

The impact of the crisis on employment

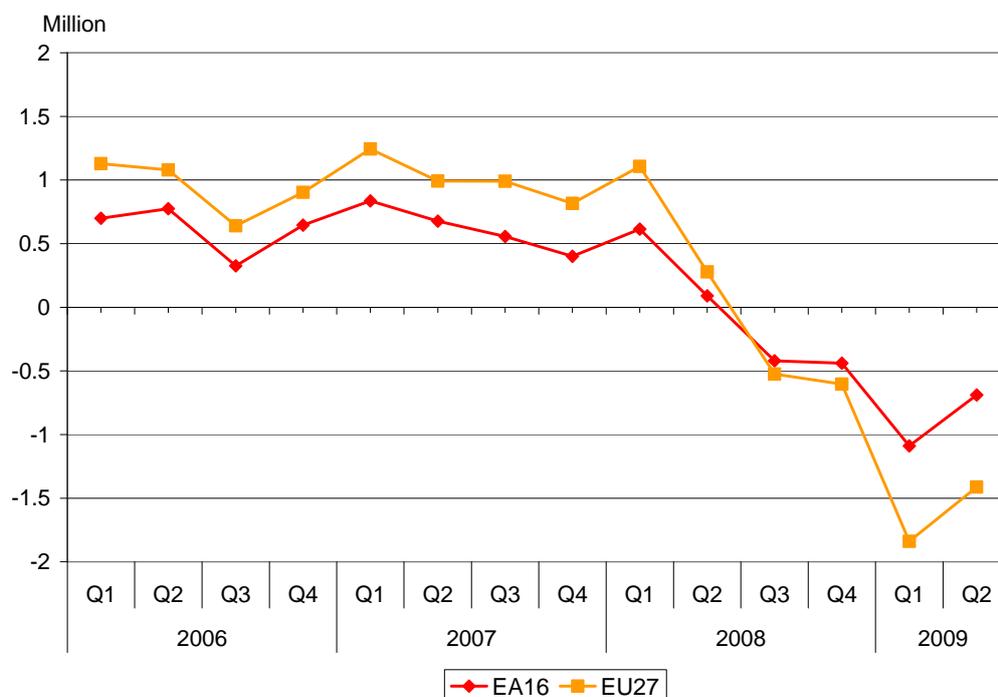
People are working fewer hours, and times are hard for workers on temporary contracts and people with lower levels of education

The economic crisis has hit the European labour markets, resulting in falling employment levels and rising unemployment in almost all Member States of the European Union. Underlying the general trends in the aggregate figures, a number of striking features characterising the employment situation have come to light during the recent crisis. How flexible are the labour markets across Europe in absorbing the crisis without firing people e.g. by lowering hours worked and making more use of part-time workers? Are workers on temporary contracts hit harder than those on permanent contracts?

Are there differences in job losses by level of education of people? And how many people managed to find a job against the trend? Recent data (second quarter of 2009) from the European Labour Force Survey (LFS) helps to shed light on these issues. This publication is the second in a series analysing the effects of the current economic crisis on the labour market in Europe¹.

¹For the first publication see [Statistics in focus n° 53/2009](#)

Figure 1: Change in the number of persons employed (quarter-on-quarter), seasonally adjusted



Source: Eurostat, National Accounts ([namq_aux_pem](#))

Job losses still limited compared to the fall in GDP

The economy shrank between the second quarters of 2008 and 2009 in all Member States except Poland. The EU as a whole, as well as the euro area, recorded a fall of almost 5 percent in real GDP. Inevitably this has also impacted on the labour market, where reduced demand for labour has resulted in job losses.

Table 1: Growth (%) of real GDP (seasonally adjusted) and employment (domestic concept) between 2008Q2 and 2009Q2

	GDP	Employment
	2008Q2 - 2009Q2	2008Q2 - 2009Q2
EA16	-4.8	-1.8
EU27	-4.9	-1.9
BE	-3.7	-0.7
BG*	-4.9	-1.8
CZ	-5.5	-1.4
DK	-7.0	-2.6
DE	-5.9	-0.1
EE	-15.8	-10.2
IE	-7.3	-8.3
EL	-0.3	-1.0
ES	-4.2	-7.1
FR	-2.8	-1.2
IT	-6.0	-0.9
CY	-0.7	-0.5
LV	-17.4	-13.1
LT	-21.1	-6.7
LU	-5.3	1.3
HU	-7.3	-4.5
MT	-3.0	-0.8
NL	-5.2	-0.8
AT	-4.5	-1.1
PL	1.1	-0.7
PT	-3.7	-2.7
RO**	-8.3	-1.2
SI	-9.0	-1.6
SK	-5.4	-1.3
FI	-8.9	-3.0
SE	-6.1	-2.2
UK	-5.5	-2.0

* GDP: Non-seasonally adjusted data ** Employment: National concept, LFS estimate

Source: Eurostat, National Accounts ([namq_gdp_k](#), [namq_aux_pem](#))

In conformity with the decline in GDP, most Member States recorded a reduction in the

number of persons employed. Luxembourg was the only country where employment levels increased (+1.3%) in this period.

However, the contraction of production has not been matched by a corresponding fall in employment. In the 27 Member States of the EU, employment levels contracted on average by "only" 1.9% (-1.8% in the EA16). Still four Member States experienced a worse trend in their employment than in their GDP figures between 2008Q2 and 2009Q2 (Table 1). Poland recorded a GDP growth rate of 1.1%, while employment decreased by 0.7%. In Greece the economy shrank by 0.3% and employment by 1.0%. In Spain, the number of persons employed fell by 7.1%, and economic output by 4.2%. Finally, Ireland saw GDP decrease by 7.3%, while employment decreased by an even greater margin (-8.3%). In all the other 23 countries the sharply negative trend in output was cushioned to some extent on the labour market. A striking example is Lithuania, where a sharp fall of 21.1% in GDP led to a decrease in employment levels of 6.7%. Among the large Member States, Germany in particular shows a sizeable gap. The output was reduced by 5.9%, which resulted in a decrease of only 0.1% in the number of persons employed.

It is common for GDP growth and employment to evolve differently, both in terms of size and timing (employment levels react to economic developments with a certain time-lag). There are various reasons for this, some of which are more relevant in times of economic crisis like the one that is currently being experienced. At such times, employers can make use of arrangements such as putting employees on part-time working or reducing the number of hours worked in other ways so as to avoid having to fire (more) people, and thereby protecting their human capital. In some countries this has been facilitated by governments taking on (some of) the costs involved in the use of temporary short-time schemes. Some statistical evidence for reduced hours worked and increased part-time work is found and described in the following sections.

The share of part-time employment increased in almost all Member States

One of the steps an employer can take in order to avoid having to lay off (more) people is to

introduce part-time working or to increase its use. Employers might have a stronger preference

for part-time contracts when new posts are created. Although some part-timers may have lost their job as well, the net result may be more favourable for part-time jobs during the start of a recession.

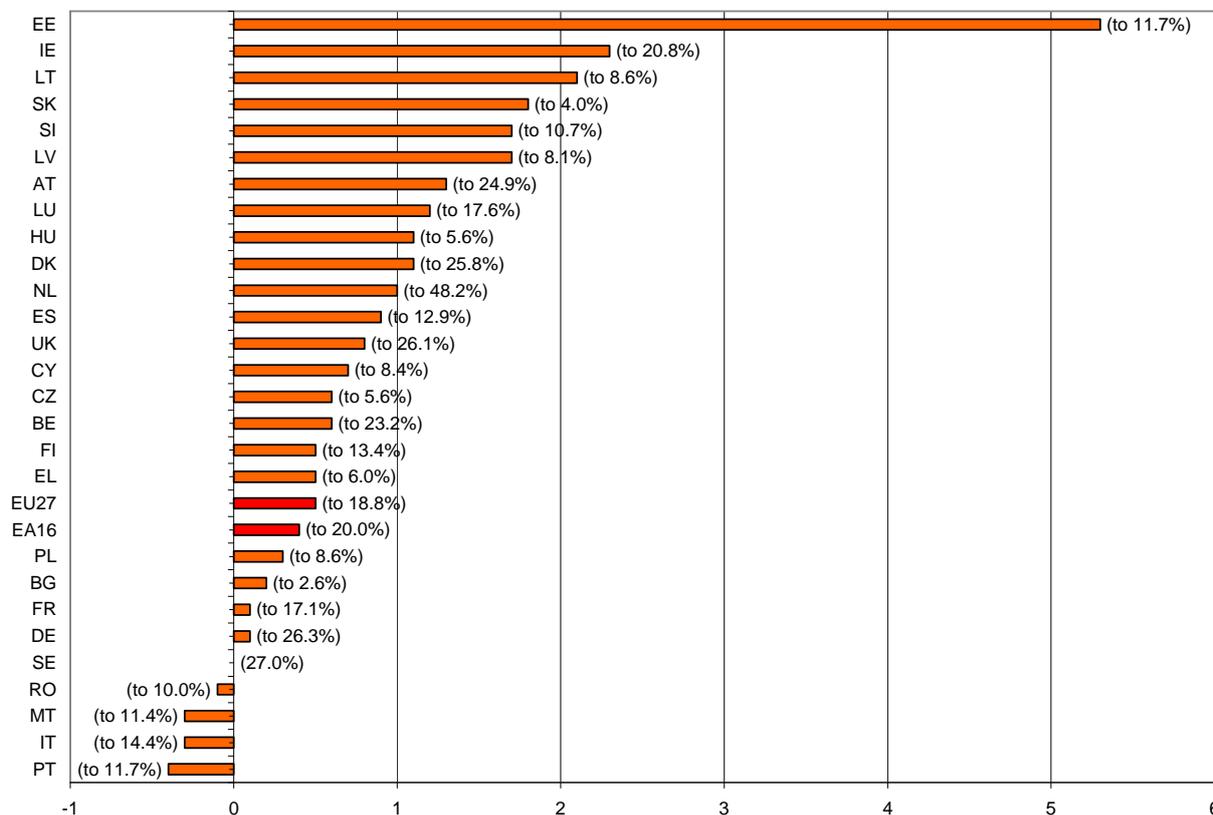
Indeed the share of part-time workers has increased in the EU27 during the last year (2008Q2 to 2009Q2), by around 0.5% points (0.4 p.p. in the EA16) as figure 2 shows. This is a relatively large increase considering that between the second quarters of 2006 (a share of 18.2%), 2007 (18.3%) and 2008 (18.3%), the overall increase was just 0.1 p.p. The 2009Q2 result (18.8%) could therefore be a clear sign of an effect that is related to the crisis.

By far the biggest change was recorded in Estonia, where the share of part-timers rose by over 5 p.p. Other large increases of around 2 p.p. were observed in Ireland, Lithuania, Slovakia, Slovenia and Latvia. In The Netherlands – which is the Member State with by far the largest proportion of part-timer workers - the share rose from 47.2% to 48.2%. In both Germany and France a slight increase (0.1% point) was recorded.

Only four Member States saw their share of part-timers decrease, although for Portugal (-0.4 p.p.), Italy and Malta (both -0.3 p.p.) and Romania (-0.1 p.p.) the decreases were all relatively small.

Figure 2: Change (p.p.) in part-time employment as a share of total employment between 2008Q2 and 2009Q2

The figures in the graph refer to the shares of part-time employment in 2009Q2



Source: Eurostat, Labour Force Survey ([lfsq_eppga](#))

Full-timers worked 0.7 hours less per week on average

The sharp drop in economic activity, combined with a much smaller fall in the number of persons employed, is ultimately reflected in the figures for the number of hours worked per person and the output generated per person employed (labour productivity). In addition to an increased share of part-time workers, there was a

significant fall in the average number of hours worked each week by full-time workers (in their main job) between the second quarters of 2008 and 2009. As shown in figure 3, the EU27 average was down from 41.0 to 40.3 hours a week per person. On average, men work more hours than women, but the average weekly hours

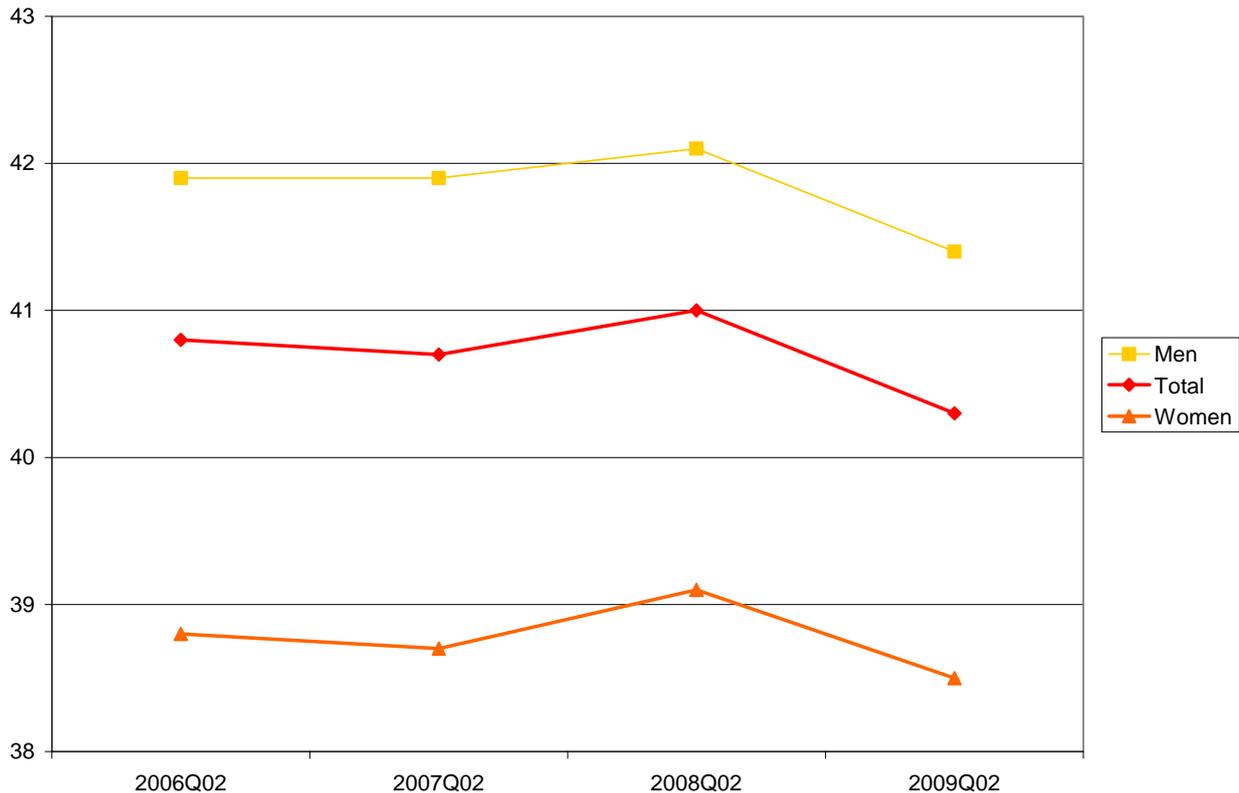
worked by men fell by a slightly bigger margin in the past year (from 42.1 in 2008Q2 to 41.4 in 2009Q2). Women employed full-time worked on average 38.5 hours per week in 2009Q2, or 0.6 hours less than the year before.

Combining the lower level of employment and the reduced hours worked per person (in their main job), it is possible to make a rough estimate that the total number of hours worked fell by

around 3.3% in the EU27 between 2008Q2 and 2009Q2.

Using the option of making individual employees work fewer hours may have acted as a buffer to save jobs. However, when GDP picks up again, employment levels cannot be expected to start growing immediately, or at the same pace.

Figure 3: Average actual hours worked by full-time employed in the main job in the EU27



Source: Eurostat, Labour Force Survey ([lfsq_ewhais](#))

Biggest drop in hours worked observed in Estonia, Austria, Slovakia and Finland

Between 2008Q2 and 2009Q2, the average amount of hours worked by full-time employed in their main job fell in practically all Member States. Only Luxembourg (+1.0 hours) and Latvia (+0.1 hours) recorded an increase, and full-time employed people in Hungary continued to work the same number of hours on average per person. The biggest fall in average hours worked was in Estonia (-1.5 hours). The second biggest decrease was observed in Austria, Slovakia and Finland (-1.4 hours). Among the large Member States, Germany saw the largest decrease in average hours

worked (-1.3 hours), followed by France (-0.8 hours). The drop in Spain, Italy and Poland was 0.6 hours, while in the United Kingdom full-timers worked 0.5 hours less per week on average.

Looking a little further back in time, in all but five Member States (Lithuania, Luxembourg, Hungary, Malta and Sweden) the average hours worked (in the main job) per person employed full-time has gone down in 2009Q2 as compared to 2006Q2.

Table 2: Average actual hours worked in the main job by full-time employed
Sorted by annual change between 2008Q2 and 2009Q2

	2006Q2	2007Q2	2008Q2	2009Q2	2008Q2-2009Q2
EE	41.4	41.5	40.8	39.3	-1.5
AT	42.6	42.4	42.9	41.5	-1.4
SK	40.3	40.1	40.7	39.3	-1.4
FI	38.3	38.0	39.2	37.8	-1.4
DE	41.7	41.8	42.1	40.8	-1.3
SE	37.8	37.7	39.4	38.1	-1.3
DK	38.2	38.2	39.2	38.0	-1.2
SI	40.8	41.3	41.5	40.4	-1.1
BG	41.0	40.9	41.2	40.3	-0.9
EA16	40.6	40.5	40.8	40.0	-0.8
FR	38.7	38.5	39.1	38.3	-0.8
EU27	40.8	40.7	41.0	40.3	-0.7
CZ	42.1	41.9	42.3	41.6	-0.7
IE	:	40.3	40.1	39.4	-0.7
ES	41.0	40.9	41.2	40.6	-0.6
IT	40.3	40.4	40.5	39.9	-0.6
PL	41.9	42.1	42.0	41.4	-0.6
BE	40.4	40.6	40.7	40.2	-0.5
LT	39.7	39.7	40.4	39.9	-0.5
UK	40.9	41.0	41.2	40.8	-0.4
NL	40.5	40.5	40.6	40.3	-0.3
RO	41.6	41.6	41.4	41.1	-0.3
EL	42.3	42.1	42.2	42.0	-0.2
MT	40.8	40.8	41.3	41.1	-0.2
CY	39.8	39.6	39.7	39.6	-0.1
PT	40.5	39.9	40.0	39.9	-0.1
HU	40.5	40.2	40.6	40.6	0.0
LV	42.6	41.9	40.4	40.5	0.1
LU	40.8	39.5	39.9	40.9	1.0

Source: Eurostat, Labour Force Survey ([lfsq_ewhais](#))

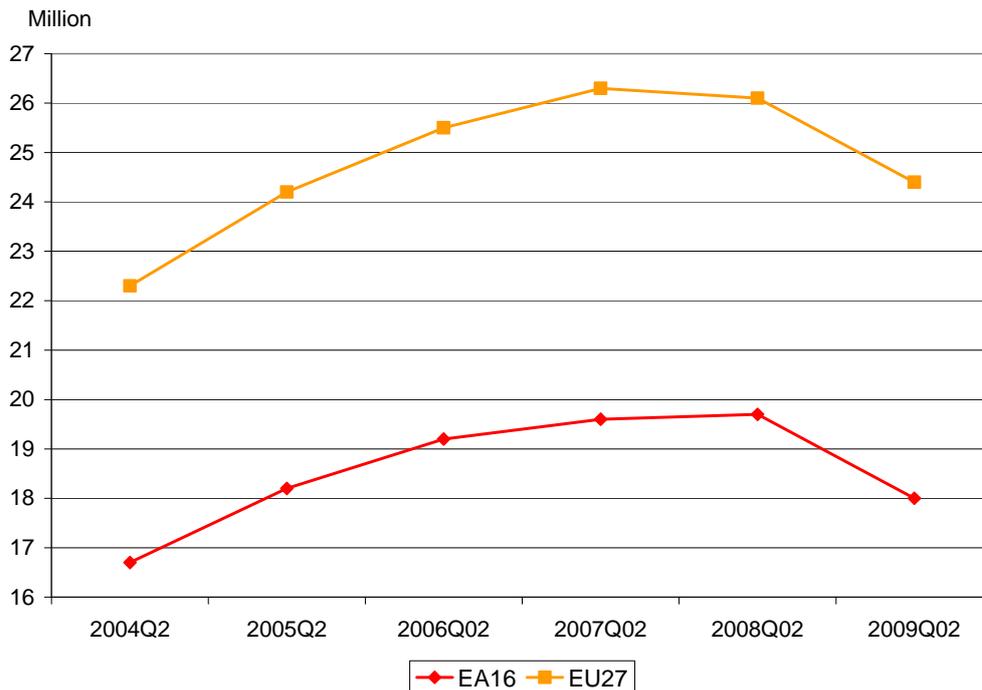
People on temporary contracts are vulnerable

One possible response by employers in difficult times is not to renew the contracts of temporary workers. One would expect temporary workers to be among the first victims on the labour market and, as Figure 4 clearly shows, this is indeed the case. The total number of employees in the EU27 on a temporary contract fell by 1.7 million between the second quarter of 2008 and the same quarter of 2009. This represents a drop of around 6.3%, which is much bigger than the 1.3% decrease in the number of employees

with a permanent contract during the same period.

The drop of 1.7 million temporary workers is actually recorded in the euro area alone, resulting in a fall of around 8.3% in the 16-nation area. In absolute numbers, no major changes are observed in the Member States that have not adopted the euro.

Figure 4: Employees with temporary contracts



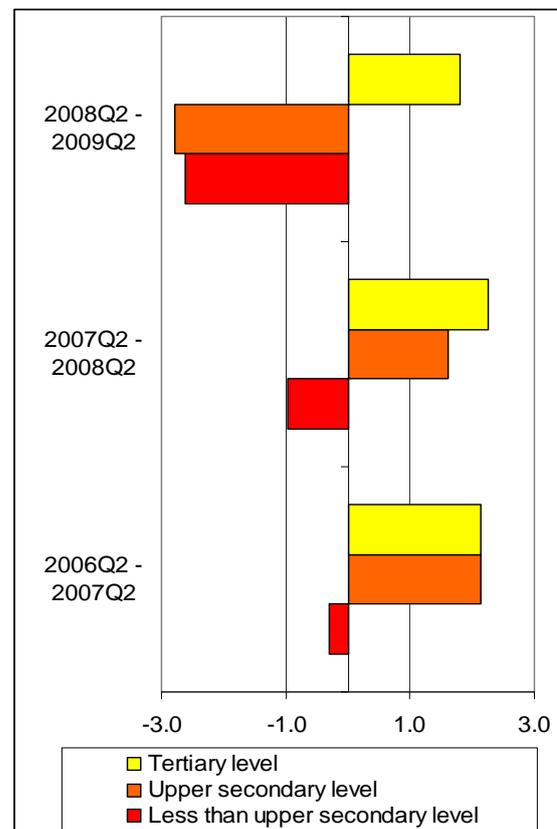
Source: Eurostat, Labour Force Survey ([lfsq_etgais](#))

People with lower levels of education are the most seriously affected

The downturn on the labour market impacts differently on different subgroups of the population, as we have already seen in the case of temporary workers. Looking at the educational level attained by workers, it seems that people most affected are those who did not complete upper secondary education. Many of these were working in sectors such as construction and the automotive industry which have been severely affected by the crisis.

Figure 5 shows the changes in employment broken down by educational level. Already between 2006Q2 and 2007Q2, the number of low skilled employed persons decreased, but in the last year the fall was especially large (around -2.6 million). Employment among those with upper secondary level education rose between the second quarters of 2006, 2007 and 2008, although this was followed by a large decrease (of around -2.8 million) between 2008Q2 and 2009Q2. On the other hand, between those quarters, employment among highly educated persons continued to increase against the prevailing trend (by around 1.8 million).

Figure 5: Changes in employment by level of education (in millions)



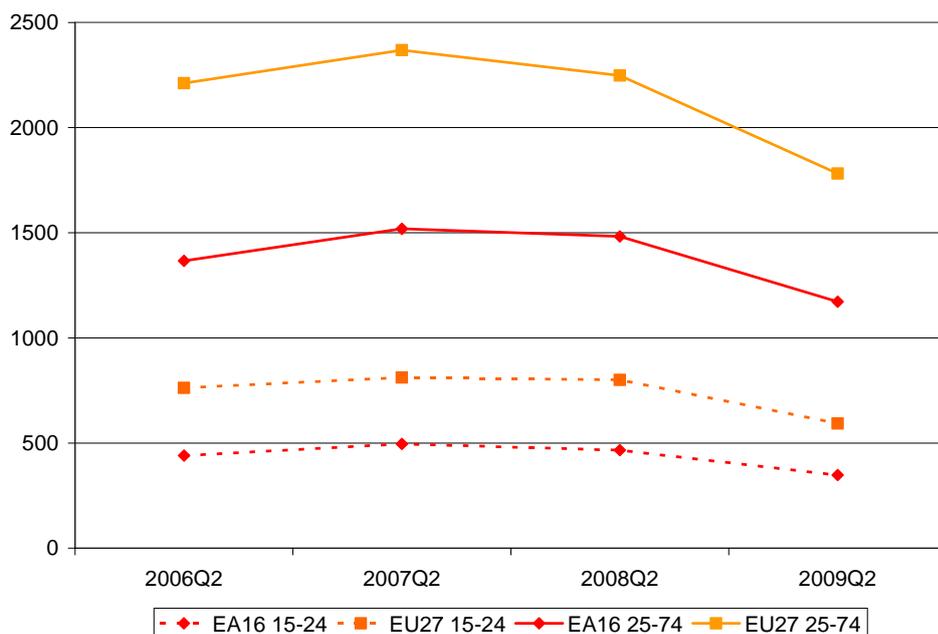
Source: Eurostat, Labour Force Survey ([lfsq_eqaed](#))

Opportunities during the crisis: people who started their current job in the past three months

Levels of employment have been falling for several consecutive quarters, as Figure 1 shows. However, this does not mean that there were only job losses during this period. These levels simply reflect the net effect of persons finding work and those losing their jobs, because the

labour market is never completely locked. There are always opportunities to find work as new jobs are created or existing posts become vacant. Nevertheless, it has become increasingly difficult to find a new job, as Figure 6 below shows.

Figure 6: Persons whose job started within the past 3 months (in thousands)



Source: Eurostat, Labour Force Survey

Figure 6 shows the number of people who managed to find their job in the previous three months. A sharp fall between the second quarters of 2008 and 2009 is clearly visible. Both those who have lost their job and those entering the job market after completing their education are having greater difficulty finding work.

In the EU27 in 2008Q2, around 3.0 million people managed to find a job within the previous three months. A year later this number had fallen to below 2.4 million, a drop of around 22%. For

young people the drop (around -26%) was greater than for 25-74 year olds (around -21%) - yet another indication that young people are being hit relatively hard on the labour market². In the euro area, the number of employed persons who had found their job during the previous three months fell by over 400 000. The percentages in the euro area are similar to those observed and described above for the EU27.

² See [Statistics in focus n° 53/2009](#)

METHODOLOGICAL NOTES

Definitions

Full-time/part-time

This variable refers to the main job. The distinction between full-time and part-time work is based on a spontaneous response by the respondent (except in the Netherlands where part-time is determined if the usual hours are fewer than 35 hours and full-time if the usual hours are 35 hours or

more, and in Sweden where this criterion is applied to the self-employed).

Employees with temporary contracts

Employees with a limited duration job/contract are employees whose main job will terminate either after a period fixed in advance, or after a period not known in advance, but nevertheless defined by objective criteria, such as the completion of an assignment or the period of absence of an employee temporarily replaced.

Further information

Data: [Eurostat Website: http://ec.europa.eu/eurostat](http://ec.europa.eu/eurostat)

Data on "National Accounts":

http://epp.eurostat.ec.europa.eu/portal/page/portal/national_accounts/data/database

Data on "Labour Force Survey":

http://epp.eurostat.ec.europa.eu/portal/page/portal/employment_unemployment_lfs/data/database

More information about "National Accounts":

http://epp.eurostat.ec.europa.eu/portal/page/portal/national_accounts/introduction

More information about "Labour Force Survey":

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