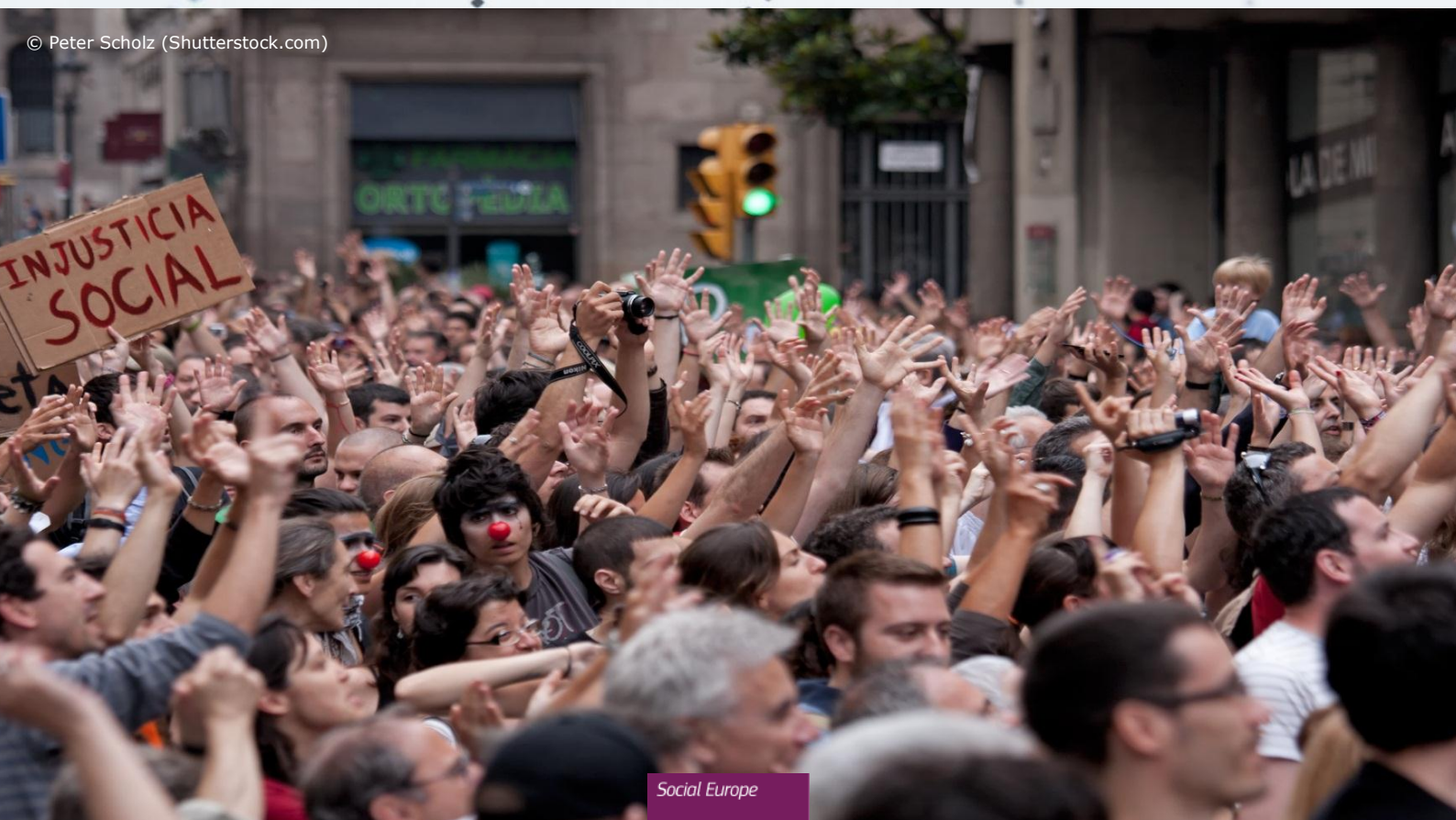
European Commission

EU Employment and Social Situation

Quarterly Review

March 2013

With Special Focus on social and employment impact of fiscal consolidation, labour market mismatches, posting of workers, Special Supplement on main demographic trends and Sectoral Focus on manufacture of basic metals and motor vehicles in the EU



Social Europe

This Quarterly Review provides in-depth analysis of recent labour market developments. It is prepared by the Employment Analysis and Social Analysis Units in DG EMPL. A wide combination of information sources have been used to produce this report, including Eurostat statistics (see [codes] mentioned under the charts, to be used with the Eurostat data search engine: http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database), reports and survey data from the Commission's Directorate-General for Economic and Financial Affairs, national and sectoral statistics and articles from respected press sources. The Review has also benefited from contributions from public and private employment services. The sections on restructuring trends, based on ERM data, were prepared by the European Foundation for the Improvement of Living and Working Conditions (Eurofound).

Employment and social analysis portal: http://ec.europa.eu/social/main.jsp?catId=113&langId=en

Contact: empl-analysis@ec.europa.eu

For more information on country codes used in this publication please visit
http://publications.europa.eu/code/pdf/370000en.htm

Cataloguing data as well as an abstract can be found at the end of this publication.

Luxembourg: Publications Office of the European Union, 2013

ISBN 978-92-79-28855-5
ISSN 1977-8317
doi: 10.2767/21393

Table of Contents

Executive summary

The EU Employment and Social Situation Quarterly Review provides an overview of developments in the European labour market and the social situation in the EU, based on the latest available data. **EU GDP dropped by 0.5 % during the fourth quarter of 2012**, the largest contraction since early 2009. Among larger Member States, the economy continued to grow in Germany, Poland and the United Kingdom, whereas it shrank in Italy, Spain and France. Divergence continues to increase across Member States, translating into persistently **growing labour market and social challenges**, marked by ever higher unemployment at EU level and a **deterioration of the situation of many households**, and of **young people in particular**.

Employment at EU level has been **trending down since mid-2011,** with positive developments only noticeable in part-time work. In the fourth quarter of 2012, overall **employment** fell by 0.2 % in the EU, down by 0.4 % compared to the fourth quarter of 2011. Over the last year, it **fell in thirteen Member States and grew in eight**. The steep falls recorded in Greece (-6.5 %), Bulgaria (-4.9 %), Cyprus (-4.8 %), Spain (-4.5 %) and Portugal (-4.3 %) were not offset at EU level by the gains seen in Germany (+0.8 %), the United Kingdom (+1.8 %), Romania (+3.5 %) and the Czech Republic (+0.8 %). Over the four years to the last quarter of 2012, **2.3 % of jobs disappeared in the EU** across all sectors, although the intensity of net job losses varied between 7.9 % in industry and 15.1 % in construction on the one hand, and 2.2 % in the trade sector on the other (see page 58).

According to labour force survey (LFS) data, the EU aggregate **employment rate** remained stable over the year to the third quarter of 2012. This hides **major differences across countries** (major declines in Greece, Portugal, Cyprus and Spain, vs rises in Latvia, Lithuania, Malta and Luxembourg), **genders** (rise for women, fall for men) and **age groups** (fall for youth, rise for prime-age adults). Against this backdrop, the EU **job-finding rate has decreased further**, from an already low level, to 11.7 % in the third quarter of 2012, showing that it is ever harder for an unemployed person to find a job. At the same time, the job separation rate remained relatively unchanged over the first three quarters of 2012.

The **share of the EU population** reporting their households are experiencing financial distress remains well above levels observed at any time in the previous decade, although it has eased slightly in recent months. Worryingly, the share of people **running into debt continues to rise** steadily. Over the last year the increase in financial distress has been particularly sharp in Italy, and also relatively strong in Bulgaria, Cyprus, Greece, Ireland, Portugal and Spain. At EU level, financial distress affects almost one-in-four low income households and has continued to edge upwards over recent months. It has remained fairly stable among upper income households since mid-2012.

Fiscal tightening has affected employment through both direct (public sector employment) and indirect (aggregate demand) channels (see Special focus on page 34). Changes to the tax and benefits systems and cuts in public sector wages have led to **significant reductions in the level of real household incomes**, putting a heavy strain on the living standards of low income households in particular. The analysis shows that the design of measures is crucial to avoid that low income households are affected disproportionately. Different fiscal consolidation packages impacted differently on high and low income households, with regressive impacts in a few countries.

A significant part of fiscal consolidation efforts weighed on social protection expenditure. While social spending played a prominent role in compensating households' income losses in the early phase of the crisis (until 2009), and helped stabilise the economy; this impact has been weakening since mid-2010 and was negligible in 2012. After an initial increase in the first year of the crisis, social expenditure levelled off in 2010 and declined in 2011 and 2012, even in countries where unemployment kept rising. This **reduction of social spending was much stronger than in past recessions**, partly reflecting the exceptional need for fiscal consolidation in the context of the euro crisis. It **neutralised the economic stabilisation function of social protection** systems in many Member States.

In the face of these increasing social challenges, at the beginning of 2013, the Commission adopted a **Social Investment Package** which gives guidance to Member States on more efficient social policies in response to the significant challenges they currently face. The package

prioritises social investment, a concrete modernisation of the welfare states and a more effective use of social budgets.

Unemployment rose further in the EU in January 2013, to **26.2 million in the EU**. It now accounts for 10.8 % of the active population, and for 11.9 %. in the euro area (or 19 million). The increase over the last year has been more pronounced in the euro area (+1.1 pps) than in the EU (+0.7 pp) as a whole though.

The **divergence** in labour market performance **accelerated in the euro area**. The gap in terms of unemployment rates between the south and periphery of the euro area, and the north of it reached an **unprecedented** 10 pps last year. **Long-term unemployment** in the EU reached another **historical high** in the third quarter of 2012 at 11.2 million. This is 86 % higher than four years earlier and represents 4.6 % of the active population. Long-term unemployment has been on the rise in most Member States and is expected to continue to increase in the coming months

Youth unemployment in the EU has reached a **new peak**. Up by 1.2 pps over the year, 23.6 % of active young people were jobless in January 2013, ranging from 15 % or less in Austria, Denmark, Germany and the Netherlands, to more than 55 % in Greece and Spain. **Youth employment has fallen**, with the decline observed for all forms of employment except part-time work. 7.1 % of active young people were long-term unemployed in the third quarter of 2012 (+0.8 pp on the third quarter of 2011). This poses **serious risks for the young generation**, rendered even more alarming by the rising number of young people who are neither in employment nor in education or training (**NEET**), now accounting for roughly 8 million young people under the age of 25.

The Commission put forward a **Youth Employment Package** on 5 December 2012, which recommends to Member States to introduce a Youth Guarantee to ensure that all young people up to age 25 receive a quality offer of a job, continued education, an apprenticeship or a traineeship within four months of leaving formal education or becoming unemployed. The Council of Ministers reached political agreement on this Recommendation on 28 February 2013. The Commission has also recently proposed to revise the regulations on structural funds in order to allow quick implementation of the Youth Employment Initiative proposed by the February European Council with a budget of € 6 billion over seven years.

Despite the continuing crisis, **older people of working age** (55-64) have **increasingly stayed in the labour market**, leading to substantially higher employment for that age group. However, the challenges of a still comparatively low employment rate (49.5 %) and a high share of long-term unemployed (nearly 60 %) remain. The employment situation for migrants deteriorated further over the year to the third quarter of 2012, with their unemployment rate reaching more than double the rate for nationals and long-term unemployment is increasingly becoming more prevalent among them.

On the positive side too, the **inactivity rate declined** by a further 0.7 pp over the year to the third quarter of 2012 and is **converging** across Member States. The inactivity rate of women is declining faster (-0.8 pp) than that of men (-0.6 pp). The decline in inactivity was mainly driven by continued rises in female participation, translating in a further decline of the gender gap (-0.2 pp). Nevertheless, there are **signs of increasing labour market discouragement**. Altogether, a total of 20.2 million people aged 15 to 74 were under-employed or formed part of the potential additional labour force in 2012q3, equivalent to 8.3 % of the labour force (up 1.1 pps on 2008q3).

Labour productivity continued to weaken in most Member States of the euro area, while growth of compensation per employee remained strong in several, so that **nominal unit labour cost growth** continued its upward trend in several 'surplus' Member States. In Spain the real unit labour cost (i.e. the labour income share) contracted at an even sharper pace than in the past, reflecting strong productivity growth and sharp cuts in real wages.

Beveridge curves (see Special Focus on page 46) illustrate the **mismatch between the skills offered and the jobs available** by plotting joint movements of unemployment rates and labour shortage indicators. The situation is **very diverse across the EU**. Since early 2010, outward shifts in the curve, indicative of increased mismatching can be seen for the EU aggregate, Bulgaria, France, the Netherlands and Poland. Only Germany and, possibly also Belgium and Romania, witnessed a lower level of vacancies for a given unemployment rate, pointing to a possible structural improvement in terms of labour market matching. Finally, there

is a clearly distinct group of six Member States (Greece, Spain, Italy, Cyprus, Portugal and Slovenia) where unemployment rates have increased significantly, while the labour shortage indicator remains at a low level.

The **number of posted workers across EU countries** rose from 1 million in 2009 to 1.2 million in 2011 (see Special Focus on page 51). The largest sending countries are Poland, Germany and France while the largest destination country by far is Germany, followed by France, Belgium, the Netherlands and Austria. Over 2009-11, the number of posted workers sent abroad has **increased** the most **from Central and Eastern Europe Member States**. In terms of destination countries, the most substantial rises have been recorded in Germany, Austria, Belgium and the Netherlands. Data available on their sectoral distribution indicate that construction was the most important sector in 2011 with a share of 43% of all posted workers.

As a result of GDP contraction in the last quarter of 2012, essentially driven by declines in exports, private consumption and investment, the **employment outlook is very bleak**, with **unemployment foreseen to remain at a very high level up until 2014**, as highlighted in the Commission's recent winter economic forecast. These prospects are, however, not fully reflected in labour market players' recorded expectations. Employment prospects in industry in the EU have remained slightly above their long-term average in recent months, showing that managers in this sector expect employment to stabilise, although prospects for services and construction remain particularly depressed. European consumers' expectations of unemployment are slightly less pessimistic, but remain significantly higher than their long-term average at EU aggregate level.

Demography has also been affected by the crisis. Since 2009 **fertility has stopped its recent recovery** and stabilised at just under 1.6 children per woman for the EU. The mean age of women at childbirth has kept rising and has reached the 30-year threshold. Life expectancy continued to increase and reached 77.4 years for men and 83.1 for women. **Migration has decreased from its 2007 peak** but even in 2011 the EU posted a net increase of ½ million, that is 1 per thousand. Citizenship acquisitions are higher, at almost one million. The challenges for EU labour markets from a shrinking and ageing workforce clearly remain. This analysis is presented in a Special Supplement attached to the main report.

The particular case of **Bulgaria**, a country marked by alarming poverty levels and increasing social unrest (see page 28) is analysed in this report. There is also a focus on the sectors covering the manufacture of **basic metals** and the manufacture of **motor vehicles** in the EU (see page 61). Employment in these two sectors has been badly impacted by the fall in demand for their output. Together, they directly account for roughly 1.5 % of the total EU employment and 2 % of total GDP. In addition to those numbers they also generate millions of jobs and output in associated industries.

Table 1: Latest labour market trends

	2011q4	2012q1	2012q2	2012q3	2012q4
Real GDP					
(% change on previous quarter, SAWA)	-0.3	0.0	-0.2	0.1	-0.5
(% change on previous year, SAWA)	0.8	0.1	-0.3	-0.4	-0.6
Employment growth					
(% change on previous quarter, SAWA)	-0.1	-0.2	0.0	0.0	-0.2
(% change on previous year, SAWA)	0.0	-0.4	-0.5	-0.4	-0.4
Employment rate					
(% of w orking age population, NSA)	64.3	63.6	64.3	64.6	:
Job vacancy rate					
(% of vacant and occupied posts, NSA)	1.5	1.5	1.5	1.4	1.6
Labour productivity					
(% change on previous year, SAWA)	0.9	0.5	0.3	0.0	-0.2
Nominal unit labour cost					
(% change on previous year, SAWA)	1.3	1.8	2.8	3.7	2.8
Long-term unemployment rate					
(% Labour force, NSA)	4.3	4.5	4.6	4.6	:

	2012 Sep	2012 Oct	2012 Nov	2012 Dec	2013 Jan
Unemployment rate (SA)					
Total (% of labour force)	10.6	10.7	10.7	10.7	10.8
Men	10.5	10.6	10.7	10.7	10.8
Women	10.6	10.7	10.8	10.8	10.9
Youth (% of labour force aged 15-24)	23.0	23.2	23.4	23.4	23.6

Source: Eurostat, DG EMPL own calculations.
Note: SA = seasonally adjusted; SAWA = seasonally adjusted and adjusted by working days; NSA = non-seasonally adjusted.

Introduction

This edition of the Quarterly Review shows growing labour market and social challenges. The unemployment rate is still at its highest in the EU[1], at 10.8 % in January 2013 (11.9 % in the euro area), and the situation for young people is still very worrying (unemployment rate at 23.6 % in the EU). The outlook for the coming months remains bleak.

The Quarterly Review provides an in-depth overview of developments in the European labour market and the social situation in the EU, based on the latest available data.[2] It summarises short-term trends in GDP and employment growth, changes in employment by sector and category of contracts, employment rate, unemployment, long-term unemployment and inactivity, with a focus on specific vulnerable groups, namely youth, migrants and low-skilled. The analysis also covers the latest trends in the financial situation of households, working hours, productivity and labour costs, developments in employment patterns and vacancies, the impact of restructuring, and recent changes in economic sentiment and employment expectations.

Additionally, more specific topics are reported within the Special Focus sections: social and employment impact of fiscal consolidation, labour market mismatches (Beveridge curves) and posting of workers. A sectoral focus on manufacturing of basic metals and of motor vehicles in the EU is also provided, as well as recent social and employment developments in Bulgaria. Additionally, main recent demographic trends are discussed in a Special Supplement.

Finally, the two annexes present the latest labour market statistics and a selection of recently published and relevant research material.

[1] "EU" refers to the aggregate value for the EU-27 (27 Member States). Other aggregates are clearly identified in the text, e.g. EU-15, euro area or EA-17, etc.

[2] This report is based on data collected up until 20 March 2013.

Macroeconomic and employment context and outlook

Context

Quarterly GDP contraction driven by declines in exports, private consumption and investment (changes q-o-q)

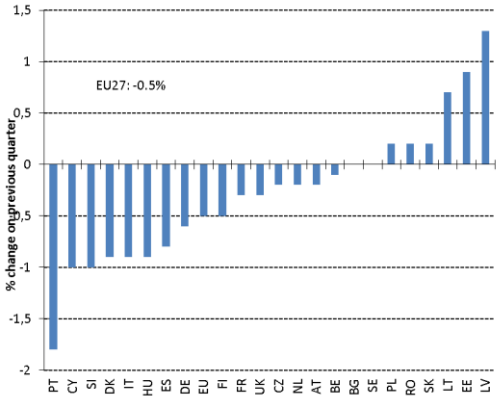
The fourth-quarter contraction in the EU's GDP was the result of decreased exports and domestic demand, with declining private consumption and gross fixed capital formation. The decline affected most sectors, with the exception of three broad services groups: information and communication, real estate and public services. Industrial activity, trade and the arts turned back to negative, while agriculture and construction continued contracting in the fourth quarter. The slow-down was particularly marked in industry and manufacturing (-1.8 % and -1.7 % respectively).

Increasing number of Member States saw falling GDP, employment

Among those countries with negative growth during the fourth quarter, Portugal's economy has been contracting for two years, since the last quarter of 2010. Italy, Cyprus and Slovenia saw their economies shrink for the sixth quarter running, while Spain's activity contracted for the fifth consecutive quarter. The economies of Hungary and the Czech Republic contracted over the whole of last year. The growth rate turned back to negative in Belgium, Denmark, France, Finland, and the United Kingdom, while in Bulgaria and Sweden, growth stopped in the fourth quarter.

The countries in which economic activity did increase in the fourth quarter were mainly those that were already growing in the third quarter. Growth rates slowed in the Baltic countries, in Slovakia and in Poland, while the economy of Romania started to grow in the three months up to December (see Chart 1).

Chart 1: Fourth-quarter 2012 real GDP in EU Member States



Source: Eurostat, National accounts, seasonally adjusted data, [namq_gdp_k].
Note: IE, LU and MT data not available.

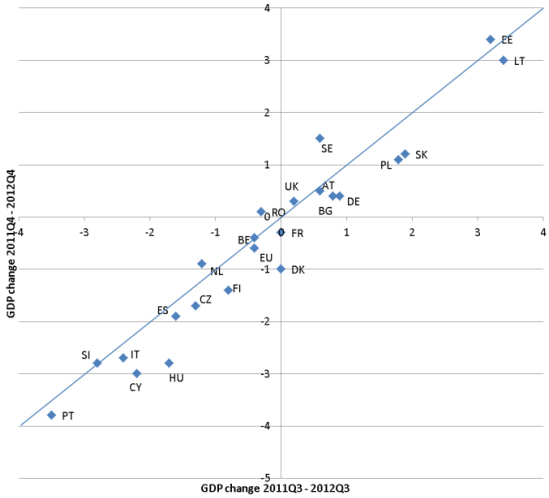
Over the year up to 2012 q4, GDP shrank by 0.6 % at EU level and the economies in more than half of the Member States continued to contract, while the rate of growth remained more or less the same or slowed in those that did grow (see Chart 2). The growth pattern reflects Europe's north versus south and periphery divide, which is especially strong in the euro area. The economies of the northern euro area (Austria, Belgium, Germany, Finland, France and the Netherlands) contracted less or even grew in comparison to southern and periphery Member States (Spain, Greece, Italy, Cyprus, Portugal and Slovenia). The exceptions among the latter group are Slovakia and Estonia, whose economies expanded.

On the negative side, falls in Greek and Portuguese GDP stand out (-6 % and -3.8 %). There was a significant slow-down in Hungary, Cyprus, Finland, the Czech Republic and Denmark, with Denmark's economy switching from stagnation to contraction.

On the positive side, the Baltic countries continued to grow by more than 3 %, with Latvia increasing its annual growth rate by 0.4 pp (to 5.7 %). Romania's economy switched from contraction to growth. Among the six largest countries, the United Kingdom continued to grow at more or less the same rate, whereas Poland's and Germany's growth slowed in comparison to the year-on-year changes in the previous quarter. The situation deteriorated even further in the other two big Member States, Italy and Spain, while growth over the year turned negative in France.

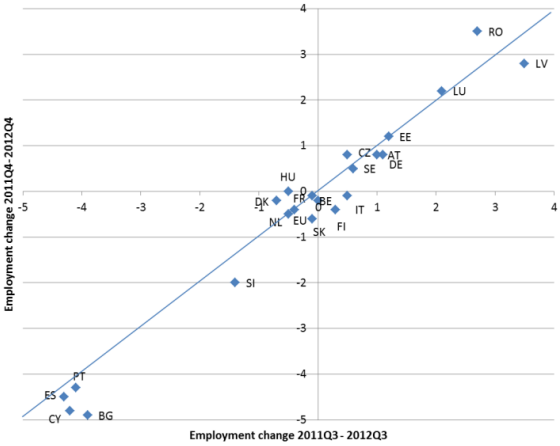
As in the case of GDP, employment growth diverged markedly among Member States (see Chart 3 and employment analysis below).

Chart 2: Real GDP growth in EU Member States, yearly changes in the third and fourth quarter of 2012



Source: Eurostat, National accounts, seasonally adjusted data, [namq_gdp_k].
Note: EL and LV not shown, being negative and positive outliers; IE, MT and LU data not available for 2012 q4.

Chart 3: Employment growth in EU Member States, yearly changes in the third and fourth quarter of 2012

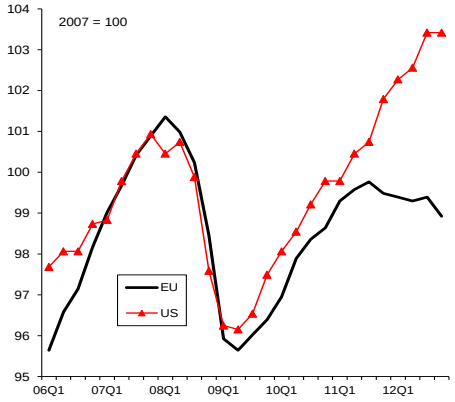


Source: Eurostat, National accounts, non-seasonally adjusted data, [namq_nace10_e].
Note: EL not shown, being a negative outlier; MT, IE and UK data not available for 2012 q4. LT and PL have revised employment data based on the results of the latest census. For this reason the two latest quarters are currently not comparable with data from earlier years, and therefore annual growth rates for these quarters are not published.

In the EU, real GDP shrank by 0.6 % between the fourth quarter of 2011 and the fourth quarter of 2012 (see Chart 4). In the euro area, the contraction was even larger, at -0.9 %. Domestic demand continued to be compressed by a very low level of confidence and the negative effects of fiscal consolidation. On a quarter-to-quarter basis, EU GDP dropped 0.5 % during the fourth quarter, the largest contraction since early 2009.

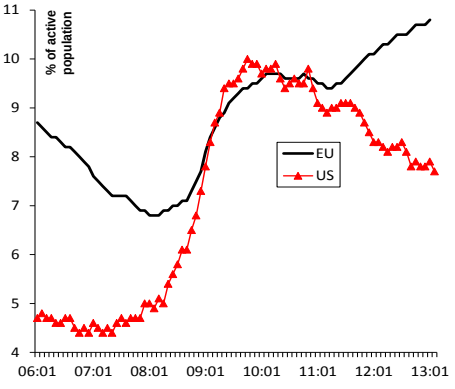
The divergent movements in the EU and US unemployment rates over the last twelve months (respectively +0.7 percentage point or pp and -0.6 pp, see Chart 5) reflect mainly the growth differential (real GDP changed by, respectively, -½ % and +1½ % year-on-year), as well as the very low labour participation rate in the US. See also the developments in other indicators of under-employment and potential additional labour force on page 19.

Chart 4: Real GDP volumes in the EU and the US



Source: Eurostat, National accounts. Seasonally adjusted data [namq_gdp_k].

Chart 5: Unemployment rates in the EU and the US



Source: Eurostat, National accounts. Seasonally adjusted data [une_rt_m].

Outlook

Overall economic sentiment recovers somewhat from very low level

During autumn, the Commission's economic sentiment indicator fell to its lowest level in three years, with broad-based drops in all sectors. The sentiment indicator increased again in the fourth quarter of 2012 (and the first of 2013), but still only regained the level of May 2012.

This development was mirrored in the euro-area Purchasing Managers Index (PMI) composite output index, which, however, dropped unexpectedly in February.

Growth forecasts remain very bleak

According to the Commission's winter economic forecast (WF),[3] EU GDP would stabilise in 2013 and grow by about 1½ % in 2014. Private consumption would shrink by 0.2 % in the EU and 0.7 % in the euro area this year.

In 2013, employment growth would only exceed ¼ % in some very small Member States, as well as in Austria, Romania and the UK. For the EU as a whole, it would shrink by 0.4 % (down by 0.8 % for the euro area). For 2014, some employment growth is foreseen. However, due to the usual lag, the acceleration in growth cannot yet make a dent in unemployment.

EU unemployment would rise to about 11% in 2013 and stay there in 2014, with continuing Member State divergence. In the euro area, it would rise to just over 12 % in 2013 and stay there in 2014.

A slightly more recent forecast by the ECB, which covers only euro-area GDP and its components, painted a more negative outlook, with euro-area GDP shrinking 0.5 % in 2013 (down by 0.3 % in the WF) before growing only 1 % in 2014 (1.4 % in the WF). The large difference for 2014 growth is mainly due to divergences in the outlook for investment (+1.3 % versus +2.4 % in the WF) and private consumption (+0.6 % versus +0.9 % in the WF). The ECB's GDP forecast for 2014 does not seem strong enough to reduce unemployment levels.

[3] See http://ec.europa.eu/economy_finance/publications/european_economy/2013/ee1_en.htm.

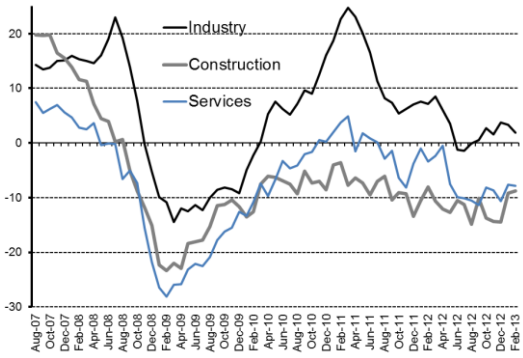
Employment expectations in industry have remained slightly above their long-term average in the EU and in most MS

Employment prospects in industry in the EU have remained slightly above their long-term average in recent months, showing that managers in this sector expect employment to stabilise (see Chart 6). In February 2013, managers in the industrial sector were rather optimistic about employment prospects in 15 Member States, and in particular in Romania, the United Kingdom and the Baltic States. On the other hand, industrial managers expect industrial employment to fall in Cyprus and Greece.

Employment prospects for services and construction remain particularly depressed

Employment expectations in the services sector remain poor at European level and in most Member States. In February 2013, employment prospects were worsening in 16 Member States, in particular in Greece, Slovenia and Finland.

Chart 6: EU employment expectations (next three months) in industry and in the construction and services sectors (centred around long-term average)



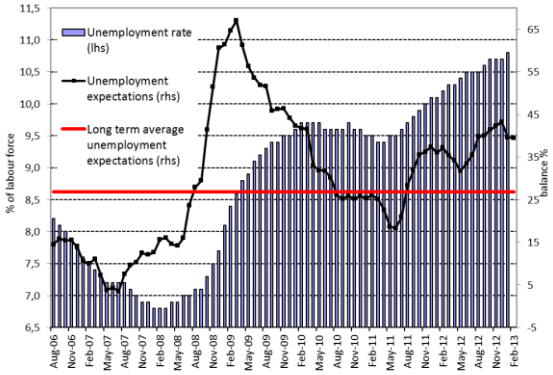
Source: ECFIN, DG EMPL calculation.

Sentiment concerning employment in construction at European aggregate level has remained persistently depressed in recent years (see Chart 6). In February 2013, managers in the construction sector expected employment to fall in 20 Member States, and especially in Spain, Portugal, the Netherlands and Greece. On the other hand, employment prospects in this sector continue to improve in Germany, Lithuania and Latvia.

European consumers' expectations of unemployment are slightly less pessimistic

European consumers' expectations of unemployment in the coming months are slightly less pessimistic, but remain significantly higher than their long-term average at EU aggregate level (see Chart 7). In February 2013, consumers were pessimistic about the unemployment outlook in 21 Member States, and especially in the Netherlands, Greece, Portugal, Belgium, Slovakia, Spain and France. Only six countries (Estonia, Latvia, Malta, Germany, Austria and Hungary) remained more or less optimistic about unemployment trends in the coming months.

Chart 7: Unemployment rate and consumers' unemployment expectations (next 12 months) for the EU



Source: Eurostat, ECFIN. Data seasonally adjusted.

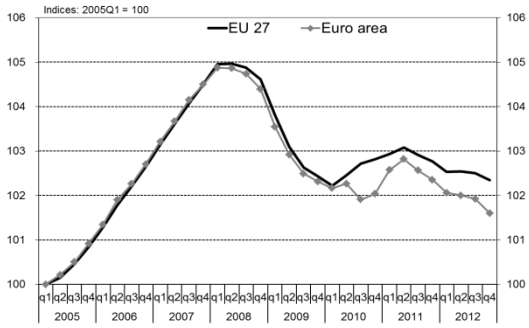
Recent labour market and social trends

Employment

Employment in the EU is still shrinking, falling back in the last quarter of 2012 close to its lowest level since the onset of the financial crisis

The number of people in work in the EU has dropped steadily since mid-2011 and in the last quarter of 2012 it fell by a further 0.2 % (400 000 people) to return by the end of the year close to its lowest level since the financial crisis began (see Chart 8). The positive impact of the recovery on employment in 2010 and during the beginning of 2011 (+1.6 million jobs) has thus been lost by the end of 2012.

Chart 8: Employment in the EU and the euro area, 2005-12



Source: Eurostat, National accounts [namq_aux_pem] and LFS [une_nb_m]. Data seasonally adjusted.

Developments remain less favourable in the euro area than in the EU as a whole

Over the last quarters, employment trends were less favourable in the euro area than in the EU as a whole. Over the year to 2012q4, employment in the euro area fell by 0.8 % - twice as much as in the EU (down by 0.4 %). In that quarter, the number of euro area jobs fell for the sixth quarter in a row. The decrease even accelerated, with employment dropping by 0.3 % after a fall of 0.1 % in 2012q3.

Fewer people in employment in most Member States in the last quarter of 2012

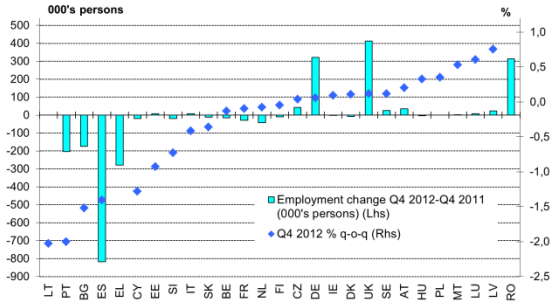
In 2012q4, eight Member States recorded employment growth while 12 saw a drop,[4] with the largest drop affecting Portugal (-2.0 %), Lithuania (-2.0 %), Bulgaria (-1.5 %) and Spain (-1.4 %). There was nevertheless jobs growth of 0.8 % in Latvia, 0.6 % in Luxembourg and 0.4 % in Poland (see Chart 9).

Among the large Member States, there were more decreases than increases in 2012q4[5]. Employment in Germany is still on a path of sustained growth, albeit slowing to +0.1 %, and Poland recorded a steep 0.4 % increase. The figure for France fell again, by 0.1 %, Italy saw a drop of 0.4 % and Spain experienced another considerable fall (1.4 %) in the number of people in work.

Employment is following a marked downward trend in some Member States, holding back jobs growth in Europe as a whole

Over the year to 2012q4, employment grew in eight Member States and fell in thirteen. European figures were hit by marked drops in some Member States, in particular Greece (280 000 fewer people in work; -6.5 %), Bulgaria (-175 000; -4.9 %), Cyprus (-20 000; -4.8 %), Spain (-820 000; -4.5 %) and Portugal (-205 000; -4.3 %). These falls were not offset by the gains seen in particular in Germany (+320 000; +0.8 %), the United Kingdom (+415 000; +1.8 % up to 2012q3), Romania (+315 000; +3.5 %) and the Czech Republic (+43 000; +0.8 %).

Chart 9: Employment change in 2012q4 (year-on-year change, 000's persons) and quarterly change (%, q-o-q) in the EU and Member States



Source: Eurostat, National accounts [namq_aux_pem]. 2012q3 for IE, MT and UK. q-o-q change not available for EL and RO. Year-on-year change not available for LT and PL.

Over the four years to the last quarter of 2012, 2.3 % of jobs disappeared in the EU across all sectors, although the intensity of net job losses varied between 7.9 % in industry and 15.1 % in construction on the

[4] Data available for 22 countries; 2012q4 change (q-o-q) not available for IE, EL, MT, RO and UK.

[5] 2012q4 data not available for UK.

one hand, and 2.2 % in the trade sector on the other hand (see section on sectoral developments on page 58).

Employment rate

EU aggregate employment rate stability over the year to 2012 q3 hides major differences across countries and genders

Reflecting overall job losses, the employment rate for the working-age population (15-64) fell by 1.6 pps to 64.6 % between the third quarter of 2008 and the same quarter in 2012, according to latest LFS data. Compared to the previous year though, that rate did not change. Likewise, a status quo was seen for the 20 – 64 age group in the year to 2012q3, at 68.9 %, some 6.1 pps below the Europe 2020 target (75 %). But this hides major differences across Member States, with major declines in Greece (-4.8 pps in the year to 2012q3, at 54.9 %), in Portugal (-2.7 pps to 66.6 %), in Cyprus (-2.7 pps to 70.0 %) and in Spain (-2.3 pps to 59.4 %), bringing those rates further below the targets set by the governments of those Member States (see ESDE 2012[6] for more details). On the other hand, significant rises were seen in Latvia (+2.6 pps to 69.7 %), Lithuania (+2.3 pps to 69.9 %), Malta (+1.9 pps to 63.3 %) and Luxembourg (+1.8 pps to 63.1 %).

Gender-wise, while the employment rate for the 20-64 population declined by 1.8 pps in the four years to 2012q3 (to 68.9 %), it went down by 3.2 pps for men and only 0.5 pp for women, to respectively 75.2 % and 62.6 %. The gap went down further over last year, as the male rate edged down by 0.2 pp, while the female rate went up by 0.2 pp. Various developments by age group can also be highlighted, as stressed in the sections on youth and other selected groups below.

Box 1 and the Special Supplement on demographic trends highlight the challenges EU labour markets are facing in terms of persistently shrinking and ageing workforce.

[6] See the introductory chapter "Key features of the current European employment and social situation", section 1.4.1.

Box 1: Population development and employment growth challenge

This box summarises the main messages developed in-depth in the Special Supplement on demographic trends.

The population of the EU is growing, while the age structure of the population becomes older. A turning point occurred in the early 1990s when net migration became the main driver of population growth and has since far outpaced natural change of population.

The impact of demographic ageing within the EU is likely to be of major significance in the coming decades. Consistently low fertility levels and higher life expectancy will transform the shape of the EU's age pyramid. Probably the most important change will be the marked transition towards a much older population and this trend is already becoming apparent in several Member States. The share of older persons in the total population will increase significantly in the coming decades, as a greater proportion of the post-war baby-boom generation reaches retirement. This will, in turn, lead to an increased burden on those of working age to provide for the social expenditure required by the ageing population.

In recent decades Europeans have generally been having fewer children and this pattern partly explains the slowdown of the EU's population growth. At the beginning of the last decade, however, the total fertility rate in the EU has shown some signs of increases again.

Levels of immigration to the EU from third countries of 1.7 million persons and within the EU (intra EU mobility) of 1.3 million persons are reported in 2011. The latest figures available reveal a slight increase in intra-EU mobility since 2009 and a slight decrease in the immigration to the EU from outside EU countries in 2011 as compared to 2010. On 1 January 2012, EU Member States are host to some 20.7 million non-EU nationals. A further 13.6 million EU nationals are living in another Member State. About 0.7 million non-EU nationals residing in an EU Member State have acquired EU citizenship in 2011, corresponding to an 8.2 % decrease with respect to 2010.

Even if the crisis appears to have created excess manpower that Europeans experienced in the form of high unemployment rates, especially for young adults, in the medium term Europe will face human resource scarcities due to demographic change. To tackle this challenge Europe needs a combination of

- short- and medium-term activating measures to raise employment rates, pursuing the Europe 2020 targets, and
- a longer-term strategy based on raising the quality of the human capital for an even wider labour participation and higher productivity.

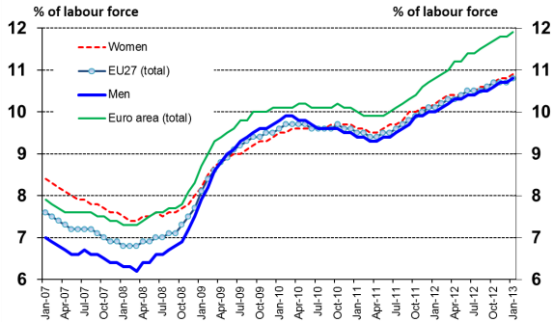
Unemployment

The number of people unemployed in the EU has again risen in recent months, hitting a new historic high of 26.2 million in January 2013 (+0.9 % on the previous month). This corresponds to an unemployment rate of 10.8 %. The steady increase in unemployment in the EU in the 21 months to January 2013 has led to a second wave of unemployment, with close to 3.7 million more people out of work (+16.3 %). For youth, the unemployment rate stood at 23.6 % in January (see section on Youth on page 21).

Rising unemployment has been widespread among EU countries, with a rise in 19 Member States over the last three months to January 2013. Unemployment trends remain more unfavourable in the euro area than in the EU and the gap between Member States in terms of unemployment rates continues to widen (see Chart 13).

Steady increase in unemployment in the EU over the past seven quarters

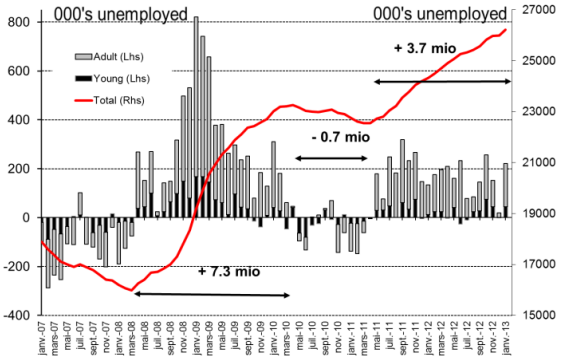
Chart 10: Monthly unemployment rate in the EU, total, women and men and in the euro area, Jan 06–Jan 13



Source: Eurostat, LFS. Data seasonally adjusted [une_rt_m].

Over the past seven quarters to January 2013, the EU unemployment rate has risen steadily. It went up by 1.4 pps (see Chart 10) to 10.8 %, representing 3.7 million more people out of work (+16.3 %) (see Chart 11). This second upsurge in unemployment comes on top of the rise in unemployment during the financial crisis, when the 25 months between April 2008 and May 2010 saw 7.3 million more people lose their jobs in the EU (+44.7 %). The recent rise in unemployment has been slightly more to the disadvantage of men, with a surge of 0.8 pp over the past 12 months to 10.8 % against a rise of 0.7 pp for women to 10.9 % in January 2013.

Chart 11: Monthly change in the number of young, adult and total unemployed and monthly number of unemployed in the EU, Jan 07–Jan 13

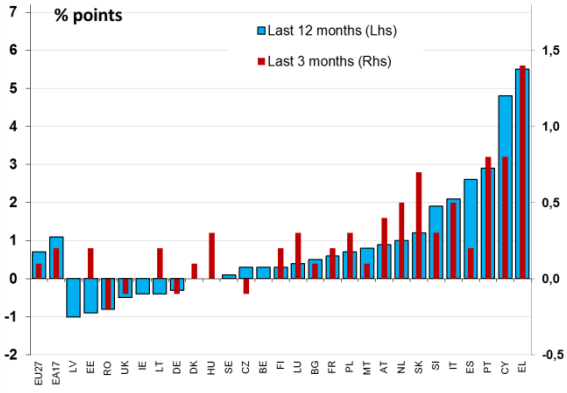


Source: Eurostat, LFS. Data seasonally adjusted [une_nb_m].

In recent months, the increase in European unemployment has remained more concentrated in the euro area

Between April 2011 and January 2013, 95 % or 3.5 million newly unemployed in the EU were in the euro area (EA), bringing that total to 19 million, out of the 26.2 million recorded at EU level. Consequently, the euro-area unemployment rate has increased faster. Over the year to January 2013, it went up by 1.1 pps to 11.9 %, compared with a rise of 0.7 pp in the EU (see Chart 12).

Chart 12: Change in unemployment rate (%) over the last 12 months and last three months to January 2013



Source: Eurostat, Series on unemployment. Data seasonally adjusted [une_rt_m]. Data for EL up to Nov 12; UK: moving average Jul-Aug-Sep 12; EE and HU: moving average Oct-Nov-Dec 12; BE, BG, IE, FR, CY, LU, MT, PT, SI, SK quarterly data up to 12 Q3.

Over the three months to January 2013, unemployment continued to rise faster in the euro area than in the EU, with the number of unemployed up by 1.8% in the euro area, against +1.5% in the EU, corresponding to a rise in unemployment of 0.2 pp and 0.1 pp respectively.

The rise in unemployment has spread in the EU, with an upward trend in 20 Member States

In recent months, rising unemployment has spread to more European countries, with 20 recording an unemployment rate increase during the last three months to January 2013. The highest increases were recorded in Greece (+1.4 pps — up to November 2012 — to 27.0%), Portugal (+0.8 pp to 17.6%), Cyprus (+0.8 pp to 14.7%), Slovakia (+0.7 pp to 14.9%), Italy (+0.5 pp to 11.7%) and the Netherlands (+0.5 pp to 6.0%). Over the same period, the unemployment rate remained stable in four countries and fell modestly in four. It went down by 0.2 pp in Romania (to 6.6%) and by 0.1 pp in Germany (to 5.3%), the United Kingdom (to 7.7%) and the Czech Republic (to 7.0%).

Unemployment has gathered pace recently in four large Member States

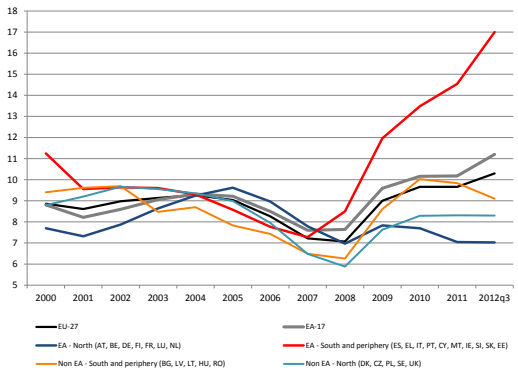
Among the large Member States, there was an acceleration of the unemployment trend in the three months to January 2013 in Italy (+0.5 pp to 11.7%) and in Poland (+0.3 pp to 10.6%) and an ongoing increase in Spain (+0.1 pp to 26.2%) and in France (+0.1 pp to 10.6%). In Germany, the number of unemployed has been falling steadily over the past three years and, during the three months to January 2013, it fell further by 0.1 pp to 5.3%. In the United Kingdom, the number of unemployed went down slightly in recent months.

Divergence within the euro area continues to increase dramatically, as opposed to the rest of the EU

Divergence among Member States remains at its highest, with a gap of 22.1 pps now seen between the Member State with the lowest rate of unemployment (Austria, 4.9% in January 2013) and that with the highest (Greece, 27.0% in November 2012).

Disparities are far more marked among euro area (EA) countries than in the rest of the EU. The gap that appeared between the weighted aggregate unemployment rates for the north of the euro area on the one hand, and the south and periphery of the same zone on the other, has been shooting up since the crisis broke out (see Chart 13). This contrasts with the gradual convergence in unemployment rates between 2000, when the gap was 3.5 pps, and 2007.

Chart 13: Diverging unemployment rates by groups of euro area (EA) and non-EA Member States since 2000



Source: Eurostat, LFS; DG EMPL calculation.
Notes: 2012 data available until 2012q3. Weighted average: aggregate unemployment rate = aggregate unemployment level / aggregate labour force.

Divergence continued and accelerated with the crisis. As a consequence, the gap was as high as 7.5 pps in 2011, and continued to grow last year, when it reached 10 pps as of the first quarter of 2012, the average unemployment rate being 17% in the south and periphery of the EA in 2012q3, against 7% for the north of the zone.

In the rest of the EU, the gap between the north, the south and the periphery of the group formed by non-EA countries was much more limited: after climbing to 1.7 pps in 2010, from 0.4 pp in 2008, it slowed down to 1.5 pps in 2011 and 0.8 pp in 2012q3.

Long-term unemployment

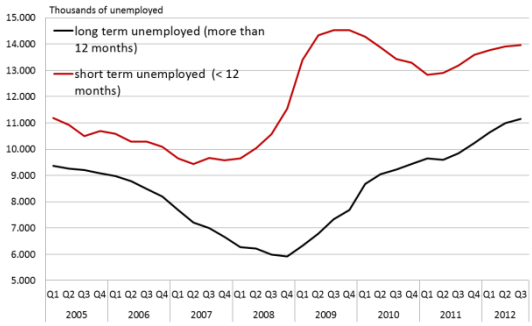
EU-aggregate long-term unemployment[7] reaches historical high at 11.2 million

By the third quarter of 2012, the number of people continuously unemployed for more than a year (long-term unemployed) had increased by 1.6% (or 170000) compared to the previous quarter, reaching a total of 11.2 million (see Chart 14). This figure,

[7] Long-term unemployed: people who have been unemployed for more than a year.

86% higher than four years ago, is a historical high for the EU-aggregate number of long-term unemployed. Long-term unemployment in the EU increased almost steadily over the past 15 quarters to reach 4.6% of the active population in the third quarter of 2012.

Chart 14: Number of people in the EU: Long term unemployed and short term unemployed, 2005–12

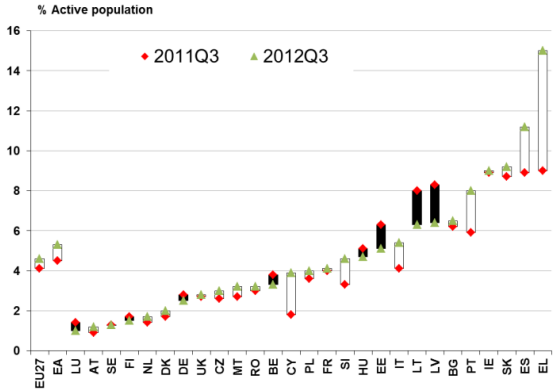


Source: Eurostat, LFS. Data seasonally adjusted, ESTAT calculation [lfsq_ugad].

Long-term unemployment is on the rise in most Member States, while the gap among them is widening

Starting from an already diverging pattern between Member States, the situation of the long-term unemployed has worsened again in most Member States in the third quarter of 2012. Long-term unemployment increased in 18 Member States over the year to the third quarter of 2012. There was a particularly dramatic increase in Greece, where it increased to 15% (up by 6 pps); in Spain, to 11.2% (up by 2.3 pps); in Portugal, to 8% (up by 2.1 pps); in Cyprus, to 3.9% (up by 2.1 pps) and in Italy, to 5.4% (up by 1.3 pps, see Chart 15). The number of those among the active population who have been unemployed for more than one year has remained at or exceeded its highest level in decades, in the EU (4.6%) and the euro area (5.3%) and in seven Member States: Greece (15%), Spain (11.2%), Portugal (8%), Slovenia (4.6%), France (4.1%), Cyprus (3.9%) and the United Kingdom (2.8%). In contrast, the number of long-term unemployed decreased in nine Member States over the year to the third quarter of 2012, in particular in Belgium, where it fell to 3.3% (down 0.5 pp), in Germany, to 2.5% (down 0.3 pp), in Luxembourg, to 1% (down 0.4 pp) and in Finland, to 1.5% (down 0.2 pp). Luxembourg, with 1%, and Austria, with 1.2%, can boast the lowest long-term unemployment rate in the EU. Compared to their active populations, there are 15 times more long-term unemployed in Greece than in Luxembourg.

Chart 15: Long-term unemployment rates for the EU, the euro area and the Member States in the third quarter of 2011 and the third quarter of 2012



Source: Eurostat, LFS. Data non-seasonally adjusted [une_ltu_q].

Long-term unemployment will continue to increase due to the ongoing increase in the number of recently unemployed people

The number of short-term unemployed[8] increased in the third quarter of 2012 by 0.4%, or 50000 people. It is the sixth consecutive quarter of increase, adding up to a rise of 1.15 million in the number of unemployed people (+8.8%) over the last six quarters. This increase, combined with a low rate of transition from unemployment to employment, is particularly unfavourable and will inevitably lead to a further rise in long-term unemployment.

40% of the unemployed in the EU are likely to be out of work for more than one year on average

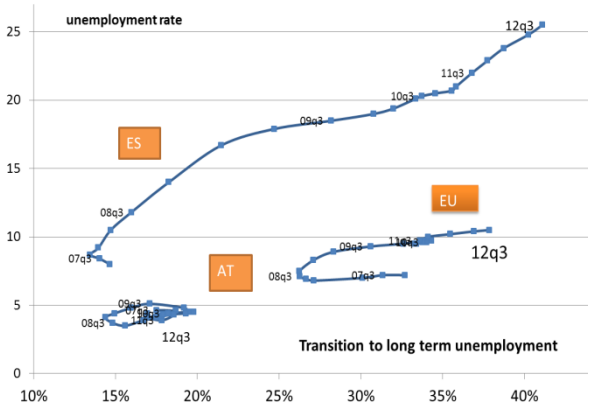
The risk of an unemployed person's becoming long-term unemployed remains close to 40%. The transition rate to long-term unemployment[9] has increased sharply to 38% in the third quarter of 2012 in the EU, 12 pps higher than four years earlier (see Chart 16). Under current labour market conditions, an average of two in five unemployed people in the EU will remain unemployed for more than one year. In the extreme case of Spain, under current labour market conditions, one in four active people

[8] Short-term unemployed: people who are unemployed for less than 12 months.

[9] The rate of transition to long-term unemployment is calculated as the number of people unemployed for 12 to 24 months divided by the number of people unemployed for less than 12 months one year earlier.

is unemployed and two in five of the unemployed will become long-term unemployed. In some countries, however, labour market conditions have not worsened in recent years. In Austria, the probability of being unemployed has remained low (below 5%), as has the probability of going on to be unemployed for more than a year (below 20%).

Chart 16: Unemployment rate and the rate of transition to long-term unemployment, from the second quarter of 2007 to the third quarter of 2012 in the EU, Austria and Spain



Source: Eurostat, LFS. Data seasonally adjusted, DG EMPL calculations [lfsq_ugad].

Supplementary indicators to unemployment

More than 20 million people across the EU are under-employed or find themselves in the grey zone between unemployment and inactivity[10]

In 2012q3 there were 9.1 million under-employed part-time workers in the EU, 2.2 million people seeking a job but not immediately available for work, and 8.9 million people available for work but not seeking it. The latter two categories constitute what is known as the 'potential additional labour force'. Altogether, a total of 20.2 million people aged 15 to 74 were under-employed or formed part of the potential additional labour force in 2012q3, equivalent to 8.3% of the labour force (up 1.1 pps on 2008q3). Together, they constitute the so-called 'halos' which is not included in the official unemployment figures (24.9 million in 2012q3).

Between 2008q3 and 2012q3, in a persistently difficult economic situation, the overall increase of 3 million (+17.3%) across the EU was mainly driven by increases in the numbers of people either under-employed or available for work but not seeking it (+23.8% and +18.7%, respectively). As a result of the crisis and of the ever greater financial difficulties of households, the number of people seeking work but not immediately available declined (-7.1%).

Recent developments: stable figures in the year to 2012q3, while unemployment was on the rise

In 2012q3, the number of under-employed part-time workers in the EU accounted for 3.7% of the labour force, compared to 3.5% in 2011q3. However, this masks differences across Member States: the percentage rose significantly in Belgium (from 0.6 to 2.7%) and decreased markedly in Slovenia (from 2.2 to 1.3%). The rate of persons seeking a job but not immediately available for work was 0.9% in 2012q3, identical to one year before. This stability was observed in most countries. The rate of persons available for work but not seeking it was 3.7% in 2012q3, likewise stable compared to 2011q3 at EU level, while rises and falls were seen in many countries, from +1.1 pps (to 4.6%) in Portugal to -1.5 pps (to 4.8%) in Estonia. By contrast, the unemployment rate was 10.3% in 2012q3, as against 9.4% in 2011q3.

In sum, while EU unemployment has increased sharply since 2008 (only 6.9% in 2008q3) and the onset of the economic and financial crisis, the three soft forms of unemployment have experienced far more stable trends during this turbulent period. The proportion of under-employed part-time workers in the labour force has grown slightly, from 3.1% in 2008q3 to 3.7% in 2012q3. The percentage of persons available for but not seeking work has followed the same trend, reaching 3.7% in 2012q3, from 3.1% four years earlier. The percentage of people seeking work but not immediately available has remained close to 1% over the same period, showing no noticeable change since the start of the economic crisis.

[10] This paragraph is based on newly available quarterly data (Eurostat, LFS, table lfsi_sup_age_q). It is an update of the analysis presented in the Quarterly Review of September 2012 (where definitions are presented). For more explanations and breakdowns by gender, age group and educational level, see also http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Underemployment_and_potential_additional_labour_force_statistics.

Two factors explain this more stable trend compared to the unemployment rate. First, the three indicators supplementing unemployment have, by construction, looser requirements than unemployment, because they look at groups of people who do not simultaneously fulfil all the criteria of the ILO unemployment definition. This softer definition makes the indicators more stable, as people in those three categories are less likely to leave the group. Secondly, people in under-employment and persons available for but not seeking work tend to have structural reasons for their situation, e.g. because they believe no work is available, because they are doing domestic tasks, etc. In the case of persons seeking but not available for work the explanation is different because they are a very dynamic group with a high turnover. What happens is that the flow of individuals entering the category is very much balanced out by the flow of individuals leaving it, including students starting to look for a job before the end of their studies.

This relative stability contrasts with similar indicators in the United States.[11] The proportion of under-employed part-time workers in the US rose from 3.7 % of the labour force in 2008q3 to 5.1 % in 2012q3 (5.4 % in 2011q3), while that of discouraged workers and workers marginally attached to the labour market — similar to the EU concept of potential additional labour force — climbed from 1 % to 1.5 % (unchanged since 2011q3). These trends broadly offset developments in the US's official unemployment rates, which rose dramatically until 2011, and subsequently eased: 6.0 % in 2008q3, 9.1 % in 2011q3 and 8.1 % in 2012q3.

[11] Contrary to the EU practice of expressing these rates in terms of the share in the actual labour force, the US rates are expressed in terms of the percentage in the total labour force + under-employed part-time workers (+ discouraged and marginally attached workers in the case of the second indicator), which tends to slightly reduce the ratio.

Inactivity and discouragement

Inactivity in the EU keeps falling…

The trend of increasing unemployment and decreasing inactivity continues. The inactivity rate declined by 0.7 pps over the year to the third quarter of 2012 and is now at 27.9 % (see Chart 17).

…and is converging across Member States

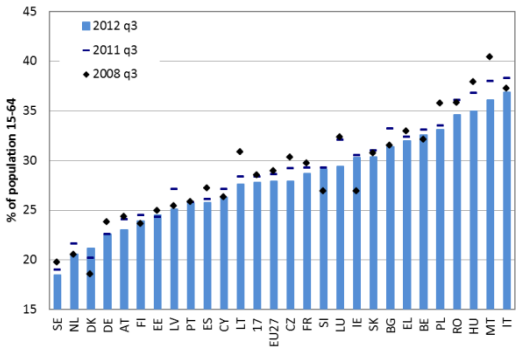
The decline in inactivity was concentrated in those Member States with high inactivity rates (above 30 %), as well as in Austria, Latvia and the Netherlands which, on the contrary started from a low level four years before (at or below 25 %). Denmark diverged from the general declining trend, with a considerable increase in the inactivity rate (1 pp).

Inactivity rates vary considerably across Member States (from 18.5 % in Sweden to 36.9 % in Italy), although they have been converging since the beginning of the crisis.

The inactivity rate of women is declining faster than that of men

Female participation in the labour market continued to increase over the year to the third quarter of 2012 (inactivity fell by 0.8 pp) and also men are increasingly participating more. Indeed, after small increases in previous years (0.1 pp in 2011 and 0.2 pps in 2010) the inactivity rate among men fell by 0.6 pps in 2012 (down to 21.6 %). The gender gap in inactivity rates declined by a further 0.2 pps over the year to the third quarter of 2012 (down to 12.6 pps), confirming a general decline since the onset of the crisis (it was at 14.3 pps in the third quarter of 2008).

Chart 17: Inactivity rates for EU Member States



Source: Eurostat, LFS. Data non-seasonally adjusted.

Discouragement increased further among the reduced total number of inactive persons

Unemployment and long-term unemployment have surged during the crisis (now affecting 10.8 % and 4.6 % of the active population, respectively) and have been accompanied by an increase in discouragement. From the onset of the crisis to 2011, the share of inactive persons that did not believe there was a job available increased by 1.5 pps (up to 5.2 %).

Youth

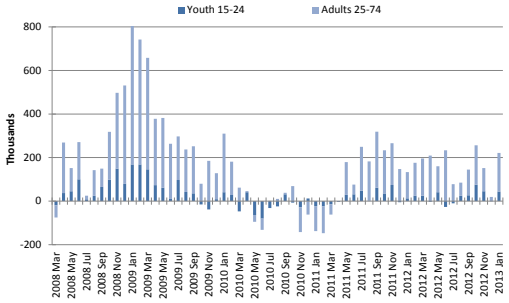
Youth unemployment is still at its highest, while employment remains subdued

Over the year to the third quarter of 2012, while employment edged down by just 0.4 % among the entire population of working age (15-64), employment fell sharply by 3.6 % among young people (below the age of 25). Even more dramatic is the collapse of youth employment since the third quarter of 2008: -16.6 %, against -2.7 % in the entire working-age population. According to recent Eurostat estimates, youth unemployment has risen over recent months, reaching the level of 5.7 million in January 2013, accounting for 23.6 % of the active young persons. This is 1.2 pps higher than in January 2012, compared with +0.7 pp for the total active population.

However, looking at developments in the number of unemployed (see Chart 18), the number of jobless young people increased by 4.8 % in the 12 months to January 2013, while the number of jobless adults aged 25 and over shot up by 8.6 %. This paradox is explained by the surge in youth inactivity (see below).

After receding somewhat in the early months of 2011, youth unemployment began to climb again in May 2011 and has continued to do so at a sustained pace since then — with the exception of December 2011, June and July 2012. It peaked at 5.7 million in January 2013.

Chart 18: Changes in unemployment among young people and adults in the EU, 2008-2013



Source: Eurostat, Series on unemployment. Data seasonally adjusted [une_nb_m].

The youth unemployment rate has always been around 2.5 times higher than the rate for adults. While the adult unemployment rate stood at 9.4 % in January 2013, i.e. 3.7 pps higher than its pre-crisis level of 5.7 % in early 2008, the rate for young people (now 23.6 %) was markedly up, by 8.6 pps from a low of around 15 %.

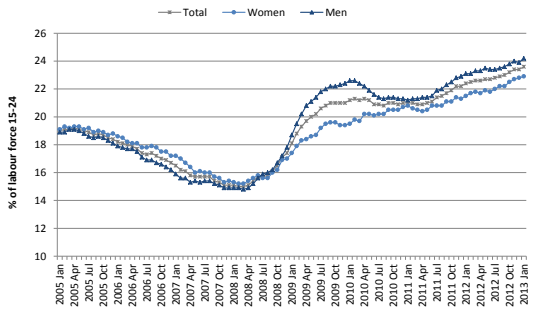
A phenomenon recently affecting both young women and men

Compared with the previous low point in April 2011, youth unemployment in January 2013 was up by a significant 551 000 (+10.6 %), driven equally by young women and men.

After remaining stable at around 21 % between autumn 2009 and mid-2011, the youth unemployment rate has surged since autumn 2011 and passed the 23 % mark in September 2012. In January 2013, it was some 2.7 pps higher than the low recorded in March-April 2011. The rate now stands at 24.2 % for young men (+1.1 pps over the year) and 22.9 % for young women (+1.4 pps, see Chart 19).

However, the rise in youth unemployment in the EU compared to the pre-crisis level (March 2008), of +43 % or +1.7 million, was still mainly driven by a sharper rise in unemployment among young men. It went up by 1 020 000 (+47 %), against +702 000 (+38 %) for young women.

Chart 19: Youth unemployment rates for the EU by sex, 2008-2013



Source: Eurostat, Series on unemployment. Data seasonally adjusted [une_rt_m].

Employment rate decline for young people was affected by rising inactivity …

Reflecting overall job losses, the employment rate for young people fell by a significant 4.6 pps to 34.0 % over the four years to the third quarter of 2012, against -1.6 pps to 64.6 % in the whole working-age population. However, this decline was not only due to the surge in the unemployment rate (up by 6.9 pps to 23 % in September 2012) but also largely to the rise in the inactivity rate (up by 1.9 pps to 56.1 % in 2012q3, see Chart 25). In the year to the third quarter of 2012, the youth employment rate fell by 0.7 pp (to 34 %), as against status quo (at 64.6 %) among the whole working-age population. Over the same 12 months, the inactivity rate for young people went up by 0.2 pp (to 56.1 %), while it fell by 0.7 pp (to 27.9 %) in the entire working-age group.

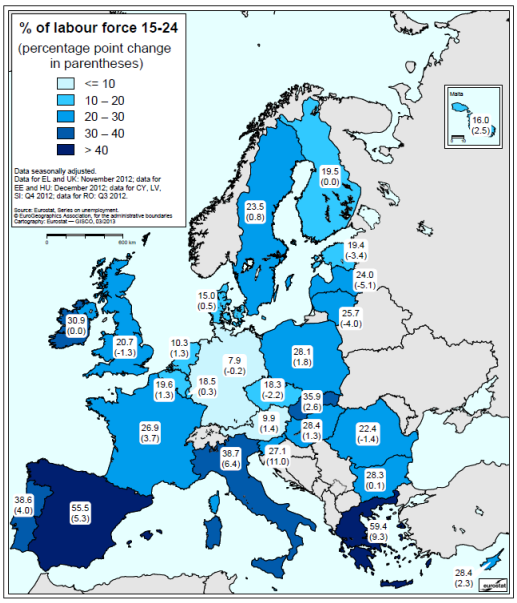
… and the recent fall in youth employment was driven by a drop in temporary and full-time jobs

As mentioned above, over the year to the third quarter of 2012, employment declined by 3.6 % among young people. This fall was driven essentially by a drop in temporary contracts (-5.5 % vs -3.8 % for the 15-64 age group, against -2.2 % for permanent jobs).

More than 40 % of young employees in the EU have temporary jobs, a figure that has increased during the downturn. In the third quarter of 2012, the percentage stood at 43.6 %, up 1.8 pps on 2008q3, as against 14.0 % for the entire working-age population (-0.4 pp). In the third quarter of 2012, there were 7.8 million temporary young employees, 1.3 million (roughly 14 %) fewer than four years earlier. Even though the recent decline in youth employment is mainly due to a drop in the number of temporary jobs, over the longer term, the fall in permanent employment was very substantial too. The number of permanent jobs held by young people declined by 2.6 million (-18 %) to 11.6 million over the four years to 2012q3.

The relative expansion of part-time jobs (+1.2 %) recorded in the year to 2012q3 was not enough to make up for the drop recorded in full-time employment (-5.6 %). In the third quarter of 2012, 30.1 % of young workers were on part-time contracts, up 1.4 pps on the third quarter of 2011. The corresponding figure had been below the 27 % mark throughout 2008. In the third quarter of 2012, there were 5.8 million part-time young workers, the same number as four years earlier, after dropping to 5.7 million in early 2010 while, in the same four-year period, full-time employment declined by 3.8 million (-22 %) to 13.5 million.

Chart 20: Youth unemployment rates and year-on-year changes, January 2013



High youth unemployment still prevails in most Member States

As Chart 20 shows, the labour market situation for young people varies significantly across Member States. Over the last year, the youth unemployment rate rose in all but seven Member States. Mediterranean countries (Slovenia, Greece, Italy, Spain and Portugal) recorded the highest year-on-year rises (at least 4 pps), while the rate went down significantly in

Latvia, Lithuania, Estonia and the Czech Republic (by -5.1, -4.0, -3.4 and -2.2 pps).

Youth unemployment remains a serious problem in most countries, hitting historic highs in some. The youth unemployment rate is still over 15 % in all but four countries (Germany, Austria, the Netherlands and Denmark). At another extreme, unemployment affects at least 30 % of active young persons in Italy, Portugal, Slovakia and Ireland. Even more striking, in Greece and Spain, the number of young unemployed persons has exceeded the number of young people in work for more than a year (youth unemployment rate higher than 50 %), with respectively 59.4 % in November 2012 and 55.5 % in January 2013.

A generation increasingly at risk of long-term unemployment and prolonged inactivity

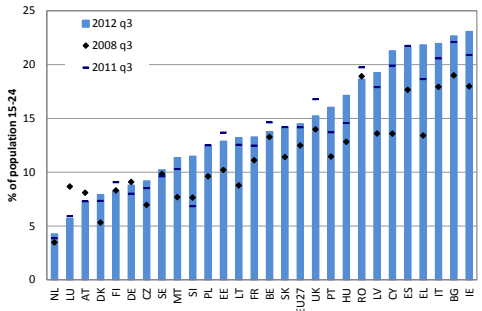
The long-term unemployment rate for young people first plateaued at around 6 % in 2010 through to mid-2011, up from 3.5 % in 2008 and following the large influx of young unemployed persons in 2008 and 2009. After levelling out, the rate has worsened recently, rising to above the 7 % mark since 2012q1. It stood at 7.1 % in the third quarter of 2012, up 0.8 pp on 2011q3 (see Chart 24). Consequently, nearly one in three (31.9 % in 2012q3) young unemployed persons have been without a job for more than a year, compared with roughly 22 % at the onset of the crisis.

As mentioned above, the inactivity rate among young people stood at 56.1 % in 2012q3, up 0.2 pp on 2011q3 (see Chart 25). To some extent, this increase was the result of discouragement. In the third quarter of last year, 2 % of inactive young people were actually seeking employment. At the same time, 12.1 % wanted to work, but were not seeking employment, a percentage close to pre-crisis levels.

Worryingly, the number of young people neither in employment nor in education or training is still on the rise

Given that so many young people are in education (accounting for roughly 90 % of economically inactive youth), inactivity as such should not be the major concern, but rather the proportion of young people who are neither in employment nor in education and training (NEET). In the third quarter of 2012, 14.5 % of young people (8.1 million) fell into the NEET category, up by 0.3 pp on 2011q3. The number of NEETs went up sharply, by around 0.9 million, compared to the 7.2 million (12.5 % of total young population) registered four years earlier (see Chart 21). The risks for the young generation in the EU materialise acutely in this spreading phenomenon.

Chart 21: NEET for EU Member States, 2008q3, 2011q3 and 2012q3



Source: Eurostat, LFS. Data non-seasonally adjusted [edat_lfse_20].

The NEET rate rose in all Member States during the four years to the third quarter of 2012, except in Austria (-0.8 pp), Germany (-0.3 pp), Luxembourg (-3.0 pps) and Romania (-0.3 pp). The largest surges were seen at the periphery of the EU: Greece (+8.4 pps), Cyprus (+7.7 pps), Latvia (+5.7 pps) and Ireland (+5.1 pps). Consequently, the NEET rate now diverges more widely across Member States, ranging from below 10 % in the Netherlands, Luxembourg, Austria, Denmark, Slovenia, Germany and the Czech Republic, to above 20 % in Ireland, Bulgaria, Italy, Greece, Spain and Cyprus.

Other selected groups

In the third quarter of 2012, the EU labour market situation deteriorated further compared to the previous year, particularly for the low skilled. Although the labour market situation of youth and migrants remains the most difficult (with unemployment rates over 20 %), the unemployment rate of prime age adults (25-54) and EU nationals also started to rise again noticeably.

To raise the overall employment rate in the EU (now at 68.9 % for the 20-64 age group) to the Europe 2020 target of 75 %, particular efforts are needed to boost the employability of older people aged 55-64 (whose employment rate now stands at 49.5 %), and of the low skilled (52.7 %),

migrants (57.8 %) and women (62.6 %) in the age group 20-64.

Continued rise in unemployment of older workers despite a remarkable decline in their inactivity rate

Compared to other age groups, older people aged 55-64 have been the least affected by the downturn in the labour market in terms of unemployment, while their labour market attachment has increased considerably.

Notwithstanding a remarkable decline in the inactivity rate of older people (aged 55-64) by 2.2 pps (down to 46.8 %) (see Chart 25), the unemployment rate increased by 0.5 pp over the last year (up to 7.0 %, see Chart 23). The unemployment rate for older people nevertheless remains lower than for other age groups. Their long-term unemployment rate increased by 0.3 pp, and at 4.1 % is now lower than that for prime age adults (4.3 %, see Chart 24).

The position of older people of working age has been better than that of other age groups over the last four years of overall labour market downturn. Their unemployment rate increased by 2.2 pps with respect to an average of 3.4 pps, the inactivity rate declined by 4.9 pps with respect to an average decline of 1.0 pps, while their employment rate increased by 3.5 pps despite a general decline of 1.6 pps (see Chart 26).

Older people of working age still vulnerable to long-term unemployment and low labour market participation

The relatively favourable labour market situation of older people masks two aspects that still make them vulnerable. First, long-term unemployment applies to almost 60% of the older unemployed, while for young people (aged 15-24) the share is around half this, at 32 %. Second, the labour market participation of older people aged 55-64 remains low, at 49.5 % in the third quarter of 2012 and well below what is needed to reach the Europe 2020 employment target.

The risk of poverty and social exclusion for older working age people is on the rise

After a decline in the previous year, in 2011, the risk of poverty and social exclusion for older people of working age increased as much as for other age groups. Around 25.7 %[12] of the people aged 55-64 in the EU are now classified as living in poverty or social exclusion, up by 0.7 pp on 2010. The share of 55-64 year-olds facing monetary poverty increased by 1.2 pps (up to 14.8 %) in 2011, while the share of those severely materially deprived increased by 0.6 pp (up to 8.0 %).

Migrants in the EU are increasingly unemployed or inactive

Following a 0.7 pp increase in 2011, the unemployment rate of non-EU nationals increased by another 0.7 pp (up to 20.2 %) over the year to the third quarter of 2012 (see Chart 22 and 23). Their inactivity rate increased by a modest 0.4 pp (up to 31.4 %), following a period of stability between 2010 and 2011. The increases in inactivity and in unemployment pushed the employment rate of non-EU nationals down to 54.7 % (-0.8 pp).

The 20.2 % unemployment rate for migrants is still more than double the rate for nationals (9.7 %). The gap in the unemployment rate between nationals and migrants was around 7-8 pps before the crisis, then jumped to 11 pps immediately after and has remained between 11-12 pps ever since. The inactivity rate gap had fluctuated around 2 pps before the crisis, declined to 1.3 pps in the early phases of the crisis, then slowly rose to 3.5 pps in the third quarter of 2012. Since the beginning of the crisis, the growing employment gap between nationals and migrants (10.5 pps in the third quarter of 2012, 6.5 pps in 2008 and around 9 pps until 2011) has been mainly explained by the surge in unemployment for migrants (see Chart 23).

Long-term unemployment among migrants is becoming more prevalent

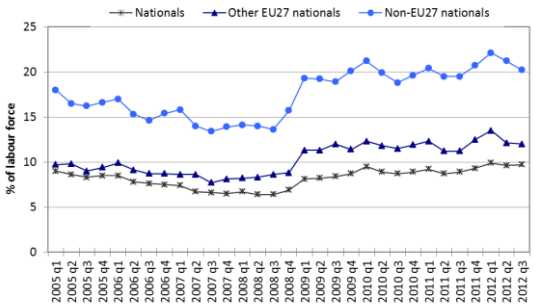
After considerable annual increases in the long-term unemployment rate from 2008 to 2010, non-EU nationals suffered a further increase over the year to the third quarter of 2012 (+0.6 pp, see Chart 24). The long-term unemployment rate of migrants is now at 9.2 %, while the gap with nationals widened further. The share of unemployed migrants who have been without a job for more than one year almost reached 46 % and slightly exceeds that of nationals now after having been lower for the most part of the last four years.

[12] 2011 data on poverty and social exclusion do not include Ireland.

The labour market situation of migrants has increasingly pushed them into poverty and social exclusion

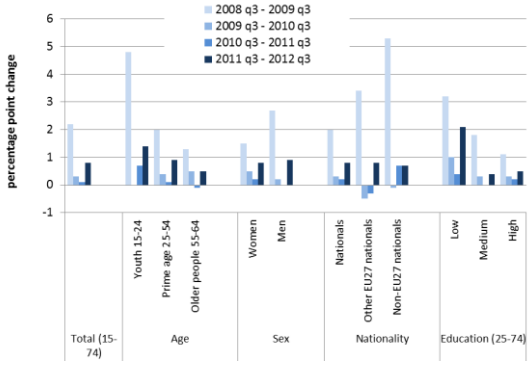
In 2011, the risk of poverty and social exclusion among migrants surged to 46.7%, corresponding to a year-on-year increase of almost 5 pps. The rapid deterioration of the social situation of migrants was mainly due to an increase in monetary poverty (+2.5 pps up to 34.7 %), while severe material deprivation remained fairly stable (at 16 %). The share of migrants in a situation of poverty or social exclusion remains distinctly higher than that of nationals (at 28 % in 2011).

Chart 22: Unemployment rates for the EU by nationality



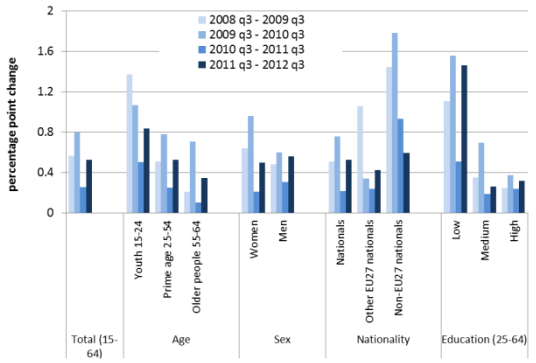
Source: Eurostat, LFS. Data non-seasonally adjusted [lfsq_urgan].

Chart 23: Year-on-year changes in unemployment rates for the EU by population subgroups



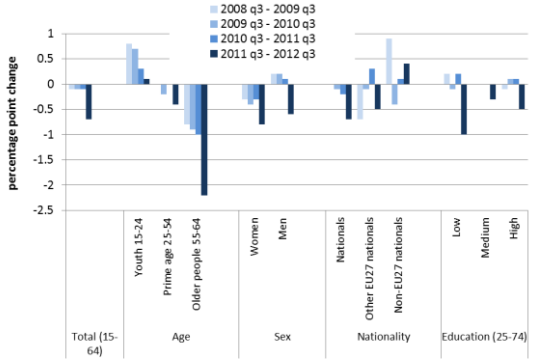
Source: Eurostat, LFS. Data non-seasonally adjusted [lfsq_urgan] and [lfsq_urgaed].

Chart 24: Year-on-year changes in long-term unemployment rates for the EU by population subgroups



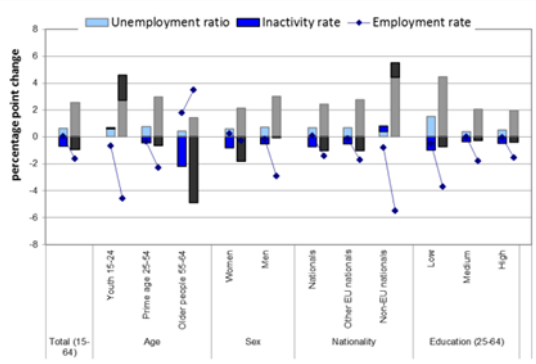
Source: Eurostat, LFS. Data non-seasonally adjusted [une_ltu_q].

Chart 25: Year-on-year changes in inactivity rates for the EU by population subgroups



Source: Eurostat, LFS. Data non-seasonally adjusted [lfsq_inac].

Chart 26: Changes (year-on-year and four years to 2012q3) in employment rate broken down into changes in the unemployment ratio and inactivity rate for the EU by population groups



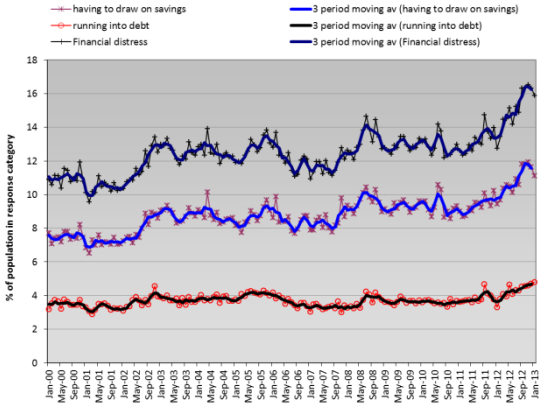
Source: Eurostat, LFS. Data non-seasonally adjusted [lfsq_emprt], [lfsq_unemp] and [lfsq_inac].
Note: First bar – one-year change 2011q3-2012q3, second bar – four-year change 2008q3-2012q3

Financial situation of households

Consumer surveys carried out under the joint harmonised EU programme of business and consumer surveys can provide – among other things – timely information on the financial situation experienced by households. In particular, the monthly question about the current financial situation allows to monitor the share of the EU population whose households are facing financial difficulties in terms of having to draw on their savings or are running into debt in order to cover their current expenditures.

Results from recent surveys indicate that the share of the EU population[13] reporting their households are experiencing financial distress[14] has moderated slightly from the peak reached in November last year, but remains well above the levels observed at any time in the previous decade (see Chart 27). The recent easing reflects a slight decline in the share of households having to draw on their savings, although worryingly the share running into debt continues to rise steadily.

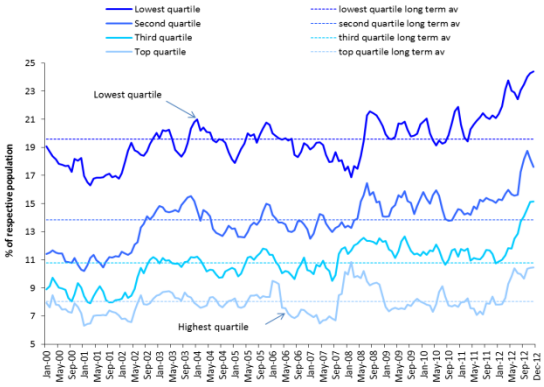
Chart 27: Share of EU population in households reporting financial difficulties (2000-2013)



Source: Joint harmonised EU consumer surveys.
Note: Data are not seasonally adjusted.

Sharp rises in financial distress have now permeated across all income groups, and all quartiles are experiencing levels well above their respective long term averages. Moreover, for all except upper quartile households, levels are much higher than even those recorded at the time the financial crisis first hit. Over recent months, financial distress among low income households has continued to edge upwards, and now affects almost one-in-four in that income group (see Chart 28). In contrast, financial distress among the upper income quartile households has remained fairly stable since mid-2012, following the sharp rise observed over the first half of last year.

Chart 28: Reported financial distress in EU households by income quartile of household (2000-2013)

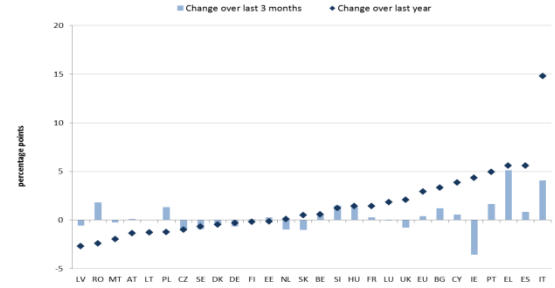


Source: Joint harmonised EU consumer surveys & DG EMPL calculations.
Note: 3 month moving average figures. Data are not seasonally adjusted. Long-term averages computed over 2000-2013.

The marked divergence in developments in household financial situations across individual Member States continues (see Chart 29). While for most Member States there was little change in the overall level of financial distress in households over the last three months, in around a third the situation worsened appreciably, particularly in Greece and Italy, while, in contrast, improvements were observed in a few, including most notably Ireland. On an annual basis, over the year to December the incidence of financial distress has worsened in around half of Member States, with the sharpest deterioration being recorded mainly in the southern and peripheral Member States of Bulgaria, Cyprus, Ireland, Portugal, Greece and Spain, and above all, in Italy (where the share of the population reporting financial distress rose almost 15 pps). Nevertheless the situation has improved in a few countries compared to a year earlier, most notably in Latvia, Malta and Romania.

[13] The sample underlying the consumer surveys is representative of the adult population rather than households in a given country.
[14] The combined population shares reporting they are either having to draw on savings or are running into debt.

Chart 29: Change in the population share in households reporting financial distress across EU Member States (as at December 2012)

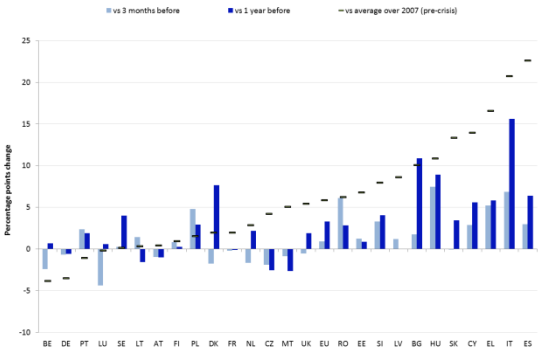


Source: Joint EU harmonised consumer surveys, DG EMPL calculations on 3-month centred moving average figures.

Focusing solely on households within the lowest income quartile group - normally those most likely to suffer from difficulties to cover their current expenditures - the share of people experiencing financial distress has increased over the last year in the majority of Member States (see Chart 30). Of particular note are the strong annual rises in financial distress among the lower income quartile households in Bulgaria, Denmark, Hungary and above all Italy (with a year-on-year rise of over 15 pps), but rises have also been substantial (over 5 pps) in Ireland as well as in Cyprus, Greece and Spain. For most this reflects a strong deterioration during the last three months. Only very few Member States have seen a fall over the last year in the share of lower income households reporting financial distress, most notably Malta and the Czech Republic, but some have seen quite strong improvements over the last quarter, especially Belgium, Ireland and Luxembourg.

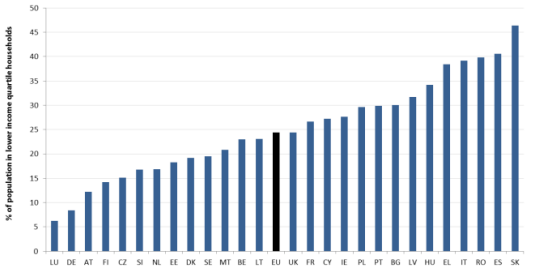
In a longer term perspective, comparison against the average level of financial distress among lowest quartile households over 2007 highlights their much worsened situation especially in Cyprus, Greece, Italy and Spain compared to prior to the economic crisis, but also clearly illustrates how low income households in many Member States are still suffering from the aftereffects of the 2008 crisis. As a result of the deterioration in household financial situations, around 40 % or more of people living in lower income quartile households in Greece, Italy, Romania, Slovakia and Spain now report experiencing financial distress, which contrasts with shares of below 10 % in Germany and Luxembourg (see Chart 31).

Chart 30: Change in population share in households in the lowest income quartile reporting financial distress across the EU (as at December 2012)



Source: Joint harmonised EU consumer surveys & DG EMPL calculations.
Note: Based on 3 month centred moving averages. Data not seasonally adjusted. Break in series for Ireland in 2009 (figures for change vs 3 months before -11.7 pps, and one year +6.4 pps.

Chart 31: Population share in households in the lowest income quartile reporting financial distress across the EU (as at December 2012)



Source: Joint harmonised EU consumer surveys & DG EMPL calculations.
Note: Based on 3 month centred moving averages. Data not seasonally adjusted.

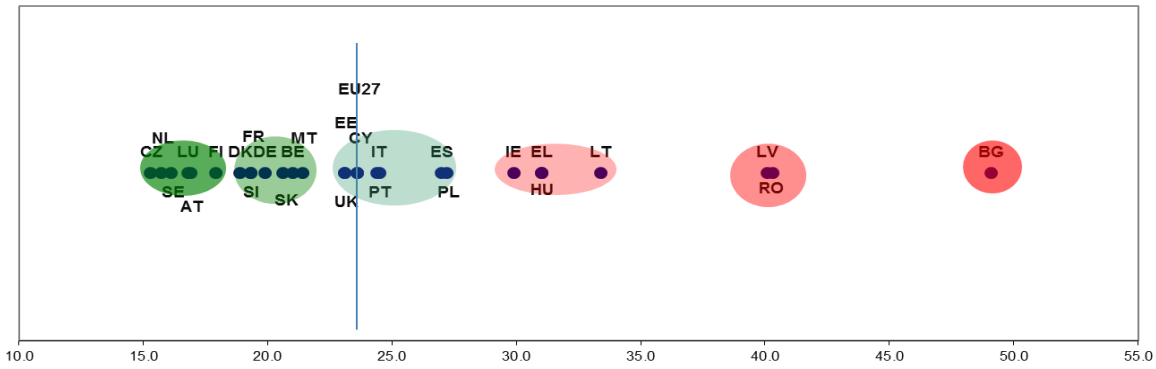
The developments in financial distress of households reported here may in part reflect the impacts of recent reforms of the tax and benefits systems and other government spending cuts as reported on in the Special Focus on the impact of fiscal consolidation (see page 34).

Box 2: Situation in Bulgaria

The intense economic austerity measures in Bulgaria during the recession led to a marked improvement in the budget position (the deficit was cut from almost 4 % of GDP in 2010 to 1 % in 2012) but at the cost of increasing social unrest. Mass protests, which turned violent, burst out at the end of January 2013 and are still continuing, one month after, in over 30 cities. The protests were spurred by abnormally high electricity bills, on average two times higher than the previous month. After the tension escalated, the right-centre government of Boyko Borisov resigned on 20 February 2013.

Electricity costs are one of the main expenditures for Bulgarian citizens. Local analysts estimate that 85 % of household monthly incomes are spent on basic necessities. Almost half of the Bulgarian people (44 %) experienced severe material deprivation in 2011, the highest percentage in the EU, which is 5 times higher than the EU average. The other social indicators also highlight that Bulgaria was the poorest MS in 2011: 49 % of the total population and 52 % of the children were at risk of poverty or social exclusion compared to 24 % and 27 % on average in the EU[15]. Chart 32 compares Bulgaria's performance with that of other EU MS. The situation is even worse for pensioners aged over 65, some 61 % of whom are at risk of poverty or social exclusion. The average salary in Bulgaria is the lowest among MS at 768 leva (393 euro) for September 2012[16]. Twenty-two per cent of the labour force are employed on the minimum wage, amounting to 310 leva (159 euro), the second lowest in the EU[17].

Chart 32: At-risk-of-poverty or social exclusion rate, 2011



Source: EU SILC, Eurostat. Total population [t2020_50].

GDP data for the first three quarters shows deceleration of growth to 0.8 %, down from 1.7 % in 2011. In 2012, the main growth driver was domestic demand, underpinned by a recovery in private consumption. Despite the modest GDP growth, the labour market remained weak with employment down by over 4 % in 2011 and by almost 2 % in 2012. The number of persons employed is forecast to fall to 3.3 million in 2012. Employment declined particularly among the low-skilled workers, in poorer regions and in the construction-related sectors. Unemployment has climbed from 5.6 % in 2008 to over 12 % in 2012, with youth unemployment more than doubling over the same period to reach 28 %.

Long-term unemployment reached 6.5 % in the third quarter of 2012, which is similar to the level in the same quarter last year; nevertheless, it more than doubled since 2008. More than half of unemployed remain without a job one year after (56 %, in the third quarter of 2012), which 15 pps higher than same quarter in 2009.

[15] EU SILC, Eurostat.
[16] "Average monthly wages and salaries in 2012." National Statistical Institute: http://www.nsi.bg/otrasalen.php?otr=51&a1=2005&a2=2006&a3=2010&a4=2011#cont
[17] Minimum wage statistics, Eurostat: http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Minimum_wage_statistics

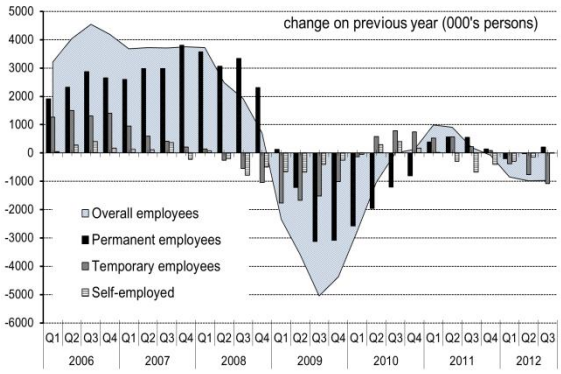
Underlying labour market and social developments

Employment patterns

Sharp fall in temporary employment

In the year to the third quarter of 2012, temporary employment was the main component of the drop in employment, with a decline of -4.4 % representing 1.08 million fewer employees (see Chart 33). Self-employment stabilised in the third quarter of 2012, after decreasing over the previous five months. Conversely , the number of workers in permanent employment at European aggregate level stopped declining and even rose by a moderate 0.14 % (205 000 employees).

Chart 33: Employees in permanent and temporary work, self-employment and total employment (15-64) (1 000 persons), 2006-2012, y-o-y change

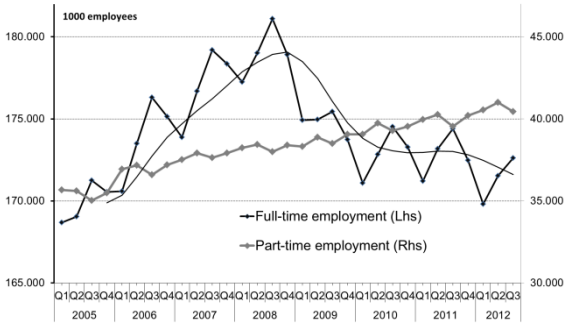


Source: Eurostat, LFS. Data non-seasonally adjusted [lfsq_epgaed].

Full-time employment continues to fall, driving down total employment, while the trend of part-time employment is still rising

By the third quarter of 2012, the number of full-time workers in the EU recorded a new annual drop of 1.0 % (or -1.8 million). Full-time employment has been falling continuously since the beginning of 2009. When viewed over the medium term, full-time employment is in its fourth consecutive year of contraction, down by 8.5 million (-4.7 %) since the third quarter of 2008. After a temporary stabilisation during the first semester of 2011, the downward trend in full-time employment seems to continue (see Chart 34).

Chart 34: Number of part-time and full-time employees in the EU (1 000 employees), 2005-2012



Source: Eurostat, LFS. Data non-seasonally adjusted [lfsq_epgaed].

At EU aggregate level, the number of employees working part time has grown steadily, rising by 905 000 in the year to the third quarter of 2012. The rate of increase is accelerating, with annual growth of +2.3 % in 2012q3, following on from +1.9 % in 2012q2. Taking a longer-term perspective, there has been constant growth in recent years, with 2.5 million more part-time jobs since the third quarter of 2008, a rise of 6.5 %. Consequently, part-time workers' share of total employees in the EU has risen consistently in recent years, reaching 19.1 %[18] in the third quarter of 2012.

Jobs starters and leavers

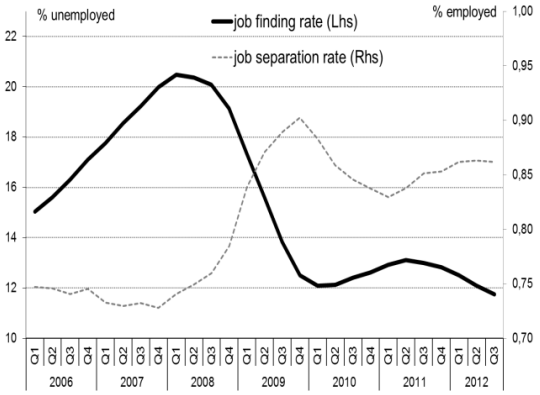
The EU's job-finding rate is decreasing from an already low level, while the job-separation rate has stabilised

The job-finding rate[19] in the EU decreased again to 11.7 %[20] in the third quarter of 2012, from 12.1 % in the previous quarter (see Chart 35). The job-finding rate was at its lowest level in the past year, showing that it is harder and harder for an unemployed person to find a job. The job

[18] Average of the four quarters (2011q4 – 2012q3).
[19] Monthly ratio of the number of people starting new jobs to those who are unemployed. People starting a job include those previously in work and those changing jobs (employment to employment flows), those unemployed (unemployment to employment flows) or those not in the workforce (inactivity to employment flows).
[20] Average of the four quarters preceding the third quarter of 2012.

separation rate[21] remained close to 0.86 % over the first three quarters of 2012.

Chart 35: Job-finding rate and job separation rate in the EU



Source: Eurostat, LFS; DG EMPL calculation.

The EU's job-finding rate remained low over the past year compared to the pre-crisis period. It has now dropped to under 12 %, from an average of over 20 % four years ago. The job separation rate has remained high in the EU since 2009 and stabilised at 0.86 %, 0.1 pp higher than four years ago.

In the large Member States, except Germany, the job-finding rate decreased sharply in recent years. It is still dropping in Spain, Italy, Poland and France, although it seems to have stabilised in the United Kingdom, albeit at a rather low level (see Chart 36).

Chart 36: Job-finding rate and job separation rate in the large Member States, 2006–12

Source: Eurostat, LFS; DG EMPL calculation.

Germany, on the other hand, has seen an almost continuous increase in its job-finding rate in recent years, along with a sustained decrease in its job separation rate.

[21] Monthly ratio of the number of people who quit their job to the number of people in employment.

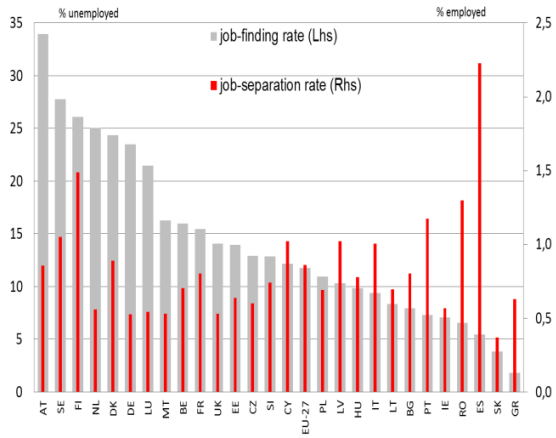
Most Member States have seen labour market stagnation and low job creation in recent months

Except in Germany, Luxembourg, Malta and the Netherlands, the likelihood of finding a job was lower in 24 Member States in the third quarter of 2012 than four years before. Over the year to the third quarter of 2012, the job-finding rate decreased in two thirds of the Member States and increased or stabilised in eight. In the third quarter of 2012, job-finding rates were highest in Austria (34.0 %), Sweden (27.8 %), Finland (26.1 %) and the Netherlands (25.1 %). In these four countries, under current labour market conditions, an unemployed person theoretically has more than a one-in-four chance of finding a job within one month. The job-finding rate was above 10 % in ten countries, with the lowest rates in Spain (5.5 %), Slovakia (3.9 %) and Greece (1.8 %).

Signs of increasing risk of losing one's job in the third quarter of 2012

In 15 Member States, the ratio of the number of people who lose (or leave) their job to the number of people employed was higher in the third than in the second quarter of 2012. Recent developments have been more unfavourable in Belgium, Hungary, Lithuania, Slovenia and Bulgaria. In the third quarter of 2012, the job separation rate was highest in Spain, Finland, Romania and Portugal (Chart 37).

Chart 37: Job-finding rate and job separation rate in the EU and the Member States in the third quarter of 2012



Source: Eurostat, LFS; DG EMPL calculation.

Vacancies, labour shortages and hiring activity

Job vacancy rate and labour shortage indicator were contradictory in the fourth quarter

In the fourth quarter of 2012, the EU job vacancy rate[22] rose compared to the year-ago level (1.6 % against 1.5 %). The rise is somewhat surprising as the latest year-on-year changes are negative in all large Member States except the United Kingdom and the (latest) year-on-year increase exceeds 0.1 pp only in Belgium and Malta (see Table 13 in Annex 1). In any case, the job vacancy rate remained in the same narrow range (1.4 %-1.6 %) in which it has been since the fourth quarter of 2010.

In the fourth quarter of 2012 and the first of 2013, the labour shortage indicator, an alternative indicator derived from EU business surveys results[23], remained below the 5.5 %-6.5 % range in which it had hovered since the start of 2011. Drops in these last two quarters were particularly significant in Belgium, the Czech Republic, Germany, Slovenia, Finland and Austria. The apparent contrast in the developments in the EU labour shortage indicator and the job vacancy rate might be due to their different sectoral focus (manufacturing only versus broader coverage).

A Special focus on the Beveridge curve (see page 46) looks at the diverse Member State developments in the unemployment rate and the labour shortage indicator during 2008-2012.

Hiring activity remains depressed in most EU countries but tends to improve…

According to the latest Manpower Employment Outlook Survey,[24] global economic challenges and uncertainty will continue to contribute to subdued hiring during the second quarter of 2013. It is suggested that employers are seeking signs of a robust global economy before labour markets are likely to achieve sustainable traction. Worldwide, employers in 32 of the 42 countries and territories surveyed expect to add to their workforces in varying degrees in the second quarter, compared to 29 countries and territories in the first quarter. Hiring optimism strengthens quarter-over-quarter in 21 countries and territories but declines in 15.

Employers in Brazil, Taiwan, Turkey, India and Panama report the strongest second-quarter hiring plans globally. Those in Italy, Spain, Greece and the Netherlands report the weakest net employment outlooks, with outlooks from Italy and Spain matching the weakest employer forecasts ever reported there. While the least optimistic second-quarter forecasts prevail across the Europe, Middle East and Africa (EMEA) region, where employers in nine of 24 countries report negative outlooks, there is a clear improvement from three months ago when negative hiring plans were reported in 13 countries. Hiring intentions in the U.S. remain relatively stable.

According to Caden,[25] while the global employment outlook is still weaker than a year ago the second quarter outlook strengthens visibly over the first quarter. Europe's products and services are not first in line to benefit from this, however. Rather than European products, the shelves in the US will be filled with products 'Made in China'. In Europe, overall, the second quarter employment outlook remains weak. While the level of hiring plans still is low, the mood for employment is changing for the better. The Euro crisis undermined the employers' confidence; so much so that all of those surveyed in November expected the employment outlook to worsen in the first quarter of this year.

With Euro uncertainty having receded, European employers' confidence is improving. Employers in all countries but three expect a stronger employment outlook than in the previous quarter. With this positive development, the surveyed employers send a strong message to the policy makers: they must ensure political and economic stability if Europe's employment outlook is to stay on course towards levels at which employers finally start hiring new staff. Countless jobs and

[22] Source: Eurostat, Job vacancy statistics (jvs_q). As the data are non-seasonally adjusted, only year-on-year comparisons are meaningful. See also the quarterly publication "European Vacancy Monitor", http://ec.europa.eu/social/main.jsp?catId=955&langId=en.

[23] Source: Eurostat, ei_bsin_q_r2. As the labour shortage indicator is seasonally adjusted, a quarter-on-quarter comparison is meaningful.

[24] Source: http://www.manpowergroup.com/press/meos.cfm.

[25] Source: Caden Corporation, "Global Employment Outlook", 2nd Quarter 2013. See also www.cadencorporation.com and www.futureworkforum.com.

job opportunities have been forfeited because of the drawn-out uncertainty that has surrounded the Euro.

… while EU's temporary agency work sector has shrunk for eleven months in a row

Latest data from Eurociett[26] confirm the decline in temporary agency work in the EU, which is a leading indicator of developments in the labour market. In November 2012 the agency work industry in Europe experienced negative growth of 10.1 % in the number of hours worked, compared with the same period in 2011. This is the eleventh month in a row that a year-on-year decline is recorded. The falls in Germany (-14.8 %), France (-14.5 %) and Belgium (-11.9 %) continue at high levels. The Netherlands (-4.0 %) and Poland (-5.3 %) reported smaller reductions during the same time period. Conversely, Switzerland has been displaying a small rise in agency work numbers for the most recent three months (4.2 % in November).

Productivity, labour costs and hours worked

Labour productivity continued to weaken in most Member States of the euro area….

Following weak or negative growth in previous quarters, labour productivity (measured as output per person employed) decreased even further in several Member States of the euro area (for which the data are available at the time of writing) in the fourth quarter of 2012 (if compared with the fourth quarter of 2011). See Table 14 in Annex 1.

Italy saw by far the sharpest fall in its productivity level, i.e. down by -2.8 % - following the already sharp drop of -3.0 % in the third quarter.

In Germany labour productivity decreased for the fourth quarter in a row: down by -0.4 % compared to -0.2 % in each of the previous three quarters, while in the Netherlands it fell for the 5th consecutive quarter - albeit at a decreasing pace, i.e. down from -0.9 % in the third quarter to -0.4 % in the fourth quarter.

Denmark that had regained positive growth momentum in the third quarter of 2012 tabled a notable -0.8 % decrease in the fourth quarter.

In France labour productivity decreased by –0.2 %, which is the first drop recorded since the 3rd quarter of 2009.

Despite the poor performances recorded at the core of the euro area, several Member States listed positive labour productivity growth in the fourth quarter of 2012 (if compared to the fourth quarter of 2011).

Lithuania and Bulgaria continued their path of robust productivity growth: up by respectively 12.4 % and 6.0 %. In Lithuania this very sharp rise partially reflects a break in the series, but also strong growth in industry.

Spain recorded positive labour productivity growth for the thirtieth consecutive quarter. Nevertheless, its growth rate decelerated from a very strong 3.3 % in the second quarter to 2.8 % in the third quarter and 2.6 % in the fourth quarter.

In Slovakia and Cyprus productivity growth remained positive but it slowed down in both from 2.1 % and in the third quarter to respectively 1.7 % and 1.5 % in the fourth quarter, while in Sweden productivity growth rebounded somewhat, i.e. up by 1.0 % if compared to the fourth quarter of 2011. Latvia posted a robust 2.9 % growth, following a weakening in the third quarter (+1.8 %).

… while compensation per employee growth remained strong in several Member States…

In several Member States growth in nominal compensation per employee was more or less stable – with Belgium (3.0 %), Germany (2.7 %), Denmark (2.0 %) and Austria (3.3 %) recording growth just above or equal to the growth rate recorded in the third quarter, and with France (1.7 %) recording growth just below the growth recorded in the third quarter. See Table 15.

Very strong growth is to be found in Bulgaria (+6.8 %) and Lithuania (+12.3 %), while it accelerated notably in Slovakia (up from 1.8% in the third quarter to 3.6 % in the fourth quarter), Finland (up from 2.2 % to 2.8 %) and Sweden (up from 2.7 % to 3.5 %).

In Italy nominal compensation per employee growth remained weak for the 4th quarter in a row, i.e. -0.1 % in the fourth quarter, compared to 0.3 % in the first quarter, -0.2 % in the second quarter and 0.1 % in the third quarter.

[26] For further information on Eurociett, visit the website at: www.eurociett.eu. Overall Europe data include EU and Switzerland.

By contrast, in Spain the fall in average nominal compensation per employee was very sharp, down by 3.4 % (after having posted two quarters of flat growth), while in Portugal it fell by 2.2 %.

… so that nominal unit labour cost growth reaffirmed its upward trend in several 'surplus' Member States...

Several Member States that had shown low nominal unit labour cost growth in the run-up to the crisis (i.e. the period up to 2007), continued to table robust growth in the fourth quarter of 2012 (if compared with the fourth quarter of 2011). See Table 16.

In Germany, nominal unit labour cost growth (which is a measure of cost-push inflationary pressures[27]) strengthened its upward trend that started in the second quarter of 2011: up from 2.7 % in the third quarter to 3.1 % in the fourth quarter.

Denmark and Austria showed also notable increases, up by respectively 2.8 and 3.7 % in the fourth quarter - compared to respectively 1.2 and 3.4 % in the third quarter.

Belgium recorded a robust rise in its nominal unit labour cost, but this growth rate represented a drop if compared with previous quarters: down from 4.5 % in the second quarter to 3.5 % in the third and 3.1 % in the fourth quarter.

In Slovenia nominal unit labour cost growth did not rise in the fourth quarter of 2012 – if compared with the same quarter in 2011, while in Lithuania there was a very modest increase of 0.1 %, after two quarters of notable decreases (i.e. -1.1 % in the second quarter and -0.5 % in the third quarter)[28].

In Slovakia (1.9 %) and France (1.9 %) nominal unit labour cost growth stayed just below 2 %, but in Slovakia it increased from -0.4 % in the third quarter to 1.9 % in the fourth quarter.

By contrast, in Spain the nominal unit labour cost decreased by 5.9 % in the fourth quarter of 2012 – which is by far the strongest decrease since it started its downward trend in the first quarter of 2010[29].

… while the real unit labour cost (i.e. labour income share) contracted at an even sharper pace in Spain

In several Member States, the real unit labour cost (which is also a measure of the labour income share) remained fairly stable, indicating that compensation per employee growth (adjusted for price developments) kept more or less pace with productivity growth. See Table 17.

Nevertheless, in Spain the downward trend in the real unit labour cost accelerated very sharply, down from 3.2 % in the second quarter, to 3.4 % in the third quarter and 6.0 % in the fourth quarter. This development reflects robust increases in labour productivity, but also notable decreases in nominal compensation per employee.

Lithuania (-3.7 %) and Latvia (-1.9 %) also showed a decrease in their real unit labour cost in the fourth quarter of 2012 – if compared with the fourth quarter of 2011.

Hours worked weakened in most Member States

The hours worked by part-time workers in the fourth quarter of 2012 were below the levels recorded in the same quarter in 2011 – at least for the Member States for which the data are available at the moment of writing. See Table 18.

The number of hours worked by the full-time in the fourth quarter was in most Member States also below the levels recorded in the same quarter in 2012, except for Spain, Portugal and Slovakia.

These decreases in hours worked influenced to a large extent the above described developments in labour productivity.

[27] Nominal unit labour cost is measured as nominal compensation per employee adjusted for productivity. If nominal compensation per employee increases (decreases) more than productivity then prices will increase (decrease).

[28] Nevertheless, a break in the series for LT make them less reliable to compare over time.

[29] No quarterly data on nominal unit labour cost developments in Greece are available since the second quarter of 2011. It is estimated that in 2012 the nominal unit labour cost decreased on average by -8.2 % in Greece, see EC European Economic Winter 2013 Forecast, available at http://ec.europa.eu/economy_finance/publications/european_economy/2013/pdf/ee1_en.pdf

> Special Focus: Impact of fiscal consolidation on growth, employment and living conditions

This Special Focus attempts to estimate and analyse the likely impact that fiscal consolidation measures implemented in many Member States have had on employment and the living conditions of European citizens over the recent period. After a brief review of transmission mechanisms, it presents recent labour market and social developments in different Member States, as seen in the light of various consolidation efforts. It also reviews the most recent developments in social expenditure in Europe.

Transmission mechanisms: fiscal consolidation affects the labour market through direct and indirect channels

Direct effects can come through a reduction of public sector or publicly-funded employment.[30] Table 2 shows the recent evolution in public sector employment for the period 2009q3-2012q3 and in a widely used measure of fiscal consolidation, CAPB.[31] Large reductions in public sector employment are seen in the Member States with the greatest consolidation efforts (Portugal, Cyprus, Greece, Latvia and Lithuania, just to quote a few). However, reductions of 5 % and more (EU average: -4.7 %) in public sector employment are also seen in Member States with much smaller or absent fiscal consolidation efforts (e.g. Denmark and Finland).

Indirect effects of fiscal consolidation on employment are felt through GDP growth and can, as a result, be broken down into two consecutive effects:
- the demand effect on GDP growth;
- the effect via the labour intensity of GDP growth.

The first effect is related to the so-called **fiscal multiplier**[32] and is the subject of heated debate. For a start, the fiscal multiplier varies according to the composition of the consolidation, depending on which expenditures are reduced and which revenues are raised. Typically, reductions in benefits or increases in some taxes (such as VAT) can have a larger impact on consumption (and growth) as the people affected have a large propensity to consume[33]. Moreover, the fiscal multiplier varies according to the time horizon. Fiscal consolidation will initially weigh on economic activity but, over the medium term, confidence effects[34] are supposed to stimulate activity. While there does not seem to be agreement on the exact size of the short-term fiscal multiplier at the current juncture,[35] there is a widespread consensus that, at present, some macro-economic conditions are conducive to larger short-term fiscal multipliers. These conditions include near-zero interest rates, an impaired banking system and the liquidity constraints of many households and SMEs.[36]

[30] On public-sector employment, see also 'Box 2: Public sector and white jobs' in the June 2012 issue.
[31] CAPB is cyclically adjusted primary balance. Changes in CAPB can be seen as the change from discretionary actions.
[32] The multiplier is defined as the change in GDP following a 1 % of GDP change in fiscal deficits.
[33] See also Chapter 3 of the Employment and Social Developments in Europe 2012 Review (ESDE 2012).
[34] As well as lower interest rates, both linked to improved debt sustainability prospects.
[35] See for example European Commission, 'Autumn forecast 2012-14', European Economy No 7, November 2012, International Monetary Fund, 'World Economic Outlook', October 2012 and IMF's 'Fiscal Multipliers and the State of the Economy' (http://www.imf.org/external/pubs/ft/wp/2012/wp12286.pdf).
[36] See also Bagaria, Holland and Van Reenen, 'Fiscal consolidation during a depression', National Institute Economic Review No 221, July 2012 and Buti and Carnot (2013), "The debate on fiscal policy in Europe: beyond the austerity myth", ECFIN Economic Brief Issue N° 20. Another interesting source: Brender A. et al. (2012), 'The Sovereign Debt Crisis: Placing a curb on growth', "Part III: Consolidation and dynamics of the multipliers. Are there counter-intuitive effects?" in European Commission (2012), "Report on Public finances in EMU", DG Economic and Financial Affairs, European Economy N° 4, 2012.

Turning to the second part of the indirect effect, the **labour intensity of GDP growth** is not stable over time.[37] In the early days of the crisis (2008-2009), employment remained relatively resilient, partly as a result of policy measures taken to dampen the employment reaction. These measures (such as short-time working arrangements) reduced labour productivity[38] and are mostly effective and desirable[39] if the growth slump is expected to be temporary. However, the muted recovery and renewed slump (2010-2012) have reduced the financial room that firms and governments have to support such measures and have depressed firms' growth expectations. As a result, employment is reacting more negatively now to weak or non-existent growth.

The labour intensity of GDP growth varies over time not only because of expectations and policies. Sectoral developments also play a role, for example booms and busts in the highly labour-intensive construction sector. In the medium to long term, structural reform efforts will affect growth and employment. As an indication of how structural reform affects the relationship between growth and employment, one can look at the associated growth-unemployment relationship or Okun estimation. Such estimations[40] reveal the differences in unemployment outcomes for a given GDP change and their link to past reforms. Related to this, Turrini (2012)[41] shows that, in labour markets with stricter employment protection, the effects of fiscal consolidation could be more detrimental in terms of job creation rates and unemployment duration. Other policies than employment protection legislation (e.g. unemployment benefits, ALMPs, product market regulations) are likely to have an impact.

Recent labour market developments by Member State, seen in the light of different consolidation efforts

To break down the overall effect of fiscal consolidation on the labour market into its different parts would go beyond the scope of this contribution. In what follows, we try to group Member States according to developments in their primary fiscal balance, on the one hand, and unemployment and growth, on the other.

Table 2 presents, in a descriptive fashion, some findings concerning developments in the four following dimensions, over the 2009–2012 period,[42] which has seen fiscal consolidation policies being implemented all over the EU:
- The cyclically adjusted primary balance (CAPB)
- Public sector employment
- Gross Domestic Product (GDP) growth
- The unemployment rate (UR)

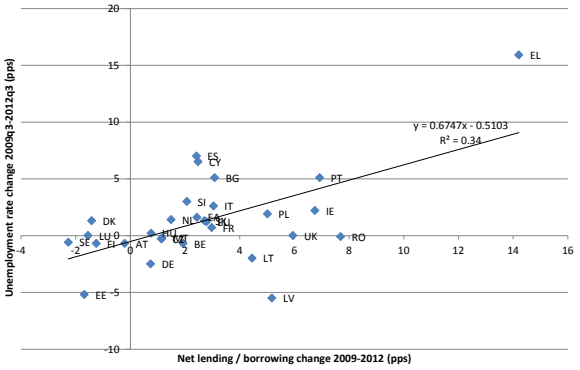
[37] See also the comments on recent GDP developments and underlying components at section 1.2.1 of the introductory chapter of the ESDE 2012 Review ('Key Features of the Current European Employment and Social Situation').
[38] Productivity per worker.
[39] The lower level of labour productivity weighs on firms' profitability.
[40] See 'Box 1: Okun estimations — the link between the change in unemployment and GDP growth' in Employment and Social Developments in Europe 2012.
[41] Turrini A. (2012), 'Fiscal Consolidation in Reformed and Unreformed Labour Markets: A Look at EU Countries', IZA Policy Paper No 47, October 2012.
[42] 2009 is chosen as starting point, as fiscal sustainability worries, in response to deteriorating fiscal positions, started to raise the issue of an exit strategy from fiscal stimulus. Some major fiscal consolidation packages took effect as of 2010 in Greece, Spain, the Baltic countries, Bulgaria and Romania, although some other Member States still saw a deterioration of their primary balance, such as Germany, Austria, Ireland and the Nordic countries, which explains why the aggregate EU balance did not yet improve in 2010 (see Chart 41).

Table 2: 2009-2012 developments in the cyclically adjusted primary balance of Member States, public sector employment, GDP growth and the unemployment rate

	2009 - 2012	2009q3 - 2012q3		
	Net lending / borrowing (pps)	Employment in public administration and defence* (%)	GDP* (pps)	UR* (pps)
EU-27	2.8	-4.7	3.9	1.2
EA-17	2.4	-5.4	3.8	1.6
Belgium	1.9	-5.7	2.4	-0.7
Bulgaria	3.1	2.8	5.9	5.1
Czech Republic	1.1	-4.8	3.9	-0.3
Denmark	-1.4	-9.8	5.5	1.3
Germany	0.7	0.4	5.9	-2.5
Estonia	-1.7	12.3	21.2	-5.2
Ireland	6.8	-5.3	7.4	2.2
Greece	14.2	-13.0	-3.3	15.9
Spain	2.4	-9.0	2.4	7.0
France	3.0	-6.6	3.1	0.7
Italy	3.0	-7.4	2.6	2.6
Cyprus	2.5	-13.8	0.6	6.5
Latvia	5.2	-12.3	23.8	-5.5
Lithuania	4.5	-12.0	17.5	-2.0
Luxembourg	-1.6	20.7	3.9	0.0
Hungary	0.8	4.5	5.9	0.2
Malta	1.2	10.7	5.6	-0.2
Netherlands	1.5	-9.0	2.6	1.4
Austria	-0.2	-1.0	4.2	-0.7
Poland	5.0	5.2	0.9	1.9
Portugal	6.9	-17.1	-1.0	5.1
Romania	7.7	-9.5	6.7	-0.1
Slovenia	2.1	2.4	6.3	3.0
Slovakia	2.7	2.1	7.0	1.3
Finland	-1.2	-6.1	7.0	-0.7
Sweden	-2.3	4.8	6.7	-0.6
United Kingdom	5.9	-7.6	3.3	0.0

Sources: Ameco UBLGBP series (for CAPB) and Eurostat, [namq_gdp_k], [lfsq_egan2] and [une_rt_q].
Notes: CAPB = Net lending (+) or net borrowing (-), excluding interest of general government, adjusted for the cyclical component. Adjustment based on potential GDP excessive deficit procedure. 2012: ECFIN Winter 2013 interim forecast; * based on 2009q3 – 2012q3 changes; Greece: GDP change based on annual data.

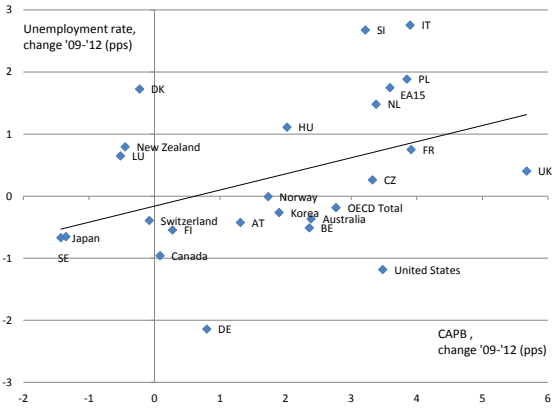
Chart 38: Unemployment developments, compared to the cyclically adjusted primary balance of Member States, 2009–2012



Sources: Ameco, UBLGBP series and Eurostat series on unemployment [une_rt_q].

The developments shown in Table 2 and Chart 38 suggest that fiscal consolidation may have adversely affected unemployment (through GDP), specifically in those countries where the largest changes in cyclically adjusted primary balance.[43]

Chart 39: Unemployment developments, compared to the net lending/borrowing position of selected OECD countries, 2009–2012



Source: OECD Economic Outlook No. 92, November 2012.
Notes: CAPB: see notes Table 2. Outliers, specifically with very large changes in CAPB, are excluded.

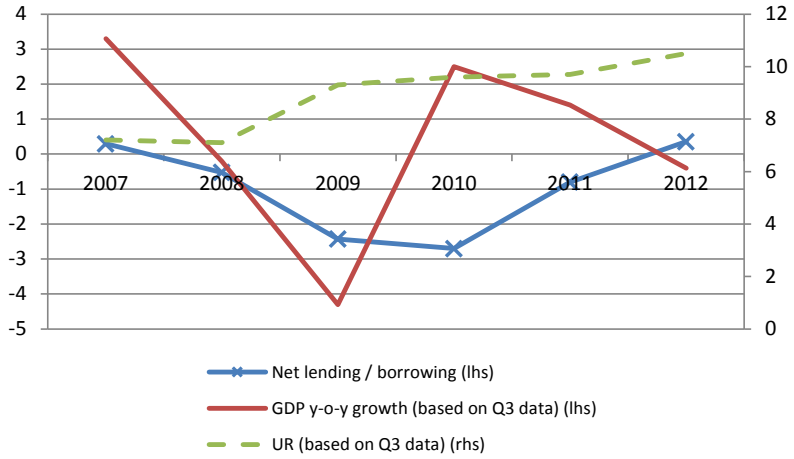
Using OECD data[44], Chart 39 suggests that the reaction of unemployment to fiscal retrenchment has been somewhat more negative, on average, in the euro area than in the OECD as a whole. The divergence in countries' reactions is evidence of the labour market impact of other country-specific factors, such as the labour market institutions, including unemployment benefit schemes and so on. For example, in the case of the US, the decline in the participation rate is a partial explanation for the relatively large drop in the unemployment rate. The effects of

[43] Empirical evidence shows a significant impact in the order of 0.1 to 0.2 percentage point of additional unemployment for a fiscal consolidation of 1 % of GDP, see for example Box I.1.1 in European Commission, "Labour Market Developments in Europe, 2012".
[44] OECD Economic Outlook No. 92, November 2012.

uncertainty over solutions to the systemic crisis of the euro, reflected in interest rates but not in CAPB, may have also played a role.

Chart 40 then shows the overall trends at EU level. After four years of negative cyclically adjusted primary balance, the EU is expected to record a positive cyclically adjusted primary balance again in 2012, at 0.4 % of GDP, while its aggregate GDP declined by 0.4 % over the year to 2012q3, after two years of moderate growth. After stabilising somewhat in the year to 2011q3, unemployment rose again in the subsequent year, to 10.5 % in 2012q3.

Chart 40: Comparative developments in cyclically adjusted primary balance (net lending/borrowing position), GDP growth and unemployment rate in the EU, 2007–2012, percentages



Sources: Ameco, UBLGBP series and Eurostat series for GDP [namq_gdp_k] and unemployment [une_rt_q]. Note: CAPB in 2012 = estimate.

However, general conclusions seem elusive, given the disparities between Member States in terms of the size of the fiscal consolidation conducted over recent years and its different effect on growth and jobs due to different institutional and policy configurations and other country-specific features. The following section analyses the specific situation in a selection of Member States.

Specific situation in selected Member States

The situations of Germany, Latvia and Belgium, quite favourable, and of Spain, Greece and Portugal, rather unfavourable, are presented below (see Chart 41).

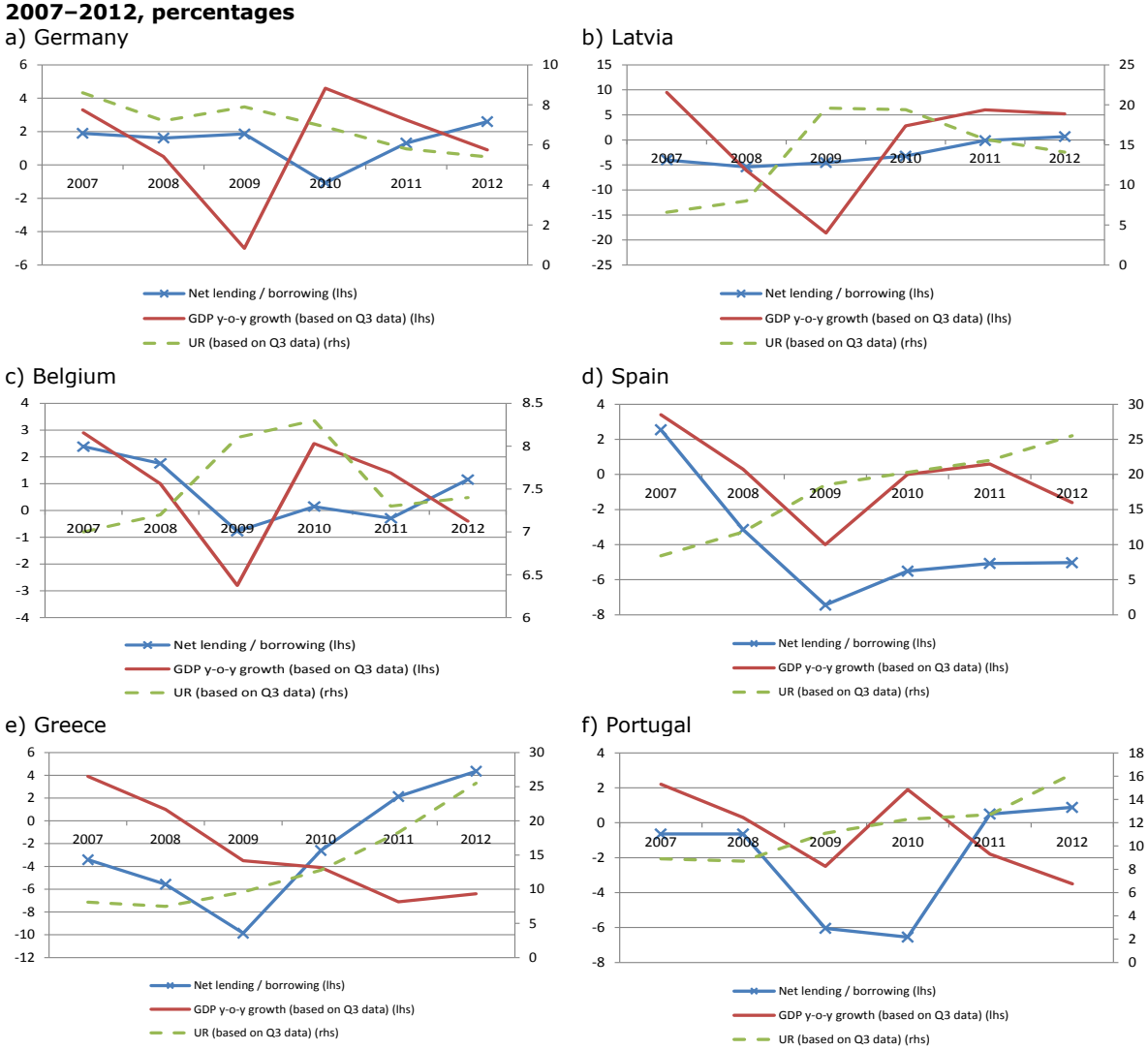
In Germany, over the three years to 2012, the primary balance (CAPB) improved by 0.7 pp, while employment in the public administration and defence edged up by 0.4 % between 2009q3 and 2012q3. Germany's GDP growth rose by 5.9 pps, from -5.0 % in 2009q3 to +0.9 % in 2012q3, while the unemployment rate fell by 2.5 pps to 5.4 %. The Okun estimations referred to above reveal the divergences in unemployment outcomes for a given GDP change and their link to past reforms. German unemployment since early 2010 has increased less than expected from the observed GDP growth. In Latvia and, to a lesser extent, Belgium, the effects of an improving CAPB was associated with positive developments in growth and unemployment but weighed significantly on public employment.

On the other hand, the picture is very different in most southern Member States. In Spain and Portugal, the shedding of low-productivity labour has implied a larger increase in unemployment than expected from the GDP evolution. This shedding is mainly linked to sectoral aspects (focus on construction and manufacturing) and segmentation (temporary jobs not being renewed). In Spain, the unemployment rate rose from 18.5 % in 2009q3 to 25.5 % in 2012q3, up by 7 pps, while the decline in GDP moderated somewhat from 2009q3 (-4.0 %) to 2012q3 (-1.6 %). Substantial efforts were made to gradually bring the public accounts back to equilibrium by 2013 (from -7.4 % in 2009 to -5.0 %, instead of an expected -3.0 %, in 2012, up 2.4 pps), which led to a substantial reduction of public employment, down by 9 % in the 2009q3–2012q3

period.[45] In Portugal, while the large fiscal effort (+6.9 % CAPB over 2009-12) was accompanied by GDP from shrinking further in 2012 (-3.5 pps y-o-y in 2012q3), which is a clear setback compared to growth in 2010, the effect on overall unemployment rate and public employment was very large (-17.1 % in the three years to 2012q3 for the latter).

Greece embarked on unprecedented austerity measures in 2009, which led its CAPB to increase by an expected 14.2 pps in the three years to 2012. This substantial effort, necessary to bring the budget on a sustainable trajectory, has had a very strong effect on GDP and employment. Firstly, employment in the public administration and defence fell by 13 % from 2009q3 to 2012q3. Secondly, GDP growth fell from -3.1 % in 2009 to a forecast -6.4 % in 2012. Thirdly, the unemployment rate accelerated to 25.5 % in 2012q3, from 9.6 % three years earlier. As a consequence and as Chart 41(e) clearly shows, the CAPB and UR curves have run parallel since 2010.

Chart 41: Comparative developments in cyclically adjusted primary balance (net lending/borrowing position), GDP growth and unemployment rate in selected Member States, 2007–2012, percentages



Sources: Ameco, UBLGBP series and Eurostat series for GDP [namq_gdp_k] and unemployment [une_rt_q].
Notes: CAPB in 2012 = estimate. For Greece, GDP growth data for 2011 and 2012 are annual averages based on ECFIN Winter 2013 interim forecast.

[45] These reductions are quite recent: if compared with 2008 levels, public employment actually rose by 10.3 % by 2011, meaning that substantial hirings still took place in 2009 in Spain's public sector.

In these southern euro area countries, the required fiscal consolidation coincided with a major decline in GDP and increased unemployment.

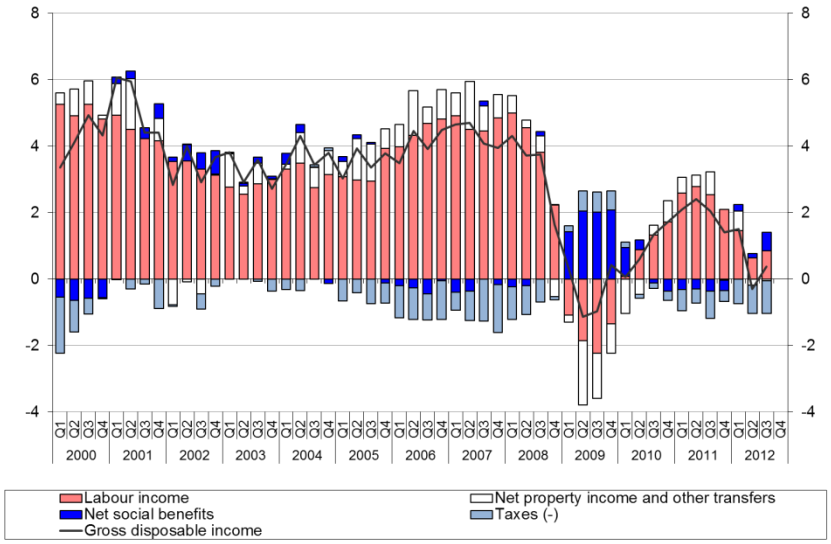
How did social protection expenditure fare in the crisis?[46]

Social protection expenditure and automatic stabilisation

Social protection expenditure generally provides for automatic stabilisation of the economy in bad economic times, since expenditure generally increases quicker in economic slowdowns and partly compensates for the decline in households market incomes. This stabilisation function of social protection systems is typically present for unemployment benefits but also for means tested benefits of various sorts (typically social exclusion, family or housing), as well as but to a lesser extent for health or pensions expenditure, since those generally continue to grow or remain constant, while market incomes decline.

Since the onset of the crisis, social benefits provided for the main contribution to the stabilisation of falling households' disposable incomes in Europe (see Chart 42). This stabilisation effect was significant over the period 2007-2009, but weakened in many Member States over the period 2009-2011 (see ESDE 2012). It seems that this stabilisation effect has become negligible in 2012 (in comparison to 2012), even if market incomes started falling again after the partial recovery came to an end.

Chart 42: Contributions of components to the growth of nominal gross disposable income of households, EA 17 (2000-2012)



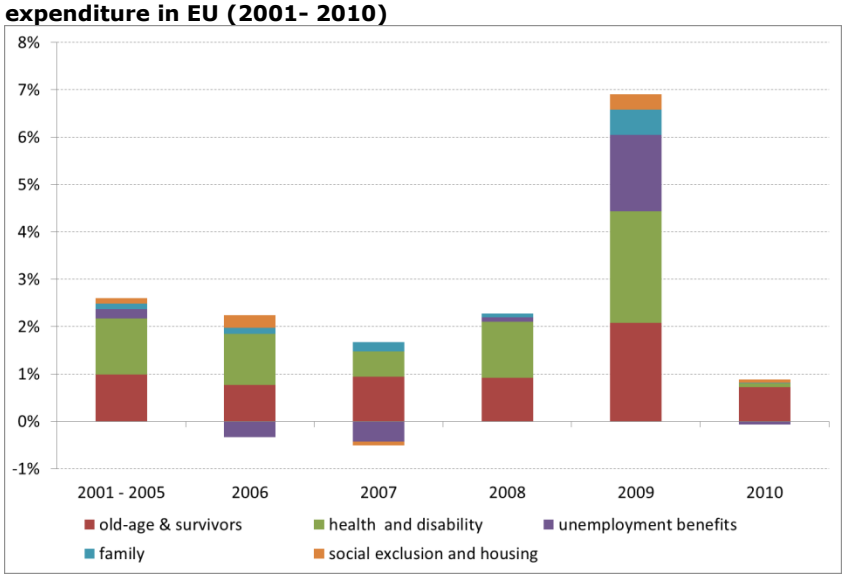
Source: Eurostat/ECB.
Note: annual percentage change and percentage point contributions. Labour income includes compensation of employees and gross operating surplus and mixed income (compensation of self-employed).

Social protection expenditure stabilised in 2010 and declined since then

In 2009, social protection expenditure increased by around 7 pps in the EU in real terms, an acceleration mainly driven by increases in unemployment expenditure, but also in health and disability as well as in old age and survivors expenditure and to a lower extent by an increase in family and social exclusion and housing expenditure. In 2010, the increase was very modest, reflecting an overall stabilisation in unemployment expenditure, but also very modest increases in health and disability, and old age and survivors benefits (see Chart 43).

[46] The following sections draw on Bontout O. and Vyprachticka T. (2013), "Social protection budgets in the crisis in the EU", DG EMPL working paper, *forthcoming*.

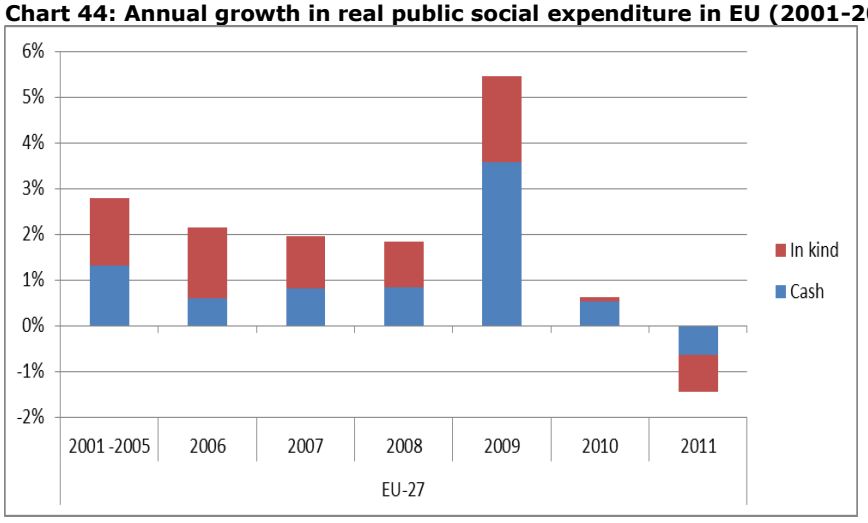
Chart 43: Contributions of different functions to the real annual growth of total social expenditure in EU (2001- 2010)



Source: ESSPROS and DG EMPL calculations.
Note : 2001-2005 actually refers to EU25 since EU27 not available.

In 2011, social expenditure declined on average in Europe and in most countries in 2012 as well.[47] In 2011, declines affected both in-kind and cash benefits. In 2012, in a renewed economic downturn, most Member States showed declines of in kind expenditure, but relatively stable cash expenditure.

Chart 44: Annual growth in real public social expenditure in EU (2001-2011)



Source: Eurostat, National accounts.

Did social protection expenditure follow past trends in the current crisis?

The deviation from trends in social protection expenditure growth following the initial recession (2008-2009) and following years of recovery (2010), slow growth (2011) and second recession (2012) can be compared with episodes of recessions in the 1990s and 2000s.

Compared to past recessions, the year of recession (N, 2009 in most countries) was much deeper in this crisis, as reflected by more negative output gap levels on average (around -4 %), and relatively high positive deviation of public social expenditure from trends (around +5 %). In past recessions where information is available, the output gap was milder (around 1 %-1.5 %)

[47] Average yearly growth of social expenditures for 2012 is estimated (based on the three first quarters where quarterly data are available) from quarterly national accounts (not for AT, BE, DE, IE, PL and RO).

and the deviation from the trend of social expenditure was lower (around 1 %), which tends to suggest that the increase in social expenditure in the first year of this crisis was more sensitive to the economic cycle in this crisis than in the past, reflecting probably stronger increases in unemployment levels and also stronger increases in other types of expenditure than unemployment expenditure (such as health or pensions expenditure).

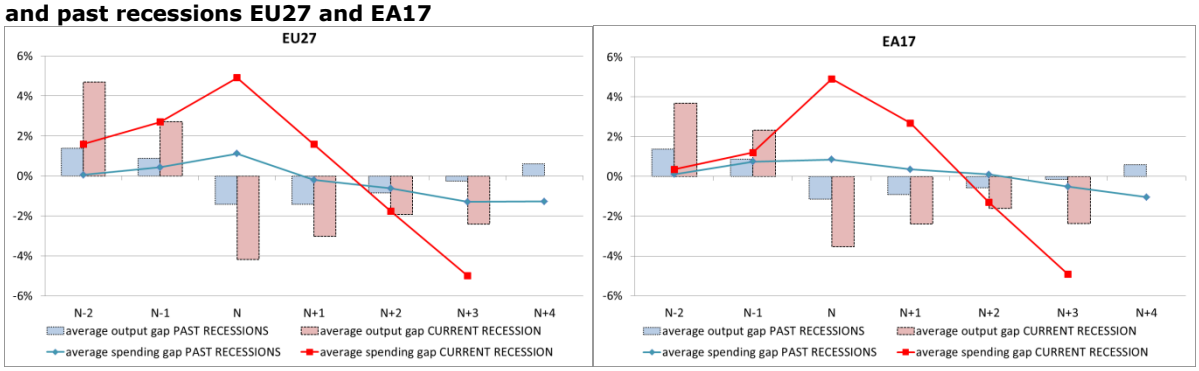
The year after the recession (N+1, 2010 in most countries) showed a relatively quicker decrease in the output gap than in former recessions and a parallel decline in the positive deviation from the trend in social protection expenditure. These developments seem broadly in line with past trends with an improvement in the output gap and a reduction in the deviation from the trend from social expenditure.

Two years after the recession (N+2, 2011 in most countries) showed a lower improvement of the output gap, but in this context, the deviation from the trend in social protection expenditure growth declined more significantly than in the preceding year and even became generally negative.[48] These developments seem to be diverging from past trends, since in former recessions, following a slower improvement in the output gap, the adjustment towards the trend of growth in social expenditure was slowing down in year N+2, while in this recession the pace of downwards adjustment of social expenditure has been broadly constant.

Three years after recession (N+3, 2012 in most countries) showed a worsening of the output gap, but in this context, the deviation from the trend in social protection expenditure growth kept reducing at broadly the same pace as in preceding years and became generally more negative. These developments also seem to be diverging from past trends, since a deterioration in the output gap has generally been accompanied by an increase in the deviation from the trend in social protection expenditure, while in this crisis it went on adjusting downwards at a comparable pace in year N+3 as in former years.

As a result in year N+3, while the output gap stands at around -2 % and has been declining compared to the preceding year (N+2), the deviation of social expenditure growth from its trend is strongly negative and has been going on adjusting downwards at a comparable pace in the latest year. This reflects a significant downwards adjustment in the cyclical component of social protection expenditure, as well as a potential permanent adjustment of the trend of social protection expenditure during this crisis. It also partly reflects the exceptional scale of the fiscal consolidation needed in this crisis, in a context of incomplete EMU with systemic weaknesses.

Chart 45: Deviation from the trend of public social expenditure and GDP output gap in current and past recessions EU27 and EA17



Source : Eurostat, National accounts, DG EMPL calculations.
Notes: 2012 data are estimated based on quarterly data from the first 3 quarters. In the current recession, N is year 2009. Estimates of the deviation from the trend in social protection expenditures are based on a standard Hodrick-Prescott filter. Reading notes : in the year of the recession, in the current crisis, social expenditure were around 5% above their trend in Europe, while the GDP was about 4% below its potential (output gap of -4%). Averages are unweighted country averages (since countries do not always experience a recession the same year).

[48] Estimates for 2012 are based quarterly national accounts (based on the three first quarters where quarterly data are available from national accounts, i.e. not for AT, BE, DE, IE, PL and RO).

Who is bearing the social cost of fiscal consolidation? A distributional analysis of nine EU countries

This section illustrates the direct impact of a number of fiscal consolidation measures on households' incomes in nine Member States where households' incomes were particularly affected during the crisis. This assessment takes into account changes in taxes (direct income taxes and social contributions, as well as VAT changes) and in cash benefits (pensions and other benefits), as well as changes in public wages. It does not take account of other measures that may have had an indirect impact on the distribution of households' income, such as those affecting employers or cuts in public services[49].

The economic crisis and the fiscal consolidation measures that were necessary to address government budget deficits have inevitably affected income poverty and inequality. A recent IMF study analysed past fiscal consolidation episodes (in a number of OECD countries over the period 1980–2010) and found that a 1 percentage point (pps) of GDP consolidation is associated with an increase of about 0.6 % in inequality of disposable income (as measured by the Gini coefficient) in the following year. It also suggests that the cumulative impact peaks after five to six years and fades after the tenth year.[50] Until detailed data become available, it is difficult to evaluate what the impact of fiscal consolidation on inequality will be and even then, it will be difficult to distinguish the direct effect of the crisis from that of policy responses intervention. However, updated results from the EUROMOD micro-simulation model illustrate the impact of specific fiscal consolidation measures on households' incomes in nine countries.[51]

Different size of consolidation packages…

Since 2008, real gross household disposable income stagnated on average in the EU, and declined very significantly in a number of Member States. It increased only in a few ones. The latest available results from EUROMOD (a tax-benefit micro-simulation model for the European Union)[52] enable an assessment of the specific contribution of fiscal consolidation packages to changes in household incomes in eight Member States where they declined particularly sharply (Greece, Latvia, Lithuania, Romania, Spain, Portugal, Estonia and Italy) but also in the UK where they slightly increased over the period (see Chart 46a).

EUROMOD results focus on the specific impact of fiscal consolidation measures implemented after the 2008 economic downturn and up to mid-2012. The impact of austerity measures on household incomes was particularly strong in Greece, Latvia, Spain, Portugal and Estonia, and was less pronounced in Lithuania, the UK and Italy. The composition of the austerity measures taken into account varies significantly over Member States (Chart 46b), with large contributions from cuts in pensions, increases in income taxes and reduced benefits, as well as declines in public sector wages. Cuts in public pensions were particularly important in Romania and Portugal, and to a lesser extent in Estonia and Greece. Increases in income tax were important in Greece and Spain, and in terms of the share of the total, also in Italy and the UK. Cuts in non-means-tested benefits were relatively large in Lithuania and Latvia, while there were also cuts in means-tested benefits in Portugal and the UK.[53] Pay cuts for public sector workers (net of taxes and contributions) represent a large share of the consolidation effort in Greece, Latvia and Portugal and a somewhat smaller share in Romania and Spain, while increases in social contributions were important in Estonia and Latvia and, in terms of share, in the UK.[54]

[49] Furthermore, some measures may have already expired during the period considered (from 2008 until mid-2012), while some countries may have planned further adjustments after mid-2012.
[50] IMF (2012), Fiscal monitor, Taking Stock: A Progress Report on Fiscal Adjustment, October 2012.
[51] Avram S., Figari F., Leventi C., Levy H., Navicke J., Matsaganis M., Militaru E., Paulus A., Rastrigina O. and Sutherland H. (2012), "The distributional effects of fiscal consolidation in nine EU countries", Research note 01/2012, Social Situation Observatory.
[52] See Euromod site: https://www.iser.essex.ac.uk/euromod.
[53] In Portugal and the UK, the negative effect shown is the net effect of cuts in entitlements and increases in the numbers eligible and size of payments due to cuts in other incomes.
[54] There are interactions between pension and benefit cuts and income tax (and in some countries, social contributions) payable on these benefits. The figures for income tax increases are net of reductions due to the decreased tax base in these respects. The net effect is positive in Romania where there were no consolidation-related changes to income tax.

Chart 46 — Change in real GHDI 2008-2012 and contribution of austerity packages to change in households incomes

Chart 46a

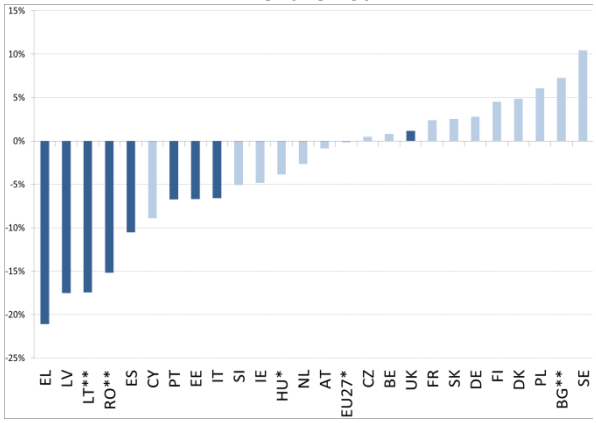
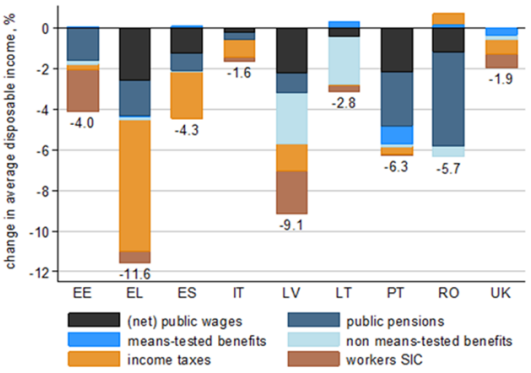


Chart 46b



Sources: AMECO (2012 is a forecast and 2011 provisional, ** available until 2010 and * until 2011) and EUROMOD (cumulated impact of austerity measures on households disposable incomes).
Notes: On the left graph, Member States covered in the study are represented with darker bars; the right chart shows the effects of simulated household income-based fiscal consolidation measures in place from 2008 to 2012 as a percentage of total household disposable income, by type of policy (excluding VAT). The field of GHDI from national accounts and household incomes from EUROMOD micro-simulation models may differ so that direct comparisons are to be treated with caution.

…different impacts on the distribution of household incomes…

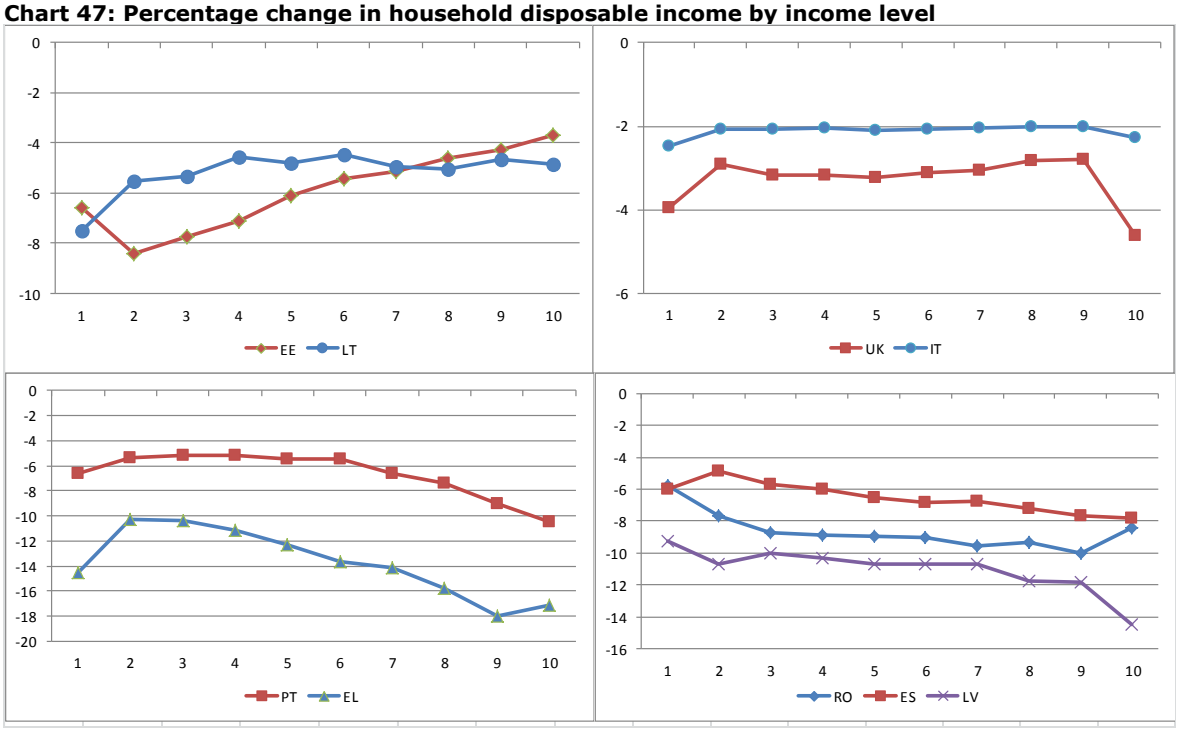
The analysis of the effects of the fiscal consolidation packages shows that they have had very different distributional implications (see Chart 47). There are significant differences among Member States as regards the change in income across the distribution resulting from each of the different types of policy measures that have a direct effect on household disposable income and hence income inequality (direct taxes and social contributions, cash benefits and pensions, and public sector pay as well as VAT changes). Even for the same type of policy measure, the distributional impact can vary, depending on the specific changes introduced and the underlying income distribution.

In Spain, Latvia and Romania, the better-off lose a higher proportion of their incomes than the poor as a result of the consolidation measures modelled (additional information indicates that similar results are also observed in Ireland for the period 2008-2012, while the 2012 changes would have a regressive impact). In Portugal and Greece, the burden of fiscal consolidation falls more heavily on the poor and the rich than it does on those on middle incomes, showing some inverted U-shape pattern. The UK and Italy show more mildly progressive and nearly proportional changes of incomes over the income distribution. While the effect of consolidation measures can be labelled progressive, a proportional income drop may actually affect the living standards of those already in lower income brackets more severely. At the other extreme, in Estonia and Lithuania, fiscal consolidation measures have had a clearly regressive impact.

… the same types of tools can have different distributional impacts depending on their design

The overall progressive effect of fiscal consolidation packages on household incomes shown for Latvia, Spain and Romania reflects different types of effects, while the regressive pattern observed in Estonia reflects mainly changes introduced in the indexation of pension benefits, and the one observed in Lithuania reflects mainly changes in VAT. The overall progressiveness of the effects has been mainly achieved by changes in the design of non-means-tested benefits and of public pensions, as well as cuts in public wages. Changes in the design of non-pension benefits were generally progressive, notably in Latvia and Romania, while they were regressive in Portugal (resulting from the freeze of means-tested benefits). The design of changes in public pensions was progressive in Greece and Portugal (where downwards changes have been limited for lower levels of pensions) and regressive in Estonia and to a lesser extent in Latvia (reflecting changes in indexation of benefits). Changes in public wages were generally progressive due to their design generally targeting higher incomes.

Chart 47: Percentage change in household disposable income by income level



Source: EUROMOD.
Note: the field covered here includes changes in pension and non-pension benefits, changes in SICs and income taxes and changes in public sector wages (net of taxes and SICs) and changes in VAT. Changes in VAT are also included though they do not impact directly incomes but indirectly through changes in price levels.

Changes in SICs (Social insurance contributions) and income taxes were generally merely proportional over the income distribution with more progressive patterns in the last decile in the UK and over the whole income distribution in Spain and more significantly in Greece, reflecting the differences in income tax and social contributions changes over the income distribution.

Increases in VAT generally had regressive effects. Changes in the main VAT rate as part of the consolidation packages ranged from 1 pps (Italy) to 5 pps (Spain and Romania) and the distributional effect appears to be regressive (see Chart 48). The differences across countries are linked to differences in the structure of VAT, consumption patterns and savings rates (which generally increases along the income distribution), as well as differences in increases in the standard rate of VAT. In several countries (such as Spain, Lithuania, Romania and the UK) the effects on household incomes are of a similar magnitude to the other fiscal consolidation measures.

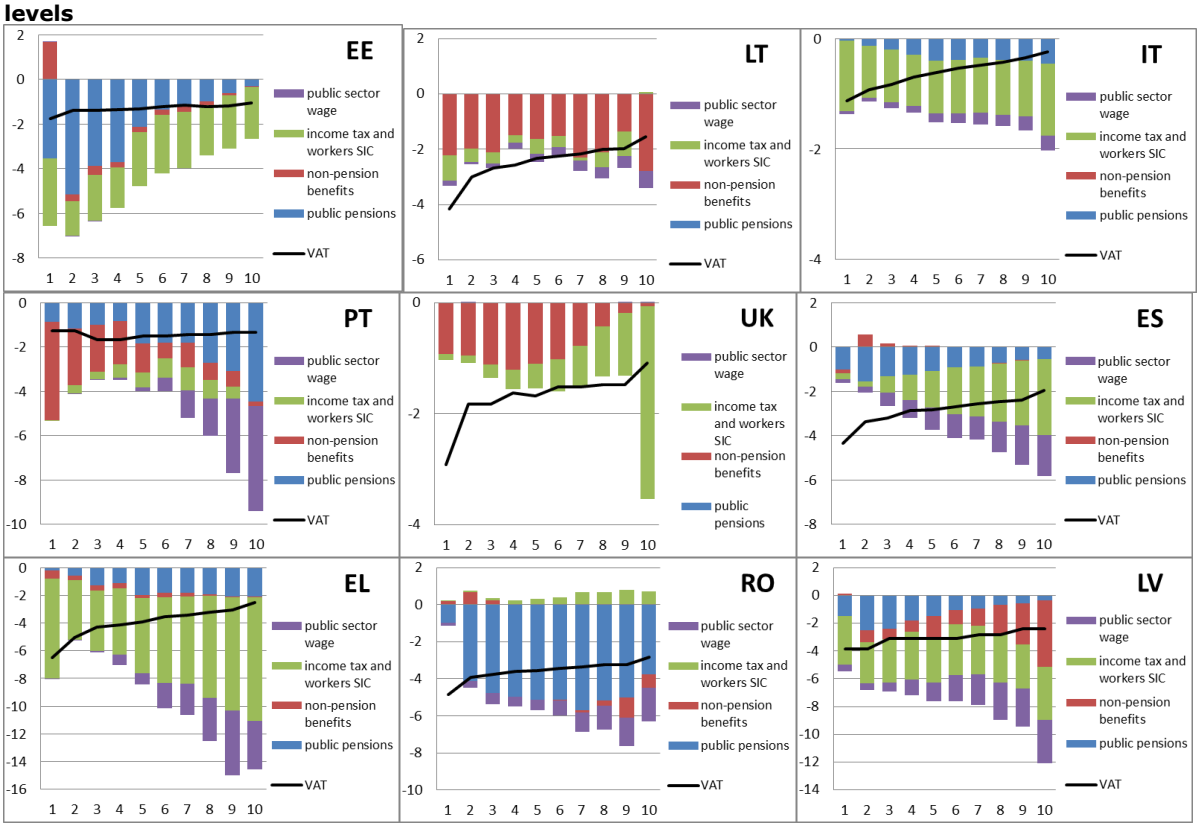
Impact of fiscal consolidation packages can also be different across age groups

The burden of fiscal consolidation can also be shared differently across different types of households. Across countries the effects are generally similar for children and older people, with two main exceptions: households with children are more affected in Lithuania and less in Romania. At low income levels, families with children (in Spain and the UK) or families with elderly people (in Greece and Portugal) are better protected. This partly reflects changes in tax and benefits, notably for children or elderly people, such as changes in child tax credits or pensions. They are also partly driven by the composition of households across the income distributions.

These results also help to shed some light on changes introduced between mid-2011 and mid-2012. In Estonia, these measures tended to have a regressive impact notably due to impacts on

income support payments and pensions.[55] In Portugal and Greece they appear to have had a progressive impact (to some extent even reversing the initial regressive pattern that was appearing from former available assessments for Portugal and a stronger progressive impact for Greece), while in Spain these changes appear to have a mostly neutral impact on the income distribution.

Chart 48: Contribution by type of measures to change in household disposable income by income levels



Source: EUROMOD.
Note: the field covered here includes changes in pension and non-pension benefits, changes in SICs and income taxes and changes in public sector wages (net of taxes and SICs). Changes in VAT are presented in a different pattern since they do not impact directly incomes but price levels.

Conclusion

Fiscal tightening of public budgets affected employment through public sector employment and aggregate demand channels. Changes to the tax and benefits systems and cuts in public sector wages have led to significant reductions in the level of real household incomes, putting a heavy strain on the living standards of low income households. Spending cuts and tax hikes impacted differently on high and low income households. The analysis shows that careful design of the measures is crucial to avoid that the poorest are disproportionately affected, as has been the case in a few countries.

Social protection spending played a prominent role in compensating households' income losses in the early phase of the crisis and helped stabilise the economy. Since mid-2010 the impact declined and in 2012 it was negligible even in countries where unemployment kept rising. This reduction of social spending was much stronger than in past recessions, partly reflecting the exceptional need for fiscal consolidation in the context of the euro crisis. It neutralised the economic stabilisation function of social protection systems in many Member States, and may have contributed to aggravate the recession, at least in the short term.

[55] Callan T. Keane C., Savage, M. and Walsh J. (2012), "Distributional impact of tax, welfare and public sector pay policies: 2009-2012", special article in Quarterly Economic Commentary, Winter 2011/Spring 2012, ESRI.

> Special Focus: Labour market mismatches (Beveridge curves)

This special focus updates a contribution to the March 2012 issue of this publication, in which Beveridge curves were presented for all Member States. The Beveridge curve relates unemployment rates to job vacancies. Shifts along the curve represent cyclical changes in the demand for labour, typically imply higher vacancies and lower unemployment in upturns and lower vacancies and higher unemployment in downturns. On the other hand, an increase or decrease in vacancies for a given rate of unemployment is indicative of structural changes: the former typically implies an increasing level of mismatch (described as a move of the curve outwards or to the right), and vice versa.

In this focus we zoom in on recent developments in Beveridge curves for the EU and individual Member States. An alternative indicator for the job vacancy rate is used for vacancies, namely the labour shortage indicator (see Chart 49). The indicator is derived from EU business surveys results[56]. In each first month of a quarter, companies are asked in the business survey which main factors are currently limiting production. Labour shortage is one of the possible options offered. The indicator is the percentage of respondents choosing this option. The indicator is timely and fully harmonised among Member States[57]. As a drawback, it covers only manufacturing. As the labour shortage indicator is seasonally adjusted, it allows for a short-term comparison.

At the EU aggregate level, the unemployment-vacancy co-movement since early 2008 can be split in three different periods. Up to the first quarter of 2010, there was a continuous increase in the unemployment rate and a steady decrease in the labour shortage indicator, in a typical movement along the Beveridge curve in a recession.

From the first quarter of 2010 up to mid-2011, however, the unemployment rate remained fairly stable, while the labour shortage indicator increased significantly. Such movement was indicative of labour market mismatches in a recovery, due to very diverse developments per sector (for example, construction boom and bust), insufficient labour mobility and a possibly inadequate skill supply (see also "The skill mismatch challenge in Europe", Chapter 6 in European Commission (2013)[58]).

Since mid-2011, the unemployment rate went further up, while the labour shortage indicator remained stable or moved only marginally lower. This movement suggests that the Beveridge curve has shifted outwards, pointing to a persistence of the mismatches during renewed labour market weakness. While a statistical break and a resulting lack of seasonally adjusted data hamper a proper assessment of the evolution of the job vacancy rate over time, its development over the three periods mentioned above seems similar to the evolution of the labour shortage indicator.

At Member State level, the situation is very diverse. While genuine shifts in the Beveridge curve can only be assessed after a certain time span, it seems that movements in the Beveridge curves put Member States into four different groups.

A first group would be those Member States for which the Beveridge curve seems to indicate an increase in the level of mismatch (an 'outward shift'), in a similar way as for the EU aggregate, with clearly more vacancies and unemployment now than in the first quarter of 2010. These Member States are Bulgaria, France, the Netherlands and Poland.

A second group are the six worst-off Member States, where the unemployment rate has increased by at least 1.8 pps since the third quarter of 2011 and at least 2.7 pps since the first quarter of 2010. These Member States are Greece, Spain, Italy, Cyprus, Portugal and Slovenia and are mostly characterised by low and /or declining levels of the vacancy rate and the labour shortage indicator, pointing to a predominantly cyclical character of their labour market developments. Labour demand in these Member States is extremely weak, as, over the year up to the last quarter of 2012, GDP shrank in a range of 1.9 % (Spain) to 6 % (Greece).

The third group is very small. These are the Member States witnessing a structural improvement - a shift to the left of the Beveridge curve, i.e. a lower level of vacancies for a

[56] See also http://ec.europa.eu/economy_finance/db_indicators/surveys/documents/userguide_en.pdf
[57] The indicator is not available for Ireland.
[58] European Commission (2013), "Employment and Social Developments in Europe 2012.

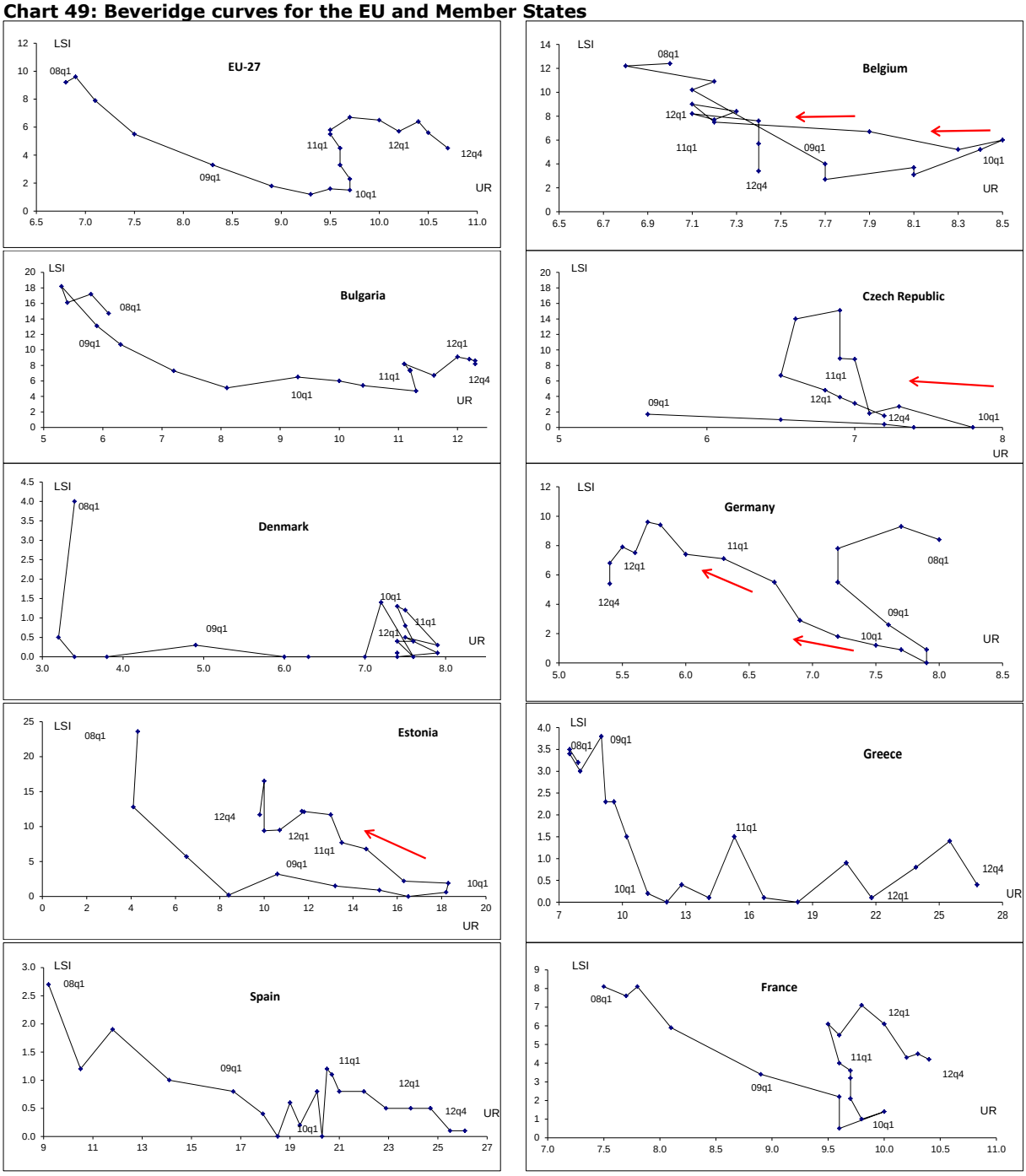
given unemployment rate. In this group, we find Germany and, possibly also Belgium and Romania[59].

Most remaining Member States belong to a fourth group where increased mismatch (the 'outward shift' of the Beveridge curve) seems relatively moderate and is accompanied by a decline in the unemployment rate since the first quarter of 2010 (contrary to the first group). However, in the absence of a strict criterion to determine a shift of the Beveridge curve, this large group is quite diverse.

It contains, on the one hand, Member States such as Hungary, the Baltic States and the United Kingdom, where the increase in the labour shortage indicator is relatively large, pointing to a more-than-moderate mismatch increase. On the other hand, one might argue that Member States such as Denmark, Luxembourg, Malta, Slovakia and Sweden are still on their original Beveridge curve and did not see a shift.

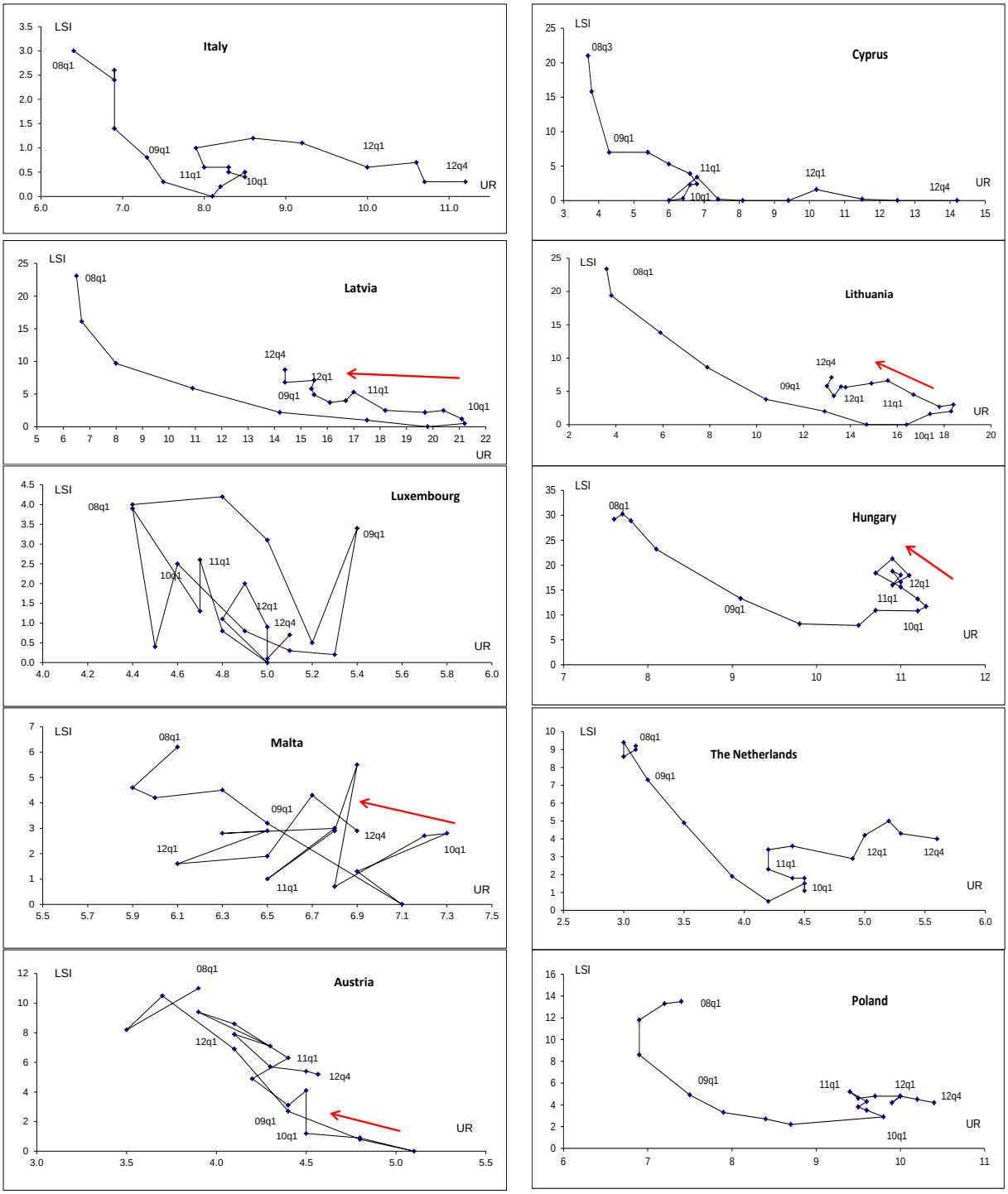
[59] As a result of increases in their labour shortage indicator in the first quarter of 2013 (not shown in the graphs), further observations are needed to say whether such a shift is occurring in Belgium and Romania.

Chart 49: Beveridge curves for the EU and Member States



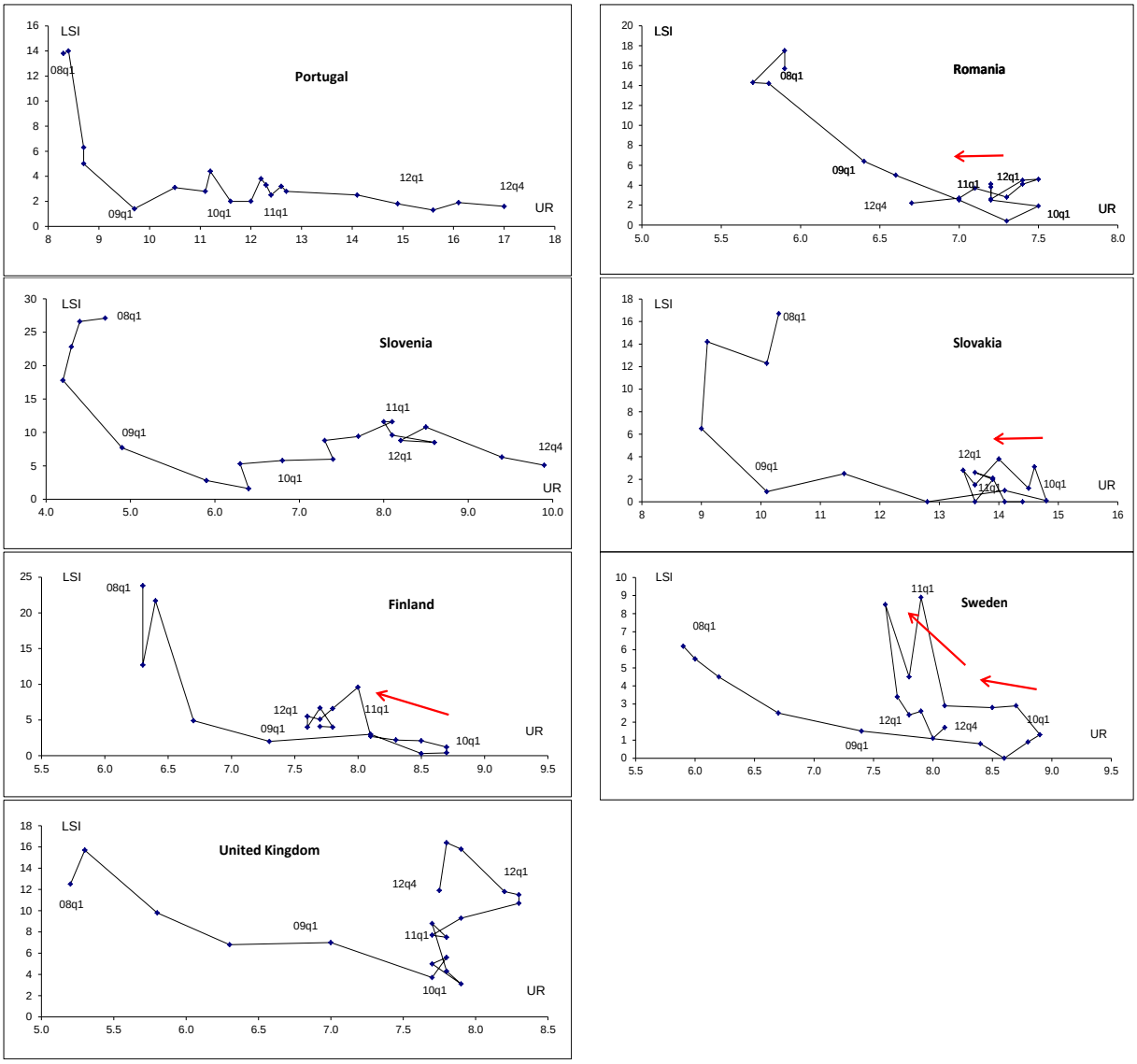
Sources: Eurostat [une_rt_q] and [bsin_q_r2].

Note: UR = unemployment rate (%); LSI = labour shortage indicator, derived from EU business survey results (% of manufacturing firms pointing to labour shortage as a factor limiting production). No data for Ireland due to a lack of business survey results.



Sources: Eurostat [une_rt_q] and [bsin_q_r2].

Note: UR = unemployment rate (%); LSI = labour shortage indicator, derived from EU business survey results (% of manufacturing firms pointing to labour shortage as a factor limiting production).



Sources: Eurostat [une_rt_q] and [bsin_q_r2].

Note: UR = unemployment rate (%); LSI = labour shortage indicator, derived from EU business survey results (% of manufacturing firms pointing to labour shortage as a factor limiting production).

> Special Focus: Latest trends in posting of workers during 2009-2011

This section reviews recent trends (2009-2011) in posting of workers across EU Member States, based on social security data the European Commission received from Member States in 2012. The information provided here completes previous analysis published on intra-EU labour mobility.[60]

What is a posted worker?

A posted worker is a 'person who, for a limited period of time, carries out his or her work in the territory of an EU Member State other than the State in which he or she normally works'.[61] The Posting of Workers Directive (96/71/EC), adopted in 1996, requires certain minimum terms and conditions of employment[62] to apply to workers whose employers post them temporarily to provide services in another Member State. The Directive applies to companies providing a cross-border service that:

- post workers to another Member State under a contract between them and a party in another Member State for whom the services are intended;
- make intra-company postings;
- are temporary agencies who post workers.

In March 2012, the Commission adopted a proposal[63] to improve the implementation, application and enforcement of the 1996 Directive, and to clarify how EU rules on posting of workers should be better applied in practice. The Commission's proposal is being negotiated at the level of the Council and the Parliament (co-decision procedure).

Measuring trends in posting of workers

The possibility for companies to post workers in other Member States, together with the enlargement to Eastern and Central Europe, has sparked concerns about the risk of so-called 'social dumping'. In order to prevent such risk, the EU had adopted the necessary legislation in 1996 (and the Commission has recently proposed to further improve its implementation, application and enforcement in practice). That is the context in which trends in posting of workers are examined here.

There is no straightforward, reliable data source to measure how many workers are posted from one Member State to another. There is data at national level, but not for all Member States, and it is not harmonised.

It is, however, possible to consider the number of social security certificates issued for postings to another country. When a worker is posted for up to 24 months to another country, and subject to additional conditions being fulfilled, a 'portable document A1' (previously known as E101) is issued to certify which social security legislation applies to the holder. Although using this as a measure of the number of workers posted may have certain limitations,[64] it is still the

[60] See notably the chapter 6 on post-enlargement mobility in the 2011 ESDE review and the 'Special Focus' on South-North mobility in the June 2012 ESSQR.
[61] MEMO/12/199, Q&A Legislative initiatives on the posting of workers, available at: http://europa.eu/rapid/press-release_MEMO-12-199_en.htm .
[62] For instance: minimum rates of pay, working time and provisions regarding health and safety at work.
[63] COM(2012) 131 final, 21.3.2012; IP/12/267, Commission to boost protection for posted workers, available at: http://europa.eu/rapid/press-release_IP-12-267_en.htm .
[64] The main caveats are the following: not all countries replied every year to the data collection exercise; there is no information on the duration of posting or the hours worked; limited data on sectors. In addition, there is still some uncertainty to what extent the number of PD A1 recorded by countries is a precise proxy of the actual number of postings taking place: firstly, it is not known how many PD A1 translate into actual postings; secondly, there is no information on undocumented postings, i.e. workers posted by their employers without having applied for a PD A1. Finally, the presented data are not data on postings according to the 'posting' definition of Directive 96/71/EC concerning the posting of workers in the framework of the provision of services. The conditions which must be fulfilled in order to qualify as posted worker according to EU rules on the coordination of social security systems are fundamentally different from those under Directive 96/71/EC (e.g. strict time limitation of maximum 24 months applies in the social security field), therefore not all postings under Directive 96/71/EC qualify for issuing PD A1 and the presented statistical data do not fully match the real extent of the posting phenomenon.

only source, to our knowledge, which enables us to obtain an overview of postings across EU Member States.

The European Commission (DG EMPL) in 2012 collected data on portable documents A1 (referred to as 'PD A1' below) that Member States issued in 2010 and 2011[65]. This was done through the national delegations to the Administrative Commission for the coordination of social security systems. The data originate from administrative sources within ministries of labour or social affairs or social security/insurance authorities.

Postings on the rise, from 1 million in 2009 to 1.2 million in 2011

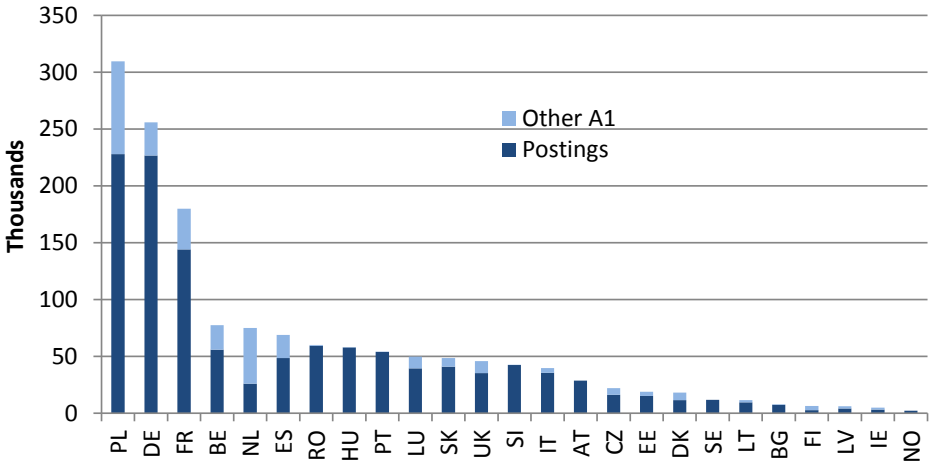
This section reviews the main trends revealed by data collected on PD A1 issued in 2010 and 2011. It also compares the situation with that measured in 2009[66].

In 2011, a total of 1.51 million PD A1 were recorded across the EU-27 and Iceland, Liechtenstein and Norway. Of these, around 1.21 million related to postings to specific countries. The remainder of almost 300 000 cases fell into the categories of international transport, persons active in two or more Member States, or other cases. This represents a significant rise compared to 2010 (1.33 million, among which 1.06 million related to postings to specific countries) and 2009 (respectively 1.27 million and 1 million).

Poland, Germany and France are the main countries of origin of posted workers

In 2011, the main sources of posted workers were Poland, which issued 228 000 PD A1 for posting, followed by Germany (227 000) and France (144 000). Four other countries (Belgium, Romania, Hungary and Portugal) recorded over 50 000 cases and six others (Spain, Slovenia, Slovakia, Luxembourg, Italy and UK) issued between 30 000 and 50 000 PD A1 for postings. Numbers in most other countries were substantially lower (see Chart 50).

Chart 50: Number of PD A1 issued by sending country, 2011 (in thousands)



Source: Administrative data from EU Member States, IS, LI and NO on PD A1 issued according to Council Regulation (EC) No 883/2004 on the coordination of social security system. Note: countries issuing less than 2 000 PD A1 in 2011 are not presented in the chart (CY, EL, IS, MT, LI). Other PD A1 than posting cover categories 'international transport', 'persons active in two or more Member States' or other cases.

Sharp increases in the number of posting from Central and Eastern Europe Member States

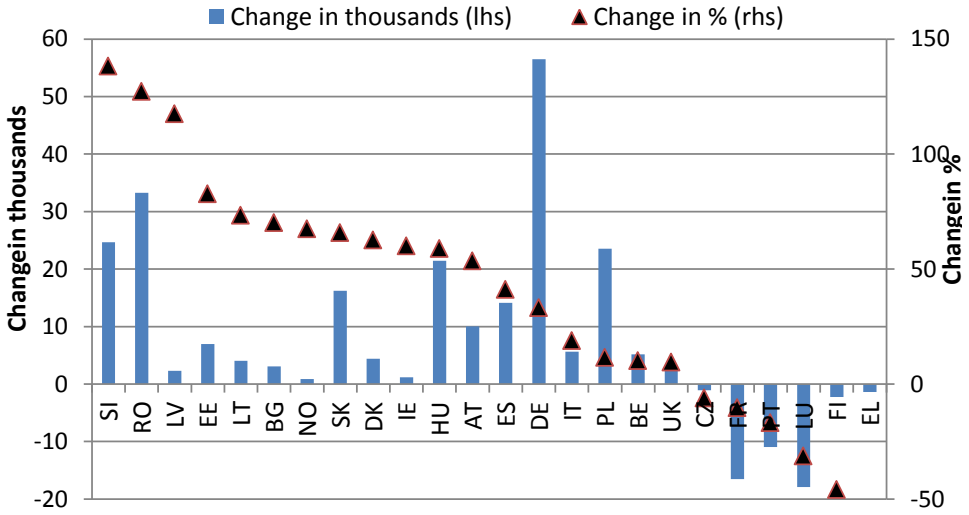
In 2011, around 60 % of all postings (compared to 64 % in 2009) originated in the EU-15 Member States[67] and almost 40 % (compared to 36 % in 2009) in the EU-12 Member States.[68] Postings originating in EEA-EFTA[69] countries accounted for only 0.2 % of all postings.

[65] This data has been analysed in depth by DG EMPL services, see paper available under: http://ec.europa.eu/social/BlobServlet?docId=9675&langId=en.
[66] Previous data collection (on E101 forms issued in 2008 and 2009) had taken place in 2010. The results are presented in a note available at: http://ec.europa.eu/social/BlobServlet?docId=6554&langId=en .
[67] The Member States forming part of the EU before 1 May 2004.
[68] The Member States that joined the EU in 2004 and 2007.
[69] The aggregate 'EEA-EFTA' refers to Iceland, Norway and Liechtenstein while the aggregate 'EFTA' refers to Iceland, Norway and Liechtenstein plus Switzerland.

In relative terms, over 2009-2011, the biggest increase in the number of workers posted abroad was from Slovenia (+138%), Romania (+127%), Latvia (+118%), Estonia (+83%), Lithuania (+73%) and Bulgaria (+70%) (see Chart 51).

In absolute terms, the biggest increases were from Germany (+57000), Romania (+33000), Slovenia (+25000), Poland (+24000) and Hungary (+21000). On the other side of the spectrum, decreases were recorded for workers posted by Luxembourg (-18000), France (-17000) and Portugal (-11000). There were sharp decreases in the number of posted workers sent abroad from Finland (-46%) and Greece (-61%), but the initial levels (2009) were quite low in absolute terms (5000 and 2000 respectively).

Chart 51: Changes in the number of posted workers sent abroad over 2009-2011, by sending country (in thousands and in %)



Source: Administrative data from EU Member States, IS, LI and NO on PD A1 issued according to Council Regulation (EC) No 883/2004 on the coordination of social security system. Notes: countries posting less than 1000 workers in 2011 are not presented in the chart (IS, MT, LI and CY). NL and SE: not presented due to break in series between 2009 and 2011.

Most posted workers go to EU-15 countries

In terms of destination countries[70], Germany received the highest number of posted workers (311000), followed by France (162000), Belgium (125000) and the Netherlands (106000), see Chart 52. Other countries that received a substantial number of posted workers in 2011 (30000-80000) were Austria, Italy, Switzerland, Spain, the UK and Norway.

Overall, 86% of all PD A1 for posting were issued in 2011 towards EU-15 countries, 6% towards EU-12 countries and 8% towards EFTA countries. In the following countries, more than half the posted workers came from EU-12 countries: Finland (79%), Germany (77%) and Sweden (51%). On the other hand, posted workers from EU-15 countries represent the overwhelming majority (>90%) of posted workers in LI, LU, CH, PT and IE, and a very large share (80-90%) in IS, ES, UK, BG, RO and MT.

Sharp rise in number of posted workers received by Austria, Norway and Germany

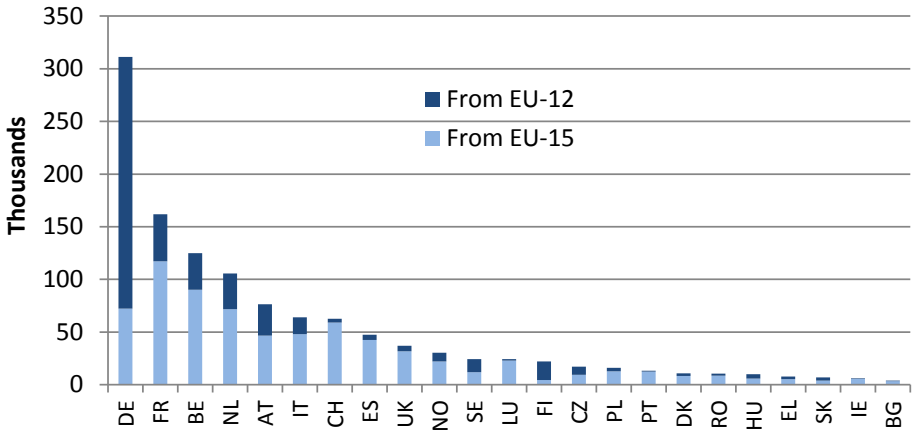
The comparison over time by order of main destination country shows a rather stable pattern. From 2009 to 2011, the following trends can, however, be noted: a sharp rise in the number of posted workers received in Austria (+32000 or +71%), Norway (+9000, or +42%) and Germany (+90000 or +41%), see Chart 53. For Austria and Germany, this rise can be related partly to the end of transitional arrangements on free movement of workers (from EU-8

[70] Under the A1 data collection exercise, countries were asked to provide data on how many PD A1 were issued by their authorities for postings and other activities abroad, but not for data on workers posted to their territory from other countries. However, given that countries reported on the destination countries of those persons for whom they issued PD A1 for postings one can calculate the number of posted workers to a specific destination country by summing up the corresponding numbers by sending country.

countries) on 1 May 2011[71]. In absolute terms, strong increases also occurred towards Belgium (+30 000), the Netherlands (+24 000), Italy (+14 000) and Switzerland (+11 000).

On the other hand, there was a decrease in the number of workers posted to Spain (-16 000, or -25 %) and Greece (-3 000 or -26 %), most probably because of the decline in economic activity and demand for labour as a result of the crisis in these countries. Logically enough, there seems to be a significant cross-country correlation between the change in overall labour demand in recent years and the change in the number of posted workers received from abroad.[72]

Chart 52: Postings by destination country, 2011 (in thousands), broken down by group of sending countries (EU15 versus EU12)



Source: Administrative data from EU Member States, IS, LI and NO on PD A1 issued according to Council Regulation (EC) No 883/2004 on the coordination of social security system. Notes: Only posting originating from EU Member States are included (posting originating from NO, IS and LI not included). Countries receiving less than 4 000 PD A1 in 2011 are not presented in the chart (SI, LT, EE, LV, MT, CY, LI, IS).

Germany, largest net recipient country of posted workers …and Poland, largest net sending country

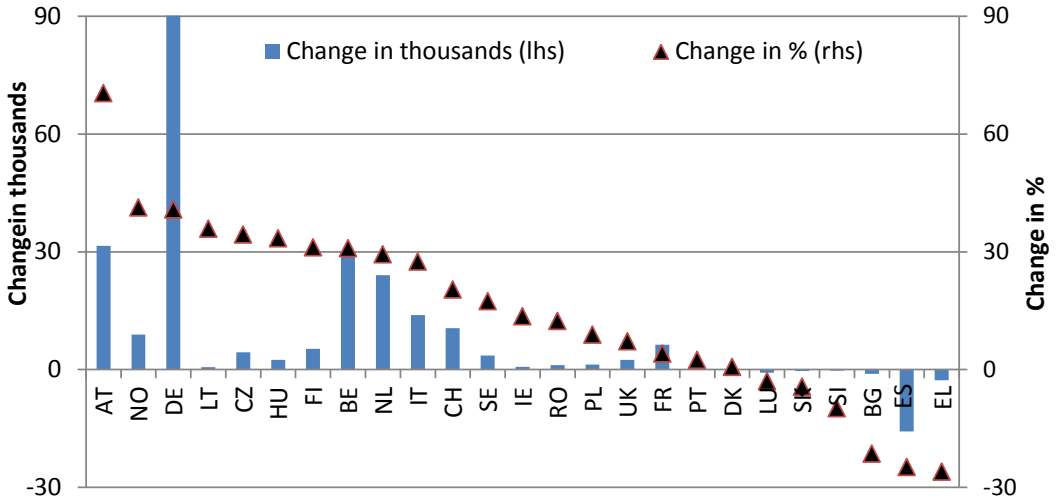
Chart 54 gives an overview (in 2011) of the net balance of postings by country. It shows the number of postings originating in a country, minus the number of postings received from other countries. By this account, Germany, Belgium and Austria were the countries that received the highest number of posted workers in net terms. On the other hand, Poland was by far the main (net) sending country, followed by Romania, Hungary, Portugal and Slovenia.

It is rather difficult to estimate the weight that a posting represents in the overall labour market of sending and receiving countries. PD A1 data is not a direct indicator of labour input, as it does not state the duration of the posting, nor the number of hours worked.

However, if the global number of postings received is roughly compared to the overall labour force for 2011, this indicates a high weight in Luxembourg (10.4 %), followed by Belgium (2.6 %), Austria (1.8 %), Switzerland (1.4 %), the Netherlands (1.2 %) and Norway (1.2 %). For the sending countries, postings represent (compared to the overall labour force) a high share in Luxembourg (21.3 %), followed by Slovenia (4.3 %), Estonia (2.8 %), Slovakia (1.8 %), Poland (1.8 %), Belgium (1.6 %), Hungary (1.4 %) and Portugal (1.0 %).

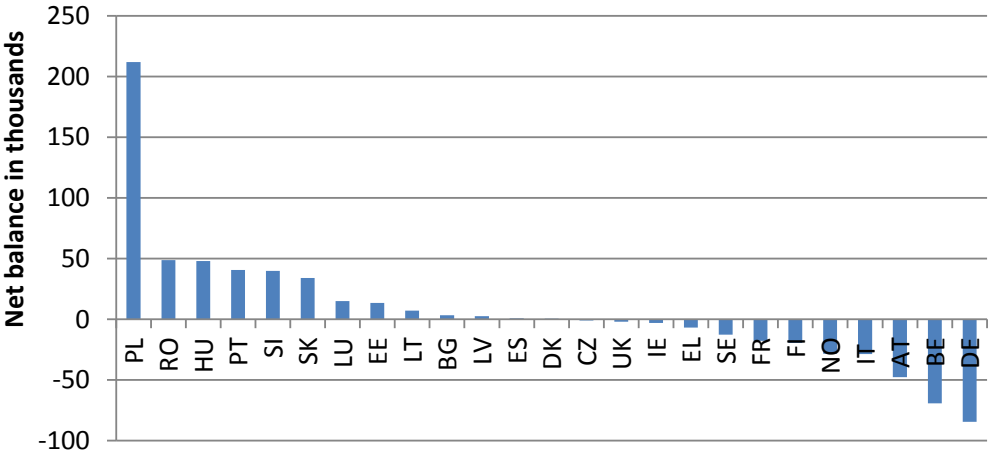
[71] Indeed, the transitional arrangements also allowed Austria and Germany to apply restrictions to posted workers in certain sectors.
[72] For instance, the correlation coefficient between the changes in the overall unemployment rate over 2008-11 and the change in the number of posted workers received from other EU Member States over 2009-11 is highly negative (-0.76, R^2=0.58).

Chart 53: Changes in the number of posted workers received over 2009-2011, by receiving country (in thousands and in %)



Source: Administrative data from EU Member States, IS, LI and NO on PD A1 issued according to Council Regulation (EC) No 883/2004 on the coordination of social security system. Notes: countries receiving less than 2 000 workers in 2011 are not presented in the chart (EE, LV, MT, CY, LI, IS).

Chart 54: Net balance between posted workers sent and posted workers received, 2011 (in thousand)



Source: Administrative data from EU Member States, IS, LI and NO on PD A1 issued according to Council Regulation (EC) No 883/2004 on the coordination of social security system. Notes: Countries receiving/sending less than 2 000 workers in 2011 are not presented in the chart (IS, MT, LI and CY). NL: not shown in the chart due to the extraordinarily high number of PD A1 other than posting (and the subsequent low number of PD A1 for posting) which cannot be classified in any destination country and taken into account for the net posting balance overview.

Distribution by sending/receiving countries is influenced by geographical location, historical and business traditions

Analysing the detailed distribution of PD A1 for postings between the sending and receiving countries,[73] it appears that the destination country varies significantly according to the country of origin of the posted worker and that it follows geographical location, historical and business traditions.

For instance, posted workers from Belgium, France, Germany, Luxembourg and the Netherlands spread into neighbouring countries. Workers posted from Germany went mostly to Austria, the Netherlands, France and Belgium; from Belgium, mainly to France and the Netherlands; from Luxembourg, to France and Belgium; from the Netherlands, to Belgium and Germany; and from France, to Belgium, Germany, Italy, the UK and Spain.

However, it is clear that posting is also driven by economic opportunities and wage differentials.[74] For instance, Germany was the main destination for workers posted from the neighbouring Czech Republic and Poland but also from Hungary, Slovakia, Slovenia, Romania and Bulgaria. Moreover, the other destinations of workers posted from these countries were France, Belgium, the Netherlands, Austria and Italy.

Postings are concentrated in industry, particularly construction, at least in countries for which sectoral data is available

Concerning sectoral breakdown, the comparability and usefulness of the data is limited by the fact that for 2011, 16 countries did not provide figures by economic activity, including two countries hosting a large number of postings (Germany and France).

The data from the 14 countries which did provide a sectoral breakdown for 2011[75] suggest that on average, around 71 % of PD A1 issued for postings were for industry, including 43 % for the construction sector (see table 3). The share of PD A1 issued for activities in the service sector[76] is around 27 %, while agriculture and fishing account for around 2.5 % of the total.

The relative share of construction is much higher than reported in 2009 (24 %) and the relative share of services much lower (44 %). This seems to be due mainly to changes in the distribution of countries that provided figures on sectoral breakdown (i.e.: Poland provided data in 2011 but not in 2009, while the reverse was the case for the UK).

In 2011, industry represented close to 90 % of workers posted by Portugal, Romania and Hungary and around two-thirds for Poland. Of these, construction represented a large share of workers posted by Portugal (67 %) and Poland (47 %). Finance and business services represented a small share of posted workers for most of the countries for which data is available (8 % on average), but accounted for 35 % of workers posted from Belgium and 41 % from Luxembourg.

[73] The complete matrix tables for 2010 and 2011 are available in the analytical paper prepared by DG EMPL services, see: http://ec.europa.eu/social/BlobServlet?docId=9675&langId=en.
[74] For a complete review of drivers and obstacles (as well as economic and social impacts) of posting of workers, for the various countries and types of posting, see: Ecorys and IDEA-consulting, *Study on the economic and social effects associated with the phenomenon of posting of workers in the EU*, 2012 (study commissioned by DG EMPL), available at: http://ec.europa.eu/social/BlobServlet?docId=6678&langId=en .
[75] Those 14 countries are: BE, CZ, EE, IS, CY, RO, PL, PT, LI, LT, MT, FI, HU and LU. They represent together 45 % of all PD A1 issued for posting in 2011.
[76] The low share (2.1%) of the 'transportation and storage; information and communication' sector may be surprising. However, for some countries (Poland, Hungary, Estonia and Lithuania) and therefore also for the EU aggregate, the various sub-sectors inside services do not add up to 100% and therefore posted workers in the transport sector may be hidden in the large remaining part of the service sector for which detail on sub-sector is not provided. Moreover, persons working in international transport (including truck drivers) are generally not posted from one country to another but rather covered by other PD A1, in particular the category 'active in two or more Member States' (art. 13 of the Regulation 883/2004).

Table 3: Sectoral breakdown of posting, by origin country (in % of the total)

Sector of activity (NACE rev.2)	EU (14 countries available)	BE	RO	PL	PT	HU	LU
Agriculture, hunting and fishing	2.5	0.5	3.2	3.6	3.6	0.2	0.0
Industry (total)	70.7	44.9	86.3	67.4	88.8	88.4	50.1
among which: Construction	43.5	24.8	28.4	46.8	67.5	37.8	40.4
Services (total)	26.8	54.6	10.5	29.0	7.6	11.4	49.9
among which:							
Wholesale and retail trade	1.3	4.2	0.4	1.1	0.0	0.4	3.0
Accomodation and food services activities	0.3	1.0	0.6	0.1	0.0	0.1	0.5
Transportation and storage; Information and communication	2.1	2.5	5.1	1.6	0.1	0.8	3.1
Financial and insurance; Real estate; Professional, scientific and technical activities; Administrative and support service activitie	8.3	35.4	1.6	1.2	7.3	0.2	41.3
Education, health and social work, arts and other services	4.4	11.5	2.7	3.9	0.1	0.8	2.0

Source: Administrative data from EU Member States, IS, LI and NO on PD A1 issued according to Council Regulation (EC) No 883/2004 on the coordination of social security system. Note: this table presents only the EU aggregate (covering 14 countries) and the 6 largest sending countries (among the 14 which provided sectoral data).

Sectoral trends

In the face of persistently bleak economic circumstances, the three major sectors — industry, construction and wholesale and retail trade — have seen significant declines over recent quarters in terms of output, value added and employment, although to various extents.

Over the four years to the fourth quarter of 2012, a period when more than two jobs in 100 (2.3 %) disappeared in the EU as a whole, this ratio amounted to 15.1 % in construction and 7.9 % in industry, on the one hand, and 2.2 % in the wholesale and retail trade, on the other hand. Male-oriented sectors remain the most affected by the economic slowdown, while developments in manufacturing and services sectors' output are still depressed.[77]

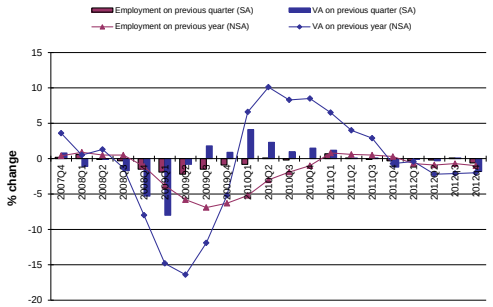
The analysis below presents some major trends observed recently in terms of employment in these sectors, and linked to changes in value added and output. Industry and construction are particularly vulnerable in deteriorating economic conditions, but trade too has recently shown consistent signs of stagnation.

Employment has been down for a year and a half in industry

Value added in industry went down (-1.2 %) in 2011q4 alone and has remained depressed since then. In the fourth quarter of 2012 alone, it fell by 1.8 %. Annual growth has been negative for 15 months now (-2 % in 2012 q4), after seven quarters in positive territory, as highlighted by Chart 55. In response to receding industrial activity, employment growth in industry, which tentatively resumed in the fourth quarter of 2010, declined as of the third quarter of 2011.

So after a year in positive territory in 2011, the y-o-y change turned negative again in the first quarter of 2012, down by 1 % in the fourth quarter of 2012. The year-on-year increases recorded in 2012q4 in Malta (+6.8 %), Romania (+2.5 %), Latvia (+2.4 %) and, to a lesser extent, in Germany (+0.8 %) and the Czech Republic (+0.6 %), were not sufficient to make up for the tremendous declines recorded in Estonia (-10.5 %), Greece (-9.5 %) and Lithuania (-8 %). The number of jobs in industry was, in 2012 q4, still 3 million, i.e. 7.9 %, below the level recorded four years earlier (-8.9 % in the manufacturing industry, 3 million jobs lost too). In four countries, the gap stands at -20 % or more: Greece, Ireland, Bulgaria and Lithuania.

Chart 55: Change in industrial (except construction) employment and value added in the EU[78]



Source: Eurostat, National accounts, [namq_nace10_k] and [namq_nace10_e].

In January 2013 compared with December 2012, seasonally adjusted industrial production fell by 0.4 % in the EU, after growing by 0.8 % a month earlier. On an annual basis, in January 2013 compared with January 2012, industrial production decreased by 1.3 % in the euro area and by 1.7 % in the EU as a whole. Production of durable consumer goods fell by 4.3 % in the EU, intermediate goods dropped by 3.4 % and capital goods decreased by 2.6 %. Conversely, production of energy remained stable and non-durable consumer goods rose by 2.2 %. Among the Member States for which data are available, industrial production fell in eleven and rose in seven. The largest decreases were registered in Sweden (-5.9 %), Finland (-5.4 %), Greece and Spain (both -5.0 %), and the highest increases in Bulgaria and Lithuania (both +8.0 %) and Estonia (+5.5 %).

Job shedding remains dramatic in the construction sector …

With the exception of 2010q2 and 2011q1 value added in the construction sector has fallen continuously for more than four years. It fell sharply throughout 2012, down

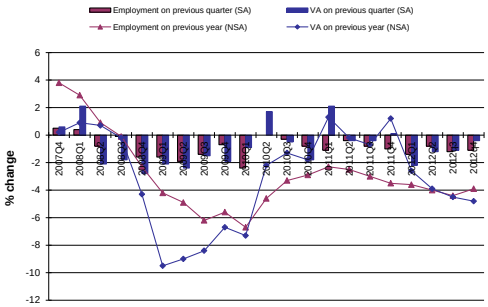
[77] See Markit Eurozone PMI Composite Output Index below.

[78] Note on data used in the three charts for 2012 q4: for empl NSA: EU estimate without IE, UK; empl SA: EU est. without IE, EL, MT, RO, UK; for VA NSA: EU est. without BG, CZ, EE, IE, EL, IT, CY, LV, LU, PT, RO; for VA SA: EU est. without BG, CZ, EE, IE, EL, IT, CY, LV, LU, HU, PT, RO, SI and SE.

by 0.4 % in 2012q4 alone and down 4.8 % compared to 2011q4, i.e. the steepest fall in nearly three years (see Chart 56). Against this backdrop, the employment situation in construction remains bleak. The declared workforce has fallen continuously since the second quarter of 2008, with the sole exception of 2010 q2, when it remained unchanged. Between the fourth quarter of 2008 and the same period of 2012, the sector lost no less than 2.6 million or 15.1 % of its workforce at EU level. Over the past four years, at least one construction job in two was lost in Ireland, Greece and Spain, while at least one job in three was shed in Latvia, Lithuania, Bulgaria and Portugal.

In the fourth quarter of 2012 the sector lost, on average, 1.1 % of its workforce at EU level compared to the third quarter of last year, after a fall of 1.2 % in the preceding quarter, bringing the year-on-year change down to -3.9 %. Over the year, the construction sector lost 15 % or more of its workforce in Portugal, Greece, Spain and Cyprus.

Chart 56: Change in construction employment and value added in the EU



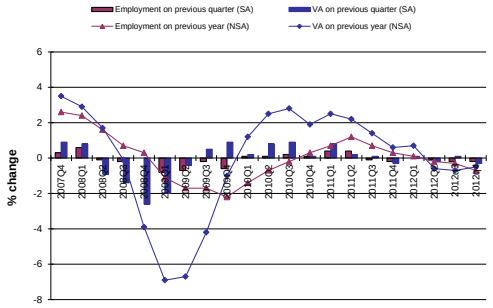
Source: Eurostat, National accounts, [namq_nace10_k] and [namq_nace10_e].

In the construction sector, seasonally adjusted production fell by 1.4 % in the euro area and by 1.3 % in the EU as a whole in January 2013, compared with the previous month. In December 2012, production had increased by 0.3 % and declined by 0.6 % respectively. Compared with January 2012, production in January 2013 dropped by 8.0 % in the EU. Production in construction fell in all Member States for which data are available for January 2013. The largest decreases were registered in Slovenia (-22.1 %), Portugal (-20.2 %), Poland (-17.3 %), Slovakia (-14.9 %) and the Netherlands (-13.7 %). Building construction declined by 7.7 % in the EU, after -6.1 % in December. Civil engineering decreased by 9.5 %, after -10.8 % in the previous month.

…while weaknesses have become clear in the trade sector too

Looking at the period 2008q4 to 2012 q4, employment in the retail and wholesale trade sector, which includes transport, accommodation and food service activities, shrank by 1.2 million or 2.2 %, in line with the decline in total EU employment (-2.3 %). The retail and wholesale trade did not suffer the effects of the recession as the industry and construction sectors did. It was hit over a much shorter period than the construction sector and much more moderately in terms of VA lost than industry. As a consequence, the moderate recovery of 2010-11, which had actually started in 2009q3 in the trade sector, was gradual but sustained. It subsequently tailed off and has vanished over recent quarters. VA in the trade sector has been hesitant since 2011 q3, edging up and down by +0.3 to -0.3 % on a quarterly basis. In the fourth quarter of 2012, it went down by 0.3 % compared to the previous quarter, while annual change was -0.5 % (from -0.7 % in 2012q3).

Chart 57: Change in trade* employment and value added in the EU



Source: Eurostat, National accounts, [namq_nace10_k] and [namq_nace10_e].

Note: * The trade sector comprises wholesale and retail trade, transport, accommodation and food service activities.

In this unsettled context, the number of jobs in retail and wholesale trade started, just like EU total employment did, to stagnate and decline again in the third quarter of 2011, after rising for six quarters in a row. It then went down by -0.1 to -0.2 % quarter-on-quarter (see Chart 57). After seven quarters in positive territory, the y-o-y growth turned negative (-0.2 %) in the second quarter of 2012. In 2012q4, annual decline stood at -0.7 %, dragged down by steep declines in Lithuania

(-11.7 %), Greece (-8.7 %), Spain (-5.2 %) and Poland (-3.7 %), while growth still prevailed in Estonia (+4.0 %), Latvia (+3.6 %) and Romania (+2.6 %), just to quote some significant changes.

In January 2013 compared with December 2012, the volume of retail trade rose by 1.2 % in the euro and by 0.9 % in the EU as a whole. In January 2013 compared with January last year, the retail sales index dropped by 1.3 % in the euro area and by 0.9 % in the EU. Over the past year, "Food, drinks and tobacco" fell by 1.5 % in the EU, while the non-food sector dropped by 1.8 %. Among the Member States for which data are available, total retail trade fell in eight and rose in eleven. The largest decreases were observed in Slovenia (-7.6 %), Bulgaria (-5.5 %) and Portugal (-3.9 %), and the highest increases in Belgium (+8.4 %), Luxembourg (+7.1 %) and Latvia (+5.2 %).

Eurozone downturn confirmed in business activity, despite German growth

At 47.9 in February, the Markit Eurozone PMI Composite Output Index[79] came in above the earlier flash estimate of 47.3 but remained down on January's reading of 48.6.

The index therefore signalled a steepening of the downturn in business activity, contrasting with the easing trend which had been evident in the three months to January. However, the rate of decline remained less severe than seen in any of the nine months prior to January, and the average contraction seen over the first quarter so far has been the smallest since the first quarter of last year.

The drop in the composite PMI was driven by the Services Business Activity Index likewise falling from 48.6 to 47.9. The faster rate of contraction in services was accompanied a similar set-back in manufacturing, although in both cases the rates of decline remained weaker than seen in the final quarter of last year.

Inflows of new orders fell at a faster rate, albeit slightly less than the flash estimate had signalled. While new business fell at a sharper rate in services, manufacturers reported the smallest drop in new orders since June 2011. With inflows of new business still falling, firms cut headcounts for the fourteenth month running. However, the rate of job cutting eased compared to January's three-year record, and was slightly less marked than that signalled by the flash reading.

Input costs rose at the slowest rate for six months, but strong variations were again evident by sector. While input costs in the service sector rose at an identical rate to January, manufacturers' input costs fell for the first time in six months.

The Eurozone service sector contracted for the thirteenth successive month in February, with the rate of decline accelerating slightly from the ten-month low seen in January. Ongoing strong growth in Germany – albeit to a weaker extent than in January – was countered by marked contractions in France, Spain and Italy.

New business fell for the eighteenth month in a row, dropping at a faster rate than in January – though less steeply than seen throughout the second half of last year. Backlogs of work fell at the fastest rate for three months due to the deterioration in new business, dropping for the twentieth successive month.

The worsening order book situation also prompted service providers to cut headcounts for the fourteenth consecutive month, albeit with the rate of job losses easing compared to January (and being slightly less marked than the flash estimate). Service providers' optimism regarding future business activity levels over the coming year deteriorated from January's eight-month high, but remained above the average seen throughout last year.

Average input costs rose at the same rate as in January, with inflation reflecting higher energy prices. Meanwhile, service providers' selling prices fell at the slowest rate for nine months, as the need to pass higher costs on to customers in part offset the need to offer discounts in the face of weak demand and stiff competition.

[79] The seasonally adjusted EU Productivity PMI® is a single-figure indicator of productivity, derived from Markit's national manufacturing and services PMI survey data. Readings above 50.0 signal an improvement in productivity compared with one month previously, and readings below 50.0 a deterioration. More information on: www.markiteconomics.com.

> Sectoral Focus: manufacture of basic metals and motor vehicles[80]

The sectors under review have been hit hard by the crisis, which has seriously affected the manufacturing industry as a whole, with 3 million jobs lost overall (see Sectoral trends section). This focus highlights the importance of these two inter-linked industries for the EU economy, along with recent developments in employment and the two sectors' contribution to GDP. Finally, it sheds some light on the impact of restructuring and on the challenges these sectors are facing in a period marked by serious uncertainty.

Importance of manufacture of basic metals and motor vehicles

In 2009, the manufacture of basic metals and motor vehicles employed 1.2 and 2.3 million people respectively in the EU, accounting directly for 0.5 and 1 % of the EU total workforce (of 224 million), though the indirect effect on the economy as a whole is of course greater. In the EU, the steel industry numbers one million additional contractors and two million people in the supporting industries, according to the World Steel Association.[81] By the same token, Europe's automobile industry generates, according to ACEA (European Automobile Manufacturers' Association)[82] estimates, an additional 10 million jobs in associated industries. See rationale below.

The manufacture of basic metals is a major source of jobs in Romania and Slovakia, accounting directly for at least 1 % of these countries' total workforce.[83] The car manufacturing industry employs a very large number of workers directly (at least 2 % of the total workforce) in the Czech Republic, Germany, Hungary and Slovakia. With a value added of € 65 billion and € 133 billion respectively in 2010, the manufacture of basic metals and motor vehicles account for 0.6 and 1.3 % of the EU's total GDP.

Impact of the crisis and recent difficulties

Having been hit badly by the economic crisis and the ensuing slowdown in global demand, the two sectors experienced similarly negative trends in employment over the recent period, partly due to productivity improvements. The car manufacturing industry shed roughly 7 % of its workforce in 2009 alone at EU level, in spite of sustained external and, to some extent, domestic demand, supported by the car-scrapping schemes put in place by some governments in 2009-2010. In the fourth quarter of 2012, EU car production was 20 % above that of the fourth quarter of 2008,[84] boosted by external demand from Asia, and good sales in Germany, the UK and in some central and eastern EU countries such as Poland, the Czech Republic, Bulgaria and the Baltic States. Sales volumes rose moderately in France and Spain and fell in Belgium, Italy and Portugal. Nevertheless, the difficult business conditions in 2009 and 2010, coupled with productivity gains, led to a collapse in employment in the sector, with losses of around or over 15 % between 2008 and 2010 in Austria, Belgium, Finland, France, Greece, Latvia, Lithuania, Portugal and Sweden. In most of these countries, value added fell by 25 % or more in that period(down 4.1 % in the EU as a whole). The only significant job gains in the car-making industry (if 2011 is included) were in Estonia and Hungary. Even in Germany, employment was down 4.4 % in the two years to 2010.[85]

As pointed out by WiiW/Applica, 2012,[86] if output in one sector drops, this has inevitable consequences for other sectors providing inputs to that sector. A fall in car sales, for example, affects not only the output of the automotive industry but almost inevitably leads to lower output in the industries supplying the various goods and services which go into car manufacturing, from sheet steel, leather for seats and the rubber for tyres, to computer software programmes and all the components in between. Likewise, lower car sales hit the

[80] NACE Rev.2 codes 24 and 29.
[81] See www.worldsteel.org. Extrapolated from worldwide figures: The industry directly employs some two million people worldwide, with a further two million contractors and four million people in the supporting industries.
[82] See www.acea.be. .
[83] Eurostat, National Accounts by 64 branches — volumes [nama_nace64_k] and employment [nama_nace64_e]. Data missing for BG, EE, ES, LU, PL, RO and UK.
[84] Source: Eurostat, short-term business statistics [sts_inpr_q].
[85] Data available until 2010 for most countries, incl. Germany.
[86] WiiW/Applica, 2012, 'Monitoring of sectoral employment'; see http://ec.europa.eu/social/BlobServlet?docId=7418&langId=en. .

dealers themselves and the hauliers transporting the cars to the showrooms, and almost certainly the advertisers helping to market them. And lower output means fewer jobs. For every job in the automotive industry, therefore, there are an estimated three more in other parts of the economy which are dependent on the industry.

The slowdown in car manufacturing as of 2009 — partly recovered since then, but largely because of running down stocks— had a severe impact on the industry's suppliers, in particular the steel industry. The manufacture of basic metals suffered massive falls in value added and major reductions in its workforce (of 15 % or more in the period 2008-2010) in Cyprus, Denmark, Hungary, Ireland, Lithuania, Slovakia and Slovenia, against -7.6 % at EU level. In some of these countries, though, 2011 saw an improvement. Most conspicuously, France's basic metals industry shed 15 % of its workforce from 2008 to 2010, while its value added was on the rise (+26 %), pointing to a major productivity gain. In the fourth quarter of 2012, production at EU level remained 2.5 % below that of four years earlier (against -1.7 % for the whole of manufacturing industry and +20 % for car manufacturing), most of the decline having been recorded in 2009, followed by a relative improvement up to mid-2011.

Recent cases and impact of restructuring

Since January 2012, the European Restructuring Monitor (ERM, Eurofound) has recorded 43 cases in the manufacture of basic metals and fabricated metal products, except machinery and equipment. Recent developments indicate that job cuts clearly outweigh job creation in this sector: 20 065 job losses versus 720 jobs gains (this excludes global and EU-wide cases). In terms of restructuring activity, the ERM records 17 cases in the Casting of steel subsector and 11 cases in the Manufacture of basic iron and steel and of ferro-alloys subsector involving the announcement of 14 383 and 4 231 job losses respectively. In both subsectors there is only one case of job creation, involving the announcement of 120 and 50 new jobs respectively. There are some countries displaying stronger restructuring activities in this sector than others. For Sweden 8 cases have been recorded, involving 1 886 job cuts. For Italy 5 cases have been recorded, involving 6 040 job cuts. For the UK 4 cases have been recorded, involving 1 346 job cuts and 570 job creations. For Belgium 4 cases have been recorded, involving 3 035 job cuts, including at ArcelorMittal, the multinational steel manufacturer, which announced its intention to cut 1 300 jobs in Belgium as it will close 7 of the 12 manufacturing lines at its cold-processing phase in Liège. National and regional governments are working on alternative solutions for the plant.

On the 1st October 2012, ArcelorMittal also announced the closure of two blast furnaces of its plant of Florange (Moselle) with up to 629 job cuts on a total workforce of 2 500 employees. The two units were temporarily stopped 14 month before this announcement. The management has launched an information consultation process with employee representatives in France and on EU level, as the group also decided to close a site in Liège (see above). Previously, the management of ArcelorMittal tried to find an investor for the plant. There were long discussions on someone taking over the furnaces or the whole plant. At some point, it was discussed if the company could be nationalized. These plans failed. The government and ArcelorMittal concluded an agreement on the closure on 30 November 2012. The outcome is that ArcelorMittal commits to keeping the French site open and invest 180 million euros in Florange. Additionally, the workforce will be cut on a voluntary basis (e.g. early retirement, internal mobility) in the framework of a collective agreement negotiated with unions. The closure has raised much political debate about the closure of site that are actually profit making.

The number of job reductions per restructuring case is generally high in this sector. There are 8 cases that involve the loss of more than 1 000 jobs and 12 cases that involve the loss of 300 jobs or more. Job creation cases often involve the announcement of a generally low number of new jobs, with 180 job creations per case announced on average. Biggest single job loss cases were ILVA, an Italian-owned (Riva group) steel plant (IT, 5 000 job losses, announced November 2012), ThyssenKrupp, a German multinational steel conglomerate (EU, 2 000 job losses in Spain and Germany, announced February 2013) and Inoxum (ThyssenKrupp), a stainless steel company recently acquired by Finnish stainless steel company Outokumpu (EU, 2 000 job losses in Germany and Italy, announced January 2013).

The highest level of job creation in this sector is recorded for the United Kingdom with 570 job creations (2 cases). There were also 2 other cases of job creation, one in Bulgaria (100) and one in France (50). Biggest single job creation cases were Sellafield, a nuclear reprocessing company (UK, 450 job creations, announced December 2012),Tata Steel, a steel-making company (UK, 120 job creations, announced November 2012) and Perfektyup Pakedzhing BG, a manufacturer of aluminum tubes for the pharmaceutical and cosmetic industries, (BG, 100 job creations, announced October 2012).

ERM reporting in the car manufacturing sector is very high. Since January 2012, 116 cases have been recorded. Recent developments indicate that job cuts clearly outweigh job creation in this sector: The ERM records 40 071 job losses versus 19 500 jobs gains (this excludes global and EU-wide cases). In terms of restructuring activity, the ERM recorded 42 cases in the Manufacture of motor vehicles subsector (30 682 job losses, 5 285 job gains), 34 cases in the Manufacture of other parts and accessories for motor vehicles subsector (6 500 job losses, 23 000 job gains) and 27 cases in the Manufacture of parts and accessories for motor vehicles subsector (3 490 job losses, 3 895 job gains). The country displaying the strongest restructuring activities in this sector is the UK, where 17 cases have been recorded, involving 3 469 job cuts and 3 845 job creations. For Germany 16 cases have been recorded, involving 4 846 job cuts and 2 000 job creations. For France 14 cases have been recorded, involving 17 493 job cuts and 700 job creations. For Poland 12 cases have been recorded, involving 3 739 job cuts and 1 700 job creations. For the Czech Republic 12 cases have been recorded, involving 895 job cuts and 2 300 job creations.

The number of job reductions per restructuring case is very high in this sector. There are 5 cases that involve the loss of more than 4 000 jobs (6 500 on average), 6 cases that involve the loss of 1 000 jobs or more and the rest of the cases (66) involve job loss of 248 jobs on average (min. 42 – max 800). Job creation cases often involve the announcement of a generally high number of new jobs like one world case with an announcement of 15 000 new jobs worldwide. In 6 cases there is a creation of 1 000 new jobs or more (average 1 267). In 17 cases the creation of jobs announced is of 300 or more (average 527) and in the rest of the cases the creation of jobs announced is 100 and more. The highest level of job loss cases in this sector is recorded for France with 17 493 job losses, followed by Germany with 4 846 announced job losses. The ERM recorded also four cases of restructuring involving two or more EU Member States and/or worldwide restructuring. These cases accounted for a total of 11 600 job losses. Biggest single job loss cases were the French car manufacturer PSA Peugeot Citroën (FR, 8 000 job losses, announced July 2012), the French car manufacturer Renault, (FR, 7 500 job losses, announced January 2013) and the US car manufacturer Ford, (EU, 6 200 job losses in Belgium and the UK, announced September 2012). One global case involves the announcement of 15 000 job creations. The highest levels of job creation in this sector are recorded for Romania with 6 250 job creations announced (9 cases) and for the UK with 3 845 job creations announced (9 cases).

Biggest single job creation cases were Valeo, a French manufacturer of automotive components (15 000 job creations worldwide, announced in February 2012), Bosch Romania, a manufacturer of electronic components for vehicles amongst others, (RO, 2 000 job creations, announced in January 2012) and Autoliv Romania, a manufacturer of automotive safety systems, (RO, 1 500 job creations, announced in December 2012).

Current sentiment and outlook

Most recent developments in these two sectors have been bleak. The outlook remains bleak too.

The positive impact of car-scrapping schemes was short-lived, and has even led to a faster decline in the production of motor vehicles over the last 1.5 years. According to the ACEA, new commercial vehicle registrations were down again in January 2013 (-10.6 % compared to January 2012),[87] pursuing a downward trend which prevailed throughout 2012. Of all most significant markets, the UK was the only one to post growth (+5.4 %). France (-9.8 %), Germany (-15.5 %), Spain (-15.5 %) and Italy (-23.6 %) saw their markets shrink. To address the challenges the sector is facing, ACEA stresses the importance of both skills and innovation, something the European Commission recognised in its recent Communication on Industrial Policy.[88] Indeed, two of the priority areas in the Communication are ensuring that skills meet industry's needs; and securing investments in technologies and clean vehicles. The ACEA supports the European Commission's proposals to expand the infrastructure for alternative fuels, as announced in January 2013 as part of the Commission's 'clean fuel strategy'.[89]

The outlook for the EU steel market has darkened further in recent months, according to Eurofer.[90] Low levels of confidence and restricted access to credit are affecting key sectors of the EU economy, in particular industry and construction. However, while EU domestic demand is clearly the weakest link, export demand too looks fragile due to slowing global economic growth. Production in the steel-using sectors fell in 2012, leaving it 2.5 % below the level recorded four years earlier, and a further minor decline is expected this year too, as overall

[87] Data for Malta unavailable.
[88] COM(2012) 582 final, 10 October 2012.
[89] See http://europa.eu/rapid/press-release_IP-13-40_en.htm.
[90] See http://www.eurofer.org.

steel demand will remain sluggish. The seasonal post-summer recovery in orders failed to materialise. Instead customers are running down their stocks. In the face of weak demand, soaring competition with emerging economies, and increasingly stringent environmental requirements, the sector expressed fears for its viability at the High-level Round-table on the future of the European steel industry.[91]

[91] Referring to the design of the EU Emissions Trading Scheme. Set up by the Commissioner for Industry and Entrepreneurship Antonio Tajani in cooperation with László Andor, Commissioner for Employment and Social Affairs, the HLR has taken place three times since September 2012 to prepare recommendations for a European Steel Action Plan. The Plan is due to be published by the European Commission in June this year.

Impact of restructuring on employment

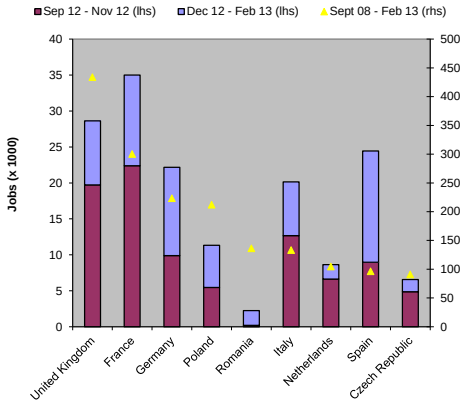
Announced job losses continued to outnumber announced job gains...

The European Restructuring Monitor (ERM)[92] recorded a total of 298 cases of restructuring between 1 December 2012 and 28 February 2013. These cases involved 89 470 announced job losses and 32 684 announced job gains.

…with most of the recent job loss announcements relating to Spain

The Member State with the largest announced job losses was Spain (15 486 jobs), as highlighted at Chart 58. Large job losses were also recorded in France (12 618) and Germany (12 264 jobs), followed by the United Kingdom (8,907 jobs), Italy (7 479 jobs) and Belgium (6 810 jobs).

Chart 58: Announced job losses for selected Member States



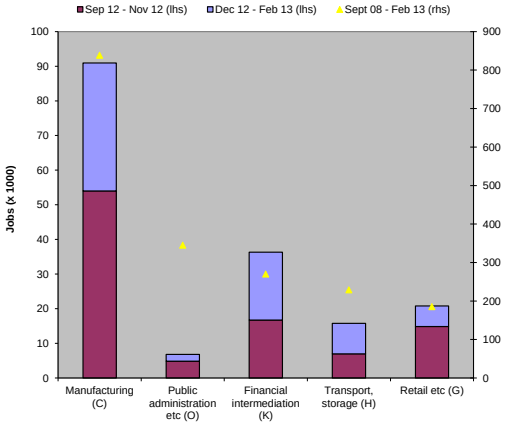
Source: Eurofound, ERM.

Manufacturing was the sector most affected by announced restructuring job losses…

Between December 2012 and February 2013, manufacturing (36 964 jobs) was the sector the most affected by announced job losses, as Chart 59 shows. Other significantly affected sectors included financial intermediation (19 585), transport and storage (8 819 jobs) and information and communication (6 951 jobs).

In manufacturing, the biggest case of announced job losses relates to the announcement of French car Renault which announced plans to reduce its workforce by 7 500 positions by the end of 2016. The restructuring plan, currently being negotiated with the unions, envisage for voluntary early retirement. The company has specified that if 8 250 employees volunteer for early retirement, they will recruit 750 new employees. Through the same collective negotiation, the management also wants to increase the working time. During the quarter another restructuring announcement resulted in several job losses in the auto-manufacturing sector: Fiat Auto Poland announced plans to cut 1 450 jobs at its Tychy factory in Poland by the end of February 2013. The company has signed a bilateral agreement with the local trade unions setting out the conditions of the dismissal procedures. Together these two cases account for 2/3 of the job losses recorded in auto-manufacturing in the quarter.

Chart 59: Announced job losses by sector for the EU



Source: Eurofound, ERM.

Large losses in manufacturing have also been recorded in the quarter as food manufacturer Vion closed its Hall meat plant in Broxburn in West Lothian, UK resulting in 1 700 job losses and as American manufacturer of machinery and earthmoving equipment Caterpillar announced its intention to cut 1 400 jobs at its plant in Gosselies, Belgium. Further losses have also been recorded as Italian furniture manufacturer Natuzzi announced it is to cut between 1 300 and 1 800. The job cuts will mainly affect the plants located in

[92] Source: Eurofound. Data in this report are based on an extraction from the ERM database on March 7th 2013. Totals exclude World / EU cases in order to avoid double counting. As the database is continually updated in light of new information on recent cases, data reported here may not correspond exactly to later extractions. For more information, please visit the website: www.eurofound.europa.eu/emcc/erm/index.htm

the regions Puglia and Basilicata: in particular, the company will close the plants located at Ginosa (600 employees), in the province of Taranto, and Matera (200 employees). ArcelorMittal, the multinational steel manufacturer, announced its intention to cut 1 300 jobs in Belgium as it will close 7 of the 12 manufacturing lines at its cold-processing phase in Liège (see section on steel industry above). National and regional governments are working on alternative solutions for the plant. More losses resulted also from the closure of tyre manufacturer Goodyear plant in Amiens Nord, France, which employs 1 173 employees. Finally, German multinational Siemens will cut 1 100 jobs at its energy subsidiary 'Siemens Energy Sector' as part of the restructuring programme "Siemens 2014". The cuts, which mostly affect the fossil power generation division and the oil and gas division will affect Siemens' sites in Erlangen (Bavaria), Offenbach (Hesse), Duisburg, Mülheim an der Ruhr (North-Rhine Westphalia) and Berlin and shall be realised by October 2013. The company aims to avoid forced redundancies.

In Financial intermediation, the largest announcement relates to German Commerzbank which announced a global restructuring plan envisaging between 4 000 and 6 000 job cuts among full-time positions by 2016. In Germany the job cuts should involve between 3 400 and 4 600 positions. Several losses have also been recorded as Italian insurance and banking group, Unipol announced it plans to cut 2 200 jobs out of 8 100 jobs in Italy. The job-cuts are linked to the merger between Unipol and the group Fondiaria-Sai. BNP Paribas Fortis announced its intention to reduce its workforce in Belgium by 1 800 employees by 2015. The job losses will be implemented through natural attrition and the non-replacement of retiring employees, therefore the company will only recruit 200 new employees per year to replace 800 to 850 departures. Furthermore, Caja Duero-España has announced plans to dismiss 1 502 employees and close 263 branches in Spain, while Banca Comerciala Romana (BCR), a subsidiary of the Austrian group Erste, announced the intention to dismiss 1 600 employees in Romania over the next 18 months. On top of the announced job losses, the restructuring plan includes the closure of more than 60 unprofitable branches. Several losses have also been recorded as ING Belgium announced its intention to reduce its workforce by 1 000 employees by 2015 and close 40 branches. According to the management, the reduction will be implemented through natural attrition and the non-replacement of retiring employees. In the Czech Republic, ING Insurance Company will cut 119 jobs at its Prague headquarters during 2013 as part of a restructuring plan, aiming at reducing costs and enhancing competitiveness. 52 employees will be directly dismissed, while the rest of the departures will occur through natural attrition.

In transport and storage, several job losses involved airline operator. Iberia announced the launch of a new labour force adjustment plan (ERE) affecting 3 807 employees (19 % of its entire workforce). This is a new restructuring proposal, after the first attempts failed to reach an agreement between the management and the workers' representatives. The original plan included 4 500 job cuts, but larger compensation. According to the new proposal, the company will offer the minimum compensation by dismissal stipulated in the Spanish legislation. The dismissals will affect 2 735 land workers, 759 crew members and 313 pilots. German airline Air Berlin will cut 900 jobs until 2014. This is part of a larger restructuring programme at Germany's second largest air carrier. It will include a range of measures such as the downsizing of the number of flights and air planes, as well as implementing wage cuts. Polish national airline Polskie Linie Lotnicze LOT (PLL LOT) announced plans to implement a restructuring programme, which will result in the loss of 600 jobs in 2013. Job cuts have also been announced at British Airways which plans to cut 400 senior cabin crew jobs on both its long and short-haul routes. The company aims at implementing the cuts through voluntary redundancies and has entered a 90-day consultation period. Cuts are expected to be implemented from March 2013. British Airline Flybe has announced that it is to cut around 300 jobs in the UK, while Austrian Airlines is to cut another 150 jobs in the course of 2013. The job cuts will take place in the administration and engineering departments, as well as in air traffic. Several losses in the sector instead related to job losses announcement in railway operators. ČD Cargo, a Czech freight rail carrier, announced the dismissal of 450 employees by the end of 2012 and announced it is considering up to 2 200 redundancies in 2013. Slovenske železnice (Slovenian Railways) announced 450 job

losses while Metropolitano de Lisboa (Lisbon underground), announced it will dismiss 180 workers during 2013. These redundancies are part of a larger restructuring process in Lisbon's public transport sector in an effort to meet the targets set out in the government budget. Finally, Danish Railways, DSB, announced that 109 employees have been dismissed as part of a restructuring plan called 'Healthy DSB'. DSB and the Danish Railway Workers' Union have agreed on a streamlining agreement for 2013-2014.

In information and communication several losses were recorded at telecommunication operators. Deutsche Telekom plans to cut 1 200 posts until 31 June 2013, while Vodafone announced plans to launch a Redundancy Procedure affecting 900 employees in Spain (21 % of its entire workforce). The restructuring also includes other cost-cutting measures, including the reduction and/or elimination of certain employee benefits. Finally, telecommunications company TeliaSonera is negotiating to reduce up to 305 employees from its Finnish operations. In January, TeliaSonera started negotiations in its customer service and mobile phone technology businesses. These could lead to reductions of 135 and 100 employees, respectively. In February, the company started negotiations in broadband technology business, which could lead to 70 redundancies (out of 630 employees). TeliaSonera's redundancies in Finland are part of its effort to improve its profitability worldwide. Other large losses in the information and communication sector were recorded as regional television channel Telemadrid has applied for a Redundancy Procedure affecting 925 employees (almost 80 % of its entire workforce). In the publishing sector, RCS MediaGroup announced it is to cut 800 jobs in Europe, up to 640 of which in Italy. In Italy, on top of the announced job losses the group has announced it will also sell or alternatively stop publishing 10 magazines. Moreover the company will sell the historic headquarter of the newspaper Corriere della Sera, located in the centre of Milan. Finally, German publisher and media retailer Weltbild announced plans to end its activities in Poland by the end of June 2013. As a result, 320 employees will be dismissed.

Between December 2012 and February 2013, the largest restructuring cases involving job loss were in:

- Manufacturing: Renault (FR, 7 500 jobs), Vion (UK, 1 700 jobs), Fiat Auto Poland (PL, 1 450 jobs), Caterpillar Belgium (BE, 1,400 jobs), Natuzzi (IT, 1 300 jobs), ArcelorMittal (BE, 1 300 jobs), Goodyear (FR, 1 173 jobs), Siemens Energy Sector (DE, 1 100 jobs),

- Administrative and support service activities: Orizonia (ES, 4 000 jobs).

- Transport and storage: Iberia (ES, 3 807 jobs), Air Berlin (DE, 900 jobs), Polskie Linie Lotnicze LOT (PL, 600 jobs).

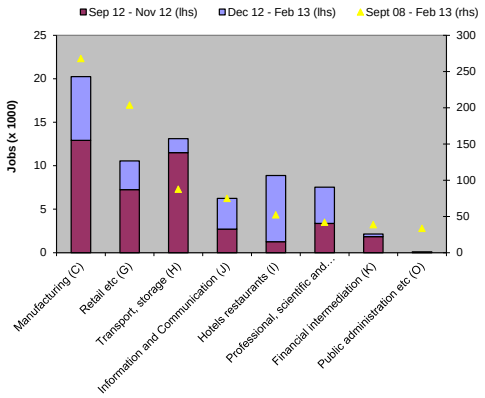
- Retail: Orphanides Supermarkets (CY, 1 600 jobs), Jessops (UK, 1 370 jobs).

- Financial intermediation: Commerzbank (DE, 3 400 jobs), Unipol (IT, 2 200 jobs), BNP Paribas Fortis (BE, 1 800 jobs), Banca Comerciala Romana (BCR) (RO, 1 600 jobs), Caja España-Duero (ES, 1 502 jobs), ING (BE, 1 000 jobs).

…while the HoReCa sector and manufacturing accounted for the majority of business expansion...

The HoReCa was the sector with the most announced new jobs (7 620 jobs), followed by manufacturing (7 325 jobs) and professional, scientific and technical activities (4 180 jobs, see Chart 60).

Chart 60: Announced job gains by sector for the EU



Source: Eurofound, ERM.

In the HoReCa sector, the majority of new jobs recorded in the quarter involved restaurant chains opening new sites, especially in the UK. McDonald's is to create 3 000 new jobs in Italy by the end of 2015. Most new jobs will be part-time jobs as the company sets out to open 100 new

restaurants in the next three years. Pizza Hut Delivery has announced that it plans to open 100 new takeaway outlets in the UK by the end of 2014. The new stores will create 2 000 new jobs. JD Wetherspoon will create 1 200 new jobs in 2013 across the UK following an investment of £ 35 million while TGI Friday's has announced that it is to create 600 jobs this year in the UK as it plans to open six new outlets across the country.

In manufacturing, the largest case of job gains relate to the announcement of 1 500 new jobs to be created by end of 2013 at Autoliv Romania, a manufacturer of automotive safety systems. Several new jobs have also been recorded as Michelin announced it plans to recruit around 1 000 people in France, including 800 on permanent contracts and 230 on "contrat d'alternance". Furthermore, new jobs have also been announced at Faurecia, a multinational automotive parts manufacturer, which will create 800 new jobs in the Czech Republic following the construction of a new plant in the Nýřany industrial zone, near the city of Plzeň. The construction of the factory is to be completed by the end of June 2013 and full operation will begin in October 2013. The firm has already started recruitment of key managers and specialists.

In the professional, scientific and technical activities sector, the largest job gains relate to international consulting company Ernst & Young which will create 1 200 jobs in Germany within the next months. This is due to increasing turnover. Several new jobs in Germany have also been announced at Able Group, a leading provider of engineering services, which will hire 1 000 new employees in 2013. Finally, French-owned global IT services and business consultancy firm, Capgemini, announced it plans to hire 600 employees in Poland. The company is looking for IT specialists with foreign language skills, especially French.

Between December 2012 and February 2013, the biggest cases involving job gains were:

- HoReCa: McDonald's (IT, 3 000 jobs), Pizza Hut Delivery (UK, 2 000 jobs), JD Wetherspoon (UK, 1 200 jobs), TGI Friday's (UK, 600 jobs).

- Manufacturing: Autoliv Romania (RO, 1 500 jobs), Michelin (FR, 1 000 jobs), Faurecia (CZ, 800 jobs).

- Mining and Quarrying: Maersk Drilling (DK, 1 300 jobs).

- Professional, scientific and technical activities: Ernst & Young (DE, 1 200 jobs), Able (DE, 1 000 jobs), Capgemini (PL, 600 jobs).

- Retail: Morrisons (UK, 1 000 jobs), Bauhaus (SE, 800 jobs).

- Information and communications: Huawei Romania (RO, 850 jobs), Proservia (FR, 500 jobs).

- Utilities: ČEZ (CZ, 800 jobs), Alstom (UK, 500 jobs).

Annex 1: Selected statistics

Table 4: Real GDP growth [namq_gdp_k]

	% change on previous quarter					% change on previous year				
	2011	2012				2011	2012			
	q4	q1	q2	q3	q4	q4	q1	q2	q3	q4
BE	-0.1	0.2	-0.5	0.0	-0.1	0.9	0.4	-0.3	-0.4	-0.4
BG	0.1	0.0	0.3	0.1	:	0.9	0.5	0.5	0.5	:
CZ	0.0	-0.6	-0.4	-0.3	:	0.9	-0.5	-1.0	-1.3	:
DK	0.0	0.1	-1.0	0.8	-0.9	0.3	0.2	-1.4	0.0	-1.0
DE	-0.1	0.5	0.3	0.2	-0.6	1.9	1.2	1.0	0.9	0.4
EE	0.8	0.3	0.9	1.6	:	6.2	4.0	3.1	3.7	:
IE	0.7	-0.5	0.4	0.2	:	2.9	1.7	0.1	0.8	:
EL	:	:	:	:	:	:	:	:	:	:
ES	-0.5	-0.4	-0.4	-0.3	-0.8	0.0	-0.7	-1.4	-1.6	-1.9
FR	0.1	-0.1	-0.1	0.1	-0.3	1.1	0.2	0.1	0.0	-0.3
IT	-0.7	-0.8	-0.7	-0.2	-0.9	-0.5	-1.3	-2.3	-2.4	-2.7
CY	-0.1	-0.7	-0.9	-0.6	-1.1	-0.6	-1.6	-2.5	-2.3	-3.3
LV	1.0	1.2	1.3	1.7	:	5.9	5.6	4.8	5.2	:
LT	1.1	0.5	0.5	1.2	0.7	5.5	4.3	3.1	3.4	3.0
LU	-0.3	0.1	0.5	-0.3	:	-0.4	-0.3	0.9	-0.1	:
HU	0.2	-1.0	-0.6	-0.4	-0.9	1.3	-1.1	-1.5	-1.8	-2.8
MT	-0.4	0.0	1.4	0.9	:	-0.8	-0.7	1.2	2.0	:
NL	-0.6	0.1	0.2	-1.0	-0.2	-0.4	-0.8	-0.5	-1.3	-0.9
AT	0.2	0.4	0.1	0.1	-0.1	1.1	0.9	0.7	0.8	0.5
PL	0.9	0.4	0.1	0.3	0.2	4.3	3.5	2.3	1.8	1.1
PT	-1.6	-0.1	-1.0	-0.9	:	-3.1	-2.3	-3.1	-3.5	:
RO	-0.2	-0.1	0.4	-0.3	0.1	2.0	0.8	1.4	-0.2	0.1
SI	-0.9	-0.2	-1.1	-0.6	-1.0	-0.9	-0.8	-2.3	-2.8	-2.8
SK	0.9	0.3	0.4	0.3	0.2	3.3	2.7	2.3	1.9	1.2
FI	0.1	0.4	-1.3	0.1	-0.5	1.3	1.5	-0.1	-0.8	-1.4
SE	-0.9	0.4	0.8	0.3	0.0	1.2	1.2	1.4	0.6	1.5
UK	-0.3	-0.1	-0.4	1.0	-0.3	0.9	0.3	-0.2	0.2	0.3
EU27	-0.3	0.0	-0.2	0.1	-0.5	0.8	0.1	-0.3	-0.4	-0.6

Source: Eurostat, national accounts.Seasonally adjusted and adjusted data by w orking days

Table 5: Employment growth [namq_aux_pem]

	% change on previous quarter					% change on previous year				
	2011	2012				2011	2012			
	q4	q1	q2	q3	q4	q4	q1	q2	q3	q4
BE	0.3	-0.1	0.0	0.0	-0.1	1.2	0.7	0.3	0.0	-0.4
BG	-0.4	-1.4	-1.5	-0.8	-1.5	-2.5	-3.7	-4.4	-4.0	-5.1
CZ	-0.3	0.0	0.4	0.4	0.0	0.1	0.0	0.2	0.5	0.8
DK	-0.4	-0.1	-0.1	-0.1	0.1	-0.4	-0.3	-0.6	-0.7	-0.3
DE	0.3	0.4	0.2	0.2	0.1	1.4	1.4	1.2	1.1	0.8
EE	-0.9	1.3	0.9	0.0	-0.9	4.8	3.2	3.1	1.2	1.2
IE	0.3	-0.3	-0.2	0.1	0.4	-0.7	-0.8	-1.4	-0.1	0.0
EL	:	:	:	:	:	:	:	:	:	:
ES	-1.3	-1.8	-0.6	-0.7	-1.4	-2.6	-3.7	-4.5	-4.3	-4.5
FR	-0.1	0.0	0.0	-0.1	-0.1	0.3	0.1	0.0	-0.1	-0.1
IT	-0.1	-0.4	0.3	0.5	-0.4	-0.1	-0.7	-0.9	0.4	0.0
CY	-0.8	-1.3	-1.2	-1.1	-1.3	-1.0	-3.1	-4.0	-4.3	-4.8
LV	1.5	-0.6	1.0	1.6	0.8	-7.6	1.9	2.0	3.5	2.8
LT	0.7	-4.3	-1.3	-1.0	-2.0	0.2	-4.5	-6.8	-5.9	-8.4
LU	0.5	0.5	0.5	0.5	0.6	2.9	2.7	2.2	2.1	2.2
HU	0.0	-0.5	0.5	-0.4	0.3	0.2	0.2	0.7	-0.5	-0.1
MT	-0.1	1.3	-0.7	0.5	:	2.0	2.3	2.1	1.1	:
NL	0.0	0.0	-0.1	-0.3	-0.1	0.6	0.1	0.1	-0.4	-0.5
AT	0.3	0.3	0.1	0.2	0.2	1.6	1.5	1.2	1.0	0.8
PL	0.3	-0.6	-0.3	-2.5	0.4	0.9	0.2	-0.2	-3.1	-3.0
PT	-2.0	-1.2	-0.4	-0.7	-2.0	-3.0	-4.2	-4.3	-4.2	-4.2
RO	:	:	:	:	:	:	:	:	:	:
SI	-0.1	-0.1	-0.5	-0.7	-0.7	-1.1	-0.7	-1.0	-1.4	-2.0
SK	0.0	0.1	-0.1	-0.1	-0.4	1.3	0.7	0.2	-0.2	-0.5
FI	0.7	-0.3	0.2	-0.2	0.0	1.5	0.8	0.3	0.4	-0.4
SE	0.2	0.1	0.1	0.2	0.1	1.8	1.0	0.8	0.6	0.5
UK	0.0	0.5	0.8	0.1	:	0.0	0.3	1.2	1.4	:
EU27	-0.1	-0.2	0.0	0.0	-0.2	0.0	-0.4	-0.5	-0.4	-0.4

Source: Eurostat, national accounts.Seasonally adjusted and adjusted data by w orking days for change on previous quarter
Note: : not available

Table 6: Temporary employees as a percentage of the total number of employees (%) [lfsq_etpga]

	2011q3	2011q4	2012q1	2012q2	2012q3	2012q3 change on previous year (pps)
BE	8.5	9.1	8.1	8.1	8.1	-0.4
BG	5.2	3.9	3.1	4.8	5.5	0.3
CZ	8.4	8.0	7.4	8.3	8.9	0.5
DK	8.9	8.9	8.7	8.6	8.7	-0.2
DE	14.9	15.3	13.9	13.8	14.0	-0.9
EE	5.2	4.4	3.0	3.1	4.0	-1.2
IE	10.5	10.1	10.4	10.3	10.3	-0.2
EL	12.3	10.8	9.7	9.9	10.6	-1.7
ES	26.1	25.0	23.8	23.7	24.1	-2.0
FR	15.9	15.0	14.5	15.3	15.6	-0.3
IT	13.6	13.6	13.1	14.2	14.2	0.6
CY	14.3	14.4	13.4	15.3	15.7	1.4
LV	7.5	5.4	4.4	4.7	5.2	-2.3
LT	3.3	2.5	1.5	2.9	3.3	0.0
LU	6.1	8.7	6.2	7.5	9.3	3.2
HU	9.7	8.8	8.0	9.6	10.2	0.5
MT	7.1	6.8	6.6	6.6	6.9	-0.2
NL	18.6	18.8	18.6	19.1	19.7	1.1
AT	10.5	9.5	9.5	9.0	9.8	-0.7
PL	27.4	27.2	26.6	27.5	26.7	-0.7
PT	22.7	21.2	20.1	21.0	21.3	-1.4
RO	1.8	1.1	1.5	1.9	1.9	0.1
SI	19.1	19.2	18.0	16.7	16.8	-2.3
SK	6.5	6.8	6.9	6.9	6.8	0.3
FI	17.4	14.1	13.4	17.3	17.0	-0.4
SE	17.5	15.4	14.2	15.8	16.5	-1.0
UK	6.0	6.1	5.9	6.1	6.3	0.3
EU27	14.5	14.1	13.4	13.9	14.0	-0.5
Men	14.1	13.6	12.8	13.3	13.6	-0.5
Women	14.9	14.6	13.9	14.4	14.4	-0.5

Source: Eurostat, EU LFS. Data non-seasonally adjusted.
(from 15 to 64 years)

Table 7: Part-time employment as a percentage of the total employment (%) [lfsq_eppga] (share of employees)

	2011q3	2011q4	2012q1	2012q2	2012q3	2012q3 change on previous year (pps)
BE	23.6	24.8	26.4	24.5	23.6	0.0
BG	2.1	2.1	2.1	2.5	2.2	0.1
CZ	4.6	4.5	4.5	4.9	5.0	0.4
DK	24.5	24.5	26.4	25.5	24.0	-0.5
DE	25.7	25.5	25.8	25.8	25.5	-0.2
EE	8.5	8.8	9.2	9.7	8.6	0.1
IE	23.1	23.1	23.0	23.4	23.7	0.6
EL	6.6	6.9	7.0	7.2	7.7	1.1
ES	13.1	13.7	14.3	14.8	14.3	1.2
FR	17.2	17.9	17.9	17.9	17.3	0.1
IT	14.8	15.9	16.5	17.0	16.5	1.7
CY	8.2	9.1	9.7	9.4	8.8	0.6
LV	8.6	9.4	9.9	9.2	8.9	0.3
LT	8.0	8.8	9.4	8.5	8.4	0.4
LU	18.1	17.5	19.0	18.7	17.6	-0.5
HU	6.7	6.5	6.3	6.5	6.7	0.0
MT	12.9	12.0	13.0	12.6	13.9	1.0
NL	48.3	48.8	49.0	49.1	49.1	0.8
AT	24.0	24.4	25.2	24.8	24.4	0.4
PL	7.0	7.3	7.4	7.2	6.9	-0.1
PT	10.0	10.3	11.1	11.1	10.9	0.9
RO	9.5	9.1	9.0	9.5	9.4	-0.1
SI	9.9	9.7	10.1	8.5	8.3	-1.6
SK	4.0	3.9	4.0	4.0	3.9	-0.1
FI	13.0	14.8	14.4	13.9	13.4	0.4
SE	23.7	24.9	25.1	24.6	23.6	-0.1
UK	25.2	25.6	26.0	26.1	25.8	0.6
EU27	18.5	18.9	19.3	19.3	19.0	0.5
Men	7.9	8.1	8.4	8.5	8.3	0.4
Women	31.1	31.7	32.1	32.1	31.7	0.6

Source: Eurostat, EU LFS. Data non-seasonally adjusted.
(from 15 to 64 years)

Table 8: Employment rates 15-64 [lfsq_ergan]

	2011q3	2011q4	2012q1	2012q2	2012q3	2012q3 change on previous year (pps)
BE	61.7	62.2	61.5	61.8	62.1	0.4
BG	59.9	58.7	56.9	58.3	60.6	0.7
CZ	66.1	66.1	65.6	66.5	67.1	1.0
DK	73.8	72.9	72.3	72.8	72.8	-1.0
DE	72.8	73.3	72.1	72.7	73.2	0.4
EE	67.2	65.8	66.0	67.1	68.1	0.9
IE	58.8	59.0	58.3	58.8	59.0	0.2
EL	55.4	53.5	52.3	51.7	51.0	-4.4
ES	57.9	56.8	55.7	55.7	55.6	-2.3
FR	64.3	63.6	63.4	64.1	64.4	0.1
IT	56.9	56.9	56.5	57.1	56.9	0.0
CY	67.1	66.4	64.7	64.9	64.6	-2.5
LV	61.7	62.0	61.2	62.4	64.5	2.8
LT	60.8	61.3	60.6	62.3	63.3	2.5
LU	65.0	64.0	64.6	65.8	66.6	1.6
HU	56.4	56.5	55.7	57.2	58.2	1.8
MT	58.1	57.3	58.6	58.5	59.6	1.5
NL	75.1	75.3	74.9	75.1	75.3	0.2
AT	73.0	72.3	71.4	72.6	73.6	0.6
PL	60.2	59.9	59.2	60.0	60.2	0.0
PT	64.5	62.9	62.2	62.5	62.0	-2.5
RO	59.1	57.9	58.0	60.0	60.8	1.7
SI	65.1	64.4	64.0	63.8	64.3	-0.8
SK	59.9	59.5	59.6	59.8	60.1	0.2
FI	70.3	68.6	67.9	70.4	70.7	0.4
SE	75.4	73.8	73.0	74.6	75.6	0.2
UK	69.5	69.6	69.4	69.8	70.5	1.0
EU27	64.6	64.3	63.6	64.3	64.6	0.0
Men	70.5	70.0	69.1	69.9	70.4	-0.1
Women	58.7	58.5	58.2	58.8	58.9	0.2

Source: Eurostat, EU LFS. Data non-seasonally adjusted.

Table 9: Employment rates 20-64 [lfsq_ergan]

	2011q3	2011q4	2012q1	2012q2	2012q3	2012q3 change on previous year (pps)
BE	66.9	67.6	67.0	67.2	67.4	0.5
BG	65.4	64.1	61.1	62.6	64.8	-0.6
CZ	71.2	71.1	70.6	71.5	72.0	0.8
DK	76.3	75.8	75.3	75.5	75.6	-0.7
DE	76.6	77.0	75.9	76.8	77.1	0.5
EE	72.4	71.2	71.0	72.2	73.0	0.6
IE	63.6	63.9	63.2	63.7	63.8	0.2
EL	59.7	57.6	56.4	55.7	54.9	-4.8
ES	61.7	60.7	59.6	59.6	59.4	-2.3
FR	69.5	69.0	68.7	69.5	69.6	0.1
IT	61.1	61.1	60.7	61.3	61.0	-0.1
CY	72.7	72.1	70.3	70.7	70.0	-2.7
LV	67.1	67.5	66.2	67.5	69.7	2.6
LT	67.6	67.9	67.2	68.8	69.9	2.3
LU	70.4	69.6	70.3	71.5	72.1	1.7
HU	61.3	61.4	60.6	62.1	63.1	1.8
MT	61.4	61.3	62.8	62.6	63.3	1.9
NL	77.0	77.5	77.2	77.2	77.3	0.3
AT	75.7	75.3	74.6	75.9	76.4	0.7
PL	65.3	64.9	64.2	65.1	65.2	-0.1
PT	69.3	67.7	67.0	67.2	66.6	-2.7
RO	63.3	62.3	62.3	64.3	65.0	1.7
SI	68.6	68.5	68.3	68.1	68.3	-0.3
SK	65.6	65.1	64.9	65.2	65.4	-0.2
FI	74.7	73.8	73.1	74.6	74.9	0.2
SE	80.9	79.9	79.1	80.4	80.9	0.0
UK	73.6	73.5	73.4	74.0	74.4	0.8
EU27	68.9	68.6	68.0	68.7	68.9	0.0
Men	75.4	74.9	74.0	74.8	75.2	-0.2
Women	62.4	62.3	62.0	62.6	62.6	0.2

Source: Eurostat, EU LFS. Data non-seasonally adjusted.

Table 10: Unemployment rates [une_rt_m]

	2012 Jan	2012 Aug	2012 Sep	2012 Oct	2012 Nov	2012 Dec	2013 Jan	2013 Jan change on previous month (pps)	2013 Jan change on previous year (pps)
BE	7.1	7.4	7.3	7.4	7.4	7.4	7.4	0.0	0.3
BG	11.9	12.3	12.2	12.3	12.4	12.3	12.4	0.1	0.5
CZ	6.7	7.1	6.8	7.1	7.5	7.1	7.0	-0.1	0.3
DK	7.4	7.4	7.3	7.3	7.4	7.4	7.4	0.0	0.0
DE	5.6	5.4	5.4	5.4	5.4	5.3	5.3	0.0	-0.3
EE	10.8	10.0	9.7	9.7	9.9	9.9	:	:	:
IE	15.1	14.8	14.8	14.7	14.7	14.7	14.7	0.0	-0.4
EL	21.6	25.4	26.1	26.3	26.6	26.4	:	:	:
ES	23.6	25.5	25.7	26.0	26.2	26.1	26.2	0.1	2.6
FR	10.0	10.3	10.3	10.4	10.4	10.5	10.6	0.1	0.6
IT	9.6	10.6	10.9	11.2	11.2	11.3	11.7	0.4	2.1
CY	9.9	12.4	13.0	13.9	14.1	14.6	14.7	0.1	4.8
LV	15.4	14.4	14.4	14.4	14.4	14.4	:	:	:
LT	13.7	13.0	13.0	13.1	13.2	13.3	13.3	0.0	-0.4
LU	4.9	5.0	5.0	5.0	5.1	5.2	5.3	0.1	0.4
HU	11.1	10.7	10.8	10.9	10.9	11.1	:	:	:
MT	6.2	6.7	6.7	6.9	6.9	6.8	7.0	0.2	0.8
NL	5.0	5.3	5.4	5.5	5.6	5.8	6.0	0.2	1.0
AT	4.0	4.5	4.5	4.5	4.5	4.7	4.9	0.2	0.9
PL	9.9	10.2	10.3	10.3	10.4	10.4	10.6	0.2	0.7
PT	14.7	16.2	16.4	16.8	17.0	17.3	17.6	0.3	2.9
RO	7.4	6.9	6.9	6.8	6.7	6.7	6.6	-0.1	-0.8
SI	8.3	9.4	9.6	9.9	9.9	10.0	10.2	0.2	1.9
SK	13.7	14.1	14.0	14.2	14.5	14.7	14.9	0.2	1.2
FI	7.6	7.8	7.8	7.7	7.7	7.7	7.9	0.2	0.3
SE	7.9	8.1	8.1	8.0	8.4	8.0	8.0	0.0	0.1
UK	8.2	7.8	7.8	7.8	7.7	:	:	:	:
EU27	10.1	10.5	10.6	10.7	10.7	10.7	10.8	0.1	0.7
Men	10.0	10.5	10.5	10.6	10.7	10.7	10.8	0.1	0.8
Women	10.2	10.6	10.6	10.7	10.8	10.8	10.9	0.1	0.7

Source: Eurostat, EU LFS. Seasonally adjusted Data
Note: : not available

Table 11: Youth unemployment rates [une_rt_m]

	2012 Jan	2012 Aug	2012 Sep	2012 Oct	2012 Nov	2012 Dec	2013 Jan	2013 Jan change on previous month (pps)	2013 Jan change on previous year (pps)
BE	18.3	19.2	19.6	19.3	19.2	19.3	19.6	0.3	1.3
BG	28.2	26.6	26.1	26.8	27.5	27.6	28.3	0.7	0.1
CZ	20.5	20.0	18.8	18.7	20.3	19.6	18.3	-1.3	-2.2
DK	14.5	13.2	13.1	13.9	14.4	14.7	15.0	0.3	0.5
DE	8.1	8.1	8.1	8.1	8.0	7.9	7.9	0.0	-0.2
EE	21.9	20.0	19.1	17.9	19.2	19.4	:	:	:
IE	30.9	30.7	30.2	30.0	29.9	30.3	30.9	0.6	0.0
EL	52.1	56.5	58.4	58.1	58.8	58.4	:	:	:
ES	50.2	54.1	54.5	55.1	55.3	55.4	55.5	0.1	5.3
FR	23.2	25.0	25.2	26.0	26.5	26.7	26.9	0.2	3.7
IT	32.3	34.4	36.1	36.3	37.3	37.1	38.7	1.6	6.4
CY	25.4	27.1	27.1	28.4	28.4	28.4	:	:	:
LV	29.5	31.0	31.0	24.0	24.0	24.0	:	:	:
LT	29.7	26.2	25.6	24.5	24.1	24.2	25.7	1.5	-4.0
LU	18.2	17.6	17.8	18.2	18.3	18.5	18.5	0.0	0.3
HU	27.8	29.0	29.9	29.3	27.9	28.4	:	:	:
MT	13.5	16.0	15.9	16.5	16.3	15.7	16.0	0.3	2.5
NL	9.0	9.4	9.7	9.8	9.7	10.0	10.3	0.3	1.3
AT	8.5	9.3	9.0	8.7	8.6	9.1	9.9	0.8	1.4
PL	26.3	26.7	27.1	27.4	27.7	27.7	28.1	0.4	1.8
PT	34.6	39.6	39.0	38.8	38.5	38.3	38.6	0.3	4.0
RO	23.7	22.4	22.4	:	:	:	:	:	:
SI	16.7	23.9	23.9	27.1	27.1	27.1	:	:	:
SK	33.3	34.7	34.6	35.1	35.6	35.8	35.9	0.1	2.6
FI	19.5	18.8	18.9	18.9	18.9	18.9	19.5	0.6	0.0
SE	22.7	25.6	23.1	23.4	24.7	24.1	23.5	-0.6	0.8
UK	22.0	20.6	20.3	20.5	20.7	:	:	:	:
EU27	22.4	22.9	23.0	23.2	23.4	23.4	23.6	0.2	1.2
Men	23.1	23.5	23.6	23.8	24.0	23.9	24.2	0.3	1.1
Women	21.5	22.2	22.2	22.5	22.7	22.8	22.9	0.1	1.4

Source: Eurostat, EU LFS. Seasonally adjusted Data
Note: : not available

Table 12: Long-term unemployment rates [une_ltu_q]

	2011q3	2011q4	2012q1	2012q2	2012q3	2012q3 change on previous year (pps)
BE	3.8	3.4	3.2	3.1	3.3	-0.5
BG	6.2	6.4	6.9	6.9	6.5	0.3
CZ	2.6	2.7	3.1	3.0	3.0	0.4
DK	1.7	1.8	2.2	2.1	2.0	0.3
DE	2.8	2.6	2.7	2.5	2.5	-0.3
EE	6.3	6.7	6.8	5.3	5.1	-1.2
IE	8.9	9.2	9.6	9.4	9.0	0.1
EL	9.0	10.9	12.4	13.5	15.0	6.0
ES	8.9	9.9	10.3	10.9	11.2	2.3
FR	4.0	4.1	4.1	4.0	4.1	0.1
IT	4.1	4.9	5.3	5.6	5.4	1.3
CY	1.8	2.2	2.7	3.2	3.9	2.1
LV	8.3	7.7	8.5	8.7	6.4	-1.9
LT	8.0	7.1	7.3	6.5	6.3	-1.7
LU	1.4	1.4	1.8	1.4	1.0	-0.4
HU	5.1	4.9	5.0	4.9	4.7	-0.4
MT	2.7	3.2	3.0	3.1	3.2	0.5
NL	1.4	1.6	1.8	1.8	1.7	0.3
AT	0.9	1.1	1.0	1.1	1.2	0.3
PL	3.6	3.8	4.1	4.0	4.0	0.4
PT	5.9	6.7	6.9	7.3	8.0	2.1
RO	3.0	3.4	3.3	3.1	3.2	0.2
SI	3.3	3.9	3.8	3.9	4.6	1.3
SK	8.7	9.5	9.4	9.1	9.2	0.5
FI	1.7	1.8	1.8	1.7	1.5	-0.2
SE	1.3	1.3	1.4	1.3	1.3	0.0
UK	2.7	2.7	2.8	2.8	2.8	0.1
EU27	4.1	4.3	4.5	4.6	4.6	0.5
Men	4.1	4.3	4.5	4.6	4.6	0.5
Women	4.1	4.3	4.5	4.6	4.6	0.5

Source: Eurostat, EU LFS. Data non-seasonally adjusted.

Table 13: Job vacancy rates [t_jvs]

	2010Q4	2011Q1	2011Q2	2011Q3	2011Q4	2012Q1	2012Q2	2012Q3	2012Q4	12q3/11q3	12q4/11q4
BE	1.6	1.6	1.9	2.1	1.6	2.6	2.5	2.6	:	0.5	:
BG	0.8	0.8	0.8	0.7	0.8	0.8	0.8	0.7	0.6	0.0	-0.2
CZ	0.8	0.8	0.9	1.0	0.9	0.9	1.0	1.0	1.0	0.0	0.1
DK	1.1	1.4	1.3	1.1	1.0	1.2	1.3	1.2	:	0.1	:
DE	2.6	2.7	2.5	2.5	3.0	2.6	2.7	2.3	2.7	-0.2	-0.3
EE	1.0	1.2	1.3	1.6	1.3	1.4	1.6	1.5	:	-0.1	:
IE	0.6	0.7	0.6	0.6	0.6	0.7	0.6	0.7	:	0.1	:
EL	0.6	1.7	0.9	0.7	0.5	1.1	0.9	0.3	:	-0.4	:
ES	1.1	1.1	1.1	1.0	0.8	0.8	0.8	0.7	:	-0.3	:
FR	0.6	0.7	0.7	0.7	0.7	0.7	0.6	0.6	0.6	-0.1	-0.1
IT	0.6	0.9	0.9	0.7	0.6	0.7	0.5	0.5	:	-0.2	:
CY	1.1	1.6	1.5	0.9	0.5	0.8	0.9	0.4	:	-0.5	:
LV	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	:	0.0	:
LT	0.6	0.9	0.8	1.1	0.6	0.9	0.8	1.2	0.7	0.1	0.1
LU	0.7	0.8	1.0	0.8	0.6	0.8	0.8	0.8	:	0.0	:
HU	1.0	1.3	1.1	1.1	1.0	1.1	1.0	1.0	:	-0.1	:
MT	3.2	2.7	3.6	3.0	2.8	3.4	3.3	3.7	:	0.7	:
NL	1.6	1.7	1.8	1.6	1.5	1.5	1.5	1.3	1.2	-0.3	-0.3
AT	2.2	2.3	2.1	1.9	1.8	2.0	2.0	1.9	1.5	0.0	-0.3
PL	0.5	0.7	0.6	0.5	0.4	0.5	0.5	0.4	:	-0.1	:
PT	0.4	0.3	0.3	0.4	0.4	0.4	0.4	0.4	:	0.0	:
RO	0.5	0.7	0.7	0.7	0.5	0.6	0.6	0.6	0.6	-0.1	0.1
SI	0.7	0.8	0.8	1.0	0.8	0.8	0.7	0.9	:	-0.1	:
SK	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.0	0.0
FI	1.4	2.7	2.3	1.8	1.6	3.3	2.3	1.7	1.5	-0.1	-0.1
SE	1.2	1.6	1.8	1.4	1.3	1.8	1.8	1.3	1.2	-0.1	-0.1
UK	1.8	1.7	1.7	1.8	1.7	1.6	1.7	1.8	1.8	0.0	0.1
EU27	1.5	1.6	1.5	1.5	1.5	1.5	1.5	1.4	1.6	-0.1	0.1

Source: Eurostat, Job vacancy statistics. Data non-seasonally adjusted. NACE: B-S (Industry, construction and services (except activities of households as employers and extra-territorial organisations and bodies). DK, IT: cover only sections B to N. FR: does not include section O. FR, IT, MT: includes only business units with 10 or more employees

Table 14: Labour productivity per person employed

	Annual % change			% change on previous quarter					% change on previous year				
	2009	2010	2011	2011	2012				2011	2012			
				q4	q1	q2	q3	q4	q4	q1	q2	q3	q4
EU-27	-2.6	2.6	1.2	-0.1	0.2	-0.2	0.1	-0.3	0.9	0.5	0.3	0.0	-0.2
EURO	-2.6	2.5	1.2	-0.1	0.2	-0.1	0.0	-0.3	0.7	0.4	0.3	0.0	-0.2
BE	-2.6	1.7	0.4	-0.3	0.4	-0.5	0.0	0.0	-0.2	-0.3	-0.6	-0.4	-0.1
BG	-2.9	5.3	6.1	0.5	1.5	1.8	0.9	1.6	3.6	4.7	5.3	4.8	6.0
CZ	-2.8	3.5	1.6	0.3	-0.5	-1.0	-0.8	-0.2	0.8	-0.3	-1.4	-2.1	-2.6
DK	-3.4	3.9	1.5	0.4	0.3	-0.9	0.9	-1.0	0.7	0.5	-0.7	0.7	-0.8
DE	-5.2	3.6	1.6	-0.5	0.1	0.1	0.1	-0.6	0.5	-0.2	-0.2	-0.2	-0.4
EE	-4.5	8.5	1.2	1.6	-1.0	-0.4	1.8	1.9	1.1	0.5	-0.5	2.0	2.2
IE	2.9	3.6	3.6	0.6	-0.1	0.6	0.1	:	3.7	2.5	1.5	0.9	:
EL	-2.5	-2.4	-1.6	:	:	:	:	:	:	:	:	:	:
ES	3.0	2.2	2.0	0.8	1.3	0.3	0.4	0.6	2.6	3.1	3.3	2.8	2.6
FR	-1.9	1.7	1.2	0.2	-0.1	-0.1	0.2	-0.2	0.9	0.1	0.1	0.1	-0.2
IT	-3.9	2.5	0.1	-0.7	-0.6	-1.1	-0.7	-0.5	-0.5	-0.9	-1.6	-3.0	-2.8
CY	-1.3	1.3	0.0	0.7	0.6	0.3	0.5	0.1	0.3	1.6	1.5	2.1	1.5
LV	-5.3	4.0	14.8	-0.5	1.9	0.3	0.1	0.6	14.6	3.6	2.9	1.8	2.9
LT	-8.6	7.0	3.8	0.4	5.0	1.9	2.2	2.8	5.3	9.2	10.7	9.9	12.4
LU	-5.1	1.1	-1.2	-0.8	-0.5	0.0	-0.8	:	-3.3	-2.9	-1.2	-2.1	:
HU	-4.4	0.6	1.2	0.2	-0.5	-1.1	0.0	-1.2	1.1	-1.4	-2.1	-1.3	-2.7
MT	-2.1	1.0	-0.5	-0.3	-1.3	2.1	0.4	:	-2.7	-2.9	-0.8	0.9	:
NL	-3.0	2.0	0.3	-0.6	0.1	0.3	-0.7	-0.2	-1.0	-0.9	-0.6	-0.9	-0.4
AT	-3.1	1.2	1.0	-0.1	0.1	0.0	-0.1	-0.3	-0.4	-0.6	-0.5	-0.1	-0.3
PL	1.2	3.4	3.3	0.7	1.1	0.4	2.9	-0.1	3.3	3.3	2.5	5.1	4.2
PT	-0.3	3.0	-0.1	0.4	1.1	-0.6	-0.2	0.2	-0.1	2.0	1.2	0.7	0.5
RO	-4.7	-0.2	2.0	:	:	:	:	:	:	:	:	:	:
SI	-6.1	3.5	2.2	-0.8	-0.1	-0.6	0.1	-0.2	0.3	-0.1	-1.3	-1.4	-0.8
SK	-3.0	6.0	1.4	0.9	0.2	0.5	0.5	0.6	2.0	2.0	2.1	2.1	1.7
FI	-6.1	3.4	1.6	-0.6	0.7	-1.5	0.3	-0.5	-0.2	0.6	-0.4	-1.2	-1.0
SE	-2.7	5.3	1.4	-1.0	0.3	0.7	0.1	-0.1	-0.5	0.2	0.7	0.0	1.0
UK	-2.4	1.6	0.4	-0.3	-0.6	-1.1	0.8	:	0.9	0.0	-1.3	-1.2	:

Source: Eurostat (variable nama_aux_lp and namq_aux_lp)
Note: provisional values for IE, EL and PL; break in series for LV in 2011Q1

Table 15: Nominal compensation per employee

	Annual % change			% change on previous quarter					% change on previous year				
	2009	2010	2011	2012					2012				
				q4	q1	q2	q3	q4	q4	q1	q2	q3	q4
EU-27	-1.0	3.3	2.1	0.8	1.2	0.7	1.0	-0.3	2.2	2.3	3.1	3.7	2.6
EURO	1.6	1.8	2.1	0.7	0.4	0.4	0.3	0.2	2.2	1.8	1.7	1.7	1.2
BE	1.3	1.3	3.1	0.6	1.1	1.0	0.2	0.6	3.2	3.2	3.9	3.1	3.0
BG	9.8	10.9	7.2	:	:	:	:	:	:	:	:	:	:
CZ	-0.6	3.5	2.7	0.0	2.3	-1.0	-1.0	0.9	2.4	3.9	2.1	0.3	1.3
DK	2.5	2.7	1.6	0.9	0.2	0.0	0.8	1.0	2.3	1.5	1.5	1.9	2.0
DE	0.4	2.5	3.0	0.5	0.6	1.0	0.4	0.7	2.7	2.3	2.4	2.5	2.7
EE	-3.1	2.3	-0.2	2.1	0.8	2.6	1.8	3.5	2.3	4.5	5.6	7.5	8.8
IE	-0.8	-2.9	0.4	-0.3	1.0	0.3	1.3	:	0.6	1.7	1.5	2.3	:
EL	3.7	-2.5	-3.4	:	:	:	:	:	:	:	:	:	:
ES	4.3	0.2	0.5	0.8	0.6	-1.1	-0.4	-2.5	1.2	1.4	0.2	-0.1	-3.3
FR	1.8	2.3	2.8	0.8	0.3	0.4	0.5	0.4	3.0	2.3	1.9	2.0	1.7
IT	0.1	2.0	1.0	0.6	0.3	-0.6	-0.3	0.5	0.7	0.3	-0.1	0.2	0.0
CY	2.6	2.7	3.3	0.5	-0.1	0.3	0.3	0.8	3.0	2.4	1.7	1.0	1.3
LV	-13.2	-6.4	20.0	2.0	2.1	-0.1	1.0	0.9	16.3	8.0	5.4	5.0	3.9
LT	-10.1	0.1	3.7	2.1	6.4	0.8	1.7	2.9	9.6	13.7	14.9	11.5	12.3
LU	2.2	2.7	2.1	1.3	-0.2	0.1	-0.2	:	1.7	1.2	2.1	1.0	:
HU	-1.6	-0.3	3.0	-1.3	6.4	0.5	-0.3	-3.2	3.4	4.9	5.4	5.5	3.5
MT	4.2	0.8	1.1	1.3	0.0	1.7	1.6	:	1.5	0.6	1.5	4.7	:
NL	2.3	1.2	1.5	0.0	0.4	0.2	0.4	:	1.1	1.0	1.2	1.0	:
AT	1.9	1.2	1.9	0.7	0.9	0.9	0.7	0.7	2.0	2.5	2.9	3.2	3.3
PL	3.4	4.7	4.0	0.0	1.8	0.5	4.7	:	3.4	4.6	3.3	7.0	:
PT	2.8	1.6	-0.7	1.0	-3.4	0.9	-0.4	0.8	-0.7	-4.2	-2.4	-2.0	-2.2
RO	-1.8	-2.6	14.2	:	:	:	:	:	:	:	:	:	:
SI	2.4	3.9	1.6	0.0	0.1	-0.9	0.3	-0.2	0.6	0.6	-1.0	-0.5	-0.8
SK	2.7	5.1	1.0	-1.0	0.5	1.8	0.5	0.9	0.5	0.6	2.2	1.7	3.6
FI	2.9	1.8	3.4	-0.1	1.8	0.2	0.4	0.5	2.5	3.7	3.5	2.2	2.9
SE	1.7	3.0	0.8	:	:	:	:	:	:	:	:	:	:
UK	3.1	2.7	2.1	0.6	0.9	-0.6	0.3	:	3.7	4.0	2.7	1.2	:

Source: DG EMPL calculations on the basis of Eurostat (nama_aux_lp and namq_aux_lp, nama_aux_ulc and namq_aux_ulc)
Note: provisional values for IE, EL and PL; break in series for LV in 2011Q1

Table 16: Nominal unit labour cost

	Annual % change			% change on previous quarter					% change on previous year				
	2009	2010	2011	2011	2012				2011	2012			
				q4	q1	q2	q3	q4	q4	q1	q2	q3	q4
EU-27	1.6	0.7	0.9	0.9	1.0	0.9	0.9	0.0	1.3	1.8	2.8	3.7	2.8
EURO	4.2	-0.7	0.9	0.8	0.2	0.5	0.3	0.5	1.5	1.4	1.4	1.7	1.4
BE	3.9	-0.4	2.7	0.9	0.7	1.5	0.2	0.6	3.4	3.5	4.5	3.5	3.1
BG	12.7	5.6	1.1	:	:	:	:	:	:	:	:	:	:
CZ	2.2	0.0	1.1	-0.3	2.8	0.0	-0.2	1.1	1.6	4.2	3.5	2.4	3.9
DK	5.9	-1.2	0.1	0.5	-0.1	0.9	-0.1	2.0	1.6	1.0	2.2	1.2	2.8
DE	5.6	-1.1	1.4	1.0	0.5	0.9	0.3	1.3	2.2	2.5	2.6	2.7	3.1
EE	1.4	-6.2	-1.4	0.5	1.8	3.0	0.0	1.6	1.2	4.0	6.1	5.5	6.6
IE	-3.7	-6.5	-3.2	-0.9	1.1	-0.3	1.2	:	-3.1	-0.8	0.0	1.4	:
EL	6.2	-0.1	-1.8	:	:	:	:	:	:	:	:	:	:
ES	1.3	-2.0	-1.5	0.0	-0.7	-1.4	-0.8	-3.1	-1.4	-1.7	-3.1	-2.9	-5.9
FR	3.7	0.6	1.6	0.6	0.4	0.5	0.3	0.6	2.1	2.2	1.8	1.9	1.9
IT	4.0	-0.5	0.9	1.3	0.9	0.5	0.4	1.0	1.2	1.2	1.5	3.2	2.8
CY	3.9	1.4	3.3	-0.2	-0.7	0.0	-0.2	0.7	2.7	0.8	0.2	-1.1	-0.2
LV	-7.9	-10.4	5.2	2.5	0.2	-0.4	0.9	0.3	1.7	4.4	2.5	3.2	1.0
LT	-1.5	-6.9	-0.1	1.7	1.4	-1.1	-0.5	0.1	4.3	4.5	4.2	1.6	-0.1
LU	7.3	1.6	3.3	2.1	0.3	0.1	0.6	:	5.0	4.1	3.3	3.1	:
HU	2.8	-0.9	1.8	-1.5	6.9	1.6	-0.3	-2.0	2.3	6.3	7.5	6.8	6.2
MT	6.3	-0.2	1.6	1.6	1.3	-0.4	1.2	:	4.2	3.5	2.3	3.8	:
NL	5.3	-0.8	1.2	0.6	0.3	-0.1	1.1	:	2.1	1.9	1.8	1.9	:
AT	5.0	0.0	0.9	0.8	0.8	0.9	0.8	1.0	2.4	3.1	3.4	3.3	3.6
PL	2.2	1.3	0.7	-0.7	0.7	0.1	1.8	:	0.1	1.3	0.8	1.9	:
PT	3.1	-1.4	-0.6	0.6	-4.5	1.5	-0.2	0.6	-0.6	-6.2	-3.6	-2.7	-2.7
RO	2.9	-2.4	12.2	:	:	:	:	:	:	:	:	:	:
SI	8.5	0.4	-0.6	0.8	0.2	-0.3	0.2	0.0	0.3	0.7	0.3	0.9	0.0
SK	5.7	-0.9	-0.4	-1.9	0.3	1.3	0.0	0.3	-1.5	-1.4	0.1	-0.4	1.9
FI	9.0	-1.6	1.8	0.5	1.1	1.7	0.1	1.0	2.7	3.1	3.9	3.4	3.9
SE	4.4	-2.3	-0.6	:	:	:	:	:	:	:	:	:	:
UK	5.5	1.1	1.7	0.9	1.5	0.5	-0.5	:	2.8	4.0	4.0	2.4	:

Source: Eurostat (variable nama_aux_ulc and namq_aux_ulc)
Note: provisional values for EL; break in series for LV in 2011Q1

Table 17: Real unit labour cost

	Annual % change			% change on previous quarter					% change on previous year				
	2009	2010	2011	2011	2012				2011	2012			
				q4	q1	q2	q3	q4	q4	q1	q2	q3	q4
EU-27	3.2	-1.6	-0.5	0.6	0.0	0.2	-0.3	0.2	0.2	0.5	0.6	0.6	0.2
EURO	3.2	-1.5	-0.3	0.6	-0.1	0.2	-0.2	0.3	0.2	0.2	0.2	0.4	0.2
BE	2.7	-2.3	0.6	0.5	-0.1	1.2	-0.2	-0.1	1.7	1.4	2.5	1.4	0.8
BG	8.1	2.7	-3.7	:	:	:	:	:	:	:	:	:	:
CZ	-0.1	1.4	1.9	-1.2	2.4	0.0	0.1	0.8	0.5	2.2	1.7	1.2	3.3
DK	5.2	-5.1	-0.6	-0.1	-1.1	0.4	-0.7	1.9	1.5	0.1	0.1	-1.5	0.6
DE	4.4	-2.0	0.6	0.8	0.0	0.5	-0.1	1.1	1.3	1.3	1.3	1.3	1.6
EE	2.8	-6.8	-4.2	-0.3	1.3	1.5	-0.5	1.3	-1.8	0.9	2.6	2.0	3.6
IE	1.0	-4.3	-3.4	-0.6	-0.4	-1.1	0.7	:	-6.2	-3.0	-2.6	-1.4	:
EL	3.8	-1.3	-2.9	:	:	:	:	:	:	:	:	:	:
ES	1.2	-2.4	-2.4	-0.3	-0.4	-1.5	-1.3	-3.0	-2.2	-2.0	-3.2	-3.4	-6.0
FR	3.0	-0.4	0.3	0.1	0.1	0.0	0.0	0.2	0.5	0.7	0.2	0.1	0.3
IT	1.9	-0.9	-0.3	1.0	0.8	-0.3	0.2	0.5	-0.6	-0.4	-0.3	1.7	1.2
CY	3.8	-0.5	0.5	-1.4	0.6	-2.3	-0.5	0.8	-0.2	-1.0	-2.0	-3.5	-1.4
LV	-6.7	-9.2	-0.6	1.5	0.9	-1.4	-0.5	-0.9	-4.4	0.9	-0.4	0.4	-1.9
LT	2.0	-8.8	-5.3	0.8	1.0	-2.3	-1.2	-1.1	-0.2	3.4	2.4	-1.8	-3.7
LU	6.8	-5.6	-1.7	0.2	0.1	-0.8	-0.6	:	-0.8	0.1	-0.7	-1.0	:
HU	-0.7	-3.3	-1.3	-2.5	8.2	-0.5	-1.7	-2.2	-1.6	3.7	3.5	3.1	3.5
MT	3.6	-3.1	-0.4	1.8	0.0	-0.9	0.4	:	2.7	1.4	-0.2	1.3	:
NL	5.6	-2.1	-0.1	0.1	0.7	-0.3	0.9	:	0.5	1.1	0.9	1.5	:
AT	3.4	-1.6	-1.3	0.3	0.3	0.2	0.2	0.4	0.4	1.1	1.3	1.0	1.2
PL	-1.4	-0.1	-2.3	-1.6	0.1	-0.6	1.3	:	-3.0	-1.4	-2.2	-0.9	:
PT	2.2	-2.1	-1.1	0.6	-4.9	2.9	-0.9	0.7	-1.1	-6.4	-3.5	-2.4	-2.3
RO	-1.2	-7.7	7.8	:	:	:	:	:	:	:	:	:	:
SI	4.7	1.5	-1.6	-0.1	0.5	-0.5	0.1	-0.1	-2.3	-0.4	-0.9	0.0	0.0
SK	7.0	-1.4	-2.0	-2.7	0.3	1.0	-0.5	0.1	-3.4	-3.0	-1.0	-1.9	0.9
FI	7.4	-2.0	-1.3	0.4	-0.1	0.6	-0.2	0.5	-0.3	0.3	1.0	0.7	0.8
SE	2.3	-3.1	-1.7	:	:	:	:	:	:	:	:	:	:
UK	4.1	-1.6	-0.7	0.1	1.0	0.9	-1.1	:	0.7	2.3	2.8	0.9	:

Source: Eurostat (variable nama_aux_ulc and namq_aux_ulc)
Note: provisional values for EL; break in series for LV in 2011Q1

Table 18: Weekly working hours

	Weekly working time of full-time employed persons								Weekly working time of part-time employed persosns							
	Level								Level							
	2009	2010	2011	2011	2012				2009	2010	2011	2011	2012			
				q4	q1	q2	q3	q4				q4	q1	q2	q3	q4
EU-27	40.7	40.8	40.8	40.5	40.8	40.2	41.3	:	19.9	20.1	20.0	19.9	19.9	19.8	20.4	:
EURO	40.5	40.8	40.8	40.4	40.9	40.0	41.3	:	19.8	20.0	19.9	19.8	19.9	19.6	20.2	:
BE	40.8	41.2	41.4	40.9	42.0	40.5	41.2	:	23.0	23.3	23.0	22.9	23.8	22.8	23.1	:
BG	40.7	40.9	40.6	40.7	40.8	40.1	41.0	:	20.3	20.7	20.4	20.6	19.7	19.9	19.8	:
CZ	41.6	41.6	41.4	40.3	42.0	40.7	40.3	:	21.6	21.0	21.1	20.8	21.2	20.4	20.6	:
DK	39.1	39.5	39.8	39.5	40.0	38.8	40.4	39.3	19.8	19.9	19.6	19.2	19.7	19.0	20.1	18.9
DE	41.4	41.7	41.8	41.8	41.9	41.0	42.1	:	18.1	18.3	18.2	18.3	18.3	18.0	18.5	:
EE	39.5	40.5	40.6	40.2	40.3	40.1	40.9	39.7	21.2	21.3	21.0	20.6	19.9	21.4	20.9	19.8
IE	39.5	39.6	39.7	39.1	39.4	39.5	40.5	:	18.7	18.6	18.7	18.7	18.4	18.9	19.7	:
EL	42.1	42.3	42.4	42.5	42.2	42.5	43.3	:	19.6	20.0	19.9	20.0	19.9	19.7	20.3	:
ES	40.7	40.7	40.7	40.0	40.8	40.3	41.2	40.1	18.5	18.4	18.5	18.1	18.1	18.1	18.7	17.7
FR	39.4	39.8	39.8	39.3	40.3	38.2	40.5	:	22.4	22.5	22.5	22.0	22.7	21.8	23.1	:
IT	39.9	40.1	39.9	39.3	39.4	39.5	40.2	:	21.0	21.3	21.3	21.1	20.9	20.9	21.4	:
CY	40.2	40.7	40.7	40.9	40.6	39.8	41.8	:	19.7	19.4	19.0	19.0	19.4	19.0	20.6	:
LV	40.6	40.2	40.3	40.0	40.2	40.0	40.7	39.6	21.6	21.4	21.3	21.0	20.4	20.8	22.1	21.0
LT	39.9	39.8	39.9	39.8	39.5	40.0	40.3	39.4	23.4	22.5	22.1	22.0	21.7	22.2	22.1	21.1
LU	41.4	41.4	41.3	41.0	41.7	41.5	41.7	:	20.5	20.9	21.9	21.8	22.7	21.7	22.5	:
HU	40.5	40.5	40.3	40.3	39.9	40.0	40.3	:	23.7	23.9	23.2	23.2	23.1	23.1	23.2	:
MT	41.0	40.5	40.3	40.4	40.7	40.2	40.3	:	20.9	20.6	20.7	20.6	21.1	18.3	20.7	:
NL	41.0	41.2	41.4	41.9	41.1	40.6	41.6	:	20.7	20.8	21.1	21.1	20.8	20.6	21.6	:
AT	42.0	41.9	42.1	41.3	42.2	40.9	42.5	:	20.0	20.0	19.9	19.8	20.0	19.7	20.8	:
PL	41.4	41.3	41.1	40.2	40.8	40.5	42.6	:	20.8	20.8	20.9	20.3	20.5	20.9	21.9	:
PT	40.4	40.5	41.3	40.7	41.8	40.9	42.2	41.1	18.6	18.6	16.0	15.5	15.9	15.8	16.1	15.5
RO	40.7	40.7	40.7	40.3	39.8	41.0	41.2	:	27.4	27.2	26.1	25.4	23.7	27.8	28.6	:
SI	41.3	41.2	40.7	40.7	40.2	39.6	41.6	40.9	19.4	18.8	19.2	19.0	18.0	18.8	20.9	19.8
SK	39.9	40.3	40.4	40.2	40.8	39.6	40.7	:	22.0	20.1	18.8	18.8	19.3	19.3	19.9	:
FI	38.6	39.0	39.0	38.6	39.2	37.8	40.1	:	19.7	20.3	20.3	20.3	19.7	20.2	20.7	:
SE	39.2	39.9	39.8	40.0	40.1	37.6	40.7	40.0	23.4	24.0	23.7	23.7	23.5	23.1	24.5	23.6
UK	41.0	41.1	41.1	41.1	41.3	41.0	41.6	:	18.4	18.5	18.5	18.4	18.4	18.5	18.9	:

Source: Eurostat (variable lfsq_ewhan2 and fsa_ewhais)
Note: break in series for PT in 2011Q1 and LV for 2012Q1.

Annex 2: Selected research

This section presents some relevant recent research results at EU level. European Research Framework Programmes FP6 or FP7 and European bodies or agencies closely linked with employment and social affairs contribute to this achievement. This section is certainly not exhaustive. Degree of completion of the research projects as well as direct relevance to the issues developed in this report are the main criteria used for the selection of the presented results. The contents of this section do not necessarily reflect the position or opinion of the European Commission.

- The debate on fiscal policy in Europe: beyond the austerity myth

Several criticisms of the current fiscal strategy in the EU have recently been forcefully expressed. In this brief, DG ECFIN examines these criticisms, and provides some clarifications and responses. It recalls that large adjustments are needed in most economies to restore sustainable fiscal positions, not because of the arbitrary will of the markets or of EU institutions. It then examines the debate over the precise speed of fiscal consolidation, which blends arguments over the short-run growth effects but also over the various possible costs and problems of no-consolidation. In practice, fiscal policy recommendations under the EU framework have struck a balance between the conflicting considerations. Overall, it is argued that the current EU fiscal strategy is essentially in line with the approach favoured by other international organisations. The EU fiscal recommendations are not an ideological call for austerity at all costs. In general, the flexibility embodied in the rules is being used within a "steady structural" strategy. Attention is also being paid to softening the consequences of fiscal adjustments, and fostering the return to sustainable growth and jobs, through a careful design of fiscal consolidation packages, structural reforms, and a restoration of functioning financial channels. Finally, a differentiated fiscal consolidation is part of the rebalancing process at work within the euro area, whereby the efforts of vulnerable euro area countries should be matched by rebalancing trends and appropriate policies in countries that feature large current account surpluses.

A Directorate-General for Economic and Financial Affairs publication.
See: http://ec.europa.eu/economy_finance/publications/economic_briefs/2013/pdf/eb20_en.pdf

- The cyclically-adjusted budget balance used in the EU fiscal framework: an update

The cyclically-adjusted budget balance (CAB) has taken the central stage in the revised EU framework for fiscal surveillance. With the 2005 reform of the Stability and Growth Pact (SGP) the balance adjusted for cyclical effects has become a key indicator. Corrected also for one-off measures and labelled then structural balance, it is the main indicator used for the assessment of country-specific medium-term fiscal objectives under the "preventive arm" of the SGP and of the fiscal adjustment imposed to Member States in excessive deficit position under the "corrective arm" of the SGP. The CAB allows for decomposing the fiscal position into the automatic reaction of the budget to changes in economic activity and the impact of discretionary fiscal policy, mostly in the hand of government. It may also be useful to assess fiscal sustainability issues. The CAB is part of the "top down" approaches to identify discretionary fiscal policy by directly correcting the actual budget balance, as opposed to "bottom up" approaches, which identify the discretionary nature of individual measures and then aggregate them. The purpose of this paper is to present the recent improvements brought to the CAB methodology, namely the revision and update of the parameter measuring the reaction of the budget to the cycle. The first improvement consists in employing the semi-elasticity parameter instead of the usual budgetary sensitivity parameter, since semi-elasticity parameter correctly measures the reaction of the balance-to-GDP ratio to cyclical conditions. The second amendment is the update of the decade-old data underlying the computation of the CAB.

Gilles Mourre, George-Marian Isbasoiu, Dario Paternoster and Matteo Salto.
See:
http://ec.europa.eu/economy_finance/publications/economic_paper/2013/pdf/ecp478_en.pdf

- A polarising crisis: higher paid jobs prove most resilient

More than four years after the onset of the economic and social crisis, there are five million fewer people in work in the 27 European Union Member States. Eurofound's second annual European Jobs Monitor report 'Employment polarisation and job quality in the crisis' finds that the destruction of employment during the crisis has been sharpest in mid-paying jobs, while sparing in large part jobs at either end of the wage distribution. Higher paid jobs in service sectors in particular have proved most resilient.

European Jobs Monitor 2013 published by Eurofound
See:
http://www.eurofound.europa.eu/publications/htmlfiles/ef1304.htm?utm_source=pressrelease&utm_medium=pressrelease&utm_campaign=ejm201320130315

- Crisis deepens wage polarisation

Europe's labour market has changed radically since the golden era of job expansion (1995–2007), when nearly 30 million jobs were added in that buoyant period. The Great Recession (2008–2010) and the stalled recovery in 2011–2012 have seen a net loss of five million jobs. This loss has been far from uniform, however. While the period was characterised by the large-scale destruction of mid-paid jobs, particularly in construction and manufacturing, at the same time the number of higher-paid jobs continued to grow, as well as the employment share of women, particularly in mid-paid and 'good' jobs. The polarisation of the jobs market in terms of wages was already known, but became much more pronounced in the recession. Eurofound's new report, Employment polarisation and job quality in the crisis: European Jobs Monitor 2013, describes and analyses in detail the structural shifts in employment in European labour markets by wage distribution and sector/occupational category. It also sets out a new multidimensional measure of job quality, the non-pecuniary job quality index. This index is based on collecting information about a wide range of job attributes linked to workers' well-being.

European Jobs Monitor 2013 published by Eurofound
See: http://www.eurofound.europa.eu/pubdocs/2013/04/en/1/EF1304EN.pdf5

- A Framework for Efficient Government Investment

Welfare economics, scope and performance of government, externalities, public goods, cost-benefit analysis, subsidies economize on spending without losing effectiveness by modifying the conceptual framework guiding state expenditures. The familiar framework says that state intervention is justified when the spending provides public goods or when the intervention addresses externalities, provided the social return is above a threshold. This paper argues that another consideration needs to be brought into the mix - whether, in spite of the externalities, the private sector has an incentive to undertake the activity. It is argued that these two considerations together define a more efficient framework under which to justify state intervention. According to this modified framework, even a benign state interested in social welfare would not in fact address every externality nor necessarily select expenditures with the highest social returns. These points are summarized in a graph which is then used to analyse policy rules, subsidies and effective interaction between the state and the private sector. It is hoped that this paper points to the kind of information that needs to be collected and acted upon so that states may achieve their goals more effectively.

Warner, Andrew – A IMF working paper.
See: http://www.imf.org/external/pubs/ft/wp/2013/wp1358.pdf

- A Banking Union for the Euro Area

The staff discussion note elaborates the case for, and the design of, a banking union for the euro area. It discusses the benefits and costs of a banking union, presents a steady state view of the banking union, elaborates difficult transition issues, and briefly discusses broader EU issues. As such, it assesses current plans and provides advice. It is accompanied by three background technical notes that analyse in depth the various elements of the banking union: a single supervisory framework; a single resolution and common safety net; and urgent issues related to repair of weak banks in Europe.

An IMF staff discussion note.
See: http://www.imf.org/external/pubs/ft/sdn/2013/sdn1301.pdf

- Quantifying skill needs in Europe - Occupational skills profiles: methodology and application

Occupational skills profiles describe, in a comprehensive and standardised way, the skill requirements for individual jobs. The aim of the study is to bridge the information gap on occupational profiles by providing essential characteristics required by the economy, in terms of level and field of education and training, as well as other requirements such as knowledge, skills, competence, occupational interests, and work values. OSPs have been developed for several purposes: analysing, projecting and forecasting skill needs; determining and measuring skill mismatches in different countries, sectors, or occupations; comparing skill needs across European countries; and determining change over time.

A Cedefop publication.

See: http://www.cedefop.europa.eu/EN/Files/5530_en.pdf

- Export Performance in Europe: What Do We Know from Supply Links?

One of the most important recent developments in international trade is the increasing interconnectedness of export production through a vertical trading chain network that streches across many countries, with each country specializing in particular stages of a good's production. Using value added trade statistics, this paper tries to dissect and reshape understanding of European exports: where exports values are created, the role of vertical supply links in export growth, what is contributing to the growth in supply links, and how comparative advantages of countries are affected by supply links over time. Our analysis finds strong role of supply links in cross-country export performance in Europe, where these links between countries grew based on physical proximity, cost differential and similarity in export structure.

Rahman, Jesmin ; Zhao, Tianli – A IMF working paper.

See: http://www.imf.org/external/pubs/ft/wp/2013/wp1362.pdf

- Foundation Focus: Job creation, job preservation or job loss? The future of Europe's labour market

This issue of Foundation Focus looks at the state of play of the European labour market and what governments, social partners and companies are doing to overcome the crisis. Over the last few years, many jobs have been lost, and mass unemployment has become the reality in some Member States. Eurofound's latest European Quality of Life Survey points to growing inequalities and social exclusion. At the same time, the EU remains committed to the idea of creating and maintaining high-quality jobs. So where are these jobs going to come from? And is job quality being compromised in the attempt to cut costs and maintain competitiveness?

A Eurofound finding

See: http://www.eurofound.europa.eu/publications/htmlfiles/ef1277.htm

- Wages: A working conditions and industrial relations perspective

This paper looks at wages from two different angles: from the perspective of individual employees, discussed in conjunction with their working conditions, and from the perspective of the industrial relations system. After a brief overview of EU-level policy developments with a potential impact on national level pay determination, this report gives a comparative overview of the levels of collective wage setting and how they are set throughout Europe and goes on to report on reforms, changes or debates linked to these processes between the different actors at both the Member State and the European level in 2011 and 2012.

A Eurofound publication

See: http://www.eurofound.europa.eu/publications/htmlfiles/ef1307.htm

- Greening of industries in the EU: Anticipating and managing the effects on quantity and quality of jobs

All jobs will be affected as the EU moves to a green economy: new jobs will be created and some will be eliminated, but most existing jobs will be transformed. To ensure a socially responsible transition towards high-quality green jobs, concerted efforts by governments, employees, employers and other stakeholders are crucial in anticipating and managing this process. The research carried out in this study examined green business practices and greening processes aimed at mitigating climate change – if radical mitigation measures are not taken in time, adaptation could eventually prove impossible. The study had two main objectives: to provide an overview at both sectoral and cross-sectoral level in the EU of the

effects of greening on the quantity and quality of jobs in 10 sectors (automotive, chemicals, construction, distribution and trade, energy, furniture, nonmetallic materials, shipbuilding, textiles and transport); and to analyse good practice examples of the anticipation and management of green change at company level in these sectors.

A Eurofound publication

See: http://www.eurofound.europa.eu/publications/htmlfiles/ef1248.htm

- Active inclusion of young people with disabilities or health problems

Young people with disabilities or health problems face particular difficulties in accessing employment. Active inclusion policy is seen as the most appropriate policy instrument for combating the exclusion of these young people from the labour market. This study examines the implementation of active inclusion policy at national level in 11 EU Member States. The study reviews policy in these countries and compiles information from 44 case studies of good practice among diverse and innovative service providers. The study concludes that policy and practice need to focus more keenly on these young people, to learn from available evidence, and to take a more joined-up approach to service delivery.

A Eurofound publication

See: http://www.eurofound.europa.eu/publications/htmlfiles/ef1226.htm

- Working time and work–life balance in a life course perspective

Understanding how working time is organised and how this is impacting on balance of work versus private life is of fundamental importance. This general statement is very much in accordance with the main objective of the Europe 2020 employment strategy, stating that at least 75% of the population aged 20–64 should be employed by 2020, necessitating in many Member States a significant increase in women's labour market participation. Drawing on data from Eurofound's fifth European Working Conditions Survey (EWCS), based on interviews with more than 38,000 respondents in 34 countries, this report documents the prevailing working time patterns of employees, the self-employed and lone parents across five country clusters. It also analyses the relationship between paid employment and domestic activities, work–life balance and working time preferences across the life course.

A Eurofound publication

See: http://www.eurofound.europa.eu/publications/htmlfiles/ef1273.htm

- Lone parents, poverty and policy in the European Union

Although there is considerable research evidence to show that children in lone parent families are at increased risk of poverty, there have been few comparative analyses of lone parents in Europe. Using the EU Statistics on Income and Living Conditions (EU-SILC) 2009, this paper compares the prevalence and characteristics of lone parent families, analyses the poverty and deprivation risks of children, and evaluates the potential impact of social transfer income packages on child poverty reduction. We use the unique personal identifiers of mothers, fathers and partners to define lone parent families with greater precision. Using a multi-level framework, we find lower child poverty rates in countries with more generous social transfers, even after controlling for the country standard of living. A reverse pattern is observed for material deprivation: the negative effect of social transfer income washes out when the GDP per capita is controlled for, which itself has a negative and significant effect on material deprivation.

Yekaterina Chzhen University of Oxford, UK and Jonathan Bradshaw University of York, UK.

See: http://esp.sagepub.com/content/22/5/487

- Parenting support in Europe

The influence of parenting on the well-being and future opportunities of children is widely acknowledged, but it is only recently that parenting support and education have come to be viewed as a social investment that contributes towards reducing parental stress and helping parents to manage their work–life balance. European Member States provide support for parenting in many different ways, from very practical medical-based interventions such as support with breastfeeding, to programmes that aim to increase the confidence and self-esteem of parents and thus improve their relationship with their children. This report gives an up-to-date overview of the main elements of parenting support services and the structure of services across Europe. It includes more detailed information about parenting support in seven Member States: Austria, Belgium, Estonia, Hungary, Ireland, Portugal and Sweden. The report summarises common challenges faced by all providers of parenting support, and

concludes with policy recommendations based on what has been observed to work in different countries.

A Eurofound publication

See:

http://www.eurofound.europa.eu/publications/htmlfiles/ef1270.htm?utm_source=email_webupdate&utm_medium=email&utm_campaign=webupdate20130305

- Researchers find major health system problems in Central and Eastern Europe (CEE)

A large proportion of health care consumers in Central and Eastern European countries accept to pay formal fees for physician visits and hospitalizations in case these services are provided with an adequate quality and access. Quality and access improvements in the public health care sectors will be crucial for the acceptance of formal fees and the elimination of the informal ones. Health care consumers need to be assured that they can receive an adequate return for their payments. Otherwise, informal payments for better services might continue to exist along with the formal fees. It should be considered however, that formal and informal patient charges are already imposing a considerable financial burden on household budgets especially for low-income groups. Total household spending on health care is found to have a catastrophic and impoverishing effect even on wealthier households but with chronically sick household members. An adequate exemption of poor and frequent health care users should be in place.

Assessment of patient payment policies and projection of their efficiency, equity and quality effects: The case of Central and Eastern Europe [ASSPRO CEE 2007]. A FP7 project

See: http://www.assprocee2007.com/

- Impact of local welfare systems on female labour force participation and social cohesion

The overall aim of the FLOWS project is to analyse (1) how local welfare systems in interaction with other factors support female labour market participation and (2) the extent to which female labour market integration has contributed to strengthening social cohesion (and under which conditions). The present Policy Brief focuses on one of the objectives of the project, which is to improve our understanding of the local welfare systems and their effects on female labour force participation. The overall aim is to analyse how local welfare provision affects the labour market participation of women, and how female employment in turn affects the life-courses of women and men, structures of inequality, social cohesion and hence the sustainability of the European social model.

Impact of local welfare systems on female labour force participation (FLOWS), A FP7 project.

See: www.flows-eu.eu

- Patterns of Migration; Determinants of Migration; Migration and Development; Migrations and Families

The MAFE project is a major research initiative focused on migration between Sub-Saharan Africa and Europe. It brings together ten European and African research centres working on international migrations. MAFE wants to overcome the lack of understanding by collecting unique data on the characteristics and behaviour of migrants from Sub-Saharan countries to Europe. The key notion underpinning the project is that migration must not only be seen as a one-way flow from Africa to Europe. We argue that return migration, circulation and transnational practices are significant and must be understood in order to design better migration policy. The MAFE project focuses on migration flows between Europe (Belgium, France, Italy, the Netherlands, Spain and the UK) and Senegal, the Democratic Republic of Congo and Ghana, which together account for over a quarter of all African migration to the EU.

Migrations between Africa and Europe (MAFE). A FP7 project

See: http://www.mafeproject.eu/

- An Evaluation of International Surveys of Children

This project evaluates sources of international child well-being data to assess their suitability for supplementing national and transnational sources – as outlined in recommendation 12 of the report Child poverty and well-being in the EU: Current Status and the Way Forward (EC, 2008). The evaluation identifies gaps in measuring child well-being not covered by available international data sources and provides recommendations for the use and improvement of international sources of data used for the monitoring of child well-being. Three research questions are addressed: Available data can be used to assess the well-being of children

across countries; Strengths and weaknesses of existing international surveys for informing policy and monitoring the lives of children; and scope for improvement of cross-national monitoring of child well-being. In this framework, the report recommends first further concertation efforts in policy and research circles to fill gaps in child well-being comparisons in terms of both age-related indicators (children under nine are missing from survey work) and in terms of new dimensions and indicators of child well-being, not presently covered in the studies (child protection, mental health measures, and more recently civic participation).Second, it recommends the use of equality indicators and social gradient indicators in monitoring child well-being are necessary.

An OECD report.

See: http://ec.europa.eu/social/BlobServlet?docId=9317&langId=en

European Commission

EU Employment and Social Situation Quarterly Review – March 2013

Luxembourg: Publications Office of the European Union

2013 — 85 pp. — 21 × 29.7 cm

ISBN 978-92-79-28855-5
ISSN 1977-8317
doi: 10.2767/21393

Summary:

According to the EU Employment and Social Situation Quarterly Review, divergence continues to increase across Member States, translating into persistently growing labour market and social challenges, marked by ever higher unemployment at EU level and a deterioration of the situation of many households, and of young people in particular. Employment has been trending down again since mid-2011, with positive developments only noticeable in part-time work. Unemployment rose further in January 2013, to 26.2 million in the EU, accounting for 10.8 % of the active population, and concerns nearly one in four economically active young people.

This edition highlights the effects recent government spending cuts have had on the employment and social situation in a number of Member States, the diversity in terms of labour market matching and recent trends in posting of workers across the EU. This edition also analyses the specific situation in Bulgaria and in the sectors of manufacture of basic metals and motor vehicles. It finally dedicates a Special Supplement to the analysis of recent demographic trends in the European Union.

This publication is available in electronic format in English.

KE-BH-13-002-EN-N