

Box 8

EURO AREA EMPLOYMENT IN 2006: A MORE BALANCED GROWTH

The labour market situation in the euro area has shown a clear improvement in recent years. In 2006, in particular, after years of subdued growth, employment increased by 1.4%, the highest rate since 2001. This positive evolution has translated into a sizeable reduction in the unemployment rate, which at the end of 2006 stood at 7.5% – a level not seen since the early 1980s – despite the simultaneous effect of the upward trend in participation.

This box summarises the characteristics of euro area employment growth in 2006, following the breakdown by age, gender, skill group, contract type and sector, used in the most recent EU Labour Force Survey.¹ The analysis shows that, relative to previous years, employment developments in the euro area in 2006 as a whole (i) were more evenly spread across age, gender and skill group, (ii) were led by a significant impulse in both permanent and full-time jobs and (iii) no further decline in the employment of low-skilled workers occurred. These developments suggest that, in addition to the positive impact of structural reforms implemented in labour markets – which had already become visible in certain groups in previous years – the increase in firms' confidence in terms of the sustainability of economic activity has contributed to the favourable employment creation in 2006.

Employment developments by gender, age and skill group

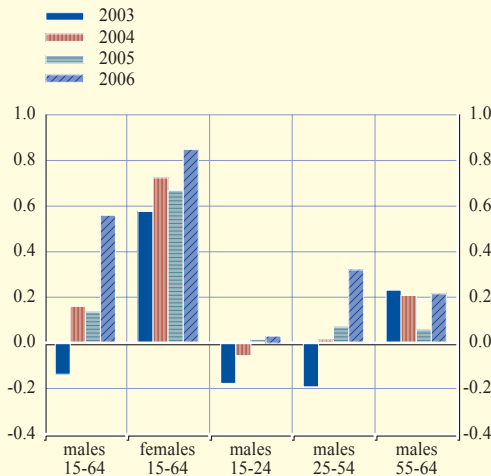
Although the increase in female employment continued last year and still accounts for the majority of total employment growth, the contribution of male employment also rose strongly in 2006 (see Chart A1). In the period 2003-05, females contributed, on average, 0.6 percentage point to overall employment growth, while the contribution from males was a mere

¹ Given that national accounts data are considered to provide more reliable information on employment developments at the current juncture, owing to methodological changes to the labour force survey in some euro area countries, the composition of employment used in this box is obtained using the EU Labour Force Survey. The shares of the different groups are subsequently applied to the national accounts data.

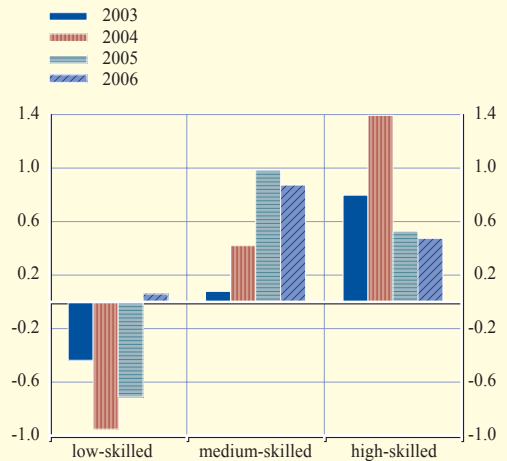
Charts A Employment developments by categories between 2003 and 2006

(contributions to employment growth in percentage points)

1 By gender and age



2 By skills



Sources: Eurostat and ECB calculations.

0.05 percentage point. In 2006, however, the contribution of male employment rose to 0.6 percentage point, close to the 0.8 percentage point contribution from females. The bulk of the increase in the contribution from males was recorded in the prime age group (25-54), but the recovery of employment appears to be common to all age groups for males.

Turning to employment developments by skills (using the highest level of education attained as a proxy), it appears that developments in 2006 are also more balanced across skill categories than in the previous three years (see Chart A2), with all skill groups contributing positively to employment growth. The contribution of medium and high-skilled workers has been positive over the whole period 2003-05, and continued to account for most employment growth in 2006. However, a favourable development has been observed in the case of low-skilled workers, among whom employment growth has turned slightly positive after being the only group to have recorded negative growth in previous years. Overall, employment growth in 2006 appears to have been more widely balanced across gender, age and skill groups than in previous years, with most groups contributing positively to employment expansion in 2006.

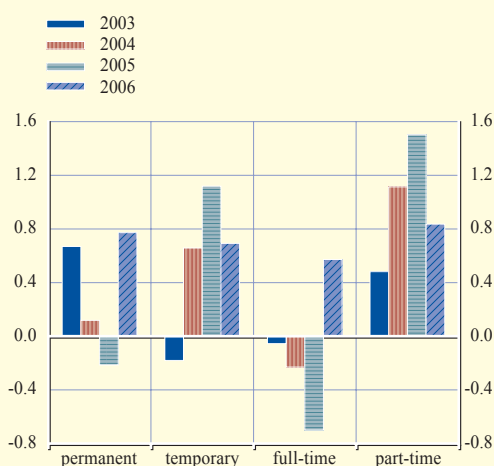
Employment developments by type of contract

In relation to the composition of employment growth in terms of different types of contract, Chart B1 shows the contributions of both permanent versus temporary and full-time versus part-time jobs. Here, too, employment growth became more balanced across contract types in 2006. After some years of decline, employment in permanent and full-time jobs increased, while the continuous rise in the number of temporary and part-time workers slowed down. With respect to temporary jobs, which accounted for almost all employment growth in the period 2004-05, their contribution in 2006 was similar to that of permanent jobs (0.7 percentage point and 0.8 percentage point respectively). A very similar picture is found when comparing part-time and full-time jobs. The increasing contribution of both permanent and full-time jobs

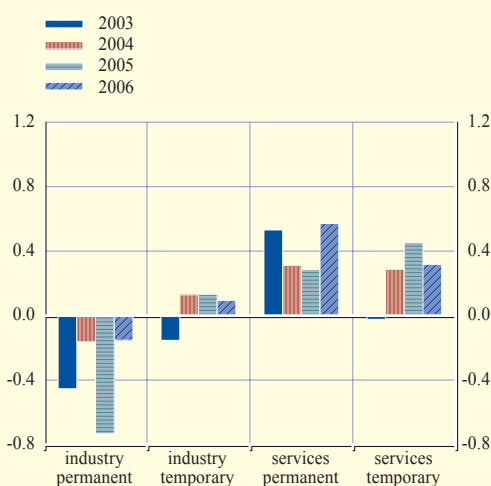
Charts B Employment developments by type of contract between 2003 and 2006

(contributions to employment growth in percentage points)

1 Permanent versus temporary and full-time versus part-time jobs



2 Permanent versus temporary jobs by sectors



Sources: Eurostat and ECB calculations.

may provide further evidence that changes in employment growth patterns in 2006 are broadly based across different job categories.

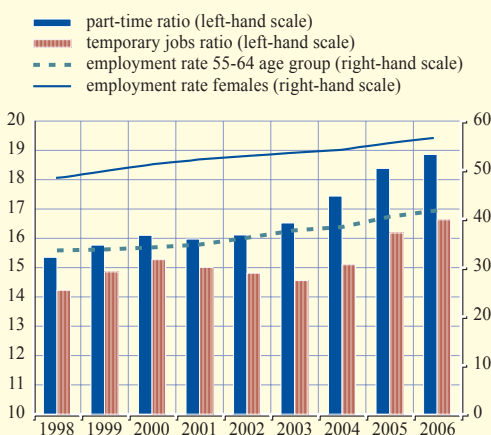
From a sectoral perspective, positive developments were recorded generally across all sectors. The most singular developments in 2006 were the substantial increase in permanent jobs in the services sector and the halt in the strong decline in permanent jobs in industry (see Chart B2). The rise in the number of temporary jobs continued in 2006 in all sectors of the economy.

Long-term trends and outlook

Overall, however, the recoveries in certain sectors of the labour market in 2006 did not stop the ongoing trend increases in the employment rate of female and older workers, as well as in the temporary and part-time jobs ratios (see Chart C). The positive trends in these segments of the labour market can in part be related to past labour market reforms² and thereby forcefully demonstrate the benefits of making further progress with such reforms in the future.

Chart C Employment rates of females and older workers and ratio of temporary and part-time jobs

(percentages)



Sources: Eurostat and ECB calculations.

Note: Employment rate = employment / population of the given category. Ratio of temporary (part-time) employment = number of temporary (part-time) employment / total employment.

² For further details, see the article entitled "Developments in the structural features of the euro area labour market over the last decade" in the January 2007 issue of the Monthly Bulletin.