

Box 5

Sectoral employment growth in the euro area

Total employment growth in the euro area rose to 2% in 2000, well above the average rate of around 0.5% a year recorded in the 1990s. At the same time, employment developments varied significantly across sectors, both in the recent past and in the 1990s as a whole. Developments in total employment growth reflect the differences in the cyclical behaviour across sectors, as well as the sectoral shares in total employment. This box summarises these differences over the past decade, based on the national accounts data that have recently become available. The sectoral breakdown comprises agriculture, industry (including and excluding construction) and services (trade and transport, finance and business, and public administration).

Employment growth was generated by the services sector in the 1990s

The increase in total employment in the euro area over the 1990s was entirely generated by the services sector and, as a result, its share in total employment rose by more than 6 percentage points to 68.6% in 2000 (see the table below). The most dynamic component of employment in services was the finance and business services sector, where employment grew at an average 3.6% a year between 1991 and 2000, compared with 0.8% in trade and transport and 1.3% in public administration. By contrast, employment in industry fell for most of the decade and its share in total employment declined by 4.7 percentage points in total between 1991 and 2000, to 27.1%. This declining share in total employment is partly related to an increase in outsourcing by firms in recent years, as reflected in the strong growth of business services. Within industry, employment in construction, although significantly more volatile than employment in manufacturing, decreased only slightly over the last decade (by -0.1% on average) and the share in total employment in construction remained fairly stable (slightly above 7%). Finally, employment in the agricultural sector continued to fall as productivity increased and its share in total employment was reduced to 4.3% (a fall of 2.2 percentage points since 1991).

Sectoral breakdown of employment in the euro area

(as a percentage of total employment unless otherwise indicated)

	Share in 1991	Share in 2000	Average % growth 1991-2000	
Whole economy	100.0	100.0	0.5	
Agriculture and fishing	6.5	4.3	-3.7	Includes agriculture; fishing; hunting and forestry
Industry	31.8	27.1	-1.2	
Excluding construction	24.4	20.0	-1.6	Includes manufacturing; mining and quarrying; utilities
Construction	7.4	7.1	-0.1	
Services	61.7	68.6	1.5	
Trade and transport	24.2	25.1	0.8	Includes wholesale and retail trade; hotels and restaurants; transport and communications
Finance and business	10.5	14.2	3.6	Includes financial intermediation; real estate; renting and business services
Public administration	27.0	29.3	1.3	Includes public administration; defence; social security services; education; health and social work; other community, social and personal services

Sources: Eurostat and ECB calculations.

The cyclical behaviour of employment varies across sectors

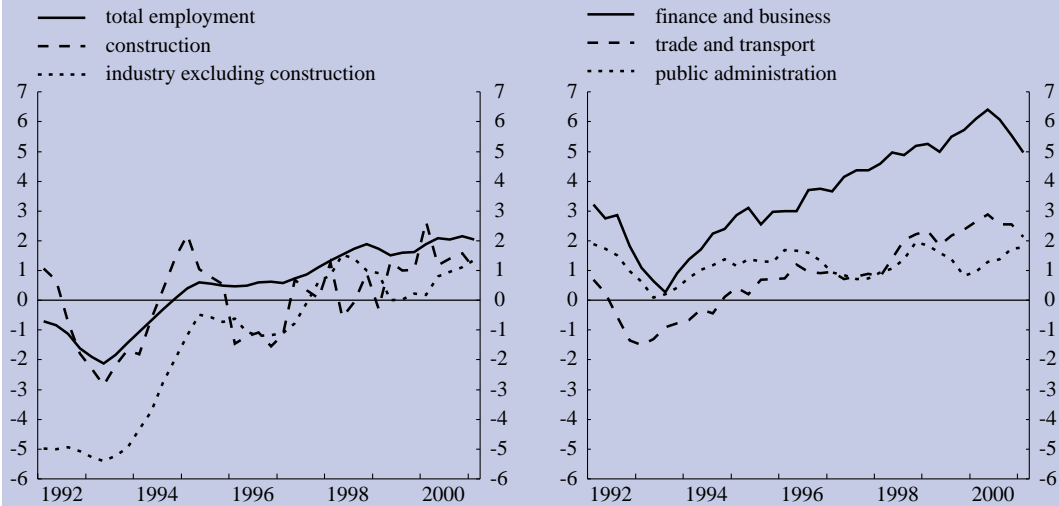
Beside labour market reforms in some countries, euro area employment benefited from favourable developments in economic activity, notably in the second half of the 1990s. However, the influence of changes in the rate of economic growth on employment in individual sectors varied. Employment growth in industry had a major influence during the 1990s on cyclical developments in total employment (see the chart below). Both industry sub-sectors showed a greater volatility than that of services sub-sectors. Employment

growth in services also exhibited a cyclical behaviour, but tended to be more sustained during the 1990s. Indeed, employment in industry is more correlated with total economic activity than employment in services, to which both sectors react with some lag. Employment in services shows a particularly high correlation with domestic demand and private consumption, although responding again with some lag.

Recent employment developments, up to the first quarter of 2001, show a significant growth in employment in industry. However, according to survey data on employment expectations in manufacturing, employment growth in this sector is likely to decrease in the second quarter. This development, together with a somewhat lower net job creation in the services sector in line with the slowdown in domestic demand, should result in some cyclical slowdown in employment growth in the course of 2001.

Sectoral employment growth in the euro area

(annual percentage changes)



Sources: Eurostat and ECB calculations.