

## Impact of the crisis on unemployment so far less pronounced in the EU than in the US

Latest developments appear more favourable in the US

**The unemployment rate in the European Union has risen sharply since the first quarter of 2008 as a result of the economic crisis. However, the increase has been much smaller than in the United States, where the rate has overtaken that of the EU despite having been much lower at the start of the crisis<sup>1</sup>. Unemployment varies greatly across both Europe and the US.**

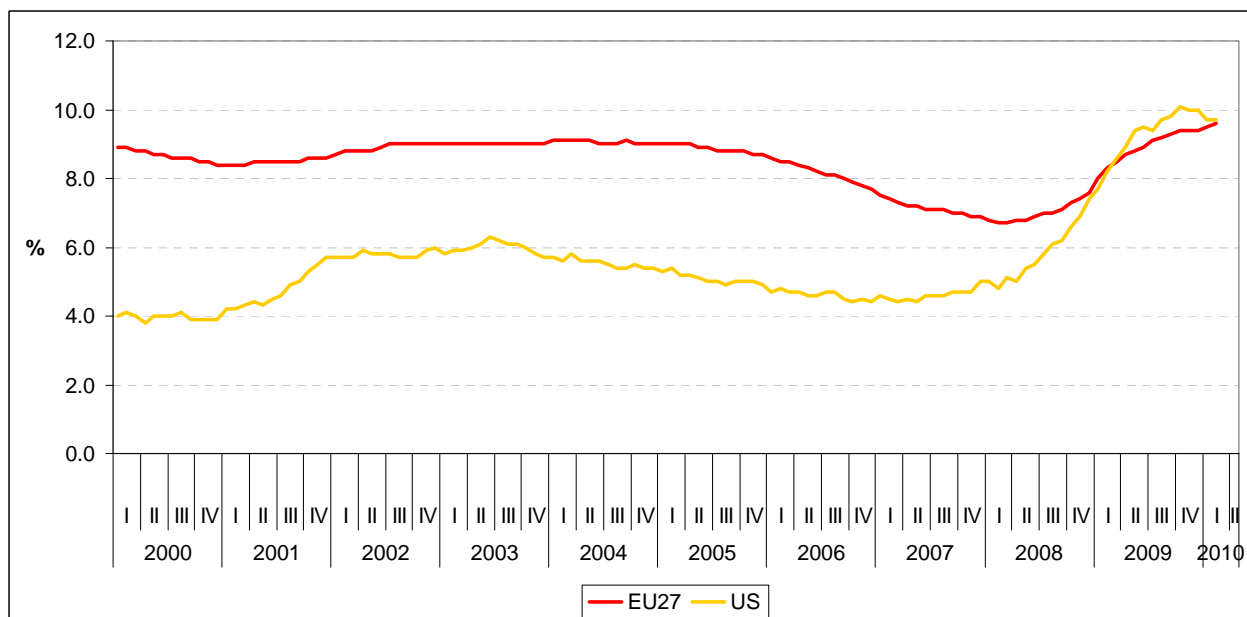
**Recent data from the US Current Population Survey and from the European Labour Force Survey (LFS) (fourth quarter of 2009) are used to analyse unemployment in the two areas by gender, educational level and duration. The data are supplemented by seasonally adjusted monthly data.**

**This publication is the fourth in a series analysing the effects of the current economic crisis on the labour market.<sup>2</sup>**

<sup>1</sup> The onset of the economic crisis varies geographically. In this publication, the start of the crisis on the labour market is taken to be the month of the lowest unemployment rate (after 2007), determined individually for each state (US) and each Member State (EU27).

<sup>2</sup> See [Statistics in focus No 53/2009](#), [Statistics in focus No 79/2009](#) and [Statistics in focus No 13/2010](#).

**Figure 1: Unemployment rates for EU27 and US, seasonally adjusted**



Source: US Bureau of Labor Statistics, Eurostat, Monthly unemployment statistics ([une\\_rt\\_m](#))

## US unemployment rate has overtaken the EU rate

Between 2000 and 2008, the unemployment rate was considerably higher in the EU than in the US. With the onset of the economic crisis unemployment increased sharply in the US, while in the EU as a whole the rise was moderate by comparison. As a result the US rate overtook the EU rate in March 2009 (see figure 1). The rate also started to rise much earlier in the US (from the third quarter of 2007) than in the EU (from the second quarter of 2008). In both regions, the increase was sharpest in the first quarter of 2009, when the ranks of unemployed rose by more than 1.9 million in the EU as well as in the US.

The latest developments appear to be more favourable in the US.<sup>3</sup> In the first quarter of

<sup>3</sup> *The temporary recruitment of a large number of enumerators in the context of the 2010 Census adds an element of uncertainty in the assessment of the underlying strength of the US labour market. See for more information: <http://www.census.gov/hrd/www/>*

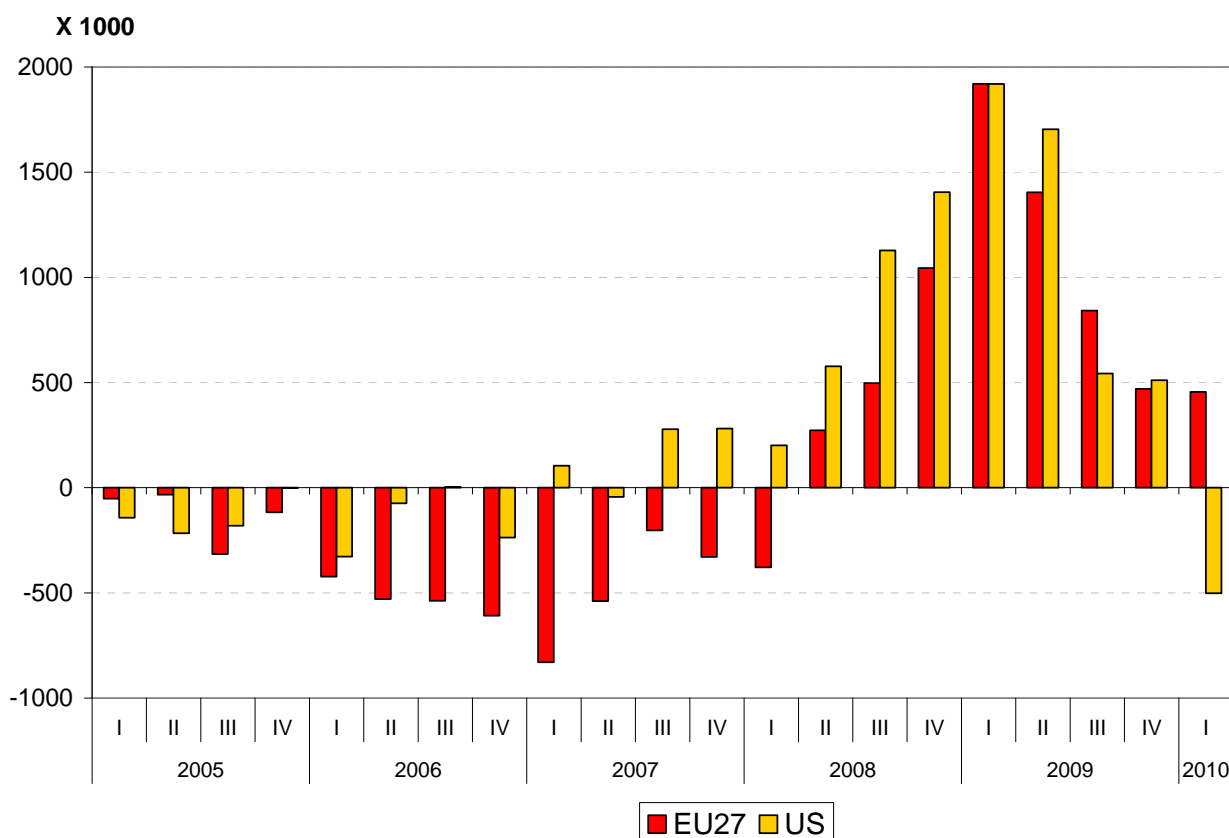
2010, US unemployment levels started to fall for the first time in nearly three years. Given the fragile economic situation, it is too early to confirm a recovery of the US labour market for the moment. In the EU, unemployment continued to rise, though more slowly than in 2009.

**Table 1: Factsheet (2008 figures)**

	EU27	US
Population (1000s)	490 592	304 060
Labour force (1000s)	238 437	154 287
Employment rate 15-64, %	65.9	70.9
Female employment rate, %	56.3	65.6
GDP per head, PPS	25 100	38 800

Source: Eurostat, U.S. Census Bureau

**Figure 2: Quarterly change in the number of unemployed persons in the EU27 and the US, seasonally adjusted**



Source: US Bureau of Labor Statistics, Eurostat, Monthly unemployment statistics ([une\\_nb\\_m](#))

## US unemployment rise particularly affects men

In both the US and the EU, the young have been hit particularly hard by the rise in unemployment. Those below the age of 25 have experienced unemployment rates rising to 20.5% in the EU and to 18.7% in the US in the first quarter of 2010. When measured against the total population of the same age (unemployment ratio), the share of young unemployed in the US (10.3%) has overtaken that of the EU (9.0%).

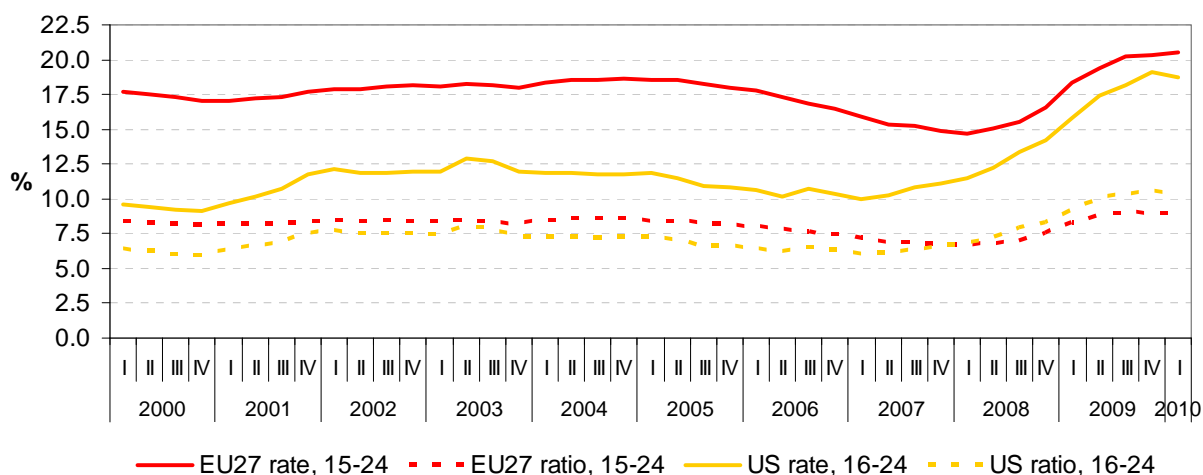
Unemployment rose for both men and women in both regions during the crisis, but much more strongly among men than women.

In the EU, women have historically been more affected by unemployment than men. But in May 2009 the rate for men overtook the rate for

women. In the first quarter of 2010, male unemployment stood at 9.8%, as against 9.3% for women.

In the US, rates for men and women had been fairly similar between 2000 and 2007. Between the third quarter of 2007 and the fourth quarter of 2009, female unemployment rose by 4.1 pp, to 8.7%, compared to a rise of 6.5 pp, to 11.2%, for men. The generally higher unemployment rate observed in the US in comparison to the EU at the moment is therefore clearly driven by much higher growth in male unemployment. In 2010Q1, the rate went down for both men and women in the US.

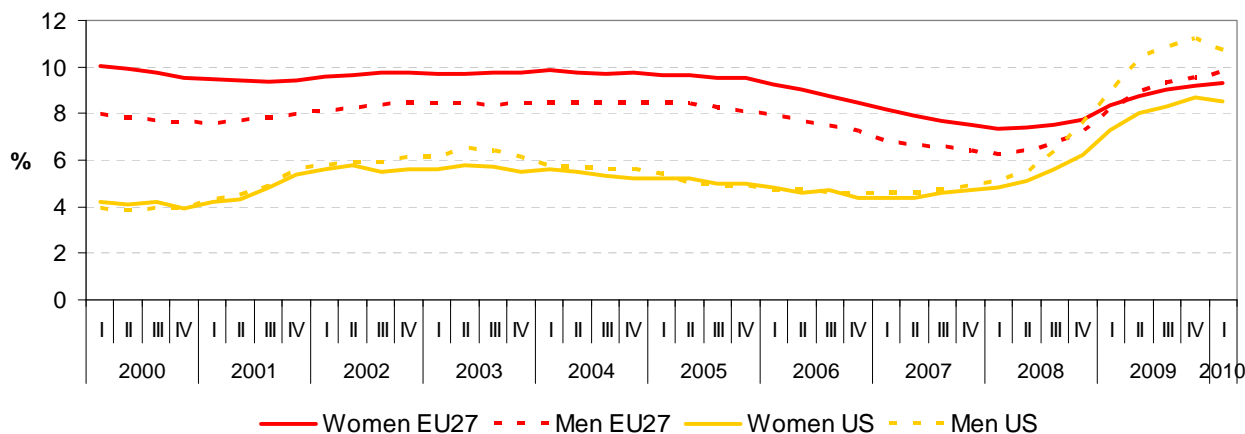
**Figure 3: Youth unemployment rates and ratios, seasonally adjusted**



Source: Eurostat, Labour Force Survey ([lfsq\\_ugad](#)), US Bureau of Labor Statistics

Note: The unemployment ratio is the share of the total population (here of a specific age group) which is unemployed. As many below the age of 25 are still in education, adding the ratio gives a more complete picture of unemployment for this age group.

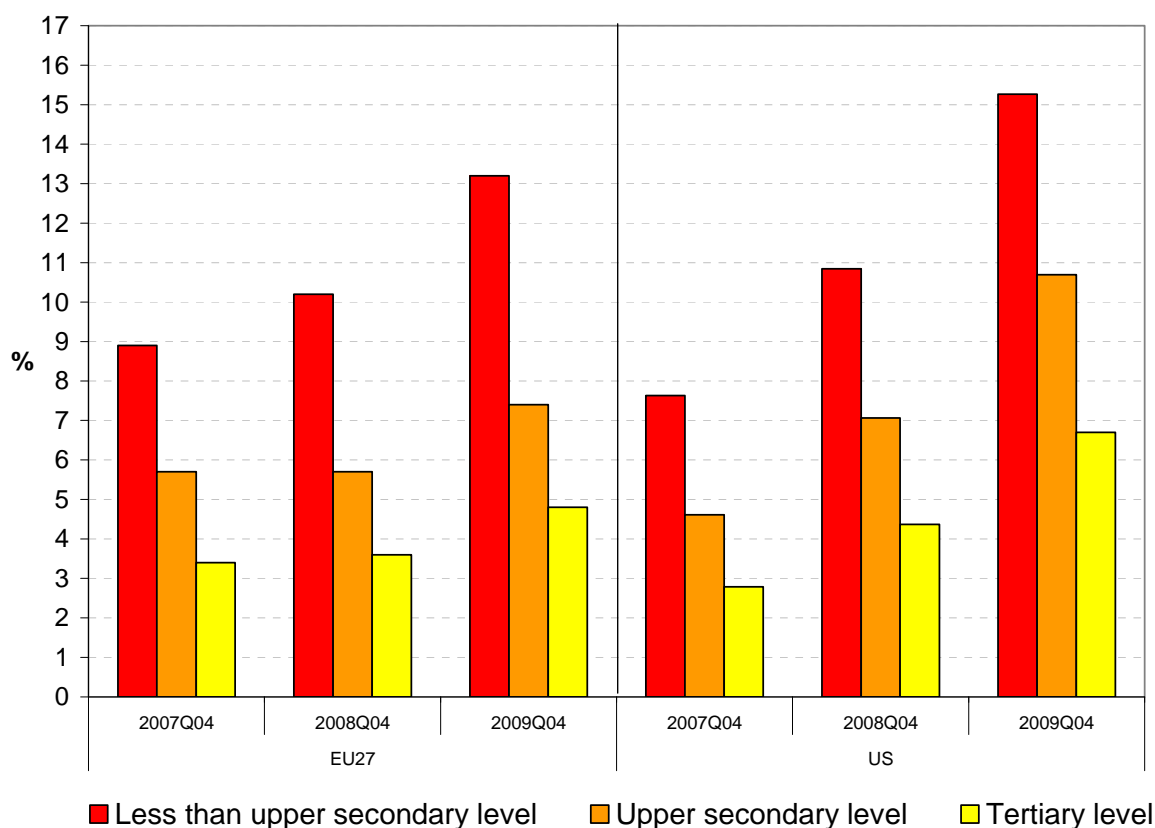
**Figure 4: Unemployment rates by gender, seasonally adjusted**



Source: Eurostat, Labour Force Survey ([lfsq\\_ugad](#)), US Bureau of Labor Statistics

## Good education pays off in both Europe and the US during the crisis

Figure 5: Unemployment rates by level of education in the EU and US (aged 25 and older)



Source: Eurostat, Labour Force Survey ([lfsq\\_urqaed](#)), US Bureau of Labor Statistics

Both in the EU and in the US, people of all educational levels have felt the effects of the rise in unemployment in recent years, but not to the same extent. The structure of unemployment rates by education level for individuals aged 25 and older, as shown in figure 5, is in fact quite similar in Europe and in the US. Traditionally, people with a low level of education face higher rates of unemployment, both in Europe and in the US. And during the recent crisis, they have been particularly vulnerable. In the EU, the unemployment rate for those with a low level of education increased by 4.3 pp to 13.2% between the 2007Q4 and 2009Q4. In the same period, the

rate for those with upper secondary education increased by only 1.7 pp to 7.4%. The smallest impact was felt by those with tertiary education, with an increase of 1.4 pp resulting in a rate of 4.8% in the fourth quarter of 2009.

A similar though even more distinct pattern is visible in the US. In the fourth quarter of 2009, the unemployment rate amongst those with less than upper secondary education increased to 15.3%, more than double the rate in the fourth quarter of 2007.

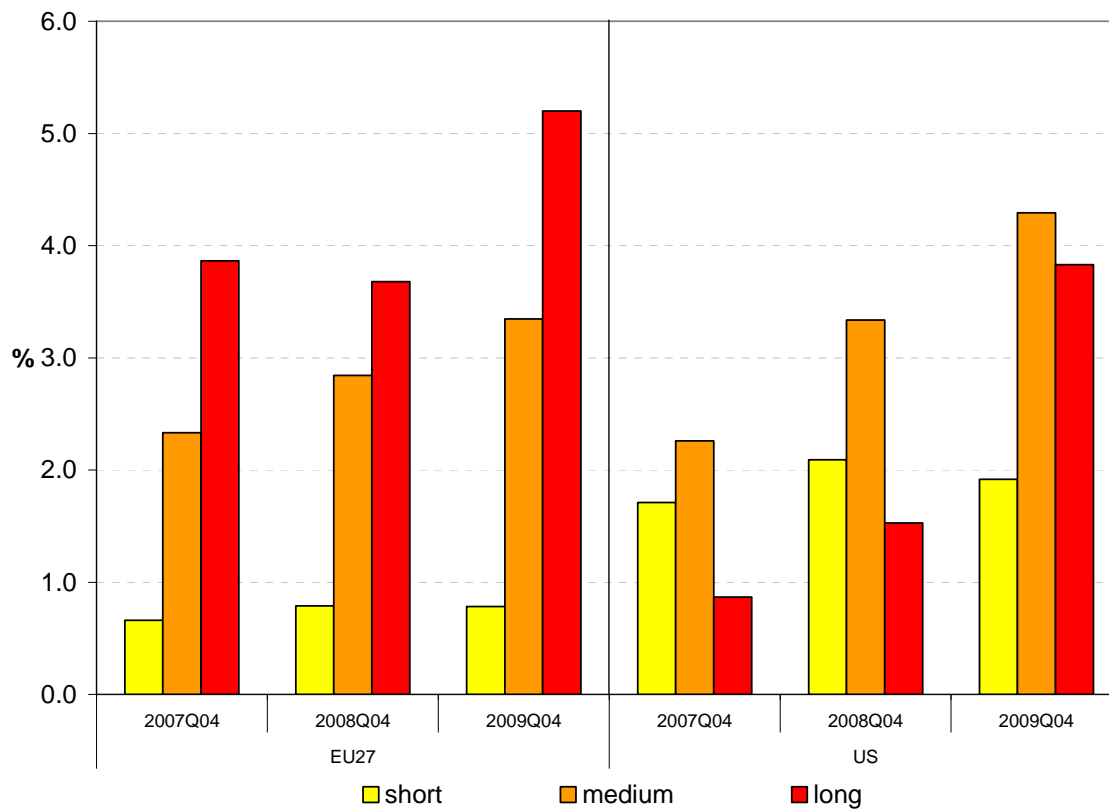
## Unemployed in the EU have been jobless for longer than in the US despite a large increase in unemployment duration in the US

Traditionally, the US has always had much lower rates of long-term unemployment than the European average. Figure 6 shows unemployment rates broken down by duration<sup>4</sup> at the beginning of the crisis, and how they changed during the recession. In the EU, all three categories shown have grown approximately in line with the total unemployment rate, leaving the distribution of unemployment duration largely unchanged. In the US, marked differences between the figures

in the last quarter of 2007 and that of 2009 can be seen. In this relatively short time, the short-term (less than 5 weeks) unemployment rate remained almost stable (increase from 1.7% to 1.9%), while the rate of long-term unemployment (27 weeks or more) rose from 0.8% to 3.8%. Despite this major change in the pattern of unemployment, the US still has a significantly lower long-term unemployment rate than the EU (5.2%).

<sup>4</sup> Duration of unemployment measures the length of an ongoing spell of unemployment.

**Figure 6: Unemployment rates by duration in the EU27 and the US**



Source: Eurostat, Labour Force Survey ([lfsq\\_ugad](#)), US Bureau of Labor Statistics

Note: In this figure, short-term unemployment is defined in the EU as up to 1 month, in the US as up to 5 weeks. Medium-term unemployment is defined as 1-5 months in the EU, 5-26 weeks in the US. Long-term unemployment is defined as 6 months and longer in the EU, and 27 weeks or more in the US.

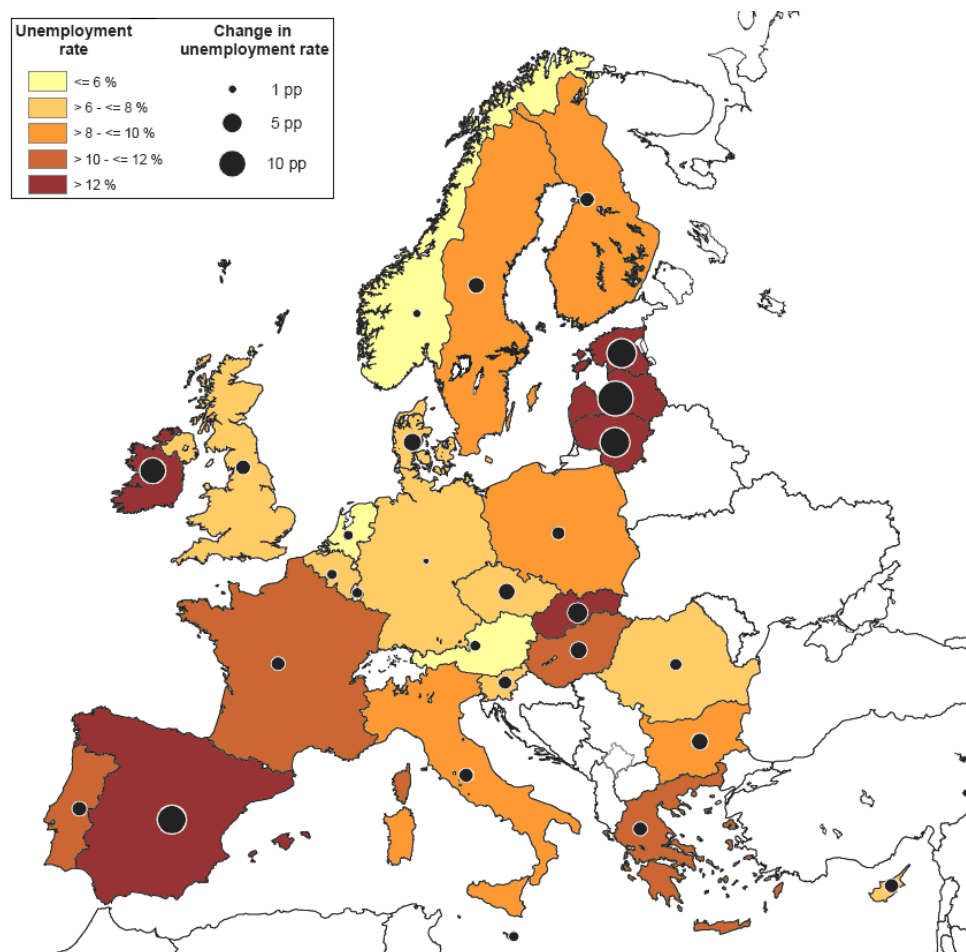
## Unemployment rates vary widely across the US, but even more in the EU

In the EU, there are pronounced differences in unemployment between countries. The Member States with the highest rates in February 2010 are Spain (19.0%/+11.0pp)<sup>5</sup> and the Baltic States: Latvia (21.7%/+16.3pp), Lithuania (15.8%/+11.7pp) and Estonia (15.5%/+11.5pp). They are followed by Slovakia (14.2%/+5.4pp) and Ireland (13.2%/+8.8pp). On the other side of the scale, the Netherlands (4.0%/+1.3pp), Austria (5%/+1.6pp) and Luxembourg

<sup>5</sup> The first figure is the unemployment rate in February 2010, the second is the difference between the highest and lowest rate observed since the beginning of the crisis. The months of the highest and lowest rate observed are determined individually for each state (US) and each Member State (EU27).

(5.5%/+1.6pp) have the lowest unemployment rates. The lowest growth in unemployment has so far, however, been experienced in Germany (7.5%/+0.5pp). Malta (7.1%/+1.4pp), Belgium (8.0%/+1.5pp) and Romania (7.6%/+1.9pp) have also exhibited fairly resilient labour markets during the crisis. In all other Member States the rise has remained between 2 and 4.5 pp so far. The differences in the latter group's unemployment rates observed now are primarily due to differences exhibited already before the crisis rather than differences in unemployment growth during the crisis. Norway (3.3%/+1.0pp), which has weathered the crisis well in all respects, has also experienced very limited growth in unemployment.

**Figure 7: Unemployment rate in February 2010 and increase in the rate since the start of the crisis in the EU27 by Member State, seasonally adjusted**



Source: Eurostat, Monthly unemployment statistics ([une\\_rt\\_m](http://une_rt_m))

For the US overall, the current crisis has led to unemployment rates inching up towards the levels observed in 1982/83 after the second oil shock. While all US states have suffered the impact of the crisis on the labour market, there

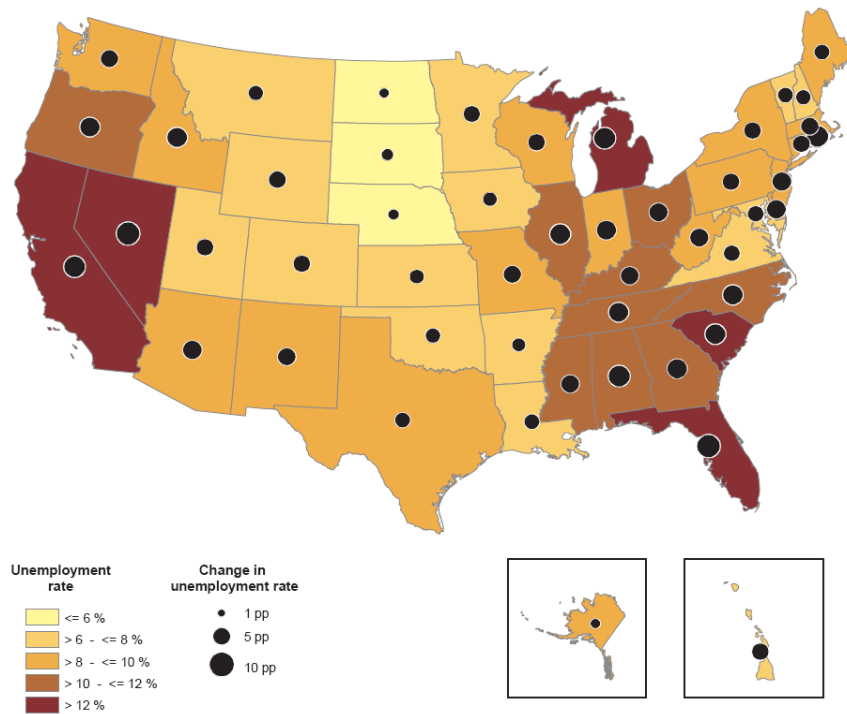
are large differences. In general, states with relatively low levels of unemployment before the crisis showed low increases in unemployment, and vice versa. This has increased the unemployment imbalances across the US.

Figure 7 shows that the three states with the highest unemployment rates in February 2010 were located in different regions: Michigan (14.1 %/+7.8pp) in the Midwest, Nevada (13.2 %/+9.0pp) in the West and Rhode Island (12.7 %/+7.8pp) in the Northeast. Among other states, in California (12.5/+7.7pp),

unemployment has never been higher since the beginning of the series in 1976.

The lowest levels of unemployment have been recorded in North Dakota (4.1 %/+1.6pp), South Dakota (4.8 %/+2.3pp) and Nebraska (4.8 %/+2.0pp).

**Figure 8: Unemployment rate in February 2010 and increase in the rate since the start of the crisis in the US by state, seasonally adjusted**



Source: US Bureau of Labor Statistics

## METHODOLOGICAL NOTES

### Definitions

#### Unemployment

Based on the definition recommended by the International Labour Organisation (ILO), Eurostat defines unemployed persons as persons aged 15 to 74 who:

- are without work;
- are available to start work within the next two weeks;
- and have actively sought employment at some time during the previous four weeks.

The US Bureau of Labor Statistics counts as unemployed persons aged 16 or older who

- are without work;
- are available to work;
- and have actively sought employment at some time during the previous four weeks.

The *unemployment rate* is the number of people unemployed as a percentage of the labour force. The labour force is the total number of people employed plus unemployed.

Detailed information on EU data can be found here:

[http://epp.eurostat.ec.europa.eu/portal/page/portal/employment\\_unemployment\\_lfs/introduction](http://epp.eurostat.ec.europa.eu/portal/page/portal/employment_unemployment_lfs/introduction)

Detailed information on US data can be found here: <http://www.bls.gov/cps/>