet (NIER). 2021. ”Konjunkturläget, December 2021.” https://www.konj.se/download/18.10535f7c17db81574dd3f47b/1640074614038/KLDec2021.pdf

Larsson, Torbjörn and Bäck, Henry. 2008. ”Governing and Governance in Sweden.” Studentlitteratur.

OECD. 2021. “Chart: Unemployment Rate, Total, % of Labor Force, Monthly, Jan 2021 – Oct 2021.” https://data.oecd.org/chart/6Agg

OECD. 2022 ”Youth not in employment, education or training (NEET).” https://data.oecd.org/youthinac/youth-not-in-employment-education-or-training-neet.htm?context=OECD

Bulgaria

Score 5

Unemployment was at 4.1% in 2019, increasing to 6.3% during the first quarter of 2021 (during the pandemic), falling down to 4.6% in December of the same year. This decline is not a result of an improved functioning of the labor market or of targeted policies, but of labor shortages. In the last four years, 30% to 40% of job openings have remained vacant.

Unemployment among college graduates is half of the national average, among those with lower or no education, the rate is 3 to 5 times higher. Unemployment in the country's northwest region is typically 2.5 to 3 times higher than the national average, for some districts, the rates up to five times as high.

An objective indicator of the flexibility and the level of development of the labor market is the number of temporary employees as a percentage of the total number of employees: for the last five years and the first six months of 2021, Bulgaria's rate of temporary employment is four times less than that recorded in the EU overall.

There are some policies designed to incentivize matching the demand for qualified labor (curricula drafting, teaching and examination with employers) with supply, but they are rarely applied. The government-mandated minimum wage and social security thresholds fuel the prevalence of informal contracts and help keep unemployment high in the country’s poorest regions.

Croatia

Score 5

In 2021 Croatia staged a remarkable economic recovery from the depths of recession experienced in the previous year. Unlike the experience of past recessions, which were deep and prolonged, Croatia managed this time around to bounce back faster than many other crisis-affected countries. At the end of 2021, Croatia had an unemployment rate of 7%, which was slightly higher than the average rate in the EU-27, but lower than the average rate in the euro zone. On the downside, the unemployment rate among young people (below the age of 25) was significantly higher at 20%, as compared to an EU-wide rate of 15.9%. This exemplifies the persistence of a dual-track labor market with adverse prospects for the least-skilled or least-protected employees. The sharpest contrast between labor market insiders and labor market outsiders is observed with respect to public versus private sector employment. Public sector jobs offer greater security and are also financially more rewarding. Furthermore, the lack of any performance-based criteria for assessing public servants enables and supports a rather inefficient and non-responsive public administration.

The total number of people in employment is the highest since the Great Recession of 2008. The problem of unemployment has gradually turned into one of labor scarcity, which is compounded by the fact that Croatia still has one of the lowest employment rates in the EU, at 63.6%. Only Greece, Italy, Spain and Bulgaria fare worse. On the upside, Croatia is among the rare group of countries that have increased this ratio as compared to 2019, managing to close the gap between the national ratio and the EU-27 average. The real average salary has increased by a respectable 17.3% since 2016. Moreover, the rise in real salary has been more pronounced in the lower income brackets, especially the first two deciles. The real average monthly salary amounted to HRK 7,140 (approximately €950).

The percentage of temporary contracts as a share of total employment has shrunk from 15.5% to 13.0%. At the same time, the government has continued with its political commitment to raise the minimum wage. This rose from HRK 3,250 per month in 2020 to HRK 3,400 in 2021, and will increase by an additional 350 Croatian kuna (HRK) in 2022.

In order to alleviate the scarcity of skilled workers, the government decided to scrap the quota for foreign workers in 2021, which will be especially important for tourism and the construction sector. However, employers will still have to formally demonstrate that they are unable to find suitable employees from the domestic pool of workers or unemployed people.

The participation rate of adults in education and training is among the lowest in the EU, amounting to only 3.2% in 2020. Rates among young people are also low. In the case of young people, the expansion of active labor market programs has led to a neglect of other ways of entering the labor market, such as internships and apprenticeships. The additional factor that reduces the pool of qualified labor is the very low employment rate for persons aged 50-74. In Croatia, the employment rate in this group is a paltry 36.1%, compared to the EU average of 47.1%.

Greece

Score 5

Greece's unemployment rate, a major source of concern during the economic crisis of the previous decade, is slowly falling. It reached 16.3% in 2020 (down from 19.3% in 2018) and had fallen at 13.3% by September 2021 (EU average: 6.7%). Though the total unemployment rate remains the highest in the European Union, Greece has made substantial progress, given that it stood at 28% in 2013 and at 25% in 2015.

The recorded progress in tackling total unemployment is owed to several factors, including a rise in part-time jobs, growth in the tourism sector (where jobs are available over the long Greek summer, which lasts from April to October) and an increase in emigration (among both skilled and unskilled workers).

The progress made in fighting unemployment is significant, but the authorities have been largely unable to combat undeclared work. Moreover, Greece is among the OECD countries with the highest long-term unemployment and youth unemployment rates. The youth unemployment rate is twice as high as total employment (33% in October 2021). The largest share of total unemployment is long-term (9.6% in July 2021, down from 12% in the corresponding month of 2019). Although long-term unemployment is improving, most long-term unemployed persons are unemployable. They have outdated skills, are middle aged and are likely to only find jobs in non-tradeable sectors of the economy (e.g., in the declining retail sector, covering domestic demand for food or clothing).

In general, 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 European Union, 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 kin or rely on the guaranteed minimum income (GMI) of €400 per month for a family of four and a rent subsidy of €175 per month for a four-member household.

Long-term diverging trends between the education system and labor market are root causes of the aforementioned labor market problems. The country clearly needs, among others, 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 and philologists, as well as unemployable professionals every year.

To give a topical example, related to the ongoing pandemic, in Greece there are 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.

Thus, 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, including a rise in precarious teleworking as a consequence of movement restrictions during the period of the pandemic.

In 2021, the government introduced a new labor law, which increases the flexibility of the eight-hour workday by allowing employees to work up to 10 hours on one day and fewer on another or take time off, and gives workers the right to disconnect outside of office hours (e.g., refuse any work on off-days or to check emails). Further, it introduced a “digital work card” to monitor employees working hours in real time as well as increase legal overtime to 150 hours a year.

In summary, the visible 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.

Still, broad-based recovery in the labor market may be achieved over the medium to long run. The so-called tradeable sector, which brings revenues to Greece from abroad, as well as tourism, industry, professional, and information and communication services may record substantial job gains after the pandemic is over.

Citation:
Information on unemployment is drawn on Eurostat: https://ec.europa.eu/eurostat/documents/2995521/11563355/3-03112021-AP-EN.pdf/8841353c-11f6-7fab-efef-0e768ab13bfd
On long-term unemployment: https://tradingeconomics.com/greece/long-term-unemployment-rate#:~:text=Long%20Term%20Unemployment%20Rate%20in%20Greece%20averaged%209.14%20percent%20from,the%20second%20quarter%20of%202008.
On youth unemployment: https://tradingeconomics.com/greece/youth-unemployment-rate
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
On GMI and rent subsidies: https://ec.europa.eu/social/main.jsp?catId=1112&langId=en&intPageId=4569

Romania

Score 5

The pandemic created the highest number of unemployed in the last two years. In March 2020, the unemployment rate reached 4.6% compared to 3.9% in the previous month. The labor market dynamics in Romania remain positive, but with only a slight uptick in the unemployment rate in 2021, from 4.2% in 2020 to 5.5% in May. Still, differences in the labor market remain between regions and demographic groups. Youth unemployment has declined, but remains the highest rate of any age group, at 19.5% in June 2021 – a steady figure from 2020. Moreover, labor market conditions remain tight, with labor and skills shortages persisting from 2020 because of the exacerbated decline in the labor force. Low labor force participation remains a concern, despite the minor success of labor activation policies and adult learning programs, largely due to emigration. While participation increased to 55.5% in 2020, Romania continues to struggle with labor force and skill shortage challenges. Women, people with a low education attainment rate, and vulnerable groups (e.g., Roma) disproportionately contribute to the low participation rate.

The population continues to decrease due to a negative natural rate of population growth and outward migration. According to an INS report, from January 2020 to January 2021, Romania’s population dropped from 19.32 million to 19.18 million. Since joining the European Union in 2007, the effects of free movement on the healthcare system has been particularly pronounced. While emigration has contributed to lower unemployment levels, it has also resulted in a brain drain and shortages, particularly in the healthcare system during the pandemic. According to Solidaritatea Sanitara, the country’s public healthcare system has a deficit of 40,000 healthcare workers, equivalent to 17.5% of public hospital staffing needs. To combat the trepidations of the country’s labor supply, government measures (e.g., wage subsidies and other incentives to preserve employment amounting to 5% of GDP) mitigated the labor market impact.

Citation:
Adriana Ana Maria Davidescu et al. “Socioeconomic Effects of COVID-19 Pandemic: Exploring Uncertainty in the Forecast of the Romanian Unemployment Rate for the Period 2020–2023.” Econometric Analysis of Pandemics and Sustainability, 13(13), 2021. https://doi.org/10.3390/su13137078
European Commission (2020): Country Report Romania 2020. SWD (2020) 522 final. Brussels, https://eur-lex.europa.eu/legalcontent/EN/TXT/?uri=CELEX%3A52020SC0522
Marica, Irina. “Romania’s resident population continues to shrink in 2020.” Romania-Insider.com, August 2021. URL: https://www.romania-insider.com/romania-resident-population-shrinking-2020

Romania Unemployment Rate. CEIC, May 2021, https://www.ceicdata.com/en/indicator/romania/unemployment-rate. Accessed October 2021
About the ILO in Romania. International Labour Organization, August 2021, https://www.ilo.org/budapest/countries-covered/romania/WCMS_650156/lang–en/index.htm

Slovakia

Score 5

Before the COVID-19 pandemic, the unemployment rate had fallen to 5.6% in 2019, the lowest level in Slovak history. Introducing various job retention and short-time work schemes, the government helped limit rising unemployment to about 6.7% in 2020 and 2021. Thus, the pandemic resulted in a decline in hours worked rather than in spiraling unemployment. The government also improved benefits for the unemployed, both by extending the duration of existing entitlements and by introducing a new benefit for self-employed individuals affected by the pandemic (SOS benefit) (Gerbery 2020).

While labor market policies have kept unemployment numbers low, the COVID-19 pandemic has aggravated some of the already existing structural problems of the Slovak labor market such as the shortage of highly qualified workers in several sectors and the lack of digital skills. Women have been disadvantaged due to the closing of daycare centers and schools. Other vulnerable groups such as low-skilled workers, young people and marginalized Roma have also suffered disproportionally. Similar to other OECD countries, the work model has changed. In spring 2021 and in response to the pandemic and digitalization developments, the government amended its labor code to provide a legal framework for remote work (Liptáková 2021).

Citation:
Gerbery, D. (2020): Slovakia's responses to the COVID-19 outbreak in the fields of employment and social protection. European Social Policy Network, ESPN Flash Report 2020/53, Brussels: European Commission.

Liptáková, J. (2021): Amended Labour Code reflects the pandemic, in: Slovak Spectator, June 4 (https://spectator.sme.sk/c/22676843/amended-labour-code-reflects-the-pandemic.htm).

Turkey

Score 5

Turkey's population and workforce are both growing rapidly. Turkey's population had reached 83,614,362 by the end of 2020, representing an increase of 459,365 over the previous year. The annual population growth rate declined from 1.39% in 2019 to 0.55% in 2020. The average age increased by 0.3 to 32.7 in 2019 (for men it increased to 32.1; for women, it increased to 33.4).
The number of people in the working-age population (those aged 15 years old and over) increased from 61.8 million in November 2019 to 63.8 million in August 2021. The seasonally adjusted labor-force participation rate declined from 52.8% in November 2019 to 42.2% in August 2021. A total of 28.1 million people were officially employed in November 2019, a figure that increased to 28.7 million in August 2021.

High levels of unemployment highlight the failure to generate an efficient labor market policy. Still, with respect to the pandemic and its impact on many sectors, the Turkish labor market showed some resilience. In August 2021, the official unemployment rate was 12.1%, indicating a 0.9% decrease on an annual basis. The unemployment rate outside of the agricultural sector was 14.2%, indicating a 0.2% increase. Moreover, sector-specific employment figures point to growing dynamism in the Turkish labor market following the first shock of the COVID-19 pandemic. Employment figures reveal an increase of 190,000 jobs in construction, 731,000 jobs in the service sector, 787,000 jobs in the industry sector and 157,000 jobs in the agriculture sector during the same period. Displacement of native workers by refugees (who work without job security and for lower wages) is one of the factors driving this development.

The rate of unregistered employment, which stood at 31.4% in August 2021, represents one of the biggest problems in the labor market. Another challenge 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. In particular, the employment rate among young people decreased from 24.7% in August 2020 to 22.7% in August 2021. In contrast to this trend, the total number of children who were working declined from 893,000 in 2012 to 720,000 in 2019.

The Unemployment Insurance Law No. 4447 defines criteria in order to receive unemployment insurance benefits (e.g., paying the unemployment insurance premium for at least 600 days in the last three years). Turkey does not have a good collective agreement record. Only six out of 100 workers benefit from collective agreements, the lowest such rate among OECD members.

Citation:
TURKSTAT. "The Results of Address Based Population Registration System, 2020." February, 4 2021. https://data.tuik.gov.tr/Bulten/Index?p=The-Results-of-Address-Based-Population-Registration-System-2020-37210&dil=2

TURKSTAT.2021. "Labour Force Statistics, August 2021." October 11, 2021.https://data.tuik.gov.tr/Bulten/Index?p=Isgucu-Istatistikleri-Agustos-2021-37490

European Commission. "Turkey Report 2021. Commission Staff Working Document." October 19, 2021. https://ec.europa.eu/neighbourhood-enlargement/turkey-report-2021_en

Birgün. "Her 100 çalışanın yalnızca 6'sı Toplu iş sözleşmesi hakkından faydalanıyor: TİS mi oda ne?" August 16, 2020. https://www.birgun.net/haber/her-100-calisanin-yalnizca-6-si-toplu-is-sozlesmesi-hakkindan-faydalaniyor-tis-mi-oda-ne-312120.

Hungary

Score 4

Recorded unemployment declined significantly after the resumption of economic growth in 2013 and stood at about 3% in 2019. However, the national statistics tend to sugar-coat the situation, as they do not count all unemployed. Moreover, 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 primary labor market. The main beneficiaries of the program have been local mayors who are provided with access to cheap labor to perform communal work. Participants in public-works programs have been pressured to vote for Fidesz. The number of Hungarians working abroad before the pandemic was estimated at 600,000, many of them highly educated and skilled. The resulting brain drain has become a major obstacle to economic development. The salary boom in the primary labor market before the COVID-19 pandemic was driven by the lack of qualified labor and the resulting increase in competition among companies to find a qualified workforce.

The Orbán government’s initial labor market response to the COVID-19 pandemic focused on relieving the negative impacts on employers. In mid-March 2020, the government effectively suspended the labor code, allowing employers to deviate from regulations concerning working hours and the minimum wage. In April, these measures were complemented by a wage subsidy scheme similar to the German short-time work benefits model. Only about 5% of workers were covered by the scheme, one of the lowest shares in the whole of the OECD (Györi et al. 2021: 64). In order to limit the increase in unemployment, the government expanded its public work programs and substantially increased the military’s intake. The number of persons enrolled in public work programs increased from 84,071 in March 2020 to 94,560 in December 2020, a 12% increase over the first year of the pandemic.

Despite these measures, unemployment increased substantially during the COVID-19 pandemic. According to OECD data, the unemployment rate jumped from 3.4% in December 2019 to 4.9% in June 2020. Though Hungarian unemployment benefits are rather low and are paid for three months only, Hungary was among the few countries that have not raised unemployment benefits during the pandemic (Aidukaite et al. 2021). In September 2020, half of the 323,000 unemployed did not receive any support from the government (Györy et al. 2021: 64). The economic recovery that began in 2021 has gradually reduced the unemployment rate.

Citation:
Aidukaite, J., S. Saxonberg, D. Szelewa, D. Szikra (2021): Social policy in the face of a global pandemic: Policy responses to the COVID-19 crisis in Central and Eastern Europe, in: Social Policy & Administration 55(2): 358-373 (https://doi.org/10.1111/spol.12704).

Györi, G. et al. (2021): Hungarian Politics in 2020. Budapest: Friedrich Ebert Stiftung/ Policy Solutions (http://library.fes.de/pdf-files/bueros/budapest/17181.pdf).

Mexico

Score 4

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 more than 50% 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.

The coronavirus pandemic caused more than 10 million people, mostly employed in the informal sector, to lose their jobs temporarily. According to the national statistics institute, the unemployment rate in the second quarter of 2020 was 4.53%, up from 3.65% in 2019. Furthermore, average pay in Mexico is the lowest among the 35 OECD countries. During the coronavirus pandemic, the Mexican government was criticized for doing too little to protect jobs, due to its general focus on austerity.

A labor market reform has been initiated as a major project of the Mexican government. 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. However, the AMLO administration has focused primarily on the fight against labor outsourcing, which is not required by the USMCA. Outsourcing affects 23% of all jobs, and according to a study by the Colegio de Mexico, mainly has the effect of reducing the informal sector. After employer associations complained about the government’s plans, they were able to reach an agreement with the government that reduces the scope of the reform to the worst examples of outsourcing.

Citation:
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/88055.html?archive=1&Itemid=6&cat_id=825119:mexico-a-rare-example-of-consensus-politics
https://www.latinnews.com/component/k2/item/86681-mexico-negotiating-over-outsourcing.html

Address | Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Straße 256
33311 Gütersloh
Germany
Phone +49 5241 81-0

Dr. Christof Schiller
Phone +49 30 275788-138
christof.schiller@bertelsmann-stiftung.de

Dr. Thorsten Hellmann
Phone +49 5241 81-81236
thorsten.hellmann@bertelsmann-stiftung.de

Pia Paulini
Phone +49 5241 81-81468
pia.paulini@bertelsmann-stiftung.de

www.bertelsmann-stiftung.de
www.sgi-network.org

SGI Sustainable Governance Indicators

| BertelsmannStiftung