



**– Labour market monitor 2011 –
a yearly, EU-wide system to watch labour market
developments**

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1. Introduction

The labour market situation in the European Union is watched on the basis of regularly updated Eurostat- key indicators. In particular the unemployment rate receives special attention and is frequently put on a level with the overall performance of a labour market. However, the unemployment rate merely shifts the attention of policy makers and the public on this one specific, albeit important facet of labour market performance.

De facto participation and earnings opportunities and the structure of labour markets within the Union are diverse, making a straight forward cross-country monitoring over time complex.

Against this background experts of the Austrian Chamber of Labour and the Austrian Institute of Economic Research intended to capture a broad spectrum of labour market aspects in a European context. For this purpose five distinct areas which highlight different labour market perspectives were selected in 2010:

1. Overall labour market performance
2. Orientation towards integration
3. Equity of labour market entry and continuity
4. Distribution of earnings
5. Distributional equity of the welfare state

For each area an index is constructed on the basis of a number of indicators for all European country. Hence the labour market monitor consists of five separate area indices. Each index can take a value between 1 and 10, where 10 points stand for the optimal score and 1 the worst. According to index scores countries are positioned into four groups in an ascending order: the top end, the upper midfield, the lower midfield and the low end.

The aim is to establish a labour market observation system which condenses key aspects and trends out of a large number of indicators. The use of European comparable and regularly available indicators should ease consecutive updates of area indices, allowing for an observation of developments over time. The following presentation of results refers to the first update of the labour market monitor constructed in 2010. The advantage of this instrument lies in the

- bundling of complex economic, political and societal nexuses into a few index scores
- comparability of national circumstances which can be used for benchmarking
- regular and swift updates
- creation of a descriptive overview which can be the starting point of more fundamental analysis

The construction of indices does however also represent a tightrope walk between the complexity of the information to be processed and the transparency and usability of the

summarised information. This encompasses also the risk of misinterpretations. This risk is counteracted by a transparent procedure and documentation of data and methods. Abstaining from explicit rankings and the separate presentation of five aspects of the labour market are supposed to raise the informative content and counteract misinterpretation.

2. Dimensions of the labour market monitor: The five areas

The first two areas mirror standard aspects of the labour market performance of a country: The first Area-Index (1) “Overall Labour Market Performance” refers to the labour market in relation to the overall economic situation of a country according to key indicators such as the employment rate. Area-Index (2), “Orientation towards Integration” measures the extent of integration of specific population groups into the labour market.

The third Area-Index (3) captures the ability of a country to enable labour market access; educational attainment and the available care infrastructure doubtlessly play an important role. The fourth (4) and fifth (5) area index show differences in the “Distribution of Earnings” and the “Distributional Equity of the Welfare State”.

Figure 1: Overview of evaluated areas

Labour Market Monitor "Area-Indices" (58 Indicators)	1	Overall Labour Market Performance (EU-27, 2010) (7 Indicators)
	2	Orientation towards Integration (excl. LU & MT, 2010/2009) (13 Indicators)
	3	Equity of Access and Continuity (excl. BG & EE, 2010/2009/2008/2005) (20 Indicators)
	4	Distribution of Earnings (EU-27, 2010/2009/2006) (8 Indicators)
	5	Distribution Welfare State (EU-27, 2009/2008) (10 Indicators)

Q: Eurostat, WIFO.

3. Area-Index 1 – Overall Labour Market Performance

The relative level of the overall labour market performance is measured by means of seven indicators. These key figures mirror the following aspects:

- The extent of employment amongst the population of working age und the development of labour demand (employment rate, employment rate in full-time

equivalents and growth of the rate of employment in comparison with the previous year),

- the magnitude of unemployment (unemployment rate) and
- the economic performance of a country (economic growth and productivity: Real GDP per capita – absolute in Euros and change over time, as well as labour productivity per employee).

3.1 Results of the Labour Market Monitor 2011

The maximum value of the index of overall labour market performance of the labour market is reached by Luxemburg, whereas Latvia holds the minimum (Figure 3). Lithuania, Spain and Estonia lie together with Bulgaria and Hungary far from the European midfield, at the low end of the distribution of scores within the Union. In general, small states together with Germany compose the top end: behind Luxemburg are Sweden, Austria, Denmark, the Netherlands, Cyprus and Germany. The three high scoring countries Luxemburg, Sweden and Austria show to have similar strengths. When looking at the sub-area employment, Sweden holds the top position; as for real GDP per capita Sweden immediately follows Luxemburg. Austria has a similarly strong position in terms of employment and the unemployment rate. Luxemburg can score with respect to the indicators capturing growth of the employment rate in comparison to the previous year, the unemployment rate and real GDP per capita as well as labour productivity per employee. The fourth position is taken by Denmark followed by the Netherlands, Cyprus and Germany. The Netherlands also have a favorable employment and unemployment rate, but reach lower scores with respect to the employment rate in full-time equivalents and growth of the employment rate relative to the year before. Behind these seven leading countries at the top end of the Union, the upper midfield is comprised of Finland, the United Kingdom, Belgium, France, the Czech Republic, Slovenia and Poland.¹ The lower midfield includes the countries Portugal, Malta, Slovakia, Rumania, Greece, Ireland and Italy. Below the 25%-Percentile frontier Hungary, Bulgaria, Estonia, Spain, Latvia and Lithuania are trailing behind.

3.2 Shifts of the Labour Market Monitor 2010/2011

Germany's position within the European country structure of the area "Overall Labour Market Performance" noticeably improved (Table 1). Whereas Germany's last index score barely ranged amongst upper midfielders, the current score secures a position amongst top performers with a strong labour market performance. Germany especially catches up with respect to the sub-area employment, in particular the indicators for employment in full-time equivalents and employment growth ameliorated. The improvement of the Austrian position also largely stems from a better rank within this sub-area.

¹ The relative downward shift of Finland results from a data revision of the year 2008.

Within the analysed time frame the relative position of the two New Member States Estonia and Latvia has however deteriorated markedly. Contrary to the upward climbing countries Germany, Belgium and France, which enhanced their relative position due to improvements in employment, the two Baltic States show opposing tendencies: Estonia as well as Latvia fell back with respect to the relative employment rates and the employment rate in full time equivalents.

Movements in the constellation of countries are also evident for other countries. France, Belgium, but also Poland, Rumania, Italy and Malta can all improve their relative position across groups. Nevertheless, the top-level of the area "Overall Labour Market Performance" remains stable.

4. Area-Index 2 – Orientation towards Integration

The second area index measures different aspects of integration of a labour market and employment system, which taken together give reference for the ability or orientation of a labour market to integrate different groups of persons. It includes 13 indicators in all the following aspects are considered:

- The employment structure (employment rate of various age groups, gender specific employment gaps, involuntary part-time employment, involuntary fixed-term employment),
- the structure of unemployment, i.e. unemployment of selected groups (unemployment rate of young and old people, rate of long-term unemployment and long term unemployment of older people) and
- the level of commitment to active labour market policies (expenditure in % of GDP as well as in % of GDP per % unemployed, participation in labour market measures).

4.1 Results of the Labour Market Monitor 2011

Greece exhibits the lowest orientation towards integration and Denmark the highest. Behind Denmark, and also amongst the top performers within the EU-27, follow the Netherlands, Austria, Sweden, Finland as well as recently Germany and Belgium (Figure 4). Behind the top end countries Slovakia, Cyprus, Poland, France, the United Kingdom, Ireland and Estonia can position themselves in the upper midfield. The lower midfield and the low end are exclusively comprised of South European and New Member States. Portugal, the Czech Republic, Latvia, Bulgaria and Lithuania form the lower midfield, whereas the low end includes Spain, Rumania, Hungary, Italy, Slovakia and at last Greece. The countries at the low end have a relatively weak orientation towards labour market integration.

4.2 Shifts of the Labour Market Monitor 2010/2011

Belgium and Germany climbed up to the top performing countries with a strong orientation towards integration (Table 2). Equally Poland can improve, whereas Latvia, Lithuania and

Spain descend by one group. Already a top performer in terms of the level of commitment to active labour market policies and the number of participants in labour market measures according to the Labour Market Monitor 2010, Belgium made relative progress with respect to the structure of the labour market – in particular indicators for part-time employment (main reason: could not find a full-time job) and the unemployment rate of young and old persons improved. Germany can reach a higher positioning mainly due to higher scores of the indicators measuring older persons in the labour market, i.e. the employment and unemployment rate of the 55 to 64 year olds. Poland's improvement mostly stems from relative upward movements of the indicators for long-term unemployment of the working population (15- 64 years) and the long-term unemployment rate of the 50-64 year olds as well as expenditure on active labour market policy in % of GDP per % unemployed. Lithuania comes down to the lower midfield from a position amongst the top performers. Similarly, Latvia cannot hold its position amongst countries of the upper midfield. The deterioration of the relative position of Baltic countries Lithuania and Latvia is primarily caused within the sub-area unemployment.

5. Area-Index 3 – Equity of Access and Continuity

This area takes a closer look at how employment and earnings opportunities are linked to:

- educational opportunities,
- the health situation and
- individual caring responsibilities

These factors represent main determinants of labour market opportunities. In all 20 indicators covering aspects of participation in education, exclusion, child care and health issues are included in this area.

5.1 Results of the Labour Market Monitor 2011

The Nordic countries Sweden, Denmark and Finland are the leading countries in this area and form the European top end (Figure 5). Luxemburg, Slovenia, the Netherlands and the United Kingdom belong to the group of countries with the highest scores in terms of labour market equity of access and continuity. Ireland together with Belgium, Cyprus, France, Austria, the Czech Republic and Spain make up the upper midfield. The lower midfield is comprised of Lithuania, Germany, Greece, Poland and Latvia. The greatest problem with respect to equity and access exists in large south European states and in the New Member States. Slovakia, Malta, Hungary, Portugal, Rumania and Italy are situated at the low end of the distribution of scores.

Albeit Austria is positioned in the upper midfield of the European Union, its index score remains behind the EU- average. Austrian weaknesses consist in the reconciliation of work and private life (Formal child care and part-time due to care responsibilities) as well as in indicators capturing health.

5.2 Shifts of the Labour Market Monitor 2010/2011

The constellation of countries is also relatively stable in terms of “Equity of Access and Continuity”, the largest changes in this area occur in the upper midfield (Table 3). Luxemburg and Spain can improve their relative position by two groups, Luxemburg from the lower midfield to the top end and Spain from the low end to the upper midfield. Nevertheless, at second glance only Luxemburg can improve its position evidently. This is largely attributable to improvements with respect to educational indicators. Although a rank improvement for Spain becomes apparent, this can be assigned to the deterioration of the rank position of other countries rather than to a substantial increase in index scores. Ireland, Slovakia, Poland and Rumania relapse and fall behind Spain, whereby the position of Slovakia apparently deteriorates considerably. This new Member State cannot hold its position in the upper midfield and falls back to the low end of the Union.

Latvia can move up by one group, from the low end to the lower midfield. Austria also belongs to the upward climbers and according to the Labour Market Monitor 2011 can position itself among the upper midfield of European Union countries. Similarly to Spain this forward movement is caused by the fallback of other countries.

6 Area-Index 4 – Distribution of Earnings

The fourth area index is concerned with the level and distribution of labour earnings. In all, this index is comprised of eight indicators, where the following indicators enter the calculation:

- the functional and personal distribution of primary income (labour earnings as % of GDP, income distribution- quintiles),
- the tax- burden on labour,
- the gender specific earnings differential,
- the share of the low- wage sector and
- the extent of “working poor” individuals in a society.

Altogether 8 indicators are included in this area index.

6.1 Results of the Labour Market Monitor 2011

Belgium records the highest index score, followed by Slovenia, Malta, Finland, Denmark, Luxemburg and Ireland (Figure 6). Belgiums' top position is favoured by the indicators capturing labour income and the extent of the „working poor”, but also an above average positioning with regard to the balance of the distribution of earnings. Slovenia exhibits its strengths in the distribution of earnings and specifically with the indicator for the “gender pay gap” – here this new Member State lies at the top of the Union. Also the extent of the “working poor” compares favourably to the other 26 EU-countries. Denmark and Finland have a good position with respect to the “working poor”; however they fall behind the two leading countries due to worse scores for the level of income and the distribution of earnings

and specifically the gender pay gap. Luxemburg and Ireland show strength for the income related indicators. Contrary to Luxemburg, Ireland also holds a top position in terms of the distribution of earnings. The upper midfield is comprised of France, Sweden, the Netherlands, the United Kingdom, Cyprus, Italy and Austria. The lower midfield consists of Germany, the Czech Republic, Portugal, Spain, Slovakia and Hungary. Poland, Greece, Bulgaria, Estonia, Lithuania, Rumania and Latvia form the low end.

Results for this index are very similar compared to the calculations performed in the previous year, the ranking and group constellations only alter marginally.

7 Area-Index 5 – Distribution Welfare State

The fifth area encompasses issues related to social protection and the level of transfers granted. The index contains ten indicators covering

- key figures of the extent and structure of social security benefits (in % of GDP) and
- indicators related to the outcomes of public interventions – depicted by means of measures of the risks of poverty.

7.1 Results of the Labour Market Monitor 2011

Denmark and Sweden can position themselves at the top end, ahead of the Netherlands, Austria, Belgium, Finland and France (Figure 7). The index scores of the top end lie very close together. The lowest score is reached by Latvia, which together with Rumania, Bulgaria, Lithuania and Slovakia forms the low end of countries. The only New Member States to reach an index score above the EU-27 median are Hungary and Slovenia. The southern European countries Italy, Portugal, Greece and in particular Spain also show to have index scores which lie far from the European median.

A large heterogeneity with respect to the use of welfare state activities manifests itself. Hence Denmark leads in terms of the endowment of the welfare state functions “invalidity/disability”, “family/children” and “unemployment”, whereas it lies in the midfield for the function “illness/health care”. The Netherlands and France on the other hand take up the front ranks for the function “illness/health care”. Relative to the Nordic countries Denmark, Sweden and Finland, the Netherlands – measured in % of GDP – spend less on the family and children. The New Member States occupy the lowest ranks of the area welfare state.

Also for the impact of state intervention – here elucidated by the quantitatively ascertainable poverty in a EU- country – Denmark can be found at the top of the Union. With regards to the expenditures on education in % of GDP, Denmark even holds the top position in front of Sweden.

Overall results in the area “Distribution Welfare State” are stable versus the Labour Market Monitor 2010, which is due to the strong structural perspective of this index. Hence no shifts occurred between country groups (Table 5).

Index Construction

The individual Area-Indices are not consolidated to one single index, but represent specifically selected labour market aspects of interest. Behind these area scales lie a number of harmonized indicators which are available for all 27 EU countries (with some exceptions). These indicators are supposed to make the chosen labour market aspects comparable across countries.

Each index is hence composed of a number of indicators, which varies according to the area. The first index “Overall Labour Market Performance” for example, comprises seven indicators in all, whereas a sum of 20 indicators is included in the third area index “Equity and Continuity of Access”.

Three steps of calculation are necessary before indicators can be aggregated to an index:

1. Indicators can take on different values (such as percent or Euros) and hence have to be normalized. The Min-Max method was chosen for this purpose.
2. Normalised indicators are transformed to range from 1 to 10.
3. Indicators are weighted by the average standard deviation of all 27 EU countries so as to have a more equal impact on the overall Area-Index.

Within each Area-Index countries take on values from 1 to 10, where 1 is the lowest score and 10 the highest.

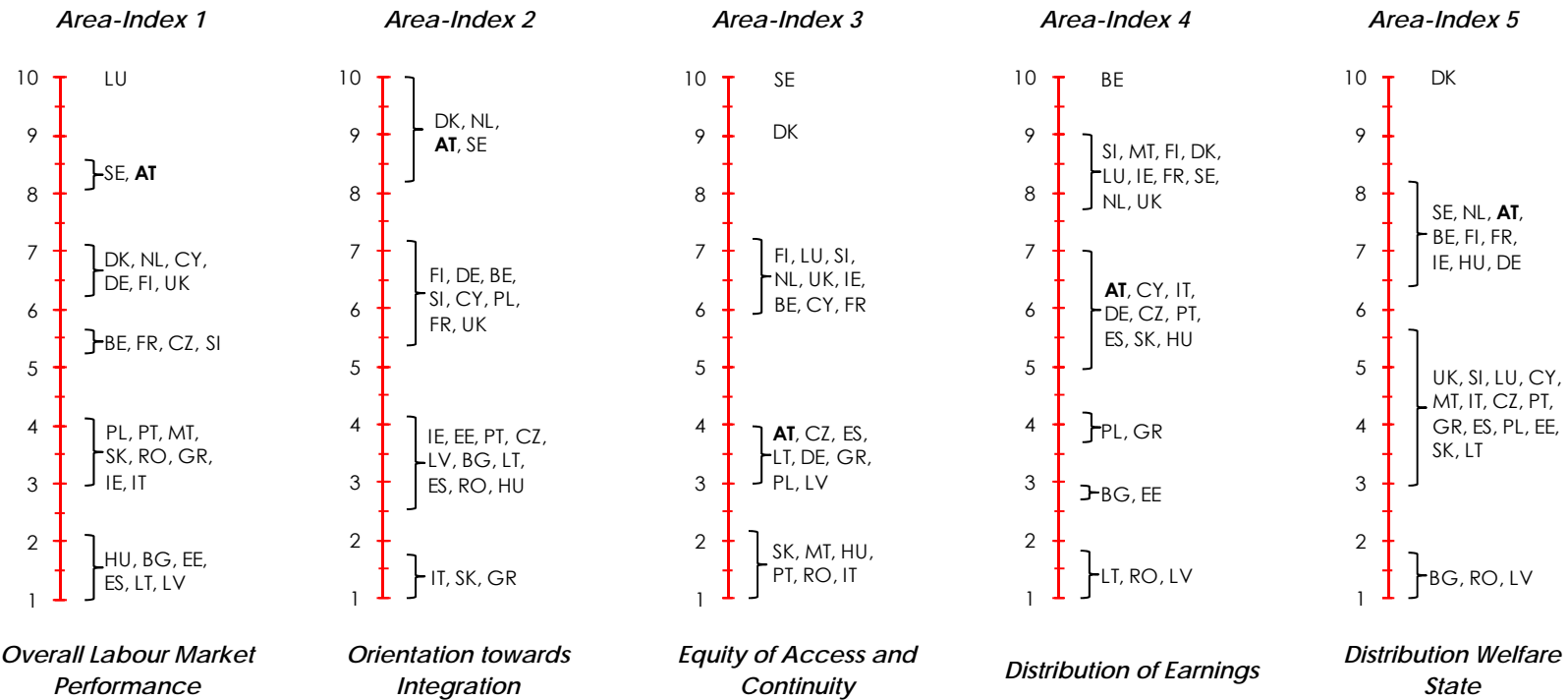
Essentially it has to be considered that even after a careful selection process of indicators; an index can never fully capture national differences and country-specific circumstances. Therefore results are to be considered as an approximation to labour market related country patterns.

Abbreviations EU-27

EU-27: The 27 members of the European Union (since January 1st, 2007):

BE	Belgium
BG	Bulgaria
CZ	Czech Republic
DK	Denmark
DE	Germany
EE	Estonia
IE	Ireland
GR	Greece
ES	Spain
FR	France
IT	Italy
CY	Cyprus
LV	Latvia
LT	Lithuania
LU	Luxembourg
HU	Hungary
MT	Malta
NL	Netherlands
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PL	Poland
PT	Portugal
RO	Romania
SI	Slovenia
SK	Slovakia
FI	Finland
SE	Sweden
UK	United Kingdom

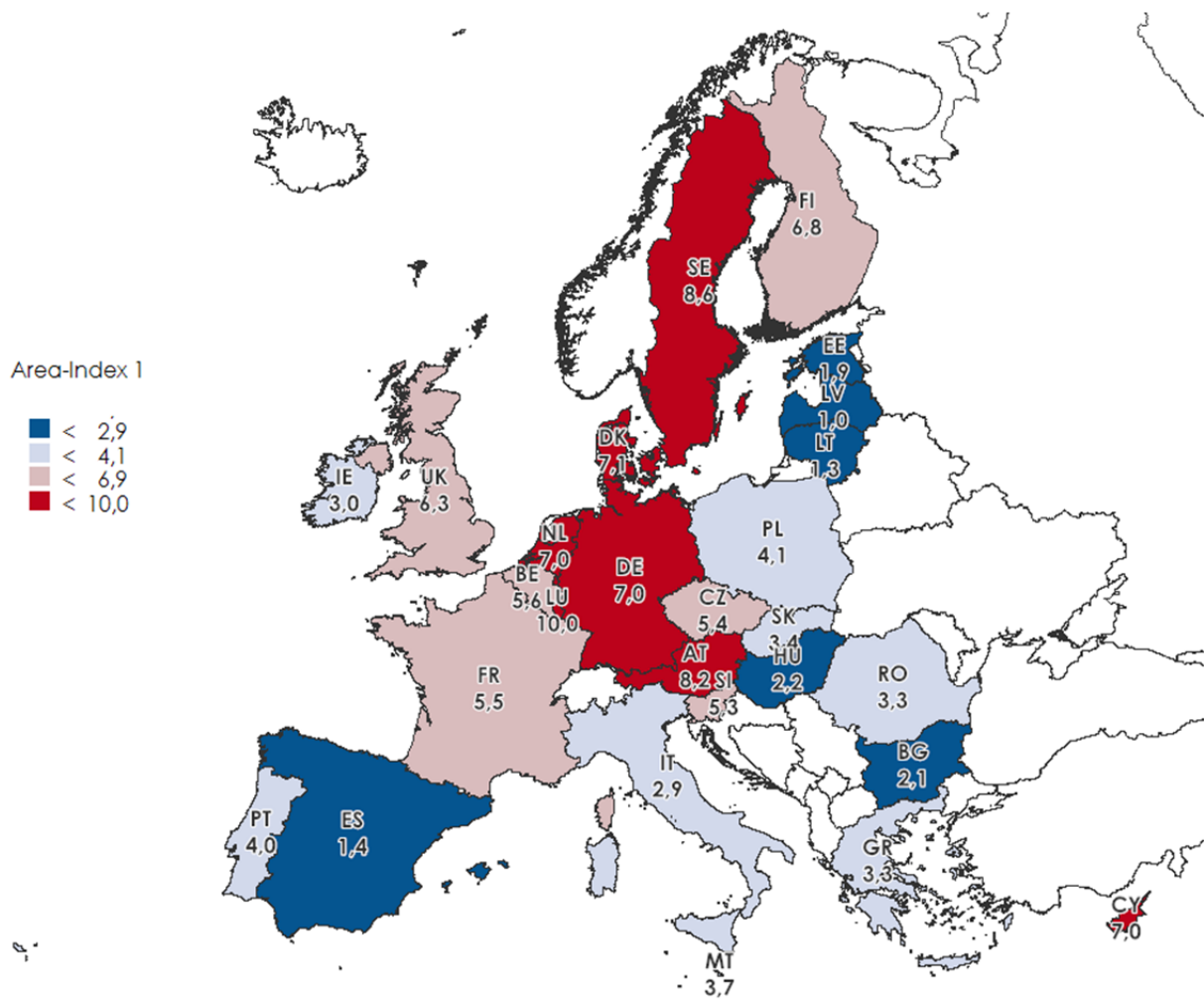
Figure 2: Grouped Scales of the five Area-Indices, Labour Market Monitor 2011



Notes: The numbers on the axis refer to the scores reached within Area-Indices (each index starts at 1 and ends at 10). Countries were summarized into groups according to their distance to the next group. A new group begins, where the distance to the next group takes the minimum value of 0,7; this limit results from the distribution of scores within Area-Indices. Within groups countries are ranked in a descending order.

Q: Eurostat, WIFO-calculations.

Figure 3: Area-Index 1 – Overall Labour Market Performance



Notes: Values presented in the legend refer to frontiers to the next group: 2.9 = 25%-Percentile, 4.1 = 50%-Percentile and 6.9 = 75%-Percentile.

Q: Eurostat, WIFO-calculations.

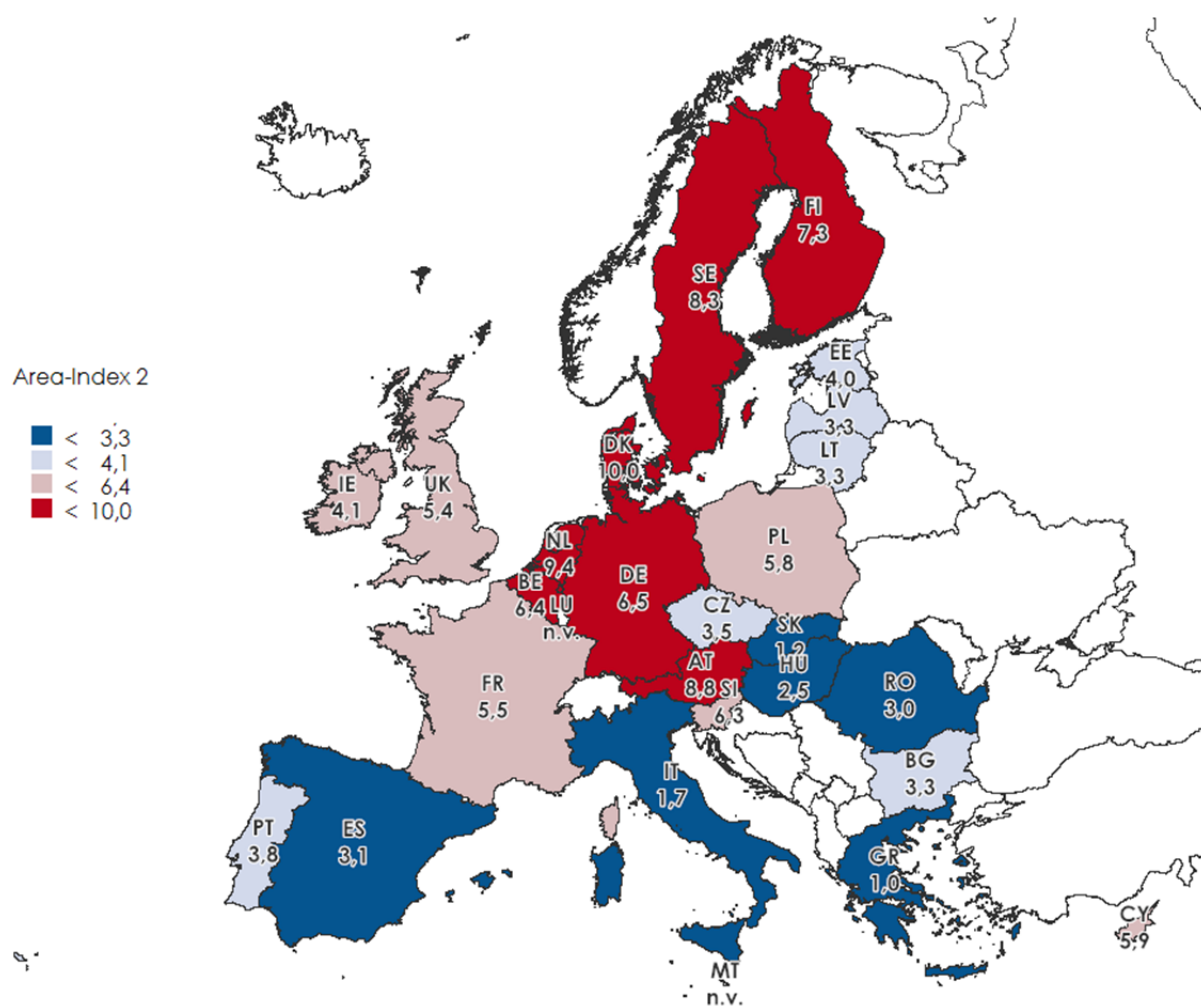
Table 1: Positioning of countries, Area-Index 1

Positioning	Labour Market Monitor 2010	Labour Market Monitor 2011	Shift 2010/2011
Top end	LU, DK, NL, AT, SE, CY, FI	LU, DK, NL, AT, SE, CY, DE	DE↑ FI↓
Upper Midfield	SI, UK, CZ, EE, IE, LV	SI, UK, CZ, BE, FR, PL, FI	BE↑, FR↑, PL↑ EE↓, IE↓, LV↓↓
Lower Midfield	GR, PT, SK, DE, BE, FR, PL, BG, LT	GR, PT, SK, RO, IT, MT, IE	RO↑, IT↑, MT↑ BG↓, LT↓
Low end	HU, ES, RO, IT, MT,	HU, ES, EE, LV, BG, LT	

Notes: ↑ refers to a shift into a higher group and ↓ to a lower group; double arrows represent shifts across two groups.

Q: Eurostat, WIFO-calculations.

Figure 4: Area-Index 2 – Orientation towards Integration (excl. LU and MT)



Notes: Values presented in the legend refer to frontiers to the next group: 3,3 = 25%-Percentile, 4,1 = 50%-Percentile and 6,4 = 75%-Percentile.

Q: Eurostat, WIFO-calculations.

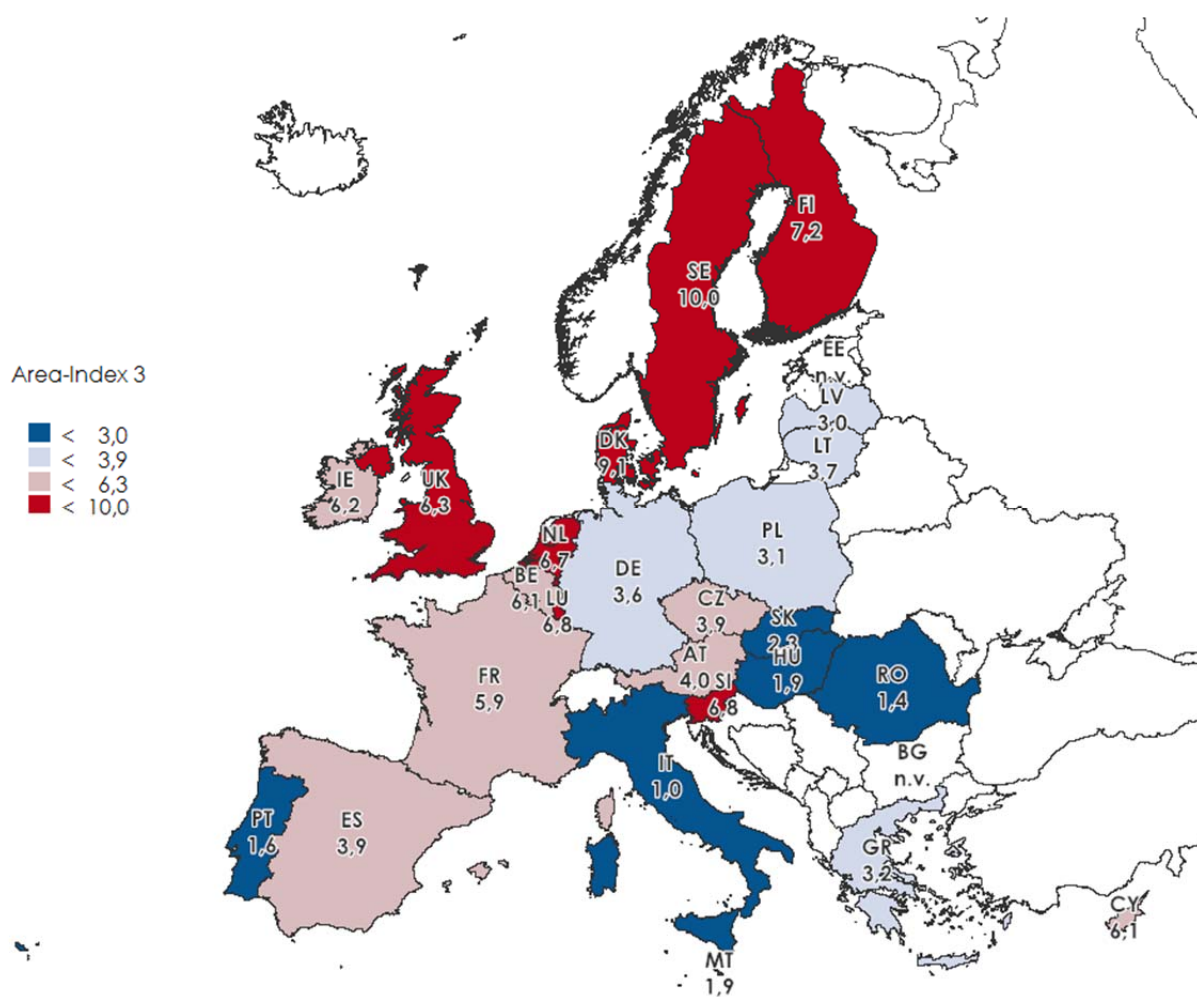
Table 2: Positioning of countries, Area-Index 2

Positioning	Labour Market Monitor 2010	Labour Market Monitor 2011	Shift 2010/2011
Top end	DK, NL, SE, AT, FI, LT	DK, NL, SE, AT, FI, BE, DE	BE↑, DE↑ LT↓↓
Upper Midfield	IE, UK, FR, SI, BE, DE, LV	IE, UK, FR, SI, CY, EE, PL	PL↑ LV↓
Lower Midfield	BG, CZ, PT, PL, ES	BG, CZ, PT, LT, LV	ES↓
Low end	GR, RO, HU, IT, SK,	GR, RO, HU, IT, SK, ES	

Notes: ↑ refers to a shift into a higher group and ↓ to a lower group; double arrows represent shifts across two groups.

Q: Eurostat, WIFO-calculations.

Figure 5: Area-Index 3 – Equity of Access and Continuity (excl. BG and EE)



Notes: Values presented in the legend refer to frontiers to the next group: 3,0 = 25%-Percentile, 3,9 = 50%-Percentile and 6,3 = 75%-Percentile.

Q: Eurostat, WIFO-calculations.

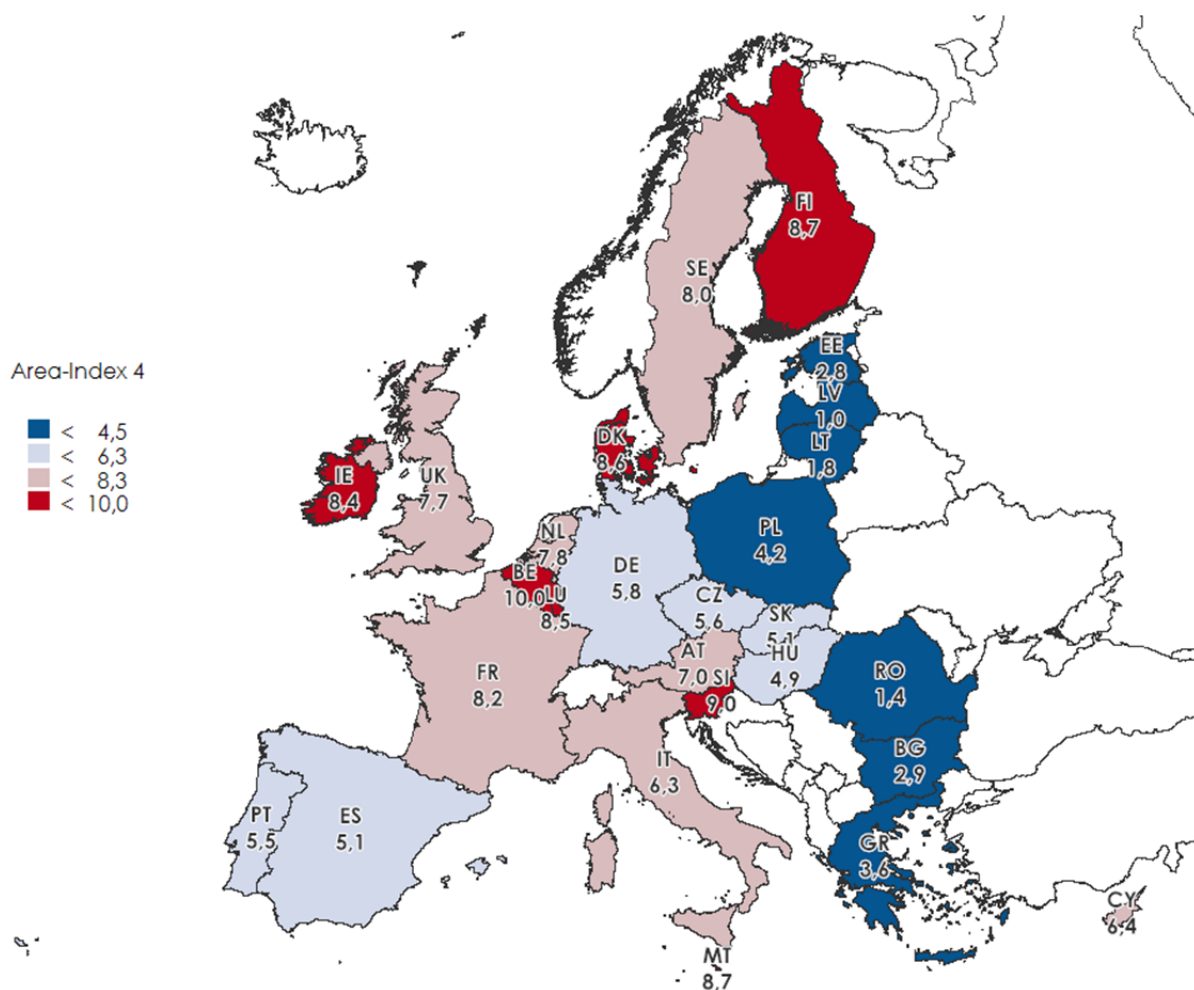
Table 3: Positioning of countries, Area-Index 3

Positioning	Labour Market Monitor 2010	Labour Market Monitor 2011	Shift 2010/2011
Top end	DK, SE, SI, FI, NL, UK, IE	DK, SE, SI, FI, NL, UK, LU	LU↑↑ IE↓
Upper Midfield	BE, FR, CZ, CY, SK, PL	BE, FR, CZ, CY, AT, ES, IE	AT↑, ES↑↑ SK↓↓, PL↓
Lower Midfield	DE, GR, LU, AT, RO	DE, GR, <u>LT</u> , LV, PL	LV↑ RO↓
Low end	HU, IT, MT, PT, LV, ES,	HU, IT, MT, PT, SK, RO	

Notes: ↑ refers to a shift into a higher group and ↓ to a lower group; double arrows represent shifts across two groups.

Q: Eurostat, WIFO-calculations.

Figure 6: Area-Index 4 – Distribution of Earnings



Notes: Values presented in the legend refer to frontiers to the next group: 4,5 = 25%-Percentile, 6,3 = 50%-Percentile and 8,3 = 75%-Percentile.

Q: Eurostat, WIFO-calculations.

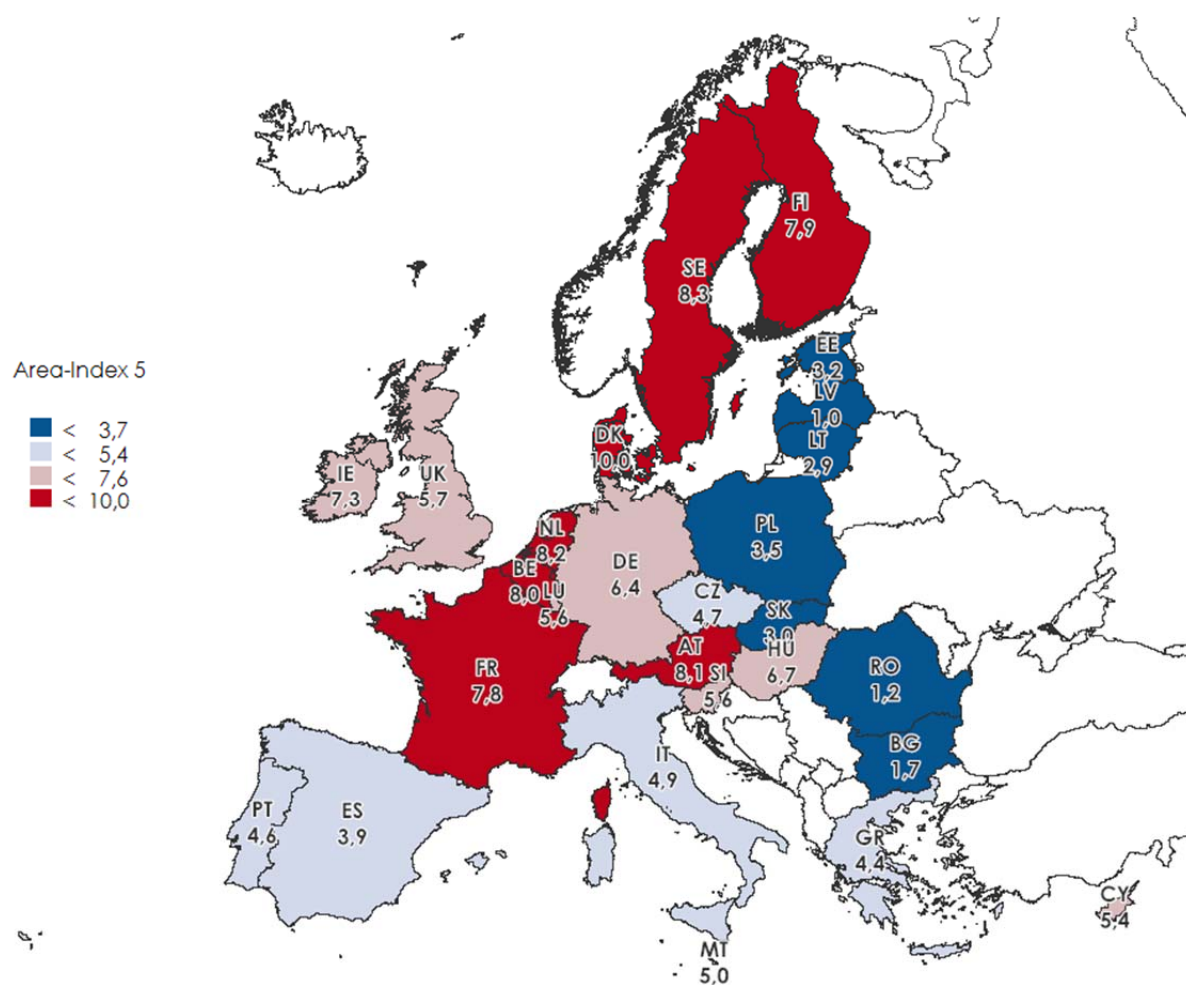
Table 4: Positioning of countries, Area-Index 4

Positioning	Labour Market Monitor 2010	Labour Market Monitor 2011	Shift 2010/2011
Top end	BE, DK, MT, LU, FI, SI, FR	BE, DK, MT, LU, FI, SI, IE	FR↓
Upper Midfield	SE, IE, NL, UK, AT, IT, CY	FR, SE, NL, UK, AT, CY, IT	IE↑
Lower Midfield	ES, DE, CZ, HU, PT, SK	DE, CZ, PT, ES, SK, HU	-
Low end	PL, EE, GR, BG, LT, LV, RO	PL, GR, BG, EE, LT, RO, LV	-

Notes: ↑ refers to a shift into a higher group and ↓ to a lower group; double arrows represent shifts across two groups.

Q: Eurostat, WIFO-calculations.

Figure 7: Area-Index 5 – Distribution Welfare State



Notes: Values presented in the legend refer to frontiers to the next group: 3,7 = 25%-Percentile, 5,4 = 50%-Percentile and 7,6 = 75%-Percentile.

Q: Eurostat, WIFO-calculations.

Table 5: Positioning of countries, Area-Index 5

Positioning	Labour Market Monitor 2010	Labour Market Monitor 2011	Shift 2010/2011
Top end	DK, SE, NL, FR, BE, FI, AT	DK, SE, NL, AT, BE, FI, FR	-
Upper Midfield	HU, DE, SI, UK, IE, LU, CY	IE, HU, DE, UK, SI, LU, CY	-
Lower Midfield	MT, CZ, PT, IT, GR, ES	MT, IT, CZ, PT, GR, ES	-
Low end	PL, SK, LT, EE, LV, BG, RO	PL, EE, SK, LT, BG, RO, LV	-

Notes: ↑ refers to a shift into a higher group and ↓ to a lower group; double arrows represent shifts across two groups.

Q: Eurostat, WIFO-calculations.