



Employment in Europe 2007



EMPLOYMENT IN EUROPE 2007

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FOREWORD

BY MR VLADIMÍR ŠPIDLA, COMMISSIONER FOR EMPLOYMENT, SOCIAL AFFAIRS AND EQUAL OPPORTUNITIES

The Commission actively supports Member States in the analysis, design and implementation of their employment policies. The *Employment in Europe* report is one of the main instruments of this support.

The 19th edition of the *Employment in Europe* report comes at a time when the EU is experiencing strong employment expansion: in 2006, employment increased in all EU Member States and overall job growth has been the strongest since the launch of the Lisbon strategy in 2000. Moreover, strong job creation appears to be continuing in 2007. This is very positive news which shows that policy efforts in the area of employment are beginning to bear fruit in many Member States. At the same time, we must not forget that the ambitious Lisbon and Stockholm employment targets remain a considerable challenge and leave no room for complacency.

As in previous years, this issue of *Employment in Europe* addresses topics that are high on the European Union's employment policy agenda, complementing and expanding on the themes covered in previous reports. In particular, as in 2006, the report aims to inform the broad policy debate on flexicurity, which resulted earlier this year in a Commission Communication on Flexicurity with a view to reaching an agreement on a set of common principles at European level by the end of 2007. The report also takes account the European Year of Equal Opportunities 2007 by addressing the issue of work-life balance. It also complements the recent Commission Communication on Youth with a special focus on youth employment.

The overarching theme of this report is flexicurity and the closely related issue of life-cycle approach to work. While last years' report focused on the external aspects of flexicurity, this year's chapter on working time and work organisation seeks to enrich the flexicurity debate by looking at internal flexibility, i.e. within firms. Both the chapter on older workers and the panorama focus on young people expand on the review of the labour market trends for these two groups featured in the *Employment in Europe 2005* and aim to contribute to the promotion of a life-cycle approach to work. As in previous years, the *Employment in Europe 2007* pays particular attention to human capital development and looks at the issue of vocational training and, in particular, at the role of public policies in this domain. Finally, the report examines the evolution of the labour income share in the EU and addresses important issues, such as equity, efficiency and stability in the age of globalisation and rapid technological progress.

The findings presented in *Employment in Europe 2007* are a highly relevant contribution to the employment policy debate in the European Union and in the Member States. I would therefore like to recommend this report to you.



Vladimír Špidla

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EXECUTIVE SUMMARY

PANORAMA OF THE EUROPEAN LABOUR MARKETS WITH A SPECIAL FOCUS ON YOUTH EMPLOYMENT

- Stronger economic growth in 2006...*** Economic growth in the EU turned out to be better than expected in 2006, mainly due to brisk global growth and favourable domestic conditions. GDP growth for the EU-27 averaged 3% for the year as a whole, up from 1.8% in 2005, and is expected to grow at a similar rate in the current year.
- ...has led to a robust recovery of labour markets in the EU*** In 2006, labour markets in the EU made a robust recovery. After rather modest increases in previous years, employment growth in the EU-27 picked up significantly in 2006 and, at 1.4%, was at its strongest since 2000. In addition, labour productivity accelerated in comparison with 2005 and grew at a slightly higher rate than in the United States, although the EU continued to underperform slightly in relation to the United States in terms of employment growth.
- Progress towards the overall Lisbon employment target has been the best since 2000, and there has also been marked progress towards the female and older workers' targets*** Due to stronger employment growth, the EU has made its best progress since 2000 towards its overall employment rate target of 70%, as well as towards the targets for female (60%) and older workers' (50%) employment rates. The overall female and older workers' employment rates reached 64.3%, 57.1% and 43.5%, respectively in 2006. Despite this progress, it seems increasingly challenging for the EU to meet the overall employment target of 70% and the older workers' target of 50% within the next four years, although the target of 60% for female employment seems to be within reach.
- Employment growth has been positive in all 27 Member States...*** For the first time in at least a decade, employment expanded across the entire EU, with all 27 Member States showing a rise in employment. Particularly high employment growth was observed in a number of the new Member States, namely Estonia, Latvia, Poland, Bulgaria and Slovakia, and in Ireland, Luxembourg and Spain. Even those Member States that had displayed no increases in employment in the previous year, namely Germany, Hungary, the Netherlands and Portugal, experienced significant employment growth in 2006.
- ...with prime-age workers and employees in full-time or permanent employment making a strong contribution*** Overall, there was a net increase of over 4 million persons in employment in the EU-27 in 2006, with women contributing slightly more to employment creation than men. With respect to age, prime-age workers aged 25–54 accounted for almost two-thirds of this increase, with a higher share of prime-age women than men. Older workers above the age of 54 contributed just under a third to employment growth. Almost 90% of employment growth was due to employees in paid employment, with the remainder due to the self-employed.
- Strong disparities in labour market outcomes persist across Member States*** Despite an increase in employment in all Member States, large variations persist across countries. In 2006, employment rates ranged from as low as around 55% in Poland to more than 77% in Denmark. At the same time, employment rates for women remain substantially below those for men in most of the EU-27. There is also a substantial variation between Member States with respect to employment rates for older people aged 55–64.

Positive outlook for continued employment growth

The continuing economic upturn is expected to have positive effects on the labour market. Employment is projected to grow by 1.4% in 2007 and 1.1% in 2008. With more jobs being created, the number of jobless is likely to decrease even further: the unemployment rate is expected to fall to 7.2% in 2007 and 6.7% in 2008.

Youth unemployment remains a challenge, despite some recent improvements

A more detailed look at the employment situation of the younger generation reveals that youth unemployment and difficulties in successfully integrating young people in the labour market remain a challenge for many EU Member States. Despite signs of some overall recent improvements, a real breakthrough in reducing youth unemployment has yet to occur. At 17.4%, the average youth unemployment rate in the EU is still at a high level and it has not improved relative to unemployment rates for prime-age adults. Furthermore, as a whole, the EU underperforms in the international context, with substantially more youth in unemployment and fewer working than in other industrialised countries, such as the United States, Canada or Japan.

Youth in precarious jobs or long periods of inactivity are especially at risk of economic and social exclusion

Young people frequently face problems in making a smooth and rapid transition from education to work. A small but significant part of youth remains trapped in temporary, often low-pay jobs from which they find it difficult to exit. Another group at risk are those youth who experience longer spells outside employment, education or training.

Addressing school failure and familiarising youth with working life are needed...

Insufficient education attainment is one of the main causes behind the poor labour market performance of young people. Therefore programmes, which address school failure early on, familiarise youth with the world of work and prepare them for the need for lifelong learning in order to adapt their qualifications throughout their working lives, are a crucial factor to improve the labour market situation of young people.

...along with effective activation strategies and removing obstacles to hiring young people

In addition, better integration of disadvantaged youth suffering from long spells in unemployment or inactivity will also require more effective activation strategies than in the past. Moreover, youth are one group which is most likely to be negatively affected by institutional settings favouring those with a permanent job at the expense of newcomers. The problems due to labour market segmentation could be partly addressed by making it easier for firms to hire young people.

ACTIVE AGEING AND LABOUR MARKET TRENDS FOR OLDER WORKERS

Population ageing is a serious challenge to the labour market, economic growth and social protection systems in Europe

The EU is facing a substantial challenge due to population ageing, which is the result of low fertility rates and increasing life expectancy. The population is expected to become much older, with a marked change in the age structure of both the overall and working-age populations, and with the labour market more and more influenced by the older generation. This will have an impact on economic growth and lead to mounting pressure on social protection systems.

Increasing the labour force participation of older people is essential, through addressing the reasons for their inactivity

In this context, increasing participation, especially of older people, and delaying the exit from the labour force will be essential. However, currently over half of 55–64 year olds in the EU are inactive, mainly for reasons of retirement but also due to poor health, personal or family responsibilities, or the belief that no work is available. Transition into inactivity for older people is nearly always a path of no return.

Active ageing strategies are starting to produce results, with employment

Recent results indicate that efforts by Member States to implement measures in support of active ageing, as called for by the European Employment Strat-

of older workers up markedly since 2000...

egy, are starting to produce results. Employment of older workers has been one of the most dynamic components of the EU labour market in recent years, with employment rates for older workers up 7 percentage points since 2000, even though this was, for a large part, a period characterised by sluggish economic and employment growth. Pension reforms and cohort effects among women have contributed to this improvement.

...and with this, expansion associated with positive aspects of employment

The recent rise in the employment of older workers has not been associated with any noticeable rise in the precariousness of their employment, nor is it mainly associated with an increased prevalence of part-time work or self-employment. Furthermore, much of the employment growth has been in relatively highly skilled, knowledge-intensive sectors, and with a shift away from the more manual occupations towards the non-manual and more knowledge-intensive occupations. This suggests that older workers' employment is benefiting from the ongoing trends of population ageing and the shift to a more knowledge-based economy.

While the increase of female older workers is mainly due to cohort effects, for men it appears more strongly linked to recent policy measures related to active ageing

Much of the rise in employment rates for older workers is due to the increase in rates for older women, which is due in turn mainly to the knock-on effect of the increasing participation over time of women in general (women of younger generations have higher age-specific participation rates than women of older generations). This is as a result of changes in cultural attitudes regarding female participation, higher skill levels among women and greater possibilities to reconcile work and family responsibilities. In contrast, the increase in rates for men is a result of the delays in exiting the labour market, this being more due to such factors as reforms of pension and social protection systems, and other recent measures associated with active ageing.

Despite recent improvement much remains to be done to reach the Stockholm target

Despite the recent improvement, efforts to promote active ageing must still be pursued vigorously. Labour market participation of older people in Europe remains low by international standards and the employment rate for people aged 55–64 is still 6.5 percentage points from the Stockholm target of 50% by 2010. Nevertheless recent trends suggest the chances to make substantial progress are encouraging.

There are different approaches to active ageing across Member States – countries with more integrated approaches are more successful than others

Different types of approach to active ageing currently exist across Member States. Features of the systems which are more successful in supporting active ageing include good levels of general health for older people and reasonably high standard retirement ages; relatively high spending on active labour market policy measures and participation in lifelong learning; flexibility with regard to working hours and work organisation; and reduced financial pressures on older workers to leave the labour market, both in terms of the financial incentives for older workers to retire and the cost pressure on employers to hire younger rather than older workers. Certain groups of Member States, in particular Nordic countries, have implemented a more integrated approach to active ageing and have been relatively more successful in integrating and retaining older workers in employment compared to others.

Raising older people's labour market participation requires addressing a range of factors...

Increasing the labour market participation of older workers further will require overcoming the continuing barriers and disincentives they face to employment. A broad range of factors needs to be addressed. Apart from financial incentives embedded in pension systems, early retirement schemes and other tax and benefit systems, as well as more flexible wage-setting that is less linked to seniority, the general challenges include changing attitudes to older workers, maintaining and promoting the health and working capacity of workers as they age, and developing the skills and employability of older workers through effective lifelong learning. Suitable working conditions need to be provided, including more flexible working time and work-organisation

arrangements, together with employment opportunities for an ageing workforce. It is also necessary to provide a generally supportive environment for active ageing.

...including gender-related aspects of differences in participation at all ages

Addressing gender-related issues is important. The low employment rate for older workers in Europe is largely a result of the relatively low rates for older women, and, in a broader perspective, for women in general. Further efforts to reduce the gap in activity between men and women will be a key element of any strategy to increase the labour supply of older people. In this context, lack of sufficient support for women in combining work and family responsibilities continues to be an important factor limiting their participation, while it will be increasingly important to develop new mechanisms or extend existing policies to ensure adequate coverage of older female workers' needs.

Wider implementation of integrated strategies is needed, with a focus on the entire working lifespan

Addressing the challenge of demographic ageing and its impact on the workforce will require the wider implementation of more integrated strategies than has been the case to date. Measures are needed which emphasise the integration of older workers and improve their employability as well as closing off early exit pathways. Member States have been undertaking reforms and implementing measures to support active ageing, and there are also some indications that employers are beginning to address the issue of managing an ageing workforce, but further progress is needed. In taking active ageing forward, particular attention should be paid to promoting access to employment throughout working life; a comprehensive active-ageing strategy must focus on the entire working lifespan and all age groups, not just older workers.

WORKING TIME, WORK ORGANISATION AND INTERNAL FLEXIBILITY – FLEXICURITY MODELS IN THE EU

Flexicurity is an integrated strategy also involving flexibility within the firm

The recently adopted Commission Communication on flexicurity recognises that flexibility goes beyond the ease or difficulty to hire and fire employees (external flexibility) and can also be provided within the firm, either via flexible working-time arrangements (i.e. internal flexibility) and/or different forms of work organisation, such as teamwork, work rotation, discretion at work (i.e. functional flexibility).

This may concern either flexible working-time arrangements (internal flexibility)...

Since the mid-1990s, the rise in the incidence of part-time work is associated with the substantial increase in the female employment rate – more than offsetting the trend decline in hours worked per worker – leading to an overall increase in labour utilisation. The incidence of flexible working-time arrangements varies significantly across EU Member States. The evidence from surveys suggests that flexible working-time arrangements help to reconcile professional demands with employees' preferences, leading to increased job satisfaction and a better work-life balance. On the other hand, long and irregular working hours tend to be detrimental for the perceived job quality and health conditions of workers.

...or flexible forms of work organisation (functional flexibility) Innovative workplace practices enhance firms' competitiveness, but there is no convergence towards a single model of the 'flexible firm'

Competitiveness pressures and technological progress have led many firms in advanced economies to adopt more flexible forms of work organisation, together with complementary human resource management policies. Flexible forms of work organisation are loosely characterised by flatter hierarchical structures, a stronger involvement of employees in decision making, and greater discretion/autonomy of workers in the completion of their tasks, coupled with richer job content. These innovative working practices show significant complementarities/synergies and are more effective when combined with certain human resource management practices, such as on-the-job training

and contingent pay systems. However, there is no overall convergence towards a single model of the flexible workplace. Firms in EU Member States have adopted distinct national strategies of organisational change because of different institutions, socio-political preferences, economic structures, historical contexts, etc.

The taxonomy of flexicurity regimes needs to be updated by considering forms of flexibility provided within the firm...

Based on the institutional complementarities/policy regimes literature, the 2006 issue of *Employment in Europe (EiE)* proposed a typology of EU labour markets along the dimensions of flexibility and security. However, flexibility referred exclusively to its external component as measured by OECD's *Employment Protection Legislation (EPL)* indicator. The 2007 issue of *EiE* uses data from the *European Survey of Working Conditions* (European Foundation) to compute country-specific indicators of various forms of flexibility provided within the firm (both internal and functional) in order to update and refine the taxonomy of EU flexicurity systems presented in *EiE 2006*.

...which turn out to provide significant value added. Advanced internal flexibility is an important component of 'good' flexicurity models

The analysis strongly suggests that consideration of both external and internal forms of flexibility (and their interaction) is essential to characterise labour markets/flexicurity regimes across the EU. Two regimes are found to be associated with relatively 'good' socio-economic outcomes. The first regime (mainly 'Anglo-Saxon' countries) is characterised by high external flexibility combined with average levels of advanced forms of internal flexibility. It displays high labour mobility, low segmentation, innovation, take-up of training by employees and moderate success in poverty reduction, combined with low budgetary costs. The second regime (mainly 'Nordic' countries) is characterised by advanced forms of internal flexibility (complex tasks, workers' autonomy, flexible working-time arrangements), combined with moderate levels of external flexibility. It is associated with good economic outcomes (labour market, productivity, innovation); greater job satisfaction and work-related health; and strong reduction in inequality/poverty, combined with higher budgetary costs. Therefore there is no model that performs better on all counts i.e. there is no single policy 'recipe' for success.

A rich job content and autonomy at work seem to be part of win-win strategies that can simultaneously improve firms' results and raise employees' job satisfaction...

Different flexible practices of work organisation do not have the same impact on the quality of working conditions. The advanced internal flexibility (or discretionary learning) model, which combines greater demands on workers, in terms of responsibilities and problem-solving activities, with increased autonomy at work, may represent a win-win solution, reconciling both employers' and employees' interests, particularly when combined with better support for workers moving between jobs and enterprises. In fact, it is simultaneously characterised by firms' enhanced performances and better working conditions as opposed to traditional forms of work organisation. On the other hand, more basic forms of functional flexibility, such as task rotation, teamwork and strict production norms, seem to be detrimental to job satisfaction, work-life balance and work-related health outcomes.

...and they are also key for learning and innovation

The way work is organised plays a key role in the absorption and creation of knowledge. Models characterised by discretion/autonomy at work combined with complex problem-solving activities are the best performing in the development of in-house innovation, while the so-called 'lean' model, characterised by a low degree of autonomy and a large emphasis put on task rotation and teamwork, tends to be associated with the adoption and/or modification of existing technologies. Workers' discretionary efforts in understanding and solving production-related problems seem, therefore, to be a key factor for learning and innovation, in addition to completing 'standard' education levels (i.e. secondary education) and/or participating in lifelong training.

STRENGTHENING CONTINUING VOCATIONAL TRAINING AT THE INITIATIVE OF THE ENTERPRISE

Continuing vocational training is increasingly important due to major long-term trends that have affected EU economies over the past decades

Continuing vocational training at the initiative of the enterprise is being increasingly recognised in EU economies, given the long-term trends and characteristics of the structural changes in modern economies over past decades. These changes have been marked by a transition from a model of production based on mass production to a new productive model driven by quality and innovation; a major employment shift towards service sector jobs; and the significant increase in the education attainment level of the workforce. These changes have strengthened the need for continuing vocational training to guarantee that workers who entered the workforce several decades ago have the skills required to participate effectively in today's economy, but they have also put an increasing pressure on the new generations of workers to continuously acquire the skills necessary to learn and innovate in a new era characterised by rapid change.

Policies targeted towards continuing vocational training could pursue four key objectives in the context of the Lisbon Strategy for Growth and Jobs

There are at least four good reasons that call for the strengthening of continuing vocational training in the context of the Lisbon Strategy and these may also form the objectives for future policies. First, policies can reduce social exclusion and income inequality caused by insufficient human capital by raising the skills and the employability of at-risk workers. Second, these policies can be a means of keeping older workers, who entered the labour force with low levels of schooling, active in the labour market, thereby helping sustain the social protection systems. Third, policies targeted towards continuing vocational training are a crucial ingredient for the implementation of flexicurity policies by making internal labour markets more dynamic in the context of permanent economic changes, and workers' skills more transferable among employers, while reinforcing the perceptions of employment security. Finally, these policies can help ensure that workers acquire and upgrade the skills necessary in an era characterised by rapid change and learning, making European enterprise more competitive in the knowledge-based economy.

There are signs that the free market is unable to provide an efficient level of investment

There are some indications that the free market cannot provide an efficient level of investment in continuing vocational training because of possible market failures. Probably the most prominent market failure related to continuing vocational training is the poaching problem. This refers to the possibility that workers leave their current employers who provided the training in order to join other employers who do not pay for such an activity but gain part of the resulting benefits. In many circumstances, such market failure does not provide adequate incentives for employers to invest in continuing vocational training.

Findings show that equal access to training remains an issue for the EU

Empirical findings indicate that some groups of employees have a lower likelihood of participating in employer-sponsored training than others in the EU. Access to training remains unequal, particularly for older workers, the less educated, those in precarious jobs and workers with the lowest income. This has a negative impact on the employability of these groups, and hence increases the risk of social exclusion and income inequality. It also undermines the sustainability of the social protection systems by increasing the older workers' probability to exit the labour force early. Furthermore, the likelihood of participation in training remains quite low in small enterprises, which has potential negative effects on the innovation activities of this important business segment.

Government intervention can thus be justified on the grounds of efficiency and equity

For these reasons, government intervention may be required to ensure that the two traditional objectives of education and training – i.e. efficiency and equity, as stressed by the Commission's 2006 Communication *Efficiency and*

equity in European education and training systems – are reached. In this respect, government intervention can take three different forms: provision, regulation and funding. However, when implementing policy instruments, governments have to find the right balance among these forms of intervention in order to achieve both efficiency and equity.

Supply-side policies may help secure investment in continuing vocational training...

Specially designed policies may contribute to reducing under-investment in continuing vocational training, while, in certain circumstances, improving equality of access to training for all workers. These policies include fiscal incentives and subsidies, collective labour agreements and compulsory agreements through levy-based schemes. When designing such policies, governments should, nevertheless, be careful to avoid possible adverse effects on the efficiency of resource allocation.

...as well as its benefits

Supply-side policies may also help secure the benefits of continuing vocational training. Reforms aiming at aligning productivity and wages should be considered with caution because they may reduce the benefits from continuing vocational training that accrue to the employers providing such training to their employees. On the contrary, policy instruments aiming at reducing turnover, such as payback clauses, may be useful since, to a certain extent; they allow employers to secure the benefits of their investment in continuing vocational training. Lastly, policies promoting quality assurance, accreditation and certification of training may have differentiated effects. Whilst the accreditation of training contributes to improving the information on the quality and nature of training, thereby helping employers to take training decisions, the certification of training may reduce the incentives of firms to provide continuing vocational training to their employees (certification increases the transferability of their employees' skills by making them more visible to other employers). On balance, however, these policies are socially desirable, as they can ease job-to-job mobility, thus contributing towards implementing flexicurity policies.

THE LABOUR INCOME SHARE IN THE EUROPEAN UNION

The labour income share in Europe has been declining since the mid-1970s, while the skill composition of the total wage bill has changed notably

The labour income share, which measures the part of value added that is allocated to labour, fell markedly in the EU and Japan, and to a lesser extent in the USA. In the EU, the labour income share started to decline shortly after the first oil price shock, currently falling below the levels attained in the 1960s. The data also shows that the share of the skilled workers rose steadily over past decades while the share of the unskilled workers declined progressively.

This evolution has a major socio-economic importance

The evolution of the labour income share involves issues of equity, economic efficiency and macro-economic stability because it has an impact on personal income distribution and social cohesion, the direction of the adjustment in wages and employment, and the composition of aggregate demand.

Technological progress, and labour market institutions and policies can be seen as the most important drivers of this evolution, but they have differentiated effects on the income shares of workers with different skill levels

Once the restrictive assumptions of the basic neo-classical growth model are relaxed, the evolution of the labour income share can be understood as the outcome of a complex interaction between technological progress and labour market institutions and policies, and, to a lesser extent, other drivers, such as trade openness. However, depending on the degree of substitution between the production factors, changes in these drivers may have a different impact on the income share of the different skill types. This is very well illustrated by the effects of variables associated with technological progress, such as capital-to-labour ratio or ICT use, which has a positive effect on the income share of medium- and high-skilled workers and a negative impact on the income share of low-skilled workers.

Technological progress has been a major driving force the decline in the labour income share

Technological progress appears to have made the largest contribution to the fall in the income share of aggregate labour. However, this loss was unevenly spread over the different skill-types as the high-skilled workers increased their share while the low-skilled workers saw their income share fall. Trade openness also had a negative impact on the aggregate labour income share but to a lesser extent than technological progress, and its impact fell primarily on the medium-skilled workers.

Balanced packages of stability and growth-oriented macro-economic policies and labour market policies are needed in order to address any adverse developments in the labour income share

In order to address any adverse developments in the distribution of value added between capital and labour and between the different skill types of labour, policy-makers need to pursue macro-economic policies oriented to stability and growth, creating an economic environment that contributes to further capital and technological progress. However, in order to realise this potential, it is imperative that these policies are complemented by labour market policies that take into account the different responses of the different skill types to these drivers and, most importantly, by policies that allow the low-skilled to progress to a higher skill level so that the adverse effects, which stem from their high degree of substitutability with capital, can be mitigated.

Policies based on flexicurity principles are a concrete way forward for promoting a fairer share of the fruits of economic growth

Some degree of employment flexibility within a secure context should facilitate the creation of new jobs and the destruction of those that become unproductive, as well as facilitate the swift progression of workers to more rewarding jobs rather than keeping them trapped in low-skilled jobs, the income share of which is adversely impacted by capital deepening and technological progress.

CONCLUSIONS

A cyclical upturn in the economy contributed last year to the best employment performance of the EU since the launch of the Lisbon Strategy...

Employment expansion, apparent in the EU since 2004, continued in 2006, this time significantly helped by a relatively broad-based economic recovery. Each of the EU Member States recorded employment growth in 2006 and the total net increase of over 4 million people in employment represented significant progress toward the Lisbon and Stockholm employment targets, proving last year to be the most successful since the launch of the Lisbon Strategy in 2000.

...but this only strengthens the case for speeding up structural reforms in areas such as flexicurity and a life-cycle approach to work...

The improved economic climate should by no means obscure the urgent need for a continuing labour market reform across the EU. On the contrary, the current cyclical improvement presents a unique opportunity to push more strongly for the structural changes needed to achieve a breakthrough towards the overarching Lisbon objectives of full employment, quality and productivity at work, and social and territorial cohesion. The analysis presented in this *Employment in Europe* demonstrates how a strategic and integrated policy approach towards key priority areas identified in the conclusions of the 2006/2007 Joint Employment Report, such as a life-cycle approach to work or flexicurity, can actually make a difference to the labour market performances of different Member States.

...as the analysis presented in this report demonstrates.

Life-long learning remains a necessary ingredient of successful policy packages in the EU labour markets and this year's *Employment in Europe* report looks specifically into policy solutions that improve both efficiency and equity in continuing vocational training. This report also examines the recently much-debated issue of the labour income share developments in the EU and suggests some policy responses best equipped to mitigate their possible adverse effects. Overall, the findings of *Employment in Europe 2007* support the general direction of the main policy initiatives at EU level within the employment pillar of the re-launched Lisbon Agenda.

PANORAMA OF THE EUROPEAN LABOUR MARKETS

1. INTRODUCTION

This chapter provides an overview of recent developments in the European labour market until 2006 and compares them with developments in an international context, in particular with those in the United States and Japan. The chapter begins with an overview of recent labour market performance, examining the current situation and recent trends in the European Union (EU) set in a global perspective. It then focuses in more detail on the latest developments in activity, employment and unemployment rates across the individual Member States, with a focus on progress with regard to the Lisbon and Stockholm employment rate targets. The chapter also contains a special section on the labour market performance of young people in the EU which complements Chapter 2 of this report on active ageing and labour market trends for older workers. The findings reported in this chapter are based on data available up to June 2007¹. EU averages generally refer to all 27 Member States of the EU, while some of the tables and charts include data for the EU-15 aggregate to provide a longer-term historical perspective.

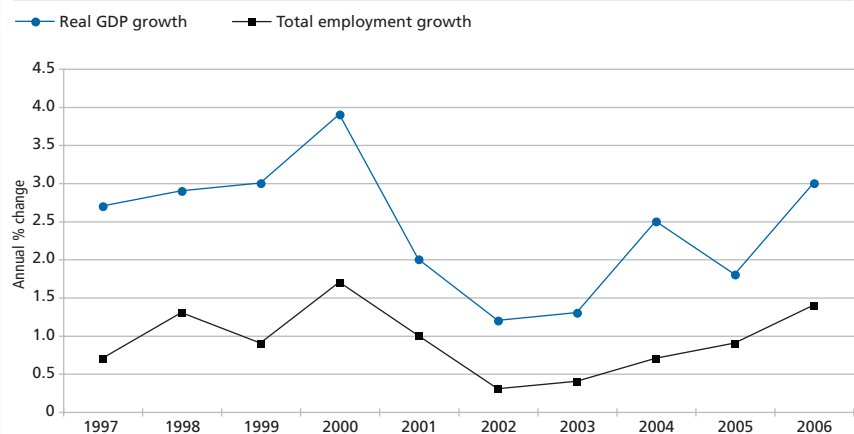
2. EU LABOUR MARKET PERFORMANCE IN A GLOBAL PERSPECTIVE

The world economy continued to develop strongly in 2006. World GDP growth for 2006 is estimated

at 5.2%, up from 4.8% in 2005 and only slightly below the recent high of 5.3% observed in 2004. Particularly strong growth was again observed in certain emerging economies such as China (10.7%) and India (8.7%). In the United States, economic activity started to

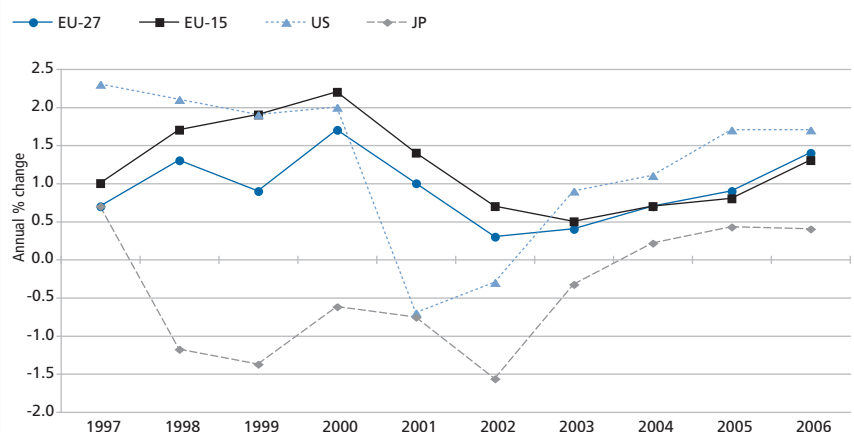
slow down after a strong first quarter in 2006, mainly due to a downturn in the housing sector and the accompanying decline in residential investment, but also to a slowdown in manufacturing. Nevertheless, GDP growth was still at 3.3%, compared to 3.2% in 2005. In Japan the

Chart 1: Real GDP growth and employment growth in the EU, 1997–2006



Source: Eurostat, national accounts.

Chart 2: Employment growth in the EU, US and Japan, 1997–2006



Source: Eurostat, national accounts.

¹ The figures in this chapter are based on the data available up to June 2007 and generally include data for the years up until 2006. For further details on the data and the sources used, see the statistical annexes.

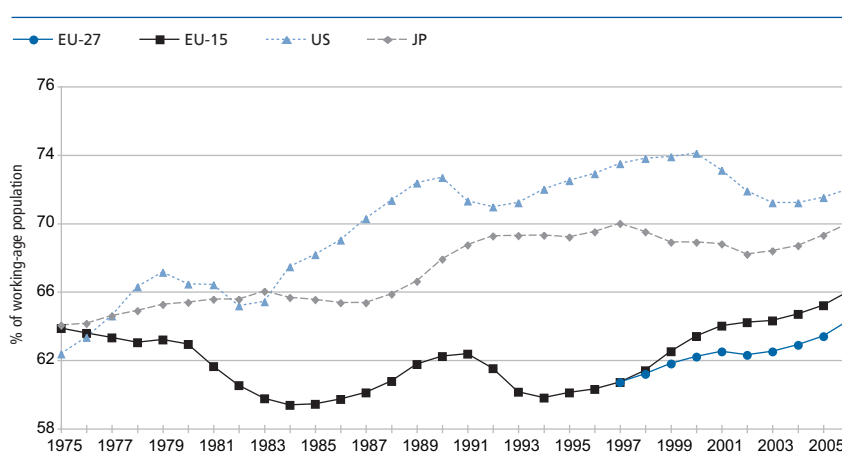
Table 1 - International comparison of key indicators, 2004 – 2006

	2004	2005	2006
Population (millions)			
EU-27	487	489	491
EU-25	457	460	462
EU-15	383	386	388
USA	293	296	298
Japan	128	128	128
GDP (in 1000 million purchasing power standards, current prices)			
EU-27	10670	11099	11671
EU-25	10453	10865	11414
EU-15	9522	9874	10344
USA	9795	10312	10859
Japan	3147	3271	3406
GDP growth at constant prices (annual % change)			
EU-27	2.5	1.8	3.0
EU-25	2.4	1.8	2.9
EU-15	2.3	1.6	2.8
USA	3.9	3.2	3.3
Japan	2.7	1.9	2.2
Employment rate (as % of working age population)			
EU-27	62.9	63.4	64.3
EU-25	63.3	63.8	64.7
EU-15	64.7	65.2	66.0
USA	71.2	71.5	72.0
Japan	68.7	69.3	70.0
Employment growth (annual % change)			
EU-27	0.7	0.9	1.4
EU-25	0.7	0.9	1.5
EU-15	0.7	0.8	1.3
USA	1.1	1.7	1.7
Japan	0.2	0.4	0.4
Unemployment rate (as % of civilian labour force)			
EU-27	9.0	8.7	7.9
EU-25	9.0	8.7	7.9
EU-15	8.0	7.9	7.4
USA	5.5	5.1	4.6
Japan	4.7	4.4	4.1

Source: GDP and employment growth from national accounts, Eurostat (employment growth for Japan from AMECO database, Commission Services). GDP in purchasing power standards from AMECO database, Commission Services. Employment rate from Eurostat (annual averages) and OECD data for US and Japan. Unemployment rate from the harmonised unemployment series, Eurostat. Population from demographic statistics, Eurostat, and for US and Japan from AMECO database, Commission Services.

Note: Employment rates for the EU and Japan refer to persons aged 15-64; US employment rate refers to persons aged 16-64.

Chart 3: Employment rates in the EU, US and Japan, 1975–2006



Source: DG EMPL calculations based on long-term trends in employment and population, Commission Services.

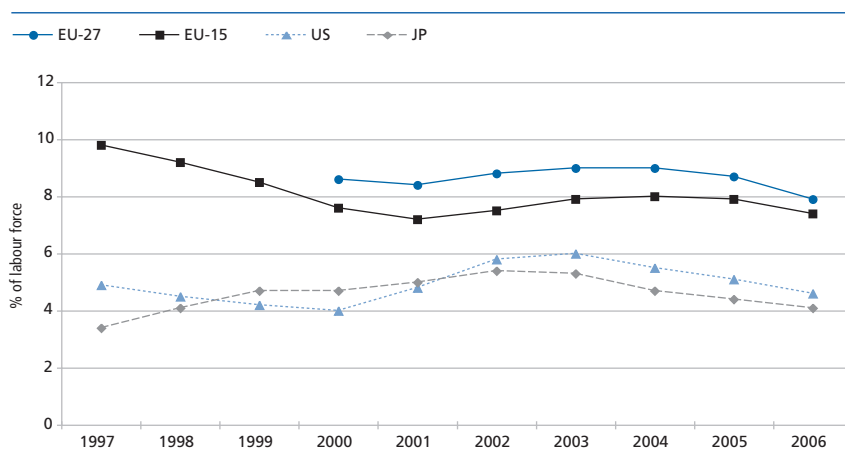
economy expanded by 2.2%, up from 1.9% the year before.

Economic growth in the EU turned out to be better than expected in 2006, mainly due to brisk global growth and favourable domestic conditions. GDP growth for the EU-27 averaged 3% for the year as a whole, up from 1.8% in 2005, and is expected to grow at a similar rate in the current year.

In 2006, the economic upswing was finally reflected in EU labour markets. After rather modest increases in the previous years, employment growth in the EU-27 picked up significantly in 2006 and showed its strongest increase since the late 1990s (Chart 1). For the year as a whole, EU employment growth averaged a healthy 1.4%, up from the previous year's level of 0.9%. Reflecting the improvement in labour market conditions, the employment rate in the EU rose to 64.3% (Chart 3), while the unemployment rate fell to 7.9%, down from 8.7% the year before (Chart 4). Yet despite these improvements, the average EU employment rate remains well below that of the United States and Japan, while the average EU unemployment rate is still almost double the rate in the United States and Japan.

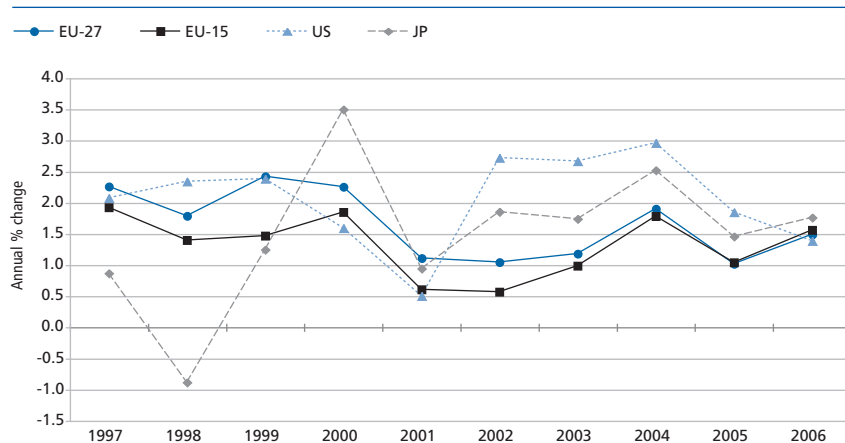
In the United States, the labour market continued to be robust despite first signs of slower economic growth. Employment continued to expand at a faster rate than in the EU, with growth at 1.7%, the same level as the year before (Chart 2, see page 19). The unemployment rate continued to fall and was at 4.6% in 2006, down from 5.1% in 2005 and at its lowest level since 2001. In Japan, the turnaround in the labour market observed in 2004 continued in 2006. Employment growth was positive for the third consecutive year, although, at 0.4% both in 2005 and 2006, much lower than in the EU and the US, while the unemployment rate continued to fall from 4.4% to 4.1%.

Chart 4: Unemployment rates in the EU, US and Japan, 1997–2006



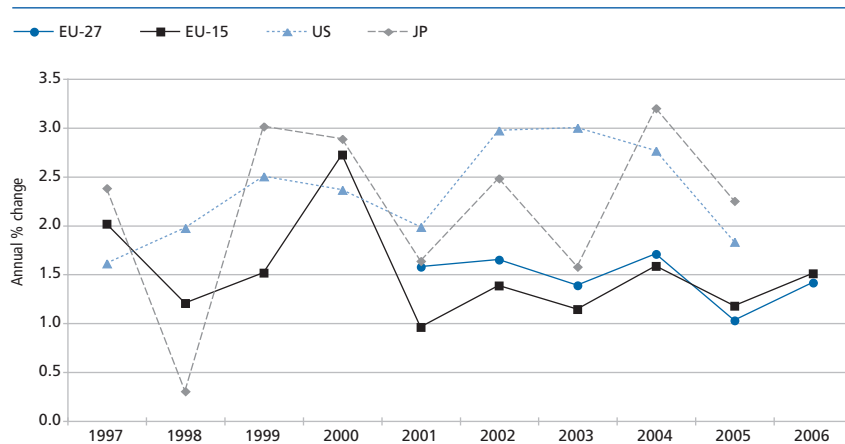
Source: Eurostat, harmonised series on unemployment.

Chart 5: Growth in productivity per person employed in the EU, US and Japan, 1997–2006



Source: AMECO database, Commission Services.

Chart 6: Growth in productivity per hour worked in the EU, US and Japan, 1997–2006



Source: AMECO database, Commission Services.

The increase in economic growth in the EU reflects an increase in average labour productivity growth. EU labour productivity (in terms of GDP per person employed) grew by 1.5% in 2006, up from a 1% increase in 2005 (Chart 5). In Japan, labour productivity growth was also up, with 1.8% in 2006, compared to 1.5% in 2005. In the United States, on the other hand, labour productivity growth again turned out to be less dynamic than the year before (1.4% in 2006, after 1.8% in 2005 and 3% in 2004). Considering productivity in terms of GDP per hours worked, productivity growth in the EU also increased in 2005 (Chart 6).

According to the European Commission's Spring Economic Forecast², the economic outlook for the EU-27 remains positive for this and the following year. For 2007, real GDP is predicted to expand by 2.9%, i.e. at a similar pace to 2006. For 2008, a slight deceleration to 2.7% is forecast, which would still be significantly above growth rates experienced in the first half of the decade. It is expected that the main drivers of the economy will be domestic demand, including private consumption and investment, and a continued strong though somewhat slower growth in exports.

The economic upturn is expected to have positive effects on the labour market. Employment is projected to grow by 1.4% in 2007 and 1.1% in 2008. Together with the employment expansion in 2006, this translates into an estimated 8.8 million new jobs over the period 2006–2008. With more jobs being created, unemployment is likely to decrease further; the unemployment rate is expected to fall to 7.2% in 2007 and to 6.7% in 2008. Labour productivity growth in the EU (in terms of real GDP per employed person) is estimated to remain static at 1.5% in both 2007 and 2008.

3. LABOUR MARKET SITUATION IN THE EU

3.1 Employment growth in the EU Member States

In 2006, employment expanded across the entire EU. For the first time in at least a decade, all 27 current Member States experienced employment growth (Chart 7). Particularly strong growth rates were observed in a number of the newer Member States. Estonia had the highest employment growth with 5.4% and thereby underlined a greatly improved employment situation already established in the previous year. Employment in Latvia developed almost as equally impressively with an increase of 4.8%, after 1.5% the previous year. Poland, the biggest of the new Member States, also saw a further strong expansion of employment (+3.3%); following a long period of employment contraction during the beginning of the decade, employment in Poland began to pick up again in 2004 and has developed increasingly well since then (Table 2). Employment in Bulgaria continued to grow at a robust rate (+2.4%), albeit slightly less dynamically than in previous

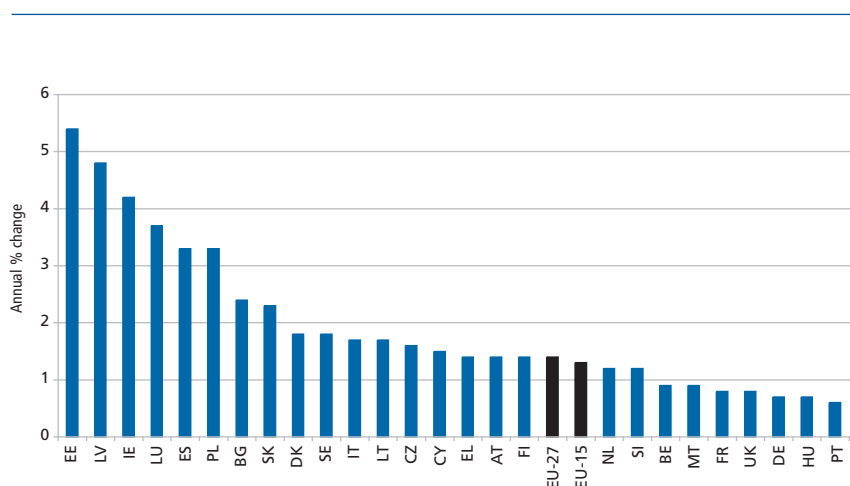
years. Slovakia also had employment growth of over 2%, significantly up from the previous year's growth rate. Cyprus, the Czech Republic, Lithuania and Slovenia all had employment growth in excess of 1%; however, in the case of Cyprus and Lithuania, this was a less dynamic development compared to the previous year. Employment in Hungary finally expanded again in 2006 (+0.7%), after having contracted in 2004 and stagnated in 2005. Malta experienced less dynamic employment growth in 2006 (+0.9%) compared to the previous year. The lowest employment growth rate of all the Member States was observed in Romania, which saw only marginal improvements in employment for the third year in a row and which were not enough to make up for the strong employment losses that occurred in the late 1990s and at the beginning of this decade.

As for the older Member States, employment growth continued to be particularly strong in Spain, Ireland and Luxembourg. Though slightly less dynamic than in 2005, employment in Ireland expanded by 4.2% and in Spain by 3.3%. Luxembourg managed to up the pace again and saw its employment grow by 3.7% in 2006. Almost all the other Member States also managed

to increase their employment growth compared to the previous year, although in some countries the improvement was moderate. Even those Member States that had performed worst in 2005, namely Germany, Portugal and in particular the Netherlands, saw their employment grow again in 2006, although they still remained below the average growth rate for the EU. In Belgium, Finland and the United Kingdom, annual employment growth remained at about the same level as in previous years.

As for labour productivity, all of the new Member States continued to exhibit strong growth, which was well above the EU average, despite a more tempered pace in most countries compared to the previous year (Table 3 - see page 24). In particular, Estonia, Latvia, Lithuania and Slovakia saw their labour productivity (in terms of GDP per person employed) increase by more than 5%. Amongst the bigger old Member States, Germany stands out as the country with the highest productivity growth: 2.5% in 2006, the highest for Germany since the beginning of the decade. Productivity in the United Kingdom now also stands above average, while it remains subdued in France and particularly weak in Italy and Spain. Overall, the highest productivity growth in the old EU-15 was observed in Finland with +4%.

Chart 7: Employment growth for EU Member States, 2006



Source: Eurostat, national accounts.

3.2. Employment rates and the EU employment targets

3.2.1. Overall progress towards the Lisbon and Stockholm targets

Due to a stronger employment growth in 2006, the EU made its best progress towards the overall employment target since its definition at the Lisbon European Council of 2000 (Box 1). Between 2005 and

Box 1 – Lisbon and Stockholm employment rate targets and the relaunched Lisbon Strategy

The Lisbon European Council of 2000 set a strategic goal, over the decade 2000–2010, for the EU ‘to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion’. It specifically stated that the overall aim of employment and economic policies should be to raise the employment rate to as close to 70% as possible by 2010 and to increase the employment rate for women to more than 60% by the same year, not least in order to reinforce the sustainability of social protection systems. In addition to the 2010 Lisbon targets, the Stockholm European Council of 2001 set a new target of raising the average EU employment rate for older men and women (aged 55–64) to 50% by 2010.

Recognising the limited progress achieved so far towards these targets, the European Council decided in 2005 to relaunch the Lisbon Strategy without delay and refocus priorities on economic growth and employment. As part of this, a new set of employment guidelines for the period 2005–2008 was adopted by the Council in July 2005 to reflect the renewed focus on jobs, and they form part of the integrated guidelines package also adopted in 2005, which lays out a comprehensive strategy of macro-economic, micro-economic and employment policies to redress Europe’s weak growth performance and insufficient job creation. The employment guidelines continue to reflect the EU’s overall goal of achieving full employment, quality and productivity at work, and social and territorial cohesion, and advocate a life-cycle approach to work that tackles the problems faced by all age groups. The eight employment guidelines fall under three broad areas for action, namely to:

- Attract and retain more people in employment, increase labour supply and modernise social protection systems;
- Improve adaptability of workers and enterprises;
- Increase investment in human capital through better education and skills.

Table 2 - Employment growth for EU Member States, US and Japan, 1997 – 2006

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
BE	0.5	1.6	1.3	2.0	1.4	-0.1	0.0	0.6	1.0	0.9
BG	-3.9	-0.2	-2.1	4.9	-0.8	0.2	3.0	2.6	2.7	2.4
CZ	0.2	-1.5	-3.4	-0.2	0.5	0.6	-1.3	0.1	1.6	1.6
DK	1.2	1.5	1.0	0.4	0.8	-0.1	-1.3	0.0	0.7	1.8
DE	-0.1	1.2	1.4	1.9	0.4	-0.6	-0.9	0.4	-0.1	0.7
EE	0.0	-1.9	-4.4	-1.5	0.9	1.3	1.4	0.0	2.0	5.4
EL	-0.5	2.9	0.3	0.5	0.3	0.2	1.5	3.4	0.9	1.4
ES	3.6	4.5	4.6	5.1	3.2	2.4	3.1	3.5	3.8	3.3
FR	0.4	1.5	2.0	2.7	1.8	0.6	0.1	0.0	0.5	0.8
IE	5.6	8.6	6.2	4.6	3.0	1.8	2.0	3.1	4.6	4.2
IT	0.3	1.0	1.1	1.9	2.2	1.6	1.5	0.4	0.3	1.7
CY	0.6	1.6	1.9	1.6	2.2	2.1	3.8	3.8	3.6	1.5
LV	4.4	-0.3	-1.8	-2.9	2.2	2.3	1.0	1.1	1.5	4.8
LT	0.6	-0.8	-2.2	-4.0	-3.8	3.6	2.2	0.0	2.5	1.7
LU	3.1	4.5	5.0	5.5	5.6	2.9	1.8	2.3	3.0	3.7
HU	0.2	1.8	3.4	1.3	0.3	0.0	1.3	-0.7	0.0	0.7
MT	0.0	0.0	0.7	8.4	1.8	0.6	1.0	-0.8	1.8	0.9
NL	3.3	4.1	3.9	3.1	2.6	0.5	-0.5	-0.9	0.0	1.2
AT	0.9	1.3	1.6	1.0	0.6	-0.1	0.0	0.0	0.5	1.4
PL	1.4	1.2	-3.9	-1.6	-2.2	-3.0	-1.2	1.3	2.3	3.3
PT	:	:	1.9	1.7	1.6	0.5	-0.4	0.1	0.0	0.6
RO	-3.8	-2.3	-4.5	2.5	-0.8	-2.7	-0.1	0.2	0.2	0.2
SI	-1.9	-0.2	1.4	0.8	0.5	1.5	-0.4	0.5	0.3	1.2
SK	-1.2	-0.4	-2.7	-1.8	0.6	-0.5	1.8	-0.3	1.4	2.3
FI	3.3	2.0	2.5	2.2	1.5	1.0	0.1	0.4	1.4	1.4
SE	-1.3	1.6	2.1	2.4	1.9	0.2	-0.3	-0.6	0.4	1.8
UK	1.8	1.0	1.4	1.2	0.8	0.8	1.0	1.0	0.9	0.8
EU-27	0.7	1.3	0.9	1.7	1.0	0.3	0.4	0.7	0.9	1.4
EU-15	1.0	1.7	1.9	2.2	1.4	0.7	0.5	0.7	0.8	1.3
US	2.3	2.1	1.9	2.0	-0.7	-0.3	0.9	1.1	1.7	1.7
JP	0.7	-1.2	-1.4	-0.6	-0.8	-1.6	-0.3	0.2	0.4	0.4

Source: EU and US data from national accounts, Eurostat; Japan data from AMECO database, Commission Services.

Note: ‘:’ data not available.

Table 3 - Productivity growth for EU Member States, US and Japan, 2000–2006

	Growth in GDP per person employed							Growth in GDP per hour worked						
	2000	2001	2002	2003	2004	2005	2006	2000	2001	2002	2003	2004	2005	2006
BE	1.7	-0.6	1.6	1.0	2.3	0.1	2.0	1.7	-0.8	1.6	1.4	3.6	-0.7	2.0
BG	0.5	4.9	5.3	2.0	3.9	3.5	3.6	:	4.1	5.4	2.7	2.5	3.8	3.3
CZ	4.1	2.1	1.6	4.7	4.1	4.7	4.7	3.9	6.7	2.4	4.9	3.6	4.9	3.8
DK	3.1	-0.1	0.5	1.7	2.1	2.4	1.3	2.1	-0.6	0.9	1.9	1.8	1.3	1.2
DE	2.3	1.4	1.1	1.5	1.7	1.5	2.5	2.6	1.8	1.5	1.2	0.7	1.3	2.1
EE	11.0	6.8	6.3	6.2	8.0	8.6	5.5	:	7.2	6.4	5.5	7.5	7.6	3.7
IE	5.3	2.8	4.2	2.3	1.2	0.9	1.7	5.6	3.3	5.0	3.5	1.4	1.2	1.8
EL	4.6	5.4	3.7	3.4	1.7	2.3	2.7	4.0	5.2	3.7	3.4	5.0	2.8	2.2
ES	0.0	0.4	0.4	0.6	0.6	0.4	0.8	0.1	0.7	0.6	0.8	0.7	0.9	0.5
FR	1.0	-0.3	0.1	1.1	2.4	1.4	1.2	3.7	0.9	3.1	1.4	0.8	2.0	1.2
IT	1.7	0.0	-0.9	-0.6	0.8	0.3	0.2	2.4	0.8	-0.7	-1.1	1.5	0.6	0.0
CY	3.4	1.8	-0.1	-1.9	0.4	0.3	2.3	:	-5.0	1.2	-0.8	1.0	1.4	2.3
LV	10.1	5.7	4.8	5.4	7.5	8.7	7.0	9.4	6.2	5.2	4.4	10.5	9.0	6.7
LT	8.4	10.9	3.2	7.9	7.3	5.0	5.7	1.6	11.8	4.8	8.9	6.0	1.5	6.6
LU	2.7	-2.9	0.9	-0.5	1.3	1.0	2.4	3.0	-1.8	1.5	0.8	3.7	0.9	3.3
HU	3.7	3.6	4.4	3.3	5.4	3.7	3.1	4.2	6.0	4.0	4.3	5.6	4.3	3.6
MT	4.0	-2.8	1.4	-3.3	1.2	1.2	2.0	:	0.5	0.6	-2.5	-0.7	4.5	2.0
NL	2.0	0.3	0.3	1.4	3.4	1.8	1.8	3.9	-1.2	0.7	0.9	3.5	2.2	2.1
AT	2.3	0.3	1.1	0.9	2.1	0.7	1.9	2.7	0.3	0.9	0.5	1.9	1.2	1.7
PL	5.8	3.4	4.5	5.1	4.0	1.2	2.4	:	4.1	4.3	4.8	4.0	0.6	2.3
PT	1.6	0.2	0.3	-0.4	1.2	0.5	0.5	4.6	0.1	0.2	0.8	0.3	1.0	0.5
RO	-0.3	6.6	8.1	5.5	8.0	3.9	4.7	:	:	:	:	:	:	:
SI	3.3	2.2	1.9	3.1	3.9	3.7	4.0	2.6	1.8	3.1	2.6	6.3	3.6	3.0
SK	2.6	2.6	4.7	2.3	5.8	4.6	5.8	2.5	3.3	7.8	6.8	3.6	2.6	5.4
FI	2.7	1.1	0.7	1.7	3.3	1.5	4.0	3.6	2.1	1.0	2.1	3.1	1.9	3.8
SE	1.9	-0.8	1.8	2.0	4.7	2.5	2.4	3.3	0.6	3.3	3.2	3.3	2.3	2.7
UK	2.6	1.5	1.3	1.7	2.2	1.0	1.9	3.3	1.3	2.4	2.8	2.5	0.7	2.6
EU-27	2.3	1.1	1.1	1.2	1.9	1.0	1.5	:	:	:	:	:	:	:
EU-15	1.9	0.6	0.6	1.0	1.8	1.0	1.6	2.7	1.0	1.4	1.1	1.6	1.2	1.5
US	1.6	0.5	2.7	2.7	3.0	1.8	1.4	2.4	2.0	3.0	3.0	2.8	1.8	:
JP	3.5	0.9	1.9	1.7	2.5	1.5	1.8	2.9	1.6	2.5	1.6	3.2	2.3	:

Source: EU and US data from national accounts, Eurostat; Japan data from AMECO database, Commission Services.

Note: ":" data not available.

Table 4 - Employment rates for EU Member States in 2006 and progress towards Lisbon and Stockholm targets for 2010

	Total employment rate				Female employment rate				Older people's employment rate			
	2006	Change 2006–2005	Change 2006–2000	Gap below 2010 target	2006	Change 2006–2005	Change 2006–2000	Gap below 2010 target	2006	Change 2006–2005	Change 2006–2000	Gap below 2010 target
BE	61.0	-0.1	0.5	9.0	54.0	0.2	2.5	6.0	32.0	0.2	5.7	18.0
BG	58.6	2.8	8.2	11.4	54.6	2.9	8.3	5.4	39.6	4.9	18.8	10.4
CZ	65.3	0.5	0.3	4.7	56.8	0.5	-0.1	3.2	45.2	0.7	8.9	4.8
DK	77.4	1.5	1.1	>	73.4	1.5	1.8	>	60.7	1.2	5.0	>
DE	67.2	1.8	1.6	2.8	61.5	1.9	3.4	>	48.4	3.0	10.8	1.6
EE	68.1	3.7	7.7	1.9	65.3	3.2	8.4	>	58.5	2.4	12.2	>
IE	68.6	1.0	3.4	1.4	59.3	1.0	5.4	0.7	53.1	1.5	7.8	>
EL	61.0	0.9	4.5	9.0	47.4	1.3	5.7	12.6	42.3	0.7	3.3	7.7
ES	64.8	1.5	8.5	5.2	53.2	2.0	11.9	6.8	44.1	1.0	7.1	5.9
FR	63.0	-0.1	0.9	7.0	57.7	0.1	2.5	2.3	37.6	-0.3	7.7	12.4
IT	58.4	0.8	4.7	11.6	46.3	1.0	6.7	13.7	32.5	1.1	4.8	17.5
CY	69.6	1.1	3.9	0.4	60.3	1.9	6.8	>	53.6	3.0	4.2	>
LV	66.3	3.0	8.8	3.7	62.4	3.1	8.6	>	53.3	3.8	17.3	>
LT	63.6	1.0	4.5	6.4	61.0	1.6	3.3	>	49.6	0.4	9.2	0.4
LU	63.6	0.0	0.9	6.4	54.6	0.9	4.5	5.4	33.2	1.5	6.5	16.8
HU	57.3	0.4	1.0	12.7	51.1	0.1	1.4	8.9	33.6	0.6	11.4	16.4
MT	54.8	0.9	0.6	15.2	34.9	1.2	1.8	25.1	30.0	-0.8	1.5	20.0
NL	74.3	1.1	1.4	>	67.7	1.3	4.2	>	47.7	1.6	9.5	2.3
AT	70.2	1.6	1.7	>	63.5	1.5	3.9	>	35.5	3.7	6.7	14.5
PL	54.5	1.7	-0.5	15.5	48.2	1.4	-0.7	11.8	28.1	0.9	-0.3	21.9
PT	67.9	0.4	-0.5	2.1	62.0	0.3	1.5	>	50.1	-0.4	-0.6	>
RO	58.8	1.2	1.2	11.2	53.0	1.5	1.2	7.0	41.7	2.3	4.4	8.3
SI	66.6	0.6	3.8	3.4	61.8	0.5	3.4	>	32.6	1.9	9.9	17.4
SK	59.4	1.7	2.6	10.6	51.9	1.0	0.4	8.1	33.1	2.8	11.8	16.9
FI	69.3	0.9	2.1	0.7	67.3	0.8	3.1	>	54.5	1.8	12.9	>
SE	73.1	0.6	0.1	>	70.7	0.3	-0.2	>	69.6	0.2	4.7	>
UK	71.5	-0.2	0.3	>	65.8	-0.1	1.1	>	57.4	0.5	6.7	>
EU-27	64.3	0.9	2.1	5.7	57.1	1.1	3.4	2.9	43.5	1.3	6.6	6.5
EU-15	66.0	0.8	2.6	4.0	58.4	1.0	4.3	1.6	45.3	1.2	7.5	4.7
2010 target		70 %				More than 60 %				50 %		

Source: Eurostat, EU LFS annual averages.

Note: Data for RO 2002; 2006 data for DE and FR provisional.

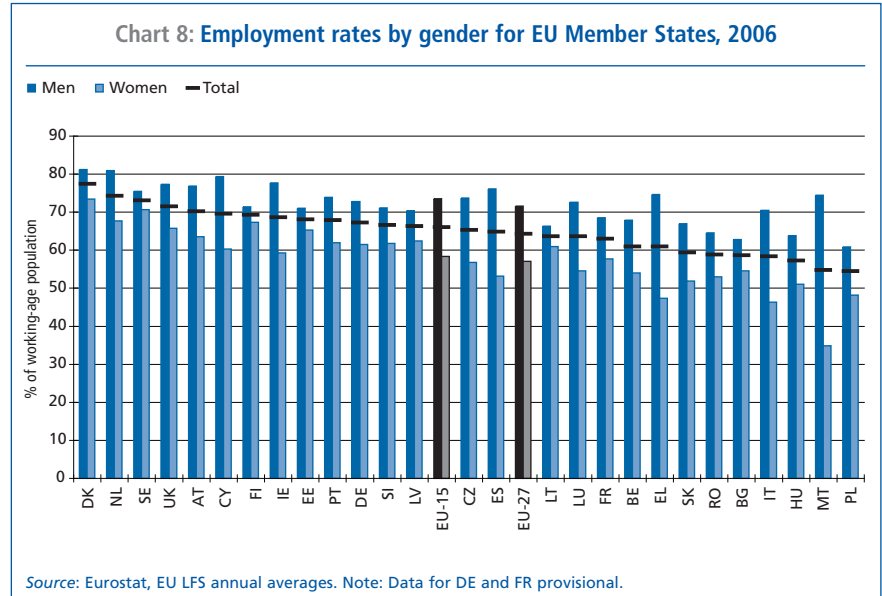
The column "Gap below 2010 target" is for illustrative purposes only, since the 2010 target is a collective for the EU and not individual Member States. The symbol ">" indicates that the respective target has been exceeded by the Member States concerned.

2006 the average employment rate for the EU rose by almost 1 percentage point to 64.3%. The employment rate for women rose by 1.1 percentage points to 57.1%, while that for men rose by a slightly more moderate 0.8 percentage points to 71.6%. As a result, the gender gap in employment rates in the EU narrowed further between 2005 and 2006, falling by 0.3 of a percentage point to 14.5 percentage points. For older people (aged 55–64) the employment rate rose again substantially by 1.3 percentage points to 43.5%, after already having increased by 1.5 percentage points the previous year.

Despite improved progress in 2006, the overall, female and older workers' employment rates were still more than 5, 3 and 6 percentage points below the respective Lisbon and Stockholm targets for 2010 (Table 4). Although the economic and labour market outlook for 2007 and 2008 is relatively positive as well, achieving an EU employment rate of 70% by 2010 remains very ambitious, given that annual employment growth would need to be significantly stronger than it has been in the past seven years or than is currently forecast for the next two years. This said, it is also worth pointing out that the gap left to meet the Lisbon and Stockholm goals is smaller for the 'old' EU-15 Member States for which the targets were originally set; the overall employment rate for the EU-15 was 66% in 2006, the female employment rate 58.4% and the older people's employment rate 45.3%.

3.2.2. Employment rate developments in the Member States

Large variations remain in employment rates between the EU Member States. In 2006, these ranged from as low as around 55% in Poland to more than 77% in Denmark. Rates rose in all Member States except for a few which experienced a standstill or



marginal decrease, namely Belgium, France, Luxembourg and the United Kingdom. The largest increase in terms of percentage points (pp) occurred in Estonia (+3.7 pp) and Latvia (+3 pp), followed by Bulgaria (+2.8 pp). Three of the bigger Member States, namely Germany, Poland and Spain also showed a noticeable increase of 1.5 percentage points or more.

Employment rates for women remain substantially below those for men in most of the EU Member States (Chart 8). Despite the continuing reduction in the disparity between male and female employment rates, large gender differences of around 20 percentage points and more still remain in Cyprus, Greece, Ireland, Italy and Spain, while in Malta the gap is almost 40 percentage points, reflecting the fact that only one in three women of working age is in employment. Only Bulgaria, Denmark, Estonia, Finland, Latvia, Lithuania, Slovenia and Sweden show a gender disparity of less than 10 percentage points.

As for the older segment of the labour market, Sweden, by a wide margin, continues to have the highest employment rate for older workers aged 55–64 in the EU. It is also the only country where the employment rate of older workers is close to that of the overall employment rate

(69.6% vs. 73.1%). At the other end of the spectrum are a number of new Member States, namely Hungary, Slovakia, Slovenia, Malta and Poland, where only a third or even less of older people hold a job. Low rates are also recorded for Belgium, Italy and Luxembourg (Table 4).

3.2.3. Individual situations in relation to employment targets

While the Lisbon and Stockholm employment rate targets are collective targets for the EU as a whole, it is interesting to examine the position of individual Member States with respect to the collective EU targets for 2010. Based on employment rates in 2006, these can be summarised as follows:

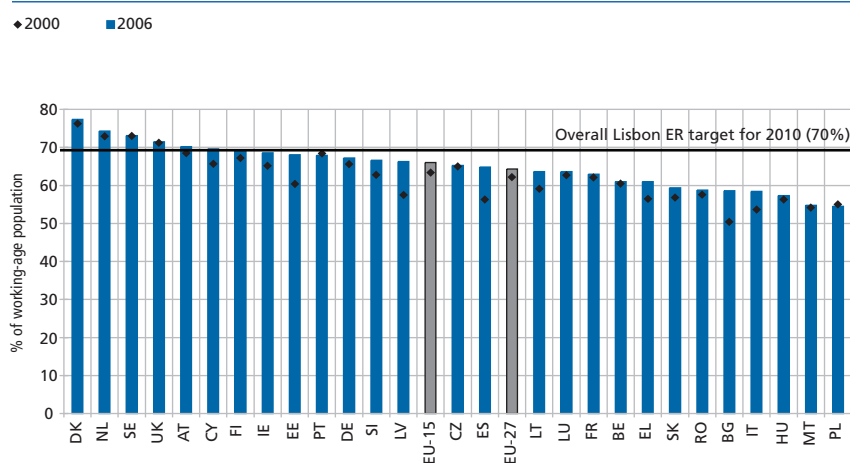
- Austria reached an overall employment rate of over 70% for the first time in 2006 and is now, along with Denmark, the Netherlands, Sweden and the United Kingdom, one of the five Member States which already meets the overall EU target for 2010 of an employment rate of 70%. Cyprus, Finland, Ireland, Portugal and, for the first time, Estonia and Germany are presently within 3 percentage points (Chart 9 - see page 26). However, the gap

remains over 10 percentage points in seven Member States, namely Bulgaria, Hungary, Italy, Malta, Poland, Romania and Slovakia. Since the launch of the Lisbon Strategy, the greatest improvement in the overall employment rate have taken place in Bulgaria, Spain, Estonia and Latvia where the rates have risen by around 8 percentage points and more. However, rates with respect to 2000 have also slightly declined in some Member States, namely in Poland and Portugal.

- 13 Member States already meet the 2010 employment rate target for women, including, for the first time, Cyprus, Germany, Latvia, and Lithuania. Ireland is very close and France and the Czech Republic are within 3 percentage points (Chart 10). Among the remaining Member States, the gap remains above 10 percentage points in Greece, Italy and Poland, and as high as 25 percentage points in Malta. Since 2000, large increases in the female employment rate have been achieved in Bulgaria, Cyprus, Estonia, Greece, Latvia and Italy, where rates have all risen by around 5 percentage points or more, and in Spain, which is up 12 percentage points, although Greece and Italy are still far from the target.

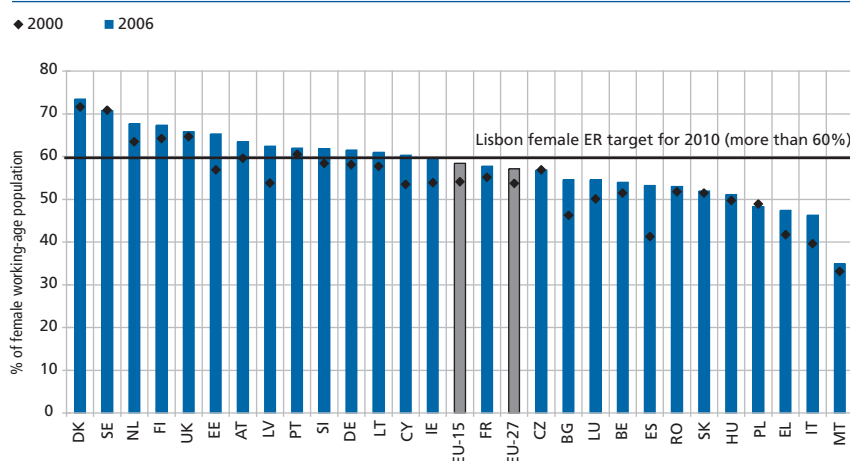
- For the older people's 2010 employment rate target, nine Member States already meet the target, but only three others – Germany, Lithuania and the Netherlands - are within 3 percentage points of it (Chart 11). While substantial gaps remain for many Member States (15–25 percentage points in nine cases), substantial progress has been made since 2000 towards the target in many countries. In particular, 20 Member States have achieved increases of 5 percentage points or more, with especially strong rises (over 10 percentage points) in Bulgaria, Esto-

Chart 9: Overall employment rate for EU Member States, 2000 and 2006



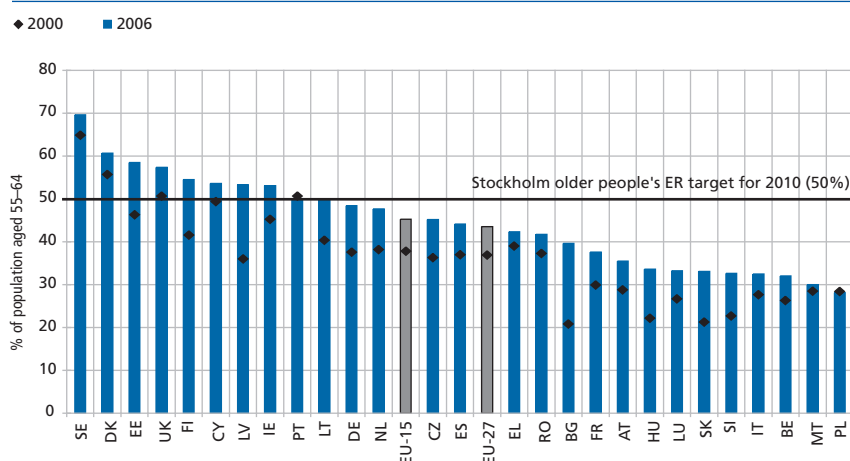
Source: Eurostat, EU LFS annual averages.
Note: Data for RO 2002; 2006 data for DE and FR provisional.

Chart 10: Female employment rate for EU Member States, 2000 and 2006



Source: Eurostat, EU LFS annual averages.
Note: Data for RO 2002; 2006 data for DE and FR provisional.

Chart 11: Older people's employment rate for EU Member States, 2000 and 2006



Source: Eurostat, EU LFS annual averages.
Note: Data for RO 2002; 2006 data for DE and FR provisional.

Table 5 - Contribution to employment creation in the EU-27 between 2005 and 2006 by age, gender and type of employment

		% contribution to employment creation 2005–2006		
		Total	Men	Women
Age and gender				
	Total		48.8	51.2
	15–24	3.9	3.0	0.9
	25–54	65.3	29.7	35.6
	55–64	27.8	14.2	13.7
Type of employment and gender				
Employee versus self-employed	Employee	88.5	41.9	46.5
	Self-employed	11.5	6.1	5.4
Full-time versus part-time	Full-time job	66.2	37.3	29.0
	Part-time job	33.8	11.3	22.4
Permanent versus fixed-term employees	Permanent	65.3	30.8	34.4
	Fixed-term	34.7	16.3	18.4

Source: Eurostat, EU LFS annual averages.

Note: EU-27 full-time/part-time indicators do not include IE.

Table 6 - Change in employment in the EU-27 between 2000 and 2006 by age, gender and type of employment

		2000–2006	
		(million)	Relative
Gender			
	Total	11.6	5.7
	Men	4.2	3.7
	Women	7.4	8.5
Age			
	15–24	-0.7	-3.0
	25–54	7.1	4.5
	55–64	5.3	27.6
Type of employment			
Employee versus self-employed	Employee	12.1	7.3
	Self-employed	1.4	4.5
Full-time versus part-time	Full-time job	5.7	3.3
	Part-time job	5.9	18.1
Permanent versus fixed-term employees	Permanent	7.1	4.9
	Fixed-term	5.0	24.8

Source: Eurostat, EU LFS annual averages.

nia, Finland, Germany, Hungary, Latvia and Slovakia. Only Poland and Portugal have experienced declines in employment rates for older people since 2000, although Portugal's rate is already above the 2010 target.

3.3. Features of EU employment expansion

Between 2005 and 2006, there was a net increase of around 4 million persons in employment in the EU-27, with women contributing slightly more to employment creation than men. With respect to age, prime age workers aged 25–54 accounted for

almost two-thirds of employment creation, with women making a higher contribution than men. Older workers above the age of 54 contributed just under a third to employment growth, while younger people (15–24) contributed around 4%. Almost 90% of employment growth was made up of employees, with the remainder self-employed. Around two-thirds of the newly created jobs were either full-time or permanent jobs (Table 5).

Looking at employment expansion in the EU since the beginning of the decade, almost 12 million or 6% more people were in employment in 2006 than in 2000. This increase has not been uniform with respect to gender,

age and type of employment. There are marked differences in the labour market performance trends of the various elements of the population and by type of employment arrangement, as detailed below (Table 6):

- Increasing female participation

In terms of gender, women have accounted for the greatest growth in employment, both in relative and absolute terms. Indeed, the overall increase in female employment has been more than twice that for men. This reflects the recent trend of rising labour market participation of women, for whom activity rates have increased from 60% to 63.4% between 2000 and 2006 against an increase in the male rate of only 0.6 percentage points from 77.4% to 78%.

- Increasing participation of older people aged 55–64

Relative to employment levels in 2000, growth has been greatest for the 55–64 age group, where employment has increased by almost 28%. Even in absolute terms the increase for the 55–64 age group has been dramatic, accounting for nearly half the overall increase in employment and not far below the total increase for the whole prime working-age group. This reflects a 7 percentage point increase in activity rates for those aged 55–64 since 2000 and indicates that, as well as cohort effects, developments such as recent reforms in pension systems and other measures related to active aging, which have postponed the statutory retirement age and more generally reduced incentives for early retirement, are taking effect and contribute to the reversal of the decrease in participation of older workers in many Member States (see Chapter 2 of this report for a detailed analysis of the labour market participation of older workers).

- Declining youth employment

While the prime age and older age groups have experienced increases in employment, the 15–24 age group has witnessed a contraction in employment of around 3% since 2000, with activity rates falling by 1.5 percentage points to 48.4%. This development may be partly explained by increased participation in education, since as enrolment in education rises so labour market participation falls. Indeed, the share of young people in education has

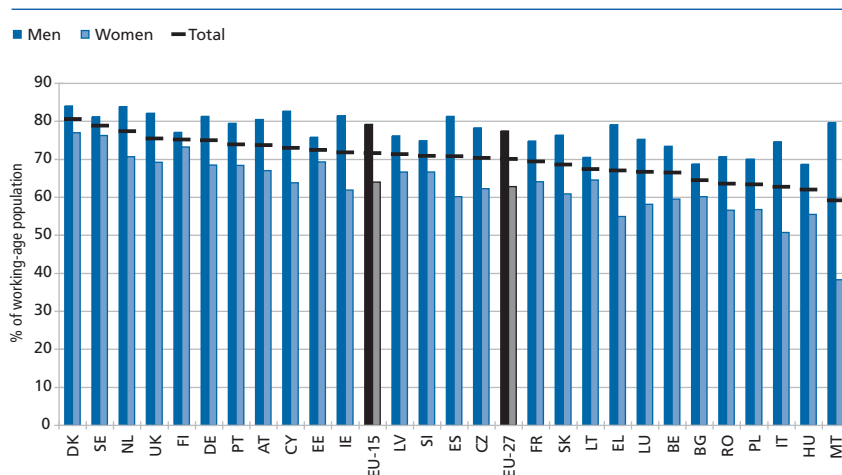
increased considerably in most EU Member States over recent years³, affecting labour force participation, although in the longer term the implied improvement in human capital should have a positive effect on overall employment performance and the economy.

- Rising shares of part-time and fixed-term employment

In terms of developments by type of employment, the relative growth in part-time and fixed-

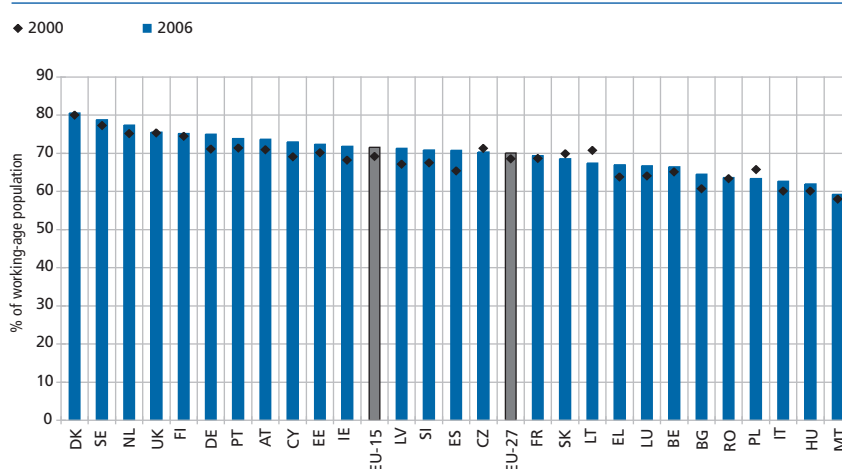
term employment since 2000 has been substantial, with increases of 18% and 25% respectively. The extended availability of part-time jobs has facilitated the participation of women in particular by allowing them to combine work and family responsibilities better, although it should also be recognised that part-time work may have fewer fringe benefits and career possibilities than full-time jobs, and may to a certain degree reflect the unavailability of full-time work. Furthermore, although recourse to part-time work may reflect personal preferences and may help people to (re-)enter and stay in the labour market, the high gender gap in the share of part-time workers is also evidence of the differences in time-use patterns between women and men, and of the role of carer predominantly assumed by women as well as the greater difficulties they face in trying to reconcile work and private life.

Chart 12: Activity rates by gender for EU Member States, 2006



Source: Eurostat, EU LFS annual averages.
Note: Data for DE and FR provisional.

Chart 13: Activity rates for EU Member States, 2000 and 2006



Source: Eurostat, EU LFS annual averages.
Note: Data for RO 2002; 2006 data for DE and FR provisional.

3.4. Activity rates

In 2006, the economically active proportion of the working age population (aged 15–64) – i.e. that part of the population in employment or actively looking for a job – stood at 70.1%, about 0.5 percentage points up from the previous year. Despite having increased at a rate equal to or higher than in other major industrialised countries, average labour force participation in the EU remains low by international comparison. The United States, for example, has an activity rate which is 5 percentage points above that of the EU and compared to its European neighbour, Switzerland, it is almost 11 percentage points lower.

Last year, Bulgaria and Estonia both showed a strong increase of over 2 percentage points in their activity rates, but Austria, Germany, Latvia, Malta, Romania and Spain also had

³ See *Employment in Europe 2005*, chapter 1, section 6.2.2.

relatively strong increases of 1% or more. Activity rates for the individual Member States ranged from just under 60% in Malta, with Bulgaria, Italy, Hungary, Poland and Romania also substantially (5 pp or more) below the EU average, to almost 81% in Denmark (Chart 12). Although rates for men and women are rather close in certain Member States, such as Finland and Sweden, large disparities remain in several countries, particularly Greece, Italy and Spain, and especially Malta, implying there is still much scope for increasing female participation in many Member States.

Looking back at the development since the beginning of the decade, activity rates in the EU have on average increased by 1.5 percentage points since 2000 (Chart 13). This has been driven almost entirely by the continued increase of female participation which went up by 2.7 percentage points compared to only 0.4 percentage points for men.

3.5. Unemployment

In 2006, the EU has seen its most substantial decline in unemployment since the end of the last decade. The EU's

average unemployment rate dropped from 8.7% in 2005 to 7.9% in 2006. Among the individual Member States, Estonia, Latvia, Lithuania, Poland and Slovakia have seen the strongest reduction, although the latter two countries still have the highest unemployment rates in Europe. In Bulgaria and Germany unemployment rates were down by a little over 1 percentage point and most of the other Member States recorded smaller reductions. Rates went up in only seven Member States, although only marginally in most cases. The highest increase in 2006 was recorded in the United Kingdom, where unemployment rose by 0.5 percentage points.

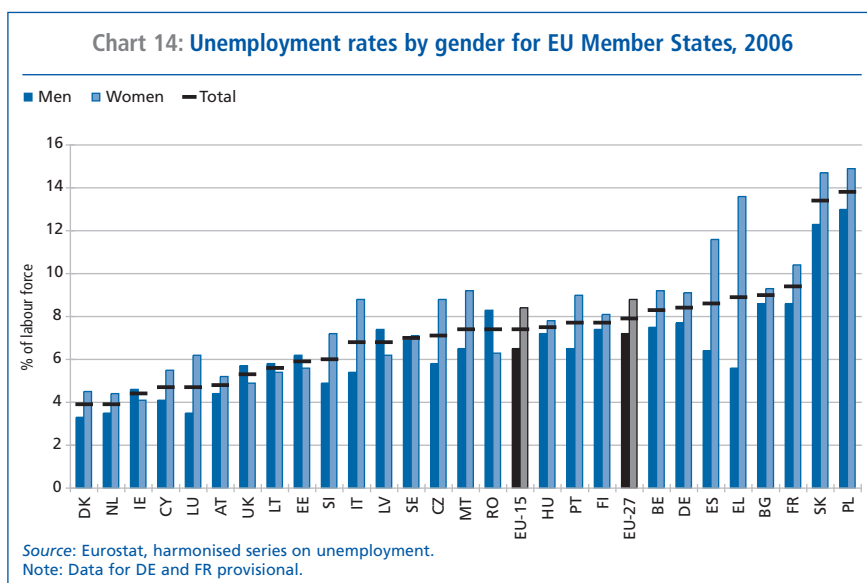
Despite this, the United Kingdom at 5.3% continues to have by far the lowest unemployment rate among the big Member States and one of the lowest in the overall ranking. The lowest rates in 2006 were observed in Denmark and the Netherlands (3.9% each) and Cyprus, Ireland and Luxembourg also had rates below 5%. Poland and Slovakia remained on the other end of the spectrum with 13.8% and 13.4% respectively (Chart 14).

Gender disparities in the average EU unemployment rate continued to

decrease to 1.6 percentage points in 2006, with unemployment rates at 7.2% for men and 8.8% for women. Nevertheless, in several countries the unemployment gender gap remains large, especially in Greece, Italy and Spain. However, in a few Member States, namely Estonia, Latvia, Lithuania, Ireland, Romania and the United Kingdom, unemployment rates for women are actually lower than those for men.

The drop in the overall unemployment rate is also reflected by a further fall in the long-term unemployment rate.⁴ After a high of 4.2% in 2004 and 4% in 2005, it came down to 3.6% in 2006, the lowest rate in the period 2000 to 2006. Despite a considerable reduction last year, Poland and Slovakia still have the highest long-term unemployment rates in the Union (7.8% and 10.2% respectively). At close to 5% it also remains high in Germany, Greece and Bulgaria. Similar to overall unemployment rates, women are relatively more affected by long-term unemployment than men in a majority of Member States (4% vs. 3.3%), with the largest gender differences being found in the Czech Republic, Italy, Poland, Slovakia, Spain and, above all, Greece (Chart 15 - see page 30).

Chart 14: Unemployment rates by gender for EU Member States, 2006



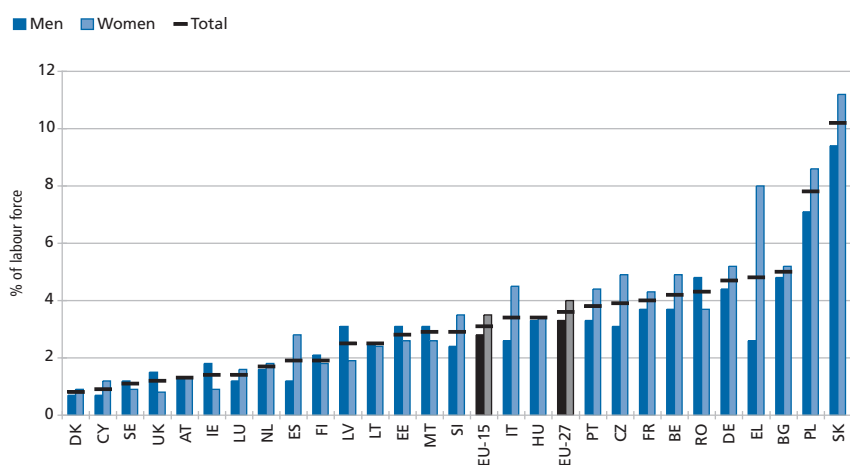
4. LABOUR MARKET TRENDS FOR YOUNG PEOPLE

4.1. Introduction

The integration of young people in the labour market is a major policy issue for the EU and many individual Member States. Despite a shrinking and increasingly better-educated youth population, young people in many Member States still face considerable problems in making the

⁴ Those in unemployment for a duration of 12 months or more as a percentage of the labour force.

Chart 15: Long-term unemployment rates by gender for EU Member States, 2006



Source: Eurostat, EU LFS annual averages.
Note: Data for DE and FR provisional.

transition from education into employment. And many of those who have gained a foothold in the labour market often hold unstable jobs with unfavourable conditions. This is seen as having a negative impact, not only on young people's financial and social situation or training but also for the economy and social cohesion at large.

The main purpose of this section is to give an overview on the current labour market position of the younger generation in the EU and to examine how it has developed since the beginning of the decade. It starts with a presentation of standard measures of the labour market performance of youth, namely unemployment and employment. It then looks at those groups of young people who can be considered to be especially at risk of doing poorly on the labour market (i.e. youth not in employment or education and those with a poor education). Finally, it will present information on the school-to-work transition of young people and the type of jobs they occupy.

As for the definition of 'youth', conventionally the analysis of youth

employment and corresponding official statistics tend to focus on the group aged 15–24. However, defining 'youth' by age alone remains to some extent arbitrary, especially when looking at the employment situation of young people. Given extended peri-

ods of (university) education and, more generally, longer periods of transition for youth from education into employment in many countries, it seems conceptually more apt to consider youth as the transition process from leaving continuous education into significant employment.⁵ Although a majority of people in the Member States complete their school-to-work transition in their twenties, patterns and lengths vary between countries and groups of people. This should be kept in mind, although for practical purposes the data presented in this sub-chapter will mostly refer to young people under the age of 30 and differentiate between youth aged 15–24 and young people aged 25–29 where appropriate.

4.2. Standard measures of youth employment and unemployment

Box 2 – Youth employment policies at EU level

The **European Employment Guidelines** – as part of the Jobs and Growth package adopted by the Council in 2005 – call for intensified efforts to build employment pathways for young people and to reduce youth unemployment. With the adoption of the European Pact for Youth, Member States gave prominence to policies affecting young people. More and better investments in human capital, alongside improvements in quality and efficiency of education and training systems, are key factors to increasing educational attainment levels and to equipping young people with the skills and competencies required in a knowledge-based economy. The guidelines include targets for the reduction of early school leaving, the rise in educational attainment levels and a 'new start' within six months of unemployment for unemployed youth⁶

Member States' national reform programmes, presented in autumn 2005, provided the opportunity for the Commission to assess whether and how the Council's political commitments have been translated into concrete policy measures at the national level. In its analysis put forward to the 2006 Spring Council, the Commission found that, overall, Member States' responses to the youth employment challenge needed to be more comprehensive and to be expanded further. The Commission proposed to accelerate the offer of a new start for young people.

⁵ See Lefresne (2003) for a discussion on the definition of youth for purposes of labour market analysis.

⁶ The agreed targets include: an EU average rate of no more than 10% early school leavers; at least 85% of 22 year olds in the EU should have completed upper secondary education by 2010; every unemployed person is offered a new start before reaching six months of unemployment in the case of young people in the form of training, retraining, work practice, a job or other employability measure. See section 4.5 on the current state-of-play concerning the two youth education targets. As for the target concerning a new start for unemployed youth, no data is yet available for the great majority of Member States.

The 2006 Spring Council confirmed that Member States should reach the agreed target by 2007 and stressed the need to reduce the period to four months by 2010. With regard to the Youth Pact, the Council stressed the need to develop more effective cross-sectoral strategies linking education, training, employment, social inclusion and mobility, including developing links to the newly adopted European Pact for Gender Equality.

Youth employment issues have also been given a higher profile in the **Commission's Strategic Guidelines for Cohesion** for the period 2007–2013 as well as in the new **European Social Fund (ESF)** regulation. This provides greater opportunities for appropriate EU support of Member States' measures.

In the recent **Communication on Promoting young people's full participation in education, employment and society**⁷, the Commission underlined the need to promote the labour market integration of youth in the larger context of general employment policies, namely in the framework of flexicurity policies. In the next Lisbon cycle, starting in 2008, Member States are invited to establish flexicurity strategies, based on their respective specific challenges and with active involvement of social partners, which integrate four policy components – flexible contractual arrangements, effective lifelong learning systems, active labour market policies and modern social security systems.

4.2.1. Overall trends

Assessing the labour market situation of young people is not a straightforward exercise as different indicators produce a mixed picture. When looking at absolute numbers, both youth unemployment and employment have decreased in recent years for the EU-27 as a whole. Between 2000 and 2006, the total number of unemployed youth aged 15–24 in the current EU-27, dropped from slightly over 5 million to 4.6 million. During the same period, total youth employment fell from around 22.6 million to about 22 million. At the same time, the number of young people who do not actively participate in the labour market increased slightly from 33.2 million to around 33.8 million.⁸

The decrease in youth employment and labour market participation, as well as unemployment for the 15–24

age group, also shows in relative terms. Over the past six years the average youth activity rate has dropped by 1.6 percentage points to 44%, while the youth employment rate has decreased by 0.8 percentage points to 36.3% (Table 7 - see page 32). The unemployment rate of young people participating in the labour market was on the rise until three years ago, but was down to 17.4% in 2006, compared to 18.5% in 2000. Another indicator, the youth unemployment to youth population ratio, has also fallen from 8.4% in 2000 to 7.7% in 2006.⁹ The share of unemployed youth among all unemployed aged 15–64 fell from 25.2% in 2000 to 24.3% in 2006.

Compared to youth aged 15–24, young people aged 25–29 are showing significantly higher activity and employment rates which almost reach those of adults aged 30–54. Furthermore, while labour market participa-

tion and employment of the 15–24 age group has decreased since 2000, both have increased for the 25–29 age group. However, similar to the group aged 15–24, people in the second half of their 20s are, on average, significantly more affected by unemployment than prime-age adults.

With respect to long-term unemployment lasting more than 12 months, young people are, on average, less affected than prime-age adults, due to their higher hiring and job separation rates (see section 4.4). Although still high, overall long-term unemployment of young people also has, on average, decreased since 2000. In 2006, 30% of unemployed youth aged 15–24 were long-term unemployed, down from almost 34% in 2000. For the age group 25–29, the percentage of long-term unemployed decreased from 44% to 41%. By comparison, the share of long-term unemployed among unemployed adults aged 30–54 was at almost 52% in 2006 and has increased since the beginning of the decade.

This overview suggests that the average labour market performance of young people in the EU-27 has somewhat improved since the beginning of the decade. Youth unemployment is down and the decrease in youth employment and labour market participation is mostly due to a higher share of youth in education and therefore not available to the labour market.

In principle, demographics should also favour the labour market situation of youth in the EU, as their proportion of the overall population is already decreasing and will fall even further over the coming decades. Presently,

⁷ COM(2007) 495 final.

⁸ EU LFS annual averages.

⁹ The reason for looking at both youth unemployment rates and ratios is that a use of only the unemployment rate can produce a distorted picture when comparing the youth labour markets of different countries. More precisely, one difficulty with using the unemployment rate as an indicator for the labour market performance, especially of young people, is that it shows the number of unemployed youth as a percentage of the youth labour force, i.e. those who are either employed or unemployed but actively looking for work. Using the youth labour force as a denominator can lead to distortions when comparing countries with great differences in youth activity rates or when activity rates change significantly over time. For instance, youth unemployment rates for two countries with identical numbers of youth and unemployed youth will differ if one country has a higher share of youth not available to the labour market because of, for example, a higher number of youth in education. More concretely, the country with a higher share of youth in education (or otherwise inactive) will display a higher youth unemployment rate. See OECD (2000), Appendix 4 for a detailed discussion of this issue.

the working-age population in the EU-27 amounts to a total of 327 million people of whom around 61 million are in the age group 15–24. The share of youth in the working-age population in the EU-27 was 18.5% in 2006, down from 19% in 2000. In the medium and long-term, the youth population will drop even further, both in absolute and relative terms. According to Eurostat's population projections, the number of young people in the EU is estimated to shrink by almost 12% to around 53 million in 2020, while the overall working-age population is estimated to fall by only around 2% over the same period. Accordingly, the share of the youth population in the working-age population is estimated to decrease to around 16.4% in 2020.¹⁰

However, despite recent overall improvements in the labour market

performance of young people and an already shrinking youth population, the labour market situation of young people in the EU does remain a concern. Firstly, improvements in the labour market situation of youth, although welcome, have been relatively small and have not significantly changed overall rates either for youth employment and unemployment in absolute terms or relative to the prime-age labour force. Secondly, compared to other big industrialised countries, youth unemployment rates in the EU are significantly higher and employment rates significantly lower, suggesting that Europe is still not making sufficient use of an increasingly scarce 'resource'.¹¹ Thirdly, a look only at EU averages hides important and quite substantial differences between Member States and different groups of youth.

4.2.2. Youth unemployment

Among the 27 Member States, Denmark and the Netherlands are the two Member States with the lowest share of unemployed youth in relation to the youth labour force (Chart 16). Their youth unemployment rates were at 7.7% and 6.6% respectively in 2006. The only other Member States with youth unemployment rates below 10% in 2006 were Austria, Ireland and Lithuania. At the other extreme, with youth unemployment rates above 20%, are Belgium, France, Greece, Italy, Poland, Romania, Slovakia and Sweden. While still high and above average, youth unemployment rates in Poland, Slovakia, Finland, Greece, but also Italy and Bulgaria have decreased significantly compared to the beginning of the decade (Table 8 - see page 38). Estonia and Lithuania also experienced a very significant drop in the

Table 7 - Standard measures of labour market performance for youth and prime-age adults in the EU-27, 2000–2006

Indicator	Age	2000	2001	2002	2003	2004	2005	2006
Activity rate	15–24	45.6	45.4	44.9	44.2	44.2	44.2	44.0
	25–29	82.0	81.7	81.8	81.6	82.0	82.1	82.6
	25–54	82.6	82.5	82.6	82.9	83.2	83.7	84.1
	30–54	82.7	82.6	82.7	83.1	83.5	84.0	84.4
Employment rate	15–24	37.1	37.4	36.7	36.0	35.9	35.9	36.3
	25–29	72.8	73.1	72.6	72.3	72.6	73.0	74.3
	25–54	75.9	76.2	76.0	76.1	76.4	77.1	78.1
	30–54	76.5	76.8	76.6	76.9	77.1	77.8	78.8
Unemployment rate	15–24	18.5	17.7	18.3	18.6	18.7	18.7	17.4
	25–29	11.3	10.6	11.3	11.4	11.4	11.0	10.0
	25–54	8.1	7.6	8.0	8.1	8.2	7.9	7.2
	30–54	7.5	7.0	7.4	7.5	7.7	7.4	6.7
Unemployment ratio	15–24	8.4	8.0	8.2	8.2	8.3	8.3	7.7
	25–29	9.2	8.6	9.2	9.3	9.4	9.1	8.3
	25–54	6.7	6.3	6.6	6.7	6.9	6.6	6.1
	30–54	6.2	5.8	6.1	6.2	6.4	6.2	5.7
Share of unemployed in age group relative to total unemployed aged 15	15–24	25.2	25.4	24.9	24.5	24.0	24.5	24.3
	25–29	18.3	17.9	17.9	16.9	16.7	14.6	14.5
	25–54	67.4	67.5	68.2	68.2	68.3	67.7	67.2
	30–54	55.3	55.3	55.8	55.2	55.7	53.0	52.7
Long-term unemployed as percentage of total unemployed in the same age group	15–24	33.9	33.6	33.6	33.6	31.1	31.0	30.0
	25–29	44.0	42.9	41.7	42.7	40.7	41.2	41.1
	25–54	49.6	49.7	48.1	49.3	48.8	49.7	49.5
	30–54	51.3	51.6	49.9	51.2	51.0	52.0	51.7

Source: Eurostat, EU LFS annual averages.

Note: EU-27 aggregates based on annual averages, except DE 2000–2004 Q2; FR 2000–2002 Q1; CY 2000–2003 Q2; 2004 av. Q2–Q4; LV 2000–2001 av. Q2 & Q4; LT 2000–2001 av. Q2 & Q4; LU 2000–2002 Q2; MT 2000–2001 Q2; SE 2000 Q2.

EU-27 aggregates for long-term unemployed share do not include NL 2000–2002, AT 2000–2001 and SE 2005–2006.

¹⁰ For the demographic context see also Chapter 2 on active ageing and labour market trends for older people.

¹¹ While the youth unemployment rate for 15–24 year olds in the EU-27 was 17.4% and the employment rate 35.9% in 2006 (see Table 7), the respective rates for the United States were 10.5% and 54.2%, for Canada 11.6% and 58.7% and for Japan 8% and 41.4%. See OECD (2007a).

youth unemployment rate and are now well below the EU average. Some Member States, on the other hand, have seen a strong rise in their youth unemployment rate, with Sweden showing the biggest increase. Other Member States with strong increases during the same period are Portugal, Malta, Hungary, Luxembourg and Germany although they still remain close to or below the EU average. France experienced a less strong increase, but its youth unemployment rate still ranks among the highest in the EU.

A look at the youth unemployment to population ratio seems to mostly confirm this picture on youth unemployment. Although country rankings are different between the youth unemployment rate and ratio, most Member States with a relatively low rate also tend to have a low ratio (e.g. NL, DK), and vice versa (e.g. PL, SE) (Chart 16). However, a number of Member States with average or higher than average unemployment *rates* exhibit lower than average youth unemployment *ratios* (e.g. BG, HU), and vice versa (MT, UK)

As with any gender differences, unemployment rates for young women in the EU are higher than for young men, although this unemployment rate gender gap has been narrowing since the beginning of the decade. In 2000, the unem-

ployment rate for women aged 15–24 in the EU-27 was 19.4% compared to 17.8% for men, i.e. a difference of 1.6 percentage points (Table 8 - see page 38). Six years later, the difference between male and female youth unemployment rates was down to 0.7 percentage points, mainly as a result of a relatively larger drop in the female youth unemployment rate compared to the male youth unemployment rate.

There are a number of notable differences between Member States. While some only show small differences between male and female youth unemployment rates in 2006 (namely DK, LT, AT, SK and SE), there are a few countries with very significant gender gaps. The most extreme case is Greece, where the female youth unemployment rate is 34.7%, almost twice as high as for young males, and where the gender gap has actually slightly increased with respect to 2000 (although rates have come down for both young men and women). Other Member States with a particular large youth unemployment gender gap are Spain and Italy (although it has decreased substantially in these two countries compared to 2000).

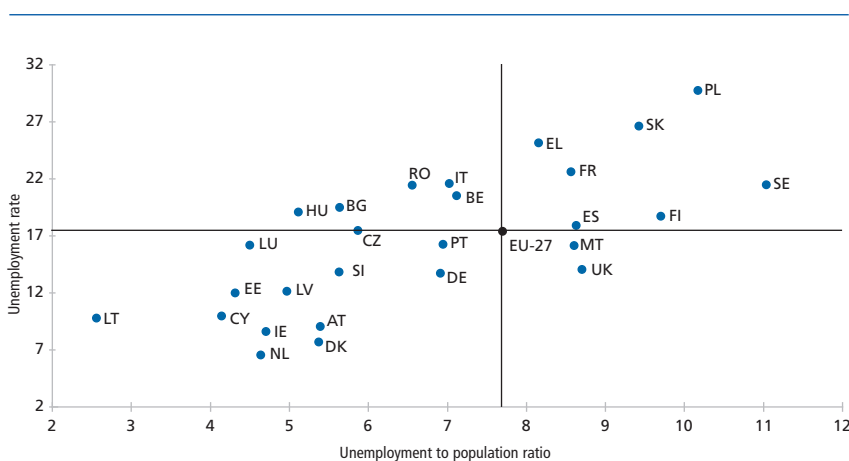
However, when looking at the youth unemployment to population *ratio* instead of the unemployment *rate*, a different picture emerges. While the

average unemployment ratio for young men was 8.1% in 2006, it was 7.2% for young women (Table 8 - see page 38), i.e. the share of the unemployed is actually smaller among the female youth population than among the male youth population. Only Greece and Spain had a significantly higher unemployment ratio for female youth than for male youth, while in the other Member States the ratio for young men was higher than or very close to that of young women. These differences between the gender specific unemployment rates and ratios reflect different activity rates between male and female youth. In almost all Member States young men have a significantly higher activity rate than their female counterparts, due to a higher share of young women than young men in education or taking care of home and family.

Comparing youth to prime-age adults, the average youth unemployment rate in the EU-27 is 2.4 times higher than the average prime-age adult unemployment rate. The relative unemployment ratio between youth and prime-age adults is 1.3. Both the relative youth unemployment rate and ratio have not changed significantly since 2000, thus indicating that not only are youth, on average, significantly more likely to be affected by unemployment, but also that the average unemployment situation with respect to adults has not improved over time.

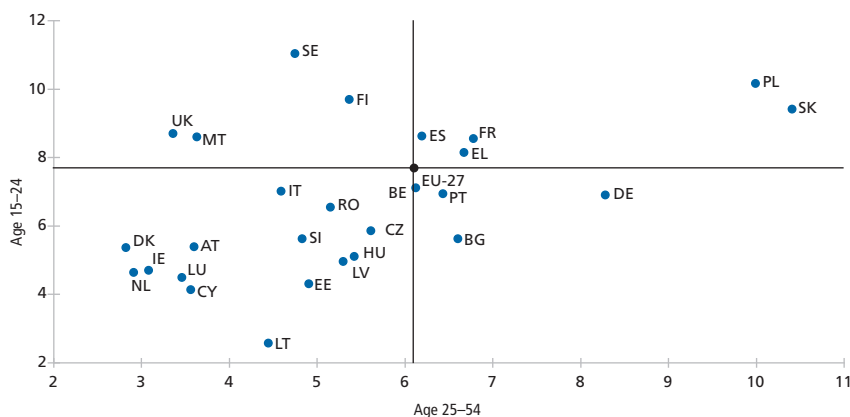
There are, however, big differences between Member States. In general, youth unemployment ratios seem to correspond to adult unemployment ratios. For example, in Poland and Slovakia and, to a lesser degree, France, Greece and Spain, both the percentage of unemployed youth and unemployed prime-age adults is relatively high, indicating that youth unemployment in these countries may also be part of a more general unemployment problem (Chart 17 - see page 34). On the other hand, Finland, Sweden and, to a lesser extent, Malta and the United Kingdom have a significantly higher unemployment ratio among youth

Chart 16: Youth (age 15-24) unemployment rates vs. unemployment ratios, 2006



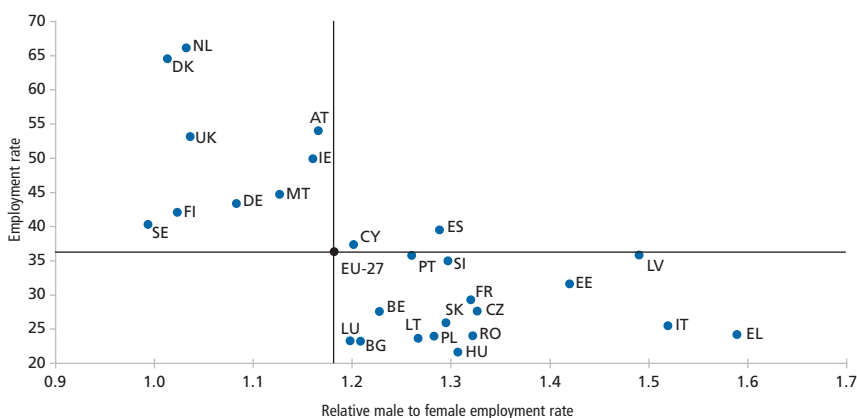
Source: Eurostat, EU LFS annual averages.

Chart 17: Youth vs. prime-age adults' unemployment ratios, 2006



Source: Eurostat, EU LFS annual averages.

Chart 18: Youth (age 15-24) employment rates vs. relative difference between male and female youth employment rates, 2006



Source: Eurostat, EU LFS annual averages.

twice as high as the younger age groups, because most young people have already made the transition from education to the labour market by that age. On the whole, countries with high employment rates for the younger age group also tend to show relatively high employment rates for the 25-29 age group (Chart 19).

Countries with high overall youth employment rates also tend to have the lowest differences between employment rates of young men and women; Denmark, Finland, the Netherlands, Sweden and the United Kingdom show very similar employment rates for young women and men and high overall youth employment at the same time. Greece and Italy on the other hand have very low overall youth employment and the most extreme gender differences, with young men more than one-and-a-half times more likely to work than young women.

Compared to 2000, employment rates among youth (15-24) have decreased in most Member States (Table 8, see page 38). The most significant decrease was in Hungary, where the overall youth employment rate dropped by almost 12 percentage points from 33.5% to 21.7% between 2000 and 2006. Malta, the Czech Republic, Romania and Luxembourg also experienced youth employment rate decreases by more than 8 percentage points. The few exceptions where the youth employment rate has increased are Spain, Estonia, Slovenia, Sweden, Bulgaria, Latvia and France.

When looking at youth employment rates, especially for the 15-24 age group, it is worth noting that a significant share of employed young people are apprentices or working students who are counted as employed by definition.¹² On average, around one-third of employed

than among prime-age adults, thus suggesting that unemployment in these countries may be a more youth-specific issue, while it is less of a problem for adults.

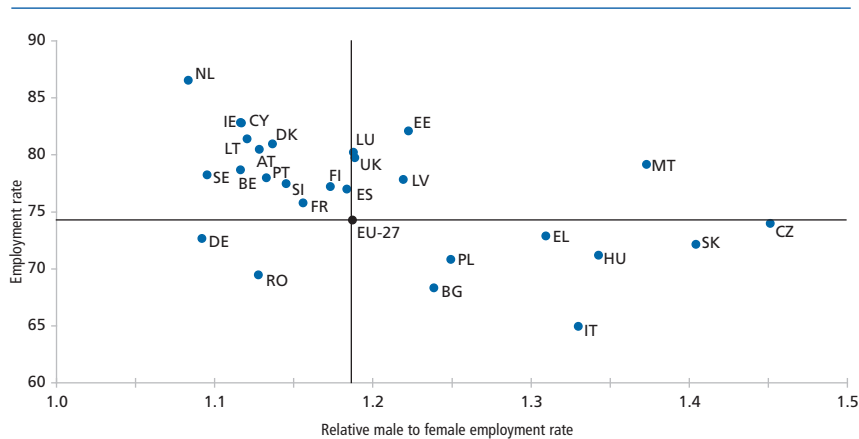
4.2.3. Youth employment

Examining the opposite perspective to youth unemployment, Denmark

and the Netherlands have the highest youth employment rates, with around two-thirds of the 15-24 age group holding a job. At the other end of the spectrum, only less than one-quarter of youth were in employment in Hungary, Bulgaria, Luxembourg, Poland, Lithuania, Greece and Romania (Chart 18). For the age group 25-29, employment rates were, on average, more than

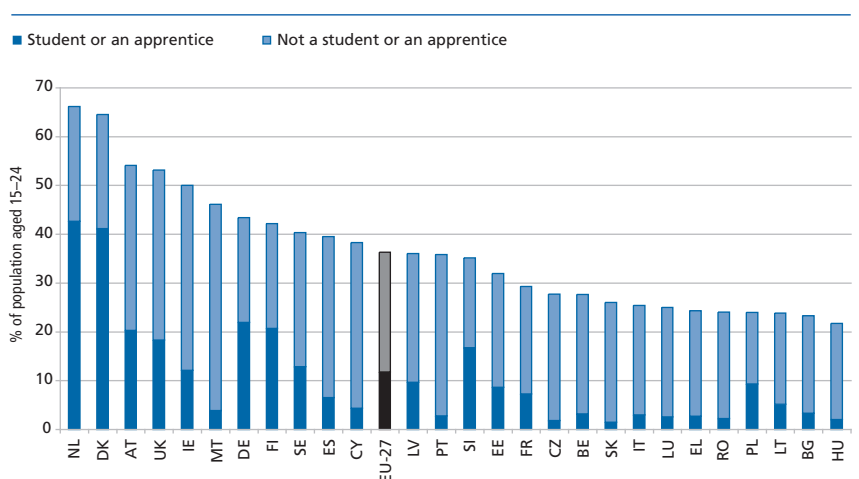
¹² The European Labour Force Survey uses the International Labour Office definition of employment by which a person is employed if he or she performed work during the reference week of the survey, even for just one hour a week, for pay, profit or family gain, or was not at work but had a job or business from which he/she was temporarily absent because of, for example, illness, holidays, industrial dispute, or education and training.

Chart 19: Youth (age 25–29) employment rates vs. relative difference between male and female (age 25–29) employment rates, 2006



Source: Eurostat, EU LFS annual averages.

Chart 20: Youth (age 15–24) employment rates by current educational status, 2006



Source: Eurostat, EU LFS annual averages.

Note: Data for DE and FR provisional. For SE participation in education or training refers to the week preceding the survey reference week (instead of four weeks in the other countries).

youth are students or apprentices (compared to only 8% of the 25–29 age group), and in some countries this share is much higher, namely in Denmark and the Netherlands where over 60% of employed youth are students or apprentices, and Finland and Germany with more than half of employed youth also being students or apprentices (Chart 20). This observation also corresponds to a high

share of employed youth in these countries which perform part-time or temporary jobs, not because they cannot find full-time or permanent work, but because they choose to (see section 4.6.2).¹³

Chart 21 (see page 36) compares the employment rate of all 15 to 24 year olds (i.e. students and non-students) to the employment rate of non-stu-

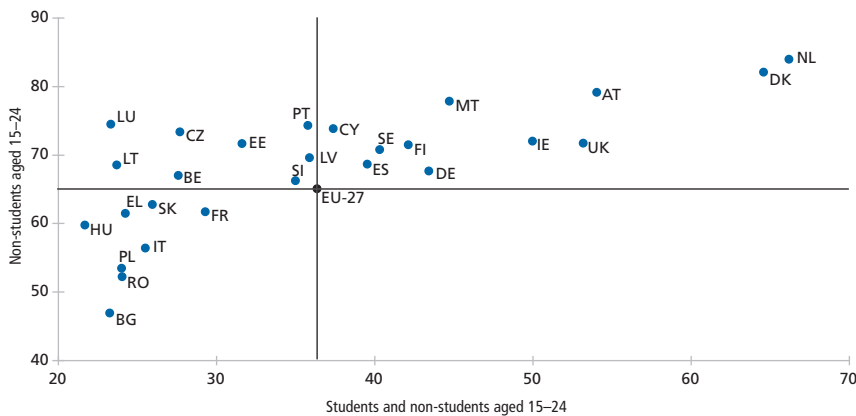
dents of the same age group. It illustrates several things: first, the non-student youth employment rate is significantly higher in all countries than the overall youth employment rate including students. Secondly, for some countries the non-student employment rate produces a different picture from the one gained by looking at the overall youth employment rate only. In particular Belgium, the Czech Republic, Estonia, Latvia, Lithuania and Luxembourg have a significantly higher than average share of young non-students in employment, despite a low overall youth employment rate. This suggests that these countries have low youth employment rates mostly because of a relatively high share of non-working students (or otherwise inactive youth) but that they are relatively successful in integrating young people into the labour market once out of school. Thirdly, several countries do well on both youth employment indicators, foremost Denmark and the Netherlands, but also Austria, Ireland and the United Kingdom, while others perform below average on both accounts, namely Bulgaria, Romania, Poland, Italy, Hungary, Greece, France and Slovakia.

Chart 22 (see page 36) compares employment rates of young non-students to that for prime-age adults and indicates that high youth employment tends to correspond to the level of employment among the prime-age population. This, together with a similar correlation between youth and adult unemployment observed in the previous section, suggests that policies which help to improve overall labour market performance may also help to create jobs for young people.

Finally comparing Member States performance with respect to both employment and unemployment

¹³ It also suggests that in some countries it is acceptable and institutionally possible for young people to combine work and study, while in other countries the transition into work follows only after having finished education. See also Van de Velde's (2007) comparative analysis of youth to adult life transitions in Denmark and France, which finds that young people in Denmark tend to combine school with professional experience or alternate between the two, while in France a high value is placed on initial training, with greater focus on earning a degree, without working along the way, and with the aim of entering into full-time employment at the start of a career.

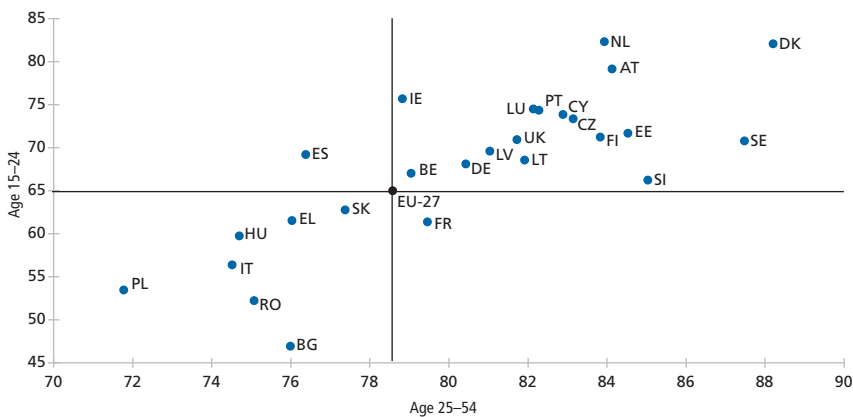
Chart 21: Youth (age 15–24) employment rates of non-students vs. overall youth employment rates, 2006



Source: Eurostat, EU LFS annual averages.
 Note: Data for DE and FR provisional. For SE participation in education or training refers to the week preceding the survey reference week (instead of four weeks in the other countries).

shows no clear correlation for the 15–24 age group. Some countries show both low youth unemployment to population ratios and employment rates (e.g. LT, HU and LU) while others show low unemployment ratios, but high employment rates (DK and NL) (Chart 23). This is at least partially due to large differences across Member States in the proportion of youth still in education or otherwise inactive and unavailable to the labour market. However, as for the 25–29 age group, differences in activity rates between Member States are much smaller compared to the 15–24 age group. Therefore the relation between both indicators is more clear-cut for young people aged 25–29, i.e. countries with relatively high employment also tend to show relatively low unemployment among the 25–29 age group (Chart 24).

Chart 22: Youth vs. prime age adults' employment rates (non-students), 2006

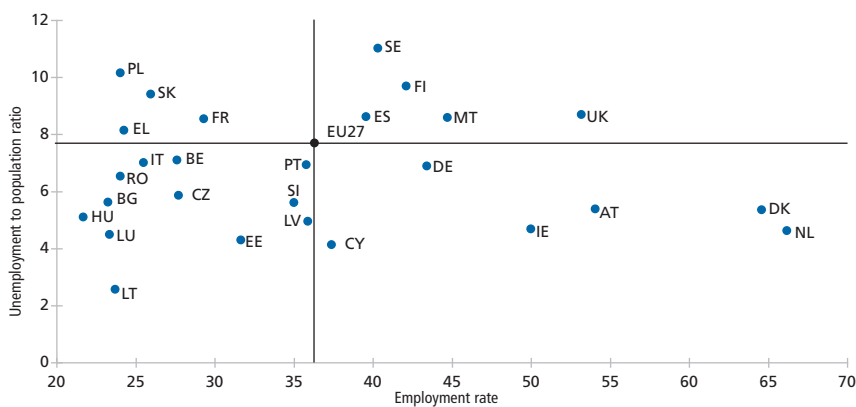


Source: Eurostat, EU LFS annual averages.
 Note: 2005 data for IE. Value for MT is an extreme outlier and therefore excluded from graph (78% youth non-student employment rate vs. 64 primeage non-student employment rate).

4.3. Youth not in education or employment

Indicators, such as the employment rate and unemployment rates or ratios, provide information about the relative situation of young people who already have a job or are actively looking for one. However, they do not cover those who are inactive, either because they are still pursuing an education or for other reasons.

Chart 23: Youth (age 15–24) unemployment ratios vs. employment rates, 2006



Source: Eurostat, EU LFS annual averages.

Looking at the activity status of young people, Chart 25 illustrates that the vast majority of teenagers in the EU-27 remain in education until around the age of 16 or 17. After that, the share of those entering the working world increases steadily with age, while the share of young people in education decreases. By the age of 29, around two-thirds of those in that age group are in employment while around 7% are in education. Furthermore, a considerable share of young people in education also work in some way or another, as already noted in the previous section.

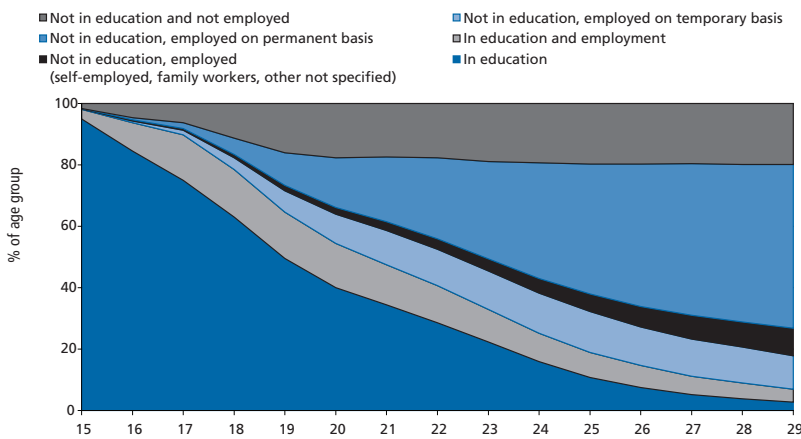
Chart 24: Youth (age 25-29) unemployment ratios vs. employment rates, 2006



Source: Eurostat, EU LFS annual averages.
Notes: Unemployment ratio for MT uncertain due to small sample size.

Chart 25 also shows that from the age of 19 there is a fairly stable share of 17–19% of young people who are not in education, employment or training (NEET). It is this group of either unemployed or inactive youth who are not following an education which can potentially represent a problem for policy-makers, especially if they have trouble finding work or drop out of the labour force altogether because of being discouraged to work or for other unspecified reasons (as opposed to those who are inactive because of family commitments, military service, travel or leisure).¹⁴

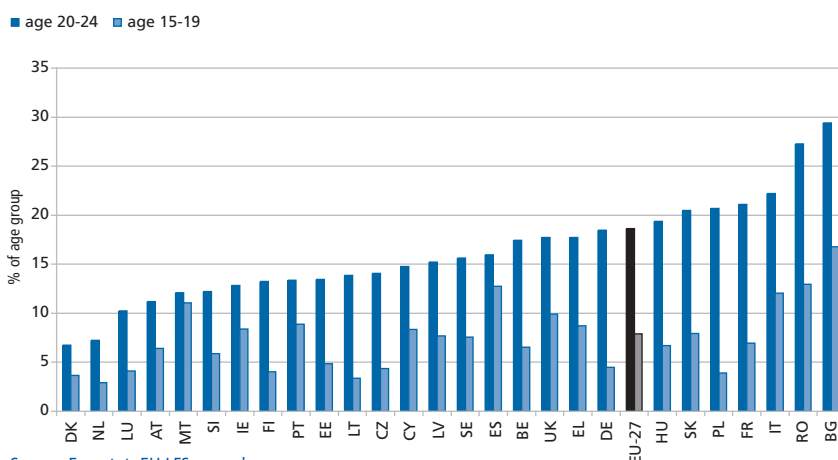
Chart 25: Activity status of youth by age in the EU-27, 2006



Source: Eurostat, EU LFS annual averages

Again, the EU average sometimes masks big differences between the Member States. For example, Denmark and the Netherlands have by far the lowest NEET rates among 20 to 24 year olds, and the majority of the other Member States are below or close to the EU average of 18.6% (Chart 26). However, a few countries, namely France, Italy, Poland, Romania and Slovakia have NEET rates among 20 to 24 year olds in excess of 20% and Bulgaria is close to 30% (although the group has decreased in recent years in Bulgaria, Poland, Romania and Slovakia, but remained the same level in France, Hungary and Italy). As for the 15–19 age group, NEET rates tend to be much lower than for those aged 20–24, reflecting the fact that teenagers in most countries are still in (compulsory) education. However, a few Member States do show high NEET rates among teenagers of 10% and more, namely Malta, Spain, Italy, the United Kingdom, Romania and Bulgaria.

Chart 26: Teenagers and young adults not in education, employment or training, 2006



Source: Eurostat, EU LFS annual averages.
Note: Figure LU for 15–19 years old uncertain due to small sample size. Data for DE and FR provisional. For SE participation in education or training refers to the week preceding the survey reference week (instead of four weeks in the other countries).

It certainly needs to be added that not everybody who is NEET will remain so continuously. Many young people will not be in a job or education at some point in their life, but enter into one or the other again eventually. Research undertaken by

14 Around 43% of 15–29 year olds who are inactive and not in education do not participate in the labour market because of taking care of children or other family members or because of other family responsibilities, the vast majority of them women. Another 43% of those inactive and not in education – most of them young males – are either discouraged by the labour market or name other reasons, with the rest being ill or suffering from a disability.

Table 8 - Labour market performance of youth (age 15-24) by Member State – standard measures by gender, 2000 and 2006

	Employment rates						Unemployment rates						Unemployment ratios						Long-term unemployed					
	2000			2006			2000			2006			2000			2006			2000			2006		
	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women			
BE	29.1	32.8	25.4	27.6	30.4	24.7	17.5	15.3	20.3	20.5	18.8	22.6	7.1	7.0	7.2	29.1	27.2	30.8	28.3	25.8	30.8			
BG	19.7	21.8	17.7	23.2	25.4	21.0	35.5	37.6	32.8	19.5	18.9	20.3	5.6	5.9	5.3	48.6	48.0	49.5	41.4	43.5	39.1			
CZ	36.4	39.3	33.5	27.7	31.5	23.7	18.1	18.7	17.3	17.5	16.6	18.7	8.0	9.1	7.0	37.8	37.0	38.8	37.9	38.8	36.8			
DK	66.0	68.5	63.3	64.6	65.0	64.1	6.7	6.8	6.7	7.7	7.9	7.5	5.4	5.6	5.2	:	:	:	:	:	:			
DE	46.1	48.6	43.6	43.4	45.1	41.6	8.5	9.5	7.4	13.7	14.8	12.5	6.9	7.8	6.0	23.5	23.7	23.2	33.2	34.5	31.4			
EE	28.3	31.7	24.8	31.6	37.0	26.1	24.4	24.5	24.2	12.0	10.0	14.7	4.3	4.1	4.5	25.4	28.5	(21.2)	(20.3)	(25.0) ²⁰⁰⁵	(46.6) ²⁰⁰⁵			
IE	50.4	54.2	46.6	50.0	53.6	46.2	6.9	6.8	7.1	8.6	9.1	8.0	4.7	5.4	4.0	19.9	(21.5)	:	22.2	27.0	(19.7) ²⁰⁰⁴			
EL	27.6	32.7	22.4	24.2	29.7	18.7	29.2	21.6	38.2	25.2	17.7	34.7	8.2	6.4	9.9	50.2	42.9	55.1	48.0	42.6	51.6			
ES	32.5	38.2	26.7	39.5	44.4	34.4	26.0	20.4	32.9	17.9	15.0	21.6	8.6	7.8	9.5	29.3	25.5	32.4	11.9	9.8	13.6			
FR	28.2	31.3	25.1	29.3	33.3	25.2	20.6	19.0	22.6	22.6	21.2	24.5	7.3	8.6	8.2	21.1	19.8	22.4	26.9	28.6	25.1			
IT	26.4	30.7	22.1	25.5	30.6	20.1	31.1	27.6	35.4	21.6	19.1	25.3	11.9	11.7	12.1	57.5	56.7	58.3	43.6	43.6	43.7			
CY	36.7	39.5	34.3	37.4	41.0	34.1	10.2	(6.7)	13.3	10.0	8.9	11.1	4.2	(2.8)	5.3	(16.0)	:	(23.1)	(11.9) ²⁰⁰⁵	:	:			
LV	29.2	34.3	23.8	35.9	42.8	28.7	22.1	20.9	23.7	12.2	10.5	14.7	8.3	9.1	7.4	43.4	46.7	39.3	19.2	(21.5)	(16.8)			
LT	25.2	28.3	22.1	23.7	26.4	20.9	30.2	32.1	27.5	9.8	10.0	(9.6)	10.9	13.4	8.4	43.1	50.2	(31.4)	(21.4) ²⁰⁰⁵	(35.6) ²⁰⁰⁴	:			
LU	31.8	35.3	28.3	23.3	25.4	21.2	(6.4)	(5.7)	(7.3)	16.2	(17.0)	(15.2)	(2.2)	(2.1)	(2.2)	:	:	:	(30.0)	(40.4)	:			
HU	33.5	37.3	29.7	21.7	24.5	18.8	12.5	13.7	10.9	19.1	18.6	19.8	4.8	5.9	3.6	37.0	39.6	32.7	36.8	37.2	36.3			
MT	52.4	52.0	52.8	44.7	47.3	42.0	11.8	(13.1)	(10.4)	16.1	17.5	(14.5)	7.0	(7.9)	(6.1)	(23.8) ²⁰⁰¹	:	:	(36.1) ²⁰⁰⁵	:	:			
NL	68.7	70.0	67.3	66.2	67.2	65.1	5.8	5.0	6.5	6.6	6.1	7.1	4.2	3.7	4.7	:	:	:	19.2	19.9	18.6			
AT	52.5	57.3	47.9	54.0	58.2	49.9	5.1	5.0	5.3	9.1	8.9	9.3	2.8	3.0	2.7	14.2 ²⁰⁰²	13.3 ²⁰⁰²	15.5 ²⁰⁰²	15.9	(18.0)	(13.6)			
PL	24.5	27.3	21.8	24.0	26.9	21.0	35.1	33.3	37.2	29.8	28.3	31.6	13.3	13.6	13.0	36.5	34.0	39.2	42.4	42.3	42.4			
PT	42.2	48.1	36.2	35.8	39.8	31.6	8.8	6.6	11.8	16.3	14.5	18.4	4.1	3.4	4.8	21.2	(20.3)	(21.8)	29.2	29.6	28.8			
RO	33.1	35.8	30.5	24.0	27.3	20.6	20.0	22.2	17.2	21.4	22.3	20.2	8.3	10.2	6.3	42.3	40.3	45.5	51.0	50.5	51.9			
SI	32.8	35.7	29.7	35.0	39.2	30.3	16.3	14.6	18.5	13.9	11.6	16.8	6.4	6.1	6.7	42.4	(41.7)	43.0	35.8	(31.5)	(39.8)			
SK	29.0	29.8	28.2	25.9	29.2	22.5	36.9	39.7	33.8	26.6	26.4	27.0	17.0	19.6	14.4	43.1	43.9	42.0	61.4	63.9	58.1			
FI	41.1	42.3	39.9	42.1	42.6	41.6	21.4	21.1	21.7	18.7	19.0	18.4	11.2	11.3	11.1	8.1	(8.8)	(7.5)	(5.8)	(9.0) ²⁰⁰⁵	:			
SE	36.9	36.6	37.1	40.3	40.2	40.4	9.5	10.8	8.1	21.5	21.0	22.0	3.9	4.4	3.3	11.8	12.2	:	7.0 ²⁰⁰⁴	7.9 ²⁰⁰⁴	5.9 ²⁰⁰⁴			
UK	56.6	58.6	54.6	53.2	54.1	52.2	12.6	13.7	11.5	14.1	15.9	12.1	8.2	9.3	7.1	12.3	14.6	9.4	13.5	16.8	8.8			
EU-27	37.1	40.4	33.9	36.3	39.3	33.3	18.5	17.8	19.4	17.4	17.1	17.8	8.4	8.7	8.2	33.9	32.7	35.3	30.0	31.0	28.9			

Source: Eurostat, EU LFS annual averages.

Note: Data for 2000: DE, CY, LU, MT, SE, Q2; FR, Q1; LV and LT av: Q2 & Q4. EU-27 aggregates for long-term unemployed share do not include NL and AT in 2000 and SE in 2006. *: data not available. Data in brackets uncertain due to small sample size.

Table 9 - Labour market performance of young people (age 25-29) by Member State – standard measures by gender, 2000 and 2006

	Employment rates						Unemployment rates						Unemployment ratios						Long-term unemployed					
	2000			2006			2000			2006			2000			2006			2000			2006		
	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women			
BE	80.7	85.2	76.0	78.7	83.0	74.4	9.2	8.8	9.7	10.1	9.3	11.0	8.2	8.2	8.2	8.9	8.6	9.2	44.4	44.2	44.5	36.1	33.6	38.3
BG	58.3	63.8	52.3	68.3	75.4	60.8	19.1	19.3	18.9	10.3	9.5	11.3	13.8	15.3	12.2	7.8	7.9	7.7	55.9	55.7	56.3	49.0	48.4	49.8
CZ	72.6	88.7	56.1	74.0	87.2	60.1	9.4	6.6	13.7	6.6	5.5	8.1	7.5	6.2	8.9	5.2	5.1	5.3	43.4	40.7	46.2	45.6	45.9	45.3
DK	80.0	85.5	74.5	81.0	86.1	75.8	5.6	4.2	7.1	5.1	4.3	6.1	4.8	3.8	5.7	4.4	3.8	4.9	(9.4)	:	:	(9.1)	:	:
DE	75.7	81.4	70.0	72.7	75.8	69.4	6.9	7.4	6.3	11.4	12.4	10.4	5.6	6.5	4.7	9.4	10.7	8.0	32.6	32.2	33.2	40.4	40.9	39.7
EE	71.9	81.5	61.9	82.1	90.2	73.8	13.9	13.4	14.6	4.3	(4.6)	(4.1)	11.6	12.6	10.6	3.7	(4.3)	(3.1)	35.2	42.0	(25.6)	45.7	(52.9)	(38.9)
IE	83.9	89.0	78.6	82.8	87.3	78.2	4.1	4.4	(3.7)	4.8	5.5	4.0	3.6	4.1	(3.0)	4.2	5.1	3.3	26.6	(31.1)	:	27.1	33.5	(17.9)
EL	68.1	81.3	54.4	72.9	82.2	62.8	17.5	12.2	24.6	14.0	9.7	19.4	14.5	11.3	17.8	11.8	8.8	15.1	55.8	48.8	60.5	51.3	43.2	56.2
ES	69.0	78.7	59.1	77.0	83.3	70.3	17.3	12.6	22.9	10.3	8.0	12.9	14.4	11.3	17.6	8.8	7.3	10.4	35.1	29.2	39.2	14.7	12.4	16.6
FR	76.0	83.5	68.7	75.8	81.3	70.3	12.7	11.0	14.6	11.3	11.3	11.3	11.0	10.3	11.8	9.7	10.3	9.0	25.2	23.1	27.2	32.4	34.4	30.3
IT	58.9	69.1	48.7	65.0	74.0	55.7	17.5	14.6	21.2	11.6	9.8	14.0	12.5	11.8	13.1	8.5	8.1	9.1	63.5	63.6	63.4	47.7	47.2	48.1
CY	83.3	93.4	74.3	82.8	87.4	78.3	(3.4)	(2.8)	(4.2)	5.9	5.7	(6.1)	(3.0)	(2.7)	(3.2)	5.2	5.3	(5.1)	:	:	:	(11.8)	:	(15.9)
LV	69.6	76.4	62.7	77.9	85.4	70.1	15.5	15.7	15.1	6.9	7.4	6.3	12.7	14.3	11.2	5.8	6.9	4.7	50.8	51.2	50.2	27.7	27.4	28.1
LT	75.4	73.9	76.9	81.4	86.0	76.7	14.7	17.9	11.4	4.6	(5.1)	:	13.0	16.1	9.9	3.9	(4.6)	:	46.6	53.5	36.7	(29.2)	(30.1) ²⁰⁰⁵	(34.8) ²⁰⁰⁴
LU	80.3	86.2	74.3	80.2	87.0	73.2	(4.4)	:	(6.0)	6.7	(5.2)	(8.4)	(3.7)	:	(4.8)	5.7	(4.8)	(6.7)	:	:	:	(24.7)	(39.4)	:
HU	69.6	82.5	56.2	71.2	81.4	60.7	7.3	7.6	7.0	8.6	8.4	8.8	5.5	6.7	4.2	6.7	7.5	5.9	41.4	43.9	37.2	41.2	42.8	39.3
MT	73.1	89.3	56.1	79.2	90.8	66.1	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	(43.7) ²⁰⁰⁵	:	:
NL	86.4	92.8	79.8	86.5	90.0	83.1	2.6	2.0	3.3	3.4	3.4	3.4	2.3	1.9	2.7	3.0	3.2	2.9	:	:	:	24.9	24.7	25.1
AT	80.6	86.4	74.9	80.5	85.3	75.6	3.3	2.6	4.0	5.6	5.6	5.6	2.7	2.3	3.1	4.8	5.1	4.5	15.0 ²⁰⁰²	12.9 ²⁰⁰²	18.0 ²⁰⁰²	17.9	21.6	(13.4)
PL	68.7	78.9	58.2	70.8	78.6	62.9	18.1	15.3	21.8	15.3	14.0	16.8	15.2	14.3	16.2	12.8	12.8	12.7	41.0	37.4	44.5	49.3	48.7	49.9
PT	82.8	88.3	77.3	78.0	82.8	73.1	4.4	2.8	6.2	11.1	8.2	14.2	3.8	2.5	5.1	9.7	7.4	12.1	29.5	(28.0)	30.5	37.2	37.5	37.1
RO	74.5	80.5	68.1	69.5	73.6	65.2	8.8	9.4	8.0	9.4	10.8	7.6	7.2	8.3	5.9	7.2	8.9	5.3	50.9	49.2	53.5	56.4	55.7	57.5
SI	81.2	82.9	79.3	77.5	82.8	72.3	7.3	6.9	7.8	10.4	7.5	13.5	6.4	6.2	6.7	9.0	6.7	11.3	51.2	53.9	48.7	40.3	(38.5)	41.6
SK	67.5	77.2	57.5	72.2	84.0	59.8	19.0	18.4	19.9	12.4	11.8	13.3	15.9	17.4	14.3	10.2	11.2	9.2	51.1	50.3	52.4	71.7	73.2	69.7
FI	74.1	81.3	66.4	77.2	83.1	70.8	10.7	9.2	12.5	7.7	7.0	8.7	8.9	8.3	9.5	6.5	6.3	6.7	16.8	19.6	(13.9)	10.9	(13.3)	(9.5) ²⁰⁰⁵
SE	75.1	77.9	72.2	78.2	81.7	74.6	5.9	5.1	6.9	8.7	8.6	8.9	4.7	4.2	5.3	7.5	7.7	7.3	13.8	18.7	8.5	12.2 ²⁰⁰⁴	13.3 ²⁰⁰⁴	10.9 ²⁰⁰⁴
UK	79.8	87.6	72.4	79.8	86.8	73.1	5.7	6.1	5.1	5.5	5.9	5.0	4.8	5.7	3.9	4.6	5.5	3.8	20.5	25.7	13.3	17.5	22.2	10.7
EU-27	72.8	80.8	64.7	74.3	80.6	67.9	11.3	9.9	12.9	10.0	9.5	10.7	9.2	8.9	9.6	8.3	8.4	8.1	41.1	39.7	42.5	37.6	38.2	36.9
													no AT/NL	no AT/NL	no AT/NL				no AT/NL	no AT/NL	no AT/NL	no SE	no SE	no SE

Source: Eurostat, EU LFS annual averages.

Note: Data for 2000: DE, CY, LU, MT, SE Q2; FR Q1; LV and LT av.Q2 & Q4. EU-27 aggregates for long-term unemployed share do not include NL and AT in 2000 and SE in 2006. ‘:’ data not available. Data in brackets uncertain due to small sample size.

Quintini and Martin (2006) and based on *European Community Household Panel* (ECHP) data for 1997 to 2001 suggests that there is a frequent turnover into and out of NEET status and that this turnover is higher for youth than for prime-age adults.

However, in a number of the 13 old Member States observed there is a relatively high share of youth who always remained in the NEET category during the entire five-year observation period, namely Italy where the 'always NEET' incidence was at around 30%, Greece (around 20%) and France, Germany, Ireland, the Netherlands and Spain (more than 10%).

The likelihood of not being in education, employment or training is strongly correlated with a person's educational attainment level. While the NEET rate for 20–24 year olds with upper secondary education or university education is 14.4% and 13.1%, respectively, a full third of

those young people who have not completed upper secondary education can be classified as NEET (Table 10). For the 20–29 age group, this link between education and joblessness is even more pronounced and it persists into later life.

There is also a strong gender dimension to this, as poorly educated young women have a much higher incidence of being NEET than their male contemporaries, while a gender difference also exists for those with medium and high educational attainment, but to a much lesser degree.

This link between poor education and an increased risk of joblessness generally holds true for most Member States, although with variations in intensity. In a number of Member States, however, this relationship is reversed to the extent that younger people aged 20–24 with a high educational attainment actually have a higher likelihood of being NEET than their

less well-educated contemporaries. This applies mainly to most of the Mediterranean Member States – in particular Greece, Spain, Cyprus and Portugal. There are also several countries – Germany, Lithuania, Slovenia, Hungary, Romania and Bulgaria – where young university graduates have a lower risk of being jobless than those with a low educational attainment, but still have a higher jobless risk compared to those with a medium educational attainment. In most of these Member States this inverse education/NEET structure disappears when looking at older youth aged 25 to 29. Only in Portugal and Slovenia do highly educated 25 to 29 year olds also remain at a higher risk of being jobless than their medium-skilled contemporaries, while in Italy this phenomenon only appears in this age group.

One explanation suggested for the observation that higher education is not necessarily an insurance against joblessness is that young people who

Table 10 - Share of youth (age 20–24) not in education, employment or training, by educational attainment level and gender, 2006

	Low				Medium				High			
	Total	Men	Women	Gender difference	Total	Men	Women	Gender difference	Total	Men	Women	Gender difference
BE	38.4	31.0	49.4	-18.5	12.8	10.6	15.2	-4.6	13.4	13.5	13.3	0.2
BG	68.0	55.9	81.2	-25.2	19.8	18.9	20.8	-2.0	23.3	:	(29.3)	:
CZ	41.1	32.1	52.2	-20.2	11.8	8.2	15.6	-7.5	9.0	7.7	9.9	-2.2
DK	10.9	(5.5)	18.8	:	5.2	5.5	5.0	0.5	:	:	:	:
DE	28.8	25.5	32.1	-6.6	14.1	15.0	13.3	1.7	17.5	12.3	19.9	-7.7
EE	29.5	21.5	49.9	-28.4	10.2	(4.7)	15.5	:	:	:	:	:
IE	37.8	27.0	53.9	-26.9	9.7	8.5	11.2	-2.7	6.4	:	(6.2)	:
EL	29.5	16.3	54.4	-38.1	12.8	8.4	17.2	-8.8	30.8	24.4	34.3	-9.9
ES	21.5	17.2	27.9	-10.7	11.1	8.7	13.3	-4.5	15.6	13.9	16.8	-2.9
FR	45.6	38.0	54.9	-16.8	17.6	13.6	21.9	-8.3	10.8	8.7	12.5	-3.8
IT	40.2	29.4	55.5	-26.1	16.5	15.6	17.3	-1.8	15.2	12.2	16.9	-4.7
CY	(16.3)	(9.1)	(33.7)	:	12.2	13.0	(10.9)	:	18.7	:	18.5	:
LV	28.6	19.5	45.0	-25.4	13.1	7.9	17.8	-9.9	:	:	:	:
LT	40.4	(37.3)	(45.7)	:	10.0	8.5	11.4	-2.8	(11.8)	:	:	:
LU	(16.9)	(14.5)	(20.3)	:	(6.9)	:	(7.5)	:	:	:	:	:
HU	47.0	37.7	58.6	-20.8	13.3	11.0	15.6	-4.6	18.4	(17.9)	18.6	:
MT	(18.1)	:	(22.8)	:	:	:	:	:	:	:	:	:
NL	15.5	11.4	21.3	-9.9	4.2	3.1	5.3	-2.2	3.6	(3.0)	(3.9)	:
AT	30.3	23.9	37.3	-13.4	8.0	7.4	8.7	-1.3	:	:	:	:
PL	47.9	44.0	54.6	-10.6	18.3	17.1	19.5	-2.3	17.6	(16.6)	18.1	:
PT	16.9	14.3	20.8	-6.4	7.4	6.2	8.4	-2.2	25.6	:	27.6	:
RO	48.1	41.5	55.2	-13.7	20.6	21.8	19.3	2.5	30.6	(30.0)	30.9	:
SI	31.7	(27.9)	(38.0)	:	9.5	8.3	10.9	-2.5	(19.9)	:	(22.8)	:
SK	63.0	61.6	64.5	-2.9	16.6	12.9	20.4	-7.5	15.9	:	(18.1)	:
FI	26.8	23.4	31.2	-7.7	11.0	9.6	12.2	-2.6	:	:	:	:
SE	31.7	31.1	32.7	-1.6	13.1	12.9	13.4	-0.5	7.2	:	7.4	:
UK	38.5	29.3	49.6	-20.4	12.6	9.0	16.2	-7.2	10.3	12.3	8.7	3.6
EU-27	33.6	27.2	41.8	-14.7	14.5	13.0	16.0	-2.9	13.1	11.6	14.2	-2.6

Source: Eurostat, EU LFS annual averages.

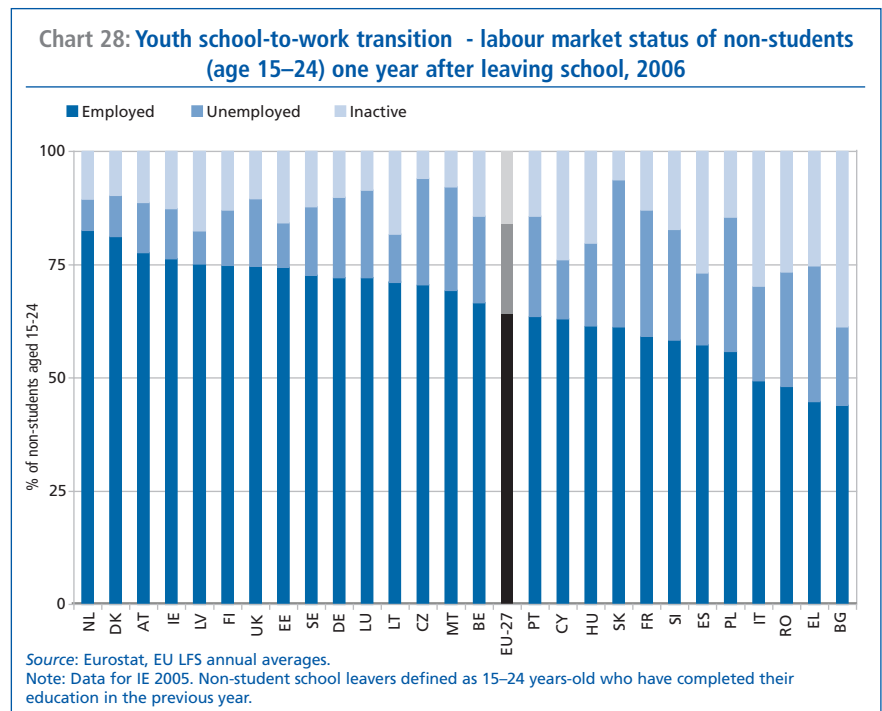
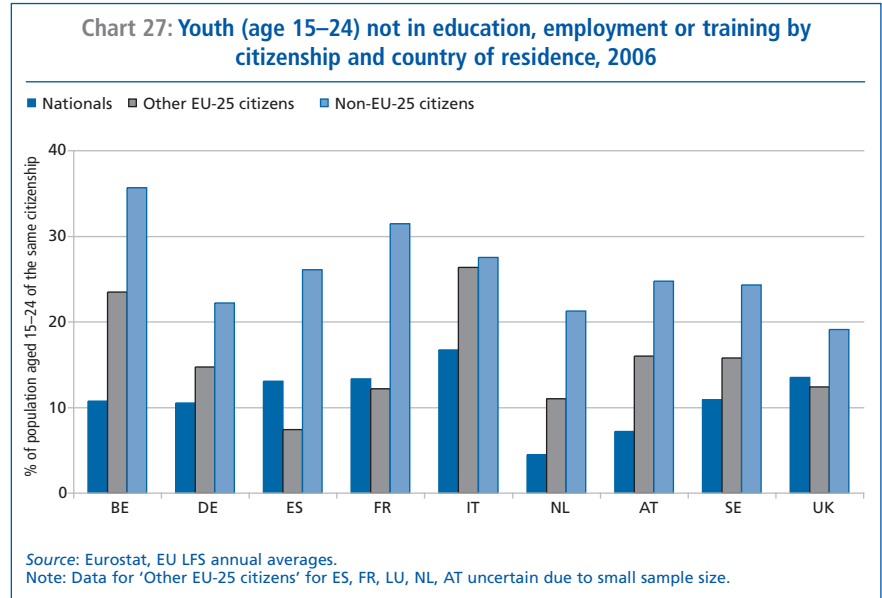
Note: ":" data not available. Data in brackets uncertain due to small sample size.

attain higher levels of education have had less time to acquire relevant work experience or they, especially those with university degrees acquired over a long period (as opposed to those with shorter or vocational degrees), may not meet labour market demands in the countries concerned¹⁵. Consequently, many of those with an academic degree may take longer to obtain a foothold on the labour market than those without one. However, once the transition has been made, education does tend to display positive returns for the investment in the form of a significantly lower risk of unemployment.

Joblessness is also a phenomenon which is much more likely to affect youth with foreign citizenship than young nationals. Young people from a non-EU country living in the EU are approximately twice as likely to be NEET, compared to youth living in their country of birth. They are also significantly more likely to find themselves in this position compared to youth coming from another EU Member State. Among the countries for which detailed data are available, Belgium and France have the highest NEET rates among young third-country nationals (Chart 27). In Belgium, the NEET rate of young third-country nationals is also very high compared to young nationals, and this ratio is even higher in Austria and the Netherlands (the latter two Member States have lower overall youth NEET rates). In the United Kingdom, on the other hand, the rate is relatively low for young third-country foreigners.

4.4. Labour market transitions of youth

Another concern in the context of youth employment is the transition of young people from education into working life. On average, almost two-thirds of youth leaving education in the EU do have a job one year after leaving school, although the school-to-work transition seems to work bet-



ter in some countries than in others (Chart 28). In Austria, Ireland, Latvia, Finland, Estonia and the United Kingdom, close to 75% or more of young people have a job one year after having left the educational system. In Denmark and the Netherlands this rate even exceeds 80% while Bulgaria, Greece, Italy and Romania are at the other end of the scale with less than 50% of young non-students being employed one year after leaving per- manent education.

Again, education seems to play an important role in successful school-to-work transitions. On average, less than 4 out of 10 school leavers with a low educational attainment level find themselves in a job one year after having finished their education, compared to almost two-thirds of those with a medium level of education and more than three-quarters of those with a high level of education (Chart 29 - see page 42). In other words, better-educated youth tend to

¹⁵ See Fernández (2006) who examined this phenomenon for the Spanish labour market.

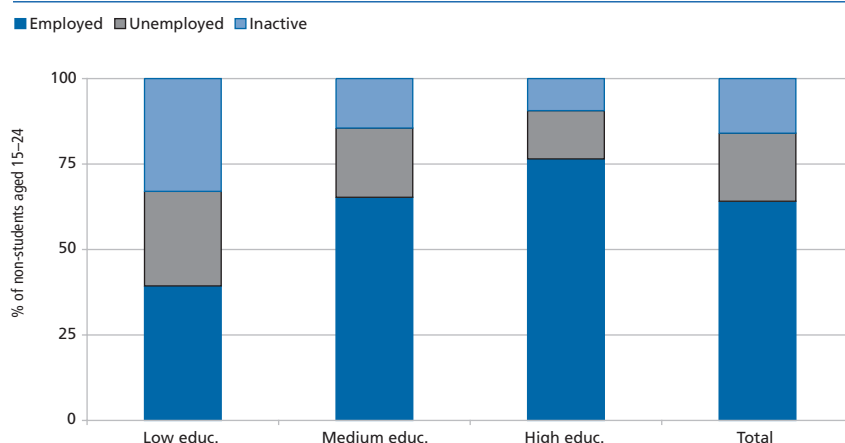
make a more speedy insertion into the job market than their less-educated peers.¹⁶

Research also suggests that the dual systems of combining work and education through vocational training or apprenticeships found in countries such as Austria, Denmark and Germany seem to improve the transitions and employment prospects of young people.¹⁷

Looking at overall labour dynamics, young people tend to move into and out of jobs much more frequently than prime-age workers. In 2006, an average of 25% of young workers quit, lost or changed their job, compared to 11% of prime-age workers aged 30–54. On the other hand, the proportion of young people moving into a new job was also much higher, with almost 17% of young workers being newly hired, compared to 7% of prime-age workers. Added together, labour turnover¹⁸ for young people is almost two-and-a-half times as high as for prime-age adults. To a large degree this is natural as young people are more likely to move in and out of jobs in search of the best possible match between their skills and those required by their employers.

However, youth labour turnover rates differ greatly between Member States and tend to correlate with those of the prime-age population; Member States with a high labour turnover among young workers also tend to have a high labour turnover among their prime-age population and vice versa as suggested by Chart 30. Denmark, Finland, Latvia, Spain and the United Kingdom are the countries where labour turnover for both age groups is above the European average, while France also has a higher than average turnover rate for young people but (slightly) lower

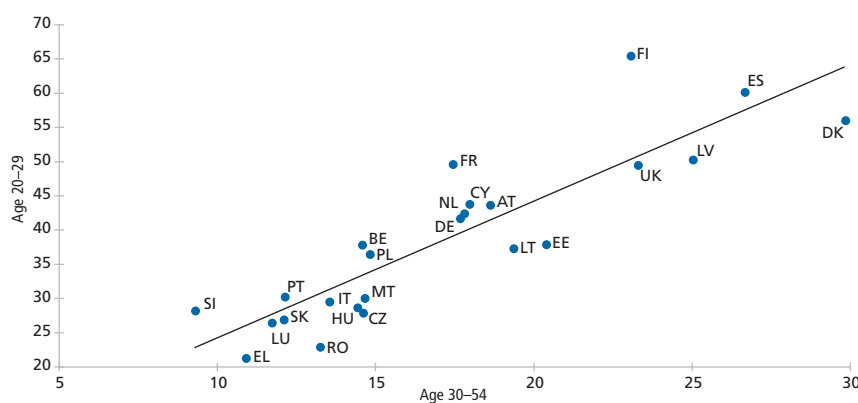
Chart 29: Youth school-to-work transition by educational attainment in the EU-27 - labour market status of non-students (age 15–24) one year leaving school, 2006



Source: Eurostat, EU LFS annual averages.

Note: Non-student school leavers defined as 15 to 24 years old who have completed their education in the previous year.

Chart 30: Labour turnover of younger workers vs. prime-age workers, 2006



Source: Own calculations using EU LFS annual averages.

Note: Data for BG, IE and SE not available.

than average turnover for the prime-age group.

Interestingly, the reasons for a high labour market turnover, especially among young people, seem to differ between these countries. For Finland, Spain and France, the high degree of turnover seems to be linked, at least partially, to a high share of young people who are employed on tempor-

ary contracts; in the case of France and Spain most of them involuntarily so (see section 4.6.2). In Denmark, Latvia and the United Kingdom, on the other hand, high labour turnover among young people does not go hand in hand with a particularly high incidence of temporary contracts.

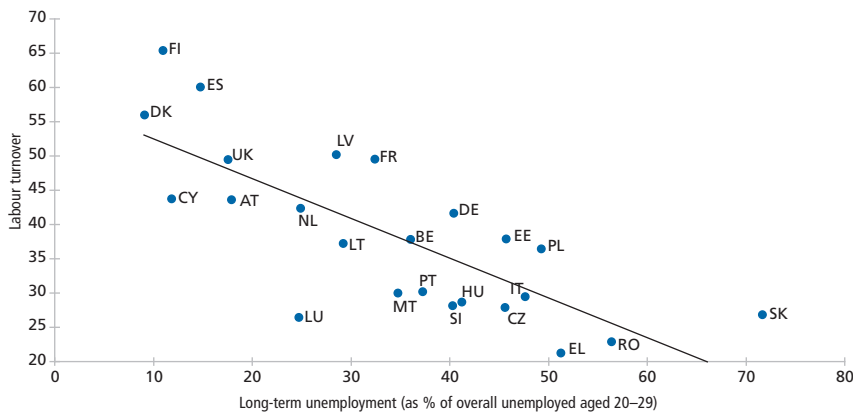
Not surprisingly, countries with a highly dynamic labour market also

¹⁶ This is also confirmed by findings in *Employment in Europe 2004*, Chapter 4: Labour market transitions and advancement: temporary employment and low pay in Europe.

¹⁷ See, for example, Kogan and Schubert (2002), Ryan (2001) and Quintini and Martin (2006).

¹⁸ More precisely, labour turnover is here defined as the sum of the hiring rate and the job separation rate. The hiring rate is calculated as the percentage of workers in the age group who have less than one year's tenure at time t , over total employment at time $t-1$. The separation rate corresponds to the share of people unemployed, inactive or employed with less than one year's tenure at time t , who were employed at time $t-1$, over total employment at $t-1$. This follows the method for calculating labour turnover used in *Employment in Europe 2006*, Chapter 2, section 3.1.6.

Chart 31: Long-term unemployment vs. labour turnover of younger workers (age 20–29), 2006



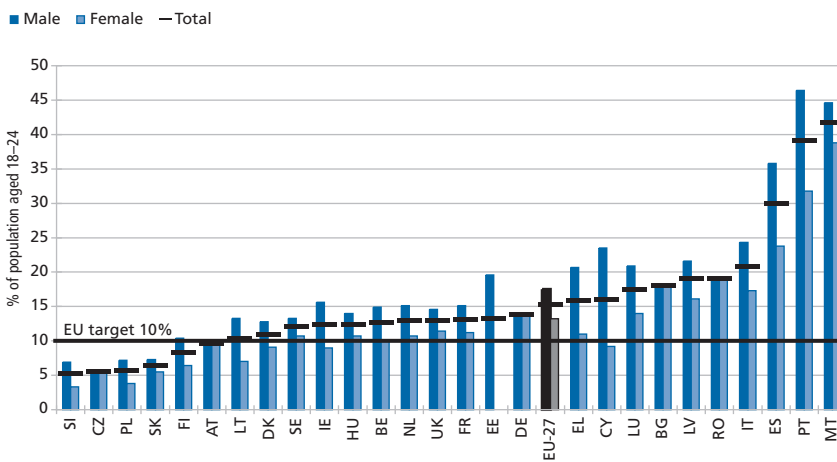
Source: Own calculations using EU LFS annual averages.
Note: Data for BG, IE and SE not available.

tend to have significantly fewer young people in long-term unemployment than countries with a low labour turnover (Chart 31).

4.5. Youth education attainment level

Given that the risk of making a bad transition into working life or being without a job tends to be higher for the poorly educated than for the better educated in most Member States, it must be of concern that still almost one in seven young people in the EU-27 drop out of school without at least an upper secondary qualification (Chart 32). Although the proportion of early school leavers declined from 17.6% in 2000 to 15.3% in 2006, the incidence of early school leavers in the EU still remains well above the target rate of 10% set in the framework of the European Employment Strategy. It is especially high in Malta and Portugal, where around 4 out of 10 young people leave the school system without achieving a satisfactory level of education, but also in Spain where 3 out of 10 fail to do so and in Italy where it is 2 out of 10.

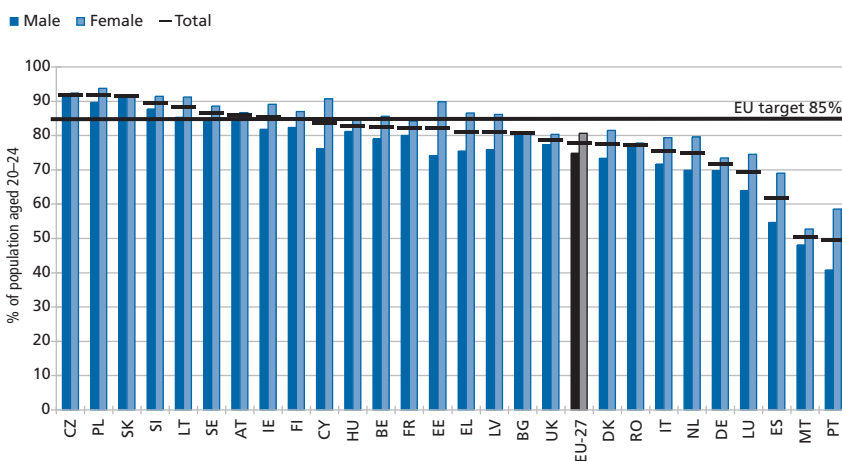
Chart 32: Early school leavers – share of the population aged 18–24 with at most lower secondary education and not in further education or training, 2006



Source: Eurostat, EU LFS annual averages.
Note: Data for female for EE uncertain due to small sample size.

The EU is also still lagging behind its other target on youth education, namely that at least 85% of 22 year olds in the EU should have completed upper secondary education by 2010, although things have improved in recent years. Presently, upper secondary attainment for 20–24 year olds is at 77.8% (Chart 33), up from 76.6% in 2000.

Chart 33: Share of youth population aged 20–24 having completed at least upper secondary education, 2006



Source: Eurostat, EU LFS annual averages.

In practically all Member States, young men are more likely to drop out of school early (the exception being Austria) and less likely to complete upper secondary education.

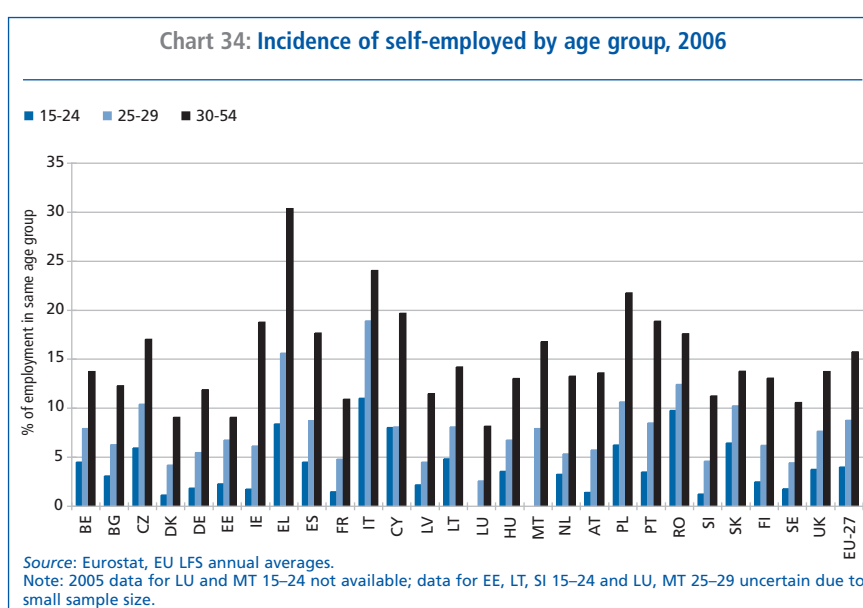
4.6. Youth employment structures

4.6.1. Professional, sector and occupational structure

The overwhelming majority of young people with a job are employees. In the EU-27 only about 4% of youth aged 15–24 and 9% of those aged 25–29 are self-employed, compared to around 16% of people aged 30–54 (Chart 34). These percentages have not changed significantly since the beginning of the decade.

On the one hand, the low share of self-employment among youth is not surprising as many young people still lack the skills, experience and resources to open their own business. On the other hand, there seems to be an untapped potential for young people to become entrepreneurs as more of than half of them indicate that they would prefer to be self-employed rather than being an employee.¹⁹

In most Member States, the share of self-employed youth seems to be correlated with the overall share of self-employed. For example, Greece, Italy, Poland and Romania have a relatively high share of self-employed among both their prime-age and younger



populations, although there are exceptions (e.g. Ireland).²⁰

The economic sectors with the largest average share of youth among their workforce are wholesale and retail trade and the hotel and restaurant business (Table 11). On the other hand, youth tend to be significantly under-represented in agriculture, mining, electricity and water supply, transport and communication, public administration, education, and health and social services.

As far as the occupational structure of youth employment is concerned, it is not surprising that youth aged

15–24 are strongly under-represented in senior or management positions given their young age and lack of work experience (Table 12). They are also under-represented in professional occupations that often require advanced degrees or additional training. Nevertheless, the share of both youth and young people (aged under 30) in professional and technical occupations has increased since 2000, a reflection of the fact that more youth have been entering and finishing higher education. At the same time, however, the share of youth aged 15–24 in low-skilled service and retail positions, as well as elementary jobs, has also increased, while the

Table 12 - Occupational structure by age group, 2000 and 2006 (% of total employment in age group)

		2000			2006		
		15–24	25–29	30–54	15–24	25–29	30–54
Skilled non-manual	Legislators, senior officials and managers	2.2	5.3	8.8	1.9	5.0	9.0
	Professionals	4.1	12.5	13.5	4.4	15.1	14.1
	Technicians and associate professionals	11.7	16.2	15.3	12.7	18.3	16.1
Low skilled non-manual	Clerks	14.2	13.4	11.9	13.1	12.2	11.1
	Service workers and shop and market sales workers	22.7	15.1	11.8	25.8	15.6	12.0
Skilled manual	Skilled agricultural and fishery workers	5.7	4.2	5.0	4.0	3.1	4.5
	Craft and related traded workers	20.1	16.5	15.6	18.0	14.5	14.7
	Plant and machine operators and assemblers	8.1	9.4	9.7	7.2	8.3	9.4
Elementary occupations	Elementary occupations	11.1	7.4	8.5	12.8	8.1	9.0

Source: Eurostat, EU LFS annual averages.

Note: Data for 2000: DE, CY, LU, MT, SE Q2, FR Q1, LV and LT av.Q2&Q4.

¹⁹ Eurobarometer (2004).

²⁰ In Greece, Poland and Romania, a big part of self-employed young people appear to run (presumably small) businesses in the agricultural sector, with manufacturing and trade activities also being of importance, while self-employed young people in Italy rather tend to be in construction, manufacturing, business activities or trade.

Table 11 - Youth employment intensity by economic sector, 2006 (Employed youth and young people aged 15-29 as a percentage of all employed aged 15-64)

	(A+B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O+P+Q)	Total
	Agriculture, hunting, forestry and fishing	Mining and quarrying	Manufacturing	Electricity, gas and water supply	Construction	Wholesale and retail trade	Hotels and restaurants	Transport and communication	Financial intermediation and business activities	Real estate and business activities	Public administration	Education	Health and social work	Community, social and other activities	Total
BE	13.6	(21.9)	21.4	20.6	24.7	24.4	27.3	18.2	15.8	24.6	14.3	19.8	20.0	19.4	20.8
BG	12.9	10.0	19.1	8.5	20.3	25.4	37.1	14.5	22.1	23.3	15.7	7.0	7.3	21.2	18.5
CZ	11.9	9.4	23.2	10.6	20.4	25.7	35.9	18.6	22.1	23.1	18.5	12.6	17.4	22.6	21.2
DK	28.5	:	18.3	(7.4)	26.4	39.1	60.4	20.9	18.6	20.7	13.9	14.3	18.5	26.7	23.6
DE	16.5	12.6	20.0	16.6	21.7	23.6	34.5	16.4	18.8	21.1	18.8	16.8	22.3	20.0	20.9
EE	15.8	(12.0)	21.8	(7.4)	29.8	26.1	34.3	19.1	40.8	29.8	23.8	12.6	15.0	25.5	22.6
IE	15.3	24.2	31.1	18.4	39.7	41.7	49.8	21.5	39.3	33.7	18.7	20.0	21.5	33.5	31.7
EL	13.2	(10.5)	19.7	8.2	23.9	25.8	29.6	17.7	18.0	25.5	17.7	12.3	14.3	24.4	20.2
ES	19.9	20.9	25.6	21.8	29.5	30.4	32.1	20.7	23.3	25.7	13.3	16.3	19.4	27.3	25.1
FR	14.7	13.8	20.0	15.3	25.7	27.0	31.7	16.7	19.3	23.7	15.0	16.3	15.3	21.7	20.4
IT	14.0	13.3	20.4	8.5	23.3	21.7	28.9	14.8	14.3	19.6	7.5	6.2	10.1	21.3	17.9
FR	14.2	:	20.3	(15.3)	25.6	26.0	23.1	19.5	16.0	32.9	25.4	25.2	19.7	24.9	23.7
CY	14.2	:	20.3	(15.3)	25.6	26.0	23.1	19.5	16.0	32.9	25.4	25.2	19.7	24.9	23.7
LV	16.9	38.0	24.1	14.4	33.5	30.1	37.3	19.0	32.4	28.9	24.9	11.7	11.2	25.2	23.8
LT	14.9	:	23.2	:	26.7	30.1	41.9	17.1	25.6	22.9	18.4	12.0	9.4	20.0	20.5
LU	(13.0)	:	14.5	:	18.7	22.2	25.1	19.8	15.0	22.4	20.7	17.3	22.9	10.1	18.5
HU	14.7	(7.5)	23.9	12.6	24.0	26.8	31.5	18.0	26.0	23.7	21.2	11.2	15.5	24.1	21.8
MT	:	:	40.0	:	24.5	37.9	43.2	28.7	36.0	41.3	22.6	26.8	21.8	37.5	32.4
NL	28.6	(10.8)	20.7	18.9	24.9	40.8	56.8	24.5	19.5	26.4	15.9	16.6	20.8	26.3	26.3
AT	11.7	(24.9)	27.4	18.2	30.8	29.9	33.0	20.5	21.0	24.1	14.5	15.6	20.7	27.5	24.5
PL	19.3	9.4	27.7	10.6	23.8	36.7	42.4	18.3	28.7	26.5	22.8	15.1	14.5	28.0	24.4
PT	8.9	21.5	26.1	15.4	26.1	28.6	29.0	23.7	16.9	28.0	19.0	16.7	20.4	17.0	23.0
RO	23.5	10.5	22.8	9.3	25.1	32.0	35.7	17.0	24.6	29.1	18.1	19.7	17.2	27.8	23.4
SI	19.6	(12.5)	21.8	(12.2)	21.9	28.1	39.7	21.2	18.5	24.7	19.1	15.9	18.8	30.7	22.7
SK	13.0	11.4	27.9	12.3	24.4	28.5	41.8	19.6	28.3	29.5	19.2	16.1	16.9	30.4	24.6
FI	12.0	(23.7)	20.7	(11.7)	22.0	30.6	42.1	21.8	17.5	25.7	12.2	15.1	15.7	24.8	21.5
SE	17.2	:	17.7	15.9	19.8	29.0	47.8	21.3	18.2	21.2	11.0	13.1	16.8	23.6	20.1
UK	21.3	16.9	19.5	24.9	24.2	36.1	49.1	19.5	29.2	23.6	18.4	14.4	17.9	30.6	24.5
EU-27	18.2	12.9	21.9	14.3	25.0	29.1	36.6	18.3	21.8	23.4	16.3	14.5	17.8	24.2	22.2

Source: Eurostat, EU LFS annual averages.

Note: ":", data not available. Data in brackets uncertain due to small sample size.

Table 13 - Incidence of temporary and part-time work among youth (age 15–24), 2000 and 2006

	Incidence of temporary work for employees						Incidence of part-time work					
	2000			2006			2000			2006		
	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women
BE	30.8	28.1	34.3	30.0	28.7	31.5	19.7	11.7	30.0	20.7	11.9	31.9
BG	12.2	12.5	12.0	12.6	12.3	12.9	4.9	(5.0)	(4.7)	2.9	:	:
CZ	12.4	11.4	13.5	18.9	18.0	20.1	4.3	2.9	6.0	3.9	2.9	5.3
DK	27.4	28.8	25.7	22.4	24.6	20.1	46.2	37.6	56.1	58.4	47.9	69.5
DE	52.4	55.0	49.5	57.6	60.1	54.8	12.0	8.5	16.0	19.3	14.3	24.9
EE	6.7	8.9	:	7.3	7.4	(7.3)	11.8	8.7	15.9	13.0	7.7	20.6
IE	15.9	14.4	17.7	10.9	9.0	13.0	21.4	15.9	27.9	:	:	:
EL	29.5	27.9	31.4	25.0	23.0	27.8	8.3	7.0	10.1	13.3	10.6	17.5
ES	68.3	69.2	66.9	66.1	65.3	67.1	12.9	7.7	20.5	21.1	13.3	31.6
FR	55.0	56.3	53.5	49.8	49.0	50.9	22.1	12.9	33.6	21.6	12.0	34.5
IT	26.6	25.4	28.2	40.9	38.4	44.9	10.5	6.4	16.2	17.5	10.1	29.1
CY	18.7	16.3	20.9	21.2	16.2	26.6	8.3	(7.2)	9.4	9.5	(5.7)	13.6
LV	10.9	12.3	(8.7)	14.4	15.2	13.2	13.2	10.5	17.4	8.7	6.1	12.7
LT	9.3	(8.0)	(10.9)	10.5	11.9	(8.7)	16.4	16.8	15.8	9.0	(7.8)	(10.6)
LU	14.5	(15.3)	(13.4)	33.2	34.8	31.4	(8.8)	:	(14.5)	(8.8)	:	(13.0)
HU	13.6	14.0	13.1	16.9	17.9	15.4	2.8	1.9	4.0	4.7	4.3	5.3
MT	(8.1)	(11.2)	:	(8.0)	:	:	(7.8)	(10.1)	:	13.5	(11.1)	(16.3)
NL	35.5	34.9	36.1	43.5	42.9	44.3	60.2	52.7	68.3	68.3	59.6	77.5
AT	35.1	38.9	30.8	35.2	38.5	31.3	9.5	5.3	14.3	14.7	8.6	21.8
PL	14.8	14.6	14.9	67.3	65.4	69.7	16.2	13.6	19.5	19.3	16.2	23.3
PT	41.4	38.3	45.6	49.3	47.1	52.2	6.2	4.6	8.4	8.4	5.7	11.8
RO	3.3	3.6	2.9	5.0	5.1	(4.9)	15.5	17.1	13.6	16.1	17.4	14.4
SI	46.3	41.6	52.2	64.2	56.4	74.9	14.1	12.3	16.5	29.8	23.8	38.4
SK	10.5	11.3	9.8	14.2	13.8	14.8	(1.0)	:	:	3.3	(1.8)	5.3
FI	45.4	41.0	49.8	44.2	40.7	47.5	35.7	25.3	46.6	39.3	27.9	50.8
SE	45.2	39.5	51.0	59.0	52.2	66.0	38.3	27.6	49.4	42.2	28.3	57.7
UK	14.2	14.1	14.3	12.9	12.5	13.2	32.0	24.1	40.4	35.1	27.2	43.4
EU-27	34.9	35.7	34.0	40.9	41.0	40.7	20.2	14.9	26.5	25.3	18.4	33.6

Source: Eurostat, EU LFS annual averages.

Note: Data for 2000: DE, CY, LU, MT, SE Q2; FR Q1; LV and LT av.Q2 & Q4; BG 2001 and RO 2002. Data for full-time/part-time indicators for IE 2005.

‘:’ data not available. Data in brackets uncertain due to small sample size.

share of skilled manual occupations has decreased.

4.6.2. Youth in part-time and temporary employment

Young people in the EU are significantly more likely than adults to work in temporary and/or part-time jobs. On average, 4 in 10 employed 15 to 24 year-olds work on a temporary contract (Table 13) compared to around 1 in 10 prime-age adults. Around a quarter of youth work in part-time jobs as opposed to 16% of the 25–54 age group. While the incidence of temporary and part-time work has been rising for adults as well as youth, the increase has been significantly more pronounced for young people.

There are no large gender differences at EU level with respect to temporary youth employment. On aver-

age, young men are in fact slightly more likely to be in a temporary contract than young women (40.8% vs. 40.2%), although there are of course differences between Member States. As for part-time work, gender differences are much more pronounced, with young women on average almost twice as likely to work part-time than young men.

To a certain extent it is to be expected that youth face a higher likelihood of temporary and part-time work, as employers may be reluctant to offer a permanent and full-time contract to somebody who is just entering the labour market with little or no previous work experience. For many youth, a temporary or part-time job is seen as a stepping-stone towards permanent employment. As shown in Chart 25 (see page 35), the share of young people with a permanent contract increases with age, and by the age of 29 an average of almost

50% of people that age are in a permanent job (with around 10% in a temporary job and the rest either in education or otherwise inactive, working as self-employed or a family worker, or unemployed).

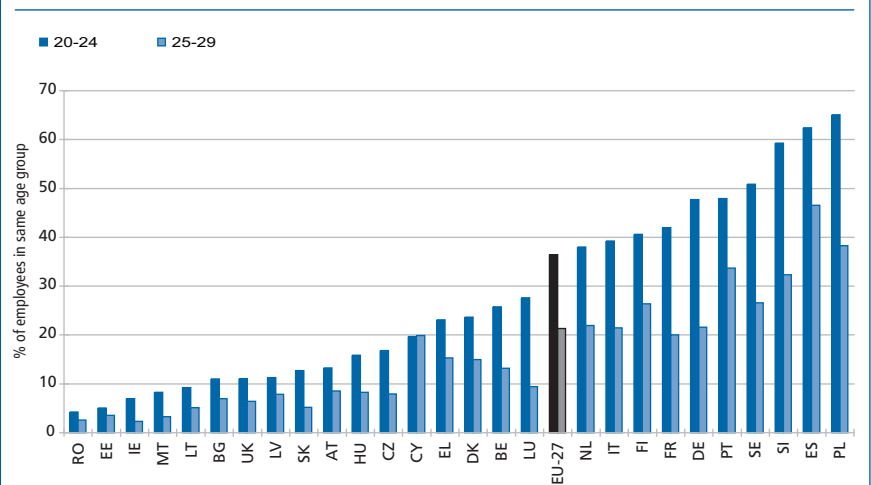
However, the issue can become problematic if a young person becomes trapped in a situation moving from one temporary contract to another without being able to get into a permanent job. (Chart 35) shows the incidence of temporary work among people in the 20–24 age group compared to those aged 25–29. In all Member States (except Cyprus), the share of 25 to 29 year olds in temporary work is lower than for their younger peers. However, some Member States show a particularly high incidence for both the younger and older youth age group, namely Portugal, Slovenia and Poland with more than 30% of 25 to 29 year olds in temporary con-

tracts, and Spain with more than 40%²¹. This suggests that youth in these Member States are more likely to face a series of temporary jobs and have therefore more difficulties in making a transition into stable employment than in others.²²

The question whether temporary and part-time contracts need to be considered as precarious also depends on the degree to which this situation is involuntary – how much of it is because someone would have liked to work in a permanent or full-time job, but could not find one. Chart 36 shows that the incidence of involuntary temporary work among the youth varies greatly among Member States. In Spain, Poland, Sweden, Portugal, France, Belgium or Greece, for example, a majority of temporarily employed youth would have liked to work in a permanent job, but could not find one. In Slovenia, Germany, Finland, Italy, the Netherlands, Denmark or Austria, on the other hand, a majority of those in temporary employment did not want a permanent job (or were still in their probationary period or in training).

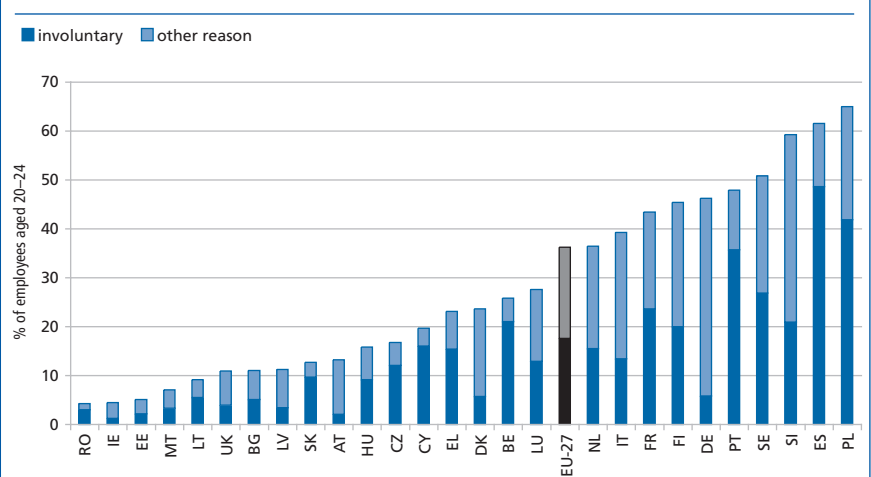
With respect to part-time work, it is interesting to note that in the two Member States with the highest incidence of part-time working among the youth, Denmark and the Netherlands, (Chart 37, see page 48) the incidence of involuntary part time working in relation to overall part-time working is very low. This seems to correspond largely with the high number of working students in both countries examined in section 4.2.2. Sweden, France and Italy, on the other hand, show a high incidence involuntary part-time working among youth in part-time employment.

Chart 35: Incidence of temporary work by age group, 2006



Source: Eurostat, EU LFS annual averages. Note: Data for MT 20-24, 2005 and uncertain due to small sample size.

Chart 36: Temporary work by youth aged 20-24 by reason, 2006

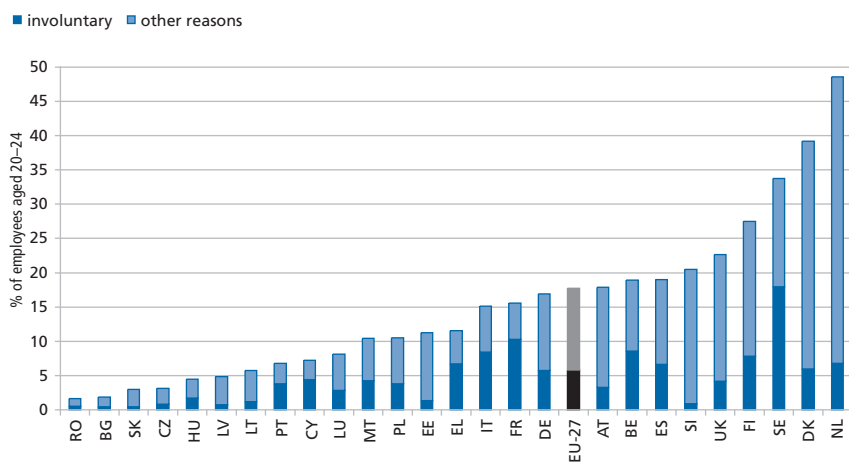


Source: Eurostat, LFS annual averages.

21 See OECD (2007b), p.50 f., for a discussion of temporary employment of youth in Spain. This study confirms the high rate of involuntary temporary youth employment in Spain and finds that transitions for youth from temporary to permanent employment are significantly below the European average. Furthermore, it finds that some temporary jobs offer good prospects and serve as stepping-stones into the labour market, especially if staying with the same employer during temporary employment. However, temporary jobs involving frequent changes of employers tend to represent a trap from which young people find difficult to exit.

22 Note, however, that this consideration does not take into account the fact that youth in some countries enter the labour market later than in others and are therefore also more likely to show a higher incidence of temporary work in their late 20s, compared to countries where transitions tend to occur earlier.

Chart 37: Part-time work by youth aged 20–24 by reason, 2006

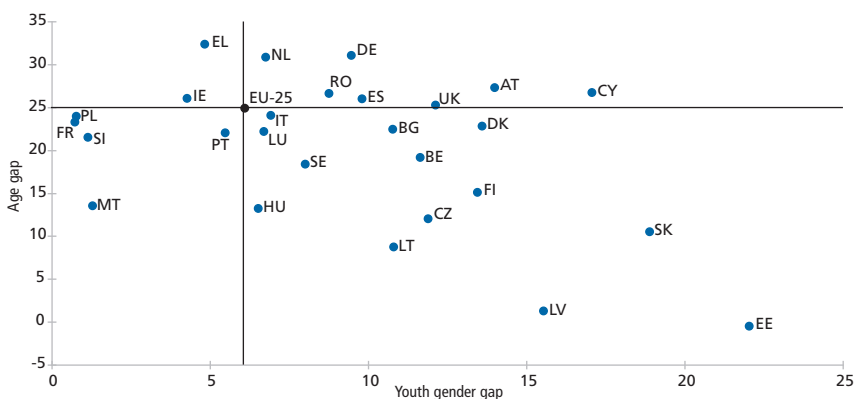


Source: Eurostat, EU LFS annual averages.

4.6.3. Earnings structure of employed youth

Young people tend to earn significantly less than the overall workforce does. According to data from the *European Structure of Earnings Survey 2002*, average hourly earnings of employees below the age of 30 are around 25% below those of the overall workforce (Chart 38). The youth wage gap is highest in Greece, the Netherlands and Germany, where younger workers only earn about two-thirds of what an average worker gets. Relatively moderate wage gaps of between 5% and 15% were observed in Finland, Malta, Hungary, Czech Republic, Slovakia and Lithuania. Only in Estonia and Latvia did young peoples' earnings match those of the average.

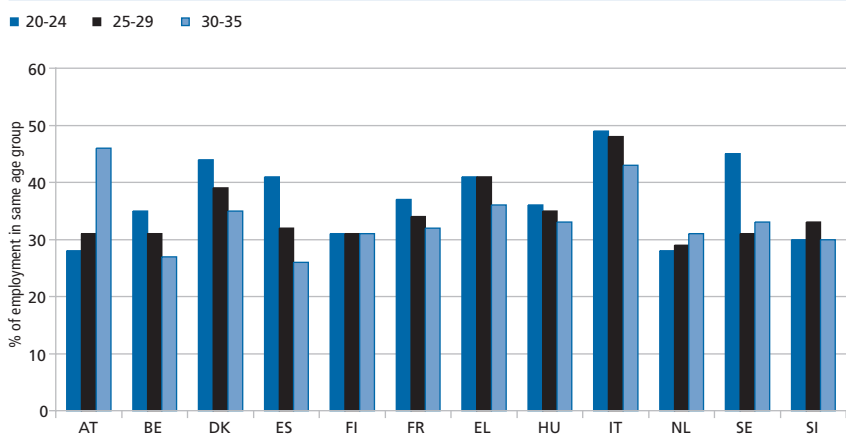
Chart 38: Age and youth gender gap in hourly earnings, 2002



Source: Own calculations based on the 'Structure of Earnings Survey' 2002.
 Note: Age gap defined as the number of percentage points by which hourly earnings of people aged less than 30 years old are below the average hourly earnings of all age classes.
 Youth gender gap defined as the number of percentage points by which average hourly earnings of women under 30 are below those of men under 30.

Lower average earnings for young people are partly explained by the fact that the youth tend to be over-represented in sectors of the economy where wages are relatively low and under-represented in better paying sectors. For example, earnings in trade and the hotel and restaurant business – both activities with the highest share of youth in their workforce – are substantially lower than in other service activities or industry (Table 14). Furthermore, young people are also more likely to be paid lower wages due to the lack of previous work experience and the need for training until they become fully productive. With age and presumably increased productivity, earnings tend to increase at least into prime age.

Chart 39: Incidence of job mismatches by age group, 2000



Source: EU LFS 2000 ad hoc module on school to work transitions.
 Note: missing Member States excluded because of unreliable or unavailable data.

Research undertaken by the OECD on the basis of 1997 to 2001 data from the ECHP, also suggests that the incidence of low pay among younger workers tends to decrease as they get older and that a relatively high share of poorly paid youth eventually make it into better paid jobs, as opposed to a lower share which makes a transition from unemployment into employment. It therefore seems, on balance, it is bet-

Table 14 - Hourly earnings by age and economic activity, 2002 (in purchasing power standards)

	Employees under 30 years of age						All age groups					
	Industry and services (excl. public admin.)	Total industry (excl. construction)	Construction	Services (excl. public admin.)	Wholesale and retail trade	Hotels and restaurants	Industry and services (excl. public admin.)	Total industry (excl. construction)	Construction	Services (excl. public admin.)	Wholesale and retail trade	Hotels and restaurants
	(C - K)	(C - E)	(F)	(G - K)	(G)	(H)	(C - K)	(C - E)	(F)	(G - K)	(G)	(H)
BE	11.09	11.93	11.04	10.71	9.82	8.67	13.73	14.31	12.49	13.53	12.42	9.25
BG	1.50	1.46	1.39	1.57	1.22	1.06	1.98	2.01	1.76	2.00	1.38	1.31
CZ	4.82	4.65	4.21	5.09	4.24	3.98	5.45	5.22	4.97	5.80	4.76	5.63
DK	11.84	13.47	14.11	11.26	9.98	11.75	15.34	16.44	16.46	14.71	12.83	12.48
DE	10.25	11.25	8.56	9.78	9.09	6.74	14.89	16.11	12.96	14.02	13.04	9.21
EE	4.09	3.91	3.68	4.25	3.70	2.61	4.07	4.06	3.98	4.09	3.72	2.54
IE	10.74	11.35	11.82	10.40	8.29	7.74	13.74	14.16	14.47	13.37	10.46	9.13
EL	5.82	5.83	6.36	5.77	5.40	5.61	8.61	8.88	8.64	8.45	7.09	6.57
ES	7.31	7.60	7.22	7.20	6.85	6.36	9.81	10.35	8.39	9.89	9.24	7.26
FR	11.01	11.02	9.05	11.20	9.91	9.71	14.29	14.69	12.21	14.31	12.42	10.87
IT	8.39	8.29	8.00	8.55	8.10	7.39	11.05	10.68	10.06	11.55	10.21	8.54
CY	6.03	5.59	6.58	6.05	5.22	5.62	8.24	7.52	8.52	8.41	7.14	6.51
LV	2.98	2.84	2.73	3.08	2.29	2.01	3.02	3.11	2.77	3.00	2.24	1.97
LT	3.29	3.24	2.88	3.38	3.09	2.21	3.60	3.65	3.33	3.61	3.29	2.30
LU	12.06	11.91	10.46	12.27	9.63	8.90	15.51	15.28	12.83	16.00	12.61	10.03
HU	4.01	4.06	3.03	4.10	3.37	3.17	4.68	4.68	3.66	4.85	3.96	3.40
MT	7.50	7.38	6.11	7.78	7.14	6.34	8.69	8.25	7.47	9.26	8.15	7.31
NL	9.57	10.62	11.77	9.16	7.80	9.74	13.94	14.99	14.21	13.59	11.72	11.21
AT	8.75	9.45	8.92	8.33	7.52	6.35	12.03	12.90	11.62	11.61	10.28	7.48
PL	4.25	4.07	3.61	4.51	3.85	3.16	5.38	5.25	4.66	5.63	4.65	4.27
PT	5.35	4.55	4.95	5.96	5.15	4.19	6.88	5.87	5.81	8.00	6.63	4.88
RO	1.89	1.71	1.54	2.24	1.80	1.52	2.52	2.44	2.09	2.81	2.14	1.83
SI	6.06	6.22	4.99	6.17	5.63	4.31	7.43	7.23	6.30	7.92	6.98	5.72
SK	4.28	4.03	3.22	4.54	4.28	2.86	4.79	4.62	3.97	5.00	5.57	3.09
FI	9.88	10.47	9.55	9.49	8.78	8.55	11.64	11.89	11.01	11.51	10.72	9.18
SE	9.78	10.06	10.27	9.61	9.60	8.10	11.98	11.79	11.70	12.15	11.50	8.92
UK	11.23	12.10	12.36	10.97	9.00	7.67	15.37	15.85	15.24	15.20	11.85	8.83
EU-25	9.16	8.98	8.74	9.29	8.01	7.79	12.32	12.38	11.00	12.48	10.73	8.73

Source: Eurostat, Structure of earnings survey 2002

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ter to start out working in a low-paid job than to have no job at all.²³

With respect to gender differences, young women in the EU earn on average around 6% less than their male counterparts (Chart 38). Poland, France, Slovenia and Malta showed only a marginal gender gap in youth earnings, while Estonia, Latvia and Lithuania, which had the lowest age gap, rank among those countries with the highest gender gap. In general, the gender pay gap for young workers is much lower than for older workers (6% vs. 23%), which seems to be partly a reflection of the fact that a high proportion of young women in employment have not been affected, for example, by career breaks for maternity and child rearing. Moreover, young women have on average higher levels of education relative to their male counterparts and than older generations of women.

4.6.4. Job mismatches among employed youth

Another issue with respect to youth employment is to what extent young people take up occupations that are not close to their educational qualifications. Research based on data from the 2000 *Labour Force Survey* ad-hoc module²⁴ suggests that a relatively large number of young people in Europe are indeed affected by mismatches between their jobs and qualifications, albeit with significant variation between countries. Of those Member States where data are available, Italy and Greece show the highest percentage of school leavers aged 15–35 working in a job outside their field of education (47% and 40% respectively), followed by Greece, Denmark and Sweden. The lowest percentage is found in the Netherlands (29%).

In most Member States, having a job mismatch is negatively correlated with age: younger persons are more likely to work in a job outside their field of education than older ones (Chart 39). Similar negative correlations apply to the level and field of education: job-qualification mismatches are more frequent among those with a lower educational attainment compared to those with a higher education, and young people with a degree in humanities/arts, agriculture or sciences tend to find themselves working more frequently in a non-matching job than, for example, those with a qualification in education or health services or in engineering, manufacturing and construction (presumably because the latter educational fields tend to be more job specific than the former). Furthermore, in most Member States, young women tend to be more often affected by job-qualification mis-

²³ Quintini and Martin (2006), pp. 9 and 17.

²⁴ For this section and the detailed methodology of calculating job mismatches see M. Wolbers (2002).

matches than young men are. As for labour market outcomes, those with a job-qualification mismatch also tend to have a lower occupational status compared to those with matching jobs. They are also more likely to find themselves in a temporary and/or part-time job and show a higher propensity to be on the search for a new job than those with a matching job.

5. SUMMARY AND CONCLUSIONS

In 2006, labour markets in the EU made a robust recovery. After rather modest increases in the previous years, employment growth in the EU-27 picked up significantly in 2006 and, at 1.4%, showed its strongest increase since 2000. For the first time in at least a decade employment expanded across the entire EU, with all 27 Member States showing a rise in employment. Particularly high employment growth was observed in a number of the newer Member States, namely Estonia, Latvia, Poland, Bulgaria and Slovakia, as well as in Ireland, Luxembourg and Spain. Even those Member States that had performed worst in the previous year, namely Germany, Hungary, the Netherlands and Portugal, still experienced significant employment growth. In addition, labour productivity grew at a higher pace than in 2005 and at a slightly higher rate than in the United States, although the EU continued to slightly underperform relative to the US in terms of employment growth.

Due to stronger employment growth, the EU has made its best progress since 2000 towards the overall employment rate target with the rate now standing at 64.3%, and there was marked progress towards the targets for female and older persons' employment targets (currently at 57.1% and 43.5% respectively). Nevertheless, despite this progress, it seems increasingly challenging for the EU to meet the overall employ-

ment target of 70% and the older workers' target of 50% within the next four years, although the target of 60% for female employment seems to be within reach.

Regarding the younger generation, youth unemployment and difficulties in successfully integrating young people in the labour market remain a challenge. Despite signs of some overall improvements, there is evidence of persisting problems in a number of Member States and for certain disadvantaged groups of youth.

On the positive side, average labour market performance of young people in the EU has improved somewhat compared to the beginning of the decade. Youth unemployment is slightly down and the share of long-term unemployed youth has decreased substantially compared to the beginning of the decade (unlike the share of long-term unemployment among unemployed prime-age adults which has increased during the same period). Labour market participation and employment of youth aged 15–24 has decreased, but this is mostly due to a higher share of youth remaining in education and improving their skills. For young people aged 25–29, on the other hand, employment rates have increased in recent years.

However, despite these improvements, there has yet to occur a real breakthrough in reducing youth unemployment. At 17.4%, the average youth unemployment rate is still at a high level and it has not improved relative to unemployment rates for prime-age adults. Furthermore, as a whole, the EU underperforms in the international context, with substantially more youth in unemployment and less of them working than in other industrialised countries, such as the United States, Canada or Japan.

In addition, there are important differences between Member States, which are quite significant both in dimension

and over time. For example, youth unemployment rates range from under 8% in Denmark and the Netherlands to over 25% in Greece, Poland and Slovakia. And while around two thirds of youth have a job in Denmark and the Netherlands, less than a quarter do so in Bulgaria, Greece, Hungary, Lithuania, Luxembourg, Poland and Romania. Moreover, youth tend to do better in Member States with high employment and low unemployment among prime-age adults (and vice versa). This suggests that the successful integration of youth into the labour market depends, for a big part, on a country's overall labour market performance. Therefore, economic policies aimed at increasing job creation in general will help to increase employment for young people.

Furthermore, young people often face problems in making a smooth and quick transition from education to work. On average, around one-third (and in some Member States more than half) of young people are still not in employment one year after finishing their education. While a large majority of young people will eventually make it into a stable and permanent job, a smaller, but significant part remains trapped in temporary, often low-paid jobs from which they find it difficult to exit. Another relatively small but relevant group at risk of labour market and social exclusion are youth who experience longer spells of being neither in education, nor employment nor training (NEET).

Education, or rather the lack of it, plays a key role in this. Young people with a low educational attainment are much more likely to be affected by (long-term) unemployment, inactivity or difficult school-to-work transitions than youth with upper secondary or university education. Therefore it is a concern that still almost one in seven young people in the EU drops out of school early without having received any relevant qualification. Although the incidence of school failure has continued to decline in recent years, it still remains

well above the target rate of 10% set in the EU employment guidelines. The EU is also still lagging behind its other youth education target, namely to have at least 85% of 22 year olds achieving a medium educational attainment, i.e. completing upper secondary education. Here too, the situation has improved in recent years, but the current level is still about 7 percentage points short of the target.

However, good education does not always seem to work as an insurance against difficult transitions, joblessness or precarious employment. In several Member States, young university graduates are actually more likely to be unemployed or inactive than their peers with only medium or low educational credentials. Moreover, a significant minority of young people find themselves working in jobs outside their field of education. Some of the consequences of these job-qualification mismatches are that those affected tend to have a lower occupational status and are more likely to be in temporary or part-time jobs compared to those with matching jobs.

All this implies that good education is crucial for a successful transition into working life and that the qualifica-

tions of youth need to be brought more in line with current and future requirements of the labour market. Programmes which address school failure early on, familiarise youth with the world of work – e.g. through (properly defined) internships, vocational training or apprenticeships – and prepare them for the need of lifelong learning in order to adapt their qualifications throughout their working lives, are one important way to improve the labour market situation of young people.

Integrating disadvantaged youth suffering from long spells of unemployment or inactivity may also require adequate activation strategies. However, these will have to be well designed and monitored as many active labour market policies targeted at youth so far have shown disappointing results.²⁵

Finally, there is a need for reducing institutional barriers to the labour market entry of youth. Youth are one group which is most likely to be negatively affected by institutional settings which favour insiders in permanent employment and make it unattractive to hire newcomers. This is particularly the case with

strict employment protection legislation (EPL) which tends to reduce the number of dismissals but decreases the entry rate into work. Strict EPL on regular contracts has been shown to contribute to labour market segmentation, high turnover for temporary employment, and precarious employment situations involving temporary contracts with low protection and limited prospects for permanent employment.²⁶ Making it easier to hire young people and removing labour market segmentation is therefore another crucial issue to be addressed.

A framework for developing concrete and coordinated policy responses to the main causes of youth employment problems may be found in the larger context of general employment policies, namely the recently proposed common principles on flexicurity²⁷. These aim at integrating four policy components – flexible contractual arrangements, effective lifelong learning systems, active labour market policies and modern social security systems – in order to enhance flexibility and security at the same time in the labour market.

²⁵ See *Employment in Europe 2006*, Chapter 3: Effective European labour market policies, p.139. For an overview and assessment of youth activation policies also see Walther and Pohl (2005).

²⁶ See *Employment in Europe 2006*, Chapter 2: Flexibility and security in the EU labour markets.

²⁷ COM(2007) 0359 final.

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