

## Box 5

### THE EURO AREA JOB VACANCY RATE: A NEW STATISTICAL SERIES

A new series of harmonised quarterly job vacancy statistics for the euro area has been made available by Eurostat, with a first publication in mid-June 2010.<sup>1</sup> These data complement existing statistics and shed more light on labour market developments, particularly on the demand side. This box presents the euro area vacancy rate series and a first analysis of the data, and stresses its particular relevance at the current juncture.

The euro area series is to be published around 75 days after the reference quarter. These data are required by a 2008 European Regulation,<sup>2</sup> which defines a job vacancy as a paid post that is newly created, unoccupied or about to become vacant. In addition, the employer should be taking or prepared to take active steps to find a suitable candidate for the post and must intend to fill it either immediately or in the near future.<sup>3</sup> The vacancy rate is calculated as the ratio between the number of job vacancies and the sum of the number of job vacancies and occupied posts. The data on job vacancies and occupied posts are generally obtained from business surveys. In a few countries, administrative data and the labour force survey are used to compile the series or to improve the sectoral breakdown.<sup>4</sup>

1 See also table 5.3.4 in the “Euro area statistics” section of the Monthly Bulletin. The data are also available online in the ECB Statistical Data Warehouse (SDW).

2 Regulation (EC) No 453/2008 of the European Parliament and of the Council of 23 April 2008 on quarterly statistics on Community job vacancies (OJ L 145, 4.6.2008, p. 234).

3 A post open to internal candidates only is not considered a job vacancy.

4 Administrative sources are used by Belgium, Luxembourg and Slovenia. In the Netherlands, they are used only for the estimation of occupied posts.

The official estimate of the euro area job vacancy rate provided by Eurostat is available from the first quarter of 2009. Eurostat also provides a euro area series back to 2006 based on national estimates existing before the entry into force of the EU Regulation. Nevertheless, the national availability of data is still deficient and particularly insufficient to compile a euro area breakdown by economic activity. As a consequence, caution is warranted in interpreting short-term developments in these data.

Chart A presents the new aggregate euro area series, alongside the euro area unemployment rate. In line with cyclical developments, the two rates tend to be negatively correlated. After a clear tightening of euro area labour markets over the course of 2006 (during which the euro area vacancy rate rose from 1.8% at the start of the series in the first quarter of 2006 to 2.4% by the first quarter of 2007), vacancy rates declined markedly following the onset of the financial crisis. After a trough of 1.4% in the third quarter of 2009, the euro area vacancy rate has risen slightly in each quarter, to 1.7% in the second quarter of 2010.

### Lagging and leading properties of the euro area vacancy rate

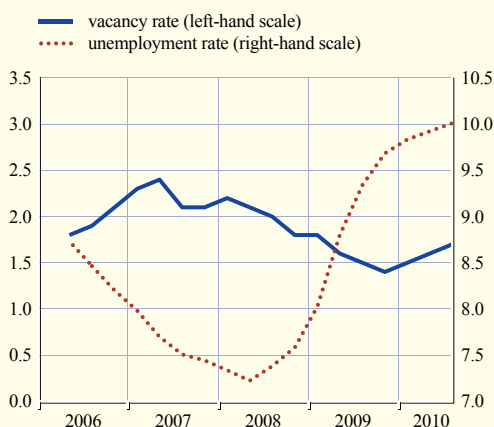
There are a number of reasons why a timely assessment of vacancy developments is useful for economic analysis. Notably, vacancies may offer some leading indicator properties for employment and wage developments. A simple dynamic correlation analysis suggests that changes in the euro area vacancy rate tend to lead changes in the growth of employment and the unemployment rate by between one and two quarters. At the same time, the rate appears to move more contemporaneously, or even slightly lag, changes in real GDP (see Chart B).

### The unemployment-vacancy relationship: a euro area Beveridge curve

The vacancy rate is also useful for structural analysis. The Beveridge curve depicts the relationship between unemployment and

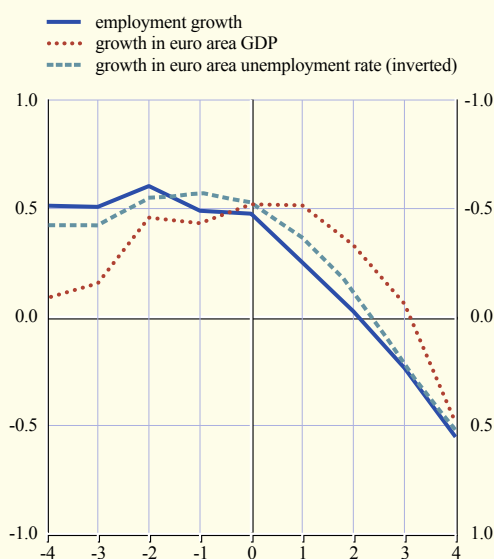
Chart A Euro area job vacancy rate and unemployment rate

(as a percentage of total posts and of labour force)



Sources: Eurostat and ECB calculations.  
Note: Total posts refer to the combined number of job vacancies and occupied positions.

Chart B Correlations between quarter-on-quarter growth in the euro area vacancy rate and growth in selected variables



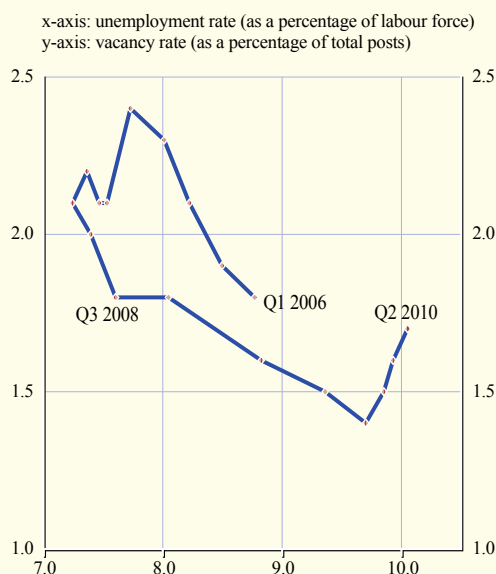
Sources: Eurostat and ECB calculations.  
Note: The x-axis refers to quarters, while the y-axis refers to quarterly lead (-) / lag (+) correlations based on vacancy data for the period from Q1 2006 to Q2 2010.

vacancy rates over time (see Chart C). Typically, over the course of a business cycle, the Beveridge curve exhibits an anti-clockwise pattern, tracing the evolution of the economy from expansionary phases (leading to lower unemployment and higher vacancies) to contractions in activity (with higher unemployment and lower vacancies). Shifts in the Beveridge curve over time are of particular interest, since they are suggestive of structural changes in the unemployment-vacancy relationship.<sup>5</sup> Shifts closer to the origin can be interpreted as suggesting greater efficiency in the allocation (“matching”) of unemployed workers to vacancies.

As shown in Chart C, the euro area Beveridge curve had been moving closer to the unemployment-vacancy origin until 2008, which could have been interpreted as labour markets exhibiting a tendency towards greater matching efficiency – possibly as a result of the structural labour market reforms introduced earlier in the decade.<sup>6</sup> More recently, however, the marked outward movements notable since the second half of 2009 suggest some stalling of that process. Caution is however warranted in drawing too firm conclusions regarding structural developments on the basis of so few observations, particularly at such an early stage in the recovery phase.

The high sectoral concentration of employment losses seen during the recent recession raises important questions regarding the speed at which redundant workers are likely to be (re)absorbed in the recovery phase. In a number of sectors – for instance, construction as well as certain manufacturing industries – some of the recent downsizing observed is likely to become permanent. At the same time, the recovery is likely to create additional opportunities for employment in growth sectors. Labour market policies will need to ensure that sufficient flexibility exists to allow the necessary sectoral reallocation of labour to take place. Without overcoming these challenges, euro area structural unemployment may increase further, despite rising vacancy rates.

Chart C The euro area Beveridge curve



Sources: Eurostat and ECB calculations.  
Note: Total posts refer to the combined number of job vacancies and occupied positions.

5 See also the box entitled “The unemployment-vacancy relationship in the euro area” in the December 2002 issue of the Monthly Bulletin.

6 See, for instance, the article entitled “Labour market adjustments to the recession in the euro area” in the July 2010 issue of the Monthly Bulletin, as well as R. Duval and J. Elmeskov, “The effects of EMU on structural reforms in labour and product markets”, *Working Paper Series*, No 596, ECB, March 2006.