

A COMPARISON OF LABOUR MARKETS AND POLICY APPROACHES IN AUSTRALIA, CANADA, THE UNITED KINGDOM, AND SWEDEN

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Employment. Education. Community.

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Executive Summary

The analysis in this paper highlights common labour market and workforce challenges in Australia, Canada, the United Kingdom, and Sweden over recent years.

During the Global Pandemic, these nations experienced substantial economic and labour market disruption. Lockdowns led to steep declines in employment and spikes in unemployment. However, recovery was swift, with employment levels now surpassing pre-pandemic levels.

Post-pandemic, economies are nearing full employment, yet global factors such as fragile economic conditions, supply chain issues, and the war in Ukraine have triggered inflation. Central banks have responded by raising interest rates, and signs indicate slowing labour markets.

All four countries now confront significant skills shortages, impacting on productivity and future economic growth. Long-term unemployment, particularly in the United Kingdom and Australia, requires attention. Youth disengagement is a shared issue, with substantial numbers of young people not engaged in education, employment, or training.

Despite shared challenges, each country faces unique problems. Unlike other countries, Australia has seen strong employment growth but a declining share of full-time employment. Canada grapples with heightened youth impacts from the Global Pandemic.

The evolving economic environment will affect employment service providers. As labour markets slow, providers can anticipate higher caseloads. The unemployed may face increasing disadvantage in a tougher jobs market. Innovative solutions, including job-specific skills training, are vital for preparing job seekers for the labour market's eventual recovery. It is noted, however, that even in economic downturns, job opportunities persist.

This paper also compares employment services and income support systems. Australia pioneered outsourcing employment services, followed by Canada, the United Kingdom, and Sweden. Conditionality is a common feature; however, Australia's stricter Mutual Obligation framework stands out.

1. Introduction

This paper compares labour market conditions and welfare systems in the four countries the Angus Knight Group operates: Australia, Canada, the United Kingdom, and Sweden.

Section 2 analyses labour market conditions and trends in each of the four countries, focussing on employment, unemployment, labour force participation, youth disengagement, labour and skills shortages and labour productivity.

Section 3 considers expenditure on active labour market programs by country. Expenditure on active labour market programs is often seen as a proxy for the extent to which governments are willing to invest in reducing cyclical and structural unemployment and increasing labour market efficiency.

Section 4 compares each country's employment services and income support systems. In recent years each country has, or is in the process of, introducing reforms to their employment services systems. It also compares each country's income support system focussing on conditionality requirements for job seekers.

Section 5 provides a summary of conclusions about the key findings and learnings from the analysis presented in this paper.

This paper primarily uses a combination of data from country statistical agencies and the OECD statistical data base. Where time series data are presented the period 2009 to 2023 is used wherever possible.

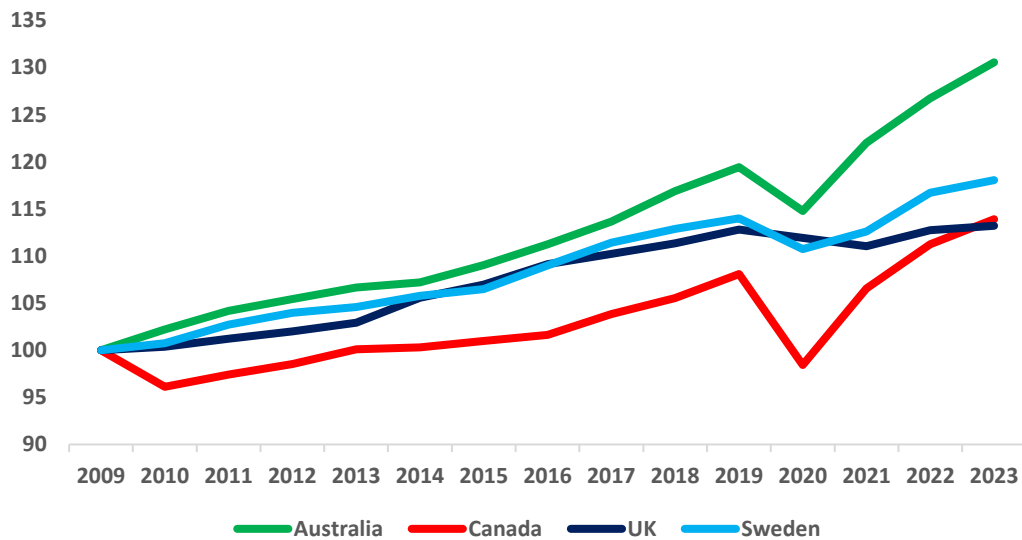
2. Comparative Labour Market Trends

2.a. Employment

Total employment

Chart 1 provides data on the growth in employment since 2009 expressed as an index. The chart shows that Australia has experienced the strongest employment growth of all four countries. Since 2007, employment has increased by 30 per cent, compared to 18 per cent for Sweden, 14 per cent for Canada and 13 per cent in the United Kingdom.

Chart 1: Indices of Employment by Country, 2009-2023 (2009 = 100)



Sources: Statistics Canada, Labour Force, Table 14-10-0287-02; Australian Bureau of Statistics, Labour Force Australia (6202.0); Statistics Sweden Database; United Kingdom Office of National Statistics, Number of People in Employment.

Whereas Canada, the United Kingdom and Sweden have experienced fluctuations in employment growth, uniquely Australia had almost constant growth in employment right up until the Global Pandemic. This reflected an unprecedented 30 years of continuous economic growth from the early 1990s. It appears that the Global Pandemic impacted most heavily on the Canadian economy and labour market, possibly because of its proximity to the United States.

Over the past 18 months, or so, Central Banks across the OECD have been adopting more aggressive monetary policy settings in response to global inflation. In Australia, Canada, the United Kingdom and Sweden, policy interest rates have been increased from at or near zero to between 3.75 per cent and 5.25 per cent since early 2022 in an attempt to return inflation to target levels (around 2 per cent on average). There is evidence that labour markets are slowing in Australia, the United Kingdom, and Canada. In Australia and the United Kingdom employment has started to fall, while in Canada employment growth has moderated¹. Only in Sweden has employment growth continued.

¹ In Australia employment fell by 62,100 in July 2023 and the unemployment rate rose from 3.5 % to 3.7%; in the United Kingdom employment fell by 124,000 in June 2023 and the unemployment rate rose from 4.0% to 4.2%; in Canada employment grew by a modest 1,700 in July 2023 and the unemployment rate rose from 5.4 to 5.5%; in Sweden employment grew by 139,400 in July 2023 and the unemployment rate fell from 6.4% to 6.2%.

It is likely that many industrial economies will see subdued economic and labour market conditions over the rest of 2023 and 2024 due to global conditions. For employment providers, low rates of economic growth, accompanied by rising unemployment and falling or stagnant employment levels will see caseloads rise. The extent and/or speed at which caseloads increase will depend on the design of each country's employment services. For those countries where newly unemployed and the most job ready job seekers enter self-help/digital services (for example, Australia and Ontario in Canada) increases in caseload may be delayed. In these instances, job seekers entering provider caseloads earlier will be those who are most marginal to the labour market and find it harder to obtain employment. This may have a scarring effect on their future employment prospects. Notably, this includes First Nations People, disengaged youth and people with disability.

Furthermore, people who are already in the 'system' and the very long-term unemployed² will find it harder to secure employment in a subdued labour market. The environment for employment providers will therefore be one where it is increasingly harder to garner employment outcomes. This is not to say that jobs will not be out there. Providers must be innovative in seeking and generating employment for their clients. Providers will also need to focus on the longer-term through employability skills and job-specific training and other interventions so that job seekers are job ready when the labour market recovers. This environment will also reward providers who focus on the demand side, particularly those who build strong relationships with employers experiencing skills and labour shortages.

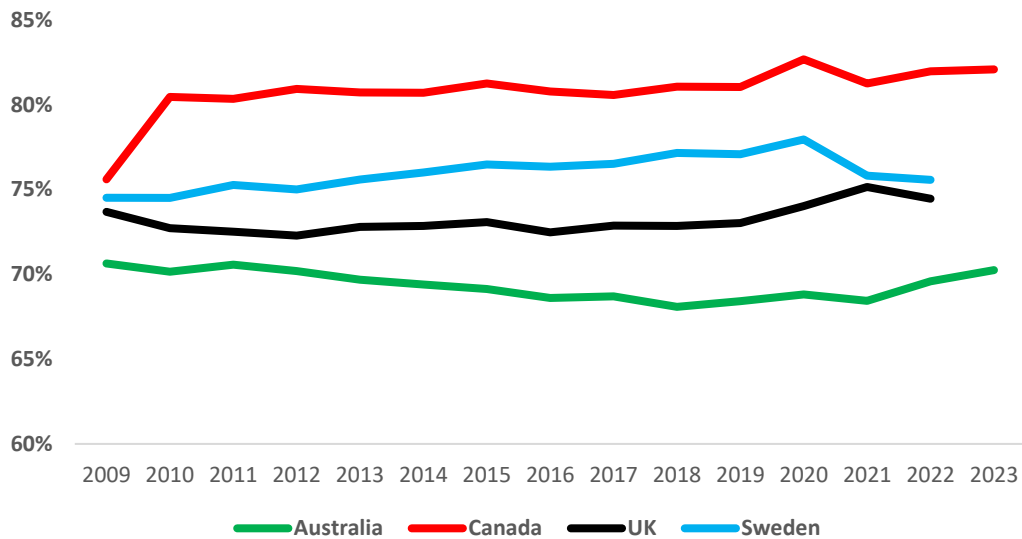
[Full-time employment](#)

Chart 2 shows the proportion of total employment that is full-time for each country. Of all four countries, Australia has a much lower share of full-time employment: 70 per cent compared to 82 per cent in Canada and around 75 per cent in the United Kingdom and Sweden. In Canada, the United Kingdom and Sweden, the share of full-time employment has stayed relatively constant or increased over time. This contrasts with Australia, where the share of full-time employment has shown a long-term decline. While the share of full-time employment in Australia rose in 2022 and 2023, it is too early to determine if this represents a reversal of trend or a short-term response post-Global Pandemic due to a tighter labour market. Given that Australian Government employment programs reward sustainable full-time employment, an environment of continued declining full-time

² Very long-term unemployment is defined as those who have been unemployed for 2 years or more.

employment has implications for provider financial viability. This would be offset by growth in the level of total and full-time employment, even if the share of full-time employment is falling.

Chart 2: Full-time share of total employment, 2009-2023



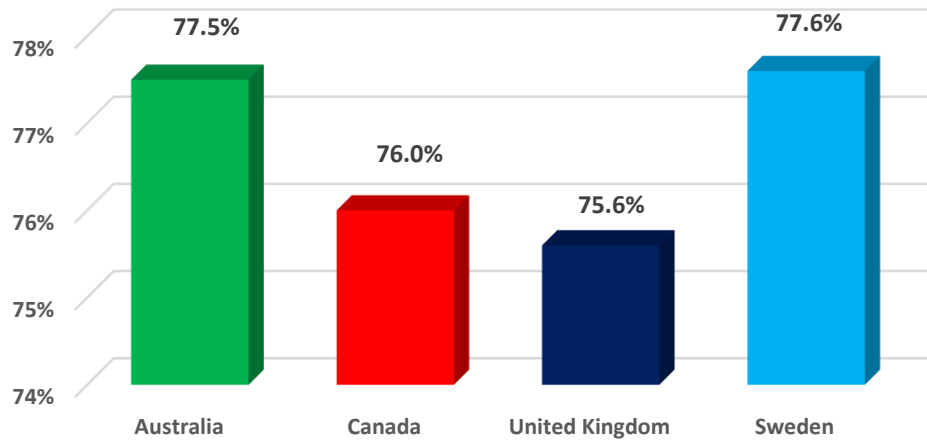
Sources: Statistics Canada, Labour Force, Table 14-10-0287-02; Australian Bureau of Statistics, Labour Force Australia (6202.0); Statistics Sweden Database; UK Office of National Statistics, Number of People in Employment.

Employment Rates

Chart 3 provides data on the employment rate for each country. The Employment Rate is the proportion of the population aged 15 years and over who are employed. Employment rate data presented here are OECD standardised rates and differ from those published by individual statistical agencies such as Statistics Canada and the Australian Bureau of Statistics.

Australia and Sweden stand out as having the highest employment rates at 77.5 per cent and 77.6 per cent respectively. The United Kingdom has an employment rate of 75.6 per cent and Canada of 76 per cent. In Australia, the relatively high employment rate is due to strong economic growth over the past three decades, leading to solid and consistent employment growth, combined with strongly conditional welfare policies. Sweden has also experienced solid employment growth over the past decade or so. In Sweden receipt of unemployment insurance payments and unemployment payments is also highly conditional on looking for work, meeting a work condition test and taking active steps to look for work. More details on each country's employment services and welfare systems are provided at Section 4.

Chart 3: Employment Rate 2nd Quarter 2023



Sources: Statistics Canada, Labour Force, Table 14-10-0287-02; Australian Bureau of Statistics, Labour Force Australia (6202.0); Statistics Sweden Database; UK Office of National Statistics, Number of People in Employment.

[Employment by Industry](#)

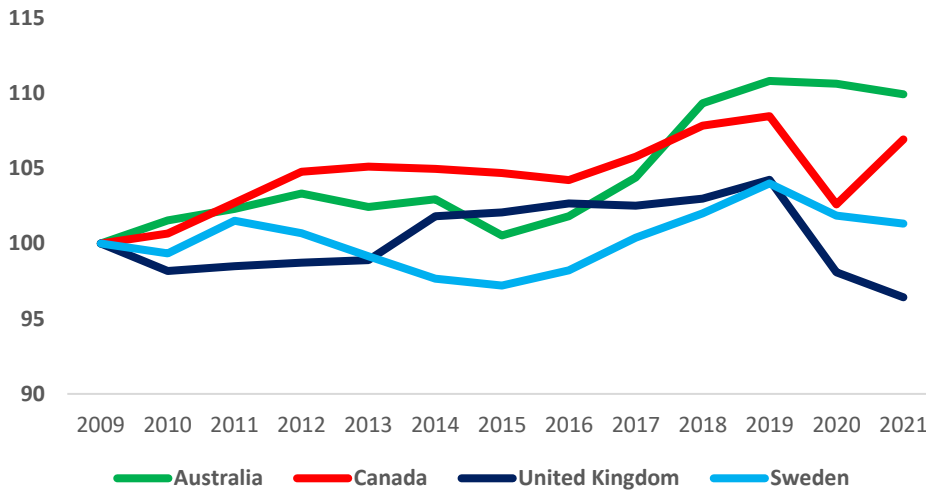
A question is what explains the long-term decline in full-time employment in Australia, and whether it is the result of structural changes in the Australian economy? Charts 4 and 5 provide data on the growth in employment in 'Industry' (defined as manufacturing and construction and services) since 2009 expressed as an index. These data are sourced from the OECD Statistical Database and use the International Standard Industrial Classification (ISIC).

Chart 4 shows that only Australia has experienced employment growth in the 'Industry' sector with other countries remaining stagnant (as in Canada) or declining (as in the United Kingdom and Sweden). Furthermore, the share of employment in 'Industry' is higher in Australia – making up around 20 per cent of total employment, compared to 19 per cent in Canada, 18 per cent in Sweden, and 17 per cent in the United Kingdom.

The growth in Australian 'Industry' employment is entirely explained by the growth in construction. Between 2009 and 2023 employment in construction grew by nearly 35 per cent, whereas manufacturing employment fell by 8 per cent. As around 85 per cent of jobs in manufacturing and

construction in Australia are full-time³ it does not appear that the long-term decline in manufacturing explains the shift to part-time work.

Chart 4: Indices of 'Industry' Employment by Country, 2009-2022 (2009 = 100)

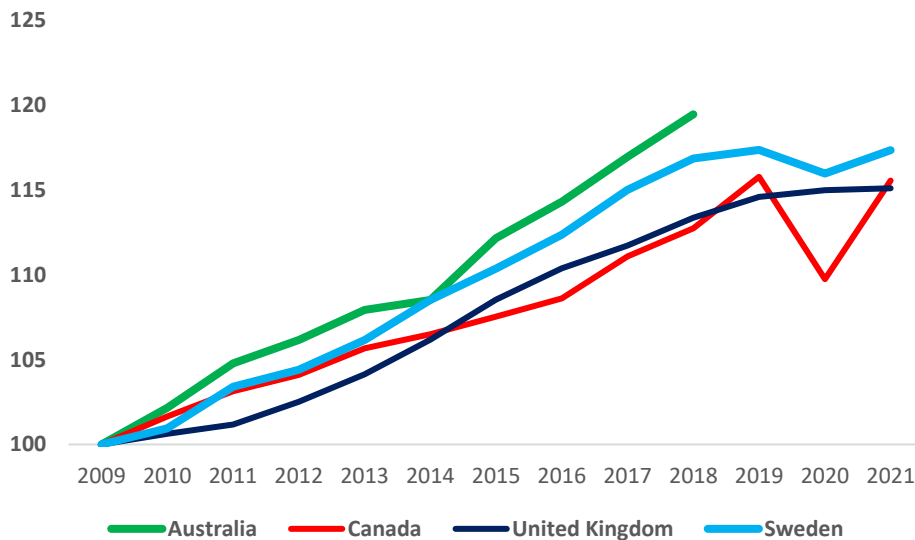


Source: OECD.Stat (<https://stats.oecd.org>) and Australian Bureau of Statistics, 6291.0.55.001 Labour Force, Australia, Detailed.

Chart 5 shows that all countries have experienced a consistent and solid increase in Services employment, even allowing for the shock imposed by the Global Pandemic. This growth has been much stronger in Australia. (Noting that comparable OECD data for Australia are not available beyond 2018.)

³ See Labour Market Insights at <https://labourmarketinsights.gov.au/industries/industry-details?industryCode=E#overview>

Chart 5: *Indices of Services Industries Employment by Country, 2009-2021 (2009 = 100.0)*



Source: OECD.Stat (<https://stats.oecd.org>)

It is likely that the relatively higher predominance of part-time employment in Australia is the result of a complex interplay of supply-side and demand-side factors. Abhayaratna, *et al*⁴ note that on the supply side, the changing demographics of the Australian workforce is having an impact. In particular, more women entering the labour market, increased employment take-up by young people engaged in education and, more recently, higher numbers of mature age workers working part-time after retiring from full-time employment. On the demand side, they point to employers in some sectors, particularly in retail, hospitality and other service industries preferring part-time employees because of the flexibility it offers. The Australian industrial relations system may also have an impact, with small and medium employers in the services sector opting out of enterprise bargaining.

2.b. Labour force participation

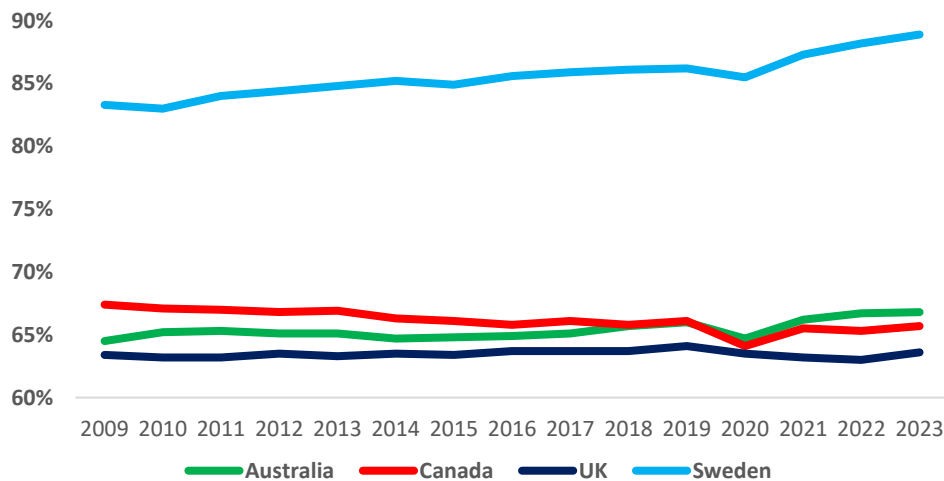
The participation rate is the proportion of the total population aged 15 years and over who are employed or unemployed. It is a measure of the extent to which a population is participating in the labour force. Chart 6 shows participation rates for the four countries. As can be seen, Sweden has a

⁴ Abhayaratna, J., Andrews, L, Nuvh, H., and Podbury, T. (2008). *Part Time Employment: The Australian Experience*, Productivity Commission Staff Working Paper, p.XX.

persistently higher participation rate that has been increasing since 2010. This the result of definitional differences, as many full-time students are included in Swedish unemployment statistics.

Chart 6 shows that the participation rate in Canada has been decreasing over time. As noted by Cross, the declining participation rate means that the Canadian labour force is growing too slowly. A key factor causing this is an ageing population with the baby boomer population reaching retirement age. Cross argues that this points to the need for policies involving a mix of encouraging those reaching retirement age to continue working, targeted immigration of skilled workers and policies to promote labour mobility and labour productivity.⁵

Chart 6: Participation Rates by Country, 2009-2023



Sources: Statistics Canada, Labour Force, Table 14-10-0287-02; Australian Bureau of Statistics, Labour Force Australia (6202.0); Statistics Sweden Database; UK Office of National Statistics.

Australia’s participation rate declined for a number of years, up until 2014, However, it has been increasing since, except for the period impacted by the Global Pandemic. The Australian Government has put in place a number of policies designed to increase labour force participation, including:

- Promoting female participation in the workforce through policies such as subsidised childcare and programs like ParentsNext. The female labour force participation rate has increased from

⁵ Cross, P. (2021). *The Implications of Slowing Growth in Canada’s Labour Force*, [Fraser Research Bulletin](#), April 2021.

58.8 per cent in 2009 to 62.2 per cent in 2023, more than offsetting the decline in the male participation rate over the same period.

- Skilled migration to meet skills and labour gaps. As most migrants are of prime working age this has increased participation rates for those aged 25-44 years. Participation rates for those aged 25-34 years have increased from 82.7 per cent in 2009 to 87.8 per cent in 2023 and from 81.8 per cent to 87.2 per cent for those aged 35-44 years.
- Encouraging mature age workers nearing retirement to return to or remain employed through wage subsidies and programs such as Career Transition Assistance. For example, the participation rate for those aged 60-64 years has risen from 48.3 per cent in 2009 to 60.4 per cent in 2023. Most noticeable is the increase in the female participation rate for women aged 60-64 years, increasing from 38.5 per cent to 53.7 per cent, an increase of almost 40 per cent. The Government has also introduced policies to encourage retired people to remain in the workforce and take up part-time work, through more generous income tests for the Age Pension. The participation rate for those aged 65 years and over has risen from 9.9 per cent in 2009 to 14.9 per cent in 2023.

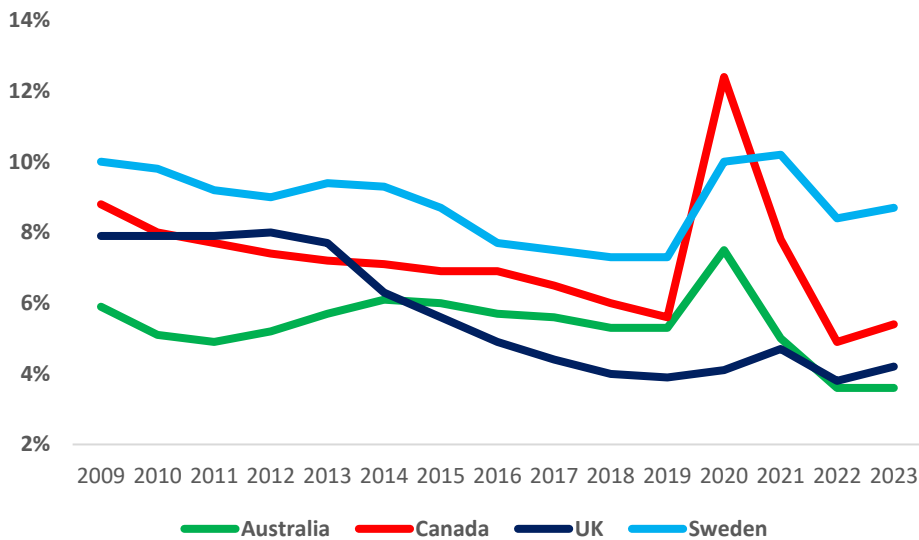
2.c. Unemployment

[Unemployment rates](#)

Chart 7 provides data on unemployment rates for each country from 2009 to 2023. The chart clearly shows the impact of the Global Pandemic on unemployment, with unemployment rates spiking in 2020 and 2021.

Sweden can be characterised as having the overall highest unemployment rate, averaging 8.8 per cent over the period while Australia had the lowest overall average unemployment rate of 5.4 per cent. The Swedish unemployment rate took longer to come down after 2020, in contrast to Australia, Canada and the United Kingdom, where the labour market recovered very quickly after the Global Pandemic in what has been described as a 'V'-shaped recovery. Data for July 2023 shows that the unemployment rate in Sweden remains high relative to other countries – 6.2 per cent compared to 5.5 per cent for Canada, 3.7 per cent for Australia and 4.2 per cent for the United Kingdom. Both Australia and the United Kingdom are at almost full employment levels, something not seen since the early 1970s.

Chart 7: Unemployment Rates (%) by Country, 2009 to 2023



Sources: Statistics Canada, Labour Force, Table 14-10-0287-02; Australian Bureau of Statistics, Labour Force Australia (6202.0); Statistics Sweden Database; UK Office of National Statistics, Number of People not in Work.

The trajectory of unemployment in Australia was particularly affected by the closure of the border during the Global Pandemic. The Australian Government closed the border in March 2020, and it remained closed for two years. Australia traditionally relies on skilled migrants to resolve skills and labour shortages. The Global Pandemic effectively stopped the flow of migrant labour into Australia. Prior to the lifting of border restrictions, the domestic economy began opening up. In an environment of severe skills and labour shortages local workers took up the jobs on offer and as a result the unemployment rate fell rapidly to a historically low level. Now that border restrictions have been removed, skilled migration is rising to pre-pandemic levels. Over time this can be expected to exert an upward pressure on unemployment.

There is some evidence that central bank interventions to contain inflation are having an impact on the labour market, at least in Australia and Canada. The latest data for July 2023 shows that for:

- Australia, the unemployment rate rose from 3.6 per cent to 3.7 per cent, the number unemployed increased by 35,600 and the number employed decreased by 14,600.
- Canada, the unemployment rate rose from 5.4 per cent to 5.5 per cent, the number unemployed increased by 19,700 and the number employed decreased by 6,400.

The obvious question is why does Sweden have such a consistently high comparative unemployment rate? The OECD proposes that this is partly due to the inclusion of many full-time students in Swedish unemployment statistics and large recent inflows of refugees⁶. This may be a partial answer; however, Australia, Canada, and the United Kingdom also have had relatively large refugee intakes over the past few decades.

[Long-term unemployment and unemployment duration](#)

Long-term unemployment is another issue confronting all four countries. A person is defined as long-term unemployed if they have been unemployed for 12 months or longer. Long-term unemployment is associated with economic and social costs. At the individual level, the longer a person is unemployed the more severe are the scarring effects of unemployment. In particular, they find it harder to get a job because they have no recent work experience, their skills atrophy and they lose contact with employment networks. Psychology also plays an important role as long periods of unemployment cause people to become discouraged from looking for work and they leave the labour force. Australian evidence is that the long-term unemployed are more than twice as likely to give up looking for work and leave the labour market as find employment in a given month⁷.

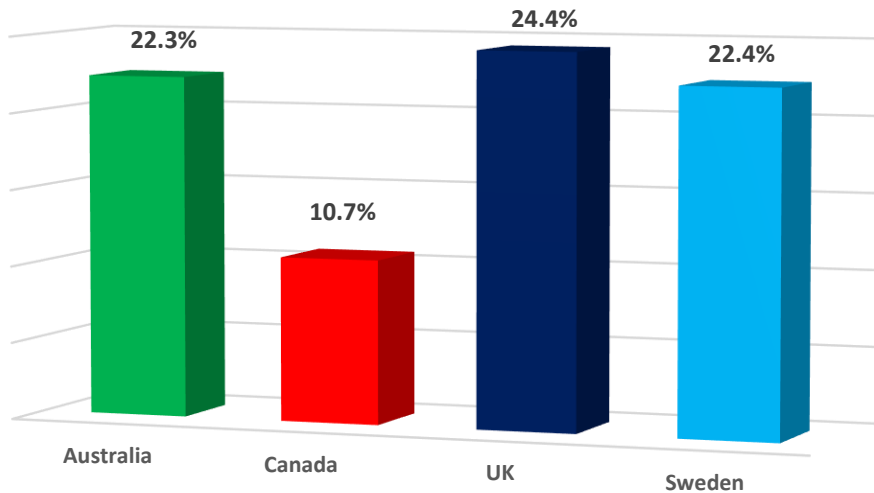
Long-term unemployment is highly correlated with financial stress and poorer physical and mental health. All of these impact on the cohesiveness of families and local communities through lower incomes. There is also an increased risk of intergenerational unemployment and welfare dependency. Individuals unemployed for extended periods also experience social exclusion and there is some evidence that unemployment is associated with a higher incidence of crime and other social problems. There are also economy-wide implications. Persistent long-term unemployment imposes a cost on taxpayers and future generations through increased welfare payments.

As can be seen in Chart 8, the United Kingdom has the highest incidence of long-term unemployment. This may reflect relatively weak employment growth in the United Kingdom over the past decade (refer to Chart 1). Under this scenario, jobs tends to be soaked up by new entrants to the labour market, leaving those already unemployed to become more marginalised over time.

⁶ OECD (2018) *The new OECD Jobs Strategy Good jobs for all in a changing world of work, how does Sweden Compare?* At <https://www.oecd.org/sweden/jobs-strategy-SWEDEN-EN.pdf>

⁷ Cassidy, N., Chan, I., Gao, A., and Penrose, G (2020). *Long-term Unemployment in Australia*, Reserve Bank of Australia Bulletin, December 2020.

Chart 8: Incidence of Long-term unemployment (% of unemployed), 2022



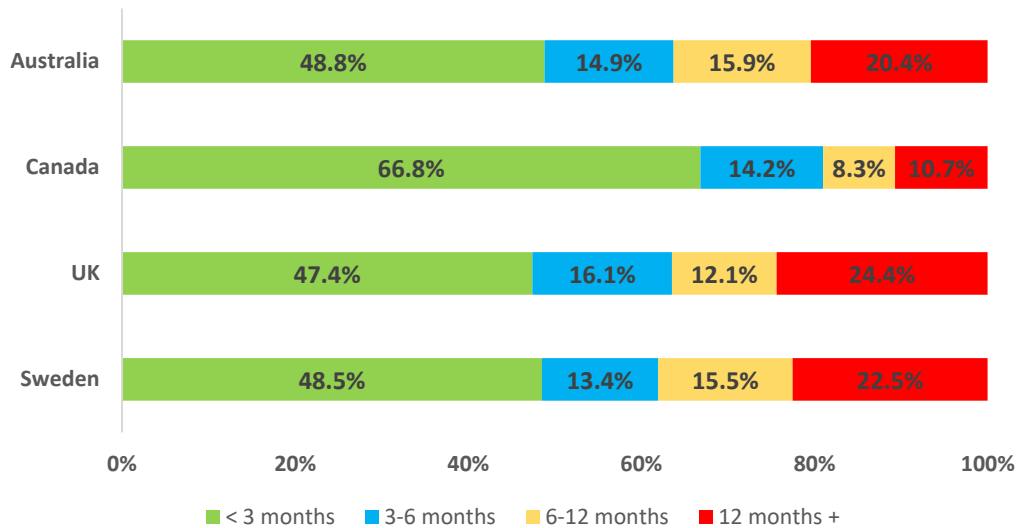
Source: OECD.Stat (<https://stats.oecd.org>) and Australian Bureau of Statistics, 6291014a, Labour Force, Australia, Detailed, December 2022.

Even where employment growth has been strong over extended periods, such as in Australia, long-term unemployment can become entrenched. This is because jobs growth is largely taken up by new entrants such as school and university leavers and migrants, leaving those who do not have recent workforce experience unemployed. The result is that the distribution of the unemployed population can become 'bipolar'. The newly unemployed tend to find work and leave the ranks of the unemployed quickly while those who are more disadvantaged find it harder to secure work and experience increasing durations of unemployment.

Unemployment Duration

Charts 8 and 9 shows data on unemployment by duration by country. As can be seen, entrenched long-term unemployment is an issue of particular concern for Australia and the United Kingdom, with 22.3 per cent and 24.4 per cent of unemployed people unemployed for more than 12 months respectively. This compares to 10.7 per cent for Canada and 22.4 per cent for Sweden. The Swedish data probably overstates the true extent of long-term unemployment as many full-time students are counted as unemployed.

Chart 9: Unemployment by Duration by Country, 2022 (% of total unemployed).



Source: OECD.Stat (<https://stats.oecd.org>) and Australian Bureau of Statistics, 6291014a, Labour Force, Australia, Detailed, December 2022.

Australia has a very high average duration of unemployment. In 2022 the average duration of unemployment was 50.2 weeks, compared to 37.7 weeks in Sweden and 19.6 weeks in Canada⁸. For Australian long-term unemployed job seekers, the average unemployment duration is 185.2 weeks, in excess of 3½ years. The Australian situation is concerning because, although it has experienced much higher employment growth than any other country, it continues to record high levels of long-term unemployment and high average durations of unemployment.

The situation in Australia and the United Kingdom points to the need for better targeted policies and programs to reduce the numbers and incidence of long-term unemployment.

2.d. Youth disengagement and unemployment

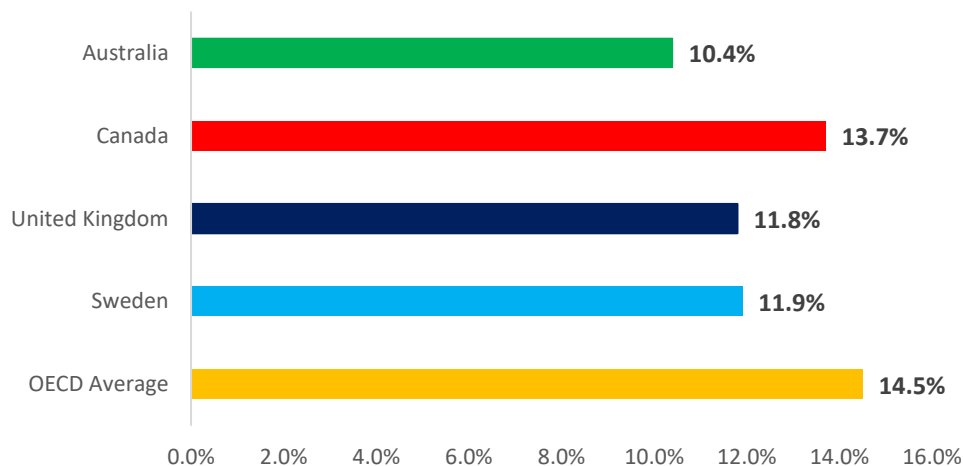
Youth disengagement is an issue facing all four countries. While the majority of young people make a successful transition from school to further education or employment, a small proportion do not. These are typically youth with low levels of education, poor literacy and numeracy and a range of non-vocational barriers such as drug and alcohol addiction, poor health, mental health issues and

⁸ Australian Bureau of Statistics, *Labour Force, Australia, Detailed, 62911014a*; Statistics Canada *Duration of Unemployment Annual, Table: 14-10-0057-01*; and Statistica <https://www.statista.com/statistics/528467/sweden-average-unemployment-length-by-age-group/>. Note data on average unemployment duration are not available for the United Kingdom.

family dysfunction. Young people who do not make a successful transition are at high risk of disengagement and lifelong welfare dependency. It is for this reason that governments have been keen to invest in education, training, and labour market programs for young people. This includes wage subsidies, apprenticeship and traineeship incentives and youth specific employment programs such as Transition to Work in Australia, the Youth Employment Initiative and Kickstart in the United Kingdom and Youth Job Connect in Ontario, Canada.

Chart 10 provides a comparison of the proportion of youth not in employment, education, and training (NEET) for the four countries. The proportion of young people who are NEET is an indicator of how smooth the transition from education into work is for young people and is considered a measure of youth disengagement. For comparison purposes the OECD provides data for youth defined as 15-29 years, with the latest comparable data from 2021. As can be seen, the NEET rate for all four countries is below the OECD average.⁹ Australia has the lowest proportion of youth who are NEET, and this may reflect the existence and success of long running youth specific education, training, and employment programs as well as the availability of part-time employment.

Chart 10: Youth Not in Employment, Education or Training (NEET) Rate (% of young people 15-29 years), 2021 (or latest data).



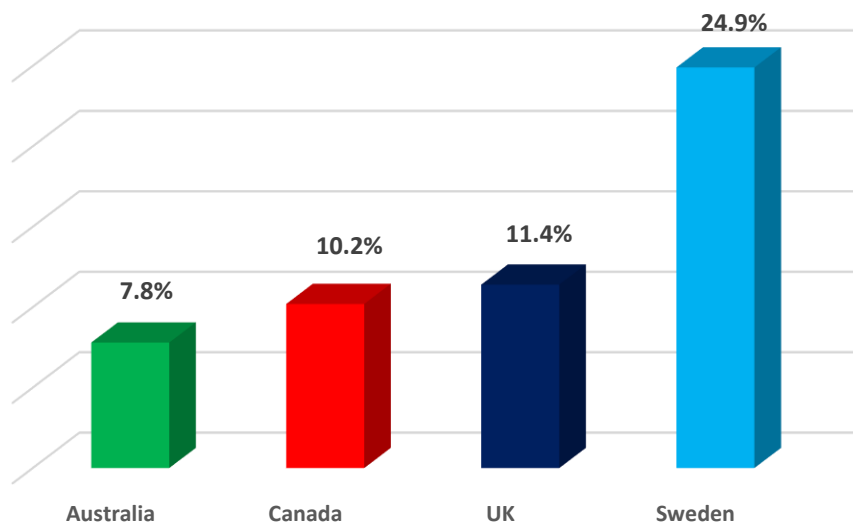
Source: OECD.Stat (<https://stats.oecd.org>).

⁹ The OECD average is impacted by the inclusion of countries such as Brazil, Colombia, South Africa, and Türkiye, which have NEET rates in excess of 25%.

The NEET rate for Canada is nearly 14 per cent. It appears that youth engagement in employment, education and training in Canada was disproportionately impacted by the Global Pandemic. Prior to the Global Pandemic, the Canadian NEET rate for 15–29-year-olds was 12 per cent. However, by April 2020 it had risen to 24 per cent, which was unprecedented. Since the Global Pandemic, the Canadian NEET rate appears to have fallen more slowly than in other countries.

Chart 11 provides data on the youth unemployment rate. The OECD uses the age group 15-24 years to provide comparable data across countries. As can be seen Sweden has the highest youth unemployment rate. However, as noted previously this is explained by significant numbers of full-time students being included in Swedish unemployment numbers.

Chart 11: Youth (15-24 years), Unemployment Rate (%) 2023 (or latest data)



Source: OECD.Stat (<https://stats.oecd.org>).

Australia has the lowest youth unemployment rate, at 7.8 per cent. This reflects the high employment growth Australia has experienced, together with policies that require young people to ‘earn or learn’ in order to be eligible for welfare payments. Other influencers include youth specific programs such as free and/or highly subsidised apprenticeships and traineeships, the Transition to Work program and youth wage subsidies.

Youth disengagement is a particularly critical issue in the United Kingdom, as reflected in high youth unemployment and a relatively high NEET rate. A recent House of Lords Youth Unemployment Committee identified a range of contributing factors to high youth unemployment¹⁰:

- The narrow focus of the national curriculum on academic subjects which does not help young people develop employability skills, such as teamworking, problem-solving and communication.
- Inequitable access to high quality career guidance and a decline in work experience opportunities.
- Long-term underfunding and undervaluing of the vocational education and training sector compared with higher education, together with a lack of apprenticeship opportunities for young people and poor incentives for employers to take on apprentices.
- Inadequate support and lack of programs for disadvantaged young people.
- Absence of coordination between government departments. As responsibility for youth employment sits between several government departments, there is lack of policy and program coherency.

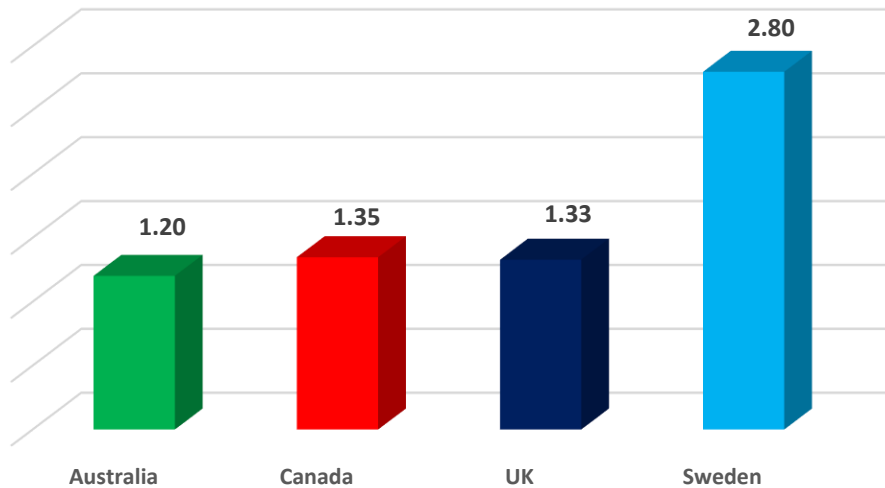
2.e. Skills and Labour and Shortages

All four countries are experiencing skills and labour shortages following the Global Pandemic. This is because the demand for labour has grown faster than the supply of labour since the Global Pandemic. As a consequence, employment levels are now higher than they were pre-pandemic and there are historically low unemployed to job vacancy rates.

Chart 12 shows that in all countries, except for Sweden, the proportion of unemployed to job vacancies is just over 1; that is, around 1 unemployed person per job vacancy. The Swedish job vacancy ratio is inflated by many students being counted in unemployment numbers.

¹⁰ Lords Committee Report (November 2021) *Causes of Youth Unemployment*.

Chart 12: Unemployed to Job Vacancy Rate 2022 (or latest data)



Sources: Australian Bureau of Statistics, Statistics Canada, United Kingdom Office of National Statistics, and Statistics Sweden.

Skills and labour shortages act as a brake on productivity and economic prosperity. The reasons for these shortages are complex and vary from country to country. While the Global Pandemic made skills and labour shortages worse, in most countries, it was a growing issue pre-pandemic. Normally we would expect to see real wages rise in response to a tight labour market, however, this has not happened. Again, the reasons are complex and range from wages setting systems in different countries, Brexit (in the United Kingdom), to ‘sticky wages theory’ under which employee wages are slow to respond to changing labour market conditions and company profitability.

[Australia](#)

The 2022 Survey of Employers who Recently Advertised (SERA) found that many firms were finding it hard to find skilled and experienced staff and are responding by increasing the hours of existing staff rather than training new staff¹¹. The survey found that more than half of the 20 largest employing occupations were facing skills shortages and that one in three occupations were experiencing worker shortages, up from one in five in 2021.

¹¹ National Skills Commission: <https://www.nationalskillscommission.gov.au/topics/recruitment-experiences-and-outlook-survey>

There were particular shortages in high skilled trade occupations, with 46 per cent of occupations requiring a Certificate IV qualification (i.e., an apprenticeship or equivalent qualification) experiencing shortages. The largest and most persistent trade shortages were for electricians, carpenters and construction workers, chefs, motor mechanics and engineering trades.

Canada

Statistics Canada's 2023 Survey on Business Conditions found that 40 per cent of businesses were expecting to experience difficulties recruiting and retaining skilled staff¹². Industries expecting the most difficulties in recruiting skilled staff in the next three months were Accommodation and Food Services (50 per cent of businesses), Manufacturing (50 per cent) and Health Care and Social Assistance (48 per cent).

United Kingdom

The United Kingdom Office of National Statistics Survey of Businesses found that in November 2022, 13 per cent of businesses were experiencing a shortage of workers.¹³ Industries with the highest percentage of businesses experiencing worker shortages were Accommodation and Food services (36 per cent), Construction (21 per cent) and Human Health and Social Works (19 per cent).

Sweden

Data reported by the European Commission indicates that at the end of 2021, 33 per cent of private sector employers reported that they had experienced a skills shortage when recruiting in the previous six months.¹⁴ These skill shortages were across both highly skilled professional workers and trades workers. Occupations with the greatest shortages were nurses and midwives, teachers, software and systems designers, engineers, plant and machinery operators, electricians, machine and metal workers, and plumbers.

¹² Canadian Survey on Business Conditions, first quarter 2023: <https://www150.statcan.gc.ca/n1/daily-quotidien/230227/dq230227b-eng.htm>

¹³ United Kingdom Office of National Statistics, Business Insights and the Impact on the UK economy, December 2022. Cited in House of Commons library Report Labour and Skills Shortages, 10 January 2023 at <https://researchbriefings.files.parliament.uk/documents/CDP-2023-0001/CDP-2023-0001.pdf>

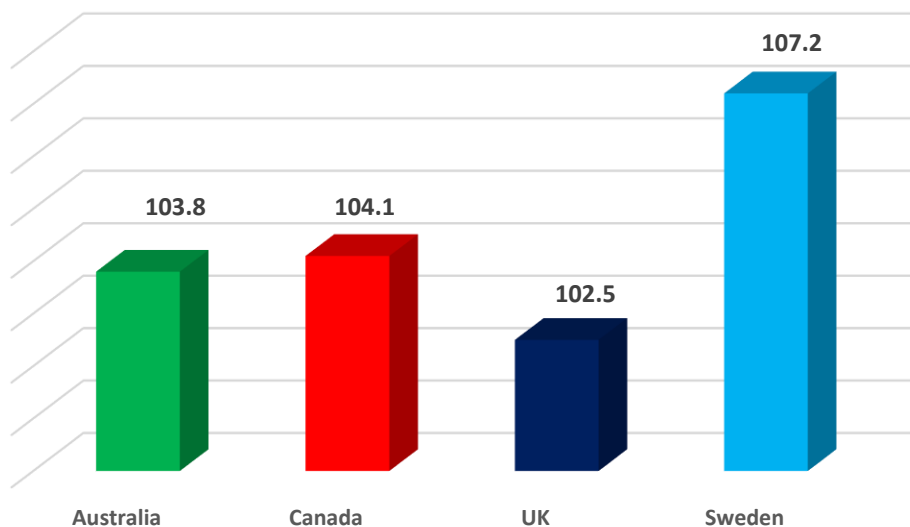
¹⁴ European Commission, EUROS https://eures.ec.europa.eu/living-and-working/labour-market-information/labour-market-information-sweden_en

2.f Labour Productivity

Increases in labour productivity are essential for sustained economic growth. Labour productivity is a measure of how efficiently an economy uses its labour and other resources to produce goods and services. Labour productivity is also important as it is the key driver for delivering improvements in real wages and living standards. It is defined as the output that each employed person creates per unit of their time.

Chart 13 shows indices of GDP per hour worked for each of the four countries with 2015 as the base year. Sweden has had the highest growth in productivity, followed by Canada and Australia. The United Kingdom has experienced the lowest growth in productivity. The data indicates a low productivity performance for each of the four countries.

Chart 13: Index of GDP per hour worked by country, 2022 (2015 = 100.0)



Source: OECD.Stat (<https://stats.oecd.org>).

The growth of the services sector has implications for future productivity. This is because jobs in this sector, for example aged care and personal services, tend to be highly labour intensive. Coupled with skills and labour shortages across many sectors, this points to the need for countries to invest in training to boost productivity.

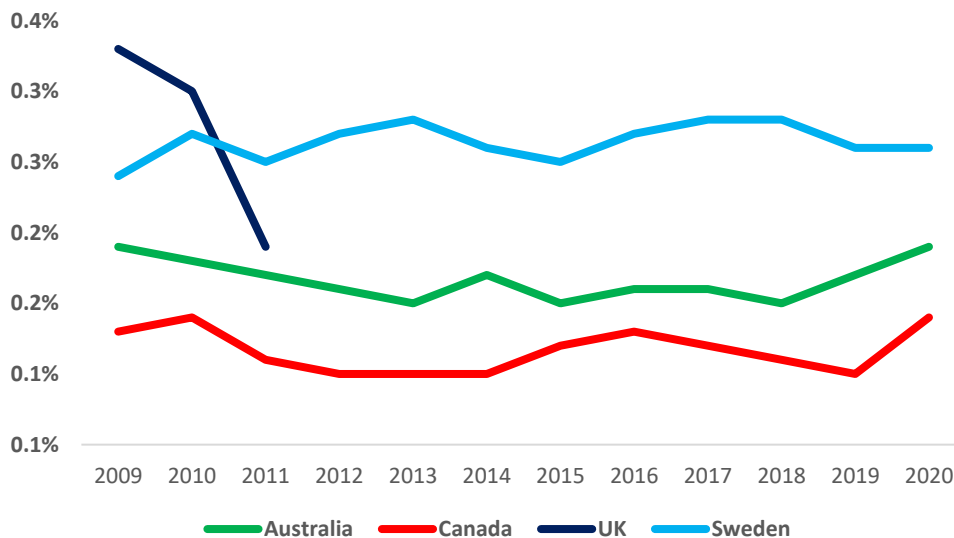
3. Expenditure on Public Active Labour Market Programs

Expenditure on active labour market programs can be seen as a proxy for the extent to which governments are willing to invest in reducing cyclical and structural unemployment and increasing labour market efficiency.

Chart 14 shows each country's expenditure on the Public Employment Service (PES) as a proportion of GDP. The PES is defined as placement and related services, benefit administration and other expenditure.

Sweden consistently spends relatively more on its PES, investing on average 0.25 per cent to 0.27 per cent of GDP. Australia sits in the middle of the pack at around 0.16 per cent and Canada at around 0.1 per cent of GDP. OECD data are not available for the United Kingdom from 2011 onwards, however, it appears that PES spending was moving towards that of Australia and Canada. Another feature is that PES expenditure increased significantly in both Canada and Australia with the onset of the Global Pandemic but did not do so in Sweden.

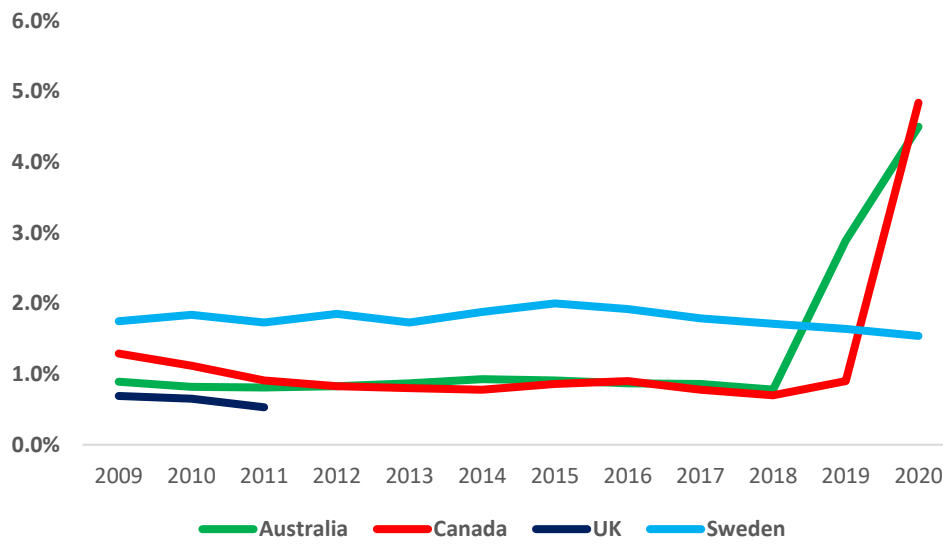
Chart 14: Public Employment Service Expenditure as a proportion of GDP, 2009-2020



Source: OECD.Stat (<https://stats.oecd.org>).

Chart 15: provides data on public expenditure on training as a proportion of GDP. Training includes institutional, workplace and alternate/integrated training, as well as special support for apprenticeships.

Chart 15: Training Expenditure as a proportion of GDP, 2009-2020



Source: OECD.Stat (<https://stats.oecd.org>).

The chart shows that relative to Sweden, Australia and Canada historically spends less on training. Australia and Canada have historically invested around 1 per cent of its GDP on training, compared to 1.8 per cent in Sweden. Australia and Canada both increased public training expenditure in 2020 during the Global Pandemic, however, Sweden did not. Again, while data are not available for the United Kingdom post-2011, public training expenditure was roughly in line with that in Australia. The underinvestment in training in Australia and Canada may go some way to explaining why both countries suffer from such severe skill shortages, particularly in key occupations.

4. Comparative Analysis of Employment and Welfare Systems

This section compares the employment services systems of the four countries and their income support systems. The objective is to determine whether any systemic design features explain labour market performance or broad policy approaches.

4.a. Australia

Australia began experimenting with contracted-out employment services to private sector and community providers in 1994. At the time Australia was in the midst of a recession and these reforms were introduced to quickly service a large number of unemployed people at risk of long-term unemployment.

[Job Network and the Active Participation Model](#)

In May 1998 the Australian Government went further and introduced Job Network. Job Network replaced the public Commonwealth Employment Service and other labour market programs with a contracted-out national network of private, community and government providers.

Since 1998 Australia has refined and reformed its employment services system a number of times. The Active Participation Model (APM) was introduced in July 2001 and introduced a continuum of assistance to ensure that job seekers were always participating in employment services, including:

- A single employment provider delivering increasingly intensive assistance to job seekers as their duration of unemployment increased, and the introduction of two streams of assistance: Job Search Support and Intensive Support (after 3 months of unemployment).
- A Job Seeker Account which provided a dedicated source of funds for purchasing assistance for job seekers.
- Incorporating Mutual Obligation requirements as a key part of assistance.
- Increasing the range of outcome fees to strengthen the link between the delivery of services and achieving employment outcomes.

Star ratings of provider performance was introduced in 2001. Star Ratings ranged from the highest level of performance of 5-Stars down to 1-Star. Sites with higher Star Ratings achieved higher levels of long-term employment outcomes, particularly for job seekers most disadvantaged in the labour market. Star ratings were published to inform job seeker and employer choice.

[Job Services Australia](#)

Job Services Australia commenced in July 2009, and it introduced four streams of support, with Streams 1 and 2 for the most job ready and Streams 3 and 4 for the most disadvantaged. Stream 4 job seekers were the most disadvantaged with complex and multiple non-vocational barriers such as mental health issues, drug and alcohol addiction, homelessness, etc. The Job Seeker Account was

replaced with the Employment Pathway Fund, which was functionally equivalent. The complex array of outcome fees under Job Network was simplified, and higher outcome payments introduced for job seekers in higher streams and with longer durations of unemployment.

[jobactive](#)

jobactive was implemented in July 2015. The key features of jobactive were:

- Job seekers were placed into one of three streams; A, B or C. Stream A job seekers were the least disadvantaged whereas those in Stream C required the highest level of assistance.
- Three service phases (the Self Service and Job Activity, Case Management, and Work for the Dole phases) which determined each job seekers' participation requirements.
- Providers were expected to work with industry and local employers to understand their needs and identify employment opportunities for job seekers.
- The Employment Fund replaced the Employment Pathway Fund to pay for goods and services for job seekers (e.g., work clothing and equipment, work licences, training, etc).
- The performance of jobactive providers was assessed via Star Ratings and the Quality Assurance Framework, including a certification requirement which sat on top of existing quality standards such as requiring ISO-9001 certification.
- A restructuring of payments to providers with providers rewarded more for placing job seekers into sustainable employment (especially 6 months) and higher outcome payments for disadvantaged job seekers.

[Workforce Australia](#)

Workforce Australia (WFA) was introduced on 1 July 2022. As with previous employment services models Services Australia (formerly Centrelink) is the gateway for most job seekers. Services Australia assesses eligibility for income support and manages the Job Seeker Snapshot which incorporates the long-standing Job Seeker Classification Instrument. It is used to determine each job seeker's level of disadvantage and to which Stream they are assigned.

WFA introduced a redesign of employment services recognising technological advances. In particular, digitally literate job seekers default to using Online Full Services to look for work, access resources such as training and to manage their participation so they can meet their Mutual Obligation requirements. Job seekers are referred to a provider:

- Where they opt out of the Online Full Service.
- Following a Capability Assessment or Capability Interview which identifies that the job seeker would be better supported by a provider.
- Where the job seeker enters the Penalty Zone for not meeting their obligations under the Targeted Compliance Framework.
- When they have reached 12 months or more in the Online Full Service.

Job seekers are able to choose their providers. However, the Star Ratings system has been discontinued, so job seekers are no longer able to easily make informed choices based on provider performance.

Providers service job seekers according to their assessed needs and continue to be able to access an Employment Fund which they can draw on to purchase goods and services to help a job seeker progress to or find work.

[Interaction with the Income Support System](#)

Conditionality via the Mutual Obligation framework is a central part of the income support and employment services system in Australia. To be eligible for certain income support payments (e.g., JobSeeker Allowance and Youth Allowance (Job Seeker)) job seekers must negotiate a Job Plan which sets out their obligations, including attending appointments and participating in activities to improve their employability.

A new "Points Based Activation System" has been introduced that requires most job seekers to achieve 100 points per month. There is a minimum number of job searches per month and job seekers can meet their points target by undertaking a range of activities such as training, programs to address labour market disadvantage and work experience. An individual's points target can be adjusted to reflect individual and labour market circumstances.

Job seekers who do not meet their Mutual Obligation requirements without a good reason may be subject to the Targeted Compliance Framework (TCF). Under the TCF job seekers receive demerits when they fail to meet a requirement. Those with 3 demerits enter the 'warning zone' and when they reach 5 demerits have a Capability Assessment with Centrelink to identify issues and review the Job Plan to make sure they can meet their requirements. If Centrelink decides at a Capability Assessment the job seeker had no valid reason for not complying with their job plan, their income support payment

may be impacted. This ranges from loss of payment for 1 week to cancellation of payment, whereupon job seekers are unable to reapply for income support for 4 weeks.

[Other Specialist Programs](#)

The Australian Government delivers a range of specialist programs targeted at specific groups. Some are under the banner of WFA while others are not. These include:

- **ParentsNext** for parents with their youngest child 5 years and under to help parents prepare for work when their child starts school. Assistance includes accessing child care, job preparation skills, education and training and connecting with counselling and local support services.
- **Transition to Work** for young people aged 15-25 years who have left school early or having difficulty finding a job after school. Help provided includes life skills, career guidance, job specific training, work experience and internships, job search and interview preparation and connecting with local support services, such as housing assistance or mental health support.
- **Career Transition Assistance** for people aged 45 years and over. This program includes improving job search skills and finding out how to transfer their skills to a new job or industry.
- **Self-Employment Assistance** which helps people with a business idea or existing business through assistance such as Exploring Self-Employment Workshops, Business Plan Development, free accredited Small Business Training, Business Advice Sessions, Business Health Checks and Small Business Coaching.

Disability Employment Services (DES) help people with disability find work and keep a job. Disability Employment Services has two elements (a) Disability Management Services are for job seekers with disability, injury or health condition who need assistance to find a job and occasional support in the workplace to keep a job; and (b) Employment Support Services are for job seekers with permanent disability who need help to find a job and need regular, ongoing support in the workplace to keep a job.

The DES program gives job seekers flexibility and choice in the services they receive and how they receive them, with job seekers able to choose their preferred provider when they first enter the program.

Australia also delivers a range of labour market programs targeted at **Indigenous Australians** and which are designed to close the gap in employment between Indigenous and non-Indigenous Australians. These include:

- **The Community Development Program** – which aims to support job seekers in remote Australia to build skills, address barriers to employment and contribute to their communities through activities and training.
- **The Indigenous Skills and Employment Program** – which connects Indigenous Australians to jobs, career advancement opportunities, and to new training and job-ready activities.

4.b Canada

Canada's public employment service is administered by Employment and Social Development Canada on behalf of the Employment Insurance Commission of Canada. The Provinces and Territories also provide employment and training services to unemployed people.

Employment and Social Development Canada administers an online job matching system that connects unemployed people with employers and administers several programs that are focussed on skill development:

- **Job Bank** provides free online tools and resources to help unemployed people link up with jobs listed by employers. Help for unemployed people includes searching vacancies online, advice on job search, and career planning. Employers can get help with how to find, hire, and retain employees.
- The **Skills Link Program** helps youth overcome barriers to employment, develop a broad range of skills and knowledge in order to participate in the current and future labour market and to promote education and skills acquisition. These barriers include, but are not limited to, challenges faced by recent immigrant youth, youth with disabilities, single parent youth, youth who have not completed high school, Indigenous youth, and youth living in rural/remote areas.
- The **Community Workforce Development Program** is a pilot to test community-based approaches to workforce planning and skills training to support local economic development and growth. The program encourages collaboration between employers, training providers, community organisations and others, to support community workforce planning, help job seekers and workers develop the skills needed through training and on-the-job work experiences, and support employers to fill jobs in demand.

- The **Youth Employment and Skills Strategy Program** provides funding to organisations to deliver a range of activities that help youth overcome barriers to employment and develop skills and knowledge to participate in the labour market. Youth Targeted groups include early school leavers, recent immigrants, youth from minority groups, youth with disability, single parents, youth in remote locations and youth facing homelessness.

[Employment Insurance and conditionality](#)

Unemployed Canadians receive Employment Insurance (EI) payments while they look for work. EI is funded from employer and employee contributions and is administered by Service Canada, which sits under Employment and Social Development Canada. For most people, the basic rate for calculating EI benefits is 55 per cent of their average weekly earnings. EI is payable from 14 weeks up to a maximum of 45 weeks, depending on the unemployment rate in the region where the job seeker resides.

While there is conditionality for maintaining eligibility for EI, Canada does not have the strict Mutual Obligation framework that exists in Australia. To maintain payment eligibility unemployed people on EI are required to actively look for work, participate in job search activities to increase opportunities for finding work, accept suitable employment, and keep records of job search.

[Employment Services in Ontario](#)

Those not eligible for EI, may be eligible for financial support from Provincial Governments. For example, Ontario Works provides financial assistance for unemployed people not eligible for EI, subject to participating in employment services. Examples of help available under Ontario Works includes:

- Workshops on looking for work, résumé writing, and preparing for interviews.
- Referrals to job counselling or training programs.
- Information on employers hiring.
- Access to education and training.
- Access to job banks, computers, internet, and phones.
- Job specific training.
- Work placements with employers and community placements.

The Ontario Government also funds the **Better Jobs Ontario program** which aims to help unemployed people re-join the workforce by providing in-demand skills and financial support. Training programs take 52 weeks or less to complete. Job seekers can be eligible for up to CA\$28,000 to help pay for

training and transport and includes a basic living allowance. Better Jobs Ontario is delivered by a range of employment service providers.

The Ontario Government is currently undergoing an Employment Services Transformation to reform the delivery and management of employment services in the province. The key elements of the transformation are:

- Employment support will be delivered by one 'support pathway' as opposed to three. Currently there are three programs (Ontario Works, Employment Ontario, and the Ontario Disability Support Program) and these will be consolidated.
- The Government is changing oversight and management of employment service contracts from the Ministry of Labour, Training and Skills to contracted Service System Managers in 15 regional Catchment Areas.
- The funding model is being changed to reward performance. Under the changes, 20 per cent of funding will be paid on achieving retention-based employment outcomes. Currently funding is largely based on client volumes.

4.c United Kingdom

In England, Scotland and Wales the United Kingdom Government provides help for people to find employment through its online job vacancy service called Job Help. This website also provides a range of resources on job search as well as help and support for job applications, refining CVs and accessing other support such as childcare and career guidance.

The United Kingdom's mainstream employment service is called the **Restart Scheme**, introduced in July 2021. Initially it focussed on those who had been on Universal Credit in the Intensive Worksearch Regime for between 12 and 18 months. Universal Credit is a payment for people of working age who are on a low income or out of work. From January 2022, eligibility for the Restart Scheme was expanded to those on Universal Credit after 9 months and with no upper limit on their unemployment duration. In April 2022 eligibility was expanded further to include those on the Income Based Jobseekers Allowance.

The Restart Scheme is delivered in England and Wales in 12 Contract Package Areas (CPA), with a Prime Provider in each CPA. The Prime Provider is responsible for managing delivery partners in each CPA. These include specialist charities and small and medium-sized enterprises.

The Restart Scheme provides up to 12 months of tailored support for each job seeker. It processes job seekers through a diagnostic assessment to identify employment barriers and current skills. Based on this assessment, individuals are assigned to Restart Advisors who develop an Action Plan and provide tailored supports to help job seekers attain employment. Job seekers attend Action Plan Reviews, in person, every 4 weeks, and a 1:1 contact every 2 weeks via telephone, in-person, or online. The Restart Scheme uses a 'a balanced Payment by Results' model under which payments to providers are weighted towards 3- and 6-months employment outcomes.

Universal Credit and conditionality

Job seekers in receipt of Universal Credit payments agree to a 'claimant commitment'. This specifies what job seekers must do to retain eligibility and includes attending appointments, preparing for, and looking for work or seeking to increase their earnings if already working.

Job seekers have a meeting at a Jobcentre to discuss their claimant commitment and personal circumstances, which are reflected in the commitment. For example, if a job seeker has a mental health condition, or care for someone this can be included. The claim commitment is reviewed regularly and when circumstances change. Those required to look for work, get help from a 'work coach' who assists job seekers apply for jobs and access training and other support.

Job seekers who fail to meet their commitment can have their payment reduced or stopped. However, as with Canada, the United Kingdom does not have the strict Mutual Obligation framework that exists in Australia.

4.d Sweden

Employment services in Sweden are delivered by a complex range of providers across different levels of government. The Swedish national public employment service is called the *Arbetsförmedlingen*, and it has national responsibility for the design and management of labour market policies. It is also responsible for managing unemployment insurance which is the main source of temporary income support for the unemployed in Sweden (see below).

Local or municipal governments have a great deal of autonomy and are also involved in the delivery of employment services. The most common employment services delivered by municipal governments are job search activities, apprenticeships/internships, language training and municipal employment.

The *Arbetsförmedlingen* provides a range of employment programs. These include:

- The **Job Guarantee for Young People** (*jobbgarantin för unga*) – a program for youth under 25 years who have been unemployed for at least three months. The program provides support for youth through job search, job and career guidance and short-term education and training.
- The **Job and Development Guarantee** (*jobb-och utvecklingsgarantin*) – a program for the long-term unemployed and consists of individually designed interventions and support, combined with requirements for job seekers to actively look for a job.
- The **Establishment Programme** (*etableringsprogrammet*) for newly arrived immigrants – a support program to help migrants learn Swedish, find a job, and manage their own livelihood.

Sweden is undergoing a major reform of the *Arbetsförmedlingen*. This involves shifting its main role from providing in-house services towards monitoring of private providers who deliver services on the ground. At the same time, it is undergoing a significant restructuring, resulting in a downscaling of physical presence across the country and an increased digitalisation of services. The reform process is still in its early stages and the market for contracted-out services remains immature.

[Swedish unemployment insurance and conditionality](#)

Like Canada, Sweden has a system of employment or unemployment insurance. There are two unemployment insurance schemes:

- A voluntary unemployment insurance scheme which requires membership of an Unemployment Insurance Fund for at least 12 months. Benefit claimants must be capable of work, be registered as a job seeker at the *Arbetsförmedlingen* and be available for work. Generally, recipients must have worked at least six months (for 80 hours per month) 12 months prior to becoming unemployed. The maximum benefit duration is 300 days for those without children and 450 days for those with children.
- A mandatory basic assistance scheme exists, which is aimed at those who are not insured or who have not been insured long enough to meet the employment conditions. This is a non-contributory and non-means-tested scheme which does not require membership of an Unemployment Insurance Fund. The benefit duration is 300 days for those without children and 450 days for those with children.

Additionally, people who are out of work and not eligible for unemployment insurance payments may receive social assistance from the social services in their municipality. Individuals who are capable of

work are required to participate in employment services from the *Arbetsförmedlingen*, while receiving social assistance benefits from municipalities.

Swedish employment programs therefore combine unemployment benefit and active participation in employment support. While the Swedish conditionality policy is not as imposing as Australia's Mutual Obligation framework, the level of conditionality is higher than in Canada and the United Kingdom.

5. Conclusions and findings

The analysis highlights Australia's remarkable employment growth, which is attributed to Australia's three decades of continuous economic expansion, a streak only disrupted by the Global Pandemic. Nevertheless, Australia's labour market has a growing reliance on part-time employment. In contrast, Canada, the United Kingdom, and Sweden have had relatively stable or increasing proportions of full-time employment. This disparity has significant implications for the design of employment services in Australia. Government programs reward sustainable full-time work, and this could impact on the financial viability of providers if the trend continues. However, this could be counterbalanced by overall employment growth, even with a falling share of full-time jobs.

The Global Pandemic induced substantial economic and labour market upheaval across all four nations. Economic shutdowns led to a swift drop in employment and a rapid increase in unemployment. Yet, recovery was unexpectedly swift, resulting in current employment levels surpassing pre-pandemic figures—a phenomenon described as a 'V-shaped' recovery. This owed much to government policies that included extensive support for the jobless and financial aid for businesses.

In the post-pandemic landscape, economies are approaching full employment, boasting unemployment rates unseen since the 1970s. However, the last 12-18 months have introduced challenges such as global inflation due to supply chain disruptions and the Ukrainian conflict. Central banks have raised interest rates to curb inflation, resulting in a moderation of economic growth and the subsequent rise in unemployment rates. This trajectory indicates that employment service providers are likely to experience higher caseloads in 2024. Furthermore, these caseloads may increasingly comprise individuals facing greater disadvantage, creating a tougher environment for achieving employment outcomes. Providers will need to be innovative to secure employment outcomes and might also focus on longer-term strategies like training and preparing job seekers for a recovering labour market.

Simultaneously, all four countries confront various labour market and workforce challenges. Significant labour and skill shortages are hampering productivity and future economic expansion. While the Global Pandemic exacerbated these shortages, pre-pandemic trends already highlighted growing skill deficits. In Australia, the shortage may partly stem from inadequate training investments, with skilled trades and jobs requiring apprenticeships experiencing the most substantial shortages.

The United Kingdom and Australia, in particular, grapple with the challenge of long-term unemployment. Australia's average duration of unemployment for long-term unemployed job seekers exceeds 3½ years, despite such high levels of employment growth. This situation underscores the need for targeted policies to mitigate long-term unemployment. Youth disengagement is another shared concern, though Canada faces a more acute scenario. At the pandemic's peak, one in four Canadian youth were not in employment, education or training. Comparatively, Australia's youth disengagement and unemployment rates are lower, possibly due to focused programs like the Transition to Work program.

The paper also evaluated each country's employment services and welfare systems. Australia pioneered outsourcing employment services to private providers, a trend Canada and the United Kingdom have followed. Sweden is gradually adopting this model. Differences exist in provider payment structures, with Australia and the United Kingdom favouring sustainable employment achievements. Ontario is also transitioning to rewarding employment outcomes under its Employment Services Transformation.

Each country's income support system includes conditionality, requiring active job search and acceptance of suitable job offers. Australia's Mutual Obligation framework, however, stands out for its stringent measures, which, combined with relatively modest unemployment payments, could contribute to lower unemployment rates but higher part-time employment levels. This interaction has yet to be fully explored.

In conclusion, this paper's findings underscore the shared labour market challenges of Australia, Canada, the United Kingdom, and Sweden—namely, skills and labour shortages and, more recently, rising unemployment due to interest rate hikes by central banks. Nonetheless, each country's unique economic structures and institutional frameworks yield distinct approaches. These differences offer valuable contextual insights for comparing and contrasting labour market dynamics.