

Employment and Social Developments in Europe

Quarterly Review October 2017





October 2017

With regularly updated data and charts downloadable here

Employment, Social Affairs & Inclusion

ESDE Quarterly Review



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 L. Stemitsiotis (Head of Unit). The main contributors were: D. Arranz and M. Grzegorzewska. Indicators on job findings and separation rates were provided by A. Kowalski. The editor of this Review was K. Jaksic.

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/quaterly_updated_charts.xlsx

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

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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





"I am pleased to present the positive results of this quarterly report confirming that Europe is on the path towards economic recovery. Employment in the EU reached the highest level ever recorded with more than 235 million people in jobs. We are approaching the European 2020 target for employment, showing that the Commission is delivering on its top priority: more jobs and growth. Also unemployment is steadily declining. I am particularly encouraged to see that youth unemployment has fallen over the last year with nearly 400 thousand fewer unemployed people aged 15-24. The Commission remains more than ever committed to create new and more opportunities for our young people through all the initiatives we have put on the table supported by EU funding since the start of this mandate."



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 expansion. Real GDP increased by 0.7 % in the EU and by 0.6 % in the euro area in the second quarter of 2017, which is more than in the previous quarter (0.5 % in both the EU and the euro area). Year-on-year growth improved further to 2.4 % in the EU and 2.3 % in the euro area. **All Member States report an increasing output.** The range of quarterly GDP growth in the second quarter of 2017 varied from 0.3 % in the UK and Portugal to a solid 2.5 % in the Czech Republic. Year-on-year growth was positive in all Member States, exceeding 5 % in Malta, Romania, Estonia, Ireland and Slovenia.

Employment

Employment in the EU continues growing at a consistent pace. It increased by 0.4 % both in the EU and in the euro area in the second quarter of 2017. Compared to the second quarter of 2016, employment gained 1.5 % in the EU and 1.6 % in the euro area, which amounts to an additional 3.5 million and 2.4 million people employed in the EU and euro area, respectively. **The number of employed now stands at 235.4 million in the EU, the highest level ever recorded.** It has increased by 1.7% from its 2008 peak, 3.9 million people more in employment. **Employment has now been growing for four years in a row.** Since its lowest level in mid-2013, it has increased by 11 million people in the EU, of which 6.8 million in the euro area.

Employment expands in most Member States. In the second quarter of 2017, the highest employment growth was recorded in Malta (1.0 %) and Spain (0.9 %). However, it continued to contract in Croatia (0.8 %) while Estonia, Latvia and Romania also registered drops in the second quarter of 2017. Yearly employment growth was positive in most Member States. Malta recorded the greatest increase (4.7 %) followed by Portugal and Cyprus, both above 3 %. Croatia and Latvia showed the greatest yearly decreases, of 0.8 % and 0.7 % respectively.

Service sectors 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 2017 besides the financial sector.. Over the year to the second quarter of 2017, employment increased in all sectors except agriculture and the financial sector.

Permanent jobs and full-time employment were the main contributors to employment expansion. In the year to the first quarter of 2017, the number of employees with permanent contracts grew by 1.4 %. This represents an increase of 2.2 million employees, which is four times more than the increase in temporary contracts (500 thousand, 1.5 % yearly growth). Full-time workers saw their numbers increase by about 2.5 million and part-time workers by about only 150 thousand. Since 2008 part-time employment has never contracted and is now well above its 2008 level (nearly 5 million above), however full time employment is still below its level in 2008 by more than 2.5 million.

The EU employment rate has increased consistently over the past three years. In the first quarter of 2017, the employment rate of 20-64 years old was at 71.7 %, the highest rate ever reached, which is still 3.3 pps below the Europe 2020 target of 75 %. **Large disparities in employment rates remain among Member States.** They ranged from 57 % in Greece to 82 % in Sweden. In many Member States, employment rates have still some way to go to recover from the crisis.

Unemployment

The unemployment rate in the EU and euro area has continued its steady decline since mid-2013. In August 2017, it decreased to 7.6 % in the EU and stood at 9.1 % in the euro area, a yearly reduction of 0.9 pps and 0.8 pps respectively. The rate recorded in August 2017 was the lowest in the EU since November 2008.

The reduction in unemployment between August 2016 and August 2017 represents about 1.9 million fewer unemployed in the EU, including 1.3 million in the euro area. **Unemployment has receded by around 7.8 million people since its peak recorded in April 2013.** However, with about 18.7 million unemployed people, including 14.8 million in the euro area,



there were still around 2.7 million more unemployed in August 2017 than in March 2008, when unemployment was at its lowest.

Unemployment rates decreased in twenty-seven Member States in the year to August 2017. The largest reductions were registered in Cyprus (2.4 pps down to 10.7 %) and Greece (by 2.3 pps down to 21.2 % in June 2017). Large differences remain among Member States: the Czech Republic (2.9 %) and Germany (3.7 %) hold very low rates, while Greece² (21.2 %) and Spain (17.1 %) show decreasing but still very high rates.

In the year to August 2017, the unemployment rate in the EU declined for both men and women. It declined by 0.9 pps in both cases and stood at 7.5 % and 7.8 %, respectively. In the euro area, the unemployment rate receded by 0.9 pp for men and women to reach 8.7 % and 9.4 %, respectively, in August 2017.

Data for the first quarter of 2017, compared to the first quarter of 2016, confirms the reduction in unemployment rates for all age groups between 15 and 69 years of age. **The strongest reductions were recorded in the younger age groups** 20-24 (2 pps) and 15-19 (1.5 pps). The unemployment rate also fell for all three levels of education considered (low, medium and high). Unemployment rates for medium and high skilled have fallen to the values observed in 2008 while the rate for low skilled is are still above its pre-crisis level by as much as 5 pps.

In the year to August 2017, the youth unemployment rate (for those aged 15-24) continued to decrease steadily in the EU and in the euro area. The rate declined in the EU by 1.8 pps down to 16.7 % and by 1.7 pps down to 18.9 % in the euro area. It represents around 400 thousand fewer unemployed people aged 15-24 in the EU, including 240 thousand in the euro area. At 3.8 million unemployed young people, including nearly 2.7 million in the euro area, the level of youth unemployment was in August 2017 lower than in 2008. This decrease is not reflected in the unemployment rate because it is the result of smaller cohorts combined with lower activity rates, as education enrolment increases.

In the year to July 2017, the unemployment rate among young people aged 15-24 fell in most Member States. The youth unemployment rate fell particularly strongly in Latvia (7 pps) and Slovakia (6.7 pps) Greece the country with the highest youth unemployment rate in the EU (43.3 %), also registered a decline of 3.2 pps³.

Long-term unemployment rate, which has been decreasing for three years, declined by 0.5 pps in the year to the first quarter of 2017. In this period, the reduction in long-term unemployment was faster than in short-term unemployment (0.5 pps vs. 0.3 pps), but the share of long-term unemployment in total unemployment is still high, at around 45 %. In almost all Member States long-term unemployment are declining. However, Greece (16.3 %) and Spain (8.6 %) still experience high long-term unemployment rates.

Activity rate is growing at a stable pace and converging in the EU. This upward convergence is reducing the gap between the countries with the highest (82.6 % in Sweden) and the lowest (65.4 % in Italy) activity rates.

In the majority of countries, supplementary indicators to unemployment (like underemployment or 'available but not seeking') are decreasing following the declines in the unemployment rate. This evolution is moderate in most of the countries.

Productivity

Labour productivity in the EU remains modest. Productivity growth year-on-year weakened to 0.4~% in the EU and 0.1~% in the euro area in the second quarter of 2017, after rebounding in the beginning of the year.

Growth in labour productivity differs across Member States, but generally remains modest. Productivity growth over a year to the second quarter of 2017 varied as output growth outpaced the rise in employment, but to different degrees across Member States. Within the

² Data from June 2017

³ Change between June 2016 and June 2017, latest data available

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euro area, productivity started to decline in Germany, continued to decline in Greece and Portugal, and stagnated in France and Italy.

Labour costs

Compensation per employee grows in the EU and most Member States. The EU saw a first increase in compensation per employee year-on-year (0.3 %) since the beginning of 2016. On balance, nominal unit labour cost growth (which measures cost-push inflationary pressures) approached 0 in the EU, but surged in the euro area, with the Baltic Member States showing very strong increases.

Real unit labour cost growth (RULC) increased slightly in the EU. The Czech Republic, Romania, Lithuania and Bulgaria saw the strongest increases in RULC as real compensation per employee rose sharply overtaking productivity growth. Among larger Member States Germany and France registered notable growth as productivity declined. A strong increase in real compensation per employee in Croatia, Estonia and Latvia was offset by faster productivity growth leading to the decrease of real unit labour cost. The growth in RULC at EU level implies an improvement in the labour income share.

Household situation

The financial situation of EU households continues to improve, mainly driven by an increase in income from work. Real gross disposable household income (GDHI) continued to grow but at a reduced pace of 0.7 % in the year to the first quarter of 2017. The improvement resulted from an increase in income from work, while the increase in social benefits came to a halt. Nearly all Member States continued to see growth in household income in the year to the first quarter of 2017, except Greece, Spain and the UK.

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 by mid-2017, affects around 13 % of the population. It is down from a peak of nearly 17 % at the end of 2013. Among people living in the poorest households (lowest quartile), 23 % are in financial distress, down from the peak of 28 % at the end of 2013: 9 % run into debt and a further 14 % draw on savings to cover current expenditure.

Labour demand

Labour demand, measured as vacancy rate, is improving. The overall job vacancy rate in the EU has risen to 2 % in the second quarter of 2017 and it was 0.2 pp above the rate a year before. The job vacancy rate was higher in services than in industry and construction. Labour shortages increased, but hiring activity was decreasing for the first time since the start of the recovery, with 0.7 % fewer people starting a new job compared to the previous year. Despite this slight decrease, finding and separation rates are improving and they are close to their levels of before the crisis.

Outlook

Survey data and economic forecasts suggest a positive economic and labour market outlook, although unemployment reductions may become smaller. The euro area economy expanded and solid job creation should have continued in the third quarter of 2017, according to the Purchasing Managers Index. The economic sentiment and employment expectations improved in recent months, and unemployment expectations are very low. The spring forecasts of the Commission, OECD and ECB suggested that economic growth would continue at a moderate pace.



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

	201	6Q1	201	6Q2	201	6Q3	201	6Q4	201	7Q1	201	7Q2
	EU	EA	EU	EA								
Real GDP												
% change on previous quarter (SA)	0.4	0.5	0.4	0.3	0.5	0.5	0.7	0.6	0.5	0.5	0.7	0.6
% change on previous year (SA)	1.8	1.7	1.9	1.7	1.9	1.7	2.0	1.9	2.1	2.0	2.4	2.3
Employment growth												
% change on previous quarter (SA)	0.2	0.3	0.4	0.4	0.2	0.3	0.4	0.4	0.5	0.5	0.4	0.4
% change on previous year	1.3	1.4	1.4	1.4	1.1	1.4	1.1	1.4	1.5	1.6	1.5	1.6
Employment rate (15-64)												
% of working-age population	65.8	64.7	66.6	65.5	67.1	66.0	67.0	65.8	66.7	65.5	:	:
change on previous year (percentage point)	0.6	0.5	1.1	1.0	0.9	1.0	0.9	0.9	0.9	0.8	:	:
Employment rate (20-64)												
% of working-age population	70.2	69.1	71.1	70.0	71.5	70.4	71.4	70.3	71.2	70.0	:	:
change on previous year (percentage point)	0.6	0.6	1.1	1.1	0.9	1.0	0.9	1.0	1.0	0.9	:	:
Gross disposable households income												
% change on previous year	2.2	1.5	1.7	1.6	2.4	2.1	2.7	2.4	2.0	1.6	1.7	1.3
Labour productivity												
% change on previous year	1.0	0.9	1.2	1.1	0.5	0.3	1.0	0.9	0.5	0.2	0.6	0.2
Nominal unit labour cost												
% change on previous year	2.3	0.3	1.5	0.1	0.1	1.0	-1.1	0.1	-2.0	0.9	-2.1	1.1
Long-term unemployment rate												
% labour force	4.2	5.2	4.0	5.0	3.8	4.8	3.8	4.8	3.7	4.7	:	:
change on previous year (percentage point)	-0.7	-0.8	-0.6	-0.7	-0.5	-0.4	-0.5	-0.6	-0.5	-0.5	:	:

	2016	5 Jun	201	5 Jul	2016	Aug	2017	' Jun	2017	7 Jul	2017	Aug
	EU	EA	EU	EA	EU	EA	EU	EA	EU	EA	EU	EA
Unemployment rate												
Total (% of labour force)	8.6	10.1	8.5	10.0	8.5	9.9	7.6	9.1	7.7	9.1	7.6	9.1
Men	8.4	9.8	8.3	9.7	8.3	9.6	7.5	8.8	7.5	8.7	7.5	8.7
Women	8.8	10.5	8.8	10.4	8.7	10.3	7.8	9.5	7.9	9.5	7.8	9.5
Youth (% of labour force 15-24)	18.8	21.0	18.7	20.9	18.5	20.7	16.8	19.0	16.8	19.0	16.7	18.9

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

Note: Data not seasonally adjusted (except where indicated SA). ':' not available. GDHI: EA18 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 euro area 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

The EU economy continues its expansion

Real GDP increased by 0.7~% in the EU and by 0.6~% in the euro area in the second quarter of 2017, which is more than in the previous quarter (0.5~% in both the EU and the euro area). Private consumption as well as investment were the main drivers of this output growth in both areas, while contribution of external balance was positive but minor. Year-on-year growth improved further to 2.4~% in the EU and 2.3~% in the euro area. The US economy accelerated, with real GDP increasing by 0.8~% in the second quarter (compared to the previous 0.3~%), bringing year-on-year growth to 2.4~%.

The real GDP in the EU and euro area started to exceed its previous peak in 2014, and is now 7.3 % and 5.0 %, respectively, above 2008 levels. In comparison, as the US economy began to recover faster, its real GDP level is now 13.8 % higher than in 2008 (Chart 1).

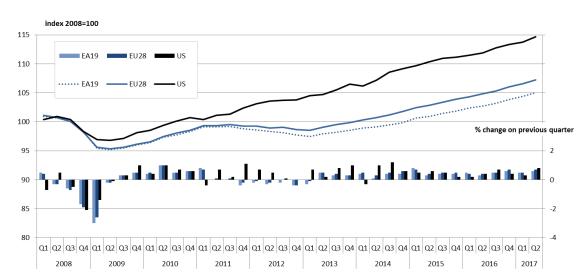


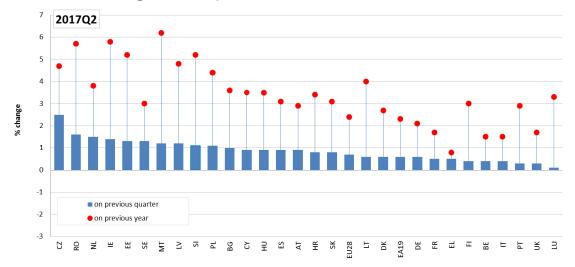
Chart 1: Real GDP growth - EU, euro area and US

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

All Member States report an increasing output

The economy continued to expand in all Member States in the second quarter of 2017. The dispersion of growth narrowed and quarterly GDP growth ranged from 0.3 % in Portugal and the UK to a solid 2.5 % in the Czech Republic. Year-on-year growth was positive in all Member States, exceeding 5 % in Malta, Romania, Estonia, Ireland and Slovenia (Chart 2).





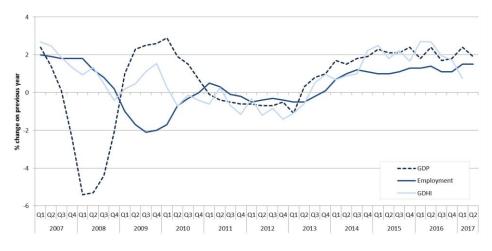
Source: Eurostat, National Accounts, data seasonally adjusted [namq_10_gdp]

Note: LU 2017Q1 Click here to download chart.

Employment and household incomes follow economic growth

Employment in the EU continued to expand in 2017, even at a higher pace than in previous years. In the year to the second quarter of 2017 employment recorded a $1.5\,\%$ increase. Accompanying the economic and labour market recovery, gross disposable household income (GDHI) in the EU⁴ registered a further year-on-year increase in real terms by the first quarter of 2017 (0.7 %) (Chart 3).

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.

⁴ 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.

Unemployment continues to recede

In August 2017, the EU and euro area unemployment rates were 7.6 % and 9.1 %, down from 8.5 % and 9.9 % in August 2016. By comparison, the unemployment rate in the US was 4.4 % in August 2017, down from 4.9 % in August 2016.

In the EU and euro area, unemployment has declined gradually from its 2013 peak, but it is still above the 2008 levels. By contrast, unemployment in the US declined much faster initially while the pace of declines has slowed down recently, and the unemployment is returning to 2008 level (Chart 4).

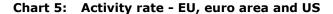
Chart 4: Unemployment rate - EU, euro area and US

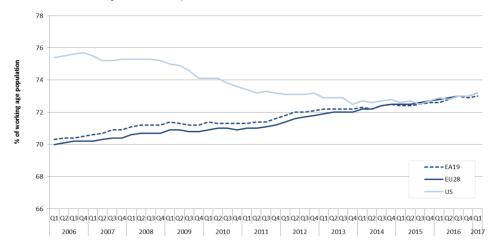
Source: Eurostat, series on unemployment, data seasonally adjusted [une_rt_m] ${\sf Click}$ here to download chart.

Labour market participation heads up

The faster decline in the unemployment rate in the US compared to the EU can be partially linked to 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 was accompanied at the beginning by an important decline in labour market participation, that is, by an increase in inactivity, which was especially sharp in 2008-2011. The labour market participation in the US started to stabilise in 2013 and starts to show some recovery signs in 2017.

Consequently, the large gap between the US and the EU in the activity rate observed before 2008 has disappeared (Chart 5).





Source: Eurostat, LFS [Ifsi_act_q], and US Bureau of Labour Statistics, LFS from Current Population Survey (CPS), data seasonally adjusted

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

Click here to download chart.

Outlook

The euro area economy expands and job creation accelerates in the second half of 2017

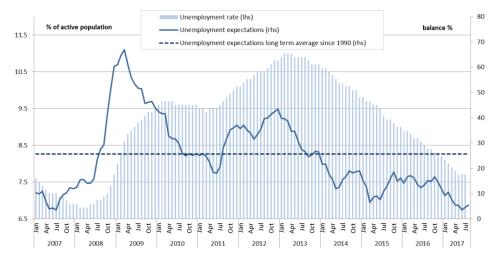
The Purchasing Managers Index (PMI)⁵ for the euro area, derived as a composite index for euro area output, has improved notably since mid-2016. The flash PMI suggests that growth in euro area picked up in the third quarter to register one of the strongest gains seen over the last six years (0.7 %). The PMI also suggests that employment increased at the second-highest rate seen over the past decade, with hiring remaining firm in services and at a record high in manufacturing.

Economic sentiment and employment prospects improve

The Commission's economic sentiment indicator (ESI), derived from the EU Business and Consumer Surveys, has improved in recent months. Confidence has consistently grown in construction where it is, nevertheless, the lowest, and it has notably improved since mid-2016 in industry. However, confidence has stagnated in services (although remaining the highest among all sectors) and in retail (having been overcome by confidence in industry). On the household side, consumers' unemployment expectations for the next 12 months are lower than at the end of 2015 (Chart 6). Underlying the improvements in confidence, employment prospects over the next few months shows signs of improvement in all sectors, except for retail (Chart 7).

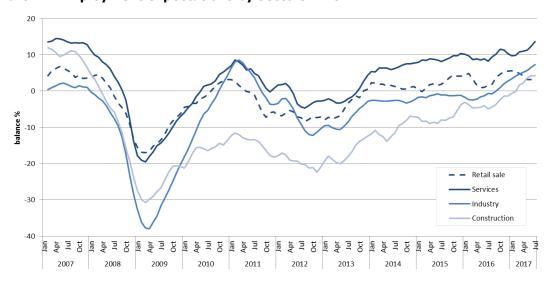
⁵ The Eurozone Manufacturing Purchasing Managers' Index (PMI) is a weighted indicator calculated from indices of output, new orders, employment, suppliers' delivery times and stocks of purchases.

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 outlook for growth and jobs in the EU remains positive

The latest available Commission Spring Forecast of May 2017 suggested that economic growth would continue at a moderate pace, as recent labour market gains and rising private consumption are being counterbalanced by weakening factors. The Commission is forecasting GDP growth in the EU at 1.9 % in 2017 and 1.9 % in 2018. Regarding the labour market, the Commission expects employment to moderate its growth in 2017 and 2018, expecting 0.9 % increase in both years. Unemployment is predicted to fall from 8.6 % in 2016 to 8.0 % in 2017 and 7.7 % in 2018. The forecasted unemployment rate seems quite conservative as in August 2017 unemployment rate has already decreased to 7.6 %. Inflation is expected to ease next year allowing private consumption to pick up. Investment remains hampered by the modest growth outlook and the need to continue deleveraging in some sectors. Forecasts from Commission OECD, IMF and ECB confirms similar outlook for the euro area (Table 1).

Table 1: Recent forecasts - EU and euro area

	GDP growth			th	Unem	ploymen	t rate	Employment growth			
		2016	2017	2018	2016	2017	2018	2016	2017	2018	
euro area											
Commission	May-17	1.8	1.7	1.8	10.0	9.6	9.1	1.4	1.2	1.1	
OECD	Jun-17	1.8	1.8	1.8	10.0	9.3	8.9	1.4	1.4	1.1	
ECB	Jun-17	1.8	1.9	1.8	10.0	9.4	8.8	1.4	1.4	1.0	
IMF	Apr-17	1.8	1.9	1.7	10.0	9.4	9.1	:	:	:	
EU											
Commission	May-17	1.9	1.9	1.9	8.6	8.0	7.7	1.3	0.9	0.9	
IMF	Apr-17	1.9	2.0	1.8	:	:	:	:	:	:	

Source: European Commission May 2017, OECD June 2017, ECB June 2017, IMF April 2017.

Note: ':' data not available.
Click here to download table.

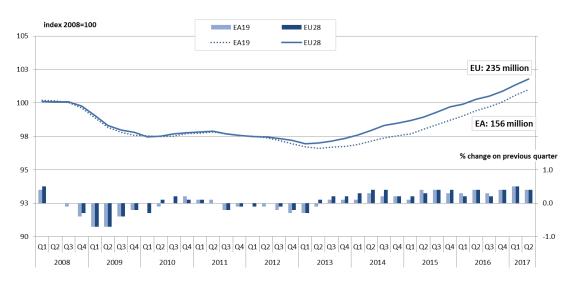
2. Employment in the EU and in Member States

Employment in the EU continues its expansion at a consistent pace

Employment continued to increase in the second quarter of 2017: by 0.4 % both the EU and in the euro area. It was up by 1.5 % in the EU and 1.6 % in the euro area compared to the second quarter of 2016. The year-on-year increase represents 3.5 million more employed people in the EU, including 2.4 million in the euro area. At the start of the economic recovery in 2013, employment growth was slightly higher for the EU as a whole than for the euro area. Since 2015, employment growth has been similar for both (Chart 3).

Employment has already been growing for four consecutive years in the EU. The lowest level since 2008 was recorded at the beginning of 2013. Since then, and up to the second quarter of 2017, employment has increased by more than 11 million (including 6.8 million in the euro area). Consequently, in the second quarter of 2017, employment in the EU reached a new record level with more than 235 million people in employment, 156 of those in the euro area (Chart 8).

Chart 8: Employment level - EU and euro area



Source: Eurostat, National Accounts, data seasonally adjusted [namq $_10_pe$] Click here to download chart.

Employment expands in most Member States

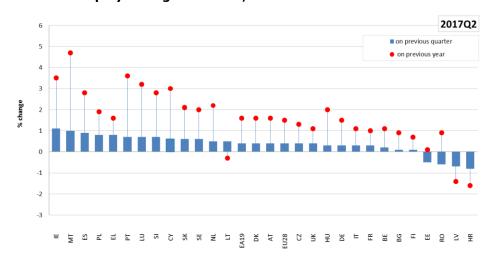
In the second quarter of 2017, employment continued to increase in most Member States. Among the best performing countries, quarterly employment growth was the highest in Malta (1 %) and



Spain (0.9 %), see Chart 9. However, some countries witnessed declines, namely Croatia (0.8 %) and Latvia (0.7 %).

Employment in the second quarter of 2017 was higher than in the second quarter of 2016 in most Member States. That growth was especially strong in Malta, 4.7 %, Portugal and Cyprus, both of them above 3 %. Croatia, on the other hand, showed the greatest yearly decrease, 1.6 % and Latvia declining by 1.4 %.

Chart 9: Employment growth - EU, euro area and Member States



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

[namq_10_pe]

Note: IE and LU data from 2017Q1

Click here to download chart.

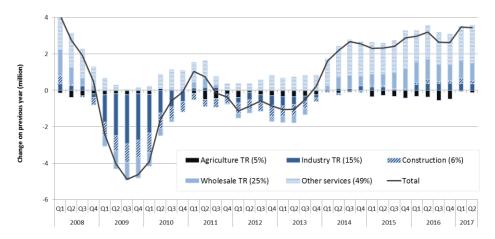
Service sectors drive employment growth

In the year to the second quarter of 2017, EU employment continued to increase across service sectors and to a smaller extent in industry and construction. Employment in non-tradable⁶ services has increased, even during 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 2017 alone, employment increased in nearly all service sectors, especially the information and communication sector, while it declined in the financial sector (Chart 11). The Statistical Annex presents in detail the changes in employment for 10 NACE branches.

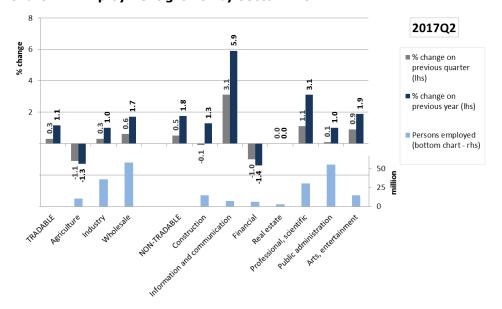
⁶ Tradable sectors include: Agriculture (A), Industry (B-E) - Mining and quarrying (B), Manufacturing (C), Electricity, gas, steam and air conditioning supply (D), Water supply, sewerage, waste management and remediation activities (E) and tradable services - Wholesale and retail trade (G), Transport (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



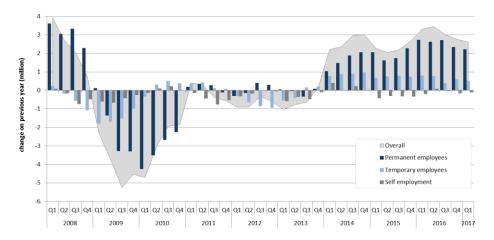
Source: Eurostat, National Accounts, data seasonally adjusted (q-o-q) and not seasonally adjusted (y-o-y) [namq_nace10_e]

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

Permanent jobs contribute notably to employment expansion

In the year to the first quarter of 2017, the increase in the number of permanent employees was strong, 2.2 million (1.4 %), although marking a slowdown compared with the expansion one year earlier (0.5 million less). A similar trend was observed for the number of temporary employees: it increased by 500 thousand (1.5 %), down from an 800 thousand increase one year before. The number of self-employed was slightly decreasing (Chart 12). The share of temporary workers on total employment increased slightly 0.1 pps up to 12.1 %.

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

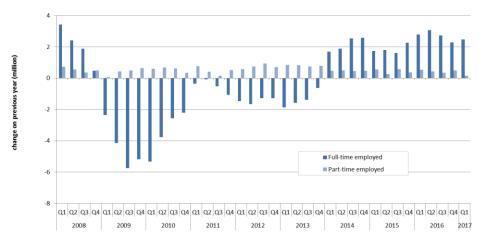


Source: Eurostat, LFS, data not seasonally adjusted [Ifsq_egaps, Ifsq_etgaed] Click here to download chart.

Full-time employment continues to drive employment growth but is still below 2008 level

Full-time employment has increased faster than part-time employment for three years. In the year to the first quarter of 2017, the number of full-time workers increased by 2.5 million (1.4 %), and the number of part-time workers increased by 150 thousands (0.3 %). Part-time employment never declined during the crisis, whereas full-time employment is still below its 2008 level. The number of people working full-time in the first quarter of 2017 remained 1.5 % (2.7 million) lower than in 2008, while part-time employment was 11.9 % higher (4.6 million) (Chart 13). The share of part-time workers declined 0.2 pps but remains 1.9 pps above the share of 2008.

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



Source: Eurostat, LFS, data not seasonally adjusted [Ifsq_eftpt] Click here to download chart.

Employment rates in the EU and in Member States

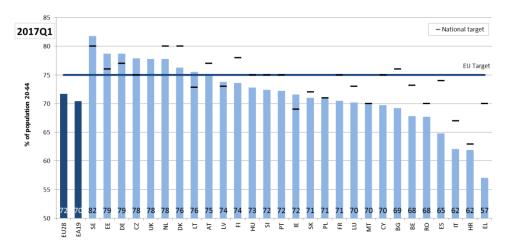
Employment rate continues its rise and the Europe2020 target may be within reach

The employment rate for 20-64 year-olds has increased consistently for the last four years. At 71.7 % in the first quarter of 2017, it exceeded by 1.3 pps the 2008 rate and by 3.5 pps its low in 2013. The rate increased by 1 pps in the year to the first quarter of 2017. At this pace the Europe 2020 target of 75 % may be reached. For the euro area, the employment rate increased by 0.9 pps



in the year to the first quarter of 2017, to reach 70.4 % which represents the same rate that the euro area hold in the 2008 (Chart 15, and Chart 14).

Chart 14: Employment rate - EU, euro area and Member States



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

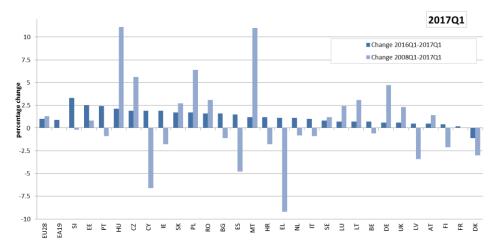
Employment rates increase in most Member States, but half are below their 2008 rates

In the year to the first quarter of 2017, the employment rate for 20-64 year-olds increased in all Member States, except in Denmark. The largest increases were recorded in Slovenia (3.3 pps) and Estonia (2.5 pps), see Chart 15.

Despite the observed improvements, the employment rate in the first quarter of 2017 remained below the 2008 rate in half of the Member States. Since 2008, rates have dropped significantly in Cyprus and Greece (by 6 pps or more), while Hungary and Malta showed the greatest increases, around 11 pps. Among the largest Member States, Germany, Poland and the UK consistently increased their employment rates.

In the first quarter of 2017, there was almost 25 pps difference between the highest employment rate of almost 82% in Sweden and the lowest employment rate of 57% in Greece .

Chart 15: Change in employment rate - EU, euro area and Member States



Source: Eurostat, LFS, data seasonally adjusted [Ifsi_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 2017, the EU employment rate increased for all population groups and most noticeably for people aged 60-64 (1.8 pps) and those aged 55-59 (1.5 pps). This trend observed over the past few years resulted in an 11 pps increase in the employment rate of older workers (those aged 55 to 64) since 2008. In the year to the first quarter of 2017, the employment rate of young people aged 25-29 also increased noticeably (1.3 pps). Still, their employment rate remained 2 pps lower than in 2008.

The increase in the employment rate in the year to the first quarter of 2017 was similar for both men and women. When compared to 2008, the employment rate in the first quarter of 2017 is higher for women (by 1.4 pps), but lower for men (down by 0.6 pps) (Chart 16). The employment rate increased for all the education levels, especially among those low-skilled. However, only the rate for those medium-skilled is above their respective 2008 rates.

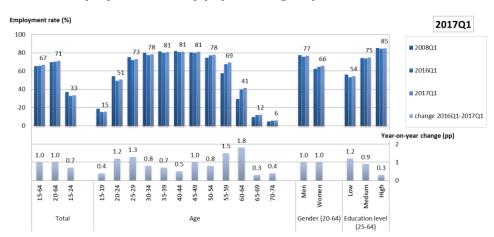


Chart 16: Employment rate by population groups - EU

Source: Eurostat, LFS, data non-seasonally adjusted [Ifsq_ergaed] Top chart: Employment rate (% of respective population). Bottom chart: Change in employment rate (pp).

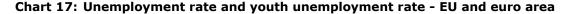
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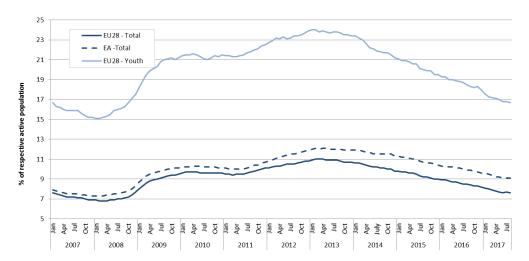
3. Unemployment in the EU and in Member States

Unemployment in the EU continues it steady decline

The unemployment rate in the EU and euro area has continued, in August 2017, its steady decline since mid-2013. It declined to 7.6 % in the EU and 9.1 % in the euro area. These changes represent a reduction of 0.9 pps and 0.8 pps respectively when compared to August 2016. The unemployment rate in the EU is approaching its low of 6.8 % in March 2008 (Chart 17). Nevertheless it is the lowest rate recorded in the EU since December 2008.

The decline in the unemployment rate between August 2016 and August 2017 represents about 1.9 million fewer unemployed people in the EU, including 1.3 million in the euro area. Unemployment has receded by around 7.8 million people since its peak observed in April 2013. However, with about 18.7 million unemployed people, including 14.8 million in the euro area, there were around 2.7 million more unemployed people in August 2017 than in March 2008, when unemployment was at its lowest.





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

Unemployment declines in most of the Member States...

Compared with a year ago, unemployment rates decreased in twenty-seven Member States and remained stable in Finland. The largest reductions were registered in Cyprus (by 2.4 pps down to 10.7 %), Greece (by 2.3 pps down to 21.2%)⁷ and Spain (by 2.2 pps down to 17.1 %), see Chart 18 and Chart 19.

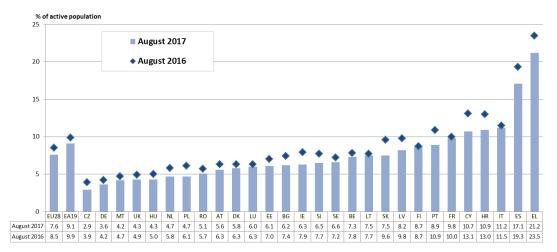
Large differences in unemployment rates remain among Member States. In August 2017, the lowest rates were recorded in the Czech Republic (2.9 %, yearly decrease of 1.2 pps) and Germany (3.7 %). By comparison, Greece⁸ (with 21.7 %) is now the only Member State with an unemployment rate over 20 %, while Spain with the second largest unemployment rate trails a little further behind (17.1 %), see Chart 18.

8 June 2017

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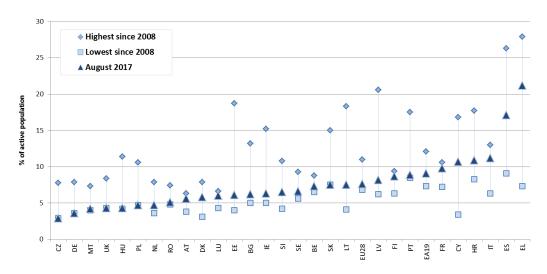
⁷ Change between June 2016 and June 2017, latest data available

Chart 18: Unemployment rates - EU, euro area and Member States



Source: Eurostat, series on unemployment, data seasonally adjusted [une_rt_m] Note: HU, DK and EE data from July 2017, EL and UK data from June 2017 Click here to download chart.

Chart 19: Unemployment rates - EU, euro area and Member States



Source: Eurostat, series on unemployment, data seasonally adjusted [une_rt_m] Note: HU, DK and EE data from July 2017, EL and UK data from June 2017 Click here to download chart.

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

In the year to August 2017, the unemployment rate decreased in the EU for all age groups and for both men and women. It fell by 0.9 pps for both men and women, down to 7.5 % and 7.8 % respectively. In the euro area, the unemployment rate declined by 0.9 pps for men and women to reach 8.7 % and 9.4 % respectively.

In the year to August 2017 a decline of 1.8 pps was observed for those aged 15-24, down to a rate of 16.7 % (Chart 20). For those aged 25-74, the unemployment rate in the EU declined by 0.7 pps down to 6.8 %.

More detailed age breakdowns refer to data in the first quarter of 2017. They show annual declines in unemployment rates for all age groups between 15 and 69 years of age. Looking at the age structure, the strongest declines were seen in the younger age groups 20-24 (2 pps) and 15-19

Employment, Social Affairs & Inclusion

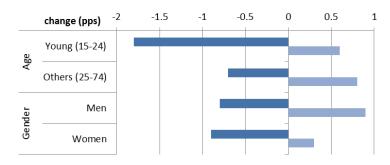
ESDE Quarterly Review



(1.5 pp). The unemployment rate also declined for the three levels of education considered (low, medium and high). These changes are approaching unemployment rates to the values of 2008 except for the low skilled, whose rate is still more than 5 pps above the 2008 rate.

Chart 20: Change in unemployment rate by population groups - EU





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

Table 2: Youth unemployment rates - August 2017

	Youth unemployment rate	Year-on-year change (percentage points)
LV	10.9	-7.0
SK	15.5	-6.7
HR	26.1	-6.1
BG	13.5	-5.1
IE	12.7	-4.5
ES	38.7	-4.4
RO	16.8	-4.0
PL	13.9	-4.0
SI	11.1	-3.8
EE	10.8	-3.7
EL	43.3	-3.2
CZ	8.0	-3.2
IT	35.1	-2.2
SE	17.7	-2.0
PT	24.6	-2.0
FR	23.0	-1.9
EU28	16.7	-1.8
CY	26.3	-1.8
EA19	18.9	-1.7
NL	8.9	-1.7
UK	11.8	-1.6
HU	10.7	-1.5
AT	10.2	-1.2
LU	17.3	-1.2
DK	11.7	-0.7
DE	6.4	-0.6
FI	20.6	0.2
MT	11.9	0.5
BE	21.7	0.8
LT	14.4	1.1

Source: Eurostat, series on unemployment, data seasonally adjusted [une_rt_m] Note: EE, HU and DK from July 2017 and BE, CY, EL, SI, HR, RO, UK and EE from June 2017 Click here to download chart.

EU youth unemployment show declines steadily in the EU and most Member States

In the year to August 2017, the youth unemployment rate (for those aged 15-24) for the EU declined by 1.8 pps and reached 16.7 %. It declined in the euro area by 1.7 pps and reached 18.9 %. These declines represent nearly 400 000 fewer unemployed people aged 15-24 in the EU, including 240 000 in the euro area. In August 2017 there were 3.8 million young people unemployed, including nearly 2.7 million in the euro area. Compared with 2008, and despite a higher youth unemployment rate, the level of youth unemployment is lower. This is the result of smaller cohorts combined with lower activity rates, as education enrolment increases.

In the year to August 2017, the unemployment rate among young people aged 15-24 fell in most Member States. Only three Member States saw year-on-year increases during this period, notably Lithuania (1.1 pps) and Malta (0.5 pps). The youth unemployment rate fell considerably in Latvia (7 pps) and Slovakia (6.7 pps). Greece⁹, the country with the highest youth unemployment rate (43.3 %), has also registered an important decline. The youth unemployment rate is also high in

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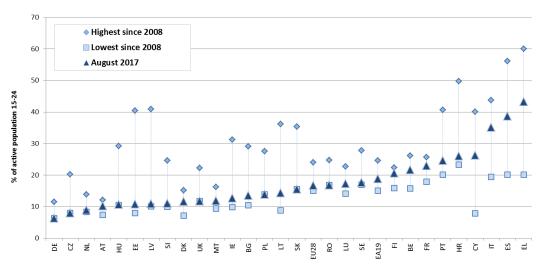
⁹ June 2017



Spain (38.7 %) and Italy (35.4 %). By contrast, youth unemployment rates are the lowest in Germany (6.4 %), the Czech Republic (8 %) and the Netherlands (8.9 %) (Table 2 and Chart 21).

All Member States registered youth unemployment rates below their peak values reached during the crisis. However, recovery is unequal at Member State level. While some countries present already lower rates than in 2008, namely Germany or the Czech Republic, others have not reduce half of the gap created during the crisis, for example Italy, Greece and Spain. In absolute terms, the countries with the highest reductions from peak values have been Latvia (30 pps) and Estonia (29.6 pps), see Chart 21.

Chart 21: Youth unemployment rates - EU, euro area and Member States, August 2017 and highest and lowest rate since 2008



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

Note: EE, HU and DK from July 2017 and BE, CY, EL, SI, HR, RO, UK and EE from June 2017

Click here to download chart.

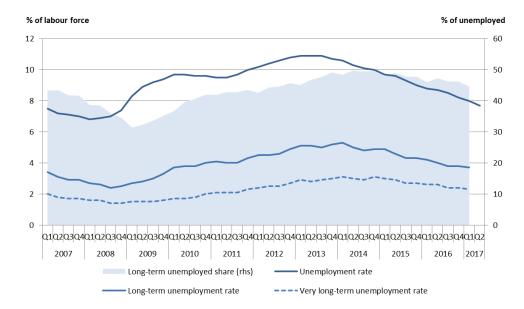
4. Long-term unemployment and additional potential labour force

Long and very long-term unemployment decrease at a steady pace

The long-term unemployment rate, those unemployed for a year or more, decreased by 0.5 pps in the year to the first quarter of 2017. The rate went down to 3.7 % of the labour force (Chart 22). The long-term unemployment rate has been decreasing over the last three years. The pace of the reduction has remained rather stable in the last two years. The very long-term unemployment rate, those unemployed for at least two years, decreased by 0.3 pps down to 2.3 % of the labour force.

In the first quarter of 2017, compared to the first quarter of 2016, there were around 1.2 million fewer people in long-term unemployment. However, long-term unemployment remains a challenge in the EU with around 9 million people in unemployment for more than a year, including 5.6 million for more than two years. The share of long-term unemployed in total unemployment is still high, around 45 %, but decreasing for the last two years.



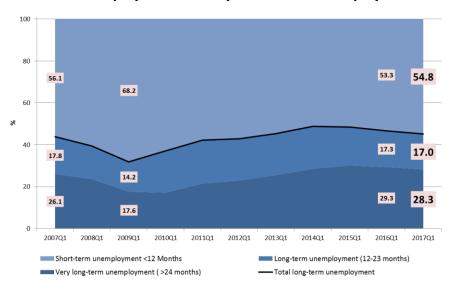


Source: Eurostat, LFS, data not seasonally adjusted [une_rt_q, une_ltu_q] Left axis: Unemployment rates (% of labour force). Right axis: Unemployment share (% of unemployed) Click here to download chart.

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 (0.5 pps vs 0.3 pps). The share of very long-term unemployed has decreased over the last year (Chart 23). The chart also shows that the changes in the shares of the different groups of unemployed have evolved slowly since the beginning of the recovery in contrast with the fast developments seen between 2008 and 2011.

Chart 23: Unemployment level by duration of unemployment - EU



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

Note: Data for first quarter of each year

Click here to download chart



Long-term unemployment decreases in most Member States

In the year to the first quarter of 2017, long-term unemployment declined across the majority of Member States. Only three Member States saw their long-term unemployment rates increase slightly. The largest reduction occurred in Croatia (1.9 pps), Spain (1.6 pps) and Portugal (1.4 pps), see Chart 24.

In the first quarter of 2017, Greece held the highest rate: 16.3 % of the labour force was long-term unemployed. Spain (8.6 %) and Italy (6.8 %) are the other two countries with the highest rates. These three countries and Cyprus have suffered the biggest increases compared with the pre-crisis rates.

Greece's rate of very long-term unemployment remained the highest in the EU at 11.8 %, although it decreased by 0.7 pps in the year to the first quarter of 2017. There were important reductions in very long-term unemployment rates in Spain (1.3 pps) and Croatia (0.9 pp).

In the first quarter of 2017 Greece also held the highest share of long-term unemployment, 69.9 % of its total unemployment, followed by Slovakia 62 %.

Compared to 2008, already nine countries have lowered their long-term unemployment rates, namely Germany (by 2.6 pps) and Slovakia (by 2.5 pps).

■ Long-term unemployment rate (left top axis) Long-term unemployment rate (% of labour force) 18 16.3 ■ Very long-term unemployment rate (left top axis) 2016Q1-2017Q1 chg in long-term unemployment 14 rate (right bottom axis) 10 86 68 42 3.6 3.6 3.7 3.6 3.7 2.9 0.3 Increase SE DK DE Æ Н 문 모 모 3 CZ Շ Ħ Year-on-vear change (pps)

Chart 24: Long-term unemployment rate - EU, euro area and Member States, level and change over the year to 2016Q3

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

Activity rate converges in the EU

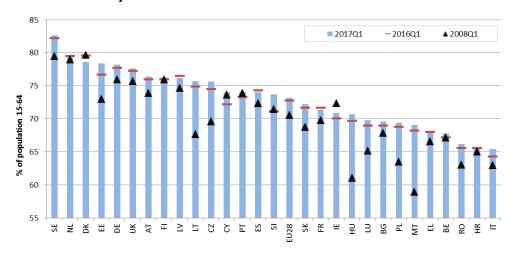
The activity rate in the EU, for the 15 to 64 age group, reached 73.2 % of the EU population in the first quarter of 2017 (Chart 25). This is 0.2 pps higher than in the fourth quarter of 2016 and 0.4 pps more than in the first quarter of 2016. In the first quarter of 2017, the active population of the EU between 15 and 64 years was around 239.3 million people, almost 4.5 million more than in the first quarter of 2008.

In the year to the first quarter of 2017, most of the Member States registered an increase in their activity rates (Chart 25). The Member States that experienced the strongest increases were Slovenia (2.5 pps) and Cyprus (1.8 pps). The largest decrease in activity rate took place in Denmark (1 pp).



The activity rate has been growing at a constant pace during the crisis years. Only two countries, Denmark and Ireland, had lower activity rates in the first quarter of 2017 than in 2008. At the same time, this growth has produced some upward convergence between Member States. The most visible effect is the reduction of the gap between the countries with the highest and the lowest rates. ¹⁰

Chart 25: Activity rate - EU and Member States



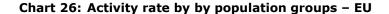
Source: Eurostat, LFS, data seasonally adjusted [Ifsi_act_q] Click here to download chart.

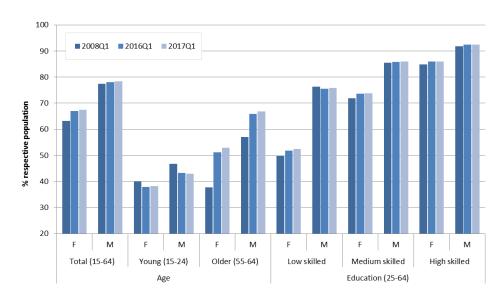
Increases in the activity rate of those 55-64 are still important but slowing down

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 across the EU. In the year to the first quarter of 2017 the activity rate of older workers increased by 1.4 pps with a stronger increase for women than for men in that age group, 1.8 pps for women and 0.9 pps for men. Older workers have increased their activity rates in 12.6 pps since 2008. Over the last quarters increases have still been substantial but decelerating.

During the last year, the activity rate for youths remained stable but it is 2.8 pps lower than in the third quarter of 2008 (Chart 26). The low skilled increased their participation rate by 0.6 pps in the year to the first quarter of 2017. On the other hand the activity rate for the high skilled remained unchanged. The gender gap in activity rates is getting narrower for all age groups, namely between the youth, 4.7 pps, 0.6 pps less than the year before, however it is still very high among the low skilled, more than 23 pps.

¹⁰ The coefficient of variation, defined as the ratio between the standard deviation and the mean, has decreased between 2008 and 2017, which confirms the convergence trend.





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

The number of those 'Available to work but not seeking' and 'underemployed' in the EU decreases

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 measured as a percentage of the labour force, i.e. the active population. They are also called supplementary indicators to unemployment (SIU)¹¹.

The proportion of workers in the EU who are 'available but not seeking' (for example the 'discouraged') was 3.4 % of the labour force in the first quarter of 2017. This rate decreased by 0.3 pps compared to the first quarter of 2016. 'Underemployment', i.e. the proportion of those who would like to work additional hours and are available to do so, decreased by 0.2 pps in the year to the first quarter of 2017 and represented 3.8 % of the labour force.

The rate of those 'seeking but not available for work' increased slightly over the year and reached 1 % of the labour force in the first quarter of 2017.

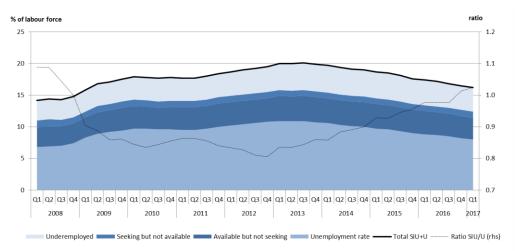
The sum of the reductions in these three indicators, amounting to 0.4 % of the labour force, adds to the positive developments in unemployment (Chart 27) and long-term unemployment.

-

¹¹ See:

http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Underemployment_and_potential_additional_labour_force_statistics_explained/index.php/Underemployment_and_potential_additional_labour_force_statistics_explained/index.php/Underemployment_and_potential_additional_labour_force_statistics_explained/index.php/Underemployment_and_potential_additional_labour_force_statistics_explained/index.php/Underemployment_and_potential_additional_labour_force_statistics_explained/index.php/Underemployment_and_potential_additional_labour_force_statistics_explained/index.php/Underemployment_and_potential_additional_labour_force_statistics_explained/index.php/Underemployment_and_potential_additional_labour_force_statistics_explained/index.php/Underemployment_and_potential_additional_labour_force_statistics_explained/index.php/Underemployment_additional_labour_force_statistics_explained/index.php/Undex.





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.

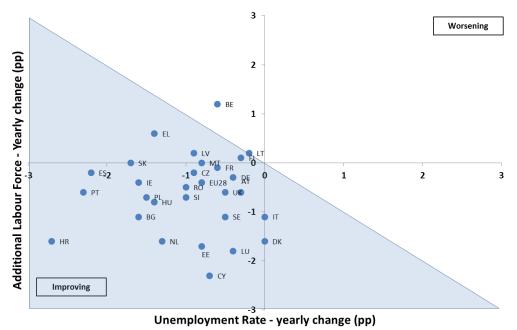
All indicators point to labour markets improvements for most Member States¹²

The changes in the unemployment rate must be analysed alongside changes in activity rates 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 2017 the reductions in unemployment were accompanied by decreases in supplementary indicators in most Member States (Chart 28). Belgium was the only country where the increases in supplementary indicators was higher that the decrease in unemployment. In this case, the evolution of the supplementary indicators could be affected by a methodological change.

¹² 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 2016Q1-2017Q1



Source: Eurostat, LFS, data seasonally adjusted [une rt q, lfsi sup q]

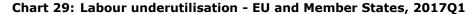
Note: EE, MT and RO: no data for 'Seeking but not available'. MT: no data for 'Available but not seeking' Supplementary indicators for FR from France Metropolitan

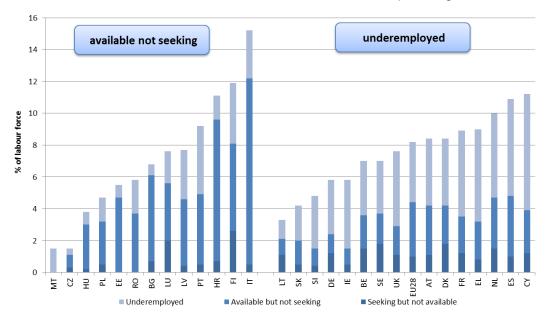
Click here to download chart.

Member States can be divided into those where people are mainly 'available but not seeking' and those where people are mainly 'underemployed'. In the first quarter of 2017 the number of countries where 'available but not seeking' is predominant has been increasing (Chart 29), notwithstanding the fall in these indicators experienced in most countries.

In the first quarter of 2017, Italy was the country with the highest combined level of supplementary indicators accounting for 15.2 % of its labour force. This is mainly due to the highest 'available but not seeking' rate in the EU representing 11.7 % of the labour force. However, this rate decreased by 1.4 pps in the year to the first quarter of 2017, and 2.3 pps since the peak in the first quarter of 2015. Cyprus showed the largest reduction in the 'available but not seeking' rate, 1.9 pps. By contrast, Belgium was the Member State with the highest increase in 'available but not seeking' rate (0.6 pps).

In the first quarter of 2017, Cyprus still had the highest rate of underemployment, at 7.3 % of the labour force and starting to decline after 7 years of increase. Slovenia had the biggest yearly increase in underemployment (0.7 pps). Over the same period, the Netherlands (0.9 pps) and Croatia (0.7 pps) saw the largest year-on-year declines in underemployment.





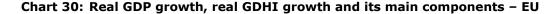
Source: Eurostat, LFS, data non-seasonally adjusted [Ifsi_sup_q] Note: EE, MT and RO no data for 'Seeking but not available' and MT no data for 'Available and not seeking' Click here to download chart.

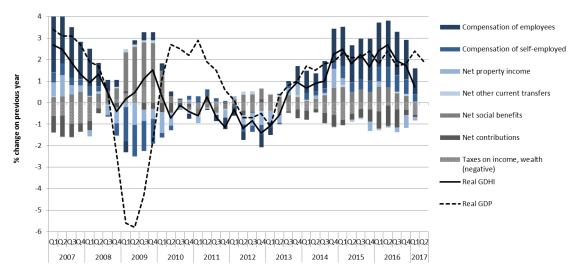
5. Income and financial situation of households

Financial situation of EU households continues to improve

On average in the EU^{13} , real growth in gross disposable household income (GDHI) continued to grow but at a reduced pace of 0.7 % in the year to the first quarter of 2017. Overall, the strong growth (around 2 %) has continued since the recovery in mid-2013 (Chart 30). In the euro area, the year-on-year real growth of GDHI recorded in the first quarter of 2017 remained at 1.5 %.

¹³ 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.





Source: Eurostat, National Accounts, data not seasonally adjusted [namq_10_gdp, nasq_10_nf_tr] (DG EMPL calculations)

Note: GDHI $\stackrel{.}{E}$ U aggregate for Member States for which data are available, GDP for $\stackrel{.}{E}$ U28 Click here to download chart.

Households benefit from higher income from work, while increase in social benefits comes to a halt

In the year to the first quarter of 2017, the growth in GDHI continued to be driven largely by income from work. The compensation of the self-employed and employees increased, although at a rate lower to that seen in previous quarters. The contribution from property income declined and did not change for other transfers. Meanwhile, increases in social benefits came to a halt, while higher social contributions and taxes weighed down on the growth of disposable income.

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 2017 reflects positive developments in most Member States (see Statistical Annex). Most of the larger Member States have registered several quarters of improvements: the longest period of year-on-year increases has been seen in Poland (since data are available) and Germany (since mid-2010), followed by France and Italy, while the United Kingdom and Spain saw a recent decline. Greece is the only Member States which does not show a consistent sign of improvement in household incomes.

Fewer people have troubles to cover current expenditure

Financial distress¹⁴, based on personal perceptions and 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, but even more so the share of those having to draw on their savings have declined. Financial distress receded gradually to around 13 % of the population from its historically high level of nearly 17 % in autumn 2013 (Chart 31).

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

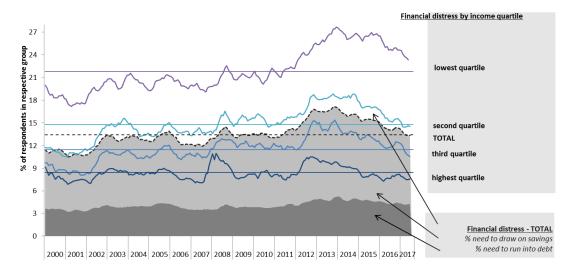
Financial distress for low-income (lowest quartile) households appears to have continued to ease since 2015, but remains high when considering a longer period. Overall, 9 % of adults in low-income households run into debt, and a further 14 % drew on savings to cover current expenditure in the

¹⁴ 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



second quarter of 2017. By comparison, the proportions for the total population were just above 4 % and 9 %, respectively (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.

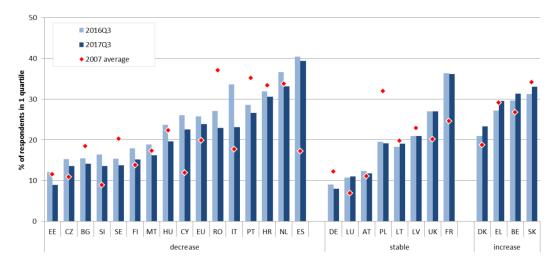
Click here to download chart.

Financial distress eases 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) on average in the year to August 2017. It remains significantly higher than in 2007 only in Greece, France and Spain. It ranges from around 3 % in Germany to more than 25 % in Greece and France.

On average, 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 August 2017. Compared to 2007, financial distress for the poorest households is higher in around half of the Member States. On average in a year to August 2017, it affected 8 % of households in the lowest income quartile in Germany compared to nearly 40 % of the poorest quartile 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, 12-months rolling average (DG EMPL calculations)

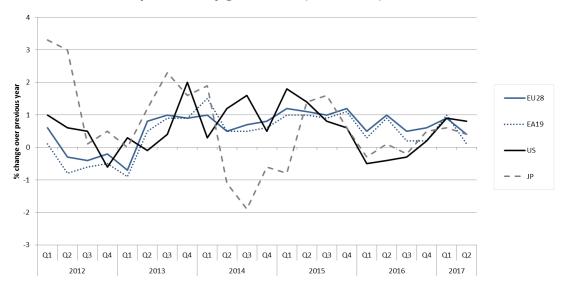
Click here to download chart.

6. Productivity, labour costs and hours worked

Growth in labour productivity in the EU remains modest

Productivity growth has remained modest in 2017 in the EU and euro area. Year-on-year productivity growth weakened in the second quarter of 2017 to 0.4 % in EU and to 0.1 % in the euro area. This was a significant slowdown after a rebound to around 1 % observed in both areas at the beginning of the year. At the same time, several major economies in the rest of the world saw an improvement in labour productivity following declines recorded over 2016, i.e. 0.8 % in the US and 0.4 % in Japan (Chart 33).

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



Source: Eurostat, National Accounts [namq_10_lp_ulc], data not seasonally adjusted Note: Labour productivity measured as GDP in constant prices per employed person Click here to download chart.



Productivity growth results from different interactions between output and employment growth across Member States

In the second quarter of 2017, labour productivity continued to increase year-on-year in most Member States. Baltic States, Croatia and Romania recorded by far the strongest increase in labour productivity (4 % or more year-on-year). The increase reflected a sharp increase in output accompanied by a drop in employment in Latvia and Croatia, while in Romania employment also picked up sharply.

In all other Member States where labour productivity improved, stronger output growth outpaced the rise in employment. Within the euro area productivity started to decline in Germany, continued to decline in Greece and Portugal, and stagnated in France and Italy. In all these countries, the increase in output was weak or insufficient when combined with increased employment (Chart 34).

2017Q2

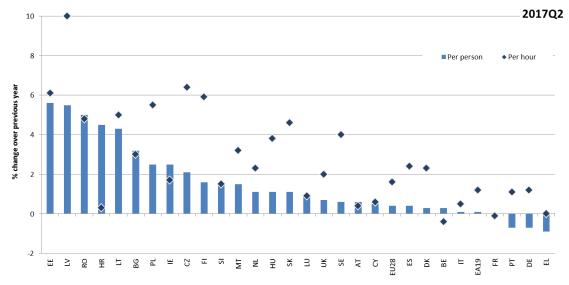
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Chart 34: Employment, GDP and labour productivity growth - EU, euro area and Member States

Source: Eurostat, National Accounts, data not seasonally adjusted [namq_10_pe, namq_10_gdp] Click here to download chart.

Growth in productivity per hour differed considerably from labour productivity growth per person employed in several Member States. These differences reflect different adjustments of labour markets to changes in output in a short run: stronger changes in the number of hours or stronger changes in the number of employed people (Chart 35).

Chart 35: Productivity growth per person and per hour - EU, euro area and Member States



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

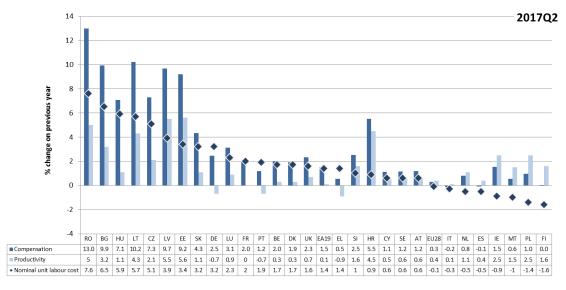
Note: HR: no data on productivity per hour

Click here to download chart.

Compensation per employee starts to grow in the EU

Nominal compensation per employee started to recover in the EU. The second quarter of 2017 marked the first, although slight, year-on-year growth (0.3 %) observed since the beginning of 2016. In the euro area, growth remained moderate (1.5 %). Nominal compensation per employee (as measured in national currency) continued to grow at a moderate rate across EU Member States. The Baltic States, Bulgaria and Romania recorded the highest growth (8 % or more), while it was slightly negative in Italy and Spain (Chart 36).

Chart 36: Growth in nominal unit labour cost and its components – EU, euro area and Member States



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

Click here to download chart.



Nominal unit labour starts to stabilise in the EU

Nominal unit labour cost (which is a measure of cost-push inflationary pressures) went from -1.1~% in the first quarter to -0.1~% in the second quarter of 2017, and surged (1.4 %) in the euro area. It grew at a moderate rate across EU Member States. Bulgaria, the Czech Republic, Hungary, Lithuania and Romania continued to record very strong increases in nominal unit labour cost, driven by a strong increase in nominal compensation per employee. On the other hand, Finland, Malta, Ireland and Poland showed a largest decrease as productivity growth was stronger than the growth in compensation per employee (Chart 36).

Real unit labour costs stabilise slightly in the EU

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) increased slightly in the EU in the second quarter of 2017 year-on-year (after a drop on -0.4 % in the previous quarter). The Bulgaria, Czech Republic, Lithuania and Romania saw the strongest increase as real compensation per employee rose sharply overtaking productivity growth. Among larger Member States Germany and France registered notable growth as productivity declined. A strong increase in the real compensation per employee in Estonia, Croatia and Latvia was offset by faster productivity growth leading to the decrease of real compensation per employee (Chart 37).

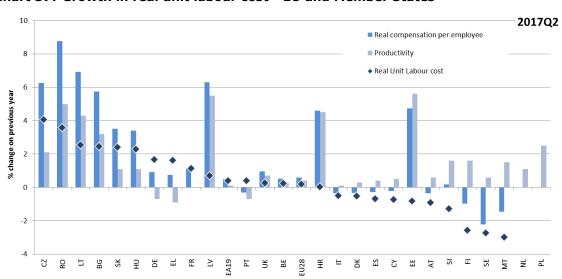


Chart 37: Growth in real unit labour cost - EU and Member States

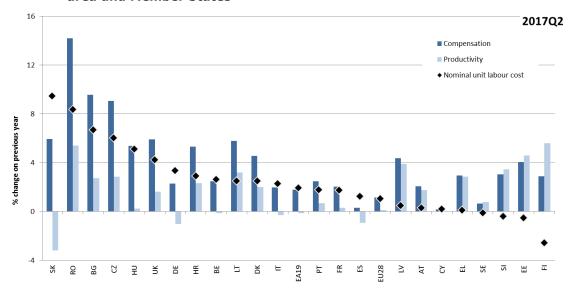
Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_lp_ulc, namq_10_pe, namq_10_gdp] (DG EMPL calculations)

Click here to download chart.

Growth in unit labour cost at sector level differs substantially across Member States

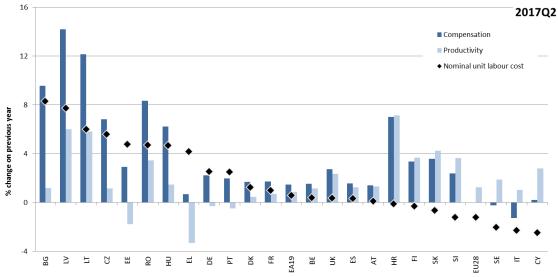
Industry nominal unit labour cost (a good indicator to measure cost-push inflationary pressures in the tradable sector) increased in the EU and in the euro area, in the year to the second quarter of 2017 (Chart 38). Nominal unit labour costs in the sector 'Wholesale and retail trade, transport, accommodation and food services activities' increased in the euro area, but decreased for the EU as a whole. The developments for those two sectors showed stronger differences across Member States (Chart 39).

Chart 38: Industry – growth in nominal unit labour cost and its components – EU, euro area and Member States



Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_a10_e and namq_10_a10] (DG EMPL calculations)
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, euro area and Member States



Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_a10_e and namq_10_a10] (DG EMPL calculations)
Click here to download chart.



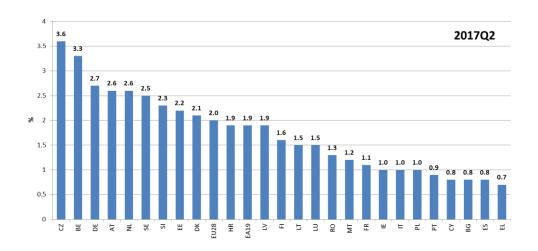
7. Labour demand: vacancies, labour shortages and hiring activity

The job vacancy rate increases

The unmet demand for labour, as expressed by the job vacancy rate¹⁵ (JVR) has been rising since mid-2015 in the EU and the euro area. In the second quarter of 2017, the EU JVR increased up to 2 %, up by 0.2 pps since the second quarter of 2016. In the euro area the rate also increased by 0.2 pps, up to 1.9 %. In the year to the second quarter of 2017, the JVR improved in most Member States, especially in the Czech Republic, Austria and the Netherlands (increases above 0.5 pps). By contrast, it decreased strongly in Malta, by 1.8 pps.

The JVR ranged from 0.7 % in Greece to 3.6 % in the Czech Republic (Chart 40). The unmet demand for labour was higher in services sectors (with a JVR of 2.2 %) than in industry and construction (with a JVR of 1.6 %) but it rose in both cases 0.3 pps.

Chart 40: Job vacancy rates - EU, euro area and Member States



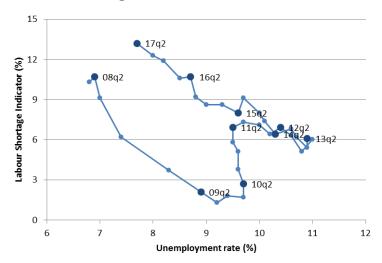
Source: Eurostat, Job Vacancy Statistics, data non-seasonally adjusted [jvs_q_nace2] Note: NACE Rev 2 sections B to S covered. DK: sections B to N, FR, IT: section O excluded; FR, IT, MT: business units with 10 or more employees. Click here to download chart.

Labour shortages increase while unemployment recedes

In the second quarter of 2017, unemployment declined slightly, and labour shortages stabilized in the EU (Chart 41). The Beveridge curve did not show any change in trend. The decline in unemployment observed since 2013 has been accompanied by an increase in labour shortages and is reflected in a conventional move up of 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.

¹⁵ The Job Vacancy rate is number of job vacancies / (number of occupied posts + number of job vacancies) * 100.



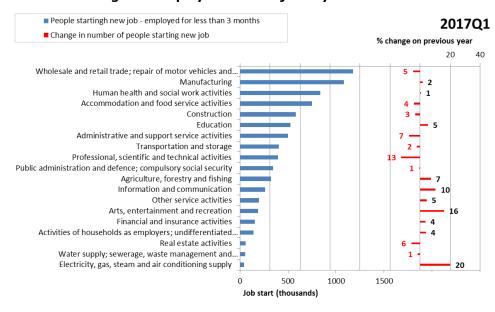


Source: Eurostat, LFS and European Commission, Business and Consumer Surveys [une_rt_q, ei_bsin_q_r2] Note: Labour shortage indicator derived from EU business survey results (% of manufacturing firms pointing to labour shortage as a factor limiting production) Click here to download chart.

Hiring is still strong but starts to decrease

The number of people starting a new job in the EU is decreasing, slightly, for the first time since the start of the recovery. In the first quarter of 2017 the number of hirings decreased 0.7 % on a yearly basis. Several sectors registered a sound growth in hirings (10 % or more). A few sectors (wholesale and retail trade, manufacturing, human health, accommodation and construction) accounted for nearly 55 % of the total number of people starting new jobs (Chart 42).

Chart 42: Changes in employees in new jobs by sector - EU



Source: Eurostat, LFS, data non-seasonally adjusted [Ifsq_egdn2] Click here to download chart.

Separation and finding rates return to pre-crisis levels

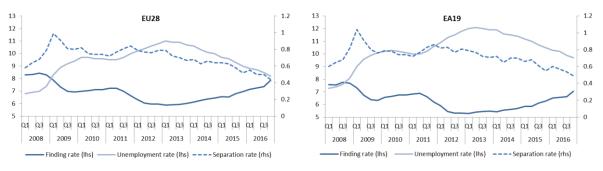
Declining unemployment rates in most Member States were the result of improvements in job finding rates and declines in separation rates. Separation rates are in the fourth quarter of 2016



below pre-crisis levels. The job finding rate has accelerated its recovery over the last quarters and is approaching its pre-crisis rate. In the year to the fourth quarter of 2016, the job finding rate increased in almost all Member States. It grew at a robust pace in Croatia and the Czech Republic. Conversely, it dropped strongly in Estonia and slightly in Austria. 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, Italy and Belgium have the lowest finding rates of the EU, although they are slightly improving.

Separation rates generally declined over the year to the fourth quarter of 2016, most significantly in Portugal and Belgium. They increased strongly in Cyprus and moderately in Italy and Denmark. Cyprus, Sweden and Spain have the highest separation rates. The Statistical Annex presents finding and separation rates for EU Member States (Chart 43).

Chart 43: Unemployment, finding and separation rates - EU and euro area



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 euro area

- 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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