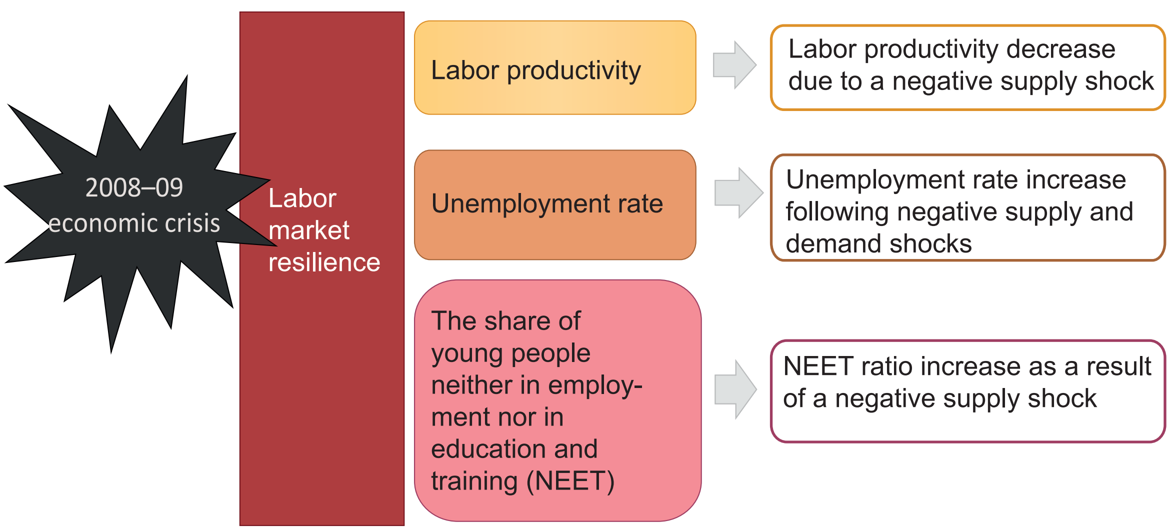
Labor market resilience

The labor market resilience is defined as being "the ability of the labor market to withstand or recover in a short time from negative external shocks or disturbances and to improve, adjust, or reorient itself so that it can benefit from positive shocks" (Fenger et al., 2014). Martin (2012) has identified four main dimensions of labor market resilience at the regional level: resilience, recovery, structural re-orientation and the degree of renewal. In accordance with the methodological framework of the current atlas, the resilience of the labor market is characterized by two dimensions: (1) resistance, which describes the ability of regions to cope with labor market shocks, and (2) recovery, which describes the degree of recovery, as well as the speed with which the unemployed individuals following a shock are reabsorbed into the workforce.

In order to measure labor market resilience, the following indicators (at the regional level) have been used: labor productivity, measured as GDP/working hours, unemployment rate, measured as the number of people unemployed as a percentage of the active labor force, and NEET rates, which represent the share of young people who are neither in employment nor in education and training.

Dimensions composing labor market resilience



The European Atlas of Resilience
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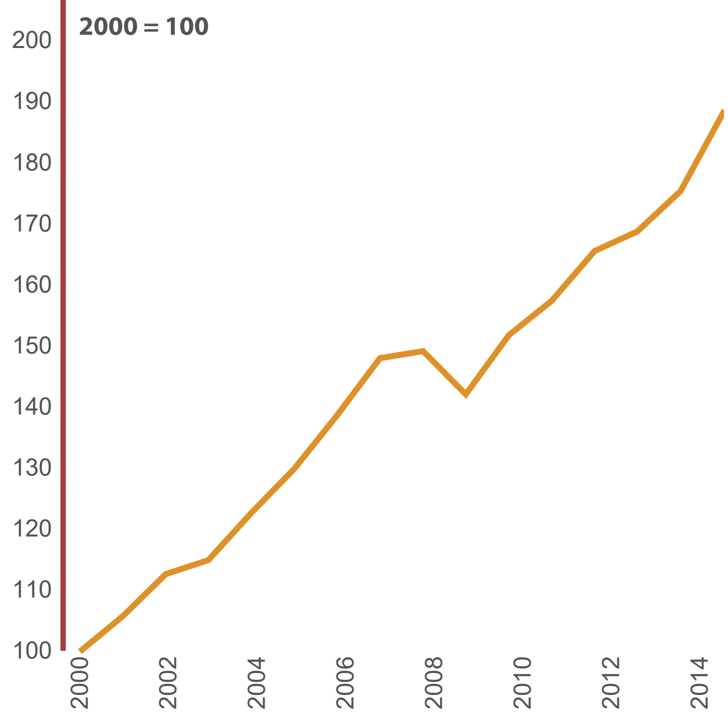
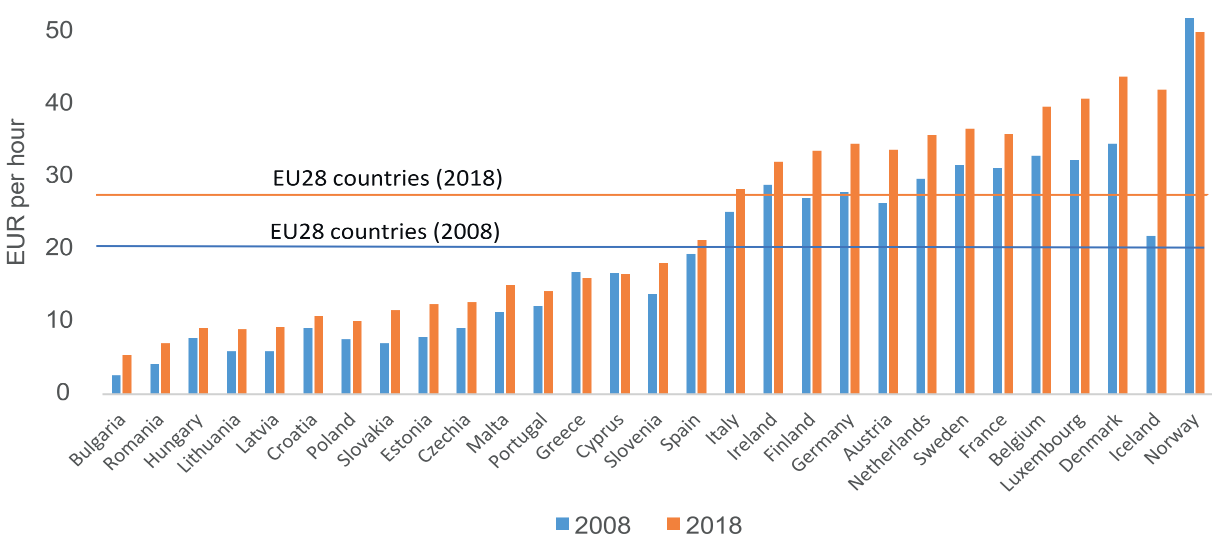
Labor productivity (GDP/Working hours)



The average labor market productivity at the EU level displayed a fulminant increase since 2000 and it soared by almost 90% between 2000 and 2015. The Great Recession hindered productivity growth, but the fall was just by 4.7%, and the recovery was fast. Therefore, after one year, in 2010, the productivity level was already overreaching its pre-crisis level (2008).

Labor costs evolution



The evolution of labor costs is clearly one of the factors affecting labor productivity and thus the competitiveness level. Looking at the labor costs, there is still a clear difference between older and newer member states. Romania and Bulgaria are placed at the bottom of this ranking (in 2020), despite the fact that the labor costs have doubled over the 2008–2020 period (the labor cost increased from 4.1 to 8.1 EUR per hour in Romania, and from 2.6 to 6.5 in Bulgaria).

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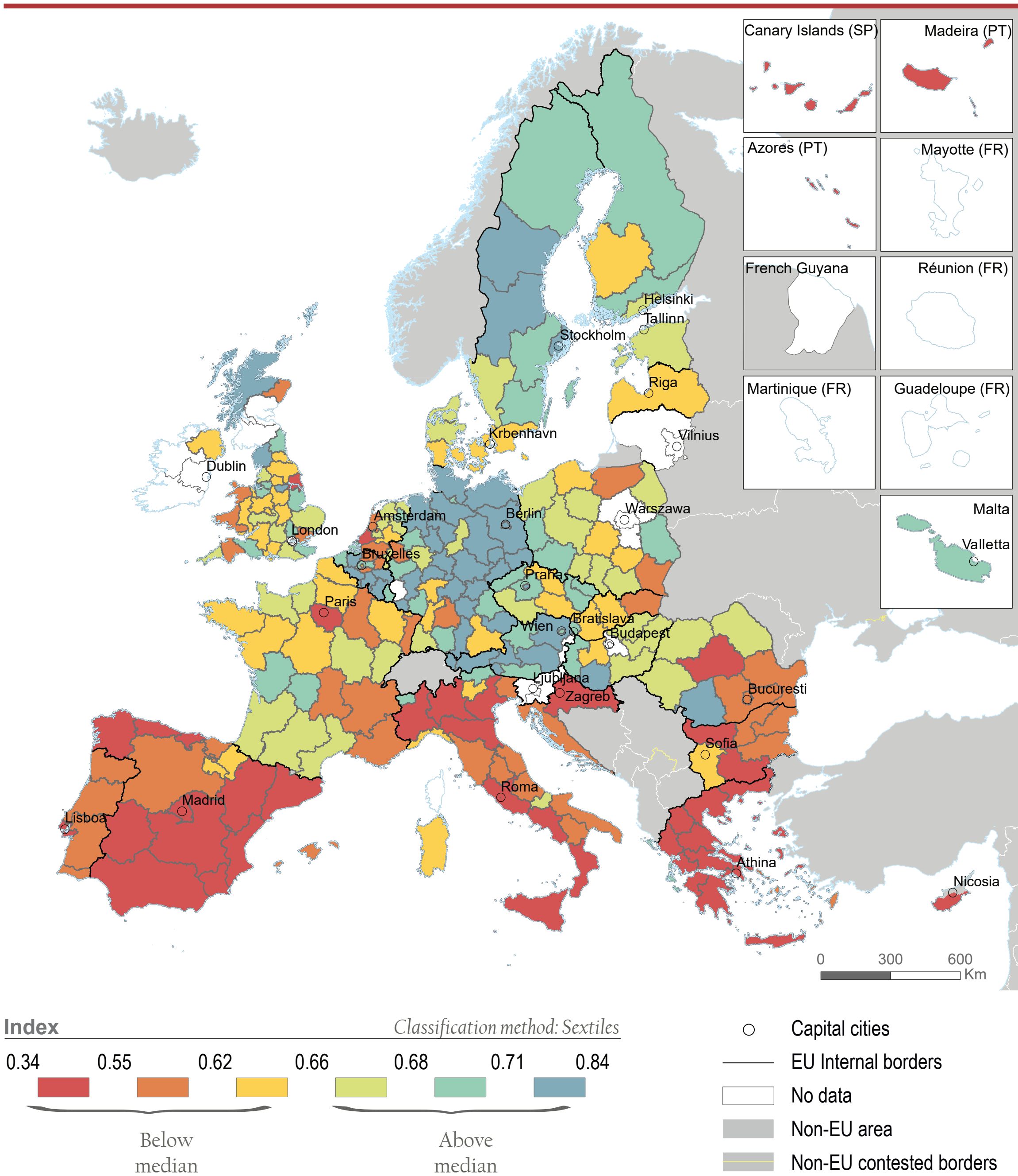
Labor market resistance



Europe’s North – South divide

During the economic crisis, the regions in Central and Northern Europe seem to have had a higher labor market resilience capacity compared to regions located in Southern Europe. We also note that while in some countries (such as Spain, Portugal, Greece, Italy, Sweden) the labor market has been uniformly affected by the economic crisis (either negatively or positively), in other countries (France, Germany, UK, Romania, Poland) there have been large differences across regions. In general, the labor market in capital cities was less resistant during the economic crisis.

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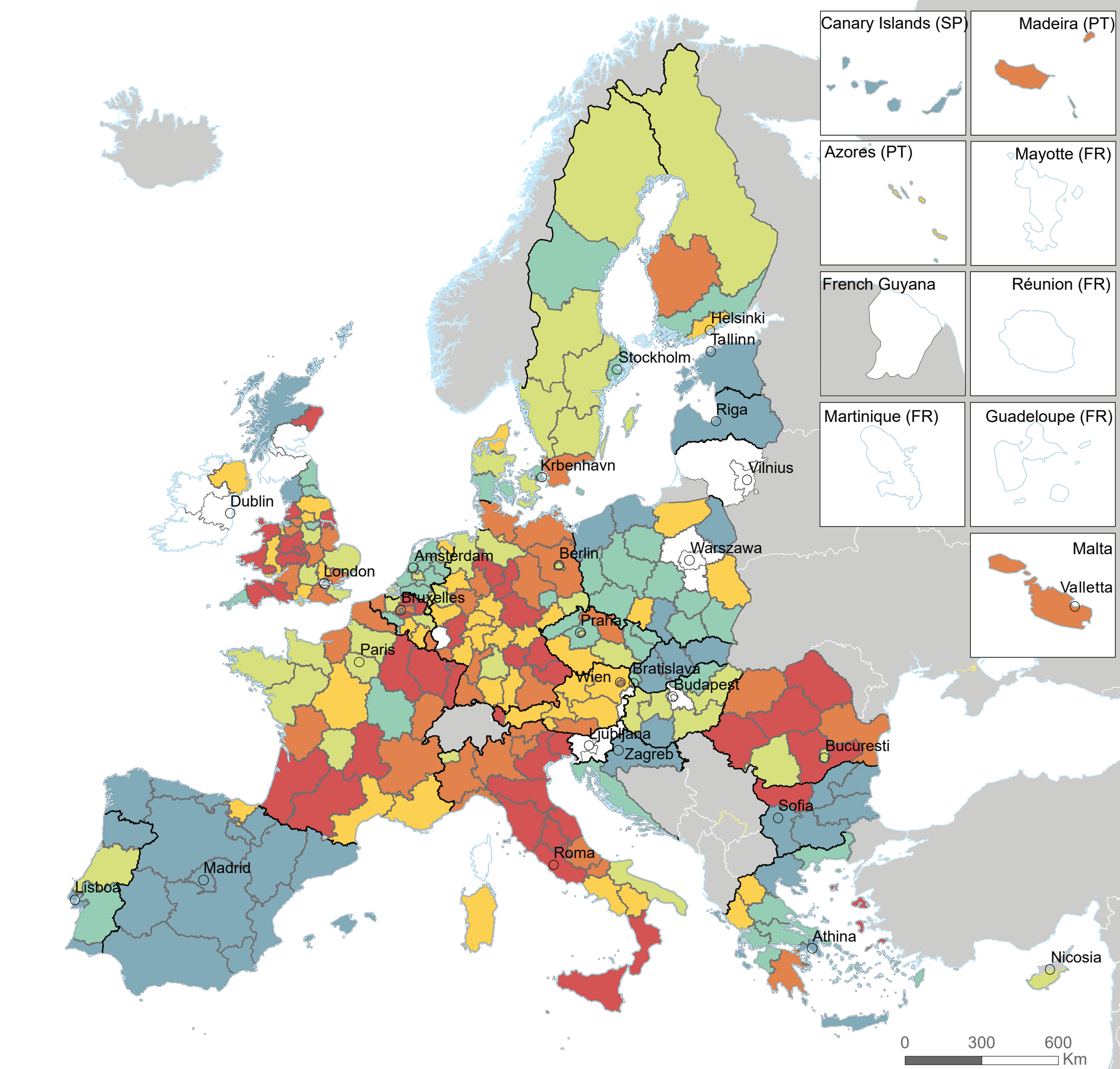
Labor market recovery



Index *Classification method: Sextiles*

0.36 0.46 0.49 0.51 0.54 0.59 0.81

Below median | Above median

○ Capital cities
EU Internal borders
No data
Non-EU area
Non-EU contested borders

A heterogenous spatial pattern of recovery

With the exception of Italy, countries whose labor market has been strongly hit by the 2008–09 economic crisis have recorded a fast recovery. A higher heterogeneity among regions in terms of recovery existed in countries that have been moderately affected by the crisis. On the other hand, the labor market in the capital cities, regardless of the magnitude of the economic crisis, has recovered, on average, faster than other regions from the same country.

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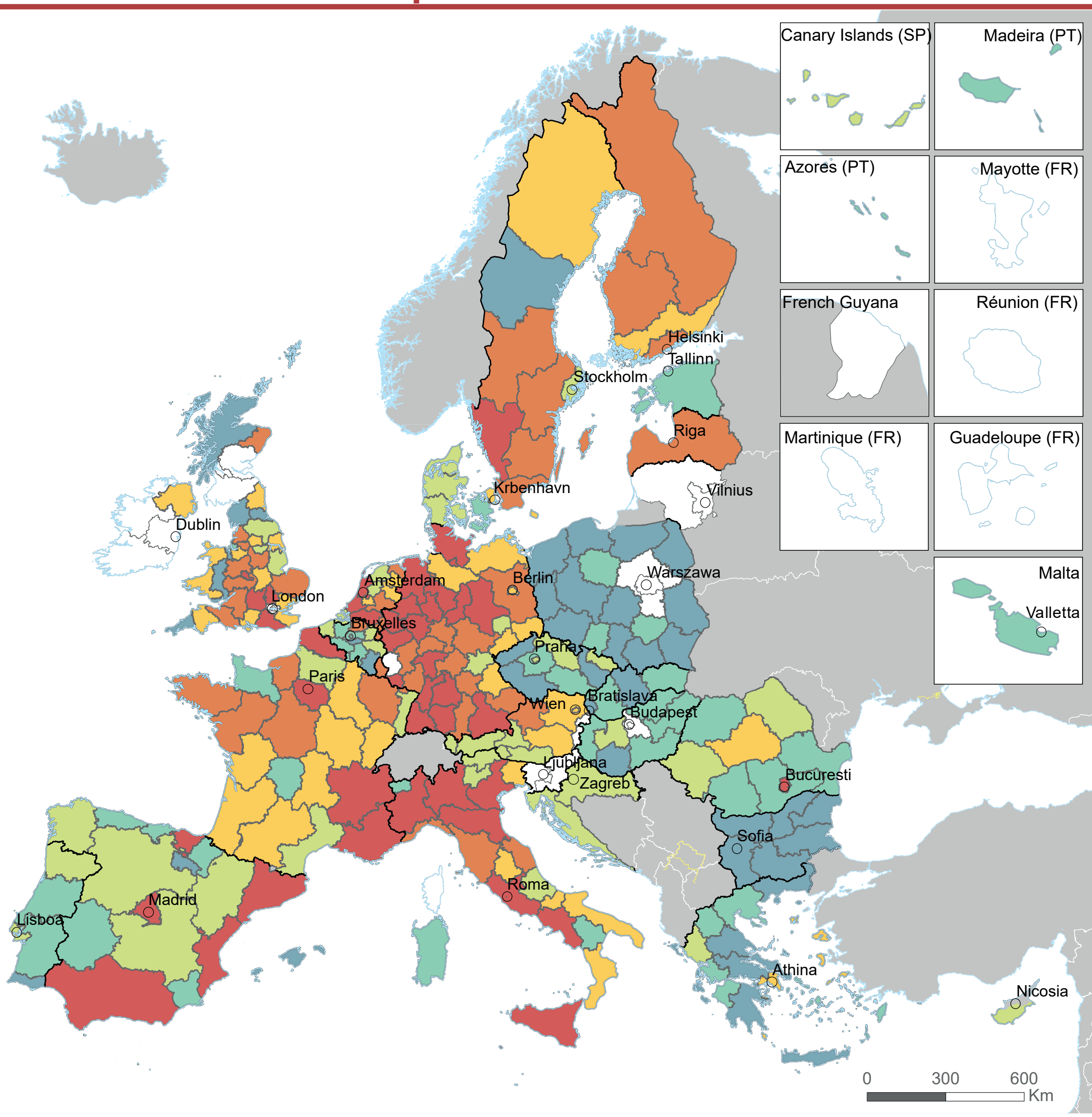
Labor market resilience performance



Index *Classification method: Sextiles*

0.16 0.66 0.70 0.73 0.75 0.77 0.85

Below median — Above median

- Capital cities
- EU Internal borders
- No data
- Non-EU area
- Non-EU contested borders

Europe's East – West divide

Following the economic crisis, Eastern European countries had a better labor market resilience performance compared to the western ones. Moreover, in these countries (Poland, Czech Republic, Slovakia, Hungary, Romania, Bulgaria) we notice a higher heterogeneity among regions. In contrast, in Western and Northern Europe, labor market resilience was weaker, with Germany recording the lowest values. Surprisingly, in the same country there are both regions with very low and very high performance. The greater the interregional variation within the same country, the lower the values of the labor market resilience (as it is the case in Germany, Italy and France).

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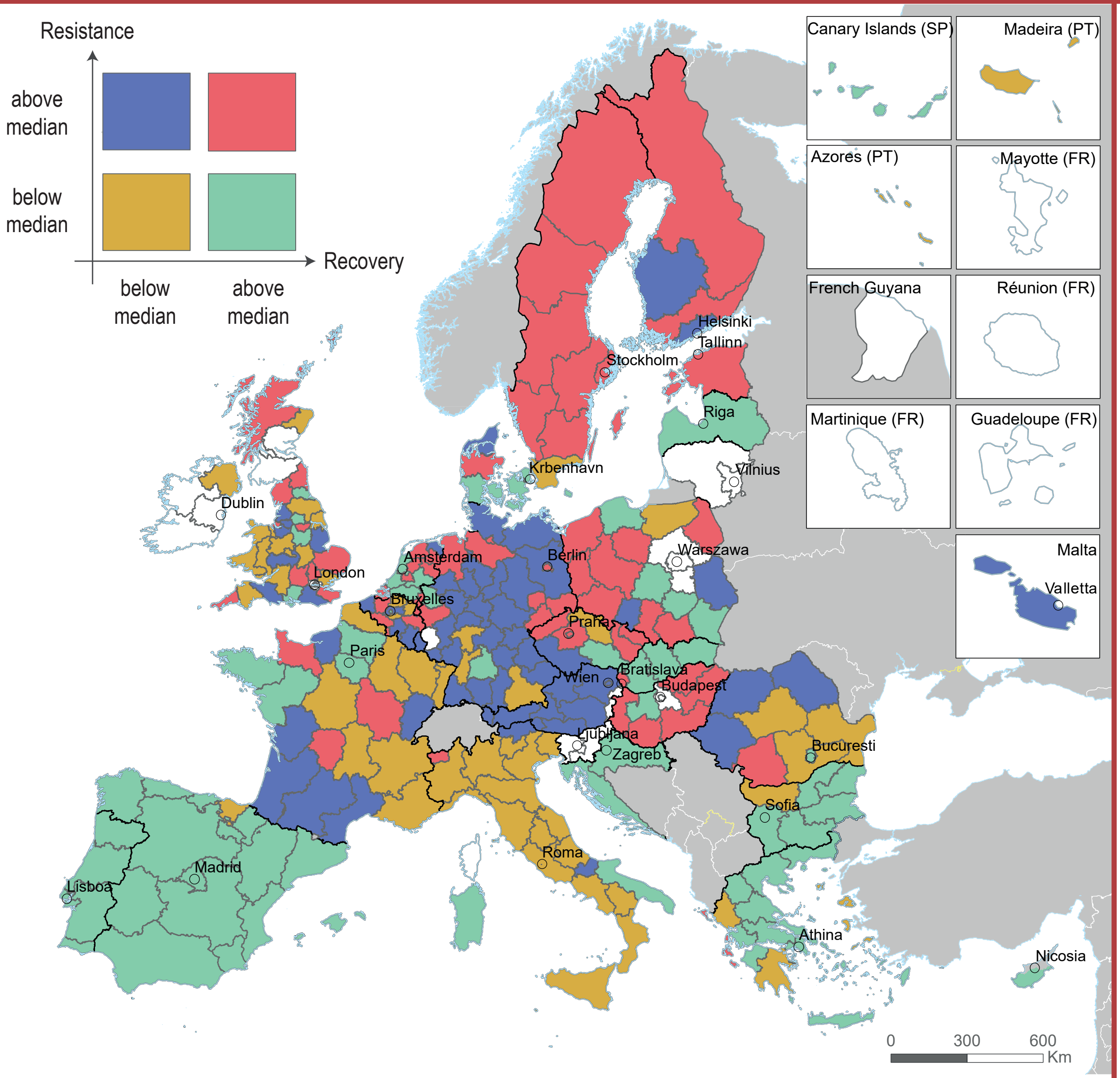
Typology of resilience



Labor market resilience across European regions: homogeneity in diversity

Most countries have registered all 4 types of resilience. With the exception of Sweden, Finland, Hungary and Poland, the other countries did not reach above average values of resilience and recovery. In some countries, regardless of the region, the same type of labor market resilience predominates: low resistance and fast recovery in Spain, Croatia, Bulgaria, Slovakia and Latvia; low resistance and slow recovery in Italy and Greece; high resistance and slow recovery in Austria, Germany and Malta; and high resistance and fast recovery in Sweden, Finland, Hungary and Estonia. In countries such as UK, France, Romania, Denmark and Poland there is no predominant type of labor market resilience. Interestingly, in these countries we find adjacent regions that have totally different types of resilience: low resistance and slow recovery adjacent to high resistance and high recovery; or high resistance and slow recovery adjacent to low resistance and high recovery.

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