

Employment in the EU Regions 2000:

*Job creation is driven
by the service sector – education is essential*

Gregor Kyi

This essay evaluates **regional imbalances in the European labour market**. It shows how the employment rate varies and develops throughout the EU. Additionally, it examines the impact of education on employment growth.

To show how the employment situation varies throughout the EU, the analysis is based on a **classification of the regions** in six groups according to their employment performance. The starting point of that grouping is the **employment rate**, i.e. the proportion of employed persons in the total population of the same age. This rate is a benchmark criterion to assess the development of employment. At its Lisbon summit in March 2000, the Council of the EU set the objective to reach average EU employment rates of 70 % (men and women together) and 60 % (women only) by 2010. At its Stockholm summit in March 2001, the Council has set the interim objectives of an employment rate of 67 % (men and women) and of 57 % (women) to be attained by 2005. In addition, the grouping of the regions is based on the **employment growth**, represented by the annual average rate of employment growth between 1996 and 2000.

For the six groups of regions, the following **indicators** are discussed: the employment and unemployment rates (broken down by gender and by age), the employment growth in the different sectors and according to the educational level of the employees, as well as the proportion of employees working part time.

Statistics in focus

POPULATION AND SOCIAL CONDITIONS

THEME 3 – 13/2001

Contents

**Job creation is driven by the
service sector – education is
essential**

**Regional employment rates
2000-NUTS 22**

**The employment rates vary
significantly throughout the
EU.....3**

**Unemployment rates: from less
than 4 % to over 15 %.....3**

**Job creation between boom
and stagnation5**

**A dynamic service sector
helps5**

**Poor education: a hindrance to
getting a job6**

**. . . and for a higher
employment rate.....6**

**Part-time Work: Flexibility
creates jobs7**



Grouping of the regions

The EU's regions have been grouped according to their employment performance, i.e. their employment rates and their employment creation. Firstly, three groups have been examined (these groups are presented on the map):

1. those regions with the highest employment rates, covering one quarter in all,
2. those regions with "medium" employment rates, totalling one half of all regions, and
3. the quarter of regions whose employment rates were the lowest.

The reference year for the employment rate is the year 2000.

In a second step, within every group of regions two sub-groups have been identified:

1. the half with the highest rates of employment growth, and
2. the other half with a lower job creation.

The employment development has been measured by the average annual rate of employment growth between 1996 and 2000. (The sub-groups are not shown on the map.)

Consequently, six groups of regions have been examined:

Half (in the respective employment category) with the . . . employment growth rates (1996 to 2000)	quarter with the highest employment rates 2000	half with 'medium' employment rates 2000	quarter with the lowest employment rates 2000
highest	I +	II +	III +
lowest	I -	II -	III -

Regional employment rates

2000 - NUTS 2

Employment rate (*)

- > 69
- 60 - 69
- ≤ 60
- Data not available

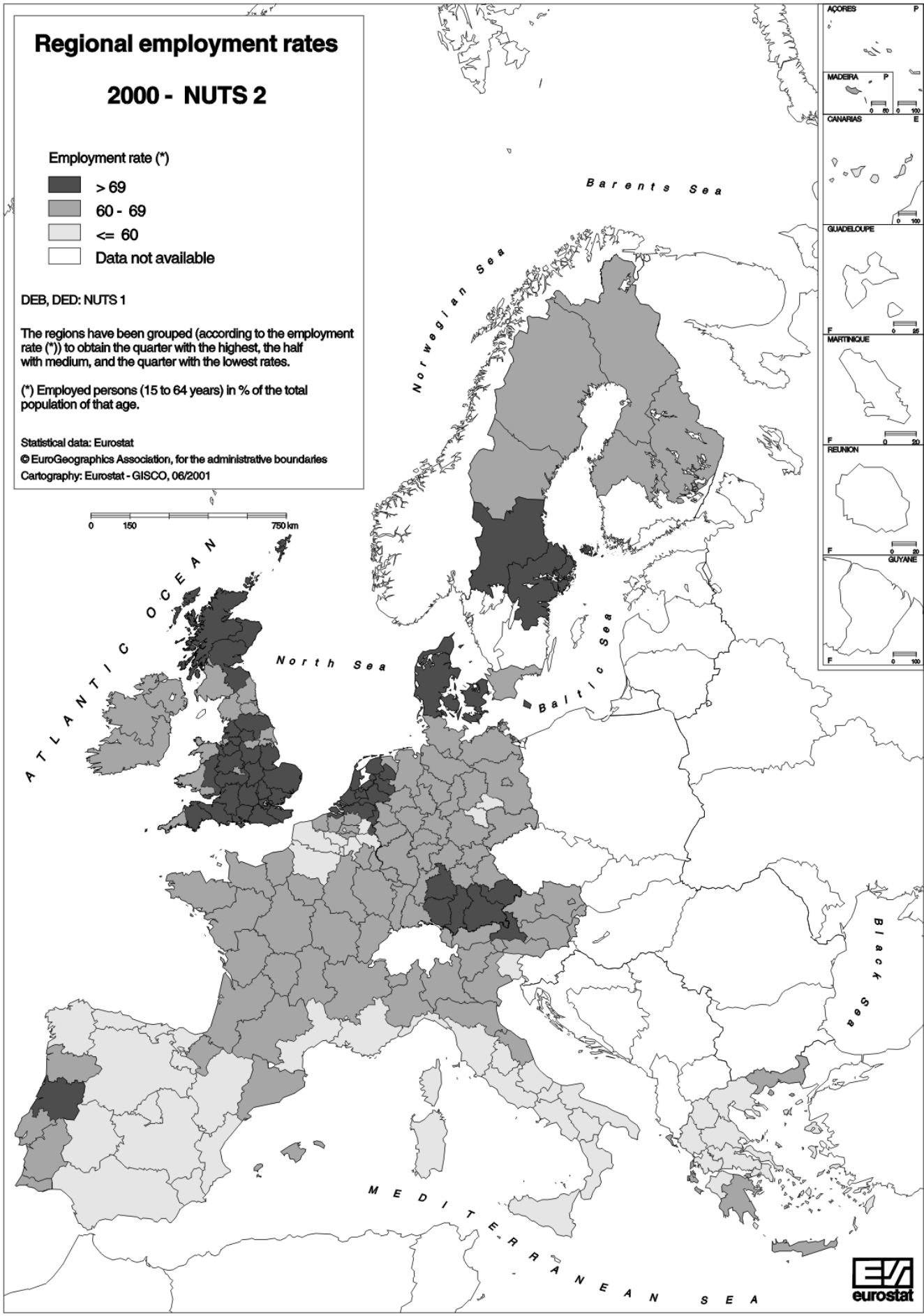
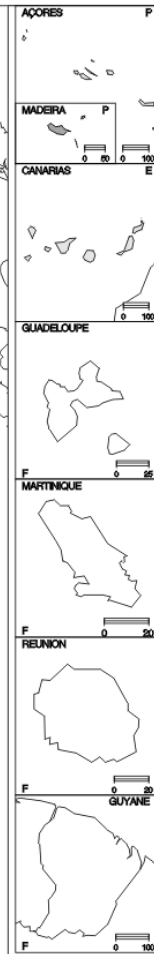
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The regions have been grouped (according to the employment rate (*)) to obtain the quarter with the highest, the half with medium, and the quarter with the lowest rates.

(*) Employed persons (15 to 64 years) in % of the total population of that age.

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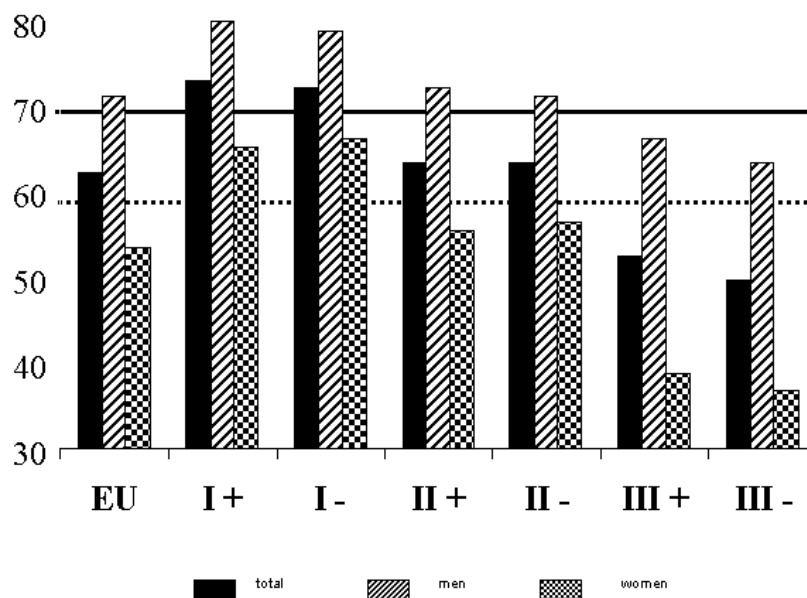
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The employment rates vary significantly throughout the EU

In 2000, the EU-average for the share of occupied persons between 15 and 64 years (in percent of the total population of that age) was 63 %. In the regions where employment rates were the highest (I+ and I-) these stood at 74 % and 73 %, respectively. In contrast, in the regions with the lowest employment rates (III+ and III-) these were 53 % and 50 %, respectively. These discrepancies were even more pronounced for the young and for women: For persons between 15 and 24 the employment rate varied from around 20 % (III-) to over 60 % (I+). In the 'I+ regions' 66 % of the women between 15 and 64 had a job, in the 'III- regions' 37 %.

Figure 1: Employment rates 2000 in %

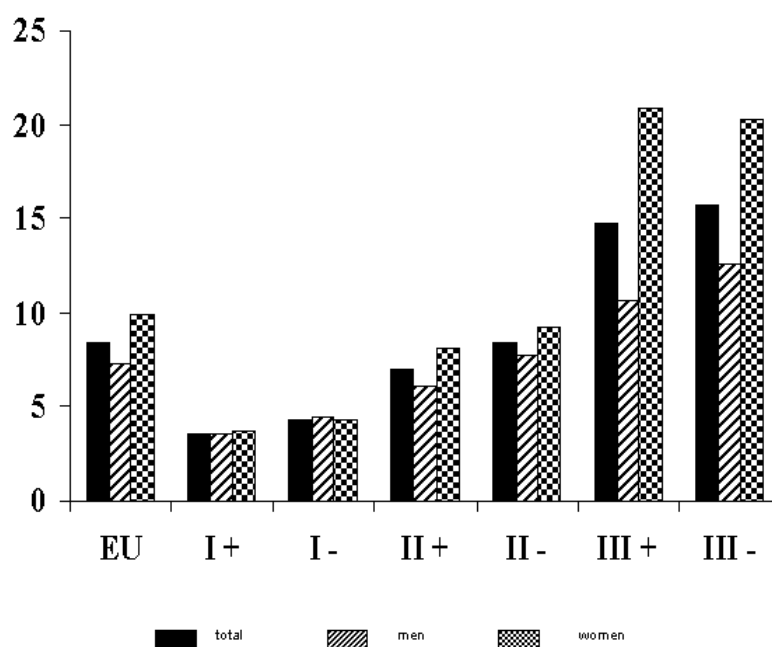


Unemployment rates: from less than 4 % to over 15 %

The unemployment rate was low in the regions with high employment rates (I+: 3.6 % and I-: 4.3 %). In the regions with low employment rates a much higher proportion of the labour force was out of work (14.8 % (III+) and 15.7 % (III-)). There the young and women were particularly disadvantaged. The unemployment rate of young people (15 to 24 years) ranged from 7.7 % (I+) to 38.9 % (III-), for women the rates were (15 to 64 years) from 3.7 % (I+) to 20.9 % (III+).

Additionally, long-term unemployment (persons unemployed for one year or more) was much higher in the regions with low employment rates.

Figure 2: Unemployment rates 2000 in %



Variable	EU regions						
	total	quarter with the highest employment rates 2000		half with 'medium' employment rates 2000		quarter with the lowest employment rates 2000	
		half (within the respective employment category) with the . . . rates of employment growth (1996 to 2000)					
		highest I +	lowest I -	highest II +	lowest II -	highest III +	lowest III -
Employment rate ¹⁾	63	74	73	64	64	53	50
women	54	66	67	56	57	39	37
men	72	81	80	73	72	67	64
Unemployment rate ²⁾	8.4	3.6	4.3	7.0	8.4	14.8	15.7
women	9.9	3.7	4.3	8.1	9.2	20.9	20.3
men	7.3	3.6	4.4	6.1	7.7	10.7	12.6
Long term unemployment ³⁾	47	31	28	41	45	46	63
women	49	28	23	39	46	50	65
men	44	34	33	42	44	41	62
Youth unemployment rate ⁴⁾	16.1	7.7	8.2	13.0	12.5	29.2	38.9
women	17.3	7.2	7.6	13.8	12.4	35.9	44.2
men	15.0	8.1	8.7	12.2	12.7	23.8	34.7
Average annual rate of employment growth (1996 to 2000)							
total	1.52	2.82	0.06	2.23	0.52	3.99	-0.04
of which ⁵⁾ (sector ⁶⁾)							
agriculture	-0.13	-0.10	-0.16	-0.06	-0.12	-0.08	-0.38
industry	0.23	0.26	-0.31	0.57	-0.20	1.31	-0.15
services	1.42	2.65	0.53	1.72	0.84	2.77	0.49
of which ⁵⁾ (educational attainment ⁷⁾)							
high	1.05	1.81	0.55	1.14	0.79	1.84	0.44
of which ⁵⁾ (sector ⁶⁾)							
agriculture	0.01	0.03	-0.01	0.01	0.02	0.04	-0.02
industry	0.17	0.24	0.04	0.20	0.14	0.39	-0.02
services	0.87	1.54	0.53	0.93	0.63	1.42	0.48
middle	1.93	5.05	3.67	1.77	0.72	1.45	0.82
of which ⁵⁾ (sector ⁶⁾)							
agriculture	0.01	0.00	0.01	0.03	-0.01	0.01	0.01
industry	0.39	1.03	0.77	0.48	0.00	0.41	0.11
services	1.53	4.02	2.89	1.27	0.73	1.03	0.70
low	-1.45	-4.04	-4.16	-0.68	-0.99	0.70	-1.30
of which ⁵⁾ (sector ⁶⁾)							
agriculture	-0.14	-0.13	-0.15	-0.09	-0.13	-0.13	-0.37
industry	-0.33	-1.00	-1.12	-0.11	-0.34	0.52	-0.24
services	-0.98	-2.91	-2.89	-0.48	-0.52	0.31	-0.70
Persons working part-time (in % of all employed)	18	30	23	15	18	9	11
women	34	52	42	29	35	20	21
men	6	13	7	5	5	3	5
Persons working involuntarily part-time (in % of all working part-time)	16	6	9	18	18	30	40
women	14	5	8	16	16	28	36
men	23	9	17	30	29	38	52

1) Occupied persons between 15 and 64 in percent of the total population of that age.

2) Unemployed persons between 15 and 64 in percent of the work force of that age.

3) Persons between 15 and 64 in unemployment for at least one year in percent of all unemployed of that age.

4) Unemployed persons between 15 and 24 in percent of the work force of that age.

5) Contributions, realised by the different components, to the overall average annual rate of employment growth.

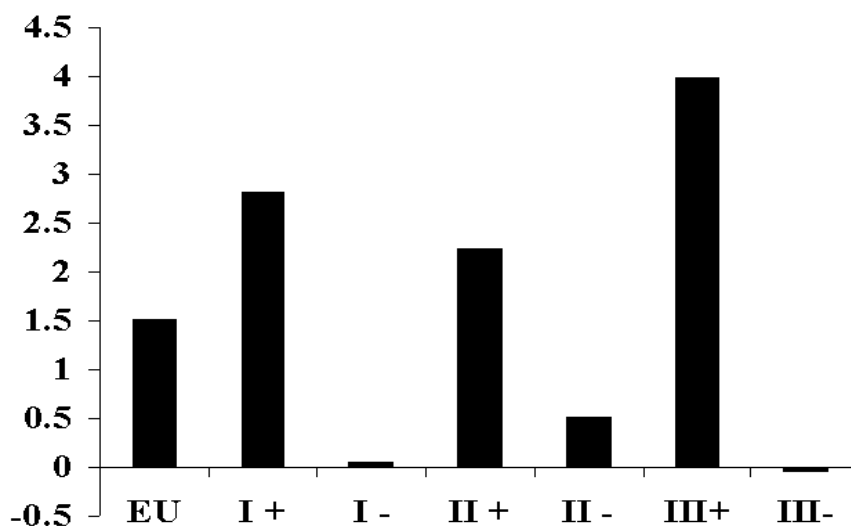
6) Agriculture = NACE A, B; Industry = NACE C to F; Services = NACE G to Q.

7) High = third level (ISCED 5, 6); middle = upper secondary level (ISCED 3, 4); low = less than upper secondary level (ISCED 0, 1, 2).

Job creation between boom and stagnation

Within the EU there was a substantial variation of employment growth between 1996 and 2000: While the low-growth regions (I -, II -, III -) more or less stagnated, employment in the high-growth regions (I +, II +, III +) grew between 2.2 % (II +) and 4.0 % (III +) per annum (annual average)

Figure 3: Average annual rate of employment growth (1996 to 2000) in %



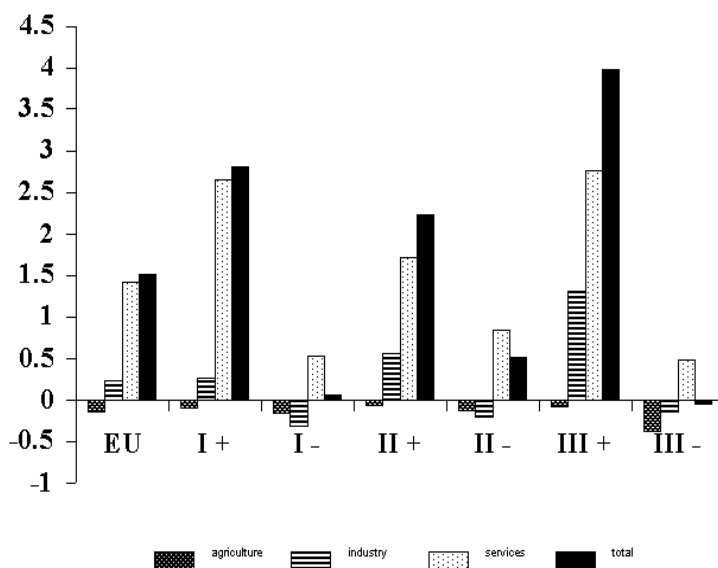
A dynamic service sector helps

In the high growth regions, job creation is mainly driven by a dynamic service sector: the higher their employment rate already is, the greater is the contribution of the service sector compared with the one of industry.

This is illustrated by a comparison of the high growth regions examining the contribution of the service sector to overall employment growth: It has been highest in the regions where employment rates had already been high, followed by the regions with medium employment rates and those with low employment rates.

Even more remarkable is the contrast between the high-growth regions (marked with +) and the lower-growth regions (marked with -). The lower-growth regions have seen much less jobs created in the service sector than the high-growth regions. In lower-growth regions jobs in industry were lost, whereas employment in industry in the high-growth regions continued to increase (although less than in the service sector)

Figure 4: Employment growth contributions of the sectors (annual average for 1996 to 2000) in percentage points

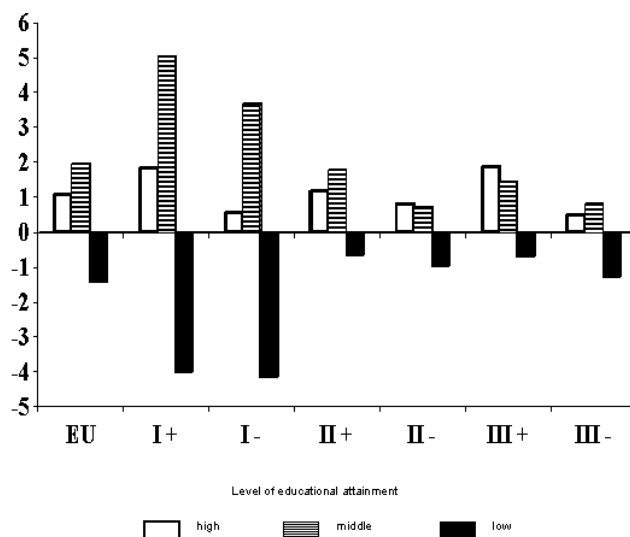


Poor education: a hindrance to getting a job . . .

The labour market in the regions that have high employment rates is much more selective than in other regions: net job creation there clearly favours persons with a medium or high level of educational attainment. In the years from 1996 to 2000, new jobs for persons that had attained a medium or high level of education strongly contributed to the overall average annual rate of employment growth (I +: high level + 1.8 percentage points, medium level + 5.1 percentage points; I -: high level + 0.6 percentage points, medium level + 3.7 percentage points). On the other hand, there were a large number of job losses for those who with a low educational attainment level in the regions with high employment rates (in absolute terms more than 4 percentage points annually)

Movements in the labour market were much calmer in the regions with medium and low employment rates. The absolute values of the comparable rates were clearly lower there: they never exceeded 2 percentage point.

Figure 5: Employment growth contributions (annual average for 1996 to 2000) by levels of educational attainment in percentage points



. . . and for a higher employment rate

A high employment rate requires a sufficient education of the workforce, independent of the sector in which it is employed. In the regions with high employment rates (I+ and I-) together, the average annual rate of employment growth between 1996 and 2000 was 1.3 %. However, behind this average is a large disparity: The average annual growth was + 8.4 % for persons with a middle and high level of education, for persons who have not attained that level it was - 11.6 %. In the service sector this concentration on personnel with a good education is particularly pronounced: There the rates ranged from + 9.6 % (middle and high level of education) to - 12.5 % (low level of education).

Figure 6: Employment growth contributions of the sectors in regions with high employment rates (annual average for 1996 to 2000) by educational attainment level of the employees in percentage points

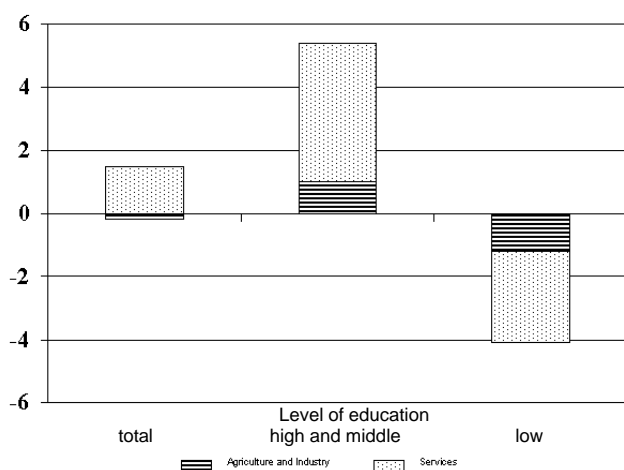


Table 3: Employment growth (1996 to 2000) in regions with high employment rates (I+ and I-) (Average annual rate of change)

Sector ¹⁾	Level of educational attainment ²⁾		
	total	high or middle	low
Contribution to the total growth rate in percentage points ³⁾			
Total	1.3	5.4	-4.1
Agriculture and Industry	-0.2	1.0	-1.2
Services	1.5	4.4	-2.9
Rate of growth within the respective category in %			
Total	1.3	8.4	-11.6
Agriculture and Industry	-0.2	5.3	-9.9
Services	2.1	9.6	-12.5

1) Agriculture = NACE A, B; Industry = NACE C to F; Services = NACE G to Q.

2) High = third level (ISCED 5, 6); middle = upper secondary level (ISCED 3, 4); low = less than upper secondary level (ISCED 0, 1, 2)

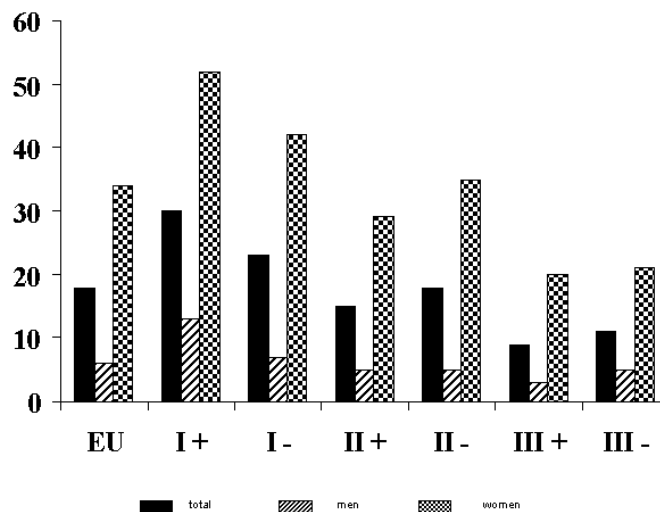
3) Contributions, realised by the different components, to the overall average annual rate of employment growth.

The contributions to total growth (+ 1.3 %) reflect these differences: In the regions with high employment rates the growth contribution of better-educated persons was about + 5.4 percentage points, that of less educated persons was clearly negative with - 4.1 percentage points.

Part-time work is much more widespread in regions with high employment rates than in other regions. The share of the part-timers in all employees ranged from 30 % (I+) and 23 % (I-) to 9 % (III+) and 11 % (III-). Most of the part-time workers wanted their working time to be limited, and mainly women wished to work part-time. In the regions with a high employment rate and a high growth (I+) over half of the employed women worked part-time, in the regions having low employment rates (III+ and III-) around a fifth.

In contrast, involuntary part-time work was much more widespread in the regions having low employment rates (III+ and III-) than in the regions where employment rates have been high (I+ and I-). Employees work "involuntarily" part-time when they do so because they could not find a full-time job.

Figure 7: Part-time employed in % of all employed



Ø ESSENTIAL INFORMATION — METHODOLOGICAL NOTES

The data presented in this "Statistics in Focus" are based on the **European Labour Force Survey**. The last survey was conducted in spring 2000 in the 15 Member States of the European Union in accordance with Council Regulation (EEC) No. 577/98 of 9 March 1998.

A detailed description of the sampling methods, the adjustment procedures, the definitions and the common Community coding currently used in the labour force survey is presented in the publication *Labour Force Survey – Methods and definitions, 1998*.

The following definitions apply to persons aged 15 years and over, living in private households. The concepts and definitions used in the survey follow the guidelines of the International Labour Organisation. Persons carrying out obligatory military service are not included.

Additionally, Eurostat calculates the **Quarterly Labour Force Data (QLFD)** to obtain quicker and more precise estimations of the development of employment. On the one hand, the QLFD are based on the European Labour Force Survey assuring comparability with that survey. On the other hand, they are derived from administrative sources of the Member States that broaden and update the basis for the estimations. The growth rates reported in this edition of "Statistics in Focus" are harmonised with the QLFD.

Persons in employment are those who during the reference week did any work for pay or profit for at least one hour, or were not working but had jobs from which they were temporarily absent. Family workers are included.

Unemployed persons are those who, during the reference week:

- (a) had no employment, and
- (b) were available to start work within the next two weeks, and
- (c) had actively sought employment at some time during the previous four weeks.

In addition, unemployed persons include those who had no employment and had already found a job to start later.

Employees are defined as persons who work for a public or private employer and who receive compensation in the form of wages, salaries, fees, gratuities, payment by results or payment in kind; non-conscript members of the armed forces are also included.

Employment rates represent employed persons as a percentage of the same age population.

Unemployment rates represent unemployed persons as a percentage of the active population.

The **regional breakdown** in this analysis is on the NUTS 2 level, except for Rheinland-Pfalz and Sachsen in Germany (NUTS 1). Due to changes of the NUTS there is no information available on employment growth between 1996 and 2000 for Smaland-med-oarna and Vastsverige in Sweden, as well as for Uusimaa and Etela-Suomi in Finland; these four regions have not been included in the analysis (together they inhabit around 1.5 % of the total EU population).

The distinction between the levels of **educational attainment** follows the ISCED classification: high = third level (ISCED 5, 6); middle = upper secondary level (ISCED 3, 4); low = less than upper secondary level (ISCED 0, 1, 2).

Please find more regional data on the Eurostat **database Regio** (New Cronos, theme 1).

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