



EU Employment and Social Situation

Quarterly Review
June 2015

With regularly updated data and charts downloadable [here](#)



This Quarterly Review provides in-depth analysis of recent labour market and social developments. It is prepared by the Employment Analysis and Social Analysis Units in DG EMPL. This review was prepared under the supervision of G. Fischer (Director), N. Gibert-Morin (Head of Unit) and R. Maly (Head of Unit). The main contributors were: A. Arpaia, D. Arranz, M. Grzegorzewska, S. Jemmotte, E. Joseph, E. Meyermans, P. Pasimeni. General reviewing was provided by A. Xavier.

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.

Underlying regularly updated data and charts are available at:
http://ec.europa.eu/employment_social/employment_analysis/quarterly/quarterly_updated_charts.xlsx

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

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List of country codes

EU Member States

AT: Austria
BE: Belgium
BG: Bulgaria
CY: Cyprus
CZ: Czech Republic
DE: Germany
DK: Denmark
EE: Estonia
EL: Greece
ES: Spain
FI: Finland
FR: France
HR: Croatia
HU: Hungary
IE: Ireland
IT: Italy
LT: Lithuania
LU: Luxembourg
LV: Latvia
MT: Malta
NL: The Netherlands
PL: Poland
PT: Portugal
RO: Romania
SE: Sweden
SI: Slovenia
SK: Slovakia
UK: United Kingdom

Further afield:

US: United States of America
JP: Japan

Executive summary

The latest quarterly data confirms previous positive developments. The EU economy continues its moderate recovery, which is broadening across Member States. Labour markets in the EU continue to gradually recover, benefitting from the strengthening in economic activity. Nevertheless, in the first quarter of 2015 GDP in the euro area was 1.5% lower than in the first quarter of 2008 and EU and EA employment levels and rates are below those of 2008.

Employment continues to improve in the EU, euro area and most Member States, and is higher than a year ago in the quasi totality of Member States. Most sectors are contributing to the observed improvement and, if services have driven the initial employment recovery, industry is now also contributing to employment creation. The increase in employment and participation has also widened to all sub-population groups, men and women, low to high skills, young and old, with the high-skilled and the older age groups registering the largest increases. **The number of permanent and full-time jobs is also on the rise.**

Unemployment – although still high – continues to decline from its high levels in the EU, euro area and in most Member States, including those which reached very high levels of unemployment and were hit hard by the crisis. However, long-term unemployment continues to recede gradually, affecting about 5% of the labour force. A positive development regards households' financial situation. The gradual improvement in the labour market situation and the improved economic situation have contributed to the sustained and faster increase of household income through higher income from work and higher social transfers.

A welcome development regards youth: employment of those aged 15-24 is increasing and, for the second consecutive quarter, is making a positive contribution to employment levels. Youth unemployment also shows a decline which is accompanied by higher enrolment in education and training and a reduction in NEETs rates. In other words, young people in the EU are increasingly engaging in either employment or education and training.

Persistent differences remain across the EU. Even though employment grew in most Member States, there is a large difference between the highest employment rate of 79.7% in Sweden and the lowest rate of 53.4 % in Greece. While unemployment decreased in most Member States, including those hit hard by the crisis, unemployment rates vary from about 5% in Germany, Austria and the UK to more than 20% in Spain and Greece. Therefore, restoring convergence remains a challenge.

Key findings

The EU economy continues its moderate recovery, which is broadening across Member States. Real GDP increased by 0.4% both in the EU and in the euro area (EA) in the first quarter of 2015. Real GDP increased in nearly all Member States, with the exception of Greece and Finland which entered recession following three consecutive quarters of decline. In the first quarter of 2015, real GDP was higher than in the first quarter of 2014 in all Member States, including Italy and Cyprus, with the year-on-year growth reaching 1.4% in the EU and 1.0% in the EA. In the first quarter of 2015, GDP in the euro area was 1.5% lower than in the first quarter of 2008.

Labour markets in the EU continue to gradually recover, benefitting from the strengthening in economic activity. Employment in the EU continued to expand. In the first quarter of 2015, it grew by 0.3% in the EU and 0.1% in the EA. In the year to the first quarter of 2015, employment grew by 1.1% in the EU and by 0.8%, in the euro area. EU and euro area employment levels remain 1.4% and 2.6% lower than their peak levels in mid-2008. Employment has grown in most Member States in the first quarter 2015 and is higher than it was a year ago in the quasi totality of Member States. In net terms, employment recovered almost 4 million jobs since its recent lowest level observed in the first quarter of 2013. Estonia and Spain (3.6 % and 2.9 %) recorded a significant yearly increase. Despite the yearly improvement, Greece saw a quarterly decrease of 0.8%.

The employment improvement extended to almost all sectors in the first quarter of 2015. Most sectors are contributing to the observed improvement and, if services have driven the initial employment recovery, industry is now also contributing to employment creation.

Employment increased in industry, construction and most service sectors in the first quarter of 2015 and in the year to the first quarter of 2015. During the same period, employment declined in agriculture, real estate and financial and insurance activities.

Full time and permanent contracts continue to increase and more than temporary and part-time contracts in absolute terms. In the year to the fourth quarter of 2014, the number of full-time employees rose by 2.1 million and the number of part-time workers grew by 320 000. Nevertheless, the number of people working full-time in the fourth quarter of 2014 remain 4.6% lower than in 2008, while part-time employment is 8.7 % higher. In the fourth quarter of 2014, the number of employees with a permanent contract grew by 1 620 000, while for employees with a temporary contract it grew by 845 000.

The employment rate continues to increase. In the year to the fourth quarter of 2014, the EU employment rate for 20 to 64 year-olds increased by 0.9 percentage points (pp) to reach 69.6% For the EA, the employment rate also increased over the year but more moderately (0.6 pp) reaching 68.5%. The EU employment rate remains 0.5 pp lower than in 2008 and about 5 pp away from the 2020 target. It increased in 24 Member States. Despite the improvements, Spain, Cyprus and Greece have rates respectively 6.2 pp, 8.7 pp and 12.7 pp lower than their 2008 values.

The employment rate improves across all population groups but more significantly for the older age groups. In the year to the fourth quarter of 2014, employment rates for those aged 15-64 and 20-64 increased by 0.9 pp. The employment rate went up by 0.5 pp for young people aged 15-19 and by 0.9 pp for young people aged 20-24. For those aged 25-54, it increased by 0.6 pp while for older workers aged 55-64 it increased by 1.6 pp. The increase is even more noticeable for people aged 60-64 who see a 2.2 pp increase. In the same period, the employment rate for 15-64 year-old men and women went up by 0.8 pp and 0.9 pp respectively. When compared with the fourth quarter of 2008, the employment rate of women grew by 0.9 pp to reach 63.8 %, while the employment rate of men decreased by 2.1 pp, down to 75.4 %. In the year to the last quarter of 2014, the employment rate increased for all skills groups though to different degrees.

Unemployment in the EU slowly recedes from previous high levels but remains high with large differences across the EU. The EU unemployment rate has been decreasing, though moderately, since mid-2013. It went down to 9.6% in May 2015, a reduction of 0.7 pp compared with May 2014. In the EA, it declined too by 0.5 pp over the same period to reach 11.1% in May 2015. The unemployment rate in the EU remains 2.8 pp higher than its low of 6.8% in March/April 2008. Unemployment receded by 3 million since its peak observed in April 2013. At about 23.3 million unemployed people, including 17.7 million in the EA, the level of unemployment remains 7.3 million higher in April 2015 than its low in March 2008. Unemployment has decreased in most Member States, including some of those hit hard by the crisis, but large differences remain, with the unemployment rate ranging from 4.7 % in Germany to a very high 22.5 % in Spain and 25.6 % in Greece. In the year to May 2015, unemployment fell across all population groups though unevenly: by 0.7 pp for men and 0.7 pp for women; by 0.5 pp for those aged 25-74 and by a sharper 1.6 pp for those 15-24. The unemployment rate decreased in the year to the last quarter of 2014 across all sub-age groups and across skill groups.

Long-term unemployment in the EU shows a reinforcement of the downward trend started last quarter. The long-term unemployment rate decreased by 0.3 pp in the year to the fourth quarter of 2014 and is now 5.0%. This is the second consecutive quarter with a year-on-year decrease and in this quarter, the pace is slightly faster by 0.1 pp. Nevertheless, long-term unemployment remains a major challenge in the EU and improvements are not yet inclusive as people with longer periods of unemployment face more difficulties to find a job.

Young people in the EU are increasingly engaging in either employment or education and training. A welcome development regards youth: employment of those aged 15-24 is increasing and, for the second consecutive quarter, is making a positive and increasing contribution to employment levels. Youth unemployment also shows a decline which is accompanied by higher enrolment in education and training and a reduction in NEETs rates.

Financial conditions of EU households continue to improve, benefitting from a stronger economic activity and improved labour markets. Real gross disposable

household income (GDHI) in the EU increased further in the year to the fourth quarter of 2014 (1.7% year-on-year growth). This is related to an increase in income from work, while property income picked up for the first time in nearly two years.

Households' financial distress also fell down in the EU as fewer people need to draw on savings or to run into debt to cover current expenditures. Still, the financial distress is well above the levels seen in the previous decade, currently affecting around 15% of the population. Low-income households have seen some easing of their financial distress in recent months, but there remains a large gap between them and those in the higher income quartile: and around 10% of adults in low-income households run into debt and a further 15% draw on savings to cover current expenditure. Despite easing in most Member States, the variation in financial distress persist especially in low-income households, ranging from less than 10% Germany and Luxembourg to about 40% in Italy, Slovakia and Spain.

Labour productivity growth remained weak in the EU, but differed across EU Member States. Labour productivity growth in the EU and EA continued to be weak in the first quarter of 2015 compared to the first quarter of 2014. Nevertheless, it was now somewhat stronger than productivity growth in several other developed economies such as Japan, and only marginally below productivity growth in the US. It also differed considerably across EU Member States, with strong increases in Romania and the Czech Republic and notable decreases in Estonia and Croatia. During this period, growth in nominal compensation per employee remained on average restrained in the euro area with the exception of Estonia and Latvia, while it increased in some Member States outside the euro area, including Romania, Bulgaria and Hungary. As a consequence, nominal unit labour cost increased only moderately in most euro area Member States and decreased in Cyprus and Belgium. Unit labour cost growth regained momentum in the EU as several Member States outside the euro area showed notable increases, including Romania, Bulgaria and Hungary. The real unit labour cost increased in about half of the EU Member States as overall price increases remained subdued.

The economic outlook points to continuation of economic and labour market recovery. So far, employment and household incomes continue to progress more than could be expected given the modest economic recovery. The more favourable economic environment seen from the end of 2014 and associated with lower oil prices, the euro area depreciation and the quantitative easing by the European Central bank can support growth developments in the short term. Improvements in the labour markets and incomes should feed in turn private consumption. Nevertheless, sound economic growth is crucial to sustain expansion in employment, further unemployment declines and ensure sustainability of household income. Although there are signs of modest progress in economic development in recent months, employment expectations are a bit firmer and unemployment expectations decline. Medium-term outlook for growth for 2015-2016 improves again, with labour markets set to continue to progress moderately.

Latest labour markets and social trends in the EU28 and EA19 (in red)

	2014Q1		2014Q2		2014Q3		2014Q4		2015Q1	
	EU	EA	EU	EA	EU	EA	EU	EA	EU	EA
Real GDP										
% change on previous quarter (SA)	0.4	0.2	0.3	0.1	0.3	0.2	0.4	0.4	0.4	0.4
% change on previous year (SA)	1.4	1.1	1.3	0.8	1.3	0.8	1.4	0.9	1.5	1.0
Employment growth										
% change on previous quarter (SA)	0.3	0.2	0.4	0.3	0.3	0.2	0.2	0.1	0.3	0.1
% change on previous year	0.7	0.2	0.9	0.6	1.1	0.7	1.1	0.9	1.1	0.8
Employment rate (15-64)										
% of working-age population	64.0	63.2	64.8	63.9	65.4	64.3	65.2	64.2	:	:
change on previous year (percentage point)	0.7	0.3	0.7	0.4	0.9	0.5	0.9	0.6	:	:
Employment rate (20-64)										
% of working-age population	68.4	67.5	69.2	68.3	69.8	68.6	69.6	68.5	:	:
change on previous year (percentage point)	0.7	0.3	0.7	0.5	1.0	0.6	0.9	0.6	:	:
Gross disposable households income										
% change on previous year	0.4	0.4	0.7	0.4	1.1	1.5	1.7	1.6	:	:
Labour productivity										
% change on previous year	0.9	0.9	0.6	0.1	0.4	0.1	0.3	0.0	0.3	0.3
Nominal unit labour cost										
% change on previous year	1.1	0.7	1.1	1.2	2.0	1.1	2.0	1.2	2.9	1.1
Long-term unemployment rate										
% labour force	5.3	6.3	5.1	6.1	4.9	5.9	5.0	6.1	:	:
change on previous year (percentage point)	0.1	0.3	0.0	0.2	-0.2	0.0	-0.3	-0.1	:	:

	2015 Jan		2015 Feb		2015 Mar		2015 Apr		2015 May	
	EU	EA								
Unemployment rate										
Total (% of labour force)	9.8	11.3	9.7	11.2	9.7	11.2	9.6	11.1	9.6	11.1
Men	9.7	11.1	9.6	11.0	9.6	11.0	9.5	10.9	9.5	10.9
Women	9.9	11.4	9.9	11.4	9.8	11.3	9.8	11.3	9.7	11.2
Youth (% of labour force 15-24)	21.0	22.8	20.9	22.6	20.9	22.6	20.7	22.3	20.6	22.1

Source: Eurostat, National Accounts, Labour Force Statistics and series on unemployment.

Note: Data non-seasonally adjusted (except where indicated SA). ':' not available. GDHI: EU18 instead EU19, DG EMPL calculations.

[Click here to download chart.](#)

A tool is provided to facilitate access to regularly updated underlying data, charts and tables. Files in the Excel format, which are now available online, make it easy to access data and import charts and tables. Data will be refreshed shortly after their release by Eurostat - for instance unemployment will be updated at the beginning of each month, figures based on the Labour Force Survey (LFS) will be updated in mid-April, July, October, and January. Latest available data are accessible at:

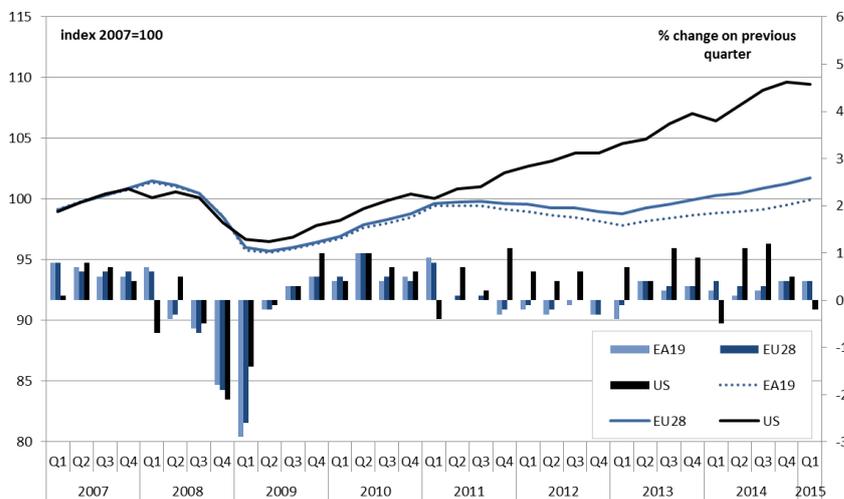
http://ec.europa.eu/employment_social/employment_analysis/quarterly/quarterly_updated_charts.xlsx

1. Macroeconomic and employment developments and outlook

The EU economic recovery continues to strengthen, moderately but consistently now for two years

Real GDP increased by 0.4% both in the EU and in the euro area (EA) in the first quarter of 2015. All of the larger Member States, including France and Italy, contributed to the increase for the first time since 2011. Domestic demand, both private consumption and investment, contributed to this output growth, while the external balance was negative. In the year to the first quarter of 2015, real GDP increased by 1.4% in the EU to reach its pre-crisis level and by 1.0% in the EA. By comparison, real GDP in the US increased by 0.1% in this quarter, resulting in a year-on-year growth of 3.0% (Chart 1).

Chart 1: Real GDP - EU, EA and US

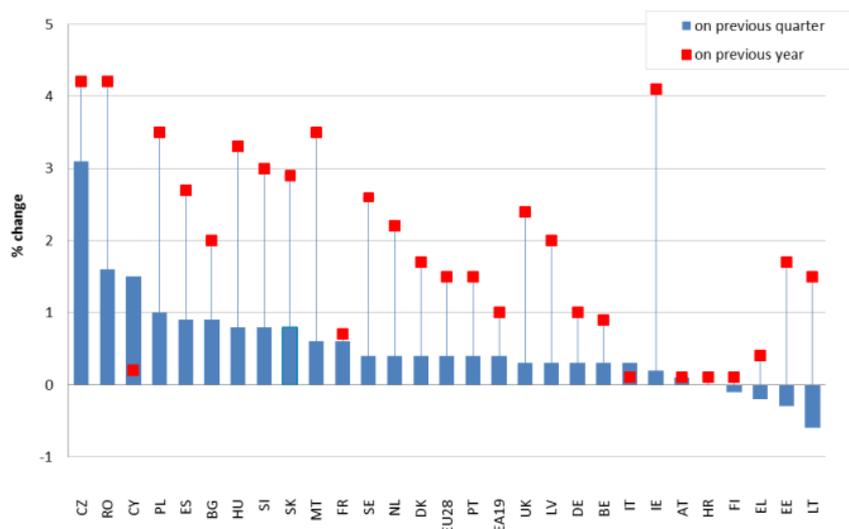


Source: Eurostat, National Accounts, data seasonally adjusted [namq_10_gdp]
[Click here to download chart.](#)

The economy grows in nearly all Member States

Real GDP grew in most EU Member States in the first quarter of 2015. There has been a quarterly decline in Estonia and Lithuania and stagnation in Croatia, while Cyprus and Italy registered their first quarterly increase. In the first quarter of 2015, Greece and Finland registered two and three consecutive quarters of decline. On a yearly basis, GDP in the first quarter of 2015 was higher than in the first quarter of 2014 in all Member States now including Italy and Cyprus. Among larger Member States, the year-on-year real GDP growth was 2% or more in Poland, Spain and the UK, 1% in Germany, 0.7% in France and 0.1% in Italy, where year-on-year growth was positive for the first time since the end of 2011. GDP grew by 4% year-on-year in the Czech Republic, Romania and Ireland (Chart 2).

Chart 2: Real GDP growth - EU, EA and Member States, 2015Q1



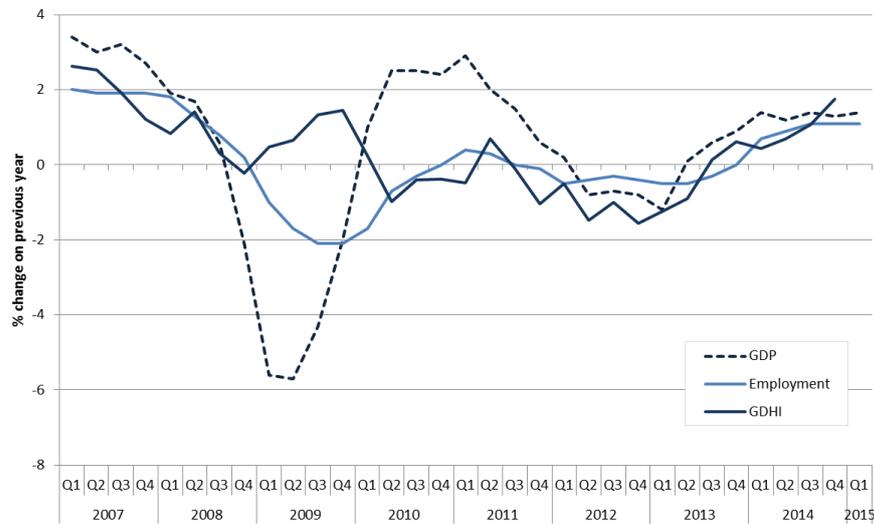
Source: Eurostat, National Accounts, data seasonally adjusted [namq_10_gdp]
 Note: IE 2014Q4, LU no data for 2014Q4-2015Q1
[Click here to download chart.](#)

EU employment and household incomes continue to benefit from strengthening economic activity

Employment in the EU continued to expand, gaining 1.1% in the year to the first quarter of 2015. Real gross disposable household income (GDHI) in the EU¹ also registered a further increase when looking at the year to the fourth quarter of 2014: a 1.7% increase compared to the fourth quarter of 2013 (Chart 3). So far, employment and household incomes continue to progress more than could be expected given the modest economic improvements, and should in turn feed private consumption. While unemployment in the EU declined further in April and May, sound economic growth is crucial to prompt further expansion in employment and to support sustainability of household income.

¹ The real GDHI growth for the EU is DG EMPL estimation, and it includes Member States for which quarterly data are available (17 Member States: AT, BE, CZ, DE, DK, EL, ES, FI, FR, HR, IE, IT, NL, PT, SE, SI, UK, which account for at least 90% of EU GDHI, PL and RO available till 2012). The nominal GDHI is converted into real GDHI by deflating with the deflator (price index) of household final consumption expenditure. The real GDHI growth is a weighted average of real GDHI growth in Member States.

Chart 3: Real GDP, GDHI and employment growth - EU

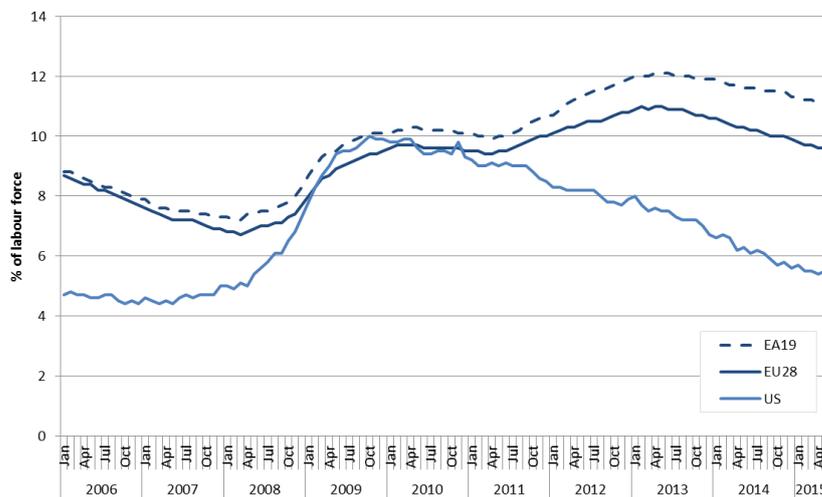


Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_gdp, namq_10_pe, nasq_10_nf_tr] (DG EMPL calculations for GDHI)
 Note: GDHI EU aggregate for Member States for which data are available, GDP for EU28
[Click here to download chart.](#)

Unemployment in the EU continues to slowly recede in the beginning of 2015

In May 2015, the EU and EA unemployment rates went down to 9.6% and 11.1% respectively from 10.3% and 11.6% in May 2014. The unemployment rate in the US was 5.5% in May 2015, down from 6.3% in May 2014 (Chart 4).

Chart 4: Unemployment rate - EU, EA and US



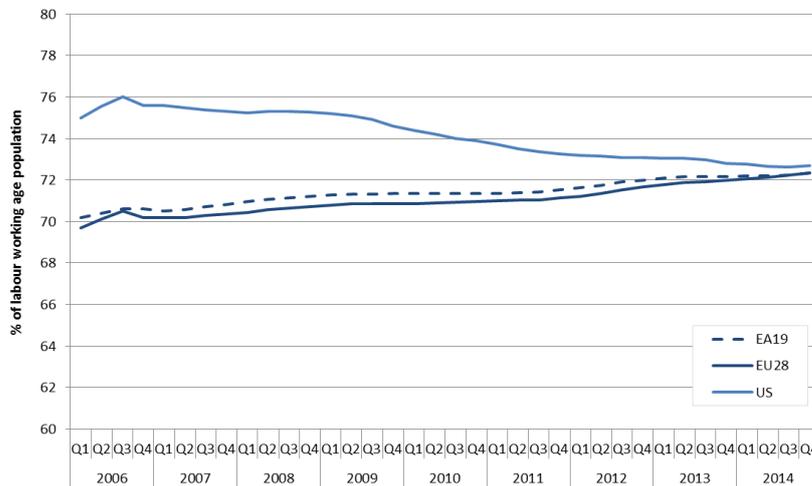
Source: Eurostat, series on unemployment, data seasonally adjusted [une_rt_m]
[Click here to download chart.](#)

Labour market activity in the EU continues to increase

This faster decline in unemployment in the US compared to the EU can be partially explained by trends in labour market activity. The sharp decrease in unemployment in the US has been accompanied by a fall in labour market activity, especially sharp till 2011.

By contrast, labour market activity has consistently increased in the EU in the last decade and during the crisis years, suggesting higher labour market participation into either employment or unemployment of certain population groups previously inactive, such as older workers and women (Chart 5).

Chart 5: Activity rate - EU, EA and US



Source: US Bureau of Labor Statistics: LFS from the CPS, and Eurostat, LFS and [lfsi_act_q] Data non-seasonally adjusted

Note: Age 15-64 for EU, EA and 16-64 for US. Average of the current and 3 previous quarters.

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Outlook

The Purchasing Managers Index for the EA indicates slower economic expansion in May 2015 which is offset by comparably firmer job creation in May

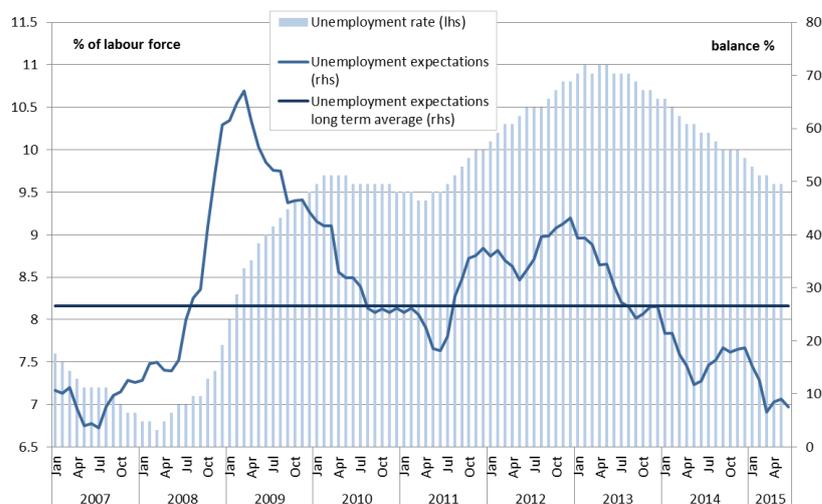
The Purchasing Managers Index (PMI) for the EA composite output index has remained broadly stable since March 2015 and above the level which separates growth from contraction. Nevertheless, some contradictory developments can be observed. On one hand, there may be a slow-down in output expansion in the EA in May 2015 and the number of new business is at a three-month low. On the other hand, looking at the labour market, employment rose for the seventh consecutive month and at a faster pace than it has in four years. During May 2015, employment increases accelerated in Germany, France and Spain and remained solid in France, despite slight easing.

Economic sentiment for the EU continues to improve as do consumers and employment prospects

The Commission's economic sentiment indicator (ESI), derived from the EU Business and Consumer Surveys, has remained on an upward trend since the autumn 2012. Nevertheless, in May 2015, it was just slightly higher than it was three months before. This slowing down of the ESI may have resulted in the stagnation in consumer expectations. In contrast, among business sectors, a better economic sentiment in services and retail offset the observed stagnation in industry and construction.

Looking at the labour market, consumers are more optimistic than three months earlier that unemployment will continue to fall (Chart 6). Employment prospects are also higher in three business sectors, namely industry, services and retail (but not in construction).

Chart 6: Consumers' expectations for unemployment vs. unemployment rate - EU



Source: European Commission, Business and Consumer Surveys and Eurostat, LFS, data seasonally-adjusted [ei_bscs_m, une_rt_m]
[Click here to download chart.](#)

Medium-term outlook for growth improves again, and EU labour markets will continue to progress moderately

Recent IMF, European Commission, ECB and OECD forecasts concur on further improvements in the economic outlook in the EA, with GDP set to grow by between 1.4% and 1.5% in 2015, accelerating to nearly 2% in 2016. The Commission also revised upward its forecast for GDP growth in the EU to 1.8% in 2015 and 2.1% in 2016. Regarding the labour market, employment growth is to strengthen slightly, with EU unemployment forecast to decline to below 9.2% and EA unemployment to decline gradually to around 10.5% in 2016 (Table 1).

Table 1: Recent forecasts for real GDP growth, unemployment rate and employment growth - EU and EA

	GDP growth		Unemployment rate		Employment growth	
	2015	2016	2015	2016	2015	2016
euro area						
IMF	1.5	1.7	11.1	10.6	0.9	0.9
Commission	1.5	1.9	11.0	10.5	0.9	1.1
ECB	1.4	1.7	11.1	10.6	:	:
OECD	1.4	2.1	11.1	10.8	:	:
EU						
IMF	1.8	1.9	:	:	:	:
Commission	1.8	2.1	9.6	9.2	0.9	1.0

Source: Diverse forecast documents.

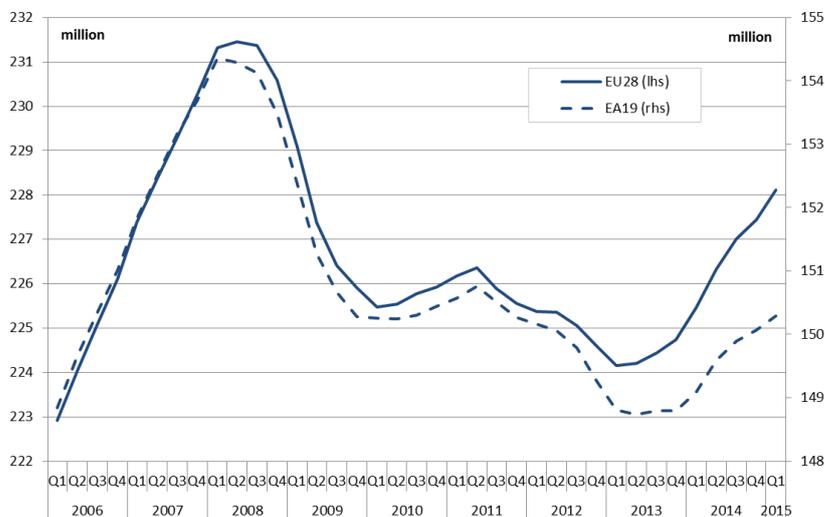
Note Forecasts were published: April 2015 (IMF), May 2015 (Commission), 2015Q2 (ECB survey of professional forecasters) and June 2015 (OECD). ':' do not include forecasts of labour market variables.
[Click here to download table.](#)

2. Employment in the EU and its Member States

Employment grows in the first quarter 2015 supporting the consistent growth in the EU and in the EA in the last four quarters, with more moderate developments in the EA

Employment continued to rise in the first quarter of 2015 by 0.3% in the EU and 0.1% in the EA. In the year to the first quarter of 2015, employment grew by 1.1% in the EU, but it remained 1.4% lower than at its peak levels in mid-2008. In the EA, employment growth was more moderate over the same period: employment increased by 0.8%, remaining 2.6% lower than the 2008 peak levels (Chart 7). Employment recovered almost 4 million jobs since its recent lowest level observed in the first quarter of 2013. Nevertheless, its growth pace is not yet strong enough to compensate for the loss of about 7.3 million jobs during the crisis years (between the mid-2008 peak and the bottom levels of the first quarter of 2013).

Chart 7: Employment level - EU and EA



Source: Eurostat, National Accounts, data seasonally-adjusted [namq_10_pe]
[Click here to download chart.](#)

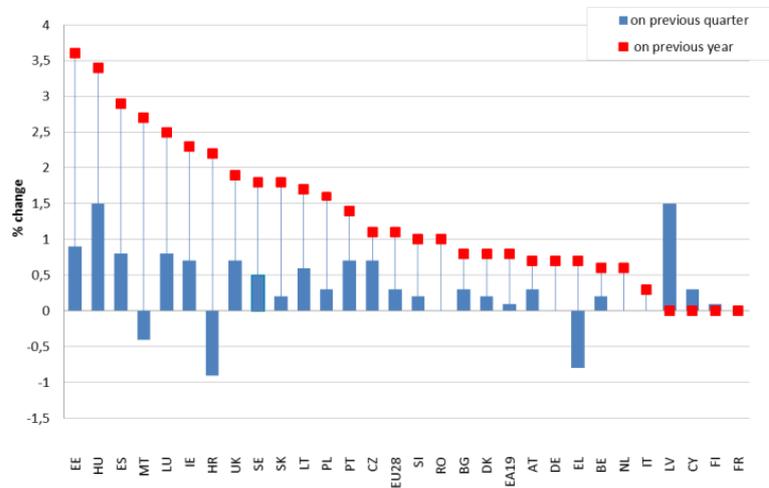
Employment has grown in most Member States in the first quarter 2015 and is higher than it was a year ago in the quasi totality of Member States

Employment increased in most EU Member States in the first quarter of 2015. It rose in 19 of the 25 Member States for which data are available², remained stable in four and fell in two. The largest growth rates were recorded in Latvia and Hungary with 1.5 %, Estonia, 0.9 % and Spain, 0.8 %. Greece and Malta recorded quarterly decreases of 0.8% and 0.4% respectively (Chart 8). Finally, in France, Italy, The Netherlands and Germany, employment recorded a zero growth in the first quarter 2015.

In the year to the first quarter of 2015, the number of people in employment grew in 24 Member States and stagnated in four. The largest increases were recorded in Estonia, 3.6 %, Hungary, 3.4 %, Spain, 2.9 % and Malta, 2.7 %. Stagnations (0.0 %) were recorded in France, Cyprus, Latvia and Finland.

² Data N/A for HR; LU and RO

Chart 8: Employment growth - EU, EA and Member States, 2015Q1

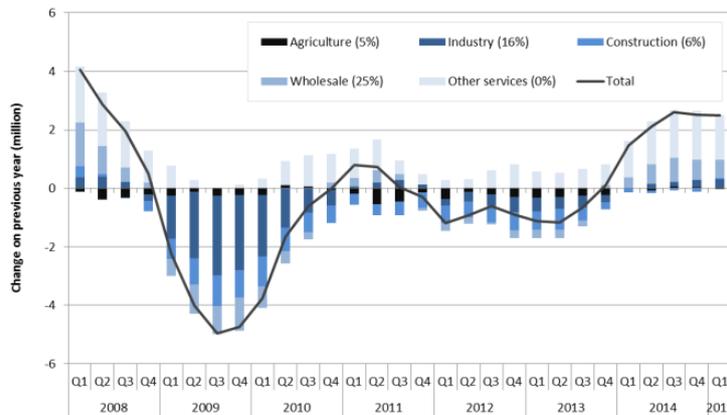


Source: Eurostat, National Accounts, data seasonally adjusted (q-o-q) and non-seasonally adjusted (y-o-y) [namq_10_pe]
[Click here to download chart.](#)

Industry is now contributing to employment recovery in the EU

Employment in non-tradable³ services continued to expand in the EU in the year to the first quarter of 2015, as it did throughout the crisis, except for the observed stagnation in 2009. Tradable services have started to support job creation since the beginning of 2014 with employment in industry also starting to regain ground from the second half of 2014 onwards (Chart 9).

Chart 9: Employment growth by sector - EU

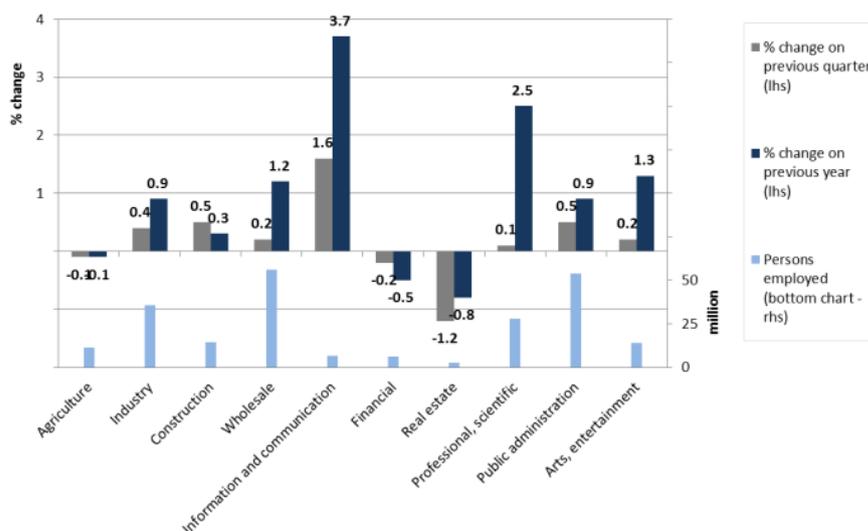


Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_a10_e]
[Click here to download chart.](#)

³ Tradable sectors include: Agriculture (A), Industry (B-E) - Mining and quarrying (B), Manufacturing (C), Electricity, gas, steam and air conditioning supply (D), Water supply, sewerage, waste management and remediation activities (E) and tradable services - Wholesale and retail trade (G), Transport (H), Accommodation and food service activities (I). Non-tradable sectors include: Construction (F) and other non-tradable services - Information and communication (J), Financial and insurance activities (K), Real estate activities (L), Professional, scientific and technical activities (M), Administrative and support service activities (N), Public administration and defence (O), Education (P), Human health and social work activities (Q), Arts, entertainment and recreation (R), Other service activities (S), Activities of household (R), Activities of extra-territorial organizations and bodies (U).

Looking at the sectors in more detail, in the first quarter of 2015, employment increased in industry, construction and most service sectors. Employment declined in agriculture, real estate and financial and insurance activities. Similarly, compared to the first quarter of 2014, employment was up in industry, construction and most service sectors and down in agriculture, real estate and financial and insurance activities (Chart 10). See Annex 4 for detailed changes in employment in the first quarter of 2015 for 10 NACE branches.

Chart 10: Employment growth by sector - EU, 2015Q1

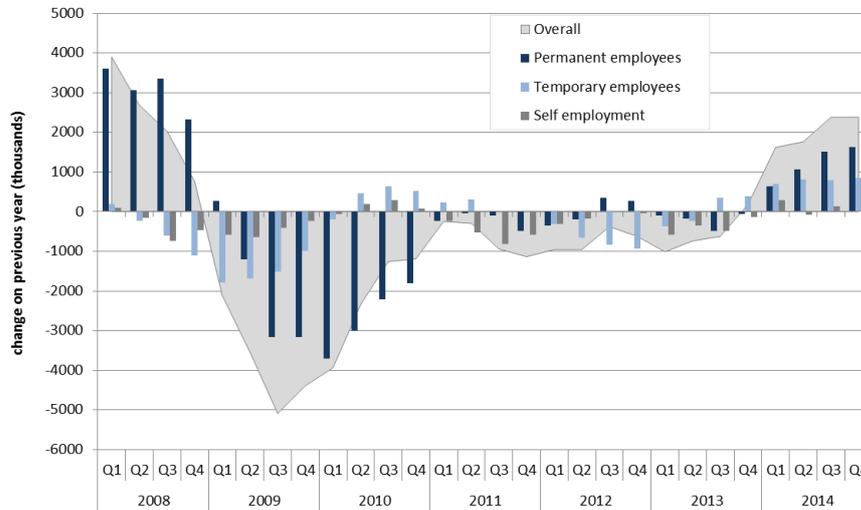


Source: Eurostat, National Accounts, data seasonally adjusted (q-o-q) and non-seasonally adjusted (y-o-y) [namq_nace10_e]
 Top chart: Employment growth (%). Bottom chart: Employment level (million).
[Click here to download chart.](#)

The number of permanent workers continues to increase and more than temporary employees in absolute numbers

In absolute terms, the increase in permanent employment in the fourth quarter of 2014 outnumbered the increase in temporary jobs for a second consecutive quarter. In the fourth quarter of 2014, the number of workers with a permanent contract grew by 1 620 000 (or 1.1%), while for workers with a temporary contract it grew by 845 000 (or 3.5%) and self-employment decreased by 59 900 (or 0.1%) (Chart 11).

Chart 11: Change in permanent and temporary employment and self-employment - EU

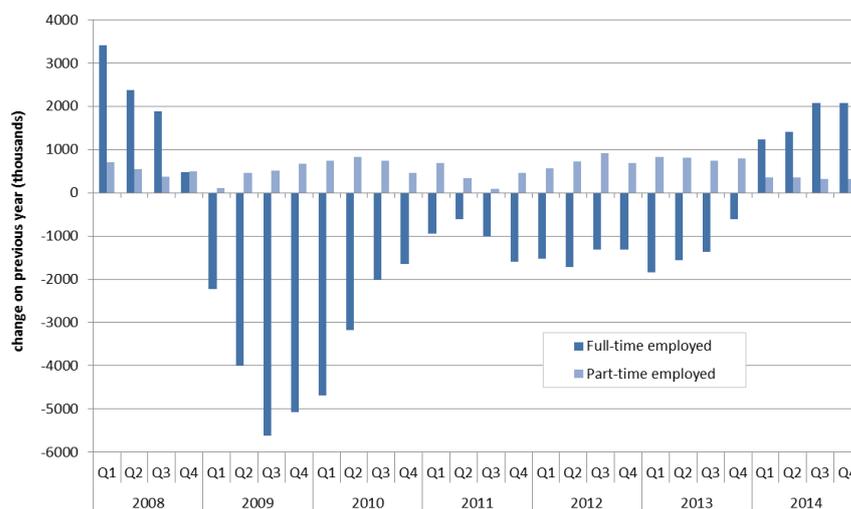


Source: Eurostat, LFS, data non-seasonally adjusted [lfsq_egaps, lfsq_etgaed]
[Click here to download chart.](#)

Full-time work continues to increase during 2014

Full-time work continued to increase throughout 2014. In the year to the fourth quarter of 2014, the number of full-time workers rose by 2.1 million or 0.8%. The number of part-time workers grew by 320 000 or 1.2 % during the same period (Chart 12). Nevertheless, the number of people working full-time in the fourth quarter of 2014 remain 4.6% lower than in 2008, while part-time employment is 8.7 % higher

Chart 12: Change in part-time and full-time employment - EU



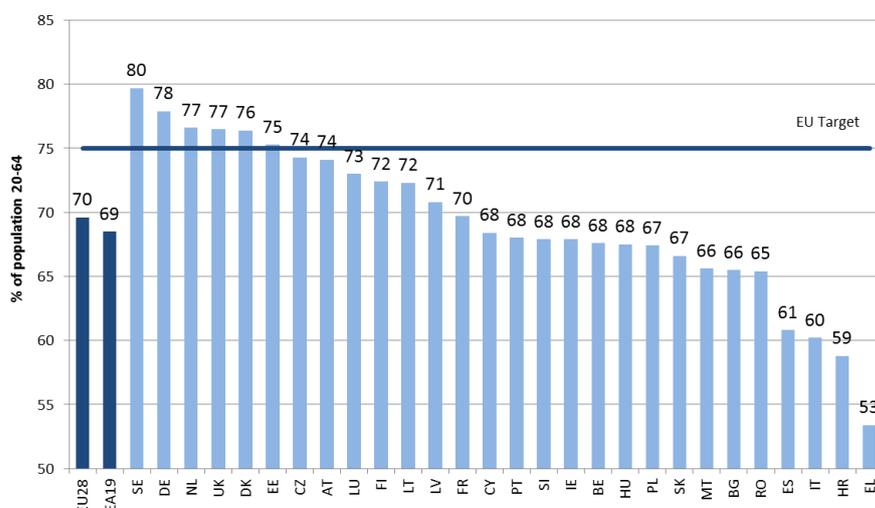
Source: Eurostat, LFS, data non-seasonally adjusted [lfsq_eftpt]
[Click here to download chart.](#)

Employment rate in the EU and its Member States

The EU employment rate has improved in 2014

The EU employment rate for 20 to 64 year-olds is the age range against which the Europe 2020 target is monitored. This rate rose by 0.9 percentage points (pp) in the year to the last quarter of 2014, after a year-on-year change of 1.0 pp observed in the third quarter. It reached 69.6% but remains 0.5 pp lower than in 2008 and about 5 pp away from the 2020 target. For the EA, the employment rate has also increased over the year but at a slower rate, with a 0.6 pp increase in the year to the last quarter of 2014, when it reached 68.5% (Chart 13).

Chart 13: Employment rate - EU, EA and Member States, 2014Q4

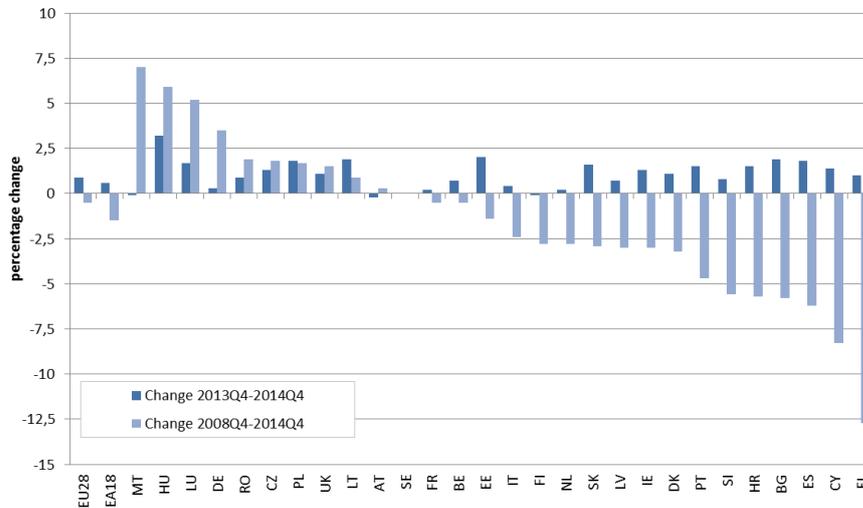


Source: Eurostat, LFS, data non-seasonally adjusted [lfsi_emp_q]
[Click here to download chart.](#)

The employment rate has increased in 85 % of the Member States

In the year to the fourth quarter of 2014, the employment rate for 20-64 years old increased in 24 Member States, was stable in Sweden and decreased in three. The largest rises were recorded in Hungary, 3.2 pp, Estonia, 2.0 pp, Bulgaria, 1.9 pp and Lithuania, 1.9 pp. Three countries recorded moderate declines Finland and Malta, 0.1 pp, and Austria, 0.2 pp (Chart 13).

Chart 14: Employment rate - EU, EA and Member States, change to 2014Q4



Source: Eurostat, LFS, data non-seasonally adjusted [lfsi_emp_q]
[Click here to download chart.](#)

The employment rate remains below the 2008 level and the Europe 2020 target in 60 % of the Member States

Despite the improvements observed since 2013, the employment rate remains below the 2008 rate in 17 Member states. This is especially the case for Spain, Cyprus and Greece with rates 6.2 pp, 8.7 pp and 12.7 pp lower than their 2008 values. Over the same period, the rate increased significantly in Malta, 7.0 pp, Hungary, 5.9 pp, Luxemburg, 5.2 pp and Germany, 3.5 pp (Chart 14). In the fourth quarter of 2014, there was a 26.3 pp difference between the highest employment rate of 79.7% in Sweden and the lowest rate of 53.4 % in Greece.

Employment rates improve across all population groups and again most notably for older workers

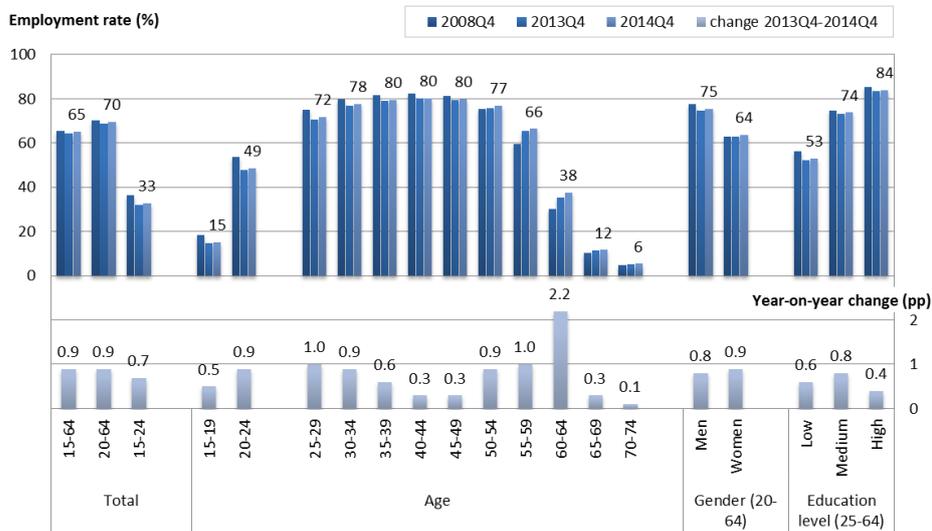
The EU employment rate increased for all population groups in the year to the last quarter of 2014 (Chart 15). The overall increase for those aged 15-64 and 20-64 was 0.9 pp. The increase for those 20-24 is also 0.9 pp (see chart 16 below). Employment rate went up by 0.5 pp for young people aged 15-19. For those aged 25-54 it increased by 0.6 pp while for older workers aged 55-64 it increased more significantly, by 1.6 pp. The increase is even more noticeable for people aged 60-64 who see a 2.2 pp increase in their employment rate.

When compared with the last quarter 2008, the employment rate is still lower for the under 50's. For the 20-24 year-olds the employment rate is 5.2 pp lower, at 48.6 % and for 25-29 year-olds it is 3.5 pp lower, at 71.6 %. In contrast, for those 50+ the employment rate is higher than in 2008, and more so for 55-59 year olds for whom the employment rate went up by 7.0 pp to reach 66.4 % and 60-64 year olds for whom it went up by 7.3 pp to reach 37.5 %.

In the year to the fourth quarter of 2014, the employment rate for 15-64 year olds went up by 0.8 pp for men and by 0.9 pp for women. When compared with the fourth quarter 2008, the employment rate of women grew by 0.9 pp to reach 63.8 %, while the employment rate of men decreased by 2.1 pp, down to 75.4 %.

In the year to the last quarter of 2014, the employment rate increased for all skills groups though to different degree (Chart 15).

Chart 15: Employment rate by population groups – EU



Source: Eurostat, LFS, data non-seasonally adjusted [lfsq_ergaed]
 Top chart: Employment rate (% of respective population). Bottom chart: Change in employment rate 2013Q4-2014Q4 (pp).
[Click here to download chart.](#)

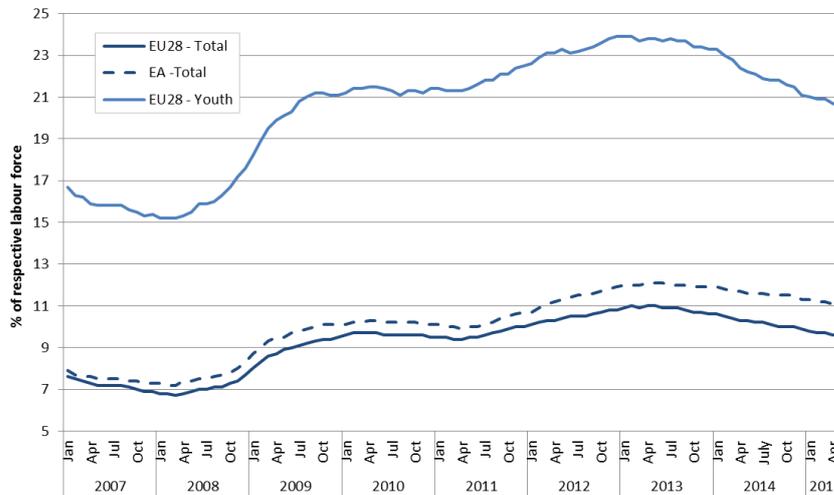
3. Unemployment in the EU and in Member States

Unemployment in the EU slowly recedes from high levels

The unemployment rate in the EU has been decreasing, though moderately, since mid-2013. It went down to 9.6% in May 2015, a reduction of 0.7 pp compared with May 2014. In the EA, it declined too by 0.5 pp over the same period to reach 11.1% in May 2015. The unemployment rate in the EU remains 2.8 pp higher than its low of 6.8% in March/ April 2008 (Chart 16).

The unemployment rate decline represents about 1.6 million fewer unemployed people in the EU, including 0.9 million in the EA, from May 2014 to May 2015. Unemployment receded by more than 3 million since its peak observed in April 2013. Nevertheless, the decline is too weak to ensure a prompt return to its pre-crisis level. At 23.3 million unemployed people, including 17.7 million in the EA, the level of unemployment remains 7.3 million higher in May 2015 than its low in March 2008.

Chart 16: Unemployment rate and youth unemployment rate - EU and EA

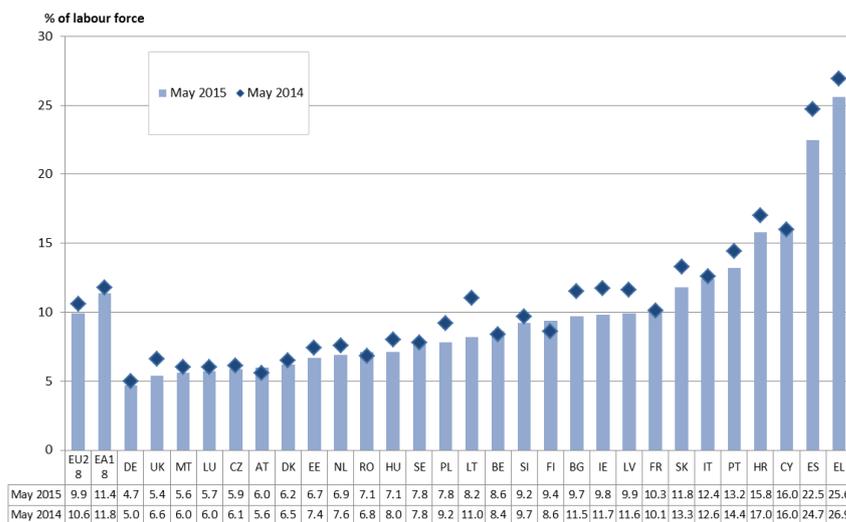


Source: Eurostat, series on unemployment, data seasonally adjusted [une_rt_m]
[Click here to download chart.](#)

Unemployment falls in the majority of Member States

In the year to May 2015, unemployment rates decreased or were stable in 23 Member States but it increased in five, namely Finland and Austria which registered increases above 0.4 pp. Belgium, France and Romania also saw small increases around 0.2 pp. Large differences remain among Member States, with the unemployment rate ranging from 4.7 % in Germany to a very high 22.5 % in Spain and 25.6 % in Greece (Chart 17).

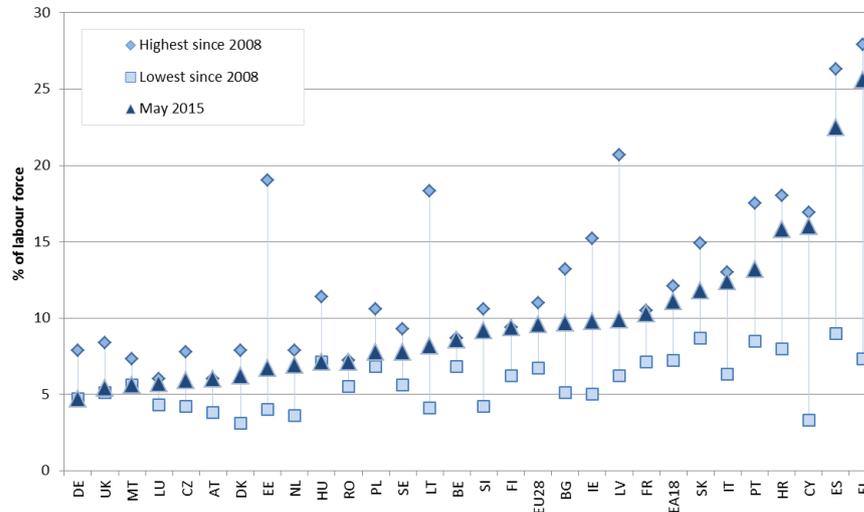
Chart 17: Unemployment rates - EU, EA and Member States, April 2014 and April 2015



Source: Eurostat, series on unemployment, data seasonally adjusted [une_rt_m]
 Note: EL, UK, LV: March 2015, EE, HU: April 2015
[Click here to download chart.](#)

The largest yearly reductions in unemployment took place in Lithuania (2.8 pp), Spain (2.2 pp), Ireland (1.9 pp) and Bulgaria (1.8 pp) (Chart 18).

Chart 18: Unemployment rates - EU, EA and Member States, April 2015 and highest and lowest rate since 2008

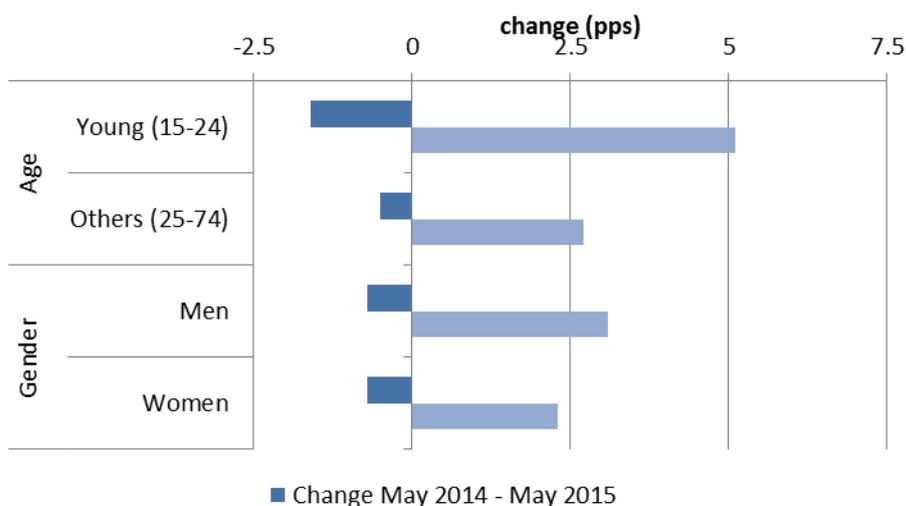


Source: Eurostat, series on unemployment, data seasonally adjusted [une_rt_m]
 Note: EL, UK, LV: March 2015, EE, HU: April 2015
[Click here to download chart.](#)

Unemployment falls for all population groups

In the year to May 2015, unemployment fell across all population groups though unevenly: by 0.7 pp for men and 0.7 pp for women; by 0.5 pp for those aged 25-74 and a sharper decrease for 15-24's by 1.6 pp. Earlier data shows more in detail that the unemployment rate decreased in the year to the last quarter of 2014 across all sub-age groups, and across skill-groups. Nonetheless, these recent changes are not enough to compensate for the increase observed since 2008 (Chart 19).

Chart 19: Unemployment rate by population groups - EU, change to April 2015/ 2014Q4



Source: Eurostat, series on unemployment and LFS [une_rt_m, lfsq_urgaed]
[Click here to download chart.](#)

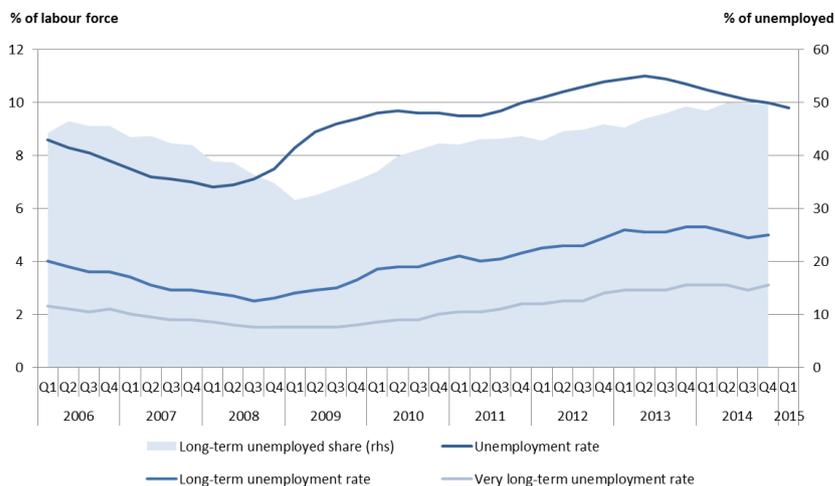
4. Long-term unemployment, additional potential labour force and underemployment

Long-term unemployment in the EU: a reinforcement of the downward trend started last quarter

The long-term unemployment rate, i.e. the rate for those unemployed for a year or more, decreased by 0.3 pp in the year to the fourth quarter of 2014 and is now 5.0%⁴. This is the second consecutive quarter with a year-on-year decrease and, in this quarter, the pace is slightly faster by 0.1 pp (Chart 20). In the same period, for the very long-term unemployed, those unemployed for at least two years, the rate is the same as the year before, 3.1%.

The overall decline represents about 600 000 fewer people in long-term unemployment than in the fourth quarter of 2013. However, it remains high with about 12.2 million unemployed people who have been out of work for more than a year despite searching for a job. Of these, more than 7.5 million have been out of work for more than two years.

Chart 20: Unemployment and long-term unemployment rates and share - EU



Source: Eurostat, LFS, data seasonally adjusted (unemployment rate) and non-seasonally adjusted (long-term unemployment rates) [une_rt_q, une_ltu_q]

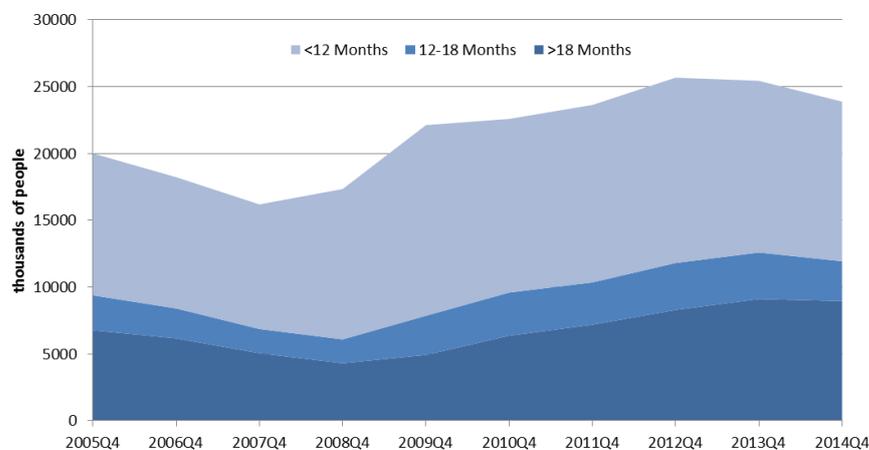
Left axis: Unemployment rates (% of labour force). Right axis: unemployment share (% of unemployed)
[Click here to download chart.](#)

The share of long-term unemployment over total unemployment remains stable at a historically high level close to 50%

A detailed analysis of the duration of unemployment shows that the decrease in long-term unemployment occurs mainly among those unemployed between 12 and 18 months (Chart 21). The situation for the rest of long-term unemployed is not improving yet. This contrasts with the pre-crisis trend where the decrease in long-term unemployment reached people across all groups of unemployment duration. Reductions in long-term unemployment usually lags behind those in unemployment, therefore it may still be too early to see a trend change. The high rates of long-term unemployment and the high share of long-term unemployment in total unemployment raise the risk that unemployment could become chronic for a significant number of people or that some would move into inactivity. It is possible that the expected decreases in unemployment could not be enough to reduce very-long term unemployment.

⁴ Due to seasonality the long-term unemployment rate in the fourth quarter (5.0%) was higher than in the third quarter (4.9%). Data for long-term unemployment is not seasonally adjusted.

Chart 21: Unemployment levels on fourth quarter (2005-2014) by duration of unemployment – EU

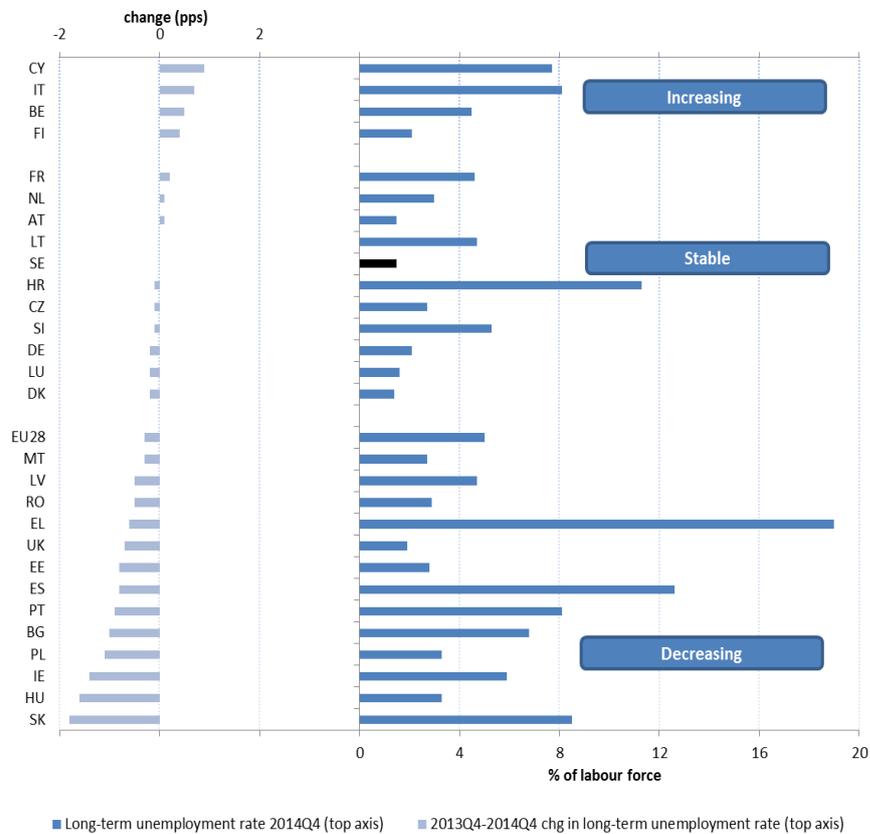


Source: Eurostat, LFS, data non-seasonally adjusted [lfsq_ugad]
[Click here to download chart.](#)

Most Member States show declining levels of long-term unemployment

The reduction in long-term unemployment is consistent across many Member States in the year to the fourth quarter of 2014. A high number of Member States registered significant decreases in the long-term unemployment rate, including Greece that still holds the highest rate of the EU (19.0%). In Slovakia, Hungary and Ireland, the reduction was above or close to 1.5 pp. By contrast, long-term unemployment rates are still increasing in Cyprus and Italy. Greece still holds the highest proportion of long-term unemployed: 75.4% of total unemployment.

Chart 22: Long-term unemployment rates - EU, EA and Member States, level and change to 2014Q4

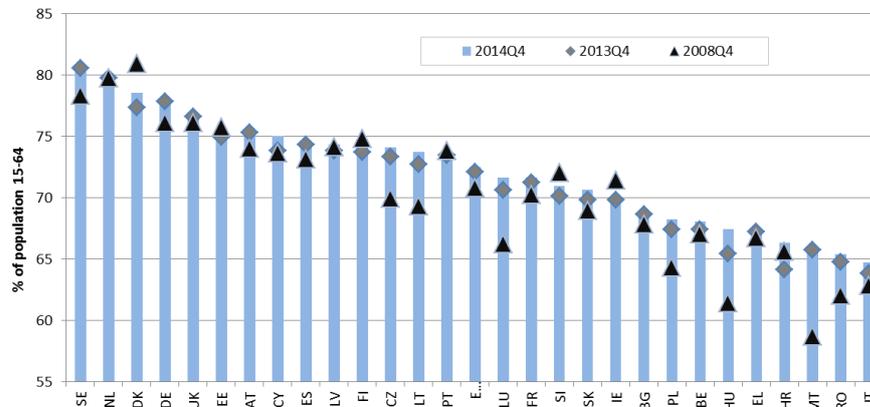


Source: Eurostat, LFS, data non-seasonally adjusted [une_ltu_q]
[Click here to download chart.](#)

Activity rates improve and converge among Member States

The activity rate for 15 to 64 year-olds in the EU increased by 0.4 pp in the year to the fourth quarter of 2014, to reach 72.5% of the total population. The rate is 1.7 pp higher than in the fourth quarter of 2008 and represents a total of 243 million people. Changes in the activity rate were positive in most Member States in the year to the fourth quarter of 2014. Only four Member States showed minor decreases in their activity rates. Italy is approaching but still below 65%. The biggest increases (by more than 2 pp) occurred in Croatia and Hungary. These Member States plus Malta have the biggest increases in activity rate since 2008 (above 6 pp). The largest decreases in active population since the onset of the economic crisis in 2008 were seen in Denmark and Ireland, 2.4 pp.

Chart 23: Activity rate - EU, EA and Member States



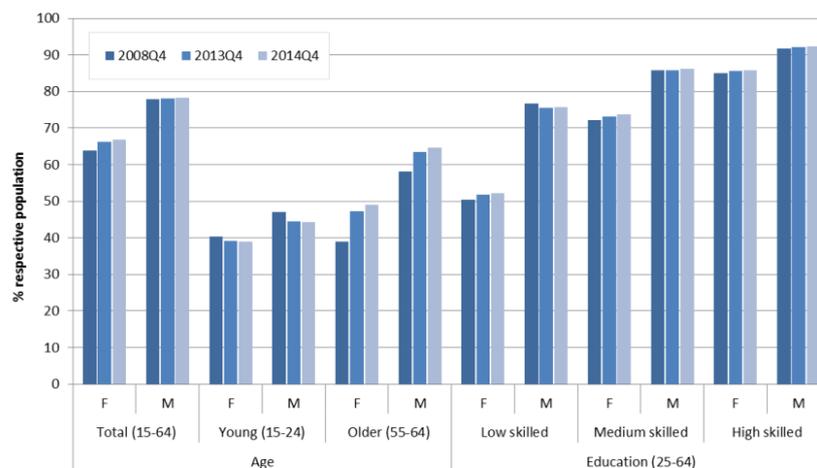
Source: Eurostat, LFS, data non-seasonally adjusted [lfsi_act_q]
[Click here to download chart.](#)

Older workers and high skilled youth shows the highest increases in activity rate

In the period between the fourth quarter of 2008 and the fourth quarter of 2014, the activity rate for men increased only slightly by 0.5 pp reaching 78.3%; it increased quite significantly (by 2.9 pp) for women reaching 66.8%. Nevertheless, an important gender gap of 11.5 pp remains.

The activity rate increased among all age and skill groups, with the exception of low skilled young people 15-24. On the other hand, high skilled young people have increased their activity rates in the year to the fourth quarter of 2014, and for high-skilled male youths activity rates are higher than in 2008. There were larger increases in activity rate for those aged 55-64 years by 1.8 pp for women and 1.3 pp for men within this group, the increase was larger for high skilled women (Chart 24). Those aged 55-64 have been the main contributor to the overall increase in activity rate, contributing twice as much as the largest age group 25-54

Chart 24: Activity rate by population groups - EU



Source: Eurostat, LFS, data non-seasonally adjusted [lfsq_argaed]
[Click here to download chart.](#)

Additional potential labour force in the EU is stable

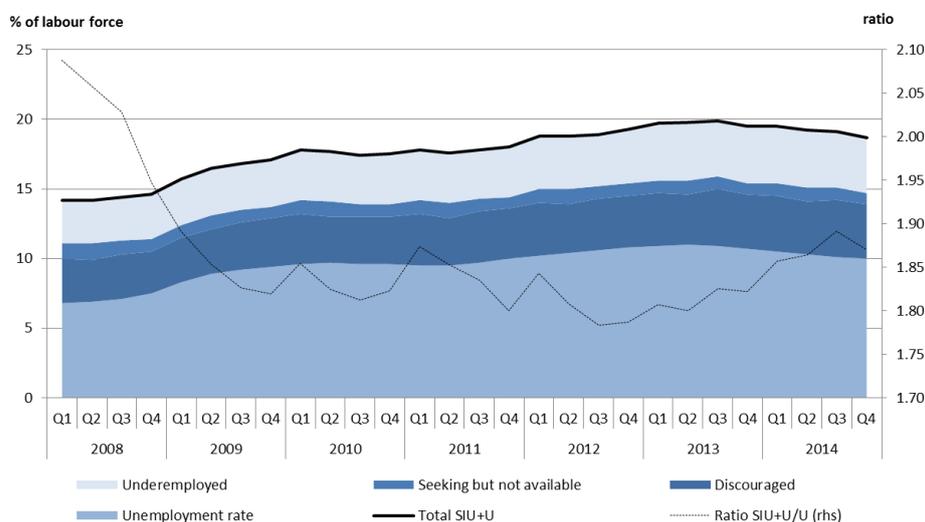
The potential additional labour force is monitored using three supplementary indicators⁵ to unemployment: discouragement, underemployment and seeking but not available.

In the fourth quarter of 2014, there was no change in the proportion of 'discouraged workers', those who are available to work but not looking for a job, in the EU compared to the fourth quarter of 2013 at 3.9% of the labour force. The declines seen in unemployment and long-term unemployment have not yet impacted this layer of inactive individuals.

The other main component of the potential labour force is underemployment, i.e. those who would like to but cannot find full-time work. This indicator decreased by 0.1 pp over the year to 4.0% of the labour force, but remains close to peak values.

Those looking for a job but not available for work are 0.8% of labour force, and also remained unchanged in the year to the fourth quarter of 2014.

Chart 25: Unemployment, potential labour force and underemployment - EU



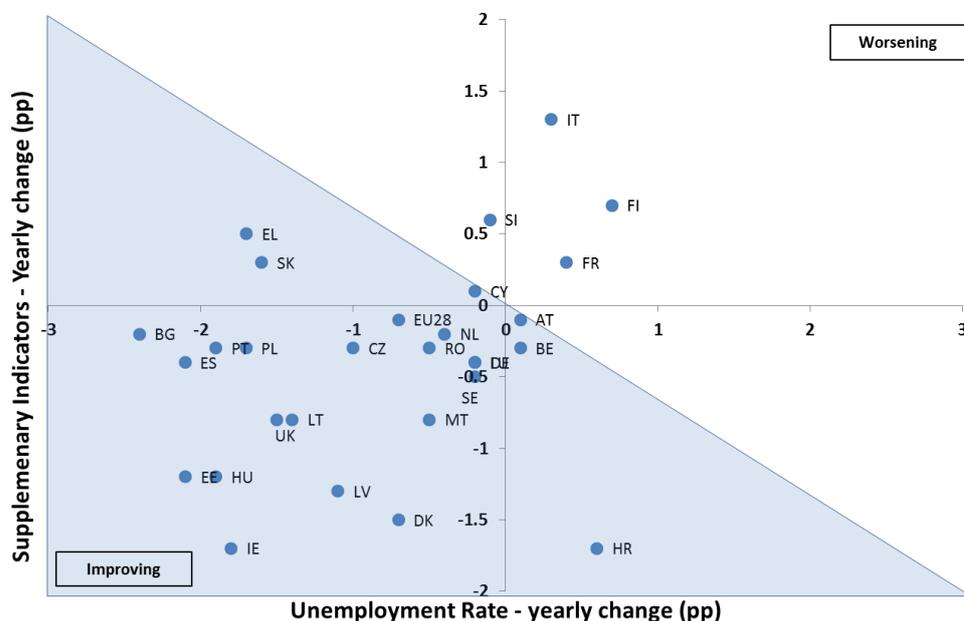
Source: Eurostat, LFS, data seasonally adjusted (unemployment rate) and non-seasonally adjusted (other indicators), [une_rt_q, lfsi_sup_age_q] (DG EMPL calculations)
[Click here to download chart.](#)

Most Member States see a reduction in unemployment and several see a decline in the potential labour force indicators

Monitoring unemployment levels alongside indicators on the potential labour force can be used to analyse if improvements in unemployment are at the expense of the potential labour force. In the year to the fourth quarter of 2014, most Member States saw an improvement in labour market. In the same period Ireland, 3.5 pp, Estonia, 3.3 pp and Hungary, 3.1 pp registered the largest declines when combining supplementary indicators and unemployment rate (Chart 26). Croatia increased its unemployment rate by 0.6 pp but the reduction in the supplementary indicators was stronger, 1.7 pp, Overall, Italy registered the largest combined increase of supplementary indicators and unemployment rate of 1.6 pp in the year to the fourth quarter of 2014.

⁵ Underemployment and additional potential labour force cover the three EUROSTAT supplementary indicators to unemployment: [1] underemployed part-time workers, [2] persons seeking work but not immediately available and [3] persons available for work but not seeking it (i.e. discouraged). See: http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Underemployment_and_potential_additional_labour_force_statistics

Chart 26: Changes in unemployment and supplementary indicators to unemployment (SIU) in the EU Member States, 2014Q4-2013Q4



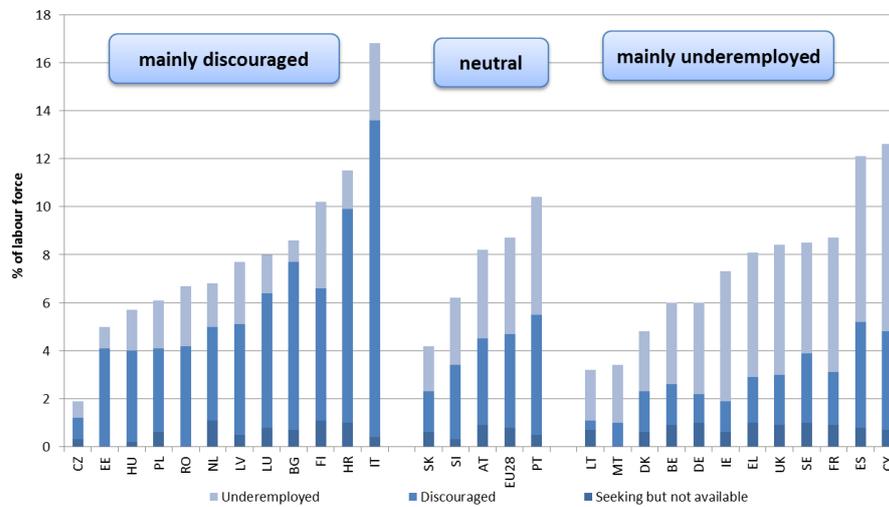
Source: Eurostat, LFS, data non-seasonally adjusted [une_rt_q, lfsi_sup_age_q] Note: LV, LU, EE, MT and RO: no data for 'Seeking but not available', FR no data for 'Discouragement' 2013Q4
[Click here to download chart.](#)

Italy the most "discouraged" and Cyprus the most "underemployed"

The division of Member States into those with mainly 'discouraged people' and those with mainly 'underemployed people' remains balanced in the fourth quarter of 2014 but some Member States shows similar levels for both indicators (Chart 27). Italy is still the country with the highest percentage of discouraged workers and the situation is getting worse with a 0.9 pp increase in the fourth quarter of 2014, to reach 13.2% compared to the fourth quarter of 2013. Croatia remains the country with the second highest discouragement level but is showing a significant improvement with a 1.9 pp decrease.

In the fourth quarter of 2014, Cyprus has again the highest rate of underemployment and is the country with the highest increase, 0.8 pp, in the year to the fourth quarter of 2014.

Chart 27: Labour underutilisation - EU and Member States, 2014Q4

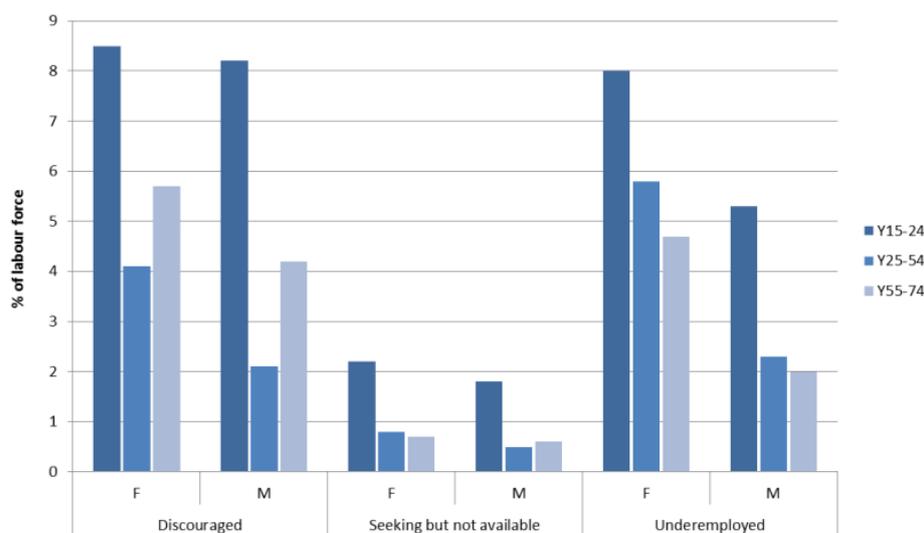


Source: Eurostat, LFS, data non-seasonally adjusted [une_rt_q, lfsi_sup_age_q] Note: EE, MT and RO: no data for 'Seeking and not available' [Click here to download chart.](#)

Discouragement among women aged 55-74 and underemployment for young people decreased

Developments in discouragement and underemployment vary across population groups. During the year to the fourth quarter of 2014 discouragement decreased especially for older women aged 55-74 years. Underemployment was either stable or decreased slightly for all age groups, with a more noticeable decline for young workers, both men and women, aged 15-24. Still, young workers remain particularly affected by underemployment and discouragement (Chart 28). In Estonia, discouragement among young people saw a drop of 4.4 pp. By contrast, in Croatia, discouragement among the young increased significantly by 6.3 pp.

Chart 28: Underemployment and potential labour force by sex and age - EU, 2014Q4



Source: Eurostat, LFS, data non-seasonally adjusted [lfsi_sup_age_q] [Click here to download chart.](#)

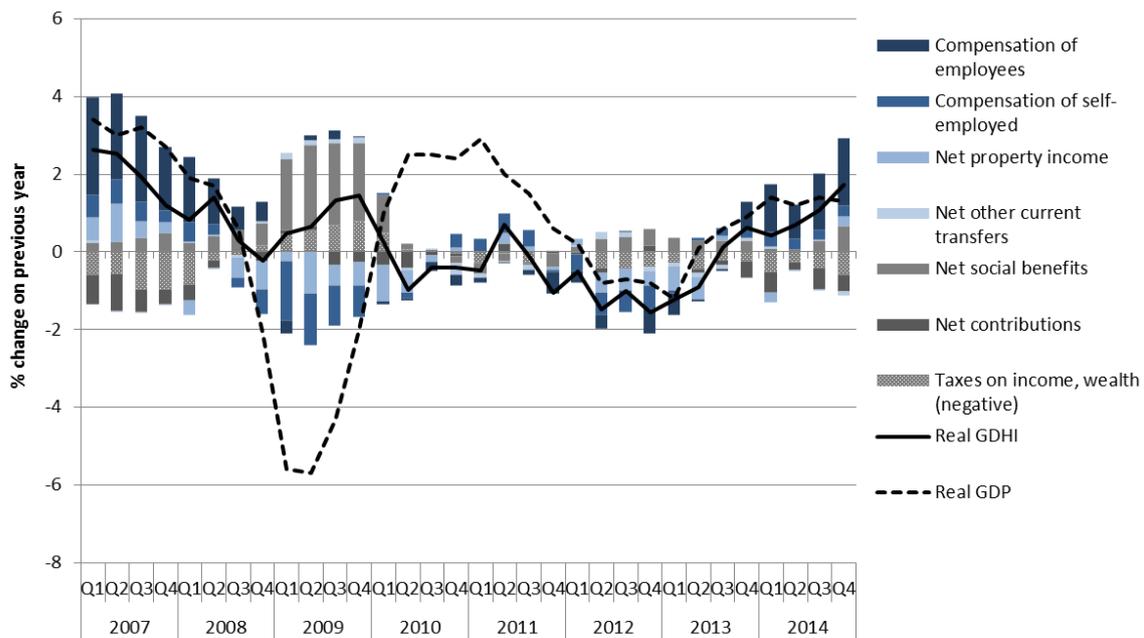
5. Household income and financial situation

Household incomes in the EU benefit from strengthening economic activity and improving labour markets

On average in the EU⁶ real growth in gross disposable household income (GDHI) accelerated in the fourth quarter of 2014 to 1.7% year-on-year, up from 0.4%, 0.7% and 1.1% observed in the year to the first, second and third quarters, respectively (Chart 29). Similarly, a real growth rate of GDHI of 1.6% was recorded in the EA. As estimated by Eurostat⁷, real adjusted GDHI per capita⁸ and real consumption both increased by 0.1% in the fourth quarter of 2014, after increases of 0.3% in both real adjusted GDHI and real consumption the previous quarter.

Although caution should remain, the prospects for a sustained recovery of household income continue to be positive. This is especially in view of the improved economic outlook, while in turn improved employment and household income together should feed private consumption.

Chart 29: Real GDP growth, real GDHI growth and its main components - EU



Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_gdp, nasq_10_nf_tr] (DG EMPL calculations)

Note: GDHI EU aggregate for Member States for which data are available, GDP for EU28
[Click here to download chart.](#)

⁶ The real GDHI growth for the EU is DG EMPL estimation, and it includes Member States for which quarterly data are available (17 Member States: AT, BE, CZ, DE, DK, EL, ES, FI, FR, HR, IE, IT, NL, PT, SE, SI, UK, which account for at least 90% of EU GDHI, PL and RO available till 2012). The nominal GDHI is converted into real GDHI by deflating with the deflator (price index) of household final consumption expenditure. The real GDHI growth is a weighted average of real GDHI growth in Member States.

⁷ See, Eurostat publication <http://ec.europa.eu/eurostat/web/products-press-releases/-/2-30042015-CP>

⁸ The real adjusted GDHI per capita is defined as the real adjusted GDHI (including social transfers in-kind) divided by the total population.

Growth in household income is reinforced by income from work and more social benefits support

In the year to the third quarter of 2014, the growth in GDHI was driven largely by income from work. The compensation of both employees and those self-employed increased, and became stronger than in the four previous quarters especially among employees, in line with the recent positive trend in employment (see Section 2). Also, property income picked up for the first time in nearly two years while other transfers remained stable. Meanwhile, following the improvement in income from work, social contributions and taxes adjusted downwards household incomes, but were accompanied by a notable increase in social benefits.

Growth in household income broadens across most Member States

The real increase in GDHI in the EU seen in the year to the fourth quarter of 2014 reflects positive developments in the largest Member States (see charts in Annex 1 for the EA and selected Member States)⁹. They have registered several quarters of broad improvements: Germany shows the longest period of year-on-year increase (since mid-2010), followed by the UK, Italy, France and more recently Spain with consistent improvements observed since the second quarter of 2014. Among other Member States (see [Statistical Annex](#)), real GDHI increased in Ireland, Belgium, Greece, Croatia, Austria, Sweden and the Czech Republic. By contrast Slovenia, Denmark, Portugal, the Netherlands and Finland registered a reduction in GDHI.

Households' financial distress falls down in the EU, from historical highs of 2013

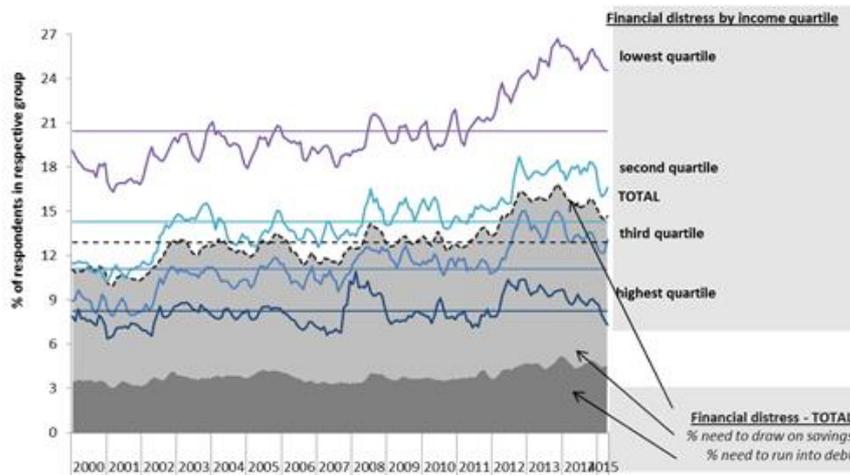
Financial distress¹⁰, defined as the need to draw on savings or to run into debt to cover current expenditures, fell in the first quarter of 2015 compared to the fourth quarter of 2014 and compared to the first quarter of 2015. Both the share of the households reporting running into debt and those having to draw on their savings fell. Financial distress kept falling in April and May.

Financial distress recedes gradually from its historically high levels but remains high. It is still well above the levels seen in the previous decade, and currently affects around 15% of the population. The higher rates seen in recent years have primarily been driven by the increasing reliance on savings, especially between 2010 and 2013 (Chart 30).

⁹ Data for Poland is not available for 2013-2014.

¹⁰ For details on Business and Consumer Surveys, including consumer survey's question on the current financial situation of the households, see http://ec.europa.eu/economy_finance/db_indicators/surveys/index_en.htm

Chart 30: Reported financial distress by income quartile - EU



Source: European Commission, Business and Consumer Surveys, data non-seasonally adjusted (DG EMPL calculations)

Note: Three-months moving averages. Horizontal lines show the long-term averages for financial distress for the population as a whole and for households in the four income quartiles. The overall share of adults reporting having to draw on savings and having to run into debt are shown respectively by the light grey and dark grey, which together represent total financial distress.

[Click here to download chart.](#)

Low-income households appear to have benefitted from recent easing of financial distress

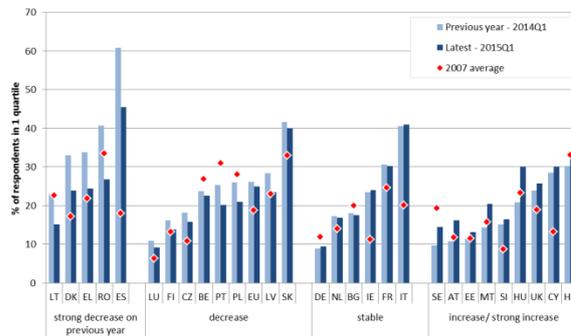
Financial distress for low-income households has eased since the beginning of 2015, after the temporary increase in the second half of 2014. Financial distress shows a consistent downward trend in higher income groups since 2012, while the second and the third income quintile groups register some deterioration recently. The gap in financial distress between low-income households and other households remains broadly unchanged and large.

Overall, around 10% of adults in low-income households run into debt and a further 15% draw on savings to cover current expenditure. By comparison, for the total population the shares are 5% and 11%, respectively. This level of financial distress for low income households is far above the long-term average, and follows from the rapid worsening seen between mid-2010 and the end of 2013. More generally and for the same period, financial distress for households in other income quartiles also increased to levels above long-term averages, with only the top quartile going below the long-term average in recent months.

Financial distress eases only in half of the Member States, and variations persist

The overall level of financial distress fell or remained stable in the majority of Member States in the year to the first quarter of 2015. It remains higher than in 2007 in the majority of the Member States, except for Germany, Sweden and several new Member States (Croatia, Estonia, Hungary, Lithuania and Poland). It ranges from less than 4% in Germany and Sweden to 27% in Italy. Financial distress for households in the lowest income quartile increased in a third of the Member States. Compared to 2007, financial distress for the poorest households is higher in most Member States, with the exception of Belgium, Germany, Lithuania, Poland, Portugal, Romania and Sweden. In the first quarter of 2015, it affected around 10% of households in the lowest income quartile in Germany and Luxembourg, reaching 40% of the population in Italy, Slovakia and Spain (Chart 31).

Chart 31: Reported financial distress in lowest income quartile - Member States



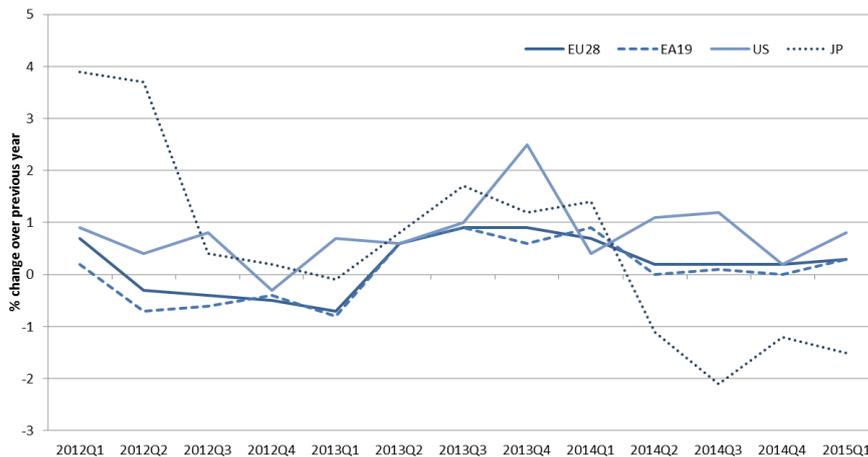
Source: European Commission, Business and Consumer Surveys (DG EMPL calculations)
 Note: Three-months moving averages
[Click here to download chart.](#)

6. Productivity, labour cost and hours worked

Labour productivity growth remained weak in the EU, but differed notably across EU Member States

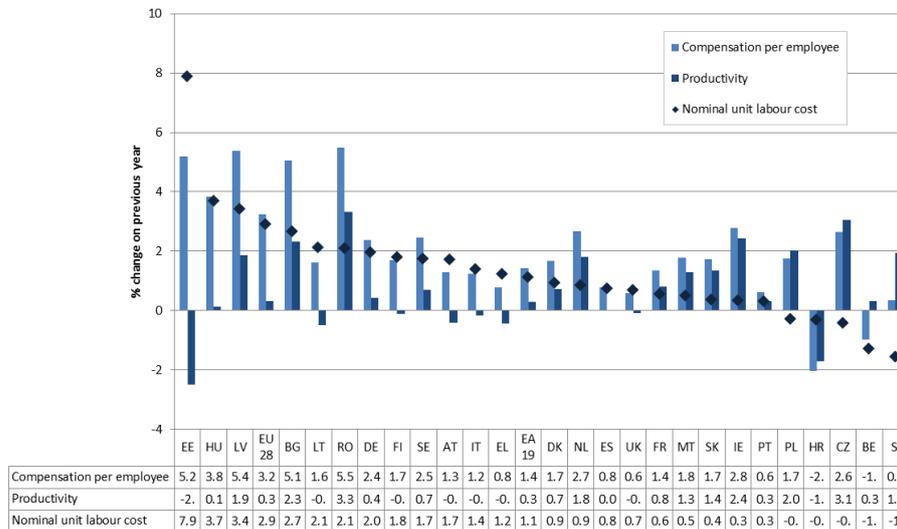
Labour productivity growth in the EU and EA continued to be weak in the first quarter of 2015 compared to the first quarter of 2014. Nevertheless, this weak growth in the EU was somewhat stronger than productivity growth in several other developed economies such as Japan, and only marginally below productivity growth in the US (see Chart 32). The EU evolution does hide strong differences in labour productivity growth across the Member States for which the data are available (see Chart 33).

Chart 32: Real labour productivity in EU, EA, US and JP 2012-2015Q1



Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_lp_ulc] and OECD
[Click here to download chart.](#)

Chart 33: Growth in nominal unit labour cost and its component - EU, EA and Member States 2015Q1

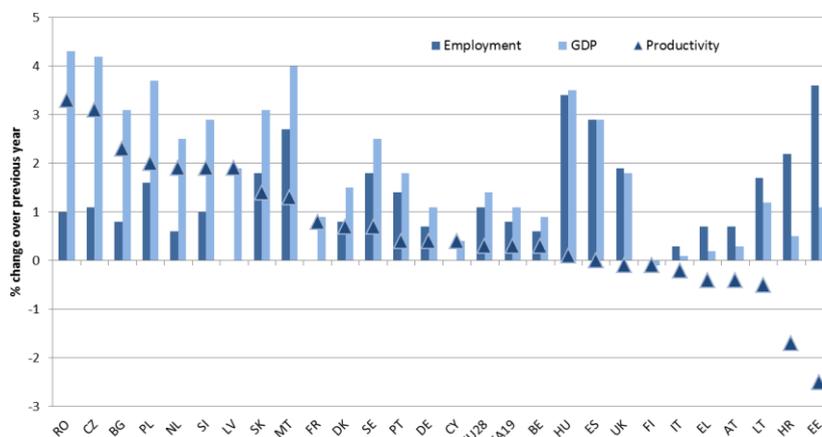


Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_pe, namq_10_gdp] (DG EMPL calculations)

[Click here to download chart.](#)

Several Member States showed strong productivity growth in the year to the first quarter of 2015, including Romania, the Czech Republic and Bulgaria. In these Member States, this strong productivity growth reflects robust GDP growth in combination with modest employment growth (see Chart 34). By contrast, Estonia and Croatia recorded a sharp contraction as GDP growth remained weak but employment grew strongly. In the case of Croatia, it was the fifth quarter in a row that labour productivity contracted, while for Estonia this was the second quarter in a row. Other Member States that recorded a decrease in labour productivity include Lithuania, Greece, Austria, Italy, and Finland. In most of these Member States, this drop reflected employment growth in combination with stalling GDP except in Finland, where flat employment growth in combination with a minor fall in GDP triggered a small decrease in productivity. In the United Kingdom, productivity remained almost unaffected as GDP and employment grew at the same rate.

Chart 34: Employment, GDP and Productivity changes in Member States 2015Q1

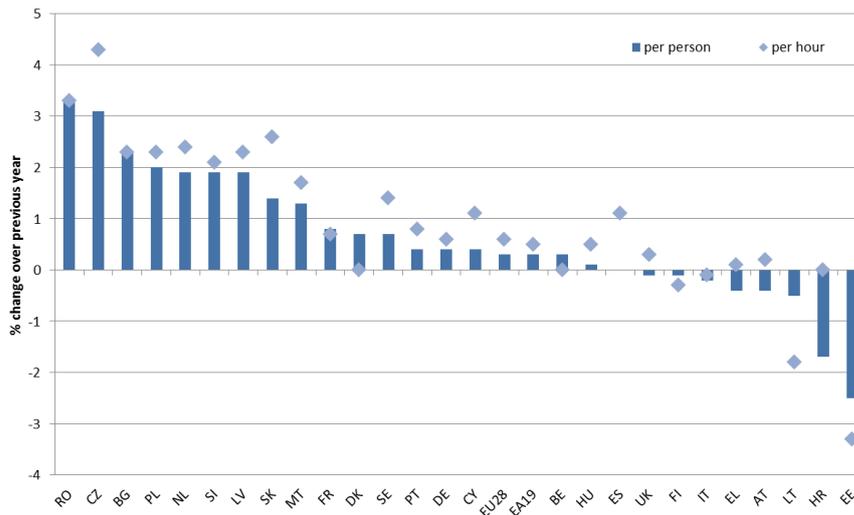


Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_pe, namq_10_gdp]

[Click here to download chart.](#)

When measured as GDP per number of hours worked, labour productivity between the first quarter of 2014 and the first quarter of 2015 shows more or less a similar picture as when measured as GDP per person employed. The exceptions are France, Finland, Lithuania and Estonia where the growth in labour productivity per hour worked was higher than the growth in labour productivity per person employed indicating that in these Member States hours worked increased at a weaker pace than the number of employed persons (see Chart 35).

Chart 35: Labour productivity per person employed and hour worked in Member States 2015Q1



Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_lp_ulc]
[Click here to download chart.](#)

The growth in nominal compensation per employee was also weak on average weak, especially in the euro area

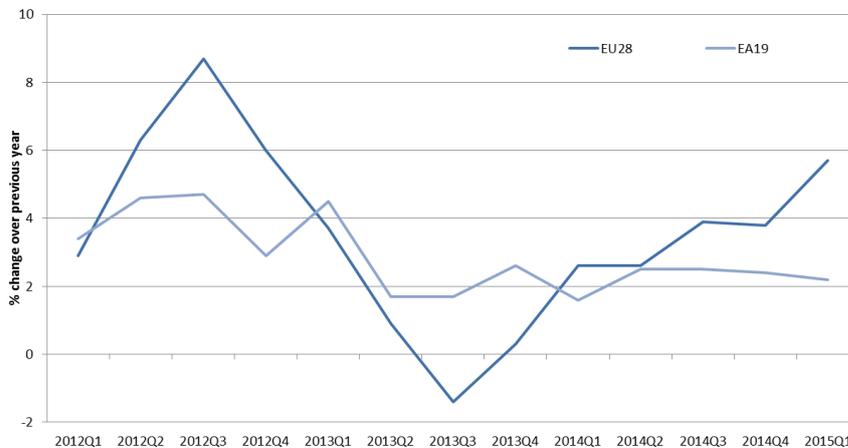
Nominal compensation per employee (measured in local currency, and not seasonally adjusted) increased sharply in Romania, Latvia, Estonia and Bulgaria in the first quarter of 2015 compared to the first quarter in 2014. At the same time, it decreased markedly in Croatia, and to a lesser extent in Cyprus and Belgium.

Most of the euro area Member States, for which the data are available, showed a rate of growth in nominal compensation per employee of less than 1.5% in the first quarter of 2015 with even negative growth in Cyprus and Belgium. Lithuania, Finland, Germany and especially Estonia recorded stronger growth. Outside the euro area, the United Kingdom showed a modest increase while Sweden showed robust growth.

... so that nominal unit labour cost increased moderately in most Member States...

In the EU as a whole nominal unit labour cost growth regained momentum, but in the euro area it remained subdued (see Chart 36).

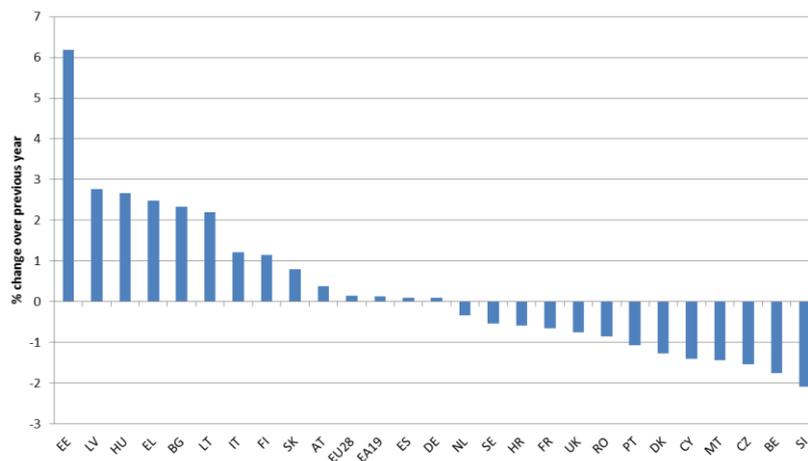
Chart 36: Nominal unit labour cost in EU and EA 2012-2015Q1



Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_lp_ulc]
[Click here to download chart.](#)

In the first quarter of 2015, among the Member States for which the data are available, Estonia showed by far the strongest increase in nominal unit labour cost compared to the first quarter of 2014, reflecting strong growth in nominal compensation per employee and a notable decrease in labour productivity.

Chart 37: Growth in real unit labour cost - EU and Member States, 2015Q1



Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_pe, namq_10_gdp] (DG EMPL calculations)
[Click here to download chart.](#)

Slovenia, Belgium and Croatia showed a decrease in nominal unit labour cost reflecting a divergent set of underlying developments. In Slovenia, a modest increase in nominal compensation per employee was accompanied by a more robust productivity growth, in Belgium a decrease in nominal compensation per employee was accompanied by a weak increase in productivity, while in Croatia a notable decrease in productivity was outstripped by an even stronger decrease in nominal compensation per employee.

At the same time, Germany recorded a notable increase in nominal unit labour cost, primarily reflecting a notable increase in nominal compensation per employee. Despite a decrease in labour productivity, increases in nominal unit labour cost remained modest in the United Kingdom, Greece and Italy.

... while real unit labour cost increased in some Member States as overall price increases remained modest

Growth in real unit labour cost, the nominal unit labour cost adjusted for prices and which also measures the labour income share, differed strongly across Member States in the first quarter of 2015 compared with the first quarter in 2014 (see Chart 37)

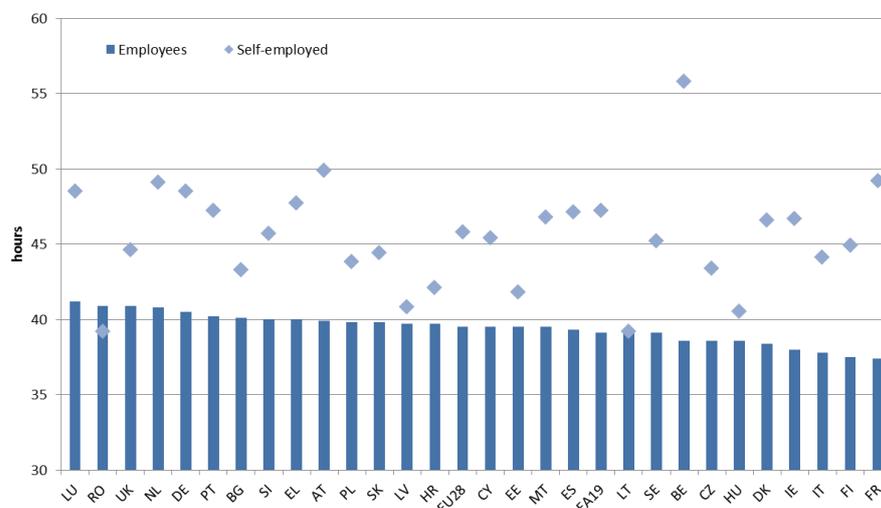
Estonia recorded by far the strongest increase, due to a sharp increase in nominal compensation per employee in the face of contracting labour productivity and moderate increases in prices. Hungary, Latvia, Greece, Bulgaria and Lithuania also recorded strong increases in real unit labour cost. In Greece this increase reflected a moderate increase in nominal unit labour cost in the face of decreases in prices, while in the other Member States this reflected a strong increase in nominal unit labour cost in combination with weak price increases. Spain experienced a very strong decrease in real unit labour cost from the onset of the crisis until early 2014 and since then continues to record an increase, partly supported by subdued price increases.

The real unit labour cost decreased in Slovenia, Belgium, the Czech Republic and Croatia mainly reflecting a decrease in nominal unit labour cost. In Portugal, Denmark, Romania, the United Kingdom, Sweden and France the decrease was triggered by weak increases in nominal unit labour cost in combination with moderate price increases.

The number of hours worked remained on average fairly stable

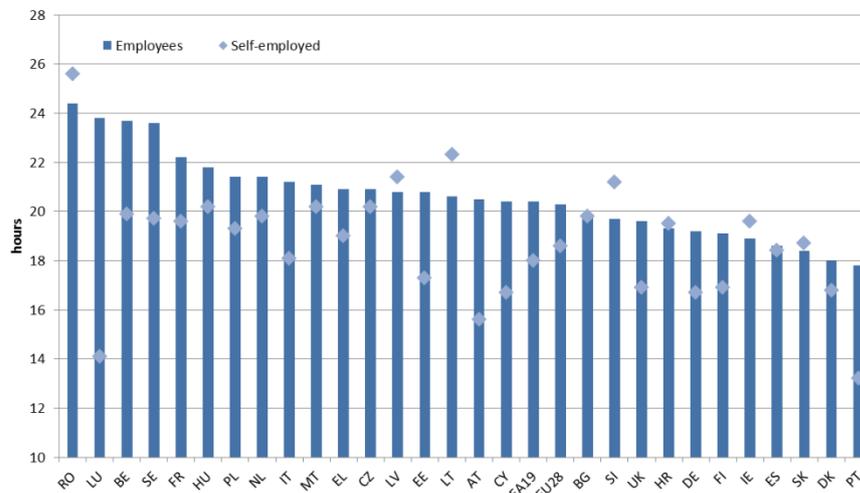
In the fourth quarter of 2014, in all Member States, except Romania, the full-time self-employed worked on average more hours per week than the full-time employees. It was on average, six and eight hours more in the EU and the Euro Area

Chart 38: Average working hours (full-time) - EU, EA and Member States, 2014Q4



Source: Eurostat, LFS, data non-seasonally adjusted [lfsq_ewhais]
 Note: Average number of actual weekly hours of work in main job (employed persons)
[Click here to download chart.](#)

Chart 39: Average working hours (part-time) - EU, EA and Member States, 2014Q4



Source: Eurostat, LFS, data non-seasonally adjusted [lfsq_ewhais]

Note: Average number of actual weekly hours of work in main job (employed persons)

[Click here to download chart.](#)

7. Labour demand: vacancies, labour shortages and hiring activity

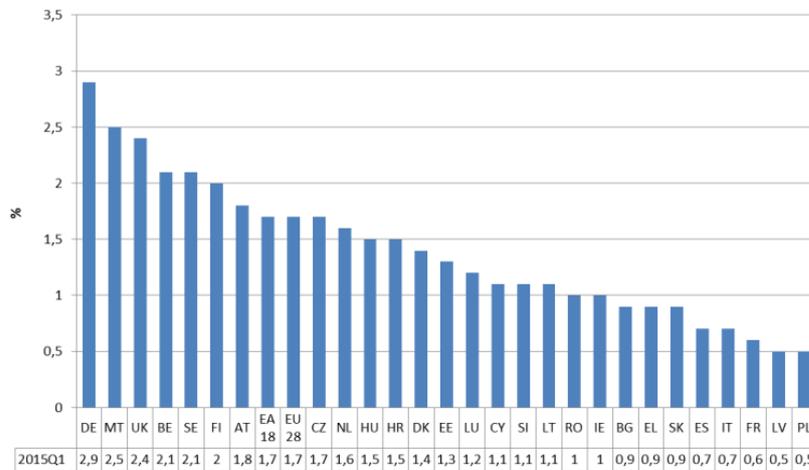
The job vacancy rate increases slightly in EU and remains stable in the EA

In the first quarter of 2015, the EU and the EA job vacancy rate¹¹ (JVR) was 1.7%. When compared with the first quarter of 2014, the JVR increased by 0.1 pp in the EU and was stable in the EA. The JVR ranged from around 0.5% in Latvia and Poland to 2.9 % in Germany followed by the UK with 2.4% (Chart 40). In the same period, the JVR rose in 16 Member States, remained stable in 6 and fell in 5. The largest increases were recorded in the Czech Republic (0.7 pp) and Malta (0.5 pp). Decreases were recorded in Belgium, Denmark, Estonia, France and Finland (all recording a 0.1 pp decline).

The EU JVR remains higher in services, 2.2%, than in industry and construction, 1.2%. In the year to the first quarter of 2015, the JVR rose in services and in industry/construction by 0.1 pp.

¹¹ Job Vacancy rate is number of job vacancies / (number of occupied posts + number of job vacancies) * 100.

Chart 40: Job Vacancy Rates - EU, EA and Member States, 2014Q4



Source: Eurostat, Job Vacancy Statistics, data non-seasonally adjusted [jvs_q_nace2]

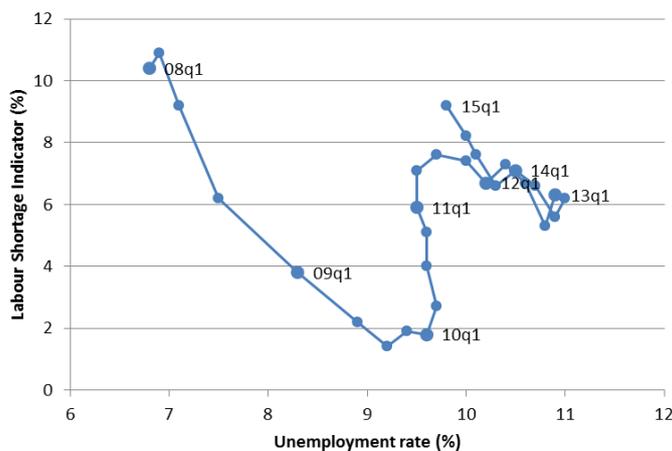
Note: NACE Rev 2 sections B to S covered. DK: sections B to N, FR, IT: section O excluded; FR, IT, MT: business units with 10 or more employees

[Click here to download chart.](#)

Two developments mark labour matching issues in the EU: a recent increase in labour shortages and a structural shift of the matching process

The recent 2013-2015 decline in unemployment was accompanied by an increase in labour shortages. This process is reflected by the conventional move up on the Beveridge curve, and confirms recent improvements in the JVR. At the same time, the Beveridge curve in the EU appears to have shifted during the 2010-2012 period. This movements may suggest a deterioration of mismatch after the 2008/2009 crisis (i.e. an increase of structural unemployment) but is also consistent with a normal cyclical development whereby, during a recovery, vacancies increased at a much faster rate than unemployment drop (i.e. an increase in vacancies anticipate a drop of unemployment). Which one of the two will materialise require strict monitoring of the Beveridge curve movements in the next quarters (Chart 41). Annex 5 reports the Beveridge curves for EU Member States.

Chart 41: Beveridge curve 2008-2014 - EU



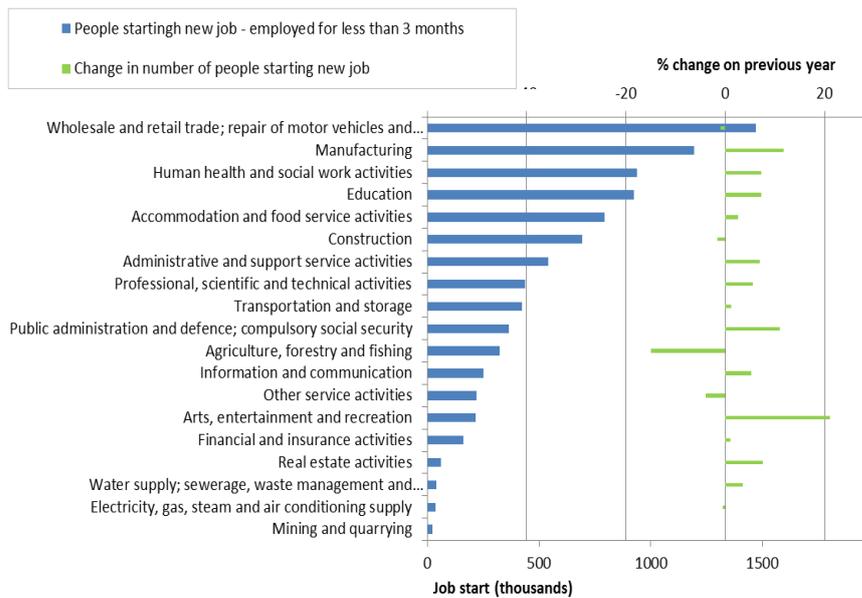
Source: Eurostat, LFS and European Commission, Business and Consumer Surveys [une_rt_q, ei_bsin_q_r2]

Note: Labour shortage indicator derived from EU business survey results (% of manufacturing firms pointing to labour shortage as a factor limiting production)

Companies step up hiring activity during 2014

The number of people starting a new job in the EU increased by 3.9 % in the year to the last quarter of 2014, after a growth of 5.0 % during previous quarter. In the EU as a whole, largest increases were recorded in manufacturing, 11.9 %, public administration and defence, 10.9 %, human health and social work activities, 8.0 % and education, 7.3 %. Over the year to the fourth quarter of 2014, the number of people starting new jobs decreased in the wholesale and retail trade by 0.9 %, in the construction sector by 1.4 % and in agriculture, forestry and fishing by 14.0 % sector (Chart 42).

Chart 42: Employees in new jobs by sector - EU, change to 2014Q4



Source: Eurostat, LFS, data non-seasonally adjusted [lfsq_egdn2]
[Click here to download chart.](#)

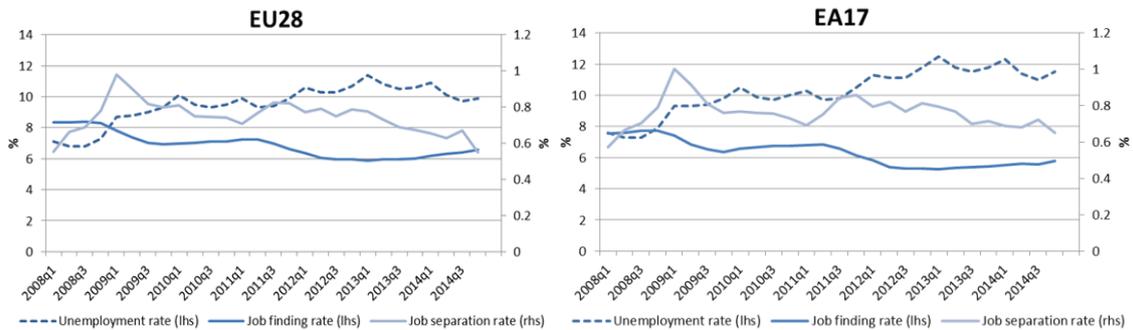
The observed decrease in unemployment rate is associated with both increased job creation and lower job destruction

Unemployment continued to fall in the first quarter of 2015 though faster in the EU than in the euro area, reflecting both lower GDP growth in the euro area and structural challenges of vulnerable euro area countries. Improvements in unemployment rates are visible in countries where it grew faster than the EU average in the years from 2008 to 2013, with the jobless rate now lower than its peak in Spain, Ireland and Portugal (see previous section 3 on Unemployment).

The drop in the unemployment rate is due both to increased job creation and lower job destruction. During 2014, job finding rates in a number of countries including Bulgaria, Denmark, Greece, Ireland, Poland and the UK started to pick up a little, often from very high levels. In Italy, The Netherlands and Sweden, job finding rates hovered around very low levels. Job separation rates declined almost everywhere, in particular in Greece, Spain, Portugal, Ireland, Poland and the Baltics, while it increased in Cyprus and Croatia.

The low job finding rates is reflected in high long-term unemployment. The share of the unemployed who have been out of work for more than 12 months has been increasing in the EU and the euro area and at the end of 2014 hovered around 50%, well above the peak reached before the crisis. The long-term unemployed are not equally spread throughout the EU (see previous section 4 on Long-term unemployment).

Chart 43: Unemployment, finding and separation rates in the EU and EA17



Source: Eurostat, EMPL calculations

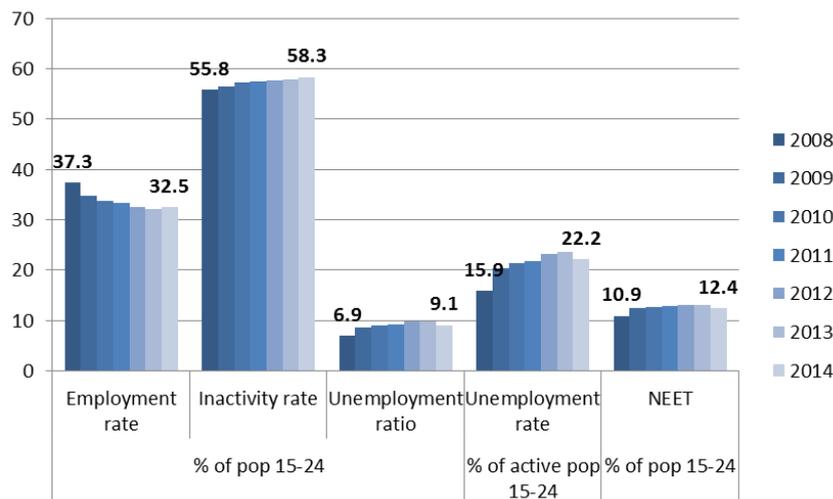
8. Labour market and social situation for youth

This issue of the Quarterly Review describes in more detail the labour market and social situation for young people aged 15-24.

The labour market situation for young people in the EU continues to improve

Monthly developments since mid-2013 indicate a fall in unemployment amongst the 15-24 age-group. And other labour market indicators have stabilised or improved in 2014, including the share of those "not in employment education and training" (NEET) and employment (Chart 44).

Chart 44: Employment rate (% of pop 20-24), employment rate, unemployment ratio and NEET rate (% of pop 15-24) and unemployment rate (% of labour force 15-24) in the EU, 2008-2014



Source: Eurostat, unemployment series and LFS, [lfsi_emp_a, lfsi_act_a, une_rt_a, edat_lfse_20]

In the year to May 2015, the youth unemployment rate fell by 1.6 pp from 22.2% to 20.6% in the EU and by 1.7 pp from 23.8% to 22.1% in the EA. It decreased in most EU Member States in the same period but increased in Finland, 2.9 pp, Luxembourg, 0.8 pp and France, 0.2 pp (Table 2). In May 2015, unemployment affected 4.7 million women and men aged 15-24 in the EU including 3.1 million in the EA.

However, disparities in youth unemployment among Member States are large

Youth unemployment continues to vary widely between Member States. The youth unemployment rate ranges from less than 10% in countries little affected by labour market deterioration (i.e. Austria and Germany), to more than half of the active population aged 15-24 in Greece and Spain, where it has almost tripled since 2008. In the large majority of Member States it is still very close to historically high levels (see table 2).

Table 2: Youth unemployment rates - April 2015

	Youth unemployment rate	Year-on-year change (percentage points)
EL	49.7	-7.4
ES	49.3	-4.4
HR	43.6	-1.5
IT	41.5	-2.3
CY	34.4	-2.8
PT	33.3	-2.8
SK	25.9	-5.5
FR	23.7	0.2
RO	23.3	-1.4
FI	23.0	2.9
EA18	22.2	-2.0
PL	21.1	-3.8
SE	21.0	-2.6
EU28	20.6	-2.2
IE	20.2	-5.8
BE	19.9	-3.3
BG	19.7	-6.1
LU	19.5	0.8
HU	18.7	-2.0
SI	17.0	-4.3
LT	16.1	-4.2
LV	15.7	-4.8
UK	15.7	-3.5
CZ	14.8	-1.2
EE	11.3	-4.1
NL	11.1	-2.5
MT	10.6	-2.3
AT	10.1	-0.5
DK	10.0	-3.1
DE	7.1	-0.8

Source: Eurostat, LFS, data seasonally adjusted [une_rt_m]

Note: EL, UK, LV, SI, RO, CY, HR: March 2015, EE, HU: April 2015

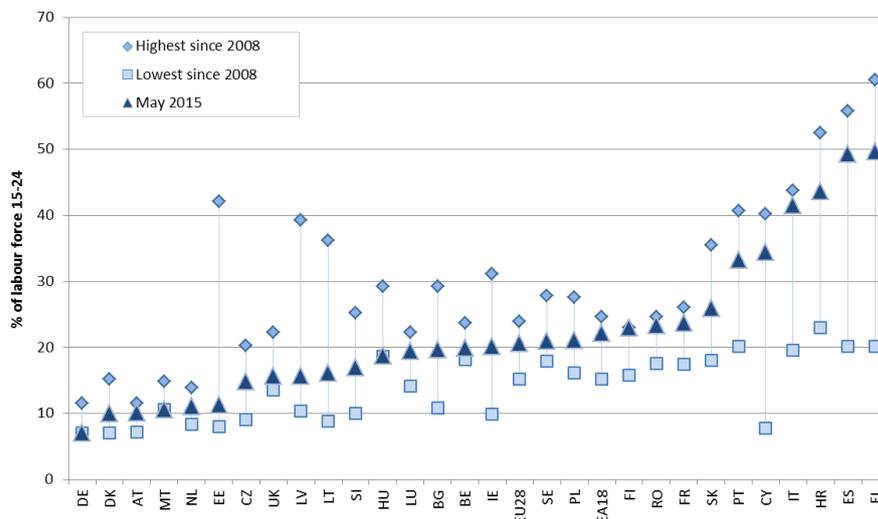
[Click here to download table.](#)

And young people continue to face many challenges in the labour market compared to 2008...

By the fourth quarter of 2014, 32.8% of young people (aged 15-24) in the EU had a job, up from 32.1% in the fourth quarter of 2013 but nearly 4 pp down from 36.6% in the fourth

quarter of 2008. Among young people aged 20-24, the employment rate was 48.6% in the fourth quarter 2014, from 47.7% in 2013 but down from 53.8% in the fourth quarter of 2008 (see Chart 15).

Chart 45: Youth unemployment rates in the EU Member States in August 2014 and the highest and lowest rates since 2008



Source: Eurostat, unemployment series and LFS, data seasonally adjusted [une_rt_m]

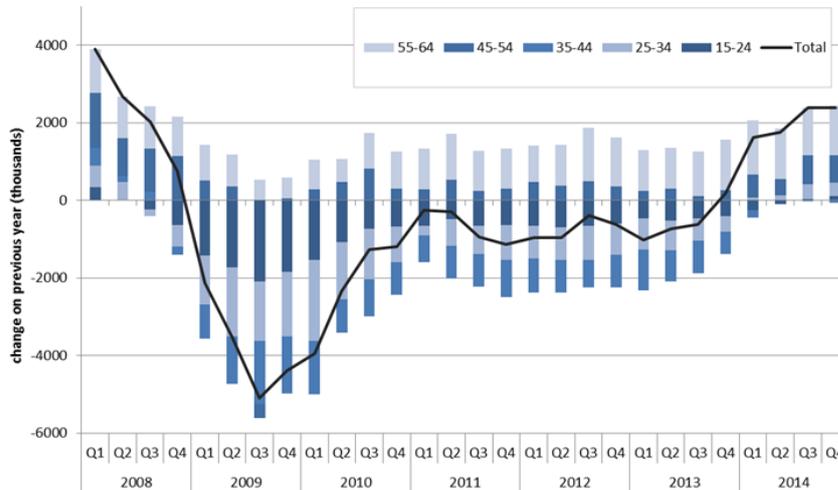
Note: EL, UK, LV, SI, RO, CY, HR: March 2015, EE, HU: April 2015

[Click here to download chart.](#)

Some encouraging signs on the employment side: a positive contribution of youth employment to employment levels

In the last two quarters, youth employment has started making a positive contribution to employment levels (Chart 46). Though modest, this is the first time since 2008. However, when looking at type of employment, 43.4% of employed young people 15-24 were in temporary employment in the fourth quarter of 2014, an increase of 0.8 pp from the fourth quarter of 2013. This share is almost 4 times higher for prime-age workers 25-59, whose share was 11.2%. This suggests that the growth of employment levels for youth is occurring largely in temporary contracts. Part-time work is stabilizing with 32.2% of youths in part-time work in the fourth quarter of 2014 compared with a year ago when it was 32.3% and with 2008 when it was 26.5%.

Chart 46: Employment changes in the EU by age groups 2008Q1 to 2014Q4



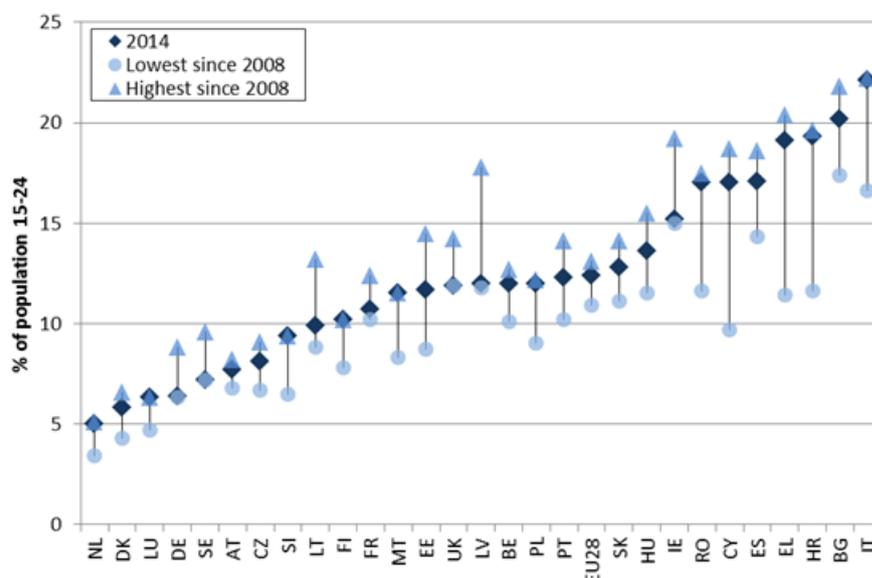
Source: Eurostat, LFS, data non-seasonally adjusted [lfsq_empt]
[Click here to download chart.](#)

Reductions in the unemployment ratios for youths

When examining the situation of youths, it is important to look at the youth unemployment ratio in addition to the youth unemployment rate. The youth unemployment ratio measures unemployment to population ratio whereas the youth unemployment rate measures unemployed youth to labour force. By the fourth quarter of 2014, the youth unemployment ratio affected just under 9% of youths 15-24 in the EU. This was almost 10% in the same quarter a year ago and 7.3% in the fourth quarter of 2008.

Those aged 25-29 who often enter the labour market after graduation also suffer from a similar lack of job opportunities. In 2014, their unemployment ratio was 11.2% although this is an improvement from the previous year when it was 12%. Also, for this age group their NEET rate reduced slightly and now it is just below 20%. Differences between the unemployment rates and the unemployment ratios reflect disparities in the activity levels of young people in different Member States.

Chart 47: NEETs rates in the EU Member States in 2014 and the highest and lowest rates since 2008



Source: Eurostat, LFS [edat_lfse_20]

Inactivity remains broadly the same

At EU level, 58.4 % of those aged 15-24 were inactive by the fourth quarter of 2014, down just 0.2 pp from the same quarter in 2013. As expected there are huge variations among Member States ranging from 31.7% in the Netherlands to 74% in Bulgaria. In 9 out of 10 cases inactivity is due to enrolment in education.

NEETS rate also slowly receding...

Overall 12.4% of young people 15-24 in the EU were NEET in 2014. This is a 0.6pp reduction in the NEET rate over the year when it was 13% in 2013. Nearly 70% of 15-24 year-olds were in education in this period. Nonetheless, the share of NEETs in this age group increased from around 11% in 2008. There are considerable disparities among Member States, with rates ranging from less than 5% in the Netherlands to over 20% in Bulgaria and Italy. The NEET rate shows significant improvements in Latvia, Ireland and Lithuania (Chart 47).

Trends and developments for youths in the EU show modest but encouraging developments where youth unemployment is decreasing, NEETs rates are decreasing and inactivity is also decreasing.

At the same time there is an improvement in the situation for employment and the evidence suggests that participation in education is also increasing. Therefore these latest positive trends, though modest, are welcomed.

Annex

[See excel file with charts per Member State](#)

- 1: Real GDP growth, real GDHI growth, employment growth and unemployment rates
- 2: Real GDP growth, employment growth, real GDHI growth and its main components
- 3: Employment growth by sectors
- 4: Beveridge curves
- 5: Unemployment, finding and separation rates

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