

## The new decade: Europe's hottest job markets

While economic growth in the eurozone will likely slow over the coming decade, some regional job markets are set to thrive

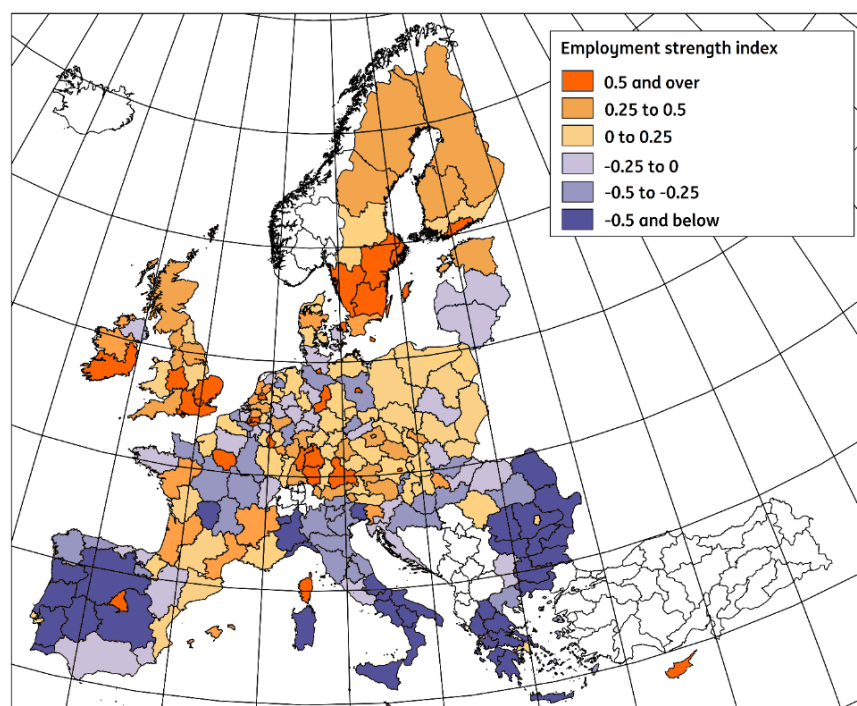


Source: Shutterstock

### Employment prospects differ significantly between EU regions

Brussels, Copenhagen, Helsinki, London and Vienna have something in common. Aside from being large, northern European metropolitan areas, they're also pockets of opportunity in an environment of slowing economic growth. With good digital infrastructure, moderately high spending on research and development and highly educated workforces, employment prospects in these cities are among the best in Europe over the coming decade, while strong high-tech industrial areas such as Stuttgart, Braunschweig, West Sweden and Brabant Wallon are also set to outperform.

## Fig 1 Employment strength index for the 2020s shows metropolitan areas steaming ahead



Source: ING Research

### Our employment strength index explained

[In our previous article on this subject](#), we highlighted that the most important determinants of long-run strength in employment are the level of education of a region, the median age of the population, the vulnerability to globalisation, spending on R&D and access to digital infrastructure. Using these factors, we compiled an index to determine which regions are set for employment strength in the next 10 years. We've updated this index with the very latest data to get as close to the starting situation for the 2020s as possible. And while some small differences occur, a similar picture emerges.

### Age plays a role

The age of a population has an important impact on economic growth and on job creation- one of the main themes of our 'new decade' series. This also plays an important role for individual regions as there are massive differences within countries. Rural areas tend to have higher median ages on average, which has a negative impact on their economic potential. Cities tend to be the youngest, which we can see in the figures for 2019.

At 35.4, London has the lowest median age, closely followed by other UK regions including Birmingham and Manchester, while Cornwall has an average age of over 47. In Germany, Hamburg has a median age of just over 40, while Chemnitz and Sachsen-Anhalt are the oldest in the EU at 51.7 and 51, respectively.

## The impact of de-globalisation

In terms of vulnerability to globalisation, we have found a significant correlation over the past decade between employment growth and the impact of trade. While there are large differences between regions, those that have experienced a lot of outsourcing or competition from abroad have also suffered from local job losses.

That said, doubts about globalisation have been growing recently given the political climate on trade and supply chain vulnerability exposed by Brexit and the coronavirus, suggesting that this trend could be less relevant in the 2020s than it was in the 2010s.

If we exclude the globalisation indicator, we are left with roughly similar prospects for regional job markets going forward. Some notable exceptions are Brussels, Luxembourg, Cyprus and Madrid, which see their employment expectations weaken, as they were among the least at risk from globalisation. Swedish regions, on average, perform better without globalisation, bringing them even closer to the top of the list. But employment prospects do not change markedly for most regions when we omit this factor.

If more traditional industrial production were to return to the EU, however, the story could be quite different. Regions that perform less well on the ranking are ones that seem more attractive in terms of cost efficiency, as they provide a relatively good cost-benefit ratio. Many of them also still experience relatively high structural unemployment and therefore still have a decent pool of workers available, which likely keeps wage growth below average. These regions could thrive if more production were to come back to the EU, but for the moment this remains a remote possibility.

## Stronger regions may not outperform as much as before

In the new decade, rural areas that have fallen behind in terms of digital infrastructure and investment and those which also have older populations are set for weaker than average growth, while the more innovative regions with better digital infrastructure and younger, more educated populations are set to thrive. The question is, by how much?

Interestingly, as we have found in [our note on slow growth environments](#), countries that have seen the weakest aggregate growth rates have also experienced the mildest divergence between regions. This suggests that while some areas will clearly outperform, even these 'star' regions may find it hard to maintain growth rates experienced in previous decades.

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