

Unemployment and Spell Duration During the Great Recession in the EU

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The current economic recession has had a tremendous impact on the economy of most developed countries. However its consequences for the labor market are rather unequal depending on the country considered. While some countries are facing only a minor impact on their level of employment, others are experiencing large increases in their unemployment rate. Any unemployment spell is clearly associated with an individual loss of wellbeing due to its harmful effects on present and future earnings, and also on other non-monetary dimensions (i.e. self-esteem, frequency of social relations, etc.). It is generally accepted that the actual negative impact of unemployment can be very different depending on its duration, this is because long spells tend to harm wellbeing proportionally more than short spells and also because a long unemployment spell largely reduces the individual's probability of finding a job in the future (i.e. Machin and Manning, 1999).

However, the conventional statistics on unemployment do not adequately capture to what extent the recession is not only increasing the incidence of unemployment but also its severity in terms of duration in time for currently ongoing unemployment spells. Usually, this gap is only filled by the use of partial measures such as the share of long-term unemployment (12 months or more) on total unemployment or a measure of the average unemployment spell length. The fact that the intensity (duration) of unemployment is considered in the analysis of this phenomenon also raises the question of to what extent the experience of unemployment is either concentrated in fewer individuals with longer spells, or instead, is more spread across a large group of people experiencing shorter spells. The traditional measures of other forms of lack of wellbeing, such as poverty or discrimination, suggest that the former, i.e. unemployment being long and concentrated in fewer individuals, is socially less desirable, assuming there is a social preference for equality. That is, in measuring the impact of unemployment on a society's wellbeing, the whole distribution of unemployment spells should be considered as a base for constructing distribution-sensitive aggregate measures. During the 1990s a growing literature emerged proposing the use of aggregate unemployment measures incorporating the time dimension, but unfortunately these have seldom been used in empirical analysis so far (i.e. Paul, 1992, Riese and Brunner, 1998, Borooah, 2002, Sengupta, 2009, Shorrocks, 2009a,b). However, we claim that these measures can help to provide a better understanding of the nature of the massive increase in the unemployment rate in countries such as Spain, the Baltics, or Ireland within the EU in the last years (9-14 percentage points between 2007 and 2010). Indeed, there are clear signs of increasing duration of unemployment spells during the crisis in a variety of countries within the European Union: for example, the share of long-term unemployment increased between 2008

and 2010 from 16 to 40% in Lithuania, from 18 to 36% in Spain, from 25 to 33% in the UK, and from 29 to 46% in Ireland.

The aim of this paper is to provide comparative evidence on unemployment outcomes across a selected group of EU countries, before and after the start of the current global economic crisis, taking into account the duration of unemployment spells and their distribution across the population. Based on EU-SILC data on retrospective monthly labor experience, we measure unemployment using a duration-sensitive index that uses the whole distribution of individual trajectories regarding the individual's labor market status during a year. This index allows us to integrate within the same indicator not only unemployment incidence, as it is usually considered in a measure of unemployment, but also its intensity (duration profiles) and the degree of equality of the employment experiences among the population. The results will provide us with a more complete picture of the heterogeneous impact of the global economic crisis on unemployment across the EU.