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International Institute for Labour Studies

World of Work 2012
Snapshot of the European Union

Unemployment in the EU remains high and rising in a majority of countries…

- As of the fourth quarter of 2011, the EU-27 unemployment rate stood at 9.9 percent (figure 1) and thus remains 3 percentage points above the pre-crisis rate of the fourth quarter of 2007.
- In most EU countries, unemployment has been increasing since the fourth quarter of 2010, with many struggling with rates well above 10 per cent. Only 10 out of 27 EU countries witnessed declines in unemployment rates.
- The unemployment rate of people aged 15-24 is roughly twice as high as those of other age groups and has reached historical peaks in Southern European countries. Only Germany and Luxembourg managed to reduce youth unemployment since 2007 (figure 2).

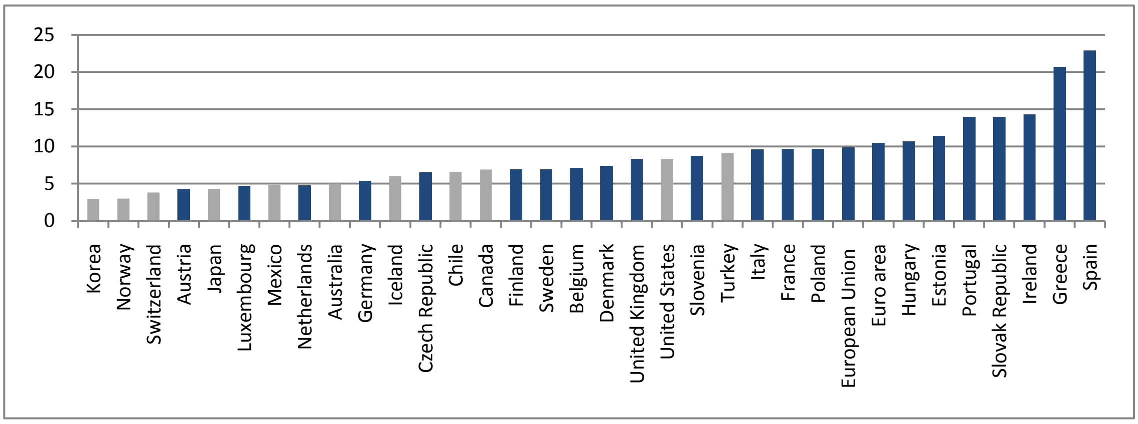
…and new jobs created tend to be relatively precarious...

- There are 42 million part-time workers in the EU of which around 20 per cent would like to work longer hours. In Greece and Spain the incidence of involuntary part-time work reaches 58 and 49 per cent, respectively.
- Atypical forms of employment, such as temporary and agency work as well as informal employment have expanded in Central and Eastern European countries. A decline of atypical employment since the onset of the crisis has been registered only in a few Western European Countries.

…and raising the risk of poverty and social unrest.

- In 2010 16.4 percent of the population in the EU had been at risk of poverty. The figure is even higher for young people aged 18-24 at 21.2 per cent. These trends are on the rise.
- The IILS social unrest index has increased between 2010 and 2011 for 11 out of 24 EU countries (for which data are available). Between 2006 and 2011 the index increased for 17 out of 24 EU countries.

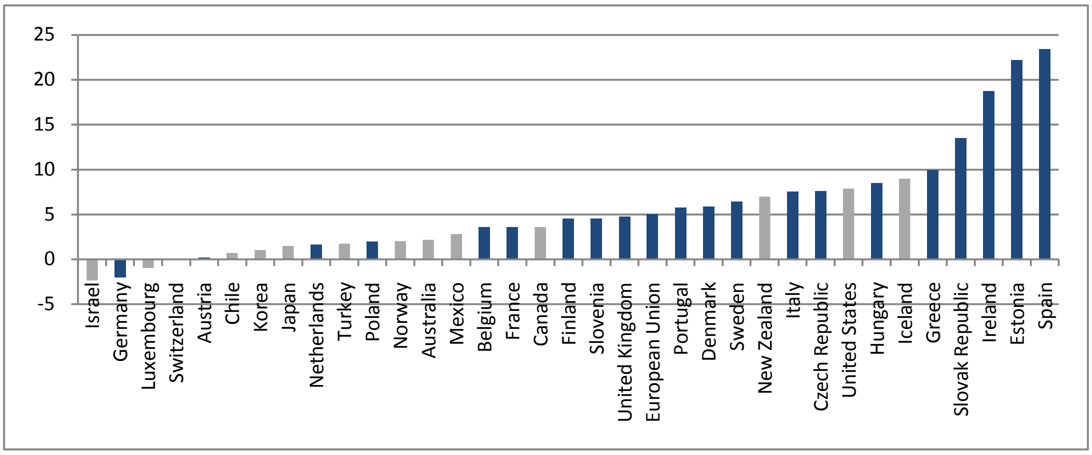
Figure 1. Unemployment rates, Q4 2011



Note: Blue bars refer to EU countries and grey bars refer to non-EU countries.

Source: IILS estimates based on OECD.Stat.

Figure 2. Percentage change in youth unemployment, 2007-2010



Note: Blue bars refer to EU countries and grey bars refer to non-EU countries.

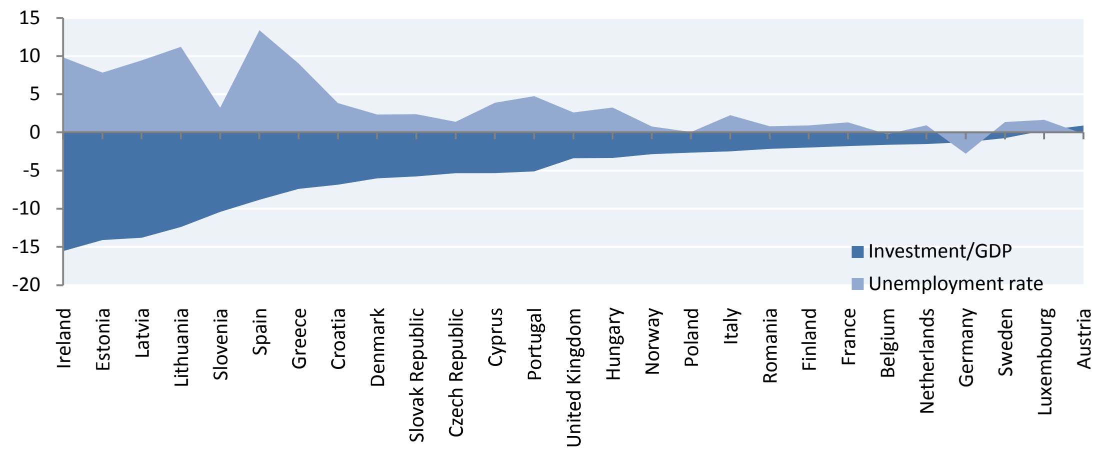
Source: IILS estimates based on OECD.Stat.

Austerity measures have had a negative impact on labour markets and business investment

- Evidence presented in the *World of Work 2012 report* shows that the pace and content of fiscal consolidation measures are important if countries are to foster fiscal stability while simultaneously boosting employment growth. The current path of consolidation will lead to weak employment growth and a worsening of the fiscal position in the medium-term—owing to weakening of aggregate demand.
- Countries faced with the twin challenge of low employment growth and limited fiscal space have turned increasingly towards labour market reform as a tool for reassuring financial markets and in the hope of boosting economic growth. This has led a number of EU member states to introduce lower employment protection regulations and decentralized collective bargaining, among them Estonia, France, Greece, Hungary, Italy, Latvia, Lithuania, Romania, Slovakia, and Spain.

- Investment activity in the European Union is still weak with an investment/GDP ratio about 16 per cent below its historical average and only slightly above its all time low. The *World of Work 2012* shows that higher investment growth is an integral part of any recovery as job growth is highly dependent on investment (figure 3).
- Large businesses have built-up unprecedented large cash stocks since 2008. Between 2007 and 2011, the 50 European companies on the benchmark Euro Stoxx 50 Index increased their cash holdings by 77 per cent and the increase was 32 per cent between 2010 and 2011.

Figure 3. Employment and investment changes during 2007 – 2010, European Union



Note: The figure shows the per cent change in investment as share of GDP and the unemployment rate over the period 2007 and 2010. Figures above the axis represent gains in investment and employment, while those below represent losses.

Source: IILS estimates based on IMF WEO database

It is urgent to adopt a comprehensive strategy with jobs at its core

- The *Report* points to a set of well-designed measures that would help boost decent employment prospects, including through strengthened labour market institutions, renewed credit to the real economy, notably small and medium-sized enterprises and a socially responsible fiscal consolidation package.
- There is significant scope for coordinated action in the EU, including through the mobilisation of structural funds and European Investment Bank loans to revitalise industry in depressed countries.
- Promoting decent employment and strengthening labour market governance, with full involvement of social partners, should constitute an integral part of EU economic governance and its national implementation. This strategy can build on the new EU employment package proposed by the European Commission on 18 April 2012 and the joint EU social partners work programme 2012-2014.

World of Work 2012: Better jobs for a better economy is available at (www.ilo.org/INST). For further comment, journalists are invited to contact Daniel Samaan (tel: +41 22 799 7539, email: samaan@ilo.org); or Raymond Torres (tel: +41 22 799 7908, email: torresr@ilo.org), Director of the ILO's International Institute for Labour Studies.