

The economic crisis and job quality in Europe: some worrying trends and worse may be to come

by Janine Leschke and Andrew Watt

The economic crisis has had a dramatic and lasting impact on labour markets worldwide. The recent ILO Global Employment Trends¹ report spelled out the damage wrought in terms of the declines in employment and consequent rise in unemployment: globally the employment-to-population ratio fell by one percentage point and unemployment rose by 27 million persons.

But what have been the impacts on the *quality* of work? We can shed some light on this for the 27 member countries of the European Union using a Job Quality Index (JQI) developed at the European Trade Union Institute. We first calculated the JQI based on 2005 data; see here² for the findings. We have now repeated the analysis based on 2010 data; by comparing the two sets of results we can see how job quality has changed on various dimensions over the five-year period and draw some conclusions about the impact of the crisis. The full results will be available shortly as an ETUI Working Paper; here we provide Global Labour Column readers with a brief analysis of the key findings³.

Measuring job quality: key features of the ETUI's JQI

Whether one perceives one's job as being of high or low quality depends, obviously, on a mix of both subjective and objective factors. And the mix is complex: how can, for instance, a clean and safe working environment be weighed against, say, autonomy at work or the fact that one is working the 'right' number of hours? The interested reader will find here⁴ a detailed description of the methodology underlying the JQI, our attempt to systematise the numerous factors impacting on job quality. For the purposes of this column the following basic features need to be borne in mind.

The JQI divides job quality into six dimensions. They are:

1. the level and distribution of wages;
2. the (inverse of the) incidence of involuntary non-standard (that is fixed-term and part-time) work;
3. working-time and work-life balance issues;
4. physical working conditions, work intensity and autonomy;

5. the opportunity to acquire skills and develop one's career; and
6. workers' ability to represent their interests at work collectively.

Each of these areas is measured using a number of statistical indicators. As far as possible these are objective in nature. Numerous calculations were carried out to provide a score between 0 and 1 for each country on each of the six sub-indices. These are then averaged to produce the overall JQI. We can differentiate between men and women for all areas except collective interest representation.

The approach has some limitations. Note especially that we cannot say anything about the distribution of bad and good jobs *within* countries; for that purpose country-specific indicators such as the Austrian Arbeitsklimaindex⁵, the Flemish Workability Monitor⁶ or the German Gute Arbeit Index⁷ are more powerful. In some areas data availability imposes constraints and makes value judgments inevitable. Still, the JQI does give us information on the way that job quality and some of its most important dimensions have changed in EU countries over a period in which labour markets have been shaken to their foundation by the crisis.

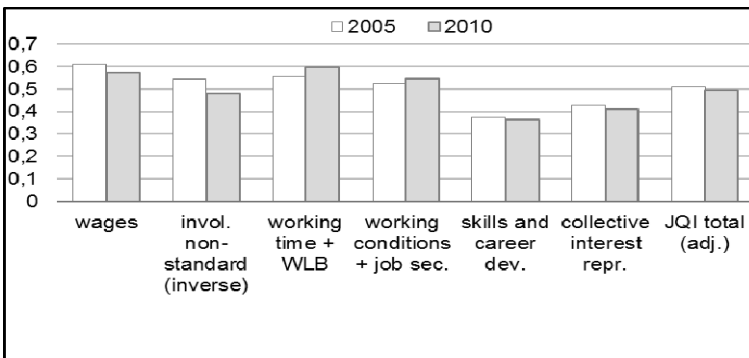
In particular we can test two opposing ideas. One is that as unemployment rises and workers' bargaining power falls, employers can impose bad working conditions on workers who have little option but to accept. This results in worsening job quality and this is known as the bargaining-power hypothesis. The other idea is that the crisis leads to the disproportionate shedding of low productivity 'bad jobs'; this so-called 'composition effect' would lead to a rise in average job quality.

The findings prove to be quite complex across different countries and job-quality dimensions. But at the risk of over-simplification – exceptions, caveats and a wealth of more specific information will be available in the forthcoming working paper – three key findings can be presented.

Finding one: the crisis seems to have affected different dimensions of job quality in different ways

Figure 1 below shows the results for the EU27 as a whole on the six job quality dimensions and for the overall JQI. Overall we see a decline in measured job quality, even if it is rather small. More interestingly – also in view of the fact that a different outcome would emerge if we weighted the six components differently – we see quite substantial changes in four of the six components. But they go in different directions. The wages component declines appreciably, indicating that the purchasing power of wages for the average worker has fallen in aggregate and/or its distribution has grown more unequal. Even stronger is the increase in the use of part-time and fixed-term contracts and/or in the extent to which workers reported that they were working in such jobs involuntarily. Moreover, the extent of workers who are afraid to lose their job has increased markedly. These are clear signs of the bargaining-power effect.

Figure 1: EU27 Job Quality Index results



On the other hand job quality has risen to the extent that excessive hours have been reduced and various measures of work intensity have improved. Also work autonomy seems to have improved. It seems likely that this is because jobs with few autonomy (e.g. in construction) have been disproportionately shed (composition effect).

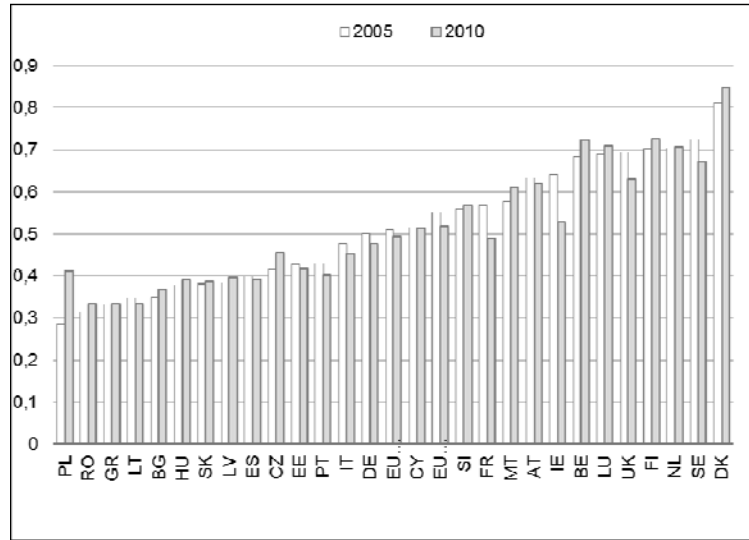
The other two dimensions (skills development and collective interest representation) saw declines but of a rather small magnitude.

Finding two: job quality levels in Europe remain highly diverse

Figure 2 shows the overall JQI scores for the 27 EU member states in 2005 and 2010. The very substantial range across countries (from around 0.3 to 0.8 on our zero to one scale) has not changed in any major way, despite the fact that the worst performer in 2005, Poland, has seen the largest improvement. Apart from Poland, a rather mixed group of

countries (headed by the Czech Republic, Belgium and Denmark) saw some rather minor improvements in measured overall job quality. The worst deteriorations were found in Ireland, France, the UK and Sweden.

Figure 2: Overall JQI scores per country



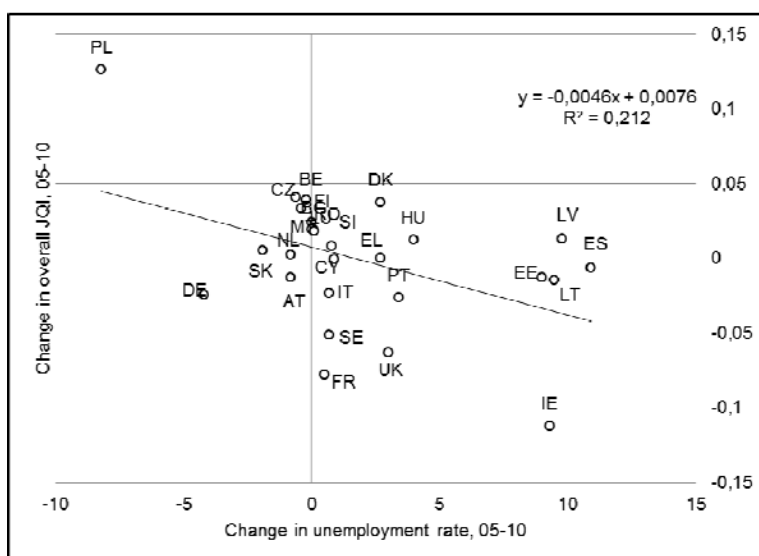
NB: EU...=EU27 and EU15 respectively

These changes have not led to a major shift in the position of country groups (such as the Nordic, Anglo-Saxon or ‘southern’ groups) in the distribution.

Finding three: there is a link between the severity of the crisis and overall job quality developments, but it is not particularly strong

Figure 3 plots the change in the unemployment rate between 2005 and 2010 with the change in the overall JQI over the same period. It must be noted that this also covers the pre-crisis period which in some countries was one of economic boom. The two extreme cases, Poland and Ireland, illustrate the fact that, respectively, an improving labour market situation in quantitative terms (i.e. falling unemployment) is associated with an improvement also in qualitative terms (higher JQI score), and vice versa. And there is a positive relationship across the whole distribution, although it is not particularly strong. (Germany and Denmark, for instance, are at odds with this pattern.) This is broadly in accordance with a bargaining-power explanation of job quality, but also technological and sectoral-change issues may well play a role too.

Figure 3: Change in unemployment rate versus change in overall JQI



It is worth mentioning that this speaks against the widely held view in some quarters that the way to get 'more' jobs is to have more 'bad jobs'.

It is with respect to the incidence of involuntary part-time and fixed-term work, that the crisis link is most clear-cut. The countries with the most serious deterioration include the UK and Ireland, the four crisis-hit southern EU countries and also Latvia and Hungary. On the other hand countries that showed a fall in the incidence of such forms of work included Poland, Belgium and Germany, where overall labour market trends were more favourable.

Some conclusions

The findings from our comparison of the JQI scores in 2005 and 2010 for the EU countries paint quite a complex picture. But it is clear that Europe's workers have been negatively affected not only by *quantitative* forms of labour market deterioration (lower employment, higher unemployment): on the whole they have also suffered a decline in the overall *quality* of their employment, at least as measured by our JQI and giving an equal weight to the six dimensions. If there are 'composition' effects – the destruction of low quality jobs – they are not sufficient to offset the loss of bargaining power that forces workers to accept lower quality jobs when there are fewer jobs to go around. (There are other, also longer-term trends at work.)

Even so, some elements of job quality have improved; workers have at least benefited from reduced work intensity in the crisis, and a lower incidence of excessive and unsocial working hours – to some extent at the expense of lower wages, though.

The data we analysed ended in 2010. It is likely that many of the effects of the crisis on job quality will take time to filter through. This could happen more insidiously as the economic crisis in Europe is far from over. This raises concerns about trends since 2010 and in the future. Alongside the more immediate and visible impact on the quantity of jobs, further studies – including more detailed qualitative studies that delve deeper than we can with the ETUI's aggregate approach – will need to monitor job quality, in its various dimensions, very closely in the coming years.

- 1 http://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/@publ/documents/publication/wcms_171571.pdf
- 2 <http://www.etui.org/Publications2/Working-Papers/Job-quality-in-Europe>
- 3 <http://www.etui.org/Publications2/Working-Papers/Putting-a-number-on-job-quality>
- 4 More information on Job Quality can be found on this page, where the forthcoming working paper will also be posted: <http://www.etui.org/Topics/Labour-market-employment-social-policy/Job-quality-index-JQI/>
- 5 <http://www.arbeiterkammer.com/gesundheit/work-climate.htm>
- 6 http://www.eurofound.europa.eu/ewco/surveyreports/BE060601SD/BE060601SD_2.htm
- 7 <http://www.dgb-index-gute-arbeit.de/>

At the time of writing this column Andrew Watt was a senior researcher at the European Trade Union Institute, focusing on European macroeconomic and employment-related policies, and recently especially on the crisis in the euro area. He is now the Head of Department at the Hans-Böckler Foundation, responsible for the Macroeconomic Policy Institute (IMK).

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