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## Regional labour markets: current trends and future challenges

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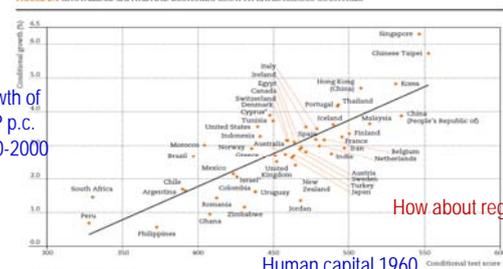
Presentation at the Plenary session "Economic Patriotism" at the 17th Ernestas Galvanauskas' International Scientific Conference "Rethinking regional competitiveness".  
Siauliai (Lithuania), November 30, 2017.

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## Knowledge capital and economic growth for countries

FIGURE 2.1 KNOWLEDGE CAPITAL AND ECONOMIC GROWTH RATES ACROSS COUNTRIES



Growth of GDP p.c. 1960-2000

Human capital 1960

How about regions?

Source: OECD, In it together, 2015

## Brain Drain and Brain Gain: the Race for Talents

Talent surplus Talent deficit

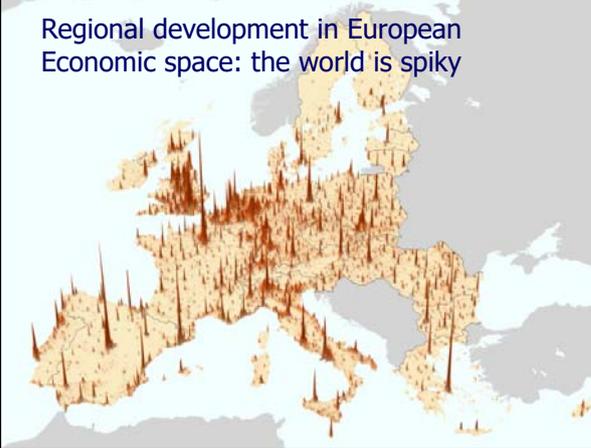


India Brazil Saudi Arabia China Russia Netherlands USA Italy Japan

Figuur 1: De mismatch wereldwijd tussen vraag en aanbod van talent in 2021. Getallen geven de gemiddelde jaarlijkse percentages aan. (Oxford Economics)

Bron: Kiezen voor kennisswerkers, AWT, 2013

## Regional development in European Economic space: the world is spiky



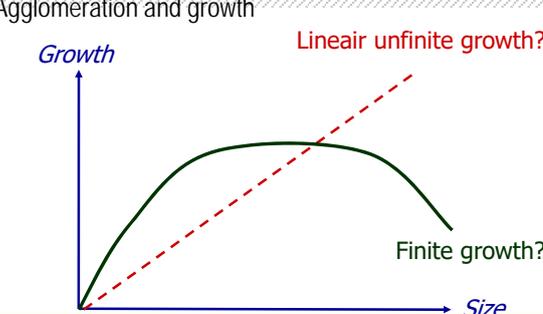
## The Role and Value of (Big) Cities from pure economic and broad well-being perspective

- **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

## 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**



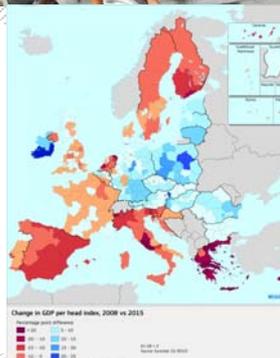
### Current trends on regional labour markets (2)

- Flexibilisation (24/7 instead of 9 to 5), more self-employed, more temporary contracts and flexible and/or part time jobs
- **Changes competences → 21<sup>st</sup> 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

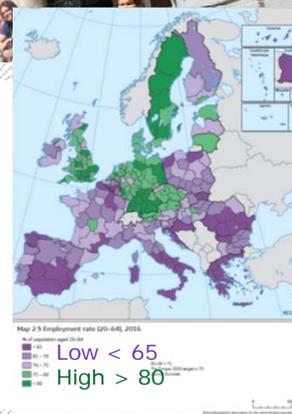


Source: EU-Commission (2017), 7-th Report on Economic, Social and Territorial Cohesion



### Employment rate

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

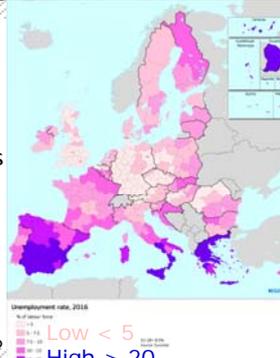


Source: EU-Commission (2017), 7-th Report on Economic, Social and Territorial Cohesion



### 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%

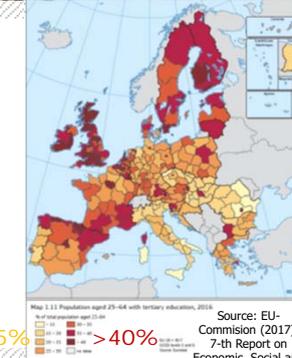


Source: EU-Commission (2017), 7-th Report on Economic, Social and Territorial Cohesion

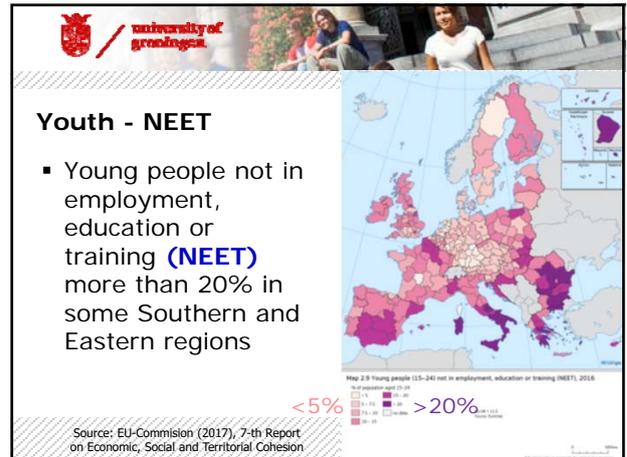
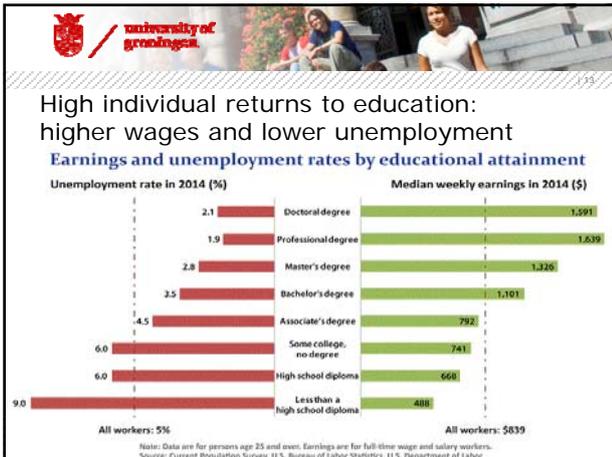


### Education

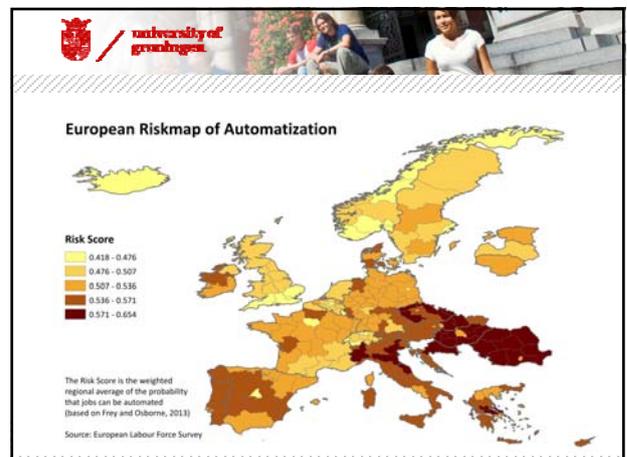
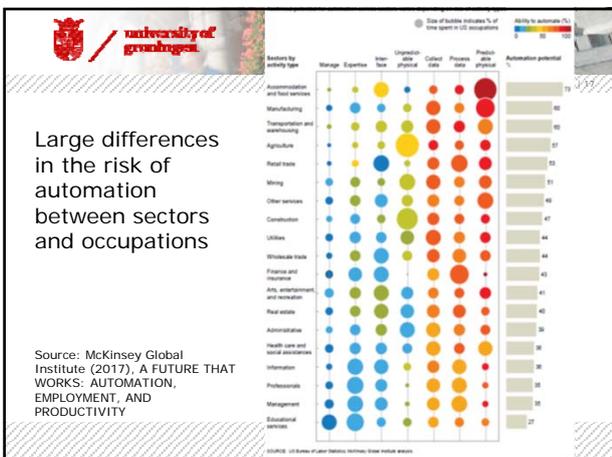
- Population aged 25-64 with tertiary education, 2016
- Large regional disparities in education; higher educated are more mobile and concentrate in (big) cities with HEI's <15%
- Average EU 28=31%

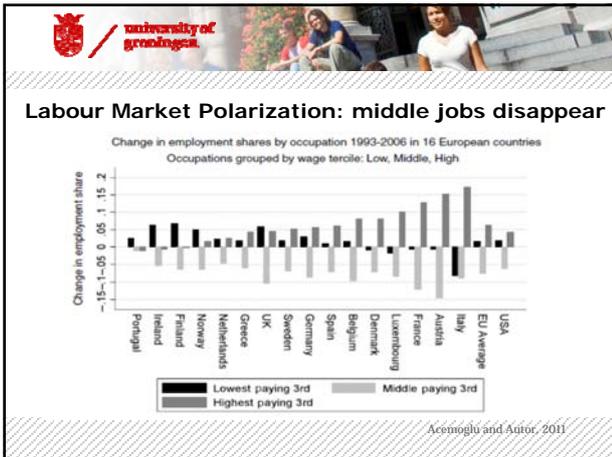


Source: EU-Commission (2017), 7-th Report on Economic, Social and Territorial Cohesion.



- 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





**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 21<sup>st</sup> century**

*21<sup>st</sup> Century Skills*

- ✓ Creativity
- ✓ Critical Thinking
- ✓ Communication
- ✓ Collaboration
- ✓ Commitment

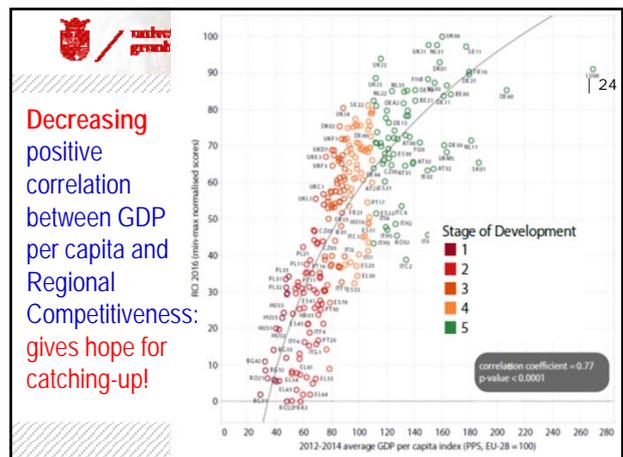
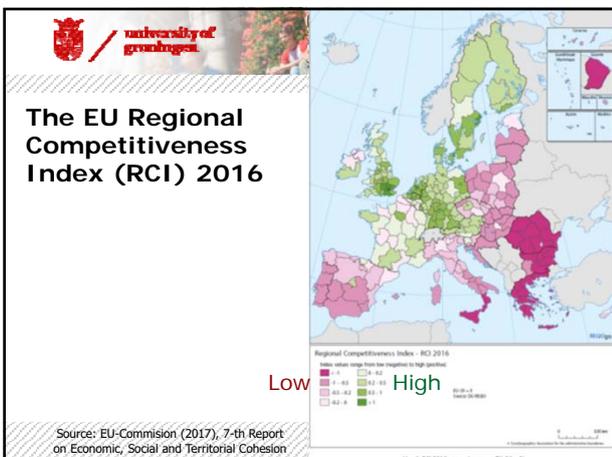
**Migration & mobility**

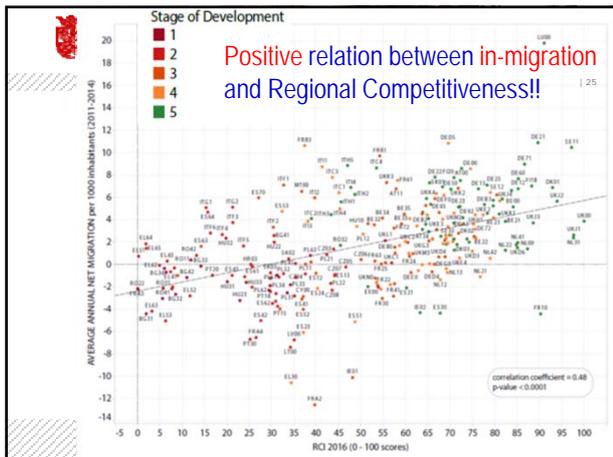
- Migration is main determinant of population change
- Higher educated are more mobile and move to bigger cities
- Two out of three people in EU-13 live in a shrinking NUTS 3 region

Source: EU-Commission (2017), 7-th Report on Economic, Social and Territorial Cohesion

Total population change in NUTS 3 regions, 2005-2013

Population Change





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

Map 1. Proportion willing to move for employment reasons, former socialist countries and selected Western European countries

### 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!

Source: EU-Commission (2017), 7th Report on Economic, Social and Territorial Cohesion

### 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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