

Box 4

The information content of job vacancies in the euro area

The term “job vacancies” covers newly created jobs, existing positions currently vacant, and positions about to fall vacant in the near future for which the employer has taken recent, active steps to find a suitable candidate. Information on vacancies may act as a leading indicator for certain labour market variables, in particular employment and unemployment, and may thus be considered to be an important variable to monitor.

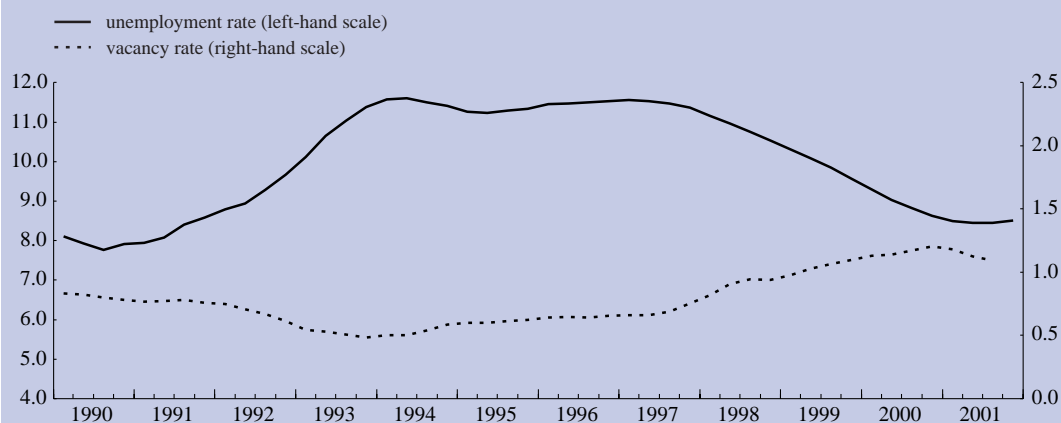
Unfortunately, no statistics for job vacancies in the euro area as a whole are currently available, although some discussion of this issue has been initiated recently by the European Commission (Eurostat). Some euro area countries do publish a measure of vacancies, but a number of caveats need to be borne in mind when looking at this information. First, and more generally, available vacancies data probably represent only a fraction of the actual vacancies on the labour market because the information is mostly obtained from public employment offices to which not all vacancies are reported. Moreover, this fraction can change over time as a result of institutional and other changes. Second, a euro area estimate drawn up on the basis of available data covers only a limited number of countries (around 60% of the euro area labour force¹). Third, the definition of job vacancies varies from one country to the next: some countries do not include temporary or public sector jobs, for example. Nevertheless, the available information may be of interest to the extent that it reflects the general trend in vacancy developments and can be examined in conjunction with other labour market indicators for the euro area.

Relationship of the job vacancy rate to the unemployment rate, employment and real GDP

The chart below shows an estimate of the job vacancy rate for the euro area (on the basis of available data) viewed alongside the unemployment rate (both plotted as a percentage of the total labour force). It shows that, in line with cyclical economic developments, vacancies and unemployment have broadly tended to move in opposite directions: economic upturns are generally accompanied by an increase in the vacancy rate (as firms create new jobs) and a fall in the unemployment rate, whereas economic downturns result in fewer new jobs being created and a corresponding rise in the rate of unemployment. It also shows that the vacancy rate estimate is, as one would expect, a leading indicator of the unemployment rate, thereby providing some support for the usefulness of monitoring job vacancy developments.

Euro area unemployment and job vacancy rates

(as a percentage of the labour force; seasonally adjusted)



Sources: National data and ECB calculations.

¹ The countries covered are Belgium, Germany, Spain, the Netherlands, Austria, Portugal and Finland.

The results of a cross-correlation analysis performed on the cyclical components² of the vacancy rate, the unemployment rate, employment and real GDP provide further evidence of the expected relationship between the vacancy rate and both economic activity and labour market variables during the period of analysis (1970 to 2001). First, there was a strong positive correlation between the vacancy rate and employment and real GDP, combined with a strong negative correlation with the unemployment rate. Second, increases in the vacancy rate were found to be coincident with GDP growth and proved to be leading indicators of employment growth and falls in the rate of unemployment by one to two quarters. Despite this, any inferences regarding future developments still need to be made with caution owing to the lack of harmonisation of the available data and the low coverage.

Recent developments

Recent vacancy developments have been in line with employment and unemployment developments, pointing to a deterioration in the labour market. Indeed, the estimated vacancy rate appears to have declined throughout 2001, while the unemployment rate rose in the last quarter of the year, following a slowdown in the pace of decline in the first quarter and a levelling-off in the following two quarters. If the vacancy rate is assumed to have leading indicator properties, then its recent sustained decline could point to lower employment growth and a further increase in the unemployment rate in early 2002.

Overall, an indicator of job vacancies can provide additional useful information complementing that of other indicators used to monitor labour market developments. However, current estimates for the euro area have to be interpreted with caution. Improvements in terms of both coverage and reliability, resulting in a harmonised vacancy indicator for the euro area, would be desirable.

2 Obtained using the Hodrick-Prescott filter.