



LaborNet No. 1490

Countries where workers go on strike the least often have the lowest unemployment rates

Dear All,

The economy suffers in countries without collective dispute resolution systems, workers go on strike, job positions are lost, and the unemployment rate rises.

Strikes are one of the most important structural issues that a country may face, together with other variables such as youth unemployment. For the unemployment rate to decrease, and for a country to achieve "**full employment**", which means fewer industrial actions, research on job market statistics shows that in an economy where workers go on strike pretty often, **quality employment does not grow.**

According to OECD data from the first quarter of this year, Japan is the developed economy with the lowest unemployment rate in the world (2.6%), followed by Germany, the Netherlands and the US (3.5%), Norway (3.7%), the United Kingdom and Ireland (4.2%). To give you an idea, the average unemployment rate in the G7 economies was 4% in the first quarter of 2023; 6% on average in the EU; and 6.6% in the euro area.

Japan is the country where workers strike the least often. It is the most powerful country in Asia, with the lowest unemployment rate. In Japan, the third largest economy in the world, there are **more jobs than job seekers**. For example, last July, there were **115 job openings for every 100 Japanese job seekers nationwide.**

In February 2020, the unemployment rate was 2.4%, and the highest rate since then was 3%.

There are also strong social expectations that Japanese companies will retain workers. Pro-labor attitudes have been reinforced by strong legal precedents that prevent companies from laying off employees unless they can demonstrate they have no other choice. Japan's businesses are often tough on their employees, asking them to put in some of the longest hours in the world, but companies are expected to provide job security in return – in many cases, for life. **During the Coronavirus pandemic, businesses shortened their hours and put their workers on furlough. Japanese law requires businesses to pay furloughed employees 60 percent of their wages, as reported by The New York Times.**

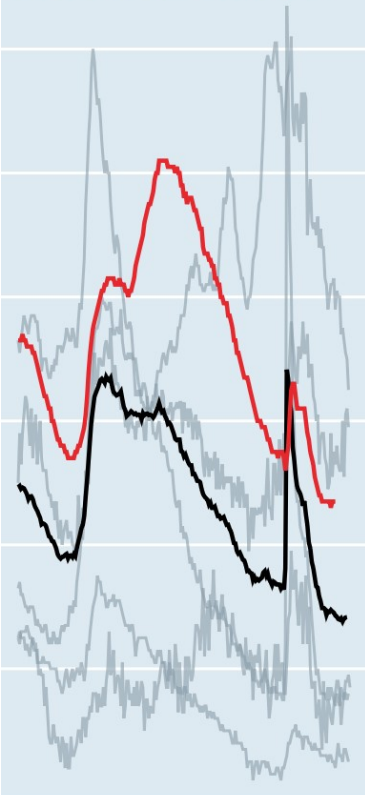
Digital transformation makes it possible to maintain employment levels in many sectors and reinforces two basic pillars of the Japanese job market: seniority and lifelong employment, characteristics that impair its flexibility. The Japanese market is pretty close to full employment.

Unemployment rate

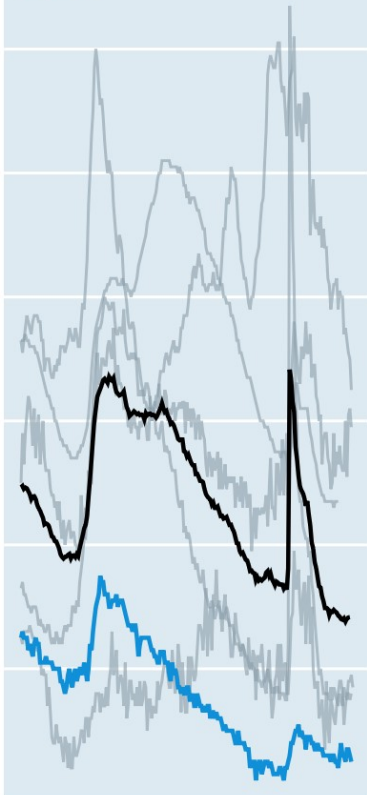
Total, % of workforce, Jan 2005 - Nov 2023 Source: Labour: Labour market statistics [OECD (2024), Unemployment rate (indicator). doi: 10.1787/52570002-en (Accessed on 09 May 2024)]

Country	Apr-2023	may-23	jun-23	jul-23	Aug-2023	sep-23	oct-23	nov-23	Dec-2023	Jan-2024
Australia	3.7	3.6	3.5	3.8	3.7	3.6	3.8	3.9	3.9	..
Austria	5.1	4.7	5.1	5.7	5.4	5.5	5.1	4.9	5.6	..
Belgium	5.6	5.6	5.6	5.3	5.3	5.4	5.6	5.6	5.7	..
Canada	5.0	5.2	5.4	5.5	5.5	5.5	5.7	5.8	5.8	..
Chile	8.3	8.3	8.4	8.7	8.7	8.8	9.0	..	..	..
Czechia	2.7	2.5	2.7	2.7	2.5	2.7	2.9	2.5	2.8	..
Denmark	4.8	4.8	4.8	5.5	4.3	4.7	5.3	4.9	5.0	..
Estonia	6.2	6.7	7.1	7.4	7.3	6.5	6.2	6.3	6.3	..
Finland	7.1	7.1	7.2	7.5	7.3	7.4	7.5	7.6	7.5	..
France	7.2	7.3	7.3	7.4	7.4	7.3	7.3	7.3	7.3	..
Germany	2.9	2.9	3.0	3.0	3.0	3.1	3.1	3.1	3.1	..
Greece	11.5	10.9	10.8	10.8	10.4	10.2	9.3	9.4	9.2	..
Hungary	3.9	3.9	3.9	4.0	4.0	4.0	4.1	4.1	4.2	..
Iceland	2.3	3.3	2.6	3.5	3.0	4.2	3.3	3.2	3.9	..
Ireland	4.1	4.2	4.4	4.4	4.5	4.7	4.8	4.8	4.9	..
Israel	3.6	3.6	3.6	3.4	3.1	3.2	3.0	2.8	..	..
Italy	7.8	7.7	7.5	7.7	7.4	7.5	7.6	7.4	7.2	..
Japan	2.6	2.6	2.5	2.7	2.7	2.6	2.5	2.5	2.4	..
Korea	2.6	2.5	2.6	2.8	2.4	2.6	2.5	2.8	3.3	..
Luxembourg	4.9	5.0	5.2	5.2	5.3	5.5	5.5	5.7	5.5	..
Mexico	2.9	3.0	2.7	2.9	2.8	2.7	2.7	2.8	2.8	..
Netherlands	3.4	3.5	3.5	3.6	3.6	3.7	3.6	3.5	3.6	..
New Zealand	..	..	..	..	..	..	..	..	..	..
Norway	3.6	3.1	3.4	3.6	3.6	3.5	3.7	3.8	3.5	..
Poland	2.7	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.7	..
Portugal	6.5	6.4	6.3	6.3	6.3	6.6	6.7	6.6	6.6	..
Slovak Republic	5.9	5.9	5.9	5.8	5.9	5.9	5.8	5.8	5.8	..
Slovenia	3.8	3.8	3.8	3.8	3.8	3.9	4.1	4.2	4.2	..
Spain	12.1	11.9	11.9	12.0	11.9	11.9	11.9	11.8	11.7	..
Sweden	7.2	7.2	8.0	7.1	8.1	8.1	7.9	7.9	8.2	..
Switzerland	..	..	..	..	..	..	..	..	..	..
Türkiye	10.0	9.4	9.5	9.3	9.2	9.1	8.6	9.0	..	..
United Kingdom	4.0 ^(B)	4.2	4.2	4.2	4.2	4.2	4.2	..	..	..
United States	3.4	3.7	3.6	3.5	3.8	3.8	3.8	3.7	3.7	3.7

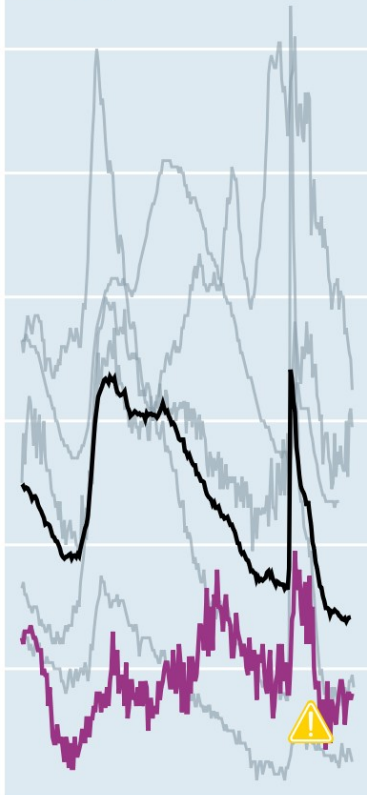
Euro area (19 countries)



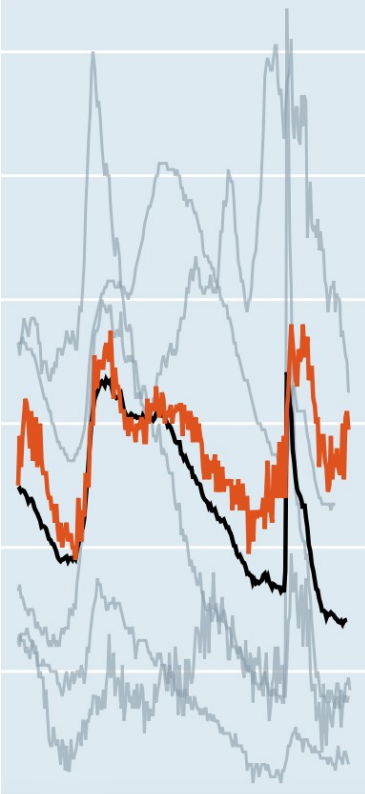
Japan



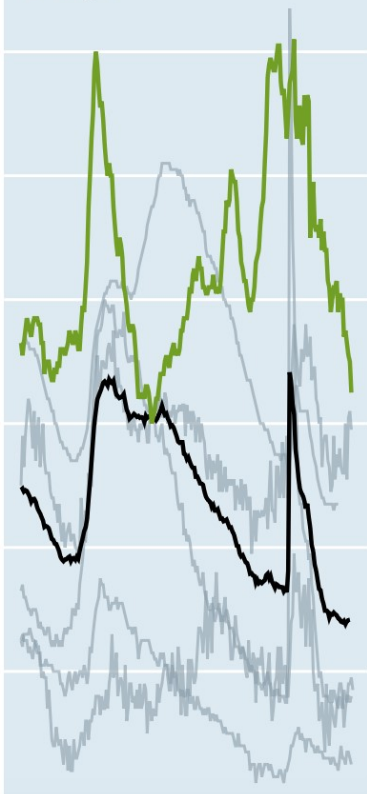
Norway



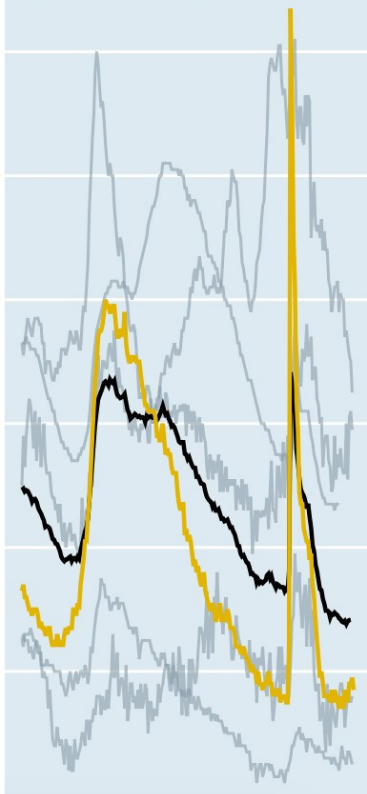
Sweden



Türkiye



United States



Employment growth accelerated in Spain in the second quarter of the year and achieved a record figure: **21,056,700** employed people, 2.88% more than in the same period in 2022. Compared to the previous quarter, employment also increased by 2.95% to 603,900 people. According to data from the Labour Force Survey (LFS) published on Thursday by the INE, this is the best second quarter in history both in terms of job creation and a decrease in the unemployment rate.

Greece has traditionally had a very high unemployment rate, which in the 2008 crisis reached 28%. In Germany the unemployment rate stood at 3%, in the United Kingdom at 3.9%, in France at 7.1% and in Italy at 7.9%. They are pretty far from the OECD average, which is 4.8%.

Economic expansion increases employment and the number of job seekers, so unemployment always decreases less than employment growth in times of economic expansion, due to a combination of population growth and employment growth. To reduce unemployment, employment should grow. If the goal is to reduce unemployment by 8 million people, genuine jobs should be created to employ these people. How is it possible to achieve an employment growth rate with such a high unemployment rate in a dynamic economy, where labor productivity increases? Well, it's not that easy. It would require a 2% annual employment growth rate. An increase in labor productivity will require sustainable production growth in order to increase employment. If unemployment levels are unacceptably high, these numbers are unattainable, and that is what should be avoided. It would be necessary to ensure sustained economic growth which impacts job creation.

Identifying and correcting the current situation and structural problems that negatively affect the economy and job markets is imperative. Comprehensive structural labor and employment law reform is imperative, as soon as possible. Analyzing and addressing the issues that hinder job creation and increase unemployment is crucial. The root causes of unemployment, and its main characteristics, only explain part of the problem. The problems to be addressed are complex, and affect many aspects of the economy; multiple actions should be taken.

Where are the largest industrialized areas in the world? When you look around Scotland, Germany, Finland, France, Belgium, Holland and Denmark, mining industry employment prevails. A correlation exists between unemployment and

development. For example, the Portuguese and Greek economies. They have traditional family-type agriculture and a manufacturing and services industry. Another factor is less welfare protection. An important characteristic is that the most unemployed people are the least qualified workers. That is why low-skilled workers are more likely to be unemployed. In particular, the biggest issue is young people who fail to finish the mandatory education system. This is the minimum essential requirement to get a job. In this case, there is the paradox that the basic educational system, which should help ensure economic and social integration, produces the opposite effect. It does not provide the minimum requirements, and becomes a barrier to social integration. Note that unemployment and training are typically associated. On the contrary, in less developed regions, special qualifications are not required or do not seem to give job seekers an edge to land a job.

What has changed in the economy and in society for such a drastic transformation in behaviors and job markets, considering their evolution and results? The answer is that society has changed. The way we work has changed. And the job market has changed as well. Society demands new ways of integration into the world of work, new possibilities of work-life balance to have a fulfilling professional life and family life, and compensation systems that are attractive to the market.

Many things impact societies, such as the international context they are in. Many of the changes are not strictly related to the economic situation, although they have important effects on the economy. In this scenario society has been unable to react in time to new demands, new challenges, or the transformations that were taking place both from within and all around.

Then, the issue of unemployment will be analyzed taking into account: a) the competitiveness of the economy in a context of globalization to which adaptation has not been rapid enough; b) lack of job opportunities in the services sector; c) incapacity to meet the new needs of society; d) incapacity to anticipate new needs; or products that may create jobs.

Solve the competitiveness issue

Solving this issue is essential for higher economic growth and increased employment. Paradoxically, this is a problem that affects the most technologically advanced industries because they are the ones that have increased their demands. An economy with poor competitiveness faces barriers to job creation and economic

growth. Jobs are lost when production and productivity grow slowly in the manufacturing industries.

Japan has a larger service economy than Europe. In the US, the services sector is more important than in Europe. There are many job creation opportunities in Europe; there is a clear correlation between income and quality of employment, which results in a higher employment rate for the services industry.

The determining factor that may have led to insufficient employment growth in the services industry is the inability to anticipate new demands as a result of social life, family life, civilization, new consumption habits, preservation of rural spaces, improved environment, and the quality of our natural capital.

High unemployment rates are prevalent in poor regions, where access to the job market is difficult and women's participation in the workforce is low. Demographic growth rates are higher in less developed regions. As a result, it is important for new generations to join the job market. It is common for strikes to occur in regions that are lagging behind in terms of development. Reducing the high unemployment rate implies shaping and understanding regional and social differences. The solution should not come from the market only.

In addition, economic growth and a concentration of activity in the suburbs lead to hubs of economic concentration and growth. Often the root of the problem is deeper in the job market - labor as a commodity - the "labor factor" is exchanged for a value (price), which is wages. The way production is organized, institutions that determine training proposals, the mechanisms to access education, the theory of efficiency wages, a fundamental factor for effectiveness, companies' competitiveness, wages timely paid as the determinant of consumption levels.

Job markets alone cannot guarantee the results needed for the world economy to function, where efficient businesses can compete on the market, adapt to consumption changes, and contribute to social cohesion. In order to ensure high levels of employment, the concept of efficiency wages is fundamental to establish salary as a cost and salary as an income. For the economy to run smoothly, with a good welfare system, high-quality education, and effective mechanisms to resolve collective disputes, it is important to consider the benefits, and not just the costs.

In other words, many institutions affect job markets, both at macroeconomic and microeconomic levels, or as complex, integrated systems. The employment system is the product of history; the time has come to ask whether they respond exactly to

the needs and challenges of the current moment, and if not, what reforms should be undertaken. On international markets, research focuses on policies that help SMEs create business ideas and boost the job market. The unemployment issue should lead to a search for more attractive solutions that should not deteriorate working conditions. The solution, though, calls for more determined efforts than just implementing measures, demanding big mindset shifts and a change in behaviors.

Source: OECD, Employment Outlook. Ministerio de Trabajo, Empleo y Seguridad Social de Madrid - Centro de Publicaciones de Madrid.