

Labour market

2





Introduction

The serious financial crisis that eventually led to a global decline in economic activity started to become apparent in 2008, but it was in 2009 that European labour markets really felt the full impact, almost reversing the progress made over the previous 10 years.

The aim of this chapter is to analyse the behaviour of European labour markets at a regional level during 2009. As a result of the economic crisis, unemployment soared in the European Union during this year. This increase is evident in all of the Member States, affecting all population groups: male and female, young and old. Nevertheless the scale of the increase varies between countries and even between regions.

It would seem that the targets set in the Lisbon and Europe 2020 strategies⁽¹⁾ for employment and cohesion are unlikely to be achieved for the moment. Following the goals of the two strategies, this chapter can be divided into three parts: employment, unemployment and cohesion.

The first part provides an overview of employment in the EU regions, focusing on the 20–64 age group, as in Europe 2020, and female employment, as in the Lisbon strategy. The second part will then look at regional unemployment, the change in the unemployment rate over the past five years and two of the main concerns of policymakers: long-term and youth unemployment.

Finally, we take a look at regional cohesion, using tables showing the dispersion of employment and unemployment as indicators of labour market disparities.

Main statistical findings

Employment

The EU-27 employment rate for the 20–64 age group dropped from an average of 70.4% in 2008 to 69.1% in 2009, falling for the first time in the past five years and slipping away from the Europe 2020 target, set at 75%.

(1) The Lisbon strategy was an action and development plan for the economy of the European Union between 2000 and 2010. Its aim was to make the EU 'the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion' by 2010. It was set out by the European Council in Lisbon in March 2000.

The main targets for 2010 were:

- ▶ an overall employment rate of 70%;
- ▶ an employment rate for women of over 60%;
- ▶ an employment rate of 50% for older workers;
- ▶ annual economic growth of around 3%.

The Europe 2020 strategy has now replaced the outgoing Lisbon Agenda. Made public at the beginning of March 2010, the Europe 2020 strategy is oriented primarily towards 'activating' various aspects of economic growth. It is based on three mutually reinforcing economic growth models and socially oriented priorities: smart growth, sustainable growth and inclusive growth. The target for the labour market in the EU 2020 strategy is: 75% of 20–64-year-olds to be employed.

Taking into account the 1.3 percentage points fall, it is likely that the situation has remained difficult in 2010. The latest data available at national level for 2010 confirm this. The employment rate for the 20–64 age group in the EU-27 for 2010 was 68.6%, falling for a second year and showing the impact of the financial crisis.

Map 2.1 presents the distribution of employment rates for the 20–64 age group at NUTS 2 level, with the darkest colour for regions that have already achieved the Europe 2020 target of 75%.

In 2009, 74 of the 271 NUTS 2 regions in the EU-27 had already achieved the Europe 2020 target, while 62 regions were still 10 percentage points below the overall employment target.

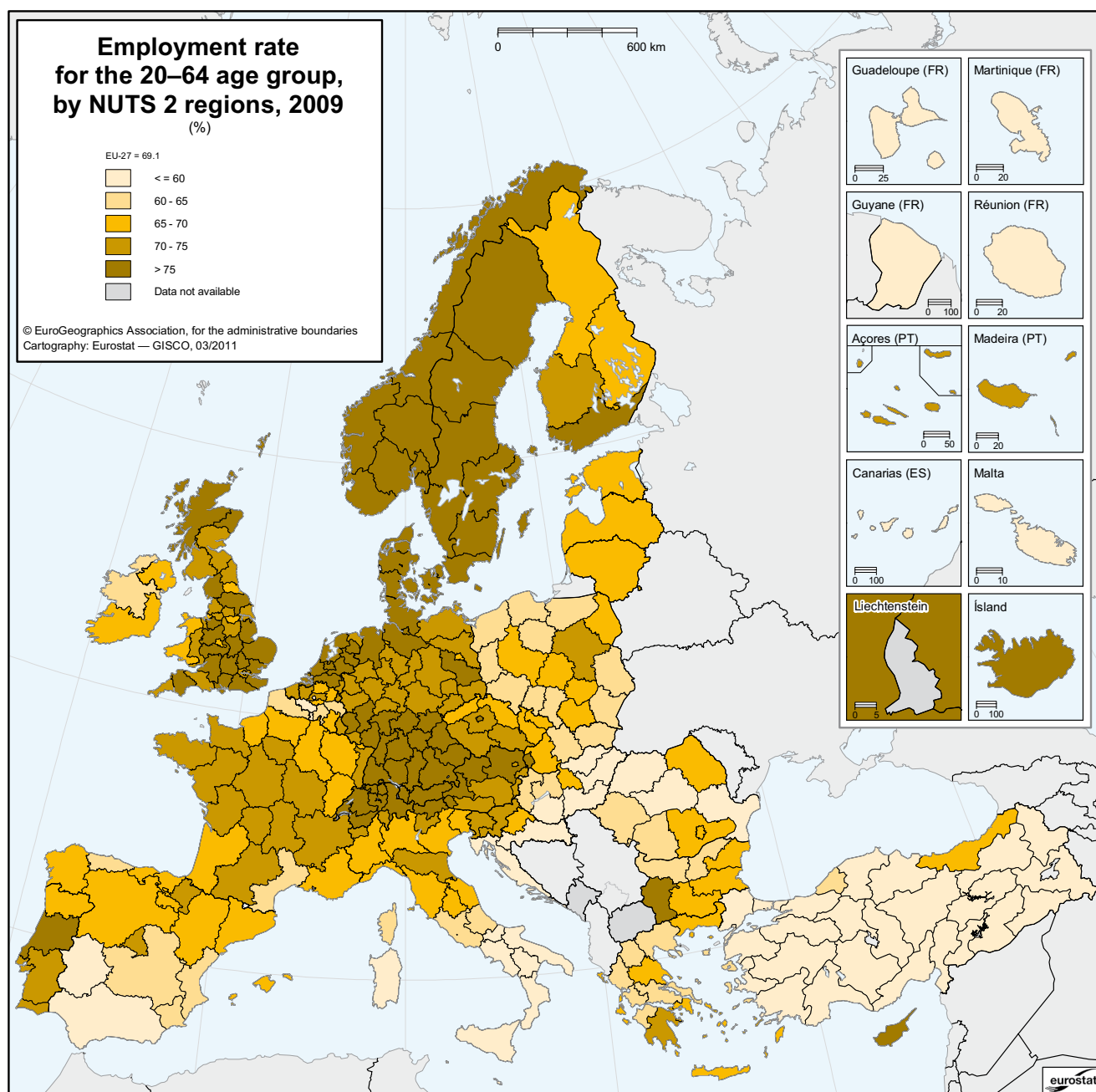
The lowest employment rates were recorded in regions in the south of Spain, the south of Italy, Greece, Poland, Hungary, Bulgaria, Romania and Malta. The overseas regions of France also recorded low employment rates, as did the Belgian regions of Prov. Hainaut and Région de Bruxelles-Capitale/Brussels Hoofdstedelijk Gewest. On the other hand, the northern EU regions, comprising regions in the Netherlands, the United Kingdom, Denmark, Sweden and Finland, recorded relatively high employment rates, and so did a cluster of regions right in the centre of Europe, comprising southern Germany, Austria and the north Italian region of Provincia Autonoma Bolzano/Bozen, the Czech capital region of Praha and the Slovakian capital region of Bratislavský kraj. The margin that separates the lowest and highest regional employment rates in 2009 is still significant, with Campania (Italy) on 44.8% at the one extreme and Åland (Finland) on 83.9% at the other.

In the EFTA regions, all employment rates were above 75%, with the exception of the Swiss region of Ticino, which registered a rate of 72.8%. In the candidate countries, employment rates ranged from 32.7% in Sanliurfa (Turkey) to 67.4% in Sjevorožapadna Hrvatska (Croatia).

The female employment rate in the EU-27 fell in 2009 by 0.5 percentage points to 58.5%, widening the gap between it and the 60% Lisbon target. Map 2.2 shows the distribution of female employment rates for the 15–64 age group at NUTS 2 level. There are major differences between Member States, with figures varying from 26.3% in Campania (Italy) to 75.4% in Åland (Finland).

There is a strong correlation between the level of female employment and the level of overall employment, with Maps 2.1 and 2.2 following a similar trend. The Lisbon target of 60% female employment has been met and exceeded in all EFTA regions, in the whole of the Netherlands and Denmark and in some regions in the United Kingdom, Germany, Sweden and Finland. To a lesser extent the 60% target rate has also been achieved in most regions in France and central Europe, in Estonia, Latvia, Lithuania and Cyprus and in some regions in Portugal. Spain, Italy and Bulgaria each

Map 2.1: Employment rate for the 20–64 age group, by NUTS 2 regions, 2009 (%)



Source: Eurostat (online data code: [lfst_r_lfe2emprt](#)).



have one region (Comunidad de Madrid, Emilia-Romagna and Yugozapaden respectively) up to the 60% target. On the other hand, female employment rates were quite low in most regions in the candidate countries, in regions in the south of Spain, Italy and Greece, in the overseas regions of France and in regions in eastern Europe.

The male employment rate dropped two percentage points in the EU-27, from 72.7% in 2008 to 70.7% in 2009. Male employment rates shrank faster than female rates in 2009, continuing to narrow the gender gap, which closed from 13.7 percentage points in 2008 to 12.2 in 2009. Nonetheless, male employment rates were still higher than female employment rates in most EU regions. In 2009, for the first time in the available time series, there were two NUTS 2 regions where the female employment rate exceeded the male employment rate: Lithuania and Länsi-Suomi (Finland).

The EU-27 employment rate for older workers (aged between 55 and 64) stood at 46.0% in 2009, compared with 45.6% in 2008. This increase, of 0.4 percentage points, is surprising given the pattern for overall employment during 2009. It remains low, though, compared to the 50% rate set as a target in the Lisbon strategy.

At a regional level, employment rates for older workers ranged from a minimum of 26.3% in Prov. Hainaut (Belgium) to a maximum of 75.7% in Åland (Finland). In 2009, 148 EU-27 regions had already achieved the Lisbon target rate of 50% for this age group.

Unemployment

The overall unemployment rate in the EU-27 was 8.9% in 2009. After four consecutive years of declining unemployment, there was thus a steep rise of 1.9 percentage points compared with 2008. The unemployment rate rose in all 27 Member States between 2008 and 2009. The largest annual increases were recorded in the three Baltic States, Spain and Ireland. The smallest increase was recorded in Germany. Unemployment rates remained fairly stable in the three Benelux countries.

Table 2.1 shows how the unemployment rate has changed at a national level between 2004 and 2009. As we can see, the impact of the economic crisis almost wiped out the decrease in the unemployment rate between 2004 and 2008 in the EU-27. At a national level, the overall performance during this period was an increase in the unemployment rate in most of the countries or a small variation in the rate. Poland, Slovakia and Bulgaria were the only exceptions, with a significant decrease in unemployment if we look at the whole period.

Map 2.3 shows the distribution of unemployment rates by NUTS 3 regions in 2009. They ranged from 1.3% in Romania to 29.2% in Spain.

The dispersion between NUTS 3 regions among Member States is quite big, with more than 20% of the regions returning a two-digit unemployment rate, but a further 20% presenting unemployment rates below 5%. However, the distribution of unemployment rates at NUTS 3 level within countries was quite uniform, albeit with some exceptions — Germany, Italy, Greece, France and Poland — where different patterns emerged between regions.

The highest unemployment rates were recorded in the south of Spain, the French overseas departments, the three Baltic States, the south of Italy and Greece and the north-eastern regions of Germany, and in Ireland, Slovakia and some regions in Belgium and Poland. The lowest unemployment rates were found mainly in the Netherlands and a cluster of areas in central Europe comprising regions in Austria, the Czech Republic, the west, centre and south of Germany, Slovenia and the north of Italy. Low unemployment rates were also found in some regions in the United Kingdom, Denmark, Romania and Bulgaria.

Employment rates in EFTA regions were below 5% in all the regions in Norway and Switzerland. In Iceland, though, the unemployment rate experienced a steep rise, by 4.3 percentage points, from 2.9% in 2008 to 7.2% in 2009. In the candidate countries, unemployment rates ranged from 4.2% to 19.9%, both in regions in Turkey.

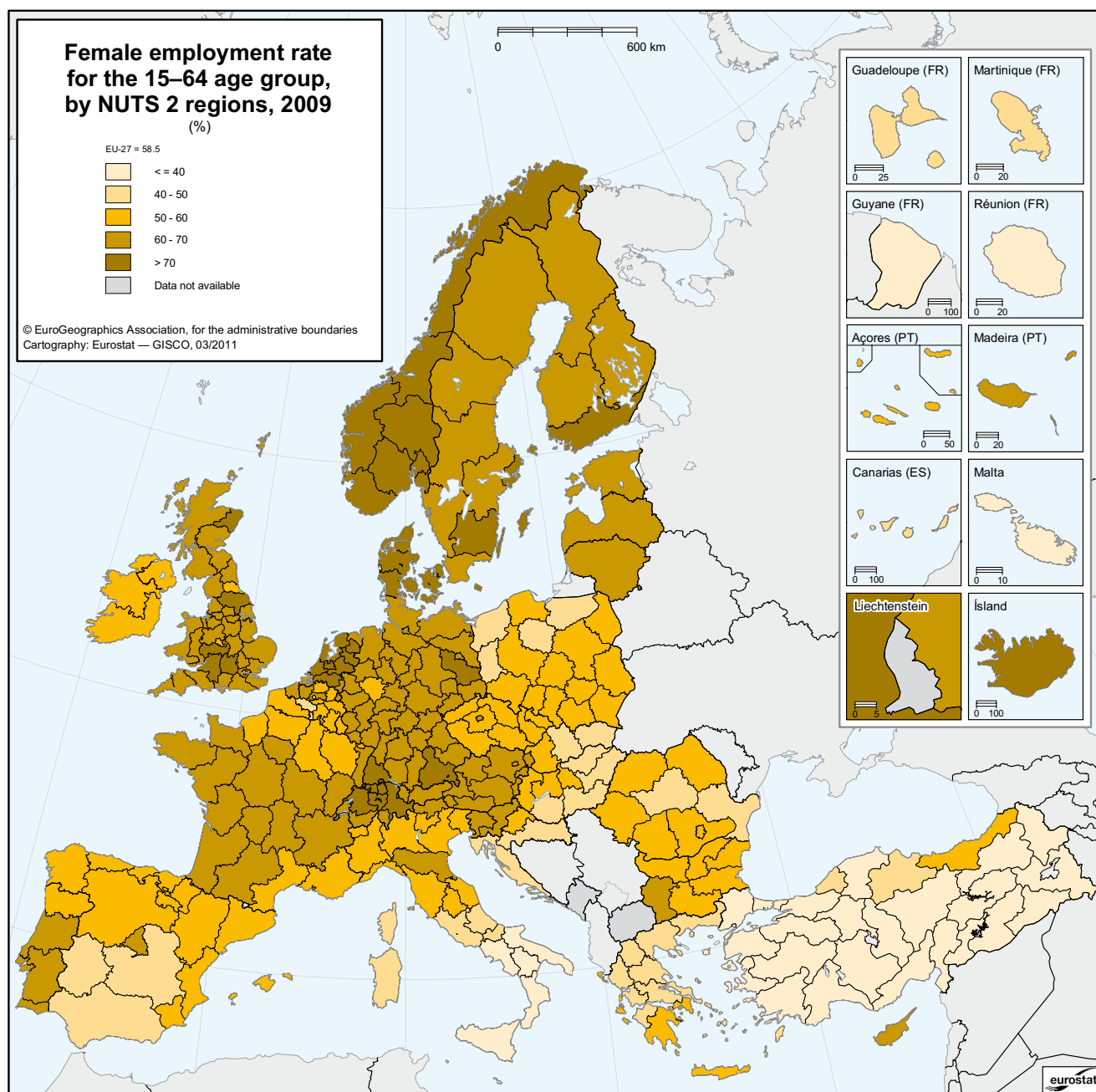
As unemployment has risen sharply in the wake of the economic crisis, it is interesting to analyse the trend and to compare its behaviour over the past years at a regional level. Map 2.4 reflects the change in unemployment rate, by NUTS 2 regions, between 2005 and 2009. Unemployment rates fell significantly over the last five years in all the Polish regions, in regions in the centre and north-east of Germany, in Slovakia and in Bulgaria. For instance, in the Polish regions of Dolnośląskie, Pomorskie, Śląskie and Zachodniopomorskie, the unemployment rate decreased by more than 12 percentage points. By contrast, unemployment rates increased by more than 10 percentage points in regions in the south of Spain. To a lesser extent, unemployment rates also increased in the other regions in Spain, in the three Baltic States and in some regions in Ireland, the United Kingdom and Hungary.

Long-term unemployment

It is worth taking a look at long-term unemployment, as this is one of the policymakers' main concerns. Not only does it affect people's personal lives, it also impacts negatively on social cohesion and may be an obstacle to economic growth as well.

The long-term unemployment share, i.e. the percentage of all unemployed persons who have been looking for a job for more than one year, continued the downward trend which started in 2006. In 2009 the long-term unemployment share

Map 2.2: Female employment rate for 15–64 age group, by NUTS 2 regions, 2009 (%)



Source: Eurostat (online data code: lfst_r_lfe2emprt).



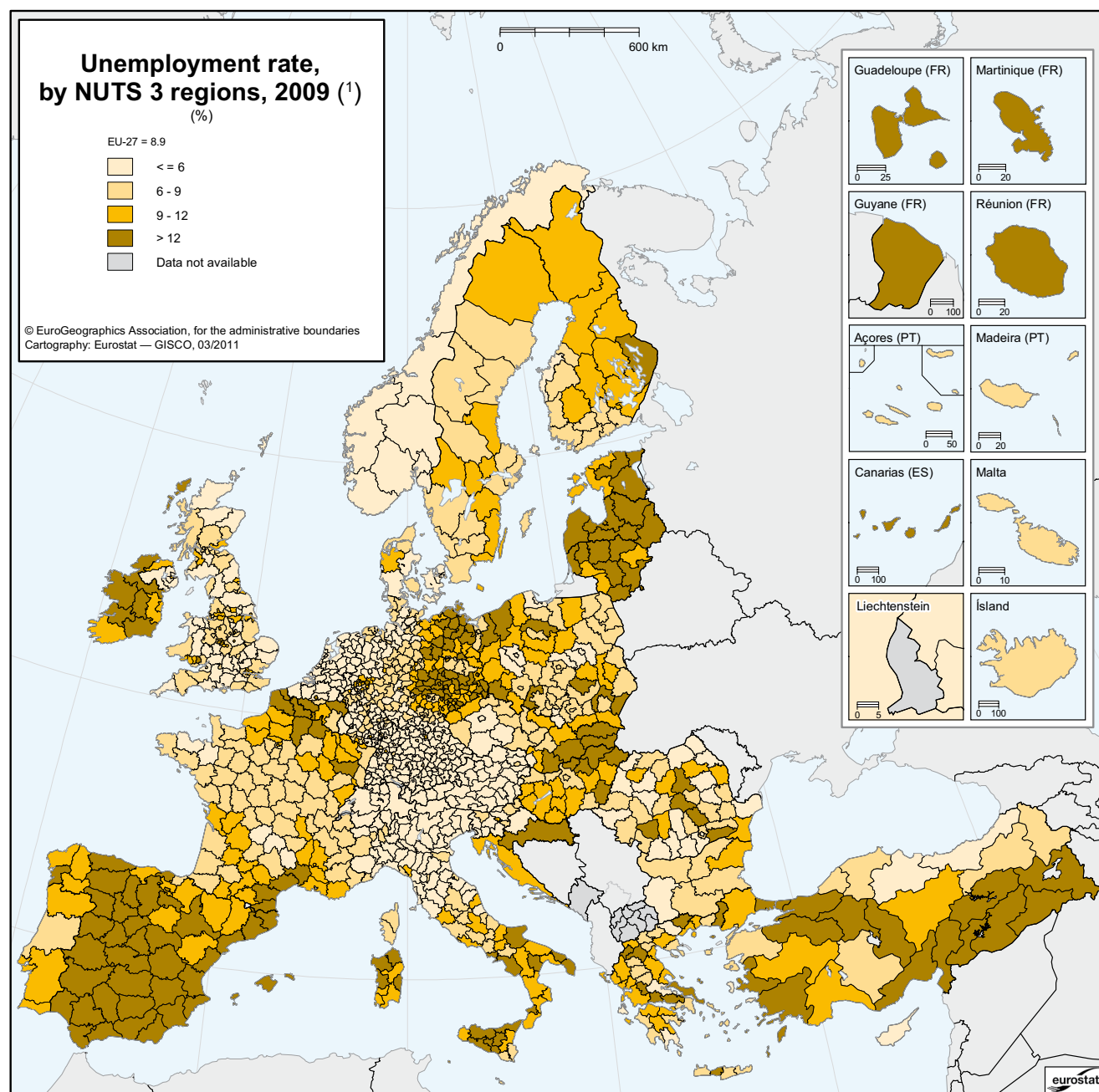
Table 2.1: Unemployment rate, national level, 2004–09
(%)

	2004	2005	2006	2007	2008	2009
EU-27	9.2	8.9	8.4	7.2	7	8.9
Belgium	8.4	8.4	8.2	7.5	7.0	7.9
Bulgaria	12.0	10.1	9.0	6.9	5.6	6.8
Czech Republic	8.3	7.9	7.1	5.3	4.4	6.7
Denmark	5.5	4.8	:	3.8	3.3	6.0
Germany	10.7	11.1	10.5	8.6	7.5	7.7
Estonia	9.7	7.9	5.9	4.7	5.5	13.8
Ireland	4.5	4.3	4.4	4.6	6.0	11.7
Greece	10.5	9.8	8.9	8.3	7.7	9.5
Spain	11.0	9.2	8.5	8.3	11.3	18.0
France	9.3	9.3	9.3	8.4	7.8	9.5
Italy	8.0	7.7	6.8	6.1	6.7	7.8
Cyprus	4.3	5.3	4.5	3.9	3.7	5.3
Latvia	10.4	8.9	6.8	6.0	7.5	17.1
Lithuania	11.4	8.3	5.6	4.3	5.8	13.7
Luxembourg	8.1	4.5	4.7	4.1	5.1	5.1
Hungary	6.1	7.2	7.5	7.4	7.8	10.0
Malta	7.2	7.3	7.3	6.4	6.0	7.0
Netherlands	4.6	4.7	3.9	3.2	2.8	3.4
Austria	4.9	5.2	4.7	4.4	3.8	4.8
Poland	19.0	17.7	13.9	9.6	7.1	8.2
Portugal	6.7	7.6	7.7	8.0	7.6	9.5
Romania	8.1	7.2	7.3	6.4	5.8	6.9
Slovenia	6.3	6.5	6.0	4.8	4.4	5.9
Slovakia	18.2	16.3	13.4	11.1	9.5	12.0
Finland	8.8	8.4	7.7	6.9	6.4	8.2
Sweden	6.5	7.5	7.1	6.2	6.2	8.4
United Kingdom	4.7	4.8	5.4	5.3	5.6	7.6
Iceland	3.0	2.5	2.8	2.3	2.9	7.2
Norway	4.2	4.4	3.4	2.5	2.5	3.1
Switzerland	4.3	4.4	4.0	3.7	3.3	4.1
Croatia	13.7	12.6	:	9.6	8.4	9.1
Turkey	:	:	8.7	8.9	9.7	12.6

: = Data not available.

Source: Eurostat (online data code: [lfst_r_lfu3rt](#)).

Map 2.3: Unemployment rate, by NUTS 3 regions, 2009 ⁽¹⁾
(%)



⁽¹⁾ Belgium, Bulgaria, Malta, Portugal, Iceland, Norway, Switzerland, Croatia and Turkey, by NUTS 2 regions.

Source: Eurostat (online data code: [lfst_r_lfu3rt](#)).



for the EU-27 stood at 33.5 %, which represents a fall of 3.7 percentage points from the 2008 level.

At country level, the Czech Republic, the Netherlands, Denmark, Luxembourg, Romania, Slovenia, Slovakia and Bulgaria reduced their long-term unemployment share significantly in 2009. However, the share is still quite high in Slovakia, with more than half of all unemployed persons jobless for more than one year. In Spain the long-term unemployment share rose by almost 6 percentage points in 2009. Although the share is not particularly high in Spain (23.72 %), there has been a change in the trend, with this share increasing sharply after a decade of downward movement.

Map 2.5 shows the distribution of the long-term unemployment share at NUTS level 2 across European regions. With the exception of Italy, and to a lesser extent Greece and Bulgaria, regional long-term unemployment shares tend to be more similar within each country than the employment or unemployment rates. Three different groups of countries can be distinguished in terms of long-term unemployment shares. Regions in Spain, Sweden, Finland, Denmark, the Netherlands, Luxembourg, Austria, the United Kingdom and the three Baltic States have relatively low long-term unemployment shares, while regions in Germany, Slovakia, Greece and the south of Italy have relatively high shares. Finally, France, Poland and Romania are in an intermediate group.

Long-term unemployment is especially high in the overseas regions of France, in Corse (also belonging to France) and in the Slovak region of Stredné Slovensko. In all these regions, more than 60 % of unemployed persons have been looking for a job for 12 months or more. The lowest values were registered in the regions of Midtjylland, Sjælland and Syddanmark (all three in Denmark), Övre Norrland in Sweden and Åland in Finland, all of them with a long-term unemployment share below 10 %.

As in previous years, the difference between the north and south of Italy is quite marked, the southern regions being those with the highest levels of long-term unemployment.

In EFTA regions the long-term unemployment share was relatively low compared with the majority of the EU-27 regions. Only one region of Switzerland (Ticino) had more than 40 % of unemployed persons looking for a job for more than one year in 2009. Iceland and Norway both registered lower long-term unemployment shares. The 5.85 % share registered in Iceland is the lowest anywhere in Europe.

Finally, there were considerable differences in the long-term unemployment trend across candidate countries. The three regions in Croatia showed quite high shares (all of them above 50 %), whereas most of the regions in Turkey were around 20 %, with just two of its 26 level 2 statistical regions above 30 %.

Youth unemployment

This unemployment overview cannot be closed without mentioning how young people have borne the brunt of the crisis, with unemployment hitting the 15–24-year-olds disproportionately and exceeding 30 % in some countries. The youth unemployment rate in the EU-27 was more than double the overall unemployment rate in 2009. At 19.9 %, almost one out of five young people in the labour force was not employed, but seeking and available for a job.

Map 2.6 presents the regional distribution of youth unemployment at NUTS level 2.

The youth unemployment rate was significantly higher than the total unemployment rate in all countries. There is also a strong correlation between the levels of both rates, with the result that the geographical distribution of youth unemployment is similar to that shown in Map 2.3.

The highest youth unemployment rates were recorded in the French overseas departments, in the south of Spain and in Sardegna (Italy), exceeding 40 % in some of the regions. High rates were also recorded in regions in the south of Italy, in Greece and Latvia and in a cluster of regions in the east of Europe comprising certain areas of Poland, Hungary and Slovakia.

In line with the overall unemployment rate, the youth unemployment rate was lower in the Netherlands and two neighbouring regions in the north-west of Germany (Lüneburg and Weser-Ems) and in regions in central Europe, comprising the south of Germany, Austria and the Italian region of Piemonte. All the regions in the Netherlands registered youth unemployment rates below 10 %.

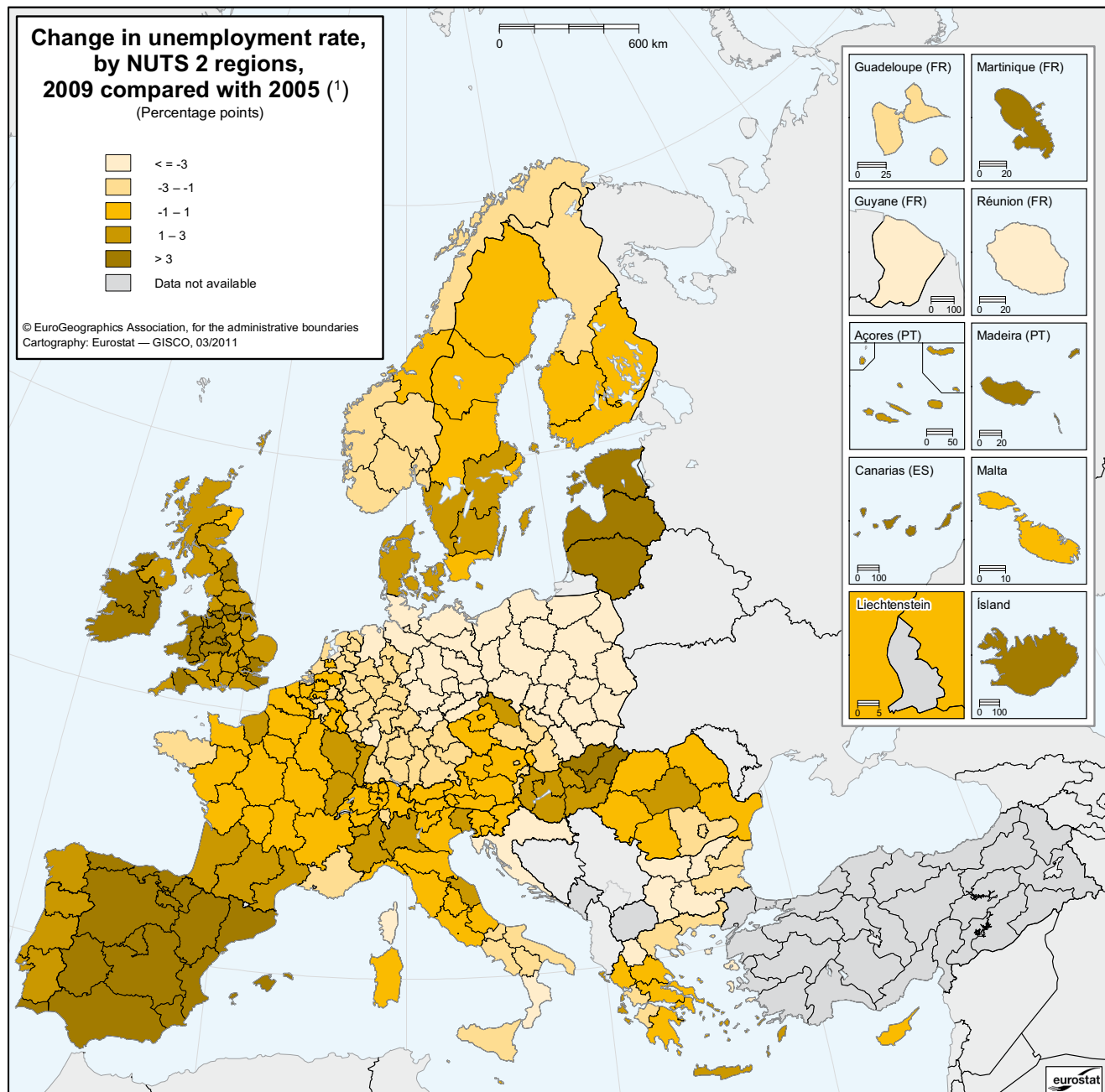
The gap between the lowest and the highest value was more than 55 percentage points. The lowest rate (4 %) was registered in the Dutch region of Zeeland, while the highest value (59.3 %) was reached on the French island of Guadeloupe.

Again, Italy showed big variations between regions in the north and the south of the country, those in the south recording much higher youth unemployment rates than those in the north.

In EFTA regions the youth unemployment rate was relatively low as compared with the majority of the EU-27 regions, with regional rates ranging from 4.4 % in Ostschweiz (Switzerland) to 15.9 % in Iceland.

On the other hand, most regions in the candidate countries registered rates above the EU-27 average, with values ranging from 10.4 % in the Turkish region of Trabzon to 35.4 % in Središnja i Istočna (Panonska) Hrvatska in Croatia.

Map 2.4: Change in unemployment rate, by NUTS 2 regions, 2009 compared with 2005 ⁽¹⁾
(Percentage points)

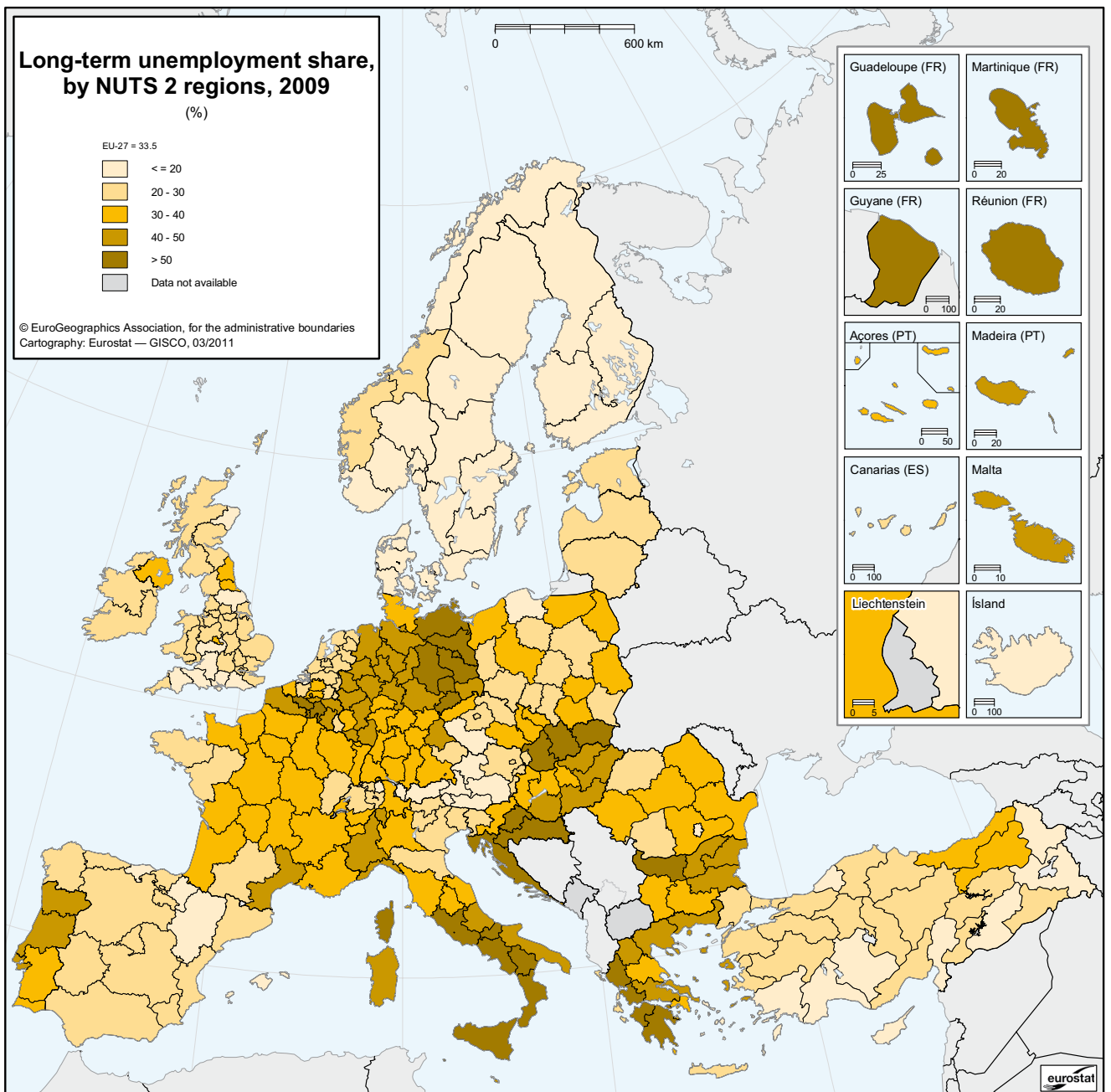


⁽¹⁾ Denmark and Croatia, national level.

Source: Eurostat (online data code: [lfst_r_lfu3rt](#)).



Map 2.5: Long-term unemployment share, by NUTS 2 regions, 2009
(%)



Source: Eurostat (online data code: [lfst_r_lfu2ltu](#)).



Disparities in regional labour markets

The European social cohesion objective seeks to minimise disparities in regional labour markets. It is an easy matter to check whether the employment targets set by the Lisbon and Europe 2020 strategies are going to be fulfilled or not. But analysing only these indicators does not tell us whether regional cohesion is being achieved in meeting those targets.

To analyse how much regions differ from each other within a country or the whole EU-27 we need another kind of indicator. The dispersion of employment and unemployment rates measures the spread of regional rates in a country or in the EU-27, and gives an idea of how much regional rates differ from each other. As the dispersion of these rates declines, so labour market cohesion increases.

Table 2.2 shows the dispersion of employment and unemployment rates for 2007, 2008 and 2009. If we consider previous years' rates, we will see the effect the crisis has had, increasing these rates during 2008 and 2009 and reversing the declining trend which set in five years earlier, in 2003. From 2007 to 2008, the dispersion of employment and unemployment rates in the EU-27 increased by 0.2 and 3.1 percentage points respectively. In 2009 the increases were of 0.5 and 1.9 percentage points respectively.

Although both rates increased in 2009 at EU-27 level, the fact is that dispersion within countries has followed the opposite trend, decreasing for both rates in most of the Member States. This is because there are big differences in the way countries have responded to the crisis. So reactions among regions in the same country have been quite uniform, while reactions among regions in different countries have been comparatively uneven. In most Member States, the dispersion of the employment rate seems to be quite stable, whereas the unemployment rate is more likely to vary.

The country with the highest dispersion for both rates was Italy, with 17.4% for employment and 42% for unemployment. There are marked differences in regional labour market performance between the north and south of Italy, as shown on Maps 2.1 and 2.3. Belgium also registered a high dispersion for the unemployment rate, with 51%. Denmark had the lowest dispersion rates, followed by the Netherlands.

Data sources and availability

The source for regional labour market information down to NUTS level 2 is the EU Labour Force Survey (EU-LFS). This is a quarterly household sample survey conducted in the Member States of the European Union.

The LFS target population is made up of all members of private households aged 15 or over. The survey follows the definitions and recommendations of the [International Labour Organisation \(ILO\)](#). To achieve further harmonisation, the Member States also adhere to common principles when formulating questionnaires.

Most regional results presented here concern NUTS 2 regions, and all regional figures are annual averages of the quarterly surveys, with the exception of employment and unemployment rates. NUTS 3 employment and unemployment data by sex and age are provided by Member States on a voluntary basis. In most cases the source is the LFS, but not always, as there are some cases where estimations and data from registers are used.

For further information about regional labour market statistics, see the metadata on the [Eurostat website](#).

Definitions

Population covers persons aged 15 and over, living in private households (persons living in collective households, such as residential homes, boarding houses, hospitals, religious institutions and workers' hostels, are therefore not included). This category comprises all persons living in the households surveyed during the reference week. The definition also includes persons who are absent from the households for short periods due to studies, holidays, illness, business trips, etc. (but who have maintained a link with the private household). Persons on compulsory military service are not included.

Employed persons are persons aged 15 years and over (16 years and over in Spain, the United Kingdom and Sweden (1995–2001); 15–74 years in Denmark, Estonia, Finland, Hungary, Latvia and Sweden (from 2001 onwards); 16–74 years in Iceland and Norway) who during the reference week performed work, even for just one hour a week, for pay, profit or family gain or were not at work but had a job or business from which they were temporarily absent, for example due to illness, holidays, industrial dispute and education and training.

Unemployed persons are persons aged 15–74 (16–74 in Spain, Sweden (1995–2001), the United Kingdom, Iceland and Norway), who were without work during the reference week, were currently available for work and were either actively seeking work in the past four weeks or had already found a job to start within the next three months.

Employment rate represents employed persons as a percentage of the population.

Old-age employment rate represents employed persons aged 55–64 as a percentage of the population aged 55–64.

Table 2.2: Dispersion of employment and unemployment rates, by NUTS 2 regions, 2007–09
(coefficient of variation)

	Dispersion of employment rates for the age group 15–64			Dispersion of unemployment rates for the age group 15–74		
	2007	2008	2009	2007	2008	2009
EU-27	11.1	1.3	11.8	44.1	47.2	49.1
Belgium	8.6	8.4	8.7	59	60	51
Bulgaria	7.1	7.2	8.1	39	39	31
Czech Republic	4.6	4.0	4.7	42	44	34
Denmark	1.3	1.6	1.8	11	5	7
Germany	4.8	4.8	4.3	44	45	37
Estonia (†)	–	–	–	–	–	–
Ireland (†)	–	–	–	–	–	–
Greece	3.5	3.6	3.4	15	19	12
Spain	7.5	8.2	8.8	31	33	27
France	6.5	6.7	6.9	33	36	32
Italy	16.3	17.0	17.4	57	55	42
Cyprus (†)	–	–	–	–	–	–
Latvia (†)	–	–	–	–	–	–
Lithuania (†)	–	–	–	–	–	–
Luxembourg (†)	–	–	–	–	–	–
Hungary	9.7	10.0	9.7	39	43	31
Malta (†)	–	–	–	–	–	–
Netherlands	2.2	2.3	2.3	17	16	15
Austria	3.8	3.8	3.3	45	40	31
Poland	4.5	5.1	4.5	14	18	20
Portugal	3.3	3.3	3.3	20	18	18
Romania	4.6	4.3	5.0	28	28	26
Slovenia (†)	–	–	–	–	–	–
Slovakia	8.3	8.1	8.0	38	41	32
Finland	5.6	5.2	5.3	26	22	18
Sweden	2.4	2.7	3.1	10	13	11
United Kingdom	5.3	5.6	5.9	25	29	24
Norway	2.5	2.3	2.3	14	17	20
Switzerland	3.5	3.7	3.6	22	22	25
Croatia	7.5	7.4	7.8	35	39	38
Turkey	13.1	15.5	15.5	32	28	31

(†) Estonia, Ireland, Cyprus, Latvia, Lithuania, Luxembourg, Malta and Slovenia comprise only one or two NUTS 2 regions, therefore dispersion rates are not applicable.

Source: Eurostat (online data codes: [lfst_r_lmdr](#) and [lfst_r_lmdur](#)).



Unemployment rate represents unemployed persons as a percentage of the economically active population. The unemployment rate can be broken down further by age and sex. The youth unemployment rate relates to persons aged 15–24.

Long-term unemployment share represents the percentage of total unemployed persons seeking a job for longer than one year.

Dispersion of employment (unemployment) rates is the coefficient of variation of regional employment (unemployment) rates in a country, weighted by the absolute population (active population) of each region.

Context

The results presented in this chapter are related to the Lisbon and Europe 2020 labour market targets and show that 2009 was strongly affected by the worldwide economic crisis, which hit both employment and unemployment and broke the trend of the previous years' strong growth.

The regions' success in dealing with the crisis and the package of measures to be implemented by Member States in the labour market will determine in the years to come not just the nature of the labour market itself, but also the success of regional cohesion.