

# International Labour Review

## SPECIAL ISSUE EUROPEAN LABOUR MARKETS IN ECONOMIC CRISIS

### Contents

- 167 **Introduction: European labour markets in economic crisis**  
Raymond TORRES
- Since the onset of the 2008 financial crisis, a further 8 million Europeans have become unemployed. And prolonged recession entails other risks examined here, in terms of labour market exclusion, the economic costs of long-term unemployment, and the extent to which enterprises' job-creating investment potential may become severely constrained. Against this background, the author critically reviews the European policy response with particular attention to the shift to fiscal consolidation since mid-2010 and its long-term implications for Europe's economies, labour markets and societies. Introducing the studies featured in this Special Issue, he draws on their empirical findings to discuss policy options for a reversal of current trends.
- KEYWORDS: UNEMPLOYMENT, EMPLOYMENT, ECONOMIC RECESSION, ECONOMIC IMPLICATION, SOCIAL IMPLICATION, ECONOMIC RECOVERY, TREND, EUROPE.
- 175 **The impact of the economic crisis on EU labour markets:  
A comparative perspective**  
Pasquale TRIDICO
- Using a "crisis management index" to rank the combined GDP and labour market performances of the EU's 27 Member States, the author considers why some countries performed better than others in managing the economic crisis over the period 2007–11. Based on empirical correlations and regression analysis, he concludes that the best performers share a coordinated market economy model: they feature a mix of economic policies and social institutions – including coordination mechanisms and tighter financial regulation – which helped to stabilize their levels of consumption and aggregate demand. Moreover, they do not have flexible labour markets and thus managed to maintain stable employment levels.
- KEYWORDS: EMPLOYMENT, UNEMPLOYMENT, GROSS DOMESTIC PRODUCT, ECONOMIC IMPLICATION, ECONOMIC RECOVERY, ECONOMIC RECESSION, TREND, EU COUNTRIES.

- 191 [How do the Eurozone's Beveridge and Phillips curves perform in the face of global economic crisis?](#)  
Friedrich L. SELL and David C. REINISCH
- In the light of criticism of the failure of “mainstream” economics to predict and avert the global financial and economic crisis, the authors use panel data on 11 Eurozone countries for the period 2007–10 to investigate how two of the “traditional” tools of labour economics and macroeconomics – the Beveridge and Phillips curves – perform empirically under the “stress test” of global economic crisis. After confirming the reliability of these textbook relationships between unemployment and vacancy ratios, and unemployment and inflation, respectively, they explore the correlation between inflation and vacancies. Their findings on all three relationships highlight the complementarity of supply-side and demand-side policies to reduce unemployment.
- KEYWORDS: UNEMPLOYMENT, LABOUR SUPPLY, INFLATION, PHILLIPS CURVE, ECONOMIC RECESSION, EU COUNTRIES.
- 205 [Productivity, deunionization and trade: Wage effects and labour share implications](#)  
Dario JUDZIK and Hector SALA
- Taking the standard macroeconomic assumption of a one-to-one relationship between wages and productivity as given, empirical studies have extensively focused on the wage and employment effects of “unfriendly” labour market institutions. Here, by contrast, the authors examine the long-term wage effects of productivity growth, deunionization and international trade – from 1980 to 2010, in Finland, France, Italy, Japan, Spain, Sweden, the United Kingdom and the United States. After controlling for productivity, they document an underlying downward trend in wages associated with declining union density and growing exposure to international trade. Their analysis also provides useful insights into the attendant erosion of the labour income share.
- KEYWORDS: WAGES, WAGE DIFFERENTIAL, WAGE DETERMINATION, LABOUR PRODUCTIVITY, TRADE UNIONIZATION, TRADE, TREND, FINLAND, FRANCE, ITALY, JAPAN, SPAIN, SWEDEN, UK, USA.
- 237 [Are corporatist labour markets different? Labour market regimes and unemployment in OECD countries](#)  
Simon STURN
- Empirical studies on the unemployment effects of labour market institutions show contradictory results. One explanation is that these institutions affect unemployment differently depending on the regime in which they operate. Because of good labour relations, institutional complementarities and a trade-off between external and internal flexibility, they produce distinctive effects in corporatist regimes. Based on empirical evidence from 20 OECD countries over the period 1985–2008, the author finds that, in corporatist labour markets, strict employment protection legislation reduces unemployment, and unemployment benefits have no negative effect. He also shows that high real interest rates, low capital accumulation and restrictive fiscal policy during recessions increase unemployment.
- KEYWORDS: UNEMPLOYMENT, LABOUR FLEXIBILITY, LABOUR MARKET, INSTITUTION BUILDING, OECD COUNTRIES.
- 255 [The meta-regulation of European industrial relations: Power shifts, institutional dynamics and the emergence of regulatory competition](#)  
Theodoros PAPAPOULOS and Antonios ROUMPAKIS
- “Meta-regulation” describes the transnational governance of industrial relations emerging from attempts to resolve conflicts between national collective agreements and EU Member States’ freedom to provide services and post workers abroad. The norm underpinning such meta-regulation is competition, not only between workers from different EU Member States but also between States’ labour regulations. Using the concepts of “structural power” and “social field”, the authors discuss judicial decisions that illustrate the gradual meta-regulation of industrial relations in the EU and show how the power asymmetry between labour and capital is growing in favour of the latter.
- KEYWORDS: LABOUR RELATIONS, COLLECTIVE BARGAINING, FREEDOM OF MOVEMENT, LABOUR FLEXIBILITY, GOVERNANCE, LABOUR DISPUTE SETTLEMENT, LABOUR LEGISLATION, COMMUNITY LAW, COMMENT, EU COUNTRIES.

275 [The temporary and permanent effects of unemployment on mortality in Europe](#)

Keith A. BENDER, Athina ECONOMOU and Ioannis THEODOSSIOU

Recent research on the relationship between unemployment and mortality is inconsistent. The statistical methodology used in this study decomposes the effect of unemployment on mortality into temporary and permanent effects and estimates the unemployment–mortality relationship, using aggregate data from 11 European countries for the period 1971–2001. Decomposing the effect of unemployment in this way shows that while the temporary effect of an increase in unemployment is to lower mortality, the permanent effect is to increase it. Importantly, the permanent effect is generally much stronger than the temporary effect. These results hold true for nearly all mortality indicators studied.

KEYWORDS: MORTALITY, UNEMPLOYMENT, DATA COLLECTING, METHODOLOGY, AUSTRIA, DENMARK, FINLAND, FRANCE, GREECE, IRELAND, ITALY, NETHERLANDS, PORTUGAL, SWEDEN, UK.

287 [Short-time work: The German answer to the Great Recession](#)

Karl BRENKE, Ulf RINNE and Klaus F. ZIMMERMANN

At the height of the economic crisis in mid-2009, the number of Germany's short-time workers peaked at 1.5 million. Unemployment would otherwise have increased by approximately twice as much as it did. But while short-time work certainly helped to cushion the labour market impact of the crisis in Germany, the authors caution that the country's specific circumstances preclude simple generalizations regarding its global effectiveness. Moreover, they argue, subsequent amendments to the regulatory framework made the scheme vulnerable to abuse, as reflected in the significant numbers of short-term workers in industries unaffected by the crisis and the emergence of a pattern of "long-term" short-time work.

KEYWORDS: SHORT TIME WORKING, EMPLOYMENT POLICY, ECONOMIC RECESSION, ECONOMIC RECOVERY, TREND, GERMANY.

307 [Employment and wages in Germany since the 2004 deregulation of the temporary agency industry](#)

Marcel GARZ

There has been a surge in temporary agency work in Germany since the 2004 deregulation of the temporary agency industry. Using empirical data, the author examines how this reform affected employment and wages. Controlling for compositional and macroeconomic effects, the results suggest that there was no change in overall employment, since temporary agency work replaced regular jobs. The wage gap between regular employees and temps widened after the reform, showing that firms use agency work to reduce labour costs. However, the main reason for the wage gap was the higher incidence of low-wage determinants among temps compared to regular employees.

KEYWORDS: TEMPORARY EMPLOYMENT, WAGES, WAGE DIFFERENTIAL, TEMPORARY WORK AGENCY, GERMANY.

327 [Active labour market policies in Spain: A macroeconomic evaluation](#)

José María ARRANZ, Carlos GARCÍA SERRANO and Virginia HERNANZ

Using aggregate panel data on Spain's 17 regions for the period 1987–2010, the authors present a macroeconomic assessment of a variety of active labour market policies, including employment subsidies for permanent contracts, job-creation schemes and vocational training programmes. Their results suggest that employment subsidies for permanent contracts had no notable effect on aggregate levels of permanent or temporary employment. However, they do appear to have had a small positive effect on transitions from unemployment to employment, and from temporary to permanent employment, particularly since the 1997 labour reform. Better targeted subsidies, the authors conclude, would have incurred fewer deadweight and substitution effects.

KEYWORDS: LABOUR POLICY, EMPLOYMENT POLICY, EVALUATION, TREND, SPAIN.

Book reviews

349 [Towards a social investment welfare state? Ideas, policies and challenges, edited by Nathalie MOREL, Bruno PALIER and Joakim PALME](#)

Reviewed by Hedva SARFATI

ISSN 0020-7780  
www.ilo.org/revue

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