



Eurozone

Characteristics of a healthier job market

- The job market continues to recover, although it still has not offset the impact of the Great Recession.
- The unemployment rate will continue to decline, albeit at a slightly slower pace in the months ahead. At the current pace, it would still take another three years to return to pre-crisis levels.
- About 4.5 million jobs were created in the eurozone over the past three years, which is close in volume to the job destructions reported during the crisis. Yet part-time employment has developed rapidly.

The eurozone job market continues to recover. Employment has picked up at a sufficiently rapid pace to lower unemployment, to varying degrees depending on the country. Even so, the impact of the Great Recession of 2008 has not been erased yet. Available data also highlights other striking trends since the crisis, notably the rapid rise of part-time employment.

The job market will continue to recover

In the eurozone, employment bottomed out again in mid-2013 and has been improving ever since (+0.7% in 2014, +1.1% in 2015). Granted, job creations have slowed recently, rising only 0.2% q/q in Q3 2016, the lowest quarterly rate since early 2015. On an annual basis, however, job growth is still rather vigorous (+1.2% y/y), in keeping with the pace of Q3 GDP growth (1.7% y/y). Moreover, data from the European Commission’s survey on hiring intentions (as well as from the survey of purchasing managers) improved markedly in the second half of 2016 and are still looking upbeat in both industry and services.

Over the 3-year period, more than 4.5 million jobs were created in the eurozone according to ECB data. Although the volume of employment exceeds pre-crisis levels in France and of course in Germany as well, the same cannot be said for Italy. In Spain, the road ahead is still very long: employment is still more than 10% below the 2008 figure (see chart 1). In Q3 2016, eurozone employment was only 0.6% lower than at the beginning of the crisis in early 2008, and it will apparently break past this level in 2017. Yet the eurozone’s labour force is also growing (at an average annual rate of 0.3% to 0.4% since 2010), which means that even if employment returns to the 2008 level, the unemployment rate would not fall to the pre-crisis figure. At 9.8% of the labour force in October, the unemployment rate in the eurozone is still 2.5 points above the early 2008 figure (7.3% in Q1). At the current pace of decline, the jobless rate is unlikely to return to pre-crisis levels for another three years, i.e. not before early 2020.

Yet this pace could slow somewhat in the future, under the double impact of a slowdown in job creations in 2017, assuming the expected economic slowdown is confirmed, and an upturn in the labour force, a trend that has accelerated somewhat since mid-2015

Employment

Q1 2008 =100, — EZ ; — GE, - - - FR, — IT, — SP, - - - others

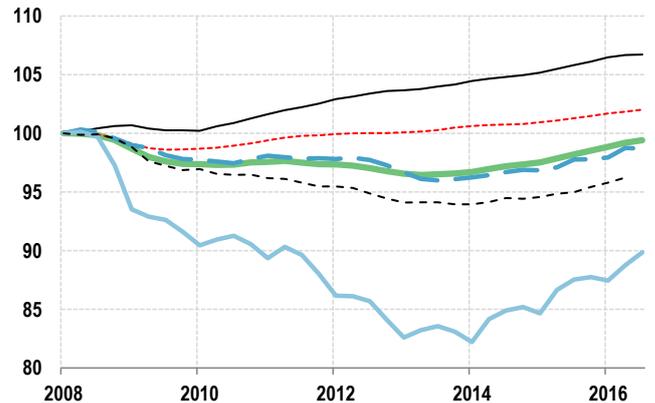


Chart 1 Sources: Eurostat, national sources, BNPP calculations

Unemployment

— Euro area harmonised unemployment rate; — Trend

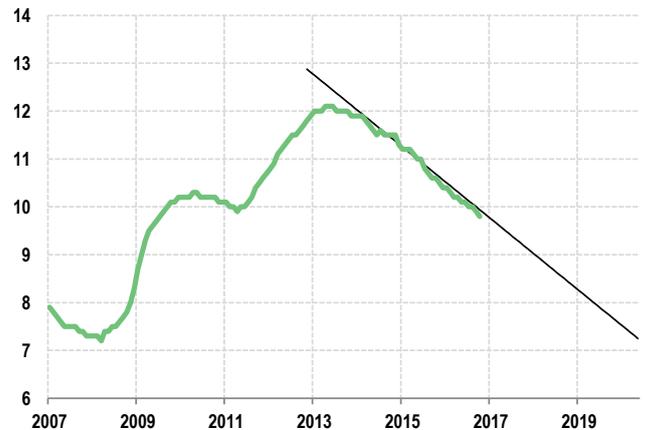


Chart 2 Sources: Eurostat, BNPP calculations

(to at least 0.7% in 2016). The increase in the labour force can be attributed to a combination of factors, albeit to varying degrees depending on the country: higher job market participation rates for women and especially for seniors; a structural trend that certain reforms may have intensified in some countries; the inflow of refugees, the overall impact of which is small, even though it could be significant in the most welcoming countries; and also the “natural” return to the work force of discouraged job seekers, in keeping with cyclical improvements.

Change in the structure of job creations

Although the upturn in employment might seem slow from the perspective of reducing unemployment, several studies show that the pace of job creations was relatively fast during the recovery, faster



than generally foreseen in forecasts, and faster than what could have been expected from GDP growth rates¹. Thanks to several factors, job creations were more reactive to growth in recent years: wage moderation was stronger than in previous recovery phases; some countries conducted structural job market reforms that aimed to facilitate job creations, and others promoted public policies targeting job support measures.

More prosaically, the ECB¹ highlights the intensification of the deindustrialisation process in favour of services – which are traditionally more labour intensive than industrial activities – and the rapid development of part-time work in recent years.

Concerning part-time employment, chart 3 shows the trends in employment and the number of hours worked since 2008 (both per capita and total). During the recessions of 2008-2009, then 2011-2013, the total number of hours worked declined by about 7% from the Q1 2008 level, which is much sharper than the roughly 3.5% decline in employment. On a per capita basis, the number of hours worked also declined by about 3.5% over this period, a normal cyclical trend linked notably to the decline in overtime work and to partial unemployment measures introduced during the period. Since 2013, the average number of hours worked per capita has levelled off at a low level during the recovery phase: cyclical factors that could have boosted the number of hours worked were offset by the effects of a more structural decline in the number of hours worked per capita and the growing importance of part-time employment². Among youth, this is a strong, long-standing and regular trend (chart 4). For middle aged and senior workers, in contrast, the crisis seems to have triggered an increase in part-time employment, whose share of total employment has now peaked at a new threshold. On the whole, the share of part-time work has increased by 3 percentage points since 2008, rising from 18.6% to 21.6% of employment in mid-2016.

■ Employment and number of hours worked

Q1 2008 = 100, — employment; — hours worked, - - - hours worked per worker

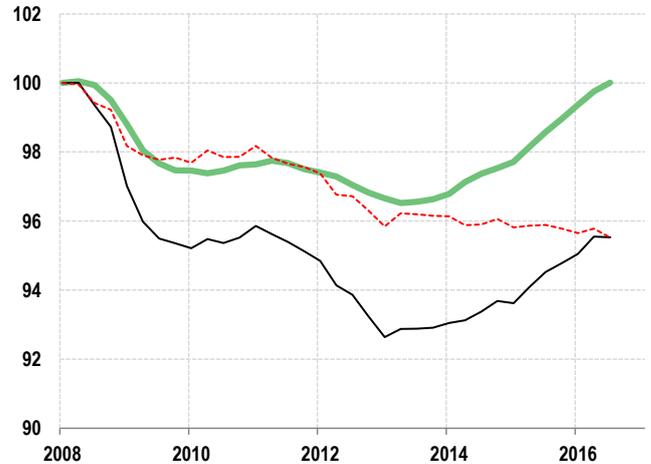


Chart 3

Source: ECB

■ Part-time work

% of total employment, by age:

- - - 15- 24 years, — 55-64 years; — 25-54 years

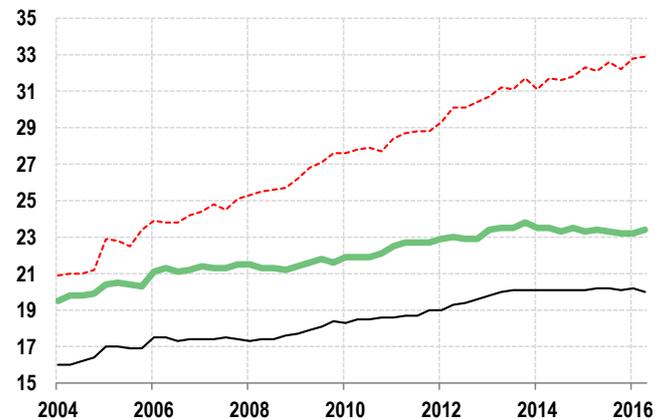


Chart 4

Source: Eurostat

¹ See “The employment-GDP relationship since the crisis”, ECB Economic Bulletin, June 2016 issue.

² As might be expected, the increase in part-time employment was strongest for service sector jobs.