Unemployment in the New Europe

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Unemployment, Job Creation, and Economic and Monetary Union

David Cameron

There once was a time, not long ago, when Europe was close to full employment.[1] In the 1960s and early 1970s, after the completion of the postwar recoveries and before the demise of the Bretton Woods exchange rate regime, unemployment rates throughout Europe were generally in the range of 2 to 3 percent or lower (European Commission 1998b: 224–53). It appeared, as Andrew Shonfield proclaimed in *Modern Capitalism*, that, with few exceptions, governments had – through indicative planning; increased cooperation between business, government, and labor; and the application of Keynesian principles to macroeconomic policy – overcome the job-destroying effects of business cycles and recessions (Shonfield 1969).

Now, some three decades later and in the wake of the major recessions of 1974–75, 1980–84, and 1991–94, Europe is afflicted with enduring high levels of unemployment. Throughout the 1990s, the fifteen member states of the European Union (EU) experienced an average rate of unemployment of about 10 percent, an almost fivefold increase from the average for the fifteen states in the 1960s. Even some half-dozen years after the end of the last major recession, and despite the sustained recovery in much of Europe in the last half of the 1990s, the rate of unemployment remained close to double digits in the EU as a whole and in double digits in the eleven member states that formed the euro-zone,

[1] Earlier versions of this chapter were presented at conferences or seminars at Princeton University, Harvard University, and the European University Institute. For their helpful comments and suggestions, I wish to thank Jens Alber, Sheri Berman, Nancy Bermeo, Matthew Canzoneri, Peter Hall, Torben Iversen, Peter Kenen, Sofía Pérez, Martin Rhodes, and Thomas Risse.

Table 1.1. *Growth, Unemployment, and Employment in the European Union, the United States, and Japan, 1961–1999*

	Average Annual Percentage Change, GDP in Constant Prices			
	1961-70	1971-80	1981-90	1991-99
European Union	4.8	3.0	2.4	1.9
United States	4.2	3.2	2.9	2.5
Japan	10.5	4.5	4.0	1.1
	Average Annual Percentage of Civilian Labor Force Unemployed			
	1961-70	1971-80	1981-90	1991-99
European Union	2.2	4.0	9.0	10.1
United States	4.7	6.4	7.1	5.8
Japan	1.2	1.8	2.5	3.1
	Average Annual Percentage Change in Total Employed			
	1961-70	1971-80	1981-90	1991-99
European Union	0.3	0.4	0.5	0.0
United States	1.9	2.0	1.8	1.5
Japan	1.4	0.7	0.9	0.4

Source: European Commission (1998b: 83, 69, 67).
Note: The measures of unemployment follow Eurostat definitions.

and it was expected to remain at or close to those levels in the foreseeable future.[2]

What makes the long-term deterioration in employment in Europe especially notable, of course, is the fact that it has been far more severe than in other advanced economies (see Table 1.1). Thus, while the decrease

[2] The four member states that did not move to the third and final stage of Economic and Monetary Union on January 1, 1999, are Denmark, Greece, Sweden, and the United Kingdom. Greece subsequently satisfied the conditions for entry to the third and final stage and did so on January 1, 2001.

in recent decades in the decade-long average rate of growth was only slightly greater in the EU than that experienced in the United States, and far less than the precipitous decrease that occurred in Japan, the average level of unemployment in the fifteen states that now constitute the EU rose far more dramatically than in either the United States or Japan, from slightly more than 2 percent in the 1960s to 4 percent in the 1970s, 9 percent in the 1980s, and more than 10 percent in the 1990s.[3]

The sustained recovery in much of Europe in the mid- to late 1990s, and the steady, albeit gradual, decline over several years in the rate of unemployment, led many observers to believe that, with sufficient time, the number of unemployed in Europe would return to more tolerable levels. That optimistic scenario was called into question by the looming shadow of the global financial crisis that began in 1997. But by the second quarter of 1999, after having experienced a slowdown in the rate of growth, most of the European economies had resumed their recovery and could look forward to a continuing decline in the rate of unemployment in the near future. Despite that recovery, however, the rate of unemployment in the eleven member states constituting the euro-zone remained above 10 percent, and the European Central Bank (ECB), as well as the International Monetary Fund and the OECD, predicted that it would remain above that level in 2000.[4]

This chapter examines the enduring problem of high unemployment in Europe, beginning with a detailed description of its magnitude and distribution. While Europe, as a whole, has become a region of enduring high unemployment, the levels of unemployment vary widely across the member states and, within the member states, across both time and space. I note some of the more important bases of variation.

Next, I consider why, notwithstanding the general upward trend in unemployment throughout Europe in recent decades, some of the EU

[3] For discussions of the high levels of unemployment in Europe in the 1980s and 1990s, see, e.g., Alogoskoufis et al. (1995); Therborn (1986); Bean, Layard, and Nickell (1987); Blanchard and Summers (1987); Lindbeck and Snower (1988); Summers (1990); Layard, Nickell, and Jackman (1991; 1994); Lindbeck (1993); Bean (1994); Benoit-Guilbot and Gallie (1994); Bentolila and Blanchard (1990); OECD (1994; 1997; 1999); Blanchard, Jimeno, et al. (1995); Drèze and Malinvaud (1995); Saint-Paul (1995; 1996); Henry and Snower (1996); Dolado and Jimeno (1997); European Commission (1997a; 1998a); Nickell (1997; 1999); Snower and de la Dehesa (1997); Blanchard and Fitoussi (1998); Rubery et al. (1998); IMF (1999).

[4] The ECB's forecast appeared in its June 1999 monthly report. Those of the European Commission, the IMF, and the OECD are reported in *Financial Times*, September 10, 1999, 4.

member states have been more successful than others in creating large numbers of new jobs and in resisting the upward trend – and, indeed, in a few instances, have even been able to *reduce* the rate of unemployment over the long term. I conclude with a brief consideration of how the historic advent of the third and final stage of Economic and Monetary Union (EMU) is likely to affect employment and unemployment in the Union.

Unemployment in Europe across Time and Space

Figure 1.1 presents the rates of unemployment in the European Union, the United States, and Japan over the period 1970–98. These data illustrate the extent to which and the point at which the EU became a region of high unemployment in relation to the other major developed economies. While Europe was, prior to the first of the two OPEC oil price shocks of the 1970s, a region of relatively low unemployment, especially when compared with the United States, the rate of unemployment rose sharply in the wake of those shocks and reached double digits by the mid-1980s. Then, after dropping in the late 1980s, the rate of unemployment rose to even higher levels in the early 1990s and for the rest of the decade remained at or close to the peaks registered in those years. In contrast, after having been more than twice as high as the European rate in the early 1970s and then moving upward in a series of sharp increases in the early 1970s, the mid-1970s, and the early 1980s, the rate of unemployment in the United States began a long downward movement, interrupted only briefly in 1991–92. As a result,

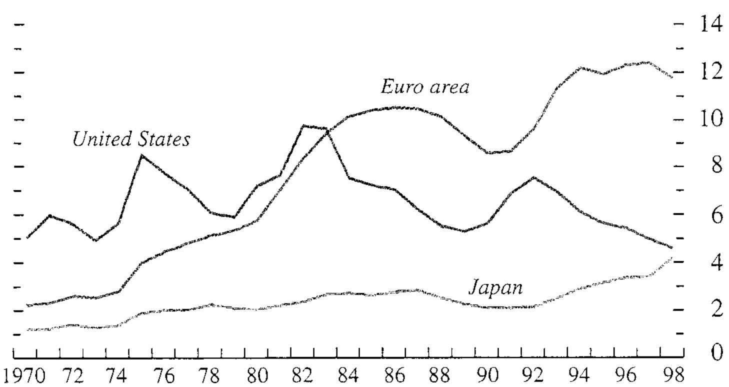


Figure 1.1 Unemployment Rates in the European Union, the United States, and Japan, 1970–1998. *Source:* IMF (1999: 88).

by the end of the 1990s, the rate of unemployment in the United States was some half-dozen percentage points *lower* than that in the EU.

Figure 1.2 presents the unemployment rate in the EU since 1970 along with the annual change in total employment. Not surprisingly, the two are related; the long-term upward drift in unemployment was driven by the three major recessions of the mid-1970s, early 1980s, and early 1990s that, collectively, resulted in the net loss of some nine million jobs. Especially during the recessions of the early 1980s and early 1990s, when total employment dropped in both instances for three consecutive years, the result was an increase of several percentage points in the EU-wide rate of unemployment, from less than 6 percent to about 10 percent in the early 1980s and from less than 8 percent to about 11 percent in early 1990s.

The upward trend in the rate of unemployment in Europe portrayed in Figures 1.1 and 1.2, and the fact that the rate was higher *after* each major recession than it was *prior* to each recession, calls into question the notion that there is a fixed "natural," or equilibrium, or "structural" rate of unemployment in Europe. It lends credence, instead, to the argument of

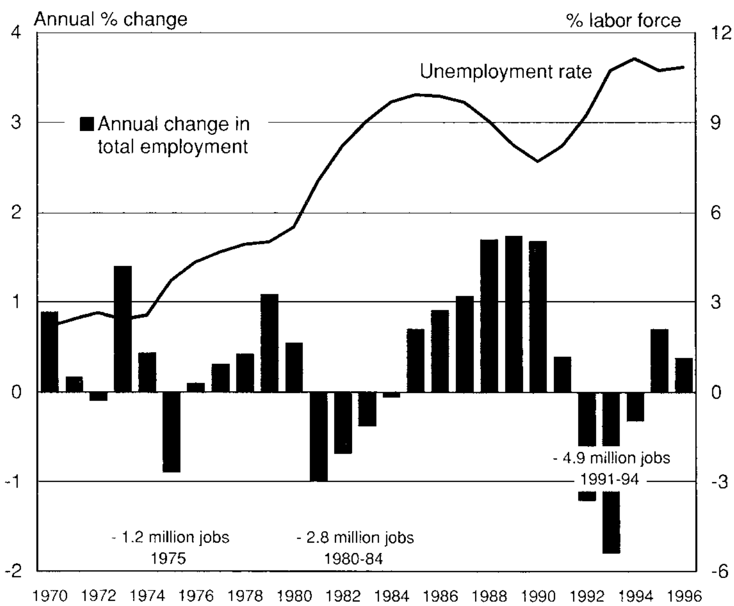


Figure 1.2 The Annual Change in Total Employment and the Rate of Unemployment in the European Union, 1970–1996. *Source:* European Commission (1997a: 13).

Blanchard and Summers (1986) and others that unemployment is characterized by hysteresis: that is, rather than remaining unchanged over time, the equilibrium, or "natural," or "structural" rate changes, in part because of the effect of prior levels of unemployment. Moreover, the pattern of movement in the upward drift of unemployment suggests that cyclical and structural unemployment are not easily disaggregated and that waves of *cyclical* unemployment such as occur in major recessions result in higher levels of *structural* unemployment after the recessions, in effect raising the "natural" or equilibrium level. That being the case, it follows that the more frequent and closely spaced the major synchronized recessions in Europe, the more likely it is that the level of structural unemployment will increase over time, just as, conversely, the more *in*frequent and separated the major recessions (as in the United States since the early 1980s), the more likely it is that the level of structural unemployment will *de*crease over time.

The fact that the long upward drift in unemployment portrayed in Figures 1.1 and 1.2 was punctuated by the deepening recessions of the mid-1970s, early 1980s, and early 1990s suggests an important macroeconomic fact of life in Europe. Each of those major recessions derived from processes and changes in the international economic and geopolitical environments – processes and changes that were largely exogenous to the EU and, for that reason, largely beyond its control. For example, the major recession of the mid-1970s followed, and was to a large extent triggered by, the American inflation of the late 1960s and the breakdown of the Bretton Woods exchange rate regime, the Yom Kippur War, and the four-fold increase in oil prices by the Organization of Petroleum Exporting Countries (OPEC). Likewise, the major synchronized recessions of the early 1980s were, in large part, triggered by the effects on oil production and prices of the Iranian Revolution and the Iran-Iraq War. And the major synchronized recessions in Europe in the early 1990s were, in large part, triggered by the upward pressure on European interest rates that followed increases in German interest rates in the late 1980s and early 1990s, especially those which occurred in 1990 and 1991 in the wake of unification. To some extent, of course, the latter increases were endogenous. On the other hand, they were driven in no small measure by the unification-related increases in transfer payments, government spending, budget deficits, and money supply and can therefore be viewed as the product of exogenous forces – specifically, those forces in Central and Eastern Europe and the former Soviet Union that gave rise to the historic events of 1989–91.

Unemployment, Job Creation, and Union

While the two most recent synchronized recessions in Europe were, like the first in the mid-1970s, largely the product of exogenous forces, it would be wrong to conclude that those recessions, and the sharp increases in unemployment that resulted, were entirely beyond the control of European governments. Indeed, it would appear that their effects were *amplified* by national and EU policies – in particular, by EU initiatives in the domain of monetary and exchange rate policy and the responses of member states to those initiatives. In the early 1980s, for example, soon after the creation of the European Monetary System (EMS) in 1979, the norms that governed German macroeconomic policy – the perceived need to maintain stable prices and the willingness to deploy a tight monetary policy and an austere fiscal policy in order to maintain stable prices – were internalized in the socialist governments of France and Spain and subsequently generalized to the rest of the European Community. As they were, the rate of unemployment in both countries, and in the Community as a whole, increased sharply.[5] Likewise, the combined effects of the EMS crisis of 1992–93, which, in the absence of a revaluation of the German mark and a broad realignment of all of the exchange rates, resulted in a plethora of individual realignments and upward shifts of interest rates in a number of member states, contributed to the further erosion of employment in the early 1990s. And that contractionary effect was subsequently amplified when member states sought, in the mid-1990s, to bring their budget deficits, inflation rates, and debt levels in line with the "convergence criteria" stipulated by the Treaty on European Union for qualification for the third and final stage of EMU.[6]

Job Creation in the European Union and Elsewhere

In addition to presenting the decade-long averages since 1960 of the rates of economic growth and unemployment in the EU, the United States, and Japan, Table 1.1 presents the decade-long average annual rates of change in the total number of persons employed. Note the marked difference between the United States and the EU in the extent to which new jobs have been created over the past four decades. The total number of

[5] On French policy under Mitterrand and the Socialist-dominated government in the early 1980s, see Cameron (1996). On the policy of the Spanish Socialist government that came to power in 1982, see Pérez (1997; 1999a).

[6] The criteria are described in Article 109j(1) and Protocol 6 of the treaty. See European Communities (1992).

employed in the fifteen EU member states increased by a very modest amount – on average, by 0.3 to 0.5 percent a year in the 1960s, 1970s, and 1980s, and not at all in the 1990s. In sharp contrast, the total number employed in the United States increased by roughly 2 percent a year between 1960 to 1990 and by 1.5 percent a year in the 1990s.

Figures 1.3 and 1.4 illustrate the cumulative effect of the marked differences in the rates of job creation in the EU, the United States, and Japan

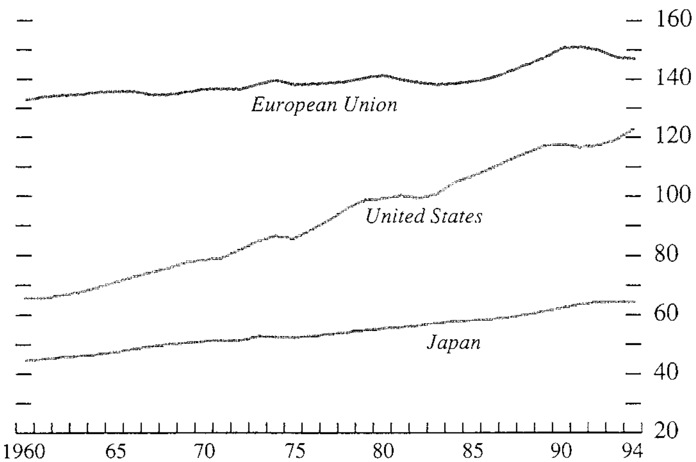


Figure 1.3 Number of Persons in Millions Employed in the European Union, the United States, and Japan, 1970–1998. *Source:* IMF (1997b: 39).

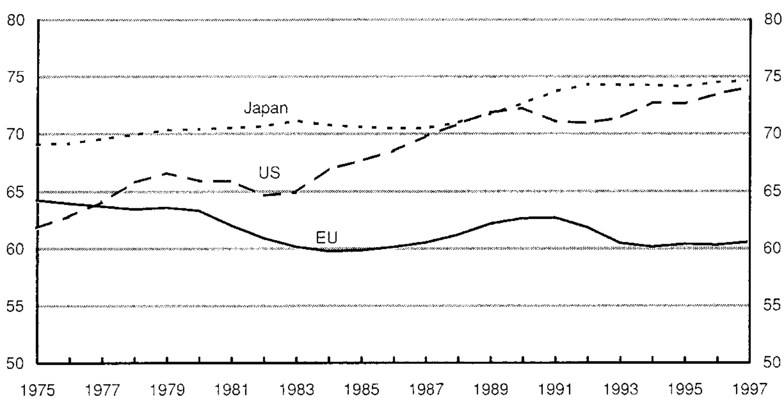


Figure 1.4 Percentage of Working-Age Population Employed in the European Union, the United States, and Japan, 1975–1997. *Source:* European Commission (1998a: 25).

in recent decades. Figure 1.3 shows the number of persons employed over the past three decades. Since 1970, the American economy has added roughly 50 million new jobs, net of losses, to the 80 million that already existed, an increase of more than 60 percent. The Japanese economy added roughly 15 million new jobs, net of losses, to the 50 million that existed in 1970, an increase of 30 percent. The EU, on the other hand, added barely 10 million new jobs, net of losses, to the 140 million that existed in 1970, an increase of only 7 percent over the three decades!

As a result of their higher rates of job creation over the past three decades, both the United States and Japan achieved substantial increases in the proportions of the working-age population employed, whereas in the EU the proportion actually *de*creased. Thus, between 1975 and 1997 the employment rate in Japan increased from about 69 percent to about 75 percent. In the U.S., the increase was even greater, from about 62 percent to nearly 75 percent (Figure 1.4). But in the EU, the employment rate *de*creased, from about 64 percent in the mid-1970s to 60 percent in the mid-1980s, where it has remained ever since, with the exception of a transitory improvement in the late 1980s and early 1990s. Clearly, the high rate of unemployment is only one facet of the employment problem in Europe. Another equally important aspect of the problem is the failure to create a sufficient number of new jobs to increase the *employment* rate of its working-age population.

Variations in Unemployment and Employment within the European Union

Table 1.2 presents standardized measures of unemployment in the fifteen current member states of the European Union over the period 1961–99, as reported by Eurostat and the OECD. These rates illustrate the sharp increase in unemployment that occurred in most of the member states in the decade after the first OPEC oil shock, as well as the continued erosion of employment that occurred in almost all of the current member states in the 1980s and 1990s. The data indicate that the rates of unemployment dropped in most of the member states in the late 1990s. But those decreases were, for the most part, very modest, and as a result the rates of unemployment in most countries remained, despite the economic recovery in the mid- to late 1990s, close to the historic peaks registered earlier in that decade. Indeed, in several countries – Belgium, Germany, Greece, France, Italy, Austria, and Sweden – the rates of unemployment recorded in 1997–99 were equal to or exceeded those of the early 1990s.

Table 1.2. *Percentage of Civilian Labor Force Unemployed in the European Union, 1961–2000*

	1961–73 Ave.	1974–85 Ave.	1986–90 Ave.	1991–96 Ave.	1998	1999	2000
Belgium	2.0	7.7	8.7	8.9	9.5	9.0	8.4
Denmark	0.9	6.4	6.4	8.3	5.2	5.2	4.9
Germany	0.7	4.2	5.9	7.6	9.4	8.7	8.3
Greece	4.5	3.8	6.6	8.5	10.7	10.4	10.0
Spain	2.8	11.3	18.9	21.1	18.8	15.9	13.9
France	2.2	6.4	9.7	11.3	11.8	11.3	10.3
Ireland	5.6	10.6	15.5	14.0	7.6	5.8	4.9
Italy	5.2	7.0	9.6	10.6	11.8	11.3	10.8
Luxembourg	0.0	1.7	2.1	2.6	2.7	2.3	2.1
Netherlands	1.3	7.1	7.4	6.4	4.0	3.3	2.6
Austria	1.6	2.5	3.4	3.6	4.5	3.7	3.4
Portugal	2.5	6.9	6.1	5.9	5.2	4.5	4.4
Finland	2.3	4.8	4.3	13.7	11.4	10.2	8.9
Sweden	2.0	2.4	2.0	7.6	8.3	7.2	6.5
U.K.	2.0	6.9	9.0	9.3	6.3	6.1	5.8
EU	2.3	6.4	8.9	10.1	9.9	9.1	8.5
Euro-ll	2.5	6.6	9.4	10.7	10.9	9.9	9.2

Source: European Commission (2000: 164–5).
Note: The data reported here are seasonally adjusted and use Eurostat's standardized definition of unemployment. The data are identical to the standardized measures of unemployment reported by the OECD.

There are, of course, some significant exceptions to the tendency for unemployment in the late 1990s to have remained at or close to the decade-long peaks. In several member states – most notably, Denmark, Spain, Ireland, the Netherlands, Portugal, and the United Kingdom – the level of unemployment by 1999 was significantly lower than the average level registered not only in the first half of the 1990s but also in the late 1980s. Indeed, the levels of unemployment in Denmark, Ireland, the Netherlands, Portugal, and the United Kingdom in 1998–99 were lower than the levels registered in 1974–85 as well! Although situated in a regional context marked by low growth and deteriorating employment, those countries – above all, Ireland and the Netherlands, but Denmark, Portugal, and the United Kingdom as well – evidently were able to create enough new jobs over a period of years to lower the long-term, noncyclical, or structural, or "natural," rate of unemployment.

The trends in unemployment in selected EU member states over the period since 1970 resemble the long gradual upward trend in unemployment in the EU as a whole (Figure 1.5a). But in contrast to the trends in Germany, France, and Italy, and the EU as a whole, the rates of unemployment in Ireland, Denmark, the Netherlands, and the United Kingdom dropped significantly in the mid- and late 1990s. In Ireland, for example, unemployment dropped some 7 to 8 percentage points from the peak rates of 17 percent in the mid-1980s and 15 percent in the early 1990s (Figure 1.5b).

If there are substantial differences in rates of unemployment among the EU member states, there are also substantial variations *within* many of the member states, which should caution one about drawing conclusions about unemployment solely on the basis of national averages. Perusal of a map of the EU with the rates of unemployment for the various regions of the member states reveals areas having unusually high rates of unemployment and other areas with unusually low rates of unemployment (European Commission 1998a: 31). In recent years a few of the smaller states – most notably, Austria, Denmark, and the Netherlands (and Luxembourg, of course) – have enjoyed relatively low rates of unemployment, as have substantial portions of northern and northeastern Italy, southern and southwestern Germany, southeastern England, and northern Portugal. But in other regions – most notably, southern Spain, where the rate has exceeded 35 percent; southern Italy and eastern Germany, where unemployment has averaged 20 percent or more in recent years; and northern Sweden, central and northern Finland, southern France, northern France, and parts of Wallonia – the unemployment rates have been unusually high. These geographic concentrations of unusually high levels of unemployment, alongside concentrations of *low* unemployment, suggest that unemployment in Europe depends, to a considerable degree, upon regionally concentrated

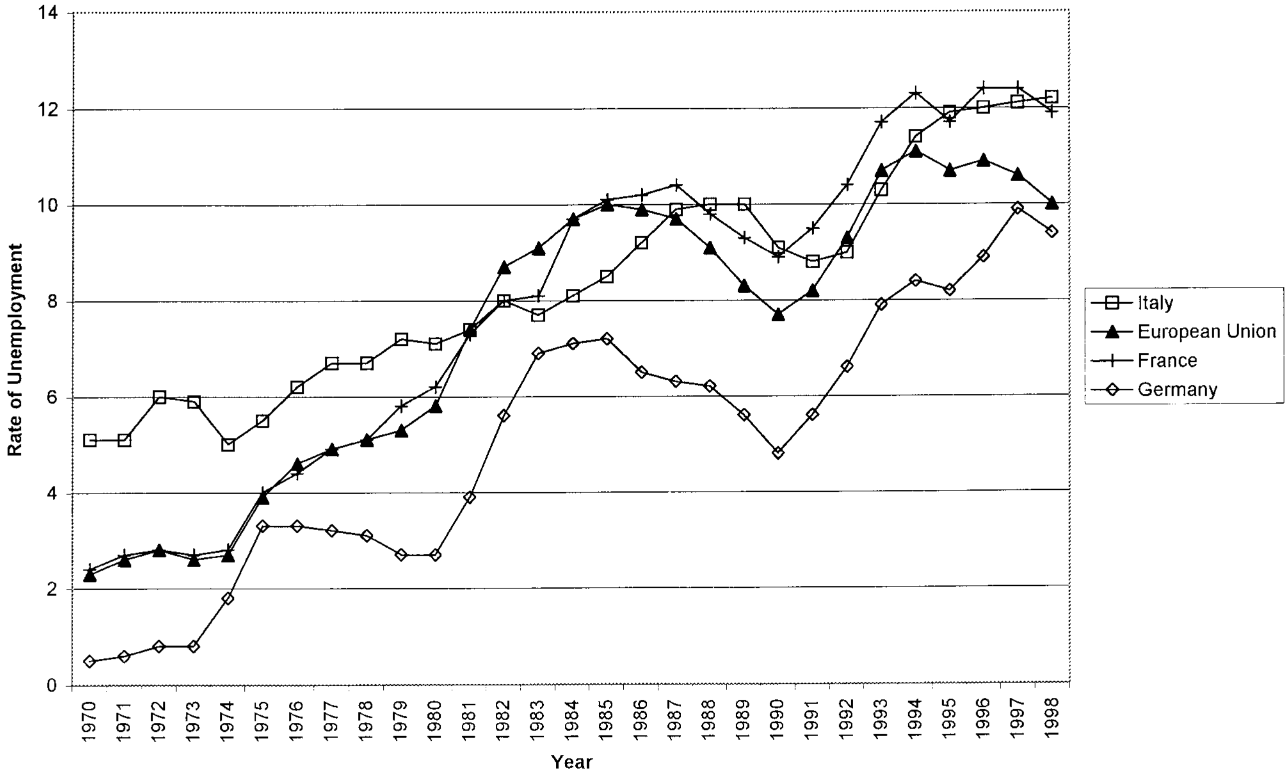
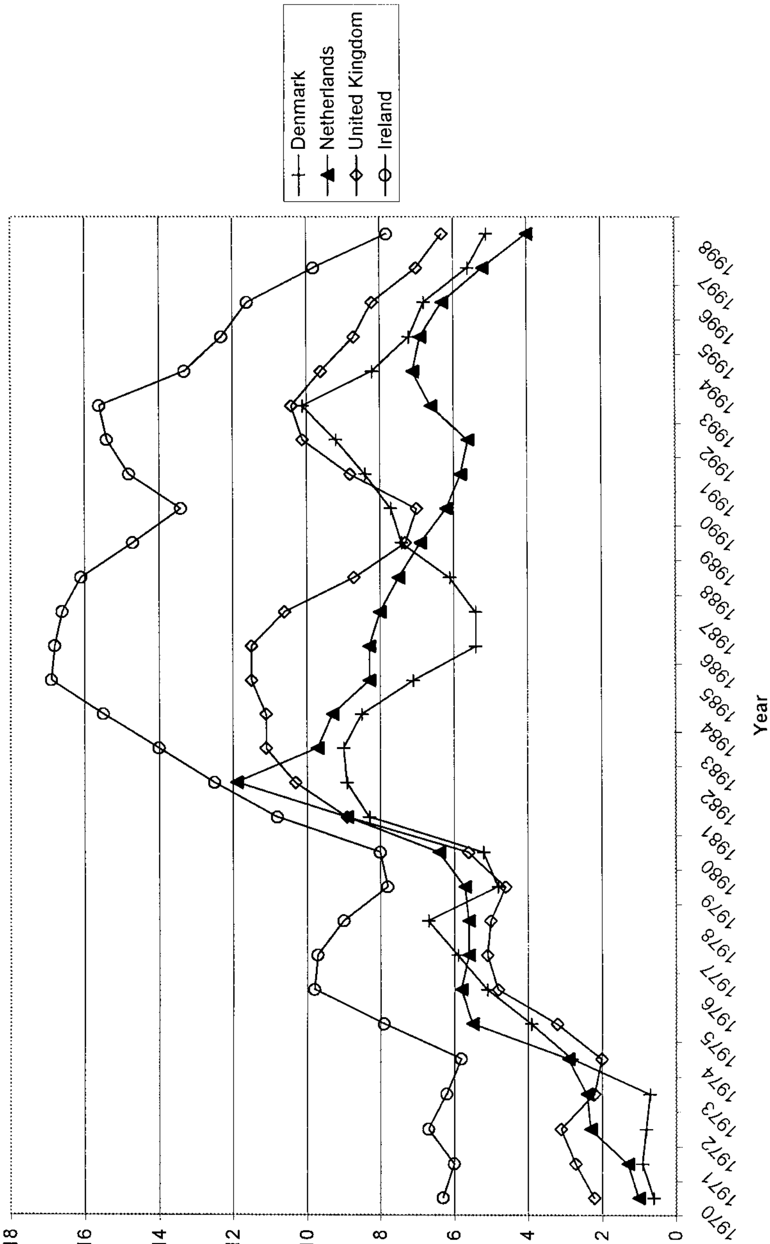


Figure 1.5a The Rate of Unemployment in Selected EU Member States, 1970–1998. *Source:* European Commission, *European Economy* no. 68.


Rate of Unemployment
Year
Denmark
Netherlands
United Kingdom
Ireland
0
2
4
6
8
10
12
14
16
18
1970
1971
1972
1973
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1981
1982
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Figure 1.5b

processes of economic development and underdevelopment – such as the expansion of the service sector (as in the London, Paris, and Milan regions), on one hand, or deindustrialization (as in eastern Germany, southern Belgium, and northern France) or contraction of the primary sector (as in southern Spain, southern Italy, northern Sweden, and northern and central Finland), on the other (see Iversen and Wren 1998).

Substantial differences exist in rates of *employment* as well. Table 1.3 shows the average annual change in total employment in the EU member

Table 1.3. *Average Annual Percentage Change in Total Employment in the European Union, 1961–1999*

	1961-70	1971-80	1981-90	1991-99
Belgium	0.5	0.2	0.2	0.1
Denmark	1.1	0.7	0.5	0.5
Germany	0.2	0.2	0.5	-0.5
Greece	-0.8	0.7	1.0	0.5
Spain	0.6	-0.6	0.8	0.9
France	0.6	0.5	0.2	0.2
Ireland	0.0	0.9	-0.2	2.7
Italy	-0.5	1.0	0.6	-0.5
Luxembourg	0.6	1.2	1.7	2.8
Netherlands	1.2	0.2	0.6	1.4
Austria	-0.5	0.7	0.1	0.4
Portugal	0.2	0.1	0.2	0.4
Finland	0.4	0.2	0.4	-1.2
Sweden	0.7	0.8	0.7	-1.1
U.K.	0.3	0.3	0.5	0.2
EU	0.3	0.4	0.5	0.0

Source: European Commission (1998b: 66-67).

states decade by decade since 1960. These data highlight the differences in the average annual rate of job creation (net of job losses), which are masked by the overall EU-wide rates of change. Thus, for example, while the aggregate annual rate of net job creation in the EU in the 1990s was zero – indicating that, on average, as many jobs were lost as were created each year of the decade throughout the EU – and while certain member states – Finland and Sweden, which experienced unusually severe recessions in the early 1990s, Germany in the wake of unification, and Italy – experienced significant contractions in employment, several member states experienced significant *increases* in employment that ran counter to the EU-wide trend. Most notably, average annual increases in Luxembourg, the Netherlands, and Ireland in the 1990s were altogether exceptional – not only for the 1990s but also in comparison with any previous decade.

The sustained job creation in the 1990s in Ireland, Luxembourg, the Netherlands, and several other member states stands in marked contrast not only to the sharp contractions in Finland, Sweden, Germany, and Italy but also to the relative stagnation in job creation experienced by Belgium, France, and Britain. A comparison of the cumulative effect of those differences in annual rates of job creation during the late 1980s and 1990s (Table 1.4) indicates that the aggregate rates of job creation in the EU as a whole mask significant differences among the member states. Thus, for example, while the total number of employed persons dropped by almost 10 percent in Finland after 1985 and by almost 10 percent in Sweden in the 1990s alone, and by 4 to 7 percent in Germany and Italy in the 1990s, the number of employed persons in Ireland, the Netherlands, and Luxembourg *in*creased substantially in the 1990s.

Table 1.5 presents data on the proportion of the working-age population – that is, persons aged 15 to 64 – employed in the fifteen EU states in 1985, 1991, and 1998. As noted earlier in regard to Figure 1.4, approximately 60 percent of the working-age population in the EU was employed in the 1980s and 1990s. That rate, and its stability over time, stand in marked contrast to the employment rates in both the United States and Japan, where the rates increased over the three decades and by the late 1990s were in the vicinity of 75 percent. Some of the EU member states – most notably, Denmark, Germany, Austria, Finland, Sweden, Portugal, and the United Kingdom – had rates above the EU average during much of the period (although the severe recessions in Finland and Sweden in the 1990s resulted in substantial decreases in the employment rates of both countries). However, others – most notably, Italy, Spain, Greece, and

Table 1.4. *Cumulative Percentage Change in Total Employment in the European Union, 1985–1998*

	1985–91	1991–98	1985–98
Belgium	5.9	3.7	9.8
Denmark	2.0	4.9	7.0
Germany	10.2	-7.0	na
Greece	1.2	9.2	10.5
Spain	18.5	4.7	24.1
France	4.1	0.8	5.0
Ireland	6.1	29.5	37.3
Italy	4.1	-4.1	-0.1
Luxembourg	21.9	21.0	47.5
Netherlands	14.6	12.2	28.6
Austria	7.4	2.6	10.2
Portugal	11.3	0.6	11.9
Finland	-4.0	-5.8	-9.5
Sweden	3.6	-9.5	-6.4
U.K.	7.9	2.6	10.7
EU	7.7	-0.4	na

Source: European Commission (1999a: 127–42).
Note: The data for Germany in 1985–91 are for the pre-1990 Federal Republic only.

Ireland – had relatively low employment rates and remained below the EU average throughout the period.

What is most interesting, perhaps, is that several member states experienced significant increases in their rate of employment between the mid-1980s and late 1990s. In particular, Belgium, Spain, Ireland, the Netherlands, Portugal, and Britain experienced increases of at least several

Table 1.5. *Percentage of Working-Age Population (15–64) Employed in the European Union, 1985–1998*

	1985	1991	1998	Change, 1985–98
Belgium	53.1	54.7	57.5	4.4
Denmark	77.4	77.6	78.9	1.5
Germany	63.1	65.9	61.5	-1.6
Greece	57.3	56.6	57.2	-0.1
Spain	44.1	49.7	50.2	6.1
France	62.0	62.9	60.8	-1.2
Ireland	51.4	53.5	60.5	9.1
Italy	53.0	53.6	51.7	-1.3
Luxembourg	58.0	57.7	58.6	0.6
Netherlands	57.7	62.2	68.3	10.6
Austria	67.3	69.7	70.1	2.8
Portugal	63.5	66.2	68.9	5.4
Finland	75.2	75.7	65.1	-10.1
Sweden	80.3	82.8	70.3	-10.0
U.K.	66.2	72.4	71.4	5.2
EU	59.8	62.4	61.1	1.3

Source: European Commission (1999a: 127–42).

percentage points or more in their rates of employment, in marked contrast to Germany, France, Italy, Greece, Finland, and Sweden, in all of which the rate *de*creased. Some of the countries that experienced significant increases had initial employment rates that were well below the EU average, so the increases are not surprising. But several others – most notably, the Netherlands, Portugal, and Britain – experienced significant increases despite the fact that each was already close to or above the EU average in 1985.

Gender, Age, and Unemployment

Table 1.6 presents the rates of unemployment in the EU, the United States, and Japan in 1998, disaggregated by gender and age. Notwithstanding conventional stereotypes, there appears to be a much more marked gender division in unemployment in the European Union than in either the United States or Japan. Thus, the rate of unemployment among women in the EU was roughly three percentage points, or 33 percent, higher than that among men, whereas in the United States and Japan the rates were nearly identical for men and women. (See Rubery, Smith, Fagan, and Grimshaw 1998.)

Table 1.6 also presents the rates of unemployment in 1998 of those in the active labor force who were under the age of 25. In general, these rates are twice those of the labor force as a whole in the EU, a little more than twice as large in the United States, and a little less than twice as high in Japan. Thus, in the EU, almost 20 percent of those in the labor force who were under the age of 25 were unemployed. And as with the labor force as a whole – and, interestingly, again in contrast to the situation in the United States and Japan – the rate of unemployment of young European women exceeds that of young men by several percentage points.

Table 1.7 presents the rates of unemployment in the EU member states in 1998, disaggregated by gender and age. What is perhaps most note-

Table 1.6. *Unemployment by Age and Gender in the European Union, the United States, and Japan, 1998 (percentage of active labor force)*

	EU	U.S.	Japan
All	10.0	4.5	4.1
All Men	8.6	4.4	4.2
All Women	11.8	4.6	4.0
All < 25	19.5	10.4	6.9
Men < 25	18.2	11.1	6.7
Women < 25	21.0	9.8	7.1

Source: Statistical Office of the European Communities (1999: 57-59).

Table 1.7. *Unemployment in the European Union by Age and Gender, 1998 (percentage of active labor force)*

	All	All Men	All Women	All < 25 yrs	Men < 25 yrs	Women < 25 yrs
Belgium	9.5	7.7	11.9	22.1	19.7	25.1
Denmark	5.1	3.9	6.5	7.4	6.8	8.0
Germany	9.4	8.9	10.2	9.8	10.6	9.0
Greece	11.6	7.8	17.4	32.1	23.0	42.3
Spain	18.8	13.8	26.6	35.4	29.0	43.3
France	11.7	9.9	13.8	26.6	24.2	29.2
Ireland	7.8	8.0	7.6	11.5	11.8	11.1
Italy	12.2	9.4	16.7	31.6	28.3	36.0
Luxembourg	2.8	2.0	4.2	6.9	7.0	6.8
Netherlands	4.0	3.0	5.2	7.8	7.6	8.1
Austria	4.7	3.9	5.6	6.6	5.3	8.1
Portugal	4.9	3.9	6.1	9.8	8.2	11.8
Finland	11.4	10.8	12.0	23.5	22.5	24.6
Sweden	8.3	8.6	8.0	16.7	17.3	16.1
U.K.	6.3	7.0	5.5	13.6	15.2	11.7
EU	10.0	8.6	11.8	19.5	18.2	21.0
Euro-11	10.9	9.1	13.4	21.1	19.2	23.4

Source: Statistical Office of the European Communities (1999: 57-59).

worthy, and indeed sobering, is the high rate of unemployment of the young, particularly of young women. In some countries, more than 30 percent of those under the age of 25 who are in the labor force are unemployed, and in some countries, more than 40 percent of the women under 25 who are in the labor force are unemployed. Notwithstanding the (relative) success of a few member states such as Denmark, Germany, Luxembourg, the Netherlands, and Austria in keeping the unemployment rate for the young in the single digits and close to the overall rate, in most of the EU those under the age of 25 – especially young women – confront the prospect and reality of unemployment to a much greater degree than do their peers in the United States and Japan. Thus, for example, in Spain, Italy, and Greece, more than 30 percent of all young persons in the labor force, and more than 35 percent of all young women in the labor force, were unemployed in 1998. In France, Belgium, and Finland, the rates of unemployment among young persons and young women in particular were somewhat lower but still very high. This, we should note, was the case despite the fact that the rates of participation in the labor force were not unusually high in these countries and, indeed, except for France and Finland, were significantly *lower* than the EU average.

Long-Term Unemployment

One of the most problematic aspects of European unemployment has been and remains the very high rate of long-term unemployment (see Benoit-Guilbot and Gallie 1994). Table 1.8 presents the proportion of all those unemployed in 1997 in each of the member states who were out of work for more than one year. For the EU as a whole, approximately one-half of all of the unemployed had been unemployed for more than a year. (Approximately one-third had been unemployed for more than *two* years.) That figure is far greater than the rate in the United States, where typically about 10 percent of the unemployed have been without work for at least a year.

As with unemployment in general, the experience of long-term unemployment was more frequent among European women than men (and also among the younger and older cohorts of the labor force compared with those aged 25–55). And as with the other facets of employment and unemployment, there are marked variations within the EU. In Germany, Greece, and Ireland, the proportion of the unemployed who had been unemployed for more than one year exceeded 50 percent, and in Belgium and Italy the proportion exceeded 60 percent! Several of the member states – Denmark, Austria, Finland, and Britain, as well as Sweden in regard to women – appear to have been markedly more successful than the others in reducing the number of persons unemployed for more than a year in relation to the total number of persons unemployed. The relative success of those countries may reflect their propensity and ability to create low-