The Employment and Social Developments Quarterly Review provides in-depth description of recent labour market and social developments. It has been prepared by the Thematic Analysis Unit of the Directorate-General for Employment, Social Affairs and Inclusion. This review was prepared under the supervision of B. Kauffmann (Director) and L. Stemitsiotis (Head of Unit). The main contributors were: D. Arranz, F. de Franceschi, E. Gyorgy and L. Pappalardo. Input was also provided by A. Kowalski.

A wide range of information sources have been used to produce this report, including Eurostat statistics\(^1\), reports and survey data from the Commission’s Directorate-General for Economic and Financial Affairs.

Regular updates of these data and charts are available at: http://ec.europa.eu/employment_social/employment_analysis/quarterly/quarterly_updated_charts.xlsx

More reports are available on the employment and social analysis portal: http://ec.europa.eu/social/main.jsp?catId=113&langId=en

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

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\(^1\) To access them, see [codes] mentioned under the charts, to be used with the Eurostat data search engine: http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database
I am happy to present once again a quarterly report showing positive results. Youth unemployment continues to decrease and permanent and full-time jobs are still on the rise. The European Union is approaching its goal of reaching a 75% employment rate by 2020. We still have to see better results in household income although the financial situation of European households improved overall. This is what the EU has been working for, not least through the European Pillar of Social Rights. But we will not stop here. We will continue ensuring an effective implementation of the Pillar and pursuing structural reforms that promote sustainable growth and share the benefits more widely. And with the recent Commission proposal for the next EU budget, we will also mobilise more funds to invest in people.

Marianne Thyssen
Commissioner for Employment, Social Affairs, Skills and Labour Mobility
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EU Member States
AT: Austria
BE: Belgium
BG: Bulgaria
CY: Cyprus
CZ: Czech Republic
DE: Germany
DK: Denmark
EE: Estonia
EL: Greece
ES: Spain
FI: Finland
FR: France
HR: Croatia
HU: Hungary
IE: Ireland
IT: Italy
LT: Lithuania
LU: Luxembourg
LV: Latvia
MT: Malta
NL: The Netherlands
PL: Poland
PT: Portugal
RO: Romania
SE: Sweden
SI: Slovenia
SK: Slovakia
UK: United Kingdom

Further afield:
US: United States of America
JP: Japan
Executive summary

Economic conditions

In the first half of 2018, the EU’s economy continued its expansion, yet slightly less dynamically than in 2017. The quarterly GDP growth rate in both Q1 and Q2 2018 was 0.4% in the EU as a whole and in the euro area, with 27 out of 28 Member States reporting positive GDP growth in the second quarter. Growth rates in the second quarter ranged from 0.2% in Italy to 2.0% in Luxembourg, while a slight contraction of 0.6% took place in Ireland. The year-on-year growth was at 2.1% in both the EU and in the euro area in the second quarter, compared to 2.3% and 2.4%, respectively, as registered in the first quarter. It was positive in all Member States, accelerating by at least 5% in Ireland, Latvia, Luxembourg, Malta and Poland. Since the beginning of 2018, the pace of economic growth has moderated, and most recent survey indicators point to lower sentiment and higher uncertainty. Despite this adjustment in the economic outlook, the outlook for the labour market is broadly positive.

Employment

Employment growth continued in the second quarter of 2018, but at a slower pace. Employment increased by 0.4% over the previous quarter both in the EU and in the euro area, whereas compared to the second quarter of 2017 it grew by 1.5% in the EU and by 1.4% in the euro area. The moderation was expected and is in line with forecasts for 2018.

There are now more than 239 million people in employment in the EU, of which 158 in the euro area: these are both new record levels. Employment has been growing for twenty-one consecutive quarters in the EU, since the low recorded in the first quarter of 2013. Since then, 14.8 million people found a job, including 9.1 million in the euro area. Since the start of the Juncker Commission, about 12 million jobs have been created.

Employment continued to increase in almost all Member States when compared to the previous quarter, notably in Malta and Estonia (1.3%), as well as Poland (1.2%). When compared with the second quarter of 2017, it expanded in all Member States but Romania, especially in Malta (5.5%), Croatia (4.6%), and Luxembourg (3.7%).

EU employment increased in all sectors but agriculture compared to the same quarter of the previous year. The service sector recorded the greatest rise, with 580 thousand more employed people alone in wholesale trade and 2.1 million more in other services. On the other hand, industry and construction experienced a less important growth.

The largest share of new jobs is permanent and full time jobs. In the first quarter of 2018, permanent jobs compared with the same quarter of the previous year increased by somewhat less than 3 million. The number of temporary employees increased by 600,000, while the number of self-employed fell by 500,000. At the same time, full-time employment grew faster than part-time: the number of full-time workers increased by 2.9 million, while the number of part-time workers increased by 120,000.

The employment rate continues to rise towards the Europe2020 target and reached 72.9% in the first quarter of 2018. At this pace the Europe 2020 target of 75% appears broadly within reach. The employment rate increased in all Member States, and the largest annual increases were recorded in Croatia (3.1 pps), Portugal and Cyprus (2.8 pps). It further increased for all age groups, and notably for older workers. The strongest employment rate increases were registered for the age groups 55-59 (+1.8 pps) and 60-64 (+2.0 pps), with employment rates for these groups reaching 71.0% and 43.3% respectively. Huge disparities in employment rates persist among Member States, as in the first quarter of 2018 there was a difference of about 24 pps between the highest employment rate (82.3% in Sweden) and the lowest (58.6% in Greece).

Unemployment

In July 2018, the unemployment rate in the EU and euro area continued the decline which had started in mid-2013. It dropped to 6.9% and 8.2% respectively. These changes represent a reduction of 0.8 pps compared to the same month of the previous year in the EU and
of 0.9 pp in the euro area; compared to the highest level recorded in 2013 the decrease amounted to 4.2 pp and 3.9 pp, respectively.

Unemployment has receded by around 9.8 million people since its peak observed in April 2013. In July 2018, there were 16.8 million unemployed in the EU, about 1.9 million fewer than in the same month of the previous year.

The unemployment rate decreased in all Member States compared with a year ago, and the largest reductions were registered in Cyprus (by 3.0 pps down to 7.7 %). Important differences remain among Member States. The lowest rates were recorded in the Czech Republic (2.3 %) and Germany (at 3.4 %). On the other hand, Greece (at 19.1 %) and Spain (15.2 %) are the only two Member States with an unemployment rate over 15 %.

In July 2018, youth unemployment declined by 2.0 pps compared to the same month of the previous year and reached 14.8 %. This represents nearly 466 thousand fewer unemployed people aged 15-24. Youth unemployment fell in most Member States, notably in Latvia (6.7 pps), Belgium (5.1 pps) and Croatia (2.1 pps). In spite of a significant decrease, Greece is still the country with the highest youth unemployment rate (39.1 %), followed by Spain (33.4 %) and Italy (30.8 %). Long and very long-term unemployment also continues declining. Long-term unemployment shrank by 0.5 pps in the first quarter of 2018, compared with the same quarter of the previous year, reaching 3.2 % of the labour force. It has been decreasing over the last four years. Long-term unemployment receded in all Member States. Very long-term unemployment rate (which captures people in unemployment for at least two years) declined by 0.3 pps, down to 2 % of the labour force. The share of long-term unemployed in total unemployment is still high, around 43 %, but it is slowly decreasing; this can be observed in all Member States.

The activity rate reached 73.6 % in the first quarter of 2018. This is 0.1 pps higher than in the fourth quarter of 2017 and 0.4 pps more than in the first quarter of 2017. The Member States that experienced the strongest increases were Malta (2.3 pps) and Finland (1.8 pps). On the other hand, the activity rate decreased in Spain and Greece (-0.3 pps), and Ireland (-0.1 pps).

Productivity

The growth of labour productivity, as measured by output per worker, has remained modest in the past years both in the EU and euro area. In the second quarter of 2018, year-on-year productivity growth was at 0.8 % in the EU as a whole and at 0.7 % in the euro area. This is broadly in line with the figures registered over the three previous quarters.

Labour costs

Following a brief decline in 2016, the nominal compensation per employee has been growing at an increasing rate since the first quarter of 2017. The yearly rate of growth registered in Q2 2018 was 2.3 %, the highest rate since 2015. It results from productivity growth at 0.8 %, and a growth in nominal unit labour costs at 1.5 %.

Household situation

The financial situation of households continues to improve in the EU. After a slow-down in 2017, real gross disposable household income (GDHI) started growing again at a rate similar to that experienced in 2016. Real gross disposable household income in the first quarter of 2018 was 2.4% higher than a year before in the EU (1.9% in the euro area). At the same time, fewer people are in financial distress, including among those in the lowest income quartile. Real gross

---

2 June 2018
3 June 2018
4 June 2018
disposable household income in the first quarter of 2018 was 7.9 percentage points higher when compared to the first quarter of 2012.

**Labour demand**

The unmet demand for labour, as expressed by the job vacancy rate (JVR) has been rising since the end of 2014 in the EU and the euro area. As of the first quarter of 2018 (the latest period with data available), it reached its highest values since 2006, at 2.2 % and 2.1 %, respectively. The job vacancy rate was higher in construction than in services and industry. The current value of the Labour Shortage Indicator in the industrial sector, as published within the EU Business and Consumer Survey, is the highest on record, indicating that labour shortages are seen by businesses as a drag on economic growth to an unprecedented degree. The separation rates declined well below pre-crisis levels, while the job finding rate has accelerated its recovery over the last quarters and approached its pre-crisis rate.

**Outlook**

According to survey indicators, companies' employment expectations have weakened in the first eight months of 2018 but remain close to their highest levels on record. In particular, since May 2018, unemployment expectations have slightly worsened relative to the very favourable scores reached recently. While an adjustment to the pace of economic growth appears to be underway, further improvement in the labour market remains possible.
Latest labour market and social trends in the EU28 and euro area (in red)

<table>
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<td>% of working-age population</td>
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<td>66.4</td>
<td>68.2</td>
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<tr>
<td>% change on previous year</td>
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<td>0.9</td>
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<tr>
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<td>1.0</td>
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<td>Nominal unit labour cost</td>
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<tr>
<td>% change on previous year</td>
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<td>0.1</td>
<td>1.3</td>
<td>0.2</td>
<td>0.7</td>
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<td>Long-term unemployment rate</td>
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<tr>
<td>% labour force</td>
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<td>3.3</td>
<td>4.2</td>
</tr>
<tr>
<td>% change on previous year</td>
<td>-0.5</td>
<td>-0.5</td>
<td>-0.6</td>
<td>-0.6</td>
<td>-0.5</td>
<td>-0.6</td>
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</table>

Note: Data not seasonally adjusted (except where indicated SA). '-' not available. GDHI: EA18 instead of EU19, DG EMPL calculations.
Click here to download table.

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

http://ec.europa.eu/employment_social/employment_analysis/quarterly/quarterly_updated_charts.xlsx
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1. Macroeconomic and employment developments and outlook

Real GDP increased by 0.4% both in the EU as a whole and in the euro area in both the first and the second quarter of 2018, a slower pace of growth than experienced during the previous five quarters. Investment and private consumption were the main drivers of this output growth in both areas, while contribution of external balance was negative. Year-on-year growth slightly diminished to 2.1% in both the EU and in the euro area. The US economy continued expansion at a somewhat faster pace, with real GDP increasing by 1.0% in the second quarter, bringing year-on-year growth to 2.9%.

The real GDP in the EU and the euro area is now 10.6% and 11.6%, respectively, above levels of Q1 of 2013, the year when the recovery began. In comparison, the real U.S. GDP level grew by a cumulative 13.0% over the same period (Chart 1).

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

Source: Eurostat, National Accounts, data seasonally adjusted [namq_10_gdp, naidq_10_gdp]
Click here to download chart.
Member States report increases in economic output

The economy continued to expand in all Member States, except in Ireland in the second quarter of 2018. The quarterly GDP growth ranged from 0.2% to 0.5% in in the four largest economies of the EU (Germany, UK, France and Italy). Among the Member States hardest hit by the economic and financial crisis, Q2 2018 marks the 19th straight quarter of positive economic growth for Spain and the sixth for Greece. Year-on-year growth was positive in all Member States (Chart 2).

Chart 2: Real GDP growth - EU, euro area and Member States

Source: Eurostat, National Accounts, quarterly change seasonally adjusted and annual change non-seasonally adjusted [namq_10_gdp]
Note: Quarterly data for Slovakia are seasonally and not calendar adjusted
Click here to download chart.
Positive economic development are also reflected by employment and household incomes

Employment increased by 0.4% both in the EU and in the euro area in the second quarter of 2018. This is in line with the previous quarter and, in the case of the EU, is a slightly better performance than during the second half of 2017. In the year to the second quarter of 2018 employment recorded a 1.4 % increase in the EU and 1.5 % in the euro area. Accompanying the economic and labour market recovery, gross disposable household income (GDHI) in the EU\(^5\) registered a 2.4 % year-on-year increase in real terms in Q1 of 2018, the latest period for which that indicator is available (Chart 3).

Chart 3: Real GDP, GDHI and employment growth in the EU

![Chart 3: Real GDP, GDHI and employment growth in the EU](image)

Source: Eurostat, National Accounts, data not seasonally adjusted \([\text{nqm}_10\_gdp, \text{nqm}_10\_pe, \text{nasq}_10\_nf\_tr]\) (DG EMPL calculations for GDHI)

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

Click here to download chart.

\(^5\) The real GDHI growth for the EU is an estimation by DG EMPL, and it includes Member States for which quarterly data are available (19 Member States: AT, BE, CZ, DE, DK, EL, ES, FI, FR, HR, IE, IT, NL, PL, PT, RO, SE, SI, UK, which account for at least 90 % of EU GDHI). The nominal GDHI is converted into real GDHI by deflating with the deflator (price index) of household final consumption expenditure. The real GDHI growth for the EU is a weighted average of real GDHI growth in Member States.
The economic recovery and expansion have not been rich in working hours

Since 2016, there has been even a slight decline in hours per worker, from 409 to 407 hours worked per quarter on average. That means that the number of hours worked in the European economy is still below pre-crisis levels. This is explained by a sharp drop in hours per worker during the crisis, and a recovery which was not particularly rich in working hours. Beyond part-time work, this can be attributed to changes in the sectoral composition of employment (Chart 4).

Chart 4: GDP and hours worked (total and per employed person)

Source: Eurostat, National Accounts [namq_10_gdp, namq_10_a10_e, namq_10_pe]. Data non-seasonally adjusted
Unemployment continues to recede

In July 2018, the EU and euro area unemployment rates were 6.8 % and 8.2 %, respectively, down from 7.6 % and 9.1 % in July 2017. By comparison, the unemployment rate in the US was 3.9 % in July 2018, down from 4.3 % a year earlier. Chart 5 also shows that the decline in the unemployment rate began years later in the EU than in the US. However this decline has been nearly continuous since 2013. Important differences in the unemployment rate remain among Member States. The lowest rates were recorded in the Czech Republic (2.3 %) and Germany (at 3.4 %). On the other hand, Greece (at 19.1 %) and Spain (15.2 %) are the only two Member States with an unemployment rate over 15 %.

Chart 5: Unemployment rate - EU, euro area and US

Source: Eurostat, series on unemployment, data seasonally adjusted [une_rt_m]
Click here to download chart.
Labour market participation heads up

Following a continuous hike over several years, the activity rate (the share of those in employment or unemployment within the total population) was 73.6% in the EU and 73.3 % in the euro area in the first quarter of 2018 (the latest period with data available). Some noteworthy changes can be observed in the composition of the active population over the past decade, with an increasing share of female and older (55-64 year) workers and jobseekers and a declining share of younger cohorts (15-24 years). A large gap between the U.S. and the EU in the activity rate observed in previous years has been closed with the Q1 2018 U.S. figure standing at 73.6 %, a level identical to the EU figure (Chart 6).

Chart 6: Activity rate - EU, euro area and US

Source: Eurostat, LFS [lfsi_emp_q], and US Bureau of Labour Statistics, LFS from Current Population Survey (CPS), data seasonally adjusted
Note: Working age population 15-64 for EU, euro area and 16-64 for US.
Click here to download chart.
Outlook

Economic expansion and job creation are set to continue, albeit at a more moderate pace

The Purchasing Managers Index (PMI)\(^6\) for the euro area, derived as a composite index for euro area output, reached a peak in late 2017. It then declined in the first half of 2018 and as of August 2018 (the latest available data point) is back at the level registered in late 2016. Despite the retreat, its value still remains in the vicinity of historic highs. This finding appears to be consistent with a broadly optimistic outlook combined with a degree of caution.

Economic sentiment and employment outlook have slipped after a recent peak

The Commission’s economic sentiment indicator, a composite of sector-specific confidence indicators (covering industry, services, retail trade, construction and households) within the EU Business and Consumer Surveys (BCS), was heading up between mid-2016 and late 2017. Since the beginning of 2018, a slight but noticeable decline has been registered. Still, the August 2018 figures (the latest available) are higher than the ones registered any time between the summer of 2007 and the summer of 2017. Unemployment expectations remain close to a historical minimum\(^7\), following a slight pick-up after May 2018 (Chart 7). Over the first 8 months of 2018, the employment expectations component of BCS demonstrated a decline for industry, with a less obvious trend in construction, services and retail (Chart 8).

Chart 7: Unemployment rate versus unemployment expectations - EU

\(^6\) The Eurozone Manufacturing Purchasing Managers’ Index (PMI) is a weighted indicator calculated from indices of output, new orders, employment, suppliers' delivery times and stocks of purchases.

\(^7\) The unemployment expectation indicator is derived as the balance of those respondents who expect higher and those who expect a lower level of unemployment. Thus, a negative value corresponds to a lower expected level of unemployment.
Medium-term outlook for growth and jobs in the EU remains cautiously optimistic

The latest Commission Services’ Summer Interim Forecast of July 2018 warns that a downward adjustment in the pace of economic growth is taking place. This, however, appears to be consistent with a broadly positive labour market outlook. Possible headwinds to economic growth include uncertainties in the international trade landscape. While private consumption and investment made a positive contribution to GDP growth, net exports became a drag. Although the tightening of the labour market continues, sufficient slack appears to be still available for further employment growth, even if there are significant differences across countries.

Regarding the labour market, in May 2018 (the latest labour market forecast available) the Commission slightly improved its forecast of employment growth to 1.1% in 2018 and 0.9% in 2019. Unemployment was predicted to fall to 7.1% in 2018 and 6.7% in 2019 (Table 1).

Table 1:  Recent forecasts – EU and euro area

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<th>GDP growth</th>
<th>Unemployment rate</th>
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Source: European Commission, Business and Consumer Surveys [ei_bsrt_m_r2, ei_bsse_m_r2, ei_bsin_m_r2, ei-bsbu_m_r2], data seasonally adjusted, moving averages

Note: ‘:’ information not available.

Click here to download table.
2. Employment in the EU and in Member States

Employment in the EU continues to grow

Employment continued its growth in the second quarter of 2018, but at a slower pace, marking an increase of 0.4% over the previous quarter both in the EU and in the euro area and by 1.5% compared to the first quarter of 2017 in the EU, while the growth recorded in the euro area amounted to 1.4%. This moderation is in line with forecasts for 2018, which point out that the situation in the labour market should remain favourable.

Employment has been growing for twenty-one consecutive quarters in the EU, since the low recorded in the first quarter of 2013. Since then, and up to the second quarter of 2018, employment increased by more than 14.8 million (including 9.1 million in the euro area). Consequently, in the second quarter of 2018, employment in the EU reached a new record level with more than 239 million people in employment, of which 158 in the euro area (Chart 9).

Chart 9: Employment level - EU and euro area

Source: Eurostat, National Accounts, data seasonally adjusted [namq_10_pe]
Click here to download chart.
Employment, Social Affairs & Inclusion
ESDE Quarterly Review

Employment expands in most Member States

In the second quarter of 2018, employment continued to increase in almost all Member States when compared to the previous quarter. Romania (-1.5 %) registered a decrease in employment, whereas employment grew significantly in Malta (1.3 %), Estonia (1.3 %), and Poland (1.2%), as shown in Chart 10.

Employment in the second quarter of 2018 was higher than in the same quarter of 2017 in all Member States except Romania (-1.3%). That growth was especially strong in Malta (5.5 %), Croatia (4.6 %), Cyprus (4.3 %), Luxembourg (3.7 %), Ireland (3.2 %) and Slovenia (3.0 %).

Chart 10: Employment growth - EU, euro area and Member States

Source: Eurostat, National Accounts, data seasonally adjusted (q-o-q) and not seasonally adjusted (y-o-y) [namq_10_pe]
Note: Seasonal and calendar adjustment for several countries
Click here to download chart.
**Service sector drives employment growth**

In the second quarter of 2018, EU employment increased in all sectors but agriculture compared to the same quarter of the previous year. The service sector recorded the greatest rise, with 580 thousand more employed people on wholesale trade and 2.1 million more employed people in other services. Industry and construction experienced a less important growth, respectively with 530 thousand and 260 thousand more employed people. On the other hand, employment in agriculture declined by 290 thousand units, in line with a long-standing negative trend.

Statistical Annex presents in detail the changes in employment for 10 NACE branches.

**Chart 11: Employment growth by sector - EU**

Source: Eurostat, National Accounts, data not seasonally adjusted [namq_10_a10_e]

Note: Figures in brackets in the legend indicate the sector’s share of employment in the EU economy

Click here to download chart.
Chart 12: Employment growth by sector - EU

Source: Eurostat, National Accounts, data seasonally adjusted (q-o-q) and not seasonally adjusted (y-o-y) [namq_nace10_e]
Top chart: Employment growth (%). Bottom chart: Employment level (million).
Click here to download chart.
Permanent jobs drive employment expansion

In the first quarter of 2018, the increase in the number of permanent employees compared with the same quarter of the previous year was quite strong, among the strongest in the past few quarters – +2.9 million. Temporary employees increased by +600 thousand, whereas number of self-employed, which has been declining since 2015, fell by 500 thousand (see Chart 13).

Chart 13: Change in permanent and temporary employment and self-employment - EU

Source: Eurostat, LFS, data not seasonally adjusted [lfsq_egaps, lfsq_etgaed]
Note: Age 15-64.
Click here to download chart.
Full-time employment continues to drive employment growth

In the first quarter of 2018, compared with the same quarter of the previous year, full-time employment grew faster than part-time. The number of full-time workers increased by 2.9 million, while the number of part-time workers increased by 120 thousands. There are now around 179 million people employed full-time and 43 million part-time employed (Chart 14).

Chart 14: Change in part-time and full-time employment - EU

[Diagram showing change in part-time and full-time employment from 2012 to 2018]

Source: Eurostat, LFS, data not seasonally adjusted [lfsq_eftpt]
Note: age 15-64
Click here to download chart.
Employment rates in the EU and in Member States

Employment rate continues its rise towards the Europe2020 target

The employment rate for 20-64 year-olds increased consistently in the last years, and reached 72.9% in the first quarter of 2018. It now exceeds by more than 4 pps its low in 2013 and increased by 1.1 pps since first quarter of 2017. At this pace the Europe 2020 target of 75% appears broadly within reach. For the euro area, the employment rate increased by 1.2 pps since the first quarter of 2017, and reached 71.6% (see Chart 16, and Chart 15).

Chart 15: Employment rate - EU, euro area and Member States

Source: Eurostat, LFS, data seasonally adjusted [lfsi_emp_q]
Note: FR metropolitan data only
Click here to download chart.
Employment rate increases in all Member States

Compared to the same quarter of the previous year, in the first quarter of 2018 the employment rate for 20-64 year-olds increased in all Member States. The largest annual increases were recorded in Bulgaria (3.1 pps), Portugal and Cyprus (2.8 pps), whereas the lowest growth took place in Estonia (0.3 pps) and Italy (0.5 pps, see Chart 16).

In the first quarter of 2018, there was a difference of about 24 pps between the highest employment rate, almost 82.3 % in Sweden, and the lowest, 58.6 % in Greece.

Chart 16: Change in employment rate - EU, euro area and Member States

Source: Eurostat, LFS, data seasonally adjusted [lfsi_emp_q]
Note: FR change 2012Q1-2018Q1 estimated based on France (metropolitan)

Click here to download chart.
Employment rates improve across all population groups and particularly for older workers

Compared with the same quarter of the previous year, in the first quarter of 2018 the EU employment rate increased for all population groups, most noticeably for people aged 60-64 (2.0 pps) and those aged 55-59 (1.8 pps). This evolution reinforces the trend observed over the past few years where older workers, especially those above 55 years have increased their attachment to work.

Employment rate grew at a similar pace for both men and women. Also, it increased for all education levels, especially among those low-skilled (1.2 pps, see Chart 17).

Chart 17: Employment rate by population groups – EU

Source: Eurostat, LFS, data non-seasonally adjusted [lfsq_ergaed]
Top chart: Employment rate (% of respective population). Bottom chart: Change in employment rate (pp).
Note: Age 15-64, by skills 25-64

Click here to download chart.
3. Unemployment in the EU and in Member States

The decrease in unemployment remains stable

In July 2018, the unemployment rate in the EU and euro area continued the decline started in mid-2013. It dropped to 6.8 % in the EU and to 8.2 % in the Euro area. These changes represent a reduction of 0.8 pp compared to the same month of the previous year both in the EU and of 0.9 pp in the Euro area, and of 4.2 pps and 3.9 pps respectively if compared with the highest level recorded in 2013 (Chart 18).

The decline in the unemployment rate between July 2017 and July 2018 represents about 1.9 million fewer unemployed people in the EU, including 1.4 million in the euro area. Unemployment in the EU has receded by around 9.8 million people since its peak observed in April 2013, as the number of unemployed stood at 16.8 million in July 2018.

Chart 18: Unemployment rate and youth unemployment rate - EU and euro area

Source: Eurostat, series on unemployment, data seasonally adjusted [une_rt_m]
Click here to download chart.
The unemployment rate declines in all Member States ...

In July 2018, compared with a year ago, the unemployment rate decreased in all Member States. The largest reductions were registered in Cyprus (by 3.0 pps down to 7.7 %), see Chart 19 and Chart 20.

Large differences in unemployment rates remain among Member States. In June 2018, the lowest rates were recorded in the Czech Republic (2.3 %, yearly decrease of 0.5 pps) and Germany (at 3.4 %). By comparison, Greece\(^8\) (at 19.1 %) and Spain (15.2 %) are the only Member States with an unemployment rate over 15 %, as shown in Chart 19.

Almost half of the decrease in unemployment seen in the EU was achieved thanks to reductions in four countries: Spain (380 ths.), Italy (271 ths.), Poland (237 ths.) and Germany (145 ths.).

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

Source: Eurostat, series on unemployment, data seasonally adjusted [une_rt_m]
Note: HU, EE, EL and UK data from June 2017/2018
Click here to download chart.

\(^8\)June 2018
Chart 20: Unemployment rates - EU, euro area and Member States

... and also for all population groups

In July 2018, compared to the same month of the previous year, the unemployment rate in the EU decreased for all age groups and for both men and women. It fell by 0.8 pps and 0.9 pps respectively for men and women, down to 6.6 % and 7.0 %. In the euro area, the unemployment rate declined by 0.8 pps for men and 0.9 pp for women to reach 7.9 % and 8.5 % respectively.

In July 2018, a decline of 2.0 pps was observed compared with the same month of the previous year, for those aged 15-24, down to a rate of 14.8 % (Chart 21). For those aged 25-74, the unemployment rate in the EU declined by 0.7 pps down to 6.0 %.
EU youth unemployment declines in the EU and most Member States

In July 2018, unemployment of people aged 15-24 (youth unemployment) declined by 2.0 pps and reached 14.8 % in the EU compared to the same month of the previous year. It declined in the euro area by 2.1 pps and reached 16.6 %. These declines represent nearly 466,000 fewer unemployed people aged 15-24 in the EU, including 294 000 in the euro area. In July 2018 there were 3.3 million young people unemployed, including 2.4 million in the euro area.

The unemployment rate among young people aged 15-24 fell in all Member States, and in most of them is now at the lowest level since 2012. The decrease was more marked in Latvia (6.7 pps), Belgium (5.1 pps)\(^9\), and Croatia (2.1 pps)\(^10\). Greece is the country with the highest youth unemployment rate (39.1 %)\(^11\), followed by Spain (33.4 %) and Italy (30.8 %). By contrast, youth unemployment rate is the lowest in Germany (6.1 %) and Malta (6.3 %) (Chart 21).

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\(^9\) June 2018  
\(^10\) June 2018  
\(^11\) June 2018
4. Long-term unemployment and additional potential labour force

Long and very long-term unemployment continues decreasing

Long-term unemployment (which captures people in unemployment for a year or more) decreased by 0.5 pps in the first quarter of 2018, compared with the same quarter of the previous year. The rate went down to 3.2 % of the labour force (Chart 23). The long-term unemployment rate has been decreasing over the last four years. The pace of the reduction has remained rather stable in the last two years. At the same time, very long-term unemployment rate (which captures people in unemployment for at least two years) decreased by 0.3 pps down to 2 % of the labour force.

In the first quarter of 2018, in the EU there were around 7.7 million people in unemployment for more than a year, including 4.8 million for more than two years compared to the first quarter of 2017, and thus there were around 1.2 million fewer people in long-term unemployment. The share of long-term unemployed in total unemployment is still high, around 43 %, but it is slowly decreasing.
Chart 23: Unemployment, long-term unemployment and very long-term unemployment rates in the EU

% of labour force

Source: Eurostat, LFS, data not seasonally adjusted [une_rt_q, une_ltu_q]
Click here to download chart.
Chart 24: Unemployment by duration of unemployment in the EU

Source: Eurostat, LFS, data not seasonally adjusted [lfsq_ugad]
Note: Data for first quarter of each year
Click here to download chart

Long-term unemployment decreases in all Member States

Compared to the same quarter of the previous year, in the first quarter of 2018 long-term unemployment declined in all Member States. The largest reduction occurred in Cyprus (2.1 pps) and Croatia (1.8 pps), see Chart 25.

In the first quarter of 2018, Greece held the highest rate: 14.5 % of the labour force was long-term unemployed. Spain (7.0 %) and Italy (6.7 %) are the other two countries with the highest rates.

Greece’s rate of very long-term unemployment remained the highest in the EU at 10.4 %, although it decreased by 1.4 pps compared to the same quarter of the previous year. There were important annual reductions in very long-term unemployment rates in Croatia (1.8 pps) and Cyprus (1.7 pps).

In the first quarter of 2018 Greece also held the highest share of long-term unemployment, 68.4 % of its total unemployment, followed by Slovakia 62.2 %.
Chart 25: Long-term unemployment rate - EU, euro area and Member States, level and change over the year to 2018Q1

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

The active population in the EU is above 240 million people

The activity rate in the EU, for the 15 to 64 age group, reached 73.6% of the EU population in the first quarter of 2018 (Chart 26). This is 0.1 pps higher than in the fourth quarter of 2017 and 0.4 pps more than in the first quarter of 2017.

In the first quarter of 2018, most of the Member States registered an increase in their activity rates compared with the same quarter of the previous year (Chart 26). The Member States that experienced the strongest increases were Malta (2.3 pps) and Finland (1.8 pps). On the other hand, the activity rate decrease in Spain and Greece (-0.3 pps), and Ireland (-0.1 pps).
Increases in the activity rate of those 55-64 are still important but slowing down

The increase in the activity rate of older workers, i.e. those aged between 55 and 64 years, is the main driver of the rise of activity rate all over the EU. In the year to the first quarter of 2018 the activity rate of older workers increased by 1.6 pps. There was a stronger increase for women than for men in that age group, 1.7 pps for women and 1.5 pps for men.

Compared to the same quarter of the previous year, the activity rate for younger workers increased slightly by 0.2pps and reached 40.9% (Chart 27). Low skilled (25-64 years) increased their participation rate by 0.2 pps in the same period.

The gender gap in activity rates is slowly getting narrower for the majority of demographic groups. However, it is still very high among the low skilled, more than 23 pps.
The number of those 'Available to work but not seeking' and 'underemployed' in the EU decreases

Three supplementary indicators to unemployment are used to monitor the evolution of underemployment and the potential additional labour force. These three indicators are: 'Available for work but not seeking', 'underemployed' and 'seeking but not available for work'. These indicators are measured as a percentage of the labour force, i.e. the active population. They are also called supplementary indicators to unemployment (SIU).\(^1\)

The proportion of workers in the EU who are 'available but not seeking' (which included the so-called 'discouraged') was 3.2% of the labour force in the first quarter of 2018. This rate decreased by 0.2 pps compared to the same quarter of the previous year. 'Underemployment', i.e. the proportion of those who would like to work additional hours and are available to do so, decreased by 0.3 pps and represented 3.5% of the labour force.

The rate of those 'seeking but not available for work' stood at 0.9% of the labour force in first quarter of 2018, 0.1 pps less than in the same quarter of 2017.

The sum of the reductions in these three indicators, account for 0.6% of the labour force, adds to the positive developments in unemployment and long-term unemployment (Chart 28).

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\(^1\) See:
All indicators point to labour markets improvements for most Member States

Performance of the labour market should be assessed not only by trends in employment and unemployment but also by changes in activity rates and in indicators of the potential labour force. Together, these indicators can be used to analyse the extent to which Member States are able to mobilise their working-age population.

In the first quarter of 2018, compared to the same quarter of the previous year, reductions in unemployment came together decreases in supplementary indicators in most Member States (Chart 29). Estonia is the only Member State where both unemployment and SIU increased, whereas in Malta and Ireland a fall in unemployment was matched by a rise in the SIU.
5. Income and financial situation of households

Financial situation of EU households continues to improve

On average in the EU\(^\text{13}\), the growth of real gross disposable household income (GDHI) is back to the top level experienced after the recovery, following a slow-down in 2017. In the first quarter of 2018 this growth reached 2.4 %, according to latest available estimates (Chart 30). In the euro area, the year-on-year real growth of GDHI recorded in the first quarter of 2019 stood at 1.9 %.

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\(^{13}\) The real GDHI growth for the EU is an estimation by DG EMPL based on Member States for which quarterly data are available (19 Member States: AT, BE, CZ, DE, DK, EL, ES, FI, FR, HR, IE, IT, NL, PL, PT, RO, SE, SI, UK, which account for at least 90 % of EU GDHI). The nominal GDHI is converted into real GDHI by deflating with the deflator (price index) of household final consumption expenditure. The real GDHI growth for the EU is a weighted average of real GDHI growth in Member States.
Households benefit from higher income from work

In the first quarter of 2018, income from work continued driving growth in GDHI. The contribution of compensation of the self-employed and employees increased, and is again comparable to that of 2016.

Fewer people have troubles to cover current expenditure

Financial distress is defined as the need to draw on savings or to run into debt to cover current expenditures, and based on personal perceptions. It has gradually declined over the last three years. Both the share of households reporting running into debt, but even more so the share of those having to draw on their savings declined. Financial distress declined gradually to about 13% of the population from its historically high level of nearly 17%, recorded in autumn 2013 (Chart 31).

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

Financial distress for low-income (lowest quartile) households continuously reduced since 2015, but remained well above 20% in the first quarter of 2018. By comparison, financial distressed reached was down to 7% for the wealthiest quartile, and 13% for the total population (Chart 31).

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14 For details on Business and Consumer Surveys, including consumer survey's question on the current financial situation of households, see [http://ec.europa.eu/economy_finance/db_indicators/surveys/index_en.htm](http://ec.europa.eu/economy_finance/db_indicators/surveys/index_en.htm)
Financial distress eases in most of the Member States and variations persist

The overall level of financial distress for households in the lowest income quartile remained stable or decreased in the majority of Member States in the second quarter of 2018, compared with the same quarter of the previous year. It ranges from around 7% in Estonia, to over 30% in UK, Slovakia, Spain and France (Chart 32).
Chart 32: Reported financial distress in lowest income quartile - Member States

Source: European Commission, Business and Consumer Surveys data non-seasonally adjusted, 12-months rolling average (DG EMPL calculations)
Note: No data for IE
Click here to download chart.
6. Productivity and labour costs

Growth in labour productivity in the EU remains modest

The growth of labour productivity, as measured by output per worker, has remained modest in the past years both in the EU and euro area. Year-on-year productivity growth was at 0.8 % in the EU as a whole and at 0.7 in the euro area in the second quarter of 2018. This is broadly in line with the figures registered over the three previous quarters but significantly higher than the Q2, 2017 figure. The U.S. economy reached a noticeably higher growth in labour productivity at 1.2 % but Japan registered a massive drop to -1.1 % in Q1 2018, the latest observations available (Chart 33).

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

Source: Eurostat, National Accounts [namq_10_lp_luc], data not seasonally adjusted, data seasonally adjusted for US and JP

Note: Labour productivity measured as GDP in constant prices per employed person
Click here to download chart.
Productivity increase made a smaller contribution to economic growth than employment growth did

Total output growth can be broken down into developments in the number of workers and output per worker. In most Member States, the year-on-year productivity growth registered in Q2 2018 was positive, but below the growth rate in employment. Thus, in the EU as a whole, the larger part of GDP growth is attributable to the growing number of workers. While productivity growth was negative in five Member States, at the same time its growth rate was above 2% in nine Member States (Chart 34).

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

Source: Eurostat, National Accounts, data not seasonally adjusted [namq_10_pe, namq_10_gdp]
Note: Labour productivity is measured as GDP per employed person. Data for IE, LU, CY (except employment) and HR (except real GDP) from 2018Q1.
Click here to download chart.
Compensation per employee is growing in the EU

Following a brief decline in 2016, nominal compensation per employee has been growing at a moderate but increasing rate from the first quarter of 2017. The yearly rate of growth registered in Q2 2018 was 2.3% in the EU and 2.5% in the euro area, the highest values since 2015. This growth rate can be broken down into two components: a positive productivity growth (see above), and an increase in nominal unit labour costs at 1.5% in the EU and 1.7% in the euro area. Nominal compensation per employee (as measured in national currency) continued to grow at a moderate rate in most EU Member States. Romania, Bulgaria, Lithuania, Hungary, the Czech Republic and Latvia recorded the highest growth (8% or more), while it was negative in Croatia. Nominal unit labour costs (a measure of cost-push inflationary pressures) have been steadily increasing in the past two years. Romania, the Czech Republic, Hungary and Bulgaria recorded very strong, above 5%, increases. Two Member States, Luxemburg and Ireland, saw a decrease, as productivity growth was stronger than the growth in compensation per employee (Chart 35).

Chart 35: Growth in nominal labour compensation and its components – EU, euro area and Member States

Source: Eurostat, National Accounts, data not seasonally adjusted [namq_10_lp_uic, namq_10_pe, namq_10_gdp] (DG EMPL calculations)
Note: Labour productivity is measured as GDP per employed person.
Click here to download chart.
Real unit labour costs increases slightly in the EU

Real unit labour costs (measuring the gap between real compensation per employee and labour productivity, which is also a measure of the labour income share) increased slightly in the EU and euro area in the second quarter of 2018 year-on-year (at 0.5 % and 0.4 % respectively). Romania and the Czech Republic saw the strongest increase as real compensation per employee rose sharply overtaking productivity growth and leading to a higher increase in the real unit labour cost. On the other hand, both real unit labour costs and real compensation per employee decreased in Croatia, the Netherlands, Malta, Cyprus, Luxembourg and Ireland (Chart 36).

Chart 36: Growth in real unit labour cost - EU and Member States

Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_lp_ulc, namq_10_gdp] (DG EMPL calculations)
Click here to download chart.
7. Labour demand: vacancies, labour shortages and hiring activity

The job vacancy rate increases

The unmet demand for labour, as expressed by the job vacancy rate\(^{15}\) (JVR) has been broadly rising since end-2014 in the EU and the euro area and as of the first quarter of 2018 (the latest available observation) has reached its highest values registered since 2006 at 2.2 % and 2.1 %, respectively. This represents an increase of 0.3 pps in the EU and 0.2 pps in the euro area since the first quarter of 2017. The JVR improved in most Member States year-on-year, especially in Czech Republic (increases of 1.7 pps). By contrast, it decreased slightly in Estonia, Greece, Malta and Romania.

The JVR ranged from 0.7 % in Greece to 4.8 % in the Czech Republic (Chart 37). Following a jump of 0.5 pps, since Q1 2017, the unmet demand for labour was the highest in construction at 2.8 %. The JVRs of industry and services also registered increases and stand at 1.7 % and 2.4 %, respectively.

Chart 37: Job vacancy rates - EU, euro area and Member States

Source: Eurostat, Job Vacancy Statistics, data not seasonally adjusted [jvs_q_nace2]
Note: NACE Rev 2 sections B to S covered. DK: sections B to N; FR, IT, MT: business units with 10 or more employees.
Click here to download chart.

\(^{15}\) The Job Vacancy rate is number of job vacancies / (number of occupied posts + number of job vacancies) * 100.
Labour shortages increase while unemployment recedes

In the second quarter of 2018, unemployment further declined and labour shortages continued to intensify in the EU (Chart 38). The Beveridge curve, which plots the unemployment rate against an indicator of unfilled jobs, did not show a change in trend. The indicator presented here is published as part of the EU Business and Consumer Surveys\(^\text{16}\). It reflects to what extent businesses in the industrial sector see the availability of labour as a factor that limits production. The current value is the highest recorded since 1982, when the indicator was first published, indicating that at the EU level, labour shortages are seen as a drag on economic growth to an unprecedented degree. However, the indicator varies widely between countries: Hungary, Poland, Bulgaria and the Czech Republic report very high values, while in Greece, labour shortages are not identified as a factor limiting production. The Statistical Annex presents the Beveridge curves for EU Member States.

**Chart 38: Beveridge curve 2008-2018 – EU**

Source: Eurostat, LFS and European Commission, Business and Consumer Surveys [une\_rt\_q, ei\_bsin\_q\_r2]

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

Click here to download chart.

\(^{16}\) Using the job vacancy rate instead of the labour shortage indicator would yield qualitatively similar conclusions.
The finding increases, while the separation rate declines

Declining unemployment rates in most Member States were the result of improvements in job finding rates and declines in separation rates.

The Statistical Annex presents finding and separation rates for EU Member States (Chart 39).

Chart 39: Unemployment, finding and separation rates - EU and euro area

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

See excel file with charts per Member State and for the EU and euro area

1: Real GDP growth, real GDHI growth, employment growth and unemployment rates
2: Real GDP growth, employment growth, real GDHI growth and its main components
3: Employment growth by sectors
4: Beveridge curves
5: Unemployment, finding and separation rates
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