

Occupational change and wage inequality: European Jobs Monitor 2017

Introduction

During 2016, employment in the EU finally returned to the same level as before the global financial crisis. The recovery that began in 2013 has resulted in the net creation of eight million new jobs. Most of this net new employment has been created in services, but there has also been a marked rebound in manufacturing employment, with around 1.5 million new jobs.

This, the sixth annual European Jobs Monitor report, looks in more detail at recent shifts (from the second quarter (Q2) of 2011 to 2016 Q2) in employment at Member State and aggregate EU levels. Part 1 of the report applies a ‘jobs-based approach’ to describe employment shifts quantitatively (how many jobs were created or destroyed and in what sectors) and qualitatively (what kinds of jobs they were, primarily in terms of average hourly pay). Part 2, a more analytical section, discusses the role that occupations play in structuring European wage inequality, and to what extent the observed patterns of job polarisation and upgrading have contributed to wage inequality trends in the last decade.

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 goals of the earlier Lisbon Agenda, ‘more and better jobs’. More jobs are needed to address the problem of unacceptably high unemployment rates. But Europe also needs better and more productive jobs if it is to succeed once again in improving 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 communications technology, and personal and household services, as well as the promising if hard-to-define category of ‘green jobs’. The jobs-based

approach adopted in this report provides up-to-date data about employment levels and job quality in growing and declining sectors and occupations.

The jobs-based approach was pioneered in the 1990s in the USA by Nobel Laureate Joseph Stiglitz and then refined by Erik Olin Wright and Rachel Dwyer. The particular question that this earlier American work addressed – was job growth being achieved at the expense of job quality? – has become more nuanced over time. The jobs-based approach has, in particular, been used to assess the extent to which employment structures in developed economies are polarising, leading to a ‘shrinking’ of mid-paid jobs, or upgrading as the supply of highly qualified workers increases. To the extent that employment in some labour markets appears to be polarising, this research also connects with broader concerns about increasing inequality.

Key findings

Shifts in employment, 2011–2016

- There were eight million more people at work in 2016 Q2 in the EU compared with three years previously. Employment growth since 2013 has been only modestly skewed towards well-paid jobs. There has been robust growth in low-paid and mid-paid jobs as well, consistent with a consumption-led recovery.
- Over a longer time frame (going back to the late 1990s), higher-paid jobs have continued to grow faster relative to those in the rest of the wage distribution. This has been the case in recessionary and non-recessionary periods alike.
- More than 7 out of 10 jobs in the EU are now in services, a sector that alone has added over 8 million jobs in the EU since 2011. Recent service sector employment growth has been asymmetrically polarised, with greater gains in jobs at the top and bottom of the wage distribution.

- There has also been an increase of 1.5 million in the manufacturing employment headcount since 2013. Most of this increase has been in engineering, professional and management jobs in the top wage quintile and not in more traditional, blue collar production roles. Proportionately, the EU13 countries (those that have joined the EU since 2004) have been the main beneficiaries of net new manufacturing employment.
- In many of the faster-growing large jobs, the share of older workers has increased significantly, suggesting that extended working lives and later retirement are as important in explaining recent employment growth as any resurgence of labour market dynamism.
- Although there are wide differences across Europe in the levels of wage inequality, occupations provide a remarkably similar backbone to the distribution of wages in all countries. The distribution of variance in wages between and within occupations and the hierarchy of occupational wages (which occupations pay more and which pay less) are essentially the same across all countries. The actual differences between the wages paid by occupations and the extent to which they are grouped in broad classes or linked to differences in human capital are aspects that do vary across countries.
- Despite the deepening and generalisation of job polarisation in Europe in the aftermath of the Great Recession, occupational dynamics did not drive wage inequality developments in the last decade. Changes in the distribution of wages within occupations were much more consequential for overall wage inequality trends than changes in the wages paid by the different occupations or changes in the occupational structure.

Occupational change and wage inequality

- Occupations play an important role in the structuring of wage inequality in Europe. This is partly because occupations mediate the effect on wage inequality of other factors such as human capital, social class and segregation by gender or age. But occupations have their own effect on wage inequality, too, probably as a result of specific mechanisms such as occupational licensing, credentialing or apprenticeship systems.

Further information

The report *Occupational change and wage inequality: European Jobs Monitor 2017* is available at <https://www.eurofound.europa.eu/publications>

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