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Labour market and wage developments in 2009

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TABLE OF CONTENTS

List of BOXES

List of TABLES

List of GRAPHS

Summary and main findings

In the second half of 2008, the EU economy entered a recession that lasted the best part of 2009. The impacts arising from this recession have taken a severe toll on the economic well-being of many European citizens over the past two years. In the euro area alone, GDP contracted by 4% in 2009, unemployment surged, and public debt rose to unprecedented levels.

The 2010 Labour Market Review analyses how the labour market behaved over this period, focusing on the interaction with key macroeconomic variables such as productivity, wages and GDP. The report contributes to the overall effort to upgrade the monitoring of macroeconomic developments in the EU and the euro area as recommended by the EMU@10 communication([1]) and by the communication on 'Tools for stronger EU economic governance'.([2]) To this end, it presents an analysis of the most recent trends and prospects on participation, unemployment and employment rates on the one hand and labour costs on the other. It also provides an input to the enhanced country surveillance and helps to address the future thematic challenges within the context of the Europe 2020 strategy.([3])

Although the report concentrates on developments at euro area and EU27 levels, it also examines the situation in individual countries, specific policy measures taken to minimise the impact of the crisis and the challenges ahead. The crisis has clearly exposed underlying structural weaknesses which ultimately need to be tackled, irrespective of prevailing cyclical conditions. The report reviews the long-term policy challenges in light of the macro-economic environment created by the crisis and the need for fiscal consolidation.

([1]) Commission Communication: 'EMU@10: successes and challenges after 10 years of Economic and Monetary Union', COM(2008) 238, of 7.5.2008.

([2]) Commission Communication: 'Enhancing economic policy coordination for growth and jobs – Tools for stronger EU economic governance', COM(2010).

([3]) Commission Communication: 'EUROPE 2020: a strategy for smart, sustainable and inclusive growth', COM(2010).

Employment and unemployment developments

In 2009, European labour markets reacted to the slowdown with a gradual but steady decline in employment that has yet to come to an end. About 4 million jobs were lost in Europe in 2009. Consequently the unemployment rate reached 9.4% in the last quarter of the year, despite some moderate signals of economic recovery already appearing in some countries. These numbers conceal fairly wide differences across the 27 Member States. Although a large number of countries remain concentrated around the EU average, unemployment surged to record highs in the Baltic countries, Spain and Ireland. On the other side of the coin, the increase in unemployment was relatively small in Belgium, Finland, Italy, Luxembourg, Malta, Poland, Sweden, and The Netherlands; and the unemployment rate declined in Germany.

Considering the cross-country differences in output drops, it is worth noting that the Baltic countries, Spain, Ireland, Poland and Slovakia registered an unemployment reaction higher than expected, while Italy, Finland, Austria, the United Kingdom, the Netherlands, Germany, Hungary, Slovenia and Luxembourg had a smaller reaction. This can be attributed to different initial conditions as well as differing institutional settings and policy responses to the crisis. For example, the use of short-time working schemes, the coverage and generosity of unemployment benefits, the degree of duality in the labour markets, the labour market tightness prevailing before the crisis are all factors that explain such diverse reactions.

Having unemployment at record high levels for a long period may induce jobless people, especially those with a low labour market attachment, to give up searching because of their low employment chances. Skills mismatch and unconditional welfare policies can exacerbate discouragement, while activation policies and not too high minimum wages can encourage people to remain in the labour market. The first signal of discouragement is a decrease in labour force participation, which implies falling unemployment rate in the short-run.

During 2008 and 2009, the deterioration of the labour market in the US was accompanied by a drop in the participation rate (in 2009Q4 was about 2% lower than the 2008Q1's level). Conversely, a moderate drop in employment was accompanied by an increase in participation in the EU and the euro area. This should be seen as a positive development for the prospects of the recovery, as the fall in participation during the recession can also turn into a persistently low labour supply during the recovery. In the long-run, a low participation rate hampers the functioning of the labour market, through shortages of labour supply and higher wage pressures, and can be a bottleneck for economic growth.

This report shows that countries behaved differently in this respect. The increase in unemployment rate was particularly strong in the Baltic countries, Spain and Ireland. Yet, only in Latvia and Ireland, the higher number of jobless people was accompanied by a decline in the participation rate. In Italy and France, the employment rate dropped a similar amount. Yet, the participation rate behaved consistently with the discouraged worker effect only in Italy. Finally, only in Germany unemployment declined while participation increased.

Together with changes in the number of jobs, firms have used changes in the working hours as a tool to adjust labour input. Labour hoarding is the normal response of firms that prefer to keep their experienced workers at the early stages of a recession, especially if high-skilled workers are difficult to find when the recovery comes. By cutting hours firms may keep their wage costs down and save jobs in difficult periods. In addition, government sponsored short-time schemes have been also widely used. These schemes have been reinforced in some countries and introduced for the first time in others.

In Spain, Bulgaria, Finland, Hungary, Denmark, France, Sweden and Portugal, a sharp decline in employment was paired by stable hours per worker. Finally, Belgium, Italy and Germany had a stronger adjustment in hours per worker, mainly because of labour hoarding and intense use of short-time working schemes.

The unemployment fluctuations are driven by changes in the unemployment inflows and outflows, which roughly correspond to job destruction and job creation rates. Evidence on inflows and outflows suggests the following:

- The current levels of unemployment stocks and the inflow and outflow rates point to further adjustments in the coming quarters in many countries.

- In all countries, apart from Germany, unemployment inflows have been higher on average in the recessionary quarters than in the previous ones. Evidence about unemployment outflows is mixed.

- Average unemployment duration increased substantially in countries most hit by the recession; in Ireland from 12 to 19 months, in Latvia from 10 to 16, in Estonia from 14 to 20; and in Spain it almost doubled from 6 to 11 months. In the UK and in Italy, unemployment duration increased by 2 months. On the opposite side, the most remarkable performance was registered by Romania and Poland, which saw unemployment duration decrease by 6 and 4 months respectively.

- Compared to the pre-crisis average, the unemployment duration dropped in Denmark, Finland and the Netherlands, which, together with higher unemployment inflows, signals that the adjustment process through labour turnover in these labour markets is quite strong.

European labour markets are very different in terms of labour turnover. With the exception of the Netherlands, Spain and France, many countries have on average a low labour turnover. While in the Nordic countries the high turnover is associated with efficient activation policies and low hiring and firing restrictions, in France and Spain it appears as a consequence of a segmented labour market. As a result, one can draw the conclusion of a faster labour market response to the first signs of recovery in those countries with more flexible labour market institutions, i.e. allowing for better transitions in the labour market.

Although the crisis has severely hit the European labour market, different socio-economic and demographic groups have fared quite differently. While the employment of men shrank by 2.7%, that of women fell only by a smaller 0.7%. The gender dimension in employment performance

during the crisis is generally explained by men being disproportionally more present than women in industries, such as construction and manufacturing, which were more heavily hit by the crisis.

Regarding age, the young took much of the brunt of the recession as their employment shrank heavily by 7.5%; employment in the prime age group (25-54) declined by 1.7% while that of old people (55-64) grew by a considerable 2.5%.

The educational attainment is another dimension with remarkable differences during the crisis. Low skilled employment shrank by 5.8%. Medium skilled employment fell by 2.4%. However, high skilled employment grew by 2.8% even during the crisis. This shows that the skill upgrading in employment continued in 2009. Female high-skilled employment (30.2 million) overtook male high skilled employment (29.9 million) for the first time in 2009. These dynamics hide a significant job polarisation with better employment opportunities for specific occupations at both ends of the skills distribution (e.g. personal and protective service workers and professionals) and declining labour demand for those in middle-skilled occupations (such as routine office jobs and manufacturing).

Temporary employment dropped sharply between 2008 and 2009. The number of temporary employees fell by almost 6%. Temporary employees had a disproportionate high share in the decrease in the number of employees. Although 14% of employees were temporary in 2008, temporary employees account for about 45% of the reduction in the number of employees.

Regarding unemployment, the differences by demographic groups are by far less pronounced than for employment. The increase in the numbers of male or female, young, prime age or old unemployed are all in the range of 20% to 40%. Changes in unemployment do not mirror one to one changes in employment since labour force participation can change. On the one hand, the participation rate of young men and women as well as that of low educated men decreased by around 1 p.p.. This dampened an increase in the unemployment rate in these groups. On the other, rising labour force participation rates of old men and women increased the unemployment rates for the old people.

By extrapolating the average employment growth experienced between 2000 and 2008, one can simulate the level of employment had the crisis not occurred. The difference between the actual and the simulated employment describes the effect of the crisis. In the case of men, the actual employment declined between 2008 and 2009 by 2.7% while its 2000-2008 average growth was 0.8%. Thus, the total effect of the crisis on male employment can be estimated at -3.5%. Similarly, the total effect of the crisis on female employment can be estimated at -2.3%, resulting from an actual decline of 0.7% and a foregone growth of 1.6%. Therefore taking into account the different trends of male and female employment before the crisis, the gender gap in employment performance during the crisis got smaller. In other words, the main effect of the crisis on men has been an employment decline whereas the main effect on women has been the prevention of employment growth.

Recent trends in wages and labour costs

The impact of the crisis on wages became apparent in late 2008 and became more pronounced in the course of 2009. The growth rate of negotiated wages in the euro area, which had peaked at 3.6% in 2008Q4, fell to about 2% in 2009Q4 and may have stabilised at the beginning of 2010. Since 2009Q2, when it reached 1.6%, compensation per employee has been growing at its lowest rate since the beginning of monetary union and even falling in Ireland and Germany. In central and eastern European countries, the decline in compensation was stronger in the three Baltic states, in particular Latvia, where it fell by about 12%. Nominal compensation per employee also fell in the Czech Republic and Hungary. Hourly labour costs started to decline only in mid-2009. This larger lag is due to short-term measures to reduce the number of hours worked, as the reduction of hours worked was often accompanied by a less than proportional decrease in wages.

Unit labour costs growth peaked at 5.7% in 2009Q1, a record high since the beginning of the EMU. This was driven by sharp falls in productivity and the slow reaction in the dynamic of compensation per employee. The annual growth rate of unit labour costs dropped to 1.3% in 2009Q4, benefitting from a further

deceleration of compensation per employee and an improvement in productivity. After a record low in the first quarter 2009, the euro area productivity showed a clear upward trend in subsequent quarters, reflecting both adjustments in labour force and lower falls in output. Although recovering in subsequent quarters, productivity remained negative throughout 2009.

Real wages deflated by the consumption price deflator grew at the highest rate since the inception of the EMU. This was mainly a consequence of the accentuated decline in the inflation rate, as the growth rate in nominal compensation per employee also reached record lows since 2009Q2. Owing to the sharp fall in productivity, consumption wages grew above labour productivity adjusted for terms of trade, which, over the long term, defines an upper limit for real consumption wages. These are, however, short-term developments that are expected to be reversed in 2010, with increases in productivity and subdued developments in compensation per employee. Contrary to the developments in the euro area, real consumption wages fell in most the central and eastern European countries, owing to the fall in compensation per employee.

Public sector wages growth was higher than in the private sector in most countries. Yet, some adjustments of past misalignment were observed in Ireland, Spain and Portugal. By contrast, public sector wages in Italy run above the private sector wages, which contributed to widening the cumulative gap between private and public wage growth. The debt reduction strategies are expected to reduce this gap.

Non-wage labour costs declined in most countries benefitting from measures implemented by Member States, in particular rebates in social security contributions. Measures were often targeted to those most difficult to employ, the long term unemployed, low income workers, or to the self employed.

There were modest signs of convergence in cost competitiveness in the euro area. Real effective exchange rates (REER) based on unit labour costs depreciated in Spain, Ireland and Greece, which have accumulated significant cost competitiveness losses until 2008. On the contrary, REER (based on unit labour costs) appreciated in Germany and Austria, which gained in competitiveness over the past years. These developments may, however, be of a temporary nature as labour hoarding and temporary measures adopted during the crisis also contributed to the peak of unit labour cost, even more so in countries that had displayed a strong competitive position in the past. Most of the central and eastern European countries recorded a depreciation of their REER in relation to the EU-27, contributing to an adjustment of the sizeable appreciations accumulated since 2004.

Given the nature of this crisis, the situation differs considerably across Member States, both in terms of labour market outcomes and institutions, and in terms of constraints on account of external competitiveness and fiscal positions. These constraints will be of particular importance in a number of Member States where reforms are needed to improve their competitive position, notably by allowing for relative wage flexibility, and undertake smart fiscal consolidation.

From crisis to reforms

Member States have taken decisive action to avert the misery of mass unemployment. Many Member States responded to the impact of the severe economic crisis that hit the EU economy by extending the coverage or generosity of unemployment benefits, by reinforcing other social benefits, and/or by introducing short-time work. Measures have also been reinforced to support activation and to facilitate transitions to new jobs.

Even so, the crisis has clearly shown the weaknesses of the European labour markets. The underlying needs for labour market reforms are still valid, as the long-term challenges (ageing, globalisation, and technological change) have remained unchanged, if not intensified with the crisis.

The crisis has added two further dimensions to the existing challenges. Firstly, with the unemployment rate increasing almost everywhere, the burden of adjustment was unequally spread across various socio-economic groups. Secondly, public finances will be extremely constrained in the next years.

Within this new environment, the focus has to be first and foremost on reforms with low

or no direct budgetary impact. It is of crucial importance to focus on well-targeted policies (for example to activate low-skilled or long-term unemployed) and to avoid deadweight losses. At the same time measures that have adverse effects on inter-sectoral mobility should be discontinued as the recovery gains strength, and replaced by policies that promote job reallocation.

While labour market institutions and labour market reforms have a distinctive national character, one lesson from the recession is that partial labour market reforms may be very costly in bad times. The partial reforms enacted before the crisis have largely contributed to increase labour utilisation, to reduce long-term unemployment and enhance labour market flexibility. However, they have allowed a segmentation of the labour market, which can distort the incentives of firms and individuals to take risky investments and, ultimately, hamper productivity growth.

As the deterioration in economic growth bottoms out and fiscal space diminishes, the emphasis needs to switch from measures aimed at containing labour shedding to measures aimed at returning to a sustained growth path and at avoiding unemployment hysteresis.

The ECOFIN Council has identified principles to underpin the coordinated withdrawal of short-term measures in labour and product market([4]), which complement existing principles on fiscal exit strategies.

As far as the labour market is concerned, short-term measures introduced to avoid a massive job destruction need to be gradually withdrawn when the recovery is secured. If left in place too long these measures could hinder adjustment processes within and across sectors by distorting price and cost signals and by introducing wrong incentives. On the basis of the most recent Commission forecasts on growth this withdrawn could begin in the mid-2010 for the EU as a whole, taking into account the historic lag before employment reacts positively to an upturn in economic activity. The gradual phasing out of temporary labour market support measures should be accompanied where necessary by a strengthening of activation, training and other flexicurity policies to facilitate job reallocation and workers' re-skilling.

The withdrawal of short-term measures should be complemented with a credible long-term structural reform agenda which bolsters potential growth and employment, improve competitiveness and support fiscal consolidation efforts. Increasing the flexibility of the labour market and its transitional security is of relevance in the face of the challenges of tackling unemployment created by the recession, especially of young people, in the context of segmented labour markets and the need for sectoral reallocation in an ageing society.

Although effective, the measures recently enacted have been in many cases *ad-hoc*. Discretionary measures are subject to recognition, decision, and implementation lags and may be difficult to reverse. Policies adopted during times of crisis are more mistake-prone than policies adopted during normal times. Yet, crisis management provides experience to avoid mistakes in the future. In this context, some of the measures taken during the crisis, with more desirable characteristics, could become part of a consistent policy framework to deal with future demand shocks.

For example, a number of Member States (such as Finland, France, Latvia, Italy Portugal, and Slovenia) have taken steps to improve the coverage of unemployment benefits, the activation of displaced workers (such as Czech Republic, Denmark, UK) and the effectiveness of public employment services in order to cope with the increased numbers of unemployed (Germany, Belgium, Finland and he UK, Hungary).

Mechanisms introduced under the emergency of the crisis (e.g. short-time working hours scheme and extended coverage of unemployment benefits to group of workers previously excluded) could be part of a coherent labour market policy framework to cope with aggregate demand shocks. For example, countries such as Austria, the Netherlands, Hungary and Slovenia introduced short-time working schemes imposing strict conditionality on firms to deal with risks of deadweight losses or prolonging the moment of inevitable closure of a company. While the expenditure on these measures should be reversed as the recovery gains momentum, the institutional infrastructure set up for their

([4]) ECOFIN Council Conclusions on exit strategies for crisis-related measures in the labour and product markets, as adopted by the Council on 16 March 2010.

implementation should remain, to cope with future cyclical fluctuations.

Economic history teaches that crises can open opportunities for structural reforms. In this respect, this crisis has shown that European countries need to improve their mechanisms to cope with business cycle fluctuations and to return to long-term growth.

There is a need to define mechanisms that are able to deal with shocks, not flawed with implementation lags and the uncertainties of discretionary measures. Business cycle dependent unemployment benefits (including unemployment assistance), which make the level, the duration and the eligibility conditions contingent to the state of the economy, may improve the design of the unemployment benefits systems in a cost-effective way. Since jobs are created also during recession, not relaxing or even strengthening job search conditionalities may be necessary to keep intact search incentives in bad times.

The flexicurity agenda is the right framework to bring forward the importance of labour market reforms for a better adjustment to shocks. Reforms enhancing the flexibility and security of the labour market and the response of wages to local labour market conditions and to productivity developments at the firm level will increase the resilience of the EU economy to these shocks. Reforms that shift the focus from protection on the job to insurance in the market should reconcile workers' demands for protection from unemployment and income risks with the need of firms to respond quickly to swings in consumers' preferences and to the challenges and instability created by technological progress and globalisation. An integrated strategy based on reforms of the employment protection legislation, of lifelong learning and activation policies may contribute to improving the adjustment capacity and release existing bottlenecks to growth. Increasing participation and enhanced workers' employability are needed to minimise the social consequences of the crisis, to preserve European human capital and, ultimately, to return to strong growth.

The Europe 2020 strategy has identified three priorities: a) smart growth; b) sustainable growth and c) inclusive growth. Seven flagship initiatives were considered to guide the joint work of the EU and the Member States in these key areas. As far as the labour market is concerned, two initiatives are relevant. An agenda for new skills and new jobs aims at modernising the labour market, notably by developing skills which better match with labour market needs and enhancing labour mobility prospects. The complementary initiative 'Youth on the Move' is set to remove obstacles to reaching greater educational attainment and higher employment rates for young people.

To guide the action of Member States and the Union as regards employment, the European Council has endorsed the headline targets proposed by the European Commission of achieving an employment rate of 75% for all individuals aged 20-64, including through the greater participation of young people, older workers and low-skilled workers and the better integration of legal migrants. Progress toward the headline targets will be regularly reviewed.

The following themes would need to be addressed to respond to the priorities of smart, sustainable and inclusive growth identified by the Communication on the Europe 2020 Strategy:

1. Segmented labour markets, means rebalancing the degree of employment protection legislation between different segments of the labour market, while ensuring the provision of adequate income support where necessary;

2. Enhanced cost-effective activation and training measures;

3. Reduced benefit dependency and improved activation, particularly for the low-skilled;

4. An enhanced and constructive dialogue with social partners to make wages more reactive to productivity developments and sectoral and local labour market conditions.

5. An enhanced motivation and better incentive to work longer, through higher effective retirement age and better age-management practices in work places.

6. An enhanced matching in the labour market and better skills of the labour force would improve labour productivity in the long run and the labour market attachment of those with poor educational background and/or short work experience.

Part I. Employment and wage developments

With about 4 million jobs lost in 2009, the recession had a heavy toll on a previously resilient labour market. Yet there is a considerable heterogeneity across countries, with a bigger labour market impact on countries such as Ireland, Spain and the Baltics more exposed to domestic shocks and the global economic slowdown. Since 2008, youth and men have been hardest hit. While domestic and foreign imbalances may be responsible for this differentiated performance, a role has been also played by the labour market policy institutional settings prevailing before the crisis. The current size of the labour market adjustment brings the risks of an increase in the long-term unemployment and of a consequent disenfranchisement of the most vulnerable groups – namely the less educated, those with unstable working relationship or with frequent shift between work and inactivity. Yet, with few exceptions, there have been no major declines in the participation rate in the EU Member States. The adjustment in the average hours worked has been a key factor in limiting the increase in unemployment during the recession. Yet, as a consequence of labour hoarding, unit labour costs increased in many countries. Together with an insufficient wage adjustment, the large unused capacity in the labour market raises concerns about the employment prospects during the recovery. The increase in job destruction at the early stages of the recession was followed by a decline in the rate at which workers flow out of unemployment. As the financial crisis receded and the recovery gained strength, the inflows into unemployment decreased while the outflows remained at their historical low, especially in the most segmented labour markets.

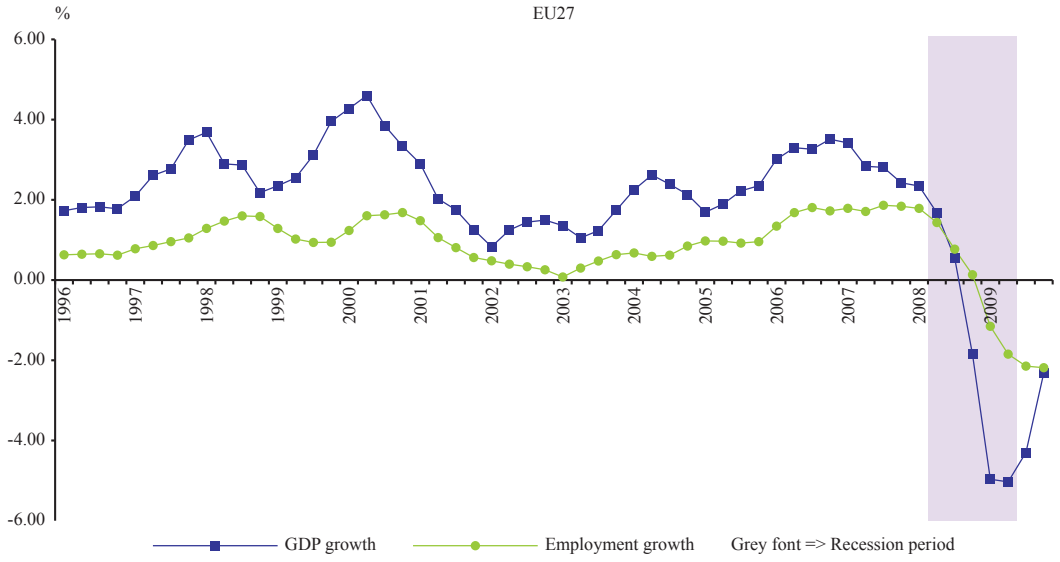
1. GENERAL DEVELOPMENTS IN 2009

1.1. EMPLOYMENT AND UNEMPLOYMENT

The consequences of the financial crisis for the real economy were fully felt in 2009. GDP fell at the unprecedented annual rate of 4.2%. After two quarters of sharp output losses, 5.0% year-over-year, output declined at a much smaller rate in the last quarter of the year (2.3%). Aggregate data hide very different country specific dynamics. GDP collapsed in the Baltic countries (in Latvia by 18%, in Lithuania by 14.8% and in Estonia by 14.1%), while it decreased significantly in Slovenia, Finland (by 7.8% in both countries) and Ireland (7.1%). Among the largest economies, Germany, Italy and UK had a similar decline (around 5%), while the output fall was more limited in Spain (3.6%) and France (2.6%). Only in Poland GDP expanded (1.7%).

In response to these patterns the EU labour market recorded a pronounced slowdown with significant job losses. Employment reacted to the recession with the usual lags, owing to labour hoarding motivated by firms' decision to save the firing costs and future recruitment costs. Government sponsored short-time schemes, as shown in Part II, contributed to cushion the effect on employment. Even so, from 2008Q2 to 2009Q4 almost 6 millions (according to National Accounts data) jobs were lost, of which 4 millions in 2009. According to Labour Force Survey, more than 5 millions additional unemployed were recorded since 2008Q2 (4 million more in 2009). The job losses recorded in the last quarter of 2008 deepened in 2009, notwithstanding mild signs of recovery in the second part of the year (Graph 1).

Graph 1 - GDP and Employment growth

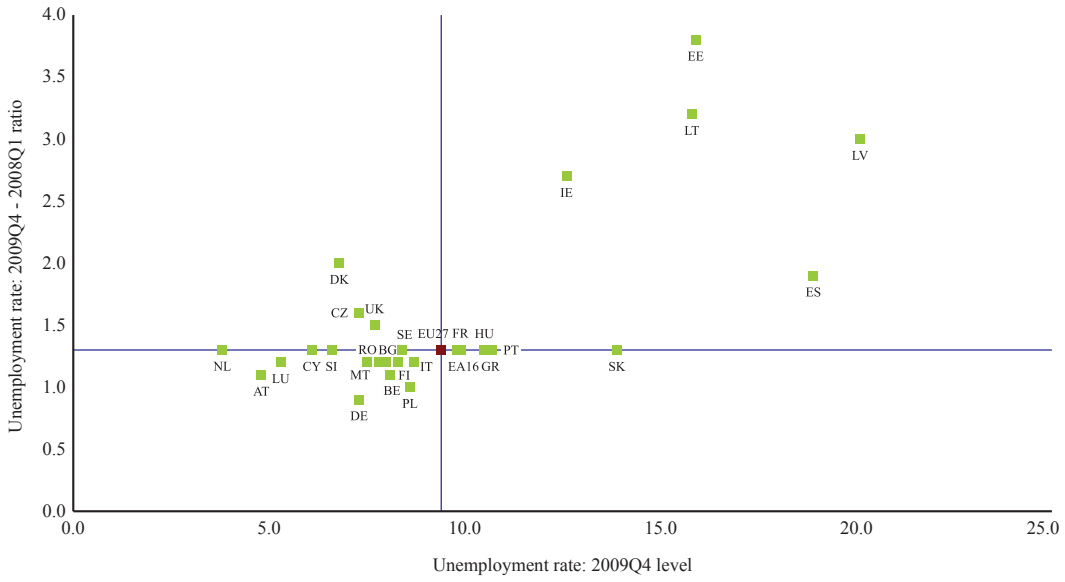


Source: Commission services. GDP growth is y-o-y growth.

Labour shedding determined an increase in the EU unemployment rate from 6.9% in 2008Q2 to 9.4% in 2009Q4. This increase conceals fairly wide differences across the 27 Member States. Graph 2 reports on the horizontal axis the 2009Q4 unemployment rate against the ratio between the 2009Q4 and the 2008Q1 level - the two lines represent the EU values. While a bulk of countries is concentrated around the EU average, unemployment surged to record highs in the Baltic countries, Spain and Ireland. The highest unemployment rate was recorded in Latvia (20%), three times as high as the level of 2008Q2 (+13.5 pps.); Estonia had the sharpest variation with an unemployment rate in 2009Q4 almost four times as high as that of 2008Q2, immediately followed by Lithuania. The unemployment rate almost doubled in Ireland and Spain to respectively 12.6% and 19% in 2009Q4. On the other side, the increase in unemployment was relatively small in Luxembourg, Finland, Poland, Sweden, Malta, Belgium and Italy; the unemployment rate declined in Germany. While remaining below the EU average, unemployment doubled in Denmark.

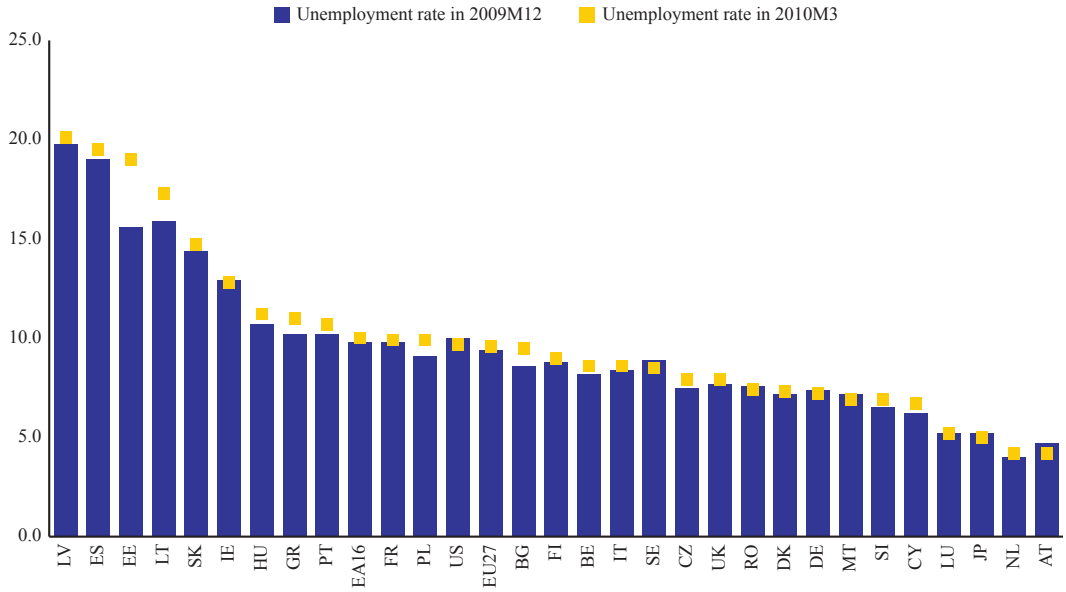
Despite some signs of improvement of the general economic situation, in many countries the unemployment rate has kept increasing even in the first months of 2010. In few cases a stabilization of the unemployment rate has been registered (the Slovak Republic, Sweden, Finland, Belgium, Germany, Malta, Slovenia and Austria). In the US the rate started decreasing.

Graph 2 - Unemployment rate: 2009Q4 level versus changes from pre-crisis levels



Source: Commission services on LFS data.

Graph 3 - Last developments in monthly unemployment rates

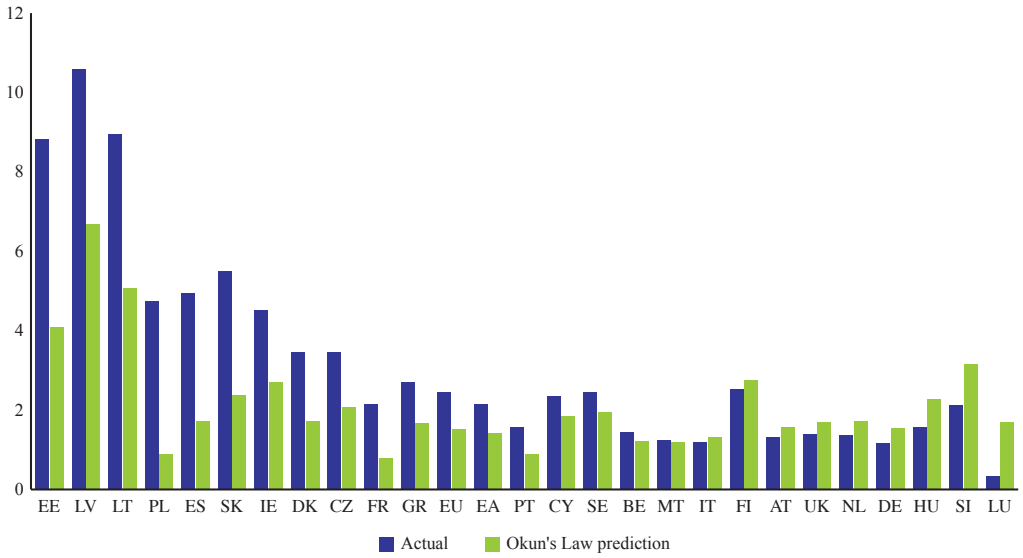


Source: Commission services on LFS monthly data.

One can wonder how unemployment has responded to the economic contraction. With the help of a static version of the Okun's law estimated over a period ending at the turning point of GDP (i.e. before the recession), it is possible to measure how the economic slack is picked up by the slack in unemployment.([5]) Graph 4 reports the actual and the changes in unemployment predicted by the Okun's law; countries are ranked according to the difference between the actual and the predicted change. It presents a picture of what happened in the EU labour markets complementary to that provided by Graph 2. The increase in unemployment is lower than what predicted by the historical relationship with output for 9 countries (i.e. Italy, Finland, Austria, the United Kingdom, the Netherlands, Germany, Hungary, Slovenia and Luxembourg). Conversely, in the remaining countries unemployment reacted more than during previous recessions. Apart from the Baltic countries, which experienced considerable drops in output, it is worth mentioning the increase in unemployment in Poland despite its positive output growth. Similar patterns are observed in Spain, Slovakia and Ireland.

([5]) The Okun's Law was estimated on a cross-section of the 27 Member States; the dependent variable is the unemployment rate expressed as deviation from trend in pps; the explanatory variable is the percentage deviation of GDP from its trend. Trends are calculated with HP filter with a smoothing parameter of 1600. Fixed effects are included in the estimate to account for time invariant cross-country differences. The panel is unbalanced as the sample period has different starting points (since 1983Q1), but the same ending point for all countries (2008Q1), i.e. the last quarter before the beginning of the Great Recession. The estimated coefficients are used to predict for the subsequent quarters (2008Q2-2009Q4) the change in the unemployment slack expected from the historical relationship with the output gap.

Graph 4 – Changes in the unemployment gap: actual and Okun's Law prediction



Source: Commission services. The bars represent changes in the unemployment gap, which is defined as the pps difference between the unemployment rate and its HP trend. The Okun's Law predictions come from a panel estimation of the Okun's Law, where the dependent variable is the unemployment gap, as defined above, and the independent variable is log deviations of GDP from its HP trend. Country fixed effects are used in the panel estimation.

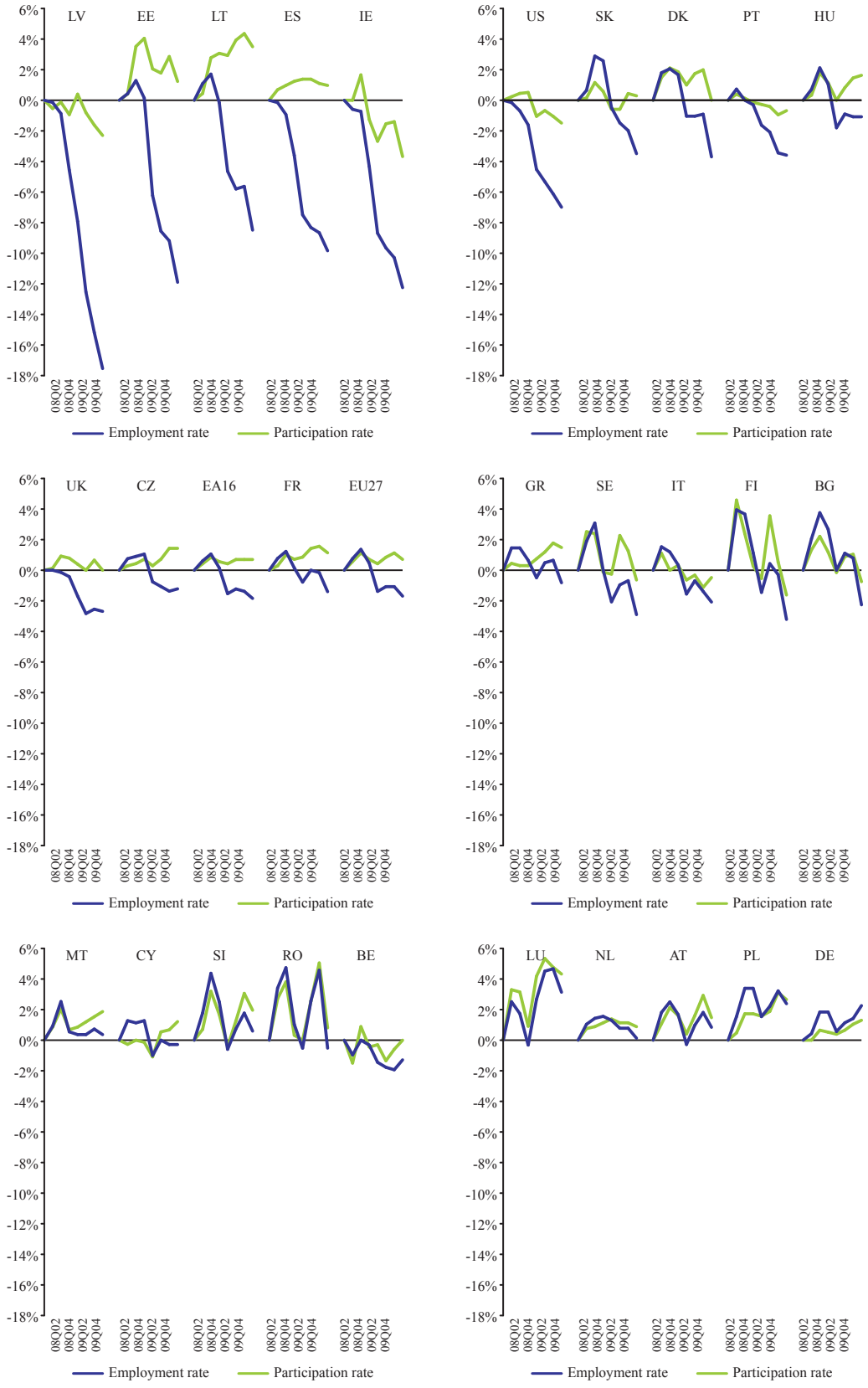
1.2. CHANGES IN EMPLOYMENT AND PARTICIPATION RATES IN THE LAST TWO YEARS

One of the most dangerous consequences of unemployment at record levels is that jobless people, especially those with a low labour market attachment, may give up searching because of deterioration in their job prospects. Skills mismatches and unconditional welfare policies can strengthen discouragement, while minimum wage and unemployment benefits, used to facilitate search, and not to subsidise leisure, reduce discouragement. The first signal of discouragement is a decrease in labour force participation, which implies falling unemployment rate in the short-run. The risk is that the fall in participation during the recession turns into a persistently low labour supply also during the recovery. In the long-run, a low participation rate hampers the functioning of the labour market, through shortages in labour supply and higher wages pressures, and represents a bottleneck for economic growth.

Graph 5 shows for the EU, the US and each Member State the employment and participation rates relative to 2008Q1 (i.e. the last quarter of positive growth). Countries are ranked in descending order according to the percentage change in the unemployment rate between 2008Q1 and 2009Q4, which is approximated by the difference in the cumulative changes in the participation rate and the cumulative changes in the employment rate. The deterioration of the labour market in the US was accompanied by a drop in the participation rate (in 2009Q4 was about 2% lower than the 2008Q1's level), which contrasts with the pattern observed for the EU and the euro area, where a moderate drop in employment was accompanied by an increase in participation. In the case of countries with the highest increase in unemployment (the Baltic, Spain and Ireland), all hit by common shocks, the increase in the number of jobless people has been offset by a decline in participation only in Latvia and Ireland; for these last countries the unemployment rate would have been much higher had the participation rate not fallen substantially. Conversely, the unemployment rate would have been lower in the remaining countries without the increase in participation.

There is a group of countries where changes in participation and employment, although smaller, are still substantial. In Denmark, Portugal, Slovakia, Finland, Sweden and the UK the drop in employment rate between 3%-3.5% is associated to a quite differentiated patterns of participation rate, falling in Finland and

Graph 5 - Cumulative decline in employment and participation rates



Source: Commission services. Cumulative changes are logarithmic changes. Countries are ranked in descending order according to the 2009Q4 difference between participation rate's changes and employment rate's changes, which approximates unemployment changes.

Portugal and unchanged in the other countries. In a largest group of countries, accounting for more than 60% of total employment in the EU, the increase in unemployment has been more moderate. France and Italy registered a similar drop in the employment rate, but participation rate increased in France and decreased in Italy, which explains the smaller increase of unemployment in Italy. Finally, Germany is the only country were unemployment declined while participation increased.

1.3. THE DYNAMICS OF HOURS WORKED

The evidence above focuses only on the *extensive margin* of the labour input, namely the number of persons in and out of work. The analysis of movements at the *intensive margin*, i.e. changes in hours worked per employee, is of the same relevance for economic and institutional considerations. Firstly, labour hoarding is the normal response of firms that prefer to keep their experienced workers at the early stages of a recession, especially if high-skilled, and then difficult to find when the recovery comes. Secondly, government sponsored short-time schemes have been widely used to deal with temporary demand shocks. In some European countries, these schemes have been reinforced or introduced for the first time.

Both labour hoarding and short-time working arrangements have the effect of reducing the adjustment of the labour input at the extensive margin, i.e. through employment, and of increasing the adjustment at the intensive margin, i.e. hours per employee. During a crisis and early stages of the following recovery, the labour market adjustment may change, as the effects of the recession on firms' production become clearer.

For the EU and the US, Graph 6 reports the different dynamics of hours worked per employee and of the total number of employees. The graph shows the cumulative change since 2008Q1. Overall, only four European countries registered higher labour shedding than the US: the three Baltic countries and Ireland. However, compared to the US, these countries suffered on average from much stronger fall of GDP. Thus, in the US the labour market adjustment to the fall in GDP has been stronger than in the European countries.

Another relevant group of countries is the one in which the adjustment in total hours is mainly explained by movements at the extensive margin. Spain, Bulgaria, Finland, Hungary, Denmark, France, Sweden and Portugal present a (more or less) sharp decline in the employment and stable working hours per worker. In some of them, notably Denmark and Sweden, *per capita* working hours even increased.

In general, one can expect that changes in hours per worker are more pronounced at the beginning of the recession, while changes in employment prevail after some quarters. Labour hoarding, short-time working schemes or other similar institutional arrangements may have contributed to this development. Indeed, in many countries, like Bulgaria, the Slovak Republic, the Czech Republic, Belgium, Italy, France, Germany and Cyprus, average hours worked are more responsive to the cycle (Graph 6). In particular, two years after the beginning of the crisis the cumulative reduction in *per capita* working hours is higher than the correspondent reduction in employment only in Belgium, Italy and Germany (where actually employment did not fall at all). The behaviour of hours per worker in Germany is quite telling. While changes in employment confirm what has been concluded from the analysis of unemployment rate, very pronounced movements in hours per worker demonstrate that the adjustment of labour input over the crisis in that country was borne mainly by the intensive margin.

Additional information on the adjustment at the intensive margin is provided by the gap between the actual and the usual hours worked. This gap equals the difference between the actual and the most frequent value of the hours worked. Because of short-time working schemes, one can expect that actual hours decreased during the crisis while the usual hours remained unchanged.([6]) Thus, this

([6]) The period of reference for 'usual hours' is at least the last four weeks and at most the last three months. As such it may be responsive to the business cycle. This is confirmed by a simple panel regression of the (log) usual hours worked on GDP growth controlling for fixed effects, which delivers a coefficient of about 0.07 significant at 5% of confidence. The same regression for the actual hours worked gives a coefficient of 0.16, significant at 5%. Therefore, fluctuations in the actual hours worked drive those in the ratio between actual and usual hours worked.

Graph 6 – Cumulative decline in hours per worker and in total employment

Source: Commission services on National Accounts data. Countries are ranked in ascending order according to the cumulative change in total hours during the crisis, which is given by the sum of the cumulative change in employment and the cumulative change in hours per worker.

gap should be smaller in countries with intense use of these schemes.

Using multivariate statistical analysis, Table 1 confirms the role of short-time schemes in the adjustment of the labour input. Compared to countries where these schemes are not available, the gap between the actual and the usual hours worked is on average 1% lower in countries that can rely on this type of short-time working. The effect of GDP is correctly signed as the difference between actual and usual hours worked increases during upturns and decline during downturns. The regression also controls for the share of part-time in employment, which should influence the usual hours worked. In normal times the coefficient of part-time is not statistically significant, suggesting that when part-time employment is higher than the historical average, both the actual and the usual hours worked change by the same amount. This finding is consistent with the increase in part-time employment being dominated by the involuntary component. Indeed, firms may prefer a part time employment as a costs saving strategy while being able to use overtime when needed. Therefore, an increase in the involuntary part-time drives up the actual and the usual hours worked. During the crisis, it is very likely that the existing full time contracts have been transformed in part-time rather than new jobs being created for part-time workers. This implies that the usual hours worked decline while the actual fall by less, which is consistent with firms preferring a reduced hour's contract as a precautionary strategy in the wake of unstable expectations about their sale. During the recession quarters, the transformation of contracts from full-time into (involuntary) part-time is an option for firms experiencing a decline in their sales. The results suggest that during the crisis, countries with a share of part-time contracts higher than the average experience higher gaps between actual and usual hours than in normal time.

Table 1 - The effects of short-time working schemes over hours worked

Dependent variable: 100*log(actual/usual hours)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Quarterly GDP growth	0.1763	0.0790	2.2318	0.0258
Dummy short-time working schemes (STW)	-1.0768	0.3543	-3.0391	0.0024
interacted with dummy crisis	-0.9001	0.2507	-3.5903	0.0003
Share of part-time workers over total employment	0.0357	0.0092	3.8970	0.0001
interacted with dummy crisis	0.0404	0.0135	2.9998	0.0028
interacted with STW dummy	0.0373	0.0213	1.7483	0.0807
Constant	-1.7570	0.1218	-14.4207	0.0000
Period fixed effects				
R-squared	0.244287	Mean dependent variable		-1.223911
Adjusted R-squared	0.205647	S.D. dependent variable		2.25296
S.E. of regression	2.007985	Akaike info criterion		4.280404
Sum squared resid	4100.548	Schwarz criterion		4.52685
Log likelihood	-2237.016	Hannan-Quinn criterion		4.373763
F-statistic	6.322089	Durbin-Watson statistic		0.951866
Prob(F-statistic)	4.49E-35			

Source: Commission services. Data on actual and usual hours are from LFS. The sample period is 1998Q1-2009Q4 but the panel is unbalanced since data are missing for some quarters and countries. Short-time working schemes dummy is built using information gathered by EMCO and it takes value of 1 for countries that have these schemes (AT, BE, BG, DE, FI, FR, IT, PT) and zero elsewhere. The crisis dummy is a simple variable taking value of 1 for 2008Q2-2009Q4 period and zero elsewhere. The panel estimation controls for period fixed effects.

Box 1 : Evidence from previous recessions([1])

Looking at previous recessions can help detect to what extent the current labour market adjustment is congruent with past episodes. Table 2 reports the average intensity and duration of the past and the last recession for the largest EU countries (Germany, Italy, France and the UK) and the US, while Graph 7 shows the changes in the total, male and female unemployment rates during the recession and the 12 month following the end of the recession.

During the recessions of the past 40 years, output contracted on average for about 3 quarters by 0.5% each quarter. In response to this contraction, unemployment increased consecutively for about 6 quarters by 0.03 pp. each quarter. Men and young workers were much harder hit than women. Thus, despite men have lost jobs in disproportionate numbers during the current recession, the relative effects of the recession on men and women are not particularly unusual - a conclusion also valid for the US (Wall 2009). Unemployment spiked quickly and did not fall back to its pre-recession level for several years. For example, in the aftermath of the recession of the early 1990s, GDP contracted for about five quarters in Italy and the UK and two quarters in Germany and France. However, the unemployment rate returned to its pre-recession levels only after more than 30 months following the start of the recession in Italy and the UK and after about 20 months in France and Germany. During the recovery of the early 2000s, the behaviour of the labour market differed from that of the average cycle.([2]) For example, the increase in output in Spain and Italy between 2003 and 2004 translated almost entirely into higher employment. In France, where one year after the trough the recovery was jobless, the increase in productivity was higher and the participation rate less responsive than in the average recovery. In the UK, employment continued to increase up to two quarters ahead of the trough of GDP and stagnated for the remaining part of the year. In Germany, the recovery seemed less atypical as the disappointing economic recovery was accompanied by only modest employment growth.

Compared to the past recessions, the output loss during the last recession (about 1.2% each quarter) was particularly large, yet less short-lived than the average recession - 5 consecutive quarters of negative growth against an average of 3 quarters. Thus, notwithstanding the initial labour hoarding, the size of this loss implied an increase in unemployment and decline in employment larger than that observed in past recessions. Even so, in Europe the apparent elasticity of employment (unemployment) is lower than in previous episodes; conversely, the US experiences a much stronger labour market adjustment during the current recession. Compared to a small decline of the past recessions, the participation rate increased slightly in the 2008-2009 recession. The burden of the recession is spread unevenly across demographic groups. Graph 8 compares for the largest EU countries the evolution of unemployment rate during the recession and the following year. The unemployment of the young is always more reactive to the business cycle than the total unemployment rate. Yet, the increase in the young unemployment rate is almost twice as much as the increase experienced during the previous deep recession of the early 1990s. Moreover, compared to past recessions, men have accounted in the recession that started in 2008 for the largest increase in unemployment rate, in particular in Italy and Germany. Finally, there is a striking contrast between the behaviour of unemployment in the US in the aftermath of the severe recessions of the early 1980s and 1981 and that that followed the two most recent recessions in 1990-1991 and 2001, which has made many observers to qualify the last two recoveries as jobless.

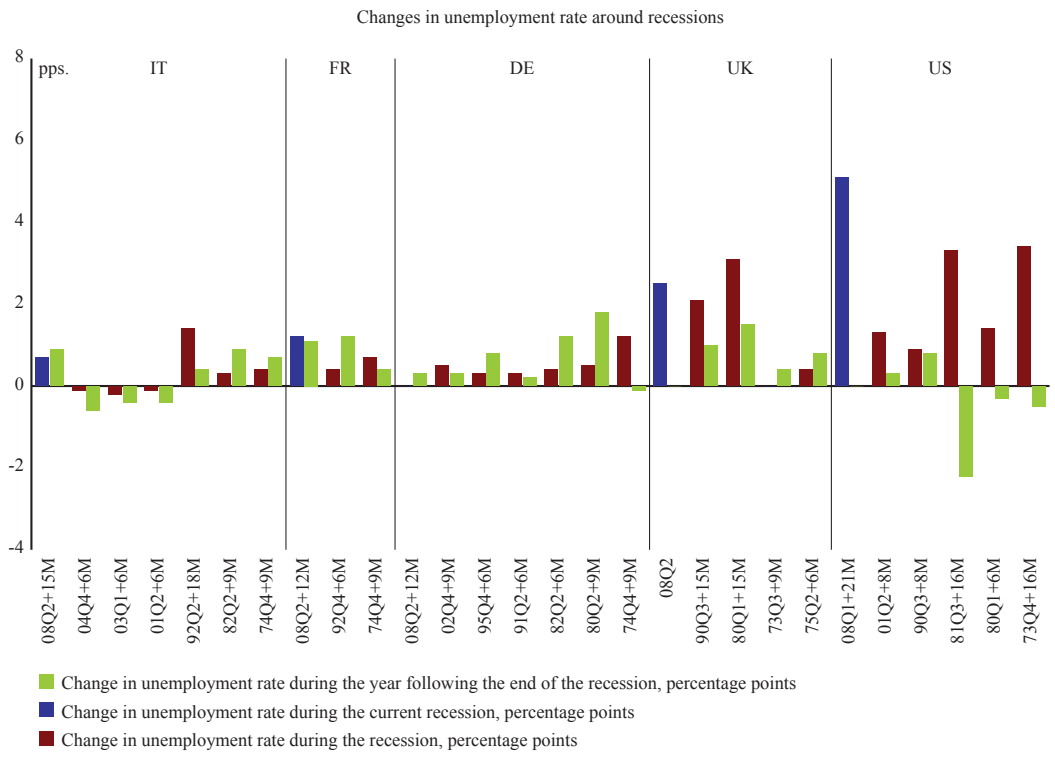
([1]) Arpaia, A. and N. Curci 'EU labour market behaviour during the Great Recession' *Euroepan Economy – Economic Papers*.
([2]) DG ECFIN (2004), 'Labour Market and Wage Developments. Special focus on the risks of jobless growth', European Economy, No 3.

Table 2 - Average intensity and duration of past recessions in the largest EU countries and the US

	Decline of GDP /increase of unemployment				Duration of contraction/increase in quarters				Quarters needed to recover to pre-crisis levels	
	Largest EU countries		**United States**		**Largest EU countries**		**United States**		**Largest EU countries**	**United States**
	average recession	last recession	average recession	last recession	average recession	last recession	average recession	last recession	average recession	average recession
GDP	-0.50%	-1.20%	-0.90%	-1.00%	3	5	2	4	3.6	3.25
Unemployment	0.18 pp.	0.30 pp.	0.70 pp.	0.90 pp.	5	5	2	4	:	:
Activity rate	-0.02 pp.	0.02 pp.	-0.035 pp.		6	5	2	4		
Employment	-0.18%	-0.31%	-0.21%	-1.0%	6	5	3	4	:	:
Apparent elasticity										
Unemployment	-0.34	-0.24	-0.72	-0.93	:	:	:	:	:	:
Employment	0.34	0.25	0.24	1.05						

Source: Commission services. Largest countries include, Germany France, Italy and the UK. The reference periods for the calculations are the following: for GDP we consider the decline during the recession period; for unemployment and activity rates, the increases are calculated from the beginning of the recession until the last positive change in unemployment; for employment growth we measure the loss occurred since the recession until employment starts to grow again.

Graph 7 - Unemployment behaviour during recessions and first year of recoveries



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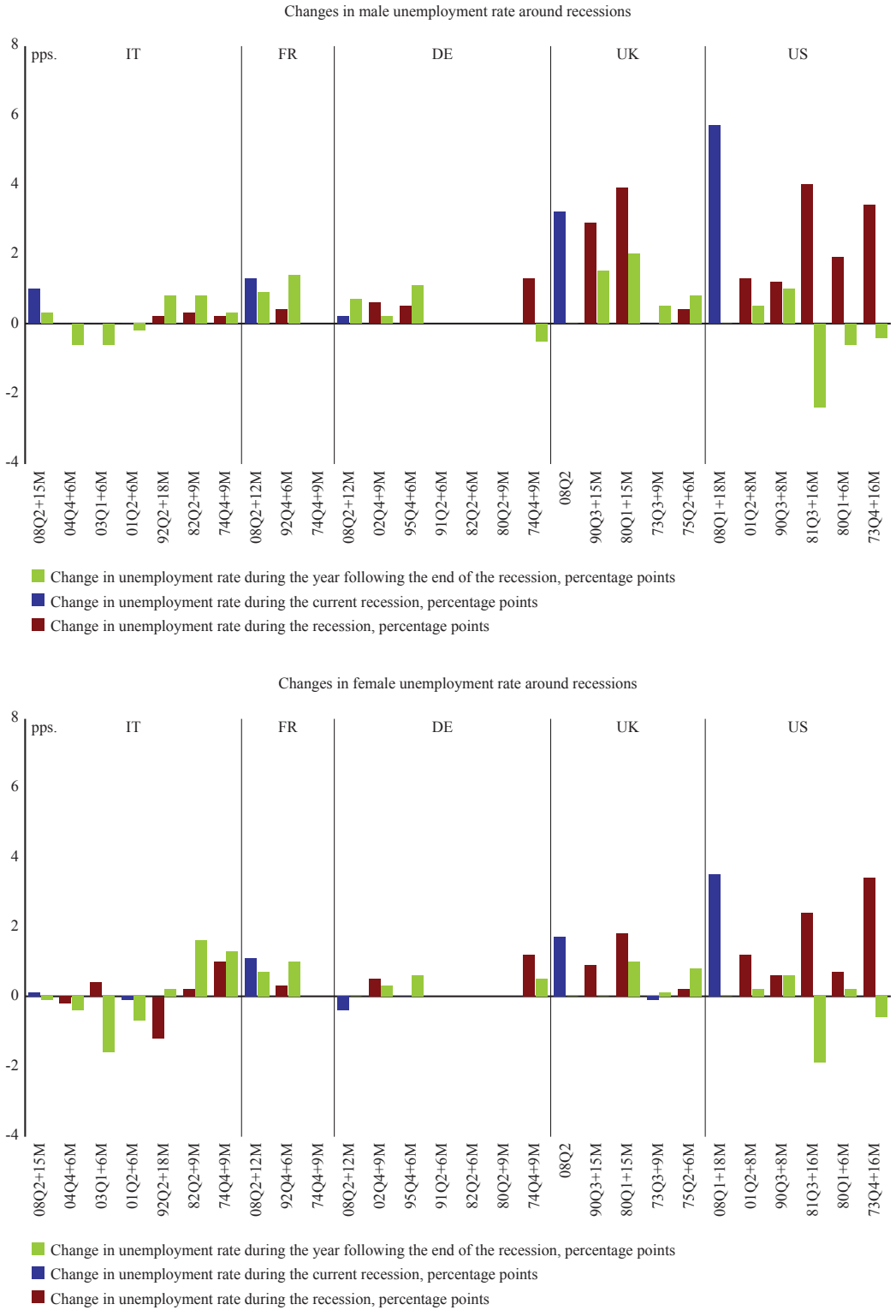
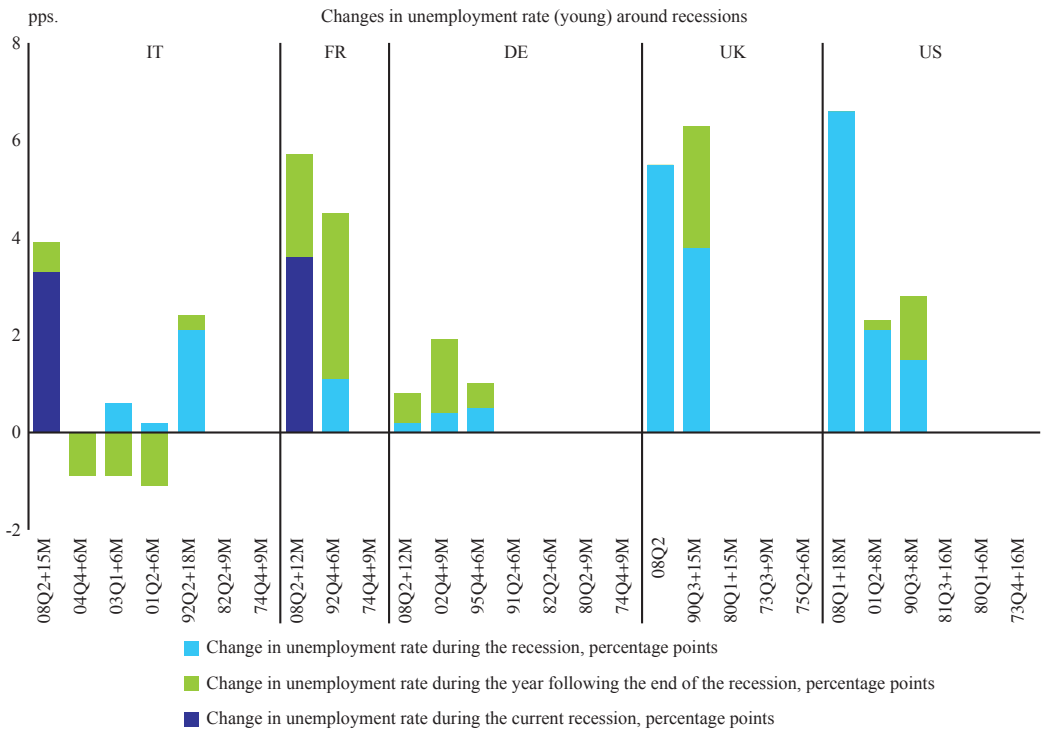
Graph 7 (continued)



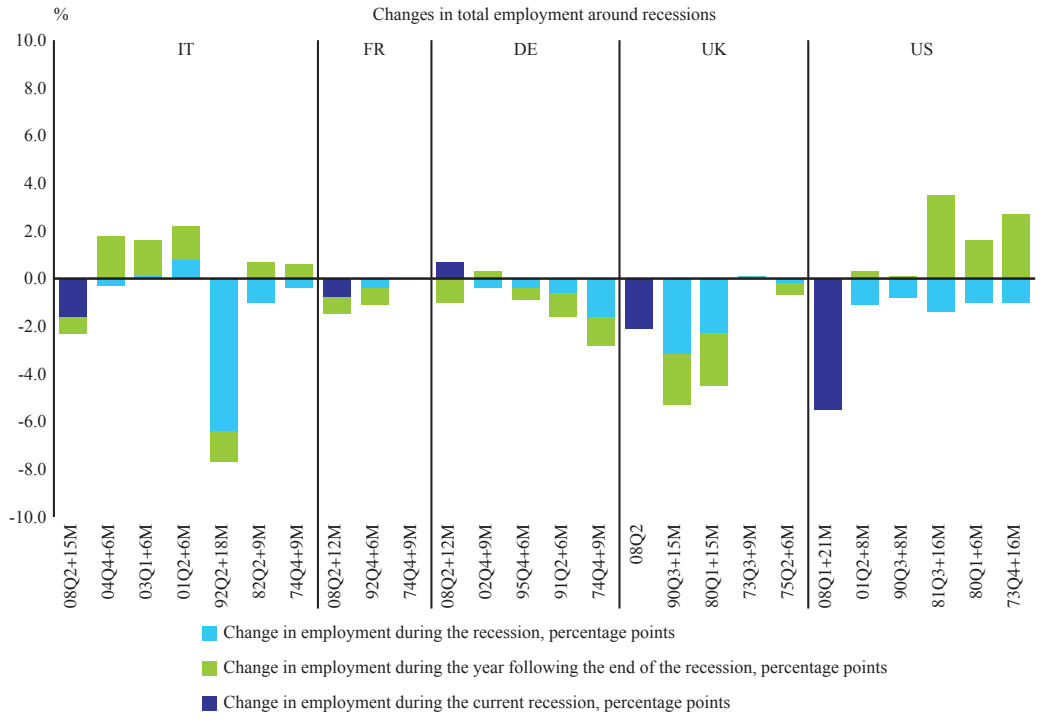
Source: Eurostat and OECD. Recessions are identified as two consecutive quarters of negative growth. On the horizontal axis, the starting quarter and the duration of the recessions in months are reported. US recession dates are taken form NBER; all countries. For the last recession, the chart shows the change in unemployment from the end of recession until November 2009; for the UK the last figure is August 2009.

Graph 8 - Unemployment behaviour during recessions and first year of recoveries



Source: Eurostat, and OECD.

Graph 9 - Employment behaviour during recessions and first year of recoveries



Source: Eurostat, and OECD. Recessions are identified as two consecutive quarters of negative growth. On the horizontal axis, the starting quarter and the duration of the recessions in months are reported. US recession dates are taken form NBER.

1.4. MOVEMENTS INTO AND OUT FROM UNEMPLOYMENT

Upward and downward movements in the unemployment rate are usually taken as a signal of a cyclical expansion or contraction. Yet, they provide only a sign of the state of the economy at one point in time, usually the week before the interview. In practice, fluctuations of unemployment are driven by a continuous process of job creation and job destruction. It is this process that should be the ultimate target of analysis, considering that labour market reforms have effects on the unemployment rate through this channel.

In the absence of reliable, timely and cross-country comparable data on job flows, it is very useful to study worker flows across the three main states: employment, unemployment and inactivity. Yet, this task is not an easy one. The details of the methodology adopted to get estimates of unemployment the inflows and outflows are described in Box 2. What is important to stress before presenting the data is that the computed flows are total, as they count movements not only from and to employment but also from and to inactivity. Hence, the inflows and outflows do not exactly match the job destruction and job creation. Yet, since the focus of the analysis is the short run, no much information is lost as unemployment fluctuations are mainly driven by movements from and into employment.

Box 2: Measures of unemployment inflows and outflows

According to the standard theory of business cycles, job creation and destruction are the outcomes of aggregate shocks which influence all firms similarly and are generated by policy shocks (e.g. changes in the stance of monetary and/or fiscal policies). Consequently, job creation and job destruction rates should mirror each other and their correlation coefficient should be -1. Moreover, the correlation between job reallocation rates and employment growth should be very small. In this theoretical context, job flows are not of much interest. But, contrary to these predictions, the evidence provided by Davis et al (1997) for the US showed that job destruction and job reallocation rise sharply during recession, suggesting that there is an asymmetry in the cyclical response of job creation and job destruction.

This asymmetry has spurred a rich literature, which cannot be summarised here. Yet, a premise of many studies is that differences in the behaviour of job creation and destruction rates are mainly due to idiosyncratic shocks (reallocation shocks /sector specific shocks) that impinge differently upon heterogeneous workers. When search and matching frictions prevail, these shocks may become the major drivers of aggregate business fluctuations. Thus, a standard analysis of the business cycle would downplay the role of reallocation shocks and miss the mechanisms through which labour market institutions influence the size and the shape of their impact on job creation and job destruction.

Notwithstanding their utility for policy purposes, labour market flows are not easy to measure. The European Labour Force Survey asks respondents their labour market status one year before the survey, providing an annual estimate of movements from and into unemployment. This measure presents some drawbacks. Firstly, it is subject to misreporting errors due to the long horizon respondents are asked about. Secondly, it is not useful for cyclical analysis as this information is available only annually. Thirdly, it underestimates the gross job destruction when the job finding rate is high, which introduces a bias in the measured cyclicality of the job separation rate([1]).

In recent years, many have developed indirect measures of the inflows and outflows based on the information available from the LFS. We adapt the method developed by Shimer (2007) who used monthly data on unemployment duration to compute inflows and outflows from the relation describing the dynamics of unemployment rate. This method relies upon a series of assumptions, two of which are particularly important. First, workers neither enter nor exit from the labour force but simply transit between employment and unemployment. Second, all workers are ex ante identical and, in particular, in each period all unemployed workers have the same job finding probability and all employed the same exit probability. As for the first assumption, the evidence for the US shows that discarding flows into and out of the labour market does not affect the cyclical pattern of unemployment inflows and outflows,

([1]) This is what Shimer (2007) calls the time aggregation bias.

(Continued on the next page)

Box (continued)

although it changes their level([2]). As for the second assumption, unemployment inflows and outflows rates can be referred to the average representative worker if workers are heterogeneous.

The approach by Shimer cannot be applied to European countries as unemployment duration is not available at monthly frequencies in the European LFS. To overcome this limitation, Elsby et al. (2009) proposed a methodology that exploits annual and quarterly data to measure annual averages of monthly unemployment flows for the OECD countries. We apply the same methodology to estimate for all European countries quarterly averages of monthly job finding and job separation rates.

Under these assumptions, and given the assumption of fixed labour force, the evolution of aggregate unemployment([3]), u_t, can be written as:

$$u_t = s_t(1-u_t) - f_t u_t \qquad [1]$$

where s_t is the monthly rate of inflows into unemployment; f_t is the monthly rate of unemployment outflows; t indexes months([4]). Thus, unemployment decreases when unemployed workers find a job, at the instantaneous rate and increases when workers exit employment at the instantaneous rate s_t. As in Elsby et al. (2009), we compute f_t and s_t by relating this continuous time evolution of unemployment rate to the unemployment rate observed at discrete quarterly frequencies. To do this, we assume that the monthly flow hazards rates, f_t and s_t, are constant within quarters.([5]) In this case, solving eq. [1] forward one quarter allows us to write:

$$u_t = u_{t-3}(1-\lambda_t) + u_t^* \lambda_t, \qquad [2]$$

where $\lambda_t = e^{-3(s_t + f_t)}$ denotes the quarterly rate of convergence to the steady state and

$$u_t^* = \frac{s_t}{s_t + f_t} \qquad [3]$$

is the flow steady-state unemployment rate, i.e. the level of unemployment consistent with balanced inflows and outflows (i.e. $u_t = 0$); u_{t-3} is the unemployment rate three months earlier, i.e. a quarter before (recall that t denotes months). According to equation [2], the actual unemployment is a weighted average of the previous unemployment rate and of the flow steady state. The weight of the latter (λ) is the convergence rate while that of the former (1-λ) measures the persistence of unemployment rate; both are function of the inflow rate into and outflow rates out of unemployment.

When the sum of these rates (i.e. the job reallocation rate) is high, the persistence of unemployment is low and unemployment converges to the steady-state quickly, eventually within the quarter. In such a case, equation [2] reduces to $u_t \approx u_t^*$. In this case, the dynamics of unemployment is irrelevant as unemployment does not deviate from its steady state. On the contrary, for small flow rates, the dynamic behaviour of unemployment depends on evolution of both the flow steady-state and the convergence parameter λ. Thus, an increase in the inflow rate (or in the outflow rate) exerts two effects on current unemployment rate: 1) it increases (decreases) the steady state unemployment rate u_t^*, towards which the current unemployment rate converges; 2) it changes the weight of the new steady state (λ) or, equivalently, the persistency of the observed unemployment rate, 1-λ. Clearly, when the turnover ($s_t + f_t$) rises the convergence rate increases and the persistency of unemployment decreases (see definition of λ).

([2]) In practice, the flows calculated by Shimer (2007) are total inflows into and outflows out of unemployment. Total inflows into unemployment are the sum of job separations (or job destruction) and movements from out-of-the-labour force to unemployment. Total outflows from unemployment are the sum of job findings and movements from unemployment to inactivity. As emphasized by many authors, movements from and into inactivity over the business cycles are dominated by movements between employment and unemployment.

([3]) Notice that u_t can be interpreted as total unemployed once one normalizes the labour force to 1. Alternatively, under our assumption of fixed labour force, u_t can be interpreted as the unemployment rate at time t and, consequently, the employment rate is 1- u_t.

([4]) As in Elsby et al. (2009), we prefer to call *s* the inflow rate (instead of job separation rate) and *f* the outflow rate (instead of job finding rate) for the reason exposed in footnote 3.

([5]) The hazard rate is the rate at which jobs are created or destroyed at time t conditional on survival in one of the two states until time t or later.

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To measure f_t, we follow Shimer (2007). The monthly change in the unemployment rate equals the number of unemployed workers at the end of the period who were employed at some point during the period (i.e. the short-term unemployment rate $u_t^{<1}$) minus the number of unemployed workers at time t-1 who found a job (with probability F_t)

$$u_t - u_{t-1} = u_t^{<1} - F_t u_{t-1} \qquad [4a] \text{ or}$$

$$u_t = u_t^{<1} + (1 - F_t)u_{t-1} \qquad [4b]$$

Here $u_t^{<1}$ denotes the short-term unemployment rate, the unemployment rate for a duration less than one month and hence reflects the inflows into unemployment; $F_t u_{t-1}$ represents the outflows from unemployment. Solving for the monthly outflow probability, one obtains

$$F_t = 1 - \frac{u_t - u_t^{<1}}{u_{t-1}} \qquad [5]$$

Thus the probability that an unemployed worker finds a job during a period (the 'outflow probability') is a function of the number of unemployed workers at the start of the period, u_{t-1} , the number of unemployed workers at the end of the period, u_t, and the number of unemployed workers at the end of the period who were employed at some point during the period (i.e. short-term unemployment). The monthly outflow hazard rate $f_t^{<1}$ is related to the monthly outflow probability F_t vie the following relation,

$$f_t^{<1} = -\ln(1 - F_t) \qquad [6]$$

As Elsby et al. (2009) emphasized, when the persistence in unemployment rate is low (i.e. the unemployment rate is not far from its flow steady state on average), equation [5] gives a reliable estimates of the outflow probability (i.e. the job finding probability) and of the corresponding monthly hazard rate, $f_t^{<1}$. Once this rate is known, the inflow rate (i.e. the job separation rate) s_t and the associated monthly inflow probability, i.e. the probability of becoming unemployed, can be found out from equation [2].

For European countries our prior is that the actual unemployment does not necessarily follow strictly the flow steady state unemployment rate, because of hysteresis in the unemployment rate (i.e. the job finding rate is low). In this case, estimates of F_t based only on the short-term unemployment rate can be noisy as the stock of newly unemployed each quarter is small, which increases the sampling variance of the LFS estimate of $u_t^{<1}$ and leads to unreliable estimates of $f_t^{<1}$. Following Elsby et al (2009), we use the information available from the LFS on the unemployment rates by duration of spells to increase the precision of the estimate of the outflow rate (see Box 1 for details). Given the estimated value of the outflow rate, we compute the inflow rate s_t by solving the non-linear equation [2] for s_t as proposed originally by Shimer (2007).([6])

As done for [5], one can write the probability that an unemployed worker exits unemployment within d months as

$$F_t^{<d} = 1 - \frac{u_t - u_t^{<d}}{u_{t-d}} \qquad [7]$$

Thus, the probability that an unemployed person exits unemployment within the next d months equals one minus the probability of remaining unemployed after d months ($\frac{u_t - u_t^{<d}}{u_{t-d}}$). As done for [6], this can be mapped into an outflow hazard rate:

$$f_t^{<d} = -\frac{\ln(1 - F_t^{<d})}{d} \qquad [8]$$

$f_t^{<d}$ is the hazard rate associated with the probability that an unemployed worker at time t completes her spell within the subsequent d months. From LFS data, we can estimate $f_t^{<d}$ for d=1, 3, 6, 12 months.

([6]) The non-linear equation is solved with the Golden Section method, Kiefer, J. (1953).

(Continued on the next page)

Box (continued)

The hazard rate may change with the spell of unemployment. For example, if there is negative duration dependence the outflow hazard rate declines with duration (i.e. $f_t^{<1} > f_t^{<3} > f_t^{<6} > f_t^{<12}$), as the probability of remaining unemployed after 3 months of unemployment is higher than the probability of remaining unemployed after 1 month of unemployment. Indeed $F_t^{<1} > F_t^{<3}$ implies $f_t^{<1} > f_t^{<3}$. The same reasoning applies to the estimates on longer horizons.

If the outflow rates do not depend on the unemployment duration (i.e. $f_t^{<1} = f_t^{<3} = f_t^{<6} = f_t^{<12}$), each of the four rates is a consistent estimates of the job finding rate (i.e. the outflow rate from unemployment). Averaging over f is an unbiased estimate of the outflows rate, as it reduces stochastic volatility. On the contrary, if the hypothesis of duration dependence is supported by the data, $f_t^{<3}$, $f_t^{<6}$ and $f_t^{<12}$ will not give consistent estimates of the average outflow rate among the unemployed. In this case, an estimate of the short-term flows relies on $f_t^{<1}$ alone.

Elsby et al. (2009) propose a test for duration dependence, i.e. for the hypothesis $f_t^{<1} = f_t^{<3} = f_t^{<6} = f_t^{<12}$ ([7]). If this hypothesis is rejected (i.e. there is duration dependence), the monthly outflow rate can be estimated using $f_t^{<1}$. On the contrary, if it is accepted, all information contained in $f_t^{<3}$, $f_t^{<6}$ and $f_t^{<12}$ is exploited to get an unbiased estimate of the monthly outflow rate. A second version of the test has a less stringent null hypothesis $f_t^{<3} = f_t^{<6} = f_t^{<12}$. We apply this method to EU27 countries based on Eurostat LFS data. We prefer the second version of the test, as for our prior is that the incidence of short-term unemployment in European countries is relatively low. In any case, using the first version would have led to the same conclusion for all countries but Belgium and Estonia.

([7]) For details, see Elsby et al. (2009)

Table 3 reports for each country the averages of the monthly flow rates, the actual unemployment rate and the unemployment rate consistent with balanced inflows and outflows (i.e. the steady state unemployment rate, eq.3 in the Box 2), calculated for the period 2005Q1-2009Q1, the period before the recession (2005Q1-2008Q1) and for the recession quarters (2008Q2-2009Q4). Changes in the steady state unemployment rate reflect changes in the underlying inflows and outflows. With the exception of Germany, unemployment inflows increased during the recession in all countries, in particular in the Baltics, Ireland, Spain, where the increase in unemployment is big, as well as in Finland and Sweden, where the increase in the jobless rate is more limited. Conversely, the evidence on the outflows out of unemployment is more mixed. The outflow rate falls in the Baltic countries, Ireland, Spain, The UK, Sweden, France, Hungary, Italy, Luxembourg, and Malta. As a consequence of these developments, the steady state unemployment rate increased in almost all countries, especially the Baltics, Ireland and Spain, with the exception of Germany and Poland.

The difference between the actual and the steady-state unemployment rate gives an indication of the changes in unemployment in the next quarter. Indeed, if actual unemployment is different from its steady-state, an adjustment must occur to bring the unemployment rate towards its value consistent with balanced inflows and outflows. Thus, the higher the unemployment rate relative to a given steady state, the higher the expected decline in unemployment (the opposite should be valid when the actual unemployment is below a given steady state). Table 3 suggests that the Baltic countries, Ireland, Slovakia and Spain have the largest negative gap between the actual and the steady-state unemployment, which implies an increasing unemployment rate. Only Germany has the actual unemployment rate marginally higher than the steady state, which hints at stable unemployment in this country. However, these expectations are conditional on the assumption that the steady state does not change (i.e. that the inflows and outflows change by the same proportion). In contrast if the steady state unemployment increases the unemployment rate is expected to increase further as the gap with the new steady state increases as well. This effect is minimised when the turn over is high (i.e. the labour market is flexible). At the current juncture where inflows and outflows are still not back at the pre-crisis levels, it is important to devise policies that improve job creation without delaying job reallocation.

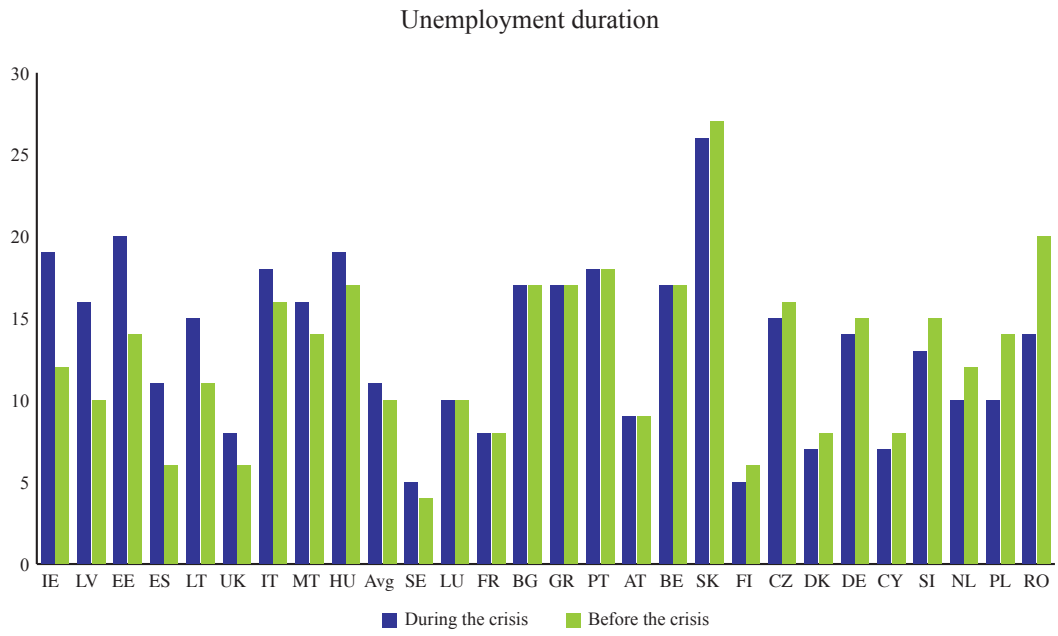
Data on outflow rates can be used to assess how the expected unemployed duration has changed due to the crisis. The unemployment duration is the reciprocal of the outflow rate. Compared to the pre-crisis level, the unemployment duration is on average one month higher (Graph 10). However, the duration of unemployment increased impressively in the countries hardly hit by the crisis, in Ireland from 12 to 19 months, in Latvia from 10 to 16, in Estonia from 14 to 20 and in Spain almost doubled from 6 to 11 months. In the UK and in Italy, unemployment duration increased by 2 months. On the opposite side, the duration fell in Slovakia, Finland, Czech Republic, Denmark, Germany, Cyprus, Slovenia, Netherlands and, in particular, Romania and Poland ,where it fell by 6 and 4 months.

Table 3 - Summary statistics on unemployment and flow rat

		averages				averages 2005q1-2008q1				averages 2008q2-2009q4			
	Start of sample	Unem.rate (u)	outflow rate (f)	inflow rate (s)	steady state unemp.	Unem. rate (u)	outflow rate (f)	inflow rate (s)	steady state unemp.	unemployment rate (u)	outflow rate (f)	inflow rate (s)	steady state unemp.
AT	2002	4.34%	11.20%	0.50%	4.60%	4.73%	11.50%	0.50%	4.50%	4.37%	12.20%	0.60%	4.60%
BE	1999	8.00%	5.90%	0.50%	7.60%	8.00%	5.90%	0.50%	7.40%	7.50%	6.20%	0.60%	8.30%
BG	2000	11.80%	5.40%	0.50%	9.10%	8.50%	6.10%	0.40%	6.40%	6.20%	6.20%	0.50%	7.40%
CY	2004	4.40%	14.40%	0.70%	4.70%	4.60%	14.10%	0.60%	4.30%	4.60%	16.70%	0.90%	5.00%
CZ	1997	7.20%	6.30%	0.50%	7.20%	6.60%	6.60%	0.40%	5.20%	5.70%	7.00%	0.50%	7.30%
DE	2005	8.70%	7.30%	0.60%	8.10%	9.50%	7.10%	0.70%	8.60%	7.40%	7.70%	0.60%	7.30%
DK	1999	4.70%	13.60%	0.70%	4.70%	4.10%	14.20%	0.60%	3.70%	4.90%	16.10%	1.00%	5.70%
EE	2000	9.40%	6.60%	0.70%	9.00%	6.00%	7.50%	0.40%	4.60%	10.50%	5.20%	1.10%	17.40%
ES	1996	11.80%	10.70%	1.30%	11.10%	8.70%	19.10%	1.80%	8.60%	15.50%	9.80%	2.20%	18.30%
FI	1998	9.00%	15.80%	1.50%	8.40%	7.50%	17.70%	1.40%	7.30%	7.50%	20.30%	1.70%	7.80%
FR	2003	9.30%	13.00%	1.30%	9.00%	8.90%	13.70%	1.30%	8.60%	8.80%	12.80%	1.30%	9.40%
GR	1998	10.00%	5.70%	0.60%	9.60%	8.90%	6.10%	0.50%	8.00%	8.70%	6.20%	0.70%	10.10%
HU	1999	7.20%	6.60%	0.50%	7.20%	7.40%	6.10%	0.50%	7.80%	9.10%	5.50%	0.70%	11.10%
IE	1999	5.90%	8.30%	0.50%	5.60%	4.50%	8.80%	0.40%	4.60%	9.70%	5.50%	0.90%	14.60%
IT	1997	8.70%	5.30%	0.50%	8.10%	6.80%	6.50%	0.40%	6.40%	7.30%	5.60%	0.50%	8.50%
LT	2001	11.20%	7.90%	0.80%	8.70%	5.90%	10.00%	0.40%	4.30%	10.60%	6.80%	1.30%	15.70%
LU	2003	3.60%	10.30%	0.50%	4.90%	4.50%	10.90%	0.50%	4.30%	5.20%	10.00%	0.60%	5.70%
LV	2001	11.20%	8.30%	0.90%	10.10%	7.20%	10.20%	0.70%	6.00%	13.30%	6.30%	1.50%	19.70%
MT	2002	7.00%	7.00%	0.50%	6.80%	6.80%	7.30%	0.50%	6.40%	6.50%	6.50%	0.50%	7.10%
NL	2002	3.50%	8.90%	0.30%	3.70%	3.90%	8.70%	0.30%	3.30%	3.10%	10.10%	0.40%	3.50%
PL	2000	14.20%	6.70%	1.00%	13.10%	13.30%	7.40%	0.80%	9.50%	7.70%	10.30%	0.90%	8.00%
PT	1996	6.40%	6.80%	0.50%	6.40%	7.80%	5.60%	0.50%	8.00%	8.90%	5.70%	0.70%	10.50%
RO	1999	7.10%	5.30%	0.40%	7.20%	6.80%	5.00%	0.30%	6.00%	6.40%	7.20%	0.60%	7.50%
SE	2007	7.00%	25.60%	1.90%	6.90%	6.90%	28.40%	1.80%	6.00%	7.40%	23.70%	2.00%	7.60%
SI	1999	6.30%	6.30%	0.40%	5.90%	5.70%	7.10%	0.40%	5.10%	5.20%	7.90%	0.50%	6.00%
SK	1998	15.30%	3.90%	0.70%	15.70%	13.30%	3.80%	0.40%	9.10%	10.90%	3.90%	0.60%	14.30%
UK	1999	5.60%	18.30%	1.00%	5.40%	5.20%	18.00%	1.00%	5.20%	6.80%	12.60%	1.00%	7.40%
AVG		8.10%	9.30%	0.70%	7.70%	7.10%	10.10%	0.70%	6.30%	7.80%	9.40%	0.90%	9.50%

Source: Commission services.

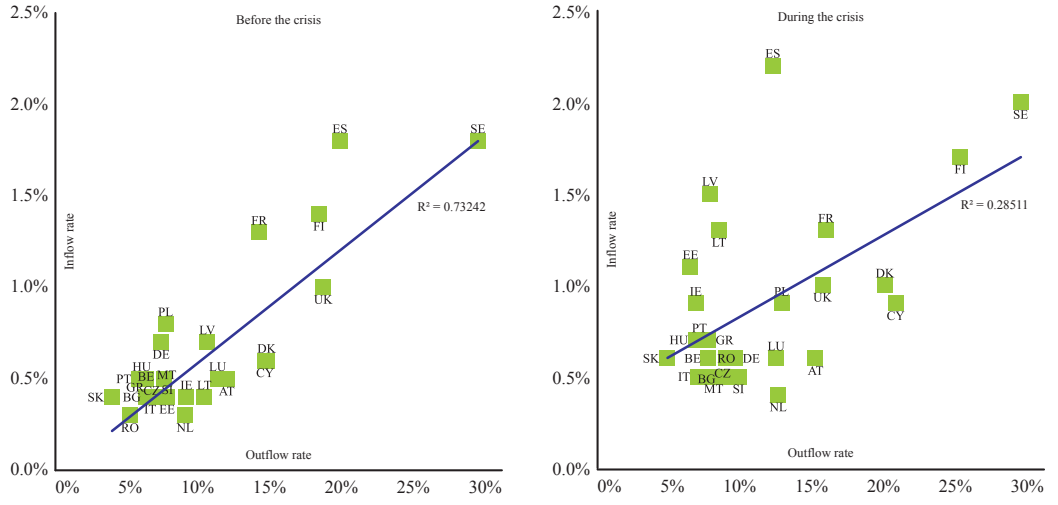
Graph 10 - Unemployment duration before and during the crisis



Source: Commission services. Countries are ranked in descending order according to the difference in the unemployment duration during and before the crisis. Quarters before the crisis are 2005Q1-2008Q1. The quarters of the crisis are 2008Q2-2009Q4.

Additional evidence on the cross-countries heterogeneity in the labour market response is reported in Graph 11. This shows the correlation between the inflow and the outflow rate before and during the crisis. The correlation has the expected sign: higher inflow rates bring higher outflow rates. However, the relation appears to have changed during the crisis with respect to the pre-crisis period. The correlation becomes weaker. The cross-country difference in the reaction of the outflow rates caused an increase in the dispersion of the observation, which led to a weaker correlation. What happened to the relative position of the unemployment rate in the two periods can be inferred by looking at how much a country moved toward the upper-left of the graph: movements in that direction indicate sharp increase in the unemployment rate, since the outflow rate diminishes and the inflow rate rises up.

Graph 11 - The correlation between inflow and outflow rates before and during the crisis



Source: Commission services. Quarters before the crisis are 2005Q1-2008Q1. The quarters of the crisis are 2008Q2-2009Q4.

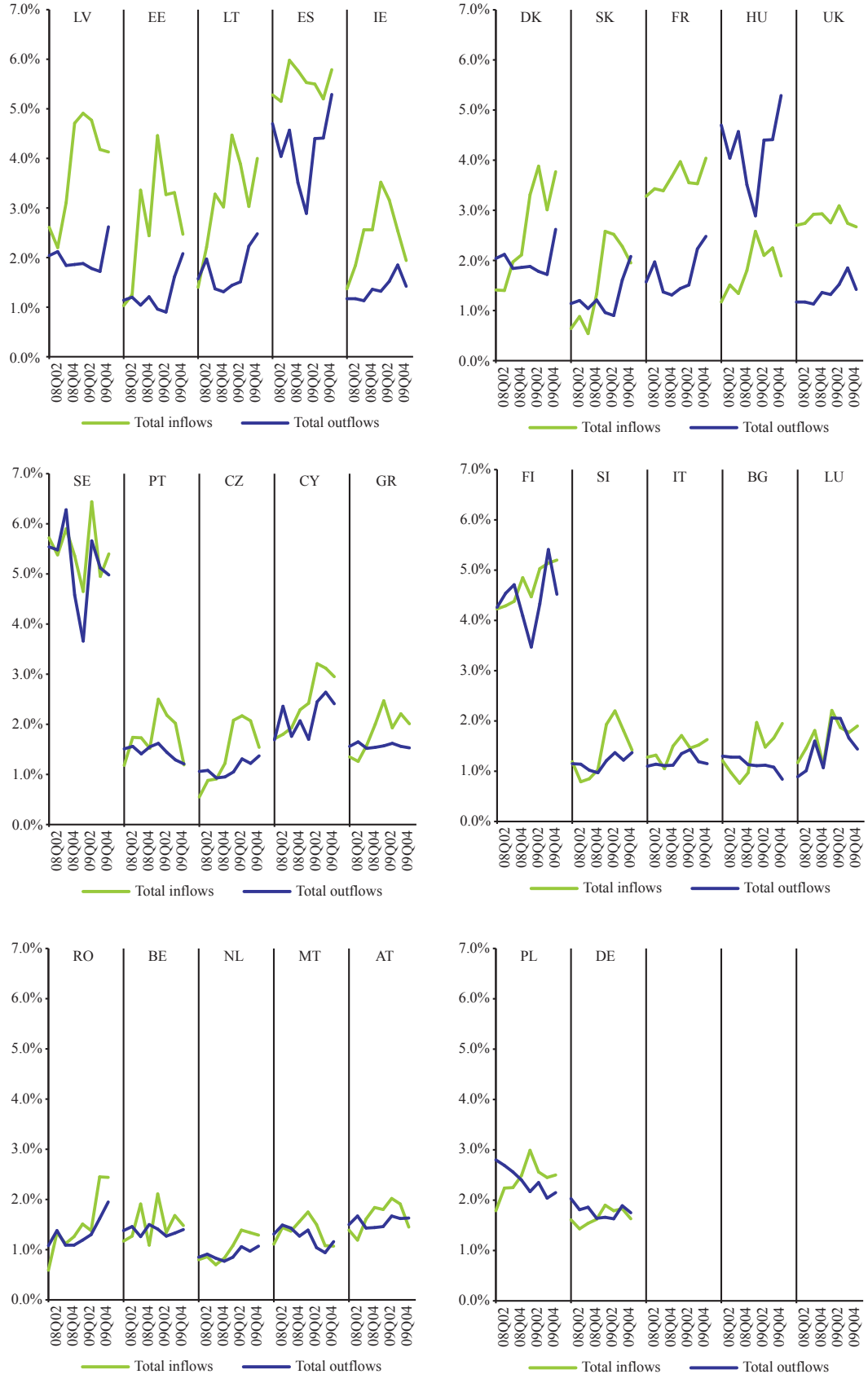
So far, the discussion has been concentrated on unemployment inflow and outflow rates. To immediately link this to changes in unemployment, it is relevant to study movements in the level of inflows and outflows during the crisis. Total inflows minus total outflows return unemployment change. In Graph 12 total unemployment flows as a ratio of the labour force have been reported for 2008 and 2009. Countries are ranked in descending order according to unemployment changes. An easy way of reading the graph is just to look at the relative position of inflows and outflows. In quarters when inflows are higher than outflows, unemployment rises. The countries in the top left panel experienced a sharp increase in unemployment as inflows overcame outflows by much in all the quarters. Looking at the trend, in the very last quarters even in these countries the gap between inflows and outflows is closing, mainly due to increasing outflows. Yet, in interpreting these data, one should avoid to say that the job finding probability is increasing because here the total level of outflows is concerned and this can increase even with a fixed unemployment exit probability, provided that the unemployment stock is bigger, as it is the case in such countries.

Graph 12 provides also clear evidence on how different the European labour markets are in terms of turnover. Many countries show on average low level of turnover. However there are some exceptions, like the Nordic countries, Spain and France. Yet, while in the Nordic countries the high turnover is paired by efficient active labour market policies, which explain why such level of turnover is accepted by the workers, in France and especially in Spain the high turnover appears to be a consequence of dualism in the labour market.

1.5. EMPLOYMENT PROSPECTS IN COMING YEARS

After the sharpest recession since the Great Depression, recovery is underway in Europe, albeit a gradual one. For the European Union, GDP growth is seen positive at 1% in 2010 before acceleration in 2011 to 1.7% (1.8% for the IMF). For the euro area growth rates are similar. However, the situation of the Member States is heterogeneous. While some are registering a sustained growth already in 2010 (like Poland, the Slovak Republic and, at a less extent, Luxembourg, Denmark and Sweden), there are countries where GDP growth is expected still negative. This is the case for Latvia, Greece, Ireland, Spain, Cyprus, and Lithuania. Only in 2011, GDP growth will return positive in these countries with the exception of Greece, where the huge adjustment in the fiscal position will have evident effects on growth for a long period. Outside Europe, the recovery appears stronger both in the US and in Japan.

Graph 12 - Total unemployment inflows and outflows in the last two years



Source: Commission service

Table 4 - GDP forecasts by EU Commission (DG ECFIN), IMF and OECD

GDP growth forecasts							
		ECFIN		OECD		IMF	
	2009	2010	2011	2010	2011	2010	2011
BE	-3	1.3	1.6	1.4	1.9	1.2	1.3
BG	-5	0	2.7			0.2	2
CZ	-4.2	1.6	2.4	2	3	1.7	2.6
DK	-4.9	1.6	1.8	1.2	2	1.2	1.6
DE	-4.9	1.2	1.6	1.9	2.1	1.2	1.7
EE	-14.1	0.9	3.8	0.1	4.7	0.8	3.6
IE	-7.1	-0.9	3	-0.7	3	-1.5	1.9
EL	-2	-3	-0.5			-2	-1.1
ES	-3.6	-0.4	0.8	-0.2	0.9	-0.4	0.9
FR	-2.6	1.3	1.5	1.7	2.1	1.5	1.8
IT	-5	0.8	1.4	1.1	1.5	0.8	1.2
CY	-1.7	-0.4	1.3			-0.7	1.9
LV	-18	-3.5	3.3			-3.9	2.7
LT	-14.8	-0.6	3.2			-1.6	3.2
LU	-3.4	2	2.4	2.7	3.1	2.1	2.4
HU	-6.3	0	2.8	1.2	3.1	-0.2	3.2
MT	-1.9	1.1	1.7			0.5	1.5
NL	-4	1.3	1.8	1.2	2	1.3	1.3
AT	-3.6	1.3	1.6	1.4	2.3	1.3	1.7
PL	1.7	2.7	3.3	3.1	3.9	2.7	3.2
PT	-2.7	0.5	0.7	1	0.8	0.3	0.7
RO	-7.1	0.8	3.5			0.8	5.1
SI	-7.8	1.1	1.8	1.4	2.4	1.1	2
SK	-4.7	2.7	3.6	3.6	3.9	4.1	4.5
FI	-7.8	1.4	2.1	1.7	2.5	1.3	2.2
SE	-5.2	1.8	2.5	1.6	3.2	1.2	2.5
UK	-4.9	1.2	2.1	1.3	2.5	1.3	2.5
EA-16	-4.1	0.8	1.4	1.2	1.8	1	1.5
EU-27	-4.2	1	1.7			1	1.8
US	-2.4	2.8	2.5	3.2	3.2	3.1	2.6
JP	-5.2	2.1	1.5	3	2	1.9	2

Source: EU Commission Spring 2010 Forecast; IMF World Economic Outlook Database, April 2010; OECD Economic outlook 87, May 2010.

Taking into account a negative carry-over from 2009, employment is expected to fall by around 1% this year, leading to a further rise in the unemployment rate in both the EU and the euro area. The relatively limited labour-market adjustment so far, together with a sectoral reallocation forced by the crisis, suggests a rather jobless recovery and (potentially persistent) high unemployment ahead. This reflects into a negative employment growth for 2010 (-1% both in the EU and the Euro Area) and a stabilization in 2011. The unemployment rate is seen reaching a double-digit level in the Euro Area in 2010 (10.3%), without any improvement in 2011. For the entire EU, the unemployment forecasts are marginally more optimistic (0.5 p.p. less).

As for Member States, employment growth will remain negative in 2010 for all but Luxembourg, Malta and Poland. A rebound in employment is expected only in 2011 but with some exceptions, most notably Germany. The prospects for the unemployment in the countries most hit by the 2009's surge remain poor: Latvia and Spain will register an unemployment rate as high as 20% and the other Baltic countries, together with Ireland, will confirm the recent very negative developments. As a consequence of the fiscal

adjustment, the unemployment rate in Greece will sky-rocket up to around 13% in 2011. For the other countries, the increases in the unemployment rate seem less striking, with a surge in 2010 and a progressive stabilisation in 2011 almost everywhere. The US shows a more favourable development of employment growth that will reach a firm positive sign in 2011.

Table 5 - Employment growth and unemployment rate forecasts by EU Commission (DG ECFIN), OECD and IMF

	Employment (annual percentage change)					Unemployment (percentage of civilian labour force)						
		ECFIN		IMF			ECFIN		OECD		IMF	
	2009	2010	2011	2010	2011	2009	2010	2011	2010	2011	2010	2011
BE	-0.5	-0.9	0.2	-1.2	0.9	7.9	8.8	9.0	8.2	8.3	9.3	9.4
BG	-2.9	-1.2	0.6			6.8	7.9	7.3				
CZ	-1.2	-1.9	0.4	-2.6	0.4	6.7	8.3	8.0	7.8	7.5	8.8	8.5
DK	-3.6	-1.9	-0.1	-0.9	-0.6	6.0	6.9	6.5	7.2	6.9	4.2	4.7
DE	0.0	-0.3	-0.1	-1.8	-0.7	7.5	7.8	7.8	7.6	8.0	8.6	9.3
EE	-9.9	-2.6	1.5			13.8	15.8	14.6				
IE	-8.2	-3.5	0.4	-3.0	0.7	11.9	13.8	13.4	13.7	13.0	13.5	13.0
EL	-1.2	-1.9	-0.8	-2.8	-1.2	9.5	11.8	13.2	12.1	14.3	12.0	13.0
ES	-6.7	-2.5	-0.1	-2.0	0.4	18.0	19.7	19.8	19.1	18.2	19.4	18.7
FR	-1.2	-0.7	0.3	-0.6	0.3	9.5	10.2	10.1	9.8	9.5	10.0	9.9
IT	-1.7	-1.0	0.2	-0.7	0.4	7.8	8.8	8.8	8.7	8.8	8.7	8.6
CY	-0.7	-0.7	-0.2	0.5	1.0	5.3	6.7	7.0			6.1	6.4
LV	-13.6	-7.2	0.8			17.1	20.6	18.8				
LT	-6.9	-3.6	0.2			13.7	16.7	16.3				
LU	0.9	0.0	0.7	2.4	1.9	5.4	6.1	6.4	6.0	5.8	6.2	5.7
HU	-3.6	-0.9	0.8			10.0	10.8	10.1	11.0	10.5		
MT	-0.6	0.3	0.7	0.6	1.3	6.9	7.3	7.2			7.3	7.2
NL	-0.9	-1.6	-0.1	-1.4	0.3	3.4	4.9	5.2	4.6	4.8	4.9	4.7
AT	-0.9	-0.1	0.2	-1.4	-0.3	4.8	5.1	5.4	4.9	5.0	5.4	5.5
PL	0.4	0.0	0.6			8.2	9.2	9.4	8.9	8.6		
PT	-2.5	-0.5	0.0	-1.8	0.6	9.6	9.9	9.9	10.6	10.4	11.0	10.3
RO	-1.0	-1.7	0.8			6.9	8.5	7.9				
SI	-2.2	-2.3	-0.5	0.0	0.4	5.9	7.0	7.3			7.4	6.8
SK	-2.4	-1.9	1.2	1.0	1.5	12.0	14.1	13.3	14.0	13.4	11.6	10.7
FI	-3.0	-2.1	0.4	-2.8	0.6	8.2	9.5	9.2	9.4	9.0	9.8	9.6
SE	-2.0	-0.9	0.3	-1.2	-0.3	8.3	9.2	8.8	8.8	8.7	8.2	7.7
UK	-1.6	-0.3	0.7	-0.6	1.0	7.6	7.8	7.4	8.1	7.9	8.3	7.9
EA-16	-1.9	-1.0	0.0			9.4	10.3	10.3	10.1	10.1	10.5	10.5
EU-27	-1.8	-1.0	0.2			8.9	9.8	9.7				
US	-3.8	-0.4	0.6	0.5	3.1	9.3	9.7	9.8	9.7	8.9	9.4	8.3
JP	-1.6	-1.0	-0.2	-0.6	-0.1	5.1	5.3	5.3	4.9	4.7	5.1	4.9

Source: EU Commission Spring 2010 Forecast; IMF World Economic Outlook Database, April 2010; OECD Economic outlook 87, May 2010.

1.6. THE EFFECT OF THE RECESSION ON DIFFERENT DEMOGRAPHIC GROUPS

In this section we look at the different labour market developments by demographic characteristics of the population in working age, focusing on gender (men and women), age (young aged 15-24, prime age (25-54), and old age 55-64) and education (low skilled - ISCO 1, 2 -, medium skilled - ISCO 3, 4 - and high skilled - ISCO 5, 6-).

1.6.1. Employment

Even if the crisis has hit the European labour market severely, different demographic groups have fared differently during the year 2009, as Table 6 shows. While the employment of men shrank by 2.7%, the employment of women fell by a comparatively small 0.7%. This stark gender difference in employment performance is not limited to the EU, but is also present in the US, where the employment of men declined by 4.9% while that of women only by 2.5%.

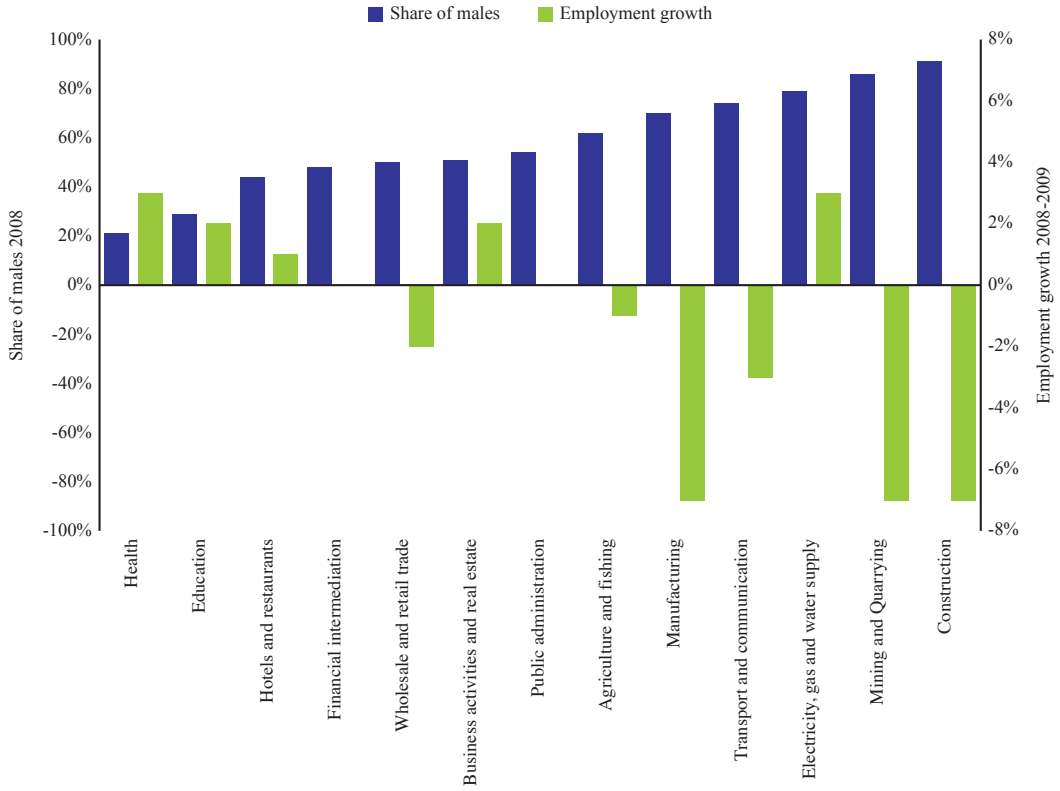
Table 6 - Structure of Employment

	2009 (in 1000s)	Change 2008-2009	Change 2007-2008	Average Change 2000-2009
Total employment (age 15-64)	213,883	-1.8%	1.1%	0.8%
of which men	116,747	-2.7%	0.7%	0.4%
of which women	97,136	-0.7%	1.7%	1.4%
Young employment (age 15-24)	20,872	-7.5%	-0.3%	-0.9%
of which men	11,214	-9.1%	-0.7%	-1.0%
of which women	9,622	-5.9%	0.3%	-0.7%
Prime age employment (age 25-54)	165,480	-1.7%	0.9%	0.6%
of which men	89,679	-2.5%	0.4%	0.2%
of which women	75,800	-0.8%	1.5%	1.2%
Old employment (age 55-64)	27,532	2.5%	4.1%	4.1%
of which men	15,854	1.2%	3.8%	3.3%
of which women	11,678	4.3%	4.4%	5.2%
Low skilled employment	47,845	-5.8%	-2.5%	-1.9%
of which men	28,003	-6.6%	-2.3%	-1.8%
of which women	19,842	-4.7%	-2.8%	-2.0%
Medium skilled employment	105,353	-2.4%	1.3%	1.3%
of which men	58,483	-2.8%	1.1%	1.0%
of which women	46,870	-1.8%	1.6%	1.5%
High skilled employment	60,128	2.8%	4.1%	3.8%
of which men	29,933	1.7%	3.0%	2.8%
of which women	30,196	3.9%	5.3%	4.9%

Source: Commission services.

The gender difference in employment performance during the crisis is generally explained by different distributions of men and women within industries. Men are more likely than women to be employed in industries heavily hit by the crisis, like construction and manufacturing, which are usually more reactive to the cycle. This is documented in Graph 13, showing on the left scale the share of men in total employees by industry. Industries are shown in ascending order of the share of male employees. At the lower end (left in the picture) stands the health care sector, with only 21% male employees, and at the upper end (right in the picture) construction, where more than 90% are men. The right scale shows the employment growth between 2008 and 2009. It can be seen that the higher the share of males among the employees in an industry the more negative has been the employment development. Whereas employment actually grew by 3% in the female dominated health care sector, it shrank by 7% in male dominated construction. The exception is electricity, gas and water supply where 79% of total employees are men and which recorded an employment growth of 3% between 2008 and 2009.

Graph 13 - Share of Males and Employment Growth by Industry



Source: Commission services.

There are significant differences in employment developments by age group, as there are by gender. The employment of the young (aged 15-24) shrank heavily (-7.5%), while that of the prime age group (25-54) declined by 1.7% and that of older people (55-64) increased, despite the crisis, by a considerable 2.5%. In 2009, as in most years before during the decade, the employment performance was the better the older the group was. One reason why the crisis hit the young so hard is the high share of temporary employment among them. In 2008, among the 15 to 24 years old 40% had temporary contracts, whereas only 11% of the 25 to 64 years old were temporarily employed. On the other end of the age distribution, the actual rise in employment of old might reflect the tightening in the early retirement conditions. It is also conceivable that the crisis' negative impact on the wealth of private households induced older employees to postpone retirement. Looking at the age dimension country by country (Table 7), the age pattern is the same in almost all countries but the level differs among them. The young do terribly badly regarding employment in Spain, Ireland and the Baltic countries, which are all heavily hit by the crisis. In these countries, young employment lost more than 20% in 2009. On the other hand, for the old an employment growth of more than 6% has been recorded in five countries (Luxembourg, Hungary, Poland, Slovenia, and Slovakia).

Table 7 - Employment Growth by Country and Age

	Total (age 15-65)	Young	Prime age	Old
Belgium	-0.6%	-6.9%	-0.5%	4.3%
Bulgaria	-3.1%	-8.6%	-3.0%	-0.2%
Czech Republic	-1.5%	-6.2%	-1.3%	-0.6%
Denmark	-3.0%	-1.2%	-3.7%	-1.2%
Germany	-0.3%	-3.2%	-0.8%	4.8%
Estonia	-9.1%	-23.4%	-8.6%	-0.3%
Ireland	-8.8%	-27.3%	-6.4%	-2.3%
Greece	-1.1%	-4.9%	-1.1%	0.7%
Spain	-6.8%	-23.9%	-5.6%	-1.6%
France	-0.8%	-2.4%	-1.4%	4.7%
Italy	-1.6%	-10.8%	-1.7%	5.1%
Cyprus	-0.5%	-7.3%	-0.6%	4.9%
Latvia	-11.7%	-28.3%	-9.2%	-10.3%
Lithuania	-6.9%	-20.8%	-5.8%	-3.0%
Luxembourg	6.4%	17.1%	4.6%	16.9%
Hungary	-2.5%	-10.6%	-3.1%	7.4%
Malta	0.6%	-3.0%	1.6%	-0.6%
Netherlands	-0.3%	-1.2%	-1.2%	5.5%
Austria	-0.4%	-2.7%	-0.2%	0.6%
Poland	0.5%	-5.6%	0.3%	7.9%
Portugal	-2.8%	-12.1%	-2.1%	-0.8%
Romania	-0.9%	-3.1%	-1.0%	1.6%
Slovenia	-2.1%	-11.1%	-2.0%	8.0%
Slovakia	-2.8%	-15.1%	-2.4%	6.1%
Finland	-3.0%	-11.1%	-2.4%	0.2%
Sweden	-2.3%	-7.4%	-1.8%	-1.0%
United Kingdom	-1.7%	-7.6%	-0.8%	-0.5%

Source: Commission services.

The educational attainment is a further dimension of employment which leads to remarkable performance differences. Low-skilled employment shrank by 5.8% in 2009. Medium-skilled employment fell by 2.4%. Only high-skilled employment grew during the crisis, by 2.8%. This shows that the skill upgrading in employment continued in 2009, confirming the previous long run trend. Of particular interest is the gender dimension of the employment growth of the high skilled. In 2009, the employment of high-skilled men grew by 1.7% and that of women by 3.9%, leading for the first time to higher female high-skilled employment (30.2 million) than male high-skilled employment (29.9 million) .

Table 8 shows the employment developments in 2009 broken down by its main components. The number of employees fell by 1.8%. The number of self-employed fell only by 0.4%. However, this does not mean the self-employed do better during the crisis. The number of self-employed was already falling in 2008, while the number of employed was still growing. Full-time employment also shrank by 2.4%, while part-time employment grew by 1.1%, which shows that some of the adjustment in the total hours worked has come from a shift from full- to part-time.

Temporary employment dropped sharply between 2008 and 2009. The number of temporary employees fell by 5.9%. Due to their low employment protection, temporary employees accounted for a disproportionately high share of the decrease in the number of employees. While in 2008 14% of employees were employed with temporary contracts, temporary employees account for about 45% of the reduction in the total number of employees. Spain, with its pronounced dual labour market, provides an extreme example. In 2008, about 29% of the employees had a temporary contract.

Therefore, the -18% reduction in the number of temporary employees (-0.9 Mio) accounts for 90% of the reduction in the number of all employees (-1.0 Mio; -6%).

The share of temporary employees differs strongly by age. In 2009, 40.2% of young employees had a temporary contract (+0.2 pp. compared to 2008), against 11.5% (-0.5 pp.) among the 25-49 years old and 6.5% (-0.1 pp.) among the 50-64 years old. It is somewhat surprising that the share of temporary employees increased among the young during the crisis. The likely reason is that among the newly hired young the share of temporary contracts increased even further.

Table 8 - Structure of Employment by gender and contract type

	2009 (in 1000s)	Change 2008-2009	Change 2007-2008	Average change 2000-2009
Employees	180,150	-1.8%	1.6%	1.1%
of which men	94,442	-2.9%	1.1%	0.6%
of which women	85,708	-0.6%	2.0%	1.6%
Self-employed	21,188	-0.4%	-0.8%	1.3%
of which men	14,161	-0.7%	-1.4%	1.0%
of which women	7,027	0.3%	0.3%	1.8%
Full-time	175,043	-2.4%	1.4%	0.8%
of which men	108,024	-3.1%	1.0%	0.5%
of which women	67,019	-1.2%	2.3%	1.2%
Part-time	38,769	1.1%	1.7%	2.6%
of which men	8,683	3.0%	2.2%	3.2%
of which women	30,085	0.5%	1.6%	2.4%
Temporary Employees	24,158	-5.9%	-1.4%	2.0%
of which men	11,906	-7.3%	-3.1%	1.4%
of which women	12,252	-4.5%	0.2%	2.6%

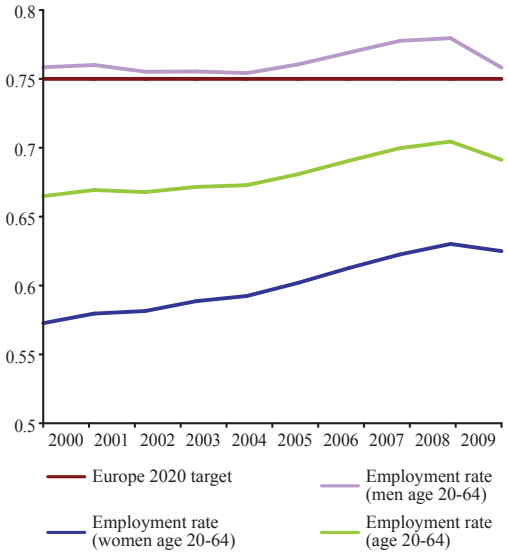
Source: Commission services.

1.6.2. Employment rate

The employment rate deserves a discussion on its own since it features prominently in the Europe 2020 strategy, as it did in the Lisbon strategy. The development of the employment rate mainly mirrors the development of employment, but is also influenced by (slower) movements of the population (the denominator of the employment rate) in the relevant age brackets. The Europe 2020 goal is a European wide employment rate of 75% among the 20 to 64 years old. Graph 14 shows the development of this indicator. In 2009, this indicator reached 69.1%, down by 1.3 pp. compared to 2008. The male employment rate fell by 2.1 pps. to 75.8%, a considerably stronger decline than the 0.5 pp. decline (to 62.5%) recorded for women. In order to reach the Europe 2020 goal of 75%, the male and especially the female employment rate will have to grow considerably until 2020. Graph 15 shows the development of the employment rate for the 15 to 64 years old, the indicator used in the Lisbon strategy([7]), over the period 2000 to 2008. The picture resembles that for the 20 to 64 years old but on a about 5 pps. lower level. With a total employment rate of 64.6% in 2009, the Lisbon target of 70% has been missed by a considerable margin.

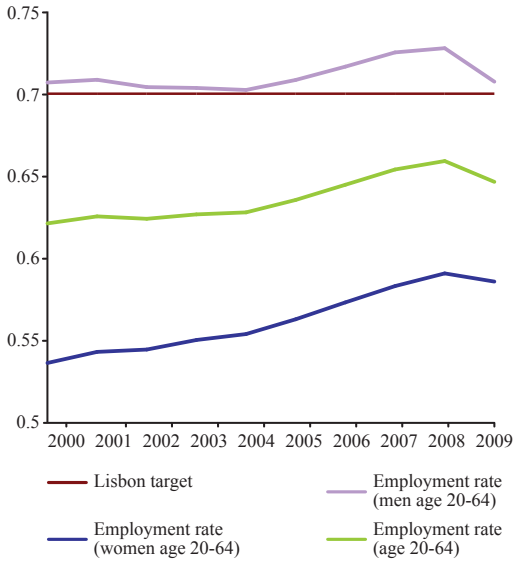
([7]) The indicator has been refined by narrowing the age bracket from 15-64 years to 20-64 years. For the 15-19 ear old the goals of a higher employment rate and higher education participation were inconsistent.

Graph 14 - Employment Rate (age 20-64)



Source: Commission services.

Graph 15 - Employment Rate (age 15-64)



Source: Commission services.

Table 9 provides an overview of the developments of the employment rates by gender, age and education levels. The two trends by gender and age, already discussed in section 1.6.1, are confirmed here. First, women do better during the crisis than men. Second, the development is particularly bad for the young (men -3.3 pps., women -1.6 pps.), quite bad for prime age men (-2.3 pps.) and only slightly bad for prime age women (-0.6 pp.). The employment rate of old men remains nearly unchanged (-0.2 pp.), whereas the employment rate of old women still manages to grow by 1.0 pp., even during the crisis.

Table 9 - Employment Rates

	Gender	Employment Rate 2009	Change 2008-2009 pps.	Change 2007-2008 pps.	Avg. Change 2000-2009 pps.
Total (age 15-64)	male	70.7%	-2.1	0.3	0.0
	female	58.6%	-0.5	0.8	0.6
Young (age 15-24)	male	37.2%	-3.2	0.0	-0.3
	female	33.1%	-1.5	0.3	-0.1
Prime age (age 25-54)	male	84.6%	-2.3	0.1	-0.1
	female	71.7%	-0.6	0.9	0.6
Old (age 55-64)	male	54.8%	-0.2	1.1	0.9
	female	37.8%	1.0	0.9	1.2
Low education	male	54.9%	-3.0	-0.5	-0.6
	female	37.7%	-1.0	-0.5	-0.1
Medium education	male	74.8%	-2.2	0.5	0.0
	female	63.1%	-0.9	0.4	0.2
High education	male	86.3%	-1.2	0.2	0.0
	female	79.8%	-0.7	0.0	0.2

Source: Commission services.

By gender and education we can see falling employment rates for both genders in all education groups. For men, the decline in the employment rate is much smaller for the highly educated than for the low and medium educated. For women, the employment rate declines for all three education groups by around 1 pp. It is noteworthy that the employment rates of highly educated men and women decline by around 1 pp., despite the increase in their absolute employment levels (see above, section 1.6.1). This shows that the increase in the number of highly educated has been even faster than the increase in the employment of highly educated.

1.6.3. Unemployment and participation

The economic crisis had severe consequences for the number of unemployed (see Table 10). In 2009, the number of male unemployed grew by 36%, while the number of female unemployed grew by 19%. This again shows that women fared better in the labour market during the crisis. Looking at the age dimension, unemployment grew in all age brackets, with not very pronounced differences. For young and old men, the number of unemployed grew by around 30% and for prime age men by around 40%. For women, the number of unemployed grew in all three age brackets by around 20%.

Table 10 - Unemployment

	Gender	2009 (in 1000s or %)	Change 2008-2009 (in % or pps.)	Change 2007-2008 (in % or pps.)	Avg. Change 2000-2009 (in % or pps.)
Total unemployment (age 15-64)	male	11,658	36.2%	0.9%	1.5%
	female	9,543	19.4%	-3.4%	-0.9%
Young unemployment (age 15-24)	male	2,955	29.8%	2.6%	1.3%
	female	2,196	17.3%	-2.3%	-1.1%
Prime age unemployment (age 25-54)	male	7,595	39.7%	0.9%	1.6%
	female	6,613	19.9%	-3.6%	-1.1%
Old unemployment (age 55-64)	male	947	31.1%	-3.4%	1.8%
	female	579	22.2%	-4.5%	2.7%
Long-term unemployment	male	31.8%	-5.0	-6.2	-1.5
	female	34.8%	-2.4	-5.3	-1.4

Source: Commission services.

The share of long-term unemployed fell in 2009, by 5 pps. (to 32%) for men and by 2 pps. (to 35%) for women. Per se, a falling share of long-term unemployment is good news. However, during downturns lower shares of long term unemployed are a common statistical effect due to the fact that many new unemployed enter the pool of unemployed. Yet, there is a risk of an increasing long-term unemployment if the probability of exiting unemployment do not pick up from the low levels achieved in many countries during the recession quarters.

The development of the labour force (Table 11) is by far less affected by the crisis than either employment of unemployment. Since the labour force is the sum of opposite employment and unemployment movements within the labour force itself, these two affect only marginally the latter, which is thus mainly the result of movements in and out of the labour force itself. This is confirmed by Table 11, showing that some long-run trends basically continued in 2009. First, the labour force gets more female. The female labour force grew by 0.8% in 2009, while the male labour force shrank slightly by 0.1%. Second, the labour force gets older. The young labour force shrank by 3% (men) and 2% (women). The prime age labour force remained almost unchanged for men (-0.1%) and grew slightly for women (+0.6%). The older labour force recorded a strong growth, +2.8% for men and +5.2% for women. Third, the labour force gets more educated. The low-skilled labour force shrank considerably by 2.4% for men and 1.9% for women. The medium-skilled labour force shrank slightly, by 0.4% for men and 0.3% for women. On the other hand, the high-skilled labour force grew strongly. In 2009, there are 3.2% more high-skilled men and 4.9% more high skilled women as compared to the year before.

Table 11 - Labour Force

	Gender	2009 (in 1000s)	Change 2009-2008	Change 2007-2008	Avg. Change 2000-2009
Total (age 15-64)	male	128,405	-0.1%	0.7%	0.5%
	female	106,679	0.8%	1.3%	1.1%
Young (age 15-24)	male	14,169	-3.0%	-0.2%	-0.6%
	female	11,854	-2.0%	-0.1%	-0.8%
Prime age (age 25-54)	male	97,274	-0.1%	0.4%	0.3%
	female	82,413	0.6%	1.1%	1.0%
Old (age 55-64)	male	16,963	2.8%	3.6%	3.2%
	female	12,412	5.2%	3.4%	5.1%
Low education	male	32,874	-2.4%	-1.2%	-1.3%
	female	23,317	-1.9%	-2.6%	-1.8%
Medium education	male	63,738	-0.4%	0.7%	1.0%
	female	51,248	-0.3%	0.9%	1.2%
High education	male	31,430	3.2%	2.8%	2.9%
	female	31,863	4.9%	5.1%	4.8%

Source: Commission services.

1.6.4. Unemployment rate and participation rate

The rise in unemployment documented in the last subsection can also be seen in the development of the unemployment rates (Table 12). The unemployment rate has grown stronger for men (+2.4 pps.) than for women (+1.3 pps.) and is now higher for men (9.1%) than for women (8.9%). Regarding age, the young have larger unemployment rate increases than the older age brackets; regarding education, the low-skilled have higher increases than the high skilled. So, the largest increases in the unemployment rate are observed for young men (+5.3 pps.) and for low skilled men (+3.8 pps.). The smallest increases are observed for old women (+0.8 pp.) and for high skilled women (+0.9 pp.).

Table 12 - Unemployment Rate

	Gender	Unmeployment rate 2009 in %	Change 2008-2009 in pps.	Change 2007-2008 in pps.	Avg. change 2000-2009 in pps.
Total (age 15-64)	male	9.1%	2.4	0.0	0.1
	female	8.9%	1.3	-0.3	-0.2
Young (age 15-24)	male	20.9%	5.3	0.4	0.4
	female	18.5%	3.0	-0.3	-0.1
Prime age (age 25-54)	male	7.8%	2.2	0.0	0.1
	female	8.0%	1.3	-0.4	-0.2
Old (age 55-64)	male	6.5%	1.4	-0.4	-0.1
	female	5.9%	0.8	-0.4	-0.2
Low skilled	male	14.8%	3.8	1.0	0.4
	female	14.9%	2.5	0.2	0.1
Medium skilled	male	8.3%	2.3	-0.3	0.0
	female	8.5%	1.3	-0.6	-0.3
High skilled	male	4.8%	1.4	-0.1	0.1
	female	5.2%	0.9	-0.2	-0.1

Source: Commission services.

The development of the labour force participation rates (Table 13) shows no uniform trend during the crisis. It fell for some socio-demographic groups but grew for others. For men it fell by 0.2 pp. to 77.8% and for women it grew by 0.4 pp. to 64.3%. For the young we see a declining participation rate especially for men (-0.9 pp.) but also for women (-0.5 pp.). In the prime age range the participation declined slightly for men (-0.2 pp.) and grew for women (+0.5 pp.). For the old we see a considerable increase for men (+0.7 pp.) and even more so for women (+1.4 pps.) which is in line with the long-run trend. By skill level and gender, we see a falling participation rate for low- (-0.5 pp.) and medium-skilled (-0.3 pp.) men, where as the participation rate of high skilled men is almost constant. For women, the participation rates conditional on education are basically unchanged for all three skill levels, low, medium and high. It is noteworthy that this has been true for the whole decade. The female participation rates conditional on education barely changed during the 2000s. This means that the long-run increase in the unconditional female participation rate (on average 0.5 pp. per year during the decade) is almost completely due to a changing education composition of the female population. The share of low-skilled with low participation rates decreases and the share of high-skilled with high participation rates increases.

Table 13 - Labour Force Participation Rate

	Gender	Participation rate 2009 in %	Change 2008-2009 in pps.	Change 2007-2008 in pps.	Avg. change 2000-2009 in pps.
Total (age 15-64)	male	77.8%	-0.2	0.3	0.1
	female	64.3%	0.4	0.6	0.5
Young (age 15-24)	male	47.0%	-0.9	0.3	-0.2
	female	40.6%	-0.5	0.3	-0.1
Prime age (age 25-54)	male	91.8%	-0.2	0.1	0.0
	female	78.0%	0.5	0.6	0.5
Old (age 55-64)	male	58.6%	0.7	0.9	0.9
	female	40.2%	1.4	0.7	1.2
Low skilled	male	64.5%	-0.5	0.1	-0.3
	female	44.3%	0.1	-0.5	-0.1
Medium skilled	male	81.5%	-0.3	0.1	-0.1
	female	69.0%	0.0	0.0	0.0
High skilled	male	90.6%	0.1	0.0	0.1
	female	84.2%	0.1	-0.2	0.1

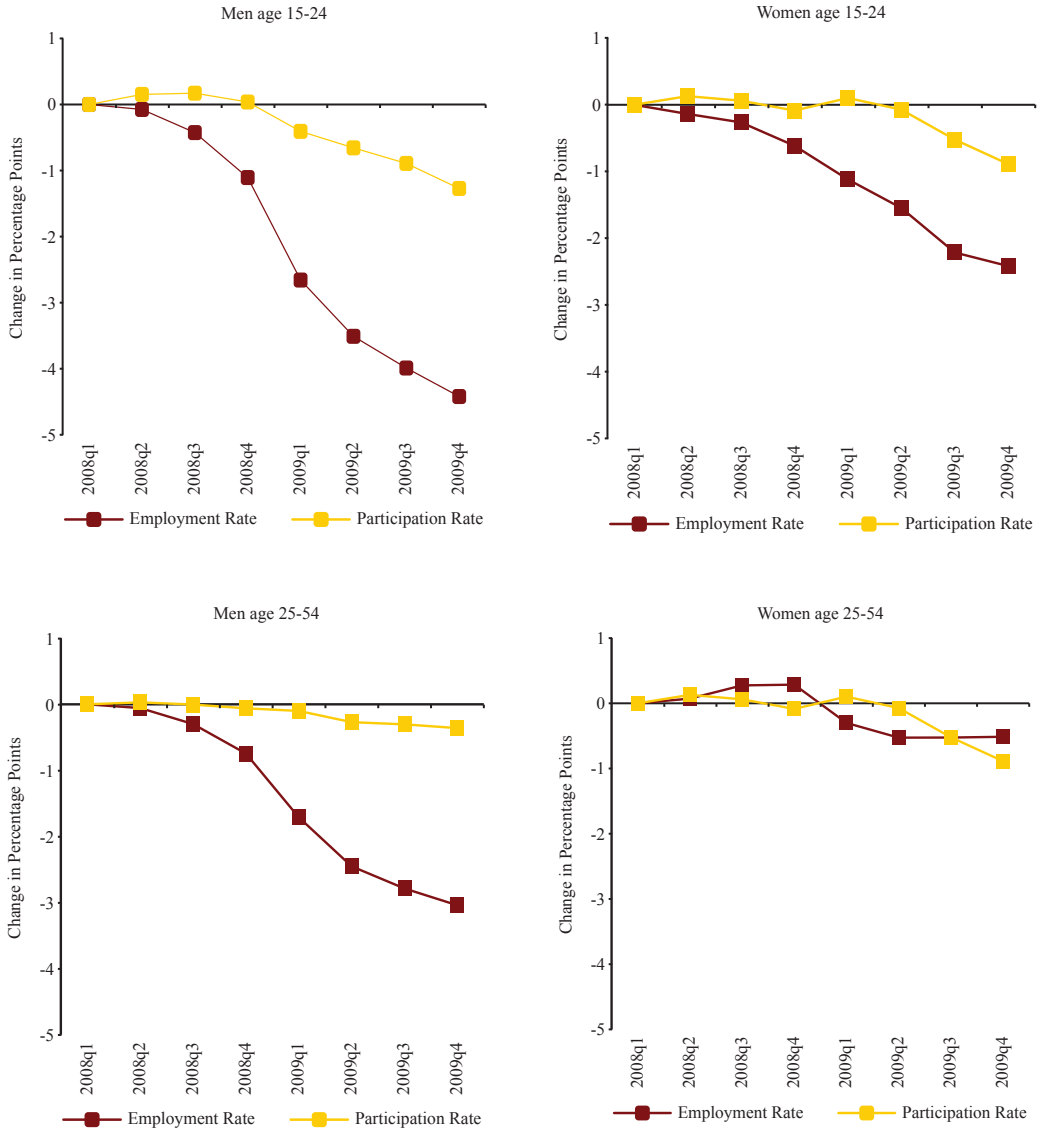
Source: Commission services.

Next we want to investigate whether the labour market has been relieved during the crisis by lower labour force participation. Since the labour force participation rate approximately equals the employment rate plus the unemployment rate ($pr \approx er + ur$), a decrease in the employment rate (e.g. during a recession) does not necessarily lead to an increase in the unemployment rate of the same size, insofar as the participation rate decreases as well. In order to analyse this question we look at the change in the employment rate and the change in the participation rate for different demographic groups since the first quarter of 2008. Graph 16 and Graph 17 show the difference in the employment rate and participation rate between the first quarter of 2008 and following quarters. This approach is inspired by Elsby, Hobijn and Sahin (2010). Taking as an example the top left picture in Graph 16, men aged 15 to 24, we can see that between 2008Q1 and 2009Q4 the employment rate of males aged 15-24 fell by 4.4 pps., while their participation rate first stayed constant for three quarters and then fell by 1.3 pps.. Hence, in this group the fall in the participation rate by 1.3 pps. resulted in an increase of the unemployment rate by only 3.1 pps., despite a fall in the employment rate of 4.4 pps..

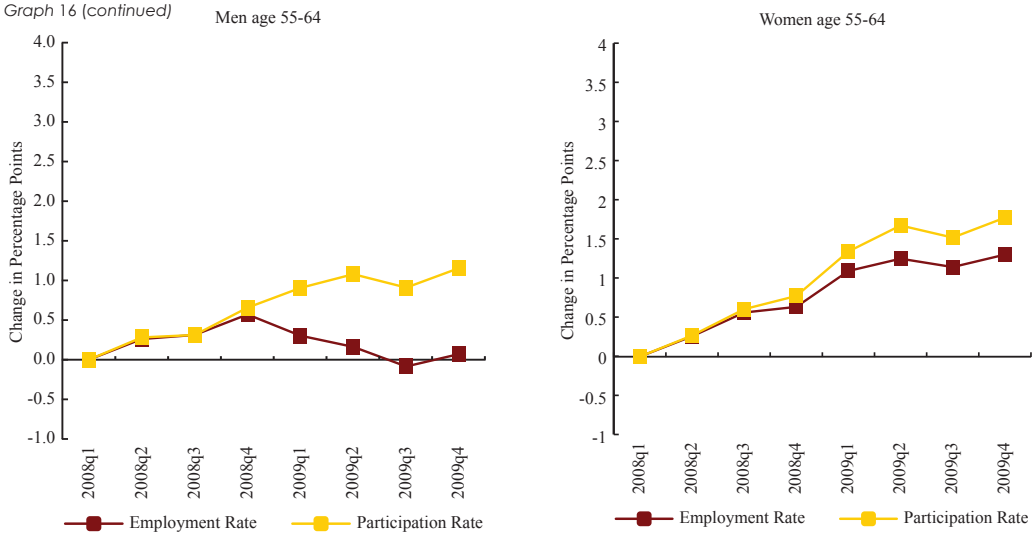
Graph 16 and Graph 17 show the development of employment and participation rates for the three main age and education groups divided by gender. They show that in three groups,

young men, young women and low-skilled men, a fall in the participation rate by around 1 pp. prevented a steeper increase in the unemployment rate. In the remaining groups, the fall in the participation rate was smaller, or it even increased. Where the participation rate declined, it did so with a delay of three to five quarters with respect to the decrease in the employment rate. This delay is observed in the US as well. The decrease in the participation rate for the young is likely to be explained by a postponed entry into the labour market (in the best case by staying in the education system) rather than actually leaving the labour force. In several cases, the participation rate remains basically unchanged (high-skilled men, low-, medium- and high-skilled women), which means that the decreases in employment rates are not dampened by falling participation rates and translate one-to-one into increases in unemployment rates. Finally, another interesting group is that one of older men. Their employment rate stays basically unchanged during the period. Their increasing unemployment rate is entirely due to an increasing participation rate.

Graph 16 – Employment Rates and Participation Rates by Age

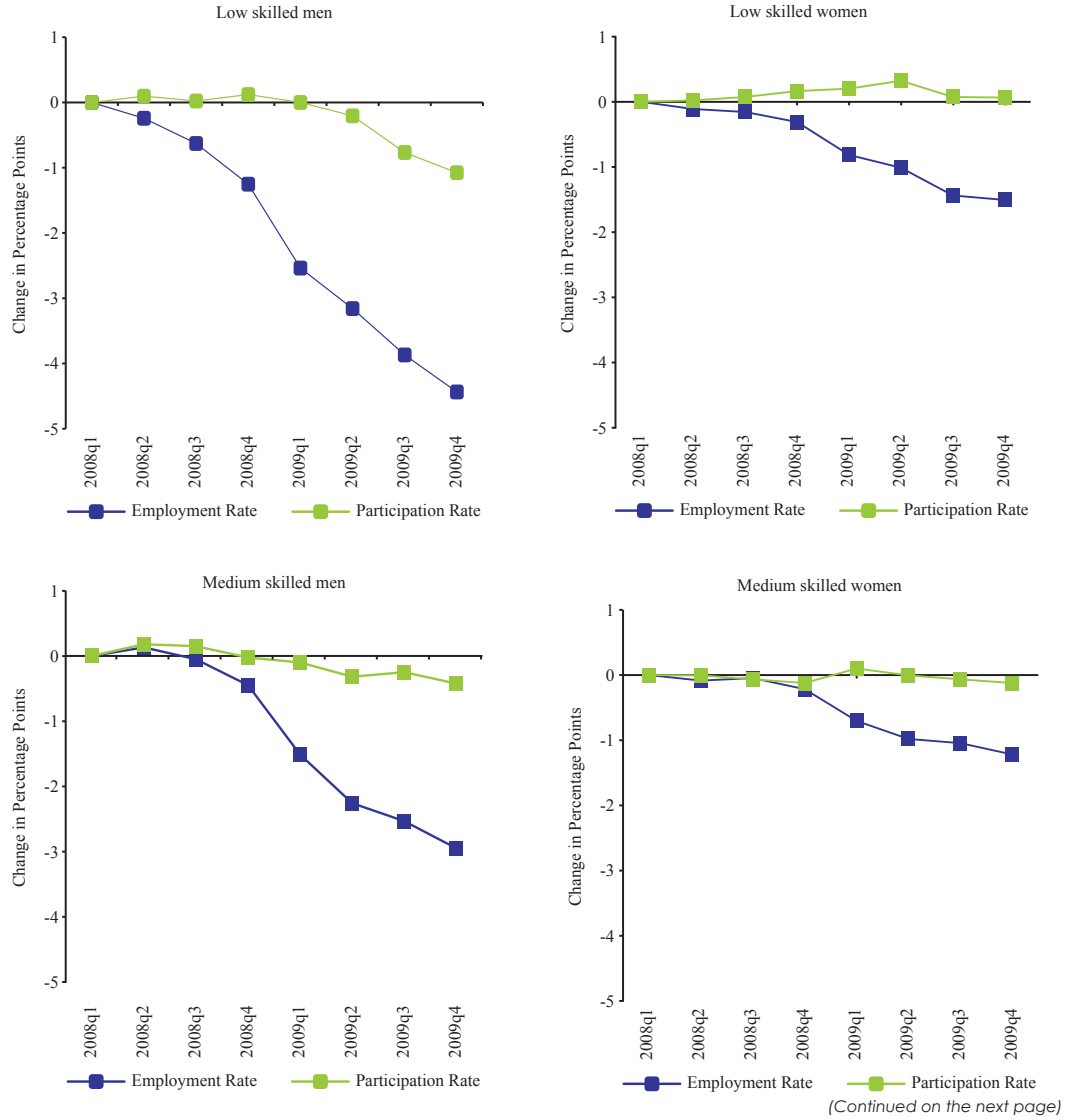


Graph 16 (continued)



Source: Commission services. EULFS

Graph 17 – Employment Rates and Participation Rates by Education



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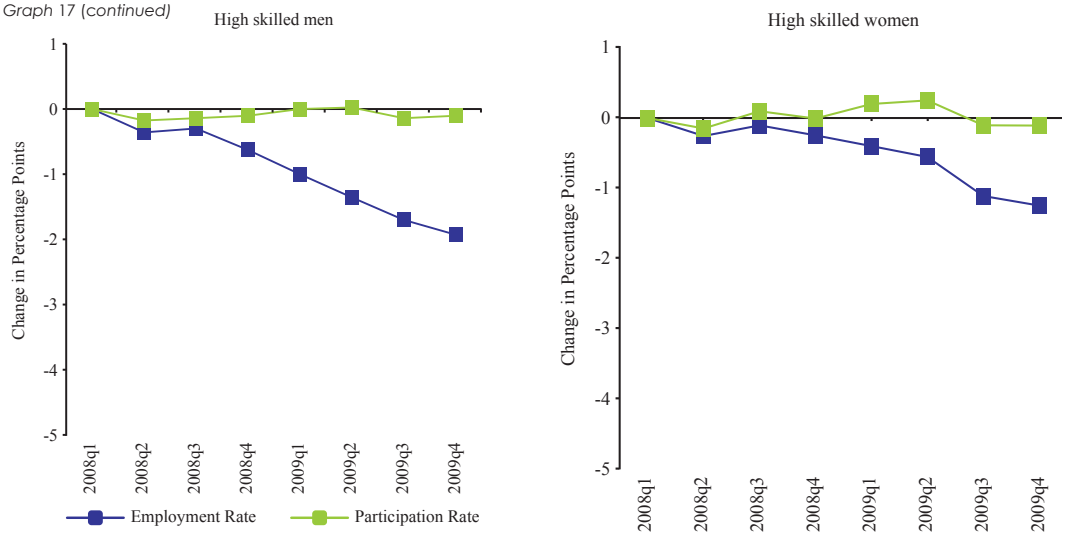
Graph 17 (continued)



Source: Commission services, EULFS.

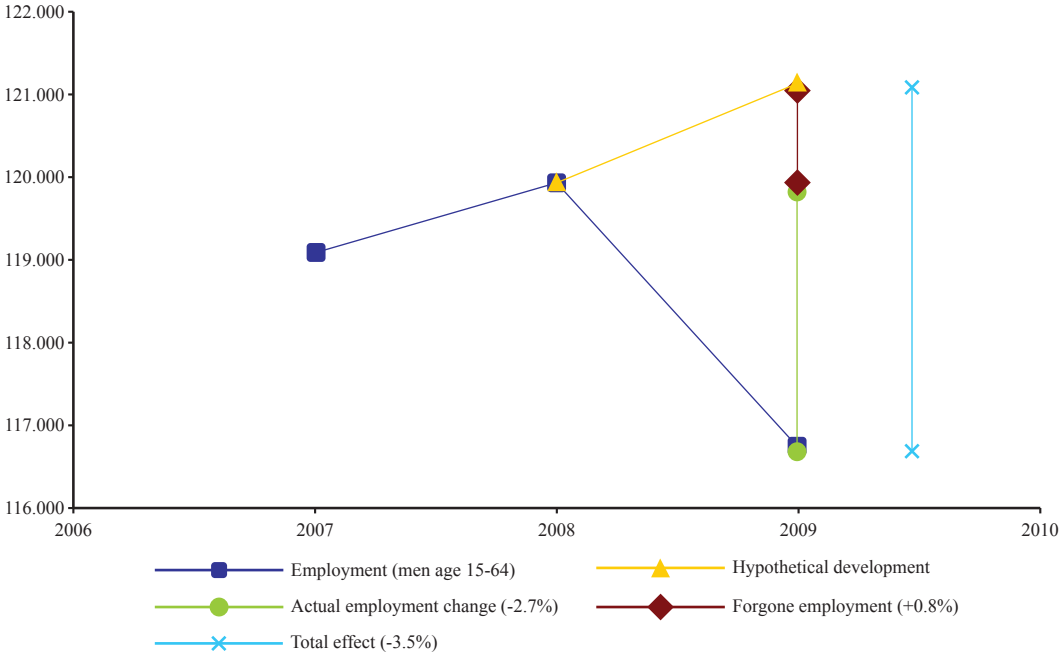
1.6.5. Foregone Employment

Until now in this chapter we have looked at employment in 2009 in comparison to 2008. To get a more comprehensive understanding of the effect of the crisis on employment, we compare the actual development in 2009 with the hypothetical employment in absence of the crisis, assume that employment would have grown at trend rate of the 2000-2008 pre-crisis period. Graph 18 shows this calculation for male employment. Between 2008 and 2009 employment declined by 2.7%, while projecting the past trend it would have expanded at 0.8%, the average growth rate between 2000 and 2008. Following Engemann and Wall (2010), we call the gap between the simulated employment level in 2009 and its value in 2008 *forgone employment* (i.e. the employment loss due to the crisis and that would have been observed had the past trends remained unchanged). The total effect of the recession is then the difference between the actual employment change and forgone employment, in this case -3.5%=-2.7%-0.8%.

Graph 19 shows the development of employment by gender between 2000 and 2009, as well as the hypothetical development in 2009 in case the employment growth would have continued as it did between 2000 and 2008. It can be seen that the actual change in employment between 2008 and 2009 has been larger for men (-2.7%, see also Table 14) and smaller for women (-0.7%), as discussed above. On the other hand, since male employment has grown in the past much slower than female employment, the forgone employment growth due to the crisis amounts to only 0.8% for men and to twice as much for women (1.6%). The main effect of the crisis on men has thus been an employment decline whereas the main effect on women has been the prevention of their employment growth. Taken together, the total effect of the recession on employment has been smaller for women than for men, with respectively -2.3% and -3.5% in 2009. Looking at the total employment effect, we can see that the recession is hitting male and female employment more equally than actual employment change would suggest. Whereas the actual female employment change is only 26% of the male counterpart (-0.7% vs.-2.7%), the total employment effect on women is 66% (-2.3% vs.-3.5%) of the effect on men.

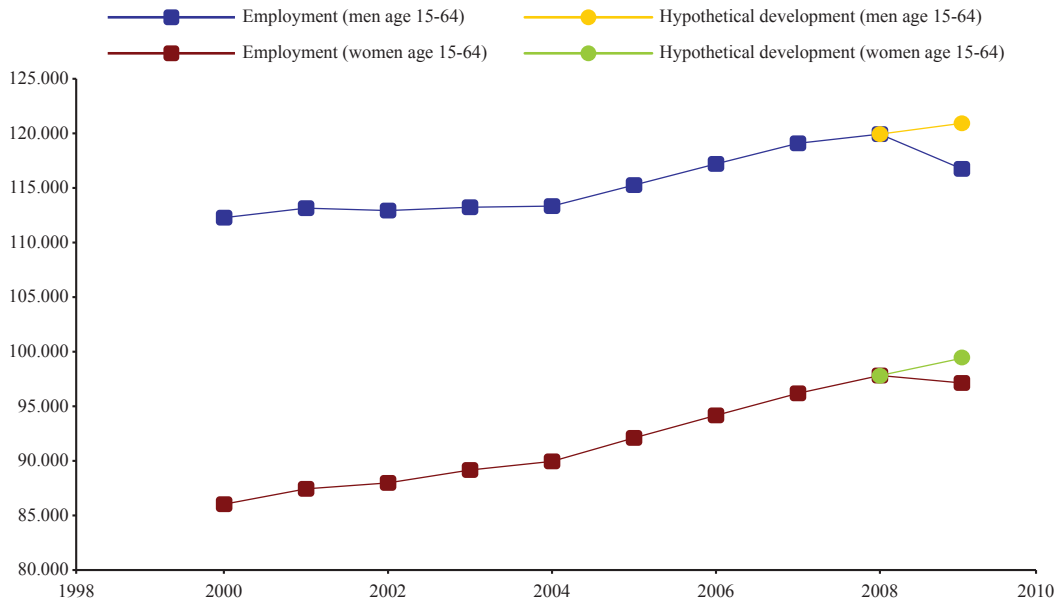
Table 14 also contains an analysis of foregone employment by gender and age. The crisis hit all age groups negatively, but with quite different intensity. The young were hit very hard, the prime age group less so and the older to an even lesser degree. For the young, because of the very low employment growth during the previous years foregone employment is almost zero. Thus, the total effect of the recession can be entirely attributed to the strong decline in actual employment. The development in the prime age group resembles the development for both genders in general. For men, the actual employment change (-2.5%) is much bigger than forgone employment (+0.5%), whereas for women the actual employment change (-0.8%) is less important than forgone

Graph 18 – Employment (Men age 15-64)



Source: Commission services.

Graph 19 - Employment (age 15-64)



Source: Commission services.

Table 14 – Forgone Employment by Gender and Age

	Gender	Employment Change	Forgone Employment	Total Effect
Total (age 15-64)	men	-2.7%	0.8%	-3.5%
	women	-0.7%	1.6%	-2.3%
Young (age 15-24)	men	-9.1%	0.0%	-9.1%
	women	-5.9%	-0.1%	-5.8%
Prima age (age 25-54)	men	-2.5%	0.5%	-3.0%
	women	-0.8%	1.4%	-2.2%
Old (age 55-64)	men	1.2%	3.5%	-2.3%
	women	4.3%	5.3%	-1.0%

Source: Commission services.

employment (1.4%). Taken together, we have a total employment effect on males' prime age employment of -3.0% and of -2.0% on females, so the total effect is still bigger for males but more balanced than the actual employment change. For the old, the situation differs as we still observe employment growth and the foregone employment is small.

Table 15 provides a break-down of foregone employment by gender and education. Low educated employment would have shrank by a bit more than 1% even without the crisis, so the total effect of the crisis is by this margin smaller than the employment change suggests. Medium educated employment would have grown in absence of the crisis, so the total effect on this segment of the population is bigger than the actual employment change. With around -4%, this is in the same range as the total effect on low educated employment. High educated employment grew in 2009, but it would have grown somewhat (not much) faster in the absence of the crisis. The total effect of the recession on this group is a decrease in employment growth of just around 1 pp..

Table 15 - Foregone Employment by Gender and Education

	Gender	Employment Change	Forgone Employment	Total Effect
Low Education	men	-6.6%	-1.2%	-5.4%
	women	-4.7%	-1.6%	-3.1%
Medium Education	men	-2.8%	1.5%	-4.4%
	women	-1.8%	2.0%	-3.8%
High Education	men	1.7%	2.9%	-1.3%
	women	3.9%	5.0%	-1.1%

Source: Commission services.

Finally, Table 16 differentiates foregone employment by gender and country. For men, the employment change dominates foregone employment in almost all countries, confirming that the total negative effect of the recession on male employment is somewhat bigger than the employment change, but not that much, since male employment would have grown only slowly in absence of the crisis. For women, foregone employment is more important than the actual employment change in the majority of the countries. This confirms that the total negative effect of the crisis on female employment is more comparable in magnitude to the effect on male employment than the employment change would suggest. In four countries (Italy, France, Malta and Cyprus), the total effect on employment is even slightly larger for women than for men. On the other hand, in countries hit hardest by the crisis (Ireland, Spain and the Baltic states), the total effect on employment is still considerably bigger for men than for women.

Table 16 - Forgone Employment by Gender and Country

	Men			Women		
	Employment Change	Foregone Employment	Total effect	Employ- ment Change	Foregone Employment	Total effect
EU 27	-2.7%	0.8%	-3.5%	-0.7%	1.6%	-2.3%
Belgium	-1.4%	0.4%	-1.8%	0.5%	1.7%	-1.2%
Bulgaria	-3.2%	1.9%	-5.2%	-2.9%	2.0%	-4.8%
Czech Republic	-1.5%	1.1%	-2.6%	-1.6%	0.5%	-2.1%
Denmark	-4.2%	0.4%	-4.6%	-1.6%	0.6%	-2.3%
Germany	-1.1%	0.3%	-1.4%	0.7%	1.3%	-0.7%
Estonia	-13.0%	1.7%	-14.7%	-5.1%	1.7%	-6.8%
Ireland	-12.3%	2.2%	-14.5%	-4.5%	3.8%	-8.3%
Greece	-2.0%	1.0%	-3.0%	0.3%	2.1%	-1.8%
Spain	-9.2%	2.3%	-11.5%	-3.5%	5.3%	-8.8%
France	-1.3%	0.9%	-2.2%	-0.2%	2.0%	-2.3%
Italy	-1.9%	0.7%	-2.6%	-1.1%	2.4%	-3.6%
Cyprus	-0.5%	2.6%	-3.1%	-0.4%	4.3%	-4.7%
Latvia	-15.6%	1.8%	-17.4%	-7.6%	2.2%	-9.8%
Lithuania	-11.4%	1.2%	-12.7%	-2.2%	0.7%	-2.9%
Luxembourg	6.1%	0.7%	5.4%	6.9%	2.5%	4.4%
Hungary	-3.2%	0.1%	-3.3%	-1.8%	0.4%	-2.2%
Malta	0.3%	0.9%	-0.6%	1.5%	2.6%	-1.0%
Netherlands	-1.0%	0.4%	-1.4%	0.6%	1.8%	-1.3%
Austria	-1.8%	0.8%	-2.7%	1.2%	1.7%	-0.5%
Poland	0.1%	1.3%	-1.2%	1.0%	1.1%	-0.1%
Portugal	-3.9%	0.2%	-4.1%	-1.5%	0.7%	-2.2%
Romania	-0.7%	-0.7%	0.0%	-1.1%	-1.7%	0.7%
Slovenia	-2.9%	1.6%	-4.5%	-1.1%	1.2%	-2.3%
Slovakia	-2.7%	2.4%	-5.1%	-2.8%	1.4%	-4.2%
Finland	-4.5%	0.6%	-5.1%	-1.3%	0.9%	-2.2%
Sweden	-2.8%	1.5%	-4.3%	-1.7%	1.1%	-2.8%
United Kingdom	-2.6%	0.7%	-3.3%	-0.7%	1.0%	-1.7%

Source: Commission services.

2. WAGE AND LABOUR COST DEVELOPMENTS

2.1. LABOUR COST DEVELOPMENTS IN THE EURO AREA

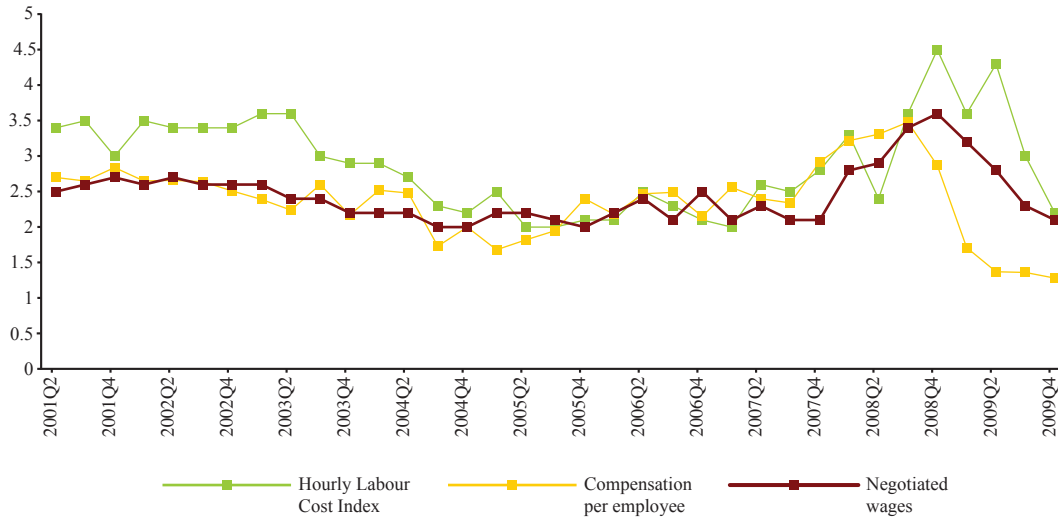
2.1.1. Recent labour cost developments

The crisis started to be reflected on wages in late 2008 and became more pronounced in the course of 2009. All three main indicators used to assess the evolution of the labour costs([8]) registered a decrease in growth when compared to the same quarter of the previous year (Graph 20).

Since negotiated wages are wages agreed through collective agreements on average over a two year period, the reaction of this indicator to the business cycle is lagged. This explains why negotiated wage were still growing in 2009Q1 at 3.2% - slightly below the rate of 2008Q4 (3.6%) -, notwithstanding the sharp fall of GDP, thus gradually reflecting the revision of past wage agreements which were negotiated in a context of labour market tightness and indexation to past high inflation. As old contracts were gradually replaced by new collective agreements, this indicator started to decline, to reach 2.1% in 2009Q4.

Compared to the negotiated wages, the annual growth of the compensation per employee adjusted faster and sharper. After reaching a peak in 2008Q3 (3.5%), it started to decline, to reach 1.2% in 2009Q4, the lowest rate since the beginning of the EMU. The strong deceleration in compensation per employee reflects both lower wage growth per hour and fewer hours worked. Short-time work schemes were in fact extensively used in many countries to reduce the

Graph 20 - Nominal wage indicators, euro area, y-o-y% change



Source: Labour cost index and compensation per employee are Eurostat data. Negotiated wages are ECB data.

([8]) Index of negotiated wages, compensation per employee and hourly labour cost index. The index of negotiated wages measures the direct outcome of collective bargaining in terms of basic pay (i.e. excluding bonuses) at the euro area level. It refers to the implied average change in monthly wages and salaries. Compensation per employee is the total remuneration, in cash or in kind, that is payable by employers to employees, i.e. gross wages and salaries, as well as bonuses, overtime payments and employers' social security contributions, divided by the total number of employees. The hourly labour cost index measures labour costs, including gross wages and salaries (in cash and in kind, including bonuses) and other labour costs (employers' social contributions plus employment-related taxes paid by the employer minus subsidies received by the employer), per hour actually worked (including overtime).

number of hours worked per employee, while companies have acted by cutting costs in flexible pay elements, thus leading to a substantially negative wage drift.([9])

In contrast to the growth rate of compensation per employee, the annual growth rate of the hourly labour cost index remained at a high level until mid-2009. It even increased from 3.7% in 2009Q1 to 4.3% in 2009Q2, before taking a stable downward path in the second half of 2009, consistent with the slowdown in compensation per employee and negotiated wages. The strong growth of hourly labour costs in the first part of the year reflected past wage agreements and short-term measures to reduce the number of hours worked, as the reduction of hours worked was often accompanied by a less than proportional decrease in wages.

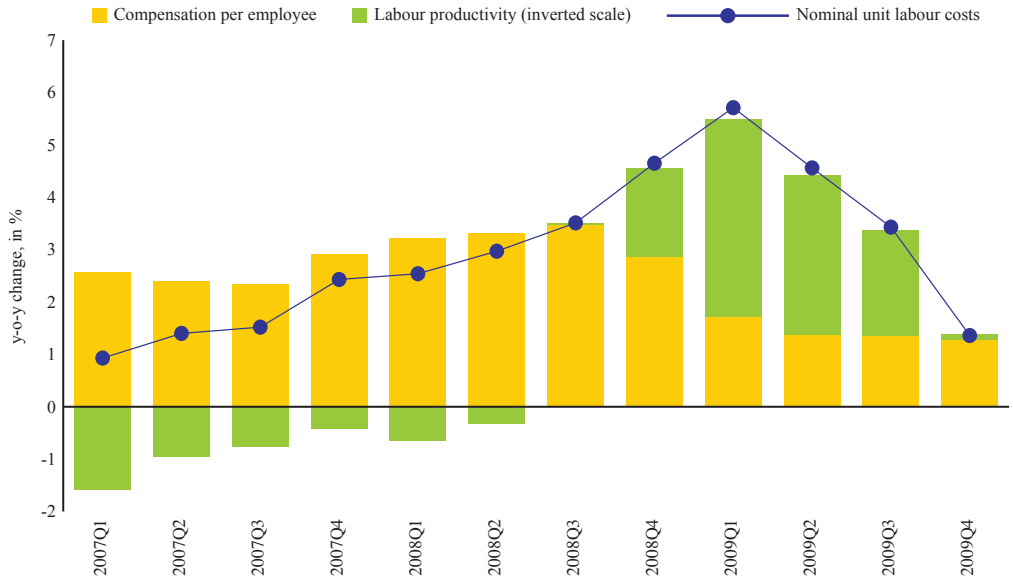
Unit labour costs growth peaked at 5.7% in 2009Q1, a record high since the beginning of the EMU. This was driven by sharp falls in productivity and the slow reaction in the growth rate of compensation per employee (Graph 21).

([9]) The term 'wage drift' refers to the part of growth of compensation per employee that is not explained by the growth of negotiated wages and/or social security contributions. For survey evidence of firms' cost-cutting strategies in response to the fall-out in demand, see 'Wage Dynamics in Europe: final report of the Wage Dynamics Network.' ECB, December 2009.

Unit labour costs had been increasing steadily since 2007Q1 on account of a robust compensation per employee, not in line with low productivity growth. The sharp increase in unit labour costs in late 2008 was a consequence of the intensification of the financial crisis that led to output falls not matched with increases in unemployment, resulting in a sharp decline of productivity. After reaching a record low in the first quarter of 2009, productivity in the euro area showed a clear upward trend path in subsequent quarters, reflecting both adjustments in labour force and lower falls in output. Although recovering in subsequent quarters, productivity remained negative throughout 2009. Helped by a less pronounced decline in productivity rates and by the slowdown in the annual growth rate in compensation per employee, unit labour costs decreased from 4.9% in 2009Q2 to 3.6% in 2009Q3 and to 1.4% in 2009Q4.

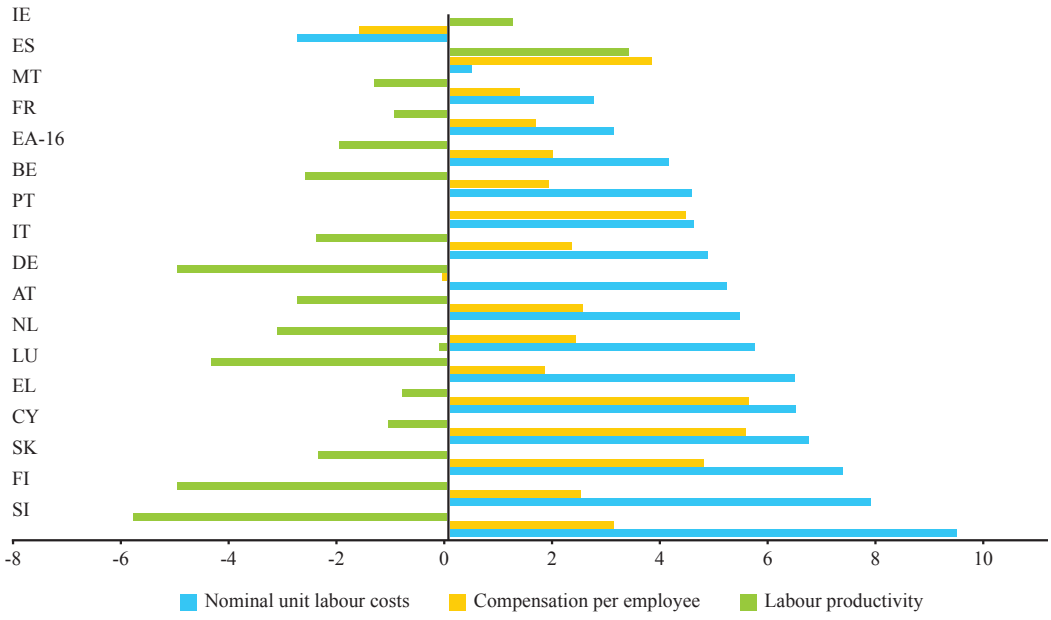
Considerable cross-country heterogeneity can be observed in unit labour costs developments (Graph 22). Slovenia, Finland and Slovakia experienced the sharpest increases in nominal unit labour costs. Cyprus, Greece and Luxembourg also saw their unit labour costs increasing well above the euro-area average. In Ireland, by contrast, nominal unit labour cost fell by 2.7% year-on-year. Nominal unit labour costs increased on account of growing

Graph 21 - Compensation per employee, labour productivity and unit labour costs, euro area.



Compensation per employee, labour productivity and unit labour costs are based on employment in headcounts.
Source: Eurostat.

Graph 22 - Nominal wage indicators, y-o-y % change



Compensation per employee, labour productivity and unit labour costs are based on employment in headcounts.
Source: AMECO.

compensation per employee and falls in productivity, but with each component having a rather different weight in the different countries. The decrease in labour productivity growth drove the pick up in unit labour costs in Germany, Luxembourg, Slovenia, Finland and the Netherlands. On the contrary, the increase in the compensation per employee was responsible for the increase in unit labour costs in Portugal, Spain, Greece, Slovakia and Cyprus. For the euro area as a whole, the role played by these two components in the increase in unit labour costs was approximately the same.

Productivity growth was positive only in Spain and Ireland. In Spain, productivity growth was particularly strong, due to an increase in unemployment that was far greater than the contraction in GDP. The rebound in Spain's labour productivity has therefore significant cyclical components and it may not be extrapolated to the future. By contrast, muted reaction of unemployment to the GDP fall in Germany, Italy, Luxembourg, the Netherlands, Slovenia and Finland led to sharp decreases in productivity. In Ireland, recovery in productivity combined with the decline in compensation per employee pushed unit labour costs down. In fact, Ireland was the only euro-area country with declining unit labour costs in 2009.

While the growth of compensation per employee moderated strongly in the euro area, it was still strong in Greece, Cyprus, Slovakia, Portugal and Spain. Not all countries suffering the sharpest increases in unemployment experienced more moderate growth in compensation per employee (Table 17). Spain, for instance, saw its unemployment rate increasing by 6.7 percentage points but the growth rate in compensation per employee was still buoyant at 3.7%. On the contrary, in Germany unemployment increased only 0.2% and the compensation per employee fell by 0.1%.

Part of the cross-country heterogeneity in the developments of the growth rate of compensation per employee, productivity growth and thus in the growth rate of unit labour costs is related to differences in the magnitude of the GDP contraction and the measures put in place in different countries to mitigate the impact of the crisis. While some economies relied on wage subsidies and adjustment of working hours, others put more weight on income support by extending unemployment

Table 17 - GDP, unemployment and compensation per employee, y-o-y % change

	BE	DE	IE	EL	ES	FR	IT	CY	LU	MT	NL	AT	PT	SI	SK	FI
GDP	-3.1	-5.0	-7.1	-2.0	-3.6	-2.2	-5.0	-1.7	-3.4	-1.9	-4.0	-3.6	-2.7	-7.8	-4.7	-7.8
Unemployment (pp)	1.9	0.2	5.6	1.8	6.7	1.7	1.1	1.7	0.8	1.0	0.6	1.0	1.9	1.5	2.5	1.8
Compens. per employee	1.8	-0.1	-1.6	5.5	3.7	1.6	2.2	5.4	1.7	1.3	2.3	2.4	4.3	3.0	4.7	2.4
HICP	0.0	0.2	-1.7	1.3	-0.3	0.1	0.8	0.2	0.0	1.8	1.0	0.4	-0.9	0.9	0.9	1.6

Source: Commission services.

protection schemes, leading to different reactions of the unemployment to the decrease in GDP. However, the heterogeneity verified in the growth rate of compensation per employee and labour adjustment can also be analysed in the light of the different labour market institutions affecting downward wage rigidity in the euro-area countries. This includes the degree of employment protection legislation (EPL), the degree of wage bargaining centralisation and coordination, and the degree of product market competition. The combination of a high degree of EPL with collective bargaining outside the firm and lack of competition in the goods market leads to higher wage rigidities. Studies that investigate the impact of labour market institutions on wages during the crisis find that centralised wage agreements hinder wage cuts and that strong EPL is negatively associated with the propensity of wages cuts and is associated with a higher recourse to temporary employee's layoffs([10]).

The contribution of unit labour costs to overall domestic inflationary pressures in 2009 remained above the 1999-2008 average in most euro-area countries (Table 18). The negative values of the final demand deflator registered in 13 euro-area countries were mainly a consequence of import prices, reflecting base effects associated to fluctuations in energy and food prices. Narrowing profit margins have prevailed in 13 euro-area countries. This decline was brought about by a fall in economic activity and a reduction in unit profits (margin per unit of output). Unit profits have been pressed downwards mainly on account of high unit labour cost growth stemming from relatively low adjustment of wages and the labour hoarding policies implemented by euro-area companies during the recent downturn.

Table 18 - Contribution of import prices, NULC, gross operating surplus and net indirect taxes to growth in final demand deflator, y-o-y % change, 2009 and average 1999-2008

	BE	DE	IE	EL	ES	FR	IT	CY	LU	MT	NL	AT	PT	SI	SK	FI
Average 1999-2008																
Import prices	1.1	0.2	0.7	0.8	0.5	0.2	0.8	0.8	1.7	1.4	0.5	0.5	0.6	1.6	1.5	0.4
Nominal unit labour costs	0.6	0.2	0.9	1.2	1.3	0.8	1.2	1.0	0.6	0.6	0.8	0.3	1.3	1.8	0.9	0.6
Net indirect taxes	0.1	0.2	0.2	0.3	0.2	0.1	0.2	0.8	0.2	0.4	0.2	0.0	0.3	0.3	0.2	0.1
Gross operating surplus	0.4	0.3	0.6	0.9	1.3	0.5	0.6	0.4	0.9	0.4	0.6	0.7	0.5	1.0	1.6	0.3
Final demand deflator	2.2	0.9	2.4	3.2	3.4	1.7	2.7	3.0	3.3	2.7	2.2	1.6	2.7	4.7	4.1	1.4
2009																
Import prices	-3.0	-1.9	-0.1	-0.3	-1.6	-1.2	-1.4	-0.6	-2.7	-3.8	-2.0	-0.9	-2.6	-3.0	-2.6	-2.2
Nominal unit labour costs	1.5	2.0	-0.8	2.5	0.2	1.3	2.1	2.2	1.2	0.7	1.9	2.0	1.9	3.3	1.6	3.0
Net indirect taxes	0.0	0.0	-0.7	-1.2	-1.0	-0.1	-0.1	-1.9	-0.2	0.5	-0.5	0.0	-1.1	-0.1	-0.1	0.2
Gross operating surplus	-1.0	-1.0	-0.3	-0.4	0.9	-0.8	-0.4	-0.4	-1.3	0.0	-1.6	-0.7	0.0	-2.1	-2.1	-2.8
Final demand deflator	-2.5	-0.8	-2.0	0.6	-1.5	-0.8	0.3	-0.6	-3.0	-2.6	-2.2	0.4	-1.8	-1.8	-3.2	-1.7

Source: Commission services.

([10]) Room, T. and J. Messina (2009) 'Downward wage rigidity during the current crisis.' ECB.

Table 19 - Unit labour costs (in nominal and real terms) and its components, y-o-y % change, 2009 and average 1999-2008

	BE	DE	IE	EL	ES	FR	IT	CY	LU	MT	NL	AT	PT	SI	SK	FI	EA-16
Nominal ULC																	
2009	4.4	5.1	-2.7	6.3	0.4	3.0	4.7	6.6	6.3	2.6	5.6	5.3	4.5	9.3	7.2	7.7	4.0
Av. 99-08	1.7	0.0	4.1	2.5	3.5	1.9	2.7	1.4	2.6	1.3	1.1	1.1	2.2	2.9	2.3	1.8	1.7
Compensation per employee																	
2009	1.8	-0.1	-1.6	5.5	3.7	1.6	2.2	5.4	1.7	1.3	2.3	2.4	4.3	3.0	4.7	2.4	1.9
Av. 99-08	2.8	1.8	5.5	5.8	3.7	2.7	2.9	4.0	3.4	3.3	3.9	2.3	3.9	8.0	8.3	3.4	2.8
Labour productivity																	
2009	-2.5	-4.9	1.2	-0.8	3.3	-1.4	-2.4	-1.1	-4.3	-1.3	-3.1	-2.7	-0.1	-5.8	-2.4	-4.9	-2.1
Av. 99-08	1.0	1.4	2.2	2.8	0.5	0.8	0.3	1.2	0.8	1.2	1.6	1.5	1.0	3.2	4.5	1.8	1.1
GDP deflator																	
2009	0.9	1.5	-3.2	1.3	0.2	0.5	2.1	0.0	-0.7	2.2	-0.3	1.9	1.2	1.9	-1.2	0.6	1.0
Av. 99-08	1.9	0.9	3.1	3.2	3.7	1.9	2.5	3.4	3.7	2.6	2.6	1.5	3.0	4.9	4.6	1.4	2.0
Real ULC																	
2009	3.5	3.5	0.5	5.0	0.2	2.5	2.5	6.6	7.0	0.4	5.9	3.3	3.3	7.2	8.5	7.0	3.0
Av. 99-08	-0.1	-0.5	0.2	-0.3	-0.6	0.0	0.2	-0.6	-1.0	-0.4	-0.3	-0.7	-0.1	-0.3	-0.9	0.2	-0.3

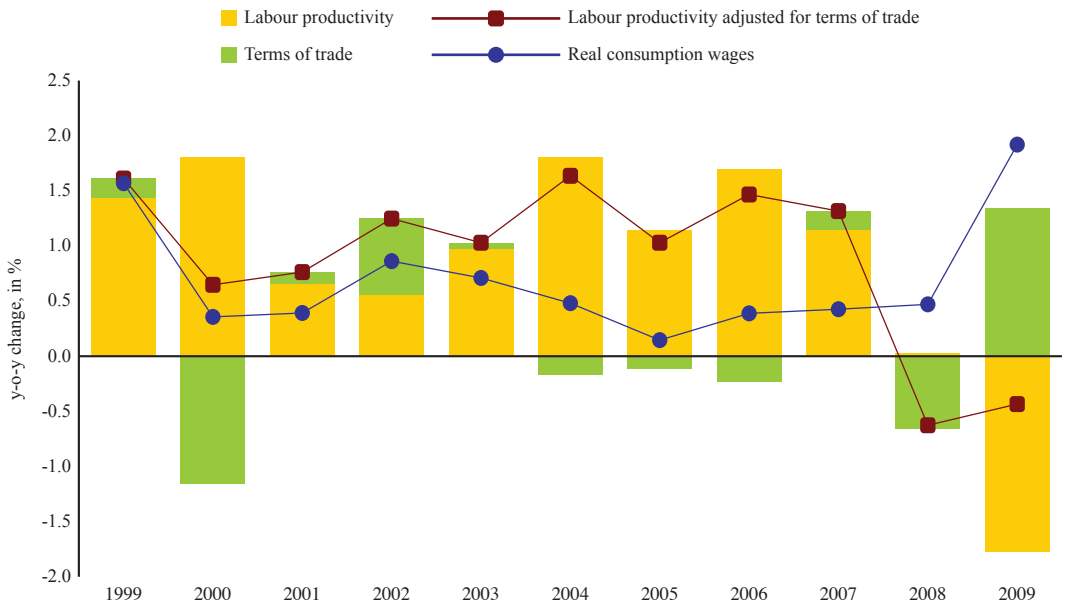
Source: AMECO.

Real unit labour costs increased substantially in most euro-area Member States. This increase was brought about by a rise in real product wages much above productivity. The increase in real unit labour costs in 2009 against the average growth over the period 1999-2008 was particular strong in Slovakia, Slovenia, Finland and Luxembourg. The rise in real unit labour costs is a relatively new phenomenon in euro-area countries. It was driven by a temporary sharp fall in productivity as a consequence of the fall in economic activity and a sluggish labour input adjustment. Empirical evidence shows that over the past three decades labour shares have declined in many European countries. The recent developments are not expected to reverse this trend. Most of the decline in labour market shares over the medium term in the euro area is governed by capital deepening in conjunction with capital-augmenting technical progress and labour substitution across labour skill categories. Institutional factors also play a significant role but they appear to be of somewhat less importance([11]).

Real consumption wages grew at the highest rate since the inception of the EMU (Graph 23). This was mainly a consequence of the accentuated decline in the inflation rate, as the growth rate in nominal compensation per employee reached record lows since 2009Q2. Owing to the sharp fall in productivity, real consumption wages grew above labour productivity adjusted for terms of trade, which, over the long term, defines an upper limit for real consumption wages. These are, however, short-term developments that are expected to be reversed in 2010, with increases in productivity and subdued developments in compensation per employee. The low inflation in 2009 helped to protect consumption power of employees and thus sustain demand. Member States also acted to support people's income. Measures included tax rebates and reduction in social security contributions, extension of coverage and increase in the generosity of unemployment benefits, reinforcement of housing or family allowances and support to over-indebted families.

([11]) See Arpaia, A., E. Pérez and K. Pichelmann (2009) 'Understanding Labour Income Share Dynamics in Europe, European Economy.' Economic Papers. 379.

Graph 23 - Real consumption wages and labour productivity adjusted for terms-of-trade, euro area, annual data 1999-2009



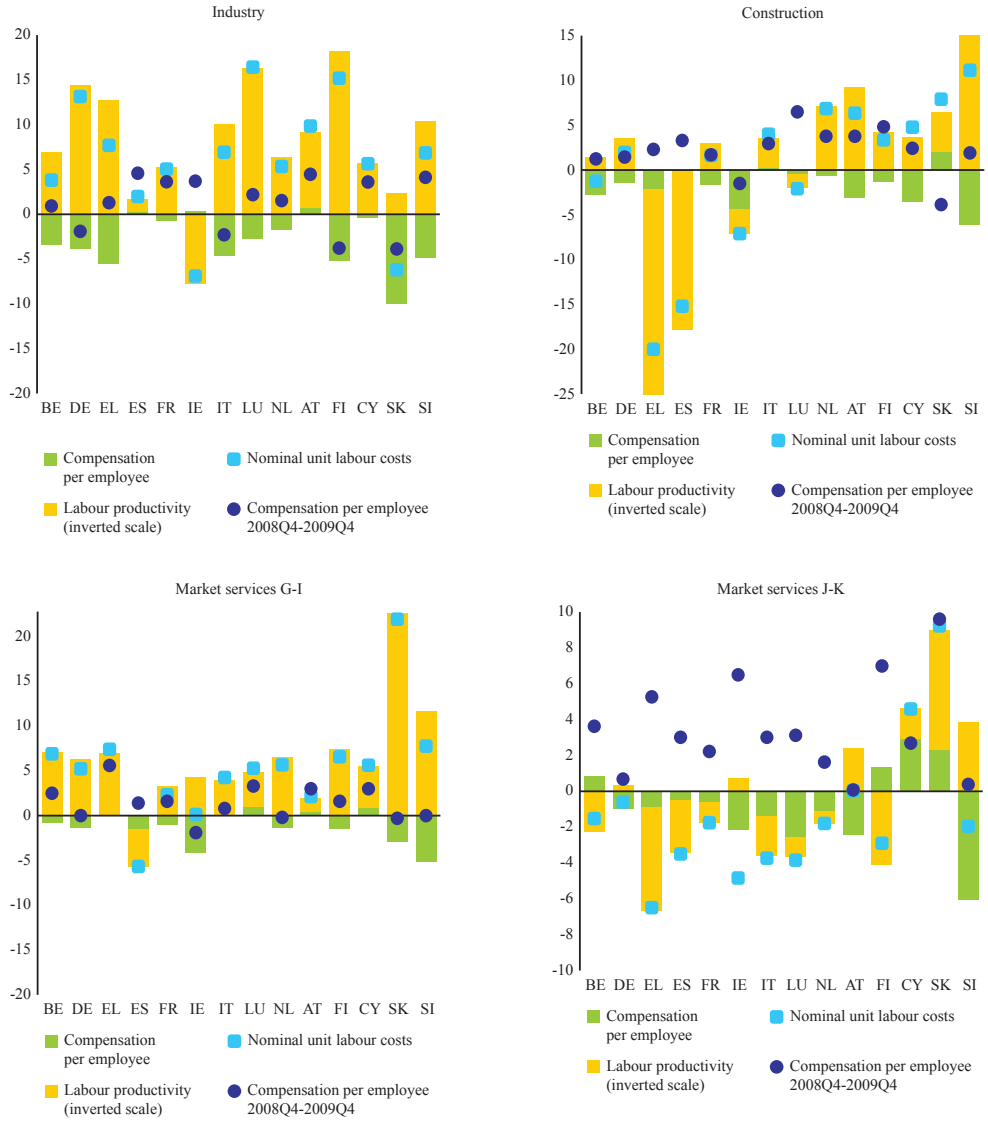
Source: AMECO and European Commission's staff calculations. Real consumption wages is the compensation per employee deflated by the private consumption deflator. Real product wages is the compensation per employee deflated by the GDP deflator. Terms of trade are derived from the difference between real consumption wages and real product wages. Labour productivity adjusted for terms of trade is derived from terms of trade plus labour productivity per person employed.

Despite the increase in real consumption wages, government support measures and the role played by social security systems as automatic stabilisers, private consumption remained weak throughout the year after severe contractions recorded in late 2008 and early 2009. Consumption was negatively affected by the drop in employment which has dampened household income. In addition, uncertainty about employment prospects increased precautionary savings. Fall in property prices and tightening credit conditions also played their role.

The sectoral decomposition indicates that considerable variation existed at sectoral level in compensation per employee, productivity and unit labour costs. Graph 24 compares the evolution of these three variables in 2009 against the developments over the period 2007-2008. In addition the graph shows the evolution of compensation per employee between 2008Q4 and 2009Q4. In the industrial sector the decline in growth rates of compensation per employee was more pronounced, with most of the countries recording lower growth rates in 2009 when compared to the average of the two previous years. Despite the moderation in compensation per employee, unit labour costs grew strongly in most countries on the back of sharp falls in productivity. This was particular the case of Luxembourg and Finland, but also Germany, Greece, Italy, Austria and Slovenia. The sharp fall in productivity in industry is related to public measures adopted to keep workers in employment, such as short-term work arrangements([12]). Productivity in the industrial sector was positive only in Ireland when compared to the average over the two previous years, while Spain and Slovakia experienced small decreases. Those were also the countries where employment in industry decreased the most in 2009. Growth rate in compensation per employee in 2009Q4 was negative in Germany, Italy, Finland and Slovakia when compared to the same quarter in the previous year.

([12]) For a rationale behind these schemes but also their potential adverse effects see Arpaia, A., N. Curci, E. Meyermans, J. Peshner and F. Pierini (2010), 'Short-time Working Arrangements as Response to Cyclical Fluctuations', forthcoming Economic Papers, European Economy.

Graph 24 - Compensation per employee, labour productivity and unit labour costs by sectors, difference in 2009 from average 2008



Source: Eurostat. Compensation per employee, labour productivity and unit labour costs are based on employment in headcounts. NACE G-I includes Wholesale and Retail Trade, Hotels and Restaurants and Transport and Storage and Communication. NACE J-K includes Finance, Insurance, Real Estate and Business Services.

The adjustment in the other sectors has not been as sharp as that observed in industry, in particular because the fall in productivity was much less pronounced. In the construction sector, only Ireland and Slovakia recorded a negative growth rate in compensation per employee in 2009Q4 when compared to 2008Q4. In most countries, compensation per employee grew at a slower pace in 2009 than over 2007-2008. Nominal unit labour cost in construction decreased sharply in Greece and Spain owing to a rebound in labour productivity and substantial labour shedding. On the contrary, Slovenia suffered a sharp fall in productivity.

Moderation in the growth rate of compensation per employee also occurred in trade, transport and communication services. The deceleration was not as strong as in industry and construction sectors but the adjustment is still ongoing as some countries were recording very slow, or even negative, growth in 2009Q4 when compared to 2008Q4. In the financial services and business activities sector, compensation per employee also grew at a slower pace in 2009 than over 2007-2008. By contrast to the other sectors, productivity was higher than the average in 2007-2008 in most countries. This together with the moderation in compensation

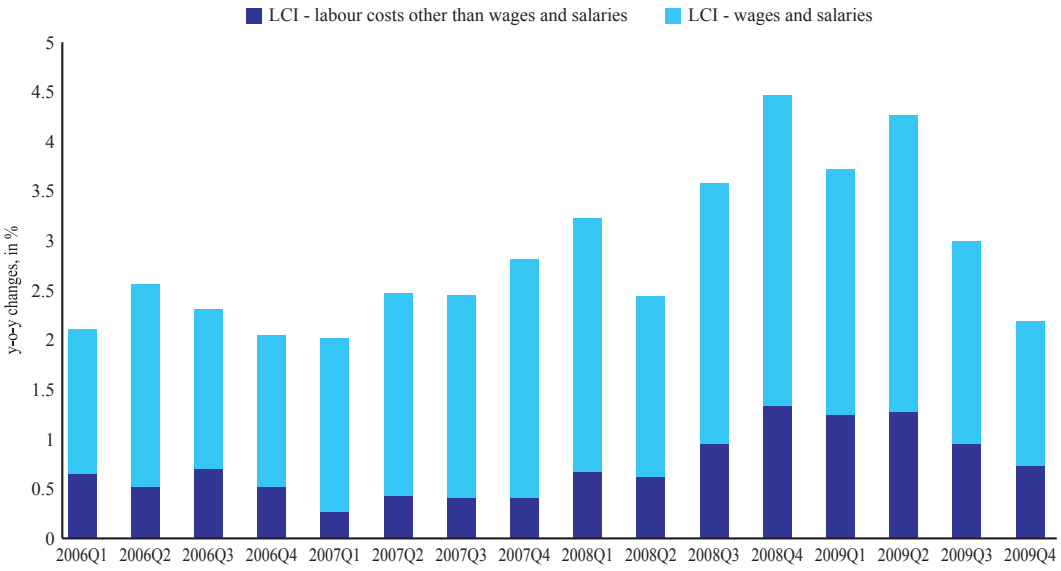
per employee led to a decrease in unit labour costs in most countries.

The sectoral decomposition shows that the sharpest falls in the growth rate in compensation per employee occurred in the sectors more severely hit by the recession. The industry was by and large the sector where the economic activity declined the most. Conversely, the growth rate in compensation per employee was more robust in construction and financial services, reflecting a less significant contraction in activity.

The above analysis indicates that firms acted to reduce labour costs. There was no broad-based decline in wages, but these are rare even during recessions([13]). Empirical literature shows that firms are generally reluctant to reduce workers' take-home pay. The reasons are the perverse effects on workers' morale and the risk of loosing the most productive to competitors. Nonetheless, compensation per employee fell in the hardest hit sectors in some countries and the growth rate decelerated significantly against the average growth over the period 2007-2008.

Firms' cost-cutting strategies in the presence of a deep downturn, as the recent crisis, may include, among others, cutting bonuses and benefits, encouraging earlier retirement, hiring workers at a lower and freezing promotions. In addition, firms may benefit from governments' actions to reduce statutory non-wage labour costs, such as employers' social security contributions, pay role taxes and firing costs([14]).

Graph 25 - Contribution of wage and non-wage costs to LCI growth, euro area



Source: Eurostat data and European Commission's staff calculations.

([13]) Bewley, T. F. (1999) 'Why wages don't fall during a recession?' Harvard University Press.

([14]) Empirical evidence shows that decreasing firing costs and payroll taxes have a positive effect on wages and employment (Plá, M. C., X. Ramos and J. I. Silva (2010) 'Wage Effects of Non-Wage Labour Costs.' IZA DP No. 4882). Also modelling results support the importance of shifting tax burden from labour to consumption and reducing the benefit replacement rate. These measures are most effective in those countries which face high labour taxes and low employment rates (D'Auria F., A. Pagano, M. Ratto and J. Vargas (2009) 'A comparison of structural reform scenarios across the EU member states: Simulation-based analysis using the QUEST model with endogenous growth.' European Economy, Economic Papers 392).

Several euro-area countries implemented measures to support the labour market during the crisis. Rebates on social security contributions for employers were introduced in several countries (Spain, Hungary, Portugal), sometimes specifically for small- and medium-sized enterprises (Belgium, France and Portugal). Other countries have partially suspended (Spain for companies experiencing difficulties) or reduced employer contributions (Belgium and Germany). Measures were often targeted to those most difficult to employ, the long term unemployed, low income workers, or to the self employed (Austria, Belgium, Spain, France, Italy, Slovenia and Slovakia). Graph 25 shows a decrease of labour costs other than wages and salaries, after having reached high levels in late 2008 and early 2009. In addition, Box 3 discusses the evolution of the tax wedge on labour over the period 2002-2009.

Box 3 : The evolution of the tax wedge on labour

The tax barrier to employment is usually measured by the tax wedge, the proportional difference between the costs of workers to their employer and the amount of net earnings that the worker receives (take-home pay). The tax wedge is composed of several elements. First, employers have to pay payroll taxes and/or employers' social security contributions (SSC). Second, employees have to pay SSC on their wage income. Finally, the labour income is subject to the personal income tax. These different taxes and SSC constitute the components of labour taxation, and they can be summed up to give the aggregate tax wedge owing to labour costs. The tax wedge is calculated for different household types and different income levels relative to gross earnings of an average worker (see OECD (2010) for a detailed discussion).

The effect of the tax wedge on labour demand and labour supply (and eventually on employment) depends on whether and to what extent the tax burden increases the total labour cost for the employer or is transferred on to the worker, translating into a lower net wage. When increasing the total labour cost, taxes on labour (notably in the form of employer's SSC) tend to reduce labour demand. On the labour supply side, taxes levied on wages (both direct taxation on labour income and employee's SSC) reduce the net income and drive a wedge between marginal product of labour and the marginal value of leisure. They thus tend to discourage the availability to work, especially at the lower end of the wage scale due to higher labour supply elasticity of low income workers.

Tax wedges on labour remain high in most EU countries. This situation contrasts with that of non-EU OECD countries, where the total tax wedge is substantially lower on average. However, some European governments have been able to reduce the tax wedge over recent years. This has been the case for average and low income workers alike, particularly in the Nordic countries, Slovakia and Poland. The Nether lands recorded the largest reduction of the tax wedge on low income workers. The table below provides an overview of the average tax wedge (at 67% and 100% of the average wage of a single worker without children).

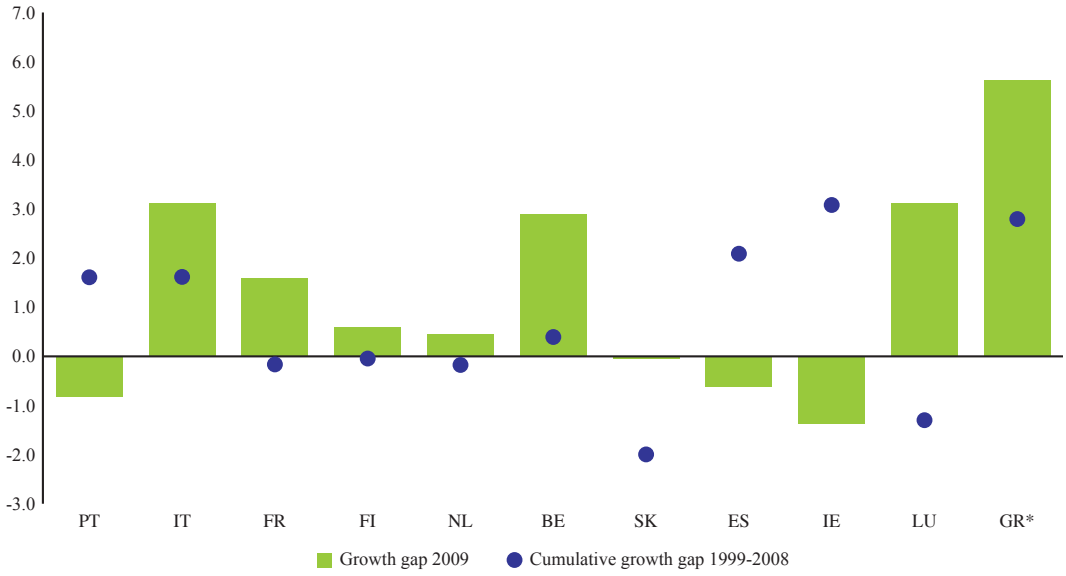
Several euro-area countries developed measures in 2009 to reduce labour costs and improve the incentives to work embedded in their tax systems, and thereby support the labour market. Income tax rates have been significantly reduced in some Member states (Denmark, Hungary, Finland and Sweden) sometimes as part of longer-term structural policy agendas. Other countries have made more modest changes to tax brackets or other parametric changes (Germany, Spain and Italy). Rebates on social security contributions for employers were introduced in several countries (Spain, Hungary, Portugal), sometimes specifically for SMEs (Belgium, France and Portugal). Other states have partially suspended (Spain for companies experiencing difficulties) or reduced employer contributions (Belgium, Bulgaria, Germany, the Czech Republic, and Sweden). Both tax and benefit measures were often targeted to those most difficult to employ, the long term unemployed, low income workers, or to the self employed (Austria, Belgium, Denmark, Spain, France, Italy, Slovenia, Slovakia and Sweden). Other measures included reinforcement of in-work tax credits (Belgium, Denmark, Germany and Sweden) and a few measures to support labour market participation of older age groups (Belgium, Spain and Portugal).

TOTAL TAX WEDGE ON LABOUR (INCLUDING EMPLOYER'S SOCIAL SECURITY CONTRIBUTIONS)

	Total tax wedge (average rate, including employers' SSC), single person without children, 100% of AE									Total tax wedge (average rate, including employers' SSC), single person without children, 67% of AE								
	2002	2003	2004	2005	2006	2007	2008	2009	Change 2002-09	2002	2003	2004	2005	2006	2007	2008	2009	Change 2002-09
Austria	47.1	47.4	48.1	48.0	48.3	48.6	48.8	47.9	0.8	43.1	43.5	43.9	43.3	43.7	44.1	44.4	43.3	0.2
Belgium	56.3	55.7	55.4	55.5	55.5	55.6	55.7	55.2	-1.2	50.5	49.6	49.0	49.3	49.4	49.6	49.8	48.9	-1.6
Bulgaria	39.6	39.0	38.9	38.9	35.4	36.5	35.1	n.a.	n.a.	35.2	35.0	34.9	35.3	31.1	32.3	35.1	n.a.	n.a.
Cyprus	17.3	18.5	18.6	13.6	14.1	13.9	n.a.	n.a.	n.a.	17.2	18.5	18.6	11.9	11.9	11.9	n.a.	n.a.	n.a.
Czech Republic	42.9	43.2	43.5	43.8	42.6	42.9	43.5	41.9	-1.0	41.5	41.7	41.9	42.0	40.1	40.6	40.1	38.6	-2.9
Denmark	42.1	42.1	40.7	40.6	40.7	40.9	40.7	39.4	-2.7	39.0	39.0	38.5	38.4	38.5	38.5	38.2	37.7	-1.3
Estonia	42.2	42.5	41.4	41.6	40.2	40.1	39.5	n.a.	n.a.	40.2	40.7	38.9	39.8	38.4	38.7	38.2	n.a.	n.a.
Finland	45.9	45.0	44.5	44.6	44.0	43.9	43.8	42.4	-3.5	40.9	40.0	39.4	39.5	38.8	38.6	38.5	37.0	-3.9
France	49.8	49.8	49.9	50.0	50.1	49.2	49.3	49.2	-0.5	47.4	45.0	42.4	41.4	45.5	45.4	45.4	45.2	-2.2
Germany	52.5	53.2	52.2	52.1	52.3	51.9	51.5	50.9	-1.6	47.1	47.9	46.9	47.3	47.4	47.0	46.6	46.0	-1.2
Greece[1]	38.8	39.4	40.9	40.7	41.7	41.8	41.5	41.5	2.7	35.3	34.9	35.8	35.1	35.7	36.0	36.3	36.8	1.5
Hungary	53.7	50.8	51.8	51.1	52.0	54.5	54.1	53.4	-0.3	48.2	44.5	44.8	43.1	43.3	46.0	46.7	46.3	-1.8
Ireland	29.7	29.8	30.7	31.0	29.2	27.2	27.0	28.6	-1.1	23.2	22.9	22.7	22.4	21.5	20.2	20.2	22.5	-0.7
Italy	46.4	45.7	46.0	45.7	45.9	46.2	46.5	46.5	-0.1	43.0	41.6	41.9	42.2	42.5	42.6	43.0	43.0	0.0
Latvia	42.9	42.2	42.5	42.2	42.9	42.4	41.6	n.a.	n.a.	41.4	40.8	41.2	40.9	41.8	41.1	39.9	n.a.	n.a.
Lithuania	44.6	43.4	43.7	44.4	46.3	43.0	41.7	n.a.	n.a.	41.2	39.5	40.0	41.0	43.9	41.3	40.3	n.a.	n.a.
Luxembourg	32.9	33.5	33.9	34.7	35.3	36.3	35.1	34.0	1.0	27.4	27.8	28.1	28.7	29.1	29.9	28.5	27.4	0.0
Malta	24.1	23.3	23.6	23.9	24.5	23.6	22.8	n.a.	n.a.	17.7	17.4	17.6	17.8	18.4	18.6	17.9	n.a.	n.a.
Netherlands	37.4	37.1	38.8	38.9	38.3	38.7	38.9	38.0	0.6	39.1	40.0	40.8	41.6	33.1	33.1	33.6	33.3	-5.9
Poland	37.8	38.1	38.3	38.5	38.8	38.0	34.5	34.0	-3.8	36.5	36.8	37.0	37.3	37.6	36.8	33.4	33.0	-3.5
Portugal	37.6	37.4	37.4	36.8	37.1	37.2	37.3	37.2	-0.4	32.9	32.8	32.8	32.1	32.3	32.4	32.4	32.3	-0.7
Romania	47.3	46.2	45.8	44.0	43.7	43.4	41.7	n.a.	n.a.	44.6	43.4	42.9	42.4	42.2	41.8	40.1	n.a.	n.a.
Slovak Republic	42.5	42.9	42.5	38.3	38.5	38.6	38.8	37.6	-4.8	40.8	40.9	39.6	35.2	35.5	35.6	36.0	34.3	-6.5
Slovenia	42.5	42.5	42.6	42.4	44.0	43.4	42.9	n.a.	n.a.	41.1	41.1	41.1	39.4	39.8	40.1	40.3	n.a.	n.a.
Spain	39.1	38.5	38.7	38.9	39.1	38.9	38.0	38.2	-0.9	35.7	34.7	35.2	35.5	35.9	35.6	34.0	34.2	-1.4
Sweden	47.8	48.2	48.4	48.1	47.8	45.3	44.8	43.2	-4.6	46.8	47.0	47.2	46.6	45.9	43.3	42.5	41.2	-5.6
United Kingdom	32.3	33.8	33.9	33.9	34.0	34.1	32.8	32.5	0.2	28.7	30.3	30.5	30.5	30.6	30.7	29.7	29.2	0.5
EU-27	45.0	45.4	45.2	44.9	45.0	44.8	n.a.	n.a.	n.a.	41.4	41.3	40.7	40.4	40.7	40.6	n.a.	n.a.	n.a.

([1]) The AW for Greece overs timates the actual gross earnings because it includes earnings linked to marriage and children whitch are not available to all families.
Source: OECD and Eurostat. Change 2002-2009 in percentage points. 2009 provisional values. AE: average earnings.

Graph 26 - Growth gap between compensation per employee in public and private sectors, selected euro-area countries



Source: OECD Economic outlook database. For Greece growth gap refers to 2008 and cumulative growth gap to the period 1999-2007.

Public sector wages can play a relevant role on private sector wages and thus on labour market adjustments. The literature on public versus private sector wage leadership is relatively scarce. However, some recent studies find evidence of an important role of public wages in influencing private wage developments([15]). Over the last ten years, wage developments were heterogeneous in private and public sectors in some euro-area countries. This led to significant cumulative wage differences between public and private sectors (Graph 26). The annual growth gap between public and private compensation per employee during 1999-2008 was highest in Ireland, Greece, Spain, Italy and Portugal. In 2009, wage growth in public sector was higher than in private sector in most countries. There were although some signs of correction of past misalignment in particular in Ireland, Spain and Portugal. By contrast, in Italy, public sector wages run above the private sector wages, which contributed to enlarge the cumulative gap.

Looking ahead, measures to consolidate public finances are expected to narrow the public-private pay gap. In Greece, the government imposed a pay freeze until 2014 on public sector wages. In addition, Christmas, Easter and summer holiday bonuses in the public sector, also known as 13th and 14th salaries, were abolished for earnings above 3000 euros a month and were capped at 1000 euros for lower earnings. In Ireland, the public service wage bill has been reduced in February 2009 through the introduction of a pension related deduction of an average of 7% from the earnings of all public servants, and in 2010 through the introduction of salary reductions averaging 6% across the public service with reductions of 15% for those at the most senior levels. In Spain, public wages were cut in 5% in 2010 and will be frozen in 2011. In Portugal, after imposing a pay freeze in 2010, the government plans to continue to hold down wage increases and enforce restrictions on new hiring more strongly. In Italy, in view of government's envisaged expenditure-based

([15]) For instance, Lamo, A., J. Pérez. and L. Schuknecht (2008) 'Public and private sector wages: co-movement and causality.' European Central Bank Working Paper 963 – using a database covering most of the OECD countries, find robust contemporaneous correlation and feedback effects between private and public wages. Causality from the private to the public sector dominates. Nevertheless, their analysis also suggests that in a number of countries an important influence from the public sector on private wages both directly and indirectly via prices. Perez, J., and A. J. Sánchez (2010) 'Is there a signalling role for public wages? Evidence for the euro area based on macro data.' ECB working paper 1148 – using data for Germany, France, Italy and Spain, conclude for strong evidence of public wages' leadership.

fiscal consolidation, containment of the public sector wage bill is likely to be a key element of the consolidation strategy. The government announced in May 2010 a pay freeze for public servants until 2014. Also in other countries developments in public sector wages are likely to be affected by the debt reduction strategies.

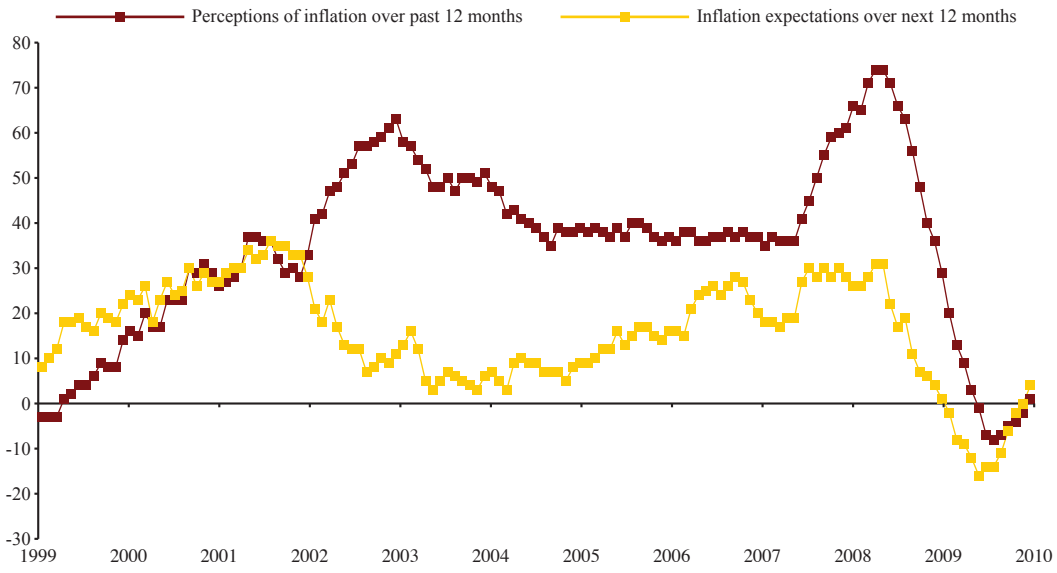
2.1.2. The near-term outlook for labour cost developments

The growth rate of compensation per employee is expected to remain low in 2010, dampened by the continued weakness of labour market. According to the European Commission's spring economic forecast([16]), the economic activity is expected to recover at a slow pace. As employment developments tend to lag output, the prospects are for some further drop in employment this year, though at a moderating rate. The labour market situation is therefore expected to remain weak, despite apparent signs of stabilisation. The high degree of labour hoarding during the recession, which helped stemming the rise in unemployment, points to a potentially jobless recovery ahead.

The unemployment rate rose above the non-accelerating wage rate of unemployment (NAWRU) in 2009 and is expected to remain above the structural rate at least until 2011. The structural rate increased by 1.9 p.p. to 9.4% in 2009 and is expected to reach 10.4% in 2011([17]). Thus, growing labour-market slack is to be expected, dampening wage and inflationary pressures in 2010 and 2011.

Inflation is projected to increase relative to 2009, but to remain subdued over the forecast horizon. HICP inflation is projected to average 1½% in 2010 and 1⅓% in 2011. Also inflation perceptions and inflation expectations are at

Graph 27 - Inflation perceptions and inflation expectations, euro area. Monthly data 1999M1-2010M3



Source: EU Consumer Survey. The corresponding questions in the consumer survey read as follows: 'How do you think that consumer prices have developed over the last 12 months?' and 'By comparison with the past 12 months, how do you expect that consumer prices will develop in the next 12 months?' The answer scheme is qualitative according to a five-option ordinal scale. Aggregate balances are calculated as the difference between positive and negative answering options, measured as p.p. of total answers. Balance values range from -100, when all respondents choose the most negative option, to +100, when all respondents choose the most positive option.

([16]) European Commission (2010) European economic forecast – spring 2010. European Economy, 2/2010.

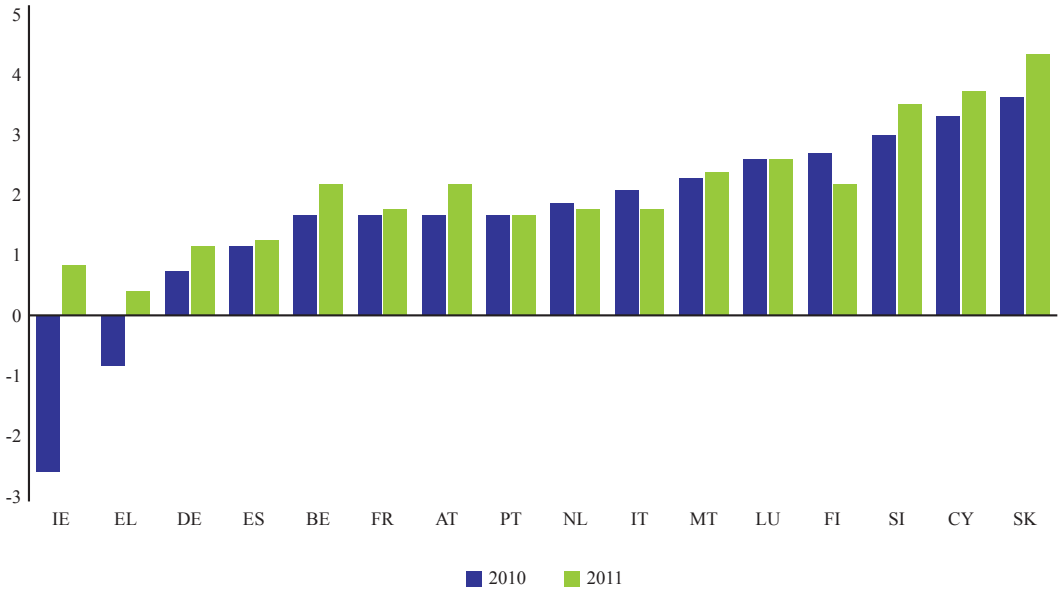
([17]) The very strong increase in the NAWRU, along with a sharp decline in capital accumulation, is behind the downward revision in the potential GDP growth following the financial crisis. For a review of the long lasting effects of financial crisis on output and the stylised facts of the contribution of productivity and input factors to potential growth in the aftermath of the concrete crisis see Cerra, V. and Saxena, S.C., (2008), 'Growth Dynamics: The Myth of Economic Recovery.' American Economic Review, 98(1): 439–57.

historical low levels, which give further support to the projected outlook (Graph 27). These developments are expected to push down wage claims in 2010-2011.

Most of the euro-area countries are expected to experience moderate growth rates in compensation per employee in 2010 and 2011 (Graph 28). In Ireland and Greece the compensation per employee is expected to decrease in 2010 and grow only moderately in 2011. In Ireland, the expected continued decrease in compensation per employee is led by strong retrenchment in the public sector.

bargaining framework. Wages are expected to grow in line with projected inflation excluding imported energy goods. Weak productivity and labour market-situation also leaves little scope for higher wages increases at firm level. In Cyprus, the prospects are for no or minimal wage growth in the forthcoming sectoral collective agreements. Although, the wage drift and indexation (Cost of living allowance; COLA), which adjusts wages based on inflation in the previous 6 months, would contribute to a sustained wage growth. Luxembourg adopted a freeze in public wage bill in 2010. In the Netherlands, the government announced in

Graph 28 - Forecast growth rate in compensation per employee



Source: Commission's forecast spring 2010.

Also in Greece the announced cuts in public sector remuneration and a continuous negative GDP growth are expected to play an important signalling role that would support private-sector wage moderation.

In Germany, the moderation in the growth rate of compensation per employee reflects recent wage agreements in the private and the public sectors. In Spain, the recent cut in public sector wages will help to align the evolution of wages to the labour market conditions. In Italy, the projected moderation in compensation per employee stems from the announced freeze in public sector wages and the newly-reformed wage

2009 a renewed wage moderation policy. In Portugal, the government imposed a freeze in public wages in 2010. In Finland, wage growth in 2010 will still reflect the previous multiannual wage agreements. The next wage negotiation rounds are expected to respond to the change in economic conditions and to result in moderate wage increases for the coming years.

Unit labour costs growth is foreseen to continue the downward path initiated in 2009Q1 (Graph 29). It is projected to decrease around ½% in 2010 and increase very moderately in 2011, on account of the expected low growth in compensation per employee and

the rebound in productivity. Compensation per employee in 2010 is expected to grow below productivity in Belgium, Spain, France, Slovenia, Slovakia and Finland. In Germany, Ireland and the Netherlands wages are expected to grow below productivity in 2010 and 2011. After recording negative values over 2009, productivity is expected to benefit from further adjustments in the labour force and from a gradual improvement in the economic activity. The expected recovery in productivity, coupled with continued declines of the growth rate in compensation per employee, should therefore dampen unit labour cost growth in 2010.

2.1.3. Competitiveness developments within the euro area

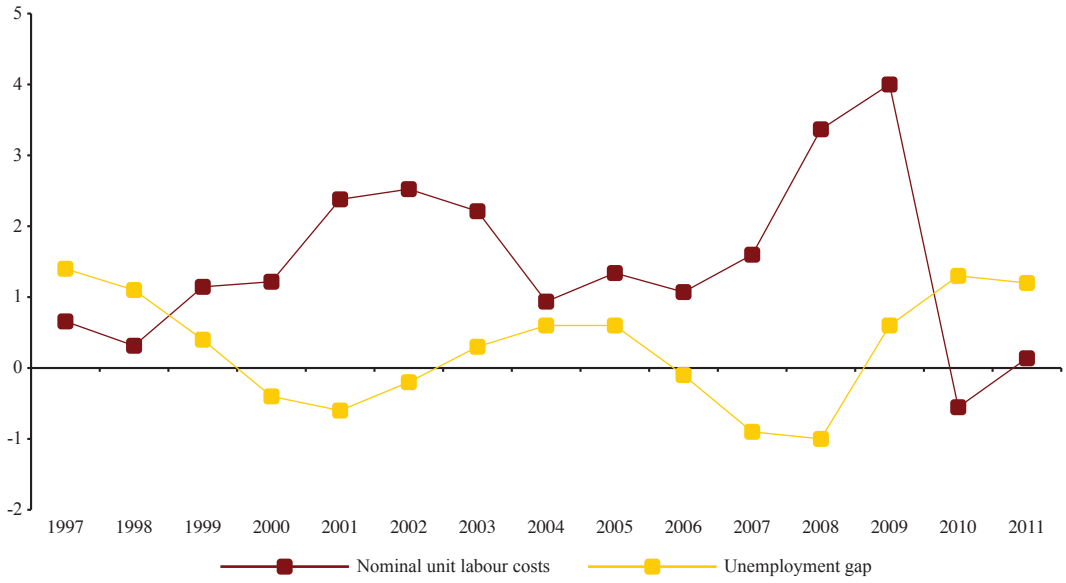
Since the creation of the single currency, nominal unit labour cost developments among euro-area members have been diverse, leading to divergences in real effective exchange rates (REERs) based on unit labour costs. Divergences in REERs have been mainly driven by diverging wages, though productivity patterns are also relevant. The correlation between REERs based on ULC and those based on GDP deflator is strong in the euro-area countries (Graph 30). There are some countries, however, where the redistribution of income between workers and firms has played a role in shaping competitiveness. Among countries with unfavourable labour cost developments, Portugal and Italy have seen offsetting movements in profit margins, thus mitigating the loss of competitiveness as measured in terms of GDP deflator.

Relative competitiveness positions based on GDP deflator have not been significantly affected since the outbreak of the crisis in 2008([18]). Between 2008-2009 intra-euro-area REERs based on GDP deflator registered very small changes in most of euro-area countries. Ireland and the Netherlands were exceptions, with depreciations of around 3.5 and 2%, respectively. Spain also saw its REER based on GDP depreciating slightly, after a relatively high accumulated appreciation over the past years.

Since 2008, there have been modest signs of convergence in cost competitiveness within euro-area countries. REERs based on unit labour costs depreciated in Spain, Ireland and Greece, which have accumulated significant cost competitiveness losses until 2008. On the contrary, REERs, appreciated in Germany and Austria, countries that had accumulated cost competitiveness gains over the past years. The moderate convergence in REERs based on unit labour costs may, however, be of temporary nature as labour hoarding and temporary measures adopted during the crisis also contributed to the peak of unit labour cost, more so in countries that had displayed a strong competitiveness position in the past.

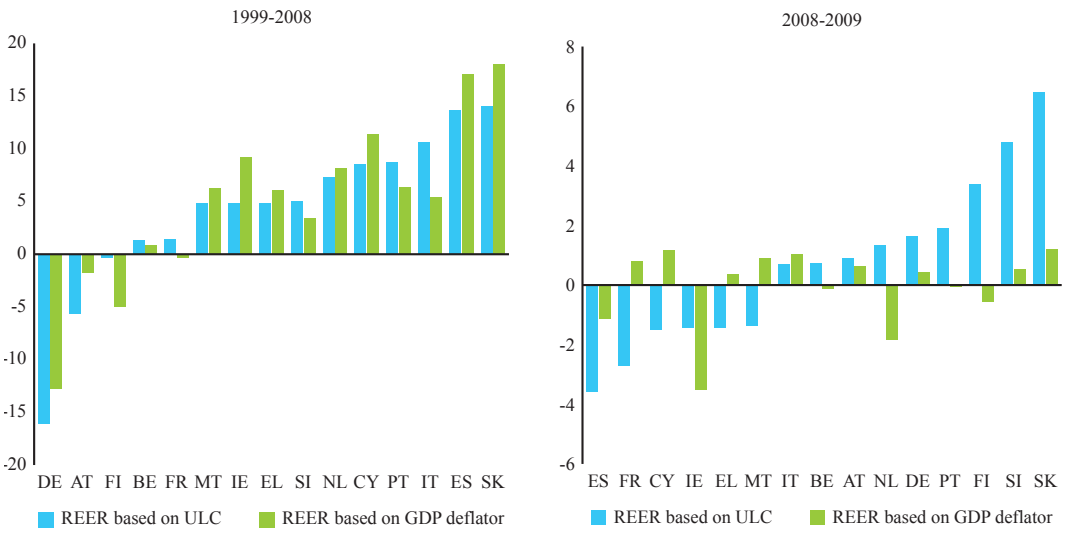
([18]) For a detailed analysis of the impact of the global crisis on competitiveness and current account divergences in the euro area, see Quarterly Report on the Euro Area. European Commission. Vol. 9(1) 2010.

Graph 29 - Unemployment gap and nominal unit labour costs, euro area, annual data, 1997-2011



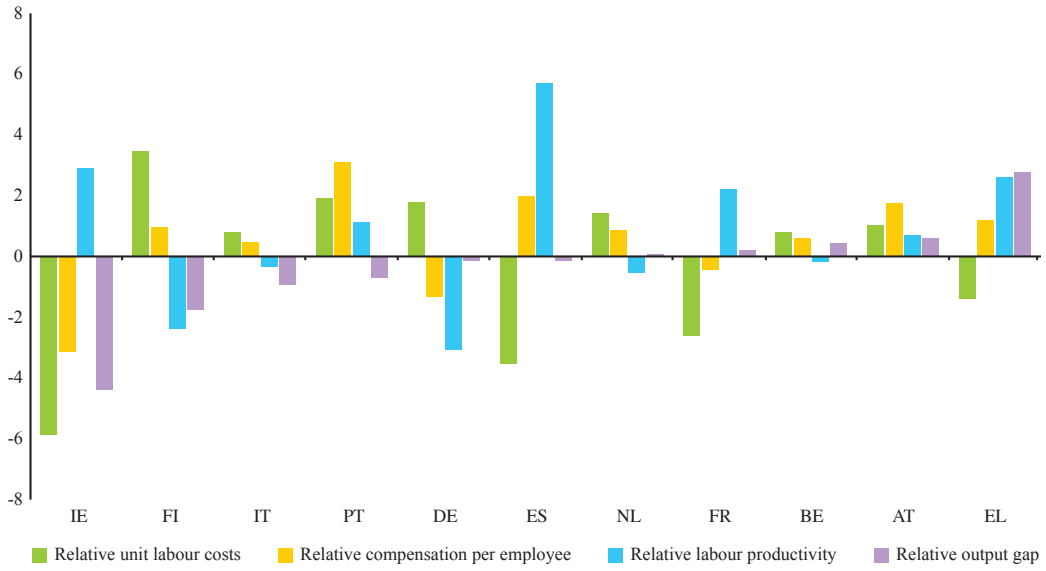
Source: Commission services. The unemployment gap is computed as the difference between the observed rate of unemployment rate and the equilibrium rate of unemployment or NAWRU, available from the AMECO database. For a detailed description of the methodology followed by the European Commission in calculating the NAWRU, see Denis, C., D. Grenouilleau, K. Mc Morrow and W. Röger (2006): 'Calculating potential growth rates and output gaps - A revised production function approach', European Economy, Economic papers, 247.

Graph 30 - Intra euro area competitiveness



Source: AMECO. BE also includes Luxembourg. SK is off-scale; in the left graph the actual value is 70% for ULC deflator and 75.6% for GDP deflator.

Graph 31 - Cyclical divergence and nominal unit labour costs, compensation per employee and labour productivity, total economy. Annual percentage change. 2008-2009



Source: Commission services. All variables are expressed in relative terms, i.e. they are normalised with respect to the weighted average of the remaining euro-area (12) countries. BE also includes Luxembourg.

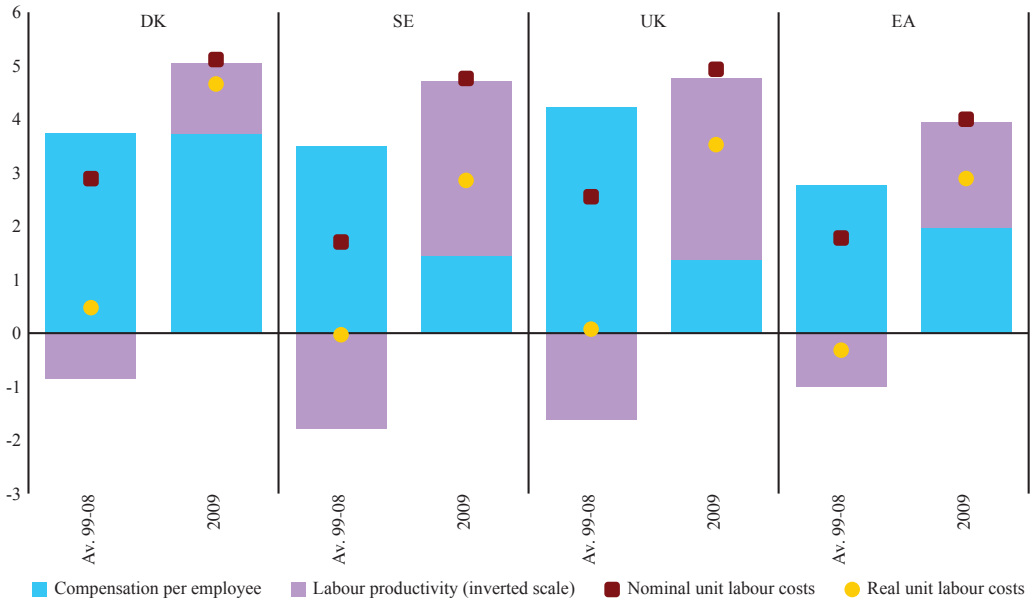
Inadequate competitiveness adjustments during the past decade were driven in many instances by an inappropriate response of productivity and wages to country-specific shocks or cyclical conditions([19]). Graph 31 shows the relative cyclical position in 2009 of the former euro area 12 countries and the relative developments in compensation per employee, labour productivity and unity labour costs. Greece had the best relative position in the cyclical and Ireland the worst. Both countries saw their relative unit labour costs decreasing. In Greece because of relative lower compensation per employee when compared to its relative productivity; in Ireland because of positive developments in relative productivity and the lowest relative compensation per employee. Spain also saw its relative unit labour costs declining, benefiting from a high relative productivity. On the contrary, Germany saw their relative unit labour costs increasing despite recording the second lowest relative compensation per employee. This was a result of the worst relative productivity as a consequence of significant labour hoarding. For other countries, data suggest that wages need to better accommodate to relative cyclical positions. For instance, Portugal had a relative poor economic performance but recorded the highest relative compensation per employee. Similarly, Italy had the third worse relative economic performance and negative relative productivity, but recorded positive relative compensation per employee. These developments highlight the need for countries with accumulated losses in external competitiveness to ensure that wage formation processes allow relative wage flexibility and wage developments in line with productivity and local labour market conditions.

2.2. LABOUR COST DEVELOPMENTS IN DENMARK, SWEDEN AND THE UNITED KINGDOM

The Danish economy entered in recession already in 2008, with the economy suffering from a bursting real estate bubble and overheating. Unemployment grew steadily and reached 6.7% in 2009Q4, up from its lows at 3.1% in 2008Q2. Against this background recent wage developments were still very robust. Compensation per employee grew at 4.1% in 2008 and decelerated to 3.7% in 2009, which represented a 2.6% real increase. The increase in 2009 was at the same level of the average growth rate in compensation per employee over the period 1999-2008. Labour productivity fell 1.3% in 2009, continuing the fall started in late 2007. The rate of growth in compensation per employee and the fall in productivity led to an increase of 5.1% in unit labour costs, after having increased

([19]) European Commission (2009) 'Labour market and wage developments in 2008.' European Economy, 9.

Graph 32 - Compensation per employee, labour productivity and nominal and real unit labour costs in DK, SE and the UK



Source: AMECO. Compensation per employee, labour productivity and unit labour costs are based on headcounts.

by 6.5% a year earlier. These developments add to the significant loss in cost competitiveness that Denmark experienced over the last decade.

In Sweden, the output contracted 4.9% in 2009 after having decreased 0.2% in 2008. Unemployment grew 2.9 p.p. from its lows at 6.2 in 2008Q2. Compensation per employee was more muted than in Denmark growing 1.4% in 2009, which with inflation at 1.9%, represented a decreased in real compensation. This reflected the weakness of the labour market which had reached 9% unemployment in December 2009, almost 2 p.p. above the NAWUR. Productivity, which had already declined in 2007 and 2008, fell further in 2009, driving up unit labour costs to 4.7%.

In the UK, compensation per employee grew by 1.4% in 2009, which was around 3 p.p. below the average increase over the period 1999-2008. With the inflation in 2009 at 2.2%, real compensation per employee in real terms decreased. Unemployment increased by 2.5 p.p. reaching 7.7% in December 2009, while GDP contracted by 4.9%. Despite the moderation in the growth rate of compensation per employee, unit labour costs rose to 4.9% owing to a sharp decrease in productivity.

The currently fragile labour market will help wage moderation in 2010. In Denmark, unemployment is expected to increase further and peak at 6.9% in 2010. Productivity, in turn, will benefit from the economic recovery. These two factors are expected to bring unit labour costs down. The main industrial trade-union federation and the main employers' representatives reached a two-year deal running until March 2012. The wage increase for the two years combined is about 2.8%. The growth rate in compensation per employee is projected at 1.8% in 2010 and 2011, which represents a much slower increase when compared to the growth rate observed over the previous decade.

In Sweden, the 2010 round of wage negotiations are expected to result in low wage increases owing to a continuing weakness of labour market. Unemployment is expected to peak in 2010 at 9.2%. However, real wages are expected to increase, benefiting from a growth rate in compensation per employee projected at above 2% and low inflation.

In the UK, the slack in the labour market should lead to continuous weakness in average earnings growth. During the recent recession, businesses have shown increased willingness to accept lower productivity for a period of time. Also employees have accepted weaker real wages in return for maintaining employment. This helped somewhat to contain the increase in unemployment. But if the recovery turns out to be weaker than expected, firms may need to re-evaluate their decision over

labour hoarding to restore profitability, which would put additional downward pressure on wages.

2.3. LABOUR COST DEVELOPMENTS IN CENTRAL AND EASTERN EUROPE

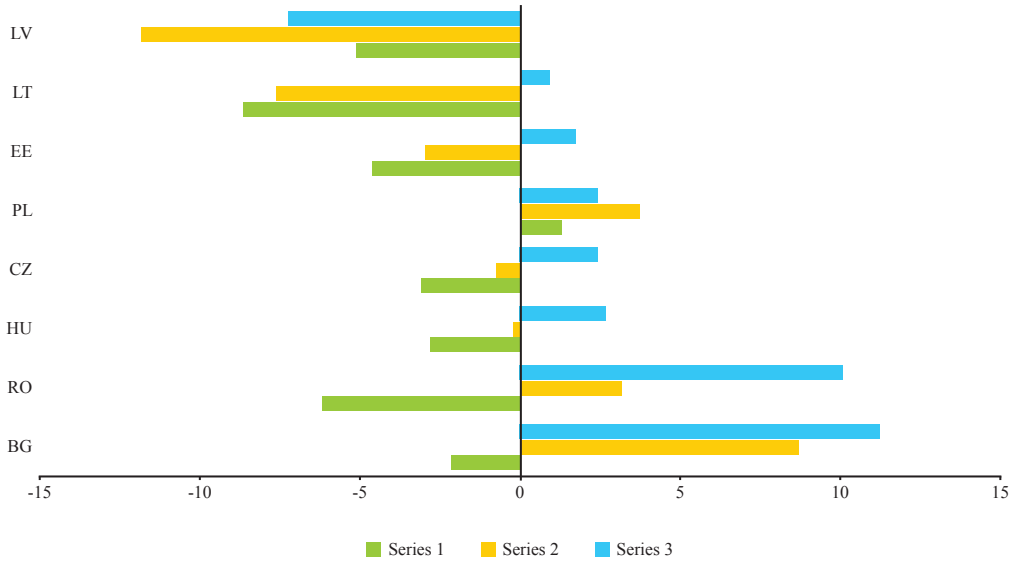
2.3.1. Recent labour cost developments

Central and eastern European (CEE)([20]) countries were severely hit by the recession, with the output contracting sharply and unemployment rising rapidly. Poland was the exception being the single EU country with positive output growth in 2009. Of the CEE countries the three Baltic states were by far the worse hit. Real GDP in 2009 declined by 18% in Latvia, 15% in Lithuania and 14.1% in Estonia. In Estonia and Latvia real GDP fell for the second consecutive year. Romania, Hungary, Bulgaria, and the Czech Republic also recorded sharp declines in GDP. Unemployment rose dramatically from its lows of early 2008. It increased about 11.5 p.p. in Estonia and Lithuania and about 14 p.p. in Latvia.

The economic situation impacted on labour costs through developments in growth of compensation per employee and productivity. Compensation per employee fell in Latvia, Lithuania, Estonia, Czech Republic and Hungary (Graph 33). Productivity fell in all CEE countries. Lithuania and Romania recorded the most accentuated declines. Unit labour costs declined in Latvia owing to a sharp fall in compensation per employee that more than offset the decline in productivity. In Lithuania and Estonia unit labour costs grew only moderately. On the contrary, Romania and Bulgaria saw their unit labour costs rising around 10%. In Bulgaria, the increase in unit labour costs was mainly a consequence of a robust growth of compensation per employee, while in Romania it was the decline in productivity that contributed the most for the rise in unit labour costs.

The sectoral decomposition shows that the impact of the crisis was broad based across sectors (Graph 34). In industry, compensation per employee was lower year-on-year in all countries but Bulgaria. However, unit labour costs decreased only in Latvia, which was also the only country to record a slight increase in productivity in the industry sector. On the contrary, the Czech Republic and Estonia recorded sharp increases in unit labour costs. This is related to a relatively muted decline in the number of employees when compared to the decline in activity the two countries experienced in this sector.

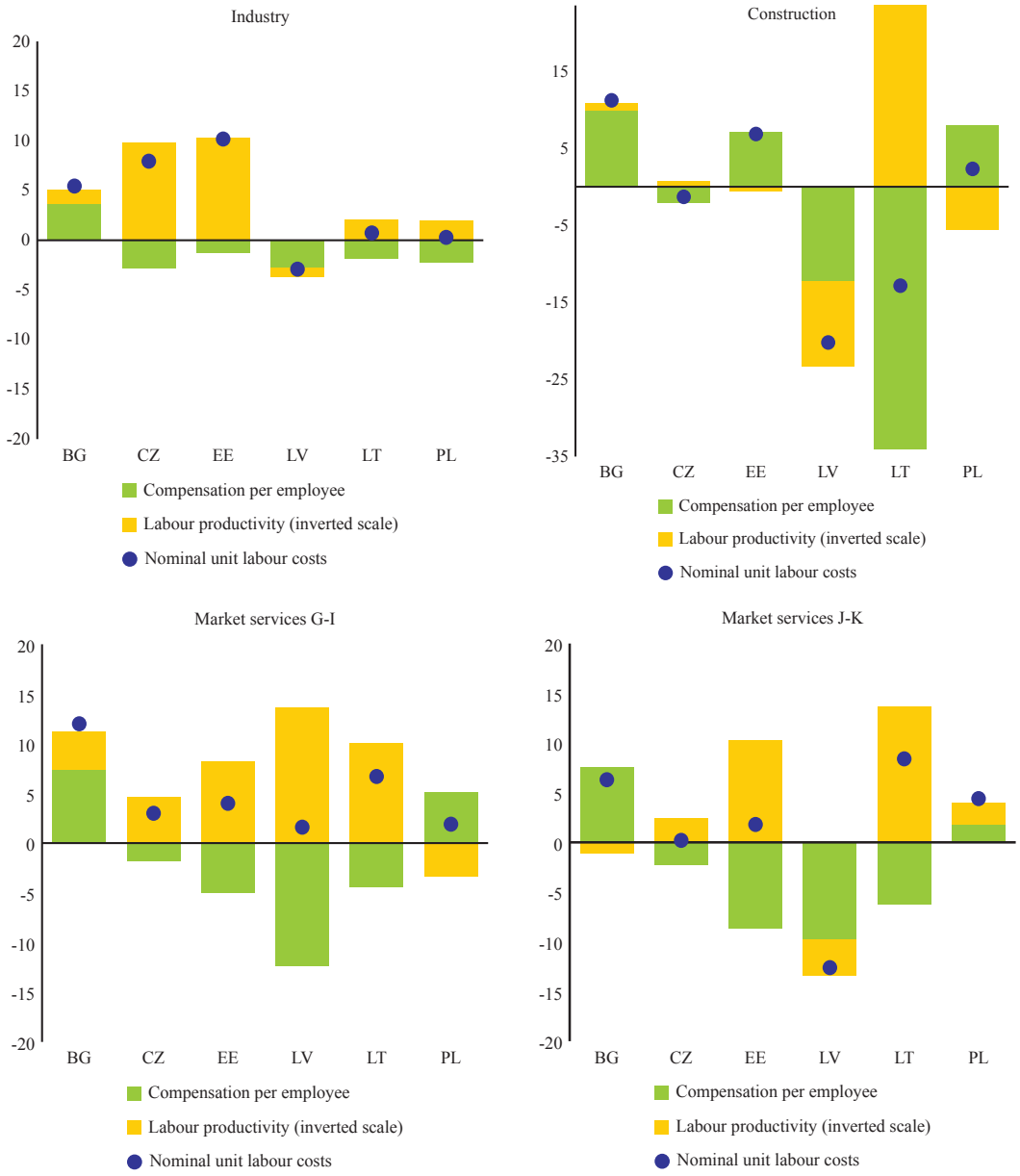
Graph 33 - Compensation per employee, labour productivity and unit labour costs, y-o-y % change



Source: AMECO.

([20]) Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, and Romania.

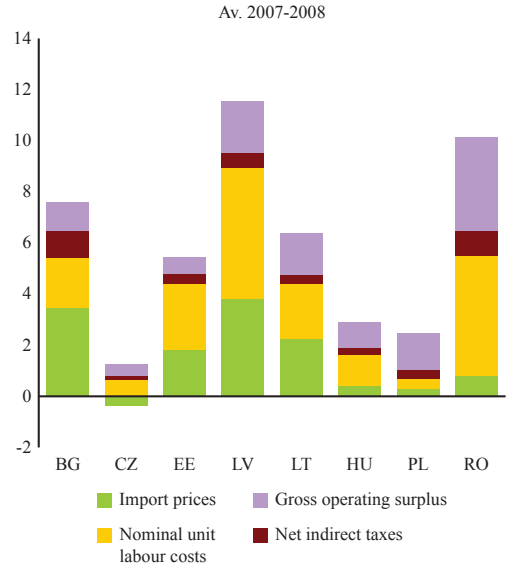
Graph 34 - Compensation per employee, labour productivity and unit labour costs by sectors, y-o-y % change

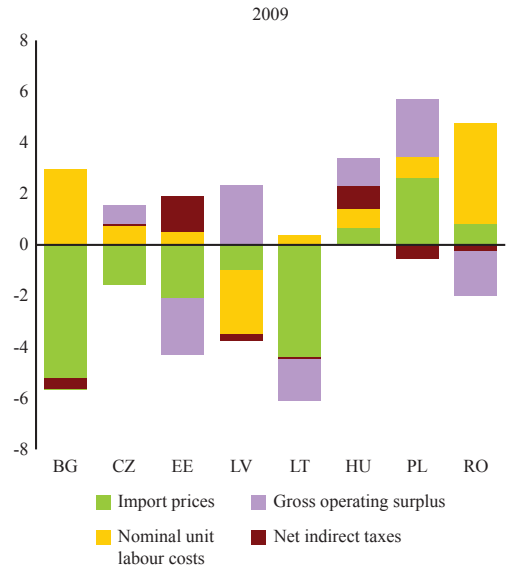


Source: Eurostat.

Estonia, Latvia and Lithuania recorded a sharp contraction in activity in the construction sector. Economic activity declined more than 30% in Estonia and Latvia and more than 40% in Lithuania. This impacted differently the compensation per employee in the three countries. While in Lithuania the compensation per employee decreased abruptly, in Latvia the decline was more moderate and in Estonia there was an increase of 7%. Similarly, growth in productivity declined sharp in Lithuania, while recorded modest growth in Estonia and strong growth in Latvia. These developments partly reflect the reduction of the number of employees, which was particularly strong in Latvia and Estonia and relatively muted in Lithuania, when compared to the decline in activity. It also reflects base effects as the compensation per employee had already declined in Estonia in 2008, while in Latvia and Lithuania recorded strong growth. These developments in the construction sector in the Baltic countries reflected a need of adjustment after an overexpansion in the recent years. The downsizing of the sector, accompanied with appropriate training policies, can facilitate a rebalance of the economy towards the tradable sector.

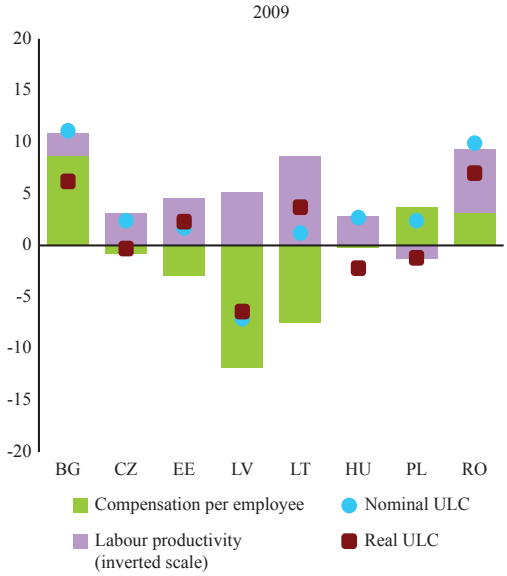
Graph 35 - Contribution of import prices, NULC, gross operating surplus and net indirect taxes to growth in demand deflator, 2009 compared with av. 2004-2008

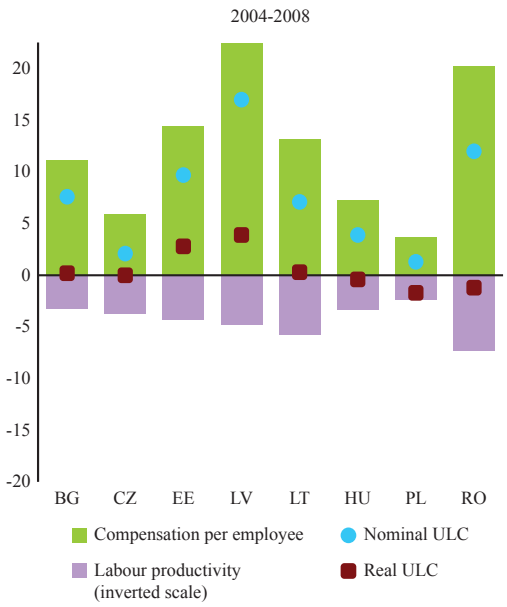




Source: AMECO.

Graph 36 - Unit labour costs (in nominal and real terms) and its components, y-o-y % change, 2009 and average 2004-2008



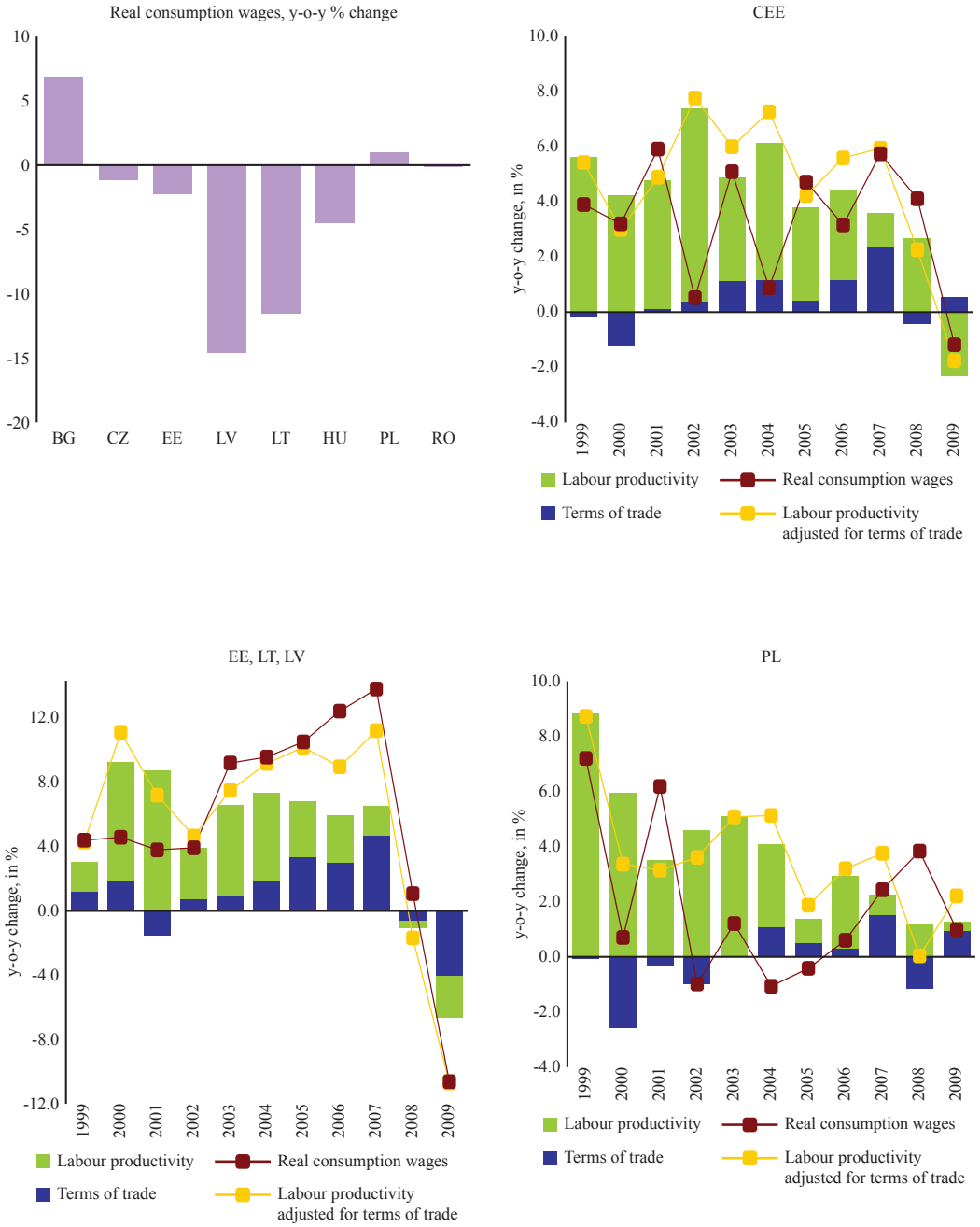


Source: AMECO.

Real unit labour costs decelerated after having increased strongly in 2008. The Czech Republic, Latvia, Hungary and Poland saw their unit labour costs decreasing year-on-year (Graph 36). In Latvia, real unit labour costs decreased by 6.4% in 2009. On the contrary, in Bulgaria and Romania, real unit labour costs rose above 6%. When compared to the average growth over the period 2004-2008, growth rate of unit labour costs was higher in Bulgaria, Lithuania, Poland and Romania. In Lithuania and Romania this was mainly due to the decline in inflation, as unit labour costs grew at a slower pace than the average in the period 2004-2008. In the a case of Bulgaria, not only the deceleration of inflation contributed to the increase in real unit labour costs but also the sharp increase in unit labour costs, as a consequence of still robust growth of compensation per employee on the back of declining productivity.

Real consumption wages were hard hit by the crisis (Graph 37). The sharpest declines were recorded in Latvia and Lithuania followed by Hungary and Estonia. Real consumption wages also fell in the Czech Republic and stabilised in Romania, while in Poland they grew at a slower pace. By contrast, in Bulgaria they continued growing at a strong pace. Overall, real consumption wages declined by 1.2% in 2009 in the CEE countries. The decline in real consumption wages that started in 2008 is closely tied with the decline in labour productivity adjusted for terms of trade, which over the long term defines an upper limit for real consumption wages. The decline in both real consumption wages and labour productivity adjusted for terms of trade was particular acute in the Baltic countries. Real consumption wages were in 2009 at the same level of productivity adjusted for terms of trade, after having run

Graph 37 - Real consumption wages and labour productivity adjusted for terms of trade



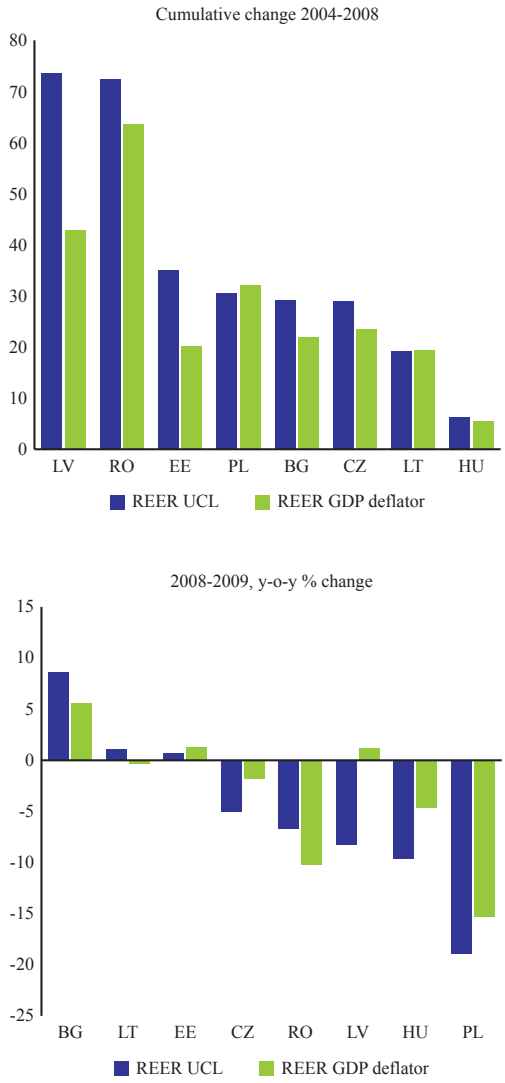
Source: AMECO and European Commission's staff calculations.

above this threshold in recent years. In Poland real consumption wages were relatively muted until 2007. The deceleration in 2009 brought back real consumption wage to a level below that of labour productivity adjusted for terms of trade.

Consumption was negatively affected by the developments in real consumption wages. Private consumption was hampered by lower disposable income caused by high unemployment and lower wages. These factors coupled with tight credit conditions associated with the need to unwind high levels of consumer credit will cause a continuing fall in household consumption in 2010.

During the recent downturn most CEE countries recorded a depreciation of their real effective exchange rates in relation to the EU-27, contributing to an adjustment of the sizeable appreciations accumulated since 2004 (Graph 38). This was helped by disinflation and wage cuts and by a downward correction of floating CEE currencies([21]). Of the countries with fixed exchange regime, Latvia was the only one to record significant gains in its cost competitiveness, achieved mainly through deep cuts in wages. In Estonia and Lithuania, despite significant cuts in wages, cost competitiveness appreciated moderately. On the contrary, Bulgaria recorded a significant loss in its cost competitiveness, due to brisk wage increases on the back of falling productivity. The Czech Republic, Hungary, Poland and Romania benefitted from the depreciation of their currencies since the outbreak of the crisis to recuperate cost and price competitiveness. These developments in cost and price competitiveness underpinned a correction in current-account deficits in all countries.

Graph 38 - Competitiveness in CEE countries. Cumulative % change 2004-2008 and % change 2008-2009



Source: AMECO.

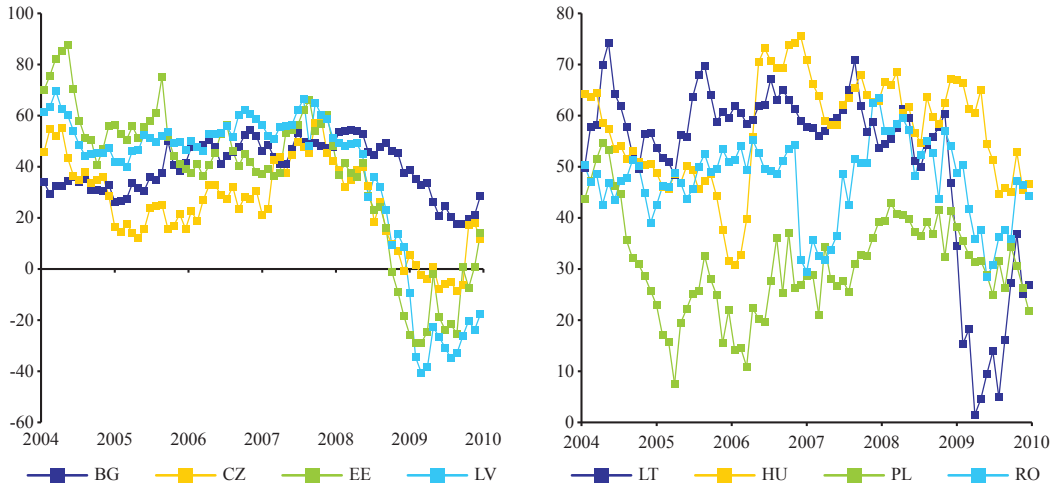
([21]) Czech koruna, Hungarian forint, Polish Zloty and Romanian Lei.

2.3.2. The near term outlook for labour cost developments

Looking further ahead, low inflation and rising unemployment are expected to contain wage increases. Inflation, after a sharp deceleration in 2009, is forecast to remain at low levels in most of CEE countries in 2010 and 2011. In Latvia deflation is expected to occur in 2010 and 2011. Inflation expectations, after reaching low levels in most of the countries in 2009, increased somewhat in the beginning of 2010, but they stay generally low, when compared to those of recent years. Low inflation expectations will contribute to contain wage demands (Graph 39).

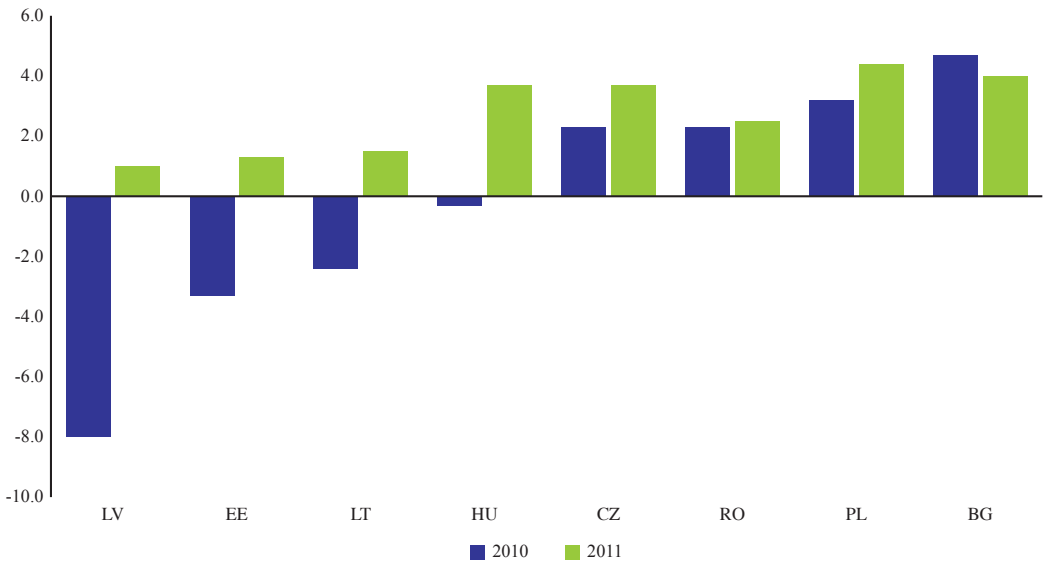
Compensation per employee is forecast to fall for the second consecutive year in Latvia, Estonia, Lithuania and Hungary (Graph 40). Growth in compensation per employee is forecast to resume in 2011. Nevertheless, growth in real compensation per employee is expected to stay negative in Estonia. Also in Romania growth in real compensation per employee is

Graph 39 - Inflation expectations



Source: EU Consumer Survey.

Graph 40 - Forecast growth rate in compensation per employee

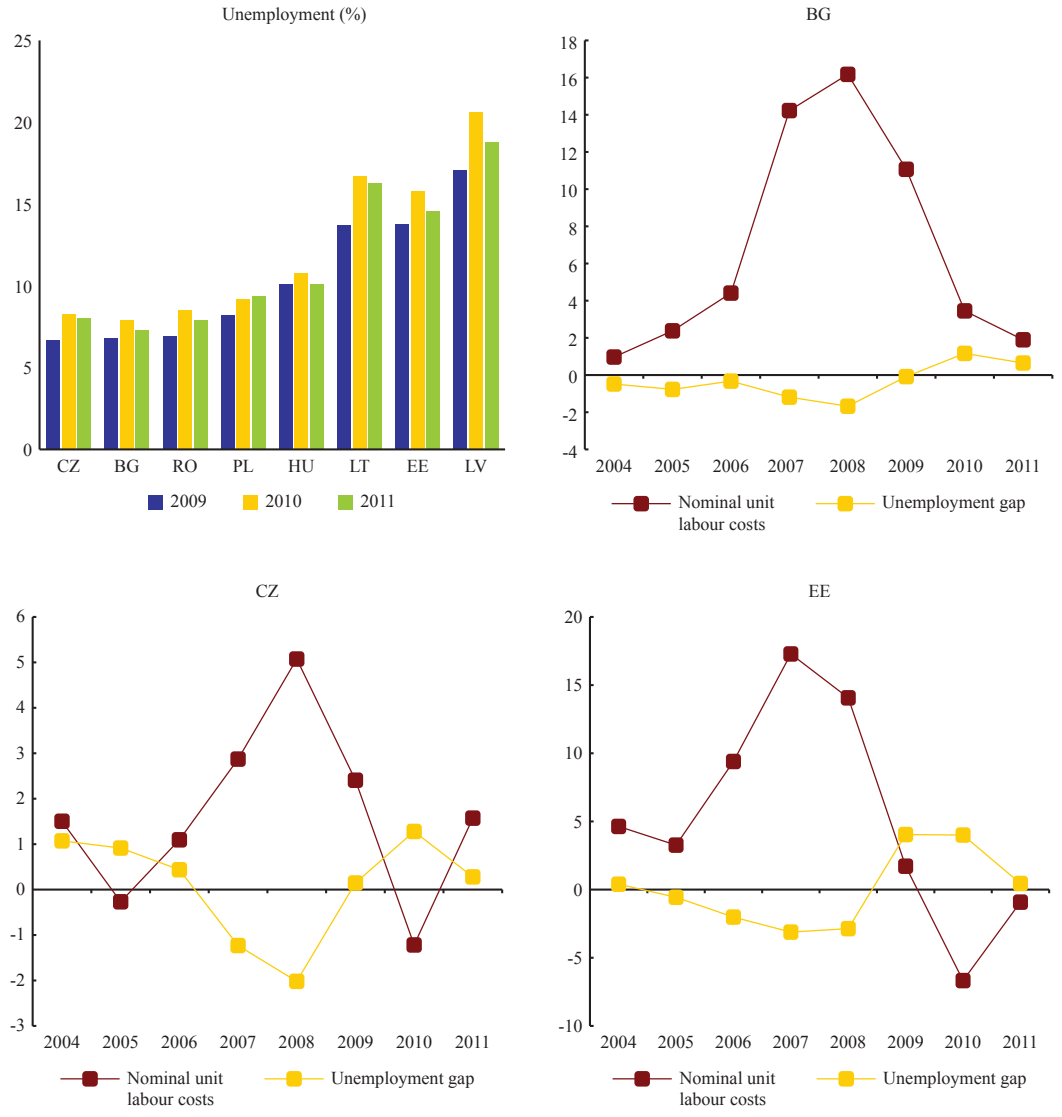


Source: Commission's forecast spring 2010.

expected to decrease for the second consecutive year, after high wage increases in recent years.

Unemployment is expected to increase in all CEE countries in 2010 and remain above 2009's levels in 2011 (Graph 41). Unemployment gap turned positive in 2009 in the Baltic countries, Hungary and the Czech Republic. In 2010, the unemployment gap is expected to remain markedly positive in the three Baltic states, to enlarge in the Czech Republic and to remain positive in Hungary. It will also become positive in the remaining CEE countries. In Poland the projected increase of unemployment gap is a consequence of rising unemployment in 2010 and 2011 but also of a decrease in the natural unemployment rate. All the other countries see their natural unemployment rate increasing with exception of Bulgaria where is expected to stabilise. The increase in the natural rate explains the closing of the gap for most countries in 2011, as unemployment is expected to remain elevated in 2011.

Graph 41 – Unemployment, unemployment gap and nominal unit labour costs



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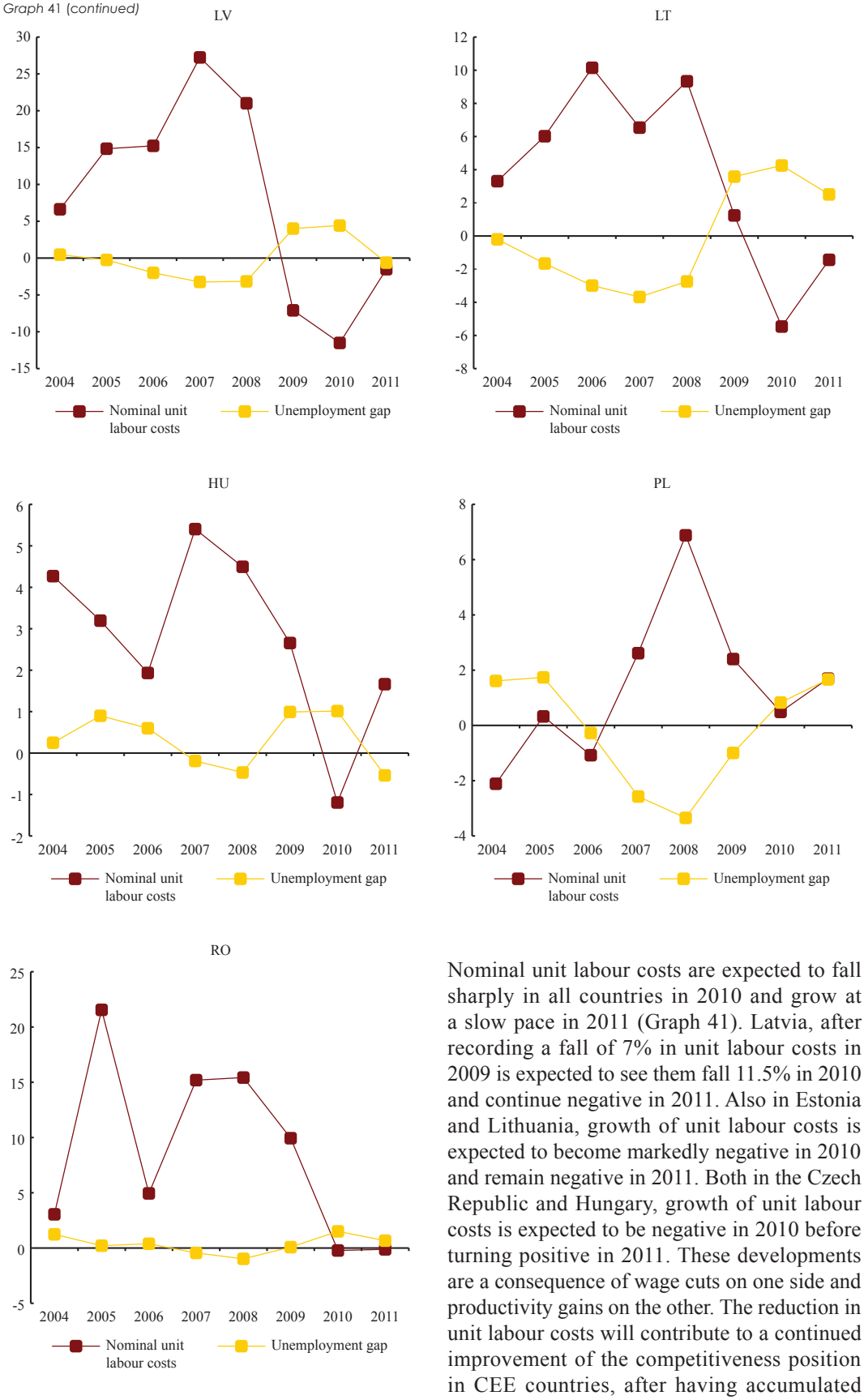
Graph 41 (continued)



Source: AMECO.

Nominal unit labour costs are expected to fall sharply in all countries in 2010 and grow at a slow pace in 2011 (Graph 41). Latvia, after recording a fall of 7% in unit labour costs in 2009 is expected to see them fall 11.5% in 2010 and continue negative in 2011. Also in Estonia and Lithuania, growth of unit labour costs is expected to become markedly negative in 2010 and remain negative in 2011. Both in the Czech Republic and Hungary, growth of unit labour costs is expected to be negative in 2010 before turning positive in 2011. These developments are a consequence of wage cuts on one side and productivity gains on the other. The reduction in unit labour costs will contribute to a continued improvement of the competitiveness position in CEE countries, after having accumulated accentuated losses in the period 2004-2008.

Part II. From crisis to reforms: labour market institutions and reforms in a post-recession environment

To avert the misery of mass unemployment, many Member States have extended the coverage and generosity of unemployment benefits and/or of publicly sponsored short-time working schemes. Others have introduced these schemes for the first time and/or reinforced the support of activation policies to facilitate transitions to new jobs. Even so, the crisis has clearly shown the weaknesses of the European labour markets. While the expenditure on measures introduced under the emergency of the crisis (e.g. short-time working hours scheme and extended coverage of unemployment benefits to group of workers previously excluded) should be reversed as the recovery gains momentum, the institutional infrastructure set up for their implementation could be part of a coherent labour market policy framework to cope with aggregate demand shocks.

The underlying needs for labour market reforms are still valid. Yet, the crisis added two further dimensions to the existing challenges. Firstly, with the unemployment rate increasing almost everywhere, the burden of adjustment was unequally spread across various socio-economic groups. Secondly, public finances will be extremely constrained in the next years. Within this new environment, the focus has to be first and foremost on reforms with low or no direct budgetary impact. Public policies should be well-targeted and avoid dead-weight losses. As growth gains momentum and fiscal space diminishes, the emphasis needs to switch from measures aimed at containing labour shedding to measures that do not hamper reallocation, that facilitate the return to a sustained growth while avoiding unemployment hysteresis. As advocated by the ECOFIN Council, the gradual phasing out of temporary labour market support measures should be accompanied where necessary by a strengthening of activation, training and policies to facilitate job reallocation. The withdrawal of short-term measures should be complemented with a credible long-term structural reform agenda which bolsters potential growth and employment, improve competitiveness and support fiscal consolidation efforts.

The flexicurity agenda is the right framework to bring forward the importance of labour market reforms for a better adjustment to shocks. Reforms enhancing the flexibility and security of the labour market and the response of wages to local labour market conditions and to productivity developments at the firm level will increase the resilience of the EU economy to these shocks. An integrated strategy based on interventions in employment protection, lifelong learning and activation policies may contribute to improving the adjustment capacity and release existing bottlenecks to growth. Increasing participation and enhanced workers' employability are needed to minimise the social consequences of the crisis, to preserve European human capital and, ultimately, to return to strong growth.

1. INTRODUCTION

The economic crisis has put the EU labour market under a great stress. Graph 42 shows the year when the lowest level of GDP and of employment (LFS definition) recorded during the crisis was achieved in previous years. For the EU as a whole, GDP and Employment are back to the level of 2006. The reforms enacted before the crisis have increased the flexibility of the labour market and, to some extent, released the constraints to labour supply. European labour markets are nowadays fundamentally different from the sclerotic markets of only two decades earlier. In many instances, these reforms have eased only the entry in the labour market, while leaving mainly unchanged the legislation concerning the exit conditions. In some cases, these partial reforms have increased the duality of the labour market between protected and unprotected workers.

Economic history has taught that crises open opportunities for structural reforms. Policies adopted during times of crisis are more mistake-prone than policies adopted during normal times (Congleton, 2005). Yet, crisis management provides the learning experience to avoid mistakes in the future. Thus, surprise and urgency have implications for designing effective and robust routines and institutions for future crisis management.

The severe economic crisis that has hit the EU economy has shown the weaknesses of the European labour markets. To a large extent, the burden of the adjustment has been beard by workers with non-standard labour contracts, while the experience of shortages of skilled labour before the recession had led employment to be more sluggish to respond during the recession. On the side of labour market policies, an excessive reliance of ad hoc discretional measures may make difficult their reversal as the recovery steps on a solid basis.

Indeed, several discretional measures have been introduced to cope with the exceptional and unprecedented economic downturn. Many Member States responded to the crisis by extending the coverage or levels of unemployment benefits, by reinforcing other social benefits, by introducing short-time work. Measures have also been reinforced to support activation and promote re-integration in the labour market to facilitate transitions to new jobs. These measures have contributed to avert a fully-fledged depression and the misery of mass unemployment. Yet, the unemployment rate has increased everywhere and the burden unevenly spread across socio-economic groups. The most vulnerable groups have come under greater stress with the crisis.

As the deterioration in economic growth bottoms out and fiscal space diminishes, the emphasis needs to switch from measures aimed at containing labour shedding to measures aimed at returning to a sustained growth path and at avoiding unemployment hysteresis. To achieve sustainable growth in the long-term structural impediments need to be addressed.

The crisis has indeed revealed that European countries need to improve their labour market mechanisms to cope with business cycle fluctuations. While the measures taken under the emergency of the crisis should be reversed as the recovery gains momentum, the institutional infrastructure set up for their implementation could be part of a coherent labour market policy framework, able to cope with cyclical fluctuations.

In this context, the flexicurity agenda can be fully exploited to bring forward the importance of labour market reforms for a better adjustment to shocks. Reforms enhancing flexibility and security on the labour market, as well as the response of wages to productivity will not hamper labour reallocation and will increase the resilience of the EU economy. An integrated policy strategy based on careful design of employment protection, on lifelong learning and on activation policies may contribute to improve the adjustment capacity. This will be of relevance especially in face of the challenges created by crises of sectoral reallocation that sum up with those of an ageing society. Increased participation and enhanced workers' employability are necessary requirements to minimise the social consequences of the crisis, to preserve the European human capital and release the bottlenecks to a strong growth.

This focus is structured as it follows. Section 2 discusses the consequences for growth and jobs of segmented labour markets. Section 3 examines the need of resuming a consistent strategy of structural reforms to achieve a more resilient and flexible labour market. Section 4 reviews the policy measures taken in response to the crisis with a particular focus on the role short-time working and unemployment benefit schemes. Building on this review, Section 5 discusses how to return to a strategy focussed on a long-term policy challenges for delivering growth and jobs.

Graph 42 - When the lowest levels of GDP and employment recorded during the crisis were previously achieved?

Source: Commission services.

2. THE COSTS OF SEGMENTED LABOUR MARKETS

Since the launch of the European Employment Strategy in 1997, EU countries have implemented a host of reforms aimed at increasing the flexibility of the labour market and at mobilising labour resources. The reform process was characterised by a sequence of marginal reforms rather than by few radical changes, confirming the view that marginal reforms are necessary to gain the support of the insiders (Saint Paul 2002) and to change the status-quo by reducing their influence in the political process (Boeri 2003) ([22]). Thus, many Member States introduced small, albeit significant, changes in the regulatory framework to increase labour market flexibility only on the hiring side.

Table 20 shows the OECD index of strictness of employment protection legislation in ascending order according to the largest decline in the index for temporary contracts. At the top of the table are countries where hiring flexibility was achieved with a relaxation of the legislation of temporary employment. One can notice the higher decline in the average and cross-country dispersion (the standard deviation) of the EPL for temporary contracts relative to permanent contracts, implying that an increase in hiring flexibility was achieved by a large majority of countries without changing significantly, and in some instances even increasing, the protection guaranteed to employees with an open-ended (permanent) contract.

Faced with significant firing restrictions, many firms resorted to a massive use of temporary contracts, as suggested by the significant association (correlation 0.5) between EPL for regular contracts and the share of temporary workers (Graph 43). This share rose for all age groups, especially for those with age below 39 years. More than one fourth of all the young employed in Spain, Poland, Portugal, Germany and Sweden had in 2008 a temporary contract. The disproportionately high share of temporary contract for young workers (Table 21) suggests that, in the context of high firing costs, these contracts were also used to screen new employees.

The positive effects of partial labour market reforms

While involving only specific segments of the workforce, usually those with low attachment to their job place, these reforms successfully raised employment rates and labour market flexibility. Theoretically, it has been argued that EPL reforms that achieve the largest reduction in unemployment are those targeted to workers with relatively low and volatile levels of productivity (Dolado et al, 2007). Empirical evidence on the impact of reforms on the labour market shows that indeed marginal reforms contributed to increase the response of employment and participation over the cycle, especially of women. A split between EMU countries (usually more rigid) and non-EMU countries shows that the *gain* from reforms was about twice as much for the members of EMU, which is consistent with these countries having more rigid labour market institutions.([23])

([22]) This reform strategy is not viable for product market reforms because of the strong opposition of the incumbents which is counterbalanced by the pressure of the population (consumers) for more competitive product markets (Boeri, 2003).

([23]) Compared to non-EMU group, the 'gain' from reforms is about twice as much for the members of EMU, predominantly but not exclusively for men. Especially, but not exclusively, in the EMU countries reforms have also increased the response of employment, in particular female, to GDP (Arpaia and Mourre, 2010).

The change in the labour market behaviour is visible not only on the stocks of unemployed but also on their flows. The decline of about 5 million unemployed people between 1995 and 2007 was accompanied by an increase in mobility across labour market states (Boeri and Garibaldi, 2009). For the ten years period 1985-1995 and 1996-2006, Boeri and Garibaldi have computed a synthetic index of mobility across labour market states (i.e. between unemployed employed and inactive) for the 11 EU countries (Austria, Belgium, Finland, France Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain and Sweden). With few exceptions (Greece, Luxembourg and France), the index increased in all countries, especially in those with the largest drop in unemployment (Graph 44).([24])

Table 20 - Employment Protection Legislation

	1990		2008	
	Regular contract	Temporary Contract	Regular contract	Temporary Contract
Italy	1.8	5.4	1.8	2.0
Sweden	2.9	4.1	2.9	0.9
Germany	2.6	3.8	3.0	1.3
Belgium	1.7	4.6	1.7	2.6
Denmark	1.7	3.1	1.6	1.4
Greece	2.3	4.8	2.3	3.1
Portugal	4.8	3.4	4.2	2.1
Netherlands	3.1	2.4	2.7	1.2
Slovak Republic	2.5	1.1	2.5	0.4
Spain	3.9	3.8	2.5	3.5
Finland	2.8	1.9	2.2	1.8
Austria	2.9	1.5	2.4	1.5
France	2.3	3.6	2.5	3.6
United Kingdom	1.0	0.3	1.1	0.4
Czech Republic	3.3	0.5	3.1	0.9
Ireland	1.6	0.3	1.6	0.6
Hungary	1.9	0.6	1.9	1.4
Poland	2.1	0.8	2.1	1.8
Average	2.5	2.5	2.3	1.7
Standard deviation	0.9	1.7	0.7	1.0
coefficient of variation	0.4	0.4	0.3	0.6

Source: Commission services, OECD.

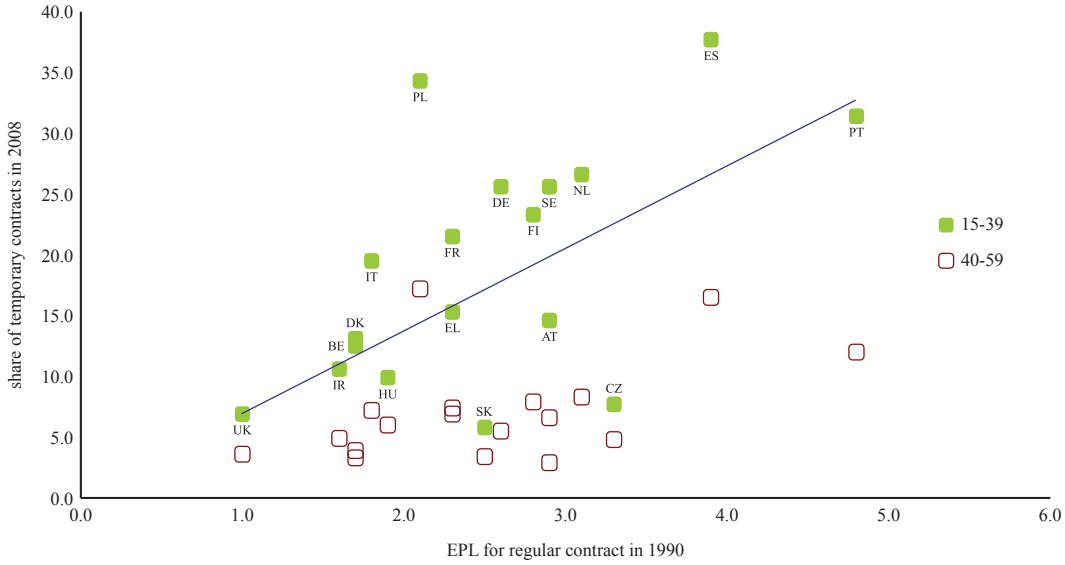
([24]) The correlation between the mobility index and the changes in unemployment is -0.3. However, the relaxation of the constraints in temporary contracts is only mildly associated with an increase in the synthetic measure of labour market turnover; The correlation between the change in the index of mobility and the change in the measure of strictness of EPL for temporary contracts is only 0.08. This suggests that other factors may have contributed to the increase in the mobility or that thresholds effect emerge in the relationship between EPL and mobility.

Table 21 - Share of temporary contracts by age groups

	15-39			40-59		
	1990 (1)	2000	2009	1990	2000	2009
European Union (27 countries)	:	17.0	19.9	:	6.1	7.1
Euro area (16 countries)	:	21.5	23.4	:	7.0	7.6
Belgium	7.2	12.4	12.7	2.0	4.3	3.9
Bulgaria	:	:	5.1	:	:	3.9
Czech Republic	:	7.5	8.3	:	5.3	4.8
Denmark	15.6	15.0	14.5	3.6	4.4	3.3
Germany (including ex-GDR from 1991)	16.1	19.8	25.9	3.0	5.0	5.5
Estonia	:	2.5	4.0	:	:	:
Ireland	9.5	6.6	10.9	6.2	3.1	4.9
Greece	18.5	17.5	16.1	13.6	8.4	7.4
Spain	39.7	42.0	33.6	15.1	17.6	16.5
France	15.1	22.9	20.3	3.4	6.9	6.9
Italy	6.7	13.5	18.4	2.9	5.8	7.2
Cyprus	:	13.5	17.1	:	6.8	9.3
Latvia	:	7.6	5.4	:	5.6	3.4
Lithuania	:	5.5	2.6	:	1.8	1.9
Luxembourg (Grand-Duché)	4.8	4.7	11.3	1.1	1.5	3.0
Hungary	:	8.6	10.7	:	4.7	6.0
Malta	:	4.7	6.0	:	:	:
Netherlands	9.7	18.7	27.2	3.3	6.5	8.3
Austria	8.3	11.6	14.8	1.8	2.2	2.9
Poland	:	6.9	33.3	:	4.0	17.2
Portugal	24.7	25.5	30.7	8.1	10.9	12.0
Romania	:	4.1	1.3	:	1.3	0.7
Slovenia	:	17.8	26.1	:	5.3	5.5
Slovakia	:	4.6	5.0	:	2.8	3.4
Finland	24.9	27.3	22.6	8.1	8.3	7.9
Sweden	20.2	21.8	24.8	6.4	7.5	6.6
United Kingdom	6.1	7.7	7.1	3.4	5.1	3.6

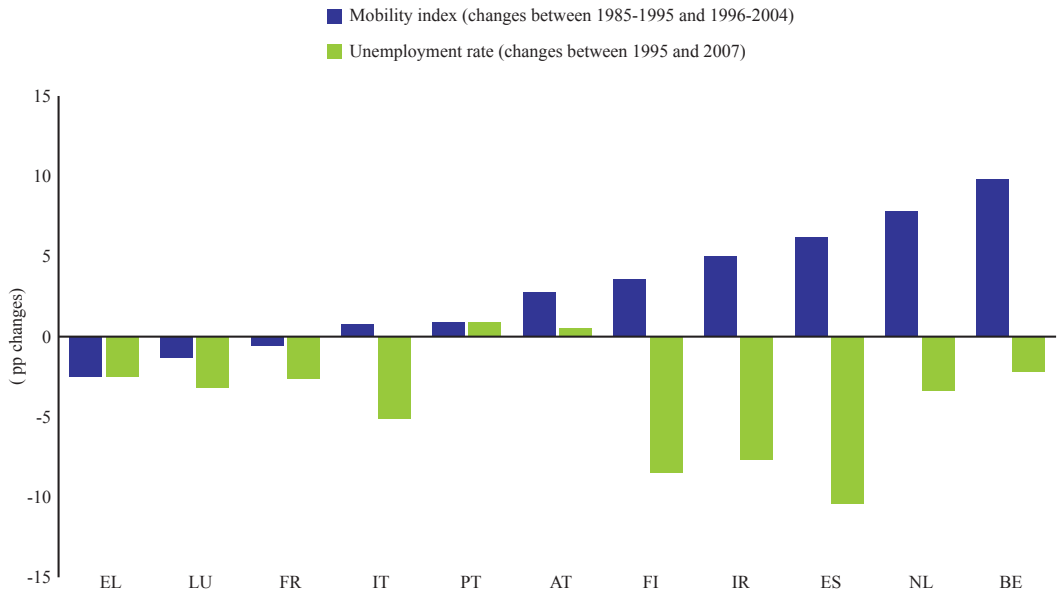
Source: Commission services. (1) For Austria, Finland and Sweden 1995

Graph 43 - Temporary contracts by age and EPL for regular contracts: 2008



Source: Commission services, OECD.

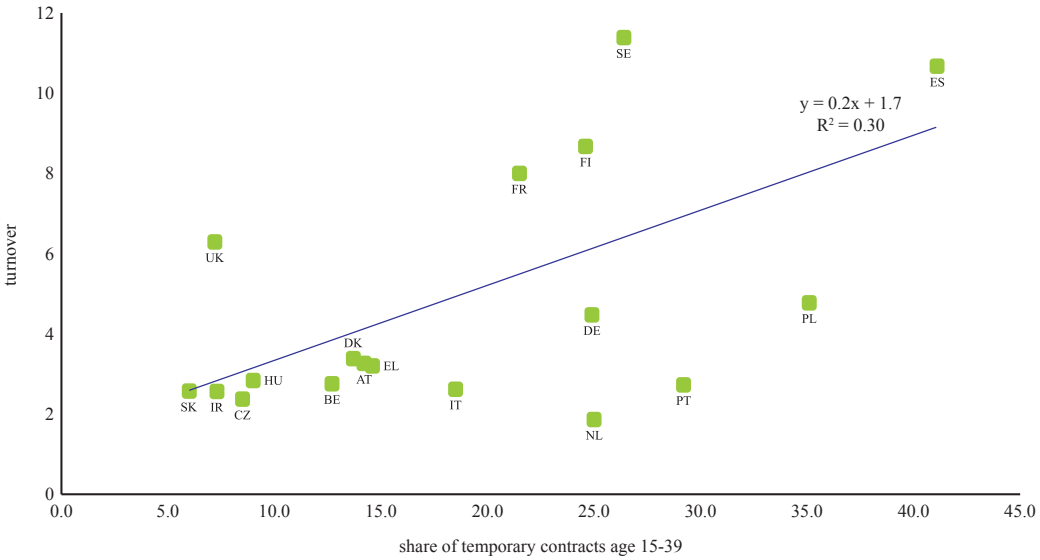
Graph 44 –Mobility between labour market states and unemployment



Source: Commission services, Boeri Garibaldi (2010).

As explained in Chapter 1, a fall in unemployment can occur either because less people enter unemployment (from inactivity or from an employed status) or because more people exit from unemployment. Two-tier reforms enhanced labour market flexibility on the hiring side via fixed-term contracts, which can easily be terminated at expiration of the contract, without changing the legislation for permanent contracts. Based on the data on inflows and outflows described in Part I, Graph 45 displays the relationship between the turnover and the share of temporary contracts during the 2005Q2-2007Q4 period. The share of temporary contracts accounts for about 30% of the cross country variability in the unemployment turnover. The positively sloped relationship implies that countries with a high share of temporary contracts among young workers have a relatively high unemployment turnover, which is consistent with the expectation that looser employment protection legislation on both the hiring and, for the part of employment whose contracts can be terminated without renewal, firing side implies higher job creation and job destruction. On the basis of this simple relationship, about half of the gap between the turnover of the countries with the lowest and the highest share of temporary contract for young workers (i.e. Ireland and Spain) could be explained by the difference in the proportion of young workers with a contract of limited duration.([25]) However, one can also notice the cross country dispersion around the EU wide regression line emerges when the share of temporary contracts is higher than the mean share (18%). Thus, factors other than the share of temporary contracts should be considered to explain the difference in the turnover across countries. Although these venue would not be investigated in this focus, other studies on different data sets suggest that reductions in the level of generosity of unemployment benefits, in the strictness of employment protection legislation for both temporary and permanent contracts are associated with an increase in the turnover of the unemployed pool (e.g. Boeri and Garibaldi, 2009). Yet, generous unemployment benefits for young workers have a positive impact on average workers flows (OECD, 2010), consistently with the expectations that unemployment benefits improve job reallocation and job match by subsidising job mobility.

Graph 45 - Turnover before the crisis and share of temporary contracts: 2005-2007



Source: Commission services. Turnover is the sum of inflows and outflows

([25]) The difference between the share of temporary contracts of about 34 pps implies a difference in the turnover of about 6.8pp, or more than 80% of the gap between the turnover of Spain and Ireland.

Higher flexibility on the hiring side, without revising the employment legislation for open-ended contracts, should imply better chances of finding a job, but not necessary of the probability of exiting from unemployment. This prediction, which is consistent with the theory of two-tier labour market reforms, is corroborated by the following econometric analysis. Table 22 reports the estimate of panel regressions on a sample of 25 EU Member States over the period 1998Q2-2009Q2. The dependent variable is the probability of entering into or exiting out of unemployment (respectively col. 1 to 3 and 4 to 6). The effect of GDP growth is correctly signed; the probability of entering into and exiting out of unemployment respectively decline and increase when GDP rises. Temporary contracts are expressed as deviation from the country average. An increase in the share of temporary contracts (relative to the average of the EU countries) improves the probability of exiting unemployment relatively more for those belonging to the 40-59 age group. This suggests that the non-employed with already some work experience benefit comparatively more from fixed-term employment. Conversely, in normal times the probability of entering into unemployment does not change with the share of temporary contracts (i.e. the coefficients of temporary contracts are not significant). This finding is consistent with the literature on asymmetric labour markets, whereby unemployment fluctuations comes mainly from outflows out of unemployment rather than from inflows into unemployment (Petrongolo and Pissarides, 2008). Yet, during the Great Recession (row *Temporary contracts x crisis*) this probability bounced up for countries with a share of temporary contracts higher than the average. To give an order of magnitude, before the crisis the share of temporary contracts in Spain was about 20 pps above the average. This difference is responsible for a deterioration of about 6% of the probability of entering into unemployment in Spain([26]), or about 380 thousands unemployed people more or 8% of those with temporary contract before the crisis. In contrast, during the crisis a share of temporary contracts higher than the average does not seem responsible for a deterioration of the probability of exiting unemployment.

Finally, the increase in the hiring rate contributed also to a decline in long-term unemployment, as evidenced by Graph 46. However, the increase in the labour turn-over due to partial liberalisation of the labour market does not necessary lead to a lower long-term and structural unemployment, when the increase in the outflow rate involves only a segment of the labour force – i.e. the new entrants and the short-tem unemployed. For example, the incidence of those unemployed for more than one year increased in Spain after the recession of the early 1990s because of the increase in the job-to-job flows of temporary workers (or in the turnover of short-term unemployed) who were crowding out those unemployed who had lost their job (Bentolila et al 2008; M. Guell, 2006).

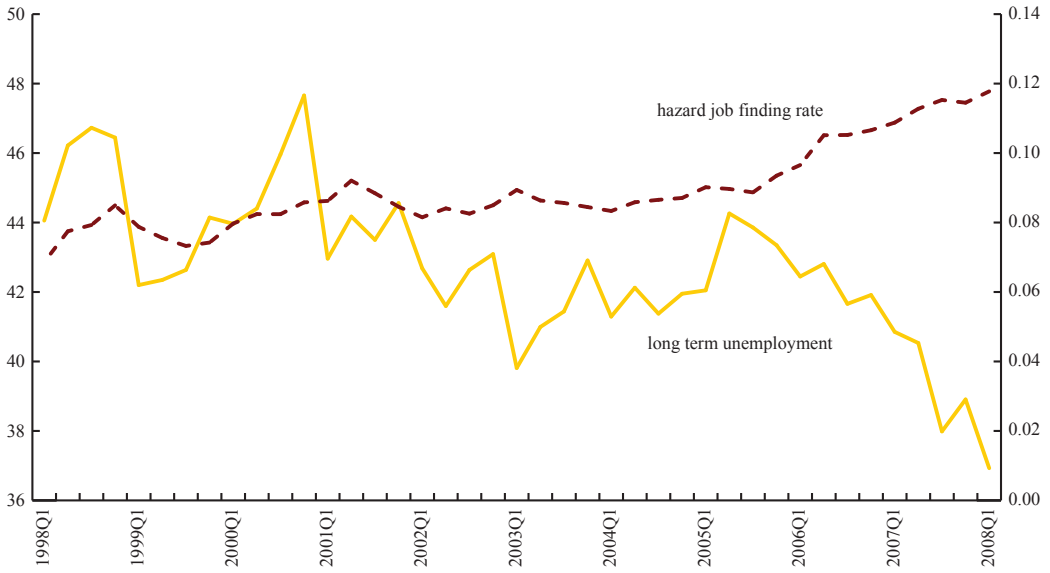
([26]) This is obtained multiplying 20pps by the coefficient of the interaction between temporary contracts and crisis dummy in the first column (0.005); the increase in the probability relative to its value before the crisis (1.8%) give the percentage change in the entry probability due to a share of temporary contracts higher than the average.

Table 22 - The impact of short-term contracts on the probability of entering and exiting unemployment

	Entering probability			Exiting probability		
	(1)	(2)	(3)	(4)	(5)	(6)
	0.58***	0.61	0.61***	0.86***	0.86***	0.86***
Lagged probability	(13.4)	(16.6)	(15.9)	(29.2)	(30.6)	(30.8)
	-0.02***	-0.02***	-0.02***	0.06***	0.07***	0.06***
GDP growth (year-on-year)	(-6.4)	(-8.1)	(-7.5)	(4.92)	(4.7)	(4.9)
	-0.005			0.03*		
Temporary contracts (15-64)	(-1.18)			(1.83)		
	-0.005***			-0.011		
Temporary contracts (15-64) x crisis	(3.34)			(-0.43)		
		-0.004			0.03**	
Temporary contracts (25-39)		(-1.2)			(2.05)	
		0.005***			-0.1	
Temporary contracts (25-39) x crisis		(3.2)			(-0.58)	
			0.001			0.06**
Temporary contracts (40-59)			(0.11)			(2.93)
			0.01***			-0.05
Temporary contracts (40-59) x crisis			(2.66)			(-1.29)
Observations	859	813	814	859	813	813
R-squared	0.87	0.89	0.88	0.95	0.95	0.95

Source: Commission services' estimates based on EU LFS. Data on probability are computed from duration data (Part I). Panel estimates over the period 1988Q1-2009Q2; country specific fixed effects; t-statistics in parenthesis; robust standard error. *** Statistically significant at 1%

Graph 46 - Long term unemployment rate and hazard job finding rate (2 years moving average o average of country rates)



Source: Commission services.

The cost of labour market duality

Notwithstanding the positive effects on labour market performance, two-tier reforms and the duality that these imply have some costs in terms of productivity, workers' career progression and job security. A segmented labour market may have a negative influence on human capital accumulation as the widespread use of fixed-term contracts, coupled with a high turnover rate of temporary jobs and low conversion rates from temporary to permanent contracts, may reduce the incentives to invest in firm-specific human capital or on-the job training. Dolado and Stucchi (2008) attribute one-third of the fall in TFP in Spanish manufacturing firms during 2001-05 to the effects of the low conversion rates of contracts on temporary workers' effort. Similar effects of temporary contracts on firms' productivity have been found for a sample of Italian (Boeri and Garibaldi, 2007) ([27]) and Spanish manufacturing firms (Sanchez and Toharia (2000)). Moreover, easing the entry conditions without changing the exit conditions would not induce firms to undertake investments in risky technologies (i.e. potentially profitable but at risks of failure) as they could not easily exercise the job destruction option (Bartelsman et al, 2010). Finally, the high incidence of temporary contracts among better educated young cohorts is often detrimental for returns to education due to frequent underutilization of skills.

Asymmetric labour market reforms have also implied a deterioration of entry wages, which persist over the career progression. For example, following the partial liberalisation of the Italian labour market in the 1990s, young workers experienced a fall in their entry wages not compensated by steeper increase over the course of their work experience (Rosolia and Torrini, 2007).([28]) There is also evidence that the wage gap([29]) is associated with employers' decision to under-classify temporary workers when assigning them to occupational categories, probably to cut their wage (De la Rica, 2004). In general, permanent workers have a wage premium over temporary workers (IMF 2010), which rises with the share of temporary contracts (Graph 47). Workers with fixed term contracts have limited access to on-the-job training and have less access to unemployment benefits when unemployed, as they do not necessarily satisfy the employment record required by the unemployment insurance system (Table 23).

Some argue that partial liberalisation of the labour market have perverse macroeconomic effects, as high turnover of fixed term jobs may lead to longer unemployment spells and skills deterioration, with negative effects on unemployment and average productivity (Blanchard and Landier 2002, Cahuc and Postel-Vinay (2002)). Other have shown that two-tier reforms may lead to temporary employment gains (on average over good and bad times) at the costs of lower productivity (due to decreasing marginal returns of labour). – the so-called *honeymoon effect* on job-creation (Boeri and Garibaldi, 2007). The availability of flexible labour contracts in a labour market with rigid protection for permanent workers gives firms the opportunity to build a *buffer stock* of flexible workers during upturns. During downturns firms are constrained by the stock of insiders and can adjust the labour input not renewing expiring contract and/or letting the insider go as they arrive at the retirement age.([30]) Thus, the availability of a stock of flexible workers increases the volatility of employment over the cycle. Yet, the increase in employment - and the consequent decline in productivity - last until the stock of temporary workers is at the level that would maximise profits in good times (as permanent workers cannot be fired in bad times in a two tier regime). Partial liberalisations of the labour market have only temporary effects on employment and productivity growth. The policy implications is that, when reforms are not part of comprehensive policy

([27]) Using a panel of 1300 firms between 1995 and 2000, the authors find a sizeable negative effect of temporary contracts on changes in productivity at the firm level.

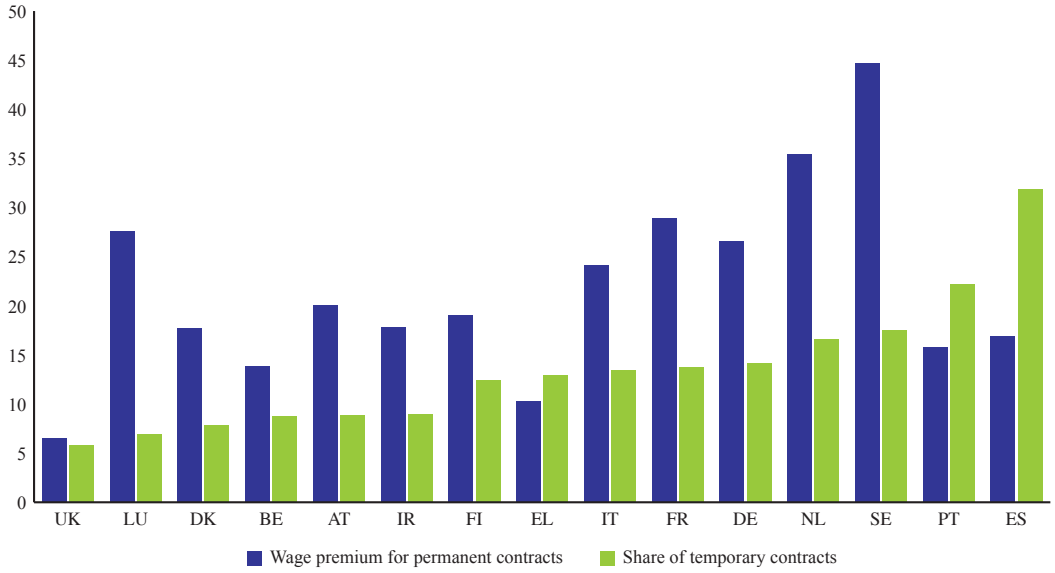
([28]) Entry wages for cohorts entering the labour market in the 1990s fell significantly losing up to 12% and 20% compared to the entry wage those entering into the early 70 and early 80s respectively. The increase in the generation gap was accompanied by a more dispersed (i.e. more unequal) wage distribution, which implies that the deterioration in young workers entry wages was not due to the entry of less able (i.e. less productive) workers.

([29]) In the case of Spain, permanent workers earn about 10% more than temporary for men and 5% more for women (De la Rica, 2004).

([30]) To respond to the pressure of ageing, the retirement age has been increased in many countries. This was necessary for the sustainability of the pension system. Yet, as workers stay longer on the job, with an ageing population the effect of EPL on firms' adjustment capacity becomes even more binding. Thus, by hiring more people with fixed term contracts firms may gain more flexibility in the management of their workforce.

package, it may take time to reverse the decline in productivity growth that follows policy measures that improve the labour utilisation of specific groups.

Graph 47 - Disparity between permanent and temporary contracts



Source: IMF, WEO 2010.

Table 23 – Net replacement rate of youth

	year 1	year 2	year 3	year 4	year 5	5-year average
Denmark	86%	86%	86%	86%	17%	72%
Belgium	65%	63%	63%	63%	63%	63%
Germany	68%	64%	62%	60%	60%	63%
Finland	72%	71%	55%	55%	55%	62%
Ireland	61%	61%	61%	61%	61%	61%
Austria	60%	58%	58%	58%	58%	58%
UK	56%	57%	57%	57%	57%	57%
France	71%	69%	47%	47%	47%	56%
Poland	55%	38%	33%	33%	30%	38%
Czech Republic	47%	29%	29%	29%	29%	32%
Sweden	70%	27%	19%	19%	19%	31%
Luxembourg	87%	8%	8%	8%	8%	24%
Portugal	79%	24%	4%	4%	4%	23%
Spain	64%	33%	12%	2%	2%	23%
Netherlands	33%	17%	17%	17%	17%	21%
Greece	49%	21%	17%	10%	1%	20%
Hungary	45%	13%	13%	13%	13%	20%
Slovak Republic	32%	3%	3%	3%	3%	9%
Italy	38%	0%	0%	0%	0%	8%

Source: OECD 2010. Countries are shown in descending order of the 5-year average.
*a) Co*untries are shown in descending order of the overall generosity measure (the 5-year average). Calculations consider cash incomes only (excluding, for instance, employer contributions to health or pension insurance for workers and in-kind transfers for the unemployed). To focus on the role of unemployment benefits, they assume that no social assistance benefits are available as income top-ups for low-income families. Cash rent assistance is however assumed to be available subject to relevant income criteria in both the in-work and out-of-work situations. Net replacement rates are evaluated for a young worker (aged 23) with a 3-year and uninterrupted employment record. They are averages over 12-months, four different stylised family types (single and one-earner couple, with and without children) and two earnings levels (67% and 100% of average full-time wages). Due to benefit ceilings, net replacement rates are lower for individuals with above-average earnings. See OECD (2007) for full details.

The recent recession is not a typical downturn. It combines a global downturn in demand with credit squeeze and a burst of various bubbles. Evidence of past episodes (e.g. IMF, 2010) suggests that, recessions combined with financial crises have effects on the labour market that persist during the following recovery. Thus, reacting to the global financial crisis and recession, firms may have significantly revised downward their expected profits and changed accordingly their employment policy using all possible margins of adjustment of the labour input. As shown in part I, the adjustment has been characterised by an adjustment at the intensive margin - i.e. a reduction in the average number of hours worked, also through the use of government sponsored short-time working schemes([31]) -, in particular for those with permanent contract, and at the extensive margin by an increase in the number of contracts not renewed for those previously employed fixed-term, as predicted by the results of Table 22. Consequently, the share of temporary contracts declined, especially in countries with strict EPL.

Obviously, the employment outlook depends primarily on the job prospects of those most hardly hit by the crisis, in particular the young. At the early stage of the recovery, the availability of short-term contracts could help to reduce the jobless rate among those groups. Yet, based on the experience of recovery after the Scandinavian and Japanese financial crisis of the early 1990s,([32]) a much more important use of these contracts cannot be excluded also for the more experienced workers, as liquidity constrained firms facing uncertainty about the recovery may prefer to respond to the recovery hiring workers with the lowest firing costs (Fregert and Pehkonen, 2009).

Before the crisis, the deterioration of European workers' job satisfaction, notwithstanding the fall in the level and average duration unemployment, has been considered has a typical manifestation of dual labour market (Boeri, 2009). In the post crisis period, the size of those in employment at higher risks of unemployment may become more important than before. This may result in a stronger labour market duality, whereby the labour market is separated into insiders and outsiders, with the risks of this duality on a larger scale.

This dualism can be costly as it does not provide the right incentives to invest in human capital, which is an important component of a dynamic economy based on knowledge and innovation. To the extent that workers on temporary contracts are trapped in low productivity jobs, the increase in their share could come at the costs of declining average labour productivity([33]). This decline would put a downward pressure on wages of both permanent and temporary workers. In this environment, high and increasing labour market risks (compared to those of permanent workers) would be remunerated less (Dolado et al, 2008 and Boeri, 2009).

An increasing share of *secondary* workers may raise the support for undoing the reforms enacted since the mid 1990s. That this risk is realistic is suggested by the characteristics of the reform process occurred since then. In some countries, the reform path was characterised by a series of incremental changes to the existing policy framework, probably justified by the uncertainty about the distributive costs that a broad policy package would have implied. The political economy of reforms suggests that the high reversal costs perceived by the agents may make *ex-ante* the reform unfeasible. In contrast, a gradual approach makes reforms feasible by reducing the costs of trial and error and by creating the constituencies for continuing the reform (Dewatripont and Roland 1995). Thus, undoing reforms introduced with incremental changes would be feasible from this perspective. Yet it would be a mistake.

([31]) Section 3 will discuss the use of short-time schemes in more detail.

([32]) Over the period 1993-2004, about 60% of new contracts were temporary.

([33]) The presence of an inescapable trade-off between employment and productivity raised already concerned about the capacity of policy makers to release the potential of the economy. A thorough analysis of the trade-off between employment and productivity was made in the EU Economy 2007 Review. That analysis highlighted the importance of raising productivity levels using all available instruments to stimulate total factor productivity, whilst encouraging the labour-intensive growth pattern over the medium term. Furthermore, progress on labour market reforms does not impede efforts to stimulate investment and technical progress. Thus, there is no reason why policy makers cannot act on both fronts simultaneously.

3. WHY RESUMING A CONSISTENT REFORM STRATEGY AFTER THE CRISIS

The reasons for changing the *rules of the game* in the labour market are still valid as the long-term challenges - globalisation, fast technological changes, pressure on resources and rapid swings in the international division of labour – are relevant and even intensify. It is widely recognised that to initiate and sustain economic growth, labour market institutions should be able to adapt to rapidly changing production technologies and to an increasingly heterogeneous labour force (e.g. Nickell, 1998; Bertola, 2009), while the failure to introduce reforms that overcome collective-action problems is a reason for poor labour market performance (Eichengreen and Iversen, 1999) and labour market adjustment (Buti et al, 1998).

At the national level this means exploiting the interconnections between labour institutions (Coe and Snower, 1997) and between labour and product market reforms (Blanchard and Giavazzi 2003). The positive performance of countries that have reformed their labour market institutions shows that one-size-fits-all reforms cannot respond effectively to national labour market problems. Many observers emphasise that the whole configuration of labour market institutions in a given country must be considered and, more fundamentally, that the design of labour market reforms is a key determinant for their success. This is a crucial condition for reaping the benefits of a changing socioeconomic environment and avoiding its potential pitfalls.

At the EU level, disregarding the interconnections between the EU economies would be equivalent to ignore the cost that a non-reforming country would exert on the performance of the others (Helpman and Itskoki, 2010). The EU-wide dimension of structural reforms is important not only to raise growth and employment potential but also to improve the mechanisms through which member countries of the EMU adjust to shocks. The need for labour market reforms was already widely acknowledged before EMU to reduce structural unemployment, increase participation rates, and boost potential output growth. What EMU adds is the need for a better adjustment capacity in the face of common or country-specific shocks that require adjustment of prices and wages or relocation of factors. Hence, with a lower degree of policy centralisation, compared to the US, more weight is given in the Euro area to (both labour and product) market flexibility as a channel of adjustment.

The crisis has added a new dimension. When the Lehman Brothers failed for bankruptcy in September 2008, many observers draw parallels with the US Stock market crash of October 1929. One year into the recession, the world economy was tracking, or doing worse, than during the same stage period of the Great Depression (Eichengreen and O'Rourke, 2009); the fall in world trade and stock markets was more rapid than in the comparable period of the early 30s'. The vulnerabilities and disarray of the financial and housing sectors, combined with global trade imbalances and rising pessimistic expectations, made the world economy ripe for a second *slide in the abyss*.

Compared to the largely uncoordinated action of the early 1930s, one distinctive element of the current contraction has been the size and timing of a policy response aimed at containing the damaging impact on the real economy. To avert the risks of a perverse spiral between output losses, worsening balance sheets, rising credit risks, rising job insecurity and adverse effects on spending behaviour, the fiscal position deteriorated significantly in many Member States. The change in the stance of fiscal policy has likely avoided a fully-fledge depression at the cost of build up in public debt. On the basis of the historical evidence, high debt levels are likely to constrain significantly economic growth in the future.([34])

Within this new environment, highly indebted governments will have to face sharper trade-offs, while the options for growth-enhancing

([34]) Reinhart and Rogoff, 2010, 'Analysis of the experience of advanced and developing countries since 1946', suggests that debt levels in excess of 90% are associated with a fall in the median growth rate of 1% and in the average growth rate of almost 4%.

policies will become narrower. In the case of the labour market, this means that the focus has to be first and foremost on reforms with low or none direct budgetary impact. It is of crucial importance to focus on well-targeted policies (for example to activate low-skilled or long-term unemployed) and to avoid deadweight losses. At the same time measures that have adverse effect on the inter-sectoral mobility should be discontinued as the recovery gains strength and replaced by policies that promote reallocation.

The policy response notwithstanding, the financial crisis has hit the labour market hard. About 6 million jobs were lost since 2008Q2, while the number of unemployed aged 15 plus soared to 22 million in 2009Q4, about 6 million more than at the beginning of the recession. At the initial stage of the recession, the pick up in unemployment was mainly explained by an increase in the inflows into unemployment (i.e. layoffs). Yet, during 2009 the increase can be traced into lower outflows from unemployment, implying higher unemployment duration and the build up of long-term unemployment.

The pecuniary and non pecuniary consequences of the recession are likely to endure beyond the recession period. Policymakers have the option to spur job creation, to reduce the rate of job destruction or to do both. Which of these options will prevail depends on country specific circumstances and social preferences. Yet, priority should be to avoid that those without a job for long periods, especially the older ones, become inactive. Avoiding hysteresis effects in the labour markets is also of crucial importance to avert a lasting negative impact on potential output after a crisis. For this reason, it was important to avoid labour shedding at the early stage of the recession. Even so, keeping alive jobs in declining activities may carry substantial costs in terms of locking labour into declining activities, thereby preventing the necessary reallocation of resources, damaging future growth prospects and wage developments. Thus, the gradual phasing out of temporary labour market support measures should be accompanied where necessary by a strengthening of activation, training and other policies that ease job reallocation and enhance workers' employability.

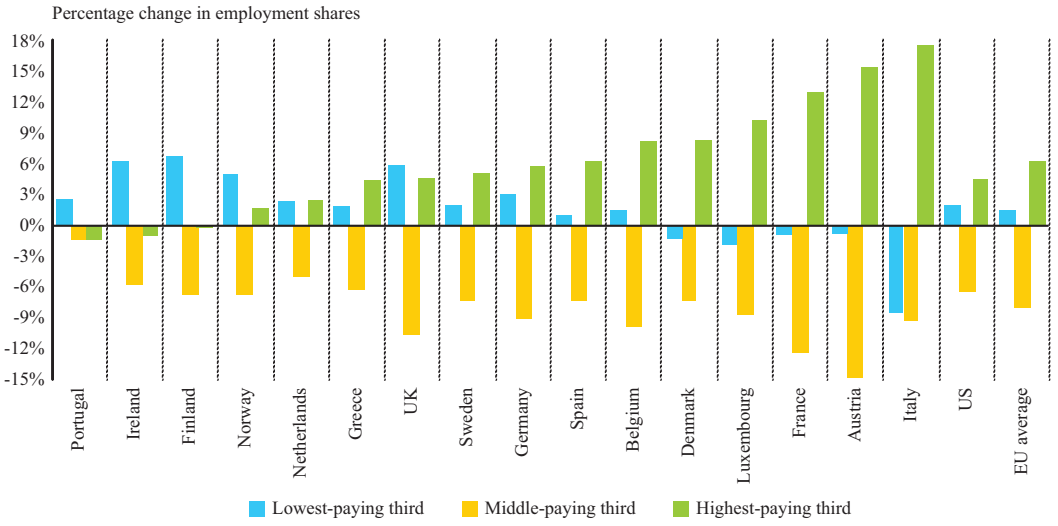
The economic crisis has wiped out most of the steady gains in job creation achieved over the past decade. It has also evidenced the weaknesses of specific socio-economic groups and their relevance as bottlenecks to growth. The dichotomy between protected and unprotected workers was discussed at length above. A persistent divide between those with and those without remunerated labour market risks may imply low incentive to undertake education or training and, consequently, be a serious bottleneck to growth.

The polarisation of employment between expanding job opportunities at both ends of the skills distribution and declining labour demand for those in middle-skilled occupations (such as routine office jobs and manufacturing) has been a characteristic trend in the EU and the US over the last decade (Goos et al., 2009) ([35]). Between 1993 and 2006 the largest decline in the share of employment of middle-wage occupations occurred in France and Austria (12 pps and 14pps respectively) and the lowest in Portugal (1pps), with an average fall for the EU countries of 8 pps. This contrasts with the share of employment in high-wage occupations which increased on average by 6pps (Graph 48). The recession has not changed, and if anything reinforced, this trend.

Table 24 (from Goos et al. (2009) for the pre-crisis period) shows the employment shares in percent of 1993 employment of (i) high-paying occupations, (ii) middle-paying occupations, and (iii) low-paying occupations. It also shows the change in employment shares of the different occupations (measured in p.p.). From the table, it can be seen that the job polarisation documented by Goos, Manning and Salomons (2009) for the 1993-2006 period continued during the crisis. The employment shares of the high-paying and the low-paying occupations increase, while the employment shares of the middle-paying occupations decrease. If one excludes the construction workers, employment losses have been deeper for occupations paying close to the mean wage than for low- or high-paying occupations.

([35]) The polarization of employment was initially detected for the US (e.g. D. Autor, et al, 2003, 2006) and explained as echnological change substitutable for routine labour in the middle of the wage distribution and complementary to high-ducation occupations.

Graph 48 – Change in employment shares by occupation in 16 EU countries: 1993-2006 (Occupations grouped by wage terciles: low, middle, high)



Source: David (2010). "Employment, Earnings and Job Opportunities in the U.S. Labor Market Before and After the Great Recession." The Brookings Institution, Washington, DC.

Table 24 – Changes in shares of employment before and after the crisis

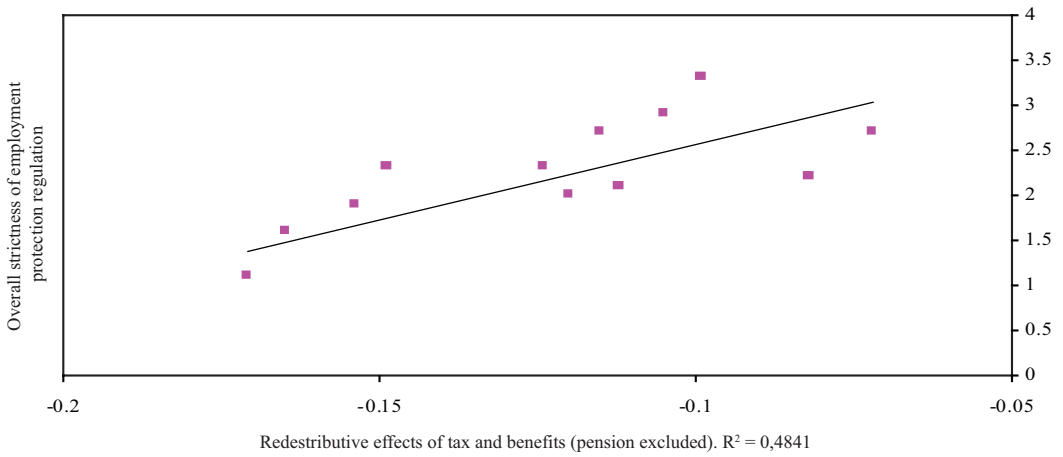
	Percent employment share in 1993 (*)	Percentage point change over 1993-2006 (*)	Percentage point change over 2007-2009
Eight highest-paying occupations			
Corporate managers	4.54	1.25	0.17
Physical, mathematical, engineering professionals	2.92	1.02	0.15
Life science and health professionals	1.86	-0.14	0.07
Other professionals	2.82	0.7	0.3
Managers of small enterprises	3.6	1.28	0.03
Physics, methematics, engineering associate professionals	3.99	0.91	0.02
Other associate professionals	6.77	2.07	0.1
Life science and health associate professionals	2.28	0.66	0.13
Nine middling occupations			
Drivers and mobile plant operators	5.48	-0.17	-0.09
Stationary plant and related operators	1.75	-0.39	-0.15
Metal, machinery, and related trade workers	8.33	-2.33	-0.17
Precision, handicraft, and related trade workers	1.31	-0.4	-0.08
Office clerks	12.04	-1.98	0
Customer service clerks	2	0.19	-0.04
Extraction and building trade workers	8.17	-0.52	-0.37
Machine operators and assemblers	6.71	-2.01	-0.46
Other craft and related trade workers	3.19	-1.37	-0.14
Four lowest-paying occupations			
Personal and protective service workers	6.94	1.15	0.38
Laborers in construction, manufacturing, transport	4.11	0.48	-0.27
Models, salespersons, demonstrators	6.73	-1.42	0.06
Sales and service elementary occupations	4.47	1.02	0.15

Source: Commission services. * data refers to usual weekly hours worked, source Goos, Manning and Salomons (2009).

As the global forces behind the polarisation of job opportunities (i.e. automation of production and off-shoring of middle-skilled tasks) have been very likely untouched by the crisis, a declining demand of medium skilled occupations will persist also in the future, which reinforces the need of policies that promote an adaptable workforce and training opportunities for displaced workers. Moreover, better education would also reduce inequality in labour incomes, as an increase in the relative supply of skilled workers would result in a reduction of their relative wage. Yet, an increase in education may be also accompanied by higher income inequality if technological change is skill-biased.

These changes in the structure of the labour demand will likely result in a demand for protection from negative labour market developments. The economic literature and policy makers have recognised that with incomplete capital markets and/or risk-averse workers certain institutional configurations can be welfare improving. For example, unemployment benefits and EPL can be motivated by the desire of credit-constrained risk-averse agents to protect their consumption from income volatility. However, the consumption smoothing achieved in this way can occur at the expenses of production efficiency and low employment. If badly designed, both unemployment benefits and EPL reduce the cost of non-employment, make the wage distribution more compressed and less responsive to labour market conditions, with negative effect on the employment especially of those whose demand is highly elastic (e.g. the young, the low skilled, or women re-entering the labour market after maternity or child care leave).

Graph 49 – Redistributive taxation and strictness of EPL



Source: Arpaia and Mourre (2010).

Under an effective welfare state, people would be less willing of costly protection measures such as excessive precautionary savings, excessively long job-tenure, and more prone to change jobs (Sinn, 1995). The trade-off between unemployment benefits and EPL is a well documented example (e.g. Buti et al. 1998). This trade-off can be influenced by the characteristics of financial markets (Bertola and Koeniger, 2007) ([36]), by the frequency and the nature (sectoral or aggregate) of labour demand shocks and by workers' geographical mobility (Hassler et al., 2001) ([37]). The equalising properties of redistributive policies can also influence the type of government intervention in economic interactions. Graph 49 is suggestive of the nexus between these policies and the intensity of labour market regulation; it implies that tight employment protection legislation is associated with a low reduction in the after tax gini index of income inequality. Thus, when redistribution policies are less efficiently managed through taxes and subsidies, insurance against income risks is usually provided via relatively strict employment legislation.

A broadly based level of social insurance is not inconsistent with low unemployment and high participation *as long as* it is provided efficiently and yields the proper financial and non financial incentives to remain employed. This is shown by the experience of the Nordic countries (Andersen et al. 2007). The high participation rates of these countries despite the high (marginal) tax rates and generous social safety net seem puzzling if one discards the effective and powerful role of non-financial incentives (i.e. tight conditionality and eligibility conditions). These binding non-financial incentives increase the value of the time lost to claim benefits, reduce the reservation wage and boost the labour supply, notwithstanding the high financial disincentives.([38])

The Europe 2020 strategy is designed to help Europe to exit the current crisis while regaining the conditions for sustainable and inclusive economic growth fostering high employment. As far as the labour market is concerned, improvements of the knowledge base, the development of a trained workforce for a *better match between labour supply and demand*; *the modernisation of the labour markets, training and social protection systems to help people to manage change, and build a cohesive society*([39]) are key elements of this strategy. The implementation of the flexicurity principles is important for a broad-based participation in the benefit of economic growth. Job security refers to policies that allow workers' transitions between different jobs or occupations in a safe and successful way. It is about a safety net that provides income support and job search assistance during difficult times, while promoting the acquisition of transferable skills necessary to respond to the needs of job reallocation. The availability of a safety net, including an effective educational ad training system, can make people more willing to undertake risky investments that cannot be backed by collateral against which to borrow (e.g. investments in human capita

The debate on the reform of the European labour market has been flawed by the perception that there is always an inescapable trade-off between equity and efficiency, as if European countries were at any time on the efficiency frontier. Although taxes and benefits entail administration, deadweight costs and risks of 'welfare dependency', one can envisage situations where policy design reduces the leakage that society has to endure in order to achieve efficient social policies. When the proportion of governments' budgets going to non-redistributive purposes is high and the levels of redistributive taxation low, there are policy situations that produce greater equity without major efficiency trade-off and there can be even complementarities between equity and efficiency. The costs in terms of efficiency loss of transfers are likely to be small when

- they go to segment of the population with no capacity of changing their behaviour

([36]) There is a correlation between EPL and borrowing constraints, which is related to the attractiveness of institutions reducing income fluctuations in countries where under-developed financial systems reduce consumption-smoothing opportunities.

([37]) Hassler et al. (2001) argue that less mobile workers acquire more specialised skills and prefer more generous unemployment insurance. Generous unemployment benefits make specialised workers more selective, since they have to lose more from switching to a different job, which increases their and reduces their mobility.

([38]) This means that the net of benefits tax rate goes to zero, which explains the high participation rate in Nordic countries (Andersen 2009).

([39]) Communication from the Commission to the European Council 'EUROPE 2020 – A strategy for smart, sustainable and inclusive growth'.

- benefits are paid conditional to behavioural requirements

- payments change the behaviour or the opportunities in such a way that increase income in the future.

While the first condition holds only in the case of social policies *stricto sensu* (e.g. policies dealing with poverty), the others are clearly relevant for labour market policies (Blank 2001).

Labour market institutions cannot on their own be considered as a hindrance to the flexible working of the labour market, given their evolving nature. In short, a good institution may turn bad - becoming not only useless but also counterproductive - when the structure of economic interactions changes. Institutions cannot be assessed without paying due attention to their redistributive and welfare effects. For instance, EPL is more than a mere economic rigidity. It is also an unemployment insurance scheme and should be analysed in a broader context with proper consideration of the unemployment benefit systems.

The literature has also drawn the lessons of the economic history of the last decades. The experience of the most successful countries suggests that an effective reform requires major policy shifts at the macro and micro level. The shifts observed at the macro level occurred in the wage setting mechanism, through a redefinition in rules, norms and nature of contractual arrangements, and in the characteristics of policies designed to protect workers from labour demand shocks (e.g. EPL or unemployment insurance schemes). At the micro level the successful changes to these institutions were generally achieved by ensuring the right combination of measures: unemployment benefits available for a short period of time or decreasing over time coupled with an active role for public employment services (e.g. efficient and individualised job search advice, targeted training programmes, timely information on vacancies and job seekers) and complemented with a range of measures targeted at those unable to find a job (e.g. retraining, literacy courses, traineeships). Policy makers have indeed been increasingly sensitive to the pivotal role of financial and non-financial incentives to work as a means to raise labour supply in Europe.

Reforms that shift the focus from protection on the job to insurance in the market should reconcile workers' demands for protection from unemployment and income risks with the need of firms to respond quickly to swings in consumers' preferences and to the challenges and instability created by technological progress and globalisation. An integrated strategy based on interventions in employment protection, lifelong learning and activation policies may contribute to improving the adjustment capacity. Increasing participation and enhanced workers' employability are needed to minimise the social consequences of the crisis, to preserve European human capital and, ultimately, to return to strong growth.

4. CHANGES IN THE LABOUR MARKET AND SOCIAL POLICY SETTINGS IN RESPONSE TO THE CRISIS([40])

Member States, the European Union and central banks have taken strong policy action in the face of a crisis of unprecedented severity. The European Economic Recovery Plan (EERP) of December 2008 detailed an impulse totalling €200 billion in 2009 and 2010.([41]) The response by Member States has turned out to be even stronger, with almost €350 billion spent in crisis measures up to June 2010.([42]) The EERP called for priority to be given to those reforms which could support aggregate demand, employment and/or household income during the crisis, whilst at the same time improving the adjustment capacity to enable a faster recovery when conditions improve. The EERP also called for measures to be consistent with long-term public policy objectives such as those found in the Lisbon strategy and in the Stability and Growth Pact, the smooth functioning of the single market, and facilitating a move towards a low-carbon economy.

In line with this approach, at the beginning of 2009 the Commission identified a number of guiding principles to direct the labour market policy response contingent to the crisis,([43]) including: (a) keeping people in viable employment, while supporting employability and easing transitions to new jobs; (b) providing adequate income support and reinforcing activation; (c) considering measures to boost both labour demand and labour supply; (d) investing in training and skills upgrading and enhancing the employment services to cope with increasing unemployment. By contrast, measures such as indiscriminate tax-funded support for jobs in declining sectors or regions, which could delay necessary restructuring, large direct job-creation schemes in the public sector not sufficiently targeted at specific vulnerable groups and early retirement or other policies that push workers out of the labour market needed to be avoided.

The labour market and social policy response to the crisis put forward by the Member States appears to be very much in line with these principles.([44]) Besides reinforcing unemployment protection and other social benefits, the majority of measures recorded up to February 2010 were intended to enhance the employability of those hit by the crisis and facilitate labour market transitions, by improving job placement and the matching process and investing in lifelong learning.([45]) Enhancing activation and supporting employment by cutting labour costs also remained high on the policy agenda. These measures often build upon reform strategies set in place before the crisis, which largely contributed to enhancing the labour market attachment of the working-age population in many European countries over the last decade.([46])

Measures encouraging flexible working time arrangements have emerged as a new feature of the policy response to the recession. Such measures have been effective to reduce the adjustment of the labour input at the extensive

([40]) This section draws upon the EU Member States responses to the OECD and European Commission joint questionnaire of February 2010 and the EERP database of recovery measures, built up by Commission services with the support of the Economic Policy Committee and the Employment Committee (last update: February 2010).

([41]) Commission Communications: 'From Financial crisis to recovery: A European framework for action', COM (2008) 706, of 29.10.2008 and 'A European Economic Recovery Plan', COM (2008) 800, of 26.11.2008.

([42]) Source: EERP database, Commission services.

([43]) See: March 2009 Commission Communication for the Spring European Council 'Driving European recovery', COM(2009) 114.

([44]) See EC-DGECFIN (2009), 'The EU response to support the real economy during the economic crisis: a review of Member States recovery measures', DG-ECFIN Occasional Paper No 51, July. Reporting on the implementation of the EERP, the 2009 Spring European Council agreed that Member States' recovery programmes constitute a robust response to the crisis and are broadly in line with the principles enunciated in the EERP, encompassing financial rescue packages, fiscal stimuli, temporary support to hard-hit sectors and targeted support to vulnerable groups.

([45]) See table at the end of this section for a complete overview of labour market and social policy discretionary measures adopted in the EU between October 2008 and February 2010 in response to the crisis.

([46]) In the Lisbon strategy there has been a strong focus on the policy challenges linked to the labour market. In terms of the 2009 country-specific recommendations, about half of them relate to labour market related challenges.

margin; yet their longer-term effects in case of persisting weak labour demand remain to be carefully evaluated. On a less positive note, there has been little effort to make wage bargaining more responsive to sectoral and local labour market conditions or to revise the legislation on hiring and firing to reduce labour market segmentation.

Most part of the discretionary increase in labour market policy expenditure has been allocated to social assistance and other forms of income support. Increases in the generosity of unemployment benefits were less widespread, while activation policies and mutual obligations were reinforced in several countries. Reductions in employers' social security contributions and in labour income taxation, notably for low income earners, were very significant all around the EU, their scope varying with their design, notably as concerns their coverage (either to all workers or only new hires) and targeting. Often of permanent nature, tax measures adopted since 2009 appear to be very costly and their compatibility with public finance constraints, despite being often *in line with long-term objectives (e.g. strengthening incentives to work), needs to be carefully evaluated. Compared to 2009, only few cuts of the resources devoted to labour market policies were planned for 2010.*

To sum up, the following policies were enacted during the crisis by several Member States:

- Intensive use of short-time work schemes and internal (hours) flexibility;
- More focus on measures that improve the matching process and enhance the training systems in order to enhance employability and ease job reallocation;
- Continued focus on activation and making work pay policies;
- Large expansion of social assistance and other income support mechanisms, with the risk of damaging job-searching incentives for those able to work.

The overall labour market and social policy framework prevailing before the crisis remained mainly unchanged in the crisis period. To a large extent, the recovery measures are in line with the reform strategies of previous years, mostly aimed at improving the functioning of the labour market from the supply side (e.g. enhancing labour market attachment) and at easing the hiring conditions of the less attached to the labour market.

Apart from those measures with desirable characteristics (most notably those enhancing job search and matching), an excessive reliance on *ad-hoc* measures taken under the emergency of the crisis may risk locking workers in unviable jobs and impeding the reallocation necessary in some countries from declining to expanding industries. Job search incentive may also be negatively affected.

4.1. MEASURES TO STIMULATE LABOUR DEMAND

4.1.1. Wage subsidies and public sector job creation

In response to the crisis, many Member States introduced new wage subsidy schemes (AT, BE, BG, CY, ES, HU, MT, NL, PL, PT, RO, SI, SK, UK) and/or scaled-up existing ones (AT, EE, FI, FR, GR, LT, SE). To absorb a growing numbers of unemployed, job creation schemes in the public-sector were expanded or introduced for the first time in a number of countries (AT, BG, CY, GR, HU, LT, LV and SI). To avoid deadweight costs and substitution effects, targeting was enhanced, to focus mainly on long-term unemployed, youth, older workers, low-skilled, laid-off workers, disabled and immigrants. To a large extent, these measures will expire in 2010 and, in some cases will be prolonged not beyond 2013, with the closure of the structural funds' programming period (e.g. in MT). In the context of high and rising unemployment, these schemes may be necessary to prevent the social distress caused by the crisis. Yet, with a view to highly leveraged fiscal positions, they need to be temporary and carefully targeted to the less employable.

4.1.2. Cuts in non-wage labour costs

Lowering non-wage labour costs featured already in a number of medium-term national reform programmes and gained additional relevance during the crisis. Rebates on social security contributions (SSC) to boost labour demand were typically made conditional upon net job creation - i.e. largely limited to new hires

- (ES, FR, HU, IE, PL, PT, SE, SI, SK). In line with the long-term objective of reducing the tax wedge, some countries also decided general cuts in employer's SSC (BE, BG, DE, FI, HU, PL, PT, RO), most often with a permanent nature (e.g. in BE, FI, HU, PL and RO).

Apart from few cases, the non-wage labour costs cuts were largely targeted to the most difficult to employ, such as low-wage earners (this is notably the case for SSC reductions applying to both existing workers and new hires), young unemployed, long-term unemployed and older workers (PL, PT, SI). In few countries, these measures were directed to SMEs (FR, PT) and self-employed (AT, ES, SK) or towards sustaining employment in specific sectors or strategic activities (e.g. BE and ES). In CZ, the temporary reduction of SSC for employers of low-wage workers, decided in response to the crisis, was terminated in 2009 because of public finance concerns.

4.1.3. Short-time working schemes([47])

Measures to support reductions in working hours were taken in twenty Member States. Nine countries introduced these schemes for the first time (i.e. BG, CZ, HU, LT, LV, NL, PL, SI and SK). Apart from the UK, all countries where STW schemes existed before the crisis have temporarily modified in 2009 their characteristics([48]), in particular concerning the level, duration and/or coverage of public financial support (notably in AT, BE, DE, DK, ES, FI, FR, IE, IT, LU and PT). Further reduction in firms' labour costs were possible as employers using STWA were exempted from paying SSC contributions for the hours not worked (e.g. DE, AT, BE, FI and to a lesser extent FR).

The coverage, previously often limited to workers with permanent contracts and employed in specific sectors or firms of a specific size, was extended in BE, FR, IT, DE. Simplified procedures and more flexible working-time arrangements were allowed in DK, DE, AT and LU. The criteria for applying to the scheme were relaxed in few countries, while strict conditionalities were imposed on firms in others (for instance in AT, HU, NL and SI). Finally, countries have increasingly encouraged in-work vocational training for workers on temporary unemployment/reduced working-time. Initially intended to expire by end-2009, temporary changes in STW schemes' characteristics have been often prolonged and companies can apply until end-2010 at the latest.

4.2. MEASURES TO ENSURE A RAPID (RE-) INTEGRATION INTO THE LABOUR MARKET

4.2.1. Job-search assistance and activation policies

Sustaining labour supply and easing job reallocation has been a major concern during the crisis. EU Member States have widely invested in enhancing and better tailoring the services provided by their public employment agencies (PES). Many have increased funding and expanded the staff of PES (notably DE, DK, ES, FI, FR, IE, PL, SE, SI and the UK). Partnership with private employment agencies was also enhanced to provide additional capacity (FR, IT, PL) and the PES reorganised by streamlining different services (DK, FI), or by stepping up cooperation between social partners, training centres and PES at regional level (e.g. the mobility centres in NL). At the same time, activation requirements for the unemployed were reinforced in a consistent number of countries (CZ, DK, FI, IT, PL, PT, SI, UK), often building upon wider reform strategies already undertaken before the crisis. In the UK, since October 2009, job search services and benefits are being delivered in phases with increasing levels of commitment required from job seekers.

Interventions in this field have been characterised by clear targeting to adequately respond to changing needs, and thus to improve the efficiency and effectiveness of active labour market spending, with a renewed focus on supporting the re-integration into the labour market of recently laid-off workers (BE, FI, FR, HU, MT) and vulnerable groups, including older workers (BE, UK), less-skilled (DK), young unemployed (FI, UK) and immigrants (FI).

Improving the financial incentives to work remained high on the policy agenda, in line with the long-term goal of increasing labour market participation in most countries. Income

([47]) For details on these schemes, and for a discussion of the main country specific characteristics and crisis-related measures see section 4.4 below.

([48]) Changes introduced in FR were of permanent nature.

supplements and targeted in-work tax credits were reinforced or newly introduced in AT, BE, NL, SE and SK, mainly as incentives to take up low paid work; commuters tax allowances were increased in AT, DE, and SK and new financial support to low-skilled mobile workers introduced only in BE, ES and LT. The design of unemployment insurance benefits was modified so as to increase work attractiveness in BG, CZ, ES and IT. SK introduced a two-year incentive allowance to low-wage employees formerly unemployment benefits recipients who found a new job on their own. In PT, the unemployed who return to work in less than 6 months retain full eligibility of previous contribution periods for future unemployment spells. Few measures were also taken to support female labour market participation, notably in MT and NL.

4.2.2. Vocational training and work-experience programmes

Upgrading skills and reducing the skills mismatch are important not only to find a job or not to lose contact with the labour market during the downturn, but also to facilitate an efficient job reallocation across industries when growth resumes. Training programmes for the unemployed were temporarily expanded in many countries (AT, BE, DK, ES, FI, FR, IE, IT, LV, LT, NL, PL, PT, SI, SE and UK), mainly targeted at the low-skilled, young and long-term unemployed. Financial incentives to undertake training when unemployed were also increased in some cases (e.g. in AT, BE, ES, IT, NL, PL, SE). In FI, the conditions under which jobseekers can undertake training for up to 24 months while getting their unemployment benefits were permanently relaxed. New training schemes for the unemployed were set up in BG, CY, EE and PL.

Access to training for existing workers was eased in many countries (AT, CY, DE, FI, FR, GR, HU, MT, PL, RO, SI, SE and UK), mainly targeted at youth, low-skilled, older workers, workers at risk of unemployment, workers in SMEs, temporary agency workers. In some, financial incentives to take-up training were also increased. Work experience and apprenticeship programmes were reinforced in AT, CY, DK, FI, FR, LV, LT, MT, NL, PL, PT, SE and UK, mainly to facilitate the (re-)integration of young people and disadvantaged job seekers into the labour market. New work experience schemes for young people were created in BG. In CY, DK and FR this was accompanied by higher financial incentives for companies that hire apprentices. Some countries focused on creating training and apprenticeship places in emerging sectors such as welfare and health-care (AT, BG, DE and UK). In IE, further courses were designed in sustainable energy and green technology techniques.

4.2.3. Business start-up incentives

Funding for start-up grants for the unemployed and workers starting new businesses were increased in FI, LV and ES. Similar measures were specifically targeted to unemployed in MT, PL, PT, SK and UK. In ES, the unemployed who decide to become self-employed can draw 60% of their unemployment benefit all in one (from previously 40%) until end 2010. FI also implemented changes in the taxation for low-income entrepreneurs to increase their net income. SI invested on the training of unemployed who wish to become self-employed.

4.3. MEASURES TO SUPPORT INCOME OF JOB LOSERS AND LOW-INCOME HOUSEHOLDS

Most Member States took specific action to provide enhanced financial support to job losers and low-income households. Measures range from increasing the level of the guaranteed minimum income or of the minimum wage, to temporarily extending the coverage or the generosity of unemployment benefits and reinforcing other social benefits, to introducing tax rebates and tax exemptions for specific groups, especially the most vulnerable. Together with the automatic increases resulting from a growing number of unemployed and low-income households, these measures largely contributed to expanding social protection expenditure in many countries.

4.3.1. Unemployment benefits([49])

The generosity of unemployment benefits was increased permanently in BE and FI, and temporarily in BG, EL, FI, LT, LV, PT, and RO. Their coverage was extended or the conditions

([49]) For details on relevant crisis-related measures see section 4.5 below.

for having access to benefits relaxed in BG, FI, FR, IT, PT, SI and SE. Changes in the design to make the benefit duration proportional to the affiliation period resulted in FR in higher coverage of precarious workers. A few countries (e.g. LT) made changes in the duration and/or level of unemployment benefits to limit benefit dependency. More generous unemployment insurance was announced in CZ, but not implemented because of budgetary constraints.

4.3.2. Social assistance and other income support

All countries increased the generosity of their social safety nets to protect the incomes of job losers and of vulnerable groups. Increases in the guaranteed minimum income and in the level of other means-tested benefits were decided in BE, BG, CY, DE, FR, IE, LV, LT, LU, PL, UK, while the minimum wage was increased in BG, ES and LV. One-off payments to social assistance recipients were given in FR, GR and SI, and various child benefits and other child-support allowances for low income households introduced and/or increased in DE, FR, PT and UK. In HU, a new form of social assistance benefit, the 'stand-by allowance', replaced standard social assistance benefits for working-age welfare benefits recipients, to improve their activation. In AT, persons not receiving unemployment assistance due to partner's income are now entitled to health insurance.

Specific measures were introduced to sustain low-income pensioners (AT, BE, FR, GR, IE, LU, RO, SE and UK), to support heating/electricity costs (BE, DE, HU, IT, LU), or to provide one-off payments targeted at specific items for the most vulnerable households (BG, FR and IT). The housing policy for vulnerable groups was enhanced in CY, GR and UK. Some countries took measures to protect mortgage holders against repossession, to address over-indebtedness, or to create incentives for banks to give access to credit to individuals, including people on low-income (notably ES, FR, HU, IT, LU, PT, SK, UK).

Income tax rebates, including revisions of the income tax bands and broader tax free ranges of incomes, tax exemptions or allowances targeted at low-income earners, were introduced in many countries (e.g. AT, BE, DE, DK, FR, HU, IE, LU, MT, PL, SK, SE), most often with a permanent nature. Income tax reductions decided for 2009 in LV were abolished as of 2010 and personal income taxes further increased.

Table 25 - Labour market measures in response to the crisis

	MEASURES TO STIMULATE LABOUR DEMAND				RE-EMPLOYMENT MEASURES FOR JOB SEEKERS				TRAINING FOR EXISTING WORKERS AND APPRENTICES		INCOME SUPPORT FOR JOB LOSERS AND LOW-INCOME EARNERS			
COUNTRY	**STW schemes***	**Job subsidies**	**Public sector job creation**	**Cuts non-wage LC**	**Job search assistance****	**Training**	**Work experience**	**Job-finding/ start-up incentives *** **	**Training for existing workers**	**Support for apprentices**	**UB for job losers*****	**Social assistance**	**Other financial support**	**Tax measures*****
AT	DFT	XX	X	X	P	XXX			XX	XX	L	X		IWTC
BE	B;C;C;D (also regional)	X		XX	PPP (also regional)	XX (Flanders)	X (Flanders)	IWB (Wallonia)	XXXX (also regional)		L	X	X	T
BG		X	X	X	P	XXX	X				L; A	XX	X	
CZ	N; T			X							AA		X	T
CY	T	XXX	(X)		P	XXXX	X		X	X		X		
DK	F				AA; P	X	X			X				
EE		X			P	X		S	X					
FI	B; D	XX		XX	A; P	XX		S	X	X	AA; LL		X	T
FR	B; C; D; T	X		X	PP		X		X	X	E; L	X	X	T, IWTC
DE	B; C; D; SSC; T			X	P	X			X	X			X	T
GR	T		X		P	XXX	X		X		L	X	XX	
HU	N; T; SSC	X	X	XX	P							X	X	T
IE					P	X				X			X	T
IT	C; T				P	X	X		X (regional)	X	A; C			
LV	N; T		X			X	X				E; GG	X		T
LT	N; T	X	X		P		X	J; S			W; G			
LU	B; C; F												XX	
MT		XX			P	X	X	S	X		A			T
NL	N; T	X			P	X			X	X	A to check this			IWTC
PL	N; SSC; T	X		XX	A; P	X	X	X	X		A; G	X	XX	
PT	T	X		XX	P	X		S	X	X	A;A; E	X	XXXXX	
RO	SSC	X		X	P				X		D	X		
SK	N; SSC	X		X				J; M; S	X				X	IWTC; T
SI	N; T	X	X	X	PP	XX		J; S	X		E	X		
ES	D; SSC	X		XXX	PPP			S			A	X	XX	T
SE		X		X	P	X	X		X		E	X		IWTC; T
UK		X			A; PP	X	X	SS	X	X	A		XXXXXXX	IWTC; IWTC; T

Source: OECD-EU questionnaire on the employment and social policy response to the economic crisis - February 2010; the source of measures highlighted in bold is the EERP database. * N = new scheme (including duration, benefits, etc); B= benefits; C= coverage; D= duration; F= more flexible WT arrangements and procedures; SSC= social security contributions; T = training ** P= Public Employment Services; A= activation; *** J= job-finding; S= start-up; M= mobility allowance; **** A = activation; C= coverage; D= duration; E= Eligibility conditions; G = generosity (combination of level and duration); L= level; W = waiting period ***** T= tax rebates; IWB= in-wok tax credits/ benefit

4.4. LABOUR MARKET AND SOCIAL POLICY SPENDING DURING THE CRISIS

Measures introduced to support the most vulnerable and facilitate their reintegration into the labour market represent more than half of all recovery measures undertaken by the Member States over the last two years.([50]) For the EU as a whole, temporary measures in the field of labour market and of household income support amount to 0.4% and 0.2% of GDP in 2009 and 2010 respectively. Most of them are temporary, with clear ending dates or budgets threshold. Temporary measures to support household purchasing power were the bulk of national envelopes for labour markets and social support measures in 2009. They represent a much bigger share of public budgets than temporary unemployment benefit interventions *per se*.

Temporary household support measures as a share of total annual budgetary impact for 2009 alone count for 1.1% of GDP in UK, 1.5% of GDP in LV, 0.3% in MT, 0.2% in IT, 0.16% in RO, 0.14% in FR and 0.12% in ES. The proportion of permanent measures adopted to respond to the crisis in these same policy areas is also significant: 0.3% and 0.6% of GDP respectively in 2009 and 2010. These measures are concentrated in the field of labour taxation and households' income support and represent a wide share of public budgets in a consistent number of countries. Their budgetary impact will need to be carefully evaluated and their effectiveness reassessed once economic and employment growth resume on a stable basis.

Looking at the evolution of resources devoted to labour market and social policies in 2009 and 2010, it turns out that few countries only expect to cut the resources devoted to labour market policy in 2010 (Table 26). The majority of countries that have made enhanced recourse to active labour market policies in 2009 have foreseen a further increase in the resources devoted to this policy area in 2010, with practically no reductions planned in the remaining countries. Almost all countries expect to increase or keep stable their expenditure in job-search assistance, training and work experience, with only Estonia, Hungary and Latvia expecting a contraction of expenses in this area for 2010. Expenditure on job subsidies and public job creation is also supposed to increase in most countries. Similarly, no reduction is expected in the public funding for social assistance and other financial support to households in 2010, while expenditure for unemployment benefits should fall in four countries (CZ, SK, ES, LV), most probably as a result of the withdrawal of discretionary temporary measures or of recent reforms that enhance activation by reducing benefit generosity. Resources devoted to short-time working schemes and to reductions in employers' SSC are set to remain fairly constant and to decline in a number of countries, as these schemes are wound back and some temporary measures expire in 2009 (e.g. the temporary scheme in the NL).

More in general, countries with a high level of public deficit and strong public finance constraints (e.g. IE, EL, ES) seem to be willing to spend less on social policy and labour market support than countries with less negative recent employment records but a better public finance outlook (e.g. AT, DK, FI).

([50]) Around 39% of the Member States' stimulus measures have been directed towards supporting households' purchasing power (including vulnerable groups), 16% to supporting labour markets, 20% to investment activities, and 25% as support to businesses. Source: EERP database, Commission services.

Table 26 – Expected changes in resources for labour market and social policies: 2009-2010

				MEASURES TO STIMULATE LABOUR DEMAND				RE-EMPLOYMENT MEASURES FOR JOB SEEKERS				TRAINING FOR EXISTING WORKERS AND APPRENTICES		INCOME SUPPORT FOR JOB LOSERS AND LOW-INCOME EARNERS			
COUNTRY	**2008 Government deficit/ surplus (% GDP)**	**2009 Government deficit/ surplus (% GDP)**	**Change in UR (08Q2-09Q4)**	**STW schemes**	**Job subsidies**	**Public sector job creation**	**Cuts non-wage labour costs**	**Job search assistance**	**Training**	**Work experience**	**Job-finding/ business start-up incentives**	**Training programmes for existing workers**	**Support for apprentices**	**UB for job losers**	**Social assistance for job losers**	**Other financial support**	**Tax measures**
Ireland	-7.3	-14.3	7.2		+			=	+							+	+
Greece	-7.7	-13.6	3.2						=			=				=	
United Kingdom	-4.9	-11.5	2.4			=		=	+	+	=	=	+	=	=	=	=
Spain	-4.1	-11.2	8.4	-	=		-	=			=			-		=	-
Portugal	-2.8	-9.4	3.0	=	-		-	=	+	+	+	+	=	+	+	+	
Latvia	-4.1	-9.0	13.5	-	=	+		=	-	+	-	+	-	-	+	=	-
Lithuania	-3.3	-8.9	11.3	=	=	=		=	=	=	+			+			
Romania	-5.4	-8.3	1.9		=	=	=	=	=	=	=	=	=	=	=	=	
France	-3.3	-7.5	2.8	-	=	=	+	=	=	+	=		=	+	+		
Poland	-3.7	-7.1	1.4	+	=		+		=	+	=			+		+	
Slovakia	-2.3	-6.8	3.8		+	+			=		=	=		-	+	+	+
Cyprus	0.9	-6.1	2.9		+	+		+	+	+		+	+	=	=		=
Belgium	-1.2	-6.0	1.7	=	+	+	+	=	+	+	+	+	+	=	=	=	=
Czech Republic	-2.7	-5.9	3.0	+	+	+	-	+	+		+	+		-	=	=	
Slovenia	-1.7	-5.5	2.4	=	+			+	+	+	=	+	+	+	+	=	+
Netherlands	0.7	-5.3	1.0	-	=	+	+	+	=	=	=	=	+	=	=	=	=
Italy	-2.7	-5.3	1.9	+	=	=		=	=	+	+	+	+	=	=	+	=
Hungary	-3.8	-4.0	2.8	-	=	+	+	=	+	+	+	-	=	=	+	=	+
Malta	-4.5	-3.8	1.5		+	=		+	+	+	=	+	+	=	=		
Austria	-0.4	-3.4	1.3	=	+	+	+	+	+	=	+	+	+	+	+	=	+
Germany	0.0	-3.3	-0.5	=			=	+	=	=		=	=	=	=	=	
Denmark	3.4	-2.7	3.7	=	+	=		+	+	+	=	=	+	+	+	+	+
Finland	4.2	-2.2	0.9		=	+	=	+	+	+	+	+	+	+	+	+	+
Estonia	-2.7	-1.7	11.8		+	+		+	-	+	=	=	=	+	+	+	
Sweden	2.5	-0.5	1.4		=		-	+	+	+	+			+	+	+	=

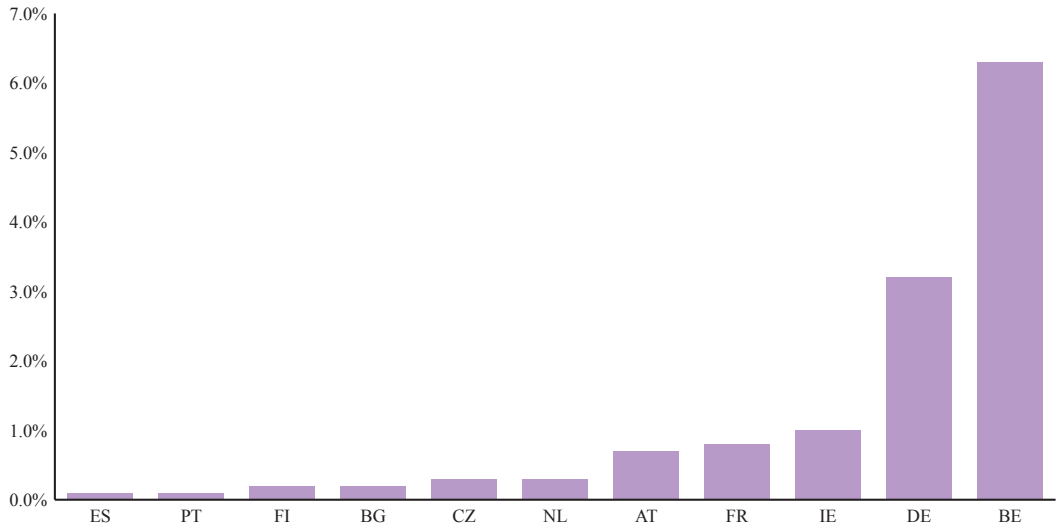
Source: Commission services; European Commission - OECD Joint Questionnaire, February 2010

4.5. SHORT TIME WORKING ARRANGEMENTS DURING THE RECESSION

During the recession, short-time scheme have been intensively used to prevent otherwise profitable enterprises from going bankrupt, and to avoid unnecessary labour shedding and the consequent losses in human capital with potentially adverse effects on output growth through hysteresis effects. *Keeping people in viable employment, notably by providing financial support to temporary flexible working time arrangements ('short-time') in line with production needs…* was one of the policies advocated by the 2009 Spring European Council to avoid wasteful labour shedding.

Graph 50 reports the number of employees taking part in STWA as a percentage of total employees. The take up rate has been particularly high in Belgium, and Germany where respectively about 6% and 3% of the employees where on short-time. In Germany, the stock of participants increased from about 25 thousands in January 2008 to more than 1.5 million in May 2009.([51]) A smaller increase is observed in the other Member States. For instance, in France the stock of participants increased from 37 thousands in 2008Q1 to 144 thousands persons in 2009Q4. STWA are not the main source of the reduction of the average hours worked. For example, in addition to the *Kurzarbeit*, German collective agreements give the possibility of unpaid temporary working time reductions of about 20% of the yearly agreed working hours to avoid dismissals.([52]) A recent study from the IAB shows that the German *Kurzabeit* explains 25% of the reductions in the average hours worked, while employer-initiated reductions accounts for about 40%; the reduction in the over-time and the use of working time accumulated in time accounts explains the rest. The small proportion accounted by the *Kurzarbeit* may be due to the high volume of hours in excess of standard accumulated before the crisis([53]) and by the requirement that short-time allowance is granted only if overtime is abolished and credits on working time used up.

Graph 50 – Share of employees taking part in short-time scheme: 2009



Source: Commission services. AMECO, LFS, OECD/EU questionnaire on employment and social policy in the economic downturn – 2010 update.

([51]) Since then the stock of participants fell to 800 thousands in December 2009

([52]) Well known is the use of these clauses by Volkswagen Before the crisis temporary working time reductions were cheaper than short-time work as employers using *Kurzarbeit* had to pay all contributions to social security (G. Bosch, 2009)

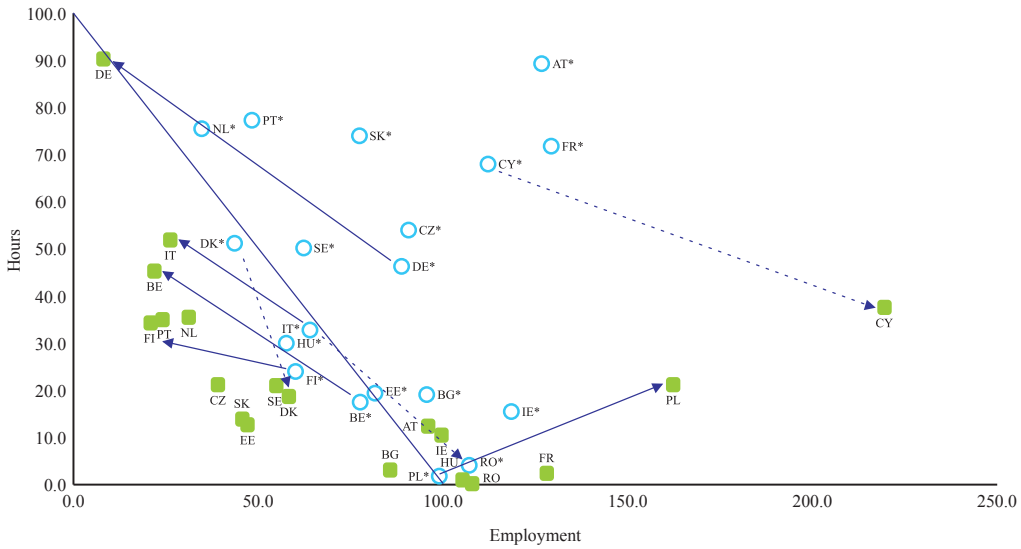
([53]) There is a divergence between the actual and the collectively agreed working hours, more pronounced since 1995. While the collectively agreed working week has remained more or less constant at around 37.4 hours, actual weekly working hours have risen from 39.5 to 39.9 hours R. Bispinck (2009).

The ability of relying on the adjustment of hours worked rather than on layoffs can be detected by decomposing the variance of total hours worked into the variance of employment, the variance of hours per worker and a third term that captures whether employment and hours move in the same or in opposite directions. Before the crisis, fluctuations in employment growth accounted for 83% of the variance of total hours, while those in the average hours worked represented 40%. The fact that these percentages add up to more than 100% (i.e. a negative covariance) implies that hours worked per worker and number of workers move in the opposite direction (i.e. they are substitutes).([54]) After the crisis, about 70% of the variation in total hours worked was explained by the variation in the total number of workers, while about ¼ by the average hours worked. The shift in the sign of the covariance from negative to positive suggests that both adjustment margins were involved during the recession.

Graph 51 reports the percentage change in the total hours worked in industry accounted by employment growth and the growth of total average hours worked for all EU 27 Member States. The circles show the contributions of the total hours worked before the crisis, while the triangles the contributions after the crisis. The 45° sloped line identifies the combinations of the variance of total employment and of the variance of the average hours worked when employment and hours are uncorrelated. Points above the solid line are consistent with a substitution between employment and hour worked; points below the solid line are associated with a positive correlation (i.e. hours and employment move in the same direction).

Movements to the northwest as indicated by the arrow imply an increase in the contribution of hours to the total variation in the labour input. During the crisis, countries such as Germany, Belgium, Italy, and Finland relied much more on the adjustment at the intensive margin. The opposite change is observed for Denmark, Hungary and Cyprus. Only in Poland the contribution of both the average hours worked and the number of workers to the variation in total labour input increased after the crisis. Moreover, the covariance turned out to be negative during the recession, which suggests that hours worked per worker and total number of workers moved in the opposite direction in this country. For the remaining countries, the adjustment mainly involved a reduction in the degree of substitutions between average hours worked and number of workers; during the recession the two margins moved mainly in the same direction contributing to the an overall significant decline in the total labour input.

Graph 51 - Percentage variation in the growth of labour input accounted for by the growth of employment and hours worked: Industry



Source: Commission services.

([54]) These calculations are based on pooled data.

4.5.1. Main institutional features

There is a considerable variety in short-time work programmes across Europe. Differences concern the coverage, the level of wage compensation and state contributions. An important distinction should be made between schemes that support income in the transition towards a new job and schemes that protect jobs. In a minority of countries (Denmark Ireland and the UK), the reduced hours scheme provides a sort of unemployment benefit, so that workers have to comply with normal contributory and job availability requirements. In the remaining countries with short-time schemes, these are used, with no specific conditions for the workers, to increase internal flexibility within otherwise tight job protection rules.

Before the crisis, access to STW schemes was largely limited to workers with open-ended contracts, especially in countries where strict employment protection legislation for regular contracts makes work-sharing a more attractive option than dismissal. Yet, in dual labour markets STWA for the insiders increase the turnover of the outsiders, which reinforces the duality of the labour market and outsiders' job instability. When the outsiders are new labour market entrants, high turnover has undesirable effects on pension contributions and, eventually, on the sustainability of the pension system. Doubts may also arise about the sustainability of a long-term reform process within deeply rooted dual labour markets.

Short-time working arrangements as response to cyclical fluctuations: main issues

In a number of Member States, publicly sponsored short-time schemes are an integral part of the unemployment insurance system. These schemes provide firms with a buffer to avoid mass lay-offs during downturns, without incurring dismissal costs, preserving the human capital and reducing costs of turnover. The burden of the adjustment is shared among workers and between workers, government and employers. During downturns firms can draw money from funds to which they have previously contributed to compensate workers for the reduction in the hours worked. Since those contributing to the funds differ from those using the schemes, there may be an excessive use on these programmes. To avoid this, the regulation requires programmes of short-duration. The use of short-time schemes should also be limited in time as their effectiveness declines when the adjustment of the hours conflicts with that of an efficient reallocation. An excessive reliance of use of short-time work in declining sectors can delay restructuring. Short-time work is beneficial for those with long-term prospects within the firm. For example, the German *Kurzarbeit* is mainly used by the manufacturing sector representing less than a quarter of total employment but almost 80% of employees with reduced work hours.

A common conclusion of country specific studies is that shot-time working increases the internal flexibility, retaining the workforce attached to the firm (Abraham and Houseman, 1994). For countries such as Belgium, France and Germany, the lower external flexibility due to employment legislation was compensated by working-hours' adjustments. STW are only one way to increase the flexibility of hours worked; others include work-sharing mechanisms such as those introduced bilaterally (e.g. the time accounts or the sabbatical leave) or through government regulation (e.g. work sharing achieved with a reduction of the legal working time). Some of these can be a substitute for short-time. For example, the reduction of the legal working time in France coincided with a decline in the use of *chômage partiel*, which has been mainly used by firms with more structural problems but for shorter periods, and with the increase in the flexibility of the volume hours worked (Calavrezo et al., 2009). Thus, STWA is less effective in smoothing employment fluctuations when firms use intensively hours worked as a margin of adjustment already in normal times. There is also evidence of a positive relation between redundancies and STWA, implying that extended use of STW schemes could signal higher layoff in the future.

For Germany Flechsenhar (1979) found that 60% of the declining labour volume following the drop in demand of the engineering sector was absorbed by cutting hours worked, two thirds of which through *Kurzarbeit*. More recently Deeke (2005) showed that a high proportion of firms using *Kurzarbeit* not only did not reduce their payrolls but even hired new staff, albeit with more flexible non-standard work

(Continued on the next page)

Box (continued)

contracts such as 'Mini-Jobs'([1]). In fact, companies employing workers with flexible work contracts rely less on short-time schemes (Crimmann and Wießner, 2009), suggesting that STWA are a form to enhance internal flexibility (Deeke, 2009)([2]) primarily when EPL is tight. A high share of high-skilled tends to increase propensity to draw on *Kurzarbeit* (Crimman and Wießner, 2009), which is consistent with the view that firms voluntarily hoard talented labourers to save the costs of hiring highly qualified staff (Hart and Malley, 1996). Bach and Spitznagel (2009) show that despite massive public support, companies take their own share in the cost of Kurzarbeit, because other fixed wage costs (special payments for holiday or old-age provision, for sickness etc.) are not reimbursed. This limits firms' incentives to use the scheme to seek windfall profits.

([1]) Mini-Jobs in Germany are a special type of employment where the employee's social contributions are substantially lower than with a regular employment.
([2]) Deeke finds that fluctuation ratio is lower among Kurzarbeit using companies than among those not subscribing to Kurzarbeit (3.6% against 5.3%).

Faced with a shock of unprecedented severity, several Member States have temporarily introduced new short-time schemes (BG, CZ, HU, LT, LV, NL, PL, SL, SK). Those where such schemes already existed before the crisis, have extended their coverage to atypical (Austria, Belgium, Germany, France and Luxembourg) or to previously excluded workers – e.g. because employed in companies with a size below the threshold of application of the scheme in Italy; eased the conditions for their use (Austria, Germany, Luxembourg) and made their management more flexible (Denmark and Germany), most notably with respect to notifications to the state agency and the organisation of short-time work within the companies itself.([55]) With the exception of Italy and Portugal, where the compensation can be paid for a long time (up to a maximum of respectively 52 and 78 weeks), the maximum duration of short-time schemes has been increased, in some countries drastically (e.g. from 3 to 24 months in Austria and from 6 to 18 months in Germany). Extended durations are most often coupled with incentives for employers to use STWA, in the form of higher compensations/subsidies or lower social security contributions for non-worked hours (AT, BE, DE, FI, and to a less extent, FR).

In most countries firms may apply for the more generous support until end-2010, so that, depending on the design of the scheme, public support to eligible companies/employees can be granted till end 2012 at the latest. Temporary measures have introduced particularly long eligibility periods in AT (where temporary measure will last until end 2012), DE (till mid 2012), CZ, BE and NL (till end 2011), and HU (till mid 2011).

The compensation for the income lost due to reduced hours was increased in France and Finland, where the scheme was previously less generous than the unemployment benefits, but also in Belgium, where UB and STW are paid the same benefits. To strengthen employers' incentives to take up STW schemes, cuts in employers' social security contributions related to hours on work sharing or higher subsidies to employers were applied in Austria, Belgium, France, Germany, Luxembourg and Spain.([56])

Compared to existing short-time schemes, the newly introduced are less generous (lower benefits for a shorter duration) and impose stricter conditions on firms, especially as far as the causes and temporariness of the economic difficulties they are facing. Yet, they have wider coverage (i.e. not distinguish eligible employees by employment contract or company size([57]) and include from the onset support for training during work sharing as a key element of the scheme.

([55]) But short-time scheme of Denmark and Germany differ substantially. To ensure wider access to existing schemes in AT the necessary minimum drop in working hours to qualify for short-time working was reduced from 90 to 10% of original working time.

([56]) In Germany firms top up income of their workers, so that the income losses for the workers are modest.
([57]) Bulgaria limits its temporary STW scheme to companies in the industry and services sectors.

Incentives to training were a component of almost all new measures. These incentives were the main element of the new measures adopted in Ireland, Latvia, Poland and Portugal. Yet, participation in training was made compulsory for workers only in four countries (Czech Republic, Hungary, The Netherlands, and Slovenia). The low take-up when training was not compulsory (e.g. less than 10% in BE and DE, 10-25% in AT) ([58]) could be explained by the perception of employers and employees that the crisis was unrelated to their specific firm, and that human capital investments were not needed to overcome ongoing economic difficulties.

4.5.2. The role of STW during the crisis: empirical evidence

Short-time schemes should reduce the adjustment of employment (extensive margin) at the costs of higher adjustment of hours worked and increase movements in hours per person (intensive margin) across business cycles. To verify this hypothesis, countries have been split in two groups, depending on whether a system of short-time work was present before the crisis. This group includes Belgium, Germany, Spain, France, Italy, Luxembourg, Austria, Portugal and Finland and forms our treatment group.([59])

In the second column of Table 27 (Graph 52 left panel), averages of annualized changes in industry's employment are reported for the 9 countries that have STW schemes, respectively for the quarters before and during the crisis (first and second row). In the third column the same average is reported for countries that have no tradition of STW schemes. A rapid inspection of the figures reveals that employment declined more rapidly in the second group of countries, both before and during the crisis. In order to assess the effect of the STW schemes over employment growth during the crisis, one cannot just make the difference in the annualized changes of employment during the crisis in countries with or without STWA. Indeed, this difference should be purged by the difference in the period before the crisis. Doing this, we identify the effect of the presence of STW schemes on the employment growth during the recession. The last row of the table suggests that STW schemes contributed to an annualized employment growth of 1.8 pps higher than what we would have otherwise had during the crisis. Table 28 (Graph 52 right panel) reports the values for the changes in hours per capita. As expected, countries with STW schemes have higher annualized changes than countries without STW schemes. STW schemes leads to a 1 ppt. higher change in hours per capita during the crisis.

Table 27 – Employment growth for different countries: industry (Quarterly averages)

%	Countries with STWA	Countries without STWA
Before the crisis	-0.9	-1.1
During the crisis	-2.5	-4.6
Treatment effect:	1.8	

Source: Commission services.

Table 28 - Growth of hours per worker for different countries: industry (Quarterly averages)

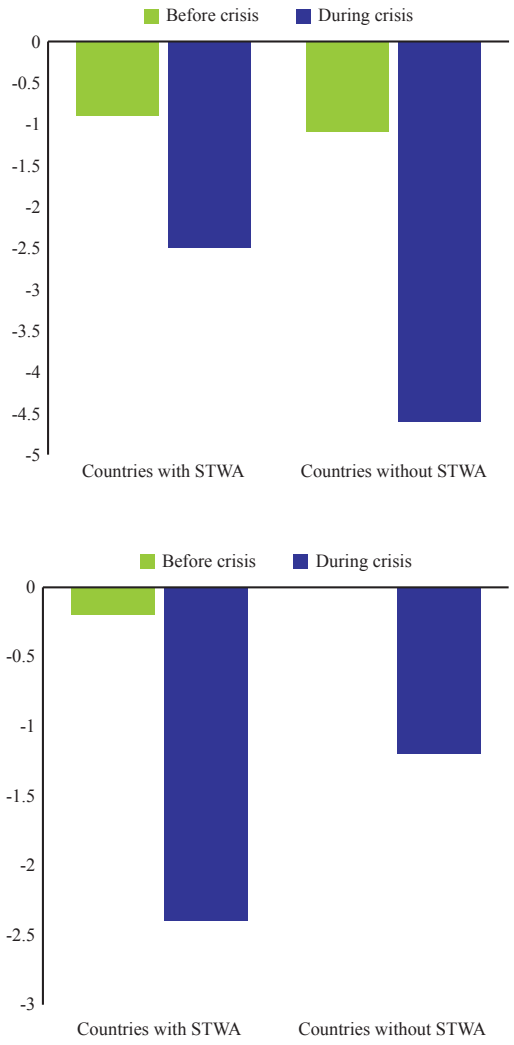
%	Countries with STWA	Countries without STWA
Before the crisis	-0.2	0.0
During the crisis	-2.4	-1.2
Treatment effect:	-1.0	

Source: Commission services.

([58]) OECD/EU questionnaire of February 2010.

([59]) We do not consider countries that introduced STW schemes during the crisis for the following reasons. Firstly, for these countries it is impossible to control what happened before the crisis. Secondly, new STW arrangements need some time before entrepreneurs learn their characteristics; thirdly, for the measures recently introduced, the data are too few.

Graph 52 - Percentage variation in the growth of labour input accounted for by the growth of employment and hours worked: Industry



Source: Commission services.

The hypothesis that STW schemes reduce the adjustment at the extensive margin (employment) increasing that at the intensive margin (hours per capita), is confirmed by a panel estimate over the sample period 1991Q2-2009Q3 for all the 27 Member States (Table 29). The results suggest that on average employment in the industrial sector decreased at an annual rate of 0.5% in the period considered. The cyclical response of employment growth is captured by the coefficient of the annualized value added growth (i.e. elasticity of employment to value added of 0.11). The estimate implies that growth declined during the recession employment by 0.5 pps relative to the pre-crisis average. This fall was counterbalanced in countries with short-time schemes (i.e. the coefficient of the multiplicative dummy - Dummy crisis x Dummy STWA - is significant and positive), which confirms the finding of the descriptive analysis.

Table 29 - Panel estimation: the effect of STW schemes on changes in employment: Industry

Dependent variable: Employment growth in Industry	Coefficient	Std. Eror	t-Statistic	Prob.
Value addedgrowth	0.11	0.01	16.21	0
Dummy crisis	-0.47	0.21	2.24	0.03
Dummy crisis x Dummy STWA	0.7	0.22	3.14	0
Constant	-0.49	0.04	-12.31	0
Lagged dependent variable	0.85	0.01	72.35	0
Observation 1472				
Sample period: 1990Q1-2009Q4				
R^2	**0.84**			
s.e.	**2.05**			

Source: Commission services. Dummy crisis is a dummy taking 1 for the crisis period 2008Q2-2009Q2 and 0 otherwise; Dummy STW is a dummy which takes 1 for countries with a short-time scheme before the crisis. Fixed effects are included in the estimate to control for unobserved country specific components. A time dummy is interacted with the coefficients to see if the adjustment patterns changed after the crisis in the group with STWA relative to the group without.

Although too early to have a final word on their effectiveness, primarily as far as their long-term consequences are concerned, these schemes have most likely contributed to moderate the increase of unemployment during the crisis. Yet, their costs-effectiveness will worsen as weak labour demand persists. As suggested by the 2009 Spring Council, short-time arrangements need to be supplemented by measures that support employability and ease transitions to new jobs. Thus, increases in the generosity of *governmental schemes subsidizing temporary working-time should gradually be withdrawn, when the recovery is secured*([60]). The risk is that a *too late withdrawal of measures may carry substantial costs in terms of locking-in labour to declining activities, thereby preventing the necessary reallocation of resources, damaging future growth prospects, distorting competition and interfering with the functioning of the internal market*([61]). Keeping generous short-

([60]) Ecofin Council Conclusions on exit strategies for crisis-related measures in labour and product markets, March 2010.
([61]) *Ibidem*

time compensation for a long-time and an extended maximum duration risks also softening the effect of welfare reforms enacted before the crisis. In fact, their maximum duration has been extended and the benefits increased without that this implied a reduction in workers' entitlement for the regular unemployment benefits. This may increase the payoff of workers at risk of unemployment, reduce their search costs once unemployed and increase long-term unemployment.

The analysis of the institutional design of short-time schemes suggests the following:

1. Short-time schemes should be an effective tool to cope with transient shocks only; i.e. to allow firms to reduce the labour input without shedding workers during downturns and for a short periods and not to provide hidden subsidies to poorly performing firms. Introducing rigorous work test regime for workers in short-time (including the reduction of individual entitlement to unemployment benefits) combined with incentives to support job mobility and stricter control of firms' long-term demand prospects and competitive positions may contribute to make the scheme an efficient mechanism of income stabilisation.

2. Short-time schemes are usually well developed in countries where job protection for regular contract workers is more generous than for workers with less standard contracts. Short-time work represents a source of internal flexibility concerning the first category of workers. During the crisis several countries have extended the category of workers eligible for short-time work (e.g. workers with temporary contracts). Extending this coverage permanently to previously excluded workers could be a first step to tackle labour market segmentation. Moreover, these workers and their employers would start to contribute to the financing of the scheme.

3. Simplified procedures and more flexible working-time arrangements should facilitate and make more effective the management of the scheme by concerned companies.

Short-time schemes should be part of a coherent labour market policy framework to cope with transitory shocks. The next section will discuss the role of unemployment benefits.

Table 30 - Recent changes and new short-term working schemes in the EU Member States

	Already existing scheme									
Country	Wage supplement through employer	Support by UI plus activation	NEW STC Scheme*	(Changes)Eligibility/ Coverage	(Changes) Duration	(Changes) Benefits to Employees	(New) Link to Training	Cuts in employer's SSC	More flexible procedures/ WTO	Temporariness of Changes
AT	X			X	X		incentives	X		End 2010
B	X			X	X	X	incentives	X		End 2010
BG			X			X				End 2009
CZ			X			X	compulsory			2010
DK		X							X	4/30/11
DE	X			X	X		incentives	X	X	End 2010
ES		X						X	X	End 2009
FI		X			X	X				2011
FR	X			X	X	X		X		Permanent/ temporary (end 2010)
HU			X			X	incentives/ compulsory	X		Mid 2010
IE		X					incentives			2010
IT	X			X			incentives			End 2010
LT			X			X	incentives	X		No end date
LV			X				incentives			End 2010 (to be confirmed)
LUX	X			X	X		incentives	X	X	End 2010
MT			X				incentives			
NL			X			X	compulsory			4/1/10
PL			X			X	incentives			End 2011
PT	X						incentives			End 2010
RO	X							X		End 2010
SI			X			X	compulsory	X		3/31/10
SK			X					X		End 2010
UK		X	No changes							

* *STC*: short-time compensation. For new STW schemes we look at: introduction of benefits fro employees, training incentives and other extra incentives to employers.

Source: Commission services.

4.6. THE UNEMPLOYMENT INSURANCE SYSTEMS DURING THE RECESSION

Unemployment insurance has been set up to protect workers against income and consumption fluctuations from involuntary job losses. The trade-off between the income smoothing function of unemployment benefits and the negative effects on efficiency is well documented. Unemployment benefits reduce the incentive for active job-search, lengthen the unemployment spell and may raise structural unemployment.([62]) For this reasons, activation policies should put pressures on benefit recipients to reduce the *moral hazard* problems of unemployment insurance. Paying unemployment benefits for an extended period reduces the intensity with which UI-eligible unemployed individuals search for work. Thus, unemployed individuals facing decreasing unemployment benefits over time and limited duration may revise downward their *reservation wage* (the lowest wage rate at which one would be willing to accept a job) and increase job search intensity as the expiry date of the benefits approaches. All things being equal, this implies better job finding probability, lower unemployment duration and lower structural unemployment.

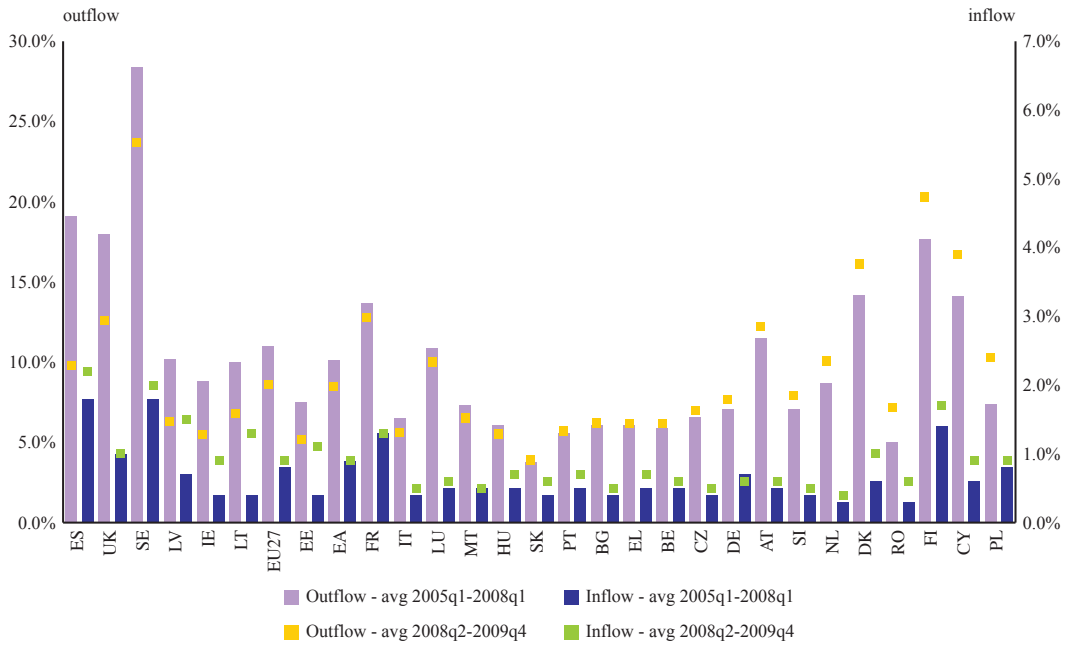
As documented in the first part of this report, the crisis had a quite differentiated effect on the national labour markets. Graph 53 shows the evolution of the outflow rate out of unemployment and the inflow rate into unemployment before and during the crisis. In some countries (Spain, Latvia, Lithuania, Ireland and Estonia), outflows strongly declined during the recession despite a strong increase of the inflows into unemployment, leading to a build up in the long-term unemployed. The outflow rate declined considerably also in Sweden and UK but the increase in their inflows was relatively smaller, leading to a smaller increase in unemployment. In other countries, changes in inflows and outflows were smaller.

The financial crisis has put the unemployment insurance system under a stress-test. In some Member States, the spending on unemployed benefits has increased either because of mounting unemployment rate or because the system has been made more generous. The later is the case especially for the Member States which provided relatively limited financial support to job-losers before the crisis, especially as far as the coverage for certain groups is concerned.

This section provides an insight into the unemployment benefit systems in different Member States. The main characteristics of unemployment benefit systems in normal times (level, duration and coverage) are assessed against the current economic downturn to highlight potential pressures on the unemployment benefit systems, either in terms of providing sufficient income and macroeconomic stabilization or increasing labour market expenditures. Against this background, this section assesses the policy measures that Member States have implemented during the crisis to strengthen their unemployment benefit system and social safety net. The section concludes with a discussion of relevance of unemployment benefit systems and alternative policy instruments (e.g. STWA) in macroeconomic stabilization.

([62]) In theory unemployment benefits may also have positive effects through entitlement effects and improvements of the job matches. A review of the unemployment benefits in normal and recession times see Arpaia, Governatori, Medeiros and Stovicek. (2010)

Graph 53 – Labour Market Dynamics: pre-recession versus recession period



Source: Eurostat, Commission services.

4.6.1. Unemployment benefit systems and their adjustment to the crisis

Unemployment benefits (UB) refer to unemployment insurance (UI) and unemployment assistance (UA) (available in 12 countries). Unemployment assistance (UA) is granted after unemployed exhaust their UI benefits and is means-tested. In this section we focus on UI benefits, though often due to data availability we look at UI and UA together, i.e. at UB.([63])

There are noticeable differences in terms of UB generosity([64]) across Member States (Graph 54). In 2007, which is used as reference year before the crisis, some high unemployment countries spent a low proportion of GDP on unemployment benefits. In other high unemployment countries, this expenditure accounted for a higher proportion of national income. Finally, an unemployment rate below the average and a relatively high expenditure on benefits characterises a more limited group of countries. Apart from being insufficient to support income of unemployed, especially in countries with high unemployment, low expenditure rates may imply a weak role of unemployment benefits as automatic stabilizers and a greater reliance on discretionary fiscal measures during recessions.([65]) In contrast, high expenditure even in years of low unemployment (2007 in Graph 54) implies further increases during the recession.

Determinants of the generosity of unemployment benefits

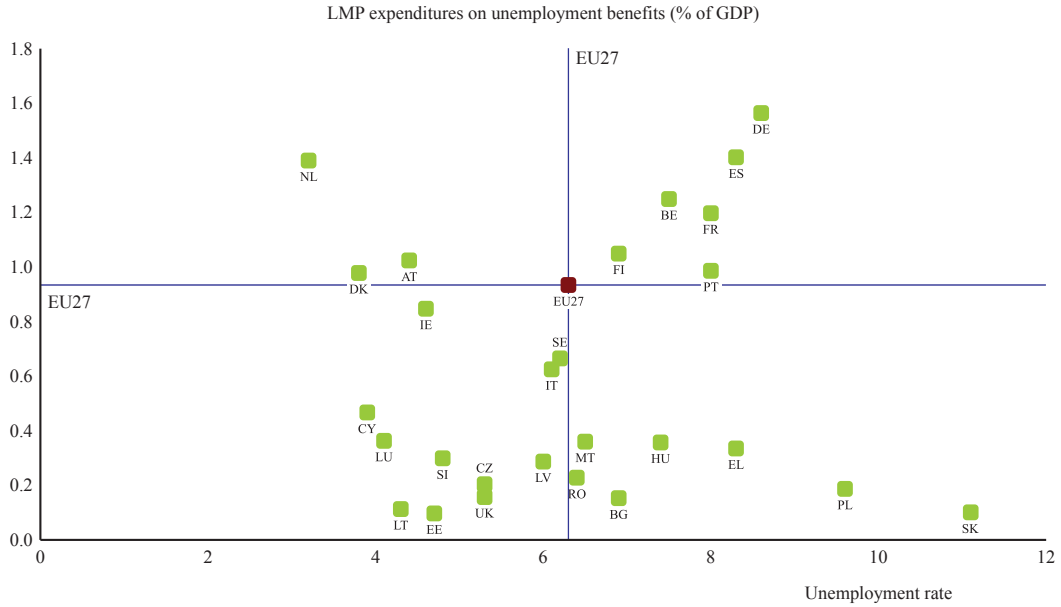
From the macroeconomic perspective, the generosity of UB is determined by its financial and non financial components - the replacement rate (or level), the duration and the coverage.

([63]) In addition, it is also meaningful to look at both UI and UA together whenever the focus is on income smoothing of credit constrained unemployed.

([64]) UB generosity refers to labour market policy (LMP) expenditures on unemployment benefits, which are reported for UI and UA together.

([65]) The adaptation of UB can be automatic or discretional. Discretionary fiscal measures are subject to recognition, decision, and implementation lags and their effectiveness may also be hampered by uncertainty about real time business cycle developments. Furthermore, they may also be difficult to reverse. For these reasons an automatic adjustment of the UI system when some triggers values are achieved is more efficient. Yet, it requires a well designed policy trigger anchored to variable(s) which captures well the underlying labour market conditions.

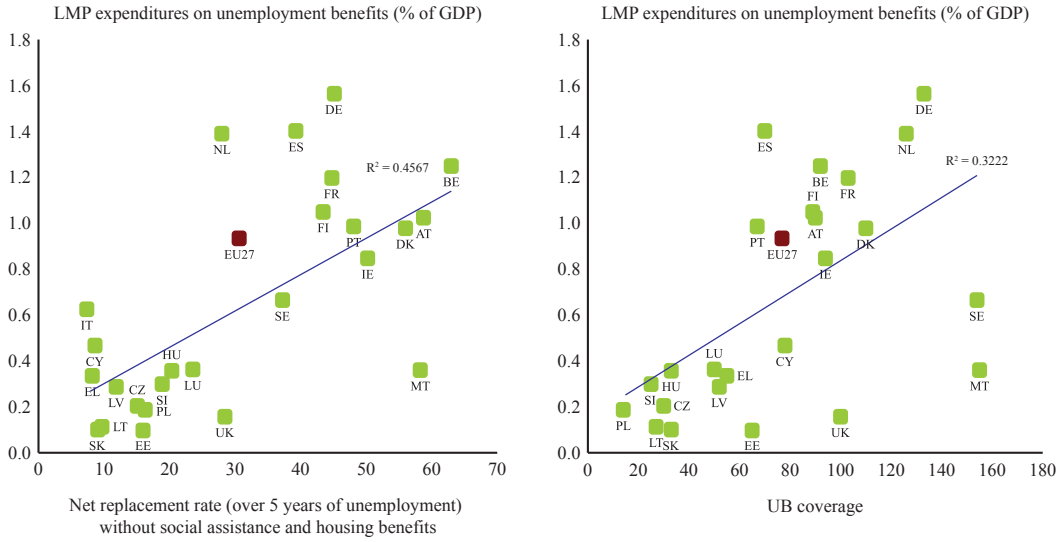
Graph 54 – Unemployment Benefits: generosity across the EU countries - 2007



Source: Eurostat, Commission services. Unemployment benefits include unemployment insurance and unemployment assistance.

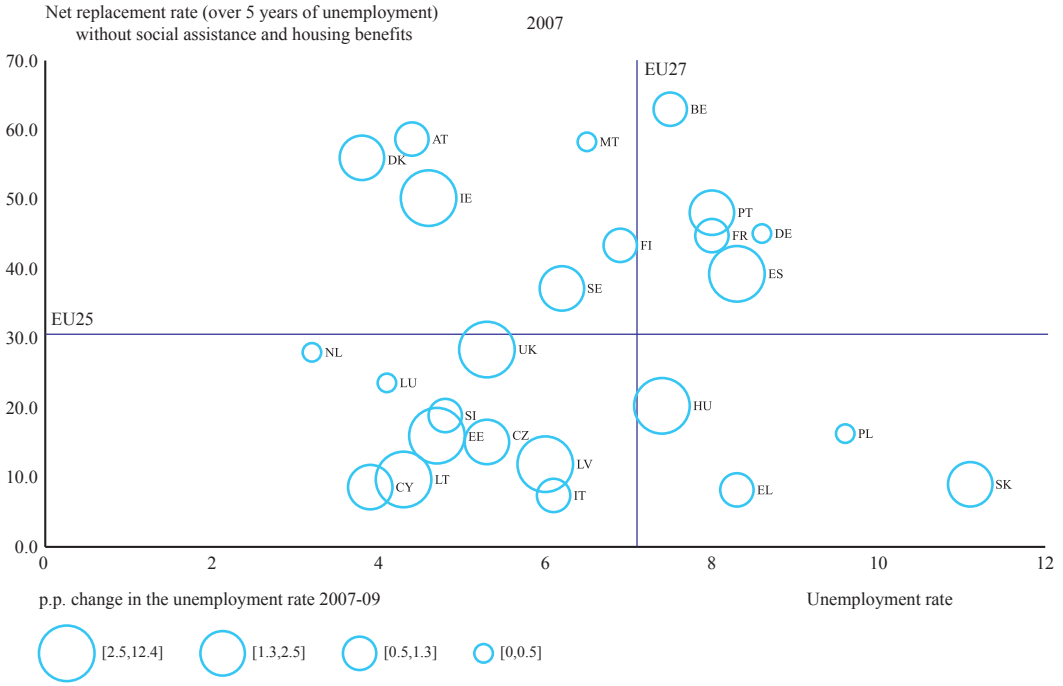
According to Graph 55, countries with high expenditures on UB have also generous UB per unemployed (level and duration) and high coverage. Graph 56 shows on the vertical axis the generosity of UB per unemployed (net replacement rate over 5 years long unemployment spell) and on the horizontal the unemployment rate before the crisis. The size of the circles describes the average increase in unemployment from 2007Q1 to 2009Q3. The generosity is very low in some countries, e.g. the Recently-Acceded Member States (RAMS), Italy and Greece. A strong increase in the unemployment in these countries means that a large and increasing share of the labour force may be uncomfortable with their income support while the UB system may have been an insufficient automatic stabilizer. In contrast, the demand for income support has put the unemployment insurance systems under higher pressure in countries with generous unemployment benefits. As far as the UI generosity per unemployed concerns, it varies considerably across Member States (Table 31), with Belgium on top of the rank and the United Kingdom at the bottom end. The net replacement rate (NRR) varies between 12% and 85% and is much less dispersed across countries than its duration.

Graph 55 - Expenditures on labour market policy and unemployment benefits generosity



Source: Commission services. UB include unemployment insurance and unemployment assistance. Net replacement rates (NRR) averages over four different family types (single and one-earner couple, with and without children) and two earnings levels (67% and 100% of average full-time wages) evaluated for a prime-age worker with a long and uninterrupted employment record. NRR takes into account unemployment benefits as the only source of out-of-work income. NRR over 5 years of the unemployment spell is calculated as un-weighted average. Coverage is the ratio of UB recipients to total number of registered unemployed. Coverage may exceed 100 as part-time workers may receive unemployment benefits and some may continue receiving benefits despite being de-registered as unemployed (in particular older persons).

Graph 56 – UB generosity per unemployed in the context of the last crisis



Source: Commission services. UB benefits include unemployment insurance and unemployment assistance. NRR see note to previous Graph. The size of the circle shows the average increase in the unemployment rate.

Table 31 – Unemployment benefit generosity during the unemployment spell

	Unemployment insurance (UI)						Unemployment assistance (UA) (a)			UI+UA	Social assistance (SA)
	waiting period, in days	net initial UI benefits, as % of net AW (d)	duration of initial UI benefits, in months (b)	reduced UI benefits, as % of net AW (b) (d)	final duration, in months	UI generosity per unemployed (c)	waiting period, in days	UA level, as % of net AW (d)	duration, in months	UB generosity per unemployed (c)	SA, as % of net AW (d)
column	1	2	3	4	5	6 = 2*5 or 6=2*3+4*(5-3)	7	8	9	10 = 6+8*9	11
BE	0	57	12.0	47.4	indefinite (h)	34.13				34.13	35
DK	0	57			48.0	27.23				27.23	52
PT	0	84			27.6	23.26	--	32	12 (after UI) or 24	27.15	18
NL	0	73			24.0	17.53				17.53	39
FR	8	66			23.0	15.29	--	22	6 (renewable)	16.62	24
ES	0	62	5.9	52.9	23.7	13.04	--	28	18	18.03	24
LU	0	85			12.0	10.18				10.18	41
FI	7	52			16.4	8.55	5	24	indefinite (h)	23.13	19
SE	5	53			13.8	7.31	5	35	14	12.08	17
DE	0	59			12.0	7.13				7.13	17
EE	--	54	3.3	43.0	11.8	5.43	8	11	9	6.43	10
SI	--	62	3.0	53.0	9.0	5.03				5.03	25
AT	0	55			9.0	4.94	--	54	indefinite (h)	37.47	23
LV (e)	0	84	3.0	63.0	9.0	4.77				4.77	10
IE	3	29			15.0	4.28	3	28	indefinite (h)	21.12	31
IT	7	59	6.0	47.1	6.9	3.96				3.96	--
SK	0	64			6.0	3.87				3.87	10
PL (f)	7	30			6-18	3.59				3.59	26
HU	0	63	3.0	21.9	8.9	3.17	--	25	3	3.89	23
CY	4	58			5.1	2.99				2.99	22
LT	--	69	3.0	31.0	6.0	2.99				2.99	13
GR (g)	6	24			12.0	2.93	--	14	9	4.15	--
CZ	--	50	3.0	45.0	6.0	2.85				2.85	19
MT	--	37			5.1	1.90	--	33	indefinite (h)	21.89	34
UK	3	12			6.0	0.74	--	12	indefinite (h)	8.12	12

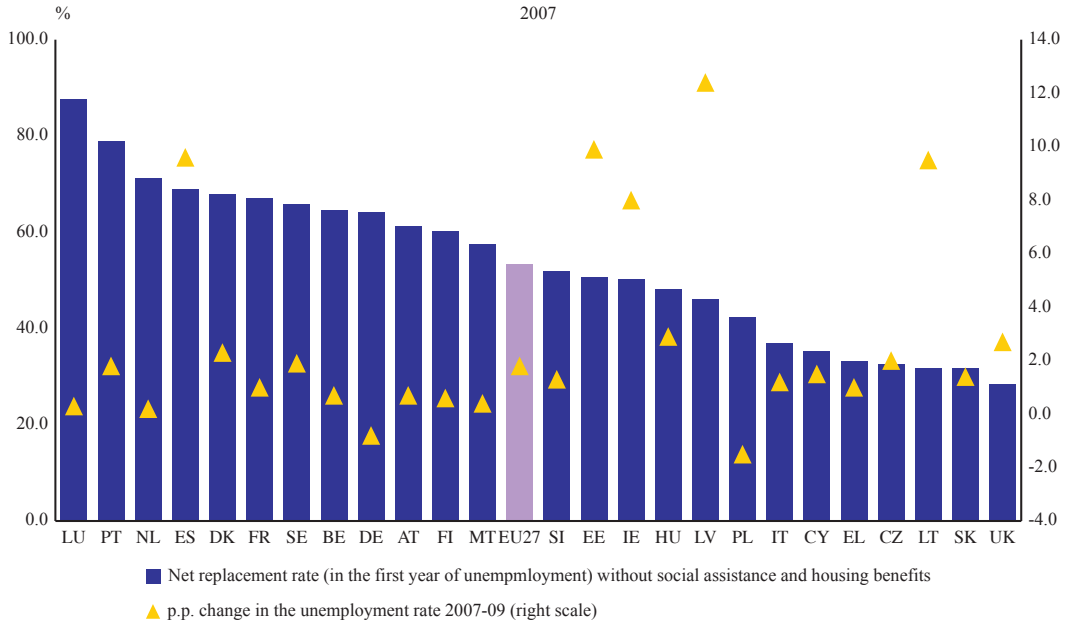
Countries are ranged by UI generosity per unemployed.
**Data* refer to a single person without children (40 years old with 22 uninterrupted years of contribution period) earning previously average wage.
'--' Indicates that no information is available or not applicable.
(a) Applicable only for countries with UA.
(b) Applicable only for countries with declining profile of UI benefits over the unemployment spell.
(c) UI generosity per unemployed provides info about the length of equivalized months of full pay. It is calculated as a product between replacement rate (column 2) and UB duration (column 4). In case of a declining profile of UI benefits the product is calculated separately for an initial UI level (column 2) and UI duration (column 3) and subsequent (lower) UI level (column 4) and remaining UI duration period (column 5 – column 3). For example, UI benefits in DK provide for 27.2 equivalized months of full pay. On the other hand, UB generosity per unemployed is the sum of the UI generosity (column 6) and the UA generosity.
(d) Benefits are shown on an annualised basis.
(e) Latvia provides UI benefits in the amount of 60% of AW within the first 3 months, 45% of AW from the third to the sixth month and 30% of AW from the sixth to the ninth month.
(f) In Poland UI duration depends on the regional unemployment rate.
(g) In Greece, UA is paid in 3 separate instalments that are spaced out by 3 months. In other words, the instalments are paid three times within the year.
(h) Indefinite duration is assumed to last 5 years when used in the computation of the UI or UB generosity.
Source: Joint European Commission-OECD project, using OECD Tax-Benefits models

The level of unemployment benefits

During the crisis, replacement rates got generally more generous, in particular at the beginning of the unemployment spell, in Belgium, Bulgaria and the Netherlands, with the exception of Lithuania, which reduced the amount of maximum benefit because of the leveraged fiscal position, though increased the fixed part of UI benefits (more details in Annex I). Similarly, in Latvia and Finland both the replacement rate and the duration of the unemployment benefits were increased([66]) while, to avoid that the fall in wages caused by the crisis would have implied also a fall in benefits, ad hoc adjustments were made to the reference wage used in the calculation of unemployment benefits.([67]) Finally, lump sum payments were given to unemployed persons who generally do not qualify for UB or exhaust their UB entitlements in Greece, France, and Spain.

The replacement rate in the first year of unemployment is another feature that influences the degree of income smoothing when unemployment is rising. At the initial stage of the recession, the number of short term unemployed increased considerably. For example in the first quarter of 2009, those unemployed for less than 6 months represented two fifths of all unemployed. Graph 57 depicts the NRR in the first year of unemployment and the change in unemployment during the crisis. In the first year of unemployment, the proportion of previously earned income replaced by unemployment benefits is very low in the United Kingdom, Slovakia, Lithuania, Czech Republic, Greece, Cyprus and Italy. Thus, a low initial replacement rate may be insufficient for smoothing unemployment shocks. On the other hand, countries with a high initial replacement rate may experience a sizeable and rapid increase

Graph 57 – UB generosity in the first year of unemployment in the context of the crisis



Source: Commission services. Unemployment benefits include unemployment insurance and unemployment assistance. NRR averages over four family types and two earnings levels, it is evaluated for a prime-age worker with a long and uninterrupted employment record. In this graph, NRR takes into account unemployment benefits as the only source of out-of-work income.

([66]) In Finland, the increased generosity applies only for those on the 'change security system'. Change security is a procedure that consists of paid leave for seeking a new job, an employment program and higher than normal unemployment allowances.

([67]) In Finland unemployment benefits are calculated on the basis of salaries before the crisis while in Latvia, the period relevant for the calculation of unemployment benefits was extended from 6 to 12 months.

in the expenditure on unemployment benefits, which would call for building enough savings in good times to comfortably absorb the shock.

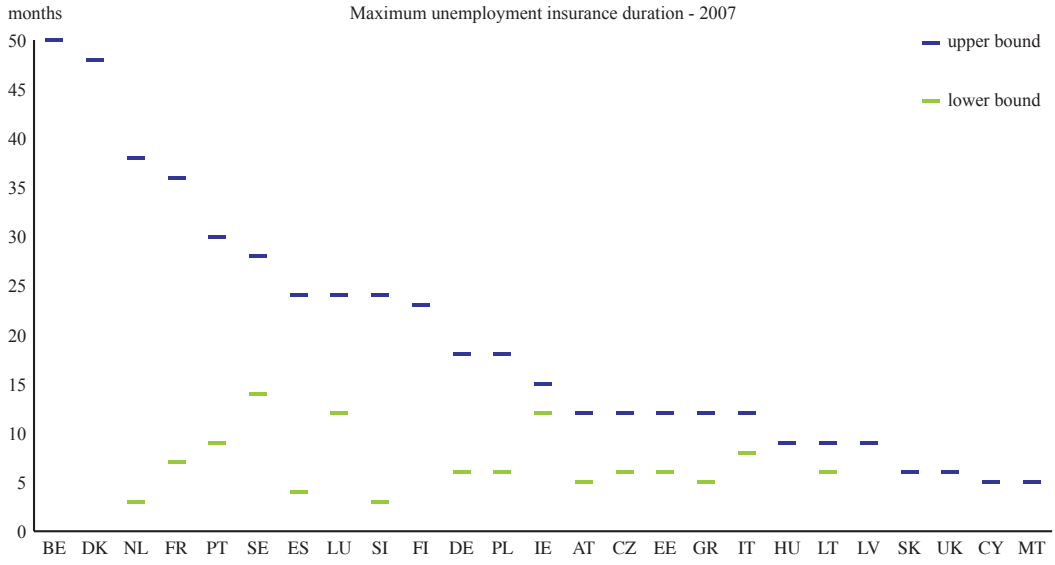
The duration of unemployment benefits

The duration of unemployment benefits contributes to the extent of income smoothing when the average unemployment duration increases. Graph 58 depicts the minimum and maximum duration of the unemployment insurance in the EU (i.e. unemployment assistance is excluded). In some Member States, the duration is short (in particular in Malta, Cyprus, United Kingdom and Slovakia). Rapidly exhausting UI benefits limit the income support of unemployed in particular when UA system is not available (Cyprus and Slovakia) and/or the social benefits once unemployment benefits have been exhausted are modest. In response to the crisis, several countries adjusted the duration only (e.g. Romania) while others increased both the replacement rate and the duration of unemployment benefits (Latvia, Finland).([68]) For example, in Latvia the duration was increased to 9 months for all unemployed, regardless of the insurance period, while before it was dependent on the social insurance record, which in practice implies a shorter duration for unemployed with less than 20 years of contributions. The profile of UI benefits over the unemployment spell was also modified.([69]) Some countries reduced the duration of UI, e.g. Ireland, from 15 to 12 months (for those with at least 260 days of paid contributions) and from 12 to 9 months (for those with less than 260 days of paid contributions). In France, benefit duration was made proportional to the affiliation period (i.e. the period of contribution required to be eligible), which was in turn reduced to increase the coverage of precarious workers. As a result, UI benefits can now be granted in France only for 4 months (from previously 7 months). To increase incentives to work, UI duration was also shortened in the Czech Republic and Poland, while income stabilisation was achieved by increasing the initial level of UI benefits. For example, the Czech Republic increased the replacement rate to 65% of reference earnings for the first two months, kept it at 50% for the following two months and at 45% for the rest of the unemployment spell (before the crisis UI benefits amounted 50% of reference earnings for the first three months and 45% for the rest of the unemployment spell). Similarly, the initial level of benefits was increased by about 30% in Poland for the first three months of unemployment, while the subsequent benefits were reduced by about 20%. In Spain, unemployed who become self-employed have been allowed to draw 60% of their unemployment benefits at once (instead of previously 40%); these percentages have been increased to 80% for young people until 30 years of age and for women until 35.

([68]) Annex 1 report a detailed description of the changes in the unemployment insurance systems taken in response of the crisis.

([69]) Before the crisis, unemployed with the employment history between 1 and 9 years received 100% of their benefit within the first three months and 75% in the remaining months. With the crisis, the same unemployed received 100% within the first two months, 75% in the following two months and a lump sum payment of 64 Euros per month for remaining four months.

Graph 58 – Ranges of the maximum UI duration

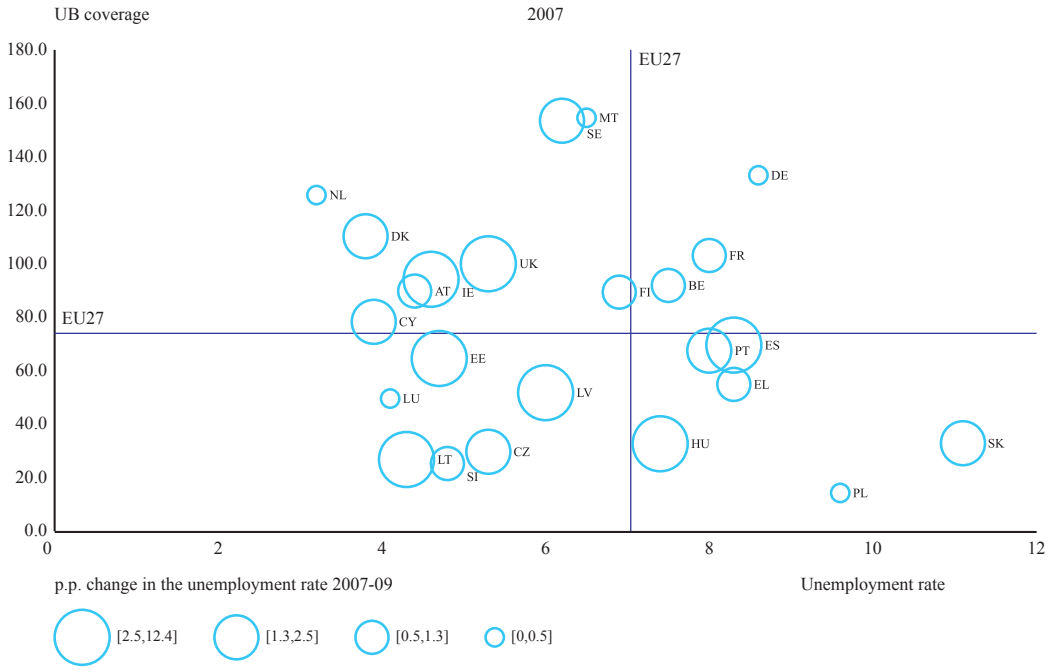


Source: Commission services. The graph does not take into account unemployment assistance, which is means-tested. In case countries also provide unemployment assistance, the unemployment benefits duration (UB=UI+UA) is longer.

The coverage of unemployment benefits

The eligibility criteria for UB are very restrictive in some countries. As a consequence, only a small fraction of job losers receives unemployment benefits. Eligibility criteria may exclude from the payment of UB categories of unemployed previously employed with non-standard contract or new labour market entrants – e.g. temporary workers in Portugal, part-time workers in Germany, Denmark and the UK, the self-employed in Greece, Italy, Portugal and Poland (Graph 60 - Graph 61). Graph 59 depicts the UB coverage one year before the crisis and the size of the increase in unemployment rate occurred since then. The coverage is very limited in Poland, Slovenia, Lithuania, Czech Republic, Hungary and Slovakia. A strong increase in unemployment in these countries would imply that only a limited share of the unemployed is eligible for UB. During the crisis, several countries (e.g. Finland, France, Latvia, Italy, Portugal and Slovenia) have extended, the majority on a permanent basis, the coverage of unemployment benefits to categories of workers previously excluded (i.e. workers with short-tenure). The work requirement for eligibility to unemployment benefit was reduced in Finland (from 43 to 34 weeks during the preceding 28 months), in Portugal (from 450 to 365 days during the preceding 24 months), in France (from 6 months during the last 22 months to 4 months during the last 28 months), Latvia (from 9 months during the previous 12 months to 12 months during the previous 18 months) and Slovenia (from 12 months during the last 18 months to 9 months during the last 24 months from 2011 onwards). In addition, a one-off payment (30% of income last year with a ceiling of 4000 €) was given in Italy to unemployed previously employed with a 'project contract work', usually ineligible for unemployment benefits. Only Ireland restricted eligibility criteria for new UI benefit claimants.

Graph 59 – Unemployment Benefits: coverage in the context of the crisis

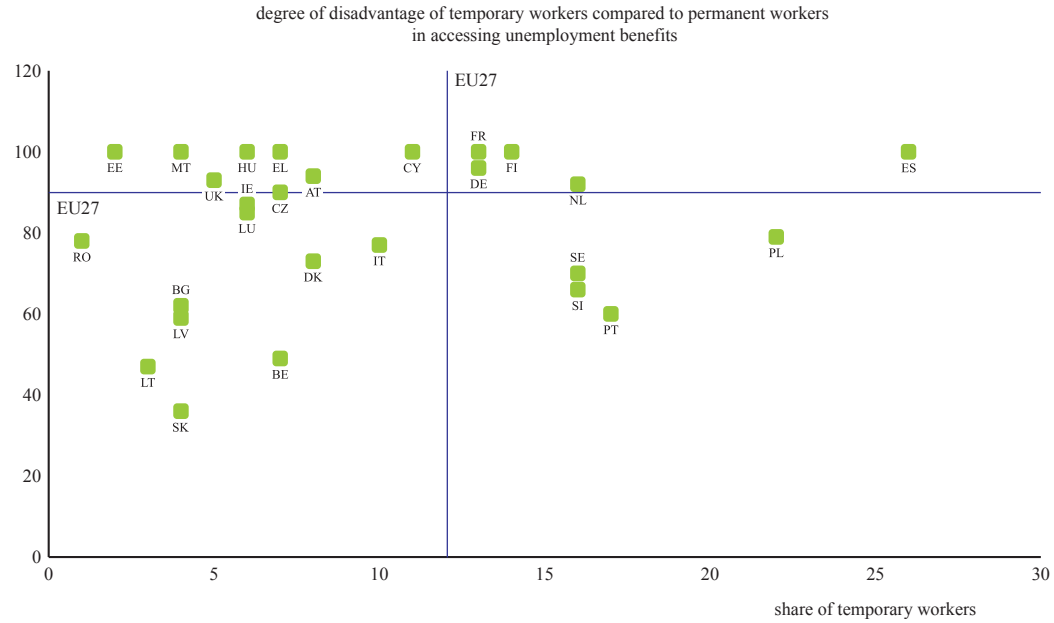


Source: Commission services. UB coverage is calculated as a ratio of unemployment benefit recipients to total number of registered unemployed persons. UB coverage may exceed 100 for some countries as part-time workers (considered as employed) may receive unemployment benefits and some persons may continue receiving unemployment benefits despite being de-registered as unemployed (in particular older persons).

To facilitate the access to UI benefits, in Slovakia the period of parental leave was included in the period required for the entitlement to benefits; the waiting period and the requirement that unemployed applicant must have performed gainful work within a certain timeframe was removed respectively in Spain (until 2009) and the UK. Some measures eased temporarily the eligibility conditions or mitigated the impact of the current crisis on future UI benefit entitlements. For example, the length of the membership in the UI fund in 2009 was counted twice in Sweden and the UK. In Portugal, Spain and Slovakia, short unemployment spells during the crisis (e.g. less than 6 months in case of PT) do not reduce the eligibility of the unemployed to their unemployment entitlements. Stricter conditionality for unemployment benefits recipients (i.e. immediate readiness to work or training) was introduced in Italy. To minimise the risks of early retirement, the minimum age for receiving additional days of unemployment benefit after exhausting standard entitlement (500 days) was increased permanently in Finland from 59 to 60 years as of 2011. Finally, in order to limit abuses, in Lithuania the waiting period for the entitlement to the unemployment benefit was prolonged for the number of months for which severance pay is paid. If a job separation is voluntary or agreed between both parties, then the waiting period increases from 7 calendar days after the date of a person's registration at the local labour exchange office to 3 months. In addition, if a job separation occurs through a fault of an employee, then the waiting period increases from 3to 6 months.

Loosening the eligibility rules in response to the crisis helped to increase the coverage during the crisis. Preliminary data reveal mainly an increase in the coverage of UB during the crisis, in particular in those countries where before the crisis the coverage was low (e.g. Romania, Estonia and Slovenia) - see Graph 62. This occurred despite the tendency that during a recession the share of newly unemployed not eligible for UB increases and, consequently, UB coverage declines. Conversely, in few other countries an increase in unemployment was followed by a reduction in the UB coverage, notably in Latvia, despite its measure taken to relax eligibility criteria.

Graph 60 – Access of temporary workers to unemployment benefits, 2007

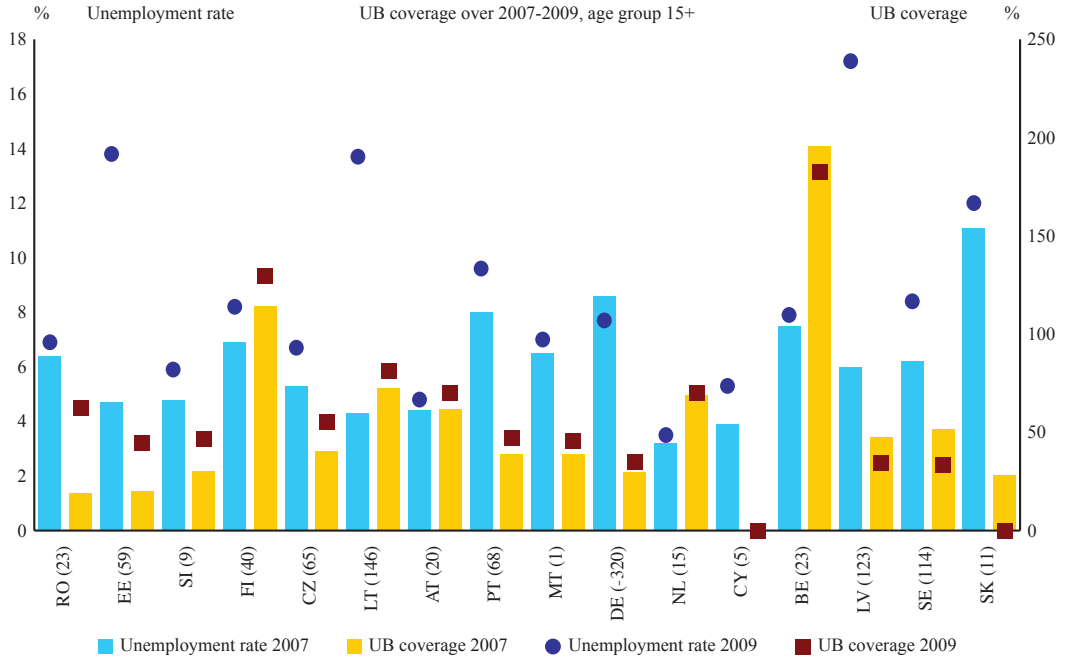


Source: Commission services, Alphametrics (2009). A degree of disadvantage of 100 implies that temporary workers are entitled to the same unemployment benefits as permanent workers. A value of this indicator below 100 implies a higher degree of disadvantage of temporary workers compared to permanent workers.

Graph 61 – Access of self-employed and part-time workers to unemployment benefits

Source: Commission services, Alphametrics (2009). A degree of disadvantage of 100 implies that self-employed and part time workers are entitled to the same unemployment benefits as permanent workers. A value of this indicator below 100 implies a higher degree of disadvantage of self-employed and part time workers compared to permanent workers.

Graph 62 – UB coverage over 2007-2009, age group 15+



Note : The change in number of unemployed ('000) is given between parenthesis next to the country code (2007-2009)

Source: EC/OECD Questionnaire on Employment and Social Policy in the Economic downturn – 2010 update; UB coverage is calculated as a ratio of unemployment benefit recipients to total number of unemployed (LFS definition). Data on UB coverage are preliminary and not comparable with the data used in other graphs. There is a high discrepancy in the data reported for DE. Countries are ranked by an increase in the UB coverage (from 2007 to 2009).

Unemployment Assistance and Social Assistance as further additional support

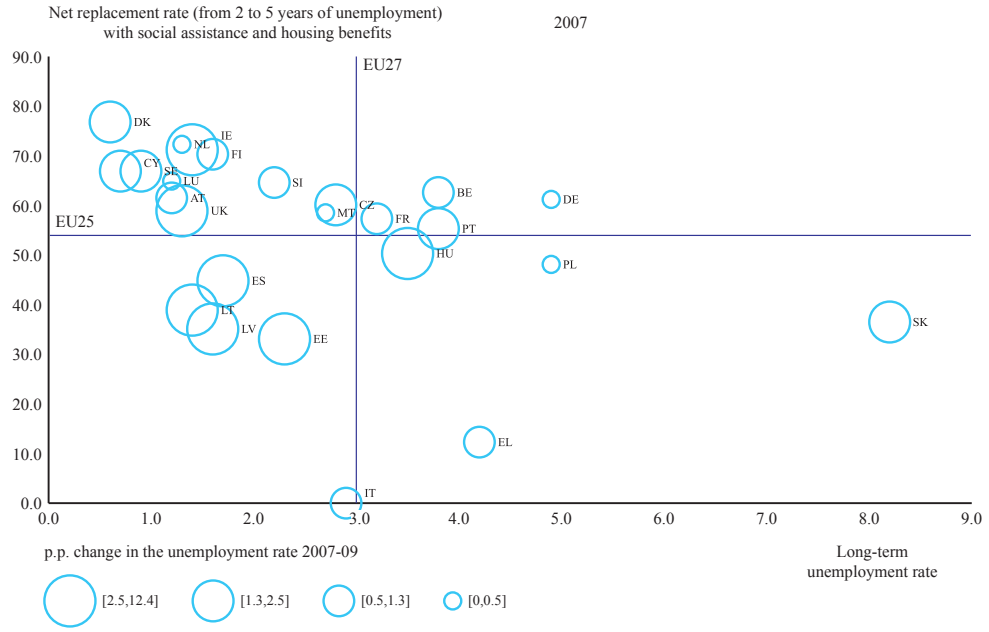
The provision of unemployment assistance (UA) can help to smooth the income of the unemployed who exhaust their UI benefits. This is the case in particular in countries where UA is relatively high compared to social assistance (Austria, Sweden, Portugal, Greece, Finland and Spain) and its duration long (indefinite period in Austria and Finland, 18 months in Spain, 14 months in Sweden, 12 months in Portugal - because of the crisis temporarily extended by further 6 months in the case UI benefits expire in 2009 -, and 9 months in Greece). In Austria, the unemployment assistance even depends on the previous income and it amounts between 92-95% of UI benefits. As a general rule, UA is means-tested and is therefore essential for providing income support to credit constrained low income unemployed who exhaust their UI benefits.

The income support to long-term unemployed comes via unemployment insurance benefits and earnings-related benefits (e.g. social assistance, housing benefits, family benefits). Graph 63 shows the UB generosity per long-term unemployed (since the 2nd year of the unemployment spell until the 5th year of the unemployment spell) against the long-term unemployment rate before the crisis (in 2007); as explained above, the size of the circles shows the change in the unemployment rate during the crisis period. Clearly, some countries provide little income support through solely UB system (in 12 countries net replacement rate is below 13%). A large majority of countries with well developed safety nets provide an additional income support through social assistance (SA), which is means-tested, and other earnings-related benefits. Thus, the net replacement rate including UB, social assistance and housing benefits rises considerably above the replacement rate that includes only UB (Graph 64).

Graph 63 – Protection of long term unemployed from the insurance perspective in the context of the last crisis

Source: Commission services.
NRR averages over four different family types and two earnings levels and is evaluated for a prime-age worker with a long and uninterrupted employment record. In this graph, NRR takes into account unemployment benefits as the only source of out-of-work income. NRR is calculated as un-weighted average from the second to the fifth year of unemployment. The size of the circle describes the average increase in the unemployment rate for a certain group of countries. Countries are ranked by the increase in the unemployment rate since 2007 until the third quarter of 2009.

Graph 64 – Income protection of long term unemployed in the context of the last crisis



Source: Commission services.
NRR averages over four different family types and two earnings levels and is evaluated for a prime-age worker with a long and uninterrupted employment record. In this graph, NRR takes into account unemployment benefits and earnings-related benefits (e.g. social assistance and housing benefits). NRR is calculated as un-weighted average from the second to the fifth year of unemployment. The size of the circle describes the average increase in the unemployment rate for a certain group of countries. Countries are ranked by the increase in the unemployment rate since 2007 until the third quarter of 2009.

Since social assistance is a fall back option for unemployed ineligible for UB and unemployed who have exhausted their UB, this would imply an increase in the claimants of social assistance during the crisis, in particular in countries with low coverage and duration. The role of social assistance as income stabilization mechanism is important, in particular in countries with limited UB coverage and a large disadvantage in accessing UB for non-standard categories relative to permanent workers (Graph 60 and Graph 61).([70]) This raises the question of whether it is better to adjust the UB system or the SA system to support their income. In most EU countries, the social assistance support does not exceed the poverty threshold (OECD, 2009). Thus, a large group of social assistance recipients, including persons ineligible for UB and unemployed who have exhausted their UB, may be at risks of poverty. To avoid poverty among an increasing number of social assistance recipients, several countries have also adopted measures to increase the generosity of their safety net.

Yet, the key issue is whether job-losers receiving unemployment benefits are more likely to remain attached to the labour market than those receiving social assistance. The provision of financial assistance without adequate labour market re-integrationre-activation and employment support policies may reduce the motivation for work and leave the jobless ill-equipped for work. This limits their employment chances, their earnings capacity, prolongs benefit-dependency and exacerbates the risk of transmitting disadvantage across generations (Adema, 2006). Thus, the extensive use of social assistance during a crisis requires stricter job-search conditionalities for benefits recipients able to work, insomuch as new recipients of SA in a downturn are most often newly unemployed still attached to the labour market. As job opportunities arise also during downturns, it is important to keep incentives to work high for those on benefits.

Alternatively, countries with a relatively short UB duration([71]) may increase it to cover those who have exhausted their benefits. This is in line with the theoretical findings which from an efficiency perspective – i.e. the trade-off between insurance needs and job search disincentives - suggest the adaptation of the UI system over the business cycle. Indeed, several EU countries with relatively low UI duration have adopted measures to temporarily increase the generosity of their UI system during the crisis.

Automatic stabilization function of the UI systems in the EU

In the last two decades preceding the crisis this issue received somewhat little attention due to a decline of business volatility, the rapid rise in household wealth and fast development of the financial markets, which possibly facilitated a self-insurance against labour market risks. Yet, the recent strong increase in unemployment and an increased exposure to global external shocks have shown that existing UI systems in the EU may not be well equipped to provide a sufficient income support and effective macroeconomic stabilization. Thus, with the recession the interest in stabilization properties of UI systems has come back. A recent study by Dolls et al. (2009) has estimated the impact of automatic stabilizers, particularly the contribution of taxes and benefits to disposable income stabilization and demand stabilization (see Table 32). This study suggests that automatic stabilizers in the EU absorb 48% of an unemployment shock against only 34% in the US, with benefits having the highest income stabilization contribution (19% in the EU and only 7% in the US). These results suggest that differences in the characteristics of the UI imply different effectiveness of benefits as automatic stabilizers. In particular, UI benefits as automatic stabilizers tend to be considerably stronger in Northern and Continental European countries than in the RAMS and Southern European countries.

The varying strengths of UI systems as automatic stabilizers across Member States give

([70]) For example, employees must have been employed for 4 months in the past 6 months to be entitled for unemployment benefits, excluding workers with intermittent or short-term contracts. There can be also specific regulations targeting temporary workers requiring them to be engaged in a contract of more than 3 months with their current employer to be entitled to unemployment benefits. Once eligible to unemployment benefits, the value of benefits received by temporary workers may be lower due to shorter maximum duration of the payments.

([71]) Generally these are the countries with the short UI duration and without UA system.

rise to different needs for their adjustment in response to the crisis. Table 33 ranks countries by UI generosity([72]) and provides information about countries that have taken since 2008 Q2 measures related to the coverage and generosity of UB. Measures adjusting UI coverage were taken in most countries regardless of their starting positions.([73]) However, some patterns emerge about which Member States have taken policy measures to adjust their UI duration or replacement rate. In particular, countries with more generous UB have made fewer adjustments (either in terms of replacement rates or duration of payments) than countries with a less generous UB system. Conversely, countries with less generous UB have increased their replacement rate and extended the duration to improve the income support and the stabilisation properties of unemployment benefits.([74])

Table 32 - Income and demand stabilization in case of unemployment shock

	INCOME STABILIZATION (% of shock absorption)			
	FEDTax	SIC	Benefits	Tax and benefits
SE	19.7	2.9	45.8	68.5
DK	24.3	8.3	38.2	70.7
FR	7.6	19	31.7	58.2
PT	22.5	9.4	30.6	62.5
AT	20	16.7	30.3	67
LU	14.7	9	29.6	53.3
BE	25.7	12.4	27.6	65.7
DE	23.1	14.5	26.8	64.5
FI	22.4	5	26.7	54.1
NL	10.3	13.1	23.9	47.2
EURO	16.6	12.9	21	50.4
EU	17.2	12.1	18.9	48.2
UK	19.4	6.1	18.6	44.1
IE	20.7	3.6	18.2	42.5
EL	12.6	13.7	11.9	38.3
ES	12.7	6.4	9.1	28.3
IT	18.3	10.1	7.6	35.9
US	21.5	5.1	7.1	33.7
SI	17.5	21.6	5.4	42.5
HU	22.7	19	4.7	46.4
PL	15.1	17	-2.7	29.5
EE	17.8	2.2	-3.2	16.8

Source: Source: Dolls et al (2009)

* *Unem*ployment shock refers to an increase in the unemployment rate by five p.p..
** *FED*Tax data for the US include also the state taxes.

([72]) UI generosity is calculated as a product between the level and duration of UI benefits (for a single average wage person), taking into account a declining profile of UI benefits over the unemployment spell. The correlation between the UI generosity and NRR over the 5 years of unemployment (which takes into account both UI and UA) is 0.9.

([73]) Ranking of countries by the UB coverage shows that both, countries with higher and lower UB coverage took measures to adjust the UB eligibility.

([74]) Non-European OECD countries with relatively weak automatic stabilisers (taking into account not only UI benefits but also other public expenditures and fiscal revenues) have also enacted the largest discretionary fiscal stimulus packages (OECD, 2009).

Table 33 – Policy measures related to UI generosity adopted since 2008Q2

	UI and UB generosity for a single average wage person (22 years of contribution history)			UB coverage and generosity of UI benefits + lump sum payments to unemployed							
	UI generosity per unemployed (a)	UB generosity per unemployed (a)	UB coverage (b)	UB coverage		UI duration		replacement rate		lump sum payments to unemployed	
				policy measure	generosity	policy measure	generosity	policy measure	generosity	policy measure	generosity
BE	34.13	34.13	92					x	+		
DK	27.23	27.23	110								
PT	23.26	27.15	67	x	+						
NL	17.53	17.53	126					x	+		
FR	15.29	16.62	103	x	+					x	+
ES	13.04	18.03	70	x	+					x	+
LU	10.18	10.18	50								
FI	8.55	23.13	89	x	+/-	x	+	x	+		
SE	7.31	12.08	154	x	+						
DE	7.13	7.13	133								
EE	5.43	6.43	65								
SI	5.03	5.03	25	x	+						
AT	4.94	37.47	90								
LV	4.77	4.77	52	x	+	x	+	x	+		
IE	4.28	21.12	94	x	-	x	-				
IT	3.96	3.96	--	x	+/-						
SK	3.87	3.87	33	x	+						
PL	3.59	3.59	14			x	-	x	+		
HU	3.17	3.89	33								
CY	2.99	2.99	78								
LT	2.99	2.99	27	x	-	x	+	x	+/-		
GR	2.93	4.15	55					x	+	x	+
CZ	2.85	2.85	30			x	-	x	+		
MT	1.90	21.89	155								
UK	0.74	8.12	100	x	+						
BG	--	--	22					x	+		
RO	--	--	42			x	+				

Source: Commission services.
''+' indicates an increase in UB generosity; '-' indicates a reduction in UB generosity; '+/-' indicates that measures to increase and reduce UB generosity were adopted
(a) UI generosity per unemployed provides info about the length of equivalized months of full pay. It is calculated as a product between replacement rate and UB duration. For example, UI benefits in DK provide for 27.2 equivalized months of full pay. For a further detail, see the Table 31.'
(b) UB coverage is calculated as a ratio of unemployment benefit recipients to total number of registered unemployed persons.

In any event, the macroeconomic stabilisation effect induced by the UB should not be seen in isolation from other policy instruments. Graph 65 reports the average level and maximum duration of unemployment benefits and short-time working (STW) schemes (more detailed information by country is available in Annex 3). These graphs suggest that the difference across countries in the overall generosity of the two insurance schemes is explained by the difference in the duration of the payment and not by its level. In fact, the cross-countries variability of benefits represents respectively 30% and 20% of the average UB and STW level; in contrast, the distribution of the maximum duration is more dispersed, with a standard deviation accounting respectively for 80% and 140% of total average duration.([75]) The level of the benefits and the duration of the schemes identify their generosity per beneficiary; thus, Graph 66 shows the number of weeks of full income provided by the UB scheme and the STW agreements.([76]) Belgium, Spain, Italy and Finland are the countries with the more generous short-time working schemes; yet compared to the unemployment benefits, this is so only in the last three. Conversely unemployment benefits are relatively more generous in Denmark, France, Austria and Germany. Graph 67 suggests that the availability of short-time scheme reduces the stabilisation of unemployment shocks provided by the unemployment benefits.([77])

THE JOINT DESIGN OF THE UI SYSTEMS FOR INCOME PROTECTION AND AUTOMATIC STABILIZATION

Countries with bigger governments have larger automatic stabilizers (Baunsgaard and Symansky, 2009); yet, they may also suffer from potential inefficiencies, which arise once the government exceeds a certain limit (e.g. Gali, 1994; Fatas and Mihov, 1999; Buti et al, 2003). In particular, once the public expenditure has exceeded a certain size, the persistence of the shock may also increase, thus leading to lower multipliers (Van den Noord, 2003).

To reduce the negative effects on search incentives, countries with very generous UI systems may prefer to introduce a state-contingent UI system with reduced generosity in normal times and/or to activate their UA system only in recession. There is indeed some indication that structural reforms are taking place in this direction. Recently, NL and SE adopted a declining profile for UI benefits over the unemployment spell and shortened its duration. Another option for MS with very generous UB systems would be to adjust their UA system to business cycle conditions, e.g. to activate UA system only in recessions (e.g. AT, FR, FI, SE, PT, ES).

On the other hand, MS with less generous UI systems may try to adapt them during recessions, without necessarily increasing the size of government. To achieve this, Baunsgaard and Symansky (2009) suggest setting state-contingent UI benefits with a temporarily more generous UI system in bad times, which would be in line with efficiency considerations about the optimal design of UI systems over the business cycle. This adjustment should ideally be implemented automatically by setting a policy trigger anchored to certain macroeconomic variables. During the crisis, MS with relatively less generous UI systems have taken a number of policy measures to increase their generosity and coverage. All policy measures were taken discretionally as at present no MS automatically adjusts its UI systems to cyclical fluctuations. In addition, in line with optimal design of UI benefits, some countries achieved income stabilization by raising their very low initial replacement rates while reducing benefit duration to increase incentives to work.

Strengthening automatic stabilizers without increasing the size of government is particularly relevant in current circumstances. However, given the poor fiscal outlook in most MS, any increase in UI expenditures should be reversed once the recovery sets in.

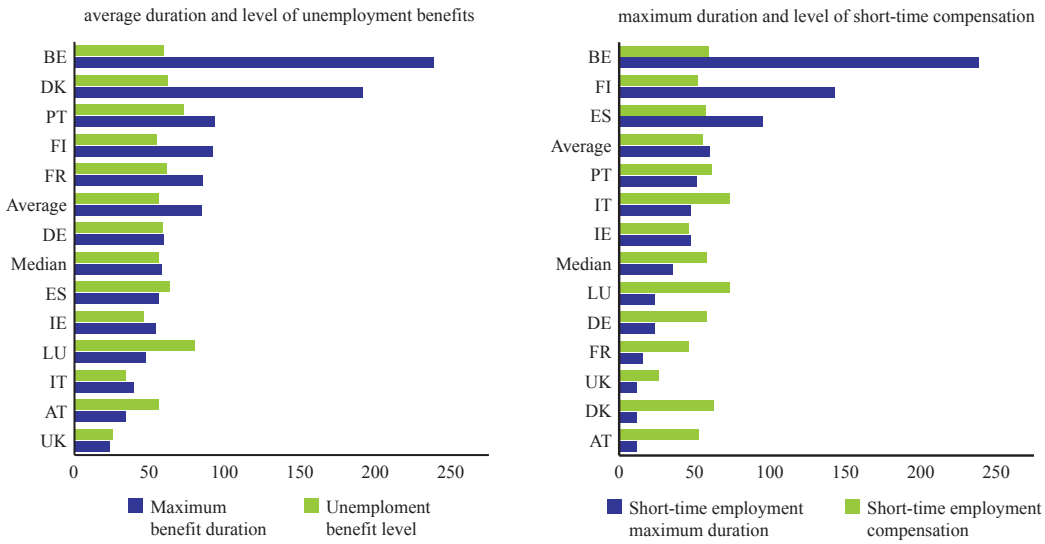
Some MS have relatively underdeveloped UI infrastructure even for consumption smoothing in normal times, in particular those providing insufficient coverage for certain categories, such as non-standard and young workers. As a response to the crisis, these countries have temporarily extended the coverage to limit the incidence of unemployment on vulnerable groups and strengthen the automatic stabilizers. To the extent that these changes in the institutional settings improve the effectiveness of UI systems, they could be made permanent.

([75]) These results do not change when the benefit and duration are for a 40 years old single with a continuous period of 22 years of contributions.

([76]) Note that this graph provides information about UB and STW generosity per unemployed and thus does not take into account the coverage of these schemes.

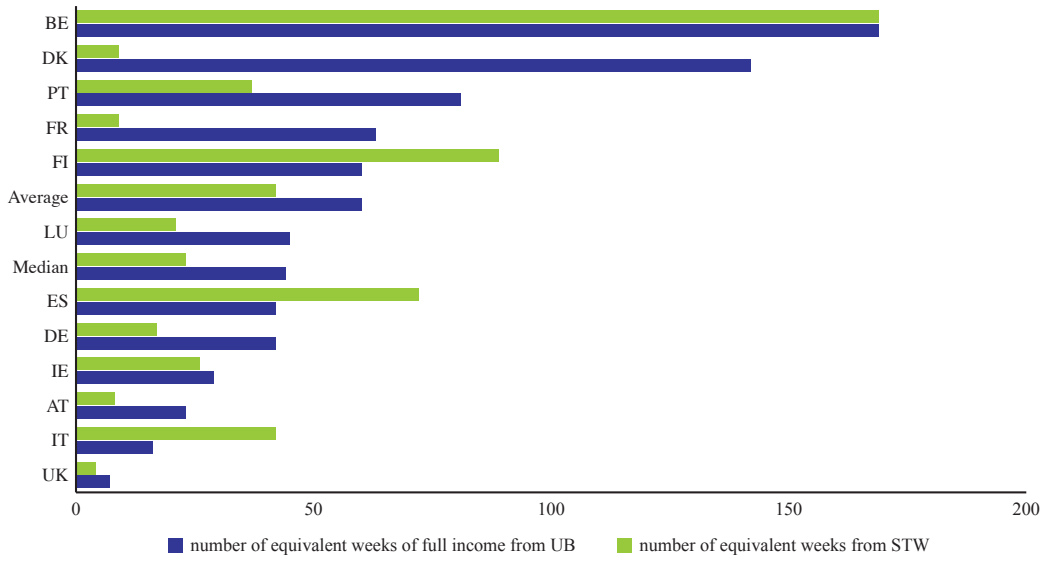
([77]) This finding is robust to the exclusion of Italy form the sample; when Italy is excluded the relationship remains negatively sloped with a R-squared of 0.52.

Graph 65 – Generosity of UB vs Short-time working schemes



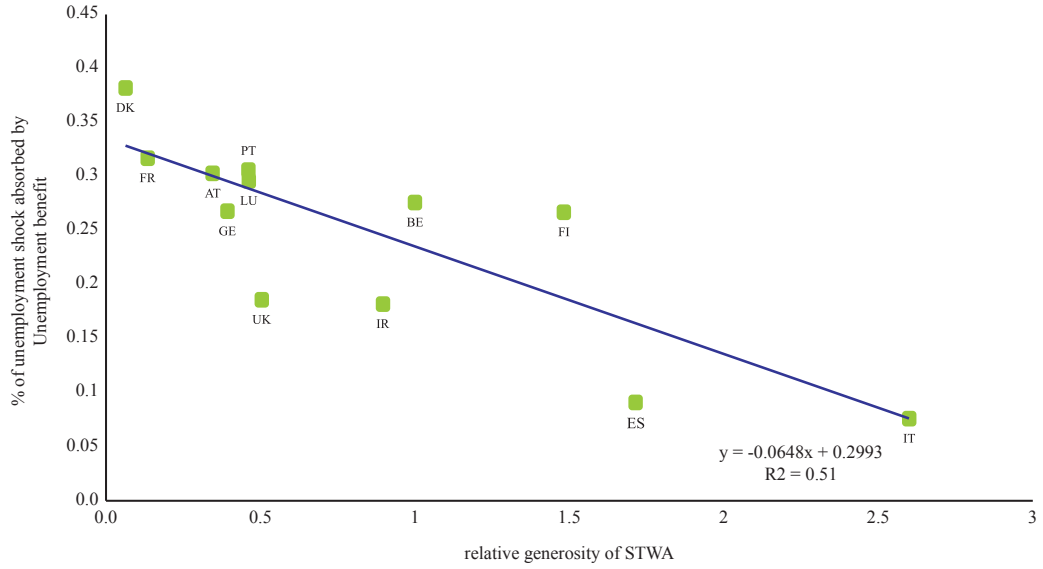
Source: Commission services. Levels are relative to average wage; Duration is in weeks.

Graph 66 - Number of weeks of full income covered by UB and STW



Source: Commission services.

Graph 67 - Generosity of short-time schemes relative to unemployment benefits and stabilisation properties of unemployment benefits



Source: Commission services. For the percentage of unemployment shock absorbed by unemployment benefits data are from Dolls et al (2009). Relative generosity is the ratio between the generosity of STWA and generosity of UB. Generosity is measured as the product between replacement rate and duration.

Conclusions

Within the context of a highly leveraged fiscal position, Member States have the opportunity to build more comprehensive and cost-effective UI systems. Unemployment benefits cannot be paid for too long without distorting people incentives to work. Yet, the chances of losing or finding a job, as well as job search disincentives stemming from the provision of unemployment benefits, are not equal over the business cycle. During downturns, the optimal balance between the incentives to search a job and income protection shifts in favour of a more generous unemployment benefit system. Thus, ways to improve the efficiency of the unemployment insurance system in providing income protection and automatic stabilization can be reconciled with the need of boosting growth and employment in the long-run without necessarily increasing expenditures on unemployment benefits.

The issue of business cycle dependant unemployment benefits (UB) was recently suggested in the literature (e.g. Andersen and Svarer, 2009; Kiley, 2003; Sanchez, 2008) and is relevant in particular in the current circumstances featuring poor fiscal outlook in most Member States. Business cycle dependant UB systems provide less generous benefits during expansions and more generous benefits during recessions. They can be an effective automatic stabilizer as long as are timely and targeted, in particular once the average unemployment duration increases. The reason is that the distortion created by more generous benefits is pro-cyclical, while the insurance motive counter-cyclical. In a downturn, the insurance motive prevails, which suggests more generous benefits, though declining over the unemployment spell to induce job search. However, it requires a well designed policy trigger anchored to a macroeconomic variable, which can capture the precise underlying labour market developments and job finding conditions.

Alternatively unemployment assistance can complement the UI benefits. As it is means-tested it is essential for providing income support to credit constrained unemployed who either fail to qualify for ordinary benefits or exhaust their UI benefits. However, the reliance on unemployment assistance may reduce the incentive to search for work, damage individual employability and increase the risks of poverty.

5. LONG-TERM CHALLENGES IN A POST CRISIS ENVIRONMENT

Until the financial crisis materialised in summer 2007, European labour markets were on course for delivering the best outcomes since the late 1960s. Yet, as a consequence of the turmoil in the global economy, all progress was wiped out in less than one year. As advocated by the European Economic Recovery Plan([78]), Member States have taken quick and decisive action to counter the effects of the crisis on the real economy, to avoid wasteful labour shedding by industries temporarily affected by short-term demand disturbances, and to prevent immediate job losses from turning into long-term unemployment.

Member States have focused on three broad types of priorities: a) ensuring rapid (re-) integration into the labour market by improving job placement mechanisms and investing in lifelong learning, in order to increase the employability of those hit by the crisis; b) maintaining existing jobs through the use of short-time working allowances, reduced social security contributions, and wage subsidies; c) supporting the most vulnerable with more generous unemployment benefits, higher minimum wage and family allowances, with tax rebates or exemptions, and with measures against over-indebtedness.

The ECOFIN Council of 20 October 2009 agreed on the need for co-ordinated and broad-based exit strategies from the crisis which encompass all relevant policies, including the withdrawal of structural and financial measures and fiscal consolidation. In March 2010, it further underlined that a credible long-term structural reform agenda is an integral part of any comprehensive exit strategy. Exit strategies should cover the phasing-out, at the appropriate juncture, of temporary crisis-related measures and the phasing-in of medium and long-term reforms that bolster potential growth and employment, improve competitiveness and support fiscal consolidation efforts.

Temporary labour market measures should be gradually withdrawn when the recovery is secured as they could carry out a significant economic cost in the medium term, notably in terms of locking labour in declining activities. Keeping in place for a long period after the recovery takes hold the ad-hoc subsidisation of working time reductions, taken in addition to existing pre-crisis schemes, could 'freeze' job patterns at a time when reallocation is most needed. To minimise the risk of skills' deterioration and the length of resulting unemployment spells, the gradual phasing out of temporary working time reduction schemes should be accompanied by a strengthening, where necessary, of activation and training policies that favour job reallocation and workers' re-skilling. The phasing out of the temporary increases in the generosity of unemployment benefits and other income support to the unemployed should be done more slowly, as the sectoral reallocation of labour during the recovery is likely to aggravate the situation of vulnerable households. To avoid that unemployed people become disenfranchised form the labour market, there is a need to rely on active inclusion principles, whereby the most disadvantaged receive conditional income support, and access to quality services. By reducing long-term benefit dependency, the support during the crisis, if properly designed, can lead to long-term savings in welfare spending.

Among Active Labour Market Policies (ALMPs), measures that during the crisis have strengthened the capacity of the job placement services, improved training opportunities within firms and the vocational opportunities for the unemployed should be maintained to accompany the restructuring process. Better tailoring the services provided by the PES helps during a severe recession to forestall the employment consequences of the crisis. Properly designed ALMPs could also facilitate a gradual withdrawal of temporary measures, especially if the recovery is uncertain and job reallocation intense. Conversely, crisis-related measures such as direct job creation or public job creation schemes should be discontinued as soon as the turnaround in GDP is firmly established.

The withdrawal of temporary crisis-related measures should be seen as part of efforts

([78]) Communication From the Commission 'A European Economy Recovery Plan', COM(2008) 800 final.

to design and implement comprehensive exit strategies, encompassing the phasing-in of ambitious structural reform agendas to bolster growth potential and sustained budget consolidation strategies. European societies will keep ageing after the recession, and, without action, the European labour force will begin to shrink.([79]) Increasing participation and enhanced workers' employability are needed to minimise the social consequences of the crisis, to preserve European human capital and, ultimately, to return to strong growth. As exit probabilities from unemployment are bound to fall and the average duration of unemployment spells to go up, human capital could be eroded, leading to hysteresis effects if not adequately addressed by policy measures. Persistently high unemployment, with potentially long lasting effects on the labour markets and potential growth, could threaten the European models of social welfare, already strained by ageing populations.

These challenges are addressed by the EU's structural reform agenda for labour markets. Flexicurity reforms would be of particular importance as the recovery becomes sustainably anchored and short-term labour market measures are gradually phased out. Reforms that improve the flexibility and security on labour markets and measures to promote labour mobility across regions and between occupations and that enhance the response of wages to productivity developments and increase the economy's resilience to future sectoral or country-specific shocks. By improving productivity they improve also wages.

While structural reforms are not a short-term panacea, ambitious agendas could thus make macroeconomic policies more credible and could bolster investor and consumer confidence. Given their significance for potential growth, a strong and renewed emphasis on structural reforms as part of the Europe2020 strategy is of the essence. This strategy should be consistent with the need of consolidating public finances.

Of particular relevance for the euro area are reforms that reduce adjustment costs on the labour market, thereby offsetting the lack of intra-area exchange rate movements, while easing workers' transitions through different jobs.([80]) These reforms should reconcile workers' demands for protection from unemployment and income risks with the need of firms to respond quickly to swings in consumers' preferences and to the challenges and instability created by technological progress and globalisation. An integrated strategy based on interventions in employment protection, lifelong learning and activation policies may contribute to improving the adjustment capacity of the euro area and enabling the full benefits of the EMU to be reaped.

The situation differs considerably across euro-area Member States, both in terms of labour market outcomes and institutions, and in terms of constraints on account of their fiscal situation and external competitiveness. Addressing the latter will be of particular importance for a number of Member States, notably through improved relative wage flexibility. Moreover, given the nature of this crisis, there will be a significant need to re-allocate jobs from declining industries to new areas of expansion, putting a high premium on flexibility, secure transitions and matching.

During the recovery there is a need for boosting both labour demand and labour supply. It is useful to put in place targeted measures to support (re)employment. These measures should be tailored to the specific conditions prevailing in individual Member States. This could involve cuts in non-wage labour costs for the low-skilled. The introduction of wage-support (wage-insurance) schemes should be also considered. These schemes allow workers to receive for a period of time a proportion of the wage loss when accepting a new, lower paid job. By easing mobility from contracting to expanding sectors, adequate unemployment insurance and active labour-market programmes will also facilitate the matching process, making it less costly for firms to open new vacancies. Mobility-bonus schemes could also be strengthened to smooth labour-market transitions. It will be also important to invest in re-training schemes, particularly for workers in declining sectors and for professions that are likely to be particularly affected. It has been conclusively demonstrated that training programmes are most effective when they are well targeted and relatively small, and have strong job

([79]) See EC-EPC '2009 Ageing Report', European Commission European Economy, No 2, May 2009.

([80]) European Commission Communication 'Towards Common Principles of Flexicurity', COM(2007) 359 final.

content and an established link with employers. For all these schemes, the risk of deadweight costs - that is to subsidise job creation that would have happened anyway - is rather high, unless the schemes are strictly targeted to the most difficult-to-hire segments of unemployed persons

The following broad areas for reform emerge, which should be seen within the overall flexicurity approach:

7. Addressing segmented labour markets, through reforms that shift the focus from protection on the job to employment security in the market. This means rebalancing the degree of employment protection legislation between different segments of the labour market while ensuring the provision of adequate income support where necessary, especially in countries such as Germany, Spain, France, Greece, Italy, the Netherlands, Portugal and Slovenia, Sweden.

8. Introducing, in line with the 'flexicurity' approach, ambitious and effective activation and training measures, along with increased capacity and cost-effectiveness of public employment services. Conversely, direct job-creation schemes on a large scale should be discontinued as these schemes are not very successfully and increase unduly the size of the public employment. In particular, activation policies could be enhanced in Belgium, Bulgaria, Germany, Greece, Hungary, Latvia, Lithuania, Spain, Finland, Ireland, Italy, Portugal, Slovenia and Slovakia.

9. Reducing on one hand benefit dependency, improving effective activation by making work more economically attractive and rewarding, particularly for the low-skilled, and on the other hand securing transitions. In particular, countries such as Belgium, Bulgaria Germany, Finland, Hungary, Luxembourg, Malta, the Netherlands and Slovenia should aim at removing inactivity and unemployment traps.

10. Wage formation processes should allow relative wage flexibility and wage developments in line with productivity and sectoral and local labour market conditions. In addition, correction may be needed to reflect development in external competitiveness and losses in potential output. Moreover, an enhanced and constructive dialogue with social partners is advisable. Wages should be more reactive to productivity in Belgium, Cyprus, Estonia, France, Greece, Ireland, Italy, Malta, Portugal, Romania, Slovakia, Slovenia, Spain, and Finland.

11. Increasing the effective retirement age by enabling and motivating people to work longer through labour market policies promoting better age-management practices in work places and ambitious reforms of work incentives in pension systems. Countries that have not yet risen the statutory retirement ages should pursue this route, given the need to boost labour supply and promote sustainability of public finances. The effective implementation of such measures would take place over a long period of time, but decisions taken now would help anchor expectations which, in turn, would help to underpin the present economic recovery. Generous early retirement and disability pensions coupled with a greater difficulty in finding a job may weaken the incentives to search and to continue to be active. The effective retirement age should be increased and all incentives to retire early should be removed, in particular in Austria, Belgium, Denmark, Sweden, Finland, France, Greece, Luxembourg, Poland and Slovenia.

12. Enhancing matching in the labour market and upgrading the skills of the labour force would improve not only labour productivity in the long run but also the labour market attachment of those with poor educational background and/or short work experience, such as the non-nationals. Adequate remuneration of skills would also prevent the massive emigration which may have a negative impact on labour supply and growth potential. In particular, Bulgaria, the Czech Republic, Denmark, Sweden, Estonia, Finland, Hungary, Ireland, Latvia, Malta, Poland, Romania and Slovakia should aim at a better and more efficient utilisation of the economy's labour potential.

The relative importance of these priorities varies across Member States, leading to different country profiles in terms of reform needs, as set out in Table 34.

Table 34 – Main challenges to address country specific structural weaknesses – by country and policy field

	EPL	Unemployment insurance	Labour Taxation	ALMPs	LLL	Wages	Pensions
AT			Further increase incentives to work, in particular for families with children and older persons		Develop a coherent lifelong learning strategy; enhance job-training, notably to increase the employability of older persons		Remove residual incentives to retire early and implement planned pension reforms; Reduce the implicit tax on continued work
BE	Relax the excess of regulation for temporary workers	Review and better modulate the level of unemployment benefits over time, so as to raise work incentives	Further reduce the tax burden on labour in order to lower marginal effective tax rates, in particular for low-wage and female workers	Reinforce activation policies, especially for older workers, through stricter conditionalities, and address low labour mobility and the ensuing high differences in labour market performance across regions	Step-up lifelong learning programmes across the country, and improve participation of older workers in vocational training	Make wage setting mechanisms more flexible, and revise the wage indexation parameters	Remove incentives for early retirement
CY					Enhance lifelong learning, and increase employment and training opportunities for young people and women, notably by implementing the reforms of the vocational, education, training and apprenticeship systems	Ensure that wage developments are in line with productivity	
DE	Increase flexibility for permanent contracts		Further improve incentives to work, in particular for second earners in families with children	Further develop targeted ALMPs to address lower employability of low-skilled and long-term unemployed and implement measures to enhance effectiveness of PES	Increase the overall education and skills levels, so as to reduce skills gaps and enhance the employability of workers, notably through a higher participation in lifelong learning, in particular for low skilled, unemployed and older workers, and by further increasing the access to training and qualifications	Address insufficient wage differentiation	
EL	Combine a reform of EPL for temporary contracts with a reduction of the excess of regulation for permanent workers		Reduce the high tax wedge on low-paid workers, thus facilitating the full participation of all groups in the formal labour market and helping to reduce the size of the informal economy	Enhance the efficiency and effectiveness of ALMPs to face higher unemployment and reduce the risk of long-term unemployment	Reform the tertiary education system, in order to increase the potential of the economy and reduce labour market mismatches. Coordinate the life-long learning strategy with ALMPs	Promote decentralization in wage setting mechanisms	Increase retirement age for women and modernise pension system

	EPL	Unemployment insurance	Labour Taxation	ALMPs	LLL	Wages	Pensions
ES	Close the gap between the firing costs of permanent and temporary contracts in order to reduce dualism in the labour market	Increase strictness and strengthen enforcement criteria for benefit receipts; Improve coordination between the administration of benefits and activation policies		Further boost the effectiveness of ALMPs, through improved job search assistance	Make vocational training more effective	Modify the regulation on opt-out clauses, as a means to foster wage bargaining decentralization and facilitate wage differentiation	
FI		Taper unemployment benefits over time to enhance activation; Abolish the 'unemployment pipeline', which facilitates older workers' early withdrawal from labour market	Implement budgetary neutral reduction of the tax wedge on low-wage earners and on upper income earners, notably to increase the labour market attachment of youth, migrants and low-skilled	Improve the activation of persons on disability schemes; Increase the incentives to occupational/ geographical mobility		Improve wage differentiation more in line with productivity growth to reduce wage compression, by further easing the use of opting-out clauses and decentralized bargaining	
FR	Reduce labour market segmentation among contract types, so as to support entry and transitions in the labour market, notably of the young		Implement budgetary neutral reduction of the tax wedge on labour costs		Improve lifelong learning opportunities better in line with labour market needs	Continue to limit future increases in the minimum wage, so as to allow the minimum cost of labour to fall in relative terms and reduce wage compression at the bottom end of the wage scale	Increase labour supply and employment of older workers, increase retirement age
IE				Keep activation policies as priority, notably to increase female participation rates	Further invest in retraining to convert labour force skills towards growing sectors and improve employability of low-skilled and older workers	Ensure moderate wage settlements in the public sector, to help keep wage moderation in private sector and improve competitiveness	
IT	Reduce the difference in the treatment of temporary and permanent workers, while guaranteeing adequate flexibility in hiring and firing	Reduce the segmentation of the unemployment insurance system and introduce a system of social safety nets for all types of work contracts		Reinforce activation strategies and incentives to work, in particular by enhancing the efficiency and effectiveness of PES, notably to increase employment and activity rates of women, youth and older workers and reduce regional disparities	Review the measures aimed at increasing the employability of workers through appropriate ALMPs and lifelong learning; Provide to dismissed people adequate support to invest in their human capital	Make wage developments more consistent with productivity developments at the firm and local level	

	EPL	Unemployment insurance	Labour Taxation	ALMPs	LLL	Wages	Pensions
LU	Revise employment protection legislation in order to guarantee better transitions to employment, especially to categories such as young workers	Reduce the disincentives to work for young people, through tightening access condition to unemployment benefits for this category		Reinforce ALMPs			Avoid using early retirement to cope with the crisis and rather phase-out existing pre-pension and early retirement schemes
MT		Improve incentives to work, particularly women and older workers; Take further action on the benefit system to make declared work more attractive		Enhance people involvement in active job search	Enhance lifelong learning, in particular for young unemployed, increase educational levels, reduce the number of early school leavers. Improve firm's incentives to provide training to those that need it most	Ensure a closer link between wage and productivity developments	
NL	Rationalise the dismissal system to make it simpler and more predictable	Reduce disincentives to take-up work, in particular high inactivity traps for women and vulnerable groups on social assistance or disability benefits	Reduce the disincentives to take-up work and to work longer hours, embedded in the tax system	Foster activation policies for long-term unemployed			
PT	Implement recent reforms on the modernisation of EPL, in order to avoid increasing duality in the labour market			Improve the effectiveness and efficiency of PES and move ahead with the proposal to reform ALMPs, there including a better link with training programmes	Keep improving the lifelong learning system and enhancing the access to training and qualifications, in order to increase the average level of skills in the labour force. Reform the education system	Ensure wage moderation in order to preserve the competitiveness of the economy	
SK		Safeguard income security during unemployment spells and expand the coverage of unemployment insurance		Strengthen the capacity of PES, reinforce activation measures and develop an active ageing strategy	Expand training measures and increase participation in lifelong learning, in particular of low-skilled, unemployed and older workers, to address the persisting skills mismatch	Allow for sufficient wage differentiation, to improve the adjustment capacity in the economy	
SI	Review EPL to reduce asymmetries between non-standard and standard employment in particular for students workers	Increase the coverage of unemployment benefits, while also further increasing financial incentives to work		Enhance the efficiency and effectiveness of PES; Extend the coverage of activation strategies and improve their targeting, especially concerning older workers and long-term unemployed	Strengthen the link between the educational system and labour market to support employability of the young		Revise pension system and increase labour supply and employment of older workers

	EPL	Unemployment insurance	Labour Taxation	ALMPs	LLL	Wages	Pensions
CZ	Review EPL for permanent workers with short employment histories	Increase further the incentives to work, in particular for second earners in households with children			Address persisting skills and job mismatches, by improving the lifelong learning system and increasing regional mobility		
BG	Reduce bureaucratic and regulatory rigidities which hinder labour market adjustments and job creation, also by extending the activities of temporary work agencies	Reform the tax and benefit system so as to increase labou market attachment and participation rates, notably among disadvantaged groups and long-term unemployed		Redirect active labour market policies, which have focused so far mainly on direct job creation, and improve the efficiency and resources of PES	Develop and improve access to the vocational training system which is still in its early development stage, resulting in skills' mismatch, barriers to entry to the labour market and high risk of getting stuck in low productivity jobs		
RO	Review EPL especially in the area of collective redundancies and of temporary contracts. Enhance WT flexibility to increasee the incidence of flexible working time arrangements				Further improve continuous vocational training	Address rigidities in the wage setting system, as well as the extremely low wage levels	Reform the pension system with the aim of tightening early and invalidity retirement, and possibly gradually increasing the statutory age
HU	Address the lack of flexible working time arrangements	Ensure rigorous implementation of past reforms and tackle benefit dependancy by increasing incentives to work	Continue with efforts to reduce very high tax wedge on labour to address very low activity rates	Address persisting matching frictions and further improve labour mobility by reinforcing and increasing the efficiency of PES	Increase participation in lifelong learning and align education and training systems to labour market needs		Limit the wide use of disability, sickness and unemployment benefits as a route to early retirement; raise the standard retirement age and further adjust pensions for early and late retirement
PL		Increase the coverage of unemployment benefits, while reviewing the benefit system to improve incentives to work	Reduce high tax wedge on labour, especially for low-skilled workers, to boost labour force participation	Improve active labour market policies, notably for disadvantaged groups, and enhance labour mobility to reduce regional disparities	Align education and training systems to labour market needs and improve the lifelong learning system		Increase and equalize retirement rates; close existing alternative routes to early retirement, including statutory early retirement scheme, 'bridge pensions' and disability schemes
DK		Address gender gaps in employment and activity rates	Reduce high marginal effective tax rates, which may have a negative impact on labour force participation and number of hours worked	Focus on active labour market measures in order to avoid a rise in long-term unemployment	Improve the skill match of the labour force notably through vocational training and education	Increase wage competitiveness	

	EPL	Unemployment insurance	Labour Taxation	ALMPs	LLL	Wages	Pensions
SE	Reform EPL on individual dismissals to improve the chances of those least attached to the labour market to get a job	Ensure a successful implementation of recent reforms, including of sickness and disability schemes, to reduce inactivity	Combat remaining weak financial incentives to go back to work for low-wage earners and long-term unemployed				Raise the employment rate of older workers through activation measures and reduce access to alternative pathways out of the labour force
UK		Increase the financial incentives to move from social assistance to work and from low to average wages, notably for families with children		Enhance investment in active labour market policies, especially for younger unemployed	Raise training and education levels and establish an integrated approach to employment and skills in order to raise productivity and increase opportunities for the disadvantaged		
EE			Reduce the tax wedge by cutting social security contribution paid by employers, especially on low-wage workers	Increase the efficiency of PES and strengthen active job search requirements to facilitate labour market transitions and prevent the emergence of high unemployment traps	Increase participation in lifelong learning and encourage skills upgrading to increase workers' employability		
LV	Ease regulation of fixed-term contracts to increase their use			Reinforce ALMPs, notably by increasing the coverage of activation measures for persons wanting to work	Ensure high quality training and education that better match labour market needs, in order to improve the quality of labour supply		
LT		Extend the term and coverage of unemployment benefits and broaden the coverage of existing social assistance programmes through the streamlining and rationalisation of some of social benefit schemes		Enhance the efficiency and effectiveness of ALMPs, notably by reinforcing PES and activation policies to address low participation rates and avoid a massive increase in long-term unemployment	Invest in the training system and promote lifelong learning to ensure their relevance to labour market needs and address skills' mismatches and slow adaptability of the labour force		

Source: Commission services.

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ANNEX I: Description of Unemployment Benefits

The following table describes the policy measures taken since 2008Q2 with respect to the eligibility, level and duration of unemployment benefits.

READING THE TABLE:

Legend:

+ (a policy measure is increasing the generosity)

- (a policy measure is reducing the generosity)

Data Sources:

- MISSOC database: information on institutions is compared between 2nd half of 2008 and 2nd half of 2009.
- Q (EC/OECD questionnaire) – three subsequent questionnaires were taken into account (the first one from February 2010, the second one from May 2009 and the third one from January-February 2009).
- EERP database.

	Eligibility	Level of unemployment benefits	Timeline	Duration of unemployment benefits	Timeline	Other UI related policy measures + supported info
AT						
BE		(+) Increase in the unemployment allowances (= UI benefits) as of 1 January 2009: wage ceiling +300€ for the first 6 months of unemployment (leading to a ceiling at 2206€); +150€ from the 7th month until the 12th of unemployment; +0.8% after 12 month of unemployment;	Adoption 1.10.2008 Implement: 1.1.2009 temporary for 2 years			
BG		(+) Persons, laid-off because of enterprise closure, reduced workloads, or work suspension will receive unemployment benefit of the amount: 130 per cent of the benefit for the first half of the benefit period and 70 per cent for the second half of this period. MISSOC and Q (+) The unemployment benefits are increased during 2009. The minimum benefit is equal to 60 euro (increased by 20% compared with the minimum benefits for 2008) and the maximum benefit is equal to 120 euro per month. The daily benefits are introduced from the beginning of 2009 in the amount of minimum 3 euro and maximum 6 euro per day; MISSOC and Q	temporary 1.1.2009-31.12.2009 2009			
CZ		An increase in the slope of the UI profile over the unemployment spell (before: first three months: 50% of reference earnings; the following months: 45% of reference earnings; now: first two months: 65% of reference earnings; the following two months: 50% of reference earnings, and 45% of reference earnings for the rest of the period of support). MISSOC and Q	Adoption 1.2009 Implement: 1.2009 permanent	A reduction in UI duration for 1 month regardless of the age of unemployed coupled with a change in the UI profile over the unemployment spell	Adoption 1.2009 Implement: 1.2009 permanent	
CY						

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	Eligibility		Level of unemployment benefits	Timeline	Duration of unemployment benefits	Timeline	Other UI related policy measures + supported info
DK	Small change to enforcement of availability criteria (Not crisis related): There are no changes in the rules concerning availability for the labour market, but the implementation of the rules has changed. Previously, the rules were enforced by requiring 4 job applications per week per unemployed. However, this resulted in many irrelevant and pro forma applications to the annoyance of employers. The job search process is now approached in a slightly different manner. The two main changes are: The PES is obliged immediately after a person has become unemployed to explain what the availability rules means to the unemployed, (e.g. what type of job is the person supposed to seek, in what geographical area etc.) When the unemployed comes to the first meeting at the PES a plan for the job search for the next 3 months will be made. The plan will consist of at least information about a) what qualifications the unemployed have (previous education and work) b) the preferences of the unemployed c) what type of job the unemployed is supposed to search for d) in what geographical area the unemployed is obliged to search for jobs in e) how many job applications the unemployed is obliged to bring to the following meeting in the unemployment fund f) where can the unemployed find the jobs, e.g. Jobnet.dk or other relevant job data bases. Q	permanent				
EE							

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	Eligibility		Level of unemployment benefits	Timeline	Duration of unemployment benefits	Timeline	Other UI related policy measures + supported info
FI	(+) Permanent reduction in length of employment required to be eligible to receive unemployment insurance allowance: the work history requirement for worker's entitlement to UI benefit shortens from 43 weeks to 34 weeks (during preceding 28 months). Also the work history requirement for self-employed person's entitlement to UI benefit shortens from 24 months to 18 months (during preceding 4 years). Q (-) Permanent increase in minimum age for receiving additional days of unemployment benefit after exhausting standard entitlement (500 days) from 59 to 60 years in 2011 (for those who are born after 1954). The obligations of municipalities to employ those elderly long-term unemployed persons who suffer from this change of age limit are scaled up. Q (+) The group of jobseekers who qualify for 'change security'([93]) is being broadened and now includes also workers with fixed term employment contract if they have been employed for a minimum of five years during the last seven years and workers who have been laid off for a minimum of 180 days. Q	Adoption 2.2009 Implement: 1.2010 permanent Implement: 1.2010 permanent Adoption 2.2009 Implement: 7.2009 permanent	(+) Temporary legislation concerning the salaries during 2010-2011 on which unemployment benefits are based on: when a salary is reduced based on reasons related to employer's economic situation, in case of unemployment the amount of the unemployment benefit is defined based on the amount of the salary as it was before the reduction. Q (+) Increase in unemployment benefits during activation period (max. 200 working days) for those on 'change security' system. Q	temporary	(+) Extension of raised unemployment benefit period from 185 to 200 working days for those on 'change security' system. Q (+) the abolishment of the maximum period of paying unemployment benefits (36 months) of those receiving adjusted unemployment allowance (e.g. unemployed starting to work part time).	Adoption 2.2009 Implement: 1.2010 permanent	
DE							
EL			(+) The (basic monthly) unemployment benefit increased to EUR 454.25 in May 2009, from EUR 430.75 on September 1, 2008, and EUR 418 on January 1, 2008. Note that the unemployment benefit was at EUR 349.50 on January 1, 2007. Q (+) Through legal act, a flexible procedure for providing extra financial support by OAED has been established. By this act OAED is given the opportunity to financially support unemployed people, both those receiving unemployment benefit and those who don't, with an extra financial aid that can reach 1.000 €. Q				(+) In addition, during Christmas period, the Christmas gift was doubled for all the beneficiaries. This extra benefit was given to a total of 300.000 people (subsidised unemployed) and the total expenditure reached 70.000.000 EUR. Q

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([93]) Change security is a procedure that consists of paid leave for seeking a new job, an employment program and higher than normal unemployment allowances.

	Eligibility		Level of unemployment benefits	Timeline	Duration of unemployment benefits	Timeline	Other UI related policy measures + supported info
FR	(+) Widening the eligibility: before: at least 6 months (182 days) insurance during the last 22 months preceding the unemployment; now: at least 4 months (122 days) insurance during the last 28 months (36 months for those aged 50 and over) preceding the unemployment. MISSOC, Q (Q: this policy measure is not related to the crisis). (+) In progress: measures to increase the scope of unemployment insurance in favour of young people ending a fixed term labour contract; Q	permanent			Minimum UI duration which depends on the length of insurance and age was shortened (in line with a wider eligibility): UI duration before: between 7 months and 3 years; now: between 4 months and 2 years or 3 years if the beneficiary is aged 50 and over. MISSOC	permanent	SA: (+) Lump-sum bonus of 500€ for newly unemployed who can justify 2 to 4 months of work but cannot benefit from unemployment allowances. EERP Adoption 4.2009 Implement: 5.2009 temporary
HU							
IE	(-) for new claimants of Jobseeker's Benefit, the number of paid contributions needed to qualify will increase from 52 to 104. (January 2009) Q For new claimants of Jobseeker's Benefit, 13 paid contributions in the relevant tax year or certain other periods will be required to qualify. (January 2009) Q (+) from May 2009, the rate of Jobseeker's Allowance is € 100 per week for new claimants aged under 20 years of age (does not apply if an increase for a child dependant is payable). MISSOC	1.2009 permanent 1.2009 permanent 5.2009			(-) reducing the UI duration: Jobseeker's Benefit will now be paid for 12 months (previously 15 months) where 260 or more PRSI contributions are paid. This will apply to new claimants and those with an existing duration of less than 6 months on Jobseeker's Benefit on Budget Day (14th October 2008). MISSOC, Q (-) reducing the UI duration: Jobseeker's Benefit will be paid for up to 9 months (previously 12 months) where less than 260 contributions are paid. This will apply to new claimants and those with an existing duration of less than 3 months on Jobseeker's Benefit on Budget day (14th October 2008). MISSOC, Q	14.10. 2008 permanent 14.10. 2008 permanent	Earnings limit for graduated rates of payment to increase from €150 to €300 per week in the relevant tax year for new claimants.(January 2009) Q
IT	(-) Law 2/2009 improves and clarifies the procedures for the application of sanctions in case of refusal of a suitable job offer or training proposal by the PES. The access to unemployment benefits is now made conditional upon declaring immediate readiness to work or participate in a training offer, EERP (+) increasing UB coverage, though not to standard UB: lump sum payment to unemployed former project contract workers. Q, MISSOC	2009					(+) lump sum payment to unemployed former project contract workers. Q, MISSOC

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	Eligibility		Level of unemployment benefits	Timeline	Duration of unemployment benefits	Timeline	Other UI related policy measures + supported info
LV	(+) Social insurance contributions have to be paid for at least 12 months during the previous 18 months in order to be eligible to unemployment benefits (previously it was 9 months during the previous 12 months). Q	1.7.2009 permanent	(+) A temporary extension of UI duration to 9 months was adopted together with a policy measure which changed the UI profile over the unemployment spell and introduced the following replacement rates: 1) for persons with an insurance record from 1-9 years: first 2 months of unemployment: 100% of the set benefit, from 3-4 months of unemployment: 75% of the set benefit; from 5-9 months of unemployment: fixed sum of LVL 45 (€ 64) per month. 2) for persons with an insurance record from 10-19 years: first 2 months of unemployment: 100% of the set benefit, from 3-4 months of unemployment: 75% of the set benefit, from 5-6 months of unemployment: 50% of the set benefit; from 7-9 months of unemployment: fixed sum of LVL 45 (€ 64) per month. For persons with an insurance record over 20 years the UI profile over unemployment spell remains the same: first 3 months of unemployment: 100% of the set benefit, from 4-6 months of unemployment: 75% of the set benefit, from 7-9 months of unemployment: 50% of the set benefit. MISSOC	1.7.2009- 31.12.2011 Temporary	(+) Extending temporarily UI duration to 9 months for all unemployed regardless of the insurance period. In normal times, the duration of unemployment benefits depends on the social insurance record: 1) for 1 to 9 years, the benefit is paid for 4 months, 2) for 10 to 19 years, the benefit is paid for 6 months, 3) for 20 or more years of social insurance record, the benefit is paid for 9 months. MISSOC, Q	1.7.2009- 31.12.2011 Temporary	
			(+) The calculation period for the amount of the unemployment benefit is extended from 6 to 12 months in order to reduce the importance of the wage a person gets in the last months before becoming unemployed Q	1.1.2010 Permanent			
			If the calculated unemployment benefit (according to the common system) per calendar day exceeds 11,51 LVL (EUR 16,38) than the amount of the unemployment benefit for the calendar day that is being paid out is the sum of 11,51 LVL (EUR 16,38) and 50% from the amount of the calculated unemployment benefit exceeding the 11,51 LVL (EUR 16,38). Q *How was before?*	1.1.2010 – 31.12.2012 temporary			

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	Eligibility		Level of unemployment benefits	Timeline	Duration of unemployment benefits	Timeline	Other UI related policy measures + supported info
LT	(+) Widening the coverage: the in¬sured income of the relevant current year is decreased from LTL 1,488 (€ 431) to LTL 1,170 (€ 339). Q (-) Waiting period for the entitlement to the unemployment social insurance benefit was prolonged to the number of months for which severance pay was paid. Q In order to encourage the employees to value their job places/job contracts and to combat abuses, the waiting period for the entitlement to the unemployment social insurance benefit is changed: - in case of a voluntary unemployment (job contract termination by initiative of an employee) or unemployment by an 'agreement between parties' it is postponed from 7 calendar days after the date of a person's registration at the local labour exchange to 3 months; - in case an employee is dismissed through his fault, it is postponed from 3 calendar months after the date of a person registration at the local labour exchange to 6 months. EERP	1. 2010 permanent	(+) fixed part of UI increased (from 59 Euros in January 2007 to 83 Euros in January 2008 and to 101 Euros in August 2008) MISSOC (-) The amount of a maximum benefit (ceiling) is decreased from LTL 1,041.60 (€ 302) to LTL 650 (€ 188) Q In line with a wider coverage (due to a decline in the insured income), the average unemployment benefit declines from LTL 698 (€ 202) in 2009 to LTL 535 (€ 155). Q Cancellation of accumulation of unemployment benefit with training grant: In case a registered unemployed entitled for an unemployment social insurance benefit is participating in training course (vocational training & re-qualification as the active labour market policy measures) he/she should choose only one kind of assistance, either social insurance unemployment benefit or a training grant. EERP	permanent	(+) Unemployment social insurance benefit could be prolonged by two months in those municipalities where registered unemployment rate is 1.5 times higher than the average rate in the country. Q		Funds allocated to the payment of the unemployment social insurance benefits increased by 35 per cent. Q
LU							
MT							
NL			(+) Increase in the initial level of UI: before: UI amount 70% of the last daily wage (with a maximum daily wage of € 172.48); now: UI amount 75% of the last daily wage during the first two months (with a maximum daily wage of € 185.46), 70% thereafter. MISSOC				
PL			(+) Permanent increase in unemployment benefit level: the monthly benefit level will rise by nearly 30% (from 551,80 PLN to 717 PLN). Additionally, the benefit will be digressive: after three months the amount of the benefit will fall by around 21% (to 563 PLN). Q	Implement: 1.1.2010	(-) Permanent reduction in duration of benefits from 6 - 18 months to 6 - 12 months. The threshold of average unemployment rate on the local labour market determining the length of the period of receiving the unemployment benefit has been risen (from 125% to 150% of average unemployment rate in the country). Q	Implement: 1.1.2010	

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	Eligibility		Level of unemployment benefits	Timeline	Duration of unemployment benefits	Timeline	Other UI related policy measures + supported info
PT	(+) In case of quick return to the labour market (6 months or less), the unemployed will maintain full relevance of all previous contribution periods in future modulation of the duration of eventual unemployment allowances. Q An exceptional and temporary scheme to access unemployment benefit which reduces the qualifying period from 450 days of effective work with registration of pay-slips within the period of 24 months immediately prior to the month preceding the beginning of the unemployment, to 365 days and that shall be in force during 2010 Q	Adoption 12.2008 Implement: 2.2009 temporary Implement: during 2010			(+)Temporary extension of duration of benefits for long-term unemployed: unemployment assistance is prolonged by 6 months in case the UI benefit expires in 2009. Q		Change in the reference earnings from the minimum wage to the IAS (indexing reference of social support) to determine the minimum and maximum ceilings for the level of unemployment benefits MISSOC
RO					(+) An increase in the UI duration for 3 months (valid only for 2009): Before: 1-5 years of contribution period: 6 months; 5-10 years: 9 months; over 10 years: 12 months Now: 1-5 years: 9 months; 5-10 years: 12 months; over 10 years: 15 months MISSOC	Implement. during 2009	
SK	(+) Temporary measures whereby short periods of time spent on reduced working hours or suspension of work contract will not reduce eligibility for unemployment benefits. Q (+) A change in taking into account of the period of parental leave for the purposes of entitlement to unemployment benefit: the period of suspension of mandatory unemployment insurance of the employee for the purpose of parental leave shall be taken into account in the period of unemployment insurance for the purpose of entitlement to unemployment benefit. Q						

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	Eligibility		Level of unemployment benefits	Timeline	Duration of unemployment benefits	Timeline	Other UI related policy measures + supported info
SI	(+) required work history shortens to 9 months during the previous 24 months (previously was 12 months during the previous 18 months). The change will improve the eligibility, especially for young people and other, who are now excluded from the right to receive the unemployment benefit. Q	2011 permament					
ES	Temporary measures whereby short periods of time spent on reduced working hours or suspension of work contract will not reduce eligibility for unemployment benefits.		(+) New unemployment benefit of 420 € for unemployed who have lost their eligibility to unemployment benefits. EERP	Adoption 8.2009 Implement: 9.2009 temporary			(+) New unemployment benefit of 420 € for unemployed who have lost their eligibility to unemployment benefits. EERP
			Removal of waiting period for accessing unemployment benefits until end 2009	Adoption 11.2008			
			Unemployed who decide to become self-employed can draw the 60% of their unemployment benefit rights all at once (instead of the current 40%); (E Plan November 2008), EERP	Implement: 11.2008 permanent			
SE	(+) Widening the eligibility: in order to promote membership of unemployment insurance funds, and against the backdrop of the economic downturn, months between 1 January and 31 December 2009 are counted twice. MISSOC	Jan 1 2009 –31.12.2009 temporary					
UK	(+) A governmental proposal to revised membership conditions in unemployment insurance scheme: for each month of membership during 2009 one additional month shall be added. This enables the applicant to fulfil the membership condition in a shorter time, that is, in six months time. This will only be in effect 2009. Q (+) A governmental proposal to widen the membership of an unemployment fund: The requirement for membership of an unemployment fund, which requires that the applicant must have performed gainful work for a given time and to a certain extent, will be removed from 1 July 2009. This will make it possible for more unemployed individuals to become members of an unemployment fund. Q	Implement. during 2009					

ANNEX II: Description of Short-time working schemes

	Name of the scheme	Eligibility conditions/coverage	Type and level of support	Financing (firms/government contribution)	Duration	Procedural burden/flexibility
AT	Short-time work allowance *Kurzarbeit, Kurzarbeitsbeihilfe*	All private employers and employees, except temporary agency workers, apprentices, CEOs and board members. Major economic disruption of more than 3 months; all other possibilities have to be exhausted. Working time can be reduced by up to 80%.	STW allowances based on the equivalent share of UB for the reduced working hours. Benefits correspond to minimum 0.125% of the daily rate of unemployment benefit per working-hour lost (flat-rates fixed by the Federal Minister of Economy and Labour) paid to the employer.	STW allowances paid from the unemployment insurance system through the employer. Usual financing of unemployment insurance. SSC continue to be paid by employer and employee.	Maximum 3 months, but can be extended if high proportion of employees more than 45 years old	Working time can be reduced by up to 80%. A collective agreement must exist. Companies must agree not to make employees redundant for the duration of STW, and according to most collective agreements up to 4 months after STW.
BE	Temporary unemployment *Chômage temporaire*	Only blue-collar workers. Unemployment allowances for short-time working or temporary lay-off for economic reasons are payable for days or half days during which the execution of the work contract is suspended due to economic reasons and partially compensate for loss of wages.	Eligibility to UB, at 58-60% of reference wage with ceiling for persons living alone and for persons cohabiting with/without dependants, with same minimum and maximum amounts as complete unemployment. Supplements can be paid by the employer or by a sectoral fund.	Benefits paid through the main unemployment benefit system. Usual financing of unemployment insurance. Additional collective agreement: employers pay 3.48% of gross salary to the Security of Existence Fund at industry level. No SSC are due, but insurance is maintained.	Max 4 weeks if full suspension and between 3 and 12 months if partial suspension, depending on the number of days/weeks worked; at least 1 week between 2 suspension periods	Employers must inform the federal agency responsible for UB of any temporary redundancy and notify employees at least 7 days in advance. Employer must inform the work council/ trade union delegate of the economic reasons of STW.
DE	Short-time work allowance *Kurzarbeit, Kurzarbeitergeld*	Temporary agency workers and workers on fixed-term employment contracts excluded. Unavoidable and temporary reduction in normal working hours affecting at least 1/3 of staff and resulting in a loss of income from work of more than 10% of monthly gross salary	60% of foregone net wages for employees without children and 67% if at least one child, up to a monthly ceiling. Collective agreements (or employer compensation policy) can stipulate a top-up to STC. The receipt of STC does not reduce the worker's entitlement for regular UI benefits: the time under STC is treated like other work-time in calculating the potential duration of future UI benefit eligibility.	Benefits paid from the first hour of work shortage by employer, who is reimbursed by unemployment insurance. Financed through general contributions to UI. Employers pay SSC for pensions and health insurance on 80% of forgone earnings of workers on STW. Unemployment contributions paid by employer and employee only on wage for hours worked. Worker's participation in training reduces the employer's financial responsibility, as does the receipt of STC for more than six months.	6 months at most in non-recession periods. Extensions by decree to 12 months possible in case of exceptional labour market circumstances	Employer must request support from Employment Agency (BA) in agreement with its works council/workers. Reductions in hours do not need to be uniform. The form of the reduction in hours is also flexible. The size of the reduction in hours can be changed without PSE approval. If an employer restores workers to full-time, STW plan remains valid for 3 months to allow for adjustments.

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	Name of the scheme	Eligibility conditions/coverage	Type and level of support	Financing (firms/government contribution)	Duration	Procedural burden/flexibility
DK	Work-sharing	The periodically unemployed are subjects to law on supplementary unemployment benefit, i.e. must be active jobseekers and cannot refuse if are offered another job.	Eligibility to unemployment benefits	Supplementary unemployment benefits paid by unemployment funds; financed under normal unemployment insurance conditions. Partial continuation of SSC by the employee.	Maximum 13 weeks, as 1 week at work and 1 week receiving UB or minimum 2 days a week receiving benefits. Possible at company level to prolong it to 26 weeks.	
FI	Temporary layoff	The employer may temporarily lay off an employee, either entirely, or by reducing the regular weekly or daily working hours, only if the amount of work, or the employer's potential to offer work, has diminished because of a financial or production-related reason. Persons who work more than 75% of normal full-time hours in the sector during a review period are not entitled to adjusted unemployment allowance. The PES has to provide confirmation every 3 weeks that the person fulfils criteria for payment	Eligibility to UB. Depending on employment/ insurance history, employees may be paid through an earnings-related scheme or a basic unemployment benefit scheme. The level of the 'adjusted unemployment allowance' is such that, during 4 consecutive weeks the allowance paid plus 50% of the income are at most the same as the full allowance payable over the same period. In case of earnings-related allowance the maximum amount payable, including child increases and income from work, shall not exceed 90% of wages it is based on, but not be less than the basic daily allowance.	Earnings-related allowances paid by unemployment insurance fund; basic allowances paid by Social Insurance Institution. Usual financing of unemployment insurance, by insured persons, employers and state. No SSC are due, but insurance is maintained, with same effects as for full-time workers.	Maximum 36 months	The layoff can be based on the employer's unilateral decision, or on a mutually agreed basis.
FR	Partial unemployment *Chômage partiel*	Part-time workers working less than 18 hours/week are excluded (until March 2009). Employees must receive a weekly wage equal or higher to 18 times the minimum wage per hour (SMIC); must not be in seasonal unemployment; must not be unemployed because of strike; be suspended from the activity for more than 4 weeks.	a) Public assistance benefits paid by the employer, partially reimbursed by the state. Since 1/2009, employer pays up to 60% of hourly gross wage for non-worked hours at a minimum of € 6.84 per hour (until 31/12/2008, 50% of gross wages per hour, and minimum € 4.42/ hour). b) Complementary contractual benefit fixed by collective agreement and financed by the employer, who can get partial reimbursement by the state.	As of 1/2009, the State reimburses € 3.84 per hour and worker to employers with maximum 250 employees and € 3.33 to employers with up to 250 employees (€ 2.44 and € 2.13 respectively until 2008) (*allocation spécifique de chômage partiel*). No specific financing. Employers pay pension and unemployment contributions for hours worked; state pays full sickness contributions (employer's and employee's part).	Maximum 6 continuous weeks As of 1/2009, upper limit of hours per year raised from 600 to 800, with higher limit of 1.000 hours for the textile, clothing and leather industries and for automotive industry and its subcontractors with at least 50% of their business related to the automobile trade	The employer must consult the employees' representative and introduce a request for authorisation to the PES.

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	Name of the scheme	Eligibility conditions/coverage	Type and level of support	Financing (firms/government contribution)	Duration	Procedural burden/flexibility
IE	Systematic short-time working	Employees working from full week to 3 days/week or less are entitled to Jobseeker's Benefit for days not worked. Workers are required to be working for at least 1 day in each week that they would normally be working in order to claim benefits.	Eligibility to UB (Jobseeker's Benefit) for days not worked	Usual financing of unemployment insurance	Same conditions as UI	
IT	Wage guarantee fund *Cassa integrazione guadagni Ordinaria* and *Cassa integrazione guadagni Straordinaria* (CIGO and CIGS)	CIGO: temporary reduction/suspension of activity because of temporary market difficulties not attributable to employer or employee. Coverage: blue and white collar workers including managers in industrial sector, and in construction and building supply sectors (for meteorological reasons), but not senior executives, home workers or apprentices. CIGS: temporary reduction/suspension of activity because of persistent and structural labour surpluses (restructuring, reorganisation or bankruptcy). Coverage: workers in industrial businesses with more than 15 employees, commercial enterprises with more than 50 employees (apprentices excluded), publishing companies, service/craft and co-operative enterprises with more than 15 employees. Suspension of CIG in case of refusal of appropriate job or refusal to attend training	80% of last wage, with threshold decided yearly by INPS (in 2010: € 840,81 net/month for workers with monthly salary below € 1.931,86 and € 1.010,57 net/month for workers with higher salary)	Financed by the employer, by the state in case of necessity, as well as by employees in the case of the CIGS (0.30% of pay). Employers pay basic contributions of 1.90% of wages (if firms with up to 15 employees) and 2.20% of wages if more than 15 employees, plus an additional contribution, due by companies using the CIG (8% of wage compensation paid to employees (4% for companies up to 50 employees) in case of CIG, and 4.5% of wage compensation (3% for companies up to 50 employees) in case of CIGS for the first 24 months, then 9%, and 6% for smaller companies). The employer and employees do not pay SSC for non worked hours. Yet, periods under CIG count as employment and are taken into account for cumulating pension and sickness rights.	CIGO: 3 consecutive months, renewable up to 12 months (24 months in specific areas of the country) CIGS: up to 24 months CIGO + CIGS all together maximum 36 months in a period of 5 years	Prior consultation with trade unions necessary. The request for CIGO must be made at the latest 25 days before the last pay to the National Institute for Social Protection (INPS), which delivers the authorisation. For CIGS a request must be made to Ministry of Labour at the latest 25 days before the last pay; a Decree follows. The CIGS cannot be used by a company that is simultaneously using the CIGO, and is contingent on a plan for resuming activity and protecting jobs to be approved by the Ministry of Labour.
	Solidarity Contract *Contratto di solidarietà*	Reduction in the working hours and pay of all the company's employees to avoid layoffs (defensive agreement)	60% of the last wage when working hours are reduced by 60%	Payments granted by the Ministry of Labour	Maximum 24 months (36 for Southern Italy)	The firm has to present the request for wage compensation to PES which gives an opinion on the reduction of working hours within 30 days. The Ministry of Labour has to authorise the solidarity contract within 150 days.

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	Name of the scheme	Eligibility conditions/coverage	Type and level of support	Financing (firms/government contribution)	Duration	Procedural burden/flexibility
LU	Partial unemployment *Chômage partiel*	'Chômage partiel de source conjoncturelle' l'entreprise doit: 1. faire partie d'un secteur déclaré en crise; 2. avoir pas de difficultés de nature structurelle; et 3. ne pas licencier pour raisons économiques. 'Chômage partiel de source structurelle': les sociétés peuvent licencier, pour autant que licenciements prévus dans plan de restructuration. 'Chômage partiel pour lien de dépendance économique': ne pas licencier pour raisons économiques. Coverage: All employees, excluding temporary agency workers and apprentices All other possibilities must be exhausted first. The interruption of working time due to STW cannot exceed 50% of monthly normal working time.	Allowance fixed at the same level of UB, at 80% of regular gross hourly wage, and cannot exceed 250% of the minimum wage.	For each full-time employee, the allowance due in respect of the first 16 hours of lost working time per month has to be financed by the employer (first 8 hours if part-time worker). The State reimburses the employer the full cost of allowances paid to the employee for any hours lost in excess of this threshold. The employer pays SSC for worked hours.	'Chômage partiel de source conjoncturelle' and 'chômage partiel pour lien de dépendance économique': allowance payable for up to 6 months within a 12 month reference period No maximum duration in case of chômage partiel de source structurelle. The employer must introduce a request for renewal every month.	Demande à introduire avant le 12e jour du mois précédant celui visé par la demande d'indemnisation pour raison de chômage partiel, auprès du Comité de Conjoncture au Ministère de l'Economie et du Commerce extérieur. Le formulaire doit être accompagné des comptes annuels des 3 dernières années, d'une attestation de paiement des cotisations de sécurité sociale, et doit être signé par le chef d'entreprise et par un membre de la délégation du personnel.
PT	Short-time working and suspension of employment contract	Employers are allowed to temporarily reduce working time or suspend employment relationships due to business-cycle related economic and technological reasons or because of nature disaster which hit the enterprise	Wage compensation of 2/3 of normal wage, within one and three times the national minimum wage (450 € in 2009). In addition, during temporary layoff employees are entitled to defined layoff pay.	Wage compensation covered 30% by the employer and 70% by the Social Security Budget. If during STW employees are included in a vocational training programme approved by PES, the amount of compensation supported by employers is 15%. All social benefits and social security contributions calculated as in case of normal pay, except for sickness insurance.	STW: maximum 6 months in case of market, structural or conjectural motives or technological reasons; 1 year in case of catastrophes Suspension of work: up to 12 months but can be extended for further 6 months	The employer provides employee representatives with detailed proposals and reasons. If agreement cannot be reached, the employer may lay employees off unilaterally.
RO	Temporary suspension of employment contract	The employment contract may be suspended in case of temporary break in activity for economic, technological, structural reasons.	No less than 75% of basic wage in the workplace, paid by the wage fund			

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	Name of the scheme	Eligibility conditions/coverage	Type and level of support	Financing (firms/government contribution)	Duration	Procedural burden/flexibility
ES	Temporary suspension or short-time working *Jornada reducida*	The temporary reduction of ordinary working time because of economic difficulties, force majeure or decreased output is authorised for the duration of a redundancy plan. Worker's ordinary working day must be temporarily reduced by at least 1/3, with proportional reduction in wages. Workers are required to be affiliated with the social security system or equivalent scheme which insures against unemployment and to have paid contributions for at least 360 days during the 6 years preceding unemployment or on the date on which the obligation to pay contributions expired.	Eligibility to UB in proportion to reduction in working time. The benefit may not be less than 75% or more than 220% of the national inter-professional minimum wage applicable when eligibility to compensation begins.	Partial UB financed by UI funds. Employer partly pays SSC also for inactive periods of work, as follows: the National Employment Institute (NEI) pays contributions to the pension scheme for hours non-worked; NEI and employer pay sickness insurance, in proportion with their part of benefit/ salary; employer and workers continue to pay contributions to unemployment insurance only upon wage for hours worked. Reimbursement of SSC possible for employers (100%) and employees (35%) in accordance with regulations on total unemployment.	Maximum 2 years	The procedure is the same as for mass dismissals, thus subject to formal procedure requiring the consent of workers' representative. Entitlement to partial unemployment is dependent upon decision by labour administration within redundancy plan.
UK	Short-time working	Layoff must be for complete days, as any work, even outside normal working hours, would mean that the employee was not actually laid off on that day. No categories of employees are excluded from STW. Any person who is laid off or kept on STW and actively seeking work is eligible to contributions-based Jobseeker's Allowance	Contributions-based Jobseeker's Allowance + Statutory Guarantee Payment by employers for any 'workless day', calculated by taking the employee's guaranteed hourly rate and multiplying it by the normal hours of work.	Statutory Guarantee Payments paid by the employer Jobseeker's Allowance funded by NIC and general taxation	Max. duration of statutory guarantee pay: 5 workless days in 3 months. Any day where employee receives wage counts against the statutory maximum. Contributions-based Jobseeker's Allowance payable for 13 weeks	Where no written contractual provisions exist, the prior agreement of individual employees to the reduction of pay should be made in writing. No legal requirement on notification before STW is introduced.

ANNEX III: Maximum duration and level of short-time working schemes and unemployment benefits before and after the crisis

Country	UB duration (Dec. 2008)	UB duration (January 2010)	STW maximum duration (Dec. 2008)	STW maximum duration (January 2010)	UB level (Dec. 2008)	UB level (January 2010)	STW compensation (Dec. 2008)	STW compensation (January 2010)
AT	20 weeks after 52 weeks of work within 2 years, 30 weeks after 156 weeks of work within 5 years; 52 weeks for workers aged 39 and 50+ weeks for workers aged 40+ according to tenure; for workers participating in specific labour market policy activities: 156 weeks or up to 209 weeks	No change from 2008	3 months	6 months up to maximum 24 months (2010 to end 2012)	55% of average net reference income over a year. The total benefits may not exceed 60% of reference income (80% if dependants), with max ceiling	No change from 2008	Share of UB	From the 7th month the employer's part of SSC (21.33%) refunded in total by PES; the allowance can be combined with specific training grants + 60% of training costs paid by PES
BE	Unlimited	No change from 2008	4 weeks if full suspension of work; 3-12 months if partial suspension	4 weeks if full suspension of work; 3-12 months if partial suspension	58%-60% of reference wage, with max ceiling	No change from 2008	Share of UB + supplements possible by employer or sectoral fund	70% of the reference wage for cohabiting employee (up to max. € 2.206,46) and 75% of wage for persons living alone and for persons cohabiting with dependants (up to max. € 1.655 per month); incentives to follow training courses
DE	From 6 up to 24 months depending contribution paid and age)	No change from 2008	6 months. Extensions possible if exceptional LM circumstances	18 months (until December 210)	60-67% of reference net wage, with max ceiling	No change from 2008	Share of UB + supplements possible by employer	SSC reimbursed to employers by PES at the rate of 50% in the first 6 months of STW. As of 01.07.2009, beginning with the seventh month of STW, the employers receive SSC reimbursed at the rate of 100%
DK	4 years	No change from 2008	13 weeks (not continued). Prolongation possible at company level to 26 weeks		90% of previous earnings after deducting 8% social security contributions, with max and min ceiling	No change from 2008	Eligibility to UB	

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Country	UB duration (Dec. 2008)	UB duration (January 2010)	STW maximum duration (Dec. 2008)	STW maximum duration (January 2010)	UB level (Dec. 2008)	UB level (January 2010)	STW compensation (Dec. 2008)	STW compensation (January 2010)
FI	500 days (5 days/week; 100 weeks) after a 7-day waiting period	No change from 2008	36 months	Suspension of the 36 month duration limit for partial unemployment (the maximum payment period of 500 full working days remains)	Earnings related benefit: basic benefit plus 45% of daily reference earnings - DRE - in excess of basic benefit until € 102.60) plus 20% of DRE in excess of € 102.60	No change from 2008	Eligibility to Adjustment UB: income-related basic UB (€ 25.63 in 2009) plus 45% of the difference between the daily wages and that basic amount	Full unemployment benefits for the days on lay-off
FR	From 7 to 23 up to 36 for workers aged 50+	From 4 to 23 up to 36 for workers aged 50+	6 weeks, up to 600 hours per year in total	Rise of max. hours covered by the allowance from 600 to 800 hours/ year, with higher limit of 1.000 hours for textile, clothing and leather industries and automotive industry	From 75% of gross reference wage for low incomes and 57% for high incomes, with max ceiling	No change from 2008	50% of gross hourly wage (minimum 4.42 € per hour) by employer refunded € 2.13-2.44 per hour by state depending on company size	Permanent increase of partial unemployment allowance to 60%; Permanent rise of lower limit paid by companies to € 6.84 per hour not worked; Permanent increase in government funding for companies that use partial unemployment, of € 3.84 per hour not worked (increase of € 1.40) for companies employing up to 250 staff, € 3.33 per hour not worked (increase of € 1.20) for companies employing over 250 staff.
IE	15 months (12 months if reduced contributions)	12 months (9 months if reduced contributions)	Same conditions as UI		Flat rate payments per week	No change from 2008	Eligibility to UB (Jobseeker's Benefit)	
IT	8 months (12 months for unemployed aged over-50)	No change from 2008	CIGO: 12 months (up to 24 months in specific areas of the Country)		60% for first 6 months, 50% for 7th month, 40% for following months, with threshold, with max ceiling	No change from 2008	80% of last wage with upper threshold	
LU	365 calendar days in a 24-month period	No change from 2008	6 months over 12 months reference period	Maximum duration of about 130 days per year (in 2009-2010)	80% of reference average wage; 85% with dependent children, with max. ceiling (250% of minimum wage)		Eligibility to UB	90% of average wage if workers take part in training (max. 250% of minimum wage)

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Country	UB duration (Dec. 2008)	UB duration (January 2010)	STW maximum duration (Dec. 2008)	STW maximum duration (January 2010)	UB level (Dec. 2008)	UB level (January 2010)	STW compensation (Dec. 2008)	STW compensation (January 2010)
PT	270 if less than 27 years old, up to 900 days is 45+ (+ extended duration)	No change from 2008	Short-time: 6 months Full suspension of work: 18 months		65% of reference average salary, with max and min ceiling (maximum 3 times Social Support Index)	No change from 2008	2/3 of normal wage (maximum 3 times the minimum wage)	85% of previous average wage, during any training period in the framework of the Qualification Employment Programme. The QEP offers training opportunities, for up to 6 months, for workers of firms facing an exceptionally sharp fall in demand (in 2009 and 2010). Possible incentives for qualification, up to maximum 1/3 of normal gross compensation of the worker. The financial support applies to max. 20% of the workforce.
ES	From 120 to 720 days, depending on contribution record within last 6 years	No change from 2008	2 years		70% for max. 180 days, 60% of reference earnings for the remaining period, with max and min ceiling	No change from 2008	Eligibility to UB	
UK	182 days	No change from 2008	Statutory Guarantee Pay: 5 workless days every 3 months. Job Seeker Allowance 13 weeks		Flat rate payments per week (£ 60.50 for a single person aged 25 and over or £ 47.95 per week for those aged 16-24)	No change from 2008	Eligibility to UB (Jobseeker's Allowance) + Statutory Guarantee Pay	
Average								

Statistical Annex

Work Status of persons:				Belgium						
				2005	2006	2007	2008	2009	Changes 2008-2009	in
1	-	Population (total)	1000 pers.	10477	10546	10614	10708	10796	0.8	%
2	-	Population (working age: 15-64)		6876	6941	7008	7073	7126	0.7	%
		as % of total population		65.6	65.8	66.0	66.1	66.0	-0.1	p.p.
3	-	Labour force (15-64)	1000 pers.	4589	4616	4701	4747	4769	0.5	%
		Male		2557	2562	2595	2609	2609	0.0	%
		Female		2032	2054	2106	2138	2159	1.0	%
4	-	Activity rate (as % of population 15-64)		66.7	66.5	67.1	67.1	66.9	-0.2	p.p.
		Young (15-24)		35.0	34.7	33.9	33.4	32.4	-1.0	p.p.
		Prime age (25-54)		84.6	84.5	85.3	85.7	85.6	-0.1	p.p.
		Older (55-64)		33.3	33.6	35.9	36.1	37.2	1.1	p.p.
		Male		73.9	73.4	73.6	73.3	72.8	-0.5	p.p.
		Young (15-24)		37.6	37.4	36.1	36.0	34.9	-1.1	p.p.
		Prime age (25-54)		92.2	91.9	92.5	92.3	91.8	-0.5	p.p.
		Older (55-64)		43.4	42.7	44.4	44.4	45.2	0.8	p.p.
		Female		59.5	59.5	60.4	60.8	60.9	0.1	p.p.
		Young (15-24)		32.3	31.9	31.6	30.8	29.9	-0.9	p.p.
		Prime age (25-54)		76.8	77.0	78.0	79.0	79.2	0.2	p.p.
		Older (55-64)		23.4	24.6	27.5	27.9	29.3	1.4	p.p.
5	-	Employment rate (as % of pop. 15-64)		61.1	61.0	62.0	62.4	61.6	-0.8	p.p.
		Young (15-24)		27.5	27.6	27.5	27.4	25.3	-2.1	p.p.
		Prime age (25-54)		78.3	78.4	79.7	80.5	79.8	-0.7	p.p.
		Older (55-64)		31.8	32.0	34.4	34.5	35.3	0.8	p.p.
		Male		68.3	67.9	68.7	68.6	67.2	-1.4	p.p.
		Young (15-24)		29.7	30.4	29.9	29.7	27.4	-2.3	p.p.
		Prime age (25-54)		86.1	85.9	87.0	87.0	85.7	-1.3	p.p.
		Older (55-64)		41.7	40.9	42.9	42.8	42.9	0.1	p.p.
		Female		53.8	54.0	55.3	56.2	56.0	-0.2	p.p.
		Young (15-24)		25.2	24.7	25.0	25.0	23.2	-1.8	p.p.
		Prime age (25-54)		70.4	70.7	72.3	73.8	73.8	0.0	p.p.
		Older (55-64)		22.1	23.2	26.0	26.3	27.7	1.4	p.p.
6	-	Employed persons (age 15-64 -Th. pers.)		4199	4233	4348	4414	4389	-24	Th.
		Male (as % of total)		56.2	56.0	55.7	55.3	54.8	-0.4	p.p.
		Female (as % of total)		43.8	44.0	44.3	44.7	45.2	0.5	p.p.
7	-	Employment growth (%) (National accounts)		1.4	1.2	1.6	1.9	-0.5		p.p.
		Employment growth (%) (LFS - age 15-64)		1.9	0.8	2.7	1.5	-0.6		p.p.
		Male		1.4	0.4	2.1	0.7	-1.4		p.p.
		Female		2.5	1.3	3.5	2.5	0.5		p.p.
8	-	Self employed (% of total employment)		8.5	8.6	8.7	8.5	8.8	0.3	p.p.
		Male		10.2	10.4	10.4	10.3	10.5	0.2	p.p.
		Female		6.4	6.3	6.6	6.3	6.7	0.3	p.p.
9	-	Temporary employment (as % total)		8.8	8.7	8.6	8.3	8.2	-0.1	p.p.
		Male		6.8	6.9	6.8	6.6	6.5	-0.1	p.p.
		Female		11.4	10.8	10.8	10.2	10.2	0.0	p.p.
10	-	Part-time (as % of total employment)		21.7	22.0	21.9	22.4	23.2	0.8	p.p.
		Male		7.1	7.0	7.1	7.5	8.2	0.6	p.p.
		Female		40.4	41.0	40.5	40.8	41.4	0.6	p.p.

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Work Status of persons:	*Belgium*						
	2005	2006	2007	2008	2009	Changes 2008-2009	in
11 - Unemployment rate (Harmonised: 15-74)	8.5	8.3	7.5	7.0	7.9	0.9	p.p.
Young (15-24)	21.5	20.5	18.8	18.0	21.9	3.9	p.p.
Prime age (25-49)	7.6	7.4	6.8	6.3	7.1	0.8	p.p.
Older (55-64)	4.4	4.8	4.2	4.4	5.1	0.7	p.p.
Male	7.6	7.4	6.7	6.5	7.8	1.3	p.p.
Young (15-24)	21.0	18.8	17.1	17.3	21.5	4.2	p.p.
Prime age (25-49)	6.8	6.7	6.2	5.9	7.1	1.2	p.p.
Older (55-64)	3.8	4.2	3.6	3.6	5.0	1.4	p.p.
Female	9.5	9.3	8.5	7.6	8.1	0.5	p.p.
Young (15-24)	22.1	22.6	20.9	18.7	22.5	3.8	p.p.
Prime age (25-49)	8.6	8.2	7.4	6.8	7.1	0.3	p.p.
Older (55-64)	5.5	5.7	5.3	5.6	5.2	-0.4	p.p.
12 - Long-term unemployment rate							
(as % of total unemployment)	51.7	51.2	50.4	47.5	44.2	-3.3	p.p.
13 - Worked hours (average actual weekly hours)	37.0	36.8	37.1	36.8	36.8	0.0	%
Male	40.6	40.4	40.6	40.3	40.2	-0.2	%
Female	32.6	32.4	32.8	32.6	32.8	0.6	%
14 - Sectoral employment growth							
Agriculture	-1.2	-1.2	-2.4	-1.2	0.0		p.p.
Building and construction	1.3	3.8	3.6	2.7	-0.8		p.p.
Services	2.0	1.5	2.1	2.2	0.1		p.p.
Manufacturing industry	-1.1	-1.2	-1.1	0.1	:		p.p.

Source: Eurostat, labour force survey

Belgium

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Different measures of wage/labour costs:									
Compensation per employee	1.8	3.3	3.5	3.0	1.8	2.8	2.1	1.8	1.6
Compensation of employees per Hour Worked	1.0	3.2	3.8	2.8	3.1	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	2.5	2.6	3.8	:	:	:	:	:	:
Negotiated wages (Euro-area only)	:	:	:	:	:	:	:	:	:
Nominal Unit labour costs	1.4	1.7	2.2	3.9	4.4	7.5	6.5	3.9	1.4
Real unit labour costs deflated by GDP deflator.	-0.9	-0.5	-0.1	2.0	3.5	6.3	5.7	3.1	-0.3
Wage and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by Total Factor Productivity	1.6	2.1	2.4	4.1	5.2	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	68.1	67.7	67.3	68.4	70.7	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	30.8	30.8	31.3	31.1	:	:	:	:	:
Total wage (as a percentage of total labour costs) ANNUAL	69.2	69.2	68.7	68.9	:	:	:	:	:
Direct remuneration and bonuses (as a percentage of total labour costs)	60.7	60.7	60.2	60.4	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with no children, 100% and 100% of AW	55.5	55.4	55.5	56.0	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with 2 children, 100% and 100% of AW	51.3	51.2	51.4	51.7	:	:	:	:	:
Employers' social security contributions (as a percentage of total labour costs)	30.3	30.4	30.8	30.6	:	:	:	:	:
Other indirect costs (as a percentage of total labour costs)	0.5	0.5	0.5	0.5	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/Person Employed)	0.4	1.6	1.3	-0.8	-2.5	-4.5	-4.1	-2.0	0.2
Hourly Labour Productivity	-0.6	1.3	1.5	-1.1	-1.1	:	:	:	:
GDP	1.8	2.8	2.9	1.0	-3.0	-4.0	-4.4	-2.9	-1.1
ECFIN NAIRU estimate	7.8	7.9	7.8	7.8	8.0	:	:	:	:
Output gap (%)	0.3	1.3	2.3	1.5	-2.7	:	:	:	:
Headline inflation (harmonised consumer price index 1996=100)	2.5	2.3	1.8	4.5	-0.1	1.6	-0.2	-1.2	-0.2
Underlying inflation (exc. energy and unprocessed food)	1.4	1.6	1.9	2.7	1.8	2.3	2.4	1.9	1.5
GDP deflator	2.3	2.2	2.3	1.8	0.9	1.2	0.7	0.8	1.7
Sectoral breakdown of unit labour costs									
Agriculture and fishery	10.5	-4.4	5.9	0.0	5.1	-4.1	0.6	2.5	4.3
Industry excluding construction	0.0	1.6	0.2	2.5	5.4	8.6	8.2	5.0	-0.6
of which: manufacturing	-0.6	2.2	-0.3	2.2	:	:	:	:	:
Construction	-2.1	-1.5	4.5	6.8	4.2	7.3	3.8	5.1	0.8
Trade, transport and communication	2.3	3.1	0.0	4.1	8.7	14.0	12.9	6.7	2.3
Finance and business services	-0.4	2.0	5.0	2.4	2.2	2.6	2.7	1.8	1.3
Non-market related services	3.8	3.2	2.8	4.3	3.6	:	:	:	:
Market-related sectors	0.3	1.7	2.0	3.2	:	7.3	6.7	3.9	0.8
Sectoral breakdown of compensation per employee									
Total industries	1.8	3.3	3.5	3.0	2.0	:	:	:	:
Agriculture and fishery	-1.7	6.4	7.4	1.3	2.7	-4.2	-0.7	-1.7	2.0
Industry excluding construction	1.4	3.9	4.4	1.8	-0.2	-1.2	-0.6	-0.1	0.9
of which: manufacturing	1.2	3.9	4.5	1.8	:	:	:	:	:
Construction	0.0	3.1	3.2	3.8	0.8	0.9	-1.0	2.1	1.2
Trade, transport and communication	1.1	3.8	3.4	3.7	2.6	3.9	3.3	1.3	2.5
Finance and business services	1.3	2.7	3.2	0.8	2.9	1.9	2.6	3.1	3.6
Non-market related services	3.2	3.1	3.2	4.3	3.2	:	:	:	:

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Belgium

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Sectoral breakdown of labour productivity									
Agriculture and fishery	-11.0	11.3	1.4	1.3	-2.2	-0.1	-1.2	-4.1	-2.2
Industry excluding construction	1.4	2.2	4.3	-0.7	-5.3	-9.0	-8.1	-4.9	1.5
of which: manufacturing	1.8	1.6	4.8	-0.4	:	:	:	:	:
Construction	2.1	4.6	-1.3	-2.8	-3.2	-5.9	-4.7	-2.9	0.5
Trade, transport and communication	-1.2	0.7	3.4	-0.4	-5.6	-8.8	-8.5	-5.1	0.2
Finance and business services	1.7	0.7	-1.8	-1.5	0.7	-0.7	-0.1	1.3	2.3
Non-market related services	-0.6	-0.1	0.4	0.0	-0.4	-0.7	-0.8	-0.5	0.4
Market-related sectors	0.8	1.7	1.5	-0.8	-3.0	-5.4	-4.9	-2.7	1.1

Source: AMECO, Eurostat-National Account, ECB

* Note: available on an annual basis only

Work Status of persons:				Bulgaria						
				2005	2006	2007	2008	2009	Changes 2008-2009	in
1	-	Population (total)	1000 pers.	7747	7706	7673	7640	7607	-0.4	%
2	-	Population (working age: 15-64)		5283	5238	5198	5169	5122	-0.9	%
		as % of total population		68.2	68.0	67.7	67.7	67.3	-0.3	p.p.
3	-	Labour force (15-64)	1000 pers.	3281	3376	3448	3505	3442	-1.8	%
		Male		1751	1782	1820	1859	1828	-1.7	%
		Female		1530	1595	1628	1646	1614	-2.0	%
4	-	Activity rate (as % of population 15-64)		62.1	64.5	66.3	67.8	67.2	-0.6	p.p.
		Young (15-24)		27.9	28.9	28.9	30.1	29.5	-0.6	p.p.
		Prime age (25-54)		80.2	82.3	84.5	85.5	84.3	-1.2	p.p.
		Older (55-64)		38.0	43.0	45.7	48.7	49.2	0.5	p.p.
		Male		67.0	68.8	70.6	72.5	72.0	-0.5	p.p.
		Young (15-24)		31.1	31.3	31.7	34.0	34.0	0.0	p.p.
		Prime age (25-54)		83.3	85.1	87.5	88.8	88.0	-0.8	p.p.
		Older (55-64)		49.9	53.6	55.3	58.7	57.4	-1.3	p.p.
		Female		57.3	60.2	62.1	63.1	62.5	-0.6	p.p.
		Young (15-24)		24.5	26.4	26.0	26.1	24.8	-1.3	p.p.
		Prime age (25-54)		77.2	79.4	81.4	82.1	80.6	-1.5	p.p.
		Older (55-64)		27.8	33.9	37.2	40.2	42.1	1.9	p.p.
5	-	Employment rate (as % of pop. 15-64)		55.8	58.6	61.7	64.0	62.6	-1.4	p.p.
		Young (15-24)		21.6	23.2	24.5	26.3	24.8	-1.5	p.p.
		Prime age (25-54)		73.0	75.7	79.4	81.3	79.2	-2.1	p.p.
		Older (55-64)		34.7	39.6	42.6	46.0	46.1	0.1	p.p.
		Male		60.0	62.8	66.0	68.5	66.9	-1.6	p.p.
		Young (15-24)		23.9	25.4	27.1	29.3	28.0	-1.3	p.p.
		Prime age (25-54)		75.7	78.6	82.5	84.7	82.7	-2.0	p.p.
		Older (55-64)		45.5	49.5	51.8	55.8	54.1	-1.7	p.p.
		Female		51.7	54.6	57.6	59.5	58.3	-1.2	p.p.
		Young (15-24)		19.4	21.0	21.8	23.1	21.4	-1.7	p.p.
		Prime age (25-54)		70.3	72.8	76.2	77.9	75.8	-2.1	p.p.
		Older (55-64)		25.5	31.1	34.5	37.7	39.2	1.5	p.p.
6	-	Employed persons (age 15-64 -Th. pers.)		2947	3072	3209	3306	3205	-101	Th.
		Male (as % of total)		53.2	52.9	53.0	53.1	53.0	-0.1	p.p.
		Female (as % of total)		46.8	47.1	47.0	46.9	47.0	0.1	p.p.
7	-	Employment growth (%) (National accounts)		2.7	3.3	2.8	3.3	-2.9		p.p.
		Employment growth (%) (LFS - age 15-64)		0.9	4.2	4.5	3.0	-3.1		p.p.
		Male		1.7	3.7	4.6	3.2	-3.2		p.p.
		Female		-0.1	4.9	4.3	2.8	-2.9		p.p.
8	-	Self employed (% of total employment)		8.2	7.6	6.9	7.3	7.7	0.4	p.p.
		Male		9.9	9.1	8.3	8.7	9.2	0.5	p.p.
		Female		6.3	5.9	5.3	5.7	6.0	0.2	p.p.
9	-	Temporary employment (as % total)		6.3	6.1	5.1	4.9	4.6	-0.3	p.p.
		Male		6.6	6.2	4.8	5.5	5.1	-0.4	p.p.
		Female		6.1	6.1	5.4	4.3	4.1	-0.2	p.p.
10	-	Part-time (as % of total employment)		1.8	1.7	1.4	2.0	2.1	0.1	p.p.
		Male		1.5	1.2	1.1	1.6	1.8	0.2	p.p.
		Female		2.2	2.2	1.9	2.4	2.5	0.1	p.p.

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Work Status of persons:	*Bulgaria*						
	2005	2006	2007	2008	2009	Changes 2008-2009	in
11 - Unemployment rate (Harmonised: 15-74)	10.1	9.0	6.9	5.6	6.8	1.2	p.p.
Young (15-24)	22.3	19.5	15.1	12.7	16.2	3.5	p.p.
Prime age (25-49)	9.1	8.0	6.1	4.8	6.0	1.2	p.p.
Older (55-64)	8.6	7.9	6.8	5.5	6.3	0.8	p.p.
Male	10.3	8.7	6.5	5.5	7.0	1.5	p.p.
Young (15-24)	23.4	18.9	14.5	13.7	17.8	4.1	p.p.
Prime age (25-49)	9.1	7.6	5.7	4.5	6.0	1.5	p.p.
Older (55-64)	8.9	7.5	6.4	5.0	5.8	0.8	p.p.
Female	9.8	9.3	7.3	5.8	6.6	0.8	p.p.
Young (15-24)	21.0	20.3	15.9	11.4	13.8	2.4	p.p.
Prime age (25-49)	9.0	8.3	6.5	5.1	6.1	1.0	p.p.
Older (55-64)	8.3	8.3	7.4	6.1	6.8	0.7	p.p.
12 - Long-term unemployment rate							
(as % of total unemployment)	59.8	55.7	58.9	51.6	43.1	-8.5	p.p.
13 - Worked hours (average actual weekly hours)	41.1	41.4	41.6	41.6	41.4	-0.5	%
Male	41.5	41.9	42.1	42.2	41.8	-0.9	%
Female	40.6	40.8	41.0	41.0	40.9	-0.2	%
14 - Sectoral employment growth							
Agriculture	-1.5	-1.3	-0.9	0.9	:		p.p.
Building and construction	17.0	25.1	9.7	11.7	:		p.p.
Services	3.7	3.4	3.6	4.3	:		p.p.
Manufacturing industry	2.2	3.3	2.8	1.2	:		p.p.

Source: Eurostat, labour force survey

Bulgaria

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Different measures of wage/labour costs:									
Compensation per employee	5.9	7.4	17.9	19.3	8.7	:	:	:	:
Compensation of employees per Hour Worked	7.3	8.7	18.4	19.7	7.4	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	5.7	5.5	17.5	19.4	:	:	:	:	:
Negotiated wages (Euro-area only)	:	:	:	:	:	:	:	:	:
Nominal Unit labour costs	2.4	4.4	14.2	16.2	11.1	:	:	:	:
Real unit labour costs deflated by GDP deflator.	-1.3	-3.8	5.9	4.3	6.2	:	:	:	:
Wage and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by Total Factor Productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	56.0	54.5	56.8	59.5	62.0	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	24.9	21.5	20.0	:	:	:	:	:	:
Total wage (as a percentage of total labour costs) ANNUAL	75.1	78.5	80.0	:	:	:	:	:	:
Direct remuneration and bonuses (as a percentage of total labour costs)	65.3	69.0	71.9	:	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with no children, 100% and 100% of AW	38.9	35.4	36.5	35.1	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with 2 children, 100% and 100% of AW	32.4	29.4	31.4	31.1	:	:	:	:	:
Employers' social security contributions (as a percentage of total labour costs)	24.0	20.9	19.9	:	:	:	:	:	:
Other indirect costs (as a percentage of total labour costs)	0.9	0.7	0.1	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/Person Employed)	3.5	2.9	3.3	2.7	-2.2	-13.1	:	:	:
Hourly Labour Productivity	3.8	3.2	2.8	2.7	-2.1	:	:	:	:
GDP	6.2	6.3	6.2	6.0	-5.0	-3.5	-4.9	-5.4	-5.9
ECFIN NAIRU estimate	10.9	9.3	8.1	7.3	6.9	:	:	:	:
Output gap (%)	3.1	3.7	4.3	5.0	-2.9	:	:	:	:
Headline inflation (harmonised consumer price index 1996=100)	6.0	7.4	7.6	12.0	2.4	5.1	3.1	0.8	0.9
Underlying inflation (exc. energy and unprocessed food)	3.6	8.1	8.2	12.0	3.9	6.7	4.9	2.9	2.2
GDP deflator	3.8	8.5	7.9	11.4	4.6	7.3	7.6	2.6	1.9
Sectoral breakdown of unit labour costs									
Agriculture and fishery	20.3	8.9	55.3	1.0	:	21.0	23.6	14.6	26.0
Industry excluding construction	4.8	5.7	8.6	19.4	:	15.0	7.2	-0.1	-0.3
of which: manufacturing	3.4	2.6	:	:	:	:	:	:	:
Construction	2.6	15.7	:	:	:	21.0	10.4	7.9	5.5
Trade, transport and communication	0.6	2.0	:	:	:	14.8	15.4	19.3	-1.4
Finance and business services	12.4	12.3	:	:	:	12.6	3.3	8.5	0.8
Non-market related services	2.7	8.8	:	:	:	:	:	:	:
Market-related sectors	4.6	5.2	202.9	17.4	:	12.1	8.8	8.3	2.4
Sectoral breakdown of compensation per employee									
Total industries	5.8	7.4	17.9	19.3	7.4	:	:	:	:
Agriculture and fishery	10.5	9.3	10.1	24.6	:	15.0	15.9	15.2	13.1
Industry excluding construction	6.5	9.1	19.8	20.0	:	2.9	5.0	2.6	4.1
of which: manufacturing	8.0	10.5	21.2	19.7	:	:	:	:	:
Construction	-3.4	1.6	25.3	26.8	:	13.1	8.3	6.7	11.6
Trade, transport and communication	5.0	5.3	17.1	10.6	:	11.5	8.1	7.9	2.0
Finance and business services	18.5	14.5	15.7	26.4	:	16.3	9.1	10.9	-6.0
Non-market related services	3.7	6.2	16.4	21.0	:	:	:	:	:
Sectoral breakdown of labour productivity									

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Bulgaria

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Agriculture and fishery	-8.1	0.3	-29.1	23.4	:	-4.9	-6.2	0.5	-10.3
Industry excluding construction	1.6	3.2	10.3	0.5	:	-10.6	-2.0	2.7	4.3
of which: manufacturing	4.5	7.7	:	:	:	-13.9	-1.4	5.3	7.3
Construction	-5.9	-12.2	:	:	:	-6.6	-1.9	-1.1	5.8
Trade, transport and communication	4.4	3.2	:	:	:	-2.9	-6.3	-9.6	3.5
Finance and business services	5.4	1.9	:	:	:	3.4	5.6	2.2	-6.8
Non-market related services	1.0	-2.4	:	:	:	-4.5	8.3	6.6	2.1
Market-related sectors	2.4	2.9	-60.8	1.3	:	-2.3	-1.4	-1.7	0.3

Source: AMECO, Eurostat-National Account, ECB

* Note: available on an annual basis only

Work Status of persons:			*Czech Republic*						
			2005	2006	2007	2008	2009	Changes 2008-2009	in
1	- Population (total)	1000 pers.	10229	10265	10320	10422	10499	0.7	%
2	- Population (working age: 15-64)		7270	7307	7347	7410	7431	0.3	%
		as % of total population	71.1	71.2	71.2	71.1	70.8	-0.3	p.p.
3	- Labour force (15-64)	1000 pers.	5119	5140	5132	5163	5209	0.9	%
		Male	2857	2873	2888	2922	2952	1.0	%
		Female	2262	2267	2244	2241	2257	0.7	%
4	- Activity rate (as % of population 15-64)		70.4	70.3	69.9	69.7	70.1	0.4	p.p.
		Young (15-24)	34.0	33.5	31.9	31.1	31.8	0.7	p.p.
		Prime age (25-54)	88.3	88.2	87.8	87.3	87.7	0.4	p.p.
		Older (55-64)	46.9	47.7	48.2	49.5	49.6	0.1	p.p.
		Male	78.4	78.3	78.1	78.1	78.5	0.4	p.p.
		Young (15-24)	38.9	37.7	36.7	35.9	37.3	1.4	p.p.
		Prime age (25-54)	94.8	94.8	95.0	94.8	95.1	0.3	p.p.
		Older (55-64)	62.1	62.7	62.5	64.2	63.2	-1.0	p.p.
		Female	62.4	62.3	61.5	61.0	61.5	0.5	p.p.
		Young (15-24)	28.9	29.2	26.9	26.1	26.1	0.0	p.p.
		Prime age (25-54)	81.6	81.3	80.3	79.6	79.9	0.3	p.p.
		Older (55-64)	32.9	34.0	35.2	36.1	37.2	1.1	p.p.
5	- Employment rate (as % of pop. 15-64)		64.8	65.3	66.1	66.6	65.4	-1.2	p.p.
		Young (15-24)	27.5	27.7	28.5	28.1	26.5	-1.6	p.p.
		Prime age (25-54)	82.0	82.5	83.5	83.8	82.5	-1.3	p.p.
		Older (55-64)	44.5	45.2	46.0	47.6	46.8	-0.8	p.p.
		Male	73.3	73.7	74.8	75.4	73.8	-1.6	p.p.
		Young (15-24)	31.3	31.5	32.8	32.4	31.1	-1.3	p.p.
		Prime age (25-54)	89.8	90.4	91.7	92.1	90.5	-1.6	p.p.
		Older (55-64)	59.3	59.5	59.6	61.9	59.6	-2.3	p.p.
		Female	56.3	56.8	57.3	57.6	56.7	-0.9	p.p.
		Young (15-24)	23.4	23.7	23.9	23.5	21.7	-1.8	p.p.
		Prime age (25-54)	74.0	74.5	74.9	75.2	74.1	-1.1	p.p.
		Older (55-64)	30.9	32.1	33.5	34.4	35.0	0.6	p.p.
6	- Employed persons (age 15-64 -Th. pers.)		4710	4769	4856	4934	4857	-76	Th.
		Male (as % of total)	56.7	56.7	56.9	57.2	57.2	0.0	p.p.
		Female (as % of total)	43.3	43.3	43.1	42.8	42.8	0.0	p.p.
7	- Employment growth (%) (National accounts)		1.0	1.9	2.7	1.2	-1.2		p.p.
	Employment growth (%) (LFS - age 15-64)		1.7	1.3	1.8	1.6	-1.5		p.p.
		Male	2.6	1.2	2.2	2.0	-1.5		p.p.
		Female	0.6	1.3	1.3	1.1	-1.6		p.p.
8	- Self employed (% of total employment)		11.4	11.3	11.7	11.7	12.2	0.5	p.p.
		Male	14.7	14.3	14.8	14.8	15.2	0.3	p.p.
		Female	7.1	7.3	7.5	7.6	8.2	0.7	p.p.
9	- Temporary employment (as % total)		7.9	8.0	7.8	7.2	7.5	0.3	p.p.
		Male	6.9	6.8	6.5	5.7	6.1	0.4	p.p.
		Female	9.2	9.4	9.4	9.1	9.3	0.2	p.p.
10	- Part-time (as % of total employment)		4.4	4.4	4.4	4.3	4.8	0.5	p.p.
		Male	1.6	1.7	1.7	1.6	2.0	0.4	p.p.
		Female	8.0	8.0	7.9	7.8	8.5	0.6	p.p.

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Work Status of persons:	*Czech Republic*						
	2005	2006	2007	2008	2009	Changes 2008-2009	in
11 - Unemployment rate (Harmonised: 15-74)	7.9	7.2	5.3	4.4	6.7	2.3	p.p.
Young (15-24)	19.2	17.5	10.7	9.9	16.6	6.7	p.p.
Prime age (25-49)	7.0	6.3	4.8	4.0	6.0	2.0	p.p.
Older (55-64)	5.2	5.3	4.6	3.9	5.7	1.8	p.p.
Male	6.5	5.8	4.2	3.5	5.9	2.4	p.p.
Young (15-24)	19.3	16.6	10.6	9.8	16.6	6.8	p.p.
Prime age (25-49)	5.1	4.6	3.4	2.8	4.7	1.9	p.p.
Older (55-64)	4.5	5.1	4.5	3.5	5.6	2.1	p.p.
Female	9.8	8.9	6.7	5.6	7.7	2.1	p.p.
Young (15-24)	19.1	18.7	11.0	9.9	16.7	6.8	p.p.
Prime age (25-49)	9.4	8.4	6.7	5.6	7.6	2.0	p.p.
Older (55-64)	6.3	5.6	4.8	4.6	5.8	1.2	p.p.
12 - Long-term unemployment rate							
(as % of total unemployment)	53.0	54.2	52.3	49.3	30.1	-19.2	p.p.
13 - Worked hours (average actual weekly hours)	41.9	41.8	41.7	41.7	41.5	-0.5	%
Male	43.6	43.5	43.4	43.4	43.1	-0.7	%
Female	39.6	39.5	39.5	39.5	39.2	-0.8	%
14 - Sectoral employment growth							
Agriculture	-3.5	-0.7	-1.1	0.8	-2.2		p.p.
Building and construction	0.1	2.0	4.3	2.7	1.4		p.p.
Services	1.6	2.0	3.3	1.0	0.7		p.p.
Manufacturing industry	1.3	2.3	1.8	1.0	-5.9		p.p.

Source: Eurostat, labour force survey

Czech Republic

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Different measures of wage/labour costs:									
Compensation per employee	4.9	5.9	6.3	6.3	-0.8	0.5	-1.7	-2.3	-1.3
Compensation of employees per Hour Worked	*5.1*	6.1	7.2	5.7	2.1	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	*3.5*	6.4	7.9	7.9	:	:	:	:	:
Negotiated wages (Euro-area only)	:	:	:	:	:	:	:	:	:
Nominal Unit labour costs	-0.3	1.1	2.9	5.1	2.4	4.4	2.9	1.5	0.6
Real unit labour costs deflated by GDP deflator.	0.0	0.0	-0.5	3.2	-0.3	0.7	-0.5	-0.9	-0.7
Wage and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by Total Factor Productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	58.1	57.7	57.6	59.4	59.1	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	27.5	27.4	27.7	:	:	:	:	:	:
Total wage (as a percentage of total labour costs) ANNUAL	72.5	72.6	72.3	:	:	:	:	:	:
Direct remuneration and bonuses (as a percentage of total labour costs)	63.8	64.0	63.2	:	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with no children, 100% and 100% of AW	43.8	42.6	42.9	43.4	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with 2 children, 100% and 100% of AW	40.5	39.4	37.4	37.8	:	:	:	:	:
Employers' social security contributions (as a percentage of total labour costs)	26.2	26.1	26.9	:	:	:	:	:	:
Other indirect costs (as a percentage of total labour costs)	1.3	1.3	0.8	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/Person Employed)	5.2	4.8	3.4	1.2	-3.1	-3.7	-4.4	-3.7	-1.9
Hourly Labour Productivity	4.6	5.0	4.0	0.5	0.5	:	:	:	:
GDP	6.3	6.8	6.1	2.5	-4.2	-3.9	-5.2	-5.0	-2.8
ECFIN NAIRU estimate	7.0	6.8	6.5	6.4	6.6	:	:	:	:
Output gap (%)	1.0	3.9	6.0	4.8	-2.2	:	:	:	:
Headline inflation (harmonised consumer price index 1996=100)	1.6	2.1	3.0	6.3	0.8	1.5	1.0	-0.1	0.0
Underlying inflation (exc. energy and unprocessed food)	0.9	0.9	3.1	5.8	0.7	1.3	0.9	0.0	-0.2
GDP deflator	-0.3	1.1	3.4	1.8	2.7	3.7	3.4	2.4	1.3
Sectoral breakdown of unit labour costs									
Agriculture and fishery	-4.0	29.7	20.5	12.4	:	-36.5	-43.1	-28.4	-40.4
Industry excluding construction	2.9	-0.7	3.1	10.2	:	5.3	11.5	10.4	4.7
of which: manufacturing	-5.3	-6.0	-0.2	-1.8	6.8	:	:	:	:
Construction	13.7	5.8	7.1	23.5	:	1.0	-2.1	-2.2	-1.9
Trade, transport and communication	4.8	2.0	3.6	17.2	:	7.6	1.9	1.3	1.3
Finance and business services	8.4	15.5	4.4	22.0	:	4.8	0.6	-3.9	-0.6
Non-market related services	13.5	11.3	10.8	18.2	:	:	:	:	:
Market-related sectors	-2.0	-0.6	2.3	3.9	:	4.5	3.3	1.4	1.1
Sectoral breakdown of compensation per employee									
Total industries	12.4	11.3	8.6	18.4	-5.1	:	:	:	:
Agriculture and fishery	10.5	10.3	7.5	17.2	:	-0.4	-2.3	-2.5	-3.1
Industry excluding construction	12.0	10.3	9.1	17.3	:	-2.7	-5.0	-3.9	0.4
of which: manufacturing	4.6	5.2	7.1	4.9	-3.7	:	:	:	:
Construction	12.2	10.9	7.5	20.3	:	-1.9	-2.3	-4.0	0.2
Trade, transport and communication	11.5	11.6	8.3	20.8	:	1.5	-1.7	-3.1	-3.9
Finance and business services	10.9	14.8	8.2	18.7	:	-0.3	-1.9	-4.6	-2.3
Non-market related services	13.8	10.6	8.2	15.8	:	:	:	:	:

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Czech Republic

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Sectoral breakdown of labour productivity									
Agriculture and fishery	15.1	-14.9	-10.8	4.3	:	56.9	71.6	36.1	62.6
Industry excluding construction	8.8	11.1	5.8	6.4	:	-7.6	-14.8	-13.0	-4.1
of which: manufacturing	10.5	12.0	7.3	6.8	-9.9	-11.9	-13.5	-9.4	-4.0
Construction	-1.3	4.8	0.3	-2.6	:	-2.8	-0.2	-1.9	2.1
Trade, transport and communication	6.4	9.4	4.5	3.1	:	-5.7	-3.5	-4.3	-5.1
Finance and business services	2.3	-0.6	3.7	-2.7	:	-4.8	-2.4	-0.7	-1.8
Non-market related services	0.2	-0.6	-2.4	-2.0	:	-0.9	0.0	0.6	-1.5
Market-related sectors	6.6	6.8	4.1	3.0	:	-5.0	-6.1	-4.9	-2.4

Source: AMECO, Eurostat-National Account, ECB

* Note: available on an annual basis only

Work Status of persons:				*Denmark*						
				2005	2006	2007	2008	2009	Changes 2008-2009	in
1	-	Population (total)	1000 pers.	5396	5415	5431	5483	5517	0.6	%
2	-	Population (working age: 15-64)		3566	3569	3573	3591	3592	0.0	%
			as % of total population	66.1	65.9	65.8	65.5	65.1	-0.4	p.p.
3	-	Labour force (15-64)	1000 pers.	2846	2875	2866	2902	2897	-0.2	%
			Male	1504	1516	1513	1528	1521	-0.4	%
			Female	1341	1360	1353	1374	1376	0.2	%
4	-	Activity rate (as % of population 15-64)		79.8	80.6	80.2	80.8	80.7	-0.1	p.p.
			Young (15-24)	68.1	69.9	70.9	72.5	71.7	-0.8	p.p.
			Prime age (25-54)	88.1	88.9	89.0	90.2	89.7	-0.5	p.p.
			Older (55-64)	62.8	63.2	60.8	58.7	60.3	1.6	p.p.
			Male	83.6	84.1	83.9	84.4	84.0	-0.4	p.p.
			Young (15-24)	70.0	70.5	72.3	73.3	72.6	-0.7	p.p.
			Prime age (25-54)	91.7	92.3	92.5	93.4	92.4	-1.0	p.p.
			Older (55-64)	68.7	69.6	66.9	66.0	67.7	1.7	p.p.
			Female	75.9	77.0	76.4	77.1	77.3	0.2	p.p.
			Young (15-24)	66.2	69.3	69.4	71.7	70.7	-1.0	p.p.
			Prime age (25-54)	84.5	85.4	85.4	87.0	87.0	0.0	p.p.
			Older (55-64)	56.8	56.7	54.6	51.5	53.0	1.5	p.p.
5	-	Employment rate (as % of pop. 15-64)		75.9	77.4	77.1	78.1	75.7	-2.4	p.p.
			Young (15-24)	62.3	64.6	65.3	67.0	63.6	-3.4	p.p.
			Prime age (25-54)	84.5	86.1	86.3	88.0	85.1	-2.9	p.p.
			Older (55-64)	59.5	60.7	58.6	57.0	57.5	0.5	p.p.
			Male	79.8	81.2	81.0	81.9	78.3	-3.6	p.p.
			Young (15-24)	63.9	65.0	66.3	68.3	63.6	-4.7	p.p.
			Prime age (25-54)	88.3	90.1	90.2	91.3	87.2	-4.1	p.p.
			Older (55-64)	65.6	67.1	64.9	64.3	64.1	-0.2	p.p.
			Female	71.9	73.4	73.2	74.3	73.1	-1.2	p.p.
			Young (15-24)	60.5	64.1	64.2	65.7	63.7	-2.0	p.p.
			Prime age (25-54)	80.6	82.0	82.4	84.6	82.9	-1.7	p.p.
			Older (55-64)	53.5	54.3	52.4	49.8	50.9	1.1	p.p.
6	-	Employed persons (age 15-64 -Th. pers.)		2706	2762	2757	2804	2721	-83	Th.
			Male (as % of total)	53.1	53.0	53.0	52.8	52.2	-0.7	p.p.
			Female (as % of total)	46.9	47.0	47.0	47.2	47.8	0.7	p.p.
7	-	Employment growth (%) (National accounts)		1.0	2.1	2.9	1.4	-3.6		p.p.
		Employment growth (%) (LFS - age 15-64)		0.0	2.0	-0.2	1.7	-3.0		p.p.
			Male	-0.2	1.9	-0.3	1.4	-4.2		p.p.
			Female	0.3	2.1	-0.1	2.1	-1.6		p.p.
8	-	Self employed (% of total employment)		4.0	4.1	4.2	4.3	4.7	0.4	p.p.
			Male	5.3	5.3	5.5	5.7	6.1	0.4	p.p.
			Female	2.6	2.7	2.7	2.7	3.0	0.3	p.p.
9	-	Temporary employment (as % total)		9.8	8.9	8.6	8.3	8.9	0.6	p.p.
			Male	8.4	7.9	7.4	7.5	8.3	0.8	p.p.
			Female	11.3	9.9	9.9	9.1	9.6	0.5	p.p.
10	-	Part-time (as % of total employment)		21.5	22.9	23.5	23.9	25.2	1.3	p.p.
			Male	11.7	12.3	12.5	13.1	14.0	0.9	p.p.
			Female	32.5	34.9	35.8	36.0	37.4	1.4	p.p.

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Work Status of persons:	*Denmark*						
	2005	2006	2007	2008	2009	Changes 2008-2009	in
11 - Unemployment rate (Harmonised: 15-74)	4.8	3.9	3.8	3.3	6.0	2.7	p.p.
Young (15-24)	8.6	7.7	7.9	7.6	11.2	3.6	p.p.
Prime age (25-49)	4.2	3.2	3.1	2.5	5.3	2.8	p.p.
Older (55-64)	5.2	3.9	3.5	2.9	4.7	1.8	p.p.
Male	4.4	3.3	3.5	3.0	6.5	3.5	p.p.
Young (15-24)	8.6	7.9	8.2	6.9	12.4	5.5	p.p.
Prime age (25-49)	3.8	2.4	2.7	2.3	5.7	3.4	p.p.
Older (55-64)	4.6	3.5	3.1	2.6	5.3	2.7	p.p.
Female	5.3	4.5	4.2	3.7	5.4	1.7	p.p.
Young (15-24)	8.6	7.5	7.5	8.4	9.9	1.5	p.p.
Prime age (25-49)	4.8	4.1	3.6	2.8	4.9	2.1	p.p.
Older (55-64)	5.8	4.3	4.1	3.2	3.9	0.7	p.p.
12 - Long-term unemployment rate							
(as % of total unemployment)	23.4	20.8	16.2	13.6	9.1	-4.5	p.p.
13 - Worked hours (average actual weekly hours)	35.6	35.3	35.5	35.2	33.7	-4.3	%
Male	38.3	38.1	38.1	37.7	35.8	-5.0	%
Female	32.4	32.2	32.5	32.4	31.3	-3.4	%
14 - Sectoral employment growth							
Agriculture	-1.2	-2.4	-1.2	1.2	-2.4		p.p.
Building and construction	6.8	6.9	4.3	0.0	-10.4		p.p.
Services	1.3	2.3	3.0	1.8	-2.0		p.p.
Manufacturing industry	-2.3	-0.8	2.8	0.0	-10.3		p.p.

Source: Eurostat, labour force survey

Denmark

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Different measures of wage/labour costs:									
Compensation per employee	3.6	3.5	3.7	4.1	3.7	4.6	3.9	3.9	1.4
Compensation of employees per Hour Worked	3.8	3.2	4.8	4.5	3.5	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	3.0	2.9	3.5	3.6	:	:	:	:	:
Negotiated wages (Euro-area only)	:	:	:	:	:	:	:	:	:
Nominal Unit labour costs	2.2	2.2	4.9	6.5	5.1	7.0	9.7	4.9	-0.8
Real unit labour costs deflated by GDP deflator.	-0.7	0.1	2.9	2.8	4.7	6.3	9.8	4.6	-1.7
Wage and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by Total Factor Productivity	2.5	2.5	4.9	6.8	7.0	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	67.0	67.2	69.2	70.7	73.2	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	13.3	14.2	14.5	:	:	:	:	:	:
Total wage (as a percentage of total labour costs) ANNUAL	86.7	85.8	85.5	:	:	:	:	:	:
Direct remuneration and bonuses (as a percentage of total labour costs)	70.3	69.4	68.6	:	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with no children, 100% and 100% of AW	41.4	41.3	41.3	41.2	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with 2 children, 100% and 100% of AW	38.1	37.9	38.1	38.0	:	:	:	:	:
Employers' social security contributions (as a percentage of total labour costs)	10.9	11.6	12.1	:	:	:	:	:	:
Other indirect costs (as a percentage of total labour costs)	2.4	2.6	2.3	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/Person Employed)	1.4	1.3	-1.2	-2.2	-1.3	-2.3	-5.3	-0.9	2.2
Hourly Labour Productivity	1.4	0.9	-0.3	-2.0	-1.3	:	:	:	:
GDP	2.4	3.4	1.7	-0.9	-4.9	-3.9	-7.2	-5.2	-3.2
ECFIN NAIRU estimate	4.5	4.4	4.5	4.3	4.7	:	:	:	:
Output gap (%)	0.8	2.5	2.6	0.2	-5.1	:	:	:	:
Headline inflation (harmonised consumer price index 1996=100)	1.7	1.9	1.7	3.6	1.0	1.7	1.1	0.6	0.9
Underlying inflation (exc. energy and unprocessed food)	1.0	1.3	1.6	3.0	1.7	2.3	2.0	1.7	1.3
GDP deflator	2.9	2.1	1.9	3.6	0.4	0.6	-0.1	0.3	0.9
Sectoral breakdown of unit labour costs									
Agriculture and fishery	9.0	8.4	19.2	0.0	2.7	11.7	0.7	10.4	-8.5
Industry excluding construction	2.6	2.1	8.3	3.6	5.0	7.7	12.1	3.2	-2.9
of which: manufacturing	1.8	:	:	:	:	:	:	:	:
Construction	6.3	3.5	8.5	10.4	3.8	2.0	5.1	3.6	5.8
Trade, transport and communication	3.4	-0.5	3.8	8.4	9.7	14.9	16.0	7.9	0.2
Finance and business services	3.0	4.6	7.5	6.8	-2.1	1.5	2.3	-3.1	-9.2
Non-market related services	2.7	2.8	2.8	4.7	4.4	:	:	:	:
Market-related sectors	3.8	2.6	6.3	6.6	:	6.5	8.4	2.3	-4.2
Sectoral breakdown of compensation per employee									
Total industries	3.5	3.4	3.8	4.0	3.9	:	:	:	:
Agriculture and fishery	2.2	3.9	6.7	2.0	3.6	8.8	2.5	0.9	3.4
Industry excluding construction	5.0	4.1	4.6	3.6	2.9	5.3	2.2	2.9	0.9
of which: manufacturing	4.8	:	:	:	:	:	:	:	:
Construction	3.2	2.6	6.0	4.6	1.7	3.8	2.6	1.4	0.2
Trade, transport and communication	4.5	2.4	3.6	3.6	1.7	3.2	1.5	1.4	0.0
Finance and business services	3.1	3.0	3.8	3.4	4.0	6.3	3.4	4.6	1.7
Non-market related services	2.2	3.5	2.8	4.9	6.3	:	:	:	:

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Denmark

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Sectoral breakdown of labour productivity									
Agriculture and fishery	-6.2	-4.2	-10.5	2.0	0.9	-2.6	1.8	-8.6	13.0
Industry excluding construction	2.4	2.0	-3.4	0.0	-1.9	-2.2	-8.8	-0.3	3.9
of which: manufacturing	2.9	5.3	0.2	-0.3	-1.7	-1.9	-9.9	0.3	5.7
Construction	-3.0	-0.9	-2.4	-5.3	-2.1	1.7	-2.4	-2.1	-5.3
Trade, transport and communication	1.0	3.0	-0.2	-4.5	-7.3	-10.1	-12.5	-6.0	-0.2
Finance and business services	0.1	-1.5	-3.4	-3.1	6.3	4.7	1.1	7.9	12.0
Non-market related services	-0.5	0.7	0.0	0.2	1.9	2.7	2.4	1.8	0.7
Market-related sectors	0.6	0.8	-2.1	-2.7	-0.6	-1.8	-5.6	0.1	5.0

Source: AMECO, Eurostat-National Account, ECB

* Note: available on an annual basis only

Work Status of persons:				*Germany*						
				2005	2006	2007	2008	2009	Changes 2008-2009	in
1	-	Population (total)	1000 pers.	81529	81489	81363	81265	80967	-0.4	%
2	-	Population (working age: 15-64)		54765	54533	54226	54066	53763	-0.6	%
		as % of total population		67.2	66.9	66.6	66.5	66.4	-0.1	p.p.
3	-	Labour force (15-64)	1000 pers.	40706	41078	41207	41374	41351	-0.1	%
		Male		22210	22343	22317	22353	22272	-0.4	%
		Female		18496	18735	18890	19021	19080	0.3	%
4	-	Activity rate (as % of population 15-64)		74.3	75.3	76.0	76.5	76.9	0.4	p.p.
		Young (15-24)		49.9	50.3	51.4	52.5	52.0	-0.5	p.p.
		Prime age (25-54)		87.1	87.6	87.8	87.9	88.0	0.1	p.p.
		Older (55-64)		52.1	55.2	57.5	58.8	61.1	2.3	p.p.
		Male		80.6	81.3	81.8	82.1	82.3	0.2	p.p.
		Young (15-24)		52.5	52.9	53.7	54.8	54.4	-0.4	p.p.
		Prime age (25-54)		93.6	93.8	93.8	93.6	93.4	-0.2	p.p.
		Older (55-64)		61.2	64.0	66.1	67.3	69.4	2.1	p.p.
		Female		68.0	69.3	70.1	70.8	71.4	0.6	p.p.
		Young (15-24)		47.3	47.6	49.0	50.0	49.6	-0.4	p.p.
		Prime age (25-54)		80.6	81.4	81.8	82.1	82.5	0.4	p.p.
		Older (55-64)		43.1	46.6	49.1	50.6	53.0	2.4	p.p.
5	-	Employment rate (as % of pop. 15-64)		66.0	67.5	69.4	70.7	70.9	0.2	p.p.
		Young (15-24)		42.2	43.4	45.3	46.9	46.2	-0.7	p.p.
		Prime age (25-54)		78.2	79.4	80.9	81.8	81.6	-0.2	p.p.
		Older (55-64)		45.4	48.4	51.5	53.8	56.2	2.4	p.p.
		Male		71.3	72.8	74.7	75.9	75.6	-0.3	p.p.
		Young (15-24)		43.7	45.1	46.9	48.8	47.6	-1.2	p.p.
		Prime age (25-54)		83.7	84.9	86.4	87.2	86.2	-1.0	p.p.
		Older (55-64)		53.5	56.4	59.7	61.8	63.9	2.1	p.p.
		Female		60.6	62.2	64.0	65.4	66.2	0.8	p.p.
		Young (15-24)		40.7	41.6	43.5	45.0	44.7	-0.3	p.p.
		Prime age (25-54)		72.5	73.7	75.2	76.3	76.9	0.6	p.p.
		Older (55-64)		37.5	40.6	43.6	46.1	48.7	2.6	p.p.
6	-	Employed persons (age 15-64 -Th. pers.)		36138	36833	37612	38239	38131	-108	Th.
		Male (as % of total)		54.4	54.3	54.2	54.0	53.6	-0.4	p.p.
		Female (as % of total)		45.6	45.7	45.8	46.0	46.4	0.4	p.p.
7	-	Employment growth (%) (National accounts)		-0.1	0.6	1.7	1.4	0.0		p.p.
		Employment growth (%) (LFS - age 15-64)		3.2	1.9	2.1	1.7	-0.3		p.p.
		Male		2.1	1.8	1.9	1.4	-1.1		p.p.
		Female		4.5	2.0	2.4	2.0	0.7		p.p.
8	-	Self employed (% of total employment)		6.0	6.0	5.8	5.7	5.8	0.1	p.p.
		Male		7.2	7.0	6.7	6.6	6.8	0.2	p.p.
		Female		4.7	4.7	4.7	4.6	4.6	0.0	p.p.
9	-	Temporary employment (as % total)		14.2	14.5	14.6	14.7	14.5	-0.2	p.p.
		Male		14.5	14.8	14.7	14.8	14.4	-0.4	p.p.
		Female		13.9	14.2	14.5	14.7	14.7	0.0	p.p.
10	-	Part-time (as % of total employment)		23.4	25.2	25.4	25.2	25.4	0.2	p.p.
		Male		6.9	8.5	8.5	8.4	8.6	0.3	p.p.
		Female		43.0	45.1	45.3	44.9	44.8	-0.2	p.p.

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Work Status of persons:	*Germany*						
	2005	2006	2007	2008	2009	Changes 2008-2009	in
11 - Unemployment rate (Harmonised: 15-74)	10.7	9.8	8.4	7.3	7.5	0.2	p.p.
Young (15-24)	15.5	13.7	11.9	10.5	11.2	0.7	p.p.
Prime age (25-49)	10.1	9.3	7.8	6.9	7.2	0.3	p.p.
Older (55-64)	12.8	12.4	10.3	8.5	8.0	-0.5	p.p.
Male	11.2	10.2	8.5	7.4	8.0	0.6	p.p.
Young (15-24)	16.8	14.8	12.6	11.0	12.4	1.4	p.p.
Prime age (25-49)	10.4	9.4	7.8	6.8	7.7	0.9	p.p.
Older (55-64)	12.6	11.9	9.7	8.2	8.0	-0.2	p.p.
Female	10.1	9.5	8.3	7.2	6.9	-0.3	p.p.
Young (15-24)	13.9	12.5	11.1	9.9	9.7	-0.2	p.p.
Prime age (25-49)	9.8	9.2	7.9	6.9	6.8	-0.1	p.p.
Older (55-64)	13.0	13.0	11.2	9.0	8.1	-0.9	p.p.
12 - Long-term unemployment rate							
(as % of total unemployment)	53.0	56.4	56.6	52.6	45.5	-7.1	p.p.
13 - Worked hours (average actual weekly hours)	35.7	35.6	35.5	35.6	35.7	0.3	%
Male	40.2	40.1	40.0	40.0	40.1	0.2	%
Female	30.3	30.3	30.2	30.4	30.5	0.3	%
14 - Sectoral employment growth							
Agriculture	-2.3	-1.9	1.6	1.2	0.6		p.p.
Building and construction	-3.3	-0.2	1.6	-0.7	0.3		p.p.
Services	0.6	1.2	1.8	1.5	0.6		p.p.
Manufacturing industry	-1.5	-0.8	1.2	1.6	-2.7		p.p.

Source: Eurostat, labour force survey

Germany

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Different measures of wage/labour costs:									
Compensation per employee	-0.1	1.0	1.0	2.1	-0.1	0.5	-0.2	0.0	0.1
Compensation of employees per Hour Worked	0.0	1.3	0.9	2.4	2.9	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	0.7	1.6	1.2	2.5	:	:	:	:	:
Negotiated wages (Euro-area only)	:	:	:	:	:	:	:	:	:
Nominal Unit labour costs	-1.0	-1.5	0.2	2.2	5.1	7.9	7.4	4.6	1.2
Real unit labour costs deflated by GDP deflator.	-1.6	-2.0	-1.7	0.7	3.5	6.2	6.0	2.6	0.1
Wage and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by Total Factor Productivity	-0.8	-1.5	0.0	2.3	5.5	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	63.6	62.5	61.9	62.2	64.3	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	23.5	23.8	23.3	:	:	:	:	:	:
Total wage (as a percentage of total labour costs) ANNUAL	76.5	76.2	76.7	:	:	:	:	:	:
Direct remuneration and bonuses (as a percentage of total labour costs)	64.6	64.4	64.8	:	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with no children, 100% and 100% of AW	52.4	52.5	52.2	52.0	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with 2 children, 100% and 100% of AW	48.0	48.1	47.9	47.7	:	:	:	:	:
Employers' social security contributions (as a percentage of total labour costs)	23.1	23.3	22.9	:	:	:	:	:	:
Other indirect costs (as a percentage of total labour costs)	0.4	0.4	0.4	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/Person Employed)	0.9	2.5	0.8	-0.1	-4.9	-6.8	-7.1	-4.4	-1.0
Hourly Labour Productivity	1.4	2.9	0.7	0.0	-2.2	:	:	:	:
GDP	0.8	3.2	2.5	1.3	-4.9	-6.4	-7.0	-4.7	-1.7
ECFIN NAIRU estimate	8.7	8.6	8.4	8.3	8.1	:	:	:	:
Output gap (%)	-1.1	1.2	2.7	3.0	-2.9	:	:	:	:
Headline inflation (harmonised consumer price index 1996=100)	1.9	1.8	2.3	2.8	0.2	0.8	0.2	-0.4	0.3
Underlying inflation (exc. energy and unprocessed food)	1.0	0.8	2.1	1.8	1.0	1.1	1.3	1.1	1.1
GDP deflator	0.7	0.5	1.9	1.5	1.5	1.6	1.3	1.9	1.0
Sectoral breakdown of unit labour costs									
Agriculture and fishery	12.2	2.9	4.4	1.1	2.5	3.4	3.1	3.2	1.1
Industry excluding construction	-2.4	-2.4	0.2	3.1	14.5	22.2	22.6	12.5	2.2
of which: manufacturing	-3.1	-3.5	-0.3	2.8	15.2	:	:	:	:
Construction	0.8	1.8	2.6	-2.8	1.7	4.1	3.7	0.1	-0.8
Trade, transport and communication	-1.3	-1.3	-0.3	2.1	5.9	8.8	9.1	3.4	3.0
Finance and business services	0.6	-1.2	0.7	3.1	1.3	2.0	2.3	0.9	0.2
Non-market related services	-1.0	-0.7	-0.8	1.5	3.7	:	:	:	:
Market-related sectors	-1.0	-1.5	0.1	2.3	:	9.4	9.3	4.6	1.1
Sectoral breakdown of compensation per employee									
Total industries	-0.1	1.0	1.0	2.1	0.0	:	:	:	:
Agriculture and fishery	0.4	1.5	1.3	3.7	2.2	3.1	2.1	2.3	2.1
Industry excluding construction	0.5	3.8	0.9	1.7	-2.6	-2.0	-3.7	-2.5	-1.9
of which: manufacturing	0.5	3.8	1.0	1.6	-3.1	:	:	:	:
Construction	-0.7	1.0	1.8	1.3	0.3	-2.0	0.6	0.9	1.4
Trade, transport and communication	0.4	0.7	1.0	2.7	0.3	2.1	1.4	-2.0	0.0
Finance and business services	1.2	-0.8	1.9	1.9	0.9	0.9	1.7	0.7	0.7
Non-market related services	-1.5	-0.2	0.2	2.0	2.7	:	:	:	:

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Germany									
Indicator board on wage developments									
	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Sectoral breakdown of labour productivity									
Agriculture and fishery	-10.5	-1.3	-3.0	2.6	-0.3	-0.2	-1.0	-0.8	1.0
Industry excluding construction	3.0	6.3	0.7	-1.3	-14.9	-19.8	-21.5	-13.3	-4.0
of which: manufacturing	3.7	7.6	1.3	-1.1	-15.9	-21.4	-22.5	-14.2	-4.3
Construction	-1.5	-0.8	-0.8	4.2	-1.4	-5.9	-3.0	0.8	2.3
Trade, transport and communication	1.7	2.1	1.3	0.6	-5.3	-6.1	-7.1	-5.2	-2.9
Finance and business services	0.5	0.4	1.2	-1.2	-0.4	-1.0	-0.6	-0.2	0.4
Non-market related services	-0.5	0.5	1.0	0.6	-1.0	-1.3	-1.4	-1.1	-0.3
Market-related sectors	1.6	3.1	1.1	-0.2	-6.6	-8.8	-9.5	-5.9	-2.0

Source: AMECO, Eurostat-National Account, ECB

* Note: available on an annual basis only

Work Status of persons:			*Estonia*						
			2005	2006	2007	2008	2009	Changes 2008-2009	in
1	- Population (total)	1000 pers.	1343	1339	1338	1336	1336	-0.1	%
2	- Population (working age: 15-64)		910	913	909	907	906	-0.1	%
		as % of total population	67.7	68.1	68.0	67.9	67.8	-0.1	p.p.
3	- Labour force (15-64)	1000 pers.	638	661	663	671	670	-0.2	%
		Male	319	332	338	340	337	-1.0	%
		Female	319	329	325	331	333	0.6	%
4	- Activity rate (as % of population 15-64)		70.1	72.4	72.9	74.0	74.0	0.0	p.p.
		Young (15-24)	34.6	35.9	38.3	41.4	39.9	-1.5	p.p.
		Prime age (25-54)	86.0	89.1	88.5	88.1	87.8	-0.3	p.p.
		Older (55-64)	59.0	61.0	62.2	65.1	66.7	1.6	p.p.
		Male	73.6	75.8	77.5	78.3	77.6	-0.7	p.p.
		Young (15-24)	39.7	41.2	44.2	45.2	45.0	-0.2	p.p.
		Prime age (25-54)	89.2	92.8	93.6	92.9	91.9	-1.0	p.p.
		Older (55-64)	62.9	61.6	63.7	68.8	67.4	-1.4	p.p.
		Female	66.9	69.3	68.7	70.1	70.6	0.5	p.p.
		Young (15-24)	29.5	30.6	32.3	37.5	34.7	-2.8	p.p.
		Prime age (25-54)	83.1	85.7	83.7	83.6	83.9	0.3	p.p.
		Older (55-64)	56.0	60.5	61.0	62.3	66.1	3.8	p.p.
5	- Employment rate (as % of pop. 15-64)		64.4	68.1	69.4	69.8	63.5	-6.3	p.p.
		Young (15-24)	29.1	31.6	34.5	36.4	28.9	-7.5	p.p.
		Prime age (25-54)	79.6	84.2	84.8	83.9	76.4	-7.5	p.p.
		Older (55-64)	56.1	58.5	60.0	62.4	60.4	-2.0	p.p.
		Male	67.0	71.0	73.2	73.6	64.1	-9.5	p.p.
		Young (15-24)	33.1	37.0	38.9	39.5	30.8	-8.7	p.p.
		Prime age (25-54)	81.9	87.5	89.7	88.5	77.4	-11.1	p.p.
		Older (55-64)	59.3	57.5	59.4	65.2	59.4	-5.8	p.p.
		Female	62.1	65.3	65.9	66.3	63.0	-3.3	p.p.
		Young (15-24)	25.1	26.1	30.0	33.2	27.0	-6.2	p.p.
		Prime age (25-54)	77.5	81.1	80.1	79.5	75.5	-4.0	p.p.
		Older (55-64)	53.7	59.2	60.5	60.3	61.2	0.9	p.p.
6	- Employed persons (age 15-64 -Th. pers.)		586	621	631	634	576	-58	Th.
		Male (as % of total)	49.6	50.0	50.6	50.5	48.4	-2.2	p.p.
		Female (as % of total)	50.4	50.0	49.4	49.4	51.6	2.2	p.p.
7	- Employment growth (%) (National accounts)		2.0	5.4	0.8	0.2	-9.9		p.p.
	Employment growth (%) (LFS - age 15-64)		2.3	5.9	1.5	0.4	-9.1		p.p.
		Male	1.8	6.9	2.7	0.3	-13.0		p.p.
		Female	2.9	5.0	0.4	0.5	-5.1		p.p.
8	- Self employed (% of total employment)		5.1	5.2	5.5	4.2	4.2	-0.1	p.p.
		Male	6.8	7.0	7.4	5.3	5.2	-0.1	p.p.
		Female	3.4	3.4	3.5	3.1	3.2	0.1	p.p.
9	- Temporary employment (as % total)		2.7	2.7	2.2	2.4	2.5	0.1	p.p.
		Male	3.5	3.2	2.8	3.5	3.1	-0.4	p.p.
		Female	:	:	:	:	2.0	:	p.p.
10	- Part-time (as % of total employment)		6.6	6.7	7.2	6.4	9.4	3.0	p.p.
		Male	4.2	3.7	3.9	3.5	6.1	2.6	p.p.
		Female	9.1	9.7	10.6	9.4	12.5	3.2	p.p.

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Work Status of persons:	*Estonia*						
	2005	2006	2007	2008	2009	Changes 2008-2009	in
11 - Unemployment rate (Harmonised: 15-74)	7.9	5.9	4.7	5.5	13.8	8.3	p.p.
Young (15-24)	15.9	12.0	10.0	12.0	27.5	15.5	p.p.
Prime age (25-49)	7.5	5.6	4.3	4.7	13.0	8.3	p.p.
Older (55-64)	:	:	:	:	9.4	:	p.p.
Male	8.8	6.2	5.4	5.8	16.9	11.1	p.p.
Young (15-24)	:	:	:	12.6	31.7	19.1	p.p.
Prime age (25-49)	7.9	5.5	4.1	4.3	15.7	11.4	p.p.
Older (55-64)	:	:	:	:	:	:	p.p.
Female	7.1	5.6	3.9	5.3	10.6	5.3	p.p.
Young (15-24)	:	:	:	:	22.0	:	p.p.
Prime age (25-49)	7.1	5.7	4.5	5.2	10.1	4.9	p.p.
Older (55-64)	:	:	:	:	:	:	p.p.
12 - Long-term unemployment rate							
(as % of total unemployment)	53.4	48.2	49.2	30.1	27.4	-2.7	p.p.
13 - Worked hours (average actual weekly hours)	39.7	39.7	39.5	39.5	38.7	-2.0	%
Male	41.1	41.0	41.0	40.7	40.0	-1.7	%
Female	38.4	38.3	38.1	38.2	37.5	-1.8	%
14 - Sectoral employment growth							
Agriculture	-7.0	-2.5	-3.2	-17.0	-4.8		p.p.
Building and construction	2.6	25.1	27.6	-3.8	-29.9		p.p.
Services	4.6	7.0	-1.4	1.4	-5.0		p.p.
Manufacturing industry	-1.3	-2.3	-1.8	2.9	-15.9		p.p.

Source: Eurostat, labour force survey

Estonia

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Different measures of wage/labour costs:									
Compensation per employee	10.8	14.2	24.8	9.8	-3.0	0.0	-4.0	-5.1	-5.7
Compensation of employees per Hour Worked	12.1	14.7	23.5	13.1	3.8	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	10.6	16.8	20.2	13.8	:	:	:	:	:
Negotiated wages (Euro-area only)	:	:	:	:	:	:	:	:	:
Nominal Unit labour costs	3.3	9.4	17.3	14.1	1.7	9.9	3.3	1.7	-7.4
Real unit labour costs deflated by GDP deflator.	-2.1	1.7	6.4	6.9	2.3	7.5	5.3	3.2	-6.5
Wage and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by Total Factor Productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	54.3	55.6	59.4	62.4	65.7	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	26.6	26.4	26.4	26.6	:	:	:	:	:
Total wage (as a percentage of total labour costs) ANNUAL	73.4	73.6	73.6	73.4	:	:	:	:	:
Direct remuneration and bonuses (as a percentage of total labour costs)	:	:	:	:	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with no children, 100% and 100% of AW	41.1	40.2	40.1	39.5	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with 2 children, 100% and 100% of AW	38.3	37.9	38.1	35.0	:	:	:	:	:
Employers' social security contributions (as a percentage of total labour costs)	25.3	25.1	25.1	25.3	:	:	:	:	:
Other indirect costs (as a percentage of total labour costs)	1.3	1.3	1.3	1.3	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/Person Employed)	7.3	4.3	6.4	-3.7	-4.6	-9.0	-7.1	-6.7	1.8
Hourly Labour Productivity	6.5	4.8	6.5	-2.3	2.5	:	:	:	:
GDP	9.4	10.0	7.2	-3.6	-14.1	-15.0	-16.1	-15.6	-9.5
ECFIN NAIRU estimate	8.5	7.9	7.8	8.4	9.8	:	:	:	:
Output gap (%)	4.3	8.3	11.0	4.5	-10.1	:	:	:	:
Headline inflation (harmonised consumer price index 1996=100)	4.1	4.4	6.7	10.6	0.3	3.7	0.2	-0.9	-2.0
Underlying inflation (exc. energy and unprocessed food)	2.6	3.5	6.5	8.8	1.3	4.4	1.9	0.1	-1.3
GDP deflator	5.5	7.6	10.2	6.7	-0.6	2.2	-1.8	-1.4	-1.0
Sectoral breakdown of unit labour costs									
Agriculture and fishery	10.0	4.2	25.7	8.1	-20.6	-16.6	-15.7	-19.1	-29.0
Industry excluding construction	1.7	3.4	11.3	11.7	10.1	14.7	15.2	13.5	-2.6
of which: manufacturing	0.5	3.7	12.5	9.8	12.0	:	:	:	:
Construction	15.6	26.4	26.4	1.0	6.9	12.3	6.9	12.2	-4.0
Trade, transport and communication	-0.1	5.6	17.0	16.8	4.0	15.1	4.3	-0.3	-2.9
Finance and business services	-1.0	26.5	16.2	16.4	1.6	7.7	1.4	-2.7	0.9
Non-market related services	9.8	7.6	20.8	16.3	-0.3	:	:	:	:
Market-related sectors	2.3	11.2	17.6	11.8	:	9.7	4.7	1.4	-5.2
Sectoral breakdown of compensation per employee									
Total industries	10.8	14.2	24.8	9.8	-3.0	:	:	:	:
Agriculture and fishery	14.4	2.4	38.5	31.3	-16.8	7.2	-26.3	-20.4	-22.0
Industry excluding construction	14.1	16.4	23.4	3.7	-1.2	8.6	1.6	-4.0	-11.2
of which: manufacturing	13.9	17.2	21.7	2.3	-1.2	:	:	:	:
Construction	37.4	19.8	10.8	-0.6	6.6	-3.2	17.8	12.5	1.3
Trade, transport and communication	3.1	11.3	28.9	6.3	-4.9	-5.1	-6.7	-7.6	-0.4
Finance and business services	-1.0	29.6	16.5	9.1	-9.1	-4.4	-22.3	-12.5	4.5

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Estonia

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Non-market related services	11.0	6.4	27.3	20.7	-3.4	:	:	:	:
Sectoral breakdown of labour productivity									
Agriculture and fishery	4.0	-1.7	10.2	21.5	4.7	28.6	-12.5	-1.6	9.7
Industry excluding construction	12.1	12.5	10.8	-7.1	-10.3	-5.3	-11.8	-15.4	-8.8
of which: manufacturing	13.3	12.9	8.2	-6.9	-11.8	-11.1	-12.8	-15.7	-7.4
Construction	18.8	-5.2	-12.4	-1.6	-0.3	-13.8	10.2	0.3	5.5
Trade, transport and communication	3.2	5.4	10.1	-9.0	-8.5	-17.5	-10.5	-7.3	2.6
Finance and business services	0.0	2.4	0.2	-6.2	-10.5	-11.2	-23.4	-10.1	3.5
Non-market related services	1.1	-1.1	5.4	3.8	-3.1	-6.7	-6.1	-2.5	3.5
Market-related sectors	8.2	5.2	5.3	-4.9	-5.3	-8.0	-7.4	-6.4	1.4

Source: AMECO, Eurostat-National Account, ECB

* Note: available on an annual basis only

Work Status of persons:				*Greece*						
				2005	2006	2007	2008	2009	Changes 2008-2009	in
1	-	Population (total)	1000 pers.	10657	10710	10754	10780	10839	0.5	%
2	-	Population (working age: 15-64)		7132	7158	7208	7232	7222	-0.1	%
		as % of total population		66.9	66.8	67.0	67.1	66.6	-0.5	p.p.
3	-	Labour force (15-64)	1000 pers.	4763	4799	4829	4851	4894	0.9	%
		Male		2811	2825	2849	2860	2857	-0.1	%
		Female		1952	1974	1981	1991	2036	2.3	%
4	-	Activity rate (as % of population 15-64)		66.8	67.0	67.0	67.1	67.8	0.7	p.p.
		Young (15-24)		33.7	32.4	31.1	30.2	30.9	0.7	p.p.
		Prime age (25-54)		81.5	82.0	81.9	82.0	82.8	0.8	p.p.
		Older (55-64)		43.2	43.9	43.9	44.2	44.2	0.0	p.p.
		Male		79.2	79.1	79.1	79.1	79.0	-0.1	p.p.
		Young (15-24)		37.0	36.1	34.7	34.3	34.4	0.1	p.p.
		Prime age (25-54)		94.6	94.7	94.6	94.4	94.4	0.0	p.p.
		Older (55-64)		60.8	61.0	60.8	60.9	60.1	-0.8	p.p.
		Female		54.5	55.0	54.9	55.1	56.5	1.4	p.p.
		Young (15-24)		30.4	28.7	27.6	26.1	27.4	1.3	p.p.
		Prime age (25-54)		68.2	69.1	69.1	69.4	71.0	1.6	p.p.
		Older (55-64)		27.1	28.0	28.2	28.6	29.3	0.7	p.p.
5	-	Employment rate (as % of pop. 15-64)		60.1	61.0	61.4	61.9	61.2	-0.7	p.p.
		Young (15-24)		25.0	24.2	24.0	23.5	22.9	-0.6	p.p.
		Prime age (25-54)		74.0	75.3	75.6	76.1	75.4	-0.7	p.p.
		Older (55-64)		41.6	42.3	42.4	42.8	42.2	-0.6	p.p.
		Male		74.2	74.6	74.9	75.0	73.5	-1.5	p.p.
		Young (15-24)		30.1	29.7	29.2	28.5	27.7	-0.8	p.p.
		Prime age (25-54)		89.5	90.0	90.1	90.2	88.4	-1.8	p.p.
		Older (55-64)		58.8	59.2	59.1	59.1	57.7	-1.4	p.p.
		Female		46.1	47.4	47.9	48.7	48.9	0.2	p.p.
		Young (15-24)		19.8	18.7	18.7	18.5	18.1	-0.4	p.p.
		Prime age (25-54)		58.5	60.5	60.8	61.9	62.2	0.3	p.p.
		Older (55-64)		25.8	26.6	26.9	27.5	27.7	0.2	p.p.
6	-	Employed persons (age 15-64 -Th. pers.)		4287	4365	4424	4474	4423	-51	Th.
		Male (as % of total)		61.5	61.0	61.0	60.6	60.1	-0.6	p.p.
		Female (as % of total)		38.5	39.0	39.0	39.4	39.9	0.6	p.p.
7	-	Employment growth (%) (National accounts)		0.9	2.0	1.4	0.1	-1.2		p.p.
		Employment growth (%) (LFS - age 15-64)		0.8	1.8	1.3	1.1	-1.1		p.p.
		Male		0.5	1.0	1.3	0.5	-2.0		p.p.
		Female		1.3	3.1	1.4	2.1	0.3		p.p.
8	-	Self employed (% of total employment)		21.5	21.2	20.7	20.5	20.9	0.4	p.p.
		Male		24.6	24.1	23.7	23.0	23.7	0.7	p.p.
		Female		16.6	16.6	15.9	16.6	16.6	0.1	p.p.
9	-	Temporary employment (as % total)		11.8	10.7	10.9	11.5	12.1	0.6	p.p.
		Male		10.1	9.1	9.3	9.9	10.6	0.7	p.p.
		Female		14.3	13.0	13.2	13.7	14.1	0.4	p.p.
10	-	Part-time (as % of total employment)		4.8	5.5	5.4	5.4	5.8	0.4	p.p.
		Male		2.1	2.6	2.5	2.5	2.9	0.4	p.p.
		Female		9.0	9.9	9.9	9.8	10.1	0.4	p.p.

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Work Status of persons:	*Greece*						
	2005	2006	2007	2008	2009	Changes 2008-2009	in
11 - Unemployment rate (Harmonised: 15-74)	9.9	8.9	8.3	7.7	9.5	1.8	p.p.
Young (15-24)	26.0	25.2	22.9	22.1	25.8	3.7	p.p.
Prime age (25-49)	9.6	8.6	8.3	7.6	9.4	1.8	p.p.
Older (55-64)	3.8	3.7	3.4	3.2	4.6	1.4	p.p.
Male	6.1	5.6	5.2	5.1	6.9	1.8	p.p.
Young (15-24)	18.7	17.7	15.7	17.0	19.4	2.4	p.p.
Prime age (25-49)	5.7	5.3	5.1	4.8	6.6	1.8	p.p.
Older (55-64)	3.3	3.1	2.9	2.9	4.1	1.2	p.p.
Female	15.3	13.6	12.8	11.4	13.2	1.8	p.p.
Young (15-24)	34.8	34.7	32.1	28.9	33.9	5.0	p.p.
Prime age (25-49)	14.9	13.2	12.6	11.4	13.0	1.6	p.p.
Older (55-64)	4.7	5.0	4.3	3.9	5.5	1.6	p.p.
12 - Long-term unemployment rate							
(as % of total unemployment)	52.1	54.3	49.9	47.5	40.8	-6.7	p.p.
13 - Worked hours (average actual weekly hours)	43.1	42.7	42.5	42.4	42.5	0.2	%
Male	45.0	44.8	44.5	44.5	44.6	0.2	%
Female	39.9	39.5	39.2	39.3	39.3	0.0	%
14 - Sectoral employment growth							
Agriculture	-0.6	-1.6	-2.4	-0.5	0.9		p.p.
Building and construction	3.2	0.2	6.2	-1.1	-6.5		p.p.
Services	1.1	3.1	1.6	0.5	-0.4		p.p.
Manufacturing industry	0.2	1.1	0.1	-1.5	-2.7		p.p.

Source: Eurostat, labour force survey

Greece

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Different measures of wage/labour costs:									
Compensation per employee	4.3	3.1	6.6	5.9	5.5	:	:	:	:
Compensation of employees per Hour Worked	3.8	0.9	8.8	5.8	4.9	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	0.6	7.8	3.6	13.6	:	:	:	:	:
Negotiated wages (Euro-area only)	:	:	:	:	:	:	:	:	:
Nominal Unit labour costs	3.0	0.7	3.5	3.9	6.3	:	:	:	:
Real unit labour costs deflated by GDP deflator.	0.1	-2.3	0.5	0.3	5.0	:	:	:	:
Wage and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by Total Factor Productivity	3.7	1.1	4.2	4.8	7.3	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	60.3	59.3	59.7	60.2	61.9	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	:	:	:	:	:	:	:	:	:
Total wage (as a percentage of total labour costs) ANNUAL	:	:	:	:	:	:	:	:	:
Direct remuneration and bonuses (as a percentage of total labour costs)	:	:	:	:	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with no children, 100% and 100% of AW	41.0	41.8	43.3	43.1	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with 2 children, 100% and 100% of AW	40.6	41.4	43.4	43.1	:	:	:	:	:
Employers' social security contributions (as a percentage of total labour costs)	:	:	:	:	:	:	:	:	:
Other indirect costs (as a percentage of total labour costs)	:	:	:	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/Person Employed)	1.3	2.4	3.1	1.9	-0.8	:	:	:	:
Hourly Labour Productivity	1.1	-0.5	4.6	1.9	-1.0	:	:	:	:
GDP	2.2	4.5	4.5	2.0	-2.0	-1.0	-1.9	-2.4	-2.5
ECFIN NAIRU estimate	9.5	9.5	9.7	9.6	10.1	:	:	:	:
Output gap (%)	1.1	2.6	4.5	4.5	1.1	:	:	:	:
Headline inflation (harmonised consumer price index 1996=100)	3.5	3.3	3.0	4.2	0.8	1.8	0.8	0.8	2.0
Underlying inflation (exc. energy and unprocessed food)	3.2	2.9	3.2	3.4	1.7	3.1	2.0	1.7	1.8
GDP deflator	2.8	3.1	3.0	3.5	1.3	1.4	0.7	1.0	2.1
Sectoral breakdown of unit labour costs									
Agriculture and fishery	0.3	6.5	4.9	-2.4	0.2	1.2	0.8	-1.1	0.0
Industry excluding construction	-4.5	3.7	2.8	-2.8	7.7	9.7	11.0	6.9	3.7
of which: manufacturing	-5.4	4.1	1.0	-7.2	11.2	:	:	:	:
Construction	8.0	-16.4	19.9	53.4	1.5	-7.9	-3.5	6.9	11.8
Trade, transport and communication	2.0	4.0	4.0	1.2	9.8	12.3	12.1	9.7	5.4
Finance and business services	8.0	8.6	-0.6	7.5	-3.0	-4.3	-3.8	-4.1	0.4
Non-market related services	2.6	1.5	2.3	1.3	0.2	:	:	:	:
Market-related sectors	2.5	2.5	4.1	4.8	:	5.3	6.2	5.1	4.3
Sectoral breakdown of compensation per employee									
Total industries	4.3	3.1	6.6	5.9	5.5	:	:	:	:
Agriculture and fishery	-0.1	0.2	-0.2	-0.4	1.7	1.7	1.7	1.7	1.7
Industry excluding construction	5.9	1.5	8.9	4.5	1.1	1.4	1.5	0.9	1.3
of which: manufacturing	5.6	1.8	9.0	4.0	1.5	:	:	:	:
Construction	1.0	1.4	6.6	2.3	2.1	2.3	2.3	2.3	2.3
Trade, transport and communication	2.9	6.4	6.7	5.0	5.7	5.8	5.8	5.6	5.6
Finance and business services	2.9	7.7	3.8	6.4	4.2	3.6	4.0	4.5	5.3
Non-market related services	6.0	0.4	7.2	7.2	7.2	:	:	:	:

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Greece

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Sectoral breakdown of labour productivity									
Agriculture and fishery	-0.5	-5.9	-4.8	2.0	1.5	0.5	0.9	2.8	1.7
Industry excluding construction	10.9	-2.2	5.9	7.6	-6.1	-7.6	-8.6	-5.6	-2.3
of which: manufacturing	11.7	-2.1	8.0	12.1	-8.7	-11.8	-10.7	-7.8	-3.9
Construction	-6.5	21.3	-11.1	-33.3	0.6	11.1	6.0	-4.3	-8.5
Trade, transport and communication	0.9	2.3	2.6	3.7	-3.8	-5.7	-5.6	-3.7	0.2
Finance and business services	-4.7	-0.8	4.4	-1.0	7.4	8.3	8.1	9.1	4.8
Non-market related services	3.3	-1.2	4.8	5.8	7.0	7.0	6.9	6.5	7.5
Market-related sectors	0.7	2.4	2.1	0.2	-1.1	-1.3	-1.7	-1.3	-0.1

Source: AMECO, Eurostat-National Account, ECB

* Note: available on an annual basis only

Work Status of persons:				*Spain*						
				2005	2006	2007	2008	2009	Changes 2008-2009	in
1	-	Population (total)	1000 pers.	43141	43835	44630	45329	45671	0.8	%
2	-	Population (working age: 15-64)		29755	30255	30808	31252	31349	0.3	%
		as % of total population		69.0	69.0	69.0	68.9	68.6	-0.3	p.p.
3	-	Labour force (15-64)	1000 pers.	20743	21435	22043	22689	22881	0.8	%
		Male		12155	12432	12702	12933	12844	-0.7	%
		Female		8588	9003	9341	9756	10037	2.9	%
4	-	Activity rate (as % of population 15-64)		69.7	70.8	71.6	72.6	73.0	0.4	p.p.
		Young (15-24)		47.7	48.2	47.8	47.7	45.1	-2.6	p.p.
		Prime age (25-54)		80.9	82.0	82.8	83.8	84.7	0.9	p.p.
		Older (55-64)		45.9	46.8	47.4	49.2	50.2	1.0	p.p.
		Male		80.9	81.3	81.4	81.8	81.0	-0.8	p.p.
		Young (15-24)		52.3	52.2	52.1	51.5	48.3	-3.2	p.p.
		Prime age (25-54)		92.4	92.5	92.6	92.6	92.3	-0.3	p.p.
		Older (55-64)		63.2	63.5	63.1	65.1	64.0	-1.1	p.p.
		Female		58.3	60.2	61.4	63.2	64.8	1.6	p.p.
		Young (15-24)		42.9	43.9	43.3	43.7	41.7	-2.0	p.p.
		Prime age (25-54)		69.0	71.2	72.7	74.7	76.7	2.0	p.p.
		Older (55-64)		29.6	31.0	32.5	34.2	37.2	3.0	p.p.
5	-	Employment rate (as % of pop. 15-64)		63.3	64.8	65.6	64.3	59.8	-4.5	p.p.
		Young (15-24)		38.3	39.5	39.1	36.0	28.0	-8.0	p.p.
		Prime age (25-54)		74.4	75.8	76.8	75.3	70.7	-4.6	p.p.
		Older (55-64)		43.1	44.1	44.6	45.6	44.1	-1.5	p.p.
		Male		75.2	76.1	76.2	73.5	66.6	-6.9	p.p.
		Young (15-24)		43.5	44.4	44.2	39.3	29.4	-9.9	p.p.
		Prime age (25-54)		86.9	87.6	87.6	84.4	77.3	-7.1	p.p.
		Older (55-64)		59.7	60.4	60.0	60.9	56.7	-4.2	p.p.
		Female		51.2	53.2	54.7	54.9	52.8	-2.1	p.p.
		Young (15-24)		32.8	34.4	33.8	32.5	26.5	-6.0	p.p.
		Prime age (25-54)		61.5	63.7	65.6	65.9	63.8	-2.1	p.p.
		Older (55-64)		27.4	28.7	30.0	31.1	32.3	1.2	p.p.
6	-	Employed persons (age 15-64 -Th. pers.)		18834	19600	20211	20103	18736	-1367	Th.
		Male (as % of total)		60.0	59.4	58.8	57.8	56.3	-1.5	p.p.
		Female (as % of total)		40.0	40.6	41.2	42.2	43.7	1.5	p.p.
7	-	Employment growth (%) (National accounts)		4.1	3.9	3.0	-0.6	-6.7		p.p.
		Employment growth (%) (LFS - age 15-64)		6.1	4.1	3.1	-0.5	-6.8		p.p.
		Male		4.5	3.1	2.1	-2.2	-9.2		p.p.
		Female		8.6	5.6	4.6	1.9	-3.5		p.p.
8	-	Self employed (% of total employment)		11.2	10.9	10.9	10.7	10.2	-0.5	p.p.
		Male		12.8	12.6	12.6	12.5	12.0	-0.4	p.p.
		Female		8.9	8.4	8.5	8.2	7.8	-0.4	p.p.
9	-	Temporary employment (as % total)		33.4	34.1	31.7	29.3	25.5	-3.8	p.p.
		Male		31.7	32.1	30.6	27.7	23.8	-3.9	p.p.
		Female		35.7	36.8	33.1	31.4	27.3	-4.1	p.p.
10	-	Part-time (as % of total employment)		12.2	11.8	11.6	11.8	12.6	0.8	p.p.
		Male		4.3	4.1	3.9	4.0	4.7	0.7	p.p.
		Female		24.0	23.0	22.7	22.6	22.9	0.4	p.p.

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Work Status of persons:	*Spain*						
	2005	2006	2007	2008	2009	Changes 2008-2009	in
11 - Unemployment rate (Harmonised: 15-74)	9.2	8.5	8.3	11.3	18.0	6.7	p.p.
Young (15-24)	19.7	17.9	18.2	24.6	37.8	13.2	p.p.
Prime age (25-49)	8.2	7.7	7.4	10.4	17.1	6.7	p.p.
Older (55-64)	6.1	5.7	5.9	7.3	12.1	4.8	p.p.
Male	7.1	6.3	6.4	10.1	17.7	7.6	p.p.
Young (15-24)	16.7	15.0	15.2	23.7	39.1	15.4	p.p.
Prime age (25-49)	6.1	5.5	5.5	9.2	16.9	7.7	p.p.
Older (55-64)	5.4	4.8	4.9	6.4	11.3	4.9	p.p.
Female	12.2	11.6	10.9	13.0	18.4	5.4	p.p.
Young (15-24)	23.4	21.6	21.9	25.8	36.4	10.6	p.p.
Prime age (25-49)	11.2	10.6	9.7	12.0	17.3	5.3	p.p.
Older (55-64)	7.5	7.4	7.7	8.9	13.3	4.4	p.p.
12 - Long-term unemployment rate							
(as % of total unemployment)	24.5	21.7	20.4	17.8	23.7	5.9	p.p.
13 - Worked hours (average actual weekly hours)	39.4	39.4	39.3	39.1	38.8	-0.8	%
Male	42.1	42.1	41.9	41.8	41.5	-0.7	%
Female	35.5	35.6	35.6	35.5	35.3	-0.6	%
14 - Sectoral employment growth							
Agriculture	0.2	-5.7	-2.0	-4.9	-3.4		p.p.
Building and construction	7.7	6.0	5.6	-10.8	-23.2		p.p.
Services	4.7	5.3	3.8	1.8	-2.6		p.p.
Manufacturing industry	0.6	-0.2	-0.8	-0.9	:		p.p.

Source: Eurostat, labour force survey

Spain

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Different measures of wage/labour costs:									
Compensation per employee	2.9	3.3	4.3	6.0	3.6	3.5	4.3	3.1	3.1
Compensation of employees per Hour Worked	4.5	4.5	5.9	5.2	5.6	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	3.7	4.0	4.0	5.0	:	:	:	:	:
Negotiated wages (Euro-area only)	:	:	:	:	:	:	:	:	:
Nominal Unit labour costs	3.3	3.2	3.7	4.4	0.3	0.9	1.8	-0.6	-0.9
Real unit labour costs deflated by GDP deflator.	-0.9	-0.9	0.5	1.8	0.1	-0.3	1.7	0.0	-1.1
Wage and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by Total Factor Productivity	3.0	3.2	4.3	6.2	4.3	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	62.3	61.9	61.7	61.6	60.8	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	26.6	26.6	26.7	:	:	:	:	:	:
Total wage (as a percentage of total labour costs) ANNUAL	73.4	73.4	73.3	:	:	:	:	:	:
Direct remuneration and bonuses (as a percentage of total labour costs)	:	:	:	:	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with no children, 100% and 100% of AW	38.9	39.1	38.9	37.8	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with 2 children, 100% and 100% of AW	37.6	37.8	37.3	36.2	:	:	:	:	:
Employers' social security contributions (as a percentage of total labour costs)	24.9	24.9	25.0	:	:	:	:	:	:
Other indirect costs (as a percentage of total labour costs)	1.7	1.7	1.7	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/Person Employed)	-0.5	0.1	0.5	1.5	3.2	2.7	2.4	3.7	4.1
Hourly Labour Productivity	0.8	0.8	1.7	0.8	5.0	:	:	:	:
GDP	3.6	4.0	3.6	0.9	-3.6	-3.8	-4.8	-3.8	-2.2
ECFIN NAIRU estimate	10.1	10.4	10.8	11.9	14.0	:	:	:	:
Output gap (%)	0.0	1.0	1.7	0.8	-3.6	:	:	:	:
Headline inflation (harmonised consumer price index 1996=100)	3.4	3.6	2.8	4.1	-0.6	0.5	-0.7	-1.0	0.2
Underlying inflation (exc. energy and unprocessed food)	2.7	3.0	2.7	3.2	0.6	1.6	1.0	0.5	0.3
GDP deflator	4.3	4.1	3.3	2.5	0.2	1.2	0.1	-0.6	0.1
Sectoral breakdown of unit labour costs									
Agriculture and fishery	11.4	-5.4	0.2	2.6	0.3	2.1	2.0	-2.5	-0.2
Industry excluding construction	2.9	2.9	3.4	5.8	6.5	8.6	13.4	3.5	0.9
of which: manufacturing	2.9	2.9	3.3	5.7	:	:	:	:	:
Construction	7.5	7.8	4.8	-1.9	-13.6	-16.1	-14.8	-13.8	-9.4
Trade, transport and communication	2.6	1.5	2.9	5.5	-1.5	2.4	-1.2	-1.9	-5.0
Finance and business services	2.3	4.0	3.2	5.0	0.8	-1.0	3.0	-0.4	1.1
Non-market related services	3.7	4.0	4.3	3.9	3.1	:	:	:	:
Market-related sectors	3.7	3.0	2.9	3.8	:	-0.5	0.1	-2.5	-2.8
Sectoral breakdown of compensation per employee									
Total industries	2.9	3.3	4.3	6.0	3.6	:	:	:	:
Agriculture and fishery	2.0	6.2	4.0	7.0	1.3	1.4	2.8	0.5	0.4
Industry excluding construction	3.4	5.0	5.1	5.2	5.6	5.9	6.0	5.7	4.6
of which: manufacturing	3.3	5.0	5.0	4.4	:	:	:	:	:
Construction	5.1	6.5	1.6	8.5	5.5	6.7	5.5	5.2	3.3
Trade, transport and communication	1.7	0.3	3.0	4.3	2.1	3.9	1.7	1.5	1.4
Finance and business services	2.3	2.3	2.9	3.8	2.9	2.2	3.4	2.9	3.0
Non-market related services	2.5	2.8	6.6	7.5	3.5	:	:	:	:

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Spain

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Sectoral breakdown of labour productivity									
Agriculture and fishery	-8.4	12.3	3.9	4.3	1.0	-0.7	0.8	3.0	0.6
Industry excluding construction	0.4	2.0	1.6	-0.5	-0.9	-2.5	-6.6	2.1	3.7
of which: manufacturing	0.4	2.1	1.7	-1.2	:	-2.9	-7.8	1.1	4.3
Construction	-2.3	-1.2	-3.1	10.6	22.0	27.2	23.9	22.0	14.1
Trade, transport and communication	-0.8	-1.3	0.1	-1.2	3.7	1.5	3.0	3.4	6.8
Finance and business services	0.0	-1.7	-0.3	-1.2	2.1	3.1	0.4	3.3	1.8
Non-market related services	-1.2	-1.2	2.2	3.4	0.4	-0.4	0.9	-0.2	1.0
Market-related sectors	-0.6	0.6	0.4	1.4	4.9	4.8	3.3	5.7	5.6

Source: AMECO, Eurostat-National Account, ECB

* Note: available on an annual basis only

Work Status of persons:			*France*						
			2005	2006	2007	2008	2009	Changes 2008-2009	in
1	- Population (total)	1000 pers.	59703	60092	60426	60752	61059	0.5	%
2	- Population (working age: 15-64)		39009	39300	39525	39688	39813	0.3	%
		as % of total population	65.3	65.4	65.4	65.3	65.2	-0.1	p.p.
3	- Labour force (15-64)	1000 pers.	27287	27458	27651	27836	28132	1.1	%
		Male	14443	14491	14531	14598	14712	0.8	%
		Female	12844	12967	13120	13238	13420	1.4	%
4	- Activity rate (as % of population 15-64)		70.0	69.9	70.0	70.1	70.7	0.6	p.p.
		Young (15-24)	38.3	38.4	38.9	39.2	40.6	1.4	p.p.
		Prime age (25-54)	87.5	87.8	88.2	88.7	88.9	0.2	p.p.
		Older (55-64)	40.7	40.4	40.2	40.0	41.5	1.5	p.p.
		Male	75.3	75.0	74.8	74.8	75.2	0.4	p.p.
		Young (15-24)	42.0	42.2	42.2	42.7	43.7	1.0	p.p.
		Prime age (25-54)	94.0	94.1	94.2	94.4	94.4	0.0	p.p.
		Older (55-64)	43.8	43.0	42.7	42.6	44.3	1.7	p.p.
		Female	64.8	64.9	65.3	65.6	66.3	0.7	p.p.
		Young (15-24)	34.6	34.6	35.5	35.7	37.4	1.7	p.p.
		Prime age (25-54)	81.3	81.7	82.4	83.1	83.6	0.5	p.p.
		Older (55-64)	37.7	37.9	37.9	37.6	39.0	1.4	p.p.
5	- Employment rate (as % of pop. 15-64)		63.7	63.7	64.3	64.9	64.2	-0.7	p.p.
		Young (15-24)	30.5	30.2	31.5	32.0	31.4	-0.6	p.p.
		Prime age (25-54)	80.7	81.2	82.0	83.1	82.1	-1.0	p.p.
		Older (55-64)	38.5	38.1	38.2	38.2	38.9	0.7	p.p.
		Male	69.2	68.9	69.2	69.6	68.5	-1.1	p.p.
		Young (15-24)	33.9	33.7	34.5	34.8	33.5	-1.3	p.p.
		Prime age (25-54)	87.6	87.8	88.2	89.1	87.6	-1.5	p.p.
		Older (55-64)	41.5	40.4	40.4	40.5	41.4	0.9	p.p.
		Female	58.4	58.6	59.7	60.4	60.1	-0.3	p.p.
		Young (15-24)	27.1	26.7	28.5	29.2	29.3	0.1	p.p.
		Prime age (25-54)	74.0	74.7	76.1	77.2	76.7	-0.5	p.p.
		Older (55-64)	35.7	35.8	36.0	36.0	36.6	0.6	p.p.
6	- Employed persons (age 15-64 -Th. pers.)		24862	25027	25432	25772	25567	-206	Th.
		Male (as % of total)	53.4	53.2	52.9	52.7	52.4	-0.3	p.p.
		Female (as % of total)	46.6	46.8	47.1	47.3	47.6	0.3	p.p.
7	- Employment growth (%) (National accounts)		0.6	1.0	1.4	0.6	-1.2		p.p.
	Employment growth (%) (LFS - age 15-64)		1.6	0.7	1.6	1.3	-0.8		p.p.
		Male	0.8	0.3	0.9	1.1	-1.3		p.p.
		Female	2.5	1.1	2.4	1.6	-0.2		p.p.
8	- Self employed (% of total employment)		5.5	5.8	5.8	5.2	5.8	0.6	p.p.
		Male	7.0	7.4	7.4	6.5	7.4	0.8	p.p.
		Female	3.7	4.1	3.9	3.7	4.1	0.4	p.p.
9	- Temporary employment (as % total)		14.1	14.1	14.4	14.1	13.5	-0.6	p.p.
		Male	13.3	13.3	13.3	12.9	12.0	-0.9	p.p.
		Female	15.1	14.9	15.5	15.4	15.0	-0.4	p.p.
10	- Part-time (as % of total employment)		17.0	17.1	17.1	16.8	17.1	0.3	p.p.
		Male	5.5	5.6	5.5	5.6	5.7	0.2	p.p.
		Female	30.2	30.2	30.2	29.3	29.7	0.4	p.p.

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Work Status of persons:	*France*						
	2005	2006	2007	2008	2009	Changes 2008-2009	in
11 - Unemployment rate (Harmonised: 15-74)	9.3	9.2	8.4	7.8	9.5	1.7	p.p.
Young (15-24)	20.3	21.4	18.9	18.3	22.6	4.3	p.p.
Prime age (25-49)	8.1	7.8	7.2	6.5	8.0	1.5	p.p.
Older (55-64)	5.3	5.8	5.1	4.6	6.2	1.6	p.p.
Male	8.4	8.4	7.8	7.3	9.2	1.9	p.p.
Young (15-24)	19.3	20.2	18.2	18.4	23.4	5.0	p.p.
Prime age (25-49)	7.0	6.9	6.5	5.7	7.5	1.8	p.p.
Older (55-64)	5.4	5.9	5.3	4.8	6.5	1.7	p.p.
Female	10.3	10.1	9.0	8.4	9.8	1.4	p.p.
Young (15-24)	21.6	22.9	19.7	18.2	21.7	3.5	p.p.
Prime age (25-49)	9.3	8.9	8.0	7.4	8.6	1.2	p.p.
Older (55-64)	5.2	5.6	4.9	4.4	6.0	1.6	p.p.
12 - Long-term unemployment rate							
(as % of total unemployment)	41.1	42.1	40.2	37.5	35.1	-2.4	p.p.
13 - Worked hours (average actual weekly hours)	38.0	38.1	38.1	38.1	38.0	-0.3	%
Male	41.2	41.3	41.2	41.1	41.2	0.2	%
Female	34.3	34.5	34.6	34.7	34.6	-0.3	%
14 - Sectoral employment growth							
Agriculture	-1.1	-2.4	-2.5	-3.6	-3.8		p.p.
Building and construction	3.6	4.4	4.1	3.1	-1.0		p.p.
Services	0.8	1.4	1.8	0.9	-0.7		p.p.
Manufacturing industry	-2.0	-1.9	-0.7	-1.3	-4.3		p.p.

Source: Eurostat, labour force survey

France

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Different measures of wage/labour costs:									
Compensation per employee	3.2	3.3	2.4	2.5	1.5	:	:	:	:
Compensation of employees per Hour Worked	3.3	4.8	1.5	2.4	1.4	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	3.5	3.3	3.4	2.6	:	:	:	:	:
Negotiated wages (Euro-area only)	:	:	:	:	:	:	:	:	:
Nominal Unit labour costs	1.8	2.0	1.5	2.9	3.0	:	:	:	:
Real unit labour costs deflated by GDP deflator.	-0.2	-0.3	-0.9	0.3	2.4	:	:	:	:
Wage and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by Total Factor Productivity	2.5	2.6	2.1	3.7	4.2	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	66.2	65.9	65.1	65.2	66.6	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	33.0	32.8	32.8	32.7	:	:	:	:	:
Total wage (as a percentage of total labour costs) ANNUAL	67.1	67.2	67.2	67.4	:	:	:	:	:
Direct remuneration and bonuses (as a percentage of total labour costs)	59.7	59.9	59.9	60.0	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with no children, 100% and 100% of AW	50.1	50.2	49.2	49.3	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with 2 children, 100% and 100% of AW	46.4	46.5	46.2	46.4	:	:	:	:	:
Employers' social security contributions (as a percentage of total labour costs)	28.7	28.5	28.5	28.4	:	:	:	:	:
Other indirect costs (as a percentage of total labour costs)	4.3	4.3	4.3	4.2	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/Person Employed)	1.3	1.2	0.9	-0.4	-1.4	:	:	:	:
Hourly Labour Productivity	1.5	2.7	-0.1	-0.4	-1.3	:	:	:	:
GDP	1.9	2.2	2.4	0.2	-2.6	-3.3	-3.4	-2.1	-0.3
ECFIN NAIRU estimate	9.1	9.1	9.0	9.0	9.0	:	:	:	:
Output gap (%)	1.0	1.4	1.9	0.8	-2.7	:	:	:	:
Headline inflation (harmonised consumer price index 1996=100)	1.9	1.9	1.6	3.2	0.0	0.7	-0.2	-0.5	0.4
Underlying inflation (exc. energy and unprocessed food)	1.2	1.3	1.5	2.3	1.2	1.6	1.4	1.3	1.0
GDP deflator	2.0	2.4	2.5	2.6	0.5	1.8	1.1	0.4	0.1
Sectoral breakdown of unit labour costs									
Agriculture and fishery	8.4	2.7	7.5	:	:	-3.5	-4.5	-4.1	-4.3
Industry excluding construction	-0.4	1.3	1.5	:	:	11.6	12.0	6.4	1.0
of which: manufacturing	-1.0	1.7	1.3	3.7	:	:	:	:	:
Construction	3.2	6.2	3.5	:	:	8.2	7.2	6.2	5.4
Trade, transport and communication	1.8	0.4	-0.2	:	:	5.4	5.4	3.5	0.8
Finance and business services	2.3	3.3	2.0	:	:	0.5	-0.1	-0.3	0.1
Non-market related services	2.9	2.9	2.7	:	:	:	:	:	:
Market-related sectors	1.6	2.0	1.4	:	:	4.7	4.4	2.5	0.7
Sectoral breakdown of compensation per employee									
Total industries	3.2	3.3	2.7	2.7	1.2	:	:	:	:
Agriculture and fishery	3.6	4.9	7.8	:	:	3.2	2.2	2.0	1.9
Industry excluding construction	2.9	3.1	3.7	:	:	1.9	2.3	3.1	3.6
of which: manufacturing	3.3	3.3	3.7	2.9	:	:	:	:	:
Construction	2.5	4.0	3.0	:	:	1.7	1.7	1.7	1.7
Trade, transport and communication	3.3	3.5	2.4	:	:	1.9	1.7	1.7	1.6
Finance and business services	3.6	4.4	2.3	:	:	1.6	1.5	1.8	2.2
Non-market related services	3.0	2.1	2.5	:	:	:	:	:	:
Sectoral breakdown of labour productivity									
Agriculture and fishery	-4.4	2.1	0.3	:	:	6.9	7.1	6.3	6.5
Industry excluding construction	3.3	1.8	2.2	:	:	-8.7	-8.7	-3.1	2.6

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France

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
of which: manufacturing	4.3	1.6	2.4	-0.8	-7.3	-12.7	-11.2	-4.6	2.6
Construction	-0.7	-2.0	-0.5	:	:	-5.9	-5.1	-4.2	-3.5
Trade, transport and communication	1.5	3.1	2.6	:	:	-3.4	-3.4	-1.7	0.8
Finance and business services	1.3	1.1	0.3	:	:	1.1	1.6	2.1	2.1
Non-market related services	0.0	-0.8	-0.2	:	:	0.2	0.3	0.5	1.0
Market-related sectors	1.6	1.9	1.4	:	:	-3.0	-2.7	-0.6	1.5

Source: AMECO, Eurostat-National Account, ECB

* Note: available on an annual basis only

Work Status of persons:			*Ireland*						
			2005	2006	2007	2008	2009	Changes 2008-2009	in
1	- Population (total)	1000 pers.	4149	4253	4359	4440	4468	0.6	%
2	- Population (working age: 15-64)		2831	2913	2993	3041	3029	-0.4	%
		as % of total population	68.2	68.5	68.7	68.5	67.8	-0.7	p.p.
3	- Labour force (15-64)	1000 pers.	2004	2092	2168	2189	2128	-2.8	%
		Male	1149	1198	1231	1236	1184	-4.2	%
		Female	854	893	937	953	944	-1.0	%
4	- Activity rate (as % of population 15-64)		70.8	71.8	72.4	72.0	70.2	-1.8	p.p.
		Young (15-24)	53.3	54.7	54.9	52.5	46.7	-5.8	p.p.
		Prime age (25-54)	80.9	81.5	82.0	81.6	80.6	-1.0	p.p.
		Older (55-64)	53.1	54.4	55.2	55.5	54.6	-0.9	p.p.
		Male	80.6	81.5	81.4	80.7	78.1	-2.6	p.p.
		Young (15-24)	56.6	59.0	58.3	55.2	48.0	-7.2	p.p.
		Prime age (25-54)	92.1	92.1	91.6	91.3	89.5	-1.8	p.p.
		Older (55-64)	67.7	68.7	69.8	68.6	66.2	-2.4	p.p.
		Female	60.8	61.9	63.3	63.1	62.4	-0.7	p.p.
		Young (15-24)	49.9	50.2	51.5	49.9	45.4	-4.5	p.p.
		Prime age (25-54)	69.6	70.7	72.2	71.8	71.7	-0.1	p.p.
		Older (55-64)	38.2	40.0	40.4	42.2	42.8	0.6	p.p.
5	- Employment rate (as % of pop. 15-64)		67.6	68.6	69.1	67.6	61.8	-5.8	p.p.
		Young (15-24)	48.7	50.0	49.9	45.9	35.4	-10.5	p.p.
		Prime age (25-54)	77.9	78.4	78.7	77.3	72.0	-5.3	p.p.
		Older (55-64)	51.6	53.1	53.8	53.7	51.0	-2.7	p.p.
		Male	76.9	77.7	77.4	74.9	66.3	-8.6	p.p.
		Young (15-24)	51.5	53.6	52.5	46.7	33.0	-13.7	p.p.
		Prime age (25-54)	88.4	88.4	87.7	85.5	77.2	-8.3	p.p.
		Older (55-64)	65.7	67.0	67.9	66.1	60.9	-5.2	p.p.
		Female	58.3	59.3	60.6	60.2	57.4	-2.8	p.p.
		Young (15-24)	45.9	46.2	47.4	45.0	37.7	-7.3	p.p.
		Prime age (25-54)	67.3	68.3	69.6	69.0	66.8	-2.2	p.p.
		Older (55-64)	37.3	39.1	39.6	41.1	41.0	-0.1	p.p.
6	- Employed persons (age 15-64 -Th. pers.)		1915	1999	2067	2055	1873	-182	Th.
		Male (as % of total)	57.2	57.2	56.6	55.8	53.6	-2.1	p.p.
		Female (as % of total)	42.8	42.8	43.4	44.2	46.4	2.1	p.p.
7	- Employment growth (%) (National accounts)		4.9	4.3	3.7	-1.1	-8.2		p.p.
	Employment growth (%) (LFS - age 15-64)		6.3	4.4	3.4	-0.6	-8.8		p.p.
		Male	5.5	4.3	2.4	-2.0	-12.3		p.p.
		Female	7.4	4.5	4.8	1.2	-4.5		p.p.
8	- Self employed (% of total employment)		9.9	9.6	9.9	10.1	10.3	0.2	p.p.
		Male	14.6	14.2	14.6	14.8	15.8	1.0	p.p.
		Female	3.7	3.4	3.7	4.1	3.9	-0.2	p.p.
9	- Temporary employment (as % total)		3.7	3.3	7.2	8.4	8.5	0.1	p.p.
		Male	3.1	2.9	6.0	7.1	7.4	0.3	p.p.
		Female	4.3	3.8	8.6	9.8	9.5	-0.3	p.p.
10	- Part-time (as % of total employment)		4.1	:	13.3	18.1	20.7	2.6	p.p.
		Male	1.4	:	4.9	7.1	9.8	2.7	p.p.
		Female	7.7	:	24.1	31.9	33.4	1.4	p.p.

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Work Status of persons:	*Ireland*						
	2005	2006	2007	2008	2009	Changes 2008-2009	in
11 - Unemployment rate (Harmonised: 15-74)	4.4	4.5	4.6	6.3	11.9	5.6	p.p.
Young (15-24)	8.6	8.6	9.1	12.7	24.2	11.5	p.p.
Prime age (25-49)	3.7	3.9	4.1	5.4	11.2	5.8	p.p.
Older (55-64)	2.8	2.4	2.4	3.3	6.5	3.2	p.p.
Male	4.6	4.6	4.9	7.4	14.9	7.5	p.p.
Young (15-24)	9.1	9.1	10.0	15.3	31.1	15.8	p.p.
Prime age (25-49)	4.0	4.1	4.4	6.6	14.4	7.8	p.p.
Older (55-64)	3.0	2.4	2.6	3.7	8.1	4.4	p.p.
Female	4.1	4.2	4.1	4.9	8.0	3.1	p.p.
Young (15-24)	8.0	8.0	8.1	9.8	17.1	7.3	p.p.
Prime age (25-49)	3.3	3.5	3.6	3.9	7.2	3.3	p.p.
Older (55-64)	:	:	:	2.5	4.0	1.5	p.p.
12 - Long-term unemployment rate							
(as % of total unemployment)	33.4	32.2	30.1	27.1	29.0	1.9	p.p.
13 - Worked hours (average actual weekly hours)	36.8	36.6	36.4	36.1	35.3	-2.2	%
Male	41.0	40.5	40.5	40.2	39.5	-1.7	%
Female	31.7	31.7	31.4	31.3	30.8	-1.6	%
14 - Sectoral employment growth							
Agriculture	-1.2	0.9	0.6	4.1	-16.3		p.p.
Building and construction	14.3	11.2	3.2	-11.1	-32.3		p.p.
Services	5.6	4.4	4.7	1.0	-2.8		p.p.
Manufacturing industry	-3.0	-0.4	0.5	-4.7	-10.3		p.p.

Source: Eurostat, labour force survey

Ireland

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Different measures of wage/labour costs:									
Compensation per employee	6.1	4.5	4.5	3.9	-1.6	0.6	-1.0	0.5	:
Compensation of employees per Hour Worked	6.7	5.8	4.5	5.0	-1.1	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	4.4	4.4	5.1	3.0	:	:	:	:	:
Negotiated wages (Euro-area only)	:	:	:	:	:	:	:	:	:
Nominal Unit labour costs	4.8	3.5	2.2	5.9	-2.7	1.9	-2.0	-1.2	:
Real unit labour costs deflated by GDP deflator.	2.4	0.0	0.9	7.2	0.5	4.3	-0.2	2.1	:
Wage and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by Total Factor Productivity	5.4	4.3	3.1	8.2	1.3	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	55.6	56.2	56.3	59.6	59.2	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	:	:	:	:	:	:	:	:	:
Total wage (as a percentage of total labour costs) ANNUAL	:	:	:	:	:	:	:	:	:
Direct remuneration and bonuses (as a percentage of total labour costs)	:	:	:	:	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with no children, 100% and 100% of AW	23.5	23.1	22.3	0.0	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with 2 children, 100% and 100% of AW	18.3	17.8	16.8	0.0	:	:	:	:	:
Employers' social security contributions (as a percentage of total labour costs)	:	:	:	:	:	:	:	:	:
Other indirect costs (as a percentage of total labour costs)	:	:	:	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/Person Employed)	1.2	1.0	2.3	-1.9	1.2	-1.2	1.0	1.7	:
Hourly Labour Productivity	1.0	1.4	3.2	-0.2	1.9	:	:	:	:
GDP	6.2	5.4	6.0	-3.0	-7.1	-8.7	-7.4	-7.1	-5.1
ECFIN NAIRU estimate	4.1	4.8	5.8	7.1	9.2	:	:	:	:
Output gap (%)	1.7	2.2	4.4	-0.5	-7.2	:	:	:	:
Headline inflation (harmonised consumer price index 1996=100)	2.2	2.7	2.9	3.1	-1.4	0.2	-1.6	-2.6	-2.8
Underlying inflation (exc. energy and unprocessed food)	1.5	2.2	2.6	2.5	-0.5	0.8	-0.6	-1.2	-2.2
GDP deflator	2.4	3.5	1.3	-1.2	-3.2	-2.3	-1.8	-3.2	-5.4
Sectoral breakdown of unit labour costs									
Agriculture and fishery	17.2	8.1	9.0	-2.9	:	-30.8	-28.5	:	:
Industry excluding construction	3.2	-1.9	-5.4	5.3	:	-2.8	-3.8	-9.6	:
of which: manufacturing	5.4	-0.2	-5.7	:	:	:	:	:	:
Construction	9.0	4.6	7.0	4.1	:	3.7	-4.8	-3.8	:
Trade, transport and communication	6.2	2.9	1.8	7.4	:	4.3	1.9	0.4	:
Finance and business services	5.4	7.3	3.6	0.7	:	-4.2	1.8	:	:
Non-market related services	8.3	5.1	5.7	6.2	:	:	:	:	:
Market-related sectors	6.8	3.1	0.2	2.4	:	-6.2	-5.5	:	:
Sectoral breakdown of compensation per employee									
Total industries	6.1	4.5	4.5	3.9	-1.6	:	:	:	:
Agriculture and fishery	1.7	-3.3	12.7	-9.4	-14.2	-21.3	-15.9	-12.4	:
Industry excluding construction	9.0	4.2	3.4	9.6	6.4	5.1	1.9	3.7	:
of which: manufacturing	10.6	3.6	3.6	10.7	7.7	:	:	:	:
Construction	4.9	-0.4	5.7	3.5	4.9	-0.3	-0.9	-1.5	:

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Ireland

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Trade, transport and communication	6.5	4.7	1.8	6.2	-5.6	0.8	-0.8	-1.9	:
Finance and business services	7.5	8.6	5.5	1.6	-6.9	-5.6	-1.5	6.5	:
Non-market related services	2.9	4.5	5.6	2.2	-0.5	:	:	:	:
Sectoral breakdown of labour productivity									
Agriculture and fishery	-13.2	-10.6	3.4	-6.7	:	13.6	17.7	:	:
Industry excluding construction	5.7	6.2	9.3	4.1	:	8.1	5.9	14.7	:
of which: manufacturing	4.9	3.8	9.9	:	:	:	:	:	:
Construction	-3.7	-4.8	-1.2	-0.6	:	-3.8	4.1	2.3	:
Trade, transport and communication	0.3	1.7	0.0	-1.1	:	-3.4	-2.6	-2.3	:
Finance and business services	2.0	1.2	1.8	0.9	:	-1.4	-3.3	:	:
Non-market related services	-4.9	-0.6	0.0	-3.8	:	-0.2	0.1	-1.7	:
Market-related sectors	0.8	1.4	3.8	2.0	-100.0	5.3	4.3	:	:

Source: AMECO, Eurostat-National Account, ECB

* Note: available on an annual basis only

Work Status of persons:			*Italy*						
			2005	2006	2007	2008	2009	Changes 2008-2009	in
1	- Population (total)	1000 pers.	58077	58435	58880	59336	59752	0.7	%
2	- Population (working age: 15-64)		38588	38726	38946	39182	39406	0.6	%
		as % of total population	66.4	66.3	66.1	66.0	65.9	-0.1	p.p.
3	- Labour force (15-64)	1000 pers.	24099	24287	24350	24696	24591	-0.4	%
		Male	14360	14445	14483	14571	14498	-0.5	%
		Female	9739	9842	9867	10125	10093	-0.3	%
4	- Activity rate (as % of population 15-64)		62.5	62.7	62.5	63.0	62.4	-0.6	p.p.
		Young (15-24)	33.8	32.5	30.9	30.9	29.1	-1.8	p.p.
		Prime age (25-54)	77.4	77.8	77.6	78.1	77.2	-0.9	p.p.
		Older (55-64)	32.6	33.4	34.6	35.5	37.0	1.5	p.p.
		Male	74.6	74.6	74.4	74.4	73.7	-0.7	p.p.
		Young (15-24)	38.7	37.8	36.1	35.9	34.0	-1.9	p.p.
		Prime age (25-54)	91.2	91.3	91.0	91.0	90.0	-1.0	p.p.
		Older (55-64)	44.3	45.0	46.3	47.0	48.5	1.5	p.p.
		Female	50.4	50.8	50.7	51.6	51.1	-0.5	p.p.
		Young (15-24)	28.7	26.9	25.5	25.7	23.9	-1.8	p.p.
		Prime age (25-54)	63.6	64.3	64.1	65.2	64.5	-0.7	p.p.
		Older (55-64)	21.5	22.5	23.5	24.7	26.1	1.4	p.p.
5	- Employment rate (as % of pop. 15-64)		57.6	58.4	58.7	58.7	57.5	-1.2	p.p.
		Young (15-24)	25.7	25.5	24.7	24.4	21.7	-2.7	p.p.
		Prime age (25-54)	72.3	73.3	73.5	73.5	71.9	-1.6	p.p.
		Older (55-64)	31.4	32.5	33.8	34.4	35.7	1.3	p.p.
		Male	69.9	70.5	70.7	70.3	68.6	-1.7	p.p.
		Young (15-24)	30.4	30.6	29.6	29.1	26.1	-3.0	p.p.
		Prime age (25-54)	86.6	87.2	87.3	86.7	84.7	-2.0	p.p.
		Older (55-64)	42.7	43.7	45.1	45.5	46.7	1.2	p.p.
		Female	45.3	46.3	46.6	47.2	46.4	-0.8	p.p.
		Young (15-24)	20.8	20.1	19.5	19.4	17.0	-2.4	p.p.
		Prime age (25-54)	57.9	59.3	59.6	60.2	59.1	-1.1	p.p.
		Older (55-64)	20.8	21.9	23.0	24.0	25.4	1.4	p.p.
6	- Employed persons (age 15-64 -Th. pers.)		22214	22619	22846	23011	22650	-360	Th.
		Male (as % of total)	60.6	60.3	60.2	59.8	59.6	-0.2	p.p.
		Female (as % of total)	39.4	39.7	39.8	40.2	40.4	0.2	p.p.
7	- Employment growth (%) (National accounts)		0.6	2.0	1.3	0.3	-1.7		p.p.
	Employment growth (%) (LFS - age 15-64)		0.7	1.8	1.0	0.7	-1.6		p.p.
		Male	0.7	1.4	0.8	-0.1	-1.9		p.p.
		Female	0.7	2.5	1.3	1.9	-1.1		p.p.
8	- Self employed (% of total employment)		17.1	16.9	16.7	16.2	16.1	-0.2	p.p.
		Male	19.4	19.1	19.0	18.6	18.6	0.0	p.p.
		Female	13.6	13.5	13.2	12.7	12.3	-0.4	p.p.
9	- Temporary employment (as % total)		12.3	13.1	13.2	13.3	12.5	-0.8	p.p.
		Male	10.5	11.2	11.2	11.5	10.8	-0.7	p.p.
		Female	14.7	15.8	16.0	15.7	14.6	-1.1	p.p.
10	- Part-time (as % of total employment)		12.7	13.1	13.4	14.1	14.1	0.0	p.p.
		Male	4.3	4.3	4.6	4.8	4.7	-0.1	p.p.
		Female	25.6	26.4	26.8	27.8	27.9	0.1	p.p.

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Work Status of persons:	*Italy*						
	2005	2006	2007	2008	2009	Changes 2008-2009	in
11 - Unemployment rate (Harmonised: 15-74)	7.7	6.8	6.1	6.7	7.8	1.1	p.p.
Young (15-24)	24.0	21.6	20.3	21.3	25.4	4.1	p.p.
Prime age (25-49)	7.1	6.3	5.8	6.4	7.4	1.0	p.p.
Older (55-64)	3.5	2.9	2.4	3.1	3.4	0.3	p.p.
Male	6.2	5.4	4.9	5.5	6.8	1.3	p.p.
Young (15-24)	21.5	19.1	18.2	18.9	23.3	4.4	p.p.
Prime age (25-49)	5.4	4.8	4.4	5.0	6.2	1.2	p.p.
Older (55-64)	3.6	2.8	2.6	3.2	3.7	0.5	p.p.
Female	10.0	8.8	7.9	8.5	9.3	0.8	p.p.
Young (15-24)	27.4	25.3	23.3	24.7	28.7	4.0	p.p.
Prime age (25-49)	9.5	8.4	7.7	8.3	9.1	0.8	p.p.
Older (55-64)	3.2	2.9	2.1	2.9	2.8	-0.1	p.p.
12 - Long-term unemployment rate							
(as % of total unemployment)	49.9	49.6	47.4	45.6	44.4	-1.2	p.p.
13 - Worked hours (average actual weekly hours)	38.6	38.5	38.4	38.2	38.0	-0.5	%
Male	41.6	41.5	41.5	41.3	41.0	-0.7	%
Female	34.1	34.0	33.8	33.6	33.5	-0.3	%
14 - Sectoral employment growth							
Agriculture	-0.4	2.0	-2.4	-2.0	-1.4		p.p.
Building and construction	4.5	1.3	3.2	-0.3	-1.1		p.p.
Services	0.6	2.4	1.5	0.8	-0.9		p.p.
Manufacturing industry	-0.7	0.9	0.7	-0.8	-4.7		p.p.

Source: Eurostat, labour force survey

Italy

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Different measures of wage/labour costs:									
Compensation per employee	2.9	2.2	2.1	2.8	0.7	0.5	1.0	1.6	-0.1
Compensation of employees per Hour Worked	4.6	2.8	2.5	3.8	2.6	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	2.8	0.9	2.0	4.4	:	:	:	:	:
Negotiated wages (Euro-area only)	:	:	:	:	:	:	:	:	:
Nominal Unit labour costs	2.8	2.1	1.9	4.5	4.3	6.5	6.1	4.1	0.9
Real unit labour costs deflated by GDP deflator.	0.7	0.3	-0.6	1.7	2.1	2.9	4.1	2.2	-0.4
Wage and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by Total Factor Productivity	3.0	1.8	1.9	4.7	4.5	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	62.3	63.0	62.5	62.9	63.9	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	:	:	:	:	:	:	:	:	:
Total wage (as a percentage of total labour costs) ANNUAL	:	:	:	:	:	:	:	:	:
Direct remuneration and bonuses (as a percentage of total labour costs)	:	:	:	:	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with no children, 100% and 100% of AW	43.4	43.2	45.9	46.5	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with 2 children, 100% and 100% of AW	43.1	43.0	42.7	43.7	:	:	:	:	:
Employers' social security contributions (as a percentage of total labour costs)	:	:	:	:	:	:	:	:	:
Other indirect costs (as a percentage of total labour costs)	:	:	:	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/Person Employed)	0.1	0.1	0.2	-1.6	-3.4	-5.6	-4.9	-2.4	-1.0
Hourly Labour Productivity	0.5	0.3	0.1	-1.2	-2.0	:	:	:	:
GDP	0.7	2.0	1.5	-1.3	-5.0	-6.7	-6.4	-4.4	-2.7
ECFIN NAIRU estimate	8.4	8.2	7.9	7.9	7.9	:	:	:	:
Output gap (%)	0.6	2.1	3.0	1.2	-3.9	:	:	:	:
Headline inflation (harmonised consumer price index 1996=100)	2.2	2.2	2.0	3.5	0.5	1.4	0.9	0.1	0.7
Underlying inflation (exc. energy and unprocessed food)	2.0	1.8	1.9	2.8	1.3	2.0	1.9	1.3	1.4
GDP deflator	2.1	1.8	2.6	2.8	2.1	3.5	2.0	1.9	1.2
Sectoral breakdown of unit labour costs									
Agriculture and fishery	8.8	4.3	0.0	-2.1	4.7	12.4	13.0	1.6	0.6
Industry excluding construction	1.8	0.6	2.2	5.9	10.8	16.1	18.9	9.3	0.0
of which: manufacturing	1.9	0.5	2.1	7.4	11.2	:	:	:	:
Construction	3.7	1.8	6.0	5.7	9.9	10.6	12.4	8.2	8.3
Trade, transport and communication	0.7	1.7	1.0	3.5	6.6	6.3	9.2	6.4	4.4
Finance and business services	4.0	3.3	4.0	4.0	0.6	-2.6	4.2	-2.3	2.5
Non-market related services	3.9	3.2	0.5	4.1	1.7	:	:	:	:
Market-related sectors	2.2	1.8	2.5	4.2	:	6.4	10.0	3.9	1.8
Sectoral breakdown of compensation per employee									
Total industries	2.9	2.2	2.1	2.8	0.7	:	:	:	:
Agriculture and fishery	4.3	1.2	2.6	0.9	2.9	4.2	3.9	2.8	1.2
Industry excluding construction	2.3	2.9	3.5	3.0	-1.4	-3.1	0.1	0.0	-2.3
of which: manufacturing	2.3	2.9	3.5	3.0	-1.8	:	:	:	:
Construction	1.4	2.3	3.3	3.4	3.7	1.5	6.3	4.0	3.0
Trade, transport and communication	2.4	0.5	1.5	2.1	1.9	0.8	4.3	1.4	0.8
Finance and business services	3.1	3.2	2.7	1.5	1.0	-2.9	4.6	-1.3	3.0
Non-market related services	4.1	2.4	0.9	3.5	1.0	:	:	:	:

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Italy

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Sectoral breakdown of labour productivity									
Agriculture and fishery	-4.1	-3.1	2.6	3.1	-1.7	-7.3	-8.1	1.2	0.7
Industry excluding construction	0.5	2.2	1.3	-2.8	-11.0	-16.6	-15.8	-8.5	-2.2
of which: manufacturing	0.5	2.5	1.4	-4.2	-11.7	-17.7	-16.5	-8.8	-2.5
Construction	-2.2	0.4	-2.6	-2.1	-5.7	-8.3	-5.5	-3.9	-4.9
Trade, transport and communication	1.7	-1.2	0.4	-1.3	-4.4	-5.1	-4.5	-4.7	-3.4
Finance and business services	-0.9	-0.1	-1.3	-2.4	0.4	-0.2	0.3	1.0	0.5
Non-market related services	0.2	-0.8	0.4	-0.6	-0.7	-1.4	-1.3	-0.5	0.5
Market-related sectors	0.1	0.3	0.2	-1.7	-4.6	-7.2	-6.3	-3.2	-1.6

Source: AMECO, Eurostat-National Account, ECB

* Note: available on an annual basis only

Work Status of persons:			*Cyprus*						
			2005	2006	2007	2008	2009	Changes 2008-2009	in
1	- Population (total)	1000 pers.	727	737	752	758	763	0.6	%
2	- Population (working age: 15-64)		494	500	518	524	528	0.8	%
		as % of total population	67.9	67.9	68.9	69.1	69.2	0.2	p.p.
3	- Labour force (15-64)	1000 pers.	358	365	383	386	391	1.2	%
		Male	199	202	209	210	213	1.6	%
		Female	159	164	174	176	178	0.9	%
4	- Activity rate (as % of population 15-64)		72.4	73.0	73.9	73.6	74.0	0.4	p.p.
		Young (15-24)	42.6	41.5	41.7	41.7	41.1	-0.6	p.p.
		Prime age (25-54)	85.7	86.2	86.7	86.5	86.6	0.1	p.p.
		Older (55-64)	52.4	55.5	57.7	56.6	58.5	1.9	p.p.
		Male	82.9	82.7	82.9	82.0	82.0	0.0	p.p.
		Young (15-24)	46.6	45.0	43.9	43.1	42.1	-1.0	p.p.
		Prime age (25-54)	95.3	95.3	95.0	94.0	93.5	-0.5	p.p.
		Older (55-64)	73.2	74.1	74.8	73.0	74.9	1.9	p.p.
		Female	62.5	63.8	65.4	65.7	66.2	0.5	p.p.
		Young (15-24)	39.0	38.3	39.7	40.5	40.2	-0.3	p.p.
		Prime age (25-54)	76.5	77.4	78.7	79.1	79.7	0.6	p.p.
		Older (55-64)	32.8	37.8	41.6	41.0	42.6	1.6	p.p.
5	- Employment rate (as % of pop. 15-64)		68.5	69.6	71.0	70.9	69.9	-1.0	p.p.
		Young (15-24)	36.7	37.4	37.4	38.0	35.5	-2.5	p.p.
		Prime age (25-54)	81.8	82.6	83.8	83.7	82.6	-1.1	p.p.
		Older (55-64)	50.6	53.6	55.9	54.8	56.0	1.2	p.p.
		Male	79.2	79.4	80.0	79.2	77.6	-1.6	p.p.
		Young (15-24)	40.5	41.0	39.1	39.4	36.4	-3.0	p.p.
		Prime age (25-54)	91.8	92.0	92.4	91.4	89.2	-2.2	p.p.
		Older (55-64)	70.8	71.6	72.5	70.9	71.7	0.8	p.p.
		Female	58.4	60.3	62.4	62.9	62.5	-0.4	p.p.
		Young (15-24)	33.2	34.1	36.0	36.7	34.6	-2.1	p.p.
		Prime age (25-54)	72.2	73.6	75.5	76.2	76.0	-0.2	p.p.
		Older (55-64)	31.5	36.6	40.3	39.4	40.8	1.4	p.p.
6	- Employed persons (age 15-64 -Th. pers.)		338	348	368	371	369	-2	Th.
		Male (as % of total)	56.1	55.6	54.8	54.6	54.6	0.0	p.p.
		Female (as % of total)	43.9	44.4	45.2	45.4	45.4	0.0	p.p.
7	- Employment growth (%) (National accounts)		3.6	1.8	3.2	2.6	-0.7		p.p.
	Employment growth (%) (LFS - age 15-64)		3.4	3.0	5.6	0.9	-0.5		p.p.
		Male	4.1	2.1	4.2	0.6	-0.5		p.p.
		Female	2.3	4.3	7.4	1.2	-0.4		p.p.
8	- Self employed (% of total employment)		12.4	12.1	11.6	11.6	11.5	-0.1	p.p.
		Male	15.1	14.6	14.4	14.4	13.8	-0.7	p.p.
		Female	8.9	9.1	8.2	8.3	8.8	0.5	p.p.
9	- Temporary employment (as % total)		14.0	13.2	13.3	14.0	13.5	-0.5	p.p.
		Male	9.0	7.9	7.6	8.2	7.5	-0.7	p.p.
		Female	19.5	19.0	19.2	20.0	19.9	-0.1	p.p.
10	- Part-time (as % of total employment)		7.6	6.6	6.4	6.8	7.4	0.6	p.p.
		Male	3.2	2.8	3.0	3.5	3.9	0.5	p.p.
		Female	13.2	11.3	10.4	10.8	11.5	0.8	p.p.

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Work Status of persons:	*Cyprus*						
	2005	2006	2007	2008	2009	Changes 2008-2009	in
11 - Unemployment rate (Harmonised: 15-74)	5.3	4.6	4.0	3.6	5.3	1.7	p.p.
Young (15-24)	13.9	10.0	10.2	9.0	13.8	4.8	p.p.
Prime age (25-49)	4.6	4.1	3.3	3.3	4.7	1.4	p.p.
Older (55-64)	3.5	3.3	3.1	3.2	4.3	1.1	p.p.
Male	4.3	4.0	3.4	3.1	5.1	2.0	p.p.
Young (15-24)	13.2	8.9	11.0	8.7	13.6	4.9	p.p.
Prime age (25-49)	3.7	3.4	2.7	3.0	4.7	1.7	p.p.
Older (55-64)	3.3	3.3	3.1	2.8	4.3	1.5	p.p.
Female	6.5	5.4	4.6	4.2	5.5	1.3	p.p.
Young (15-24)	14.7	11.1	9.4	9.4	13.9	4.5	p.p.
Prime age (25-49)	5.6	4.9	4.0	3.6	4.6	1.0	p.p.
Older (55-64)	4.1	:	3.2	3.9	4.2	0.3	p.p.
12 - Long-term unemployment rate							
(as % of total unemployment)	23.4	19.3	18.6	13.6	10.3	-3.3	p.p.
13 - Worked hours (average actual weekly hours)	40.4	40.2	40.2	40.2	40.4	0.5	%
Male	42.7	42.3	42.0	42.2	42.5	0.7	%
Female	37.5	37.6	37.9	37.9	37.8	-0.3	%
14 - Sectoral employment growth							
Agriculture	-5.6	-14.1	10.7	-4.0	6.1		p.p.
Building and construction	5.9	3.9	4.9	3.2	-5.3		p.p.
Services	4.4	2.6	2.9	3.1	-0.4		p.p.
Manufacturing industry	0.6	1.0	1.0	0.7	-0.8		p.p.

Source: Eurostat, labour force survey

Cyprus

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Different measures of wage/labour costs:									
Compensation per employee	1.8	3.0	3.0	3.4	5.4	3.5	4.3	:	:
Compensation of employees per Hour Worked	4.0	4.0	4.4	6.4	7.0	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	3.9	4.7	6.8	6.4	:	:	:	:	:
Negotiated wages (Euro-area only)	:	:	:	:	:	:	:	:	:
Nominal Unit labour costs	1.4	0.6	1.1	2.4	6.6	3.8	5.3	:	:
Real unit labour costs deflated by GDP deflator.	-0.9	-2.3	-3.4	-2.3	6.6	3.3	5.1	:	:
Wage and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by Total Factor Productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	68.2	67.1	66.3	64.0	65.7	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	15.6	15.1	15.0	15.2	:	:	:	:	:
Total wage (as a percentage of total labour costs) ANNUAL	84.4	84.9	85.0	84.8	:	:	:	:	:
Direct remuneration and bonuses (as a percentage of total labour costs)	84.4	84.9	85.0	84.8	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with no children, 100% and 100% of AW	13.6	14.1	13.9	0.0	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with 2 children, 100% and 100% of AW	12.0	12.6	12.5	0.0	:	:	:	:	:
Employers' social security contributions (as a percentage of total labour costs)	15.6	15.1	15.0	15.2	:	:	:	:	:
Other indirect costs (as a percentage of total labour costs)	0.0	0.0	0.0	0.0	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/Person Employed)	0.3	2.3	1.8	1.0	-1.1	-0.3	-1.0	:	:
Hourly Labour Productivity	1.9	1.4	2.1	0.9	0.2	:	:	:	:
GDP	3.9	4.1	5.1	3.6	-1.7	0.6	-1.7	-2.8	-3.0
ECFIN NAIRU estimate	4.2	4.4	4.7	5.0	5.5	:	:	:	:
Output gap (%)	-0.6	0.2	2.4	3.4	-0.7	:	:	:	:
Headline inflation (harmonised consumer price index 1996=100)	2.0	2.2	2.2	4.4	-0.4	0.8	0.4	-1.0	0.5
Underlying inflation (exc. energy and unprocessed food)	0.8	0.8	1.7	2.7	1.7	2.7	2.9	1.7	1.4
GDP deflator	2.4	3.0	4.6	4.8	0.0	0.5	0.3	-1.2	0.6
Sectoral breakdown of unit labour costs									
Agriculture and fishery	11.1	17.6	10.6	:	:	-10.9	-8.3	-11.3	-11.1
Industry excluding construction	5.0	6.4	-0.2	:	:	10.7	9.2	5.9	5.2
of which: manufacturing	4.0	7.7	1.1	:	:	:	:	:	:
Construction	-0.2	2.0	-0.2	:	:	4.2	8.1	4.8	7.4
Trade, transport and communication	-0.4	-2.4	-2.5	:	:	7.2	6.0	4.7	5.0
Finance and business services	8.0	1.5	-0.5	:	:	3.0	8.3	6.8	3.2
Non-market related services	3.6	3.2	2.9	:	:	:	:	:	:
Market-related sectors	1.1	-0.3	0.2	1.4	:	4.6	6.5	4.3	4.1
Sectoral breakdown of compensation per employee									
Total industries	2.7	3.1	1.7	2.9	2.7	:	:	:	:
Agriculture and fishery	13.4	23.1	-3.4	:	:	-15.7	-20.7	-16.1	-14.1
Industry excluding construction	4.3	2.1	1.4	:	:	4.6	3.7	2.6	3.6
of which: manufacturing	2.8	1.4	2.2	:	:	:	:	:	:
Construction	-1.4	4.7	2.4	:	:	4.7	8.0	2.6	2.4
Trade, transport and communication	0.3	-0.7	1.7	:	:	3.4	3.7	3.1	3.0
Finance and business services	10.0	5.9	0.7	:	:	4.3	9.5	6.7	2.7
Non-market related services	1.7	4.1	2.4	:	:	:	:	:	:

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Cyprus

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Sectoral breakdown of labour productivity	2.0	4.7	-12.7	1.9	-7.0	-5.4	-13.5	-5.4	-3.4
Agriculture and fishery	-0.7	-4.1	1.5	2.2	-3.7	-5.4	-5.0	-3.1	-1.6
Industry excluding construction	-1.2	-5.8	1.1	2.5	-5.3	-5.1	-5.9	-4.4	-3.8
of which: manufacturing	-1.3	2.7	2.6	1.3	-1.6	0.4	-0.1	-2.1	-4.6
Construction	0.7	1.7	4.2	0.3	-2.4	-3.5	-2.2	-1.6	-1.8
Trade, transport and communication	1.8	4.3	1.3	2.8	0.5	1.3	1.1	-0.1	-0.5
Finance and business services	-1.9	0.9	-0.5	-0.7	-0.4	-0.2	-0.5	0.1	-0.7
Non-market related services	1.1	2.8	2.5	1.6	-0.9	-0.9	-1.1	-0.8	-1.0
Market-related sectors									

Source: AMECO, Eurostat-National Account, ECB

* Note: available on an annual basis only

Work Status of persons:			*Latvia*						
			2005	2006	2007	2008	2009	Changes 2008-2009	in
1	- Population (total)	1000 pers.	2305	2294	2281	2271	2261	-0.4	%
2	- Population (working age: 15-64)		1583	1580	1573	1568	1560	-0.5	%
		as % of total population	68.7	68.9	69.0	69.0	69.0	0.0	p.p.
3	- Labour force (15-64)	1000 pers.	1101	1126	1145	1167	1153	-1.1	%
		Male	567	581	591	597	583	-2.3	%
		Female	534	545	555	570	570	0.1	%
4	- Activity rate (as % of population 15-64)		69.6	71.3	72.8	74.4	73.9	-0.5	p.p.
		Young (15-24)	37.7	40.8	43.0	42.9	41.7	-1.2	p.p.
		Prime age (25-54)	85.6	86.4	87.2	88.9	88.5	-0.4	p.p.
		Older (55-64)	53.8	57.1	60.3	63.3	61.4	-1.9	p.p.
		Male	74.4	76.2	77.6	78.6	77.0	-1.6	p.p.
		Young (15-24)	43.8	47.8	48.9	48.8	46.8	-2.0	p.p.
		Prime age (25-54)	89.4	90.0	91.0	92.2	91.1	-1.1	p.p.
		Older (55-64)	61.0	64.4	67.9	68.7	63.8	-4.9	p.p.
		Female	65.1	66.7	68.3	70.5	71.0	0.5	p.p.
		Young (15-24)	31.3	33.6	36.8	36.7	36.3	-0.4	p.p.
		Prime age (25-54)	82.0	82.9	83.6	85.7	86.1	0.4	p.p.
		Older (55-64)	48.5	51.6	54.6	59.3	59.7	0.4	p.p.
5	- Employment rate (as % of pop. 15-64)		63.3	66.3	68.3	68.6	60.9	-7.7	p.p.
		Young (15-24)	32.6	35.9	38.4	37.2	27.7	-9.5	p.p.
		Prime age (25-54)	78.4	81.1	82.3	82.6	74.7	-7.9	p.p.
		Older (55-64)	49.5	53.3	57.7	59.4	53.2	-6.2	p.p.
		Male	67.6	70.4	72.5	72.1	61.0	-11.1	p.p.
		Young (15-24)	38.7	42.8	43.4	42.4	29.3	-13.1	p.p.
		Prime age (25-54)	81.7	83.7	85.6	85.4	74.5	-10.9	p.p.
		Older (55-64)	55.2	59.5	64.6	63.1	53.1	-10.0	p.p.
		Female	59.3	62.4	64.4	65.4	60.9	-4.5	p.p.
		Young (15-24)	26.2	28.7	33.1	31.9	26.0	-5.9	p.p.
		Prime age (25-54)	75.3	78.6	79.1	79.9	74.9	-5.0	p.p.
		Older (55-64)	45.3	48.7	52.4	56.7	53.3	-3.4	p.p.
6	- Employed persons (age 15-64 -Th. pers.)		1002	1047	1075	1076	951	-125	Th.
		Male (as % of total)	51.4	51.3	51.3	50.9	48.6	-2.3	p.p.
		Female (as % of total)	48.6	48.7	48.7	49.1	51.4	2.3	p.p.
7	- Employment growth (%) (National accounts)		1.6	4.9	3.6	0.9	-13.6		p.p.
	Employment growth (%) (LFS - age 15-64)		1.5	4.5	2.7	0.1	-11.7		p.p.
		Male	0.2	4.2	2.8	-0.8	-15.6		p.p.
		Female	2.9	4.9	2.5	1.1	-7.6		p.p.
8	- Self employed (% of total employment)		5.6	6.3	5.5	5.3	6.0	0.7	p.p.
		Male	6.4	7.3	6.7	6.4	6.9	0.6	p.p.
		Female	4.8	5.2	4.3	4.1	5.1	1.0	p.p.
9	- Temporary employment (as % total)		8.4	7.2	4.2	3.3	4.4	1.1	p.p.
		Male	10.6	8.9	5.6	4.6	5.9	1.3	p.p.
		Female	6.2	5.4	2.8	1.9	3.0	1.1	p.p.
10	- Part-time (as % of total employment)		7.6	5.8	5.6	5.5	8.3	2.8	p.p.
		Male	5.6	4.2	4.4	3.9	7.0	3.1	p.p.
		Female	9.7	7.4	6.9	7.1	9.6	2.5	p.p.

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Work Status of persons:	*Latvia*						
	2005	2006	2007	2008	2009	Changes 2008-2009	in
11 - Unemployment rate (Harmonised: 15-74)	8.9	6.8	6.0	7.5	17.1	9.6	p.p.
Young (15-24)	13.6	12.2	10.7	13.1	33.6	20.5	p.p.
Prime age (25-49)	8.0	6.1	5.6	7.2	15.8	8.6	p.p.
Older (55-64)	8.0	6.6	4.4	6.2	13.4	7.2	p.p.
Male	9.1	7.4	6.4	8.0	20.3	12.3	p.p.
Young (15-24)	11.8	10.5	11.2	13.2	37.5	24.3	p.p.
Prime age (25-49)	8.1	6.9	5.9	7.4	18.5	11.1	p.p.
Older (55-64)	9.5	7.7	:	8.2	16.7	8.5	p.p.
Female	8.7	6.2	5.6	6.9	13.9	7.0	p.p.
Young (15-24)	16.2	14.7	10.0	13.1	28.4	15.3	p.p.
Prime age (25-49)	7.9	5.3	5.3	6.9	13.0	6.1	p.p.
Older (55-64)	6.7	:	:	4.4	10.7	6.3	p.p.
12 - Long-term unemployment rate							
(as % of total unemployment)	45.9	36.6	26.3	25.7	26.7	1.0	p.p.
13 - Worked hours (average actual weekly hours)	41.2	41.4	40.7	40.1	39.3	-2.0	%
Male	42.8	42.9	41.8	41.2	40.2	-2.4	%
Female	39.4	39.9	39.6	39.1	38.5	-1.5	%
14 - Sectoral employment growth							
Agriculture	-10.3	3.2	-9.8	-18.3	-5.2		p.p.
Building and construction	6.6	12.9	23.1	0.2	-38.7		p.p.
Services	3.4	5.1	4.6	4.7	-9.3		p.p.
Manufacturing industry	2.0	1.9	-1.7	-2.1	-18.6		p.p.

Source: Eurostat, labour force survey

Latvia

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Different measures of wage/labour costs:									
Compensation per employee	25.1	23.2	35.1	14.5	-11.9	-3.6	-8.8	-16.2	-20.2
Compensation of employees per Hour Worked	25.3	24.5	38.2	20.5	-10.5	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	15.1	23.3	30.3	23.4	:	:	:	:	:
Negotiated wages (Euro-area only)	:	:	:	:	:	:	:	:	:
Nominal Unit labour costs	14.8	15.2	27.2	21.0	-7.1	8.0	-2.3	-13.2	-19.4
Real unit labour costs deflated by GDP deflator.	4.2	4.9	5.8	4.9	-6.4	0.7	-2.3	-9.7	-14.7
Wage and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by Total Factor Productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	53.6	56.5	59.4	60.9	56.8	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	21.5	21.3	21.1	21.1	:	:	:	:	:
Total wage (as a percentage of total labour costs) ANNUAL	78.5	78.7	78.9	78.9	:	:	:	:	:
Direct remuneration and bonuses (as a percentage of total labour costs)	73.4	73.7	73.9	73.5	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with no children, 100% and 100% of AW	42.2	42.9	42.4	41.6	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with 2 children, 100% and 100% of AW	37.5	39.9	37.0	37.7	:	:	:	:	:
Employers' social security contributions (as a percentage of total labour costs)	20.7	20.6	20.4	20.7	:	:	:	:	:
Other indirect costs (as a percentage of total labour costs)	0.8	0.8	0.8	0.4	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/Person Employed)	8.9	7.0	6.2	-5.4	-5.1	-10.7	-6.7	-3.5	-1.0
Hourly Labour Productivity	7.1	8.0	7.5	-1.2	-2.3	:	:	:	:
GDP	10.6	12.2	10.0	-4.6	-18.0	-17.8	-18.4	-19.0	-16.9
ECFIN NAIRU estimate	9.2	8.8	9.2	10.7	13.1	:	:	:	:
Output gap (%)	4.1	9.7	15.3	8.3	-9.8	:	:	:	:
Headline inflation (harmonised consumer price index 1996=100)	6.9	6.6	10.1	15.3	4.0	9.0	4.4	1.2	-1.3
Underlying inflation (exc. energy and unprocessed food)	5.5	5.1	9.7	13.8	4.0	7.5	4.6	2.2	0.0
GDP deflator	10.2	9.9	20.3	15.4	-0.7	7.3	0.0	-3.8	-5.5
Sectoral breakdown of unit labour costs									
Agriculture and fishery	21.5	22.8	31.5	10.0	-25.7	-13.8	-15.9	-31.8	-37.0
Industry excluding construction	7.8	15.0	21.0	19.4	-4.3	12.6	5.5	-12.0	-17.7
of which: manufacturing	13.0	16.1	25.7	19.1	-4.5	:	:	:	:
Construction	63.4	29.8	45.7	8.4	-21.2	-1.9	-30.3	-29.4	-19.3
Trade, transport and communication	6.5	14.6	22.6	24.9	1.0	13.3	4.9	-3.7	-8.2
Finance and business services	11.9	17.4	37.0	14.9	-13.1	-1.7	-8.8	-18.3	-21.6
Non-market related services	8.9	14.0	29.2	21.5	-12.3	:	:	:	:
Market-related sectors	16.5	17.2	28.3	17.0	:	5.6	-6.3	-16.0	-18.0
Sectoral breakdown of compensation per employee									
Total industries	19.5	23.2	34.3	14.0	-12.2	:	:	:	:
Agriculture and fishery	48.0	12.9	57.4	34.3	-18.9	-20.5	-9.0	-22.8	-22.2
Industry excluding construction	11.9	19.7	25.8	14.5	-3.3	5.3	2.7	-9.0	-9.9
of which: manufacturing	17.3	21.0	28.6	13.8	-5.3	:	:	:	:
Construction	77.1	39.8	36.9	5.4	-14.6	-4.9	-23.3	-12.4	-8.5
Trade, transport and communication	16.5	21.3	31.4	14.6	-12.9	-4.7	-9.0	-17.2	-18.6
Finance and business services	22.2	27.6	33.6	2.0	-10.1	-5.0	-8.2	-12.5	-13.6
Non-market related services	12.9	19.7	34.1	19.0	-15.3	:	:	:	:

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Latvia

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Sectoral breakdown of labour productivity									
Agriculture and fishery	21.9	-8.0	19.6	22.1	9.2	-7.7	8.3	13.2	23.5
Industry excluding construction	3.9	4.1	4.0	-4.1	1.0	-6.5	-2.7	3.5	9.5
of which: manufacturing	3.8	4.2	2.3	-4.4	-0.8	-9.6	-3.9	2.7	7.2
Construction	8.3	7.7	-6.0	-2.8	8.3	-3.1	10.0	24.0	13.4
Trade, transport and communication	9.4	5.9	7.1	-8.3	-13.8	-15.9	-13.3	-14.0	-11.4
Finance and business services	9.2	8.7	-2.5	-11.2	3.5	-3.3	0.7	7.1	10.2
Non-market related services	3.6	5.0	3.8	-2.1	-3.4	-5.3	-5.2	-2.1	0.3
Market-related sectors	10.3	6.5	5.4	-3.8	-2.1	-8.2	-2.6	0.6	2.5

Source: AMECO, Eurostat-National Account, ECB

* Note: available on an annual basis only

Work Status of persons:			*Lithuania*						
			2005	2006	2007	2008	2009	Changes 2008-2009	in
1	- Population (total)	1000 pers.	3424	3403	3385	3366	3350	-0.5	%
2	- Population (working age: 15-64)		2322	2321	2319	2316	2309	-0.3	%
		as % of total population	67.8	68.2	68.5	68.8	68.9	0.1	p.p.
3	- Labour force (15-64)	1000 pers.	1587	1565	1575	1584	1612	1.8	%
		Male	807	790	796	801	805	0.5	%
		Female	780	775	779	783	807	3.1	%
4	- Activity rate (as % of population 15-64)		68.4	67.4	67.9	68.4	69.8	1.4	p.p.
		Young (15-24)	25.1	26.3	27.4	30.8	30.3	-0.5	p.p.
		Prime age (25-54)	87.9	86.2	86.0	85.5	87.3	1.8	p.p.
		Older (55-64)	52.8	52.9	55.6	55.6	57.6	2.0	p.p.
		Male	72.1	70.5	71.0	71.4	72.0	0.6	p.p.
		Young (15-24)	29.5	29.3	31.8	35.4	33.9	-1.5	p.p.
		Prime age (25-54)	90.1	88.7	87.9	87.4	88.3	0.9	p.p.
		Older (55-64)	63.8	59.9	63.4	63.0	63.8	0.8	p.p.
		Female	64.9	64.6	65.0	65.5	67.8	2.3	p.p.
		Young (15-24)	20.5	23.1	22.8	26.0	26.7	0.7	p.p.
		Prime age (25-54)	85.8	83.8	84.2	83.8	86.3	2.5	p.p.
		Older (55-64)	44.5	47.6	49.7	50.0	52.9	2.9	p.p.
5	- Employment rate (as % of pop. 15-64)		62.6	63.6	64.9	64.3	60.1	-4.2	p.p.
		Young (15-24)	21.2	23.7	25.2	26.7	21.5	-5.2	p.p.
		Prime age (25-54)	81.0	81.7	82.5	81.2	76.3	-4.9	p.p.
		Older (55-64)	49.2	49.6	53.4	53.1	51.6	-1.5	p.p.
		Male	66.1	66.3	67.9	67.1	59.5	-7.6	p.p.
		Young (15-24)	24.8	26.4	29.6	30.9	22.0	-8.9	p.p.
		Prime age (25-54)	83.3	84.1	84.3	82.7	74.6	-8.1	p.p.
		Older (55-64)	59.1	55.7	60.8	60.2	56.0	-4.2	p.p.
		Female	59.4	61.0	62.2	61.8	60.7	-1.1	p.p.
		Young (15-24)	17.4	20.9	20.5	22.2	20.9	-1.3	p.p.
		Prime age (25-54)	78.8	79.5	80.8	79.7	78.0	-1.7	p.p.
		Older (55-64)	41.7	45.1	47.9	47.8	48.3	0.5	p.p.
6	- Employed persons (age 15-64 -Th. pers.)		1454	1476	1506	1490	1388	-103	Th.
		Male (as % of total)	50.9	50.4	50.5	50.4	48.0	-2.5	p.p.
		Female (as % of total)	49.1	49.6	49.5	49.6	52.0	2.5	p.p.
7	- Employment growth (%) (National accounts)		2.5	1.8	2.8	-0.5	-6.9		p.p.
	Employment growth (%) (LFS - age 15-64)		2.7	1.5	2.0	-1.0	-6.9		p.p.
		Male	2.2	0.5	2.4	-1.2	-11.4		p.p.
		Female	3.1	2.6	1.7	-0.8	-2.2		p.p.
8	- Self employed (% of total employment)		11.9	11.0	9.6	7.8	7.7	-0.1	p.p.
		Male	14.2	13.0	11.8	9.8	9.6	-0.3	p.p.
		Female	9.5	8.9	7.4	5.7	6.0	0.3	p.p.
9	- Temporary employment (as % total)		5.6	4.5	3.5	2.4	2.3	-0.1	p.p.
		Male	7.6	6.4	4.8	2.9	3.0	0.1	p.p.
		Female	3.5	2.6	2.3	1.9	1.6	-0.3	p.p.
10	- Part-time (as % of total employment)		6.8	9.5	8.1	6.5	8.0	1.5	p.p.
		Male	4.9	7.5	6.5	4.7	6.7	2.0	p.p.
		Female	8.8	11.5	9.7	8.3	9.1	0.9	p.p.

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Work Status of persons:	*Lithuania*						
	2005	2006	2007	2008	2009	Changes 2008-2009	in
11 - Unemployment rate (Harmonised: 15-74)	8.3	5.6	4.3	5.8	13.7	7.9	p.p.
Young (15-24)	15.7	9.8	8.2	13.4	29.2	15.8	p.p.
Prime age (25-49)	7.5	4.8	4.0	4.9	12.5	7.6	p.p.
Older (55-64)	6.8	6.2	3.8	4.4	10.4	6.0	p.p.
Male	8.2	5.8	4.3	6.1	17.1	11.0	p.p.
Young (15-24)	15.9	10.0	7.0	12.6	35.1	22.5	p.p.
Prime age (25-49)	7.3	4.9	4.1	5.4	15.6	10.2	p.p.
Older (55-64)	7.4	:	:	:	12.3	:	p.p.
Female	8.3	5.4	4.3	5.6	10.4	4.8	p.p.
Young (15-24)	15.3	:	10.0	14.6	21.6	7.0	p.p.
Prime age (25-49)	7.8	4.8	3.9	4.5	9.5	5.0	p.p.
Older (55-64)	:	:	:	:	8.6	:	p.p.
12 - Long-term unemployment rate							
(as % of total unemployment)	52.5	44.2	32.0	21.1	23.2	2.1	p.p.
13 - Worked hours (average actual weekly hours)	38.4	38.6	38.8	39.1	38.6	-1.3	%
Male	39.6	39.5	39.6	39.9	39.4	-1.3	%
Female	37.3	37.8	38.0	38.4	38.0	-1.0	%
14 - Sectoral employment growth							
Agriculture	-9.3	-9.9	-14.2	-23.8	9.4		p.p.
Building and construction	14.1	12.7	15.9	-2.4	-24.4		p.p.
Services	4.1	3.6	4.6	3.9	-4.2		p.p.
Manufacturing industry	4.4	-0.6	1.7	-0.3	-12.2		p.p.

Source: Eurostat, labour force survey

Lithuania

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Different measures of wage/labour costs:									
Compensation per employee	11.5	16.7	13.9	12.9	-7.6	4.5	-4.3	-13.2	-14.6
Compensation of employees per Hour Worked	10.0	19.4	15.4	14.0	-7.0	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	11.5	18.4	20.9	17.2	:	:	:	:	:
Negotiated wages (Euro-area only)	:	:	:	:	:	:	:	:	:
Nominal Unit labour costs	6.0	10.1	6.5	9.3	0.9	14.2	10.8	-6.5	-10.3
Real unit labour costs deflated by GDP deflator.	-0.6	3.4	-1.8	-0.3	3.9	16.9	7.3	-0.7	-6.7
Wage and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by Total Factor Productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	54.4	56.4	55.8	55.7	57.9	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	28.5	28.5	28.5	:	:	:	:	:	:
Total wage (as a percentage of total labour costs) ANNUAL	71.5	71.5	71.5	:	:	:	:	:	:
Direct remuneration and bonuses (as a percentage of total labour costs)	66.5	66.5	66.6	:	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with no children, 100% and 100% of AW	40.1	46.3	43.0	41.7	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with 2 children, 100% and 100% of AW	40.1	43.2	40.5	39.6	:	:	:	:	:
Employers' social security contributions (as a percentage of total labour costs)	28.1	28.2	28.2	:	:	:	:	:	:
Other indirect costs (as a percentage of total labour costs)	0.3	0.3	0.3	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/Person Employed)	5.2	5.9	6.9	3.3	-8.5	-8.6	-13.6	-7.2	-4.8
Hourly Labour Productivity	1.7	6.8	5.7	1.6	-7.3	:	:	:	:
GDP	7.8	7.8	9.8	2.8	-14.8	-13.3	-19.5	-14.2	-12.8
ECFIN NAIRU estimate	10.0	8.6	8.0	8.5	10.1	:	:	:	:
Output gap (%)	4.7	6.2	10.1	9.0	-8.2	:	:	:	:
Headline inflation (harmonised consumer price index 1996=100)	2.7	3.8	5.8	11.1	4.4	8.4	4.9	2.4	1.2
Underlying inflation (exc. energy and unprocessed food)	1.3	2.4	5.2	9.3	3.6	7.1	3.9	2.2	1.8
GDP deflator	6.6	6.5	8.5	9.7	-2.9	-2.3	3.3	-5.9	-3.8
Sectoral breakdown of unit labour costs									
Agriculture and fishery	-7.4	2.7	16.2	-17.0	:	-4.6	-22.6	-15.3	-4.9
Industry excluding construction	7.2	4.4	5.9	7.6	:	14.8	5.7	-6.7	-10.8
of which: manufacturing	6.0	3.2	5.0	5.5	-2.9	:	:	:	:
Construction	20.0	22.6	8.8	13.2	:	8.4	-8.1	-22.2	-29.5
Trade, transport and communication	7.9	15.9	3.2	9.6	:	20.6	13.9	-6.6	-1.2
Finance and business services	16.0	7.5	23.8	15.9	:	14.6	12.9	-0.9	7.1
Non-market related services	7.1	13.6	13.1	16.1	:	:	:	:	:
Market-related sectors	6.7	9.3	5.7	6.7	:	14.8	6.7	-9.7	-5.9
Sectoral breakdown of compensation per employee									
Total industries	11.5	16.7	13.9	12.9	-7.3	:	:	:	:
Agriculture and fishery	4.0	2.6	53.1	9.5	:	-15.2	-33.3	-16.8	-11.9
Industry excluding construction	11.7	12.6	8.6	9.0	:	6.6	-2.0	-8.6	-3.6
of which: manufacturing	10.2	13.7	8.3	7.5	-6.0	:	:	:	:
Construction	17.1	31.5	14.0	17.0	:	-20.6	-36.7	-40.6	-38.2
Trade, transport and communication	17.0	14.8	11.5	10.4	:	2.1	-0.2	-14.1	-5.5
Finance and business services	16.0	0.3	35.5	-3.6	:	13.2	-11.1	-14.3	-12.8
Non-market related services	5.0	22.3	10.8	20.9	:	:	:	:	:

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Lithuania

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Sectoral breakdown of labour productivity									
Agriculture and fishery	12.4	-0.1	31.8	32.0	-6.7	-11.1	-13.9	-1.8	-7.4
Industry excluding construction	4.2	7.8	2.6	1.3	-2.3	-7.1	-7.3	-2.0	8.1
of which: manufacturing	4.0	10.2	3.1	1.9	-3.2	-13.0	-7.7	0.4	6.6
Construction	-2.4	7.3	4.8	3.3	-25.0	-26.7	-31.1	-23.7	-12.4
Trade, transport and communication	8.5	-1.0	8.1	0.8	-10.1	-15.3	-12.4	-8.1	-4.4
Finance and business services	0.0	-6.7	9.5	-16.8	-14.0	-1.2	-21.3	-13.5	-18.5
Non-market related services	-2.0	7.7	-2.0	4.2	0.1	5.9	-3.3	-1.1	-0.8
Market-related sectors	7.2	4.3	8.8	3.0	-9.6	-11.7	-14.7	-7.7	-4.3

Source: AMECO, Eurostat-National Account, ECB

* Note: available on an annual basis only

Work Status of persons:			*Luxembourg*						
			2005	2006	2007	2008	2009	Changes 2008-2009	in
1	- Population (total)	1000 pers.	450	456	465	467	481	3.0	%
2	- Population (working age: 15-64)		304	307	316	318	330	3.6	%
		as % of total population	67.6	67.2	68.0	68.1	68.5	0.4	p.p.
3	- Labour force (15-64)	1000 pers.	202	205	211	213	227	6.5	%
		Male	116	115	118	120	128	6.2	%
		Female	86	90	94	92	99	7.1	%
4	- Activity rate (as % of population 15-64)		66.6	66.7	66.9	66.8	68.7	1.9	p.p.
		Young (15-24)	28.8	27.8	26.5	29.0	32.3	3.3	p.p.
		Prime age (25-54)	83.9	84.5	84.7	83.4	84.8	1.4	p.p.
		Older (55-64)	32.4	33.6	32.7	35.1	39.4	4.3	p.p.
		Male	76.0	75.3	75.0	74.7	76.6	1.9	p.p.
		Young (15-24)	32.1	30.6	30.6	30.9	34.9	4.0	p.p.
		Prime age (25-54)	95.5	95.3	94.9	93.7	94.1	0.4	p.p.
		Older (55-64)	39.4	38.9	36.4	39.7	47.7	8.0	p.p.
		Female	57.0	58.2	58.9	58.7	60.7	2.0	p.p.
		Young (15-24)	25.5	25.0	22.3	27.1	29.5	2.4	p.p.
		Prime age (25-54)	72.2	73.8	74.7	72.9	75.3	2.4	p.p.
		Older (55-64)	25.1	28.5	29.1	30.3	30.6	0.3	p.p.
5	- Employment rate (as % of pop. 15-64)		63.6	63.6	64.2	63.4	65.2	1.8	p.p.
		Young (15-24)	24.9	23.3	22.5	23.8	26.7	2.9	p.p.
		Prime age (25-54)	80.7	81.0	81.9	80.0	81.2	1.2	p.p.
		Older (55-64)	31.7	33.2	32.0	34.1	38.2	4.1	p.p.
		Male	73.3	72.6	72.3	71.5	73.2	1.7	p.p.
		Young (15-24)	28.4	25.4	26.5	27.0	29.1	2.1	p.p.
		Prime age (25-54)	92.8	92.7	92.2	90.2	90.8	0.6	p.p.
		Older (55-64)	38.3	38.7	35.6	38.7	46.5	7.8	p.p.
		Female	53.7	54.6	56.1	55.1	57.0	1.9	p.p.
		Young (15-24)	21.3	21.2	18.4	20.6	24.2	3.6	p.p.
		Prime age (25-54)	68.4	69.5	71.7	69.5	71.4	1.9	p.p.
		Older (55-64)	24.9	27.8	28.6	29.3	29.4	0.1	p.p.
6	- Employed persons (age 15-64 -Th. pers.)		193	195	203	202	215	13	Th.
		Male (as % of total)	58.1	56.8	56.0	57.1	56.9	-0.2	p.p.
		Female (as % of total)	41.9	43.2	44.0	42.9	43.1	0.2	p.p.
7	- Employment growth (%) (National accounts)		2.9	3.6	4.4	4.7	0.9		p.p.
	Employment growth (%) (LFS - age 15-64)		2.8	0.9	4.0	-0.4	6.4		p.p.
		Male	1.4	-1.3	2.4	1.6	6.1		p.p.
		Female	4.8	4.1	5.8	-2.8	6.9		p.p.
8	- Self employed (% of total employment)		4.9	4.9	4.1	3.8	4.8	1.0	p.p.
		Male	5.0	5.2	4.2	3.3	5.2	1.9	p.p.
		Female	4.8	4.5	3.9	4.4	4.3	-0.1	p.p.
9	- Temporary employment (as % total)		5.3	6.1	6.8	6.2	7.2	1.0	p.p.
		Male	4.9	5.7	6.2	5.9	6.3	0.4	p.p.
		Female	5.8	6.6	7.6	6.6	8.3	1.7	p.p.
10	- Part-time (as % of total employment)		17.4	17.1	17.8	17.9	17.6	-0.3	p.p.
		Male	2.4	2.6	2.6	2.7	4.6	1.9	p.p.
		Female	38.2	36.2	37.1	38.1	34.9	-3.2	p.p.

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Work Status of persons:	*Luxembourg*						
	2005	2006	2007	2008	2009	Changes 2008-2009	in
11 - Unemployment rate (Harmonised: 15-74)	4.6	4.6	4.2	4.9	5.4	0.5	p.p.
Young (15-24)	13.7	16.2	15.2	17.9	17.2	-0.7	p.p.
Prime age (25-49)	3.9	4.3	3.4	4.3	4.5	0.2	p.p.
Older (55-64)	:	:	:	2.7	:	:	p.p.
Male	3.6	3.6	3.4	4.1	4.8	0.7	p.p.
Young (15-24)	11.7	17.0	13.5	12.5	16.7	4.2	p.p.
Prime age (25-49)	2.8	3.0	2.9	4.1	3.7	-0.4	p.p.
Older (55-64)	:	:	:	2.5	:	:	p.p.
Female	6.0	6.0	5.1	5.9	6.1	0.2	p.p.
Young (15-24)	16.2	15.2	17.5	24.1	17.8	-6.3	p.p.
Prime age (25-49)	5.4	6.0	4.1	4.7	5.6	0.9	p.p.
Older (55-64)	:	:	:	3.0	:	:	p.p.
12 - Long-term unemployment rate							
(as % of total unemployment)	26.4	29.5	28.7	32.2	23.2	-9.0	p.p.
13 - Worked hours (average actual weekly hours)	37.5	37.3	36.7	36.7	37.2	1.4	%
Male	40.7	40.1	39.6	39.6	40.5	2.3	%
Female	33.1	33.6	33.1	32.9	32.7	-0.6	%
14 - Sectoral employment growth							
Agriculture	0.0	2.0	10.0	-5.5	3.8		p.p.
Building and construction	3.7	4.5	5.1	3.5	0.0		p.p.
Services	3.3	4.1	5.0	5.6	1.5		p.p.
Manufacturing industry	0.0	0.0	-0.8	1.4	-2.8		p.p.

Source: Eurostat, labour force survey

Luxembourg

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Different measures of wage/labour costs:									
Compensation per employee	4.6	3.3	3.6	2.0	1.7	1.4	1.4	1.2	2.8
Compensation of employees per Hour Worked	6.1	4.0	3.3	2.5	4.8	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	4.2	2.6	2.1	3.5	:	:	:	:	:
Negotiated wages (Euro-area only)	:	:	:	:	:	:	:	:	:
Nominal Unit labour costs	2.1	1.4	1.6	6.8	6.3	9.5	10.9	2.9	1.8
Real unit labour costs deflated by GDP deflator.	-2.4	-5.0	-1.4	1.7	7.0	10.2	10.8	3.1	3.9
Wage and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by Total Factor Productivity	3.3	2.2	2.3	7.2	7.8	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	55.7	52.6	51.9	52.4	55.8	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	16.2	16.1	16.1	15.1	:	:	:	:	:
Total wage (as a percentage of total labour costs) ANNUAL	83.8	83.9	83.9	84.9	:	:	:	:	:
Direct remuneration and bonuses (as a percentage of total labour costs)	71.0	71.2	71.2	72.2	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with no children, 100% and 100% of AW	34.2	34.8	35.8	34.2	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with 2 children, 100% and 100% of AW	26.5	27.2	28.5	27.1	:	:	:	:	:
Employers' social security contributions (as a percentage of total labour costs)	15.4	15.2	15.2	14.3	:	:	:	:	:
Other indirect costs (as a percentage of total labour costs)	0.9	0.9	0.9	0.9	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/Person Employed)	2.5	1.9	2.0	-4.5	-4.3	-7.4	-8.5	-1.6	1.0
Hourly Labour Productivity	3.7	2.3	1.4	-4.2	-1.4	:	:	:	:
GDP	5.4	5.6	6.5	0.0	-3.4	-6.1	-7.6	-1.1	1.5
ECFIN NAIRU estimate	4.2	4.5	4.7	5.1	5.3	:	:	:	:
Output gap (%)	0.5	2.5	5.2	1.7	-3.9	:	:	:	:
Headline inflation (harmonised consumer price index 1996=100)	3.8	3.0	2.7	4.1	-0.3	0.2	-0.7	-0.7	1.3
Underlying inflation (exc. energy and unprocessed food)	2.5	2.3	2.6	3.0	2.1	2.7	2.3	2.3	2.2
GDP deflator	4.6	6.8	3.0	5.0	-0.7	-0.6	0.1	-0.3	-2.1
Sectoral breakdown of unit labour costs									
Agriculture and fishery	16.3	15.2	20.4	8.7	-9.6	-7.5	-9.0	-9.5	-1.3
Industry excluding construction	3.4	8.8	-7.4	8.5	18.7	26.4	28.8	17.2	-0.5
of which: manufacturing	3.6	7.6	-8.1	7.2	21.2	:	:	:	:
Construction	0.9	1.2	11.0	4.2	6.1	1.0	11.3	2.8	7.7
Trade, transport and communication	2.6	0.2	-0.4	5.3	7.5	12.5	15.7	1.2	1.7
Finance and business services	0.9	0.4	4.2	10.2	3.4	8.5	6.4	-0.9	-0.3
Non-market related services	4.4	2.4	3.6	3.8	5.3	:	:	:	:
Market-related sectors	1.4	1.0	1.4	7.8	:	10.4	11.5	2.1	0.8
Sectoral breakdown of compensation per employee									
Total industries	4.6	3.3	3.6	2.0	1.7	:	:	:	:
Agriculture and fishery	1.1	2.1	2.3	2.6	-1.1	-0.1	4.5	2.9	4.2
Industry excluding construction	4.4	5.0	0.6	1.1	-0.4	-5.7	-1.3	-0.7	2.2
of which: manufacturing	4.7	5.0	0.2	1.2	-0.7	:	:	:	:
Construction	3.1	2.4	5.5	2.2	4.0	-0.6	4.3	4.5	6.5
Trade, transport and communication	4.6	1.7	2.4	2.0	3.2	3.2	2.8	3.5	3.3
Finance and business services	5.6	3.3	4.1	1.1	0.1	-0.8	-1.2	-0.7	3.1
Non-market related services	3.6	3.1	3.5	2.6	3.1	:	:	:	:

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Luxembourg

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Sectoral breakdown of labour productivity									
Agriculture and fishery	-13.1	-11.4	-15.0	-5.6	9.5	8.0	14.8	13.7	5.6
Industry excluding construction	1.0	-3.5	8.7	-6.8	-16.1	-25.4	-23.4	-15.3	2.7
of which: manufacturing	1.1	-2.4	9.0	-5.5	-18.0	-28.3	-26.2	-16.9	3.7
Construction	2.1	1.2	-5.0	-1.9	-2.0	-1.6	-6.2	1.6	-1.1
Trade, transport and communication	1.9	1.4	2.8	-3.1	-4.0	-8.3	-11.1	2.4	1.5
Finance and business services	4.7	2.9	0.0	-8.2	-3.2	-8.5	-7.1	0.2	3.4
Non-market related services	-0.7	0.6	-0.1	-1.1	-2.1	-1.6	-3.0	-1.7	-2.3
Market-related sectors	3.4	2.4	2.2	-5.3	-4.9	-9.8	-10.1	-1.3	2.4

Source: AMECO, Eurostat-National Account, ECB

* Note: available on an annual basis only

Work Status of persons:				*Hungary*						
				2005	2006	2007	2008	2009	Changes 2008-2009	in
1	-	Population (total)	1000 pers.	9932	9921	9907	9893	9867	-0.3	%
2	-	Population (working age: 15-64)		6815	6816	6800	6794	6771	-0.3	%
		as % of total population		68.6	68.7	68.6	68.7	68.6	-0.1	p.p.
3	-	Labour force (15-64)	1000 pers.	4180	4222	4209	4178	4172	-0.2	%
		Male		2260	2286	2290	2267	2260	-0.3	%
		Female		1920	1936	1919	1911	1912	0.0	%
4	-	Activity rate (as % of population 15-64)		61.3	62.0	61.9	61.5	61.6	0.1	p.p.
		Young (15-24)		27.1	26.8	25.6	25.0	24.6	-0.4	p.p.
		Prime age (25-54)		78.7	79.6	80.0	80.1	80.2	0.1	p.p.
		Older (55-64)		34.3	34.9	34.5	33.1	35.0	1.9	p.p.
		Male		67.9	68.7	69.0	68.3	68.2	-0.1	p.p.
		Young (15-24)		30.3	30.1	29.3	28.6	27.7	-0.9	p.p.
		Prime age (25-54)		85.5	86.5	86.9	87.0	86.9	-0.1	p.p.
		Older (55-64)		42.3	43.1	43.6	40.5	42.6	2.1	p.p.
		Female		55.1	55.5	55.1	55.0	55.3	0.3	p.p.
		Young (15-24)		23.8	23.4	21.8	21.3	21.5	0.2	p.p.
		Prime age (25-54)		72.1	72.9	73.2	73.3	73.6	0.3	p.p.
		Older (55-64)		27.7	28.2	27.3	27.0	28.8	1.8	p.p.
5	-	Employment rate (as % of pop. 15-64)		56.9	57.3	57.3	56.7	55.4	-1.3	p.p.
		Young (15-24)		21.8	21.7	21.0	20.0	18.1	-1.9	p.p.
		Prime age (25-54)		73.7	74.2	74.6	74.4	72.9	-1.5	p.p.
		Older (55-64)		33.0	33.6	33.1	31.4	32.8	1.4	p.p.
		Male		63.1	63.8	64.0	63.0	61.1	-1.9	p.p.
		Young (15-24)		24.4	24.5	24.2	23.2	19.9	-3.3	p.p.
		Prime age (25-54)		80.3	81.0	81.3	81.0	78.9	-2.1	p.p.
		Older (55-64)		40.6	41.4	41.7	38.5	39.9	1.4	p.p.
		Female		51.0	51.1	50.9	50.6	49.9	-0.7	p.p.
		Young (15-24)		19.2	18.8	17.8	16.8	16.3	-0.5	p.p.
		Prime age (25-54)		67.2	67.6	67.9	67.9	66.9	-1.0	p.p.
		Older (55-64)		26.7	27.1	26.2	25.7	27.0	1.3	p.p.
6	-	Employed persons (age 15-64 -Th. pers.)		3879	3906	3897	3849	3751	-98	Th.
		Male (as % of total)		54.2	54.3	54.5	54.4	54.0	-0.4	p.p.
		Female (as % of total)		45.8	45.7	45.5	45.6	46.0	0.4	p.p.
7	-	Employment growth (%) (National accounts)		-0.2	0.6	-0.3	-1.3	-3.6		p.p.
		Employment growth (%) (LFS - age 15-64)		0.2	0.7	-0.2	-1.2	-2.5		p.p.
		Male		-0.1	1.0	0.2	-1.5	-3.2		p.p.
		Female		0.6	0.4	-0.7	-0.9	-1.8		p.p.
8	-	Self employed (% of total employment)		7.3	6.6	6.6	6.6	6.6	0.0	p.p.
		Male		8.8	8.1	7.8	7.9	7.7	-0.1	p.p.
		Female		5.5	4.9	5.2	5.0	5.3	0.3	p.p.
9	-	Temporary employment (as % total)		7.0	6.7	7.3	7.8	8.4	0.6	p.p.
		Male		7.5	7.3	7.7	8.6	9.0	0.4	p.p.
		Female		6.4	6.0	6.8	7.0	7.8	0.8	p.p.
10	-	Part-time (as % of total employment)		3.9	3.8	3.9	4.3	5.2	0.9	p.p.
		Male		2.4	2.4	2.5	3.0	3.6	0.6	p.p.
		Female		5.6	5.4	5.5	5.8	7.1	1.4	p.p.

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Work Status of persons:	*Hungary*						
	2005	2006	2007	2008	2009	Changes 2008-2009	in
11 - Unemployment rate (Harmonised: 15-74)	7.2	7.5	7.4	7.8	10.0	2.2	p.p.
Young (15-24)	19.4	19.1	18.0	19.9	26.5	6.6	p.p.
Prime age (25-49)	6.7	7.1	7.0	7.3	9.4	2.1	p.p.
Older (55-64)	3.9	3.9	4.2	5.0	6.3	1.3	p.p.
Male	7.0	7.2	7.1	7.6	10.3	2.7	p.p.
Young (15-24)	19.6	18.6	17.6	19.1	28.2	9.1	p.p.
Prime age (25-49)	6.3	6.6	6.5	7.1	9.5	2.4	p.p.
Older (55-64)	4.2	4.0	4.5	5.0	6.4	1.4	p.p.
Female	7.4	7.8	7.7	8.1	9.7	1.6	p.p.
Young (15-24)	19.0	19.8	18.6	20.9	24.2	3.3	p.p.
Prime age (25-49)	7.1	7.7	7.7	7.6	9.3	1.7	p.p.
Older (55-64)	3.5	3.9	3.9	5.1	6.2	1.1	p.p.
12 - Long-term unemployment rate							
(as % of total unemployment)	45.1	45.1	46.8	46.5	41.6	-4.9	p.p.
13 - Worked hours (average actual weekly hours)	40.3	40.3	40.2	40.1	39.8	-0.7	%
Male	41.2	41.1	41.0	40.8	40.6	-0.5	%
Female	39.2	39.4	39.4	39.3	39.1	-0.5	%
14 - Sectoral employment growth							
Agriculture	-6.0	-2.4	-6.2	-5.7	-5.8		p.p.
Building and construction	1.7	1.5	2.8	-6.3	-4.7		p.p.
Services	1.2	1.1	-0.2	0.0	-0.9		p.p.
Manufacturing industry	-2.5	-0.2	0.9	-0.1	-9.9		p.p.

Source: Eurostat, labour force survey

Hungary

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Different measures of wage/labour costs:									
Compensation per employee	7.1	5.3	6.7	6.5	-0.2	:	:	:	:
Compensation of employees per Hour Worked	8.2	6.5	7.4	6.8	-0.7	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	7.2	8.9	9.6	8.0	:	:	:	:	:
Negotiated wages (Euro-area only)	:	:	:	:	:	:	:	:	:
Nominal Unit labour costs	3.2	1.9	5.4	4.5	2.7	:	:	:	:
Real unit labour costs deflated by GDP deflator.	1.1	-1.9	-0.5	0.7	-2.2	:	:	:	:
Wage and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by Total Factor Productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	62.0	60.3	60.5	61.1	60.4	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	29.6	30.9	28.9	:	:	:	:	:	:
Total wage (as a percentage of total labour costs) ANNUAL	70.4	69.1	71.1	:	:	:	:	:	:
Direct remuneration and bonuses (as a percentage of total labour costs)	66.2	65.0	68.8	:	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with no children, 100% and 100% of AW	50.5	51.0	54.4	54.1	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with 2 children, 100% and 100% of AW	45.2	45.4	49.1	49.0	:	:	:	:	:
Employers' social security contributions (as a percentage of total labour costs)	27.4	26.9	26.1	:	:	:	:	:	:
Other indirect costs (as a percentage of total labour costs)	2.1	4.0	2.8	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/Person Employed)	3.8	3.3	1.3	1.9	-2.8	-4.6	-5.6	-3.6	-1.2
Hourly Labour Productivity	3.7	3.8	1.3	1.9	-3.8	:	:	:	:
GDP	3.5	4.0	1.0	0.6	-6.3	-6.7	-7.5	-7.1	-4.0
ECFIN NAIRU estimate	6.3	6.9	7.6	8.3	9.0	:	:	:	:
Output gap (%)	1.8	3.6	3.0	2.7	-4.0	:	:	:	:
Headline inflation (harmonised consumer price index 1996=100)	3.5	4.0	7.9	6.0	3.6	2.7	3.6	4.9	4.9
Underlying inflation (exc. energy and unprocessed food)	2.7	2.5	6.7	5.1	3.5	2.9	3.3	5.3	5.1
GDP deflator	2.1	3.9	5.9	3.8	4.9	2.9	5.0	6.7	4.9
Sectoral breakdown of unit labour costs									
Agriculture and fishery	3.8	5.9	34.3	-33.3	:	:	:	:	:
Industry excluding construction	5.1	-7.9	6.7	4.9	:	:	:	:	:
of which: manufacturing	1.9	-2.5	1.4	5.5	:	:	:	:	:
Construction	8.5	3.1	13.4	5.2	:	:	:	:	:
Trade, transport and communication	1.4	-5.1	8.8	6.3	:	:	:	:	:
Finance and business services	10.0	-5.3	19.1	12.5	:	:	:	:	:
Non-market related services	5.5	-2.4	11.0	6.8	:	:	:	:	:
Market-related sectors	:	:	:	:	:	:	:	:	:
Sectoral breakdown of compensation per employee									
Total industries	8.7	-1.1	12.2	6.5	-11.6	:	:	:	:
Agriculture and fishery	6.1	1.5	12.6	9.2	:	:	:	:	:
Industry excluding construction	10.3	-2.4	12.6	6.8	:	:	:	:	:
of which: manufacturing	8.9	4.4	7.5	5.6	:	:	:	:	:
Construction	10.2	2.3	3.0	8.3	:	:	:	:	:
Trade, transport and communication	1.7	1.0	12.6	6.5	:	:	:	:	:
Finance and business services	15.8	-2.5	18.3	1.6	:	:	:	:	:
Non-market related services	9.4	-2.7	10.1	5.9	:	:	:	:	:

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Hungary

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Sectoral breakdown of labour productivity									
Agriculture and fishery	2.2	-4.2	-16.1	63.6	-12.5	-9.0	-17.4	-12.9	-10.0
Industry excluding construction	5.0	6.0	5.5	1.8	-7.2	-16.2	-10.5	-4.1	3.4
of which: manufacturing	6.9	7.1	6.0	0.2	-7.6	-18.4	-11.1	-3.3	4.1
Construction	1.6	-0.7	-9.2	2.9	1.8	3.3	4.9	0.3	-0.6
Trade, transport and communication	0.3	6.5	3.4	0.2	-2.3	-4.2	-2.3	-3.1	0.3
Finance and business services	5.3	2.9	-0.7	-9.7	3.1	1.3	2.7	4.6	3.8
Non-market related services	3.8	-0.3	-0.8	-0.8	-4.3	0.0	-3.1	-6.1	-7.4
Market-related sectors	3.4	4.3	1.0	3.5	-2.8	-6.7	-4.5	-2.2	2.0

Source: AMECO, Eurostat-National Account, ECB

* Note: available on an annual basis only

Work Status of persons:			*Malta*						
			2005	2006	2007	2008	2009	Changes 2008-2009	in
1	- Population (total)	1000 pers.	402	406	409	411	414	0.7	%
2	- Population (working age: 15-64)		274	281	285	288	292	1.2	%
		as % of total population	68.1	69.2	69.7	70.1	70.5	0.4	p.p.
3	- Labour force (15-64)	1000 pers.	159	162	166	170	173	1.6	%
		Male	109	111	112	113	114	1.3	%
		Female	50	51	54	57	58	2.3	%
4	- Activity rate (as % of population 15-64)		58.1	57.6	58.4	58.8	59.1	0.3	p.p.
		Young (15-24)	54.4	52.6	53.1	52.2	51.5	-0.7	p.p.
		Prime age (25-54)	65.7	67.9	69.7	70.8	71.9	1.1	p.p.
		Older (55-64)	31.9	30.6	29.6	30.4	29.8	-0.6	p.p.
		Male	79.1	78.1	77.6	76.9	76.6	-0.3	p.p.
		Young (15-24)	56.4	56.6	57.1	55.3	54.9	-0.4	p.p.
		Prime age (25-54)	93.2	93.9	94.2	93.7	93.8	0.1	p.p.
		Older (55-64)	53.1	50.6	47.3	47.9	47.8	-0.1	p.p.
		Female	36.9	36.5	38.6	40.2	40.8	0.6	p.p.
		Young (15-24)	52.4	48.3	48.9	48.9	47.7	-1.2	p.p.
		Prime age (25-54)	37.6	40.8	44.0	46.7	48.9	2.2	p.p.
		Older (55-64)	12.4	11.2	12.3	13.4	12.1	-1.3	p.p.
5	- Employment rate (as % of pop. 15-64)		53.9	53.6	54.6	55.3	54.9	-0.4	p.p.
		Young (15-24)	45.3	44.2	45.7	45.8	44.1	-1.7	p.p.
		Prime age (25-54)	62.4	64.4	66.2	67.3	68.0	0.7	p.p.
		Older (55-64)	30.8	29.8	28.5	29.2	28.1	-1.1	p.p.
		Male	73.8	73.3	72.9	72.5	71.5	-1.0	p.p.
		Young (15-24)	46.7	46.9	48.1	47.6	46.2	-1.4	p.p.
		Prime age (25-54)	88.9	89.6	90.0	89.5	89.0	-0.5	p.p.
		Older (55-64)	50.8	49.4	45.9	46.4	45.3	-1.1	p.p.
		Female	33.7	33.4	35.7	37.4	37.7	0.3	p.p.
		Young (15-24)	43.9	41.3	43.2	43.9	41.8	-2.1	p.p.
		Prime age (25-54)	35.4	38.1	41.3	44.1	45.9	1.8	p.p.
		Older (55-64)	12.4	10.8	11.6	12.5	11.2	-1.3	p.p.
6	- Employed persons (age 15-64 -Th. pers.)		148	151	156	159	160	1	Th.
		Male (as % of total)	69.0	69.3	68.0	66.7	66.5	-0.2	p.p.
		Female (as % of total)	31.0	30.7	32.1	33.3	33.6	0.3	p.p.
7	- Employment growth (%) (National accounts)		1.5	1.3	3.2	2.5	-0.6		p.p.
	Employment growth (%) (LFS - age 15-64)		1.6	2.1	3.2	2.5	0.6		p.p.
		Male	-0.5	2.7	1.1	0.6	0.3		p.p.
		Female	6.5	0.9	8.0	6.4	1.5		p.p.
8	- Self employed (% of total employment)		9.0	9.4	9.1	8.9	8.9	0.0	p.p.
		Male	11.2	11.6	10.8	10.9	10.8	-0.1	p.p.
		Female	4.1	4.3	5.4	4.7	5.2	0.5	p.p.
9	- Temporary employment (as % total)		4.5	3.7	5.1	4.2	4.7	0.5	p.p.
		Male	3.6	2.6	3.7	3.3	3.6	0.3	p.p.
		Female	6.2	5.8	7.7	5.8	6.7	0.9	p.p.
10	- Part-time (as % of total employment)		9.3	9.7	10.6	11.1	10.8	-0.3	p.p.
		Male	4.1	4.5	4.1	4.0	4.5	0.5	p.p.
		Female	21.0	21.4	24.6	25.2	23.2	-2.0	p.p.

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Work Status of persons:	*Malta*						
	2005	2006	2007	2008	2009	Changes 2008-2009	in
11 - Unemployment rate (Harmonised: 15-74)	7.2	7.1	6.4	5.9	6.9	1.0	p.p.
Young (15-24)	16.8	15.9	13.9	12.2	14.4	2.2	p.p.
Prime age (25-49)	4.8	5.0	5.2	5.1	5.6	0.5	p.p.
Older (55-64)	:	:	:	:	:	:	p.p.
Male	6.4	6.3	5.9	5.6	6.6	1.0	p.p.
Young (15-24)	17.2	17.2	15.8	13.8	15.9	2.1	p.p.
Prime age (25-49)	4.4	4.3	4.5	4.6	5.2	0.6	p.p.
Older (55-64)	:	:	:	:	:	:	p.p.
Female	8.9	8.7	7.5	6.6	7.6	1.0	p.p.
Young (15-24)	16.2	14.3	11.6	:	12.4	:	p.p.
Prime age (25-49)	5.9	6.8	6.4	5.9	6.4	0.5	p.p.
Older (55-64)	:	:	:	:	:	:	p.p.
12 - Long-term unemployment rate							
(as % of total unemployment)	46.4	40.6	41.9	42.3	44.1	1.8	p.p.
13 - Worked hours (average actual weekly hours)	39.4	39.2	39.1	39.0	39.0	0.0	%
Male	41.4	40.9	41.2	41.1	41.0	-0.2	%
Female	35.0	35.5	34.6	34.7	35.3	1.7	%
14 - Sectoral employment growth							
Agriculture	-0.3	2.0	3.6	4.3	3.8		p.p.
Building and construction	1.3	6.0	4.3	0.2	-10.4		p.p.
Services	2.6	1.6	4.3	4.3	1.1		p.p.
Manufacturing industry	33.1	-1.0	-0.9	-2.5	-6.7		p.p.

Source: Eurostat, labour force survey

Malta

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Different measures of wage/labour costs:									
Compensation per employee	2.3	3.5	1.8	3.8	1.3	3.7	1.7	0.8	-1.0
Compensation of employees per Hour Worked	2.9	5.0	0.8	3.3	1.1	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	:	:	:	:	:	:	:	:	:
Negotiated wages (Euro-area only)	:	:	:	:	:	:	:	:	:
Nominal Unit labour costs	0.0	1.2	1.2	4.2	2.6	6.3	5.2	1.6	-2.2
Real unit labour costs deflated by GDP deflator.	-2.5	-1.9	-1.6	1.9	0.4	3.0	3.3	-0.4	-4.0
Wage and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by Total Factor Productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	58.4	57.2	56.2	57.2	57.7	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	7.3	7.3	7.1	:	:	:	:	:	:
Total wage (as a percentage of total labour costs) ANNUAL	92.7	92.8	92.9	:	:	:	:	:	:
Direct remuneration and bonuses (as a percentage of total labour costs)	:	:	:	:	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with no children, 100% and 100% of AW	23.9	24.5	23.6	22.8	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with 2 children, 100% and 100% of AW	23.9	24.5	23.2	22.1	:	:	:	:	:
Employers' social security contributions (as a percentage of total labour costs)	7.2	7.1	7.0	:	:	:	:	:	:
Other indirect costs (as a percentage of total labour costs)	0.2	0.2	0.2	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/Person Employed)	2.3	2.2	0.6	-0.4	-1.3	-2.4	-3.4	-0.8	1.2
Hourly Labour Productivity	3.1	3.7	-0.3	-0.8	-1.1	:	:	:	:
GDP	3.9	3.6	3.8	2.1	-1.9	-2.0	-3.9	-2.4	0.5
ECFIN NAIRU estimate	7.0	6.9	6.9	6.8	6.8	:	:	:	:
Output gap (%)	-1.2	-0.2	0.9	1.1	-2.0	:	:	:	:
Headline inflation (harmonised consumer price index 1996=100)	2.5	2.6	0.7	4.7	2.0	3.5	3.4	0.9	-0.3
Underlying inflation (exc. energy and unprocessed food)	1.9	1.8	0.8	3.9	1.7	2.3	2.7	0.6	0.3
GDP deflator	2.5	3.1	2.9	2.2	2.2	3.2	1.9	2.1	1.9
Sectoral breakdown of unit labour costs									
Agriculture and fishery	:	:	:	:	:	:	:	:	:
Industry excluding construction	:	:	:	:	:	:	:	:	:
of which: manufacturing	:	:	:	:	:	:	:	:	:
Construction	:	:	:	:	:	:	:	:	:
Trade, transport and communication	:	:	:	:	:	:	:	:	:
Finance and business services	:	:	:	:	:	:	:	:	:
Non-market related services	:	:	:	:	:	:	:	:	:
Market-related sectors	:	:	:	:	:	:	:	:	:
Sectoral breakdown of compensation per employee									
Total industries	1.8	3.6	1.8	3.8	1.3	:	:	:	:
Agriculture and fishery	9.5	1.8	-15.6	-0.4	-3.9	11.7	75.5	79.8	69.8
Industry excluding construction	3.5	2.8	2.6	10.6	-8.6	27.4	11.8	1.0	-2.4
of which: manufacturing	-24.3	3.0	2.7	11.4	-7.3	:	:	:	:
Construction	3.7	-1.0	-1.6	2.7	7.4	-14.9	-8.2	-8.5	-10.2
Trade, transport and communication	0.7	2.0	0.1	-0.5	-2.5	23.4	20.0	22.2	17.4
Finance and business services	2.6	8.0	4.9	4.9	8.5	17.0	24.6	23.7	26.3
Non-market related services	0.3	4.0	1.7	1.9	4.5	:	:	:	:

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Malta									
Indicator board on wage developments									
	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Sectoral breakdown of labour productivity									
Agriculture and fishery	:	:	:	:	:	:	:	:	:
Industry excluding construction	:	:	:	:	:	:	:	:	:
of which: manufacturing	:	:	:	:	:	:	:	:	:
Construction	:	:	:	:	:	:	:	:	:
Trade, transport and communication	:	:	:	:	:	:	:	:	:
Finance and business services	:	:	:	:	:	:	:	:	:
Non-market related services	:	:	:	:	:	:	:	:	:
Market-related sectors	:	:	:	:	:	:	:	:	:

Source: AMECO, Eurostat-National Account, ECB

* Note: available on an annual basis only

Work Status of persons:			*Netherlands*						
			2005	2006	2007	2008	2009	Changes 2008-2009	in
1	- Population (total)	1000 pers.	16107	16142	16180	16190	16223	0.2	%
2	- Population (working age: 15-64)		10943	10964	10986	10970	10970	0.0	%
		as % of total population	67.9	67.9	67.9	67.8	67.6	-0.1	p.p.
3	- Labour force (15-64)	1000 pers.	8414	8484	8622	8704	8742	0.4	%
		Male	4618	4636	4680	4705	4700	-0.1	%
		Female	3796	3848	3942	3999	4042	1.1	%
4	- Activity rate (as % of population 15-64)		76.9	77.4	78.5	79.3	79.7	0.4	p.p.
		Young (15-24)	71.0	70.8	72.7	73.2	72.8	-0.4	p.p.
		Prime age (25-54)	86.5	87.1	87.6	88.5	88.8	0.3	p.p.
		Older (55-64)	48.1	49.6	52.8	54.7	56.8	2.1	p.p.
		Male	83.7	83.9	84.6	85.3	85.3	0.0	p.p.
		Young (15-24)	71.2	71.5	73.0	73.7	72.7	-1.0	p.p.
		Prime age (25-54)	93.8	94.1	94.0	94.5	94.4	-0.1	p.p.
		Older (55-64)	59.5	60.4	64.0	65.9	67.6	1.7	p.p.
		Female	70.0	70.7	72.2	73.3	74.1	0.8	p.p.
		Young (15-24)	70.8	70.1	72.4	72.6	72.9	0.3	p.p.
		Prime age (25-54)	79.0	80.1	81.2	82.5	83.0	0.5	p.p.
		Older (55-64)	36.5	38.6	41.4	43.5	46.0	2.5	p.p.
5	- Employment rate (as % of pop. 15-64)		73.2	74.3	76.0	77.2	77.0	-0.2	p.p.
		Young (15-24)	65.2	66.2	68.4	69.3	68.0	-1.3	p.p.
		Prime age (25-54)	82.9	84.2	85.4	86.8	86.3	-0.5	p.p.
		Older (55-64)	46.1	47.7	50.9	53.0	55.1	2.1	p.p.
		Male	79.9	80.9	82.2	83.2	82.4	-0.8	p.p.
		Young (15-24)	65.5	67.2	68.9	69.8	67.5	-2.3	p.p.
		Prime age (25-54)	90.3	91.4	92.1	93.0	92.0	-1.0	p.p.
		Older (55-64)	56.9	58.0	61.5	63.7	65.4	1.7	p.p.
		Female	66.4	67.7	69.6	71.1	71.5	0.4	p.p.
		Young (15-24)	64.9	65.1	67.9	68.8	68.4	-0.4	p.p.
		Prime age (25-54)	75.5	77.0	78.7	80.5	80.7	0.2	p.p.
		Older (55-64)	35.2	37.2	40.1	42.2	44.7	2.5	p.p.
6	- Employed persons (age 15-64 -Th. pers.)		8013	8152	8345	8468	8443	-24	Th.
		Male (as % of total)	55.0	54.8	54.5	54.2	53.8	-0.4	p.p.
		Female (as % of total)	45.0	45.2	45.5	45.8	46.2	0.4	p.p.
7	- Employment growth (%) (National accounts)		0.5	1.7	2.6	1.4	-0.9		p.p.
	Employment growth (%) (LFS - age 15-64)		0.1	1.7	2.4	1.5	-0.3		p.p.
		Male	-0.8	1.4	1.7	0.9	-1.0		p.p.
		Female	1.2	2.2	3.2	2.2	0.6		p.p.
8	- Self employed (% of total employment)		7.5	7.8	8.1	8.4	8.7	0.3	p.p.
		Male	8.4	8.8	9.2	9.5	9.8	0.3	p.p.
		Female	6.5	6.7	6.8	7.2	7.4	0.2	p.p.
9	- Temporary employment (as % total)		15.4	16.4	17.9	17.9	18.0	0.1	p.p.
		Male	14.1	15.2	16.4	16.2	16.0	-0.2	p.p.
		Female	16.9	17.9	19.5	19.8	20.2	0.4	p.p.
10	- Part-time (as % of total employment)		45.7	45.8	46.3	46.8	47.7	0.8	p.p.
		Male	21.8	22.1	22.5	22.8	23.6	0.8	p.p.
		Female	75.0	74.5	74.8	75.2	75.7	0.4	p.p.

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Work Status of persons:	*Netherlands*						
	2005	2006	2007	2008	2009	Changes 2008-2009	in
11 - Unemployment rate (Harmonised: 15-74)	4.7	3.9	3.2	2.8	3.4	0.6	p.p.
Young (15-24)	8.2	6.6	5.9	5.3	6.6	1.3	p.p.
Prime age (25-49)	4.1	3.3	2.5	2.0	2.8	0.8	p.p.
Older (55-64)	4.1	3.8	3.6	3.2	3.1	-0.1	p.p.
Male	4.5	3.5	2.8	2.5	3.4	0.9	p.p.
Young (15-24)	8.0	6.1	5.6	5.4	7.1	1.7	p.p.
Prime age (25-49)	3.8	2.9	1.9	1.6	2.6	1.0	p.p.
Older (55-64)	4.4	4.1	3.9	3.4	3.2	-0.2	p.p.
Female	5.1	4.4	3.6	3.0	3.5	0.5	p.p.
Young (15-24)	8.4	7.1	6.2	5.2	6.1	0.9	p.p.
Prime age (25-49)	4.6	3.8	3.0	2.5	2.9	0.4	p.p.
Older (55-64)	3.6	3.4	3.2	3.0	2.9	-0.1	p.p.
12 - Long-term unemployment rate							
(as % of total unemployment)	40.2	42.9	39.3	34.4	24.2	-10.2	p.p.
13 - Worked hours (average actual weekly hours)	30.7	30.9	30.8	30.8	30.6	-0.6	%
Male	36.2	36.2	36.1	36.0	35.7	-0.8	%
Female	24.0	24.3	24.4	24.5	24.6	0.4	%
14 - Sectoral employment growth							
Agriculture	-1.9	-1.6	-1.1	-1.4	-0.8		p.p.
Building and construction	0.1	1.9	1.2	1.9	-1.2		p.p.
Services	1.0	2.1	3.2	1.6	-0.7		p.p.
Manufacturing industry	-2.1	:	:	:	:		p.p.

Source: Eurostat, labour force survey

Netherlands

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Different measures of wage/labour costs:									
Compensation per employee	1.1	2.3	3.0	3.5	2.1	1.9	2.9	1.8	1.8
Compensation of employees per Hour Worked	1.3	2.2	3.8	4.1	2.2	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	1.3	2.7	3.0	3.7	:	:	:	:	:
Negotiated wages (Euro-area only)	:	:	:	:	:	:	:	:	:
Nominal Unit labour costs	-0.4	0.6	2.0	2.9	5.4	6.9	8.0	4.2	:
Real unit labour costs deflated by GDP deflator.	-2.8	-1.1	0.4	0.2	5.8	5.2	7.7	5.6	:
Wage and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by Total Factor Productivity	-0.3	0.7	1.6	3.1	6.3	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	65.0	64.5	64.7	64.6	67.7	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	23.1	:	:	:	:	:	:	:	:
Total wage (as a percentage of total labour costs) ANNUAL	76.9	:	:	:	:	:	:	:	:
Direct remuneration and bonuses (as a percentage of total labour costs)	66.6	:	:	:	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with no children, 100% and 100% of AW	38.9	44.4	44.0	45.0	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with 2 children, 100% and 100% of AW	35.9	41.5	40.9	42.1	:	:	:	:	:
Employers' social security contributions (as a percentage of total labour costs)	21.0	:	:	:	:	:	:	:	:
Other indirect costs (as a percentage of total labour costs)	2.1	:	:	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/Person Employed)	1.5	1.7	1.0	0.5	-3.1	-4.7	-4.8	-2.3	:
Hourly Labour Productivity	2.0	1.6	1.6	0.9	-2.9	:	:	:	:
GDP	2.0	3.4	3.6	2.0	-4.0	-4.5	-5.5	-3.7	-2.2
ECFIN NAIRU estimate	3.1	3.1	3.2	3.3	3.5	:	:	:	:
Output gap (%)	-1.1	0.4	2.2	2.3	-3.0	:	:	:	:
Headline inflation (harmonised consumer price index 1996=100)	1.5	1.7	1.6	2.2	1.0	1.8	1.6	-0.1	0.6
Underlying inflation (exc. energy and unprocessed food)	0.6	0.8	1.3	1.8	1.5	1.7	1.9	1.6	1.2
GDP deflator	2.4	1.8	1.6	2.7	-0.3	1.7	0.3	-1.4	-1.9
Sectoral breakdown of unit labour costs									
Agriculture and fishery	1.4	0.7	0.1	6.0	0.4	15.0	1.2	-4.4	-6.6
Industry excluding construction	-1.5	0.5	1.5	2.8	7.2	11.6	15.1	5.7	-2.4
of which: manufacturing	-2.9	:	:	:	:	:	:	:	:
Construction	-1.5	2.4	-0.6	1.0	6.9	2.3	7.9	6.4	12.2
Trade, transport and communication	-3.6	-2.1	0.4	2.6	7.1	12.7	10.8	4.0	1.1
Finance and business services	1.0	2.8	3.9	2.2	1.4	1.5	3.3	1.0	-0.6
Non-market related services	1.6	1.6	2.9	4.0	3.2	:	:	:	:
Market-related sectors	-1.2	0.6	1.8	2.4	:	7.7	8.4	3.2	0.1
Sectoral breakdown of compensation per employee									
Total industries	1.1	2.3	3.0	3.5	2.1	:	:	:	:
Agriculture and fishery	2.8	1.9	3.9	8.6	3.5	8.8	5.2	1.6	-1.1
Industry excluding construction	1.0	2.8	3.2	3.2	1.6	0.2	1.8	2.7	1.5
of which: manufacturing	1.2	:	:	:	:	:	:	:	:
Construction	1.5	2.9	3.3	4.8	3.5	4.1	3.7	2.4	3.8
Trade, transport and communication	1.0	2.6	2.0	3.2	1.3	2.5	2.3	0.2	-0.2
Finance and business services	0.2	1.6	3.5	2.9	2.2	0.1	4.3	2.3	1.6
Non-market related services	1.5	2.1	3.1	3.9	3.0	:	:	:	:

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Netherlands									
Indicator board on wage developments									
	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Sectoral breakdown of labour productivity									
Agriculture and fishery	1.4	1.2	3.7	2.5	3.1	-5.4	4.0	6.3	6.0
Industry excluding construction	2.5	2.3	1.7	0.4	-5.2	-10.3	-11.5	-2.8	4.0
of which: manufacturing	4.2	:	:	:	:	-13.9	-10.7	-2.7	3.8
Construction	3.0	0.5	4.0	3.8	-3.2	1.8	-3.9	-3.7	-7.5
Trade, transport and communication	4.7	4.7	1.6	0.6	-5.4	-9.0	-7.7	-3.6	-1.2
Finance and business services	-0.8	-1.1	-0.4	0.7	0.8	-1.4	1.0	1.4	2.3
Non-market related services	-0.1	0.5	0.2	-0.1	-0.2	0.1	-0.3	-0.2	-0.3
Market-related sectors	2.1	1.8	1.1	0.9	-3.0	-5.9	-5.1	-1.6	0.8

Source: AMECO, Eurostat-National Account, ECB

* Note: available on an annual basis only

Work Status of persons:			*Austria*						
			2005	2006	2007	2008	2009	Changes 2008-2009	in
1	- Population (total)	1000 pers.	8109	8155	8191	8220	8238	0.2	%
2	- Population (working age: 15-64)		5516	5532	5551	5576	5588	0.2	%
		as % of total population	68.0	67.8	67.8	67.8	67.8	0.0	p.p.
3	- Labour force (15-64)	1000 pers.	3994	4077	4149	4182	4207	0.6	%
		Male	2177	2215	2257	2259	2252	-0.3	%
		Female	1816	1862	1891	1923	1955	1.7	%
4	- Activity rate (as % of population 15-64)		72.4	73.7	74.7	75.0	75.3	0.3	p.p.
		Young (15-24)	59.2	59.4	60.8	60.8	60.5	-0.3	p.p.
		Prime age (25-54)	86.4	87.1	87.4	87.3	87.7	0.4	p.p.
		Older (55-64)	33.0	36.8	39.8	41.9	42.1	0.2	p.p.
		Male	79.3	80.5	81.7	81.4	81.0	-0.4	p.p.
		Young (15-24)	63.6	63.9	65.0	64.6	64.0	-0.6	p.p.
		Prime age (25-54)	92.8	93.2	93.7	93.0	92.6	-0.4	p.p.
		Older (55-64)	43.0	47.3	51.3	52.8	52.3	-0.5	p.p.
		Female	65.6	67.0	67.8	68.6	69.6	1.0	p.p.
		Young (15-24)	54.8	55.1	56.7	56.9	57.0	0.1	p.p.
		Prime age (25-54)	79.9	80.9	81.1	81.5	82.8	1.3	p.p.
		Older (55-64)	23.5	26.9	28.9	31.6	32.4	0.8	p.p.
5	- Employment rate (as % of pop. 15-64)		68.6	70.2	71.4	72.1	71.6	-0.5	p.p.
		Young (15-24)	53.1	54.0	55.5	55.9	54.5	-1.4	p.p.
		Prime age (25-54)	82.6	83.5	84.0	84.4	84.0	-0.4	p.p.
		Older (55-64)	31.8	35.5	38.6	41.0	41.1	0.1	p.p.
		Male	75.4	76.9	78.4	78.5	76.9	-1.6	p.p.
		Young (15-24)	56.8	58.2	59.6	59.5	57.3	-2.2	p.p.
		Prime age (25-54)	89.1	89.9	90.6	90.2	88.5	-1.7	p.p.
		Older (55-64)	41.3	45.3	49.8	51.8	51.0	-0.8	p.p.
		Female	62.0	63.5	64.4	65.8	66.4	0.6	p.p.
		Young (15-24)	49.4	49.9	51.5	52.3	51.6	-0.7	p.p.
		Prime age (25-54)	76.0	77.0	77.5	78.6	79.5	0.9	p.p.
		Older (55-64)	22.9	26.3	28.0	30.8	31.7	0.9	p.p.
6	- Employed persons (age 15-64 -Th. pers.)		3786	3881	3963	4020	4002	-17	Th.
		Male (as % of total)	54.7	54.6	54.7	54.2	53.4	-0.8	p.p.
		Female (as % of total)	45.3	45.4	45.3	45.8	46.6	0.8	p.p.
7	- Employment growth (%) (National accounts)		1.5	1.4	1.8	1.8	-0.9		p.p.
	Employment growth (%) (LFS - age 15-64)		4.4	2.5	2.1	1.4	-0.4		p.p.
		Male	4.6	2.3	2.3	0.5	-1.8		p.p.
		Female	4.2	2.7	1.8	2.6	1.2		p.p.
8	- Self employed (% of total employment)		6.9	6.8	6.6	6.4	6.3	-0.1	p.p.
		Male	7.3	7.3	6.9	6.9	6.8	-0.1	p.p.
		Female	6.4	6.3	6.3	5.8	5.7	0.0	p.p.
9	- Temporary employment (as % total)		9.1	9.0	8.9	9.0	9.1	0.1	p.p.
		Male	9.3	9.1	8.8	8.9	9.1	0.2	p.p.
		Female	8.8	8.9	9.0	9.1	9.0	-0.1	p.p.
10	- Part-time (as % of total employment)		20.8	21.3	21.8	22.6	23.7	1.2	p.p.
		Male	5.6	5.8	6.2	6.9	7.4	0.5	p.p.
		Female	39.1	39.9	40.7	41.1	42.4	1.3	p.p.

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Work Status of persons:	*Austria*						
	2005	2006	2007	2008	2009	Changes 2008-2009	in
11 - Unemployment rate (Harmonised: 15-74)	5.2	4.8	4.4	3.8	4.8	1.0	p.p.
Young (15-24)	10.3	9.1	8.7	8.0	10.0	2.0	p.p.
Prime age (25-49)	4.5	4.2	3.9	3.4	4.2	0.8	p.p.
Older (55-64)	3.6	3.5	3.0	2.1	2.4	0.3	p.p.
Male	4.9	4.3	3.9	3.6	5.0	1.4	p.p.
Young (15-24)	10.7	8.9	8.3	7.9	10.5	2.6	p.p.
Prime age (25-49)	4.0	3.6	3.3	3.1	4.4	1.3	p.p.
Older (55-64)	4.1	4.3	2.9	1.8	2.5	0.7	p.p.
Female	5.5	5.2	5.0	4.1	4.6	0.5	p.p.
Young (15-24)	9.9	9.3	9.1	8.2	9.4	1.2	p.p.
Prime age (25-49)	5.0	5.0	4.7	3.7	4.1	0.4	p.p.
Older (55-64)	:	:	3.1	:	:	:	p.p.
12 - Long-term unemployment rate							
(as % of total unemployment)	25.2	27.4	26.8	24.2	21.3	-2.9	p.p.
13 - Worked hours (average actual weekly hours)	39.3	39.2	38.9	38.5	38.1	-1.0	%
Male	43.6	43.5	43.3	42.7	42.4	-0.7	%
Female	34.1	33.9	33.7	33.5	33.0	-1.5	%
14 - Sectoral employment growth							
Agriculture	7.4	-2.4	-4.4	-1.5	-1.5		p.p.
Building and construction	0.8	0.0	2.0	0.8	-1.2		p.p.
Services	1.5	1.7	2.2	2.1	0.2		p.p.
Manufacturing industry	-0.5	2.2	2.3	1.8	-5.3		p.p.

Source: Eurostat, labour force survey

Austria

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Different measures of wage/labour costs:									
Compensation per employee	2.4	3.0	3.1	3.2	2.4	:	:	:	:
Compensation of employees per Hour Worked	3.2	3.8	3.8	3.5	2.9	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	3.9	2.2	3.5	3.0	:	:	:	:	:
Negotiated wages (Euro-area only)	:	:	:	:	:	:	:	:	:
Nominal Unit labour costs	1.4	1.0	1.3	2.9	5.3	:	:	:	:
Real unit labour costs deflated by GDP deflator.	-0.7	-0.7	-0.7	0.9	3.3	:	:	:	:
Wage and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by Total Factor Productivity	1.4	0.9	1.3	3.1	6.2	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	64.6	63.9	63.5	64.0	66.0	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	27.0	27.3	27.2	:	:	:	:	:	:
Total wage (as a percentage of total labour costs) ANNUAL	73.0	72.7	72.8	:	:	:	:	:	:
Direct remuneration and bonuses (as a percentage of total labour costs)	63.5	63.2	63.4	:	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with no children, 100% and 100% of AW	47.9	48.1	48.5	48.8	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with 2 children, 100% and 100% of AW	42.9	43.2	43.9	44.2	:	:	:	:	:
Employers' social security contributions (as a percentage of total labour costs)	24.2	24.5	24.3	:	:	:	:	:	:
Other indirect costs (as a percentage of total labour costs)	2.8	2.9	2.9	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/Person Employed)	1.0	2.0	1.7	0.3	-2.7	:	:	:	:
Hourly Labour Productivity	2.0	2.6	2.2	0.3	-2.3	:	:	:	:
GDP	2.5	3.5	3.5	2.0	-3.6	-4.9	-5.1	-3.2	-1.4
ECFIN NAIRU estimate	4.5	4.5	4.5	4.4	4.7	:	:	:	:
Output gap (%)	-0.7	0.9	2.6	2.7	-2.3	:	:	:	:
Headline inflation (harmonised consumer price index 1996=100)	2.1	1.7	2.2	3.2	0.2	1.0	0.1	-0.1	0.6
Underlying inflation (exc. energy and unprocessed food)	1.5	1.3	1.9	2.4	1.4	2.1	1.6	1.4	1.1
GDP deflator	2.1	1.6	2.1	2.0	1.9	2.0	1.8	1.9	2.0
Sectoral breakdown of unit labour costs									
Agriculture and fishery	12.2	0.7	-9.9	-4.2	2.1	1.9	5.0	3.5	-3.4
Industry excluding construction	-1.1	-2.7	-1.0	0.3	9.3	13.6	15.0	8.1	1.5
of which: manufacturing	-2.0	-3.9	-1.7	0.5	11.0	:	:	:	:
Construction	1.3	3.6	-0.4	4.2	6.1	13.4	8.5	3.1	3.8
Trade, transport and communication	2.3	2.1	2.4	3.9	5.3	9.8	5.7	3.5	2.1
Finance and business services	0.0	1.3	2.6	4.8	3.8	4.0	4.0	3.5	3.5
Non-market related services	1.8	2.5	4.3	2.8	2.5	:	:	:	:
Market-related sectors	1.1	0.1	0.4	2.6	:	9.2	8.1	5.0	2.5
Sectoral breakdown of compensation per employee									
Total industries	2.4	3.0	3.1	3.2	2.4	:	:	:	:
Agriculture and fishery	2.4	2.4	2.2	1.3	1.7	-0.5	4.1	3.9	-1.7
Industry excluding construction	2.3	2.4	3.6	2.6	3.8	3.1	3.3	4.5	4.5
of which: manufacturing	3.0	2.6	3.3	2.6	3.5	:	:	:	:
Construction	1.9	2.9	4.2	5.2	1.7	1.9	1.1	0.3	3.8
Trade, transport and communication	3.0	3.3	2.5	2.3	2.9	2.5	2.7	3.4	3.0
Finance and business services	0.9	2.3	2.9	4.7	1.3	2.8	2.2	0.4	0.1
Non-market related services	2.6	3.5	3.0	3.3	2.1	:	:	:	:

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Austria

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Sectoral breakdown of labour productivity									
Agriculture and fishery	-8.7	1.6	13.4	5.8	-0.4	-2.4	-0.9	0.4	1.7
Industry excluding construction	3.5	5.2	4.6	2.3	-5.0	-9.2	-10.2	-3.3	3.0
of which: manufacturing	5.1	6.8	5.1	2.1	-6.8	-12.2	-11.3	-4.4	1.2
Construction	0.5	-0.6	4.7	1.0	-4.2	-10.1	-6.8	-2.8	0.0
Trade, transport and communication	0.7	1.1	0.1	-1.5	-2.2	-6.7	-2.8	-0.1	0.9
Finance and business services	0.9	1.0	0.3	-0.2	-2.3	-1.2	-1.8	-2.9	-3.3
Non-market related services	0.7	1.0	-1.3	0.5	-0.4	1.1	-0.2	-1.2	-1.3
Market-related sectors	1.2	2.7	2.7	0.6	-3.4	-6.1	-5.2	-2.3	0.0

Source: AMECO, Eurostat-National Account, ECB

* Note: available on an annual basis only

Work Status of persons:			Poland						
			2005	2006	2007	2008	2009	Changes 2008-2009	in
1	-	Population (total) 1000 pers.	31258	37446	37277	37158	37196	0.1	%
2	-	Population (working age: 15-64)	26211	26325	26299	26266	26338	0.3	%
		as % of total population	83.9	70.3	70.5	70.7	70.8	0.1	p.p.
3	-	Labour force (15-64) 1000 pers.	16874	16679	16610	16765	17039	1.6	%
		Male	9191	9127	9086	9170	9310	1.5	%
		Female	7682	7552	7524	7595	7728	1.8	%
4	-	Activity rate (as % of population 15-64)	64.4	63.4	63.2	63.8	64.7	0.9	p.p.
		Young (15-24)	35.7	34.2	33.0	33.1	33.8	0.7	p.p.
		Prime age (25-54)	82.5	81.7	81.7	82.5	83.4	0.9	p.p.
		Older (55-64)	30.5	30.7	31.8	33.3	34.5	1.2	p.p.
		Male	70.8	70.1	70.0	70.9	71.8	0.9	p.p.
		Young (15-24)	39.5	37.5	36.5	36.5	38.1	1.6	p.p.
		Prime age (25-54)	88.7	88.2	87.9	88.8	89.4	0.6	p.p.
		Older (55-64)	40.9	42.6	44.7	46.8	47.5	0.7	p.p.
		Female	58.1	56.8	56.5	57.0	57.8	0.8	p.p.
		Young (15-24)	31.8	30.7	29.3	29.6	29.4	-0.2	p.p.
		Prime age (25-54)	76.4	75.4	75.6	76.3	77.5	1.2	p.p.
		Older (55-64)	21.5	20.3	20.6	21.6	23.2	1.6	p.p.
5	-	Employment rate (as % of pop. 15-64)	52.8	54.5	57.0	59.2	59.3	0.1	p.p.
		Young (15-24)	22.5	24.0	25.8	27.3	26.8	-0.5	p.p.
		Prime age (25-54)	69.6	71.8	74.9	77.5	77.6	0.1	p.p.
		Older (55-64)	27.2	28.1	29.7	31.6	32.3	0.7	p.p.
		Male	58.9	60.9	63.6	66.3	66.1	-0.2	p.p.
		Young (15-24)	25.4	26.9	29.2	31.0	30.4	-0.6	p.p.
		Prime age (25-54)	76.1	78.3	81.1	84.0	83.7	-0.3	p.p.
		Older (55-64)	35.9	38.4	41.4	44.1	44.3	0.2	p.p.
		Female	46.8	48.2	50.6	52.4	52.8	0.4	p.p.
		Young (15-24)	19.6	21.0	22.4	23.7	23.2	-0.5	p.p.
		Prime age (25-54)	63.1	65.3	68.8	71.0	71.6	0.6	p.p.
		Older (55-64)	19.7	19.0	19.4	20.7	21.9	1.2	p.p.
6	-	Employed persons (age 15-64 -Th. pers.)	13834	14338	14997	15557	15630	72	Th.
		Male (as % of total)	55.2	55.3	55.1	55.1	54.9	-0.2	p.p.
		Female (as % of total)	44.8	44.7	44.9	44.9	45.1	0.2	p.p.
7	-	Employment growth (%) (National accounts)	2.2	3.2	4.4	3.8	0.4		p.p.
		Employment growth (%) (LFS - age 15-64)	3.1	3.6	4.6	3.7	0.5		p.p.
		Male	4.1	3.7	4.2	3.8	0.1		p.p.
		Female	1.9	3.6	5.1	3.7	1.0		p.p.
8	-	Self employed (% of total employment)	16.0	15.3	14.7	14.3	14.2	-0.1	p.p.
		Male	18.6	17.9	17.2	16.7	16.7	0.0	p.p.
		Female	12.8	12.2	11.7	11.4	11.3	-0.1	p.p.
9	-	Temporary employment (as % total)	25.6	27.3	28.2	26.9	26.4	-0.5	p.p.
		Male	26.5	28.4	28.4	26.2	26.2	0.0	p.p.
		Female	24.6	25.9	27.9	27.6	26.6	-1.0	p.p.
10	-	Part-time (as % of total employment)	9.8	8.9	8.5	7.7	7.7	-0.1	p.p.
		Male	7.0	6.2	5.8	5.1	5.0	-0.1	p.p.
		Female	13.3	12.2	11.7	10.9	10.9	-0.1	p.p.

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Work Status of persons:	*Poland*						
	2005	2006	2007	2008	2009	Changes 2008-2009	in
11 - Unemployment rate (Harmonised: 15-74)	17.8	13.9	9.6	7.1	8.2	1.1	p.p.
Young (15-24)	36.9	29.8	21.7	17.3	20.6	3.3	p.p.
Prime age (25-49)	15.8	12.4	8.4	6.1	7.0	0.9	p.p.
Older (55-64)	10.8	8.5	6.8	5.3	6.3	1.0	p.p.
Male	16.6	13.0	9.0	6.4	7.8	1.4	p.p.
Young (15-24)	35.7	28.3	20.0	15.2	20.2	5.0	p.p.
Prime age (25-49)	14.2	11.2	7.7	5.4	6.3	0.9	p.p.
Older (55-64)	12.2	9.8	7.4	5.8	6.7	0.9	p.p.
Female	19.2	14.9	10.4	8.0	8.7	0.7	p.p.
Young (15-24)	38.3	31.6	23.8	19.9	21.2	1.3	p.p.
Prime age (25-49)	17.8	13.8	9.2	6.9	7.7	0.8	p.p.
Older (55-64)	8.4	6.2	5.7	4.4	5.5	1.1	p.p.
12 - Long-term unemployment rate							
(as % of total unemployment)	57.7	56.2	51.4	33.5	30.3	-3.2	p.p.
13 - Worked hours (average actual weekly hours)	40.9	40.9	41.0	41.0	40.7	-0.7	%
Male	43.3	43.2	43.2	43.1	42.7	-0.9	%
Female	38.0	38.1	38.3	38.4	38.3	-0.3	%
14 - Sectoral employment growth							
Agriculture	-1.3	-6.5	-2.4	-1.3	:		p.p.
Building and construction	6.3	8.8	14.5	15.5	:		p.p.
Services	2.8	4.8	5.0	3.6	:		p.p.
Manufacturing industry	3.2	5.3	5.7	4.3	:		p.p.

Source: Eurostat, labour force survey

Poland

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Different measures of wage/labour costs:									
Compensation per employee	1.7	1.8	4.9	8.1	3.7	4.8	4.2	5.6	:
Compensation of employees per Hour Worked	3.2	3.6	6.4	9.3	9.1	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	3.8	5.8	11.2	10.9	:	:	:	:	:
Negotiated wages (Euro-area only)	:	:	:	:	:	:	:	:	:
Nominal Unit labour costs	0.3	-1.1	2.6	6.9	2.4	5.2	4.0	4.3	:
Real unit labour costs deflated by GDP deflator.	-2.3	-2.5	-1.3	3.8	-1.2	1.0	0.0	0.4	:
Wage and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by Total Factor Productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	55.4	54.3	53.6	55.5	54.1	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	19.8	:	:	:	:	:	:	:	:
Total wage (as a percentage of total labour costs) ANNUAL	80.2	:	:	:	:	:	:	:	:
Direct remuneration and bonuses (as a percentage of total labour costs)	74.2	:	:	:	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with no children, 100% and 100% of AW	43.6	43.7	42.8	39.7	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with 2 children, 100% and 100% of AW	43.6	43.7	39.7	36.9	:	:	:	:	:
Employers' social security contributions (as a percentage of total labour costs)	16.6	:	:	:	:	:	:	:	:
Other indirect costs (as a percentage of total labour costs)	3.3	:	:	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/Person Employed)	1.4	2.9	2.3	1.2	1.3	-0.4	0.3	1.2	4.3
Hourly Labour Productivity	1.5	2.9	2.3	1.6	6.3	:	:	:	:
GDP	3.6	6.2	6.8	5.0	1.7	0.9	1.3	1.4	3.6
ECFIN NAIRU estimate	16.1	14.2	12.2	10.4	9.2	:	:	:	:
Output gap (%)	-0.4	0.9	2.4	2.2	-0.6	:	:	:	:
Headline inflation (harmonised consumer price index 1996=100)	2.2	1.3	2.6	4.2	3.7	3.6	4.3	4.3	3.8
Underlying inflation (exc. energy and unprocessed food)	1.2	0.6	2.0	3.6	3.0	2.9	3.5	3.6	3.4
GDP deflator	2.6	1.5	4.0	3.0	3.7	4.2	4.0	4.0	2.4
Sectoral breakdown of unit labour costs									
Agriculture and fishery	16.6	-5.8	4.7	16.0	:	-3.1	-3.7	-3.5	-4.1
Industry excluding construction	13.0	0.1	3.3	13.0	:	8.0	7.1	-1.9	-11.9
of which: manufacturing	-0.2	-7.6	-1.2	3.3	:	:	:	:	:
Construction	12.8	1.6	11.6	15.8	:	6.9	5.0	-2.9	0.3
Trade, transport and communication	12.7	5.2	7.2	19.3	:	6.5	4.4	2.8	-6.2
Finance and business services	10.0	9.2	6.9	13.2	:	-5.2	-1.4	13.7	10.6
Non-market related services	18.0	7.1	9.6	18.5	:	:	:	:	:
Market-related sectors	-1.0	-1.6	1.4	5.7	:	3.8	2.1	2.3	-4.4
Sectoral breakdown of compensation per employee									
Total industries	14.5	5.1	8.0	16.5	-15.2	:	:	:	:
Agriculture and fishery	17.1	-1.7	3.5	15.7	:	-6.5	4.9	-3.4	-0.4
Industry excluding construction	13.6	4.9	8.2	15.8	:	-0.5	-3.1	-1.5	-4.1
of which: manufacturing	0.7	2.0	5.7	7.0	:	:	:	:	:
Construction	14.8	3.9	8.0	9.5	:	10.8	13.7	5.3	2.1
Trade, transport and communication	14.0	6.0	3.5	18.3	:	6.3	5.3	8.0	0.8
Finance and business services	10.3	10.5	5.1	18.7	:	-0.3	-1.8	5.7	3.5
Non-market related services	16.8	3.5	13.0	17.6	:	:	:	:	:

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Poland

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Sectoral breakdown of labour productivity									
Agriculture and fishery	0.4	4.4	-1.2	-0.2	:	-3.5	8.9	0.2	3.9
Industry excluding construction	0.6	4.8	4.7	2.5	:	-7.9	-9.5	0.5	8.9
of which: manufacturing	0.9	10.4	7.0	3.5	:	-9.6	-7.6	2.1	10.4
Construction	1.8	2.2	-3.2	-5.5	:	3.7	8.3	8.5	1.8
Trade, transport and communication	1.2	0.8	-3.4	-0.8	:	-0.2	0.8	5.0	7.5
Finance and business services	0.3	1.2	-1.6	4.8	:	5.1	-0.4	-7.0	-6.5
Non-market related services	-1.1	-3.3	3.1	-0.8	:	3.9	2.8	4.9	1.3
Market-related sectors	1.6	4.2	1.6	1.6	:	-1.0	-0.2	0.9	4.1

Source: AMECO, Eurostat-National Account, ECB

* Note: available on an annual basis only

Work Status of persons:				Portugal						
				2005	2006	2007	2008	2009	Changes 2008-2009	in
1	-	Population (total)	1000 pers.	10563	10586	10604	10623	10638	0.1	%
2	-	Population (working age: 15-64)		7115	7116	7135	7145	7143	0.0	%
		as % of total population		67.4	67.2	67.3	67.3	67.1	-0.1	p.p.
3	-	Labour force (15-64)	1000 pers.	5222	5258	5285	5299	5263	-0.7	%
		Male		2778	2796	2801	2811	2775	-1.3	%
		Female		2443	2462	2484	2488	2488	0.0	%
4	-	Activity rate (as % of population 15-64)		73.4	73.9	74.1	74.2	73.7	-0.5	p.p.
		Young (15-24)		43.0	42.7	41.9	41.6	39.2	-2.4	p.p.
		Prime age (25-54)		87.1	87.7	87.8	88.0	87.9	-0.1	p.p.
		Older (55-64)		53.8	53.5	54.4	54.4	53.9	-0.5	p.p.
		Male		79.0	79.5	79.4	79.5	78.5	-1.0	p.p.
		Young (15-24)		46.9	46.6	45.3	44.4	40.8	-3.6	p.p.
		Prime age (25-54)		92.4	92.9	92.8	93.2	92.4	-0.8	p.p.
		Older (55-64)		62.4	62.7	63.0	63.0	62.7	-0.3	p.p.
		Female		67.9	68.4	68.8	68.9	69.0	0.1	p.p.
		Young (15-24)		38.9	38.7	38.4	38.6	37.5	-1.1	p.p.
		Prime age (25-54)		81.8	82.7	82.8	82.9	83.4	0.5	p.p.
		Older (55-64)		46.1	45.1	46.7	46.6	45.9	-0.7	p.p.
5	-	Employment rate (as % of pop. 15-64)		67.5	67.9	67.8	68.2	66.3	-1.9	p.p.
		Young (15-24)		36.1	35.8	34.9	34.7	31.3	-3.4	p.p.
		Prime age (25-54)		80.8	81.3	81.0	81.6	79.7	-1.9	p.p.
		Older (55-64)		50.5	50.1	50.9	50.8	49.7	-1.1	p.p.
		Male		73.4	73.9	73.8	74.0	71.1	-2.9	p.p.
		Young (15-24)		40.5	39.8	39.1	38.5	33.2	-5.3	p.p.
		Prime age (25-54)		86.7	87.4	87.2	87.6	84.5	-3.1	p.p.
		Older (55-64)		58.1	58.2	58.6	58.5	57.5	-1.0	p.p.
		Female		61.7	62.0	61.9	62.5	61.6	-0.9	p.p.
		Young (15-24)		31.4	31.6	30.6	30.8	29.4	-1.4	p.p.
		Prime age (25-54)		74.9	75.3	74.9	75.8	74.9	-0.9	p.p.
		Older (55-64)		43.7	42.8	44.0	43.9	42.7	-1.2	p.p.
6	-	Employed persons (age 15-64 -Th. pers.)		4800	4830	4837	4872	4736	-137	Th.
		Male (as % of total)		53.8	53.8	53.8	53.7	53.1	-0.6	p.p.
		Female (as % of total)		46.2	46.2	46.2	46.3	46.9	0.6	p.p.
7	-	Employment growth (%) (National accounts)		-0.3	0.5	0.0	0.4	-2.5		p.p.
		Employment growth (%) (LFS - age 15-64)		-0.2	0.6	0.1	0.7	-2.8		p.p.
		Male		-0.7	0.8	0.1	0.5	-3.9		p.p.
		Female		0.4	0.5	0.1	1.0	-1.5		p.p.
8	-	Self employed (% of total employment)		14.1	13.6	13.5	13.3	13.2	-0.1	p.p.
		Male		13.5	13.2	13.6	13.0	13.4	0.5	p.p.
		Female		14.7	14.0	13.4	13.6	12.9	-0.7	p.p.
9	-	Temporary employment (as % total)		19.5	20.6	22.4	22.9	22.0	-0.9	p.p.
		Male		18.7	19.5	21.8	21.7	20.8	-0.9	p.p.
		Female		20.5	21.8	23.0	24.2	23.3	-0.9	p.p.
10	-	Part-time (as % of total employment)		8.2	8.1	8.8	8.6	8.4	-0.2	p.p.
		Male		3.8	4.1	4.7	4.1	4.3	0.2	p.p.
		Female		13.2	12.7	13.6	13.9	13.0	-0.9	p.p.

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Work Status of persons:	*Portugal*						
	2005	2006	2007	2008	2009	Changes 2008-2009	in
11 - Unemployment rate (Harmonised: 15-74)	7.7	7.8	8.1	7.7	9.6	1.9	p.p.
Young (15-24)	16.1	16.3	16.6	16.4	20.0	3.6	p.p.
Prime age (25-49)	7.4	7.4	7.9	7.4	9.5	2.1	p.p.
Older (55-64)	6.2	6.3	6.5	6.6	7.7	1.1	p.p.
Male	6.8	6.6	6.7	6.6	9.0	2.4	p.p.
Young (15-24)	13.6	14.5	13.5	13.3	18.7	5.4	p.p.
Prime age (25-49)	6.1	5.8	6.0	6.0	8.5	2.5	p.p.
Older (55-64)	6.9	7.3	7.1	7.2	8.3	1.1	p.p.
Female	8.8	9.1	9.7	9.0	10.3	1.3	p.p.
Young (15-24)	19.1	18.4	20.3	20.2	21.6	1.4	p.p.
Prime age (25-49)	8.9	9.2	9.9	8.8	10.5	1.7	p.p.
Older (55-64)	5.3	5.2	5.8	5.8	7.0	1.2	p.p.
12 - Long-term unemployment rate							
(as % of total unemployment)	48.1	50.2	47.1	47.4	44.2	-3.2	p.p.
13 - Worked hours (average actual weekly hours)	39.2	39.1	39.0	39.0	38.9	-0.3	%
Male	41.0	40.7	40.6	40.8	40.7	-0.2	%
Female	37.0	37.2	37.0	37.0	36.9	-0.3	%
14 - Sectoral employment growth							
Agriculture	-1.6	0.0	-0.3	-0.9	-3.7		p.p.
Building and construction	-3.9	-2.1	1.2	-2.9	-5.8		p.p.
Services	1.4	1.6	0.2	2.0	-1.6		p.p.
Manufacturing industry	-2.9	-1.3	:	:	:		p.p.

Source: Eurostat, labour force survey

Portugal

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Different measures of wage/labour costs:									
Compensation per employee	4.7	2.1	3.4	3.3	4.3	5.3	4.8	3.9	4.6
Compensation of employees per Hour Worked	5.3	3.2	4.0	3.8	4.6	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	2.0	1.7	3.9	4.3	:	:	:	:	:
Negotiated wages (Euro-area only)	:	:	:	:	:	:	:	:	:
Nominal Unit labour costs	3.4	1.3	1.4	3.7	4.5	7.8	5.6	2.6	2.5
Real unit labour costs deflated by GDP deflator.	0.8	-1.5	-1.5	1.6	3.3	5.5	4.8	1.5	1.8
Wage and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by Total Factor Productivity	4.2	1.7	2.1	4.1	5.6	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	71.8	71.3	70.1	70.7	71.6	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	22.5	22.5	22.5	:	:	:	:	:	:
Total wage (as a percentage of total labour costs) ANNUAL	77.5	77.5	77.5	:	:	:	:	:	:
Direct remuneration and bonuses (as a percentage of total labour costs)	71.6	71.6	71.6	:	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with no children, 100% and 100% of AW	36.5	36.5	37.4	37.6	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with 2 children, 100% and 100% of AW	34.0	34.0	35.1	35.5	:	:	:	:	:
Employers' social security contributions (as a percentage of total labour costs)	21.2	21.2	21.2	:	:	:	:	:	:
Other indirect costs (as a percentage of total labour costs)	1.3	1.3	1.3	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/Person Employed)	1.2	0.9	1.9	-0.4	-0.1	-2.4	-0.8	1.3	2.1
Hourly Labour Productivity	1.3	1.4	2.8	-0.3	-0.7	:	:	:	:
GDP	0.9	1.4	1.9	0.0	-2.7	-4.1	-3.6	-2.2	-0.9
ECFIN NAIRU estimate	6.8	7.2	7.7	8.0	8.8	:	:	:	:
Output gap (%)	-1.0	-0.4	0.8	0.2	-2.5	:	:	:	:
Headline inflation (harmonised consumer price index 1996=100)	2.1	3.0	2.4	2.7	-0.9	-0.1	-1.1	-1.5	-0.8
Underlying inflation (exc. energy and unprocessed food)	1.7	2.4	2.2	2.5	0.3	1.2	0.5	0.2	-0.6
GDP deflator	2.5	2.8	3.0	2.0	1.2	2.2	0.8	1.0	0.7
Sectoral breakdown of unit labour costs									
Agriculture and fishery	9.6	-2.5	:	:	:	:	:	:	:
Industry excluding construction	2.4	0.7	:	:	:	:	:	:	:
of which: manufacturing	2.1	1.2	:	:	:	:	:	:	:
Construction	4.1	4.8	:	:	:	:	:	:	:
Trade, transport and communication	2.8	2.4	:	:	:	:	:	:	:
Finance and business services	7.4	2.3	:	:	:	:	:	:	:
Non-market related services	3.5	0.9	:	:	:	:	:	:	:
Market-related sectors	:	:	:	:	:	:	:	:	:
Sectoral breakdown of compensation per employee									
Total industries	4.7	2.1	3.4	3.3	4.3	:	:	:	:
Agriculture and fishery	5.2	0.0	:	:	:	:	:	:	:
Industry excluding construction	4.1	4.3	:	:	:	:	:	:	:
of which: manufacturing	4.1	4.2	:	:	:	:	:	:	:
Construction	5.1	3.4	:	:	:	:	:	:	:
Trade, transport and communication	3.0	2.4	:	:	:	:	:	:	:
Finance and business services	6.4	2.5	:	:	:	:	:	:	:
Non-market related services	4.6	0.6	:	:	:	:	:	:	:

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Portugal

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Sectoral breakdown of labour productivity									
Agriculture and fishery	-4.1	2.5	-3.9	5.3	3.9	5.1	6.7	4.6	-0.6
Industry excluding construction	1.6	3.5	4.5	-0.1	-3.9	-8.5	-5.5	-1.8	0.5
of which: manufacturing	2.0	3.0	:	:	:	:	:	:	:
Construction	0.9	-1.3	-0.5	-2.3	-4.6	-6.4	-6.2	-2.3	-3.1
Trade, transport and communication	0.2	0.0	2.6	-2.3	-0.6	-4.1	-1.3	0.5	2.4
Finance and business services	-0.9	0.2	-0.7	0.4	2.2	-1.5	-0.2	4.8	6.0
Non-market related services	1.0	-0.3	1.6	0.3	3.4	3.9	3.9	2.7	2.9
Market-related sectors	1.1	1.5	2.2	-0.1	-0.1	-3.0	-0.8	1.4	2.1

Source: AMECO, Eurostat-National Account, ECB

* Note: available on an annual basis only

Work Status of persons:				*Romania*						
				2005	2006	2007	2008	2009	Changes 2008-2009	in
1	-	Population (total)	1000 pers.	21609	21575	21551	21517	21484	-0.1	%
2	-	Population (working age: 15-64)		15021	15035	15046	15042	15028	-0.1	%
		as % of total population		69.5	69.7	69.8	69.9	69.9	0.0	p.p.
3	-	Labour force (15-64)	1000 pers.	9356	9566	9483	9457	9485	0.3	%
		Male		5180	5287	5261	5294	5313	0.4	%
		Female		4176	4279	4222	4164	4172	0.2	%
4	-	Activity rate (as % of population 15-64)		62.3	63.6	63.0	62.9	63.1	0.2	p.p.
		Young (15-24)		31.2	30.6	30.5	30.4	30.9	0.5	p.p.
		Prime age (25-54)		78.2	79.9	79.0	78.3	78.5	0.2	p.p.
		Older (55-64)		40.4	42.8	42.4	44.2	43.9	-0.3	p.p.
		Male		69.4	70.7	70.1	70.6	70.9	0.3	p.p.
		Young (15-24)		35.9	35.1	35.9	35.9	35.9	0.0	p.p.
		Prime age (25-54)		85.8	87.1	85.9	85.8	86.3	0.5	p.p.
		Older (55-64)		48.4	52.0	52.1	55.1	54.5	-0.6	p.p.
		Female		55.3	56.6	56.0	55.2	55.4	0.2	p.p.
		Young (15-24)		26.5	25.9	24.9	24.7	25.8	1.1	p.p.
		Prime age (25-54)		70.7	72.6	72.0	70.7	70.6	-0.1	p.p.
		Older (55-64)		33.5	34.8	33.9	34.7	34.7	0.0	p.p.
5	-	Employment rate (as % of pop. 15-64)		57.6	58.8	58.8	59.0	58.6	-0.4	p.p.
		Young (15-24)		24.9	24.0	24.4	24.8	24.5	-0.3	p.p.
		Prime age (25-54)		73.3	74.7	74.6	74.4	73.7	-0.7	p.p.
		Older (55-64)		39.4	41.7	41.4	43.1	42.6	-0.5	p.p.
		Male		63.7	64.6	64.8	65.7	65.2	-0.5	p.p.
		Young (15-24)		28.2	27.3	28.3	29.1	28.3	-0.8	p.p.
		Prime age (25-54)		80.0	80.8	80.6	80.9	80.5	-0.4	p.p.
		Older (55-64)		46.7	50.0	50.3	53.0	52.3	-0.7	p.p.
		Female		51.5	53.0	52.8	52.5	52.0	-0.5	p.p.
		Young (15-24)		21.6	20.6	20.2	20.2	20.6	0.4	p.p.
		Prime age (25-54)		66.5	68.6	68.5	67.8	66.9	-0.9	p.p.
		Older (55-64)		33.1	34.5	33.6	34.4	34.1	-0.3	p.p.
6	-	Employed persons (age 15-64 -Th. pers.)		8651	8838	8843	8882	8805	-78	Th.
		Male (as % of total)		55.0	54.7	55.0	55.4	55.5	0.1	p.p.
		Female (as % of total)		45.0	45.3	45.0	44.6	44.5	-0.1	p.p.
7	-	Employment growth (%) (National accounts)		-1.5	0.7	0.4	-0.2	-1.0		p.p.
		Employment growth (%) (LFS - age 15-64)		-1.5	2.2	0.1	0.4	-0.9		p.p.
		Male		0.1	1.6	0.6	1.3	-0.7		p.p.
		Female		-3.5	2.9	-0.6	-0.6	-1.1		p.p.
8	-	Self employed (% of total employment)		17.2	16.6	17.0	16.8	16.9	0.1	p.p.
		Male		22.7	22.0	22.2	21.9	22.1	0.2	p.p.
		Female		10.5	10.1	10.6	10.6	10.5	-0.1	p.p.
9	-	Temporary employment (as % total)		2.4	1.8	1.6	1.3	1.0	-0.3	p.p.
		Male		2.8	2.0	1.7	1.3	1.1	-0.2	p.p.
		Female		1.9	1.6	1.5	1.1	1.0	-0.1	p.p.
10	-	Part-time (as % of total employment)		9.2	8.6	8.6	8.6	8.5	-0.1	p.p.
		Male		9.1	8.7	8.3	8.1	8.0	0.0	p.p.
		Female		9.2	8.5	8.9	9.3	9.1	-0.2	p.p.

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Work Status of persons:	*Romania*						
	2005	2006	2007	2008	2009	Changes 2008-2009	in
11 - Unemployment rate (Harmonised: 15-74)	7.2	7.3	6.4	5.8	6.9	1.1	p.p.
Young (15-24)	20.2	21.4	20.1	18.6	20.8	2.2	p.p.
Prime age (25-49)	6.6	6.7	5.8	5.1	6.1	1.0	p.p.
Older (55-64)	2.4	2.6	2.3	2.5	3.0	0.5	p.p.
Male	7.8	8.2	7.2	6.7	7.7	1.0	p.p.
Young (15-24)	21.6	22.3	21.1	18.8	21.2	2.4	p.p.
Prime age (25-49)	7.0	7.6	6.3	5.8	6.8	1.0	p.p.
Older (55-64)	3.4	3.8	3.5	3.8	4.0	0.2	p.p.
Female	6.4	6.1	5.4	4.7	5.8	1.1	p.p.
Young (15-24)	18.4	20.2	18.7	18.3	20.1	1.8	p.p.
Prime age (25-49)	6.2	5.6	5.0	4.2	5.2	1.0	p.p.
Older (55-64)	:	:	:	:	1.6	:	p.p.
12 - Long-term unemployment rate							
(as % of total unemployment)	56.3	57.8	50.0	41.3	31.6	-9.7	p.p.
13 - Worked hours (average actual weekly hours)	40.8	40.6	40.5	40.5	40.4	-0.2	%
Male	41.6	41.3	41.2	41.2	41.0	-0.5	%
Female	39.9	39.8	39.6	39.7	39.6	-0.3	%
14 - Sectoral employment growth							
Agriculture	-1.5	-7.5	-0.4	-1.9	:		p.p.
Building and construction	5.8	8.1	22.1	5.3	:		p.p.
Services	0.0	5.6	0.6	1.6	:		p.p.
Manufacturing industry	-5.2	3.0	-3.2	-2.3	:		p.p.

Source: Eurostat, labour force survey

Romania

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Different measures of wage/labour costs:									
Compensation per employee	28.6	12.4	22.0	24.2	3.1	:	:	:	:
Compensation of employees per Hour Worked	25.1	15.2	21.5	25.3	:	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	14.6	19.0	21.1	21.4	:	:	:	:	:
Negotiated wages (Euro-area only)	:	:	:	:	:	:	:	:	:
Nominal Unit labour costs	21.6	4.9	15.2	15.4	9.9	:	:	:	:
Real unit labour costs deflated by GDP deflator.	8.4	-5.1	1.5	0.2	7.0	:	:	:	:
Wage and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by Total Factor Productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	66.4	62.7	63.8	63.6	67.6	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	26.5	28.0	26.5	:	:	:	:	:	:
Total wage (as a percentage of total labour costs) ANNUAL	73.5	72.1	73.5	:	:	:	:	:	:
Direct remuneration and bonuses (as a percentage of total labour costs)	66.4	65.2	66.5	:	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with no children, 100% and 100% of AW	44.0	43.7	43.4	41.7	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with 2 children, 100% and 100% of AW	40.9	40.9	39.9	38.2	:	:	:	:	:
Employers' social security contributions (as a percentage of total labour costs)	25.0	26.1	24.9	:	:	:	:	:	:
Other indirect costs (as a percentage of total labour costs)	1.5	1.8	1.6	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/Person Employed)	5.8	7.1	5.9	7.6	-6.2	:	:	:	:
Hourly Labour Productivity	5.4	6.2	5.4	7.6	:	:	:	:	:
GDP	4.2	7.9	6.3	7.3	-7.1	-6.2	-8.7	-7.1	-6.5
ECFIN NAIRU estimate	7.0	6.9	6.8	6.8	6.8	:	:	:	:
Output gap (%)	3.5	6.6	7.4	9.3	-1.8	:	:	:	:
Headline inflation (harmonised consumer price index 1996=100)	9.1	6.6	4.9	7.9	5.2	6.8	6.1	5.0	4.5
Underlying inflation (exc. energy and unprocessed food)	6.3	5.8	5.5	7.6	5.9	6.9	6.7	6.6	6.0
GDP deflator	12.2	10.6	13.5	15.2	2.8	9.8	5.4	-1.6	0.6
Sectoral breakdown of unit labour costs									
Agriculture and fishery	111.0	20.3	27.1	:	:	:	:	:	:
Industry excluding construction	34.9	7.0	22.7	:	:	:	:	:	:
of which: manufacturing	20.2	3.6	16.2	:	:	:	:	:	:
Construction	29.6	-3.5	3.1	:	:	:	:	:	:
Trade, transport and communication	25.7	3.8	15.4	:	:	:	:	:	:
Finance and business services	26.3	16.4	21.7	:	:	:	:	:	:
Non-market related services	36.1	38.4	30.2	:	:	:	:	:	:
Market-related sectors	:	:	:	:	:	:	:	:	:
Sectoral breakdown of compensation per employee									
Total industries	43.8	15.5	29.0	11.6	-9.0	:	:	:	:
Agriculture and fishery	77.4	34.5	8.1	:	:	:	:	:	:
Industry excluding construction	46.0	11.6	34.9	:	:	:	:	:	:
of which: manufacturing	31.4	8.4	27.6	:	:	:	:	:	:
Construction	36.2	10.0	13.1	:	:	:	:	:	:
Trade, transport and communication	40.2	11.4	19.2	:	:	:	:	:	:
Finance and business services	39.7	22.5	50.0	:	:	:	:	:	:
Non-market related services	40.1	20.4	34.9	:	:	:	:	:	:

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Romania

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Sectoral breakdown of labour productivity									
Agriculture and fishery	-15.9	11.8	-15.0	24.2	:	:	:	:	:
Industry excluding construction	8.2	4.4	9.9	4.8	:	:	:	:	:
of which: manufacturing	9.3	4.7	9.8	:	:	:	:	:	:
Construction	5.1	14.1	9.7	19.7	:	:	:	:	:
Trade, transport and communication	11.6	7.3	3.2	4.3	:	:	:	:	:
Finance and business services	10.6	5.3	23.3	1.5	:	:	:	:	:
Non-market related services	2.9	-13.0	3.6	2.1	:	:	:	:	:
Market-related sectors	5.8	10.8	6.2	8.8	:	:	:	:	:

Source: AMECO, Eurostat-National Account, ECB

* Note: available on an annual basis only

Work Status of persons:			*Slovenia*						
			2005	2006	2007	2008	2009	Changes 2008-2009	in
1	- Population (total)	1000 pers.	1999	2006	2015	2033	2037	0.2	%
2	- Population (working age: 15-64)		1402	1407	1412	1422	1414	-0.6	%
		as % of total population	70.1	70.1	70.1	70.0	69.4	-0.6	p.p.
3	- Labour force (15-64)	1000 pers.	991	998	1007	1021	1016	-0.5	%
		Male	535	537	547	554	550	-0.9	%
		Female	456	461	460	466	466	0.0	%
4	- Activity rate (as % of population 15-64)		70.7	70.9	71.3	71.8	71.8	0.0	p.p.
		Young (15-24)	40.5	40.6	41.8	42.9	40.9	-2.0	p.p.
		Prime age (25-54)	88.8	89.0	89.3	90.1	89.6	-0.5	p.p.
		Older (55-64)	32.1	33.4	34.6	34.2	36.9	2.7	p.p.
		Male	75.1	74.9	75.8	75.8	75.6	-0.2	p.p.
		Young (15-24)	44.5	44.4	47.6	47.7	45.4	-2.3	p.p.
		Prime age (25-54)	91.1	91.0	91.3	91.6	91.3	-0.3	p.p.
		Older (55-64)	45.4	45.8	46.7	46.4	48.2	1.8	p.p.
		Female	66.1	66.7	66.6	67.5	67.9	0.4	p.p.
		Young (15-24)	36.3	36.4	35.4	37.4	35.8	-1.6	p.p.
		Prime age (25-54)	86.4	87.0	87.3	88.5	87.9	-0.6	p.p.
		Older (55-64)	18.9	21.4	23.1	22.2	25.6	3.4	p.p.
5	- Employment rate (as % of pop. 15-64)		66.0	66.6	67.8	68.6	67.5	-1.1	p.p.
		Young (15-24)	34.1	35.0	37.6	38.4	35.3	-3.1	p.p.
		Prime age (25-54)	83.8	84.2	85.3	86.8	84.8	-2.0	p.p.
		Older (55-64)	30.7	32.6	33.5	32.8	35.6	2.8	p.p.
		Male	70.4	71.1	72.7	72.7	71.0	-1.7	p.p.
		Young (15-24)	38.1	39.2	43.2	43.0	39.1	-3.9	p.p.
		Prime age (25-54)	86.4	87.1	88.1	88.6	86.4	-2.2	p.p.
		Older (55-64)	43.1	44.5	45.3	44.7	46.4	1.7	p.p.
		Female	61.3	61.8	62.6	64.2	63.8	-0.4	p.p.
		Young (15-24)	29.8	30.3	31.4	33.2	31.0	-2.2	p.p.
		Prime age (25-54)	81.1	81.2	82.4	84.8	83.2	-1.6	p.p.
		Older (55-64)	18.5	21.0	22.2	21.1	24.8	3.7	p.p.
6	- Employed persons (age 15-64 -Th. pers.)		925	937	957	975	955	-20	Th.
		Male (as % of total)	54.3	54.4	54.8	54.5	54.1	-0.5	p.p.
		Female (as % of total)	45.7	45.6	45.2	45.5	45.9	0.5	p.p.
7	- Employment growth (%) (National accounts)		-0.2	1.5	3.0	2.8	-2.2		p.p.
	Employment growth (%) (LFS - age 15-64)		0.1	1.3	2.2	1.9	-2.1		p.p.
		Male	0.5	1.5	2.9	1.4	-2.9		p.p.
		Female	-0.5	1.0	1.2	2.5	-1.1		p.p.
8	- Self employed (% of total employment)		6.1	6.8	6.7	6.1	6.7	0.6	p.p.
		Male	8.2	9.5	8.8	8.1	9.3	1.1	p.p.
		Female	3.5	3.6	4.1	3.7	3.8	0.1	p.p.
9	- Temporary employment (as % total)		17.2	17.1	18.4	17.3	16.2	-1.1	p.p.
		Male	15.4	15.2	16.3	15.2	14.9	-0.3	p.p.
		Female	19.1	19.1	20.7	19.6	17.6	-2.0	p.p.
10	- Part-time (as % of total employment)		7.8	8.0	8.1	8.1	9.5	1.4	p.p.
		Male	6.1	6.0	6.5	6.2	7.4	1.2	p.p.
		Female	9.8	10.4	10.0	10.4	12.1	1.6	p.p.

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Work Status of persons:	*Slovenia*						
	2005	2006	2007	2008	2009	Changes 2008-2009	in
11 - Unemployment rate (Harmonised: 15-74)	6.5	6.0	4.9	4.4	5.9	1.5	p.p.
Young (15-24)	15.9	13.9	10.1	10.4	13.6	3.2	p.p.
Prime age (25-49)	5.8	5.5	4.4	3.8	5.5	1.7	p.p.
Older (55-64)	4.2	2.5	3.3	4.0	3.6	-0.4	p.p.
Male	6.1	4.9	4.0	4.0	5.9	1.9	p.p.
Young (15-24)	14.5	11.6	9.4	9.9	13.8	3.9	p.p.
Prime age (25-49)	5.2	4.4	3.3	3.3	5.3	2.0	p.p.
Older (55-64)	5.0	2.7	3.0	3.6	3.8	0.2	p.p.
Female	7.1	7.2	5.9	4.8	5.8	1.0	p.p.
Young (15-24)	17.8	16.8	11.2	11.3	13.4	2.1	p.p.
Prime age (25-49)	6.6	6.8	5.6	4.4	5.7	1.3	p.p.
Older (55-64)	:	:	3.8	4.8	3.2	-1.6	p.p.
12 - Long-term unemployment rate							
(as % of total unemployment)	47.3	49.3	45.7	42.2	30.1	-12.1	p.p.
13 - Worked hours (average actual weekly hours)	40.7	40.3	40.3	40.4	39.8	-1.5	%
Male	41.8	41.4	41.3	41.5	40.8	-1.7	%
Female	39.4	39.1	39.2	39.2	38.6	-1.5	%
14 - Sectoral employment growth							
Agriculture	-2.6	-3.1	-2.3	-2.0	-2.0		p.p.
Building and construction	4.4	6.9	10.9	11.6	-1.6		p.p.
Services	0.5	3.2	4.0	3.7	0.6		p.p.
Manufacturing industry	-2.0	-1.6	0.8	-0.4	-9.4		p.p.

Source: Eurostat, labour force survey

Slovenia

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Different measures of wage/labour costs:									
Compensation per employee	5.6	5.3	6.4	7.0	3.0	5.0	2.3	1.3	1.3
Compensation of employees per Hour Worked	:	7.2	7.5	5.1	2.4	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	5.0	6.3	5.4	9.6	:	:	:	:	:
Negotiated wages (Euro-area only)	:	:	:	:	:	:	:	:	:
Nominal Unit labour costs	0.9	1.0	2.6	6.2	9.3	15.1	11.3	7.3	3.6
Real unit labour costs deflated by GDP deflator.	-0.7	-1.0	-1.5	2.3	7.2	10.8	8.6	6.6	2.7
Wage and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by Total Factor Productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	71.5	70.2	68.9	70.0	74.8	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	17.8	17.4	17.3	:	:	:	:	:	:
Total wage (as a percentage of total labour costs) ANNUAL	82.2	82.6	82.7	:	:	:	:	:	:
Direct remuneration and bonuses (as a percentage of total labour costs)	65.6	65.9	66.0	:	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with no children, 100% and 100% of AW	42.4	44.0	0.0	42.9	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with 2 children, 100% and 100% of AW	39.2	38.6	0.0	38.1	:	:	:	:	:
Employers' social security contributions (as a percentage of total labour costs)	13.2	13.4	14.0	:	:	:	:	:	:
Other indirect costs (as a percentage of total labour costs)	4.6	4.0	3.3	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/Person Employed)	4.7	4.2	3.7	0.7	-5.8	-8.8	-8.1	-5.6	-2.2
Hourly Labour Productivity	:	6.0	4.5	-1.2	-5.9	:	:	:	:
GDP	4.5	5.8	6.8	3.5	-7.8	-8.2	-9.2	-8.3	-5.5
ECFIN NAIRU estimate	5.8	5.7	5.7	5.7	5.9	:	:	:	:
Output gap (%)	0.4	2.7	6.3	6.6	-3.7	:	:	:	:
Headline inflation (harmonised consumer price index 1996=100)	2.5	2.5	3.8	5.5	0.7	1.7	0.6	-0.2	1.4
Underlying inflation (exc. energy and unprocessed food)	1.3	1.5	3.4	5.0	1.8	2.9	2.3	1.5	0.9
GDP deflator	1.6	2.1	4.2	3.8	1.9	3.9	2.5	0.7	0.8
Sectoral breakdown of unit labour costs									
Agriculture and fishery	4.4	5.5	2.5	3.5	2.3	8.3	1.7	1.7	1.6
Industry excluding construction	0.5	-2.4	0.6	4.9	9.5	19.0	15.4	7.2	-2.6
of which: manufacturing	0.5	-2.6	0.1	5.0	9.5	:	:	:	:
Construction	2.6	-1.8	3.7	12.2	18.8	23.0	15.6	21.8	15.2
Trade, transport and communication	1.4	1.4	2.7	6.2	12.2	16.3	13.1	11.8	7.7
Finance and business services	0.3	5.8	7.1	6.3	4.5	11.8	2.0	1.4	4.0
Non-market related services	1.0	3.3	4.5	8.9	5.9	:	:	:	:
Market-related sectors	1.1	0.5	2.5	5.9	:	16.5	11.1	8.5	4.0
Sectoral breakdown of compensation per employee									
Total industries	5.4	5.3	6.4	7.0	3.0	:	:	:	:
Agriculture and fishery	6.5	4.0	7.3	5.7	0.1	2.3	1.3	0.1	-0.3
Industry excluding construction	6.8	6.0	6.9	6.0	1.5	1.5	-0.6	1.4	4.1
of which: manufacturing	6.9	6.2	7.0	5.6	1.0	:	:	:	:
Construction	3.5	5.7	9.1	6.1	1.5	2.0	-0.7	3.2	1.9
Trade, transport and communication	5.5	6.2	6.5	6.8	1.4	3.7	1.1	1.2	0.0
Finance and business services	7.4	5.1	8.5	5.9	1.0	4.0	0.3	0.0	0.4
Non-market related services	3.2	3.3	4.0	9.3	6.2	:	:	:	:

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Slovenia

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Sectoral breakdown of labour productivity									
Agriculture and fishery	2.0	-1.4	4.7	2.2	-2.2	-5.6	-0.4	-1.6	-1.8
Industry excluding construction	6.3	8.6	6.2	1.1	-7.3	-14.7	-13.9	-5.4	7.0
of which: manufacturing	6.4	9.0	6.9	0.6	-7.8	-15.8	-15.2	-6.0	8.5
Construction	0.9	7.6	5.2	-5.4	-14.6	-17.1	-14.1	-15.3	-11.6
Trade, transport and communication	4.0	4.7	3.7	0.6	-9.6	-10.8	-10.6	-9.5	-7.2
Finance and business services	7.1	-0.7	1.3	-0.4	-3.3	-7.0	-1.6	-1.3	-3.5
Non-market related services	2.1	0.0	-0.5	0.4	0.3	0.8	0.2	-0.6	0.6
Market-related sectors	5.3	5.6	4.7	0.3	-7.5	-11.6	-9.7	-6.5	-1.8

Source: AMECO, Eurostat-National Account, ECB

* Note: available on an annual basis only

Work Status of persons:			*Slovak Republic*						
			2005	2006	2007	2008	2009	Changes 2008-2009	in
1	- Population (total)	1000 pers.	5379	5389	5391	5396	5409	0.3	%
2	- Population (working age: 15-64)		3824	3862	3873	3892	3917	0.6	%
		as % of total population	71.1	71.7	71.8	72.1	72.4	0.3	p.p.
3	- Labour force (15-64)	1000 pers.	2636	2651	2646	2679	2680	0.0	%
		Male	1452	1468	1464	1481	1491	0.6	%
		Female	1184	1182	1182	1198	1189	-0.7	%
4	- Activity rate (as % of population 15-64)		68.9	68.6	68.3	68.8	68.4	-0.4	p.p.
		Young (15-24)	36.6	35.3	34.6	32.4	31.4	-1.0	p.p.
		Prime age (25-54)	88.0	87.6	86.9	87.8	87.2	-0.6	p.p.
		Older (55-64)	35.0	36.7	38.8	41.9	42.8	0.9	p.p.
		Male	76.5	76.4	75.9	76.4	76.3	-0.1	p.p.
		Young (15-24)	40.7	39.7	38.9	37.8	37.1	-0.7	p.p.
		Prime age (25-54)	93.8	94.0	93.1	93.4	93.6	0.2	p.p.
		Older (55-64)	55.1	55.2	57.0	59.9	58.7	-1.2	p.p.
		Female	61.5	60.9	60.8	61.3	60.6	-0.7	p.p.
		Young (15-24)	32.4	30.9	30.2	26.7	25.4	-1.3	p.p.
		Prime age (25-54)	82.1	81.2	80.7	82.1	80.7	-1.4	p.p.
		Older (55-64)	18.1	20.9	23.3	26.4	29.0	2.6	p.p.
5	- Employment rate (as % of pop. 15-64)		57.7	59.4	60.7	62.3	60.2	-2.1	p.p.
		Young (15-24)	25.6	25.9	27.6	26.2	22.8	-3.4	p.p.
		Prime age (25-54)	75.3	77.2	78.0	80.1	77.8	-2.3	p.p.
		Older (55-64)	30.3	33.1	35.6	39.2	39.5	0.3	p.p.
		Male	64.6	67.0	68.4	70.0	67.6	-2.4	p.p.
		Young (15-24)	28.1	29.2	30.9	30.8	26.8	-4.0	p.p.
		Prime age (25-54)	81.4	84.1	85.0	86.4	84.2	-2.2	p.p.
		Older (55-64)	47.8	49.8	52.5	56.7	54.9	-1.8	p.p.
		Female	50.9	51.9	53.0	54.6	52.8	-1.8	p.p.
		Young (15-24)	23.1	22.5	24.1	21.5	18.7	-2.8	p.p.
		Prime age (25-54)	69.2	70.2	71.0	73.7	71.2	-2.5	p.p.
		Older (55-64)	15.6	18.9	21.2	24.2	26.1	1.9	p.p.
6	- Employed persons (age 15-64 -Th. pers.)		2207	2295	2351	2423	2357	-67	Th.
		Male (as % of total)	55.6	56.1	56.1	56.0	56.0	0.0	p.p.
		Female (as % of total)	44.4	43.9	43.9	44.0	44.0	0.0	p.p.
7	- Employment growth (%) (National accounts)		1.4	2.3	2.1	2.8	-2.4		p.p.
	Employment growth (%) (LFS - age 15-64)		3.1	4.0	2.4	3.1	-2.8		p.p.
		Male	4.4	4.9	2.4	2.9	-2.7		p.p.
		Female	1.5	2.8	2.4	3.3	-2.8		p.p.
8	- Self employed (% of total employment)		9.3	9.4	9.7	10.4	12.1	1.7	p.p.
		Male	12.8	12.6	13.2	13.9	15.5	1.6	p.p.
		Female	5.0	5.4	5.2	5.9	7.7	1.7	p.p.
9	- Temporary employment (as % total)		4.9	5.0	5.0	4.5	4.3	-0.2	p.p.
		Male	5.0	4.9	4.9	4.4	4.5	0.1	p.p.
		Female	4.8	5.0	5.1	4.7	4.0	-0.7	p.p.
10	- Part-time (as % of total employment)		2.4	2.6	2.5	2.5	3.4	0.9	p.p.
		Male	1.2	1.2	1.0	1.3	2.6	1.3	p.p.
		Female	3.9	4.5	4.3	4.1	4.5	0.4	p.p.

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Work Status of persons:	*Slovak Republic*						
	2005	2006	2007	2008	2009	Changes 2008-2009	in
11 - Unemployment rate (Harmonised: 15-74)	16.3	13.4	11.1	9.5	12.0	2.5	p.p.
Young (15-24)	30.1	26.6	20.3	19.0	27.3	8.3	p.p.
Prime age (25-49)	14.6	11.9	10.2	8.8	10.9	2.1	p.p.
Older (55-64)	13.4	9.8	8.2	6.4	7.7	1.3	p.p.
Male	15.5	12.3	9.9	8.4	11.4	3.0	p.p.
Young (15-24)	31.0	26.4	20.4	18.5	27.8	9.3	p.p.
Prime age (25-49)	13.4	10.5	8.8	7.5	10.1	2.6	p.p.
Older (55-64)	13.2	9.9	7.8	5.4	6.4	1.0	p.p.
Female	17.2	14.7	12.7	10.9	12.8	1.9	p.p.
Young (15-24)	28.8	27.0	20.2	19.8	26.5	6.7	p.p.
Prime age (25-49)	16.0	13.5	11.9	10.2	11.8	1.6	p.p.
Older (55-64)	14.0	9.5	9.0	8.5	9.9	1.4	p.p.
12 - Long-term unemployment rate							
(as % of total unemployment)	72.0	76.3	74.2	69.5	54.0	-15.5	p.p.
13 - Worked hours (average actual weekly hours)	40.9	41.0	41.1	41.0	40.8	-0.5	%
Male	42.0	42.1	42.2	42.0	41.7	-0.7	%
Female	39.7	39.7	39.6	39.6	39.6	0.0	%
14 - Sectoral employment growth							
Agriculture	-1.9	-7.2	-5.9	0.3	-13.7		p.p.
Building and construction	2.6	4.9	6.5	8.4	4.3		p.p.
Services	2.6	3.2	2.6	2.1	1.6		p.p.
Manufacturing industry	-0.8	1.4	1.5	3.7	-12.7		p.p.

Source: Eurostat, labour force survey

Slovak Republic

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Different measures of wage/labour costs:									
Compensation per employee	9.7	7.7	8.4	5.9	4.7	6.5	6.3	5.4	4.1
Compensation of employees per Hour Worked	6.7	8.5	8.3	4.2	7.3	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	8.5	7.4	7.3	5.8	:	:	:	:	:
Negotiated wages (Euro-area only)	:	:	:	:	:	:	:	:	:
Nominal Unit labour costs	4.2	1.5	0.1	2.5	7.2	12.8	11.3	6.1	0.9
Real unit labour costs deflated by GDP deflator.	1.8	-1.4	-1.0	-0.3	8.5	14.4	13.6	7.1	1.2
Wage and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by Total Factor Productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	47.9	46.6	46.2	45.5	49.3	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	24.7	25.0	25.1	:	:	:	:	:	:
Total wage (as a percentage of total labour costs) ANNUAL	75.3	75.0	74.9	:	:	:	:	:	:
Direct remuneration and bonuses (as a percentage of total labour costs)	65.1	64.5	64.4	:	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with no children, 100% and 100% of AW	38.3	38.5	38.5	38.9	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with 2 children, 100% and 100% of AW	33.8	34.1	34.3	34.9	:	:	:	:	:
Employers' social security contributions (as a percentage of total labour costs)	23.7	24.1	24.2	:	:	:	:	:	:
Other indirect costs (as a percentage of total labour costs)	0.9	0.9	0.9	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/Person Employed)	5.2	6.1	8.3	3.3	-2.4	-5.6	-4.5	-0.7	3.1
Hourly Labour Productivity	3.2	6.8	8.4	2.3	2.0	:	:	:	:
GDP	6.7	8.5	10.6	6.2	-4.7	-5.7	-5.5	-4.9	-2.6
ECFIN NAIRU estimate	15.3	13.9	12.9	12.3	12.1	:	:	:	:
Output gap (%)	-1.0	1.5	6.3	7.6	-1.2	:	:	:	:
Headline inflation (harmonised consumer price index 1996=100)	2.8	4.3	1.9	3.9	0.9	2.3	1.1	0.4	0.0
Underlying inflation (exc. energy and unprocessed food)	1.7	2.1	1.9	3.9	1.5	2.9	1.8	1.2	0.6
GDP deflator	2.4	2.9	1.1	2.9	-1.2	-1.4	-2.1	-0.9	-0.3
Sectoral breakdown of unit labour costs									
Agriculture and fishery	18.0	-7.0	8.2	23.6	-19.8	-23.8	-11.4	-34.8	-13.2
Industry excluding construction	3.7	-0.5	10.2	13.7	-0.7	17.5	3.3	-15.3	-18.1
of which: manufacturing	-4.7	-0.5	-5.2	-1.7	-1.8	:	:	:	:
Construction	2.7	1.3	14.9	10.9	13.9	36.5	9.0	-2.2	4.3
Trade, transport and communication	10.0	9.8	11.2	-0.1	22.4	25.7	11.5	20.5	16.1
Finance and business services	18.1	-0.6	15.0	8.4	16.0	1.2	15.4	22.7	8.3
Non-market related services	7.6	10.6	5.1	20.4	12.5	:	:	:	:
Market-related sectors	5.1	-1.7	1.5	0.9	:	17.6	10.0	0.5	-0.9
Sectoral breakdown of compensation per employee									
Total industries	13.7	11.6	19.5	14.4	8.6	:	:	:	:
Agriculture and fishery	16.4	12.6	23.4	20.0	2.6	2.6	7.2	-4.6	-6.7
Industry excluding construction	11.2	15.3	22.4	18.0	3.8	4.1	2.4	-1.4	-3.9
of which: manufacturing	7.9	11.3	10.3	6.8	0.7	:	:	:	:
Construction	9.4	16.1	15.4	8.0	7.3	11.5	8.4	1.4	-3.9
Trade, transport and communication	14.2	4.9	25.0	4.5	5.7	3.9	3.0	1.9	-0.3
Finance and business services	11.6	9.2	12.7	26.7	16.2	11.2	16.5	11.2	9.6
Non-market related services	16.7	13.4	14.2	16.7	13.6	:	:	:	:

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Slovak Republic

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Sectoral breakdown of labour productivity									
Agriculture and fishery	-1.4	21.1	14.1	-2.9	27.8	34.6	21.0	46.4	7.4
Industry excluding construction	7.2	15.9	11.1	3.8	4.5	-11.4	-0.8	16.3	17.4
of which: manufacturing	13.2	11.9	16.4	8.7	2.5	-9.6	-1.4	12.7	10.2
Construction	6.5	14.6	0.5	-2.6	-5.8	-18.3	-0.5	3.6	-7.8
Trade, transport and communication	3.8	-4.5	12.4	4.6	-13.6	-17.4	-7.6	-15.4	-14.1
Finance and business services	-5.5	9.9	-2.0	17.0	0.1	9.9	0.9	-9.4	1.2
Non-market related services	8.4	2.5	8.7	-3.1	0.9	4.8	-10.2	-0.6	10.1
Market-related sectors	3.4	8.9	8.4	4.3	-2.8	-9.9	-3.7	1.4	0.8

Source: AMECO, Eurostat-National Account, ECB

* Note: available on an annual basis only

Work Status of persons:				*Finland*						
				2005	2006	2007	2008	2009	Changes 2008-2009	in
1	-	Population (total)	1000 pers.	5225	5242	5266	5289	5317	0.5	%
2	-	Population (working age: 15-64)		3476	3484	3497	3514	3527	0.4	%
			as % of total population	66.5	66.5	66.4	66.4	66.3	-0.1	p.p.
3	-	Labour force (15-64)	1000 pers.	2597	2620	2642	2669	2644	-0.9	%
			Male	1338	1350	1358	1376	1355	-1.5	%
			Female	1259	1270	1284	1293	1289	-0.3	%
4	-	Activity rate (as % of population 15-64)		74.7	75.2	75.6	76.0	75.0	-1.0	p.p.
			Young (15-24)	50.7	51.8	53.4	53.5	50.4	-3.1	p.p.
			Prime age (25-54)	87.7	87.8	88.0	88.6	88.2	-0.4	p.p.
			Older (55-64)	56.6	58.5	58.8	59.7	59.1	-0.6	p.p.
			Male	76.6	77.1	77.2	77.9	76.4	-1.5	p.p.
			Young (15-24)	50.9	52.6	53.3	53.4	49.7	-3.7	p.p.
			Prime age (25-54)	90.3	90.3	90.4	91.2	90.6	-0.6	p.p.
			Older (55-64)	56.9	58.9	59.1	60.6	58.7	-1.9	p.p.
			Female	72.8	73.3	73.8	73.9	73.5	-0.4	p.p.
			Young (15-24)	50.4	51.0	53.6	53.5	51.2	-2.3	p.p.
			Prime age (25-54)	85.1	85.3	85.6	85.9	85.7	-0.2	p.p.
			Older (55-64)	56.4	58.2	58.4	58.8	59.5	0.7	p.p.
5	-	Employment rate (as % of pop. 15-64)		68.4	69.3	70.3	71.1	68.7	-2.4	p.p.
			Young (15-24)	40.5	42.1	44.6	44.7	39.6	-5.1	p.p.
			Prime age (25-54)	81.7	82.4	83.4	84.3	82.4	-1.9	p.p.
			Older (55-64)	52.7	54.5	55.0	56.5	55.5	-1.0	p.p.
			Male	70.3	71.4	72.1	73.1	69.5	-3.6	p.p.
			Young (15-24)	40.4	42.6	44.5	44.3	37.7	-6.6	p.p.
			Prime age (25-54)	84.4	85.2	86.0	87.3	84.3	-3.0	p.p.
			Older (55-64)	52.8	54.8	55.1	57.1	54.6	-2.5	p.p.
			Female	66.5	67.3	68.5	69.0	67.9	-1.1	p.p.
			Young (15-24)	40.6	41.6	44.7	45.1	41.5	-3.6	p.p.
			Prime age (25-54)	79.0	79.6	80.6	81.2	80.5	-0.7	p.p.
			Older (55-64)	52.7	54.3	55.0	55.8	56.3	0.5	p.p.
6	-	Employed persons (age 15-64 -Th. pers.)		2378	2416	2459	2497	2423	-74	Th.
			Male (as % of total)	51.6	51.7	51.6	51.7	50.9	-0.8	p.p.
			Female (as % of total)	48.4	48.3	48.4	48.3	49.1	0.8	p.p.
7	-	Employment growth (%) (National accounts)		1.4	1.8	2.2	1.6	-3.0		p.p.
		Employment growth (%) (LFS - age 15-64)		0.4	1.6	1.8	1.6	-3.0		p.p.
			Male	0.2	1.7	1.5	1.9	-4.5		p.p.
			Female	0.6	1.5	2.1	1.2	-1.3		p.p.
8	-	Self employed (% of total employment)		8.0	8.0	7.6	8.0	8.5	0.5	p.p.
			Male	9.9	10.2	9.7	10.0	10.6	0.6	p.p.
			Female	5.9	5.6	5.5	6.0	6.4	0.5	p.p.
9	-	Temporary employment (as % total)		16.5	16.3	15.9	14.9	14.5	-0.4	p.p.
			Male	12.9	12.6	12.3	11.1	10.5	-0.6	p.p.
			Female	20.0	20.0	19.4	18.7	18.3	-0.4	p.p.
10	-	Part-time (as % of total employment)		13.2	13.5	13.4	12.7	13.3	0.6	p.p.
			Male	8.6	8.6	8.3	7.9	8.3	0.4	p.p.
			Female	18.2	18.7	18.8	17.8	18.5	0.7	p.p.

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Work Status of persons:	*Finland*						
	2005	2006	2007	2008	2009	Changes 2008-2009	in
11 - Unemployment rate (Harmonised: 15-74)	8.4	7.7	6.9	6.4	8.2	1.8	p.p.
Young (15-24)	20.1	18.7	16.5	16.5	21.5	5.0	p.p.
Prime age (25-49)	6.8	6.1	5.3	4.9	6.7	1.8	p.p.
Older (55-64)	6.9	6.8	6.3	5.4	6.2	0.8	p.p.
Male	8.2	7.4	6.5	6.1	8.9	2.8	p.p.
Young (15-24)	20.6	19.0	16.4	17.1	24.1	7.0	p.p.
Prime age (25-49)	6.6	5.5	4.8	4.3	7.0	2.7	p.p.
Older (55-64)	7.2	6.9	6.8	5.8	7.0	1.2	p.p.
Female	8.6	8.1	7.2	6.7	7.6	0.9	p.p.
Young (15-24)	19.5	18.4	16.6	15.8	19.0	3.2	p.p.
Prime age (25-49)	7.2	6.8	6.0	5.5	6.3	0.8	p.p.
Older (55-64)	6.6	6.7	5.9	5.0	5.5	0.5	p.p.
12 - Long-term unemployment rate							
(as % of total unemployment)	25.8	25.2	22.8	18.4	16.7	-1.7	p.p.
13 - Worked hours (average actual weekly hours)	37.7	37.6	37.5	37.6	37.3	-0.8	%
Male	39.8	39.6	39.6	39.6	39.3	-0.8	%
Female	35.5	35.3	35.3	35.4	35.2	-0.6	%
14 - Sectoral employment growth							
Agriculture	-0.2	-0.3	0.2	-0.9	-0.6		p.p.
Building and construction	4.5	4.0	7.1	3.6	-6.5		p.p.
Services	1.5	2.0	2.2	2.1	-1.6		p.p.
Manufacturing industry	0.2	0.8	0.9	-1.0	-8.0		p.p.

Source: Eurostat, labour force survey

Finland

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Different measures of wage/labour costs:									
Compensation per employee	3.7	2.9	3.7	5.1	2.4	2.6	2.5	2.7	2.5
Compensation of employees per Hour Worked	4.3	3.1	3.9	5.2	4.7	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	5.3	2.1	2.4	5.4	:	:	:	:	:
Negotiated wages (Euro-area only)	:	:	:	:	:	:	:	:	:
Nominal Unit labour costs	2.2	0.3	0.9	5.5	7.7	9.9	9.4	8.6	3.5
Real unit labour costs deflated by GDP deflator.	1.7	-0.5	-2.3	4.0	7.0	7.7	8.4	8.0	4.4
Wage and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by Total Factor Productivity	2.3	0.3	1.0	5.7	9.4	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	63.0	62.6	60.8	63.2	67.8	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	22.1	22.0	21.8	21.5	:	:	:	:	:
Total wage (as a percentage of total labour costs) ANNUAL	77.9	78.1	78.2	78.5	:	:	:	:	:
Direct remuneration and bonuses (as a percentage of total labour costs)	66.0	66.1	66.2	66.5	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with no children, 100% and 100% of AW	44.6	44.1	43.7	43.5	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with 2 children, 100% and 100% of AW	41.5	41.1	40.7	40.7	:	:	:	:	:
Employers' social security contributions (as a percentage of total labour costs)	20.9	20.7	20.6	20.3	:	:	:	:	:
Other indirect costs (as a percentage of total labour costs)	1.2	1.2	1.2	1.2	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/Person Employed)	1.5	2.5	2.7	-0.3	-4.9	-6.6	-6.3	-5.5	-0.9
Hourly Labour Productivity	2.0	2.9	2.9	-0.2	-2.0	:	:	:	:
GDP	2.9	4.4	4.9	1.2	-7.8	-7.8	-9.2	-8.9	-5.1
ECFIN NAIRU estimate	7.5	7.4	7.4	7.2	7.6	:	:	:	:
Output gap (%)	0.2	2.3	5.0	4.1	-5.0	:	:	:	:
Headline inflation (harmonised consumer price index 1996=100)	0.8	1.3	1.6	3.9	1.6	2.4	1.7	1.2	1.2
Underlying inflation (exc. energy and unprocessed food)	0.3	0.8	1.4	2.9	2.4	3.3	2.8	2.5	1.8
GDP deflator	0.5	0.9	3.3	1.4	0.6	2.1	0.9	0.6	-0.9
Sectoral breakdown of unit labour costs									
Agriculture and fishery	-2.8	-0.1	-11.9	-3.2	9.4	3.6	8.5	15.8	12.1
Industry excluding construction	0.6	-5.6	-4.5	3.4	14.3	19.3	20.9	16.3	2.3
of which: manufacturing	0.0	-6.9	-4.8	2.8	15.4	:	:	:	:
Construction	2.4	4.1	7.9	10.4	12.3	19.0	14.2	11.7	5.8
Trade, transport and communication	2.3	1.8	-0.4	6.3	9.5	12.0	12.0	11.2	2.9
Finance and business services	4.0	4.3	4.0	7.8	3.0	1.4	2.5	4.8	3.2
Non-market related services	4.1	4.0	4.2	5.5	5.2	:	:	:	:
Market-related sectors	1.8	-0.6	-0.6	5.8	:	12.5	13.3	12.3	3.6
Sectoral breakdown of compensation per employee									
Total industries	3.7	2.9	3.7	5.1	2.4	:	:	:	:
Agriculture and fishery	2.0	1.7	1.6	2.5	4.0	-2.5	-1.3	3.5	19.2
Industry excluding construction	3.8	4.1	2.9	4.4	-1.5	-1.3	-0.1	-0.8	-3.8
of which: manufacturing	3.8	4.1	2.8	4.4	-1.3	:	:	:	:
Construction	2.8	2.9	4.6	6.7	4.3	3.0	3.1	6.8	4.8
Trade, transport and communication	3.4	1.2	3.7	5.0	3.0	3.4	3.8	2.9	1.6
Finance and business services	3.7	3.1	3.4	5.7	5.9	4.3	4.7	7.5	7.0
Non-market related services	4.2	2.7	3.9	5.0	3.4	:	:	:	:

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Finland

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Sectoral breakdown of labour productivity									
Agriculture and fishery	4.9	1.8	15.3	6.0	-4.9	-5.9	-9.1	-10.6	6.4
Industry excluding construction	3.2	10.2	7.8	0.9	-13.8	-17.2	-17.4	-14.7	-6.0
of which: manufacturing	3.8	11.8	8.0	1.5	-14.5	-18.7	-17.4	-14.3	-7.3
Construction	0.4	-1.2	-3.1	-3.4	-7.2	-13.4	-9.6	-4.4	-0.9
Trade, transport and communication	1.1	-0.6	4.1	-1.2	-6.0	-7.7	-7.3	-7.4	-1.3
Finance and business services	-0.3	-1.2	-0.6	-1.9	2.8	2.9	2.1	2.6	3.7
Non-market related services	0.0	-1.3	-0.3	-0.4	-1.6	-0.8	-1.5	-3.3	-0.9
Market-related sectors	1.6	3.6	4.1	-0.6	-7.4	-9.7	-9.6	-8.2	-1.9

Source: AMECO, Eurostat-National Account, ECB

* Note: available on an annual basis only

Work Status of persons:				*Sweden*						
				2005	2006	2007	2008	2009	Changes 2008-2009	in
1	-	Population (total)	1000 pers.	9039	6724	6798	6874	9297	35.3	%
2	-	Population (working age: 15-64)		5896	5951	6002	6046	6080	0.6	%
		as % of total population		65.2	88.5	88.3	88.0	65.4	-22.6	p.p.
3	-	Labour force (15-64)	1000 pers.	4639	4687	4750	4797	4799	0.0	%
		Male		2423	2452	2482	2508	2513	0.2	%
		Female		2216	2235	2268	2289	2286	-0.1	%
4	-	Activity rate (as % of population 15-64)		78.7	78.8	79.1	79.3	78.9	-0.4	p.p.
		Young (15-24)		50.2	51.3	52.2	52.8	51.0	-1.8	p.p.
		Prime age (25-54)		89.5	89.4	90.0	90.4	90.0	-0.4	p.p.
		Older (55-64)		72.6	72.8	72.8	72.8	73.9	1.1	p.p.
		Male		80.9	81.2	81.4	81.7	81.4	-0.3	p.p.
		Young (15-24)		49.1	50.8	51.8	52.6	51.1	-1.5	p.p.
		Prime age (25-54)		92.4	92.5	92.9	93.1	92.8	-0.3	p.p.
		Older (55-64)		76.2	76.0	76.2	76.5	77.8	1.3	p.p.
		Female		76.3	76.3	76.8	76.9	76.4	-0.5	p.p.
		Young (15-24)		51.3	51.9	52.7	53.1	51.0	-2.1	p.p.
		Prime age (25-54)		86.5	86.3	87.1	87.6	87.1	-0.5	p.p.
		Older (55-64)		69.0	69.6	69.4	69.0	69.9	0.9	p.p.
5	-	Employment rate (as % of pop. 15-64)		72.5	73.1	74.2	74.3	72.2	-2.1	p.p.
		Young (15-24)		38.7	40.3	42.2	42.2	38.3	-3.9	p.p.
		Prime age (25-54)		83.9	84.7	86.1	86.5	84.5	-2.0	p.p.
		Older (55-64)		69.4	69.6	70.0	70.1	70.0	-0.1	p.p.
		Male		74.4	75.5	76.5	76.7	74.2	-2.5	p.p.
		Young (15-24)		37.7	40.2	42.0	42.2	37.7	-4.5	p.p.
		Prime age (25-54)		86.6	87.8	89.1	89.4	86.9	-2.5	p.p.
		Older (55-64)		72.0	72.3	72.9	73.4	73.2	-0.2	p.p.
		Female		70.4	70.7	71.8	71.8	70.2	-1.6	p.p.
		Young (15-24)		39.8	40.4	42.3	42.1	38.9	-3.2	p.p.
		Prime age (25-54)		81.1	81.5	83.0	83.5	81.9	-1.6	p.p.
		Older (55-64)		66.7	66.9	67.0	66.7	66.7	0.0	p.p.
6	-	Employed persons (age 15-64 -Th. pers.)		4272	4352	4453	4494	4391	-102	Th.
		Male (as % of total)		52.2	52.4	52.4	52.4	52.2	-0.3	p.p.
		Female (as % of total)		47.8	47.6	47.6	47.6	47.8	0.3	p.p.
7	-	Employment growth (%) (National accounts)		0.3	1.7	2.5	0.9	-2.0		p.p.
		Employment growth (%) (LFS - age 15-64)		0.7	1.9	2.3	0.9	-2.3		p.p.
		Male		1.2	2.3	2.3	1.0	-2.8		p.p.
		Female		0.2	1.4	2.3	0.8	-1.7		p.p.
8	-	Self employed (% of total employment)		5.7	6.0	5.8	5.7	6.0	0.2	p.p.
		Male		7.8	8.1	7.7	7.5	7.8	0.3	p.p.
		Female		3.5	3.6	3.7	3.7	4.0	0.2	p.p.
9	-	Temporary employment (as % total)		15.7	17.0	17.2	15.8	14.9	-0.9	p.p.
		Male		13.9	15.0	14.7	13.2	12.6	-0.6	p.p.
		Female		17.6	18.9	19.7	18.5	17.3	-1.2	p.p.
10	-	Part-time (as % of total employment)		23.3	23.6	23.5	25.7	26.0	0.3	p.p.
		Male		10.0	10.3	10.3	11.9	12.6	0.7	p.p.
		Female		37.8	38.3	38.0	40.8	40.5	-0.4	p.p.

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Work Status of persons:	*Sweden*						
	2005	2006	2007	2008	2009	Changes 2008-2009	in
11 - Unemployment rate (Harmonised: 15-74)	7.6	7.0	6.1	6.2	8.3	2.1	p.p.
Young (15-24)	22.8	21.5	19.3	20.2	25.0	4.8	p.p.
Prime age (25-49)	6.7	5.5	4.6	4.5	6.5	2.0	p.p.
Older (55-64)	4.5	4.4	4.0	3.8	5.3	1.5	p.p.
Male	7.7	6.9	5.8	5.9	8.6	2.7	p.p.
Young (15-24)	23.3	21.0	18.8	19.7	26.3	6.6	p.p.
Prime age (25-49)	6.6	5.3	4.2	4.1	6.7	2.6	p.p.
Older (55-64)	5.4	4.9	4.4	4.1	5.9	1.8	p.p.
Female	7.6	7.2	6.4	6.5	8.0	1.5	p.p.
Young (15-24)	22.4	22.0	19.8	20.7	23.7	3.0	p.p.
Prime age (25-49)	6.8	5.8	5.0	4.9	6.3	1.4	p.p.
Older (55-64)	3.3	3.8	3.5	3.4	4.6	1.2	p.p.
12 - Long-term unemployment rate							
(as % of total unemployment)	:	:	13.9	12.7	13.2	0.5	p.p.
13 - Worked hours (average actual weekly hours)	36.5	36.4	36.4	36.4	36.3	-0.3	%
Male	38.8	38.7	38.7	38.6	38.4	-0.5	%
Female	34.0	34.0	34.0	33.9	33.9	0.0	%
14 - Sectoral employment growth							
Agriculture	-4.6	-2.1	-1.7	-0.7	-1.7		p.p.
Building and construction	3.2	6.4	7.6	5.1	-1.1		p.p.
Services	0.5	2.0	2.3	1.0	-0.5		p.p.
Manufacturing industry	-1.1	-0.8	2.2	-0.5	-9.9		p.p.

Source: Eurostat, labour force survey

Sweden

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Different measures of wage/labour costs:									
Compensation per employee	3.1	2.1	5.0	1.2	1.4	1.9	1.6	2.2	1.3
Compensation of employees per Hour Worked	3.2	2.4	4.3	0.8	2.3	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	3.2	1.6	3.5	2.6	:	:	:	:	:
Negotiated wages (Euro-area only)	:	:	:	:	:	:	:	:	:
Nominal Unit labour costs	0.2	-0.5	4.1	2.5	4.9	7.7	6.6	5.0	0.1
Real unit labour costs deflated by GDP deflator.	-0.7	-2.4	1.4	-0.7	2.6	5.0	4.0	3.1	-0.4
Wage and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by Total Factor Productivity	0.8	-0.2	4.2	3.2	6.2	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	67.4	65.9	66.9	67.5	69.8	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	33.8	33.8	33.8	:	:	:	:	:	:
Total wage (as a percentage of total labour costs) ANNUAL	66.2	66.2	66.2	:	:	:	:	:	:
Direct remuneration and bonuses (as a percentage of total labour costs)	57.2	57.2	57.2	:	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with no children, 100% and 100% of AW	47.9	47.9	45.4	44.6	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with 2 children, 100% and 100% of AW	45.2	44.8	42.4	41.8	:	:	:	:	:
Employers' social security contributions (as a percentage of total labour costs)	30.6	30.6	30.6	:	:	:	:	:	:
Other indirect costs (as a percentage of total labour costs)	3.3	3.3	3.3	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/Person Employed)	2.9	2.6	0.8	-1.3	-3.3	-5.4	-4.7	-2.6	1.2
Hourly Labour Productivity	2.9	2.9	0.1	-2.0	-2.4	:	:	:	:
GDP	3.2	4.3	3.3	-0.4	-5.2	-6.5	-6.8	-5.2	-0.9
ECFIN NAIRU estimate	6.8	6.7	6.7	6.8	7.5	:	:	:	:
Output gap (%)	2.2	3.8	3.9	1.8	-4.3	:	:	:	:
Headline inflation (harmonised consumer price index 1996=100)	0.8	1.5	1.7	3.3	1.6	2.1	1.7	1.7	2.3
Underlying inflation (exc. energy and unprocessed food)	0.2	0.5	1.8	2.3	1.8	1.8	1.9	2.6	2.7
GDP deflator	0.9	1.9	2.8	3.2	2.2	2.5	2.5	1.8	0.6
Sectoral breakdown of unit labour costs									
Agriculture and fishery	3.6	-21.5	10.4	-5.3	-8.9	0.6	3.0	1.2	-2.7
Industry excluding construction	-3.6	-3.4	4.3	0.2	-0.2	17.6	15.7	9.8	-1.7
of which: manufacturing	-2.7	-5.7	3.5	3.5	:	:	:	:	:
Construction	0.9	2.9	7.5	-0.5	-6.7	6.5	3.8	0.6	1.6
Trade, transport and communication	-3.4	0.0	5.0	-1.7	-6.2	9.9	7.3	2.6	-4.5
Finance and business services	-0.8	0.9	5.9	-0.1	-4.2	9.6	4.5	4.5	4.8
Non-market related services	0.5	3.1	4.1	-2.7	-8.5	:	:	:	:
Market-related sectors	-0.6	-1.7	5.4	3.5	:	11.9	8.8	5.6	-0.1
Sectoral breakdown of compensation per employee									
Total industries	1.3	2.5	5.1	-2.2	-7.9	:	:	:	:
Agriculture and fishery	3.2	-2.8	5.5	-0.8	-7.4	2.7	1.5	0.1	5.3
Industry excluding construction	1.5	2.0	6.2	-2.1	-6.4	1.8	2.9	3.9	5.2
of which: manufacturing	3.1	1.6	4.8	1.0	3.1	:	:	:	:
Construction	2.0	0.6	6.4	-2.6	-9.3	2.3	-0.2	0.6	-1.7
Trade, transport and communication	1.0	2.4	4.6	-2.8	-8.1	2.6	1.2	1.5	0.8
Finance and business services	1.0	4.4	5.4	-4.7	-9.9	0.2	0.6	0.1	-2.6
Non-market related services	1.3	2.3	4.0	-1.0	-6.7	:	:	:	:

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Sweden

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Sectoral breakdown of labour productivity									
Agriculture and fishery	-0.4	23.8	-4.5	4.8	1.7	2.1	-1.4	-1.1	8.2
Industry excluding construction	5.3	5.5	1.9	-2.3	-6.2	-13.5	-11.1	-5.4	7.0
of which: manufacturing	6.0	7.8	1.2	-2.4	:	-16.0	-12.6	-6.5	5.9
Construction	1.1	-2.3	-1.0	-2.1	-2.7	-3.9	-3.8	0.0	-3.2
Trade, transport and communication	4.5	2.5	-0.4	-1.2	-2.0	-6.7	-5.7	-1.0	5.5
Finance and business services	1.8	3.5	-0.5	-4.7	-6.0	-8.6	-3.7	-4.2	-7.1
Non-market related services	0.9	-0.8	-0.1	1.8	1.9	3.2	0.9	1.9	1.7
Market-related sectors	3.6	4.1	0.0	-2.6	-4.9	-9.2	-6.9	-4.0	0.7

Source: AMECO, Eurostat-National Account, ECB

* Note: available on an annual basis only

Work Status of persons:			United Kingdom						
			2005	2006	2007	2008	2009	Changes 2008-2009	in
1	- Population (total)	1000 pers.	59156	59518	59862	60305	60729	0.7	%
2	- Population (working age: 15-64)		39153	39540	39845	40094	40312	0.5	%
		as % of total population	66.2	66.4	66.6	66.5	66.4	-0.1	p.p.
3	- Labour force (15-64)	1000 pers.	29512	29935	30089	30409	30521	0.4	%
		Male	15951	16159	16260	16416	16431	0.1	%
		Female	13561	13776	13829	13993	14091	0.7	%
4	- Activity rate (as % of population 15-64)		75.4	75.7	75.5	75.8	75.7	-0.1	p.p.
		Young (15-24)	62.3	62.5	61.7	61.7	59.7	-2.0	p.p.
		Prime age (25-54)	84.1	84.5	84.5	84.9	85.1	0.2	p.p.
		Older (55-64)	58.4	59.1	59.3	59.9	60.3	0.4	p.p.
		Male	82.0	82.3	82.2	82.4	82.0	-0.4	p.p.
		Young (15-24)	65.3	65.1	64.5	64.8	62.0	-2.8	p.p.
		Prime age (25-54)	91.1	91.6	91.6	91.6	91.7	0.1	p.p.
		Older (55-64)	68.3	68.4	69.0	69.9	70.3	0.4	p.p.
		Female	68.8	69.2	69.0	69.4	69.5	0.1	p.p.
		Young (15-24)	59.2	59.7	58.7	58.4	57.4	-1.0	p.p.
		Prime age (25-54)	77.3	77.6	77.6	78.2	78.7	0.5	p.p.
		Older (55-64)	48.9	50.1	50.0	50.2	50.6	0.4	p.p.
5	- Employment rate (as % of pop. 15-64)		71.7	71.6	71.5	71.5	69.9	-1.6	p.p.
		Young (15-24)	54.4	53.8	52.9	52.4	48.4	-4.0	p.p.
		Prime age (25-54)	81.2	81.2	81.3	81.4	80.2	-1.2	p.p.
		Older (55-64)	56.8	57.3	57.4	58.0	57.5	-0.5	p.p.
		Male	77.7	77.5	77.5	77.3	74.8	-2.5	p.p.
		Young (15-24)	56.0	54.9	54.4	53.8	48.5	-5.3	p.p.
		Prime age (25-54)	87.8	87.9	88.2	87.7	85.7	-2.0	p.p.
		Older (55-64)	65.9	66.0	66.3	67.3	66.2	-1.1	p.p.
		Female	65.8	65.8	65.5	65.8	65.0	-0.8	p.p.
		Young (15-24)	52.7	52.6	51.4	51.0	48.2	-2.8	p.p.
		Prime age (25-54)	74.8	74.6	74.6	75.2	74.7	-0.5	p.p.
		Older (55-64)	48.0	49.0	48.9	49.0	49.2	0.2	p.p.
6	- Employed persons (age 15-64 -Th. pers.)		28090	28307	28478	28671	28180	-491	Th.
		Male (as % of total)	53.8	53.8	53.9	53.7	53.2	-0.5	p.p.
		Female (as % of total)	46.2	46.2	46.1	46.3	46.8	0.5	p.p.
7	- Employment growth (%) (National accounts)		1.0	0.9	0.7	0.7	-1.6		p.p.
	Employment growth (%) (LFS - age 15-64)		1.3	0.8	0.6	0.7	-1.7		p.p.
		Male	1.2	0.7	0.8	0.4	-2.6		p.p.
		Female	1.5	0.9	0.4	1.1	-0.7		p.p.
8	- Self employed (% of total employment)		9.4	9.6	9.8	9.8	10.1	0.3	p.p.
		Male	12.6	12.7	13.0	12.9	13.2	0.3	p.p.
		Female	5.6	5.9	6.0	6.2	6.5	0.3	p.p.
9	- Temporary employment (as % total)		5.7	5.7	5.7	5.3	5.5	0.2	p.p.
		Male	5.2	5.0	5.1	4.7	5.1	0.4	p.p.
		Female	6.2	6.4	6.4	5.9	5.9	0.0	p.p.
10	- Part-time (as % of total employment)		24.2	24.2	24.1	24.2	24.9	0.8	p.p.
		Male	9.1	9.2	9.3	9.7	10.4	0.6	p.p.
		Female	41.8	41.7	41.4	40.9	41.6	0.6	p.p.

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Work Status of persons:	*United Kingdom*						
	2005	2006	2007	2008	2009	Changes 2008-2009	in
11 - Unemployment rate (Harmonised: 15-74)	4.8	5.4	5.3	5.6	7.6	2.0	p.p.
Young (15-24)	12.8	14.0	14.3	15.0	19.1	4.1	p.p.
Prime age (25-49)	3.5	4.1	3.9	4.3	6.0	1.7	p.p.
Older (55-64)	2.7	3.0	3.2	3.1	4.5	1.4	p.p.
Male	5.2	5.8	5.6	6.1	8.6	2.5	p.p.
Young (15-24)	14.3	15.7	15.8	17.0	21.8	4.8	p.p.
Prime age (25-49)	3.6	4.2	3.8	4.4	6.6	2.2	p.p.
Older (55-64)	3.4	3.5	3.9	3.7	5.8	2.1	p.p.
Female	4.3	4.9	5.0	5.1	6.4	1.3	p.p.
Young (15-24)	11.0	12.0	12.5	12.7	16.0	3.3	p.p.
Prime age (25-49)	3.4	4.1	4.0	4.1	5.4	1.3	p.p.
Older (55-64)	1.9	2.3	2.2	2.3	2.9	0.6	p.p.
12 - Long-term unemployment rate							
(as % of total unemployment)	20.9	22.2	23.7	24.1	24.5	0.4	p.p.
13 - Worked hours (average actual weekly hours)	37.1	36.9	37.0	36.9	36.6	-0.8	%
Male	42.0	41.8	41.8	41.6	41.2	-1.0	%
Female	31.3	31.3	31.4	31.5	31.3	-0.6	%
14 - Sectoral employment growth							
Agriculture	:	:	:	:	:		p.p.
Building and construction	:	:	:	:	:		p.p.
Services	:	:	:	:	:		p.p.
Manufacturing industry	-5.1	:	:	:	:		p.p.

Source: Eurostat, labour force survey

United Kingdom

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Different measures of wage/labour costs:									
Compensation per employee	3.3	4.2	4.9	2.6	1.4	-0.1	1.9	1.3	2.4
Compensation of employees per Hour Worked	3.5	4.0	4.5	3.9	2.2	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	3.5	3.6	5.3	4.7	:	:	:	:	:
Negotiated wages (Euro-area only)	:	:	:	:	:	:	:	:	:
Nominal Unit labour costs	2.1	2.2	3.0	2.7	4.9	4.6	6.8	4.5	4.0
Real unit labour costs deflated by GDP deflator.	0.1	-0.6	0.1	-0.2	3.5	2.8	5.5	2.8	3.1
Wage and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by Total Factor Productivity	2.7	2.8	3.8	3.5	6.1	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	70.7	70.2	70.3	69.8	71.7	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	20.8	20.4	19.5	:	:	:	:	:	:
Total wage (as a percentage of total labour costs) ANNUAL	79.2	79.6	80.5	:	:	:	:	:	:
Direct remuneration and bonuses (as a percentage of total labour costs)	70.2	71.0	70.9	:	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with no children, 100% and 100% of AW	33.5	33.9	34.1	32.8	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with 2 children, 100% and 100% of AW	31.2	31.6	32.0	30.6	:	:	:	:	:
Employers' social security contributions (as a percentage of total labour costs)	18.4	18.1	17.1	:	:	:	:	:	:
Other indirect costs (as a percentage of total labour costs)	2.5	2.4	2.4	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/Person Employed)	1.1	2.0	1.9	-0.2	-3.4	-4.5	-4.6	-3.1	-1.5
Hourly Labour Productivity	0.9	2.3	1.7	1.0	-2.3	:	:	:	:
GDP	2.2	2.9	2.6	0.5	-4.9	-5.5	-6.5	-4.7	-2.9
ECFIN NAIRU estimate	5.1	5.3	5.5	5.8	6.3	:	:	:	:
Output gap (%)	1.2	2.0	2.7	1.8	-4.1	:	:	:	:
Headline inflation (harmonised consumer price index 1996=100)	2.0	2.3	2.3	3.6	1.8	3.0	2.1	1.5	2.1
Underlying inflation (exc. energy and unprocessed food)	1.4	1.4	1.9	2.2	1.7	2.1	1.9	1.9	2.3
GDP deflator	2.0	2.8	2.9	3.0	1.4	1.7	1.2	1.7	0.9
Sectoral breakdown of unit labour costs									
Agriculture and fishery	:	:	:	:	:	:	:	:	:
Industry excluding construction	:	:	:	:	:	:	:	:	:
of which: manufacturing	1.1	:	:	:	:	:	:	:	:
Construction	:	:	:	:	:	:	:	:	:
Trade, transport and communication	:	:	:	:	:	:	:	:	:
Finance and business services	:	:	:	:	:	:	:	:	:
Non-market related services	:	:	:	:	:	:	:	:	:
Market-related sectors	:	:	:	:	:	:	:	:	:
Sectoral breakdown of compensation per employee									
Total industries	2.8	4.2	4.5	-11.9	-9.4	:	:	:	:
Agriculture and fishery	:	:	:	:	:	9.4	7.6	6.3	1.1
Industry excluding construction	:	:	:	:	:	4.5	3.4	8.9	10.3
of which: manufacturing	6.4	:	:	:	:	:	:	:	:
Construction	:	:	:	:	:	7.2	5.5	3.9	5.8
Trade, transport and communication	:	:	:	:	:	2.2	1.8	2.7	2.6
Finance and business services	:	:	:	:	:	0.1	7.9	4.0	5.7
Non-market related services	:	:	:	:	:	:	:	:	:

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United Kingdom									
Indicator board on wage developments									
	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Sectoral breakdown of labour productivity									
Agriculture and fishery	:	:	:	:	:	:	:	:	:
Industry excluding construction	:	:	:	:	:	:	:	:	:
of which: manufacturing	5.2	:	:	:	:	:	:	:	:
Construction	:	:	:	:	:	:	:	:	:
Trade, transport and communication	:	:	:	:	:	:	:	:	:
Finance and business services	:	:	:	:	:	:	:	:	:
Non-market related services	:	:	:	:	:	:	:	:	:
Market-related sectors	:	:	:	:	:	:	:	:	:

Source: AMECO, Eurostat-National Account, ECB

* Note: available on an annual basis only

Work Status of persons:			*European Union (25 countries)*						
			2005	2006	2007	2008	2009	Changes 2008-2009	in
1	- Population (total)	1000 pers.	448776	454805	456896	459105	463124	0.9	%
2	- Population (working age: 15-64)		306026	307599	308951	310175	310715	0.2	%
		as % of total population	68.2	67.6	67.6	67.6	67.1	-0.5	p.p.
3	- Labour force (15-64)	1000 pers.	215256	217473	219097	221338	222157	0.4	%
		Male	118887	119841	120493	121338	121264	-0.1	%
		Female	96369	97632	98604	100000	100893	0.9	%
4	- Activity rate (as % of population 15-64)		70.3	70.7	70.9	71.4	71.5	0.1	p.p.
		Young (15-24)	45.3	45.3	45.3	45.5	44.8	-0.7	p.p.
		Prime age (25-54)	84.1	84.5	84.7	85.1	85.2	0.1	p.p.
		Older (55-64)	45.6	46.6	47.5	48.2	49.3	1.1	p.p.
		Male	77.9	78.1	78.2	78.4	78.2	-0.2	p.p.
		Young (15-24)	48.8	48.6	48.5	48.8	47.8	-1.0	p.p.
		Prime age (25-54)	92.2	92.3	92.3	92.4	92.1	-0.3	p.p.
		Older (55-64)	55.6	56.4	57.3	58.0	58.8	0.8	p.p.
		Female	62.8	63.4	63.7	64.3	64.8	0.5	p.p.
		Young (15-24)	41.8	41.8	41.8	42.1	41.7	-0.4	p.p.
		Prime age (25-54)	76.1	76.7	77.0	77.8	78.3	0.5	p.p.
		Older (55-64)	36.1	37.3	38.3	39.0	40.4	1.4	p.p.
5	- Employment rate (as % of pop. 15-64)		64.0	64.8	65.8	66.3	65.0	-1.3	p.p.
		Young (15-24)	37.0	37.6	38.3	38.5	35.9	-2.6	p.p.
		Prime age (25-54)	77.4	78.4	79.3	79.8	78.4	-1.4	p.p.
		Older (55-64)	42.6	43.6	44.8	45.7	46.2	0.5	p.p.
		Male	71.4	72.1	73.0	73.2	71.1	-2.1	p.p.
		Young (15-24)	39.9	40.5	41.3	41.2	37.8	-3.4	p.p.
		Prime age (25-54)	85.6	86.4	87.2	87.2	84.9	-2.3	p.p.
		Older (55-64)	51.9	52.8	54.1	55.0	54.9	-0.1	p.p.
		Female	56.6	57.6	58.6	59.4	58.9	-0.5	p.p.
		Young (15-24)	34.0	34.5	35.3	35.6	33.9	-1.7	p.p.
		Prime age (25-54)	69.3	70.4	71.5	72.4	71.9	-0.5	p.p.
		Older (55-64)	33.8	35.0	36.1	36.9	38.0	1.1	p.p.
6	- Employed persons (age 15-64 -Th. pers.)		195769	199460	203225	205563	201874	-3689	Th.
		Male (as % of total)	55.6	55.5	55.4	55.1	54.6	-0.5	p.p.
		Female (as % of total)	44.4	44.5	44.6	44.9	45.4	0.5	p.p.
7	- Employment growth (%) (National accounts)		1.0	1.6	1.8	0.9	-1.8		p.p.
	Employment growth (%) (LFS - age 15-64)		2.2	1.9	1.9	1.2	-1.8		p.p.
		Male	1.8	1.7	1.6	0.6	-2.7		p.p.
		Female	2.7	2.2	2.2	1.8	-0.6		p.p.
8	- Self employed (% of total employment)		9.8	9.8	9.7	9.5	9.6	0.1	p.p.
		Male	11.9	11.8	11.8	11.5	11.7	0.2	p.p.
		Female	7.2	7.2	7.1	7.0	7.1	0.1	p.p.
9	- Temporary employment (as % total)		14.5	15.0	15.1	14.6	14.0	-0.6	p.p.
		Male	14.0	14.4	14.4	13.8	13.2	-0.6	p.p.
		Female	15.1	15.6	15.8	15.6	15.0	-0.6	p.p.
10	- Part-time (as % of total employment)		17.7	18.0	18.2	18.3	18.8	0.5	p.p.
		Male	6.6	6.9	7.0	7.1	7.5	0.4	p.p.
		Female	31.6	31.8	32.1	32.0	32.4	0.4	p.p.

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Work Status of persons:	*European Union (25 countries)*						
	2005	2006	2007	2008	2009	Changes 2008-2009	in
11 - Unemployment rate (Harmonised: 15-74)	8.9	8.2	7.2	7.1	9.0	1.9	p.p.
Young (15-24)	18.4	17.1	15.3	15.5	19.8	4.3	p.p.
Prime age (25-49)	8.1	7.4	6.4	6.3	8.3	2.0	p.p.
Older (55-64)	6.5	6.3	5.6	5.2	6.4	1.2	p.p.
Male	8.3	7.5	6.6	6.6	9.1	2.5	p.p.
Young (15-24)	18.2	16.7	14.9	15.5	20.9	5.4	p.p.
Prime age (25-49)	7.2	6.5	5.6	5.7	8.1	2.4	p.p.
Older (55-64)	6.7	6.3	5.5	5.2	6.6	1.4	p.p.
Female	9.8	9.0	7.9	7.6	9.0	1.4	p.p.
Young (15-24)	18.7	17.5	15.7	15.4	18.5	3.1	p.p.
Prime age (25-49)	9.2	8.4	7.4	7.1	8.5	1.4	p.p.
Older (55-64)	6.4	6.3	5.7	5.2	6.1	0.9	p.p.
12 - Long-term unemployment rate							
(as % of total unemployment)	45.5	45.3	42.2	36.6	33.1	-3.5	p.p.
13 - Worked hours (average actual weekly hours)	37.8	37.8	37.7	37.7	37.5	-0.5	%
Male	41.3	41.2	41.1	41.0	40.8	-0.5	%
Female	33.5	33.5	33.5	33.6	33.5	-0.3	%
14 - Sectoral employment growth							
Agriculture	:	:	:	:	:		p.p.
Building and construction	:	:	:	:	:		p.p.
Services	:	:	:	:	:		p.p.
Manufacturing industry	-1.1	:	:	:	:		p.p.

Source: Eurostat, labour force survey

European Union (25 countries)

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Different measures of wage/labour costs:									
Compensation per employee	2.4	2.7	3.2	3.3	1.5	:	:	:	:
Compensation of employees per Hour Worked	:	3.2	3.4	3.7	3.2	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	2.7	2.9	3.5	4.0	:	:	:	:	:
Negotiated wages (Euro-area only)	:	:	:	:	:	:	:	:	:
Nominal Unit labour costs	1.4	1.1	2.0	3.5	3.9	:	:	:	:
Real unit labour costs deflated by GDP deflator.	-0.7	-1.0	-0.7	0.9	2.6	:	:	:	:
Wage and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by Total Factor Productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	65.2	64.7	64.4	64.4	65.9	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	:	:	:	:	:	:	:	:	:
Total wage (as a percentage of total labour costs) ANNUAL	:	:	:	:	:	:	:	:	:
Direct remuneration and bonuses (as a percentage of total labour costs)	:	:	:	:	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with no children, 100% and 100% of AW	44.7	44.9	44.8	0.0	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with 2 children, 100% and 100% of AW	41.7	41.9	41.6	0.0	:	:	:	:	:
Employers' social security contributions (as a percentage of total labour costs)	:	:	:	:	:	:	:	:	:
Other indirect costs (as a percentage of total labour costs)	:	:	:	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/Person Employed)	1.0	1.6	1.1	-0.2	-2.4	:	:	:	:
Hourly Labour Productivity	:	1.9	1.2	0.0	-0.7	:	:	:	:
GDP	2.1	3.3	3.0	0.8	-4.1	-5.2	-5.6	-4.0	-1.8
ECFIN NAIRU estimate	8.4	8.2	8.1	8.1	8.4	:	:	:	:
Output gap (%)	0.3	1.6	2.7	1.9	-3.3	:	:	:	:
Headline inflation (harmonised consumer price index 1996=100)	2.2	2.2	2.3	3.5	0.7	1.5	0.8	0.3	0.9
Underlying inflation (exc. energy and unprocessed food)	1.5	1.5	2.1	2.6	1.4	1.9	1.7	1.5	1.4
GDP deflator	2.0	2.1	2.7	2.5	1.3	-1.9	-1.5	-1.3	-0.8
Sectoral breakdown of unit labour costs									
Agriculture and fishery	6.9	0.3	4.3	-1.1	-1.6	1.1	0.2	-0.6	:
Industry excluding construction	0.1	-0.2	1.4	2.1	6.8	10.4	11.5	4.5	:
of which: manufacturing	:	:	:	:	:	:	:	:	:
Construction	3.8	3.8	5.5	1.4	-0.4	1.0	1.0	-2.6	:
Trade, transport and communication	0.5	0.4	1.4	0.7	1.6	2.3	2.9	0.3	:
Finance and business services	1.8	2.3	2.6	-0.3	-1.1	-5.0	-0.2	-1.6	:
Non-market related services	2.8	2.7	2.4	0.8	-0.7	:	:	:	:
Market-related sectors	1.0	0.8	1.9	0.6	:	1.6	3.4	0.3	:
Sectoral breakdown of compensation per employee									
Total industries	2.3	2.6	3.1	0.6	-1.2	:	:	:	:
Agriculture and fishery	3.5	3.1	5.3	3.0	0.0	1.4	2.5	1.3	:
Industry excluding construction	2.3	3.3	3.1	1.1	-1.5	-3.3	-2.7	-1.3	:
of which: manufacturing	2.3	:	:	:	:	:	:	:	:
Construction	2.6	3.4	3.6	1.0	0.1	-1.0	0.5	-0.8	:
Trade, transport and communication	1.9	2.0	2.8	0.1	-1.2	-2.6	-1.3	-2.0	:
Finance and business services	2.3	3.0	2.8	-0.7	-1.4	-5.5	-0.8	-1.7	:
Non-market related services	2.6	2.1	3.1	1.2	-0.9	:	:	:	:

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European Union (25 countries)									
Indicator board on wage developments									
	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Sectoral breakdown of labour productivity									
Agriculture and fishery	-3.2	2.8	1.0	4.1	1.7	0.3	2.3	1.9	2.1
Industry excluding construction	2.3	3.4	1.7	-1.0	-7.8	-12.4	-12.8	-5.5	0.1
of which: manufacturing	:	:	:	:	:	-16.0	-15.4	-8.2	-1.8
Construction	-1.2	-0.4	-1.8	-0.4	0.5	-2.0	-0.6	1.9	2.7
Trade, transport and communication	1.5	1.6	1.4	-0.6	-2.8	-4.8	-4.1	-2.3	0.0
Finance and business services	0.4	0.7	0.2	-0.4	-0.3	-0.6	-0.6	-0.1	0.2
Non-market related services	-0.2	-0.5	0.7	0.5	-0.2	-0.2	-0.2	-0.4	0.0
Market-related sectors	1.3	2.1	1.1	-0.3	-2.8	-5.0	-4.7	-1.9	0.5

Source: AMECO, Eurostat-National Account, ECB

* Note: available on an annual basis only

Work Status of persons:			European Union (15 countries)						
			2005	2006	2007	2008	2009	Changes 2008-2009	in
1	- Population (total)	1000 pers.	381777	381598	383821	386061	389992	1.0	%
2	- Population (working age: 15-64)		254923	256288	257616	258787	259249	0.2	%
		as % of total population	66.8	67.2	67.1	67.0	66.5	-0.6	p.p.
3	- Labour force (15-64)	1000 pers.	181614	183905	185561	187556	188044	0.3	%
		Male	100591	101534	102174	102884	102650	-0.2	%
		Female	81023	82372	83387	84672	85394	0.9	%
4	- Activity rate (as % of population 15-64)		71.2	71.8	72.0	72.5	72.5	0.0	p.p.
		Young (15-24)	48.0	48.1	48.2	48.4	47.5	-0.9	p.p.
		Prime age (25-54)	84.2	84.7	84.9	85.3	85.4	0.1	p.p.
		Older (55-64)	47.2	48.3	49.3	50.0	51.2	1.2	p.p.
		Male	79.0	79.2	79.3	79.5	79.2	-0.3	p.p.
		Young (15-24)	51.2	51.3	51.3	51.5	50.2	-1.3	p.p.
		Prime age (25-54)	92.6	92.8	92.8	92.8	92.5	-0.3	p.p.
		Older (55-64)	56.9	57.6	58.5	59.2	60.1	0.9	p.p.
		Female	63.5	64.3	64.7	65.4	65.9	0.5	p.p.
		Young (15-24)	44.6	44.7	44.9	45.2	44.6	-0.6	p.p.
		Prime age (25-54)	75.8	76.5	77.0	77.8	78.2	0.4	p.p.
		Older (55-64)	37.9	39.4	40.4	41.2	42.7	1.5	p.p.
5	- Employment rate (as % of pop. 15-64)		65.4	66.2	66.9	67.3	65.9	-1.4	p.p.
		Young (15-24)	40.0	40.4	41.0	41.0	38.2	-2.8	p.p.
		Prime age (25-54)	78.2	79.0	79.7	80.0	78.5	-1.5	p.p.
		Older (55-64)	44.2	45.3	46.5	47.4	48.0	0.6	p.p.
		Male	73.0	73.6	74.2	74.2	71.9	-2.3	p.p.
		Young (15-24)	42.9	43.3	43.8	43.5	39.8	-3.7	p.p.
		Prime age (25-54)	86.7	87.3	87.8	87.6	85.1	-2.5	p.p.
		Older (55-64)	53.2	54.1	55.3	56.2	56.2	0.0	p.p.
		Female	57.8	58.7	59.7	60.4	59.9	-0.5	p.p.
		Young (15-24)	37.1	37.4	38.1	38.4	36.5	-1.9	p.p.
		Prime age (25-54)	69.6	70.6	71.6	72.4	71.8	-0.6	p.p.
		Older (55-64)	35.5	36.8	38.1	39.0	40.1	1.1	p.p.
6	- Employed persons (age 15-64 -Th. pers.)		166687	169571	172433	174094	170880	-3213	Th.
		Male (as % of total)	55.8	55.6	55.4	55.1	54.6	-0.6	p.p.
		Female (as % of total)	44.2	44.4	44.6	44.9	45.4	0.6	p.p.
7	- Employment growth (%) (National accounts)		0.9	1.5	1.6	0.7	-1.9		p.p.
	Employment growth (%) (LFS - age 15-64)		2.2	1.7	1.7	1.0	-1.8		p.p.
		Male	1.6	1.5	1.4	0.4	-2.8		p.p.
		Female	2.9	2.1	2.1	1.7	-0.6		p.p.
8	- Self employed (% of total employment)		9.4	9.4	9.3	9.1	9.2	0.1	p.p.
		Male	11.4	11.4	11.3	11.1	11.3	0.2	p.p.
		Female	6.9	6.9	6.9	6.8	6.8	0.0	p.p.
9	- Temporary employment (as % total)		14.4	14.7	14.8	14.4	13.6	-0.8	p.p.
		Male	13.7	14.0	14.0	13.5	12.7	-0.8	p.p.
		Female	15.1	15.6	15.7	15.4	14.7	-0.7	p.p.
10	- Part-time (as % of total employment)		19.5	19.9	20.2	20.4	21.0	0.6	p.p.
		Male	6.9	7.3	7.4	7.6	8.1	0.4	p.p.
		Female	35.4	35.8	36.1	36.1	36.5	0.4	p.p.

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Work Status of persons:	*European Union (15 countries)*						
	2005	2006	2007	2008	2009	Changes 2008-2009	in
11 - Unemployment rate (Harmonised: 15-74)	8.1	7.7	7.0	7.1	9.0	1.9	p.p.
Young (15-24)	16.6	15.9	14.9	15.4	19.5	4.1	p.p.
Prime age (25-49)	7.3	6.9	6.2	6.4	8.4	2.0	p.p.
Older (55-64)	6.3	6.2	5.6	5.2	6.3	1.1	p.p.
Male	7.5	7.1	6.4	6.7	9.1	2.4	p.p.
Young (15-24)	16.4	15.6	14.6	15.6	20.6	5.0	p.p.
Prime age (25-49)	6.5	6.1	5.4	5.8	8.2	2.4	p.p.
Older (55-64)	6.4	6.1	5.5	5.2	6.6	1.4	p.p.
Female	8.9	8.5	7.8	7.6	9.0	1.4	p.p.
Young (15-24)	16.8	16.2	15.2	15.1	18.1	3.0	p.p.
Prime age (25-49)	8.3	7.9	7.2	7.2	8.5	1.3	p.p.
Older (55-64)	6.3	6.4	5.8	5.3	6.0	0.7	p.p.
12 - Long-term unemployment rate							
(as % of total unemployment)	41.9	42.5	40.2	36.0	33.0	-3.0	p.p.
13 - Worked hours (average actual weekly hours)	37.3	37.2	37.2	37.1	36.9	-0.5	%
Male	41.1	40.9	40.9	40.7	40.6	-0.2	%
Female	32.6	32.6	32.6	32.6	32.5	-0.3	%
14 - Sectoral employment growth							
Agriculture	:	:	:	:	:		p.p.
Building and construction	:	:	:	:	:		p.p.
Services	:	:	:	:	:		p.p.
Manufacturing industry	-1.6	:	:	:	:		p.p.

Source: Eurostat, labour force survey

European Union (15 countries)

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Different measures of wage/labour costs:									
Compensation per employee	2.3	2.7	3.0	3.0	1.5	:	:	:	:
Compensation of employees per Hour Worked	2.8	3.0	3.2	3.5	2.9	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	:	:	:	:	:	:	:	:	:
Negotiated wages (Euro-area only)	:	:	:	:	:	:	:	:	:
Nominal Unit labour costs	1.4	1.2	1.9	3.3	4.0	:	:	:	:
Real unit labour costs deflated by GDP deflator.	-0.5	-0.9	-0.5	0.9	2.9	:	:	:	:
Wage and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by Total Factor Productivity	1.8	1.4	2.2	3.9	5.4	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	65.5	65.1	64.8	64.8	66.3	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	:	:	:	:	:	:	:	:	:
Total wage (as a percentage of total labour costs) ANNUAL	:	:	:	:	:	:	:	:	:
Direct remuneration and bonuses (as a percentage of total labour costs)	:	:	:	:	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with no children, 100% and 100% of AW	44.8	44.9	44.9	0.0	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with 2 children, 100% and 100% of AW	41.7	42.0	41.7	0.0	:	:	:	:	:
Employers' social security contributions (as a percentage of total labour costs)	:	:	:	:	:	:	:	:	:
Other indirect costs (as a percentage of total labour costs)	:	:	:	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/Person Employed)	0.9	1.5	1.0	-0.2	-2.5	:	:	:	:
Hourly Labour Productivity	1.1	1.8	1.1	0.0	-1.1	:	:	:	:
GDP	1.8	3.0	2.7	0.5	-4.3	-5.3	-5.7	-4.0	-1.9
ECFIN NAIRU estimate	7.7	7.7	7.8	7.9	8.3	:	:	:	:
Output gap (%)	0.3	1.6	2.6	1.8	-3.4	:	:	:	:
Headline inflation (harmonised consumer price index 1996=100)	2.1	2.2	:	:	:	:	:	:	:
Underlying inflation (exc. energy and unprocessed food)	1.5	1.5	:	:	:	:	:	:	:
GDP deflator	2.0	2.1	2.5	2.4	1.1	-1.4	-0.8	-0.6	-0.6
Sectoral breakdown of unit labour costs									
Agriculture and fishery	7.1	0.8	3.6	-1.4	0.2	1.5	1.9	1.4	:
Industry excluding construction	-0.3	0.0	1.3	1.5	7.9	11.0	12.5	5.9	:
of which: manufacturing	-0.7	:	:	:	:	:	:	:	:
Construction	3.6	3.8	5.3	1.0	0.3	0.6	1.7	-1.5	:
Trade, transport and communication	0.3	0.4	1.2	0.0	2.2	2.3	3.3	0.8	:
Finance and business services	1.7	2.2	2.3	-0.8	-0.8	-4.8	0.2	-1.5	:
Non-market related services	2.5	2.5	2.0	0.1	-0.2	:	:	:	:
Market-related sectors	0.9	0.9	1.8	0.1	:	1.7	3.9	0.9	:
Sectoral breakdown of compensation per employee									
Total industries	2.1	2.7	2.9	0.1	-0.7	:	:	:	:
Agriculture and fishery	2.2	2.7	4.4	1.0	1.3	1.8	2.8	2.6	:
Industry excluding construction	2.3	3.7	3.1	0.6	-0.7	-2.9	-1.8	-0.1	:
of which: manufacturing	2.5	:	:	:	:	:	:	:	:
Construction	2.4	3.5	4.1	1.5	1.0	-0.6	1.1	0.4	:
Trade, transport and communication	1.9	2.1	2.8	-0.5	-0.7	-2.5	-1.0	-1.6	:
Finance and business services	2.2	2.9	2.8	-1.1	-0.8	-5.3	-0.1	-1.3	:
Non-market related services	2.2	2.1	2.7	0.7	-0.5	:	:	:	:

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European Union (15 countries)									
Indicator board on wage developments									
	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Sectoral breakdown of labour productivity									
Agriculture and fishery	-4.6	1.9	0.7	2.4	1.1	0.2	0.9	1.2	1.6
Industry excluding construction	2.5	3.6	1.8	-0.9	-8.0	-12.5	-12.7	-5.7	-0.5
of which: manufacturing	3.2	:	:	:	:	-16.3	-15.8	-8.7	-2.4
Construction	-1.2	-0.2	-1.2	0.5	0.7	-1.2	-0.6	1.9	2.7
Trade, transport and communication	1.5	1.7	1.6	-0.5	-2.8	-4.7	-4.1	-2.4	-0.1
Finance and business services	0.5	0.7	0.5	-0.3	0.0	-0.5	-0.3	0.3	0.4
Non-market related services	-0.2	-0.4	0.6	0.6	-0.3	-0.4	-0.2	-0.6	-0.1
Market-related sectors	1.2	2.0	1.3	-0.2	-2.8	-4.8	-4.6	-1.9	0.3

Source: AMECO, Eurostat-National Account, ECB

* Note: available on an annual basis only

Work Status of persons:			*Euro Area*						
			2005	2006	2007	2008	2009	Changes 2008-2009	in
1	- Population (total)	1000 pers.	308186	309942	313746	316601	323074	2.0	%
2	- Population (working age: 15-64)		206308	207228	209608	211291	215415	2.0	%
		as % of total population	66.9	66.9	66.8	66.7	66.7	-0.1	p.p.
3	- Labour force (15-64)	1000 pers.	144618	146408	148863	151024	154086	2.0	%
		Male	80713	81407	82466	83308	84553	1.5	%
		Female	63905	65001	66396	67716	69533	2.7	%
4	- Activity rate (as % of population 15-64)		70.1	70.7	71.0	71.5	71.5	0.0	p.p.
		Young (15-24)	44.6	44.6	44.7	45.0	43.9	-1.1	p.p.
		Prime age (25-54)	84.0	84.5	84.8	85.2	85.3	0.1	p.p.
		Older (55-64)	43.8	45.1	46.2	47.1	48.4	1.3	p.p.
		Male	78.3	78.5	78.6	78.8	78.5	-0.3	p.p.
		Young (15-24)	48.1	48.1	48.0	48.2	46.9	-1.3	p.p.
		Prime age (25-54)	92.9	93.1	93.0	93.0	92.6	-0.4	p.p.
		Older (55-64)	53.7	54.6	55.6	56.4	57.4	1.0	p.p.
		Female	61.9	62.8	63.4	64.1	64.6	0.5	p.p.
		Young (15-24)	41.0	40.9	41.3	41.6	40.8	-0.8	p.p.
		Prime age (25-54)	75.1	75.9	76.5	77.3	77.8	0.5	p.p.
		Older (55-64)	34.3	35.9	37.2	38.2	39.8	1.6	p.p.
5	- Employment rate (as % of pop. 15-64)		63.8	64.7	65.7	66.1	64.7	-1.4	p.p.
		Young (15-24)	36.8	37.2	38.0	38.0	35.2	-2.8	p.p.
		Prime age (25-54)	77.3	78.3	79.2	79.5	78.0	-1.5	p.p.
		Older (55-64)	40.5	41.8	43.3	44.3	45.1	0.8	p.p.
		Male	71.9	72.7	73.4	73.4	71.2	-2.2	p.p.
		Young (15-24)	40.0	40.6	41.2	40.9	37.3	-3.6	p.p.
		Prime age (25-54)	86.4	87.1	87.7	87.5	85.0	-2.5	p.p.
		Older (55-64)	49.8	50.9	52.3	53.2	53.5	0.3	p.p.
		Female	55.7	56.8	58.0	58.8	58.3	-0.5	p.p.
		Young (15-24)	33.4	33.7	34.7	35.0	33.1	-1.9	p.p.
		Prime age (25-54)	68.2	69.4	70.6	71.5	70.9	-0.6	p.p.
		Older (55-64)	31.7	33.1	34.7	35.8	37.0	1.2	p.p.
6	- Employed persons (age 15-64 -Th. pers.)		131619	134151	137703	139631	139430	-201	Th.
		Male (as % of total)	56.4	56.2	55.9	55.5	55.0	-0.6	p.p.
		Female (as % of total)	43.6	43.8	44.1	44.5	45.0	0.6	p.p.
7	- Employment growth (%) (National accounts)		0.9	1.6	1.8	0.7	-1.9		p.p.
	Employment growth (%) (LFS - age 15-64)		2.4	1.9	2.6	1.4	-0.1		p.p.
		Male	1.7	1.6	2.2	0.7	-1.2		p.p.
		Female	3.4	2.4	3.2	2.2	1.1		p.p.
8	- Self employed (% of total employment)		9.6	9.6	9.5	9.2	9.3	0.1	p.p.
		Male	11.4	11.3	11.2	10.9	11.2	0.3	p.p.
		Female	7.4	7.3	7.2	7.1	7.0	0.0	p.p.
9	- Temporary employment (as % total)		16.3	16.8	16.8	16.4	15.2	-1.2	p.p.
		Male	15.6	16.0	15.9	15.3	14.1	-1.2	p.p.
		Female	17.2	17.7	17.8	17.6	16.5	-1.1	p.p.
10	- Part-time (as % of total employment)		18.4	18.9	19.2	19.3	19.5	0.2	p.p.
		Male	6.3	6.7	6.9	7.0	7.3	0.3	p.p.
		Female	34.0	34.4	34.8	34.7	34.5	-0.2	p.p.

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Work Status of persons:	*Euro Area*						
	2005	2006	2007	2008	2009	Changes 2008-2009	in
11 - Unemployment rate (Harmonised: 15-74)	8.9	8.3	7.4	7.5	9.4	1.9	p.p.
Young (15-24)	17.6	16.5	15.0	15.5	19.7	4.2	p.p.
Prime age (25-49)	8.1	7.5	6.7	6.9	8.9	2.0	p.p.
Older (55-64)	7.4	7.2	6.3	5.9	6.9	1.0	p.p.
Male	8.0	7.4	6.6	6.9	9.3	2.4	p.p.
Young (15-24)	16.9	15.6	14.2	15.2	20.4	5.2	p.p.
Prime age (25-49)	7.1	6.5	5.8	6.1	8.6	2.5	p.p.
Older (55-64)	7.2	6.9	5.9	5.6	6.8	1.2	p.p.
Female	9.9	9.4	8.5	8.3	9.6	1.3	p.p.
Young (15-24)	18.5	17.5	16.0	15.8	18.9	3.1	p.p.
Prime age (25-49)	9.4	8.8	7.9	7.8	9.2	1.4	p.p.
Older (55-64)	7.7	7.8	6.9	6.2	6.9	0.7	p.p.
12 - Long-term unemployment rate							
(as % of total unemployment)	44.4	45.4	43.5	38.7	35.7	-3.0	p.p.
13 - Worked hours (average actual weekly hours)	37.4	37.3	37.3	37.2	37.2	0.0	%
Male	41.0	40.9	40.8	40.7	40.6	-0.2	%
Female	32.8	32.8	32.8	32.9	32.9	0.0	%
14 - Sectoral employment growth							
Agriculture	-0.6	-1.7	-1.4	-1.8	-2.0		p.p.
Building and construction	2.6	2.7	3.6	-2.5	-6.9		p.p.
Services	1.4	2.2	2.1	1.4	-0.6		p.p.
Manufacturing industry	-1.1	:	:	:	:		p.p.

Source: Eurostat, labour force survey

Euro Area

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Different measures of wage/labour costs:									
Compensation per employee	2.0	2.3	2.5	3.2	1.4	:	:	:	:
Compensation of employees per Hour Worked	:	2.9	2.8	3.5	3.0	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	2.4	2.5	2.7	3.6	:	:	:	:	:
Negotiated wages (Euro-area only)	2.1	2.3	2.2	3.2	2.6	3.2	2.8	2.3	2.1
Nominal Unit labour costs	1.3	1.0	1.6	3.4	3.8	:	:	:	:
Real unit labour costs deflated by GDP deflator.	-0.7	-1.0	-0.8	1.1	2.8	:	:	:	:
Wage and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by Total Factor Productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	64.1	63.7	63.1	63.5	65.0	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	:	:	:	:	:	:	:	:	:
Total wage (as a percentage of total labour costs) ANNUAL	:	:	:	:	:	:	:	:	:
Direct remuneration and bonuses (as a percentage of total labour costs)	:	:	:	:	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with no children, 100% and 100% of AW	:	:	:	:	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with 2 children, 100% and 100% of AW	:	:	:	:	:	:	:	:	:
Employers' social security contributions (as a percentage of total labour costs)	:	:	:	:	:	:	:	:	:
Other indirect costs (as a percentage of total labour costs)	:	:	:	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/Person Employed)	0.7	1.3	0.9	-0.2	-2.3	:	:	:	:
Hourly Labour Productivity	:	1.7	1.1	-0.1	-0.9	:	:	:	:
GDP	1.7	3.0	2.7	0.5	-4.1	:	:	:	:
ECFIN NAIRU estimate	8.3	8.3	8.3	8.4	8.8	:	:	:	:
Output gap (%)	0.0	1.4	2.5	1.8	-3.1	:	:	:	:
Headline inflation (harmonised consumer price index 1996=100)	2.2	2.2	2.1	3.3	0.1	1.0	0.2	-0.4	0.4
Underlying inflation (exc. energy and unprocessed food)	1.5	1.5	2.0	2.4	1.1	1.6	1.5	1.2	1.0
GDP deflator	2.0	2.0	2.4	2.2	1.0	:	:	:	:
Sectoral breakdown of unit labour costs									
Agriculture and fishery	8.4	1.2	3.4	-0.4	-0.1	:	:	:	:
Industry excluding construction	-0.6	-0.4	0.8	3.8	9.6	:	:	:	:
of which: manufacturing	-0.9	:	:	:	:	:	:	:	:
Construction	3.2	3.5	4.0	3.1	1.7	:	:	:	:
Trade, transport and communication	0.7	0.6	0.7	3.2	4.8	:	:	:	:
Finance and business services	2.1	2.2	2.4	3.1	1.1	:	:	:	:
Non-market related services	2.1	2.0	1.8	3.0	2.3	:	:	:	:
Market-related sectors	:	:	:	:	:	:	:	:	:
Sectoral breakdown of compensation per employee									
Total industries	1.9	2.3	2.2	3.0	0.4	:	:	:	:
Agriculture and fishery	2.3	2.9	3.7	2.6	2.0	:	:	:	:
Industry excluding construction	1.8	3.4	2.3	2.9	-1.2	:	:	:	:
of which: manufacturing	1.9	:	:	:	:	:	:	:	:
Construction	2.1	3.5	2.4	4.4	1.8	:	:	:	:
Trade, transport and communication	1.9	1.7	1.8	2.6	0.4	:	:	:	:
Finance and business services	2.4	2.3	2.2	2.2	0.8	:	:	:	:
Non-market related services	1.8	1.6	2.3	3.6	1.4	:	:	:	:

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Euro Area

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Sectoral breakdown of labour productivity									
Agriculture and fishery	-5.6	1.6	0.3	3.0	2.0	:	:	:	:
Industry excluding construction	2.4	3.9	1.5	-0.9	-9.9	:	:	:	:
of which: manufacturing	2.9	:	:	:	:	:	:	:	:
Construction	-1.0	0.0	-1.6	1.3	0.1	:	:	:	:
Trade, transport and communication	1.2	1.1	1.2	-0.6	-4.2	:	:	:	:
Finance and business services	0.2	0.1	-0.2	-0.8	-0.4	:	:	:	:
Non-market related services	-0.3	-0.4	0.5	0.6	-0.9	:	:	:	:
Market-related sectors	1.0	1.8	0.8	-0.2	-3.9	:	:	:	:

Source: AMECO, Eurostat-National Account, ECB

* Note: available on an annual basis only

Work Status of persons:			European Union (27 countries)						
			2005	2006	2007	2008	2009	Changes 2008-2009	in
1	- Population (total)	1000 pers.	478132	484086	486121	488262	492215	0.8	%
2	- Population (working age: 15-64)		326330	327872	329195	330387	330865	0.1	%
		as % of total population	68.3	67.7	67.7	67.7	67.2	-0.4	p.p.
3	- Labour force (15-64)	1000 pers.	227892	230415	232027	234300	235084	0.3	%
		Male	125818	126910	127574	128491	128405	-0.1	%
		Female	102074	103506	104453	105809	106679	0.8	%
4	- Activity rate (as % of population 15-64)		69.8	70.3	70.5	70.9	71.1	0.2	p.p.
		Young (15-24)	44.3	44.2	44.2	44.5	43.8	-0.7	p.p.
		Prime age (25-54)	83.8	84.3	84.4	84.8	84.9	0.1	p.p.
		Older (55-64)	45.2	46.4	47.2	48.1	49.1	1.0	p.p.
		Male	77.3	77.6	77.7	78.0	77.8	-0.2	p.p.
		Young (15-24)	47.8	47.6	47.6	47.9	47.0	-0.9	p.p.
		Prime age (25-54)	91.7	92.0	91.9	92.0	91.8	-0.2	p.p.
		Older (55-64)	55.2	56.1	57.0	57.9	58.6	0.7	p.p.
		Female	62.4	63.0	63.3	63.9	64.3	0.4	p.p.
		Young (15-24)	40.7	40.7	40.7	41.0	40.6	-0.4	p.p.
		Prime age (25-54)	75.9	76.5	76.9	77.5	78.0	0.5	p.p.
		Older (55-64)	35.8	37.2	38.1	38.8	40.2	1.4	p.p.
5	- Employment rate (as % of pop. 15-64)		63.5	64.5	65.4	65.9	64.6	-1.3	p.p.
		Young (15-24)	36.1	36.6	37.4	37.6	35.2	-2.4	p.p.
		Prime age (25-54)	77.2	78.2	79.1	79.6	78.2	-1.4	p.p.
		Older (55-64)	42.3	43.5	44.6	45.6	46.0	0.4	p.p.
		Male	70.8	71.6	72.5	72.8	70.7	-2.1	p.p.
		Young (15-24)	39.0	39.6	40.4	40.4	37.2	-3.2	p.p.
		Prime age (25-54)	85.2	86.0	86.8	86.9	84.6	-2.3	p.p.
		Older (55-64)	51.6	52.7	53.9	55.0	54.8	-0.2	p.p.
		Female	56.3	57.3	58.3	59.1	58.6	-0.5	p.p.
		Young (15-24)	33.1	33.5	34.3	34.6	33.1	-1.5	p.p.
		Prime age (25-54)	69.2	70.3	71.4	72.3	71.7	-0.6	p.p.
		Older (55-64)	33.6	34.9	35.9	36.8	37.8	1.0	p.p.
6	- Employed persons (age 15-64 -Th. pers.)		207368	211369	215277	217751	213883	-3868	Th.
		Male (as % of total)	55.6	55.4	55.3	55.1	54.6	-0.5	p.p.
		Female (as % of total)	44.4	44.6	44.7	44.9	45.4	0.5	p.p.
7	- Employment growth (%) (National accounts)		0.9	1.6	1.8	0.9	-1.8		p.p.
	Employment growth (%) (LFS - age 15-64)		2.0	1.9	1.8	1.1	-1.8		p.p.
		Male	1.7	1.7	1.6	0.7	-2.7		p.p.
		Female	2.4	2.2	2.1	1.7	-0.7		p.p.
8	- Self employed (% of total employment)		10.1	10.0	10.0	9.8	9.9	0.1	p.p.
		Male	12.3	12.2	12.1	11.9	12.1	0.2	p.p.
		Female	7.3	7.3	7.3	7.2	7.2	0.1	p.p.
9	- Temporary employment (as % total)		14.0	14.4	14.5	14.0	13.4	-0.6	p.p.
		Male	13.5	13.9	13.8	13.2	12.6	-0.6	p.p.
		Female	14.5	15.0	15.2	14.9	14.3	-0.6	p.p.
10	- Part-time (as % of total employment)		17.1	17.4	17.5	17.6	18.1	0.5	p.p.
		Male	6.6	6.9	6.9	7.0	7.4	0.4	p.p.
		Female	30.2	30.4	30.6	30.6	31.0	0.4	p.p.

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Work Status of persons:	*European Union (27 countries)*						
	2005	2006	2007	2008	2009	Changes 2008-2009	in
11 - Unemployment rate (Harmonised: 15-74)	8.9	8.2	7.1	7.0	8.9	1.9	p.p.
Young (15-24)	18.6	17.3	15.5	15.5	19.8	4.3	p.p.
Prime age (25-49)	8.0	7.3	6.4	6.3	8.2	1.9	p.p.
Older (55-64)	6.4	6.2	5.5	5.1	6.3	1.2	p.p.
Male	8.3	7.6	6.6	6.6	9.0	2.4	p.p.
Young (15-24)	18.4	16.9	15.2	15.6	20.9	5.3	p.p.
Prime age (25-49)	7.2	6.5	5.6	5.7	8.0	2.3	p.p.
Older (55-64)	6.6	6.2	5.5	5.1	6.5	1.4	p.p.
Female	9.6	8.9	7.8	7.5	8.8	1.3	p.p.
Young (15-24)	18.7	17.7	15.8	15.5	18.5	3.0	p.p.
Prime age (25-49)	9.1	8.3	7.2	6.9	8.3	1.4	p.p.
Older (55-64)	6.2	6.1	5.5	5.1	5.9	0.8	p.p.
12 - Long-term unemployment rate							
(as % of total unemployment)	46.1	45.9	42.8	37.0	33.1	-3.9	p.p.
13 - Worked hours (average actual weekly hours)	38.0	37.9	37.9	37.8	37.6	-0.5	%
Male	41.3	41.2	41.1	41.0	40.8	-0.5	%
Female	33.9	33.9	33.9	33.9	33.8	-0.3	%
14 - Sectoral employment growth							
Agriculture	:	:	:	:	:		p.p.
Building and construction	:	:	:	:	:		p.p.
Services	:	:	:	:	:		p.p.
Manufacturing industry	-1.2	:	:	:	:		p.p.

Source: Eurostat, labour force survey

European Union (27 countries)

Indicator board on wage developments

	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Different measures of wage/labour costs:									
Compensation per employee	2.8	2.8	3.5	3.6	1.5	:	:	:	:
Compensation of employees per Hour Worked	:	3.3	3.8	4.1	:	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	2.7	3.0	3.6	4.2	:	:	:	:	:
Negotiated wages (Euro-area only)	:	:	:	:	:	:	:	:	:
Nominal Unit labour costs	1.6	1.1	2.2	3.7	4.1	:	:	:	:
Real unit labour costs deflated by GDP deflator.	-0.6	-1.2	-0.7	0.8	2.7	:	:	:	:
Wage and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by Total Factor Productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	65.2	64.7	64.3	64.4	65.9	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	:	:	:	:	:	:	:	:	:
Total wage (as a percentage of total labour costs) ANNUAL	:	:	:	:	:	:	:	:	:
Direct remuneration and bonuses (as a percentage of total labour costs)	:	:	:	:	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with no children, 100% and 100% of AW	44.7	44.9	44.8	0.0	:	:	:	:	:
Total tax wedge (including employers SSC) - Married couple with 2 children, 100% and 100% of AW	41.7	41.9	41.6	0.0	:	:	:	:	:
Employers' social security contributions (as a percentage of total labour costs)	:	:	:	:	:	:	:	:	:
Other indirect costs (as a percentage of total labour costs)	:	:	:	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/Person Employed)	1.2	1.7	1.3	0.0	-2.4	:	:	:	:
Hourly Labour Productivity	:	2.0	1.3	0.2	:	:	:	:	:
GDP	2.1	3.4	3.1	0.9	-4.2	-5.2	-5.6	-4.0	-1.9
ECFIN NAIRU estimate	8.4	8.2	8.1	8.1	8.3	:	:	:	:
Output gap (%)	0.3	1.6	2.7	1.9	-3.3	:	:	:	:
Headline inflation (harmonised consumer price index 1996=100)	2.3	2.3	2.4	3.7	0.8	1.6	0.9	0.4	1.0
Underlying inflation (exc. energy and unprocessed food)	1.5	1.6	2.2	2.7	1.5	2.0	1.8	1.6	1.5
GDP deflator	2.2	2.3	2.9	2.8	1.3	-1.9	-1.6	-1.4	-0.9
Sectoral breakdown of unit labour costs									
Agriculture and fishery	11.3	0.7	5.1	-1.6	-1.9	0.6	0.1	-0.8	:
Industry excluding construction	0.3	-0.1	1.6	2.2	6.6	10.2	11.2	4.0	:
of which: manufacturing	:	:	:	:	:	:	:	:	:
Construction	4.0	3.7	5.4	1.1	-0.3	0.9	1.1	-2.5	:
Trade, transport and communication	0.6	0.4	1.5	0.7	1.7	2.4	3.1	0.4	:
Finance and business services	1.9	2.3	2.7	-0.3	-1.1	-5.0	-0.2	-1.6	:
Non-market related services	2.9	2.8	2.5	0.9	-0.7	:	:	:	:
Market-related sectors	1.2	0.7	2.0	0.6	:	1.6	3.4	0.2	:
Sectoral breakdown of compensation per employee									
Total industries	2.6	2.6	3.3	0.7	-1.2	:	:	:	:
Agriculture and fishery	7.2	4.6	4.8	3.2	-0.5	1.2	2.2	0.7	:
Industry excluding construction	2.8	3.1	3.6	1.4	-1.8	-3.6	-3.1	-1.8	:
of which: manufacturing	2.9	:	:	:	:	:	:	:	:
Construction	2.6	3.1	3.2	0.8	-0.2	-1.5	-0.1	-1.2	:
Trade, transport and communication	2.1	2.0	2.8	0.0	-1.3	-2.7	-1.3	-2.0	:
Finance and business services	2.4	3.0	3.1	-0.7	-1.5	-5.6	-0.8	-1.7	:
Non-market related services	2.7	2.1	3.4	1.4	-0.8	:	:	:	:

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European Union (27 countries)									
Indicator board on wage developments									
	annual percentage change								
	2005	2006	2007	2008	2009	09-Q1	09-Q2	09-Q3	09-Q4
Sectoral breakdown of labour productivity									
Agriculture and fishery	-3.6	3.9	-0.3	4.9	1.4	0.6	2.1	1.4	1.2
Industry excluding construction	2.5	3.3	2.0	-0.8	-7.8	-12.5	-12.8	-5.6	0.1
of which: manufacturing	:	:	:	:	:	-16.1	-15.4	-8.1	-1.7
Construction	-1.3	-0.6	-2.1	-0.3	0.1	-2.4	-1.2	1.3	2.6
Trade, transport and communication	1.5	1.5	1.3	-0.7	-2.9	-5.0	-4.3	-2.4	0.0
Finance and business services	0.5	0.7	0.4	-0.4	-0.3	-0.7	-0.6	-0.1	0.1
Non-market related services	-0.2	-0.7	0.8	0.6	-0.1	-0.1	-0.1	-0.3	0.1
Market-related sectors	1.4	2.2	1.2	-0.2	-2.9	-5.1	-4.8	-2.1	0.4

Source: AMECO, Eurostat-National Account, ECB

* Note: available on an annual basis only

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