European Commission

SCIENCE FOR POLICY BRIEFS

More crucial than ever: employment content of Extra-EU exports

Headlines

- EU exports supported almost 38 million jobs in the EU in 2019, up from 27 million in 2010. This corresponds to an increase of more than 40%.
- In 2019, 18% of the total EU employment were directly or indirectly linked to EU exports to non-EU countries, up by 4 percentage points from almost 14% in 2010.

Trade and the EU

Trade is at the centre of Europe's model of economic prosperity and competitiveness. In trade policy matters, the EU speaks with one voice globally and ranks first as the world's largest trader of goods, services, and investments. As stated in the new Trade Policy Strategy set out by the European Commission (2021), the European Union puts the focus on open strategic autonomy, building on open trade and cooperation to defend EU interests and values. Efficient, sufficiently diversified and resilient as well as sustainable global value chains are a critical component of this approach. Futhermore, trade policy has also a key role to play in the recovery from the COVID-19 pandemic and in the green and digital transitions towards building a more resilient EU in the world.

Trade and jobs

The Trade Policy Review also specifies areas and actions that are critical to achieving the EU's objectives in the medium term (European Commission, 2021). One of the headline actions is to support an informed discussion on trade policy by inter alia conducting analytical work on the impact of trade policies on employment. Against this background DG TRADE and the European Commission's Joint Research Centre (JRC) have launched a comprehensive assessment based on reliable and comparable statistics to understand how global trade flows affect employment in the EU. This assessment that comprises a detailed report and analysis will be published in the Autumn of 2021 and will complement and develop further two published studies in 2015 and 2018.

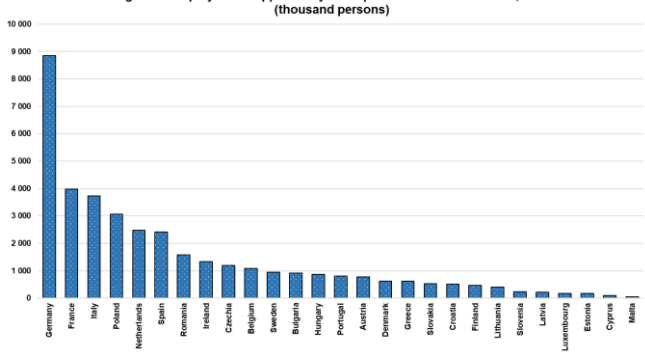
The report will illustrate in detail the relationship between trade and employment for the EU as a whole and for each EU Member State, using the World Input-Output Database (WIOD, 2016). Furthermore, the analysis will complement this information with detailed data on employment by industry, gender, age and skill levels depending on data avaialbality. All indicators relate to EU exports[1] to the rest of the world to reflect the scope of EU external trade policymaking.

The purpose of the current brief is to provide first results on the link between employment and international trade ahead of this comprehensive package.

An increase of 11 million jobs in one decade

Extra-EU exports supported almost 38 million jobs in the EU in 2019, up from 27 million in 2010, which corresponds to an increase of 11 million jobs in one decade. Almost 9 million jobs were located in Germany (23%), around 10% in Italy and France (around 4 million jobs in each one) followed by Poland (3 million jobs) and Spain and the Netherlands with almost 2.5 million jobs each (see figure 1).

Figure 1: Employment supported by EU exports to non-EU countries, 2019 (thousand persons)

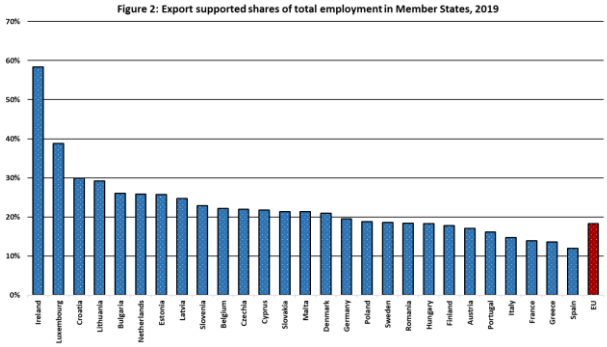


[1] We acknowledge that the analysis focuses on exports, not neglecting the importance of imports and the foreign value added content of exports for being competitive in the global market.

Ireland (113%), Cyprus (82%), Slovakia (73%), Croatia (72%) and Lithuania (64%) expanded the number of jobs supported by exports the most since 2010. On the other side, Finland (16%) and Sweden (17%) experienced the lowest growth in jobs. In absolute figures, Germany increased the number of export-supported jobs by almost 2.1 million followed by Poland (1.2 million), Italy and France with 1.1 million jobs; and the Netherlands (0.9 million jobs).

Figure 2 shows the employment content of extra EU-exports in respect to total employment in each EU Member State. Between 2010-2019, the share of employment directly or indirectly linked to exports to non-EU countries increased by 4 p.p. from almost 14% in 2010, up to 18% in 2019.

Figure 2: Export supported shares of total employment in Member States, 2019



More than 30% of the total employment of Ireland (58%), Luxembourg (39%) and Croatia (30%) is supported by export activities to non-EU countries, followed by Lithuania (29%), and Bulgaria, the Netherlands and Estonia, with 26% each. In relative terms, Ireland and Croatia increased the share of total employment supported by exports the most by more than 20 percentage points and 13 percentage points, respectively, more than double as high as the EU average increase. Lithuania (9.4 percentage points) and Cyprus (8.6) also experienced large increases in the share of export supported employment compared to 2010. There were also countries that saw their shares decrease, such as Malta (-1.2 percentage points).

Futhermore, each billion of EU exports to non-EU countries supported almost 12,000 jobs in the EU. In addition, we found that EU exports to non-EU countries have increased their average labour productivity from 75 thousand euro in 2010 to 84 thousand euro in 2019. This corresponds to an average increase of 12% in the same period, somewhat below that of the whole economy. In 2019, the countries with the highest export productivity levels were Luxembourg (243 thousand euro), Ireland (189 thousand euro), Belgium (167 thousand euro), Denmark (150 thousand euro), Malta (148 thousand euro) and the Netherlands (135 thousand euro).

In relative terms, the countries that increased their export productivity most were Cyprus (121%), Belgium (47%) and Malta (44%), while some saw their export productivities fall as in the case of Croatia (-22%), Slovakia (-16%) and Portugal (-4%), among others. The fact that the labour productivity of extra-EU exports increased on average, provides evidence of an increased competitiveness of EU exporters overall.

The COVID-19 impact

In 2020, the COVID-19 pandemic unleashed unprecedented economic and social crises. The COVID-19 related slowdown in demand for goods and services led to a drastic decrease in real EU GDP of over 6% and a reduction in Extra-EU exports of14% (IMF, 2021).

Furthermore, the pandemic affected and in many cases disrupted the sourcing of foreign value-added and employment along global supply chains. On the demand side, COVID-19 related curfews and closures of several businesses led to a significant decline in households' expenditures on foreign and domestic goods and services. They affected employment, too.

Given these special circumstances, DG TRADE and the JRC are preparing a Chief Economist Note to assess the impact of the pandemic on exports related jobs in the European Union (EU) in 2020. In particular, this analysis will look into the number of export-supported jobs that would have been lost in the absence of the exceptional support measures implemented to alliviate the negative social and employment effects of the COVID-19 pandemic.

Conclusions

This brief shows that with nearly 38 million jobs, extra-EU exports are more important for employment in the EU than ever and that the labour productivity of exports has increased in the last decade. The EU renewed trade policy has put open strategic autonomy at the forefront, leveraging on open and fair trade with functioning, diversified and sustainable global value chains. Based on the trade and job figures presented here it is of crucial importance for trade to resume in post COVID developmments as millions of EU jobs will be at risks otherwise (see also DG TRADE Chief Economist Note, forthcoming).

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