European Commission

EU Employment and Social Situation

Quarterly Review

Winter 2015

With regularly updated data and charts downloadable here

Social Europe

This Quarterly Review provides in-depth analysis of recent labour market and social developments. It has been prepared by the Analysis Unit of the Directorate-General for Employment, Social Affairs and Inclusion. This review was prepared under the supervision of B. Kauffmann (Director) and R. Jacob (Head of Unit). The main contributors were: D. Arranz, M. Grzegorzewska, S. Jemmotte, and E. Meyermans. Indicators on job findings and separation rates were provided by A. Arpaia and A. Kowalski. The editor of this Review was 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.

Regular updates of these data and charts are available at:
http://ec.europa.eu/employment_social/employment_analysis/quarterly/quaterly_updated_charts.xlsx

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

Contact: empl-analysis@ec.europa.eu

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

Luxembourg: Publications Office of the European Union, 2016

ISSN 1977-8317

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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

Key Findings

Economic Conditions

In the third quarter of 2015, the economic recovery continued to strengthen in most Member States, but growth remained uneven and some countries registered quarterly declines. Real GDP increased by 0.4% in the EU and 0.3% in the euro area (EA) in the third quarter of 2015. Ireland, Croatia and Romania registered the highest growth rates. Among large Member States, growth was strongest in Poland and Spain. In contrast to the previous quarter where no Member State recorded a decline, in this quarter the economy contracted in Denmark, Estonia, Finland and Greece and stagnated in Portugal.

Economic output is higher than a year ago in nearly all Member States. Year-on-year growth reached 1.9% in the EU and 1.6% in the EA. It was more than 4% in Ireland, Malta, Luxembourg and the Czech Republic. Among the larger Member States, year-on-year growth exceeded 3% in Poland and Spain. In contrast, in Greece and Finland GDP was lower than in the third quarter of 2014.

Employment

The employment rate for the EU as a whole has now returned to its pre-crisis level. In many Member States, notably those more severely hit by the crisis, employment rates have still some way to go to recover from the crisis. In the year to the third quarter of 2015, the employment rate for 20 to 64 year-olds increased by 0.9 percentage points (pp) in the EU. At 70.6% (non-seasonally adjusted), the EU employment rate reached its pre-crisis level, but remains nearly 5 pp below the 2020 target. For the EA, the employment rate increased by 0.8 pp in the year to the third quarter of 2015, to reach 69.4% (non-seasonally adjusted) and is 1.1 pp below the rate observed in the third quarter of 2008.

In the year to the third quarter of 2015, the employment rate for 20-64 year-olds increased in most Member States, with the exception of Cyprus and notably Luxembourg (down by 1.6 pp). The largest increases were recorded in Estonia, Latvia, Hungary and Spain (more than 2 pp). Among the large Member States, the rate strengthened in Poland and the UK. In the third quarter of 2015, the employment rate was significantly lower than in 2008 (by 5 pp or more) in Greece, Cyprus, Spain and Croatia. Since 2008, Hungary and Malta made the most significant progress: from having some of the lowest rates in 2008, they have now approached the EU average. In the case of Malta this was due to a large extent to the increase in female employment rates (20-64) since 2008.

Employment rates improved across all population groups and most notably for older workers. In the year to the third quarter of 2015, the employment rate increased most noticeably for people aged 55-59 (1.2 pp) and 60-64 (1.7 pp), but also saw a noticeable 1 pp increase for young people aged 20-24 and 25-29.

In the third quarter of 2015, total employment expanded in the EU as a whole and in most Member States. Employment increased by 0.4% in the EU and by 0.3% in the EA in this quarter. Over the year employment for those 15 and above **(including of workers over the age of 65)** gained 1.1% in both the EU and EA. This implies that in the third quarter of 2015 and compared to the third quarter of 2014 about 2.8 million more people were employed in the EU, including 1.6 million people in the EA. Since mid-2013 – when it reached its lowest level since 2008 – employment has increased by 2.5% in the EU (5.7 million) and by 1.8% in the EA (2.7 million). Employment growth was the strongest in Estonia, Hungary Ireland, Luxembourg, Spain and the UK. In contrast, employment contracted in Croatia, Portugal and Malta (between -0.6% to -0.3%) and remained unchanged in Bulgaria and the Czech Republic.

Employment in the third quarter of 2015 was higher than in the third quarter of 2014 in all Member States except Croatia, Finland and Romania. The highest year-on-year employment growth was observed in Estonia, Ireland and Spain, where it exceeded 3%.

Service sectors, both tradable and non-tradable, continue to drive employment growth in the EU. Most service sectors (with the exception of real estate activities) contributed

to the employment increase in the third quarter of 2015, while employment stagnated in agriculture and declined in construction. Compared to the third quarter of 2014, employment was up in all sectors except agriculture and construction.

Permanent and full-time employment for 15-64 year-olds continues to increase but at a slower pace than in 2014. Employment growth was mainly driven by permanent contracts, although they increased at a slower pace than that seen in 2014. The number of employees with a permanent contract grew by about 1.5 million in the year to the third quarter of 2015, while temporary contracts grew by about 930 thousand and the number of those self-employed declined by 330 thousand. When looking at working time (whether permanent, temporary or self-employment), the number of full-time workers increased by about 1.5 million, while the number of part-time workers increased by about 600 thousand.

Employment rates improved across all population groups and most notably for older workers. In the year to the third quarter of 2015, the employment rate increased most noticeably for people aged 55-59 (1.2 pp) and 60-64 (1.7 pp), but also saw a noticeable 1 pp increase for young people aged 20-24 and 25-29.

Unemployment

Unemployment has continued to gradually recede but remains high. In December 2015 the EU unemployment rate was 9%, and 10.4% in the EA, a reduction of 0.9 pp and 1.0 pp respectively compared to December 2014. This decline represents around 2 million fewer unemployed people in the EU, including 1.5 million in the EA. Although unemployment numbers have receded by 4.6 million people since its peak in April 2013, there are still 6 million more people unemployed than in March 2008, before the crisis hit (the EU unemployment rate was 6.7% in March 2008). In December 2015, 22 million people were unemployed in the EU, including 16.8 million in the EA.

Unemployment fell in most Member States but with large differences across Member States. Between December 2014 and December 2015, unemployment rates declined for most Member States but increased in four, namely Finland (0.5 pp) and to a lesser extent Austria (0.2 pp) and Latvia and Romania (each by 0.1 pp). Large differences remain among Member States, with the unemployment rate ranging from 4.5% in Germany to a high of 24.5% in Greece (Oct 2015) and 20.8 % in Spain. In the year to December 2015, it declined by 0.8 pp for men and by 0.9 pp for women to reach 9.0% and 9.1%, respectively. In the EA, it fell by 0.9 pp for men and women. Youth unemployment decreased by around 426,000 in the year to December 2015 in the EU, including 229,000 in the EA. The youth unemployment rate in December 2015 was 19.7% in the EU and 22% in the EA, a year-on-year decline of 1.5 pp and 1 pp respectively. For those aged 25 or more the unemployment rate fell by 0.8 pp when compared to December 2014. It also decreased for all skill-groups.

Long-term unemployment fell proportionally more than short-term unemployment in the year to the third quarter of 2015. The long-term unemployment rate decreased by 0.6 pp compared to the third quarter of 2014. The very long-term unemployment rate (unemployment duration in excess of two years) fell by 0.2 pp. This means that long-term unemployment has gone down slightly as a share of total unemployment. Nevertheless, about 10.5 million people had been unemployed for more than a year in the third quarter of 2015. Of these, 4.5 million had been unemployed for more than two years.

Labour demand has gradually improved, although some momentum might have been lost in the third quarter of 2015. The overall job vacancy rate in the EU remained stable at 1.7%. It is higher in services than in industry and construction. Labour shortages increased and hiring activity was up, with 2.7% more people starting a new job compared to the previous year. This, together with a decline in unemployment, confirms the recovery on the labour market.

The activity rate (i.e. the proportion of people who are in employment or looking for employment) in the EU has continued its steady increase observed since 2008. In the third quarter of 2015, 2.5 million more people were active than in 2008. There appears to have been some (slow) upward convergence among Member States but differences remain remarkable. Important challenges remain regarding labour market discouragement, notably in Italy, and underemployment, notably in Cyprus and Spain.

The financial situation of EU households continued to improve thanks to higher income from work and social benefits. Nearly all Member States saw a growth in their household income. Real gross disposable household income (GDHI) in the EU grew by a solid 2% in the year to the third quarter of 2015. The improvement resulted from an increase in income from work, an increase in property income and a further increase in social benefits.

Fewer EU households needed to draw on savings or run into debt to cover current expenditures compared to a year ago, with the exception of low-income households. Financial distress remains high despite receding gradually to 15.1% of the population from its historically high levels in November 2013 when it was 16.8%. Around 10% of adults in low-income households run into debt, and a further 15% draw on savings to cover current expenditure.

Labour productivity growth has weakened in many Member States since the onset of the crisis and remained weak for the EU as a whole in the year to the third quarter of 2015. Between the first quarter of 1995 and the onset of the 2008 crisis labour productivity was on a rising trend in all Member States (for which data is available), though different speeds were observed. From 2008 on, labour productivity growth came to a halt in several Member States notably Belgium, Denmark, Hungary, Finland and the United Kingdom. Greece, Italy and Luxembourg even experienced declining productivity. Nevertheless, several Member States continued to record notable labour productivity growth, including the Baltic States, Poland, Slovakia, Spain and Ireland. In the year to the third quarter of 2015, growth in labour productivity remained weak in the EU, especially when compared to the US. The performance of different Member States varied strongly, with Malta and Ireland registering the strongest increase.

Productivity growth at sectorial level shows a mixed picture across sectors and Member States. Labour productivity in manufacturing increased notably in Poland, Sweden and the Czech Republic but decreased in Greece, Estonia and Finland.

Year-on-year growth in nominal compensation per employee remained weak, except in the Baltic Member States, so that, **on average, increases in nominal unit labour cost remained fairly modest.** Real unit labour costs showed a modest decrease in the EU as a whole, with notable decreases in Ireland and Portugal, but strong increases in the Baltic States.

The labour market trends observed since 2013, as well as survey data and economic forecasts, suggest a positive outlook. The employment growth and unemployment reduction in 2014 was higher than what could be expected given the modest economic improvements. In 2015, employment growth continued, driven by the improved GDP growth. At the same time, household incomes continued to improve, supported notably by better income from work, resulting in higher private consumption demand. The reduction in unemployment rates up to December 2015 suggests that household incomes can be expected to further improve. There are signs of modest progress in economic development in recent months. The economic sentiment and employment expectations are a bit more positive, and job creation is expected to continue in the EA in the beginning of 2016, notwithstanding the higher unemployment expectations compared to a year ago. The medium-term outlook for 2016-2017 suggests further moderate progress for the economy and labour markets.

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

	2014Q2		2014Q3		2014Q4		2015Q1		2015Q2		2015Q3	
	EU	EA	EU	EA	EU	EA	EU	EA	EU	EA	EU	EA
Real GDP												
% change on previous quarter (SA)	0.2	0.1	0.4	0.3	0.5	0.4	0.6	0.5	0.5	0.4	0.4	0.3
% change on previous year (SA)	1.3	0.7	1.3	0.8	1.4	0.9	1.7	1.3	1.9	1.6	1.9	1.6
Employment growth												
% change on previous quarter (SA)	0.4	0.3	0.3	0.2	0.2	0.2	0.4	0.2	0.3	0.4	0.4	0.3
% change on previous year	1.0	0.6	1.2	0.8	1.2	0.9	1.1	0.9	1.0	1.0	1.1	1.1
Employment rate (15-64)												
% of working-age population	64.8	63.9	65.4	64.3	65.2	64.2	64.8	63.8	65.5	64.5	66.2	65.0
change on previous year (percentage point)	0.7	0.4	0.9	0.5	0.9	0.6	0.8	0.6	0.7	0.6	0.8	0.7
Employment rate (20-64)												
% of working-age population	69.2	68.3	69.7	68.6	69.6	68.5	69.2	68.1	70.0	68.9	70.6	69.4
change on previous year (percentage point)	0.8	0.5	0.9	0.6	0.9	0.7	0.8	0.7	0.8	0.6	0.9	0.8
Gross disposable households income												
% change on previous year	0.4	0.1	0.8	1.2	1.8	1.0	2.5	2.0	2.2	2.2	2.2	1.7
Labour productivity												
% change on previous year	0.2	0.1	0.1	0.0	0.2	0.1	0.6	0.4	1.0	0.7	0.8	0.6
Nominal unit labour cost												
% change on previous year	1.1	1.2	1.8	1.2	1.8	1.2	2.5	0.8	2.6	0.6	2.3	0.6
Long-term unemployment rate												
% labour force	5.1	6.1	4.9	5.9	5.0	6.1	4.9	6.0	4.7	5.7	4.3	5.3
change on previous year (percentage point)	0.0	0.2	-0.2	0.1	-0.3	-0.1	-0.4	-0.3	-0.4	-0.4	-0.6	-0.6

	2014 Oct		2014 Nov		2014 Dec		2015 Oct		2015 Nov		2015 Dec	
	EU	EA	EU	EA	EU	EA	EU	EA	EU	EA	EU	EA
Unemployment rate												
Total (% of labour force)	10.1	11.6	10.0	11.5	9.9	11.4	9.1	10.6	9.0	10.5	9.0	10.4
Men	10.0	11.4	9.9	11.4	9.8	11.2	9.1	10.4	9.0	10.3	9.0	10.3
Women	10.2	11.7	10.1	11.7	10.0	11.6	9.2	10.8	9.1	10.7	9.1	10.6
Youth (% of labour force 15-24)	21.7	23.4	21.5	23.3	21.2	23.0	20.0	22.3	19.7	22.1	19.7	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.

Regularly updated underlying data, charts and tables are available online as a file in Excel format. Data are 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/quaterly_updated_charts.xlsx

List of charts and tables

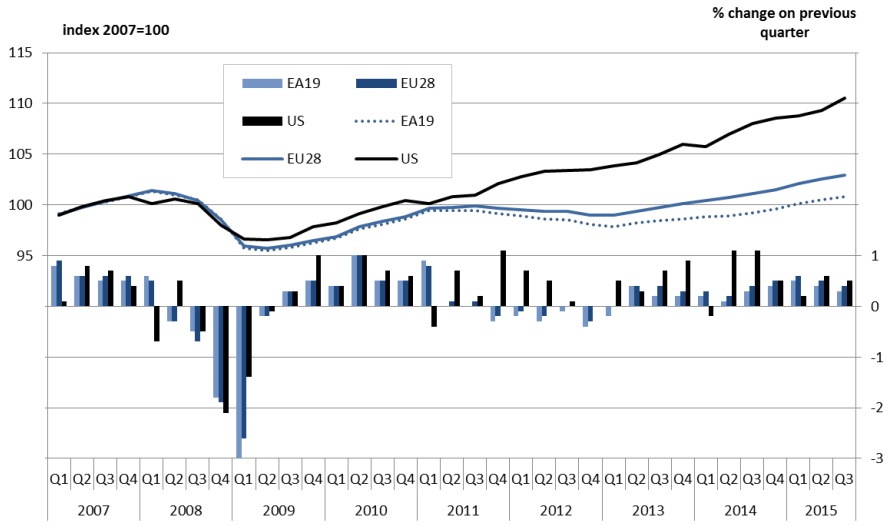
1. Macroeconomic and employment developments and outlook

The EU Economy continues to expand at a moderate but consistent pace for more than two years

Real GDP increased by 0.4% in the EU and 0.3% in the euro area (EA) in the third quarter of 2015. Domestic demand and more specifically private consumption contributed to this output growth. Investment provided a positive contribution to economic growth in the EU but was neutral in the EA, while the contribution of the external balance was negative for both the EU and EA. In the year to the third quarter of 2015, real GDP growth reached 1.9% in the EU and 1.6% in the EA, growth rates that are similar to the year-on-year rates observed in the previous quarter.

By comparison, real GDP in the US increased by 0.5% in the same quarter, resulting in a year-on-year growth of 2.2%. While EU and EA economies reached the pre-crisis levels in 2014 and 2015 respectively, the US economic recovery was quicker and real GDP is now far above its pre-crisis level (Chart 1).

Chart 1: Real GDP growth - EU, EA and US



Source: Eurostat, National Accounts, data seasonally adjusted [naidq_10_gdp]
Click here to download chart.

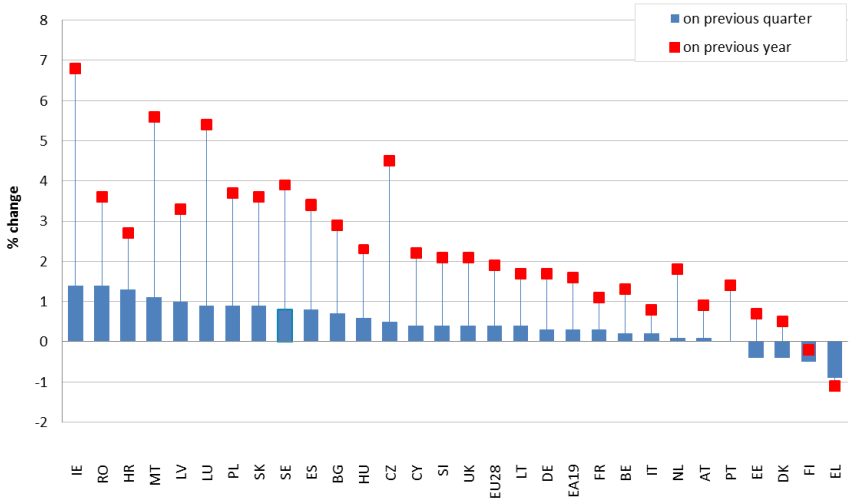
Economic activity strengthened in most Member States, but growth remains uneven

The economy continued to expand in the majority of Member States, but for some there has also been a deterioration. Whereas no Member State recorded a decline in the second quarter of 2015, in the third quarter of 2015, the economy contracted in four countries and stagnated in one. Greece in particular, registered a strong quarterly decline in GDP (0.9%), reflecting the turmoil at the beginning of the summer. Estonia and Finland recorded a more modest decline (0.4% and 0.5% respectively) after signs of improvement in previous quarters. Denmark recorded a first decline in two years (0.4%). GDP remained unchanged in Portugal after previous signs of stronger recovery. Ireland continued to register the most robust quarterly growth (1.4%), though down from the 1.9% growth seen in the second quarter, while Croatia saw an acceleration (1.3% growth). Romania experienced a rebound in growth (1.4%). Among the largest Member States, Poland and Spain had the strongest growth (0.9% and 0.8%).

GDP in the third quarter of 2015 was higher than in the third quarter of 2014 in all Member States except for Greece and Finland. Among the largest Member States, this year-on-year

growth strengthened to 4.0% in Poland, 3.4% in Spain, 1.7% in Germany, 1.1% in France and 0.8% in Italy. For the UK, growth slowed down but was still a firm 2.1%. Among the remaining Member States, real GDP growth continued to be the strongest in Ireland, Malta, Luxembourg and the Czech Republic where it exceeded 4% (Chart 2).

Chart 2: Real GDP growth - EU, EA and Member States, 2015Q3



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

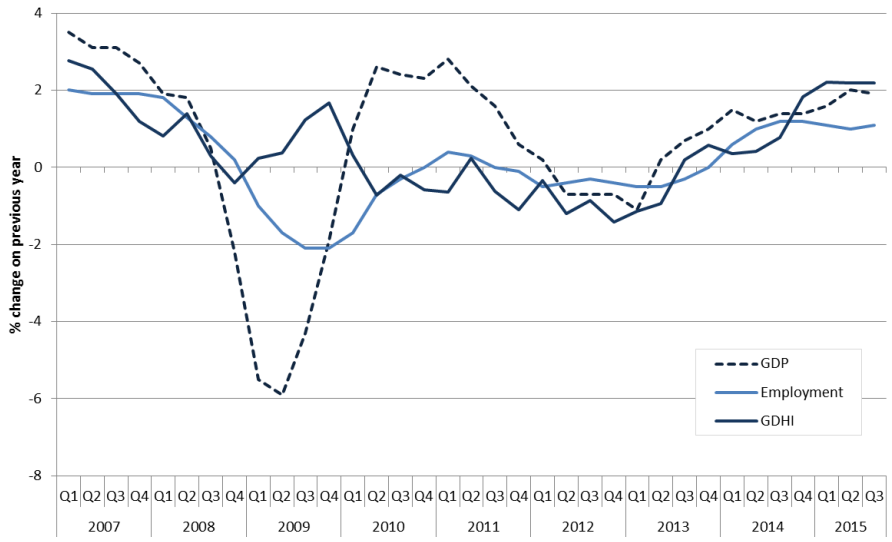
Employment and household incomes continue to increase, thanks to economic growth

In the year to the third quarter of 2015, employment in the EU continued to expand, recording a 1.1% increase. In the same period, gross disposable household income (GDHI) in the EU[1] registered a further year-on-year increase in real terms (Chart 3). Employment growth, which showed some signs of a slowdown in the first half of 2015, rebounded in the third quarter.

In 2014, employment growth was stronger than could perhaps be expected given the modest economic improvements. Nevertheless, in 2015 employment growth continued and GDP growth increased sustaining the labour market recovery with a further decline in unemployment. At the same time, household incomes continued to improve, supported by better income from work which, in turn, should feed private consumption.

[1] The real GDHI growth for the EU is DG EMPL estimation, and it includes Member States for which quarterly data are available (19 Member States: AT, BE, CZ, DE, DK, EL, ES, FI, FR, HR, IE, IT, NL, PL, PT, RO, SE, SI, UK, which account for at least 90% of EU GDHI). 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

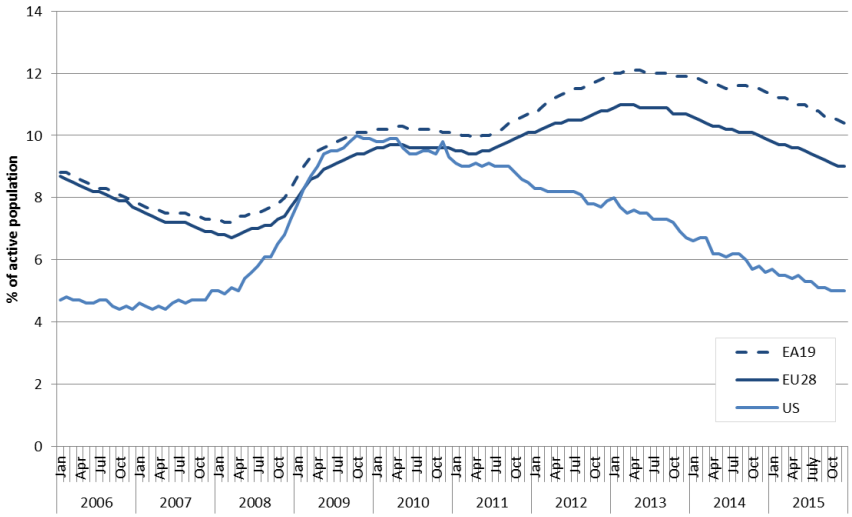


Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_gdp, namq_10_pe, nasq_10_nf_tr] (DG EMPL calculations for GDHI)
Note: GDHI EU aggregate for Member States for which data are available, GDP for EU28
Click here to download chart.

Unemployment slowly recedes, but remains high

In December 2015, the EU and EA unemployment rates were 9.0% and 10.4%, down from 9.9% and 11.4% in December 2014. By comparison, the unemployment rate in the US was 5.0% in December 2015, down from 5.6% in December 2014. In the EU and EA, unemployment declined gradually from its 2013 peak, but it is still far above the 2008 levels. By contrast, unemployment in the US declined much faster and the unemployment rate is approaching its pre-crisis level.

Chart 4: Unemployment rate - EU, EA and US



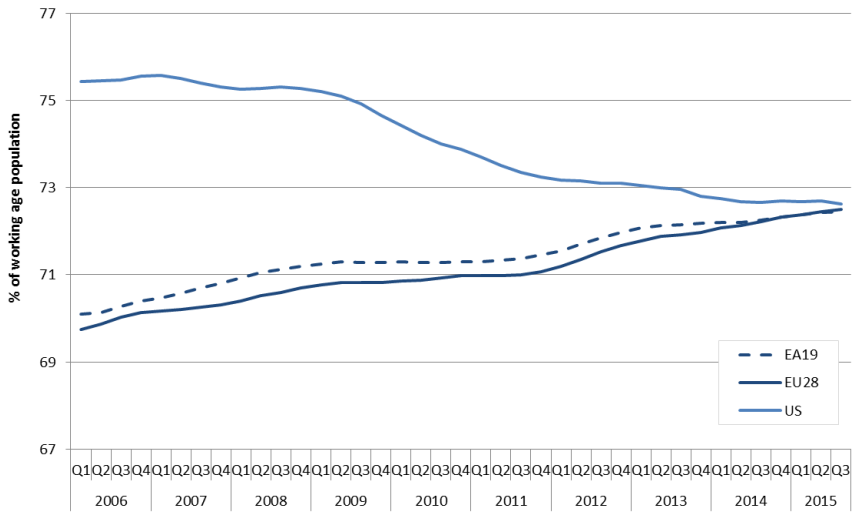
Source: Eurostat, series on unemployment, data seasonally adjusted [une_rt_m]
Click here to download chart.

Labour market participation (activity rate) increases further

This faster decline in the unemployment rate in the US compared to the EU can be partially explained by trends in labour market participation (activity rates). The sharp decrease in unemployment in the US has been accompanied by a decline in labour market participation (those in employment and those actively looking for a job), that is, an increase in inactivity, which was especially sharp in 2010-2011.

By contrast, labour market participation consistently increased in the EU in the last decade and during the crisis years. This reflects a higher participation of certain population groups that tended to be inactive in the past, such as older workers and women. Consequently, the large gap between the US and the EU in the activity rate observed before 2008 has disappeared (Chart 5).

Chart 5: Activity rate - EU, EA and US



Source: Eurostat, LFS [lfsi_act_q], and US Bureau of Labor Statistics, LFS from Current Population Survey (CPS), data non-seasonally adjusted
Note: Working age population 15-64 for EU, EA and 16-64 for US. Average of the current and 3 previous quarters
Click here to download chart.

Outlook

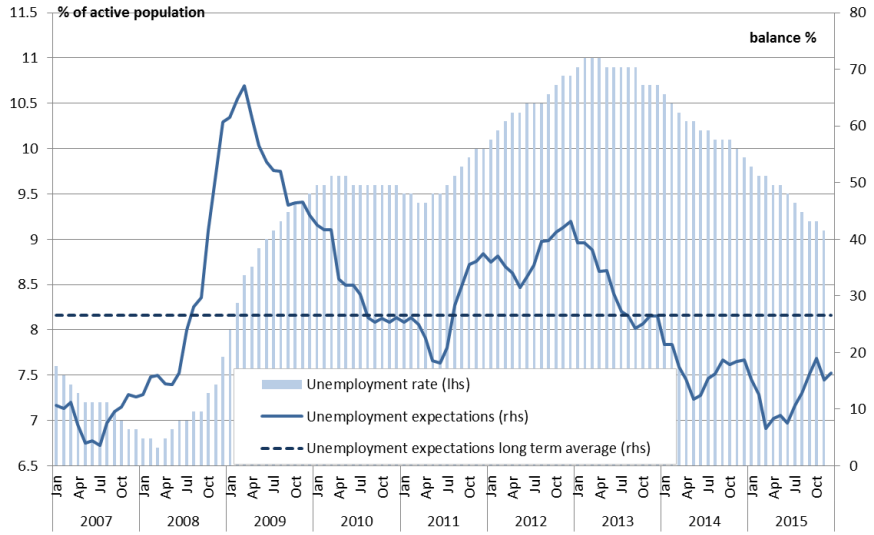
Further job creation expected in the EA in the beginning of 2016

The Purchasing Managers Index (PMI) for the EA – a composite index for EA output – declined in January 2016, after the solid increases observed in October, November and December. While the fourth quarter of 2015 saw the largest increase in business activity in four and a half years, the reduced PMI for January points to a possible weakening of EA growth, the first in almost a year. On the labour market, the solid business activity in the fourth quarter of 2015, as suggested by the PMI, was accompanied by a higher rate of job creation, the highest since spring 2011. Employment growth in January, notably in manufacturing and services, was expected to remain as high as at the end of 2015, the highest level seen in the past four and a half years. Employment expectations for the fourth quarter of 2015 increased in Germany, Italy, Spain, the Netherlands, Austria and Ireland, while they declined in France. The PMI indicates that EA GDP growth may have reached 0.4% in the fourth quarter of 2015, and could reach 0.3-0.4% in the first quarter of 2016.

Economic sentiment and employment prospects improve in the EU, but European consumers are less optimistic about further unemployment declines than a year ago

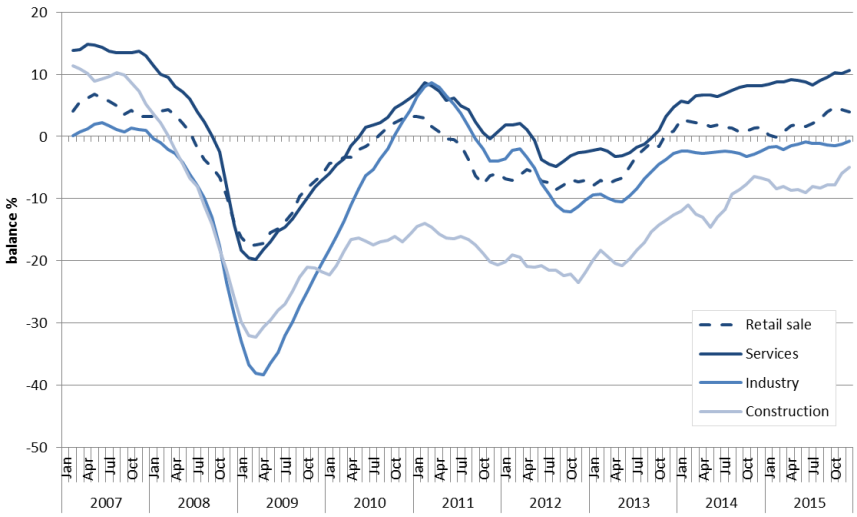
The Commission's economic sentiment indicator (ESI), derived from the EU Business and Consumer Surveys, has slowly improved since autumn 2014. This development resulted from a better economic sentiment among companies. Confidence increased significantly in services and retail, but with retail seeing some deterioration in recent months. Confidence also increased in construction where it is, nevertheless, the gloomiest, and stagnated in industry. Consumer expectations remained more volatile and less optimistic than business expectations. In recent months, consumers' unemployment expectations have improved, but they are still less optimistic than a year earlier (Chart 6). Employment prospects have improved in all sectors except industry (Chart 7).

Chart 6: Unemployment rate versus unemployment expectations - EU



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

Chart 7: Employment expectations by sectors - EU



Source: European Commission, Business and Consumer Surveys [ei_bsrt_m_r2, ei_bsse_m_r2, ei_bsin_m_r2, ei_bsbu_m_r2], data seasonally-adjusted, moving averages

Click here to download chart.

Medium-term growth outlook for the EU and EA remains positive

The latest available IMF, ECB and OECD interim forecasts do not substantially revise the economic outlook for the EU and EA. The Commission Winter Forecast of February 2016 suggests that economic recovery will continue at a modest pace in 2016 and 2017 despite more challenging conditions in the global economy (slower growth in China and other emerging market economies, weak global trade as well as geopolitical and policy-related uncertainty). Low oil prices, favourable financing conditions and the euro's low exchange rate will continue to support economic growth, driven mainly by private consumption. The economic recovery and past reforms will induce a stronger labour market performance, which should continue to strengthen, albeit at a slow and uneven pace across Member States. The perspective for labour markets is slightly better compared to previous forecasts. The Commission forecasts GDP growth in the EU at 1.9% in 2016 and 2.0% in 2017. Regarding the labour market, unemployment is forecast to decline gradually to 8.7% in the EU and 10.2% in the EA in 2017 (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	2017	2015	2016	2017	2015	2016	2017
euro area										
Commission	*Nov-15*	1.6	1.8	1.9	11.0	10.6	10.3	0.9	0.9	1.0
	Feb-16	1.6	1.7	1.9	11.0	10.5	10.2	1.1	1.0	1.0
IMF	*Oct-15*	1.5	1.6	1.7	11.0	10.5	10.1	1.0	0.9	:
	Jan-16	1.5	1.7	1.7	:	:	:	:	:	:
OECD	*Nov-15*	1.5	1.8	1.9	10.9	10.4	9.8	0.9	1.0	1.1
ECB	*Jan-16*	:	1.7	1.8	:	10.3	9.9	:	:	:
EU										
Commission	*Nov-15*	1.9	2.0	2.1	9.5	9.2	8.9	1.0	0.9	0.9
	Feb-16	1.9	1.9	2.0	9.5	9.0	8.7	1.1	1.0	0.9
IMF	*Oct-15*	1.9	1.9	2.0	:	:	:	:	:	:

Source: IMF October 2015 and January 2016 Update, European Commission November 2015 and February 2016 Update, ECB survey of professional forecasters (2016Q1) and OECD November 2015. Note: ':' data not available.
Click here to download table.

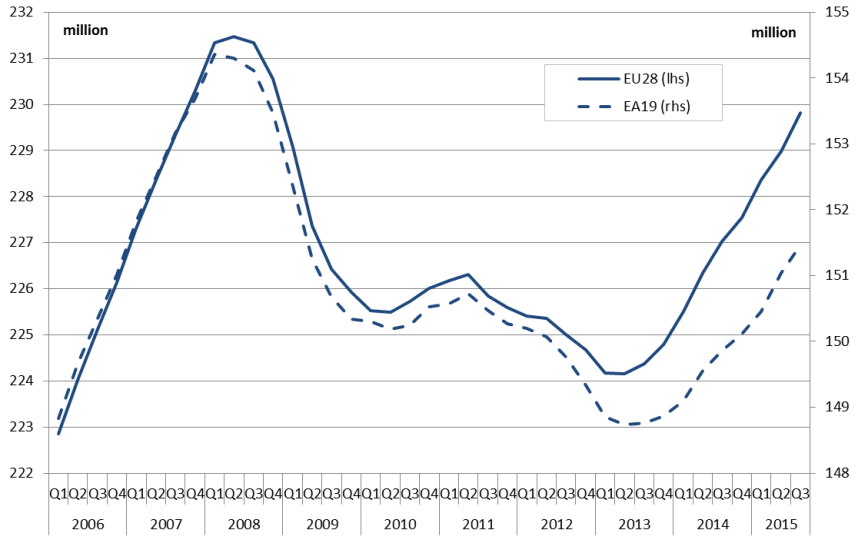
2. Employment in the EU and its Member States

Employment in the EU growing consistently for more than two years

Employment continued to increase in the third quarter of 2015, by 0.4% in the EU and 0.3% in the EA. It was up by 1.1% in both the EU and EA in the year to the third quarter of 2015. This represents about 2.8 million more employed people in the EU, including 1.6 million in the EA. Since 2013 and the economic recovery, employment growth has always been higher for the EU as a whole than for the EA. However, employment growth appears to be catching up in the EA (Chart 3).

Employment has grown at EU level for more than two years now. Its lowest level since the 2008 crisis had been observed in the second quarter of 2013. Since then, employment has increased by 2.5% in the EU (5.6 million more employed people) and by 1.8% in the EA (2.7 million more employed people). Nevertheless, in the third quarter of 2015, employment in the EU remains 0.7% (1.7 million people) below the level reached in the second quarter of 2008, its peak level. It is 1.8 % lower in the EA, representing 2.8 million fewer people in employment in the EA than in the second quarter of 2008 (Chart 8).

Chart 8: Employment level - EU and EA



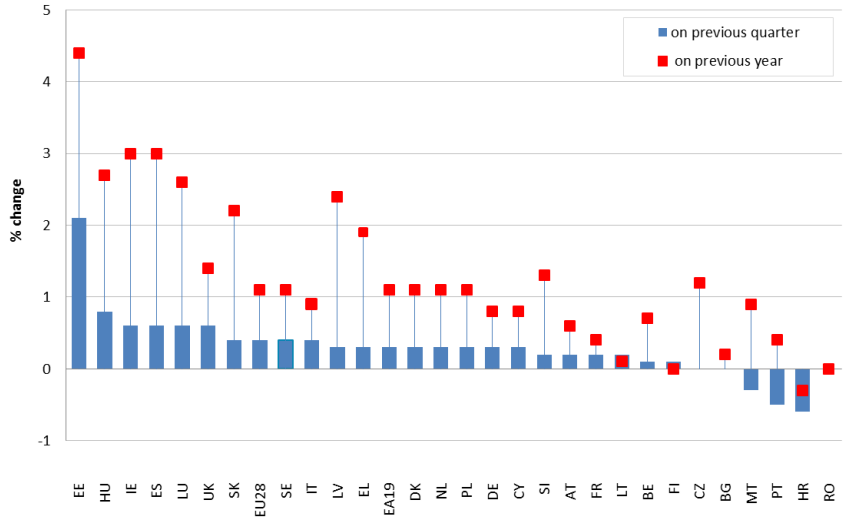
Source: Eurostat, National Accounts, data seasonally-adjusted [namq_10_pe]
Click here to download chart.

Employment expands in most Member States, but growth is still uneven

In the third quarter of 2015, employment continued to increase in most Member States, but some declines were observed in some smaller Member States. Croatia, Portugal and Malta registered a decline in employment in the third quarter of 2015 (ranging from -0.6% to -0.3%). Employment remained unchanged in the Czech Republic and Bulgaria (where it seems to have broadly stagnated for a year now). Some Member States, namely Austria, Belgium, Finland, France and Lithuania, have registered a sluggish quarterly growth (0.2% or less) for several quarters now. The quarterly growth accelerated in Estonia (2.1%) and Hungary (0.8%), remained relatively high (0.6%) in Ireland, Luxembourg and Spain, and rebounded in the UK (0.6%) after the decline seen in the previous quarter.

Employment in the third quarter of 2015 was higher than in the third quarter of 2014 in nearly all Member States. The year-on-year employment growth stabilised in Finland and Romania following the year-on-year declines observed in previous quarters, and dropped in Croatia. Among the largest Member States, employment growth strengthened to nearly 3.0% in Spain, 1.4% in the UK, 0.9% in Italy and 0.8% in Germany. For Poland, while it has been slowing down, employment growth was still a notable 1.1%. Among the remaining Member States, employment growth continued to be the strongest in Estonia, Ireland, Hungary and Luxembourg where it exceeded 2.5% (Chart 9).

Chart 9: Employment growth - EU, EA and Member States, 2015Q3



Source: Eurostat, National Accounts, data seasonally adjusted (q-o-q) and non-seasonally adjusted (y-o-y) [namq_10_pe]
Note: No q-on-q seasonally adjusted data for RO.
Click here to download chart.

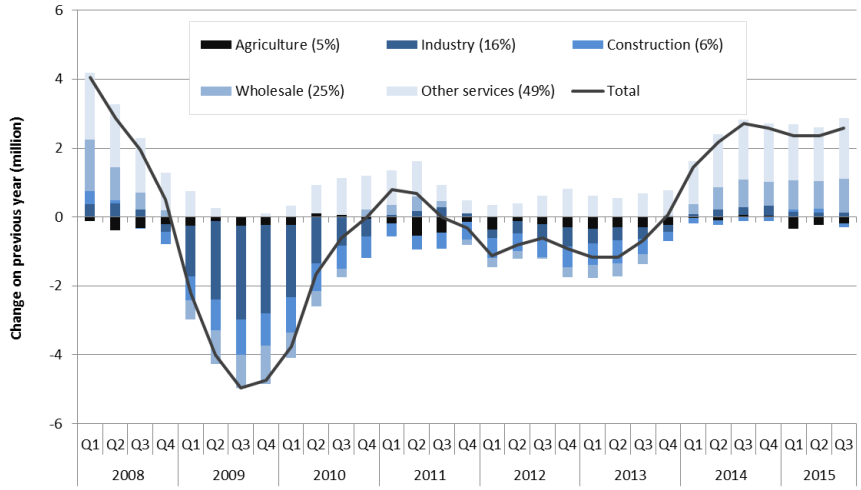
Service sectors, both tradable and non-tradable, drive employment growth

In the year to the third quarter of 2015, EU employment continued to increase across most sectors. Employment in non-tradable[2] services has increased despite the crisis, except for the stagnation observed in 2009. Tradable services have started to support job creation since the beginning of 2014. Employment in industry started to regain ground from the second half of 2014 onwards. Employment in agriculture, stable in 2014, contracted in 2015. Employment in construction registered a reduction compared to the third quarter of 2014. As a result, compared to the third quarter of 2014, employment was up in all sectors except agriculture and construction (Chart 10 and Chart 11).

Looking at the third quarter of 2015 alone, employment increased in most service sectors, while it stagnated in industry and declined in agriculture, construction and real estate activities (Chart 11). The Statistical Annex presents in detail the changes in employment in the first quarter of 2015 for 10 NACE branches.

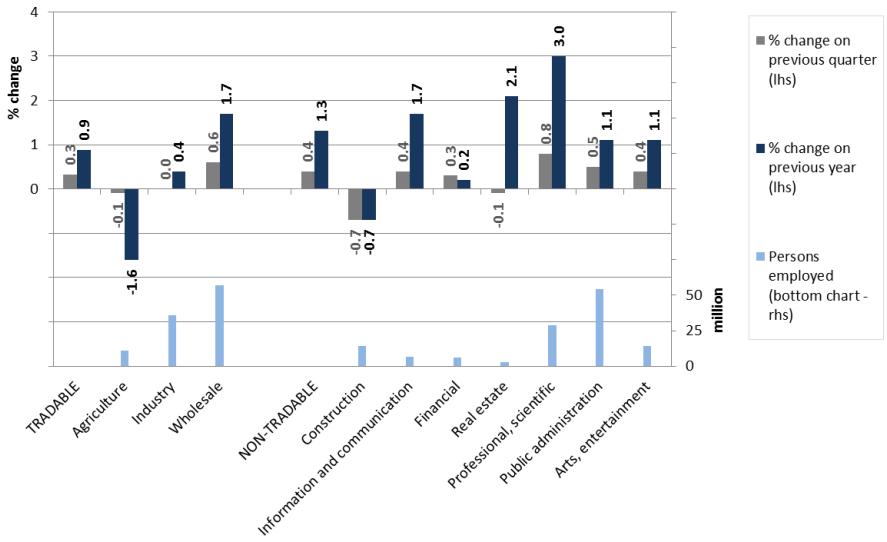
[2] Tradable sectors include: Agriculture (A), Industry (B-E) - Mining and quarrying (B), Manufacturing (C), Electricity, gas, steam and air conditioning supply (D), Water supply, sewerage, waste management and remediation activities (E) and tradable services - Wholesale and retail trade (G), Transport (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).

Chart 10: Employment growth by sector - EU



Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_a10_e]
Note: Figures in the legend in brackets indicate the share of sector's employment.
Click here to download chart.

Chart 11: Employment growth by sector - EU, 2015Q3



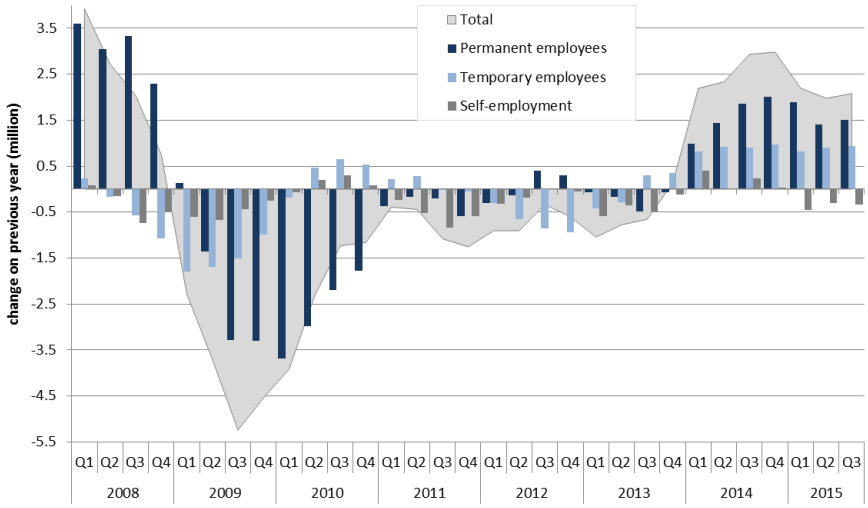
Source: Eurostat, National Accounts, data seasonally adjusted (q-o-q) and non-seasonally adjusted (y-o-y) [namq_nace10_e]
Top chart: Employment growth (%). Bottom chart: Employment level (million).
Click here to download chart.

Permanent jobs continue to contribute to the employment expansion but less so than in 2014

The increase in the number of permanent employees has outnumbered the increase in the number of temporary employees for nearly two years now (since 2014). Yet, temporary employment, which accounts for less than 15% of all employees, is increasing again at a faster pace, while the number of permanent contracts is increasing at a slower pace. In the year to the third quarter of 2015, the number of employees with a permanent contract increased by about 1.5 million (1.0%), while the number of employees with a temporary contract increased by 930 thousand (3.6%). The number of self-employed decreased by around 330 thousand (1.0%). Permanent employment has not fully recovered to the 2008 levels, whereas temporary

employment has. Compared to the pre-crisis level in 2008, the number of employees with a permanent contract in the third quarter of 2105 remained 2.4 million (1.5%) lower, while the number of employees with a temporary contract was 400 thousand (1.5%) higher (Chart 12).

Chart 12: 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 employment contributes strongly to employment growth

Full-time employment has also increased faster than part-time employment for nearly two years now (since 2014). In the year to the third quarter of 2015, the number of full-time workers increased by about 1.5 million (0.9%) and the number of part-time workers increased by about 600 thousands (1.3%). Part-time employment has never declined since the crisis, whereas full-time employment is still below its 2008 pre-crisis level. The number of people working full-time in the third quarter of 2015 remained 4.1% (7.5 million) lower than in 2008, while part-time employment was 10.4% higher (3.9 million) (Chart 13).

Chart 13: Change in part-time and full-time employment - EU

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

Employment rates in the EU and its Member States

The EU employment rate returns to pre-crisis level

The employment rate for 20 to 64 year-olds has increased consistently for two years now. It increased by 0.9 percentage points (pp) in the year to the third quarter of 2015, at a similar pace as in previous quarters (Chart 14). Although it has just returned to its 2008 level, at 70.6% (non-seasonally adjusted), the rate remains nearly 5 pp below the Europe 2020 target (Chart 15). For the EA, the employment rate increased by 0.8 pp in the year to the third quarter of 2015, to reach 69.4%. The employment rate in the EA is still 1.1 pp below the 2008 value (Chart 14).

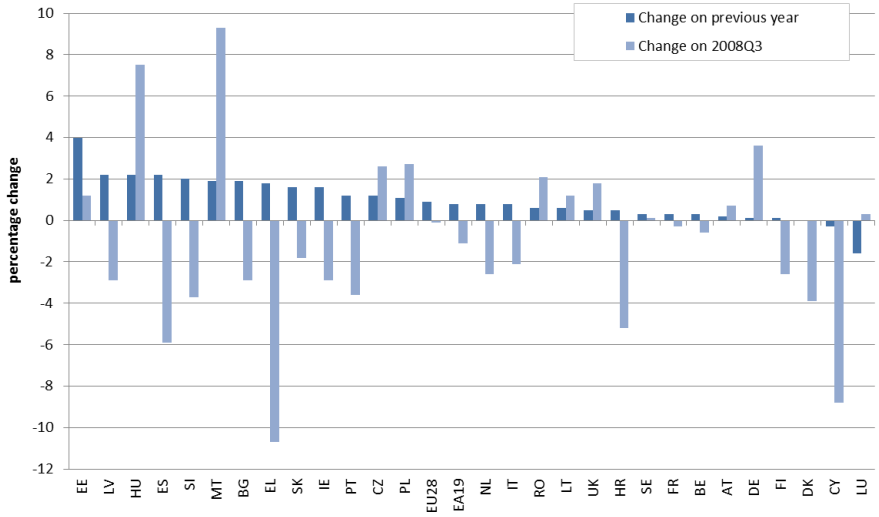
Employment rates increased in most Member States, but are far below pre-crisis level in many

In the year to the third quarter of 2015, the employment rate for 20-64 year-olds increased in all Member States except for Cyprus and, more noticeably, Luxembourg (where it is down 1.6 pp). The largest increases were recorded in Estonia, Latvia, Hungary and Spain (more than 2 pp).

Despite the observed improvements, the employment rate remains below the 2008 rate in many Member States, having dropped significantly (by 5 pp or more) in Greece, Cyprus, Spain and Croatia. Hungary and Malta made the most significant increase (more than 7 pp). From having some of the lowest employment rates, Hungary and Malta have now approached the EU average. In the case of Malta this was due to a large extent to the increase in female employment rates (for those aged 20-64) since 2008. Among the largest Member States, Germany, Poland and the UK have seen a consistent increase in their employment rates, which contributed to the increase of the EU average employment rate and its recovery to the 2008 pre-crisis level.

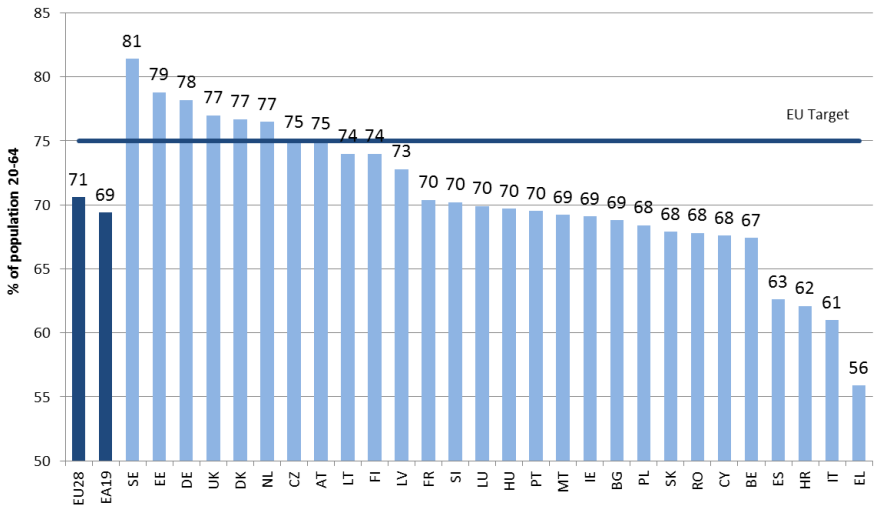
In the third quarter of 2015, there was a 25 pp difference between the highest employment rate of more than 80% in Sweden and the lowest employment rate of just 56% in Greece (Chart 15).

Chart 14: Employment rate - EU, EA and Member States, change to 2015Q3



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

Chart 15: Employment rate - EU, EA and Member States, 2015Q3



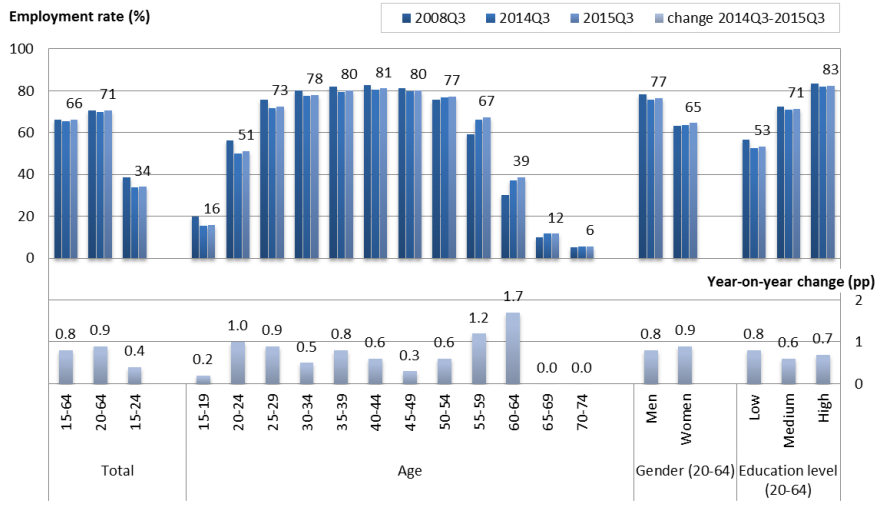
Source: Eurostat, LFS, data non-seasonally adjusted [lfsi_emp_q]
Click here to download chart.

Employment rates improve across all population groups and particularly for older workers

In the year to the third quarter of 2015, the EU employment rate increased for all population groups and most noticeably for people aged 55-59 (1.2 pp) and those aged 60-64 (1.7 pp) (Chart 16). This continuous encouraging trend observed over the past few years resulted in an 8 pp increase in the employment rate of older workers since 2008. In the year to the third quarter of 2015, a noticeable 1 pp increase was recorded in the employment rate of young people aged 20-24 and 25-29. Nevertheless, for young people, the employment rate in the third quarter of 2015 remained lower than that registered in 2008: a 4 pp gap for 20-24 year-olds and 5 pp gap for 25-29 year-olds.

The increase in the employment rate during the year to the third quarter was similar for both men and women and for the various education levels. When compared to 2008, the employment rate in the third quarter of 2015 had increased for women (by 1.5 pp), but not for men (down by 1.7 pp) (Chart 16).

Chart 16: 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 2014Q3-2015Q3 (pp).
Click here to download chart.

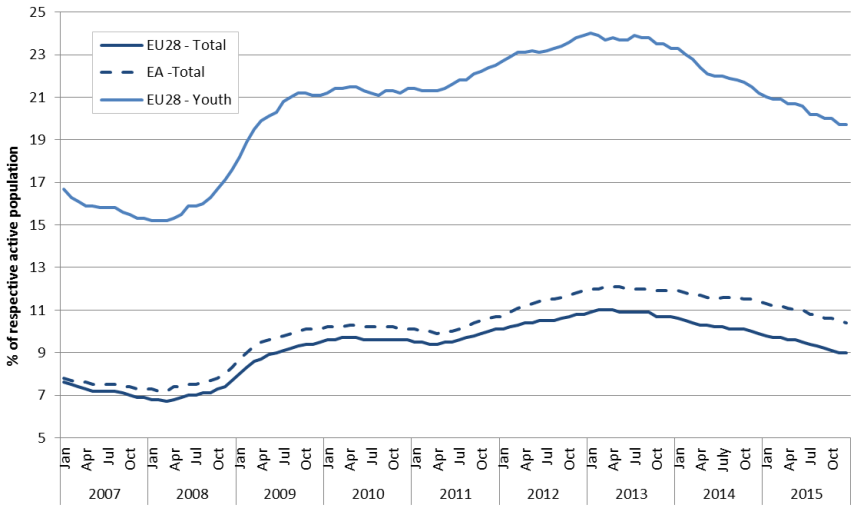
3. Unemployment in the EU and in Member States

EU and EA unemployment continues to slowly recede

The unemployment rate in the EU and EA has seen a steady but moderate decline since mid-2013. It declined to 9% in the EU and 10.4% in the EA in December 2015, a reduction of 0.9 pp for the EU and 1.0 pp for the EA when compared to December 2014. The unemployment rate in the EU remained 2.3 pp higher than its low of 6.7% in March 2008 (Chart 17). For the EA, the difference with respect to March 2008 is 3.2 pp but the December unemployment rate was the lowest rate recorded since September 2011.

The decline in the unemployment rate between December 2014 and December 2015 represents about 2 million fewer unemployed people in the EU, including 1.5 million in the EA. Although unemployment receded by more than 4.6 million since its peak observed in April 2013, its decline has not returned unemployment to the 2008 pre-crisis levels. With about 22 million unemployed people, including 16.8 million in the EA, there are still nearly 6 million more unemployed people in December 2015 than in March 2008, when unemployment was at its lowest.

Chart 17: 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.

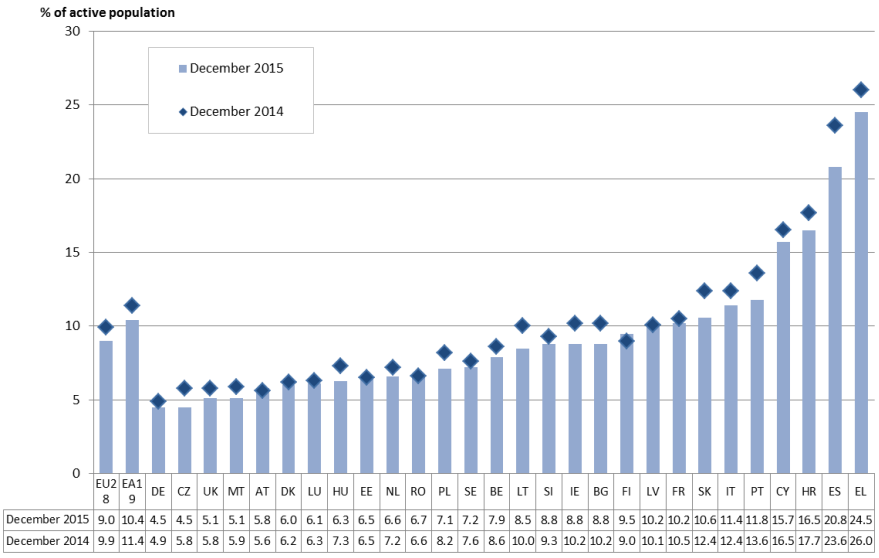
Unemployment declines in most Member States

In the year to December 2015, unemployment rates decreased in most Member States but increased in four, namely Finland (by 0.5 pp) and, to a lesser extent, Austria (by 0.2 pp), Latvia and Romania (each by 0.1 pp). The largest year-on-year reductions in unemployment took place in Spain (2.8 pp), Portugal and Slovakia (each with a reduction of 1.8 pp) (Chart 19).

Large differences remain among Member States, with the unemployment rate ranging from 4.5 % in Germany to a high 24.5 % in Greece[3] and 20.8 % in Spain (Chart 18).

[3] October 2015

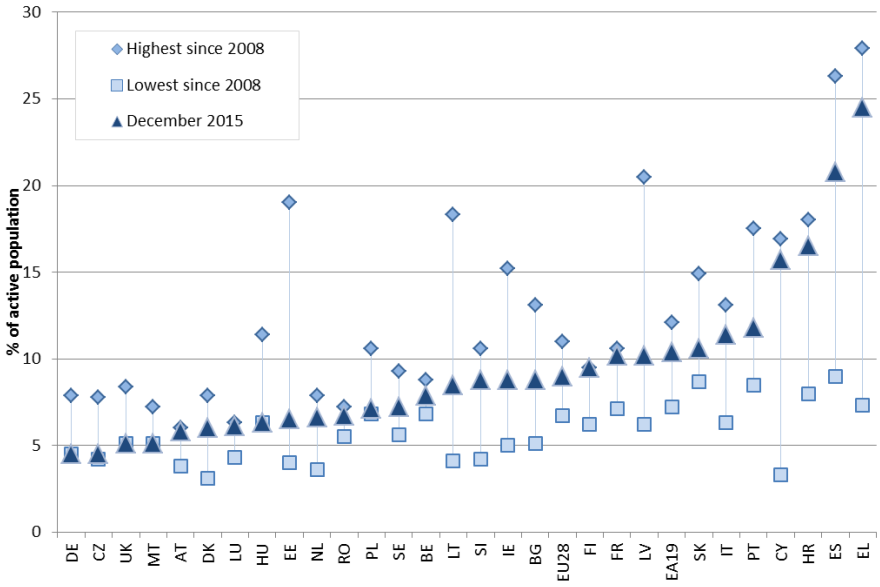
Chart 18: Unemployment rates - EU, EA and Member States, December 2014 and December 2015



	EU28	EA19	DE	CZ	UK	MT	AT	DK	LU	HU	EE	NL	RO	PL	SE	BE	LT	SI	IE	BG	FI	LV	FR	SK	IT	PT	CY	HR	ES	EL
December 2015	9.0	10.4	4.5	4.5	5.1	5.1	5.8	6.0	6.1	6.3	6.5	6.6	6.7	7.1	7.2	7.9	8.5	8.8	8.8	8.8	9.5	10.2	10.2	10.6	11.4	11.8	15.7	16.5	20.8	24.5
December 2014	9.9	11.4	4.9	5.8	5.8	5.9	5.6	6.2	6.3	7.3	6.5	7.2	6.6	8.2	7.6	8.6	10.0	9.3	10.2	10.2	9.0	10.1	10.5	12.4	12.4	13.6	16.5	17.7	23.6	26.0

Source: Eurostat, series on unemployment, data seasonally adjusted [une_rt_m]
Note: EL, UK: October 2015, EE, HU: November 2015
Click here to download chart.

Chart 19: Unemployment rates - EU, EA and Member States, December 2015 and highest and lowest rate since 2008



Source: Eurostat, series on unemployment, data seasonally adjusted [une_rt_m]
Note: EL, UK: October 2015, EE, HU: November 2015
Click here to download chart.

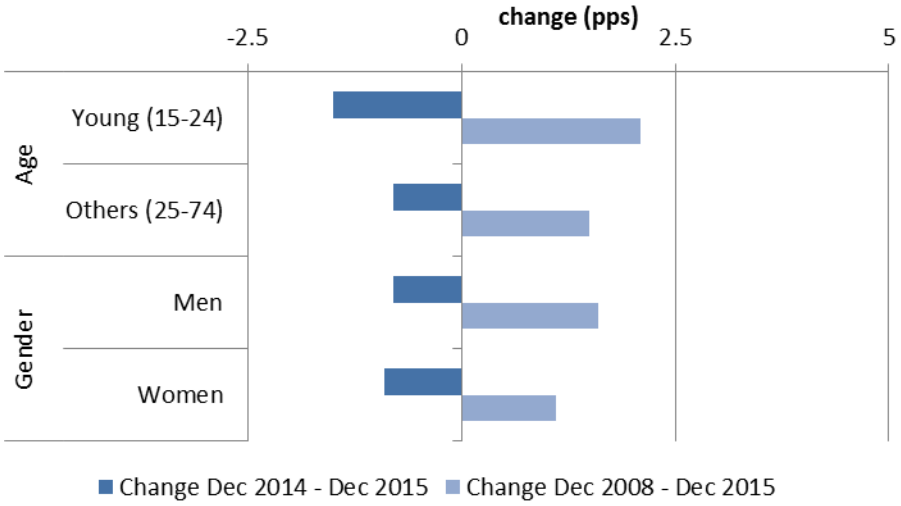
Unemployment declines for all population groups

In the year to December 2015, the unemployment rate declined in the EU for all age-groups and for men and women. In that period, it declined by 0.8 pp for men and 0.9 pp women and stood at 9.0% and 9.1% respectively in December 2015. In the EA, the unemployment rate

declined by 0.9 pp for both men and women to reach 10.3% and 10.6% respectively in December 2015. For those aged 25-74, the unemployment rate declined by 0.8 pp in the year to December 2015, with a sharper 1.5 pp decrease observed for those aged 15-24.

Quarterly data for the third quarter of 2015 (not shown) confirms the decline in unemployment rates for all 5-year age groups between 15 and 64 years of age when compared to the third quarter of 2014. The only (slight) increase is seen for the age group 65-69. The unemployment rate also declined for the three levels of education considered (low, medium and high). Nonetheless, these changes were not enough to return unemployment rates back to the values observed in 2008 (Chart 20).

Chart 20: Unemployment rate by population groups - EU, change to December 2015



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

Table 2: Youth unemployment rates - December 2015

	Youth unemployment rate	Year-on-year change (percentage points)	flag
LU	14.7	-7.2	
ES	46.0	-5.4	
SI	15.0	-4.1	2015Q4
LT	14.3	-4.1	
IT	37.9	-3.3	
CZ	10.9	-3.2	
UK	13.5	-3.1	2015M10
HU	15.7	-2.9	2015M11
PT	31.0	-2.9	
IE	19.2	-2.7	
EL	48.6	-2.7	2015M10
CY	31.7	-2.6	2015Q4
RO	21.2	-2.2	2015Q3
SK	24.7	-2.2	
SE	19.4	-2.0	
EU28	19.7	-1.5	
BG	21.0	-1.4	
HR	44.1	-1.3	2015Q4
PL	20.5	-1.1	
EA19	22.0	-1.0	
NL	11.2	-0.6	
DE	7.0	-0.3	
DK	10.3	-0.1	
FI	22.1	0.5	
BE	22.7	0.7	
LV	18.2	0.8	
FR	25.9	1.2	
MT	12.6	1.4	
AT	11.2	1.7	
EE	17.1	4.0	2015M11

Source: Eurostat, series on unemployment, data seasonally adjusted [une_rt_m]
Note: EL, UK: October 2015, EE, HU: November 2015, CY, SI, and HR: 2015Q4, RO:2015Q3
Click here to download chart.

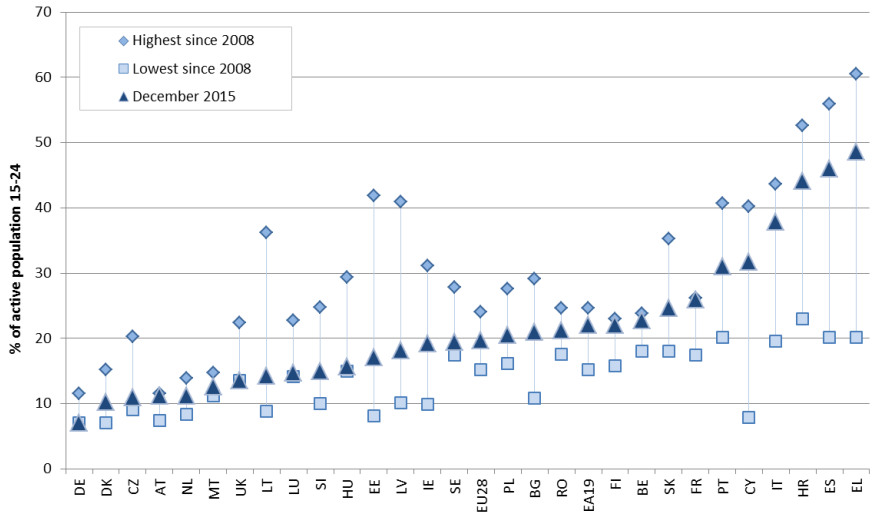
Youth unemployment in the EU continues to recede

In the year to December 2015, the youth unemployment rate (for those aged 15-24) for the EU declined by 1.5 pp and reached 19.7%. In the same period, the youth unemployment rate declined by 1 pp in the EA and reached 22 % in December 2015. These declines represent nearly 426 000 fewer unemployed people aged 15-24 in the EU, including 229 000 in the EA. Still, at 4.5 million unemployed young people, including 3.1 million in the EA, the level of youth unemployment remains markedly higher than its low in 2008.

Youth unemployment below peak levels in all Member States but for many still some way from pre-crises levels

In the year to December 2015, the unemployment rate among young people aged 15-24 fell in most Member States. However, seven Member States had year-on-year increases during this period, notably Estonia (4 pp), Austria (1.7 pp), Malta (1.4 pp) and France (1.2 pp). The rate reduced considerably in Luxembourg (7.2 pp), Spain (5.4 pp), Slovenia and Lithuania (each 4.1 pp). Despite the observed improvements, unemployment affects over 40% of young active people aged 15 to 24 in Greece (48.6%), Spain (46%) and Croatia (44.1%). It is more than 30% in Italy (37.9%), Cyprus (31.7%) and Portugal (31%). By contrast, unemployment rates are below 11% in Germany (7%), Denmark (10.3) and the Czech Republic (10.9%) (Table 2 and Chart 21). All Member States registered youth unemployment rates below their recent peak values. Some Member States including Estonia, Latvia, Lithuania, Ireland, and Croatia have achieved significant reductions in their youth unemployment rate since recent highs (Chart 21), and in Member States with very high youth unemployment like Greece and Spain, the youth unemployment rate has registered an important decline.

Chart 21: Youth unemployment rates - EU, EA and Member States, December 2015 and highest and lowest rate since 2008



Source: Eurostat, LFS, data seasonally adjusted [une_rt_m]
Note: EL, UK: October 2015, EE, HU: November 2015, CY, SI, and HR: 2015Q4, RO:2015Q3Click here to download chart.

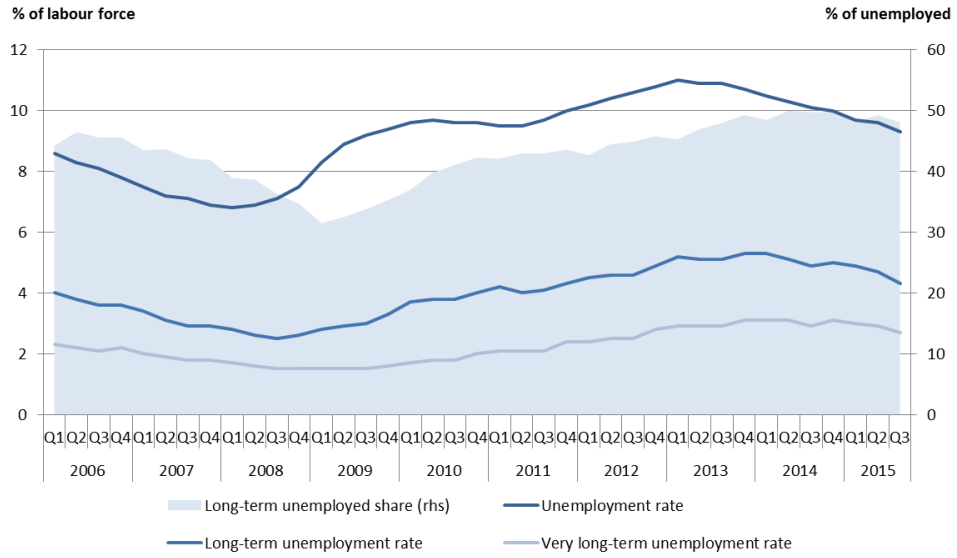
4. Long-term unemployment and additional potential labour force

Long-term unemployment rate declines at a faster pace

The long-term unemployment rate, i.e. the rate for those unemployed for a year or more, decreased 0.6 pp in the year to the third quarter of 2015 and is now 4.3% of the labour force (Chart 22). This is the largest reduction since the first decline in long-term unemployment observed in 2014. In the same period, the very long-term unemployment rate, i.e. those unemployed for at least two years, decreased by 0.2 pp and is now 2.7% of the labour force. This additional and larger decline in the long-term unemployment rate suggests that the reduction in long-term unemployment may be gaining some momentum.

This year-on-year decline represents almost 1.5 million fewer people in long-term unemployment than in the third quarter of 2014. However, long-term unemployment remains high with about 10.5 million people having been out of work for more than a year despite searching for a job (including 6.5 million for more than two years). This is around 4.5 million more people unemployed for more than a year than in 2008.

Chart 22: Unemployment and long-term unemployment rates and share - EU

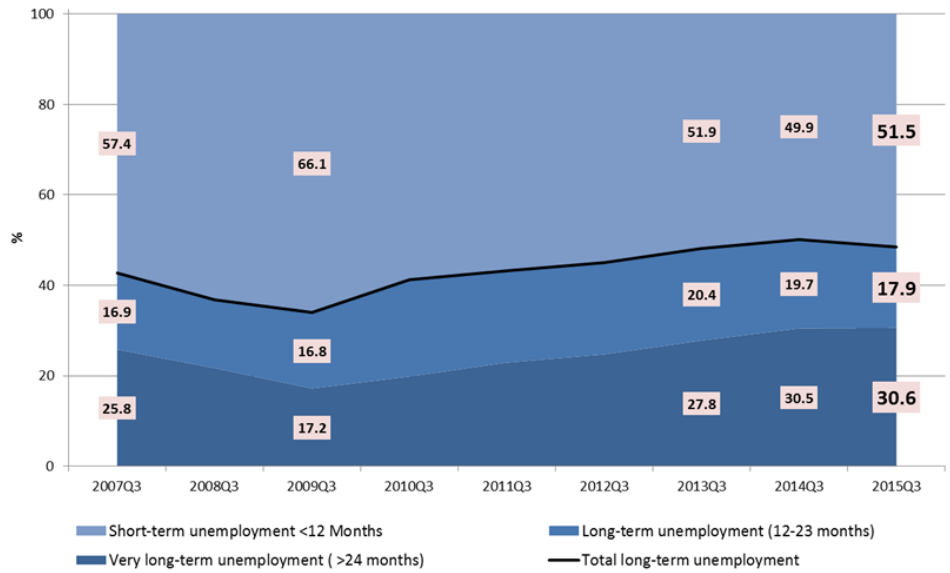


Source: Eurostat, LFS, data seasonally adjusted (unemployment rate) and non-seasonally adjusted (long-term unemployment rates) [une_rt_q, une_ltu_q]
Left axis: Unemployment rates (% of labour force). Right axis: unemployment share (% of unemployed)
Click here to download chart.

The share of long-term unemployment in total unemployment starts to diminish

The decline in long-term unemployment has been larger than the decline in short-term unemployment (0.6 pp vs 0.2 pp). This has resulted in a declined in the share of long-term unemployment in total unemployment. This suggests that the labour market recovery may be reaching those further from the labour market. Chart 23 shows the detailed composition of unemployment by duration and the respective changes for those in unemployment for less than a year, between one and two years and for more than a year. The chart shows the reduction in the share of those unemployed between one and two years. At the same time the share of the very long-term unemployed, i.e. those unemployed for two or more years, has increased slightly, even if the very long-term unemployment rate has decreased.

Chart 23: Unemployment level by duration of unemployment – EU



Source: Eurostat, LFS, data non-seasonally adjusted [lfsq_ugad]
Note: Data for third quarter of each year
Click here to download chart

Strong decreases in Member States with highest unemployment rates

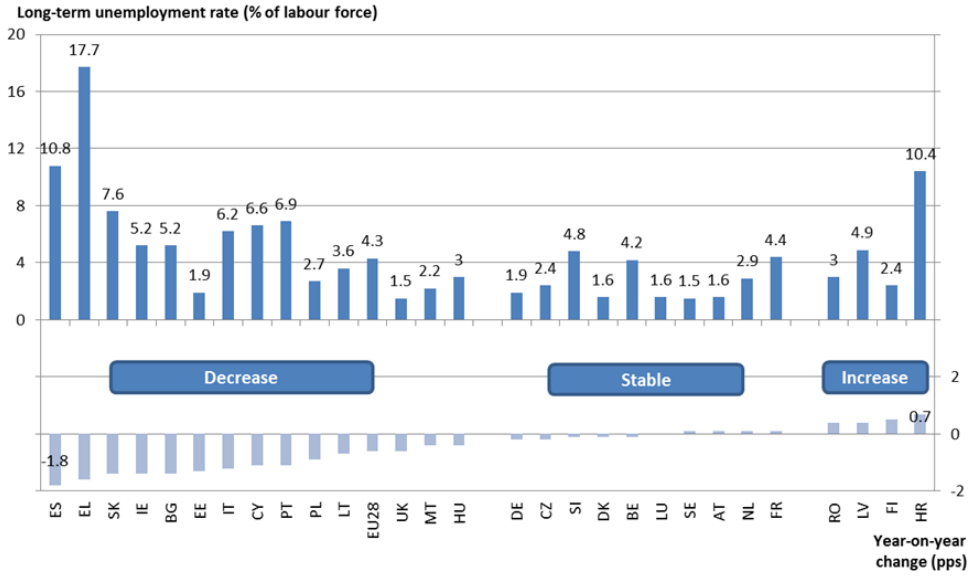
The reduction in long-term unemployment could be seen across the majority of Member States in the year to the third quarter of 2015. Moreover, Member States with the highest rates, above 5%, have seen important decreases, above 1 pp, with the exception of Croatia where long-term unemployment increased by 0.7 pp. The largest decreases were seen in Spain (1.8 pp) and Greece (1.6 pp) although they still have the highest rates, 10.8% and 17.7% respectively. Estonia also had one of the strongest decreases (1.3 pp) though Estonians are among those with the lowest rates of long-term unemployment (1.9%). By contrast, the long-term unemployment rate has increased in Finland (0.5 pp) though it is one of the lowest (2.4%).

Greece's rate of very long-term unemployment remains the highest in the EU at 12.5% of their labour force, although it has decreased by 0.4 pp in the year to the third quarter of 2015. Latvia, on the other hand, has had a sharp increase in its very long-term unemployment rate (by 0.7 pp).

Greece also holds the highest share of long-term unemployment, 73.7% of its total unemployment, followed by Croatia and Slovakia with 67.5% and 67%. All these shares well above the EU28 average (48.1%).

Since the onset of the crisis in 2008, Germany shows the best overall long-term unemployment rate evolution with a decrease of 1.8 pp. This was mostly achieved through the reduction of the very long-term unemployment rate (1.4 pp).

Chart 24: Long-term unemployment rate - EU, EA and Member States, level and change over the year to 2015Q3



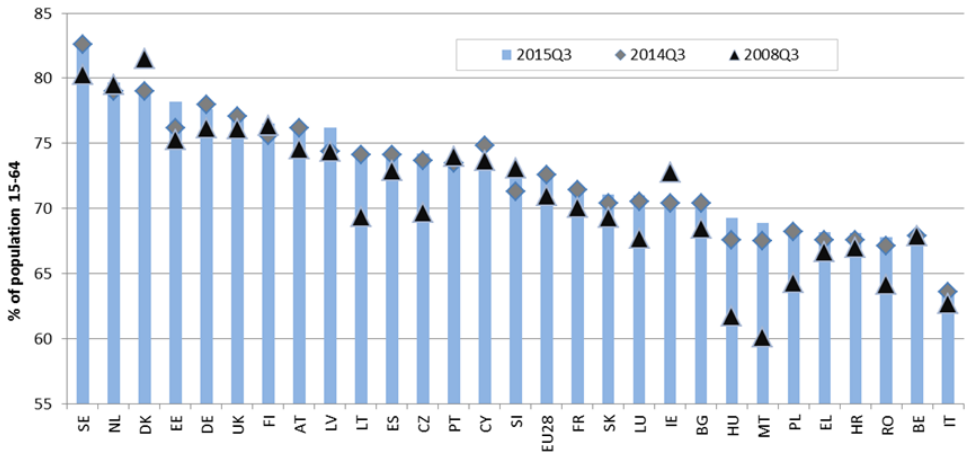
Source: Eurostat, LFS, data non-seasonally adjusted [une_ltu_q]
Click here to download chart.

Activity rates continue to increase and are slowly converging

The EU activity rate for the 15 to 64 age group increased 0.2 pp in the year to the third quarter of 2015 to reach 72.8% of the total population. The rate is 1.8 pp higher than in the third quarter of 2008, and since then it has grown at a constant pace. In the third quarter of 2015, the total active population of the EU was around 243 million people, 2.5 million more people than in the third quarter of 2008.

In the year to the third quarter of 2015, most Member States registered an increase in their activity rates. Four Member States experienced minor decreases, and Cyprus had a more significant 1.6 pp decrease. Sweden, Netherlands and Denmark have the highest activity rates with around 80% of the total population in activity. Italy is the only Member State with an activity rate below 65%, 4 pp less than the second lowest Member State, Belgium. The largest increases in activity rates occurred in Estonia (2 pp) and Latvia (1.8 pp). Malta and Hungary have had the largest increases in activity rates since the third quarter of 2008, 8.8 pp and 7.6 pp respectively. The largest decreases in their active population since 2008 were seen in Denmark (2.8 pp) and Ireland (2.3 pp).

Chart 25: Activity rate - EU, EA and Member States



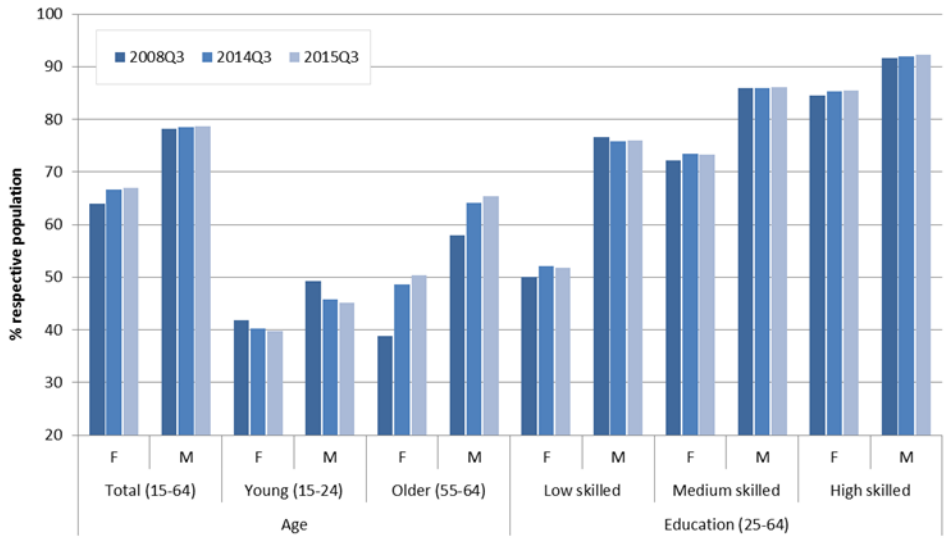
Source: Eurostat, LFS, data non-seasonally adjusted [lfsi_act_q]
Click here to download chart.

The activity rate for those over 60 is approaching the youth activity rate

Between the third quarter of 2014 and the third quarter of 2015, the activity rate increased slightly for men (0.1 pp) and women (0.2 pp). Still, an important gender gap of 11.7 pp remains.

The activity rate decreased slightly for those aged 25-54 (0.1 pp). The decrease was larger for those aged 15-24 and for the low skilled (0.8 pp). For those aged 15-24, this decline is due to an increased education enrolment, as confirmed by the decline in the NEET rate. By contrast, the decline in the activity rate of those low-skilled is more worrying. The highest increase in the activity rate could be observed for high-skilled older workers between 60-64 years (3.2 pp). Therefore, the activity rate of those aged 60-64 years (41.3%) is getting closer to that of young people aged 15-24 (42.6%) (Chart 26).

Chart 26: Activity rate by population groups - EU



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

Discouragement and underemployment in the EU are decreasing

The potential additional labour force that could be added to those in employment or unemployed (the active population) is monitored using three supplementary indicators[4] to unemployment. These are 'discouragement', 'underemployment' and 'seeking but not available for work'. These three indicators are expressed as percentage of the labour force, i.e. the active population. They are also called supplementary indicators to unemployment (SIU).

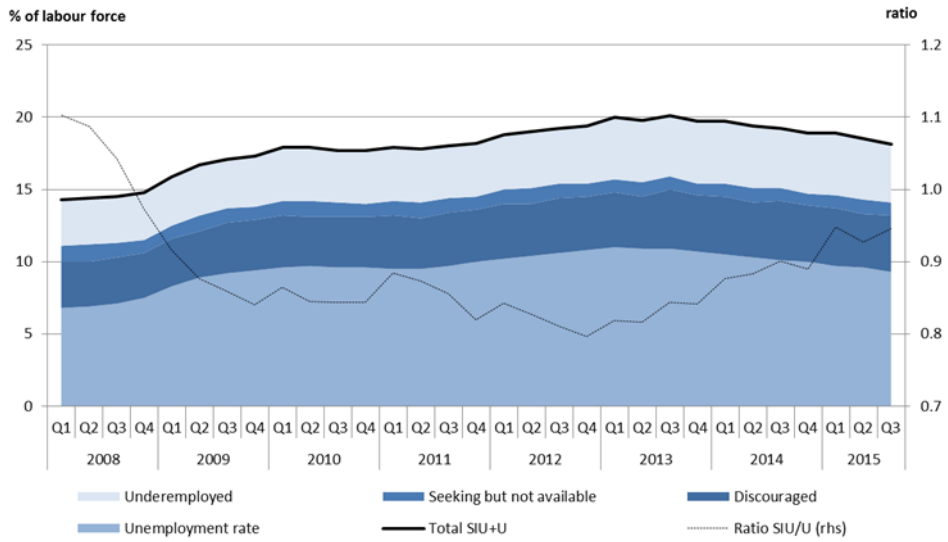
The proportion of 'discouraged workers' in the EU, i.e. those who are available for work but not seeking it, was 3.9% of the labour force in the third quarter of 2015. This rate slightly decreased by 0.2 pp compared to the third quarter of 2014.

'Underemployment', i.e. the proportion of those who would like but cannot find full-time work, showed a minor 0.1 pp decrease in the year to the third quarter of 2015 and was 4% of the labour force. This was its lowest value in 3 years.

The rate of 'those seeking but not available for work', remained unchanged at 0.9% of the labour force in the year to the third quarter of 2015.

The combined decrease of these three indicators complements the positive developments of total unemployment (Chart 27) and also long-term unemployment.

Chart 27: 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)
Note: SIU stands for the Supplementary Indicators to Unemployment representing the potential additional labour force

Click here to download chart.

All indicators point to labour markets improvements for the EU as a whole

The changes in unemployment rate must be analysed alongside indicators on activity rates (as above) and indicators of the potential labour force. Together these indicators can be used to

4 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

analyse the extent to which Member States are able to mobilise their working-age population. Looking at unemployment alone would not be sufficient; poor labour market performance may also be reflected in a rising number of discouraged workers or increased underemployment. In the year to the third quarter of 2015, the reductions in unemployment in most Member States were accompanied by improvements in supplementary indicators. This is especially the case in Bulgaria, Spain and Ireland (Chart 28). On the other hand, Finland registered the largest combined increase in the additional potential labour force and the unemployment rate: 1.2 pp in the year to the third quarter of 2015.

Chart 28: Unemployment vs. supplementary indicators to unemployment (SIU) - EU Member States, changes 2014Q3-2015Q3

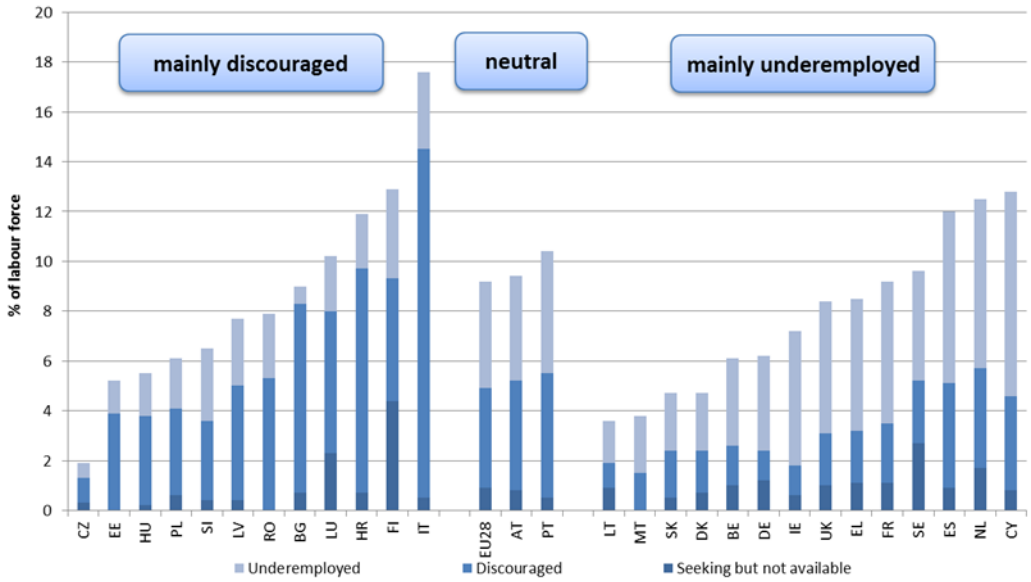
Source: Eurostat, LFS, data non-seasonally adjusted [une_rt_q, lfsi_sup_age_q]
Note: EE, LU, MT and RO: no data for 'Seeking but not available'
Click here to download chart.

Members States face different challenges in their potential additional labour force

Member States can be divided into those with mainly 'discouraged people' and those with mainly 'underemployed people' (Chart 29). In the third quarter of 2015, Italy was still the country with the highest combined level of supplementary indicators. This is mainly due to Italy having the highest discouragement rate in the EU – 14.4% of labour force, a rate that increased by 0.2 pp in the year to the third quarter of 2015. Croatia is the Member State with the second highest discouragement rate, 8.3% of the labour force, and the worst evolution over the last year with a 0.8 pp increase.

In the third quarter of 2015, Cyprus still had the highest rate of underemployment, followed by Spain: 7.1% and 6.5% of the labour force, respectively. In the year to the third quarter of 2015, Slovenia was the country with the highest increase (1.2 pp), so that underemployment reached 3.6% of the labour force.

Chart 29: Labour underutilisation - EU and Member States, 2015Q3

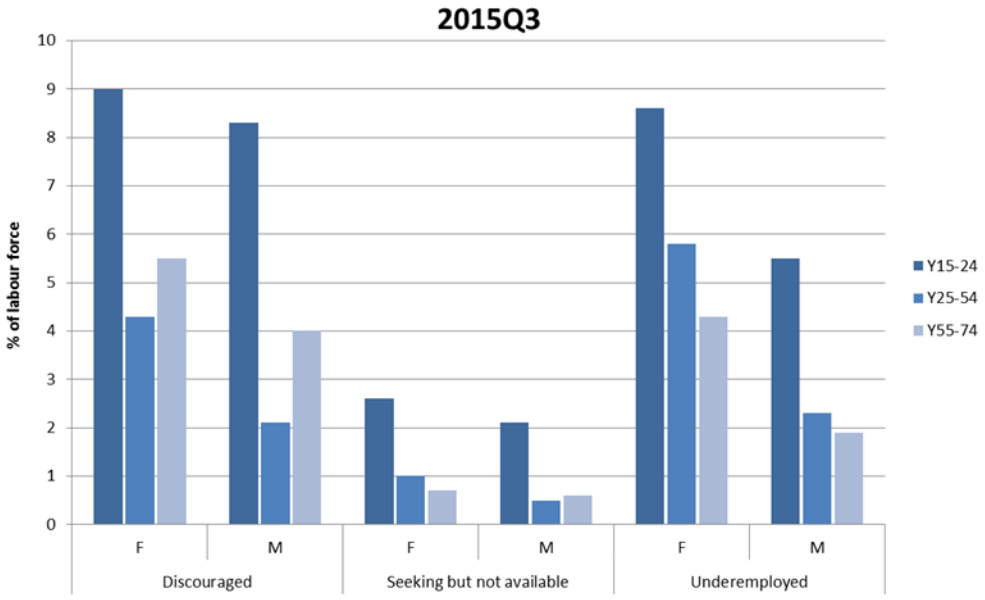


Source: Eurostat, LFS, data non-seasonally adjusted [une_rt_q, lfsi_sup_age_q]
Note: EE, LU, MT and RO: no data for 'Seeking and not available'
Click here to download chart.

Discouragement is lower among the young, and underemployment for women decreased

Young workers are particularly affected by underemployment and discouragement. Nevertheless, during the year to the third quarter of 2015, discouragement decreased markedly for young people aged 15-24 (0.6 pp), albeit not everywhere in the EU. In Slovenia, underemployment among young people registered an increase of 7.8 pp. By contrast, in Estonia, discouragement among youngsters decreased by 3.8 pp and the discouragement rate is down to 9.9%. Underemployment decreased slightly for women (0.1 pp), but this change differed across age groups: it increased by 0.3 pp for young women but decreased by 0.3 pp for older women. The gender gap in underemployment is double that for discouragement (Chart 30).

Chart 30: Underemployment and potential labour force by sex and age - EU, 2015Q3



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

5. The income and financial situation of households

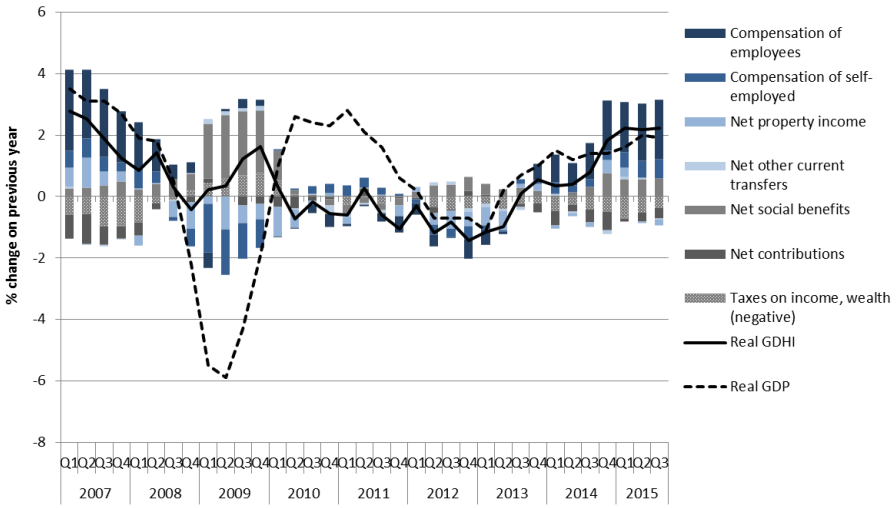
Household incomes in the EU benefit from strengthening economic activity

On average in the EU[5] real growth in gross disposable household income (GDHI) remained at a solid 2% in the year to the third quarter of 2015. The year-on-year growth rates observed throughout the first three quarters of 2015 were higher than the growth rates of less than 1% observed in 2014 (Chart 31). In contrast, in the EA, the year-on-year real growth rate of GDHI recorded in the third quarter of 2015 had decelerated to 1.6% compared to the year-on-year growth seen in previous quarter[6].

[5] The real GDHI growth for the EU is DG EMPL estimation, and it includes Member States for which quarterly data are available (19 Member States: AT, BE, CZ, DE, DK, EL, ES, FI, FR, HR, IE, IT, NL, PL, PT, RO, SE, SI, UK, which account for at least 90% of EU GDHI). 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.

[6] As estimated by Eurostat real adjusted GDHI per capita*6* and real consumption per capita increased in the EU by 0.4% and 0.7%, respectively._See, Eurostat publication *http://ec.europa.eu/eurostat/documents/2995521/7148017/2-28012016-AP-EN.pdf/07f63a9e-b766-4e89-afe0-a30a94d4e81c*

Chart 31: 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.

Growth in income resulting from higher income from work and improved social benefits

In the year to the third quarter of 2015, the growth in GDHI continued to be driven largely by income from work. The compensation of both employees and the self-employed increased at a rate similar to that seen in the previous four quarters. the contribution of work-related income to disposable income can be expected to increase in line with the continued employment expansion. In the year to the third quarter of 2015, property income continued to increase, while other transfers declined. Meanwhile, following the improvement in income from work, taxes and social contributions acted as a break on household incomes, but further increases in social benefits helped sustain the growth of disposable income.

Nearly all Member States benefit from growth in household income

The real increase in GDHI in the EU seen in the year to the first quarter of 2015 reflects positive developments in nearly all Member States (see Statistical Annex). All the largest Member States have registered several quarters of improvements: the longest period of year-on-year increases has been seen in Poland (since data are available) and Germany (since mid-2010), followed by France and more recently Spain, Italy and the UK. Among other Member States, real GDHI declined in Greece, Portugal and slightly in Austria and Belgium in the third quarter of 2015.

Households' financial distress is down from historical highs

Financial distress[7], defined as the need to draw on savings or to run into debt to cover current expenditures, has gradually declined over the last two years. Both the share of the households reporting running into debt and the share of those having to draw on their savings have declined, particularly the share of those running into debt.

Financial distress receded gradually to 15.1% of the population from its historically high level of 16.8% in November 2013, but remains high and well above the levels seen in the previous decade. The higher rates seen in recent years have primarily been driven by the increasing reliance on savings, especially between 2010 and 2013 (Chart 32).

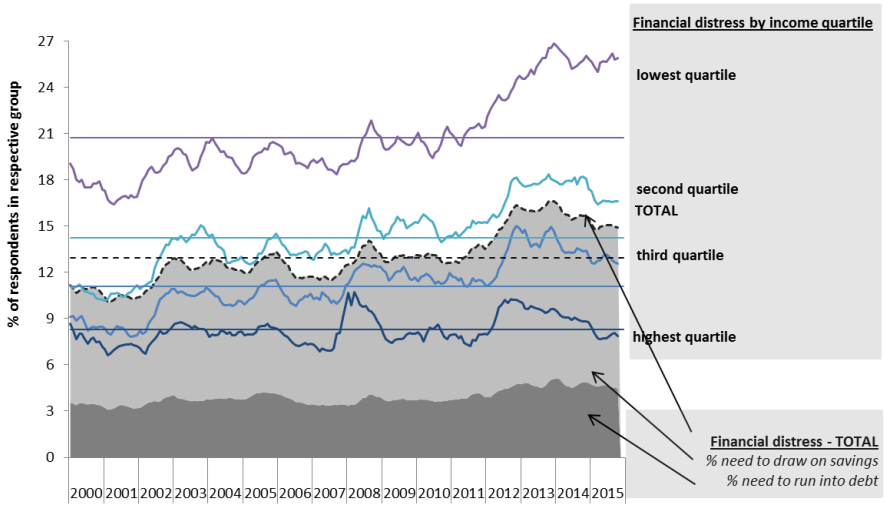
[7] For details on Business and Consumer Surveys, including consumer survey's question on the current financial situation of the households, see http://ec.europa.eu/economy_finance/db_indicators/surveys/index_en.htm

Financial distress stagnated at high levels for low-income households

Financial distress for low-income (lowest quartile) households has broadly stagnated over the last two years. Low-income households have seen some ups and downs since the beginning of 2014 which confirmed that this group has not seen a more permanent easing in their financial distress. Since 2012, financial distress shows a more consistent downward trend in higher income groups. This downward trend is especially clear for the top income group and in the third quartile. The gap in financial distress between low-income and high-income households has widened.

Overall, around 10% of adults in low-income households run into debt and a further 15% drew on savings to cover current expenditure in December 2015. By comparison, the shares for the total population were 4.5% and 10%, respectively. This level of financial distress for low income households is far above the long-term average (straight lines in the chart) and echoes the rapid worsening seen between mid-2010 and the end of 2013. Over this period, financial distress increased to levels above long-term averages for households in all income quartiles. In recent months, financial distress for the top quartile has fallen below the long-term average (Chart 32).

Chart 32: Reported financial distress by income quartile - EU

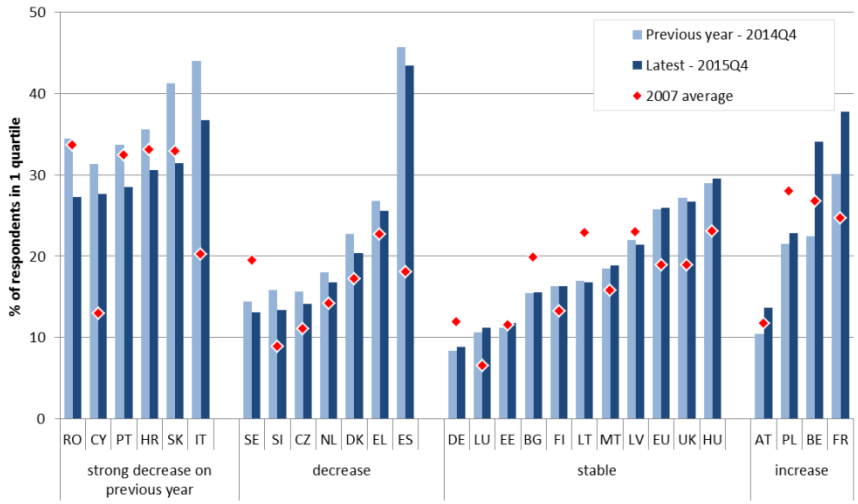


Source: European Commission, Business and Consumer Surveys, data non-seasonally adjusted, 5-months moving average (DG EMPL calculations)
Note: Horizontal lines show the long-term averages for financial distress for the population as a whole and for households in the four income quartiles. The overall 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.

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

The overall level of financial distress decreased or remained stable in the majority of Member States (data for Ireland not available) in the year to the fourth quarter of 2015. It remains higher than in 2007 in the majority of the Member States, in particular in Cyprus, Greece, France, Italy and Spain. It ranges from around 3.5% in Germany to around 25% in Greece, France and Italy. Financial distress for households in the lowest income quartile increased over the last year in several Member States (Austria, Belgium, France and Poland). Compared to 2007, financial distress for the poorest households is higher in around half of the Member States. In the third quarter of 2015, it affected around 9% of households in the lowest income quartile in Germany compared to 40% of the population in Spain (Chart 33).

Chart 33: Reported financial distress in lowest income quartile - Member States



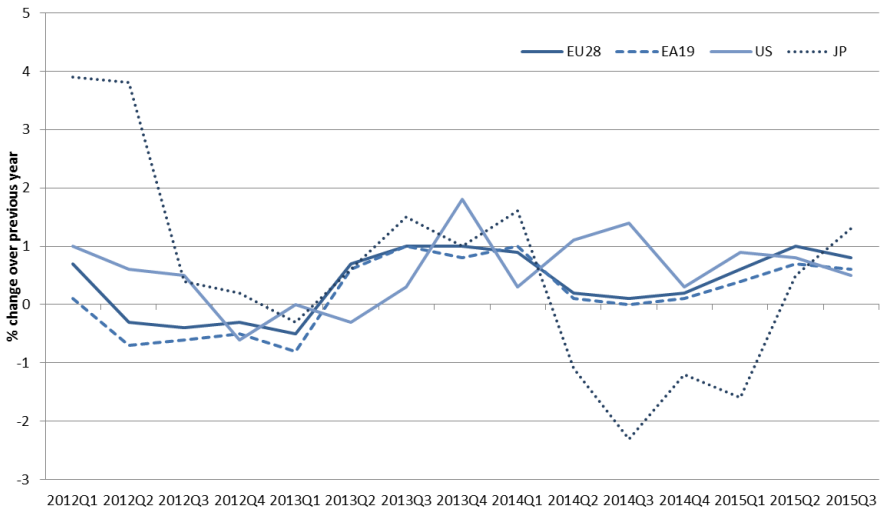
Source: European Commission, Business and Consumer Surveys data non-seasonally adjusted, 5-months moving average (DG EMPL calculations)
Click here to download chart.

6. Productivity, labour costs and hours worked

Labour productivity growth remained weak in the EU

In the year to the third quarter of 2015, labour productivity growth, the percentage change in output per person employed, remained subdued in the EU and EA. At the same time, labour productivity growth continued to strengthen in Japan, but decreased in the US (Chart 34).

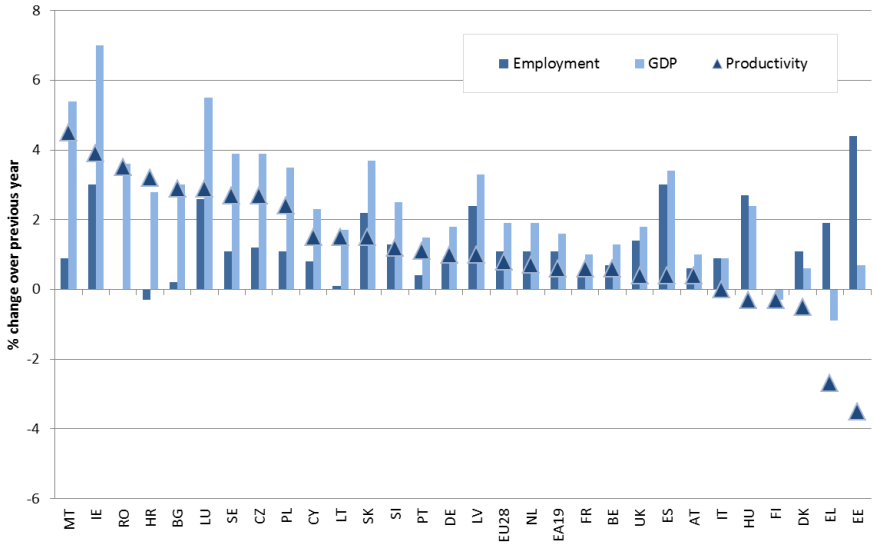
Chart 34: Real labour productivity growth - EU, EA, US and JP



Source: Eurostat, National Accounts [namq_10_lp_ulc] and OECD, data non-seasonally adjusted
Note: Labour productivity measured as GDP in constant prices per employed person
Click here to download chart.

While labour productivity growth was weak in the EU, Member States' performance varied widely. Malta, followed by Ireland, Romania and Croatia recorded labour productivity growth in excess of 3%. Their strong growth was primarily driven by sharp increases in output while employment growth remained subdued and even negative in Croatia (Chart 35).

Chart 35: Employment, GDP and productivity growth - EU, EA and Member States, 2015Q3



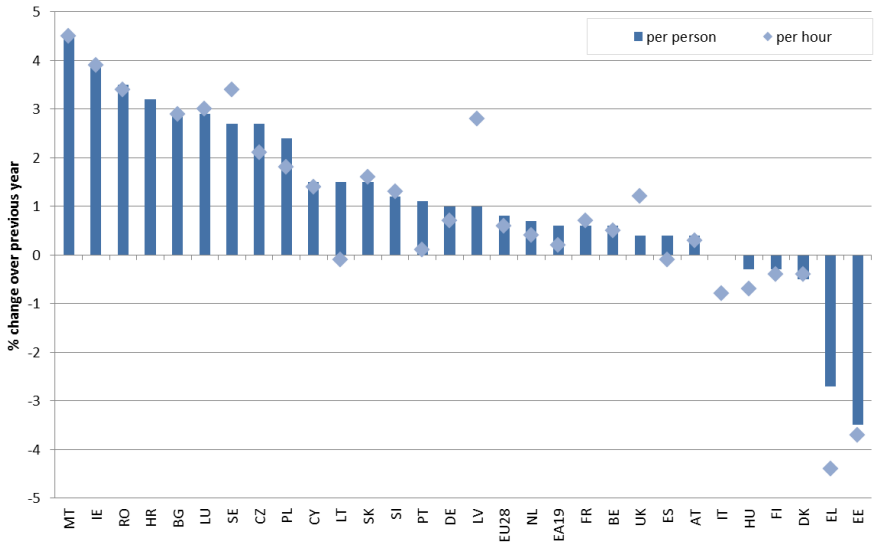
Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_pe, namq_10_gdp]
Click here to download chart.

At the same time, some Member States recorded declines in labour productivity. For Greece and Finland, the decline was induced by output contraction combined with increasing employment (in the case of Greece) and stagnant employment (in the case of Finland). Estonia and Denmark, also recorded declining productivity, as moderate increases in output were accompanied by stronger increases in employment.

Some EA Member States, including the Netherlands, France and Germany recorded productivity growth equal to or just below 1%, while Belgium, Spain and Austria recorded very weak growth and Italy showed no growth at all.

Labour productivity measured as output per hour worked showed a similar pattern to labour productivity per person employed, with strong increases in Malta, Ireland, Romania and Sweden, and sharp contractions in Greece and Estonia (Chart 36).

Chart 36: Labour productivity per person employed and hour worked - EU, EA and Member States, 2015Q3

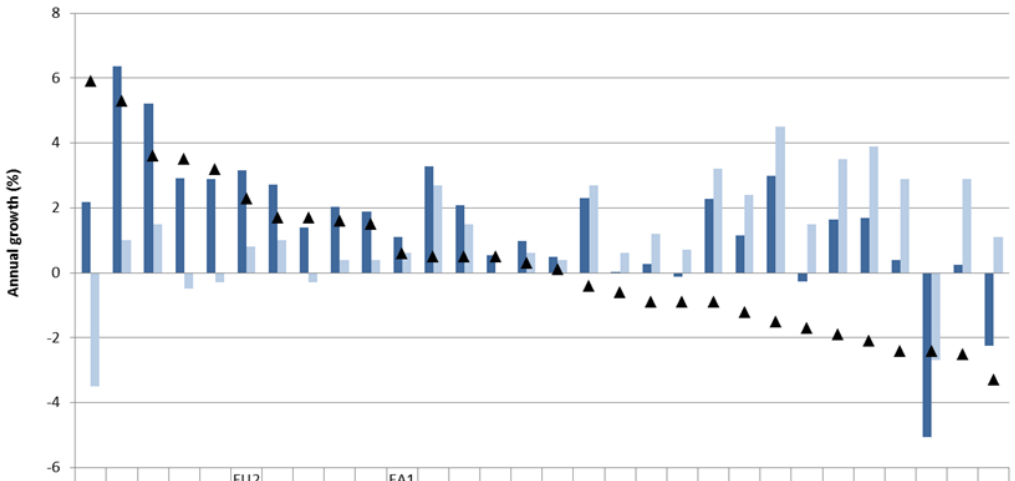


Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_lp_ulc]
Click here to download chart.

Strong growth in nominal compensation per employee for the EU as a whole, but weak in the EA

In the year to the third quarter of 2015, nominal compensation per employee grew at a weak pace in the EA but with some notable differences across Member States. Nevertheless, for the EU, growth in nominal compensation per employee, measured in euro was strong, partly reflecting the depreciation of the euro against the British pound (Chart 37).

Chart 37: Nominal unit labour cost and its components – EU, EA and Member States, 2015Q3



	EE	LV	LT	DK	HU	EU28	DE	FI	AT	UK	EA19	SE	SK	IT	FR	ES	CZ	BE	SI	NL	HR	PL	MT	CY	RO	IE	LU	EL	BG	PT
Compensation	2.2	6.4	5.2	2.9	2.9	3.2	2.7	1.4	2.0	1.9	1.1	3.3	2.1	0.6	1.0	0.5	2.3	0.0	0.3	-0.1	2.3	1.2	3.0	-0.3	1.6	1.7	0.4	-5.1	0.2	-2.3
Productivity	-3.5	1	1.5	-0.5	-0.3	0.8	1	-0.3	0.4	0.4	0.6	2.7	1.5	0	0.6	0.4	2.7	0.6	1.2	0.7	3.2	2.4	4.5	1.5	3.5	3.9	2.9	-2.7	2.9	1.1
▲ Nominal unit labour cost	5.9	5.3	3.6	3.5	3.2	2.3	1.7	1.7	1.6	1.5	0.6	0.5	0.5	0.5	0.3	0.1	-0.4	-0.6	-0.9	-0.9	-0.9	-1.2	-1.5	-1.7	-1.9	-2.1	-2.4	-2.4	-2.5	-3.3

Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_lp_ulc] [namq_10_pe, namq_10_gdp] (DG EMPL calculations)
Click here to download chart.

In the EA, Latvia and Lithuania recorded very sharp increases in nominal compensation per employee, followed by Malta and Germany, while Greece recorded, for the second quarter in a row, a very strong decrease. At the same time, Portugal and Cyprus recorded also negative growth, while Belgium, Slovenia, Spain, Italy and France experienced growth of less than 1%.

Outside the EA, Sweden, Denmark and Hungary recorded strong increases, while the United Kingdom and Romania recorded modest increases.

Weak increases in nominal unit labour costs in the euro area

In the EA, nominal unit labour cost growth, measuring nominal compensation per employee adjusted for productivity (an indication of cost-push inflationary pressures) remained weak in the year to the third quarter of 2015. Nevertheless, some notable differences across Member States can be observed (Chart 37).

Within the EA, the Baltic Member States continued to record strong growth in nominal unit labour cost. In Latvia, this was primarily driven by negative productivity growth, while in Estonia and Lithuania it was primarily driven by the strong growth in nominal compensation per employee.

At the same time, several EA Member States had notable decreases in nominal unit labour costs. In Portugal, Greece and Cyprus, these decreases were largely due to a contraction in nominal compensation per employee, while in Malta, Ireland and Luxembourg it was primarily due to productivity growth outstripping growth in nominal compensation per employee.

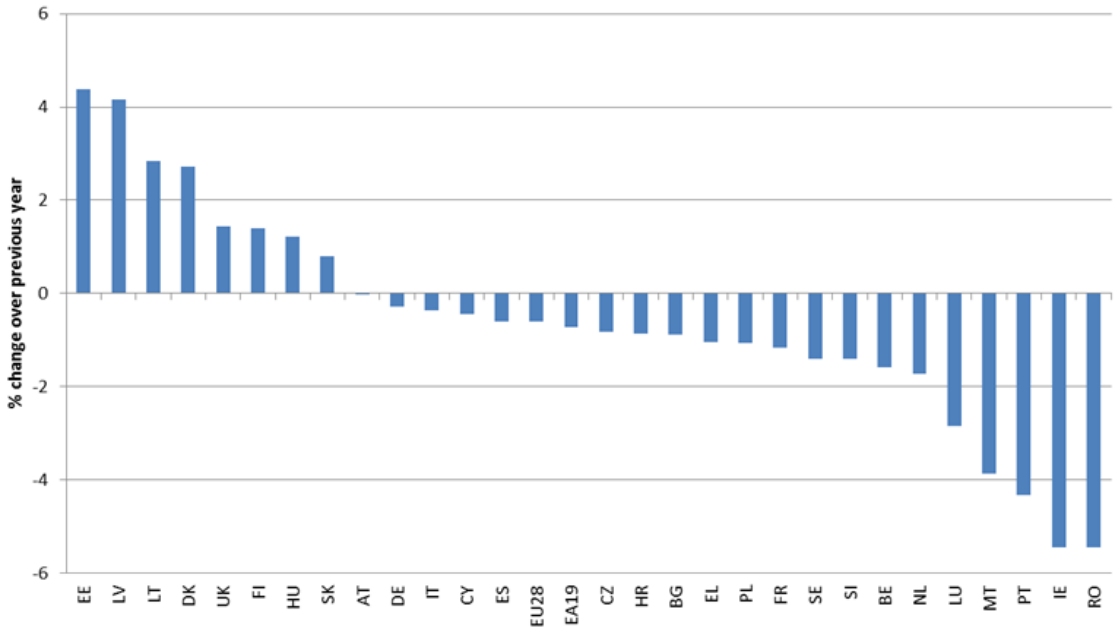
In the other EA Member States, nominal unit labour cost growth remained below 1%, except in Germany (primarily due to the increases in nominal compensation per employee) and in Austria (primarily due to weak productivity growth).

Outside the EA, Bulgaria recorded a notable decrease in nominal unit labour cost, in the face of strong productivity growth and a very modest increase in nominal compensation per employee. Romania also recorded a notable decrease following a marked improvement in productivity. At the same time, Denmark and Hungary recorded notable increases, mainly due to negative labour productivity growth.

Real unit labour cost decreased slightly

Both the EU and EA recorded a modest decrease in real unit labour costs, which is also a measure of the gap between real compensation of employees and productivity as well as a measure of the labour income share (Chart 38).

Chart 38: Growth in real unit labour cost - EU and Member States, 2015Q3



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

The strongest decrease could be observed in Romania and Ireland, reflecting a strong decrease in nominal unit labour cost and a notable increase in the GDP deflator. Portugal and Malta also recorded notable decreases, but in Portugal the strong decrease in nominal unit labour cost was somewhat tempered by weak growth in the GDP deflator.

The Baltic Member States showed the strongest increases primarily reflecting strong increases in nominal unit labour costs and weak increases in the GDP deflator.

Outside the EA, Denmark recorded the strongest increase, followed by the United Kingdom and Hungary, while the other non-EA Member States (for which data are available) showed decreases.

Nominal unit labour costs by sector

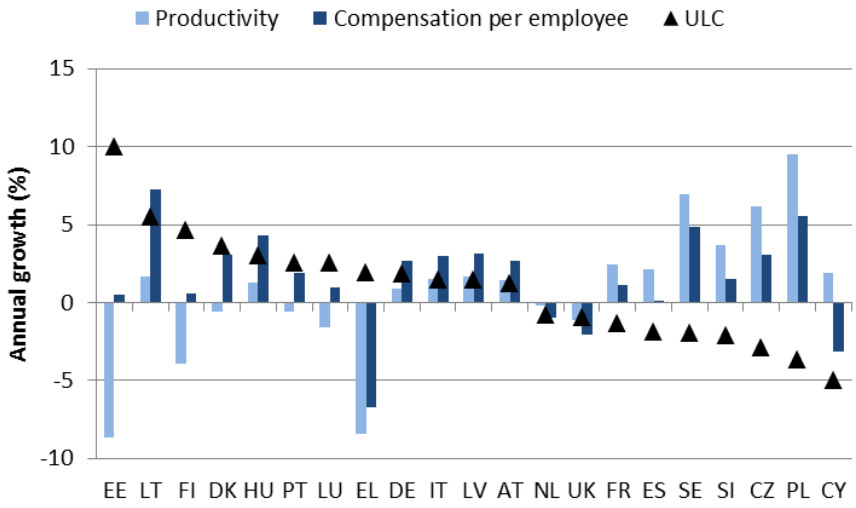
Sector nominal unit labour costs are measured as sector compensation per employee adjusted for sector labour productivity per employed person. Sector labour productivity is measured as sector gross value added in constant prices divided by the number of persons employed in the sector.

Chart 39 shows year-on-year nominal unit labour cost growth in manufacturing for the third quarter of 2015. Nominal unit labour costs are an important determinant of cost-push inflationary pressures which, in the case of tradable goods (such as manufacturing output), has a direct impact on a Member State's cost competitiveness. Estonia and Lithuania showed the strongest increases in nominal unit labour costs. However, while in Estonia this reflected primarily a sharp contraction in productivity, it was primarily due to a sharp increase in nominal compensation per employee in Lithuania.

By contrast, several Member States recorded a decrease in the nominal unit labour costs. In Cyprus, this reflected a notable decrease in nominal compensation per employee and a modest increase in productivity, while in Poland it was strong productivity growth in combination with a less pronounced increase in nominal compensation per employee. In Greece, the unit labour costs in manufacturing increased as the decrease in productivity was stronger than the decrease in nominal compensation per employee. In the Netherlands and the United Kingdom small

decreases in productivity were accompanied by slightly stronger decreases in nominal compensation per employee.

Chart 39: Manufacturing - Nominal unit labour cost and its components – EU, EA and Member States, 2015Q3

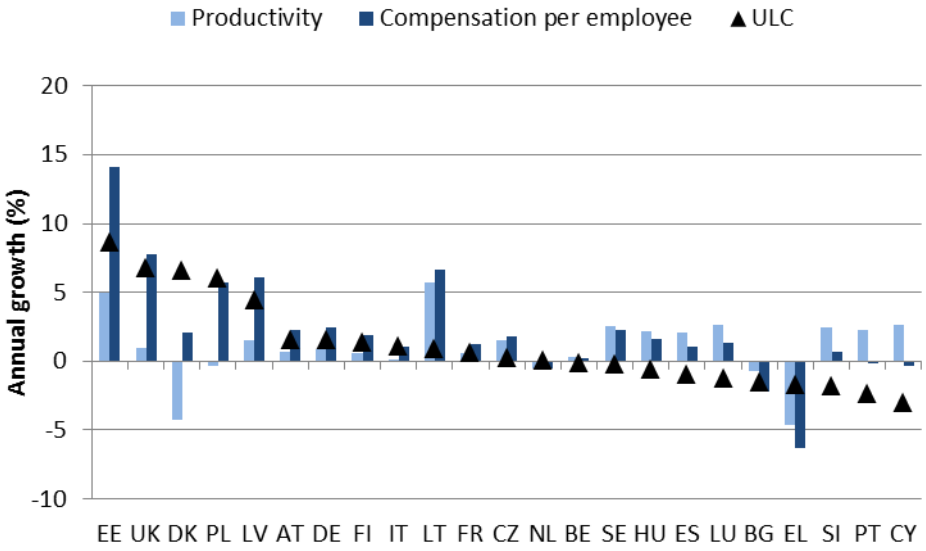


Source: DG EMPL computations based on Eurostat (namq_10_a10_e and namq_10_a10); seasonally adjusted and adjusted data by working days (if available, otherwise only seasonally adjusted data; provisional data for Greece, Spain and the Netherlands
Note: ULC is unit labour cost which measures nominal compensation per employee adjusted for productivity

Chart 40 shows nominal unit labour cost growth in the sector 'wholesale and retail trade, transport, accommodation and food service activities'. Strong increases occurred in Estonia, the United Kingdom, Denmark and Poland. In the former two Member States, it was primarily a stronger increase in nominal compensation per employee that caused this trend, while in Poland, and especially in Denmark, it was a decrease in productivity.

In Cyprus, Portugal, and Slovenia notable decreases resulted from productivity increases combined with very weak growth in nominal compensation per employee. In Greece, the decrease was driven by a sharp contraction in productivity that was offset by an even stronger decrease in nominal compensation per employee.

Chart 40: Wholesale and retail trade, transport, accommodation and food service activities - Nominal unit labour cost and its components – EU, EA and Member States, 2015Q3



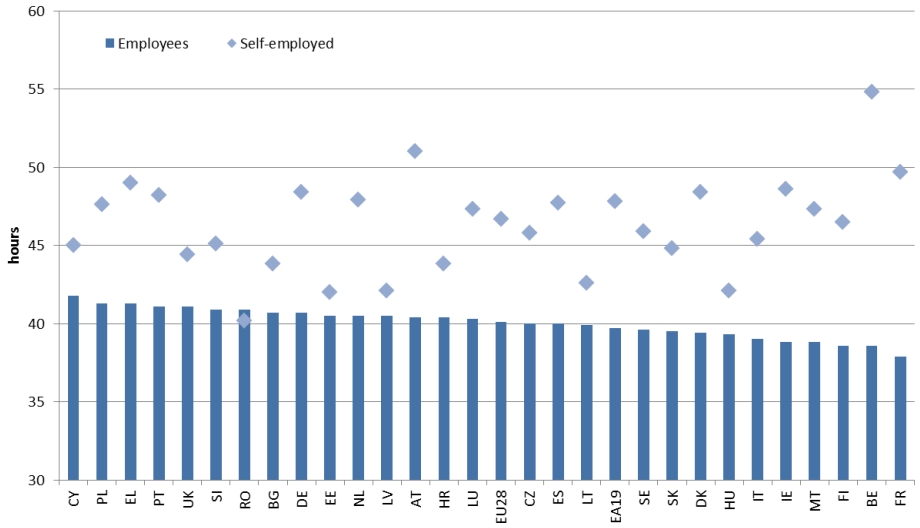
Source: DG EMPL computations based on Eurostat (namq_10_a10_e and namq_10_a10); seasonally adjusted and adjusted data by working days (if available, otherwise only seasonally adjusted data; provisional data for Greece, Spain and the Netherlands
Note: ULC is unit labour cost which measures nominal compensation per employee adjusted for productivity

The number of hours worked remained on average fairly stable

In the year to the third quarter of 2015, hours worked by full-time employed persons remained unchanged. In all Member States, except for Romania, self-employed persons worked more hours than employees, with the strongest differences to be found in Belgium and France, and the smallest in Latvia and Estonia.

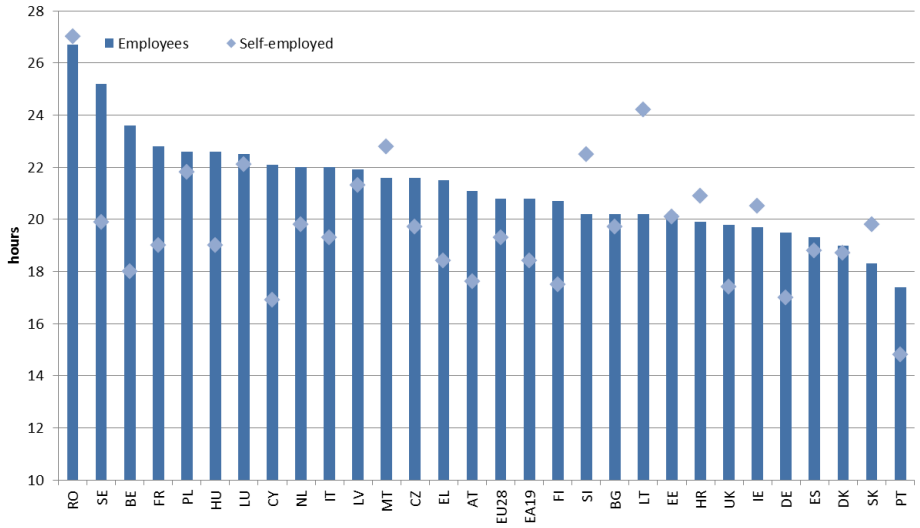
In this period, the number of hours worked by part-time employed persons also remained fairly stable in most Member States, except in Luxembourg and Estonia, which recorded notable decreases, and in Latvia, Greece and Slovenia, which recorded notable increases. In most Member States, part-time employees worked longer hours than part-time self-employed. This is particularly so in Belgium, Sweden and Cyprus. By contrast, in Lithuania, Slovenia, Slovakia and Malta, the part-time self-employed worked longer hours than employees.

Chart 41: Average working hours (full-time) - EU, EA and Member States, 2014Q3 and 2015Q3



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 42: Average working hours (part-time) - EU, EA and Member States, 2014Q3 and 2015Q1



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.

Labour productivity trends

By adjusting labour productivity for cyclical fluctuations it is possible to monitor longer-term productivity trends. This section looks at EU 'trend labour productivity'[8] from the first quarter of 1995 to the third quarter of 2015[9]. Labour productivity is measured as output per person employed i.e. gross value added at basic prices divided by the number of employed persons[10]. Trend labour productivity is the key to sustainable income growth, particularly in a context of shrinking workforces.

Chart 43 shows developments in trend labour productivity as well as observed productivity which includes the cyclical component. Between the first quarter of 1995 and the onset of the crisis, labour productivity was on a consistent growth trend in almost all Member States, albeit at different speeds. Member States that joined the EU in 2004 or later recorded particularly strong growth trends, whereas a few Member States, such as Spain, Italy and Luxembourg, saw a modest longer-term productivity growth.

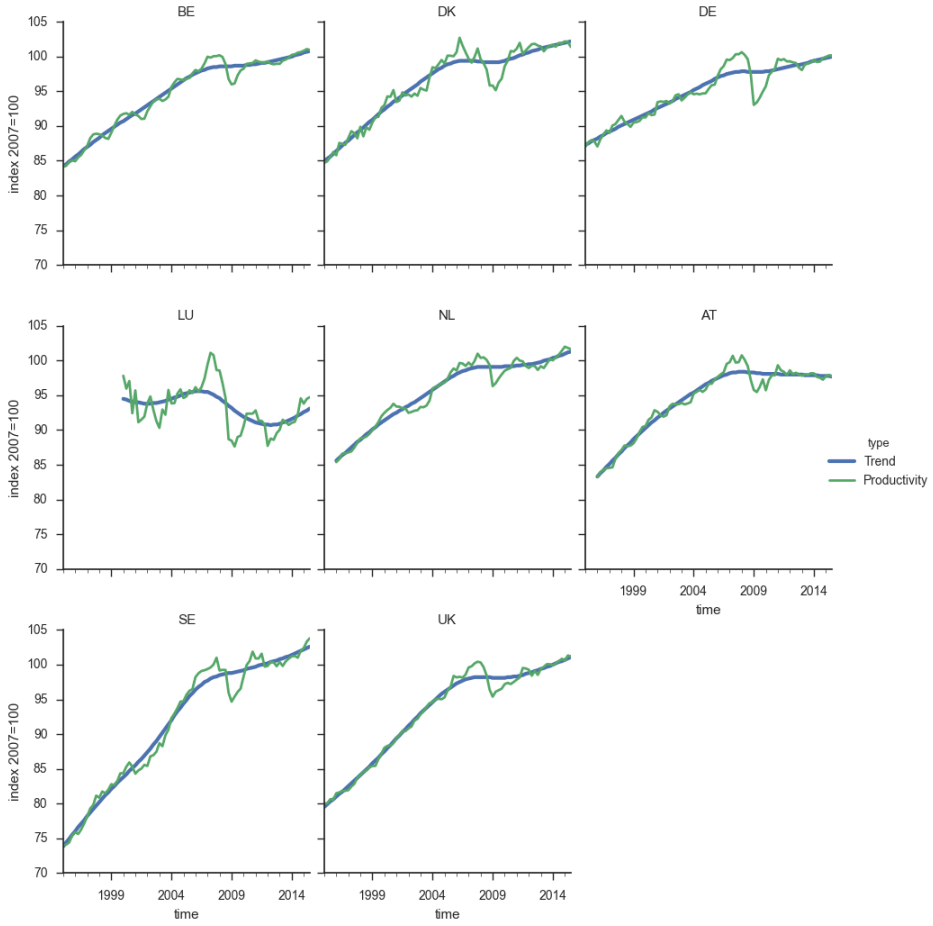
Since 2008 and the onset of the crisis, productivity growth trends weakened in many Member States although some important differences can be observed. Notable decreases in 'trend labour productivity' (declining productivity) have been recorded for Greece, Italy, Finland and Luxembourg (though in Luxembourg it started to rebound in 2015). 'Trend labour productivity' stopped growing in Belgium, Denmark, the United Kingdom and Hungary, with a modest rebound seen for the first three as of 2015. Another group of Member States, by contrast, experienced a strong growth in 'trend labour productivity' since the onset of the crisis: Estonia, Latvia, Lithuania, Poland, Slovakia, Spain and Ireland.

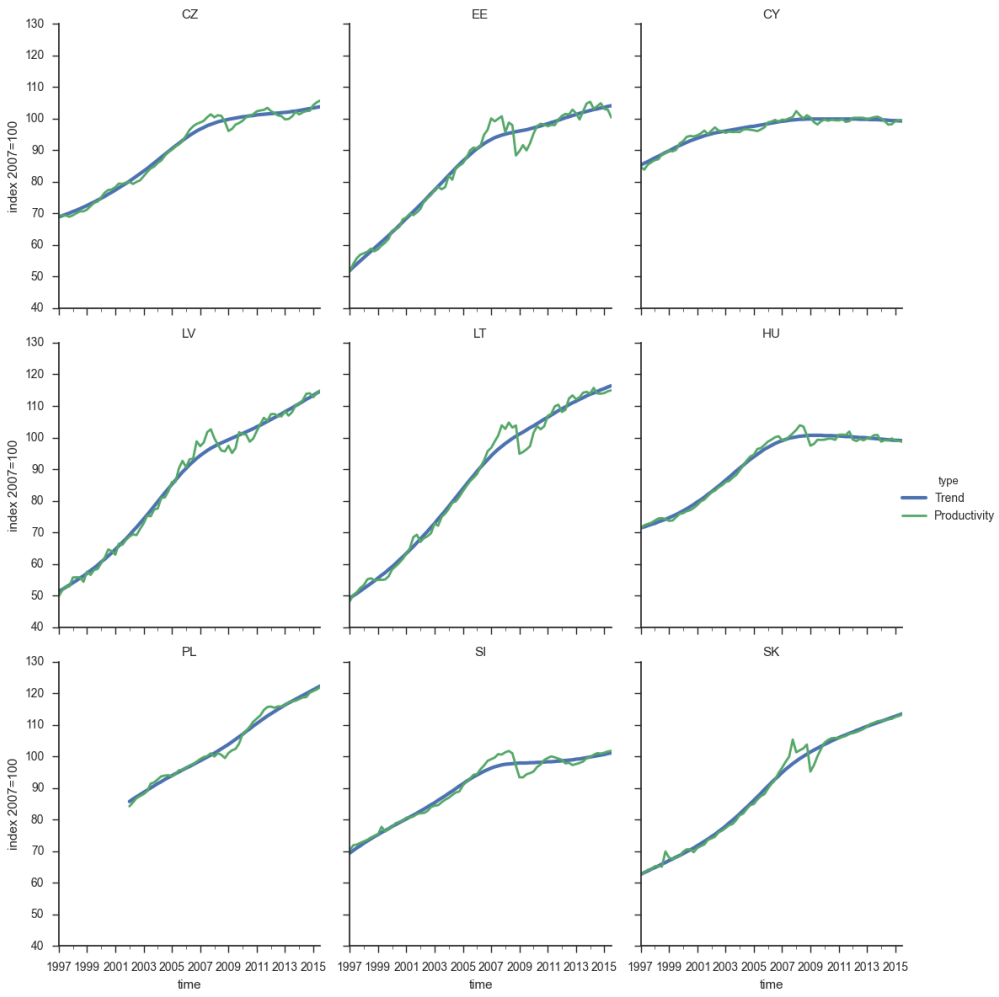
[8] 'Trend labour productivity' is estimated by removing estimates of the cyclical component of observed quarterly labour productivity using a Hodrick-Prescott (HP) filter (with smoothing parameter equal to 1600). The HP filter is a mathematical tool to smoothen time series by allowing trend growth to change over time but which may be sensitive to end-point observations.

[9] Quarterly labour productivity is measured as gross domestic product (GDP) per employed person – using quarterly data seasonally adjusted and adjusted by working days).

[10] Gross value added (GVA) is the difference between the value of goods and services produced and the cost of raw materials and other inputs used to produce them. As such, GVA + taxes on products - subsidies on products = gross domestic product. In other words, GVA does not take into account indirect taxes and subsidies. This accounting rule does not constitute a behavioural relationship showing causality. I.e., it still states that causality runs either from (predetermined) productivity and GVA to an (endogenous) number of employed persons, from (predetermined) productivity and number of employed persons to (endogenous) GVA, or from (predetermined) GVA and number of employed persons to (endogenous) productivity.

Chart 43: Labour productivity across the EU: 1995q1 – 2015q3 (2007=100 - scales vary)




CZ
EE
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index 2007=100
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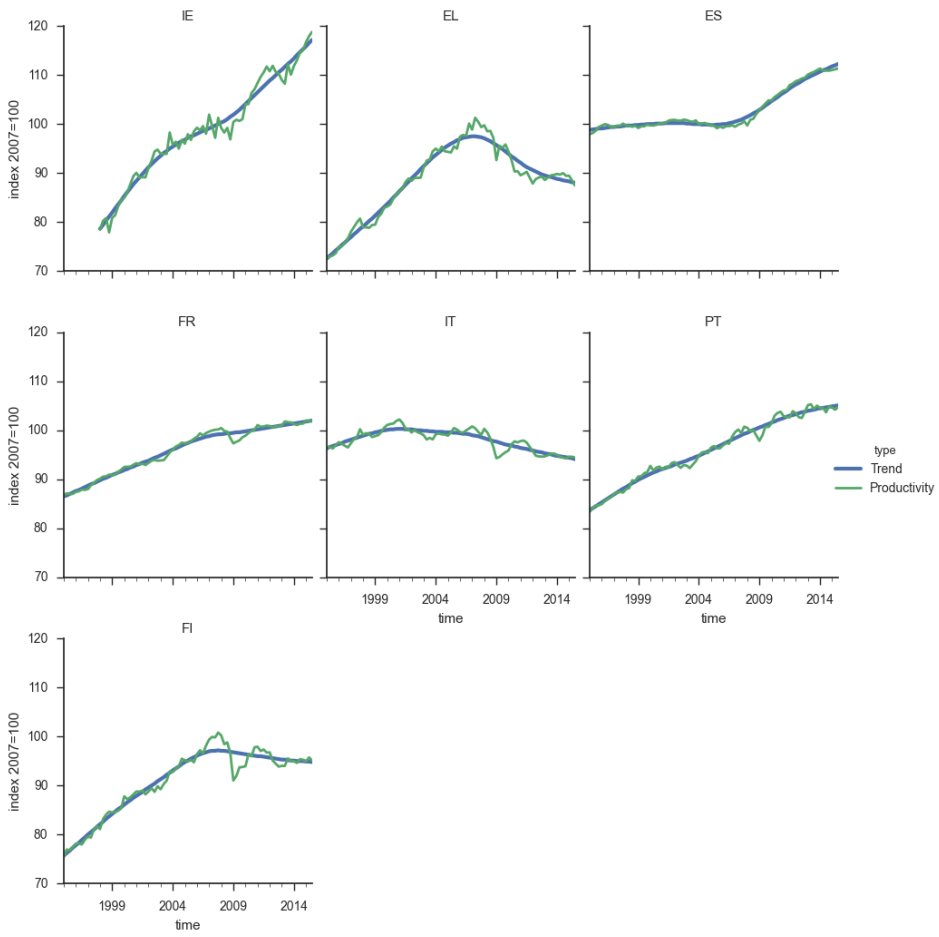
type
Trend
Productivity



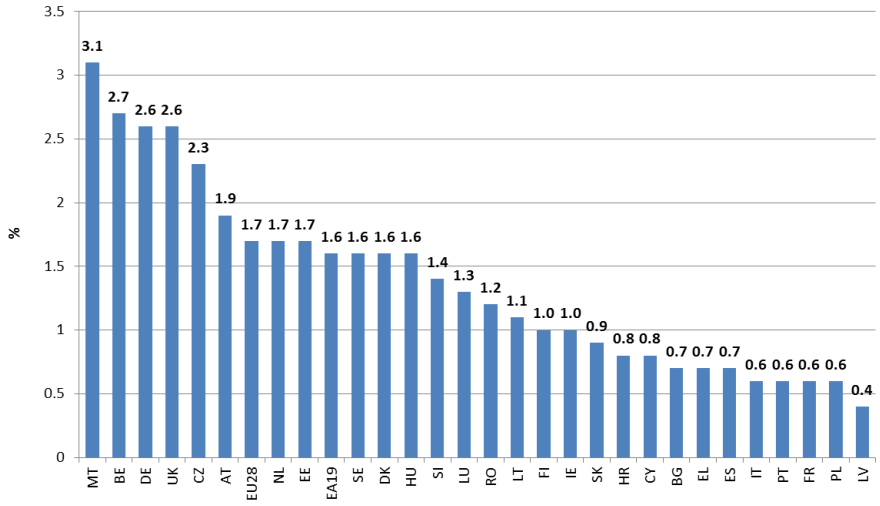
Source: DG EMPL estimates based on Eurostat, National accounts.
Note: The index measures the productivity level over the 1995q1 – 2014q3 period - normalised so that it is equal 100 in 2007. The productivity growth rate is equal to the slope of the line tangent to the graph.

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

The job vacancy rate remains stable in the EU

The unmet demand for labour, as expressed by the job vacancy rate[11] (JVR) has remained broadly stable in the EU and the EA, at a rather low level. In the third quarter of 2015, the EU JVR stood at 1.7%, unchanged compared to the previous quarter, and 0.1 pp down from the third quarter of 2014. At 1.6%, the rate remained unchanged in the EA during that period. In the year to the third quarter of 2015, the JVR improved in most Member States, and most notably in the Czech Republic, Malta and Cyprus (an increase of 0.4 pp or more). Only Germany, Portugal and Greece recorded small declines. The JVR ranged from 0.4% in Latvia to 3 % in Malta, followed closely by Belgium, Germany and the UK with more than 2.5% (Chart 44). In the same period, the unmet demand for labour was higher in services sectors (with a JVR of 2.1%) than in industry and construction (with a JVT of 1.2%).

Chart 44: Job vacancy rates - EU, EA and Member States, 2015Q3



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.

Labour shortages increase while unemployment recedes

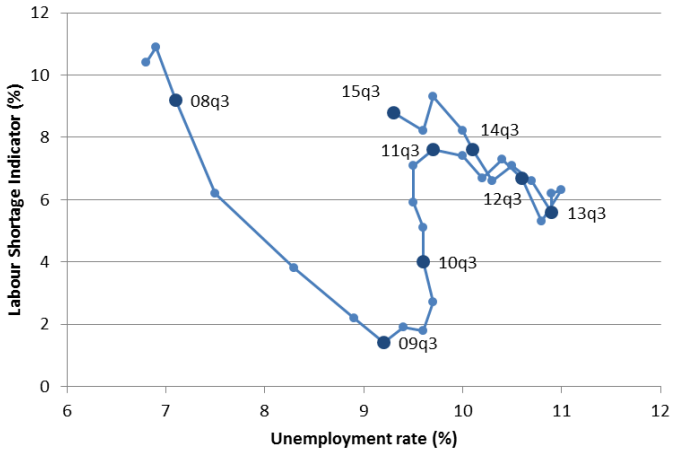
In the third quarter of 2015, unemployment declined and labour shortages increased in the EU and the EA. However, looking at the uneven evolution seen in previous quarters, it may be too early to say if this is a permanent trend.

The decline in unemployment observed since 2013 has been accompanied by an increase in labour shortages as measured by a higher JVR and is reflected in a conventional move up the Beveridge curve. It is consistent with a normal cyclical development whereby, during recovery, vacancies increase at a faster rate than unemployment decreases (i.e. in a normal cyclical development an increase in vacancies is seen prior to a drop in unemployment). From 2010 to 2012, the Beveridge curve in the EU appears to have shifted outwards, reflecting a greater mismatch at the EU level, but possibly also increased disparities across Member States. Future results for the JVR and the

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

unemployment rate over the coming quarters will shed some light on whether the observed changes are indeed an upward movement along the curve or a shift of the Beveridge curve (Chart 45). Annex 5 reports the Beveridge curves for EU Member States.

Chart 45: Beveridge curve 2008-2015 - EU

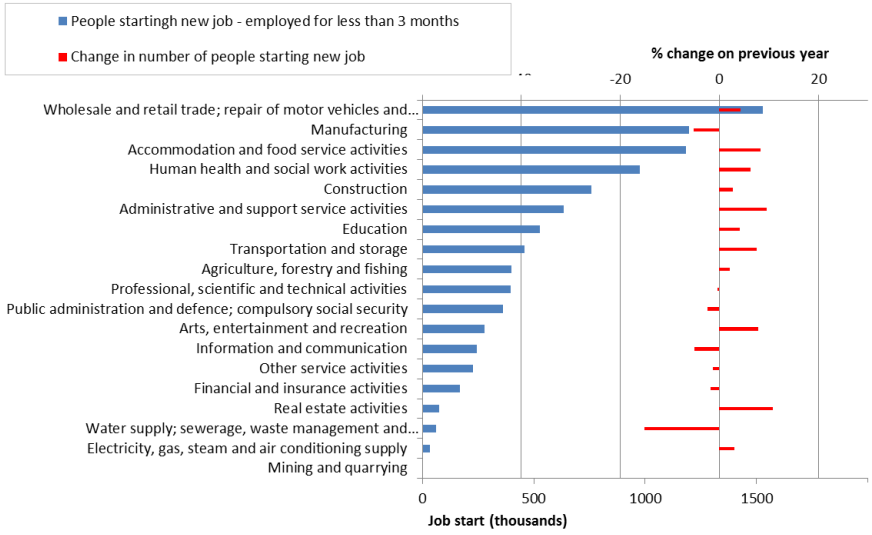


Source: Eurostat, LFS and European Commission, Business and Consumer Surveys [une_rt_q, ei_bsin_q_r2]
Note: Labour shortage indicator derived from EU business survey results (% of manufacturing firms pointing to labour shortage as a factor limiting production)
Click here to download chart.

Hiring activity still strengthening but at a slower pace

The number of people starting a new job in the EU was up in the year to the third quarter of 2015, but at a decelerating rate: a 2.7% increase, compared to a 5.9% increase registered during the previous quarter. Several sectors registered sound growth in hiring (more than 5%), while some sectors, including manufacturing, register a slowdown in hiring rates. Four sectors (wholesale and retail trade, repair of motor vehicles and motorcycles, manufacturing, accommodation and food service activities and human health and social work activities) account for 50% of the total number of people starting new jobs (Chart 46).

Chart 46: Employees in new jobs by sector - EU, change to 2015Q3



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

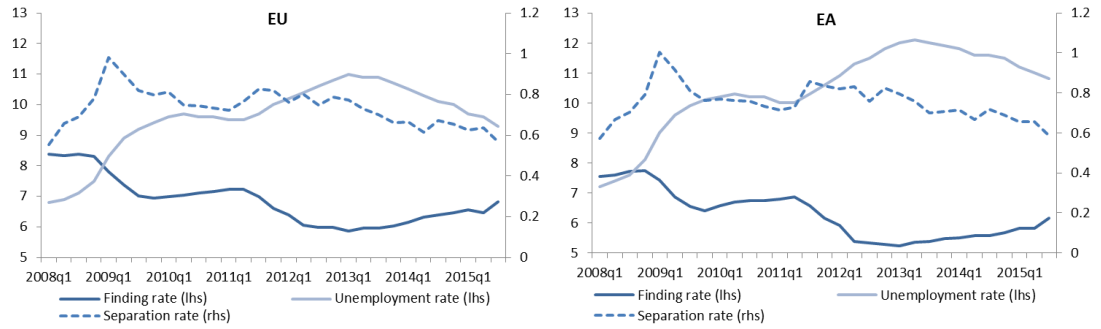
Separation rates return to pre-crisis levels, while job finding rates improve gradually

Declining unemployment rates in most Member States were the result of improvements in job finding rates and declines in separation (dismissal) rates. Separation rates are nearly at pre-crisis levels, while improvements in job finding rates have been more gradual (Chart 47).

In the third quarter of 2015, job finding rates increased at a relatively robust pace in Estonia, Lithuania and Poland. Conversely, they dropped in Latvia and Romania. Sweden, the UK and Denmark have the most dynamic labour markets, showing the best chances to leave unemployment. In contrast, Greece has the lowest finding rate of the EU, although it is improving.

The decline in separation rates was generalised and particularly significant in Croatia, Bulgaria and Spain. At the same time, separation rates increased in Lithuania and to a lesser extent in Poland and the UK. Spain and Finland have the highest separation rates. In the case of Spain, this is due to the high number of temporary contracts. In Finland, it reflects the recent rise in unemployment.

Chart 47: Unemployment, finding and separation rates - EU and EA



Source: Source: Eurostat, LFS, data non-seasonally adjusted (DG EMPL calculations)

Annex

See excel file with charts per Member State and for the EU and EA

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

European Commission

EU Employment and Social Situation Quarterly Review – Winter 2015

Luxembourg: Publications Office of the European Union

ISSN 1977-8317

This publication is available in electronic format in English.

KE-BH-15-004-EN-N