

# Unemployment in the European Union

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## Summary:

|   |   |
|---|---|
| Introduction .....  | 3 |
| The development of unemployment in the EU states .....        | 3 |
| Unemployment of young people up to age 25 in the EU .....     | 5 |
| European council's recommendations and proposed measures..... | 6 |
| Conclusion .....  | 7 |

## Introduction

Unemployment is a very pressing and current topic. Although the worst of the crisis from 2008 and 2009 is probably behind us, the revival of the economy and reduction in unemployment is still being awaited in vain in certain EU states. The anticipated decline in unemployment was apparent before the economic crisis in the EU, but the changes that came with the crisis halted that trend and even reversed it.

Then double-digit unemployment was rare. In recent years, unemployment exceeded 10 percent in more than half of European Union member states according to estimates from the European Commission, and according to its estimates it will remain at that level in the years to come. Unemployment levels among young people are especially high. In some EU states, young people are even being referred to as a lost generation.

## The development of unemployment in the EU states

The development of unemployment in the EU is like on a swing. In 2000, the average for the EU was just under 9% (about 20 million unemployed), and the highest level of unemployment was in Slovakia at 18.9%.

The lowest unemployment was around 3% in Luxembourg, the Netherlands and Austria. This was followed by a decline until 2007 and the start and first quarter of 2008. At that time, according to data from Eurostat, there were about 16 million unemployed in the EU, which represented an unemployment level of 6.8%.

In 2008 and 2009, the economic crisis hit the EU, and the crisis also affected the labour market. The number of unemployed grew, and differences began to deepen not only between individual states, but also between regions. The average for the EU in 2007 was still at a comfortable 7.2% and was at 7.6% in the Eurozone.

In 2007, unemployment remained the highest in Slovakia, but it was still 7% lower than in 2000. Slovakia was also the only state that had a double-digit unemployment level.

Slovakia was not the only state where unemployment dropped several percentage points between 2000 and 2007. Poland, Bulgaria, Latvia and mainly Estonia (a decline in unemployment by 9%) and Lithuania, with an unbelievable decline in unemployment from 16.4% in 2000 to 3.8% in 2007 were the winners in the battle against unemployment.

The Czech Republic with 5.3% ranked among states with the lowest unemployment. However, the situation on the market began quickly changing, and serious problems affecting several EU member states bubbled to the surface. The situation of 2012 and the European Commission's prognosis for 2014 are not very positive.

Since 2007, unemployment has increased in all EU member states, except Germany, Malta and Austria, where there has been a decline. In Germany, this can be attributed in particular to the controversial Hartz reforms, which are introduced in 2002. A special commission led by Peter Hartz at the request of then chancellor Gerhard Schröder prepared a concept of reforms, which were intended to help Germany reduce unemployment.

These measures included transformation of individual labour offices to more modern employment agencies, and other changes were made related to support during unemployment simplification of the system of payment of unemployment benefits.

While in 2008 the unemployment level exceeded 10% only in one member state, in 2012 it was the case already in 14 states. The situation in Greece and Spain was so bad that every fourth person was unemployed! According to the European Commission's estimates, unemployment is expected to exceed 20% in 2014 in besides Greece and Spain also in the new member state of Croatia.

Another danger related to such high unemployment is its structure. Not only is the unemployment level increasing, but also the long-term unemployment level, which represents the ratio of the number of unemployed persons for one year or more to the total work force expressed in percent.

Long-term unemployment results in besides loss of income also other effects on individuals as well as the economy as a whole. It has an effect on the state budget, economic growth as well as reduction of individuals' living standards, social exclusion, strains on family budgets and relations in families.

Since the start of the economic crisis, long-term unemployment has grown in almost all EU states. In 2012, 4.6% of the work force was affected by long-term unemployment in the EU (45% of overall unemployment).

Unemployment of persons lasting more than one year is a problem mainly in Slovakia, where it represents two thirds of overall unemployment. Approximately 60% of overall unemployment is reported by states such as Greece, Ireland and Croatia.

Eurostat provides the latest unemployment data as of July 2013. In July of this year, there were a total of 26.6 million unemployed in the EU (which represents 11% of unemployed), and compared to the previous year this is a decline by 33,000, but year-to-year represents growth by nearly a million unemployed.

The lowest unemployment rate, 4.8%, is in Austria. The Czech Republic is faring more than very good compared to other states and is in sixth place with an unemployment level of just under 7%.

The highest unemployment is in Greece and Spain, which form a chapter of their won. With unemployment levels exceeding 26%, they exceed the third worst state, Cyprus, by nearly 10%.

There are major differences not only among individual states, but also in individual regions of certain states. The lowest unemployment level in 2012 was in Austrian (Salzburg, Tirol - in both regions 2.5%) and German regions (Oberbayern, Trier - in both regions 2.7%).

Something interesting is that another NUTS 2 region with low unemployment, like Austria and Germany, is Prague with 3.1% unemployment, along with Dutch Zeeland.

It will probably come as no surprise that the regions with the highest employment include regions of Spain and Greece.

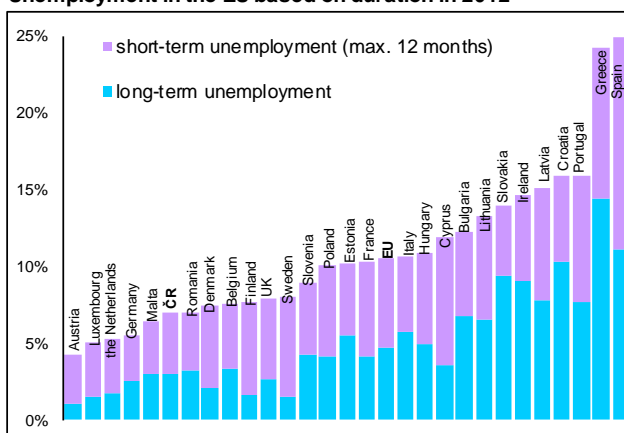
The Spanish region of Cueta has 38.5% or more unemployment. A surprising figure is French Réunion's position in the sixth worst place with 28.6% unemployment, while the average for France in 2012 was 10.3%.

#### Development of unemployment in the EU (in %)

|                       | 2000       | 2007       | 2012        | 2014*       |
|-----------------------|------------|------------|-------------|-------------|
| Austria               | 3.6        | 4.4        | 4.3         | 4.7         |
| Luxembourg            | 2.2        | 4.2        | 5.1         | 5.8         |
| the Netherlands       | 3.1        | 3.6        | 5.3         | 7.2         |
| Germany               | 8.0        | 8.7        | 5.5         | 5.3         |
| Malta                 | 6.7        | 6.5        | 6.4         | 6.1         |
| <b>Czech Republic</b> | <b>8.8</b> | <b>5.3</b> | <b>7.0</b>  | <b>7.4</b>  |
| Romania               | 6.8        | 6.4        | 7.0         | 6.8         |
| Denmark               | 4.3        | 3.8        | 7.5         | 7.6         |
| Belgium               | 6.9        | 7.5        | 7.6         | 8.0         |
| Finland               | 9.8        | 6.9        | 7.7         | 8.0         |
| UK                    | 5.4        | 5.3        | 7.9         | 7.9         |
| Sweden                | 5.6        | 6.1        | 8.0         | 8.1         |
| Slovenia              | 6.7        | 4.9        | 8.9         | 10.3        |
| Poland                | 16.1       | 9.6        | 10.1        | 11.4        |
| Estonia               | 13.6       | 4.6        | 10.2        | 9.0         |
| France                | 9.0        | 8.4        | 10.3        | 10.9        |
| <b>EU</b>             | <b>8.8</b> | <b>7.2</b> | <b>10.5</b> | <b>11.1</b> |
| Italy                 | 10.0       | 6.1        | 10.7        | 12.2        |
| Hungary               | 6.3        | 7.4        | 10.9        | 11.5        |
| Eurozone              | 8.4        | 7.6        | 11.4        | 12.1        |
| Cyprus                | 4.8        | 3.9        | 11.9        | 16.9        |
| Bulgaria              | 16.4       | 6.9        | 12.3        | 12.4        |
| Lithuania             | 16.4       | 3.8        | 13.3        | 10.5        |
| Slovakia              | 18.9       | 11.2       | 14.0        | 14.1        |
| Ireland               | 4.2        | 4.7        | 14.7        | 13.7        |
| Latvia                | 13.7       | 6.5        | 15.1        | 12.2        |
| Croatia               | 15.8       | 9.6        | 15.9        | 20.1        |
| Portugal              | 4.5        | 8.9        | 15.9        | 18.5        |
| Greece                | 11.2       | 8.3        | 24.3        | 26.0        |
| Spain                 | 11.7       | 8.3        | 25.0        | 26.4        |

Source: Eurostat; European Commission; \* estimate EC

#### Unemployment in the EU based on duration in 2012



Source: Eurostat

## Unemployment of young people up to age 25 in the EU

Another very negative phenomenon of recent years is the high level of unemployment of young people up to age 25. According to the latest unemployment data from this July, the unemployment level of young people up to age 25 is nearly double the EU's overall unemployment level.

In three EU member states, even more than half of young people up to age 25 are unemployed. These states include the EU's newest member, Croatia, with 55.4%, Spain with 56.1% and Greece with a red figure of 61.5%.

In the EU, the level of monthly seasonally treated unemployment is 23.4%, which represents a decline by 0.1% compared to 2013 and year-to-year growth by half a percentage point.

The 18.3% unemployment level of young people in the Czech Republic is not at all rosy, but still places the country in the seventh best place. The only states with youth unemployment below 10% were Austria (9.2%) and Germany (7.7%).

In the case of youth unemployment, we can see a similar development in time like in overall unemployment.

Since 2000, youth unemployment in the EU grew slightly until 2004, but it had been gradually declining until the economic crisis erupted, and it reached its lowest levels in 2007 and in early 2008.

The Czech Republic had the highest unemployment in the monitored period of 2000 to 2012 in 2004 at the rate of 20.4% and the lowest in 2007 at the rate of 10.7%. However, not all states have had similar developments. States such as Ireland, Denmark, Cyprus, Hungary and Luxembourg reached low unemployment at the turn of the millennium, and since then their unemployment levels among young people up to age 25 have been growing. In 2000 the highest youth unemployment level again like in the case of overall unemployment was in Slovakia.

In the years that followed, however, Slovakia managed to reduce that unemployment, and it is now among seven states with a lower youth unemployment level in 2012 than in 2000. The economic crisis affected young people up to age 25 much harder than other age groups. The youth unemployment level compared to the total unemployment level in the EU was 1.4 times higher in 2007 and 2.6 times higher in 2012.

High youth unemployment, even despite the huge problems that accompany it, do not necessarily reflect the actual situation. Many young people are preparing for future professions as part of their study or courses, and so these persons are not counted as part of the labour force.

### Unemployment of young people up to age 25 in the European Union (in %)

|                       | 2000        | 2007        | 2012        |
|-----------------------|-------------|-------------|-------------|
| Germany               | 8.7         | 11.9        | 8.1         |
| Austria               | 5.3         | 8.7         | 8.7         |
| the Netherlands       | 6.1         | 7.0         | 9.5         |
| Denmark               | 6.2         | 7.5         | 14.1        |
| Malta                 | 13.7        | 13.9        | 14.2        |
| Luxembourg            | 6.6         | 15.6        | 18.0        |
| Finland               | 21.4        | 16.5        | 19.0        |
| <b>Czech Republic</b> | <b>17.0</b> | <b>10.7</b> | <b>19.5</b> |
| Belgium               | 16.7        | 18.8        | 19.8        |
| Slovenia              | 16.3        | 10.1        | 20.6        |
| Estonia               | 24.4        | 10.1        | 20.9        |
| UK                    | 12.2        | 14.3        | 21.0        |
| Romania               | 17.2        | 20.1        | 22.7        |
| <b>EU</b>             | <b>17.5</b> | <b>15.7</b> | <b>22.8</b> |
| Eurozone              | 15.9        | 15.4        | 23.1        |
| Sweden                | 10.5        | 19.2        | 23.7        |
| France                | 19.6        | 19.8        | 24.6        |
| Lithuania             | 30.0        | 6.8         | 26.4        |
| Poland                | 35.1        | 21.6        | 26.5        |
| Cyprus                | 9.9         | 10.2        | 27.8        |
| Bulgaria              | 33.7        | 14.1        | 28.1        |
| Hungary               | 11.9        | 18.1        | 28.1        |
| Latvia                | 21.4        | 11.9        | 28.5        |
| Ireland               | 6.7         | 9.1         | 30.4        |
| Slovakia              | 37.3        | 20.6        | 34.0        |
| Italy                 | 26.2        | 20.3        | 35.3        |
| Portugal              | 10.5        | 20.4        | 37.7        |
| Croatia               | 37.0        | 24.0        | 43.0        |
| Spain                 | 22.9        | 18.2        | 53.2        |
| Greece                | 29.1        | 22.9        | 55.3        |

Source: Eurostat. European Commission. \* estimate EC

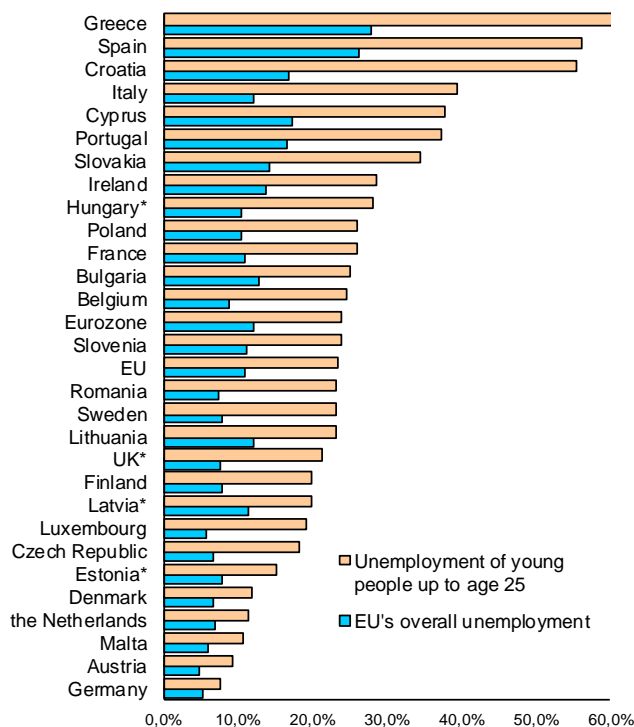
A new term has begun being used (NEET (not in employment, education or training)), which was first used in the UK. This term basically refers to people between the ages of 15 and 24 who currently are not employed, are not participating in professional training or are not classified as studying.

According to Eurostat, in 2012 the percentage of these people in the EU was more than 13%, which represents about 7.5 million people. Like in the case of overall unemployment, there are also regional differences in youth unemployment levels.

German regions (Oberbayern, Freiburg) and Austrian regions (Steiermark) again had the lowest unemployment level among young people up to age 25 (5%).

Spanish and Greek regions are on the opposite end of the ladder. The region of Dytiki Makedonia registered the worst result, with a difficult to believe 72.5% youth unemployment rate.

Unemployment level in the EU in July 2013



Source: Eurostat, \*data as of June 2013

## European council’s recommendations and proposed measures

Tackling unemployment is not only the responsibility of individual states, but is also addressed at the EU level. The especially dire youth unemployment situation is parking stormy debates. Even despite certain economic recovery, youth unemployment in certain EU states is at a very high level, and this is resulting in huge costs and social problems.

The European Council and states' senior officials have met several times to discuss how to solve the problem. The European Council has agreed on a comprehensive approach based on a few specific measures.

According to the European Council, it is necessary to make a maximum effort to ensure that young people who are neither employed nor participating in education or professional training return to the labour force, the education process or professional training within four months.

The EU will help member states finance systems of guarantees for young people through EU structural funds, particularly the initiative for supporting youth employment, thanks to which essential preparations should be carried out, so that this initiative is fully functional as of January 2014, and the first amounts can be paid to recipients in EU regions with youth unemployment levels higher than 25%.

Senior EU officials have agreed to release six billion euros, so that the funds are available from 2014 to 2016, the first two years of the current multi-year financial framework.

As part of these measures, it has also been decided that funds from the multi-year financial framework not invested will be used primarily to support employment, particularly of young people, and for areas supporting growth, such as innovation and research.

The European Investment Bank will actively participate in the fight against youth unemployment by contributing through its Work for Youth initiative and the Investment into Skills programme. Efforts will also be made in the fight against youth unemployment for the purpose of promoting mobility of young people seeking employment, including through strengthening of the Your First Job programme via EURES.

Member states are being called upon to use their allocations from the European Social Fund to support cross-border mobility programmes. The Erasmus + programme, which also supports cross-border professional preparation, should fully function as of January 2014.

In July of this year, the activities of the European Alliance for Apprenticeships were commenced. This apprenticeship preparation represents a key part of the guarantee for young people, which last December was proposed by the European Commission as part of its package related to youth unemployment and was adopted by the European Council in April 2013.

It has the goal of improving the effectiveness and quality of offered preparation through an extensive partnership of key entities in relation to employment and education and of helping solve the problem of youth unemployment in the European Union.

In this area, the most successful systems of apprenticeship preparation in the EU will be identified and applied in individual member states. Social partners will also be fully involved in the effort to reduce youth unemployment.

The European Council is also recommending that member states suffering from high youth unemployment strengthen their measures for active labour market policy. It is essential to get these groups of young people involved in the labour market.

The European Council recognises the authority of member states in this area and also reminds of the importance of shifting the tax burden from taxation of labour, including in appropriate cases with reduction of contributions for social security as well as possible ways of increasing employment and strengthening job creation and competitiveness.

## Conclusion

According to the most recent figures from Eurostat, the level of unemployment in certain states is very high, which brings with it many problems, from loss of income and increasing of state budget expenditures to reduction of living standards for affected individuals and families.

However, the Czech Republic is doing well in this European comparison with approximately 7% unemployment, it is among the states that are the least affected by joblessness. Of course, there are regional differences. For example, Prague has very low unemployment ranging around 3% and is among the European regions with the lowest unemployment levels. Contrastingly, the Northwest part of the Czech Republic suffers an unemployment rate of more than 10%.

Like in the case of overall unemployment, the Czech Republic is among the EU member states with the lowest youth unemployment levels.

However, at the end of October the Czech Republic will hold parliamentary elections. Their outcome can also have an effect on further developments. We hope that these developments will be for the better and will give a boost to the economy enabling sustainable growth.