

# Eurofound yearbook 2013: Living and working in Europe

# 2013



Eurofound



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Eurofound (2014), *Eurofound yearbook 2013: Living and working in Europe*, Publications Office of the European Union, Luxembourg.

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Cataloguing data can be found at the end of this publication.

Luxembourg: Publications Office of the European Union, 2014

ISBN 978-92-897-1120-3

ISSN 2363-0299

doi:10.2806/37878

Printed in Luxembourg

# Foreword

In spring 2013, after five years of economic unrest, the European Union exited recession. The recovery was modest, but it is enduring. By the end of the year, even the countries with the most fragile economies were expected to see some strengthening of economic activity. Unemployment stabilised, but remains unacceptably high in several Member States with stark differences across the Union while the number of people at risk of poverty or social exclusion continues to climb, rising to 125 million by the latest estimates.

Eurofound puts flesh on these statistics to provide the knowledge that policymakers need to develop policies to tackle the social and work-related challenges facing Europe today.

For instance, Eurofound's labour market analyses in 2013 showed that middle-paying jobs, which declined heavily in the crisis, continue to be lost; while growth is occurring in higher-paying jobs, it does not outweigh that job loss. The jobs being lost are those that employ men mostly; meanwhile, employment of women has been growing modestly and they are taking a greater share of those high-paying jobs. Still, seven and a-half million young people are out of work and not in any form of education, which represents an estimated loss of about €163 billion annually in welfare transfers and lost incomes and taxes. The failure to secure a job is delaying their transition into adulthood, preventing them from achieving economic independence (and often delaying their establishment of families), with potentially detrimental consequences for their long-term financial security and well-being. In this context, decline of trust in public institutions (parliaments and governments) across Europe comes as little surprise, but what is perhaps unexpected is that the main influence on people's trust, uncovered by Eurofound's research, is not the perceived economic situation of their country but the quality of public services. In this difficult context, Eurofound also focused its analysis on such issues as changing working conditions, the evolution of pay and undeclared work.

These are just snippets from the trove of knowledge produced by Eurofound in the course of a year, built by analysing data and information from diverse and often unique sources. The strength of this research is its comparative nature which, in recent times, has pointed up one challenge in particular: divergence, across Member States and within them.

It is our hope that with our research and information exchange, Eurofound can continue to contribute to the work of policymakers as they address this and other such challenges moving closer to a more competitive and fair Europe.

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# Living and working in Europe

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# Employment in Europe 2013

The European Union's growth strategy, Europe 2020, set an employment rate target of 75% by 2020 among the working age population. In 2013, with EU employment levels averaging 68.8%, the prospect of achieving that target looked dim. The European Commission, in its communication on progress in reaching the Europe 2020 targets, concedes that – based on recent trends – employment is going to fall short of the target, at a rate closer to 72% by 2020 (2014). Economic growth must pick up significantly before an upturn in the labour market can be expected, and debate simmers over whether budgetary austerity will drive or stifle growth. Economic management aside, attaining higher employment requires policies that will make the expanding sectors of the economy accessible and attractive to job-seekers. And it will involve the EU and its Member States pursuing ambitious labour market strategies to integrate groups that are at present underrepresented in the labour force: women, young people and older people.

# Divergent labour markets

The outlook for employment in Europe remains uncertain. Towards the end of 2013, labour market conditions showed signs of stabilising. Nonetheless, unemployment remained high, running at 10.7% in the EU28 and 12.0% in the euro zone – scarcely changed since December 2012. With

the European economy predicted to grow by 1.6%, the recovery remains fragile and so hopes of a revival in the labour market are subdued; the European Commission has predicted just a small decline in unemployment by 2015.

## Split between countries

As the crisis recedes, the divide between the economically precarious and the economically secure Member States is manifest in the unemployment statistics, with severe levels of joblessness in some countries, particularly Greece (28%) and Spain (26%), while others are relatively untouched, especially Austria (5%), Germany (5%) and Luxembourg (6%). The differential consequences of the crisis stem from fundamental structural differences in the economies and labour markets of the 'core' and 'periphery' countries – economic growth pre-crisis tended to mask these differences.

Prior to the recession, employment grew in all Member States except Hungary, but once the crisis struck, countries diverged in labour market performance. For some, the extent of job loss following the crisis is related to the extent of job growth prior to it. For instance, employment

expanded significantly in Bulgaria, Ireland, Latvia and Spain up to 2008, but contracted dramatically when their economies crashed. Much of this employment loss was due to the collapse in the construction sector, which had gone through a parallel boom and bust in these countries. In contrast, a number of developed western European economies showed more limited employment expansion pre-crisis, a slowing of employment growth or modest declines during the crisis, followed by a resumption of growth since 2011: Austria, Belgium, Finland, France, Germany, Luxembourg and Sweden all fall into this category. In these countries, sharp output declines during the initial crisis period were not accompanied by sharp employment declines. Labour hoarding – retaining more employees than are needed for the level of output – helped to keep job losses in check as demand weakened.

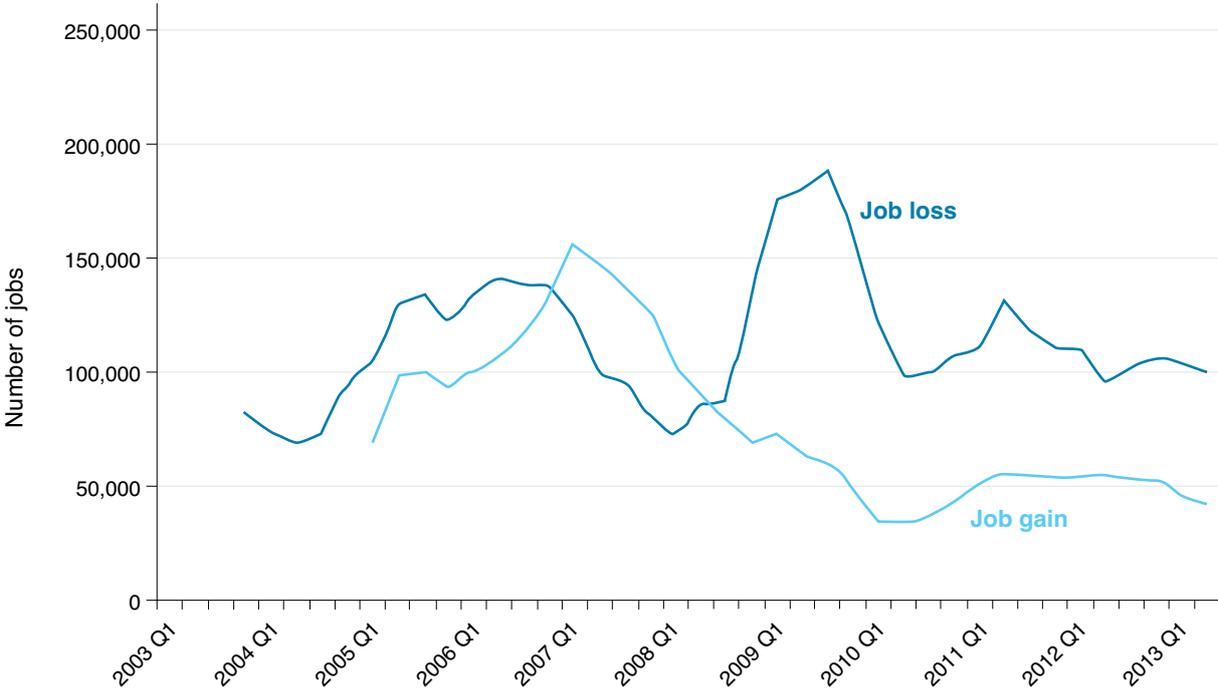


# Trends 2003–2013

The annual report of Eurofound's European Restructuring Monitor (ERM) for 2013 charts the transformation of Europe's economy after the financial crisis. The ERM is a database of announcements of large-scale job creation and job destruction arising from restructuring, as reported in the media across Europe. Looking at the trend over the past decade, announced job creation surpassed announced

job destruction for a period between 2006 and 2008, but the global financial crisis of 2008 triggered a dramatic reversal (Figure 1). Announced job loss rose sharply up to the first quarter of 2009, while announced job creation fell steeply. While the gap has narrowed since 2010, job loss has continued to outstrip job creation in every quarter to date.

**Figure 1: Announced job loss and job gain, 2003–2013**



Source: ERM

# Significant sectoral shifts

The three sectors responsible for the greatest numbers of job losses announced in the media following the crisis

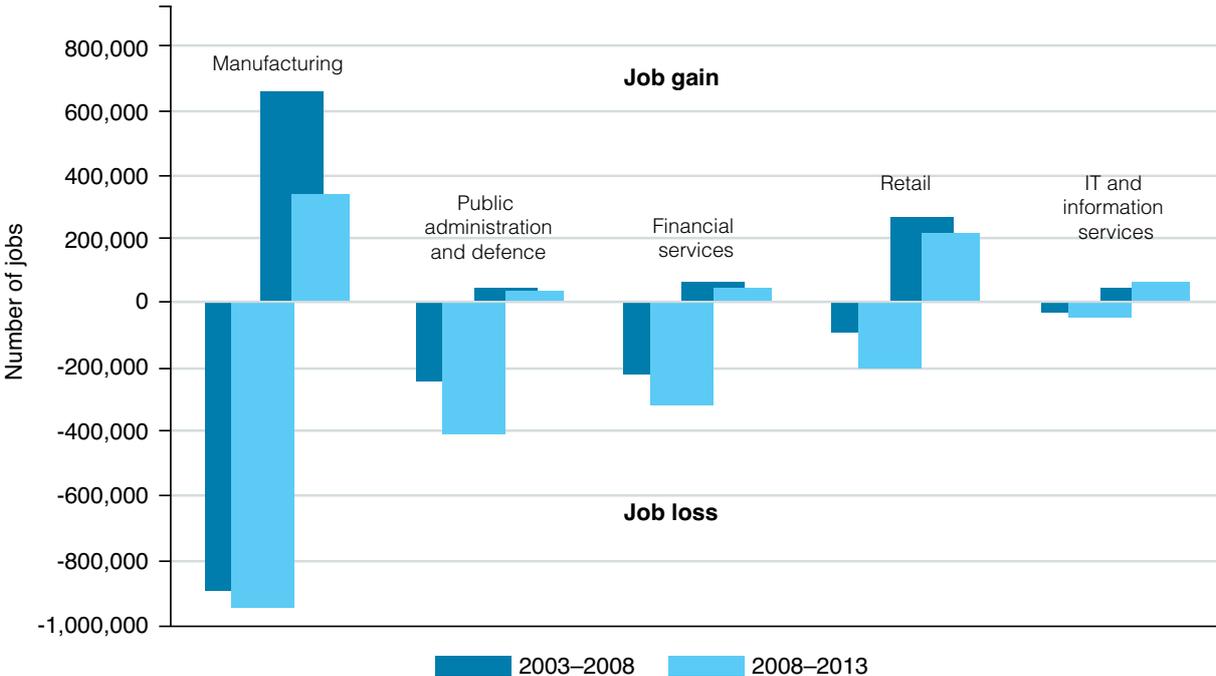
are manufacturing, public administration and defence, and financial services (Figure 2).

## Manufacturing

Even before the crisis, in 2003–2008, manufacturing was the biggest contributor to job loss and job gains in the ERM, accounting for 40% of each. This is partly because manufacturing firms tend to be big and are therefore more likely to meet the main threshold for inclusion in the ERM database – that is, involving at least 100 job gains or losses – and partly because manufacturing accounts for a declining share of the European labour force. Announced job losses in manufacturing after 2008 rose modestly compared to the pre-crisis period. What really

affected the sector badly was the drop in the level of job creation announced in this period, which was roughly half that for 2003–2008. Across the two periods, the total net job loss (gross job loss minus gross job gain) announced by European manufacturing companies increased from over 200,000 pre-crisis to over 600,000 post-crisis. Representative data from the EU Labour Force Survey (EU LFS) show that over 4.5 million jobs were lost between 2008 and 2013, representing 12% of manufacturing employment.

**Figure 2: Main sectors of announced job loss and job gain, 2003–2013**



Note: This figure reflects the sum of announced job gains across all business expansion cases and announced job losses across all job loss cases recorded in the ERM for each sector in the periods indicated.

Source: ERM

## Public administration

Comparing pre- and post-crisis periods, the biggest increases in announced job loss have been in public administration and defence. When job losses in the public administration sector (which includes defence) are reported, they usually involve sizeable numbers. The biggest single case in the ERM dataset is the axing of 54,000 jobs in

military and civilian defence announced in June 2008 by the French government. Data from the EU LFS indicate that employment in public administration contracted by 3% between 2008 and 2013, reflecting cuts in public spending as national governments across Europe implemented financial consolidation programmes in response to the crisis.

## Overhauling central public administration

Reductions in the size of public administrations across Europe have been accompanied by the intensification of ongoing structural reforms aimed at modernising operations and services. In 2013, Eurofound studied the impact of these reforms on the part of public administration known as 'central public administration' or CPA, which broadly comprises those administrative units that operate at central and national levels and have a hierarchical dependence on political decision-making (usually, the ministries of government).

The reforms undertaken include the introduction of new organisational structures, new management cultures with more emphasis on performance, and new human resource management techniques alongside a shift towards offering more services online and an expansion of outsourcing strategies.

Well-qualified entrants are often over-qualified for the jobs they take. In some cases, this reflects the recruitment

behaviour of the employer in asking for a higher degree of educational attainment than is needed for the job. In the context of the economic crisis, with limited job vacancies, however, many young, highly educated unemployed are willing to take any job they can get.

These structural reforms have had some negative effects on CPA workers and their working conditions, including reduced job security, cuts or freezes in earnings, increased working times and workloads, and reduced opportunities for skill development.

The general deterioration in working conditions in CPA has affected social dialogue and has led, in many Member States, to industrial action and greater difficulty in reaching compromises and agreements between the government and trade unions. Nevertheless, many Member States have plans for more reforms that are likely to have further impacts on both the employment levels of public workers and their working conditions.

## Financial services

In the financial services sector, the ERM records 33 cases entailing at least 2,000 job losses each since 2008, and the EU LFS shows that employment has contracted by 2.4% in financial services and insurance since 2008. Many of the job cuts in banking resulted from agreements with governments to reduce assets, costs and employment as

a condition for receiving state aid, hence enabling many banks to survive the financial crisis. The ERM includes 18 cases of job loss in the UK banking group Lloyds TSB since April 2009. The bank has shed some 35,000 jobs in the post-crisis period.

## Construction

Construction had the greatest relative loss in employment during and after the crisis. According to EU LFS data, one in five construction jobs has disappeared since 2008 and employment has more than halved in some of the

Member States worst affected by the crisis. This sector is underrepresented in the ERM, however, because firms are small on average and therefore the restructurings often do not meet the threshold for inclusion.

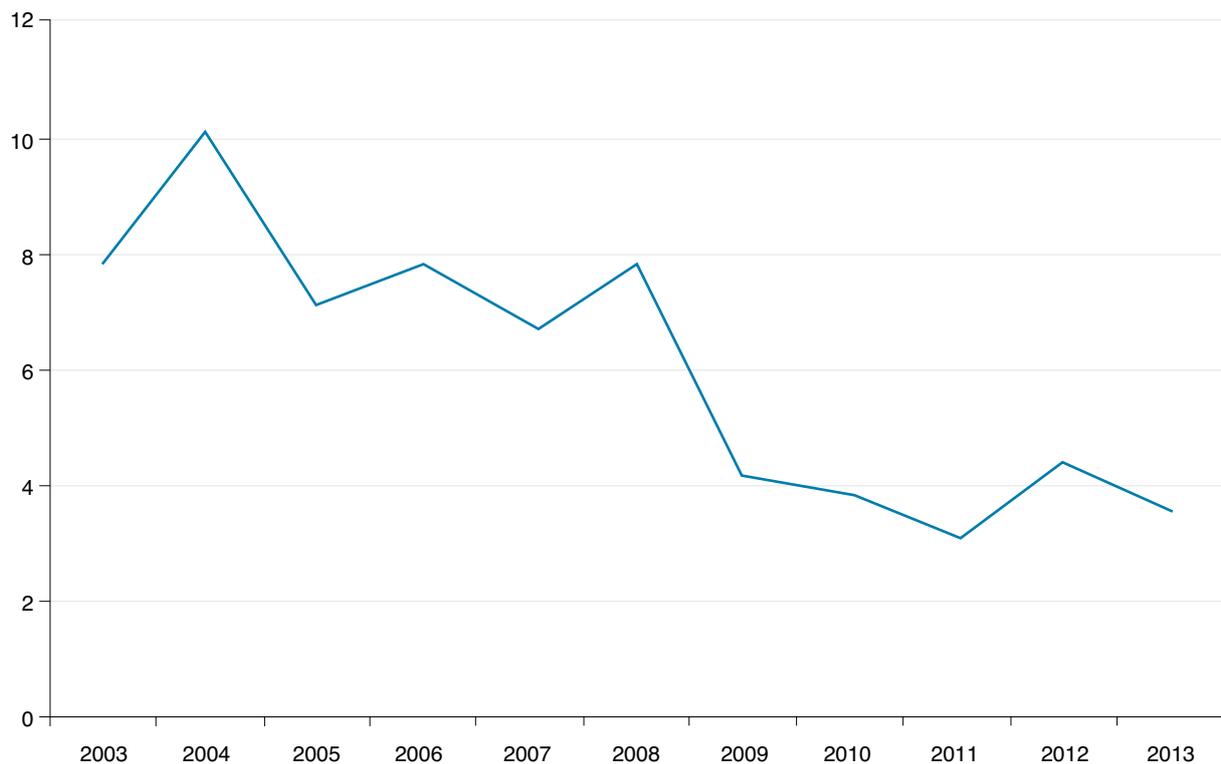


# Retreat from offshoring

Offshoring – relocating business activities outside of a country’s borders – is typically seen in developed countries as the unattractive flip side of globalisation, with the leaching of jobs overseas to countries where labour costs are lower. Recent research indicates, however, that despite the lure for companies, offshoring may not be as great a menace

to developed economies as one might assume. Fewer than one in ten of all job losses recorded in the ERM database each year over the past decade went abroad (Figure 3). The level of offshoring halved during the 2008–2009 recession and has remained low ever since.

**Figure 3: Proportion of total jobs lost to offshoring, 2003–2013 (%)**



Source: ERM

Up to 2008, the ERM recorded much greater job loss to offshoring among the countries that were Member States prior to 2004 (10%) compared to the 12 that joined subsequently (2%). Post-crisis, however, this difference has diminished: the share of large-scale restructuring job

loss attributable to offshoring for both country groupings has been just over 3%. It appears that as the economies of these 12 Member States have matured and wage levels increased, the labour cost appeal of third countries has become more compelling.

## Impact at country level

Loss of jobs to offshoring has affected smaller, long-standing Member States to a much greater extent than the EU as a whole. In Denmark, Ireland and Portugal, at least one in six (17%–18%) of jobs lost in restructuring

announcements in 2003–2013 went overseas, compared to 4%–7% in France, Germany, Italy, Spain and the UK, and just 1% in Poland and Romania.

## Destination countries

Analysis of ERM data dispels another misconception about offshoring: the main destination of jobs offshored from EU countries is not China and India (which together account for a quarter), but other, newer Member States, where wages are lower than in the originating countries. These 12 together absorb around one-third of offshored jobs. In fact, around half of all offshored jobs stay within Europe. One significant cause of the post-crisis decline in offshoring is likely to be a reluctance among companies to make the

major investment involved in moving business processes abroad during a period of economic uncertainty. Since the phenomenon appears to be pro-cyclical, however, growing and declining in line with the economy, economic recovery could see a resurgence in offshoring. Another possible reason for the decline is that firms may already have offshored the most 'offshorable' activities in the pre-recession period.

## High-skilled jobs at risk

A US-based analysis estimates that, in principle, in or around a quarter of jobs in the US could be offshored – a figure equally applicable to the EU. And there is broad agreement among researchers on the subject that jobs requiring higher, not lower, levels of education are at potentially greater risk of offshoring. Any of the growing share of high-skill jobs involving regular, extensive computer use – such as STEM (science, technology, engineering

and maths) jobs – could be performed anywhere, with little or no loss of quality. This means that the character of offshoring in the future may be different from its current guise. To date, offshoring has affected mostly low-skilled jobs in developed countries; in the future, it could affect jobs in higher occupational groups, requiring higher education levels with above-median pay levels.

# Shifts in the structure of employment

## Decline in middle-income jobs

While high unemployment is the burning concern of the moment, the longer-term changes in the spread of jobs along the wage spectrum warrant attention. Over the decade-long period of employment expansion in the EU from 1998 to 2007, there has been a consistent pattern of relatively muted growth in middle-wage jobs, with greater growth at both ends of the spectrum, in low-wage and high-wage jobs. This pattern of polarisation intensified during the

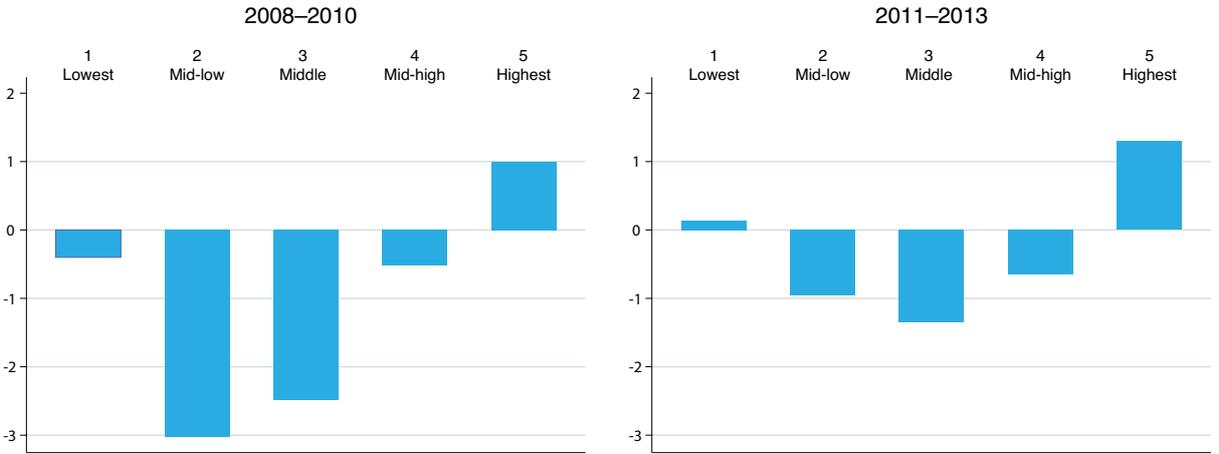
economic crisis with huge job losses in manufacturing and construction, sectors with a preponderance of middle-wage jobs. The effect of polarisation is potentially detrimental to the social and employment goals of the EU. Not only is it likely to contribute to rising income inequality, there is a strong probability that many workers who lose their jobs will only find lower-paying jobs available when they look for new employment.

## Polarisation when ranked by wage

While polarisation has eased since the height of the crisis, the latest information from Eurofound’s European Jobs Monitor (EJM) shows that it is still prevalent. This analysis categorises jobs into five pay categories or quintiles – from lowest-paying (quintile 1) to highest-paying (quintile 5) – and describes the extent of job loss or gain across the quintiles. The EJM annual report for 2014, which focuses on the two years from mid-2011 to mid-2013, reports little change compared with the two years of acute economic crisis, between 2008 and 2010, although the extent of job loss is not as great (Figure 4).

Since the crisis, the greatest job loss has continued to occur in the middle and mid-low wage quintiles, reflecting the ongoing weakness of the construction and manufacturing sectors already described. Employment continued to expand in the highest quintile, predominantly in knowledge-intensive services, while a small degree of growth was evident in the lowest wage quintile, compared to a moderate loss in 2008–2010.

**Figure 4: Employment change by wage quintile, 2008–2010 and 2011–2013 (% per year)**



Notes: EU27, Croatia omitted for comparability. Second quarter data; incorporates data adjustments for the Netherlands and Germany to reflect changed occupational classifications in 2012–2013 and 2011–2012 respectively.

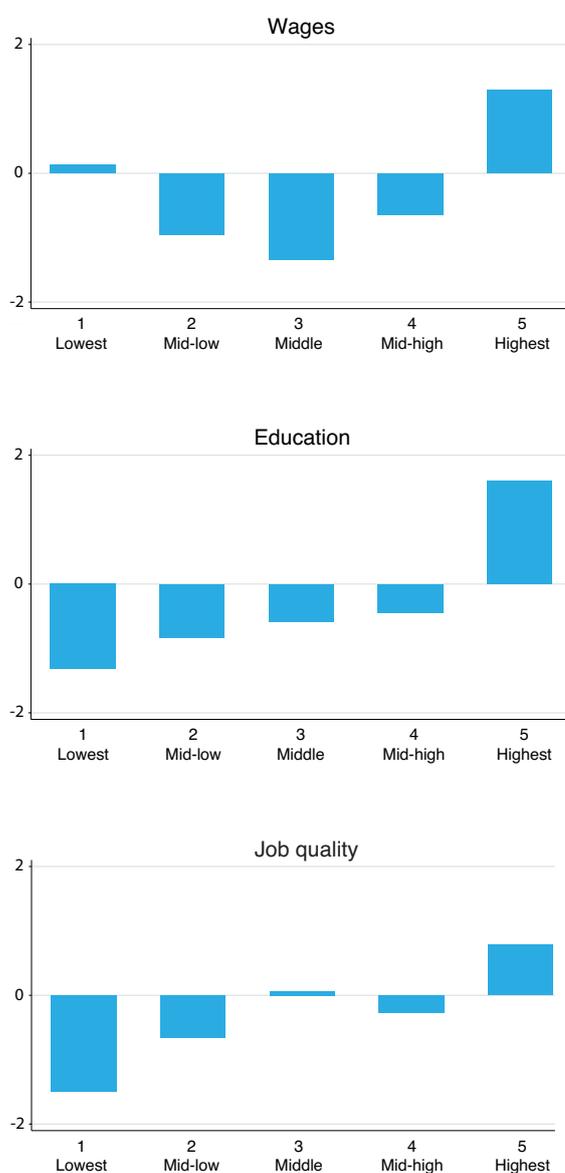
Source: EU LFS, EU Structure of Earnings Survey (Eurofound calculations)

## Upgrading when ranked by education, job quality

There is an important caveat to this analysis: wages are not the only dimension of job quality. They are certainly important and tend to correlate highly with other aspects of job quality, but ranking according to wage tends to generate more polarised patterns of employment change (greater relative growth at the edges, less in the middle) than other ranking criteria. When jobs are ranked according to education and non-pecuniary job quality, the pattern instead is one of occupational upgrading during the period 2011–2013 (Figure 5). In other words, relative employment growth is greater in the higher quintiles, with relatively weaker growth in the lower quintiles especially, but also in the middle.

The reason for this discrepancy across the results of the three indices is that a high proportion of jobs in the middle of the wage distribution have a relative wage premium – a higher relative position in terms of wages than education or non-pecuniary job quality attributes. The destruction of these jobs – often jobs in construction and manufacturing where male workers are overrepresented – is recorded in quintiles 2 and 3 of the wage distribution but in quintiles 1 and 2 of the education ranking.

**Figure 5: Annual employment change by wage, education and job quality quintile, 2011–2013**



Source: EU LFS, EU Structure of Earnings Survey (Eurofound calculations)

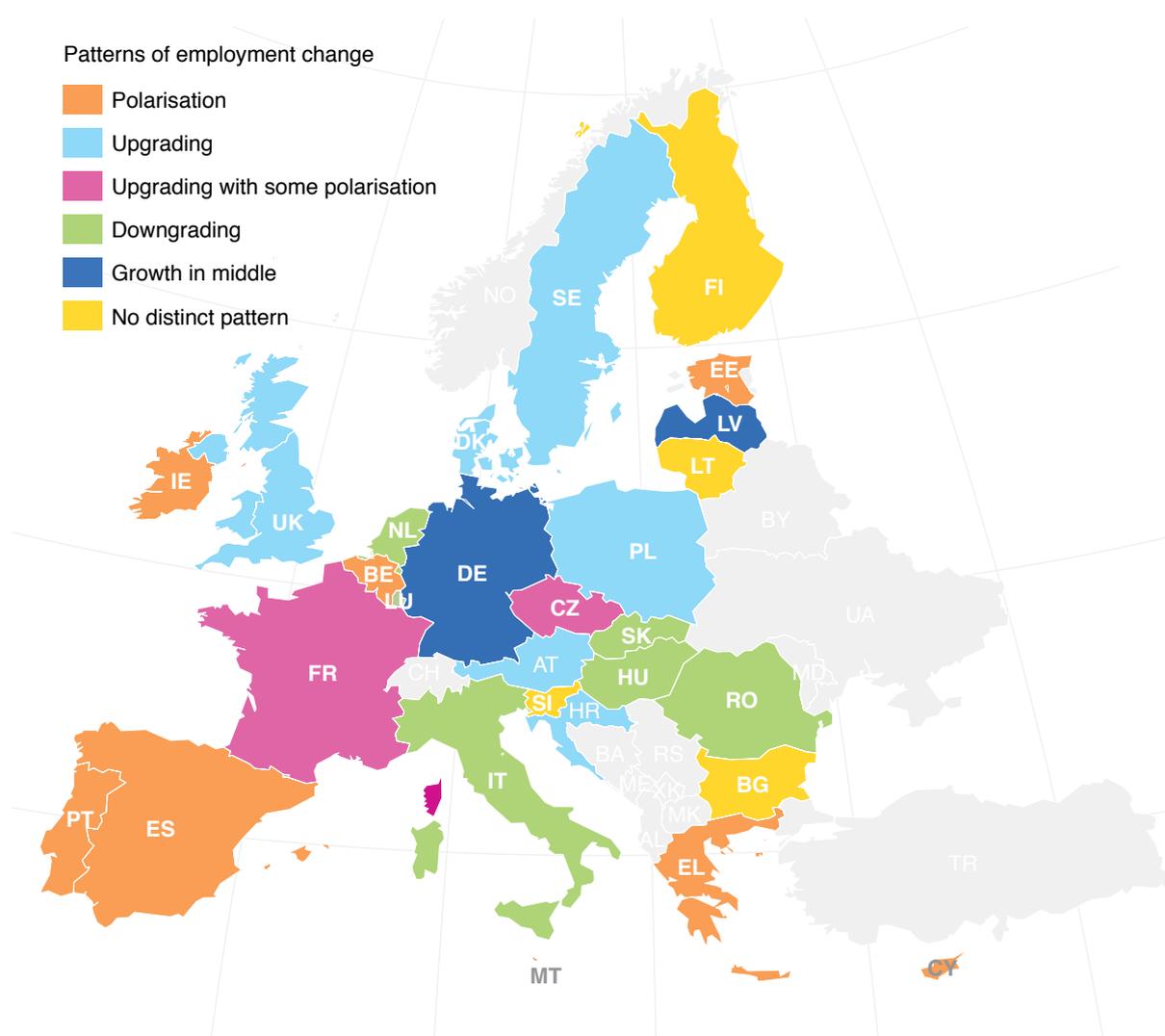
# Employment shifts by country

Looking at the job–wage distribution in each of the Member States, shown in Figure 6, polarising employment shifts were apparent in Belgium, Cyprus, Estonia, Greece, Ireland, Malta, Portugal and Spain. While just two years' worth of data is not sufficient for definitive conclusions to be drawn, the findings suggest that employment has polarised in all four euro zone Member States that have received EU–IMF–ECB troika assistance, as well as in Spain, which has also been beset by economic turmoil.

The other main pattern is upgrading, which was most apparent in Austria, Croatia, Denmark, Poland, Sweden and the UK. Employment shifts have also resulted in mainly upgrading in France and the Czech Republic, with some degree of polarisation or other offsetting features.

A pattern of downgrading – greater growth in lower-paid jobs, accompanied by declining employment in top-paid jobs – was evident in Hungary, Italy, the Netherlands, Romania and Slovakia.

**Figure 6: Patterns of employment change by wage quintile, 2011–2013**

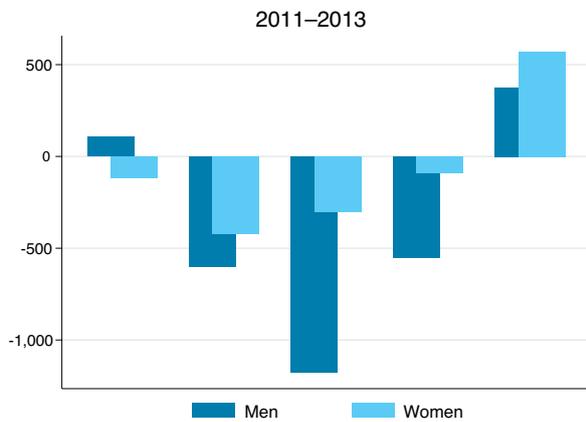


*Note: Data for Germany and the Netherlands represent just one year because of breaks in the data series.*

*Source: EU LFS, EU Structure of Earnings Survey (Eurofound calculations)*

# Employment shifts by demographics

## Gender

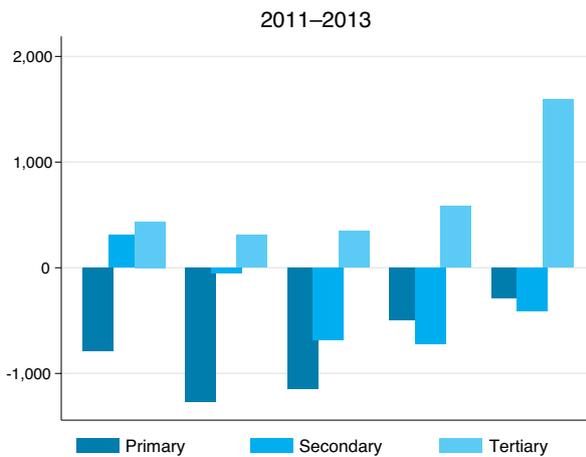


The gender employment gap continues to narrow. Since mid-2011, employment among women in the EU has increased modestly by 60,000, while male employment has declined further, by nearly 1.4 million.

Women have benefited most from employment growth in the top quintile and suffered less from employment declines in the middle quintiles compared to men. This is partly because women disproportionately occupy the top quintile job with the highest growth, that of health professional. It is also due in part to women's under-representation in the construction and manufacturing jobs – which contributed most to lost employment in the middle quintiles.

Male employment rose modestly in the bottom quintile, which is partly related to the take-up of lower-level service employment by men displaced from the construction and manufacturing sectors.

## Education

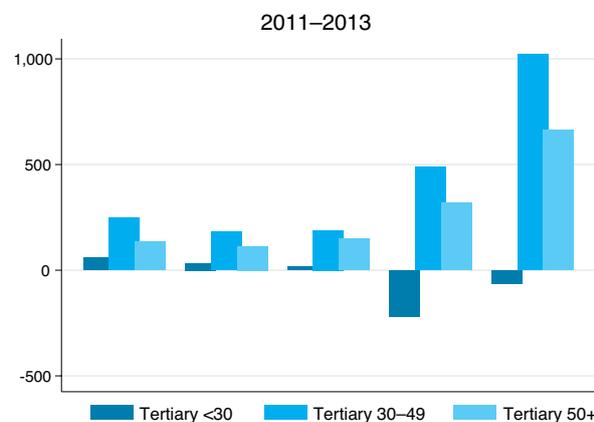


Graduate employment increased across all quintiles but with a strong skew towards the top quintile, where over 1.7 million jobs requiring third-level qualifications were created between mid-2011 and mid-2013.

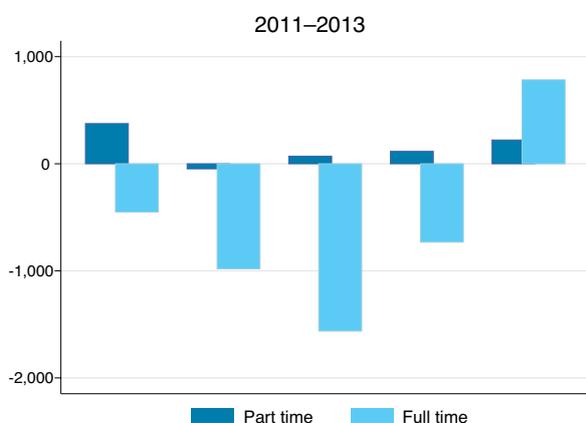
Newly qualified younger graduates did not benefit from this employment expansion, however. Employment actually declined for graduates aged 15–29 in the period, with the main declines occurring in the top two quintiles, while there was some modest growth in the lower quintiles. Almost the reverse occurred for both core-age workers (30–49 years) and older workers (over 50 years), for whom employment overall grew across the quintiles and especially in the top two quintiles.

An important factor behind these patterns is that in 2011 the cohort aged 28–29 – the outflow cohort – was almost 15% larger than the cohort aged 14–15. Another is the relatively greater impact of the crisis on the employment opportunities of younger workers and labour market entrants, a characteristic of all recessions.

Employment declined for those with primary and secondary education, with losses in the former category concentrated in jobs at the lower end of the wage distribution, while losses in the latter category were mainly in the middle and top quintiles.



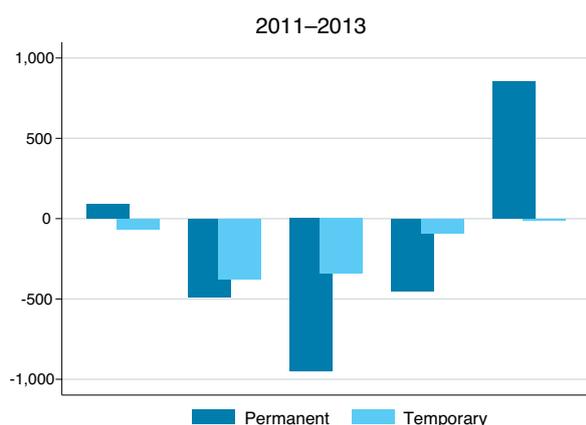
## Part-time employment



Part-time employment grew in four of the five quintiles, and increased overall by 1.5 million, while full-time employment declined. While part-time work was more prevalent in the lowest quintile (which has by far the greatest concentration of part-time employment), better-paid jobs were also increasingly being filled on a part-time basis. The growth of part-time employment in the middle quintiles may suggest that some employers have elected to transform full-time positions to part-time as an alternative to shedding employment.

Since the recession, part-time work has become somewhat less female-dominated. Net new part-time employment has been mainly male and strongly skewed towards the lower quintiles.

## Fixed-term employment



Fixed-term employment contracted in the EU during 2011–2013, with the shedding of 800,000 jobs. The ongoing difficulties of the construction sector – especially in the southern European Member States – was the main contributing factor to declining fixed-term employment (accounting for around half of total net losses), although substantial losses (177,000) were also recorded in public administration. All of the net EU employment growth in the top quintile came in the form of permanent jobs.

Source: EU LFS, EU Structure of Earnings Survey (Eurofound calculations)

# Job trends

The greatest employment growth in recent times has been in high-skilled occupations, and there is a trend of rising skill intensity even in medium- and low-skilled occupational groups. The introduction of new technologies into workplaces is accelerating across a wide variety of sectors and jobs, with resulting pressure on workers to have more advanced skills. Digitisation is revolutionising manufacturing, for example, and transforming job profiles in production. The 3D printing of complete objects will soon be commonplace, eliminating the need for workers

to assemble parts. Many traditional manual and routine jobs such as craft workers, plant operators and machine operators are likely to decline or become obsolete, while openings for IT specialists, designers, engineers and logistics experts will escalate. A potential Eurofound project is proposed to investigate the scenarios for the future of manufacturing in Europe in the face of such change – but it is certain that the decline of the sector as a source of employment will continue apace.

## Growing occupations

Six of the 10 occupations with the greatest growth in the two years between 2011 and 2013 are in high-skilled service activities (Table 1). Professionals in information and communications technology (ICT) are at the top of the list, attesting to ICT's role at the centre of economic activity. The growth in health professionals reflects the recent increase in health sector employment associated with demographic ageing, increasing wealth and the propensity

of better-off societies to devote an increased share of resources to health provision. It also reflects a rebranding or upgrading of occupations within the health sector in some Member States, whereby associate professionals have been reclassified as professionals.

Demand has also been strong in some low-skilled occupations that cannot be easily replaced by technology, such as personal services workers and care workers.

**Table 1: Top 10 occupations for absolute job gain, 2011–2013**

Employment gain: top 10 jobs		
	Occupation	Sector
1	ICT professionals	Computer programming, consultancy, related activities
2	Health professionals	Human health activities
3	Personal care workers	Activities of households
4	Cleaners and helpers	Services to building and landscape activities
5	Personal service workers	Other personal service activities
6	Science and engineering associate professionals	Specialised construction activities
7	Business and administration professionals	Wholesale trade
8	Business and administration professionals	Financial services except insurance and pensions
9	Personal care workers	Residential care activities
10	Legal, social and cultural professionals	Creative, arts and entertainment activities

Source: EU-LFS, EU Structure of Earnings Survey (Eurofound calculations)

# Declining occupations

Table 2 shows the occupations with the greatest employment declines in the period 2011–2013. Three are in the construction sector – where aggregate EU employment has contracted more or less continuously for five years – and one is in agriculture, which is in long-term decline. The widespread cutbacks in public service

employment is reflected in job losses in the ‘other clerical support workers’ category in public administration. The appearance of health associate professionals on the list is surprising as health sector employment had been resilient throughout the crisis. One possible explanation is the occupational upgrading within the sector noted already.

**Table 2: Top 10 occupations for absolute job loss, 2011–2013**

Employment loss: top 10 jobs		
	Occupation	Sector
1	Building and related trades workers	Specialised construction activities
2	Building and related trades workers	Construction of buildings
3	Other clerical support workers	Public administration and defence
4	Labourers	Construction of buildings
5	Cleaners and helpers	Activities of households
6	Health associate professionals	Human health activities
7	Metal, machinery and related trades workers	Manufacture of fabricated metal products, etc.
8	Drivers and mobile plant operators	Land transport
9	Hospitality, retail and other services managers	Food and beverage service activities
10	Market-oriented skilled agricultural workers	Crop and animal production

Source: EU-LFS, EU Structure of Earnings Survey (Eurofound calculations)

## Focus on white jobs

The health and social care sector is expected to be a high-growth sector for jobs over the coming decades, due to population ageing and the increased demand for healthcare across all age groups. The sector is expected to create 1.4 million new jobs by 2020, while the replacement of personnel as the current workforce ages and retires will lead to 7 million job openings. A majority of these so-called

‘white jobs’ – 5 million – will be aimed at highly educated personnel. Just 200,000 are expected to be targeted at low-skilled workers. However, the sector is beset by staff shortages. The Commission expects that demand will outstrip supply, leading to a shortage of 2 million health and social care workers in 2020, of which 1 million will be long-term care-givers.

## Workforce profile: health and social care

- The sector is female-dominated: women made up 78% of total employment in the EU27 in 2009.
- Compared to the total workforce, it is relatively highly educated, at least in the EU15.
- When the new Member States are included, the percentage of workers with higher vocational or university education falls to the average in the overall economy.
- The ratio of part-time work is much higher than in the overall economy: 31.6% compared with 18.8%.
- Despite higher skill levels and challenging working conditions, hourly wages are lower than average in the EU27.
- This pay gap has become more pronounced in recent years.

# Migration of healthcare professionals

Across the globe, healthcare workers from low-income countries are migrating to satisfy the ever-increasing demand for labour in high-income countries. This pattern is apparent, too, within the EU. Since their accession, the 10 newer central and eastern European Member States have seen an exodus of healthcare workers to several of the older EU Member States. In the wake of the crisis, the phenomenon has extended to other, crisis-hit Member States such as Italy, Portugal and Spain.

While this mobility has eased labour shortages in the healthcare systems of the receiving countries, the wholesale immigration of healthcare workers has had a detrimental effect on the health systems of the countries of origin, where there is a pressing need for replacement labour in specific areas. Migration in some specialist areas such as anaesthesiology, intensive care and emergency medicine is already causing concern in Hungary, Lithuania, Poland and Slovakia.

Eurofound's research into the migration of healthcare workers from the central and eastern European Member States identified the push and pull factors that induce healthcare staff to leave. Among the push factors are poor working conditions, low pay, limited career opportunities for doctors, low social status for nurses and shortcomings in infrastructure and equipment. The pull factors are

largely the reverse: good pay, ample career opportunities, and so on. The general perception in the central and eastern European Member States is that labour shortages should be addressed by such means as wage increases, better working conditions and retraining. However, it is unlikely that health expenditure can be increased to fully support such measures.

Return migration is unlikely to offer a solution. While there is some evidence that healthcare professionals who migrate take up positions below their qualifications level, the enhanced living and working conditions in the host countries seem to counterbalance this drawback. Various reforms have been introduced to try and retain healthcare professionals. To offset the massive loss of investment in education resulting from emigration in Slovakia, for example, training programmes now entail a compulsory period of service after graduation or require financial compensation.

Central and eastern European countries have no choice but to formulate a long-term strategy to solve the problems in their healthcare sectors. Support from the EU would seem to be crucial, since the issue could deepen the already existing disparities between western and eastern Member States.

## Growth in home care

Long-term care is one of the fastest-growing subsectors within health and social care. As more people live longer and the number of people with dementia, chronic illnesses and disabilities rise, the demand for care workers has increased in tandem. At the same time, the provision of informal care by family members is dwindling due to the increasing number of women working outside the home. The OECD estimates that the formal long-term care workforce will need to double – at least – by 2050.

The trend in long-term care is towards delivery of services

that enable people to live in their homes. This is what clients want: the vast majority of respondents to a 2007 special Eurobarometer on health and long-term care stated that they would prefer home-based care rather than institutional care. Governments, too, are throwing their weight behind more non-institutionalised care, as costs are lower than in institutionalised settings and will be more financially sustainable as the numbers in need of care rises. It is expected that the number of people receiving home-based care will increase by 130% by 2050.

## Tackling the poor image

As with the health and care sector as a whole, long-term care across the EU is experiencing ongoing labour shortages. The situation has been alleviated in the post-crisis period by the high levels of general unemployment, which have increased the take-up of jobs in the sector. In the long term, however, the shortage of home-care workers – particularly higher-qualified staff – is expected to increase. This shortfall will persist unless issues relating to careers prospects and working conditions of employees are tackled.

Long-term care lacks prestige as a career choice and has difficulty attracting workers. This negative public perception is not without some justification. Job quality in the sector tends to be poor, pay levels are low and the work is demanding. In addition, working times are often irregular. Some workers have more than one employer and work for two or more people on the same day. Overall staff turnover is high and career prospects are limited.

## Strategies to attract staff

To overcome the recruitment problems in the sector and to support the creation of a strong workforce and its ongoing growth, a variety of strategies are required. Eurofound identified the following four strategies aimed at improving recruitment and staff retention in the sector.

### Targeting labour reserves

With high levels of unemployment, efforts should be made to recruit unemployed people, immigrants and disabled workers into the sector. Employment and training programmes need to be free of charge and participants entitled to keep their existing benefits.

### Promoting careers in the sector among students

The sector needs to encourage students who are still in school to consider a career in health and social care and to create specific learning paths and qualifications that

lead into the sector. It should develop campaigns to target students and foster a relationship between this labour segment and educational institutions.

### Improving the working conditions of current employees

To realise the potential of existing staff and retain them into the future, the sector needs to take a more professional approach, with better career opportunities and training programmes for existing employees.

### Improving the operational management and labour productivity of organisations

Work should be distributed more effectively among staff and job responsibilities allotted according to needs and skills. This will contribute to greater efficiency, decrease the work pressure on employees at higher qualification levels, and enable disadvantaged groups to participate in the labour market.



## Events 2013

Results from Eurofound's report *More and better jobs in home-care services* were presented at a high-level event in September, organised by Eurofound under the auspices of the Lithuanian EU Presidency and hosted by the Committee of the Regions in Brussels. The purpose of the conference was to assess the policy challenges for long-term care, including personal household services, particularly in relation to job creation and the quality of jobs in this sector.

# Getting young people into work

The acute levels of youth unemployment across Europe showed no sign of abatement in 2013: getting young people into work continues to be an EU priority in 2014. By the end of 2013, close to a quarter of workers between the ages of 15 and 24 (5.5 million) were unemployed – and this figure was double or more in Croatia (49%), Spain (54%) and Greece (59%). A further two million young people are not at present looking for work, nor participating in any form

of education – many of these have dropped out and have disengaged from the labour market. This group, together with the unemployed, constitute the category called NEET – young people ‘not in employment, education or training’. Eurofound has estimated their cost to the EU economy to be €162 billion in 2012 (1.3% of EU GDP), based on benefit payments and lost earnings and taxes.

## Youth Guarantee

**Youth Guarantee: All young people up to the age of 25 years should receive a good-quality offer of employment, continued education, an apprenticeship or a traineeship within a period of four months of becoming unemployed or leaving formal education.**

There are great expectations around the ability of the EU's Youth Guarantee scheme to provide a path into work for young people. The June meeting of the European Council, under the Irish Presidency, endorsed the scheme and called on governments to put it into effect in their own countries. The Commission pledged its support to countries in developing and setting up their plans.

The gathering of EU leaders at two high-level conferences, in July and November, underscored the urgent need to take action. At these meetings, the European partners agreed to concentrate both national and EU resources to accelerate the implementation of the Youth Guarantee and examined the most efficient way to spend the funding. They outlined three priorities:

- to ensure that young people have the necessary training to meet future labour market needs;
- to integrate the most excluded young people into the labour market;
- to support young people in setting up their own businesses.

Amid scepticism that the original allocation of €6 billion would suffice to fund the proper implementation of the scheme, the November conference succeeded in raising the funding to €45 billion between 2013 and 2015. Implementation of the Youth Guarantee scheme was due to begin in 2014, starting in countries with regions of high youth unemployment (a rate of more than 25%) that had applied for funding from the Commission.

The Youth Guarantee, if fully embraced and assimilated into public policy, is an ambitious undertaking. Proponents emphasise that it is not simply another programme offered alongside other labour market activation initiatives, but an umbrella measure offering a raft of new, well-coordinated policies. These include the provision of job-search support, modernisation of apprenticeship systems, subsidisation of hiring, funding apprenticeship or traineeship grants, funding of training courses, and provision of start-up grants for young entrepreneurs.

# Early youth guarantees

Youth guarantees were pioneered in the Nordic countries from the mid-1980s. In 2007, a new job guarantee scheme for young people was introduced in Sweden, while the current Finnish scheme was introduced in 2005 and revised in 2010. The main characteristics of both schemes are outlined below.

## Finland

Within the first three months of a young person being registered as a job-seeker, the public employment service is obliged to:

1. develop a personal development plan for the job-seeker;
2. carry out a needs assessment of what support is needed to find employment;
3. offer a job, study place (academic or vocational) or another activation measure that can enhance their employability (such as training, coaching, counselling, subsidised work or start-up funding).

## Sweden

The job search support offered by the public employment service is divided into three phases:

1. registration with the public employment service;
2. in the following three months, an in-depth assessment of the job-seeker's needs and aspirations is carried out;
3. after three months of unemployment, job search activities are intensified and combined with active labour market measures, such as work experience placements, traineeships, support in accessing education and training, and start-up funding.

If the Youth Guarantee is not simply to be an exercise pointing young people towards any job available but about placing them on long-term career pathways that develop and grow, policy must focus strongly on up-skilling and re-training. Labour market mismatches – where young people lack the skills that employers are looking for – are an enduring problem that hinders the assimilation of young people emerging from education into jobs.

Despite high unemployment, roughly 2.5 million jobs are unfilled in Europe, in many cases because employers cannot find suitable candidates to fill them. Eurofound's European Company Survey (ECS) repeatedly highlights the extent of the problem and its increase over time. When Eurofound conducted the first ECS in 2004–2005, 35% of establishments reported difficulty recruiting employees with the right skills. The figure rose to 37% in 2009, and by a further 2 percentage points to 39% in 2013.



# Eurofound's contribution to EU youth employment policy

Eurofound made several significant inputs along the road to launching the Youth Guarantee. The Agency's research is referenced in key policy documents, starting with the European Commission initiative to recommend a Youth Guarantee in 2012, which cites Eurofound findings on the economic cost of NEETs.

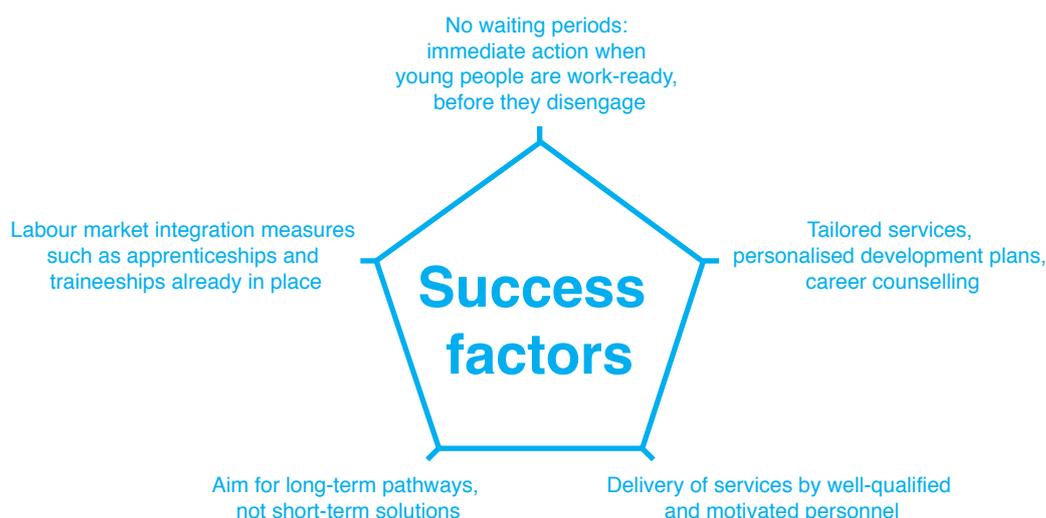
The European Parliament resolution in January 2013 supporting the Commission's recommendation pointed to Eurofound's report on the implementation of such schemes in Finland and Sweden.

An informal meeting of the Employment, Social Policy, Health and Consumer Affairs Council (EPSCO) in February 2013 looked at Eurofound findings substantiating the effectiveness of youth guarantee schemes. The subsequent Council Recommendation of April 2013 establishing the Youth Guarantee again includes references to Eurofound's work on NEETs.

This research on NEETs is also noted in the Framework of Actions on Youth Employment agreed by the European Social Partners, which aims to promote solutions to youth unemployment.

Countries with well-developed apprenticeships and vocational education and training systems are also the countries with the lowest youth unemployment levels in Europe. Other Member States wishing to emulate such success will need to modernise their vocational education and training systems to better integrate the worlds of education and work. The support of employers is essential to strengthen these links. In addition, public employment services may have to be overhauled so that they have the capacity to provide the kind of ad-hoc tailored support that young job-seekers need. Member States are at different level of readiness to implement the Youth Guarantee.

A growing economy that provides job opportunities is the precondition to reducing youth unemployment. The Youth Guarantee can, nevertheless, provide real benefits now and in the future in preparing young people for work and guiding them towards employment. To be effective, it needs political will and investment from Member States, demanding partnerships and cooperation across government, public and private employment services, business, trade unions, educational institutions and youth organisations.



The priority for governments must be that young people are not left to cope with unemployment alone. Failure to secure a decent job within a reasonable period after leaving education leads to precarious or long-term unemployment, which can damage an individual's career prospects,

earnings and well-being over a lifetime. Some will disengage from the labour market and society itself, which presents an even more complex challenge. There is also the huge economic cost, the bulk of it being foregone economic production.

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# Regaining competitiveness

A dynamic, competitive European economy depends upon the ability of businesses to innovate and offer new goods and services that meet the changing demand in the global marketplace. Innovation, however, extends beyond products and services to how companies organise their work to create an environment where new ideas can grow and people can excel. In companies dependent on knowledge-intensive production, traditional ways of organising workplaces no longer meet the mark. New models of organisation are being rolled out in a bid to create an environment where organisations can respond to changing customer demand and where creativity can flourish.

Pay is another key variable linked to competitiveness. Every year the European Semester scrutinises pay developments in Member States, and the Commission urges national governments to prevent wage growth from outstripping productivity. But it is a contentious area and there is little consensus on the role of the EU in overseeing pay developments. Wages are excluded from EU competence, yet wage-setting is frequently addressed in the EU's economic surveillance and country-specific recommendations.

# Work organisation

Theories of modern workplace organisation are rooted in the principle that workers perform better when they have more autonomy and influence in the organisation. Concepts such as flattened organisational hierarchies, distributed decision-making and self-directed teamwork aim to give workers more responsibility, with the expectation that this will unleash creativity and shorten decision paths. A dynamic workplace using task rotation to deploy workers across different tasks allows organisations to increase their ability to respond quickly to changing market conditions.

At what stage of this workplace transformation did European companies stand in 2013? The first findings of the third European Company Survey (ECS), a study based on interviews with over 30,000 managers and over 9,000 employee representatives across Europe, were launched in November 2013. These provide some answers and give insights into the extent of change currently prevailing in European workplaces.



## Hierarchy

The traditional hierarchical structure is widespread, with 29% of establishments having four or more hierarchical levels; a further 43% are structured in three levels. Just over a quarter (28%) are flatter, having one or two levels. Hierarchical organisation is most prevalent in the financial services sector.



## Decision-making

Managers or supervisors decide on the planning and execution of daily work tasks in over half (54%) of establishments. In 40%, this decision is taken by managers and employees together. In only 6% of cases do employees decide by themselves.



## Teamwork

Teams work autonomously – in the sense that team members decide the division of tasks and are held collectively responsible for achieving these tasks – in 20% of establishments. In 53% of establishments, management makes these decisions. Autonomous teamwork is more common in Finland, Denmark and Sweden than in other EU Member States.



## Task rotation

Two-thirds of establishments have implemented task rotation for at least some of their employees. Task rotation is most prevalent in construction and manufacturing: in 29% of construction establishments and 25% of manufacturing establishments, most employees rotate tasks.



## Training

Overall, 71% of establishments provided paid time off for training to at least some employees in the 12 months preceding the survey. Small establishments are least likely to give time off for training: in 32%, no employees got any paid time off for training, compared with only 9% of large establishments.



## Weathering the crisis

In 2013, many European employers were still struggling with an adverse economic climate.

**In 17% of establishments, managers indicated that reductions in staff numbers were needed.** Furthermore, 38% of establishments that had cut their staff numbers since 2010 needed to make further cuts. Member States differ considerably in this regard, however. The anticipated need for staff cuts is highest in Cyprus (52%), Greece (41%), Portugal (35%) and Spain (32%). In contrast, only 6% of German establishments and 10% of UK establishments reported the need to reduce staff numbers.

**Workplace morale is surviving: a substantial majority of managers (84%) rated the general climate in their establishment as 'good' or 'very good'.** Against the

background of the economic crisis, 13% said that the workplace climate had worsened since 2010, while 31% indicated that it had improved. Small establishments were more likely to have a good or very good climate than their medium-sized and large counterparts.

**Despite high unemployment, 4 out of 10 European establishments have difficulties finding employees with the skills they need.** Problems with finding suitably skilled employees are most common in the manufacturing sector (43%), and least common in financial services (30%). Over 60% of establishments in Austria and the Baltic states have difficulties finding suitably skilled employees; this is substantially more than in Croatia, Cyprus, Greece or Spain (less than 25% in each).

# Employee involvement

Knowledge-intensive economic activity needs forms of work organisation that bring out the potential of a high-skilled workforce. Environments where employees have more discretion in decision-making may help to foster the high levels of commitment that will motivate employees to make full use of their abilities, develop their skills, and take

the initiative in a work environment where close managerial supervision is not feasible. At the same time, employee involvement is seen as fundamental to the quality of work and is widely thought to be a major factor affecting employees' welfare, their opportunities for self-development, satisfaction at work and psychological well-being.

## High- versus low-involvement organisations

A secondary analysis of data from the European Working Conditions Survey (EWCS) studies the benefits of employee involvement in decision-making. The research distinguishes between two dimensions of employee involvement: task

discretion and organisational participation. Based on how they measure up along these two dimensions, four types of workplace organisation emerge, as described in the following matrix.

		Task discretion	
		High	Low
Organisational participation	High	<b>High-involvement organisation</b> 27% of employees	<b>Consultative organisation</b> 15% of employees
	Low	<b>Discretionary organisation</b> 20% of employees	<b>Low-involvement organisation</b> 38% of employees

Source: Fifth European Working Conditions Survey

According to this definition, a high-involvement workplace organisation provides significant scope for involvement in decision-making in the job and in the organisation. A minority of European employees – slightly more than a quarter – work in this type of environment, while a notably

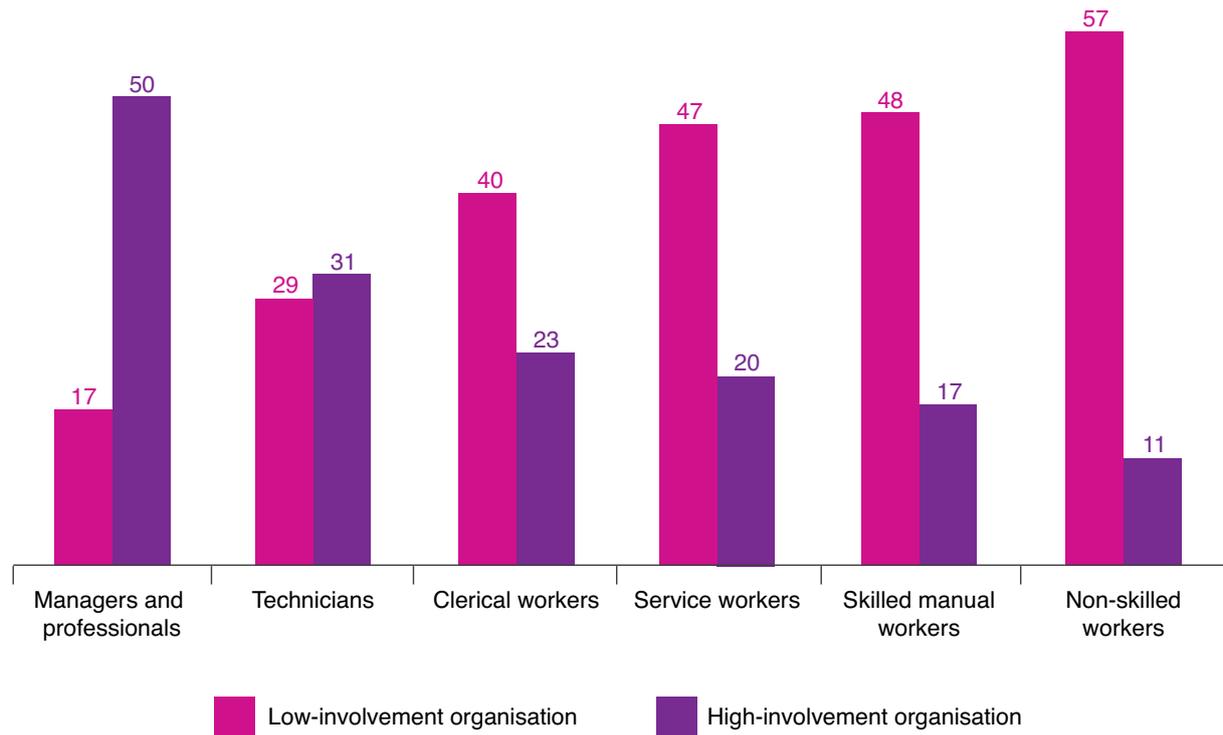
larger proportion – 38% – are in organisations that offer relatively low levels of involvement. The remaining 35% work in organisations that offer intermediate levels of involvement – consultative and discretionary organisations.

# Occupation and involvement

Occupational group is closely related to a person's level of involvement in decision-making at work. White-collar workers are more likely to have high levels of autonomy than manual workers, and within the white-collar categories, managers and professionals enjoy the most autonomy (Figure 7). In fact, this is the only occupational group for

which high involvement is the dominant mode of working, with half of all managers and professionals working in this type of environment. Involvement declines as position in the workplace hierarchy drops. Just 1 in 10 non-skilled workers benefits from high-involvement work practices.

**Figure 7: Level of involvement, according to occupation (%)**



Source: Fifth European Working Conditions Survey

# Increasing motivation

Lack of motivation at work is not rare. ECS data for 2013 indicate that 17% of managers in EU establishments have to deal with problems of motivation. Poor motivation is most common in the construction sector and manufacturing, where it is an issue for 20% and 19% of managers, respectively; it is least often reported in financial services, where it is an issue for 13% of managers.

One of the main arguments in favour of greater employee involvement is that it increases employee motivation. Workers who are committed to their jobs are more likely to

be willing to put in extra effort, to innovate and to perform better-quality work, while there is substantial evidence that commitment to the organisation improves organisational performance, at least in part through reduced absenteeism and less staff turnover.

The EWCS enables the motivational outcomes of employee involvement to be assessed as it provides data on two aspects of worker motivation: commitment to the job and commitment to the organisation. These are measured using five indicators.

## Commitment to the job

- The job does not involve monotonous tasks
- The job gives a feeling of work well done

## Commitment to the organisation

- The employee is very satisfied with the working conditions in the job
- The employee feels at home in the organisation
- The organisation motivates the employee to give their best performance

Employee motivation, measured along these two axes, rises with level of involvement. As Figure 8 shows, the differences are substantial. Employees whose work organisation offers the greatest scope for participation in decision-making are more likely to find their work interesting and to report that their jobs give them a feeling of work well done. Level of employee involvement also correlates with how people feel about the organisations in which they work. Employees who have high levels of involvement are more satisfied with

their working conditions, more likely to feel at home in the organisation, and more likely to believe that the organisation motivates them to perform optimally.

These results could be attributed to differences in the characteristics of employees in these types of work organisation or in the type of work they do. However, when further statistical analysis takes these factors into account, people who work under more participatory forms of organisation still have higher motivation.

**Figure 8: Motivation of workers by level of involvement, according to five indicators (%)**



Source: Fifth European Working Conditions Survey

# Improving well-being

The view that high involvement improves employee well-being is based on the premise that giving greater scope for employees to share in decision-making leads to improvements in the quality of work and in employment

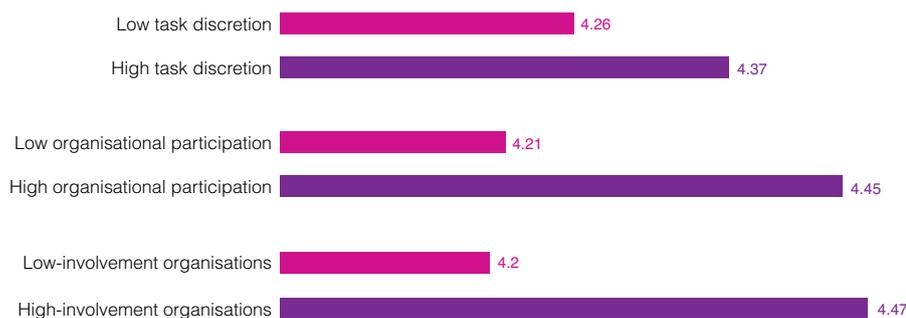
conditions. These, in turn, provide an important source of protection against psychological stress at work. Data from the EWCS tend to back this view, as outlined below.

## Psychological well-being

Arguably, organisational conditions that encourage greater motivation are potentially damaging to employee well-being. A greater sense of personal responsibility for the outcomes of work could lead to higher levels of anxiety. A stronger commitment to work may lead to extended hours and increased work intensity, undermining employees' psychological and physical health in the longer term. However, such conjectures are not borne out by the evidence. When employees' well-being at work is measured,

it is shown to be higher among workers who have more scope for decision-making (Figure 9). Moreover, participation in wider organisational decisions has a considerably greater effect than the capacity to influence decisions about tasks. There is a further modest increase in the well-being scores for workers in high-involvement organisations, which combine opportunities for employee decision-making with respect to both the task and the wider organisation.

**Figure 9: Well-being of workers, according to scope for decision-making**



*Note: Well-being measured using the WHO-5 Well-being Index; scale 1–6.*

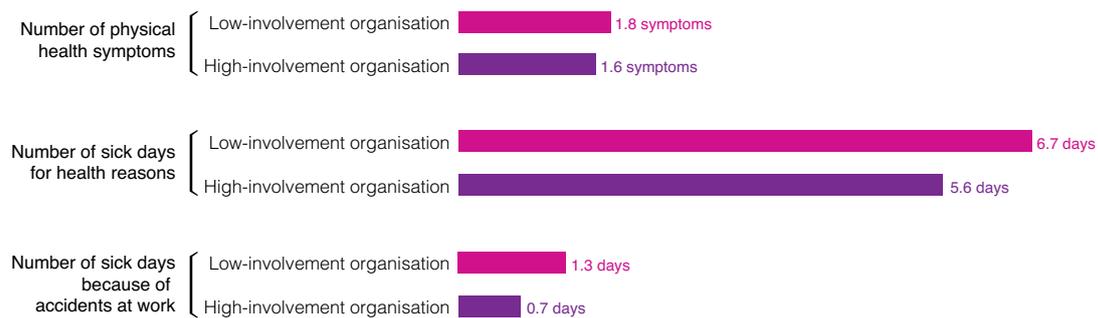
*Source: Fifth European Working Conditions Survey*

## Physical health symptoms and sick leave

Psychological stress can translate into physical symptoms such as backache, muscular pains in the shoulders, neck or upper limbs, muscular pains in the lower limbs, headaches and eyestrain, or stomach ache. It can also lead to absence

from work on the grounds of health or accidents at work. The EWCS shows that all three indicators of physical ill-health are lowest for workers who have a high level of involvement in decision-making (Figure 10).

**Figure 10: Physical health symptoms and absenteeism, according to level of employee involvement**



Source: *Fifth European Working Conditions Survey*

One out of seven establishments (13%) in the EU has to contend with high levels of sick leave among employees; this is cited more often as a problem in larger establishments. The lowest proportions of managers reporting high levels of sick leave are in Greece and Romania (both less than 5%), while the highest are in Luxembourg (31%) and Germany (24%).

Several factors may explain these country differences. First and foremost, they are related to the presence or absence of policy arrangements for sick leave – are employees entitled to a certain amount of paid sick leave, for example? The labour market situation and job security also play a role: when unemployment or job insecurity is high, people are less inclined to take sick leave.

# Maximising learning opportunities

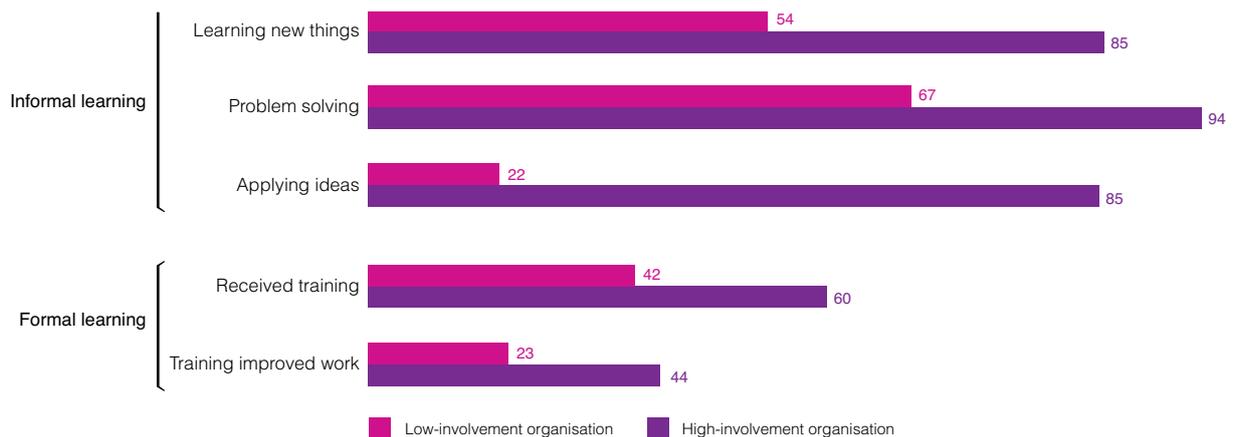
The scope for learning new things at work is critical in an increasingly knowledge-intensive work environment where technology and processes constantly change. There are plausible grounds for the view that higher levels of involvement enhance learning opportunities. Where employees are given more responsibility, employers have an interest in ensuring that they are adequately trained to take sensible decisions. Furthermore, involvement in decision-making provides opportunities for on-the-job learning in the course of everyday work.

Both informal and formal learning at work were considered in the EWCS analysis.

Informal learning was assessed by asking respondents whether their job involved learning new things, whether it involved solving unforeseen problems, and whether they were able to apply their own ideas to their work.

Formal learning was assessed by asking respondents whether they had undergone any training in the previous 12 months to improve their skills. To capture the quality of this training, those who had received it were asked whether the training had helped to improve the way they worked. As Figure 11 shows, a high-involvement organisation is linked to the best informal and formal learning environments on all measures. The gap between organisations in the scope they offer workers to apply new ideas is particularly striking, indicating that a high-involvement organisation is considerably more effective in tapping into employee creativity. These differences between organisations remained even when other potential influences such as individual characteristics and features of the work situation were controlled for.

**Figure 11: Informal and formal learning opportunities, according to level of employee involvement (%)**



Source: Fifth European Working Conditions Survey

# Pay and competitiveness

The European Commission's oversight of economic governance in Member States has intensified as it pursues the strategy to stabilise the euro zone and revive the European economy. The European Semester – the yearly cycle of economic and budgetary policy coordination of Member

States – has the ultimate objective of improving competitiveness, in the hope that this translates into growing labour demand and job creation. Workers' pay is a focal point of the European Semester.

## Aligning pay and productivity

Pay is viewed as a key variable linked to competitiveness, and in its policy instruments the EU has emphasised that wages must support competitiveness. To this end, it has repeatedly urged Member States to ensure that pay develops in line with productivity, and to reform wage-setting systems so that they are compatible with this goal. Decentralisation of wage-setting mechanisms to company level together with the reform of automatic indexation systems have been the main recommendations to emerge from the European Semester.

Pursuing such recommendations could mean substantial changes to collective bargaining traditions in some Member States. In light of such interventions, it is reasonable to ask how strongly different wage-setting regimes are associated with the linking of pay and productivity outcomes. According to Eurofound's research, this association is tenuous, at most.



# Wage-setting regimes

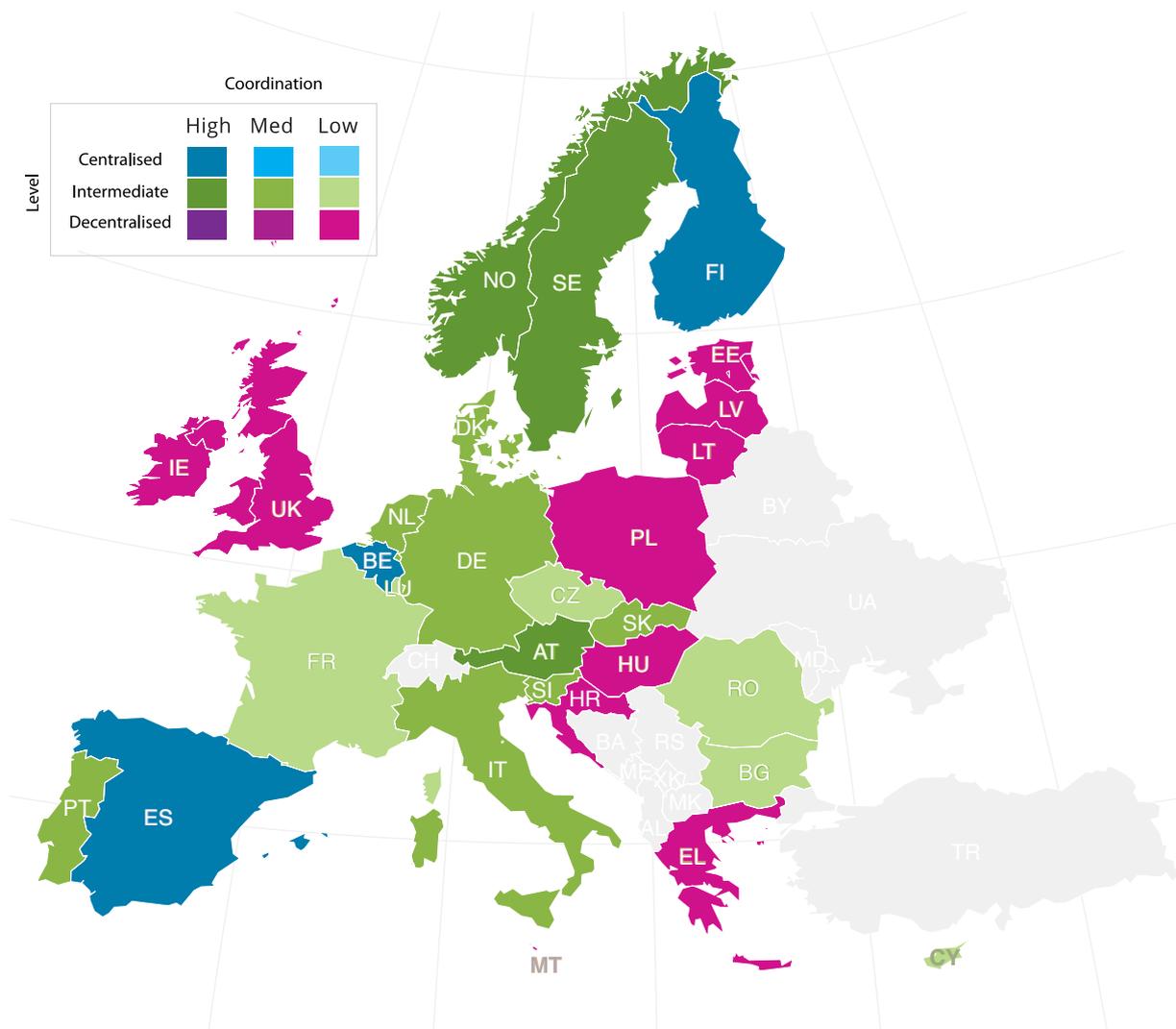
For this exercise, wage-setting regimes are classified according to two variables: the predominant level of wage bargaining and the degree of coordination. Wage-bargaining levels can be:

- centralised – taking place at national level between trade union confederations, employer associations and government;

- intermediate – taking place at sector or branch level;
- decentralised – taking place at company level.

Coordination is the extent to which bargaining is integrated along different levels across the economy; it is categorised as high, medium or low. Figure 12 shows where the EU28 Member States fit within the different wage-setting regimes in 2005.

**Figure 12: Wage-setting regimes in Member States, 2005**



Note: The level of wage bargaining has changed in Greece, Ireland and Slovenia since 2005; see text for details.

Sources: ICTWSS database, Amsterdam Institute for Advanced Labour Studies (AIAS); European Industrial Relations Observatory (EIRO), Eurofound

These wage-setting regimes have remained relatively stable in the wake of the economic crisis, although in some countries bargaining has become more decentralised, with more bargaining being delegated to company level. Ireland and Greece have become decentralised regimes,

and Slovenia has moved to the intermediate category. While these changes suggest a tendency of increasing decentralisation, this has not affected the predominant level of bargaining in most Member States.

# Pay developments and productivity

Two indicators are widely used to examine the link between pay developments and labour productivity: nominal unit labour costs and real unit labour costs. The nominal unit labour cost is the ratio of compensation per employee to real labour productivity per person employed. It indicates how much an 'average' employer has to pay to command one unit of national output. As they are affected by both productivity and price developments, nominal unit labour costs are used as a proxy for competitiveness.

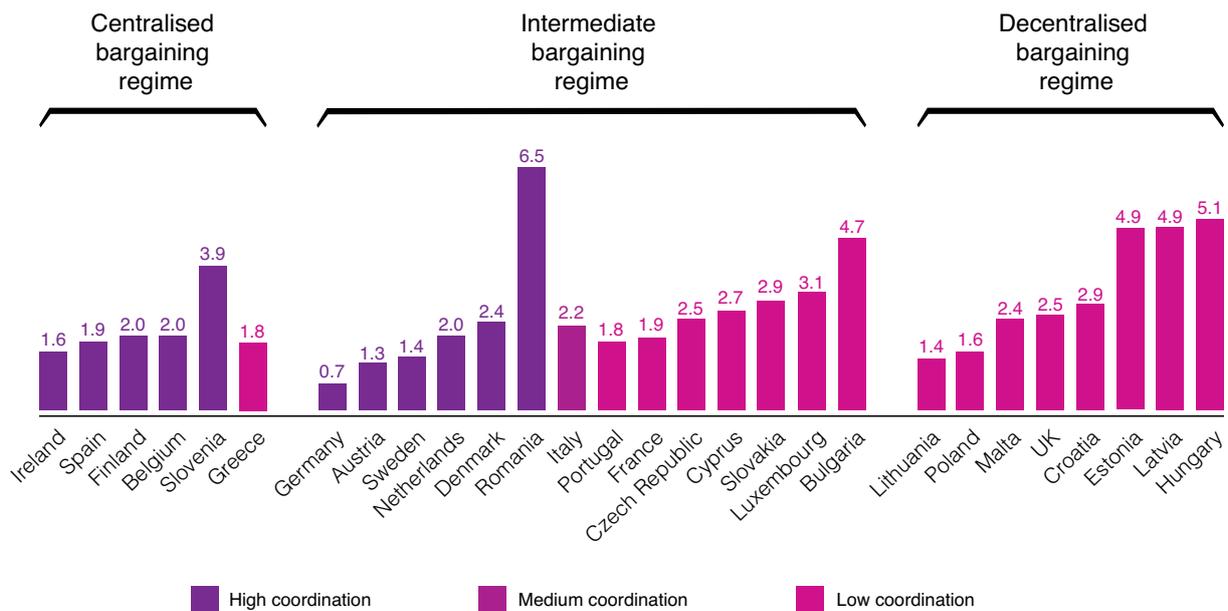
The real unit labour cost is a measure of the relationship between actual compensation per employee in relation to nominal labour productivity (in terms of people employed). This is equivalent to the nominal unit labour cost but deflated with the GDP deflator. Real unit labour costs correspond to the share of wages in the total GDP of an economy or the wage share.

## Trends in nominal unit labour costs

Figure 13 shows that nominal unit labour costs increased in every EU28 Member State between 1998 and 2012, with a median increase of 2.4% per year. The highest annual

increase was recorded in Romania, followed by Hungary, Latvia and Estonia. The lowest annual increase was seen in Germany, followed by Austria, Sweden and Lithuania.

**Figure 13: Average annual increase in nominal unit labour costs, 1998–2012 (%)**



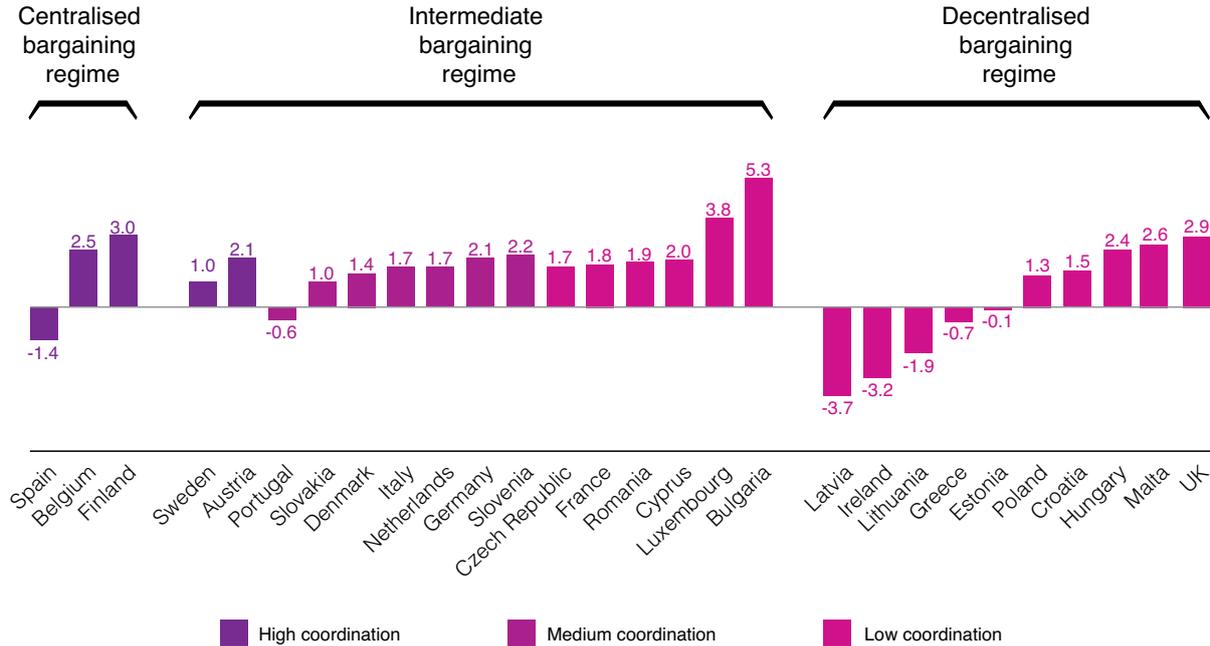
Note: Bargaining level as of 2005; Romania not to scale.

Sources: Annual Macroeconomic database (AMECO), European Commission; Eurofound calculations

These increases were not evenly spread across the whole period but were higher in 1999–2003 (median: 2.7%) and lower during 2008–2012 (median: 1.7%). Nominal unit labour costs fell in Lithuania during 1999–2003 (-1.6%) and in Germany during 2004–2008 (-0.4%). Figure 13 also shows nominal unit labour cost increases in each of the Member States, grouped by their wage bargaining regimes (as of 2005). No clear link is evident between the wage bargaining regime and outcome in terms of growth of nominal unit labour costs. Each type of regime gives rise to a range of outcomes.

If one looks at the median outcome of each system, it shows that systems with a higher level of coordination had a lower growth rate of nominal unit labour costs than systems with a low level of coordination over the full period. However, this does not hold for the various sub-periods – for example, the post-crisis period of 2009–2012 (Figure 14). Several countries experienced a fall in their nominal unit labour costs during these three years. These were mainly the countries that experienced the worst of the crisis: Estonia, Greece, Ireland, Latvia, Lithuania, Portugal and Spain.

**Figure 14: Average annual increase in nominal unit labour costs, 2009–2012 (%)**



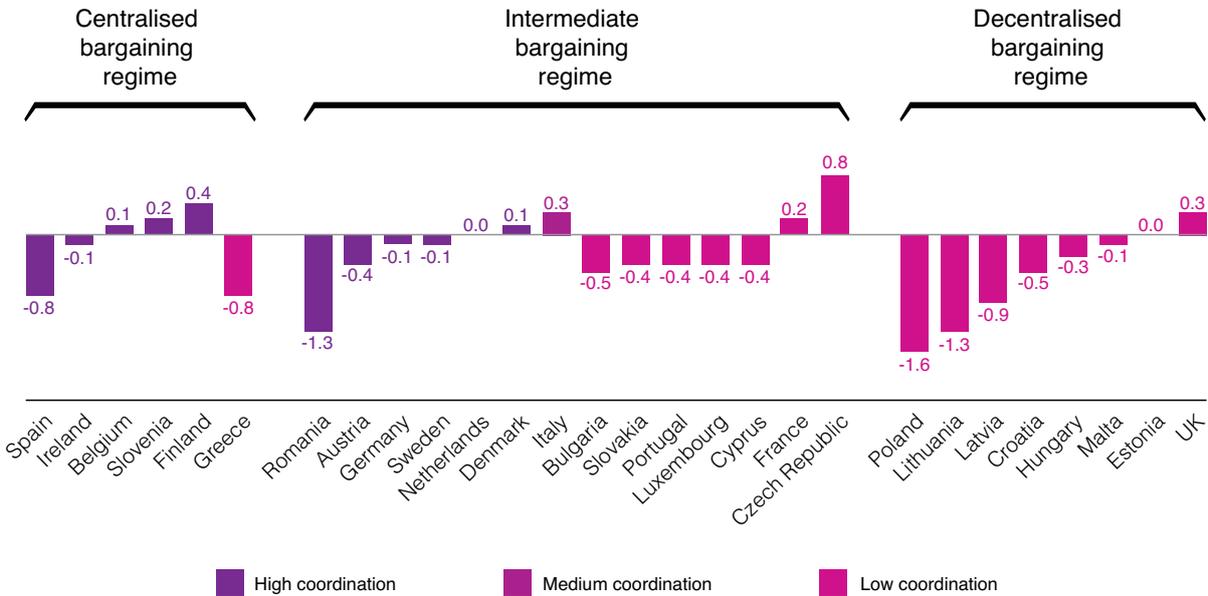
Note: Bargaining level as of 2012.  
Sources: AMECO, European Commission; Eurofound calculations

# Trends in real unit labour costs

In monitoring macroeconomic imbalances, the EU tracks the alignment between nominal unit labour costs and labour productivity growth; hence, nominal unit labour costs tend to feature more prominently on the European political agenda. Employers, on the production-oriented side, also tend to focus on nominal unit labour costs. In contrast, trade unions are more inclined to look at the development of real unit labour costs, the distribution side of the coin, and stress that real wage developments should proceed in line with real labour productivity. If that were the case, workers would be compensated while taking inflation into account, so that the wage share remains stable. A constant wage share would support domestic demand, contribute to price stability and avoid deflation.

The main trend in real unit labour costs between 1998 and 2012 was one of decline, as shown in Figure 15. In the median country – Hungary – real unit labour costs decreased by -0.3% per year. They increased most in the Czech Republic, Finland and the United Kingdom. The largest decreases were recorded in Poland, Lithuania, Romania, Latvia, Greece and Spain. Again, there is no obvious link with different wage-bargaining regimes over the full period: both decline and growth in real unit labour costs occur in all types of bargaining regimes.

**Figure 15: Average annual increase in real unit labour costs, 1998–2012 (%)**

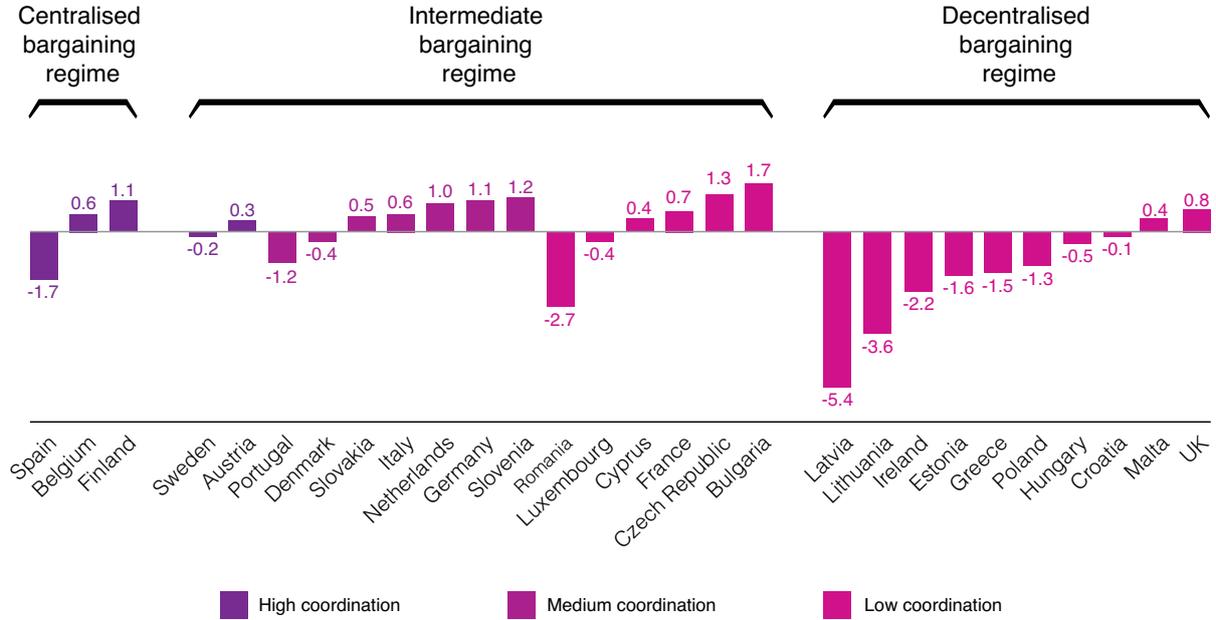


Note: Bargaining level as of 2005.  
Sources: AMECO, European Commission; Eurofound calculations

Figure 16 demonstrates that the general trend of a declining wage share reversed in the period during and after the crisis, with a rise in 14 Member States. This cyclical return to growth took place predominantly in centralised and

intermediate bargaining regimes. However, the ongoing decline in other Member States is probably more related to the fact that these countries were most affected by the crisis (and hence experienced the highest wage falls).

**Figure 16: Average annual increase in real unit labour costs, 2009–2012 (%)**



Note: Bargaining level as of 2012.

Sources: AMECO, European Commission; Eurofound calculations

## Collectively agreed pay

When Eurofound added collectively agreed pay to the picture, it found that collectively agreed pay – to a greater extent than actual compensation – seems to act as a kind of insurance for employees in tough economic times. It does not entirely keep pace with the ups and downs of fluctuations in output. Increases in collectively agreed pay are below increases in labour productivity in times of boom, but are higher than declines in labour productivity in times of crisis. In this sense, collectively agreed pay helps to shield workers from cyclical ups and downs. Systems with more decentralised bargaining structures and less bargaining coverage seem to have less of this insurance function, leaving employees more exposed to a risk of wage (and job) cuts.

Overall, these preliminary and descriptive findings from Eurofound suggest that the more coordinated bargaining regimes (with sectoral bargaining being predominant) had the closest link between pay and productivity over the medium term (1999–2012) and hence the smallest loss of wage-related competitiveness. Because of the descriptive nature of this work, however, no empirically sound conclusions can be reached, as this research could not control for any other potential influences. Further research must examine whether the observed links (or lack thereof) between wage bargaining regimes and pay outcomes persist once such influences are taken into account.

Eurofound maintains a database on collectively agreed pay developments and bargaining systems within the EU. This database is online at <http://www.eurofound.europa.eu/eiro/cwb/context>.

# Minimum wage scenario in the EU

While curbing unwarranted pay growth is an economic priority for the EU, low pay is also a pressing concern. Having a job is no guarantee of financial security – taking a job raises just half of people out of poverty. The crisis has depressed wages disproportionately for workers already on low pay: according to the European Commission, 8% of workers are below the poverty threshold.

Having a decent level of pay is a fundamental part of job quality, one of the EU's employment goals. Yet, by Eurostat's calculations, 17% of employees in 2010 were low-wage earners (defined as people earning two-thirds or less of the national median gross hourly earnings). In its communication 'Towards a job-rich recovery', the Commission called on Member States to set minimum wages

at appropriate levels to prevent in-work poverty. Because wages are excluded from EU competences, however, the Commission has not attempted to go further and bring minimum wages into some form of EU regulation.

Minimum wages, nevertheless, continued to be a focus of interest at EU and national level in 2013. The subject was discussed at an informal meeting of EU Ministers for Employment and Social Affairs in Vilnius in July, where Eurofound presented its analysis of the effects of a harmonised approach to minimum wages in Europe. In Germany, the introduction of a national minimum wage was widely debated, especially following the federal election; in 2014, the coalition government agreed to introduce a national minimum wage of €8.50, beginning in 2015.

## Minimum wages in the EU

All EU countries have some form of minimum wage, but the mechanisms for setting them differ, as do the scope (how many workers are covered) and the level.

- Statutory national minimum wages set a single wage floor for all employees; the majority of Member States use this mechanism.
- Collectively agreed national minimum wages also set a national level with universal coverage.

- Collectively agreed sectoral and occupational minimum wages do not establish a universal wage floor, and only workers covered by collective agreements are entitled to the minimum wage. Although most countries that use this mechanism have very high levels of collective bargaining coverage (above 80%), in some cases (such as Germany) the coverage is much lower (around 60%), which leaves many workers unprotected.

Table 3 groups Member States according to the mechanism they use to set their minimum wage.

**Table 3: EU Member States classified by minimum wage mechanism**

Statutory national		
Czech Republic	France	Hungary
Ireland	Latvia	Lithuania
Luxembourg	Malta	Netherlands
Portugal	Romania	Slovenia
Spain	UK	Cyprus*
Collectively agreed national		
Belgium	Bulgaria	Estonia
Greece	Poland	Slovakia
Collectively agreed sectoral and occupational		
Austria	Denmark	Finland
Germany	Italy	Sweden

\* Cyprus has an occupation-specific statutory minimum wage underlying the collectively agreed levels

# Hypothetical minimum wage thresholds

The idea of a minimum wage coordinated across the EU has been proposed as a means of tackling low pay. The European Parliament asked the Commission in 2011 to study the impact on Member States of a minimum income set at EU level and encouraged Member States to develop minimum income schemes. The Council of Europe has asked Member States to ensure that minimum wage levels reach at least a certain percentage of the average or median national wage (normally 50% or 60%).

Against this background, Eurofound examined the potential impact such a move would have. The analysis looked at what proportion of workers in each country would be affected should each Member State's minimum wage be set at 60% of its median wage. It also examined how difficult it would be to implement this institutionally. The results are summarised in Table 4.

**Table 4: Quantitative and institutional impacts of a hypothetical minimum wage threshold**

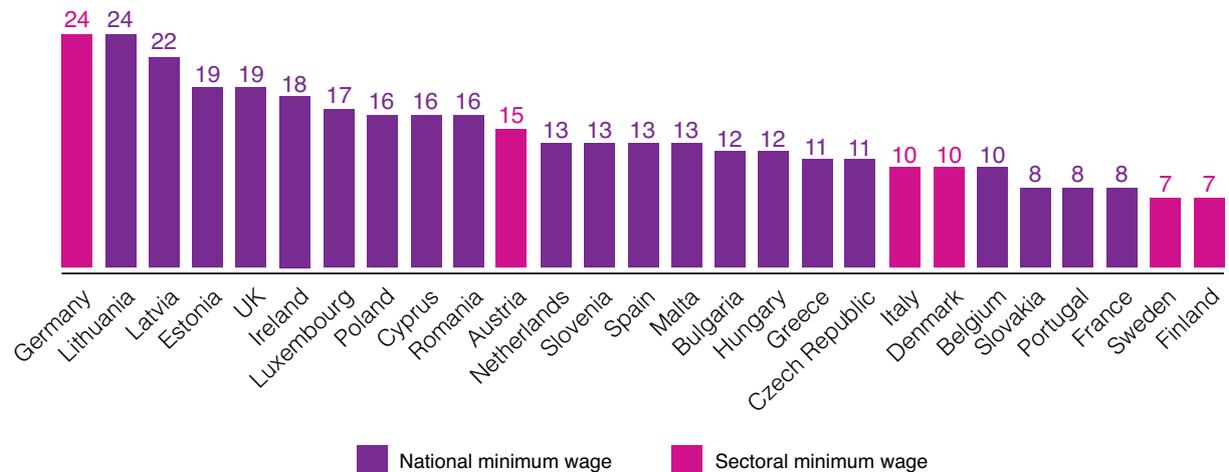
		Institutional impact		
		High Collectively agreed sectoral and occupational minimum wages	Medium Collectively agreed national minimum wages	Low Statutory national minimum wages
Quantitative impact	High > 15% of workers below the threshold	Germany	Cyprus, Estonia, Poland	Italy, Lithuania, Latvia, Romania, UK
	Medium 10%–15% of workers below the threshold	Austria, Denmark, Italy	Bulgaria, Greece	Czech Republic, Spain, Hungary, Luxembourg, Malta, Netherlands, Slovenia
	Low < 10% of workers below the threshold	Finland, Sweden	Belgium, Slovakia	France, Portugal

## Numeric impact

The research found that a coordinated minimum wage at a level of 60% of the median national wage would result in an increase in minimum wages in most countries. The country that would feel the biggest impact – in terms of the numbers of workers who would see an increase – is Germany, followed closely by Lithuania (Figure 17). These

two countries have a high number of workers (almost one in four) currently below the threshold. Estonia, Ireland, Latvia, Luxembourg and the UK would also be significantly affected. The number of people below the threshold is not related to the national model, whether statutory or collectively agreed.

**Figure 17: Proportion of employees who would be below the hypothetical EU minimum wage threshold (%)**



Source: EU Statistics on Income and Living Conditions (EU-SILC), 2010



## Institutional impact

Institutionally, the coordination of a minimum wage policy would be easier in countries with a statutory model because the system is less complex and the number of actors involved is smaller. The policy would therefore require only a commitment from the governments to gradually move towards the EU-agreed framework.

In countries where minimum wages are national but collectively agreed, the extent of institutional disruption would be greater, since moving towards a common EU threshold would diminish the role of the social partners in the setting of minimum wages.

Institutional disruption and difficulty would be greatest in countries with collectively agreed sector-specific minimum

wages because it would either involve a shift towards a kind of second-level statutory model (underlying the collectively agreed system) or require a commitment to reaching the EU target from all the partners involved, at all levels.

In this context, Germany, again, would be most affected. In other countries with sector-specific minimum wages, the impact of establishing a common EU threshold would be small in quantitative terms because these systems tend to have fewer low-paid workers. In Germany, however, the functioning of the system of minimum wage-setting does not seem to produce the same outcomes as in other countries in the same category.

## Workers affected

Workers in small companies would benefit from a Europe-wide minimum wage threshold: nearly 40% of workers who earn less than the hypothetical minimum wage threshold work in companies with 10 employees or fewer, and 70% work in companies with fewer than 50 employees.

Those who earn less than the threshold work predominantly in the personal service sectors: nearly 20% work in retail, 13% in health, nearly 10% in other services and 8% in

hotels and restaurants. Almost half work in service and elementary occupations, and although the incidence of part-time and temporary employment is higher for this group, most have permanent and full-time contracts (77% and 64% respectively).

Nearly two-thirds of those potentially affected are women. And they are predominantly young: 56% are under 40 years of age, and 35% are under 29 years.

## Impact on poverty

The minimum wage conjectured here could have a positive impact on individual in-work poverty, but this impact would be limited because in-work poverty is not a widespread phenomenon in Europe. In addition, it would make little difference to household-level poverty, since most poverty in Europe is related either to not working at all (most poor

households having no wage earner) or to the composition of the household rather than to the wage earned by its members. Only 13% of poor households have one or more members earning below the threshold and could therefore potentially benefit from the policy.

## Impact on trade and competitiveness

As far as can be measured, the hypothetical minimum wage would be unlikely to have a significant impact on exports and international competitiveness. If one compares the export intensity of different sectors and the proportion

of workers below the threshold, it seems that the impact of the policy would be twice as great in the non-traded as in the highly traded sectors; the most-traded sectors have a consistently smaller proportion of workers below the threshold.

# Combating undeclared work

**Undeclared work is paid work that is lawful but not declared to the public authorities for tax and regulatory purposes.**

A ‘scourge’ is how László Andor, Commissioner for Employment, Social Affairs and Inclusion, describes undeclared work. The informal economy is a source of problems on many fronts. Its volume is substantial, estimated to be equivalent to 18% of GDP in 2012, but it yields no tax or social security contributions for government. It side-steps the regulations that protect the working conditions of workers and provide for their social security rights. Because it avoids the normal costs of business, it distorts competition and destabilises legitimate business. It also undermines EU policy aimed at job creation, job quality and fiscal consolidation. The European Commission in its 2012 Employment Package undertook to take action against undeclared work.

In 2013, the Commission proposed to create a European Platform to improve cooperation at EU level in order to prevent and deter undeclared work more effectively. These bodies include social security, tax and migration authorities, as well as labour inspectorates.

At a hearing of the European Economic and Social Committee (EESC) in June 2013, Eurofound presented

results from its research into measures to tackle undeclared work. Over the past decade, and especially since 2010, Member States have increased and diversified their strategies to eradicate this activity. These policies can be classified into two broad approaches: deterrence and enabling compliance. Deterrence aims to detect and punish non-compliance with the law, while the enabling approach provides encouragement and incentives for people and businesses to join the formal economy (see Table 5).

While some Member States have moved towards adopting enabling approaches since the recession, deterrence is still preferred among the majority as it is viewed as the more effective course of action.

Eurofound has created a database of these measures – 183 in all – which could support the work of the European Platform. This database is a tool for the systematic sharing of knowledge on good practice: it shows what has been tried and tested elsewhere; it evaluates the transferability of measures across nations, sectors and occupations; and it assesses their relative effectiveness.

**Table 5: Approaches to tackling undeclared work**

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<b>Deterrence</b>	<ul style="list-style-type: none"><li>• Improving detection of non-compliance</li><li>• Punishing non-compliance through penalties</li></ul>
<b>Enabling compliance</b>	<ul style="list-style-type: none"><li>• Preventing businesses or people from engaging in undeclared work from the outset</li><li>• Enabling the transfer of undeclared work into the declared economy</li><li>• Fostering commitment on the basis of morality</li></ul>

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# Sources

Eurofound's online 'Collective wage bargaining' database, available at [www.eurofound.europa.eu/eiro/cwb](http://www.eurofound.europa.eu/eiro/cwb)

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# Improving work

There can be no better argument in favour of good working conditions than one of Eurofound's most salient findings: better jobs – jobs that offer good terms of employment, satisfactory working conditions and decent pay – stand to benefit both employer and employee. But poor jobs continue to exist, and the quality of working conditions for workers continues to vary hugely, not just because of sector or occupation, but for reasons associated with the demographic and personal characteristics of workers.

Gender continues to divide the employment patterns and working conditions of workers. Occupations can be ranked along a scale according to their level of gender segregation: from building workers (nearly exclusively men) to personal care workers (predominantly women). Or take working time: contrasts in the hours that men and women spend in paid and unpaid work persist as the compromises they make are influenced by their social roles. Youth seems to be associated largely with disadvantage in the workplace. Young workers gain less compared to older colleagues in important areas such as pay, training and autonomy. Nevertheless, they cope well, coming out with better job satisfaction and less stress.

# Mind the gap: Gender, occupation and working time

As we have seen, the number of women in employment has increased modestly in recent years despite high overall unemployment, with women filling more of the new high-paying job openings than men. However, the narrowing of the gender gap is to a much greater extent attributable to the huge job losses among men than to the increasing participation of women in work. Women's employment rates remain lower than those of men in all Member States, with wide variations by country – ranging from 72% in Denmark and Germany to 50% in Croatia, Italy and Malta, and as low as 43% in Greece. The inclusion of women in the labour force must be accelerated if the 75% employment target of Europe 2020 is to be achieved. Greater diversity in working time arrangements, such as part-time work and flexible hours, has done much to increase women's participation, enabling them to stay in

or return to the workforce if they have children. However, these arrangements are not always entirely to women's advantage as they can be penalised over the course of their careers in terms of aspects such as promotion and pensions. Unlike women, men generally conform to the model of the full-time worker, but workplace culture around working hours could pressurise them to compromise on balancing work with life outside work.

Eurofound conducted an analysis of European Working Conditions Survey (EWCS) data to examine inequalities in the working conditions of men and women. The research sheds light on the nature and depth of disparities in working time arrangements. The starting point of this work was exploring differences in the distribution of men and women across occupations.



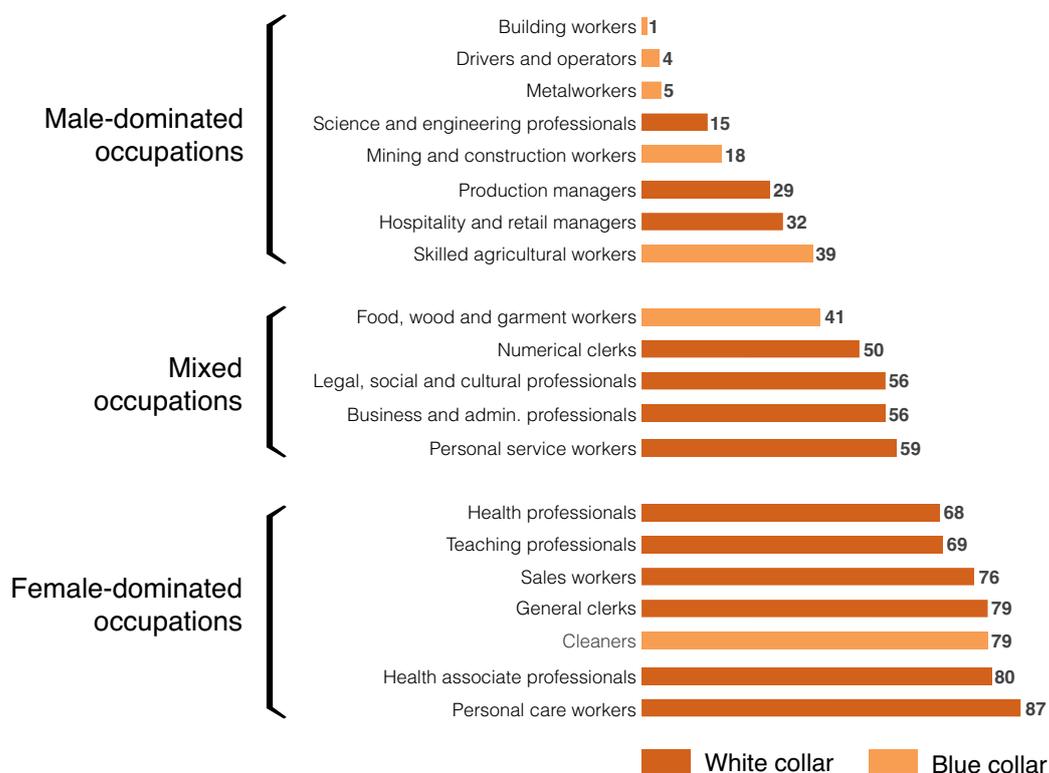
# Segregation by occupation

Gender segregation across occupations is high, with 60% of women and 64% of men working in occupations predominantly made up of their own sex; fewer than 20% of men and women work in occupations that are predominantly composed of the other sex. Figure 16 shows the proportions of women in the 20 occupations that employ most people, encompassing 76% of all workers. Only five occupations could be considered mixed: food,

wood and garment workers; numerical clerks; legal, social and cultural professionals; business professionals; and personal service workers.

While the processes that give rise to occupational gender segregation are complex, it is in part influenced by women making career choices based on perceived family-friendly sectors and organisations, anticipating future decisions about work and family.

**Figure 18: Proportion of women employees in the 20 biggest occupations (%)**



Source: Fifth European Working Conditions Survey

## Female domination in the public sector

This preference for jobs that allow for flexible working arrangements may partly explain the attractiveness of the public sector for women. There is a higher concentration of female-dominated occupations in the public sector; even when women work in male-dominated occupations, they are more likely to work in the public sector than their male counterparts. The public sector has traditionally

led the way in providing good working conditions for employees, such as job security, working time flexibility and benefits. However, in the wake of the economic crisis, austerity measures implemented by governments have led to cuts in public sector jobs and roll-backs on working conditions. Inevitably, these adjustments have disproportionately affected women workers.

# Disparities in working time



## Working hours

- Male employees work an average of 40.6 hours per week, compared with 33.9 hours for women.
- 10% of women work 19 hours or less per week, compared with 5% of men.
- Just over 20% of men and 10% of women work more than 48 hours per week.
- Total working time (paid working hours, commuting hours and unpaid working time combined) for women is 64 hours a week, on average, compared with 53.4 hours for men.
- Most of the difference in total working time arises from the greater time women spend in caring (26 hours, compared with 9 hours for men).

## Working time preferences

- If men could choose their ideal length of the working week, it would be 37.9 hours; for women, it would be 32.6 hours.
- 16% of women say that they would like to work more hours, compared with 11% of men.

## Work-life balance

- 17% of women and 19% of men say that their work hours do not fit well with their home life.
- Among men, drivers and mobile plant operators report the worst work-life balance (34%), with health professionals (29%) also experiencing high levels of misfit.
- Among women, those who work in sales (24%) and personal services (24%) have the worst work-life balance.
- Teaching professionals and general and keyboard clerks of both sexes all report a good work-life balance.

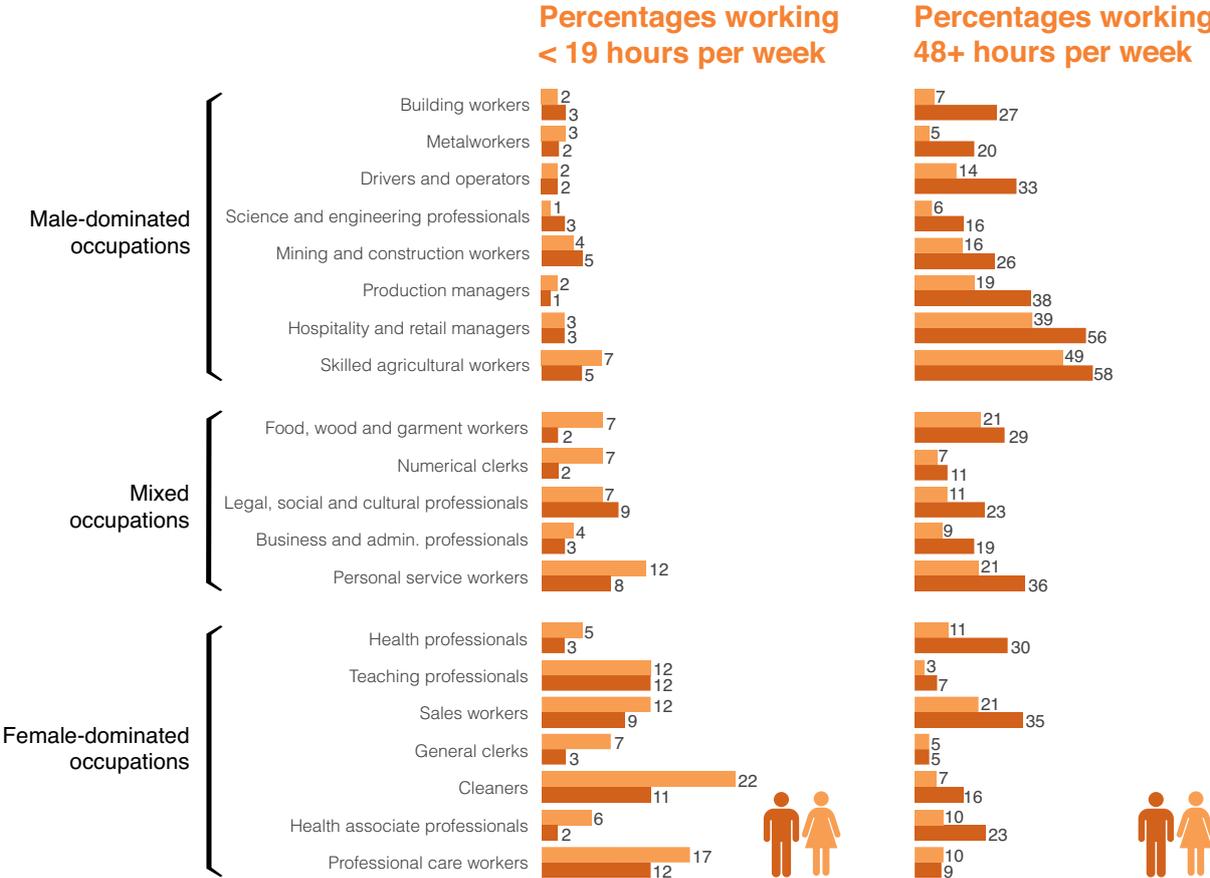
## Long hours and short hours

Marked gender disparities prevail in all aspects of working time. The findings show that men have taken little advantage of the increased flexibility in working time arrangements and continue to work more hours on average per week than women. They are also more likely to work more than the 48 hours limit of the EU Working Time Directive (Figure 19). However, long working hours have been shown to be a barrier to balancing work with home life and to put workers at greater risk of poor health and low well-being. By contrast, women are far more likely to work shorter hours. The uneven division of unpaid domestic work between women and men often leads women with young

children to opt for working shorter hours and to seek jobs that offer such flexibility. Part-time work has benefits and drawbacks: while it enables women to combine work and family responsibilities, it can limit career progression and training opportunities, and reduce pension rights and benefits.

Analysing working time by occupation confirms these gender-based working time disparities. Long hours are more common in male-dominated occupations, whereas short working hours are most prevalent in female-dominated occupations.

**Figure 19: Proportion of men and women who work long and short hours in the EU (%)**



Source: Fifth European Working Conditions Survey

# Unpaid work

An accurate picture of working time cannot be drawn without taking unpaid work into the equation. One of the main reasons why women’s weekly hours at work are less than men’s is because of the greater amount of unpaid domestic work – particularly care work – that is undertaken by women. When unpaid activities are added to paid work, women work, on average, 64 hours a week compared with 53.4 hours for men. Most of this difference arises from the additional time – almost three times as much – spent by women in caring for children or older relatives (26 hours compared with 9 hours for men). These findings highlight the difficulty in achieving working time equality. Public policy has a part to play, in promoting the more widespread availability of flexible working time

arrangements, preventing unfair penalisation of workers who opt for those arrangements, and supporting the provision of accessible childcare. It also has responsibility for ensuring that working hours are excessive for no-one. However, culture remains a huge influence. Attitudes to the roles of men and women within the family – who cares for the children, who does the housework, who is the breadwinner – overlap into the workplace to determine the shape of working time. Also accountable is a workplace culture that questions the commitment of employees who seek to more effectively combine work with responsibilities outside of work.



## Events 2013

### Diversity in the workplace

Genuinely inclusive growth can only be achieved if all workers have the opportunity to work. But age, ability, ethnicity, race, gender, sexual orientation and religion too often exclude people from the labour market or marginalise their participation. If Europe is to reach the employment, poverty-reduction and education targets set out in Europe 2020, ensuring equal opportunities for all is vital to bring into the labour market those furthest from it. Ensuring diversity in the workplace is part of the endeavour.

Eurofound's 2013 Foundation Seminar Series, whose theme was 'Promoting diversity at the workplace: A strategy for inclusion and competitiveness' sought to contribute to the Europe 2020 goals by demonstrating the importance of diversity management practices as a means of promoting inclusive growth.

All stakeholders have a role to play:

Companies – by creating job opportunities and introducing practices at workplace level aimed at integrating workers with different social and cultural backgrounds;

Governments – by devising and implementing policies and actions against discrimination and exclusion, and by supporting company policies aimed at increasing their workforce diversity;

Trade unions – by developing specific strategies to represent effectively the interests of all workers, especially those who experience exclusion.

# Spotlight on young workers

The efforts being made at national and EU level to integrate young unemployed people into the labour market have already been outlined. But getting a job does not necessarily imply the end of a young worker's predicament. For many, the reality is that the first step out of unemployment or

education is into a job with low pay, little security and few prospects. Eurofound research finds evidence to show that young workers experience less favourable working conditions in comparison with their older colleagues – and explores the reasons behind the differences.

## Sectoral differences

The wholesale and retail trade is a dominant employer for young people: it employs just over one-fifth of workers under the age of 25 in the EU27, well above the 14% average for the European workforce as a whole. Accommodation and food services follows, employing 10% of young workers, but just 5% of the entire workforce. Nevertheless, young workers are particularly underrepresented in education and

public administration: each of these sectors accounts for around 4% of youth employment, compared with 7% of total employment. High proportions of young men work in manufacturing and construction, while young women have a greater presence in tertiary activities, especially social work, education and financial services.

## Non-standard forms of employment

A higher proportion of young workers than older workers are engaged in temporary or part-time work or other non-standard forms of employment, such as temporary agency employment and working without contracts. While these arrangements, together with apprenticeships and traineeships, can be a stepping stone into more secure employment, they can also result in successive periods of insecure employment. There is some evidence in the post-recession period that the transition from temporary to permanent employment has declined as employers shy away from creating permanent jobs due to economic instability.

Eurostat data for 2012 show that 42% of EU27 workers under the age of 25 were employed on a fixed-term or temporary basis, considerably above the 14% average.

Levels of temporary employment were well over 50% in France, Germany, Italy, Malta, Poland, Portugal, Slovenia, Spain and Sweden. These data also show that 31% of young EU27 workers worked part time, compared with the EU average of 19%. Denmark, Ireland, the Netherlands, Sweden and the UK have particularly high proportions of young part-time workers – over 40%.

Also worth noting is the relatively high number of publically subsidised jobs among young people in several countries, such as Denmark and France – in France, for example, 25% of jobs filled by people aged under 26 years are subsidised. Various research studies warn that many of these young entrants on subsidy schemes are simply used as cheap labour and often do not gain regular employment when the scheme is over.

# Working conditions: good news

## Job satisfaction

Job satisfaction varies across countries. Young workers, and young labour market entrants in particular, report high levels of job satisfaction at work in Austria, Belgium, Finland, Germany and Norway. Studies in Denmark, Ireland and Sweden, however, have found job satisfaction to be lower among young workers compared with workers in older age groups.

## Less stress and good social relationships

In most countries, young workers report lower work-related stress levels than other age groups. Among Belgian workers under 30 years of age, 37% reported work-related stress as a problem, compared with 43% on average. In Bulgaria, 28% of workers under 30 years work to tight deadlines, compared with 32% of older workers. Young workers also show a high level of satisfaction with the social aspects of their work, particularly regarding contact with and support from colleagues. According to the fifth EWCS, three-quarters report that they receive help from their colleagues.

## Work–life balance

Reconciling the demands of work and non-working life does not seem to be a concern for young workers. The absence of children or dependent parents in the lives of most eases the pressures of balancing one with the other. For instance, 62% of Dutch workers under 30 years said they never neglected family activities due to work, whereas this percentage was 49% among workers aged 30 years or more.

# Working conditions: bad news

## Poor working time arrangements

Young people employed full time work longer hours than other age groups on average; they are also more likely to work irregular hours – shift work, night work or weekend work. For instance, 41% of young workers in Slovenia worked shifts in 2009, compared with a 32% national average. Underemployment is also common: in the UK, 18% of 18–24-year-olds would like to work more hours than at present.

## Lower pay

While pay is a key factor affecting job satisfaction, the pay of young workers is generally less than that of their older counterparts. This is usually seen as reflecting their limited work experience and low seniority, and not as unequal treatment. Almost half – 14 – of all Member States have a separate statutory national minimum wage for young workers, all lower than the standard rate, except in Latvia. For some governments, having a lower minimum wage is a means of encouraging employers to employ young workers, thereby helping to reduce acute youth unemployment. Nevertheless, low pay can affect the living standards and financial security of young workers. In Austria, 15% of young entrants to the labour market stated that their income was insufficient to make ends meet, compared with 7% of young workers in the 26–30 age group.

## Less autonomy, more boredom

Young entrants have less autonomy than other age groups in making decisions about how and in what order to perform tasks, about their pace of work and their working time. More young workers than older workers report having monotonous and standardised work, which is accounted for by this lack of autonomy.

## Less access to training

Research in Estonia, Finland, Germany, Ireland and Lithuania have found that young workers in these countries have less access to training opportunities offered by their employers than other age groups. The reasons for this include the greater presence of temporary contracts among young workers, the occupations and sectors in which young people usually work, and the general position of young people in the workplace. Research findings from the UK suggest that the types of jobs taken up by people leaving school at age 16 and 18 (usually characterised by low pay, low skill content, low quality and a temporary nature) offer little access to training.

## Higher propensity for accidents

Young workers seem to be at higher risk of having an accident at work than older workers. The most common causes of occupational accidents for new labour market entrants include lack of work-based experience, lack of training and instruction or supervision on work environment issues and, possibly, unnecessary high risk-taking behaviour.

## Contrasting experiences

There are important differences in working conditions among young workers themselves, depending on their personal and occupational characteristics. Female, 'younger', less-qualified and non-native young workers have to contend with poorer employment and working conditions than their male, 'older', better-qualified and native counterparts. Young workers employed in small enterprises fare worse than those in large enterprises. Young workers with limited skill-sets are very sensitive to the 'revolving door' effect – they are, in other words, at a higher risk of losing their job and becoming unemployed again. This creates uncertainty and is an obstacle to developing a stable career. For instance, almost half of

the less well-educated young labour market entrants in Belgium who found a job were unemployed again by the end of their first year.

However, well-qualified entrants are often over-qualified for the jobs they take. In some cases, this reflects the recruitment behaviour of the employer in asking for a higher degree of educational attainment than is needed for the job. However, in the context of the economic crisis, where there are limited job vacancies, many young, highly educated unemployed persons are willing to accept any job they can get.

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# Restoring trust and confidence

The goals of the European Union are ultimately social. Even the economic goals have social ends: what is the point of growth, competitiveness and high employment if not to improve the lives of Europeans? Yet one of the clearest trends of the past five years in the EU has been one of growing inequality and hardship. The financial and economic crisis has become a social crisis, and addressing the quality of life of citizens must now be as much a priority as economic policymaking.

It seems that in the global financial crisis Europe has suffered more and is slower to recover than other parts of the world. Little wonder that confidence in the EU is shaken and that trust in the Union has declined to an alarmingly low level. Halting this slide must be a priority if the legitimacy of the European project is not to be undermined, and a renewed social agenda might serve to support such an endeavour.

A specific focus of social policymaking is public services, which in a depressed economic climate have an important role to play in maintaining people's quality of life. Effective public health, education, childcare and transport services benefit all of society and provide some redress to the consequences of social inequalities. Publicly provided employment, training, childcare and long-term care services are crucial to providing the supports that enable people to engage in work.

The youth employment crisis has put a spotlight on the quality of life of young people. Long stretches of joblessness, insecure employment and predictions of a sluggish turnaround in the labour market have had far-reaching consequences for their well-being and living standards.

# European Social Model: Buffer or barrier?

A defining ideal of the European project is that economic prosperity and social progress go hand in hand. This has been encapsulated in the concept of the European Social Model, which is characterised by a commitment to high employment, generous social provision for all, adequate social protection for the disadvantaged and social dialogue. The conviction supporting it is that inclusive societies committed to social progress are fully compatible with a competitive, globalised economy.

This shared social vision has served to protect citizens during the crisis, to varying degrees. Social dialogue has contributed to safeguarding viable jobs, labour market policies have provided paths into work for the unemployed, and social protection has provided a buffer against poverty for the vulnerable. But the model has suffered under the public budget cuts implemented to reduce government spending and sovereign debt.

## Adapting the social model

A joint meeting of Eurofound and three other EU agencies – Cedefop, EU-OSHA and the European Training Foundation – in 2013 examined how the social model could strengthen Europe's competitiveness. Eurofound's research provides evidence of the model's viability: the countries that have to the largest extent realised the social model have also weathered the crisis most successfully – the Nordic states, Austria and Germany. These countries enjoy both the highest labour market participation and the highest rates of high-quality employment. They are also among the top countries in the World Economic Forum's global competitiveness ranking.

The Commission affirms that it is not a question of abandoning the social model but of adapting it to support the goals of recovery and growth. This will involve developing enabling policies that invest in people and provide them with the opportunities to avoid or rise out of poverty and disadvantage so that they can participate fully in their societies. The 2013 Social Investment Package conceptualises social policy in just this way, with an emphasis on building the resilience of individuals and targeting social spending to integrate people into the labour market and society.

## Events 2013



### Foundation Forum: Social and employment policies for a fair and competitive Europe

With the fall-out from the financial and economic crisis in Europe continuing, the challenges include growing inequalities between and within Member States, mass unemployment and economic insecurity. It seems clear that to find a way towards recovery for the EU as a whole, Europe will have to find new approaches and solutions. Seeking to provide a high-level forum for debating and discussing such approaches, Eurofound held the fifth in its series of four-yearly flagship events, the Foundation Forum, in February 2013 in Dublin during the Irish EU Presidency. Dedicated to the theme of 'Social and employment policies for a fair and competitive Europe',

the Forum brought together leading decision-makers, opinion-formers and academic experts to exchange new ideas and experiences in the search for a more sustainable future. The topics discussed included whether the economic crisis can trigger social and structural change, how social costs may be equitably shared and what the future holds for the European Social Model. On the final day of the Forum, Commissioner László Andor presented his vision on how social investment could offer a way out of the crisis. As in other years, the Irish government co-hosted the event, this time drawing on its recent experience of Ireland in economic crisis.

# Social dimension of EMU

The relevance of the European Social Model was reinforced in 2013 with the commitment at EU level to strengthening the social dimension of EMU to ensure that the objectives set for fiscal consolidation are compatible with employment and social goals. It recognised that social imbalances could undermine progress towards EMU. At the same time, the Commission signalled its desire to bolster social dialogue, acknowledging the need for better involvement of the social partners in decision-making on economic policy at EU level.

To increase the visibility of the social dimension, the Commission has proposed supplementing the existing macroeconomic surveillance framework with a set of social indicators for monitoring employment and social trends. These include the unemployment rate, NEET rate, household income, risk of poverty rate and in-work poverty. This step aims to enhance the EU's ability to identify and tackle social and employment problems as they arise.

## Falling living standards

The increased attention to quality of life is important as the economic crisis continues to impact on the lives of Europeans, and in particular on those most vulnerable to the consequences of economic fluctuations. The lacklustre recovery is not likely to salvage their wreckages in the near future. Especially in the economically embattled Member States, citizens will have to tolerate high total unemployment, severe youth unemployment, reduced social welfare supports and curtailed public services for some time to come.

In its mid-term evaluation of Europe 2020 in March 2014, the Commission conceded that the EU is far off the mark of its poverty reduction target and expressed pessimism over achieving it. Reaching this target would have seen the number of people at risk of poverty and social exclusion in the EU drop from 114 million in 2009 to 96.4 million people by 2020. However, in 2012, the number had in fact increased to 124 million. The decline in living standards across Europe is reflected in findings from Eurofound's European Quality of Life Survey (EQLS). The survey shows that a greater number of people are finding that their household income is no longer sufficient to meet their needs. The proportion of people having some degree of difficulty making ends meet rose from 38% in 2007 to 45% in 2011. Increases were well over 10% in eight Member States: Estonia, France, Greece, Ireland, Slovakia, Slovenia, Spain and the UK.

Another measure of living standards – ability to afford everyday goods and services – shows a similar trend. For example, the proportion of people who could not afford to heat their house rose from 9% in 2007 to 12% in 2011; 37% could not afford an annual week's holiday in 2011, compared with 30% in 2007. Out of six items in Eurofound's deprivation index, 55% of Europeans can afford all six, but there are wide variations by country: only one out of every five can afford all six items in Bulgaria, Estonia, Greece and Lithuania, while around four out of every five people can afford all items in Austria, Luxembourg and Sweden.

People's sense of social exclusion has increased post-crisis. The proportion of individuals who reported feeling 'left out of society' increased from 10% to 12% on average between 2007 and 2011. At the individual country level, there were increases in the proportion perceiving themselves to be socially excluded in a number of Member States, including an increase from 8% to 23% in Cyprus, from 8% to 17% in the Czech Republic, from 7% to 10% in Germany and from 12% to 18% in Greece. Other significant increases occurred in Denmark, Estonia, France, Luxembourg and Spain. Similarly, more people are unable to pay their utility bills and meet their rent or mortgage payments. For instance, 15% in 2011 reported not paying a utility bill in the previous year, compared with 12% in 2007.

## Events 2013

### Leuven Conference on the Social Investment Package

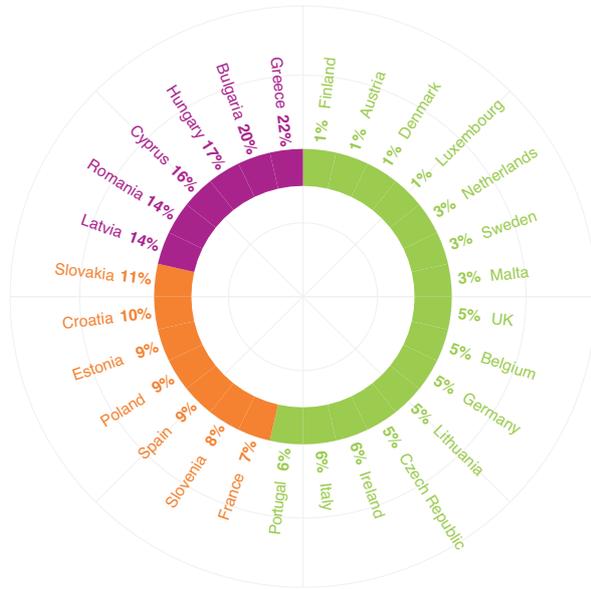
In May, a conference on the Social Investment Package was jointly organised by the European Commission and the Irish EU Presidency, together with Eurofound. Held in the Leuven Institute for Ireland, under the theme of 'Investment, innovation and involvement', it discussed the package with the participants, including policymakers, experts, civil society, social partners and the private

sector. The aim was to generate proposals for actions to stimulate social investment.

The conference's main conclusion was that people are Europe's greatest asset, and for Europe to prosper, social spending must invest in people throughout the life course. It stressed the long-term benefits of early intervention to prevent people from sinking into disadvantage.

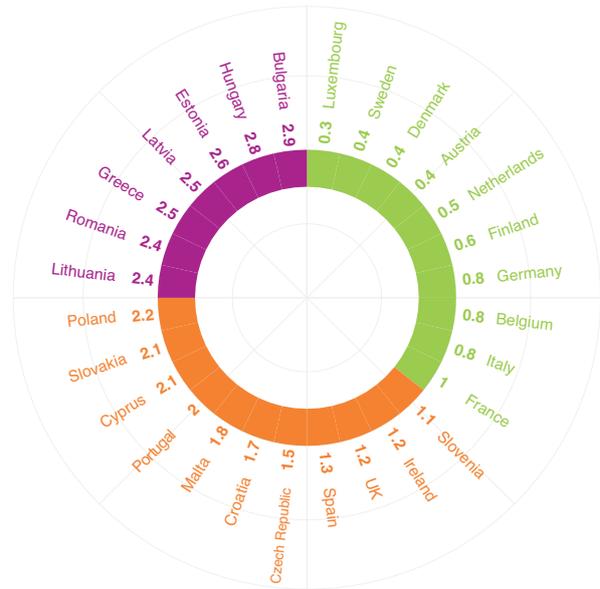
# Measures of living standards across the EU

## Great difficulty making ends meet



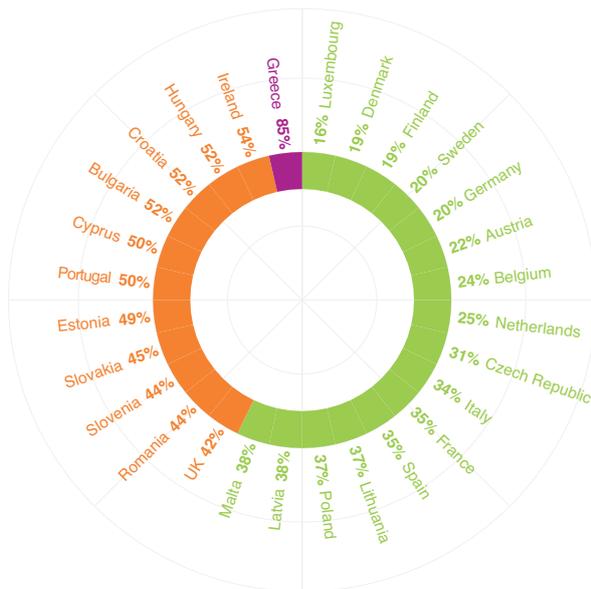
Highest: Greece (22%), Bulgaria (20%), Hungary (17%)  
 Lowest: Finland, Austria, Denmark (all 1%)

## Deprivation index: Number of items the household cannot afford (out of six)



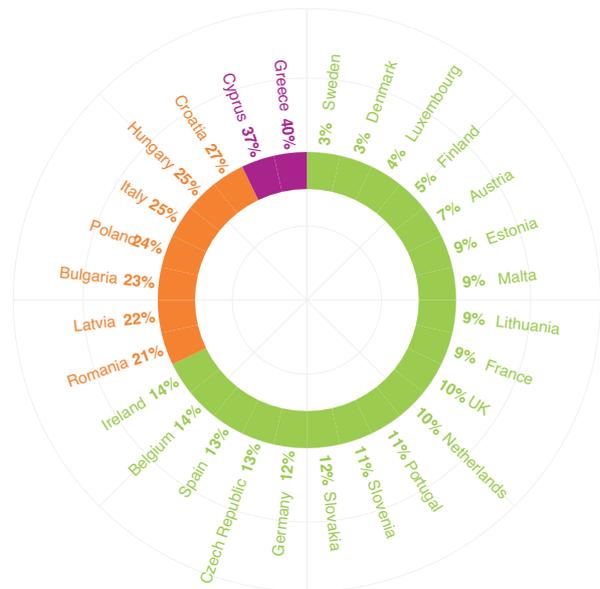
Highest: Bulgaria (2.9), Hungary (2.8) Estonia (2.6)  
 Lowest: Luxembourg (0.3), Sweden (0.4), Denmark (0.4)

## Financial situation worse than previous year



Highest: Greece (85%), Ireland (54%), Hungary (52%)  
 Lowest: Luxembourg (16%), Denmark (19%), Finland (19%)

## Utility bill arrears in previous year



Highest: Greece (40%), Cyprus (37%), Croatia (27%)  
 Lowest: Sweden (3%), Denmark (3%), Luxembourg (4%)

# Trust in public and political institutions

Trust in political institutions has been a casualty of the global financial crisis. The material consequences of the crisis alone – unemployment, financial hardship, cutbacks to public services – are cause enough to have dented public confidence in governing entities. But debate around the crisis has raged in print and electronic media also, and the widespread airing of dissent on policy and the path out of stagnation has compounded public disillusion. The political climate throughout Europe is unsettled. Perceptions of how the EU leadership acquitted itself in dealing with the crisis certainly vary, but have not been resoundingly supportive on the whole. This is an inauspicious context for the election of a new European Parliament in 2014 and the appointment of a new European Commission. Participation in elections to the European Parliament has never been high – half of the total number of eligible voters voted in the first elections in

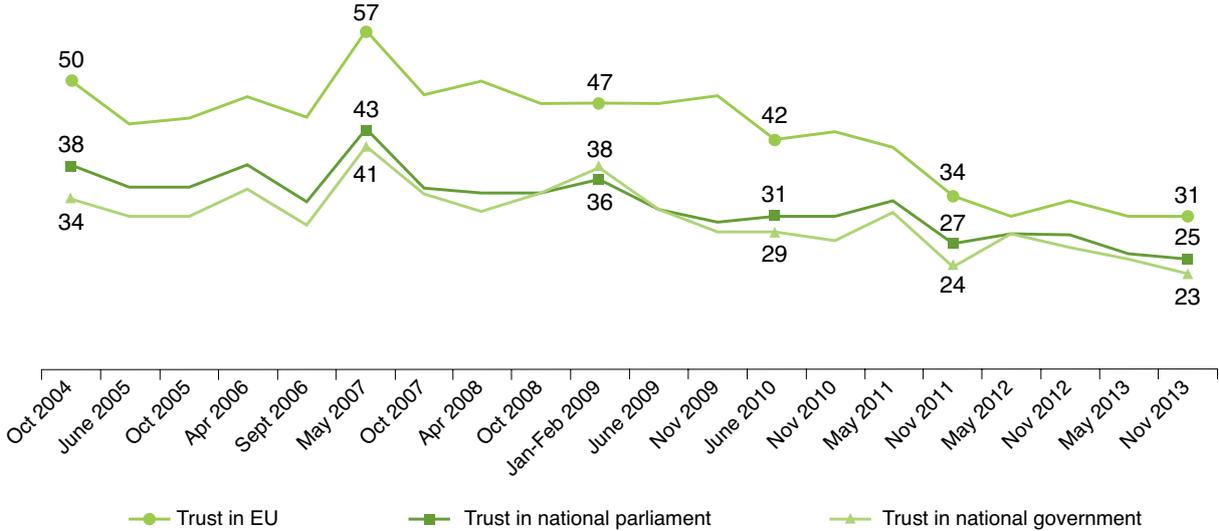
1979 – and turnout has fallen on each successive election. At the last elections in 2009, voter turnout was 43% across the EU. The negative assessment of EU performance, along with growing Euroscepticism, are likely to reinforce the prevailing public attitude towards the elections as primarily an opportunity to punish national governments and to encourage the trend of electing fringe parties with little interest in the European project. Clearly more must be done to foster the democratic backing of Europeans for the EU and its institutions, towards which the dominant mood appears to be one of apathy, if not antipathy. The process of economic and monetary union must continue if Europe is to strengthen its economic framework and avoid future crises. As there is no going back, the issue of securing public acceptance of EMU and further integration should take precedence.

## Trust in the EU

Analysis of Eurobarometer data over the past decade shows that trust in all political institutions has been on a downward trend (Figure 20). However, between 2004 and 2009, a steady 45%–50% of the public tended to trust the EU. The change in mood lagged the crisis; trust dropped

in 2010, presumably as the economic downswing began to have a real adverse effect on people's lives. From that point on, trust in the EU has been on the wane, dropping to a low of 31% at the last poll at the end of 2013.

**Figure 20: Public trust in the EU, national parliament and national government, 2004–2013 (%)**



Source: Standard Eurobarometer 61-80, European Commission

However, the trust of Europeans as a whole in the EU is higher, and has always been higher, than their trust in national institutions: 23% said in 2013 that they tended to trust their government, while 25% trusted their national parliament. Nevertheless, the drop in trust in the EU is more persistent over time. Nor is the greater trust in the EU replicated in all countries. In Austria, Cyprus, Finland, Germany, Luxembourg, Sweden and the UK, citizens have

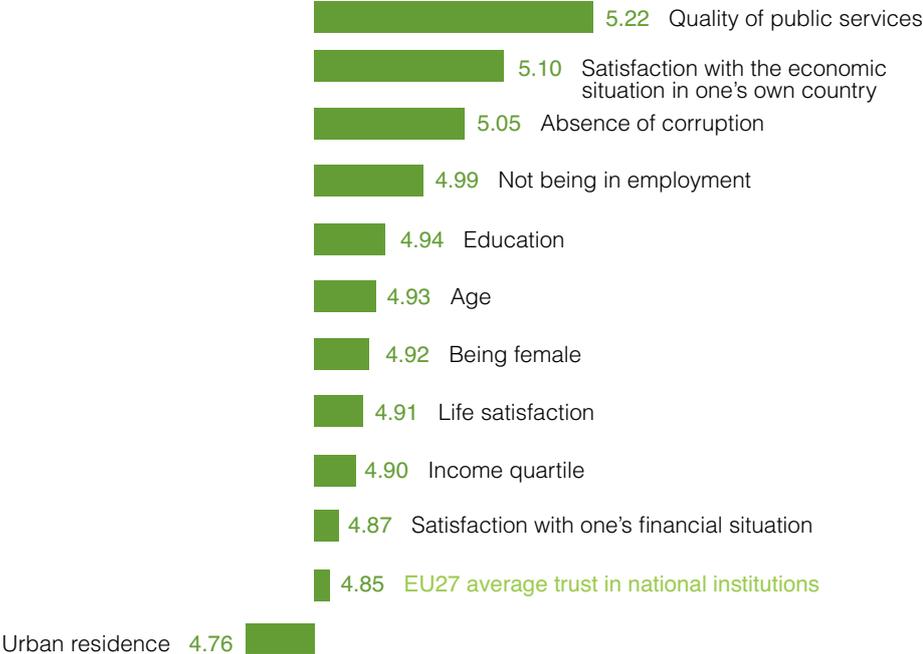
less trust in the EU than in their national institutions. This is not necessarily a result of the crisis – even before that, some countries had large Eurosceptic populations. The countries that felt the fullest force of the crisis continue to have greater trust in the EU; for instance, in Greece, 21% trust the EU compared with 12% who trust the national government.

# What influences trust in public institutions?

How big an influence is economic predicament on trust in public institutions? The question is worth exploring as understanding what influences trust is a starting point to getting policymakers to reverse the loss of trust in public institutions both at the national and supranational level. Analysis of data from the third EQLS provides some revealing answers to the question. The EQLS asks respondents about their level of trust in the following national institutions: the national parliament, the legal system, the police, the press,

the government and the local authorities. Average trust in all these institutions, on a scale of 1 to 10, is 4.85. Figure 21 shows how certain factors (or variables) affect trust in these institutions. A 1-point increase in the value of any variable increases or decreases trust to the estimated score shown for that variable. For instance, a 1-point increase in age category increases trust to a score of 4.93, indicating that older people are more likely to have greater trust of institutions.

**Figure 21: Determinants of trust in public institutions**



*Note: The analysis of data for Figures 21–24 deals with the 27 EU Member States prior to the accession of Croatia, hence the average is taken for the EU27.*

*Source: Third European Quality of Life Survey*

Among the factors that have the greatest influence is, unsurprisingly, a perceived absence of corruption in public life, which increases people's trust in public institutions. And, as expected, how people perceive the economic situation in their country is also important. This confirms that the economic strife of the past several years has been a major contributor to declines in trust. However, interestingly, the greatest impact is Europeans' satisfaction with the quality of public services. A 1-point increase in satisfaction with public services raises the

trust in public institutions from 4.85 to 5.22. This indicates that the overall performance of a broad set of public institutions, not just the political institutions, is a critical factor in trust levels. It suggests that the dynamics of trust in national and European political institutions may be affected by how successful EU and national policy packages are in promoting public service delivery in ways that are recognised and appreciated by the public. It also gives justification for a more thorough, as well as broader, monitoring of institutional performance.

# Quality of public services

European countries invest a large proportion of their budgets in providing public services to their populations. The amount they spend varies from more than 55% of GDP in Denmark, Finland, France and Ireland to around 40% in Bulgaria, Romania and Slovakia. These public services include defence, public order and safety, investments in the economy, environmental protection, housing and community amenities, health, public transport, recreation, cultural and religious provision, education and social protection. Spending on public services in different countries varies according to the funding available from government revenues and the policy goals set by governments.

The level of spending on the provision of different services varies, too. For example, public spending on health is over 8.2% of GDP in Denmark, Ireland and the Netherlands, but is lower than 4.5% in Latvia and under 3.5% in Cyprus. Education amounts to 7% of GDP or more in Cyprus, Denmark and Sweden, and is 4% or less in Bulgaria, Greece and Romania.

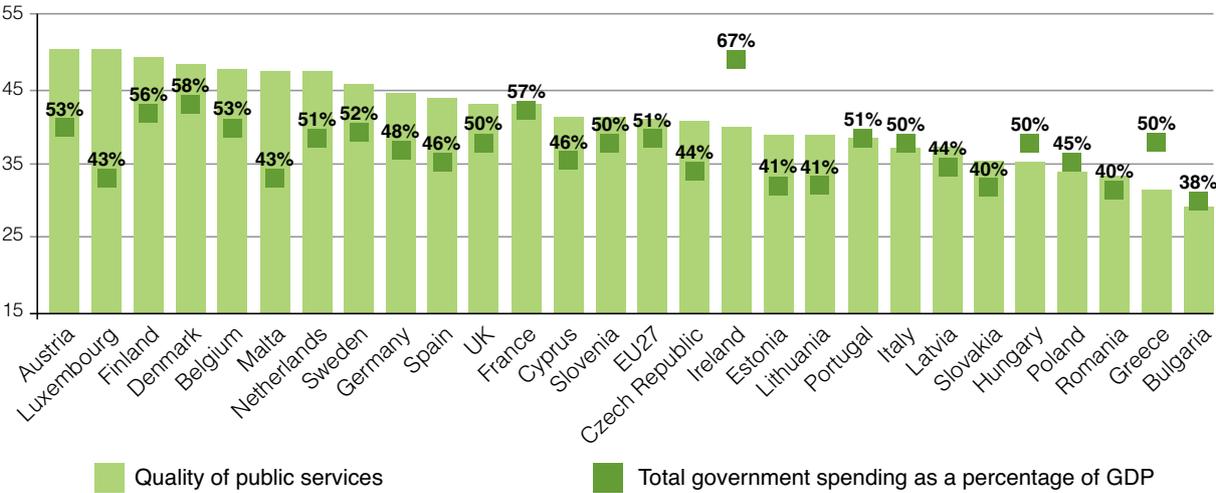
A simple assumption would be that as spending increases, so too does the quality of services. But analysis of data gathered by the EQLS indicates that people's ratings of their public services does not hinge on spending alone.

# Country differences

The EQLS gathers information on how Europeans perceive the quality of selected public services: health, education, state pension system, childcare, long-term care, social housing and public transport. Figure 22 shows how the populations of the EU Member States rate the quality of these public services and compares this with the level of

total government spending as a percentage of GDP. Austria, Luxembourg and Finland are on average rated highest for the quality of their public services. These countries do spend a relatively high proportion of GDP, but Ireland, France and Denmark spend more, and several countries spend more than Luxembourg.

**Figure 22: Perceived quality of public services compared with total government spending**



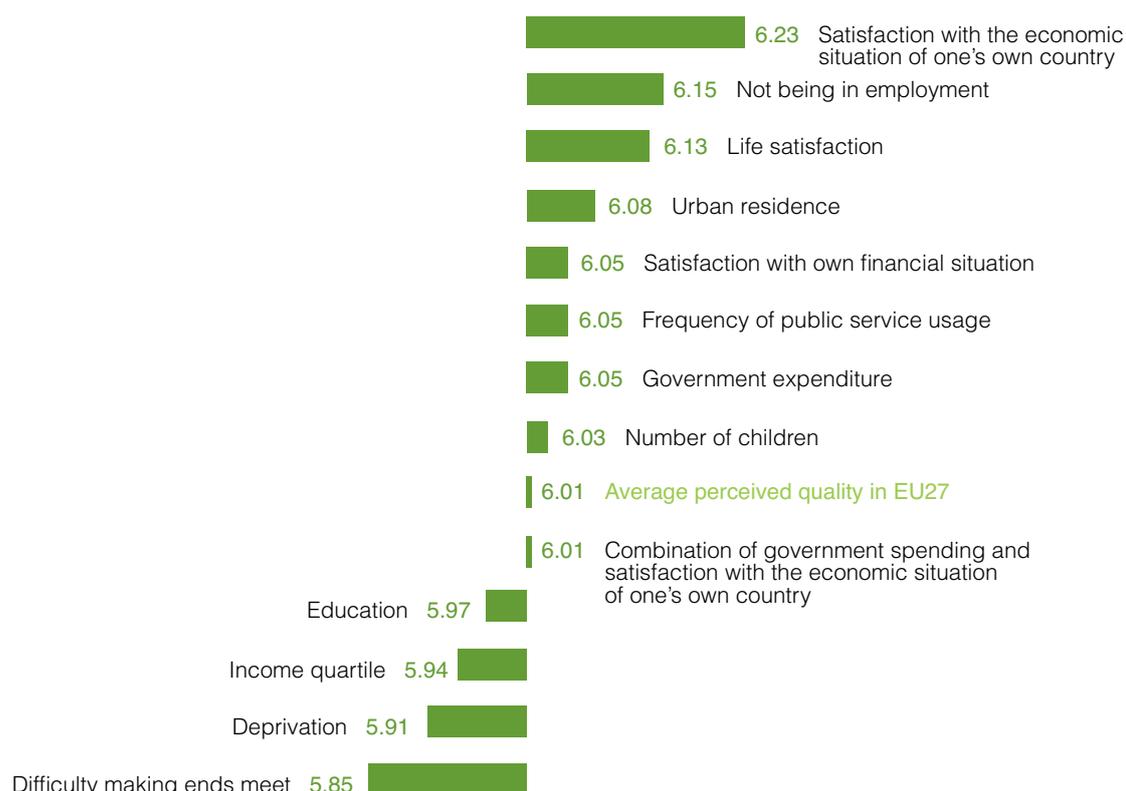
Note: Scale of 1–70 for rating of public services.  
 Source: Third European Quality of Life Survey

# Influences on quality

So, while total government spending affects people's perception of quality of public services, this effect is not as strong as expected. This suggests that other factors matter. EQLS data can be analysed further to discover what these factors are. When scored on a scale of 1 to 10, people in the EU rate the quality of public services at 6.01 on average.

Figure 23 illustrates the influence that a number of variables have on this score. A 1-point increase in the value of any variable increases or decreases perceived quality to the estimated value indicated. For example, a 1-point increase in difficulty in making ends meet decreases the perceived quality of public services from 6.01 to 5.85.

**Figure 23: Determinants of perceived quality of public services**



Source: *Third European Quality of Life Survey*

The strongest factor affecting the perceived quality of public services is an individual's satisfaction with their country's economic situation. This is more influential than their overall life satisfaction. The findings suggest that if a person is satisfied with the economic situation in their country, they are likely to be supportive of their government, which is then reflected in a generally positive evaluation of the services delivered by government. The strong effect of life satisfaction suggests that people with a more positive attitude towards life tend to see their surroundings – including quality of society and public services – in a generally more positive light. It may seem counterintuitive that not being in employment is the second strongest factor increasing perception of the calibre of public services. However, this is the perception among a heterogeneous group; it is dominated by retirees and also includes the unemployed, homemakers and students. These groups tend to be frequent users of public services, a factor that increases perceptions of quality.

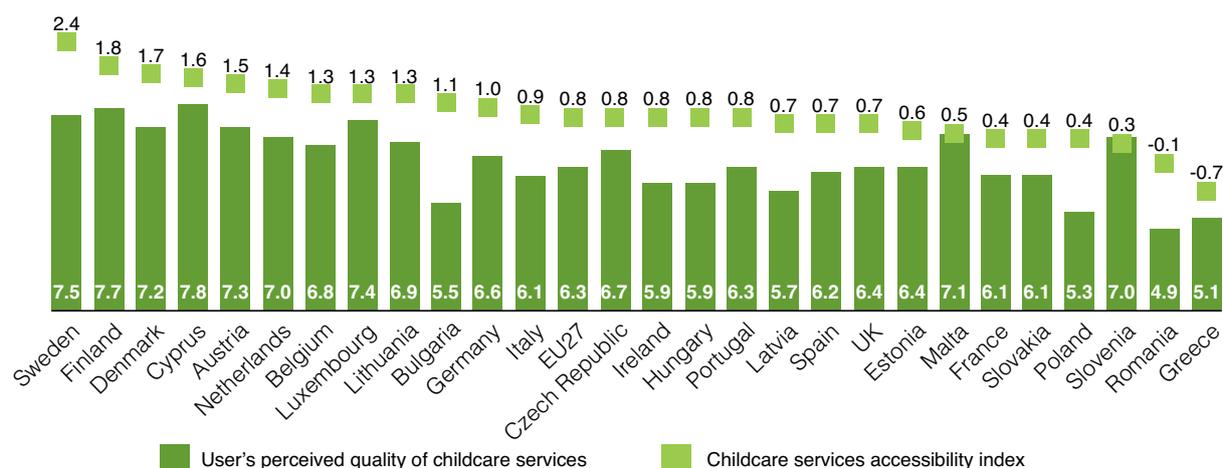
Curiously, while total government expenditure and satisfaction with the economic situation of one's own country each increases the perceived quality of public services when viewed separately, the combination of both factors eliminates the effect. It seems that for a person who lives in a country where government spending is relatively high and who has a high level of satisfaction with the economic situation in their country, their perception of public service quality decreases, indicating that their expectations of provision in their country are not fulfilled. Economic hardship has a negative effect: the two strongest factors reducing perception of quality in public services are difficulty making ends meet and deprivation. This is likely to be related to the fact that deprivation is associated with increased difficulty in accessing a range of public services; yet the poorest are the ones most in need of such services. Ensuring access to services for all the population, including the economically marginalised, should be a policy priority.

# Focus on: Childcare

There is a strong argument for making childcare more accessible for parents. Increasing the employment levels of women is essential to Europe's prosperity as the population ages; it is also one of the most effective means of combating poverty. One of the main barriers to women re-entering the labour force once they have children is lack of access to affordable childcare. It has been shown that pre-school education and care can also have long-term benefits for children, improving their performance at school, reducing early school-leaving and boosting their employment prospects once they leave school. Access to childcare and the employment rate of women are strongly related. In countries with high female employment rates, users of childcare report fewer difficulties accessing childcare services. These countries include the Nordic Member States (Denmark, Finland and Sweden) and Austria, Germany and the Netherlands – all with female employment rates above 65%. In contrast, in Greece, Italy and Malta, less than 50% of working age women are in work

and childcare is more difficult to access. These low levels of participation and lack of support for participation may be related to the persistence of traditional attitudes about the role of women in society in southern Europe countries. The proportion of childcare service users varies throughout Europe. It is highest in Denmark, where 42% of the population avail of childcare, followed by Sweden, Luxembourg, Finland and France, in all of which it is above 25%. Use of childcare is lowest in Bulgaria – just 5% of the population avails of it – and use is below 10% in Slovakia, Malta and Romania. In general, fewer difficulties in access to childcare services result in a higher perceived quality of services (Figure 24). Access to and quality of childcare services are rated high in Finland (the EU country with the highest overall rating by respondents for quality, not just by users) and Sweden (the EU country with the best access). Both factors are also high in Austria, Cyprus and Luxembourg.

**Figure 24: Perceived quality of childcare compared with access**



Note: Quality of childcare is scored on a scale of 1–10; the childcare accessibility index ranges from -4 to 4.

Source: Third European Quality of Life Survey

While access seems to be relatively difficult in Malta and Slovenia, both countries show fairly high levels of perceived quality. It is interesting to note that while access is rated most difficult in Greece, the perceived quality equals that of Bulgaria, where access is rated much higher. The accessibility of childcare is assessed based on the difficulty that users experience in relation to four factors: physical access (such as distance or opening hours), availability, cost and quality. Of these, cost is the main barrier, with 59% of people citing it as a factor that makes

access difficult. It is a bigger problem for people in the lowest income quartile, with 64%, on average, citing it, compared with 55% of people in the highest income quartile. Among single parents, the rate is 67%. Lack of availability is almost as big a problem as cost, posing difficulty for 58% of people. These findings should serve as pointers to governments on the need to support the provision of childcare services, especially among the lowest income earners.

# Quality of life of young people

Concern over high – in some cases soaring – youth unemployment and its persistence has focused attention on the long-term detrimental effect it may have on the lives of young people and the societies in which they live. Analysis of quality of life data finds that lack of work leads to poor well-being, loss of confidence, an undermining of

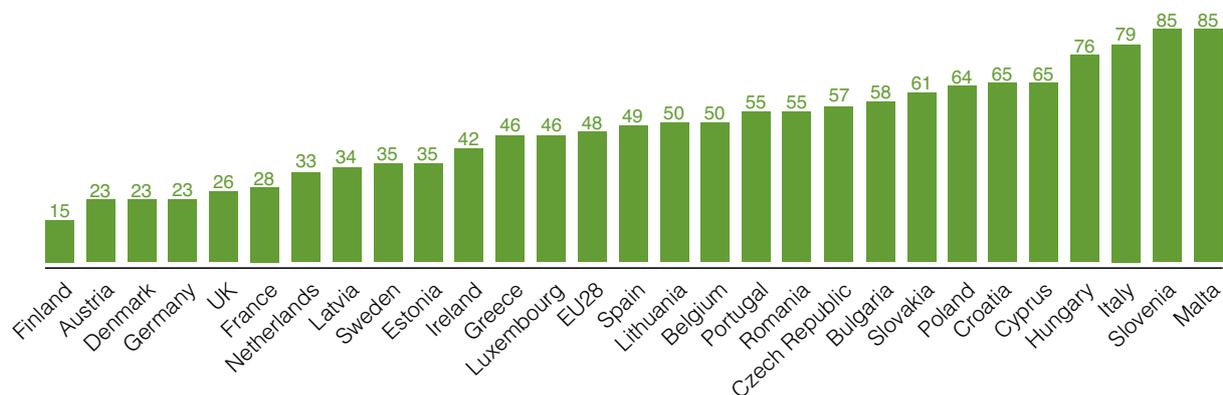
trust and expectations, and an increasing risk of social exclusion. This section looks at findings from the 2013 analysis *Social situation of young people in Europe*, which examined the quality of life of those aged 18–29 years in the EU28 as the first effects of the economic crisis were being felt.

## Delayed independence

Unemployment disempowers the young, preventing them from achieving economic independence and moving into adulthood. Difficulty finding work has prolonged and complicated the transition from education to employment for young people in recent years. In 2011, according to Eurostat, 67% of school-leavers in the EU27 had a job one year after finishing education. But, as a current Eurofound project on mapping youth transitions finds, the dynamics of this transition differ greatly across Member States. It is much more difficult for young people in Bulgaria, Cyprus, Greece, Italy and Spain, where fewer than 50% entered the labour market within one year of leaving education.

At the other end of the spectrum, over 80% were in work in Denmark, Luxembourg, Sweden and the Netherlands. The slowdown in transition into adulthood is illustrated by the rise in the number of young people (aged 18–29) living with their parents: from 44% in 2007 to 48% in 2011. There is wide variation at Member State level: from 15% in Finland to 85% in Slovenia and Malta (Figure 25). Economic independence is a deciding factor on when to move out of home. Just around one-third of young people who are employed live with their parents, compared to over two-thirds of unemployed young people, and one-half of young people still in education.

**Figure 25: Proportion of young people living with parents (%)**



Source: Third European Quality of Life Survey

# Satisfaction and well-being

The gloomy picture of their employment prospects has not, apparently, dented the well-being of young people. They seem, on average, more satisfied with their family life, social life and life in general than older age groups in nearly all countries, and this has not changed significantly since before the crisis. Satisfaction with life is lowest among unemployed young people at 6.2 (on a scale of 1 to 10), compared with an average score of 7.2 among young people as a whole. It is also comparatively low (6.8) among those who have a partner or children and live with their parents. This group is least satisfied with their social life (probably due to the presence of young children), but they have the greatest satisfaction with their family life.

Young people also have slightly better mental well-being in general than older age groups. When measured using the WHO-5 Mental Well-being Index, which rates mental health on a scale of 1 to 100, the score for this group is 66; people aged 30 and over score 62. This is the case in most countries, although there are differences between country groups. Young people have better-than-average mental

well-being in all eastern and some southern European countries, especially Bulgaria, Greece, Romania and Slovenia. A notable exception is Sweden, where young people score 0.3 points lower than the average population on the scale.

Among 18–29-year-olds, the highest mental well-being scores are for those living with their parents (68), in education (68), employed (67) and aged under 25 (67). The lowest scores are among those who are unemployed or inactive (62) and those living with their own families and parents in the same home (61).

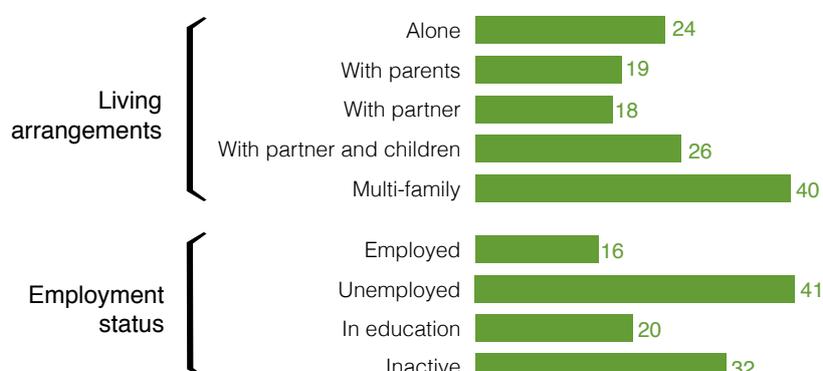
Over two-thirds of young people are generally optimistic about the future – a figure that has not changed much since 2007, and is significantly higher than the average for all age groups in the EU (just over 50%). However, in many countries young people are less optimistic than before, the most dramatic example being Greece, where the proportion of young people who are optimistic about the future fell from 69% to 26% in 2011.

# Deprivation

Nearly half of all young people in the EU live in households experiencing deprivation. Just over a quarter (27%) live with moderate deprivation – this means being unable to afford annual holidays, to invite friends over or to replace worn-out furniture. However, a further 22% experience serious deprivation, meaning that they cannot afford to keep their house warm, to buy meat or fish at least every second day if they wish, or to buy new, rather than second-hand, clothes. The proportion of young people experiencing this more serious form of deprivation has increased by six percentage points since 2007; the greatest increases have occurred in Cyprus, Greece, Portugal and Spain.

In nearly all countries, young people are more likely to experience moderate levels of deprivation than the general population, but are less likely to experience the more serious forms of deprivation. The unemployed and young people with families living with their parents are more likely to experience severe deprivation than other groups of young people (Figure 26). This latter group has seen the greatest increase since 2007 (a rise of 12 percentage points), which suggests that such living arrangements are to some extent the result of economic necessity.

**Figure 26: Proportion of young people experiencing severe deprivation, according to living arrangements and employment status (%)**



Source: Third European Quality of Life Survey

# Social exclusion

Feelings of social exclusion among people under 30 as a whole are no more prevalent than in older age groups, but lack of employment has a big impact: among young people, those who are unemployed or inactive feel more excluded from society than those who are employed or in education. Young people with a partner and/or children who live with parents also feel a high degree of social exclusion, which is probably a result of their inability to move to their own home.

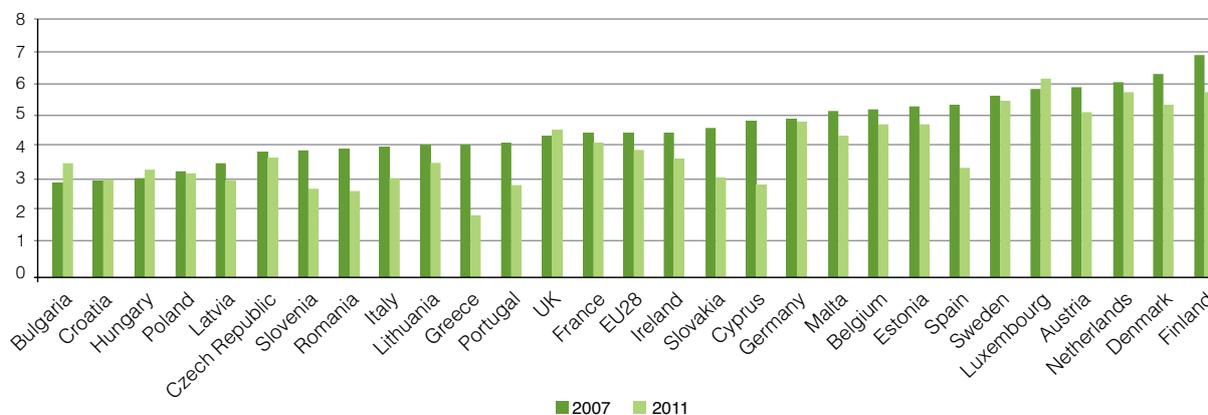
There are large variations evident across countries. Social exclusion among young people is greatest in Bulgaria, Cyprus and Greece and lowest in Austria, Denmark and Germany, but levels are similar to those of the whole populations of these countries. The economic crisis has, for the most part, not increased young people's sense of exclusion; exceptions to this are Cyprus, Sweden and Greece, where there have been significant increases.

# Trust in institutions

Young people as a whole trust institutions as much as older people do, with the exception of the police, which they trust less. In 2011, young people rated their trust of the police at 5.7 on a scale of 1–10 as against 6.0 for older groups. However, the police was the only institution that young people trusted as much as they did in 2007. Their trust in all other institutions – the government, the national parliament, the press and the legal system – has decreased since before the crisis (Figure 27). These decreases in trust are a little less than those reported for older age groups.

Of course, young people's trust in institutions depends strongly on the country context. For instance, in 2011, young people trusted government most in the Nordic countries and in other high-income countries such as Austria, Luxembourg and the Netherlands. In contrast, trust in the government was low in many countries of central and eastern Europe.

**Figure 27: Trust in the government among young people, 2007 and 2011**



Note: Scale of 1–10.

Source: European Quality of Life Survey

The main change since 2007 is that trust in government has plummeted in the southern European countries that have been hit hardest by the crisis: Greece, Cyprus and Spain. In Bulgaria, Hungary and Luxembourg, elections for government had taken place shortly before the survey,

and in these countries, trust in government had measurably increased. Similar changes in young people's trust were measured for other institutions (with the exception of the police, as already noted).

## Political activity

Young people do not apparently view politics as a route to tackling their social disadvantages. Political activism is low: just 6% had attended a meeting of a political organisation or contacted a politician in the year prior to the survey, while 9% had attended a demonstration. Their typical way of participating in political activities is through the rather more passive form of signing petitions, which 20% had done in the year prior to the survey. Young people currently in education are the most likely to participate in political

activities, while those who are unemployed or inactive are the least likely.

However, there is a stronger stirring of political protest in young people in the most economically troubled countries. Young people in Greece, Cyprus and Spain, as well as the less economically distressed France, are considerably more likely to have attended a demonstration than in other countries, with percentages varying between 17% and 22%.



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# **Eurofound supporting the recovery**

# Eurofound supporting the path to recovery

Europe's economic storm of the past five years has subsided, growth has very tentatively turned upwards, and the rise in unemployment has halted. The efforts made by the EU leadership towards stabilising the euro zone and addressing the structural weaknesses in the design of monetary union seem to be bearing fruit, albeit slowly. Yet, as Europe steadies itself from the economic shock, confidence remains elusive and questions mount over what happens next.

The citizens of Europe need answers to such critical issues from the new European Commission and Parliament of 2014 and from EU leaders. Clearly, improving the circumstances of citizens is fundamentally dependent on a return to growth and the creation of jobs. And the EU's intense concentration on economic stabilisation and regaining competitiveness is tackling those ends. The challenge cannot be underestimated: the EU must not only sort out anomalies whose roots are tangled in its own structures; its decisions must also enable the Union to adapt to the changing globalised and complex world of now and the future.

But there are other obstructions to recovery and progress, and EU policy can make appreciable steps in dismantling

them. Despite soaring unemployment, for instance, employers complain that they cannot find staff with the right skills. Policies to tackle such mismatches will contribute to a better-functioning labour market: policies whose aim is to reskill those who have lost their jobs, to reintegrate those who have lost touch with the labour market, and to better align educational curricula with skills profiles needed by industry. Better availability of affordable and accessible childcare could open the door into paid work for women especially – and this would help raise many from poverty. Policies that bolster the efficiency and effectiveness of public services and social supports help to shield the disadvantaged from the fallout of economic failures. Investing in public services has knock-on benefits, not least improving trust in the institutions that govern and regulate, the institutions that people eye more sceptically post-crisis.

Devising policies that can deliver a better life for Europeans demands systematic evidence-gathering and its careful analysis and interpretation. This is where Eurofound comes in, providing the facts, figures and policy insights to demonstrate where and what action needs to be taken.

Its three harmonised surveys, involving more than 30,000 interviews each, collect facts, perceptions and opinions



across Europe. The European Working Conditions Survey gathers information from workers about their contracts, job security, working time, learning opportunities, workplace risks, job satisfaction and more. The European Quality of Life Survey interviews citizens on their living conditions, living standards, social environment and well-being. The European Company Survey asks managers and employee representatives about work organisation, work practices and social dialogue in their companies to come to a better understanding of how these can simultaneously improve company performance and outcomes for employees.

Another important source of information is Eurofound's network of correspondents. These are experts in the Member States who monitor and inform us of developments in their countries and help us to analyse it.

Eurofound's European Restructuring Monitor is a database of large-scale restructuring events in private companies and the public sector. We draw on this and other third-party datasets to provide clarity on the evolution of the European labour market, its development trajectory and the implications of the new international division of labour.

All these data collected and sourced by Eurofound are analysed to see where progress is being made in society and in work, and where it is not. This enables us, for instance, to define what constitutes a good job, what distinguishes a bad job, and to conclude that half of workers in Europe are in good jobs while one-fifth are in bad jobs. Or it enables us to detect the knock-on consequences of unemployment for young people, to highlight the increasing numbers living at home and experiencing deprivation.

By analysing the data, we can also infer how some attributes of the person, workplace or society are affected by other attributes. So we can show how much unemployment reduces a person's well-being and sense of social inclusion; or that men spend more hours in paid work, but women do more work overall if unpaid labour is counted; or that parents' divorce makes it more likely that a young person will become NEET.

We also use the data to compare Member States and, crucially, to see the extent to which they mirror or contrast with aggregate European patterns. We know, for example, that while in Europe as a whole there is growth in highest-paying jobs and lowest-paying jobs with job loss in the middle, the balance is quite different for some countries. Hungary, Italy, the Netherlands, Romania and Slovakia, for instance, have seen job loss in the higher-paying categories and job growth in the lower-paying categories.

The review of the year 2013 documented in these pages suggests that Europe is struggling to deliver on the improvement of the living and working conditions of Europeans, a central goal of European integration from the start. Large differences exist not only between different groups of citizens, but between Member States. These disparities, if not addressed, put the European project in jeopardy. Eurofound provides a wealth of knowledge and experience whose purpose is to feed into the policies that tackle inequalities in employment, work and quality of life; it has a key role to play in making living and working in Europe better for citizens in the years ahead.





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# Eurofound's brief

## What does Eurofound do for you?

- We benchmark good practice in industrial relations, living and working conditions, employment and competitiveness
- We make key actors aware of challenges and solutions
- We support policymaking by monitoring the latest developments in living and working conditions

Eurofound, a tripartite European Union Agency, provides knowledge to assist in the development of social and work-related policies.



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