The role of unemployment in the regional competitiveness

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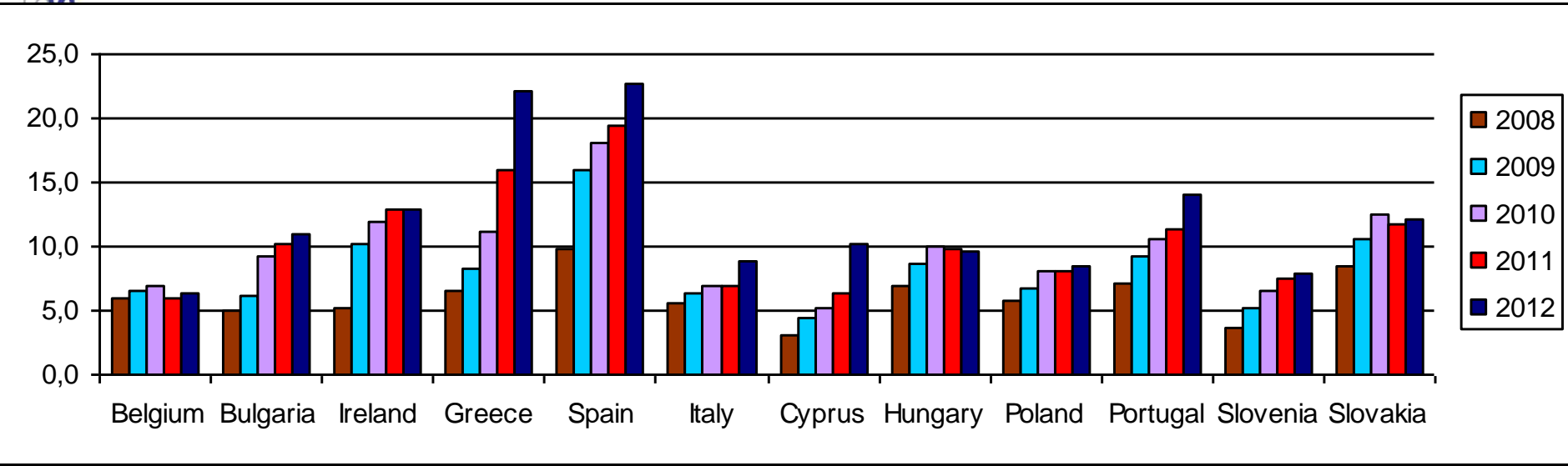
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ÚJ SZÉCHENYI TERV

Regional Growth, Development and Competitiveness (25-26. 04. 2013)

Unemployment rate (%) in some european countries (2008-2012)
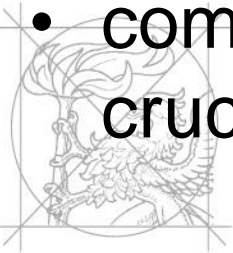

Source: Eurostat 2013
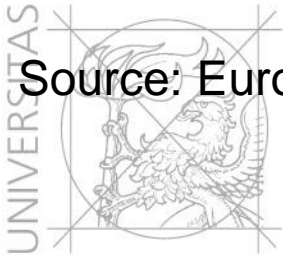
Relationship between competitiveness and unemployment

- the regional differences became more pronounced

- the role of the EU is more important (Lisbon Strategy)

- competitiveness and employment constitute a crucial element of the international politics

Milestones of regional competitiveness

- Structural Funds (previously ERDF) – ensures the realisation of goals

- Amsterdam Treaty

- Common single market

- Luxembourg Summit: ameloriation of employment politics

- Lisbon Strategy: most competitive and dynamically developing knowledge based economy

- EU 2020
  - Increase employment
  - Increase number of enterprises
  - Lift the standard life of local habitants
  - Encourage R&D
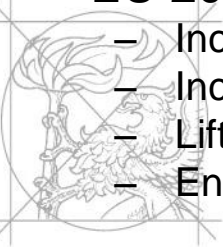
What does competitiveness mean?

„The capability of enterprises, industries, nations or supra-national regions to permanently establish relatively high factor-earnings and relatively high employment level while being exposed to global competition. The competitiveness of the regions means the ability to generate products and services which can be sold at the national as well as at the international markets while the citizens reach a an increasing and sustainable standard of life" (Lengyel 2010, p 118, Lukovics 2008, p 8.)

The three level model of measuring local and regional competetitiveness
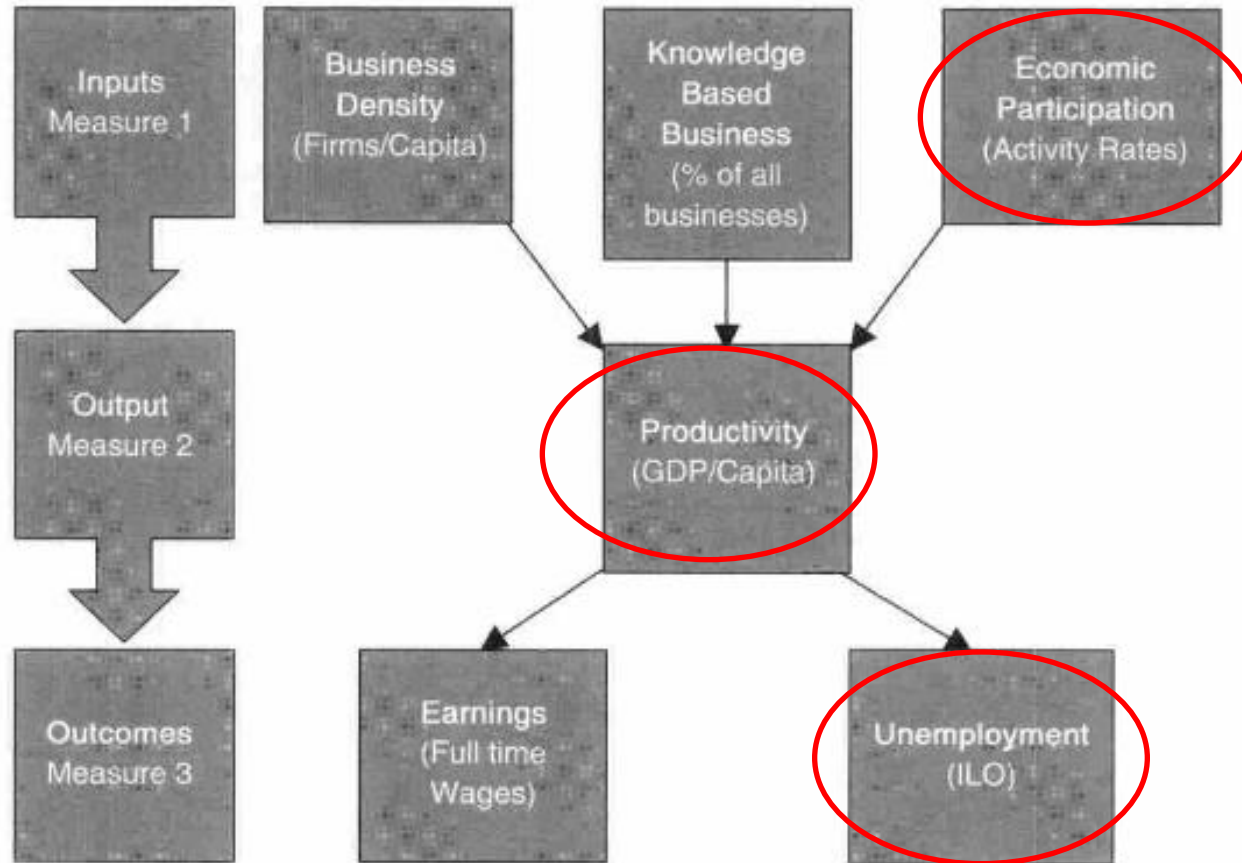
(Nuts 2)

Correlation (2000, 2005)

		2000 GDP/capita	2000 Activity rate	2000 Unemployment rate
2000 GDP/capita	Pearson Correlation	1	-,032	-,465**
	Sig. (2-tailed)		,606	,000
	N	265	265	265
2000 Activity rate	Pearson Correlation	-,032	1	,272**
	Sig. (2-tailed)	,606		,000
	N	265	265	265
2000 Unemployment rate	Pearson Correlation	-,465**	,272**	1
	Sig. (2-tailed)	,000	,000	
	N	265	265	265

		2005 GDP/capita	2005 Activity rate	2005 Unemployment rate
2005 GDP/capita	Pearson Correlation	1	-,024	-,415**
	Sig. (2-tailed)		,702	,000
	N	265	265	265
2005 Activity rate	Pearson Correlation	-,024	1	,249**
	Sig. (2-tailed)	,702		,000
	N	265	265	265
2005 Unemployment rate	Pearson Correlation	-,415**	,249**	1
	Sig. (2-tailed)	,000	,000	
	N	265	265	265

Source: Eurostat 2013

Correlation (2010)

		2010 GDP/capita	2010 Aktivitási ráta	2010 Unemployment rate
2010 GDP/capita	Pearson Correlation	1	,445**	-,349**
	Sig. (2-tailed)		,000	,000
	N	270	270	270
2010 Activity rate	Pearson Correlation	,445**	1	-,298**
	Sig. (2-tailed)	,000		,000
	N	270	270	270
2010 Unemployment rate	Pearson Correlation	-,349**	-,298**	1
	Sig. (2-tailed)	,000	,000	
	N	270	270	270

Source: Eurostat 2013

Order of the 10 most competitive regions based on GDP/capita (Euro) with the respective (over 15, %) activity and (over 15, %) unemployment rate for 2000, 2005 and 2010

|	2000				2005				2010		
NUTS 2	GDP/ inhabitant	Economic activity rate	Unemployment rate	NUTS 2	GDP/ inhabitant	Economic activity rate	Unemployment rate	NUTS 2	GDP/ inhabitant	Economic activity rate	Unemployment rate
Inner London	69 100	63,12	9,4	Inner London	83 500	62,08	7,8	Inner London	81 100	62,39	9,7
Luxembourg	50 300	53,41	2,3	Luxembourg	65 000	55,56	4,5	Luxembourg	78 600	57,70	4,4
Région de Bruxelles-Capitale / Brussels Hoofdstedelijk Gewest	50 000	51,56	14,9	Région de Bruxelles-Capitale / Brussels Hoofdstedelijk Gewest	57 300	53,86	16,3	Région de Bruxelles-Capitale / Brussels Hoofdstedelijk Gewest	61 300	55,47	17,3
Dresden	43 700	59,16	15,9	Dresden	51 100	58,77	18,3	Hovedstaden	52 300	67,61	7,8
Hamburg	42 100	58,90	7,8	Hovedstaden	46 700	:	:	Hamburg	52 200	61,32	7,1
Stockholm	42 000	74,48	3,2	Hamburg	46 000	59,88	10,4	Stockholm	50 700	75,01	7,1
Hovedstaden	39 200	:	:	Stockholm	45 900	74,42	6,7	Île de France	49 800	61,03	8,9
Île de France	37 100	61,66	8,7	Eastern	43 400	62,66	4,3	Groningen	48 700	62,94	5,3
Oberbayern	36 400	61,82	3,0	Île de France	42 300	61,62	9,0	Helsinki-Uusimaa	45 400	66,63	6,4
Wien	35 900	60,20	7,5	Buckinghamshire and Oxfordshire	40 400	68,95	3,5	Wien	44 300	59,99	7,3

Source: Eurostat 2013

Order of the 10 least competitive regions based on GDP/capita (Euro) with the respective (over 15, %) activity and (over 15, %) unemployment rate for 2000, 2005 and 2010*

	2000				2005				2010		
NUTS 2	GDP/ inhabitant	Economic activity rate	Unemployment rate	NUTS 2	GDP/ inhabitant	Economic activity rate	Unemployment rate	NUTS 2	GDP/ inhabitant	Economic activity rate	Unemployment rate
Yugoiztochen	1 800	48,35	21,4	Nord-Vest	3 500	51,94	5,9	Nord-Vest	5 200	53,75	6,8
Nord-Vest	1 700	63,01	7,0	Sud-Est	3 200	51,55	7,9	Sud-Est	4 800	52,23	8,8
Severoiztochen	1 600	51,90	21,9	Sud - Muntenia	3 100	54,95	9,2	Sud - Muntenia	4 800	55,62	8,3
Sud-Est	1 600	63,57	8,9	Sud-Vest Oltenia	2 900	57,10	6,6	Sud-Vest Oltenia	4 500	56,96	7,5
Severozapaden	1 500	43,23	27,9	Yugoiztochen	2 800	48,31	8,3	Severoiztochen	3 900	53,63	14,5
Sud - Muntenia	1 500	67,37	6,6	Severoiztochen	2 600	51,98	12,1	Yugoiztochen	3 900	50,49	10,6
Sud-Vest Oltenia	1 500	71,12	5,0	Nord-Est	2 500	58,59	5,7	Nord-Est	3 600	58,49	5,8
Severen tsentralen	1 400	48,32	16,7	Severozapaden	2 300	42,88	12,6	Yuzhen tsentralen	3 300	50,90	11,4
Yuzhen tsentralen	1 300	49,44	13,0	Severen tsentralen	2 300	47,37	12,5	Severen tsentralen	3 100	47,43	11,5
Nord-Est	1 300	70,57	6,8	Yuzhen tsentralen	2 300	48,83	11,0	Severozapaden	2 900	44,96	11,0

Source: Eurostat 2013

*Note: The 10 least competitive regions are only authoritative in 2010, because in 2000 and 2005 the Eurostat database indicated the lowest per capita GDP for Romania and Bulgaria among the NUTS 2 level countries whilst these countries were not yet EU members in 2000 or 2005.
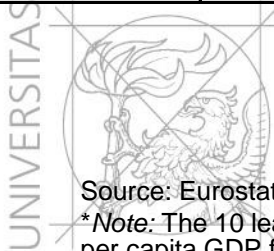
Market labor imperfections

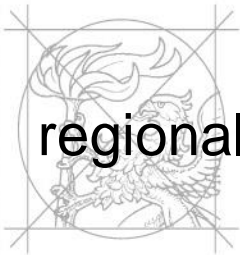according to the universal concept of competitiveness

↓

high standard of life - high employment rate, unemployment rate should remain low economic activity should be raised as much as possible, as employment of inactive people could also contribute to development

↓

regional competitiveness will increase: ensure higher growth and larger market

The reasons behind unemployment

- **The long-term contract model**
  - based on the long-term collective agreements
  - the parties (employer and employee) agree on common issues and a sort of negotiation process commences between them which sets the level of future nominal wages
  - The reason why pre-defined wages can result unemployment: a time of recession might present active people who are willing to undertake the same job for lower wages
- **The efficient wages' model**
  - contradicts the standard micro-economic theory. According to the micro-economic theory,
  - here it is the salary level that defines the border productivity of the labour force
  - the salary appears as a motivating factor
  - encourages companies to pay more to the employees to make them more productive
  - the increase shift the wages from the level of the market-clearing wages → unemployment
- **The nutritional model**
  - unemployment in the developing countries
  - market-clearing wages are not sufficient to supply the third world's habitants with healthy / appropriate food
  - ensure concentration and effort during work all day. we increase these wages and shift from the market-clearing wages
- **The labour turnover model**
  - When we employ a new employee, there are certain costs for the company (orientation and training)
  - qualified, internal labour force which is valuable for the company
  - more senior employee leaves the company
  - Increasing the wages because the employee
- **The shrinking model,**
  - the companies increase wages to avoid employees who are not performing well and thus provide more motivation
  - If the unemployment rate is high, wages play less significant role because it would be difficult to find another job
- **The social model**
  - the employer grants higher remuneration for the employee as a gift which then increases productivity
  - the employees receive higher salary if their performance exceeds the minimum requirements defined by the employer
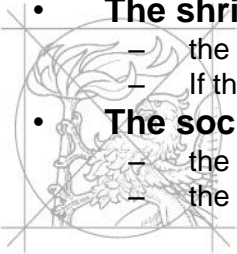
Summary

- the main goal is to permanently establish relatively high wages and relatively high employment level

- In 2010: the activity rate, unemployment rate and GDP/capita → correlation

- Many regions aim to keep the unemployment rate at a low level in order to improve competitiveness

- These indicators has a really big role in regional competitiveness

- Employment is an important tool of economic policy

Thank you for your attention!

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