Regional labour markets: current trends and future challenges

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Regional development in European Economic space: the world is spiky

Brain Drain and Brain Gain: the Race for Talents

The Role and Value of (Big) Cities from pure economic and broad well-being perspective

- **ECONOMIC:** (Big) cities have higher productivity, generate more knowledge outcomes (patents, innovations, copyrights, licenses), have more higher quality human capital – both stocks and inflows
  - Talented young people move to HEI’s in cities and do not return!
  - But also: higher land and housing prices
- **WELL-BEING:** (Big) cities have high quality services and amenities like universities, musea, concerts
  - But also: more traffic jams, more air pollution, more crime, higher risk of being the target of war and terrorist attacks
  - Now also attention for concepts of second-tier cities & borrowed size

Knowledge capital and economic growth for countries

Source: OECD, In it together, 2015


How about regions?

Human capital 1960

Agglomeration and growth

Trade off between agglomeration benefits vs congestions cost (Broersma and Van Dijk, JEG, 2008)
Current trends on regional labour markets (1)
- Economic crisis is over, shortages occur already in some occupations, mismatch education – jobs?
- Population decline and aging: shrinking labour force
- Regional and urban-rural disparities: role of cities; but also risks of climate change
- Sectoral shifts from agriculture/industry to services
- Increasing knowledge intensity, ICT-revolution, more higher educated, but also a large pool of low-literate people; question of inclusiveness
- Polarisation on the labour market due to automation and robotization

Current trends on regional labour markets (2)
- Flexibilisation (24/7 instead of 9 to 5), more self-employed, more temporary contracts and flexible and/or part time jobs
- Changes competences → 21st century skills, life long learning
- Increasing spatial mobility; commuting (self driving cars), internal migration, international migration
- Localization and Globalization; off-shoring/reshoring; Brexit, Catalunya
- Decentralisation of labour market policy to regions
- Quality of institutions and governance

Economic cohesion
- Change in GDP/head: regional disparities are narrowing again
- Regions in eastern Member States have converged to the EU average, but Greek and Italian regions diverged substantially

Employment rate
- Employment rate (jobs per 1000 population 15-64) is much higher in North-West Europe
- Average EU 28 = 71

Unemployment
- Unemployment is still above pre-crisis level and regional disparities have not started narrowing yet
- In particular youth unemployment remains high
- Average EU 28 = 8.5%

Education
- Population aged 25-64 with tertiary education, 2016
- Large regional disparities in education; higher educated are more mobile and concentrate in (big) cities with HEI’s
- Average EU 28=31%
High individual returns to education: higher wages and lower unemployment

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Unemployment Rate</th>
<th>Median Weekly Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bachelor's Degree</td>
<td>2.0</td>
<td>1,200</td>
</tr>
<tr>
<td>Technical/Professional</td>
<td>1.0</td>
<td>1,800</td>
</tr>
<tr>
<td>Master's Degree</td>
<td>1.5</td>
<td>2,000</td>
</tr>
<tr>
<td>Bachelor's Degree</td>
<td>2.5</td>
<td>1,800</td>
</tr>
<tr>
<td>Secondary Education</td>
<td>3.0</td>
<td>900</td>
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<tr>
<td>High School Diploma</td>
<td>4.0</td>
<td>600</td>
</tr>
<tr>
<td>Low education</td>
<td>5.0</td>
<td>300</td>
</tr>
</tbody>
</table>

- Youth - NEET
  - Young people not in employment, education or training (NEET) more than 20% in some Southern and Eastern regions


Automation and Robotization: how many jobs will be lost?

- Frey and Osborne (2017): 47% of total US Employment
- Deloitte (2014): 20-30% of total Dutch jobs
- Koster and Talens (2016): 30% of total Dutch jobs
- Arntz et al. (2016): 9% of total jobs in OECD countries

Large differences in the risk of automation between sectors and occupations


European Riskmap of Automatisation

- Risk Score
  - Very High: 4.99
  - High: 3.99
  - Medium: 2.99
  - Low: 0.99
  - Very Low: 0.00

- Source: European Labour Force Survey
Labour Market Polarization: middle jobs disappear

Mismatch between Education and Job Requirements?

- Vertical mismatch: level of education is too high or too low for the job
- Horizontal mismatch: level of education is OK, but the type of education not

1. Do we talk about education or skills?
2. Do we talk about the short term (first job) or long term (career)?

Rapidly changing skill requirements for the 21st century

- 21st Century Skills
  - Creativity
  - Critical Thinking
  - Communication
  - Collaboration
  - Commitment

Migration & mobility

- Migration is main determinant of population change
- Higher educated are more mobile and move to bigger cities
- Two out of three people in EU-13 live in a shrinking NUTS 3 region


Decreasing positive correlation between GDP per capita and Regional Competitiveness: gives hope for catching-up!

Positive relation between in-migration and Regional Competitiveness!!

Many people say that they are willing to move for employment reasons. But only a few indicate that they will really do this in the next year. Higher educated are more mobile before and just after graduation.

Government Quality
- Low Quality of Government hinders economic development and reduces the impact of public investment
- Government Quality is lower in some Southern and Eastern regions
- Institutions matter!

Conclusions
- Economic crisis is over, shortages occur already.
- Regional disparities and urban-rural differences decrease an increase at different spatial scales: some regions and cities catch up and but more rural areas and small cities decline.
- Increasing knowledge intensity, require higher education and 21st century skills. But: jobs disappear due to automation and robotization + aging and selective out-migration.
- Students in higher education go to (bigger) cities or abroad before or after graduation.
- This causes polarisation on the labour market + social divide by level of education and risk of social exclusion for low-literate people and young entrants and elderly.

Challenges for policy
- How to combine economic and employment growth with an inclusive labour market with jobs and income for all?
- Stimulate private and public investment in education. This is always beneficial both for individuals and regions in terms of economic performance, but also in terms of well-being. Even if some higher educated young people leave the region.
- Regions differ: need for place based smart specialization regional policies and reducing inequalities and creation of jobs and income for young graduates and low-educated.
- Better labour market institutions and quality of governance to enhance the impact of public and private investments.

Thank you for your attention
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