



FEPS-ECLM: High job quality gives high employment

**An assessment of the performance of European
labour markets**

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The European labour markets are compared in terms of the number of jobs, the quality of jobs and wages and the inclusiveness of earnings and employment opportunities. The comparison shows that institutions which secure a high job quality and inclusiveness underpin a high employment rate.

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High job quality gives high employment

Europe is entering an upswing with unemployment rates declining in 2016-2017 in almost all countries. However, the crisis has left its marks with increased poverty rates and deteriorated job opportunities in some parts of the European labour markets.

There has been a concern that the increased competition for jobs and the austerity policies have eroded the bargaining power of workers and, in turn, the job quality, the earnings of low-paying jobs and the employment opportunities of less advantaged groups. Further, there has been a concern that the European labour markets are more diverse today than before the crisis as the crisis hit some countries harder than others.

In this analysis, we compare Europe's labour markets today in terms of the quantity and quality of jobs and in terms of the inclusiveness of current employment. We do this using an adaption of the scoreboard developed by OECD in 'Employment Outlook 2017' which also allows a comparison with the pre-crisis situation.

OECD's main conclusion from their scoreboard is that there is no tradeoff between employment and institutions that secure high quality of jobs and inclusiveness of employment. In fact, countries with a high employment do, generally, also have high job quality and are good at extending the wage and employment opportunities to less privileged social groups.

When looking only at the member states of the European Union the same conclusion emerges, but it is less obvious than in an OECD-wide comparison. Further, there is a general tendency of improved inclusiveness, but at the same time income inequality has risen. In the other respects considered the labour markets have developed quite differently. For example, while employment has improved in the Eastern Europe, our indicators on the number of jobs have, generally, worsened in the Southern European countries.

Below, we first present OECD's framework for assessing labour market performance and, then, use this set of indicators to discuss how well the labour markets of the EU member states perform compared to each other and compared to the situation in 2006.

OECD's indicators on the performance of labour markets

In the recent 'Employment Outlook 2017', OECD presents a framework for measuring the performance of labour markets along a number of dimensions. The framework is developed as part of the upcoming OECD Jobs Strategy and consists of the ten indicators listed in Box 1.

Box 1. OECD's indicators on labour market performance

Quantity of jobs

- Employment ratio: The number of employed persons as a share of the working-age population.
- Full-time equivalent (FTE) employment ratio: The total number of hours worked by the employed population as a share of the total number of hours that all working-age persons would work if they all worked 40 hours per week. That is, a full-time week is here defined as 40 hours.
- Unemployment rate.

Quality of jobs

- Inequality adjusted earnings: A weighted average of wages across wage terciles. The average is calculated in a way where more weight is put on the income of the lower terciles.



- Labour market insecurity: The average compensation rate of unemployment benefits calculated as if all who are eligible for unemployment benefits have some specific characteristics (e.g. a wage that amounts to 67% of the average wage).
- Job strain: A measure of the joint occurrence of a set of high job demands (e.g. that the worker "Work at very high speed and to tight deadlines") and low job resources (e.g. that the worker does not receive employer-provided training).
- Very long hours of work: The share of workers who reports that they 'usually' work 60 or more hours per week in their main job.

Labour market inclusiveness

- Low income rate: The share of the population having an income below 50% of the national median income.
- Gender labour income gap: The gap between the average annual labour income of men and women expressed as a percentage of the average labour income of men.
- Employment gap for disadvantaged groups: A weighted average of the gap in employment ratios between prime-age men (aged 25-54 years) and five social groups. These employment gaps are weighted together. There is made no attempt at adjusting for the fact that some people appear in more than one disadvantaged group and, therefore, count twice.

Source: OECD (2017).

In our assessment below, some of the indicators are adjusted in order to present a present-day view covering all or most EU countries. Thus, updating and expanding the coverage of the indicators requires that some indicators are recalculated using Eurostat data. And these recalculations, in turn, require slight adaptations to the Eurostat data available.

Job quantity

The first set of indicators measures how many jobs there are. The number of jobs relative to the (active) population is the most straight-forward measure of how well a labour market performs in terms of including able adults and getting the most out of the country's labour resources.

This set of indicators covers the employment ratio, which is the share of employed persons out of the total working-age population. This employment ratio is calculated both where all workers count the same and where workers are weighted by hours worked. The set of indicators on the quantity of jobs also include the unemployment rate, that is, the share of unemployed out of the active population.

Job quality

The second set of indicators covers the quality of jobs. These indicators, firstly, include a simple composite measure of the level and distribution of wages, namely a weighted average of incomes where the highest weight is put on the lowest incomes. This measure has gained popularity in the research literature in recent years. Below this measure is reported using disposable incomes rather than market incomes.

Secondly, the quality of jobs indicators include an indicator of the income loss associated with losing one's job. This is measured by the replacement rate of unemployment benefits of a specific worker type adjusted by the general coverage rate of unemployment insurance. In our assessment below, we report the replacement rates of unemployment systems without adjusting them by the coverage rate. We do this in order to give an updated view on most EU member states. However, there are important differences across Europe in the number of workers who are eligible for unemployment insurance.

A final dimension of job quality is the physical and psychological work environment which cover all non-economic factors for well-being at work. These factors are important determinants of overall well-being and health but are particularly hard to measure. The OECD proposes a unifying measure based on a distinction between job demands and job resources. In particular, OECD argues that job demands turn into factors of strain when the employee has insufficient resources to meet them. OECD deduces indicators on job demands and job resources from the joint answers of several survey



questions. The quality of the work environment is further indicated by the occurrence of very long working hours (60 hours per week or more).

Labour market inclusion

The third set of indicators attempts to assess how well labour markets perform in supplying jobs and decent wages to all workers, irrespective of their broad social characteristics. These indicators focus, in particular, on women and selected social groups which are, statistically, less advantaged in terms of earnings and employment opportunities.

First of all, the indicators on labour market inclusiveness covers the population share with a total disposable income below 50% of the national median income. This gives an indication of how well labour markets perform in terms of securing a high living standard for all. However, we look at the income distribution after social transfers. In our assessment below, we set the threshold at 60% of the median income to match Eurostat's definition of the unanchored risk-of-poverty-rate.

The indicators on labour market inclusiveness further include the wage gap between men and women. Below, we use Eurostat's 'Gender overall earnings gap' which takes into account various sources of differences in labour income, namely differences in income in similar jobs, differences in hours per year and differences in employment rates.

Finally, OECD has developed a new indicator of the difference in employment ratios between prime-age men on the one hand and five selected groups on the other. The five groups are mothers, young people neither in job nor in education or training, 55-64-year old persons, foreign-born persons and people with a disability. OECD calculates the difference between the employment ratio of prime-age men and the employment ratios for the five social groups and calculates a weighted average of these employment gaps. Below, we recalculate the indicator using data on prime-age women instead of mothers and 2011-data on the employment of people with a disability.

An assessment of European labour markets

The scoreboard of the performance of European countries' labour markets is shown in *Appendix 1*. The dark blue colour indicates that a country is located among the highest performing third while a light blue colour indicates that it performs in the middle range, that is, neither among the 33% best performing countries nor among the 33% worst performing countries.

The scoreboard shows that countries where a large share of the population and the labour force has a job, generally, have the best jobs with the most decent wages – and that the job opportunities in these countries is more evenly spread out between social groups. This overall picture was roughly the same in 2006, *cf. Appendix 2*. This is confirmed by the pairwise correlations across countries between the employment ratio and the job quality and inclusiveness indicators, *cf. Table 1*.

The values in Table 1 show that the correlation between employment ratio and the net replacement rate of unemployment is positive, but has decreased remarkably since 2006. In contrast, in recent years there has emerged a marked tendency for countries with a high employment ratio to have a low prevalence of very long working hours. This indicates that some countries have managed to mitigate the impact of the crisis on employment by allowing workers to have shorter working hours.

This might be taken as a bit of evidence for the success of labour market policies which enable workers to reduce their working hours when labour demand declines. OECD has recently recommended such policies based on other evidence, cf. e.g. 'Employment Outlook 2017'.

Finally, it is worth noticing, that the countries with a high employment ratio generally perform badly in terms of the gender income gap. In particular, some of the North-Western European countries have much larger gender income gaps than their Eastern European peers.

Table 1. Cross-country correlation with employment performance

	Earnings quality	Replacement rate of unempl. benefits	Job strain ¹	Very long hours of work ¹	Low income rate ¹	Gender income gap ^{1,2}	Employment gap for disadv. ¹	Mean
2006	0.51	0.50	0.67	0.01	0.31	0.03	0.68	0.39
2016	0.42	0.21	0.65	0.46	0.48	-0.11	0.60	0.39

Note: Measured as the cross-country correlation with the employment ratio. (1) In these calculations we have shifted the signs of the correlations so that the correlations are positive if a good performance in terms the employment ratio is associated with a good performance in terms of the respective indicators. (2) Data from 2014.

Source: ECLM based on Eurostat and OECD.

In conclusion, a view across countries does not reveal a tradeoff between high employment and good jobs. The conclusion is a bit stronger when one compares OECD member states than in a comparison across EU members, cf. table 1.2. in OECD's 'Employment Outlook 2017'. The fact that the correlation between job quantity and job quality etc. is stronger within the OECD might be a product of the economic crisis hitting the European countries within OECD the hardest. But the reason could also be that the relative differences are larger within the OECD than within the EU.

There is a clear pattern of improved gender income gaps and improved inclusion of less advantaged social groups. At the same time, however, the gap between the lower and the higher income quartiles has widened. In other respects, the performance of the European labour markets has not evolved in a uniform way.

The Eastern European countries have experienced some improvements in terms of the number of jobs, while the development in terms of job quality is a bit more ambiguous. The inclusiveness has improved somewhat but not as much as in the rest of Europe.

The Southern European countries have seen employment declining, and while the development of job quality is mixed there has been a definite progress in job inclusiveness.

The rest of the European countries have had general improvements in terms of inclusiveness. Employment and job quality is more ambiguous although the earnings quality has generally improved.

Job quantity

The indicators on job quantity are shown in *table 2*.



Table 2. Job quantity indicators

	Employment ratio, 2016		FTE employment ratio, 2015		Unemployment rate, 2016	
EU28	66.6	↔	61.2	↔	8.7	↔
Sweden	76.2	↗	68.6	↔	7.1	↔
Denmark	74.9	↔	61.5	↘	6.3	↗
Netherlands	74.8	↔	55.8	↔	6.1	↗
Germany	74.7	↗	65	↗	4.2	↘
United Kingdom	73.5	↔	67.1	↔	4.9	↔
Estonia	72.1	↗	69.4	↔	7	↔
Czech Republic	72	↗	70.9	↗	4	↘
Austria	71.5	↔	65	↔	6.1	↔
Lithuania	69.4	↗	64.4	↗	8.1	↗
Finland	69.1	↔	63.3	↘	9	↔
Latvia	68.7	↔	66.5	↔	9.9	↗
Hungary	66.5	↗	63.6	↗	5.1	↘
Malta	65.8	↗	..	..	4.8	↔
Slovenia	65.8	↔	64	↘	8.1	↔
Luxembourg	65.6	↔	61.8	↗	6.3	↔
Portugal	65.2	↔	63	↘	11.5	↗
Slovakia	64.9	↗	63	↔	9.7	↘
Ireland	64.8	↘	56.6	↘	8.1	↗
Poland	64.5	↗	64.1	↗	6.2	↘
France	64.2	↔	59.4	↔	10.1	↔
Cyprus	63.7	↘	..	..	13.2	↗
Bulgaria	63.4	↗	..	..	7.7	↔
Belgium	62.3	↔	57.3	↔	7.9	↔
Romania	61.6	↔	..	..	6.1	↔
Spain	59.5	↘	55.5	↘	19.7	↗
Italy	57.2	↔	52.9	↘	11.9	↗
Croatia	56.9	↔	..	..	13.3	↔
Greece	52	↘	53.5	↘	23.7	↗

Note: The arrows are defined as in OECD (2017), i.e. as ↗ (or ↘) if there is an upward (downward) annual change compared to 2006 which is larger than half the standard deviation in the levels across countries. The colour indicates whether the change is an improvement or a worsening.

Source: ECLM based on Eurostat and OECD

For the EU as a whole the indicators of job quantity have neither decreased nor increased significantly compared to 10 years ago. However, many countries within the EU have experienced a significant improvement or a significant worsening of their labour market performance measured by the job quantity indicators. Additionally, there are large dispersions in the level of the indicators across countries.

The first indicator of job quantity is the employment rate measured in persons. In the EU as a whole 66.6 percent of the working-age population are employed. Within the EU, however, the employment rate varies a lot: In Greece only a little more than half of the working-age population is employed, whereas in some of the Scandinavian countries the employment rate is about 75 percent.

There is an overall tendency that the countries with the highest employment rates today are also the countries that have experienced a stable performance or an improvement of the employment rate compared to 2006. Correspondingly, the countries that have experienced a significant fall in the employment since 2006 are countries that have below-average employment rates today. The ranking today could be a result of this development, but that is only partly the case; comparing the ranking in 2006 to the ranking today there has been a fairly strong conservation of the relative positioning of the countries. Three countries have moved into the top 33-percentile since 2006, namely Czech Republic, Lithuania and Germany.



Despite this conservation, the dispersion across countries has decreased slightly since 2006. This is for one thing due to a marked improvement in the employment rates in the countries in the bottom 33-percentile. In 2006 eight countries in the bottom 33-percentile had an employment rate below 60 pct., including mostly Eastern European countries. Today only four countries have an employment rate below 60 pct., including Spain, Italy and Greece. In other words, employment ratios has increased in Eastern European countries while the Southern Europe has fallen behind during the crisis.

Looking at the employment rate measured in full-time equivalent (FTE) units, there is a slightly more negative tendency compared to the employment rate measured in persons indicating a general decline in working hours. This decline is also reflected in the indicator on very long working hours, cf. below. The two countries with the highest employment rates measured in persons, Sweden and Denmark, are examples of the development towards a fall in average working time: Sweden has experienced a significant increase in the employment rate measured in persons, but an approximately stable employment rate measured in FTE units, and in Denmark the employment rate measured in persons has been approximately stable, whereas the employment rate measured in FTE units has decreased.

Other examples include Portugal, Italy and Ireland where the average working hours has decreased.

Overall, there is less dispersion across countries in the employment rate measured in FTE units than in the employment rate measured in persons. In other words, there is a tendency for shorter working hours in countries where a large share of the population has a job. For the EU as a whole the difference between the employment rate measured in persons and in FTE units is about 5 pct. points. However, significant dispersion is also present here: In the Netherlands, Denmark and Germany the employment rate measured in persons is remarkably higher than the employment rate measured in FTE units, whereas in a number of east European countries the employment rates measured in persons and in FTE units are approximately the same. It should be noted, that the employment rate measured in persons presented in the table is from 2016, whereas the employment rate in FTE units is from 2015. The difference between the two are therefore only an approximate difference.

The employment rate measured in FTE units exhibits the same pattern as the employment rate measured in persons: All the countries in the top 33-percentile (the countries with the highest employment rates measured in FTE units) have experienced either a stable performance or an improvement in performance, whereas the countries with worsened performance are situated in the lower 67-percentile.

The third job quantity indicator is the unemployment rate which has risen from 5.3 percent in 2006 to 8.7 percent in 2016. A look at the unemployment rate across countries reveals a general increase in unemployment rates as 10 out of the 28 EU countries have experienced a significant rise in unemployment since 2006, and only five countries have experienced a fall. The five countries with significant decreases in unemployment are Germany, Czech Republic, Hungary, Slovakia and Poland.

The level of the unemployment rate varies significantly across countries: In some countries, e.g. Germany, the unemployment rate is less than half of the unemployment rate for the EU as a whole, whereas in other countries, e.g. Greece, unemployment is more than twice as large as in the EU as a whole. This dispersion across countries is much larger today than it was in 2006. In particular, the



crisis has left its marks on Greece, Spain, Croatia, Cyprus, Italy and Portugal. In all of these countries, the unemployment rate remains above 11 pct.

Job quality

The indicators on job quality are shown in *table 3*.

	Earnings quality, 2016		Replacement rate of unempl. benefits, 2015		Job strain, 2015		Very long hours of work, 2016	
EU28	13.1	↔	24.3	↘	44.3	↔	1.2	↘
Luxembourg	27.4	↔	24.3	↔	36.6	↔	1.8	↔
Denmark	23.5	↔	47.4	↘	30.5	↔	2.1	↔
Finland	19.7	↔	46.9	↘	28.0	↔	2.7	↔
Sweden	19.7	↗	37.0	↗	37.9	↗	1.8	↔
Austria	19.0	↔	57.2	↔	44.4	↔	4.8	↘
Netherlands	18.6	↔	31.4	↘	41.2	↗	2.6	↔
France	18.2	↗	45.4	↘	45.2	↔	4.9	↘
Belgium	17.7	↔	63.4	↔	39.3	↔	4.6	↔
Ireland	17.5	↔	56.5	↔	33.7	↗	3.9	↔
United Kingdom	17.0	↘	31.1	↘	36.6	↔	5.0	↔
Germany	17.0	↗	41.0	↗	45.5	↘	3.1	↘
Italy	12.4	↔	22.6	↗	46.6	↘	3.9	↔
Cyprus	11.8	↘	..	..	..	..	4.5	↘
Malta	11.1	↗	49.5	..	..	..	3.4	↔
Spain	10.4	↔	32.3	↔	52.6	↔	3.4	↔
Slovenia	9.9	↔	21.6	..	48.6	↔	2.7	↘
Portugal	7.1	↔	36.0	↘	46.2	↘	4.2	↔
Estonia	6.8	↗	20.3	..	35.3	↘	1.3	↔
Czech Republic	6.6	↗	7.1	↘	40.2	↘	3.3	↘
Greece	5.7	↘	17.2	↔	64.4	↔	11.5	↗
Slovakia	5.5	↗	15.7	↔	47.1	↔	2.1	↘
Latvia	5.0	↗	16.3	..	..	..	1.0	↘
Poland	4.7	↗	13.7	↘	46.2	↘	5.0	↘
Lithuania	4.5	↗	12.9	..	..	..	..	..
Croatia	4.4	..	15.1	..	..	..	2.1	↔
Hungary	3.9	↔	10.7	↘	49.1	↔	1.3	↔
Bulgaria	2.5	↗	23.3	..	..	..	0.6	↘
Romania	1.8	..	16.7	..	..	..	..	..

Note: The earnings quality is measured in 2016 consumer prices. For the earnings quality the arrows are defined as ↗ (or ↘) if there is an upward (downward) annual change compared to 2006 which is larger than half the standard deviation in the average annual growth rates across countries. The other arrows are defined as above.

Source: ECLM based on Eurostat and OECD.

The real earnings quality in Europe as a whole has increased by 0.7% per year since 2006. This is a bit below the real growth rates in average earnings in the same years (0.8% p.a.). As noted above, the earnings quality is a weighted average of disposable incomes where the incomes of the poorest quartiles are given the highest weight. When the (unweighted) average earnings grow faster than the earnings quality it, therefore, means that people in the highest income quartiles has experienced higher income growth than people with a low income. Consequently, the income inequality has been on the rise since 2006.

Countries with a high earnings quality tend to have a high replacement rate as well – but this pattern has emerged quite recently. In 2006, replacement rates and earnings quality were not correlated across countries. And, in general, the replacement rate has decreased in contrast to the earnings quality. The replacement rate is particularly low in a number of Eastern European countries.



As noted above, the replacement rate in the table is a quite brute measure which does not adjust for the coverage rate of unemployment insurance. However, the general decrease is also seen when the numbers are adjusted (the numbers can be adjusted until 2013). And the decrease in recent years is further testified by the development in total expenditures on unemployment insurance per unemployed. This indicator is not reported in the table.

Regarding the two indicators on work environment, the job strain indicator has remained relatively stable whereas the prevalence of long working hours has improved at a European level.

The *Scandinavian countries* (Denmark, Finland and Sweden) are among the top performers as measured by all four indicators on job quality. This was the case in 2006 as well – except for the prevalence of very long working hours where Denmark and Finland have improved. Since 2006, the replacement rate has decreased in Denmark and Finland and the job strain indicator has worsened in Sweden.

All the *North-Western European countries* (Austria, Belgium, France, Germany, Luxemburg and the Netherlands) are among the top performers as measured by earnings quality. These countries also have high replacement rates – except in the Netherlands (due to a decrease in recent years) and in Luxemburg. However, the unemployment systems of both the Netherlands and Luxemburg have high coverage rates. If we look at OECD's adjusted replacement rates both of these countries, therefore, perform much better.

The work environment in the North-Western European countries is, generally, in the middle range whereas these countries tend to have relatively long working hours.

The two *Anglo-Saxon countries* (UK and Ireland) are in the middle range of earnings quality, indicating that the high GDP levels of these two countries are more concentrated among top earners than in other European countries. Further, Ireland has a relatively high replacement rate of unemployment benefits, whereas the UK benefit level is located in the middle range of countries due to a substantial reduction in recent years. Both countries are among the top performers on job strain, whereas working hours are relatively long.

Among the *Southern European countries* (Cyprus, Greece, Italy, Malta, Portugal and Spain) the job quality is in general terms highest in Italy, Spain and Malta. The Southern European countries – and Greece, in particular – were hit severely by the crisis. And in the case of Greece this is evident in the general job quality as Greece is among the poor performers in all the aspects considered here. In both Greece and Portugal, the earnings quality is among the lowest in Europe, because low earners have experienced real income declines in both countries.

The replacement rates in the Southern European countries tends to be in the middle third compared to all European countries – except for Greece. The two indicators on work environment are in the lower or middle range for all Southern European countries.

The *Eastern European countries* include Bulgaria, Czech Republic, Croatia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia. Among these countries, Estonia distinguishes itself when looking only at the job quality indicators. Estonia is among the top third of European countries in terms of work environment and in the middle third when it comes to earnings quality and income security.



The other Eastern European countries is, generally, in the middle or lower third of European countries on earnings quality and income security. Further, they tend to be among the low performing group in terms of job strain, but in the upper or middle range in terms of long working hours. The work environment has not deteriorated in any of the Eastern European countries since 2006.

Labour market inclusiveness

The indicators on labour market inclusiveness are shown in *table 4*.

	Low income rate, 2016		Gender income gap, 2015		Employment gap for disadv. groups	
EU28	17.3	↔	39.6	↓	29.7	↓
Czech Republic	9.7	↔	40.4	↔	35.5	↔
Finland	11.6	↔	24.1	↓	24.0	↔
Denmark	11.9	↔	26.1	↓	21.3	↓
Netherlands	12.7	↑	47.5	↓	23.9	↓
Slovakia	12.7	↔	37.3	↓	36.8	↔
France	13.6	↔	31.1	..	31.4	..
Slovenia	13.9	↑	19.6	↔	32.6	↔
Austria	14.1	↔	44.9	↓	26.4	↓
Hungary	14.5	↔	32	↔	34.5	↓
Belgium	15.5	↔	31.1	↓	34.6	↓
United Kingdom	15.9	↓	45	↓	26.3	↔
Cyprus	16.1	↔	26.9	↓	26.9	↓
Sweden	16.2	↑	26.2	↓	21.0	↔
Ireland	16.3	↓	36.8	↓	28.4	↓
Germany	16.5	↑	45.2	↔	25.3	↓
Malta	16.5	↑	45.6	↓	44.7	↓
Luxembourg	16.5	↑	32.5	↓	36.1	↔
Poland	17.3	↔	31.5	↔	32.4	↓
Portugal	19	↔	26.1	↔	25.3	↔
Croatia	19.5	..	24.4	..	32.3	↔
Italy	20.8	↔	43.7	↓	36.2	↓
Greece	21.2	↔	41.4	↓	39.1	↔
Estonia	21.7	↑	38.4	↔	27.7	↑
Latvia	21.8	↔	22.8	↓	22.7	↔
Lithuania	21.9	↔	19.2	↓	21.8	↓
Spain	22.3	↑	35.7	↓	28.2	↓
Bulgaria	22.9	↑	22.8	↔	29.5	↓
Romania	25.3	..	26.8	↔	43.1	↑

Note: The arrows are defined as above.

Source: ECLM based on Eurostat and OECD

Looking at labour market inclusiveness, some improvements have been made since 2006, but there is definitely room for more. Two out of the three indicators of labour market inclusiveness have improved significantly for the EU as a whole: Both the gender income gap and the employment gap for disadvantaged groups are lower now than 10 years ago. However, the share of the population with a low income has not improved since 2006.

For the EU as a whole the share of the population with an income below 60 pct. of the median income is 17.3 percent. This share has risen from 12.6 percent in 2006. Looking at the individual countries it is also clear that most countries have experienced a rise in the share of people with a low income. Further the countries with increased poverty rates are quite evenly distributed across the 33-percentiles and include e.g. Bulgaria and Spain (with a high poverty rate) as well as the



Netherlands and Slovenia (with a low poverty rate). Only in two countries, The United Kingdom and Ireland, is the share of people with a low income decreased significantly since 2006.

The share of the population with an income below 60 pct. of the median income varies quite a lot across countries; from 9.7 percent in Czech Republic to 25.3 percent in Romania. The worst performing 33-percentile countries (the countries with the highest shares of the population with a low income) includes the Baltic countries and some of the east and south European countries. The top 33-percentile countries consist of both north and east European countries and France.

Another aspect of labour market inclusiveness concerns gender wage equality. Unlike the low income rate, gender wage equality has improved significantly in the EU as whole since 2006. In fact, the gender income gap is the only indicator on the scoreboard that has not worsened significantly in a single country since 2006. In the EU as a whole the gap has decreased almost five percentage points during 2006-2014.

Although most countries have experienced a positive development of the gender income gap over the last decade, there is some dispersion in the size of the gap across EU countries: In some countries, e.g. The Netherlands, Germany and The United Kingdom, the gender income gap is 45 percent or more, whereas in other countries, e.g. Lithuania and Slovenia, the gap is only about 20 percent. It is worth noting that the bottom 33-percentile countries (the countries with the largest gender income gaps) include a group of countries that otherwise perform very good, especially according to the job quantity indicators.

The third indicator of inclusiveness, inclusion of disadvantaged groups, has also improved: In the EU as a whole the employment gap for disadvantaged groups has decreased significantly from 31.2 pct. in 2006 to 29.7 pct. in 2016. A few countries, Estonia and Romania, have experienced a rise in the gap, but all other countries have experienced either a fall in the gap or an approximately stable development since 2006.

The employment gap for disadvantaged groups tend to be higher in south and east European countries, whereas countries with the lowest gaps are primarily situated in Northern Europe. One exception here is Portugal which has a quite low employment gap of only 25.3 percent.

References

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Appendix 1. The performance of European labour markets in 2016 (or latest year)

	Job Quantity			Earnings quality, 2016	Job Quality			Very long hours of work, 2016	Low income rate, 2016	Gender income gap, 2014	Employment gap for disadv. 2016
	Employment ratio, 2016	FTE employment, 2015	Unemployment, 2016		Replacement rate of unempl. benefits, 2015	Job strain, 2015					
EU28	66.6 ↔	61.2 ↔	8.7 ↔	13.1 ↔	24.3 ↓	44.3 ↔	1.2 ↓	17.3 ↔	39.6 ↓	29.7 ↓	
Sweden	76.2 ↑	68.6 ↔	7.1 ↔	19.7 ↑	37.0 ↑	37.9 ↑	1.8 ↔	16.2 ↑	26.2 ↓	21.0 ↔	
Denmark	74.9 ↔	61.5 ↓	6.3 ↑	23.5 ↔	47.4 ↓	30.5 ↔	2.1 ↔	11.9 ↔	26.1 ↓	21.3 ↓	
Netherlands	74.8 ↔	55.8 ↔	6.1 ↑	18.6 ↔	31.4 ↓	41.2 ↑	2.6 ↔	12.7 ↑	47.5 ↓	23.9 ↓	
Germany	74.7 ↑	65 ↑	4.2 ↓	17.0 ↑	41.0 ↑	45.5 ↓	3.1 ↓	16.5 ↑	45.2 ↔	25.3 ↓	
UK	73.5 ↔	67.1 ↔	4.9 ↑	17.0 ↓	31.1 ↓	36.6 ↔	5.0 ↑	15.9 ↓	45 ↓	26.3 ↔	
Estonia	72.1 ↑	69.4 ↔	7 ↔	6.8 ↑	20.3 ..	35.3 ↓	1.3 ↔	21.7 ↑	38.4 ↔	27.7 ↑	
Czech Rep.	72 ↑	70.9 ↑	4 ↓	6.6 ↑	7.1 ↓	40.2 ↓	3.3 ↓	9.7 ↔	40.4 ↔	35.5 ↔	
Austria	71.5 ↔	65 ↔	6.1 ↔	19.0 ↔	57.2 ↔	44.4 ↔	4.8 ↓	14.1 ↔	44.9 ↓	26.4 ↓	
Lithuania	69.4 ↑	64.4 ↑	8.1 ↑	4.5 ↑	12.9 ..	..	..	21.9 ↔	19.2 ↓	21.8 ↓
Finland	69.1 ↔	63.3 ↓	9 ↔	19.7 ↔	46.9 ↓	28.0 ↔	2.7 ↔	11.6 ↔	24.1 ↓	24.0 ↔	
Latvia	68.7 ↔	66.5 ↔	9.9 ↑	5.0 ↑	16.3 ..	..	1.0 ↓	21.8 ↔	22.8 ↓	22.7 ↔
Hungary	66.5 ↑	63.6 ↑	5.1 ↓	3.9 ↔	10.7 ↓	49.1 ↔	1.3 ↔	14.5 ↔	32 ↔	34.5 ↓	
Malta	65.8 ↑	..	4.8 ↔	11.1 ↑	49.5 ..	..	3.4 ↔	16.5 ↑	45.6 ↓	44.7 ↓
Slovenia	65.8 ↔	64 ↓	8.1 ↔	9.9 ↔	21.6 ..	48.6 ↔	2.7 ↓	13.9 ↑	19.6 ↔	32.6 ↔	
Luxembourg	65.6 ↔	61.8 ↑	6.3 ↔	27.4 ↔	24.3 ↔	36.6 ↔	1.8 ↔	16.5 ↑	32.5 ↓	36.1 ↔	
Portugal	65.2 ↔	63 ↓	11.5 ↑	7.1 ↔	36.0 ↓	46.2 ↓	4.2 ↔	19 ↔	26.1 ↔	25.3 ↔	
Slovakia	64.9 ↑	63 ↔	9.7 ↓	5.5 ↑	15.7 ↔	47.1 ↔	2.1 ↓	12.7 ↔	37.3 ↓	36.8 ↔	
Ireland	64.8 ↓	56.6 ↓	8.1 ↑	17.5 ↔	56.5 ↔	33.7 ↑	3.9 ↔	16.3 ↓	36.8 ↓	28.4 ↓	
Poland	64.5 ↑	64.1 ↑	6.2 ↓	4.7 ↑	13.7 ↓	46.2 ↓	5.0 ↓	17.3 ↔	31.5 ↔	32.4 ↓	
France	64.2 ↔	59.4 ↔	10.1 ↔	18.2 ↑	45.4 ↓	45.2 ↔	4.9 ↓	13.6 ↔	31.1 ..	31.4 ..	
Cyprus	63.7 ↓	..	13.2 ↑	11.8 ↓	..	..	4.5 ↓	16.1 ↔	26.9 ↓	26.9 ↓
Bulgaria	63.4 ↑	..	7.7 ↔	2.5 ↑	23.3 ..	..	0.6 ↓	22.9 ↑	22.8 ↔	29.5 ↓
Belgium	62.3 ↔	57.3 ↔	7.9 ↔	17.7 ↔	63.4 ↔	39.3 ↔	4.6 ↔	15.5 ↔	31.1 ↓	34.6 ↓	
Romania	61.6 ↔	..	6.1 ↔	1.8 ..	16.7 ..	..	..	25.3 ..	26.8 ↔	43.1 ↑
Spain	59.5 ↓	55.5 ↓	19.7 ↑	10.4 ↔	32.3 ↔	52.6 ↔	3.4 ↔	22.3 ↑	35.7 ↓	28.2 ↓	
Italy	57.2 ↔	52.9 ↓	11.9 ↑	12.4 ↔	22.6 ↑	46.6 ↓	3.9 ↔	20.8 ↔	43.7 ↓	36.2 ↓	
Croatia	56.9 ↔	..	13.3 ↔	4.4 ..	15.1 ..	..	2.1 ↔	19.5 ..	24.4 ..	32.3 ↔
Greece	52 ↓	53.5 ↓	23.7 ↑	5.7 ↓	17.2 ↔	64.4 ↔	11.5 ↑	21.2 ↔	41.4 ↓	39.1 ↔	

Note: The arrows are defined as in OECD (2017), i.e. as ↑ (or ↓) if there is an upward (downward) annual change compared to 2006 which is larger than half the standard deviation in the levels across countries. The colour indicates whether the change is an improvement or a worsening. For the earnings quality the arrows are defined relative to half the standard deviation in the average annual growth rates across countries. The earnings quality is measured in 2016 consumer prices.

Source: ECLM based on Eurostat and OECD.



Appendix 2. The performance of European labour markets in 2006

	Job Quantity			Earnings quality, 2006	Job Quality			Very long hours of work, 2006	Inclusiveness		
	Employment ratio, 2006	FTE employment, 2006	Unemployment, 2006		Replacement rate of unempl. benefits, 2006	Job strain, 2006	Low income rate, 2006		Gender income gap, 2006	Employment gap for disadv. 2006	
EU28	64.3 ↔	61.4 ↔	8.3 ↔	12.3 ↔	39.8 ↓	46.4 ↔	3.7 ↓	16.5 ↔	44.2 ↓	32.9 ↓	
Denmark	77.4 ↔	68.4 ↓	4.0 ↑	21.0 ↔	67.5 ↓	27.5 ↔	3.1 ↔	11.7 ↔	29.9 ↓	25.8 ↓	
Netherlands	74.3 ↔	55.9 ↔	3.9 ↑	16.5 ↔	39.8 ↓	26.8 ↑	3.0 ↔	9.7 ↑	53.9 ↓	31.9 ↓	
Sweden	73.1 ↑	68.5 ↔	7.1 ↔	16.3 ↑	28.8 ↑	24.8 ↑	2.4 ↔	12.3 ↑	32.3 ↓	20.2 ↔	
UK	71.6 ↔	67.1 ↔	5.4 ↔	19.6 ↓	61.5 ↓	35.9 ↔	5.0 ↔	19.0 ↓	50.2 ↓	28.0 ↔	
Cyprus	69.6 ↓	..	4.7 ↑	13.6 ↓	..	..	7.0 ↓	15.6 ↔	43.1 ↓	34.7 ↓
Finland	69.3 ↔	66.3 ↓	7.8 ↔	18.2 ↔	63.7 ↓	26.9 ↔	3.4 ↔	12.6 ↔	29.9 ↓	23.0 ↔	
Ireland	68.7 ↓	62.6 ↓	4.5 ↑	17.4 ↔	55.1 ↔	27.3 ↑	3.6 ↔	18.5 ↓	47.6 ↓	34.4 ↓	
Austria	68.6 ↔	66.9 ↔	5.3 ↔	17.7 ↔	59.1 ↔	45.1 ↔	8.2 ↓	12.6 ↔	50.8 ↓	31.2 ↓	
Estonia	68.4 ↑	67.6 ↔	6.1 ↔	4.1 ↑	..	40.4 ↓	2.2 ↔	18.3 ↑	38.9 ↔	22.9 ↑	
Portugal	67.6 ↔	66.0 ↓	8.1 ↑	7.1 ↔	44.1 ↓	59.0 ↓	4.3 ↔	18.5 ↔	26.4 ↔	26.8 ↔	
Germany	67.2 ↑	59.8 ↑	10.4 ↓	14.5 ↑	33.0 ↑	55.2 ↓	4.7 ↓	12.5 ↑	47.7 ↔	28.7 ↓	
Slovenia	66.6 ↔	67.1 ↓	6.1 ↔	9.2 ↔	..	46.8 ↔	5.1 ↓	11.6 ↑	21.4 ↔	30.2 ↔	
Latvia	65.9 ↔	68.2 ↔	7.2 ↑	2.8 ↑	..	..	5.3 ↓	23.5 ↔	27.4 ↓	22.7 ↔
Czech Rep.	65.3 ↑	68.0 ↑	7.2 ↓	4.9 ↑	19.9 ↓	47.6 ↓	6.7 ↓	9.9 ↔	43.1 ↔	35.4 ↔	
Spain	65 ↓	65.0 ↓	8.5 ↑	9.9 ↔	37.4 ↔	52.7 ↔	4.3 ↔	20.3 ↑	47.6 ↓	34.8 ↓	
France	63.7 ↔	60.7 ↔	8.5 ↔	15.3 ↑	56.5 ↓	48.6 ↔	6.5 ↓	13.2 ↔	..	..
Lithuania	63.6 ↑	61.3 ↑	5.8 ↑	2.7 ↑	..	..	..	20.0 ↔	27.4 ↓	25.3 ↓
Luxembourg	63.6 ↔	59.2 ↑	4.7 ↔	28.9 ↔	23.7 ↔	36.1 ↔	1.0 ↔	14.1 ↑	43.0 ↓	33.5 ↔	
Belgium	61 ↔	56.1 ↔	8.3 ↔	16.6 ↔	62.0 ↔	36.9 ↔	4.3 ↔	14.7 ↔	38.6 ↓	39.1 ↓	
Greece	60.6 ↓	64.6 ↓	9.1 ↑	8.9 ↓	23.6 ↔	65.7 ↔	10.3 ↑	20.5 ↔	51.6 ↓	41.5 ↔	
Slovakia	59.4 ↑	60.9 ↔	13.4 ↓	3.3 ↑	9.4 ↔	48.1 ↔	3.6 ↓	11.6 ↔	44.1 ↓	39.2 ↔	
Romania	58.8 ↔	..	7.6 ↔	..	..	..	1.6 ..	..	24.7 ↔	28.7 ↑
Bulgaria	58.6 ↑	..	9.0 ↔	1.4 ↑	..	..	1.9 ↓	18.4 ↑	24.5 ↔	33.0 ↓
Italy	58.3 ↔	56.2 ↓	6.9 ↑	13.3 ↔	6.5 ↑	54.4 ↓	4.3 ↔	19.3 ↔	47.5 ↓	42.8 ↓	
Hungary	57.4 ↑	57.8 ↑	7.5 ↓	4.4 ↔	19.8 ↓	52.0 ↔	2.0 ↔	15.9 ↔	33.2 ↔	38.1 ↓	
Croatia	55.6 ↔	..	11.5 ↔	..	..	..	2.8 ↔	..	..	32.8 ↔
Poland	54.5 ↑	55.7 ↑	14.0 ↓	3.1 ↑	47.2 ↓	52.9 ↓	8.3 ↓	19.1 ↔	33.6 ↔	42.6 ↓	
Malta	53.9 ↑	..	6.8 ↔	8.8 ↑	..	..	3.0 ↔	14.2 ↑	61.9 ↓	55.7 ↓

Note: The arrows are the same as in table 1. The earnings quality is measured in 2016 consumer prices.

Source: ECLM based on Eurostat and OECD