

## NO IMPROVED OUTLOOK FOR THE EUROPEAN LABOUR MARKET

The EU average unemployment rate remained at 9.5 % in August 2011, unchanged since April. Following an increase in the three months to June 2011 in the EU (+1.0 %), the number of unemployed stabilised in July and posted a moderate decrease in August 2011 (-0.3 %). At country level, unemployment is falling in fewer Member States and at a slower pace, while it continues to rise in some peripheral countries.

### Overall summary of the situation:

- Slow change in the number of unemployed at EU level, EU unemployment rate stuck at 9.5 %
- Unemployment increasing for women, stabilising for men, still worrying for youth
- Worsening unemployment fears, deteriorating employment prospects in the tertiary sector and in construction
- Hiring activity still positive but a marked slowdown in temporary agency work; restructuring increased

### The EU unemployment trend remains flat while women's situation worsens

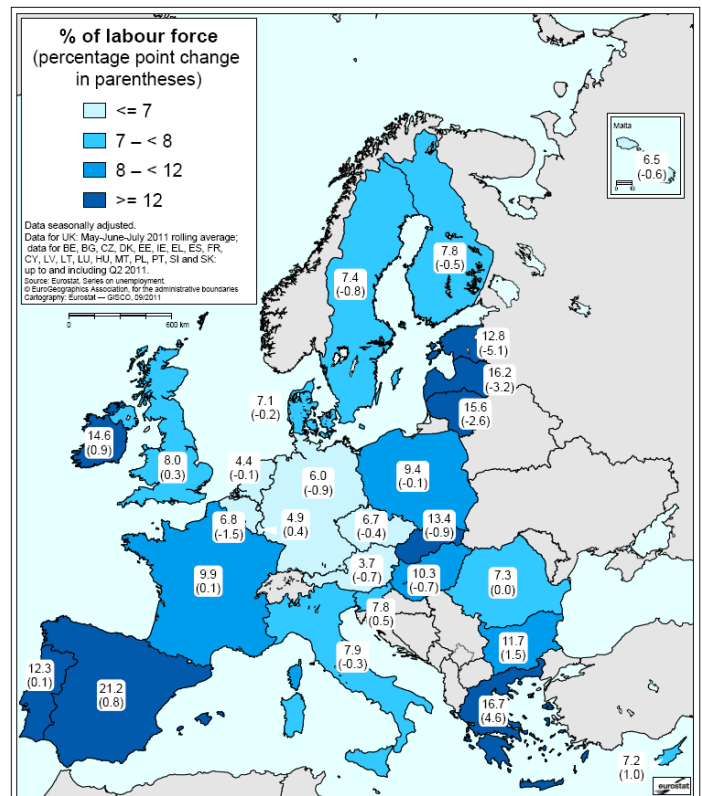
After a marked fall between October 2010 and March 2011 (-2.4 %, -555 000 persons) and an increase in the following three months (+1.0 %, +222 000 persons), the number of unemployed in the EU stabilised in July and edged down slightly in August (-0.3 %, -62 000 persons). At 9.5 % of the labour force, the EU unemployment rate has remained unchanged since April 2011, up by 0.1 pp on March 2011, but down by 0.1 pp on August 2010 (see Chart 1 for details). Over the twelve months to August 2011, the number of male unemployed fell by 405 000, while the number of jobless women rose by 104 000. The unemployment rate for women is now clearly higher than that for men, at respectively 9.7 % (same level as in August 2010, up 0.2 pp on March 2011) and 9.3 % (-0.3 pp on August 2010, unchanged from March 2011).

### The downward trend in unemployment in several countries is losing its momentum

Although the unemployment rate showed a moderate dip between July and August, by 0.1 pp, in Belgium (6.8 % in August), the Czech Republic (6.7 %), Italy (7.9 %), Malta (6.6 %) and Slovenia (7.8 %), it stayed broadly flat in August in a group of Member States posting a lower than EU average rate, after an improvement during the first half of 2011. In particular, the unemployment rate remained unchanged in Austria (3.7 %), Germany (6.0 %), Denmark (7.1 %), Finland (7.8 %) and Poland (9.4 %). The latest data available for the Baltic States (June 2011) were also showing a slowdown in the fall in unemployment, in Estonia and Latvia: over the quarter to June 2011, the unemployment rate decreased by 0.8 pp to 12.8 % in Estonia (against -1.0 pp in 2011q1), while it remained unchanged at 16.2 % in Latvia (-0.9 pp in 2011q1). Only in Lithuania, the fall remained sustained, at -0.9 pp, in the second quarter (previously -0.8 pp). The trend in Hungary is encouraging: -0.6 pp, over the three months to August, to 10.3 %. In Portugal, the unemployment rate fell by 0.3 pp

over the same period, to 12.3 %.

Chart 1: Unemployment rates, August 2011 and unemployment rate changes August 2010- August 2011 in parentheses



### Recent deteriorations in France and in the UK, and continued unemployment increases in some peripheral Member States

The recent developments were less favourable in two large Member States: in France, the unemployment rate went up by 0.2 pp over the three months to August, to 9.9 %, while in the UK, it rose by 0.3 pp over the three months to June, to 8.0 %. In some of the so-called peripheral Member States, unemployment has continued its upward trend. It rose over the last three months to August in Spain (+0.4 pp to 21.2 %), Bulgaria (+0.4 pp to 11.7 %), Cyprus (+0.3 pp to 7.2 %) and Ireland (+0.4 pp to 14.6 %), while it increased dramatically in Greece, over the three months to June (+1.6 pps to 16.7 %).

### European youth unemployment still above 20 % in most Member States

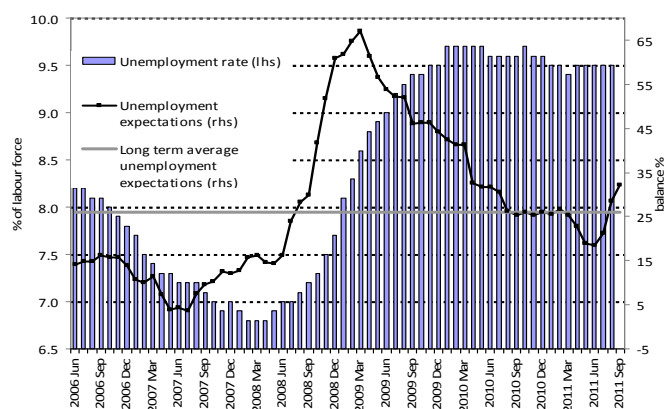
The number of young unemployed in the EU was still showing a moderate decrease in August (-23 000) to 5.1 million, with the youth unemployment rate at EU level standing at 20.9 % in August. The contrast between Member States remains high though, with seventeen countries posting rates above 20 %. Historic highs were recorded in Spain (46.2 % in August) and Greece (42.9 % in June). Only three countries show youth unemployment rates under the 10 % mark: the Netherlands (7.5 %), Austria (7.9 %) and Germany (8.9 %). Being more volatile than the total unemployment rate, the change in the youth

unemployment rate over the last three months to August ranges from -2.2 pps in Portugal (to 26.9 %) to +2.3 pps in Ireland (to 31.9 %). It went up by 3.9 pps in Greece in the three months to June 2011. The gap between the EU unemployment rate for adults (8.2 %) and young people (20.9 %) has narrowed somewhat since the beginning of 2011.

### Unemployment fears have worsened, while employment prospects deteriorated in the tertiary sector and in construction

In August, unemployment expectations over the next 12 months (Chart 2) have worsened in the EU as a whole, and in a growing number of countries. In particular, consumers in the Netherlands, Sweden and Finland have recently expressed fears of higher unemployment. According to the European Firms Outlook, employment expectations over the next three months have weakened in a growing number of countries and in all sectors. Managers remain rather pessimistic about employment in the retail trade, services and financial sectors since summer 2011, but relatively optimistic about industry. In the construction sector, managers take a negative view at EU level, particularly in Spain, but they are positive in Germany and Sweden (Chart 3).

Chart 2: Unemployment rate and unemployment expectations over the 12 months ahead



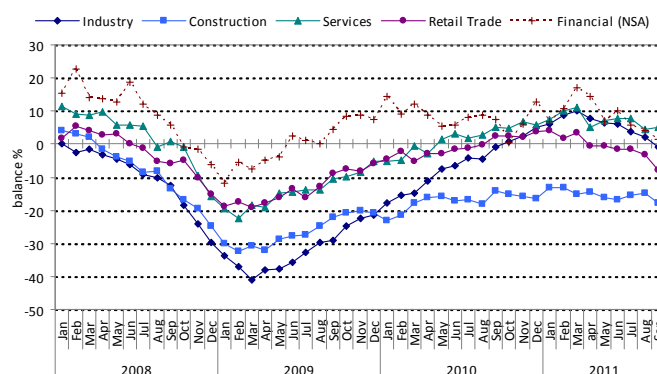
Source: Eurostat, ECFIN. Data seasonally adjusted.

### Online job demand is still sustained while temporary agency work is growing at a slower pace...

According to the Monster Employment Index, in September 2011 online job demand in the EU increased by 18% over the year. Engineering leads all industries by rate of annual growth. All countries except Belgium exhibited annual growth last month. The agency work industry in Europe grew by 8.0% in June 2011 compared with the same period in 2010, as reported by Eurociett. This sector has experienced fifteen months of continuous year-on-year growth, while the recovery in the sector's activity,

which is nearing pre-crisis levels across Europe, has continued at a slower pace recently. Agency work increased significantly in Poland and Italy in the year to June 2011, by respectively 33.0% and 20.3%, while it grew by only 4.5% in France and 7.9% in Germany.

Chart 3: Employment expectations over the 3 months ahead

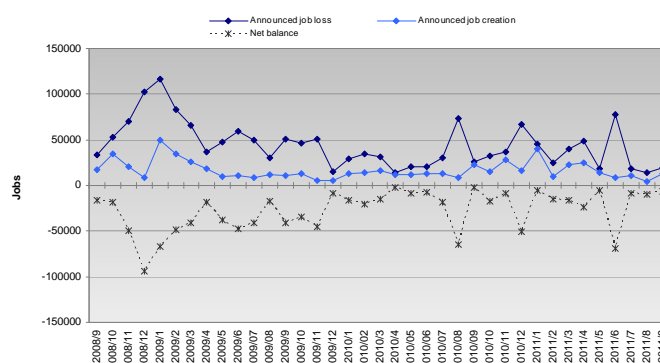


Source: Commission services (ECFIN), Business and consumer surveys. Data seasonally adjusted

### ... and restructuring activity rose moderately

Compared to previous months, there was a slight increase in the restructuring activity reported on the European Restructuring Monitor (ERM) in September 2011. 19 810 restructuring-related announced job losses and 13 247 announced new jobs were recorded (Chart 4), in a total of 97 cases. The Member States with the largest announced job losses were Italy (3 525) and Romania (3 121), followed by the Netherlands (2 444) France (2 253), the United Kingdom (1 361) and Spain (1 068). Manufacturing (8 303 jobs losses announced) was the sector the most affected, followed by transport and communications (5 802), utilities (1,316) and retail (930). Manufacturing (6 575), retail (3 610) and real estate/business activities (2 000) accounted for the majority of business expansion.

Chart 4: Restructuring trends



Source: European Monitoring Centre on Change, European restructuring monitor.

### Key labour market indicators for the EU27 (age 15-74)

EU27	Year (annual average)				Month (Seas. Adjusted data)			Monthly		Annual	
	2000	2008	2009	2010	2010 August	2011 July	2011 August	Number or pps.	%	Number or pps.	%
<b>Unemployment (1000)</b>	19 528	16 829	21 525	23 158	23 085	22 847	22 785	-62	-0.3	-300	-1.3
Males	9 733	8 715	11 852	12 690	12 581	12 244	12 176	-68	-0.5	-405	-3.2
Females	9 795	8 114	9 674	10 468	10 504	10 603	10 608	5	0.0	104	1.0
Less than 25	4 999	4 217	5 234	5 333	5 246	5 162	5 139	-23	-0.4	-107	-2.0
<b>Unemployment rate (%)</b>	8.7	7.1	9.0	9.7	9.6	9.5	9.5	0.0	-	-0.1	-
Males	7.8	6.7	9.1	9.7	9.6	9.4	9.3	-0.1	-	-0.3	-
Females	9.8	7.6	9.0	9.6	9.7	9.7	9.7	0.0	-	0.0	-
Less than 25	17.3	15.8	20.1	21.1	20.8	20.9	20.9	0.0	-	0.1	-