

Industry Share of Total Employment Vs. Unemployment Rate*

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Abstract

In the last two decades or more of research on changes in the structure of employment, three important phenomena have been identified. The first is deindustrialization, followed by jobless growth of industry in the formal sector as well as faster growth of services than industry.

In the face of these facts, it becomes problematic to evaluate this change. This is because it is not clear whether deindustrialization, when the demand for industrial production is steadily increasing, is detrimental or beneficial to the evolution of the employment structure and therefore economic development

The purpose of this study is to analyze changes in the share of industry in total employment, its role in the evolution of employment structures, and the impact of this process on the unemployment rate.

A statistical analysis of changes in the size of employment and the share of industry in total employment was carried out for a separate constellation of the structure of the Polish economy. This was followed by a multivariate econometric analysis to verify the hypothesis.

It is also hypothesized that jobless growth in the industrial sector generates a high unemployment rate.

The results of the analysis showed that the unemployment rate is most strongly determined by the share of industry in total employment. So that an increase in the share of industry in total employment leads to a significant decrease in the unemployment rate, and this is a regularity that does not depend on the level of GDP per capita. Hence, joblessness in the industrial sector will generate a higher level of the unemployment rate (which will slow economic development for each country).

Keywords: deindustrialization, industrial employment, unemployment rate.