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## **Labour Market Monitor 2013**

**A Europe-wide Labour Market Monitoring  
System Updated Annually  
(Executive Summary)**

**Silvia Haas, Ulrike Huemer, Helmut Mahringer**

**March 2014**



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## **A Europe-wide Labour Market Monitoring System Updated Annually (Executive Summary)**

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Austrian Institute of Economic Research

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### **Abstract**

The report is an update of a set of labour market indices first developed and tested in 2010 in collaboration with experts of the Vienna Chamber of Labour (AK). The Austrian labour market is examined relative to the other 27 EU countries according to the following key dimensions: overall labour market performance, participation of different groups of people, exclusion risks on the labour market, distribution of earnings and redistribution by the welfare state. The present report summarises the current results of the five dimensions and contains a cartographic overview.

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## 1. Introduction

The assessment of the labour market situation in the European Union is often carried out by Eurostat on the basis of a few regularly updated key indicators. In particular much emphasis is placed on the unemployment rate. However, focusing on a single indicator captures only a certain aspect of the labour market. Employment opportunities and national labour markets are diverse. Against this background, the Vienna Chamber of Labour (AK) aims to more closely examine a broader spectrum of labour market issues within a European context. In 2010, in collaboration with WIFO, a team of AK experts identified five key labour market dimensions:

1. Overall labour market performance
2. Participation
3. Exclusion risks on the labour market
4. Distribution of earnings
5. Redistribution by the Welfare State

Based on a series of indicators, an index was created for each of these five dimensions and applied to all EU member countries. The labour market monitor therefore consists of five separate indices (dimensions). Each index can have a value between 1 and 10, with 10 representing the best and 1 the worst possible outcome. Per index, the countries are sorted in ascending order based on the point value of their score in the index achieved and then categorized into groups. In a first variant, four equally performing groups of countries are shown: the "top" field, the "upper middle" field, the "lower middle" field and the "bottom" field. In a second variant, those countries are grouped together whose point values lie close together while displaying a marked difference to the neighbouring group.

The labour market monitor should represent a monitoring system that condenses significant aspects of labour market development from a multitude of indicators. Indicators that are comparable and regularly available throughout Europe are used. This facilitates regular updates of these indices and allows for monitoring over time. The present edition represents the third update of the labour market monitor.

The advantage of this set of instruments lies in the

- bundling of complex economic, political and social contexts into a few index values,
- comparability of national conditions, which can also be used for benchmarking,
- regular and fast updates,
- creation of a descriptive overview that can serve as a starting point for more in-depth analysis.

The generation of indices, however, also represents a tightrope walk between the need to transform the multidimensional complexity of the labour market into a single metric on the one hand and the aim to ensure the transparency and usability of the information subsumed

on the other hand. There is a danger of misinterpretation which we aim to counteract through the application of transparent methodology and the documentation of data and methods. The focus on country groups and the separate representation of five aspects of the labour market should increase the amount of information and prevent false interpretation.

## **2. Labour market monitoring with the labour market monitor**

A total of 58 indicators are represented in the labour market monitor and its five dimensions. Content related considerations, as well as the aspects of regular availability and comparability of data determined the selection of indicators. The labour market monitor is mainly based on data from Eurostat (EU-LFS and EU-SILC) and always uses the most recent data – in the 2013 labour market monitor these were primarily data from the years 2012 and 2011. However, not all indicators are as quickly and completely available as others. Where the most recent data for individual countries are missing, data from the previous year are used. If this information is also missing, the country in question is left out of the calculation.<sup>1</sup> For the first time, Croatia has been included in the calculation of the Labour Market Monitor as the 28<sup>th</sup> member of the EU.

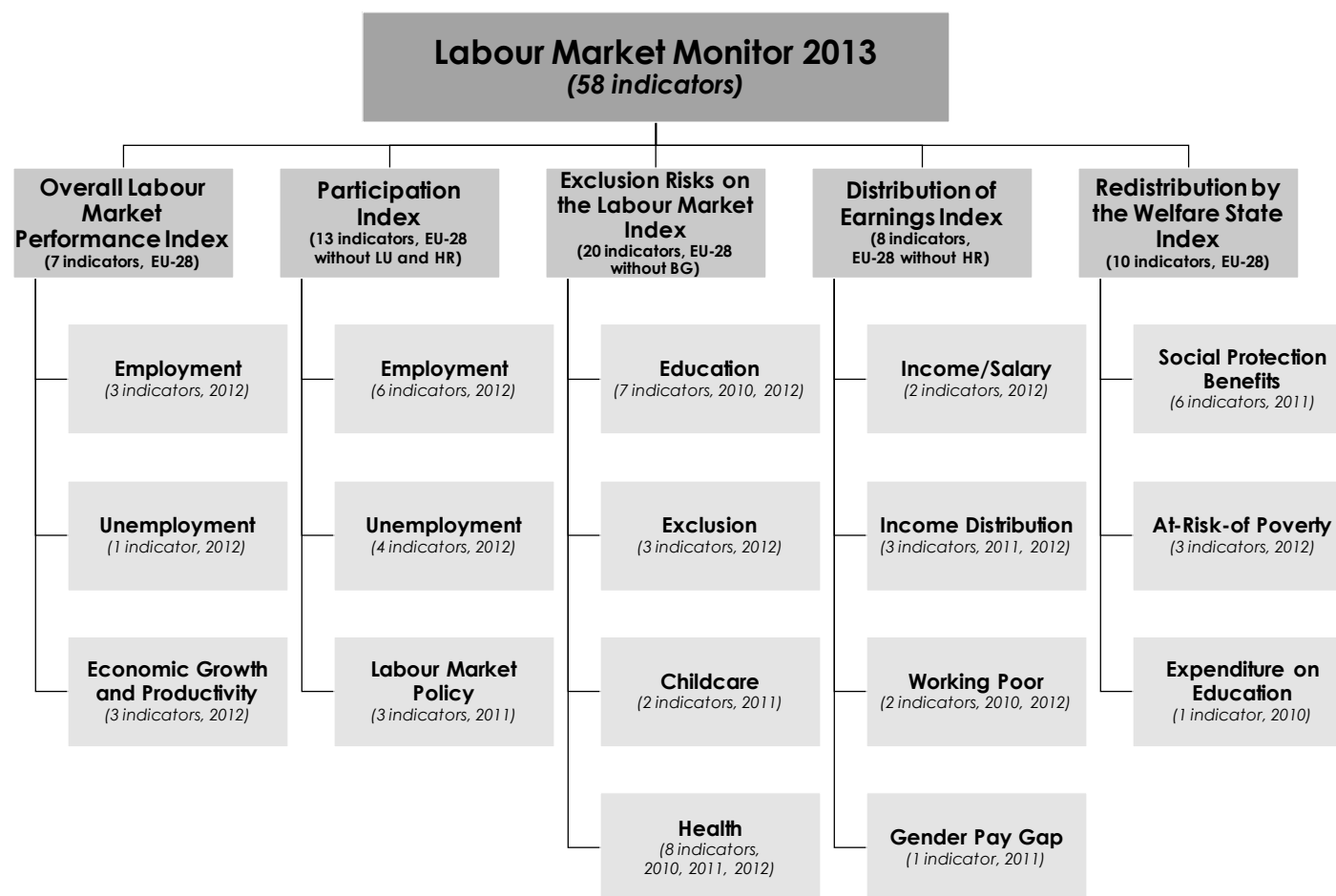
### **2.1 The five dimensions**

The first two dimensions reflect general aspects of the labour market and are measured based on seven respectively 13 indicators. Dimension (1), "overall performance", refers to the labour market in the context of the overall economic situation of a country based on key indicators, such as the employment rate. Dimension (2), "participation", captures the extent to which different groups of people (e.g. young and old, women and men) are integrated into the labour market. The third dimension (3), "exclusion risks on the labour market", should capture the capacity of a country to enable fair access to the labour market; here, an important role is undoubtedly played by the level of education and the availability of care infrastructure, and 20 indicators are used in this dimension. The fourth (4) and fifth (5) dimensions mainly reflect differences in earnings and Welfare State activities within the European Union: dimension (4) shows the "distribution of earnings" based on eight indicators; dimension (5) "redistribution by the Welfare State" uses ten indicators to measure the effectiveness of state interventions.

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<sup>1</sup> In the Labour Market Monitor 2013 this applied to Luxembourg and Croatia in dimension 2 "Participation index" (in the case of Luxembourg data on the unemployment of older persons were missing, in the case of Croatia data on the active labour market policy were missing), as well as to Bulgaria in dimensions 3 "Exclusion risks on the labour market index" (no data were available on part-time employment due to care duties) and to Croatia in dimensions 4 "Distribution of earnings index" (missing values on gross wages and salaries in terms of purchasing power standards and taxes on labour).

Figure 1: Structure of the Labour Market Monitor 2013 – dimensions and sub-dimensions



Source: WIFO.

## 2.2 Index methodology

The calculation of the five dimensions is based on standard methods of index construction (see Haas *et al.* 2010, p. 15ff). This involves a five-step process. In a first step, the indicators, which are in part measured in different units (e.g. Euros, percentage shares) are normalized. In a second step, the standardized indicators are transformed on a scale of 1 (worst value) to 10 (best value). In a third step, the indicators are weighted (on the basis of their standard deviation), thus making sure that indicators with a higher variation are not represented disproportionately higher or exert a higher influence on the overall index. In a fourth step, the values gained for each index in steps 1 to 3 are added together and once again normalized and transformed. In this way, the different country and dimension indicators of the Labour Market Monitor are condensed into one index figure.

Figure 2: Multi-step calculation process for the five indices



Source: WIFO.

Finally, a sensitivity analysis is applied to test the robustness of our results and compares the performance of the index to alternative configurations (change of weighting of indicators or the composition of indicators per index). This model proves highly robust with respect to the different weighting variations and selection of indicators.

The following points must be taken into consideration when interpreting the indices: despite a comprehensive selection process of figures, an index can never completely capture all national differences and country-specific institutional contexts. Thus, the results are to be understood as an approximation of a labour market country pattern.

## 3 Results of the Labour Market Monitor 2013

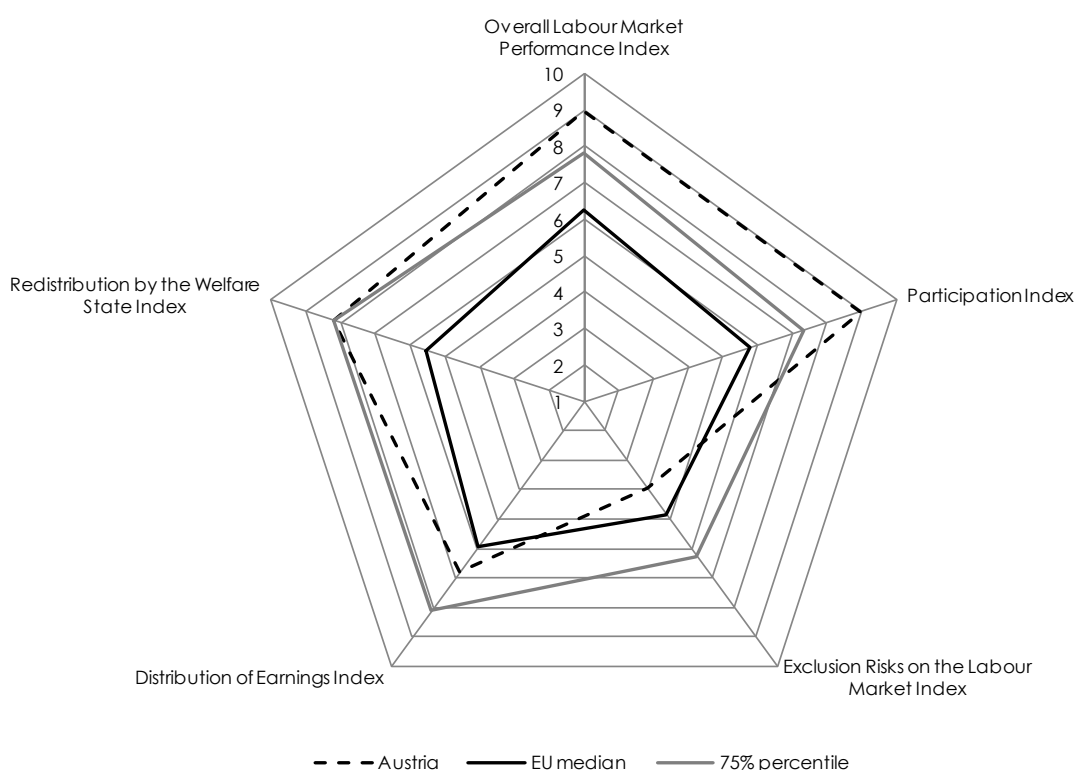
Across all dimensions, small EU countries, especially Nordic Member States, tend to assume a leading position, whereas Southern European States and many of the new Member States tend to be located at the lower end of the distribution. Compared to the previous year, the distance between the last and the second-last country increased in all five dimensions<sup>2</sup>. At the same time, the standard deviation of the distribution of the point values is much lower in all dimensions of the labour market in this year's update, which means lower country heterogeneity for the current year.

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<sup>2</sup> The greater gap (expressed in index point values) implies that either the indicators of the lowest ranked country have worsened relative to the other EU Member States or the indicators of the other EU Member States have improved relative to the lowest-ranked country.

The Austrian's labour market position is above EU average in four of the five key dimensions. In two out of five dimensions Austria ranked among the top countries in the European Union: in dimension 1, "overall labour market performance", and dimension 2, "participation". In the previous year (revised annual values), Austria achieved point values beyond the 75% percentile in three out of five dimensions. Austria moves down from top position to upper middle in dimension 5 "distribution by the Welfare State". Austria also assumes an upper middle position as far as the distribution of earnings (dimension 4) is concerned, achieving a point value above the European arithmetic mean and median, but below the 75% percentile.

Figure 3: Overview of the results of the five dimensions



Source: Eurostat, WIFO calculations.

Austria ranks relatively low within the EU in the category "exclusion risks on the labour market" (dimension 3). Taking 18<sup>th</sup> place, Austria was only able to achieve a position in the lower middle field.

### 3.1 Dimension 1 – Overall labour market performance

The first dimension, "overall labour market performance", comprises seven indicators representing the labour market performance of a country in the context of its overall economic performance. These indicators reflect the following aspects:

- extent of employment of the working-age population and the recent development of the demand for labour (employment rate in full-time equivalents and employment growth compared to the previous year),
- the current level of unemployment (unemployment rate) and
- the economic performance of a country (economic growth and productivity: real GDP per capita – absolute value in Euros and development over time, as well as labour productivity per person employed).

Luxembourg once again achieves the maximum value of the dimension for overall performance of the labour market, followed by small states and Germany: Sweden, Austria, Germany, Denmark, Finland and the Netherlands. The three top ranked countries, Luxembourg, Sweden and Austria, owe their positions to different strengths. Sweden assumes first place in the sub-dimension of employment, Austria ranks first in the sub-dimension of unemployment and Luxembourg is the forerunner in the third sub-dimension of growth and productivity. With the exception of real GDP per capita growth, Austria assumes a top position on all individual measures.

Following these seven European countries at the top, United Kingdom, Estonia, Czech Republic, Belgium, Lithuania, France and Latvia are categorized as “upper middle”, with partly diverging strengths and weaknesses. Slovenia, Malta, Ireland, Slovakia, Romania, Poland and Cyprus are categorized as “lower middle” – all of them new Member States, with the exception of Ireland. Far behind the leaders, scoring below the 25% percentile in the dimension “overall labour market performance” we find Italy, Hungary, Bulgaria, Portugal, Spain, Croatia and Greece. All of them southern European member countries or new Member States which score at the bottom edge of the distribution.

### *3.1.1 Change compared to the previous annual results*

There has been a relatively high volatility in the categorization of countries compared to the previous year<sup>3</sup>, with only the top field remaining unchanged. Croatia, which has been included in the Labour Market Monitor 2013 for the first time, joined the worst-performing countries. Italy and Portugal moved from “lower middle” to “bottom”. At the same time, Latvia and Lithuania were able to move up from “bottom” to “upper middle” and Romania from “bottom” to “lower middle”. Latvia mainly owes its rise (improvement of 11 rankings) to its favourable employment development: a drastic decline in employment in the year 2011 (-8.1%) was followed by an above-average increase in employment in 2012 (+1.6%). Lithuania and Romania were also able to improve central labour market indicators.

The southern European countries Italy, Portugal, Cyprus and Slovenia are among those which dropped in the ranking. The descent of Portugal from “lower middle” to “bottom” and Cyprus from “upper middle” to “lower middle” was due to poor results in the sub-dimensions of employment and unemployment. Neither country was able to match its performance of the

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<sup>3</sup> The revised annual results from the previous year are compared with the current values.



previous year. Italy and Slovenia, however, only marginally worsened their positions; based on their poor starting position in the year 2011, their rank displacement corresponded with a group decline. In the case of Italy, this means a decline from “lower middle” to “bottom” and in the case of Slovenia from “upper middle” to “lower middle”.

### **3.2 Results for dimension 2 – Participation**

The second dimension measures different aspects of participation. It captures the degree to which the labour market and employment system is able to integrate different groups of people. Due to unavailable data, Luxembourg and Croatia are not included in the calculation. The index comprises a total of 13 indicators, taking the following aspects into consideration:

- employment structure (employment rates of different age groups, employment gender gap, involuntary part-time work, involuntary temporary work),
- structure of unemployment and unemployment of individual groups (unemployment rate of young and old people, long-term unemployment rate and long-term unemployment rate of older persons)
- activity level of the active labour market policy (expenditures in percent of GDP, as well as in percent of GDP per percent unemployed, participation in labour market measures)

Within the European Union, Greece demonstrates the lowest capacity to integrate different groups of people into the labour market, while Denmark performs best. As in dimension 1 (overall labour market performance), small EU Member States and Germany lead the ranking. After Denmark, Sweden and Austria, the Netherlands, Finland, Belgium and Germany show the highest integration orientation in Europe.

Austria manages to assume a top position in 7 out of 13 indicators, scoring best in the table of EU countries in the three areas of prime-age employment rate (age group 25-44), involuntary temporary employment and unemployment rate of older persons (age group 55-64). However, the low unemployment rate of older persons (age group 55-64) in Austria is accompanied by a low employment rate of the same age group; this indicates that a larger share of older persons are already inactive and no longer present on the labour market compared to the situation in other EU Member States. The low employment rate of older persons is one of Austria's weaknesses, along with the relatively large gender gap (15 to 64 years old). In each of these indicators, Austria is only classified as “lower middle”.

Coming second to the leading group of EU countries, France, Slovenia, the United Kingdom, Estonia, Lithuania and Cyprus are classified as “upper middle” and Poland, the Czech Republic, Latvia, Ireland, Hungary and Portugal as “lower middle”. The countries with a comparatively weak ranking in dimension 2 consist exclusively of Southern European countries and new Member States: Romania, Malta, Bulgaria, Spain, Italy, Slovakia and Greece.

### 3.2.1 *Change compared to the previous year's results*

Compared to the previous year (revised annual values), four countries changed the category in dimension 2 – two countries moved up and two countries moved down the classification. Estonia and Lithuania each improved by three rankings, rising from “lower middle” to “upper middle”, while Poland and the Czech Republic each slipped by two positions from “upper middle” to “lower middle”.

Lithuania mainly owes its ascent to the relative improvement of its employment rate in the prime-age group and the decline in unemployment among young people and young adults (age group 15-24). However, Lithuania still performs poorly in the unemployment rate of older persons, while showing an above-average employment rate among older persons. The lowest employment gender gap can be considered as strength of the Lithuanian labour market.

Estonia was also able to improve its central labour market indicators. Of notable mention here is the decline in the unemployment rate of older persons combined with a rise in the employment rate within the same age group. In general, Estonia performed well in the sub-dimension of employment, ranking in the top field. However, one of Estonia's weaknesses remains its high long-term unemployment rate, as well as comparatively low expenditures on labour market policy.

The shift of Poland and the Czech Republic from “upper middle” to “lower middle” is mainly due to a relative deterioration in the sub-dimension of labour market policy, in which all three single indicators worsened.

## **3.3 Results for dimension 3 – Exclusion risks on the labour market**

The “exclusion risks on the labour market” dimension deals more specifically with those factors outside the labour market which directly influence the employment and earnings opportunities:

- education,
- health and
- individual care obligations.

These are main determinants of labour market opportunities. Altogether, the index can be disaggregated into a total of 20 indicators on categories of participation in education, exclusion<sup>4</sup>, child care and health. Due to missing values, the index could not be calculated for Bulgaria again. New additions to the calculation, however, are Croatia and Estonia, which were not included in the Labour Market Monitor in 2012.

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<sup>4</sup> The sub-dimension “exclusion” consists of three indicators, which reflect individual care duties (share of inactive persons due to care responsibilities, share of part-time employment due to care responsibilities) as well as the extent of inactivity.

In the European Union the access to the labour market and the chances of remaining employed are best in the Nordic countries Sweden, Denmark and Finland. In addition to the Nordic states, the Netherlands, Luxembourg, the United Kingdom and Ireland rank in the top field.

The leading group of countries is followed by EU Member States with point values above the median and below the 75% percentile – these form the “upper middle” and encompass the countries France, Belgium, Slovenia, Cyprus, Germany and Spain. Of the countries in the “upper middle”, Spain notably shows poor performance in the dimension of education. While the Southern European countries tend to perform poorly in these three education indicators, the Eastern European countries perform best.

Below the median and above the 25% percentile of the 27 observed countries, classified as “lower middle”, we find Austria together with the Czech Republic, Estonia, Greece, Poland, Lithuania and Latvia. Austria's weaknesses include its relatively low share of persons with a completed tertiary education, the second highest share of part-time employment due to care responsibilities<sup>5</sup>, a comparably limited availability of formal child care and a relatively high incidence rate of fatal work accidents, exceeded only by Cyprus and Malta.

The composition of the bottom group – those countries with the greatest exclusion risks on the labour market – has remained the same. These include Croatia, Slovakia, Portugal, Italy, Hungary, Malta and Romania, all of which are Southern European countries or new Member States.

### *3.3.1 Change compared to the previous year's results*

Comparing the current values of dimension 3 with the (revised) previous annual values, we find that six out of 27 countries have shifted to a different group. The United Kingdom, Spain and Latvia all managed to move up in the ranking, while Cyprus, the Czech Republic and Croatia slipped down. The composition of all four groups is affected.

Four of the six countries change the classification by a very narrow margin: Spain and the Czech Republic have switched places, with Spain rising to “upper middle” and the Czech Republic dropping to “lower middle”. Latvia improved by one place, moving from “bottom” to “lower middle”, while Croatia slipped by one place from “lower middle” to “bottom”.

The United Kingdom climbed from “upper middle” to the top, although it was unable to improve its relative position in any of the sub-dimensions and even slightly worsened its standing in the sub-dimensions of education and child care. The United Kingdom owes its rise to its favourable starting position in the previous year and the descent of Cyprus from the top to the “upper middle”. Cyprus dropped significantly because of lower scores on health

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<sup>5</sup> The gender-specific indicators (see table appendix in the report) on part-time employment due to care responsibilities (for children and/or adults unable to work) show that the share of women in this group is especially high in Austria relative to the other Member States, exceeded only by the United Kingdom.

indicators like the number of healthy life years among men and women and the incidence rate of fatal work accidents.

Austria still ranks “lower middle” with respect to exclusion risks on the labour market. Austria's downward transition from 16th to 18th place has been caused by the comparatively stronger performance of countries which have caught up more rapidly. Although all education indicators in Austria improved and progress was made in the sub-dimension of exclusion, this was not enough to result in a better ranking in comparison of European countries.

### **3.4 Results of dimension 4 – Distribution of earnings**

In the fourth dimension, the level and distribution of earnings are examined in greater detail. In total, this index consists of eight indicators, with the following aspects entering the calculation:

- average level of earnings,
- functional and personal distribution of primary income (compensation of employees in percentage of GDP, income distribution quintile),
- taxes on labour as a percentage of total taxation,
- gender-specific wage differential,
- proportion of low wage earners, and
- extent of “working poor”.

With the exception of Croatia, all EU Member States are included in the calculation of dimension 4.

As in previous years, Belgium once again manages to come in first, ahead of the remaining EU Member States in this dimension. It is followed at a significant distance by a group of small EU Member States, i.e. Luxembourg, Denmark, Malta, Slovenia, Finland and Sweden. The three top-ranked countries owe their top positions to different strengths. Belgium performs well on the income and “working poor” indicators, in addition to showing a relatively low gender pay gap. Luxembourg, which places second in dimension 4, has the highest scores on the indicators “nominal wages per employee in PPS” and “compensation of employees per capita in PPS”. Denmark, the third-ranked country, tops the list of EU countries for the “compensation of employees as a percentage of GDP” measure.

Malta, Slovenia and Finland, ranking fourth to sixth, score relatively close to each other but show wide variation in their strengths. Malta has the lowest share in wage and salary-dependent taxes (measured in terms of total taxation). Slovenia shows the lowest gender pay gap in the European Union and the lowest income quintile ratio.<sup>6</sup> Finland, on the other hand, scores highest for having the lowest rate of working poor relative to other countries of the European Union.

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<sup>6</sup> In the income quintile share ratio, the total equivalised income of the upper income quintile (20% of the population with the highest equivalised income) is compared with that of the lowest income quintile (20% of the population with the lowest equivalised income).

Ireland, France, the Netherlands, the United Kingdom, Austria and Cyprus constitute the category classified as “upper middle”. Austria scores well especially in the sub-dimension of income/salary and on two individual indicators: it has a relatively low rate of working poor as compared to other European countries and a relatively low income quintile share ratio. However, Austria comes second to last after Sweden on the measure of “taxes on labour as percentage of total taxation” and second to last after Estonia for the second-highest gender pay gap in the European Union.

With only one exception (Germany), the countries ranking “lower middle” (Italy, Germany, the Czech Republic, Portugal, Hungary, Poland and Slovakia) and “bottom” (Spain, Lithuania, Bulgaria, Greece, Estonia, Latvia and Romania), either belong to the Southern European States or new Member States.

#### *3.4.1 Change compared to the previous year's results*

The group constellations in this year's update have changed only slightly compared to the previous year (revised previous annual results). Only Sweden and Ireland have switched places in the rankings and at the same time changed groups – Sweden moves up the classification from “upper middle” to “top” and Ireland's moves down from “top” to “upper middle”. Ireland slides down largely because of relative worse scores on its gender pay gap. Sweden, meanwhile, has made progress in the sub-dimensions “income/salary” and “working poor”.

### **3.5 Results for dimension 5 – Redistribution by the Welfare State**

The fifth dimension deals with questions of social welfare and levels of transfer in a country. This index encompasses a total of ten indicators:

- the extent and structure of social protection benefits (in percentage of GDP)
- expenditures on education (in percentage of GDP) and
- the results of public intervention (expressed in terms of at-risk-of-poverty rates).

Among the Member States of the European Union, a group of small countries including France has the greatest social protection and the highest level of transfer. Denmark, Finland, the Netherlands, Ireland, Belgium, Sweden and France top the table in this category. Denmark's strong performance is largely because of high scores in three expenditure-related indicators, the social protection benefits (expressed in % of GDP) related to “disability”, “family and children” and “unemployment”. Ireland and the Netherlands have top scores in the social protection benefit measure related to “illness and health care”. The Netherlands, however, performs relatively poorly in social protection benefits related to “family and children”, as does Ireland for social protection benefits related to “disability” and “old age” (in each case assuming the lowest position). The new Member States score poor with respect to social protection benefits.

The composition of the group classified as “upper middle” is quite mixed: it comprises the large EU Member States of Germany and the United Kingdom as well as the small EU Member States of Austria and Luxembourg and the new Member States of Cyprus, Slovenia and Hungary. Aside from the three states mentioned last, none of the new Member States manages to obtain a score above the median. Even the Southern European States of Italy, Portugal, Greece and Spain score far below the European median.

Austria ranks 8th and is classified as “upper middle”. While Austria achieves points at the upper edge of the distribution for social protection benefits in percentage of GDP and poverty indicators, its education expenditures in percentage of GDP were only sufficient for a comparative ranking in the upper middle field.

The bottom of the ranking for social protection and transfer are Spain, Poland, Lithuania, Estonia, Latvia, Bulgaria and Romania, with Romania and Bulgaria scoring badly across all three sub-dimensions, while other countries managed to score comparatively well in individual sub-dimensions.

### *3.5.1 Changes compared to the previous year's results*

The classification of the EU Member States into one of the four groups is relatively stable over time; only four of the 28 countries have moved up or down after a comparison based on revised data from the previous year. This change affects groups at the top and bottom of the distribution – Belgium and Slovakia shifted up the classification, Austria and Spain slipped.

Belgium managed the leap from “upper middle” into “top”, largely because of an increase in its social protections benefits as a percentage of GDP. Belgium's rise goes hand in hand with Austria's descent from “top” to “upper middle”. Austria owes this move downward to a relative worsening of its performance in both of the two expenditure-related sub-dimensions, social protections benefits and expenditure on education (each in percentage of GDP).

Starting from a favourable position in the bottom field, Slovakia changed position from “bottom” to “lower middle” (from position 22 to 21) due to an increase in spending on education and a relative improvement on indicators measuring the results of intervention, i.e. on the “risk-at-poverty” measures. Spain on the other hand slipped two rankings from “lower middle” to “bottom” (from position 20 to 22), because other EU Member States caught up more rapidly.

## **3.6 Alternative representation of results in the five dimensions**

In addition to forming four same-sized groups, countries were grouped in such a way as to maximize the similarity of scores within each group while at the same time maximizing the dissimilarity of scores between groups (with a minimum distance between groups to be 0.6 points).

In assessing the overall performance of the labour market (dimension 1) Luxembourg ranked at the top of the EU Member States, far ahead of the next group of countries. At the other

end of the spectrum we find Greece, which was severely affected by the financial and economic crisis: it comes in last of all EU Member States by a large margin, far behind Croatia and Spain, a group which ranks second to last in this index. As compared to revised data from the previous year, the distance in index point values between relatively low-performing countries has increased. In other words, the differences in the measure of "overall labour market performance" have increased at the bottom of the distribution. As a result, the remaining field has moved closer together forming a large group of countries consisting of 23 EU Member States. This country group below the overall leader Luxembourg is headed by Sweden, closely followed by Austria.

In area dimension 2, the participation index, Denmark once again demonstrates the best performance. Greece assumes last place, once again the weakest of the EU Member States, and again significantly increasing its distance to the adjacent group. At a considerable distance from Greece we find a relatively sizable group of 18 countries – countries all categorized as "upper middle", "lower middle" or "bottom". Austria can be found in the second-ranked group together with Sweden, the Netherlands, Finland, Belgium and Germany. Combined with the overall leader Denmark, this group forms the top field.

Access to the labour market and chances of staying employed (exclusion risks on the labour market index, dimension 3) are best in Sweden, followed by Denmark as an independent group. At a significant distance, Denmark is followed by a group of small countries consisting of Finland, the Netherlands and Luxembourg. Here, Austria scores relatively low again and is positioned in the heavily populated fourth group consisting of 21 countries. Based on the current calculation, Romania ranks last – in contrast to the previous year, a single country and not a group of countries proves weakest in the EU.

There are changes in dimension 4, "distribution of earnings": instead of four groups (based on previous annual data) there are now eight groups, and the country groups at the edge of the distribution each consist of only one country. At the upper end we find Belgium and at the lower end Romania. Based on the latest figures, Austria and the United Kingdom form the third group.

The edges of the distribution remain unchanged in dimension 5, "redistribution by the Welfare State". Here, Denmark scores best in terms of social protection and the level of transfer, while Latvia, Bulgaria and Romania perform worst. In between, there are five large country groups. Austria belongs to the group ranked just after Denmark, the country with the highest Welfare State activity. This second best group places ahead of the following group at a considerable distance, thus putting Austria's move downward from the "top" to "upper middle" as described in chapter 3.5 into perspective.

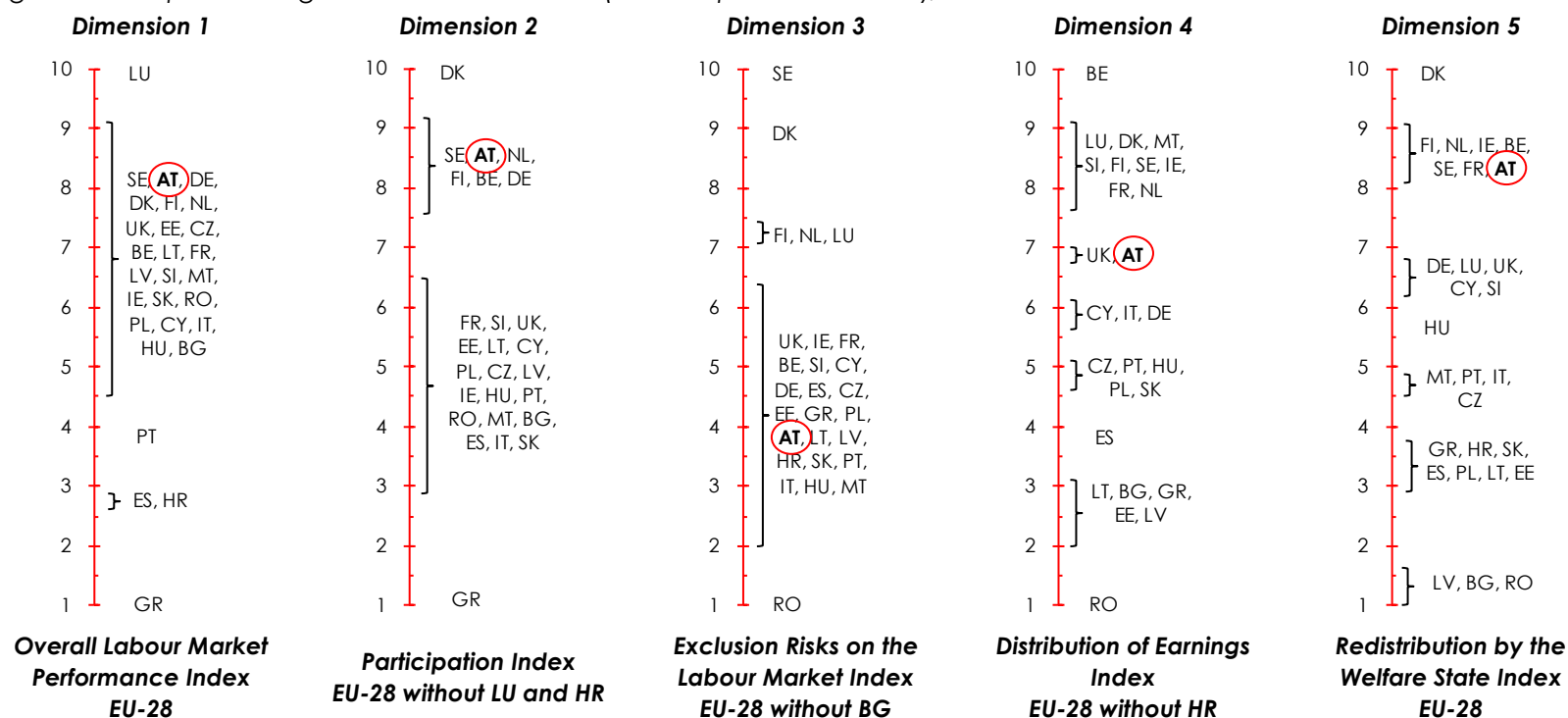
## Abbreviations EU-28

EU-28: The 28 Member States of the European Union (since 1.6.2013):

BE	Belgium
BG	Bulgaria
CZ	Czech Republic
DK	Denmark
DE	Germany
EE	Estonia
IE	Ireland
GR	Greece
ES	Spain
FR	France
HR	Croatia
IT	Italy
CY	Cyprus
LV	Latvia
LT	Lithuania
LU	Luxembourg
HU	Hungary
MT	Malta
NL	Netherlands
AT	Austria
PL	Poland
PT	Portugal
RO	Romania
SI	Slovenia
SK	Slovakia
FI	Finland
SE	Sweden
UK	United Kingdom



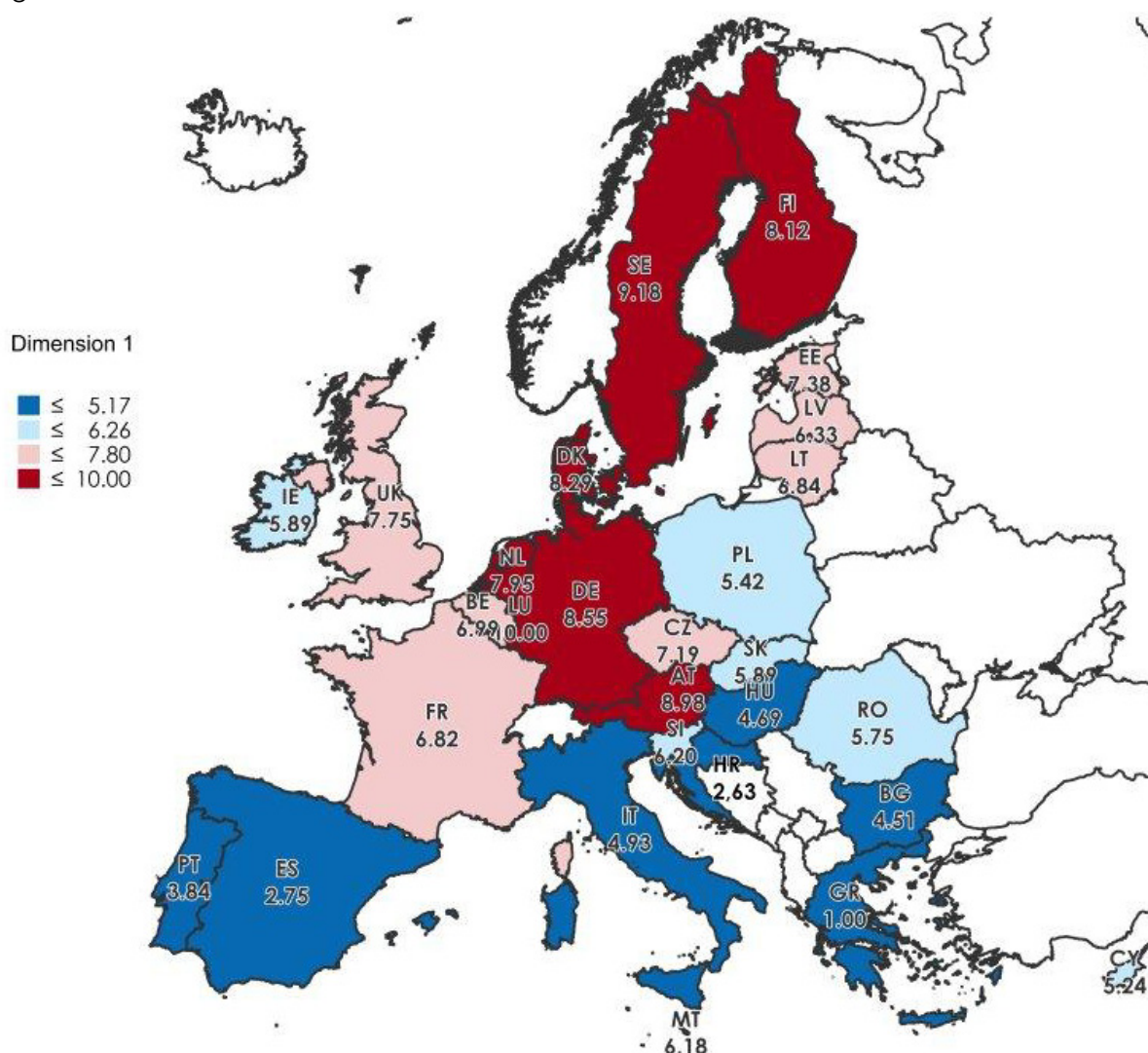
Figure 4: Grouped scaling of the five dimensions (min. 0.6 point difference), index calculation 2013



Note: The numbers on the axes represent the point values of the dimensions (for each index, 1 is the minimum and 10 the maximum value). The countries have been categorized based on differences in point values: a new group starts where the distance to the next group is at least 0.6 points. Within the groups the countries are ranked in descending order of points.

Source: Eurostat, WIFO calculations.

Figure 5: Dimension 1 – Overall Labour Market Performance Index, EU-28



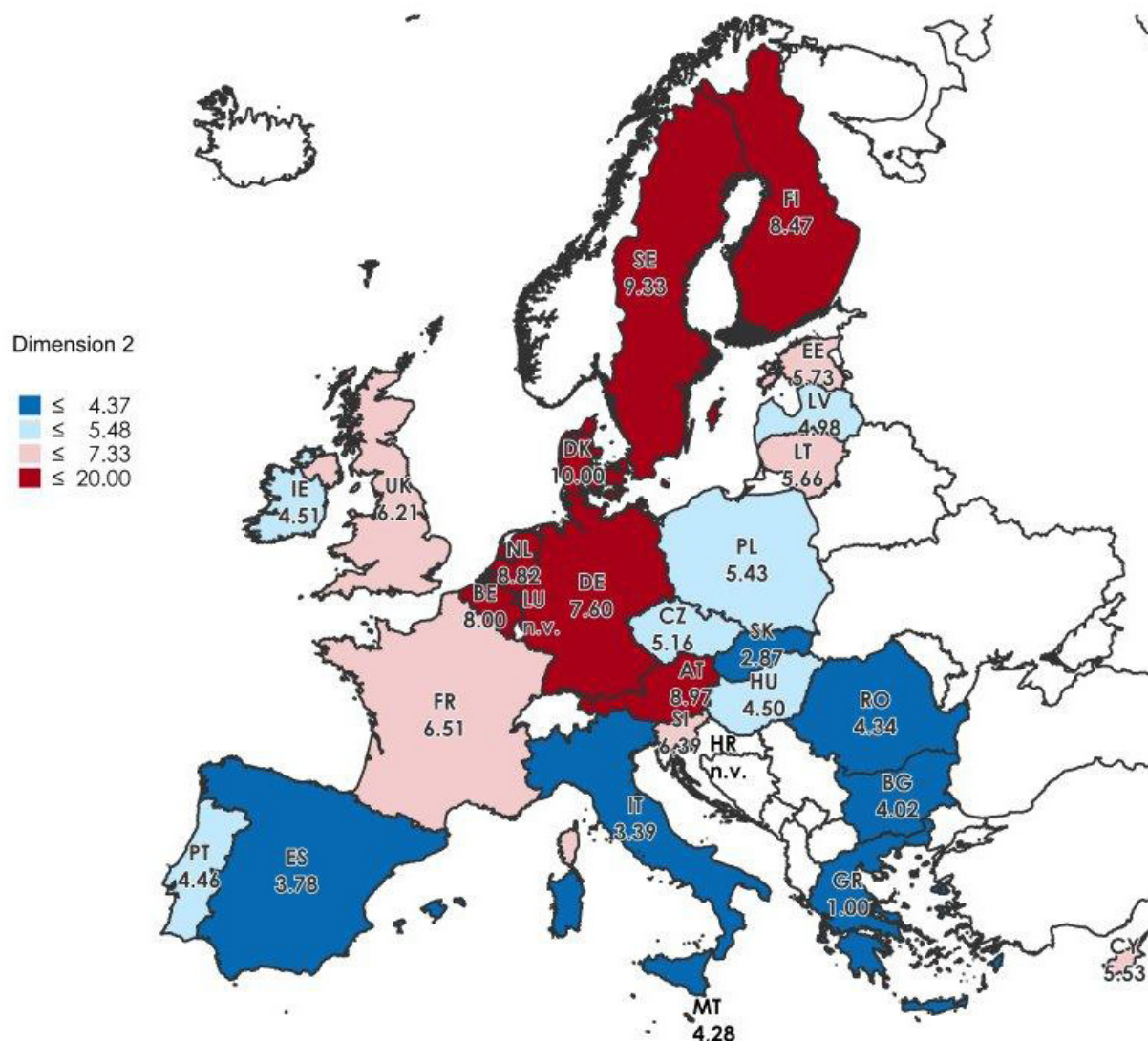
Source: Eurostat, WIFO calculations. The respective value forms the boundary to the next group: 5.17 = 25% percentile, 6.26 = 50% percentile and 7.80 = 75% percentile.

Table 1: Positioning of countries in dimension 1

		Country groups Labour Market Monitor 2013			
		Top field	Upper middle field	Lower middle field	Bottom field
Country groups Labour Market Monitor 2012	Top field	LU, SE, AT, DE, FI, DK, NL			
	Upper middle field		EE, UK, CZ, BE, FR	CY, SI ↓	
	Lower middle field		LT ↑	PL, SK, MT, IE	IT, PT ↓
	Bottom field		LV ↑	RO ↑	BG, HU, ES, HR, GR
Country groups Labour Market Monitor 2013		LU, SE, AT, DE, DK, FI, NL	UK, EE, CZ, BE, LT, FR, LV	SI, MT, IE, SK, RO, PL, CY	IT, HU, BG, PT, ES, HR, GR

Source: Eurostat, WIFO calculations. Country categorization 2012 based on updated values. Countries along the diagonal line shaded in grey have not changed the category. Countries below the diagonal line have moved down the classification and countries above the diagonal line have moved up the classification. The data from the country groups Labour Market Monitor 2013 are based on the year 2012.

Figure 6: Dimension 2 –Participation Index, EU-28 (without LU and HR)



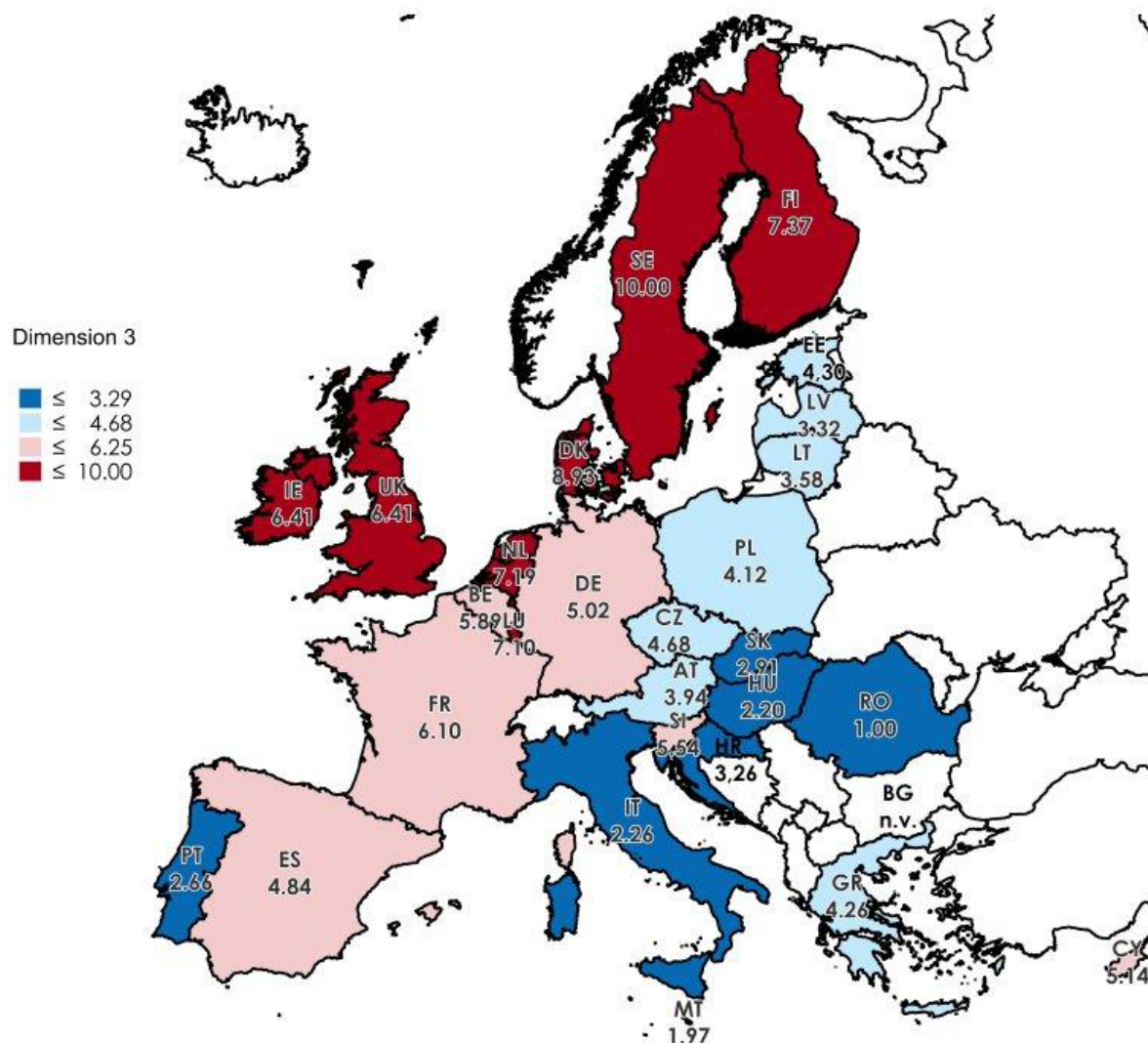
Source: Eurostat, WIFO calculations. The respective value forms the boundary to the next group: 4.37 = 25% percentile, 5.48 = 50% percentile and 7.33 = 75% percentile.

Table 2: Positioning of countries in dimension 2

		Country groups Labour Market Monitor 2013			
		Top field	Upper middle field	Lower middle field	Bottom field
Country groups Labour Market Monitor 2012	Top field	DK, NL, SE, AT, FI, BE, DE			
	Upper middle field		SI, FR, CY, UK	PL, CZ ↓	
	Lower middle field		EE, LT ↑	PT, IE, LV, HU	
	Bottom field				RO, ES, BG, MT, IT, SK, GR
Country groups Labour Market Monitor 2013		DK, SE, AT, NL, FI, BE, DE	FR, SI, UK, EE, LT, CY	PL, CZ, LV, IE, HU, PT	RO, MT, BG, ES, IT, SK, GR

Source: Eurostat, WIFO calculations. Country categorization 2012 based on updated values. Countries along the diagonal line shaded in grey have not changed the category. Countries below the diagonal line have moved down the classification and countries above the diagonal line have moved up the classification. The data from the Labour Market Monitor 2013 are based on the years 2011 and 2012.

Figure 7: Dimension 3 – Exclusion Risks on the Labour Market Index, EU-28 (without BG)



Source: Eurostat, WIFO calculations. The respective value forms the boundary to the next group: 3.29 = 25% percentile, 4.68 = 50% percentile and 6.25 = 75% percentile.

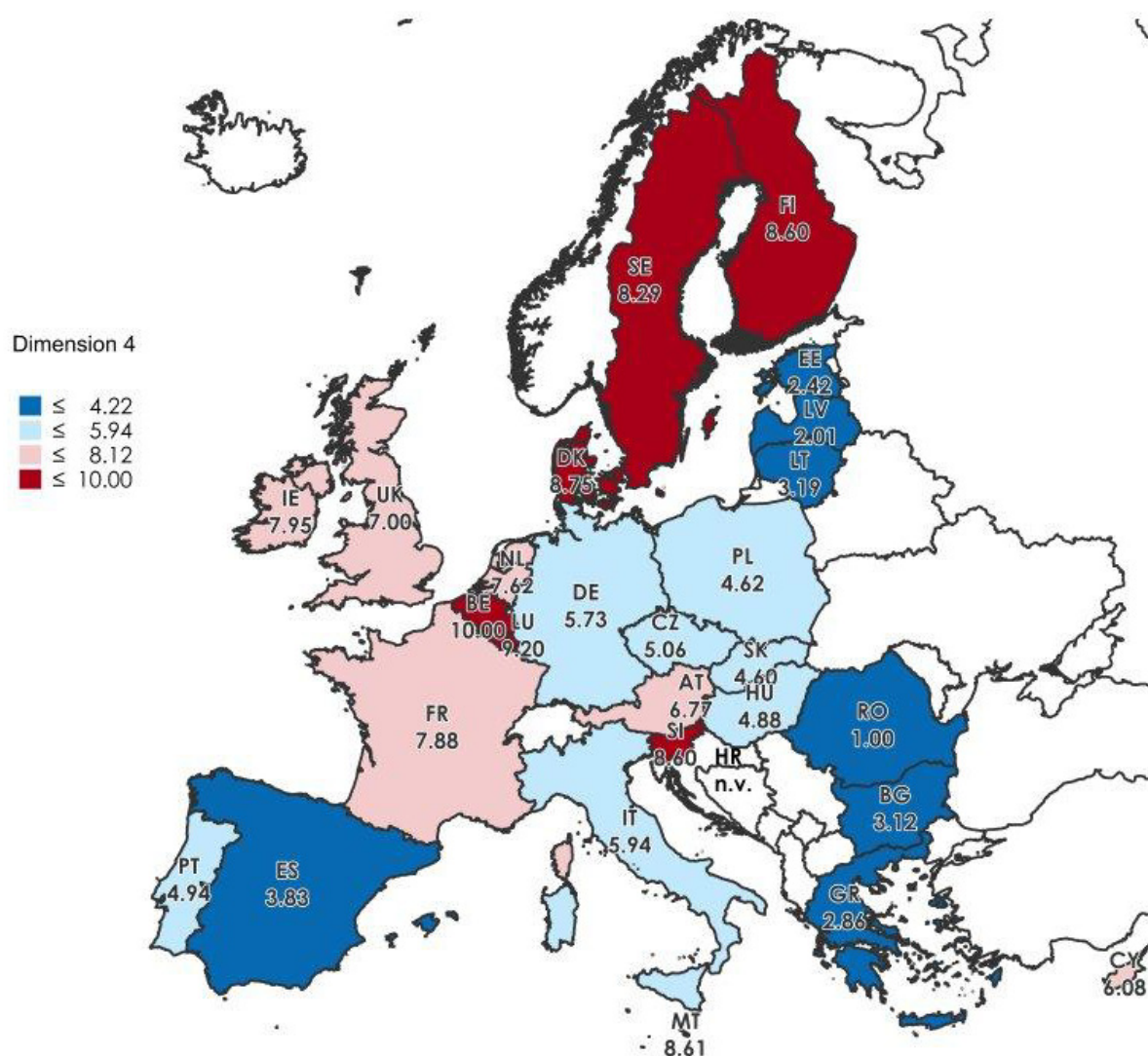
Table 3: Positioning of countries in dimension 3

		Country groups Labour Market Monitor 2013			
		Top field	Upper middle field	Lower middle field	Bottom field
Country groups Labour Market Monitor 2012	Top field	SE, DK, FI, LU, NL, IE	CY ↓		
	Upper middle field	UK ↑	SI, FR, BE, DE	CZ ↓	
	Lower middle field		ES ↑	EE, AT, GR, LT, PL	HR ↓
	Bottom field			LV ↑	SK, IT, MT, HU, PT, RO
Country groups Labour Market Monitor 2013		SE, DK, FI, NL, LU, UK, IE	FR, BE, SI, CY, DE, ES	CZ, EE, GR, PL, AT, LT, LV	HR, SK, PT, IT, HU, MT, RO

Source: Eurostat, WIFO calculations. Country categorization 2012 based on updated values. Countries along the diagonal line shaded in grey have not changed the category. Countries below the diagonal line have moved down the classification and countries above the diagonal line have moved up the classification. The data from the Labour Market Monitor 2013 are based on the years 2011 and 2012.



Figure 8: Dimension 4 – Distribution of Earnings Index, EU-28 (without HR)



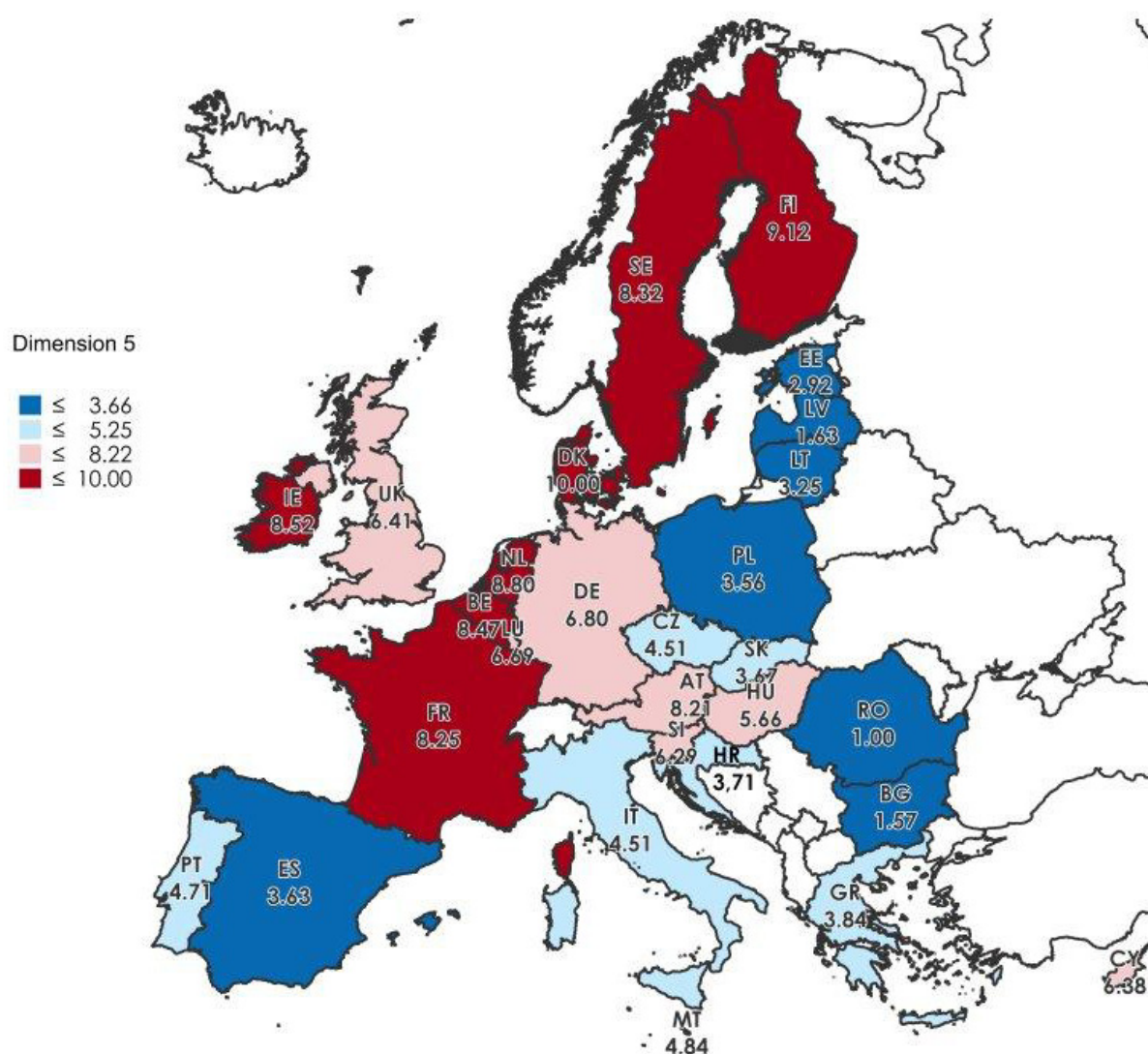
Source: Eurostat, WIFO calculations. The respective value forms the boundary to the next group: 4.22 = 25% percentile, 5.94 = 50% percentile and 8.12 = 75% percentile.

Table 4: Positioning of countries in dimension 4

		Country groups Labour Market Monitor 2013			
		Top field	Upper middle field	Lower middle field	Bottom field
Country groups Labour Market Monitor 2012	Top field	BE, LU, DK, MT, SI, FI	IE ↓		
	Upper middle field	SE ↑	FR, NL, UK, AT, CY		
	Lower middle field			IT, DE, CZ, PT, HU, SK, PL	
	Bottom field				ES, GR, BG, EE, LT, LV, RO
Country groups Labour Market Monitor 2013		BE, LU, DK, MT, SI, FI, SE	IE, FR, NL, UK, AT, CY	IT, DE, CZ, PT, HU, PL, SK	ES, LT, BG, GR, EE, LV, RO

Source: Eurostat, WIFO calculations. Country categorization 2012 based on updated values. Countries along the diagonal line shaded in grey have not changed the category. Countries below the diagonal line have moved down the classification and countries above the diagonal line have moved up the classification. The data from the country group for Labour Market Monitor 2013 are based on the years 2010, 2011 and 2012.

Figure 9: Dimension 5 – Redistribution by the Welfare State Index, EU-28



Source: Eurostat, WIFO calculations. The respective value forms the boundary to the next group: 3.66 = 25% percentile, 5.25 = 50% percentile and 8.22 = 75% percentile.

Table 5: Positioning of countries in dimension 5

		Country groups Labour Market Monitor 2013			
		Top field	Upper middle field	Lower middle field	Bottom field
Country groups Labour Market Monitor 2012	Top field	DK, FI, NL, SE, IE, FR	AT ↓		
	Upper middle field	BE ↑	DE, LU, CY, UK, SI, HU		
	Lower middle field			PT, IT, CZ, GR, MT, HR	ES ↓
	Bottom field			SK ↑	PL, LT, EE, LV, BG, RO
Country groups Labour Market Monitor 2013		DK, FI, NL, IE, BE, SE, FR	AT, DE, LU, UK, CY, SI, HU	MT, PT, IT, CZ, GR, HR, SK	ES, PL, LT, EE, LV, BG, RO

Source: Eurostat, WIFO calculations. Country categorization 2012 based on updated values. Countries along the diagonal line shaded in grey have not changed the category. Countries below the diagonal line have moved down the classification and countries above the diagonal line have moved up the classification. The data from the country groups of the Labour Market Monitor 2013 are based on the years 2010, 2011 and 2012.