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Expected years in employment and unemployment over the life-cycle: What has changed in the 2000s?

Abstract

In the 2000s, EU and its member countries have urged for more working years over the life-cycle. Mainly this aspiration raises from economics of sustainability, as written down in EU2020 growth strategy and other relevant documents. How has EU succeeded? How have member countries succeeded? In the article, based on statistics from Eurostat and the OECD, I show that development from 2000 to 2008 was kind of a success story for the EU as a whole, and especially to many new member countries: years in employment increased while years in unemployment decreased. But since 2008, development has taken another route: years in employment have decreased while years in unemployment have increased significantly, especially in those countries that had benefited from the development until 2008. The biggest losers, however, are countries under strict austerity measures. In scatter diagrams they are now to be located far from the core of old member countries like Germany and Finland. And when it comes to expected working hours over the life-cycle, the difference between longest and shortest working hours is close to 20 000 hours, i.e. one third of the maximum hours. In the article, I discuss the possible reasons shortening working careers, and argue that this outcome must be linked with austerity measures from 2010 and later. Besides, I argue that because of hysteresis in unemployment, it is very difficult to decrease the existing differences in working years and working hours without changing the course of the commission chosen economic policy.

1. Introduction

The nature of working time discussion has changed and intensified. In the beginning of the 2000s, discussion focused on extending weekly working hours beyond the maximum 48 hour limit set by the EU working time directive (2003/88/EC), including normal overtime. The compromise solution maintained the 48 hours limit, but made it possible for member countries to opt-out and to, for example, annualise the assessment. However, comparative discussion on annualised working hours has remained limited, since Eurostat stopped publishing data of actual annual working hours.

Recently, discussion has focused on individual working hours over life cycle (Lee et al., 2007; Natalia & Stamati, 2013). This discussion has been framed by urge for more working years by, for example, lifting pension ages. More working years has been seen as a way of alleviating the so called sustainability cap arising from ageing populations. But since 2008, in most EU member countries and in most age groups

employment rates have decreased in a way that it must have affected to expected years in employment. International comparisons, however, are difficult to find. And when it comes to Finland, results are somewhat contradictory. Honkanen (2015) argues for decreasing years in employment, Järnefelt and Nurminen for increasing years in employment. This discrepancy has not yet become a topic of discussion. In the Finnish research focus is still in segregation of working years according to socioeconomic groupings, such as educational attainment and gender.

How does the pattern of change differ between EU member countries? I assume that differences between member countries arise from their economic situations as well as the level of coordination at the EU level. In the EU2020 strategy, the need of coordination is underlined, at least in rhetoric. But, actually, the institutional framework of this coordination is still weak, in spite of the many recently adopted “packages” for boosting the growth and employment pact of 1997 regarding, e.g., budget deficit and state debt rates. In accordance with these contractive, austerity kind of policies, many member countries have started to cut government expenditure, including services aiming at keeping people at work or in education. In some countries, there are also signs of dead ends in working time regulation, i.e. expansion of extreme working times (Burger, 2015). In the Finnish supply side economics, the only means for increasing working hours are increasing the size of domestic labour force or immigration (Borg & Vartiainen, 2015, 25).

In spring 2015, Mr. Juha Sipilä, the newly elected prime minister of Finland, suggested a social contract on 100 more annual working hours – without any compensation to wage earners. The suggestion, prepared in close cooperation with employers’ confederation, was justified as a way to increase productivity and international competitiveness by around 5 percent points. Besides, banker Björn Wahlroos, one of the richest men in Finland, has argued that Finns work too few hours over the life cycle, only around 50 000 hours, which, according to Wahlroos and without a source, is the second lowest figure in the world.

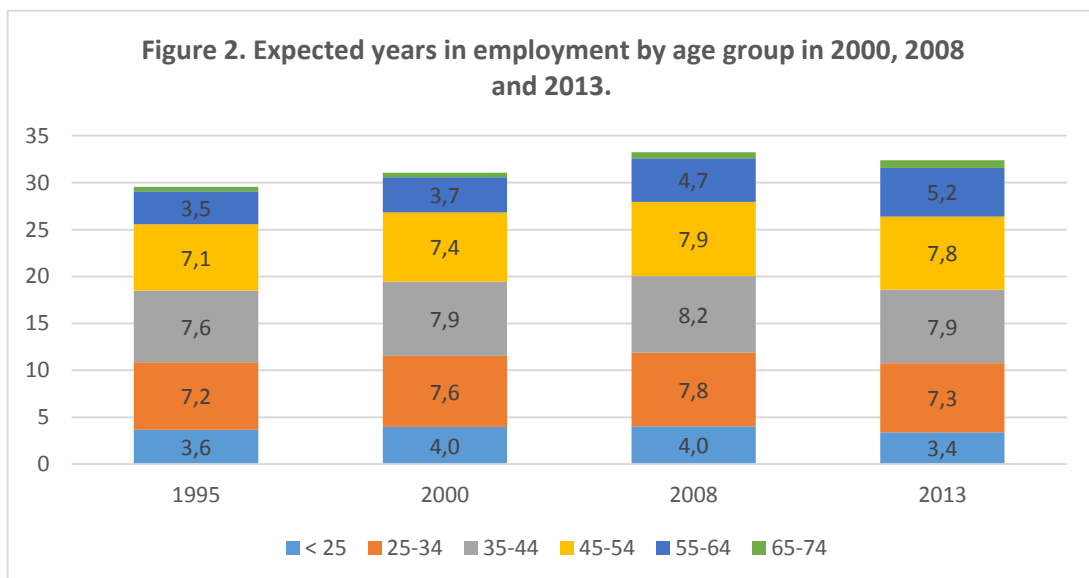
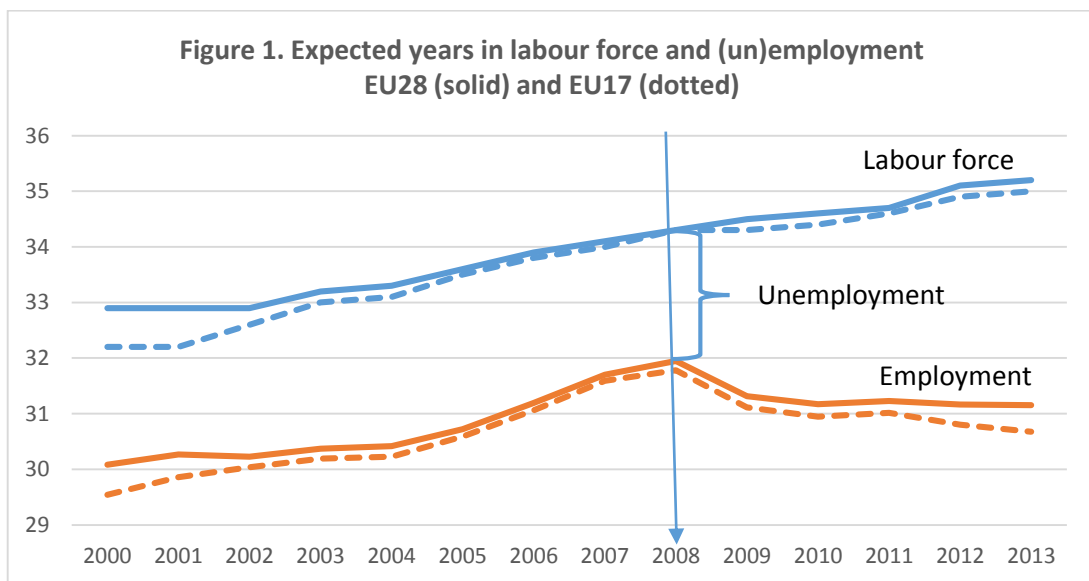
So, how have expected years in employment and unemployment changed in EU28 in the 2000s? What are the differences in development patterns within EU28? And does this analysis bring about arguments for increasing working hours in Finland?

2. The data

The data I have compiled from data bases of Eurostat and The OECD. The expected years in employment I have conducted from employment rates, as proposed by Myrskylä (2012a, 10), i.e. by assuming that successive 5 year age groups form a pattern for life cycle employment. Then, by subtracting expected years in employment from expected years in labour force, as given by Eurostat, I get the difference, the expected years in unemployment. And, finally, by multiplying expected years in employment by actual annual

working hours, as given by the OECD, I get the expected working hours over the life cycle. I admit that all this is very approximate, but so far I have not found any better basis for country comparisons.

Developments in the 2000s, I have characterised in Figure 1. There are lines for expected years in labour force and employment for EU28 and EU17, i.e. the euro area. The difference of these two lines represents expected years in unemployment over the life cycle. As depicted, year 2008 is the turning point. Till that year expected years in labour force and employment increased in line with the EU2020 strategy. In 2008, the expected years in unemployment were “only” 2.5 years, on the average. But since 2008, years in labour force have increased, while years in employment have decreased. Accordingly, difference between years in



labour force and employment has started to grow in a way that in 2013 expected years in unemployment were more than 4 years, on the average. And, as shown in Figure 1, development in the euro area has been even worse. This kind of development is no more in line with the EU2020 strategy.

In which part of the life cycle expected years in employment have changed, is depicted in Figure 2. During period 2000 – 2008, most of the increase took place among over 45-year-olds, by one year and a half. The only group without growth were those younger than 25-year-olds. Then, during period 2008 – 2013, expected years in employment decreased by one year, on the average. The biggest losses were faced among those younger than 45-year-olds. The only increase, a small one, took place among 55 – 64 –year-olds. In general, the trend had become negative, towards less working years.

In the Finnish discussion, this observation is not taken as a generally accepted fact. Why is this so? One reason for this may be the way Eurostat presents its key findings. It juxtaposes linguistically years in labour force with years in employment. This is problematic, since years in labour force include years in unemployment. In Finland, Myrskylä (2012a, 2012b) and Honkanen (2015) have conducted expected years in employment from other statistics, developed for national purposes. In these measurements, years in unemployment is conducted from unemployment register, which is not comparable with results arising from EU labour force survey (LFS), and, therefore, does not allow reliable country comparisons.

By using LFS, country comparisons are possible. LFS standardises unemployment in a comparable form, and measurements cover all months of a calendar year, not only the last month of each calendar year, as in the case of register data often is. LFS, however, produces less unemployment years than register data does, since register data covers also those unemployed, whose search for work is not as active as needed in LFS.

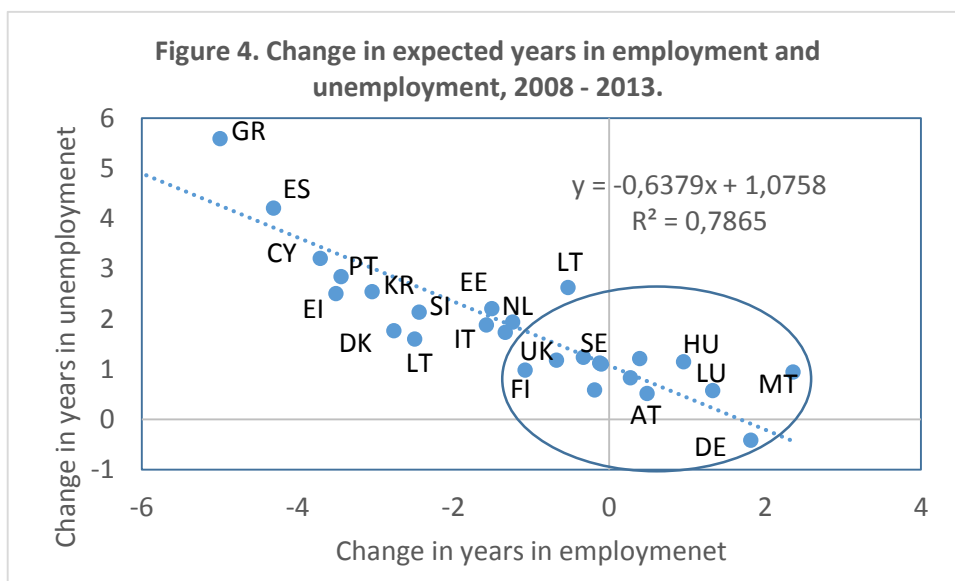
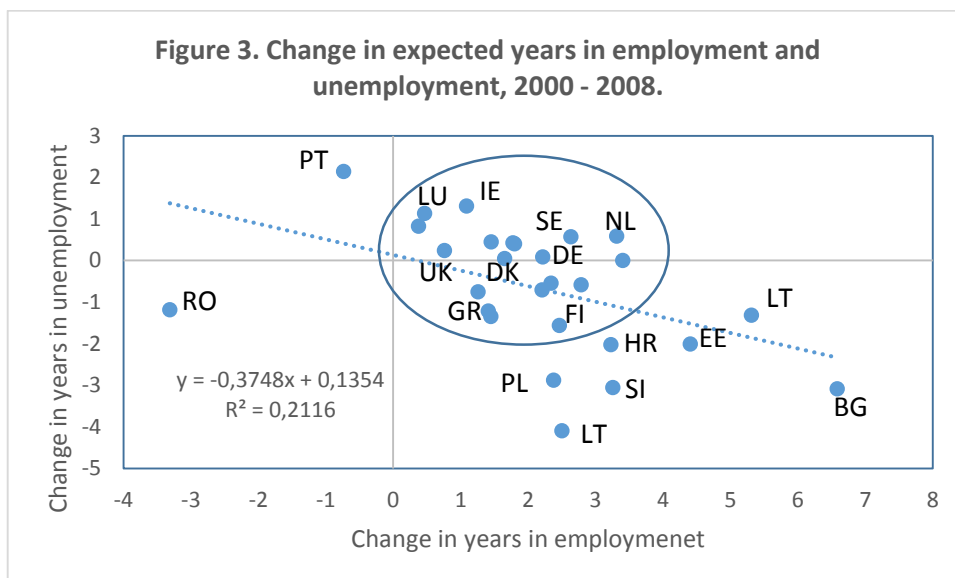
3. Life cycle unemployment rates

By using LFS, the expected employment and unemployment years are to be conducted for a representative 15-year-old person in all member countries regardless when each and every country has started as a union member. In the following scatter diagrams, I have circled those key member countries that are close to each other and form kind of a core of the union in the discussed matter. In most cases the circle includes majority of those member countries that were members already in the 1990s. But, depending on the assessed matter, it also may include countries that have become members later.

The numeric values of the diagrams are to be found from Appendix 1, where countries are sorted in a way that at the top are those countries with lowest life cycle unemployment rate. There are Luxembourg, Germany and Austria with 5.5 to 5.7 percent life cycle unemployment rate. In absolute terms they indicate around 2 years' unemployment over the life cycle. In the Nordic countries, the expected years in

employment are even higher than in the top 3. But since the Nordic countries expected unemployment is longer, their ranking is far from the top. In 2013, the expected life cycle unemployment rate for Finland was 7.9 per cent, which is practically the same as unemployment measured by LFS. By using registered unemployment, the figure would have been close to 12 per cent.

At the bottom you can find countries like Greece, Cyprus, Spain, Italy, Portugal and Ireland with 23 to 29 percent life cycle unemployment rate and with 5 to 9 years expected life cycle unemployment. Such figures are very high and often multiple compared to figures from 2000 and 2008. It is also worth of noticing that in counties like Spain, Greece, Portugal, Cyprus and Ireland expected years in employment in 2013 are less than they were in 2000. So, for many countries, the negative development since 2008 has affected to expected years in employment much more, than the positive development from 2000 to 2008 did, as depicted on Figures 3 and 4.



In period 2000 – 2008 the big winners were some new member countries like Baltic countries, Poland and Croatia, with some data-related reservations. In these countries expected years in unemployment decreased quite much. In old member countries, most of which lie inside the circle, development was twofold: In some countries, like Finland and Greece, expected unemployment came down, in some, like Ireland and Luxembourg, it went up. Romania and Portugal were kind of outliers. In Romania both employment and unemployment shifted up. In Portugal employment went down and unemployment up.

In period 2008 – 2013, many countries faced opposite kind of development as compared what had happened in period 2000 – 2008. So, in most member countries, expected years in employment decreased while expected years in unemployment increased. Especially this seems to be the case with countries like Greece, Spain, Portugal and Ireland, and the big winners of the previous period, like the Baltic countries. A group, consisting of six countries, including Finland, UK and Sweden, faced increase in both employment and unemployment years. And a group, consisting only of Germany, faced the development expected in the EU2020 strategy, i.e. increase in employment and decrease in unemployment.

Is this on true picture of development? By using LFS data from 2013, expected years in employment are 34.3., which is 2.4 years more than reported by Honkanen (2015). Respectively, expected years in unemployment are 2 years, which is 2.2 years less than reported by Honkanen (ibid). It follows that expected years in labour force (including employment and unemployment) are here almost the same as reported by Honkanen. In other words, differences arise from different measurements of unemployment only. Personally, I think that register-based measurement, utilised by Honkanen, presents a truer picture of expected unemployment than LFS does, since it covers all unemployed. But, as already mentioned, such register data is not yet available for international comparisons.

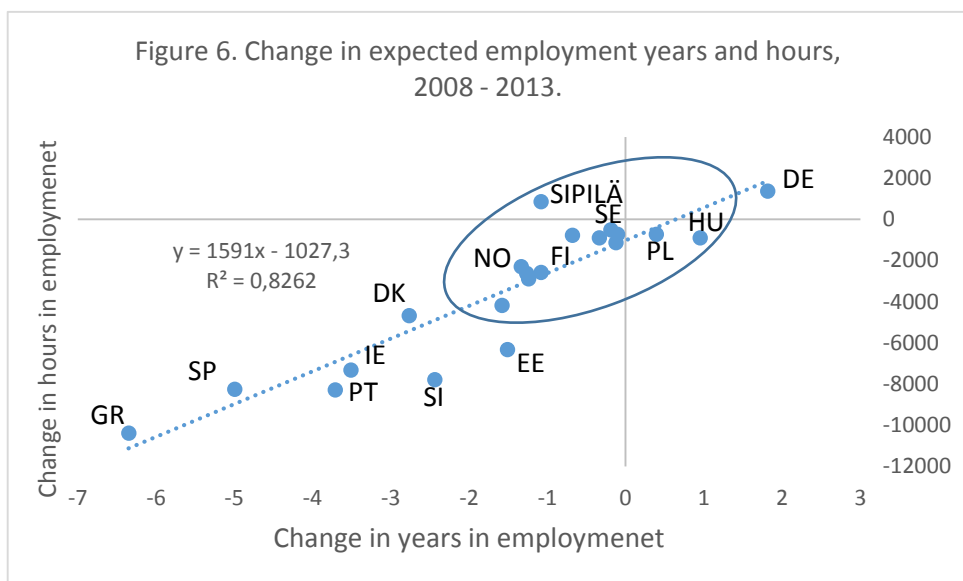
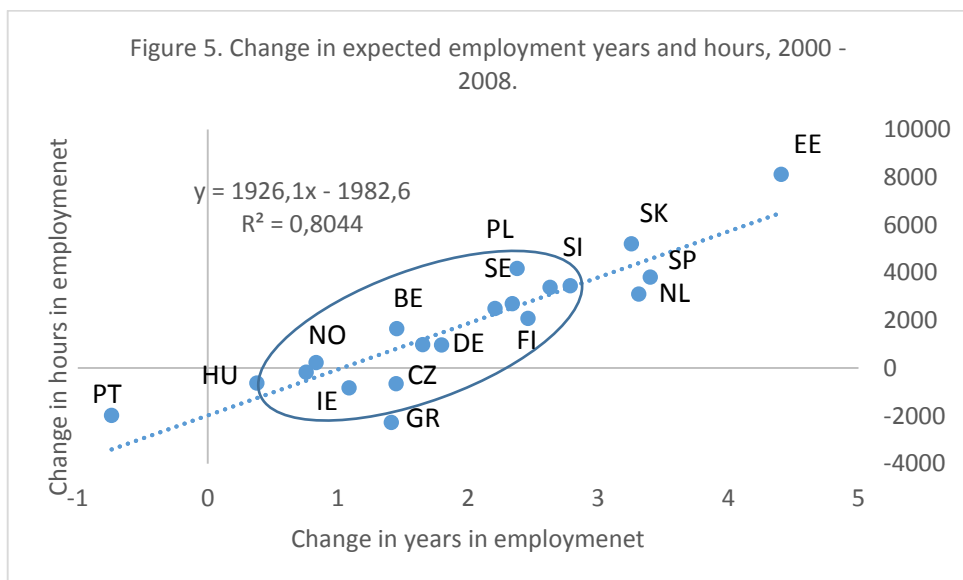
4. Expected life cycle working hours

In the introduction, I referred to Prime Minister Juha Sipilä and banker Björn Wahlroos, who, in two different ways, have criticised Finland for too few working hours, Sipilä on annual bases and Wahlroos on life cycle bases. Now, multiplying actual annual working hours, as given OECD, by expected years in employment, we get expected life cycle working hours, a measurement through which it is possible to assess the arguments of Mr. Sipilä and Mr. Wahlroos. So, would Finland's position look different, if we had introduced 100 more annual working hours already in 2009? And do we Finns actually do one of the shortest life cycle working time?

Results regarding expected life cycle working hours are depicted in Appendix 2, with highest working hours in 2013 at the top. The top 5 consists of Estonia, Sweden, United Kingdom, Czech Republic and Finland. In

the bottom end you can find countries like Spain, Italy, Slovenia, Greece and France. Germany is 14th, Denmark 12th and Norway, which according to Mr. Wahlroos does the shortest life cycle working hours, is 9th. So, the argument of Mr. Wahlroos, who never gave a source to his argument, proves to be very inaccurate. From Figures 5 and 6 you can see how changes in expected years in employment are related to changes in expected life cycle working hours in EU19 and Norway.

In period 2000 – 2008, in Figure 5, one more year in employment forecasted 1929 more in life cycle working hours. Thus, Estonia's 4.5 more years in employment forecasted around 8000 more working hours over the life cycle. Results, close to those in Estonia, were reached in Slovakia and Spain too. But for Holland, where the society is based on lots of part time work, 3.3 more years in employment brought only about 3100 more working hours over the life cycle. Only for Greece and Portugal this period forecasted substantial cuts in life time working hours. For Greece even with more working years.



In period 2008 – 2013, in Figure 6, expected years in employment decreased, and quite evenly, in all other member countries but Germany. In this period, one more years in employment forecasted 1591 increase in life cycle working hours. Besides those countries with severe economic situation, expected life cycle working hours decreased much in Slovenia, Estonia and Denmark. Also in many old member countries expected life cycle working hours decreased by 1000 -3000 hours. For Finland the decrease was 2600 hours.

But, in the case annual working hours had been increased by 100 hours from 2009, as suggested by Finland's Prime Minister Juha Sipilä in spring 2015, expected life cycle working hours had increased by 849 hours, and Finland's position in Figure 6 had been closer to Germany, when it comes to change in lifetime working hours, but without corresponding change in expected years in employment. By doing so, Finland had ended to a class of its own: the only country with more lifetime working hours and less working years. Thinking this as a possibility now, in 2015, one has to ask, what kind of an agreement would have produced this exceptional outcome? Where would the demand for extra working hours come from?

When thinking about these questions, and many other questions, one has to clarify the reasons behind Germany's development pattern. In the literature it is often referred to Germany's success with working time accounts (WTA), as a means for balanced development over the deepest years of recession and better seasonal adjustment without substantial increase in temporary labour. The latest evidence, however, suggests that temporary labour and WTAs are more like complements, not substitutes as often assumed (Balleer et al., 2015).

5. Conclusions

In the 2000s, the basis for EU's economic and employment policies have changed. The biggest change took place since 2008, when weak but positive growth period ended to a finance-driven depression and following economic recession close to zero or, in some countries, even negative growth expectations.

Until 2008, expected years in labour force and employment increased, and expected years in unemployment decreased. It was development in line with EU2020-strategy, and many other official kind of statements. However, from 2008 onwards development took another route. By 2013 expected years in employment had decreased by one year, and expected years in unemployment, as measured by EU Labour Force Survey, had increased by 1.5 years. This was no more development in line with EU2020-strategy.

This article is not an answer to the question, where does this change arise from. But surely it must be connected to the change in general economic situation and the policies adopted at the EU-level, i.e. austerity policies. When assessing this assumption, it is good to remember that demand for labour is

conducted from demand for goods and services. If demand for goods and services is restrained by substantial and long lasting budget cuts, including cuts from education and active labour market policies, unemployment is about to rise and expected years in employment are about to fall. Otherwise it is very difficult to explain, why expected years in employment have decreased in almost all EU member countries and in almost all age groups.

Since 2008 it is difficult to show obvious winners, but losers are many. A lot, as compared to situation in 2008, is lost in those new member countries, like Baltic countries, Poland and Croatia, who had won most in period 2000 – 2008. But most have lost countries like Greece, Spain, Cyprus and Portugal, i.e. countries under severe austerity policies. Actually, the list of losers is long, and includes also countries from Eastern Europe and Mediterranean as well as Nordic countries like Denmark. Finland, according this study, has prevailed in the core group of old member countries, which have lost in expected years of employment too. And probably, in the case of Finland, expected years in employment had decreased even if actual annual working hours were increased by 100 hours in 2009. Without increase in demand for labour such arrangements would probably just compress working hours to a smaller set of employees.

An answer to question, will these expectations come real, depends on the level of demand for labour and many other, often state-specific factors, not discussed in this article. But all we know about hysteresis - an observation according which it is almost impossible to push increased unemployment back to its original level – gives reason to believe that during the next decades, years in employment will be less than we have expected them to be. This fear is the greater the more structural, i.e. long lasting, unemployment becomes before some correction programme becomes politically possible at the EU level.

So far I have not noticed any signs of such a correction programme. On the contrary, as can be seen from the Eurostat's statistics, in EU28 long-term unemployment has doubled from 2.6 percent to 5.1 percent since 2008. In some Mediterranean countries the figures are much higher, and the change much faster. Looking at those figures one may ask, how can those countries ever get rid of their sovereign debt crisis, as years in employment are getting so few and years in unemployment so many. In such circumstances, I think, it is very difficult to decrease the existing differences in working years and working hours without changing the course of the commission chosen economic policy.

Litterature

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Appendix 1.

Expected life cycle unemployment rates in EU28, 15 – 64 -age old labour force.										
Ranking	Country	Years in employment			Years in unemployment			Life cycle unemployment rate*, %		
		2000	2008	2013	2000	2008	2013	2000	2008	2013
1	Luxembourg	29.1	29.6	30.9	0.1	1.2	1.8	0.3	4	5.5
2	Germany	32.2	34	35.8	2.1	2.5	2.1	6.1	6.9	5.5
3	Austria	32.4	34.1	34.6	1.2	1.6	2.1	3.4	4.4	5.7
4	Czech rep.	31.2	32.7	32.6	2.4	1	2.2	7.1	3	6.2
5	Holland	34.9	38.2	36.9	0.6	1.2	2.9	1.6	3	7.3
6	Malta	26.6	27.8	30.2	2.2	1.5	2.4	7.8	5.1	7.5
7	Belgium	28.8	30.2	30.1	1.4	1.9	2.5	4.7	5.8	7.5
8	Denmark	37.1	38.8	36	1.2	1.2	3	3.1	3.1	7.7
9	Lithuania	29.5	32	31.5	4.1	0	2.6	12.2	0	7.7
10	Finland	32.9	35.3	34.3	3.5	2	2.9	9.7	5.3	7.9
11	Hungary	26.9	27.3	28.2	0.6	1.4	2.6	2.3	5	8.4
12	Poland	26.6	28.9	29.3	4.5	1.7	2.9	14.6	5.4	8.9
13	Estonia	30.3	34.7	33.2	3.1	1.1	3.3	9.2	3	9
14	France	29.3	31.7	31.6	2.6	2	3.1	8.1	6.1	9.1
15	Latvia	28.7	34	31.5	3	1.7	3.3	9.5	4.8	9.5
16	United Kingdom	34.6	35.4	34.7	2.3	2.5	3.7	6.2	6.7	9.6
17	Sweden	34.7	37.3	37	2.1	2.7	4	5.8	6.8	9.7
18	Slovenia	29.9	32.7	30.2	1.9	1.3	3.5	6	3.9	10.3
19	Romania	32.2	28.8	29.1	3.8	2.7	3.5	10.7	8.4	10.7
20	Bulgaria	25	31.6	28.6	4	0.9	3.4	13.7	2.7	10.7
21	Slovakia	27	30.3	29	5.1	2	4	15.9	6.3	12.1
22	Italy	25.5	27.7	26.1	3	2.3	4.2	10.6	7.8	13.9
23	Ireland	31.7	32.8	29.3	1.5	2.8	5.3	4.4	7.8	15.3
24	Croatia	25.9	29.1	25.7	4.6	2.6	5.4	15.1	8.1	17.4
25	Cyprus	31.9	34.1	29.8	2.2	2.3	6.5	6.5	6.3	17.9
26	Portugal	33.5	32.8	29.1	2.2	4.3	7.5	6.1	11.6	20.5
27	Spain	27.1	30.5	25.5	3.7	3.7	9.3	12.1	10.9	26.8
28	Greece	27.9	29.4	23	3.7	2.5	9.1	11.6	7.7	28.3

* Unemployment rate = 100*(years in employment(/ (years in employment and unemployment)

Appendix 2.

Expected life cycle working hours in 2000, 2008 ja 2013										
Ranking	Country	Expected life cycle working hours			Index, Estonia = 100			Index, 2000 = 100		
		2000	2008	2013	2000	2008	2013	2000	2008	2013
1	Estonia	60276	68403	62074	100	100	100	100	113	103
2	Sweden	56904	60290	59379	94	88	96	100	106	104
3	United Kingdom	58854	58687	57906	98	86	93	100	100	98
4	Czech rep.	59462	58815	57679	99	86	93	100	99	97
5	Finland	57564	59645	57069	96	87	92	100	104	99
6	Poland	52811	56983	56255	88	83	91	100	108	107
7	Irland	61334	60511	53189	102	88	86	100	99	87
8	Hungary	54647	54019	53110	91	79	86	100	99	97
9	Norway	55094	55334	52701	91	81	85	100	100	96
10	Slovakia	49032	54247	51357	81	79	83	100	111	105
11	Holland	50117	53223	50922	83	78	82	100	106	102
12	Denmark	54500	55487	50810	90	81	82	100	102	93
13	Portugal	60061	58080	49794	100	85	80	100	97	83
14	Germany	47359	48334	49697	79	71	80	100	102	105
15	Belgium	46035	47688	47179	76	70	76	100	104	102
16	France	45006	47712	46985	75	70	76	100	106	104
17	Greece	59512	57233	46851	99	84	75	100	96	79
18	Slovenia	51120	54576	46781	85	80	75	100	107	92
19	Italy	47400	49898	45718	79	73	74	100	105	96
20	Spain	46884	50697	42441	78	74	68	100	108	91
	SIPILÄ*	57564	59645	60494	96	87	97	100	104	105

*Expected working hours, if the idea of 100 more working hours, as suggested by prime minister Sipilä in spring 2015, had been introduced in 2009.