

# Upgrading or polarisation? Long-term and global shifts in the employment structure: European Jobs Monitor 2015

## Executive summary

### Introduction

Europe has begun to emerge from the prolonged slump that began with the global financial crisis in 2008 and was deepened by the euro zone single currency crisis in 2010–2011. In the last year, aggregate employment levels have risen faster than at any time since 2008. Aggregate EU unemployment rates have been declining since September 2013.

This, the fourth annual European Jobs Monitor report, looks in more detail at shifts in employment at Member State and aggregate EU level between the second quarter (Q2) of 2011 and 2014 Q2. A 'jobs-based' approach is applied in order to describe employment shifts quantitatively (how many jobs were created or destroyed) and qualitatively (what kinds of jobs these were). This approach has been used, in particular, to assess the extent to which employment structures in developed economies are polarising, due to a decline in mid-paid jobs, or upgrading as a result of growth in high-paid, high-skilled jobs.

The report examines the time profile of recent shifts in the employment structure, as it appears that the re-emergence of employment growth has coincided with a transition from the more polarised employment shifts of the peak recession years to a flatter, more equal distribution of employment across the wage distribution, with, if anything, a downward skew – in other words, greater growth in lower paid employment. This raises the spectre of growing low productivity employment, where output and, ultimately, living standards fail to rise despite an increase in job opportunities.

The report also synthesises the main findings from two other analyses of labour market developments that use a jobs-based approach. The first centres on developments in six European countries – Germany, Spain, the UK, Sweden, Ireland and Switzerland – since the 1970s. The second is recent work by a network of labour market

researchers from outside Europe, which focuses on Australia, China, Japan, Russia, South Korea and the US.

### Policy context

The EU's Europe 2020 strategy for smart, sustainable and inclusive growth includes a commitment to fostering high levels of employment and productivity. This implies a renewed focus on the goal of 'more and better jobs' in the earlier Lisbon agenda. More jobs are needed to address the problem of lengthening unemployment queues. But Europe also needs better, more productive jobs if it is to increase living standards for its citizens in an expanding, integrated global economy.

The European Commission's 2012 Employment Package ('Towards a job-rich recovery') identifies some sectors in which employment growth is considered most likely – health services, information and communication technologies, personal and household services, as well as the promising, if hard to define, category of 'green jobs'. This report provides up to date data about employment levels and job quality in growing, and declining, sectors and occupations.

### Key findings

#### Employment shifts in the EU, 2011–2014

Over the three-year period 2011 Q2–2014 Q2, employment growth in the EU was asymmetrically polarised, with the greatest growth in well-paid jobs, some modest growth in the lowest-paid jobs and declining employment in jobs in the middle of the wage distribution. There is a variety of patterns of employment shifts at Member State level, with most countries exhibiting either upgrading or polarising shifts, but with a significant minority also downgrading (showing greater growth in lower paid employment).

Employment levels in the EU have started to rise again since 2013 Q2, with net employment some 1.8 million higher in 2014 Q2. Nonetheless, aggregate EU employment levels are still some four million lower than at the outset of the crisis six years ago.

Employment growth has strengthened, particularly in low- to mid-paid jobs. Throughout the crisis and its immediate aftermath (2008–2013), employment grew only in jobs accounting for the highest paid 20% of workers. As the recovery has become more established, lower paid services jobs have accounted for a large share of recent growth.

Strong recent growth in the part-time share of employment has been the main cause of the trend of destandardisation in employment relationships. When jobs in the EU are classified into five categories of equal size (quintiles) based on wage, it is apparent that growth in permanent, full-time employment is increasingly confined to top quintile, well-paid jobs; in all other quintiles of the wage distribution, it is decreasing.

#### **Employment structure shifts:**

##### **European comparison**

The analysis of six European countries over more than four decades showed a surprising consistency in the overall patterns of structural change despite some short-term diversity and a few exceptions. Employment structures in Germany and the UK have been polarising since the early 1980s, whereas in Ireland, Spain, Sweden and Switzerland they have been more or less consistently upgrading since the 1970s (with some periods of sharp polarisation in recessions in Spain, and also in the 1980s in Ireland and Switzerland).

This diversity across countries took place against a background of very similar broad trends of structural change in the long run. Deindustrialisation tended to have similarly polarising effects everywhere (destroying employment in mid-paid jobs), but the overall patterns of structural change were determined to a greater extent by developments in the more dynamic service sector, which were more country

specific. The expansion of public sector employment, for instance, was generally linked to the growth of relatively high-paid occupations, but in the UK it also expanded the bottom quintiles after 1990, contributing to polarisation.

Although the analysis of longer term developments uncovered a significant and consistent diversity across countries, it also showed some very important common trends. Most importantly, there was a consistent expansion of employment in high-paid jobs across countries and periods, contrasting with a very significant decrease in mid-paid and low-paid occupations across countries and periods.

##### **Employment structure shifts: Global comparison**

In the global comparison, two broadly similar patterns of employment shifts were apparent:

- the EU, Japan and the US showed polarised upgrading, with the greatest employment growth in well-paid jobs, plus a relative contraction of mid-paid jobs and some modest relative growth in low-paid jobs;
- Australia, China, Russia and South Korea showed upgrading, with the greatest employment growth in well-paid jobs and lowest employment growth in low-paid jobs.

Recessions or periods of slowing growth were associated with more polarised employment shifts. The clearest examples of upgrading growth tended to be in economies experiencing higher output growth.

China was unique in the scale of its workforce and its pace of growth (in terms of output and employment). Employment grew by eight million each year, comparable to total employment growth in the EU for 2004–2013. Over the five-year period 2005–2010, over 50 million agriculture jobs were lost, but this was more than compensated for by net growth in employment in the manufacturing, construction and retail sectors, the results of a huge (but slowing) migration from rural China to the growing cities.

#### **Further information**

The report *Upgrading or polarisation? Long-term and global shifts in the employment structure: European Jobs Monitor 2015* is available at <http://eurofound.europa.eu/publications>.

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