EUROPEAN LABOR MARKET EVOLUTION. PAST, PRESENT, FUTURE CHALLENGES

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Abstract: This paper aims to create a general image of the European Labor Market from the end of WWII to present day, as well as to identify some major trends in Labor Market evolution in the following years. The focus is set on the direct link between labor market and economic development, and the evolution from the consumption society to the knowledge society today, and the global society of tomorrow, and the influences on the structure of labor, from very skilled employees in industry to service professionals and the increased need of IT&C personal in the future.

Keywords: labor market, economic development, knowledge economy, global society.

1. INTRODUCTION

At the end of World War II, Europe had the difficult task to find a way reconstruct the economy that was ruined in the last 6 years of war. Some countries, that were neutral during the war, like Spain, Switzerland, Sweden and Ireland, found themselves with the economy in a better situation.

On the other hand, countries that were involved in war had to outcome difficult – and very different – situations. Germany was almost entirely a ruin, with no industry, services or agriculture and thus in the situation to be totally dependent on external aid. Britain's industries, mainly dedicated to supporting the war effort, and in shortage of materials due to losing former colonies, had the difficult task to try to turn from direction to the commercial direction, this meaning huge investments, employees shortage and, why not, an important lack of experience in dealing with the offer and demand concepts.

The rest of the countries in Europe – even if in a slightly better situation than Germany – had to overcome another kind of difficulties. While their industry worked almost only for the German war machine, this meant that products, services, money, all went to Germany, thus creating shortages and austerity for the population.

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But what was for sure everywhere in Europe was that with the end of the war came the need and expectation for normality and a better life. Still, it soon became generally accepted that the only way to do this was with the help of America. This later translated in the Marshall Plan, a law passed by President Truman in April 1948 under the formal name of the "European Recovery Program". The aim of the Marshall Plan was a general aid program for all the countries in Europe, Ally or Axis member, a plan to support a long term development of Europe. Unfortunately for the countries found in the Soviet influence sphere, the Marshall Plan was not accepted by the USSR and they did not benefit of the Plan's huge advantages.

2. FROM THE EEC TO EU

At the end of World War II, "three realities evinced the necessity of the new orientation towards the European integration:

First, the Europeans' awareness of their own weakness. World War II had put a definitive end to the traditional European hegemony in the world. The two new superpowers, the United States and the Soviet Union, had a superior economic, political and military might than the heterogeneous group of European States.

Second, the conviction that it was necessary to avoid, by all possible means, coming back to a confrontation among European States. The two world wars had begun as European civil wars and the European continent had been the main battle field in both. Essentially, it all came to finding a common path for France and Germany, the European integration will pave the way to guarantee peace.

Third, the extended desire among many Europeans to create a freer, fairer and more prosperous continent in which the international relationships were developed in a framework of concord"[1].

The first step was made in 1950, when 6 countries – France, Germany, Belgium, the Netherlands, Italy and Luxembourg – formed the European Coal and Steel Community. Later, in 1957, the "Common Market", or the EEC – European Economic Community, was created with the signing of what is known as the Treaty of Rome. It came into effect on the 1st of January 1958.

During the 1960s, this very first step proved to be a very good one, as the following years were dominated by economic growth, due to the fact that the countries in the EEC removed custom duties in their trade with each-other. This development was easily noticed by other European countries, and in 1973 the first enlargement took place, as the United Kingdom, Ireland and Denmark join the community and the number of member grow to nine. This first enlargement was only the first one on the road of forming the EU, as in the decades to follow more and more countries joined the community – Figure 1.

[1] For more detalies, see www.historiasiglo20.org, accessed at: May 23, 2016.

With this came a major change in the policies of western countries, as they decide to invest large amounts of money in infrastructure, the creation of new jobs and reducing poverty, along with a stronger policy against pollution which led to the notion of "the polluter pays". In 1975 the members of the community decided on the use of a single "monetary unit" within the community, and this lead to the appearance of EUA – European Unit of Account. The EUA was in use till 1979, when it was replace by the ECU – European Currency Unit, which became the unit of account of the European Community. Another major change is that, from 1979, people in Europe can now directly elect the member of the European Parliament.

In 1981 Greece joins the EU, followed in 1986 by Spain and Portugal. The same year, the Single European Act – the beginning of a 6 year programme with the goal to create the European Single Market – is signed. A major event takes place in 1989, when the Berlin Wall falls, and later in 1990 Germany is reunified. Today, the fall of the Berlin Wall is seen as the start point for the fall of communism in central and Eastern Europe.

During the 1990s, the European Single Market is finally coming to an end, as the members of the EU decide on the freedom of movement of people, money, goods and services. Two important treaties are to be mentioned, the "Maastricht" Treaty on European Union in 1993 and the Treaty of Amsterdam in 1999.

In 1995, EU becomes even larger, as Sweden, Austria and Finland join the community. What is more important is the creation of the Schengen (free movement space), named after a small village in Luxembourg. Free movement of goods, services, people and money led to an increase in people mobility for work and education and provided the basis for the development of new technologies, with an increase of communication services and a huge increase of people using the internet and mobile phones. This was also facilitated by the fact that the EU countries took another step forward and introduced, since 1999, the EURO, the single currency for the EU. The Eurozone consists of 19 of the 28 member states of the European Union: Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain[2]. It is estimated that the currency used, on daily basis, by 337 million people, and that only within the borders of EU[3]. The rest of the 9 EU members are working and trying to meet the requirements to enter the Eurozone and adopt the EURO as their official currency.

On the other hand, several countries outside the EU, Andorra, Kosovo, Montenegro, Monaco, San Marino, and the Vatican City, are using EURO as their currencies[4].

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[2] Matt Rosenberg, *Euro Countries: 22 Countries use the Euro as their Official Currency,* in "About Education", December 2014, available at http://geography.about.com/od/lists/a/euro.htm.

[3] *The euro*, 2 November 2015, available at www.europa.eu.

[4] Matt Rosenberg, *op. cit.*, available at http://geography.about.com/od/lists/a/euro.htm

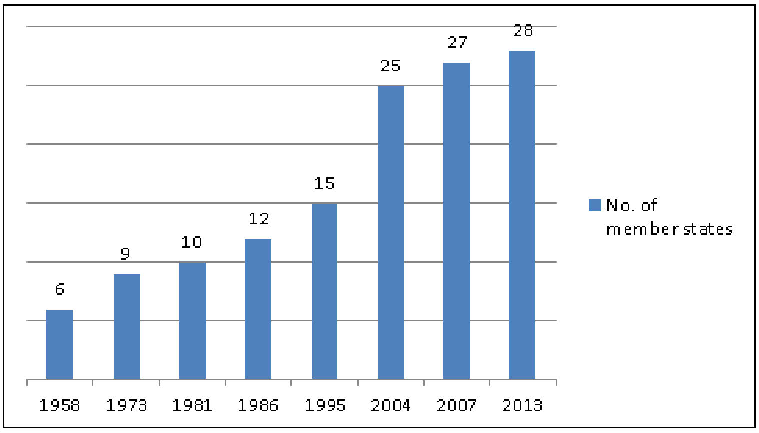

Figure 1. Evolution of the number of EU member countries from 1958 to present.
Source: Author's own compilation

After the year 2000, the EU faces a number of important changes. In 2001, a terrorist attack on the US will forever change the relations between countries, as the "war on terror" is launched. Political changes are seen everywhere, and in Europe this translates into a huge enlargement, with 10 countries joining the union in 2004 and another two – Romania and Bulgaria – in 2007. Also in 2007, the Treaty of Lisbon is signed by all EU countries (it will take effect in 2009), and it makes possible for EU to have modern institutions and more efficient working methods.

A year later, a major economic crisis will tremble the global economy (September 2008), and important consequences are still seen today. The EU was forced even to help some member countries to deal with their economic difficulties, thus leading to the creation of the "Banking Union", in order to ensure safer and more reliable banks.

The last enlargement takes place in 2013, when Croatia becomes the 28th member of the EU.

3. POPULATION EVOLUTION IN EUROPE

On the 1st of January 2015 the population of the EU-28 was estimated at 508.2 million, 1.3 million more people than the population in 2014.

Since the 1960s, there was a continuous increase of the population of the countries that currently form the EU-28, from around 400 million in 1960s to the current 508 million people, which is an increase of around 25% over the last 50 years (Figure 2). This increase can be directly linked to the economic development in the EU[5].

[5] See EUROSTAT, available at http://ec.europa.eu.

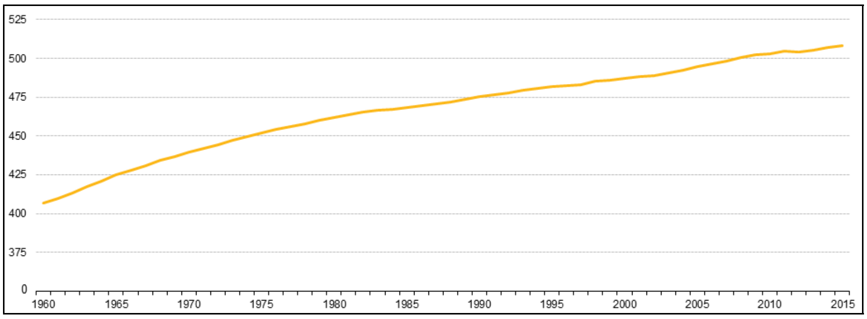

Figure 2. Population, EU – 28, 1960-2015 (at 1st of January 2015, million persons)
Source: Eurostat

At the very beginning, in the 1960s, the increase was more than 3 million people/year. It was a period of fast economic growth, important technological changes, medical discoveries, all leading to a feeling of security and accomplishment, and in the end to the need of having a family and children.

But if we analyze the data in the more recent years, 1994-2014, it can be seen that the actual increase in population is of about 1.3 million/year. Even if the technological development is at its highest, education, work, medical conditions improving on daily basis, we can still see that the economic crisis, the feeling of uncertainty, a massive cut in jobs all over Europe, all these created an unsecure environment for the family and thus the growth rate decreased. The number of live births fell, while the number of deaths increased.

The gap between live births and deaths in the EU-28 narrowed considerably from 1960 onwards. Since the number of deaths is expected to increase as the baby-boom generation continues to age, and assuming that the fertility rate remains at a relatively low level, negative natural change (more deaths than births) cannot be excluded in the future. In this case, the extent of population decline or growth will depend largely on the contribution made by migration, as is already the case in several EU Member States[6].

The decrease in population growth has a major impact on the population structure of Europe. Until the late 19th century, Europe had around 50% population aged below 20, while those over age 60 only constituted a small minority. But, in the last decades, low fertility and increasing life expectancy both reversed the age structure, leading to a shrinking number of younger people, to an aging and eventually shrinking work force, and to an increasing number and share of older people, leading to what is known “demographic aging”. As a result the mean age of Western and Central Europe’s population has risen from 31 years in 1950 to 38 years in 2005[7] (Figure 3).

[6] *Ibidem.*
[7] *Ibidem.*

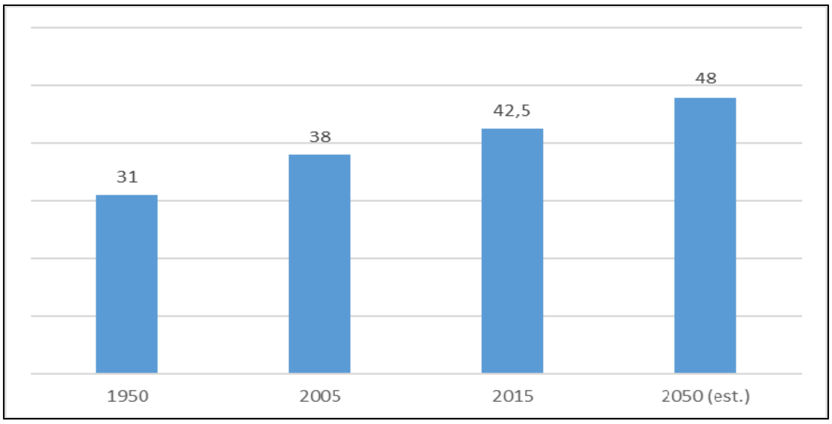

Figure 3. Evolution of mean age in Europe 1950-2050 (est.)

Source: Author's own compilation

Even more, for the period 2005-2050 (Figure 3), the mean age of the European Union's population (EU28) is projected to rise by 10 another years: from 38 to 48 years[8]. According to some sources[9], the mean age in the EU has already reached 42.5 years in 2015, which indicates an even faster growth rate than it was initially estimated.

4. GENERAL ASPECTS ABOUT THE LABOR MARKET IN EUROPE

For a lot of year, specialized literature focused on the labor factor, its evolution and possible previsions. But it must be admitted that labor is the most important element that brings added-value, thus having a major influence as a determinant factor. It is already a certainty that the offer and request ratio for "labor", as well as for its structure, is strongly influenced by labor quality and the results it provides.bv

At the same time, every factor is, at its turn, influenced by other factors, and this leads to a vicious cycle on the labor market, national or international level. We can mention here the GDP evolution in three major sectors – production, services and agriculture, money movement, crediting, productivity variation and ups and downs in specific area of the national and international economy. One external factor – still also as important as the others – is the demographic factor, increases or decreases of population of each country seen individually or as part of the EU

[8] Rainer Münz, *Europe: Population Change and its Consequences – An Overview*, available at http://www.berlin-institut.org, p. 5.

[9] *The World Factbook*, available at www.cia.gov.

and, even more, of the global economy.

Considering the EU, the population was divided in two major categories:

– active population – here are included all persons that already have a job, but also those who are looking for a job, as they are fit for work but unfortunately unemployed at the moment. The last category is actually the “offer” of labor, available at a certain moment on the market.
– inactive population – here are included all the other persons, children, retired, or with some kind of medical condition etc.

Following the analysis of the demographic data, three indicators were identified, on active population group, as follows:

– persons between 15 and 19 years of age – this category was identified as a need to outline the future professional development, with the particular elements they bring to the labor market, and from here the need to somehow predict the future structural changes on the labor market.
– persons between 19 and 64 years of age – persons that actually have a job or already are involved in an economic activity
– persons above the age of 64 – in this case, most of them are part of the “inactive population”, as retired people, but there are still some/many cases in which they continue to have a job or be involved in an economic activity, thus influencing the labor market structure.

EU employment rate on labor ranged in recent years between the limits of 64% and 66%. In 2008, when the financial crisis hit, it was at 65.7%. 2010 was its lowest, at 64.1%, then until 2013 it was around 64.2% and started to increase in 2014 at 64.9%[10] (Figure 4).

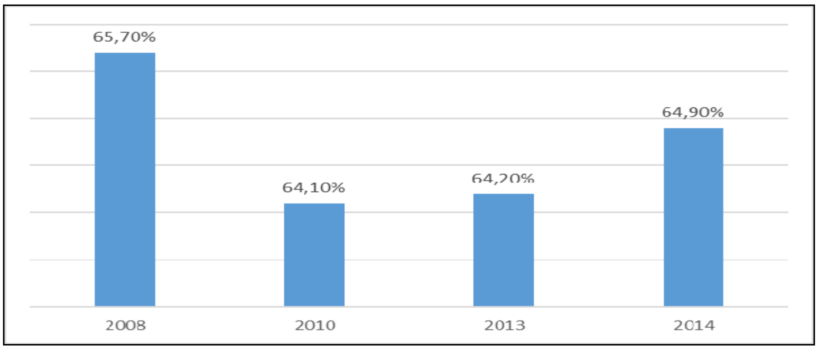

Figure 4. EU employment rate 2008-2014
Source: Author’s own compilation

The highest employment rates in EU were in Sweden, Austria, Denmark, Germany and United Kingdom, around 71–74%, with a maximum of 74,9% in

[10] See EUROSTAT, available at http://ec.europa.eu.

Sweden. Unfortunately, many countries in EU had to face major economic problems, huge unemployment, which in the end lead to a lower employment rate, under 60%, with the lowest in Greece, where it was situated at 49%[11].

It is important to underline one major aspect of the employment rate, respectively "the analysis of the employment rate of men and women. Although the 21st century lead to an improvement of women presence on different levels in different areas of the economy, women employment rate still is at a low level"[12]. Important differences can be seen, as the employment rate for men is around 70%, while for women it is only 59%[13]. A positive aspect is that there are some European countries where this rates are almost equal or the differences between them are very low.

In any situation, there are some factors that directly relate to the employment rate:

– the standard of living in the EU members, which comes from economic development, growth policies and labor legislation
– investment level and their profitability
– financial capital output
– human capital migration and, most important, know-how migration

Considering all the above, we can talk, on the EU level, about a labor market segmentation, influenced, on one hand, by the level of economic development and social labor structure, and on the other hand by the offer and demand ratio, thus leading to the concepts of primary market and secondary market.

The primary market refers to the area where can be found important companies and organizations, with a high productive component, with an optimum salary package. The secondary market, which represent over 56%[14] of the market, is the one for small and medium enterprises, characterized by instability, low salaries and somehow unsecure jobs. All these in an economic environment where labor market is driven by supply and demand, competition, product and service profitability, all influenced by the "labor" factor provided by the most uncertain resource, the human resource.

It can be called "uncertain" because, at the beginning of the 21 century, some important changes can be identified in the mentality of employees. They can easily see that the economy, even more after the 2008 financial crisis, is today divided in different sectors of activity, totally different form one-another:

– areas with almost zero unemployment, due to huge investments from multinational companies – for example, the IT field in some countries, such as Romania, Bulgaria, Poland etc.
– areas with high unemployment, such as the construction field, which is a major problem in many European countries.

[11] *Ibidem*.
[12] *Ibidem*.
[13] *Ibidem*.
[14] *Ibidem*.

From this came a change in the way people are looking for a job. In the last years, it became obvious that a “desk-job” is no longer the primary target. There is an increased need for a flexible job that provides financial independence together with low – ideally no – constrains regarding time and place. With other words, the trend is that people are not necessarily looking for a job based on their will to do something that they enjoy, but on the basis of “best-payed job”.

Unfortunately, this situation also comes with some negative aspects, such as:

– low productivity, as the employee is not at his/her maximum capacity
– low expectations from the employee, with no desire towards learning and increasing personal capacities
– medium term problems for the employer that faces the possibility of low economical results and eventually a weaker company.

Still, compared to other markets, positive aspects can be identified, as labor market is much more regulated and organized, easier to follow and predict, lower uncertainty, while negociations between employees and employers cand provide the latter with a certain degree of confort about professional, social and personal expectations.

Given the fact that the actions of the holders of workforce can have a major impact on the market and in the society, there must be a market supervisor, moderator, in order to ensure balance on the market. It is the state that has to assume this role, as a properly regulated framework can provide a long-term healthy labor maket, ruled by the supply and request chain.

Unfortunatly, in the EU, the market is today characterized by instability, as there is a greater supply of labor and unemployment has reached a high level. Still, the state of imbalance not only appeared because the EU policies are not necessarily oriented towards balancing the rates, but also because profitability policies in production, services, trade, agriculture and not oriented towards added-value. In order for the labor market to be balanced, it is absolutely necessary that emerging markets (goods, services, financial) are also balanced, with high demand, so that all employers to be able to sustain jobs and rewarding salaries.

5. CONCLUSION

Like any other market, the labor market also had to deal with growth and restraints, up to the level where important changes appeared in the structure of labor and in the supply and demand.

At first, at the beginning of EU, labor market was oriented towards the production segment, and the educational system provided a more technical curricula. Today, we witness a major market reorganization, as services are more and more important in the economic environment, and the segment of goods and products is shrinking. These changes lead to changes in labor structure and also in the educational curricula. Many technical courses were removed, while new fields of study become more and more important, such as service marketing, service negotiation, or elements regarding new technologies – internet, mobile, cloud-computing etc. Learning methods need to adapt to face realities, and this leads to the need for new and improved policies regarding labor market and education.

Thus, it is necessary for the EU policies to be related to the realities of the labor market, with the new supply and demand ratio and structure and with the economic forecast. As stated before, only if all emerging markets are in – as close as possible to – equilibrium, the political targets of economic growth can be achieved, and with this, also the people's expectations of financial, social and personal growth.