

Is unemployment structural or cyclical?

Main features of job matching in the EU after the crisis

Alfonso Arpaia, Aron Kiss and Alessandro Turrini

The paper sheds light on developments in labour market matching in the EU after the crisis, aiming to collect evidence about the extent to which unemployment is cyclical or structural in different countries. First, it analyses the relationship between the number of job vacancies and unemployment, with a view to isolate temporary changes in the vacancy-unemployment relationship from structural shifts affecting the efficiency of labour market matching. Second, it explores the main drivers of job matching efficiency, notably with a view to gauge whether mismatches became more serious across skills, economic sectors, or geographical locations and to explore the role of policy settings. It emerges that labour market matching deteriorated after the crisis, but with a great deal of heterogeneity across EU countries. Divergence across countries increased. Matching deteriorated most in countries most affected by current account reversals and the debt crisis. The lengthening of unemployment spells appears to be a significant driver of matching efficiency especially after the crisis, while skill and sectoral mismatches also played a role. Active labour market policies are associated with a higher matching efficiency, and some support is found to the hypothesis that more generous unemployment benefits reduce matching efficiency.