Eurozone unemployment increases to 10 percent

Stefan Steinberg
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Unemployment in the 16 countries comprising the eurozone increased to an official average of 10 percent in December—the highest level of unemployment since the introduction of the euro in 1999. According to the EU statistical office Eurostat, there are now 15.8 million people unemployed in the eurozone and a total of 23 million out of work in all of the 27 countries belonging to the EU.

Unemployment rates vary within Europe with some countries notching twice the average rate of unemployment. The western European country with the highest rate of unemployment is Spain, with 19.5 percent in December. In Eastern Europe this figure is exceeded by Latvia, which has the highest jobless rate in the EU—22.8 percent.

The official figures issued by Eurostat are only a rough indication of unemployment rates, which in many countries are actually much higher. The official figures do not include those who have given up looking for work but have not registered as unemployed. Nor does the official statistic include the underemployed, including those millions working part-time jobs for an income that barely allows them to survive. It has been estimated, for example, that around 2.5 million people in Germany are employed on such a basis.

Of the tens of millions condemned to unemployment as the repercussions of the international economic crisis deepen, young people are the worst affected section of the population.

On average, unemployment rates amongst young people are double the average for older layers of the working population. According to Eurostat, over 21 percent of under-25s in the eurozone were unemployed in December 2009. One year ago, this total stood at 16.9 percent. Once again, Spain topped the table with a youth unemployment rate of 44.5 percent.

Spanish Employment Minister Celestino Corbacho, whose country holds the rotating EU presidency, was forced to concede at a meeting with his EU counterparts in Barcelona, “There is not a single country in Europe that is not worried about youth unemployment.”

One of the characteristics of growing youth unemployment and underemployment in Europe is that it is increasingly affecting better-educated layers who in the past had less problems finding adequate work. Growing numbers of youth with apprenticeships or university education are unable to find proper jobs. As a result many highly qualified graduates are either condemned to unemployment or employed in jobs for which they are overqualified and very poorly paid.

European officials are aware that the lack of proper work prospects played a key role in the riots by young people and students throughout Greece in December 2008. There is now the fear that such rebellions could be repeated in other countries as the situation worsens for educated and qualified young people.

Expressing his concerns at such a development, the secretary of the European Confederation of Unions, Joel Decaillon, noted that there was a “paradox” between the large numbers of well-educated European youths who “find themselves in jobs which have no relation to their training.”

“This is not good for the future of society. It represents a slide among the middle classes towards poverty,” Decaillon told the French news agency AFP.

On behalf of employers, Jose Isaias, the head of the Spanish delegation at Europe’s largest employers’ association BusinessEurope, sought to put the blame on universities that were producing graduates with far too much education and knowledge. There was a mismatch between the skills of young people and the needs of the labour market, he noted. “We must ask ourselves if what is being produced at universities has any connection to reality,” Isiais told AFP.

Germany, Europe’s largest economy, also saw unemployment grow in December, despite the fact that the government has gone to considerable lengths to postpone mass redundancies. The German cabinet has already extended its so-called “short-term” work program, but the program is due to run out later this year. In May 2009, the German Employment Agency estimated the total number of short-time workers at 1.5 million. This figure is due to fall by around a million by the end of 2010, forcing an additional million workers to seek new employment. The official rate of unemployment in Germany is already 8.1 percent, i.e., 3.43 million.

Major German companies have recently announced plans for large-scale job cuts. Last week, the engineering giant Siemens announced it would be axing 2,000 jobs in Germany. This, despite the fact that Siemens recorded a 25 percent increase in its profit margins (€1.5 billion) for the last quarter of 2009. Siemens has already slashed its workforce by 18,000 since the middle of 2008.

Following the closure of its plant in Antwerp, the GM-Opel Company in Europe is also due to announce plans for massive job reductions at other plants, particularly Opel factories in Germany. German press reports over the weekend speculated that the entire company could be wound down in the near future with the loss of all of its jobs in Europe.

Economists are agreed that unemployment in Europe will inevitably rise during the coming year as governments across the continent withdraw their massive stimulus packages for the rescue of the banks and big business.

Noting that increasing unemployment and slumping consumer demand would in turn unleash further depressive pressures on the European economy, Juergen Michels of Citigroup Inc. in London declared. “We’ll probably see further gains in unemployment over the coming months, with the jobless rate peaking at 10.7 percent in the second half.... That’s obviously bad news to consumers, which will be hurt by job cuts, lower wage growth and rising energy costs.”

Growing concerns about the European economy—combined with the threat of state bankruptcy for a series of European countries unable to repay their massive levels of debts, including Greece, Spain and Portugal—have led to a marked fall in the euro in recent days. On Friday, the euro fell below the 1.40 level against the dollar—a 7 percent decline from its November peak near $1.51 and its lowest rate since July 2009.