

Chapter 1

RECENT LABOUR MARKET DEVELOPMENTS AND PROSPECTS

Special Focus on the Evolution of Employment in the New OECD Member Countries

Summary

In the mid-1990s, five countries joined the OECD: the Czech Republic, Hungary, Korea, Mexico and Poland. This section considers trends for selected labour force indicators in these countries over the past decade and compares these developments with the average experience for the twenty-four other OECD countries. The assessment of aggregate employment trends over time is complemented with data on the composition of employment according to various characteristics at the end of the 1990s.

The past decade was a period of rapid economic change and stress for all of the new Member countries and their labour market statistics reflect important structural changes, as well as considerable resilience in an often difficult environment. Among the encouraging developments, Hungary, Korea and Poland experienced above-average growth in output per employed person, while Mexico substantially increased employment among its working-age population. Other developments were less positive, such as falls in employment rates in the Czech Republic, Hungary and Poland, and of output per employed person in the Czech Republic and Mexico. As of 1998, all five countries remained clustered toward the bottom of the OECD country ranking for output per capita due to the combined effects of below-average employment rates (except in the Czech Republic) and output per employed person.

The Czech Republic, Hungary and Poland continue to be marked by above-average concentrations of employment in industry, occupational categories related to industry, and large enterprises, a situation with historical roots in the economic strategy of the former central planning system. Korea, Mexico and Poland have substantial shares of employment in agriculture and related activities. All five have below-average concentrations of employment in the service sector overall, despite Korea and Mexico having a relatively high concentration in certain sub-sectors. While the five new Member countries differ substantially from the OECD average with respect to several aspects of the industrial and occupational composition of employment, these differences appear to be diminishing. In particular, there has been a large shift of labour from agriculture to services that may contribute to future gains in output per worker.

Introduction

The rebound of global economic activity after the 1997-1998 crisis in the emerging market economies has been stronger than previously expected. The United States economy continued to experience a relatively rapid pace of growth in 1999 (Table 1.1). The rate of growth slowed somewhat in OECD Europe and was only one-half as high as in North America. Nevertheless, growth in OECD Europe exceeded expectations. Korea experienced a strong recovery and the highest rate of growth in the OECD during the year. Positive growth in real GDP also returned to

Japan and New Zealand following contractions in 1998, but it remained weak in Japan. Among OECD countries, only Turkey and the Czech Republic experienced declines in real GDP.

Section I presents an overview of recent economic developments and prospects, with particular emphasis on labour markets. Based on selected labour force indicators, Section II provides a discussion of the evolution of employment in the new OECD Member countries during the 1990s. It considers aggregate employment trends in relation to the macroeconomic context and then looks at the composition of employment, highlighting implications

Table 1.1. Growth of real GDP in OECD countries^{a, b}

	Share in total OECD GDP 1995	Annual percentage change			Projections	
		Average 1987-1997	1998	1999	2000	2001
Australia	1.8	3.3	5.1	4.4	3.9	3.7
Austria	0.8	2.4	2.9	2.2	3.0	3.1
Belgium	1.1	2.3	2.7	2.5	3.6	3.2
Canada	3.3	2.2	3.1	4.2	4.3	3.0
Czech Republic	0.6	..	-2.3	-0.2	1.4	2.3
Denmark	0.6	1.8	2.5	1.6	2.2	2.4
Finland	0.5	1.5	5.0	3.5	5.4	4.8
France	5.7	1.9	3.2	2.9	3.7	2.9
Germany ^c	8.3	3.3	2.2	1.5	2.9	3.0
Greece	0.6	2.0	3.7	3.2	3.8	3.9
Hungary	0.4	..	4.9	4.5	5.2	5.0
Iceland	0.0	1.4	4.7	4.4	3.7	2.7
Ireland	0.3	6.1	8.9	8.7	9.9	8.0
Italy	5.5	1.8	1.5	1.4	2.9	3.1
Japan	13.6	3.0	-2.5	0.3	1.7	2.2
Korea	2.9	7.4	-6.7	10.7	8.5	6.0
Luxembourg	0.1	5.9	5.0	4.9	5.6	5.3
Mexico	3.0	3.0	4.8	3.7	4.8	5.0
Netherlands	1.6	2.9	3.7	3.6	4.3	4.0
New Zealand	0.3	2.0	-0.6	3.9	4.2	3.0
Norway	0.5	3.1	2.0	0.9	3.4	2.8
Poland	1.3	..	4.8	4.0	5.0	4.8
Portugal	0.6	3.0	3.9	3.0	3.6	3.4
Spain	2.8	2.6	4.0	3.7	4.3	3.9
Sweden	0.8	1.2	3.0	3.8	4.4	3.0
Switzerland	0.9	1.3	2.1	1.7	2.8	2.6
Turkey	1.7	4.2	3.1	-5.0	4.2	3.9
United Kingdom	5.2	2.2	2.2	2.1	2.9	2.3
United States	35.3	2.9	4.3	4.2	4.9	3.0
OECD Europe^d	39.9	2.4	2.7	2.0	3.5	3.2
EU	34.5	2.4	2.7	2.3	3.4	3.1
Total OECD^d	100.0	2.8	2.4	3.0	4.0	3.1

.. Data not available.

a) The OECD Secretariat's projection methods and underlying statistical concepts and sources are described in detail in "Sources and Methods: OECD Economic Outlook" which can be downloaded from the OECD Internet site (<http://www.oecd.org/eco/out/source.htm>).

b) Aggregates are computed on the basis of 1995 GDP weights expressed in 1995 purchasing power parities.

c) The average growth rate has been calculated by chaining on data for the whole of Germany to the corresponding data for western Germany prior to 1992.

d) Averages for 1987-1997 exclude the Czech Republic, Hungary and Poland.

Source: OECD (2000), *OECD Economic Outlook*, No. 67, June.

for the efforts of the new Member countries to catch up economically with the other OECD countries.

I. Recent developments and prospects

A. Economic outlook to the year 2001

In the OECD area, real GDP growth is projected to reach 4 per cent in 2000, which, if realised, would be the fastest growth performance since 1988. In 2001, real GDP growth is likely to decrease somewhat to about 3 per cent. All OECD countries are projected to have positive growth

during these years, with Ireland and Korea experiencing the fastest growth. In the United States, output growth should slow in 2001, in response to tightening financial conditions – including additional hikes in policy-controlled interest rates – and softening stock markets. Economic expansion in the European Union is expected to exceed 3 per cent over the next two years. Domestic demand should grow briskly, underpinned by rising employment and real disposable incomes, while the depreciation of the euro should result in a surge of exports. In Japan, a modest recovery is projected to take hold due to stronger exports and, after a protracted period of restructuring and a rise in profits, more buoyant corporate investment and stockbuilding.

B. Employment and unemployment

In 1999, the overall pace of employment growth in the OECD area was little changed from the previous year (Table 1.2). Ireland again experienced the highest employment growth rate among OECD countries (5.8 per cent), although its rate of increase slowed substantially from 1998. Following strong employment performance in 1998, Luxembourg and Spain also remained among the top performers in 1999 with job growth rates above 4 per cent. Employment growth in North America outpaced that of OECD Europe, a gap that is expected to widen in 2000. However, in 2001, relatively slower output growth in North America is projected to cause a reduction in this gap. Korea's economic recovery was accompanied by a modest increase in employment in 1999, but the pace is expected to quicken in 2000-2001. The Czech Republic experienced a loss of employment of 2.3 per cent in 1999, while Japan and Poland experienced losses of less than one per cent each. While the employment losses in the Czech Republic are projected to continue in 2000-2001, it is expected that Japan and Poland will see a modest resumption of employment growth by the end of the period.

Reflecting the stronger economic activity in the OECD area, the overall unemployment rate fell by three-tenths of a percentage point in 1999 and should fall further over the next two years to reach a rate of about 6 per cent of the labour force or 31¼ million persons in 2001 (Table 1.3). This decrease of about three million persons reflects particularly significant reductions in unemployment in the European Union and Korea. Despite this improvement, four countries within OECD Europe will continue to have double-digit unemployment rates in 2001. The OECD projections indicate a possible increase in the unemployment rate in the United States to about 4.2 per cent by 2001, while in Japan unemployment is projected to remain at about 4.8 per cent, its highest level since the 1950s.

C. Compensation and labour costs

In the OECD area, excluding high inflation countries, the rate of growth in compensation per employee in the business sector increased by just under one-half of a percentage point in 1999 and this rate is projected to increase by more than one-half percentage point by 2001 (Table 1.4). By contrast, the high-inflation countries shown in the Table (Greece, Hungary and Poland) experienced a reduction in this measure in 1999 and are projected to experience further reductions by the end of the period. These high-inflation countries also saw significant declines in the rate of increase in unit labour costs in the business sector in 1999, which should continue during the

next two years. In the OECD area excluding high-inflation countries, the average increase in unit labour costs slowed slightly in 1999, despite increases in the pace in a number of countries, notably Italy, Korea and the Netherlands. Unit labour costs fell by 1.5 per cent in Japan, and only increased moderately in the United States despite a very tight labour market. An acceleration in the pace of increase in these costs is projected for the OECD area excluding high-inflation countries by the end of the period, with rises of one percentage point or more projected for Australia, Canada, Korea, New Zealand, Spain and Sweden.

II. The evolution of employment in the new OECD Member countries, 1989-1999

A. Introduction

The mid-1990s witnessed the first increase in the number of OECD Member countries in 21 years, with five countries – the Czech Republic, Hungary, Korea, Mexico and Poland – joining the Organisation.¹ The aim of this section is to consider selected labour force developments in these countries over the past decade. Patterns in the level and composition of employment are also compared with the average for other OECD countries.²

B. Macroeconomic overview

Table 1.5 presents per capita output (measured in PPPs) in OECD Member countries as the product of their mobilisation of the potential labour supply, defined as the ratio of employment to the total population, and their output per person in employment. The new OECD Member countries are clustered near the bottom of the country rankings for output per capita. Future increases in per capita output will depend on increasing employment or output per employee. Except for the Czech Republic, the new Member countries have below-average employment rates. With respect to output per employed person, all five new Members fall in the bottom quartile (as do Portugal and Turkey). There is a 19 per cent gap between even the best performer in this group by this measure (Korea) and the next country in the rankings (Greece). The gaps between the new Members and the other OECD average were greater with respect to output per employed person than with respect to the employment/population ratio.³

Chart 1.1 presents developments from 1989 to 1999 with respect to output, population and employment.⁴ This period was a time of rapid economic change and stress in

Table 1.2. **Employment and labour force growth in OECD countries^a**

Annual percentage change

	Employment						Labour force					
	Level 1998 (000s)	Average 1987-1997	1998	1999	Projections		Level 1998 (000s)	Average 1987-1997	1998	1999	Projections	
					2000	2001					2000	2001
Australia	8 617	1.7	1.8	1.9	1.9	1.9	9 364	1.7	1.2	1.0	1.4	1.6
Austria	3 962	0.7	0.9	1.4	1.4	1.4	4 200	0.8	1.0	1.0	1.1	0.9
Belgium	3 855	0.4	1.2	0.9	1.4	1.4	4 260	0.3	1.3	0.3	0.6	0.8
Canada	14 139	1.0	2.6	2.8	2.5	1.6	15 416	1.1	1.8	2.0	1.6	1.5
Czech Republic	4 818	..	-1.4	-2.3	-1.5	-0.2	5 153	..	0.4	0.2	0.1	0.0
Denmark	2 685	-0.1	2.1	0.8	0.8	0.8	2 867	-0.1	0.7	-0.2	0.7	0.7
Finland	2 222	-1.1	2.4	3.3	2.3	1.8	2 508	-0.3	1.0	1.9	1.1	0.9
France	22 842	0.3	1.1	2.0	2.3	2.0	25 900	0.5	0.4	1.2	0.9	0.8
Germany ^b	35 994	2.9	0.4	0.3	0.5	0.9	39 709	3.1	-0.2	-0.1	-0.1	0.0
Greece	3 921	0.5	3.4	1.0	1.2	1.4	4 400	0.8	4.7	0.8	0.8	0.8
Hungary	3 619	..	1.5	3.1	2.7	2.0	3 932	..	0.4	2.1	2.0	1.8
Iceland	133	-0.2	3.4	2.7	1.4	1.0	137	0.1	2.2	1.8	1.2	1.2
Ireland	1 521	2.4	10.2	5.8	5.6	3.8	1 646	1.6	6.9	3.5	3.5	3.5
Italy	20 242	-0.3	1.1	1.2	1.5	1.3	22 987	-0.1	1.2	0.8	0.9	0.8
Japan	65 144	1.0	-0.7	-0.8	-0.1	0.3	67 933	1.1	0.1	-0.2	0.0	0.3
Korea	19 927	2.6	-5.3	1.5	3.7	2.1	21 390	2.5	-1.0	0.9	1.8	1.6
Luxembourg	236	3.0	4.3	5.0	4.6	4.3	179	1.1	1.6	2.3	1.9	1.9
Mexico	18 416	4.5	4.9	3.2	2.6	2.6	19 018	4.4	4.3	2.5	2.5	2.6
Netherlands	6 609	2.0	3.3	3.0	2.5	2.2	6 895	1.7	1.8	1.9	1.8	1.8
New Zealand	1 725	1.1	-0.6	1.5	2.0	1.4	1 864	1.4	0.3	0.8	1.3	1.3
Norway	2 249	0.3	2.5	0.5	0.1	0.3	2 323	0.5	1.6	0.5	0.4	0.4
Poland	15 849	..	1.9	-0.2	-0.5	0.8	17 606	..	0.1	2.1	0.8	0.8
Portugal	4 493	1.1	4.6	1.8	1.5	1.3	4 732	1.0	2.7	1.1	1.1	1.1
Spain	13 205	0.8	3.4	4.6	3.1	2.4	16 265	1.0	0.9	1.0	0.9	0.9
Sweden	3 978	-1.0	1.5	2.2	1.9	1.4	4 256	-0.3	-0.2	1.2	1.0	0.8
Switzerland	3 848	0.8	1.2	0.6	1.2	1.2	3 988	1.2	-0.1	-0.5	0.5	1.1
Turkey	21 594	1.4	2.8	2.2	2.1	2.0	23 048	1.2	2.7	3.3	2.0	2.0
United Kingdom	27 212	0.6	1.2	1.0	0.9	0.5	29 024	0.3	0.5	0.7	0.7	0.6
United States	131 463	1.4	1.5	1.5	2.1	1.0	137 665	1.3	1.0	1.2	1.8	1.2
OECD Europe^c	205 093	0.9	1.6	1.4	1.3	1.3	226 013	1.0	0.9	1.1	0.8	0.8
EU	152 982	1.0	1.5	1.6	1.5	1.3	169 826	1.1	0.8	0.7	0.7	0.7
Total OECD^c	464 522	1.3	1.1	1.3	1.5	1.2	498 662	1.3	0.9	1.0	1.1	1.0

.. Data not available.

a) See note a) to Table 1.1.

b) The average growth rate has been calculated by chaining on data for the whole of Germany to the corresponding data for western Germany prior to 1992.

c) Averages for 1987-1997 exclude the Czech Republic, Hungary and Poland.

Source: OECD (2000), *OECD Economic Outlook*, No. 67, June.

Table 1.3. Unemployment in OECD countries^a

	Percentage of labour force					Millions				
	Average 1987-1997	1998	1999	Projections		Average 1987-1997	1998	1999	Projections	
				2000	2001				2000	2001
Australia	8.6	8.0	7.2	6.7	6.4	0.7	0.7	0.7	0.6	0.6
Austria	4.8	5.7	5.3	5.0	4.5	0.2	0.2	0.2	0.2	0.2
Belgium	8.6	9.5	9.0	8.3	7.8	0.4	0.4	0.4	0.4	0.3
Canada	9.4	8.3	7.6	6.8	6.6	1.4	1.3	1.2	1.1	1.1
Czech Republic	..	6.5	8.8	10.2	10.5	..	0.3	0.5	0.5	0.5
Denmark	9.7	6.4	5.5	5.4	5.4	0.3	0.2	0.2	0.2	0.2
Finland	9.9	11.4	10.2	9.2	8.5	0.2	0.3	0.3	0.2	0.2
France	10.8	11.8	11.1	9.8	8.8	2.7	3.1	2.9	2.6	2.3
Germany	7.6	9.3	9.0	8.5	7.7	2.8	3.7	3.6	3.4	3.0
Greece	8.6	10.9	10.7	10.3	9.8	0.4	0.5	0.5	0.5	0.4
Hungary	..	8.0	7.1	6.5	6.2	..	0.3	0.3	0.3	0.3
Iceland	2.9	2.8	1.9	1.7	1.9	0.0	0.0	0.0	0.0	0.0
Ireland	14.5	7.6	5.5	3.6	3.3	0.2	0.1	0.1	0.1	0.1
Italy	10.4	11.9	11.5	11.0	10.5	2.4	2.7	2.7	2.6	2.5
Japan	2.7	4.1	4.7	4.8	4.8	1.7	2.8	3.2	3.2	3.2
Korea	2.5	6.8	6.3	4.5	4.1	0.5	1.5	1.4	1.0	0.9
Luxembourg	2.1	3.1	2.9	2.8	2.7	0.0	0.0	0.0	0.0	0.0
Mexico	3.7	3.2	2.5	2.4	2.4	0.5	0.6	0.5	0.5	0.5
Netherlands	6.6	4.2	3.2	2.5	2.1	0.4	0.3	0.2	0.2	0.2
New Zealand	7.4	7.5	6.8	6.1	6.0	0.1	0.1	0.1	0.1	0.1
Norway	4.7	3.2	3.2	3.5	3.6	0.1	0.1	0.1	0.1	0.1
Poland	..	10.0	12.0	13.1	13.1	..	1.8	2.2	2.4	2.4
Portugal	6.0	5.0	4.4	4.1	4.0	0.3	0.2	0.2	0.2	0.2
Spain	19.7	18.8	15.9	14.1	12.9	3.0	3.1	2.6	2.3	2.2
Sweden	5.0	6.5	5.6	4.8	4.3	0.2	0.3	0.2	0.2	0.2
Switzerland	2.7	3.9	3.0	2.7	2.7	0.1	0.1	0.1	0.1	0.1
Turkey	7.7	6.3	7.3	7.2	7.2	1.7	1.5	1.7	1.7	1.8
United Kingdom	8.3	6.2	5.9	5.7	5.8	2.4	1.8	1.7	1.7	1.7
United States	6.0	4.5	4.2	4.0	4.2	7.7	6.2	5.9	5.6	6.0
OECD Europe^b	9.3	9.3	9.0	8.6	8.1	17.6	21.0	20.6	19.7	18.8
EU	9.7	10.0	9.2	8.5	7.9	15.8	16.9	15.8	14.6	13.7
Total OECD^b	6.8	6.9	6.6	6.3	6.1	30.3	34.2	33.5	31.9	31.3

.. Data not available.

a) See note a) to Table 1.1.

b) Averages for 1987-1997 exclude the Czech Republic, Hungary and Poland.

Source: OECD (2000), *OECD Economic Outlook*, No. 67, June.

Table 1.4. Business sector labour costs in OECD countries^{a, b}

Percentage changes from previous period

	Compensation per employee					Unit labour costs				
	Average 1987-1997	1998	1999	Projections		Average 1987-1997	1998	1999	Projections	
				2000	2001				2000	2001
Australia	4.6	2.6	2.5	4.0	3.8	2.8	-1.0	-0.1	2.1	1.9
Austria	3.8	3.1	2.1	1.8	2.5	1.6	0.9	1.2	0.0	0.6
Belgium	3.8	1.8	2.4	2.4	2.7	1.9	0.3	0.5	0.0	0.8
Canada	3.9	2.4	2.2	3.0	3.3	2.6	2.1	0.7	1.2	2.0
Czech Republic	..	9.6	7.2	5.3	6.4	..	10.7	4.9	2.2	3.6
Denmark	4.4	4.8	4.2	3.9	3.4	2.1	4.5	3.3	2.1	1.3
Finland	5.1	5.2	2.6	4.1	4.9	1.2	2.1	2.9	1.0	1.9
France	2.9	1.8	1.8	1.7	2.2	0.9	-0.4	0.8	0.3	1.3
Germany ^c	2.5	1.3	1.8	1.8	2.3	2.1	-0.5	0.5	-0.8	-0.1
Greece	14.0	4.9	4.6	4.5	4.6	12.1	4.6	2.1	1.6	1.9
Hungary	..	16.4	9.2	11.2	8.3	..	12.7	8.4	9.2	5.6
Iceland	10.1	6.3	6.2	6.6	6.8
Ireland	3.9	2.5	6.1	6.9	7.2	-0.1	4.0	2.9	2.3	2.7
Italy	6.0	-1.2	2.2	2.7	2.9	3.8	-1.6	1.8	0.9	0.8
Japan	2.2	-1.0	-0.3	0.2	0.4	0.1	1.2	-1.5	-1.7	-1.6
Korea	12.8	-1.3	11.8	9.0	8.3	7.2	0.1	2.0	4.1	4.2
Netherlands	2.5	2.1	3.6	3.9	3.7	1.1	1.2	2.6	1.6	1.4
New Zealand	3.0	2.4	2.4	2.9	3.1	2.1	1.8	0.4	0.6	1.4
Norway	4.1	7.2	5.6	4.5	4.8	1.9	6.1	4.8	2.7	2.0
Poland	..	14.3	11.6	8.7	6.4	..	9.7	5.8	2.2	2.0
Portugal	10.2	4.5	4.3	4.8	5.0	7.7	5.6	2.9	2.4	2.6
Spain	6.3	2.3	-0.5	3.5	3.7	4.2	1.8	0.5	2.2	2.0
Sweden	6.2	4.4	1.9	3.6	4.9	3.7	2.6	0.7	0.7	2.8
Switzerland	3.5	0.8	1.5	2.6	2.9	2.4	-0.1	0.7	0.5	1.2
United Kingdom	5.8	6.9	5.4	5.8	5.8	4.4	5.9	4.2	3.6	3.7
United States	3.6	4.9	4.4	4.4	4.8	2.3	2.6	1.8	1.2	2.6
OECD Europe^{d, e}	4.5	3.0	3.0	3.4	3.6	2.9	1.7	1.9	1.1	1.5
EU^e	4.5	2.3	2.5	3.0	3.3	2.9	1.1	1.6	1.0	1.4
Total OECD less high-inflation countries^{e, f}	4.0	2.7	3.1	3.4	3.7	2.3	1.8	1.3	0.8	1.6
Total OECD^{d, e}	4.1	3.0	3.3	3.5	3.7	2.4	1.9	1.3	0.8	1.5

.. Data not available.

a) See note a) to Table 1.1.

b) Aggregates are computed on the basis of 1995 GDP weights expressed in 1995 purchasing power parities.

c) The average growth rate has been calculated by chaining on data for the whole of Germany to the corresponding data for western Germany prior to 1992.

d) Averages for 1987-1997 exclude the Czech Republic, Hungary and Poland.

e) Countries shown.

f) High-inflation countries are defined as countries which had 10 per cent or more inflation in terms of GDP deflator on average during the 1990s on the basis of historical data. Consequently, Greece, Hungary, Mexico, Poland and Turkey are excluded from the aggregate.

Source: OECD (2000), *OECD Economic Outlook*, No. 67, June.

Table 1.5. **Employment, productivity and per capita output (GDP), 1998**

Output valued at current market prices using PPPs, US\$

Country ^a	Employment/population ratio ^b	×	Output per employed person	=	Output per capita
Luxembourg	53.6		64 742		34 701
United States	48.9		62 214		30 394
Germany	50.1		55 002		27 569
Norway	54.2		49 117		26 611
Switzerland	50.2		52 426		26 297
Denmark	54.0		48 682		26 297
Iceland	47.3		52 276		24 716
Canada	51.2		47 112		24 106
Japan	37.1		65 053		24 103
Belgium	45.7		52 562		24 003
Austria	47.3		48 781		23 073
Netherlands	43.5		52 563		22 887
Australia	45.5		49 848		22 697
Ireland	40.4		55 585		22 429
France	38.5		57 440		22 089
Italy	35.4		62 187		21 999
Finland	42.9		50 474		21 677
United Kingdom	45.0		47 186		21 218
Sweden	45.0		47 029		21 162
New Zealand	44.3		40 193		17 801
Spain	33.4		50 129		16 743
Portugal	48.4		31 475		15 242
Greece	37.2		38 728		14 411
Korea	42.9		31 557		13 543
Czech Republic	46.8		28 038		13 133
Hungary	34.2		30 834		10 530
Poland	39.7		20 104		7 989
Mexico	37.1		21 442		7 953
Turkey	32.5		20 659		6 723
Other OECD ^c	44.6		52 997		23 637

a) Countries are listed in descending order by output per capita; the five new Member countries are in blue.

b) Calculated on the basis of total employment and total population.

c) "Other OECD" refers to the average for the 24 countries that were members prior to 1994.

Sources: Employment: OECD *Labour Force Statistics*; Population: OECD *Main Economic Indicators* (MEI) except for Belgium and Greece which were estimated using MEI benchmarks and trends from the UN population database for 1998; Output: OECD *in Figures* (1999).

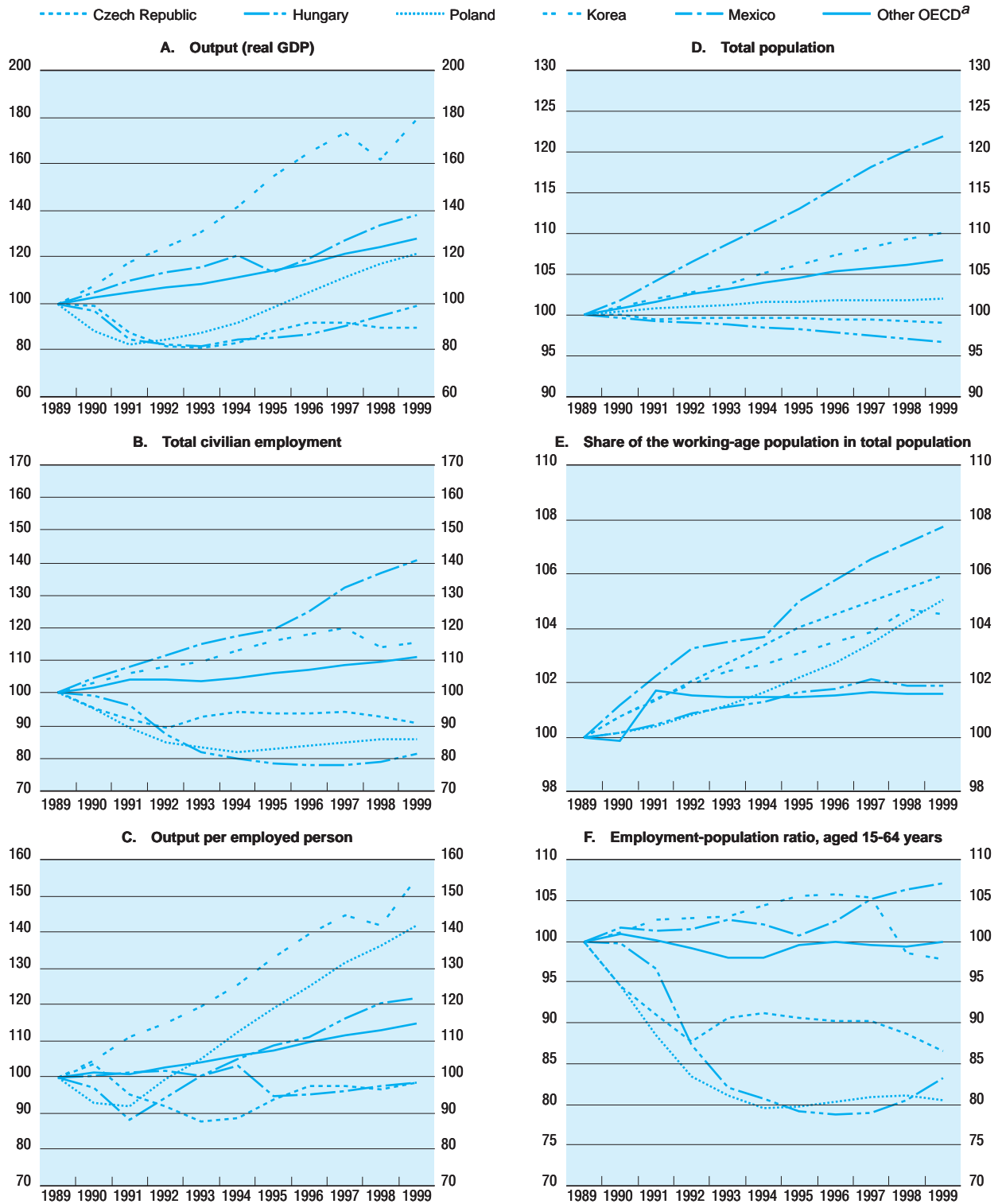
the five new Member countries, which are reflected in significant changes in the rates of labour mobilisation and output per worker.⁵

Early in the period considered here, the Czech Republic, Hungary and Poland fundamentally changed their economic systems from a planning basis to a market-oriented approach. As so-called transition countries, they each experienced a deep recession (Chart 1.1, Panel A). In Poland, output (measured as real GDP) had dropped by nearly 12 per cent already in 1990. The Czech Republic and Hungary initially experienced less severe drops in output, but in 1991 were each hit with a decline of roughly 12 per cent. In the same year, output in Poland bottomed out and subsequently the Polish economy grew consistently, with real growth of about 22 per cent between 1989 and 1999. Output in Hungary bottomed out in 1993 and began to grow, although by the end of the period it had only

just recovered to its 1989 level. In the Czech Republic, output began to recover in the mid-1990s, but then fell again in 1998 and 1999. Over the entire 10-year period ending in 1999, output performance in the three Central and East European (CEE) countries was better than in many transition countries, but did not match the other OECD average increase of nearly 28 per cent.

The situation in the Czech Republic contrasted with that in Hungary and Poland, in part due to a slower pace of reform in banking, capital market regulation and corporate governance. A particular issue in the Czech Republic was the continued easy access to credit (*e.g.* from state-owned banks) which reduced pressures on enterprises to restructure and reduce labour hoarding. The immediate cause of the downturn in 1998 was a currency crisis in 1997 that led the authorities to adopt a policy of monetary and fiscal restraint. The situation was aggravated by the repercus-

Chart 1.1. Evolution of output, population and employment, 1989-99
1989 = 100



a) "Other OECD" refers to the 24 countries that were Members prior to 1994.
Sources: See Annex 1.A.

sions of the Asian and Russian financial crises, and temporary declines in business and consumer confidence. In Hungary, on the other hand, the upturn in 1994 appears to have been reinforced eventually by the effects of the extensive reform package introduced in 1995 (including the adoption of a crawling-peg exchange rate regime, a privatisation programme and fiscal tightening) as well as a deepening of structural reforms implemented earlier (e.g. in the banking sector). By 1997, growth began to accelerate. In Poland, early and substantial stabilisation and economic reform measures (e.g. policies for disinflation and bank restructuring) created an environment conducive to the establishment and growth of private firms. Indeed, the dynamism of private firms in manufacturing and services has fuelled much of the growth there. In both Hungary and Poland, the external financial crises of 1997-1998 did not appear to have a sustained negative impact on business and consumer confidence.

During 1989-1999 Korea and Mexico both followed export-oriented development strategies and experienced generally strong growth interrupted by spells of financial crisis and recession. Korea experienced the strongest growth in output of any of the new Member countries. Its cumulative increase of 79 per cent far exceeded the 28 per cent average increase for the other Member countries. However, in 1997, Korea experienced a severe financial crisis marked by depleted foreign exchange reserves, a sharp depreciation of the won and soaring interest rates. As a result, real GDP fell by 6.7 per cent in 1998. Still, by the first quarter of 1999 growth resumed and for the year real output rose above its pre-crisis level.

In the early 1990s, the Korean economy was characterised in part by conservative fiscal policy, strong savings and investment, and an emphasis on education. However, large capital inflows and government influence on banks and corporations (e.g. through implicit guarantees against insolvency) led to excessive risk-taking and over-investment. As the financial crisis spread through Asia beginning in mid-1997, Korea also suffered a loss of investor confidence and capital flight which resulted in a severe liquidity crisis. Ultimately, a policy response was laid out in an IMF stand-by agreement that specified tight fiscal and monetary performance criteria, and a series of microeconomic reforms designed to stimulate competition, increase financial transparency and improve corporate governance. Further initiatives complemented these policies with measures to increase labour market flexibility and social protection, among other reforms.⁶

After a period of strong growth in the early 1990s, the Mexican economy fell into a serious recession following the peso crisis at the end of 1994. Output performance

fell below the average for the other OECD Member countries for the period from 1989 to 1995. A strong recovery and sustained output growth from 1996 to 1999, however, enabled Mexico to achieve a better-than-average growth for the entire 10-year period considered here (with a cumulative increase of 38 per cent).

Early on, Mexico undertook a number of economic policies to deregulate and open the economy to competition, privatise state-controlled enterprises (e.g. commercial banks) and rein in public sector deficits. Steps to liberalise trade culminated in the North American Free Trade Agreement that entered into force in 1994. However, current account deficits were growing and in 1994 a collapse in the peso resulted in broad financial stress. Stabilisation measures, including tightened fiscal and monetary policy, were implemented with international support in 1995. This helped to contain the damage and promote conditions for renewed growth. Continued macroeconomic rigour, a flexible exchange rate, further market-opening measures (e.g. with respect to railroads and energy) and other structural reforms have taken place since. Indeed, it is notable that the Mexican economy was able to avoid a new downturn during the Asian and Russian financial crises.

Employment and output per worker

The evolution of total employment roughly paralleled that of output, but with some variation due to changes in output per worker. As shown in Chart 1.1, Panel B, the three CEE countries had below-average growth in employment, which is not surprising given the large initial contractions in output, the inherited overstaffing from the previous economic system and the on-going economic restructuring. Among these three countries, employment in the Czech Republic declined least (about 9 per cent) over the period. Hungary and Poland experienced employment declines of about 19 and 14 per cent, respectively. Employment began rising gradually in Hungary in 1998 and in Poland in 1995. On the other hand, employment in Korea rose by about 16 per cent over the entire period despite a downturn associated with the recession toward the end of the period. Mexico had even stronger employment performance, growing by 41 per cent. Employment there expanded in each year, even during the economic downturn in 1995. As noted in the OECD's *Economic Survey* (1996), this is largely accounted for by the particular adjustment pattern in Mexico that involved substantial falls in real wages and an increase in informal-sector employment. Given the very limited social safety net, there are few alternatives to working. Also, in both Korea and Mexico, real wage flexibility helped cushion some of the pressures for employment adjustment during the down-

turns. Among the other OECD countries, average employment growth amounted to about 11 per cent over the 10-year period.

These five countries exhibited quite a range of experience with respect to output per employed person (Chart 1.1, Panel C). In the Czech Republic and Mexico, this measure had declined towards the middle of the period and never fully recovered. In 1999, the levels in both countries were still down at about 2 per cent from 1989. In Hungary and Poland, following initial declines through 1991, output per worker increased substantially, in part because deep restructuring resulted in improved productivity. Korea scored the largest increases in output per employed person, ending the period with a gain of about 55 per cent, despite a slight dip in 1998. In comparison, output per employed person for the other OECD countries was about 15 per cent greater in 1999 than in 1989.

Labour supply

As shown in Chart 1.1, Panel D, the three CEE countries experienced modest population change during the period. In the Czech Republic and Hungary, population declined somewhat, while in Poland it increased slightly. Korea and Mexico had substantial increases of 10 and 22 per cent, respectively, well above the average of 7 per cent for the other OECD countries. All five new Members experienced increases in the share of the population of working-age (Chart 1.1, Panel E). The net effect of the change in both was an increase in the overall working-age population in four of the five countries. While labour resources were increasingly available, the rate of utilisation tended to decline; that is, the share employed among the working-age population declined in all of these countries but Mexico (Chart 1.1, Panel F).

Chart 1.2 shows in more detail the shares of the working-age population employed over time and in relation to developments in the shares out of the labour force and unemployed. Changes in the mobilisation of labour resources in three of the countries were strongly influenced by shifts in the share of women participating in the labour force. In the Czech Republic and Hungary, substantial numbers of women withdrew from the labour force. The female participation rate in the Czech Republic fell from 74 per cent in 1989 to 64 per cent in 1998. During the same period, the female participation rate in Hungary fell from about 58 to 51 per cent.⁷ Mexico succeeded in drawing more women into the labour force, but still had a low female participation rate of about 42 per cent in 1998. Korea and Poland experienced smaller changes during the period. By 1998, their rates of female participation were about 50 per cent and 60 per cent, respectively. In com-

parison, the average rate of female participation for the other OECD countries was about 62 per cent in that year.

Between 1989 and 1998, substantial numbers of men withdrew from the labour force in Hungary, with the participation rate falling from 77 per cent to 67 per cent. In the other countries, the changes appeared more modest over the years for which data were available. At the end of the period, the Czech Republic and Korea had male participation rates of 80 and 78 per cent, respectively, which were a little lower than the average for the other OECD countries of 83 per cent. Male participation rates in Poland and Hungary were well below-average. Mexico, on the other hand, had one of the highest rates at 87 per cent.

In the years for which data are available, increases in the shares of the unemployed in the working-age population were notable in the Czech Republic and Korea.⁸ Particularly striking was the case of women in the Czech Republic where the share of the unemployed in the working-age population went from near zero to five per cent.⁹ In the CEE countries, decreases in participation offset a portion of the potential rise in the share of unemployed for both men and women. Also, the Chart highlights the effects of recession in Korea in 1998 and in Mexico in 1995, where the shares of unemployed grew substantially from the previous year shown. Despite the growth in unemployment, the shares of the unemployed in the working-age population in the new Member countries were moderate as of 1998. Except for Poland, all of the new Member countries had shares of female unemployment that were about the same or below the other OECD average. With respect to the shares of male unemployment, while Poland was nearly two percentage points above-average, the Czech Republic, Hungary and Korea were about average, and Mexico was substantially below the average.

The *quality* of potential labour supply is also important since per capita income depends on output per worker, as well as employment rates. In some respects, the new Member countries are fairly well positioned with respect to their human capital endowments. Except for Mexico, they had either average (Hungary and Korea) or above-average (Czech Republic and Poland) shares of adults aged 25 to 64 years with completed secondary or higher educational attainment (Chart 1.3). In Korea, the share of workers with advanced education was close to the average for the other OECD countries. Educational achievement scores are consistent with the data on educational attainment in suggesting that the human capital endowments of Korea, the Czech Republic and Hungary positioned them for future gains in output per worker. For example, among the 23 OECD countries for which data are available, Korea

Chart 1.2. Working-age population by labour market status and gender
Percentages

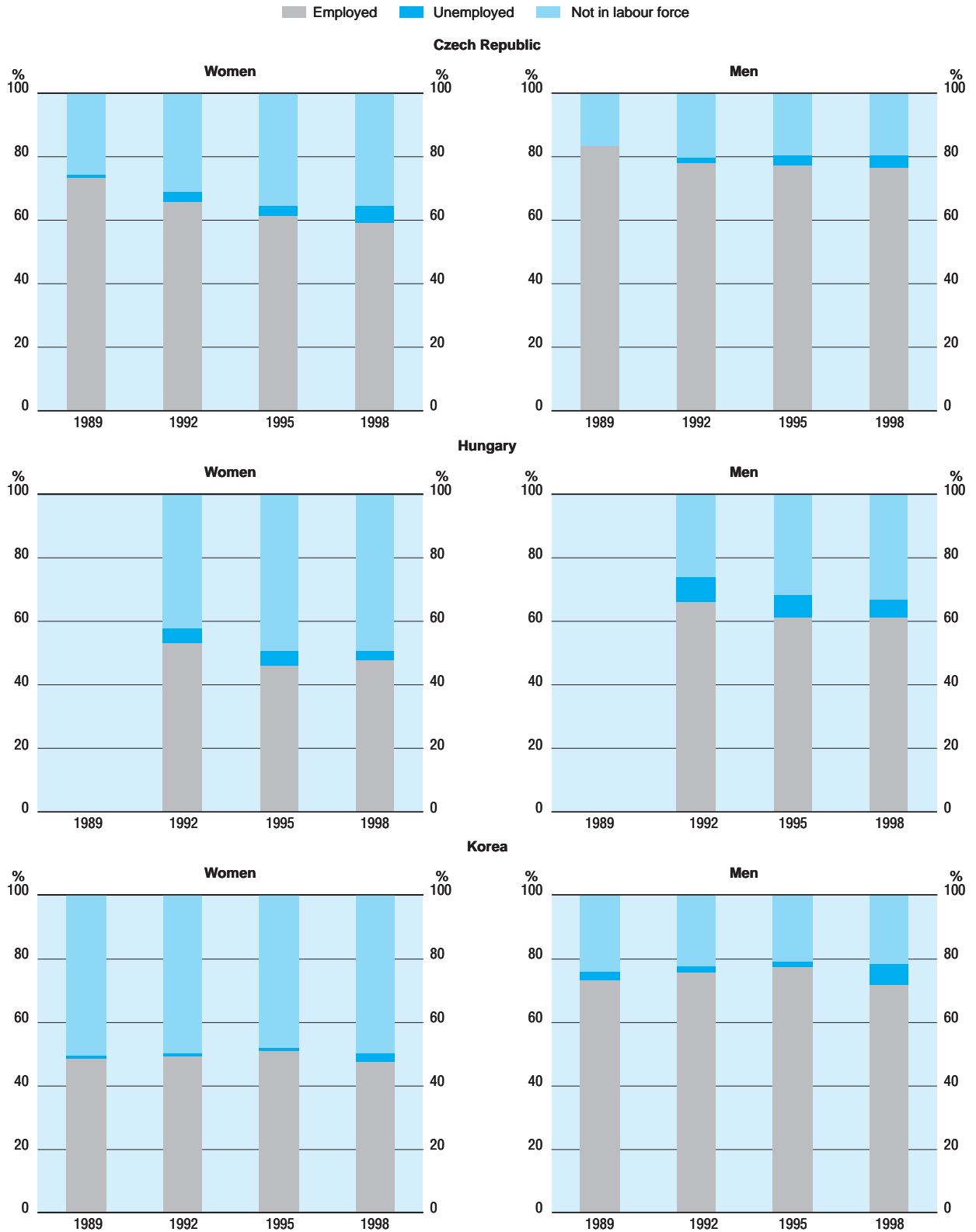
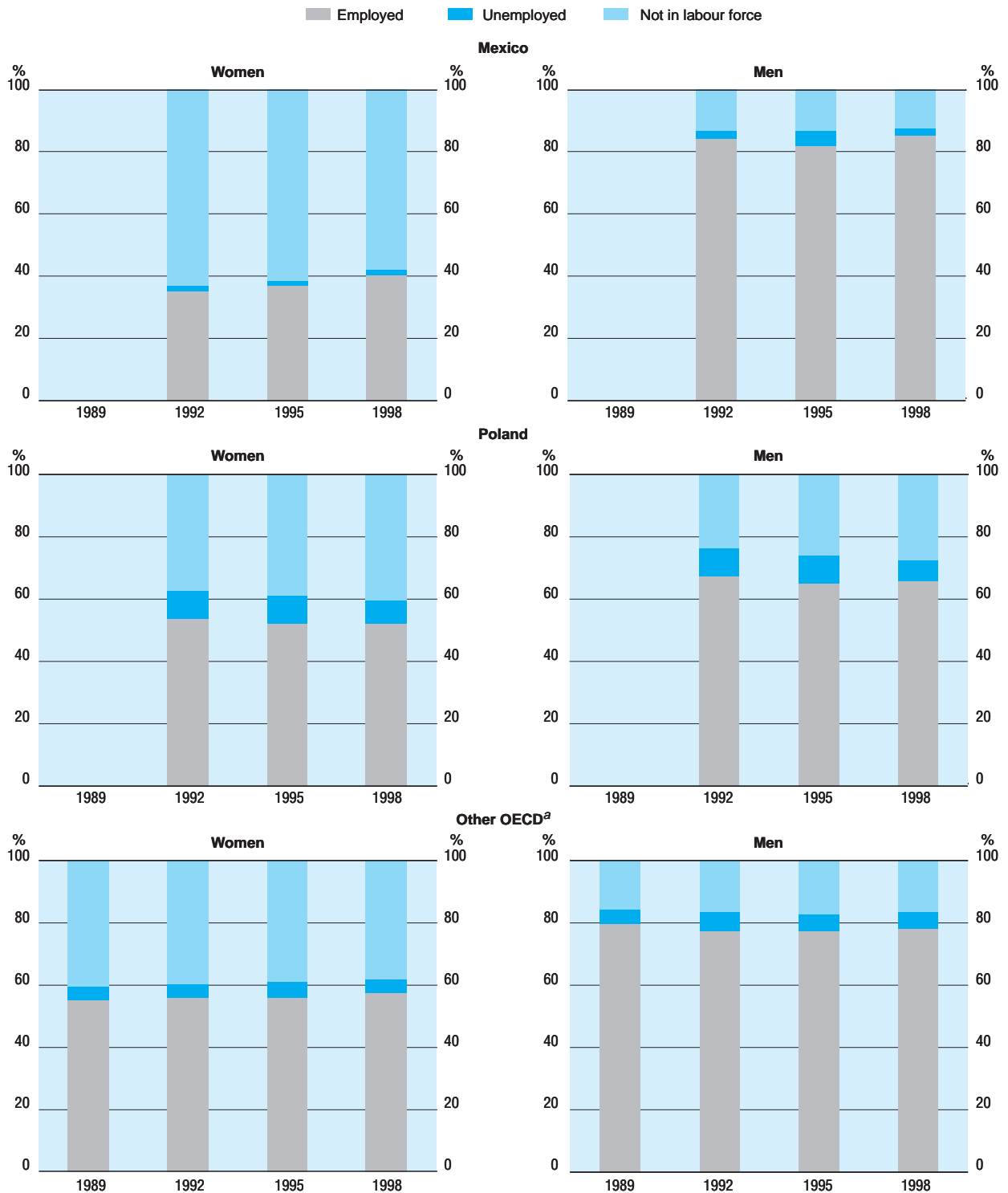


Chart 1.2. Working-age population by labour market status and gender (cont.)

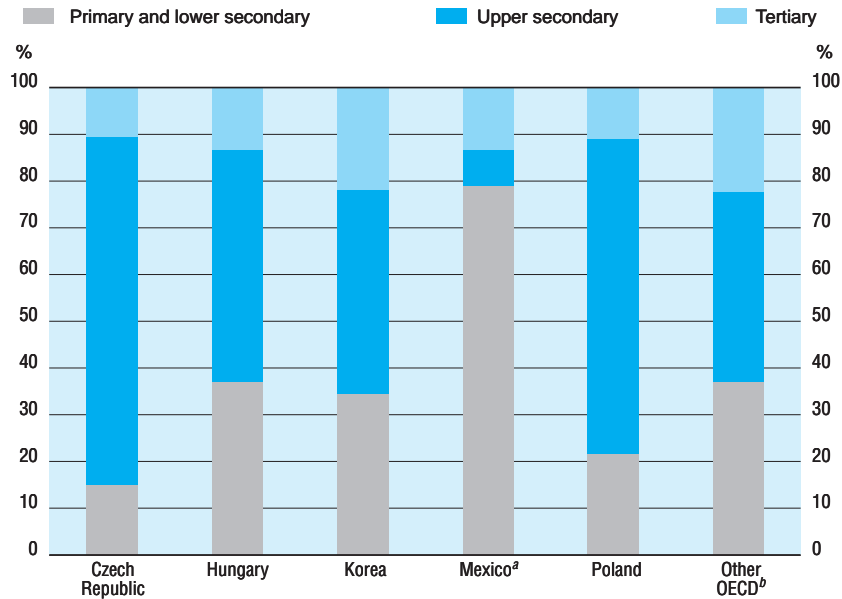
Percentages



a) "Other OECD" refers to the countries that were Members prior to 1994, except that Austria, Iceland and Switzerland are excluded from the averages as comparable series are not available for them for all years.

Source: OECD labour force statistics database.

Chart 1.3. Educational attainment of adults, 1998
Percentages of the population aged 25 to 64 years



a) 1997.

b) Unweighted average for the other OECD countries in 1998 (except 1997 for Austria, Finland and Greece).

Source: OECD (2000b).

had the highest mean mathematics achievement score for eighth grade students [OECD (1998e)]. The Czech Republic and Hungary also had mathematics achievement scores significantly above the OECD average for this age group. At the same time, there remained areas for improvement. For example, in Mexico nearly 80 per cent of adults had not completed upper secondary education, a share that was roughly twice as large as for the other OECD countries. In Poland, despite a relatively good performance with respect to educational attainment, the International Adult

Literacy Survey found a relatively high share of adults with low literacy scores [OECD (1995)].

C. Composition of employment

Table 1.6 presents data on the composition of employment by gender and age. The indicators for Mexico stand out due to the low share of women in the total and the high share of youth. The remaining new Member countries have gender shares that are similar to the average for the other OECD countries. With respect to age, all of the new

Table 1.6. Composition of employment by gender and age, 1998

Percentages of total employment (workers aged 15 to 64 years)

	Czech Republic	Hungary	Korea	Mexico	Poland	Other OECD ^a
Gender						
Women	43.5	44.8	40.1	34.1	44.9	42.8
Men	56.5	55.2	59.9	65.9	55.1	57.2
Age						
15-24	15.0	15.3	9.5	27.6	10.8	6.9
25-54	77.2	79.9	78.1	64.8	81.7	81.2
55-64	7.8	4.8	12.4	7.6	7.4	11.9

a) Other OECD refers to the average for the 24 countries that were members prior to 1994.

Source: OECD labour force statistics database; and the *Statistical Yearbook of Portugal* (NIS, 1999).

Member countries have relatively high shares of young workers and, except for Korea, much smaller shares of older workers.

Table 1.7 presents comparisons by employment status, enterprise size and ownership. The shares of wage and salary workers in the Czech Republic and Hungary come close to the average for the other OECD countries, while the shares in Korea, Mexico and Poland are substantially lower. The low shares in the latter countries are partly a reflection of the large role that agriculture still plays in overall employment in these economies. Relatively large numbers of self-employed and unpaid family workers are concentrated in that sector. The CEE countries continue to have relatively large shares of employment in large enterprises, a characteristic that is a lingering reflection of the industrial structure of the former planning system. The Czech Republic and Poland have nearly half of their employment in enterprises with more than 100 employees. Hungary has over 20 per cent of its employment in establishments of over 500 employees. The data for Korea indicate a much lower share of employment in large enterprises. The Czech and Polish situation also contrasts with such OECD countries as Belgium, the Netherlands and Spain, which in 1996 had roughly 60 per cent of their non-agricultural employment in establishments with less than 10 employees. With respect to ownership, in four of

the new Member countries the shares of employment attributed to the private sector are within 6 percentage points of the average for the other OECD countries; the Czech Republic had the lowest private-sector share.

Table 1.8 presents the composition of civilian employment and its change among the nine ISIC major sectoral divisions. Panel A highlights substantial differences between the distribution of employment by sector in the new Member countries and that in the other OECD countries. Panel B presents estimates of the total percentage change in employment shares by sector in each country, indicating that substantial changes are underway that are bringing the composition by broad sector closer to the average for the other OECD countries.

The structure of employment in the CEE countries continues to reflect the pre-reform period. The planning system emphasised heavy industry, while giving less importance to the service sector. Despite substantial changes over the decade, the three CEE countries continue to have above-average shares of employment in mining and manufacturing, and relatively low shares in certain services. Other notable concentrations include agriculture in Korea, Mexico and Poland, where the employment shares for this sector are 2 to 3 times the average for the other OECD countries. Korea has the largest service sector among the new Member countries, primarily due to a large

Table 1.7. **Composition of employment by selected characteristics, 1998^a**

Percentages of total employment

	Czech Republic	Hungary	Korea	Mexico	Poland	Other OECD ^b
Employment status:						
Wage and salary workers	86.4 ^c	85.4	61.2	60.9	72.8	84.1 ^d
Self-employed or unpaid family workers	13.6	14.6	38.8	39.1	35.4	15.9 ^d
Enterprise size:						
0-100 employees	51.9	..	72.3 ^f	..	53.4 ^g	..
101-500 employees	19.4	79.0 ^e	14.3 ^f	..	18.3 ^g	..
> 500 employees	28.7	21.0	13.4 ^f	..	28.3 ^g	..
Ownership category:						
Private	77.8	92.8 ^h	88.5 ⁱ	86.8 ^h	81.6 ^h	86.8 ⁱ
Public or mixed	22.2	7.2 ^h	11.5 ⁱ	13.2 ^h	18.4 ^h	13.2 ⁱ

.. Data not available.

a) Or most recent year available.

b) "Other OECD" refers to the average for the 24 countries that were members prior to 1994.

c) Includes members of producer cooperatives.

d) Average based on 1998 data except for Belgium (1996), Greece (1997), Luxembourg (1997) and Portugal (1997).

e) This figure refers to enterprises with employment between 0 and 500.

f) These figures refer to *establishments* in 1997.

g) Excludes persons employed in private farms in agriculture.

h) 1997.

i) 1996.

j) Average based on 1997 data except for Portugal (1995), Switzerland (1995) and the United Kingdom (1996); data for Turkey were not available.

Sources: Employment by status is from OECD labour force statistics database; employment by enterprise size is from the Hungarian Central Statistical Office, the Ministry of Labour of Korea and the Central Statistical Office of Poland; employment by ownership is from the OECD analytical database except for Mexico which is based on OECD Secretariat estimates; all data shown for the Czech Republic were provided by the Statistical Office of the Czech Republic.

Table 1.8. Sectoral composition of employment and its recent evolution

	Czech Republic	Hungary	Korea	Mexico	Poland	Other OECD ^a
Panel A. Sectoral composition of employment in 1998 (percentages of civilian employment, all ages)						
ISIC major divisions						
1. Agriculture, hunting, forestry and fishing	5.5	7.7	12.2	19.4	19.2	6.3
2. Mining and quarrying	1.8	0.7	0.1	0.4	2.5	0.4
3. Manufacturing	27.8	24.9	19.5	18.3	20.9	18.4
4. Electricity, gas and water	1.9	2.7	0.3	0.5	1.7	0.8
5. Construction	9.8	6.4	7.9	5.6	7.0	7.6
6. Wholesale and retail trade, restaurants and hotels	16.9	16.4	27.9	22.2	15.2	20.6
7. Transport, storage and communication	7.9	8.3	5.9	4.5	6.2	5.8
8. Finance, insurance, real estate and business services	7.2	6.8	9.4	1.0	5.3	9.9
9. Community, social and personal services	21.1	26.1	16.9	28.0	22.0	30.2
Total share in industry (2-5)	41.3	34.7	27.8	24.7	32.1	27.3
Total share in services (6-9)	53.1	57.6	60.0	55.8	48.8	66.5
Panel B. Percentage point change in the sectoral composition of employment, 1989-1998 ^b						
Broad sectors						
1. Agriculture, hunting, forestry and fishing	-6.4	-5.6	-8.2	-8.2	-10.6	-2.4
2-5. Industry	-5.8	-1.4	-7.3	1.8	0.6	-0.6
6-9. Services	12.1	7.0	15.5	6.4	10.0	3.0
a) "Other OECD" refers to the countries that were members prior to 1994. Averages are based on 1998 data except for Belgium (1996) and Greece (1997). France and Luxembourg are excluded from the averages.						
b) The figures shown here should be considered only approximate. The nine-year changes were estimated for purposes of comparison based on actual changes for the following periods: 1989-1998 for the Czech Republic; 1990-1998 for Korea; 1991-1998 for Mexico; 1992-1998 for Hungary; and 1993-1998 for Poland.						
Source: OECD labour force statistics database.						

employment share in wholesale and retail trade, restaurants and hotels. In Mexico, the employment share in finance, insurance, real estate and business services is particularly small.

Employment shifted out of agriculture and into services at a rapid rate in all five countries between 1989-1998 (Table 1.8, Panel B). Declines in the share of employment in industry reinforced the rise in service sector employment in the Czech Republic, Hungary and Korea. Growth of the service sector at the expense of agriculture and industry also characterised the other OECD average, but the rate of sectoral reallocation of labour was much higher in the new Member countries. As a result, their sectoral composition of employment became more similar to that in other OECD countries.¹⁰

Table 1.9 presents the composition of employment among the nine major ISCO occupational categories. All the new Member countries show numerous divergences from the average for the other OECD countries. In each of them, for example, at least five categories by gender (out of the total of 18 shown) were more than five percentage points different from the other OECD average. The CEE countries have above-average shares of employment in occupations related to industry, including craft and related

trades workers, and plant and machine operators and assemblers. Korea and Mexico have relatively high concentrations of service workers and shop and market sales workers, and skilled agricultural and fishery workers. Indeed, the share of employed Mexican men in the latter category was more than 24 percentage points above the average for the other OECD countries. Compared with the average for the other OECD countries, the shares of men in professional occupations were below-average in all five of the new Member countries. With respect to women, Korea and Mexico had particularly low shares in professional occupations. Also, with the exception of men in Korea, all five of the countries had low shares of employment in clerical occupations and of legislators and senior officials.

Conclusions

The 1990s were a period of rapid economic change and stress for all five of the new OECD Member countries and trends over the decade in their labour market statistics reflect important structural changes, as well as considerable resilience in an often difficult economic environment. Overall, the pattern of change was mixed. Among the encouraging developments, Hungary, Korea and Poland

Table 1.9. Occupational composition of employment by gender, 1998^a

Percentages of total employment

	Czech Republic	Hungary ^b	Korea	Mexico	Poland	Other OECD ^{b, c}
Panel A. Women						
ISCO-88 broad occupations						
1. Legislators, senior officials and managers	3.5	4.8	0.3	1.4	4.2	5.9
2. Professionals	12.0	15.0	4.4	2.7	21.8	13.8
3. Technicians and associate professionals	22.5	19.3	8.3	13.5	22.1	16.5
4. Clerks	14.9	14.6	14.1	10.2	16.7	20.3
5. Service workers and shop and market sales workers	18.3	18.9	34.9	28.1	9.4	20.5
6. Skilled agricultural and fishery workers	2.5	0.2	13.7	12.1	0.1	4.2
7. Craft and related trades workers	7.5	10.7	7.4	8.6	9.0	4.0
8. Plant and machine operators and assemblers	7.0	5.9	3.4	5.1	4.2	4.3
9. Elementary occupations	11.8	10.5	13.5	18.3	12.4	10.5
Panel B. Men						
ISCO-88 broad occupations						
1. Legislators, senior officials and managers	9.2	7.2	4.1	2.5	5.9	10.2
2. Professionals	8.0	9.2	6.3	2.6	10.6	12.6
3. Technicians and associate professionals	15.0	9.1	12.2	9.4	10.0	12.8
4. Clerks	2.8	1.0	10.7	3.5	5.4	8.2
5. Service workers and shop and market sales workers	6.9	12.5	16.1	17.3	4.6	7.5
6. Skilled agricultural and fishery workers	2.1	5.1	10.6	29.2	0.5	4.7
7. Craft and related trades workers	32.2	33.5	16.3	15.0	34.6	23.9
8. Plant and machine operators and assemblers	17.4	15.4	15.3	10.0	20.2	12.4
9. Elementary occupations	6.4	7.0	8.6	10.5	8.1	7.6

a) Data for Australia, the Czech Republic, Ireland, Mexico and New Zealand refer to 1997.

b) Data refer to civilian labour force for Australia, Hungary, and New Zealand.

c) "Other OECD" refers to countries that were members prior to 1994, excluding Canada, Japan, Switzerland, Turkey and the United States.

Sources: ILO Yearbook of Labour Statistics (1998) for Australia, the Czech Republic, Ireland, Mexico and New Zealand; Labour Force Survey for Hungary; Economically Active Population Survey for Korea; BAEL database for Poland; and EUROSTAT, European Labour Force Survey for all EU members except Ireland.

experienced above-average growth in output per employed person, while Mexico substantially increased employment among its working-age population. Other developments were less positive, such as falls in employment rates in the Czech Republic, Hungary and Poland, and output per employed person in the Czech Republic and Mexico. As of 1998, all five countries remained clustered toward the bottom of the OECD country ranking for output per capita due to the combined effects of below-average employment rates (except in the Czech Republic) and output per employed person. It appears likely that much of the long-run payoff to the important economic reforms recently enacted in all five of these countries has yet to be realised.

The five new Member countries continue to differ substantially from the other OECD countries with respect

to certain aspects of their composition of employment. For example, young workers account for above-average shares of employment in all five countries, and in Hungary, Korea and Mexico, the shares of women in employment are much below the other OECD average. There are also substantial differences with respect to the occupational composition of employment. But in some areas, such as the share of employment in the private sector, their composition of employment has shifted to be fairly close to the average for the other Member countries. While important differences remain in the industrial composition of employment, the gaps are diminishing. To the extent these shifts are associated with increased employment in more productive areas of the economy, they have the potential to contribute to the efforts of the new Member countries to catch-up economically.

NOTES

1. The accession dates were as follows: Mexico (18 May 1994), the Czech Republic (21 December 1995), Hungary (7 May 1996), Poland (22 November 1996) and Korea (12 December 1996). The last previous accession was New Zealand in May 1973.
2. Throughout this section, the term “other OECD” is used as shorthand for the 24 Member countries who joined the OECD prior to 1994.
3. The new Member employment/population ratios as a percentage of the OECD average ranged from 77 per cent (in Hungary) to 105 per cent (in the Czech Republic), whereas their output per employed person amounted to between 38 per cent (in Poland) and 60 per cent (in Korea).
4. The tracking of these medium-term developments is made more difficult by limitations in the available statistical indicators. Economic development and restructuring has prompted these nations to take steps to enhance their statistical systems and bring them up to OECD standards in order to monitor their increasingly complex economies. However, particularly for the labour force statistics early in the period considered here, strictly comparable indicators were not yet available for the Czech Republic, Hungary, Mexico or Poland. For the purposes of Chart 1.1, where there were gaps, special estimates were made (see Annex 1.A for sources and details).
5. The narrative descriptions of the economic situations of individual countries presented in this section draw extensively on the OECD *Economic Surveys* referenced in the bibliography to this chapter.
6. A key example is the extension of the Korean Employment Insurance System (EIS) in 1998 to cover workers in all firms (previously enterprises with 30 or fewer workers were exempted). The EIS provides employment security, vocational training and unemployment benefits and now covers most workers, although there remain some important exceptions (such as short-hours part-time workers).
7. For Hungary, the participation rates of men and women for 1989 are special estimates provided by the Central Statistical Office. Data on participation rates were not available for Mexico and Poland for that year.
8. The unemployment rates presented in Chart 1.2 are smaller than conventional unemployment rates, since they express unemployment as a share of the working-age population, rather than of the labour force. The conventional unemployment rates in 1998 were as follows, for women: Czech Republic (8.2), Hungary (6.9), Korea (5.8), Mexico (3.6), Poland (12.6) and other OECD (7.8, unweighted average); and for men: Czech Republic (5.0), Hungary (8.1), Korea (7.9), Mexico (2.6), Poland (9.5) and other OECD (6.5, unweighted average).
9. Under the system of economic planning, unemployment was rare as employers had strong incentives to hoard labour and the state used tough policies and social pressure to push most working-age individuals into jobs.
10. Mexico differed from the other OECD average in that the industry share of employment grew by nearly 2 per cent. However, this too reflected a convergence towards a more similar employment structure since Mexico began the period with a below-average share of employment in industry.

Annex 1.A

Methods Used to Track Labour Market Trends in the New OECD Member Countries

Table 1.A.1 identifies the data sources for the trend analysis presented in Chart 1.1. Particularly for the labour force statistics for the early years, strictly comparable indicators are not available for the Czech Republic, Hungary, Mexico and Poland. Where there are gaps in the standard OECD data series, special estimates were made to fill in missing values for the earliest years (as well as for values not yet

available for the most recent years). The technique used was to backcast (or forecast) the values from the benchmark OECD data series according to the trends observed for proxy series from other sources. For two years, population data for Mexico were interpolated. Table 1.A.1 identifies the observations that were estimated as well as the proxy series that were used to form these estimates.

Table I.A.1. Sources used for Chart I.1^{a, b}

	Population	Working-age population	Total employment	Employment, aged 15 to 64	Output (real GDP)	Notes
Czech Republic	OECD-LFS data were used for 1989-97 ; UN population estimates and projections were used to estimate 1998-99.	OECD-LFS data were used for 1989-97 ; UN population estimates and projections were used to estimate 1998-99.	OECD-LFS data were used for 1989-97 ; MEI-QLFS was used to estimate 1998-99.	The total employment trend was used to backcast 1989-92; OECD-LFS data were used for 1993-99 .	CSO (1998, pp. 34-35) was used to backcast 1989-90; ADB data were used for 1991-99 .	The total employment data refer to persons aged 15 and over.
Hungary	OECD-LFS data were used for 1992-97 ; UN population estimates and projections were used to backcast 1989-91 and to estimate 1998-99.	OECD-LFS data were used for 1992-97 ; UN population estimates and projections were used to backcast 1989-91 and to estimate 1998-99.	HCSO (1994, p. 122) was used to backcast 1989-91; OECD-LFS data were used for 1992-99 .	The total employment trend was used to backcast 1989-91; LFS data provided by the Hungarian Central Statistical Office were used for 1992-99 .	Hungarian Central Statistical Office .	The total employment data refer to persons aged 15-74.
Korea	OECD-LFS data were used for 1989-97 ; UN population estimates and projections were used to estimate 1998-99.	OECD-LFS .	OECD-LFS data were used for 1989-97 ; MEI-QLFS was used to estimate 1998-99.	OECD-LFS .	ADB .	The total employment data refer to persons aged 15 and over.
Mexico	OECD-LFS data were used for 1990, 1992-95 and 1997 ; UN population estimates and projections were used to backcast 1989 and to estimate 1998-99; 1991 and 1996 were interpolated.	OECD-LFS data were used for 1989-90, 1992-95 and 1997-99 ; 1991 and 1996 were interpolated.	INEGI (1997, p. 48) was used to backcast 1989-90; OECD-LFS data were used for 1991-98 ; the trend from the ADB total employment series was used to estimate 1999.	INEGI (1997, p. 48) was used to backcast 1989-90; OECD-LFS data were used for 1991-98 data ; the trend from the ADB total employment series was used to estimate 1999.	ADB .	The total employment data refer to persons aged 15 and over. Backcasting of employment series was done using the change in the number of salaried positions.
Poland	OECD-LFS data were used for 1989-97 ; UN population estimates and projections were used to estimate 1998-99.	OECD-LFS data were used for 1989-97 ; UN population estimates and projections were used to estimate 1998-99.	ILO (1998, p.112) was used to backcast 1989-91; OECD-LFS data were used for 1992-97 ; MEI-QLFS was used to estimate 1998; ADB was used to estimate 1999.	The total employment trend was used to backcast 1989-91; OECD-LFS data were used for 1992-98 ; the ADB total employment series was used to estimate 1999.	WDI was used to backcast 1989; ADB data were used for 1990-99 .	The total employment data refer to persons aged 15 and over.
Other OECD	OECD-LFS data were used for 1989-97 ; UN population estimates and projections were used to estimate 1998-99.	OECD-LFS data were used for 1989-97 ; UN population estimates and projections were used to estimate 1998-99 as well as 1997 for Belgium, Greece and Iceland.	OECD-LFS data were used for 1989-99 except ADB data were used for Switzerland ; UN population estimates and projections were used to estimate 1998-99 for France, Greece, Luxembourg, New Zealand, Norway and Portugal and 1997-99 for Belgium.	OECD-LFS data were used for 1989-99 except ADB was used to backcast 1989 for Norway and 1989-90 and 1996 for Switzerland.	ADB ; country weights are from <i>Economic Outlook</i> , June 1999; p. 224.	1. The country weights used for average output are based on 1991 GDP and purchasing power parities (PPPs). 2. The total employment data refer to persons aged 15 and over except for Norway, Sweden and US (16 to 74).

a) Benchmark series are shown in bold.

b) ADB denotes the OECD's Economics Department analytical database; MEI-QLFS denotes the OECD's main economic indicators database, quarterly labour force survey data; OECD-LFS denotes the OECD labour force survey database; WDI denotes the World Development Indicators database of the World Bank.

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