

A Multifaceted Crisis and the Labour Market Impact: A Comparative Perspective

Marcello SIGNORELLI *

** University of Perugia, Italy; signorel@unipg.it*

A growing body of economic literature investigates the labour market impact of financial crises (e.g. Choudhry et al., 2012; Signorelli et al., 2012) and the recent ‘Great Recession’ (e.g. Marelli et al., 2012a and 2012b; O’Higgins, 2012), especially following a comparative perspective (e.g. Brada and Signorelli, 2012)¹. In fact, the labour market impact of the 2007–8 financial crisis and the 2008–9 Great Recession has been remarkable in some developed economies, with a higher persistence of a double-digit unemployment rate being witnessed in several European countries. In particular, the impact is currently (and is expected to be) very high and persistent in some Eurozone countries (see Table A1 in the Appendix), where more or less severe sovereign debt crises have been accompanied by prolonged or new recessions, also due to restrictive fiscal adjustments.

It should be noted that the real-world situation and the dynamics therein have driven a significant—but thus far insufficient—scientific debate on several key topics: (i) the introduction or improvement of national and international regulatory instruments by which to preclude the occurrence of financial crises, which seem to produce additional negative (systemic and labour) effects with respect to normal recessions; (ii) the definition of better governance in the Eurozone, while also taking into account the relationship between banking and sovereign debt crises, and while allowing the European Central Bank a new role as an active policy-maker; (iii) the enhancement of institutions and economic (macro and labour) policies by which to reduce the size and duration of the impact of financial crises and recessions on the labour markets; and (iv) the reinforcement of the key factors that favour economic growth in developed and ‘mature’ countries.

In other words, the undertaking of further theoretical and empirical scientific research and the capturing of results are of key importance to understanding the structural and dynamic characters of the ‘multifaceted crisis’ that is affecting several developed economies; this is needed, to better define the concrete (i.e. international, national, and regional) policy measures and governance reforms that can counteract medium-to-long-term (absolute or relative) economic decline, defend ‘quality of life’ and the sustainability of welfare systems, and permit adequate labour market performance.

In particular, several types of economic crises (e.g. sovereign debt, banking, employment,

growth) are currently affecting—in a variety of ways and through complex interactions—many Eurozone countries, prompting the search for innovative European policies and forward-looking governance reform. The United States, where the crisis first started in 2007 and exploded in September 2008, was able to limit the size and persistence of the labour market impact with respect to the Eurozone, but it is currently trying to find solutions to its own budget problems (the so-called fiscal cliff) without producing a new recession and a consequent rise in unemployment. Japan confirmed a substantially better labour market resilience to negative shocks; however, it is searching—and has been, for some time—for a new growth path, after two decades of substantial economic stagnation. Finally, it should be noted that in a global context, the real economic growth of developed countries is increasingly dependent on the development trends of emerging economies (especially those of the two ‘giants’, China and India), and vice versa (e.g. Hölscher et al., 2010; Marelli and Signorelli, 2011).

Theoretical and empirical research that follows a comparative economics perspective² seems particularly promising in investigating the complexities of globalization (e.g. Mizobata, 2012; Kim, 2012; Iwasaki and Suzuki, 2012). In fact, several factors (e.g. institutional, economic, and social) play a crucial and evolving role, interacting with one another and with specific characteristics of various countries; investigations into these interactions will assist in designing more appropriate policies at various levels of government (i.e. global, European, national, regional, and local). The policy-makers of developed economies (especially of the Eurozone, but also of Japan and the United States, among others) are making, in this phase of economic history, key decisions that will significantly impinge on their future economic conditions. Those conditions include a solution not only vis-à-vis the current crises, but also with respect to long-term economic growth, significant consequences for labour-market performance, and general welfare. As a consequence, policy-makers absolutely need more reliable data, points of reference, and scientific results from social scientists, especially economists. The prominent literature on the economics of transition—which has been developed in many regions of the world, but has especially flourished in Europe following the fall of the Berlin Wall (e.g. Marelli and Signorelli, 2010; Mizobata, 2012)—demonstrates that it is in turbulent times that comparative economics approaches and instruments are remarkably fruitful in producing new scientific advances and valuable suggestions that are of particular utility to policy-makers.

Notes

¹ See, for example, the special issue of *Comparative Economic Studies* (Volume 54, Issue 2, June 2012) on ‘The Great Recession and European Labour Market Responses’.

² As for the debate on the evolution of comparative economics in recent decades, see Djankov et al. (2003), Dallago (2003), Brada (2009), and Murrell (2011).

References

- Brada, J. C. (2009) "The new comparative economics versus the old: Less is more but is it enough?," *The European Journal of Comparative Economics*, Vol. 6, No. 1.
- Brada, J. C. and Signorelli, M. (2012) "Comparing labor market performance: Some stylized facts and key findings," *Comparative Economic Studies*, Vol. 54, No. 2.
- Choudhry, M., Marelli, E. and Signorelli, M. (2012) "Youth unemployment and the impact of financial crises," *International Journal of Manpower*, Vol. 33, No. 1.
- Dallago, B. (2004) "Comparative economic systems and the new comparative economics," *The European Journal of Comparative Economics*, Vol. 1, No. 1.
- Djankov, S., Glaeser, E. L., La Porta, R., Lopez-de-Silanes, F. and Shleifer, A. (2003) "The new comparative economics," *Journal of Comparative Economics*, Vol. 31, No. 4.
- Hölscher, J., Marelli, E. and Signorelli, M. (2010) "China and India in the global economy," *Economic Systems*, Vol. 34, No. 3.
- Iwasaki, I. and Suzuki, T. (2012) "A note on recent developments in comparative economic studies," *The Journal of Comparative Economic Studies*, Vol. 7.
- Kim, B-Y. (2012) "The studies of economic systems and institutions: Some views on future directions," *The Journal of Comparative Economic Studies*, Vol. 7.
- Marelli, E. and Signorelli, M. (2010) *Economic Growth and Structural Features of Transition*, Palgrave/MacMillan, London and New York.
- Marelli, E. and Signorelli, M. (2011) "China and India: Openness, trade and effects on economic growth," *The European Journal of Comparative Economics*, Vol. 8, No. 1.
- Marelli, E., Patuelli, R. and Signorelli, M. (2012) "Regional unemployment in the EU before and after the global crisis," *Post-Communist Economies*, Vol. 24, No. 2.
- Marelli, E., Signorelli, M. and Tyrowicz, J. (2012) "Crises and joint employment-productivity dynamics: A comparative perspective for European countries," *Comparative Economic Studies*, Vol. 54, No. 2.
- Mizobata, S. (2012) "Seeking new paradigm of comparative economics: Beyond economics of transition," *The Journal of Comparative Economic Studies*, Vol. 7.
- Murrell, P. (2011) "The way we were: Reflections on the comparative history of comparative economics," *Comparative Economic Studies*, Vol. 53, No. 4.
- O'Higgins, N. (2012) "This time it's different? Youth labor markets during 'The Great Recession'," *Comparative Economic Studies*, Vol. 54, No. 2.

Signorelli, M., Choudhry, M. and Marelli, E. (2012) "The impact of financial crises on the female labour," *European Journal of Development Research*, Vol. 24, No. 3.

Appendix

Table A1. Unemployment rates (Eurostat definition)

Countries ^o	1998-02	2003-07	2008	2009	2010	2011	2012*	2013*	2014*
Belgium	7.8	8.2	7.0	7.9	8.3	7.2	7.5	7.7	7.8
Germany	8.5	10.1	7.5	7.8	7.1	5.9	5.5	5.6	5.5
Estonia	11.4	7.6	5.5	13.8	16.9	12.5	10.5	9.8	9.0
Ireland	5.1	4.5	6.3	11.9	13.7	14.4	14.8	14.7	14.2
Greece	11.1	9.5	7.7	9.5	12.6	17.7	23.6	24.0	22.2
Spain	12.5	9.7	11.3	18.0	20.1	21.7	25.1	26.6	26.1
France	9.3	9.0	7.8	9.5	9.7	9.6	10.2	10.7	10.7
Italy	9.9	7.4	6.7	7.8	8.4	8.4	10.6	11.5	11.8
Cyprus	3.9	4.6	3.8	5.5	6.4	7.9	12.1	13.1	13.9
Luxembourg	2.4	4.4	4.9	5.1	4.6	4.8	5.4	6.4	6.4
Malta	7.1	7.1	6.0	6.9	6.9	6.5	6.3	6.3	6.2
Netherlands	3.3	4.5	3.1	3.7	4.5	4.4	5.4	6.1	6.2
Austria	4.0	4.7	3.8	4.8	4.4	4.2	4.5	4.7	4.2
Portugal	5.1	8.1	8.5	10.6	12.0	12.9	15.5	16.4	15.9
Slovenia	6.8	6.1	4.4	5.9	7.3	8.2	8.5	9.3	9.6
Slovakia	17.3	15.4	9.6	12.1	14.5	13.6	13.5	13.5	13.1
Finland	9.9	8.2	6.4	8.2	8.4	7.8	7.9	8.1	8.0
<i>Euro area</i>	9.0	8.7	7.6	9.6	10.1	10.1	11.3	11.8	11.7
Bulgaria	16.5	10.4	5.6	6.8	10.3	11.3	12.7	12.7	12.5
Czech Republic	7.8	7.3	4.4	6.7	7.3	6.7	7.0	7.3	7.1
Denmark	4.7	4.7	3.4	6.0	7.5	7.6	7.7	7.7	7.6
Latvia	13.5	9.2	8.0	18.2	19.8	16.2	15.2	14.3	12.7
Lithuania	15.1	8.4	5.8	13.7	17.8	15.4	13.5	12.4	10.9
Hungary	6.6	6.8	7.8	10.0	11.2	10.9	10.8	10.8	10.6
Poland	15.6	16.0	7.1	8.2	9.6	9.7	10.1	10.5	10.3
Romania	6.5	7.1	5.8	6.9	7.3	7.4	7.4	7.3	7.3
Sweden	6.5	7.0	6.2	8.3	8.4	7.5	7.5	7.4	6.9
United Kingdom	5.5	5.0	5.6	7.6	7.8	8.0	7.9	8.0	7.8
<i>European Union</i>	8.7	8.6	7.1	9.0	9.7	9.7	10.5	10.9	10.7
USA	4.7	5.2	5.8	9.3	9.6	8.9	8.2	7.9	7.5
Japan	4.8	4.5	4.0	5.1	5.1	4.6	4.8	4.7	4.6

Source: European Economic Forecast (Autumn 2012). * Forecast. ^o "PIGS" in bold.