



# Shifts in the job structure in Europe during the Great Recession

## Executive summary

### Introduction

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 than in the second quarter of 2008. This report describes the impact of the recession on the structure of employment in terms of occupations and sectors in the EU27, both at the aggregate and national level. It does so from a quantitative perspective (identifying shifts in employment levels) and from a qualitative perspective (showing how shifts in employment levels were distributed across the wage spectrum). This is the first report published as part of Eurofound's European Jobs Monitor. A follow-up report in late 2011 will continue the analysis to mid-2011 as labour-market recovery becomes (hopefully) more firmly anchored.

### 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 emphasis on the goals of the earlier Lisbon Strategy goals of 'more and better jobs'. More jobs are needed to remedy the sharp increase in unemployment that has accompanied the financial crisis. Employment growth is also necessary if Europe is to make progress towards its target of a 75% employment rate, by 2020, for those aged between 20 and 64 years. (In 2010, the employment rate for this group was 68.6%.) Moreover, better-quality jobs (in terms of training, knowledge content and employment conditions) are needed if Europe is to improve its productivity levels – the key to meeting the competitive challenges of an increasingly multipolar world and thus to maintaining and improving living conditions.

In retrospect, Europe enjoyed something of a 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: this was more in both absolute and relative terms than were created in the US. Though the employment targets of the Lisbon Strategy were not met, significant progress was made in raising employment levels and combating unemployment. On the other hand, similar concerns to those previously voiced in the US were raised 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 created in more knowledge-intensive and potentially productivity-enhancing activities. Was job growth being achieved at the expense of job quality?

Earlier work 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), it can be seen whether job growth or decline was concentrated in 'good', 'middling' or 'low-paid' jobs. This analysis looked at developments in the labour market in 23 Member States between 1995 and 2006.

- Its main conclusion was that employment growth was skewed towards relatively higher-paid jobs.
- It also found that employment growth had been weakest in the middle of the wage distribution, linked to the long-term decline in manufacturing employment. Growth in the 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.

## Key findings

The current report – *Shifts in the job structure in Europe during the Great Recession* – uses European Labour Force Survey data to analyse whether the pattern of asymmetrically polarised employment change, identified in Eurofound’s earlier work, persisted during a period of intense job destruction (between the second quarter of 2008 and the second quarter of 2010).

- 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. The recession appears to have accelerated previous trends.
- Sharp losses in low-medium and medium-paying jobs, especially in construction and manufacturing, accentuated the polarisation of the employment structure.
- Even in a period of intense job destruction, employment still grew in top-paying jobs. As in the preceding decade, job growth in the top wage quintile (the top 20% of the wage spectrum) was mainly due to an increase in jobs in so-called ‘knowledge-intensive services’ (KIS). These include both public services (mainly in education and health) and private services (business services). During the recession, the relative importance of public services for job growth in the top quintile increased.
- At Member State level, three main patterns of employment shift were observed during the recession: upgrading (job growth being skewed to the top of the wage distribution), polarisation (growth in employment at the lower and upper ends of the wage spectrum, but contraction in the middle) and downgrading (job destruction being greater in higher-paid jobs while lower-paid employment either grew or suffered only relatively small declines).
- Women fared better on the labour market than did men during the recession, both in qualitative and quantitative terms. During the crisis, four ‘male’ jobs were lost for every one ‘female’ job. The few sources of – generally high quality – employment growth were in predominantly female-employing jobs in health and education.
- The employment levels of older workers remained surprisingly high during the crisis; however, those of core age workers (those aged between 30 and 49 years) and – especially – younger workers were severely affected. During the recession there was a significant increase in employment among those aged between 50 and 64 years – 1.7 million new jobs. This employment growth took place across the wage spectrum, but was skewed towards top-paying jobs. For younger workers (those aged under 30 years), jobs were lost across the wage spectrum.
- There was a mixed picture in terms of employment status. There were marked losses in temporary jobs in the early phase of the recession; however, the greater part of employment growth from 2009 onwards took place in temporary jobs, though this growth has tended to be in lower-paying jobs. Part-time work has expanded across the wage spectrum, with gains more or less equally distributed between men and women. New male part-time employment has been created primarily in lower-paying jobs in agriculture, and food and beverages, while over two thirds of the growth in female part-time employment was in higher-paying jobs – in education, health and professional services.

### Further information

For more detailed analysis, refer to the full report *Shifts in the job structure in Europe during the Great Recession*, available at [www.eurofound.europa.eu/publications/htmlfiles/ef1141.htm](http://www.eurofound.europa.eu/publications/htmlfiles/ef1141.htm)

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