

Employment Policies Amid Low Growth: Case Studies of European Countries

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Background

Korea is currently facing problems with employment, as did European countries during the 1990s and 2000s. In the context of low growth and high rates of unemployment, European countries rolled out various policies to boost employment and employment rates. As a result, the employment rate of the EU stands at approximately 69%, higher than that of Korea. Some European countries have even managed to improve their employment rates beyond initial expectations, by implementing labour reform and related policies.

A close examination of the Korean labour market is necessary for a meaningful comparison, ahead of analysing European countries. Korea's unemployment rate is less than 4%, the second lowest after Norway. This is also lower than half the OECD's average rate for unemployment. However, Korea's employment rate is around 64.3%, which is also slightly lower than the OECD average; compared to developed countries, the gap becomes even wider. This significant gap between unemployment and employment rates indicates, for the Korean government, the urgency of this issue. Raising employment among

vulnerable groups, including the youth, women, and seniors, is also a priority.

The Korean government plans to boost the employment rate to 70% by 2017 through the "70% Employment Rate Roadmap, 2014-2017" and the "Three-year Economic Plan". In a related move, it seeks to increase the number of jobs by 2.38 million through part-time work, or so-called flexible employment. To this end, the government aims to create approximately 930,000 part-time jobs. Employment for women in particular can expect a notable improvement, delivered through better work-life balance enabled by child-care leave, more child-care services and heightened social awareness on gender equality.

Major Employment Strategies and Policies in the EU

What features do the EU's strategies and policies include to the purpose of lifting employment rates, with special consideration to the youth, women and the elderly? As deepening integration across Europe enhanced the role of

the EU, the EU's policies and strategies for employment became an important guideline to project the future direction of EU member state policies. Based on research and interviews with experts in academic circles, as well as the European Commission, the key features of employment in the EU are found to be Active Labour Market Policy (ALMP), Vocational Education and Training (VET), and Apprenticeship. First of all, ALMP is an important method used to reduce the burden of employers and employees during periods of low economic growth. At the same time, it encourages the unemployed to return to the labour market as soon as possible. Of particular note is that social policies and employment policies are implemented complementarily. Services related to job offerings, such as the European Employment Services (EURES) network, have been strengthened so the EU can minimize the job mismatch between jobseekers and employers. VET is another key policy tool the EU is focusing on to improve the employment conditions of disadvantaged groups. Meanwhile, youth employment may have more to benefit from VET and Apprenticeship combined. It is important for employers to show willingness to educate employees. The possibility of an employee changing jobs within the same field would hamper employers' investment in apprenticeship, although its effectiveness has been fully recognized. Finally, in order to enhance employment among disadvantaged groups, it should be understood that a simple employment policy cannot act alone. Given the complexity of different social systems, economic structures, and legal systems, domestic circumstances should be comprehensively analysed when formulating employment policies.

Table 1. EU's Actions for Boosting Youth Employment: Problems and Remedies

Problems	Possible Remedies	EU-level Tools/Actions
Dropping out of education or work, and long-term unemployment	Youth Guarantee; effective use of ESF funding	Proposing recommendation on establishing a Youth Guarantee
Difficult school-to-work transitions	Supply of quality traineeships and apprenticeships	Launching a second-stage social partner consultation on a Quality Framework for Traineeships; a European Alliance for Apprenticeships
High unemployment and growing skills and geographical mismatches	Reduction of obstacles to mobility for apprenticeships and trainees from other EU countries	Developing an integrated mobility set for the youth (EURES)

Source: European Commission (2012).

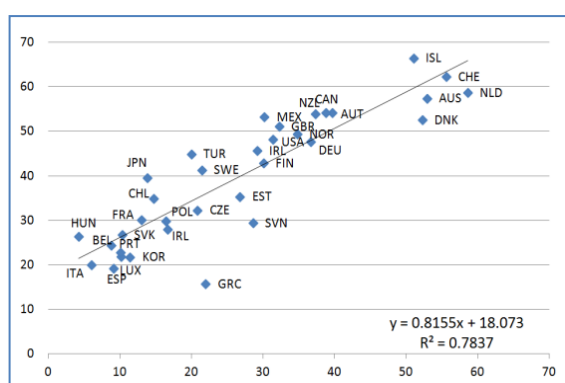
Youth Unemployment

Young people are more vulnerable to unemployment given their lack of professional experience, barriers to job markets and irregular worker status. In general, the youth unemployment rate is more than twice the overall unemployment rate and is more sensitive to economic cycles, particularly during economic downturns. In addition to business cycles, youth employment is affected by the level of protection for permanent/temporary workers, education levels and vocational/professional education.

We conducted several empirical analyses, taking the youth unemployment rate and the ratio between youth and overall unemployment rates as dependent variables. Economic cycle, labour protection levels for both permanent and temporary workers, level of human resources, economic

structure and professional education are considered as explanatory variables. The result shows that the youth employment rate is positively correlated to overall education and dual education based on apprenticeship. In particular, the share of apprenticeship in the overall education period displays high explanatory power on all dependent variables considered. This suggests that the transitional process from school to job can be facilitated by apprenticeship, which contributes to a higher youth employment rate. Dual education can help reduce mismatches between education and occupation.

Figure 1. Correlation Between Dual Education Period and Youth Employment Rate



Note: Horizontal axis – share of expected dual education period at 15~29 years old (year 2012). Vertical axis – youth unemployment rate in 2014.

Source: OECD.

Employment Strategies and Policies for Raising Female Employment Rates

Northern European countries display the highest rates of female employment. Germany and the Netherlands show higher female employment rates than the OECD average. Northern European countries are the most exemplary in

terms of narrowing the gap between employment rates for females and males, followed by Germany and France. However, unlike Northern European countries, the increase in female employment in part-time jobs in Germany and France actually led to a wider gender gap with respect to full-time employment. According to previous studies, deciding factors for the female employment rate depend on appropriate policy tools or policy combinations for different situations; each society achieves both the policy goals of female employment rate and birth rate, which can run parallel to each other. However, most countries in almost all time periods demonstrate that childcare services and child-raising support are considered effective policy tools to satisfy both policy goals.

Policies for raising female employment rates in European countries can be divided into three types: the Northern European type, which executes active policies for work-family balance, the British type, which raises the female employment rate by introducing flexibility in the labour market, and the combination of both in continental European countries, such as Germany and France. Part-time employment in Sweden, which is actually a permanent position with flexible working hours, can be differentiated from part-time employment in other European countries. In the German case, flexible labour policies enabled the females, who had left the labour market due to the burden of childcare, to return to labour. However, this also entailed a fall in the quality of employment and a rise in employment-related instability. Although the increase in female part-time employment in France has led to employment instability and the degeneration of the working environment, the gender gap in terms of wage income has become narrower than that of other OECD countries, including Germany.

In order to achieve policy goals, it is important

to conduct in-depth analysis on constraints. When there are many differences in the background, such as in the family welfare system, the structure of the labour market, and the downward inelasticity of wages, the same means of policy may bring about different consequences.

Table 2. EU's Cross-country Association Between Female Employment Rates (25-54 year olds) and Total Fertility Rates, 1980 and 2013

	Total Fertility Rate (%)		Female Employment Rate (25-54 %)	
	1980	2013	1980	2013
Finland	1.6	1.8	79.8	78.1
Germany	1.6	1.4	54.5	78.6
Italy	1.7	1.4	37.1	58.0
Netherlands	1.6	1.7	35.6	78.3
Norway	1.7	1.8	67.8	81.6
Portugal	2.2	1.2	50.2	72.2
Spain	2.2	1.3	28.5	61.2
Sweden	1.7	1.9	81.5	82.7
Korea	2.8	1.2	47.0	61.8

Source: OECD Family Database.

(<http://www.oecd.org/els/family/database.htm>). (accessed October 14, 2015)

Employment of Aged Workers

The EU's average life expectancy is rising, along with the related economic burden tied to it. While the workforce participation rate of older people (aged 50 to 64) in the EU is displaying an upward trend, it is easy to overlook the problem that older workers' unemployment has a higher chance of evolving into long-term unemployment.

Factors that can affect the employment of older people include obligatory retirement age, pension schemes, working environment, as well as

perceptions toward older workers. When overall welfare conditions for older workers are too lax, they do not feel the necessity to work, which in turn affects economic growth. Thus, the aforementioned factors are delicate matters that require careful policy management.

In relation to the above issues, the cases of Finland and the United Kingdom (UK) are quite interesting. Finland is defined by the following characteristics in terms of improving old-age employment. First, the Finnish government undertakes careful policy planning and execution, monitored by external assessment. Second, Finland carries out various campaigns to reinforce the positive image of older people, and to emphasise the necessity of older people remaining in the workforce, which allows the effective functioning of other programmes to prepare for the ageing society. Third, such programmes as hygiene management among the workforce, as well as amelioration of education and communication, are operated to improve overall working conditions, especially for the older workers. Meanwhile, the UK displays slightly different characteristics. First, the UK adopted general policies that cover all age groups before launching age-targeting programmes, including those for older workers. Second, prior to implementing a new nationwide scheme for older workers, the government tested the programme on a sample group to select the most successful approach. Such cautiousness was exercised to minimise trial and error. Third, changes in pension schemes and campaigns to raise positive awareness on older co-workers contributed to preventing early retirement.

The findings show that both Finland and the UK are raising the retirement age, providing incentives when one remains in the labour market instead of choosing early retirement, and initiating campaigns to positively change attitudes

toward older workers. Such incentives are; in Finland, providing extra pension for additional working hours, and in the UK, providing subsidies or tax benefits for companies hiring older people. Moreover, both governments' efforts on publicity campaigns are recognisable. The Finnish government launched an active PR campaign to pull older workers back to the labour market, and the UK government has been releasing research outcomes that prove that the productivity of older workers is not as low as normally perceived.

Policy Implications

This study provides implications for employment policies for the youth, women and the elderly. In the case of youth employment, it is necessary to develop active measures to reduce disparities between education provided and demand from the labour market. The high university admission rate in Korea is often mentioned as one of the reasons for the country's low youth employment rate. However, it is difficult to find empirical evidence from comparative analysis with OECD countries. It is a fact that the age of job market entry for the Korean youth is becoming progressively late. This is partly due to the fact that the job market demands increasingly high professional qualifications from young job seekers; qualifications that schools, including universities, are unable to provide. Second, it is highly recommended that an apprentice system be created in accordance with the current situation in Korea. Countries with well-developed dual education systems clearly tend to have high employment rates, and naturally, low unemployment rates. It is worth noting that less than 10% of young people in Germany are in a jobless state within three years of completing dual education. Third, it is necessary to improve conditions in the dual labour

market, in which temporary or irregular workers are not properly protected and have difficulty securing regular employment contracts. A number of studies claim that dualism in the labour market is a cause of high youth unemployment rates. In Korea, the percentage of temporary or irregular workers is higher among the youth than in the middle-age group. This indicates that there is room for improvement in working conditions for irregular workers, while it will be necessary to take measures that make the labour market more flexible for regular workers.

As for employment policies for women, European countries in general have pursued dual policy objectives, namely the simultaneous increase of female employment and birth rates. Expansion of childcare is one policy that can facilitate female employment and raise child-birth rates. Second, increasing the share of part-time workers can contribute to higher female employment but could lower quality, necessitating a cautious approach. It is notable that flexible working hours in Sweden were widely introduced in order to create conditions conducive to work-family balance. Third, it will be necessary to provide assistance to women who had their careers interrupted or discontinued due to childcare, and invite them back to labour markets.

The implications for elderly employment are as follows. First, it is necessary to change perceptions of the elderly in the workplace, and take active measures. The Finnish case is noteworthy in that the government of Finland began implementing measures as early as the 1990s, starting with the analysis and assessment of working conditions of older workers, followed by public promotion of positive information on elderly employment. Finland's government has continued to provide support programmes and improved them through ex post assessment.

The UK government was less supportive in terms of fiscal spending on old-age work compared to Finland, but its efforts have been concentrated in providing a legal framework for old-age employment, as well as creating a favourable environment for the recruitment of and equal conditions for older workers. Second, the development of a legal framework to increase the retirement age would be advisable. This is all the more necessary because the Korean society has been aging rapidly, and the gap between the legally pensionable age and actual retirement is widening. Third, incentives should be developed for old-age employment for both workers and employers. The incentives can take various forms, such as education and public health in the workplace, or financial measures. Finally, it will be necessary to promote the employment of elderly workers. Particular emphasis should be placed on the fact that more employment for older workers does not mean less job opportunities for the younger generation. **KIEP**