

The labour market and economic recovery

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Data from a forthcoming paper,

Katerina Tsotroudi and Duncan Campbell, «The reform of the Greek Labour Market under the international support mechanism»

with appreciation to Roger Magi Gomis Porquet,
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Part one

things are bad, continue to be bad,
but getting less bad?

Figure 1 Monthly Unemployment Rate and Year over Year Variation in percentage, 2007-2012

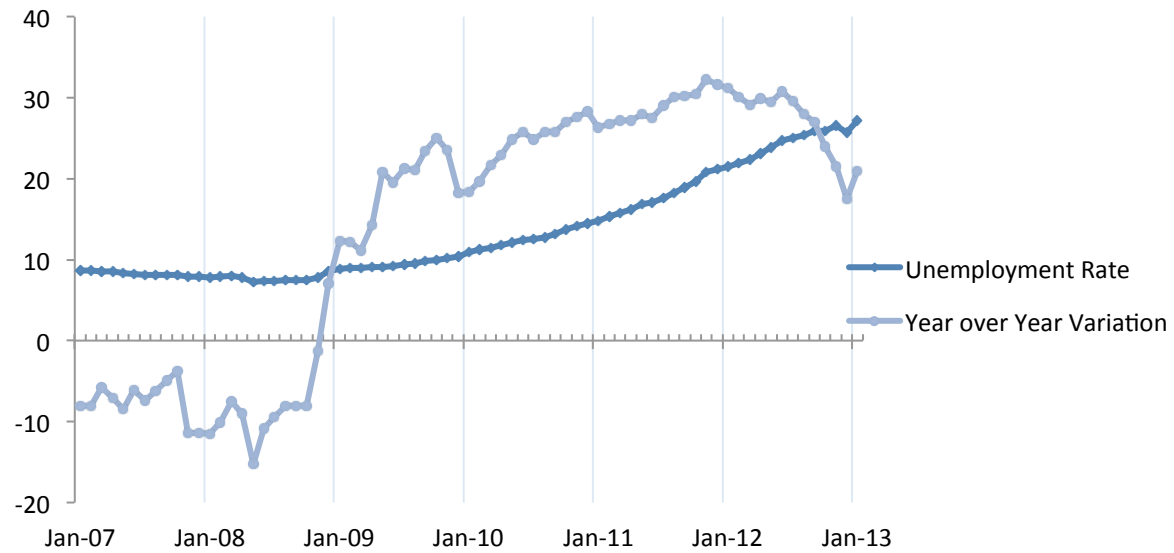


Figure 2 Job Creation and Job Destruction rates

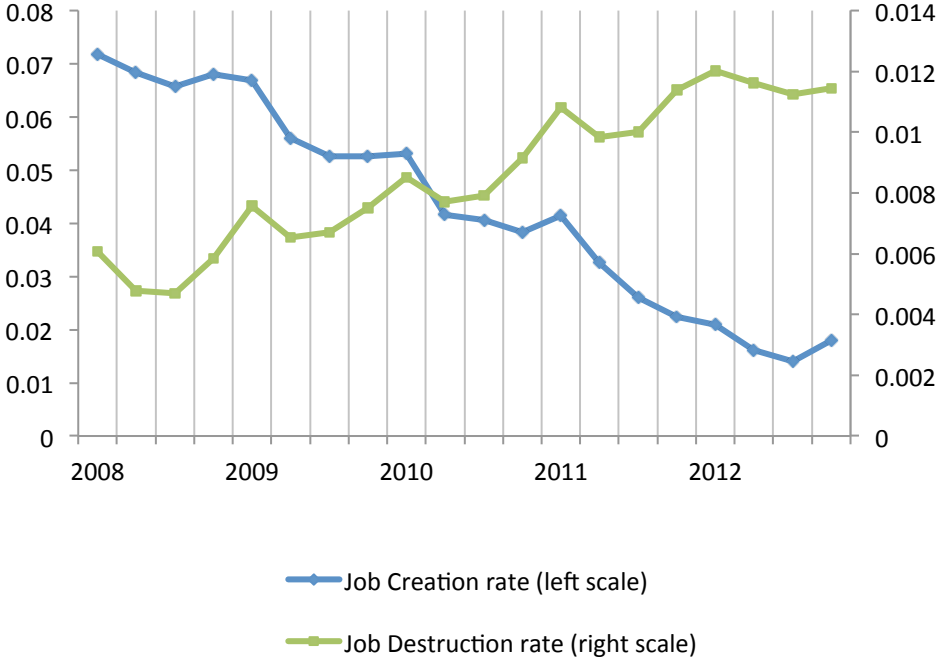
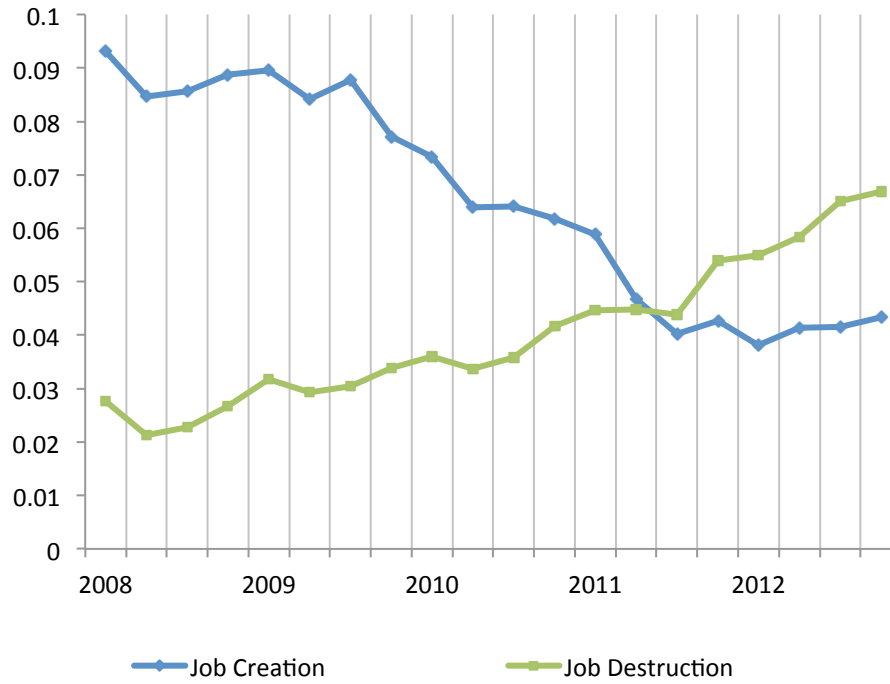


Figure 3 Job Creation and Job Destruction rates, age under 25



Probability of job finding and job separation, by sex and age group, 2008-2012

Group	Probability all groups		Probability age under 25		Probability male		Probability Female	
	Finding	Separation	Finding	Separation	Finding	Separation	Finding	Separation
2008	0.56	0.06	0.65	0.26	0.60	0.05	0.53	0.09
2009	0.49	0.08	0.64	0.31	0.53	0.07	0.52	0.10
2010	0.40	0.09	0.55	0.36	0.44	0.08	0.39	0.10
2011	0.30	0.12	0.43	0.43	0.33	0.11	0.31	0.12
2012	0.19	0.13	0.39	0.52	0.19	0.12	0.17	0.13

Figure 5 Employment rate year over year percent variation, by age and nationality status, 2007-2012

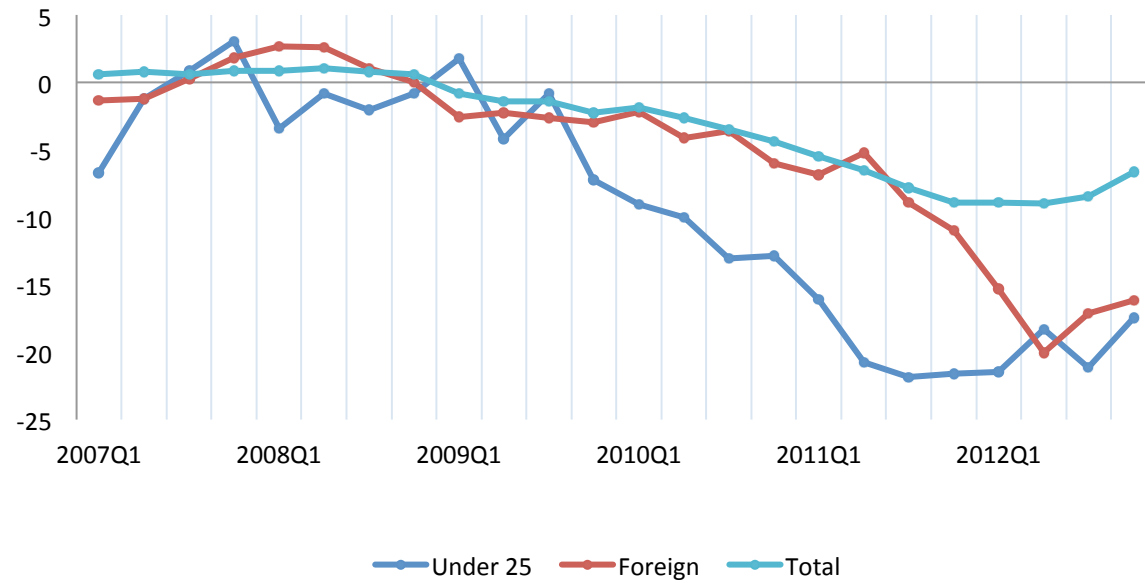
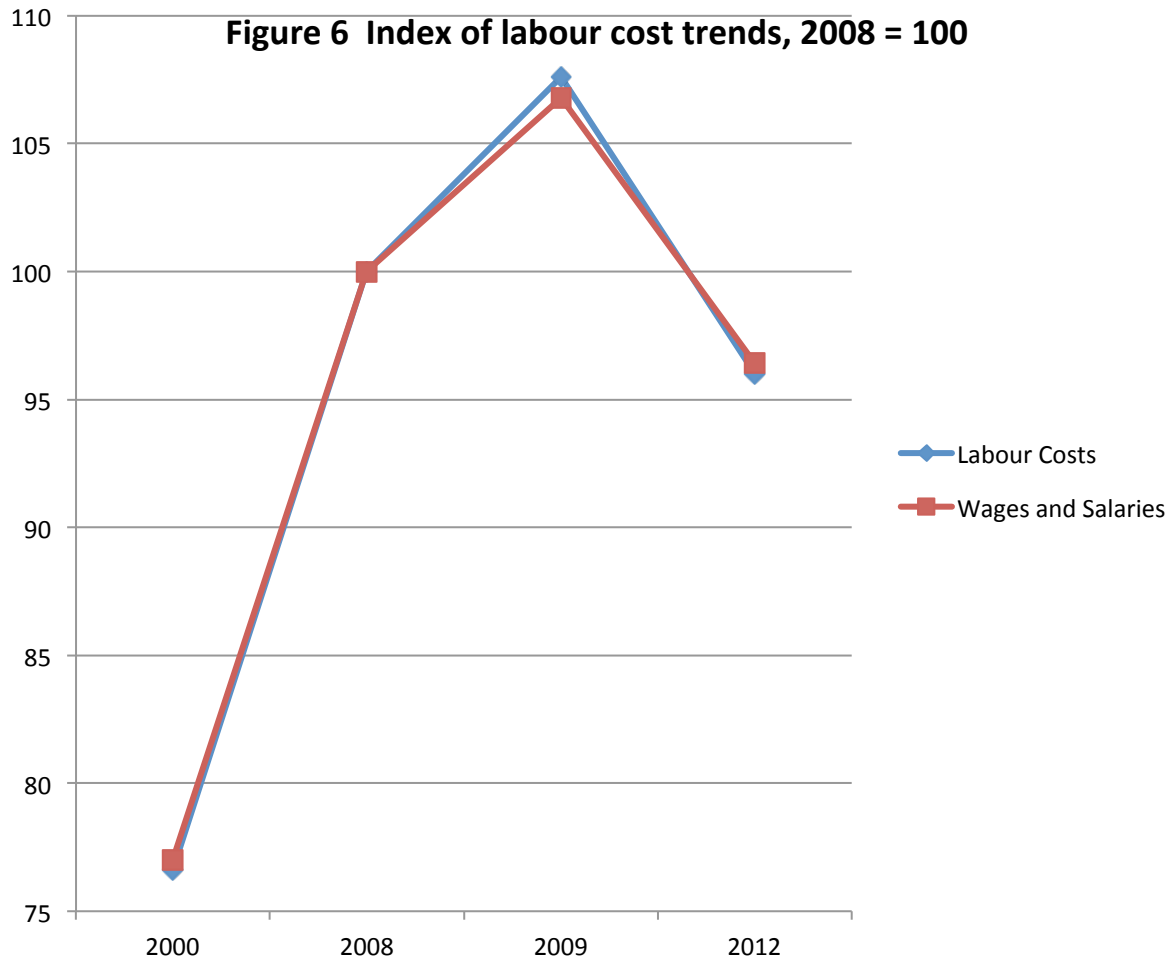


Figure 6 Index of labour cost trends, 2008 = 100



What's the problem in the labour market?

- First, was there a problem? Arguably, yes.
- The obvious decline in fiscal space
- Downside consequences of labour market reform
 - The main tool of internal devaluation
 - Hitting recovery through the consumption channel
 - Lower wages, but not lower prices
 - Serious wealth effect after six years of recession

A wage-led economy is one where
a, say, 1% increase in wages
produces more growth than a 1%
increase in profits.

This might be the situation in
Greece

More problems still ...

- Credit remains highly constrained even with recapitalization
- ... but who would invest anyway in an economy without aggregate demand?
- Underlying the MOUs has been the issue of «competitiveness». Two underlying problems with this thesis are (1) the relative weight of labour costs in competitiveness, and (2) who is Greece competing against?

And more problems still ...

- It's not just unemployment and depressed wages. It's also:
- The presumed rise in undeclared work and informality (40% of the labour force?)
- Wage arrears (no data here)
- 200,000 working below the minimum wage (and consequent rise in the working poor)
- Outward migration among the skilled

And still more ...

- 17% of all jobs have been lost since the onset of the recession
- Over 300,000 households (i.e. not individuals) are without work
- The poverty rate is estimated to be about 33 %
- Working poverty is a rising phenomenon
- With 2/3 of unemployed, long-term, are we talking structural unemployment?

The «more problems» continued...

- Continued pressure to downsize the public sector (already 25% smaller than it was in 2009). [n.b. the size of the public sector in Greece as a share of GDP is not out of line with European comparators – it's a question of the efficiency of the sector ...]
- Are non-wage labour costs a huge worry? By the numbers, no, by those who don't pay them, yes.

	Tax wedge on labour cost		Unemployment trap		Low wage trap - single person without children		Low wage trap - one earner married couple with two children	
	2005	2011	2005	2011	2005	2011	2005	2011
EU-27	40	40	75	75	45	47	57	58
EA-17	42	42	76	76	41	46	50	55
Belgium	49	50	85	91	57	60	45	49
Bulgaria	36	34	77	82	21	22	33	22
Czech Republic	42	40	66	80	34	49	49	88
Denmark	39	37	91	89	77	74	96	95
Germany	47	46	74	73	53	54	81	80
Estonia	38	39	64	64	26	24	22	26
Ireland	22	21	64	76	58	52	77	76
Greece	34	36	62	60	27	25	32	21
Spain	36	37	80	83	25	29	16	13
France	41	47	82	77	35	49	57	74
Italy	42	45	72	78	34	41	-11	4
Cyprus (1)	12	12	62	61	6	6	110	115
Latvia	42	44	88	90	32	33	100	69
Lithuania	43	39	81	68	36	26	48	92
Luxembourg	29	29	86	87	52	59	108	108
Hungary	43	45	62	80	31	38	70	67
Malta	18	19	60	56	20	21	31	21
Netherlands	42	33	80	84	69	74	76	66
Austria	43	44	67	67	36	41	61	94
Poland	38	33	83	82	65	61	85	41
Portugal	32	33	81	79	21	21	69	56
Romania	42	44	61	54	30	31	17	34
Slovenia	42	39	83	90	51	46	76	61
Slovakia	35	36	43	44	22	27	31	52
Finland	40	37	77	72	61	52	100	99
Sweden	47	41	87	74	57	40	92	77
United Kingdom	31	29	68	65	58	52	80	80
Iceland	25	29	71	86	40	45	67	71
Norway	34	34	75	76	37	33	100	97
Switzerland	18	18	:	:	:	:	:	:
Turkey	42	35	:	:	:	:	:	:
Japan	27	30	57	50	54	62	95	94
United States	28	27	70	68	28	27	51	68

(1) Data for 2007 instead of 2011.

Source: Eurostat (online data codes: earn_nt_taxwedge, earn_nt_unemtrp and earn_nt_lowwtrp)

To conclude

- Labour market distress in Greece is a medium to long-term problem –2030?
- Some say that unemployment will top 30 %
- A return to quite modest GDP growth in 2014 is a good thing, of course, but will not make much of a dent in the labour market
- Productive employment needs to be Job No. 1 if the economy (and society) are to recover
- The ILO and Greece

What is ILO doing (or prepared to do)?

- Comparative work on collective dismissals and temporary work
- Rekindling social dialogue
- Promoting the social economy
- Comparative work on apprenticeships
- Labour inspection and getting a handle on undeclared work