

Tackling unemployment: cyclical factors, structural shifts and policy implications

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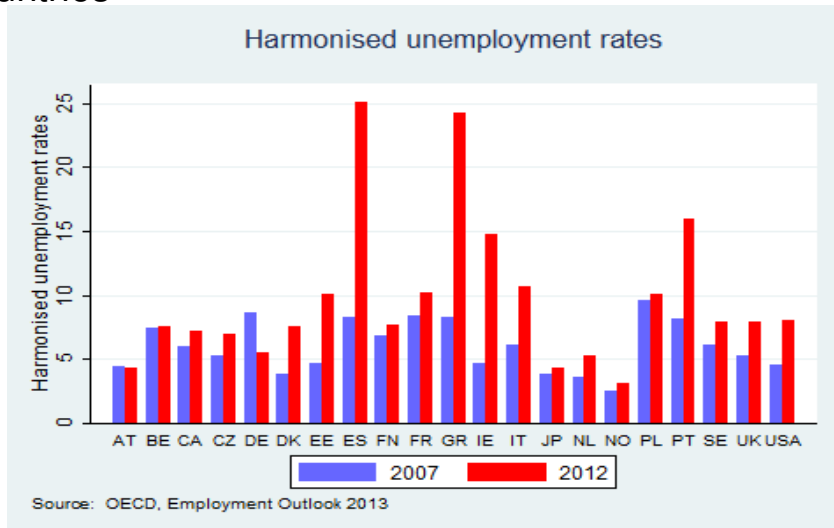
Bank of Greece

ELIAMEP Crisis Observatory 1st Annual Conference
Athens, 13 Dec 2013

Outline

- 1 Cross-country unemployment developments
- 2 Focus on Greece
- 3 Institutions
- 4 Competitiveness
- 5 Trust
- 6 Going forward

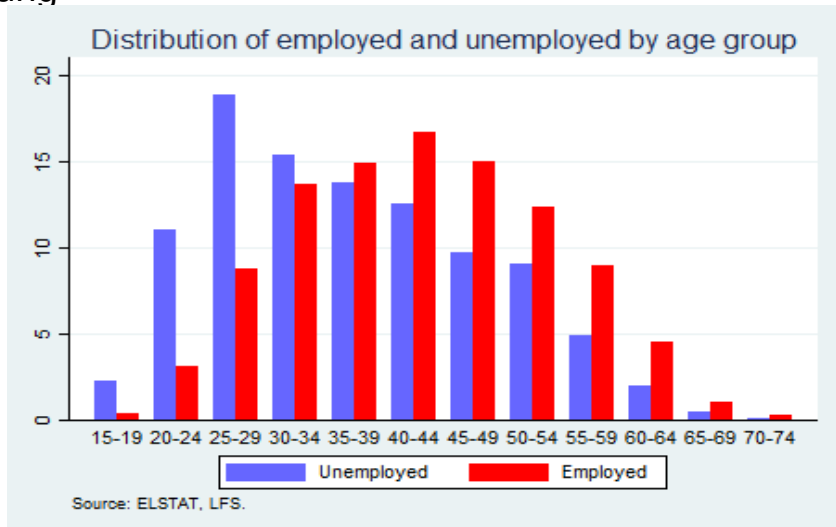
The unemployment rate increased in most advanced countries



Youth have suffered most

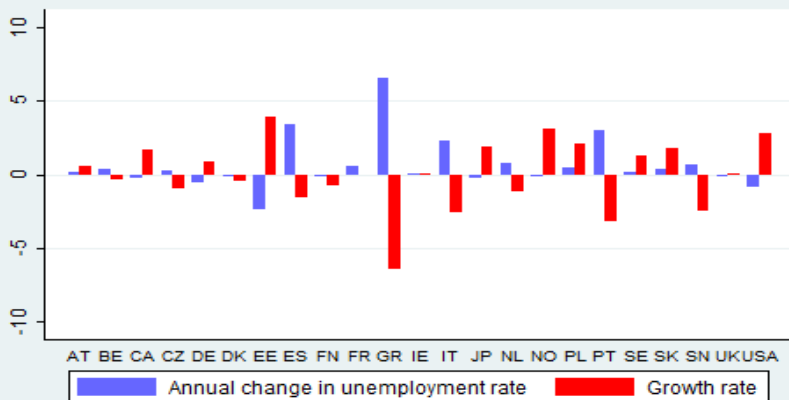


Disproportionate share of unemployed amongst the young



In a few countries unemployment continues increasing despite positive growth rates

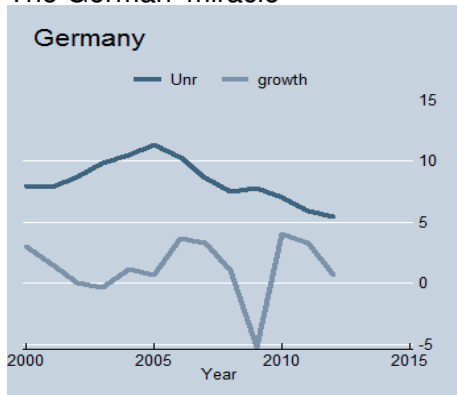
Change in unemployment rate and growth rates in 2012



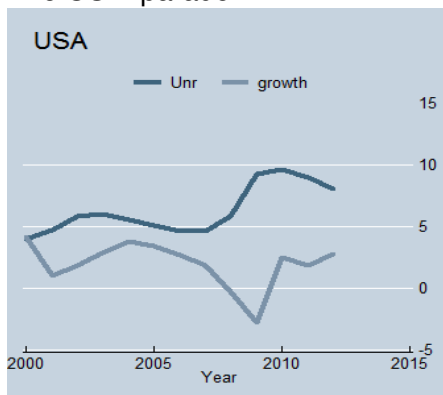
Source: OECD, Economic Outlook 2013

Contrasting developments

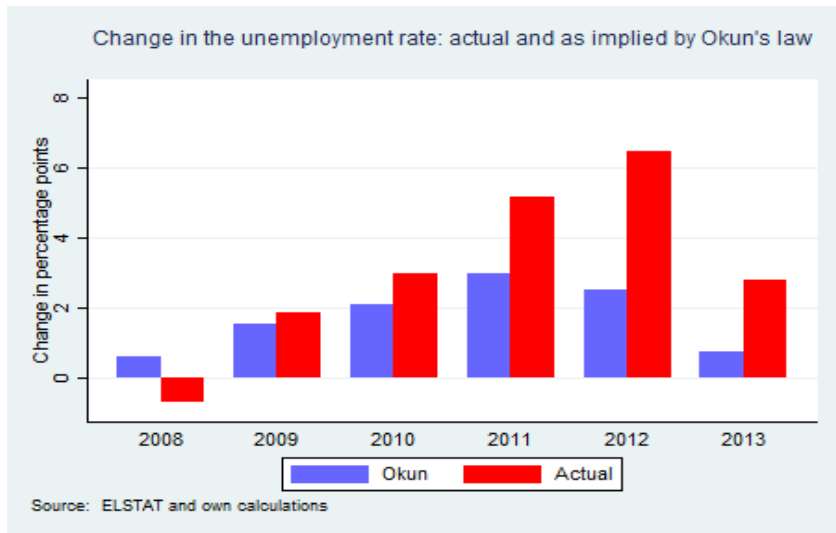
The German 'miracle'



The USA 'paradox'



Changes in the unemployment rate: actual and implied



The overreaction was expected

Table: Possible ways to to contain operating costs in the event of a permanent demand shock (% of firms)

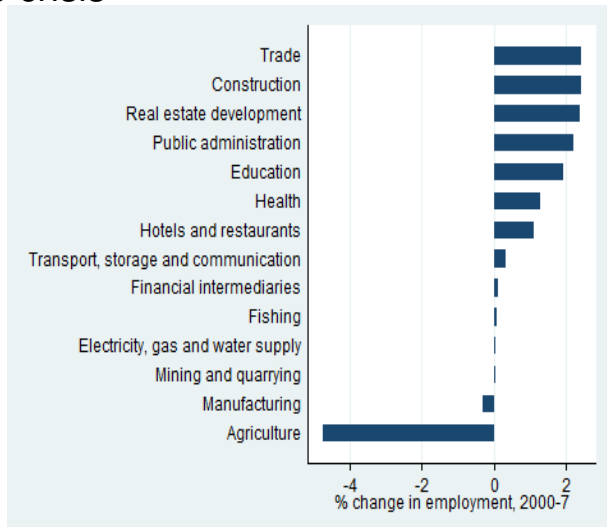
Procedure	Unskilled	Skilled
Employment reduction- indefinite contracts	25.6	21.3
Employment reduction - fixed-term contracts	21.9	10.0
Freezing wages or contained wage increases	22.1	25.4
Working time adjustment	18.9	22.1
Reduction of flexible labour cost	10.1	17.2
Reduction of other operating costs	1.4	4.0
	100.0	100.0

Source: BoG WDN Survey data

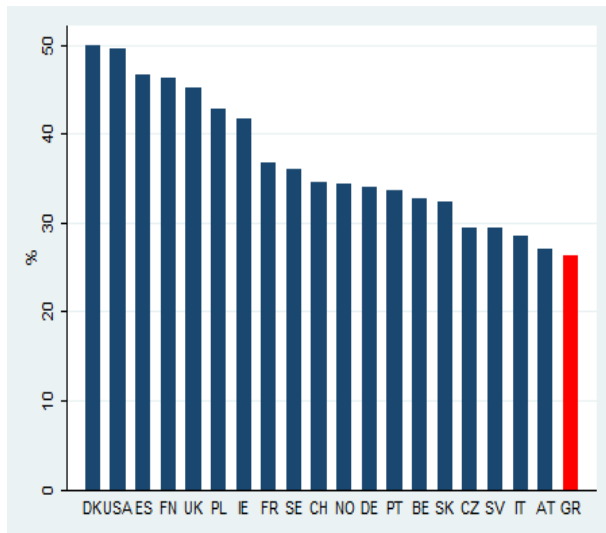
Not enough attention was paid to the deterioration in competitiveness



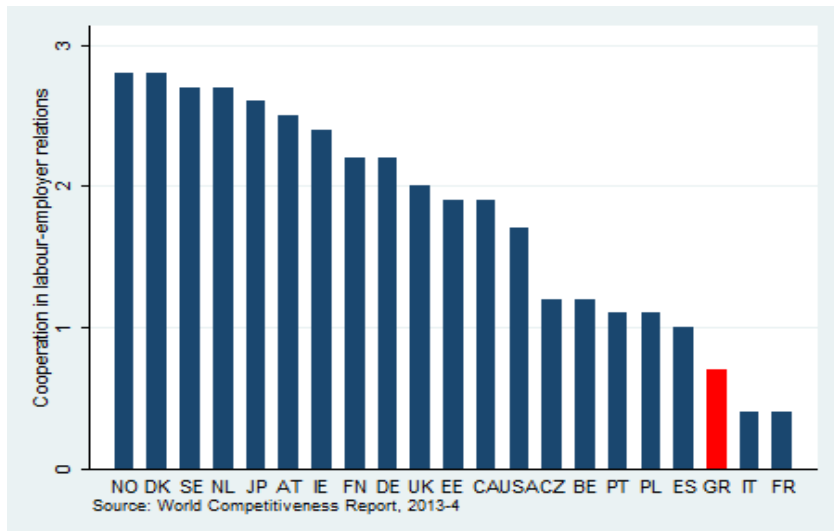
Non-tradables expanded more than tradables prior to the crisis



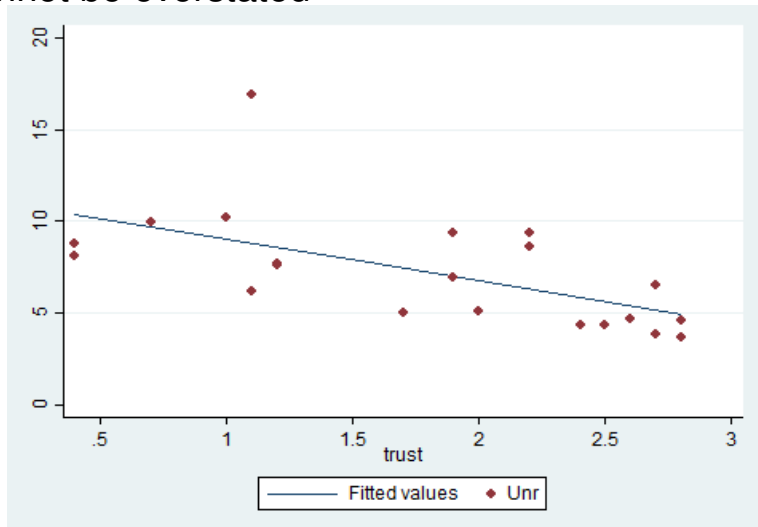
Worker reallocation between firms is low in Greece



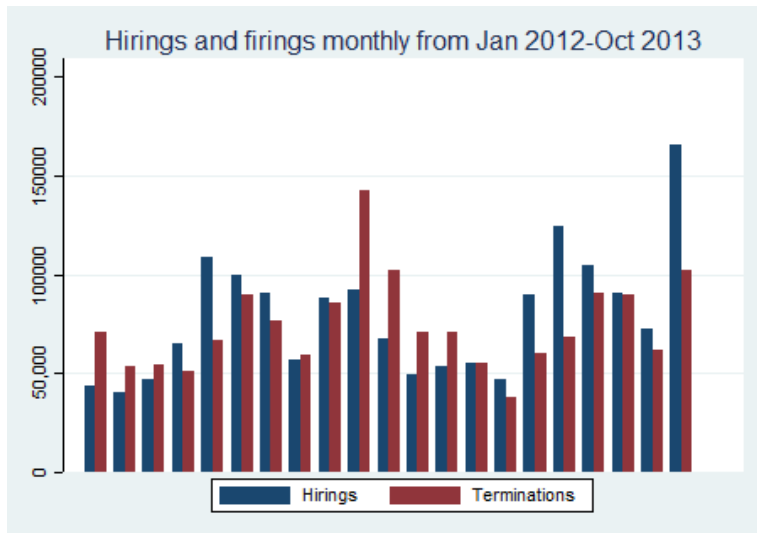
Greece ranks low in trust rankings



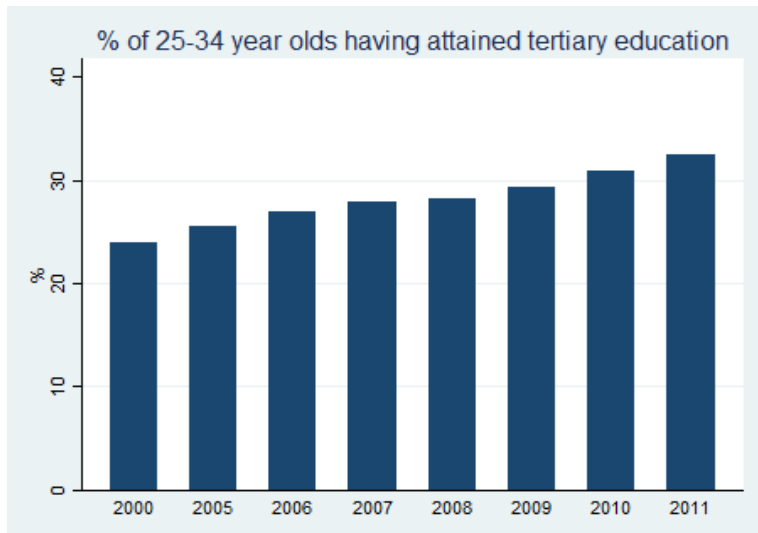
The importance of trust between the social partners cannot be overstated



Hirings have picked up



Strong upward trends in human capital accumulation



Thank you

...for your attention