

Labour market inequalities and divergence

Introduction

The European Union is slowly emerging from a deep economic recession. The economic and labour market recovery is far from secure, as evidenced by the fact that total employment in the EU27 fell between the second quarter of 2011 and the second quarter of 2012. Although performance has differed markedly between countries, the current picture is one of on-going difficulties and there remains some concern that the situation may deteriorate again. The situation has to be viewed also in the context of the ambitious Europe 2020 Strategy targets to increase the EU27 employment rate for 20-64 year olds to 75 per cent by 2020 (see also ETUC and ETUI 2011: 21-22).

This chapter investigates the equality aspects of changes within the labour market both in the recession and over the longer term. Inequalities in the labour market are persistent in good economic times and bad ones – however they are often deepened during periods of recession as the experiences of groups and countries diverge.

There are a number of different aspects to labour market inequality. Inequalities can relate to differences between member states, some of whose labour markets remain far healthier than others; and there is indeed current evidence of a divergence in trajectories between member states in the recession and early recovery. Inequalities can also relate to the way that employment opportunities are unevenly distributed according to a number of characteristics, such as age, gender and skill levels. These differences in employment opportunities influence the likelihood of being in work (versus being out of work). They also influence experiences once in employment – including aspects such as wage levels, type of work, form of employment contract, and hours of work.

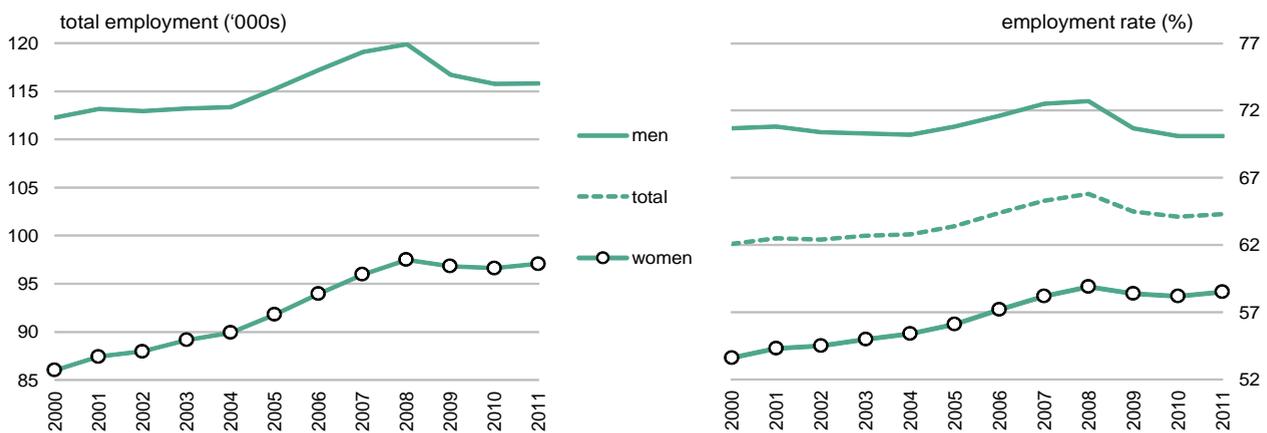
We begin by examining the period since 2000 and some of the longer-term trends in employment and unemployment across Europe, as well as describing how these trends have been radically altered by the onset of the recession. We then show how the impacts of recession have been felt quite differently across member states, with some suffering much more substantial damage to their labour markets than others. We also consider how the recession has impacted differentially on sub-groups within labour markets, and provide a detailed description of the particular challenges faced by younger workers in accessing employment.

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Labour market developments over the Lisbon period

Figure 4.1 Total employment ('000s) and employment rate (EU27)



Source: Eurostat (2012).

Pre-crisis improvements in employment widely spread

The aim of this section is to show the evolution of a number of key labour market indicators over the Lisbon period. The Lisbon targets have recently been replaced by a new strategy – Europe 2020 – which sets new targets including an employment rate of 75 per cent for 20-64 year olds and a target to lift twenty million European residents out of poverty (see ETUC and ETUI 2011).

Taking a longer-term view, prior to the economic crisis of 2008 the employment performance of Europe was moving in the right direction. The period between 2004 and 2008, in particular, was one of growth in the labour market (see Figure 4.1 which provides annual averages of employment total and rate from 2000 to 2011). Total employment in the EU27 countries grew by 19 million between 2000 and 2008 (annual averages), while the employment rate rose from 62.1 per cent in 2000 to 65.8 per cent in 2008, an increase of 3.7 percentage points.

Within this overall pattern there were pronounced country differences.

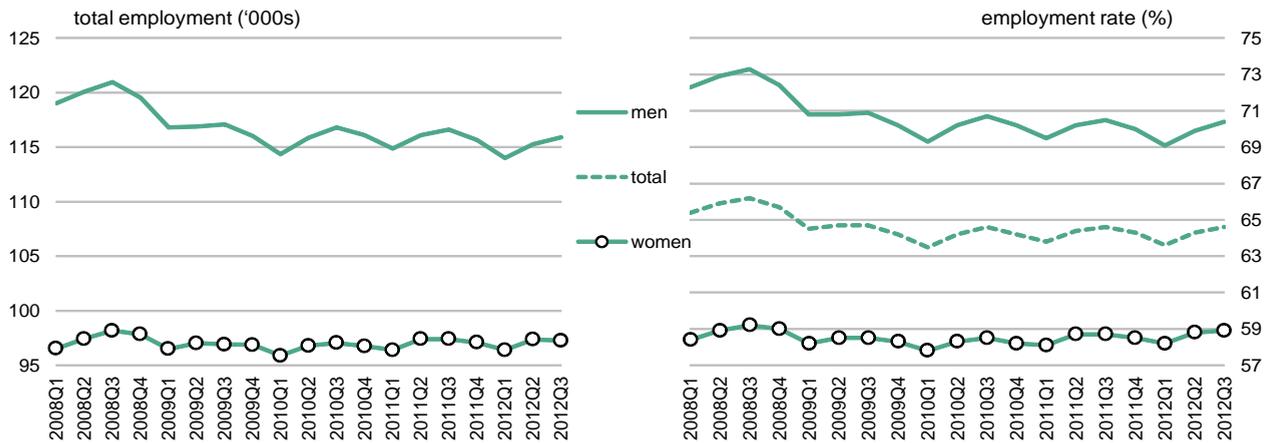
The BELL countries (Bulgaria, Estonia, Latvia, Lithuania; Georgieva, 2012) did especially well, with three of them (BG, LV, ES) seeing the highest rises in employment rates across the EU (though from a relatively low base – Bulgaria was still only 19th across the 27 countries in 2008, despite employment rates having risen by over 12 percentage points from 2000). Male employment rates for the EU27 went from stagnation to growth between 2000 and 2008, although this average hides a good deal of difference: Bulgaria, Latvia and Estonia once again witnessed the largest increase, while there were small declines in the UK, Ireland, and Belgium, and somewhat larger ones, of more than two percentage points, in Portugal, Malta, Luxembourg and Romania. Female participation developed comparatively well across the EU27 (country experiences of the gender employment gap are discussed below). Across the EU, an additional 11.5 million women entered employment over the period 2000 to 2008. Growth in the female employment rate was noticeably slower in the Czech Republic, Hungary and the UK; it was negative in Romania.

While the employment performance of the EU did improve, particularly in the middle of the decade, it consistently remained significantly short of the Lisbon target for 2010 of a 70 per cent employment rate. Furthermore, part of the employment improvement was

attributable to the increasing number of individuals in non-standard forms of employment, including part-time work, temporary contracted work, and self-employment, all of which expanded between 2000 and 2008 (see Figure 4.3).

Labour market developments over the Lisbon period

Figure 4.2 Total employment in the EU27 and employment rate, 2008-2012 (15-64, quarterly estimates)



Source: Eurostat (2012).

Crisis increases labour market divergence

considerably, with the performance of some a cause for major concern (for more details see the following section).

The gradual improvement in the labour market came to an abrupt halt with the onset of economic recession in 2008. Figure 4.2 shows the detailed quarterly data for the employment rate since 2008. This period has witnessed the stagnation of female employment rates (from a peak of 59.2 in Q3 2008 to 58.3 in Q2 2010 and recovering partially to 58.8 in Q2 2012). For men there has been a sizeable decline in employment rates from 72.9 in Q2 2008 to 70.2 in Q2 2010, with a further decline to 69.9 in Q2 2012.

For the EU as a whole, therefore, 2011-2012 was another difficult year, with total employment in the EU27 actually declining slightly between Q2 2011 and Q2 2012. The unemployment rate in Q2 2012 was 10.4 per cent, far higher than its Q2 2008 level of 6.9 per cent. For men the rate is 4.0 percentage points higher than pre-recession, for women it is 2.9.

This stagnation is worrying in itself, but it also conceals large variations between the member states. Since the 2008 recession, the paths of national labour markets have diverged

Labour market developments over the Lisbon period

Figure 4.3 Developments in labour market indicators, EU27



Source: Eurostat (2012).

Part-time work growing

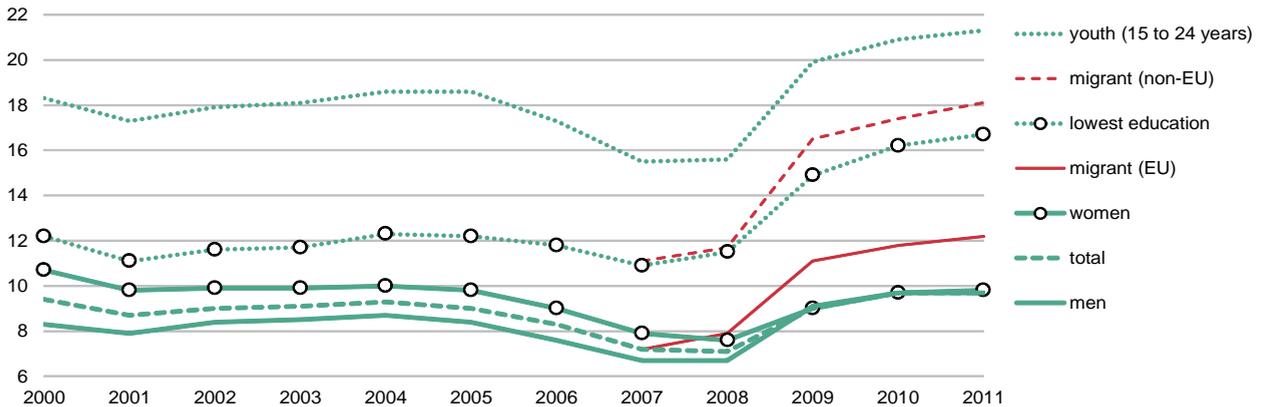
Given that the Eurostat Labour Force Survey definition of employment is just one hour of work in the reference week, the increase in both the number of people employed – and the employment rate – fails to tell us much about the substance of this employment and whether or not it allows people to meet their needs. During the recession there has been a growth in part-time relative to full-time employment. Part-time employment as a percentage of total employment grew by 1.2 percentage points between 2008 and 2011 (see Figure 4.3). This is part of a longer term trend, but one which accelerated during the recession – in the three years prior to 2008, part-time work as a proportion of total employment increased by only 0.3 percentage points, though there were differences between countries in respect of this trend. Over the same period, ten countries saw a decrease in part-time work expressed as a proportion of all employment; Poland in particular bucked the trend, with falling part-time employment as well as the greatest rise in full-time employment between 2005 and 2008.

EU wide, there are now just over 41 million people in part-time employment

– an increase of slightly more than 2.5 million since 2008. Germany alone accounts for a fifth of this increase, with just over 500,000 additional part-time workers; the UK is second with just under 250,000. Only four countries (Poland, Sweden, Denmark and Bulgaria) have seen a reduction in total part-time employment since 2008. Furthermore, the evidence suggests that for men much of this growth is in involuntary part-time working. Some 37 per cent of men and 23 per cent of women report that their main reason for being part-time was because they could not find a full-time job. This reflects a growing problem of under-employment. Other forms of non-standard employment, including temporary contracts or self-employment, have seen little change since 2008, although their trend has been towards growth over the past decade. This overall picture again conceals significant national variability – an issue examined later in the chapter.

Labour market developments over the Lisbon period

Figure 4.4 Unemployment rate, EU27



Source: Eurostat (2012).

Inequalities in unemployment persist

Figure 4.4 shows what has happened to different population groups since 2000. The chart shows the extent to which different groups are disproportionately likely to experience unemployment.

The overall unemployment rate was on a downward trajectory for much of the 2000s, declining from 9.4 per cent in 2000 to 7.2 per cent in 2007. For men, the unemployment rate fell from 8.3 to 6.7 per cent over the same period. For women, it fell from 10.7 to 7.9 per cent. The unemployment rate in 2011 remained at its 2010 level, close to 10 per cent. In 2011 male and female unemployment rates were almost identical.

The group with no qualifications fared less well over the decade, with a decline between 2000 and 2001 followed by a period of only very slight improvement to 2008. The gap in the unemployment rate between the low-qualified group and the total was 2.8 percentage points in 2000, 4.4 in 2008 and 7 percentage points by 2011.

The youth cohort also experienced little reduction in unemployment over

the period, though there was a noticeable fall between 2005 and 2007. The youth unemployment rate has been consistently higher than that of other subgroups, and the difference between youth and overall unemployment rates since 2008 has widened from 8.5 to 11.6 percentage points. This is a particularly worrying trend given the debilitating effects of youth unemployment. Research has demonstrated the very damaging effect that youth unemployment can have on longer-term earnings and well-being (Hammarstrom and Janlert 2002; Dieckhoff 2011; Bell and Blanchflower 2011).

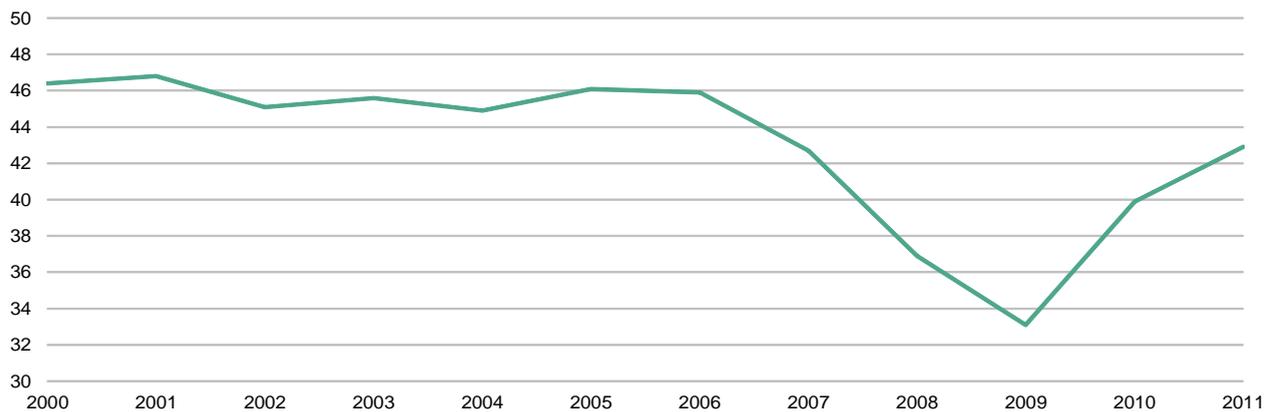
Groups of migrant workers have also experienced high unemployment rates. EU migrants have seen their unemployment rate rise from 7.9 to 12.2 per cent between 2008 and 2011, while non-EU migrants have seen the biggest rise of all – from 11.7 to 18.1 per cent between 2008 and 2011. The gap between migrant unemployment rates and the average has also grown.

While unemployment rose for all groups in the period of recession, between 2010 and 2011 the incidence of total unemployment has levelled off. However, all the disadvantaged groups (i.e. the low skilled, youth and migrants) have seen unemployment rates continue to rise between 2010 and 2011 (albeit at a much slower rate), indicating a relative deterioration in their position. These differences are examined in greater detail

below where the analysis is extended to include the most recently quarterly data from 2012.

Labour market developments over the Lisbon period

Figure 4.5 Long-term unemployed as % of unemployed (EU27)



Source: Eurostat (2012).

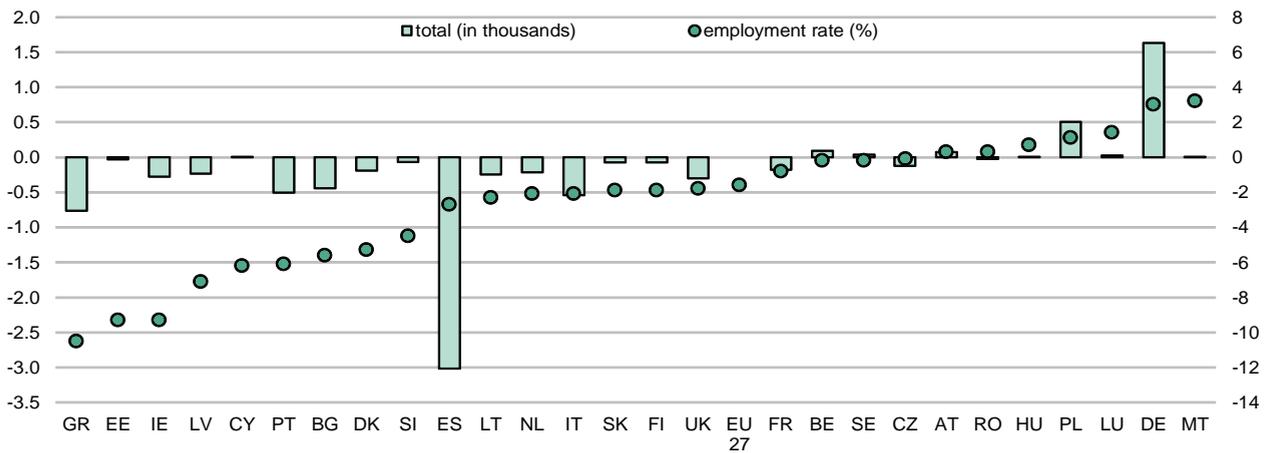
Long-term unemployment also growing

long-term unemployment differ significantly between member states and this is examined in more detail later in the chapter.

The rate of long-term unemployment, expressed as a proportion of total unemployment, had remained relatively steady, albeit also relatively high, for much of the previous decade. Between 2000 and 2006 the figure was at, or around, 46 per cent. From 2006 this proportion had begun to fall, as declining overall levels of unemployment fed through to better outcomes for the long-term unemployed. After a sharp drop in the proportion of long-term unemployed during the financial crisis of 2008 – driven by large increases in the number of newly unemployed people – currently 43 per cent of persons unemployed across Europe have been out of work for 12 months or more (Figure 4.5). This is worrying because of the negative health and career outcomes which are associated with extended periods of unemployment (European Commission 2012a). At the present time some 10,878,500 people in the EU27 are long-term unemployed (Q2 2012 aged 15-64); in 2008 the figure was 6,132,500 (an increase of 4.7 million). Levels of

The labour market in recession and recovery

Figure 4.6 Change in total employment and in employment rate by country - 2008-2012 (15-64) (quarterly estimates)



Source: Eurostat (2012).

Diverging experiences of country employment

The focus in this section is on the differing experiences of member states in the period since the recession, in an effort to assess the extent to which national labour market trajectories are diverging. Figure 4.6 shows how the total employment and the employment rate have changed for each country since 2008.

Germany has been by far the most successful at creating jobs, with employment increasing by 1.6 million between 2008 and 2012. This is also reflected in this country's rising employment rate (up 3.0 percentage points) and falling unemployment rate (down 2.4 percentage points). Poland has also seen significant increases in employment (of around half a million), and a rise in the employment rate of 1.1 percentage points. Between 2008 and 2011 Poland created just over 370,000 full-time jobs, and lost almost 50,000 part-time jobs. Malta and Luxembourg have also seen rising employment rates with increases of 3.2 and 1.4 percentage points respectively. Other

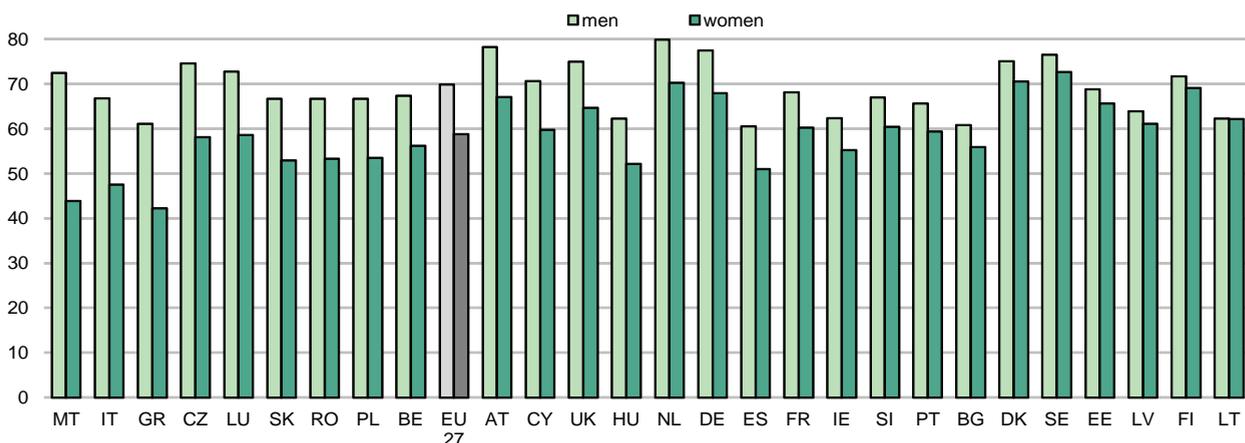
countries which have seen their employment rates improve since 2008 include Hungary, Romania and Austria. Another group of countries where the employment rate remains slightly below the 2008 peak includes the Czech Republic, Sweden, Belgium and France.

Other countries, meanwhile, still have total employment levels that are significantly below their pre-recession peaks. In Spain the fall has been particularly dramatic, employment having fallen by around three million between 2008 and 2012, and the unemployment rate having risen by more than 14.3 percentage points. This is in part due to the relatively unrestrictive rules on temporary contracts in Spain, and the relatively low dismissal costs of such contracts (Bentolila *et al.* 2010). Greece and Italy have also experienced large falls in total employment. The largest reductions in employment rates have been in Greece (10.5 percentage points), Spain (9.3 percentage points), Ireland (9.3 percentage points) and Latvia (7.1 percentage points). Overall, the country differences demonstrate that different European economies have experienced very different recessions, in terms of the scale of employment impact but also the speed of recovery (more on various economic models' capacity to confront the crisis in Chapter 2). A particular factor influencing the depth of the recession was whether it also triggered the bursting of a property bubble at the

national level, resulting, in turn, in large job losses in the construction sector. The present situation is that, while some countries are experiencing growth in the labour market, those worse affected by recession have, so far, experienced little or no discernible recovery.

The labour market in recession and recovery

Figure 4.7 Employment rates by gender, arranged by difference



Source: Eurostat (2012).

Falling differences between genders

Across the EU27 the gender employment gap has declined over the past decade. The gap was 17.1 percentage points in 2000, and this had narrowed to 13.8 percentage points in 2008. There are also sizeable differences in employment trends by gender between individual countries (Figure 4.7).

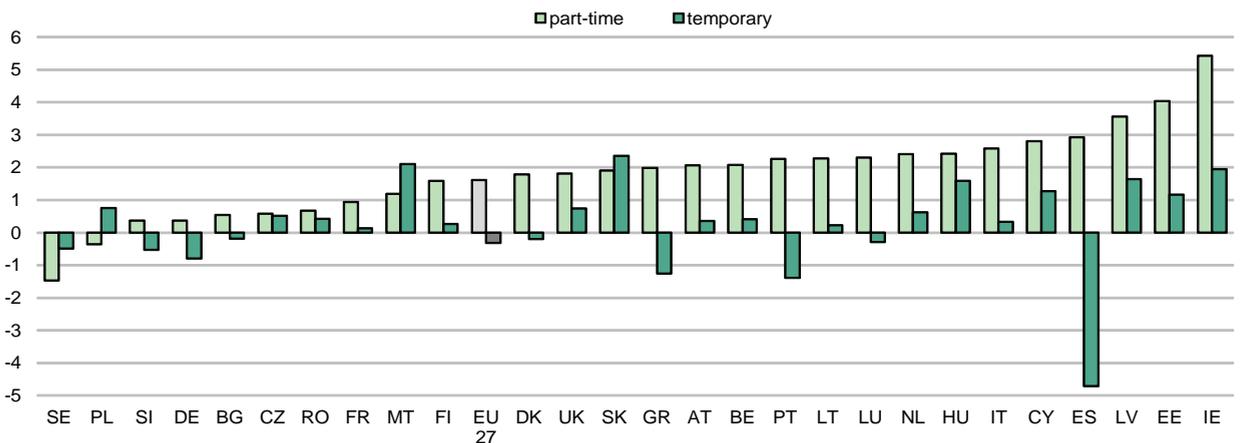
Lithuania has the smallest difference in employment rates between men and women, with a gender employment gap of just 0.1 percentage points. The Nordic countries are also characterised by low gender employment gaps which, in this case, are the result of comparatively high employment rates for both genders. Finland, Sweden and Denmark all have a less than 5-percentage-point difference between male and female employment rates. Having said that, Sweden is one of the few countries to have seen a rise – of 1.6 percentage points – in the difference since 2000.

The Southern European countries, by contrast, are characterised by much larger differences, in these countries, the male-breadwinner labour market model remains more prevalent (Tavora 2012). Malta, Italy and Greece all have

around a 20-percentage-point difference in employment rates between men and women. There has, however, been significant change in this respect over the last ten years, all three countries having seen around a ten-percentage-point decrease between 2000 and 2011. Spain is striking because of the rapid increase in the female employment rate from 41.2 to 54.9 per cent (although this remains below the European average). Bulgaria, Latvia and Estonia have all experienced rapid growth in the employment rates of both men and women.

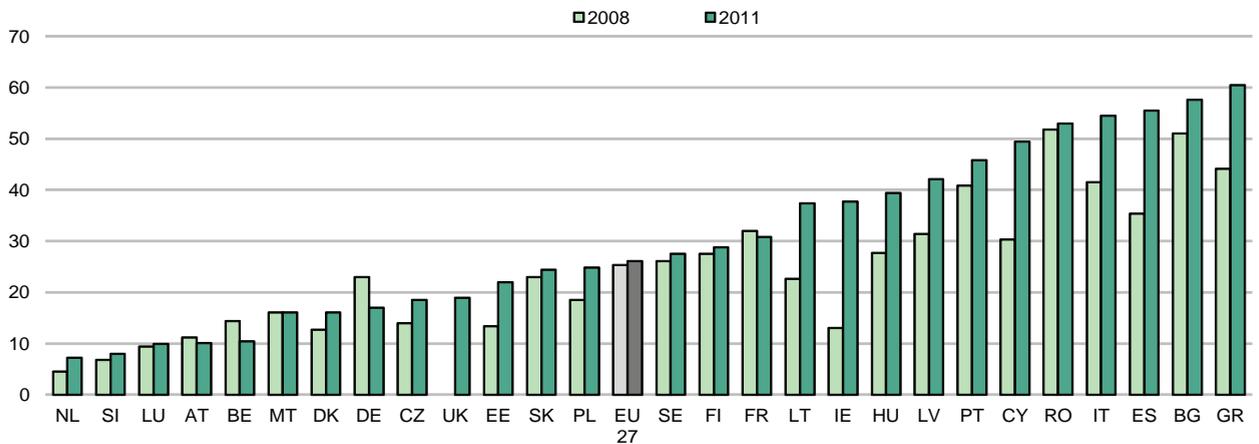
The labour market in recession and recovery

Figure 4.8 Percentage point change in temporary and part-time work in 2008 Q2 to 2012 Q2



Source: Eurostat (2012).

Figure 4.9 Involuntary part-time as a proportion of all part-time employment by country 2008-2012 (15-64) (quarterly estimates)



Source: Eurostat (2012).

Involuntary part-time employment growing

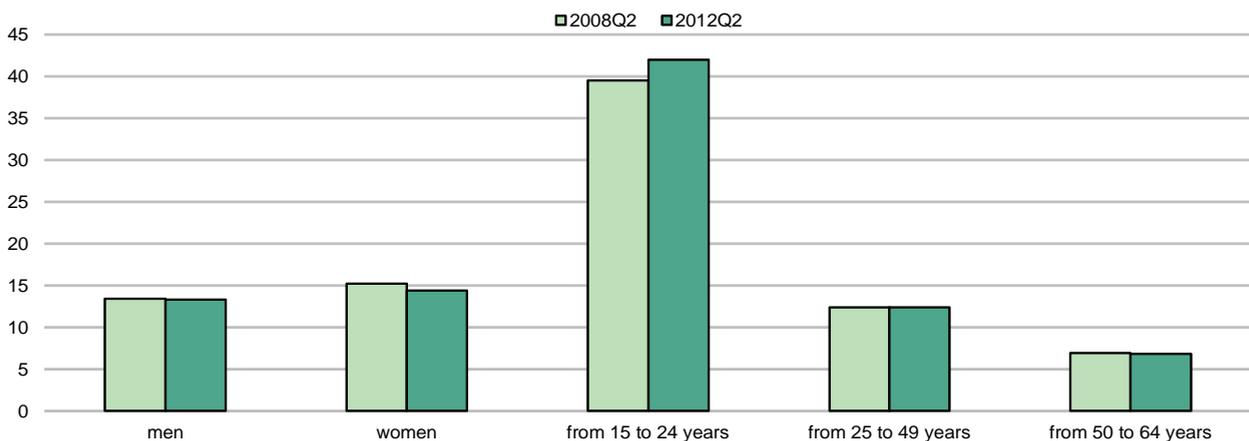
Many countries across Europe have seen some changes in the structure of their labour market since 2008, with a general trend towards part-time or temporary work (Figure 4.8). Looking at two

economies, namely Spain and Ireland, that have been particularly hard hit since 2008, we see very different dynamics. In Spain, temporary employment as a proportion of total employment has fallen by more than 4 percentage points, which is, on the whole, the result of temporary staff losing their jobs (or not having their contracts renewed). Ireland, meanwhile, has seen an increase in temporary employment and the largest increase in part-time employment (as proportions of total employment) across Europe. The extent to which part-time employment

is considered to be a problem also varies across countries (Figure 4.9). Over 50 per cent of those who are employed part-time in Greece, Italy and Spain are involuntary part-time workers but in The Netherlands, Luxembourg, Austria and Belgium this rate is around no more than 10 per cent. In the Netherlands, moreover, part-time work is now an established route into the labour market which is supported by a flexicurity system (Crowley *et al.* 2013).

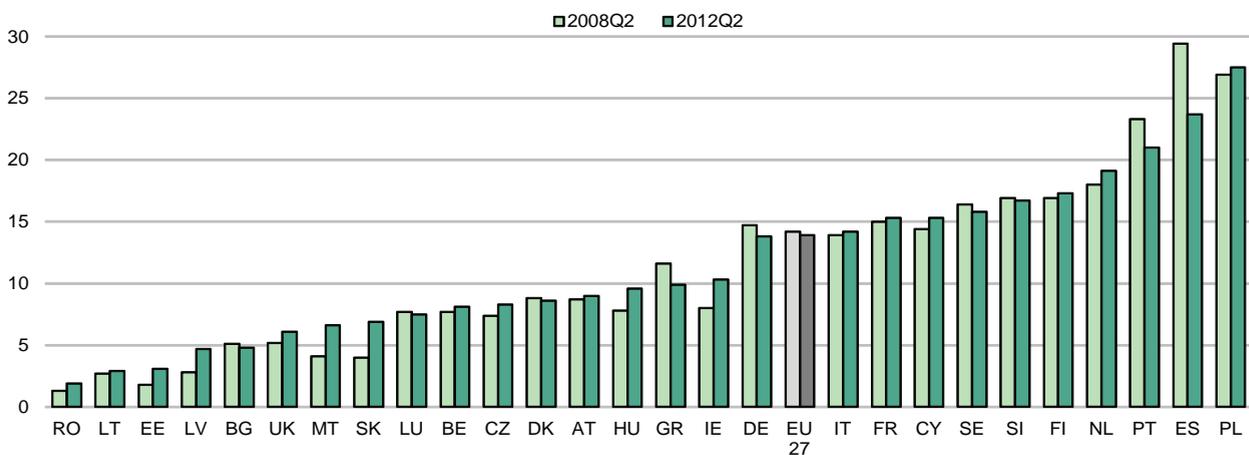
The labour market in recession and recovery

Figure 4.10 Temporary employees by age and gender, EU27, 2008-2012 (15-64) (quarterly estimates)



Source: Eurostat (2012).

Figure 4.11 Temporary employees as a percentage of total employees by country (15-64) (quarterly estimates)



Source: Eurostat (2012).

Young people are often in temporary jobs

Temporary working has also been growing. Women are somewhat more likely to be in temporary employment than men (14.4 per cent of female employees in temporary jobs compared to 13.3 per cent

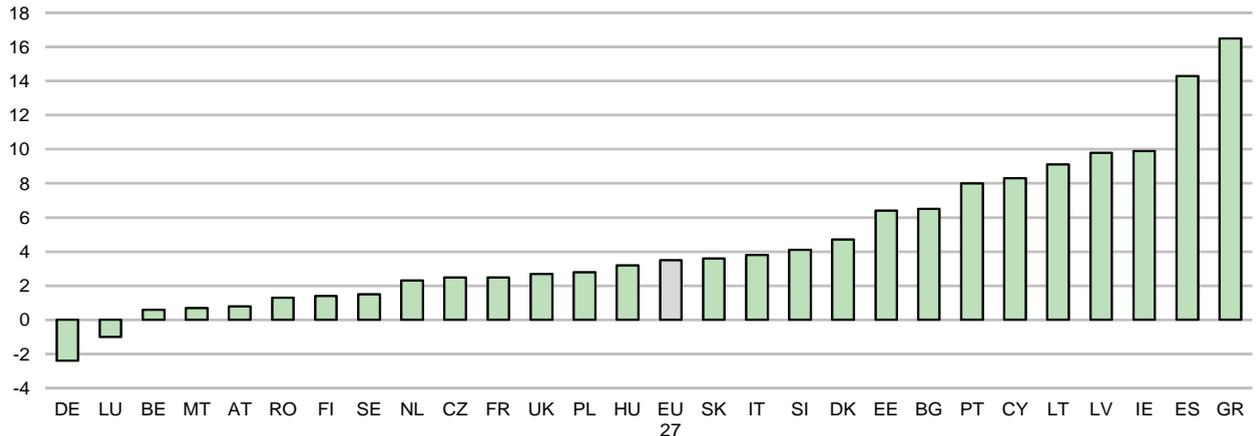
of men), although for men the proportion employed in temporary jobs grew during the recession and subsequently, while for women it declined (Figure 4.1). Young people are also much more likely to be in temporary work (42.0 per cent) compared to 25 to 49 year olds (12.4 per cent).

The overall incidence of temporary employment continues to vary significantly across countries largely as a result of historical differences in labour market structures and regulation. In Spain and Poland around a quarter of employees work in temporary jobs, and high rates

are observed also in the Netherlands and Portugal (19.1 per cent and 21.0 per cent respectively). Much lower incidences are observed in a range of other countries including the Baltic States, the United Kingdom and Slovakia (see Figure 4.11).

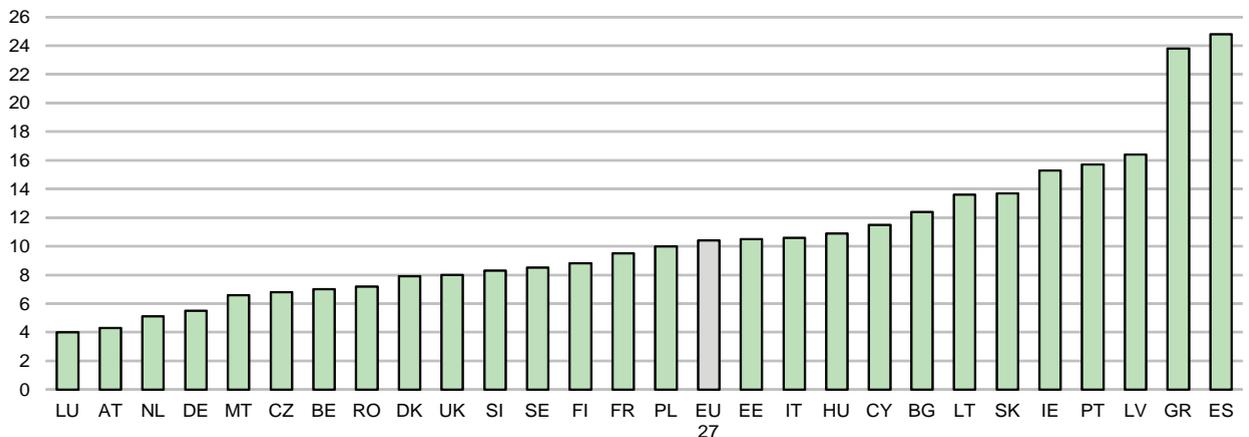
The labour market in recession and recovery

Figure 4.12 Change in unemployment rates (percentage points) by country, 2008-2012 (15-64) (quarterly estimates)



Source: Eurostat (2012).

Figure 4.13 Unemployment rate by country 2012 Q2 (15-64) (quarterly estimates)



Source: Eurostat (2012).

Huge variation in unemployment across member states

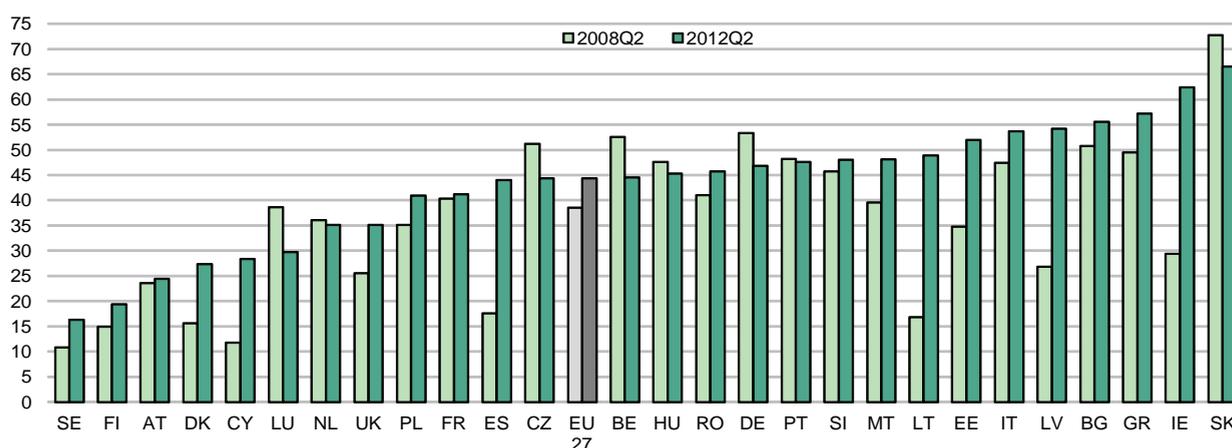
As detailed in the previous sections, most countries have seen a fall in the total employment level, which in most

cases has been matched by an increase in the unemployment rate (see Figure 4.12). Germany and Luxembourg are the only countries with unemployment rates below pre-recession levels (while Belgium, Austria and Malta have rates only slightly above pre-recession levels; see also Figure 4.13). A variety of factors have contributed to the German resilience, including the employment shortfall that had arisen before the crisis, wage moderation and the widespread adoption of working time accounts (Burda and Hunt 2011). Countries which have experienced

the biggest rises in unemployment rates include Spain, Greece, Lithuania, Ireland and Latvia, all of which have experienced increases of more than 8 percentage points between 2008 and 2012.

The labour market in recession and recovery

Figure 4.14 Long-term unemployment as a percentage of total unemployment 2008 Q2 to 2012 Q2



Source: Eurostat (2012).

Growing divergence in long-term unemployment

There remain huge country variations in the total unemployment rate (see Figure 4.13 on previous page). In Greece and Spain rates are pushing one quarter, and in Ireland, Portugal and Latvia too they are above 15 per cent. By contrast, rates are as low as 5 per cent in Austria, the Netherlands and Germany. The evidence suggests that the Netherlands has experienced labour hoarding over the recession, supported by the fact that firms entered the recession with strong finances, a situation that has led to lower than average increases in unemployment (CPB 2011).

Long-term unemployment is also a large and growing problem. Between 2000 and 2008, most countries saw a decline in the proportion of long-term unemployed, although even in 2008 the EU27 average proportion was as high as 37 per cent (Figure 4.14). Latvia and Lithuania saw the greatest fall, both of around 30 percentage points. Slovakia and Luxembourg were the only countries

to see the proportion of long-term unemployment rise by more than 5 percentage points, Slovakia having experienced the greatest rise of almost 15 percentage points.

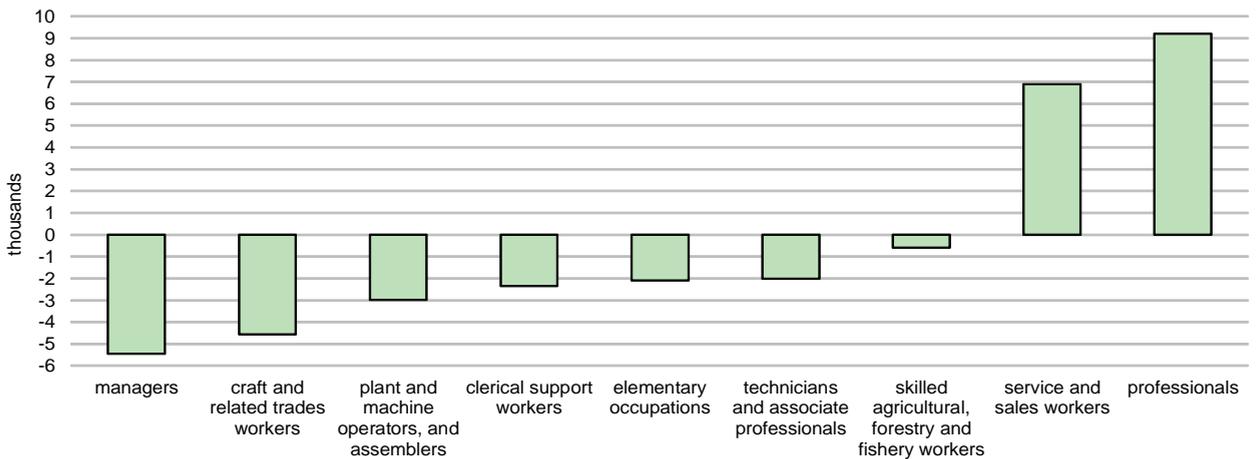
In 2008, the average proportion of unemployed people who were long-term unemployed fell sharply in the short term, as a result of the financial crisis and the associated reduction in employment generally. However, the worrying fact is that many countries now have a higher proportion of long-term unemployment than they did in 2008 (as well as much higher levels of total unemployment) (Figure 4.14). This indicates that many of those who were made unemployed between 2008 and 2010 have become increasingly distant from the labour market.

Again, Spain and Germany are at the opposite ends of the spectrum when looking at overall rates of change in long-term unemployment since the recession. Spain has seen the proportion of long-term unemployment relative to total unemployment rise from 17.6 per cent to 44.0 per cent between 2008 and 2012 as growing total unemployment has been making it more difficult for the long-term unemployed to access work. Germany, on the other hand, has seen long-term unemployment fall from 53.3 per cent to 46.8 per cent (as total unemployment has also fallen). Slovakia, in spite of a small fall, still has the highest long-term unemployment as a percentage of the

total unemployment rate in the EU. This problem is compounded by the fact that it also has a relatively high total unemployment rate, of nearly 14 per cent. Ireland has also seen an increase of over 30 percentage points, while Lithuania has seen the rate more than double to nearly 50 per cent.

Different groups in recession and recovery

Figure 4.15 Change in employment by occupation, EU27, 2008 Q2 to 2012 Q2 (15-64) (quarterly estimates)



Source: Eurostat (2012).

Labour markets continue to polarise...

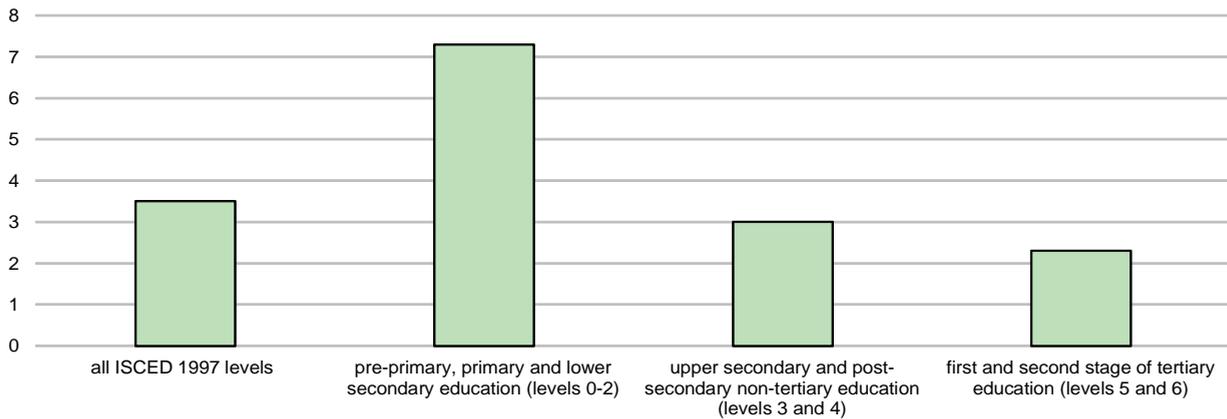
It is well known that different groups of workers tend to experience recessions very differently. Young workers, for example, tend to be the most adversely affected (for more details see further in this chapter), while it has been shown also that some ethnic minorities are particularly hard hit (Heath and Li 2008). In this section we assess the experience of different types of workers through the recession and in its wake in order to investigate where inequality in outcomes is most prevalent. We begin by examining the change in occupational groups, before assessing the importance of skill level (using a person's highest qualification as a proxy). We then go on to explore patterns by age and migrant group.

Between 2008 and 2012 there was a decreasing number of employees in almost every job class (Figure 4.15). Employment in managerial posts has fallen the most (by 5.4 million); craft and related trades have also fallen significantly, with 4.6 million jobs lost over the three years. Other mid-level occupations have also suffered, with the number

of technicians and plant and machine operators both falling by over 2 million. The only classes to have expanded are the professional sector and service and sales workers, which have grown by 9.2 million and 6.9 million respectively. That such employment growth as has taken place has been concentrated in comparatively more highly skilled and highly paid occupations (professionals) as well as in lower-skilled and lower-waged work (service and sales workers) suggests that the recession may have served to speed up some of the underlying structural changes in the economy which are associated with increasingly polarised employment opportunities (Cedefop 2011).

Different groups in recession and recovery

Figure 4.16 Percentage point change in unemployment rate by qualification level, EU27, 2008 Q2 to 2012 Q2 (15-64) (quarterly estimates)



Source: Eurostat (2012).

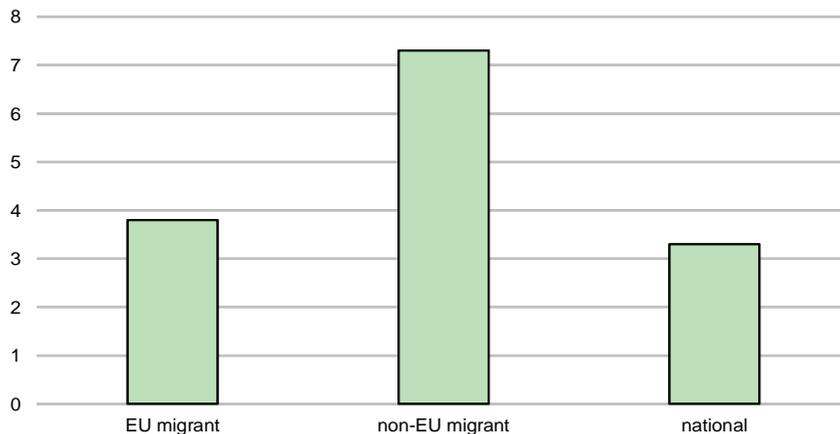
...but, lowest skilled hit hardest

The fact that low-skilled jobs have done comparatively better does not mean that lower-skilled workers have done so well. Figure 4.16 shows the percentage points change in the unemployment rate for workers with different levels of qualification for the EU27. The figure clearly shows that labour market experiences have been strongly influenced by qualification levels – with lower qualified workers being the most affected. The unemployment rate of those with higher-level qualifications – at the first and second stage of tertiary education (levels 5 and 6) – increased by 2.3 percentage points between 2008 and 2012. This is markedly less than the change in the unemployment rate for all workers. Those with an upper secondary and post-secondary non-tertiary education level (levels 3 and 4) have seen their unemployment rate increase at around the average (growing by 3.0 percentage points). For the lowest qualified workers the trend has been quite different – growing by 7.3 percentage points. This is more than twice the average growth and leaves the unemployment rate for low-skilled workers at 18.7 per cent. The figures show that, while the

crisis began in the banking sector, workers with the lowest qualifications have subsequently been disproportionately affected by its impact.

Different groups in recession and recovery

Figure 4.17 Change in unemployment rate by migrant status, EU27, 2008-2012 (15-64) (quarterly estimates)



Source: Eurostat (2012).

Huge variation in unemployment across member states

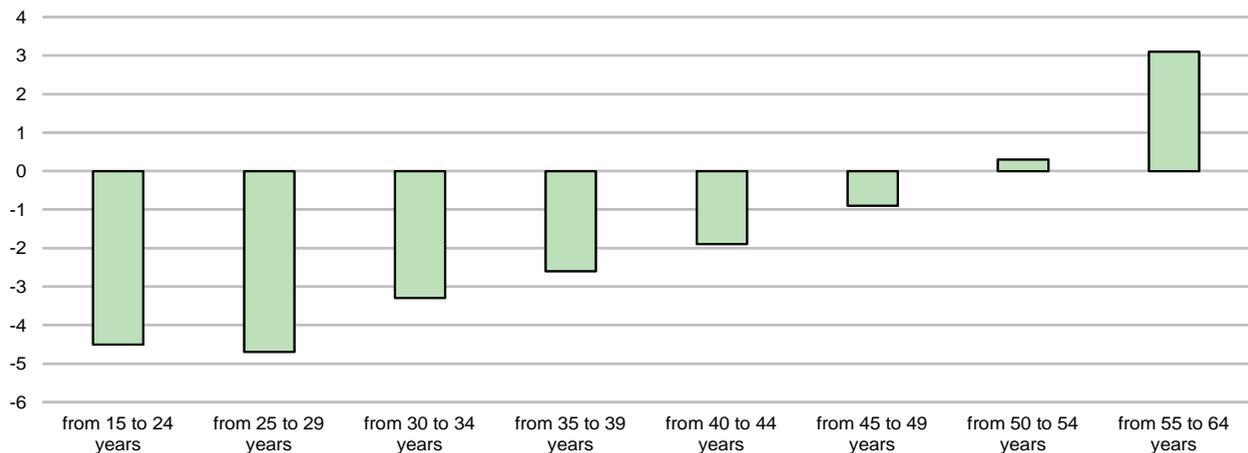
Migrant workers have also suffered significantly as a result of the recession. Non-EU migrants have seen their unemployment rates rise by 7.3 percentage points between 2008 and 2012 to reach 21.3 per cent (Figure 4.17). This is far higher than the 3.3 percentage-point rise experienced by within country nationals. EU migrants have also seen their unemployment rates increase somewhat more quickly than average, by 3.8 percentage points between 2008 and 2012.

If we look at migrant employment by country we see that in Greece, while unemployment rates have increased significantly for all sections of the population, there are large discrepancies. The unemployment rate among EU migrants has increased by 7 percentage points since 2008 to just over 15 per cent in 2011; for non-EU migrants, however, it has shot up by over 16 percentage points to 23 per cent. The unemployment rate for nationals in Greece has meanwhile increased by just over 9 percentage points. In Spain

too the unemployment rate of nationals has increased by just over 9 percentage points (to 19.3 per cent), whereas for non-EU and EU migrants it increased by 15.4 and 13 percentage points respectively (data on unemployment among migrants is not fully comprehensive – it covers only 17 countries for EU migrants, and 19 for non-EU migrants).

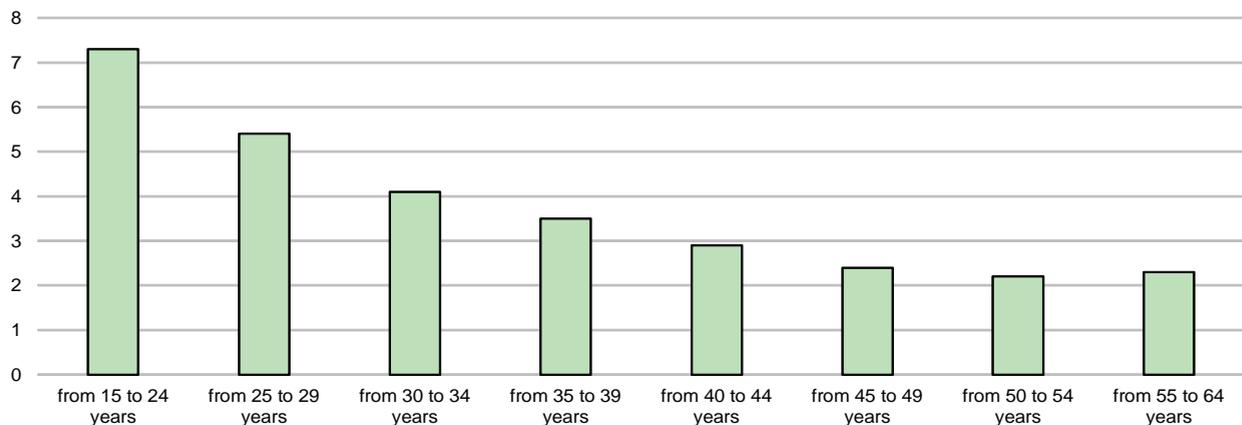
Different groups in recession and recovery

Figure 4.18 Percentage point change in employment rate by age, EU27, 2008 Q2 to 2012 Q2 (15-64) (quarterly estimates)



Source: Eurostat (2012).

Figure 4.19 Percentage point change in unemployment rate by age, EU27, 2008 Q2 to 2012 Q2 (15-64) (quarterly estimates)



Source: Eurostat (2012).

Older workers see employment growth

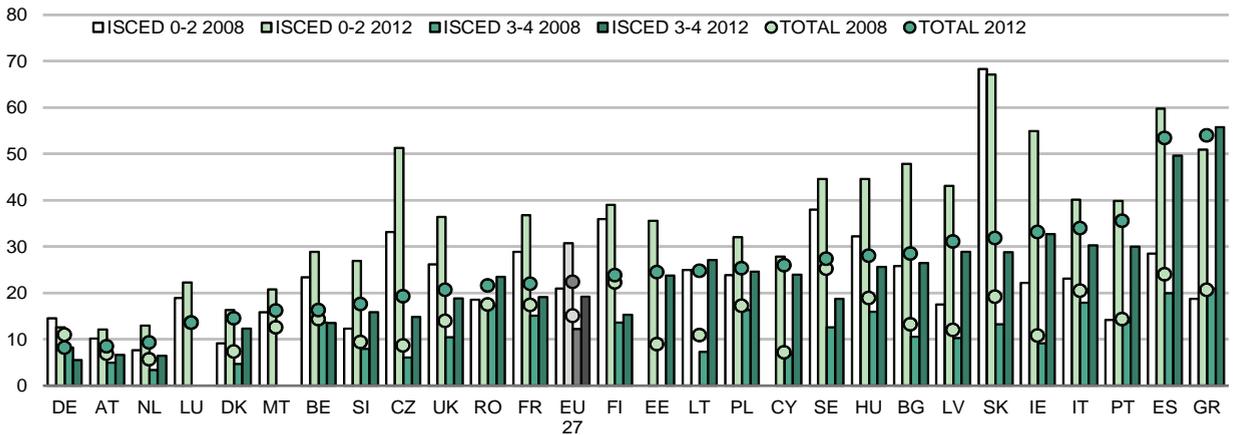
The employment prospects of young workers (15-24) have been damaged during the recession more than those of any other age group. Figure 4.18 provides information on changes in the

employment rate for different worker age groups between 2008 and 2011. The fall in the employment rate is most pronounced for younger workers, around 4.5 percentage points for those aged 15-24 and 4.7 percentage points for those aged 25-29. Young workers have also experienced the biggest rise in their unemployment rate – some 7.3 percentage points (Figure 4.19). For those aged 30-34 and 35-39 drops in the employment rate are significant but more modest than those experienced by younger workers (3.3 and 2.6 percentage points respectively).

For those aged 40-44 and 45-49 falls in the employment rates were experienced but they were lower than for younger age groups (1.9 and 0.9 pp). Older workers have, meanwhile, fared comparatively well and the employment rates of those aged 50-54 and 55-64 have actually increased over the last few years (by 0.3 and 3.1 percentage points respectively). These two groups have also seen the smallest increases in unemployment rates.

Youth, crisis and the labour market

Figure 4.20 Youth unemployment rate by highest level of education attained (ISCED 0-2; 3-4, 2008 2Q-2012 2Q)



Source: Eurostat Labour Force Survey (2012).

Note: ISCED levels 0-2 include pre-primary, primary and lower secondary education. ISCED levels 3-4 include upper secondary and post-secondary non tertiary education.

Struggling youths

Youth unemployment has become one of the most topical social and economic issues on global, European and national agendas. The impact of youth unemployment is extremely high in social, individual and economic terms. Among other consequences, young people have limited opportunities to become socially and economically independent and, in several member states, they are increasingly exposed to the risk of poverty and social exclusion insofar as their employment opportunities are liable to be restricted to precarious and low quality jobs (European Commission 2012d; Ministère des Affaires sociales et de la Santé 2012). Hence, in the long run, they will be more likely to suffer from the 'scarring effect' (Scarpetta *et al.* 2010), meaning – from a labour market perspective – that they will experience, among other things, reduced earning opportunities, less stable working careers, and reduced pension benefits.

In the light of the above implications, the figure of more than 5.5 million young people aged between 15 and 24 experiencing unemployment in 2011 is alarming. Even worse, the latest figures on unemployment show no significant improvement in the situation for youth,

in addition to which there is an increasing risk of their being trapped in precarious jobs which do not ensure full integration in the labour market (Chung *et al.* 2012).

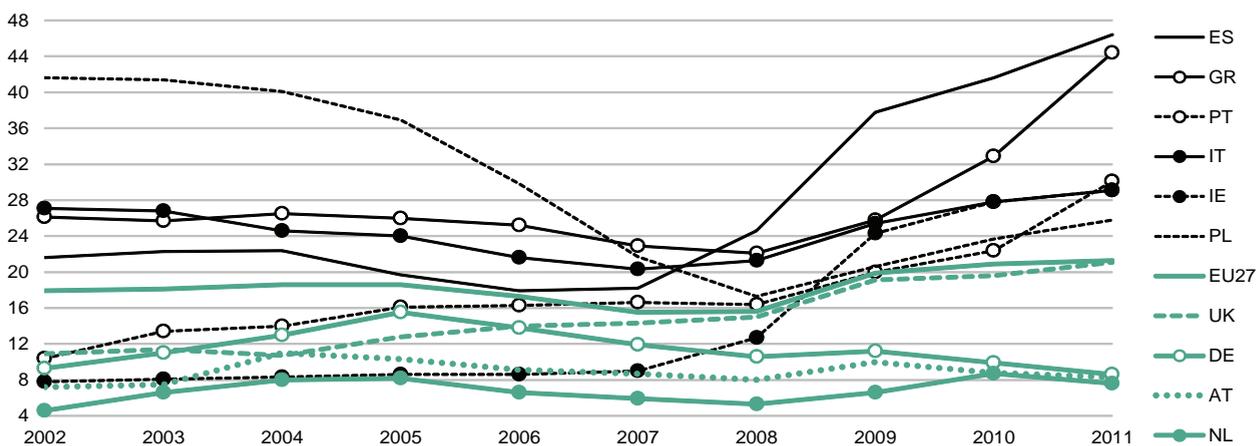
Figure 4.20 presents developments in the rate of youth unemployment between 2Q 2008 and 2Q 2012, broken down also by educational attainment. During the last quarter in question, 22.4% of active youths were unemployed at the EU level, the figure having increased by 7 percentage points compared to the same quarter in 2008. The highest increase in most countries was recorded in 2009 (not shown), particularly in those member states most affected by the sovereign debt crisis, namely, Ireland, Spain, Latvia, Estonia, and Lithuania. Portugal, Greece and Italy achieved their highest rates (between 33.9% and 53.9%) in the first quarter of that year. This was mainly due to the worsening general economic situation and austerity measures which, for example in Greece, made dismissal of workers with lower productivity more cost-efficient (Tubadji 2012 for Greece). These figures diverge substantially from the rates of Germany, Austria and the Netherlands, the only three member states with a total youth unemployment rate lower than 10%.

When comparing the rates of youth unemployment by educational level (bars in Figure 4.20), unemployment rates for low-skilled and medium-skilled young

people diverge significantly (young people with tertiary education are not compared, due to data limitation). Data show that low-skilled young people generally experience higher levels of unemployment compared to the medium-skilled (i.e. young people with upper secondary education). Rates of unemployment among the low-skilled increased dramatically in the second quarter of 2012 compared to the same quarter of 2008. At the European level this increase was nearly 10 percentage points. The rate for medium-skilled youths increased less but still by 7 percentage points. This situation appears most dramatic in the Czech Republic, Hungary, Latvia, Ireland, Italy, Portugal, Spain and Greece. The risk of unemployment for young people with low skills cannot, however, be attributed exclusively to skills mismatch and the increasingly high-skilled knowledge-based economy, for it is caused in the main by job losses in some of the sectors most seriously affected by the crisis, namely construction, manufacturing and the retail sector (European Commission 2011b; ETUC and ETUI 2012), but also – at a later stage – the public sector which has seen major contractions in staff.

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Figure 4.21 Youth unemployment rate, ten selected countries, yearly rates 2002-2011



Source: Eurostat, Labour Force Survey (2012).

Growing different

As pointed out by the European Commission (ESDE 2012:18), the unemployment rate over the last ten years shows increasing divergence among countries – after a period of convergence at the beginning of the 2000s – particularly between countries in the Northern or Southern part of the eurozone. Figure 4.21 shows youth unemployment trends over the ten last years for ten selected countries. As might be expected, the trend towards divergence is stark also in the case of youth unemployment, for the crisis, job losses and limited new job opportunities have generally pushed unemployment levels upwards, reshaping and polarising the youth unemployment panorama compared to 2002. Portugal and the UK, for example, respectively doubled and tripled their figures in 2011 compared to 2002. With the same increasing trend, Italy reached higher levels of youth unemployment than 10 years ago.

Meanwhile, even despite some rising and fluctuating trends, The Netherlands, Germany and Austria remain at the bottom of the unemployment spectrum. Central and Eastern European countries, including Poland where rates had earlier decreased, are facing a strong increase. Finally, Spain and Greece are

experiencing the harshest consequences of the crisis. In 2011, 37.8 percentage points separate the highest (Spain) and the lowest (The Netherlands) national rates of youth unemployment.

The activity rate of young people is another relevant factor in evaluating the situation of youth on the labour market. The activity rate includes all members of the national workforce, i.e. people who already have work or who are offering their labour. Eurostat data (not shown) show that the youth activity rate differs greatly across the EU countries, ranging from 24.7% in Hungary in 2011 to almost 70% of the whole youth population in The Netherlands. Differences are also due to the different education systems (apprenticeship and on-the-job training contribute to an increase in activity rates as young people are simultaneously in education and on the labour market) but also to the more or less widespread combination of studies with jobs (often part-time). Between 2008 and 2011 youth activity rates decreased markedly in Spain (-6.8pp) and Ireland (-12.6). Activity rates fell also in The Netherlands (-4.4) and in Denmark (-5.1) but these countries initially high rates kept them at the top of the EU ranking. It should be pointed out that a fall in the activity rate is not always a negative sign as it can mean an increase in participation in education and training.

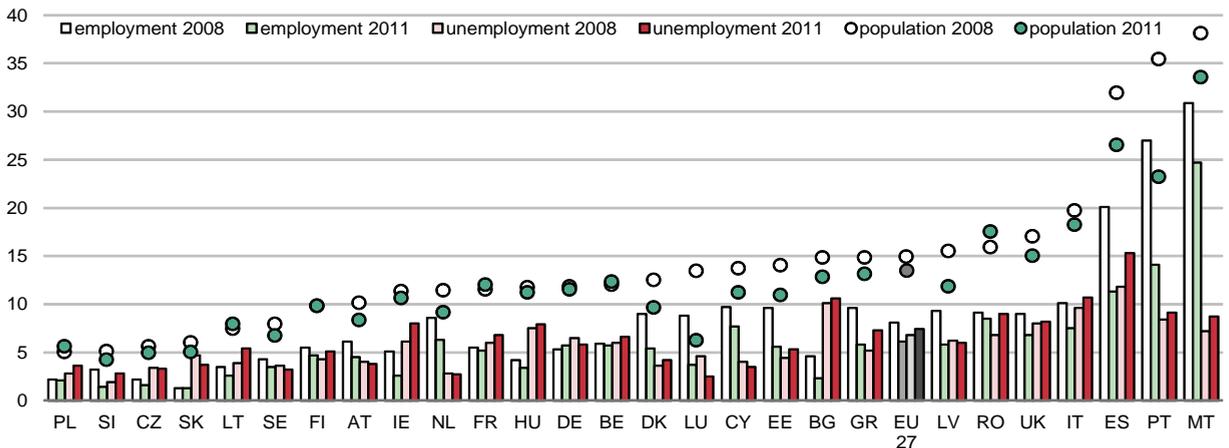
Good educational attainment is indeed a predictor of young people's

labour market situation and the indicator on early leavers from school and training (ESL) provides the requisite information. Early leavers are those employed and unemployed young people with, at most, lower secondary education. The ESL rate is monitored at the European level because young people with at most lower secondary education are more likely to be in unemployment or in precarious employment, generally earn less, and are more likely to depend on social welfare support, while facing a higher risk of poverty (European Commission 2011a: 85). The rate of ESL is one of the five Europe2020 headline targets and it is set at 10% (it does not, however, apply to the UK) (European Commission 2012b).

Since the year 2000 when first ESL figures were recorded, there has been a decreasing trend in most European countries, attributable to the fact that participation in education has generally increased and jobs increasingly require higher skills.

Youth, crisis and the labour market

Figure 4.22 Early leavers from school and training by labour market status, yearly rates 2008-2011



Source: Eurostat, Education and Training (2012).

Longer in education: better equipped?

Figure 4.22 shows data on ESL by employment status in the years 2008 and 2011. At the European level, the rate of young people with low educational attainment decreased by 1.4 percentage points, from 14.9 to 13.5, representing 5.6 million young people aged between 18 and 24 (European Commission 2012c). Less than a half of these 5.6 million young early leavers from school and training are in employment. The share of early leavers in employment has decreased by 2 percentage points – from 8.1 to 6.1 – over the last three years (2008-2011). Contrary to employment trends, young early leavers not in employment increased in the same period by 0.4 percentage points, and they represent 54.8% of total early leavers (Eurostat 2012). Thus, even if in general terms ESL rates have fallen, early leavers are increasingly exposed to the risk of not finding employment as the share of unemployed young people in 2011 was proportionally higher.

Figure 4.22 allows of two main observations. The first is that there are huge differences among countries: a first

group of eleven countries have shares lower or equal to the European benchmark; a second group (11 member states) have rates of between 10 and 15% while five countries – Romania, Italy, Portugal Malta, and Spain – have rates ranging between 17% (Romania) and 33.5% (Malta). There are 27.9 percentage points between the rates for Poland (5.6%) and Malta (33.5%). Even if Portugal, Spain and Malta are considered as outliers, and comparison is made with Italy, i.e. the first country following these three countries on top, the gap is still very significant (12.6 pp).

The second observation is that some countries – Spain, Portugal, Malta, Italy, Latvia, Estonia – have lowered their ESL rates quite markedly since 2008 compared to the rest of member states. This achievement has been attributed to the strong impact of the crisis in these countries. Young people are in fact more likely to stay longer in education – a significant increase has been registered for vocational education and training schemes (European Commission 2012e) – and thus postpone their entry to the labour market. This is also confirmed by data from Eurostat (not shown) measuring the participation rate of young people in formal or non-formal education and training. For instance, between 2008 and 2011, the participation rate increased by 6.7 percentage points in Spain; in Ireland by 8.7 percentage points; in

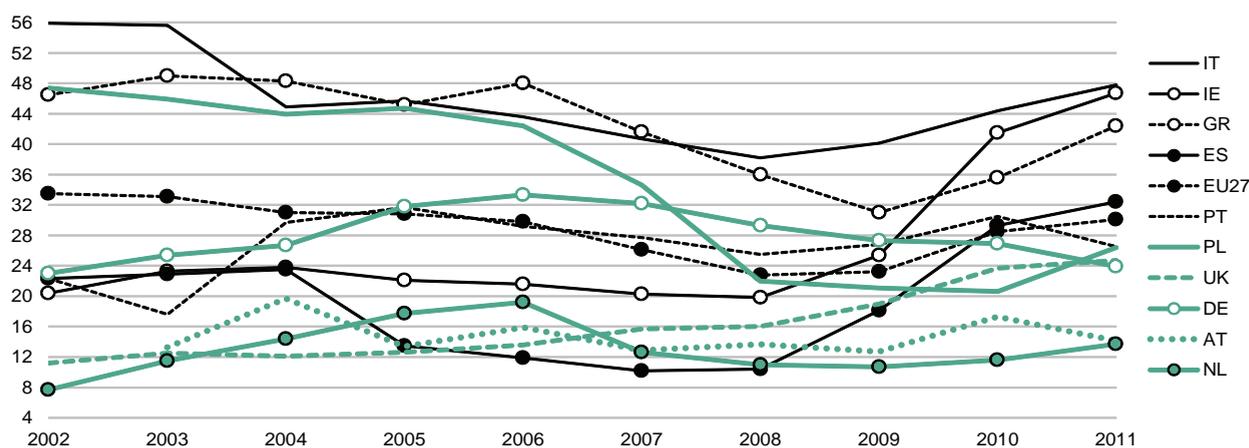
Portugal by 7.2 percentage point. These increases are significantly higher than the EU27 average increase (0.5 pp). The crisis has indeed forced young people to change their education and labour market choices. If return to school or training might be considered a positive effect of the crisis, no clear improved job opportunities seem available in the near future once young people complete their studies. Despite the skills and competences acquired, they might not be able to find a job or they might be obliged to accept one for which they are over-skilled, thus fuelling the vertical skill-mismatch problem.

Moreover, despite the call for and need to support a long-term education strategy as well as young people's increased interest in staying longer in education, the EU Commission and the Council have announced (European Commission and Council 2012) that national education budgets will not be raised in the near future, mainly because of fiscal consolidation.

The alternative to work, education and inactivity (including non-remunerated but socially useful activities) is emigration, to which large numbers of people seem to have resorted in some severely hit countries such as Spain, Italy, Ireland, Poland and Hungary (Math 2011; Eurofound 2012b), with some countries, notably Germany, having explicitly welcomed young Southern European immigrants.

Youth, crisis and the labour market

Figure 4.23 Youth long-term unemployment (% of the total unemployment), ten selected countries, yearly rates 2002-2011



Source: Eurostat, Labour Force Survey (2012).

Rising youth long-term unemployment: an issue to tackle

Figure 4.23 shows youth long-term unemployment trends as a part of the overall youth unemployment rate in ten selected countries. Differences among the selected countries were very significant in 2002. Signs of convergence appeared around 2007. However, the share of young long-term unemployed rose at a different pace across Europe, after an important injection of newly young unemployed during the crisis which served to reduce the relative weight of the long-term unemployed. The most dramatic increases are recorded in Italy, Greece and Ireland (rates higher than 40%), but also in Spain, the UK, and Portugal, with shares of between 32.4 and 24.7%. This means that the high increase in temporary unemployment has, for a large share of young people, become chronic. With the aim of tackling of youth unemployment and preventing long-term detachment from the labour market, both preventive and correcting measures have been presented at the

EU level. Two examples include apprenticeship and youth guarantee schemes (European Commission 2012f).

Firstly, apprenticeships are, as mentioned earlier, a well-established and effective secondary educational road, particularly in Germany and Austria but also in Denmark. Apprenticeships and dual learning have been praised as one major contributor to the low rate of unemployment because of the close link forged between formal and on-the-job training and their potential for reducing school drop-out rates. However, these systems are not immune to the crisis. Cedefop (2011) has stressed that the German system of apprenticeship, one of the most developed, responded well during the crisis because of the general better economic situation of the country which meant that a decline in apprenticeships was able to be averted. In worse affected countries, there has been a reduction of places available for apprenticeships, such as in Denmark (24 percentage-point reduction in 2009 compared to 2008), France, and Estonia (European Commission 2012e; IBW 2012; Meiland 2011).

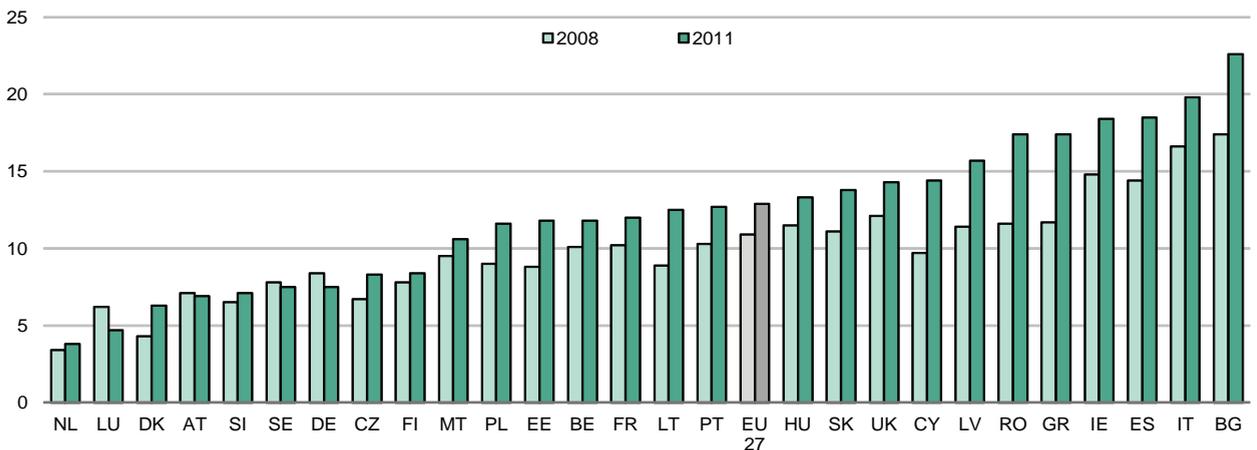
The second policy initiative is the creation of youth guarantee schemes such as are already in place in some Nordic countries and Austria (European Commission 2012f; Eurofound 2012b). Youth guarantees are meant to ensure a good quality offer of employment, continued education, an apprenticeship or a

traineeship within four months of having left school or of becoming unemployed (European Commission 2012a).

Both these solutions need strong support and to be included in wider youth and labour market strategies, especially in those countries where public employment services are still not able to centralise labour market supply and guidance services, and where active labour market policies for the unemployed are still poor (e.g. Southern European countries). At national level, other measures reducing the labour costs of young people, particularly for the low-skilled, were approved (e.g. Belgium, Hungary, Latvia, Portugal, European Commission 2012f). Attention should be paid, however, to the deadweight and substitution side effect. In addition, temporary incentives for the low-skilled are, if not coupled with employment opportunities, likely to contribute to job-churning and precariousness of the low-qualified.

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Figure 4.24 Young people not in employment and not in any education and training (NEET), yearly rates 2008-2011



Source: Eurostat, Education and Training (2012).

NEETs: more than a social labour market problem

The NEET (young people aged between 15 and 24 years 'Not in Employment Education or Training' – NEET) yearly rates given in Figure 4.24 show trends before and during the crisis. While it may be claimed that the NEET rate facilitates a statistical grasp of those young people who are not engaged in any employment or educational or training activities, this indicator does not in fact cover any homogeneous 'inactive and disengaged young population' but, instead, represents an umbrella category for heterogeneous groups of young people whose inactivity stems from numerous different causes (Injuve 2011).

In 2011 there were 7.5 million young NEETs aged between 15 and 24 years old. At the EU level this corresponds to 12.9% of this age cohort, being 2 percentage points higher than in 2008. Data from Eurostat also show that in 2011 an additional 6.5 million NEETs were aged between 25 and 29 years old (Eurofound 2012b), meaning that a much wider age cohort is experiencing precariousness and social and economic difficulties.

As might be expected, the NEET rate increased particularly in those countries where unemployment increased the most. At the same time, discrepancies may be observed between country rankings based on unemployment rates and those based on NEET rates. This is due to the fact that the NEET rates are based on the whole youth population of the reference age, whereas unemployment is based on the share of youth in the labour force (unemployed and employed).

Divergence among countries is once again quite marked and Southern and Eastern European countries still report the highest rates of NEETs. Bulgaria recorded 22.6%, in other words, more than one young person in five is not in employment education or training in this country. Italy, Spain, Ireland, Romania and Greece all have high rates of somewhere between 15 and 20%.

Northern, but also Central, European countries have the lowest rates, with the Netherlands reporting the lowest share (3.8%), followed by Luxembourg, Austria, Denmark, Slovenia, Germany, Sweden, and the Czech Republic, with around or less than 10%. A recent Eurofound study (2012b) calculated the public finance and missed earning costs of the NEETs compared to the non-NEETs: the costs of the exclusion of young people (aged 15-29) at the EU level is estimated at €153 billion in 2011 (€120 billion in 2008). In terms of GDP, this represents

1.21% of EU GDP. Once again, the bill at the country level differs substantially, Italy having the highest bill with more than 32 billion euro, followed by France, the UK and Spain (Eurofound 2012b). In Bulgaria and Greece the costs correspond to 3.3% and 3.28% of GDP respectively (Eurofound 2012b). These gaps are due to the highly divergent shares of NEET, but also to the current social and economic structure. Being a NEET increases the likelihood of being excluded from the labour market for longer periods. Labour market and education policies need to be coupled with social interventions. Some individual factors that, together with macro-country features, are more predictive of becoming a NEET also include: suffering from disability, living in remote areas, having an immigrant background, belonging to a low-income household, and living in a difficult family environment (Robson 2008; Eurofound 2012b). The situation as a whole calls for horizontal and multilevel social interventions. Unfortunately, the relevant budget lines have suffered increasing cuts in several member states, and, even where social expenditure may have increased (mainly in 2009), it is unable to keep pace with a deteriorating social situation. The OECD (2012a) reports that social expenditure in real terms declined sharply in Greece, while in Portugal, Italy, and Hungary the average increase was lower than the average increase in the OECD.

Conclusions

Recession fuels divergence

This chapter has shown that there are sizeable inequalities within Europe which affect both the likelihood of individuals being in work and their experiences of work once they are in employment. While these differences often persist in both good times and bad, they have been exacerbated by the recession. At a member-state level, those countries that were relatively strong in 2008 have generally proved able to weather the storm more successfully than others.

The chapter has demonstrated that 2011/2012 cannot be presented as a year of labour market recovery; the EU-wide picture is one of zero employment growth, while the general picture is of a struggling, and at the same time increasingly divergent, labour market.

There are large and deeply ingrained inequalities in the performance of the labour markets of different member states. Some member states have high employment rates underpinned by high levels of economic activity among both men and women – these include Sweden, Denmark, Finland, Germany and the Netherlands. Women's employment rates in particular show huge levels of variation and are particularly low (50 per cent or less) in a number of southern European countries. Furthermore, the way that individual countries have experienced the recession has been very different. In a number of countries, notably Germany and Poland, employment figures have improved since 2008 (although we are not able to comment in detail on the quality of this increased employment). Other countries – including Austria, Hungary, Sweden and Belgium – have employment rates around or marginally below where they were in 2008. However, a number of countries have experienced severe recessions and are still experiencing employment rates very significantly below pre-recession levels. These countries include Greece, Ireland and Spain, all of which currently

have employment rates that are more than 6 percentage points below their 2008 levels. As such, there has been a significant divergence between those countries where labour markets have begun to recover and those that have seen little or no discernible recovery. These differences in performance are likely to continue to be compounded by the severity of austerity measures in a number of the most poorly performing countries.

The recession has also exacerbated the labour market disadvantage experienced by certain groups of workers. Lower-skilled workers have been hit particularly hard by the recession, with their EU-wide unemployment rate increasing by more than 7 percentage points and currently standing at more than 18 per cent. Young workers have also had their prospects damaged by the recession. The youth unemployment rate across Europe stands at 22 per cent; in Greece and Spain the figure is more than 50 per cent, and in Portugal, Italy and Ireland it is above one third. These very high rates of youth unemployment represent a significant cause for concern because of the negative longer-term health and career outcomes which are associated with youth unemployment, not to mention the various social consequences, including costs to public life and finances. Non-EU migrants have also seen a steep rise in their unemployment rates.

A further concern is the continuing growth in long-term unemployment. There are 10.9 million long-term unemployed across the EU27. Once again, there are some notable country differences, with the Scandinavian states, as well as Austria (countries typified by comparatively high spending on active labour market policies) witnessing a significantly lower incidence than other countries of long-term unemployment as a proportion of total employment.

Meanwhile, challenges remain also for those in work. Non-standard forms of employment have been growing over time, with increasing numbers of workers in part-time and temporary positions, and many of those working part-time reporting that they would prefer a full-time job.