

# The Recovery from Crisis in Southern European Countries: Labour Markets and Job Quality

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The economic crisis of 2007-08 and the Great Recession that followed left deep scars in European labour markets. It is certainly of no surprise that the first signs of resumed job growth and falling unemployment rates have been eagerly taken as firm proof that the crisis is finally over. However, when we step back and examine labour market and social change from a more long-term perspective, we see that the crisis took us back by nearly a decade in terms of social progress and development. The EU countries in the Mediterranean region were particularly hard hit and as a result were also prescribed the crisis 'remedy' of austerity measures and deregulatory structural reforms, which were applied with an exceptional intensity. The question is, have these policies delivered on their promises? And how far along are the southern EU countries on their path to recovery?

## **Resumed Employment Growth...**

After almost 10 years of declining and then stagnating (at very low) growth rates, the economic forecasts for Europe are currently looking more positive, and several headline labour market indicators are also pointing in the right direction. Employment rates seem to be on the rise and unemployment rates are declining. Are we therefore now past the period of labour market slack and untypically low wage growth? Employment rates, which show what proportion of the working age population is in employment, have certainly rebounded from their dire levels at the height of the crisis. By 2017, the EU average employ-

ment rate had caught up with its pre-crisis levels. However, the situation varied substantially across the Mediterranean region. Despite an overall upward trend after 2013, in most countries, including Greece, Italy, Croatia, Spain, Cyprus and Portugal, employment rates in 2017 were still below their 2008 levels (Chart 3). A particular cause for concern is that the countries with the worst employment situations are also where the recovery has been the slowest. Instead of convergence, there has been a deepening divergence across the region. On a more positive note, however, there has been a steady improvement in Malta's employment rate, bringing it close to the EU average and making it the biggest improvement in the Mediterranean region.

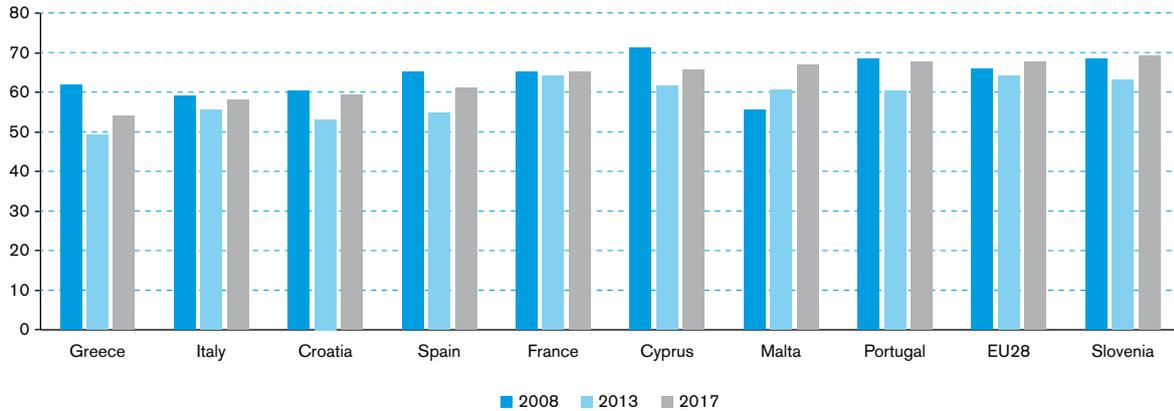
## **...Yet Still a Long Way to Recovery**

However, while this slow and uneven growth in employment rates may be an improvement on previous years, unemployment rates remain high. In the period of resumed job growth, between 2013 and 2017, unemployment rates fell in all Mediterranean EU countries, but in all countries bar Malta they have remained well above their pre-crisis levels (Chart 4). The situation is particularly bad in Greece and Spain, where about every fifth person active in the labour market cannot find a job.

The number of unemployed remains unacceptably high, now standing at 11 million in the Mediterranean region of the EU. The nine countries of this region thus account for more than half of all currently unemployed persons in the EU28. What is more, a substantial share of these (5.6 million) have been unable to find paid work for 12 months or more, putting them in the high-risk category for long-term unemployment.

CHART 3

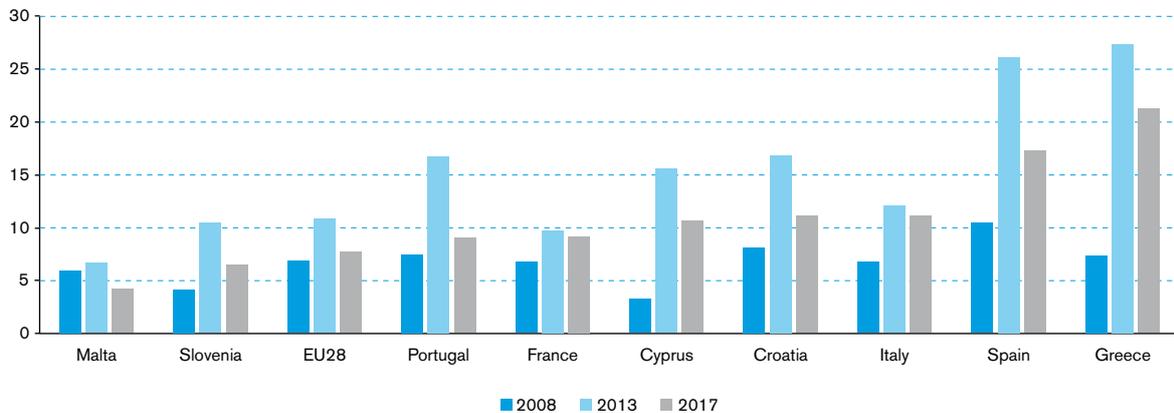
## Employment Rates



Source: EUROSTAT, Labour Force Survey.

CHART 4

## Unemployment Rates



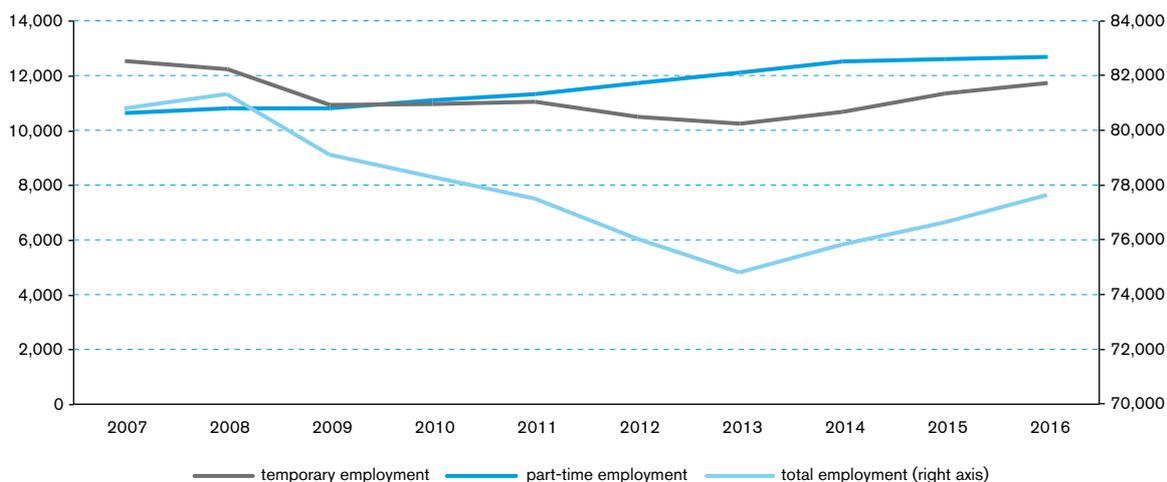
Source: EUROSTAT, Labour Force Survey.

### A Higher Employment Rate Doesn't Always Mean More Jobs

Headline labour market indicators, such as employment and unemployment rates, paint a picture of recovery: a very sluggish one, yet perceptible both in terms of improving participation in employment and the slowly declining share of those unable to find work. However, these indicators oversimplify a reality that is far more complex. Many of the improvements are driven by demographic processes rather than improved labour market performance. For instance, a recovery in the employment *rate* is not the same as a recovery in the *number* of jobs. We need to bear in mind that the crisis pushed many people to leave the most troubled regions. Between 2008 and 2016, the working age population in Spain

shrank by nearly 1 million, in Greece by 430,000, and in Portugal by 340,000 (Eurostat data). Therefore, even with an unchanged number of jobs in these countries we would still see an improvement in the employment rate.

In fact, although some countries did see increases in the number of jobs in the most recent period, the growth was much weaker than the employment rates suggest. Similarly, the overall impact of the crisis tends to be underestimated by focusing solely on changes in employment rates. For instance, between 2008 and 2017, the employment rate in Greece declined by 12.6% while the number of jobs dropped by 18.2%. Such an underestimation of actual job losses was also the case for Spain (6.2% drop in the employment rate and 9.1% of jobs lost), Croatia (a loss of 1.7% and 6.8% respectively) and



Source: EUROSTAT, Labour Force Survey.

Portugal (a loss of 1.3% and 6.5% respectively). This weak recovery in the number of jobs (total employment) is shown in Chart 5.

### A Non-Standard Recovery

Another characteristic of the recovery period in the southern EU countries is a prevalence of non-standard employment, such as temporary contracts and part-time jobs (Chart 5). Currently almost every new contract being signed in Spain is temporary. Short-term work represented almost 90% of new hires in the first two months of 2018 (according to data from *Servicio Público de Empleo Estatal*). Moreover, the duration of temporary contracts is becoming ever shorter. For instance, in France and Spain there has been a rapid growth in contracts lasting no more than one week, amounting to every fourth new temporary contract in Spain.

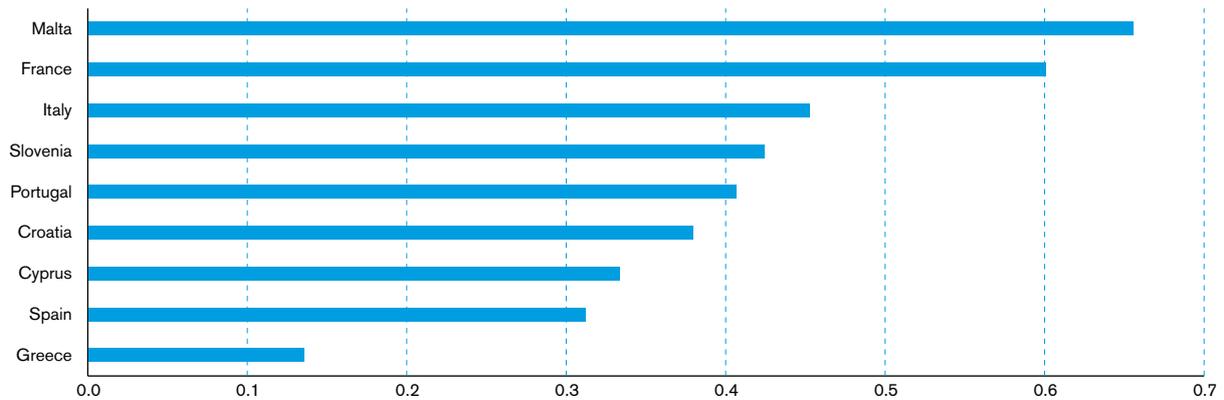
Not surprisingly, temporary employment is currently a primarily employer-oriented solution, with most short-term positions taken up by workers involuntarily: that is, due to the unavailability of permanent jobs. In Croatia, Portugal, Spain and Cyprus, the involuntary temporary employment rate exceeds 80% (according to Eurostat).

These developments are testimony to the ineffectiveness of many of the post-crisis policy measures that aimed at making permanent employment more 'attractive' to employers, mainly via deregulatory

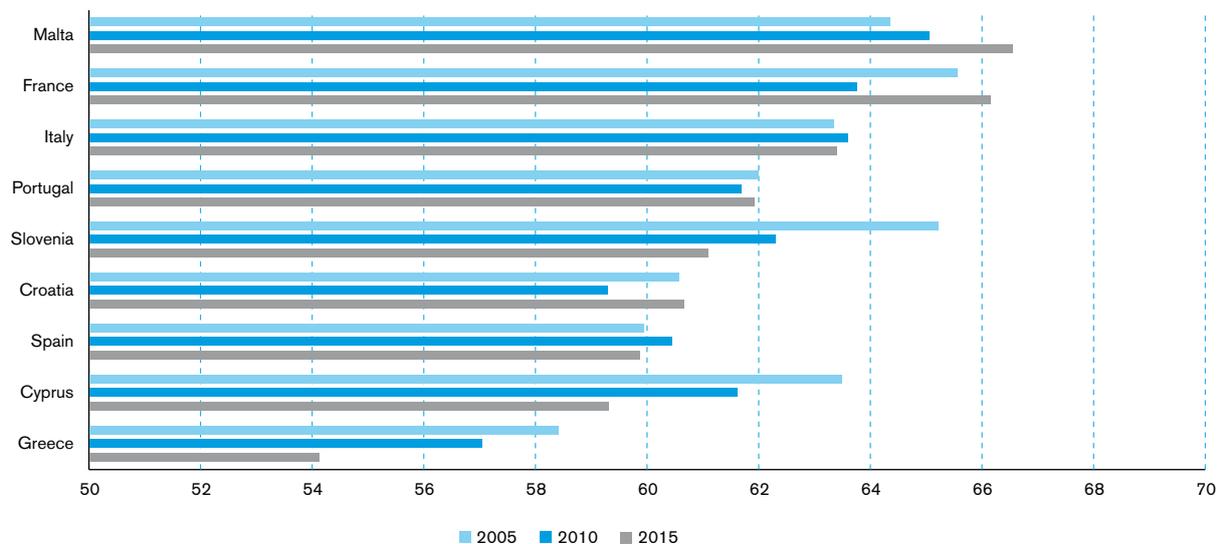
measures or subsidies. Reduced protection for even just a few groups of workers has in fact proven more likely to spread precariousness across the entire workforce than promote the creation of good-quality jobs.

### The Need for Better Jobs

Even in difficult economic conditions one should not lose sight of the aim of creating good-quality jobs. Stable and regular employment supports higher productivity through investment in skills and retention of talent, stabilizes the economy and domestic demand in a downturn, and creates a fiscal base for social protection systems. But there is more to a good-quality job than job security. While permanent contracts generally come with higher wages, better quality of working time and better working conditions than fixed-term contracts, stating that all permanent jobs are of good quality (or that all temporary jobs are bad) would be an oversimplification. A useful tool for analyzing trends in job quality on many dimensions is the European Job Quality Index (JQI). The European JQI takes a broad perspective of the characteristics of work and assesses jobs along six dimensions: (1) wages; (2) forms of employment and job security; (3) working time and work-life balance; (4) working conditions; (5) skills and career development; and (6) collective interest representation. It allows comparison between the

**CHART 6** European Job Quality Index: Overall Job Quality, 2015

Notes: Higher values show better job quality. Overall job quality is the simple average of the six dimensions of the European JQI.  
Source: PIASNA, A. "Bad jobs" recovery? *European Job Quality Index 2005-2015*. Brussels: ETUI (2017).

**CHART 7** European Job Quality Index: Change in Job Quality, Excluding Wages, 2005-2015

Notes: Figure shows the simple average of the five dimensions of the European JQI, excluding wages.  
Source: PIASNA, A. "Bad jobs" recovery? *European Job Quality Index 2005-2015*. Brussels: ETUI (2017).

quality of different jobs held by European workers and analyzes trends in job quality over time.

The job quality ranking of the southern EU countries in 2015 is shown in Chart 6. Malta and France stand out as the best performers, while in Greece the quality of jobs is markedly lower. The unfavourable conditions in Greece are to a large extent a consequence of the recent crisis. As Chart 7 shows, between 2005 and 2015, job quality declined the most in Greece, Cyprus and Slovenia (for the sake of clarity we leave out wages from the trend analysis). The most positive developments were ob-

served in Malta, with steady improvements not only in the quantity but also the quality of jobs. Moreover, in France and Croatia job quality declined during the crisis, but by 2015 had recovered and surpassed its 2005 levels.

### Mounting Challenges for Southern Europe

The revived economic growth has brought high hopes and an improvement in leading labour market indicators, such as the employment and unemploy-

ment rates. However, a closer look at the quality of jobs created and the real demand for labour reveals a rather bleak picture in many parts of the Mediterranean.

### Stable and regular employment supports higher productivity through investment in skills and retention of talent, stabilizes the economy and domestic demand in a downturn, and creates a fiscal base for social protection systems

For most of the countries in the region, this can be considered a 'lost decade' in terms of labour market developments. Convergence between countries can be seen mainly in the trend towards more precarious and non-standard forms of work, but not in the improvement of work and employment conditions. A particularly worrying development has been the growing distance between the most struggling countries and the better performers.

The recovery in the real demand for labour (as measured by the total number of hours worked by all employed in a given country) has been lagging in comparison to the recovery in the number of

jobs. This translated into a growth in involuntary part-time or short-hour jobs with low incomes. The recovery period has also seen a resumed growth in temporary employment, which is increasingly difficult for workers to escape. This growth in non-standard employment is putting workers and their families at risk of poverty and social exclusion, a risk that has substantially intensified since the onset of the crisis.

Investment in skills and competences is necessary to ensure economic progress and competitiveness in the context of technological transformation and demographic and environmental change. However, recent trends indicate that highly skilled workers are very often employed below their qualification levels, and that young graduates still have difficulty in making transitions into quality jobs in the labour market. Therefore, policy should not limit its focus to education systems and the quality of human capital but should also give attention to the quality of jobs created. Moreover, public expenditure on labour market policies has not been increasing at a sufficient rate to cope with the rapidly increasing numbers of unemployed, with cuts affecting labour market services as well as activation and income support policies. With persistently high unemployment rates and a high share of long-term unemployed, these developments are undeniably cause for concern. The lost potential over the past decade now means that greater efforts will be needed to face the challenges ahead.