Executive Summary

International Labour Organization

Work Inequalities in the Crisis
Evidence from Europe

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Has the financial and economic crisis exacerbated existing inequalities? Has it brought new tensions and disparities into the labour market? What lessons can we draw for the future?

This volume attempts to answer such questions in a multi-dimensional fashion, looking at the crisis's effects in different areas: employment, wages and incomes, working conditions and social dialogue. At the same time, it investigates whether the crisis may halt the progress made in Europe toward higher-quality jobs and working conditions. Assessing national trends in inequalities in 30 European countries and bringing together 14 national studies from noted European specialists, this collection sheds light on one aspect of the crisis that has been poorly documented so far, namely its microeconomic effects at enterprise level, on different worker categories and the areas of work that directly matter to them. A series of case studies report on the concrete effects of inequalities in individual enterprises or sectors, and on the policy solutions adopted at local level to address these inequalities.

The crisis has had an impact on work inequalities

Evidence collected on European countries shows that the crisis has deepened inequalities, and that certain categories of workers have been hit more than others.

The first source of inequality unleashed by the crisis was the variegated impact of employment adjustments imposed on the workforce. Most employment adjustments involved atypical workers on temporary or agency contracts. Evidence from France, Spain and Sweden, for instance, illustrates how temporary workers functioned as a sort of employment buffer in the crisis: for example, 90 per cent of employment losses in Spain concerned temporary workers.

Young people have also been hard hit, as witnessed by the rapid growth in youth unemployment rates, double the growth of unemployment among other age categories

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in almost all European countries. Increasing youth unemployment has been particularly marked in the three Baltic countries, Ireland and Spain.

Low-skilled workers were also in the frontline with regard to job cuts. The initial impact of the recession saw the loss of relatively high-skilled jobs, especially in the financial services sector. Subsequently, however, the crisis has been affecting manufacturing companies, which traditionally employ a high percentage of unskilled or semi-skilled labour.

This sectoral impact of the crisis in construction and manufacturing, which traditionally are male-dominated, also explains why males have been more directly affected by the crisis and consequent layoffs. In all countries for which we have data, the unemployment rate among men has increased by more than that among women. The difference is striking, and as high as 6 percentage points or more in the three Baltic countries, Ireland and Spain.

This is not to say that women have not been hit by the crisis, however, or that they have not been confronted by discriminatory practices. Women employed in male-dominated sectors have often been the first to be dismissed. Women also appear to have experienced more wage cuts than men. Evidence from the United Kingdom also suggests that the crisis has contributed to halting the ongoing reduction in the gender pay gap – which remains substantial in a number of European countries – and highlights other forms of discrimination, for instance women's access to unemployment benefits. The reduction or removal of arrangements to reconcile work and family life has also increased stress at work for female workers.

Wages also represented another source of inequality in the crisis. A decline in real wage progression has been observed around Europe, with some countries experiencing not only real wage cuts but also nominal wage cuts, as in Estonia, Latvia, Lithuania and other new EU Member States. Wage declines have often been the result of cuts in working hours applied as an alternative to layoffs.

Wage cuts at least in a first phase seem to have been more substantial in the public sector. However, budgetary cuts in public administration in most countries – as already observed in Bulgaria, Greece, Hungary and Ireland – should lead to further wage cuts in the public sector, together with employment reductions, thereby making public employees the category most at risk.

The long-term increase in low-paid workers has continued, as the result of reductions in working hours but also of freezes in the legal minimum wage. Wage differentials between those at the top and those at the bottom of the wage scale have also increased, as reported in Bulgaria, Hungary and the United Kingdom. The crisis will thus reinforce the long-term low pay and related poverty trends in Europe. According to results from a 2010 Eurofound survey, 40 per cent of workers reported that their household had difficulties making ends meet, this proportion being particularly high among non-permanent workers and the self-employed.

Policies and institutions have made a difference

More than in other regions, in Europe the combination of stimulus packages, subsidies to preserve investment and employment stability, and social dialogue has helped limit shocks on employment and social cohesion. This book presents best practices in this regard. The "German miracle", for instance, seems to be explained not only by significant public funding but also social dialogue to stimulate short-time working schemes. Sweden has pursued specific measures to help young people to keep a job or engage in training, thus avoiding an increase in their long-term unemployment. In Italy, the Cassa Integrazione system has helped to limit the crisis's unemployment effect. Industrial policies aimed at supporting sectors in difficulty, such as construction and automobiles, have also helped. Where they were absent, as in Italy, Spain and other countries, the adverse employment effects of the crisis have been immediate.

Social dialogue has made it possible to negotiate alternatives to layoffs in a number of companies and sectors, generally through wage and/or working time reductions as in Germany and France. In contrast, companies and workers not covered by social dialogue were unable to benefit from these possibilities and generally relied on immediate employment cuts to cope with declining activity. In countries with limited wage bargaining, such as Estonia, Latvia and Lithuania, wage cuts were immediate and substantial.

While policies and institutions have thus played a significant role, governments have generally used arrangements or schemes – such as those focusing on short-time working or partial unemployment – already in place prior to the crisis, extending or more actively supporting them. Such lessons should be heeded when redesigning labour markets and implementing institutional reforms.

The policy shift that occurred in the second half of 2009 – from anti-crisis expansionary packages to restrictive budgetary policies – may also change the outcome in terms of inequalities. Employment cuts have generally been higher in the private sector, but have extended recently to public sector employees. While men have been hardest hit in the first phase, employment and wage cuts in the public sector and in services, which are female-dominated, will mainly impact upon women, thus reversing the narrowing gender pay gap and unemployment gap generated by the crisis so far. Other categories of employees – more skilled and older, but also disabled, and lone parents – are also likely to be directly affected by the cuts in budgetary expenditure. Employees from ethnic minority groups will also be hit because of their concentration in certain segments of the public sector.

The crisis's longer-term effects on inequality need to be monitored

It is essential to monitor impacts not only in the short term but also in the medium and longer term. Impacts on inequality often require a passage of years to be identified, especially if one takes into account qualitative indicators such as human capital and job quality: the fall in training expenditure at enterprise level identified by the case studies, combined with reduced training programmes financed by the State, can only have a detrimental effect in the long term. Thus the real effects of the crisis on skills, career and income prospects may also be revealed only in the longer term, as is the case with its effects on health, demographics and society as a whole.

Flexibility measures and their impact on inequalities should also be evaluated in the longer term. The crisis has shown that those countries that have relied on external flexibility adjustments, such as Spain, have experienced severe difficulties on the employment front. Massive reliance on temporary contracts for nearly 20 years has left the country vulnerable and employment has plunged in response to the economic slowdown.

In other countries, the crisis has highlighted the polarization of the labour force: workers on the periphery of the labour force were the first to be affected by employment cuts, with the core labour force remaining protected and benefiting from a series of institutional arrangements.

All these aspects underline the need for continuous monitoring of work inequalities.

The central message of this volume can be summarized in simple terms: not only did work inequalities contribute to generating the economic crisis, but these inequalities have only become worse as a result of it. Our general economic system will thus continue to be at risk until we properly address inequalities. This should motivate all policymakers and actors to develop a powerful agenda and a full set of policies to address this complex problem.

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