Labour market developments in the light of the crisis and the Europe 2020 strategy

Introduction

The Lisbon Strategy formulated, for the EU as a whole, ambitious employment targets that were to be achieved by 2010. Despite the fact that the EU27 fell short of achieving the overall employment target, the Europe 2020 strategy formulates a new ambitious target in the form of an adult employment rate (20-64 years) of 75% by 2020.

In terms of employment and labour market issues, the Europe 2020 strategy and the corresponding guidelines 7 and 8 on member states’ employment policies resemble the Lisbon Strategy not only as regards its general targets (increasing employment, reducing structural unemployment and fighting segmentation), but also as regards its instruments (strengthening of, among others, active labour market policies (ALMPs), lifelong learning, ensuring adequate social security systems, and balancing flexibility and security). A stronger focus is now placed on youth, education and better skills matching, as well as on labour market transitions (e.g. between unemployment and work or between work and care).

This chapter monitors labour market developments in the wake of the crisis and in the light of the Europe 2020 targets. It focuses predominantly on guideline 7 ‘Increasing labour market participation of women and men, reducing structural unemployment and promoting job quality’ (Council of the EU 2010c). It looks at developments in employment rates, unemployment rates and forms of non-standard employment, taking account of various subgroups such as gender, education groups and age. Moreover, active labour market policies and lifelong learning will be examined more closely.

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Ambitious EU2020 employment rate target despite Lisbon employment failure

Labour market developments since the beginning of the Lisbon Strategy

The Lisbon Strategy employment targets were a 70% employment rate for the overall population, an employment rate of 60% for women and of 50% for older workers (55-64 years) to be reached by 2010. In spite of growth in employment in the EU27 up until 2008 (particularly among women and older workers), the Lisbon 2010 target for women is the only one that was reached (62.5% in 2009) (Figure 2.1). In 2009 (the latest year for which annual average figures are available) total employment stood at only 64.6%, having fallen back due to the labour market impact of the crisis. Yet the fact that total employment remains about 5 percentage points below the 2010 target cannot be attributed exclusively to the severe impact of the economic crisis on EU labour markets, since the EU27 had fallen far short of reaching the interim target of 67% formulated for 2005 and the EU27 employment rate stood at only 65.4% in 2007, i.e. already before the onset of the crisis. Employment rates among older people (55-64 years) grew steadily over the Lisbon period but they remain – at 46% in 2009 – well below the 50% target formulated in the Lisbon Strategy.

Despite the failure to reach the Lisbon Strategy targets, the Europe 2020 strategy formulated a new ambitious employment rate target of 75% to be reached by 2020. The new employment rate target (formulated for the EU as a whole) refers to the adult population (20-64 years) only, thereby avoiding conflict with the education goal (see Chapter 6). Figure 2.1 shows how the new Europe 2020 and the old Lisbon targets compare. Looking exclusively at the working-age population above 20 years (in line with the new target), the employment rate was 69.1% in 2009 which compared with 62.2% in 2000 based on the working-age population above 15 years. The increase needed to reach the Europe 2020 target is now therefore somewhat more realistic than it was during the Lisbon period. However, considering that the Europe 2020 period starts out during a period of crisis with large recent drops in employment in many countries (close to 2 percentage points from 2008 to 2010Q2) and potentially slow growth rates, the 2020 target of 75% is still an ambitious one.

A considerable share of recent employment growth in Europe has been due to increasing shares of non-standard employment such as part-time and temporary employment (European Commission 2007b: 27). Part-time employment, as a percentage of total employment, increased by more than 3 percentage points from 2000 to 2010Q2, and currently stands at 19.4%. It has grown markedly during the crisis, indicating that (re)hiring took place, at least in part, on the basis of part-time contracts. Temporary employment (all contract forms of limited duration such as fixed-term employment and temporary agency work) has increased by close on two percentage points – its share in total employment having reached 14.0% in 2010Q2. Not surprisingly, the first crisis period led to significant falls in temporary employment as temporary workers, being easier to fire than permanent ones, tended to be the first to lose their jobs. However, with new employment being predominantly temporary in nature in many countries, this form of employment is once again rising to its pre-crisis level. Remaining within the logic of the flexibility approach to employment, the EU2020 strategy’s position towards non-standard employment is very similar to the Lisbon Strategy’s, with some changes in detail as will be shown later.

As the following sections will show, there is large country variation in all labour market indicators, with some countries having already exceeded the Lisbon and the new Europe 2020 target, while others remain far from it.
Guideline 7 of the Europe 2020 strategy calls for increasing labour market participation and a reduction in structural unemployment. When employment rates for 2008Q2 and 2010Q2 are compared, it becomes evident that, against the trend of the last decade, the crisis had a negative impact on employment rates in all but three countries (Malta, Luxembourg and Germany) (Figure 2.2). The employment losses ranged from below 1 percentage point in Poland, Romania, Belgium, Austria and the Netherlands to more than 9 percentage points in Lithuania, Latvia and Estonia. The three Baltic countries, specifically, experienced huge output shocks in the initial phase of the crisis (on the relationship between output, employment and unemployment and the role of buffers see Leschke and Watt 2010). The average EU27 drop in employment was 1.8 percentage points (the relatively low average drop in employment and increase in unemployment being explained by the good performance of Germany as the largest economy in the EU). The LFS data used here is based on the ILO definition of employment and thus counts as employed all persons who, during the reference week, worked at least 1 hour for pay, profit or family gain.

Despite the fact that every country will formulate, in discussion with the European Commission, their own headline employment rate target in order to have a realistic aim, it still makes sense in a comparative perspective to benchmark countries on the basis of the new total headline employment target of 75%. In spite of the crisis-induced employment losses, 6 countries (Austria, Germany, Cyprus, Denmark, Netherlands, Sweden) have already exceeded the 2020 employment rate target (Figure 2.2). Sweden and the Netherlands are the best performers with respective employment rates of 78.9% and 78.3% in 2010Q2. The worst performers are Malta, Hungary and Italy with respective employment rates of 59.5%, 60.4% and 61.5%. The difference between the best and worst performers in Europe is thus close to 20 percentage points. As concerns country clusters, the Nordic countries are among the group with the highest employment rates, whereas the Southern European countries (with the exception of Portugal) are among the ones with the lowest employment rates. The performance of the Central and Eastern European countries is also below average.

Gender differences in employment rates remain substantial, with the majority of countries recording employment rate differences between men and women of more than 10 percentage points. The worst performer by far is Malta, with a gender difference of close to 40 percentage points. Both Italy and Greece display gender differences of more than 20 percentage points and the Czech Republic of almost this figure. For the first time there are three countries which display higher female than male employment rates, namely, the three Baltic countries. However, this is a fluke finding, attributable to particularly steep drops in male employment during the crisis (around 15 percentage points in Latvia and Lithuania and around 18 percentage points in Estonia). Aside from these three, Slovenia and the three Nordic countries, and among them particularly Finland, perform relatively well in terms of gender differences.

Note: Age: 20-64 years.
Employment developments in the crisis

Full-time-equivalent employment rates offer a more realistic picture of gender differences in employment

Gender differences in employment are much more evident when we look at full-time-equivalent employment rates. The data is taken from European Commission (2010). The latest available figures are for 2009 and the age group covered is 15-64 years. Using full-time-equivalent employment that refers to total hours worked on both main and second job divided by the average annual number of hours worked in full-time jobs, the EU27 employment rate was only 59.2% on the 2009 yearly average (Figure 2.3) – this compares to the 'standard' employment rate of 64.6 (Figure 2.1). The respective average shares (in terms of full-time-equivalent employment) for men and women were 68.5% and 50.1%. In nine countries female full-time-equivalent employment did not exceed 50% and in only five countries did it exceed 60%.

In full-time equivalents Cyprus had the highest total employment rate in 2009, followed by Denmark, Sweden and Slovenia. Cyprus and Slovenia both have low part-time shares coupled with above-average female employment participation. Denmark and Sweden are among the countries with the highest part-time shares in Europe. However, at the same time, with 74.4% and 75.9% (2010Q2), these are also the countries with by far the highest female employment rates; the EU27 average female employment rate is only 62.4% (Figure 2.2). Together with Finland, the Netherlands is the only other country with female employment rates in excess of 70% in 2010Q2. However, the fact that part-time employment (at close to 50% as a share of total employment) is exceptionally high in the Netherlands means that, in terms of total full-time-equivalent employment, this country's performance is equivalent to the EU average of 59.2%, while, in terms of female full-time-equivalent employment, it is the third-to-last country after Malta and Italy (Figure 2.3).

In terms of female employment measured in full-time equivalents, Denmark and Finland were the best performers and Malta and Italy the worst.
Employment developments in the crisis

Large differences in employment rates of youth and older workers between member states

Another important question is the extent to which employment is segregated by age and education levels, since guideline 7 of the Europe 2020 strategy, which puts forward the 75% employment target, issues a clear call for greater participation of youth, older workers, low-skilled workers and legal migrants (not taken account of here this year) (European Commission 2010l). The Lisbon Strategy placed a strong focus on improvements in employment rates of older workers (55-64 years) and had even formulated a specific benchmark of 50% to be reached by 2010. The Lisbon Strategy placed a strong focus on improvements in employment rates of older workers (55-64 years) and had even formulated a specific benchmark of 50% to be reached by 2010. As Figure 2.1 showed for the EU27, not least thanks to increases in retirement age in a number of countries and discontinuation of early retirement programmes, employment rates of older workers improved markedly over the Lisbon period by, on average, almost 10 percentage points, rising from 36% in 2000 to 45.6% in 2008. Moreover, in contrast to former crisis periods of the early 1970s and 1980s, older workers were the ones who suffered least from employment losses which is explained by, among other factors (such as seniority rules when it comes to job cuts), the fact that few countries made use of early retirement measures to move older workers out of the labour market in times of crisis (Leschke and Watt 2010). Notable exceptions are Belgium, the Netherlands and Italy where provisions on the use of early retirement in the crisis are found in some collective agreements (for more information see Glassner et al., forthcoming).

In 2010Q2 EU27 employment rates of older workers stood at 46.4%. Ten countries surpass the 2010 Lisbon target of 50%. The best performer by far is Sweden with a record high employment rate among older workers of 70.1% and thus almost 25 percentage points above the EU average. The worst performer is again Malta, with an employment rate among older workers of only 30.2% (Figure 2.4). With regard to increasing employment rates of older workers, it is important to point to a range of policy measures such as workplace-related measures to improve the working conditions of older workers, the role of lifelong learning (see Figure 2.12), anti-discrimination policies, etc., all of which can contribute to allowing older workers to remain longer in the labour market (see, for example, European Commission 2007b, chapter 1; Mandl et al. 2006 and Taylor 2006). No obvious country ranking emerges here, since a mix of countries from all country groups (Southern, Central and Eastern European, Nordic, Continental and Anglo-Saxon) perform better than the average. However, the Nordic countries once again do particularly well.

Similarly among youth (aged 15-24) there are huge differences in employment rates in Europe, ranging from fewer than 20% in Lithuania, Hungary and Luxembourg to more than 60% in the Netherlands and Denmark. Different factors influence the youth employment rate, among them the structure and design of education systems (e.g. importance of apprenticeships versus university studies and the average duration of studies), the frequency with which work and studies are combined, as well as the labour market possibilities for youth (e.g. transitions between education and employment) that are also reflected in youth unemployment rates (see following section).
Employment developments in the crisis

Figure 2.5 Employment rates by education level, 2010Q2 (population age 20-64 years)


Education contributes largely to positive employment outcomes

Education is one of the focal points of the Europe 2020 strategy (see also Chapter 6). In fact, educational attainment is one of the five headline targets of the strategy. Besides reducing the share of early school-leavers, the very ambitious (and potentially questionable) goal is to increase the population aged 30-34 having completed tertiary education from currently 31% to at least 40% in 2020 (see also Chapter 6 and Figure 6.3). The Europe 2020 strategy in fact points to the link between raising educational levels, employability, progress in increasing employment rates and reducing poverty.

Indeed differences in employment rates between persons with different educational levels are great. On the EU27 average the employment rate of persons with, at the maximum, lower secondary education (ISCED 0-2) is only 53.6% in 2010Q2. This compares to 70.0% among people with upper and post-secondary (ISCED 3-4) and 82.9% among those with tertiary education (ISCED 5-6) (Figure 2.5). Employment rates increase with the level of education in all EU countries but the size of the differences varies markedly. In Lithuania and Slovakia persons with at most lower secondary education have an employment rate of only 28.9% and 29.0%, respectively, whereas those with tertiary education do extremely well with employment rates of respectively 85.7% and 78.6%. Whereas Slovakia traditionally had very low employment rates among the group with the lowest educational attainment, Lithuania saw large losses for this group in the wake of the crisis, experiencing a drop in employment rates of more than 10% over just two years. At the other end of the spectrum, Cyprus and Portugal display relatively small differences between the three educational groups. While the lowest educational group in these two countries has an employment rate of 68.1% and 67.7% respectively, the rate among the highest group is 89.2% and 84.3% respectively. In only five countries – namely the Netherlands, Sweden, Denmark, Portugal and Cyprus – are employment rates among the lowest educated people above 60%. By contrast, four countries display employment rates of less than 40% for this group, namely Lithuania, Slovakia, Hungary and Poland.

The educational structure of the labour market varies markedly across the EU. Countries such as Malta, Portugal, Spain and Italy have a large share of their population in the lowest educational category, whereas in countries that include the Czech Republic and Slovakia the large majority of the population has medium-level education. The countries with comparatively large shares of people with tertiary education are Cyprus, Ireland, the UK and Finland (figure not shown). This of course has major implications since, for example, the worst performing countries in terms of employment rates among low educated people (Lithuania and Slovakia) actually have very low shares of this group in the population. Among the countries with large population shares of low educated people, Portugal performs rather well with regard to the employment integration of the lowest educational group, whereas Malta, Italy and Spain are all close to the EU average. The differing potential of countries in integrating the low educated into the labour market, as well as the well functioning dual education systems that are geared to those with medium educational levels (e.g. Germany and Austria), indicate that the general higher education target as formulated in the Europe2020 strategy may not be the only feasible solution.
Developments in unemployment during the crisis

Alongside employment rates, unemployment is another key factor when describing labour markets. Figure 2.1 has already illustrated the large average increases in unemployment after the onset of the crisis. Figure 2.6 shows that these increases were spread very unequally over the EU countries, insofar as they were affected to differing degrees by the economic crisis as reflected in GDP developments (compare Chapter 1). They also displayed large differences in buffering the impacts of the crisis on labour market outcomes (such as rising unemployment and decreasing employment) through institutions and policies such as short-time working schemes, active labour market policies, early exit programmes and the like (see, for example, Leschke and Watt 2010; OECD 2009 and 2010).

On the EU average, unemployment (using the ILO definition and thus including those without work but available for work and actively searching) increased by close to 3 percentage points between 2008Q2 and 2010Q2 to a current level of 9.6% (see Figure 2.6). Only two countries – Germany and Luxembourg – saw declines in unemployment in this period. Countries with particularly large increases in unemployment during the two-year period are the Baltics, Ireland, Spain and Denmark. With the exception of Spain, all these countries started out from below EU average unemployment rates in 2008Q2. Both Spain and Denmark (the prime ‘flexicurity’ example which for many years displayed one of the lowest unemployment rates in Europe) doubled their unemployment rates within the two-year period; Ireland almost tripled its rate and the Baltic countries approximately quadrupled theirs. When looking at the development and extent of unemployment in Europe, it is important to keep in mind that the situation of unemployed people varies markedly as regards access to, level of and duration of unemployment benefits as well as in the access to active labour market policy measures (see Figure 2.11 and Chapter 4).

Looking at the extent of unemployment in 2010Q2, Spain is the worst performer with a rate of 20.2%, closely followed by the three Baltic countries, all with unemployment rates in excess of 18%. At the other end of the spectrum, we find Luxembourg, the Netherlands and Austria with unemployment rates below 5%.

With regard to gender differences in unemployment, Figure 2.6 clearly reflects the fact that it was predominantly male sectors (such as construction and manufacturing) that were hit in the first phase of the crisis. Whereas in 2008Q2 unemployment was lower among women than among men in only five countries (Romania, United Kingdom, Ireland, Lithuania, Estonia), in 2010Q2 a total of 16 countries find themselves in this position. In 2010Q2, the largest differences in unemployment in favour of women are observed in Denmark, Ireland, Lithuania and Estonia. The largest differences in favour of men are observed in Greece, the Czech Republic and Malta.
Developments in unemployment during the crisis

The developments in unemployment during the crisis have been significant in Ireland, Cyprus, and the Czech Republic. This raises the question of whether we will again see large labour migration flows as a response (for further information on EU-internal cross-border labour migration flows after EU enlargement in 2004 compare Galgoczi et al. 2009). In this regard, however, it has to be mentioned that the most popular target labour markets for migrants from EU10 countries during recent years (particularly Ireland but also the UK) are also under severe pressure.

Persons with the lowest educational attainment not only have considerably lower employment rates (see earlier in this chapter), but, on average, also much higher unemployment rates than those with medium and high educational levels. The EU unemployment averages are 16.2% for those with, at most, lower secondary education, 9.0% for those with upper and post-secondary education and 5% for those with tertiary education. In only two countries, namely Romania and Greece, are persons with medium educational levels somewhat more affected by unemployment than those with low education levels. In 11 countries unemployment rates among the low qualified are in excess of 20% and in two (Lithuania and Slovakia) are as high as 40% (LFS data, figure not shown).

Huge increases in youth unemployment in a number of EU countries during the crisis

Given the constantly high youth unemployment rates that have further increased with the crisis, youth unemployment is a particularly important issue in the Europe 2020 strategy which points out the importance of coordinated (European Commission, member state and social partner) policies to foster young people’s (re)entry into the labour market. In this context, the relevance of apprenticeships and traineeships, including those involving mobility across the EU (see Chapter 6 and compare Figure 6.5), is once again stressed. Coordinated measures to improve labour market outcomes of youth are particularly important in order to prevent the permanent exclusion of young people.

On the EU average prime-age workers (25 to 54 years) have been somewhat more affected by increases in unemployment (rates of change of unemployment) than youth and elderly (compare ETUC and ETUI 2009, chapter 3). However, when we compare the level of unemployment, youth have in the past been, and clearly are still, more affected than prime-age workers and particularly older workers. Moreover, numerical developments in youth unemployment figures may not, taken alone, tell the complete story, since many young people may, in the knowledge that their labour market opportunities are poor, decide to stay on in education (see Chapter 6).

The 2010Q2 averages were, respectively, 20.7% for youth (15-24 years), 8.5% for prime-age workers (25-54 years) and 6.9% for older workers (55-64 years) (Figure 2.7). All countries, with the single exception of Germany, saw their youth unemployment levels increase during the crisis (Figure 2.7). The Baltic countries and Spain had by far the highest youth unemployment rates in 2010Q2 with levels close to 30% in Latvia, in excess of 25% in Lithuania and Estonia, and 40% in Spain. Whereas Spain, together with Sweden, already had the highest youth unemployment rates in 2008Q2, the Baltic countries were actually among the better performers at that time. Latvia and Lithuania have seen increases of around 25 percentage points and Estonia of 30 percentage points in youth unemployment over the past two years. Other countries with large increases in youth unemployment have been Ireland, Cyprus and the Czech Republic. This raises the question of whether we will again see large labour migration flows as a response (for further information on EU-internal cross-border labour migration flows after EU enlargement in 2004 compare Galgoczi et al. 2009). In this regard, however, it has to be mentioned that the most popular target labour markets for migrants from EU10 countries during recent years (particularly Ireland but also the UK) are also under severe pressure.

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Developments in unemployment during the crisis

It is important to look not exclusively at the extent of unemployment during a given period, but to consider also its persistence. The most common indicator used for this purpose is the incidence of long-term unemployment (unemployment with a duration of more than 12 months as a share of total unemployment). Since the beginning of the Lisbon Strategy in 2000 and up until the onset of the crisis, there had been an average reduction in long-term unemployment of close to 10 percentage points, with women being somewhat more affected. As Figure 2.8 shows, country differences in long-term unemployment are substantial, ranging from 16.6% in Sweden in 2010Q2 to 63.5% in Slovakia. Generally speaking, the three Nordic countries and Cyprus are doing relatively well, with long-term unemployment rates of less than 20%, whereas Belgium, Portugal and Slovakia have long-term unemployment rates of more than 50%. Long-term unemployment is influenced by a range of factors. Beside the general labour market situation, factors likely to play a role include the design of passive benefits (duration of unconditional benefits, rules on work-take-up, etc.) and the interaction between passive and active benefits (e.g. compulsory activation, etc.). Moreover, long-term unemployment, early retirement and disability benefits can, in some cases, operate as substitutes for one another as some countries – nowadays less frequently than in the past – move older workers or those with health problems and who are unemployed for longer periods into subsidiary systems so that these categories are no longer included in the (long-term)-unemployment statistics.

As the developments of long-term unemployment during the crisis period show, there seems to be a lag in the relationship between the level of overall unemployment and the incidence of long-term unemployment. Long-term unemployment declined in line with overall unemployment between 2000 and 2008, and it continued to decline during the first phase of the crisis (between 2008 and 2009) at a time when overall unemployment was rising markedly. The latter development can be explained by the fact that higher inflows into unemployment at the beginning of an economic downturn tend to reduce the average incidence of long-term unemployment (Council of the EU 2009: 77-79). However, as the crisis proceeds we see long-term unemployment rising. Thus, between 2008Q2 and 2010Q2, long-term unemployment increased from 38.5% to 39.8% in the EU27 (Figure 2.8). The majority of countries saw increasing long-term unemployment but 11 countries continued to see a decline. The countries that saw particularly high increases in unemployment (Spain, Ireland, Lithuania, Latvia and, to a somewhat lesser extent, Estonia) also saw their long-term unemployment rates growing substantially over the two-year period.

The longer unemployment lasts, the more likely it becomes that those affected will suffer dequalification and discouragement. Apart from the timely use of expansionary demand-side policies (see Chapter 1), active labour market policies (and particularly training), as well as job search support, can help to counter these tendencies (see Figure 2.11 below and compare e.g. European Commission 2006 for an in-depth account of the role of ALMPs).
Developments in non-standard employment

Part-time employment growing further during the crisis

In continuation to the Lisbon period, ‘fighting segmentation’ is also an issue in the Europe 2020 strategy. The Flagship Initiative ‘An agenda for new skills and jobs’, asks the member states to ‘implement their national pathways for flexibility, to reduce labour market segmentation and facilitate transitions as well as facilitating the reconciliation of work and family life’. In guideline 7, member states are asked to ‘step up social dialogue and tackle labour market segmentation with measures addressing precarious employment, underemployment and undeclared work’. They are also asked to combat in-work poverty and – this being a new feature as compared to the Lisbon Strategy employment guidelines – to provide adequate social security also for those on fixed-term contracts and the self-employed.

During the last two decades, not least as part of the flexicurity agenda, non-standard employment has been actively supported at both the EU and the national levels. Liberalisation and deregulation of the fixed-term and temporary agency work over the 1990s and 2000s in many countries led to increasing shares of this form of contract in total employment. The increase in the share of part-time employment was largely the result of continuously rising female labour market participation. Part-time employment and fixed-term jobs have accounted for a significant part of the overall expansion in employment since the onset of the Lisbon Strategy (European Commission 2010: 71).

As in the Lisbon period, part-time employment continued to grow during the crisis from an average of 17.7% in 2008Q2 to 18.7% in 2010Q2, with similar growth rates for men and women. Gender differences in the take up of part-time employment are very pronounced: in 2010Q2 in the EU27, while 7.9% of men worked part-time, the much higher percentage among women was 31.6% (Figure 2.9). These differences are mainly due to the unequal gender distribution of house- and care work and large institutional deficiencies in many countries which hamper the possibility of combining care and full-time work. This relates particularly to the lack of full-time childcare facilities and, among other things, to the lack of company-level work-life balance policies (OECD 2007).

There are marked differences in part-time employment shares in Europe with the Netherlands taking the lead with close to half of the working population working part-time (48.4%) (Figure 2.9). Sweden, Germany, the UK and Denmark all also have part-time shares of more than 25%. At the other end we find Central and Eastern as well as Southern European member states with part-time employment rates in most cases well below 10%.

In the Southern (with the exception of Portugal) and some of the Central and Eastern member states (e.g. Hungary, Slovakia, Romania and Poland) low part-time employment rates are coupled with relatively low female employment rates. However, there is no clear-cut relationship between part-time employment and female employment participation, as is illustrated by e.g. Finland and Cyprus (below average part-time at above average female employment rates) and Belgium and Ireland (vice versa).

Part-time employment among women takes place to a very considerable extent due to care obligations or for other family or personal reasons. Asked why they work part-time, in 12 countries more than 40% of women (15-64 years) give care or other family or personal reasons as the main reason; the EU27 averages for women are 17.5% for other family or personal reasons and 29.1% for care (LFS data, figure not shown). Among men these categories are considerably less frequently applicable than the reasons ‘could not find a full-time job’ (34.8% for men versus 23.1% for women) and ‘in education or training’ (21.9% versus 7.6% for women).
Developments in non-standard employment

Temporary employment (the LFS definition includes fixed-term contracts, seasonal work and non-permanent temporary agency work) reached its peak of 14.5% during the Lisbon period in 2007. This level was more than 2 percentage points higher than in 2000 (Figure 2.1). During the economic crisis temporary workers were the first to lose their jobs. Against the trend during the Lisbon decade, between 2007 and 2009 temporary employment declined by 1 percentage point. However, the recent increase to 14% in 2010Q2 shows that there is a tendency for firms to rehire workers on the basis of fixed-term contracts or through the use of temporary agency workers.

Figure 2.10 illustrates the large country differences in the extent of temporary employment and also shows the developments by country during the crisis – the share in total employment is now 27% – Poland has the highest temporary employment rate in Europe. At the other end of the spectrum we find Romania, Lithuania, Estonia, Bulgaria and Malta, all with shares of below 5%. There are no consistent country group patterns here. Two countries, Estonia and Latvia, have seen their shares of temporary employment more than double in the two-year period 2008-2010, albeit from initial values that were considerably below average.

The share of temporary employment in total employment is clearly linked to the strictness of employment protection legislation (EPL) for workers with permanent contracts (e.g. required notice period, notification procedure and severance pay) and also influenced by regulations pertaining to temporary employment (e.g. valid cases for use of fixed-term contracts or temporary agency work, maximum number of successive contracts, maximum accumulated duration of successive contracts) (more on the OECD EPL indicator: Venn 2009).

Temporary contracts are most commonly held by young workers (15-24 years). On the EU27 average 42.2% of young workers, 12.2% of prime-age adults (25-49 years) and only 6.9% of older workers (50-64 years) have temporary contracts. This pattern is replicated in almost all countries. In eight countries – the Netherlands, France, Germany, Portugal, Spain, Sweden, Poland and Slovenia – the majority of youth have temporary contracts. Adult temporary employment shares are above 20% in only three countries, Portugal, Spain and Poland (LFS data, figure not shown).

In many cases, temporary employment is not taken up as a matter of choice. In 22 countries, more than 40% of temporary employees (15-64 years) asked why they have a temporary contract state that they could not find a permanent job; in 18 of these countries the share is at least 50% (2008 annual LFS data, not shown).

Only in Denmark, Austria and Germany (particularly the latter two countries with a strong tradition of dual apprenticeships) do more than 40% of the respondents give education or training as the reason for their temporary job. Reference to a probationary period plays a major role in the Netherlands only (> 40%). In Ireland, the UK and Slovenia more than 40% of temporary workers say that they did not want a permanent job (LFS data, figure not shown).
Means to increase labour market participation, reduce unemployment and combat segmentation

Countries differ in their expenditure on labour market policies

Guideline 7 points out that 'Activation is key to increasing labour market participation.' In this regard, member states are asked to 'introduce a combination of flexible and reliable contractual arrangements, active labour market policies, effective lifelong learning, policies to promote labour mobility, and adequate social security systems to secure labour market transitions accompanied by clear rights and responsibilities for the unemployed to actively seek work' (Council of the EU 2010c).

By way of example, we want to look at how European countries are faring on two of the indicators from the above list, namely, active labour market policies (ALMPs) and lifelong learning. ALMPs are recommended in Europe 2020 (as they were in the Lisbon Strategy) as one important instrument for fostering labour market transitions. Yet no clear targets are formulated. There is in fact controversial evidence on the effectiveness of ALMPs (e.g. Card et al. 2010 and European Commission 2006) and evaluation results differ not only by type of programme, but also by participant group and country, as well as by target variable and time horizon of the evaluation (short-term reduction in the number of benefit recipients versus longer-term welfare effects on the unemployed such as increased earnings or working hours).

Seven broad categories of ALMP are commonly distinguished: labour market services; training; job rotation and job sharing; employment incentives; supported employment and rehabilitation; direct job creation; and start-up incentives. Figure 2.11 shows expenditure on labour market services and genuine active labour market policies as well as on passive labour market policies (unemployment benefits and early retirement) as a percentage of GDP in 2008 (latest available data). Countries are sorted by their unemployment rate in 2008 (right Y-axis). There is no apparent correlation between size of unemployment and expenditure on labour market policies. The two countries with the lowest unemployment rates in 2008 (the Netherlands and Denmark) were among the highest spenders with 2.3% and 2.4% respectively and thus similar overall spending levels as Spain, the country with by far the highest unemployment rate. The highest overall expenditure is recorded for Belgium (3.3%) with an unemployment rate that matches the EU27 average. There is a clear difference between EU15 and EU10 countries with EU10 countries all spending well below the EU average. Among the EU15 countries, only the UK and Greece have very low spending levels.

The highest expenditure for ALMPs is evident in Belgium, Denmark and the Netherlands. Countries with particularly low shares are Estonia and Romania, Cyprus and Latvia. Most countries spend more on passive than on active labour market policies. The exceptions to the rule are Denmark (with equal shares), the Czech Republic, Lithuania, the UK, Poland, Bulgaria and Sweden, all, except for Denmark, being countries with below average total expenditure levels.

As regards the impact of the crisis on active labour market policies and vice versa, the data is still sparse. As the payment of unemployment benefits has to be given priority, it is likely that the use of active labour market policies will be crowded out or that the focus will be placed on the less costly measures (e.g. job search assistance instead of training measures). Moreover, any positive effects of ALMPs will be observable only after a delay. As regards the second phase of the crisis, the austerity packages recently announced in a number of countries do not augur well, insofar as labour market and social policies seem to be among the primary target areas in many countries.
Means to increase labour market participation, reduce unemployment and combat segmentation

Figure 2.12 Participation in lifelong learning, comparison of 2000, 2008 and 2009 (population 25-64 years)


Women more likely to participate in lifelong learning measures

Last but not least, we want to look at the development of participation in lifelong learning among the adult population (25-64 years). The Europe 2020 strategy formulates a target of 15% of adults that should participate in lifelong learning by 2020 (Council of the EU 2009). The Lisbon target was 12.5%. However, as Figure 2.11 illustrates, in 2009 (latest available data), i.e. on the eve of setting new Europe 2020 goals, the EU27, with 9.3% of the adult population participating in lifelong learning, was still relatively far from the old Lisbon target.

At the onset of the Lisbon Strategy 7.1% of the adult population participated in lifelong learning. This figure increased to 9.4% in 2008 and decreased very slightly during the crisis year to a level of 9.3% in 2009 (Figure 2.12). If we use the 12.5% target for 2010 as a benchmark, we see that only eight countries had exceeded this target in 2009, among them no Southern European country and only one Central and Eastern European country, Slovenia.

Large country differences are evident. The top performer by far is Denmark with almost one third of the population having participated in lifelong learning in 2009. Adult participation in lifelong learning has increased markedly in Denmark over the Lisbon period, from 19.4% in 2000 to 31.6%. The next best performers are Sweden and Finland, with shares of around 22%, and the UK with around 20%. Of all the countries with data available in 2000 only two – Hungary and the UK – have a worsened performance, whereas five countries, namely Greece, France, Cyprus, Spain and Luxembourg, have at least doubled their share of participants in lifelong learning.

On the EU27 average more women than men participated in lifelong learning measures in 2009 (10.2% of women versus 8.5% of men). The gender difference in favour of women had been evident already in 2000. The differences in favour of women are particularly great in Latvia and Estonia, as well as in the four best performing countries: the UK, Finland, Sweden and Denmark. By way of example, in Denmark 37.6% of women and 25.6% of men participated in lifelong learning in 2009; in the UK the respective shares were 23.3% and 16.8%.

It is important to keep in mind that the indicator of lifelong learning used in the Europe 2020 strategy does not control for the quality or intensity of training courses offered. However, these are very important dimensions in ensuring the lasting success of lifelong learning policies. It is also necessary to monitor closely whether all labour market groups have equal access to lifelong learning – the figures above pointed to a prevalence of women (at least according to the measure used here), and there is also evidence that those who already have higher qualification levels are more likely to participate in lifelong learning measures than those with lower education.
Conclusions

Large gaps between and within countries in terms of labour market outcomes

In terms of labour market outcomes, European countries, with regard to all the indicators covered in this chapter, display a high degree of variation. The range covered by national employment rates in Europe is almost 20 percentage points and, while some countries have already exceeded the Europe 2020 target, others are very far from achieving it. Similarly, the rate of unemployment ranges between around 4% and 20%, a gap that has widened dramatically as a result of the crisis. Some countries, in particular the Baltics but also Ireland and Spain, have seen dramatic increases in unemployment, particularly for youth. The implications for this latter group are significant, entailing the risk of social exclusion (see Chapter 4) and, as a survival strategy, to prolonged tertiary education (see Chapter 7). It is important to stress here not only these sometimes extreme differences between countries but also the clear differences that can be observed – and which have also been exacerbated by the crisis – between different groups on the labour market and particularly between those with low and those with higher educational levels.

Dramatic differences between European countries are encountered also when it comes to the incidence and impact of non-standard forms of employment. Some countries make hardly any use of part-time and/or temporary employment while others have large shares of their population – and particularly specific subgroups (often women and/or youth) – occupied in employment subject to these forms of non-standard contract. Important questions in this regard include the extent to which such jobs serve as stepping stones to regular employment or whether their incidence has a tendency to become chronic. Non-standard employment is likely, moreover, to carry implications for social security coverage, in particular unemployment and pension coverage, the latter being crucially dependent on the design of social security systems (see Chapter 5) and, specifically, on the degree to which they are based on so-called ‘standard employment’.

As with labour market outcomes, countries also differ markedly in their use of and expenditure on active labour market policies and lifelong-learning measures. Whereas clear targets are set for lifelong-learning policies – 15% of the adult population in 2020 – this is not the case for labour market policies; indeed, it is questionable to envisage such a target due to the fact that attempts to evaluate the positive contribution of ALMPs have proved somewhat inconclusive. Indeed, as regards participation in both ALMPs and lifelong learning, it is important to monitor closely the extent to which different labour market groups have equal access, since evaluation evidence points to creaming with regard to active labour market policies – i.e. those who are more prepared to work seem more likely to participate in such policies (see de Koning 2007) – and also to the fact that people with higher educational levels are more likely to participate in lifelong learning.

Given the wide-ranging discrepancies in labour market outcomes in Europe (particularly with regard to overall employment rates and employment rates of specific groups such as women and older workers), it is useful that the EU-wide employment target should be adapted to national circumstances in order to allow measurement of progress towards the Europe 2020 goals. However, as the competences in the field of employment lie with the member states, enforcement of these targets remains problematic, as was already the case during the Lisbon Strategy. While the so-called ‘open method of coordination’ allows monitoring and benchmarking of countries and can, in some cases, lead to policy-learning, the fact that there are no provisions for sanctions makes it difficult to put real pressure on member states to comply with the targets.