
PART II: AN ADAPTABLE LABOUR FORCE

Summary

- **Skills shortages and skills mismatch – the right skills, but in the wrong place or sector – are a major headache for many EU businesses.**
- **Mismatch means that a high vacancy rate can coexist with a high rate of unemployment. The Beveridge curve traces the relationship between the two. Shifts in the curve over the past decade suggest an improving situation in the US, UK, Denmark and the Netherlands, but a deterioration in Belgium, Germany and Greece.**
- **The distribution of skills in the labour force, and the distribution of skills demanded by employers, vary considerably between countries. In terms of the ratio of skills supplied (by workers) to skills demanded (by firms), ‘net supply’ tends to be strongest at low literacy levels.**
- **As better educated cohorts come on-stream, the EU labour force’s average years of schooling is rising. And as the labour force ages, it should also incorporate progressively greater skill and experience.**
- **Left to the market, access to life-long learning tends to be greatest for well educated individuals in large companies and dynamic sectors. Producing a more balanced distribution of opportunity may require encouragement from the regulatory framework and/ or the collective bargaining process.**

Shortages and mismatch

6.1 A dynamic economy is built on skills; not just of employees, but also of employers, financiers and policy-makers. Skills are important if employment is to increase. When a lack of appropriately skilled labour begins to cause problems, it is important in calibrating the policy response to determine whether the situation reflects a skills shortage or a mismatch.

6.2 Skills shortages reflect insufficient, inappropriate or obsolete skills across the existing workforce. Immigration of skilled labour may alleviate the problem in the short to medium term. Tackling it at a more fundamental level, however, demands structural adjustment focused on education and training.

6.3 A recent survey by PricewaterhouseCoopers of over 400 businesses in eight European countries, found that almost half of the firms asked agreed that ‘there is no skill shortage in greater Europe – people are just in the wrong place’. Less than a quarter of respondents disagreed.¹

6.4 This may be an optimistic assessment. A recent UK survey² of 430 companies, for example, found 43 per cent saying that candidates lacked suitable experience, and a further quarter that they lacked the necessary technical skills. Employers were, in response, offering flexible working conditions, increased training, private health care and (to a lesser extent) higher pay. Analysis of employers’ responses to recruitment difficulties in the Netherlands in the late 1990s found a similar emphasis on training both new recruits and existing staff, as well as (and perhaps related to) a greater readiness to reduce entry-level job requirements.³

¹ *Managing mobility matters – a European perspective*, PricewaterhouseCoopers, 2002.

² *Daily Telegraph Recruitment Confidence Index*, Daily Telegraph | 1 April 2002.

³ *European Employment Observatory Review*, Spring 2001.

6.5 Even when the skills base is adequate at a national (or EU) level, however, employers in some regions or sectors may nevertheless find it difficult to recruit workers with the necessary skills at the going rate of pay.

6.6 Mismatch – the right people in the wrong place or sector (from a job perspective) – may reflect a number of factors: a lack of information on opportunities available elsewhere; the low status of a particular occupation; concern over disruption to career progression by a job move, or an inability to transfer professional qualifications; geographical location; a lack of affordable housing – a particular problem for public sector employers in major urban areas; and perceptions (or misconceptions) about job satisfaction and prospects. It should be noted that the problem is one of finding appropriate skills and not necessarily high skills. One in three hard-to-fill Belgian vacancies, for example, is in a relatively low-skilled occupation. Difficulties in attracting skilled labour are often reported as a particular problem by small firms.⁴

6.7 Skills mismatches, like skills shortages, demand a refocusing of policy towards education, training and life-long learning. Unlike skills shortages, however, mismatches may also be alleviated by measures to boost occupational and regional mobility. This is an issue explored in more detail in the next chapter.

High unemployment plus high vacancies equals mismatch

6.8 Mismatch means that a high level of unfilled vacancies can co-exist with unsatisfactorily high unemployment. Brussels, for example, leads other Belgian regions in terms of both unemployment and skills shortages (as measured by the duration of unfilled vacancies)⁴; a function, in part, of the city's heavy demand for linguistic expertise. Over half of the hard-to-fill vacancies reported in 2000 to the Brussels employment service were attributable at least in part to a lack of bilingual workers.

6.9 The conventional 'early warning' of worsening mismatch is an outward shift in the **Beveridge curve**. The Beveridge curve traces the relationship between the unemployment rate and the vacancy rate. Movements along it (i.e. rising/ falling unemployment and falling/ rising vacancies) reflect primarily the state of the economic cycle; in an economic downturn, hiring declines and unemployment picks up.

6.10 A shift outwards in the curve, with unemployment increasing even as the vacancy rate rises, may indicate a deterioration in matching. Labour is in demand, and labour is being supplied; but either the would-be employer and employee are not communicating effectively, or the type of labour being supplied is not the type being sought.

6.11 A rising proportion of long term unemployment may be a further contributing factor to a shift outwards in the Beveridge curve. Employers may be less inclined to hire those affected, and those affected are likely to become increasingly demoralised, resulting in a higher unemployment rate for any given vacancy rate. Studies suggest that the increase between 1979 and 1986 in the proportion of UK unemployed who had been out of work for over a year from 20 per cent to about 40 per cent, accounted for about a third of the outward shift in the Beveridge curve over this period.⁵

6.12 Recent work by the European Central Bank (ECB)⁶ suggests that, since the late 1980s, the Beveridge curve has indeed shifted outwards in Belgium, Germany, Greece and (to a lesser extent) Luxembourg, Austria and Finland, but has moved inwards in the Netherlands.⁷ Regional mismatch, as indicated by the variance of relative regional unemployment rates, fell between 1990 and 1997 (thanks largely to sharp declines in Portugal and Italy) but picked up again at the end of the decade. This, the ECB suggests, may reflect 'difficulties of the labour supply in adjusting its composition to changes in labour demand associated with the increasingly competitive global environment and rapid technological change'.

⁴European Employment Observatory Review, Spring 2001.

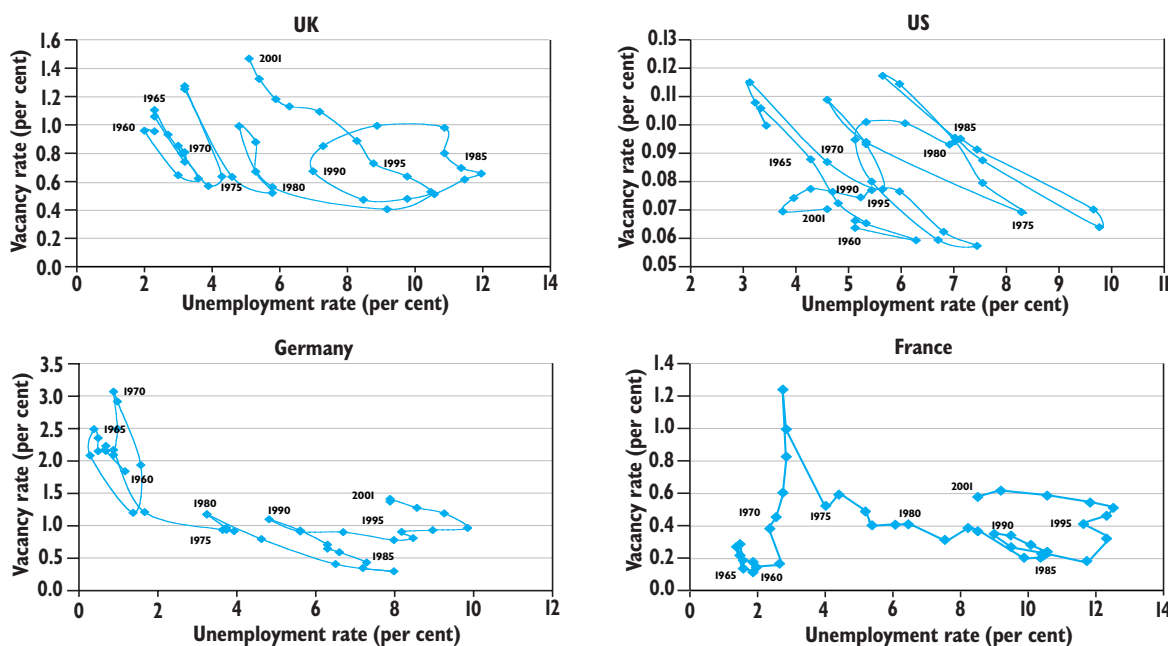
⁵The Unemployment Crisis, R. Layard, S. Nickell, R. Jackman, Oxford University Press, 1994.

⁶Labour Market Mismatches in Euro Area Countries, European Central Bank, March 2002.

⁷Why do jobless rates differ?, S. Nickell et al, Centre piece 6(3), Autumn 2001.

6.13 Chart 6.1 illustrates movements both in, and along, the Beveridge curve over the past three decades in the UK, the US, Germany and France. The inwards shift of the UK curve in the mid to late 1990s, and the marked inward shift in the US throughout the past decade, contrast with the outward shifts in both France and Germany (though with suggestions of recent improvement in each of the latter cases).

Chart 6.1: Beveridge curves for UK, US, Germany and France



Sources: OECD; Eurostat

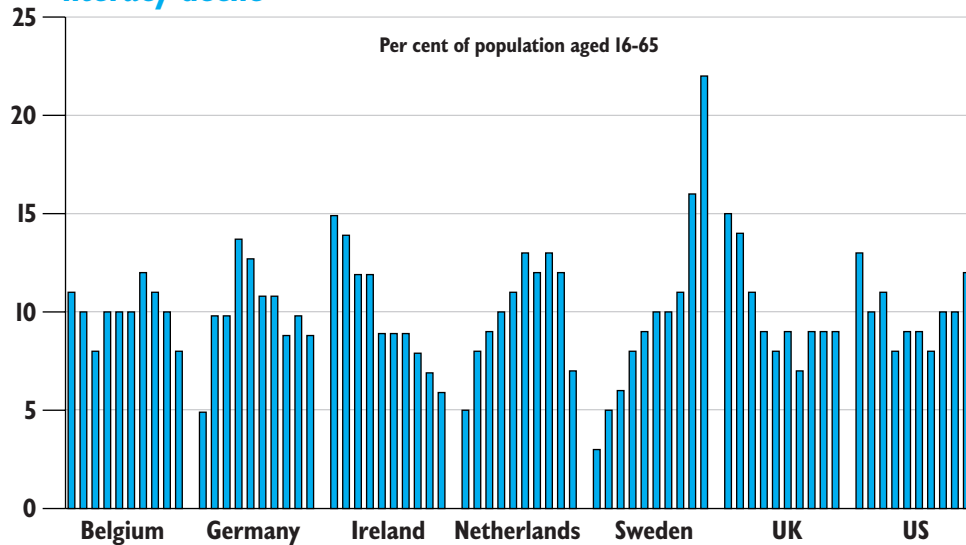
The skills distribution in national labour forces

6.14 How severe are skills constraints, in terms of relative supply and demand, in Member States? Comparable educational qualifications are not always a reliable guide to equivalent skills. An early school leaver in one country may have considerably better cognitive skills than his or her counterpart in another, despite an apparently equivalent level of education.

6.15 Recent research⁸ attempts to identify a more meaningful skills distribution by using the results of the 1994-1998 International Adult Literacy Survey to estimate the proportion of the population in each literacy decile. As Chart 6.2 shows, the US, UK and Ireland have relatively high proportions of low-skilled people. The US combines this high share of low-skilled workers with a large share also of high-skilled workers, though Sweden leads the field at this higher end of the literacy scale; and Germany, the Netherlands and Belgium have high shares of intermediate skills.

⁸ *Labour Market Status and the Wage Position of the Low Skilled: The Role of Institutions and of Demand and Supply*, P. Mühlau, J. Horgan, European Low-Wage Employment Research Network Working Paper, July 2001.

Chart 6.2: National skills distributions, by international literacy decile



Note: The chart shows the distribution of the national labour force in each literacy decile, from the lowest (the column at the left of each group) to the highest.

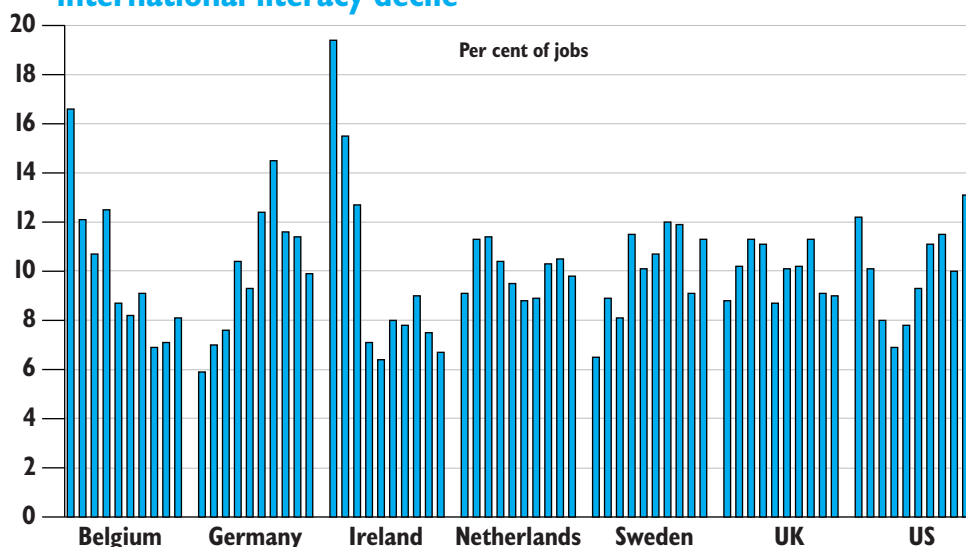
Source: Labour Market Status and the Wage Position of the Low Skilled, P. Mühlau, J. Horgan, 2001.

The distribution of skills (literacy) demanded by national employers

6.16 So much for the distribution of skills throughout the labour force; what of the distribution of skills required by employers? Chart 6.3 focuses on the reading and writing requirements of each job, adjusting the data for working hours (to allow for job sharing and part-time work), and grouping the results once again into deciles.

6.17 Ireland and Belgium have a relatively high demand for low-skilled workers relative to intermediate or high-skilled workers; US demand is polarised, with heavy requirements for both very low and very high-skilled workers. Germany and Sweden have low demand for unskilled workers, and high average job requirements spread across the intermediate and high skills areas; whereas the UK and the Netherlands have a relatively even spread of demand across all skills levels.

Chart 6.3: Distribution of national job requirements, by international literacy decile



Note: The chart shows the distribution of job requirements in each country, ranging from the proportion of jobs demanding skills in the lowest literacy decile (the column at the left of each group) to the proportion demanding high literacy (at the right).

Source: Labour Market Status and the Wage Position of the Low Skilled, P. Mühlau, J. Horgan, 2001.

Relative supply and demand of skills at a national level

6.18 Building on the information contained in the above two charts, Chart 6.5 illustrates a 'net supply index' of skills; the ratio of people in each literacy decile and hence possessed of a given level of skill, to the number of jobs requiring this level of skills. The higher this ratio, the more disadvantageous the relative labour position of that particular skills group is likely to be, particularly at lower skills levels, since higher skilled individuals may choose to take lower skilled jobs, but lower skilled individuals have less choice.

6.19 At the very lowest level of literacy, the UK has the highest ratio of workers to jobs, but this declines rapidly by the second decile. While Ireland has by far the highest number of jobs with low skills requirements, it also has a disproportionately high number of people who fit these requirements (Chart 6.4). The US, like the UK, is top-heavy in terms of labour supply at the very lowest level of literacy, but shows an even steeper decline in the ratio as the literacy level demanded and supplied rises.

6.20 While the 'Anglo-Saxon' countries have a higher share of jobs appropriate for workers with low cognitive skills, the supply of low skilled workers relative to this demand is larger than in 'Continental' economies. Ireland, for example, has a relatively high proportion of jobs requiring low to medium literacy, but an even higher proportion of its labour force with limited literacy skills. The result is a high ratio of workers to jobs in low literacy deciles. At high skills levels, ratios of demand and supply are broadly equivalent across all countries and closer to balance.

6.21 The Continental economies tend to edge towards this ratio gradually; at intermediate skill levels, the ratio of labour supply to demand remains relatively high (and higher even than at low skills levels, in the Netherlands). In the US and UK, by contrast, demand and supply are already broadly equivalent at intermediate as well as high levels of literacy, raising the question as to whether more jobs would be created in these skills brackets if supply were forthcoming.

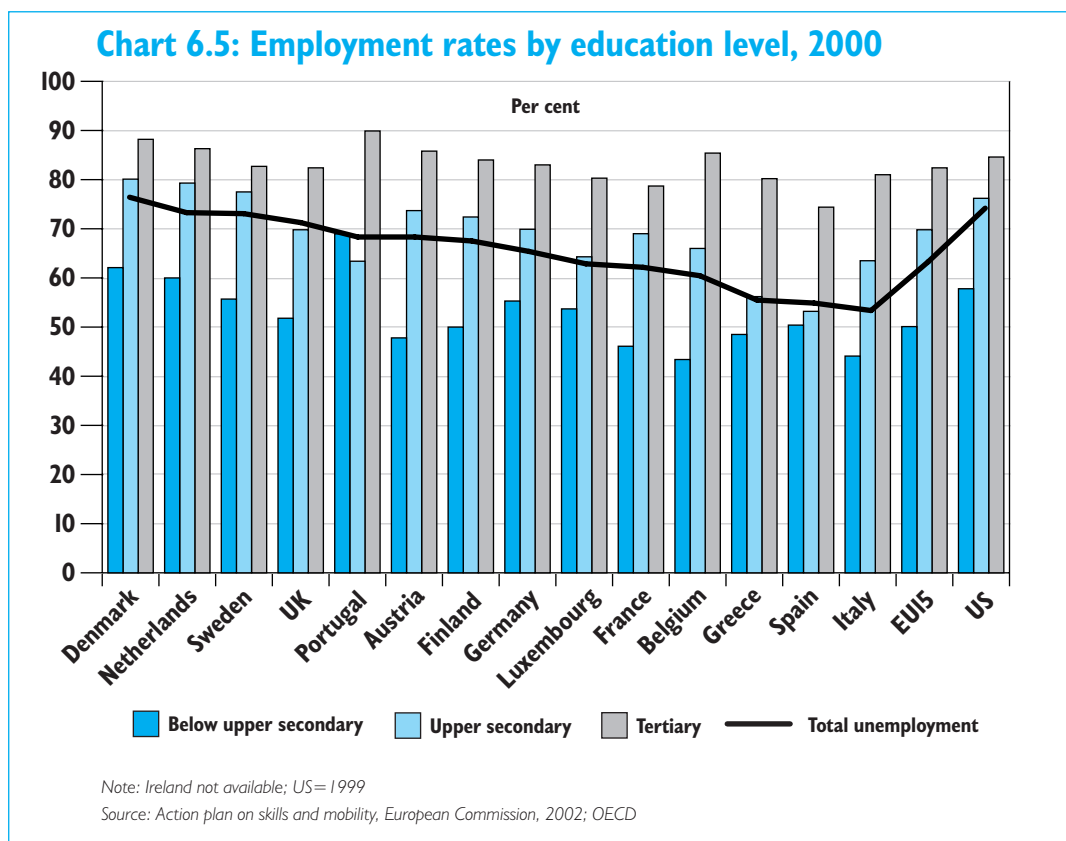
6.22 The obvious exception to the trend is Sweden which, as a result of its extremely literate workforce, combines a very low ratio of low-skilled workers to jobs with a relatively high and rising ratio of workers to jobs at higher skills levels.



Education and employment

6.23 Basic literacy is a key foundation of skills acquisition in later life (though a well educated labour force is no guarantee of full employment). Employment rates tend to rise with education, as Chart 6.5 illustrates. The job-creating sectors of recent years have tended to be the sectors requiring better educated workforces; office machinery and equipment, education and health saw employment growth of 3 per cent per year between 1995 and 2000, compared with 1 per cent in other sectors.⁹

6.24 The intra-EU picture is far from homogeneous, especially with respect to employment among school-leavers. Belgium, for example, has very low employment among the less well educated, but relatively high graduate employment; Spain and Italy share similarly low overall employment rates, but differ markedly in terms of composition. The less well educated are more likely to be in work in Spain; in Italy those with medium and high levels of education fare better. As the chart also illustrates, employment rates are lower in the EU-15 than in the US at all levels of education.



Better educated cohorts coming on stream

6.25 A low employment rate among workers with less than secondary education is naturally of greater concern to countries for which this represents the educational attainment of a larger share of the population.¹⁰ Table 6.1 shows, for each Member State, the proportion of people in different age groups with at least upper secondary education. There is considerably less disparity among younger age groups (25-34 and 35-44 years) than older, and it is here that interesting dynamics are underway.

⁹ Eurostat.

¹⁰ The Employment Guidelines call on Member States to develop measures aimed at halving the number of early school leavers by 2010.

6.26 Denmark, Sweden, Germany and Austria owe their rankings primarily to a relatively high proportion of well-educated workers aged 45+; in younger age groups, these countries' have a much narrower advantage. Finland and the UK, in contrast, have seen sharp improvements in recorded educational attainment over the past two decades (i.e. in the performance of 25-44 year olds); and, lower down the ladder, France and Belgium are beginning to nip at the heels of those on slightly higher rungs.

Table 6.1: Percentage of people with at least upper secondary education, by age, 2000

	25-34	35-44	45-54	55-64	25-64
Denmark	84.8	78.7	78.0	68.2	78.0
Sweden	86.8	81.8	73.7	62.2	76.8
Germany	81.4	81.3	76.7	67.0	76.7
Austria	83.8	81.2	71.9	62.9	76.1
Finland	85.6	82.8	67.8	49.3	72.5
UK	82.7	77.4	66.4	45.7	70.0
Netherlands	72.0	66.8	58.7	50.4	63.2
France	76.3	65.3	56.9	43.6	62.2
Luxembourg	66.7	63.2	55.9	47.4	59.6
Belgium	75.4	62.4	51.5	37.2	58.3
Greece	72.5	59.2	43.4	26.6	51.2
Italy	58.6	50.8	38.4	21.8	43.9
Spain	56.2	43.1	27.0	15.4	37.1
Portugal	31.0	19.3	14.1	7.7	19.2
EU-15	71.5	65.8	56.1	43.5	60.3

Note: Ireland not available

Source: Action Plan on Skills and Mobility, European Commission, 2002

6.27 As better educated cohorts have come on-stream, so the EU labour force's average years of schooling has risen (Table 6.2). The averages in the table are a useful guide, but can be slightly misleading. In the case of the UK, for example, the high average disguises the fact that almost 57 per cent of the workforce have low levels of qualifications¹¹, partly cancelled out by the high proportion of workers with tertiary education. Still, the length of schooling is clearly increasing, and as the labour force is simultaneously ageing, it should incorporate a progressively greater level of skill and experience.

Table 6.2: Average years of schooling of the labour force

	1950	1973	1998
Belgium	8.6	10	10.8
France	8.2	9.6	10.6
Germany	8.5	9.3	13.6
Ireland	9.0	9.8	10.3
Italy	4.9	6.6	9.8
Netherlands	7.6	8.9	11.8
Portugal	2.3	4.0	7.7
Spain	5.0	5.4	8.6
Sweden	8.4	9.0	11.6
UK	9.4	10.2	12.0
US	9.5	11.8	12.7
Japan	8.1	10.2	12.0

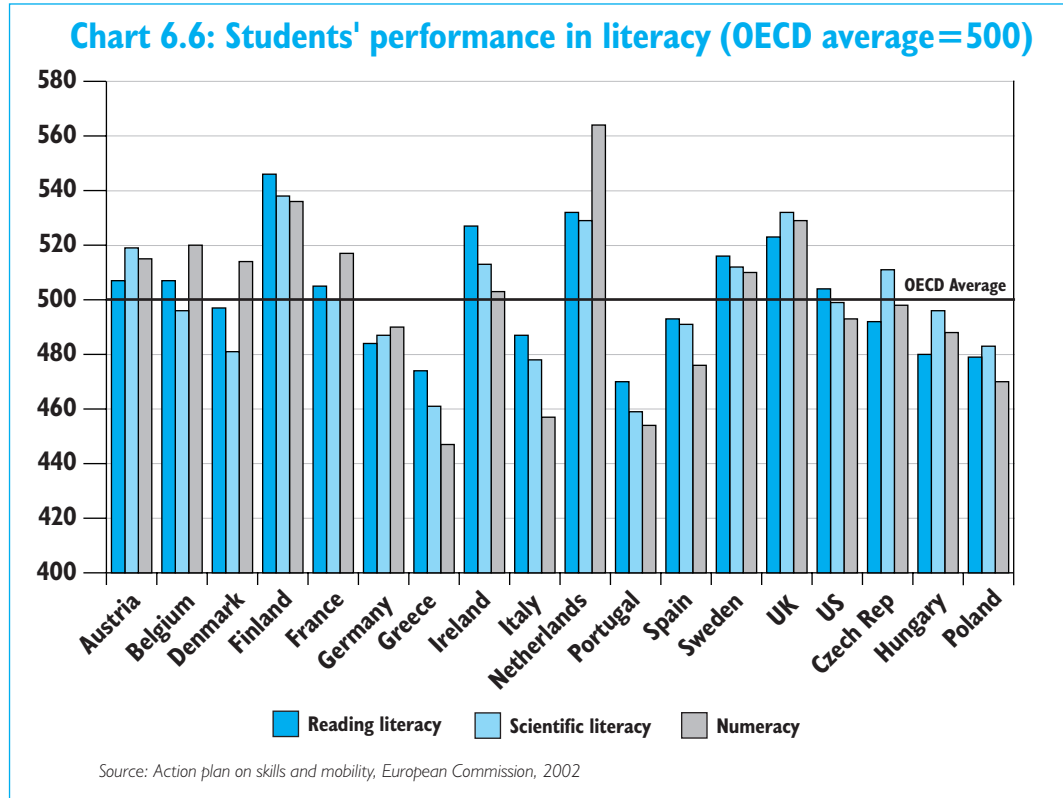
Source: N. Crafts, 2002

6.28 A highly educated workforce is a function not only of the qualifications obtained and the time spent obtaining them, but also of the content of those qualifications. OECD measures of literacy and numeracy found, for example, that British 16-25 year olds performed less well in the mid-1990s than did 26-35 year olds, suggesting a decline over a ten year period in the quality of education.¹²

¹¹ Britain's relative Productivity Performance: update and extensions, M. O'Mahoney and De Boer, NIESR, 2002.

¹² Cited in foreword to Britain's Relative Economic Performance, 1870-1999, N. Crafts, Institute of Economic Affairs, 2002.

6.29 On a snapshot basis it is Germany, Greece, Italy, Portugal and Spain which lag behind the OECD average in reading, mathematical and scientific literacy, and the UK, Finland and the Netherlands which outperform across all categories (Chart 6.6). The OECD EU candidates score better than some of the EU laggards, while the Czech Republic outperforms the US in terms of scientific and mathematical literacy.



The importance of life-long learning ...

6.30 Education is not confined solely to school or university, and the rapidly changing nature of skills in the 21st century labour market makes ongoing learning all the more important (and heightens the risk of marginalisation for those without access to regular training opportunities¹³). The importance of life-long learning to a dynamic EU economy is recognised by all EU Member States, with the UK cited by the International Labour Organisation as 'one of the countries at the forefront of initiating action in this area'.¹⁴

... and its concentration on the better educated ...

6.31 EU-wide, around 8 per cent of the working age population participated in training in 2000. This included 16 per cent of those with higher education, but only 10 per cent of those with upper-secondary education and 2 per cent of those with less than upper-secondary attainment.¹⁵ Such differences may reflect not so much discrimination between workers by firms, as differences between firms. European Commission data for 1996 found that 68 per cent of highly skilled employees worked for firms that provided training, but only 34 per cent of the low skilled.¹⁶

6.32 Left to the market, access to life-long learning tends to be greatest for well-educated individuals employed by large companies and working in the more dynamic sectors of the economy. Producing a more balanced distribution of opportunity may require public subsidy, encouragement from a national regulatory framework or the collective bargaining process.

¹³ *Work and Welfare toward a knowledge-based society*, E. Kikilias, for seminar by European Foundation for the Improvement of Working and Living Conditions, May 2002.

¹⁴ *An inclusive society for an ageing population; the employment and social protection challenge*, ILO contribution to the Second World Assembly by Ageing, April 2002.

¹⁵ *The Social Situation in the European Union 2002 – In Brief*, European Commission, 2002.

¹⁶ *Employment in Europe 2001*, European Commission, 2001.

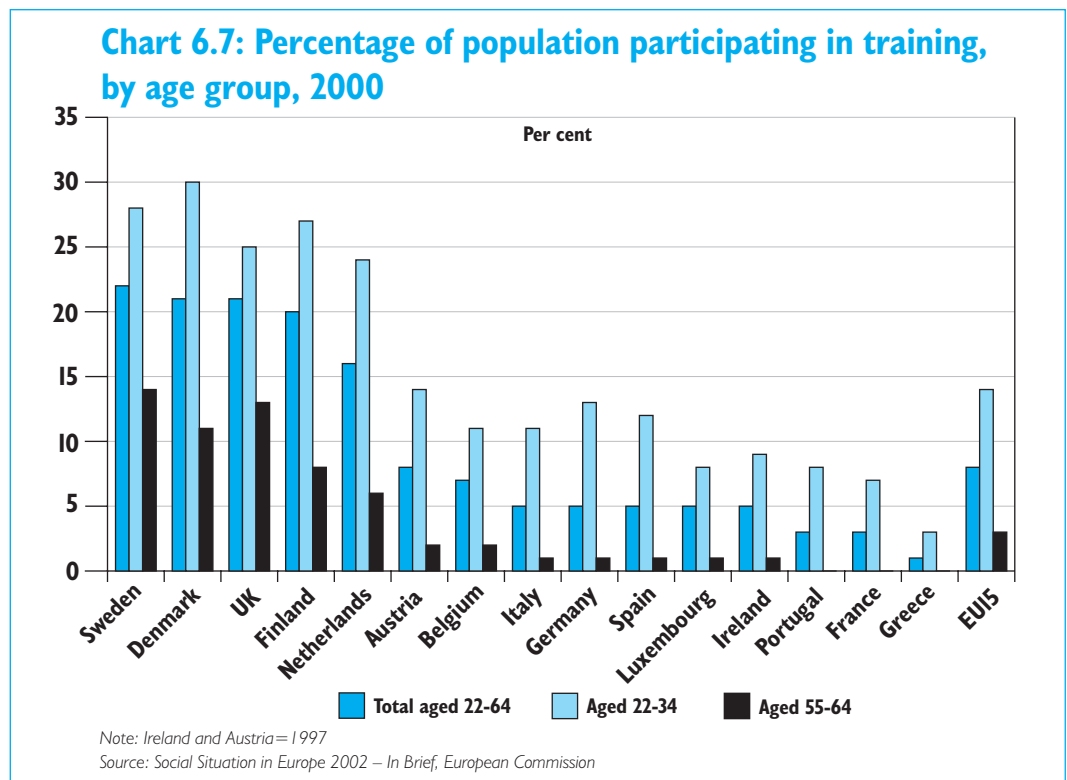
6.33 The availability of training has taken an increasingly high profile in collective bargaining, prompting the ILO to observe that ‘lifelong learning has become the new employment security objective on trade union agendas’.¹⁷ The major pan-European employee and employer representative bodies called jointly in March 2002 for the active promotion of life-long learning by employers, employees, governments and local communities¹⁸, highlighting four priorities:

- the identification and anticipation, at both an enterprise and a national level, of competencies and qualifications needs;
- the recognition and validation of competencies and qualifications, to improve transparency and transferability;
- information, support and guidance for both employees and enterprises, and in particular for small and medium-sized enterprises (SMEs); and
- resources, whether of enterprises, employees or public authorities.

6.34 From a ‘demand’ perspective, it is clearly also vital that the tax-benefit system encourage rather than penalise the career and earnings progression stemming from the accumulation of skills, especially at the lower end of the qualification and income scale. Care must be taken to avoid a ‘poverty’ trap, i.e. where there are negligible or even negative net financial gains from increased gross earnings.

... and younger (though not necessarily ‘young’) workers

6.35 Training rates for men and women are broadly comparable (8.4 per cent of women and 7.6 per cent of men in 2000, again consistent with a slightly higher proportion of women working in firms which provide training). As Chart 6.7 illustrates, however, the incidence of training among older workers is relatively low, with the proportion reaching double digits only in Denmark, the UK and Sweden. Many firms choose not to invest in training for their older workers, but it has been shown that returns to investment on training are likely to happen over a short time-span, and therefore lower investment in the skills of older workers might be a false economy.



¹⁷ *An inclusive society for an ageing population; the employment and social protection challenge*, ILO contribution to the Second World Assembly on Ageing, April 2002.

¹⁸ *Framework of Actions for the Lifelong Development of Competencies and Qualifications*, ETUC, UNICE/UEAPME, CEEP, 28 February 2002.

6.36 The Nordic countries, the UK and the Netherlands lead their EU neighbours in the training stakes by a significant margin, but perhaps in the UK case that is to compensate for below average educational outcomes. Two important caveats must be noted with respect to cross-country comparisons:

- ‘training’ is not a standardised product. A day’s basic induction training is a very different exercise from a week spent upgrading IT skills, but comparisons such as Chart 6.7 treat the two as equivalent; and
- a relatively low incidence of training does not necessarily equate to low skills and/ or flexibility of the workforce. It may instead reflect a tradition of ‘on-the-job’ education, or a stronger school-age educational base or apprenticeship system. The disappearance of the UK’s apprenticeship system has raised some concerns that the UK may have fallen behind in an important area of skills formation. (Prior to World War I, apprentices accounted for 15 per cent of engineering employment in the UK and 10 per cent in Germany; in the 1950s the proportions were 4 per cent and 8 per cent respectively.¹⁹)

6.37 Table 6.3 shows the difference in labour force skills between the UK and its major competitors. It is notable that the UK has a far higher proportion of lower skilled workers than others in its EU cohort (though similar to the US). At the other end of the spectrum, France, which takes a more interventionist approach to employer-provided training, has more than one and a half times the UK’s proportion of employees with above basic skills; in Germany, the proportion is almost double. Such differences have implications for competitiveness, productivity and growth. For example, estimates have been presented which suggest that between half and all of the UK productivity gap with Germany can be explained by skills differences.²⁰

Table 6.3: Labour force skills, total economy, 1999

Per cent of the work force with qualifications at levels:				
	Higher	Intermediate	Low	Relative skills UK=100
US	27.7	18.6	53.7	100.5
France	16.4	51.2	32.4	105.5
Germany	15.0	65.0	20.0	105.3
UK	15.4	27.7	56.9	100.0

Source: Britain’s relative productivity performance: update and extensions, O’Mahony and De Boer, NIESR, 2002

6.38 Better educated workers tend to be more mobile workers; but just how mobile is the EU labour force; and how much does it matter? In Chapter 7 we turn to the question of mobility; not only between countries and regions, but also between occupations.

¹⁹ Foreword by Walter Eltis to *Britain’s Relative Economic Performance, 1870-1970*, Nick Crafts (IEA, 2002).

²⁰ *Britain’s Productivity Performance 1950-96: An International Perspective*, M. O’Mahony NIESR 1999; *Britain’s Record on Skills*, R. Layard, S. McIntosh, A. Vignoles, Centre for Economic Performance, LSE, 2001.

Key Policy Questions

- **Do employers' recruitment difficulties reflect a shortage of skills or a mismatch (i.e. adequate skills levels, but in the wrong place/ sector)?**
- **Do older workers have less access to training? Are they less likely than younger workers to take up training opportunities?**
- **Are school leavers functionally literate? What proportion of the adult population is not? To what extent is this left to the market to remedy?**
- **Is there adequate recognition of the training needs of employees in SMEs, and the resources of SME employers?**
- **Are competencies and qualifications gained in adult training, recognised and valid? Are the skills learnt in training, transferable?**
- **Does the tax-benefit system encourage the accumulation of skills and career and earnings progression, especially at the lower end of the income scale?**

Summary

- **Mobility between jobs and across regions are closely linked. Occupational mobility enhances an individual's choice of location. Geographical mobility can open up new work and training opportunities, facilitating the acquisition of greater transferable skills.**
- **Trends in job tenure do not indicate a tendency towards 'job-hopping'. While the proportion of employees with relatively short tenure is rising, so too is the share staying with the same employer for more than a decade.**
- **EU mobility, both between and within Member States, is generally found to be lower than in the US. High levels of geographical mobility are, however, not always an unmitigated blessing, and may exacerbate rather than alleviate regional imbalances.**
- **For the EU, the bigger headache may not be the reluctance of employees in Finland to work in Portugal, but the widespread reluctance of EU citizens to explore beyond their neighbourhoods. Efforts to complete the Single Market by reducing cross-border barriers to the free movement of labour should not detract from the need to make similar efforts within national borders – nor from the importance of enhanced occupational flexibility.**

Mobility across regions and sectors

7.1 The term labour mobility tends to be interpreted as meaning the ability and willingness of workers to commute or move residence for job purposes. Moving house is not, however, the only aspect of mobility; the capacity to change occupations or sectors is equally, if not more, important.

7.2 Occupational flexibility can contribute substantially to an employee's security and prosperity, and takes on an even greater importance in an EU where geographic mobility is naturally constrained by linguistic and cultural barriers. Greater mobility between occupations can itself boost geographic mobility; occupational flexibility enhances an individual's choice as to where he or she lives and works. Equally, geographic mobility can open up new opportunities for work and training, and hence for the acquisition of further transferable skills.

7.3 The possession of skills which are transferable across localities and sectors is key to ensuring that economic dynamism and individual empowerment go hand in hand. In this section, we consider mobility in both its aspects, beginning with the geographic.

Barriers to geographic mobility

7.4 The incentive to move for employment purposes generally depends on the discounted difference in real disposable income, minus the transaction and other costs of moving. Housing naturally features prominently on the cost side of the equation. The expense and difficulty of buying and selling a house, and the size and quality of the rental market, may be an important factor in an individual's relocation decision.

7.5 Some research suggests that private rental housing fosters a more mobile labour force, and points to a link between high levels of home ownership and unemployment.¹ In the 1950s and 1960s, the US had the highest home ownership in the OECD and the highest unemployment; Spain now leads on both counts. While few would wish to attribute the bulk of Spanish unemployment to the structure of the domestic property market, a liquid rental sector and an efficient housing market are clearly helpful to a relocation decision.

¹ *Moving for Job Reasons*, J. Gardner, G. Pierre, A. Oswald, University of Warwick, September 2001.

7.6 There is also evidence that, while homeowners are less likely to move in response to a downturn in the local economy, they are encouraged to do so by rising house prices.² Housing booms, in other words, increase mobility (though the extent to which such mobility is job-related rather than undertaken in the pursuit of capital gain, is questionable).

7.7 The ‘other costs’ of relocation referred to above extend well beyond the strictly financial: the need to switch pensions schemes, for example, or find new schools, or new employment for a partner.

7.8 Barriers to mobility within a country may include:

- the lack of a liquid house purchase or rental market in the regions of origin or destination;
- difficulties relating to employment record and employment status in obtaining a mortgage;
- the availability of schooling;
- partner’s career progression;
- lack of information about job opportunities in other regions;
- overly restrictive employment protection legislation;
- benefit systems which reinforce an individual’s dependency on the family network, discouraging mobility outside the family region; and
- regional differences in the cost of living, not compensated for by regional wage differences

7.9 Between countries, barriers may encompass:

- less-than-portable professional qualifications;
- lack of information about job opportunities in other countries;
- career progression, especially for dual career couples;
- language concerns; and
- different healthcare systems.

**Characteristics
of the
geographically
mobile**

7.10 Income, education, age and gender all influence mobility. Richer and better educated individuals tend, in the EU, to be more mobile than their less well-off or less well educated counterparts. Low skilled workers comprise a larger proportion of the working-age population in regions of low employment.³

7.11 As Box 7.1 indicated, many of the barriers to mobility relate to family commitments, career progression and benefits, and property. Unsurprisingly therefore, the willingness to change residence tends to drop sharply after the mid-30s, meaning that EU policy makers hoping for a geographically more adventurous labour force have adverse demographics to contend with. The 15-29 age group represented 23.2 per cent of the EU population in 1990, 19.6 per cent in 2000, and is forecast to decline to 17.8 per cent in 2010.⁴

² *Residential Mobility, Housing Equity and the Labour Market*, A. Henley, *Economic Journal*, Vol 108, 1998.

³ *Action Plan for Skills and Mobility*, European Commission, 2002.

⁴ Eurostat baseline scenario; *The Social Situation in the European Union 2002 – In Brief*, European Commission, 2002.

7.12 While younger age groups are more mobile, there are variations both within the EU and between the EU and US. In the EU there is a north/south divide. Young people in southern Europe tend to leave their parents' home at a later stage, reflecting both cultural factors and a greater reliance on family support.

7.13 Even so, working-age mobility in the EU is found principally in the 16-30 age group, and particularly among 21-25 year olds.⁵ In the US, it is stretched across a broader and slightly older age range, being highest in the 20-34 age group.⁶

7.14 Recent work on mobility in the UK also highlights a gender asymmetry.⁷ Concentrating on people moving residence for job reasons, it finds that women in relationships are less mobile than men in the interests of their own jobs or careers, but more mobile than men with respect to their partner's job. Unlike women, the most mobile men are those living with a partner who does not work. Marital separation appears to make men more mobile, but women less so. (This may reflect that, if there are children, the woman is more likely to become the 'resident parent'.)

**Cross-border
mobility within
Europe**

7.15 Cross-border mobility may take a variety of forms: temporary or long-term migration, possibly linked to specific job contracts; moves within a multinational enterprise, often regular and short-term; and cross-border commuting (with 'weekend' commuting and similar patterns blurring the line between this and migration).

7.16 Intra-EU mobility is considerably lower now than in the 1950s and 1960s, due largely to economic catch-up within the EU by the southern regions. Against a background of an ongoing structural shift from agriculture to employment, the immediate postwar years saw a strong incentive for workers in the then much more disadvantaged south (and Ireland) to move elsewhere for employment.⁸ The narrowing of the North/South gap has reduced that flow.

7.17 While below early post-war levels, the latter half of the 1990s nevertheless saw a slight increase in cross-border mobility within the EU in most Member States; a function in part, perhaps, of cyclical upswing. The main exception was Germany, a slowdown in migration here from other EU countries leaving cross-border mobility broadly static at an aggregate EU level.⁹

7.18 European Commission estimates suggest that around 5 per cent of the EU's resident population are non-nationals of the Member State in which they live.¹⁰ Around a third of these are EU nationals, implying that less than 2 per cent of EU nationals live in another Member State.

7.19 As discussed in Chapter 2, about 60 per cent of EU migration flows in 1998-99 were of non-EU nationals.¹¹ The remaining 40 per cent is split between nationals returning home from outside the EU, and nationals of other Member States. Strip out the former, and the number of people changing residence between EU Member States adds up to around a quarter of a million, or 0.1 per cent of the EU population.¹²

⁵ At the other end of the age range, mobility among retired people in Europe, while less advanced than in the US, is increasing. *Trends in International Migration*, Annual Report 2001 edition, OECD.

⁶ *New European Labour Markets, Open to All, With Access to All*, European Commission, 2001.

⁷ *Moving for Job Reasons*, J.Gardner, G.Pierre, A.Oswald, University of Warwick, September 2001.

⁸ *The Social Situation in the European Union 2002 – In Brief*, European Commission, 2002.

⁹ *Employment in Europe 2001*, European Commission, 2001.

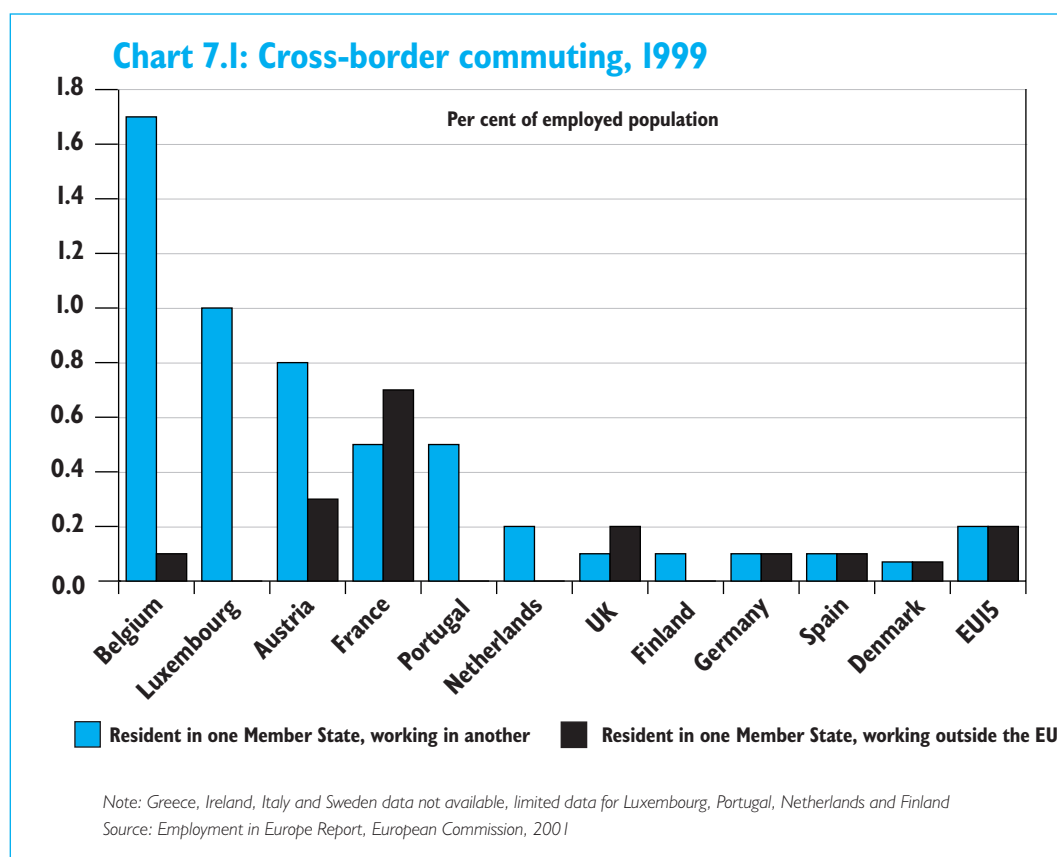
¹⁰ *New Labour Markets, Open to All with Access for All*, European Commission, 2001.

¹¹ *Employment in Europe 2001*, European Commission, 2001.

¹² *Action Plan for Skills and Mobility*, European Commission, 2002.

7.20 Data for the US are not directly comparable, but movements across State boundaries indicate considerably greater mobility. About 6.7 million people a year crossed state borders in the 1990s; the equivalent of 2.5 per cent of the total population.

7.21 If relatively few EU citizens are prepared to move house across a national border, the number prepared to cross one in order to work is also low; about 600,000 people or, as Chart 7.1 shows, 0.4 per cent of the employed population. This percentage creeps past the 1 per cent level in Belgium, Luxembourg, Austria and France, where an unusually high 0.7 per cent of the workforce commutes to a non-EU country (mainly Switzerland or Monaco).



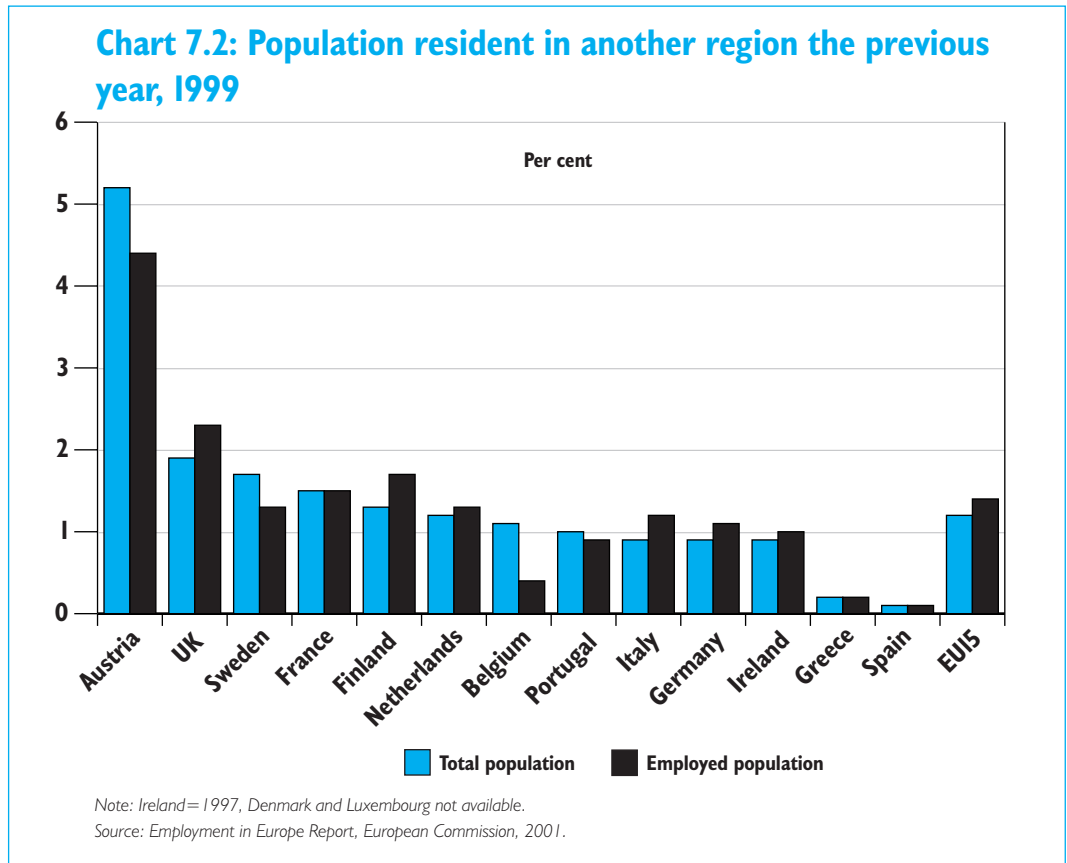
Mobility within Member States

7.22 If mobility between Member States is low, mobility within Member States does not do a great deal to compensate. About 1.2 per cent of the EU population, or 1.4 per cent of the employed population, moved residence between regions (i.e. essentially within the same country) in 1999. As Chart 7.2 illustrates, however, this varied from over 5 per cent of the population in Austria, to 0.1-0.2 per cent of the population in Spain and Greece.

7.23 Measures of inter-regional mobility are, of course, always subject to caveats as to the relative sizes of the regions involved. Comparisons of regional mobility within the EU to that within the US is even more difficult. The conventional contrast is with US counties; some 5.9 per cent of the total US population changed residence between US counties in 1999. Differences in size, population etc, however, call the relevance of this comparison into question.

7.24 While 0.4 per cent of EU employees commuted cross-border, over ten times that number – 5 per cent, or 7.5 million people – work in a region other than where they live. Regional commuting is particularly commonplace in Belgium, Austria and Germany.¹³

¹³ *Employment in Europe 2001*, European Commission, 2001.



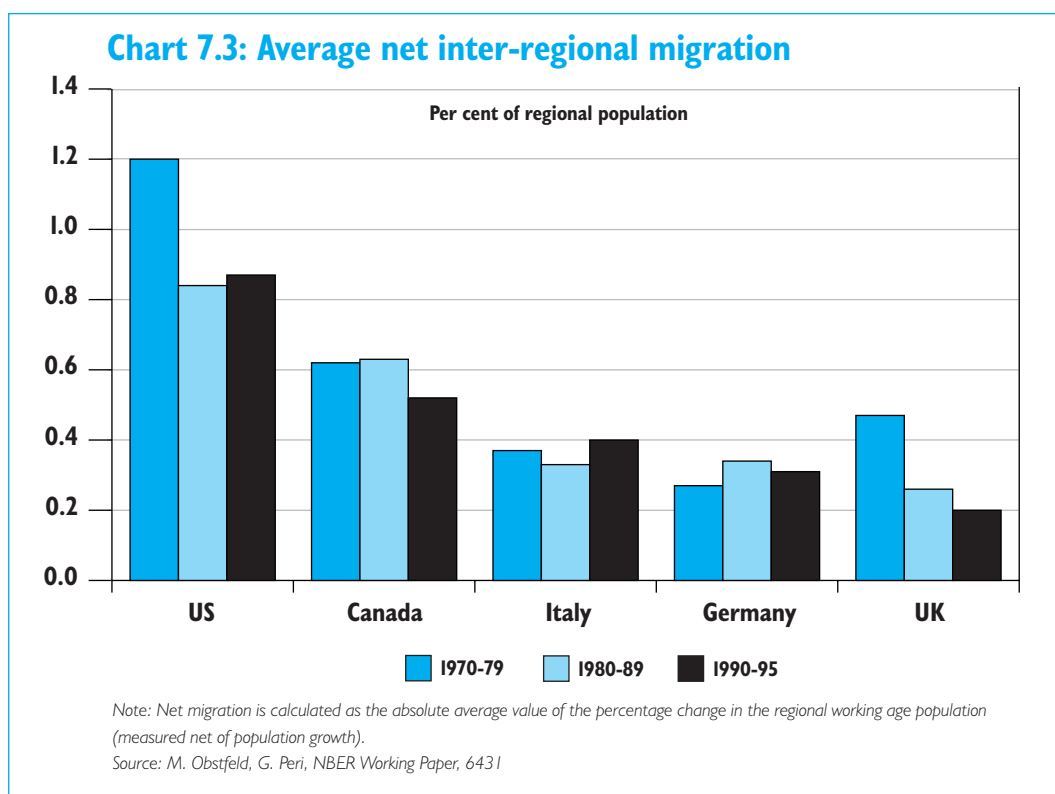
The net effect of regional migration

7.25 The extent to which internal migration helps reduce employment or unemployment differentials by producing a change in the regional population depends, however, less on gross than on net flows. Net migration is, on OECD reckoning, equivalent to about 15 per cent of gross flows in the US, but only about 5 per cent in the UK and 4 per cent in the Netherlands.¹⁴ While ratios are higher (around 20 per cent) in Italy and Portugal, lower gross flows here mean that net internal migration is still considerably below that in the US.

7.26 Chart 7.3 shows estimates of net interregional migration for the US, Canada, Italy, Germany and the UK in the 1970s, 1980s and the first half of the 1990s.¹⁵ While US net migration has, as noted earlier, declined slightly from the 1970s, it remains considerably higher than that of its European counterparts, notwithstanding the usual caveats as to differences in the average size of regions between countries.

¹⁴Gross flows are expressed as the total number of persons changing region of residence over one year. Net flows by region correspond to inflows minus outflows: total net flows by country are the sum of the absolute values of regional net flows, divided by two. *OECD Employment Outlook*, 2000.

¹⁵*Regional Nonadjustment and Fiscal Policy; Lessons for EMU*, M. Obstfeld, G. Peri, NBER Working Paper 6431, 1998.



The reasons for moving

7.27 Survey work by the US Bureau of Labor Statistics also suggests that the contribution of work-related mobility to total US mobility tends to be overstated, with only a small proportion of house moves being motivated by employment. Family reasons and housing emerge as the main drivers, with only 18 per cent of moves being primarily job-related, and only 2 per cent being due to unemployment.¹⁶

7.28 Eurobarometer surveys produce similar rankings for the EU. Around 54 per cent of Europeans who move house, do so for family reasons; 18 per cent, for domestic reasons (i.e. not satisfied with where they were living); and only 15 per cent for professional reasons.¹⁷ About a third of respondents would prefer to be unemployed and remain in the same region of residence, than move regions and have a job. Slightly more, however (38 per cent), would prefer to have a job and live elsewhere, while a further 16 per cent not unnaturally consider that their decision to move would depend on the job available.

Should governments promote geographic mobility?

7.29 The extent to which EU governments should promote geographic mobility, as opposed to simply facilitate it by removing obstacles in the way of those already keen to move, is a question that has no straightforward answer.

7.30 Insofar as a higher dispersion of regional unemployment rates leaves the labour force less well placed to adjust to regional shocks, regional mismatch may push up the NAIRU. To the extent that regional mobility helps alleviate this mismatch, it should be beneficial.

7.31 At the same time, however, high labour mobility can damage family networks and incur social fracture. It may also not be an appropriate response to a problem stemming from deficiencies in education and training or from wage inflexibility.

7.32 Certainly, there appears to be scope within the EU for enhanced short-distance mobility, which is an issue for many Member States. However, given that occupational mobility contributes to (and may under some circumstances be a precondition of) geographic mobility, this may represent the more important challenge for policy-makers, and it is to occupational flexibility that we now turn.

¹⁶ *An Overview of Labour Mobility in the United States*, F. Horvath, US Bureau of Labour Statistics, cited in European Employment, 2001.

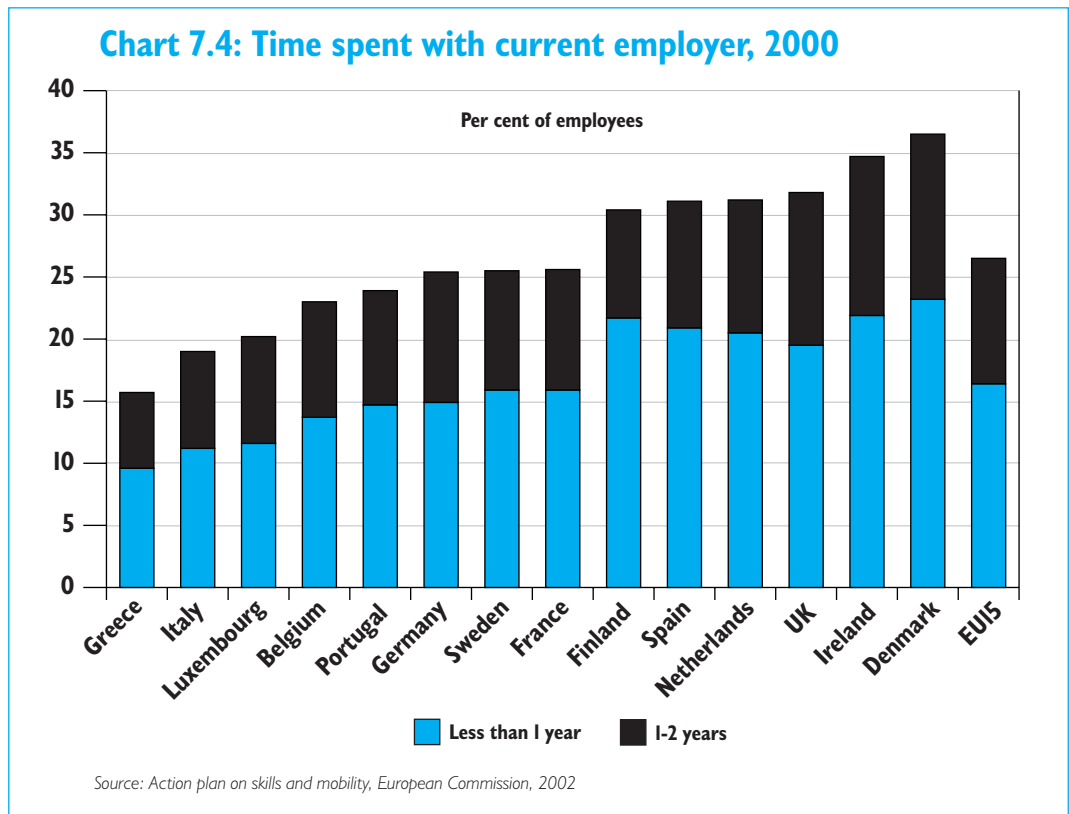
¹⁷ Eurobarometer 54.2, February 2001.

Gauging occupational mobility: job tenure

7.33 If measuring mobility between regions and countries can be difficult, gauging that between jobs and sectors is even harder. One approach is to look at job tenure. Conventional wisdom would point to increased ‘job-hopping’ over the past decade, and a reduction in the average number of years spent with an employer; a consequence of globalisation, technological change, deregulation and the changing career expectations and assumptions of employees themselves.

7.34 Approximately 16.4 per cent of EU employees had, in 2000, been with their current employer for less than one year; this compared with 14.8 per cent in 1995. (In 1995, the comparable figure for the US was about 30 per cent.) The share of EU employees who had held their job for more than two years fell over the same period from 76.7 per cent to 73.5 per cent.

7.35 As Chart 7.4 shows, job tenure varies considerably within the EU, with those spending less than a year with their employer ranging from 9.6 per cent of employees in Greece, to 23.2 per cent in Denmark.



Shorter or longer job tenure? Or both?

7.36 This apparent tendency towards faster job turnover should not, however, be exaggerated, let alone regarded as an indication of future trends, for several reasons.

7.37 Firstly, while the share of employees with short job tenure has increased, so too has the share of those with long tenure, i.e. of ten years or more.¹⁸ Table 7.1 compares the distribution of employment by short and long term tenure in 1991, 1995 and 1998, and suggests that a scenario of polarisation might be more plausible than one of declining average tenure.

¹⁸ *The Resilience of the Long-term Employment Relationship*, P. Auer, S. Cazes, International Labour Review Vol. 139 No. 4, 2000.

7.38 Secondly, as Chart 7.5 shows, average job tenure has fallen over the past decade in some Member States, and risen in others. One recent study of the UK concluded, for example, that average job tenure rose between 1992 and 2000 from 74.3 months to 87.7 months.¹⁹ To the extent that there is a clear picture, it is one of stability²⁰ with, if anything, a small increase in average tenure – stable for men but lengthening for women, though with average female tenure still shorter than male. The major exception to the EU rule is, as Chart 7.5 showed, Ireland, where overall average tenure has declined significantly.

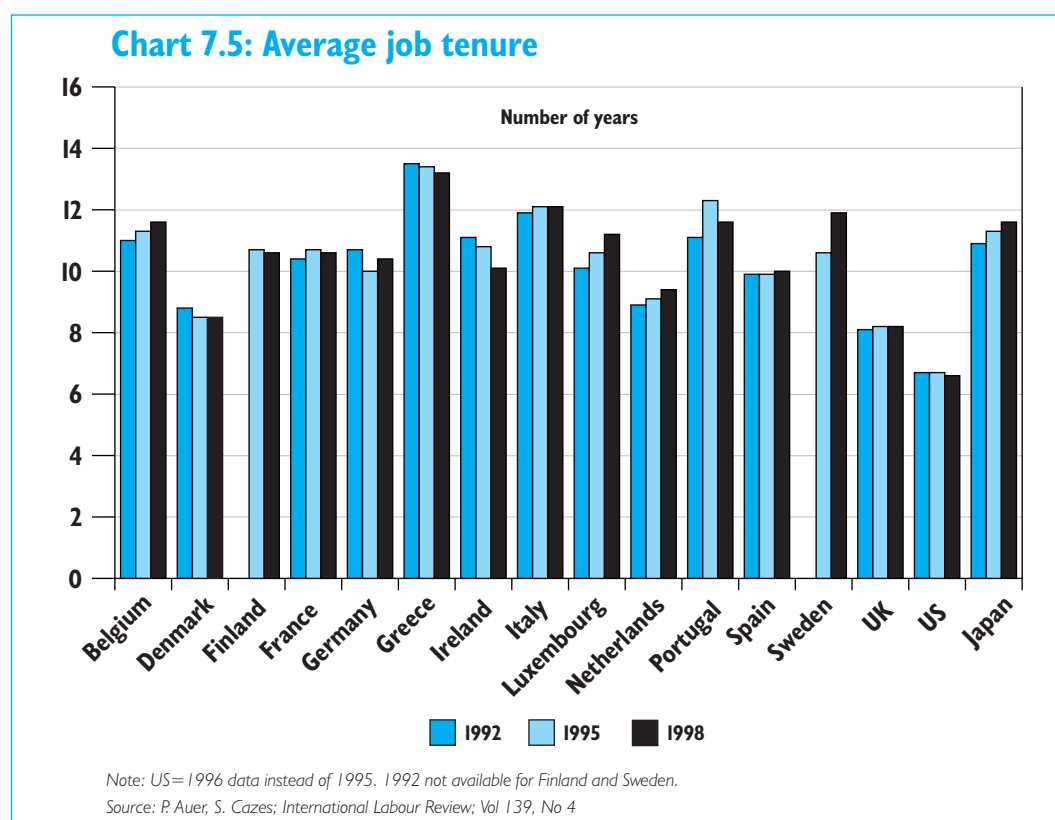
Table 7.1: Distribution of employment by tenure (per cent)

	< 1 year			10 years +		
	1991	1995	1998	1991	1995	1998
Belgium	n/a	11.6	12.0	n/a	43.6	46.5
Denmark	n/a	25.1	22.0	n/a	29.1	33.5
Finland	11.9	17.6	19.9	34.2	39.6	42.5
France	15.7	15.0	14.3	41.4	42.0	45.0
Germany*	12.8	16.1	14.3	41.2	35.4	38.3
Greece	n/a	12.6	9.6	n/a	39.9	51.2
Ireland	n/a	17.8	18.3	n/a	33.1	37.7
Italy	n/a	8.5	9.9	n/a	45.6	49.2
Luxembourg	n/a	11.4	8.9	n/a	37.8	44.2
Netherlands	24.0	16.3	14.9	26.2	31.7	36.5
Portugal	n/a	13.4	15.0	n/a	41.6	43.0
Spain	23.9	35.5	28.4	39.7	34.2	39.8
Sweden	n/a	14.8	13.4	n/a	39.7	47.8
UK	18.6	19.6	19.9	28.9	26.7	32.3
US**	28.8	26.0	27.8	26.6	25.8	25.8
Japan	9.8	7.6	8.3	42.9	42.9	43.2

* Data refer to 1990 instead of 1991

** Data refer to 1996 instead of 1995

Source: P. Auer, A. Cazes, *International Labour Review*, Vol. 139 No.4, 2000



¹⁹ *Britain's World of Work – Myths and Realities*, R. Taylor, ESRC Future of Work Programme, 2002.

²⁰ The relative stability of tenure is confirmed in most EU countries by analysis of median tenure (P. Auer, S. Cazes, *International Labour Review*, Vol. 139 No. 4, 2000).

7.39 Thirdly, tenure tends to be shorter in economic upswings. A larger number of newcomers will enter the labour market and, mathematically, push down average job tenure; and while lay-offs will also be reduced (lengthening average job tenure), this effect will usually be more than offset by the higher voluntary quit rate. To the extent that some countries have seen job tenure decline in recent years, this may be as much a function of economic recovery as of structural change.²¹

7.40 Finally, job tenure tends to increase with age. Younger people, as Table 7.2 illustrates for the EU, US and Japan, have lower tenure than older. To the extent that structural, institutional and cultural factors foster faster labour turnover over the coming years, this may be offset, at least in part, by European demographics.

Table 7.2: Average employment tenure*, 1998

	Average tenure
Total	10.5
15-24 years	1.9
25-44 years	7.9
45 years or older	17.8
Men	11.2
Women	9.4

Note:* EU (excluding Austria), US and Japan

Source: P. Auer, S. Cazes, *International Labour Review* Vol. 139 No. 4

7.41 High job turnover is not necessarily a good thing of itself. It does not always indicate a dynamic, flexible labour market. Spain's high labour turnover in the mid-1990s, for example, reflected of rigid labour market restrictions and the extent to which companies turned to fixed term contracts to circumvent them. As these regulations have recently begun to be relaxed, so Spain's labour turnover has fallen, but without in any way indicating that the economy is becoming less flexible.

7.42 Very low turnover can, however, suggest a lack of mobility and a less than ideal 'fit' between employees and their jobs. It may also increase the duration of unemployment. While those without work can clearly compete for newly created jobs, low job turnover means that they have relatively few opportunities to compete (both with employed 'insiders' and with other job-seekers) for existing positions. Lower job turnover may also mean lower turnover among the unemployed, and hence could be expected to raise the equilibrium unemployment rate.

7.43 Greece, Italy and Belgium have the highest proportion of workers who have been with their employer for more than two years; they also have relatively low employment rates. Causality can, however, run in both directions. A weak labour market acts as an incentive to hold onto a current job; whilst a reluctance to move jobs, or cultural/financial barriers to job mobility, may stymie economic growth and hiring.

Skill levels and the returns to cross-sector mobility

7.44 The incentive to move within or between sectors may vary with skill levels:

- for low skilled workers, where accumulated job-specific knowledge is low, wage gains may be attached to job moves either within or between sectors; there is little inherent advantage to remaining within a sector, and little cost in terms of 'lost' experience to switching;
- for workers with intermediate skills, the gains from a job move may be largest within the same sector. Intermediate skills tend to be transferable between firms but not necessarily between sectors, giving the employee a 'premium' within his or her field; and
- for highly skilled workers, their broader transferability of skills may give high returns to mobility both within and between sectors.

²¹ *The Resilience of the Long-term Employment Relationship*, P. Auer, S. Cazes, *International Labour Review* Vol. 139 No. 4, 2000.

7.45 This is, however, by no means a straightforward relationship. In some occupations, the most highly skilled individuals may be extremely mobile within an increasingly narrow sub-sector, and virtually immobile outside it; an experienced surgeon, for example, might contemplate changing hospitals, but not a shift into a different branch of medicine.

7.46 While high skilled, high paid workers tend, in the EU, to be more mobile than their lower skilled counterparts, cross-sector mobility may nevertheless be constrained by a variety of factors. These may include a lack of recognition of professional qualifications; concern over damage to promotion prospects, status and reputation; differences in remuneration; and ignorance as to the opportunities elsewhere.

Mobility between industry and academia

7.47 Low occupational mobility may be of particular concern insofar as it restricts the transfer of knowledge and skills between research organisations or institutions, and industry (which may also imply between the public and private sectors). In the US, scientists and engineers change jobs approximately every four years; at the opposite extreme, only a fifth of Japanese engineers change employers even once in their career.²²

7.48 In France, the OECD estimates that only about 40 scientists leave public research organisations each year to work in industry. Greater mobility is evident in Germany and the UK, fostered by the availability of temporary employment contracts for researchers switching into the private sector.

The regional dimension; skills clustering ...

7.49 In both the EU and the US, skilled job opportunities tend to be concentrated in particular (generally metropolitan) areas, creating 'spatial mismatch'. People in the peripheral area see little reward in accumulating skills that are, due to the absence of skilled jobs, not valuable locally. Firms have little incentive to locate in these areas due to the lack of skilled labour.²³

... as occupational and geographic dynamics combine

7.50 The existence of a skilled labour force, and of employers demanding skills, may thus become mutually reinforcing. A higher number of skilled vacancies in an area increases the incentive for workers to train; a higher number of skilled workers in a region increases the incentive to advertise vacancies. Matching between workers and firms, in this scenario, exhibits increasing returns to scale. If transport costs are low (and proximity to product markets therefore not a key factor for firms), some regions may become characterised by good jobs and high skills, while others fall into a low-skill, bad or no-job trap. Both companies and skilled workers are attracted into the already high skilled locality.

7.51 Such a shift does not, of course, continue in perpetuity. As firms and workers are drawn to the area, the impact of overcrowding on housing, transport, profits and the quality of life acts as an eventual disincentive for both employees and employers. For firms, the benefits of labour pooling (i.e. access to workers whose skills and knowledge help reduce costs) may also become outweighed by the costs of labour poaching (i.e. the loss of key workers to competitors, and the indirect costs of a higher wage bill to retain others).²⁴

7.52 In the interim, however, geographic mobility may exacerbate rather than alleviate regional imbalances. Skilled and younger workers are more likely than their unskilled, older counterparts to move away from poorer, slower growing areas, possibly driving up house prices and wages in the areas they move into.

²² *Benchmarking Industry-Science Relationship*, OECD, 2002.

²³ *Spatial Mismatch and Skill Accumulation*, P. Monfort, G. Ottaviano, CEPR Discussion Paper 3324, April 2002.

²⁴ *Labour Pooling, Labour Poaching and Spatial Clustering*, P. Combes, G. Duranton, Centre for Economic Performance Discussion Paper, LSE, September 2001.

Regional unemployment; greater polarisation

7.53 Low skilled and less mobile workers comprise a larger proportion of the working-age population in regions of low employment and high unemployment. In 2000, more than half the working age population in low employment regions had less than upper-secondary education, compared with less than 25 per cent for high employment regions.²⁵

7.54 Some research suggests that regional unemployment differences within the EU became more, not less, pronounced in the 1990s. Areas which, in the mid-1980s, had unemployment rates which were very high or low relative to the EU average, generally stayed that way in the mid-1990s. Regions with intermediate initial unemployment rates tended, however, to see their unemployment rates rise or fall markedly over the decade, resulting in a more polarised distribution of joblessness.²⁶

7.55 Table 7.3 provides a matrix linking the distribution of unemployment between 150 regions in 1986, and the distribution in 1996. Of those regions which had unemployment rates below 60 per cent of the EU average in 1986, 81 per cent were still in this lowest category ten years later, and none had an unemployment rate of more than 75 per cent of the EU average.

7.56 At the other extreme, 62 per cent of those regions with unemployment more than 1.3 times the EU average were still in this category in 1996. Regions with unemployment rates of between 0.6 and 1.3 times the EU average in the mid-1980s, in contrast, saw much greater variation over the decade, with only a fifth to a quarter retaining their original ranking.

Table 7.3: Transitions of relative unemployment rates, 1986 and 1996 (per cent)

	1996 ranges:				
	Low	Low-medium	Average	Medium-high	High
1986 ranges:					
Low	81	19	0	0	0
Low-medium	52	26	9	9	4
Medium	24	29	26	21	0
Medium-high	6	22	34	19	19
High	0	0	16	22	62

Note: Low: up to 60 per cent of average unemployment rate (21 regions in 1986)

Medium-low: 60–70 per cent of average unemployment rate (23 regions in 1986)

Medium: 75–100 per cent of average unemployment rate (42 regions in 1986)

Medium-high: 100–130 per cent of average unemployment rate (32 regions in 1986)

High: 130 per cent of average unemployment rate and higher (32 regions in 1986)

Source: Overman and Puga: CEPR Economic Policy No.34, 2002

The importance of the neighbourhood ...

7.57 Regional unemployment also exhibits in some studies a strong ‘neighbour effect’.²⁷ The jobless circumstances of individual regions appear much closer to those of their neighbours, whether within or across national borders, than to the average outcomes of other regions within the same Member State.

7.58 European Commission analysis suggests that such clusters may be driven less by the supply of labour than by relative demand. The Commission found that, in low employment growth regions, the working age population contracted by an annual 0.2 per cent in 1996–2000. In high employment growth regions, in contrast, it expanded by about 0.5 per cent annually, accompanied by a more rapid increase in average skills.²⁸

²⁵ *Employment in Europe 2001*, European Commission, 2001.

²⁶ *Unemployment Clusters across Europe’s Regions and Countries*, H. Overman, D. Puga, CEPR Economic Policy No.34, 2002.

²⁷ *Unemployment Clusters across Europe’s Regions and Countries*, H. Overman, D. Puga, CEPR Economic Policy No.34, 2002.

²⁸ *Employment in Europe 2001*, European Commission, 2001.

... rather than the sector **7.59** The sectoral composition of employment within a country, region or locality will clearly affect employment growth within that area. European Commission analysis²⁹ of high and low performing regions suggests, however, that while the sectoral and occupational composition of employment is a factor in regional employment differences, it matters far less than does the 'relative performance effect' stemming from e.g. differences in education, mobility, innovative capacity.

7.60 The Commission grouped EU regions into six clusters; regions with high, medium or low employment rates in 2000, further sub-divided into those with high or low employment growth in 1996-2000. Service sector employment grew strongly across all six clusters in the latter half of the 1990s. Employment in industry, however, increased in all three 'high employment growth' clusters, but declined in all of their 'low employment growth' counterparts. Employment in agriculture contracted across the board.

7.61 Only in the least fortunate 'low employment/low employment growth' region, was the expansion in service sector employment unable to offset the combined job losses in agriculture and industry. Knowledge-intensive sectors made a greater contribution to job creation in the 'high employment/high employment growth' cluster, and especially in regions with higher skilled workforces; a reinforcing tendency of skills and job creation which is examined further in Chapter 5.

7.62 Employment in some of the fastest expanding sectors of the past decade is itself continuing to change, both in magnitude and structure. Call centres, for example, expanded rapidly in the 1980s and 1990s on the back of the telecommunications revolution; in the UK they employ some half a million workers, often in depressed or lagging regions of the country. Over-capacity, ongoing automation and competition from non-EU low-wage economies have, however, prompted forecasts of a 50 per cent contraction in the industry payroll over the coming five years, accompanied by a shift towards full-time work and higher pay.³⁰

The challenge: occupational flexibility reinforcing short-distance mobility **7.63** High unemployment in a region and its contiguous neighbours could reflect a low skills base, a specialisation in a declining industry, or – as noted earlier – a self-reinforcing agglomeration of employers and skills. Regional wage flexibility could help ameliorate the problem, though does not sit easily within the wage bargaining frameworks of most EU Member States, as we shall see in the next section. Another solution would be a shift in supply; a fall in the participation rate, or a movement of labour. Both have their disadvantages.

7.64 The sometimes localised and scattered nature of high unemployment clusters argues, however, for a focus on encouraging not long distance migration, but short distance (and much less socially destabilising) mobility; within, as well as between, Member States.

7.65 From an EU perspective, the bigger headache may be not the unwillingness or inability of employees in Austria to work in Denmark, but the widespread reluctance of EU citizens to explore beyond their immediate neighbourhoods. Efforts to complete the Single Market by reducing cross-border barriers to the free movement of labour, should not detract from the importance of making similar efforts within national borders, with greater occupational mobility a precondition of success.

²⁹ *Employment in Europe 2001*, European Commission, 2001.

³⁰ Survey by Mital, reported in Financial Times, 3 June 2002.

Key Policy Questions

- Are the education and training systems geared to the accumulation of transferable skills which give employees greater choice over both occupation and location?
- Why may people be reluctant to travel in order to compete for work where the jobs are? To what extent do the housing market, transport, school systems, regional differences in the cost of living, or a lack of information about other regions or sectors constrain mobility?
- Would greater use of diverse forms of employment, such as fixed term contracts facilitate mobility, especially between academia and industry, and between the private and public sectors? At the same time, can varying employment records or employment status inhibit mobility, e.g. by making it more difficult to obtain a mortgage?
- Is progress being made towards EU-wide mutual recognition of qualifications?
- To what degree do employment protection legislation, or occupational barriers to entry, constrain mobility?

