European Commission

Directorate-General for Economic and Financial Affairs

Labour market and wage developments in 2009

TABLE OF CONTENTS

| Summary and main findings | 11 |
|---|------------|
| PART I. EMPLOYMENT AND WAGE DEVELOPMENTS | 17 |
| 1. GENERAL DEVELOPMENTS IN 2009 | 19 |
| 1.1. EMPLOYMENT AND UNEMPLOYMENT | 19 |
| 1.2. CHANGES IN EMPLOYMENT AND PARTICIPATION RATES IN THE LAST TWO YEARS | 23 |
| 1.3. THE DYNAMICS OF HOURS WORKED | 24 |
| 1.4. MOVEMENTS INTO AND OUT FROM UNEMPLOYMENT | 31 |
| 1.5. EMPLOYMENT PROSPECTS IN COMING YEARS | 38 |
| 1.6. THE EFFECT OF THE RECESSION ON DIFFERENT DEMOGRAPHIC GROUPS | 42 |
| 1.6.1. Employment | 42 |
| 1.6.2. Employment rate | 45 |
| 1.6.3. Unemployment and participation | 47 |
| 1.6.4. Unemployment rate and participation rate | 48 |
| 1.6.5. Foregone Employment | 52 |
| 2. WAGE AND LABOUR COST DEVELOPMENTS | 57 |
| 2.1. LABOUR COST DEVELOPMENTS IN THE EURO AREA | 57 |
| 2.1.1. Recent labour cost developments | 57 |
| 2.1.2. The near-term outlook for labour cost developments | 68 |
| 2.1.3. Competitiveness developments within the euro area | 70 |
| 2.2. LABOUR COST DEVELOPMENTS IN DENMARK, SWEDEN AND THE UNITED KINGDOM | 72 |
| 2.3. LABOUR COST DEVELOPMENTS IN CENTRAL AND EASTERN EUROPE | 74 |
| 2.3.1. Recent labour cost developments | 74 |
| 2.3.2. The near term outlook for labour cost developments | 79 |
| PART IÍ. FROM CRISIS TO REFORMS: LABOUR MARKET INSTITUTIONS AND REFORMS IN A POST-RECESSION ENVIRONMENT | 83 |
| 1. INTRODUCTION | 85 |
| 2. THE COSTS OF SEGMENTED LABOUR MARKETS | 87 |
| 3. WHY RESUMING A CONSISTENT REFORM STRATEGY AFTER THE CRISIS | 97 |
| 4. CHANGES IN THE LABOUR MARKET AND SOCIAL POLICY SETTINGS IN RESPONSE TO THE CRISIS | 100 |
| 4.1. MEASURES TO STIMULATE LABOUR DEMAND | 103 104 |
| 4.1.1. Wage subsidies and public sector job creation | 104 |
| 4.1.2. Cuts in non-wage labour costs | 104 |
| 4.1.3. Short-time working schemes | 105 |

| 4.2. MEASUR | ES TO ENSURE A RAPID (RE-)INTEGRATION INTO THE LABOUR MARKET | 105 |
|---------------|--|-----|
| 4.2.1. Jol | b-search assistance and activation policies | 105 |
| 4.2.2. Vo | cational training and work-experience programmes | 106 |
| 4.2.3. → Bus | siness start-up incentives | 106 |
| 4.3. MEASUR | RES TO SUPPORT INCOME OF JOB LOSERS AND LOW-INCOME HOUSEHOLDS | 106 |
| 4.3.1. Un | employment benefits | 106 |
| 4.3.2. Soc | cial assistance and other income support | 107 |
| 4.4. LABOUR | MARKET AND SOCIAL POLICY SPENDING DURING THE CRISIS | 109 |
| 4.5. SHORT TI | ME WORKING ARRANGEMENTS DURING THE RECESSION | 111 |
| 4.5.1. Mo | ain institutional features | 113 |
| 4.5.2. The | e role of STW during the crisis: empirical evidence | 115 |
| 4.6. THE UNE | MPLOYMENT INSURANCE SYSTEMS DURING THE RECESSION | 119 |
| 4.6.1. Un | employment benefit systems and their adjustment to the crisis | 120 |
| 5. LONG-TERI | M CHALLENGES IN A POST CRISIS ENVIRONMENT | 137 |
| REFERENCES | | 145 |
| ANNEX I: D | escription of Unemployment Benefits | 149 |
| ANNEX II: C | Description of Short-time working schemes | 159 |
| \ | Maximum duration and level of short-time working schemes and unemployment penefits before and after the crisis | 165 |

STATISTICAL ANNEX