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Identifying and addressing  
employment barriers in  
Belgium, Korea and Norway

**Rodrigo Fernandez,  
Alexander Hijzen,  
Daniele Pacifico,  
Stefan Thewissen**

**DIRECTORATE FOR EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS  
EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS COMMITTEE**

**Identifying and addressing employment barriers in Belgium, Korea and Norway**

**Implementing the OECD Jobs Strategy**

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Contacts: [Rodrigo.FERNANDEZ@oecd.org](mailto:Rodrigo.FERNANDEZ@oecd.org); [Alexander.HIJZEN@oecd.org](mailto:Alexander.HIJZEN@oecd.org);  
[Daniele.PACIFICO@oecd.org](mailto:Daniele.PACIFICO@oecd.org); [Stefan.THEWISSEN@oecd.org](mailto:Stefan.THEWISSEN@oecd.org).

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The paper was prepared in the context of the implementation of the OECD Jobs Strategy in member and partner countries, i.e. the process through which the OECD supports countries in their endeavour to promote good economic and labour market performance in a changing world of work by developing country-specific recommendations and action plans. The paper served as a background document for the Economic Survey of Norway 2019, the Economic Survey of Belgium 2020 and the Economic Survey of Korea 2020. For more information on the implementation of the OECD Jobs Strategy, please visit:

<http://www.oecd.org/employment/jobs-strategy>.

## *Abstract*

This paper documents joblessness in OECD countries, provides a detailed diagnosis of structural employment barriers in Belgium, Korea and Norway by applying the OECD Faces of Joblessness methodology to the situation just before the COVID-19 crisis and discusses the policy implications. It shows that individuals experiencing major employment difficulties often face a combination of barriers related to work availability, readiness and incentives. It suggests a number of avenues for enhancing the effectiveness of public support: i) make greater use of statistical profiling tools to adapt programmes to the needs of the jobless and target resources to those at the highest risk of long-term joblessness; ii) better coordinate support provided by employment, health and education services; iii) place a greater emphasis on preventive policies (equal opportunities, life-long learning).

## *Résumé*

Cet article documente le non-emploi dans les pays de l'OCDE, fournit un diagnostic détaillé des barrières structurelles à l'emploi en Belgique, en Corée et en Norvège en appliquant la méthodologie de l'OCDE *Faces of Joblessness* à la situation juste avant la crise COVID-19 et examine les implications politiques. Il montre que les personnes confrontées à de graves difficultés d'emploi sont souvent confrontées à une combinaison d'obstacles liés à la disponibilité, à l'employabilité et aux incitations au travail. Il suggère un certain nombre de pistes pour améliorer l'efficacité du soutien public: i) utiliser davantage les outils de profilage statistique pour adapter les programmes aux besoins des personnes sans emploi et cibler les ressources sur ceux qui sont les plus exposés au chômage de longue durée; ii) mieux coordonner le soutien apporté par les services de l'emploi, de la santé et de l'éducation; iii) mettre davantage l'accent sur les politiques de prévention (égalité des chances, apprentissage tout au long de la vie).

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## Identifying and addressing employment barriers in Belgium, Korea and Norway: Implementing the OECD Jobs Strategy

### Introduction

Even before the onset of the COVID-19 crisis, about a quarter of the working-age population across OECD countries is not in employment, education or full-time training. An additional tenth of the working-age population has a weak attachment to the labour market, as exemplified by restricted hours, intermittent jobs, or very low earnings. Individuals in these situations often face barriers that prevent them from fully engaging in employment. These barriers can include weak **employability** due to limited work readiness (low work-related skills, education or a lack of work experience) or work availability (care responsibilities or health-related limitations); a lack of **motivation** if work does not “pay”; and scarce **opportunities** due to insufficient job creation (Figure 1) (OECD, 2015<sup>[1]</sup>). As emphasised in the OECD Jobs Strategy, a thorough understanding of these barriers is a prerequisite for designing and implementing effective policy interventions that are well-targeted and suitably adapted to the circumstances of jobless individuals (OECD, 2018<sup>[2]</sup>).

**Figure 1. A conceptual framework for employment barriers**



Source: OECD (2015<sup>[1]</sup>), “Activation policies for more inclusive labour markets”, in *OECD Employment Outlook 2015*, [https://doi.org/10.1787/empl\\_outlook-2015-7-en](https://doi.org/10.1787/empl_outlook-2015-7-en).

This note provides a detailed analysis of structural employment barriers in Belgium, Korea and Norway in the context of the implementation of the OECD Jobs Strategy, i.e. the process through which the OECD supports countries in their endeavour to promote good economic and labour market performance in a changing world of work by developing country-specific recommendations and action plans.<sup>1</sup> The extent of the employment challenge differs between these countries, with joblessness affecting about 30% of the working-age population in Belgium and Korea and less than 20% in Norway. However, similar to other OECD countries, joblessness tends to be highly persistent in both countries, reflecting the importance of structural barriers to employment and the need for tailored policy interventions. Analysing structural employment barriers in a comparative context helps to bring out the country specificities of the challenge to promote employment.<sup>2</sup>

To support countries in their endeavour to promote quality employment, this note documents joblessness in OECD countries (Section 1. ), provides a detailed diagnosis of structural employment barriers in Belgium, Korea and Norway (Section 2. ) and discusses the key policy implications (Section 3. ). More specifically, it identifies for Belgium, Korea and Norway particular groups of individuals who experience major employment difficulties and who face similar combinations of barriers, by applying the OECD Faces of Joblessness methodology (Fernandez et al., 2016<sub>[3]</sub>). This methodology goes beyond the traditional descriptive statistics based on pre-defined socio-economic groups, such as youth and low skilled, by building on the insights derived from sophisticated statistical profiling tools that are increasingly being used by providers of employment services in OECD countries to develop individualised support plans.

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<sup>1</sup> This note is part of a series of Job Strategy Implementation Notes that document analytical work to support labour market chapters in the OECD Economic Surveys. For more information on the implementation of the OECD Jobs Strategy please visit: <http://www.oecd.org/employment/jobs-strategy>.

<sup>2</sup> The role of cyclical employment barriers, including those resulting from the unfolding economic and social crisis as a result of COVID-19, is not considered in this note.

### **Box 1. Executive summary**

This note documents joblessness in OECD countries, provides a detailed diagnosis of structural employment barriers in Belgium, Korea and Norway by applying the OECD Faces of Joblessness methodology to the situation just before the COVID-19 crisis and discusses the policy implications.

#### **Joblessness is pervasive and persistent in all OECD countries**

- Almost 30% of the working-age population in Belgium and Korea and almost 20% in Norway are jobless, compared to about 25% across the OECD. Labour-market inactivity accounts for the bulk of joblessness in all countries.
- An additional 10% across OECD countries, including Belgium, Korea and Norway, likely experiences major employment difficulties by having an unstable job, working restricted hours or near-zero earnings.
- Individuals experiencing major employment difficulties often face a combination of barriers related to work availability, readiness and incentives. Most prevalent in Belgium and Norway are work availability barriers related to health limitations and work readiness barriers related to low education, while in Korea work incentive barriers are more common largely due to high partner earnings.

#### **Coordinated and tailored interventions are essential to overcome employment barriers**

- Good coordination between employment, health and education services is needed to better assist jobless individuals facing multiple employment barriers. Better coordination between employment and health services can help rehabilitation in Norway. More systematic coordination between employment and education services can help better reaching out to disadvantaged workers in Belgium.
- The use of statistical tools for the profiling of individual risks can be extended to better adapt active labour market programmes to the needs of jobless individuals and to promote a more efficient use of resources by targeting intensive interventions to those at the highest risk of long-term unemployment or inactivity. The profiling tool developed by the Flemish public employment services can be enhanced further and similar tools should be applied in other regions. A similar tool could be developed to strengthen the effectiveness of the public employment services in Korea.

#### **Preventive policies help avoid that disadvantage translates into joblessness and inactivity**

- Promotion of equal opportunities prevents socio-economic background to be a major determinant of labour market success. Reducing early school leaving among children from immigrant families in Belgium and Norway deserves particular attention. Discrimination against women should be fought more forcefully in Korea, notably by publishing an analysis of wage difference determinants to promote fairer wages.
- Policies should have a dynamic perspective by adapting them to individual circumstances over the life-course. Life-long learning policies, work-life balance policies and policies that mitigate work-related health risks are particularly important for all three countries.

## 1. The extent, nature and composition of joblessness in OECD countries

This section provides an overview of the extent, nature and composition of joblessness, defined as the part of the working-age population (aged 15-64) not in employment, education or training.<sup>3</sup>

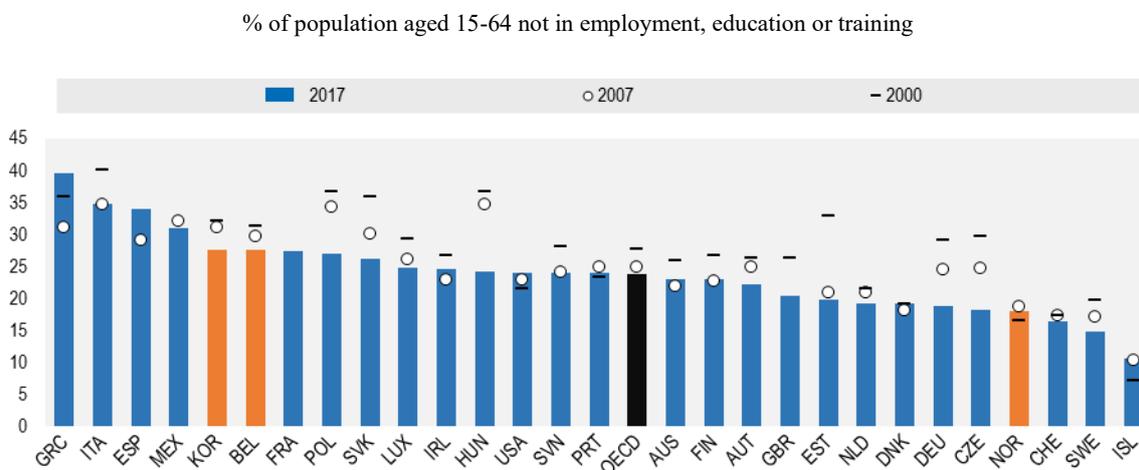
### 1.1. The extent of joblessness

About a quarter of the working-age population across OECD countries does not have a job. In a number of Mediterranean countries, the share reaches one third or more. At the same time, there are countries in the OECD, notably Iceland, where joblessness concerns just one tenth of the working-age population. This suggests there is ample scope to increase employment in most other OECD countries (Figure 2).

Joblessness has decreased over time, but it remains substantial today. On average across OECD countries, the non-employment rate has declined by about 14% or 4 percentage points since 2000. The period since the start of the global financial crisis represents, for the most part, a lost decade in terms of the battle against joblessness, with the non-employment rate in 2017 only 1 percentage point below its level at the onset of the crisis.

Joblessness is most prevalent in Greece, affecting about 40% of the working-age population. The joblessness rates in Belgium and Korea remain among the highest in the OECD at 28%, despite decreases relative to pre-crisis levels. Joblessness rates are the lowest in the Nordic countries, including Norway (18%), and in Switzerland.

**Figure 2. More than one in four working-age individuals are jobless in some countries**



Note: 2001 and 2016 for Australia, 2003 and 2016 for Korea, 2005 instead of 2007 for Norway. “OECD” is the unweighted average of the countries shown. The data exclude inactive persons in education or full-time training. Source: EU-LFS for European countries, HILDA for Australia, KLIPS for Korea, ENOE for Mexico, CPS for the United States.

<sup>3</sup> In the remainder, this will simply be referred to as the rate of “joblessness” or “non-employment” rather than “not in employment, education or training”.

## 1.2. The nature of joblessness

In all OECD countries, jobless persons are more likely to be labour-market inactive than unemployed (Figure 3, Panel A).<sup>4</sup> On average across OECD countries, inactivity accounts for about three quarters of joblessness and unemployment for one quarter. Yet, traditionally employment policy has tended to focus primarily on the unemployed. In part, this is because inactivity may be perceived as voluntary. While this may be true for some, inactivity often is the outcome of choices and processes that are shaped by labour-market conditions, societal values, individual circumstances as well as policies and institutions.

### 1.2.1. Unemployment accounts for a quarter of joblessness on average across OECD countries

Persistently high unemployment rates are indicative of the presence of important structural barriers to job search or job finding, and is typically associated with high long-term unemployment.<sup>5</sup> These structural barriers can include for instance high labour costs, skill mismatch and poorly designed income support or re-employment measures (Liu, Salvanes and Sørensen, 2016<sup>[4]</sup>; OECD, 2017<sup>[5]</sup>; OECD, 2018<sup>[2]</sup>). In addition, cyclical factors play a role: in some countries elevated rates of long-term unemployment are partly a legacy of the global financial crisis. By contrast, in countries with relatively low overall unemployment rates, this largely takes the form of short-term unemployment. Indeed, a certain level of short-term unemployment may be unavoidable in a dynamic labour market, in which jobs are continuously created and destroyed with evolving technology and business conditions (OECD, 2018<sup>[2]</sup>).

### 1.2.2. Family responsibilities, illness and disability and early retirement each account for about a quarter of joblessness on average across OECD countries

The three main categories of labour-market inactivity are family responsibilities, illness and disability and early retirement, each accounting for about a quarter of joblessness on average across OECD countries (Figure 3, Panel A). While these reflect the stated reasons for labour-market inactivity as provided in labour force surveys, none of them necessarily imply that the individuals concerned cannot or do not want to work. For example, it may be possible to share family responsibilities within the household or with external providers of family services. With the right incentives and employment opportunities, older workers may prefer work to early retirement. Most individuals with an illness or disability have significant capacity to engage in productive work and more could be done to connect this group to the labour market.

Family responsibilities tend to be an important reason for non-employment in countries with more traditional attitudes towards women's work and family roles, including in Mexico, Korea and most Mediterranean countries. Family responsibilities also weigh more heavily on labour force participation in countries where childcare policies are less

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<sup>4</sup> Unemployed working-age persons are (1) not employed, (2) currently available for paid employment or self-employment, and (3) actively seeking work.

<sup>5</sup> The correlation between the unemployment rate and the share of long-term unemployed among the unemployed is 0.5. The share of long-term unemployed among the unemployed in Belgium is well above the average across OECD countries, whereas its unemployment rate is about average. The share of long-term unemployed and unemployment rate in Norway are both substantially below the average across OECD countries.

developed or less generous, such as in Australia, Ireland and the USA (OECD, 2018<sup>[2]</sup>; OECD, 2017<sup>[6]</sup>). Care responsibilities are a substantially less common employment barrier in the Nordic countries, including Norway (OECD, 2018<sup>[7]</sup>). In the majority of OECD countries, family responsibilities have become a less frequently stated reason for joblessness since the early 2000s, which can partly be related to changing gender roles, rising female education and public investments in childcare (Figure 3, Panel B).

Early retirement tends to be an important reason for non-employment in countries where the statutory retirement age is low or where programmes are or were until recently in place that promote early effective retirement, such as in Austria, France, Belgium and Central European countries. The Nordic countries, in particular Iceland and Norway, generally have low shares of early retirees. As many countries have tried to scale down or even terminate early retirement schemes, early retirement has tended to become a less frequently stated reason for inactivity over time (Figure 3, Panel B) (OECD, 2017<sup>[8]</sup>).

Illness and disability play a relatively more important role for non-employment in countries where the extent of joblessness is low.<sup>6</sup> The share of jobless persons stating illness or disability as a reason for joblessness is well above the average in the Nordic countries, most notably in Norway. This partly reflects the more limited potential of employment-oriented policies to address work-related health limitations compared to inactivity related to family responsibilities and early retirement (OECD, 2010<sup>[9]</sup>). It may also reflect the nature of public income-support programmes for people with an illness or disability (Hemmings and Prinz, 2019<sup>[10]</sup>).

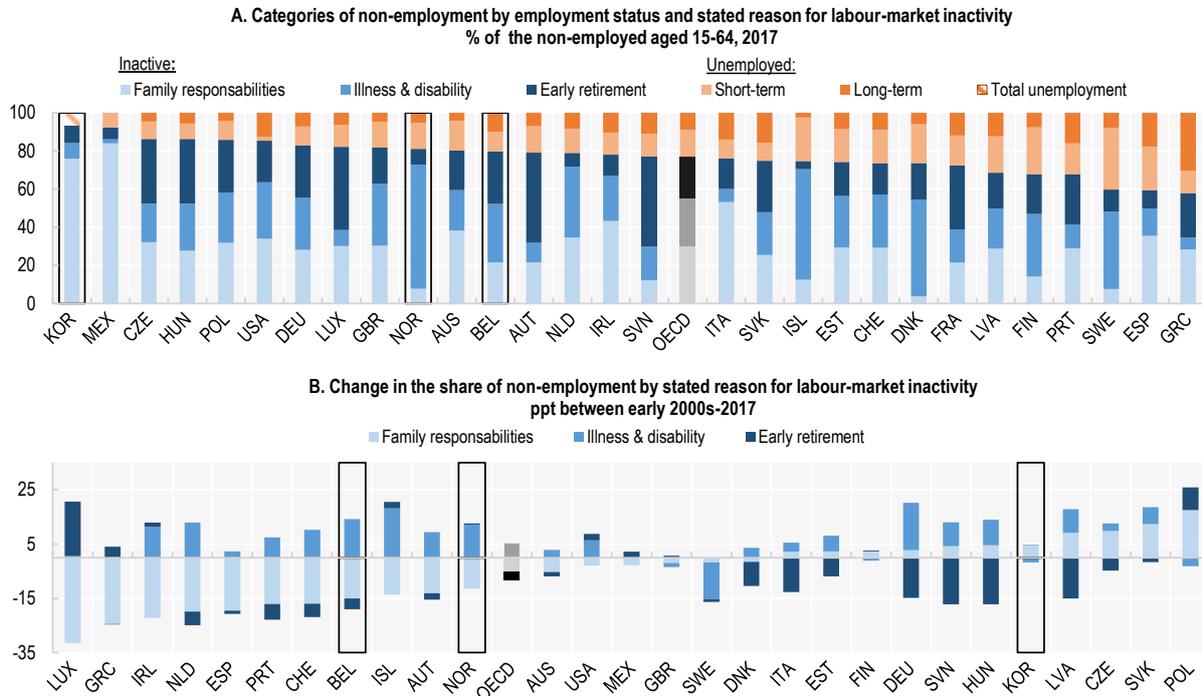
Since the early 2000s, illness and disability have become a more frequently stated reason for joblessness (Figure 3, Panel B).<sup>7</sup> In many countries, disability benefits have become the benefit of last resort for the jobless in many countries. Unemployment and social assistance benefit reforms with tighter job-search requirements, as well as the phasing-out of early retirement programmes, have restricted access, duration and generosity of these benefits, leading to a “medicalisation” of labour market issues associated with substitution towards illness and disability benefits (OECD, 2010<sup>[9]</sup>; OECD, 2018<sup>[2]</sup>).

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<sup>6</sup> The correlation between the non-employment rate and the share of non-employed because of illness and disability is -0.7, while the correlation between the non-employment rate and the share of non-employed because of family responsibilities or early retirement is lower and positive (around 0.2 to 0.3).

<sup>7</sup> Days of sickness absence and disability benefit recipient rates have decreased since the mid-2000s in the Netherlands and Sweden. In Switzerland, disability benefit recipient rates also decreased, but days of sickness absence went up. See Hemmings and Prinz (2019<sup>[10]</sup>).

**Figure 3. Family responsibilities, illness and disability, early retirement and unemployment each account for a quarter of joblessness**



Note: No separate data for short-term and long-term unemployment are available for Korea. “OECD” are the unweighted averages of the countries shown. Panel B-D: data refer to 2002-17, 2002-16 for Australia and Korea, 2006-17 for Spain and 2005-17 for Mexico. France and Iceland are not shown because of a data break. Inactive persons in education or full-time training are excluded. Those reporting to be inactive because of “other reasons” or for who do not state a reason are excluded from the analysis (about 4% of the working-age population on average among the countries shown as well as in Belgium, Korea and Norway). Source: EU-LFS for European countries, HILDA for Australia, KLIPS for Korea, ENOE for Mexico, CPS for the United States.

**1.3. The composition of joblessness**

Women, older individuals, lower educated and migrants are overrepresented among the non-employed.

**1.3.1. The gender employment gap has narrowed but remains important**

Women are overrepresented among the non-employed in every OECD country (Figure 4, Panel A). Family responsibilities continue to weigh disproportionately on women: 93% of those non-employed because of family responsibilities are women on average across OECD countries. This suggests that traditional attitudes towards female labour force participation and family roles, as well as constraints to combine care responsibilities with paid work are still major employment hurdles (OECD, 2018<sup>[2]</sup>; OECD, 2017<sup>[6]</sup>). Closing employment gaps is a key element in the pursuit of gender equality. While gender wage gaps remain large and shorter working hours of women play a role, differences in

employment rates between men and women are the largest contributor to the labour income gender gap on average across OECD countries (OECD, 2018<sup>[11]</sup>; OECD, 2017<sup>[6]</sup>).<sup>8</sup>

The share of women among the jobless has generally fallen since the early 2000s. The decrease tended to be more pronounced in countries with larger gender employment gaps, including Korea and Belgium, than in countries where employment gaps were already relatively small, such as in most Nordic countries. The relatively strong performance of the Nordic countries suggests that long-standing commitments to gender equality at work pay off, but also that stubborn gaps remain even there (OECD, 2018<sup>[7]</sup>; Bertrand et al., 2019<sup>[12]</sup>).

### *1.3.2. Older individuals are still more likely to be jobless despite rising employment rates*

Older individuals (55-64) are strongly overrepresented among the non-employed in every country (Figure 4, Panel B).<sup>9</sup> The share of older individuals among the non-employed is particularly high in countries where early retirement is a frequently stated reason for non-employment, such as many Continental European countries, including Belgium. The share is somewhat lower in Nordic and English-speaking countries, including Norway, as well as in Korea where older individuals are often pushed in low quality jobs as a result of a low mandatory retirement age in combination with low pension coverage and/or benefit levels (OECD, 2020<sup>[13]</sup>; OECD, 2018<sup>[14]</sup>). In these countries, non-employment rates vary less across age groups. In Mediterranean countries, non-employment rates tend to be elevated for all age groups, which mitigates the share of older individuals among the jobless.

The share of older individuals among the jobless has remained broadly constant since the early 2000s on average across OECD countries. This was the result of two offsetting trends. On the one hand, population ageing led to an increase of the share of older individuals among the working-age population. On the other hand, non-employment rates of older individuals declined substantially, which may be related to pension reform, the phasing out of early retirement schemes and an increasingly healthy and higher educated workforce of older individuals.

### *1.3.3. Lower educated individuals are more likely to be jobless, highlighting the importance of education for employment*

Lower educated individuals, defined as those with less than upper secondary education, are substantially overrepresented among the non-employed in all countries (Figure 4, Panel C).<sup>10</sup> Their share among the non-employed is high in Mexico and most

<sup>8</sup> For Norway the full breakdown of the labour income gender gap is not available.

<sup>9</sup> The share of young individuals (15-29) among the jobless is comparable to its population share on average across countries, with more minor differences across countries. In Korea, young individuals are overrepresented among the non-employed (20% compared to a 17% population share), contributing to a high share of youth not in employment, education or training (NEET) (OECD, 2019<sup>[28]</sup>). In Norway the share of young individuals among the non-employed is just below its population share and in Belgium the share among the non-employed and population share are virtually identical. Prime-age individuals comprise the largest share of non-employed on average across OECD countries in 2017 because of their population size. Their non-employment rates are always below those of older individuals and below or on par of those of young individuals.

<sup>10</sup> Comparable patterns are found when the higher educated group is cut into a middle educated group with upper secondary education and a higher educated group with tertiary or higher education.

Mediterranean countries, where average education levels are still comparatively low (OECD, 2018<sub>[15]</sub>). The share is relatively elevated in Belgium, because of a high employment gap between the lower and higher educated (OECD, 2017<sub>[16]</sub>; OECD, 2018<sub>[17]</sub>). The share of lower educated has decreased since the early 2000s in most OECD countries, including Belgium, as a result of a decline in its population share.<sup>11</sup>

Lower educated more often state being jobless because of illness and disability. Individuals with health problems or disability are more likely to not have completed upper secondary education because of learning difficulties, higher school drop-out rates and lower job-related vocational training participation rates (OECD, 2010<sub>[18]</sub>). Moreover, lower educated are more at risk of health problems, as disadvantages reinforce each other and compound over the life course (OECD, 2017<sub>[19]</sub>).

#### *1.3.4. Migrants are on average slightly overrepresented among the non-employed, with large variations across countries*

The foreign-born are on average slightly overrepresented among the non-employed, although with large variations across countries (Figure 4, Panel D). Socio-demographic characteristics of foreign-born vary substantially, with important compositional differences across countries. Some are highly qualified, while others, in particular refugees, face difficulties in finding employment, which may be due to language barriers, no recognition of education degrees, discrimination and a lack of basic skills or relevant work experience (OECD/EU, 2018<sub>[20]</sub>; OECD, 2018<sub>[21]</sub>). Luxembourg and Switzerland stand out with almost half of the non-employed being foreign-born, mainly due to high population shares. The share of foreign-born among the jobless is also relatively high in Continental European countries such as Belgium and Nordic countries including Norway, where employment gaps are high (OECD, 2017<sub>[16]</sub>; Karlsdottir et al., 2018<sub>[22]</sub>; OECD, 2014<sub>[23]</sub>).<sup>12</sup>

On average, the share of foreign-born among the non-employed has increased since the early 2000s, as the effect of migration on their population share dominated that of a better integration of migrants. Family responsibilities are a more frequently stated reason for non-employment among the foreign-born than among natives on average, which might be related to more traditional gender views among migrants, while the opposite holds for early retirement and illness and disability, partly due to differences in age composition.

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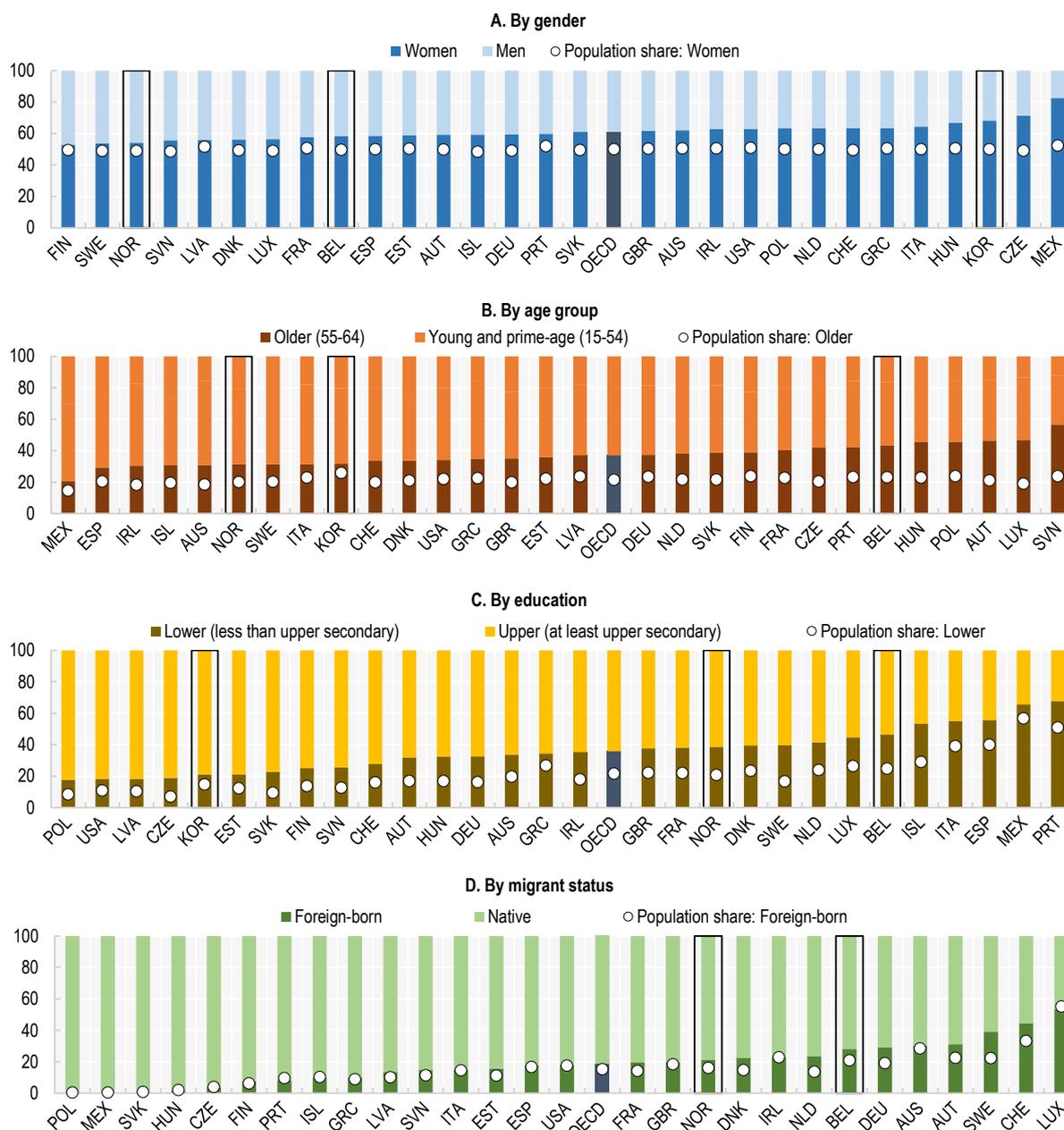
The share of middle educated among the non-employed does not differ markedly from its population share.

<sup>11</sup> The gap in non-employment rates between lower and higher educated has stayed about the same on average across OECD countries since the early 2000s. Comparable data on education for the early 2000s are not available for Norway.

<sup>12</sup> The composition of foreign-born differs between Belgium and Norway. For instance, while in both countries about one in three is EU foreign-born, on average the foreign-born are more often low-educated in Belgium (39%) compared to Norway (24%) (OECD, 2018<sub>[21]</sub>). Comparable figures for Korea are not available. The share of foreign population defined by nationality is with very low (4%) and well below the OECD average. The foreign population in Korea mainly comprises of work migrants, who are on average far less well-educated than the Korean population. Foreign workers are assigned to employers based on a number of different criteria. Once admitted, they have very limited sectoral or job mobility (OECD, 2019<sub>[48]</sub>).

**Figure 4. Women, older individuals, lower educated and migrants are overrepresented among the non-employed**

% of the non-employed aged 15-64, 2017



Note: Data refer to 2016 for Korea. Panel D: Information on country of birth is not available for Korea. “OECD” are the unweighted averages of the countries shown.

Source: EU-LFS for European countries, HILDA for Australia, KLIPS for Korea, ENOE for Mexico, CPS for the United States.

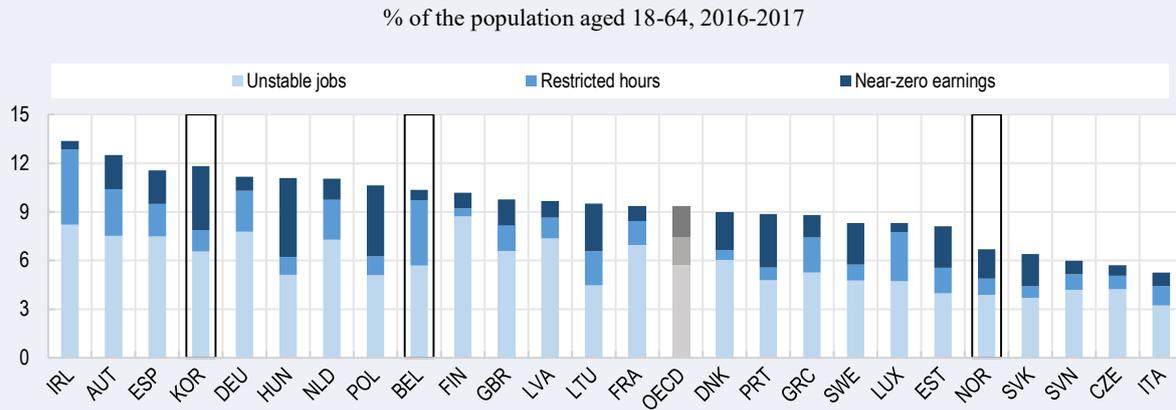
Limiting the attention to “snapshots” of jobless individuals at a specific point in time may not capture the entire population with labour market difficulties. Individuals with labour market difficulties frequently move between non-employment and different states of “precarious” employment characterised by a weak labour market attachment. Box 2 provides further insights into the prevalence and nature of weak labour market attachment.

**Box 2. The population with a weak labour market attachment**

Individuals with a weak labour market attachment are likely to experience major employment difficulties. In this note, this group is defined as workers: i) with an unstable job (working less than 45% of the year due to periods out of work and/or part-time work); ii) working restricted hours (working 20 hours or less during the reference week); or iii) with near-zero earnings (below EUR 120 per month in purchasing power parities in Belgium and Norway and below a third of the gross statutory minimum wage in Korea) (Fernandez et al., 2016<sup>[3]</sup>).

Between 5 and 13% of the working-age population fall into one or more of those categories across OECD countries (Figure 5). About two thirds of those have an unstable job. The share with a weak labour market attachment is somewhat lower in Norway than in Korea and Belgium.

**Figure 5. About a tenth of the working-age population has a weak labour market attachment**



Note: Data refer to 2016 for Korea and 2017 for Belgium and Norway. “OECD” is the unweighted average of the countries shown. Full-time students and those in compulsory military service are excluded.  
Source: EU-SILC and KLIPS.

## 2. Identifying employment barriers in Belgium, Korea and Norway

This section identifies the nature and incidence of structural barriers that give rise to major employment difficulties across different groups in Belgium, Korea and Norway as a basis for people-centred policy interventions, by applying the OECD Faces of Joblessness methodology.

### 2.1. Identifying barriers using the Faces of Joblessness methodology

The objective of the OECD's Faces of Joblessness methodology is to provide insight into the incidence and nature of barriers that limit access to stable and good-quality employment. It first develops detailed indicators to measure employment barriers. It then applies latent class analysis, a statistical segmentation method, in order to identify groups of individuals who face a similar combination of employment barriers. The statistical portraits of the identified groups can then serve as a basis for people-centred policy interventions (Fernandez et al., 2016<sup>[3]</sup>). In this way, Faces of Joblessness goes beyond descriptive statistics based on pre-defined socio-economic groups that have tended to dominate activation policy analysis, such as youth and low skilled.

This note places particular emphasis on three sets of barriers (see Box 3):<sup>13</sup>

- **Work readiness:** low education, low work-related skills or no work experience;
- **Work availability:** health limitations<sup>14</sup> or care responsibilities;
- **Work incentives:** generous income-support benefits (referred to as “high earnings replacements”)<sup>15</sup>, or household income sources unrelated to own work effort (referred to as “high partner or non-labour income”).

The Faces of Joblessness methodology builds on the insights derived from sophisticated statistical profiling tools that are increasingly being used by providers of public employment services (PES), by generating individual risk profiles based on detailed individual and household characteristics and statistical segmentation methods. Profiling tools of PES aim to place jobseekers in different groups as a function of their needs and personal characteristics when they register (Desiere, Langenbucher and Struyven, 2019<sup>[24]</sup>). In contrast to profiling tools of PES, Faces of Joblessness aims to provide a wider “birds-eye” view, as it assesses employment barriers of the entire working-age population instead of those who are (newly) registered as unemployed at the PES. However, this expanded scope entails that it cannot rely on rich datasets with detailed information on jobseekers' activity and motivation, sometimes in real-time form, that PES models in some OECD countries can rely on.

<sup>13</sup> In terms of the terminology in Figure 1, work readiness and work availability both relate to the employability of an individual, and work incentives to motivation.

<sup>14</sup> Information on health limitations in Norway is only available for those who directly responded to the questionnaire. Missing values for other household members were imputed using characteristics including age, reason for being jobless, whether receiving disability benefits and the number of disability benefit recipients in the household.

<sup>15</sup> Earnings replacement rates are measured in Norway by means of a shadow gross wage as only gross income information is available. For Belgium and Korea, where also net income information is available, a participation tax rate indicator for taking up or moving to a full-time position is estimated.

### Box 3. Measuring structural employment barriers

In the OECD *Faces-of-Joblessness* methodology, the share of the working-age population experiencing major employment difficulties is defined in terms of those persistently out-of-work (long-term unemployed or inactive) and those with a weak labour market attachment (see Box 2), excluding full-time students and those in compulsory military service. This share equals 19% in Norway, 33% in Korea and 34% in Belgium. Around two thirds of those are persistently out-of-work.

The following barriers are considered:

#### *Work readiness*

- Low education: lower than upper secondary education;
- Low work-related skills: the most recent job was in a low-skilled occupation (one of the lowest two ISCO-08 occupation categories in Belgium and Norway and the lowest KSCO-06 occupation categories in Korea);
- No past work experience.

#### *Work availability*

- Health limitations: some or severe limitations to perform everyday activities due to long-lasting physical or mental health conditions;
- Care responsibilities: having a family member who requires care not covered by purchased or publicly available care services, while stating that care responsibilities are the reason for not working or being the only person in the household who can provide these. In Korea, care responsibilities only refer to childcare responsibilities.

#### *Work incentives*

- High partner or non-labour income: a high share of income in the household unrelated to own work effort;
- High earnings replacements: out-of-work benefits are high relative to the individual's potential earnings.

This note focuses therefore exclusively on structural employment barriers related to the characteristics and circumstances of individuals (supply side barriers). While demand side barriers can also be important, these are not readily analysed with the present data.

Source: Fernandez, R. et al. (2016<sup>[3]</sup>), "Faces of Joblessness: Characterising Employment Barriers to Inform Policy", OECD Social, Employment and Migration Working Papers, No. 192, <http://dx.doi.org/10.1787/5j1wvz47xptj-en>.

## 2.2. The nature and incidence of employment barriers

Analysing employment barriers in a comparative context brings out the specificities in the nature and incidence of employment barriers in Belgium, Korea and Norway.

In Belgium, low education is the most frequent barrier among the population experiencing major employment difficulties, immediately followed by health limitations and low skills (Figure 6 Panel A). About 40% have low work-related skills, both in terms of education

and experience, and face work limitations because of their health. About a quarter face weak work incentives, as a result of either generous income-support benefits or a high partner or non-labour income.

In Korea, the most frequently encountered employment barrier - faced by about 40% of individuals experiencing major employment difficulties - is a high partner or non-labour income (Figure 6 Panel B). Access to high-partner or non-labour income sources independent of own work effort discourages employment, particularly among second-earners in households (Fernandez et al., 2016<sup>[31]</sup>). Furthermore, about 20% face work readiness barriers related to no past experience, low work-related skills and low education. Very few individuals face a high earnings replacement rate barrier.

Health limitations and low education are the most prevalent employment barriers in Norway. About 50% face some or severe work limitations because of their health, and a slightly lower percentage has low education (Figure 6 Panel C). Weak work incentive barriers because of generous income-support benefits or a high partner or non-labour income are faced by about 25%.

A striking difference between the countries considered is the role of the state and family in providing income protection for those experiencing major employment difficulties. About 90% of those experiencing major employment difficulties receive public income support in Belgium and Norway, compared to about 10% in Korea.<sup>16</sup> Instead, in Korea more than 80% of those experiencing major employment difficulties live with a working household member, twice as high as in Belgium and Norway. An interesting similarity between the three countries is the relatively low share who face care responsibilities as a major employment barrier.

While the nature and incidence of employment barriers may differ, in all three countries, individuals who experience major employment difficulties are on average poorer and receive more often benefits than those who do *not* experience major employment difficulties. Their equivalised disposable household income is on average 20% (Korea) to 40% (Belgium) lower. This translates into an almost three (Korea) to eight (Belgium) times higher risk of poverty or social exclusion.<sup>17</sup> Those who are persistently out-of-work generally face more often employment barriers than those with a weak labour market attachment. However, a slightly larger share of the individuals with a weak labour market attachment in Belgium and Norway faces a high partner or non-labour income work incentive barrier. A reason for this may be that these individuals are more likely to live with an employed person and thus their households have income sources not directly related to their own work efforts.

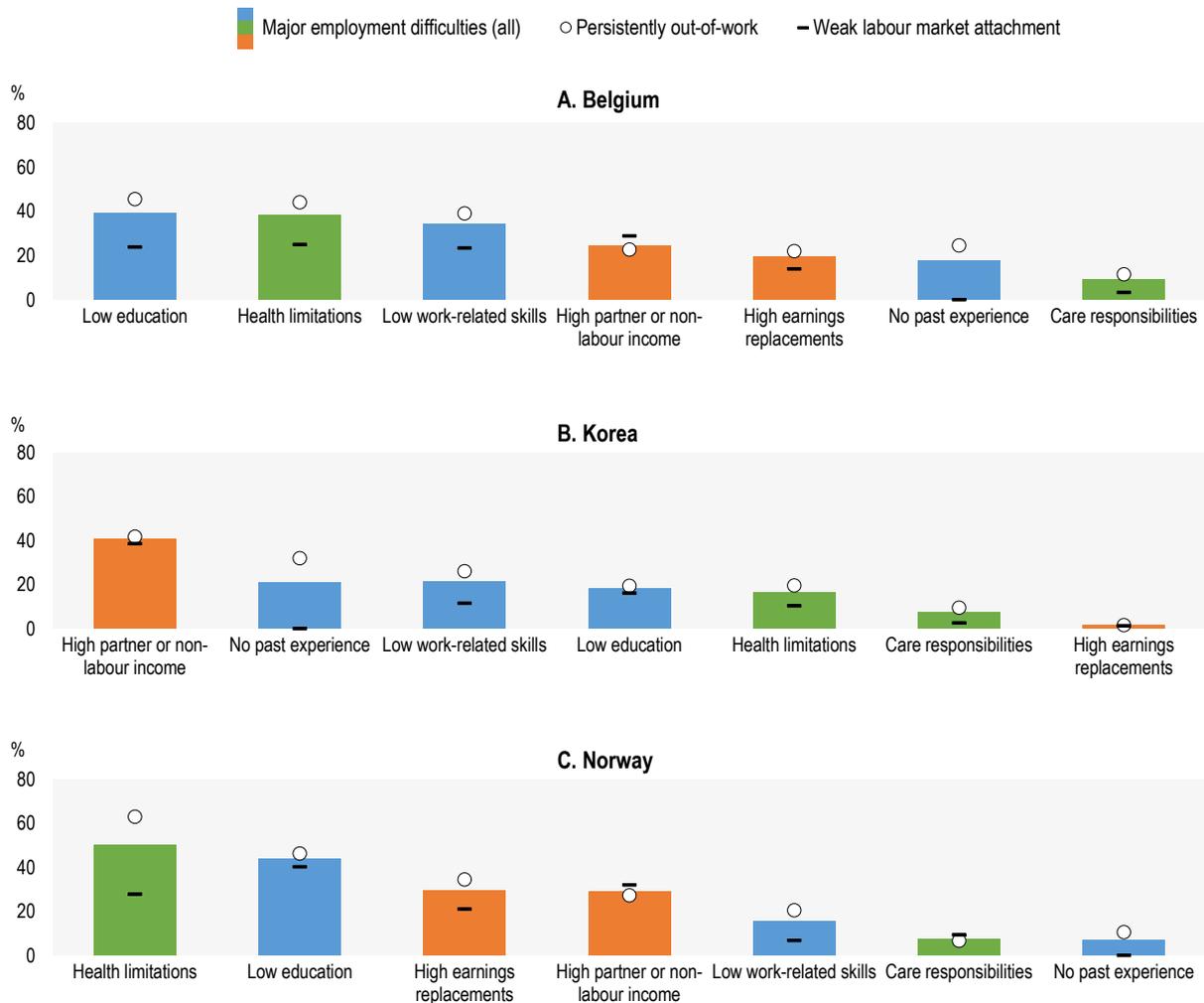
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<sup>16</sup> This refers to sickness and disability, unemployment, social assistance, housing, family-related or old-age benefits.

<sup>17</sup> In Norway, individuals experiencing major employment difficulties have on average a 30% lower equivalised disposable household income and an almost five times higher risk of poverty or social exclusion. One reason why the difference in the poverty risk between those who do and who do not experience major employment difficulties is smaller in Korea is that the risk of poverty on average across the population is more elevated, because of wide wage dispersion and limited redistribution (OECD, 2020<sup>[32]</sup>).

**Figure 6. Health limitations and low education are the most frequent employment barriers in Belgium and Norway**

Incidence of a particular employment barrier among the population experiencing major employment difficulties, 2016-2017

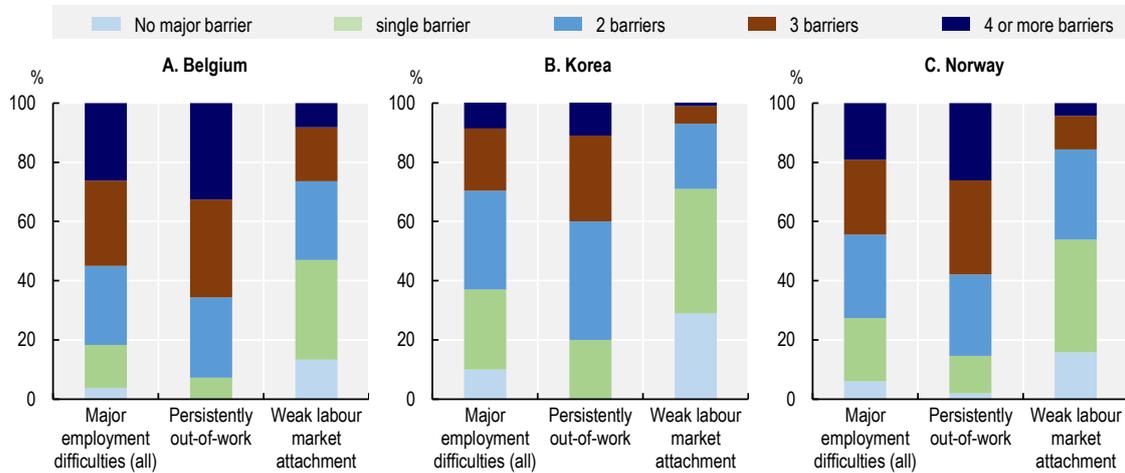


Note: Blue bars denote prevalence of work-readiness barriers, green bars work-availability barriers and red bars work-incentive barriers. Data refer to 2016 for Korea and 2017 for Belgium and Norway.  
 Source: EU-SILC and KLIPS.

In practice, people’s individual and household circumstances are complex and often lead to situations where they face multiple employment barriers. Figure 7 indicates that about half of the individuals experiencing major employment difficulties in Belgium and Norway and a third in Korea face at least three barriers simultaneously. As expected, individuals persistently out-of-work face on average more simultaneous barriers than those with a weak labour market attachment within each country. This underscores that the number of simultaneous barriers can be considered a crude measure of distance to the labour market or labour market exclusion.

**Figure 7. Those experiencing major employment difficulties often face multiple barriers simultaneously**

% of persons in the target population facing the same number of employment barriers, 2016-2017



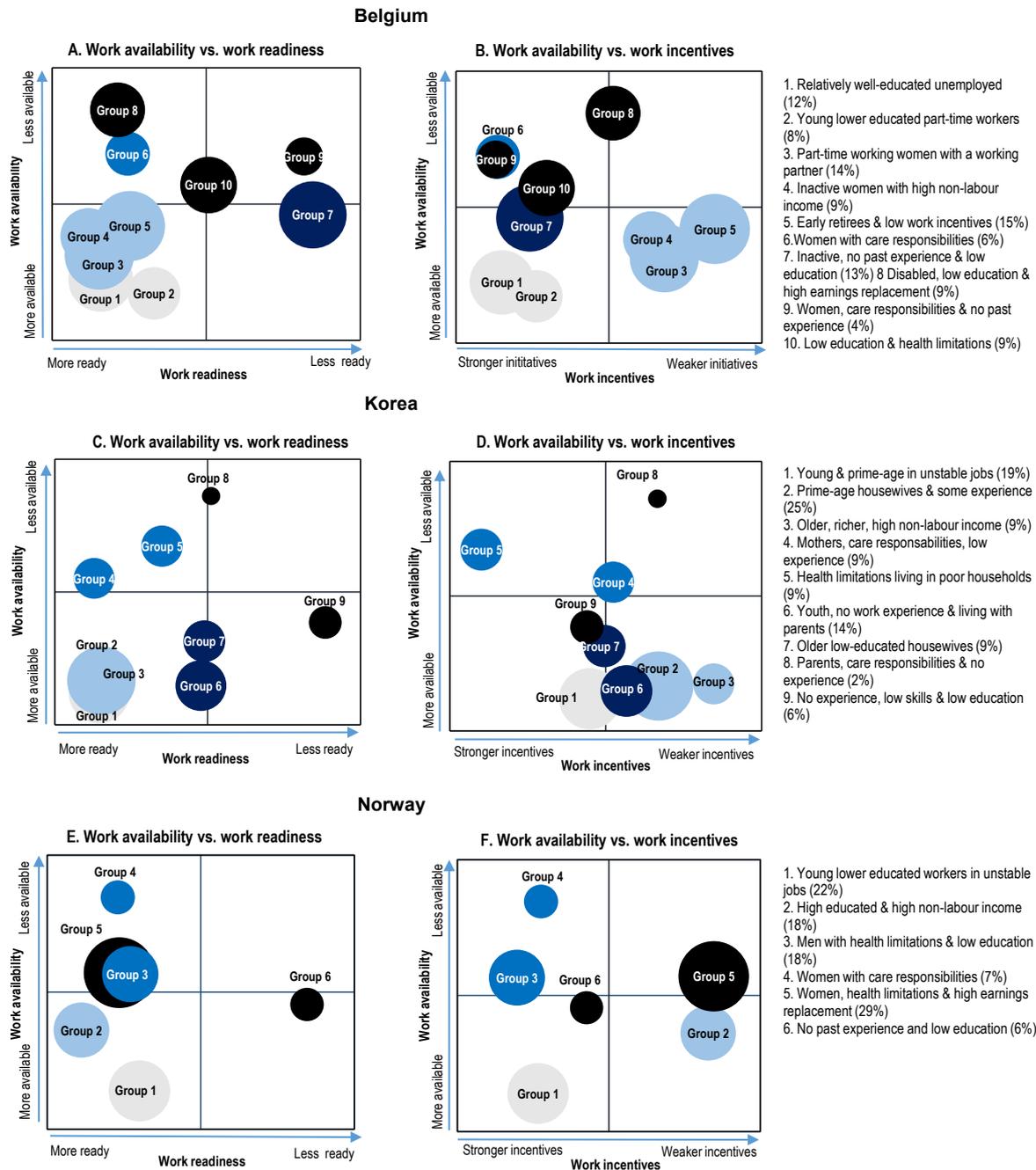
Note: The number of simultaneous barriers in Belgium and Norway is not fully comparable, since in Belgium an additional barrier is included in the statistical analysis (see Box 3). Data refer to 2016 for Korea and 2017 for Belgium and Norway.

Source: EU-SILC and KLIPS.

### 2.3. Groups facing similar employment barriers

The Faces of Joblessness segmentation process leads to the identification of ten groups in Belgium, nine groups in Korea and six groups in Norway that share a similar combination of employment barriers. Figure 8 plots these groups based on the share of individuals within the group that faces barriers related to work availability, work readiness and work incentives. The surface of each bubble in the figure reflects the group size. Darker colours indicate that a group faces more barriers. The groups are labelled (given “faces”) using individual and household characteristics with a high probability of occurrence. The groups are described in detail in Annex A (Belgium), Annex B (Korea) and Annex C (Norway).

Figure 8. Groups facing similar employment barriers



Note: The axes show the share of individuals within a group facing a barrier related to work availability (health limitations; care responsibilities), work readiness (low education; low work-related skills; no past experience) and work incentives (high partner or non-labour income; high earnings replacements). The size of the bubble and the percentage in brackets after the group label displays the group size. Darker colours indicate that a group faces more barriers. Data refer to 2016 for Korea and 2017 for Belgium and Norway. Source: EU-SILC and KLIPS.

### 2.3.1. Groups without major barriers

A number of groups face relatively low barriers with respect to work readiness, availability and incentives (bottom left corners of Panels A-F in Figure 8). These include a group of *relatively well-educated unemployed* who face limited health barriers (Belgium, Group 1) as well as a group of *young workers with a weak labour market attachment* in each of the three countries. In Belgium and Norway, these groups are lower educated, have fairly high shares of migrants and work either part-time (Belgium, Group 2) or have unstable jobs (Norway, Group 1). In Korea, this group does not face an education barrier, generally lives with their parents and has an unstable job or low earnings (Korea, Group 1).

Since the group of mostly unemployed persons is relatively work ready, activation measures should first of all focus on providing information on job openings and assisting in job search, application and job-matching services that could be provided by the PES. Investing in low-skilled youth is important in Belgium and Norway. Belgium has a high youth unemployment rate and a large share of youth that has not completed upper-secondary education (OECD, 2019<sup>[25]</sup>). In Norway, many upper-secondary students in the vocational stream fail to complete courses, which increases the risk of low-paid and unstable careers and compromises the supply of vocational skills for employers (OECD, 2018<sup>[26]</sup>). These groups of young workers with a weak labour market attachment can benefit from post-secondary education, second-chance education and on-the-job training programmes (OECD, 2018<sup>[27]</sup>).<sup>18</sup> In Korea, more than a third of young workers is on a temporary or daily contract, compared to a quarter on average across the OECD (OECD, 2019<sup>[28]</sup>). A better balancing of employment protection legislation between permanent and temporary contracts would likely reduce the incidence of temporary employment and increase the transition rate from temporary to permanent employment (OECD, 2018<sup>[2]</sup>; OECD, 2020<sup>[13]</sup>).

### 2.3.2. Groups with low work incentives

A number of groups are work ready and available to work, but face significant incentive barriers (bottom left corner of Panels A, C and E and bottom right corner of Panels B, D and F in Figure 8). This concerns primarily *women with a working partner* in Belgium and Korea and *older individuals with low work incentives* in all three countries.

Belgium and Korea both have a group of inactive women who have limited work experience, live with a working partner and generally have a high household incomes (above the median) (Belgium, Group 4 and Korea, Group 2). An additional group of mainly women can be identified in Belgium who tend to work part-time, usually for housework or care reasons (Belgium, Group 3). The group of older individuals with low work incentives in Belgium consists primarily of inactive older men, receiving old-age, disability or unemployment benefits (Belgium, Group 5). In Norway, this group consists mainly of prime-age and older high-educated women who work part-time and receive disability benefits, often complemented with old-age benefits (Norway, Group 2). About two out of

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<sup>18</sup> Some steps in this direction have already been made in recent years. For instance, the Flanders Region in Belgium adopted in 2017 the obligation for employers to provide an average of five training days per year to improve the accessibility of adult education and training, and has recently reformed Flemish training leave (Vlaams opleidingsverlof), with 125 hours annual paid leave for education for every employee in the private sector (OECD, 2019<sup>[25]</sup>).

five group members in Korea have an unstable job or low earnings and essentially all work in very small firms (Korea, Group 3). Relatively few receive old-age benefits.<sup>19</sup>

Promoting employment among the groups of financially dependent women through the use of tailored interventions is unlikely to be easy. Financially dependent women have no or limited contact with PES case workers since they typically do not receive benefits. In Belgium, a more systematic way to increase work incentives of second-earners is to lower their marginal effective tax rate (METR), which is the highest in Belgium across the OECD. The Belgian tax system uses a partial splitting system where a notional amount of income can be transferred between spouses if one earns 30% of less of the total family income. This system discourages employment of the second earner, as the part of the primary earner's income that had been attributed to the spouse starts to be taxed at the higher marginal rate of the primary earner (Thomas and O'Reilly, 2016<sup>[29]</sup>; OECD, 2020<sup>[30]</sup>). Furthermore, labour taxes in Belgium are higher than in any other country in the OECD. This may disproportionately hold back labour supply among second-earners since the economic need is necessarily more limited with another income in the household.<sup>20</sup> In Korea, increasing female participation rates by forcefully fighting labour market discrimination against women deserves more attention, notably by publishing an analysis of wage difference determinants to promote fairer wages for men and women (OECD, 2019<sup>[31]</sup>; OECD, 2020<sup>[32]</sup>).<sup>21</sup> Moreover, workplaces should be made more family-friendly by combating its long working-hour culture (Hijzen and Thewissen, 2020<sup>[33]</sup>).

Promoting employment among older benefit recipients who use benefits as a pathway to early retirement as is relatively common in Belgium and Norway is also challenging. First, this requires closing pathways in the form of early retirement schemes. Belgium introduced stricter eligibility requirements for early retirement and for pre-pension benefits and abolished the pension bonus system with its 2015 Pension Reform (OECD, 2020<sup>[32]</sup>).<sup>22</sup> A major reform in 2011 in Norway reduced incentives to retire early by strengthening actuarial neutrality of state-funded pension pay-outs, although in 2018 an early retirement scheme for those covered by collective agreement was phased in by collective partners (OECD, 2019<sup>[34]</sup>). Second, disability and sickness inflows should be controlled better to prevent these from becoming a pathway to early retirement in both Norway and Belgium

<sup>19</sup> About half of the individuals in Group 5 in Belgium and Group 2 in Norway receive old-age benefits and therefore have high replacement earnings, compared to only one in five in Group 3 in Korea, where pension benefit recipient rates are generally lower (OECD, 2020<sup>[32]</sup>).

<sup>20</sup> The 2015 reform in Belgium, phasing in over 2016-20, to lower social security contributions for employers and employees and personal income taxes for employees may help in this respect (OECD, 2020<sup>[30]</sup>).

<sup>21</sup> In February 2020, the government launched a salary comparison website that shows salary brackets of private sector jobs by six parameters: sex, firm size, type of business, occupation, academic background and job career (OECD, 2020<sup>[32]</sup>).

<sup>22</sup> Belgium has implemented multiple pension reforms since 2015, including a rise in its statutory retirement age from 65 to 67 in 2030, stricter eligibility requirements for early retirement and pre-pension benefits (unemployment benefits with employer top-up), the ability to combine earned income and pensions and the better valuation of work periods, even after a full career (OECD, 2020<sup>[30]</sup>).

(OECD, 2013<sup>[35]</sup>; OECD, 2017<sup>[36]</sup>; OECD, 2020<sup>[30]</sup>).<sup>23,24</sup> Third, the employability and productivity of older workers could be supported by on-the-job training and an increased use of flexitime. This is particularly important in Belgium, as on-the-job training of older workers are currently very low (OECD, 2017<sup>[16]</sup>).

Unlike in many other OECD countries, older individuals in Korea often have no choice but to work because of low pension coverage and/or low benefit levels in combination with a low mandatory retirement age. Addressing this problem requires first of all easing their financial needs by increasing further the tax-financed basic pension, and by better targeting to elderly in absolute poverty. Second, incentives for firms to retain older workers should be strengthened by increasing or banning altogether the minimum mandatory retirement age (OECD, 2018<sup>[37]</sup>; OECD, 2020<sup>[32]</sup>). Third, older workers should be able to improve their earnings capacity by extending possibilities to participate in lifelong learning. Older workers and workers in small and medium-sized enterprises (SMEs) should be targeted explicitly given their low participation rates, by means of reducing time-related and financial barriers to training, as well as improving career guidance (OECD, 2020<sup>[38]</sup>).

### 2.3.3. *Groups with limited availability*

Five other groups do not face high work readiness or incentive barriers, but are not available to work due to health limitations or care responsibilities (top left corner of Panels A-F in Figure 8). A group can be identified in each country of *prime-age women with childcare responsibilities* who typically receive family-related benefits. Two additional groups of mostly *low-educated individuals with health limitations* can be distinguished in Korea and Norway.

In Belgium (Belgium, Group 6) and Norway (Norway, Group 4), the groups of prime-age women with childcare responsibilities are at an elevated risk of poverty and often have a migrant background, whereas in Korea the risk of poverty is less high because of high partner incomes (Korea, Group 4). In Belgium and Korea, these women tend to be persistently out-of-work, while in Norway they tend to move frequently between inactivity and temporary jobs (Norway, Group 4). In Belgium, they often combine family-related benefits with unemployment benefits, despite being inactive and, in many cases, not actively searching for a job. In Norway, these women typically combine family-related benefits with sickness and disability benefits, despite indicating that they are not working to do housework rather than for health-related reasons. The group of mostly low-educated individuals with health limitations in Norway principally consists of prime-age men

<sup>23</sup> In Belgium, the strong increase in the share of ill and disabled persons has been related to an increase in the pension age (OECD, 2013<sup>[35]</sup>; Jousten, Lefebvre and Perelman, 2012<sup>[46]</sup>). Recent reforms to early retirement and unemployment benefits have also likely contributed to a rise in the number of recipients of disability and sickness benefits (OECD, 2020<sup>[30]</sup>).

<sup>24</sup> The experiences of Sweden, Switzerland and the Netherlands provide potentially valuable lessons as these countries have implemented reforms that have contributed to an overall reduction in disability benefit recipient rates. The Swedish reform suggests that a reduction in the sickness benefit replacement rate can strongly lower benefit recipient rates. The Dutch reform underscores that new benefit claims can substantially fall when employer contribution premiums to sickness and disability insurance become dependent on the employer's sickness and disability record. The Swiss reform demonstrates that moving to a medical assessment system by a public authority rather than the claimant's general practitioner can contribute to lowering disability benefit claims. For further details see Hemmings and Prinz (2019<sup>[10]</sup>).

(Norway, Group 3) and in Korea of prime-age and older individuals (Korea, Group 5). While in both countries three quarters face health limitation barriers, only about 5% receive sickness and disability benefits in Korea, compared with 80% in Norway.<sup>25</sup> This lack of support leaves two thirds of the Korean group at a very high risk of poverty, more than twice the rate in the Norwegian group.<sup>26</sup>

Promoting employment among individuals with limited work availability due to childcare responsibilities or health limitations requires a comprehensive activation strategy combined with adequate and widely accessible support (OECD, 2018<sub>[2]</sub>).

For people with care responsibilities, ensuring access to parental leave, early childhood and care and control over working hours are important.<sup>27</sup> Keeping mothers attached to the labour market after childbirth is a particularly important policy priority in Korea given its low female employment rate. A higher replacement rate for parental leave would likely increase take-up among men and women, preventing women to exit the labour market altogether (OECD, 2019<sub>[31]</sub>).<sup>28</sup> Increasing the resources of public employment services to support the reintegration of women is important too (OECD, 2020<sub>[32]</sub>). Furthermore, in all three countries more income support may be needed for particular sub-groups with an elevated risk of poverty. In Belgium and Norway, this includes for instance targeting lone parents who comprise about a fourth of the groups of prime-age women with childcare responsibilities, as well as migrants by means of integration policies (OECD, 2018<sub>[21]</sub>). In Korea, specific attention should be given to non-regular workers and workers in SMEs whose paid maternity leave rights are often not respected.

Helping workers with health problems to stay in employment requires a combination of adequate sickness and disability support complemented by a strong focus on rehabilitation and return to work. Korea is one of the few OECD countries without a statutory period for employers to provide sick pay and statutory publicly provided sickness benefits.<sup>29</sup> This disincentives workers to take leave when ill, which results in high prevalence of presenteeism with large long-term health risk and little benefit to the employer. Lack of adequate sickness and disability support may even push workers to quit their jobs with high

<sup>25</sup> Slightly larger shares in the group in Korea receive old-age benefits (10%) or social assistance (19%).

<sup>26</sup> The three times higher share of individuals living with a working partner in the Korean than in the Norwegian group does not prevent them from a very high risk of poverty.

<sup>27</sup> Average participation rates in early childhood education and care services are high in Belgium and Korea. Nevertheless, in Belgium regular attendance gaps persist especially for children aged 1-2 years with a mother with an immigrant or low education background. The Flemish Community has introduced financial incentives to boost attendance for 3 and 4 year olds in 2019. The recent decrease in the age of compulsory education from 6 to 5 could also help (OECD, 2020<sub>[30]</sub>). In Korea, with an extensive early childhood and care system in place, the policy priority has shifted towards improving quality. Recent efforts include an obligatory holistic accreditation assessment of all day-care centres as of June 2019, with the results published publicly (OECD, 2019<sub>[31]</sub>).

<sup>28</sup> Parental leave take-up in Korea amounted to slightly more than 30 for 100 births, although it is rising. The 2018 reform that lowered the qualifying period from 12 to 6 months of continuous employment with the same employer and 2019 reform that extended coverage are likely to increase take-up of parental leave in the future (OECD, 2019<sub>[31]</sub>).

<sup>29</sup> Korea has a publicly provided sickness benefit incorporated in its national health insurance legislation, but benefits have not been granted (yet) due to absence of a presidential decree.

risk of falling into poverty (OECD, 2018<sub>[14]</sub>). Korea should consider introducing adequate sickness and disability support matched with a strong focus on rehabilitation and return to work (OECD, 2020<sub>[32]</sub>). In Norway, activation can be improved through a better design of unemployment and disability and sickness benefits. For instance, Norway could attempt to reduce its high sick leave and disability benefit recipient rates by making rehabilitation more work-oriented, introducing a periodic reassessment of entitlements and lowering the rate of sick leave compensation. Employers could be more strongly involved as well, for instance by extending the employer-paid sick-pay period (OECD, 2019<sub>[34]</sub>).<sup>30</sup>

#### 2.3.4. *Groups with limited work-related skills*

Three groups, one in Belgium and two in Korea, are not work-ready, but do not face major work availability barriers (the middle or right side of Panel A and the middle or left side of Panel B in Figure 8). The three groups differ in important aspects from each other.

In Belgium, a group can be identified containing inactive individuals who do not face strong work availability or work incentives barriers, but have generally *low levels of education and never worked in their lives* (Belgium, Group 7). While the demographic composition of this group is quite diverse, the large majority of the persons in this group have low levels of work-related skills. For one third, the highest completed level of education is primary school and for another third this is lower secondary school. In Korea, one group is principally not in employment, education or training (NEET) (Korea, Group 6). More than three quarters are below 30, and have completed at least two years of college education. They have never worked before and tend to live with their parents. Another group consists of low-educated inactive older women who have worked in the past and perform domestic tasks (Korea, Group 7).

The group in Belgium should be an important focus of policy-makers since its high share of low-skilled inactive persons stands out in the OECD (see Section 1. ). The key policy challenge is to ensure that everybody who enters the labour market has the skills needed to find a quality job. This requires ensuring that everybody has access to quality education, drop-out rates from secondary schools are kept as low as possible and “second-chance” schools are available to remedy the education gaps of school drop outs and other lowly educated workers.<sup>31</sup> While overall education levels are high in Belgium, inclusiveness can be improved by increasing access and participation among those with a low socio-economic or immigrant background, in particular in tertiary education (OECD, 2017<sub>[16]</sub>).

For the Korean government, helping the group of NEETs gaining a foothold in the labour market should be a major policy priority. Whilst Korean youth are amongst the most highly educated in the OECD area, the NEET rate for the age group 15 to 29 years is more than a third above OECD average.<sup>32</sup> The rate is particularly elevated among college or university graduates, in sharp contrast to most OECD countries. Korea’s dual labour market encourages young people to extend the time spent in education to enhance their chances of

<sup>30</sup> Employers in Norway only fund the first 16 days of sickness leave; the remainder of the year of sickness leave is publicly funded (OECD, 2019<sub>[34]</sub>).

<sup>31</sup> Austria for instance offers intensive one-year vocational courses for adults, which provide recognised vocational qualifications equivalent to conventional programmes (OECD, 2017<sub>[47]</sub>).

<sup>32</sup> If the group of NEETs enrolled in informal education or exam preparation are excluded (about a quarter of the total), then the NEET rate in Korea is slightly above the OECD average (OECD, 2020<sub>[32]</sub>).

finding a job in a large firm or the public sector, rather than small and medium-sized enterprises (SMEs) where average job quality is substantially lower (Hijzen and Thewissen, 2020<sup>[33]</sup>). The high NEET rate partly reflects a mismatch between the skills of young workers and those required by employers. Multiple programmes have been set up to address this, related to investments in career counselling, apprenticeship systems and vocational education, as well as an income tax exemption for young workers in SMEs for the first five years of employment. Additional efforts may involve better career guidance to improve educational choices, the further promotion of upper secondary vocational education and a better safeguarding of the quality of tertiary education (OECD, 2019<sup>[28]</sup>).

### 2.3.5. Groups with multiple barriers

A number of groups face multiple barriers. Its members therefore tend to be relatively distanced from the labour market. Tackling *all* barriers through a comprehensive approach based on tailored interventions will be crucial to help these people find their way to quality employment. The groups include (in the centre or towards the top right corner in Panels A-F in Figure 8):

- *People with major health limitations* (Group 8 in Belgium, Group 5 in Norway). People with health limitations have by definition a more limited availability to work and in most advanced countries, including Belgium and Norway, earning replacement rates for sickness and disability are relatively high.<sup>33</sup> While there are good reasons for this, it also implies that the incentives for those with a partial ability to work are relatively weak.<sup>34</sup> The relatively generous nature of sickness and disability and the lack of job-search and work availability requirements also increases the risk of over-medicalisation as sickness and disability becomes the benefit of choice, at the expense of for example unemployment benefits. “Medicalisation” of unemployment appears to be particularly important in Norway (OECD, 2017<sup>[36]</sup>; Bratsberg, Fevang and Røed, 2013<sup>[39]</sup>; Nilsen, 2018<sup>[40]</sup>).
- *People with low skills and limited availability*. In both Belgium and Korea, a group can be distinguished that consists of mostly prime-age women who are not ready for work, have no past work experience and have significant childcare responsibilities. The group in Belgium in addition is characterised by low levels of education and a high share (more than half) of migrants (Belgium, Group 9). Its relatively strong level of work incentives comes from the fact that the group is very poor: almost two thirds are in the bottom quintile of the disposable household income distribution. Almost all members of the group receive family benefits, but few receive social assistance (about one in five) and sickness and disability benefits (only 2%), while still one in five reports health limitations. The group in Korea does not face an education barrier

<sup>33</sup> In Norway, individuals are entitled to up to one year of sick leave compensation at 100% of the past wage. No other OECD country provides entitlement at such high replacement level for such a long time (OECD, 2010). Sick leave can be followed by up to three years on a rehabilitation-type benefit, the Work Assessment Allowance (AAP, *Arbeidsavklaringspenger*), before people transition to long-term disability support, the Disability Benefit (*Uføretrygd*) (OECD, 2019<sup>[34]</sup>).

<sup>34</sup> Partial returns to work could for instance be made more financially attractive to employees and employers (OECD, 2019<sup>[34]</sup>).

but faces stronger incentive barriers because of high non-labour income (Korea, Group 8).<sup>35</sup>

- *People with barriers related to work availability, readiness and incentives.* This group is arguably the most excluded from the labour market. People in this group are persistently out-of-work, have low education and skills, frequently face health barriers and have more limited work incentives either because of higher social assistance and sickness and disability benefit recipient rates in Belgium and Norway or because of high non-labour income in Korea. In Belgium (Belgium, Group 10), this group is relatively old but has worked before, whilst in Norway (Norway, Group 6), this group is generally younger, has never worked, and contains a high share of migrants. The group in Korea has a more varied demographic profile, but all face particularly strong work readiness barriers as exemplified by low levels of education and no past work experience (Korea, Group 9).<sup>36</sup>

### 3. Policy discussion

A quarter of the working-age population is jobless and another tenth only has a weak labour market attachment across OECD countries. In the context of the implementation of the OECD Jobs Strategy, this note has provided a detailed analysis of employment barriers in Belgium, Korea and Norway. While the extent of the employment challenge differs between these countries, joblessness tends to be highly persistent in all three, reflecting the importance of structural barriers to employment and the need for tailored policy interventions. The main contribution of this note is to identify particular groups of individuals who experience major employment difficulties and who face similar combinations of barriers, by building on the insights derived from sophisticated statistical profiling tools that are increasingly being used by providers of public employment services in OECD countries to develop individualised support plans.

One important insight from the analysis is that a greater emphasis on preventive policies is needed. A shift in emphasis from remedial to preventive policies would not only enable individuals to avoid many of the social and financial costs associated with labour market exclusion (such as unemployment, sickness and disability), but would also contribute directly to economic growth by expanding opportunities for individuals while reducing the overall fiscal costs of social programmes (OECD, 2018<sub>[2]</sub>). The analysis in this note suggests three general policy principles to lower barriers faced by groups experiencing major employment difficulties:

1. *Promote equal opportunities.* The best way to prevent persistent joblessness and labour market exclusion is to address problems before they arise. This first and foremost requires strengthening equality of opportunities so that socio-economic background does not act as a major determinant of success in the labour market. This key policy priority crucially hinges on tackling barriers to the acquisition of adequate levels of education and labour market skills by individuals from disadvantaged backgrounds, through targeted interventions during pre-school years to reduce drop-out rates from secondary education and enhance the transition from

<sup>35</sup> While essentially all members of this group in Korea have a child under six years old, only a third receives family-related benefits.

<sup>36</sup> A substantial part of the group in Korea reports having health problems, but only about 5% receives a sickness and disability benefit.

school to work (see Box 4). It also involves forcefully fighting labour market discrimination, including against women, migrants and older workers.

#### Box 4. Reducing early school leaving in Belgium, Korea and Norway

Fighting early school leaving is essential to promote equal opportunities and ensure that youth gets off to a good start in the labour market. Individuals from poor or immigrant families or with poorly educated parents are more likely to leave school without qualification or to underperform. They are also more likely to attend schools with fewer resources, and their parents generally cannot afford private tutoring (OECD, 2018<sup>[27]</sup>). In order to reduce early school leaving, a combination of remedial and preventive policies is needed. This involves reaching out quickly to students who disengage from school by providing the support they need. This strategy requires a strong coordination and information sharing between schools and providers of social and employment services.

- In Norway, schools are given the freedom to exempt teachers from some of their teaching duties so that they can attend to students at risk of dropping out and absenteeism. Moreover, the “**Follow-up Services**” programme is designed to track and contact all young people up to the age of 21 who leave school without an option in upper-secondary education or employment to ensure that they are offered education or training or to connect them with the welfare services (OECD, 2018<sup>[26]</sup>).
- In the Flanders region in Belgium, authorities have adopted the “**Internal Pupil Coaching**” (*interne leerlingenbegeleiding*), that operates within schools. Each school receives funding that allows it to relieve teachers of part of their teaching duties or to hire specialised staff (a psychologist, pedagogue, medical professional, or social worker) so that they can provide extra care for pupils in need (OECD, 2015<sup>[41]</sup>).
- As of 2012, a nationwide programme exists in Korea to advance teacher career development. After promotion, teachers can become 1) “Master Teacher” with more substantive responsibilities related to mentoring and curriculum design, and teaching for smaller class size; 2) “Principal” with more management responsibilities; or 3) an “Education Specialist” by becoming for instance an inspector or research expert. Promotion comes with additional salary. Promotions are made based on a point system that reward teaching experience, performance evaluations and additionally obtained qualification. Additional points can be gained by teaching to children from lower socio-economic backgrounds. As a result, students from disadvantaged backgrounds are more often taught by mathematics teachers who possess additional certifications and more experience (OECD, 2014<sup>[42]</sup>).

Source: OECD (2018<sup>[27]</sup>), *A Broken Social Elevator? How to Promote Social Mobility*, <http://dx.doi.org/10.1787/9789264301085-en>; OECD (2018<sup>[26]</sup>), *Investing in Youth: Norway*, <http://dx.doi.org/10.1787/9789264283671-en>; OECD (2015<sup>[41]</sup>), *Fit Mind, Fit Job: From Evidence to Practice in Mental Health and Work*, Mental Health and Work, <http://dx.doi.org/10.1787/9789264228283-en>; OECD (2014<sup>[42]</sup>), *Lessons from PISA for Korea*, Strong Performers and Successful Reformers in Education, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264190672-en>.

2. *Build a more dynamic perspective into policy.* Policies should adopt a life-course perspective to better adapt policy interventions to individual circumstances. This is relevant both for policies that support those in work by focusing on the quality of jobs as well as those out of work by focusing on the accessibility of jobs. Life-course policies oriented to those in work can help avoid that individual disadvantage cumulates over time and eventually leads to job loss. These involve life-long learning policies, work-life balance policies and policies that mitigate work-related health risks. Policies that focus on those out of work by making work more accessible also can benefit from a more dynamic perspective. For example, jobless youth may be in particular need of relevant work experience, parents with young children of affordable childcare and early education and persons with health limitations with adjustments in the workplace or the organisation of work. Profiling of jobless persons as increasingly done by the public employment services is one key method to achieve this (see Box 5). The statistical profiling tool developed by the Flemish public employment services provides a good example, but can be further enhanced and similar tools should be applied in other regions (OECD, 2020<sup>[30]</sup>). A similar tool could be developed to strengthen the effectiveness of the public employment services in Korea.

#### **Box 5. Statistical profiling by the public employment services in Flanders and Austria**

Public employment services in several OECD countries have developed and implemented statistical profiling models since the 1990s. Individual risk profiles can help to deliver employment services more efficiently. More costly, intensive services can be targeted at benefit recipients more at risk of becoming long-term unemployed. Furthermore, services can be tailored more closely to the individual needs of benefit recipients. This box provides an example of a recent experiment with machine learning techniques in the Flanders region in Belgium and a highly accurate profiling tool based exclusively on administrative data in Austria (Desiere, Langenbucher and Struyven, 2019<sup>[24]</sup>).

The **Flemish public employment services (PES) model** (VDAB) is an example of a statistical profiling tool that uses a machine-learning algorithm and exploits multiple sources of information to predict a jobseeker's probability of being unemployed for more than 6 months. The model is built in a flexible way so that it can be updated regularly in order to remain valuable with changing economic circumstances. The underlying data include detailed information on jobseekers' socio-economic characteristics as well as information on jobseekers' labour market history. Information collected by caseworkers during previous and current unemployment spells is also included. An innovative feature is the use of "click data", which can be used to monitor jobseekers' activity on the PES website through clicks on job vacancies.

An evaluation in 2019 showed that the Flemish PES model is able to predict with a high level of accuracy the jobseeker's probability to remain unemployed (Desiere, Van Landeghem and Struyven, 2019<sup>[43]</sup>). It also revealed that more could be done to reach all jobseekers in the first year of unemployment. Between 14 and 24% of jobseekers do not participate in any activation measure or find employment within 12 months. This group tends to have a lower probability to find work and is more often low educated, migrant and older.

The **Austrian PES model** (AMAS) predicts the likelihood of re-employment among unemployed jobseekers in the short and long-term with a very high level of accuracy. The

short-term function assesses the probability of moving into unsubsidised employment for at least three months in the first seven months after the start of unemployment. The long-term function estimates the probability of moving into unsubsidised employment for at least six months over 24 months. Clients are then assigned to three different client groups: high, medium and low chance of labour market reintegration. The model relies on administrative data sources only. It makes use of socio-economic variables (gender, age, nationality), information on job readiness (education, health limitations, care responsibilities), and opportunities (regional labour market situation). An important feature strength is the use of detailed labour market histories for each jobseeker, including on prior work experience (type and intensity), frequency and duration of unemployment, and past participation in active labour market programmes.

Source: Desiere, S., K. Langenbucher and L. Struyven (2019<sup>[24]</sup>), “Statistical profiling in public employment services: An international comparison”, OECD Social, Employment and Migration Working Papers, No. 224, OECD Publishing, Paris, <https://dx.doi.org/10.1787/b5e5f16e-en>; Desiere, S., B. Van Landeghem and L. Struyven (2019<sup>[43]</sup>), Wat het beleid aanbiedt aan wie: een onderzoek bij Vlaamse werkzoekenden naar vraag en aanbod van activering, HIVA-KU Leuven, Leuven, <https://hiva.kuleuven.be/nl/nieuws/docs/2018-hiva-profiling-rapport-eind-nl-fin.pdf>.

3. *Adopt a comprehensive approach to activation.* Jobless and marginally attached individuals often face multiple barriers to quality employment. These barriers may include a lack of adequate education, skills or work experience, health problems, care responsibilities, commuting costs, a lack of information about job opportunities and guidance for job search and applications as well as financial incentives. An effective activation strategy requires combining measures to ensure that jobseekers have the motivation to search actively and accept suitable job offers by ensuring that work pays and income replacement rates are not too high, with actions to expand job opportunities by employers and interventions to tackle barriers related to work availability and work readiness combined with adequate and widely accessible income support. This requires a holistic approach targeted at addressing all barriers to employment through coordinated actions concerning the provision of employment, health and education services and the administration of active programmes as well as the design of tax and benefit policies (see Box 6).

### Box 6. Coordination between employment, health and education services

Lowering low education, low work-related skills and health limitation barriers requires employment, health and education services to coordinate their activation and policy support. Good examples are the Individual Vocational Training programme in Flanders that provides effective work-based learning for the unemployed, the Norwegian Centres for Work Coping which integrate mental health and employment support, as well as Korea's Employment Success Package Programme that offers jobseekers customised job-search support and training.

The “**Individual Vocational Training**” (*Individuele Beroepsopleiding*) programme is the largest work-based learning programme in Flanders. The programme allows employers to hire a jobseeker and train them in the workplace, typically over a period of 4-26 weeks. The PES covers the wage and social security contributions, whereas the employer is only expected to pay a “productivity premium”. In return, the employer is expected to hire the individual after the training, normally on a permanent contract. The programme is aimed at the unemployed who are relatively close to the labour market and who are generally younger. This programme has been successful, with 90% of participants still working in the same company where they were trained one year later (OECD, 2019<sup>[25]</sup>; Desiere, Van Landeghem and Struyven, 2019<sup>[43]</sup>).

The Norwegian “**Centres for Work Coping**” (*Senter for Jobbmestring*), which are part of the PES, offer a combination of cognitive behavioural therapy and specialist employment services to people with mild-to-moderate mental disorders who are either still in work, on sick leave, or inactive. Employment counsellors communicate actively with therapists as well as with patients' employers. The services can include up to 15 sessions and are currently established in seven of Norway's 19 counties (OECD, 2015<sup>[41]</sup>). A randomised controlled trial found that individuals receiving these services more often maintained or increased their work participation, had lower depression and anxiety, and increased health-related quality of life after 12 and 18 months, compared to a control group that received usual care (support from their general practitioner and vocational rehabilitation measures by the PES) (Reme et al., 2015<sup>[44]</sup>). A follow-up study found that the services led to higher income, higher work participation and more months without receiving benefits 10 to 46 months after the intervention, but the effects were only significant for individuals on long-term benefits at inclusion (Øverland, Grasdal and Reme, 2018<sup>[45]</sup>).

Korea's “**Employment Success Package Programme**” is in line with best OECD activation strategy practices. It offers jobseekers a combination of customised job-search support, training to improve their employability as well as financial support to incentivise participation. The programme actively targets individuals at a greater distance to the labour market. It is operated by the PES or contracted out to private employment services. The programme consists of three stages. The first stage aims to assess the employability and improve motivation, by means of face-to-face interviews and group counselling, and an obligatory preparation of an individual action plan. The second stage provides personalised vocational training and job experience for up to eight months, in line with the assessed level of employability. The purpose of the third phase is to help jobseekers find employment by means of intensive job-placement services. Participants receive monthly financial support and additional allowances for completing the phases. Evaluations show that the majority of participants complete the programme and that over 80% found a job during the programme.

However, there is space to improve the quality of the jobs that the jobseekers find (OECD, 2018<sup>[14]</sup>).

Source: OECD (2015<sup>[41]</sup>), *Fit Mind, Fit Job: From Evidence to Practice in Mental Health and Work*, <https://dx.doi.org/10.1787/9789264228283-en>; Øverland et al. (2018<sup>[45]</sup>), Long-term effects on income and sickness benefits after work-focused cognitive-behavioural therapy and individual job support: a pragmatic, multicentre, randomised controlled trial, *Occupational & Environmental Medicine* 75(10): 703-708, <https://dx.doi.org/10.1136/oemed-2018-105137>; Reme et al. (2015<sup>[44]</sup>), Work-focused cognitive-behavioural therapy and individual job support to increase work participation in common mental disorders: A randomised controlled multicentre trial, *Occupational & Environmental Medicine* 72(10): 745-752, <https://dx.doi.org/10.1136/oemed-2014-102700>; OECD (2019<sup>[25]</sup>), *OECD Skills Strategy Flanders: Assessment and Recommendations*, OECD Skills Studies, OECD Publishing, Paris, <https://doi.org/10.1787/9789264309791-en>; Desiere, S., B. Van Landeghem and L. Struyven (2019<sup>[43]</sup>), *Wat het beleid aanbiedt aan wie: een onderzoek bij Vlaamse werkzoekenden naar vraag en aanbod van activering*, HIVA-KU Leuven, Leuven; OECD (OECD, 2018<sup>[14]</sup>), *Towards Better Social and Employment Security in Korea, Connecting People with Jobs*, Paris: OECD Publishing, <http://dx.doi.org/10.1787/9789264288256-en>.

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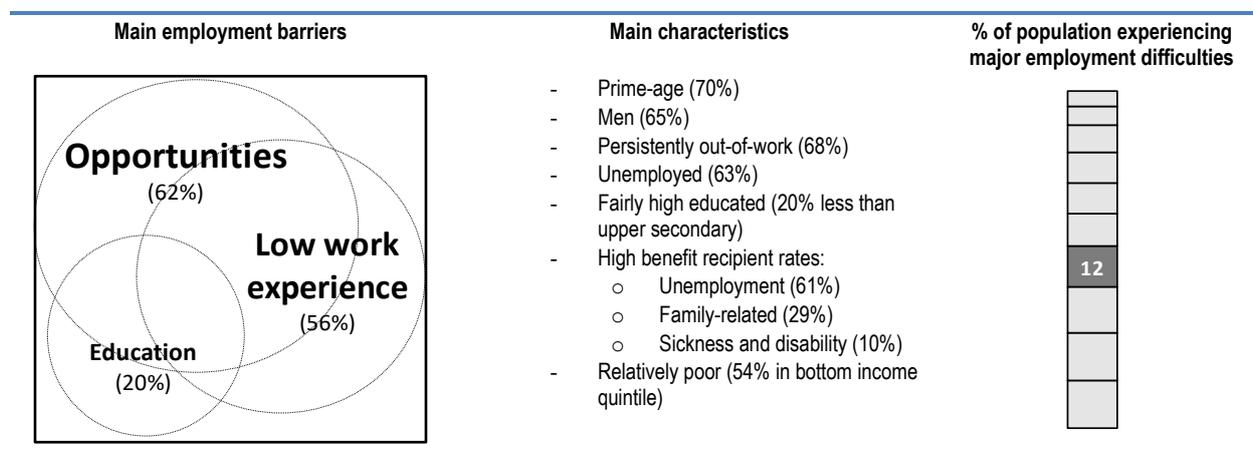
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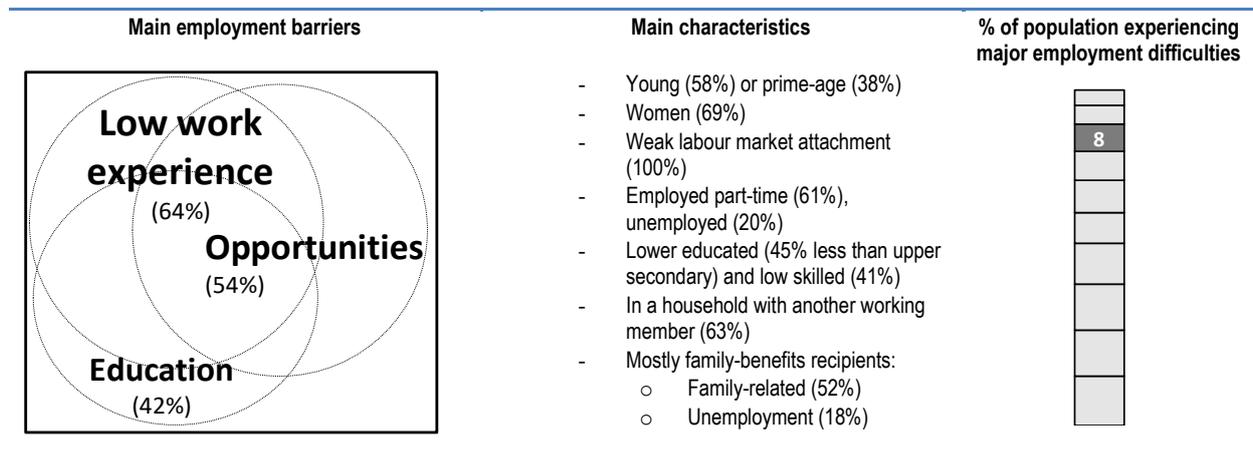
## Annex A. Detailed Faces of Joblessness results for Belgium

For Belgium, the Faces of Joblessness statistical segmentation process leads to the identification of ten groups of individuals that share a combination of employment barriers. In this Annex, each group is described in detail, by means of) a Venn diagram that shows the extent and degree of overlap of the main barriers; ii) a list of individual and household characteristics with a high probability of occurrence; and iii) a chart indicating the group size as a percentage of the entire population experiencing major employment difficulties.

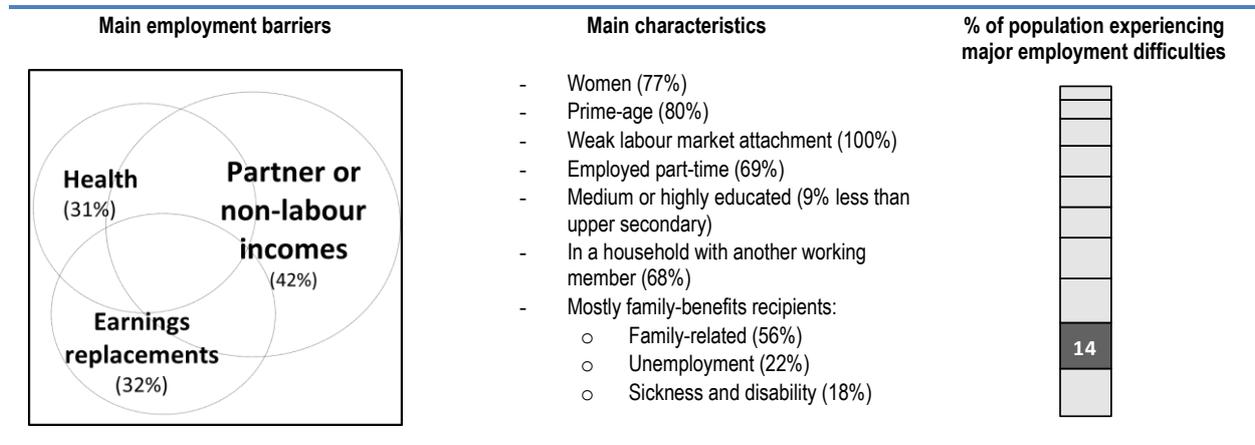
**Figure A.1. Group 1: Unemployed**



**Figure A.2. Group 2: Young part-time workers**



**Figure A.3. Group 3: Women working part-time with low work incentives**



**Figure A.4. Group 4: Inactive women with high non-labour income**

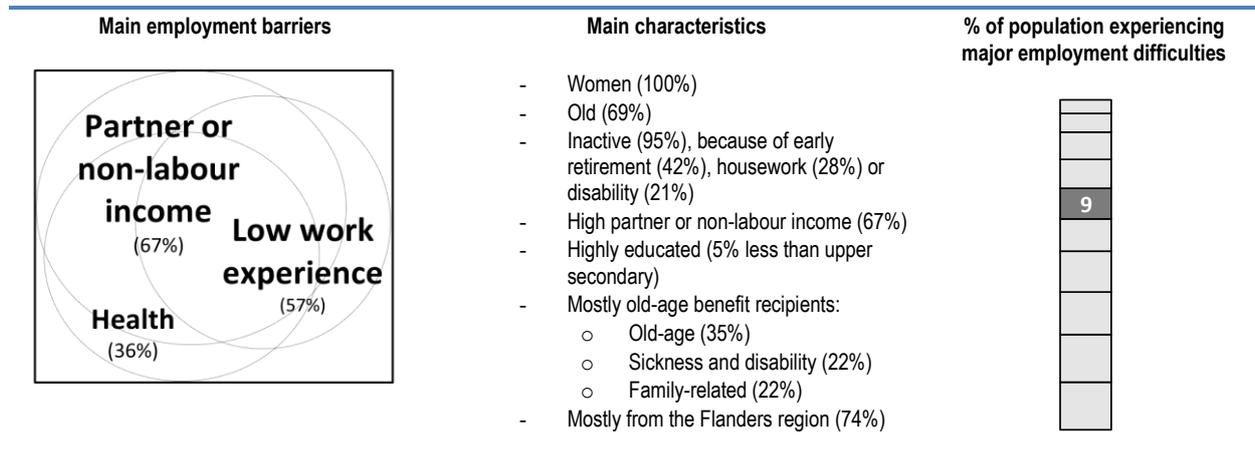


Figure A.5. Group 5: Early retirees & low work incentives

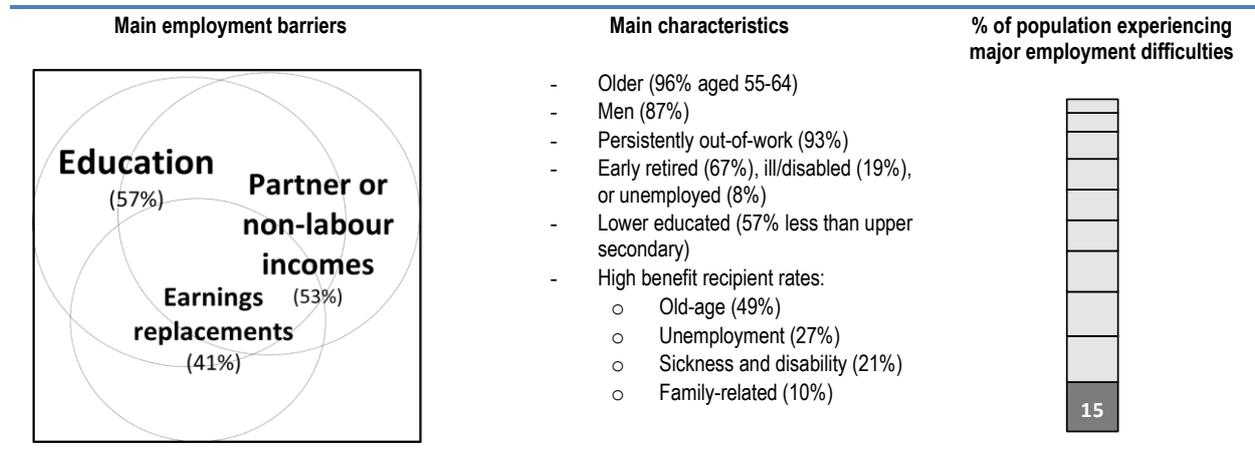
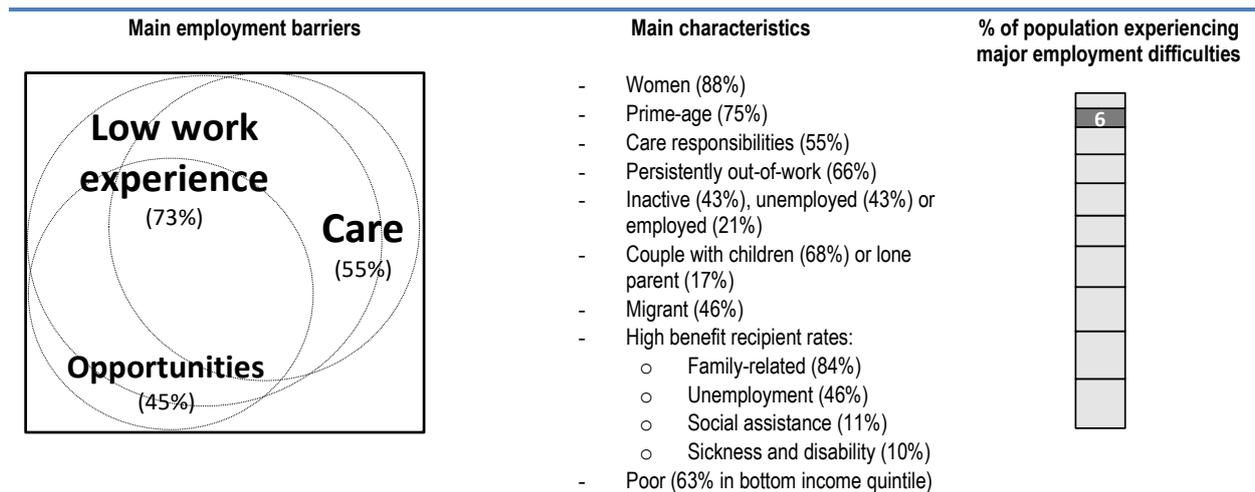
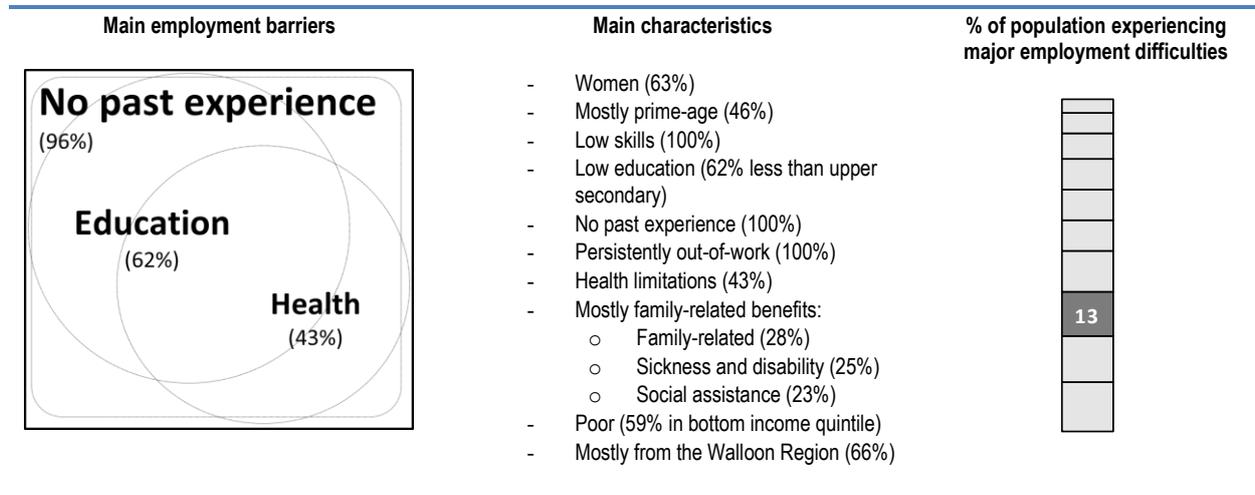


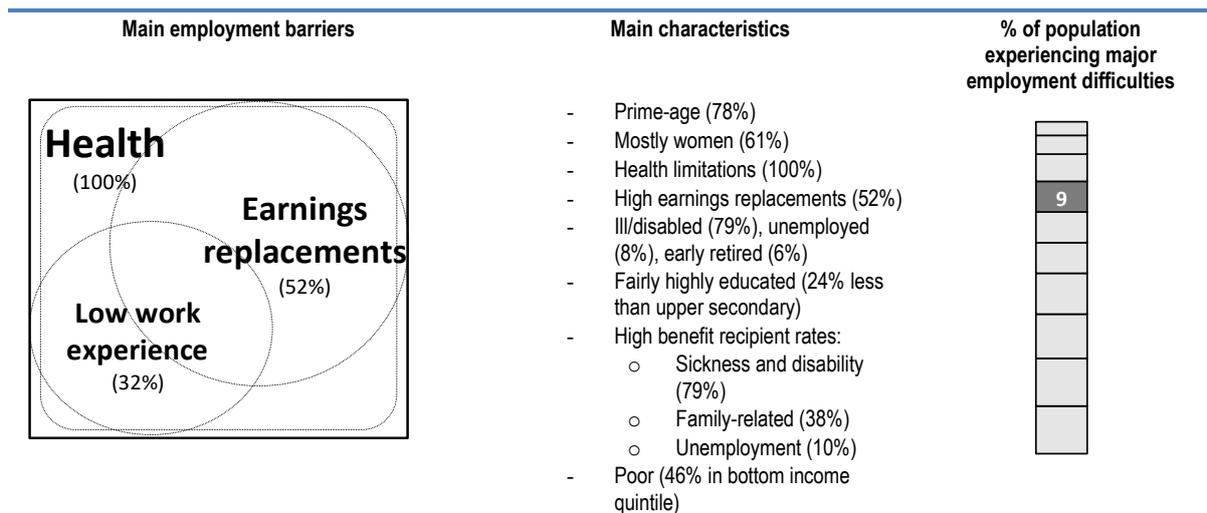
Figure A.6. Group 6: Women with care responsibilities



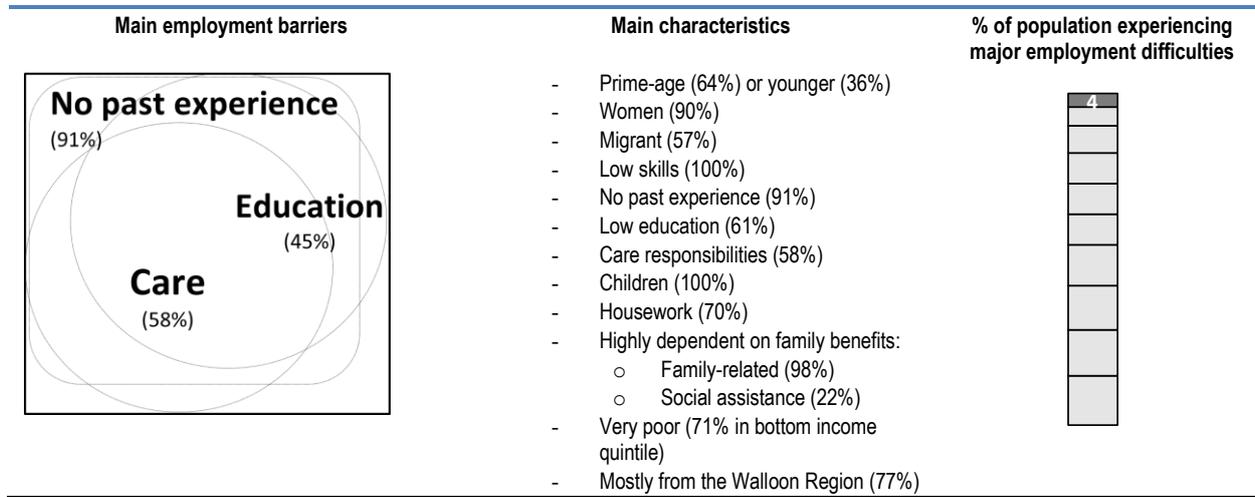
**Figure A.7. Group 7: Inactive, no past experience & low education**



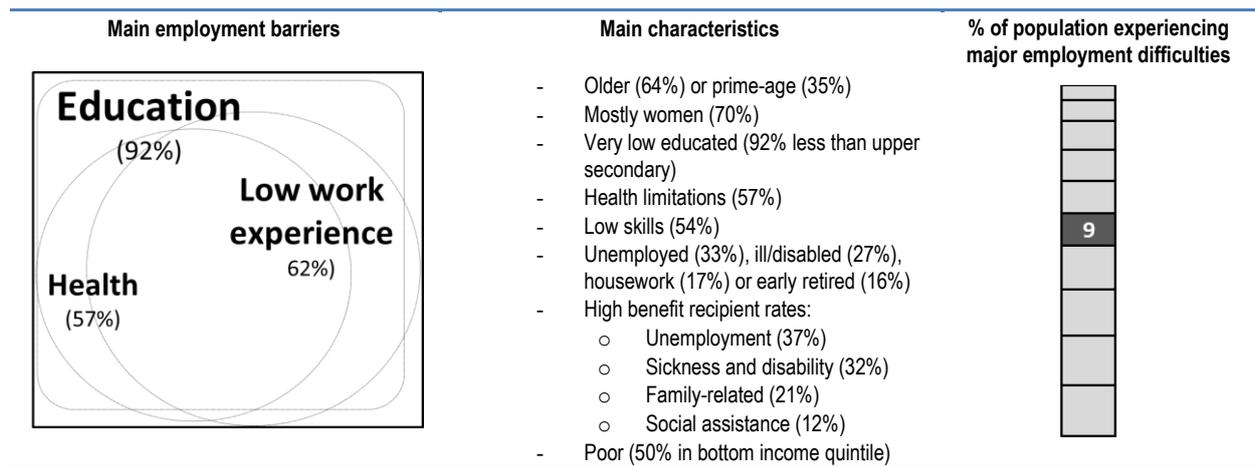
**Figure A.8. Group 8: Disabled, low education & high earnings replacement**



**Figure A.9. Group 9: Women with care responsibilities & no past experience**



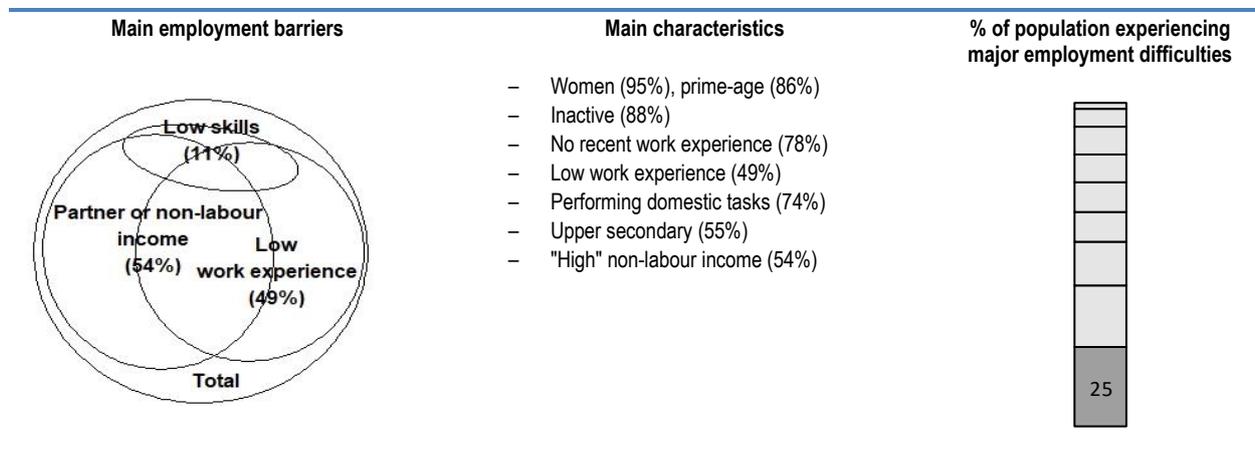
**Figure A.10. Group 10: Low education & health limitations**



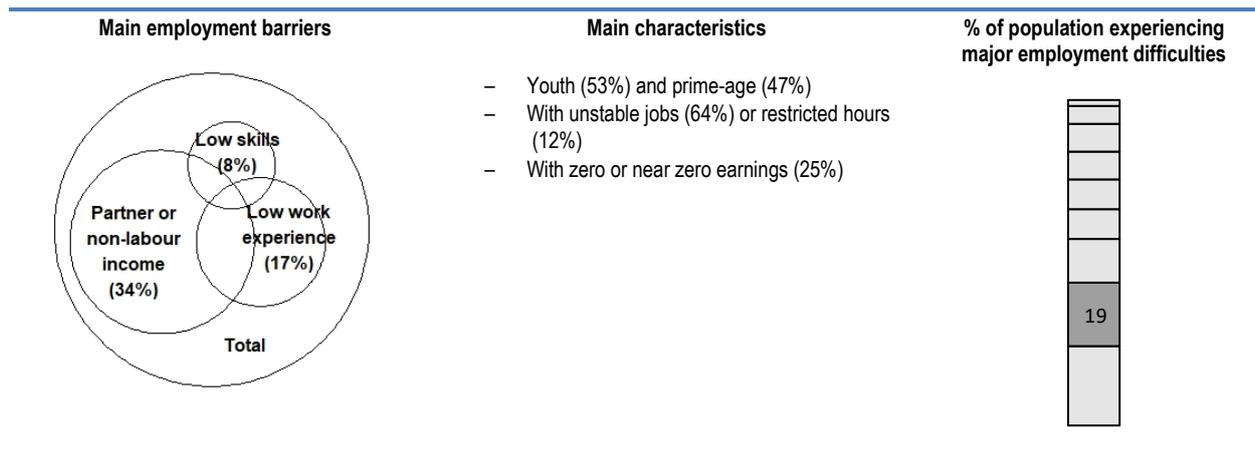
## Annex B. Detailed Faces of Joblessness results for Korea

For Korea, the Faces of Joblessness statistical segmentation process leads to the identification of nine groups of individuals that share a combination of employment barriers. In this Annex, the five principal groups of interest are described in detail, by means of: i) a Venn diagram that shows the extent and degree of overlap of the main barriers; ii) a list of individual and household characteristics with a high probability of occurrence; and iii) a chart indicating the group size as a percentage of the entire population experiencing major employment difficulties.

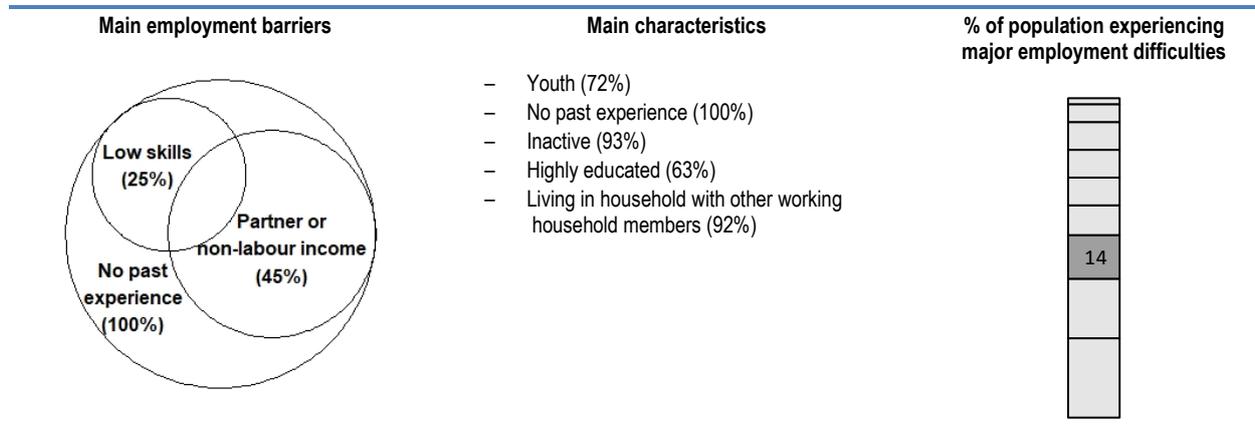
**Figure B.1. Group 1: Prime-age women performing domestic tasks with some previous work experience**



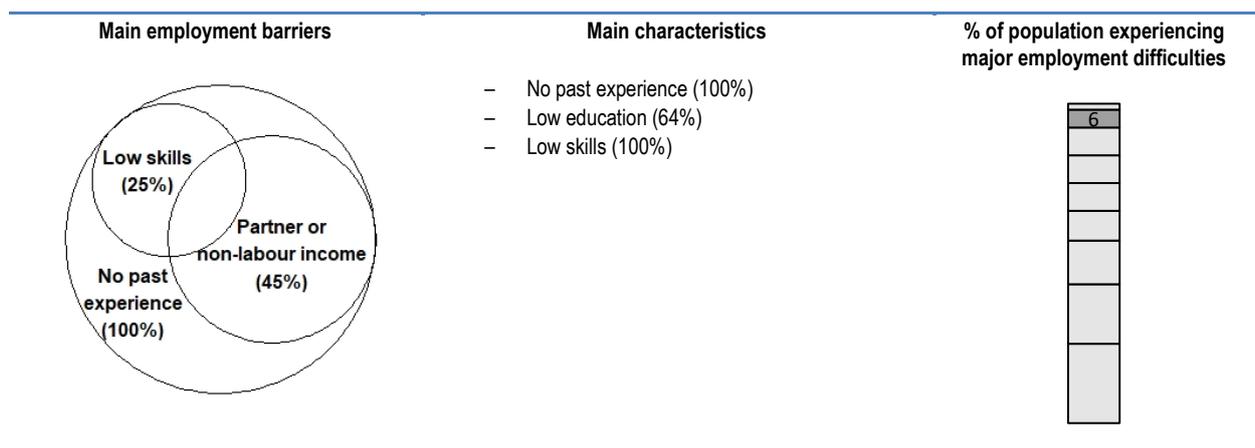
**Figure B.2. Group 2: Young and prime-age individuals with unstable jobs and low earnings**



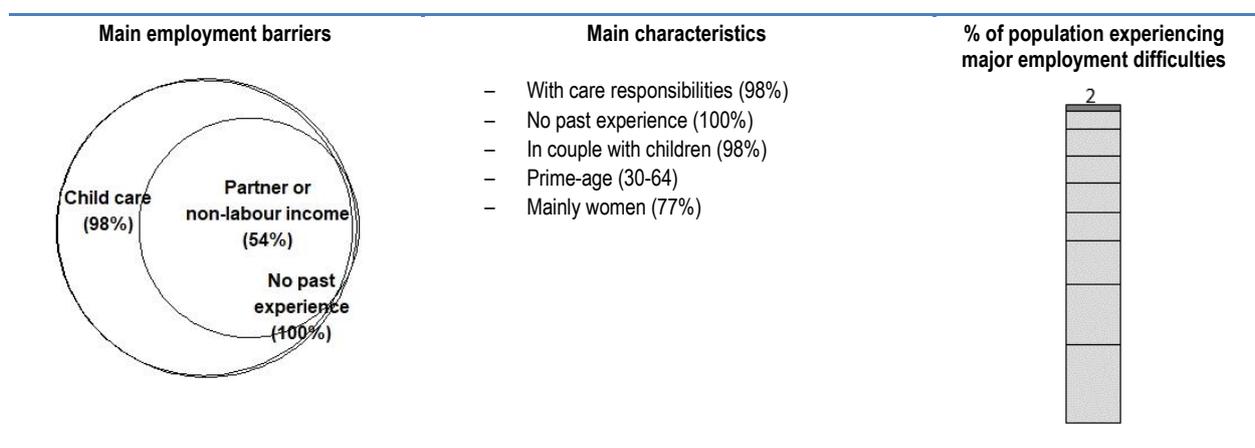
**Figure B.3. Group 3: Youth with no past work experience often living with their parents**



**Figure B.4. Group 8: Individuals with no past work experience, low skills and low education**



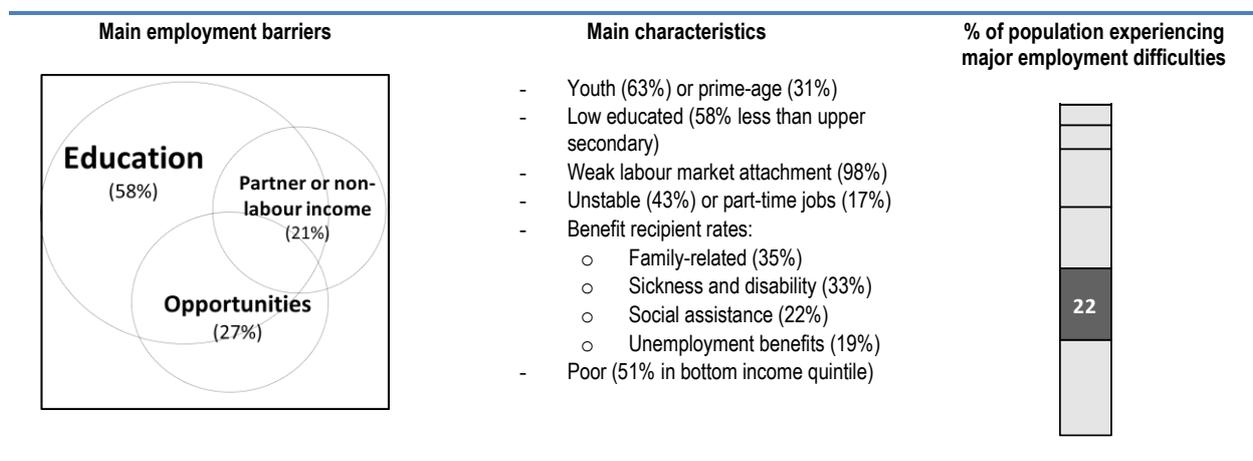
**Figure B.5. Group 9: Parents with care responsibilities and no past previous work experience**



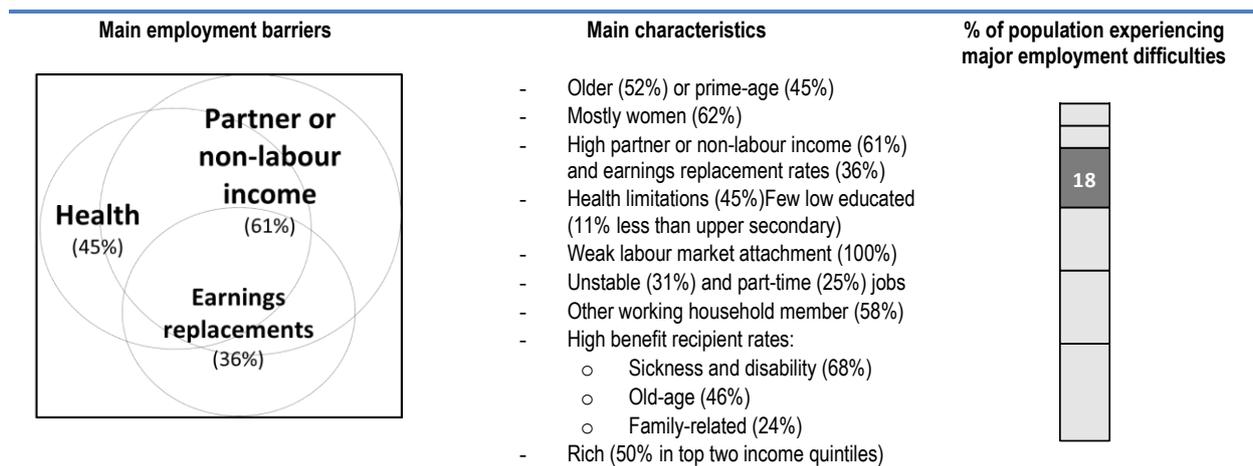
## Annex C. Detailed Faces of Joblessness results for Norway

For Norway, the Faces of Joblessness statistical segmentation process leads to the identification of six groups of individuals that share a combination of employment barriers. In this Annex, each group is described in detail, by means of: i) a Venn diagram that shows the extent and degree of overlap of the main barriers; ii) a list of individual and household characteristics with a high probability of occurrence; and iii) a chart indicating the group size as a percentage of the entire population experiencing major employment difficulties.

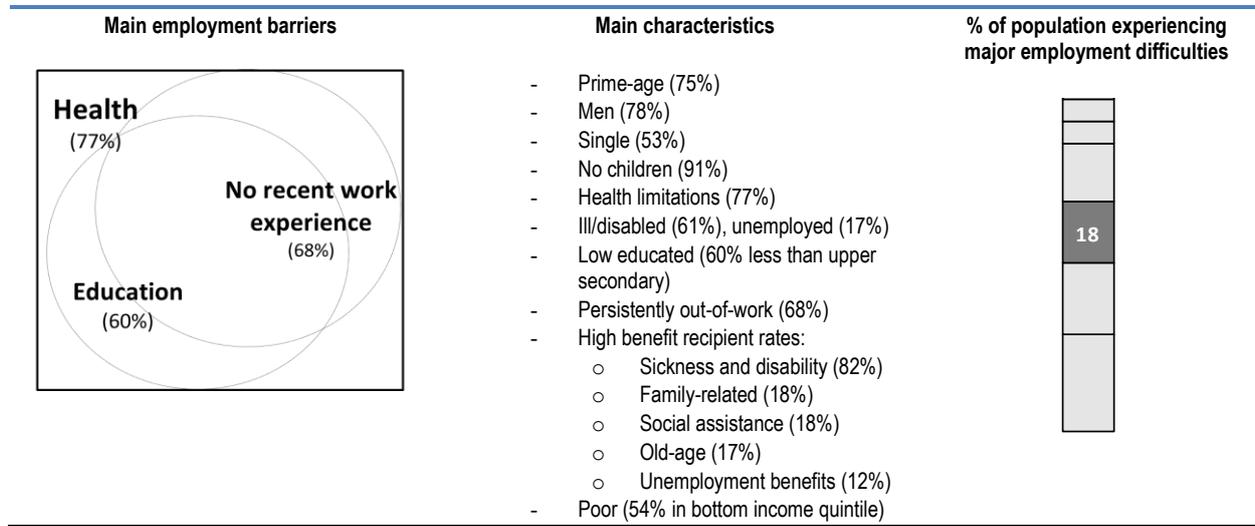
**Figure C.1. Group 1: Youth, low education & unstable jobs**



**Figure C.2. Group 2: High educated & high non-labour income**



**Figure C.3. Group 3: Men with health limitation & low education**



**Figure C.4. Group 4: Women with care responsibilities**

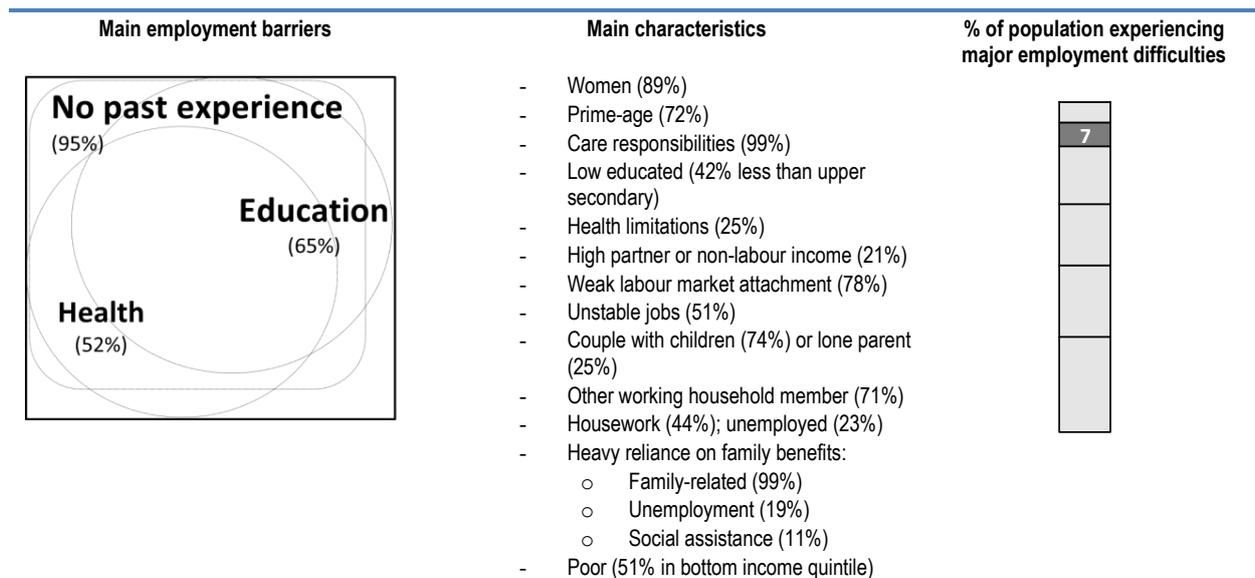


Figure C.5. Group 5: Women with health limitations & high earnings replacement

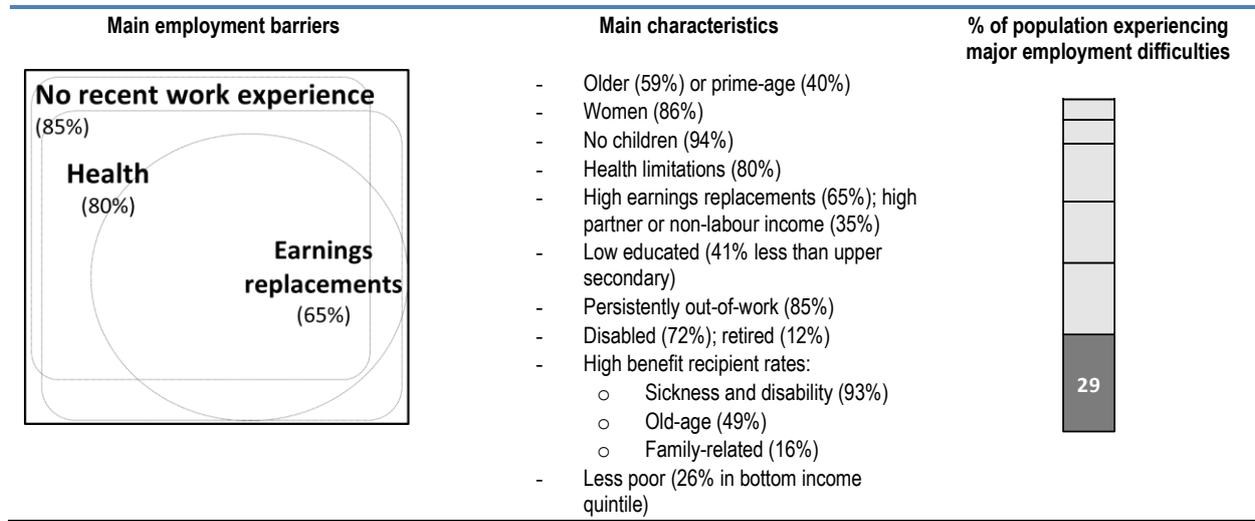


Figure C.6. Group 6: No past experience & low education

