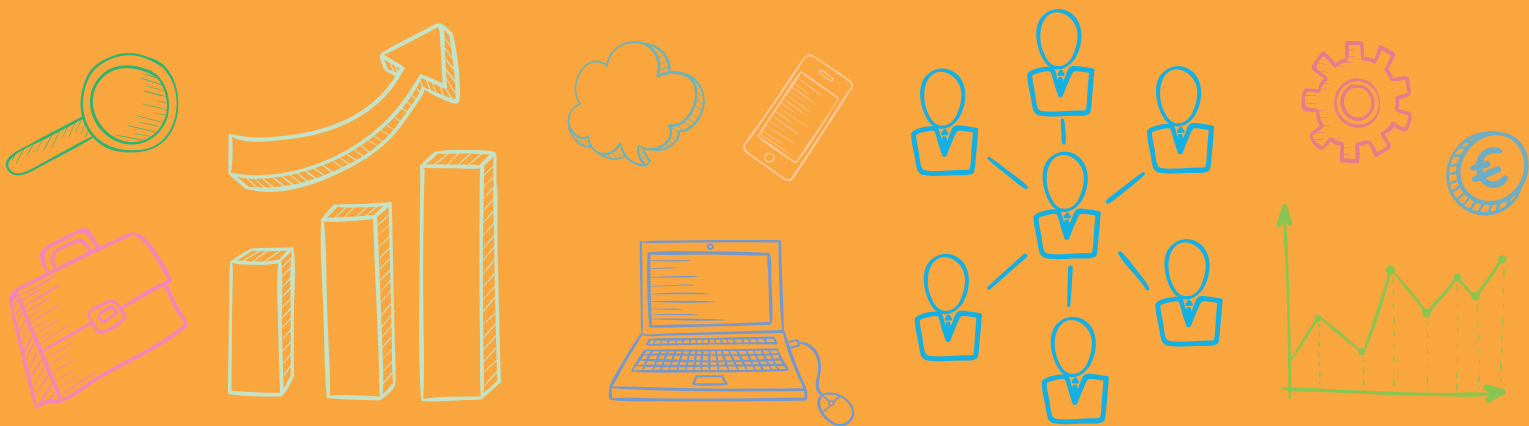




Employment and Social Developments in Europe

Quarterly Review

Autumn 2016



The Employment and Social Developments Quarterly Review provides in-depth description 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 K. Jaksic and Ralf Jacob.

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.

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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¹ To access them, see [codes] mentioned under the charts, to be used with the Eurostat data search engine:
http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database



"The increasing number of people that find a job shows that our efforts continue to pay off. There are 1.6 million fewer people unemployed in the EU than this time last year, 381.000 of them young people. This confirms the positive results in our Youth Guarantee and Youth Employment Initiative report we launched last week. However, we are not there yet. 4.2 million young people are still looking for a job and can't be left behind. We will continue to invest in human capital and to support the upskilling of people to make them fit for the labour market, which more than ever demands a skilled labour force."

A blue ink signature, likely of Marianne Thyssen, written in a cursive style.

Marianne Thyssen
Commissioner for Employment, Social Affairs, Skills and Labour Mobility

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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

Economic conditions

The EU's economy continues its slow expansion for more than three years now. Economic activity has expanded in most Member States, but the recovery remains uneven. Real GDP increased by 0.4% in the EU and 0.3% in the euro area (EA) in the second quarter of 2016. Real GDP declined in France and remained unchanged in Italy and Finland. Several Member States, including Poland and Spain, recorded solid quarterly growth (0.8% or more), topped by Romania (1.5%).

Year-on-year growth slowed down slightly to 1.8% in the EU and to 1.6% in the EA. It was positive in all Member States but Greece. GDP growth exceeded 4% in Ireland and Luxembourg and reached nearly 6% in Romania.

Employment

Employment growth in the EU continues to strengthen. Employment increased by 0.3% in the EU and by 0.4% in the EA in the second quarter of 2016. Compared to the second quarter of 2015, employment gained 1.4% in the EU and 1.5% in the EA. This amounts to an additional 3.2 million people employed in the EU, including 2.2 million people in the EA. Since its lowest level in mid-2013, employment has increased by 7.9 million people in the EU, including 4.5 million in the EA.

Employment continues to increase in most Member States. In the second quarter of 2016, employment declined in Croatia (-0.1%) and stagnated in Finland. Employment recovered in some Member States after the previous quarter's stagnation (Malta and the Netherlands) or decline (Greece, Latvia and Poland). Among the best performing countries, quarterly employment growth remained the highest in Estonia (1.7%), Ireland (1.1%) and Lithuania (0.7%). Employment growth in the second quarter of 2016 was higher than in the second quarter of 2015 in nearly all Member States except for Croatia. Employment growth continued to be the strongest in Hungary, Ireland, Luxembourg, Malta and Spain (2.7% or more).

Service sectors, tradable and non-tradable, continue to drive employment growth in the EU, while improvements are smaller in industry and construction. Nearly all service sectors contributed to the employment increase seen in the second quarter of 2016, as did agriculture. Employment stagnated in construction and declined in industry. Over the year to the second quarter of 2016, employment increased in all sectors except agriculture.

Permanent jobs and full-time employment continue to increase at a faster pace since 2015. The number of employees with a permanent contract grew by 2.7 million in the year to the second quarter of 2016 and the number of those with a temporary contract grew by about 750 thousand. The number of self-employed increased by 92 thousand. Full-time workers saw their numbers increase by about 3.1 million and part-time workers by about 450 thousand.

The EU employment rate for 20-64 year-olds has increased consistently for two and a half years now. At 70.8%, it is just above its 2008 level, but remains more than 4 pp below the Europe 2020 target of 75% for people aged 20-64. **Large disparities in employment rates remain, and many Member States are well below their 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 56% in Greece to 81% in Sweden.

Unemployment

Unemployment in the EU is at its lowest recorded rate since March 2009. In August 2016 the EU unemployment rate was 8.6%, and 10.1% in the EA, a reduction of 0.7 pp and 0.6 pp respectively compared to August 2015. This decline represents around 1.6 million fewer unemployed people in the EU, including just under 0.9 million in the EA. Unemployment numbers have receded by 5.6 million people since the peak in April 2013, **but there were still around 4.8 million more unemployed people in August 2016 than in March 2008**, when unemployment was at its lowest (the EU unemployment rate was 6.7% in March 2008). In August 2016, 20.9 million people were unemployed in the EU, including 16.3 million in the EA.

Unemployment continues to decline in most Member States. Between August 2015 and August 2016, the unemployment rate declined in 24 Member States but remained stable in Denmark and increased in Estonia by 1.5 pps (July 2016), Austria by 0.5 pp and Belgium by 0.2pp. Large differences remain among Member States, with the unemployment rate ranging from 3.9 % in the Czech Republic, 4.2% in Germany and 4.8% in Malta and the UK, to a high of 23.4 % in Greece (June 2016).

The unemployment rate decreased for all skill groups in the second quarter of 2016. Nonetheless, these changes were not yet enough to return unemployment rates back to the values observed in 2008, especially for the low skilled whose rate is still 5.8 pps above. By contrast, **the unemployment rate of the highly skilled is now 1.3 pp points below the pre-crisis level.** The unemployment rate declined in the EU for all age groups and for both men and women. It declined by 0.8 pp for men and 0.6 pp women and stood at 8.4% and 8.8% respectively in August 2016.

The youth unemployment rate (for those aged 15-24) continues to decline. In the year to August 2016, it fell by 1.5 pp and reached 18.6% in the EU. In the same period, the youth unemployment rate declined by 1.6 pp in the EA and reached 20.7 % in August 2016. These declines represent nearly 381 000 fewer unemployed people aged 15-24 in the EU, including 209 000 in the EA. Still, at 4.2 million unemployed young people, including 2.9 million in the EA, the level of youth unemployment remains markedly higher than its low in 2008. In the year to August 2016, the unemployment rate among young people aged 15-24 fell in most Member States.

Long-term unemployment and, especially, very long-term employment decreases strongly, continuing the trend of the latest quarters. The long-term unemployment rate (unemployment duration in excess of one year) decreased 0.7 pp in the year to the first quarter of 2016, to 4.2% of the labour force. The very long-term unemployment rate (unemployment duration in excess of two years) decreased by 0.4 pp to 2.6% of the labour force. The number of long-term unemployed remains high at around 10 million people, but it has been falling faster than total unemployment so that the share of long-term unemployment in total unemployment fell slowly.

Activity

The activity rate (i.e. the proportion of people who are in employment or looking for employment) in the EU continues to increase in most of the Member States. At EU level, this represents a slow but steady progress. The increase in the activity rate of those between 55 and 64 years is still the main driver behind these increases. So far, the latest reductions in unemployment, and notably long-term and very long-term unemployment, have not been the result of increases in inactivity. The activity rate in the EU, seasonally adjusted, for the 15 to 64 age group, reached 72.8% of the population in the first quarter of 2016. Activity rates in the EU continue to increase in most of the countries.

Productivity

Labour productivity growth accelerated moderately in the euro area in the second quarter of 2016 when compared with the second quarter of 2015. Member States experienced different trends, though. Greece recorded a notable decrease, triggered by a further contraction in output (-0.4%) and a rise in employment (1.3%). At the same time, Germany recorded strong productivity growth (1.9%), as output (3.1%) increased at a much faster pace than employment (1.2%). Outside the EA, the United Kingdom recorded the strongest decline, reflecting a weak increase in output (0.4%) in combination with a strong increase in employment (2.0%).

Labour costs

Compensation per employee continued to grow at a moderate pace in most Member States except in the Baltic Member States and Bulgaria. On balance, nominal unit labour cost growth (which measures cost-push inflationary pressures) decelerated notably in the euro area, but the Baltic Member States showed very strong increases. Real unit labour cost growth continued its downward trend in the EU, implying a falling labour income share. Sweden, Belgium and Germany recorded weak growth in real compensation per employee (and even a decline in Belgium), resulting in falling real unit labour costs. By contrast, Bulgaria recorded by far the

strongest rise in real unit labour costs (7.2%) triggered by a sharp increase in real compensation per employee (8.6%).

Household situation

The financial situation of EU households continues 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) continued to grow by a solid 2% in the year to the first quarter of 2016. The improvement resulted from an increase in income from work, and a further increase in social benefits.

Fewer EU households need to draw on savings or run into debt to cover current expenditures (financial distress), also among low-income households. Financial distress as observed in by mid-2016 remained high and affected just under 15% of the population. It is nevertheless down from a peak of nearly 17% at the end of 2013. Among people living in the poorest households (lowest quartile), nearly 25% are in financial distress: nearly 10% run into debt and a further 15% draw on savings to cover current expenditure.

Labour demand

Labour demand is improving. The overall job vacancy rate in the EU has risen to 1.8% in the second quarter of 2016 and was 0.1 pp higher than a year before. It was higher in services than in industry and construction. Labour shortages increased, and hiring activity was up, with 2.6% 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.

Outlook

Survey data and economic forecasts for the EA suggest a modest economic and labour market outlook. GDP is expected to grow but at a slow pace.

The economic sentiment and employment expectations broadly stagnated in recent months, while unemployment expectations are just a bit lower than a year ago. The PMI indicators suggest that the expansion in economic activity and employment will be slow in the third quarter of 2016 in the EA. The latest forecasts of the OECD and ECB revised down the economic outlook for the EA, especially for 2017, due to worsening economic conditions. These intermediate forecasts do not update labour market indicators, but may imply also a slower labour market recovery.

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

	2014Q4		2015Q2		2015Q3		2015Q4		2016Q1		2016Q2	
	EU	EA	EU	EA	EU	EA	EU	EA	EU	EA	EU	EA
Real GDP												
% change on previous quarter (SA)	0.5	0.4	0.4	0.4	0.4	0.4	0.5	0.4	0.5	0.5	0.4	0.3
% change on previous year (SA)	1.7	1.2	2.2	2.0	2.1	2.0	2.1	2.0	1.9	1.7	1.8	1.6
Employment growth												
% change on previous quarter (SA)	0.2	0.1	0.3	0.4	0.4	0.3	0.4	0.3	0.4	0.4	0.3	0.4
% change on previous year	1.1	0.8	1.1	1.0	1.2	1.2	1.3	1.3	1.4	1.4	1.5	1.4
Employment rate (15-64)												
% of working-age population	64.8	63.8	65.5	64.5	66.2	65.0	66.1	64.9	65.8	64.7	:	:
change on previous year (percentage point)	0.8	0.6	0.7	0.6	0.8	0.7	0.9	0.7	1.0	0.9	:	:
Employment rate (20-64)												
% of working-age population	69.2	68.1	70.0	68.9	70.6	69.4	70.5	69.3	70.2	69.2	:	:
change on previous year (percentage point)	0.8	0.7	0.8	0.6	0.9	0.8	0.9	0.8	1.0	1.1	:	:
Gross disposable households income												
% change on previous year	1.6	1.0	2.5	2.0	2.2	1.9	2.5	1.7	2.1	2.3	2.9	2.1
Labour productivity												
% change on previous year	0.6	0.4	1.2	0.9	1.1	1.0	0.9	0.8	1.0	0.9	0.3	0.2
Nominal unit labour cost												
% change on previous year	1.4	0.8	1.6	0.3	2.4	0.3	2.3	0.5	1.6	0.2	0.5	1.2
Long-term unemployment rate												
% labour force	4.9	5.9	4.6	5.7	4.3	5.2	4.3	5.4	4.2	5.2	:	:
change on previous year (percentage point)	-0.4	-0.4	-0.4	-0.3	-0.5	-0.6	-0.6	-0.6	-0.7	-0.7	:	:

	2015 Jun		2015 Jul		2015 Aug		2016 Jun		2016 Jul		2016 Aug	
	EU	EA	EU	EA	EU	EA	EU	EA	EU	EA	EU	EA
Unemployment rate												
Total (% of labour force)	9.5	11.0	9.4	10.8	9.3	10.7	8.6	10.1	8.6	10.1	8.6	10.1
Men	9.4	10.8	9.3	10.7	9.2	10.5	8.4	9.8	8.4	9.7	8.4	9.7
Women	9.6	11.2	9.5	11	9.4	10.9	8.8	10.5	8.8	10.5	8.8	10.5
Youth (% of labour force 15-24)	20.5	22.5	20.2	22.2	20.1	22.3	18.7	20.9	18.7	20.9	18.6	20.8

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

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

[Click here to download table.](#)

Regularly updated underlying data, charts and tables are available online as a file in Excel format. Data are refreshed shortly after their release by Eurostat - for instance unemployment will be updated at the beginning of each month, figures based on the Labour Force Survey (LFS) will be updated in mid-April, July, October, and January. Latest available data are accessible at:

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

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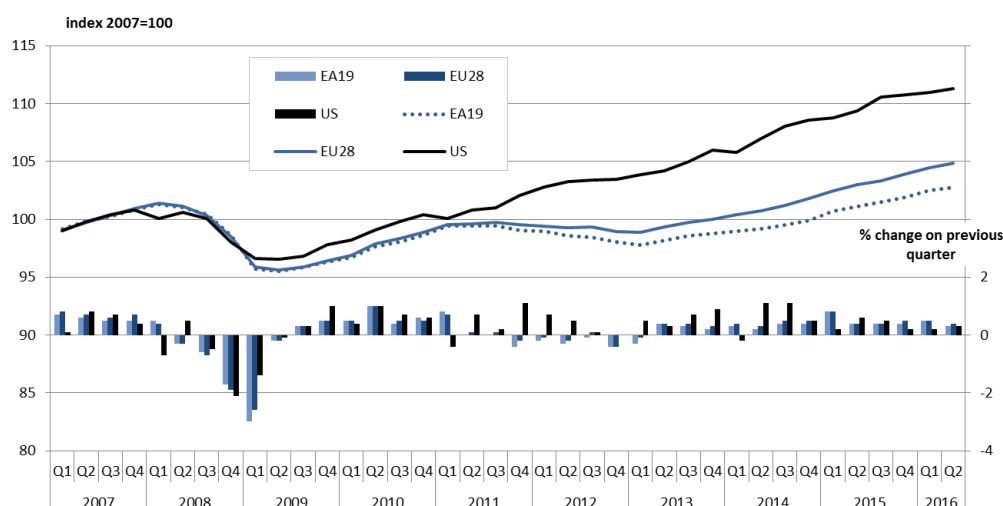
1. Macroeconomic and employment developments and outlook

EU economy continues its slow upward trend

Real GDP increased by 0.4% in the EU and 0.3% in the euro area (EA) in the second quarter of 2016, slowing down compared to previous quarters. Sluggish growth in private consumption and more so in investment were counterbalanced by the positive external balance driven by booming exports. In the year to the second quarter of 2016, real GDP growth slowed down slightly to 1.8% in the EU and to 1.6% in the EA (Chart 1).

The US registered an improvement, with real GDP increasing by 0.3% in the second quarter of 2016, but a year-on-year growth slowdown to 1.2%. The real GDP levels in the EU and EA are now above the pre-crisis levels (4.8% and 2.8% above). Compared to that, the US economy recovered faster and its real GDP level is now 11% higher than the pre-crisis level.

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

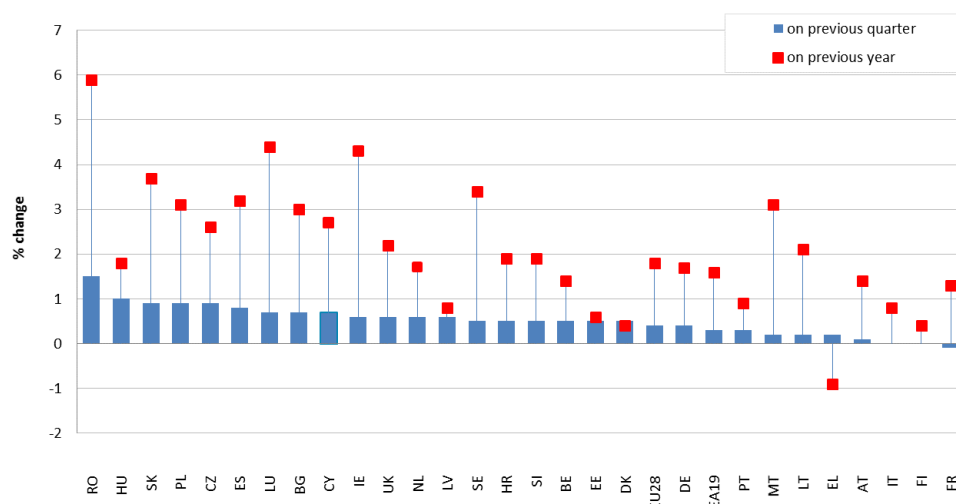


Source: Eurostat, National Accounts, data seasonally adjusted [naidq_10_gdp]
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Economic activity expands in most Member States

The economy continued to expand in most Member States in the second quarter of 2016. Real GDP declined only in France, after the solid growth seen in the previous quarter, and remained unchanged in Italy and Finland. Estonia, Greece, Hungary, Ireland, Latvia and Poland recovered from the contraction observed in the previous quarter. Several Member States recorded solid quarterly growth, in particular Romania continued a strong expansion (1.5%). In the second quarter of 2016, real GDP was higher than in the second quarter of 2015 in all Member States except for Greece. Real GDP growth continued to be the strongest in Ireland, Luxembourg (more than 4%) and especially in Romania where it reached nearly 6% (Chart 2).

Chart 2: Real GDP growth - EU, EA and Member States, 2016Q2



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

Note: LU 2016Q1

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Employment and household incomes develop better than could be expected from modest economic growth

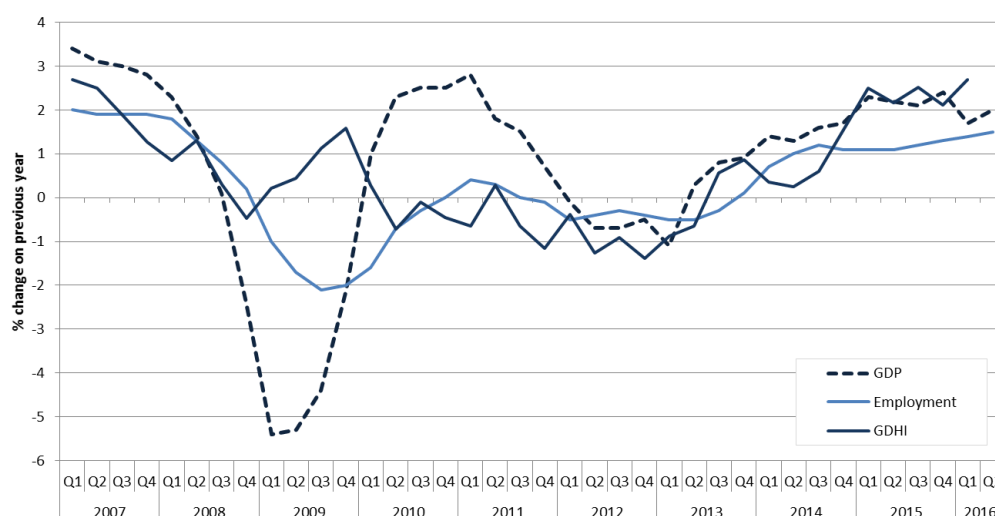
In the year to the second quarter of 2016, employment in the EU continued to expand, recording a 1.5% increase. Gross disposable household income (GDHI) in the EU² also registered a further year-on-year increase in real terms by the second quarter of 2016³ (Chart 3).

Employment growth picked up in 2016. In 2015, real GDP growth strengthened, which was necessary to sustain the labour market recovery, and employment expanded at a pace that could be expected given the observed real GDP growth rate. However, in 2016 employment growth in the EU seems to be stronger than could perhaps be expected given the slowdown in economic improvements. Accompanying the economic and labour market recovery, household incomes continued to improve throughout 2014 -2015 and into 2016, supported mainly 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 not seasonally adjusted [namq_10_gdp, namq_10_pe, nasq_10_nf_tr] (DG EMPL calculations for GDHI)

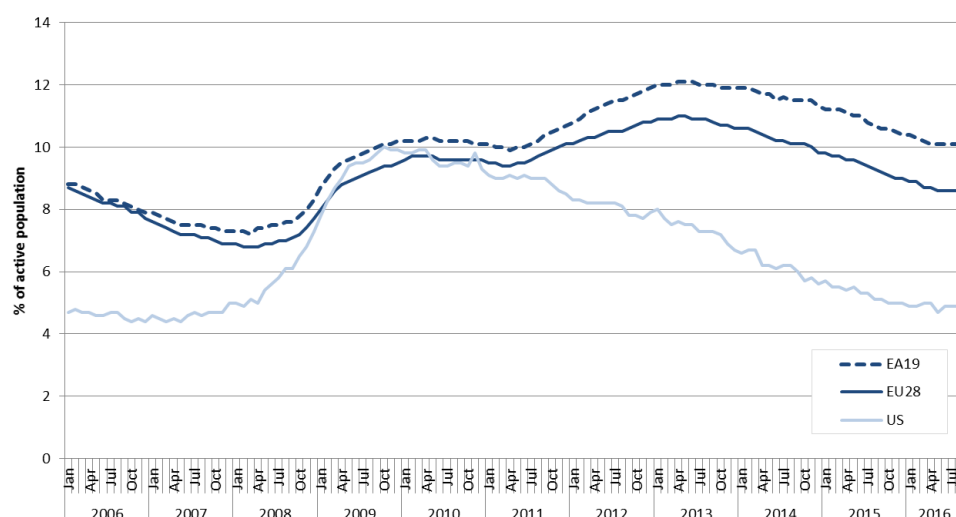
Note: GDHI EU aggregate for Member States for which data are available, GDP for EU28

[Click here to download chart.](#)

Unemployment slowly recedes from high levels

In August 2016, the EU and EA unemployment rates were 8.6% and 10.1%, down from 9.3% and 10.7% in August 2015. By comparison, the unemployment rate in the US was 4.9% in August 2016, down from 5.1% in August 2015. In the EU and EA, unemployment declined gradually from its 2013 peak, but it is still 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]

[Click here to download chart.](#)

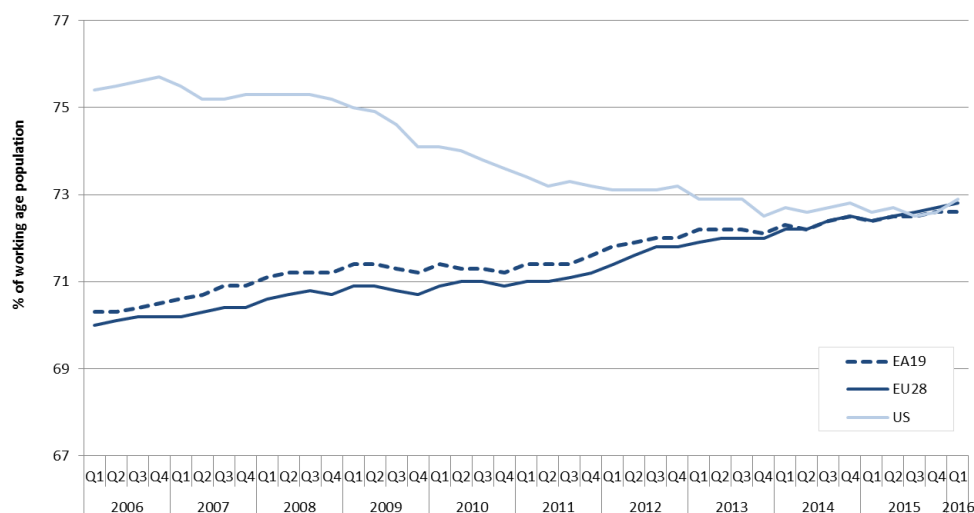
Labour market participation continues to increase

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 more inactive in the past, such as older workers and women.

The 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 are considered to participate in the labour market). 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.

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

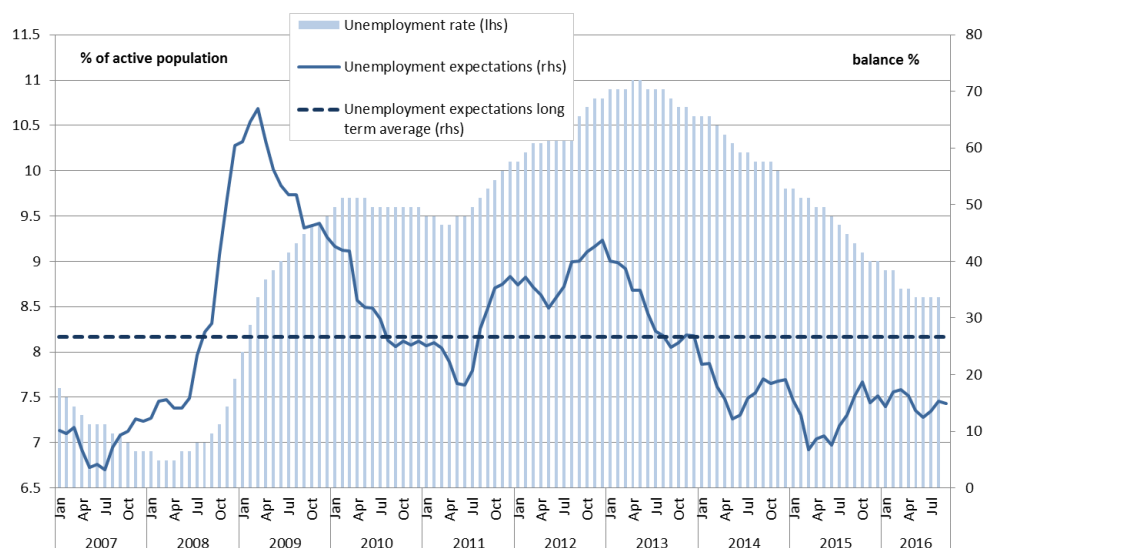
Economic growth and job creation in the EA may be slower in the third quarter this year

The Purchasing Managers Index (PMI) for the EA, derived as a composite index for EA output, has been slowing down over 2016, after solid increases observed at the end of 2015. The reduced PMI suggests a weak EA growth in the third quarter of 2016 at 0.3%. The PMI suggests that employment continued to increase in the third quarter, with job creation signalled by both manufacturers and service providers, albeit at a slower pace since April 2016. In September, employment improved in Germany and France, while it slowed down in other EA countries.

For the EU, economic sentiment and employment prospects remain unchanged

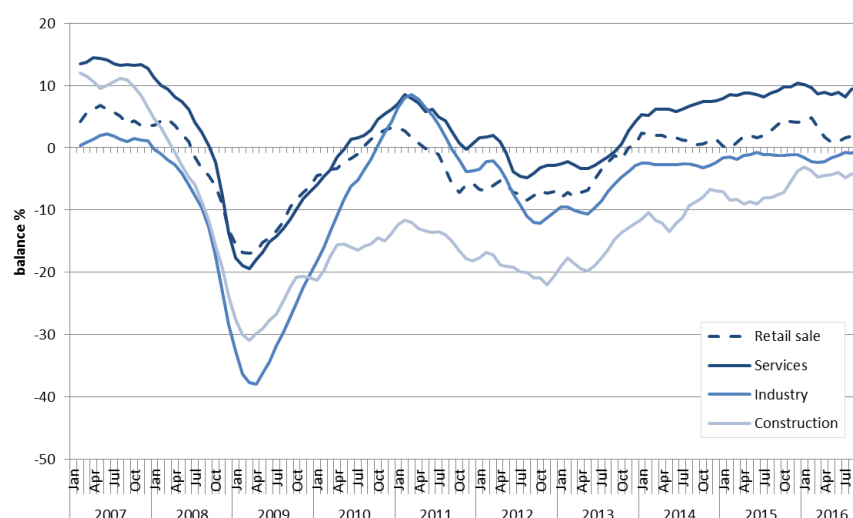
The Commission's economic sentiment indicator (ESI), derived from the EU Business and Consumer Surveys, has remained broadly similar since 2014. Confidence deteriorated during the past few months in services and retail. It has increased the most in construction where it is, nevertheless, the gloomiest; it stagnated in industry. On the household side, consumers' unemployment expectations for the next 12 months are just a little lower than in autumn 2015, though (Chart 6). Employment prospects for the next months are broadly flat 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]
[Click here to download chart.](#)

Chart 7: Employment expectations by sectors - EU



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

[Click here to download chart.](#)

Medium-term growth outlook for the EA deteriorates especially for 2017

The latest available Commission Spring Forecast of May 2016 suggested that the 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, IMF and ECB revised down the economic outlook for the EA, especially for 2017, pointing out to weaker economic conditions (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	Sep-16		1.5	1.4		:	:		:	:
	Jun-16		1.6	1.7		10.2	9.8		1.3	1.0
ECB	Jul-16		1.5	1.4		10.1	9.7		:	:
IMF	Apr-16		1.6	1.8		10.3	9.9		:	:
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 and September 2016, ECB survey of professional forecasters (2016Q3), IMF April 2016. Note: ':' data not available.
[Click here to download table.](#)

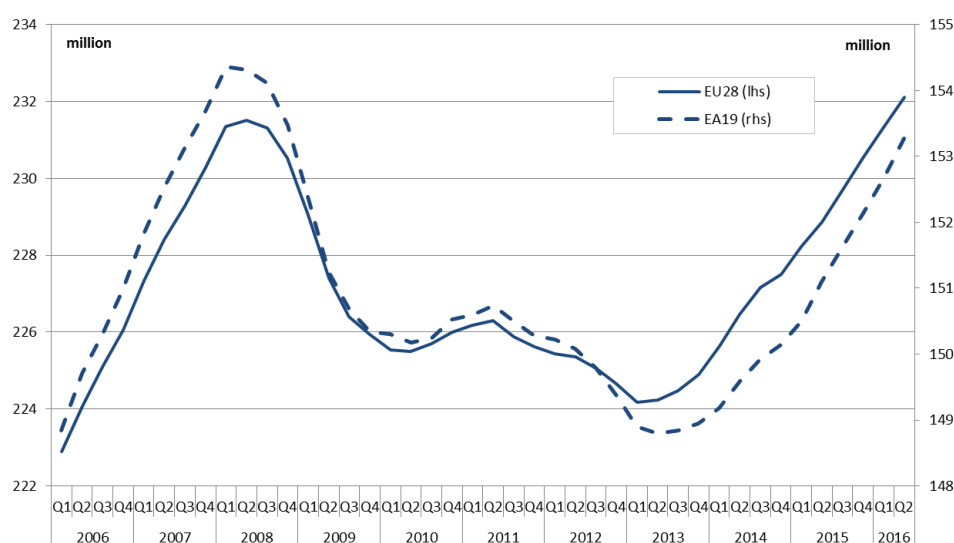
2. Employment in the EU and in Member States

Employment in the EU has reached pre-crisis level

Employment continued to increase in the second quarter of 2016: by 0.3% in the EU and 0.4% in the EA. It was up by 1.4% in the EU and 1.5% in the EA compared to the second quarter of 2015. The year-on-year increase represents about 3.2 million more employed people in the EU, including 2.2 million in the EA. Since the start of the economic recovery in 2013, employment growth had always been higher for the EU as a whole than for the EA. Now, employment growth appears to be catching up in the EA (Chart 3).

Employment has grown at EU level for three years now. Its lowest level since the 2008 crisis had been observed in mid-2013. Since then and up to the second quarter of 2016, employment has increased by 7.9 million in the EU, including by 4.5 million in the EA. Consequently, in the second quarter of 2016, employment in the EU remained 0.3% (600 thousand people) above the level reached at its peak level of spring 2008. It is 0.7% lower in the EA, representing 1.0 million fewer people in employment than in spring 2008 (Chart 8).

Chart 8: Employment level - EU and EA



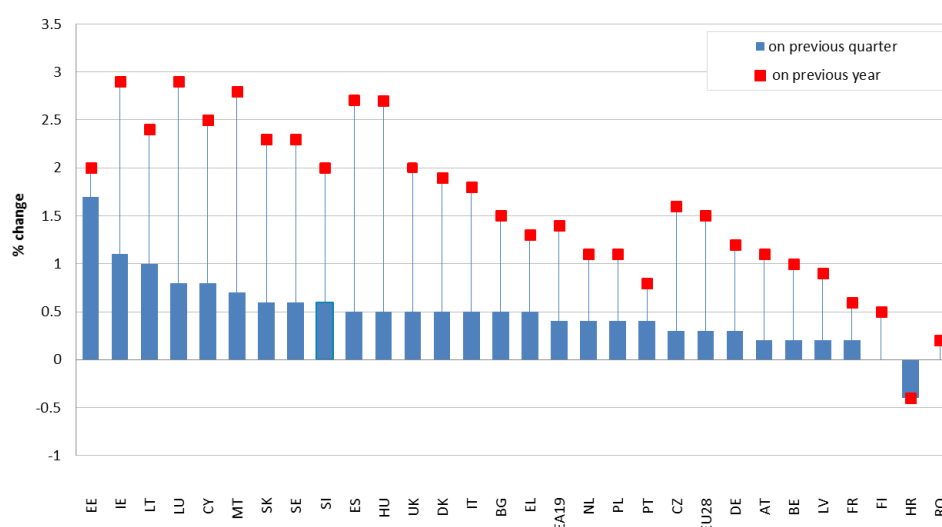
Source: Eurostat, National Accounts, data seasonally adjusted [namq_10_pe]
[Click here to download chart.](#)

Employment expands in most Member States

In the second quarter of 2016, employment continued to increase in most Member States. Employment declined only in Croatia (-0.1%) and stagnated in Finland. Employment recovered in some Member States after stagnation (Malta and the Netherlands) or the decline (Greece, Latvia and Poland) seen in the previous quarter. Among the best performing countries, quarterly employment growth remained the highest in Estonia (1.7%), Ireland (1.1%) and Lithuania (0.7%).

Employment in the second quarter of 2016 was higher than in the second quarter of 2015 in nearly all Member States except for Croatia. Employment growth continued to be the strongest in Hungary, Ireland, Luxembourg, Malta and Spain (2.7% or more) (Chart 9).

Chart 9: Employment growth - EU, EA and Member States, 2016Q2



Source: Eurostat, National Accounts, data seasonally adjusted (q-o-q) and not 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.](#)

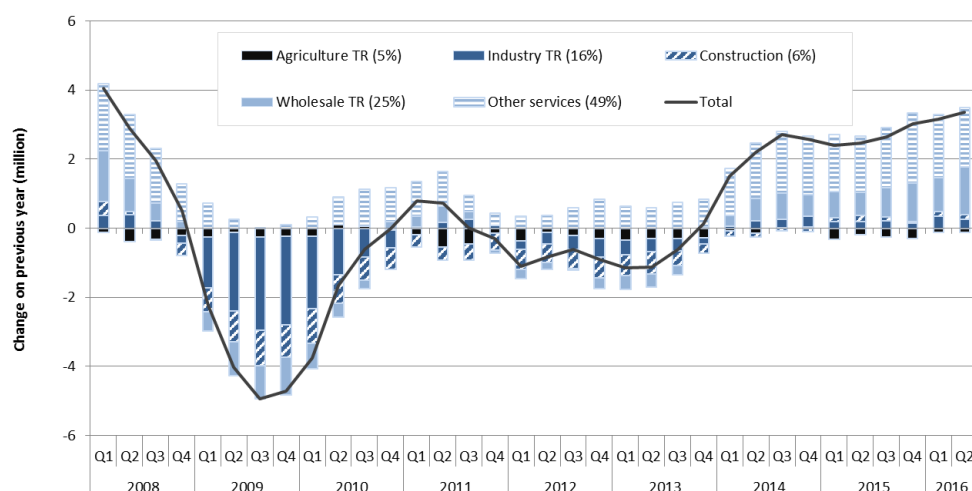
Service sectors drive employment growth

In the year to the second quarter of 2016, EU employment continued to increase across service sectors and to smaller extent in industry and 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 has regained some ground from the second half of 2014, while employment in construction has slightly increased since the beginning of 2015. Employment in agriculture stabilised in 2014 but has been contracting again since the beginning of 2015 (Chart 10 and Chart 11).

Looking at the second quarter of 2016 alone, employment increased in nearly all service sectors and in agriculture, while it stagnated in construction and declined in industry (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).

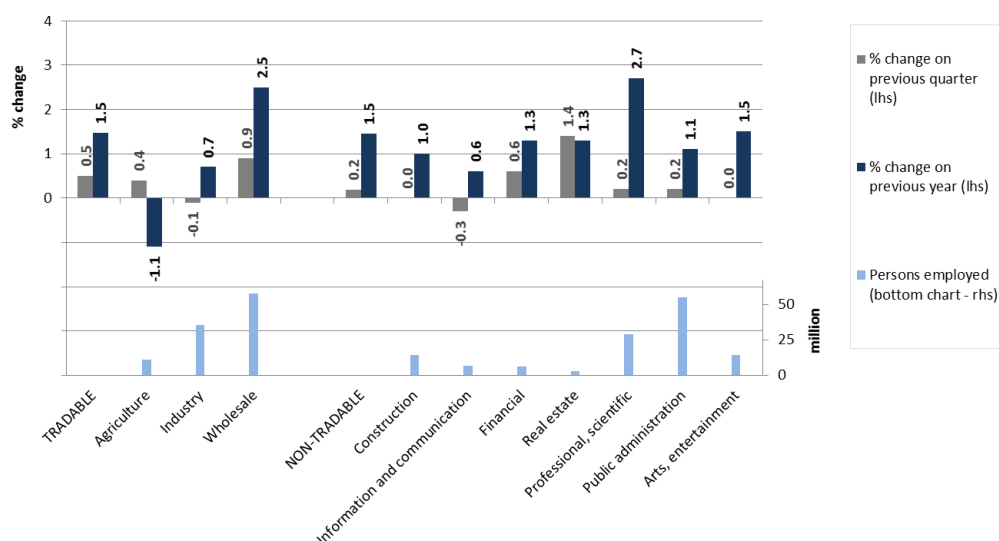
Chart 10: Employment growth by sector - EU



Source: Eurostat, National Accounts, data not 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, 2016Q2



Source: Eurostat, National Accounts, data seasonally adjusted (q-o-q) and not seasonally adjusted (y-o-y) [namq_nace10_e]

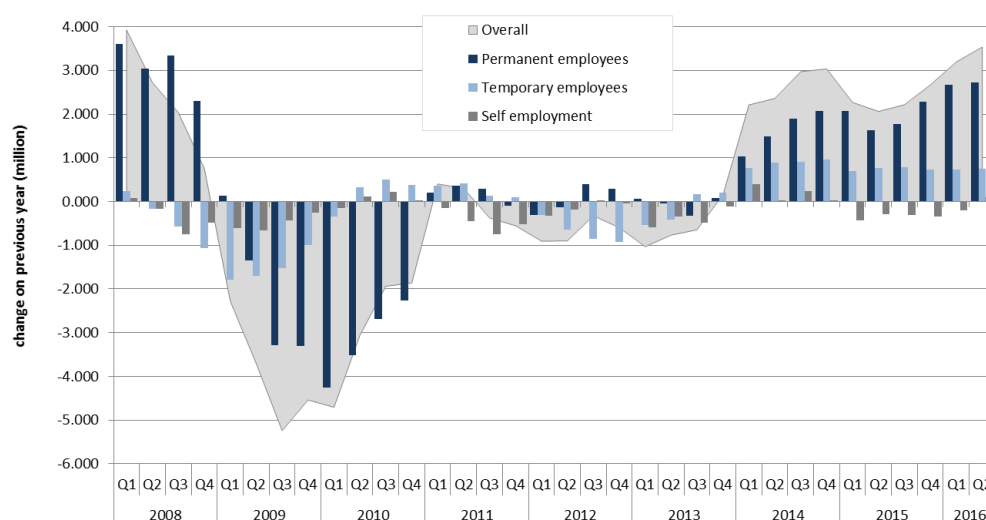
Top chart: Employment growth (%). Bottom chart: Employment level (million).

[Click here to download chart.](#)

Permanent jobs continue to contribute most to employment expansion

The increase in the number of permanent employees has exceeded the increase in the number of temporary employees for two and a half 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 second quarter of 2016, the number of employees with a permanent contract increased by about 2.7 million (1.7%), while the number of employees with a temporary contract increased by 750 thousand (2.9%). The number of self-employed increased by 92 thousand (0.3%) (Chart 12).

Chart 12: Change in permanent and temporary employment and self-employment - EU

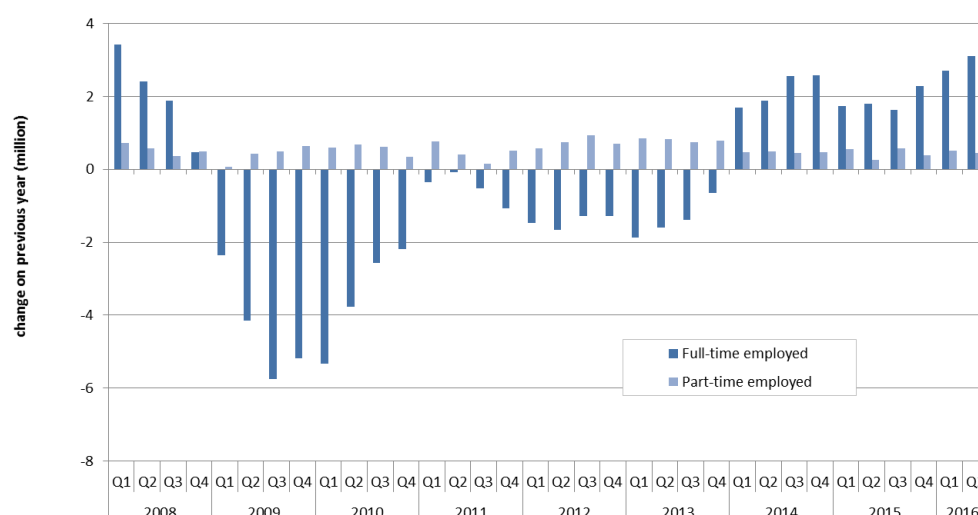


Source: Eurostat, LFS, data not seasonally adjusted [lfsq_egaps, lfsq_etgaed]
[Click here to download chart.](#)

Full-time employment continues to drive employment growth

Full-time employment has increased faster than part-time employment for two and a half years. In the year to the second quarter of 2016, the number of full-time workers increased by 3.1 million (1.8%), and the number of part-time workers increased by about 450 thousands (1.1%). 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 second quarter of 2016 remained 2.5% (4.5 thousands) lower than in 2008, while part-time employment was 11.1% higher (4.3 thousands) (Chart 13).

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



Source: Eurostat, LFS, data not seasonally adjusted [lfsq_efpt]
[Click here to download chart.](#)

Employment rates in the EU and in Member States

The EU employment rate returns to pre-crisis level – but further 4 percentage-points improvement needed to reach Europe2020 target

The employment rate for 20-64 year-olds has increased consistently for two years and a half. It increased by 1.1 percentage points (pps) in the year to the first quarter of 2016, at a faster pace than in previous quarters. At 70.8%, the rate exceeded by 0.4 pp its 2008 level but remained more than 4 pp below the Europe 2020 target. For the EA, the employment rate increased by 1.0 pp in the year to the first quarter of 2016, to reach 69.6%. The employment rate in the EA was still 0.8 pp below the 2008 value (Chart 14, and Chart 15).

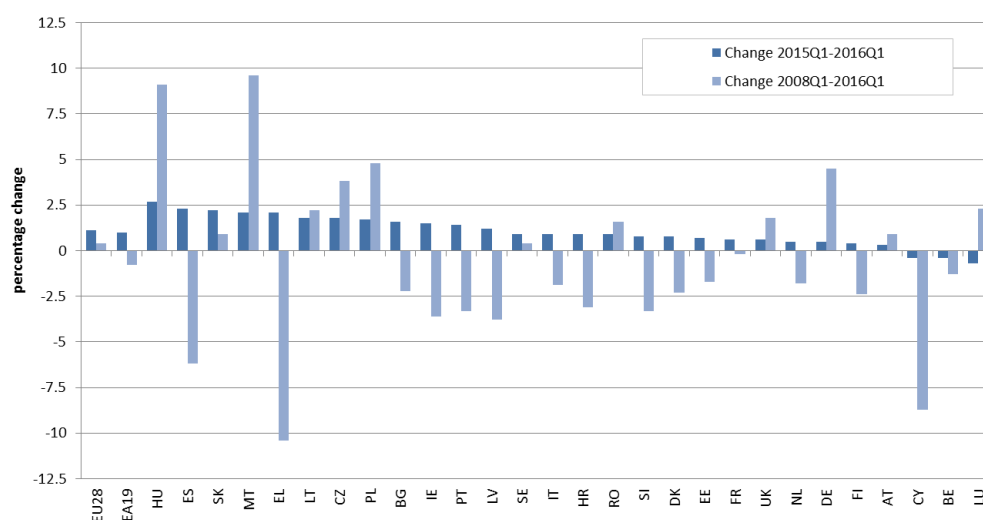
Employment rates recover in most Member States, but are far below pre-crisis level in many

In the year to the first quarter of 2016, the employment rate for 20-64 year-olds increased in most Member States, except for Belgium, Cyprus and Luxembourg. The largest increases were recorded in Greece, Hungary, Malta, Slovakia and Spain (more than a 2 pp increase).

Despite the observed improvements, the employment rate in the first quarter of 2016 remained below the 2008 rate in many Member States, having dropped significantly (by 6 pp or more) in Cyprus, Greece and Spain. Hungary and Malta showed the most significant increases (more than 9 pp) since 2008; after having had 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.

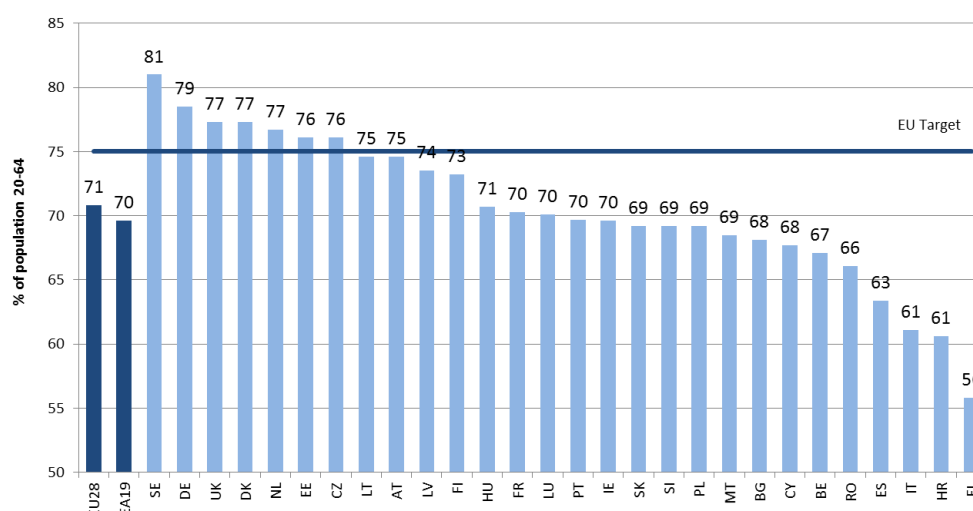
In the first quarter of 2016, there was a 25 pp difference between the highest employment rate of more than 81% in Sweden and the lowest employment rate of just 56% in Greece (Chart 15).

Chart 14: Employment rate - EU, EA and Member States, change to 2016Q1



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

Chart 15: Employment rate - EU, EA and Member States, 2016Q1



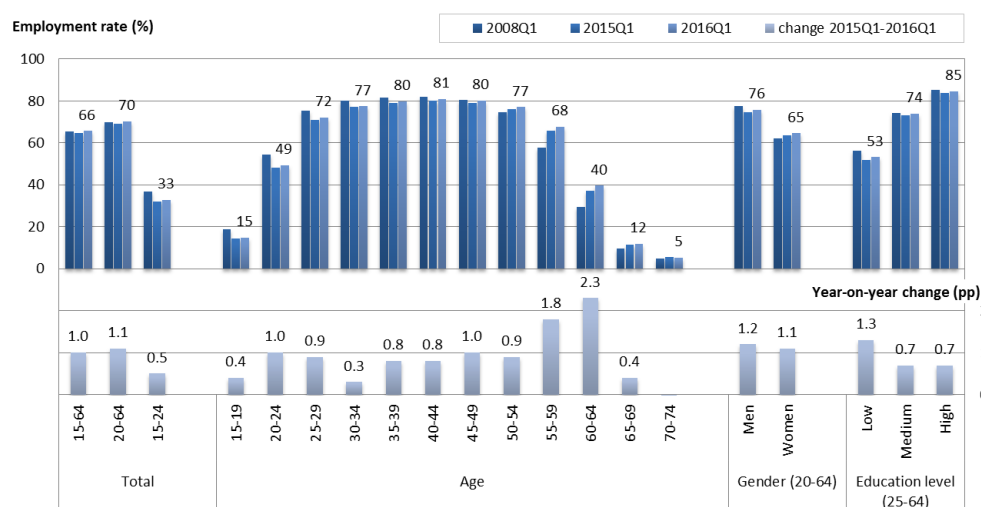
Source: Eurostat, LFS, data seasonally adjusted [lfsi_emp_q]
[Click here to download chart.](#)

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

In the year to the first quarter of 2016, the EU employment rate increased for all population groups and most noticeably for people aged 55-59 (1.8 pp) and those aged 60-64 (2.3 pp). This encouraging trend observed over the past few years resulted in a nearly 10 pp increase in the employment rate of older workers since 2008. In the year to the first quarter of 2016, the employment rate of young people aged 20-24 (1.0 pp) and aged 25-29 (0.9 pp) also increased noticeably. Still, the employment rate for young people remained much lower than in 2008: a 5 pp gap for 20-24 year-olds and a 3.2 pp gap for 25-29 year-olds.

The increase in the employment rate during the year to the first quarter of 2016 was similar for both men and women. The rate for low-skilled people increased most. When compared to 2008, the employment rate in the first quarter of 2016 had increased for women (by 1.7 pp), but not for men (down by 1.2 pp) (Chart 16).

Chart 16: Employment rate by population groups – EU



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

Top chart: Employment rate (% of respective population). Bottom chart: Change in employment rate 2015Q1-2016Q1 (pp).

[Click here to download chart.](#)

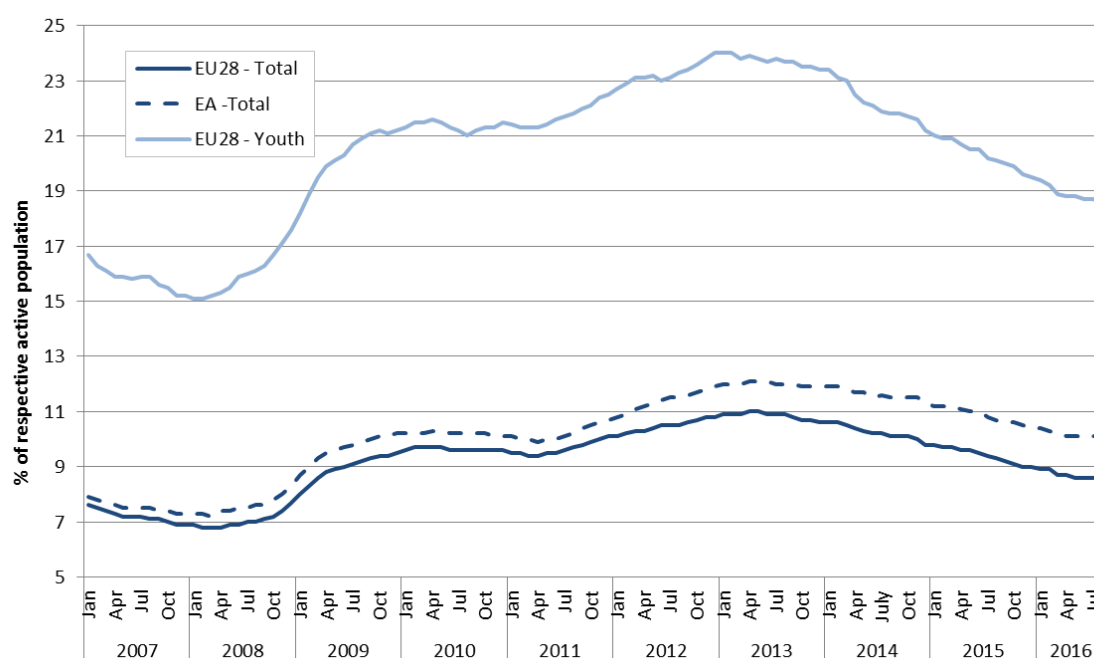
3. Unemployment in the EU and in Member States

Unemployment in the EU at its lowest recorded rate since March 2009

The unemployment rate in the EU and EA has seen a steady but moderate decline since mid-2013. It declined to 8.6% in the EU and 10.1% in the EA in August 2016, a reduction of 0.7 pp for the EU and 0.6 pp for the EA when compared to August 2015. The unemployment rate in the EU remained 1.8 pp higher than its low of 6.8% in March 2008 (Chart 17). For the EA, the difference with respect to March 2008 is 3.1 pp. Nevertheless, the August EU unemployment rate was the lowest rate recorded since March 2009.

The decline in the unemployment rate between August 2015 and August 2016 represents about 1.6 million fewer unemployed people in the EU, including 875 thousand in the EA. Although **unemployment receded by more than 5.6 million people since its peak observed in April 2013**, it has not yet returned to the 2008 pre-crisis levels. With about 20.9 million unemployed people, including 16.3 million in the EA, **there were around 4.8 million more unemployed people in August 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.](#)

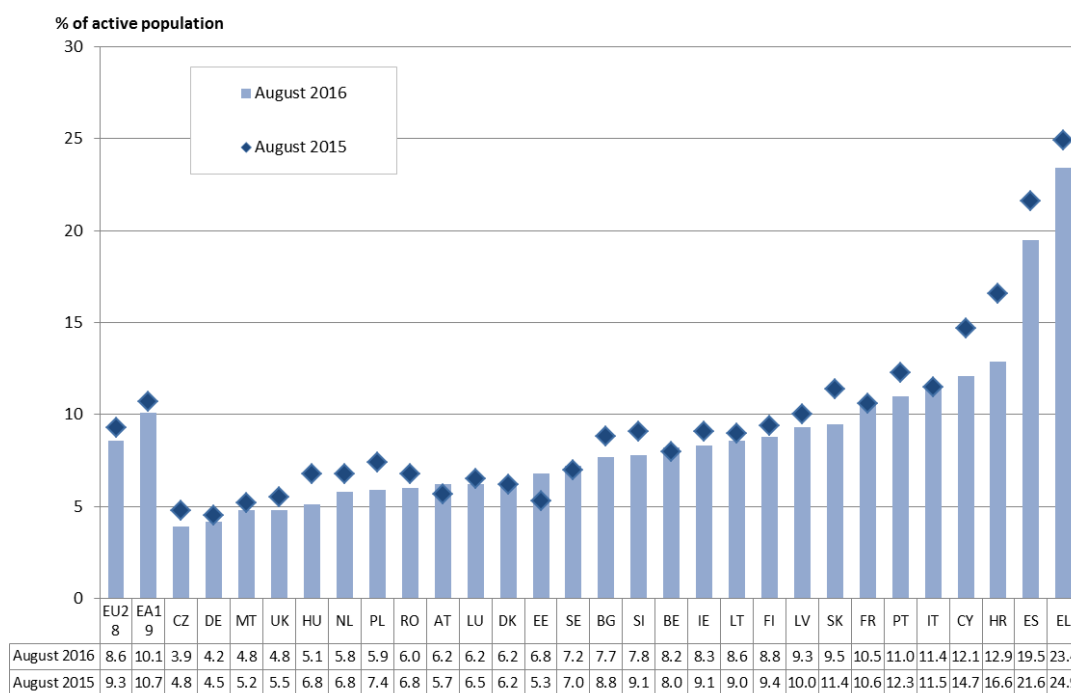
Unemployment continues to decline in most Member States ...

Compared with a year ago, unemployment rates decreased in twenty-four Member States, remained stable in Denmark and increased in Estonia by 1.5 pps (July 2016), Austria by 0.5 pp and Belgium by 0.2pp. The largest reductions were registered in Cyprus (4.1 pp), Bulgaria (2.9 pp) and Spain (2.6 pp) (Chart 18 and Chart 19). The largest decreases were in Croatia, down 3.7 pps to 12.9%, and in Cyprus down 2.6 pp to 12.1%.

Large differences remain among Member States, with the unemployment rate ranging from 3.9 % in the Czech Republic, 4.2% in Germany and 4.8% in Malta and the UK, to a high of 23.4 % in Greece⁵ (Chart 18). Greece is now the only Member State with an unemployment rate over 20%, while the second highest unemployment rate is in Spain at 19.5%.

⁵ June 2016

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

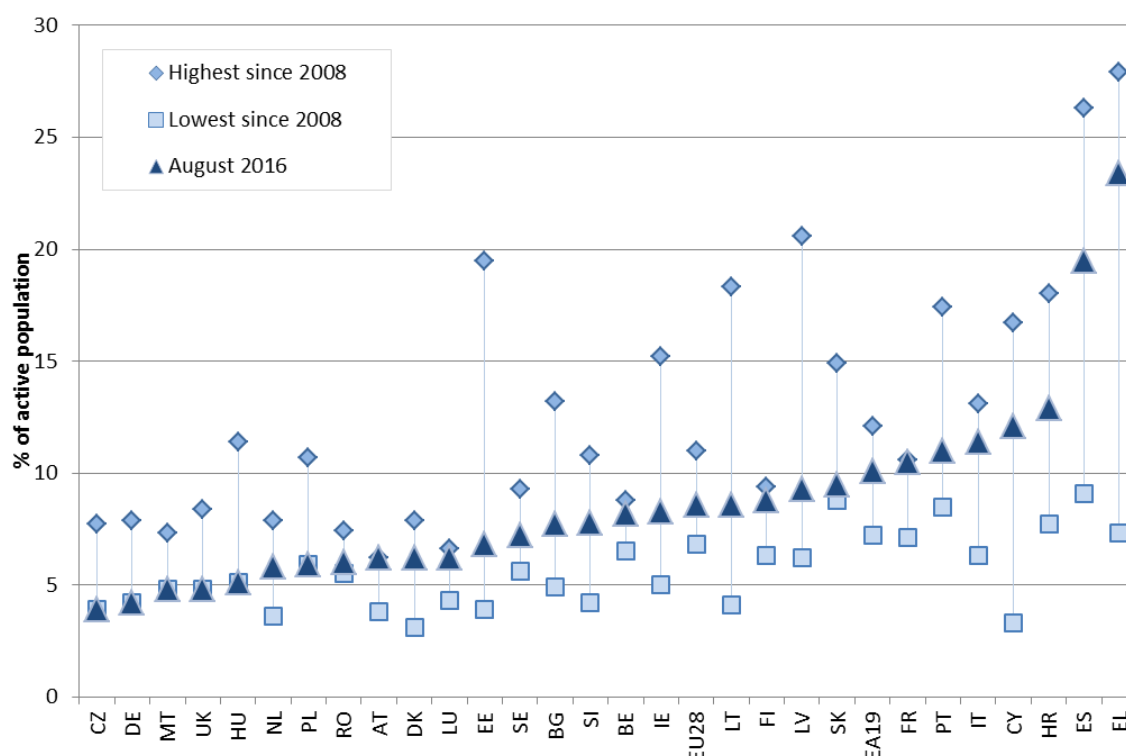


Source: Eurostat, series on unemployment, data seasonally adjusted [une_rt_m]

Note: EL & UK June 2016 and EE & HU July 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 June 2016 and EE & HU July 2016

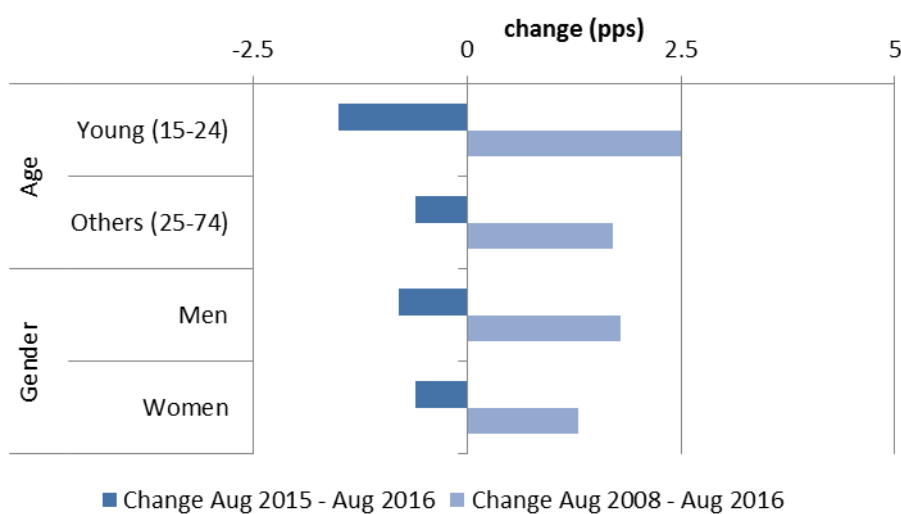
[Click here to download chart.](#)

... and it also continues to decline for all population groups

In the year to August 2016, the unemployment rate declined in the EU for all age groups and for both men and women. In that period, it declined by 0.8 pp for men and 0.6 pp women and stood at 8.4% and 8.8% respectively in August 2016. In the EA, the unemployment rate declined by 0.8 pp for men and 0.4 pp for women to reach 9.7% and 10.9% respectively in August 2016. For those aged 25-74, the unemployment rate in the EU declined by 0.6 pp in the year to August 2016 and stood at 7.6%. A sharper decline of 1.5 pp was observed for those aged 15-24, down to a rate of 18.6% (Chart 20).

When compared to the second quarter of 2015, data for the second quarter of 2016 confirm the decline in unemployment rates for all age groups between 15 and 69 years of age. 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 especially for the low skilled. By contrast the highly skilled, less affected by the crisis, are just 1.3pp points away from pre-crisis levels.

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



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

Table 2: Youth unemployment rates - February 2016

	Youth unemployment rate	Year-on-year change (percentage points)	flag
HR	31.7	-10.7	2016Q2
SK	19.3	-7.7	
BG	14.8	-6.5	
CY	26.7	-5.7	2016Q2
HU	12.6	-4.9	2016M07
PL	15.8	-4.5	
ES	43.2	-4.0	
PT	27.9	-3.7	
IE	17.1	-3.4	
MT	10.8	-2.5	
UK	13.5	-1.7	2016M06
FI	20.5	-1.6	
EA19	20.7	-1.6	
SI	14.8	-1.5	2016Q2
EU28	18.6	-1.5	
RO	20.4	-1.4	2016Q2
BE	21.0	-1.0	2016M06
IT	38.8	-0.8	
NL	10.6	-0.6	
LU	16.9	-0.5	
EL	47.7	-0.5	2016M06
CZ	11.6	-0.4	
FR	24.9	-0.3	
DE	6.9	-0.2	
AT	10.8	-0.1	
SE	19.7	0.5	
LT	16.6	0.7	
DK	12.6	1.2	
LV	15.8	1.2	
EE	15.1	3.6	2016M07

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

EU youth unemployment below peak levels but still some way to go for a few Member States

In the year to August 2016, the youth unemployment rate (for those aged 15-24) for the EU declined by 1.5 pp and reached 18.6%. In the same period, the youth unemployment rate declined by 1.6 pp in the EA and reached 20.7 % in August 2016. These declines represent nearly 381 000 fewer unemployed people aged 15-24 in the EU, including 209 000 in the EA. Still, at 4.2 million unemployed young people, including 2.9 million in the EA, the level of youth unemployment remains markedly higher than its low in 2008.

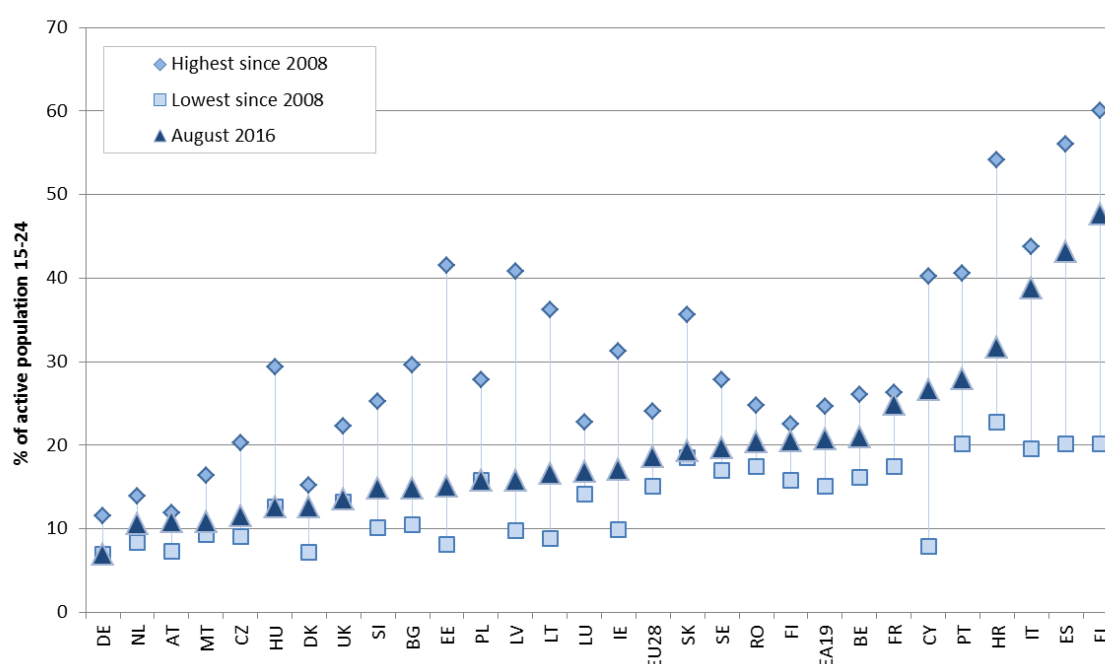
In the year to August 2016, the unemployment rate among young people aged 15-24 fell in most Member States. However, five Member States had year-on-year increases during this period, notably Estonia (3.6 pp), Denmark and Latvia (each 1.2 pp), Lithuania (0.7 pp) and Sweden (0.5 pp). The youth unemployment rate fell considerably in Croatia (10.7 pp), Slovakia (7.7 pp), Bulgaria (6.5 pp), the Cyprus (5.7 pp). Unemployment still affects over 40% of young active people aged 15 to 24 in Greece⁶ (47.7%) and Spain (43.2%). It is more than 30% in Italy (38.8%) and Croatia (31.7%). By

⁶ June 2016

contrast, youth unemployment rates are below 11% in Germany (6.9%), Netherlands (10.6%), Austria and Malta (both 10.8%) (Table 2 and Chart 21).

All Member States registered youth unemployment rates below their recent peak values. Estonia and Latvia, despite the recent increase in youth unemployment in the last year, have registered the strongest decreases in youth unemployment since their peak figures by 26.4 pps and 25 pps respectively. Other Member States also achieved notable declines, notably Croatia (22.4 pps) and Lithuania (19.6 pps) (Chart 21). Greece, the country with the highest youth unemployment, has also registered an important decline. However, and despite these improvements, Member States like Cyprus, Italy, Croatia, Greece and Spain have a long way to go to return to pre-crises levels.

Chart 21: Youth unemployment rates - EU, EA and Member States, August 2016 and highest and lowest rate since 2008



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

Note: UK, SI, RO, BE, CY, HR & EL : June 2016, EE & HU: July 2016

[Click here to download chart.](#)

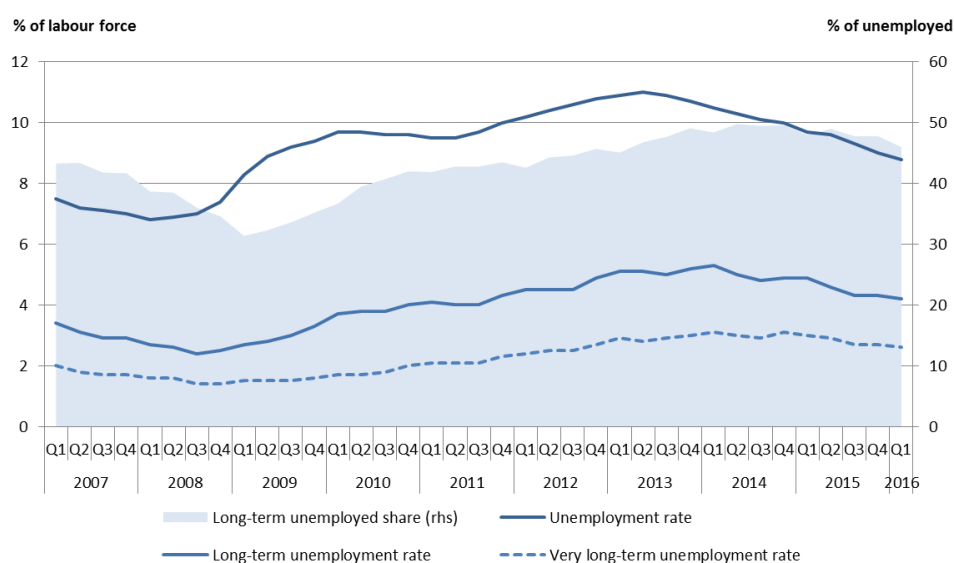
4. Long-term unemployment and additional potential labour force

Very long-term unemployment continues to fall

The long-term unemployment rate, i.e. the rate of those unemployed for a year or more, decreased by 0.7 pp in the year to the first quarter of 2016, to reach 4.2% of the labour force (Chart 22). This marks the eighth consecutive quarter, two full years, of falling long-term unemployment rates. 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 2.6% of the labour force, continuing the trend of the previous quarter.

In the first quarter of 2016, and compared to the first quarter of 2015, 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 million people in unemployment for more than a year, including 6.4 million for more than two years. The share of long-term unemployed in total unemployment is still high and above 45%, but has been decreasing over the last quarters.

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



Source: Eurostat, LFS, data not seasonally adjusted [une_rt_q, une_ltu_q]

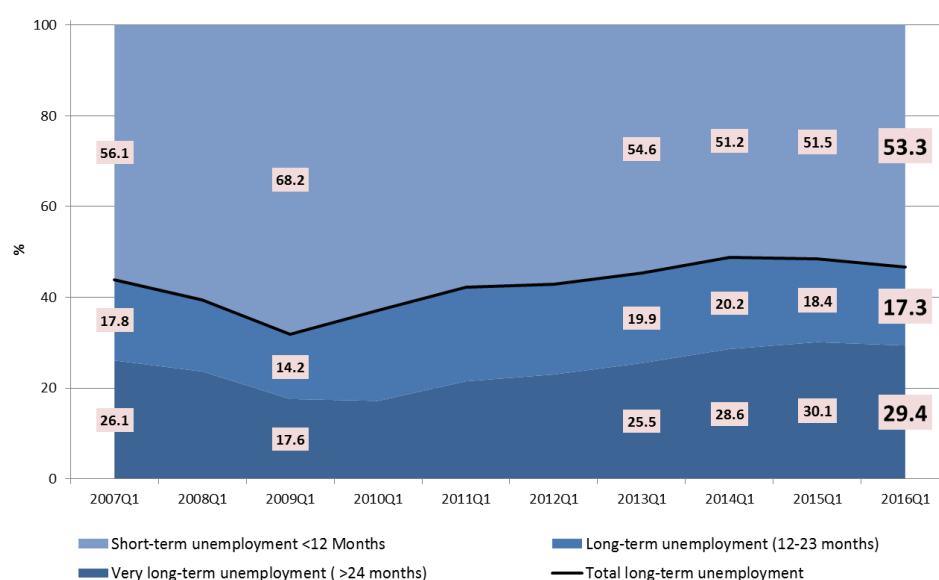
Left axis: Unemployment rates (% of labour force). Right axis: unemployment share (% of unemployed)

[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 (0.7 pp vs 0.2 pp). Chart 23 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 23: Unemployment level by duration of unemployment – EU



Source: Eurostat, LFS, data not seasonally adjusted [lfsq_ugad]

Note: Data for fourth quarter of each year

[Click here to download chart](#)

Long-term and very long-term unemployment decrease in most Member States

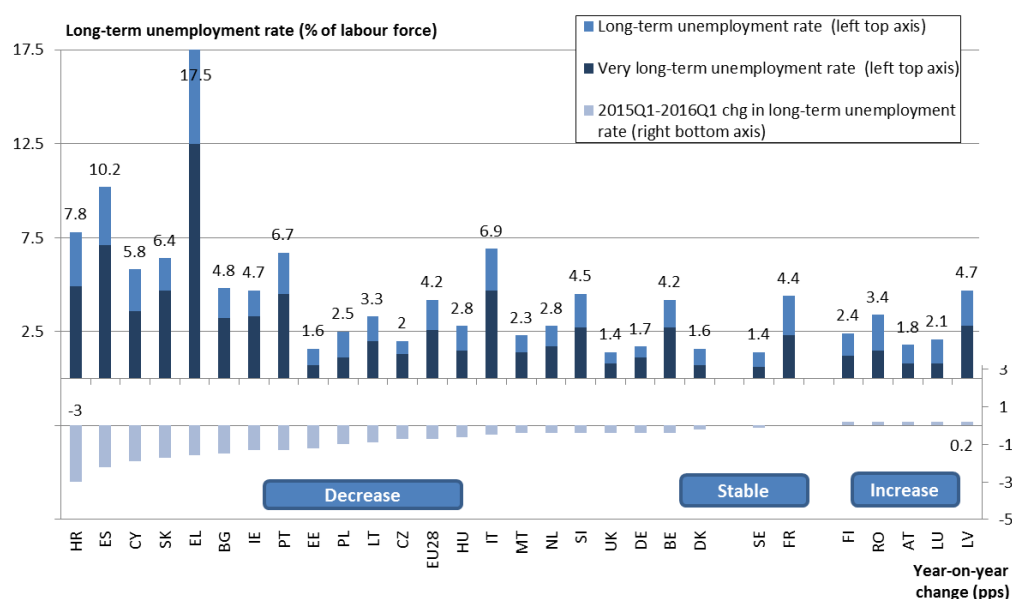
In the year to the first quarter of 2016, long-term unemployment declined across the majority of Member States. The largest reductions were seen in Croatia (3 pp) and Spain (2.2 pp). Greece held the highest rate: 17.5% of the labour force was long-term unemployed. There were no major increases in long-term unemployment rate across the EU (Chart 24), only five Member States showed slight increases.

Greece's rate of very long-term unemployment remained the highest in the EU at 12.5% of the labour force, although it decreased by 0.8 pp in the year to the first quarter of 2016. There were important reductions in very long-term unemployment rates in Croatia (2.2 pp) and Spain (1.1 pp).

Greece also held the highest share of long-term unemployment, 70.3% of its total unemployment, followed by Slovakia 61.5%.

Compared to 2008, already six countries have lowered their long-term unemployment rates, namely Germany (by 2.6 pp) and Slovakia (by 1.5 pp), and Czech Republic, Malta, Hungary and Poland with decreases of around half a point.

Chart 24: Long-term unemployment rate - EU, EA and Member States, level and change over the year to 2016Q1



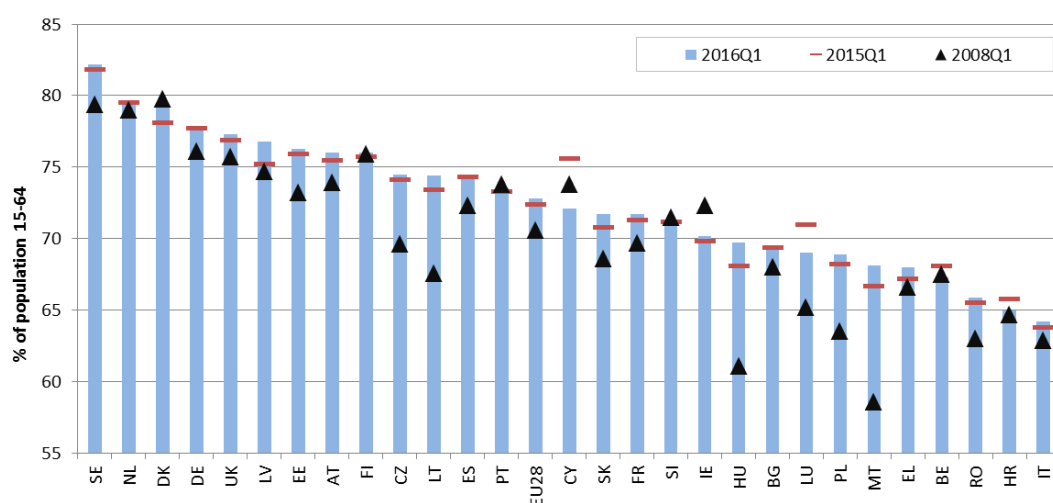
Source: Eurostat, LFS, data not seasonally adjusted [une_ltu_q]
[Click here to download chart.](#)

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

So far, the latest reductions in unemployment and notably long-term and very long-term unemployment have not been linked to increases in inactivity. The activity rate in the EU, seasonally adjusted, for the 15 to 64 age group, reached 72.8% of the population in the first quarter of 2016 (Chart 25). This is 0.1 pp higher than in the fourth quarter of 2015 and 0.4 pp more than in the first quarter of 2015. In the first quarter of 2016, the active population of the EU between 15 and 64 years was around 238 million people, around 3.5 million more people than in the first quarter of 2008.

In the year to the first quarter of 2016, most of the Member States registered an increase in their activity rates (Chart 25). The Member States that experienced the strongest decreases were Cyprus (3.5 pp) and Luxembourg (2 pp). The increases in activity rates were the highest in Latvia and Hungary, 1.6 pp in both countries.

Chart 25: Activity rate - EU and Member States



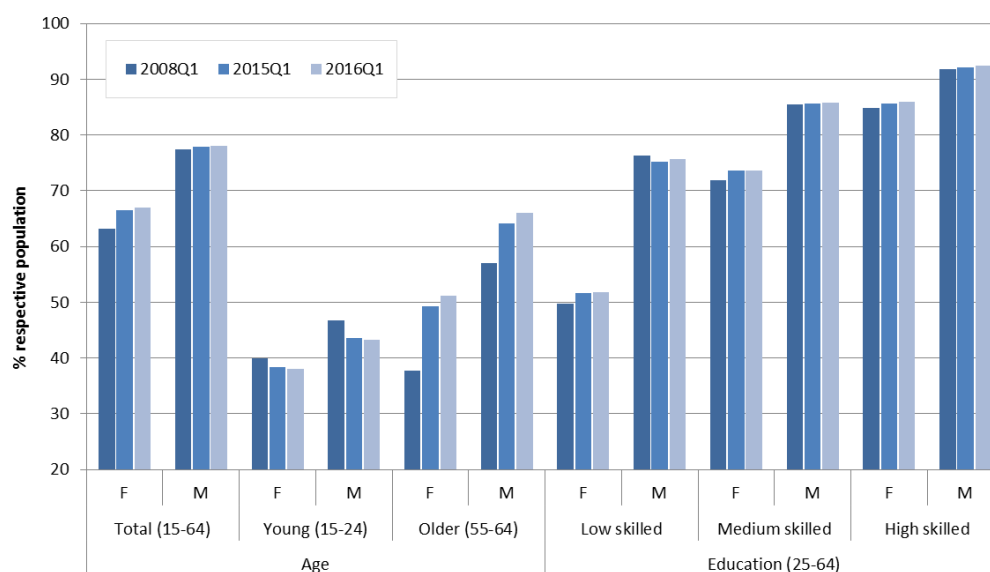
Source: Eurostat, LFS, data seasonally adjusted [lfsi_act_q]
[Click here to download chart.](#)

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

The increase in the activity rate of older workers, those aged between 55 and 64 years, is the main driver of the increase in activity rates. In the year to the first quarter of 2016 the activity rate of older workers increased by 1.9 pp with a stronger increase for women than men in that age group. At the same time, the activity rate for youths decreased (by 0.4 pp) and is 2.8 pp lower than in the first quarter of 2008 (Chart 26).

The high-skilled saw an increase by 0.4 pp in their activity rate (Chart 26). By contrast, the low-skilled aged between 15 and 24 years experienced an important drop in activity their activity rate, down 0.7 pp in the year to the first quarter of 2016. This continues a trend that started since the beginning of the crisis and has so far led to a cumulative decrease of 6.4 pp since the first quarter of 2008.

Chart 26: 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 indicators to unemployment are used to monitor the evolution of underemployment and the potential additional labour force. 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)⁷.

The proportion of workers who are 'available but not seeking' in the EU was 3.7% of the labour force in the first quarter of 2016. This rate decreased by 0.2 pp compared to the first quarter of 2015. 'Underemployment', i.e. the proportion of those who would like to work additional hours and is available to do so, decreased by 0.2 pp in the year to the first quarter of 2016 and represented 4% of the labour force.

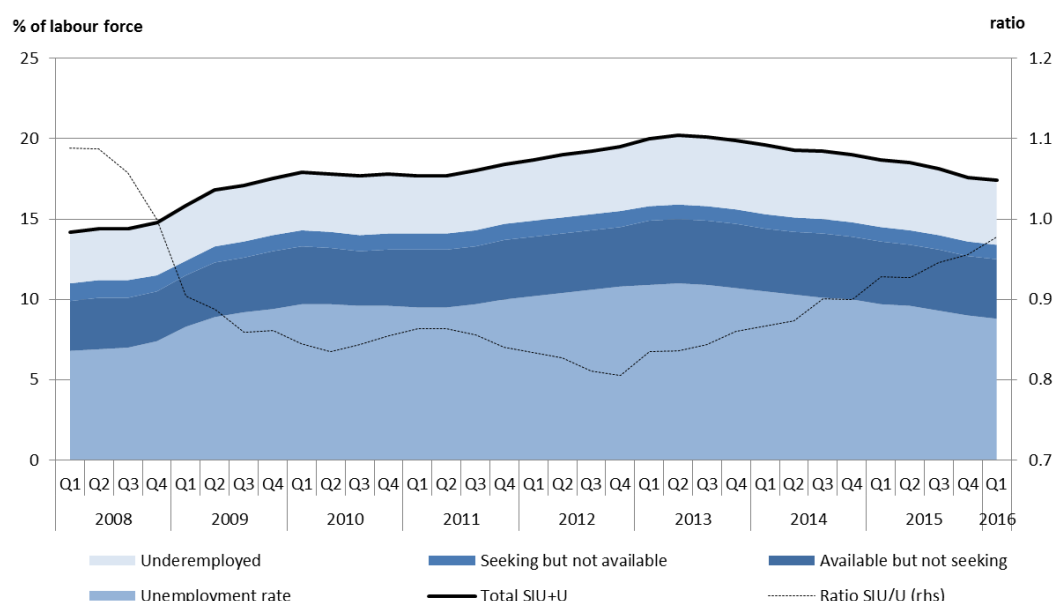
The rate of 'those seeking but not available for work' remained unchanged over the year and stood at 0.9% of the labour force in the first quarter of 2016.

The sum of the reductions in these three indicators, amounting to 0.4 percent of the labour force, adds to the positive developments of total unemployment (Chart 27) and long-term unemployment.

⁷ See:

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

Chart 27: 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; they represent the potential additional labour force

[Click here to download chart.](#)

All indicators point to labour markets improvements for most of the Member States⁸

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 large number of 'available to work but not seeking' people or widespread underemployment.

In the year to the first quarter of 2016, the reductions in unemployment were accompanied by decreases in supplementary indicators in most Member States (Chart 28). However, in the year to the first quarter of 2016, there were important decreases in unemployment rate accompanied by increases in the supplementary indicators in Cyprus and Croatia. Nevertheless, the drops in unemployment were stronger than the increases in supplementary indicators, still leaving a positive net effect.

On the other hand, Finland and Austria showed the largest combined increases in supplementary indicators and the unemployment rate. In the case of Finland, this evolution reinforces the trend of the latest years. Since the fourth quarter of 2011, supplementary indicators have increased 3.6 pp in Finland.

⁸ Denmark cannot be included in the analysis in this quarter due to a break in the series of supplementary indicators data, preventing any year-on-year comparison. The rates for all three indicators in Denmark have more than doubled following a change in methodology.

Chart 28: Unemployment vs. supplementary indicators to unemployment (SIU) - EU Member States, changes 2015Q1-2016Q1



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.](#)

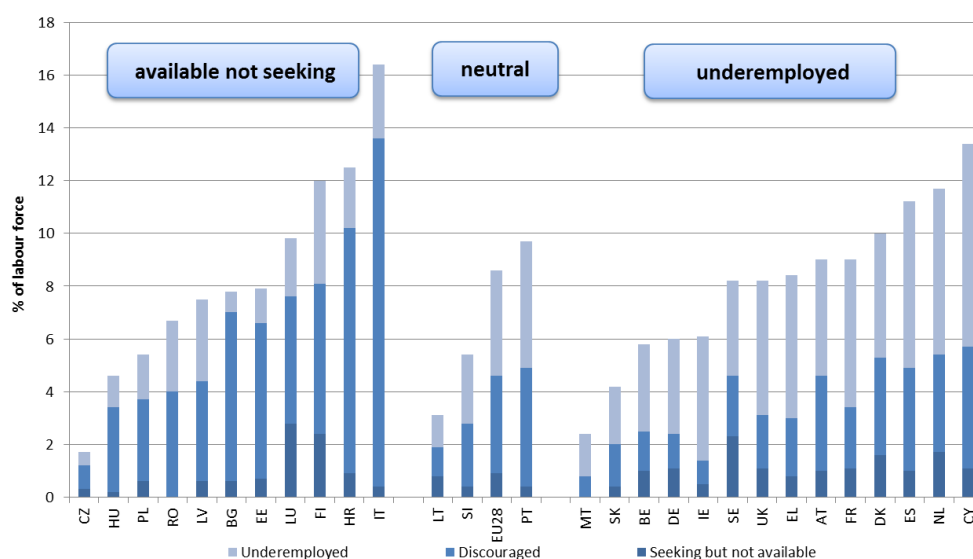
Underemployment is becoming a predominant feature in most Member States

Member States can be divided into those mainly with people who are 'available but not seeking' and those with mainly 'underemployed' people. In the past, this division was fairly even, but recently the number of countries where underemployment is predominant has been increasing (Chart 29), notwithstanding the fall in these indicators that most countries have experienced.

In the first quarter of 2016, 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 at 13.2% of the labour force. Nevertheless, this rate decreased by 0.8 pp in the year to the first quarter of 2016. Estonia was the Member State with the highest increase in 'available but not seeking' rate (2 pp).

In the fourth quarter of 2015, Cyprus still had the highest rate of underemployment, at 7.7% of the labour force, followed by Spain and Netherlands (6.3% of the labour force). Latvia had the biggest yearly increase (0.4 pp) in underemployment. Over the same period of time, Malta, Sweden and Ireland saw the largest year-on-year declines in underemployment (by 0.7 pp in all of them).

Chart 29: Labour underutilisation - EU and Member States, 2016Q1



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.](#)

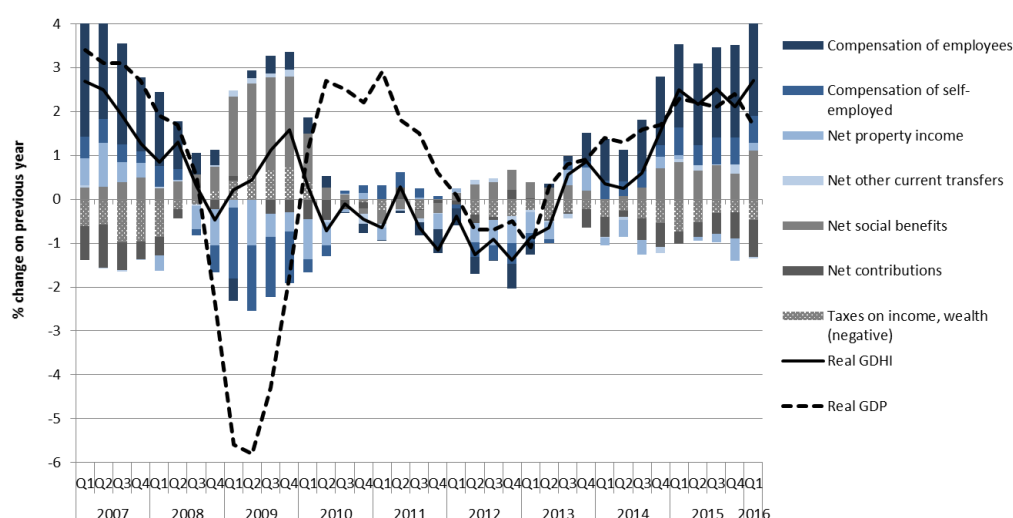
5. Income and financial situation of households

Household incomes in the EU benefit from positive labour market trends

On average in the EU⁹, real growth in gross disposable household income (GDHI) remained above a solid 2% in the year to the first quarter of 2016. This continues the strong growth in 2015 – the strongest since the recovery in mid-2013 (Chart 30). In the EA, the year-on-year real growth of GDHI recorded in the first quarter of 2016 remained above 1.5%.

⁹ The real GDHI growth for the EU is a DG EMPL estimation based on 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 not 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.](#)

Households benefit from higher income from work and improved social benefits

In the year to the first quarter of 2016, the growth in GDHI continued to be driven largely by income from work. The compensation of the self-employed and especially employees increased at a rate similar to that seen in the previous quarters. Property income improved, while the contribution of other transfers declined. Meanwhile, further increases in social benefits supported strongly the growth of disposable income, while higher taxes and social contributions weighed down on it.

Nearly all Member States see growth in household income

The real increase in GDHI in the EU seen in the year to the first quarter of 2015 reflects positive developments in most Member States (see [Statistical Annex](#)). Real GDHI declined only in Croatia (after notable increases in previous quarters), Greece and Portugal. 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.

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 three years. Both the share of 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 14% of the population from its historically high level of nearly 17% in autumn 2013 (Chart 31).

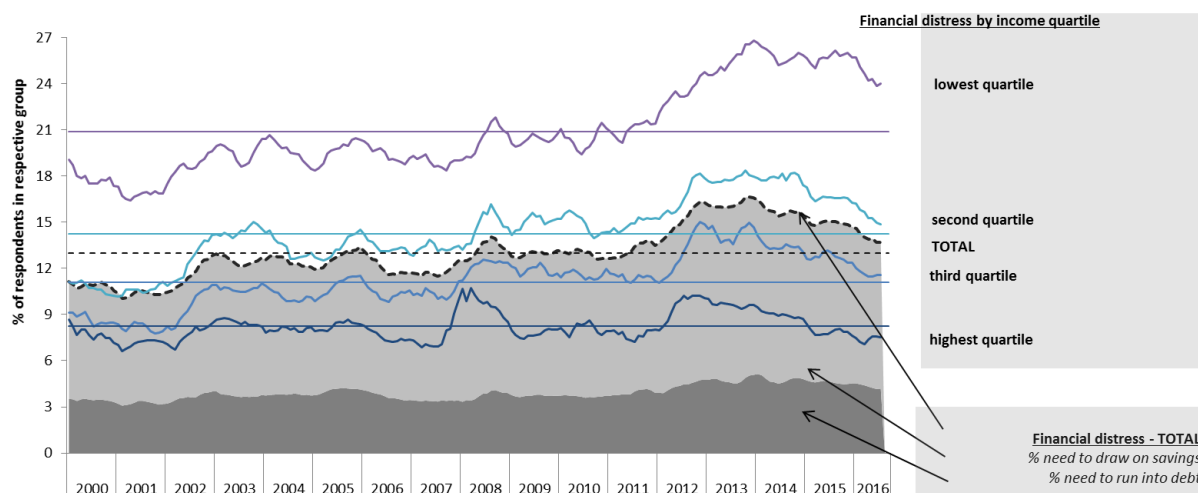
Financial distress for low-income households eased since mid-2015

Financial distress for low-income (lowest quartile) households appears to have continued to ease over 2016, but remains high when considering a longer period. Low-income households have seen some ups and downs in their financial distress since the beginning of 2014. 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.

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

Overall, about 9% of adults in low-income households run into debt, and nearly a further 15% drew on savings to cover current expenditure in the second quarter of 2016. By comparison, the proportions for the total population were just above 4% and 9%, 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 not 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 areas, which together represent total financial distress.

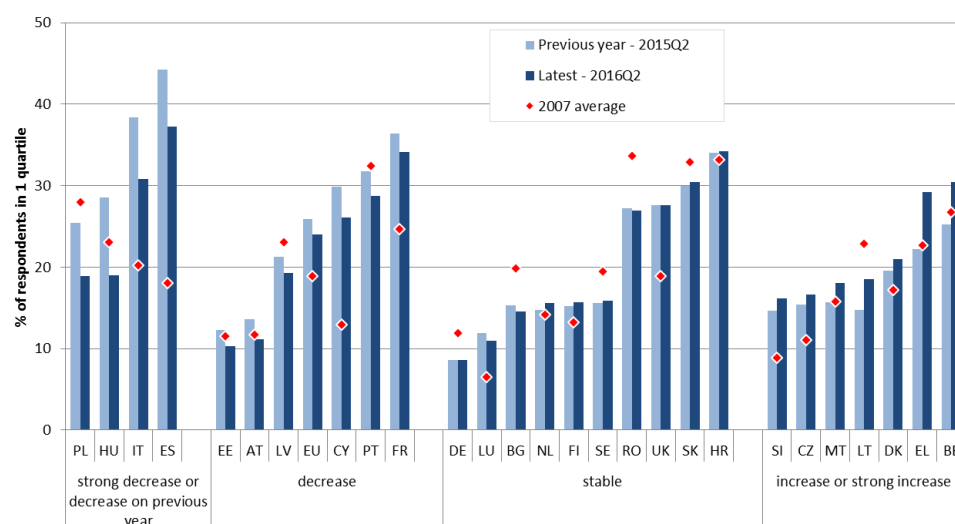
[Click here to download chart.](#)

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 second quarter of 2016. It remains higher than in 2007 in around half of the Member States, in particular in Greece, France and Spain. It ranges from around 3.5% in Germany to more than 25% in Greece and France.

Financial distress for households in the lowest income quartile decreased or remained stable in the majority of Member States (data for Ireland not available) in the year to the second quarter of 2016. It increased over the last year in several Member States (Belgium, Greece and Lithuania). Compared to 2007, financial distress for the poorest households is higher in around half of the Member States. In the second quarter of 2016, it affected less than 9% of households in the lowest income quartile in Germany compared to around 35% of the poorest quarter of the population in Spain (Chart 32).

Chart 32: Reported financial distress in lowest income quartile - Member States



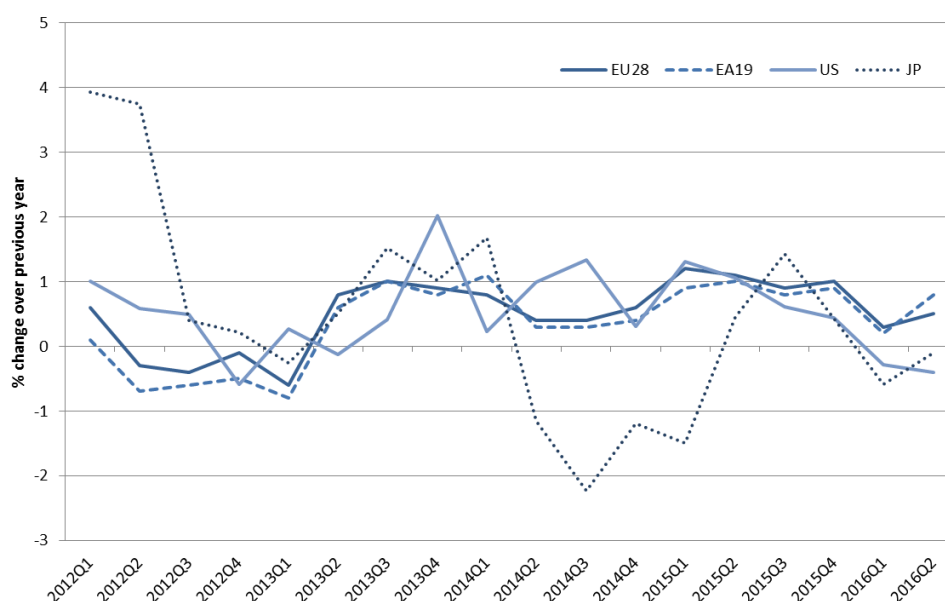
Source: European Commission, Business and Consumer Surveys data non-seasonally adjusted, 5-months moving average (DG EMPL calculations)
[Click here to download chart.](#)

6. Productivity, labour costs and hours worked

Labour productivity growth accelerated moderately in the euro area, but Member States' performance continued to progress on divergent paths

After very weak growth in the first quarter of 2016, productivity growth strengthened moderately in the EA, up from 0.2% to 0.8% in the second quarter (relative to the same quarter in 2015). Nevertheless, for the EU as a whole, productivity growth remained fairly weak at 0.5%, compared to 0.3% in the first quarter. At the same time, several major economies in the rest of the world recorded a decrease in labour productivity, down by -0.4% in the US and -0.1% in Japan (Chart 33).

Chart 33: Real labour productivity growth - EU, EA, US and JP



Source: Eurostat, National Accounts [namq_10_lp_ulc] and OECD, data not seasonally adjusted

Note: Labour productivity measured as GDP in constant prices per employed person

[Click here to download chart.](#)

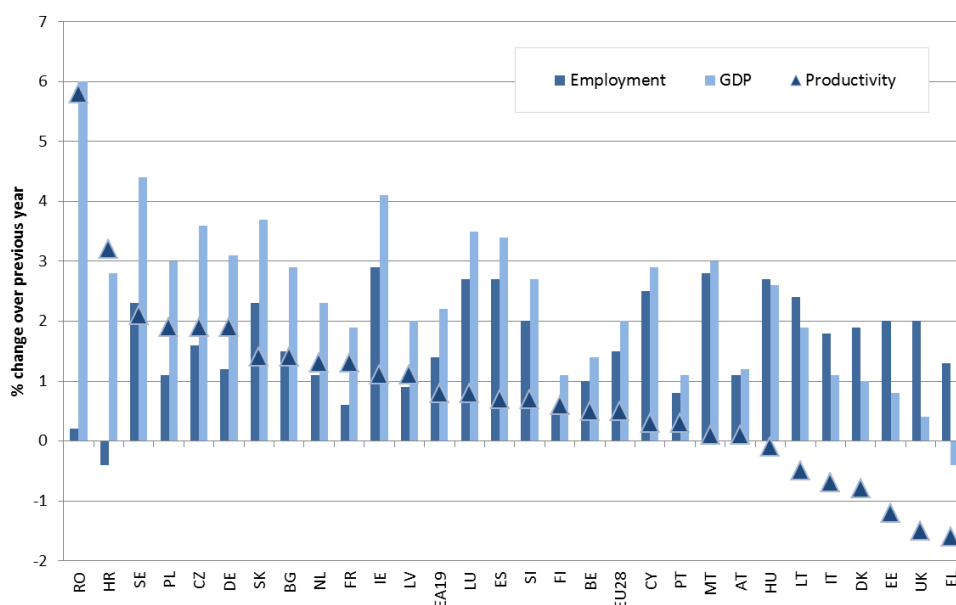
Within the euro area, Germany (1.9%), followed by France, the Netherlands, Ireland and Latvia, recorded the strongest increase in labour productivity, while it stalled in Portugal, Austria and Malta (Chart 34).

Greece recorded a notable decrease in productivity, triggered by a further contraction in output (-0.4%) and a rise in employment (1.3%). Estonia, Italy, and Lithuania also recorded a decrease as in these Member States employment increased at a stronger pace than output.

Outside the euro area, Romania recorded by far the strongest increase in labour productivity (up by 5.8%), reflecting a sharp increase in output while employment remained fairly stable. In Croatia, productivity also increased strongly (up by 3.2%) as output grew while employment contracted moderately. In Sweden, productivity increased thanks to strong output growth (4.4%) which exceeded the rise in employment (2.3%).

The United Kingdom recorded the strongest decline, reflecting a weak increase in output (0.4%) in combination with a strong increase in employment (2.0%). In Denmark, labour productivity decreased also as the weak increase in output (1.0%) did not match the increase in employment (1.9%).

Chart 34: Employment, GDP and productivity growth - EU, EA and Member States, 2016Q2



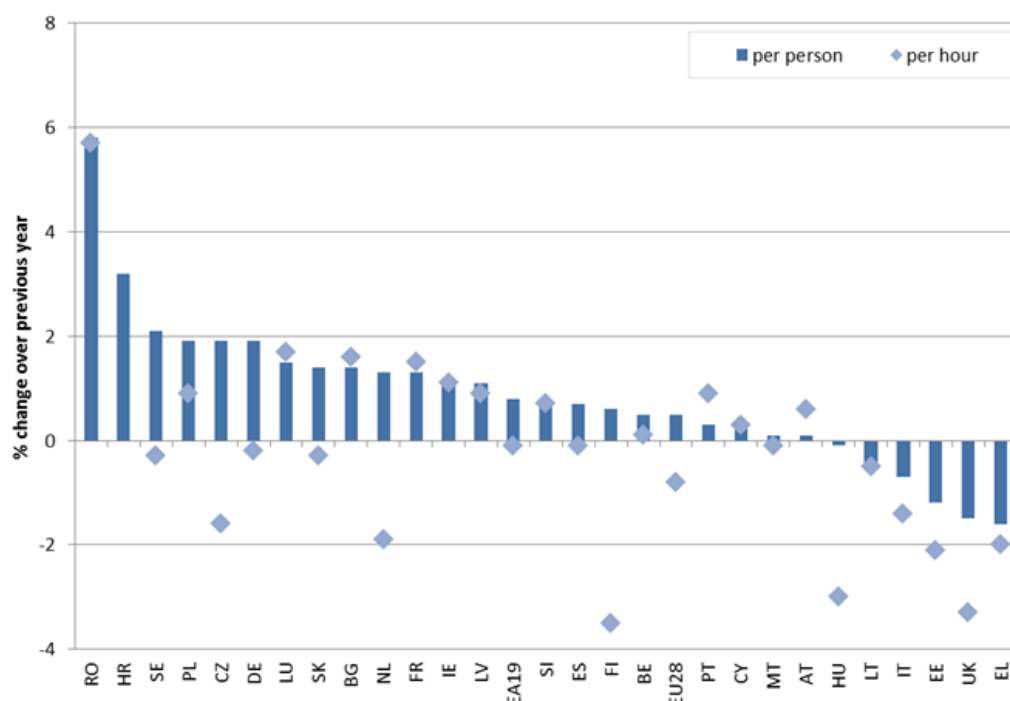
Source: Eurostat, National Accounts, data not seasonally adjusted [namq_10_pe, namq_10_gdp]

Note: Data for LU from 2015Q4

[Click here to download chart.](#)

Hourly labour productivity growth (measured as output per hour worked) differed considerably from labour productivity growth per person employed in several Member States, with the strongest disparity in productivity growth per hour worked and per person employed in Finland, the Czech Republic, Croatia, and the Netherlands (Chart 35).

Chart 35: Labour productivity per person employed and hour worked - EU, EA and Member States, 2016Q2



Source: Eurostat, National Accounts, data not seasonally adjusted [namq_10_lp_ulc]

Note: Data for LU from 2016Q1

[Click here to download chart.](#)

Compensation per employee continues to grow at a moderate pace in most Member States

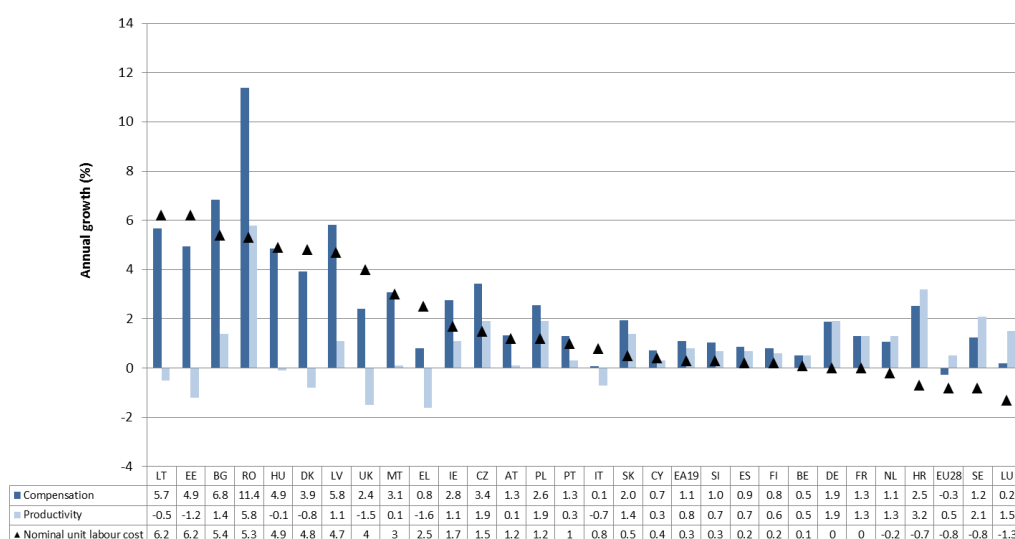
Nominal compensation per employee (measured in national currency) grew at a moderate rate across EU Member States in the second quarter of 2016, except in Bulgaria and the Baltic States which recorded high growth (Chart 36).

Within the euro area, growth in nominal compensation per employee remained fairly weak in Italy, Luxembourg, Belgium and Portugal, while the Baltic States continued to record very sharp increases (between 5% and 6%). In Ireland, nominal compensation per employee continued to grow strongly by just below 3% while in Germany, it progressed more slowly at just below 2%.

In Cyprus, nominal compensation per employee increased for the first time since the fourth quarter of 2012, while in Greece it increased for the second quarter in a row after recording only decreases since the second quarter of 2010 (with the exception of the fourth quarter of 2014).

Outside the euro area, Bulgaria recorded for the second quarter in a row very strong growth at almost 7%. Hungary and Denmark also recorded strong growth, while in Sweden growth decelerated notably (down from 2.8% to 1.2% in the second quarter of 2016).

Chart 36: Nominal unit labour cost and its components – EU, EA and Member States, 2016Q2



Source: Eurostat, National Accounts, data not seasonally adjusted [namq_10_lp_ulc] [namq_10_pe, namq_10_gdp] (DG EMPL calculations)

Note: Data for PL and LU from 2016Q1

[Click here to download chart.](#)

Nominal unit labour cost growing less fast in the euro area

Within the euro area, nominal unit labour cost rose less fast, at 0.3% in the second quarter of 2016, compared to 1.2% in the first quarter.

Within the euro area, Baltic States continued to record very strong increases in nominal unit labour cost (which is a measure of cost-push inflationary pressures), driven by strong increases in nominal compensation per employee (Chart 36). Malta and Greece also recorded a notable increase in their nominal unit labour cost. In Greece this rise was mainly driven by a drop in productivity, while in Malta it was caused by a notable increase in nominal compensation per employee.

However, France and Germany recorded no increase, while Belgium, Finland and Slovenia recorded only very small increases. Luxembourg showed a decrease as productivity growth was much stronger than the weak growth in compensation per employee; the Netherlands also recorded a decrease in nominal unit labour cost.

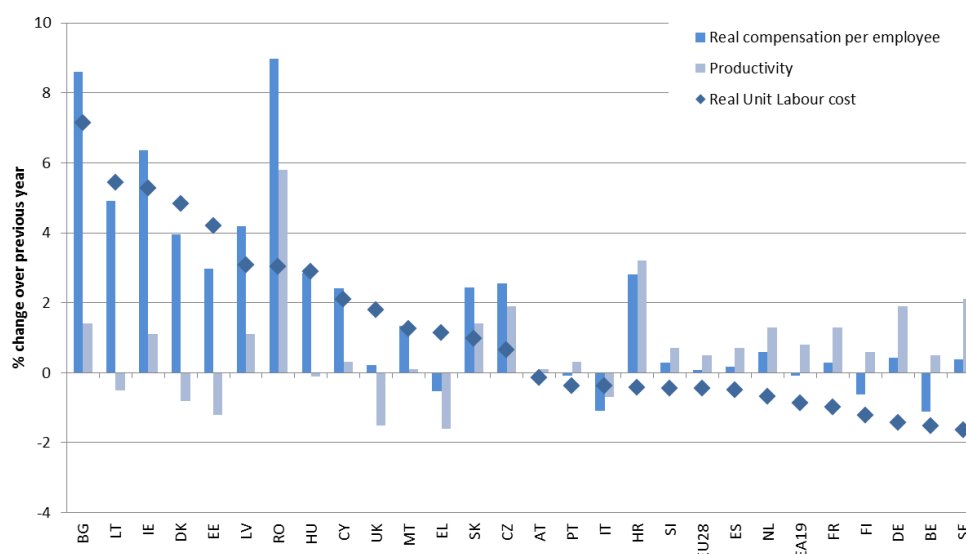
Outside the euro area, Bulgaria and Denmark recorded a strong increase in nominal unit labour cost. In Denmark this was triggered by a decrease in labour productivity accompanied by a strong rise in nominal compensation per employee, while in Bulgaria a robust increase in labour productivity was accompanied by a notable increase in nominal compensation per employee. Sweden and Croatia recorded a decrease in nominal unit labour cost in the face of robust productivity growth and moderate increases in nominal compensation per employee.

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

Real unit labour cost (measuring the gap between real compensation per employee and labour productivity, which is also a measure of the labour income share) decreased in the EA and EU as a whole, after increasing in the first quarter of 2016 for the first time since early 2014 (Chart 37).

Sweden, Belgium, Germany, Finland and France recorded the strongest decrease, while Bulgaria saw the strongest increase as real compensation per employee rose sharply while productivity growth was modest. Ireland recorded strong increases after having contracted severely in 2015.

Chart 37: Growth in real unit labour cost - EU and Member States, 2016Q2



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 level of sectors showed very strong differences across Member States

Industry nominal unit labour cost (a good indicator to measure cost-push inflationary pressures in the tradable sector) in the EA and EU as a whole decreased in the second quarter of 2016 (Chart 38).

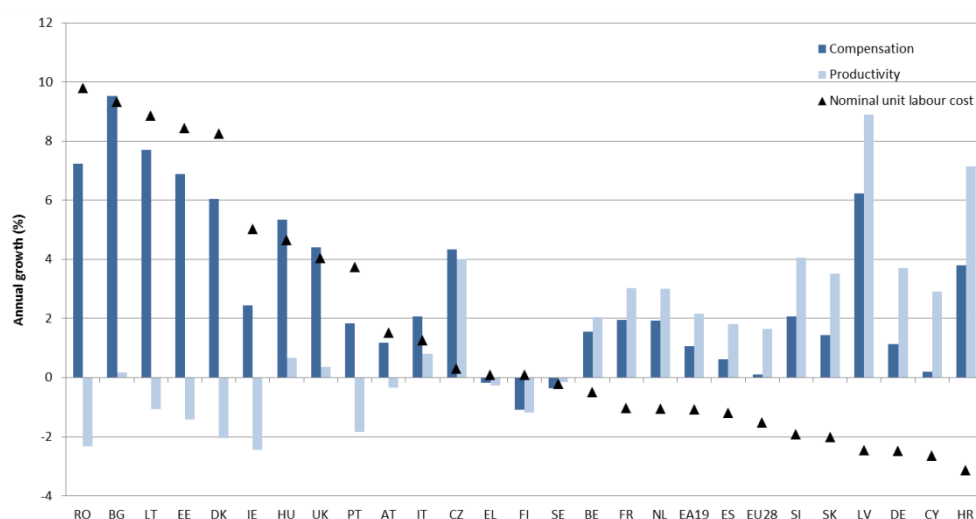
Within the euro area, Spain (-5.3%) recorded the strongest decrease, followed by Cyprus (-2.7%) and Germany (-2.5%) – primarily reflecting strong increases in labour productivity in industry and modest increases in nominal compensation per employee in industry. Lithuania (8.7%) and Estonia (8.3%) recorded the strongest increases – reflecting strong growth in nominal compensation per employee in combination with contractions in labour productivity.

Outside the euro area, Croatia (-3.1%) recorded the strongest decrease, reflecting a sharp increase in productivity in combination with a more mitigated increase in nominal compensation per employee. Romania (9.8%) and Bulgaria (9.3%) recorded by far the strongest increase as labour productivity stalled in Bulgaria and decreased in Romania, while nominal compensation per employee increased sharply in both Member States.

Nominal unit labour costs in the sector 'Wholesale and retail trade, transport, accommodation and food services activities' also showed strong differences across Member States. They stagnated in the EA, but decreased for the EU as a whole (-1.5%) (Chart 39).

Within the euro area, Slovakia (-3.9%), followed by France (-1.8%), Finland (-1.4%) recorded the strongest decrease, while Lithuania (7.2%) recorded by far the strongest increase. Outside the euro area, Bulgaria (7.6%) recorded a strong increase reflecting weak productivity growth in combination with strong increases in nominal compensation per employee, while Romania (11.2%) recorded the strongest decrease as a sharp fall in nominal compensation per employee was accompanied by a strong increase in productivity.

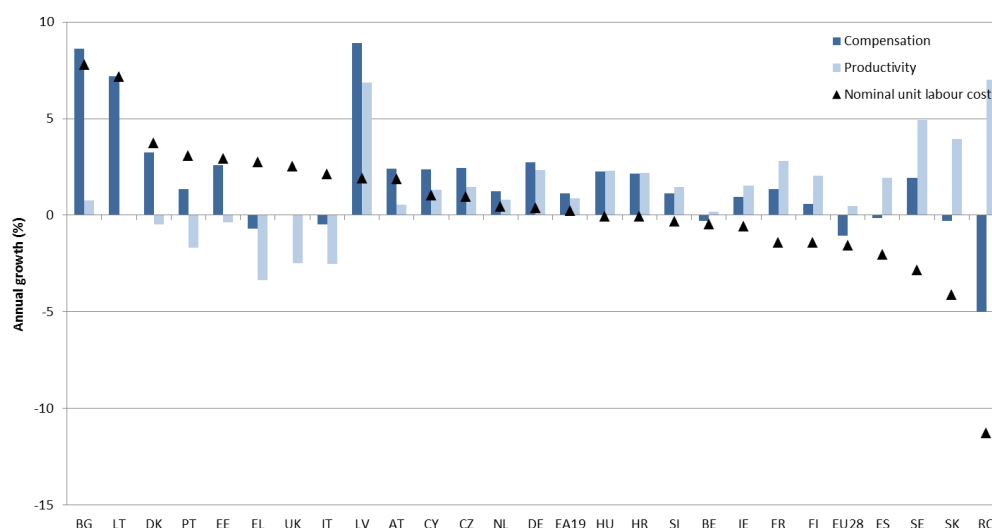
Chart 38: Industry - Nominal unit labour cost and its components – EU, EA and Member States, 2016Q2



Source: DG EMPL computations based on Eurostat (namq_10_a10_e and namq_10_a10); data adjusted seasonally and 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
[Click here to download chart.](#)

Chart 39: Wholesale and retail trade, transport, accommodation and food service activities - Nominal unit labour cost and its components – EU, EA and Member States, 2016Q2



Source: DG EMPL computations based on Eurostat (namq_10_a10_e and namq_10_a10); data adjusted seasonally and 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
[Click here to download chart.](#)

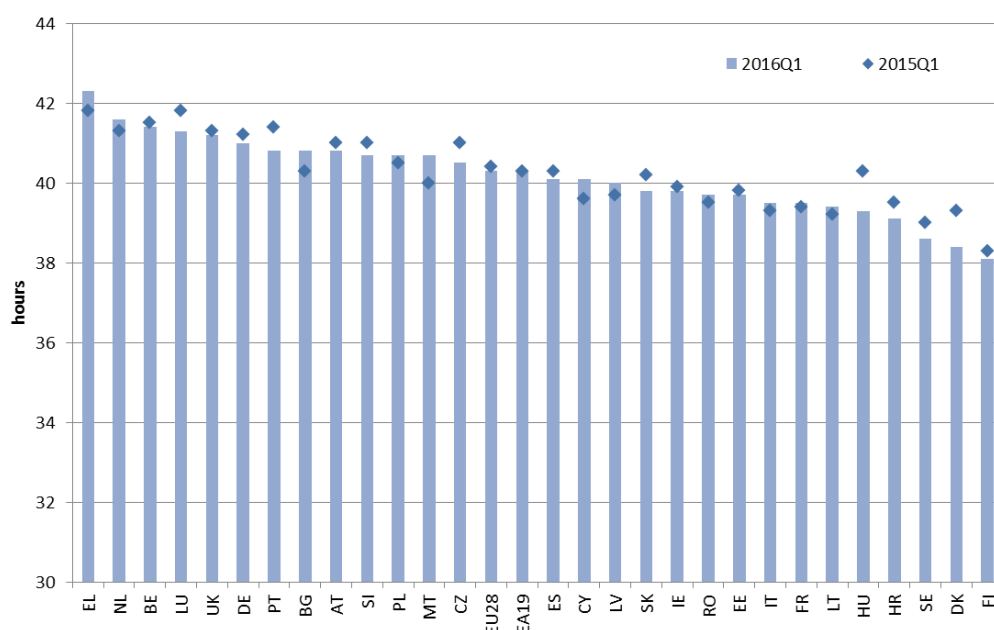
Average number of hours worked decreased in most Member States

Focussing on the first quarter of 2016 (for which data are available for all Member States), full time employed persons in Greece recorded the highest average number of weekly hours of work, followed by employed persons in the Netherlands, Belgium, Luxembourg, the United Kingdom and Germany. Full time employed persons in Finland, Denmark and Sweden recorded the lowest number of hours

worked. The strongest increase in weekly hours of work (relative to the first quarter in 2015) was observed for full-time employed persons in Malta and Bulgaria while Hungary and Denmark recorded the strongest decrease (Chart 40).

In the first quarter of 2016, part-time employed persons recorded the highest number of average weekly hours of work in Belgium and Sweden, while the lowest number was recorded for Portugal and Croatia. At the same time, part-time employed workers in Portugal recorded the strongest increase, while part time workers in Hungary recorded the strongest decrease in hours worked (Chart 41).

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

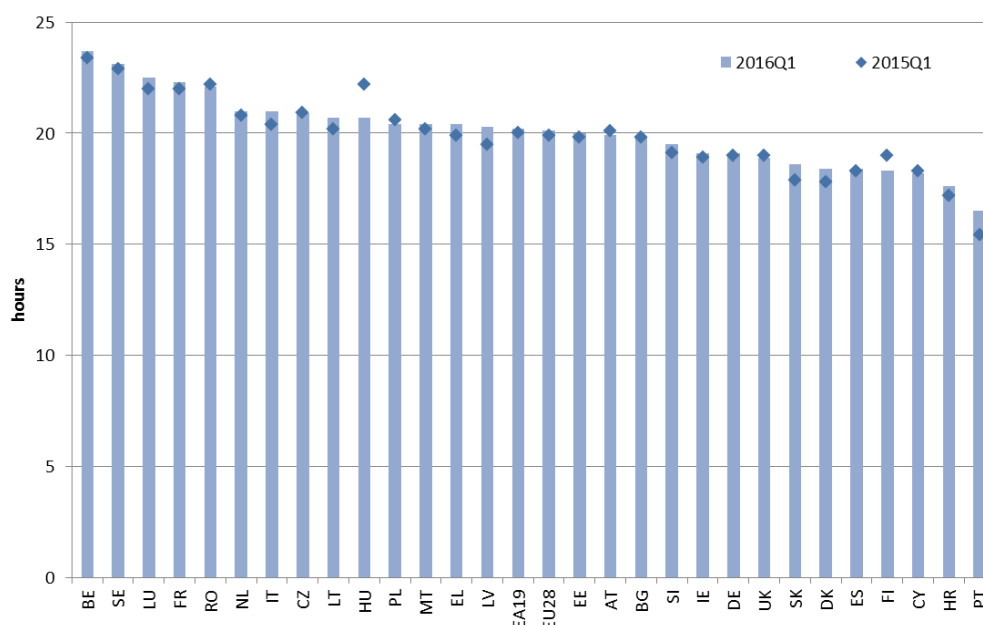


Source: Eurostat, LFS, data not seasonally adjusted [lfsq_ewhais]

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 not 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

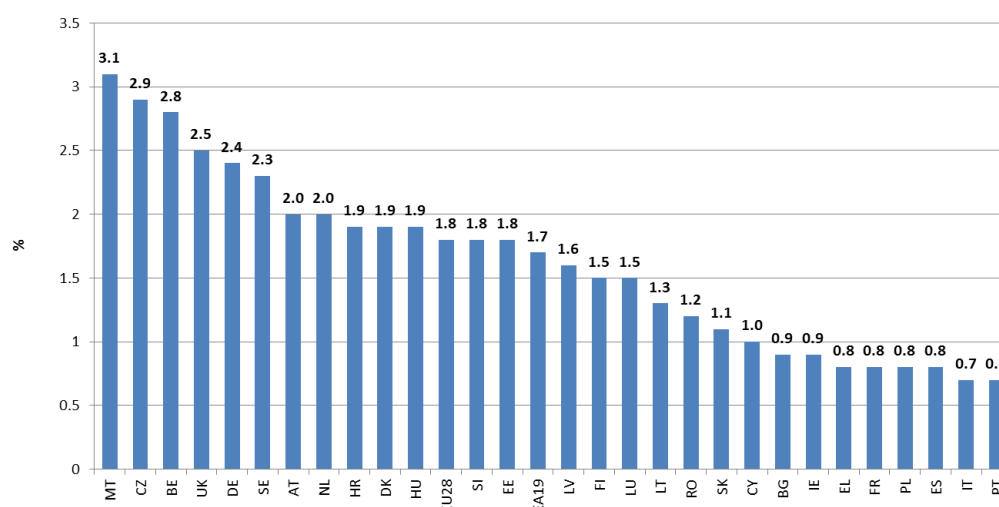
The job vacancy rate improves

The unmet demand for labour, as expressed by the job vacancy rate¹¹ (JVR) has been rising since mid-2015 in the EU and the EA, but remains at a rather low level. In the second quarter of 2016, the EU JVR stood at 1.8%, up 0.1 pp compared to the second quarter of 2015. At 1.7%, the rate was 0.2 pp higher in the EA. In the year to the second quarter of 2016, the JVR improved in most Member States, and most notably in the Czech Republic and Latvia (increases of more than 1 pp).

Only Finland, and to smaller extent Cyprus, Germany and Ireland recorded declines when compared to the second quarter of 2015. The JVR ranged from 0.7% in Italy and Portugal to 2.8% or more in Belgium, the Czech Republic, and Malta (Chart 42). The unmet demand for labour was higher in services sectors (with a JVR of 2.0%) than in industry and construction (with a JVR of 1.4%).

¹¹ The 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, 2016Q2



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

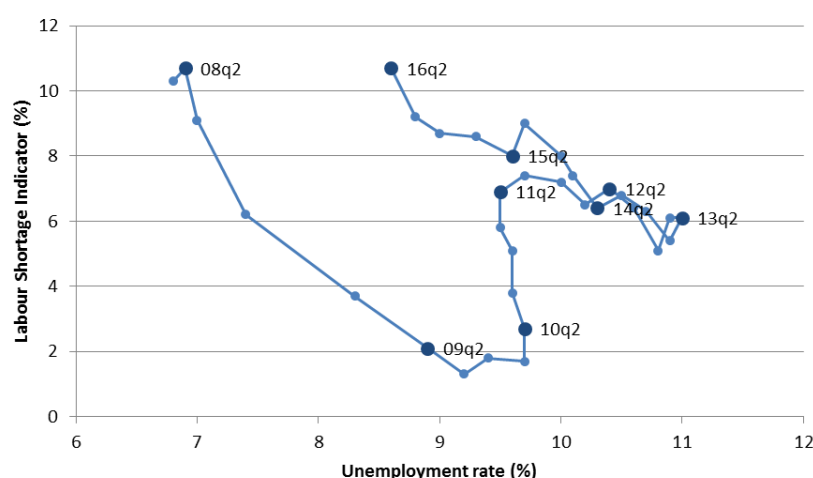
Note: NACE Rev 2 sections B to S covered. DK: sections B to N, FR, IT: section O excluded; FR, IT, MT: business units with 10 or more employees. EL data from 2016Q1

[Click here to download chart.](#)

Labour shortages increase while unemployment recedes

In the second quarter of 2016, unemployment continued to decline, and labour shortages continued to increase in the EU (Chart 43). This process was reflected by a conventional move up the Beveridge curve, and confirmed recent improvements in the JVR. The decline in unemployment observed since 2013 has been accompanied by an increase in labour shortages as measured by more job vacancies and is reflected in a conventional move up the Beveridge curve. This is consistent with a normal cyclical development whereby, during a 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 2008-2016 - EU



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

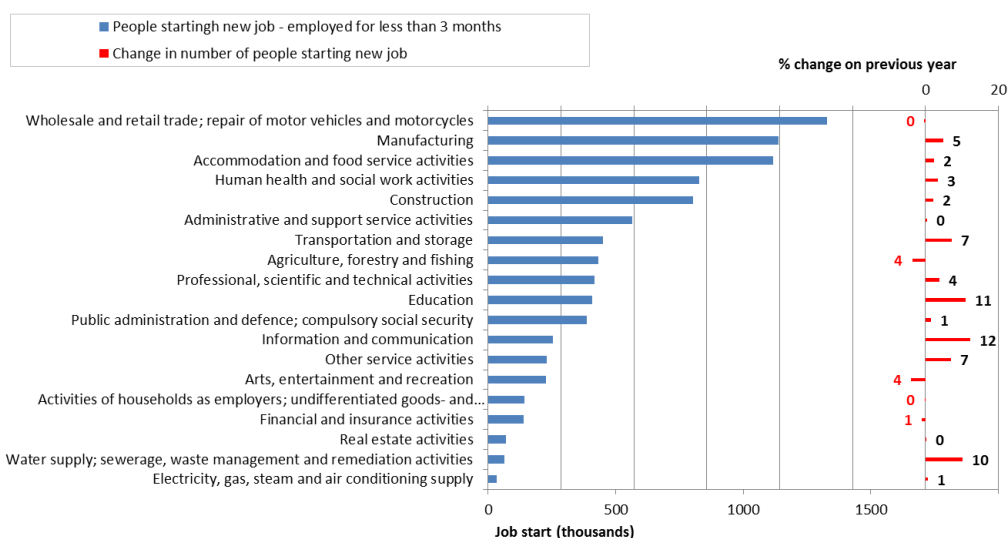
Note: Labour shortage indicator derived from EU business survey results (% of manufacturing firms pointing to labour shortage as a factor limiting production)

[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 increase. However, the growth in hiring continued to decelerate to 2.6% in the second quarter of 2016, from a 6% increase registered a year before. Several sectors registered sound growth in hiring (10% or more). A few sectors (wholesale and retail trade, manufacturing, accommodation, human health and construction) 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 2015Q2



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. In the year to the first quarter of 2016,

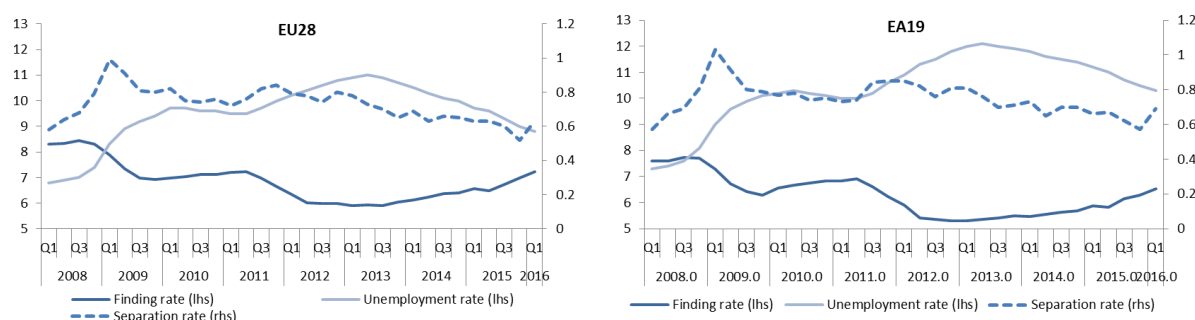
job finding rates increased at a robust pace in Cyprus, Croatia and Estonia. Conversely, they dropped most in Austria, Latvia, Luxembourg and Romania. Denmark, Estonia, Finland, Sweden and the United Kingdom have the most dynamic labour markets, showing the highest finding rates and the best chances to leave unemployment. By contrast, Greece and Italy have the lowest finding rates of the EU, although they are improving.

Separation rates generally declined over the year to the first quarter of 2016, most significantly in Hungary, Luxembourg and Romania. They increased in Bulgaria, Estonia, Croatia and Italy. Cyprus, Finland, Greece, 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).

In the year to the first quarter of 2016, job finding rates increased at a robust pace in Cyprus, Croatia and Estonia. Conversely, they dropped most in Austria, Latvia, Luxembourg and Romania. Denmark, Estonia, Finland, Sweden and the United Kingdom have the most dynamic labour markets, showing the highest finding rates and the best chances to leave unemployment. By contrast, Greece and Italy have the lowest finding rates of the EU, although they are improving.

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



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

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

