

# Crisis takes its toll: disentangling five years of labour market developments

## Introduction

The protracted economic crisis that first broke out in 2008 has taken a tremendous toll on labour markets across the EU. Unemployment figures have skyrocketed, while employment rates continue to fall. The crisis, it has been observed, has served to accelerate previously existing structural trends, generating increasing inequality, polarisation and atypical employment (ETUC and ETUI 2012). What is more, measures introduced in the effort to deal with the crisis have entailed, in some cases, an adverse impact on employment. For instance, the flexibilisation of employment promoted in the expectation of stimulating job creation may have the undesirable side effect of exacerbating labour market segregation and further extending atypical employment. The severe austerity measures enacted in the female-dominated public sector, that have led to job losses and wage cuts in many EU countries, are likely to affect gender gaps on the labour market as a whole, with knock-on effects also for private-sector employment. With reference to developments such as these, we seek in this chapter to ascertain and examine the condition of European labour markets as the crisis moves through its sixth year.

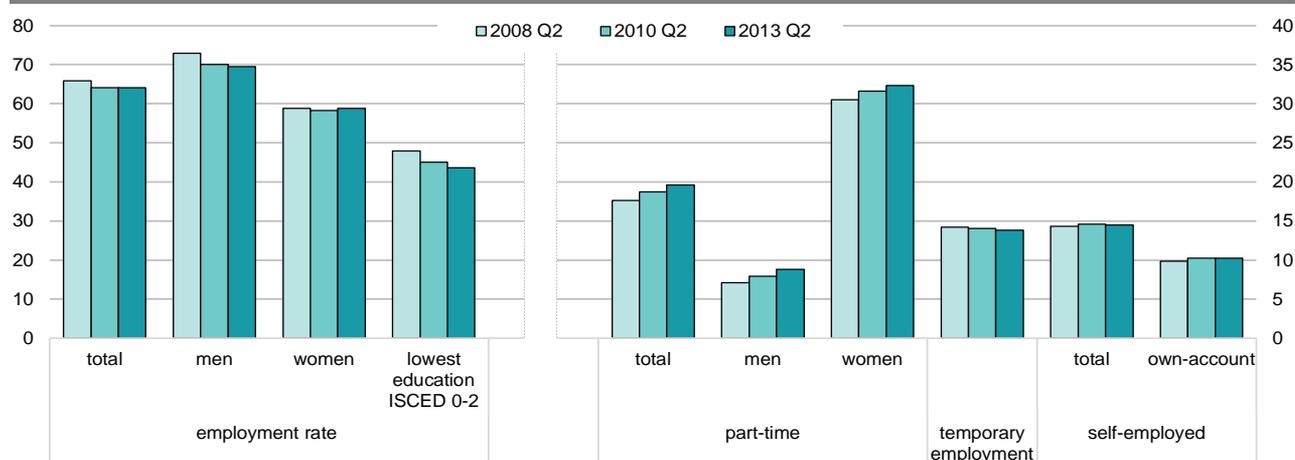
Our analysis of the magnitude of the damage to employment is structured around three main questions. First, what is the overall extent of job losses? Secondly, what are the consequences on the structure of employment? Thirdly, how are different socio-economic groups affected? In relation to this last question, our analysis includes a particular focus on the labour market situation of young people.

### Topics

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## Overview of labour market developments

Figure 2.1 Developments in key employment indicators over the crisis, EU28, 2008, 2010, 2013, comparison of second quarters, population 15-64 years



Source: Eurostat (2013).

Notes: 15-64 years.

## Employment still in crisis

Employment levels declined sharply with the onset of economic crisis so that, between 2008 and 2010, the overall employment rate in the EU28 fell by 1.7 percentage points. The average rate subsequently stagnated; in the second quarter of 2013 it was 64% for the working population as a whole (15-64 years). As such, the Lisbon target of 70% by 2010 remains way beyond reach. The Europe2020 strategy equally appears highly ambitious in setting the employment rate target for the population aged 20-64 at 75%. After dropping steadily since 2008, the employment rate for this section of population had fallen to 68% in the second quarter of 2013 (not shown).

However, the average employment rate, having remained rather stable since 2010, conceals some of the significant changes in employment that have occurred across the EU28 within specific labour market groups.

The gender difference, first of all, is still highly apparent since we see, on average, 69% of working-age men but only 59% of working-age women in paid employment. This gap widens, however, even further – because of women's higher

concentration in part-time jobs – when the labour market participation comparison is made in terms of full-time equivalents. One impact of the crisis has in fact been a narrowing of gender gaps, with the gap in the employment rate having fallen by 3.5 percentage points between 2008 and 2013 (for unemployment rates see Figure 2.2). Yet this statistical 'improvement' results from a worsening of men's situation rather than from any genuine improvement for women (Smith et al. 2013; Karamessini and Rubery 2013). Moreover, while the employment rate for men has been declining constantly since 2008 (more rapidly between 2008 and 2010 and more slowly between 2010 and 2013), the employment rate for women declined only during the first period and by 2013 it had returned to the pre-crisis level. The decline in employment is particularly pronounced for the group with the lowest educational levels (pre-primary, primary and lower secondary education), a category for which it shows no signs of reversal since 2008.

Non-standard forms of employment display a mixed pattern. On the one hand, the proportion of workers in part-time employment has increased considerably and in the second quarter of 2013 nearly one in five workers in the EU28 had a job that was part-time. This form of employment remains highly gendered with, on average, 9% of employed men and 32% of employed women working part-time in

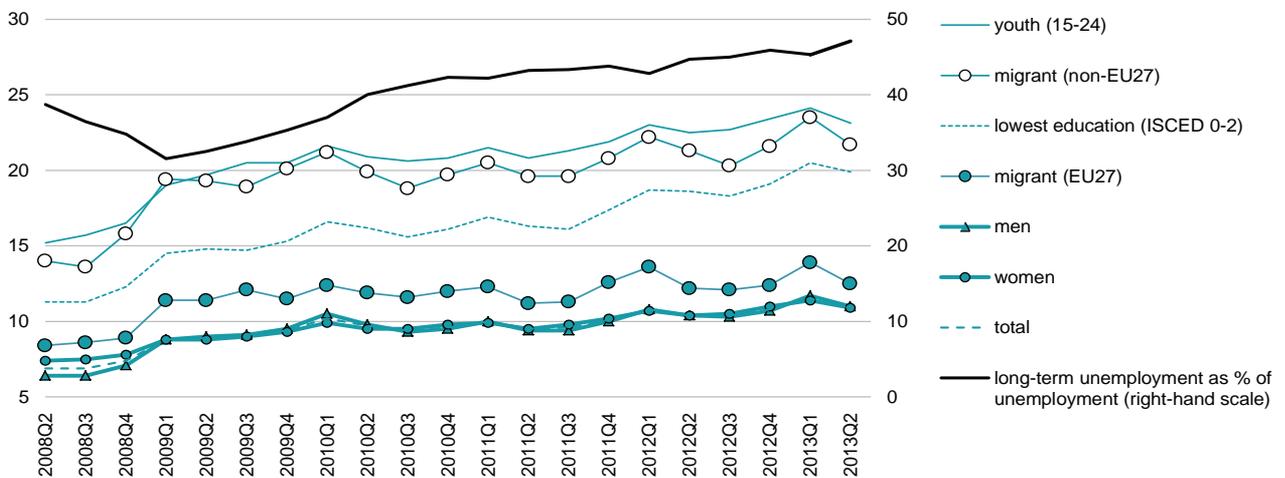
the EU28 (2013 Q2). However, for men the increase in the proportion of part-timers has accelerated considerably during the crisis, suggesting either that the widespread job losses have disproportionately affected full-time positions or that existing full-time jobs have been turned into part-time ones. The total share of men and women engaged in part-time work has increased by 2 percentage points between 2008 and 2013.

The incidence of temporary employment at the EU level showed a slight decrease between 2008 and 2013, reversing or at least attenuating the pre-crisis long-term upward trend. At the country level, however, patterns remain diverse. The share of temporary jobs actually declined in only seven out of the EU28 countries – including countries severely affected by the crisis (e.g. Spain, Greece, Portugal) and others (e.g. Germany) only moderately affected by it – while in the remaining twenty-one countries it either remained stable or increased (not shown).

Nearly 15% of European workers are self-employed. Own-account work is the most common and yet also regarded as the most precarious form of self-employment; this form of work was reported by one in ten employed persons in the EU in 2013. After a rather slight increase at the beginning of the crisis (2008-2010), the rates of both overall self-employment and own-account work remained quite stable.

## Overview of labour market developments

Figure 2.2 Unemployment rates, %, EU 28, 2008 Q2 – 2013 Q2



Source: Eurostat (2013).

### Unemployment rates continue to climb

The unemployment rate in the EU28 has been rising steadily since 2008. While the analysis of quarterly data (Figure 2.2) might suggest some declines in the second quarter of 2013, these are in all likelihood attributable to seasonal variation for, when corresponding quarters of each year since 2008 are compared, it is clear that the unemployment rate has continued to climb, from 7% in 2008, to 10% in 2010 and 11% in 2013 (second quarters). This adds up to a dramatic total increase of 10 million – from 16.2 to 26.1 million – in the numbers of persons unemployed in the EU28 over the five-year period in question (not shown).

Gender differences in unemployment rates not only narrowed – similarly, as we have seen, to the trend in employment rates (see Figure 2.1) – but, in this case, actually closed. As in the case of employment rates, here too this development is the result of worsening labour market conditions for men. While female unemployment in the EU28 showed a large increase from 7% to 11% between 2008 and 2013, for men

the increase has been even steeper, from 6% to 11%.

The experiences of different sub-groups have been quite diverse. Youths, defined as those aged between 15 and 24, have chronically higher rates of unemployment, with steeper rates of increase during the crisis, than older age groups; in the second quarter of 2013 unemployment among this particular age group reached 23%. A more detailed analysis of the labour market situation of youth will be developed later on in this chapter.

While migrant workers are also subject to higher-than-average rates of unemployment, there is a sizeable difference in the situation of this group depending on their region of origin, reflecting differences in the conditions of their access to the EU labour market. Among non-EU27 migrants the unemployment rate is much higher; it increased, what is more, from 14% in 2008 to 20% in 2010 and 22% in 2013 (second quarters). Among EU migrants, unemployment is not only lower but has also shown a somewhat lesser tendency to increase during the crisis; it has risen, even so, from 8% in 2008 to 12% in 2010 and 13% in 2013. For both groups, the increase in unemployment was sharpest at the early stages of economic crisis, between 2008 and 2009, exposing migrant workers' high vulnerability and concentration in sectors – such as construction and industry – that were the first to experience a

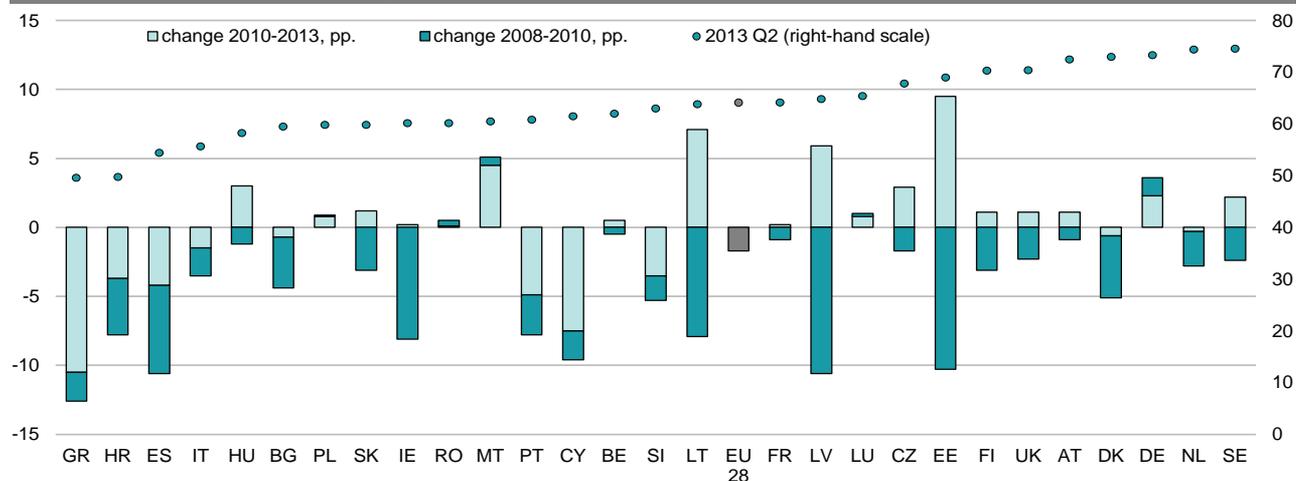
drop in demand. Moreover, the quarterly variation in the unemployment rates of migrant workers is considerable and much greater than for any other group presented in Figure 2.2, suggesting that employment of migrants tends to be both seasonal and highly volatile.

Among persons with the lowest levels of educational achievement (pre-primary, primary and lower secondary) overall rates of unemployment tend to be higher. Moreover, the effect of the crisis has been more severe for this group than for those having gained at least upper secondary levels of education. Thus, the unemployment rate for those with the lowest educational achievement, which had been 11% in 2008, had risen to 16% by 2010 and 20% by 2013. Unemployment among this group is a trend that appears to have been accelerating constantly throughout the period of crisis.

The share of the unemployed classified as 'long-term unemployed' (i.e. out of paid employment for 12 months or longer) fell at the beginning of the crisis, driven down by large numbers of newly unemployed workers. By the second quarter of 2013, however, the long-term unemployment rate had reached 47%, well above pre-crisis levels, with virtually no difference between men and women; it remained on an upward trajectory.

## Overview of labour market developments

Figure 2.3 Developments in employment rates, 15-64, comparison of second quarters



Source: Eurostat (2013).

### Employment rates continue to decline in many countries alongside some instances of improvement

Figure 2.3 shows a country-by-country comparison of changes in employment rates during the crisis and the employment rates for 2013. The particular focus here is on comparison between changes that took place over two periods: 2008-2010 and 2010-2013 (data for second quarters).

Employment rates continue to vary greatly across EU member states. In 2013 (second quarter, latest available) the southern European cluster had the lowest average rates. While in Greece less than 50% of the working population was in paid employment, employment rates were particularly low also in Croatia, Spain and Italy. With the exceptions of Estonia, Latvia and the Czech Republic, all post-2004 member states have rates that are below the EU28 average. The best performer was Sweden where, in 2013, nearly 75% of the working-age

population was in employment, followed by the Netherlands, Germany, Denmark, Austria, the UK and Finland, all with employment rates of above 70%.

Drops in employment were steepest over the first two years of the crisis when the share of the employed in the total working-age population fell in 23 out of 28 EU member states. During that period (2008-2010), the Baltic States, Ireland and Spain were the hardest-hit countries. Germany, on the other hand, recorded a 1.3-percentage-point increase in its employment rate and in Poland, Romania, Malta and Luxembourg the employment rate either showed a slight increase or remained constant.

In the following period, between 2010 and 2013, employment rates continued to decline in 10 EU member states. In Greece the 11-percentage-point drop was the largest, precipitating this country to bottom ranking in employment rates in the EU (2013Q2). Other countries with persistently declining employment rates since 2008 are Croatia, Spain, Italy, Bulgaria, Portugal, Cyprus, Slovenia, as well as Denmark and the Netherlands.

In the Baltic States – Estonia, Latvia and Lithuania – after initially huge employment losses, rates climbed back up markedly between 2010 and 2013, albeit nowhere sufficiently to achieve a return to pre-crisis levels. A similar pattern, but with much less volatility in employment, can be observed in Slovakia, Ireland,

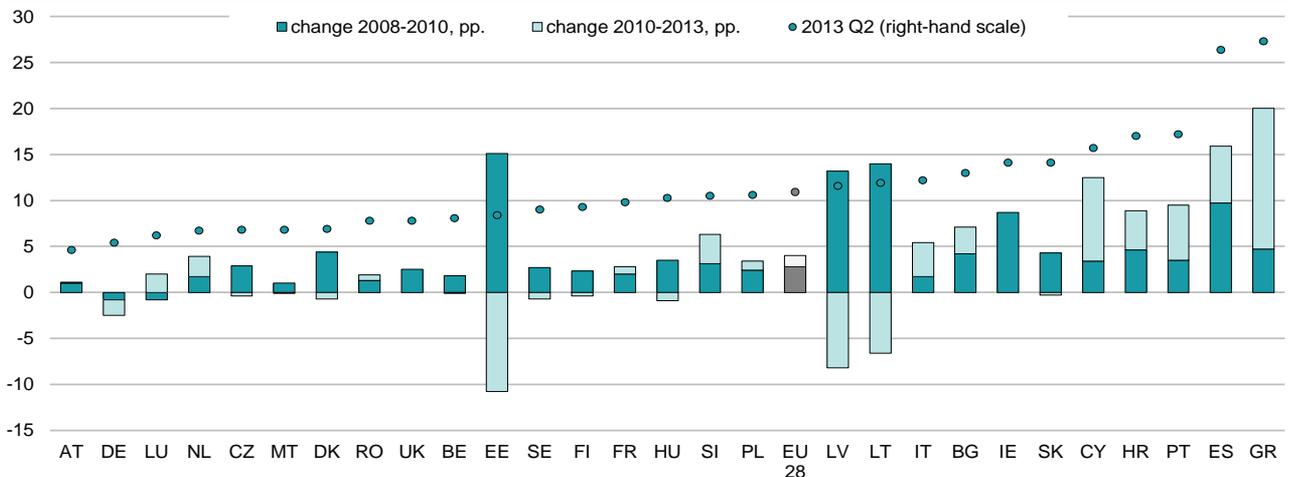
France, Finland, Sweden and the UK, in all of which employment rates declined between 2008 and 2010 and subsequently showed marginal increases too small to ensure a return to pre-2008 levels.

In only four countries – Austria, Belgium, the Czech Republic and Hungary – can trends in employment rates be described in terms of recovery. In these countries employment rates declined only moderately over the first two years of the crisis and by 2013 they had either recovered or even recorded a net increase compared to 2008. Finally, in Germany, Luxembourg, Poland, Romania and Malta employment rates rose over both the periods considered here and in 2013 were therefore above their 2008 levels.

It is important to note that the trends in employment rates discussed in this section do not take account of changes in the volume of work when this is measured as the sum of the hours worked by the workforce as a whole. As a result of the implementation of working time reforms, the proliferation of short-time working measures, the spread of zero-hours contracts and the increase in part-time rates (Holst and Dörre 2013; Walling and Clancy 2010; Horemans and Marx 2013), a redistribution of work has taken place such that the total amount of available work is spread among more workers but in smaller portions. This issue is addressed in detail later on in this chapter (Figure 2.5).

## Overview of labour market developments

Figure 2.4 Developments in unemployment rates, 15-64, comparison of second quarters



Source: Eurostat (2013).

### Unemployment still on the rise in most parts of the EU

Unemployment rates have increased steeply since 2008 and there are no signs of any reversal of this upward trend across most of the EU member states. In fact, unemployment rates rose continuously over both the periods analysed here (2008-2010 and 2010-2013, comparisons based on second quarters) in 15 out of 28 EU countries, and in all EU28 countries – with the single exception of Germany – unemployment rates in 2013 were higher than in 2008. Several patterns emerge from the country-by-country comparison of unemployment rate changes.

The greatest increases in unemployment rates over both periods were experienced, generally speaking, by the countries subject to IMF and EU reform prescriptions, including Greece, Spain, Portugal and Cyprus (Leschke et al. 2012), and also by Croatia. In Croatia and Spain the unemployment rate rose at a faster pace between 2008 and 2010, while in Cyprus, Portugal and Greece it was the period between 2010 and 2013 that saw an accelerated increase in unemployment. In 2013, in all these countries,

unemployment rates within the labour force as a whole (15-64 years) were above 15%. Greece and Spain represent the two most extreme cases; between 2008 and 2013 the unemployment rate in these two countries increased by 20 and 16 percentage points respectively, to reach 27% in Greece and 26% in Spain.

In Estonia, Latvia and Lithuania, unemployment rates showed dramatic volatility, in parallel with tremendous variability in employment rates (see Figure 2.3). After initial increases of 13-15 percentage points, between 2010 and 2013 unemployment again began to fall. The biggest drop, amounting to 11 percentage points, was seen in Estonia.

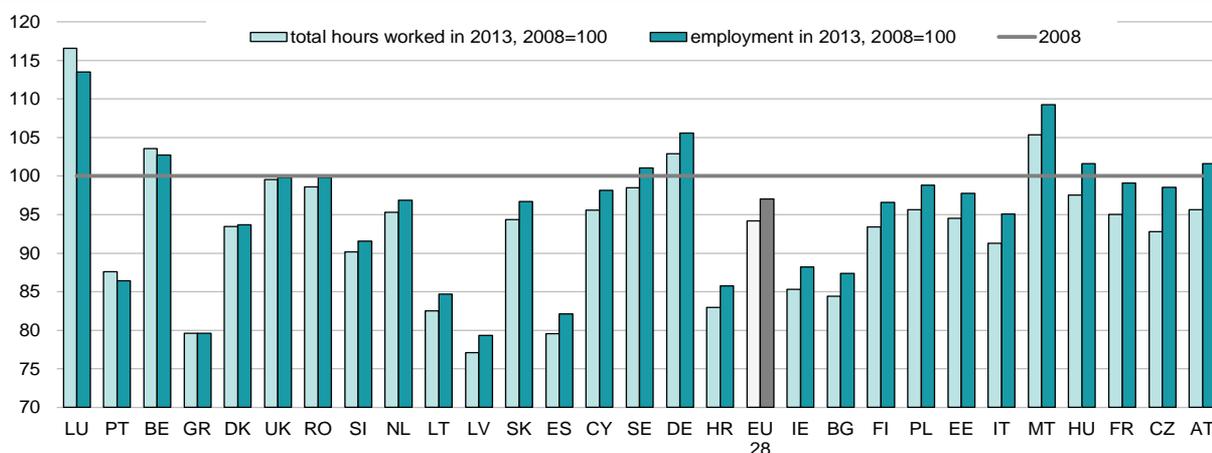
In a considerable number of countries unemployment rates showed an intermediate increase in the first two years of the crisis followed by a slow decrease. In all these countries, however, unemployment in 2013 remained at a higher level – on average just above 2 percentage points higher – than before the onset of the crisis. This group includes the Nordic countries, Belgium, Malta and three eastern European countries (the Czech Republic, Slovakia and Hungary). Conversely, in Luxembourg the unemployment rate initially decreased, only to rise again subsequently, between 2010 and 2013.

Germany is the outlying case where the overall unemployment rate has been declining throughout the crisis. In the

second quarter of 2013, Germany and Austria had the lowest levels of unemployment in the EU28, in both cases around 5%.

## Overview of labour market developments

Figure 2.5 Change in total hours worked and in total employment ('000s), arranged by difference



Source: Eurostat (2013).

### Work redistribution conceals an even steeper drop in the demand for labour

Employment rates, taken alone, fail to provide a full picture of the changes in the volume of work brought about by the current crisis. It is necessary to turn to examine developments in working time in order to understand that the available volume of work has shrunk even more than the falling rates of employment would suggest (Walling and Clancy 2010; Gash and Inanc 2013).

To illustrate this point, Figure 2.5 compares changes in two indicators of the volume of work at country level over the period 2008-2013. The first indicator is the volume of employment and shows how many people were employed in each EU country in 2013, expressed as a proportion of the 2008 value. The second indicator is the total hours worked. This is calculated by multiplying the number of people in employment by the number of (actual) hours they spent at work on a weekly basis. Comparison of proportionate changes in these two indicators provides some insight into the extent to

which job shedding has been cushioned by the redistribution of available work hours across more individuals.

In most countries the number of employed individuals changed less than the number of hours worked. This observation lends some support to the claim that adjustments in the context of crisis have been made through a redistribution of the volume of work among more workers as a means of avoiding increased unemployment (e.g. Horemans and Marx 2013).

In Austria, Hungary and Sweden employment increased while total work hours fell. Thus, employment growth (Figure 2.3) was achieved not by generating additional work but by distributing the available work among more workers.

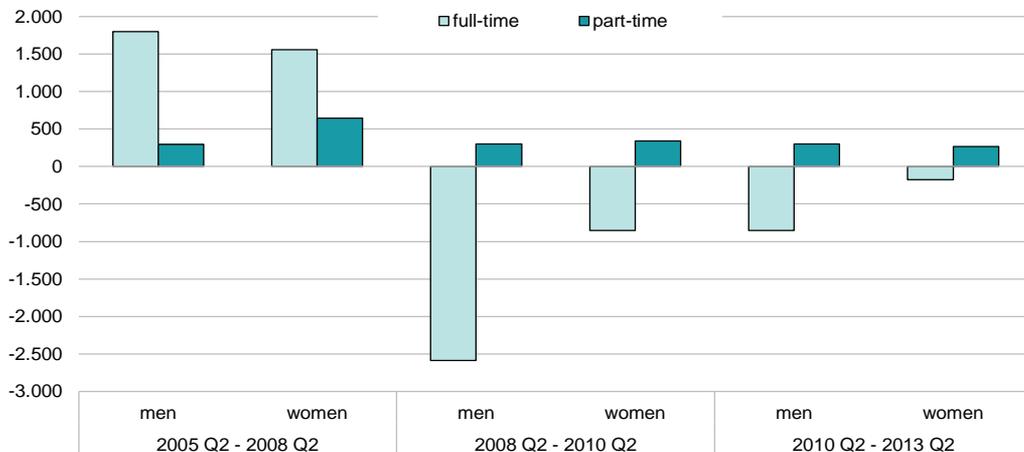
Germany and Malta stand out insofar as each of these two countries displays an increase in both employment and total working hours, the latter having increased, however, at a slower rate than the former, reflecting some redistribution, in conditions of overall growth, of the volume of work. Some of the criticism levelled at the German labour market performance is based on this finding and uses the proliferation of mini-jobs or short-hours work in general to support its case (Holst and Dörre 2013). However, it is striking that Germany does not actually stand out in terms of the scale of work redistribution in the period analysed here, the reason for this being that

a great deal of redistribution had already taken place between 2004 and 2008 with the proliferation of mini-jobs in the wake of the Hartz reforms. Comparison of the difference between total hours and employment volume in 2013 (as a proportion of 2008 values) shows that the lead in the magnitude of redistribution is taken by Austria, the Czech Republic or France, while Germany is located below the EU28 average in this respect.

Only Luxembourg, Belgium, Portugal and Greece fail to fit into this pattern of work redistribution. In the first two countries, not only has the number of employed persons increased since 2008 but the average number of working hours per person has risen also. In Portugal, meanwhile, huge losses in employment have been accompanied by increases in the average number of hours worked per person.

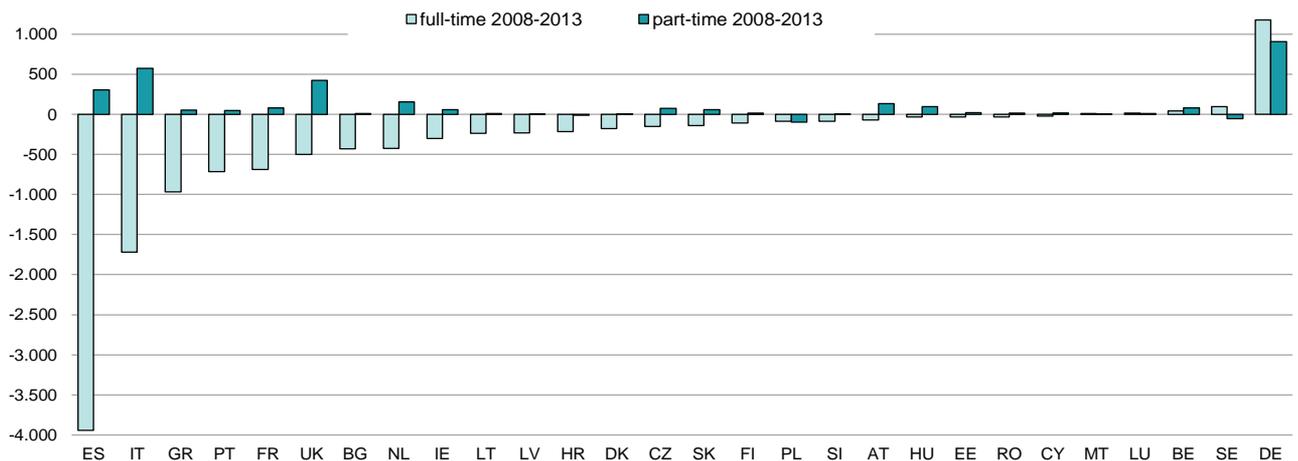
## Shifts in the job structure

Figure 2.6 Job creation and destruction ('000s), annual averages, by working time and gender, EU28, 2005 Q2 – 2013 Q2



Source: Eurostat (2013).

Figure 2.7 Job creation and destruction ('000s), by working time and country, 2008 Q2 – 2013 Q2



Source: Eurostat (2013).

### Shift towards part-time employment

Part-time work has been on the rise in the EU28 for quite some time and it is a trend that accelerated with the onset of the crisis. The net job growth in the EU28 since 2008 has indeed been exclusively in terms of part-time jobs (Figure 2.6). Between 2005 and 2008 the growth in part-time

positions accounted for only 14% of overall net job growth for men and 30% for women. After 2008, however, full-time jobs continued to disappear, while part-time jobs continued to grow at a steady rate of 0.6 million every year.

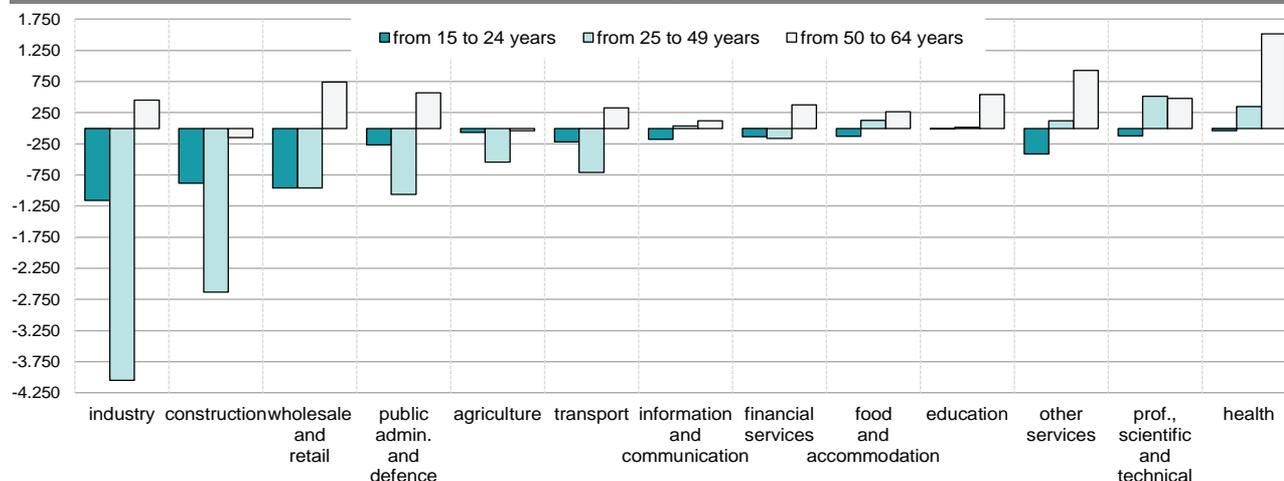
This pattern is similar across countries (Figure 2.7), as the majority experienced a substantial decline in the number of full-time jobs while the number of part-timers was increasing. The notable exceptions are Germany, where net job growth has been greater in full-time than in part-time employment, as well as Poland and

Sweden where the volume of part-time jobs has decreased since 2008.

There is a remarkable gender balance with regard to the number of part-time positions added to the volume of employment in the EU every year since 2008. In the pre-crisis period (2005-2008), part-time jobs taken by women grew over twice as fast as those taken by men. Between 2008 and 2010, however, the gender gap closed and between 2010 and 2013 it went into reverse, with male part-time henceforth growing faster than female.

## Shifts in the job structure

Figure 2.8 Job creation and destruction ('000s), by sector and age, EU28, 2008 Q2 – 2013 Q2



Source: Eurostat (2013).

## Sector-biased pattern of employment change

The impact of the economic crisis has been very unequal across different sub-groups on the labour market. It is important, accordingly, to ascertain which socio-economic groups have been affected the most and how the overall structure of European jobs has changed as a result. Figure 2.8 shows different patterns of job creation and destruction across sectors of economic activity in the EU (based on NACE rev. 2 classification).

The greatest numbers of job losses have been experienced by workers in industry (including manufacturing, mining and quarrying, electricity, gas and water supply, waste management) and in construction. Overall, nearly 8.5 million jobs disappeared in these male-dominated sectors between 2008 and 2013, accounting for a major proportion of the huge job losses in full-time jobs among men during the crisis (Figure 2.6). Big service sectors, such as wholesale and retail, public administration and defence, or transportation and storage,

also suffered substantial reductions in employment.

Meanwhile, however, the traditionally female-dominated health and education sectors expanded, together adding 2.4 million jobs to the EU employment pool. Net job growth took place also in financial services, food and accommodation, professional, scientific and technical activities, as well as in a broad category of other services.

The structure of job growth in the current crisis lends some support to arguments about the role of technology and globalisation in the patterns of structural changes in employment (Autor et al. 2006; Hurley et al. 2013). The increasing use of technology, alongside the phenomenon of off-shoring, contributes to the gradual decline in the numbers of low-skilled workers performing mostly routine tasks in industry and the service sectors. On the other hand, service sectors employing predominantly highly skilled professionals continue to expand, driven in part by demographic changes and the associated increasing demand for healthcare.

Additional information about age, included in Figure 2.8, reveals a clear generational pattern. Young people (15-24 years old) experienced huge losses in employment compared to the size of their cohort even in sectors that otherwise saw growth. The number of older workers (50-64), meanwhile, increased in all

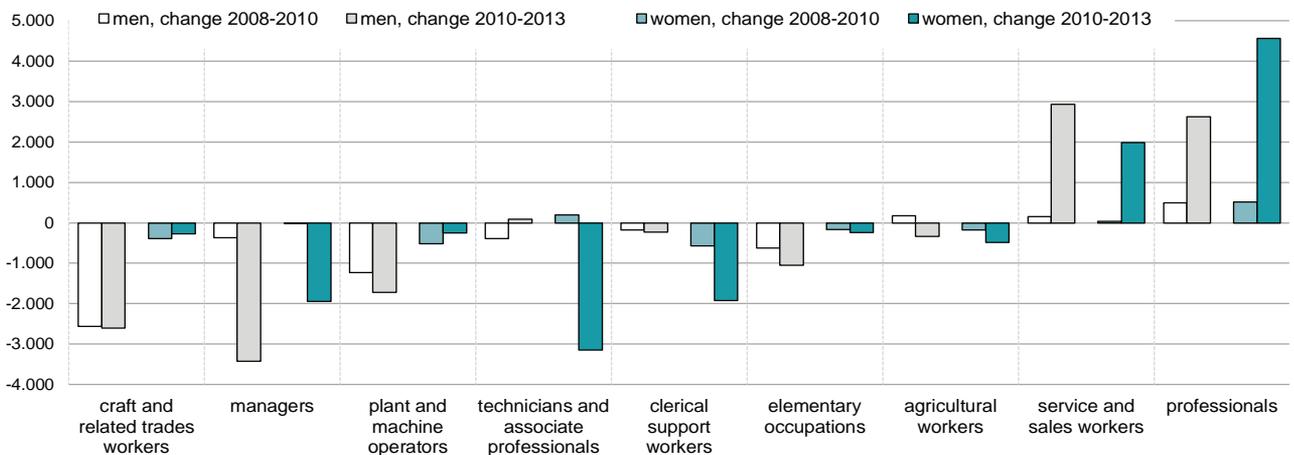
sectors except construction and agriculture. The structural changes induced by an ageing population, as younger age groups shrink and the number of older people grows, can explain this trend only partially.

What the analysis by age group also reveals is the magnitude of the job losses incurred by prime-age workers, i.e. those aged between 25 and 49. The most pronounced decreases in the numbers of workers in this age group occurred in industry, construction, retail, public administration and transport, as well as to a lesser extent in agriculture and finance.

The pattern of change in the jobs structure may well suggest some probable longer lasting effects of the recession insofar as the millions of workers – mostly in the prime stages of their working lives – who lost their jobs in declining sectors are not easily transferable to the expanding ones without substantial retraining designed to re-tailor their skills to new demands.

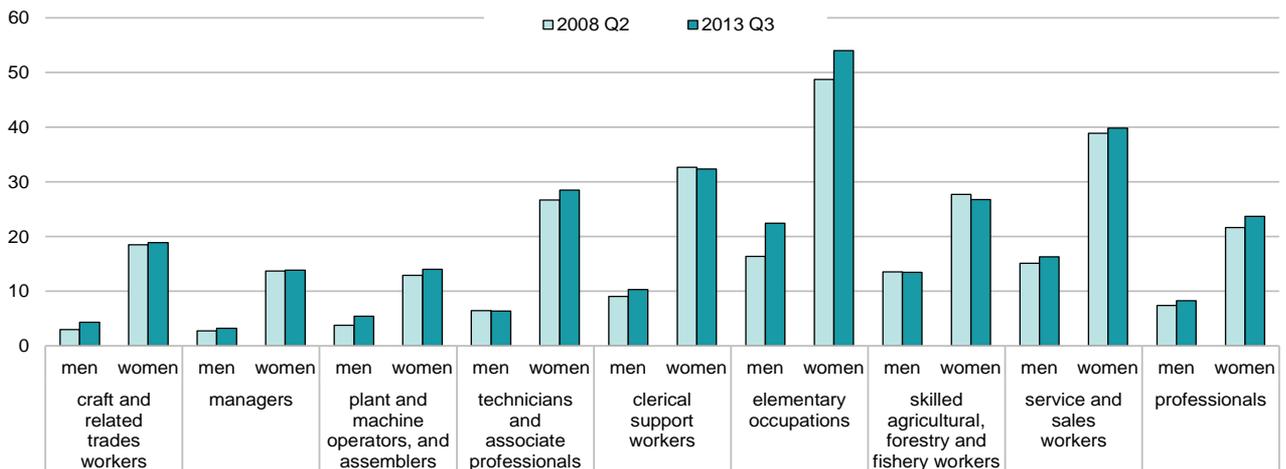
## Shifts in the job structure

Figure 2.9 Job creation and destruction ('000s), by occupation and gender, EU28, 2008 Q2 – 2013 Q2



Source: Eurostat (2013).

Figure 2.10 Part-time rate, change by occupation and gender, EU28, 2008 Q2 – 2013 Q2



Source: Eurostat (2013).

## Crisis-induced shifts in occupations

The occupational structure has changed as the effects of the crisis spread and develop. Two occupational groups: service and sales workers, and professionals, have recorded some overall growth since 2008. All other

occupations were characterised by a net decline in employment. It is noteworthy that among the declining occupations the greatest job losses took place in the more recent period (2010-2013) rather than during the early stage of the crisis (2008-2010).

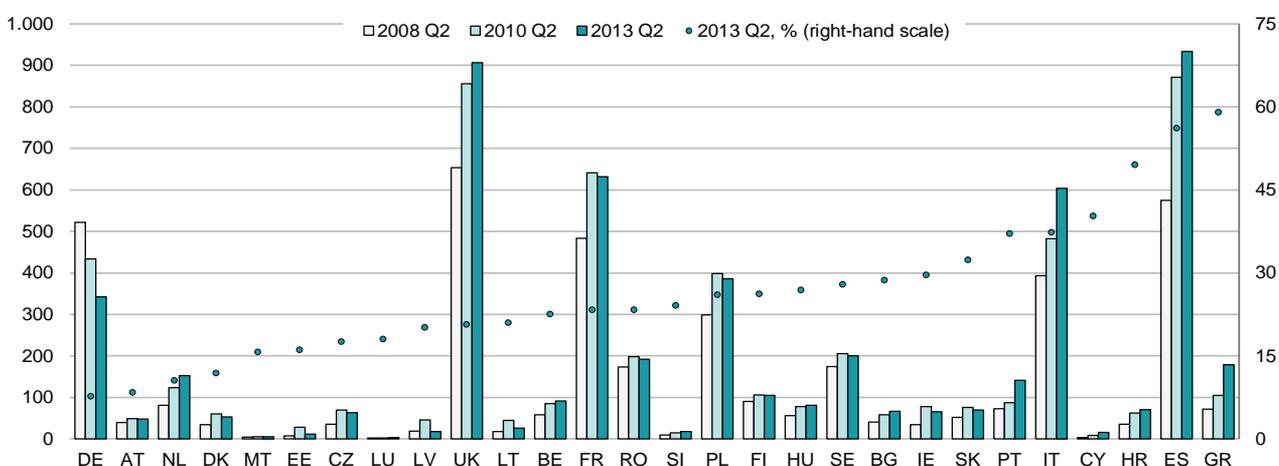
For men, the greatest decline in employment between 2008 and 2010 was in 'craft and related trades' occupations; while more recently among managers. Among women, decline in employment was modest over the 2008-2010 period, while between 2010 and 2013 three particularly hard-hit occupations – technicians and

associate professional, clerks, and managers – shrank by a total of seven million jobs. This pattern is a reflection, to some extent, of sector-specific responses to the crisis.

Moreover, there has been a substantial increase in the proportion of part-time work within 'elementary occupations' (Figure 2.10), where part-time rates were as high, in 2013, as 54% for women and 22% for men. These percentages are higher than in any other occupational category, leading to a concentration of low hours and low incomes among such workers.

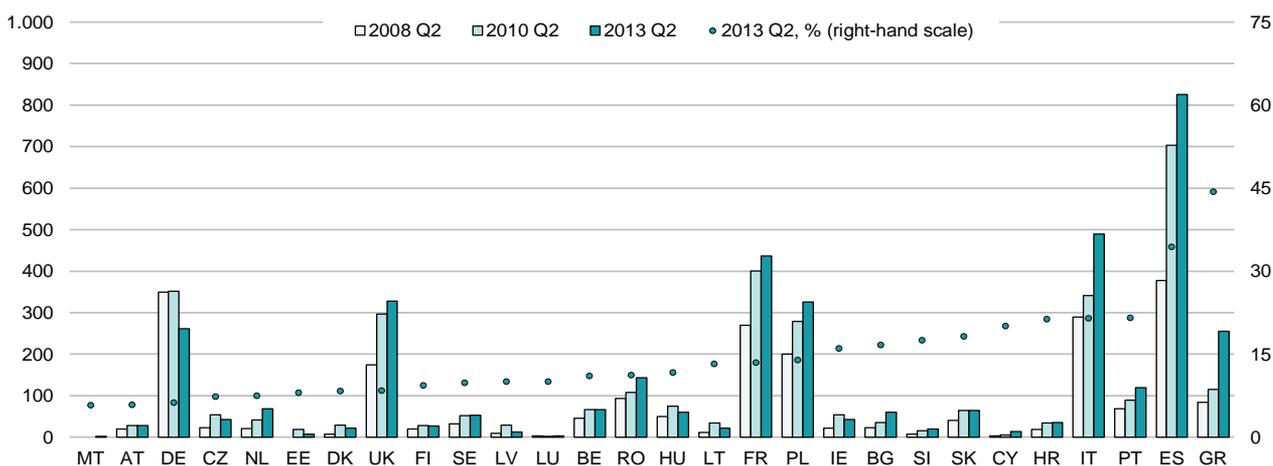
## Developments in employment for young people

Figure 2.11 Youth unemployment rate and absolute numbers ('000s), 15-24, 2008 Q2, 2010 Q2, 2013 Q2



Source: Eurostat Labour Force Survey (2013).

Figure 2.12 Youth unemployment rate and absolute numbers ('000s), 25-29, 2008 Q2, 2010 Q2, 2013 Q2



Source: Eurostat (2013).

Notes: data missing for MT (absolute numbers); data missing for EE (absolute numbers 2008 Q2).

### Similar patterns for 'young people' and 'young adults'

Figure 2.11 shows developments in unemployment among 15-24 year-olds ('young people') across member states (for the EU28 average see Figure 2.2) expressed both in rates and in absolute numbers.

During the first phase of the crisis the numbers of unemployed people in this age group increased in most countries, except for Germany. In the second phase of the crisis the number of young unemployed started to decrease, except in some countries which included Italy, Spain, the UK and Greece.

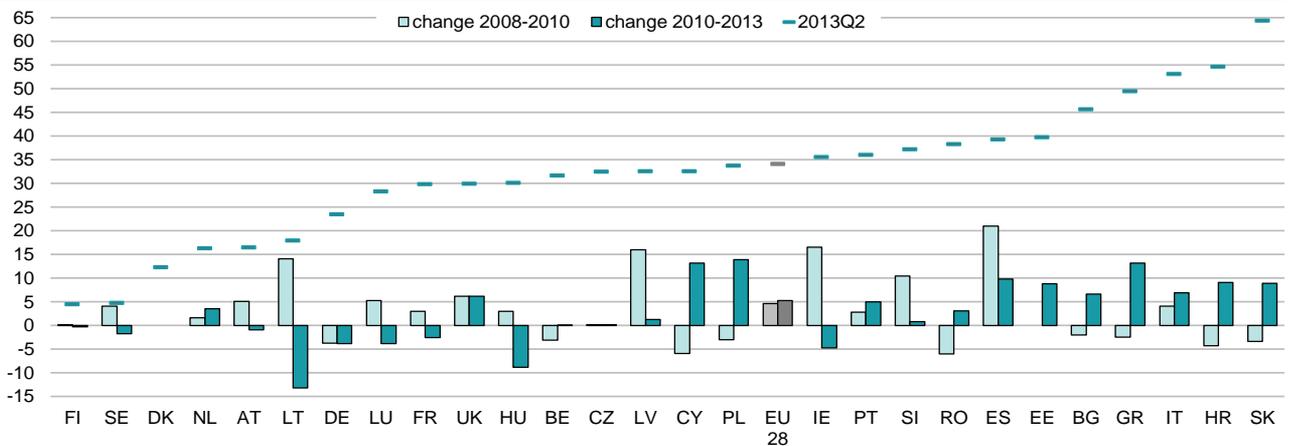
Figure 2.12 shows that, even among the 'young adult' population aged between 25 and 29, unemployment rates are on the rise and have reached very high levels in several countries (34.4% in Spain and 44.4% in Greece in 2013 2q). Insofar as the

unemployment rate among this age group is often higher than that of the labour force as a whole (see Figure 2.3), it is apparent that 'young adults' find themselves in a highly vulnerable position across Europe.

In 2008 2q young women in both the 15-24 and 25-29 age groups had slightly higher unemployment rates than young men. Data for 2010 and 2013 show a reverse trend with young men having higher unemployment rates; however, in both age groups, the steady increase in female unemployment is very likely to reduce this gap.

## Developments in employment for young people

Figure 2.13 Long-term unemployment among young people aged 15-24 as a % of the total youth unemployment – 2013 Q2 and change in pp. 2008-2010 and 2010-2013



Source: Eurostat Labour Force Survey (2013).

Notes: 2008 figures for FI, CY, LV and LT are from 2007; missing data for MT and changes for DK.

### Long-term unemployment a particular scourge

An alternative indicator to the youth unemployment rate is the youth unemployment ratio indicating the extent of unemployment within the 15-24 youth population taken as a whole. While the resulting data (not shown) appear less dramatic, the distribution of countries across the board does not differ greatly from the picture provided by the youth unemployment rates (Figure 2.11). In 2012, Greece and Spain had the highest unemployment ratios, respectively 16% and 20.6%, meaning that, in Spain, one in five young persons aged 15-24 is unemployed. At the other end of the spectrum, the youth unemployment ratio for Germany, Luxembourg and Austria was around 5% or less. Since the beginning of the crisis the youth unemployment ratio has increased in most countries, strikingly so in Spain and Greece.

While there are some divergent views on the magnitude of youth (15-24) unemployment and its relative importance compared to the rate among the adult (25-64) population, there is a broad consensus concerning the lengthening

of unemployment spells and its negative effects on the long term, particularly in terms of wellbeing and future earnings (Scarpetta et al. 2010; O'Higgins 2012; Cockx and Picchio 2011; Blanchflower 2010). Figure 2.13 shows rates of long-term unemployment (more than 12 months of unemployment) as a share of young people unemployed. In the first year of the crisis (not shown), in those countries highly affected by the crisis, the relative share of long-term unemployment decreased due to a high inflow of 'newly' unemployed workers. However, in 2010, in these countries – for instance, Italy and Spain – the share of long-term unemployed youth was already on the rise and it increased again in 2013 (second quarter) suggesting that young people, once unemployed, do have difficulty in finding their way back on to the labour market.

The incidence of long-term unemployment partially follows the youth unemployment rates (see Figure 2.11). A figure of less than 5% for Sweden and Finland suggests that youth unemployment in these countries is mainly short-term and temporary. The same is true of Denmark, the Netherlands and Austria, all of which also have low shares of long-term unemployment at levels that changed only very slightly in the course of the crisis. Better job opportunities and more efficient activation measures can partially explain these low rates. However, it

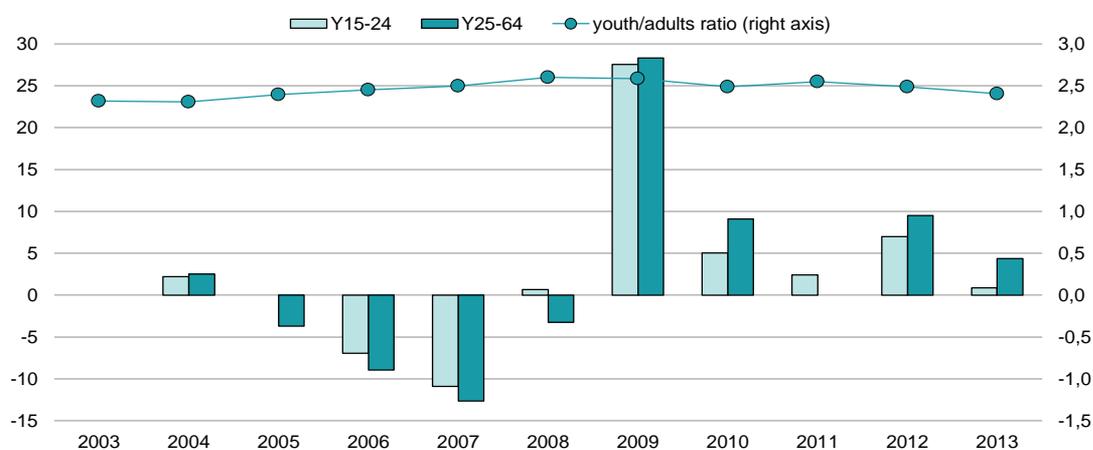
is not apparent from the available figures whether young people in these countries are subject to a higher number of short spells of unemployment.

The highest recorded rate of long-term unemployment is for Slovakia where above 60% of unemployed young people are long-term unemployed. Very high shares – between 45% and 55% – are found also in Croatia, Italy, Greece and Bulgaria.

Figure 2.13 suggests that a combination of labour market policies specifically designed to tackle and prevent a further increase of long-term unemployment is required in several European countries. When considering the slow pace of job creation in most of the countries (see Figure 2.7), it seems unlikely that work-first policies – i.e. active labour market policies designed to achieve a quick return of young people to the labour market – are the most appropriate response to these increasing rates of long-term unemployment. Training policies and individualised and comprehensive approaches to the variety of social and health problems that afflict these young people may well prove more efficient in the long term.

## Developments in employment for young people

Figure 2.14 Youth/adult unemployment ratio - 2003-2013



Source: Eurostat Labour Force Survey (2013); authors' calculations.

Note: data for 2013 are from the second quarter.

### Similar patterns, different speeds, similar risks

The youth/adult unemployment ratio is calculated by dividing the youth unemployment rate by the adult unemployment rate. This ratio is often proposed as a complementary measure to aid in understanding the relative magnitude of youth unemployment compared with the adult unemployment rate (O'Higgins 2012) and to indicate whether one age group is disproportionately affected by overall labour market trends. Figure 2.14 shows the youth/adult unemployment ratio for the EU28 between 2003 and 2013 (annual data, second quarter for 2013) as well as the speed of change of the unemployment rates of the two groups measured as the percentage change on the previous year.

The youth/adult ratio appears quite stable over time with youth unemployment levels that are approximately twice as high as adult ones. The fairly stable ratio can be explained by the similar patterns and speed of change in unemployment rates in both age groups.

The unemployment rate decreased slightly more rapidly for adults than for

youths in the years preceding the crisis (lowest level in 2007 with a drop of 27.7% for adults and 10.9% for youths), meaning that even before the crisis the youth workforce suffered more from unemployment than did adults and that these two groups displayed differing reactions to the favourable economic situation up until 2007.

In 2008 the youth/adult ratio increased because in 2008<sub>2q</sub> the proportion of young people unemployed remained stable (0.6% increase) while it slightly decreased for adults (-3.2% compared to 2007). In that year the crisis had not yet hit the labour market.

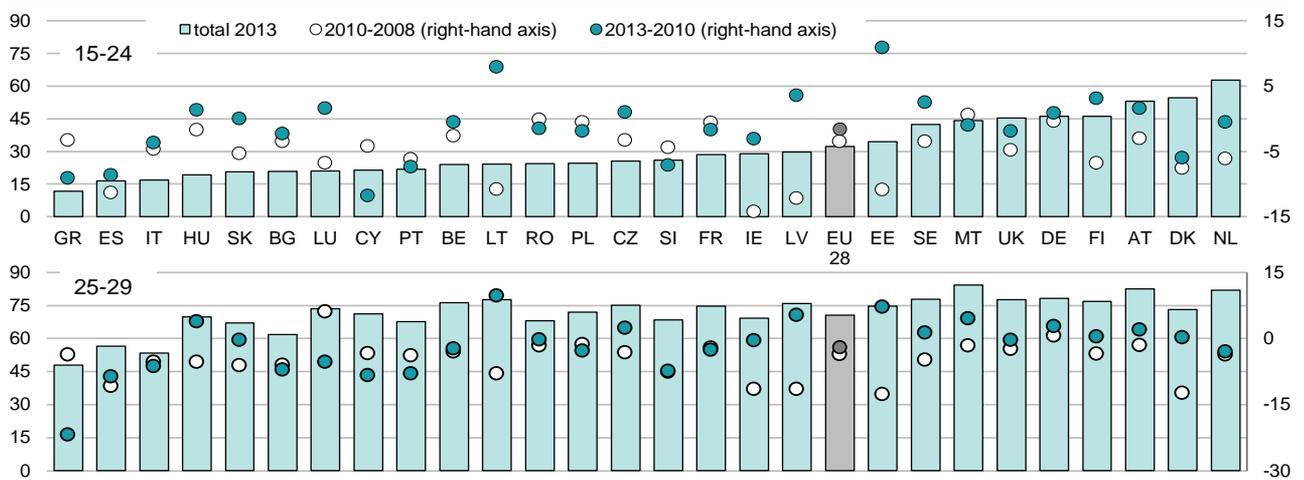
Subsequently, however, both the youth and adult unemployment rates started to follow similar patterns, yet characterised by slightly different speeds of change. In 2009 when the crisis hit, the increase in the unemployment rate among young people and adults was similar (27.6% for youth and 28.3% for adults). In subsequent years, the speed of change in unemployment has been slightly more favourable for young people than for adults. The unemployment rate of young people increased at a slower pace, probably due to the already very high rates in some countries as well as because of the phenomenon whereby young unemployed persons became inactive and left the workforce. The proportion of young unemployed increased steadily: by 5% in 2010; 2.4% in 2011; 7%

in 2012, subsequently remaining almost stable in the second quarter of 2013. The speed of change of the adult rate has been similar but somewhat more volatile: it increased by 9.1% in 2010, remained stable in 2011 and increased again by 9.5% and then by more than 4.3% in the following two years.

The fact that the youth/adult unemployment ratio has remained almost stable since 2009 suggests that, across Europe, both age groups have been hit hard by the crisis. Although the position of the young unemployed population relative to adults has improved over time, the rate of unemployment has been continuously on the increase for both groups. This could be an interesting indicator, illustrating the impact of the crisis on youth compared to adults; however, in order to better grasp the absolute size of the active population affected by unemployment other indicators need to be included.

## Developments in employment for young people

Figure 2.15 Developments in employment rates, 15-24 and 25-29, comparison of second quarters



Source: Eurostat Labour Force Survey (2013).

### Youth employment: a long way to recovery

Figure 2.15 shows employment rates of 'young people' (15-24) and 'young adults' (25-29). The graph includes rates for the second quarter of 2013, the change in percentage points between the second quarters of 2008 and 2010 and between the second quarters of 2010 and 2013.

During the former, the reduction in employment was limited for both age groups (around 5 percentage points). However, the Baltic countries, Ireland and Spain were affected by the crisis from the outset and, in all these countries, more pronounced contractions in employment were recorded for both age groups. During the second crisis phase (20102q-20132q) the employment rates of 'young people' were still decreasing in most countries, even more rapidly in some of the member states most hard-hit by crisis (e.g. Greece, Cyprus and Portugal). As for the 'young adults', the second phase of the crisis had a less dramatic impact across countries: in some the decrease in rate took place at a slightly slower pace (e.g. Belgium, the Netherlands); in others there was a clear reversal

of trend, albeit inadequate to make up for the losses of the first period (e.g. Latvia, Estonia, Hungary). Despite some timid signs of a slowing of employment losses for this age group, the situation of the 'young adults' is still particularly worrying in countries – that include Greece, Italy, Portugal, Cyprus and Bulgaria – with no visible prospects of recovery.

When comparing current rates (20132q), a first glance across countries shows that member states have very different employment rates among the 15-24 age group, the Netherlands being the 'best performer' with more than 75% and Greece bringing up the rear with less than 15% of its young population in employment. A majority of twenty member states have rates for this age group that are below 35%. In the second quarter of 2013 differences across member states are less pronounced when it is the situation of the older age group that is being compared; Greece, however, remains bottom of the league with less than half of its 25-29-year-old population in employment. At the other extreme, Malta, together with Austria and the Netherlands, had rates higher than 80% for this age group.

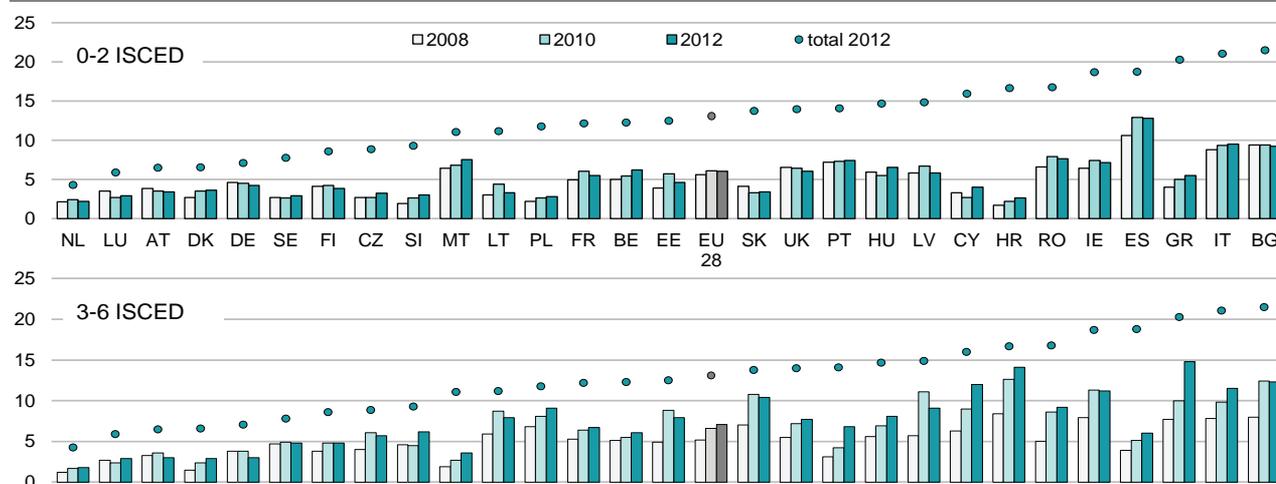
It is important to stress that among the younger youth category employment may be low because of a higher participation in education and a lower tendency to combine study and work. For example in the Netherlands in 2012 young people in

formal or non-formal education and not in employment represented only 32% of the whole population of their age group as against 70% in Luxembourg. Similarly, a higher employment rate among the 15-24 age group can frequently be explained by the presence of a developed system of apprenticeships, the holders of which count as being in employment; such arrangements are found in Germany and Austria which in 2012 had respectively 53.6% and 50% of their young employed people simultaneously in education or training (data not shown). In 2009, in the Netherlands, Denmark and Finland, meanwhile, the high share of part-time jobs (less than 30 hours per week) was the feature able to account for the fact that, in these countries, so many young people traditionally tended to combine employment with education and training (Eurostat 2013).

For the 'young adult' group, by contrast, low employment rates are not explained by a high participation in education, being attributable rather to high rates of unemployment or inactivity (see Figures 2.17 and 2.19).

## Developments in youth population

Figure 2.16 Developments in NEETs rates, 15-24, by educational attainment, 2008-2012



Source: Eurostat, Education and Training (2013).

### Young adults display high incidence of NEETs

Figures 2.16 and 2.17 show 'young people' (aged 15-24) and 'young adults' (aged 25-29) who were Not in Employment, Education or Training (NEET) in 2008, 2010 and 2012.

The NEET indicator is calculated by Eurostat by placing as the denominator the whole population of the respective age group and as the numerator those young people who either are unemployed or are inactive, i.e., in the latter case, young people who are not part of the labour force because they are not available to join the labour market.

These two graphs tell at least three stories. Firstly, and most importantly, 'young adults' (Figure 2.17) suffer from very high rates of NEETs, in many cases higher than those of the 'young people'. However, the distribution of countries across the board is pretty similar in both cases with Greece, Bulgaria and Italy scoring the three highest double-digit figures for both age groups (around or higher than 30% for 'young adults' and

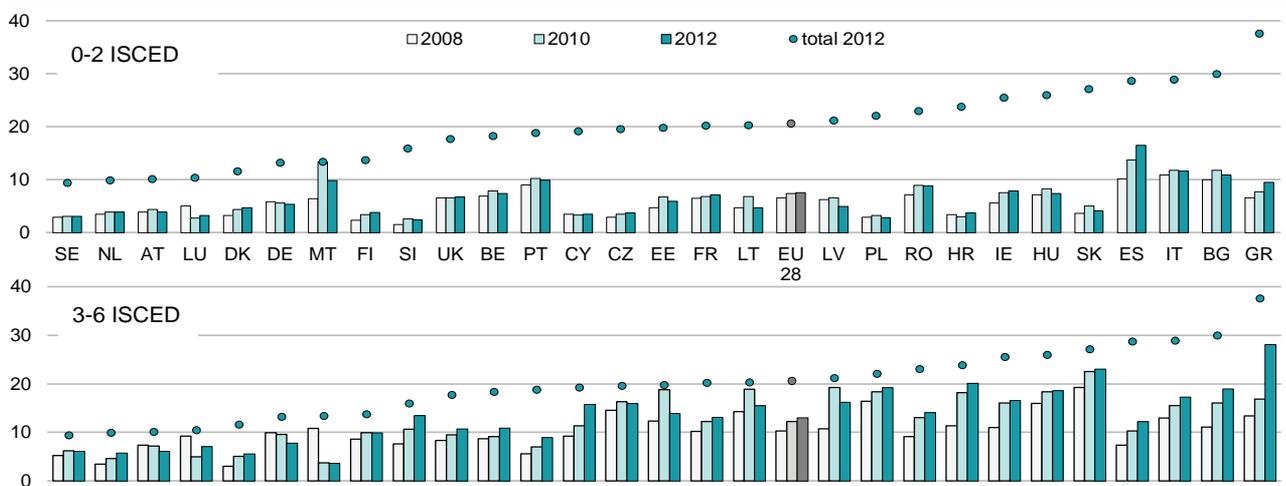
higher than 20% for 'young people'), and with the Netherlands, Austria and Luxembourg displaying the lowest rates.

In 2012 the share of inactive NEETs among 'young adults' accounted for 52% of the whole NEET share for that group and in 2011 27.95% of NEETs aged between 25 and 29 years had no work experience whatsoever (Mascherini et al. 2012). The proportion of inactivity has decreased fast during the crisis (inactives accounted for 64% of 'young adult' NEETs in 2008 in the EU28) as the share of unemployed has been growing more rapidly (data not shown), in all countries except Luxembourg and Germany where the relative share of inactives increased due to a decrease in unemployment.

Moreover, the high rates of NEETs for this 25-29 age group are strongly gender-biased as in all European countries in 2012 the share of young women NEET is higher than that of men (not shown). The gap varies across countries, being close to zero in Spain and Ireland where rates for both men and women are very high (in 2012 in Spain rates were 28.5% for men and 28.9% for women; in Ireland 25.4% for men and 25.5% for women). In the EU28 25.4% of young women were NEETs, a much higher rate than for young men (15.9%). In 2012 the gap was higher than 20 percentage points in Slovakia and in the Czech Republic and in eight countries it was higher than 10 percentage points.

## Developments in youth population

Figure 2.17 Developments in NEETs rates, 25-29, by educational attainment, 2008-2012



Source: Eurostat, Education and Training (2013).

### But what if education were not the key?

A second point to emphasise in relation to NEETs is that both 'young people' and 'young adults' having at least an upper secondary educational attainment display, on average at the EU28 level, a higher rate of NEETs than their peers with lower educational attainments. Differences between 'young adults' with at least upper secondary education or higher and those with a lower educational attainment are striking in several countries including the Czech Republic, Slovenia, Cyprus, Slovakia, Greece, and Poland but also Finland. When broken down by gender, the gap between low-educated women and low-educated men in 2012 was in favour of young women in nine countries.

The situation among the 'young people' is pretty similar. Here too those with upper secondary or higher educational attainment (corresponding to level 3 to 6 of the International Standard Classification of Education – ISCED) often have higher rates of NEETs. Differences between the medium/high-skilled and the low-skilled (with at most lower

secondary education, ISCED 0-2) are, however, less dramatic than for the older age group; however, in the Baltic countries as well as in several others – which include Greece, Croatia, Poland, Slovakia, Bulgaria and Cyprus – the gap between the two educational attainment groups has been increasing rapidly during the crisis, suggesting a stronger impact during the second phase of the crisis for the more skilled in these countries.

The third important point to note is that the crisis had a different impact on the two age groups and on low- and medium/high-skilled young people.

In most countries, both 'young people' and 'young adults' experienced increases in NEET rates in the first phase of the crisis; however, the low and the medium/high skilled were affected to a different extent: low-skilled youth aged between 15 and 24 recorded lower increases (with Spain recording the highest change of 2.3 percentage points) compared to the medium/high skilled young people (in Bulgaria the rate increased by 4.4 percentage points). In the second phase of the crisis (2010-2012) shares for both educational attainment groups remained fairly stable, with the exception of Greece whose share of medium/highly educated 'young people' increased dramatically compared to 2010.

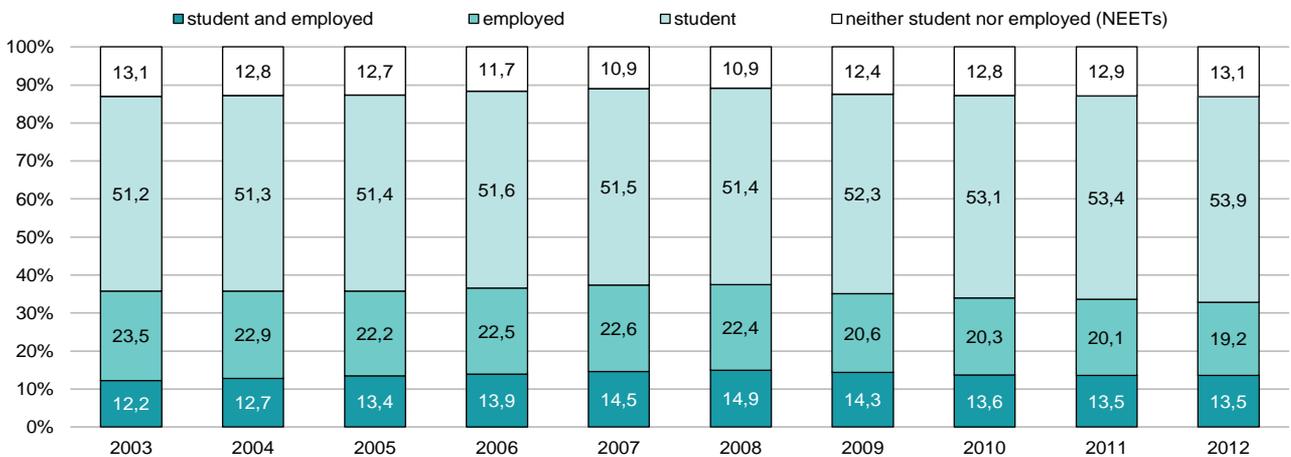
Among the 'young adults', changes for the low and the medium/high-skilled were markedly higher. Between 2008

and 2010 rates increased on average by 1.1 percentage points for the lower educated while they increased by 7 percentage points, on average, for the medium/highly skilled. In the second phase of the crisis (2010-2012), the pace of increase speeded up for the lower skilled (increased by 2.2 percentage points on average) while rates remained stable, but higher, for the medium/highly skilled. Indeed, NEETs are a heterogeneous population and educational attainment is not always an explanatory factor of labour market exclusion; moreover, these cross-sectional figures fail to tell us whether 'NEET' status is temporary or long-term, particularly in the case of those with at least an upper secondary educational attainment.

However this may be, it would appear that for neither 'young people' nor 'young adults' does education provide a fully reliable shelter against unemployment and inactivity.

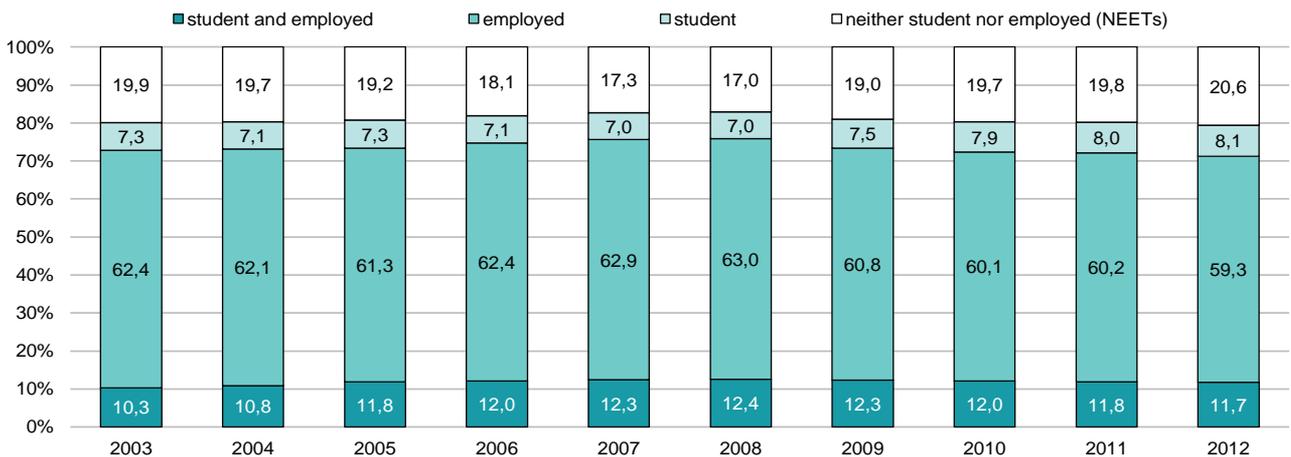
## Developments in youth population

Figure 2.18 Population by employment and education and training status, 15-24, EU 28



Source: Eurostat, Education and Training (2013).

Figure 2.19 Population by employment and education and training status, 25-29, EU 28



Source: Eurostat, Education and Training (2013).

## Back to education?

Figures 2.18 and 2.19 show the labour market position of the 'young people' and 'young adult' populations in the EU28. In 2012 the share of 'young people' (15-24) in education reached 53.9%. This higher share cannot be attributed to the crisis alone – although its faster increasing trend compared to the years preceding the crisis seems a rather likely correlation – but it

results also from a decreasing tendency to drop out, a steadily increasing participation in higher education, and an increased share of unemployed taking part in active labour market programmes (such as training). The share of NEETs follows a similar upward pattern, reaching in 2012 the same level as in 2003 (13.1%). The share of young people in employment shows a reverse trend shrinking to 19.2% in 2012.

In 2012 a majority of 'young adults' (25-29) were in employment, though the share has been decreasing since 2008 and one in five are NEETs (20.6%). Since

the onset of crisis there have been more young adults not employed who are also in education or training, probably due to an increasing participation in active labour market policies. However, there is a steady decrease in young adults receiving training or education while being employed.

## Conclusions

### Volume and structure of employment deeply shaken by the crisis

As Europe struggles through the sixth year of the crisis, little improvement is in sight for its labour markets. In terms of the impact of the crisis on the volume of work in the EU, analysis of unemployment and employment figures only begins to reveal the magnitude of the disaster. While the average overall employment rate (working population aged 15-64) in the EU28 has been stagnating at a low level of 64%, the rate among men continues to fall. Unemployment rates have been rising steadily since 2008 and in 2013 (second quarter, latest available) had climbed to an EU28 average of 11%. Overall, between 2008 and 2013 the pool of unemployed in the European Union as a whole grew by 10 million people. The proportion of long-term unemployed continues to soar and in 2013, at 47%, was well above the pre-crisis levels, indicating the enduring long-term negative consequences of the crisis for the labour markets. What is more, the EU remains far from the employment targets set by both the 2010 Lisbon strategy and its successor the Europe 2020 strategy.

Country performance varies considerably. In 19 out of the EU28 countries employment rates have either continued to fall since 2008, or have recently begun to show some slight improvement while remaining below pre-crisis levels. Moreover, unemployment rates have been on a continuous upward trajectory in 15 EU countries, while in all countries except Germany they were higher in 2013 than in 2008. In 2013 national unemployment rates ranged from a best performance of 5% in Austria and Germany to catastrophic levels of 26% in Spain and 27% in Greece.

However, a simple analysis of labour market participation patterns is in many respects misleading, for it conceals more profound and structural changes. Faced with the unprecedented losses in full-time jobs, the EU's capacity for job creation is currently weak and newly created jobs are predominantly part-time. In the second quarter of 2013 nearly one in five workers in the EU held a part-time job. Accordingly, the amount of work available to individual workers (i.e. total hours worked in the economy) has shrunk even more than the employment figures taken alone would suggest. The findings here reveal a particularly worrying pattern among the lowest skilled manual workers employed in the 'elementary occupations' where the share of part-time jobs has increased the most, resulting, for workers in this group, in an accumulated disadvantage of low incomes and low work hours.

The patterns of job creation and destruction varied greatly across sectors and occupations. The greatest job losses have been recorded in the male-dominated industry and construction sectors, and among 'craft and related trades' workers, while the female-dominated health and education sectors have been expanding. This structural pattern of job loss may well slow down the recovery process as workers from the declining sectors and occupations are not easily transferable into jobs in the expanding sectors which require quite different skills.

One impact of the crisis has been a narrowing of gender gaps in employment patterns. This has been achieved, however, by a deterioration in the employment situation of men rather than by any improvement in that of women. For instance, while the gender difference in employment rates is still substantial with, on average, 69% of men and only 59% of women in paid work in 2013, this gap actually narrowed by 3.5 percentage points over the 2008-2013 period. The gender gap in unemployment rates even closed completely at the EU28 level as a result of steeply rising unemployment figures for men. Moreover, increases in the proportion of part-time employment among men accelerated markedly during

the crisis. In the period 2010-2013 the net growth of part-time jobs was higher for men than for women, representing a reversal of a longstanding trend.

This bleak conclusion can be extended to the labour market prospects for young people and young adults. Data show that in most of the member states youth unemployment rates are still rising, albeit at a slower pace compared to the first years of the crisis; the trend shown by employment rates is equally negative, for only a few countries show timid signs of a reversal of the downward trend.

The group consisting of young adults aged between 25 and 29 is frequently not addressed in the context of considerations pertaining to youth; however, it is clear that the crisis has placed these slightly older young people too in an increasingly difficult labour market situation, despite the fact that they are more likely to have already gained some form of relevant labour market experience.

Looking at the youth and young adult populations as a whole, it becomes clear that the biggest contraction is that which affects employment: young people have indeed increased their participation in education and training, but they have equally increased their likelihood of becoming inactive or long-term unemployed. The likelihood of becoming trapped in inactivity and unemployment represents a particular hazard for women aged between 25 and 29 years old in southern Europe (Greece, Italy and Spain) but also in some eastern European countries, such as Hungary, Slovakia, Bulgaria, Poland and the Czech Republic.

Current active labour market policies – such as the Youth Guarantee (European Commission 2012; European Council 2013) – generally focus on job-search behaviour, skills, and the provision of a first work experience. They tend to concentrate, in other words, on the supply rather than the demand side. Although such solutions may help to reduce short-term unemployment, they are not necessarily appropriate for facing the prospect of becoming trapped in temporary and low quality jobs against the background of a necessarily bleak outlook, given the still very slow rate of job creation.