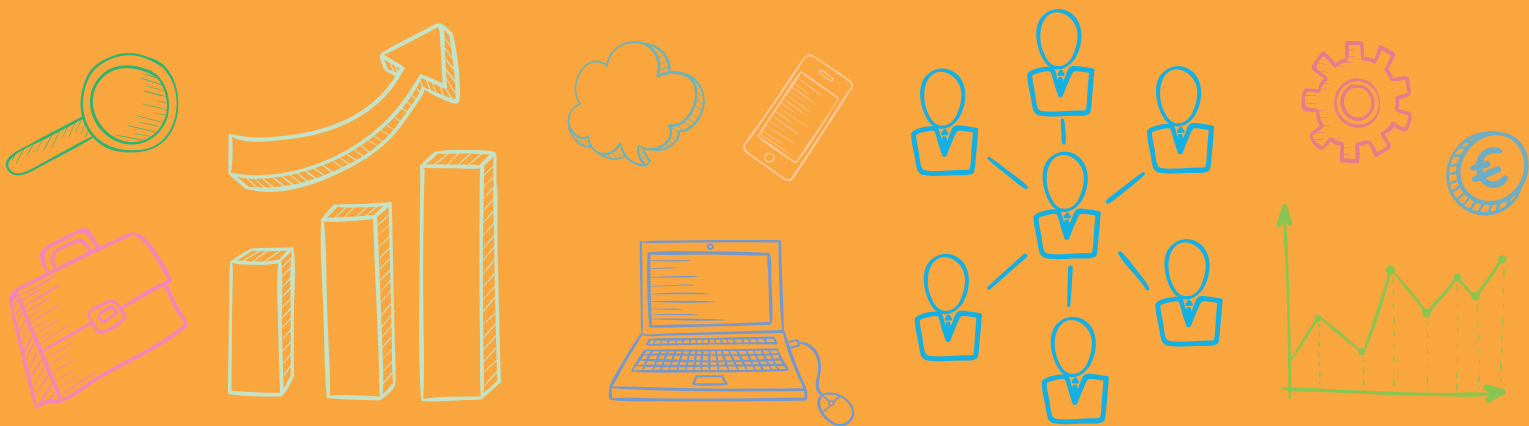




Employment and Social Developments in Europe

Quarterly Review

Summer 2016



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 range of information sources have been used to produce this report, including Eurostat statistics¹, reports and survey data from the Commission's Directorate-General for Economic and Financial Affairs. Due to delays in the publication of LFS data, indicators based on the LFS still refer to the third quarter of 2015, as in the previous edition, but have nevertheless been included to provide readers with a comprehensive set of the latest available data.

Regular updates of these data and charts are available at:

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

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

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¹ To access them, see [codes] mentioned under the charts, to be used with the Eurostat data search engine:
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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

Growth remains relatively modest in the third year since the EU economy started its recovery from the double-dip recession. Economic activity has expanded in most Member States, but the recovery remains uneven with some countries registering quarterly declines. In the first quarter of 2016, real GDP increased by 0.5% in the EU and 0.6% in the euro area (EA) compared to the fourth quarter of 2015. Among the largest Member States, Spain (0.8%) continued its strong economic expansion and France, Germany, Italy and UK posted a more moderate GDP growth (0.4-0.8%) and Poland's GDP decreased by (-0.1). Among the remaining Member States Hungary (0.8) and Greece (0.5) recorded a decline in GDP.

Year-on-year growth slowed down slightly to 1.8% in the EU and remained at 1.7% in the EA. It was positive in all Member States but Greece. GDP growth reached 4% in Ireland, Malta Romania and Sweden. Among the largest Member States, it exceeded 3% in Spain.

Employment

Employment growth in the EU strengthened in the first quarter of 2016. Employment increased by 0.3% in the EU and by 0.3% in the EA in the first quarter of 2016 compared to the previous quarter. Compared to the first quarter of 2015, employment gained 1.4% in both the EU and EA. This amounts to an additional 3 million more people employed in the EU, including 2.1 million people in the EA. Since its lowest level in mid-2013, employment has increased by 6.8 million people in the EU, including 3.8 million in the EA.

Employment continued to increase in most Member States, but employment recovery is not robust in some. In the first quarter of 2016, employment recovered in some Member States after the stagnation (Finland) or the decline (in Estonia, Lithuania) seen in the previous quarter. Quarterly employment growth was particularly high in the Czech Republic (1.5%), Lithuania (1.3%) and Hungary (1.0%), and remained relatively high in Luxembourg and Spain (0.7%). By contrast, employment declined in Poland (0.5%) and slightly declined in Greece, Latvia and the Netherlands (0.1%).

Employment in the first quarter of 2016 was higher than in the first quarter of 2015 in nearly all Member States except for Romania. The highest year-on-year employment growth was observed in Hungary, Luxembourg, Malta and Spain (where it reached 3%).

Service sectors, tradable and non-tradable, continued to drive employment growth in the EU, while improvements were smaller in industry. All service sectors contributed to the employment increase seen in the first quarter of 2016, as did industry though to a smaller extent. Employment declined in agriculture and construction. Over the year to the first quarter of 2016, employment increased in all sectors except agriculture and construction.

Permanent jobs and full-time employment continued to increase, accelerating at the end of 2015. The number of employees with a permanent contract grew by 2.2 million in the year to the fourth quarter of 2015 and that of temporary contracts grew by about 730 thousand. The number of self-employed declined by 350 thousand. Full-time workers saw their numbers increase by about 2.2 million and part-time workers by about 350 thousand.

The EU employment rate had returned to its pre-crisis level by the fourth quarter of 2015, but large disparities remain and many Member States are well below the EU employment rate target of 75% of people aged 20-64. At 70.4% (seasonally adjusted), the EU employment rate for 20 to 64 year-olds reached its pre-crisis level, but remains nearly 5 pp below the 2020 target. In many Member States, employment rates have still some way to go to recover from the crisis. Employment rates in Member States range from 55% in Greece to 80% in Germany and Sweden.

Unemployment

Unemployment has continued to gradually decrease, but remains above 2008 levels.

The unemployment rate in the EU and EA has seen a steady but moderate decline since mid-2013. It declined to 8.7% in the EU and 10.2% in the EA in April 2016, a reduction of 0.9 pp for the EU and 0.8 pp for the EA when compared to April 2015. This reduction represents about 2.1 million fewer unemployed people in the EU compared to April 2015 and 5.3 million people since its peak observed in April 2013. At the same time, unemployment levels in the EA have receded by 1.3 million and 2.6 million, respectively. However, with about 21.2 million unemployed people in April 2016, including 16.3 million in the EA, there were still around 5.1 million more unemployed people than in March 2008, when unemployment was at its lowest.

Between April 2015 and April 2016, unemployment rates fell in all Member States except for Belgium where it remained stable and Estonia (March 2016) and Latvia where it increased by 0.1pp. The largest reductions were registered in Cyprus (4.1 pp), Bulgaria (2.9 pp) and Spain (2.6 pp). Large differences remain among Member States, with the unemployment rate ranging from 4.1 % in the Czech Republic and 4.2% in Germany, to 24.1 % in Greece and 20.1 % in Spain.

In the year to April 2016, the unemployment rate declined in the EU for both men and women and for all age-groups. It declined by 1 pp for men and 0.7 pp for women to reach 8.5% and 9.0% respectively. In the EA, the unemployment rate declined by 1.0 pp for men and 0.6 pp for women to reach 8.7% and 9.6% respectively. For those aged 25-74, the unemployment rate in the EU declined by 0.7 pp in the year to April 2016 and stood at 7.7%. A sharper decline of 1.9 pp was observed for those aged 15-24 and the rate stood at 18.8%.

Long-term unemployment declined further and fell proportionally more than short-term unemployment. In the year to the fourth quarter of 2015, the long-term unemployment rate (unemployment duration in excess of one year) fell by 0.6 pp to reach 4.3% of the labour force. The very-long-term unemployment rate (unemployment duration in excess of two years) fell by 0.4 pp to reach 2.7% of the labour force. For the first time since the recovery started, this rate decreased faster than the long-term unemployment rate (0.4 pp vs 0.2 pp). Long-term unemployment and very long term unemployment have gone down slightly as a share of total unemployment.

However, long-term unemployment remains high in the EU with around 10.5 million people in unemployment for more than a year, despite searching for a job, including 6.6 million for more than two years. Long-term unemployed represent almost 50% of the total unemployment.

Activity

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. The activity rate continues to increase in most Member States and most age-groups (except for the 15-24 year-olds, but this is associated with higher participation in education and training). The yearly increase of 1.3 pp in the activity rate of the older workers aged 55 to 64 years was the main driver behind the growth of the working age activity rate (15-64 years old) seen in most of the EU countries.

Supplementary indicators to unemployment also suggest improvements in the labour market with a reduction in underemployment and in the number of those available to work but not searching. These developments, replicated in the majority of the Member States, confirm that the recovery in unemployment is reaching those furthest from the labour market: the underemployed and people marginally attached to the labour market.

Productivity

Productivity growth stalled in the EU as a whole and the EA, but important differences across Member States' performances persisted. Ireland continued to show strong productivity growth, while Greece continued to record strong contractions. Nominal unit labour cost in the EA rose as labour productivity growth stalled. Real unit labour cost continued its downward trend in the EU – albeit at a slower pace.

Household situation

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

Fewer EU households needed to draw on savings or run into debt to cover current expenditures (financial distress), also among low-income households. Financial distress remains high despite receding gradually to less than 15% of the population from nearly 17%, its highest value at the end of 2013. Around 25% of adults in low-income households are in financial distress: 10% run into debt and a further 15% draw on savings to cover current expenditure.

Labour demand

Labour demand started to improve in 2016. The overall job vacancy rate in the EU has improved since mid-2015, and at 1.8% was higher than in the first quarter of 2015. It was higher in services than in industry and construction. Labour shortages increased, and hiring activity had been up, with 2.7% more people starting a new job compared to the previous year. This, together with a decline in unemployment, confirms the slow but consistent recovery on the labour market.

Young People

Overall trends and developments for young people age 15-24 in the EU since 2013 are promising with strong reductions in youth unemployment in the year to April 2016 during which it fell by 1.9 pp to 18.8% in the EU and by 1.4 pp to 21.1% in the EA. **Member States' performance is converging due to significant improvements for those that had seen a substantial worsening of their youth labour market situation during the crisis relative to others.** For example, Greece's youth unemployment rate, which had peaked at 60% in March 2013, fell to 50.4% in March 2016. In April 2013, Spain's youth unemployment had reached 55.9% and dropped substantially by 11.1 pp to 44.8% in April 2016. Other strong reductions were seen in Croatia where the rate fell from 53.8% to 38.9% over the last three years and Portugal (down from 39.7% to 29.9%). These reductions range from around 10 pps to 15 pps compared with the EU average reduction over the period of 5.1 pps.

Young people's long-term unemployment (LTU) rates were also affected by the crisis and the following recovery. In 2008, the LTU rate for young people was 3.6%, increasing to 8% by 2013 and reducing to 6.6% in 2015.

Employment increased moderately by the fourth quarter of 2015 compared with the fourth quarter of 2013 it increased by 3.3 pps to 33.3%. Inactivity continued to slowly increase for young people aged 15-24 in the EU from 55.8% in 2008 to 58.3% in 2015. There are large variations among Member States ranging from 31.5% in the Netherlands to 74% in Bulgaria, Greece and Italy. However in 9 out of 10 cases inactivity is due to enrolment in education and only a small proportion of those inactive are NEETs (neither in education, employment or training).

NEET rates are also slowly receding and converging. 12% of young people 15-24 in the EU were 'NEET' in 2015, a reduction by 0.5 pp over the year and 1 pp compared with 2013 when NEET rates for 15-24 year-olds peaked. There are considerable disparities among Member States, with rates ranging from less than 5% in the Netherlands (4.7%) to over 20% in Italy (21.4%).

Most Member States reduced their NEET rates between 2013 and 2015. **Notable decreases were achieved by Member States with particularly high NEET rates 2 pps or more above the EU average.** These were Hungary (-3.9 pps), Cyprus (-3.5 pps), Greece (-3.2 pps) and Spain (-3 pps). For eight Member States it increased: Finland (1.3 pps), Luxembourg (1.2 pp), Romania (1.1 pp) and France (0.7 pp) had the largest increases.

The biggest challenges are NEETs not actively looking for work as opposed to NEETs looking for work. The reduction in the 15-24 NEET rate at EU level has been driven by a reduction in NEETs looking for work, whereas NEETs not looking for work have not changed much. Nevertheless, 11

Member States achieved reductions in NEETs not looking for work between 2013 and 2015. Notable reductions were achieved in Hungary (2.1 pps), Portugal (1 pp), Cyprus (0.9 pp), Latvia (0.8 pp) and Croatia (0.7 pp). The share of inactive NEETs ranges from just under 3% in the Netherlands, to around 12% in Romania and Italy and 14.3% in Bulgaria.

Outlook

The labour market trends observed since 2013, as well as survey data and economic forecasts, suggest a moderately positive outlook. GDP growth continues which can help sustain the labour market recovery. Household incomes improve, supported by better income from work which, in turn, should feed growing private consumption. The economic sentiment and employment expectations continue to improve, while unemployment expectations stabilised. On the other hand, there are some signs of a slowdown in economic activity and job creation in the first half of 2016, and medium-term forecasts have been revised slightly downward for the EU and EA. The Commission Spring Forecast of May 2016 suggests that economic recovery will continue at a more modest pace in 2016 (1.8%) and 2017 (1.9%), and together with recent reforms would induce good labour market performance, albeit at a slow and uneven pace across Member States. Unemployment is forecast to decline gradually to 8.9% in 2016 and 8.5% in 2017 in the EU, and 10.3% in 2016 and 9.9% in 2017 in the EA.

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

	2014Q3		2014Q4		2015Q2		2015Q3		2015Q4		2016Q1	
	EU	EA	EU	EA	EU	EA	EU	EA	EU	EA	EU	EA
Real GDP												
% change on previous quarter (SA)	0.4	0.3	0.5	0.4	0.4	0.4	0.4	0.3	0.5	0.4	0.5	0.6
% change on previous year (SA)	1.3	0.8	1.4	1.0	1.9	1.6	1.9	1.6	2.0	1.7	1.8	1.7
Employment growth												
% change on previous quarter (SA)	0.3	0.2	0.2	0.2	0.3	0.4	0.4	0.3	0.4	0.3	0.3	0.3
% change on previous year	1.2	0.8	1.2	0.8	1.1	1.0	1.1	1.1	1.3	1.2	1.4	1.4
Employment rate (15-64)												
% of working-age population	65.2	64.2	64.8	63.8	65.5	64.5	66.2	65.0	66.1	64.9	:	:
change on previous year (percentage point)	0.9	0.6	0.8	0.6	0.7	0.6	0.8	0.7	0.9	0.7	:	:
Employment rate (20-64)												
% of working-age population	69.6	68.5	69.2	68.1	70.0	68.9	70.6	69.4	70.5	69.3	:	:
change on previous year (percentage point)	0.9	0.7	0.8	0.7	0.8	0.6	0.9	0.8	0.9	0.8	:	:
Gross disposable households income												
% change on previous year	1.4	1.0	2.3	1.8	1.9	2.0	2.4	1.6	2.0	1.5	:	:
Labour productivity												
% change on previous year	0.1	0.1	0.7	0.5	0.8	0.7	0.9	0.5	0.8	0.7	0.2	0.2
Nominal unit labour cost												
% change on previous year	1.8	1.1	2.3	0.7	2.7	0.7	2.4	0.8	1.8	0.5	0.4	1.1
Long-term unemployment rate												
% labour force	4.9	6.0	4.9	5.9	4.6	5.7	4.3	5.2	4.3	5.4	:	:
change on previous year (percentage point)	-0.3	-0.1	-0.4	-0.4	-0.4	-0.3	-0.5	-0.6	-0.6	-0.6	:	:

	2015 Feb		2015 Mar		2015 Apr		2016 Feb		2016 Mar		2016 Apr	
	EU	EA	EU	EA	EU	EA	EU	EA	EU	EA	EU	EA
Unemployment rate												
Total (% of labour force)	9.7	11.2	9.7	11.2	9.6	11.1	8.8	10.4	8.7	10.2	8.7	10.2
Men	9.6	11.0	9.6	11.0	9.5	10.9	8.7	10.1	8.6	9.9	8.5	9.8
Women	9.8	11.4	9.8	11.4	9.7	11.3	9.0	10.7	9.0	10.6	9.0	10.6
Youth (% of labour force 15-24)	20.8	22.7	20.8	22.7	20.7	22.6	19.3	21.8	19.0	21.3	18.8	21.1

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/quarterly_updated_charts.xlsx

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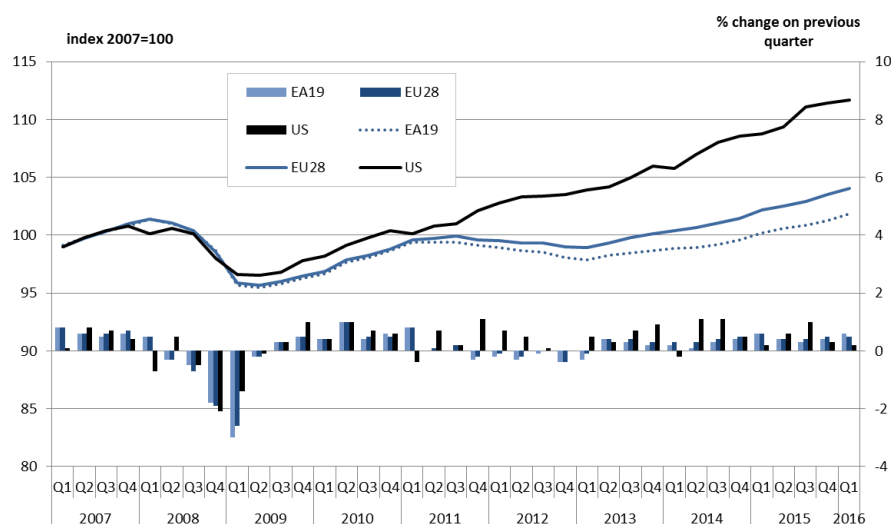
1. Macroeconomic and employment developments and outlook

EU economy continues its upward but modest trend for three years now

Real GDP increased by 0.5% in the EU and 0.6% in the euro area (EA) in the first quarter of 2016. Domestic demand, both private consumption and investment, contributed to this output growth, while the external balance was negative for both the EU and EA. In the year to the first quarter of 2016, real GDP growth slowed down slightly to 1.8% in the EU (compared to the 2.0% year-on-year growth observed in the fourth quarter of 2015) and remained at 1.7% in the EA (Chart 1).

The US registered a slowdown, with real GDP increasing by 0.2% in the first quarter of 2015, resulting in a year-on-year growth of 2.0%, similar to that recorded in the previous quarter. The real GDP levels in the EU and EA are now above the pre-crisis levels (4% and 2% above). Compared to that, as the US economy recovered faster its real GDP level is 11% higher than the pre-crisis level.

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



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

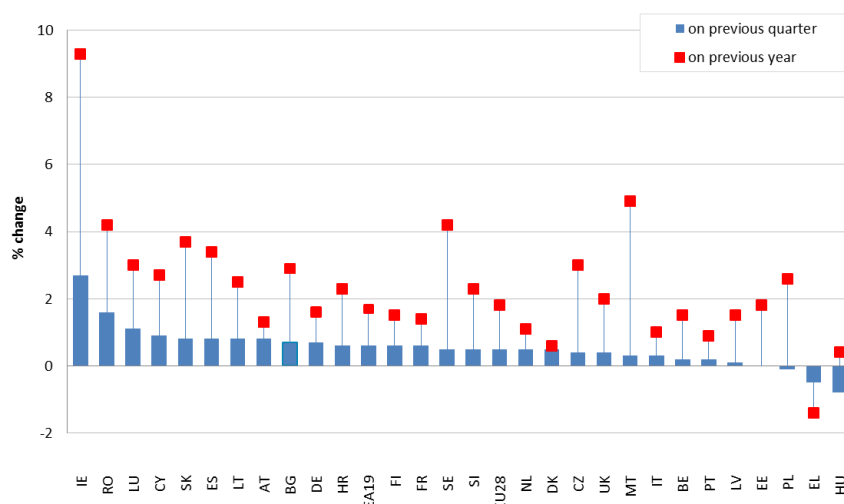
Economic activity expands in most Member States

The economy continued to expand in most Member States in the first quarter of 2016, but some countries experienced deterioration in economic output. Real GDP declined in Poland, Hungary and again in Greece, after the positive growth seen in the previous quarter. It remained unchanged in Estonia. Croatia and Latvia recovered from the contraction observed in the previous quarter. Several Member States recorded strong quarterly growth, in particular Ireland (2.7%) and Romania (1.6%). Among the largest Member States, France (0.6%), Germany (0.7%) and Spain (0.8%) continued their strong economic expansion, the United Kingdom (0.4%) and Italy (0.1%) posted a moderate GDP growth, while Poland recorded a small decline (-0.1%) after a previous strong quarter.

In the first quarter of 2016, real GDP was higher than in the first quarter of 2015 in all Member States except for Greece. Among the largest Member States, the year-on-year growth was strongest in Spain (3.4%), followed by the United Kingdom (2.0%). It strengthened in Germany (1.6%), and continued in France (1.4%) and Italy (1.0%). It slowed down in Poland though real GDP growth was still solid at 2.6%.

Among the remaining Member States, real GDP growth continued to be the strongest in Ireland, Malta and Sweden, and also in Romania where it exceeded 4% (Chart 2).

Chart 2: Real GDP growth - EU, EA and Member States, 2016Q1



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

Employment and household incomes develop in line with modest economic growth

In the year to the first quarter of 2016, employment in the EU continued to expand, recording a 1.4% increase. Gross disposable household income (GDHI) in the EU² also registered a further year-on-year increase in real terms by the fourth quarter of 2015³ (Chart 3).

Employment growth in 2016 maintains previous developments. In 2014, employment growth in the EU was stronger than could perhaps be expected given the modest economic improvements. In 2015, real GDP growth strengthened, which was necessary to sustain the labour market recovery, while employment continued to expand at a modest pace, in line with what would be expected given the observed real GDP growth rate. Accompanying the economic and labour market recovery, household incomes continued to improve throughout 2014 and 2015, supported by better income from work.

² 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.

³ Data not available for the first quarter of 2016.

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)

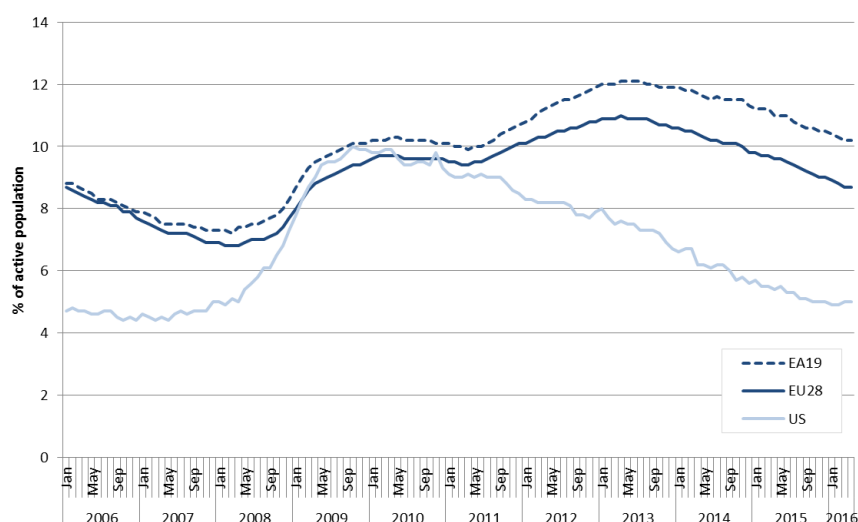
Note: GDHI EU aggregate for Member States for which data are available, GDP for EU28

[Click here to download chart.](#)

Unemployment slowly recedes from high levels

In April 2016, the EU and EA unemployment rates were 8.7% and 10.2%, down from 9.6% and 11.0% in April 2015. By comparison, the unemployment rate in the US was 5.0% in April 2016, down from 5.4% in April 2015. 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 has approached its pre-crisis level (Chart 4).

Chart 4: Unemployment rate - EU, EA and US



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

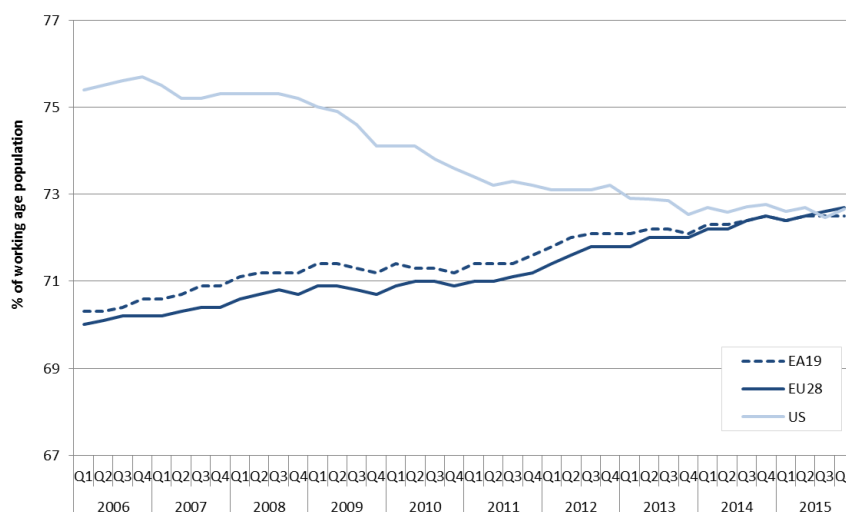
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Labour market participation continues to increase

This faster decline in the unemployment rate in the US compared to the EU can be partially explained by trends in labour market participation (those in employment and in unemployment). The sharp decrease in unemployment in the US has been accompanied by a decline in labour market participation, that is, by 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 seasonally adjusted

Note: Working age population 15-64 for EU, EA and 16-64 for US.

[Click here to download chart.](#)

Outlook

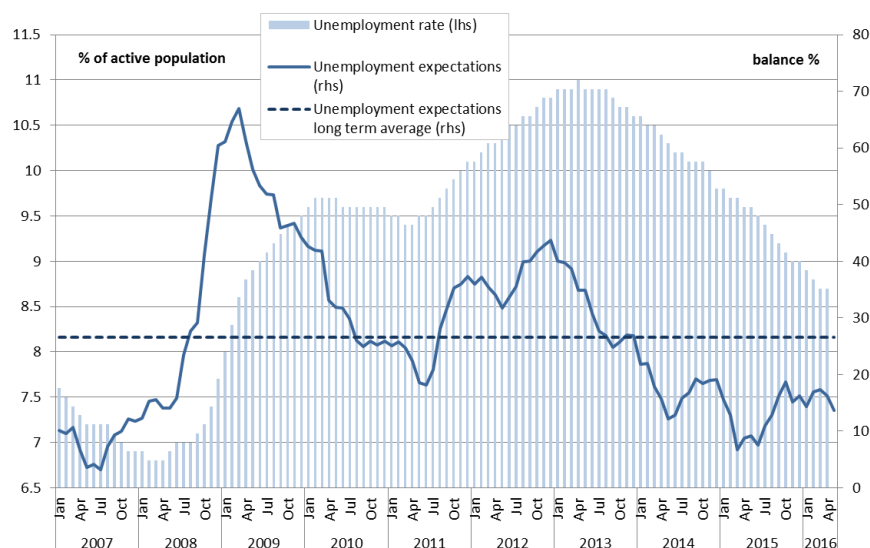
Economic growth and job creation in the EA may be slower in the second quarter this year

The Purchasing Managers Index (PMI) for the EA, derived as a composite index for EA output, was subdued in April and May 2016, after slowdown in the first quarter and solid increases observed the end of last year. The reduced PMI suggests a possible weakening of EA growth in the first half of 2016. The PMI also suggests that employment continued to increase in April and May, with job creation signalled by both manufacturers and service providers. Employment improved across the biggest EA economies in May: in Germany at the fastest pace since January, also in Italy, Spain and France. The PMI indicates that EA GDP growth may have deteriorated in the second quarter of 2016 to a mere 0.3%.

For the EU, economic sentiment and employment prospects for this year improve

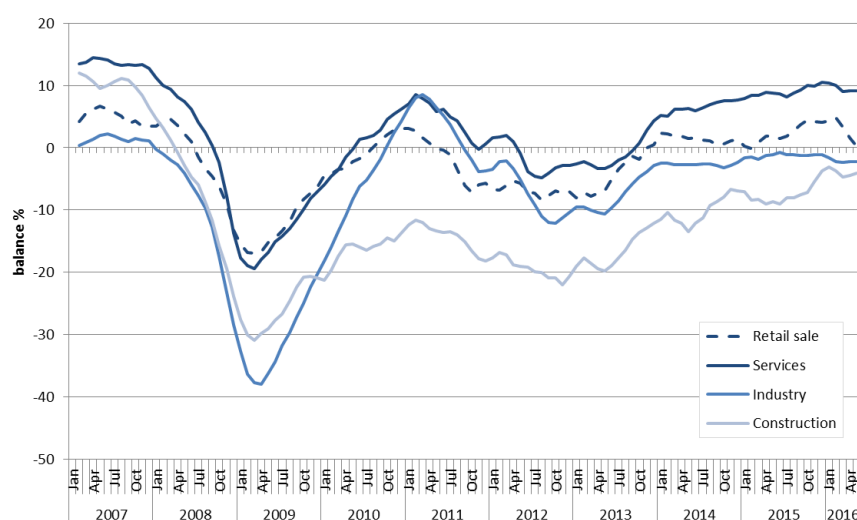
The Commission's economic sentiment indicator (ESI), derived from the EU Business and Consumer Surveys, has remained broadly similar since 2014. Confidence deteriorated during the past few months in services and retail. Confidence has increased the most in construction where it is, nevertheless, the gloomiest; it stagnated in industry. On the household side, expectations remained more volatile and less optimistic than business expectations. Consumers' unemployment expectations for the next 12 months have fallen since autumn 2015, but are higher than a year before (Chart 6). Employment prospects for the next months have broadly improved in all sectors except industry and recently retail (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]
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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 modest

The latest available Commission Spring Forecast of May 2016 suggested that economic recovery would continue, but at a modest pace in 2016 and 2017, and together with recent reforms would induce a good labour market performance, albeit at a slow and uneven pace across Member States. The Commission forecasted GDP growth in the EU at 1.8% in 2016 and 1.9% in 2017. Regarding the labour market, unemployment was forecast to decline gradually to 8.9% in 2016 and 8.5% in 2017 in the EU, and 10.3% in 2016 and 9.9% in 2017 in the EA.

The more recent forecast of the OECD revised down the economic outlook for the EA, pointing out that the recovery remains modest, with GDP growth expected to pick up only slowly and unemployment remaining high (Table 1).

Table 1: Recent forecasts – EU and EA

		GDP growth			Unemployment rate			Employment growth		
		2015	2016	2017	2015	2016	2017	2015	2016	2017
euro area										
Commission	May-16	1.7	1.6	1.8	10.9	10.3	9.9	1.1	1.1	1.0
OECD	Jun-16		1.6	1.7		10.2	9.8		1.3	1.0
IMF	Apr-16		1.6	1.8		10.3	9.9		:	:
ECB	Jan-16		1.5	1.6		10.1	9.7		:	:
EU										
Commission	May-16	2.0	1.8	1.9	9.4	8.9	8.5	1.1	1.0	0.9

Source: European Commission May 2016, OECD June 2016, ECB survey of professional forecasters (2016Q1), IMF April 2016. Note: ':' data not available.
[Click here to download table.](#)

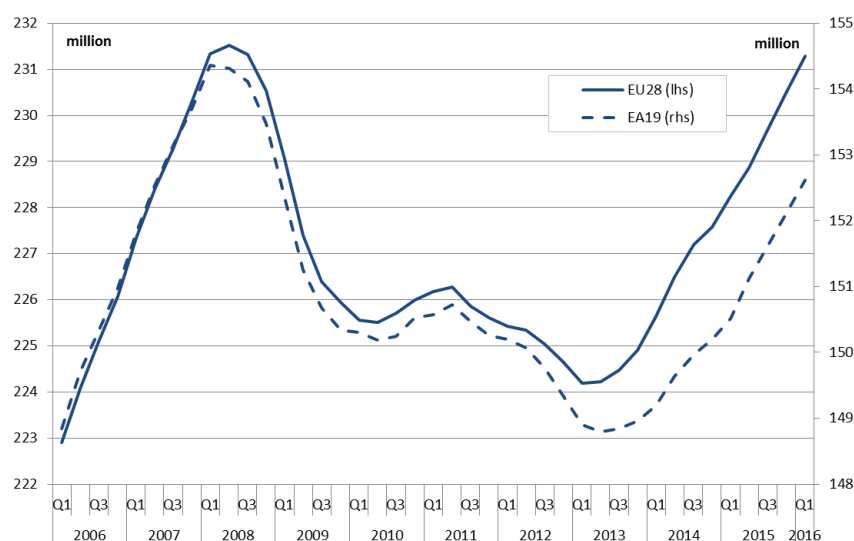
2. Employment in the EU and its Member States

Employment in the EU continues to expand to pre-crisis level

Employment continued to increase in the first quarter of 2016: by 0.3% both in the EU and in the EA. It was up by 1.4% in the EU and in EA compared to the first quarter of 2015. The year-on-year increase represents about 3.0 million more employed people in the EU, including 2.1 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 two and a half years now. Its lowest level since the 2008 crisis had been observed in mid-2013. Since then and up to the first quarter of 2016, employment has increased by 6.8 million in the EU, including by 3.8 million in the EA. Consequently, in the first quarter of 2016, employment in the EU remains just 0.1% (200 million people) below the level reached in its peak level of spring 2008. It is 1.1% lower in the EA, representing 1.7 million fewer people in employment than in spring 2008 (Chart 8).

Chart 8: Employment level - EU and EA



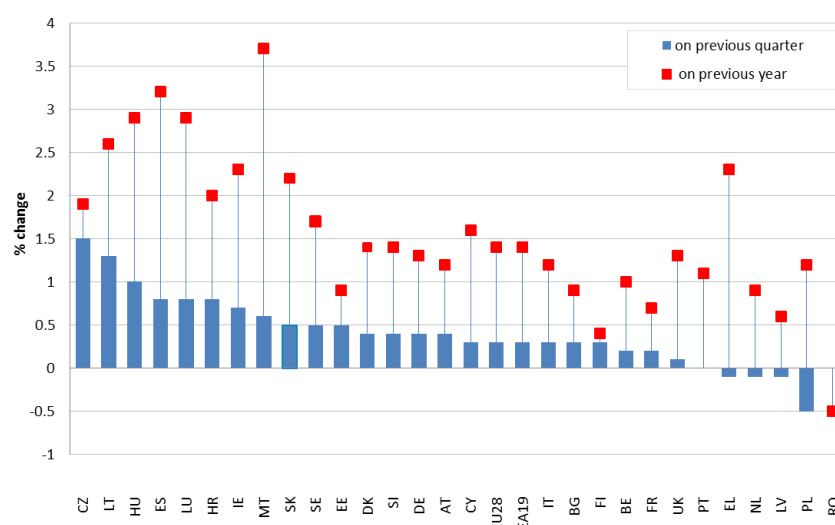
Source: Eurostat, National Accounts, data seasonally-adjusted [namq_10_pe]
[Click here to download chart.](#)

Employment expands in most Member States

In the first quarter of 2016, employment continued to increase in most Member States, but employment recovery is not fully grounded in some. Employment recovered in some Member States after stagnation (Finland) or the decline (in Estonia, Lithuania) seen in the previous quarter. By contrast, employment declined in Greece, Latvia and the Netherlands (0.1%) and most in Poland (0.5%). Among the best performing countries, quarterly employment growth rebounded in the Czech Republic (1.5%), Lithuania (1.3%) and Hungary (1.0%), and remained relatively high in Luxembourg and Spain (0.7%).

Employment in the first quarter of 2016 was higher than in the first quarter of 2015 in nearly all Member States except for Romania, where it was lower. Among the largest Member States, employment growth strengthened in Spain (3.2%), Germany (1.3%) and Italy (1.2%), slowed down in the United Kingdom (1.3%), Poland (1.2%) and remained the same in France (0.7%). Among the remaining Member States, employment growth continued to be the strongest in Hungary and Luxembourg (2.9%), and Malta, where it reached 3.7% (Chart 9).

Chart 9: Employment growth - EU, EA and Member States, 2016Q1



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. Data for HR 2015Q4.

[Click here to download chart.](#)

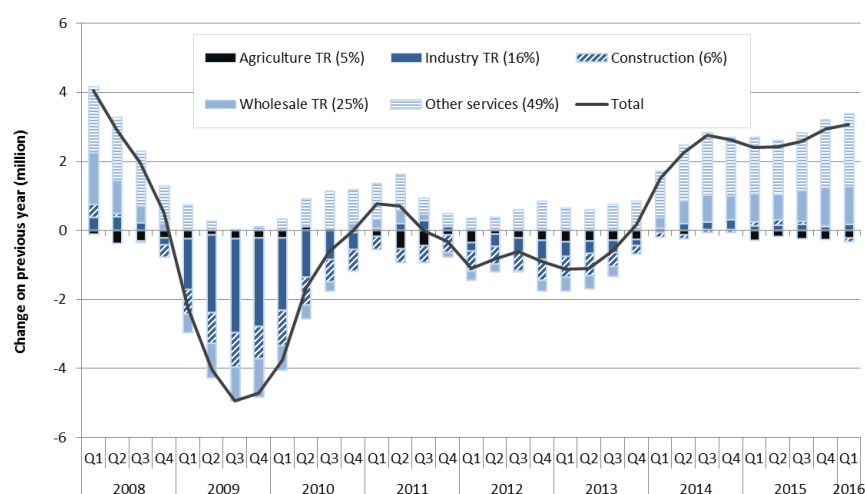
Service sectors drive employment growth, industry sees lesser improvement and construction decline

In the year to the first quarter of 2016, EU employment continued to increase across service sectors and industry, but not in construction. Employment in non-tradable⁴ 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 regained ground from the second half of 2014 onwards. Employment in agriculture stabilised in 2014 but has contracted again since the beginning of 2015. Employment in construction has not yet shown signs of solid recovery, and it contracted in the year to the first quarter of 2016 (Chart 10 and Chart 11).

Looking at the first quarter of 2016 alone, employment increased in all service sectors and industry, while it declined in construction and agriculture (Chart 11). The [Statistical Annex](#) presents in detail the changes in employment for 10 NACE branches.

⁴ 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).

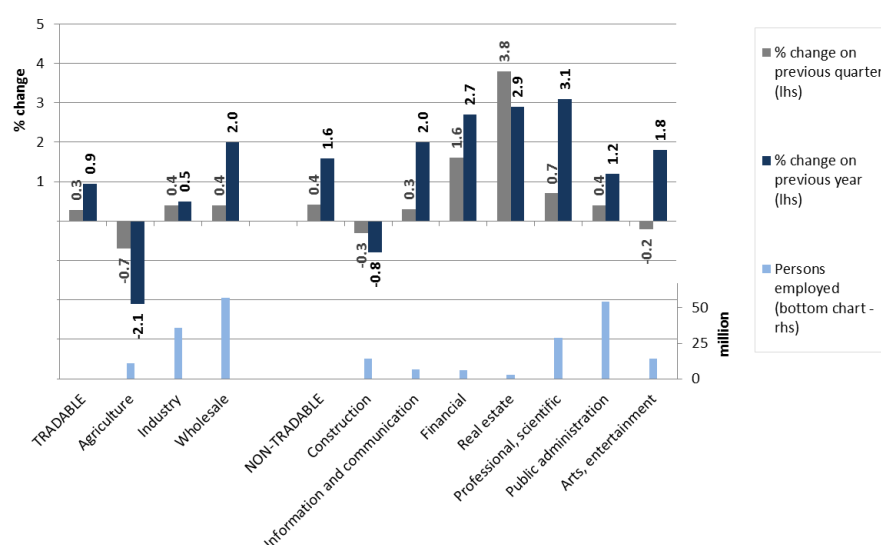
Chart 10: Employment growth by sector - EU



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, 2016Q1



Source: Eurostat, National Accounts, data seasonally adjusted (q-o-q) and non-seasonally adjusted (y-o-y) [namq_nace10_e]

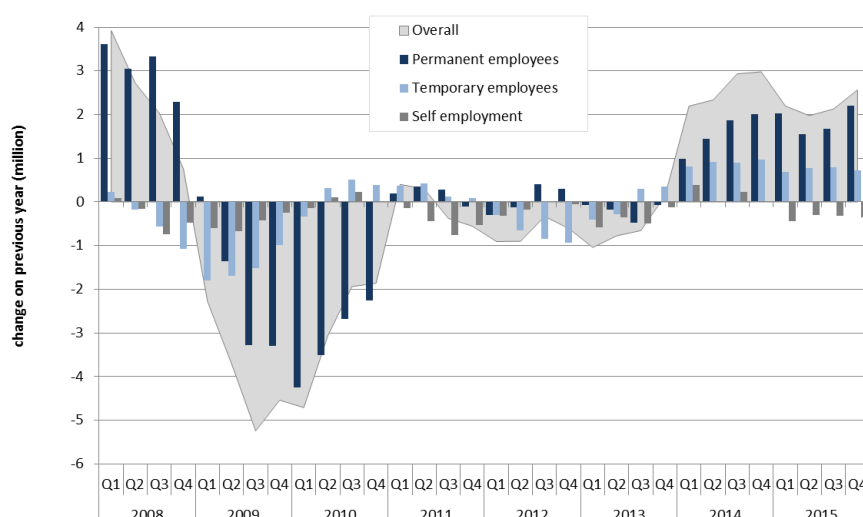
Top chart: Employment growth (%). Bottom chart: Employment level (million).
[Click here to download chart.](#)

Permanent jobs continue to contribute to employment expansion

The increase in the number of permanent employees has outnumbered the increase in the number of temporary employees for two years now. Yet, temporary employment, accounting for less than 15% of all employees, has been growing at a faster pace than permanent employment. In the year to the fourth quarter of 2015, the number of employees with a permanent contract increased by about 2.2 million (1.4%), while the number of employees with a temporary contract increased by 730 thousand (2.8%). The number of self-employed decreased by around 350 thousand (1.1%). Permanent and temporary employment had not reached yet the pre-crisis level by the fourth quarter

of 2015. Compared to the pre-crisis level in 2008, the number of employees with a permanent contract in the fourth quarter of 2015 had remained 1.3 million (2.1%) lower, while the number of employees with a temporary contract had been 600 thousand (0.8%) 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 continues to drive employment growth

Full-time employment has increased faster than part-time employment for nearly two years (since 2014). In the year to the fourth quarter of 2015, the number of full-time workers increased by about 2.2 million (1.3%) and the number of part-time workers increased by about 350 thousands (0.8%). Part-time employment had 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 fourth quarter of 2015 had remained 3.1% (5.7 million) lower than in 2008, while part-time employment had been 9.8% higher (3.8 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 – 'seven years lost and 5 percentage points to catch'

The employment rate for 20-64 year-olds has increased consistently for two years. It increased by 0.9 percentage points (pp) in the year to the fourth quarter of 2015, at a similar pace as in previous quarters. At 70.4% (seasonally adjusted), the rate exceeded by 0.4 pp its 2008 level but remained nearly 5 pp below the Europe 2020 target. For the EA, the employment rate increased by 0.9 pp in the year to the fourth quarter of 2015, to reach 69.3% (seasonally adjusted). The employment rate in the EA was still 0.6 pp below the 2008 value (Chart 14, and Chart 15).

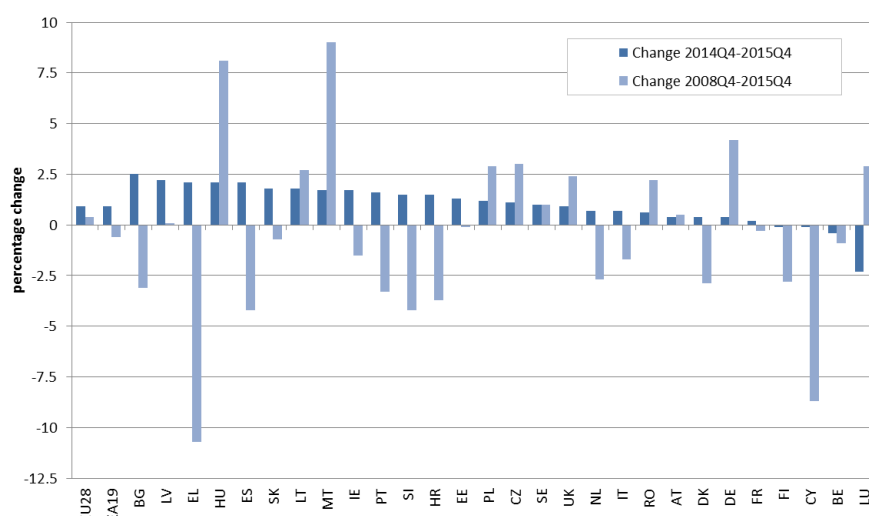
Employment rates recover in most Member States, but are far below pre-crisis level in many

In the year to the fourth quarter of 2015, the employment rate for 20-64 year-olds increased in all Member States except for Belgium, Cyprus and Finland and, more noticeably, Luxembourg (where it was down by 2.3 pp). The largest increases were recorded in Bulgaria, Greece, Latvia, Hungary and Spain (more than a 2 pp increase).

Despite the observed improvements, the employment rate in the fourth quarter of 2015 remained below the 2008 rate in many Member States, having dropped significantly (by 4 pp or more) in Cyprus, Greece, Slovenia and Spain. Hungary and Malta showed the most significant increase (more than 8 pp) since 2008. After having some of the lowest employment rates in the EU, they now have approached the EU average. Among the largest Member States, Germany, Poland and the UK saw 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.

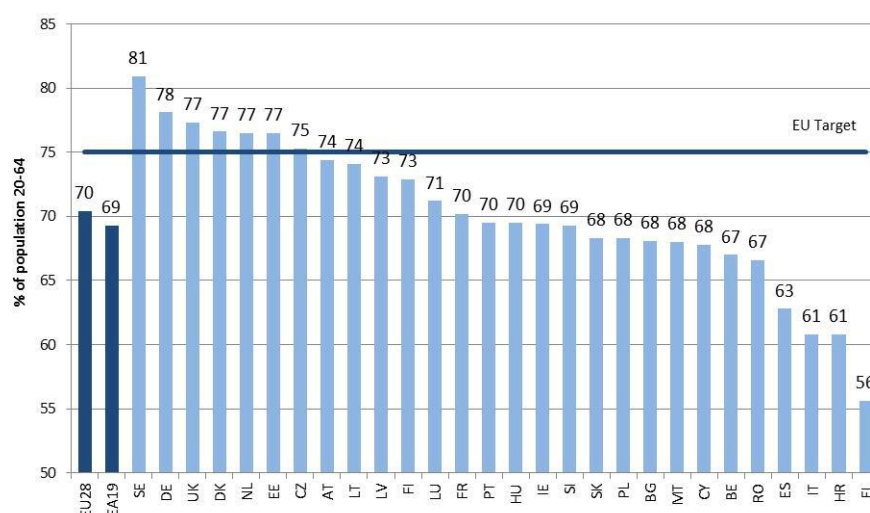
In the fourth quarter of 2015, there was a 25 pp difference between the highest employment rate of more than 80% in Sweden and the lowest employment rate of just 55% in Greece (Chart 15).

Chart 14: Employment rate - EU, EA and Member States, change to 2015Q4



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

Chart 15: Employment rate - EU, EA and Member States, 2015Q4



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

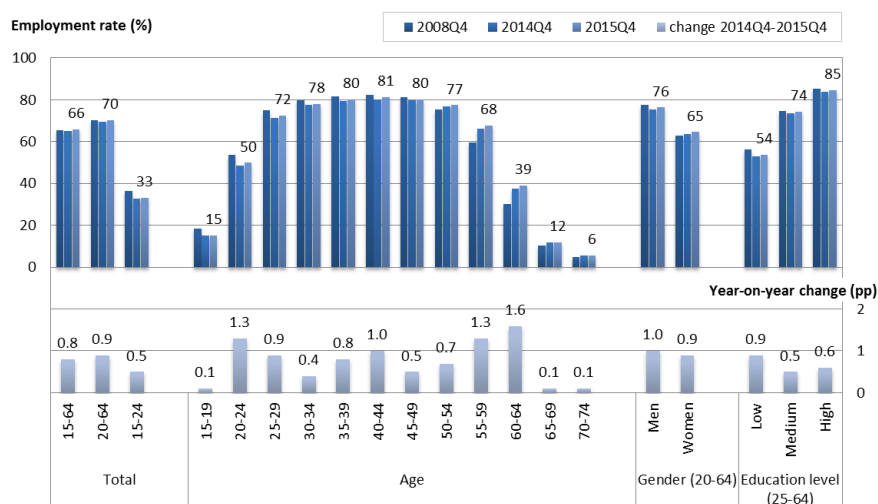
Employment rates improve across all population groups and particularly for older workers

In the year to the fourth quarter of 2015, the EU employment rate increased for all population groups and most noticeably for people aged 55-59 (1.3 pp) and those aged 60-64 (1.6 pp). This 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 fourth quarter of 2015, the employment rate of young people aged 20-24 (1.3 pp) and aged 25-29 (1.0 pp) increased noticeably. Still, the employment rate for young people remained much lower than in 2008: a 4 pp gap for 20-24 year-olds and a 2.7 pp gap for 25-29 year-olds.

The increase in the employment rate during the year to the fourth quarter of 2015 was similar for both men and women. The rate for low educated people recorded the highest increase. When

compared to 2008, the employment rate in the fourth quarter of 2015 had increased for women (by 1.7 pp), but not for men (down by 1.2 pp) (**Error! Not a valid bookmark self-reference.**).

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 2014Q4-2015Q4 (pp).

[Click here to download chart.](#)

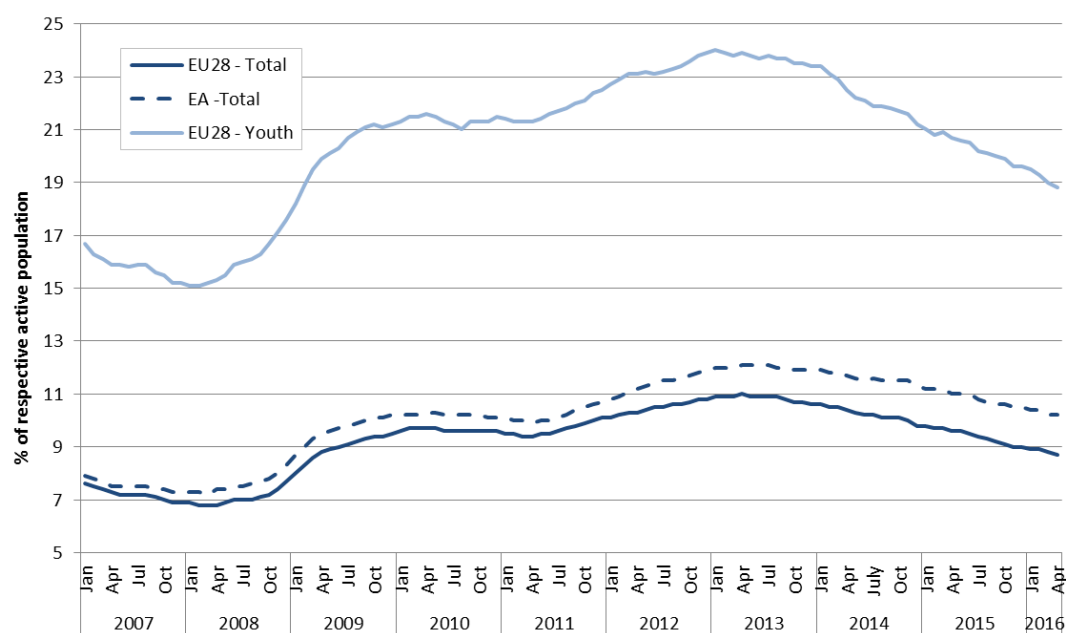
3. Unemployment in the EU and in Member States

The EU has now recovered more than half of the unemployment increase associated with the crisis

The unemployment rate in the EU and EA has seen a steady but moderate decline since mid-2013. It declined to 8.7% in the EU and 10.2% in the EA in April 2016, a reduction of 0.9 pp for the EU and 0.8 pp for the EA when compared to April 2015. The unemployment rate in the EU remained 1.9 pp higher than its low of 6.8% in March 2008 (Chart 17). For the EA, the difference with respect to March 2008 is 3 pp. Nevertheless, the April unemployment rate was the lowest rate recorded since September 2011.

The decline in the unemployment rate between April 2015 and April 2016 represents about 2.1 million fewer unemployed people in the EU, including 1.3 million in the EA. Although **unemployment receded by more than 5.3 million people since its peak observed in April 2013**, it has not yet returned to the 2008 pre-crisis levels. With about 21.2 million unemployed people, including 16.3 million in the EA, **there were around 5.1 million more unemployed people in April 2016 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.](#)

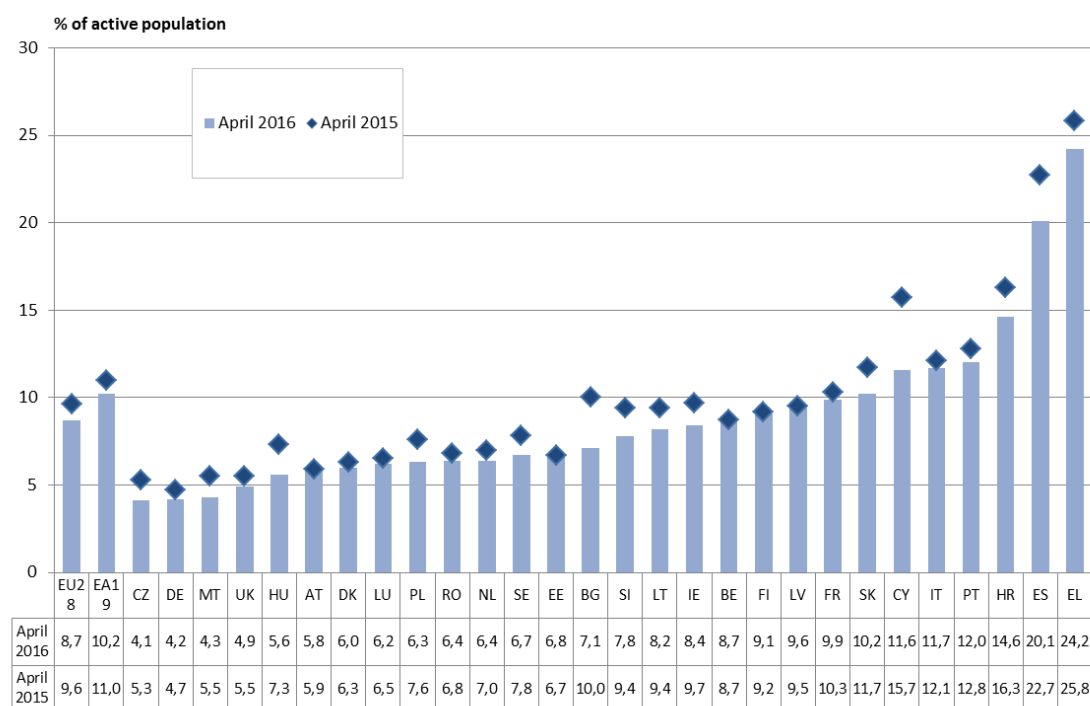
Unemployment declines in most Member States

Compared with a year ago, unemployment rates decreased in twenty-five Member States, remained stable in Belgium and increased in Estonia (March 2016) and Latvia, each by 0.1pp. The largest reductions were registered in Cyprus (4.1 pp), Bulgaria (2.9 pp) and Spain (2.6 pp) (Chart 18 and Chart 19).

Large differences remain among Member States, with the unemployment rate ranging from 4.1 % in the Czech Republic and 4.2% in Germany, to a high of 24.1 % in Greece⁵ and 20.1 % in Spain (Chart 18).

⁵ March 2016

Chart 18: Unemployment rates - EU, EA and Member States, April 2015 and April 2016

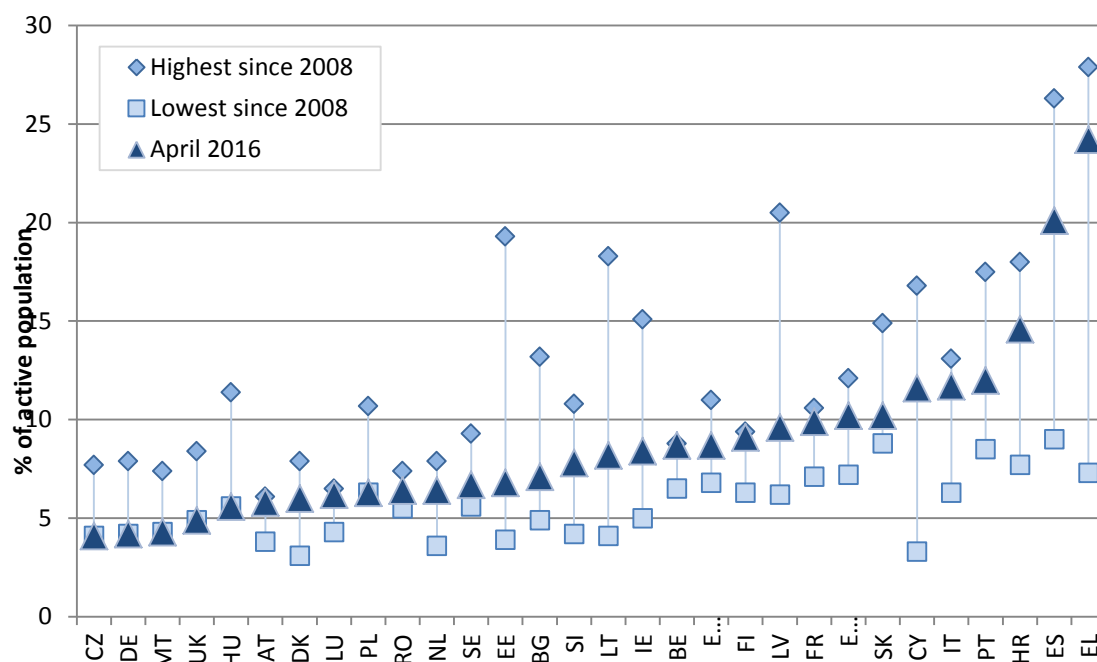


Source: Eurostat, series on unemployment, data seasonally adjusted [une_rt_m]

Note: EL, UK, EE, HU: March 2016

[Click here to download chart.](#)

Chart 19: Unemployment rates - EU, EA and Member States, April 2016 and highest and lowest rate since 2008



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

Note: EL, UK, EE, HU: March 2016

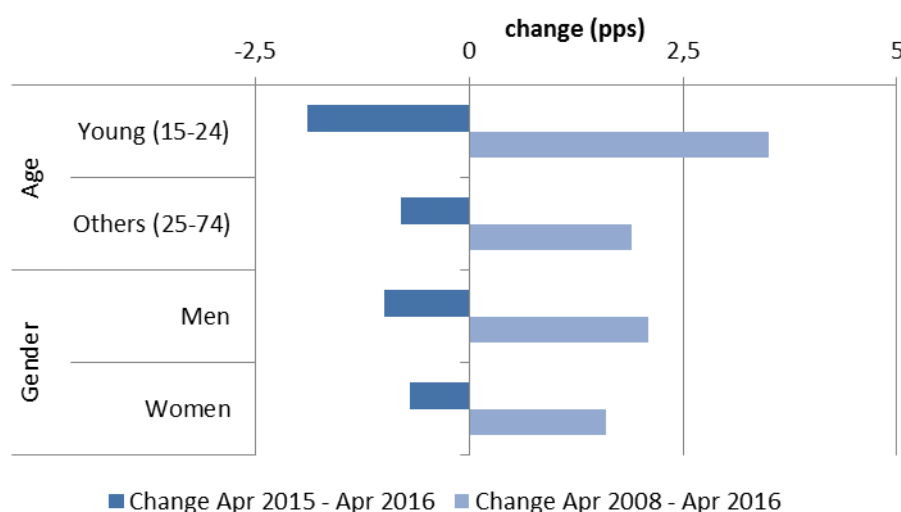
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Unemployment declines for all population groups

In the year to April 2016, the unemployment rate declined in the EU for all age-groups and for both men and women. In that period, it declined by 1 pp for men and 0.7 pp women and stood at 8.5% and 9.0% respectively in April 2016. In the EA, the unemployment rate declined by 1.0 pp for men and 0.6 pp for women to reach 8.7% and 9.6% respectively in April 2016. For those aged 25-74, the unemployment rate in the EU declined by 0.7 pp in the year to April 2016 and stood at 7.7%. A sharper decline of 1.9 pp was observed for those aged 15-24 and the rate stood at 18.8% (Chart 20).

When compared to the fourth quarter of 2014, quarterly data for the fourth quarter of 2015 confirms the decline in unemployment rates for all age groups between 15 and 64 years of age except one – no change is seen for the age group 60-64 (not shown). The unemployment rate also declined for the three levels of education considered (low, medium and high). Nonetheless, these changes were not yet enough to return unemployment rates back to the values observed in 2008.

Chart 20: Unemployment rate by population groups - EU, change to April 2016



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

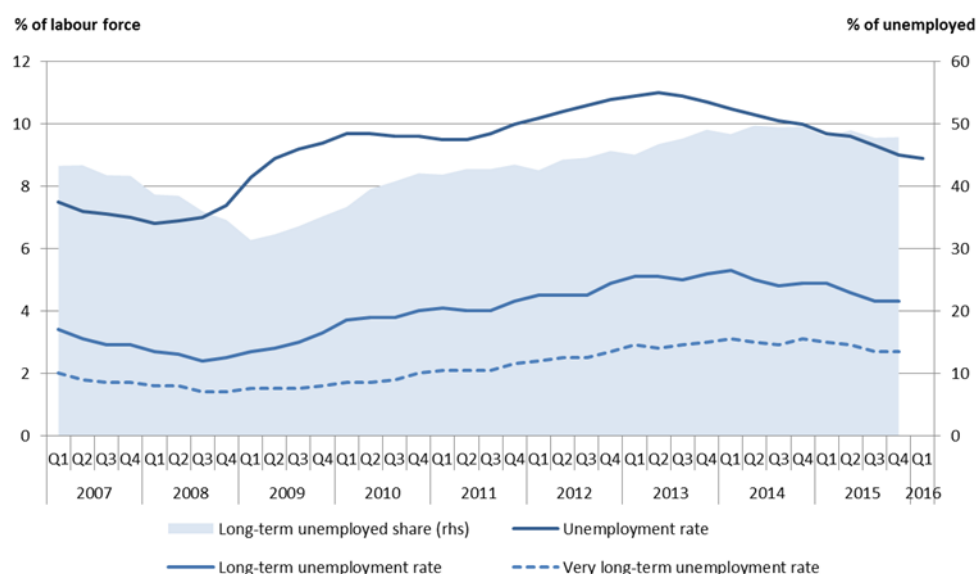
4. Long-term unemployment and additional potential labour force

Very long-term unemployment dropped strongly

The long-term unemployment rate, i.e. the rate of those unemployed for a year or more, decreased 0.6 pp in the year to the fourth quarter of 2015, to reach 4.3% of the labour force (Chart 21). 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 0.4 pp to reach 2.7% of the labour force. This is the first quarter in which the decrease of the very long-term unemployment rate is higher than the decline of the rate of those long term unemployed between 1 and 2 years (0.4 pp vs 0.2 pp). This reduction has not been accompanied by an increase in inactivity rates (see further).

In the fourth quarter of 2015 and compared to the fourth quarter of 2014, there were almost 1.5 million fewer people in long-term unemployment. However, long-term unemployment remains an important challenge in the EU with around 10.5 million people in unemployment for more than a year, despite searching for a job, including 6.6 million for more than two years. Long-term unemployed are almost 50% of the total unemployment.

Chart 21: Unemployment and long-term unemployment rates and share - EU



Source: Eurostat, LFS, data seasonally adjusted [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 falls slowly

The year-on-year reduction in the long-term unemployment rate has been larger than the reduction in the short-term unemployment rate (0.6 pp vs 0.4 pp). This has triggered a slight decline in the share of long-term unemployment in total unemployment. This trend and the significant year-on-year reduction in the very long-term unemployment rate, suggest that the labour market recovery may be reaching those further from the labour market. Chart 22 shows the detailed composition of unemployment by duration and its evolution. The chart also shows that the changes on the share of the different groups are evolving slowly since the beginning of the recovery in contrast with the fast developments after the onset of the crisis.

Chart 22: Unemployment level by duration of unemployment – EU



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

Note: Data for fourth quarter of each year

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Long-term unemployment decreases in most Member States

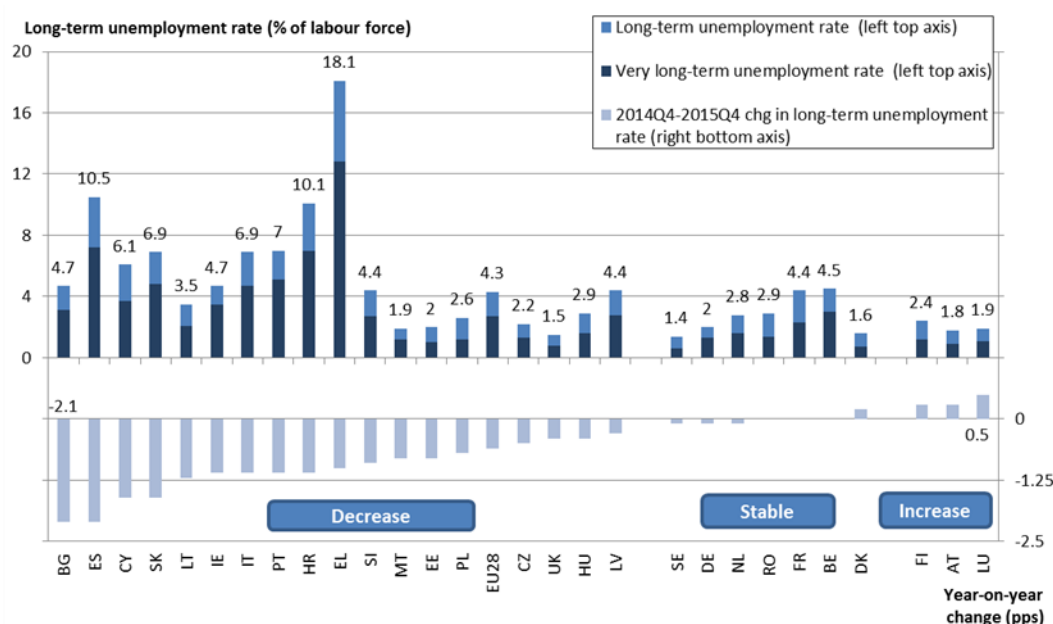
In the year to the fourth quarter of 2015, long-term unemployment declined across the majority of Member States. The largest reductions were seen in Bulgaria and Spain (-2.1 pp). Greece held the highest rate: 18.1% of the labour force was long-term unemployed. The highest increases in the long-term unemployment rate were recorded in Luxembourg (0.5 pp), Austria and Finland (both 0.3pp), although their rates were still far below the EU average (4.3%) (Chart 23).

Greece's rate of very long-term unemployment remained the highest in the EU at 12.8% of their labour force, although it decreased by 0.4 pp in the year to the fourth quarter of 2015. There were important reductions in countries with rates of very-long-term employment above 3%, namely in Bulgaria and Slovakia which saw a reduction of 1.2 pp.

Greece also held the highest share of long-term unemployment, 74.3% of its total unemployment, followed by Slovakia and Croatia with 62.6% and 62.4%. All these rates were well above the EU28 rate (47.9%).

Compared to 2008, only three countries have lowered their long-term unemployment rates: Germany (by 1.6 pp), Hungary (by 0.9 pp) and Malta (by 0.6 pp).

Chart 23: Long-term unemployment rate - EU, EA and Member States, level and change over the year to 2015Q4



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

[Click here to download chart](#).

Activity rates continue to increase in most of the countries...

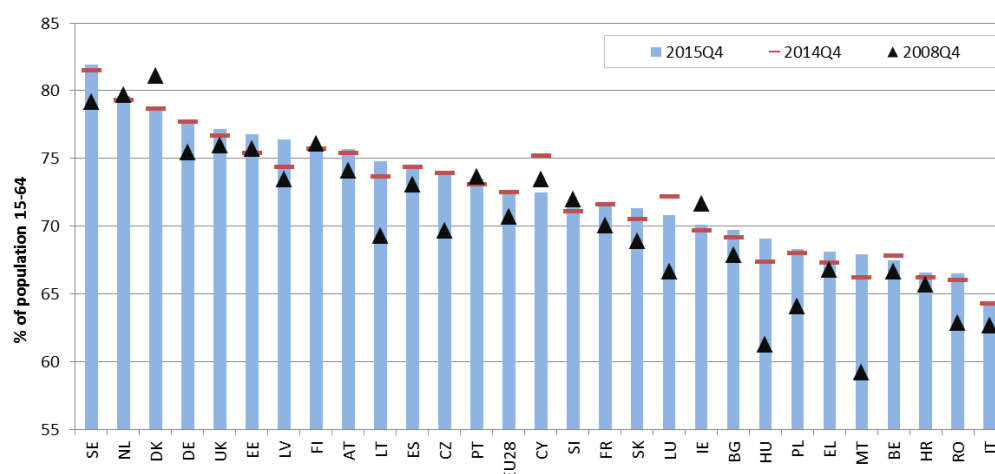
It is important to see if the reduction in unemployment and notably long-term and very long-term unemployment are not associated with increases in inactivity. The seasonally adjusted EU activity rate⁶, for the 15 to 64 age group, reached 72.7% of the respective population group on the fourth

⁶ Starting this quarter, Eurostat provides seasonally adjusted data for activity rate

quarter of 2015 (Chart 24). This is 0.1 pp more than in the third quarter of 2015 and 0.2 pp more than in the fourth quarter of 2014. In the fourth quarter of 2015, the active population of the EU between 15 and 64 years was around 238 million people, 2 million more people than in the fourth quarter of 2008.

In the year to the fourth quarter of 2015, most of the Member States registered an increase in their activity rates (Chart 24). The Member States that experienced the highest decreases were: Latvia (2 pp), Malta and Hungary (1.7 pp for both). The decreases in activity rates were modest except for Cyprus (2.7 pp) and Luxembourg (1.4 pp).

Chart 24: Activity rate - EU and Member States



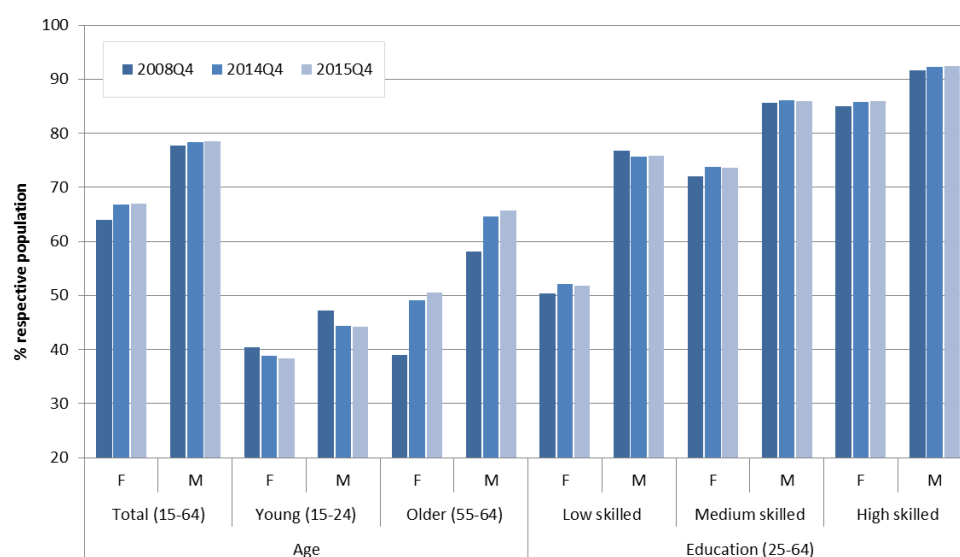
Source: Eurostat, LFS, data seasonally adjusted [lfsi_act_q]
[Click here to download chart.](#)

...mostly due to a significant increases in the activity rate of those 55-64

The increase in the activity rate of older workers aged between 55 and 64 years old is the main driver of the increase in activity rates. In the year to the fourth quarter of 2015 the activity rate of older workers increased by 1.3 pp with a stronger increase for women than man in that age group. During the same time, the activity rate for youth decreased slightly (by 0.2 pp) and is 2.4 pp lower than in the fourth quarter of 2008 (Chart 25).

In terms of educational attainment there were no relevant developments in the year to the fourth quarter of 2015. Low skilled workers showed the biggest gender gap, due mainly to the very low activity rate of low-skilled women. The developments in the year to the fourth quarter of 2015 show an increase in this gap of 0.5 pp. By contrast, the strongest reduction in the gender gap in activity rates is achieved in the older workers age group 0.4 pp (Chart 25).

Chart 25: Activity rate by selected age groups – EU



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

'Available to work but not seeking' and 'underemployment' in the EU are decreasing

Three supplementary indicators⁷ to unemployment are used to monitor the evolution of the underemployment and the potential additional labour force that could be added to those in employment or unemployed (the active population). These three indicators are: 'Available for work but not seeking', 'underemployed' and 'seeking but not available for work'. These indicators are expressed as a percentage of the labour force, i.e. the active population. They are also called supplementary indicators to unemployment (SIU)⁸.

The proportion of 'Available but not seeking' workers in the EU was 3.7% of the labour force in the fourth quarter of 2015. This rate decreased by 0.2 pp compared to the fourth quarter of 2014. 'Underemployment', i.e. the proportion of those who would like but cannot find full-time work, showed a 0.2 pp decrease in the year to the fourth quarter of 2015 and was 4% of the labour force. For these two indicators the rate is the lowest in a fourth quarter since 2012.

The rate of 'those seeking but not available for work', remained unchanged on a yearly basis at 0.9% of the labour force in the fourth quarter of 2015.

The combined reduction in these three indicators, 0.4 pp, complements the positive developments of total unemployment (Chart 26) and also long-term unemployment.

⁷ 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. See: http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Underemployment_and_potential_additional_labour_force_statistics

⁸ Starting this quarter, Eurostat provides seasonally adjusted data for activity rate

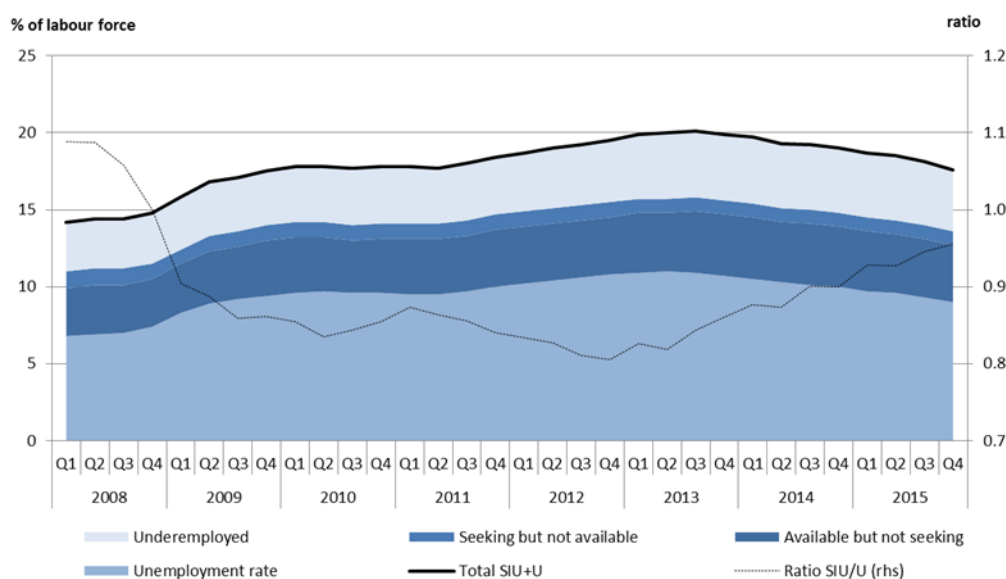
'Available to work but not seeking' vs 'Discouraged'

These two indicators are sometimes used indistinctly due to its semantic closeness. In particular 'discouraged' workers are used often as its labelling is simpler and easier to understand.

In a strict use of the definitions the indicators are different. 'Discouraged' workers are those not looking for a job because they think there is no work available

'Discouraged' is a relevant subgroup of the 'Available for work but not seeking' but not the only one. 'Available to work but not seeking' includes also people like those that are not looking for a job for personal or family reasons.

Chart 26: Unemployment, potential labour force and underemployment - EU



Source: Eurostat, LFS, data seasonally adjusted [une_rt_q, lfsi_sup_q]

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

[Click here to download chart.](#)

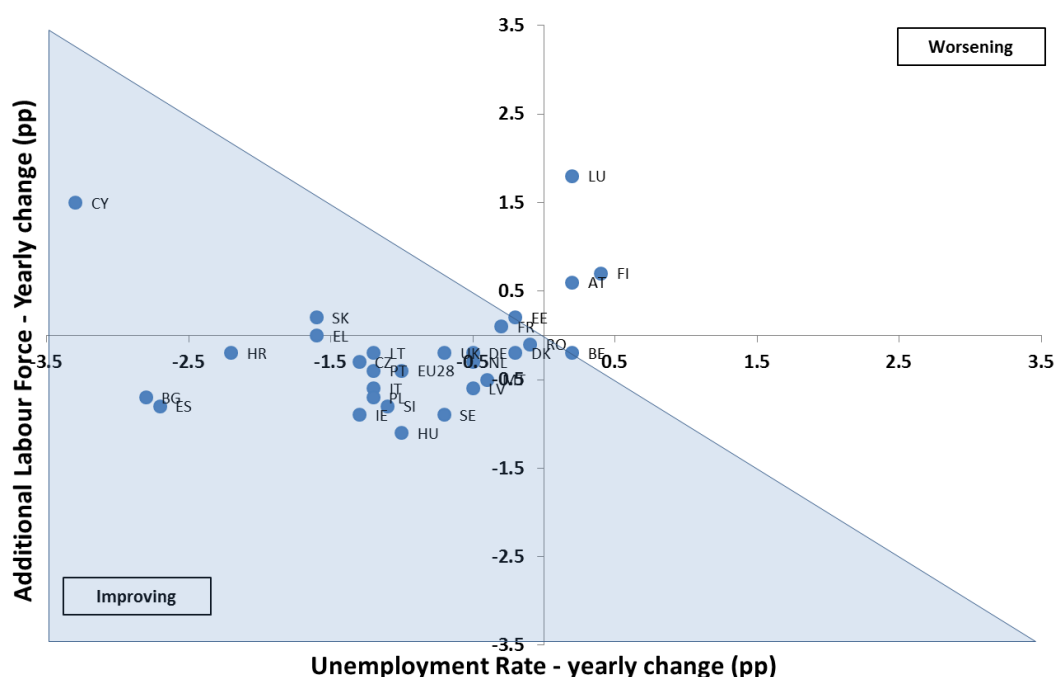
All indicators point to labour markets improvements for most of the Member States

The changes in the 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 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 'available to work but not seeking' people or increased underemployment.

In the year to the fourth quarter of 2015, the reductions in unemployment in most Member States were accompanied by decreases in supplementary indicators. This is especially the case in Bulgaria and Spain (Chart 27). On the other hand, Luxembourg and Finland registered the largest combined increases in the additional potential labour force and the unemployment rate: 1.8 pp and 1.3 pp respectively in the year to the fourth quarter of 2015.

Cyprus was an extreme case. It showed one of the greatest increases in supplementary indicators (1.5 pp), but at the same time had the biggest reduction in unemployment rate (3.3 pp).

Chart 27: Unemployment vs. supplementary indicators to unemployment (SIU) - EU Member States, changes 2014Q4-2015Q4



Source: Eurostat, LFS, data seasonally adjusted [une_rt_q, lfsi_sup_q]

Note: EE, MT and RO: no data for 'Seeking but not available'.

Supplementary indicators for FR from France Metropolitan

[Click here to download chart.](#)

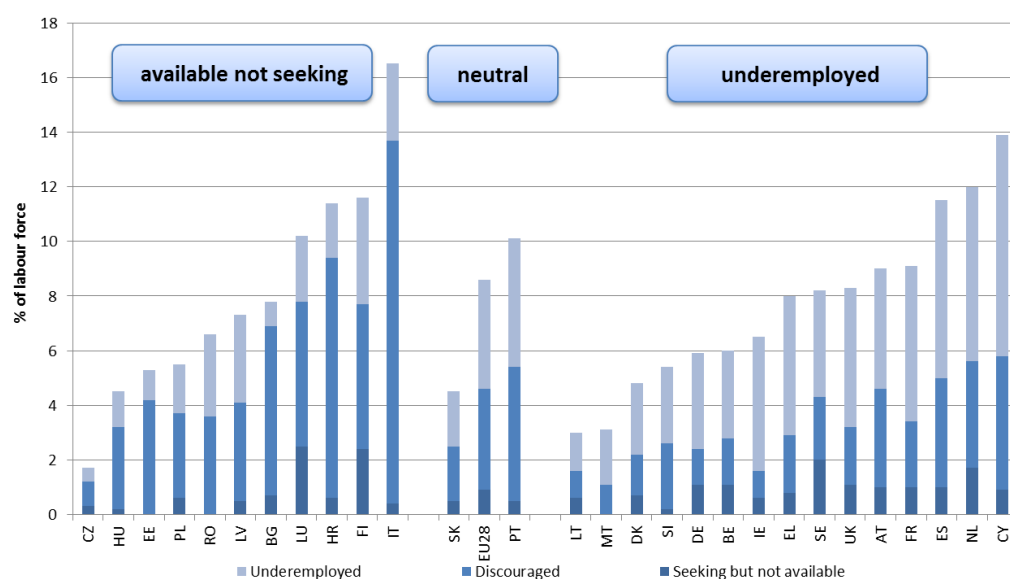
Underemployment is becoming a predominant feature in most Member States

Member States can be divided into those with mainly 'available but not seeking' people and those with mainly 'underemployed' people. In the past this division was even but, recently, the number of countries where underemployment is predominant is increasing (Chart 28). Note though that in general both indicators have seen a reduction in most of the countries which explains the general reduction seen at the EU aggregate level.

In the fourth quarter of 2015, Italy was still the country with the highest combined level of supplementary indicators. This is mainly due to the highest 'available but not seeking' rate in the EU, 13.3% of the labour force. Nevertheless, this rate decreased by 0.3 pp in the year to the fourth quarter of 2015. Cyprus was the Member State with the highest increase in 'available but not seeking' rate (0.8 pp).

In the fourth quarter of 2015, Cyprus still had the highest rate of underemployment, followed by Spain: 8.1% and 6.5% of the labour force, respectively. But it was Luxembourg who had the biggest yearly increase (0.8 pp). In the same period of time Lithuania (by 0.7 pp), Sweden and Ireland (by 0.6 pp both), had the greatest yearly decreases in underemployment.

Chart 28: Labour underutilisation - EU and Member States, 2015Q4



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

Note: LV, MT and RO no data for 'Seeking but not available'

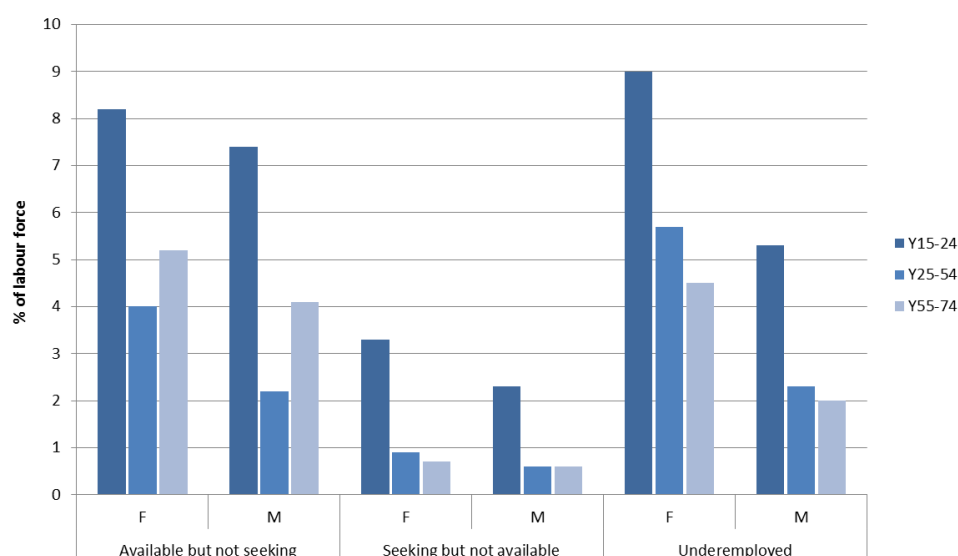
[Click here to download chart.](#)

Gender gap is bigger in Underemployment than in 'Available but not seeking'

When comparing the gender gap of the different indicators there is a big difference between those underemployed and those 'seeking but not available'. Underemployment is affecting women much more than men, 3.2 pp of gender gap. And this gap remains important across the different age groups (Chart 29). For those 'available for work but not seeking' the gender gap is smaller, 1.6 pp, and it peaks at the prime working age, those between 25 and 54 years old, 1.8 pp.

For almost all age and gender groups all the supplementary indicators were decreasing, or stabilizing, on the year to the fourth quarter of 2015. Only underemployment for young women showed a relevant increase, 0.5 pp.

Chart 29: Underemployment and potential labour force by sex and age - EU, 2015Q4



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

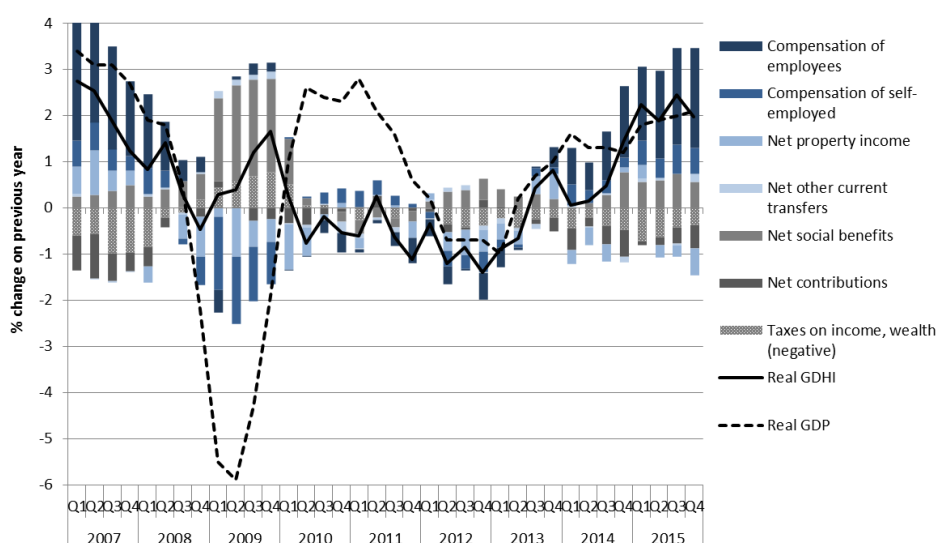
5. Income and financial situation of households

Household incomes in the EU benefit from strengthening economic activity

On average in the EU⁹, real growth in gross disposable household income (GDHI) remained at a solid 2% in the year to the fourth quarter of 2015. The year-on-year growth rates observed throughout 2015 were higher than the growth rates of less than 1% observed since the recovery in mid-2013 (Chart 30). By contrast, in the EA, the year-on-year real growth rate of GDHI recorded in the fourth quarter of 2015 had decelerated to 1.5% compared to growth seen in previous quarter.

⁹ 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 30: 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 fourth 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 (about 2%). Property income continued to decrease, while contribution of other transfers improved. Meanwhile, further increases in social benefits supported the growth of disposable income, while higher taxes and social contributions weighed down on it.

Nearly all Member States benefit from growth in household income

The real increase in GDHI in the EU seen in the year to the fourth quarter of 2015 reflects positive developments in 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, Italy, Spain and the United Kingdom. Real GDHI increased in all Member States in the fourth quarter of 2015, also in Austria and Greece that registered decline in the previous quarter.

Households' financial distress continues to slowly recede

Financial distress¹⁰, 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 and a half. 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 below 15% of the population from its historically high level of nearly 17% in autumn 2013, but remains yet above the levels seen in the previous decade (Chart 31).

Financial distress for low-income households eased in the beginning of 2016

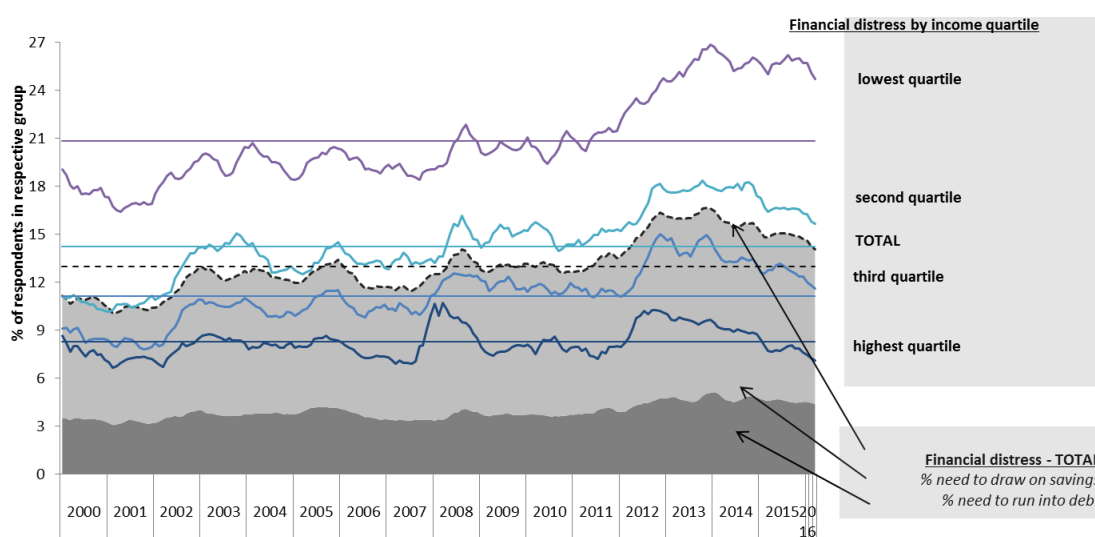
Financial distress for low-income (lowest quartile) household appears to have eased in the first quarter of 2016. Still, looking at the longer trend, it has remained at historical highs for the past two

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

years and a half. Low-income households have seen some ups and downs in their financial distress since the beginning of 2014. This suggests that this group has not seen a more permanent easing in their financial distress. Since 2012, financial distress has shown a more consistent downward trend in higher income groups. This downward trend has been especially clear for the third and fourth income quartile groups where it has approached or fallen below the long-term average.

Overall, about 10% of adults in low-income households run into debt and nearly a further 15% drew on savings to cover current expenditure in the first half of 2016. By comparison, the proportions for the total population were less than 4.5% and less than 10%, respectively. The level of financial distress for households in all income quartiles increased to levels above the respective long-term averages (the straight lines in the chart) and echoes the rapid worsening seen between mid-2010 and the end of 2013. The gap in financial distress between low-income and high-income households has widened (Chart 31).

Chart 31: 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)

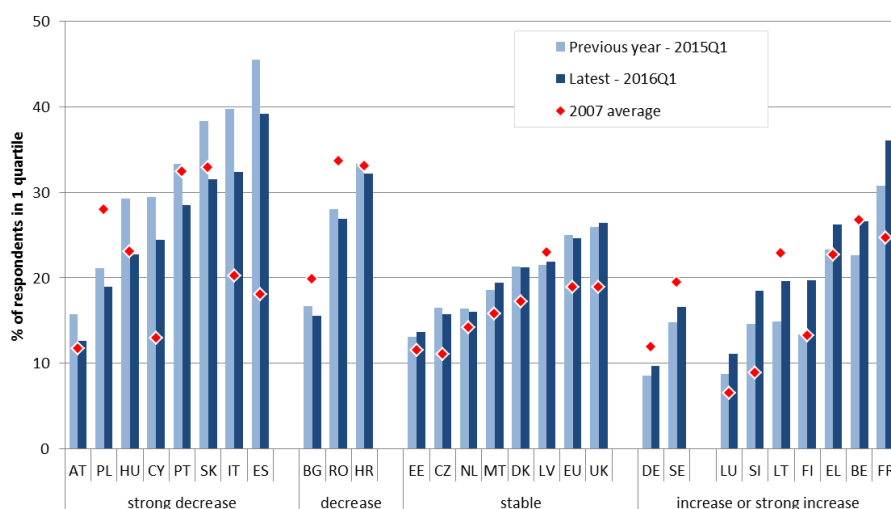
Note: Horizontal lines show the long-term averages for financial distress for the population as a whole and for households in the four income quartiles. The overall share of adults reporting having to draw on savings and having to run into debt are shown respectively by the light grey and dark grey, 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 first quarter of 2016. It remains higher than in 2007 in the majority of the Member States, in particular in Cyprus, France, Italy and Spain. It ranges from around 3.5% in Germany to more than 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 first quarter of 2016, it affected less than 10% of households in the lowest income quartile in Germany compared to 40% of the poorest quarter of the population in Spain (Chart 32).

Chart 32: 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.](#)

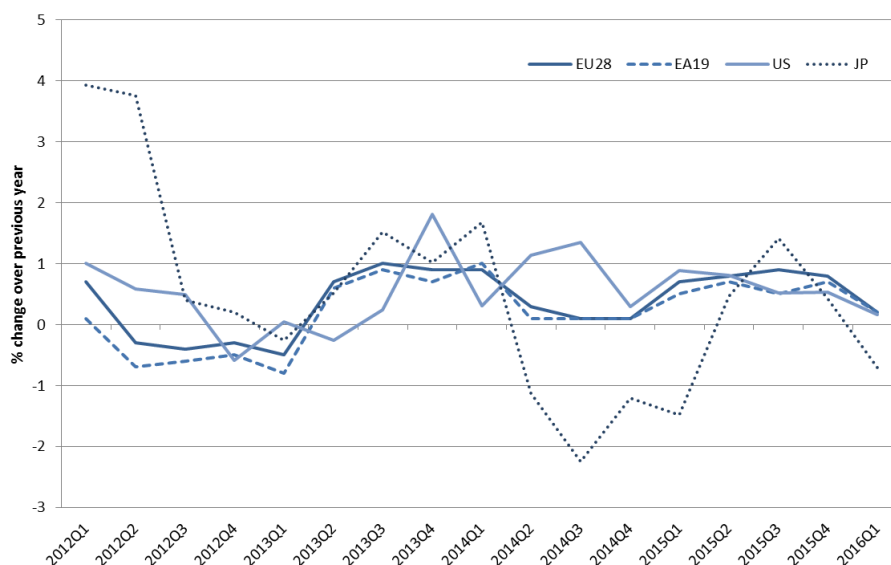
6. Productivity, labour costs and hours worked

Productivity growth stalled in the EU as a whole, but important differences across Member States' performances persisted

Productivity growth (measured as output per person employed) in the EU as a whole came almost to a halt in the first quarter of 2016 when compared with the first quarter of 2015. This is because employment growth matched output growth (both up by about 1.5%) (Chart 33).

While productivity growth was very low in the EU and EA, it also slowed down in the US (down from 0.5% in the fourth quarter of 2015 to 0.2% in the first quarter of 2016) and even contracted in Japan (-0.7%) (Chart 33).

Chart 33: 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.](#)

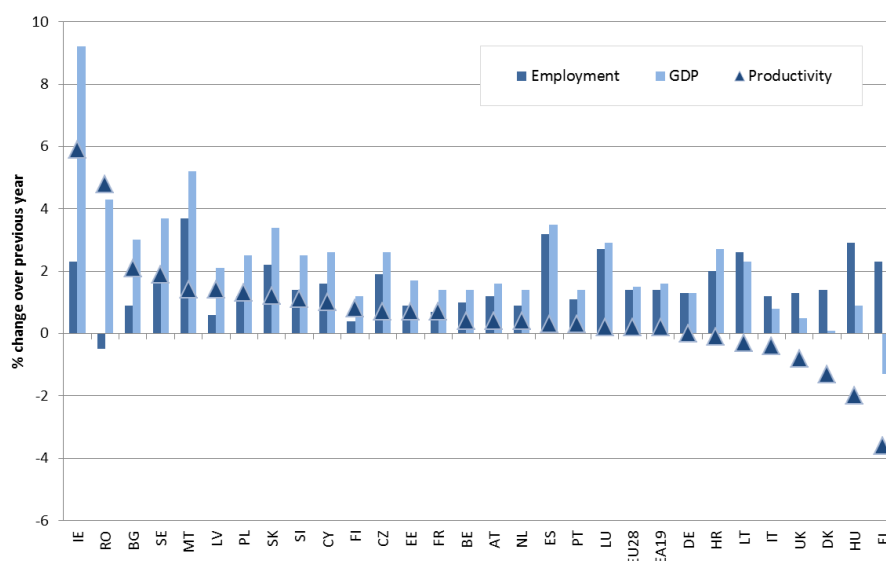
In the first quarter of 2016, Ireland, followed by Romania, recorded the strongest year-on-year labour productivity growth. In Ireland this was primarily caused by a sharp increase in output, driven by strong increases in gross fixed capital formation, while in Romania the increase followed a strong increase in output in combination with a small decrease in employment (Chart 34).

With the exception of Ireland, productivity growth remained weak in most Member States of the EA with Germany recording no growth, and Portugal, Spain, Austria, the Netherlands and Belgium recording a year-on-year growth below 0.5%.

Greece continued to record a sharp decrease, down by 3.6% in the first quarter of 2016, compared with a decrease of 3.1% and 3.8% in, respectively, the fourth and third quarter of 2015. This outcome reflects a notable decrease in output in combination with a rise in employment. Italy and Lithuania also showed a decrease in productivity, in both cases reflecting a stronger increase in employment than in output.

Outside the EA, Hungary and the Denmark recorded notable decreases in labour productivity (down by respectively 2% and 1.3%) as output grew at a weaker pace than employment.

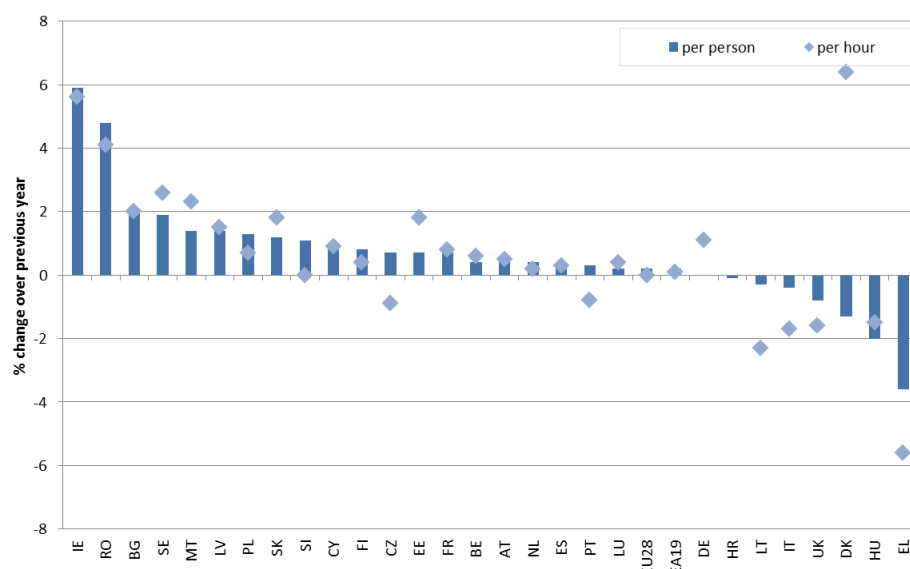
Chart 34: Employment, GDP and productivity growth - EU, EA and Member States, 2016Q1



Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_pe, namq_10_gdp]
Note: LU data from 2015Q4, IE GDP data from 2015Q4, HR Employment and Productivity from 2015Q4
[Click here to download chart.](#)

Labour productivity growth measured as output per hour worked differed considerably from labour productivity growth per person employed in several Member States (Chart 35). In Denmark, growth in labour productivity per hour worked (+6.4%) was well above the growth in labour productivity per person employed (-1.3%), as the number of hours worked increased at a slower pace than the number of persons employed. In the first quarter of 2016, labour productivity growth per hour worked was considerably lower than productivity per person employed in Greece, Lithuania, Italy, and the United Kingdom.

Chart 35: Labour productivity per person employed and hour worked - EU, EA and Member States, 2016Q1



Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_lp_ulc]

Note: LU and HR data from 2015Q4

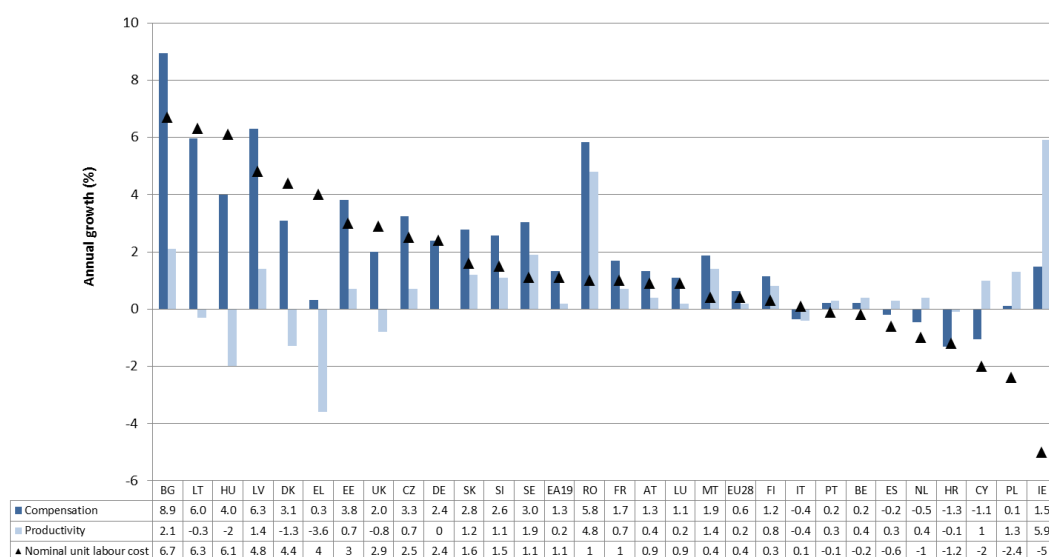
[Click here to download chart.](#)

Growth in nominal compensation per employee remained low in the EU as a whole, but with significant differences across Member States

In the first quarter of 2016, growth in nominal compensation per employee remained weak in the EU and EA as a whole, with important differences across Member States (for which the data are available). Bulgaria (8.9%) recorded by far the strongest increase, followed by Latvia, Lithuania and Romania – each recording growth of about 6%.

Within the EA, Cyprus (-1.1%) and, to a lesser extent, Italy and Spain recorded a reduction. At the same time, Belgium, Portugal and Greece showed very modest increases (below 0.4%), while Germany continued to list robust growth (at 2.5%). Outside the EA, the United Kingdom recorded the lowest increase (at 2%) followed by Sweden and Denmark (at about 3%).

Chart 36: Nominal unit labour cost and its components – EU, EA and Member States, 2016Q1



Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_lp_ulc] [namq_10_pe, namq_10_gdp] (DG EMPL calculations)

Notes: LU, NL, PL, IE, HR data from 2015Q4

[Click here to download chart.](#)

Nominal unit labour cost growth strengthened in the EA

In the EA as a whole, weak productivity growth strengthened the growth of nominal unit labour cost (which measures nominal compensation per employee adjusted for productivity): up from 0.5% in the fourth quarter of 2015 to 1.1% in the first quarter of 2016. At the same time, nominal unit labour cost weakened considerably in the EU as a whole – down from 1.8% to 0.4% – reflecting inter alia the strong appreciation of national currencies such as the British pound vis-à-vis the euro.

Bulgaria recorded the sharpest growth in nominal unit labour cost, primarily driven by strong growth in nominal compensation per employee. Lithuania and Hungary also recorded strong increases, reflecting mainly a decrease in labour productivity, especially in Hungary.

Within the EA, Ireland recorded the strongest decrease in nominal unit labour cost in the face of a strong increase in labour productivity and a moderate increase in nominal compensation per employee. Cyprus also recorded a strong decrease in nominal unit labour cost, following a decrease in compensation per employee in combination with an increase in labour productivity. Spain, Belgium and Portugal recorded a very small decrease, reflecting a decrease in nominal compensation per employee in the case of Spain and growth of productivity and compensation per employee in Belgium and Portugal. Germany recorded a big increase (+2.5%).

Greece recorded a sharp increase in nominal unit labour cost, up from 1.9% in the fourth quarter of 2015 to 4.0% in the first quarter of 2016. This reflects a strong fall in labour productivity and a pick-up in nominal compensation per employee.

Outside the EA, Poland showed a decrease in nominal unit labour cost because nominal compensation per employee remained almost unchanged while labour productivity grew moderately. Romania and Sweden recorded low increases in nominal unit labour cost, while Denmark recorded a notable further increase, up from 2.9% in the fourth quarter of 2015 to 4.4% in the first quarter of 2016.

Real unit labour cost continued its downward trend in the EU as a whole

In the first quarter of 2016, real unit labour cost (which measures real compensation per employee adjusted for productivity and which is also a measure of the labour income share) continued to

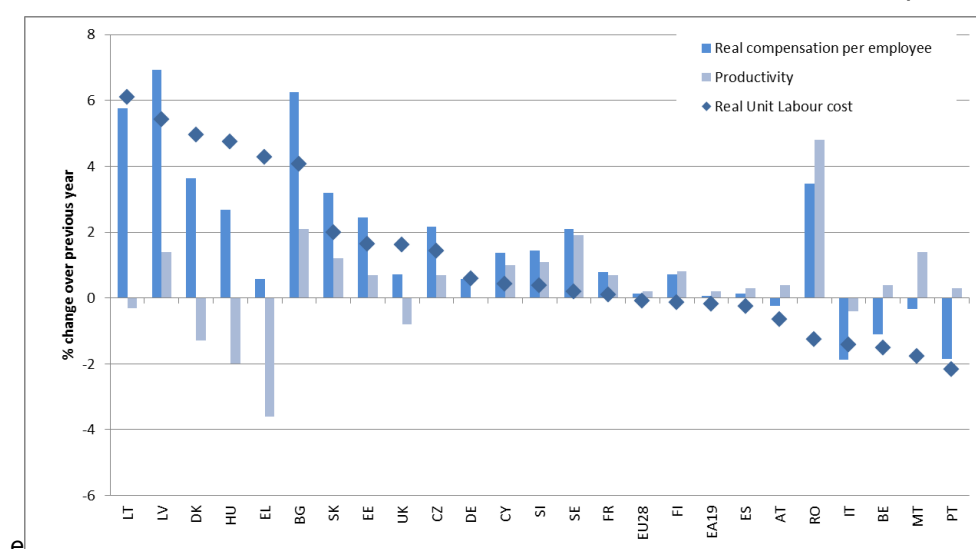
decrease in the EU - albeit at a slower pace, down from -0.8% in the fourth quarter of 2015 to -0.1% in the first quarter of 2016 (Chart 37).

The strongest increase is to be found in Lithuania, followed by Latvia, Denmark and Hungary. While in Latvia and Lithuania this rise reflects primarily strong increases in real compensation per employee (which measures nominal compensation per employee adjusted for the GDP deflator), in Denmark and especially Hungary this reflects a notable decrease in productivity.

Within the EA, Greece recorded (apart from Lithuania and Latvia) also strong increase in real unit labour cost as real compensation per employee increased moderately but productivity contracted notably. At the same time, Portugal, Malta, and Belgium recorded notable decreases as real compensation per employee decreased while productivity increased, while Italy showed a decrease as real compensation per employee decreased at a stronger pace than productivity.

Outside the EA, Romania was the only Member State that recorded a decrease in real unit labour cost. Sweden recorded a very small increase as real compensation per employee and productivity grew at the same pace. The Czech Republic and the United Kingdom recorded modest increases.

Chart 37: Growth in real unit labour cost - EU and Member States, 2016Q1



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

Unit labour cost at sectorial level showed very strong differences across Member States

While industry nominal unit labour cost grew at a moderate pace in the EU and EA as a whole in the year to the first quarter of 2016, there were very strong differences across Member States (Chart 38).

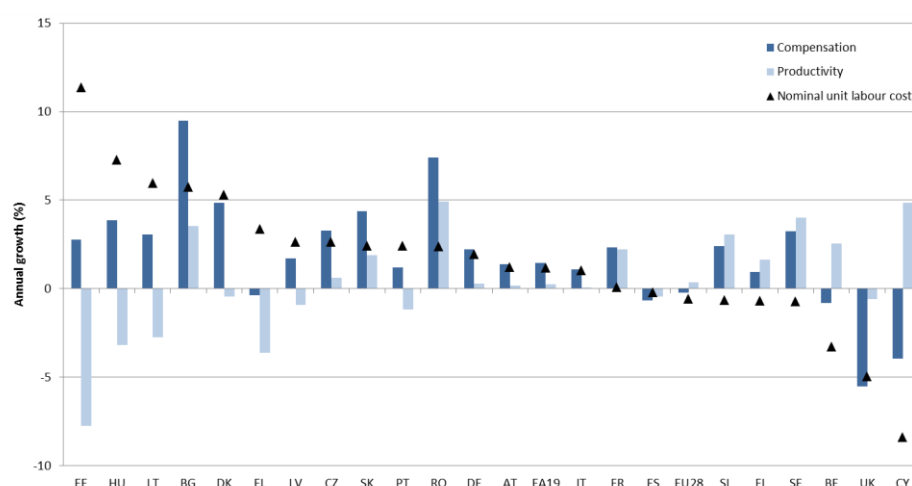
Estonia recorded the strongest increase in industry nominal labour cost (11.3%) as industry labour productivity contracted sharply (-7.7%). Hungary and Lithuania also recorded a sharp increase due to falling labour productivity, while Bulgaria recorded an increase as the growth in nominal compensation per employee was well above robust productivity growth.

Cyprus recorded the strongest decrease industry nominal unit labour cost (-8.4%) following a sharp decrease in nominal compensation per employee (-4.0%) and a strong rise in labour productivity (4.8%). The United Kingdom also recorded a notable decrease industry nominal unit labour cost (-5.0%), despite a modest decrease in labour productivity (-0.6%), due to a decrease in nominal compensation per employee (-5.5%).

Growth in nominal unit labour cost of the sector 'Wholesale and retail trade, transport, accommodation and food services activities' also showed wide differences across Member States

(Chart 39). Greece recorded a sharp increase (10.0%) as productivity contracted sharply (-7.9%) in the face of a moderate increase in nominal compensation per employee (+1.9%). Denmark also showed a strong increase as nominal compensation per employee (8.1%) in the face of a notable decrease in productivity (-4.8%). Estonia recorded the strongest decrease in nominal unit labour cost (-2.0%) as labour productivity growth (11.1%) kept pace with the strong increase in nominal compensation per employee (8.9%).

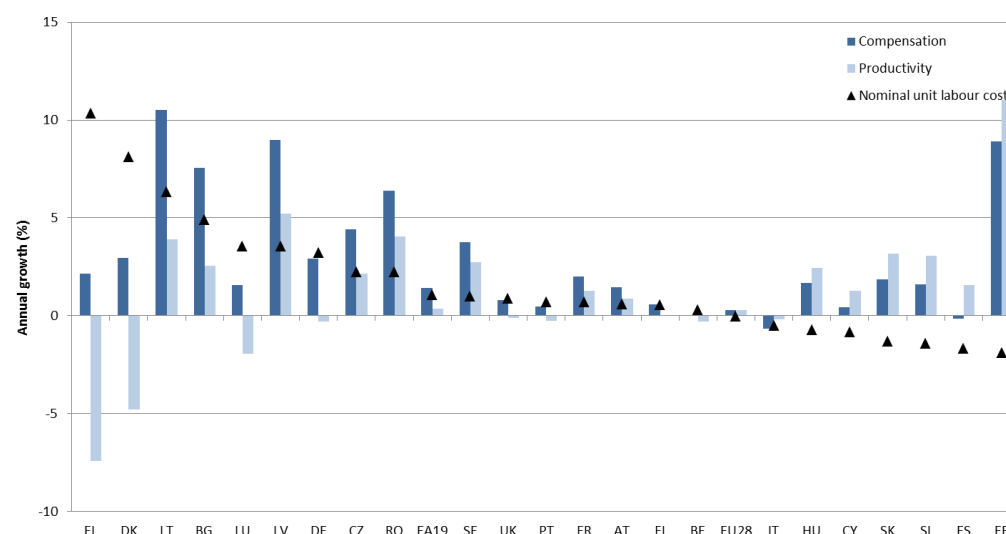
Chart 38: Industry - Nominal unit labour cost and its components – EU, EA and Member States, 2016Q1



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 Bulgaria, Cyprus, Greece, Spain, Romania and the Netherlands)

Note: ULC is unit labour cost which measures nominal compensation per employee adjusted for productivity

Chart 39: Wholesale and retail trade, transport, accommodation and food service activities - Nominal unit labour cost and its components – EU, EA and Member States, 2016Q1



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 Bulgaria, Cyprus, Greece, Spain, Romania and the Netherlands)

Note: ULC is unit labour cost which measures nominal compensation per employee adjusted for productivity

Average number of hours worked decreased in most Member States

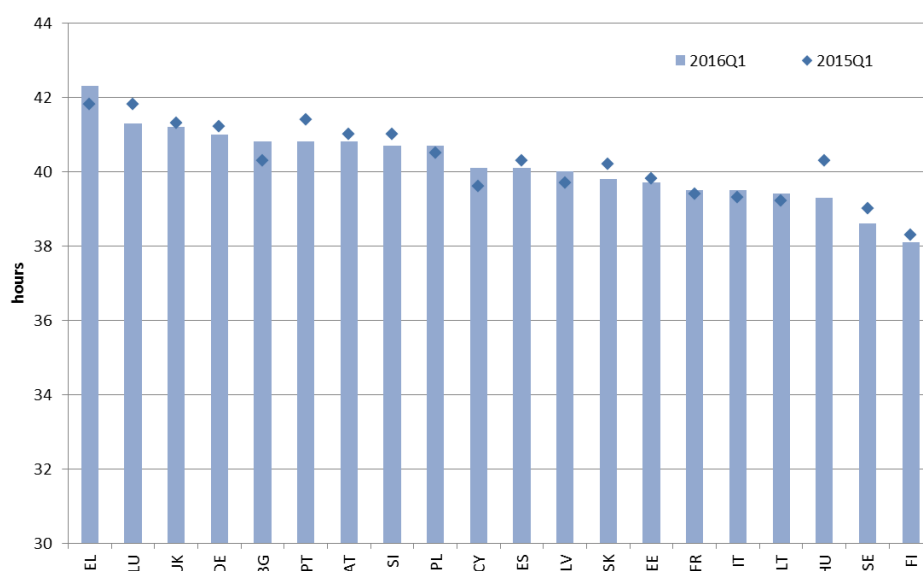
Among the Member States for which the data are available, full-time employed persons in Greece (42.3 hours) and the United Kingdom (41.2 hours) recorded the highest average number of actual weekly hours of work in the main job in the first quarter of 2016. At the same time, full-time employed persons in Finland (38.1 hours) and Sweden (28.6 hours) recorded the lowest average number of hours.

Hungary recorded the strongest decrease in hours worked by full time employed persons between the first quarter of 2015 and first quarter of 2016, while Greece and Bulgaria recorded the strongest increase (Chart 40).

Part-time workers in Sweden (23.1 hours) and France (22.3 hours) recorded the highest average number of actual weekly hours of work in the first quarter of 2016. At the same time, part-time workers in Portugal (16.5 hours), Finland (18.3 hours) and Spain (18.4 hours) recorded the lowest amount (Chart 41).

Considering all Member States for which the data are available, the strongest increase is to be found in Latvia (up from 19.5 hours in the first quarter of 2015 to 20.3 hours in the first quarter of 2016), while the strongest decrease is to be found in Hungary (down from 22.2 hours to 20.7 hours) (Chart 41).

Chart 40: Average working hours (full-time) - EU, EA and Member States, 2015Q1 and 2016Q1

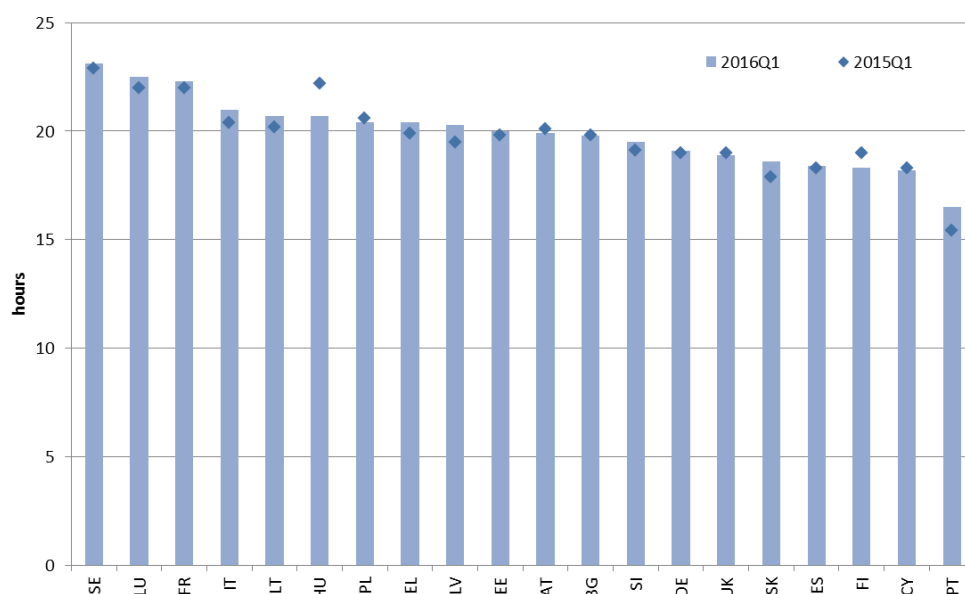


Source: Eurostat, LFS, data non-seasonally adjusted [lfsq_ewhais]

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

[Click here to download chart.](#)

Chart 41: Average working hours (part-time) - EU, EA and Member States, 2015Q1 and 2016Q1



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

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

[Click here to download chart.](#)

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

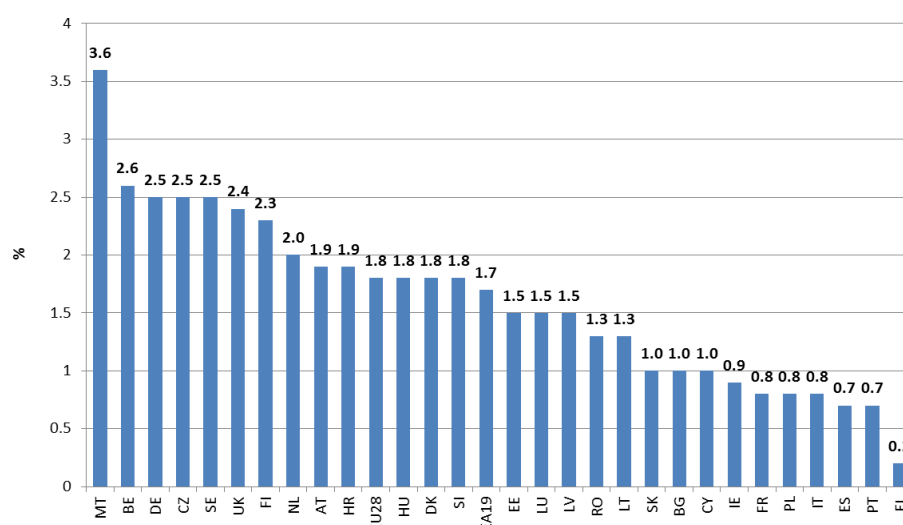
The job vacancy rate improves

The unmet demand for labour, as expressed by the job vacancy rate¹¹ (JVR) has been improving since mid-2015 in the EU and the EA. Nevertheless, it remains at a rather low level. In the first quarter of 2016, the EU JVR stood at 1.8%, up 0.1 pp compared to the first quarter of 2015. At 1.7%, the rate was also 0.1 pp higher in the EA during that period. In the year to the first quarter of 2016, the JVR improved in most Member States, and most notably in the Czech Republic, Latvia and Malta (increases between 0.8 and 1.2 pp).

Only Cyprus and Ireland recorded small declines when compared to the first quarter of 2015 (and Greece in the year to the fourth quarter of 2015). The JVR ranged from 0.2% in Greece and 0.7% in Poland and Spain, to 2.5% or more in Belgium, the Czech Republic, Germany and Sweden (and 3.6% in Malta for units of 10% or more employees) (Chart 42). 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 JVR of 1.4%).

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

Chart 42: Job vacancy rates - EU, EA and Member States, 2016Q1



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. EL data from 2015Q4

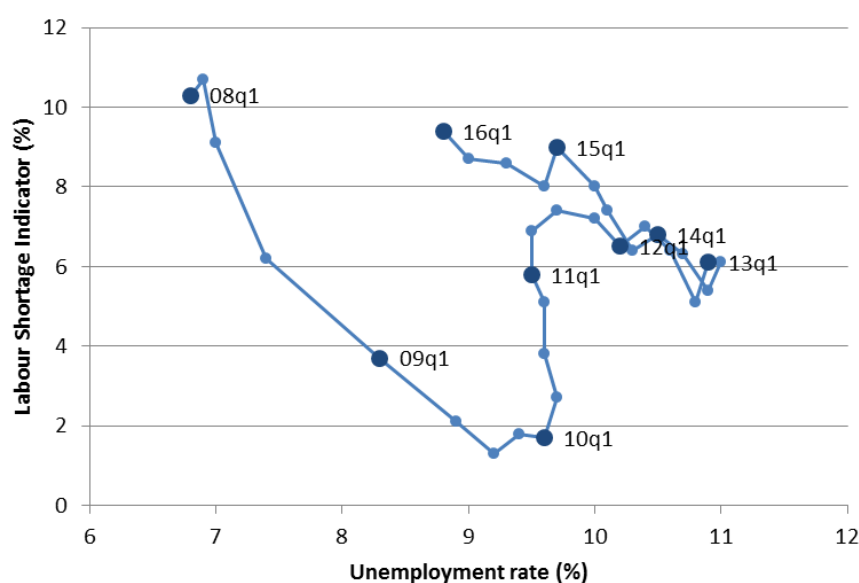
[Click here to download chart.](#)

Labour shortages increase while unemployment recedes

In the first quarter of 2016, both unemployment and labour shortages continued to decline in the EU, with the latter recording a sharper reduction (Chart 43). This process was reflected by a conventional move up the Beveridge curve, and confirmed recent improvements in the JVR. The evolution seen in previous years, since 2011, was uneven and raised questions of whether there had been a shift of the Beveridge curve. However, data from recent years may point to as a more conventional and permanent trend.

Developments over the recent years signalled two processes: what looked like a shift of the Beveridge curve and an upward movement along the curve. 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 (Chart 43). The decline in unemployment observed since 2013 has been accompanied by an increase in labour shortages as measured by a higher job vacancies and is reflected in a conventional move up the Beveridge curve. This 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). The [Statistical Annex](#) presents the Beveridge curves for EU Member States.

Chart 43: Beveridge curve 2008-2015 - EU



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

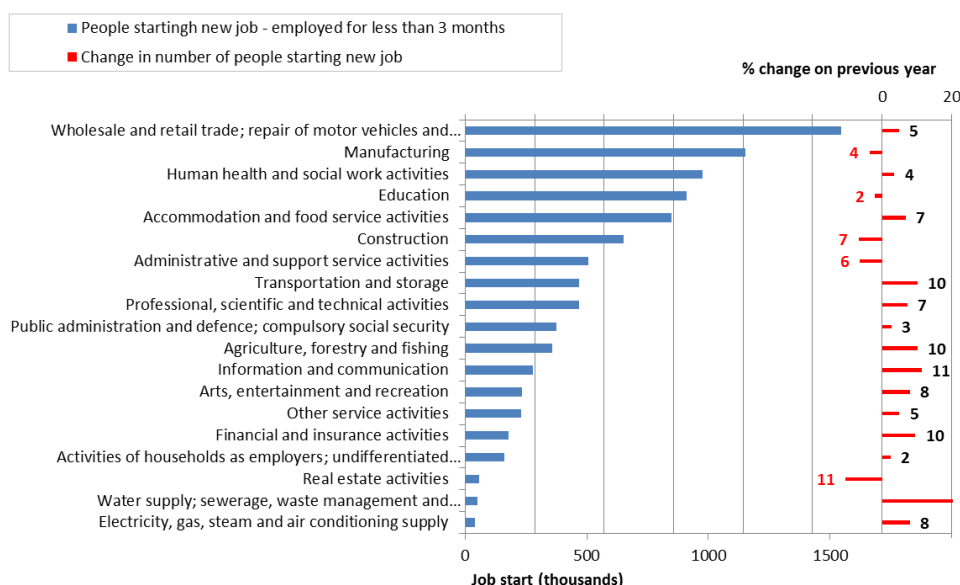
Note: Labour shortage indicator derived from EU business survey results (% of manufacturing firms pointing to labour shortage as a factor limiting production)

[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 has continued to improve. However, the growth in hiring continued to decelerate to 2.2% in the fourth quarter of 2015, from a 5 % increase registered a year before. Several sectors registered sound growth in hiring (10% or more), while some sectors, including manufacturing and construction, registered a slowdown in hiring rates. A few sectors (wholesale and retail trade, manufacturing, human health and social work activities, and education) accounted for nearly 60% of the total number of people starting new jobs (Chart 44).

Chart 44: Employees in new jobs by sector - EU, change to 2015Q4



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 rates. Separation rates are nearly at pre-crisis levels, while improvements in job finding rates have been more gradual (Chart 45).

In the year to the fourth quarter of 2015, job finding rates increased at a robust pace in Cyprus, Bulgaria, Italy, Malta and Slovenia. Conversely, they dropped the most in Austria, Denmark, Finland and Luxembourg. Sweden, the United Kingdom, Finland and Denmark (despite recent decreases) have the most dynamic labour markets, showing the highest finding rates and the best chances to leave unemployment. By contrast, Greece and Croatia have the lowest finding rate of the EU, although it is improving.

The separation rates generally declined over the year to the fourth quarter of 2015, most significantly in Croatia and Cyprus. They increased in Estonia and to a lesser extent in Belgium and Ireland. Finland, Spain and Sweden 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. The Statistical Annex presents finding and separation rates for EU Member States.

Chart 45: Unemployment, finding and separation rates - EU and EA



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

8. Labour market and social situation for young people

This issue of the quarterly review describes in more detail the labour market and social situation for young people aged 15-24. It attempts to assess their current labour market performance against the labour market situation for young people in 2013. And this issue also takes a closer look at 15 – 24 NEETs (not in employment, education and training) to understand better the improvement seen in their performance.

Unemployment for young people in the EU continues to decrease ...

Monthly developments since mid-2015 show unemployment decreasing for the 15-24 age-group in the EU and the EA. In the year to April 2016, the youth unemployment rate fell by 1.9 pp to 18.8% in the EU and by 1.5 pp to 21.0% in the EA. It decreased in most EU Member States in the same period but increased in Belgium (4.3 pps (March 2015-16)), Denmark (1.2 pp) and Netherlands (0.3 pp) (Chart 46). In April 2016, unemployment affected 4.2 million women and men aged 15-24 in the EU, including 2.9 million in the EA.

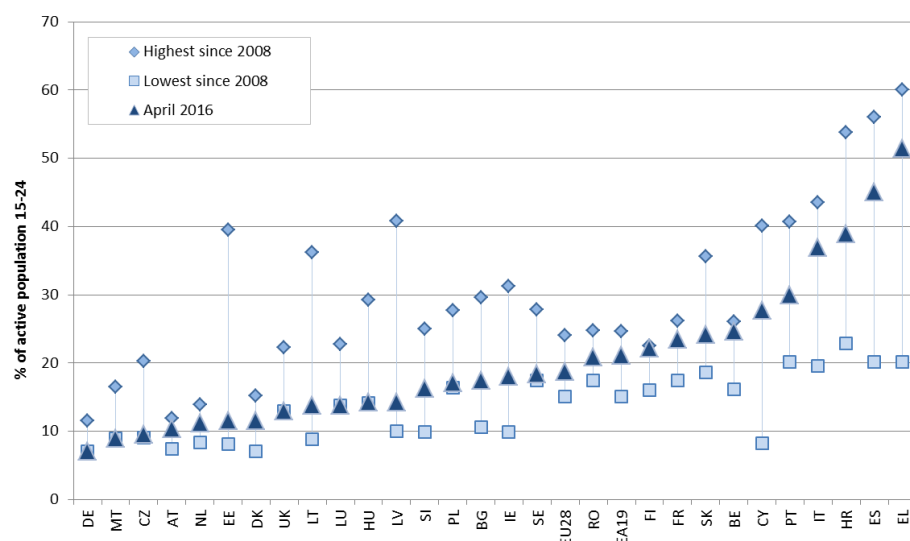
...and Member States performance is converging but large disparities continue to exist

In April 2016, evidence of convergence in Member States youth labour market performance compared to 2013 is clear. This is due to significant improvements in Member States that saw a substantial worsening of their youth labour market situation during the crisis relative to other Member States. For example, Greece youth unemployment rate was 60% in March 2013) and reduced to 50.4% in March 2016. In April 2013, Spain's youth unemployment was 55.9% and dropped substantially by 11.1 pps to 44.8% in April 2016. Other strong reductions were seen in Croatia where the rate reduced from 53.8% to 38.9% and Portugal, where it reduced from 38.8% to 29.9%. And all of these reductions ranged from around 10 pps to 15 pps compared with the EU average reduction over the period of 5.1 pps.

Chart 46 showing the highest and lowest unemployment rates between 2008 and April 2016 illustrates this convergence. Broadly speaking many Member States have either returned or are not far from their 2008 pre-crisis levels. Nevertheless, the youth unemployment rate still ranges from less than 10% in countries little affected by labour market deterioration (i.e. Germany, Malta and Czech Republic), to more than half of the active population aged 15-24 in Greece, where it has almost tripled since 2008 (Table 2). Those which have seen the biggest increases, have now achieved some significant improvements, but have quite some way to go.

Young people's long-term unemployment (LTU) rates were also affected by the crisis and the following recovery. In 2008, the LTU rate for young people was 3.6%, increasing to 8% by 2013 and reducing to 6.6% in 2015.

Chart 46: Youth unemployment rates - EU, EA and Member States, April 2016 and highest and lowest rate since 2008



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

Note: EE, HU, SL, BE, CY, HR: March 2016, UK, EL: February 2016, RO: December 2015

[Click here to download chart.](#)

Table 2: Youth unemployment rates - April 2016

	Youth unemployment rate	Year-on-year change (percentage points)	flag
CY	27.7	-6.7	2016Q1
IT	36.7	-5.5	
HR	38.9	-5.2	2016Q1
CZ	9.7	-4.6	
HU	14.2	-4.6	
ES	45.6	-4.5	
LU	14.2	-4.1	
LT	14.2	-3.9	
PL	17.7	-3.7	
BG	18.6	-3.7	
RO	20.9	-2.6	2016Q1
SK	24.0	-2.6	
UK	13.0	-2.5	2016M03
IE	19.1	-2.4	
EU28	19.0	-1.9	
LV	14.4	-1.6	
EA19	21.4	-1.3	
MT	9.4	-1.3	
SE	19.3	-1.2	
PT	31.1	-1.2	
EE	11.6	-1.1	
SI	16.3	-0.8	2016Q1
FR	24.3	-0.4	
EL	51.4	-0.4	2016M03
DE	7.0	-0.1	
AT	10.6	0.1	
FI	22.1	0.2	
DK	11.2	0.4	
NL	11.4	0.6	
BE	24.6	4.3	

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

Young people are seeing some improvements in their employment situation ...

By the fourth quarter of 2015, 33.3% of young people (aged 15-24) in the EU had a job, up from 32% in the fourth quarter of 2013 but 3.3 pp down from 36.6% in the fourth quarter of 2008. Young people's employment rates increased in most Member States between the fourth quarter of 2013, when employment rates were their lowest, and the fourth quarter of 2015 (Chart 47). Lithuania, Hungary and Latvia had strong increases of over 5 pp in employment rates over this period while the United Kingdom and Croatia had increases over 4 pp. However for nine Member States employment rates decreased: Finland (-2.2 pps), Austria (-2.1 pps) and Bulgaria (-1.1 pp) saw the largest reductions. Though, it is worth noting that both Austria and Finland still have employment rates well above the EU average at 50.5% and 40%, respectively.

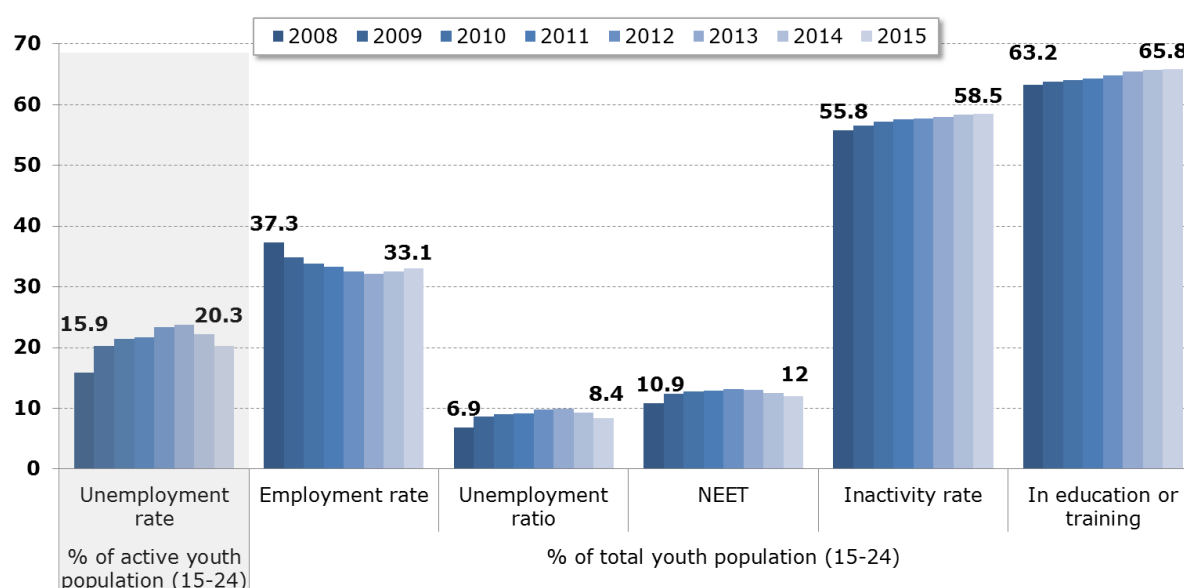
When looking at type of employment a substantial proportion of young people 15-24 were in temporary employment, 40.4% in the fourth quarter of 2015. This represents a small reduction of 0.1 pp from the fourth quarter of 2014 but a large increase compared with 2008 when it was 37.1%. Part-time work is also stabilising with 32.1% of young people in part-time work in the fourth quarter of 2015 compared with the fourth quarter of 2014, when it was 31.9% and quite high when compared with 2008 when it was 26.5%.

Reductions in the unemployment ratios for young people

The youth unemployment ratio, which is the ratio of those unemployed to the respective population group, is compared with the youth unemployment rate which measures unemployed youth to labour force (employed plus unemployed youth). In 2015, the youth unemployment ratio affected just under 8.4% of young people 15-24 in the EU. The ratio was 9.2% in 2014 and 6.8% in 2007 when it was at its lowest in this decade.

Those aged 25-29 (not shown) who often enter the labour market after graduation also suffer from a similar lack of job opportunities. In 2015, their unemployment ratio was 10.2% although this is an improvement from 2014, when it was 11.2%. The lowest ratio in the last decade was 7.1% in 2007 and 2008.

Chart 47: Employment rate (% of pop 20-24), unemployment ratio (% of pop 20-24), NEET rate (% of pop 15-24) and unemployment rate (% of labour force 15-24) in the EU, 2008-2015



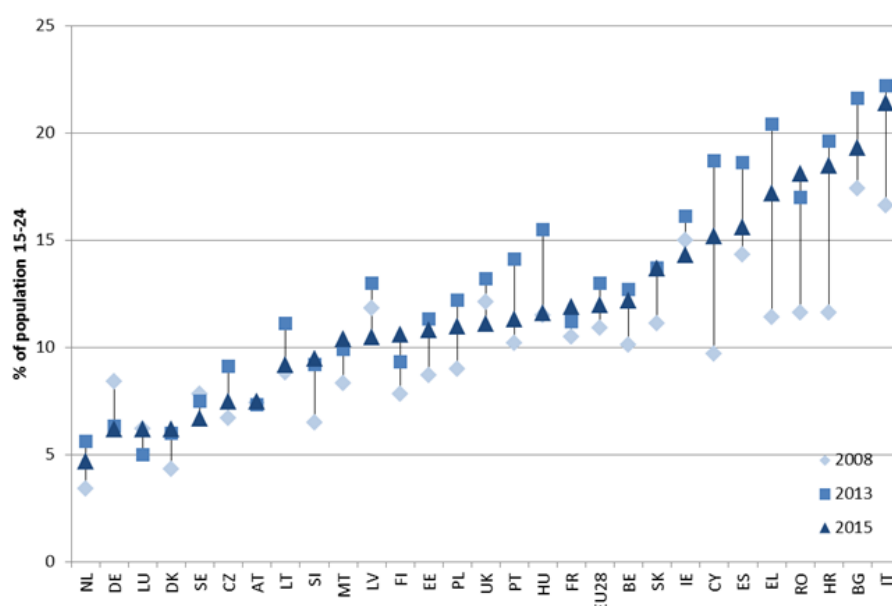
Source: Eurostat, LFS

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

Inactivity continues to slowly increase

At EU level, the inactivity rate for young people aged 15-24 increased from 55.8% in 2008 to 58.3% in 2015 (Chart 47). There are huge variations among Member States ranging from 31.5% in the Netherlands to 74% in Bulgaria, Greece and Italy. However in 9 out of 10 cases inactivity is due to enrolment in education. As Chart 47 shows, young people 15-24 are increasingly engaging in education and training and only a small proportion of those inactive are NEETs.

Chart 48: NEETs rates in the EU Member States in 2015, 2013 and 2008



Source: Eurostat, LFS [edat_lfse_20]

NEET rate also slowly receding and converging ...

Overall 12% of young people 15-24 in the EU were not in employment, education and training (NEET) in 2015. This is a 0.5 pp reduction in the NEET rate over the year from 12.5% in 2014. And a 1 pp reduction compared with 2013 when NEET rates for 15 – 24 year-olds peaked. The NEET rate was 11% in 2008. There are considerable disparities among Member States, with rates ranging from less than 5% in the Netherlands (4.7%) to over 20% in Italy (21.4%).

Most Member States reduced their NEET rates in the period between 2013 and 2015. Notable decreases were achieved by Member States with particularly high NEET rates in 2013 above the EU average by 2 pps or more in 2013. They are Hungary (3.9 pps), Cyprus (3.5 pps), Greece (3.2 pps) and Spain (3 pps). And other notable performers that reduced their NEET rate by well over the EU average reduction of 1 pp were Portugal (2.8 pp), Latvia (2.5 pps), Bulgaria (2.3 pps) and the United Kingdom (2.1 pps) (Chart 48). Eight Member States increased their 15 -24 NEET rates in this period: Finland (1.3 pps), Luxembourg (1.2 pps), Romania (1.1 pp) and France (0.7 pps) had the largest increases.

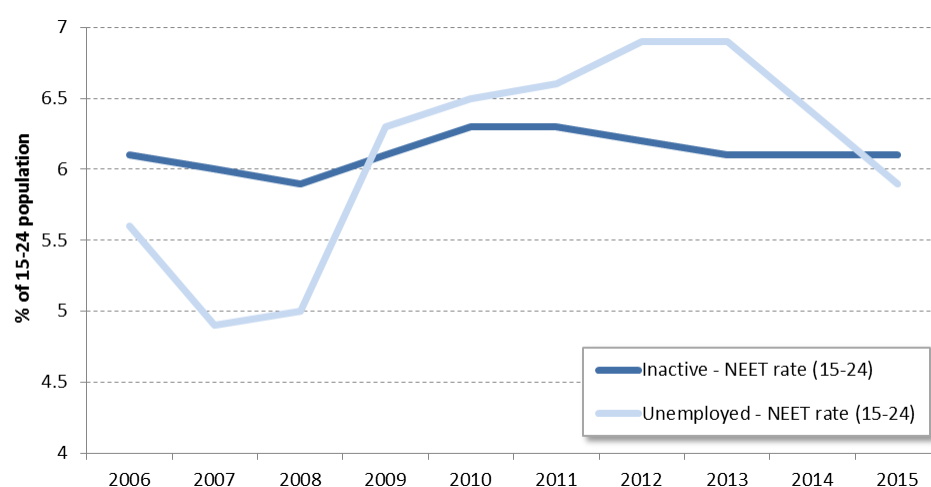
...However, inactive NEETs prove a more challenging

This edition takes a closer look at the NEET sub-groups. Further subdividing and looking at the performance of both the inactive NEET (those not actively looking for work), and the NEET unemployed (those actively looking for work). The evolution of the overall NEET rate hides the different performance of these two different groups.

As Chart 49 shows, the reduction in the 15 – 24 NEET rate at EU level has been driven by a reduction in unemployed NEETs. The evolution of the unemployed NEET rate from 2013 onwards improved through 2014 and 2015. The performance of inactive NEETs at the EU level has not changed much.

This pattern in the performance of inactive NEET rates can be observed in most Member States. Nevertheless, 11 Member States achieved reductions in 15-24 inactive NEETs between 2013 and 2015. Notable reductions were achieved in Hungary (2.1 pps), Portugal (1 pp), Cyprus (0.9 pp), Latvia (0.8 pp) and Croatia (0.7 pp). The share of inactive NEETs ranges from just under 3% in the Netherlands, to around 12% in Romania and Italy and 14.3% in Bulgaria.

Chart 49: Components of NEET rate in the EU 2006-2015



Source: Eurostat, LFS, data seasonally adjusted [edat_lfse_20]

In summary

Overall trends and developments for young people age 15-24 in the EU since 2013 are promising, with strong reductions in youth unemployment, moderately increasing employment, decreasing NEETs rates and increasing inactivity that are largely due to increases in education and training.

However, for a significant number of young people aged 15-24 who are not in employment, education and training and who are not looking for work, there appears to be a greater policy challenge. It may therefore take greater efforts to understand, and remove, the obstacles that bar them from the labour market.

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

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