MEMO/09/514

Brussels, 23 November 2008

Employment in Europe 2009

What is the Employment in Europe report?

This is the 21st annual edition of the Employment in Europe report, which has become one of the main tools of the European Commission in supporting Member States in the analysis, formulation and implementation of their employment policies.

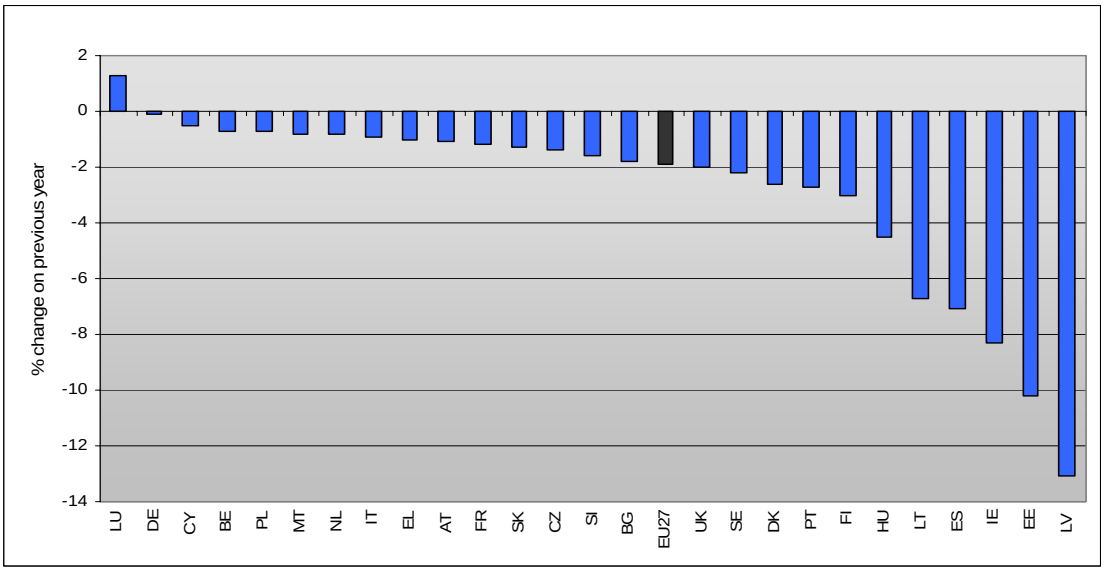
The Employment in Europe report 2009, as in previous years, addresses topics that are high on the European Union's employment policy agenda. It gives a comprehensive overview of the employment situation in the EU, as well as an analysis of key labour market issues, taking a deeper look at the dynamics of European labour markets and the implications of climate change on labour market outcomes.

How has the economic crisis affected EU labour markets?

Although EU labour markets have clearly been affected by the economic crisis, the level of employment has nevertheless remained relatively resistant considering the strength of the recession. In other words, the overall fall in employment has been relatively limited and significantly weaker than the decline in economic activity, in part due to extensive recourse to short-time working arrangements and other measures to tackle the impact of the crisis.

Nevertheless, by mid-2009 employment in the EU had contracted by 4.3 million jobs (1.9%) compared with a year earlier (second quarter of 2008). This resulted from a broad deterioration across almost all sectors, but with employment contraction particularly pronounced in construction and industry. All Member States except Luxembourg have seen employment contract, most notably the Baltic States, Ireland and Spain.

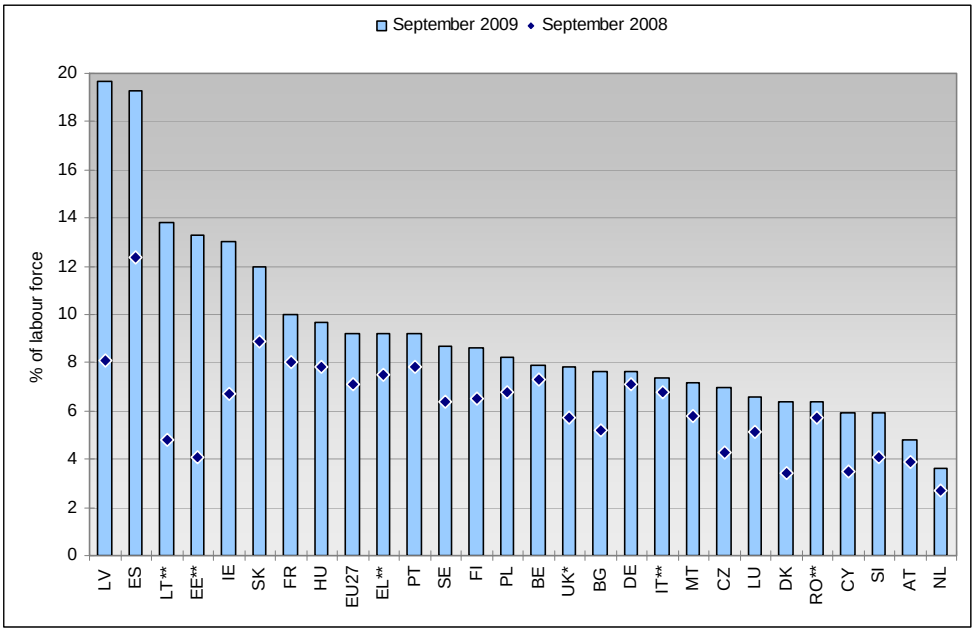
Chart: Employment growth across EU Member States 2008 q2−2009 q2



Source: Eurostat, national accounts. Data non-seasonally adjusted.

The unemployment rate in the EU has remained on an upward trend since spring of last year, and by September 2009 had increased to 9.2%, a rise of 2.5 percentage points compared to spring 2008. Total unemployment had increased to 22.1 million, a rise of 6.1 million (or more than a third). Although felt in all Member States, the severity of the increase in unemployment varies widely across countries. The increase has been precipitous in certain Member States (unemployment rates have roughly doubled over the last year in Ireland and Spain, and tripled in the Baltic States), but in contrast unemployment remained remarkably low in Austria and the Netherlands.

Chart: Unemployment rates for EU member States, September 2008 and September 2009



Source: Eurostat, series on unemployment. Data seasonally adjusted. Note: Data for UK July 2008–July 2009, EE, EL, IT and RO 2008 q2–2009 q2.

What measures have helped contain employment losses?

The relative resilience of the EU labour market to date reflects in part the increased use of internal adjustment measures (e.g. short-time working schemes and shorter working hours, temporary closures). Some countries in particular have tended to adjust to changes in demand by lowering hours worked rather than the number of workers. Another mechanism has been agreeing to concessions on wages in return for greater job stability, with recent data indicating greater wage moderation in the face of the downturn.

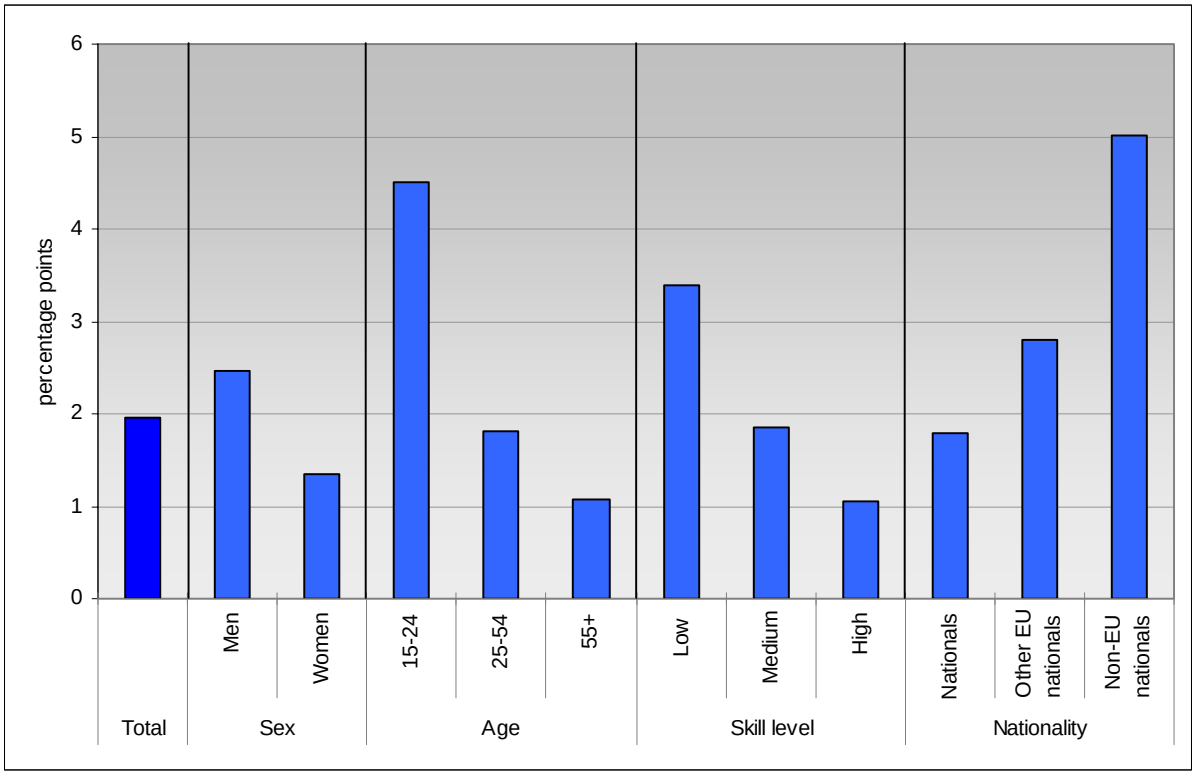
It is clear that overall, the EU labour market has adjusted to the crisis mainly through reduced labour productivity rather than through cutting jobs, reflecting a relative preference for labour hoarding so far during the downturn. Indeed, in Austria, Belgium, Germany, Italy and the Netherlands, almost all adjustment has been via falls in productivity, with hardly any reduction in employment.

Which groups have been most affected?

To date men have been more affected by the downturn than women, reflecting that many of the sectors hit hardest by the crisis so far have been dominated by men. There has also been a continued strong rise in unemployment among young people, with young men particularly affected. Low-skilled and migrants have also been more affected, partly reflecting the sectors most hit by the downturn, such as construction and the low-skilled manual and elementary occupations.

The first people to lose their jobs are often those on short term contracts and those who are traditionally the most disadvantaged groups in the labour market.

Chart: Rises in unemployment rates by sex, age, skill level and nationality, 2008q2–2009q2



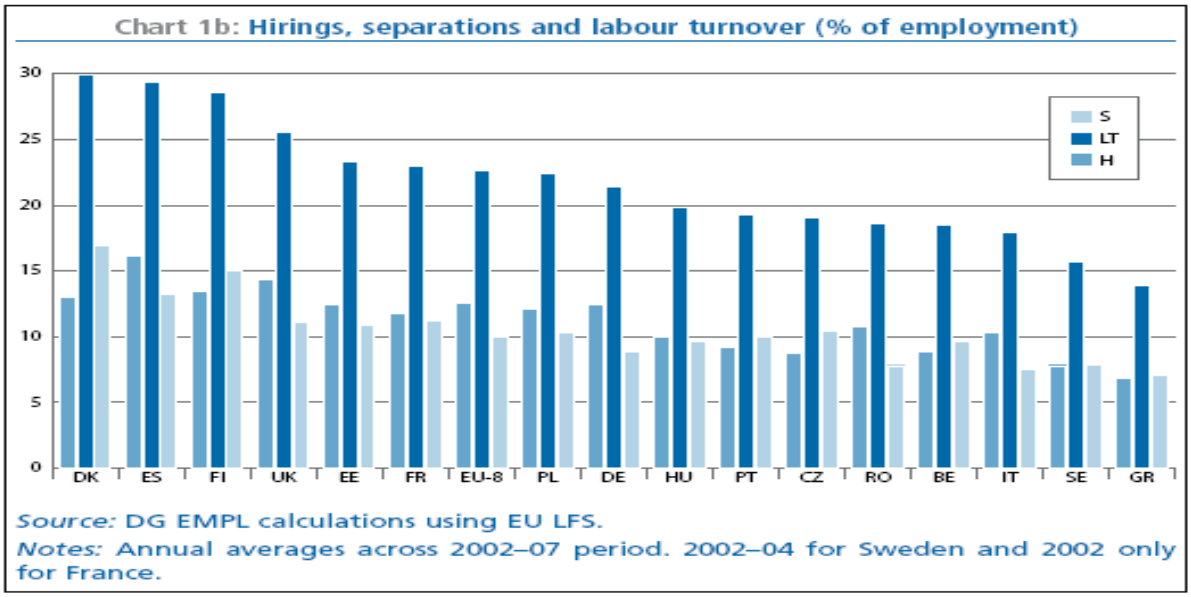
Source: Eurostat, EU LFS. Data non-seasonally adjusted.

How dynamic are EU labour markets?

Labour market performance is commonly assessed on the basis of employment and unemployment rates. However, these often hide much larger labour dynamics, with jobs being destroyed in declining activities while others are created in more profitable ones and workers move between jobs or in and out of employment.

These tend to be quite large in the EU and occur at all phases of the business cycle. On average during the period 2002–07 (most recent figures available), 22% of European workers left their jobs and/or were hired to a new one every year. However, there are significant country differences, with labour turnover varying from 14% of employment in Greece and 16% in Sweden to between 25% and 30% in the UK, Finland, Spain and Denmark.

Flows for women, young workers (15-24) and those with lower education tend to be higher, with the difference by age being particularly striking. Labour turnover also varies by a firm's sector and labour market policies have a significant impact. Member States with less stringent employment protection legislation, such as the UK and Denmark, or with a higher share of temporary employment, such as Spain, tend to have higher labour turnover rates.

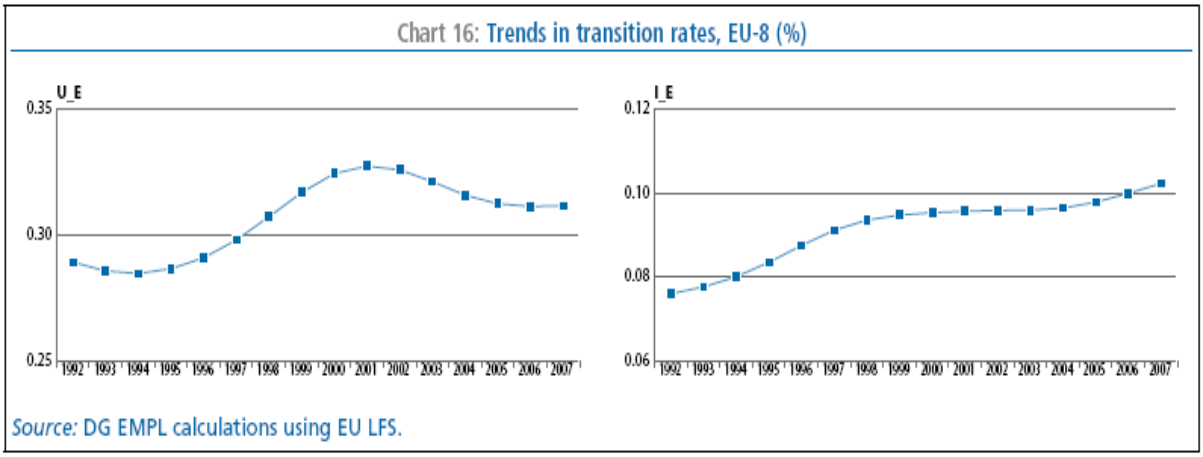


What are the chances for EU workers to move back to employment?

Workers' transitions between employment statuses (i.e. employment, unemployment and inactivity) provide information on the quality of labour market dynamics. The EU is characterised by relatively large annual transition rates. On average during the period 2002–07, nearly a third of unemployed people, and about 10% of inactive people (those outside the labour market), found a job in the following year.

However, chances to move from unemployment to employment are much lower for older workers aged 55-64 (less than a third compared to workers aged 24-54), highlighting a severe disadvantage in terms of re-employment chances. Moreover, more educated unemployed and inactive people have a substantially higher probability of moving back into employment.

A sustained rise of transitions toward employment has occurred since the second half of the 1990s in the EU, highlighting a structural improvement in the European labour markets. Nonetheless, EU trends hide divergent developments across Member States. For instance, in the UK, the share of the unemployed finding a job within a year nearly doubled from 1983 to 2007, while a significant decline has occurred in Greece during the same period. Transitions from inactivity to employment have increased substantially in Germany and in Spain, while decreasing in Greece, France, Denmark and Italy.



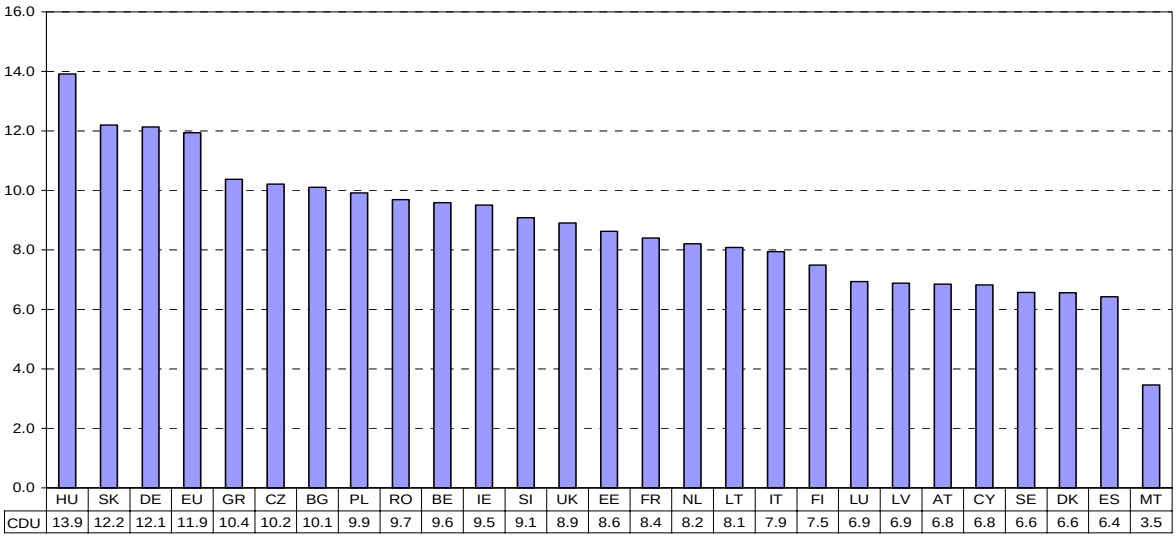
Should unemployment duration be a concern for policy-makers?

The longer someone stays unemployed, the less chance they have of moving back into employment. So a rise in longer spells of unemployment following an economic downturn may turn a cyclical increase of the unemployment rate into a structural one.

In Europe, close to 45% of all unemployment spells last longer than 1 year, compared with only about 10% in the USA. The average unemployment duration in the EU over the period 2005-2008 (most recent figures available) amounts to about 12 months. However, this figure hides substantial variations among different groups of workers. Older workers stay unemployed for relatively longer (14.7 months against 12.2 for those aged 24-54 and 10.3 for young workers) as well as low-skilled workers (12.3 months, compared with 8.1 months for the skilled unemployed). On the other hand, the gender gap is on average very small (12 months for women against 11.7 for men).

Looking at the impact of policies, the report shows that stricter employment protection legislation tends to raise the incidence of long-term unemployment, while spending on labour market policies (both active and passive) tends to reduce it. This evidence is broadly in line with the 'flexicurity' approach to labour market policies.

Chart 4: Average duration of unemployment, 2005Q1-2008Q3 (complete spells, months)



Source: DG EMPL calculations based on EU LFS data.

How will the transition to a low-carbon economy affect employment in the EU?

The combined impact of climate change and climate policies on the overall employment level is likely to be neutral or even slightly positive in the long run at EU level – provided adequate polices are implemented. However, the impact will differ substantially across economic activities, skill types and regions whereby some jobs will be lost or require different skills sets as they are 'greened', but others will be created.

Sectors likely to be most affected include energy supply, agriculture, fisheries, tourism and construction. For instance, it is estimated that total employment in the renewable energy sector could amount to some 2.8 million jobs in 2020 in the EU if these sources are actively promoted in comparison to 1.4 million jobs in 2005. However, since some jobs would also be lost (e.g. in traditional energy sectors), the net employment creation is estimated to be between 100,000 and 400,000 jobs.

Regions will be affected very differently. In particular, energy-intensive and high carbon areas with poor economic diversification could be severely hit during the transition process.

These adjustments are likely to affect low–skilled workers more than high-skilled workers, highlighting the importance of maintaining and improving skills.

What skills will be needed in a low-carbon economy?

Some skills are likely to become obsolete due to structural changes in the labour market (e.g. in production of coal heating systems or traditional light bulbs); some new skills will be created as new ‘green-collar’ occupations emerge, while some existing jobs will change in nature.

The new skills will cover a broad spectrum of competences. Some new jobs will require the same general skills used now, for example in areas such as project management or risk analysis. In addition, there will be a need for more specific skills associated with the green economy, such as knowledge of sustainable materials, installation of new technologies, skills to measure “carbon foot-printing” and environmental impact assessment skills.

The transition towards a low carbon economy will also lead to a large-scale redistribution of jobs *within* rather than between sectors. This is positive as it is usually easier for workers to change companies within the same sector than to find work in a different one. But job movements will occur in all sectors, largely because jobs will be gained in companies able to take advantage of opportunities created whereas others will be lost where companies cannot adapt.

How can labour market policies facilitate the transition to a low-carbon economy?

As the transition will cause significant shifts in employment between or within sectors, occupations and regions, employment policies should help to ease this transition in a cost-efficient and socially equitable way. In this context, the flexicurity approach with its integrated strategy to enhance both security and flexibility in the labour market provides an efficient and effective toolbox to ease workers' transitions.

It is also important that labour market policies aim to reduce skill gaps, especially in sectors such as renewable energy, construction and transport. Social dialogue also has a useful role, along with pooling knowledge about the effectiveness and adequacy of various labour market policies and ongoing analysis of employment effects of climate policies.

Finally, labour market policies can also contribute to the reduction of greenhouse gas emissions through their impact on workplace organisation, including the promotion of tele-working and more efficient work-related transport.

See also IP/09/1803

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http://ec.europa.eu/social/main.jsp?catId=119&langId=en