

LABOUR MARKET TRENDS IN THE EURO AREA IN THE LAST DECADE

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The authors of this article are Esther Moral and Carlos Vacas of the Directorate General Economics, Statistics and Research.

Introduction

Between 1998 and 2007 total employment in the euro area increased by more than 18.5 million, representing total employment growth of 15.7% for the whole period. This entailed a 6.7-percentage-point (pp) rise in the employment rate (defined as the percentage of the population aged 15 to 64 with a job) to approximately 66% last year. As shown in Chart 1, most of this increase was possible due to the favourable performance of the working-age population's participation in the labour market: the participation rate climbed by more than four points in the period analysed to 70.9%. However, changes in the unemployment rate also made a positive contribution since there was a decrease in the proportion of those participating in the labour market who cannot find work, which in 2007 reached its lowest level since the creation of the euro area.

This favourable performance of the labour market in the euro area seems to show that the various reforms undertaken in the last decade, especially in recent years, have borne fruit. However, the employment rate targets set for 2010 in the framework of the Lisbon strategy have not yet been achieved in the area as a whole or in most of the euro area countries.

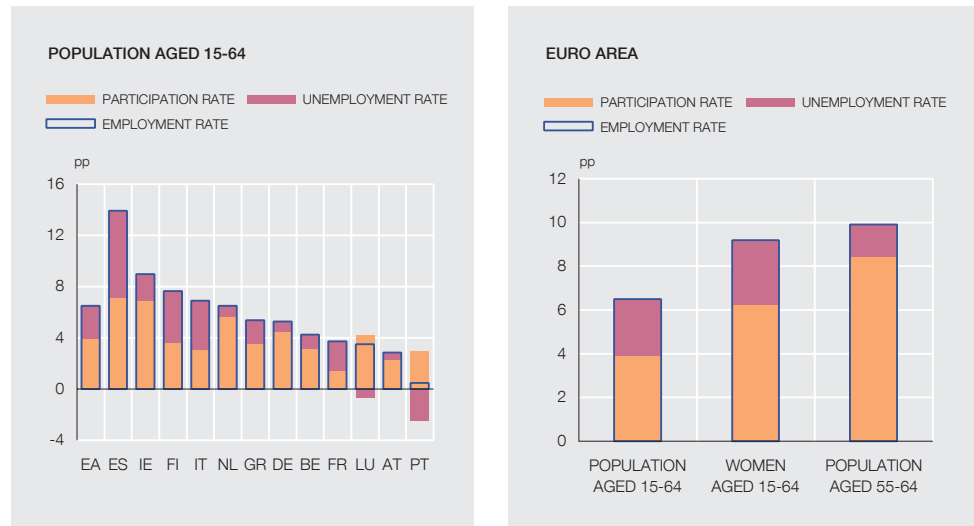
The purpose of this article is to analyse labour market trends in the euro area – and in its member countries – in the last decade with data from the Labour Force Survey (LFS) published by Eurostat (based on national surveys).¹ Consequently, the performance of employment, the labour supply and unemployment will be described in the sections below, both at aggregate level (for the population aged between 15 and 64) and by different groups of individuals (classified on the basis of characteristics such as gender or age), in order to examine European labour market trends in recent years and to see the extent to which the results achieved are approaching or falling short of the Lisbon targets for 2010. Also, since the trends were not uniform throughout the period of analysis, their behaviour in the various stages will be studied.

Employment

In 2007 the number of persons in employment in the euro area as a whole amounted to approximately 137 million, posting a year-on-year increase of 1.9% over 2006 and a rise of 15.7% in cumulative terms since 1998 (equivalent to average annual growth of 1.63% in the period analysed). Likewise, the employment rate increased 6.7 pp to 65.7% in 2007, a level that was still lower than the target of 70% which according to the Lisbon strategy should be achieved by 2010 (see Tables 1 and 2).

The period analysed can be split into three stages of the same length based on the economy's position in the cycle in each one of them. The first stage (1998-2001) was characterised by robust growth of economic activity in the euro area. However, between 2002 and 2004 the euro area economy slowed down significantly until 2005 when it began to gradually recover

1. The LFS only provides quarterly data from 2005, since for the previous period certain countries only presented annual data for the Spring survey (the second quarter). Consequently, so that the results are comparable throughout the whole period the data for the second quarter of each year were taken as an annual reference. It should also be pointed out that the data for 2005 were affected by a series of methodological changes in the survey for Germany which give rise to a slight jump in German employment (and participation) data and, consequently, in the euro-area aggregate which is then shown in the growth rate. The twelve euro area member countries until 2006 and the related aggregate were analysed.



SOURCES: Eurostat and Banco de España.

a. The relationship between the three variables is: employment rate = participation rate * (1 - unemployment rate).

and by the end of the period it was notably buoyant. In parallel, employment increased at a higher rate in the initial and final stage – averaging annual growth of above 2% – but rose moderately in the intermediate period (see Table 1). Nonetheless, the resilience of employment in the period of cyclical deceleration was seen as a clear sign of the favourable impact of labour reforms already under way in European labour markets since job losses were commonplace during previous downturns. Furthermore, as shown in Table 2, even in this period it was possible to increase the employment rate and, thus, to continue to make progress, albeit moderate, towards achieving the Lisbon targets.

Yet the results were not the same for all euro area countries and substantial differences were seen in the strength of the rise in their employment rates as shown in Chart 2. In the whole period, the highest increases in employment rates were recorded in Spain (nearly 15 pp), Ireland, Finland and Italy. The Netherlands was also noteworthy: it started out with the highest rate in 1998 and managed to increase it considerably to 76% in 2007. Most of the countries where the employment rate rose to a lesser extent (such as Portugal or Austria) started out from higher levels – above the euro-area average – which contributed to reducing cross-country differentials.

Also, although the various countries' employment rates generally performed worse in the intermediate stage (falling in many cases), considerable differences can be seen in developments in each country since then. In particular, among the large countries, certain events are worth highlighting in the latter period. Spain posted the highest increase between 2004 and 2007, as in previous stages, but particularly noteworthy were the strong recovery of the employment rate in Germany in the last stage, which brought it significantly nearer to meeting the Lisbon target, and the small rise in Italy and France.

Job creation in the whole euro area was much stronger for women; the female employment rate grew in all stages and consistently more than that for men. Between 1998 and 2007, the number of women in employment increased 24% in cumulative terms raising the female employment rate, which started from very low levels, by 9.5 pp to 57.9%, relatively close to the

Year-on-year rates of change (%)										Change (a)			
	1999	2000	2001	2002	2003	2004	2005	2006	2007	TOTAL	Stage 1	Stage 2	Stage 3
EMPLOYMENT	2.2	2.2	1.7	0.9	1.0	0.6	2.4	1.9	1.9	15.7	6.2	2.4	6.4
<i>By gender</i>													
Men	1.4	1.6	1.2	0.3	0.2	0.0	1.6	1.6	1.6	9.9	4.3	0.5	4.9
Women	3.2	3.0	2.4	1.7	2.1	1.3	3.4	2.3	2.4	24.0	8.8	5.1	8.4
<i>By age</i>													
15-24	3.3	2.8	1.1	-0.7	-1.1	-1.8	1.9	0.8	0.8	7.3	7.4	-3.5	3.6
25-54	2.2	2.2	1.9	0.6	0.7	0.5	2.0	1.7	1.4	13.9	6.4	1.8	5.2
55-64	0.9	1.3	0.9	5.0	5.5	3.6	5.8	4.5	6.6	39.6	3.2	14.8	17.8
<i>By educational attainment level (b)</i>													
Low	-0.5	-1.4	1.4	-0.8	-1.2	-3.2	0.4	0.7	-1.1	-5.5	-0.5	-5.2	0.1
Medium	2.5	3.0	2.1	2.1	0.5	0.6	5.0	2.1	2.7	22.5	7.8	3.2	10.1
High	8.3	4.8	3.5	1.7	4.4	5.4	4.7	2.9	4.1	47.2	17.4	11.8	12.2
<i>By nationality</i>													
Nationals	2.3	2.1	1.2	0.4	0.9	-0.1	1.9	1.6	1.4	12.3	5.6	1.2	5.0
Foreigners	4.6	5.7	7.9	4.5	1.4	5.8	10.2	5.8	8.3	68.5	19.2	12.0	26.2
EMPLOYEES	2.7	2.6	1.9	1.1	0.9	0.4	2.6	2.1	2.2	17.9	7.4	2.5	7.1
<i>By contract term</i>													
Permanent	2.0	2.1	2.2	1.4	1.0	-0.2	1.4	1.5	2.2	14.4	6.4	2.2	5.2
Temporary	7.2	5.5	0.4	-0.2	0.4	3.8	9.3	5.1	2.3	38.8	13.5	4.0	17.5
<i>By working time</i>													
Full time	2.1	2.2	1.6	0.9	0.3	-0.6	1.2	1.2	2.1	11.6	6.1	0.6	4.5
Part time	6.2	4.7	3.2	2.1	3.9	4.8	9.2	5.6	2.9	51.2	14.7	11.2	18.6
SELF-EMPLOYMENT	-0.5	-0.2	1.0	-0.4	1.4	1.4	1.2	1.3	0.4	5.7	0.3	2.4	2.9
EMPLOYMENT BY BRANCH OF ACTIVITY													
Agriculture	-1.9	-2.4	-0.7	-3.0	0.1	-6.4	-0.8	0.3	-2.7	-16.2	-4.8	-9.1	-3.1
Industry	0.1	0.6	0.6	-1.0	-1.9	-1.0	-1.0	1.2	0.2	-2.2	1.3	-3.9	0.4
Construction	3.5	3.1	1.6	0.5	1.1	-0.1	3.1	2.5	4.4	21.4	8.4	1.5	10.3
Services	3.0	2.8	2.3	1.4	2.4	1.6	3.5	2.2	2.4	23.8	8.4	5.5	8.3
Market (c)	3.7	3.8	2.4	1.2	1.8	2.1	3.1	2.7	3.2	26.7	10.2	5.2	9.3
Non-market (c)	2.2	1.7	2.2	1.7	3.1	1.0	3.9	1.7	1.3	20.3	6.2	5.8	7.1

SOURCES: Eurostat and Banco de España.

- a. Cumulative growth in the total period and in each of the three stages (1998-2001, 2001-2004 and 2004-2007, respectively).
b. According to the LFS classification, a low educational attainment level includes "pre-primary and lower secondary education"; a medium one includes "upper secondary and post-secondary non-tertiary education" and a high one includes "tertiary education".
c. Market services include: wholesale and retail trade, hotel and restaurant services, transport, financial intermediation, real estate and business services. Non-market services include all other services.

Lisbon target of 60%. Conversely, the male employment rate only increased by 3.8 pp in the same period and, although it continued to be much higher, the gap narrowed constantly. Chart 3 also shows the favourable performance of female employment, which made a higher contribution to the year-on-year growth rate in total employment than male employment throughout the whole period.

There have also been significant differences in employment developments by age group. Between 1998 and 2007, the employment rate for the group of older workers (aged 55-64), which was lowest at the beginning of the period, increased most (by more than 10 pp), followed by that for the group of workers aged 25 to 54 and, lastly, by that for the youngest workers (see Table 1). The trend in the aggregate employment rate and the year-on-year growth rate of total employment, as shown in Chart 3, is mainly accounted for by the performance of employment in the largest age group (25-54 years old), whose contribution has always been positive. However, the sizeable increase in the contribution of the oldest group since 2002 was particularly significant in the intermediate stage (coinciding with the slowdown in job

Levels in %	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Change (b)			
											Total	Stage 1	Stage 2	Stage 3
EMPLOYMENT RATE (a)	59.0	60.1	61.3	62.0	62.4	62.7	62.8	63.9	64.8	65.7	6.7	3.0	0.8	2.9
<i>By gender</i>														
Men	69.7	70.5	71.4	71.9	71.8	71.6	71.3	71.9	72.7	73.5	3.8	2.2	-0.6	2.2
Women	48.4	49.8	51.2	52.2	52.9	53.8	54.3	55.8	56.8	57.9	9.5	3.8	2.1	3.6
<i>By age</i>														
15-24	33.9	35.3	36.6	37.2	37.1	36.8	36.2	36.6	37.0	37.5	3.6	3.3	-1.0	1.3
25-54	73.1	74.2	75.3	76.0	76.2	76.4	76.6	77.4	78.4	79.2	6.1	2.9	0.6	2.6
55-64	33.5	33.7	34.1	34.7	36.1	37.5	38.3	40.5	41.8	43.7	10.2	1.2	3.6	5.4
<i>By level of educational achievement (c)</i>														
Low	47.8	49.3	50.0	48.9	49.1	49.4	49.0	49.3	50.0	50.3	2.5	1.1	0.1	1.3
Medium	63.9	66.7	67.7	68.2	68.4	68.3	68.2	69.4	70.4	71.4	7.5	4.3	0.0	3.2
High	78.2	80.3	81.1	81.5	81.4	81.5	81.3	81.7	82.2	83.1	4.9	3.3	-0.2	1.8
<i>By nationality</i>														
Nationals	59.9	61.2	62.3	62.9	63.1	63.4	63.2	64.2	65.1	66.1	6.2	3.0	0.3	2.9
Foreigners	53.1	54.2	56.1	57.9	57.8	57.6	57.6	60.3	61.5	62.7	9.7	4.8	-0.3	5.2
RATIOS														
Employees/total employment (d)	82.7	83.1	83.5	83.7	83.9	83.8	83.7	83.9	84.0	84.2	1.5	1.0	0.0	0.5
Temporary employment (e)	14.3	14.9	15.3	15.1	14.8	14.8	15.3	16.2	16.8	16.8	2.5	0.8	0.2	1.5
15-24 year olds	45.7	47.1	47.0	46.2	45.8	45.7	47.5	49.2	50.5	50.9	5.2	0.5	1.3	3.4
25-49 year olds	11.0	11.5	12.1	12.0	11.9	12.0	12.6	13.6	14.2	14.3	3.3	1.0	0.6	1.7
50-64 year olds	5.7	6.1	6.2	6.1	6.0	5.9	6.0	6.5	6.7	6.9	1.2	0.4	-0.1	0.9
Part-time employment (f)	15.0	15.5	15.8	16.0	16.1	16.5	17.5	18.7	19.3	19.4	4.4	1.0	1.5	1.9
Men	4.9	5.0	5.1	5.1	5.3	5.4	5.8	6.4	7.0	7.0	2.1	0.2	0.7	1.2
Women	29.6	30.3	30.7	30.9	30.8	31.3	32.8	34.6	35.1	35.2	5.6	1.3	1.9	2.4

SOURCES: Eurostat and Banco de España.

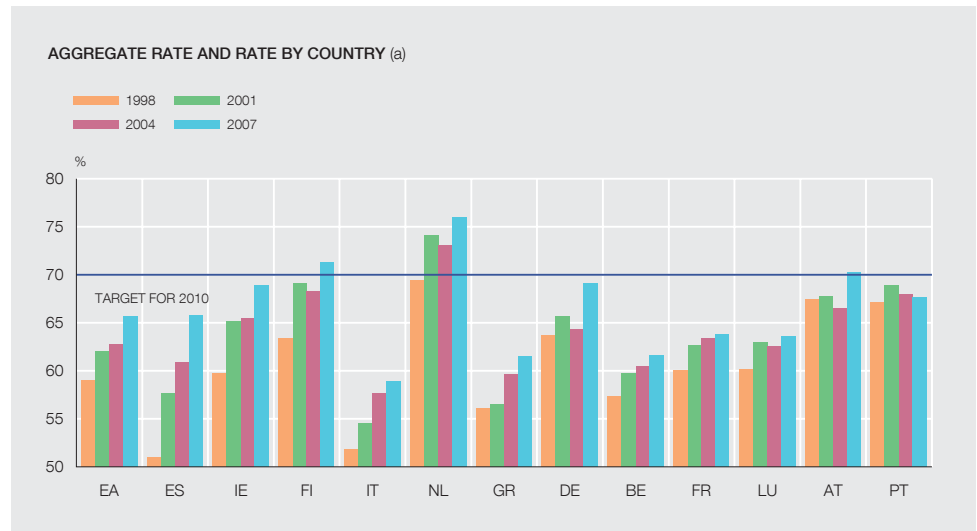
- a. Total employed as a percentage of the working-age population (aged 15-64).
b. Change in the employment rate in percentage points in the whole period and in each of the three stages (1998-2001, 2001-2004 and 2004-2007, respectively).
c. See note b in Table 1.
d. Employees as a percentage of total employment.
e. Temporary employment as a percentage of total dependent employment.
f. Part-time employment as a percentage of total employment.

creation in the 25-54 year-old group). These developments reflect the results of the various reforms and measures to promote employment which have targeted this group in order to achieve the goal set within the framework of the Lisbon strategy. Nevertheless, the employment rate of the oldest group, which was approximately 44% in 2007, is still a long way off the target of 50% which should be reached by 2010. On the other hand, the contribution of youth employment has been limited and has proven to be clearly procyclical which explains why employment was destroyed in this category in the intermediate stage.

The breakdown of the data by educational attainment level confirms that there is a clear positive relationship between education and employment rates: highly-skilled individuals have higher employment rates, followed by those with an intermediate level of skills whose employment rate has increased most in the last decade. Lastly, the least skilled individuals show the lowest employment rate which has also increased to a lesser extent.

By nationality, Table 1 shows that in all euro area countries the number of foreign² workers has risen at a very high pace which notably exceeds that posted by persons in employment in their

2. This aggregate may include workers who are nationals of a euro area country and work in a country other than their own.

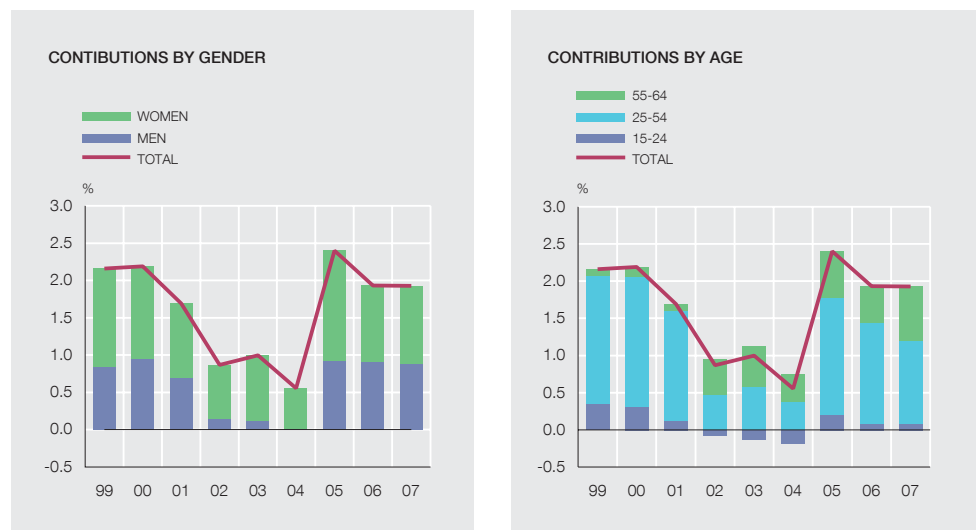


SOURCES: Eurostat and Banco de España.

a. The aggregate considered is the EA-12. The rate for France and Austria relates to Q1 each year.

EMPLOYMENT

Annual growth rates and contributions by gender and age



SOURCES: Eurostat and Banco de España.

country of origin (which even fell slightly in 2004). Furthermore, this difference was particularly strong in the last stage when, as seen in Chart 4, the contribution of foreign workers to the total employment growth rate was highly significant, despite their low weight (below 8% in 2007) in the total number of people in work. The high buoyancy of the foreign employed population was also evidenced by the developments in their employment rate. Although the employment rate for nationals in 2007 continued to be higher than that for foreign workers, the disparity narrowed significantly (except in the deceleration stage) since, as shown in the following section, foreign workers have increased their participation in the labour market to a much greater extent.

EMPLOYMENT AND PARTICIPATION RATE
Year-on-year rates of change and contributions by nationality (a)

CHART 4



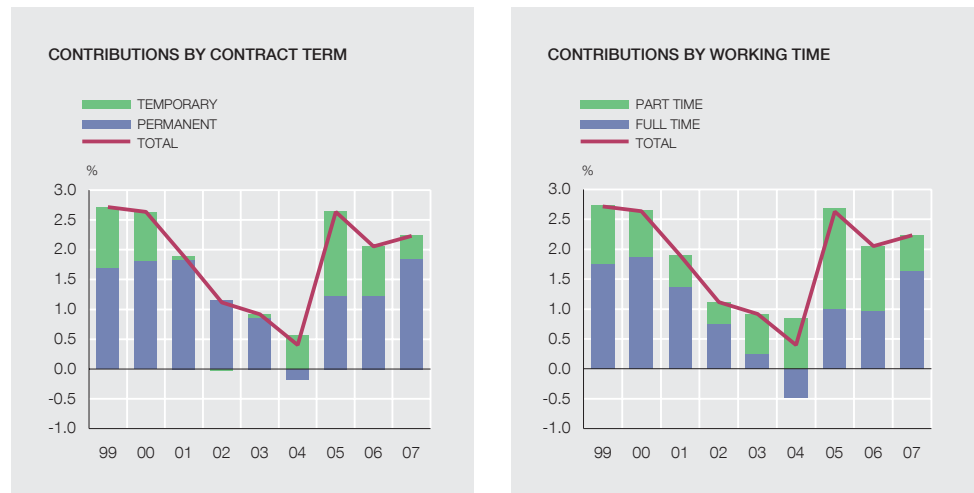
SOURCES: Eurostat and Banco de España.

- a. The breakdown of data by nationality is not available for Italy until 2005. This is why the sum of the contributions from nationals and foreigners to employment growth and the year-on-year rate of change in participation (calculated with an aggregate excluding Italy until 2005) does not coincide with the total.
- b. Year-on-year employment growth rate.
- c. Year-on-year rate of change in the participation rate (in pp).

Employment throughout the period was underpinned by the rise in the number of employees which increased 17.9% in comparison with 5.7% growth in self-employment. However, in the stage of cyclical deceleration, employment growth was driven by self-employed workers whose numbers increased almost as much as employees (in 2003 and 2004 their numbers increased by even more than the latter). Nevertheless, since 2005 the recovery of the labour market was once again based on the substantial creation of jobs for employees (7.1% in comparison with 2.9% growth in self-employment), which explains why the number of employees as a percentage of total employment has shown a rising trend in the last decade, which was only interrupted in 2003 and 2004.

Within the group of employees and according to contract term, the high creation of temporary employment throughout the period analysed was noteworthy with cumulative growth of 38.8%, whereas permanent employment climbed by 14.4%. The number of employees with a temporary contract grew at a higher rate in each stage, although this group showed a more procyclical behaviour than permanent employees. In any event, it should be pointed out that in 2006, and especially in 2007, there seems to be a change in trend: the growth rate of temporary employment has slowed significantly, whereas permanent employment quickened gradually (see also Chart 5). These developments in the last decade were also seen in the percentage of employees with a temporary contract which followed an upward trend that was only interrupted in the initial years of the slowdown (2001-2003) and, more importantly, in 2007, when it held steady at approximately 17% (see Table 2). If temporary employment is analysed on the basis of age, it can be seen how it is inversely related to the age of workers: it is more prevalent among young than older workers. Noteworthy by country are the higher rates of temporary employment in Spain (31.9% in 2007, although it has declined since 1998) and in Portugal (22.2%) than in other countries. In the whole period the increases in the Netherlands, Portugal and Italy should be noted.

Annual growth rates and contributions by contract term and working time



SOURCES: Eurostat and Banco de España.

As for working time, as shown by Table 1, part-time employment among employees has grown much more throughout the period and in each stage, although more notably in the last stage when it increased by 18.6% in comparison with 4.5% growth in full-time employment. However, in this case it can also be seen that it performed differently from 2006, which explains why in 2007 the ratio of part-time to total employment remained practically stable (at 19.4%), after having increased continuously throughout the period analysed and that, unlike in the four previous years, full-time employment contributed to a greater extent to explaining growth in the total number of employees (see Chart 5). Whereas temporary employment mainly affects young people, part-time working is much more concentrated amongst women who, as shown in Table 2, started out with much higher rates of part-time employment in 1998. This difference has increased continuously in the last decade. Noteworthy by country is the high part-time ratio in the Netherlands (46.3% in 2007) and, albeit to a lesser extent, in Germany (25.6%). The countries where this ratio has risen most throughout the period analysed are Luxembourg and, precisely, the Netherlands and Germany, especially in the case of the latter in the final stage of recovery of the labour market.

By branch of activity, one of the characteristics of employment in the last ten years is its high growth in services (23.8%) and construction (21.4%), although employment was destroyed in net terms in agriculture (-16.2%) and industry (-2.2%). Jobs were destroyed in agriculture in all stages, however, in industry job destruction was centred on the intermediate phase and there was scant employment growth in this sector in the period 2004-2007 (0.4%). The construction and services sectors posted strong employment growth in the first stage which moderated in the intermediate stage (more sharply in the case of construction) and they were once again the engines of European employment growth from the beginning of the labour market recovery (especially construction and market services).

Labour force

The supply of labour grew throughout the period. The percentage of the population aged between 15 and 64 which participates in the labour market (the participation rate) stood at 70.9% in 2007, more than four points up on 1998 (see Table 3). The absolute number of persons in the labour force is more than 147.5 million, representing a total increase of 10.8% in the period analysed which is equivalent to average annual growth of 1.15%.

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Change (b)			
											TOTAL	Stage 1	Stage 2	Stage 3
Labour force (a)		1.2	0.9	0.4	1.3	1.5	0.9	2.1	1.2	0.9	10.8	2.5	3.7	4.3
Population aged 15-64 (a)		0.2	0.3	0.4	0.4	0.4	0.3	0.8	0.5	0.4	3.8	0.9	1.2	1.7
PARTICIPATION RATE	66.5	67.1	67.5	67.5	68.1	68.8	69.2	70.1	70.6	70.9	4.4	1.0	1.7	1.7
<i>By gender</i>														
Men	76.9	77.2	77.3	77.1	77.4	77.7	77.8	78.3	78.5	78.6	1.7	0.2	0.7	0.8
Women	56.1	57.1	57.7	57.9	58.8	59.9	60.6	61.9	62.7	63.3	7.2	1.8	2.7	2.7
<i>By age</i>														
15-24	43.2	44.1	44.4	43.9	44.1	44.1	43.9	44.3	44.1	44.1	0.9	0.7	0.0	0.2
25-54	81.0	81.6	81.9	81.8	82.4	83.0	83.5	84.1	84.6	84.7	3.7	0.8	1.7	1.2
55-64	37.2	37.3	37.4	37.5	38.8	40.6	41.6	43.8	45.0	46.6	9.4	0.3	4.1	5.0
<i>By educational attainment level (c)</i>														
Low	55.8	56.9	56.9	54.7	55.1	55.8	55.6	55.9	56.3	56.2	0.4	-1.1	0.9	0.6
Medium	71.8	73.9	74.1	73.9	74.4	74.7	74.9	76.0	76.5	76.7	4.9	2.1	1.0	1.8
High	85.2	86.0	85.9	85.7	85.9	86.3	86.3	86.5	86.5	86.9	1.7	0.5	0.6	0.6
<i>By nationality</i>														
Nationals	66.8	67.5	67.8	67.7	68.2	68.9	69.1	70.1	70.6	71.0	4.2	0.8	1.5	1.8
Foreigners	64.2	64.7	65.0	66.2	66.6	67.6	67.9	69.8	70.2	70.6	6.4	2.1	1.6	2.7

SOURCES: Eurostat and Banco de España.

a. Year-on-year rates of change.

b. In terms of year-on-year rates of change, cumulative growth in the total period and in each stage (1998-2001, 2001-2004 and 2004-2007, respectively). In terms of participation rates, change in percentage points in the total period and in each stage.

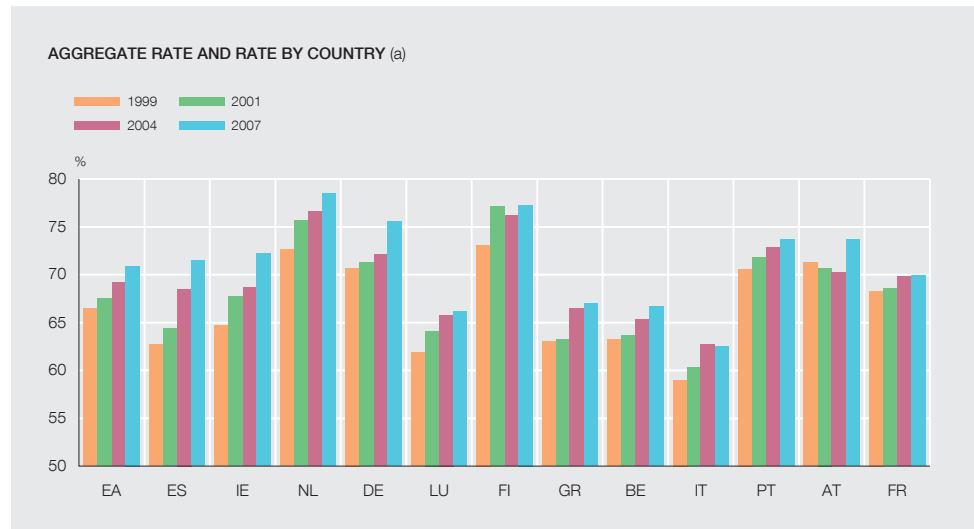
c. According to the LFS classification, a low educational attainment level includes "pre-primary, primary and lower secondary education"; a medium one includes "upper secondary and post-secondary non-tertiary education"; and a high one includes "tertiary education".

Unlike developments in employment, the labour force gradually accelerated over the period with the result that in the last stage the total growth of the labour force amounted to 4.3%, 0.6 pp up on the intermediate stage and nearly 2 pp higher than in the initial stage. The reforms undertaken in European labour markets and, in particular, certain measures aimed at increasing the employability of disadvantaged groups led previously inactive persons to enter the labour force from 2001, in view of their better prospects of finding a job. Even so, the growing pace of expansion over the decade of the working age population, which between 2004 and 2007 grew 1.7% (nearly double the rate in the first stage),³ also contributed to the acceleration of the labour force.

The increase in participation rates was observed across the board in all countries throughout the period and, as with employment, the countries posting the highest increases were Spain and Ireland, which started out from very low rates, followed by the Netherlands which had one of the highest rates at the beginning of the period. At the opposite end of the scale were France and Austria (see Chart 6). In the most recent period, the trend in participation rates in the major euro area countries was uneven. Germany, which had posted modest results, experienced a considerable improvement of 3.5 pp, slightly above the also notable 3 pp increase in Spain. Conversely, Italy and France performed more unfavourably in the last stage.

As can be seen in Chart 7, most of the increase in euro area participation rates during the period analysed is a result of the strong influx of women into the labour market: the female participation rate increased more than 7 pp between 1998 and 2007, four times more than the

3. The relationship between these variables can be defined as: labour force = participation rate * working age population (aged 15 to 64).



SOURCES: Eurostat and Banco de España.

a. The aggregate considered is the EA-12. The rate for France and Austria relates to Q1 each year.

male participation rate. Moreover, its growth was clearly higher in all stages and, consequently, the gender gap, which was above 20 pp in 1998, narrowed to 15.3 pp in 2007.

By age group, Table 3 shows that in terms of participation older workers performed best. They started out with the lowest rate in 1998, which climbed by 9.4 pp, especially from 2002. This positive progress is also clearly reflected in Chart 7, where it can be seen that this group's contribution to the annual increase in the aggregate participation rate grew throughout the period. By contrast, the participation rate of the youngest workers only rose by 0.9 pp, since the increase in the population's educational attainment level is achieved at the cost of delaying the age at which individuals enter the labour market. Also, in absolute terms, the number of young economically active people fell by 1.2% between 1998 and 2007, due to the decrease in the population aged 15 to 24, clearly reflecting the process of population ageing which is already affecting European countries.

As for changes in activity based on educational attainment levels, between 1998 and 2007 the group with a medium level of educational attainment achieved the highest increase in its participation rate, followed by the most highly qualified, whose participation rate was around 87% in 2007. However, the participation rate of persons with a low educational attainment level has hardly increased (only by 0.4 pp).

Lastly, as mentioned in the preceding section, the percentage of the foreign population participating in the labour market has increased more sharply than that of nationals with the result that in 2007 the participation rate of both groups was practically the same (see Table 3). In fact, Chart 4 shows how in some years of the period analysed, the increase seen in the aggregate participation rate was solely attributable to the foreign population.

Unemployment

The number of unemployed in the euro area stood in 2007 at under 11 million, i.e. the number of people out of work in the whole period analysed dropped by 27.8%, the equivalent of an average annual decrease of 3.3% (see Table 4). This performance shaved nearly 4 pp off the unemployment rate, reducing it to 7.3% in 2007, its lowest level since the euro area was created.

PARTICIPATION RATE

CHART 7

Year-on-year rates of change and contributions by gender and age



SOURCES: Eurostat and Banco de España.

However, the trend in the unemployment rate in this period was not always downwards since it rose between 2001 and 2004. The highest fall occurred in the first stage because growth in employment was fed relatively more by the unemployed. However, the strong acceleration in the labour supply from then onwards caused the unemployment rate to increase in the phase of cyclical downturn, when job creation moderated, and to fall significantly, although by less than in the first few years, when employment recovered its buoyancy.

As shown in Chart 8, the majority of euro area countries posted a decline in unemployment rates during the period analysed, but the cases of Finland, Italy and especially Spain, where unemployment fell by more than 10 points, are particularly remarkable. Conversely, in Luxembourg and, in particular, in Portugal the unemployment rate increased between 1998 and 2007, which in Portugal meant going from one of the lowest rates in the euro area to a rate above the euro-area average in 2007. In the most recent phase the favourable performance of Germany should be noted; it managed to be one of the countries in which unemployment (as a percentage of the labour force) was reduced most in this period, although it continued to have the highest rate in the euro area in 2007 (8.6%). In contrast, France, which had performed better than the euro area on average in the first two stages, only managed to slightly reduce its unemployment rate between 2004 and 2007.

The female unemployment rate fell more than the male one over the period as a whole and in each of the stages analysed.

The difference between these two groups may seem small, in view of the significantly higher creation of female employment, but the strong influx of women to the labour market in the decade to 2007 limited the fall in the female unemployment rate and its contribution to the reduction of the aggregate unemployment rate, especially in the final stage (see Chart 9).

By age, although the unemployment rates for the three groups analysed declined in the period as a whole, the extent to which they fell varied. Thus, as Table 4 shows, the youth unemployment rate, which started out as the highest in 1998, fell most, followed by that for older workers. Chart 9 shows the counter-cyclical behaviour of unemployment for all age groups, al-

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Change (b)			
											TOTAL	Stage 1	Stage 2	Stage 3
Unemployed (a)		-6.7	-10.4	-12.0	5.9	6.6	4.4	-1.1	-6.2	-10.3	-27.8	-26.4	18.0	-16.8
UNEMPLOYMENT RATE	11.2	10.3	9.2	8.1	8.4	8.9	9.2	8.9	8.2	7.3	-3.9	-3.1	1.1	-1.9
<i>By gender</i>														
Men	9.4	8.6	7.6	6.8	7.3	7.9	8.2	8.1	7.4	6.4	-3.0	-2.6	1.4	-1.8
Women	13.7	12.7	11.3	9.7	9.9	10.1	10.4	9.9	9.3	8.4	-5.3	-4.0	0.7	-2.0
<i>By age</i>														
15-24	21.5	19.8	17.4	15.2	15.8	16.4	17.4	17.3	16.0	14.8	-6.7	-6.3	2.2	-2.6
25-54	9.8	9.0	8.0	7.1	7.5	8.0	8.2	7.9	7.3	6.5	-3.3	-2.7	1.1	-1.7
55-64	10.1	9.5	8.6	7.5	7.1	7.4	7.9	7.5	7.1	6.2	-3.9	-2.6	0.4	-1.7
<i>By educational attainment level (c)</i>														
Low	14.3	13.3	12.2	10.5	11.0	11.5	11.9	11.8	11.3	10.6	-3.7	-3.8	1.4	-1.3
Medium	11.0	9.7	8.6	7.7	8.1	8.6	9.0	8.8	7.9	6.9	-4.1	-3.3	1.3	-2.1
High	8.2	6.5	5.6	4.8	5.2	5.5	5.8	5.4	5.0	4.3	-3.9	-3.4	1.0	-1.5
<i>By nationality</i>														
Nationals	10.2	9.3	8.2	7.1	7.6	8.1	8.6	8.4	7.8	6.8	-3.4	-3.1	1.5	-1.8
Foreigners	16.9	15.9	13.6	12.5	13.1	14.6	14.9	15.1	14.1	13.1	-3.8	-4.4	2.4	-1.8
Long-term unemployed (a)		-9.4	-12.7	-14.5	-1.4	9.7	3.3	2.5	-3.5	-14.6	-36.3	-32.5	11.7	-15.6
Incidence (d)	50.3	48.8	48.3	46.7	42.8	44.3	43.8	45.4	46.7	44.3	-6.0	-3.6	-2.9	0.5
<i>By gender</i>														
Men	48.5	47.0	46.7	45.4	40.8	42.9	42.7	44.7	46.9	44.2	-4.2	-3.0	-2.7	1.5
Women	52.0	50.4	49.7	47.9	44.8	45.7	44.9	46.1	46.4	44.3	-7.7	-4.1	-3.0	-0.6
<i>By age</i>														
15-24	38.7	35.9	35.6	33.2	29.7	30.7	28.3	28.5	30.7	27.0	-11.7	-5.4	-4.9	-1.4
25-54	52.5	51.3	50.1	48.7	44.7	46.2	46.0	48.0	48.7	45.9	-6.6	-3.8	-2.7	-0.1
55-64	63.9	63.7	66.3	64.7	61.5	61.3	63.0	65.6	66.7	70.6	6.7	0.9	-1.7	7.6

SOURCES: Eurostat and Banco de España.

a. Year-on-year rates of change.

b. In terms of year-on-year rates of change, cumulative growth in the total period and in each stage (1998-2001, 2001-2004 and 2004-2007, respectively). In terms of unemployment rates, change in percentage points in the total period and in each stage.

c. According to the LFS classification, a low educational attainment level includes "pre-primary, primary and lower secondary education"; a medium one includes "upper secondary and post-secondary non-tertiary education"; and a high one includes "tertiary education".

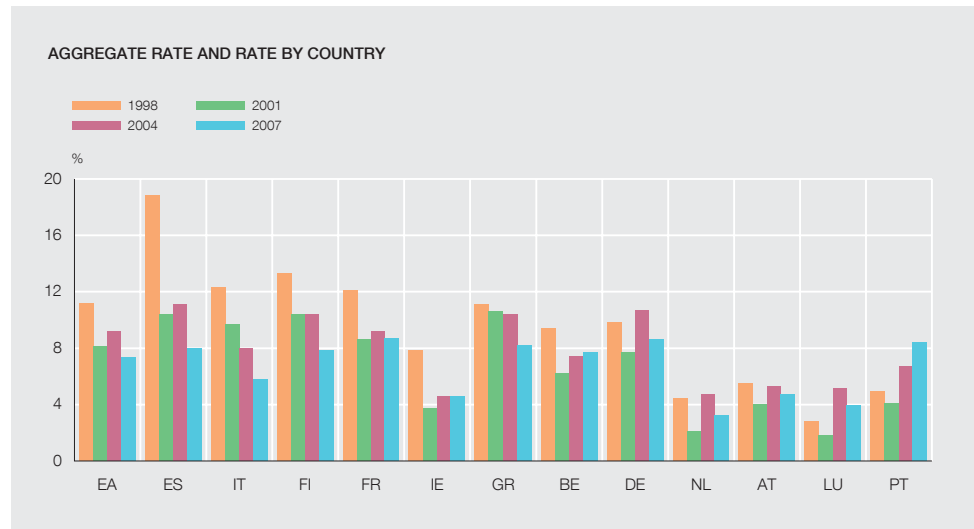
d. Long-term unemployed (individuals who have been unemployed for a year or more) as a percentage of the total unemployed.

though it is more pronounced in the 25-54 year-old group, which accounts for most of the year-on-year change in the aggregate unemployment rate.

As for nationality, there were no sizeable differences between changes in the unemployment rate for nationals and foreigners. Both rates fell by a similar amount, that for foreigners remaining slightly more than 6 pp higher than that for nationals.

It is important to highlight with respect to the breakdown by duration of unemployment that the proportion of long-term unemployed (those out of work for more than a year) as a percentage of the total fell by 6 pp in the whole period to 44.3% in 2007, although it increased slightly in the last stage. This rise resulted from the fact that, although the number of long-term unemployed dropped by 15.6% in this stage, aggregate unemployment fell even more.

The incidence of long-term unemployment fell among males and, to a greater extent, among females, with the result that the gap which had existed at the beginning of the period between the two groups had practically closed by the end of the period. Table 4 shows a clear positive relationship between age and the incidence of long-term unemployment and that the gap between the various age groups widened during the period. In particular, it was among young people, who started out with the lowest proportion of individuals unemployed for more than a



SOURCES: Eurostat and Banco de España.

a. The aggregate considered is the EA-12. The rate for France and Austria relates to Q1 each year.

year, that this proportion decreased most, followed by the group aged 25 to 54. However, among individuals aged over 55, who had the highest ratio in 1998, the proportion increased most, a negative development which was concentrated particularly in the most recent stage. Consequently, although there was a sizeable increase in employment for this group in the latter years, many of them remained continuously sidelined.

Conclusion

In the period 1998-2007, there were positive trends in the euro area labour market as a whole, characterised by considerable job creation, against a backdrop of strong labour force growth, which was, moreover, compatible with a significant reduction in unemployment. In particular, according to the results of the European Labour Force Survey (published by Eurostat on the basis of data from national surveys), between 1998 and 2007 employment increased by more than 18.5 million, giving rise to a substantial increase in the employment rate. Similarly, the fall in the unemployment rate meant that by 2007 it had reached its lowest level since the creation of the euro area. Furthermore, this positive progress was recorded right across the euro area, although to a different degree in each country. It is worth pointing out that Spain was the best performer although its starting position was one of the least favourable. In the last stage the sound results achieved by Germany were notable, making up for its previous scant progress.

The favourable performance of the euro area labour market seems to reflect the positive impact of several reforms undertaken in the last decade (especially in recent years) which, although to the benefit of the population as a whole, have favoured to a greater extent women and older workers, who were in a relatively worse situation at the beginning of the period. Furthermore, the foreign population made a significant contribution to growth of the labour force and employment.

Nevertheless, the targets set for 2010 in the framework of the Lisbon Agenda (both as originally formulated in March 2000 and in its relaunched version in 2005), in relation to employment rates (for the total working age population, the female population and that aged 55 to 64), have still not been achieved in the area as a whole or in most euro area countries. However, the female employment rate in 2007 was relatively close to the target (only 2 pp off 60%) and, in view of its growth rate in the period analysed, it seems probable that this target will be

UNEMPLOYMENT RATE

CHART 9

Year-on-year rates of change and contributions by gender and age



SOURCES: Eurostat and Banco de España.

met. The same cannot be said of the total employment rate and, in particular, the employment rate for older workers. As a result, further structural reforms and measures to make the labour market more flexible need to be implemented so that, by enhancing the ability of working age individuals to adapt to available jobs and to a constantly changing economic environment (by promoting geographical mobility, continuous training and integration with new technologies, etc.), it is possible to continue increasing the degree of utilisation of the labour factor and, consequently, income per capita throughout the euro area.

19.6.2008.