Employment shifts during the crisis

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Ethnic entrepreneurship – job creation by stealth?

The future of jobs in education and training

Job creation
Where does employment come from?

European Foundation for the Improvement of Living and Working Conditions
This issue of Foundation Focus looks at job creation. The Great Recession has destroyed many jobs and the recovery has been shallow, with few new jobs being created. Where are new jobs going to come from? Eurofound looks at the care and education sectors as possible drivers of growth and at the skills needed for a greener economy. Foundation Focus also analyses where jobs were lost during the recession, both in terms of sectors and overall numbers. What do SMEs – who make up 99% of European companies – need to flourish and create employment? Public support for job creation has been ongoing in Europe, but has become refocused following the economic downturn. Subscribe online at www.eurofound.europa.eu/publications/focusform.htm

Editorial

Europe 2020 includes commitments to fostering high levels of employment and productivity which imply a renewed emphasis on the original Lisbon Agenda goals of ‘more and better jobs’. More jobs are needed to remedy the sharp increase in unemployment that has accompanied the financial crisis as well as to begin progress towards the target of a 75% employment rate for those aged 20-64 by 2020 (2010: 68.6%). Better quality jobs – in terms of training, knowledge content and employment conditions – will be necessary if Europe is to improve productivity levels, the key to meeting the competitive challenges of an increasingly multipolar world and thus to maintaining and improving living conditions.

Overcoming the crisis of the euro zone is strongly dependent on all of Europe returning to economic growth. Creating jobs (and thus reducing welfare expenditure and creating more disposable income) will be key to this. How to create these jobs is the main challenge facing Europe’s policymakers and indeed the productive engine of SMEs across Europe. Support must be ensured to facilitate their efforts at creating and retaining jobs. But equally clear is the need for ongoing investments in skills, training and education as part of the response to Europe’s recovery.
Europe, in common with most of the developed world, continues to deal with the consequences of the Great Recession of 2008–2009. The repercussions have been especially severe in the labour market. There were five million fewer people in paid employment in the EU27 in the second quarter of 2010 compared to the second quarter of 2008 and subsequent employment growth has been below trend.

Just over one million jobs were created in the twelve months up to the first quarter of 2011 but there has been a wide divergence in employment performance between Member States with some like Poland, Germany and Sweden showing reasonably healthy growth and others such as Greece, Spain and Ireland continuing to contract. At aggregate EU level, the recovery phase has been unprecedentedly shallow.

All of this has come after what in retrospect now appears to have been something of a European ‘jobs miracle’ from the late 1990s until the onset of the recession in 2008. Over 20 million new jobs were created in little over a decade, more in both absolute and relative terms than in the US. Though the Lisbon Agenda employment targets were not met, significant progress was made in raising employment levels and combatting unemployment. On the other hand, concerns were voiced regarding the quality of the jobs being created. The perception was that many new jobs were low-paid and dead-end service jobs and not enough were in more knowledge-intensive and potentially productivity-enhancing activities. Was job growth being achieved at the expense of job quality?

How do you measure job quality?

Earlier analysis by Eurofound applied a simple method of analysis first developed by Joseph Stiglitz in order to provide an empirically sound answer to this question. By breaking down employment into individual ‘jobs’ – understood as a specific occupation in a specific sector, for example a nurse in the health sector or a shop assistant in the retail sector – and by ranking jobs in terms of hourly wage (as a proxy of job quality), we could see whether job growth or decline was concentrated in good, middling or low-paid jobs.

The main conclusion of the analysis covering developments in 23 Member States between 1995 and 2006 was that employment growth was skewed towards relatively higher-paid jobs. It was also found that employment growth had been weakest in the middle of the wage distribution, linked to the continual decline in manufacturing employment. Growth in lowest-paid jobs was somewhat greater. Though patterns varied at national level, the aggregate EU data offered some partial support for patterns of a ‘shrinking middle’ previously identified in American and British labour markets.

Analysis of European Labour Force survey data confirms that this pattern of asymmetrically polarised employment change persisted and even sharpened during the 2008–2009 recession. Though clearly different in terms of employment outcomes, there was a similar pattern to that of the preceding decade in terms of the distribution of employment shifts across the wage structure at aggregate EU-level. Top-paid jobs fared relatively best, middle-paying jobs relatively worst and low-paid jobs somewhere between.
Labour markets are more polarised

Sharp losses in low-to-medium and medium-paying jobs, especially in construction and manufacturing, highlight the polarisation of the employment structure. Employment levels of older workers remained surprisingly robust during the crisis, but those of core-age and (especially) younger workers were severely affected. The recession saw a significant increase in employment among those between 50 and 64 years old (+1.7 million). These increases took place across the wage spectrum but with a skew towards top-paid jobs. There were job losses across the spectrum for younger workers (under 30 years old). Temporary employment suffered sharp losses in the early phase of the recession but has also been responsible for the majority share of employment growth from 2009 onwards, though this growth has tended to be in lower-paid jobs. Part-time work has also expanded across the board, with gains more or less equally distributed between men and women. New male part-time employment was created primarily in lower-paid jobs in agriculture and food/beverages, while over two-thirds of female part-time employment growth came in higher-paid jobs – in education, health and professional services.

If we exclude manufacturing and construction, the remaining sectors continued to generate positive employment growth even during the recession. Predominantly state-funded sectors in particular served to maintain overall employment levels.

The capacities of the health and education sectors to continue generating new employment will be hindered by public spending cuts in the coming years. However, there is equally a strong structural trend to increased health service provision linked to increased demand for such services as countries become better off, to the pace of technological change and innovation in the sector, and to demographic ageing. The top-growing job during the crisis – personal service workers in the residential care sector – is also clearly affected by demographic ageing and is another of those ‘white jobs’ that will continue to experience substantially above-average growth (see also the article on white jobs on page 5). In relative terms, employment growth for computer science professionals was almost as impressive (+14.3% in two years), and here too the main question will be whether training structures can generate an adequate supply of qualified entrants to match growing demand.

John Hurley

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<tr>
<th>Occupation</th>
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<th>Employment levels and change (000s)</th>
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<td>Personal and protective services workers</td>
<td>Residential care activities</td>
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<tr>
<td>Physical, mathematical and engineering science professionals</td>
<td>Computer programming, consultancy and related activities</td>
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Source: EU-LFS (author’s calculations)
When introducing the priorities of the current European Commission, President Barroso emphasised the fundamental need to create jobs and highlighted the opportunities for Europe of both ‘green’ and ‘white’ jobs. The former, in sectors related to the environment and management of climate change, have subsequently attracted more interest than white jobs, in health and social services. This may reflect some hesitation and uncertainty about what exactly white jobs are.

While the concept has been slow to catch on, it has become increasingly clear that there is growing demand for both short-term and long-term care services. In considerable part, this is driven by demographic ageing, which the Europe 2020 strategy explicitly recognises as a key long-term challenge, identifying the need to create large numbers of quality jobs in the sector. But as the recent OECD report Help wanted? Providing and paying for long-term care underlines, the pressure for more and more differentiated formal employment in the care sector is also driven by wider societal changes in the role of women and changing family ties, as well as demand for higher-quality services that are more responsive to the needs of both direct users and their informal carers.

The growing numbers of older people, specifically of those aged 80 and over, is the main reason for the rising need for care jobs. In the EU the proportion of people aged 80 and over has increased from 1% in 1950 to about 4% today, and it is projected to reach nearly 12% by 2050. Even though there are differences between countries, the direction of the trend is constant and immutable. Half or more of all users of long-term care are aged 80 and over; most of them – and their carers – are women. In OECD countries, 30% of women aged 80 and over are users of long-term care services, and improving life expectancy has not reduced this need. In the EU about 8% of people aged 65 and over are receiving support from paid care workers, ranging from 25% in Denmark and 20% in the Netherlands to 1% in Lithuania and even fewer in Poland. The ageing population is likely to mean that more elderly people will be living in their own homes with complex disabilities and health needs.

**More Europeans working in care**

Demand for care workers is increasing, and the OECD estimates this will double or triple between now and 2050. In all countries, the sector is characterised by rising employment, increasing skills and a growing absorption of GDP. Already in 2006 around 20 million workers were employed in health and social services across the EU, with the majority in the EU15 countries and only two to three million in the new Member States. Staff categorised as ‘personal care and related workers’ are the largest group, comprising a quarter of all workers in health and social services, but constitute only 12% in the new Member States compared to 27% in the EU15. Altogether, about four-fifths of the health and social services workforce are women, and the workforce is getting older – the share of workers aged 50 and over increased from 22% to 27% between 2000 and 2006.

More of these workers will need to work with technologies, and quality improvements will call for more social and intercultural skills (for relations with both users and other providers). There will be demands for more multiskilling of staff and reinforcement of the need for flexibility. To attract and retain care workers, much more attention will need to be given to working conditions and employment prospects. This includes consideration of pay and work organisation but also of training and career development. A balance needs to be found, however, as ‘professionalising’ care work may raise entry barriers and unnecessarily increase costs. Likewise, the measures to expand recruitment pools to attract migrants, as in Italy, or long-term unemployed, as in Finland, must be tempered by consideration of the interests of dependent persons and their carers. Finally, there is the need to explicitly acknowledge that most care continues to be provided unpaid by family and friends. The employment potential and sustainability of the formal care sector must be considered in relation to, and coordinated with support for, the informal carers.

There is already a shortage of workers in the care sector, and care commissions have reported on strategies to recruit and retain staff in countries such as the UK, Finland and Germany. The sustainability of care provision is emerging as a theme in reports from Commission DGs responsible for Finance, Health and Employment. The Eurofound report *Employment in social care in Europe* (2006) describes many of the problems associated with relatively low pay for demanding work, lack of career prospects and unsocial working-time arrangements. Although many workers express high satisfaction with the tasks and content of the work, the net result has commonly been high turnover, labour shortages and emigration of qualified staff.

The complexity and diversity of the health and social services sector are documented for different countries and subsectors in the sector report *Health and social services* (2009) for the European Commission project on emerging competencies and economic activities in the EU.

*Robert Anderson*
By developing a low-carbon economy for green, sustainable growth, governments could have the best of both worlds: they can meet climate change obligations and reduce unemployment in one go. To take advantage of the economic opportunities provided by the low-carbon economy, the workforce needs the right skills. But what are they?

The European Centre for the Development of Vocational Training (Cedefop), Eurofound’s sister-agency in Thessaloniki, has carried out a study, *Skills for green jobs*, that looks at the skills needed to develop a low-carbon economy. Just as information technology skills have become essential to many aspects of working life, there are signs that green skills will become equally important to almost every job.

The transformation brought by greening economies will affect skill needs in three ways, the report predicts. First, the green transformation will shift activities in the economy from those that are less energy efficient and generate higher CO₂ emissions towards those that are more efficient and less polluting. Second, some entirely new occupations will emerge from structural changes, the introduction of new regulations, and the development of new technologies and practices. Third, new skills will be needed in many existing occupations and industries, such as workers in the automotive industry having to work with new fuel-efficient technologies.

**Skills shortage is a massive barrier to growth**

Skills shortages already pose a major barrier to transitions to green economies and the creation of green jobs in many Member States. These shortages stem from a number of factors, including underestimated growth of certain green sectors, for example energy efficiency in buildings; a general shortage of scientists and engineers – a problem shared by economies at all development levels; the low reputation and unattractiveness of some sectors, such as waste management; and the general structure of the national skill base. A sustained inclusion of skills development in strategies to speed up the greening of national economies remains limited to isolated initiatives, the report argues.

**Tackling the quality of work**

Many jobs in waste management, recycling and agriculture, especially subsistence agriculture, are characterised by extremely poor working conditions. Policy should therefore focus on the quality, as well as the quantity, of the potential new jobs. ‘Job creation and skills upgrading in greening the economy can benefit from active labour market policies, labour inspection and social dialogue in order to promote work that is green and decent,’ says Antonio Ranieri, research manager at Cedefop and author of the report.

**Changing the perception of training requirements**

The study shows that workers may need less retraining than expected in order to convert to an occupation in an entirely different, ‘greener’, industry. Case studies suggest that the skills development responses required to enable people to enter new occupations are often a matter of upskilling or adding to existing core skills. For example, workers with experience in shipbuilding and the oil and gas sector are highly sought after in the wind turbine industry for their skills in welding, surface treatment and outfitting. This suggests that skills development responses ought to place priority on building on existing skill sets, while improving the generic skills of people across the entire workforce.

‘The focus should be on ensuring that a large proportion of the workforce tops up their current skill sets with “green” skills, acquired via affordable and accessible learning modules corresponding to their particular needs,’ says Antonio Ranieri.

**Onus on EU-level policymakers**

The EU suffers from systemic weaknesses in its skills base, which limit its productivity and competitiveness and reduce its capacity to exploit the opportunities offered by green growth, the report found. In all of the EU Member States reviewed, economic stimulus packages have been directed towards the same types of activity – construction, the automotive sector, energy efficiency and renewable energy. But only in a few cases has a general national strategy targeting green skills needs been developed.

‘To exploit fully the job-creation potential of the low-carbon economy, Europe’s policymakers now need to ensure that their support for skills and training matches the focus and ambition of their strategies to promote investment in green innovation and infrastructure,’ concludes Antonio Ranieri. ‘Governments and industry should take measures to make careers in low-carbon occupations more attractive.’

Måns Mårtensson
Since January 2010, many companies have started to recruit again according to job-creation announcements recorded on Eurofound’s European Restructuring Monitor (ERM). Over 270,000 announced new jobs were recorded up to August 2011.

When looking at the announced job creation by quarterly periods, the greatest number of jobs was created in the first three months of 2011, with over 67,000 new jobs (against 98,448 announced job losses). This was a considerable leap in announced job creation compared with any other quarter throughout the period. In no quarter since early 2008, however, have restructuring-related job gains outnumbered job losses.

The breakdown of job creation by sector reveals that the manufacturing sector reported the largest number of announced job gains (101,785), accounting for over 37% of the total job creation in the observed period. (Though note that manufacturing sector employment shifts tend to be overrepresented on the ERM due to the case-size threshold for inclusion of a restructuring event and the prevalence of large establishments in manufacturing.) Almost half of the job creation recorded in this sector is concentrated in car manufacturing. After major declines in sales and turnover during the 2008–2009 recession, car makers began to recruit again from the last quarter of 2010 onwards. This was partly due to the positive effects of public measures introduced by many European governments to support the car industry, ranging from credit loans and guarantees to scrappage incentive schemes and interest-free financing of car purchases.

Announced job creation was also relatively high in the real estate and business activity sector, with over 54,000 announced new jobs. Global auditing and advisory firms as well as large IT consultancies, software providers and internet search companies announced the creation of thousands of new jobs throughout the period. Online social networking companies such as Facebook and LinkedIn have expanded their business and created jobs. It is likely that this sector will continue to grow, and the demand for workers with IT skills will increase over the coming years.

A dynamic sector that continued to create – as well as destroy – many jobs throughout the period was the retail sector, with more than 50,000 announced new jobs. The most active recruiters in the period were the large supermarket chain operators, including Tesco, Asda, Kaufland and Sainsbury’s.

Hire-and-train programmes

Some companies have recently lamented the difficulty of finding skilled labour. They have tried to find a solution to this pressing problem by providing intensive training to new hires that lack the required skills and qualifications. In some cases, public authorities have played an important role in these recruitment efforts and provided financial support to hire-and-train initiatives for unskilled workers and the long-term unemployed.

In Estonia, IT consultancy ComPlus Consulting announced a plan to recruit around 700 unemployed persons, using government-supported schemes for the provision of training to the new hires and financing part of their initial salaries. Similarly, in Hungary, tyre company Hankook Tire Hungary hired 450 workers in 2010 and 250 in 2011 as part of their participation in a state-approved training scheme for the unemployed.
And Belgian supermarket chain Delhaize signed an agreement with the Brussels-Capital Region’s employment office to promote recruitment and employment. Delhaize intends to offer work experience placements and training to young people and unskilled workers.

Another interesting hire-and-train programme is that launched by French manufacturer of PVC joinery and heating systems Huis Clos, which announced the recruitment of 400 to 500 people throughout 2011. Due to the difficulties in finding skilled workers that the company had experienced in previous recruitments, Huis Clos intends to hire unskilled workers and offer them training to develop the required qualifications and skills.

A hire-and-train programme in Germany’s Deutsche Bahn is geared to overcome the company’s unfavourable age structure, where around 40% of the employees are older than 50 years. Deutsche Bahn intends to train and hire an average of 5,000 to 7,000 employees per year in the coming years, with the number of apprentices rising to 3,400 in 2011.

**Novel recruitment methods**

New forms of recruitment have recently emerged that partly integrate social media in the recruitment process. For instance, the Belgian rail service operator SNCB announced the launch of an SNCB page on the social networking site Facebook and the recruitment of new staff through this site. Similarly, the French bank Société Générale uses its presence on Facebook to attract job applicants, who can find CV and interview tips there. The company is also using ‘speed recruiting’, which includes day-long recruitment events providing advice and support for candidates and shortens the recruitment process.

Some companies have tried to create business opportunities for themselves from this new way of recruiting through social media. For example, the Franco-American start-up Work4Labs has developed a Facebook application called ‘Work for us’ for companies to attract new recruits. This application allows the companies to reach candidates directly or via recommendations from friends.

Another innovative, albeit controversial, recruitment method has been adopted by the Swedish furniture group IKEA, which announced plans to hire 190 staff at a new site in Caen through a method called *recrutement par simulation*, originally developed by the French national employment agency (l’ANPE) to meet the skill demands of larger firms establishing in regional locations. No formal qualifications are necessary for applying for these jobs. Applicants are solely assessed on the basis of their performance in role-play simulations. Intensive training follows recruitment. The emphasis on basic and generic skills is intended to favour semi-skilled or unskilled workers, whose chances on the job market are more limited, especially in times of recession.

**Re-employing redundant workers**

Since January 2010, the ERM has recorded some interesting cases concerning the re-employment of redundant workers. In the UK, Jaguar Land Rover encouraged workers who are being made redundant at Bombardier in Derby to apply for jobs at Jaguar in its UK-based plants. The company said it knows that there are many highly skilled engineers at Bombardier who have laid roots in Derby, and it intends to try to retain these highly skilled workers within the region.

Meanwhile, in Italy, renewable energy company Energia Futura re-employed 370 employees made redundant by household appliance manufacturer Electrolux, which closed its Scandicci plant in February 2008. Both companies reached an agreement on the re-industrialisation of the site with the trade unions, which included the takeover of the plant by Energia Futura.

There are otherwise innovative, but nonetheless effective, initiatives to reintegrate redundant workers into the labour market. Some car makers have recently started to re-employ employees who were made redundant during the 2008–2009 recession. An example is Swedish truck manufacturer Scania which announced it was in the process of re-employing 250 persons at some of its plants due to an increase in demand.

*Sara Riso / Miriam Rinawi*
Despite the economic crisis, some companies have difficulties recruiting staff to match their skills needs; this may add to the pressures they face in the downturn by creating obstacles to maintaining competitiveness.

Results from the European Company Survey

Over a third (36%) of European companies reported difficulties recruiting skilled workers in early 2009, according to the European Company Survey (ECS). This was at a time when unemployment in the EU27 had reached 9% overall and as much as 11–18% in Ireland, Spain and the Baltic countries. Finding employees for low-skilled positions was easier, but overall 11% of the managers surveyed still struggled filling these vacancies. A closer look at the findings shows that recruitment problems were largely associated with specific sectors and regions.

Sectors and regions are main factors

The construction and manufacturing sectors traditionally suffer from skills shortages, and this has been confirmed by the ECS data: around 40% of companies in both sectors reported difficulties recruiting skilled staff. In addition, the survey revealed that companies in two services sectors, hotels and restaurants and health and social work, had similar problems recruiting skilled workers. This is interesting in the light of previous research by the Observatory of European SMEs that found that the Baltic countries had in the years before the crisis suffered from scarcity of labour. On the other hand, in Cyprus, Luxembourg and Malta, as well as in Bulgaria and Belgium, over half of surveyed establishments complained of skills shortages. Difficulty finding unskilled staff was very rare (less than 7%) in Sweden, Lithuania and Austria, but relatively common (over 20%) in Cyprus and Belgium.

Size matters

Looking beyond sectors and regions, another factor that seems to be associated with recruitment difficulties is company size. The finding that large companies (250 or more employees) were less likely to have issues recruiting low-skilled staff may reflect the easier access that these companies have to the labour market. In terms of recruiting skilled employees, on the other hand, smaller companies (fewer than 50 employees) were the least likely to complain of difficulties, and it was the largest companies that most commonly reported skills shortages. This might be simply because large companies have a higher number and proportion of skilled workers and a higher employee turnover rate, and therefore they are more likely to experience labour shortages for their skilled positions.

Recruitment problems seem to go hand in hand with other personnel-related issues. As many as two-thirds of companies that reported difficulties with retaining their current employees also reported problems recruiting skilled staff, and 22% complained of struggling to find unskilled workers. Similarly, half of managers dealing with low motivation also had problems recruiting skilled staff, and 19% of them found it hard to fill low-skilled positions. It is again the hospitality sector that suffered most from these additional problems: 17% of surveyed hotels and restaurants reported problems retaining staff and 22% reported low staff motivation.

The next ECS, which will be carried out in 2013, is expected to reveal how easy or difficult recruitment has become across Europe through the years of the crisis.

Eszter Sandor
Job creation is a central topic for governments and social partners at national and European level, and not only since the global economic and financial crisis. However, the Great Recession destroyed many jobs in Europe and the recovery has been nearly jobless, making the issue of job creation all the more pertinent.

A forthcoming Eurofound report (Public support instruments to support self-employment and job creation in one-person and micro enterprises) shows that hiring additional employees has been an ongoing subject in policy debates since about 2000 in nearly half of the Member States and has been discussed in about the same number at least from time to time. In contrast, hiring the first employee – job creation in one-person enterprises – did not receive any policy attention in almost half of European countries before the crisis.

Such public debate is an important precondition for the design and implementation of practical instruments for fostering job creation. Indeed, across Europe there exists a broad spectrum of different types of public intervention to assist companies in creating new jobs.

Not new …

Traditional instruments include the provision of temporary employment subsidies and the financial or technical support of unemployed persons moving into self-employment. More innovative approaches can also be pinpointed (see, for example, the ERM database on support instruments for restructuring, available online at http://www.eurofound.europa.eu/emcc/erm/supportinstruments).

To qualify for favourable microloans of up to €12,500 from the Bulgarian Micro-Credit Guarantee Fund (Гаражционен фонд за микрокредитиране), a company must create at least one permanent job. For credit over €12,500, at least two permanent jobs should be created, one within six months of receiving the loan. According to the latest available data (end of 2008), about 18,500 jobs have been created thanks to this measure.

In Belgium, labour pools (groupement d’entreprises) can be established as separate legal entities by cooperating firms. The pool hires long-term unemployed with low skills or in receipt of the minimum subsistence allowance or social welfare payments on full-time indefinite contracts. Workers divide their working time among the participating partner companies, which jointly guarantee a continuous and stable payment. Employer groups are entitled to an integration allowance equivalent to a maximum of €500 per month, which is paid by the bodies responsible for unemployment benefits.

Some public initiatives have a more indirect character, targeting the improvement of the business environment as a precondition for employment growth. Examples are:

- cutting the administrative burden of hiring employees or of regulations dealing with staff administration;
- fostering self-employment by providing for a specific legal status for one-person enterprises to enhance their social security protection;
- fostering public and private demand for small businesses’ products and services, for example, by adapting public procurement regulations or reducing taxes on household services;
- improving companies’ access to finance, for example, by offering credit guarantees or establishing networks of business angels (individual investors who provide capital and advice for businesses);
- fostering innovation, for example, by supporting cooperation or information exchange among enterprises or between enterprises and R&D institutions;
- enhancing entrepreneurial spirit by image campaigns and improving management knowledge through training to increase the number of sustainable, competitive and growth-oriented businesses.
Such public support mechanisms do not necessarily have to be provided at national level only; examples of regional or local initiatives exist. These are interesting not only because they respond specifically to local labour market needs, but also because they are established by multi-stakeholder cooperation among public authorities, social partners, NGOs and non-profit organisations, service providers and employers.

In Romania, a 2004 government decision on the National Development Plan (Planul Național de Dezvoltare, PND) provided the legal basis for public and private entities to jointly decide the priorities for economic and social cohesion in eight regions. Regional pacts including representatives from the regional development agencies, prefectures, county councils, local offices of the central public institutions, research institutes, educational establishments, social partners and the business community, and civil society have been established. The activities supported focus on the joint provision of labour-market integration services (job exchanges and job fairs, career guidance, employment counselling and placement services); the identification of local vocational training needs and the tailored provision of vocational training services and practical on-the-job schemes; the promotion of entrepreneurship (support to business incubators, industrial parks and related consultancy services); and addressing corporate or sectoral restructuring affecting the local economy (for example, in mono-industrial and mining regions).

... but now more important or just different?

At least in some European countries, the recession has brought about a change in policy orientation. Policy focus on hiring additional employees as well as on self-employment as a tool for job creation gained momentum, and progress has been made in some Member States (20%) in supporting micro-enterprises who are hiring their first employee. In most cases, policy has focussed on increased financial support, as liquidity was one of the major problems during the crisis. Examples are enhanced financial incentives for the unemployed to enter into self-employment (for example, in Spain, Portugal, Slovenia, Slovakia and the UK) and improved access to wage subsidies for employers (for example, in Belgium, Bulgaria, Estonia and Slovakia).

Established measures at a local level continued unchanged, although some examples of increased attention at this level are apparent (for example, in Denmark, Hungary, Luxembourg, Romania and the UK). However, because of the faster intervention at national level and the comparatively more complex process of establishing local initiatives due to the larger number of stakeholders, the scope of local initiatives has been rather limited. Nevertheless, a certain shift of focus towards the following measures could be observed:

- direct and indirect job creation via public works and local hiring subsidies;
- facilitation of the transition to new jobs by intensifying job-placement services and active labour market policies, including personalised reemployment programmes, and increased cooperation with, for example, temporary work agencies;
- increased attention to the reintegration of vulnerable or marginalised groups;
- support of innovation for future economic growth.

And for the future?

Job creation is a complex process, influenced by various factors. Therefore, holistic systems of support instruments incorporating corporate and labour regulations, taxation, social security, access to finance, entrepreneurial and management training, and similar are more advantageous than isolated measures. Furthermore, specifically addressing micro-enterprises and one-person enterprises by providing support explicitly targeted at their needs seems to be an untapped potential for job creation in Europe.

Irene Mandl
‘Without strong efforts to boost economic growth and increase competitiveness, many SMEs will not survive’

Interview with Liliane Volozinskis, Director for Social Affairs and Employment Policy at the European Association of Craft, Small and Medium-sized Enterprises (UEAPME) in Brussels, Belgium.

What role do SMEs play in creating jobs in Europe?

The European economy will not fully recover without paying more attention to the needs of SMEs, the main engines for growth and job creation in Europe. The European economy is based on SMEs. They account for 99% of companies in Europe and provide 67% of employment. Furthermore, 92% have fewer than 10 employees and are most often run by the owner. Besides the size difference, SMEs present a great diversity of types of companies, from high-tech businesses and start-ups oriented towards international markets to more traditional companies such as crafts companies and family businesses active in local markets.

Despite the damage of the crisis to employment, SMEs are still the main providers of jobs. But without strong efforts to boost economic growth and increase competitiveness, many SMEs will not survive. The crisis has hit all companies in Europe hard. The consequences have been less immediately visible in SMEs because the rules and conditions attached to them are not fit for small businesses. Furthermore, SMEs present a great diversity of types of companies, from high-tech businesses and start-ups oriented towards international markets to more traditional companies such as crafts companies and family businesses active in local markets.

How do you rate the involvement and help that policymakers offer SMEs in creating new jobs, and do policymakers listen to and consider the needs and abilities of SMEs?

The ‘Think Small First’ principle implies better-conceived legislation and regulation, taking into account from the outset the needs of small businesses, a reduction of red tape and administrative burdens at all levels, more efficient public services at an affordable price, and better support from public authorities. Unfortunately, this is far from being the case in Europe. In most cases policymakers continue with business as usual, turning a deaf ear to the needs of the majority of companies when it comes to the legal, social and fiscal environment.

How do you rate the policy instruments put in place, at EU and national levels, in terms of efficiency, usefulness and operability?

The current legal and regulatory environment at EU and national level is still not satisfactory for SMEs. Besides the lack of support structures or the inadequacy of many of the existing ones, one of the main obstacles for SMEs to create new jobs is the extremely difficult access to finance. Already before the financial crisis, banks were reluctant to take risks and invest in the real economy by supporting SMEs’ projects, but it is even more significantly the case in the aftermath.

Policymakers talk about a win-win situation in which they offer support during a crisis and companies retain competent staff using short-time working schemes. How does this translate in the world you are operating in?

SMEs are suffering from inflexible rules and disproportionate obligations that hold them back from hiring more people despite some clear potential. Flexicurity principles are an essential tool for tackling the various labour market challenges, as long as they are adapted to SMEs’ reality. For instance, measures such as short-time working schemes have been less used by small businesses because the rules and conditions attached to them are not fit for smaller organisations.

On the issue of recruitment difficulties and skills gaps, do SMEs encounter difficulties in hiring the right people? How big is the problem?

The lack of skilled workers is a big problem for SMEs. Already before the economic downturn, SMEs were complaining about the skills gap. With the crisis and the shrinking of the working-age population, competition has been further exacerbated and the race for talent is a tangible reality. Nowadays, small entrepreneurs are well aware that human resources and quality of staff skills play a key role in the innovation capacity, productivity and competitiveness of their companies.

Research shows that on-the-job-training is on the increase. Can you corroborate this finding, and what effect does this trend have on job creation in SMEs?

On-the-job training is the most widespread form of continuous learning in small businesses. It is particularly relevant in small companies where alternating training [training that combines school-based learning and practical experience in a workplace] represents an important part of initial vocational training. Not surprisingly, small employers see it as the best form of specific training available. They value it as easily taught and highly specific; it can be applied at the exact time and place needed, and it immediately enhances the productivity of employees and of the company.

Måns Mårtensson
Ethnic entrepreneurship – job creation by stealth?

Businesses owned by entrepreneurs with an ethnic background form a steadily growing sector of many European city economies. In cities such as Copenhagen, Frankfurt and Zürich ethnic enterprises comprise close to 20% of all businesses; that figure rises to 30% and over in Amsterdam, Strasbourg and Vienna. The number of ethnic start-ups is growing – in Frankfurt over half of all new businesses are started by ethnic entrepreneurs.

These ethnic enterprises play an important, and in some ways unique, part in the economy and society of cities. They fill gaps in the local market, offering new services and products to immigrants and the host population, at the same time as promoting trade links with their proprietors’ home countries. Ethnic entrepreneurs are ideally positioned to act as leaders in their communities: they improve the self-confidence and social cohesion in their neighbourhoods by providing positive role models and by enhancing opportunities for immigrant groups. Their businesses can also help revitalise streets and neighbourhoods in areas deserted by indigenous businesses, and often rejuvenate neglected crafts and trades. One of their most important roles, however, lies in the job opportunities they create. Ethnic enterprises can be instrumental in reducing unemployment among ethnic groups and providing access to work for more vulnerable groups (such as women or young people from specific ethnic groups), helping them to avoid the poverty trap. And increasingly ethnic entrepreneurs are in a position to provide jobs for the non-migrant population.

Beyond traditions

While most employment prospects traditionally rest in sectors such as retail, restaurants and catering, where entrepreneurs take over vacant businesses, there is potential for increasing job creation in new sectors as a new kind of ethnic entrepreneur emerges. This is the aspiring or fledgling entrepreneur who tends to be highly educated and connected to different social networks, who is better qualified to operate in post-industrial growth markets such as ICT, finance, insurance, real estate, media and tourism. Nearly one-fifth of ethnic businesses in Ireland operate in the ICT sector, for example. Entrepreneurs of this kind are pulled into rather than pushed to these markets, and because of their higher levels of human and social capital, they better fit the requirements of today’s post-industrial economy.

Despite their increasing physical and economic presence, ethnic entrepreneurs have been largely invisible to policymakers, and the potential of ethnic entrepreneurship as a creator of jobs is somewhat overlooked, according to new research from Eurofound. The CLIP project is a five-year research project on the integration of migrants in more than 30 European cities. Work from the final phase, which has just been published, focusses on ethnic entrepreneurship, examining its development and reviewing the role of municipal, national and European administrations as well as third-sector institutions in promoting ethnic entrepreneurship as part of local economic development and integration strategy for migrants.

Not part of a bigger picture

In most cities studied, including those with a high proportion of ethnic businesses, ethnic entrepreneurship has not played a major role in the overall strategy supporting the integration of immigrants. Attention, to the extent it exists at all, is focussed on improving access to paid employment. And to whatever extent ethnic entrepreneurship is actually promoted, it rarely forms part of a bigger economic agenda. The study highlights, too, the surprising lack of comprehensive data on ethnic entrepreneurship in many city administrations.

Ethnic entrepreneurs would benefit from greater support from national and local administrations as they face an array of challenges, including a general lack of business management skills and competencies and, in some cases, a lack of proficiency in the host country’s language. They may also have insufficient connection to the local business culture, limited access to mainstream business networks, and little understanding of governmental and non-governmental business-support schemes. One of the biggest barriers is access to finance, which has worsened in the current gloomy economic climate.

Using the potential

Group-specific interventions that target the needs of ethnic entrepreneurs specifically do exist. However, many administrations prefer for political reasons to maintain policies that apply generally, assuming that ethnic entrepreneurs will benefit from universal measures taken to increase the number of entrepreneurs and to strengthen the quality of entrepreneurship. In addition, the bulk of interventions aim to strengthen the business management skills of entrepreneurs; fewer are aimed at improving the opportunity structure by, for example, removing barriers, making the bureaucracy more transparent and service oriented, making tax regimes more favourable, and promoting credit systems.

The report of the CLIP researchers recommends that authorities at all levels recognise and utilise the continuing growth of ethnic businesses for the benefit of cities. But to capitalise on any potential economic gains, the relevant departments in national, regional and city administrations must use the available instruments to help to sustain the existence of ethnic enterprises over their whole lifespan.

Helen Burke / Anna Ludwinek
The future of jobs in education and training

The education and training sector is not only an important employer in itself, but is also expected to play a key role as a provider of skills for the knowledge-based economy, contributing to smart, sustainable and inclusive growth as set out in the Europe 2020 strategy.

Engine of smart growth

This is a complex sector: it features both public and private providers, as well as voluntary ones, such as NGOs. It services all age groups and inhabits numerous spaces: formal (primary, secondary and tertiary levels of general education and vocational education), non-formal (on-the-job training, voluntary education, self-guided learning provided by companies, organisations, networks, etc. in structured contexts) and informal (learning from family, friends, colleagues, etc.). With eight million jobs in 2008 in the formal area alone and around 5% of GDP spent in public education in 2006 across the EU, the vital role of the education and training sector in the economic and social performance of the EU becomes very apparent.

Between 2001 and 2008, employment in formal education and training grew by almost 5% across the EU. There was, however, significant variation across the different subsectors: reductions of more than 10% in upper secondary education alongside increases ranging from nearly 3% in primary education to more than 19% in pre-primary and tertiary to 61% in post-secondary education. No official statistics for employment in the sector have been published since the financial crisis and recession, but given that staff costs represented on average 71% of total expenditure in the sector in 2006, it can be assumed that the recent austerity measures taken in many Member States have had a direct impact on employment figures. The autumn 2011 edition of the ERM quarterly reports on 140,000 teaching jobs cut in Italy and a further 80,000 implemented or planned cuts in France. Thus, the task for education and training to fuel smart, sustainable and inclusive growth is becoming even more challenging.

Scenarios for the future

Eurofound’s research has identified nine most important drivers of the sector’s future up to 2020: demographic developments; value attached to certified qualifications; the role of ICT in education; diversification of access to learning experiences; consequences of globalisation for qualifications; increasing pressure on public finances; political and public focus on sustainability (economic and ecological); strategic role of education and training in labour market and social policies; and finally, commercialisation of the supply of qualifications and competences. Only two of these nine drivers (commercialisation and value attached to qualifications) are both uncertain and of critical impact, and thus combinations of these two drivers give rise to four possible scenarios for the future of the sector and the outlook for jobs within it.

1. Employment prospects in the public education sector are quite favourable, although class sizes increase and real wages decline. A growing private education sector, including expanding in-company training departments, offers better pay but does not value teachers’ qualifications highly.

2. A dynamic and diverse labour market exists for qualified teachers, with strong demand from both public and private employers, including international players, which successfully compete with public education institutions for
qualified staff by offering better career prospects and wages.

3. The labour market for teachers is stable. Formal qualifications hold a high value, which contributes to the professionalisation of the sector, but also makes it more difficult for teachers to change jobs and to work in other parts of the sector.

4. Demand for general subject teachers declines, but this does not lead to unemployment for teaching staff, as thanks to higher demand for vocational education and training (VET) teachers and trainers, a reasonable balance in the labour market is achieved.

All four scenarios foresee that teachers and trainers will need to continue to be ready to constantly develop their skills, including language and ICT skills; to adapt to requirements to change their role; and to adapt to new target groups and new learning environments, quite often without adequate compensation for the additional effort invested. The labour market conditions for teachers and trainers vary considerably between the four scenarios, but all versions of the future assume at least stable, if not increasing, demand for teachers. This is mainly the result of a large number of teachers taking retirement up to 2020 and the relatively favourable perceived career prospects in education and training, even with progressively less attractive real wages and more demanding working conditions in the sector.

The scenarios outlined here are only possibilities for the future – plausible, internally consistent and developing logically from the current state of the sector. However, they provide a vehicle to develop long-term visions of opportunities, barriers and requirements. Taken up by policymakers and other key stakeholders at both state and European level, they can serve as a useful early warning system and a navigation tool for shaping the future of the education and training sector and the development of its workforce.

Radoslaw Owczarzak

FURTHER READING


Eurofound (2011, forthcoming), Public support instruments to support self-employment and job creation in one-person and micro enterprises, Eurofound, Dublin.

EC (2009), New skills for new jobs: anticipating and matching labour market and skills needs, Publications Office of the European Union, Luxembourg.


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The European Foundation for the Improvement of Living and Working Conditions is a tripartite EU body, whose role is to provide key actors in social policymaking with findings, knowledge and advice drawn from comparative research. Eurofound was established in 1975 by Council Regulation EEC No. 1965/75 of 26 May 1975.