European Commission

EU Employment and Social Situation

Quarterly Review

March 2012

Social Europe

CONTENTS

This quarterly monitoring report provides in-depth analysis of recent labour market developments. It is prepared by the Employment Analysis and Social Analysis Units in DG EMPL. A wide combination of information sources have been used to produce this report, including Eurostat statistics, reports and survey data from the Commission's Directorate-General for Economic and Financial Affairs, national and sectoral statistics, restructuring data from the European Restructuring Monitor (collected by the European Monitoring Centre on Change) and articles from respected press sources. The report has also benefited from contributions from public and private employment services. The section on restructuring trends was prepared by the European Foundation for the Improvement of Living and Working Conditions.
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EXECUTIVE SUMMARY

- After a moderate recovery during 2010 and early 2011, the **European Labour market contracted again in the second half of 2011**. The number of people in employment decreased in the last quarter 2011 by 0.1 %, following a reduction of 0.2 % in the third quarter 2011, as employment edged down in the majority of the Member States. Meanwhile, since spring 2011, the number of **unemployed** in the EU has been steadily increasing. This new upturn has added 1.6 million jobless to the ranks of the unemployed. **The unemployment rate hit a new high at 10.1 % in the EU in January 2012** (see Table 1 below). Since the second quarter 2011, unemployment has progressively gone up in most Member States. All large Member States, including Germany, are now facing deteriorating labour market prospects, while divergence in performance remains high across Member States.

- **The deterioration in the EU labour market mirrored the modest contraction in the economy in the fourth quarter of 2011**, driven by a decline in domestic demand. Economic growth was -0.3 % quarter-on-quarter, while the annual growth rate declined to 0.9 %, from 1.4 % in the previous quarter. Growth slowed down in most Member States (including Germany, France and the UK), with quarter-on-quarter growth ranging from -1.3 % to +1.1 %. **Programme countries**, including **Greece**, remain **particularly affected**. Only four countries, Bulgaria, Denmark, Poland and Slovakia, improved their performance compared with the previous three-month period. In contrast, economic growth in the US accelerated, allowing the unemployment rate to drop 0.8 percentage point (pp) between June 2011 and January 2012, to 8.3 %, while employment grew 0.5 % quarter-on-quarter in the fourth quarter.

- The most recent Labour Force Survey data confirm the negative EU employment trend, as there were **fewer people starting a job** in the third quarter of 2011 and the share of those leaving a job was on the rise. In a context of progressively weakening employment growth during 2011, the growth in permanent contracts remained in positive territory, whereas temporary employment lost momentum and self-employment even declined. The trend observed in recent years towards fewer permanent or full-time jobs for young workers and more for older workers is continuing.

- During the crisis different sectors have followed very **different trajectories in terms of employment.** Looking at jobs in **industry, construction and trade**, while between the fourth quarter of 2008 and the fourth quarter of last year, nearly two jobs in every hundred were lost in the EU, this amounted to 7.5 % in the industry, 10.7 % in the construction sector and 1.8 % in the trade sector. The Review presents some major trends observed recently in terms of employment in these sectors, linked to changes in value added and output. Additionally, the recent restructuring trends in the construction sector are presented and a special focus is dedicated to the **agricultural sector** (see p. 60).

- **The unemployment rebound has again hit men harder**. The gender gap has disappeared as it did in spring 2009, and in January 2012 the unemployment rate for both men and women hit a high of 10.1 %. There are signs that **long-term unemployment** in the EU is **edging up**; the long-term unemployment rate had risen to 4.1% by the third quarter of 2011, accounting for 43 % of the unemployed. On the other hand, the inactivity rate in the EU, at just below 30%, has not increased during the downturn, mainly thanks to the sustained upward trend in female participation. However, it increasingly conceals discouragement, as nearly one-in-five people who are inactive would like to work.

- The recent downturn in the labour market situation for young people (aged 15 – 24) has continued. The **youth unemployment rate** has reached a **historic high** in several countries and an unprecedented one of 22.4 % in the EU in January 2012 (nearly 50 % in Spain and Greece), affecting some 5.5 million young people. Some aspects of the labour market situation of young people are especially worrying: the increase in the long-term unemployment rate to 6.3% and inactivity resulting from discouragement (12.6% of inactive youth wanted to work but were not searching for employment in the third quarter of 2011). The deterioration is also mirrored by the **increase in the share of young people neither in employment nor in education or training** (NEET), which has

risen from 12.5% in the third quarter of 2008 to 14.3% three years later. These developments led the European Commission to launch a Youth Opportunities Initiative, aimed to support Member States in defining and implementing appropriate strategies and measures for tackling youth unemployment, by making full use of available EU funding.

- During the fourth quarter of 2011, the **unfavourable economic developments** continued to have an **adverse impact on productivity growth across the EU**, while in some Member States nominal labour cost growth remained firm. Weakening productivity growth and sustained nominal wage growth on average increased nominal unit labour cost growth, but overall this remained below the level of inflation.

- The **European Restructuring Monitor** (ERM) recorded a total of 284 cases of restructuring between 1 December 2011 and 29 February 2012. **Announced job losses continued to outnumber announced job gains**, by 81 145 against 65 527 respectively, with most of the recent job loss announcements relating to Hungary and Germany. Manufacturing was the sector most affected by announced restructuring job losses. On the other hand, manufacturing and transport and communications accounted for the majority of business expansion.

- In February 2012, **employment expectations** remained **depressed in the tertiary sector and in construction** in most Member States, as managers in services, retail trade, financial activities and construction anticipate a contraction in their workforce in the months ahead. On the other hand, **EU firms' employment expectations remain broadly optimistic in industry**. While the rise in vacancies seems to be coming to an end, growth in on-line job demand is stable and essentially driven by Germany and the environmental sector. Growth in temporary agency work continues to slow down dramatically, which points to a deterioration of labour market prospects.

- Results from consumer surveys indicate a **moderate decline over recent months** in the share of **households experiencing financial distress** across the EU. This is reflected in the recent fall in households reporting they are running into debt, although the overall level of financial distress remains broadly similar to that observed in late 2008. The effect of the crisis continues to be felt to differing degrees according to the level of household income, with richer households continuing to suffer relatively much less than lower income households from the lingering effects of rises in financial stress due to the crisis. Furthermore, although figures for the EU suggest little change in the overall balance for household financial situations, this masks significant divergences in developments across individual Member States. While there are clear signs of **deterioration** of the financial situations of households in **Greece, Spain or Romania**, signs of improvements are recorded in countries like Germany and Sweden.

- Labour market developments can be explored by looking at EU **Beveridge curves** (see special focus at p. 34) which plot **joint movements of unemployment rates and labour shortage indicators** (an alternative measure for the job vacancy rate) per Member State during 2010-2011. For most Member States, the Beveridge curve has a tendency to shift to the right and increased mismatching, with a higher level of vacancies for a given unemployment rate in the EU. There seem to be only three cases of a movement along the Beveridge curve, as well as a single case of a leftward shift. While most rightward shifts are quite small, there is also a group of six Member States where unemployment rates have clearly increased while the labour shortage indicator remained at a comparatively low level.

- **The transition towards a greener economy**, i.e. competitive, low carbon and resource efficient, is expected to have a significant impact on employment and skills demand at the level of industries and enterprises, as highlighted by the special focus on this issue (see p. 53). A greener economy will require **new skills**, such as knowledge of new insulation materials, new approaches to building, skills to install and maintain new renewable technologies, knowledge of new regulations, etc. A major challenge will be to identify and anticipate future skills needs and to provide effective skills responses at the appropriate scale and pace, with a view to enhancing the job potential of greening the economy, while preserving opportunities for all.

- Social protection expenditure now accounts for nearly 30% of GDP in the EU. The special focus on the **redistributive role of social transfers** (see p. 63) investigates the role of social protection benefits (except pensions) in reducing poverty. This analysis, which focuses on expenditure on social

protection benefits only in cash and excluding pensions, confirms that the redistributive impact of this spending is important in the EU. In there were no social transfers, the risk of poverty in the EU would be considerably higher, at 26%, than the actual at-risk-of poverty rate of 16% (a reduction of 37% - attesting effectiveness of transfers). At EU level, each additional percentage point of GDP spent on in-cash social benefits (except pensions) **reduces the risk of poverty** by 6%, reflecting the efficiency of social spending.

- Altogether, **children** in Europe are **at greater risk of poverty or social exclusion** than the rest of the population, as highlighted in a special focus (see p. 71). The main drivers of child poverty identified are the low participation of parents in the labour market, in-work poverty and the weakness of social transfers in compensating the cost of raising a child. The analysis identifies three groups of countries depending on which of these factors prevail in each country. A first group gathers countries performing well on all fronts, a second group with countries facing high levels of children growing up in jobless households, and a third group of countries where the poverty reduction impact of social transfers is low and in-work poverty is high, either due to low wages or insufficient labour market participation within the households.

This edition of the Quarterly Review takes a closer look at the labour markets and social situations in **Denmark, Finland, France, Greece, Italy, Latvia and Romania**.

Table 1: Latest labour market trends

	2010 q4	2011 q1	2011q2	2011q3	2011q4
Real GDP					
(% change on previous quarter)	0.2	0.7	0.2	0.3	-0.3
(% change on previous year)	2.2	2.4	1.6	1.4	0.9
Employment growth					
(% change on previous quarter)	0.1	0.1	0.2	-0.2	-0.1
(% change on previous year)	0.2	0.5	0.4	0.1	0.0
Employment rate					
(% of working age population, non-seasonally adjusted)	64.2	63.8	64.5	64.6	:
Job vacancy rate					
(% of vacant and occupied posts, non-seasonally adjusted)	1.5	1.6	1.5	1.5	1.5
Labour productivity					
(% change on previous year)	2.0	1.9	1.2	:	:
Labour cost					
(% change on previous year)	1.1	0.9	0.6	:	:
Long-term unemployment rate					
(% Labour force)	4.0	4.1	4.0	4.1	:

	2011 Sep	2011 Oct	2011 Nov	2011 Dec	2012 Jan
Unemployment rate (seasonally adjusted)					
Total (% of labour force)	9.8	9.9	10.0	10.0	10.1
Men	9.7	9.8	9.9	9.9	10.1
Women	9.9	10.0	10.1	10.0	10.1
Youth (% of labour force aged 15-24)	21.7	22.0	22.3	22.2	22.4

Source: Eurostat, DG EMPL own calculations.

Introduction

According to the latest Monthly Labour Market Fact Sheet, released on 13 March, the unemployment rate hit a new high at 10.1 % in the EU[1] in January 2012, above the symbolic threshold of 10 %, up by 0.1 percentage point (pp) on the previous two months. The number of unemployed continued to increase in January, reaching 24.3 million, with a sustained increase over the last six months by on average 200 000 more jobless per month. Divergence among EU labour markets remains high, as the number of unemployed has fallen over the last three months in six Member States, while it has increased in most others, sometimes sharply. Unemployment remains critical for the 15 – 24 age group: its rate climbed by 0.2 pp in January 2012 alone, to a new historic high, at 22.4 %. It is higher than 20 % in about two-thirds of countries and close to 50 % in Spain and Greece, while it is less than 10 % in only three Member States: Germany, Austria and the Netherlands.

This Quarterly Review provides a more in-depth overview of developments in the European labour market, including from a social perspective, based on the latest available quarterly (and monthly) data. It summarises short-term trends in GDP and employment growth, changes in employment by sector and category of employment, unemployment, long-term unemployment and inactivity, with a focus on vulnerable groups, namely youth, migrants and low-skilled. The analysis also covers the latest trends in working hours, productivity and labour costs, developments in labour demand, and recent changes in economic sentiment and employment expectations.

Additionally, this Review presents a picture of labour market mismatches in the form of Beveridge curves, relating unemployment rates to job vacancies. Another special focus section highlights the latest findings on the transition to a greener economy and its impact in terms of employment and skills. Recent social trends are also explored and that part focuses on the social impact of the crisis. This is analysed through various indicators, highlighting the financial situation of households, the redistributive impact of social transfers and the recrudescent phenomenon of child poverty. Finally, the situation in the sector of agriculture and the situation in seven selected Member States are analysed in greater detail.

[1] EU refers to the aggregate value for the EU-27 (27 Member States). Other aggregates are clearly identified in the text, e.g. EU-15, euro area, etc.

Macroeconomic and employment context and outlook

EU economy contracted in the last quarter of 2011

Following the slowdown in the EU's recovery in the first three quarters of 2011, the trend reversed during the fourth quarter with a negative growth rate of -0.3 % (see Chart 1). The annual growth rate declined from 1.4 % to 0.9 %.

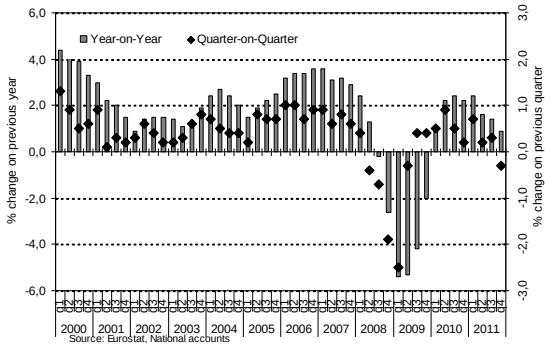
The fourth quarter contraction was driven by a decline in domestic demand. Household final consumption expenditure growth turned again negative (-0.2%) after only a quarter of modest recovery in the third quarter (0.2%). The fourth quarter outturn for gross fixed capital formation was -0.7 %, more than twice the rate of -0.3 % seen in the previous three months. Public consumption stagnated after a 0.2 % decline in the previous quarter. Net exports were up by 0.7 % in the three months up to the end of December 2011. This is slightly up on the +0.6 % in the second quarter. Exports and imports both fell after a considerable growth in the previous quarter, posting decline of 0.1 % and 0.8 % after growth of 1.3 % and 0.7 % in the previous quarter.

The main contributors to EU activity in the fourth quarter were agriculture and the service sectors. The fourth quarter growth rate in agriculture was 0.1%, down from 0.7% in the previous three months. Information and communication service activities expanded by 1.2 % (up from 0.4 % in the third quarter), along with arts, entertainment and recreation, repair of household goods and other services, whose quarter-on-quarter growth was 0.4 %, little less than 0.5% recorded in the previous quarter, followed by real estate and business activities, with growth rates same as the quarter before, 0.3% and 0.2% respectively. The only services witnessing contraction were financial services that fell by 0.5% after 1.1% expansion in the third quarter.

Industrial growth was on a steady downward trend in 2011, and finally became negative in the last quarter of 2011 (-1.7%). The slow-down was particularly marked in

manufacturing, where the growth rate turned negative to -1.4% (q4) from 0.3 % (q3) and 0.7 % (q2). The construction sector declined for the second consecutive quarter by 0.1 %. Professional activities were up by 0.1 % in the three months up to the end of December 2011. This is considerable down on the +0.8 % in the third quarter, whereas trade activities stagnated.

Chart 1: Quarterly growth rates of real GDP in EU



Most Member States were affected

Fourth quarter economic activity in the Member States was very varied, with growth rates ranging from –1.3 % to +1.1% (Chart 2). The growth rate was negative in the last quarter of 2011 in the large majority of countries (16). Yet, it modestly accelerated in Bulgaria, Denmark, Poland and Slovakia. Despite the acceleration, the Cypriot economy contracted for the second consecutive quarter. Recent data for Greece are not available. Over the year up to 2011q4, real GDP and employment developments diverged markedly among Member States.

The size of the divergence means that positive outliers, such as the Baltic States, are not shown in Chart 3. The three Baltic States posted a very strong recovery in real GDP (of at least 5%), which led to an employment increase of 1 to 4% in Lithuania and Latvia, and 5% in Estonia. The very strong recovery was an evident counterpart to the very deep preceding dip. Significant economic growth in Slovakia and Poland (over 3%) was only weakly reflected in the employment, given only about 1% employment growth.

Chart 2: Real GDP in EU Member States and the US in 2011q4

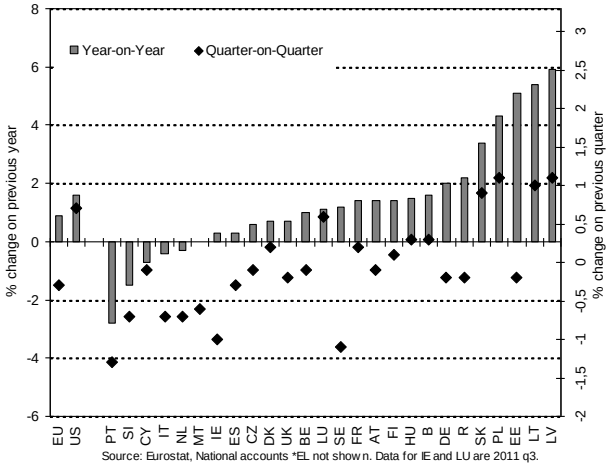
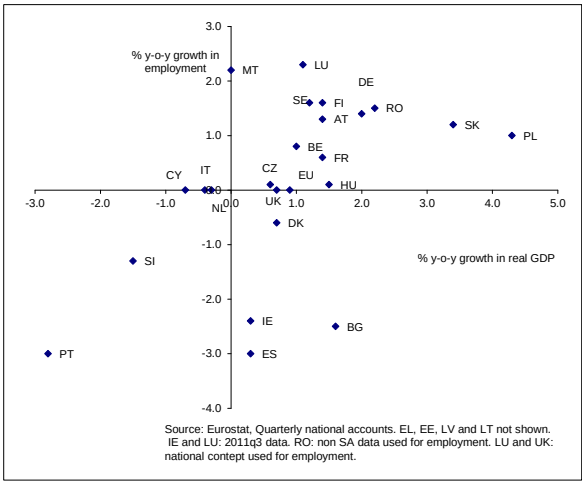


Chart 3: Real GDP and employment in EU Member States: evolution over the year up to 2011q4

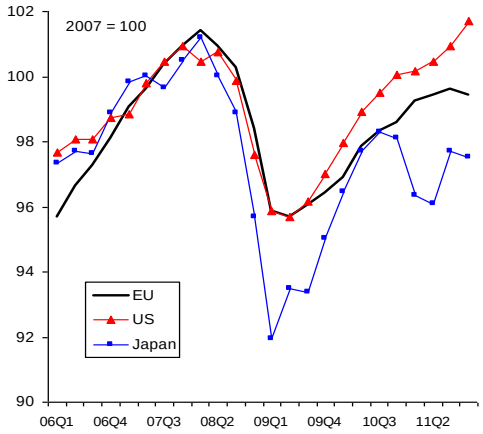


Growth was also less employment intensive in Germany and Romania, nevertheless they had employment rates around 1.5% with around 2% growth. In Sweden, Finland, Luxembourg and Malta, GDP growth was quite employment intensive, with growth rates of GDP lower than for employment. Outstanding case is Malta, with stagnating economy and increasing employment by 2%.

On the negative side, among the programme countries, the drop in the Portuguese GDP stands out (-2.8%). It is accompanied by a 3% fall in employment. Only in one more country both variables declined, i.e. in Slovenia, with almost proportional decline in GDP (-1.5%) and drop in employment (-1.3%). In another programme country, Greece, recent developments in both GDP and employment

were probably worse[2], but no recent data are available. In Bulgaria, Ireland - another programme country - and Spain, increases in GDP coexisted with large declines in employment, as productivity continued to catch up. Employment fell also in Denmark, but to a lesser extent. Opposite to that, Italy, Cyprus and the Netherlands maintained employment despite decline in economic activity, whereas in the UK employment stagnated even though economy was growing. Employment rates in Czech Republic, Hungary and France at least increased a bit. However, they still remained much lower than the growth rates of GDP.

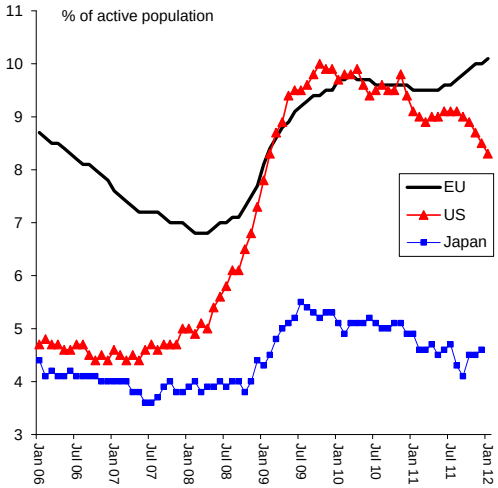
Chart 4: GDP volumes in the EU, US and Japan



Source: Eurostat

In the US, GDP growth accelerated throughout 2011, to reach year-on-year growth of 1.6% in the last quarter, almost double the EU pace (see Chart 4).

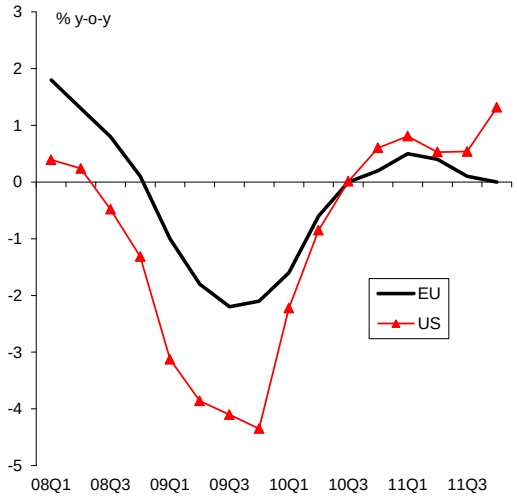
Chart 5a: Unemployment in the EU, US and Japan



Source: Eurostat

This allowed the US unemployment rate to drop 0.8 pp between June 2011 and January 2012, (against a 0.5 pp increase in the EU, see Chart 5a), to 8.3 %, while employment grew 0.5 % quarter-on-quarter in the fourth quarter (see Chart 5b). This was helped by the lowest participation rate since 1984. Japanese quarterly GDP went through a bumpy development, which left GDP at the end of 2011 0.6 pp below the year-ago level. In January 2012, the unemployment rate was back at the level reached before the tragic March 2011 events (4.6%).

Chart 5b: Employment growth in the EU and US



Source: Eurostat, National accounts and Federal Reserve economic data, DG EMPL calculations

The global economy, supported amongst others by a stronger US economy, seems set

[2] For more details on Greece, please consult the section on Latest developments in selected Member States.

for moderate growth. World trade was up 2.7 % y-o-y in January 2012 and most OECD leading indicators signalled positive momentum (not for Brazil and China). Nevertheless, the deceleration of growth in India and China underlines the risks surrounding the global outlook.

Economic confidence

Confidence indicators point to a bottoming out in economic confidence. In February, the Commission's EU economic sentiment indicator (ESI) rose for the second month in a row. The OECD leading indicators saw stronger, albeit tentative, signals emerging in the euro area. However, the euro area composite PMI fell from 50.4 in January to 49.3 in February, below the level that separates expansion from contraction. The PMI was above the 50 level in January following four months below that level.

Economic and employment forecasts by the Commission and other relevant institutions

The Commission's interim forecast (released 23 February) revised EU real GDP growth in 2012, down by 0.6 pp compared with the Autumn forecast, to 0.0% (euro area projection: -0.3%). Divergences between Member States remain pronounced. While the interim forecast does not include labour market forecasts, the document acknowledged that, due to the usual time lag between GDP and employment developments, the expected weak GDP upturn in the second half of the year is unlikely to lift employment prospects during 2012.

The ECB forecast (released on 8 March) was slightly more optimistic, projecting euro-area growth rates (mid-range estimates) of -0.1% for 2012 and 1.1% for 2013.

Recent labour market and social trends

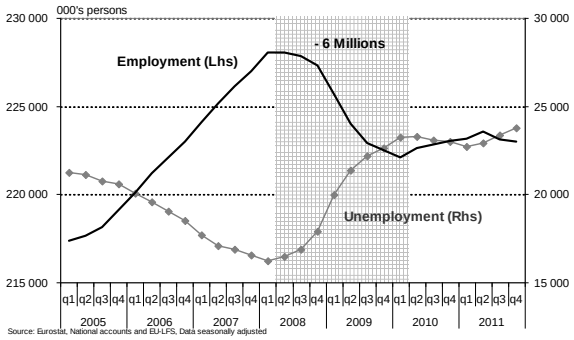
Employment

EMPLOYMENT IN THE EU AND IN MEMBER STATES

The European labour market has contracted in the second part of 2011

The number of people in employment has decreased in the last quarter 2011 by 0.1 %. This has been the second consecutive quarter of contraction, after a reduction by 0.2 % in the third quarter 2011, ending the year on the downside.

Chart 6: Employment and unemployment in EU27 (000 persons), 2005-2011



Before declining in the second half of 2011, employment staged a mild recovery between spring 2010 and summer 2011, with an average growth rate of 0.1 %, although this is still more than four times weaker than the average gain of +0.45 % seen in 2006 and 2007. Besides, since summer 2011, more Member States have experienced a contraction in employment. The deterioration has worsened in the last quarter of 2011 in the euro area.

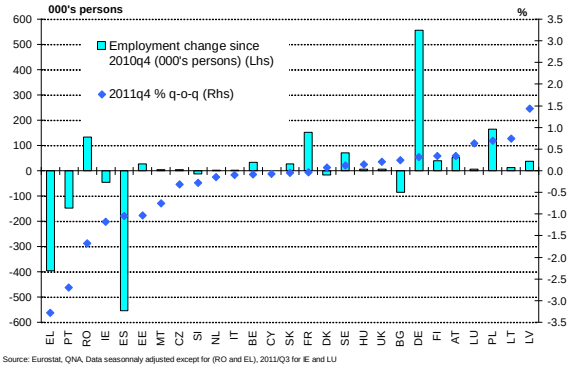
Employment is decreasing in half of the Member States

In the second half of 2011, employment edged down in the majority of the Member States. In the third and fourth quarters of 2011, employment decreased in more countries (13 then 15 respectively) although it was still on the increase in 22 Member States in spring 2011. Among the large Member States, the picture is more mixed, with ongoing sound growth in Germany (+0.3 %, q-o-q)) and in Poland (+0.7 %), a bounceback in the United Kingdom with growth of +0.2 % after a

marked fall of 0.7 % in the previous quarter, a downturn which was more moderate in France (-0.05 %) than in Italy (-0.1 %) and a sustained contraction in Spain (-1.0 %).

In the last quarter of 2011 there were falls in the number of people in work in the Netherlands (-0.1 %), Belgium (-0.1 %) and the Czech Republic (-0.3 %). Austria remained on a sustained growth rate (+0.3 %) and Sweden recorded a slowdown (+0.1 %).

Chart 7: Employment change in 2011 q4 (yearly change, 000's persons) and quarterly change (%, q-o-q) in the Member States

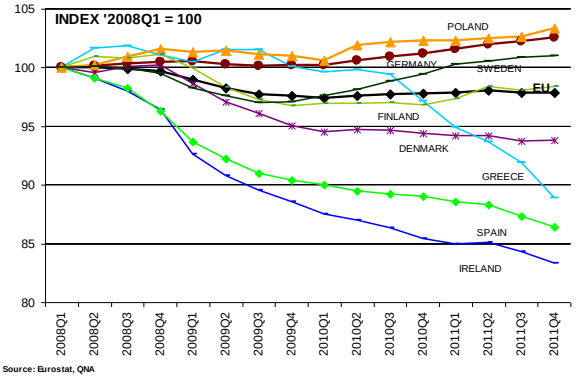


Employment gains and losses in 2011 concentrated in a few Member States

By late 2011, the moderate employment recovery had come to an end, with a net employment loss by 550 000 people in the second semester cancelling out the 530 000 people gain in the first semester. However, employment in a few Member States continued to grow. Germany, in particular, is still the main contributor to employment, creating 560 000 more jobs in 2011, and accounting for 40 % of the EU growth. Other Member States recorded a cumulated rise over the year to 2011 q4, particularly Poland (+160 000), France (+150 000), Romania (+130 000), Sweden (+70 000) and Austria (+50 000, see Chart 7).

On the other hand, some Member States have experienced an almost continuous fall in employment levels over the past three years (chart 8) and major job losses occurred during 2011. In Spain, employment again fell sharply by 550 000 jobs, accounting for 45 % of European job losses in 2011, and by 400 000 jobs in Greece, i.e. one third of EU jobs losses in 2011. Over the same period, there were also knock-on effects on jobs in Portugal (down by 150 000 jobs), Bulgaria (down by 90 000 jobs), Ireland (down by 50 000 jobs), Slovenia and Denmark (down by around 15 000 jobs).

Chart 8: Employment change since 2008q1 (index 2008Q1= 100) in selected Member States

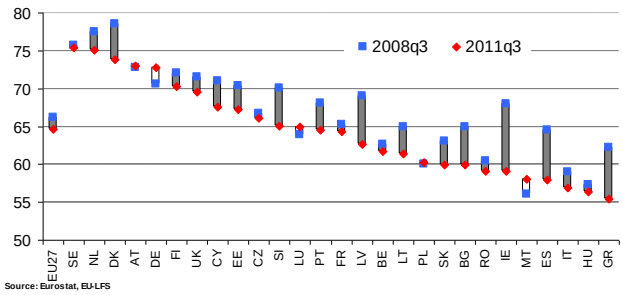


EMPLOYMENT RATE IN THE MEMBER STATES

Further exacerbating differences among Member States and lowering the average European employment rate

In 2011 q3, the EU employment rate for the 15-64 age group was 1.6 % below that of 2008 q3, but still unchanged compared to 2010 q3. Among Member States, the employment rate has fallen unilaterally in 22 countries compared to 3 years previously, with the majority of countries losing more than 2 pps off their employment rate (see Chart 9). The deepest declines are in Ireland (-8.9 pps), Greece (-6.8 pps), Spain (-6.6 pps), Latvia (-6.3 pps) and Bulgaria (-5.1 pps). As described above, the moderate recovery in employment between spring 2010 and summer 2011 was beneficial to some countries, particularly the Baltic States, Germany and Sweden. Finally, in the third quarter 2011, only five Member States posted an employment rate that was higher than three years before: Germany recorded the highest increase with +2.2 pps, followed by Malta (+2 pps), Luxembourg (+1.1 pps), Austria and Poland (both +0.2 pp).

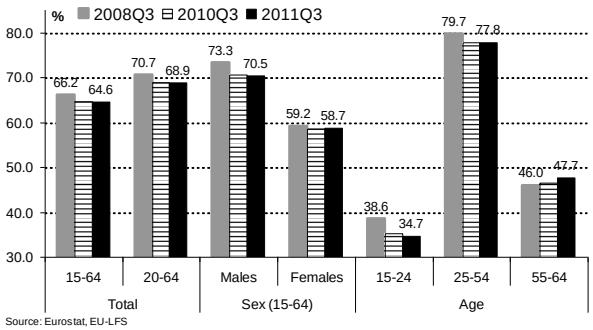
Chart 9: Employment rate for 15-64 in 2008 q3 and 2011 q3 in the Member States (%)



Employment rate is rising for older workers, falling for the young

The European employment rate among young people (15 – 24) fell by 0.5 pp over the year to 2011 q3 to 34.7 % and by 0.1 pp for prime age workers (25 – 54) to 77.8 %. For older workers (55 – 64) the employment rate is on the rise, climbing 1.1 pp to 47.7 %. Compared with three years ago, employment for older workers is 1.7 pps higher, although for younger and prime age workers it has fallen (by 3.9 pps and 1.9 pps respectively, see Chart 10). The employment rate for men lost more ground than the rate for women, as male employment was affected more than proportionally by the 2008 economic downturn. Compared to three years earlier, the rates are down by 2.8 pps for men and by 0.5 pp for women. Over the year to 2011 q3, the female employment rate increased by 0.2 pp and male employment was down by 0.2 pp.

Chart 10: Employment rate (%), total (15-64, 20-64), by sex and age groups in the EU-27 in 2011 q3, 2010 q3 and 2008 q3



Unemployment

UNEMPLOYMENT IN THE EU AND IN THE MEMBER STATES

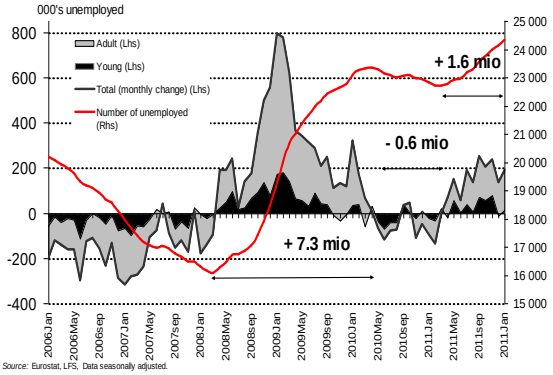
A new phase of steady increase since spring 2011

After the surge in unemployment (up by 7.3 million, +45 %) over the two years to April 2010, a moderate decline was observed until March 2011, lowering the number of jobless by 0.65 million (-3 %) and the unemployment rate by 0.3 pp (to 9.4 %). Yet, since spring 2011, the number of jobless has again steadily risen and over the six months to January 2012 there were on average 200 000 more unemployed each month.

With another 1.6 million unemployed over the past ten months, European unemployment is drifting to an unprecedented level

This new upturn has added 1.6 million (+7 %) jobless to the ranks of the unemployed since March 2011 (see Chart 11). The unemployment rate hit a new high at 10.1 % in the EU in January 2012, and likewise in the euro area at 10.7 %, the highest level since the euro was established, accounting for 24.3 million unemployed in the EU (16.9 million in the euro area).

Chart 11: Monthly change in the number of unemployed young people (15-24) and adults (25-74) and total and monthly number of unemployed in the EU Jan 06–Jan 12, '000 people



Men hit harder by the recent unemployment rebound than women; unemployment rates for both men and women reach a high of 10.1 % in January 2012

During the unemployment surge from April 2008 to April 2010, men accounted for two thirds of the new jobless, resulting finally in an inverted gender gap, with the unemployment

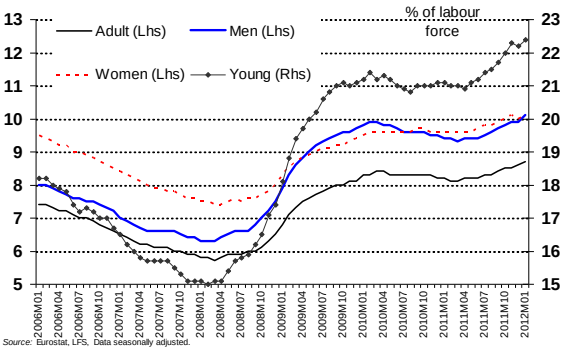
rate for men standing at 9.8 % in April 2010 against 9.6 % for women. The ensuing softening of the labour market up to spring 2011 was almost entirely one-sided, since men represented 98 % of the reduction, and in March 2011, the unemployment rate for men was lower (9.3 %) than for women (9.6 %, see Chart 12). Since then, the unemployment rebound has again hit men harder: among the 1.625 million additional unemployed, men predominate (61 %) compared to women (39 %). With a rise of 0.8 pp for men against 0.5 pp for women since March 2011, the gender gap has disappeared as it did in spring 2009, and in January 2012 the unemployment rate for both men and women hit a high of 10.1 %.

Adults represent the bulk of the recent unemployed, yet youth unemployment had increased faster till last November

The youth unemployment rate in the EU rose sharply from 15 % at the beginning of 2008 to more than 21 % in the first part of 2010. This represented 1.4 million extra young unemployed over the two years to April 2010. The ensuing slight improvement until March 2011 never brought the youth unemployment rate down again below 20 %. Since then youth unemployment has again rapidly deteriorated and went past the 22 % mark in October 2011. Despite slower growth in December and January, a new unprecedented high was reached in January 2012 at 22.4 % (see Chart 12), accounting for 5.5 million young jobless.

For adults (more than 25 years old), the number of unemployed has increased by +7.1 %, faster than for young people (+5.4 %), since March 2011. Consequently, adults represent the bulk (more than 80 %) of the new unemployed, with 1.34 million more. Yet the unemployment rate for young people has increased +1.4 pps, faster than for adults (+0.6 pp) since March 2011. See further details in the Monthly Labour Market Fact Sheet of March[3] and in sections on Youth and Other selected groups.

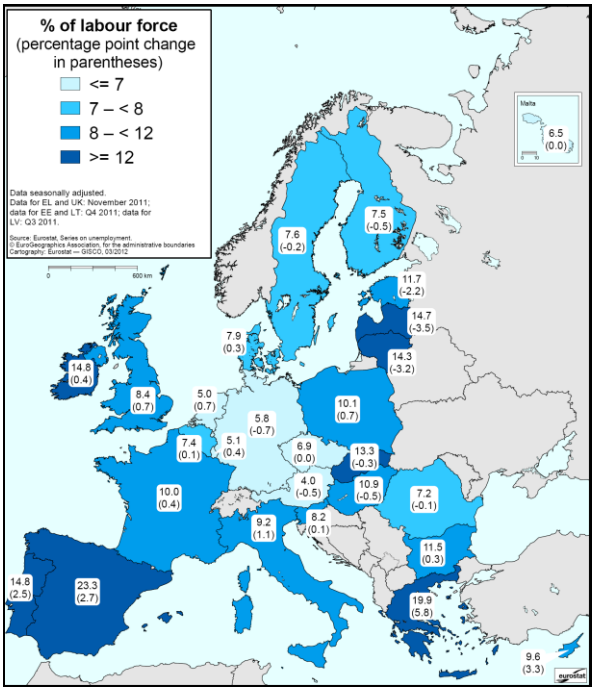
Chart 12: Monthly unemployment rate (%) for young people (15-24), adults (25-74), male and female January 2006–January 2012 in the EU



Unemployment still modestly decreasing in a few Member States; a slight recent upturn in Germany

The moderate decline in EU unemployment between April 2010 and March 2011 (-3 %, down by 650 000 people to 22.7 million in the EU) occurred in 17 Member States. Yet this improvement was mostly concentrated in countries with already lower than average unemployment rates (except the Baltic States). During this period the number of unemployed fell by more than 15 % in Germany, Sweden, Latvia, Belgium and Estonia and the steady fall in German unemployment accounted for two thirds of the European improvement.

Chart 13: Unemployment rates and changes, January 2012



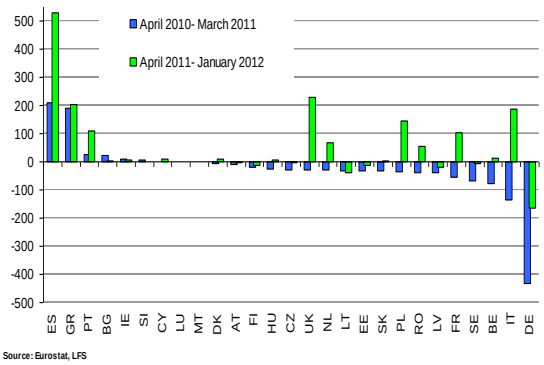
[3] See http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=1231&furtherNews=yes.

Conversely, the number of jobless was still growing in countries with higher than average unemployment rates, from +4 % more unemployed in Portugal, Ireland and Spain to +25 % in Greece. Since April 2011, unemployment has progressively gone up in most Member States, yet some countries are still enjoying an improvement. Indeed, over the three months to January 2012, five countries recorded a moderate decline: Austria (-0.2 pp to 4 %), Slovakia (-0.2 pp to 13.3 %), Romania (-0.1 pp to 7.2 %), Finland (-0.1 pp to 7.5 %) and Lithuania (-1 pps to 14.3 %). German unemployment has fallen steadily over the past two years, reaching a close to historic low at the end of 2011 with 5.7 % in November 2011, its lowest level since 1991. Yet, there was a slight upturn in January 2012 (+0.1 pp compared to December 2011, to 5.8 %). This adversely affects the average EU unemployment rate, since Germany is the country that has done most to cushion the rise in European unemployment over the recent period, as also highlighted by Chart 13 covering the twelve months to January 2012.

Finally, the number of unemployed is trending up in most Member States, including the larger ones

Since spring 2011, the number of unemployed has risen in most of the large Member States, such as France (+4 %, +100 000), Italy (+9 %, +190 000), Poland (+9 %, +150 000) and the United Kingdom (+10 %, +230 000) and accelerated in Spain (+11 %, +530 000, see Chart 14).

Chart 14: Change in the number of unemployed ('000 people) between April 2010 and March 2011 and between April 2011 and January 2012

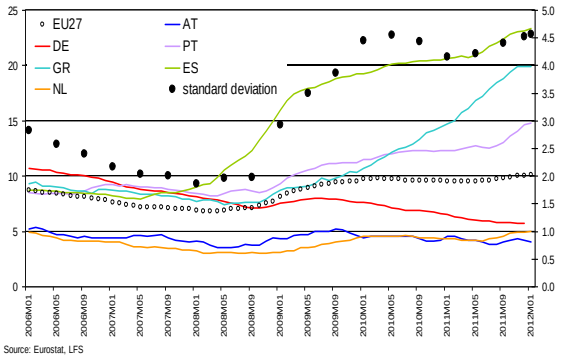


Source: Eurostat, LFS

An upturn has occurred too in Member States with lower than average unemployment rates, such as Denmark (+5 %, +10 000) and the Netherlands (+19 %, +70 000). Over the three months to January 2012, the number of unemployed increased in 20 Member States.

With the recent upturn in Germany (12 000 more unemployed over the three months to January 2012), all large Member States are concerned. Noticeable increases were recorded in the three months to January 2012 in Italy and Spain, which account for half of the European rise, and in Portugal (+64 000, +9 %), Greece (+74 000, +8 % to November 2011) and Bulgaria (+22 000, +6 %).

Chart 15: Unemployment rate in selected Member States Jan 2006-Jan 2012 (Lhs) and standard deviation of monthly unemployment rate (Rhs)



Source: Eurostat, LFS

Ongoing divergence among Member States' labour markets

European unemployment rates were converging from the mid-1990s up until May 2008, when the standard deviation from the EU average was as low as 2 %. That figure then increased to 4.5 % two years later. Since then the divergence has remained high and the range between the Member States' highest and lowest unemployment rates in January 2012 is the widest of the last decades, with more than 19 points between the lowest unemployment rate (in Austria, 4.0 %) and the highest (in Spain, 23.3 %).

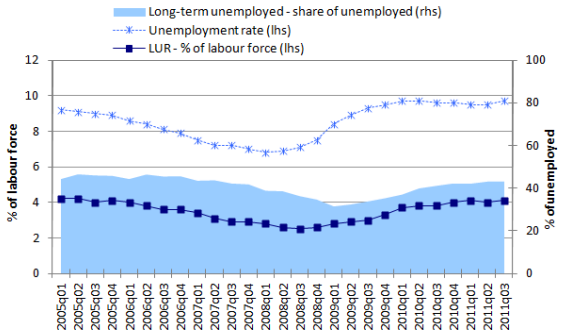
LONG-TERM UNEMPLOYMENT

There are signs that long-term unemployment in the EU is edging up …

The substantial rise in unemployment over the period 2008-2009 has continued to feed into long-term unemployment. With little new inflow into unemployment since 2010 and demand not picking up, the share of unemployed persons who remained without a job for more than a year started to swell from a third in the third quarter of 2009 to 43 % two years later. In the third quarter of 2011 close to 10 million people were unemployed for more than a year

After bottoming out in mid-2008, half a year after unemployment bottomed, the long-term unemployment rate in the EU has risen to the levels observed in mid-2000. However, the annual increase had slowed to 0.3 pp in the third quarter of 2011, from a significant 0.9 pp a year before. Still, at 4.1 % in the third quarter of 2011, the long-term unemployment rate widened its three-year gap to 1.6 pps (compared to the low of 2.5 % recorded in the third quarter of 2008, see Chart 16).

Chart 16: Unemployment and long-term unemployment rates in the EU, 2005-2011



Source: Eurostat, Series on unemployment and Labour Force Survey. Data on unemployment seasonally adjusted, data on long-term unemployment non-seasonally adjusted.

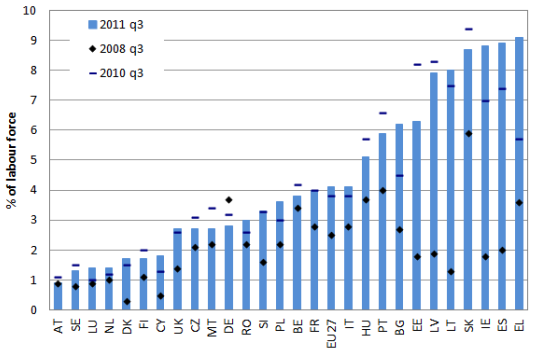
...and the long-term unemployment rates reached similarly high levels for both women and men

More severe initial deterioration in the labour market for men than for women also resulted in a steeper increase in long-term unemployment among men (see Chart 25). Overall, the long-term unemployment rate for women increased from its low of 2.7 % in 2008 to 4.1 % in the third quarter of 2011, while for men it rose more steeply from the low of 2.3 % to the same figure of 4.1 %.

Edging up of long-term unemployment has been driven by severe increase in few Member States, while in most it has stabilised...

Nearly all Member States registered a sharp increase in long-term unemployment over the three years to the third quarter of 2011. However, most of the increase occurred between 2008 and 2010. Compared to a year earlier, the long-term rate had, by the third quarter of 2011, declined or remained unchanged in most Member States, and had moderated in the others. The highest rises (but of just 1.4-1.6 pps) were still seen in Bulgaria, Cyprus, Greece and Luxembourg. Overall, the long-term unemployment rate quadrupled in Ireland, Latvia and Spain, and surged even more from a subdued 1.3 % in Lithuania to nearly 8 % (see Chart 17).

Chart 17: Long-term unemployment rates for EU Member States, 2008q3, 2010q3 and 2011q3



Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted.

...so variations are more pronounced now and long-term unemployment is a challenge in some Member States

As a result of three years of deterioration, the long-term unemployment rate now varies more markedly across Member States, ranging from around 1 % in Austria to more than 8 % in Ireland, Greece, Slovakia and Spain (see Chart 17). More than half of all unemployed persons have been without a job for more than a year in these latter countries (except for Spain) but also in the Baltic States, Bulgaria and Italy, while in Austria, Cyprus, Denmark, Finland and Sweden less than a quarter of the job seekers have been without a job for more than one year.

Long-term unemployment in the EU may intensify, along with associated social consequences...

Though the annual increase in long-term unemployment has slowed down, recent unfavourable developments in unemployment may soon cause a renewed surge. The increased risk of long-term unemployment may have more severe effects on most parts of the population, causing serious problems for both the individuals affected and the overall economy. The negative effects in terms of loss of human capital, including skill depreciation and loss of motivation, and thus of future employability, career prospects and earnings, can be significant. Long-term unemployment can often lead to eventual discouragement and to people leaving the labour market.

...including a high risk of poverty and social failure

Overall, long-term unemployment generates a high risk of poverty and social exclusion. In 2010, just less than 65 % of all unemployed persons (aged 18+) in the EU were classified as living in poverty or social exclusion. They have had to cope with at least one of three situations: monetary poverty (around 45 %), material deprivation (23.5 %) and/or living in households in which no-one is in work. These shares remained unchanged over the previous year and are notably higher than for the employed population, where just 12 % lived in poverty and social exclusion. Remaining in long-term unemployment for several years brings with it a persistent risk of poverty and associated social failure and often leads to an intergenerational transfer of poverty (see the special focus on child poverty).

Inactivity and discouragement

On the other hand, inactivity in the EU has not increased...

The unfavourable labour market conditions, with higher unemployment and long-term unemployment, and the current second downturn have had no evident impact on inactivity in the EU as a whole. At EU level, the average inactivity rate has remained broadly stable (or even decreased by 0.3 pp) since the crisis began, fluctuating marginally just below the 30 % level. However, this stability masks somewhat divergent developments in inactivity rates across the Member States and for specific sub-populations.

...owning to a decline in inactivity among women

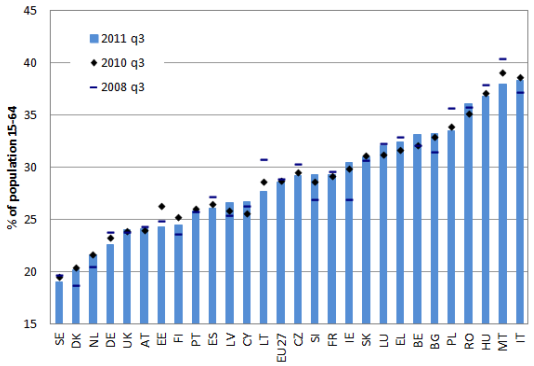
Trends in male and female inactivity continued to diverge by the third quarter of 2011. Women have become steadily more active in the labour market, with the inactivity rate, at 35 %, down 0.4 pp over the year to the third quarter of 2010. On the other hand, male inactivity has remained more stable, with the rate here, at 22.2 %, in fact up 0.1 pp on a year earlier and 0.5 pp on the third quarter of 2008 (see Chart 26).

The inactivity trends vary across Member States...

Notwithstanding the underlying stability in inactivity at EU level, there have been divergent trends and situations across the Member States. Lithuania, Malta and Poland — the latter two with the highest inactivity rates in the EU — were the most successful Member States in terms of getting people into the labour market over the last few years, the inactivity rate falling by 2.2 pps or more over the three years to the third quarter of 2011. On the other hand, Bulgaria, Ireland and Slovenia registered an increase of 1.7 - 3.6 pps over that period, while inactivity also increased by 1.5 pps, albeit from a low level, in Denmark.

While in Poland the decline was less marked over the previous year, the decline in inactivity in Malta and Lithuania, and in additionally in Estonia, was most pronounced in the year to the third quarter 2011 (up by around 1 pp or more). On the other hand, Belgium, Cyprus and Romania were the countries with the highest increase (by around 1 pp, see Chart 18). Due to the structure of the labour market and the contrasting impact of the crisis, the inactivity rate varies significantly across Member States, ranging from just 20 % in Denmark, the Netherlands and Sweden to just below 38 % in Italy and Malta.

Chart 18: Inactivity rates for EU Member States, 2008q3, 2010q3 and 2011q3



Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted.

...while it has increasingly concealed discouragement, with nearly every fifth inactive person really wanting to work

Over and above nearly 7 % of unemployed population (measured by the unemployment ratio (15-64)) a further 5 % or more of the population (equivalent to 19 % of all inactive persons) actually wants to work. On the one hand, those who do seek employment (but were not classified as ILO unemployed - were not immediately available for work) accounted for 2.5 % of the inactive population in the third quarter of 2011, slightly down from 2.9 % three years before and unchanged from a year

earlier. On the other, the share of inactive persons who would like to work but who are not actively seeking employment increased from below 15 % to 16.4 % over the same period, mainly during 2010.

Overall, discouragement has been increasing during the crisis. In 2010, 4.6 % of all inactive persons did not believe there was a job available, compared to 3.7 % at the onset of the crisis in 2008. This phenomenon of detachment or discouragement is found across all population segments although, like unemployment and long-term unemployment, it tends to be associated more with vulnerable groups[4].

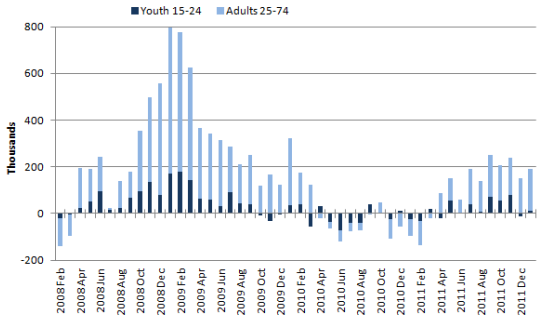
Youth

The second downturn in labour market conditions for young people in the EU has continued, albeit at a more moderate pace…

Labour market recovery for youth did not last long. After a year of stabilisation, unemployment again began to climb in May 2011. However, there were some signs of moderation last December and January.

During the three months to January, youth unemployment increased by just 75 000 (1.4 %) while adult unemployment went up by 490 000 (2.7 %). Still, compared to a year earlier, youth unemployment was up by a significant 270 000 (5.1 %) in January 2011, driven mostly by an increase in young male joblessness, while adult unemployment was up by 1.2 million (6.9 %). So far, the second downturn has left 300 000 (5.8 %) more young people unemployed and 1.3 million (7.2 %) more adults unemployed in January 2012, compared to April 2011 (see Chart 19).

Chart 19: Changes in EU unemployment for young people and adults, 2005-2012



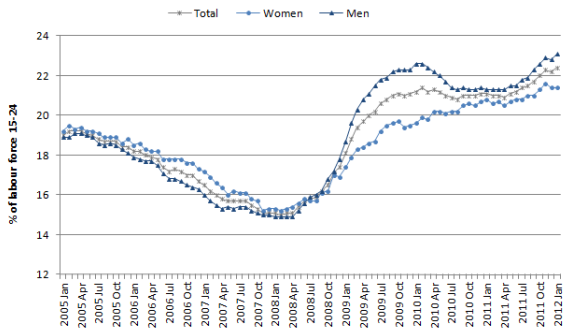
Source: Eurostat, Series on unemployment. Data seasonally adjusted.

…and the unemployment rate for the young has continued to edge up to unprecedented levels…

The youth unemployment rate, which remained broadly stable at around 21 % between mid-2010 and mid-2011, started to rise in May 2011. In fact it surged by 1.5 pps (especially strongly last autumn) to reach a new high of 22.4 % in January 2012 (see Chart 20). The rate in January was 1.3 pps higher than the rate registered a year ago, and 0.4 pp higher than three months earlier. Compared to that, the unemployment rate for adults increased by just 0.4 pp over its recent low in February/ March 2011 to 8.7 %, up just 0.2 pp compared to the level three months before.

Young women and young men both started to encounter a shortage of jobs at the same time: the unemployment rate for young men has increased since spring to 23.1 % and that for young women climbed 21.4 % in January 2012.

Chart 20: Youth unemployment rates for the EU by sex, 2005-2012



Source: Eurostat, Series on unemployment. Data seasonally adjusted.

[4] See the analysis of labour market segmentation in the September 2011 issue: http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=1080&furtherNews=yes.
and the analysis of discouragement and underemployment in the December 2011 issue: http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=1080&furtherNews=yes.

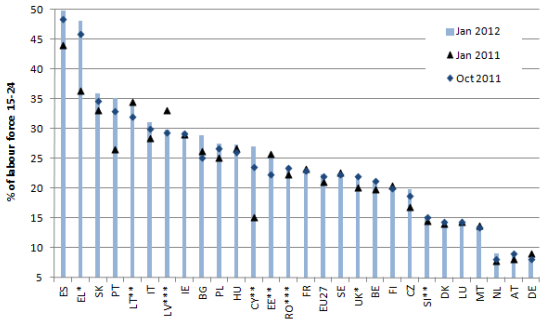
Youth unemployment increased in most Member States during recent months…

Hidden behind the general deterioration in the labour market for young people in the EU lie diverging trends across Member States (see Chart 21 and Chart 22). The youth unemployment rate rose in most of the Member States and fell in just a few during the three months to January 2012 (or respective dates). The rate continued to rise markedly in Bulgaria and Cyprus, adding 3.8 pps and 3.4 pps respectively, and to edge up by 2.2-2.8 pps in Estonia, Greece, Lithuania and Portugal. On the other hand, it continued to decline in Germany and Luxembourg (down 0.4 - 0.5 pp).

…and the youth unemployment rate is again higher than a year ago in most Member States

In line with various other developments over recent months, the rate of unemployment among young people is higher than a year ago in most Member States. Cyprus, Greece and Portugal recorded the highest year-on-year rises (9-12 pps). The rates have reached alarming levels of nearly 50 % in Greece and Spain. On the other hand, the situation improved in seven Member States, most noticeably in Latvia (down by 3.2 pps) over the year to the third quarter of 2011.

Chart 21: Youth unemployment rate for EU Member States, January 2011, October 2011 and January 2012

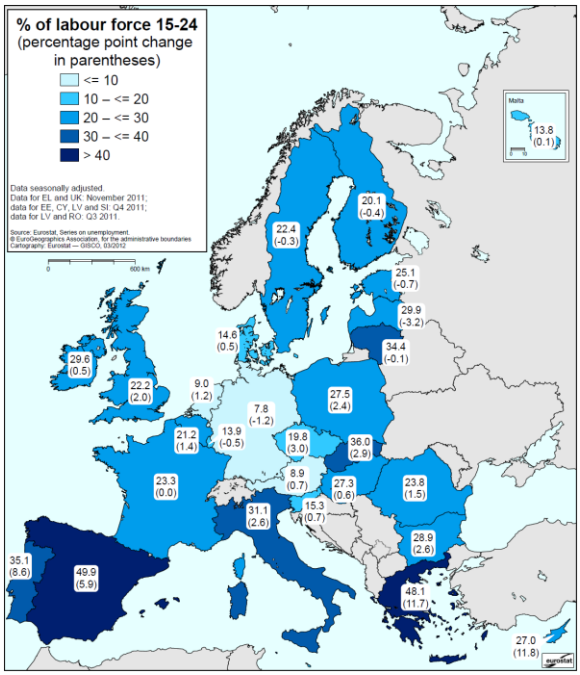


Source: Eurostat, Series on unemployment. Data seasonally adjusted. Note: * EL and UK Nov 2011, ** EE, CY, LT and SI Q4 2011, *** LV and RO Q3 2011.

The overall impact of the downturns on young people in the EU has been substantial …

The marked deterioration in the labour market situation for young people during the crisis of 2008-2009 and the current renewed downturn have highlighted the problem of youth unemployment. At 5.5 million, youth unemployment in the EU is up by more than a quarter (1.5 million) compared to the low of spring 2008.

Chart 22: Youth unemployment rates and year-on-year changes, January 2012



The period since spring 2008 can be divided into three phases: the initial years of 2008-2009, with a marked increase in unemployment among young men; a weak recovery in 2010-2011, when unemployment stabilised and any small unemployment increases tended to favour women; and the period since May 2011, where the unemployment rise has affected young women and men alike. This marked overall increase was driven by a sharper rise in unemployment among young men, who account for 60 % (nearly 1 million) of the increase, while unemployment among young women grew by 540 000.

Unemployment affects more than one in five young people active in the EU labour market…

The youth unemployment rate has been on average 2.5-2.7 times higher than the adult rate, and the downturn has only added to the structural problems young people face on the labour market. While the unemployment rate for adults, at 8.7% in January 2012, remains 3.0 pps higher than its low of 5.7% in early 2008, the rate for young people (currently 22.4%) is very markedly up, by more than 7 pps from a low of around 15%.

…and overall, unemployment concerns nearly one in ten young people in the EU

The comparative disadvantaged position of young people is less pronounced if unemployment is compared to the respective total population (not to the labour force), though a discrepancy persists and the recent deterioration is not yet taken into account. In the third quarter of 2011, while 6.3 % of all adults were unemployed, up 1.9 pps on its low of 4.4 % in the third quarter of 2008, the corresponding figure for young people was 9.3 %, up 2.1 pps on its low of 7.1 % three years earlier.

Youth unemployment became a major challenge in nearly all Member States

The current labour market situation varies across Member States, and youth unemployment has become a serious problem in several countries, hitting historic highs in some (Cyprus, Denmark, Hungary, Greece, Ireland, Italy, Spain, the UK). The youth unemployment rate is now over 15 % in all but seven countries (Austria, Denmark, Germany, Luxembourg, Malta, the Netherlands and Slovenia) and is around 30 % or more in Italy, Ireland, Latvia, Lithuania, Portugal and Slovakia. At the extreme end of the scale, unemployment affects nearly half of all active young people in Greece (48.1 %) and Spain (49.9 %, see Chart 21 and Chart 22).

Long-term unemployment among young people remains problematic in the EU…

The increase in the long-term unemployment rate for young people during the crisis was more noticeable than for other age groups, though the rise had levelled out by mid-2011 (see Chart 25). In the third quarter of 2011, the long-term unemployment rate for young people was up by 0.5 pp compared to a year earlier, an increase higher than for prime-age adults and for older people aged 55-64. Overall, the long-term youth unemployment rate increased by 2.9 pps from its low of 3.4 % in the third quarter of 2008 to 6.3 % three years later, while the rate for adults rose by 1.5 pps from 2.3 % to 3.8% in the same period. The recent unfavourable developments in youth unemployment may soon intensify the long-term unemployment problem.

Inactivity among young people in the EU labour market has continued to rise…

Inactivity among young people in the EU has continued to rise, albait recently at a slower pace (see Chart 26). The large increase in the rate for young people during the crisis contrasts with developments in participation rates for other age groups, especially for older people, for whom the rate has decreased year-on-year at roughly the same pace as before the crisis. In the third quarter of 2011, the inactivity rate for young people, at 56.0 %, was up by 0.3 pp compared to a year earlier and by 1.8 pps on the third quarter of 2008.

…partly due to discouragement…

The increase in youth inactivity results in some part from discouragement. In the third quarter of 2011, 2.0% of inactive young people were actually seeking employment (but were not classified as ILO unemployed – were not available immediately to work), the same share as a year before and 0.3 pp fewer than in the third quarter of 2008. At the same time 12.6 % wanted to work but were not seeking employment, which was an increase of 0.4 pp over 2011 but return to the level of three years before (12.6%). Overall, the share of inactive young people who think that no work is available increased from 1.3% in 2008 to 1.6 % in 2009 and further to 1.8 % in 2010.

The surge in unemployment and the increase in inactivity over the three years to the third quarter of 2011 also resulted in a drop in the employment rate for young people to 34.7 %, which was more severe than among adults (see Chart 27).

…while inactivity due to education and training has remained fairly constant

The share of young persons who are inactive because they are in education and training - which is the main reason for inactivity - has remained broadly stable since 2005, at 86 % in the third quarter of 2011. In general, in recent quarters (with the inactivity rate rising by between 0.3 and 0.7 pp year-on-year) the percentage of young people participating in education or training has remained broadly unchanged year-on-year (fluctuating around 65-67 %).

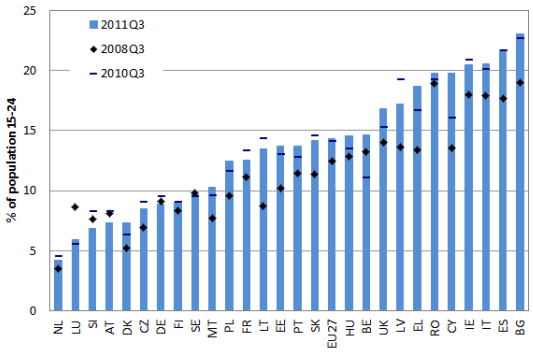
The deterioration of the labour market for youth has been reflected by the rise in NEETs

Given the high share of young people in education, inactivity as such should not be a consideration, but it is the young people who are neither in employment, nor in education and training (NEETs) who constitute the biggest problem group. In the third quarter of 2011, 14.3 % of young people came in this

NEET category, accounting for 8.3 million young people, nearly unchanged on a year earlier (+43 000), but notably up (roughly +800 000) on the 12.5 % registered in the third quarter of 2008 (see Chart 23).

Eurofound[5] explores in more details the issue of NEETs in the EU, including the profile of the NEET group and risk factors, economic costs and social consequences.

Chart 23: Young people not in employment, education or training (NEET) for EU Member States, 2008q3, 2010q3 and 2011q3



Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted.

Hidden behind a stable NEET rate for youth in the EU over the last year, there lie diverging trends across Member States (see Chart 23).The NEET rate rose in most of the Member States during the year to the third quarter of 2011 – it surged most notably in Belgium, Cyprus and Greece (gaining 2.0-3.7 pps). On the other hand, it declined in Austria, Slovenia and Latvia (down 1-2 pps). Compared to three years earlier, the NEET picked up most in Cyprus and Greece (up by more than 5 pps) and declined in Austria, Germany, Luxembourg, Slovenia and Sweden.

Consequently, the NEET rate now varies more markedly across Member States, ranging from less than 6 % in Luxembourg and the Netherlands to more than 20 % in Bulgaria, Ireland, Italy and Spain.

The double downturn of the EU labour market for young people may intensify social risks

The severe development since spring 2008 has been all the more worrying as there is ample research evidence to suggest that a period in unemployment during early adulthood has lasting negative effects in terms of both future employment and wage prospects. Moreover, increased unemployment can heighten the risk of long-term unemployment or detachment from the labour market. If the recent upward trend in the unemployment continues, long-term unemployment, the proportion of young people not in education or training and other challenges might intensify.

5 http://www.eurofound.europa.eu/publications/htmlfiles/ef1172.htm

Box 1: Recent measures to tackle youth unemployment: The Youth Opportunities Initiative

Background and recent measures

"The most urgent social matter"[6]: 5.5 million young people in the EU are currently unemployed, accounting for more than one-fifth of all active youth, and roughly 8 million young people between 15 and 24 are neither in employment nor in education or training (NEET). This concerns not only low-skilled young people having left school too early, but more and more university graduates who cannot find a first job.

Against this backdrop, the European Commission launched a **Youth Opportunities Initiative** (YOI) on 20 December 2011. While employment and education policies are primarily Member States' competence, the objective of this initiative is to enhance, with EU policy and financial support, the delivery of concrete measures tackling youth unemployment on the ground. YOI is based on a strong co-operation with the Member States, to support them in defining and implementing appropriate strategies and measures for tackling youth unemployment, by making full use of available EU funding.

The initiative has two central objectives:

- Stop the inflow of very young people into unemployment: those leaving education at the age of sixteen or seventeen should continue with a high quality vocational training. This will prepare them better for jobs in areas where there is demand for new workers;
- Give young people with a diploma the opportunity to gain work experience: for example in high quality traineeships, or in a job through incentives for the recruitment of young people.

Member States, in particular those with the highest youth unemployment rates, are thus called upon to take decisive measures in the following four main areas:

- preventing early school leaving;
- developing skills that are relevant to the labour market;
- supporting a first work experience and on-the-job training;
- access to the labour market: getting a (first) job.

To these four areas, one should also add, as foreseen in the Youth on the Move flagship initiative (see below), the so-called "youth guarantees": the European Commission encourages Member States to ensure that all young people are in a job, further education or training within four months of leaving school. The informal European Council in January 2012 committed to the objective that within a few months of leaving school, young people should receive a good quality offer of employment, continued education, an apprenticeship or a traineeship

In the framework of the forthcoming Employment Package due in mid-April 2012, a staff working document will focus on the first steps taken under the YOI. This document will present an overview of recent measures taken in the Member States, in particular those with high youth unemployment. To support the implementation of these policies at national level, two studies will be published in April and May this year: "Study on the apprenticeship supply in the Member States" and "Study on a comprehensive overview on traineeship arrangements in the Member States".

Member States are expected to address youth employment in their 2012 National Reform Programmes under the Europe 2020 strategy and youth policies and measures will systematically be addressed in the Country Specific Recommendations for 2012. The Commission will continue to assess and analyse measures taken by Member States to fight youth unemployment and will report on this to the informal Council of Employment and Social Ministers in April 2012.

Main actions financed directly by the Commission in the Youth Opportunities Initiative will include:

- € 4 million to help Member States set up 'youth guarantee' schemes to ensure young people are either in employment, education or training within four months of leaving school;
- € 1.3 million to support the setting up of apprenticeships through the European Social Fund. An increase of 10% by the end of 2013 would add a total of 370 000 new apprenticeships;
- € 3 million of the European Social Fund Technical Assistance to support Member States in the setting up of support schemes for young business starters and social entrepreneurs.

[6] This is how European Commission President Manuel Barroso qualified the plight of youth unemployment, in his State of the Union address to the European Parliament in September 2011 (see also http://ec.europa.eu/commission_2010-2014/president/state-union-2011/index_en.htm).

The actions proposed by the Commission will pave the way for Member States to develop further youth-related measures under the next generation of European Social Fund programmes and as part of the EU budget 2014-2020.

Youth in the Europe 2020 Strategy

As suggested above, youth also figures prominently in the **Europe 2020 strategy**, which is aimed at establishing **smart, sustainable and inclusive growth in the EU**.[7] YOI is an integral part of this strategy and builds on Europe 2020, especially on the 'Youth on the Move' flagship initiative, one of the seven flagship initiatives contained in the strategy.

- **'Youth on the Move'**[8] is a comprehensive package of policy initiatives on education and employment for young people in Europe. It aims to improve young people's education and employability, to reduce high youth unemployment and to increase the youth-employment rate – in line with the wider EU target of achieving a 75% employment rate for the working-age population (20-64 years).

In addition to this, another flagship initiative is also helping youth:

- **'The Agenda for New Skills and Jobs'**[9] is designed to help the EU reach its employment target for 2020: 75% of the working-age population in work. The Agenda also contributes to achieving the EU's targets to get the early school-leaving rate below 10% and more young people in higher education or equivalent vocational education (at least 40%), as well as to have at least 20 million fewer people in or at risk of poverty and social exclusion by 2020.

The strategy is being implemented in the framework of the European Semester, through which the Commission examines the national policies and makes country specific recommendations, putting the emphasis on youth. Already in the previous exercise, in 2011, ten Member States received country-specific recommendations on youth employment, and eleven in the area of education. By mid-April 2012, Member States are expected to report on these recommendations to the Commission, in their National Reform Programmes (NRP).

Looking ahead: promoting youth entrepreneurship...

The Europe 2020 strategy, along with the flagship initiatives referred to above, recognises entrepreneurship and self-employment as key for achieving smart, sustainable and inclusive growth. Entrepreneurship and self-employment indeed contribute to job creation, skills development and to giving unemployed and disadvantaged people an opportunity to fully participate in society and the economy.

Recently, the European Commission launched a project over 2012 – 2014 in association with the OECD aimed at collecting data on the importance of entrepreneurship and self-employment in achieving inclusive growth. It will take the form of annual reports and, each year, three policy briefs are to be produced. The first policy brief, released in March 2012, addresses the question of youth entrepreneurship.[10]

Here are its main conclusions:

- 40% of youth indicate an interest in self-employment and governments have a substantial number of programmes in place to help them start businesses, including entrepreneurship education and training; coaching and mentoring; financial support; and infrastructure including incubators and youth business networks.
- There is some evidence of success in helping young people to exit unemployment and generating economic value added, although the evidence base is relatively small and generally lacks rigour; evaluation should be bolstered so that policy makers can focus on approaches that work.
- Youth entrepreneurship is unlikely to be a panacea for solving the youth unemployment problem but it can be a part of the response. To maximise effectiveness and efficiency, policy should target resources on young people with the best chance of success, provide sufficient support to allow them to start businesses outside of low entry-barrier but high competition sectors and provide integrated packages of complementary support rather than one-shot instruments.

[7] More information on http://ec.europa.eu/europe2020/index_en.htm.
[8] More information on http://ec.europa.eu/youthonthemove.
[9] More information on http://ec.europa.eu/social/main.jsp?langId=en&catId=958.
[10] To be downloaded from http://www.oecd.org/dataoecd/59/51/49972985.pdf.

Other selected groups

This section on vulnerable groups is based mostly on EU LFS data, which cover the period up to the third quarter of 2011, so the recent downturn in the EU labour market, visible in the unemployment statistics, is not yet properly reflected here.

By the third quarter of 2011, the situation on EU labour markets had deteriorated again for some population segments, namely migrants and the low-skilled, but also for high-skilled groups. The unemployment rate had gone up for those groups and long-term unemployment expanded the most.

Older people in the EU have remained least affected by the downturn …

Compared to other age groups the labour market for older people (aged 55-64) has been least affected. They have increasingly stayed in the labour market even during the crisis.

In the year to the third quarter of 2011, the unemployment rate for older people, always lower than for young people and prime-age adults, edged down slightly by 0.1 pp to 6.5 % (see Chart 25). Consequently, the increase in the long-term unemployment rate moderated to a negligible 0.1 pp (see Chart 26). A decline in the inactivity rate — by a significant 1.1 pps to just below 50 % (see Chart 27), meant the employment rate for older people picked up significantly, by 1.1 pps (see Chart 28).

Overall, while three years of labour market downturn increased the unemployment rate for older people by just 1.7 pps, less than for other age groups, the inactivity rate continued its downward trend (down 2.7 pps) improving the employment rate by 1.7 pps.

…yet efforts are needed to encourage employment of older people and prevent long-term unemployment…

However, at least two issues have continued to make older people vulnerable. First, despite improvements, their employment rate remained very low - 47.7 % in the third quarter of 2011, reflecting the low average exit age, which stood at 61.4 in 2008-2009. Secondly, while the long-term unemployment rate was no higher than that for prime-age adults (at 3.8 % by the third quarter of 2011), nearly 60% of the unemployed aged 55-64 remained without a job for more than a year.

…to continue the downward trend in poverty and social exclusion among older people

Because the labour market for older people has deteriorated less than that for other age groups, the level of poverty and social exclusion in this group has gone down and is the lowest among all age groups.

In 2010, around 22 % of people aged 55+ in the EU were classified as living in poverty or social exclusion, down by around 1.5 pps on 2009. They faced at least one of the following three situations: monetary poverty (less than 14 %), struggle with material deprivation (6.7 %, down from 7.7 % in 2009) and/or living in jobless households. These rates were similar to those for prime-age workers, among whom just under 22 % lived in poverty and social exclusion. Unemployed older people faced a higher risk of poverty and social exclusion (more than 60 %) but this rate is lower than that for the prime-age unemployed (66%).

Unemployment of migrants in the EU has gone up again, adding to the effects of the severe 2009 deterioration…

The labour market situation for third-country migrants has always been difficult and the economic downturn has exacerbated the problems.

After some stabilisation in 2010, for the year to the third quarter of 2011, the unemployment rate of non-EU nationals had increased by 0.8 pp, while the inactivity rate had remained unchanged. This deterioration contributed to the reduction of the employment rate by 0.6 pp (see Chart 28).

The unemployment rate for migrants remains more than double the rate for nationals. Nearly one active migrant in five is unemployed, up by around 6 pps on the level recorded three years earlier. The gap in the unemployment rate between non-EU nationals and nationals, which oscillated around the 7-8 pps level before the crisis, was around 11 pps in 2011 (see Chart 24). These negative trends have aggravated the risk of poverty and social exclusion among migrants. Around 42 % of adult migrants aged 18-64 in the EU were classified as living in poverty or social exclusion in 2010, up by around 1.4 pps on 2009, and 3.2 pps above the low recorded in 2008. They faced at least one of the following situations: monetary poverty (a third),

struggling with material deprivation (16 %), and/or living in jobless households. These shares have been increasing over recent years, and are notably higher than for nationals, among whom just under 22 % live in poverty and social exclusion.

On the other hand, the inactivity rate for migrants, at 31 % in the third quarter of 2011, was up 0.5 pp on the rate three years earlier (see Chart 27), and has remained close to the level of 29 % for nationals. Consequently, the surge in unemployment over the three years to the third quarter of 2011 almost entirely accounted for the drop in the employment rate by 4.6 pps to around just 55.5 % (see Chart 28).

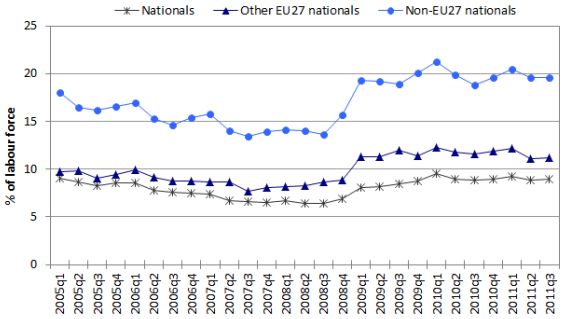
...long-term unemployment of migrants has intensified and become especially alarming...

The long-term unemployment rate, which had deteriorated sharply during the crisis, remains particularly high for non-EU nationals. It increased further after moderation in the first half of 2011, and had reached 8.6 % by the third quarter of 2011 (up 4.3 pps), against 4.4 % three years earlier (see Chart 26).

...which impacts heavily on already high poverty and social exclusion for migrants

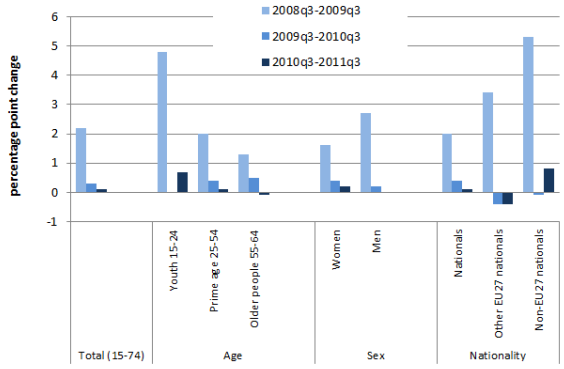
These negative trends have aggravated the risk of poverty and social exclusion among migrants. Around 42 % of adult migrants aged 18-64 in the EU were classified as living in poverty or social exclusion in 2010, up by around 1.4 pps on 2009, and 3.2 pps above the low recorded in 2008. They faced at least one of the following situations: monetary poverty (a third), struggling with material deprivation (16 %), and/or living in jobless households. These shares have been increasing over recent years, and are notably higher than for nationals, among whom just under 22 % live in poverty and social exclusion.

Chart 24: Unemployment rates for the EU by nationality



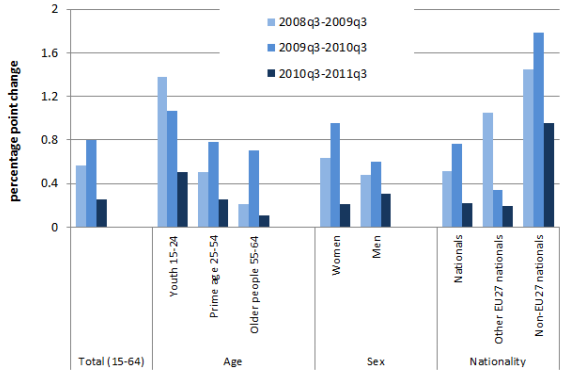
Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted.

Chart 25: Year-on-year changes in unemployment rates for the EU by population groups



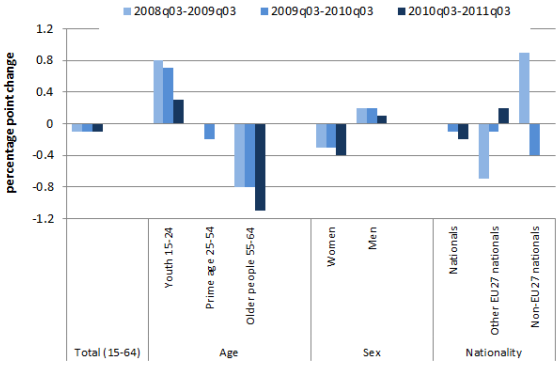
Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted.

Chart 26: Year-on-year changes in long-term unemployment rates for the EU by population groups



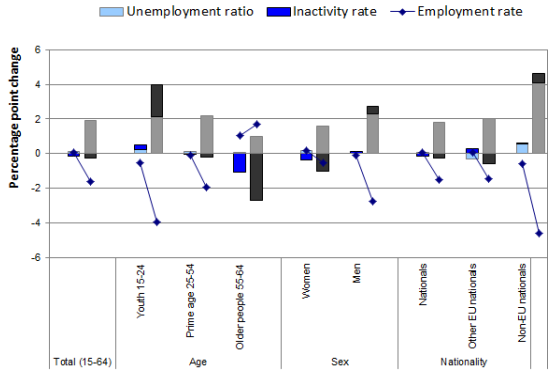
Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted.

Chart 27: Year-on-year changes in inactivity rates for the EU by population groups



Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted.

Chart 28: Changes (year-on-year and three years to 2011q3) in employment rate decomposed into change in unemployment ratio and inactivity rate for the EU by population groups



Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted. First bar - one-year change 2010q3-2011q3, second bar - three-year change 2008q3-2011q3

Financial situation of households

Results from the consumer surveys carried out under the auspices of the joint harmonised EU programme of business and consumer surveys indicate a moderate recent decline in the share of households experiencing financial distress[11] across the EU. This reflects a recent fall in households reporting they are running into debt, although the overall level of financial distress remains broadly similar to that observed in late 2008. Prior to this recent improvement the share had been increasing more-or-less continuously since the beginning of 2011, reaching a peak in the autumn of that year (Chart 29).

The effect of the crisis continues to be felt to differing degrees according to the level of household income. Data on financial difficulties for households in different income quartiles indicates there has been a recent stabilisation in financial distress across the two lower income groups, although at levels well above their respective long-term averages[12] (Chart 30). In contrast, financial distress among third quartile income households has declined in recent months to around the long-term average, while for upper income households it remains below, as it has generally been already since early 2009, and well down on the levels observed in early 2008. This suggests that richer households continue to suffer relatively much less than the lower quartiles from the lingering effects of rises in financial stress due to the crisis.

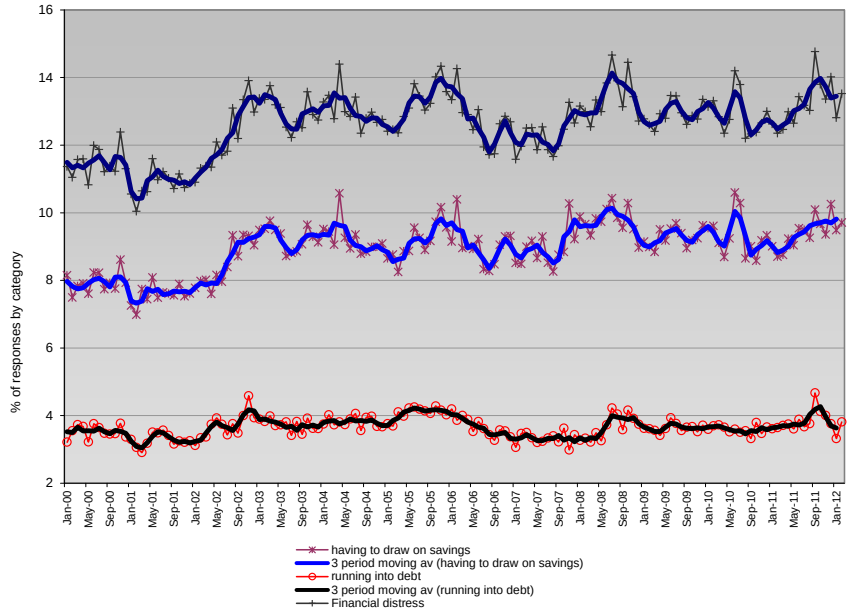
Indeed, the upper quartile households in particular have recovered more strongly and rapidly following the crisis, while, in contrast, the lower income quartile groups have generally continued to feel heightened financial stress over the entire period subsequent to the crisis, albeit following a rather volatile pattern. For both lower quartiles the financial strain indicator has generally remained significantly above their respective long-term averages for almost the entire period since late 2008.

Although figures for the EU suggest little change in the balance figures on household financial situations this masks quite marked divergence in developments across individual Member States (Chart 31). For example, balance figures on household financial situations in countries such as Germany,

[11] The combined share of households reporting that they are either having to draw on savings or are running into debt.
[12] For the period since 2000

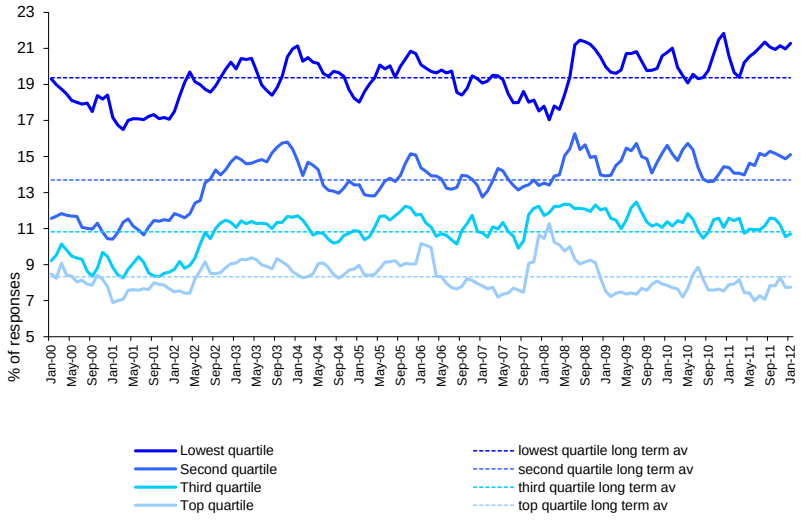
Luxembourg and Sweden indicate broadly positive trends over the years following the financial crisis, but with a period of weakening over 2011 followed by some signs of improvement very recently. This compares with pronounced downward trends over this period in countries such as Latvia, Spain and Romania, although there has been a very marked improvement over recent quarters in the former but no signs yet of a sustained recovery in the latter two where the balance remains at suppressed levels. Reflecting the recent financial turmoil in that Member State, there has been a very pronounced downward trend in the balances in household financial situations in Greece over the last year or so.

Chart 29: Share of households reporting financial difficulties (2000 – 2012)



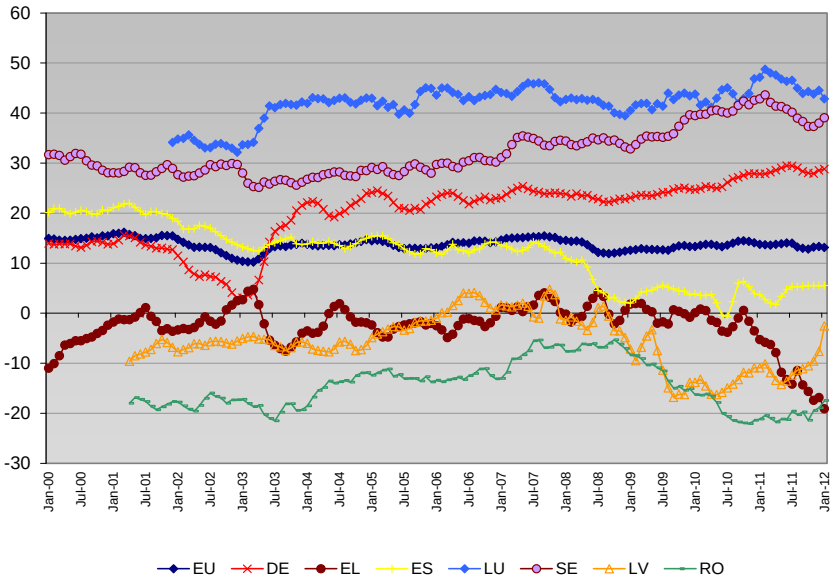
Source: Joint harmonised EU consumer surveys

Chart 30: Reported financial distress in households by income quartile of household (2000 – 2012)



Source: Joint harmonised EU consumer surveys & DG EMPL calculations.
Note: 3 month centred moving average figures.

Chart 31: Balance of consumer opinion on the current financial situation in households for selected Member States, 2000 - 2012



Source: Joint EU harmonised consumer surveys, seasonally adjusted data. Note: 3-month centred moving averages

Underlying labour market developments

As noted earlier, the general trends in employment mask significant differences across groups, Member States, sectors and types of employment. This section provides an insight into the dynamics underlying the slight overall improvement seen on the labour market until the second quarter of 2011, notably part-time and temporary work, working hours and labour costs. Employment dynamics are analysed in terms of new starters and leavers, and recent developments in some major sectors are presented. Two special focus sections also highlight the labour market mismatches –through Beveridge curves- on the one hand, and the impact on employment and skills needs of the transition towards a greener economy on the other hand.

Employment patterns

Growth in permanent contract jobs has remained slack, while temporary employment and self-employment lost momentum

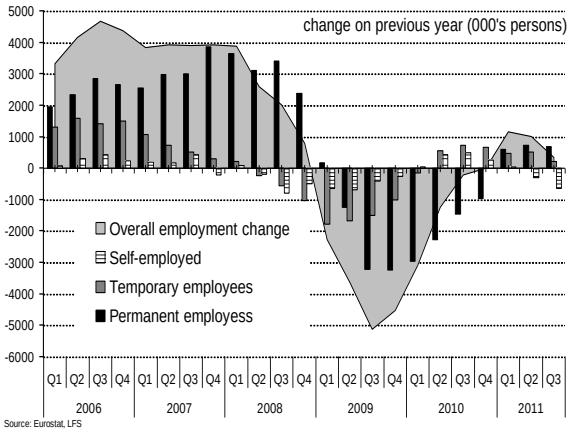
The timid upturn in aggregate employment since 2011 q1 came to an end in 2011 q3. However, the steady gain in permanent contracts over the three quarters of 2011 marked a break with the past two years. Nevertheless, growth in permanent contracts remained modest (+0.5 % in 2011 q3 and 2011 q2, year-on–year, see Chart 32); compared to three years ago, the gap in permanent employment still amounts to 4 million and accounts for 80 % of the total fall in employment.

The number of employees on limited duration contracts, which was the main source of employment increase since 2010 q2 (+2.4 % y-o-y), posted a slowdown in 2011 q3 (+0.9 % after the +2.1 % in the previous quarter). At the same time, the number of self-employed fell, by 1.8 % (y-o-y in 2011 q3), with the result that there are now 630 000 fewer self-employed. This is the second consecutive quarter in which there has been a drop in the numbers of self-employed after five quarters of positive growth.

Fewer and fewer permanent jobs for young workers, more for older workers

Over the past years the number of permanent jobs for older workers has continued its upward trend. Signs of an ageing workforce, there were 1.2 million more older workers with permanent jobs during the year to 2011 q3 (+5.8 %) and, in a medium-term perspective, the number of older workers in permanent jobs has also increased considerably (+ 31 %) to 5.1 million more than six years ago.

Chart 32: Permanent, temporary, self-employment (15-64) (1 000 persons), 2006-2011



On the other hand, young workers on permanent contracts are becoming ever fewer, posting a continuous decrease since the middle of 2008 and accounting for a drop of more than 2.2 million (- 18 %). This downward trend continued in 2011, even though it was less pronounced than in the two previous years, and in 2011 q3 there were 400 000 fewer young workers (- 3.7 %) year-on-year. The collapse in permanent jobs for prime age workers was halted in the first quarter of 2011, after a drop of 3% (3.6 million) in the two years up to the last quarter of 2010. However, this improvement is only relative, as the number of prime-age workers with permanent contracts remains firmly in negative territory, with a yearly fall of 0.1 % in 2011 q3 (See Chart 33).

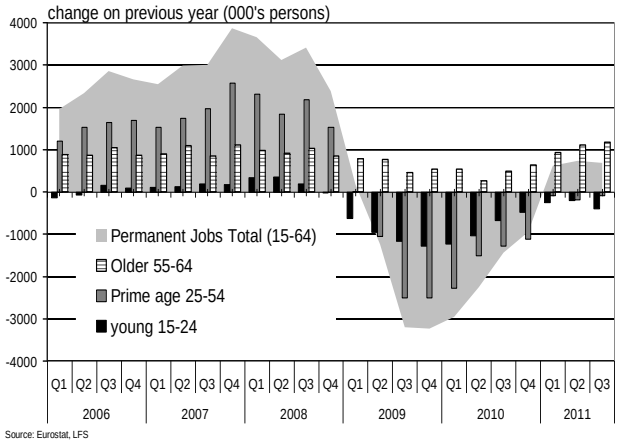
Number of young temporary workers down again for first semester 2011

Young people account for 30 % of all temporary jobs and are therefore over-represented among temporary workers. Young people have definitely not benefited from the recovery in temporary work initiated at the beginning of 2010, with the stabilisation in 2010 and a fresh decrease in 2011 (-1 % in 2011 q3, y-o-y).

However, the percentage of young workers on temporary contracts is rising (44.3 % in 2011 q3, +0.7 pp y-o-y) although due to the fall in the number of permanent jobs they are having to contend with a sharper decrease than those working in temporary jobs. For

prime-age employees, temporary jobs were what mainly contributed to softening the fall in employment in 2010 and sustained the moderate level of total employment growth in the first part of 2011.

Chart 33: Permanent employment by age group in the EU, 2006-2011



In 2011 q3, temporary jobs for prime age workers are still rising year on year (+ 300 000, +1.8 %, See Chart 34), although there has been a slowdown compared to the previous quarter.

Full time work did not finally recover, while part-time is weakening

The number of full time workers fell considerably after the 2008 downturn and, in the two years to the last quarter 2010, it was down by 5.6 million (-3.2 %), whereas part-time work continued to grow by 1.1 million (+3 %) additional jobs over the same period. The decline in full time jobs was halted in the first half of 2011 with a subdued average quarterly increase in 2011 (+0.2 % per quarter).

Part-time work has continued to be the main driver of employment stabilisation, with part time jobs accounting for two thirds of the employment growth over the three quarters 2011. In 2011 q3, there was no growth in the number of workers with full time contracts (0.0 %, y-o-y), while the number of part-time workers recorded its lowest growth since 2008, with +0.7 % or 270 000 workers over the year to 2011 q3 (chart 35).

Chart 34: Temporary employment by age group in the EU, 2006-2011

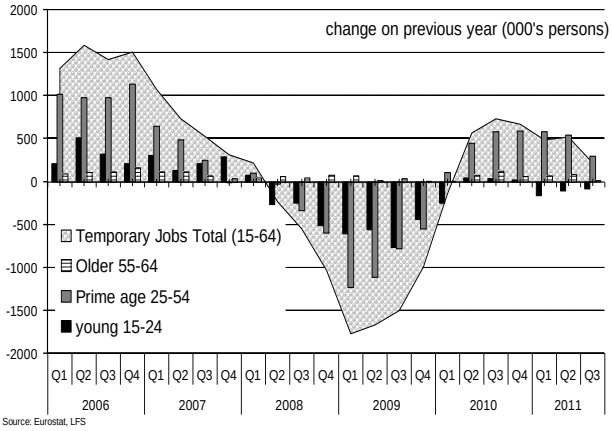
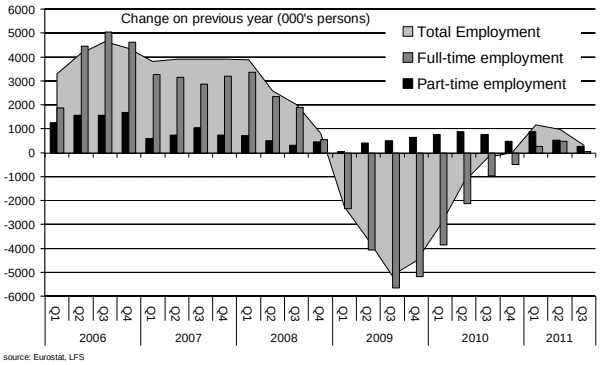


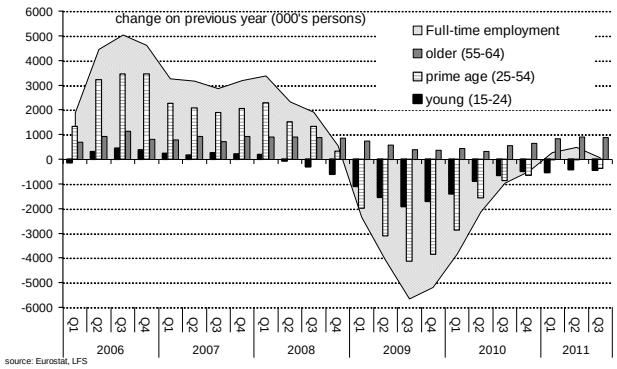
Chart 35: Change in the number of part-time, full-time, and total employed (1000 employees) in the EU, 2006-2011



Sustained growth for full-time jobs among older workers and an ongoing decrease for young workers; no bounce-back for prime age workers

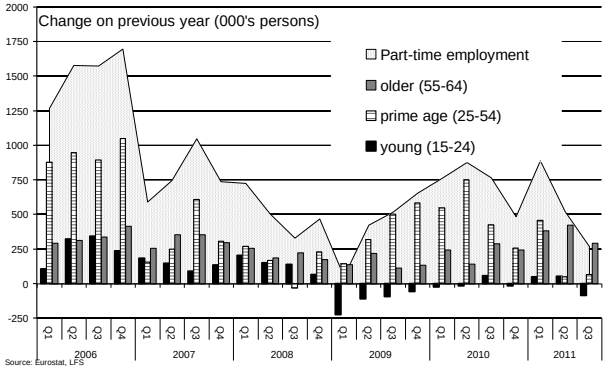
The number of full-time jobs for young workers in the EU has remained in continuous decline over the past three years. After falling sharply by 15 % during the three years to 2010 q3, and given that there were 2.5 million fewer full-time jobs for young workers, the ongoing fall in 2011 has compounded the problem, with the loss of 450 000 jobs (-3.1 %, 2011 q3, y-o-y). The decrease in full-time jobs for prime-age workers softened in 2011, but this was then followed by a further decline of 0.3 % in the third quarter of 2011. Older workers are the only age group for which full-time work has continued to grow in 2011 and over recent years. This trend picked up speed in 2011, growing by 890 000 in the year to 2011 q3 (+4.0 %), as Chart 36 shows.

Chart 36: Change in the number of full-time workers by age group in the EU, 2006-2011



The increase in part-time work in 2011 applied only to older workers, with a rise of +4.6 % in 2011 q3 (y-o-y). At the same time, there was a stabilisation in the number of part timers among prime age workers with a rise of 0.2 % in 2011 q3 (y-o-y). The number of young people employed in part-time work increased very slightly in the first half of 2011, before dipping by 1.5 % in 2011 q3 (y-o-y, see Chart 37). However, the percentage of young people with part time jobs has increased considerably over the past year – by 3.3 pp over the three years to 2011 q3 – but only because there was a sharper fall in full time employment than in part time employment.

Chart 37: Change in the number of part-time workers by age group in the EU, 2006-2011

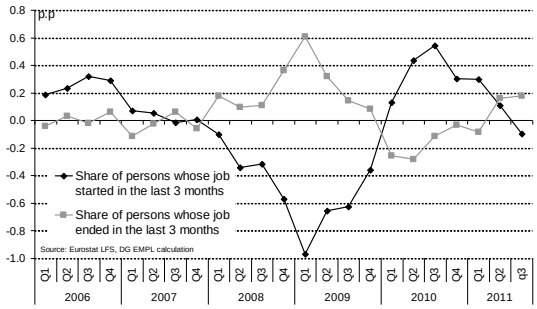


Employment dynamics: new starters and new leavers

Fewer people are starting jobs, more people are leaving them

The relative improvement in the number of people starting work, which began in the first quarter of 2010, lasted until mid-2011. After three successive quarters during which the rate of improvement slowed down, the share of people having a new job in the EU finally dropped by 0.1 pp in the third quarter of 2011 (2011 q3) compared with the year before. This means that, compared with the previous year, fewer people are starting a job[13] (see Chart 38), and this should lead to a fall in employment in Europe.

Chart 38: Persons whose job started or ended in the last three months in the EU-27, as a share of total employment, y-o-y changes, 2006-2011 (pps)



At the same time, the share of people having recently left a job rose by 0.2 pp (year-on-year) in 2011 q3 as it did in the previous quarter. The flow of people out of employment had declined in 2010 and in 2011 q1, but then rose for two consecutive quarters when compared with the previous year. This rising trend in employment outflows should result in increased unemployment and/or inactivity in the EU.

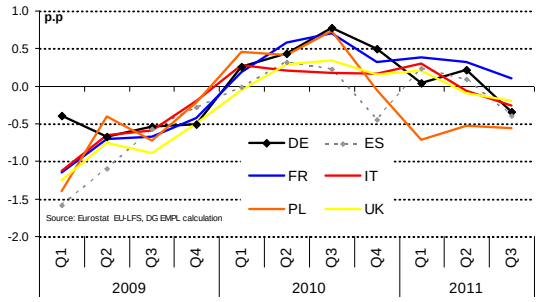
In most Member States, the share of employed persons with a new job decreased in the third quarter of 2011

In fourteen Member States, and reflected in the figure for the EU as a whole, the numbers of people with a new job (as a percentage of the total number of people in work) fell in 2011 q3. This was also true of the EU as a whole. In the largest Member States, except France, there was also a decrease in the

[13] People starting a job could have been previously in work (and thus simply changing jobs: employment to employment flows), unemployed (unemployment to employment flows) or 'Not in the Labour Force' (inactivity to employment flows).

numbers of people starting work. In Germany the decrease was 0.3 pp, after a year and half in positive territory. In Spain, numbers fell by 0.4 pp after a relative improvement over the previous period (see Chart 39). In Italy and the UK, the numbers of people starting work fell by, respectively, 0.3 pp and 0.2 pp in 2011 q3 — the second consecutive decrease. In Poland, numbers were down by 0.6 pp — a fourth consecutive fall. The situation was better in France, where the share of people starting work increased by 0.1 pp in 2011 q3 (year-on-year), though this was a smaller increase than in previous quarters. At the same time, the share of people who had recently lost their job worsened in 15 Member States.

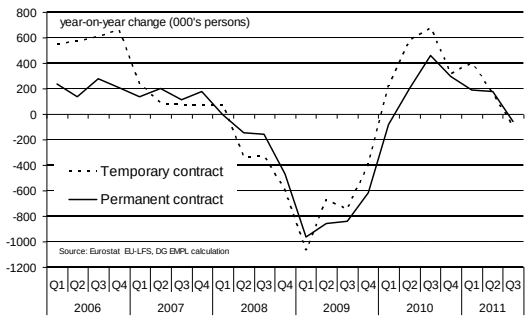
Chart 39: Persons whose job started in the last three months in the large Member States, as a share of total employment, y-o-y changes, 2009-2011 (pps)



Fewer people starting jobs, whether on a temporary or permanent contract

In the EU as a whole, the share of temporary contracts among new jobs was 67 % in 2011 q3 — the same as a year earlier.

Chart 40: persons whose job started in the last three months in the EU, year on year change (000's persons), 2006-2011



However, in fifteen EU countries this share increased. Spain still had the highest percentage of new job starters on a temporary contract — 88 % in 2011 q3, which is a year-on-year increase of 2 pp. Romania had the lowest rate: 5 % in 2011 q3 (up by 1 pp year-on-year). Overall, in 2011 q3 there was a decrease in the percentage of people with new jobs, whether on temporary or permanent contracts (see Chart 40).

Special focus: Beveridge curves (Labour market mismatches)

This special focus builds on a contribution to the March 2011 issue of this publication, in which Beveridge curves were presented for all Member States. The Beveridge curve relates unemployment rates to job vacancies. Shifts along the curve represent cyclical changes in the demand for labour, typically higher vacancies and lower unemployment in upturns, or lower vacancies and higher unemployment in downturns. On the other hand, shifts of the curve towards the left or the right (which can also be seen as, respectively, shifts down and up) are indicative of structural changes.

In this focus we zoom in on recent developments in Beveridge curves for the EU and individual Member States. We look specifically at developments during the period from the first quarter of 2010 to the last quarter of 2011[14]. At the EU level, this period was characterised by a fairly stable unemployment rate coinciding with a rise in vacancies. Such movement is likely indicative of labour market mismatches, due to very diverse developments per sector (for example, construction boom and bust), a possibly inadequate skill supply and insufficient labour mobility.

An alternative indicator for the job vacancy rate is the labour shortage indicator. The indicator is derived from EU business surveys results[15]. In each first month of a quarter, companies are asked in the business survey which main factors are currently limiting production. Labour shortage is one of the possible options offered. The indicator is the percentage of respondents choosing this option. The indicator is timely and harmonised among Member States[16]. As a drawback, it covers only manufacturing. As the labour shortage indicator is seasonally adjusted, it allows for a short-term comparison.

While the EU job vacancy rate rose moderately between the first quarter of 2010 and the last quarter of 2011 (from 1.3% to 1.5%), the EU labour shortage indicator went up much more quickly, to 6.4% (from 1.5%). As a result, the EU Beveridge curve seems to shift to the right. At the Member State level, the situation is very diverse (see Chart 41).

Genuine shifts in the Beveridge curve can only be assessed after a certain time span. Nevertheless, data up to the last quarter of 2011 seem to suggest that, for most Member States, the Beveridge curve has a tendency to shift to the right, with a higher level of vacancies for a given unemployment rate. There seem to be only three cases of a movement along the Beveridge curve, as well as a single case of a leftward shift. While most rightward shifts are quite small, there is also a group of six Member States where unemployment rates have clearly increased while the labour shortage indicator remained at a comparatively low level.

Germany is the only Member State witnessing a shift to the left of its Beveridge curve, i.e. a lower level of vacancies for a given unemployment rate. It is likely that the Hartz reforms, with their effects on activation and job creation, are at least a partial explanation for this, at present, unusual shift in the curve.

Almost half of the Member States saw a clear decline in their unemployment rate between the first quarter of 2010 and the last quarter of 2011, indicated by an arrow in the graphs. In most cases, this coincided with a slight rise in the labour shortage indicator, suggesting a very modest shift to the right of the Beveridge curve (see for example the Czech Republic and Lithuania).

In the cases of Belgium, Austria and Finland, shifts seem to take place along the curve, indicating an absence of structural change. As can be seen in Table 2, new Member States where the unemployment rate clearly declined since early-2010 still have the employment level trailing the early-2008 level, while the "older" Member States of that Group have regained that level[17].

[14] No official fourth-quarter unemployment rates were available for Italy, Austria and the United Kingdom. In these cases, an average was taken of the available monthly data. One has to take note of the caveat that the Italian monthly unemployment data should be considered as provisional.
[15] See also http://ec.europa.eu/economy_finance/db_indicators/surveys/method_guides/index_en.htm
[16] The indicator is not available for Ireland.
[17] With, respectively, Malta and Finland as exception.

Closer to the average EU Beveridge curve trend is a group of Member States which saw a rise in their labour shortage indicator as well as negligible declines or slight increases in the unemployment rate since the first quarter of 2010. Large Member States such as France, Italy, Poland and the United Kingdom are in this group.

Nevertheless, the latter group is very different from another group which saw quite unfavourable developments over the period concerned. In this group, unemployment rates clearly increased, while the labour shortage indicator stayed at a comparatively low level. Moreover, in most cases, the labour shortage indicator and the job vacancy rate both declined [18]. This is indicative of a lack of demand, as an insufficient number of vacancies opened up to make a dent in unemployment. Unsurprisingly, Greece, Cyprus, Portugal and Spain are part of this group. Other members of the group are Denmark and the Netherlands.

Early indications for the first quarter of 2012 point to an unfavourable shift in the direction of the "lack of demand" model. The EU unemployment rate rose in January to 10.1%, from a fourth-quarter average of 9.9%, while the labour shortage indicator fell from 6.4% to 5.7%.

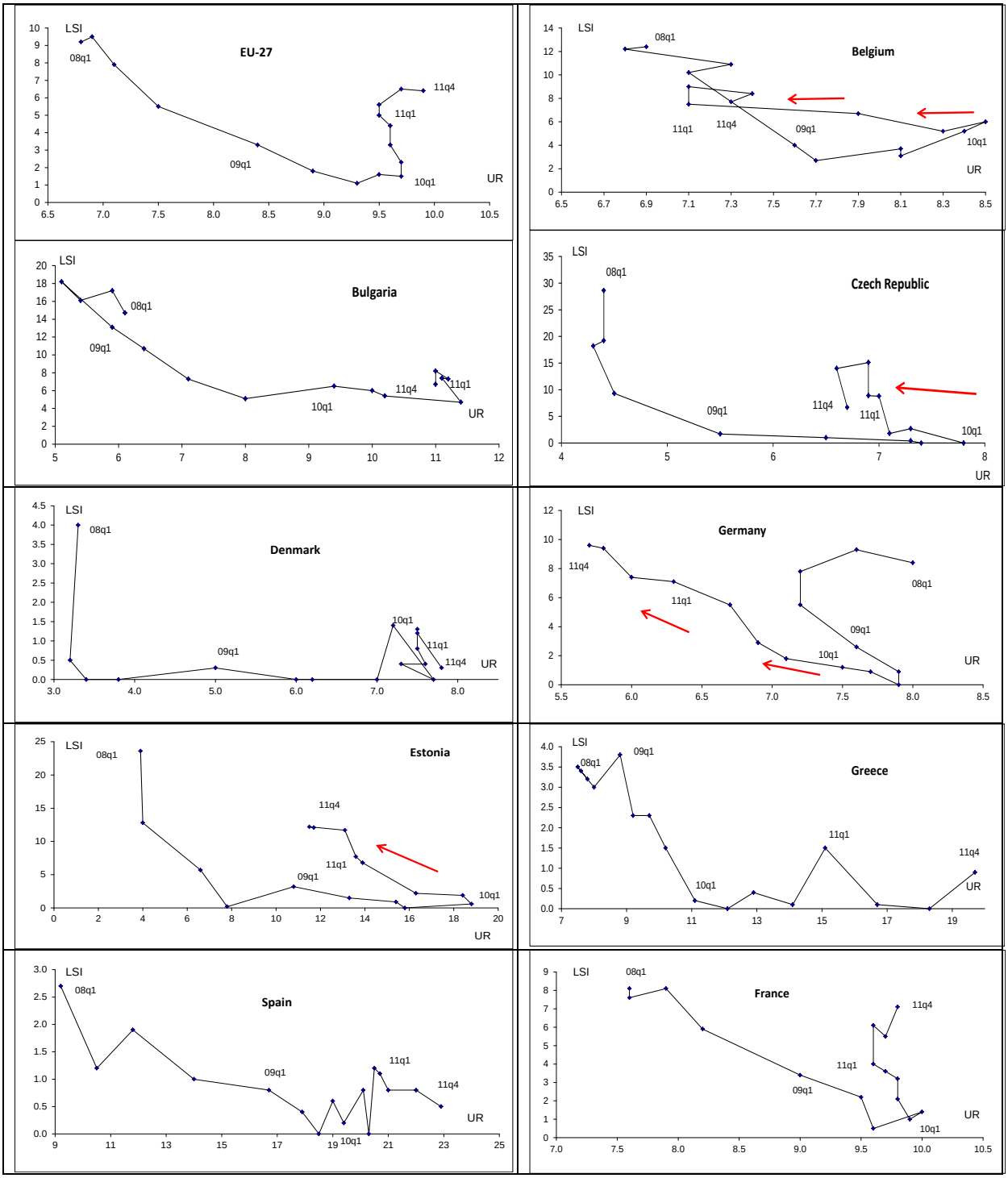
Table 2: Beveridge curve and other variables, by Member State, ranked according to the change in the unemployment rate between early-2010 and end-2011

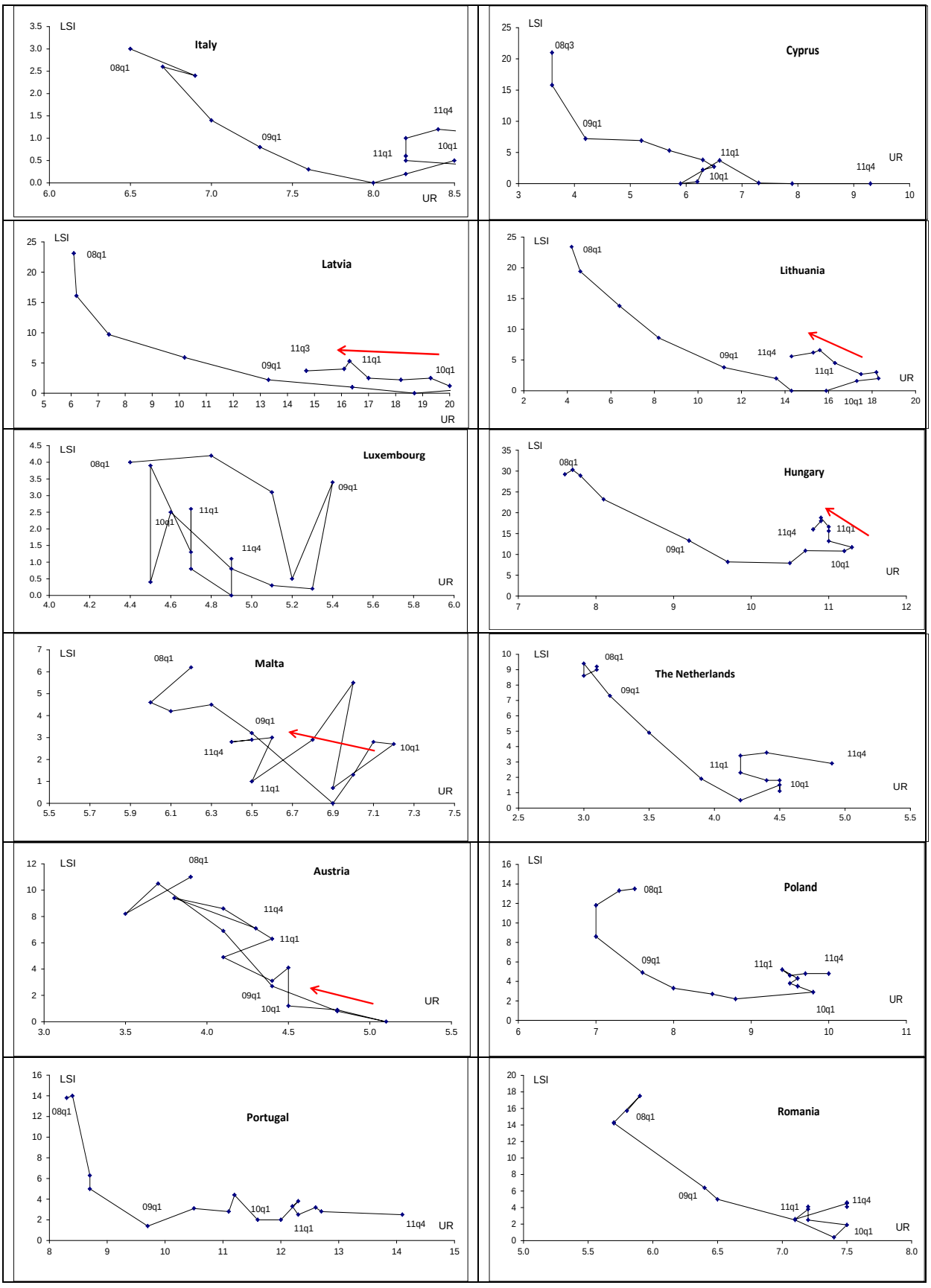
	UR (1)	LSI (2)	JVR (3)	LSI (4)	GDP (5)	EMPL (6)
	11q4-10q1	12q1-10q1	11q3/4-09q4	level 12q1	11H2/08H1	11H2/08H1
Estonia	-7.1	8.9	0.8	9.5	-7.4%	-7.5%
Latvia	-5.3	4.6	0.2	5.8	-16.0%	-16.4%
Lithuania	-3.0	4.1	0.2	5.7	-7.8%	-11.3%
Germany	-1.8	6.3	0.8	7.5	0.7%	2.4%
Slovakia	-1.3	2.5	0.0	2.6	4.6%	-1.1%
Sweden	-1.2	1.1	0.5	2.4	4.0%	1.4%
Belgium	-1.1	3.0	0.3	8.2	0.7%	2.2%
Czech Republic	-1.1	4.8	0.1	4.8	-0.5%	-2.1%
Finland	-1.1	1.9	0.5	3.1	-2.4%	-2.2%
Malta	-0.7	-1.1	1.7	1.6	2.3%	4.1%
Hungary	-0.4	7.1	0.2	17.9	-4.6%	-2.1%
Austria	-0.3	6.7	0.4	7.9	1.0%	1.9%
France	-0.1	5.1	0.3	6.1	0.0%	-0.4%
Romania	0.0	0.9	0.2	2.8	-4.2%	NA
Poland	0.2	1.3	0.0	4.2	12.0%	2.6%
Italy	0.2	0.1	0.2	0.6	-4.6%	-2.2%
EU-27	**0.2**	**4.2**	**0.3**	**5.7**	**-1.6%**	**-2.3%**
Luxembourg	0.3	-0.5	0.5	2.0	-3.1%	6.0%
Netherlands	0.4	2.7	0.0	4.2	-1.5%	-0.6%
United Kingdom	0.5	8.7	0.0	11.8	-3.2%	-1.4%
Denmark	0.6	-0.9	-0.2	0.5	-4.7%	-6.0%
Slovenia	1.4	3.0	0.5	8.8	-7.7%	-5.8%
Bulgaria	1.6	2.6	0.1	9.1	-1.6%	-11.6%
Portugal	2.5	-0.2	0.0	1.8	-3.6%	-5.3%
Cyprus	2.8	-1.4	-0.8	1.3	-0.1%	0.3%
Spain	3.5	0.3	0.3	0.5	-3.8%	-12.8%
Greece	7.2	-0.1	-0.9	0.1	-9.4%	NA

(1) UR = unemployment rate, ESTAT une_rt_q, pp, 11q4 minus 10q1
(2) LSI = labour shortage indicator, ESTAT bsin_q_r2, pp, 12q1 minus 10q1
(3) JVR = job vacancy rate, ESTAT jvs_q, pp, 11q3/4 minus 09q4
(4) LSI = labour shortage indicator, ESTAT bsin_q_r2, %, level in 12q1
(5) GDP, ESTAT namq_gdp_k, % change, averages 11H2 over 08H1
(6) EMPL = employment, ESTAT namq_aux_pem, % change, averages 11H2 over 08H1

[18] In the Netherlands, the labour shortage indicator increased, but the job vacancy rate was stable. Spain saw very small increases in both indicators.

Chart 41: Beveridge curves for the EU and selected Member States




Italy
LSI
UR
08q1
09q1
10q1
11q1
11q4
Cyprus
08q3
09q1
10q1
11q1
11q4
Latvia
08q1
09q1
10q1
11q1
11q3
Lithuania
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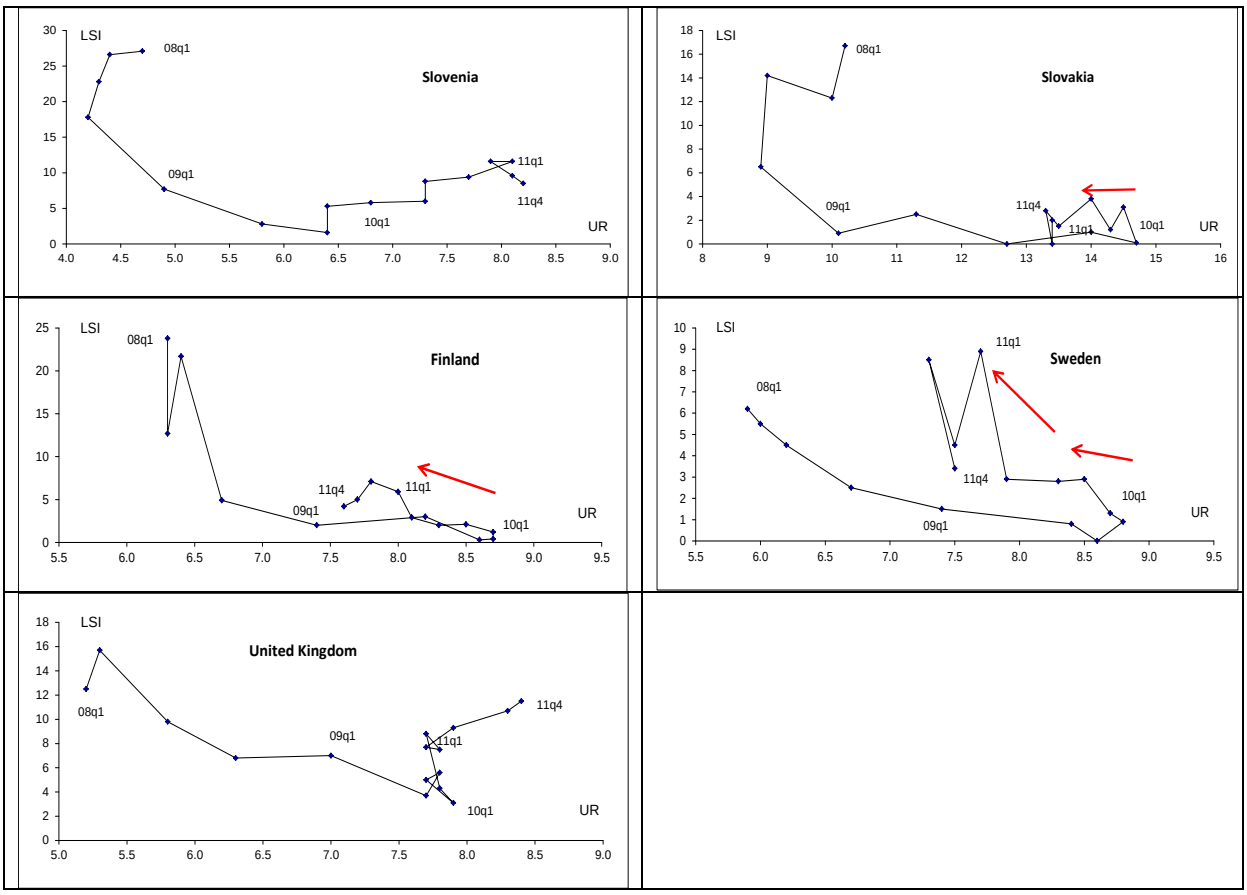
11q4



Sources: See Table 2
Note: UR = unemployment rate (%); LSI = labour shortage indicator, derived from EU business survey results (% of manufacturing firms pointing to labour shortage as a factor limiting production).

Labour demand

BUSINESS SENTIMENT AND EXPECTATIONS IN THE EU-27 AND IN THE MEMBER STATES

Employment expectations remain depressed in the tertiary sector in most Member States

In February 2012, employment expectations remained below their long-term average in the tertiary sector (Chart 42). Managers in services, retail trade and financial activities are therefore still rather anticipating a contraction of their workforce in the months ahead.

Since summer 2011, employment expectations at European level in the services sector have remained below their long-term average, yet they were on the increase since the end of 2011. In February 2012, the employment outlook declined (- 3), with a mixed pattern among Member States, the United Kingdom recording the sharpest fall (- 16) and Slovakia the strongest rise (+ 11).

Employment prospects in the retail trade have been worsening since the end of 2011, and they remain depressed in most Member States, in particular Greece (- 45), Portugal (- 28) and the United Kingdom (- 18). On the other hand they are broadly optimistic in Lithuania (24), Slovakia (18) and Germany (4).

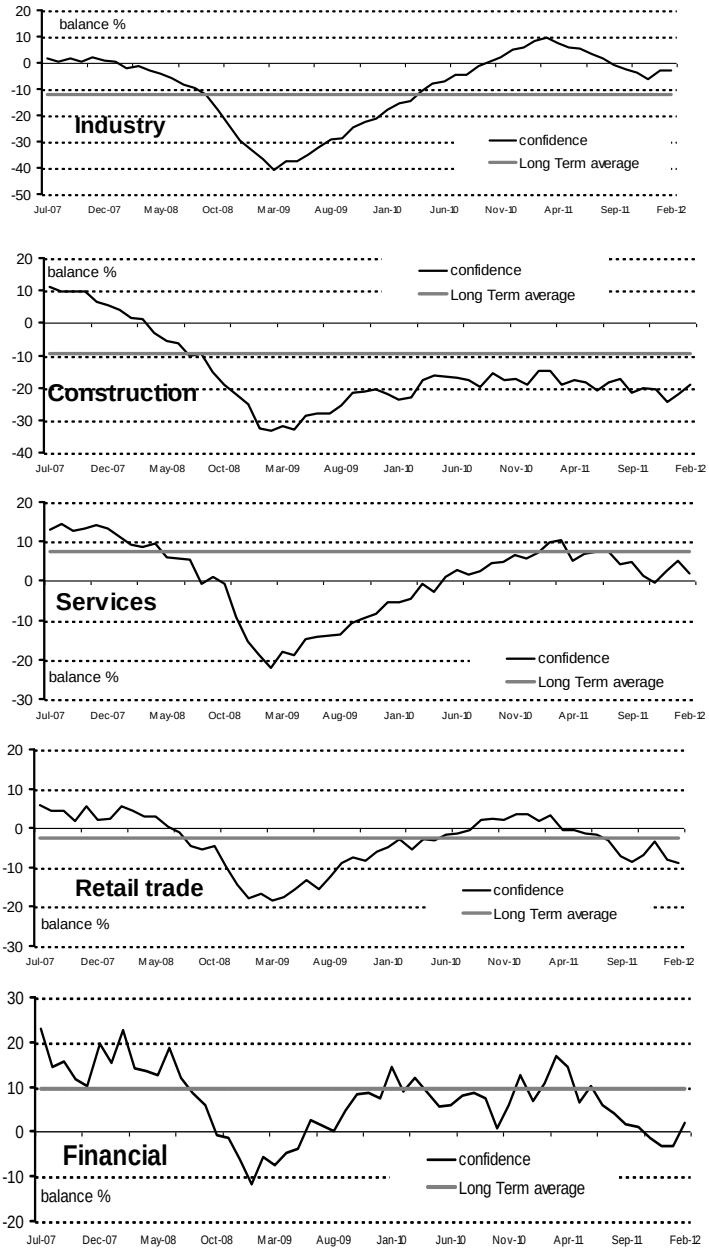
In the financial sector, employment expectations have been below their long-term average since summer 2011, yet they recorded a rebound (+5) in February 2012.

EU firms' employment expectations remain broadly optimistic in industry, stubbornly pessimistic in construction

Compared to their long-term average, employment prospects in industry remain optimistic in most Member States (19 Member States in February 2012), with Romania, Slovakia, Germany and the United Kingdom recording the highest level of confidence. Yet they weakened in most Member States in February 2012.

Sentiment about employment in construction at European aggregate level have stayed stubbornly depressed over the past years, albeit less severely than in summer 2008. At Member State level, the outlook remains uneven, with an ongoing optimistic view in Germany and Sweden and to a lesser extent in Austria and France. On the other hand, sentiment remains particularly pessimistic in Portugal, Spain and Greece.

Chart 42: Employment expectations in the EU-27 by economic sector (Jul 2007-Feb 2012)



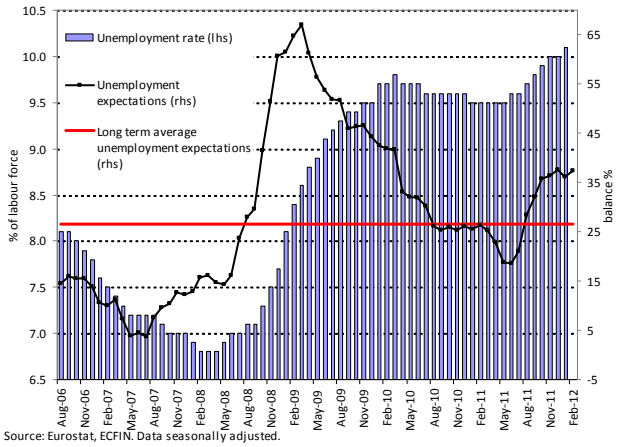
Source: European Commission, DG ECFIN.

CONSUMER SENTIMENT AND EXPECTATIONS IN THE EU-27 AND IN THE MEMBER STATES

EU consumers expect unemployment to go on worsening in the coming months

Sentiment about the unemployment trend in the coming months worsened, in February 2012, to reach 37. Over the last five months to February 2012, unemployment expectations remained noticeably higher than their long-term average (see Chart 43). Most European consumers expect unemployment to worsen in the short term.

Chart 43: Unemployment rate and expectations for the EU



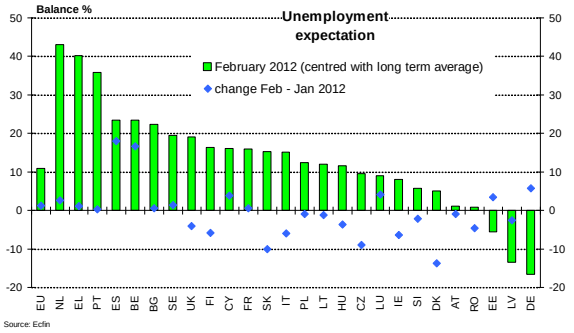
Widespread pessimistic view of unemployment prospects among Member States, contrasting with Germany

In 23 Member States, unemployment expectations are above the long-term average, indicating a rather pessimistic view of unemployment prospects. In February 2012 only three countries remained broadly optimistic: Germany, Estonia and Latvia (see Chart 44).

Over the last few months, prospects have stayed broadly stable in most countries, after a sharp deterioration until autumn 2011 in several of them: the Scandinavian Member States (Sweden, Finland and Denmark), the Netherlands, the Czech Republic, Austria and Belgium.

Except in Germany, unemployment is expected to worsen in the large Member States (the United Kingdom, France, Poland, Italy and Spain). Prospects remain particularly gloomy in Greece, Portugal and Spain and more recently in the Netherlands and Belgium.

Chart 44: Unemployment expectations for the EU-27 and the Member States, February 2012 (centred with long-term average) and change Feb-Jan 2012



JOB VACANCY IN THE EU

Rise in vacancies seems to come to an end

In the fourth quarter of 2011, the EU job vacancy rate[19] was at exactly the year-ago level (1.5%), after year-on year increases in the previous quarters. This suggests that the rise in vacancies is coming to an end. Contrary to the evolution seen since early 2010, a decline in vacancies would make a more typical match to the rise in unemployment. The observed stability in the EU job vacancy rate in the fourth quarter is due to the large rise in Germany (+0.4 pp y-o-y) which compensates for stability or slight declines in all other large Member States (see Table 16 in annex 1).

The labour shortage indicator, an alternative indicator derived from EU business surveys results, fell slightly to 6.4% in the fourth quarter, after reaching 6.5% in the third quarter of 2011[20], its highest level since mid-2008. In line with the evolution of the job vacancy rate, the German (and French and UK) labour shortage indicator(s) rose in the fourth quarter of 2011, while it fell in a majority of Member States.

In the first quarter of 2012, the labour shortage indicator fell to 5.7%. This was mainly due to Germany and, to a lesser extent, France, Italy and Poland. On the other hand, the labour shortage indicator rose in half of the Member States. A Special focus on the Beveridge curve (page 34) looks at the diverse Member State developments in unemployment

[19] Source: Eurostat, Job vacancy statistics (jvs_q). As the data are non-seasonally adjusted, only year-on-year comparisons are meaningful. See also Table 16 in annex 1 and the quarterly publication "European Vacancy Monitor" (http://ec.europa.eu/social/main.jsp?catId=955&langId=en)
.

[20] As the labour shortage indicator is seasonally adjusted, a quarter-on-quarter comparison is meaningful.

and the labour shortage indicator during the period from the first quarter of 2010 to the last quarter of 2011.

OTHER INDICATORS

Hiring remains mixed across Europe

According to the March 2012 Manpower Employment Outlook Survey,[21] looking forward to the second quarter of 2012, the holding pattern on hiring is most prevalent across the Europe, Middle East and Africa region with employers in 12 out of 23 countries reporting relatively stable hiring plans compared to the first quarter of the year and those in nine anticipating an increase in the hiring pace. The hiring picture is mixed compared to this time last year, with Net Employment Outlooks falling in 13 countries but improving in seven. Regional hiring plans are strongest in Turkey, Israel, Romania and Norway, and weakest in Greece and Spain.

The bright spot in Europe continues to be a resilient German labour market that is attracting skilled workers from weaker markets in the region. Yet shortages for in-demand skills such as healthcare professionals, engineers and software developers persist. Despite the relatively positive 2Q forecast in the German Finance and Business Services sector, the Outlook has weakened from 12 months ago, and highlights a broader weakening trend across the region as large finance companies look to restructure and reduce costs. Meanwhile, in Greece the troubles continue but fewer employers announced they would be shedding staff in the quarter ahead.

As reported by Caden's Employment Outlook Analysis[22], three issues stand out in framing the current employment sentiments. On the downside, the euro crisis continues to undermine employers' hiring intentions. The longer term global impact of China's slowing economy and its new economic development priorities is still unknown. On the upside, the positive US employment outlook is raising hopes of a positive impact on employment globally.

Growth in on-line job demand driven by Germany and the environmental sector…

The Monster Employment Index Europe[23] posted a yearly growth of 10 % in February 2012. Germany continues to be the only country to exhibit strong growth (+28 %), despite the current macro-economic uncertainty in Europe, while Italy and UK record relatively low growths. On the other hand, the Netherlands, Sweden, Belgium and France continue to exhibit annual declines. The sector of environment, architecture and urbanism posts an annual growth of 19 %, closely followed by telecommunication (+18 %) and engineering (+18 %), which remains one of the top growth industries in February, production, manufacturing, maintenance, repair (+16 %), and finally transport, post and logistics (+15 %). Conversely, public sector, defence and community, exhibit the largest annual decline in on-line recruitment (- 8 %). Other sectors reporting annual declines include legal and management and consulting (- 3 %).

All nine occupational groups monitored by the Index in February continued to exhibit positive growth trends in annual terms, for the second consecutive month. Craft and related trades (+22 %) completed its tenth consecutive month as the leading occupational group, despite noting slower annual growth than in previous months. Technicians and associate professionals (+13 %) claimed second place in the Index by measure of annual growth, reflecting an ongoing expansion in demand for support positions across a number of professional sectors. Managers, on the other hand, showed a reversal in trend as annual growth became positive in February (+1 %), compared with the declines seen over the two preceding months.

…while growth in temporary agency work continues to slow down dramatically

Latest data from Eurociett[24] confirm the slowdown in temporary agency work's growth, which is a leading indicator of recovery in the labour market. The agency work industry in Europe grew by +2.2% in December 2011, compared with the same period in 2010. A year earlier annual growth was still +27.8%.

[21] For further information on the Manpower Outlook, visit the website at: http://www.manpowergroup.com/press/meos_landing.cfm.
[22] Caden Corporation, "Employment Outlook Analysis", Second Quarter 2012 (with input from Verso Economics).

[23] For further information on the Monster Employment Index, visit the website at: http://about-monster.com/employment/index/17/45.
[24] For further information on Eurociett, visit the website at: www.eurociett.eu. Overall Europe data include EU and Switzerland.

The sector has experienced 20 months of continuous year-on-year growth in the number of hours worked, but this has been declining steadily over the year to December 2011. Growth in Europe remains essentially driven by Poland (+16.6% over the year), Germany (+3.2%) and the Netherlands (+2%). On the other hand, year-on-year growth is lower than 1% in France and Belgium, with negative trends in Italy (-0.8%).

The data continues to display an inverse relationship between unemployment levels in the EU and the amount of agency work being carried out. Recent months have shown the growth of the agency work industry to have slowed considerably, while at the same time year-on-year unemployment levels have begun to rise again.

Productivity, labour costs and hours worked

Labour productivity growth continued to weaken across the EU…

During the fourth quarter of 2011, the unfavourable economic developments continued to have an adverse impact on productivity growth.

In the fourth quarter of 2011, Lithuania (+4.5%) and Bulgaria (+4.2%) listed the strongest labour productivity growth[25] , followed by Spain (+3.3%) and Poland (+3.3%). The lowest growth was recorded in Malta (-2.1%) and Cyprus (-0.7%)[26]. See Table 17 (Annex 1).

Several Member States showed negative productivity growth for the first time since the first quarter of 2009, i.e. the Netherlands (-0.3%), Slovenia (-0.3%) and Sweden (-0.4%).

The Member States that showed negative productivity growth in the third quarter of 2011 continued to record negative growth in the fourth quarter, except Portugal that showed a marked 1.4 pps increase in its annual growth rate if compared to the growth rate recorded in the third quarter.

The strongest decline in productivity growth is to be found in Sweden and Finland where it fell by about 2.5 pps if compared to the third quarter. Germany and Austria recorded also a noticeable slowdown, down by respectively 0.7 pp and 1.0 pps.

…while in some Member States nominal wage growth remained firm.

In Belgium, the nominal compensation per employee increased by a strong 4% in the fourth quarter of 2012, compared with the fourth quarter of 2010. France (+3.1%), Germany (+2.8%) and Denmark (+2.4%) also listed solid wage growth, but in the case of Germany wage growth continued to decelerate from its peak attained in the second quarter of 2011. See Table 18.

In the other Member States, for which the data are available, wage growth was below 2% and even close to zero in Sweden. After listing a growth rate of 2.5% in the third quarter, labour cost growth slowed to 1.9% in the United Kingdom. In Finland, wage growth continued to decelerate noticeably, down from 4.4% in the first quarter of 2011 to 1.6% in the fourth quarter.

Weakening productivity growth and firm nominal wage growth strengthened unit labour cost growth in some Member States…

In the fourth quarter of 2011, the nominal unit labour cost – which measures nominal compensation per employee relative to labour productivity - increased in all Member States for which data are available, except for Spain (-2.4%) and Slovakia (-2.1%). See Table 19.

Spain recorded for the 8th consecutive quarter a fall in its nominal unit labour cost, while Belgium listed for the third consecutive quarter an increase well above 2%, i.e. 3.7%.

Malta and Lithuania showed the strongest increase in their unit labour cost growth, posting increases of about 3.5 pps if compared with the growth rates listed in the third quarter, while Slovakia (-1.5 pps) listed the strongest decrease, followed by Italy (-0.9 pp) and Spain (-0.8 pps).

In Germany unit labour cost growth strengthened also notably in the fourth quarter of 2012, up from 1.6% in the third quarter to 2.1% in the fourth quarter, while in France unit labour cost growth remained close to the 2% mark.

[25] I.e., productivity is measured as output per persons employed. Growth rates quoted in the text are% change on same quarter in previous year.
[26] No data on productivity for the fourth quarter of 2012 are available for Ireland, Greece, Luxembourg, Hungary and Romania.

…. but as prices increased also, real wage growth was well below productivity growth in several Member States.

The real unit labour cost, - which measures real wage growth relative to productivity growth - fell sharply in Latvia (-4.3%), followed by Slovakia (-3.8%), Lithuania (-3.7%) and Spain (-3.6%). Notable increases are to be found in Belgium (+1.9%) and Germany (+1.1%). See Table 20.

After 8 consecutive quarters of negative growth, Malta recorded positive growth for its real unit labour cost (+1.3%) in the fourth quarter of 2012. Spain (-3.6%) and Finland (-1.4%) listed for the 8th consecutive quarter a decrease in their real unit labour cost. After 5 consecutive quarters of robust positive growth, the Czech Republic shows a -0.5% decrease.

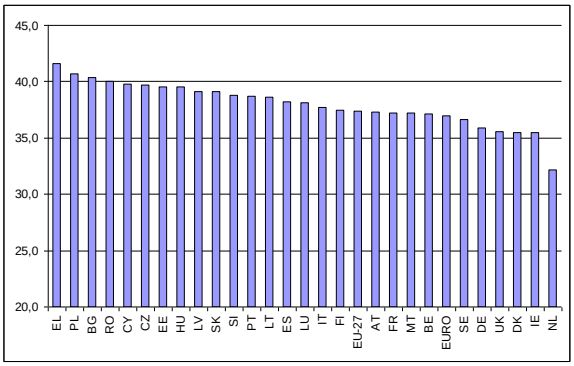
After a strong increase in the third quarter, real unit cost growth increased moderately in Denmark, while France listed a decrease from 0.5% in the third quarter to 0.3% in the fourth quarter.

Hours worked slowed down somewhat

For the few Member States for which data are available, hours worked were significantly lower in the fourth quarter of 2011 than in the third quarter of 2011 – both for full-time as part-time workers. See Table 21.

Chart 45 shows the average number of actual weekly hours of work in main job during the third quarter of 2011 (i.e. the aggregate of the full-time and part-time employed persons). Greece (41.6 hours) lists the highest number, while the Netherlands (32.2 hours) records the lowest number.

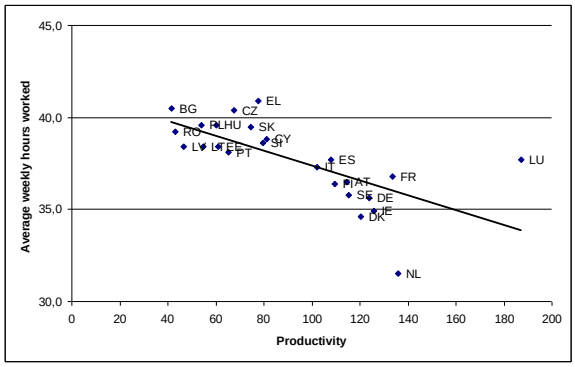
Chart 45: Average number of actual weekly hours of work in main job - 2011Q3



Source: Eurostat (variable lfsq_ewhan2)
Note: employed persons, total

In order to make a full assessment of the welfare implications of such diversity in hours worked, Chart 46 shows the Member State's hours worked in relation to their labour productivity (as percentage of EU27 total[27]). This chart shows a strong negative correlation between hours worked and productivity, indicating that persons work less per week[28] if they are more productive.

Chart 46: Correlation hours worked and productivity in 2010



Source: Eurostat (variables: nama_aux_lp and lfsa_ewhais). No data available for BE, MT and UK
Note: productivity measured as percentage of EU27 total, based on PPS per hours worked

[27] Based on Purchasing Power Standard (PPS) per hours worked. PPS is an artificial currency unit that eliminates price level differences between countries. Thus one PPS buys the same volume of goods and services in all countries.
[28] Note that this does not imply that they also work less over the entire life-cycle.

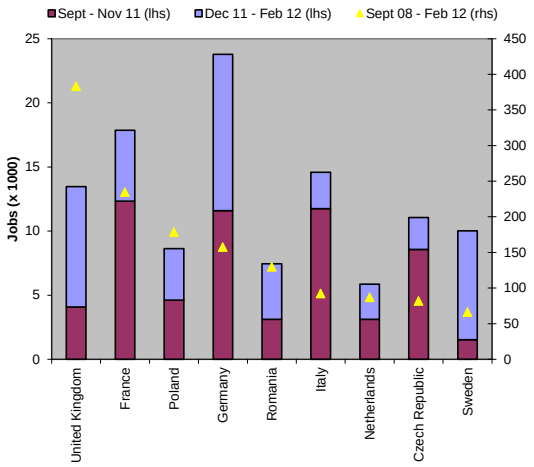
Impact of restructuring on employment

The European Restructuring Monitor (ERM) recorded a total of 284 cases of restructuring between 1 December 2011 and 29 February 2012.[29]

Announced job losses continued to outnumber announced job gains…

These cases involved 81 145 announced job losses and 65 527 announced job gains.

Chart 47: Announced job losses for selected Member States



Source: Eurofound, ERM

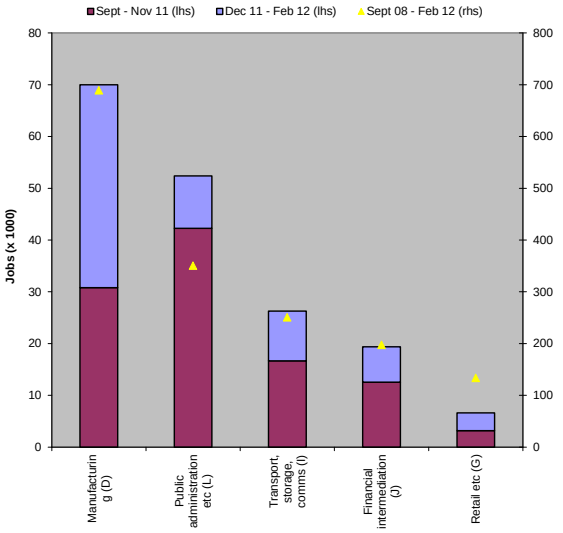
…with most of the recent job loss announcements relating to Hungary and Germany

The member states with the largest announced job losses were Hungary (12 249 jobs) and Germany (12 195 jobs), followed by the United Kingdom (9 384 jobs), Sweden (8 491 jobs) and France (5 533 jobs). Chart 47 puts these changes into perspective, over the longer period starting in September 2008 (see right-hand scale).

Manufacturing was the sector most affected by announced restructuring job losses…

Between December 2011 and February 2012, manufacturing (39 190 jobs) was the sector the most affected by announced job losses, as indicated in Chart 48. Other significantly affected sectors included public administration (10 125), transport and communications (9 632 jobs) and financial intermediation (6 816 jobs).

Chart 48: Announced job losses by sector for the EU



Source: Eurofound, ERM

In manufacturing, the biggest case of announced job losses relates to the announcement of SAAB Automobile SAAB Automobile Tools and SAAB Powertrain which filed for bankruptcy at the District Court of Vänersborg, in Sweden in December 2011. This will result in the dismissal of all 3 600 employees. The group has suffered a major liquidity crisis in recent years due to its low sales numbers and long-term decline in demand for cars, all of which led to the announced bankruptcy.

Other significant losses in the quarter have been announced at Nokia which announced 4,000 redundancies across its site in Finland, Hungary and Mexico as it offshores production to its Asian production facilities in China, India, South Korea and Vietnam (site under construction). In Finland Nokia announced up to 1 000 job losses at its plant in Salo by the end of 2012. This is the third set of redundancies implemented by Nokia in Finland within a year and while Nokia is transferring

[29] Data in this report are based on an extraction from the ERM database on March 5th 2012. Totals exclude World / EU cases in order to avoid double counting. As the database is continually updated in light of new information on recent cases, data reported here may not correspond exactly to later extractions. For more information, please visit the website: www.eurofound.europa.eu/emcc/erm/index.htm.

some of its phone production closer to component makers in Asia where the company has Asian production facilities the site in Salo will focus on smart phone manufacturing. Nokia has also announced the dismissal of 2 300 employees at its Hungarian unit in Komárom. The 2 300 reported dismissals are redundancies of employees directly employed by Nokia. However, the company does employ a further 2 100 temporary agency workers in Komárom. Since the authorities are not required to be notified about the dismissal of temporary agency workers, there is no official information on how they will be affected. Negotiations with the social partners have just started and the company assures that they will provide the affected employees with a support program including financial and re-employment support measures.

Further losses have also been announced at Nokia Siemens Networks, a telecommunications joint venture by Finish Nokia and German Siemens, which announced a restructuring plan envisaging 17000 job cuts worldwide by the end of 2013. The cuts represent almost a quarter of the company's workforce, which currently stands at 74000 employees. NSN is repositioning itself to focus on mobile networks: this area of the business will receive increased investment over the next few years. Other aspects of the business will be reviewed with regard to potential sale or closure. The market is particularly difficult in Europe at the moment, as companies are delaying infrastructure upgrades in reaction to the poor economic outlook. The company aims to reduce operating expenses and overheads by one billion Euros by the end of 2013. As part of this restructuring plan, NSN announced 2 900 job cuts in Germany, where it employs 9 100 people across 35 sites. The most affected site is Munich, where about 2 000 of 3 600 jobs will be cut while the remaining jobs will be relocated. Nokia Siemens Networks has also announced redundancies of up to 1,200 employees at its Finnish units in Espoo (700 job cuts), Oulu (150 job cuts) and Tampere (350 Job cuts). Finally further losses have also been announced in Belgium as plants in Diegem and Braine-l'Alleud will close resulting in 39 and 19 job losses respectively, while 69 jobs will be lost at Herentals.

In public administration, over half of the total jobs lost in the sector relate to job losses in the Hungarian public sector. The Hungarian government announced 6 719 redundancies in order to reduce its budget deficit and create an efficient state performance. The dismissals started on 18 January 2012 and they will affect all departments in public administration apart from the ministry of defence. Most jobs will go at the ministry of Justice and Administration (2 826 jobs), Ministry of National Resources (903 jobs) and Ministry of Rural Development (742 jobs).

Other losses in the sector relate to a public sector saving scheme 'Effective administration of the State' that will affect most ministries and agencies in Denmark. On 20 January 2012, the Danish Ministry of Food, Agriculture and Fisheries (Fødevareministeriet) announced that 108 employees will be made redundant. The redundancies include 61 job cuts in the Danish Agri-Fish Agency (Naturerhvervsstyrelsen), 6 in the ministry and 41 employees which have agreed to leave voluntarily, i.e. as part of natural attrition. Furthermore, on 25 February 2012 the Danish Ministry of the Environment (Miljøministeriet) announced that 115 employees will be made redundant - 15 jobs at the Danish Environmental Protection Agency (Miljøstyrelsen), as well as about 80 in the Danish Nature Agency (Naturstyrelsen) and 20 in the National Survey and Cadastre (Kort og Matrikelstyrelsen). The Ministry has saving requirements of 2.5 % in 2012 and 5 % in 2013. Losses have also been recorded as the Polish Ministry of Treasury announced a restructuring plan envisaging the reduction of the number of its employees by 14% (90 out of 648 jobs). The restructuring programme provides for employment reductions, as well as the acceleration of privatization of public properties and the reduction of expenses within the Ministry. Furthermore, job losses continue to be recorded across city councils and local governments in the UK. Indeed during the quarter the ERM recorded almost 3 000 job losses in local governments and city councils across the UK.

In transport and communications, almost half of the total announced job losses result from the bankruptcy of air carriers…

In Hungary, Malév, the main Hungarian airline, was declared bankrupted and as a result all its 2,080 employees will be dismissed. Malév employed 1 100 employees directly and a further 980 employees at its subsidiaries (450 employees at Malév Ground Handling, 230 employees at ACE and 300 agency workers at Trenkwalder). More losses have been announced as Spanair applied for a labour adjustment plan affecting its entire workforce,

around 2 000 employees. The company declared bankruptcy on 27 January as it failed to secure a deal with Qatar Airways, who was to buy 49% of Spanair's shares. Several losses have also been announced as CFR Calatori, a Romanian public operator of railways transport, notified the territorial labour inspectorate its intention to dismiss 1 050 employees starting in March 2012. This is part of a restructuring programme promoted by the Romanian Government resulting from the conditionality imposed by the loan agreement signed with the International Monetary Fund. In July 2011, the company cut 1,000 jobs. Several losses in the sector have also been recorded as ferry company SeaFrance went into liquidation leading to the job loss of its entire workforce- about 1000 people. Some 880 jobs will be lost in France and 127 jobs are threatened in Dover, UK. The company's service between Dover and Calais has been suspended since November 2011. A potential bailout from the French government was ruled illegal by the European Commission while an offer from a cooperative of SeaFrance employees was also deemed unacceptable by the French Tribunal de Commerce. By end of January 2012, the liquidator had sent out 510 dismissal letters to SeaFrance employees in France. Until now, 15 employees of Seafrance in France have accepted a job in the SNCF group, 150 employees are protected against dismissal as they are employee's representatives (and can't be dismiss yet) and 150 employees are still working in the context of the liquidation.

Further losses have also been recorded among postal operators. In February, Posta Romana, the national provider of mail services in Romania, announced it will dismiss at least 600 employees by the end of March 2012. The restructuring programme aims at reducing governmental budgetary expenses, as part of the loan agreement with the International Monetary Fund. While, Bulgarian state postal operator Bulgarian Post reached an agreement with trade unions and announced it will run a redundancy programme aiming to cut between 850 and 1,000 jobs until the end of the year. The redundancy programme relies on voluntary departures.

...while downsizing continues in the financial sector

In Financial intermediation, the French central bank, Banque de France, has announced it is to reduce its workforce by 2 500 until 2020. The bank will adopt the rules set for the public sector, recruiting only one replacement for every two retired employees. Until 2020, 5 000 employees will leave the Banque de France due to natural attrition, while the Bank will hire only 2 500 people in the same time period. Over the last 10 years, the bank reduced its workforce by 2 000 employees. In December, the French bank Crédit Agricole has announced that it is to cut 850 jobs in France by December 2012. The restructuring will mainly affect the bank's Corporate and Investment Banking arm BFI, where 550 jobs will be cut. The measure is part of a worldwide restructuring which will affect 2 350 employees. The management is reported wanting to avoid forced redundancies and will propose internal mobility and voluntary departure. Ulster Bank has announced 600 redundancies from its operations in the Republic of Ireland with a further 350 redundancies coming from its Northern Irish staff. The bank said the job cuts will be voluntary, though it may move to impose compulsory redundancies if there is insufficient take-up of the scheme. The redundancy programme is expected to be completed by the end of 2012. Another interesting case relates to nationalized Lithuanian bank Snoras which announced the dismissal of about 1,400 employees by 6 January 2012, due to bankruptcy. On 16 November 2011, the Government of the Republic of Lithuania had taken over the shares of the financially troubled and insolvent commercial bank Snoras, temporarily suspending its activities. Bank of Lithuania declared Snoras bankrupted on 24 November 2011. However, according to the newspaper Lietuvos Rytas, at the end of 2011 around 904 people were re-employed at the nationalized Lithuanian bank Snoras, while around 500 people will continue working only until the end of February or March 2012.

Between December 2011 and February 2012, the largest restructuring cases involving job loss were in:

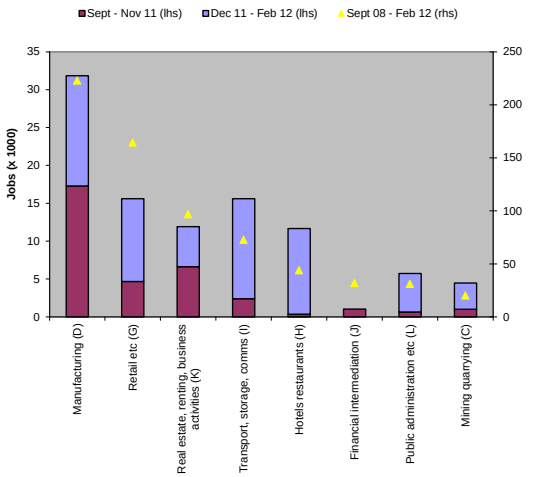
- **Manufacturing**: SAAB Automobile (SE, 3 600 jobs), Nokia Siemens Networks (DE, 2 900 jobs), Nokia (HU, 2 300 jobs), Manroland (DE, 2 200 jobs), Vestas (DK, 1 300 jobs), Nycomed (DE, 1 200 jobs).
- **Public Administration**: Public Service of Hungary (HU, 6 719 jobs)
- **Financial intermediation**: Banque de France (FR, 2 500 jobs)
- **Retail**: Barratts Priceless (UK, 2 280 jobs)

- **Transport/communications**: Malev (HU, 2 080 jobs), Spanair (ES, 2 000 jobs) Societatea Nationala de Transport Feroviar de Calatori CFR Calatori (RO, 1 050 jobs).

On the other hand, manufacturing and transport and communications accounted for the majority of business expansion...

Of the 65 527 new jobs announced during December 2011 and February 2012, almost half new jobs were in manufacturing (14 560 jobs) and in Transport and Communications (13 204 jobs). Other significant job gains were in hotels/restaurant/catering sector (11 310 jobs) and in retail (10 920 jobs). See Chart 49.

Chart 49: Announced job gains by sector for the EU



Source: Eurofound, ERM

In manufacturing, German global engineering and electronics group Bosch announced the creation of 2 000 new jobs in Jucu near Cluj, Romania in 2012. The newly hired employees will be located in the former Nokia site in Jucu. Nokia Romania had announced its withdrawal from its factory in Jucu in September 2011 leaving 2 200 people jobless. Now, a number of companies have announced job creation at Nokia's former premises including De Longhi (600 jobs), Transcarpatica (150 jobs) and Bosch. In total 2 750 job creations have been announced by these three companies. More job gains have also been recorded as car manufacturing Audi announced 1 200 new jobs in Germany in 2012, while Taiwanese electronics manufacturer Foxconn has announced its plan to recruit 1 000 workers for its two Czech sites (Kutná Hora and Pardubice) in 2012. Moreover, in January 2012, aircraft manufacturer Airbus, a subsidiary of EADS, announced it is to create 1 000 jobs in Germany and between 500 and 600 jobs in the UK until the end of 2012. These announcements are part of EADS's announcement of 4 000 new jobs worldwide, so that its total workforce will sum up to 59 000 employees at the end of 2012.

In transport and Communications state-owned French railway company SNCF announced the recruitment of 4 500 people in 2012. This will however not compensate the jobs lost by natural attrition. Its privatised subsidy Keolis, which amongst others operates railways, tramways and bus routes, published that it is to recruit 3 600 employees in 2012. While SNCF freight transport and logistics subsidy Geodis has announced to recruit 1 000 employees in 2012. This brings the total number of jobs created by the SNCF group to 9 100. Large job creations have also been announced by Amazon, creating 2,000 jobs at two new logistic centres in Germany.

In the hotel restaurant and catering sector, the largest announcement relates to US-based chain of fast-food restaurants McDonald's which announced the creation of 9 000 jobs in France in the medium-term. Over the next three years, McDonald's committed to recruit 3 000 employees per year, of which 80 % will be on permanent contracts. This has been agreed on in a charter, which was signed with the French Ministry of Labour. In 2012 McDonald's will also create 2 000 jobs and 1 000 vocational training places in Germany and 100 jobs in Sweden.

In retail, supermarket chain Asda has announced plans to open 25 new stores and three depots, creating 5 000 jobs across the UK in 2012, while a further 43 existing stores will be extended and refurbished. More new jobs have been announced in Romania as Mega Image, a retail chain, announced it plans to hire 1 600 people in 2012 as it opens 80 new stores across the country, while German retailer Lidl announced its intention to hire between 1,300 and 3 000 people in 2012, as it invested 70 million Euros for the opening of 66 new stores in Romania.

In public administration, the ERM recorded only one case of job creation involving several new jobs. The Polish National Police announced in January it plans to create 5 100 jobs in units across Poland. Most of the jobs will be created in large garrisons such as Katowice, Poznań, Warszawa and Kraków. The recruitment will

take place in several stages from March to November 2012.

Between December 2011 and February 2012, the biggest cases involving job gains were:

- **Public administration**: Polish police force (PL, 5 100 jobs).
- **Manufacturing**: Bosh Romania (RO 2,000 jobs), Audi (DE, 1 200 jobs), Foxconn (CZ, 1 000 jobs), Airbus (DE, 1 000 jobs).
- **Transport/Communications**: SNCF (FR, 4 500 jobs), Keolis (FR, 3 600 jobs). Amazon (DE, 2 000 jobs), Geodis (FR, 1 000 jobs).
- **Hotels/Restaurants/Catering**: McDonald's (FR, 9 000 jobs), McDonald's (DE, 2 000 jobs).
- **Retail**: ASDA (UK, 5 000 jobs), Mega Image (RO, 1 600 jobs). Lidl Romania (RO, 1 300 jobs).

Sectoral trends[30]

In this period of economic uncertainty, three major sectors, industry, construction and trade, which saw their value added rise to various extents in 2010 and/or 2011, have followed very different trajectories in terms of employment since the 2008 crisis up until recently. The crisis, which cost 6 million jobs in the EU, hit sectors in various ways, given their degree of exposure to world trade or to the financial crisis in the case of construction. Between the fourth quarter of 2008 and the fourth quarter of last year, nearly two jobs in 100 were gone in the EU. This ratio amounted to 7.5 % in the industry, 10.7 % in the construction sector and 1.8 % in the trade sector. The analysis below presents some major trends observed recently in terms of employment in these sectors, linked to changes in value added and output. Additionally, the recent restructuring trends in the construction sector are presented at Box 2.

Employment numbers in the industry stalled in the fourth quarter of 2011, while industrial output stagnated and value added plummeted

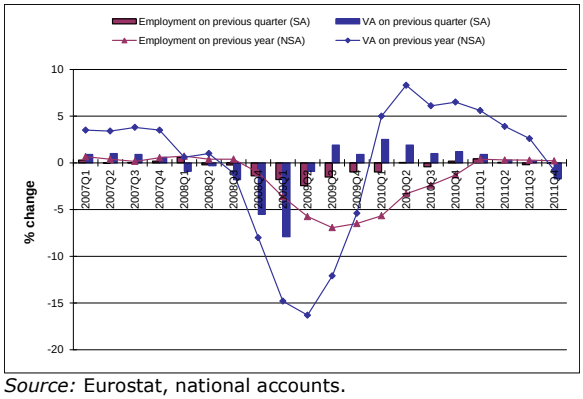
As Chart 50 indicates, after the sizeable rises recorded from the third quarter of 2009 to the first quarter of 2011 (around +1 to 2 % per quarter) and the more subdued growths seen in the second and third quarters of 2011 (respectively +0.3 % and +0.2 % on the quarter), the value added in the industry fell sharply in the fourth quarter of last year, by 1.7 % in seasonally adjusted terms, in line with recent developments in the manufacturing industry (-1.4 %). Significant declines were recorded in the Netherlands (-8.1 % in the fourth quarter of 2011), Portugal (-3.5 %), Slovakia (-3.1 %), Italy (-2.2 %) and Germany (-1.7 %), while the only sizeable rises were seen in Poland (+4.2 %) and Hungary (+2.8 %). Annually, for the first time since 2009q4, industrial value added went down in 2011q4, by -0.8 % on 2010q4, a decrease

[30] Eurostat quarterly publishes European aggregates using the NACE Rev.2 classification including for employment. This sectoral analysis follows that new classification. More detailed information on NACE Rev.2, as well as a correspondence table between NACE Rev.2 and the former NACE Rev.1.1 can be found on the Eurostat website (see: http://epp.eurostat.ec.europa.eu/portal/page/portal/nace_rev2/introduction). Attention, the Eurofound data on restructuring (ERM) are still presented according to the former NACE Rev.1.1.

essentially driven by Greece, Cyprus and the Netherlands.

In the face of this deterioration of the sector's economic activity, industrial employment growth, which resumed in the fourth quarter of 2010, stalled in the third and fourth quarters of 2011 (respectively -0.2 and +0.0 % on the quarter). In the same quarters, the annual growths were only +0.3 % and +0.2 % respectively, i.e. the lowest one recorded in 2011. The most significant annual growth figures were recorded in the Baltic States - Estonia (+7.0 % from 2010q4 to 2011q4), Latvia (+5.7 %) and Lithuania (+3.5 %) – but also in Austria and Slovakia (both +2.3 %). On the other hand, substantial falls were seen in Greece (-12.9 %), Malta (-6.1 %), Cyprus (-5.6 %) and Spain (-3.7 %). Since the fourth quarter of 2008, the sector lost 7.5 % of its workforce at EU level, including 8.2 % in the manufacturing sector.

Chart 50: Change in industrial employment and value added in the EU



Source: Eurostat, national accounts.
Note: for empl NSA: EU estimate without IE, UK; empl SA: EU est. without EL, IE, RO, UK; for VA NSA: EU est. without IE, PT, RO, UK; for VA SA: EU est. without EE, EL, IE, RO, SE, UK

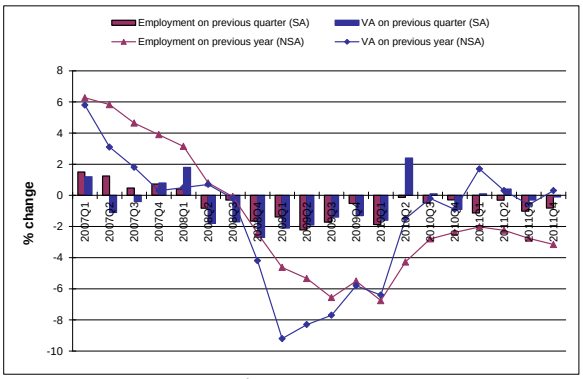
In January 2012 compared with December 2011, seasonally adjusted industrial production grew by 0.2% in the EU27. In December production fell by 0.8%. In January 2012 compared with December 2011, production of energy grew by 0.1% in the EU27. Capital goods increased by 0.8%. Production of intermediate goods rose by 0.2%, while that of durable consumer goods remained stable. Production of non-durable consumer goods fell by 0.3%. Among the Member States for which data are available, industrial production rose in fourteen and fell in six. The highest increases were registered in Slovakia (+6.1%), Lithuania (+3.6%) and Malta (+3.3%), and the largest decreases in Finland (-5.1%) and Italy (-2.5%). In January 2012 compared with January 2011, industrial production dropped by 1.0% in the EU27.

The recovery was short-lived in the construction industry, while the sector has been shedding jobs continuously for more than three years…

The tentative and slight pick-up seen in the construction sector's value added, after two and a half years of nearly continuous falls, did not last more than a year (from 2010q2 to 2011q2 inclusive, with a break in 2010q4). It went up by respectively 0.1 and 0.4 % on the quarter, in the first and second quarters of last year (see Chart 51). Then it fell again by respectively 0.3 and 0.1 % in the two subsequent quarters. This new, although moderate, decline of -0.1 % in 2011q4 was mainly driven by falls recorded in Portugal (-6.5 %), Cyprus (-4.5 %), Slovenia (-3.6 %), Spain (-1.1 %) and the Netherlands (-1.0 %). In annual terms, VA growth had become positive in the first quarter of 2011 (+1.7 %) but it then was hesitant: +0.3 % in 2011q2, -0.6 % in 2011q3 and +0.3 % in 2011q4.

Against this backdrop, the employment situation remains bleak, as it has fallen continuously since the second quarter of 2008. Between 2008q4 and 2011q4, the sector lost 10.7 % of its jobs at EU level. In that period, more than one job in two was lost in Ireland and nearly or around 40 % disappeared in Greece, Spain, Latvia and Lithuania. While the situation had been slightly improving in the Baltic States until the third quarter of 2011, it deteriorated again in 2011q4. Moreover, it keeps deteriorating rapidly Greece, Portugal, Spain, Italy and Slovenia, where declines in the fourth quarter of 2011 could approach or even exceed 4 %. The construction sector lost, on average, 0.8 % of its workforce at EU level, in the fourth quarter of 2011 alone.

Chart 51: Change in construction employment and value added in the EU



Source: Eurostat, national accounts.
Note: for empl NSA: EU estimate without IE, UK; empl SA: EU est. without EL, IE, RO, UK; for VA NSA: EU est. without IE, PT, RO, UK; for VA SA: EU est. without EE, EL, IE, RO, SE, UK

Recent announcements of job losses and creations in the firms undergoing a restructuring process, within the construction sector, are presented at Box 2.

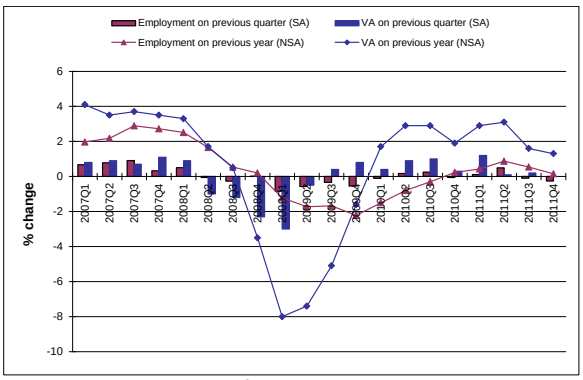
In the construction sector, seasonally adjusted production fell by 4.1% in the EU27 in January 2012, compared with the previous month. In December 2011, production decreased by 3.8%. Among the Member States for which data are available for January 2012, construction output fell in seven and rose in eight. The largest decreases were registered in the Czech Republic (-20.1%), the United Kingdom (-13.8%) and Italy (-7.8%), and the highest increases in Slovenia (+17.4%), Germany (+4.3%) and Portugal (+2.5%). Building construction dropped by 4.6% in the EU27, after -3.3% in December 2011. Civil engineering fell by 2.2%, after -3.5% in the previous month. In January 2012 construction output dropped by 1.0% in the EU27, compared with January 2011.

…while VA and employment in the retail and wholesale trade sector is stabilising below its pre-crisis level

Retail and wholesale trade did not suffer the recession in the same proportions as the industry and the construction sector did. It was hit on a much shorter period than the construction sector and much more moderately in terms of percentage of VA lost than the industry. As a consequence, the recovery, which also started in 2009q3 in the trade sector, was far less spectacular. As Chart 52 clearly shows, the only rises equal to or higher than 1 % quarter-on-quarter were seen in the third quarter of 2010 and in the first quarter of 2011. In the subsequent quarters of 2011, VA went up by 0.1, then 0.2 %, before stagnating in the fourth quarter (+0.0 %). Significant rises continue to be recorded in Bulgaria (+1.4 % from 2011q3 to 2011q4), Denmark (+1.0 %), Poland (+0.9 %), while major declines were seen in Portugal (-2.6 %), Cyprus (-1.2 %), and the Czech Republic (-1.1 %). In annual terms, after the rises in VA of roughly 2 - 3 % recorded in the two years to 2011q2, it went down to 1.6 and 1.3 % in 2011q3 and 2011q4 respectively, a growth essentially driven by the Baltic States, Poland and Slovakia.

By comparison, employment was also less affected in trade than in industry and construction, as it fell by *only* 1.8 % from 2008q4 to 2011q4, with Estonia, Greece, Ireland and Latvia recording two-digit falls, and less than one-third of Member States posting rises. After nearly two years of decline, employment picked up in the second quarter of 2010, but very gradually, before falling again in the third and fourth quarters of 2011 (resp. -0.1 and -0.3 % quarter-on-quarter). In the fourth quarter of 2011, it was only 0.2 % higher than in 2010q4. The most significant year-on-year rises were recorded in Lithuania (+3.2 %), Latvia (+2.8 %) and Malta (+2.4 %), while major falls were seen in Greece (-7.9 %) and Portugal (-2.3 %).

Chart 52: Change in trade employment and value added in the EU



Source: Eurostat, national accounts.
Note: for empl NSA: EU estimate without IE, UK; empl SA: EU est. without EL, IE, RO, UK; for VA NSA: EU est. without IE, PT, RO, UK; for VA SA: EU est. without EE, EL, IE, RO, SE, UK

In comparison with the falls in output seen in other major sectors, retail trade turnover in the EU held up fairly well through the downturn and in the recent period of tentative growth. In January 2012 compared with December 2011, the volume of retail trade grew by 0.4% in the EU27. In December retail trade decreased by 0.2%. In January 2012, compared with December 2011, "Food, drinks and tobacco" rose by 0.4% in the EU27, while the non-food sector increased by 0.9%. Among the Member States for which data are available, total retail trade grew in nine and fell in nine. The highest increases were observed in Latvia (+6.4%), Slovenia (+5.5%) and Romania (+3.0%), and the largest decreases in Portugal (-2.7%), Denmark (-2.1%) and Germany (-1.6%). In January 2012, compared with January 2011, the retail sales index rose by 0.7% in the EU27.

Eurozone slides back into technical recession as output falls at stronger rate in March

The Markit Eurozone PMI Composite Output Index fell from 49.3 in February to a three-month low of 48.7 in March, according to the preliminary 'flash' reading, which is based on

around 85% of usual monthly replies.[31] The latest reading signals a contraction in business activity for the second successive month, and the sixth decline in the past seven months.

Output fell on average over the first quarter of 2012, albeit to a lesser extent than in the final quarter of 2011. Nevertheless, the PMI therefore suggests that the Eurozone has slipped back into a technical recession, defined as two consecutive quarters of falling output.

Both manufacturing output and service sector activity contracted in March, showing the worst performances for three and four months respectively. However, in both cases, the rates of decline were only very modest.

Output rose in Germany, but the rate of growth slowed to a three-month low to show only a marginal gain. Output meanwhile fell slightly in France for the first time in four months, and dropped sharply again in the rest of the region.

Incoming new business fell for the eighth successive month, deteriorating at the fastest rate since December. Renewed declines in France and Germany were accompanied by a sharper rate of contraction elsewhere (on average). The rate of decline of new orders also exceeded that for output, causing backlogs of work to fall for the ninth successive month. This is likely to put further downward pressure on output levels in April.

New orders fell at the fastest rate for three months in both manufacturing and services. Goods producers reported the steeper rate of decline, as falling domestic demand was exacerbated by a ninth consecutive monthly drop in new export orders.

Companies cut employment levels for the third month in a row, contrasting with rising headcounts over the prior 20 months. The rate of job losses was only very modest, but nevertheless the highest for two years.

Service sector employment fell for the third month in a row, dropping at a rate identical to the modest falls seen in the first two months of the year. Meanwhile, manufacturing headcounts fell for the fourth time in the past five months, with job losses running at the fastest rate since March 2010.

Employment barely rose in Germany, contrasting with the strong growth seen throughout last year and showing the weakest increase for two years. Payroll numbers meanwhile fell for the first time since last September in France, albeit only marginally. Steep job losses were again seen in the rest of the euro area, though the average rate of decline eased to a six-month low.

Input prices showed the steepest rise since last June, although the rate of inflation merely matched the long-run average seen over the 14-year history of the survey. Manufacturing raw material prices rose at the fastest rate for nine months while service sector cost inflation hit a three-month high. Both in part reflected the impact of higher oil prices in many cases.

Prices charged fell very marginally for the fourth consecutive month, as weak demand often prevented firms from passing higher costs on to customers, especially in the service sector.

A ray of hope that the downturn may prove short-lived was provided by service providers' expectations for growth over the coming year improving for the fifth successive month to signal the highest degree of optimism since last July. Confidence improved in both France and Germany, but fell back slightly in the rest of the region.

[31] According to the preliminary 'flash' reading released on 22 March 2012, which is based on around 85% of usual monthly replies. For further information on MARKIT, visit the website at: www.markiteconomics.com.

Box 2: Recent restructuring data on construction sector

Recent developments in the ERM indicate that job losses outweigh job creations in this sector very clearly. Since January 2011, the ERM has recorded 10 055 job losses versus 2 120 job gains. However, the level of reporting of restructuring in this sector is generally low, the ERM reports 59 cases since January 2011 in total, 47 cases being cases of job losses, 12 being cases of job creation.

Some recent developments in the sectors in detail:

- There are some countries displaying stronger restructuring activities in this sector than others:
  - The ERM reports job creation in this sector for a limited number of countries only. France records 5 cases of job creation concerning 1 250 new jobs – more than half of the number of jobs created across the entire EU. Other single cases of job creation concern the UK (100), Portugal (120), Poland (100), Italy (100) and Austria (150). 300 jobs are announced to be created in two cases of world/ EU wide job creation.
  - Some countries are specifically hit by job destruction in this sector. The ERM reports 10 cases of job destruction for both Slovenia (3 113 jobs cut) and the United Kingdom (2 296 jobs lost), as well as 6 cases of job destruction for both Sweden (627 jobs lost) and the Netherlands (672 jobs lost). Other cases of job destruction concern France (each three cases), the Czech Republic, Finland, Luxembourg, Portugal (each two cases) and Italy, Lithuania, Romania and Spain (each one case).
- Interestingly, the majority of the job loss cases (27 out of 47) are cases of bankruptcy. Other types of restructuring are internal restructuring (18) and closure (2). This shows that the construction sector differs from other sectors in that bankruptcy is the dominating form of restructuring.
- The number of jobs affected per restructuring case is relatively low in this sector. Only 8 cases involve the loss of 300 jobs or more. 214 jobs are lost per case on average. Regarding the job creation cases, on average approximately 177 new jobs are announced.

- Job losses (10 055)
  - The highest level of job losses in this sector is recorded for Slovenia with 3 113 job losses. This is closely followed by the United Kingdom with 2 296 announced job losses.
  - No job loss cases in the construction sector have been recorded for Austria, Belgium, Bulgaria, Cyprus, Denmark, Estonia, Germany, Greece, Hungary, Ireland, Latvia, Malta, Poland and Slovakia since January 2011.
  - Biggest single job loss cases were Cestno podjetje Maribor (CPM), a road construction company (SL, 799 job losses, bankruptcy, announced February 2011), SCT (SL, 760 job losses, bankruptcy, announced June 2011) and Rdb, (IT, 600 job losses, closure, announced October 2011)

- Job gains (2 120):
  - The highest level of job creations in this sector was recorded for France, with 1 250 new jobs announced. Other single countries follow by a large margin and involve job creations under 150.
  - Job creations in this sector are only recorded for France, the UK, Portugal, Poland, Italy and Austria. There is also one EU-wide and one global case of job creation in this sector recorded.
  - Biggest single job creation cases were Huis Clos (FR, 400 jobs created, announced May 2011) and Spie Sud Ouest (FR, 300 jobs created, announced January 2011).

Special focus: Green skills

Skills matter for the environment and employment

A greening of the economy[32] is one of the five headline targets of the Europe 2020 Strategy to promote smart, sustainable and inclusive growth. Although the overall expectation is that the transition to a low-carbon and resource-efficient economy — a greener economy — will have a rather limited impact on the total employment level, it is expected to have a significant impact on the employment and skills demand at the level of industries.[33] A major challenge will be to identify and anticipate future skills needs for a greener economy and to provide the necessary training and education with a view to fulfilling the green agenda and successfully managing labour-market transitions, thus avoiding skill shortages — while preserving opportunities for all. This special focus reviews briefly the scope and limitations of this challenge.

Are green skills something new?[34]

Skills mean the ability to apply knowledge and to use know-how to complete tasks and solve problems.[35] Individuals obtain skills through education, training and experience. There is neither a generally accepted taxonomy for describing skills on a European (or global) level nor a consistent theory for defining and classifying various skills.[36] Nevertheless, a useful grouping of skills has been presented in a recent study on the transferability of skills.[37] In this study, skills are classified into three groups: soft skills (i.e. non-job-specific skills that are related to individual ability to operate effectively in the workplace); generic hard skills (i.e. technical and job-specific abilities, which can be applied effectively in almost all jobs in a majority of companies, occupations and sectors and in personal lives) and specific hard skills (i.e. technical and job-specific abilities that are applicable in a small number of companies, occupations and sectors. They require special attributes for performing an occupation in practice.). Given that the soft skills and generic hard skills are usually highly transferable across sectors and occupations, they can be labelled transversal skills.

Research findings point out that the supplementing, combination and improvement of existing transversal and specific skills matter more for the transition to a greener economy than developing specific new skills. Specific skills associated with a greener economy, such as the installation of renewable heating technologies, skills to measure carbon foot-printing or environmental-impact assessment skills, require some knowledge of plumbing, fitting, electrical skills, assessment and diagnostic skills, i.e. knowledge of existing skills. The transversal skills will become more important since a lot of green projects are carried out within multidisciplinary teams bringing together professionals from different occupations. More particularly, greening the economy will require skills in fields such as strategic planning, leadership and management skills to lead teams and to drive changes; consulting skills to select the best options and to advise users about new technologies; communication and negotiating skills to resolve conflicting interests; systems and risk analysis skills to define options; entrepreneurial skills to seize opportunities; research and innovation skills to

[32] I.e. keeping greenhouse gas emissions 20 % (or even 30 %, if the conditions are right) lower than 1990, having 20 % of energy from renewables, and increasing energy efficiency by 20 %. For more details, see http://ec.europa.eu/europe2020/reaching-the-goals/targets/index_en.htm.
[33] See for instance Cambridge Econometrics, GHK and the Warwick Institute for Employment Studies (2011), Studies on Sustainability Issues — Green Jobs; Trade and Labour, study prepared for the European Commission, DG Employment, Social Affairs and Inclusion. Available at http://ec.europa.eu/social/keyDocuments.jsp?policyArea=&type=0&country=0&year=0&advSearchKey=tacklingclimatechange&mode=advancedSubmit&langId=en .
[34] Main sources: ILO (2011a), *Skills for green jobs — a global view*, CEDEFOP (2012), *A strategy for green skills, briefing note*; CEDEFOP (2010), *Skills for green jobs — European synthesis* report; CEDEFOP (2009), 'Green economy', Skillsnet Sector Flash, June, available at http://www.cedefop.europa.eu/etv/Upload/Projects_Networks/Skillsnet/Flashes/SkillsnetSF_GreenEco(HR).pdf; OECD, *forthcoming,* The jobs potential of a shift towards a low-carbon economy., Ecorys (2008), *Environment and labour force skills: Overview of the links between the skills profile of the labour force and environmental factors.* Study prepared for the European Commission, Directorate General for Environment, available at: http://ec.europa.eu/environment/enveco/industry_employment/pdf/labor_force.pdf.
[35] European Qualifications Framework (http://ec.europa.eu/eqf/home_en.htm) .
[36] Study *Transferability of Skills across Economic Sectors* (2011), which was prepared by RPIC-ViP and others for European Commission, DG Employment, Social Affairs and Inclusion, discusses in more details various approaches to skills classification.
[37] *Ibid*.

identify opportunities and create strategies; marketing skills to promote greener products; networking, IT and language skills to perform in global markets as well as adaptability and transferability skills, to enable workers to learn and apply new technologies, and training skills to equip the workforce with the skills sought by employers. Last but not least, green growth also requires a good knowledge of science, technology, engineering and mathematics (so called STEM skills).[38]

A greener economy will also need new skills along the following four dimensions: i) knowledge (technical knowledge in a particular field, knowledge about environmental regulations and resource-efficient production processes; general environmental awareness); ii) tools (environmentally-friendly machinery and green technological development); iii) materials (understanding of sustainable (or banned) materials, of their production and handling) and iv) production (environmentally-friendly production of goods and services). However, there is an emerging consensus that there are only a few unique 'green' skills and that the green element of skills depends very much on the context in which they are applied. For instance, appropriate regulation is needed so that the knowledge of building regulations will result in more energy-efficient buildings and could be considered as green. Impact-assessment skills can be considered green if they lead to a more resource-efficient mode of production. Thus, the same skills can be applied in both green and non-green contexts.

Nevertheless, there are some definitions of green skills (e.g. in Australia, the UK, the US, OECD, CEDEFOP), even though it is not clear where to draw the line between green and non-green. OECD understands green skills as specific skills to modify products, services or operations due to climate-change adjustments, requirements or regulations. They belong to a group of converging skills as they require several of the other skills, which is in line with the research findings presented above.[39] CEDEFOP[40] defines green skills as the knowledge, abilities, values and attitudes needed to live in, develop and support a sustainable and resource-efficient society. Further, they distinguish between generic green skills (help to develop or improve awareness-raising or implementation of resource efficiency eco-activities, eco-citizenship, etc.), technical/occupational specific green skills (required to implement standards, processes to protect ecosystems and biodiversity, and to reduce the consumption of energy, materials and water) and highly-specialised green skills (required to develop and implement green technologies, e.g. renewable energies, sewage treatment or recycling).

How are industries and occupations changing?[41]

Green building and renewable energy, including their supply chains, are among sectors that will be most positively affected by a transition to a greener economy through requirements for better energy efficiency of buildings and the need for a higher share of energy to come from low-carbon renewable sources. Their needs for a skilled workforce are high both quantitatively (higher labour demand) and qualitatively (changed content of occupations). Both sectors report a shortage of skilled workers. This is often due to missing skills, especially a lack of engineering skills which, for example, play a central role in renewable energy. A key difficulty in ensuring an adequate supply of skills is that the sector requires substantial numbers of engineers and technicians. Shortages in these occupations are common and can easily worsen when there is a sudden increase in demand. Employment in project development and in construction and installation is particularly vulnerable to booms and busts caused by faster or slower deployment of new capacity.

However, shortages in both sectors often also arise because of the unattractiveness of many manual occupations due to poor working conditions. Also many jobs in waste management, recycling and agriculture, all of which are sectors with employment potential in a greener economy, are characterised by extremely poor working conditions (low pay, unsocial working hours, hazardous health and safety conditions, employment contracts). In order to prevent labour shortages, efforts to upgrade skills must be accompanied by the improvement of working conditions.

Changes are expected in other sectors as well. Agriculture, forestry and fisheries, will refocus on the market for organic food, the production of biofuels and significant shifts between subsectors, with particular emphasis on the food/wood processing industries. Extractive industries and fossil-fuel

[38] There is an acute shortage in STEM skills which might constrain the EU's capacity for green growth more than shortages in specialist clean-tech know-how. (CEDEFOP 2010, *op. cit.*) .
[39] OECD (2010), *SMEs, Entrepreneurship and Innovation*.
[40] The starting point for identifying 'green skills' is always the job (or the occupation) involved in a green (economic) activity in its strict sense. CEDEFOP, forthcoming, *Green Skills and Environmental Awareness in Vocational Education and Training.*
[41] Main source: ILO (2011a), *op. cit.*

energy generation will need to move towards energy and resource efficiency, using new green technologies, clean coal and the capture and storage of carbon. Substantial numbers of displaced workers will be redirected into renewable energies. Emissions-intensive manufacturing, in particular the automotive sector and related supply chains, will refocus on eco-friendly vehicles (hybrid, electric, hydrogen-powered) with lower GHG emissions and other green features now in demand among customers. In the shipbuilding and related marine-engineering industries, activity will shift into offshore and onshore renewable energies, including the construction, supply and maintenance of wind turbines and wave and tidal energy machinery. In the cement industry, the shift will be towards more energy-efficient modes of production.

The abovementioned changes in industry are changing existing occupations and creating new ones. The great majority of expected skills changes and updates concern existing occupations that require new skills and knowledge, such as knowledge of new insulation materials, new approaches to building materials, design, engineering, skills to install and maintain new renewable technologies, knowledge of regulations, etc. Nevertheless, there are also new and emerging occupations, such as energy auditor, solar-energy technician and solar-panel installer (Table 3). The number of jobs in occupations with low and medium degrees of skills changes is much higher than at either extreme.

Table 3 Changes in skills and occupations for green jobs

Degree of skill change	Occupational change	Examples
None	None or only quantitative	Bus driver in CNG buses; national park ranger
Low	Changing established occupations	Welder in wind-turbine production; organic farmer
Medium	Changing or emerging occupations	Energy consultant in building; car mechanic for electric or CNG cars
High	New and emerging occupations	Solar-energy technician; eco-designer; biofuels technician

Source: Adapted from ILO 2011a, *op. cit.*

When considering skills and labour challenges in the medium to long term, demographic factors must be taken into account. Industrialised countries are faced with ageing and shrinking populations and are therefore likely to see skill shortages becoming more acute. Retraining and skills upgrading are likely to become more important. Ageing is also intensifying the shift from initial to continuing training.

Will only the highly-skilled benefit from a greener economy?[42]

A greener economy is likely to create demand for all sorts of skills. In an initial phase, highly-skilled workers may benefit more as the transition to new activities calls for the implementation of advanced technologies. Examples include jobs in research into new composite materials for wind energy, new ICT and the design and management of control systems for building, as well as jobs in measurement and metrology. Other business processes that will also need a higher level of expertise include organisation and management (e.g. management of major building projects or logistic-chain optimisation) and diagnostics, auditing and consulting. New green occupations in particular tend to require a relatively high level of qualifications. Prospects for highly-skilled workers are also good in sectors vulnerable to restructuring, as they have to successfully comply with existing regulations while remaining competitive.

There are also several emerging and new occupations that call for medium-skilled workers, such as jobs in the operation and maintenance of green technologies. Moreover, opportunities for the low- and medium skilled also arise from the fact that the great majority of expected skills changes concern numerous existing occupations concentrated in low- to middle skilled occupations (Table 3). For

[42] Main sources: ILO 2011a, *op. cit.*, CEDEFOP 2010, *op.cit,* Ecorys, 2008, *op. cit*. ; UNEP/ILO (2009), *Green Jobs: Towards decent work in a sustainable, low-carbon world*, http://www.ilo.org/wcmsp5/groups/public/@ed_emp/@emp_ent/documents/publication/wcms_158727.pdf; ETUC, SDA, Syndex, Wuppertal Institute and Istat, 2007, Climate change and employment: Impact on employment in the EU-25 of climate change and CO2 emission reduction measures by 2030., http://www.etuc.org/a/3676.

instance, the production of renewable electricity employs around a quarter of workers in skilled-trades jobs and around a fifth in professional or associate professional occupations.[43] The sector building renewable infrastructure has a strong demand for intermediate skills related to both construction and engineering. Around one third of employees are employed in skilled trades and around a fifth are engaged in semi-skilled manual occupations. The sector concerned with more energy-efficient buildings is creating job opportunities for the low-skilled, but there will be even more medium-skill construction jobs in the future. Low-skilled workers need special attention because of their high share in the sectors vulnerable to restructuring. In all but two EU Member States, the share of low-skilled labour in high-carbon sectors is higher than in low-carbon sectors. Moreover, there is a striking gap between EU-15 and EU-10. More than 20 % of all employees in the EU-10 work in the top 15 industries in terms of emissions, more than double the rate in EU-15 countries. [44]

How difficult is it to forecast green-skill needs?[45]

Identifying future skill needs to accommodate the transition to a greener economy is a complex process.
Firstly, there are the problems related to defining the skill needs and expressing them in statistics that are readily available and easy to interpret. In practice, many competing approaches have been used by different authorities and for different purposes. For example, two approaches have been proposed for measuring green jobs.[46] Following the output approach, green jobs are the jobs associated with the production of green goods and services. Following the process approach, green jobs are defined as the jobs associated with the use of environmentally-friendly production processes and practices.

Secondly, once the relevant skill needs have been defined in operational terms, an appropriate methodology to forecast these needs is required. This choice is to a large extent determined by the level of detail needed. If the research is limited to the analysis of inter-sectoral interactions then the use of input-output analysis and similar tools may be appropriate. However, if the research interest also focuses on the indirect and induced employment effects[47] — as well as the impact at the national and European level — then an analysis at the macro-level is appropriate. Moreover, if there is a need to link sectoral employment to occupational employment then projected sectoral employment figures have to be calibrated for the occupational composition of employment in the sector (using sector/occupation matrices). An important limitation of these tools is that their parameters are usually based on historical data that do not necessarily capture future changes due to technological progress, changes in work organisation, etc. Furthermore, these tools limit themselves to the analysis of the quantitative labour market effects, even though the transition to a greener economy is likely to also have important effects on the skills needs and quality of working life (as well as living conditions generally). Thus, analysis must be complemented by qualitative information.

Thirdly, apart from the different methodological approaches, forecasts on economic greening are also not always straightforward to compare due to different assumptions concerning the underlying 'business as usual' policies, and the reporting of gross or net effects. The accuracy of the quantitative and qualitative dimensions of these forecasts can be greatly improved through social dialogue that involves all relevant stakeholders.

How are education and training systems responding?[48]

Skills responses cover a broad range of activities such as changes in existing educational and training programmes or the introduction of new ones, ad-hoc training activities, on-the-job training, etc., which can be provided by enterprises, industry, government or educational institutions or alternatively through immigration of skilled workers. The type of skills response depends on countries' skills

[43] Cambridge Econometrics et al., 2011, *op. cit.*
[44] ILO, 2011b, *Towards a greener economy: the social dimensions*, the study resulted from a joint EC-ILO project 'Addressing European labour market and social challenges for a sustainable globalisation';
http://www.ilo.org/public/english/bureau/inst/research/ecinst/greensyn.pdf,.
[45] Main source:.
[46] See for instance http://www.bls.gov/green/.
[47] Indeed, at a high level of aggregation the assessment of the employment effects of economic greening becomes a very complex exercise as the creation of new green jobs may replace existing (inefficient) jobs, contribute to the greening of existing jobs, eliminate existing (inefficient) jobs or establish new jobs in the rest of the economy through knock-on effects via price, wage and income changes.
[48] Main sources are ILO, 2011a, *op. cit.,* OECD, forthcoming, *op.cit.,* CEDEFOP, 2010, *op. cit.*

challenges as well as on their national skill-development systems. Additional relevant actors in providing necessary skills are effective (public) employment services (PES).

Several countries prefer to adjust qualifications, training standards and curricula of existing (formal) education and training programmes at both the secondary and tertiary level, as it is faster and should prevent overspecialisation. Changes can be made either by including special standard courses (e.g. special training on environmental safety was included in initial vocational and educational training in Estonia; in Germany, agricultural students have a mandatory module on environmental and resource economics) or by including relevant topics in existing subjects (e.g. updated German training enables graduates in plant mechanics for sanitary, heating and air-conditioning systems to operate modern heating systems and they can also work for companies installing solar photovoltaics). The provision of formal education is mainly in the hands of governments; however, the cooperation of social partners and education systems is very helpful. The examples of Germany and Denmark are very inspiring. They are among the most environmentally-advanced countries without having introduced any specific green-training measures.[49] However, they have good and responsive education systems which cooperate well with industry and have well-integrated relevant environmental aspects.

New and emerging occupations may require new programmes. They are predominantly created at university level, given the demand for a highly-skilled workforce, in the areas such as renewable energy and energy efficiency, but also related to organic farming, city management or water management (e.g. the new master programme for people working in the wind industry in Denmark). However, new programmes are also established at secondary level (e.g. vocational certificates in ecodesign or 'operator of recycling industries' in France). Responses to similar challenges vary considerably from one country to another. For instance, organic farming was integrated in the existing agriculture training courses in France, whereas in Estonia the new qualification of 'farm-worker in alternative agriculture' was created.

The significance of transversal skills calls for their advancement across the entire workforce by improving general (compulsory) education and by mainstreaming environmental topics. Good general knowledge, especially of maths and science,[50] increases the workforce's adaptability to new technologies and thus its employability.[51] Environmental awareness should follow a similar pattern as IT skills and become one of the basic skills. The Expert group on New Skills for New Jobs called for its inclusion in all curricula irrespective of the level of education or training.[52] General awareness is increased as well by life-long learning, which also reduces over-reliance on workplace-based training.[53] Promotion of life-long learning calls for the inclusion and acknowledgement of skills acquired through all forms of learning, also in an informal way.[54] In order to deliver education and training, Europe needs a sufficient number of trainers and teachers who are aware of environmental issues and able to teach new techniques.

The responsiveness of formal education and training programmes is sometimes not swift enough to cope with the scale or pace of skills needs.[55] In such cases, enterprises, sector agents and local authorities usually furnish initiatives that can start as *ad hoc* and end up as permanent training programmes. They predominantly aim at training workers in specific skills. At the enterprise level, they can be provided as on-the job training (simple tasks), via structured information sessions (to increase general environmental awareness), short courses (for more specialised skills such as a course on fuel-efficient take–off and landing for Virgin Atlantic pilots) or by organising special training centres (e.g. the training centre in Germany established by Siemens to increase the supply and quality of workers for its wind-power turbines and wind-power plants). Forthcoming CEDEFOP[56] research reveals

[49] OECD (forthcoming, *op. cit.)* asked its members whether they had introduced any specific green labour-market measures. 60 % of countries implemented at least one, and training was the most common measure.
[50] Measures to improve and equip a larger share of the workforce with skills related to the natural science and engineering should go beyond education changes and should include various (government introduced) incentives as well as better information about career and wage opportunities.
[51] This was again confirmed in the new study by CEDEFOP (2012, *op.cit.*).
[52] New Skills for New Jobs: Action Now, A report by the Expert Group on New Skills for New Jobs prepared for the European Commission, February 2010, http://ec.europa.eu/social/main.jsp?catId=822&langId=en.
[53] CEDEFOP, 2010, *op. cit.*
[54] OECD, forthcoming, *op. cit.*
[55] Learning providers sometimes adopt a 'wait and see' approach and are not ready to risk involvement because of unclear and diverse employer needs regarding green skills, or because of insufficient capacity and expertise (CEDEFOP, 2012, *op. cit.* ILO, 2011a, *op. cit.).*
[56] CEDEFOP, 2012, *op. cit.*

that employers in several countries are not satisfied with existing training (notably for insulation workers and solar and photovoltaic installers) and that they are, with the exception of employers in the UK, keener to train existing staff rather than employ new people. The industry level responses help to identify skills needs, provide training responses and support formal education programmes. They are provided by industry associations (in France, for example, demand from industry associations led to a new qualification of 'renewable-energy technician'), sector skills councils (e.g. the special Renewable Energy Skills Group in the UK, which was created by several sector skills councils, tries to accommodate needs across a whole supply chain) or chambers of commerce or industry (e.g. new continuing vocational training courses in the area of energy efficiency and renewable energy were designed by various chambers in Germany, leading to new occupations such as 'building energy consultant' or 'specialist in solar thermal energy'). Another form of industry-level response worthy of emulation is a joint initiative bringing together actors such as social partners, research centres, training providers and regional development agencies (such as the National Training Centre for Sustainable Manufacturing in the UK, which provides around 60 business with training for their workforce at various levels, or the building centre for renewable energy in northern Germany, where workers can train to qualify as service technicians for wind turbines). Input from local authorities is especially valuable because of their better knowledge of local needs (for example, one region in Denmark launched an employer survey together with industry).

Education and training responses must pay special attention to the training needs of SMEs, which are more frequently using informal green knowledge-intensive service activities rather than traditional forms of VET.[57] It is important to tailor training to their particular needs and to make it accessible and affordable. According to the ILO and CEDEFOP project's findings, the most effective skills responses are:

- Industry-level responses (they proved to be very good at satisfying needs, both quantitative and qualitative);
- public–private partnerships and involvement of social partners in education and training (creates relevant training and supports more extensive changes);
- coherent multilevel skills responses involving all stakeholder (the most effective, because they address both production and consumption through education and training programmes at various levels as well as life-long learning).

Good skills responses also require good timing and coordination of environmental and skill policies. It does not help much to have skilled workers but no market, or an insufficiently-developed one, for environmental goods and services, and vice versa.[58] According to the OECD,[59] one of the best examples of a comprehensive and pragmatic policy approach is the Austrian Klima:aktiv[60] initiative. In the field of training, it focuses on advanced vocational training, coordinates training and education, initiates pilot training and seminars and introduces new green components in education in cooperation with education providers and social partners.

The way forward

The specific nature of the challenges posed by economic greening requires special attention — especially regarding skills needs. The existing policy toolbox of the European Employment Strategy, in particular the employment guidelines and the flexicurity concept, already provides a range of policies that lend themselves, with some adaptation, to an application in response to the climate-change

[57] OECD, forthcoming, *op. cit*. However, a UK survey in 2009 found that while most electricians were keen to train in photo-voltaic installation they found the price of the course too high (EUR 2 050) (CEDEFOP, 2010, *op. cit.*).
[58] A recent analysis in France showed that students completing an environment-related course have more trouble finding employment than graduates in other areas. This is due to the great increase in number of enrolled students, deficient labour demand, but also due to the selection of environmental programmes. The number of students in environment-related courses increased by 2 % a year between 1997 and 2005, whereas the increase in the total number of students was only 0.5 % p. a. Moreover, students showed high interest in programmes with weak employment opportunities (e.g. environmental protection and town and country planning) rather than those demanded by industry (e.g. pollution prevention and reduction). (Campens, E., O. Aznar, and T. Mazerm, 2011, Green studies: an unsustainable bubble?, *Training and Employment,* No 95, September-October, Marseille: Cereq.) France introduced its national plan for green occupations and jobs within its broad environment strategy ('Grenelle Environment') in 2009.
[59] OECD, forthcoming, *op. cit*.
[60] Initiative was launched in 2004 as a part of National Climate Strategy and provides target-group oriented programmes in the areas of building, energy efficiency, mobility and renewable energy. Workforce training is one of core levers, the others being quality standards for new products and services, information and communication campaigns, advice and support to businesses, and activation and networking partner (http://www.klimaaktiv.at/).

challenge. The good news is that the skills challenge is manageable and is not expected to exceed historical experience. Furthermore, one of the main drivers of the change comprises policy measures, hence changes are relatively more predictable and can be better managed. Nevertheless, in seeking a further successful transition to a low-carbon and resource-efficient economy, the European Commission is proposing additional action both to address challenges and to enhance job creation within the green economy.[61] In the field of skills, this involves further development of labour market information/intelligence and forecasting systems as well as the inclusion of a skills and training dimension of green jobs within wider national strategies, support of mutual learning and the provision of information and guidance on emerging occupations and in-demand skills.

[61] Forthcoming Staff Working Document titled '*Exploiting the employment potential of green growth',* which will accompany the Commission's Communication *Towards a jobs-rich recovery*.

Special focus: Agriculture

This section reports on recent developments in the agriculture, forestry and fishing sector (NACE A, Rev.2), also referred to as the primary sector, and also takes a closer look at the so-called agri-food industry.

Rationale

The Common Agricultural Policy after 2013

Since its creation, the Common Agricultural Policy (CAP) has always been adapted to respond to the challenges of its time. The Europe 2020 strategy offers a new perspective. In this context, through its response to the new economic, social, environmental, climate-related and technological challenges facing our society, the CAP can contribute more to developing intelligent, sustainable and inclusive growth. The CAP is due to be reformed by 2013. After a wide-ranging public debate the Commission presented on 18 November 2010 a Communication on "The CAP towards 2020", which outlines options for the future CAP and launched the debate with the other institutions and with stakeholders. On 12 October 2011 the Commission presented a set of legal proposals designed to make the CAP a more effective policy for a more competitive and sustainable agriculture and vibrant rural areas.[a]

This special sectoral focus timely offers a brief statistical overview on the socio-economic importance of the primary sector on the one hand, and the agriculture, extended to the food industry, on the other hand. It is partly based on DG AGRI's Report 2011 on "Rural Development in the European Union".

Context: structure of the economy and relative importance of the primary sector[b]

Although primary agriculture only accounts for 1.7 % of GDP in the EU 27 (2009), the importance of the sector should be appraised in a narrower context at the level of predominantly rural regions. In general terms, the tertiary or service sector remains the main field of economic activity in the EU. In 2008 it accounted for 65% of the value added in predominantly rural regions, 68% in intermediate and 78% in predominantly urban regions. The secondary sector (mining, manufacturing, construction, utilities) in predominantly rural regions contributed 31% of value added in 2008, slightly more than in intermediate and predominantly urban regions (30% and 22% respectively). The primary sector (agriculture, forestry and fishery) only represented 4.5% of the value added in predominantly rural regions of the EU-27 in 2008. The structure of the rural economy differs between the EU-15 and the EU-12. In those regions of the EU-12, the primary sector still accounted for 8% of the value added in 2008, compared to only 3.9% in the EU-15. The relative weight of the primary sector in the predominantly rural areas of the EU-27 has decreased by a total of 1.2 pps over the period 2003-2008. These regions have been largely affected by this process of structural change in the EU-12. Countries where agriculture still has a high economic importance have registered the biggest decrease, especially the predominantly rural regions of Romania and Bulgaria (-9 and -8 pps, respectively) followed by Greece (-4 pps).

Jobs in the primary sector and in the agri-food sector[c]

As reminded by the recently published study on "Monitoring of sectoral employment", the share of agriculture, forestry and fishing in both total value added and employment fell dramatically in Europe over the last thirty years, especially in the older Member States (EU-15).[d]

The importance of the primary sector in the economy of the EU-27 is indeed declining, supported by the significant productivity gains of labour[e] and capital and the sharp decline in real prices. In 2009 the primary sector generated 169 billion euros in the EU-27. Although the importance of the primary sector in the overall economy decreased over the last years, passing from a share of 2.1% in 2003 to 1.6% in 2009, the absolute figure of gross value added generated in the primary sector is variable without revealing a clear trend.

Between 2000 and 2009, its share in the overall economy diminished by 1.4 pps in terms of employment. In the period 2001-2009, the number of jobs decreased by 2.8 million (or 2.3% per year), with the highest rates observed in Lithuania (-7% per year), Poland and Romania (both -6%). With 12.1 million persons employed in 2009 in the EU-27, the primary sector represents 5.4% of the total employment for the EU-27, ranging from 1% in the United Kingdom to around 28% in Romania, 20% in Bulgaria and 13% in Poland.[f]

If we extend the analysis to also include the food industry, the combined agricultural and food sector accounted for 16.8 million jobs (7.6% of total employment) in the EU-27 in 2009 (most of the food sector activity depends upon the production of the primary sector).[g] The agri-food sector is relatively more important in the EU-12, in particular for employment in the primary sector in rural areas.

Characteristics of jobs in the primary sector

In 2007 in the EU-27 there were 13.7 million agricultural holdings (5.6 in the EU-15, more than 8 in the EU-12). The number of agricultural holdings is decreasing at an annual rate of 2.2% both in the EU-15 and in the EU-12. Similarly to the number of holdings, the agricultural labour force fell by around 2.0% per year between 1995 and 2007 in the EU-15. It now stands at 11.7 million annual work unit (AWU; this indicator converts all work done in a farm into full-time equivalents. This is of particular relevance to agriculture due to the high prevalence of part-time farming)[h] for the EU-27, of which less than 1 million correspond to non-regular workers. With more than 80% of the labour force coming from the farm holders' family, EU agriculture is still largely based on family farms. Workers employed regularly make up 12% of the labour force. However, a very large share of the workers is not occupied full-time in agriculture: around 33% of the family and regular workers in the EU-27 are working less than half time in agriculture and only 37% of them have full-time jobs.

Importance of part-time farming

The importance of part-time farming is also reflected in the labour force used per holding: 55% of EU farms require less than one AWU. On the other hand, due to the increase in labour productivity, the average labour force requirement per farm remains rather stable at around 1 AWU despite the increase of the average farm size, and more labour intensive activities such as horticulture and dairying which exhibited increasing employment per farm in the last years. In 2007, only 15% of the managers of family farms of the EU-27 had a working time in agriculture equivalent to a full-time job - this proportion being higher when looking at the EU-15 (25%) and lower when looking at the EU-12 (9%) - although 63 % of family farm managers continue to have no gainful activity other than agriculture.

According to LFS data, in 2010, 21.9 % of all workers aged 15 to 64 in agriculture, forestry and fishing were part-timers at EU-27 level, against 19.2 % in the entire economy. Interestingly, that percentage had declined by 0.3 pp from 2008 in agriculture, while it went up by 1.0 pps in the entire economy. Remarkably, the proportion of part-timers among male farmers is much higher than the average noted in the whole economy: respectively 16.5 % vs. 8.7 % in 2010, while the percentages were closer for women (30.8 % vs. 31.9 %).

High proportion of aged farm managers and relatively low proportion of women

The agricultural labour force is relatively aged, with more than 55% of all managers older than 55 years. This is particularly pronounced in Bulgaria and Romania but also in the old Member States where the number of "young" managers has diminished over time. Women represent 42% of all agricultural workers, their percentage being higher in the EU-12 (47%) compared to the EU-15 (38%). The share of female farm holders increased from 26.8% to 28.7% of total farm holders in the EU-27 between 2003 and 2007 (also this percentage is higher in the EU-12 compared to the EU-15).

According to LFS data, in the EU-27, 21.0 % of all workers aged 15 to 64 in agriculture were senior farmers in 2010, aged 55 or more. This percentage remained relatively stable since 2008 (+0.2 pp) is significantly higher than in the total economy (13.3 %, up by 0.9 pp on 2008). Looking at youth, their proportion remained low in agriculture, forestry and fishing, at 8.3 % but this did not decline since 2008 (+0.1 pp), whereas in the total economy, although it is significantly higher at 9.4 % in 2010, it declined from 2008 (-0.9 pp). The percentage of working-age women working in that sector has always been lower than the average. And it declined further in those two years, from 38.3 to 37.2 %, while that proportion rose in the total economy, from 44.8 to 45.5 %.

Percentage of self-employment in the agricultural sector

In the EU-27 there are almost 6 million of self-employed people in the primary sector (agriculture, forestry and fishing). In 2010, according to LFS data, the share of self-employment in the primary sector aged 15 to 64 reached 52.2 %, the vast majority of which were self-employed without employees (46.6 %). The highest rates of self-employment are found in Portugal, Ireland, Luxembourg, Greece and Poland (more than 70% in all the cases). The proportion of women among self-employed farmers corresponds to the average noted in the total economy, slightly above 30 %.

Sole workers represent 50% of the regular labour force in agriculture.[i] The number of sole holders as a percentage of the total number of regular workers in agriculture decreases when the physical size of the farm increases. The highest share of sole workers is found among holdings of less than 2 hectares (60%), whereas holdings of more than 100 hectares present the lowest share (18%).

Skilled and non-skilled workers in agriculture

65 % of the workers in the agricultural sector in the EU have attained at least the upper secondary school and may therefore be seen as skilled workforce, while this percentage remains lower than the average percentage for the total economy (78 %). The EU-12 countries present higher levels than in the EU-15 (59% and 71% respectively). The highest rates of skilled workers are found in Portugal (93%), Poland (91%) and Austria. By contrast, Ireland present the lowest rate, just 2%, followed by Bulgaria and the United Kingdom (20% and 25% respectively).

Main challenges for the sector[j]

The upcoming CAP reform aims at making the European agriculture sector more dynamic, competitive, and effective in responding to the Europe 2020 vision of stimulating sustainable growth, smart growth and inclusive growth.

Rural development policy has allowed enhancing the economic, environmental and social sustainability of the farming sector and rural areas, but there are strong calls to fully integrate environmental, climate change and innovation considerations into all programmes in a horizontal way. The agri-food industry in Europe can provide a major boost for jobs and growth, especially during this period of economic downturn and budgetary austerity.

The CAP reform aims at strengthening the competitiveness and sustainability of agriculture and maintaining its presence in all regions. Sustainability goes hand-in-hand with the protection of environment and management of natural resources. Setting agricultural production onto a sustainable growth path will be possible only with major research and innovation efforts. The greening of agriculture will also require investing in the appropriate skills, also in order to bridge the educational gap with other professions.

a. More information on http://ec.europa.eu/agriculture/cap-post-2013/index_en.htm.

b. Source: Rural Development in the European Union; Statistical and Economic Information - Report 2011. See http://ec.europa.eu/agriculture/agrista/rurdev2011/index_en.htm.

c. Sources: Eurostat, Labour Force Survey (LFS) data and Rural Development in the European Union; Statistical and Economic Information - Report 2011. See http://ec.europa.eu/agriculture/agrista/rurdev2011/index_en.htm.

d. In 1975, agriculture, forestry and fishery accounted for 4.8 % of total value added in the EU-15. In 2007, that percentage stood at only 1.4 %. In terms of jobs the percentage fell from 10.9 to only 3.5 % of total employment, over the same period. This study was prepared by the Vienna Institute for International Economic Studies and Applica, and is downloadable from: http://ec.europa.eu/social/keyDocuments.jsp?policyArea=&type=0&country=0&year=0&advSearchKey=monitoringsectoralempl&mode=advancedSubmit&langId=en.

e. According to Eurostat, an analysis of labour productivity per person employed over the 1999 – 2009 period shows increases for all activities. However, while the highest growth rate of productivity was registered in construction (+40 %), the lowest was noted for agriculture, hunting, forestry and fishing (+16 %). See also "Europe in figures", Eurostat yearbook 2011: http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-CD-11-001/EN/KS-CD-11-001-EN.PDF

f. Source: National accounts, Eurostat. In the Economic Accounts, the classification of persons by branch is on the basis of their main activity. The data presented therefore cover only persons working mainly in the primary sector, and not all the persons that are directly involved in agriculture or forestry, which are much more numerous.

g. Source: National accounts, Eurostat. Due to the restricted availability of regional statistical data for the agri-food sector, it is defined here as the combination of the primary sector (branch A: agriculture, hunting, fishing and forestry) and the food industry (branch DA: Manufacture of food products; beverages and tobacco).

h. AWU – annual work unit, corresponds to the work performed by one person who is occupied on an agricultural holding on a full-time basis.

i. In the farm structure survey self-employment is denoted as sole holder.

j. See http://ec.europa.eu/agriculture/cap-post-2013/index_en.htm.

Social impact of the crisis and austerity measures

This section is a collection of short essays on different social topics, in particular in relation to the crisis. A regular quarterly reporting on social issues is limited because of annual frequency and lack of timely social data. These articles shed some light on the effects of the economic and labour market developments on inequality, poverty, social climate and various other social dimensions. It explores social survey data (EU SILC, EU LSF), social data (ESPROSS), labour market data (LMP), other surveys (Eurobarometer, Business and Consumer Surveys) and review publication by other institutions.

Special focus: Redistributive role of social transfers

INTRODUCTION

One of targets set in the Europe 2020 agenda was to lift 20 million people in the EU out of poverty and social exclusion. Among the 116 million people who were living at risk of poverty and social exclusion in 2010, 80 million - i.e. 16% of the population - faced the risk of monetary poverty. This share ranged from as low as 10% in the Czech Republic and the Netherlands to 20% in Bulgaria, Latvia, Romania and Spain.

Various strategies are recognised as alleviating poverty. Together with a growing emphasis on measures to facilitate participation in employment, especially by lower income groups, women and older people; public transfers, both in terms of taxes and social expenditure, are among the most important instruments that help to reduce poverty.

This special focus investigates the redistributive role of social benefits (except pensions). It looks at the links between social expenditure and the reduction in relative poverty, i.e. the change in income distribution for lower income groups across Member States[62]. First, it analyses the effectiveness of social transfers, by comparing the relative change in poverty rates before and after social transfers. Second, it studies the efficiency of social transfers, by assessing the link the between the reduction in poverty rates and the relative amount of spending on social protection benefits. The main data sources used for this analysis are EU SILC 2010 (based on income year 2009) for poverty and ESSPROS 2009 for social expenditure.

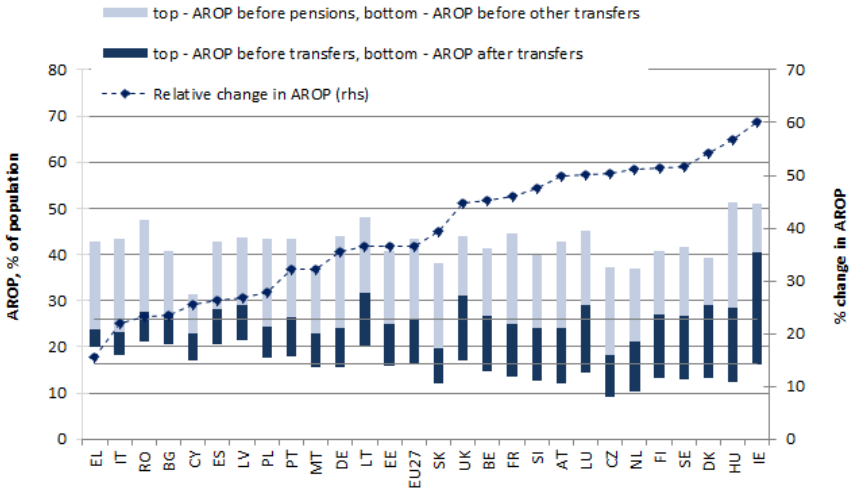
EFFECTIVENESS OF SOCIAL TRANSFERS IN REDUCTION OF POVERTY

The effectiveness of social transfers can be measured by absolute or relative changes in the at-risk-of-poverty rate before (AROP BST) and after social transfers (AROP)[63]. In this calculation, sickness/health care and disability, family, unemployment, and housing and social exclusion benefits are taken into account, whereas old age and survivors benefits are not regarded as social transfers; they are treated as primary income and their main function is to redistribute income throughout the life-cycle of an individual rather than between population groups.

[62] The at-risk-of-poverty rate is used. This rate measures the share of population that have equivalised disposable income below the risk-of-poverty threshold, which is set at 60% of the national median equivalised disposable income. The equivalised disposable income is the total income of a household, after tax and other deductions, that is available for spending or saving, divided by the number of household members converted into equalised adults.

[63] The formula used for the calculation of the relative effectiveness of social transfers is the following:
RELATIVE EFFECTIVENESS (in %) = [AROP BST – AROP] / AROP BST * 100

Chart 53: Some Member States are more effective than others in poverty reduction - Absolute reduction in poverty rates before and after pensions and before and after other social transfers; and relative reduction in poverty rates before and after social transfers (excluding pensions)



Source: Eurostat, EU SILC 2010, income year 2009

However, pensions account for a considerable share of social protection expenditure (ranging from 25% in Ireland to 60% in Poland) and also have a poverty-reducing effect on their recipients. Without pensions the poverty rate in the EU would be as high as 43% (the range is from 30% in Cyprus to 50% in Ireland), however it is reduced to 26% when pensions are taken into account (for more details see Table 4). Furthermore, research finds evidence that minimum pensions have an effect on poverty reduction[64].

The redistributive impact of social transfers is important in the EU. In the absence of social transfers, the poverty risk would be considerably higher than it actually is. In 2010, social transfers reduced the poverty rate in the EU from 26% to 16%, i.e. by 37% (see Table 4).

Major differences persist among Member States. In the Nordic countries (Denmark, Finland and Sweden), Ireland and the UK, and some continental Member States (Austria, Belgium, France and Luxembourg), plus Hungary and Slovenia, social transfers are very effective: they lower the high risk of poverty by 45% or more. On the other hand, in the southern Member States (Greece, Italy and Spain) and in some of the new Member States (Bulgaria, Latvia, Poland and Romania) social transfers are relatively ineffective, as they reduce the risk of poverty by 30% or less. Countries such as the Czech Republic, the Netherlands, and Slovakia fall into a special category, where the at-risk-of-poverty rate before social transfers is among the lowest in EU, and even a modest absolute reduction in poverty results in high relative effectiveness of social transfers (40-50%, see Table 4).

EFFICIENCY OF SOCIAL PROTECTION BENEFITS

Expenditure on social PROTECTION BENEFITS

Total social expenditure includes social protection benefits (in cash and in kind – the latter being provided in the form of services)[65], but also administrative costs and other expenditure. In 2009, this expenditure accounted for 29.5% of GDP in the EU. The size (and composition) of social spending varies significantly across Member States. It ranges from around 17% of GDP in Bulgaria, Latvia and

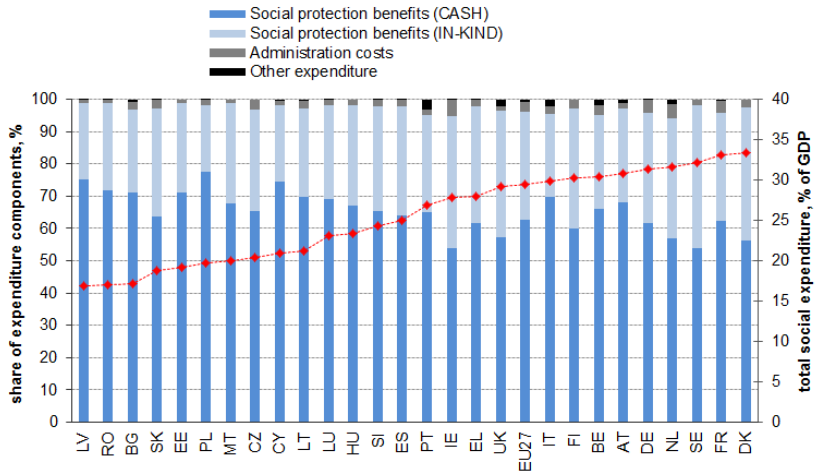
[64] A recent study by Figari et al. (2008) showed on a number of EU Member States that this effect can range from none to tens of percentage points. Minimum pensions have a specific poverty reduction function; however, given the level of detail currently available in EU-SILC it is not possible to measure the specific impact of minimum pensions.
[65] Such as medical care, pharmaceutical products, rehabilitation, accommodation, child day care, home help, vocational trainings and social housing.

Romania to 32% or more in Denmark, France and Sweden[66]. Administrative costs and other expenditure, at 1.1% in the EU, are relatively more important (i.e. above 5% of the total social expenditure) in Belgium, Ireland and the Netherlands (see Chart 54).

Nearly two-thirds of social protection benefits in the EU are granted in cash, while one-third is provided in-kind. The share of in-cash benefits was lowest in Ireland, Sweden, Denmark, the Netherlands and the UK (below 60%) and highest in Bulgaria, Estonia, Romania, Cyprus, Latvia and Poland (above 70%, see Chart 54).

Although in-kind social protection benefits form an important part of social spending, they do not affect the at-risk-of-poverty rate directly, because they do not increase the monetary income of households[67]. Therefore, the analysis of the efficiency of social spending in terms of relative reduction in the at-risk-of-poverty rate is based on in-cash social protection benefits.

Chart 54: The level of social expenditure and its composition vary across Member States
- Share of social protection benefits (broken down into benefits by in-cash and in-kind) and administrative and other costs, plus total social expenditure as a percentage of GDP



Source: Eurostat, ESPROSS 2009

FUNCTIONS OF SOCIAL PROTECTION BENEFITS

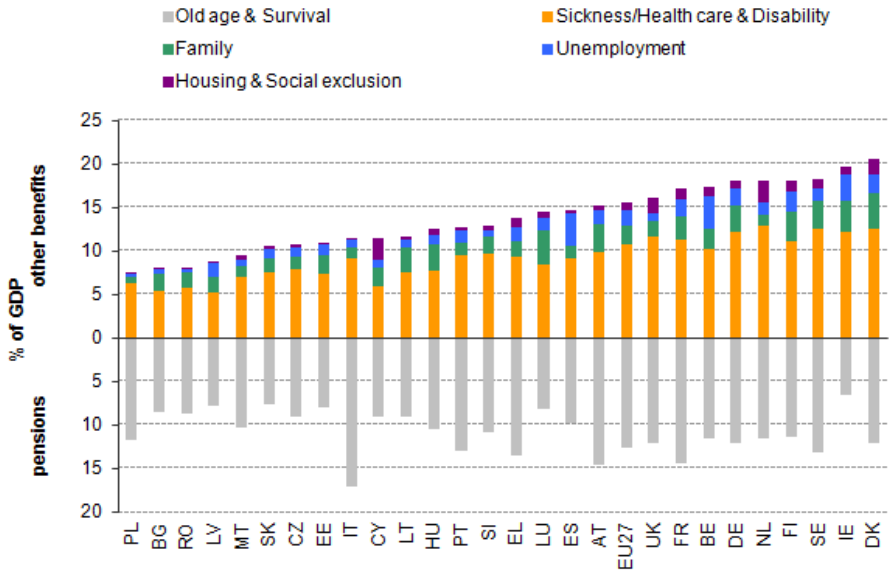
The role of social protection benefits is to provide support to cover certain risks or needs in the event of sickness or disability, for pensioners and survivors, for families and children, for the unemployed, and for those who are poor or socially excluded. Expenditure on social protection benefits accounted for 28.4% of GDP in the EU in 2009, including 12.8% of GDP allocated in old age and survival pensions, and 15.6% of GDP spent on other social benefits (including 6.1% of GDP provided in-cash, see Chart 55).

Member States have various ways of allocating the social expenditure budget among those functions. Old age/survival pensions are most important in Poland and Italy (over 60% of social protection benefits) and least important in Ireland (25% of social protection benefits). Sickness/health care & disability are relatively highest in Ireland, the Netherlands and the UK (more than 40% of social protection benefits) and relatively lowest in Cyprus (less than 30%). Unemployment benefits range from 2% of social benefits spending in Poland to 15% in Spain. Family benefits vary from less than 4% in Poland to more than 17% in Luxembourg. Housing benefits are virtually unimportant in Italy but are more than 12% in Cyprus.

[66] Additionally, next to the differences in the size of social spending as % of GDP, there are significant variations among Member States in the level of per capita expenditure, as explored in Eurostat's Statistic in Focus (2012).
[67] An effect of in-kind benefits is, however, expected to exist on material deprivation, and indirectly on monetary poverty through the adjustment of household needs for monetary income. The European Commission's Employment and Social Developments in Europe 2011 review illustrates the redistributive impact of in-kind benefits on the income distribution and concludes that the lowest quintile derives the most benefits from them.

Although pensions are excluded from playing a direct redistributive role, a proper mix of other components (in-cash) should result in improved income redistribution and in the reduction of poverty. However, the budget allocated for pensions, which is significant in all Member States, may determine the size and composition of other types of social benefits and therefore influence effectiveness and efficiency of social transfers.

Chart 55: Member States allocate varied shares of GDP to different social protection benefits - Composition of social protection benefits by functions



Note: As old age and survival benefits are not taken into account in the efficiency of social transfers' analysis, they are only shown indicatively below the axis.
Source: Eurostat, ESPROSS 2009

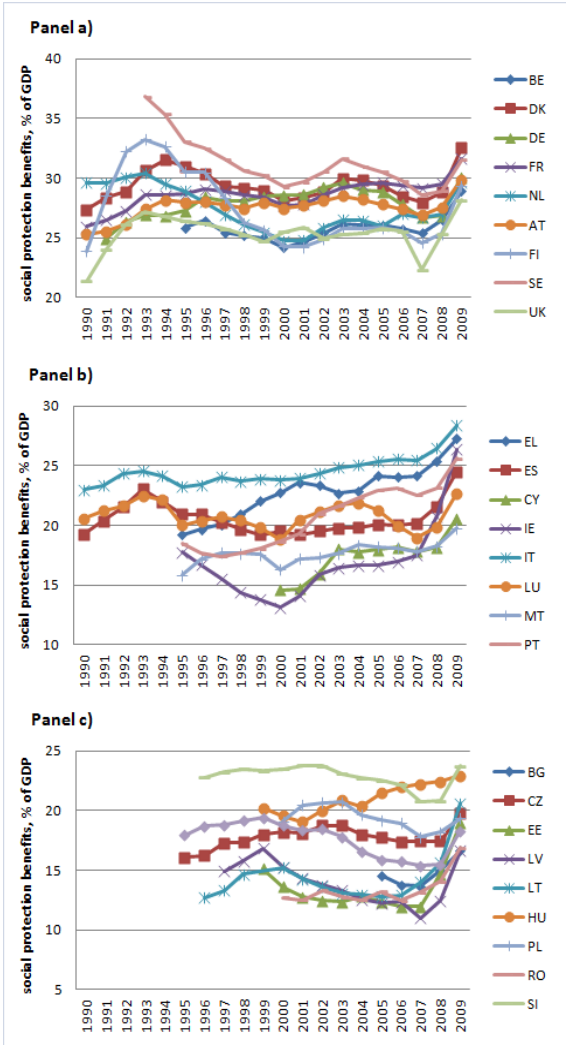
The way in which the functions of social protection benefits are structured may influence the effectiveness of social protection spending for different population groups in particular. Table 4 presents an overview of the relative decrease in the poverty rate due to by social transfers for three age groups (children, adults and the elderly).

EFFICIENCY OF SOCIAL EXPENDITURE (IN CASH)

The efficiency of social transfers (excluding expenditure on old age and survivors) in reducing poverty can be analysed by looking at the relationship between the size of expenditure in-cash on social protection benefits and the relative reduction in poverty rates. Member States succeed in reducing relative poverty to different extent, given their spending on social protection benefits (see Chart 57).

Box 3: Developments of social protection benefit system

Chart 56: Spending on social protection benefits has had different developments in the EU Member States - Spending on social protection benefits as share of GDP between 1990 and 2009



Source: Eurostat, ESPROSS 2009

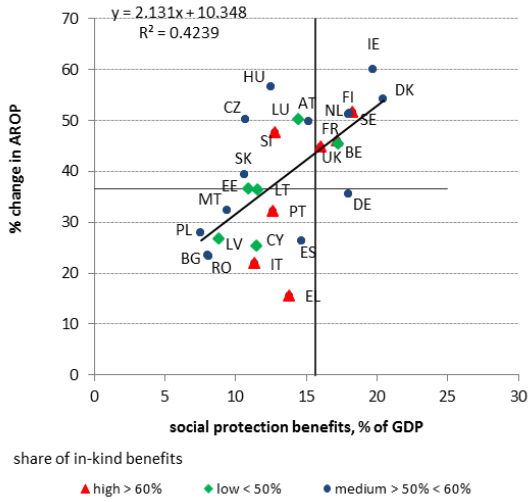
Member States have reached the 2009 level of spending on social protection benefits from different starting points. While in 2008 and 2009 this expenditure increased basically in all Member States, developments prior to the crisis often showed a very different picture. Chart 56 (panels a-c) illustrates these developments. In panel a) there are the old Member States such as Denmark, Germany, France, Sweden and the UK, where even in the mid-1990's the social protection systems were already well developed. Until the crisis, social protection expenditure in these countries was not increasing more than GDP growth.

Panels b and c show the trends in spending on social protection benefits in those Member States where this expenditure was fairly low in the mid-1990's (or when data became available). Panel b concentrates on the remaining old, mostly southern Member States plus Malta and Cyprus, where the spending on social protection had tended to grow until 2007. The remaining, new Member States are shown in panel c. In most of these countries, social protection expenditure did not grow as rapidly as GDP.

From this chart it is clear that the relative size of social protection spending varies significantly over time. There may be many reasons for this, such as the business cycle, unemployment, a change in the age structure of the population, but also policy changes. Therefore, it should be borne in mind that the ranking of the Member States in Chart 54 is specific to the year 2009.

Chart 57: Efficiency of social transfers in reducing poverty differs among Member States and it does not clearly depend on share of in-kind benefits

- Correlation between relative reduction of poverty rates and social protection benefits excluding expenditure on old age and survivors (as % of GDP). The share of in-kind benefits across Member States is indicated.



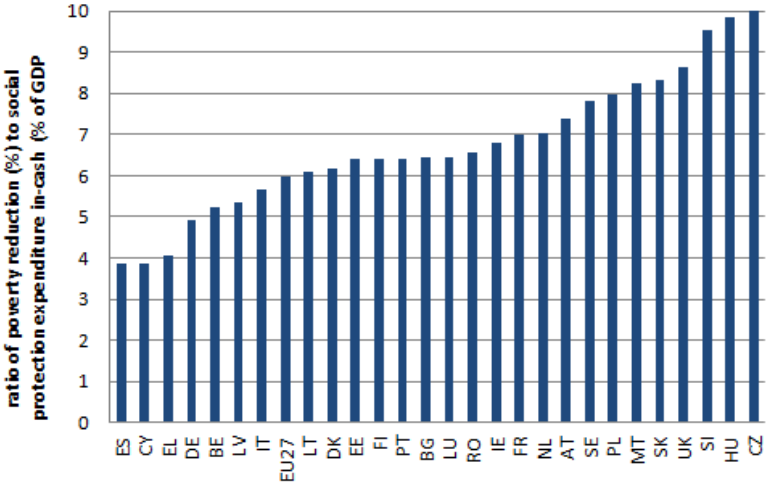
Source: Eurostat, ESPROSS 2009 for social expenditure, EU SILC 2010 (income year 2009) for poverty

As the at-risk-of-poverty rate is directly influenced by in-cash social benefits, the efficiency of social transfers is further investigated looking at these benefits only. Restricting the focus to in-cash benefits does not significantly affect the relative position of countries in Chart 57 (see also Chart 59)[68].

Using a methodology similar to that of Caminada & Goudswaard (2008), the efficiency of social expenditure is measured by the ratio of relative poverty reduction to the size of social spending in-cash (in % of GDP). To some extent, this reflects how well every percentage point of GDP that is spent on social benefits is used for poverty reduction.

Chart 58: Social spending is more efficient in poverty reduction in some Member States

- Ratio of poverty reduction (%) to spending on in-cash social protection benefits (as % of GDP)



Source: Eurostat, ESPROSS 2009 for social expenditure, EU SILC 2010 (income year 2009) for poverty

[68] Among the countries with significant changes, Greece or the UK would appear relatively more "efficient" when in-kind benefits are excluded from the level of spending, whereas Belgium would appear less "efficient". This highlights the need to better take into account the value of in-kind benefits in the measurement of income.

In 2009, at EU level, 1% of GDP of expenditure on in-cash social benefits lowered the risk of poverty by 6% (see Chart 58).

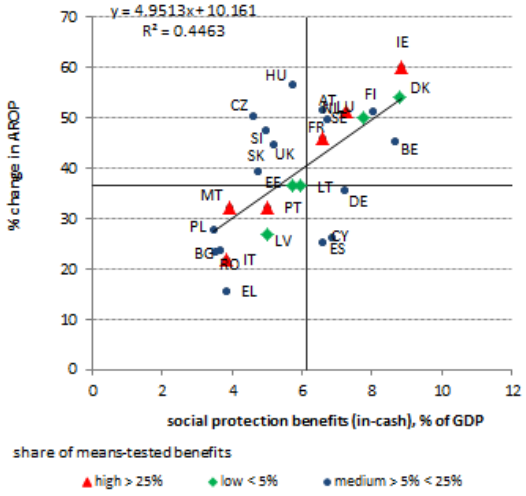
However, the efficiency of spending on the in-cash social protection benefits measured as described above differs significantly from one Member State to another. In Cyprus, Greece and Spain, expenditure on in-cash social protection benefits has the least effect on relative poverty reduction: each percentage point of GDP spent on social benefits in-cash is linked to a reduction in the risk of poverty by less than 4%. In Germany the corresponding figure is only slightly less than 5%. In the Czech Republic, Hungary and Slovenia, on the other hand, each percentage point of GDP spent on social benefits lowers the poverty rate by more than 9% (for more details see Table 4). However, this ranking does not reflect the efforts of governments in reducing relative poverty through well designed social spending only, but is influenced by various structural factors. These include the different labour market and economic situation, institutions, demographic structure of the population, and the overall level of market inequality.

The same conclusion about efficiency across Member States can be drawn from Chart 59. There is a significant correlation across Member States between the expenditure in-cash on social protection benefits and the relative reduction in poverty. Countries ranked according to the efficiency measure above as highly efficient are situated well above the correlation line, and conversely, Member States that are characterised as low-efficient are well far below the line.

Among in-cash benefits for social protection in 2009 in the EU, one fifth was means-tested, i.e. allocated to beneficiaries according to income level. While the aim of means-testing is to support a more efficient reallocation of benefits, systems that are too targeted run the risk of creating disincentives for those in the target groups to take-up work.

Chart 59: Social spending is more efficient for poverty reduction in some Member States, but efficiency does not depend on the share of means-tested benefits

Correlation between relative reduction of poverty rates and social protection benefits in-cash (as % of GDP). The share of mean-tested benefits across Member States is indicated.



Source: Eurostat, ESPROSS 2009 for social expenditure, EU SILC 2010 (income year 2009) for poverty

Member States check to differing degrees as to whether beneficiaries are eligible for help from the State. Less than 5% of benefits are means-tested in the Baltic States, Denmark and Luxembourg. In France, Italy, the Netherlands, Portugal, Ireland and Malta, however, one of benefits or more are means-tested, and the figure exceeds 40% in the latter two countries (see Chart 59 and for more details see Table 4). Although a very high or very low share of means-tested benefits is usually linked to average efficiency in poverty reduction, it is the countries that have a medium share of means-tested benefits which belong to the most efficient, but also to the least efficient groups. Therefore, a comparison across countries shows that, there is no link between the relative importance of means-tested benefits and the relative change in poverty rates.

Table 4: Effectiveness and efficiency of social spending on poverty reduction across Member States - Poverty rates, absolute and relative change in poverty rates before and after social transfers, expenditure on social protection benefits, and ratios of poverty reduction to social expenditure

	Poverty rate AROP				Effectivness of social transfers				Expenditure on social protection benefits			Efficiency of social transfers	
	before pensions & social transfers	before social transfers	after social transfers	AROP absolute change (pp)	AROP relative change (%) total	children (<18)	adults (18-64)	older (65+)	total % of GDP	social protection benefits - cash only % of GDP	share of mean-tested	on AROP absolute reduction	on AROP relative reduction
EU27	43.4	25.9	16.4	9.5	36.7	41.4	38.3	19.3	15.6	6.1	20.4	1.5	6.0
BE	41.3	26.7	14.6	12.1	45.3	42.5	52.9	19.2	17.3	8.7	12.0	1.4	5.2
BG	40.8	27.1	20.7	6.4	23.6	21.6	28.9	14.6	8.0	3.7	18.1	1.8	6.5
CZ	37.2	18.1	9.0	9.1	50.3	45.0	52.6	46.0	10.7	4.6	6.0	2.0	11.0
DK	39.3	29.1	13.3	15.8	54.3	54.6	56.1	49.1	20.5	8.8	0.0	1.8	6.2
DE	43.9	24.2	15.6	8.6	35.5	46.6	37.3	7.2	18.0	7.2	22.4	1.2	4.9
EE	40.8	24.9	15.8	9.1	36.5	44.4	37.6	14.7	10.9	5.7	1.2	1.6	6.4
IE	50.9	40.4	16.1	24.3	60.1	61.8	60.1	53.3	19.7	8.8	43.0	2.7	6.8
EL	42.8	23.8	20.1	3.7	15.5	10.9	14.4	22.5	13.8	3.8	12.6	1.0	4.0
ES	42.9	28.1	20.7	7.4	26.3	22.7	29.9	16.5	14.7	6.8	16.0	1.1	3.8
FR	44.6	25.0	13.5	11.5	46.0	49.6	47.8	21.8	17.2	6.6	26.2	1.7	7.0
IT	43.5	23.3	18.2	5.1	21.9	24.5	23.9	12.6	11.3	3.9	25.1	1.3	5.7
CY	31.4	22.8	17.0	5.8	25.4	32.6	31.3	10.0	11.5	6.6	15.0	0.9	3.9
LV	43.7	29.1	21.3	7.8	26.8	28.1	27.3	21.7	8.8	5.0	2.9	1.6	5.3
LT	48.1	31.8	20.2	11.6	36.5	46.6	33.7	23.3	11.6	6.0	3.8	1.9	6.1
LU	45.0	29.1	14.5	14.6	50.2	50.3	50.5	44.3	14.5	7.8	5.0	1.9	6.5
HU	51.4	28.4	12.3	16.1	56.7	57.2	57.0	52.3	12.5	5.7	7.3	2.8	9.9
MT	36.3	22.9	15.5	7.4	32.3	32.5	34.8	23.0	9.4	3.9	43.4	1.9	8.2
NL	36.9	21.1	10.3	10.8	51.2	45.6	53.5	53.2	18.0	7.3	26.8	1.5	7.0
AT	42.8	24.1	12.1	12.0	49.8	61.1	51.8	12.6	15.2	6.7	9.2	1.8	7.4
PL	43.3	24.4	17.6	6.8	27.9	26.7	29.9	18.9	7.5	3.5	15.8	2.0	8.0
PT	43.4	26.4	17.9	8.5	32.2	30.4	37.7	15.7	12.6	5.0	27.1	1.7	6.4
RO	47.4	27.5	21.1	6.4	23.3	20.6	26.2	14.8	8.1	3.5	20.4	1.8	6.6
SI	39.9	24.2	12.7	11.5	47.5	51.4	49.8	37.1	12.8	5.0	24.9	2.3	9.5
SK	38.2	19.8	12.0	7.8	39.4	35.8	41.4	35.3	10.6	4.7	13.1	1.6	8.3
FI	40.7	27.0	13.1	13.9	51.5	61.6	53.8	27.1	18.0	8.0	9.6	1.7	6.4
SE	41.6	26.7	12.9	13.8	51.7	58.4	54.1	33.5	18.3	6.6	5.4	2.1	7.8
UK	44.1	31.0	17.1	13.9	44.8	54.4	45.2	24.9	16.0	5.2	20.3	2.7	8.7

Source: Eurostat, ESPROSS 2009 for social expenditure, EU SILC 2010 (income year 2009) for poverty
References: Caminada, K. & Goudswaard, K. (2008). Effectiveness of poverty reduction in the EU: A descriptive analysis. MPRA Paper No. 20167. Eurostat, Statistics in focus 14/2012. Figari, F; Matsaganis, M; Sutherland, H. (2008). The effect of minimum pension schemes and recent reforms to them on the financial well-being of older people. Research note 2.

Special focus: Child poverty drivers

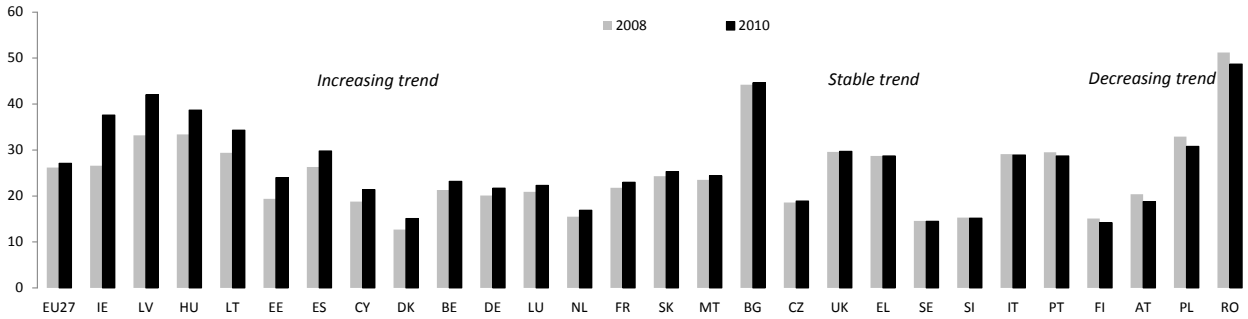
Children at greater risk of poverty or social exclusion

There are 25.4 million children at risk of poverty or social exclusion in Europe. Overall, children are at greater risk of poverty or social exclusion than the rest of the population (27 % against 23 % for the total population). The proportion of children living in a household at risk of poverty or social exclusion ranges from 14-15 % in Denmark, Finland, Slovenia and Sweden to more than 40 % in Bulgaria, Latvia and Romania. Only in a minority of countries (Cyprus, Denmark, Finland, Slovenia, and Sweden) are children at a lower risk of poverty or social exclusion than the total population.[69] On the other hand, in Hungary, Ireland, Luxembourg, Romania and the United Kingdom, the gap between children and adults is wider. In these countries, the risk of poverty or social exclusion for children is more than 5 pps higher than for the population as a whole.

Crisis impact: children have been more affected than the rest of the population

In a number of countries, children have been strongly affected by the crisis. The risk of poverty or social exclusion for children increased by 0.9 pp between 2008 and 2010, while it decreased by 0.1 pp for the total population. The rise in children at risk of poverty or social exclusion was especially marked in Ireland (+11 pps for children against +6 pps for the total population) and Latvia (+9 pps for children against +4 pps for the total population, see Chart 60). However the risk of poverty or social exclusion for children also increased in countries where the overall risk of poverty or social exclusion was stable for the population as a whole. For example, it increased by 1.7 pps in Germany while it decreased by 0.3 pp for the total population.
This trend is mainly due to the sharp rise in unemployment. Working-age adults have been hit first, with a direct impact on children growing up in these households. The situation of lone parents has also worsened between 2008 and 2010. The risk of poverty or social exclusion for single adults with dependent children has increased by 9 pps in Ireland and Lithuania, 7 pps in Spain, 6 pps in Italy, 5pp in France, 4 pps in Sweden and Slovakia and 3 pps in Denmark.

Chart 60: Change in the share of children at risk-of-poverty or social exclusion between 2008 and 2010



Source: Eurostat EU SILC 2008 and 2010

[69] Source: Eurostat, Statistics in focus, 9/2012.

Table 5: Children at risk-of-poverty or social exclusion and at risk of poverty in 2008 and 2010

	Risk of poverty or social exclusion				Risk of poverty			
	Less than 18		Whole population		Less than 18		Whole population	
	2008	2010	2008	2010	2008	2010	2008	2010
EU27	26.2	27.1	23.6	23.5	20.2	20.5	16.4	16.4
BE	21.3	23.2	20.8	20.8	17.2	18.3	14.7	14.6
BG	44.2	44.6	44.8	41.6	25.5	26.8	21.4	20.7
CZ	18.6	18.9	15.3	14.4	13.2	14.3	9.0	9.0
DK	12.7	15.1	16.3	18.3	9.1	10.9	11.8	13.3
DE	20.1	21.7	20.1	19.7	15.2	17.5	15.2	15.6
EE	19.4	24.0	21.8	21.7	17.1	17.3	19.5	15.8
IE	26.6	37.6	23.7	29.9	18.0	19.7	15.5	16.1
EL	28.7	28.7	28.1	27.7	23.0	23.0	20.1	20.1
ES	26.3	29.8	22.9	25.5	24.4	26.2	19.6	20.7
FR	21.8	23.0	18.6	19.3	16.5	18.4	12.7	13.5
IT	29.1	28.9	25.3	24.5	24.7	24.7	18.7	18.2
CY	18.8	21.4	22.2	24.0	13.6	14.9	16.2	17.0
LV	33.2	42.0	33.8	38.1	24.6	26.6	25.6	21.3
LT	29.4	34.3	27.6	33.4	22.8	23.3	20.0	20.2
LU	20.9	22.3	15.5	17.1	19.8	21.4	13.4	14.5
HU	33.4	38.7	28.2	29.9	19.7	20.3	12.4	12.3
MT	23.5	24.4	19.6	20.6	19.3	20.4	15.0	15.5
NL	15.5	16.9	14.9	15.1	12.9	13.7	10.5	10.3
AT	20.4	18.8	18.6	16.6	14.9	14.3	12.4	12.1
PL	32.9	30.8	30.5	27.8	22.4	22.5	16.9	17.6
PT	29.5	28.7	26.0	25.3	22.8	22.4	18.5	17.9
RO	51.2	48.7	44.2	41.4	32.9	31.3	23.4	21.1
SI	15.3	15.2	18.5	18.3	11.6	12.6	12.3	12.7
SK	24.3	25.3	20.6	20.6	16.7	18.8	10.9	12.0
FI	15.1	14.2	17.4	16.9	12.0	11.4	13.6	13.1
SE	14.6	14.5	14.9	15.0	12.9	13.1	12.2	12.9
UK	29.6	29.7	23.2	23.1	24.0	20.3	18.7	17.1

Source: Eurostat EU SILC 2008 and 2010

THE STRUCTURE OF THE HOUSEHOLD MATTERS

Single parents with dependent children face a high risk of poverty or social exclusion. They represent, on average, 6 % of the population at risk of poverty or exclusion, whereas they only account for 2 % of the overall population. All things being equal, they are three times more likely to be at risk of poverty or exclusion than a two-parent family with two children[70]. The OECD forecasts that the number of single parents is likely to increase in the next few decades,[71] which raises serious policy concerns regarding support for lone parents, especially in terms of their participation in the labour force.

Lone parent poverty and social exclusion is a particularly challenge in Belgium, the Czech Republic, Ireland and the UK. In Ireland, lone parents and their children represent 15 % of the population at risk of poverty or exclusion, against 6 % of the total population. In Belgium, the Czech Republic, Ireland, Luxembourg and the UK, lone parents and their families represent 10 % of the population at risk of poverty or exclusion, which is 3-5 % of the total population.

[70] See Employment and Social Developments in Europe Review, 2011.
[71] See OECD (2010) Doing better for families.

Among families with children, those with three or more children are also over-represented in the population at risk of poverty or social exclusion. Other things being equal (in terms of country, educational level, etc.), a family with three or more children is 40 % more likely to be at risk of poverty or exclusion than a family with two dependent children. This is particularly the case for the Czech Republic (6 % of the population are poor or socially excluded vs 4 % of the total population), Poland (7 % vs 4 %), Hungary (9 % vs 5 %), and the UK (8 % vs 5 %).

Children growing up in jobless households

The labour market situation of parents is a key determinant of the conditions in which children live and develop. The proportion of children aged 0–17 years who live in 'jobless households', i.e. in households where all members aged 18–59 years are either economically inactive or unemployed (very low work intensity households),[72] reached 9 % in 2010 in the EU. This proportion varies greatly across Member States, ranging from less than 4 % in Greece, Luxembourg and Slovenia to more than 12 % in Belgium, Latvia and Hungary, and 17 % in the UK.

The two-breadwinner model best for protecting children against poverty

Having a job is a safeguard against poverty and social exclusion, but it is no guarantee. In 2010, 10.7 % of the working population, living in a household with dependent children, had an income below the poverty line. The main causes of in-work poverty are low labour-force attachment, inadequate earnings and household structure.[73]

Children living in medium work intensity households, i.e. households where parents work about half of their potential working time, face significantly higher risks of poverty than those whose parents both work full time (high work intensity). Households working to approximately half of their potential are those where, for example, both parents work half time, or one parent works full time and the other has no paid job (single breadwinner, see Chart 61). The higher risk of poverty for those households illustrates the importance of both parents' participation in the labour market. Empirical evidence shows that, in most countries, the one-breadwinner family model does not really offer protection against the risk of poverty. The higher the combined employment participation of the family is, the lower the risk of poverty.

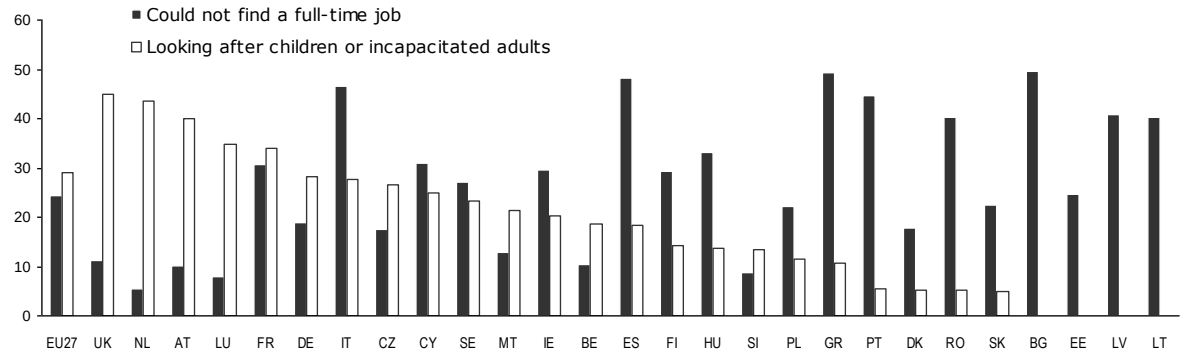
The incidence of households with medium work intensity (often the one-breadwinner model) is closely related to the employment rate of mothers, which varies according to the number of children. A clear distinction can be made between countries where the employment rates of mothers with one or two children are either equivalent or greater than those without children (BE, EL, IT, FR, LV, LT, NL, DK, FI, PL, PT, RO, SI, AT, BG, SK), and countries where the first drop in employment rates (10 points or more) occurs with the first child (CY, CZ, DE, EE, HU, LU, MT, IE, UK).

Part-time work also influences the work intensity of households with children. The incidence of part-time work among working women aged 25-49 is on average 30 %. It varies greatly across the EU, ranging from less than 5 % in Bulgaria and Slovakia, 5- 10 % in the Czech Republic, Greece, Hungary, Lithuania, Poland, Portugal, Romania and Slovenia, and more than one third in Austria, Belgium, Germany, the Netherlands, Luxembourg, Sweden and the UK. It exceeds 70 % in the Netherlands where the higher prevalence of part-time work is seen as a way of reconciling work and family life. The main reason for working part time also varies greatly across countries (Chart 62). While family-related reasons are dominant in Austria, Belgium, Luxembourg, the Netherlands and the UK, the main reason in Denmark, Finland, Greece, Hungary, Lithuania and Spain appears to be work-related.

[72] In this context, 'jobless households' refers to the SPC indicator of *people living in very low work intensity households,* measured by EU SILC. These households are called 'jobless', as evidence shows that a large majority of family members lives in a household where nobody works at all. However, the term 'jobless' must not be confused with the LFS-based measure. Both measures deal with similar concepts, but with different tools. In the LFS, a household is considered 'jobless' if no one has worked for the past 4 weeks, irrespective of what happened before. The period under consideration in SILC is a full year. Hence the criterion 'zero work' over 12 months would have a much stronger effect than the LFS indicator .

[73] See DG EMPL's review *Employment and Social Developments,* European Commission 2011, chapter 4.

Chart 61: Main reason for part-time employment for working women aged 25-49

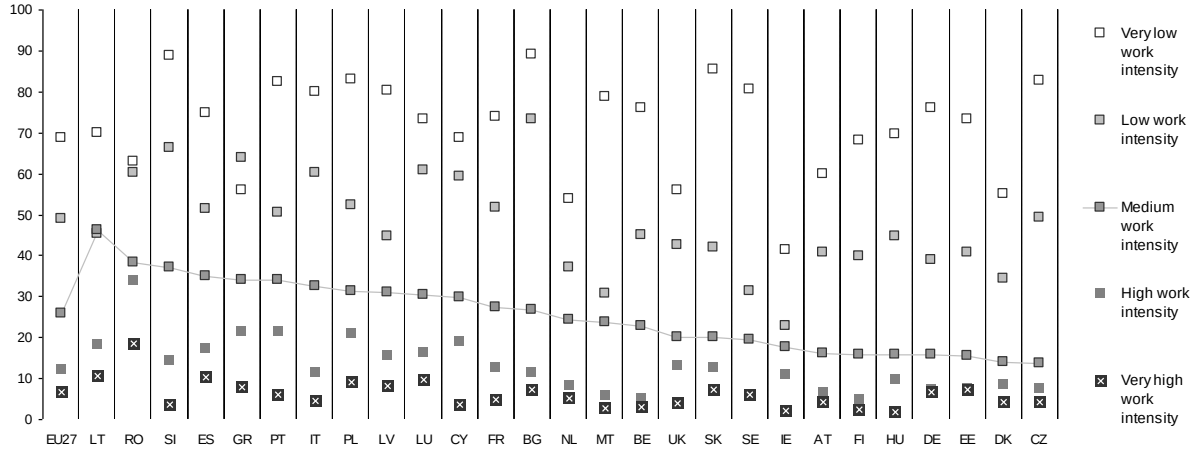


Source: Eurostat, LFS (2010)

Insufficient earnings for parents fully involved in the labour market also lead to poverty

The level of work intensity is not the only factor of in-work poverty. Insufficient earnings can also expose households, which are fully involved in the labour market, to the risk of poverty. The risk of poverty for children living in high work intensity households is high in Bulgaria, Latvia, Luxembourg, Poland, Romania and Spain. Better designed social benefits, targeted to those most at need, could help prevent these forms of poverty. Complementary actions aimed at improving job quality and minimum wages could also help to alleviate this risk.

Chart 62: Risk of poverty for children by work intensity of the household



Source: Eurostat, EU-SILC (2010)
Note: Countries ranked by decreasing risk of poverty for households (with dependent children) in medium work intensity.

Social expenditure in tackling child poverty: size and design matter

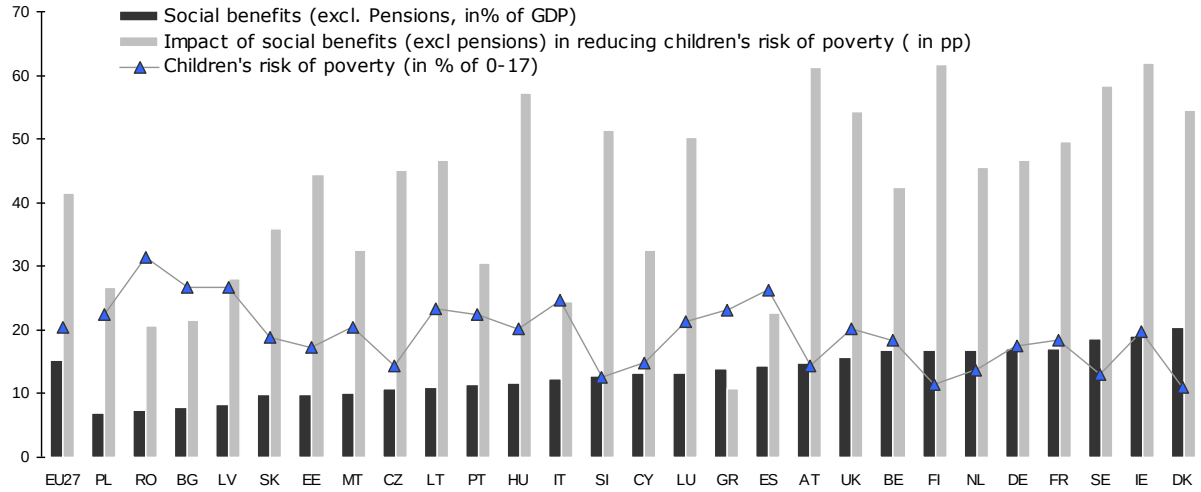
Social expenditure is a key tool for tackling child poverty. Higher government spending on social protection is associated with a higher reduction in poverty rates (see Chart 63). However, some countries which invest similar shares of their GDP in social benefits, achieve very different child poverty outcomes (e.g. FI and BE or AT and ES).

A recent Euromod paper[74] explores to what extent a country's effectiveness in reducing child poverty can be attributed to the size of family cash transfers (i.e. benefits and tax instruments alike) or to

[74] Salanauskaite L, and G Verbist 2011, 'Is the 'neighbour's' lawn greener? Comparing family support in Lithuania and four other NMS'.

their design. The results confirm that the level of expenditure is significant. Nevertheless, effectiveness is highly dependent on the composition of the selected measures (universal, categorical, income selective) and the parametric choices of the inner design of policies (thresholds, benefit size determination, etc.).

Chart 63: Social expenditure and child poverty reduction



Source: ESSPROS 2009 and EU-SILC 2010 (reference year 2009)

THREE FORMS OF CHILD POVERTY DRIVERS IN EUROPE

The way work participation and social benefits interact differs across Europe. Drawing on the typology agreed by the European Commission and the Social Protection Committee in 2008[75], countries can be grouped into three major profiles, on the basis of outcomes for children at risk of poverty or the relative poverty gap, the effectiveness of national social benefits and their effect on labour market participation (see Table 6).

The first group (Group A) comprises the Northern European countries (Denmark, Finland, the Netherlands and Sweden) as well as Austria, Belgium, the Czech Republic, France, Germany, Malta, Slovenia and, to a lesser extent, Cyprus and Estonia. There are fewer children at risk of poverty, and the child poverty gap is lower in these countries than in other EU Member States. This can be attributed to good performance on all fronts: the low risk of child poverty rate and relative poverty gap, the high impact of social benefits in reducing child poverty, the low proportion of children in households with very low work intensity and low levels of children at risk of poverty in the households at work risk compared to the rest of Europe. Nordic countries achieve these goals despite a high proportion of children living in lone parent households. They seem to succeed in doing this by supporting labour market participation of parents through childcare provision and a wide range of reconciliation measures. While the impact of social transfers on children at risk of poverty is relatively low in Cyprus and Malta, children in these countries have so far been protected against the risk of poverty by strong family structures characterised by two-adult families and complex households, in which most working age adults are at work.

The second group (B) comprises Hungary, Ireland and the UK. The main concern in these countries is the high number of children living in households with very low work intensity. These countries benefit from highly efficient social-benefits systems to reduce child poverty. Therefore, the risk of child poverty in low work intensity households, as well as in households at work, is lower than in other Member States. Policies aimed at enhancing access to quality jobs for those parents further removed from the labour market may contribute to reducing the risk of child poverty in these countries.

[75] See 'Child Poverty and Well-Being, Current Status and Way Forward', Social Protection Committee, January 2008.

The last group (C) comprises Southern Europe Member States (Greece, Italy, Portugal and Spain) as well as most of the eastern and Baltic countries (Bulgaria, Latvia, Lithuania,Romania, Poland and Slovakia). These countries face a high risk of child poverty and a high relative poverty gap for children. The in-work poverty risk among families is high. Important factors seem to be insufficient work intensity and low earnings (in Latvia, Lithuania, Poland, Portugal and Spain). In these countries, the level and effectiveness of social spending are among the lowest in the EU. Family structures and intergenerational solidarity play a role in alleviating the risk of poverty for the most vulnerable children. Living in multi-generational households and/or relying on inter-household transfers, whether in cash or in kind, may partly compensate for the lack of governmental support to parents in the most vulnerable situations. These countries may need to adopt comprehensive strategies aimed at better supporting families' income, both in and out of work, and at facilitating access to quality jobs, especially for second earners.

Table 6: Relative outcomes of countries related to the main determinants of child poverty

Main characteristics	Countries		Tentative diagnosis
Impact **of social transfers** is effective compared to the EU average	*Decreasing risk of poverty rate*	**CZ EE NL**	*Maintain the balance between income support and work and family reconciliation*
Share of children in **jobless households** is low	*Stable risk of poverty rate*	**DK AT SI (BE)**	
Children in **working households** face low risk of poverty	*Increasing risk of poverty rate*	**FI SE DE FR (CY)**	
Children in **jobless households are numerous** and relatively less exposed to risk of poverty than in other EU countries	*Decreasing risk of poverty rate*	**IE UK**	*Enhance access to quality jobs for those parents furthest away from the labour market*
Impact of **social transfers** is high	*Stable risk of poverty rate*	**HU**	
Low **impact of social transfers** in reducing child poverty.	*Decreasing risk of poverty rate*	**LT PL RO**	*Support families' income, both in and out of work, and facilitate access to quality jobs, especially for second earners.*
Children in **medium-high work intensity** are exposed	*Stable risk of poverty rate*	**PT SK IT**	
	Increasing risk of poverty rate	**EL ES LV BG**	

Source: ESSPROSS 2009, EU-SILC 2010, European Commission (DG EMPL) calculation. Groups are obtained by cluster analysis based on scores related to scores on the following variables: children's risk of poverty, children's risk of poverty gap, children living in very low work intensity households, children living in very high work households and at risk of poverty, children living in very low work intensity households and at risk of poverty, and the impact of social transfers on children's risk of poverty. For each of these variables, scores are defined as the sum of the national gap between children and the whole population, and the gap between the country average (for children) and the corresponding EU27 average. They therefore reflect the situation of children in the country versus the rest of the population, and the situation of children in the country versus the rest of Europe.
Note: LU and MT have not been introduced in the classes as they appear as outliers. Trends in risk of poverty rate indicate the trend of the risk of poverty rate between 2005 and 2010. Countries in brackets are to be considered as on the edge of the cluster.

Latest developments in selected Member States

This section provides an overview of recent developments and forecasts at Member State level[76]. This issue focuses on the situation on the labour market and the social situation in Denmark, Finland, France, Greece, Italy, Latvia and Romania. Priority has been given to the most recent reports and forecasts (dating from January to March 2012) from reliable sources at country level, supplemented by relevant data from Eurostat.

DENMARK

The stagnating Danish labour market is characterized by low productivity growth, rising unemployment – especially among immigrants, the low skilled and the long-term unemployed, – as well as youth unemployment stabilizing at relatively high levels, which increases social risks.

The economy had grown by 0.2% at the end of 2011, after contracting in the third quarter by -0.1%, bringing year-on-year (y-o-y) growth from standstill up to 0.7%. This was supported by external activities, as domestic demand declined by -0.5% y-o-y. Employment increased slightly in the last quarter of 2011 compared to the previous period (q-o-q, +0.1%), although y-o-y growth remains negative (-0.5%). Employment peaked in 2008 at almost 3 million and thereafter started to fall, reaching 2.8 million in 2011. Nevertheless, Denmark's employment rate (75.8% in 2001q4) was still above EU average (68.9% in 2011q3, latest data available).

Slow growth is reflected in the unemployment rate, which has increased abruptly over the last three years. In 2011 it stabilized at level that was more than twice the lowest level reached in 2008 (7.6% vs 3.4%). In 2011q4 it stood at 7.8%, up by 0.3 pp q-o-q (0.2 pp y-o-y). The female unemployment rate, at 7.8%, was up by 0.5 pp y-o-y, whereas for men there was a marginal decrease from 7.9% to 7.7%. The activity rate decline for total labour force was modest between 2008 – 2010 (drop of -1.2 pps to 79.5%), While the activity of older increased (by 2.1 pps to 61.1%), the activity rate of young significantly fell (by -5 pps to 67.4%).

The youth unemployment rate in 2011q4 was 14.3%, almost twice the total, even though it fell slightly (by -0.2 pp y-o-y). Without taking into account students, looking for either a part-time or a full-time job, the unemployment rate is much lower. In 2010 it would be only 5.8%, the second lowest in the EU. As far as employment is concerned, the employment rate of young was 58.1% (second highest in the EU), while the NEET rate was 5.9% in 2010 (12.8% in EU). Despite that, adverse developments over the last years have raised concerns: increasing unemployment and NEET rates and decreasing employment and activity rates. Thus, there is a need to improve employment opportunities for young people and areas being prioritised in the public budget for 2012 are opening of new apprentice- and traineeships, and improving the quality of vocational education.

The position of migrants, with an unemployment rate of 18.1% in 2011q4 (up by 2.2 pps y-o-y), presents a real challenge. This is well above the rate for nationals (6.8%). The employment rate of non-EU nationals in 2010 was almost 20 pps lower than total employment and it fell further in 2011. Immigrants and descendants from non-western countries are over-represented in the hotel, restaurant, the travel agency and cleaning sectors. Furthermore, migrants faced a much higher risk of poverty or exclusion than the total population in 2010 (47.6% vs 18.3%). The integration of immigrants on the Danish labour market is therefore particularly relevant, and activities such as Danish language training, and company apprenticeships, as well as supported employment, have been introduced. Research findings have confirmed the positive impact of subsidized and direct employment programmes for increasing employment for non-western migrants.

Unemployment rate among the low skilled in 2011q4 was nearly three times higher than that of high skilled workers (12.3% vs 4.4%), a rise of almost 1 pps y-o-y. Furthermore, the employment rate of low skilled workers in 2010 was 13 pps lower than the overall (62.6%) and it fell additionally in 2011. There are obvious social risks for the low-skilled, whose at-risk-of-poverty rate is twice that of the highly skilled, and which rose in 2010 (by 0.4 pp to 25.5%).

[76] This section aims at presenting a more in-depth picture of the recent developments in selected Member States. All small to average-sized Member States are reviewed once a year, while larger Member States (Germany, Spain, France, Italy, Poland and the UK) are covered twice a year, on a rotating basis.

Long-term unemployment is still one of the lowest in the EU (1.7% in 2011q3, up by 0.2 pp y-o-y). However, it was only 0.5% in 2008 q3. The long-term unemployed accounted for almost a quarter of all unemployed in 2011q4. In 2010, the unemployed faced a significantly higher risk of poverty or exclusion (68.1%) than those employed in the 18-59 age group (7.4%). In recent years, minimum income (MI) schemes have been reduced in order to stimulate work. For those who are unable to find a job, the slimmed-down MI scheme causes more deprivation. The new Government has taken a number of measures to improve the benefits paid to certain low-income groups (e.g. temporarily extension of the unemployment benefit period). Furthermore, its aim is to improve conditions for bringing unemployed back to work (e.g. through better opportunities for education and skills upgrading and improved activation). Reforms agreed in the 2012 budget point towards a more flexible approach to active labour market policy, and also entail more resources being allocated to specific actions.

The employment rate for the 20-64 age-group reached 75.8% at end of 2011, showing a slight y-o-y increase (+0.1 pp). The Danish Economic Council (DEC) estimates that employment is currently around 60.000 below the structural level. Denmark has to exploit the potential of vulnerable labour market groups more effectively to reach the Europe 2020 employment target (80%). One measure which has considerable potential is the increase in employment of older workers, which posted a rise of 2 pps in the period between 2010q4 and 2011q4 (to 60.4%). Labour supply, especially of older, is expected to show a further increase of around 80 000 by 2020 due to the recent reforms of the voluntary early retirement pension and of the unemployment benefit system.

The share of temporary work and part-time work remained fairly stable at around 8 -9% and 25-27% respectively. The number of involuntary contracts was higher among temporary workers (47.5% in 2010) and there has been a significant increase for men (from 29.3% in 2008 to 43% in 2010). The gender gap in part-time employment was very significant: 14.8% of men were working part-time, whereas the corresponding figure for women was 37% in 2011q3. As far as in-work-poverty is concerned, the situation in Denmark has deteriorated and the in-work poverty rose from 4.2% in 2007 to 6.6% in 2010.

Labour productivity growth turned positive at the end of 2009 and peaked at 4.6% in 2010q3 (y-o-y), leading to a decline in unit labour costs. Since then, the growth in productivity has been slower. It stood at 0.1% in 2011q4, 0.3 pp down on the previous period (1.1% y-o-y). With the higher growth in labour costs at the end of 2011 (up to 0.7% from 0.1% in the previous quarter) and 1.1% growth y-o-y, unit labour costs grew by 1.1% y-o-y. Given the long history of poor productivity performance, the government decided to form a "productivity commission", to bring in measures to boost it.

Most of the poverty and social exclusion measures in Denmark are much better than EU average. However, the SILC 2010 data reveal that recession and deterioration in the labour market have aggravated some social risks. During the past three years the number of people in households with very low work intensity was up by almost 25% from 347 000 (2008) to 433 000 (2010), even though Denmark has adopted the target of reducing their number by 22 000 as its Europe 2020 goal. Analysis in European Employment and Social Developments showed that living in a household with zero or very low work intensity increased the likelihood of poverty tenfold. The overall at-risk of poverty or exclusion rate bottomed out at 16.3% in 2008, but is now back on the increase, reaching 18.3% in 2010. In 2010, the severe material deprivation rate, which is still one of the lowest in the EU, rose to 2.7% (from 2.3% in 2009) and the poverty rate remained stable around 13%.

Among socially weak groups, the number of children who are classified as a long-term poor rose by about 65% from 10 400 in 2002 to 17 400 in 2009. Child poverty is a particular issue in certain peripheral regions and in residential areas of the larger cities of Odense, Aarhus and Copenhagen, thereby creating a higher risk of intergenerational transmission of poverty. Immigrants and the descendants of immigrants make up 60% of the residents of these areas. A number of initiatives have been taken to combat poverty, such as the "Ghetto Plan" (targeted at specific areas defined as ghettos), and "The Reform of the Child" (its aim it to improve general conditions for socially disadvantaged children and young people). The new government has earmarked child poverty as one of the main issues to be tackled.

According to the European commission's February interim forecast, a modest GDP growth of 1.1% is expected in 2012. The

growth rate is 0.3 pp lower compared to the autumn forecast, mainly because of the weak development of the global economy. This compares with national forecasts. The output gap is expected to remain at around -3.75% due to low growth, which is expected to pick up modestly in 2013 (between 1.3% and 1.4% according to national sources). On the employment side, both national institutions anticipate a rise in unemployment throughout 2012 (7.7%), before falling in 2013 (to 7.6%).

FINLAND

So far, Finland has been among the EU's best performers in employment and social terms. Going forward, the weakness in trading partners' economies threatens growth and, as a result, the country's employment and social resilience.

Finland saw a growth deceleration from a buoyant 5.2% y-o-y in the first quarter of 2011 to 1.4% in the fourth. The slowing of the economy was mainly due to a collapse in exports, linked to the weakness in trading partners' economies. By contrast, domestic demand held up very well, with private consumption and investment growing at, respectively, 2.2% and 2.9% y-o-y in the fourth quarter.

As a result of resilient domestic demand, supported by strong automatic stabilisers, employment continued to grow, by 1.6% y-o-y in the fourth quarter of 2011. Employment in some service activities (financial and insurance, real estate and others) grew more than three times as fast as the total, while it shrank in agriculture and industry excluding construction. Labour force participation, already above the EU average, went slightly up to 79.9% in the third quarter of 2011 (79.4% a year ago). However, this outperformance concealed a problematic situation for non-EU nationals, of whom the already very low participation rate fell further, to 64.9% (72.4% in the EU).

The overall employment rate (age 20-64) continued to rise, to 74.7% in the third quarter. Finland outperformed the EU, specifically for females (72.7% against 62.4%) and for older workers (57.2% against 47.7%). In line with their participation rate, the employment rate of non-EU nationals was also very low, at 51.5% in the third quarter, although up almost 2 pps compared to a year ago.

As employment grew and participation increased only slightly, unemployment dropped gradually, by about 0.5 pp over the last twelve months, contrary to the opposite movement at the EU level. Women continued to be less affected by unemployment than men (with a rate of 6.8% versus 8.1%), while the unemployment rate for non-EU nationals seemed to be converging to the EU average.

The youth unemployment rate diverged somewhat from the average EU evolution, with a decline of about 0.5 pp over the last twelve months (to 20.1%), against a 1.3 pps rise to 22.4% for the EU. Finland may have less of a youth unemployment problem than is apparently the case. Detailed Labour Force Survey data show that 12% of the young people were at the same time unemployed and student (not necessarily full-time student), the highest share of all Member States.

The NEET rate (young people not in employment and not in any education and training) is at 9% (2010) below the EU average (12.8%) but increased 1.2 pps between 2008 and 2010. Moreover, the share of early school-leavers – although at 10.3% in 2010 well below the EU27 average of 14.4% – has stayed largely unchanged over the last decade and is now above the national 2020 target of 8%.

The share of long-term unemployment remained well below the EU average (24.6% in the third quarter of 2011, against 27.8% a year before and 43% in the EU). However, the number of those unemployed without interruption for more than two years increased considerably and reflects an increase in structural unemployment. Nevertheless, the combination of declining unemployment and rising vacancies seems to suggest an absence of important labour market mismatches. The job vacancy rate is rising, to 1.6% in the last quarter of 2011, from 1.4% a year ago. The labour shortage indicator, from the manufacturing business survey, rose steeply in the first half of 2011, but came down since then. The Beveridge curve, which relates unemployment and vacancies, has shifted to the right (more vacancies for a given unemployment rate, see the Special focus on the Beveridge curve on page 34). The Special Focus shows that Finland is one of the few Member States where the Beveridge curve has remained stable.

Increases in compensation per employee were rather subdued (+1.6% between end-2010

and end-2011). However, as labour productivity declined slightly over the same period, the unit labour cost increased by 1.8% y-o-y. While Finnish women have a higher employment rate than men, they suffer at the same time from a lower wage. At 19.4% in 2010, the gender pay gap exceeded the EU average (16.4%).

The resilience of the labour market was reflected in comparatively moderate social issues according to the SILC 2010 data. The share of the adult population living in jobless households remained stable at 9.5% (from 9.7% in 2009), contrary to the EU average which went up by 1 pps below the EU average of 10.4%. The severe material deprivation rate, one of the lowest in the EU, was stable at 2.8%. The poverty rate went down to 13.1% (with an increasing poverty threshold), while the in-work at-risk-of-poverty rate was stable at 3.7%, both clearly lower than the EU average.

Aggregating and cancelling the effects of these three elements (joblessness, material deprivation and poverty), the at-risk-of-poverty or social exclusion rate remained stable at 16.9%. For the age groups 25-49 and 50-64, the rate in Finland is 7 to 8 pps below the EU average. The high employment rate and a well-developed social protection system help explain this difference.

Due to its good fiscal situation, the Finnish economy escaped drastic fiscal consolidation. Nevertheless, the sovereign debt crisis and the worsening macro-economic situation among its main trading partners have battered confidence. In January and February 2012, however, companies' employment expectations (according to ECFIN's business survey) started to recover and consumers' concerns about unemployment (according to ECFIN's consumer survey) eased.

The Commission's interim forecast predicted 0.8% GDP growth for 2012. While this is above the projection for the EU aggregate, it is probably not sufficient to prevent unemployment from rising during 2012.

FRANCE

In France, the economic recovery after the peak of the crisis has been moderate with GDP growth at 1.5% in 2010 and estimated at 1.7% in 2011. However, in late 2011, in a context of a global economic slowdown and failure to solve the EU sovereign debt crisis, France slipped back into a moderate recession, forecast to be short but driving the economy in a double dip scenario. In 2012, activity is projected to grow by just 0.4%. The public deficit is projected to reach around 5.7% of GDP in 2011 after 7.1% in 2009. Faced with a deteriorating labour market and stagnating purchasing power, households are maintaining a high level of savings and consumption is low.

In January 2012, France lost its top AAA credit ratings. The economic consequences remained limited, as this development was largely anticipated by markets. Currently, France's economic policy is constrained by political expediency in the run-up to the elections in May.

The recession entailed large job losses in 2009. National sources estimate that 462 000 jobs were destroyed between the second quarter of 2008 and third quarter of 2009. During this first phase of the crisis, job losses hit temporary workers and workers on fixed-term contracts (with the number of employees down by 226.000 between 2008Q1 and 2009Q4). In 2010 and 2011, total employment recovered. However, this recovery was driven by an increase in temporary contracts, whereas permanent contracts have kept decreasing since mid-2009. The French Ministry of labour reports that by the end of 2010, half of the job destroyed during the crisis had been recovered, with half of these jobs created being temporary. This trend may contribute to reinforce labour market segmentation, as the transition rate from temporary to permanent contracts is one of the lowest in the EU (17% against 35% in the EU). At the end of 2011, there were signs of a downturn in the labour market a further decrease is expected.

In January 2012, the unemployment rates stood at 10%, a historical peak already attained in early 2010. Young people have been the first hit by the crisis and loss of temporary jobs. The unemployment rate for 15-24 year olds stood at 23.2% in 2011, almost two pps above the EU average (21.4%). In 2010, 12.5% of the young people in France were not in employment, education or training (close to the EU average of 12.8%). The unemployment rate of older workers increased by 1.5 pps between 2008Q2 and 2011Q3. This development was partly due to the phasing out of the older workers' job search exemption and should be seen in the light of the increase in the participation rate of older workers.

Long-term unemployment is increasing. In the third quarter of 2011, 42.4% of the unemployed were long-term unemployed, against 37.7% at the end of 2007. This development is largely due to the increase in long-term unemployment among young people.

In France, the share of people living in poverty or social exclusion (19.3% in 2010) is below the EU average (23.4%) but increased by almost one point in 2010. 13.5% of the population is at-risk-of poverty, against 16.4% for the EU. The risk-of-poverty rate increased in 2010 (up by 0.9 point compared with 2009). The rate of jobless households rose from 8.3% in 2009 to 9.8% in 2010, close to the EU average (9.9%). Severe material deprivation stands at 5.8%, against 8.1% for EU 27, on the rise since 2008, after a steady decline from 2004 (6.1%) to 2007 (4.7%). The French Statistical Institute (Insee) estimates that political measures just after the crisis ombinder with the introduction of a new minimum income support scheme (RSA, '*revenu de solidarité active*') limited the impact of the crisis to some extent in 2009.

The main groups at risk of poverty are the unemployed, single parents and people living in urban deprived areas where the intensity of poverty is also much higher (the share of persons below the 40% poverty threshold — 8.3% — was almost three times higher than outside those areas in 2009). Non EU— nationals suffer from a very high poverty rate in France at 47.4% (compared with the EU average of 32.5%) which is only partially explained by lower skill levels.

In-work poverty (6.6%) stands below the EU average (8.4%) but has been on the rise since 2004 (up by 1.2 points), largely due to the growing share of precarious jobs, involuntary part-time work and low wages. Child poverty (18.4% in 2010) remains below the EU average (20.6%) but is much higher than for the population as a whole. The impact of social transfers on reducing child poverty is rather high (50.3% compared with the EU average of 40.2%) but decreased by 8.2 points compared with 2007.

Inequality of the income distribution stands at its highest level for the past ten years. The poorest appear to be the hardest hit by the crisis. The income of the poorest 10% has indeed decreased while the income of the higher half of the distribution has increased. Wealth inequalities are even greater than the incomes' inequalities. A survey conducted by Insee in early 2010 estimates that the better-off half owns 93% of national wealth (with the richest 10pc owning half of the national wealth), whereas the 10% worst-off households own less than €2700 of wealth, i.e. less than 0.1% of total wealth.

Social protection expenditure in France is the second highest in the EU, well above the EU average (29.5%). Since the beginning of the crisis, social expenditure played its role of automatic stabilisers, contributing to cushioning the impact of the recession. In 2010 and 2011, social expenditures is expected to decrease, reports the French Observatory of Economic Conditions OFCE. These developments are directly driven by the situation on the labour market. First, the recovery in employment in 2010 has contributed to limiting the number of beneficiaries. Second, the slowdown in social expenditures is also directly linked to the increase in long-term employment. A growing number of unemployed are no longer entitled to unemployment benefit and receive lower levels of benefits. The French ministry of labour reports that, in September 2010, 2 350 000 job seekers were not entitled to unemployment benefit.

In June 2011, 1.9 million households benefited from the RSA. An evaluation by the government concluded that this measure has helped to increase the median income of the beneficiaries by 18%. The same evaluation also shows that the impact of the RSA on the employment rate seems positive. It concludes that the expected negative effects of the in-work benefit part of RSA, such as an increase in part-time or low-paid jobs, are not materialising.

In 2012, growth is expected to turn marginally positive again in the first quarter, in parallel with a stabilisation of economic sentiment. However, the subdued pace of the recovery will only slightly strengthen during the second half of the year, resulting in annual 2012 growth of a mere 0.6%. In 2013, annual growth is expected to accelerate to 1.4%, as confidence improves gradually in line with a fading of the sovereign-debt crisis.

Due to these gloomy perspectives, employment is expected to rise slowly in 2012 and 2013, by 0.4%. Employers surveyed by ManpowerGroup expect a slight improvement in employment prospects for the second quarter of 2012. The unemployment rate

should reach a peak level just above 10% over these two years.

GREECE

Greece has been facing a severe economic downturn since early 2009. Real GDP fell by 6.8% in 2011, reports ELSTAT, and is now projected to contract by 4.7% in 2012. The Greek economy is expected to contract by about 15% from the beginning of the crisis. Employment fell by more than 370 000 during the first three quarters of 2011, and by a total of 462 000 between 2009Q3 and 2011Q3 (i.e. down by 9.4%).

A number of far-reaching legislative changes have been introduced since 2010. The measures include a drastic revision of collective bargaining procedures, with an impact on the minimum wage, mass lay-off limits and arbitration. New rules have also extended the probation period for new jobs to one year, reduced the overall level of severance pay and ensured that the same severance pay conditions apply to blue- and white-collar workers alike. The legislation has reduced the minimum wage by 22% and by 32% for the young.

Unit labour costs are on a downward trend, reflecting a stronger decline in nominal labour costs than in productivity. More specifically, based on the data available, productivity is estimated to have fallen by 2.8% in the first quarter of 2011, after having posted a decline of 1.7% in 2010, while the nominal compensation per employee fell by 5.7% in the first quarter of 2011 after a 3.3% decrease in 2010.

The downward pressure on wages has an ambiguous impact on aggregate demand. On the one hand, it improves international competitiveness; on the other, it lowers domestic demand, mainly due to (anticipated) falls in disposable household income. Nevertheless, the output gap remained at a very high level (above 8%) in 2011, which — together with the wage cuts — could trigger a reversal of the price rise trend in 2012, resulting in deflationary pressures.

Unemployment has risen sharply during the last three years and reached 21.0% in December 2011, compared with 14.4% in December 2010 and 10.3% in December 2009. This is the second highest rate in the EU after Spain (23.0%). Unemployment is especially high for medium-skilled workers (20.1%, against 8.7% in EU27) and low-skilled workers (14.6% against 5.7%).

Long-term unemployment increased to 9.1% of the labour force (355 000 people) and accounts for half of the unemployed. As the economic outlook for 2012 remains pessimistic about labour market recovery, long-term unemployment is likely not to have peaked yet. Moreover, taking into account that the maximum duration of unemployment benefit in Greece is 12 months and that unemployment benefit is subject to narrow eligibility conditions, poverty among the unemployed is likely to become a key issue.

Young people have been hit especially hard by the crisis. Youth unemployment ended at 45% in the third quarter of 2011 (48% in November 2011), twice as high as two years ago. Young people are also contributing especially heavily to the increase in long-term unemployment. In the third quarter of 2011, some 45% of the unemployed aged 15 to 24 were long-term unemployed, against 30% two years earlier.

Access to life-long learning is far below the EU average, for all age groups. Just 3% of the active population participated in education or training in 2010, compared with 9% at EU level. 7% of young adults between 25 and 34 participated in education or training, against 15% at EU level. At the other end of their active life, adults between 55 and 64 also show a very low participation rate: 0.5% against 4.5% for the EU.

Gross disposable household income decreased by 9.3% in 2010. Income losses have been far greater for the rich than for the poor in absolute terms. However, in relative terms (i.e. as a proportion of their income), lower-income groups suffered a significant loss of income. Households in the bottom quintile (i.e. the poorest 20% of the population) lost an estimated 9% of their income, compared with 11% for households in the top quintile.

The overall at-risk-of-poverty or social exclusion rate for the total population stood at 27.7% in 2010, higher than the EU27 average of 23.4%. The risk-of-poverty (income-poor) rate was 20.1% in 2010, following an increase from 19.7% in 2009, whereas the EU average is 16.4%. The risk of poverty for children (23.0%) is higher than the EU average which stood at 20.6% in 2010.

The in-work poverty rate in Greece was the second highest in the EU in 2010. Besides low earnings, in-work poverty depends on the

employment status of all members of the household and on the availability and adequacy of social transfers, including in-work benefits. The household work intensity (measuring the degree to which all members of the household realise their full labour market potential) in Greece is one of the lowest in the EU, essentially due to the lower labour market participation by women. Tax credits/rebates and benefits for low-wage workers are less common in Greece than in other Member States and are often much lower.

The rate of severe material deprivation stood at 11.6% in Greece, whereas the EU27 average was 8.1% in 2010. Material deprivation', capturing a less serious degree of deprivation increased in Greece by 2.3% between 2008 and 2010. Households are reporting increasing financial stress on several fronts. The share of persons declaring that they were having great difficulty in making ends meet rose from 19% in 2007 to 24% in 2010 (and from 36% to 47% among those at risk of poverty). The share of people with arrears (mortgage or rent, utility bills or hire purchase) rose from 26% in 2007 to 31% in 2010. The share unable to afford a meal with meat, chicken, fish or vegetarian equivalent every second day has risen to 8% of the population (6.5% in 2007). Homelessness is estimated to have risen by 25% between 2009 and 2011.

A recent micro-simulation by Euromod explored the impact of the austerity measures and recession on households, and their progressivity. It shows that the impact of austerity measures on household income (changes in direct tax and social contributions, cuts in public sector pay and pensions, etc) was progressive. However, this impact was offset by the regressive effect of increase in VAT.

Growth is expected to remain negative in 2012 and should contract by 4.7%. Conversely, underlying inflation, wage settlements and unit labour costs are moderating, thereby improving overall competitiveness. The progressive rebalancing of the economy as well as growth-enhancing reforms and improving medium-term prospects abroad are expected to move the economy back onto stable footing from 2013 onwards. Reduced employment opportunities in the private sector and recruitment rearrangements in the public sector will likely push the unemployment rate above 18% in 2012. In turn, the weak labour market combined with declining wages is set to weigh on disposable income over the medium-term, dampening real demand.

ITALY

The Italian economy entered recession again in the second half of 2011. Labour market developments reflected the worsening economic conditions and national data point to a deterioration of the social situation. The circumstances of youth remain flawed.

According to Eurostat, in the fourth quarter of 2011 the country's GDP decreased by 0.7% in volume compared with the previous quarter and by 0.5% in comparison with the fourth quarter of 2010. In line with this unfavourable context, year-on-year employment growth returned to negative numbers (down by 0.2%) in the fourth quarter of 2011. Compared to the previous quarter it was also negative, falling by 0.1%. According to Istat, in December 2011 the seasonally adjusted employment index for large firms remained unchanged compared to the previous month, but the average for the fourth quarter of 2011 was 0.1% lower than in the third quarter. In the same period, the index of gross wages per full-time equivalent increased by 0.6% compared to the previous quarter and by even more (1.6%) compared to one year earlier. The increase was more significant for the industrial sector than for services.

Eurostat reports that in the third quarter of 2011, the employment rate was 61.1%, which remains 6-8 pps short of the Europe 2020 target for Italy (67-69%). This was a slight improvement compared to one year earlier. While the gap between the male employment rate in Italy and the EU on average was less than 3 pps, it was much wider for women, at 13 pps. In the third quarter of 2011 the inactivity rate decreased for both men and women (compared to one year earlier); however, in the three previous quarters improvements were only seen in the case of women. The female activity rate is especially low in Italy, 14 pps below the EU average. Better provision of affordable childcare and elderly care facilities throughout the country would help young mothers entering into the labour market.

The unemployment rate reported by Eurostat for the third quarter of 2011 is 8.4%, which is slightly worse than one year earlier but still lower than the EU-27 average (9.6%). The gap between the male and female unemployment rates (2.4 pps) was the highest since the second quarter of 2010. The unemployment

rate for migrants was several pps higher than for Italian nationals, and much lower than the EU-27 average, reflecting the predominance of economic migration in recent migration flows. Istat estimates that in January 2012 the unemployment rate was 9.2%. For most of 2011, the share of long-term unemployed was rising faster in Italy than in the EU (year-on-year), reaching 53.2% in the third quarter.

The share of temporary employment in Italy was very close to the EU-27 average in the third quarter of 2011 (13.7% and 14.5% respectively. Temporary employment in Italy is partly a reflection of a segmented labour market, with the share of workers finding a permanent job within a year decreasing from 1/3 in 2007 to 1/4 in 2009, and 12% wage penalty). The share of self-employed, who were especially exposed in the crisis, is very high in Italy, standing at 11.5% against 7.5% in the EU.

Youth unemployment rate is very high, standing at 26.5% in the third quarter of 2011, which is nearly 2 pps higher than one year earlier and also high compared to the EU average (21.2%). According to Istat, it reached 31.1% in January 2012. It is the highest in the South (approaching 40%) and lower in the North (less than 20%) and the Centre (around 25%). The largest divergence (by 7 pps) from the EU was for the middle-skilled. Atypical employment is very widespread among younger workers, and the access to the labour market for the young predominantly takes the form of flexible contracts.

Despite a high unemployment rate, the young unemployed represent only 7.1% of the total young population. The large gap between the youth unemployment rate and the unemployed ratio of youth can be explained by a high share of young people not in employment and not in any education and training (NEETs), which reached 19.1%, the highest level since 2005 (and also very high compared to the EU-27 average of 12.8%). While in the EU-27 only 30% of young people were long-term unemployed in the third quarter of 2011, in Italy it was nearly 50%. This share has been on an increasing trend in both Italy and the EU since 2008; however, the increase has been slower in the EU on average. An action team has recently been set up to find new strategies for youth employment policies.

The share of early school leavers reached 18.8% in 2010, which was more than 4 pps higher than in the EU-27, but at the same time decreasing faster than in most other EU Member States. In terms of the share of young people (aged 25-34) with completed tertiary education, Italy performed one third worse than the EU-27 on average: only 20.7% of adults aged 25-34 belonged to this category.

According to Eurostat, 24.5% of the population was at risk of poverty or social exclusion in 2010, which was slightly higher than the EU-27 average. We need to bear in mind, though, that the national average masks great regional differences (the indicator was as low as 13.8% in the North-East region and as high as 40% in the South).

Looking at the indicators of which the former is composed, the impact of the recession is most visible in the increase in the share of people living in jobless households, which peaked in 2010. Although it remained below the EU-27 average for children (having risen, however, since 2005 by 2.3 pps to 8.2%), it was higher than in the EU-27 for adults (at 11%).

The at-risk-of-poverty rate stood at 18.2% in 2010. The section of population that has been consistently worst-off in terms of relative poverty are children and young people, for whom the rate was above 23%. Significantly more households with three and more dependent children were at risk of poverty in Italy than in the EU-27 (37% and 26% respectively). On the other hand, the situation has improved for older people, with their at-risk-of-poverty rate getting from more than 22% in 2005 to less than 17% in 2010.

In-work poverty reached 9.4% in 2010, which was 0.9 pp lower than one year earlier, but 0.6 pp higher than in 2005. Temporary workers were three times as likely to be at risk of poverty as permanent workers. In terms of severe material deprivation, the situation has been fairly stable in Italy, and better than in the EU-27 on average (in 2010 6.9% and 8.1% respectively). However, 20% of the unemployed and nearly 19% of non-EU-27 nationals were living in severe material deprivation in 2010, which was significantly more than in the rest of the population.

Looking ahead, real GDP is expected to decrease by 1.3% in 2012, according to the European Commission's (DG ECFIN) February 2012 Interim forecast. HICP inflation is expected to remain relatively high in 2012 (2.9%), which partly reflects the VAT increase (by 1 pps to 21%) in September 2011 and a possible increase in both the standard and

reduced VAT rates by 2 pps, should these funds not be raised by way of the tax and social assistance systems reform. The Italian government lead by Mr Monti has a programme to stimulate medium-term growth, but this still has to overcome intense resistance.

Labour productivity is expected to stagnate, which should lead to higher unit labour costs. Concerning the employment outlook, predictions are rather mixed. According to the European Commission's autumn 2011 forecast, employment growth in 2012 is expected to be negative, and the unemployment rate slightly higher than in 2011. Manpower reports the net employment outlook to be negative for the first quarter of 2012, as it was in the previous quarter, albeit slightly better. However, in February 2012, the Monster Employment Index, which reflects the online job posting activity, showed positive growth of 2% compared to one year earlier, after a decline in the previous months.

LATVIA

GDP has been recovering in Latvia since the second half of 2010. Quarterly GDP growth is now close to 1% since end of 2010. However, the current figure remains well below pre-crisis levels, as GDP fell by 21% from 2008 to 2010.

After having — like other 'Baltic tigers' — experienced an economic boom after accession to the EU in 2004, the Latvian economy began to slow down in 2007. Before the crisis the Latvian economy was overheated. The sudden drying-up of capital inflows combined with the burst of the housing bubble set off a decline in economic activity which spread across the whole economy. This local contraction was exacerbated by the global financial crises. Quarter-on-quarter GDP growth turned negative in early 2008 and contracted by more than 6% during the third quarter of 2008. Employment subsequently contracted by 16% during the third quarter of 2009.

Latvia received a 7.5 billion euro (about 1/3 of GDP) bailout facility from the International Monetary Fund, the European Commission, the World Bank and the Nordic countries. The authorities have implemented substantial fiscal consolidation over the programme period. Fiscal adjustment measures equivalent to around 1% of GDP — most of them taken in 2009 — reduced the fiscal deficit from 9.7% of GDP in 2009 to 4% in 2011.

The authorities' macroeconomic strategy has been focusing on internal devaluation and large, front-loaded fiscal adjustments accompanied by structural reforms to improve competitiveness and reduce external imbalances. The challenge still is to know whether Latvia will be able to sustain its economic recovery and achieve its goal of adoption of the euro in 2014.

However, these improvements in competitiveness have come at the cost of substantial declines in economic activity and job losses. Unemployment rose to beyond 20% between November 2010 and March 2011. At the end of 2011, despite the recovery, the labour market was still weak. The unemployment rate remains high at 14.6%, almost 165 000 people out of a labour force of around 1.1 million. Weak labour market prospects are leading to emigration, which is likely to be much higher than reported by the official statistics.

Long-term unemployment has taken off from less than 30% to 55% of the unemployed. To alleviate the social consequences of mass unemployment, the coverage of unemployment benefits was temporarily increased between 2009 and 2011, but the pre-crisis coverage rules were restored as of January 2012, with the effect of reducing coverage. However, an increasing share of the unemployed have now been out of work for longer than nine months. By early 2011, a peak of 126 000 unemployed not receiving unemployment benefits had been reached, three times as high as the number of recipients of unemployment benefits.

An emergency public work programme — 'Workplace with stipend' — was started in September 2009 and phased out in 2011. It provided low-qualified community jobs for six months and a stipend of 100 LVL a month (140 euro). Preliminary evaluations by the World Bank show that the programme saved households from adopting hard coping strategies (reducing consumption of staple foods, skipping meals, reducing water/electricity consumption, withdrawing pre-school children, reducing medical appointments, etc.). A modified, smaller-scale public works programme was started in 2012.

Youths have been in the front line of those hit by the crisis. Youth unemployment stands at 28.2% (the seventh highest in the EU) and peaked at 40% in 2010. The increase in the NEET rate was among the highest in the EU (6.4 pps between 2008 and 2010) to reach

17.8% in 2010. Moreover, low prospects on the labour market are sustaining high youth emigration. Latvia's higher education system and outcomes are also performing poorly not only by European but also by Baltic standards. The European Commission will be taking specific action until mid-April to support Latvia as one of the eight EU Member States with the highest rates of youth unemployment.

There is evidence of skills mismatches, in particular under-qualification, shortages of IT and technical specialists and skills gaps. Latvia is redirecting its economy towards tradeables, which implies that some activities will be phased out and new businesses will emerge. This process requires new skills and know-how. However, participation in life-long learning is low (5.0% in 2010; EU average: 9.1%).

Income inequality in Latvia is very high (the second highest in the EU). Possible causes include the low progressivity of the tax system, the low social spending as a share of GDP, the light impact of social transfers on poverty reduction (a large share of social transfers are redistributed back to middle- and high-income earners), prejudices and discrimination on the labour market, poor up-skilling opportunities for low-wage earners linked to the deficit in life-long learning, weak social dialogue and low regional mobility.

Latvia's risk of poverty or social exclusion rate was among the highest in Europe in 2010, and recent figures from the Central Statistics Bureau of Latvia show an increase by 2% in 2011, from 38.1% to 40.1%.

Latvia's poverty rate is among the highest in Europe (21.3% in 2010, against 13.4% in EU27). Recent data, available only at national level, report that the poverty rate decreased in 2011 (the income reference period being 2010), to 19.3%. However, this development reflects a lowering the poverty threshold set at 60%of median income. Median income fell by 7% between 2009 and 2010, following the previous fall of 17% between 2008 and 2009. However, the crisis affected more strongly incomes in the middle of the distribution – predominantly earnings from work – than incomes at the bottom of the distribution, largely composed of pensions and other benefits. As a result, the poverty line fell and people previously poor moved above the poverty line even though their income situation had not improved. This explains the decrease in the risk of poverty rate, by 2 pps between 2010 and 2011 (reference years 2009 and 2010) and 4 pps in the previous years.

An alternative measure of poverty using Latvia's 'needy' line (LVL 90 per capita per month, roughly equivalent to a relative poverty threshold set at 40% of the national median income) shows that the labour market adjustment pushed poverty up from 14.4% at the end of 2008 to 20.2% by the end of 2009.

Severely materially deprived people made up 27.4% of the population in 2010. The share of people suffering severe material deprivation increased by 10% between 2008 and 2010.

Unemployed people are disproportionately represented among the poor in Latvia. The latest data report that 49.8% of the unemployed are living with an income below the poverty line (47.9% one year earlier). This is due to the duration of and restrictive conditions for access to unemployment benefit and its limited amount. The Government implemented several programmes to mitigate the impact of the crisis on households, including raising the threshold for the 'Guaranteed minimum income' programme and introducing the above-mentioned 'Workplace with stipend' programme. IMF simulations indicate that these measures have possibly helped cushion the impact of the crisis on some of the hardest hit households. However, the scale of the crisis exceeded the ability of the programmes launched to offset the negative impact.

In 2011, GDP is expected to grow by 5.3% (Eurostat data). A slow down at 2.1% is expected for 2012, following, an expected slowdown in major EU economies and the steep fall in confidence in the euro area imply. In 2013, economy should recover and grow by 4% (Eurostat forecasts). Employment and wages are expected to rise only marginally in 2012 as the weakening economic outlook will contain labour demand. As tax and commodity price effects will fade away in 2012-13, headline HICP inflation is expected to decelerate substantially towards the EU average rate (ECFIN forecasts)..

ROMANIA

The Romanian economy resumed growth in 2011, and subsequently the labour market has started to recover: employment growth has picked up and unemployment has stabilised. The economic and labour market outlook is positive though somewhat more modest than had been foreseen some months ago. The

social situation remains challenging, given that the level of poverty and severe material deprivation is among the highest in the EU, and insufficient support is coming from the welfare protection system and labour market performance.

Growth in the Romanian economy resumed in 2011, after two years of a sharp economic downturn. GDP expanded by a solid 0.9-1.8% in the three quarters of 2011, but fell back by 0.2% in the fourth quarter. Consequently, economic output in 2011 was 2.5% higher than in 2010.

In line with economic developments, the Romanian labour market has started to recover. The second half of 2011 resulted in the first positive year-on-year growth since 2008: growth strengthened to 1.5% in the fourth quarter, lifting employment to 9 million, up 134 thousand on a year earlier. Recovery of employment in 2012 should be supported further by a positive economic outlook.

Unemployment, which had substantially increased during 2009, has broadly stabilised. After a temporary fall to 7.1% in the first quarter of 2011, the unemployment rate returned to the level of its peak recorded two years ago and has since stabilised at 7.5%, albeit still above the recent low-point of under 6% recorded in 2008, Unemployment affects 300 000 women (6.8%) and 440 000 men (8.0%). According to the National Agency for Employment, the number of registered unemployed peaked in 2010 and fell from 740 000 to 470 000 over the two years to the end of January. At 5.3% in January 2012, the registered unemployment rate was down from 8.1% two years earlier, but up from 4.2% in January 2008.

Nevertheless, the adverse impact of the crisis on the unemployed was felt increasingly in 2010 and 2011. The long-term unemployment rate, although below the EU average, picked up by 0.8 pp during the two years to the fourth quarter of 2011, affecting 40% of unemployed.

While the unemployment rate is lower than in most Member States, labour market participation is a challenge. The lack of progress in increasing employment to reach the Europe 2020 target of 70% for Romania, has been further undermined during the downturn. The employment rate for those aged 20-64, had not benefited even from the years of economic boom, and has returned to its 2005 level. At 63.3% in the third quarter of 2011 the employment rate target was missed by nearly 7 pps. Major progress in increasing labour market participation across all age and population groups will be needed if it is to meet the ambitious target.

Yet, the labour market situation of women and older people has remained weak. The employment rate of women had been falling since 2006 and, at 56.4% in the third quarter of 2011, was 14 pps lower than the rate for men. This underperformance has been linked to obstacles to employment, including the lack of early childhood education, which – at 63% in 2009 – was one of the lowest in the EU. Contrary to the trends in most Member States, employment of older people in Romania has continued to decline. At 40.5% in the third quarter of 2011, the employment rate widened the gap between this group and prime-age adults to nearly 35 pps. Additionally, older people have not been upgrading their skills, as there was no significant take-up of life-long learning in 2010 (compared to 4.5% of older people in the EU who took part in education and training).

The labour market situation for young people in Romania has continued to deteriorate. The youth unemployment rate (15-24) escalated more steeply (by around 5 pps) than for adults to reach 23.8% in the third quarter of 2011. Although this number is not as worrying as in some other Member States, it is nearly four times higher than the unemployment rate for adults (25-74) (6.0%). More importantly, 16.4% of young people are not in education, training or employment (NEET), compared to around 13% in the EU, and this is nearly 5 pps higher than the 11.6% recorded in 2008. The insufficient performance of young people on the labour market is indicative of a lack of adequate skills, which has its origins in the inadequate education system, and of low transitions from education to work, i.e. lack of practical training or inadequate employment services.

Overall employment level is low, but full-time employees have been working long hours and the incidence of part-time employment is low. According to Eurofound's fifth European Working Conditions Survey, full-time employees in Romania worked 41.3 hours per week in 2010 (compared to 39.7 hours in the EU). At the same time, part-time work, which is fairly stable in Romania, accounted for less than 11% of employment in the third quarter of 2011. Part-time work remains a challenge – nearly half of those in part-time employment in 2010 were unable to find a full-time job, while

half of part-time workers faced the risk of poverty.

These low incidences of part-time work may reflect comparatively low wages in Romania, although they have continued to improve. Growth in nominal unit labour cost picked up to reach nearly 10% in the second and third quarters of 2011 (in line with productivity growth of nearly 10%) after a year of decline. But given the high inflation, this translated into more moderate real growth of 2.6%. More recently, according to the National Institute of Statistics, the average net nominal earnings rose by 3.0% year-on-year to January 2012, although it was a slower pace than prior to 2008.

Low wages contribute to the highest in-work poverty in the EU. 17.3% of employed people faced the risk of poverty in 2010, which was the highest share in the EU (compared to 8.5% in the EU). Due to the downturn, the disposable income of households decreased steeper in 2009 and 2010 (down by around 10% and 5%, respectively) compared to the GDP.

In general, poverty and severe material deprivation in Romania continue to be the highest among the Member States in 2010, although improving. Despite a reduction in poverty by around 15% compared to 2005, 21.1% of Romanians lived on less than 60% of the country's median equivalised income – one of the highest percentages in the EU. A more worrying trend is that almost one in three Romanians (compared to 8.1% in the EU) suffered from severe material deprivation, even though this rate had also declined by 15% compared to 2005. On the more positive side, only 6.8% of people (aged 0-59) lived in jobless households (e.g. low intensity households), and that share – one of the lowest in the EU – had fallen by 20% between 2005 and 2010.

Social expenditure has not been sufficient to ensure rapid improvements in the social situation in Romania. At around 16.9% of GDP in 2009, the social protection benefits were the lowest in the EU. Consequently, the impact of social transfers on reducing poverty was less evident than in most EU Member States – the at-risk-of-poverty rate before social transfers (47.4%) fell by just 23% in 2010 to 21.1% (compared to a drop of 36% for the EU), although it has since picked up again.

The economic and labour market outlook are positive, but more modest than forseen few months ago. Due to continuing uncertainties in the financial markets and developments in the euro-area sovereign debt, the European Commission in its February interim European Economic Forecast projected that GDP growth would slow down to 1.6% in 2012 (a downward revision from 2.1% in the autumn forecast). Nevertheless, this still positive GDP forecast will entail improvements in employment this year. Indeed, hiring intentions remain positive but softened. According to the Manpower Employment Outlook Survey released in March, Romanian employers remain optimistic and are still intending to hire more staff in the next three months, despite the current economic turmoil throughout the EU.

Modest prospects for the economy and labour market over the next two years, combined with the austerity measures taken in 2010 may, nevertheless, intensify the already challenging social situation in Romania.

There is a need for a rapid improvement in the functioning of the labour market and for integrating more people into the labour market (combined with enhanced education outcomes), supported by progress in the welfare protection system. These measures might lead to a sustainable recovery, long-term growth and better jobs, while at the same time helping to reduce poverty in Romania

Annex 1: Selected statistics

Table 7: Real GDP growth

	% change on previous quarter					% change on previous year				
	2010				2011	2010				2011
	q4	q1	q2	q3	q4	q4	q1	q2	q3	q4
BE	0.5	0.9	0.3	-0.1	-0.1	2.1	2.9	2.1	1.6	1.0
BG	0.4	0.5	0.5	0.2	0.3	3.9	3.2	2.2	1.6	1.6
CZ	0.6	0.5	0.3	-0.1	-0.1	3.0	2.7	2.1	1.3	0.6
DK	-0.5	0.4	0.2	-0.1	0.2	2.1	2.0	1.5	0.0	0.7
DE	0.5	1.3	0.3	0.6	-0.2	3.8	4.6	2.9	2.7	2.0
EE	2.5	2.8	1.6	0.9	-0.2	6.1	9.4	8.2	8.0	5.1
IE	-1.6	1.9	1.0	-1.0	:	0.0	0.4	2.0	0.3	:
EL	-2.8	0.2	:	:	:	-7.4	-5.5	:	:	:
ES	0.2	0.4	0.2	0.0	-0.3	0.7	0.9	0.8	0.8	0.3
FR	0.3	0.9	-0.1	0.3	0.2	1.4	2.2	1.6	1.5	1.4
IT	0.2	0.1	0.3	-0.2	-0.7	2.2	1.2	1.0	0.4	-0.4
CY	0.3	0.2	0.0	-0.8	-0.1	2.5	1.5	1.4	-0.3	-0.7
LV	1.1	1.1	2.0	1.5	1.1	3.2	3.2	5.2	5.9	5.9
LT	2.2	1.4	1.7	1.3	1.0	4.4	5.4	6.4	6.7	5.4
LU	1.2	0.2	-0.9	0.6	:	3.9	2.9	0.5	1.1	:
HU	0.2	0.7	0.1	0.4	0.3	2.5	2.1	1.7	1.5	1.5
MT	1.8	0.1	0.4	0.1	-0.6	2.4	2.8	3.0	2.5	0.0
NL	0.8	0.7	0.1	-0.4	-0.7	2.0	2.3	1.8	1.3	-0.3
AT	1.1	0.8	0.5	0.2	-0.1	3.4	4.2	3.9	2.6	1.4
PL	0.9	1.0	1.2	1.0	1.1	4.1	4.5	4.6	4.2	4.3
PT	-0.4	-0.7	-0.3	-0.6	-1.3	1.0	-0.6	-1.1	-1.9	-2.8
RO	0.9	1.1	0.2	1.1	-0.2	-0.2	1.6	1.4	3.4	2.2
SI	0.7	-0.3	-0.1	-0.4	-0.7	2.3	1.8	0.6	-0.2	-1.5
SK	0.8	0.8	0.8	0.8	0.9	3.4	3.4	3.4	3.2	3.4
FI	1.9	0.3	-0.1	1.1	0.1	5.8	5.2	1.8	3.2	1.4
SE	2.0	0.4	1.1	0.9	-1.1	7.8	5.8	4.8	4.4	1.2
UK	-0.5	0.3	0.0	0.5	-0.2	1.7	1.6	0.5	0.4	0.7
EU27	0.2	0.7	0.2	0.3	-0.3	2.2	2.4	1.6	1.4	0.9

Source: Eurostat, national accounts.Seasonally adjusted and adjusted data by w orking days

Table 8: Employment growth

	% change on previous quarter					% change on previous year				
	2010				2011	2010				2011
	q4	q1	q2	q3	q4	q4	q1	q2	q3	q4
BE	0.5	0.4	0.4	0.0	-0.1	1.4	1.6	1.6	1.4	0.7
BG	-1.7	-1.2	-0.6	-0.9	0.2	-3.6	-5.0	-4.5	-5.0	-2.3
CZ	-0.2	-0.1	0.2	0.4	-0.3	-0.7	0.4	0.3	0.2	0.1
DK	-0.3	-0.2	0.0	-0.4	0.1	-0.7	-0.5	-0.5	-1.0	-0.5
DE	0.3	0.4	0.4	0.3	0.3	1.0	1.4	1.3	1.3	1.4
EE	2.8	3.0	1.0	1.8	-1.0	0.7	6.5	7.7	8.9	4.8
IE	-1.0	-0.5	0.1	-0.9	:	-3.5	-2.8	-2.0	-2.5	:
EL	:	:	:	:	:	-2.9	-4.7	-6.1	-7.6	-8.5
ES	-0.2	-0.5	-0.2	-1.2	-1.0	-1.6	-1.6	-1.3	-2.2	-3.0
FR	0.1	0.2	0.3	0.1	0.0	0.6	0.6	0.8	0.8	0.6
IT	0.6	-0.1	0.5	-0.3	-0.1	0.0	0.2	0.6	0.7	-0.2
CY	0.4	0.1	0.0	0.0	-0.1	1.1	1.1	0.9	0.4	-0.3
LV	0.4	1.0	1.1	0.3	1.4	1.6	3.2	3.6	2.8	3.9
LT	1.8	0.5	1.7	-1.9	0.7	-1.2	0.9	4.3	2.0	0.9
LU	0.5	0.7	0.7	0.4	:	1.8	2.1	2.5	2.3	:
HU	0.5	-0.9	0.3	0.6	0.1	2.1	0.3	0.1	0.5	0.3
MT	0.1	1.5	0.5	0.9	-0.8	2.0	2.4	1.9	3.0	2.2
NL	0.2	-0.1	0.1	0.1	-0.1	0.5	0.2	0.4	0.4	0.0
AT	0.6	0.3	0.3	0.3	0.3	1.6	1.5	1.5	1.5	1.3
PL	0.1	0.0	0.2	0.2	0.7	1.1	1.9	1.0	0.4	0.6
PT	-0.4	-0.1	0.1	-0.4	-2.7	-1.7	-1.6	-0.8	-0.7	-3.1
RO	:	:	:	:	:	-0.6	-0.5	-0.1	0.8	1.5
SI	-0.7	-0.4	-0.2	-0.4	-0.3	-2.3	-2.1	-1.8	-1.7	-1.3
SK	0.5	0.8	0.3	0.2	0.0	0.4	2.3	2.3	1.7	0.9
FI	-0.2	0.6	1.1	-0.3	0.3	0.0	0.5	1.4	1.2	1.6
SE	0.6	0.8	0.3	0.3	0.1	2.3	2.8	2.4	2.1	1.5
UK	-0.2	0.4	0.1	-0.7	0.2	0.8	1.4	0.8	-0.4	0.0
EU27	0.1	0.1	0.2	-0.2	-0.1	0.2	0.5	0.4	0.1	0.0

Source: Eurostat, national accounts.Seasonally adjusted and adjusted data by w orking days for change on previous quarter

Note: : not available; national concept for UK and LU

Table 9: Temporary employees as a percentage of the total number of employees

	2010q3	2010q4	2011q1	2011q2	2011q3	2011q3 change on previous year (pps)
AT	8.2	8.7	9.3	8.8	8.5	0.3
BE	5.5	4.0	3.0	4.1	5.2	-0.3
BG	8.5	8.3	7.5	8.0	8.4	-0.1
CY	8.9	8.5	8.5	9.2	8.9	0.0
CZ	14.9	15.1	14.3	14.7	14.9	0.0
DE	4.2	3.5	3.6	4.7	5.2	1.0
DK	10.1	9.4	9.6	10.2	10.2	0.1
EE	13.1	12.3	11.3	11.9	12.3	-0.8
ES	25.6	24.9	24.8	25.6	26.1	0.5
FI	15.7	14.9	14.5	15.3	15.9	0.2
FR	12.9	13.2	12.5	13.7	13.6	0.7
GR	13.7	13.4	12.9	14.0	13.8	0.1
HU	7.5	7.4	6.0	7.4	7.3	-0.2
IE	3.0	2.3	1.8	3.6	3.3	0.3
IT	9.1	7.3	7.2	6.4	6.1	-3.0
LT	10.3	9.8	8.0	9.2	9.7	-0.6
LU	6.4	6.0	7.0	5.2	7.1	0.7
LV	18.5	17.9	17.6	18.0	18.6	0.1
MT	10.2	9.4	9.2	9.0	10.5	0.3
NL	28.1	27.7	25.9	27.0	27.4	-0.7
PL	23.2	22.6	22.1	22.8	22.7	-0.5
PT	1.2	1.2	1.4	1.9	1.8	0.6
RO	17.6	16.5	16.0	17.5	19.1	1.5
SE	6.5	6.0	5.9	6.6	6.5	0.0
SI	17.1	14.6	13.8	16.7	17.4	0.3
SK	16.9	15.1	14.5	16.3	17.5	0.6
UK	6.2	6.0	5.9	6.1	6.0	-0.2
EU27	14.4	14.0	13.5	14.2	14.4	0.0
Men	13.9	13.5	12.9	13.6	14.1	0.2
Women	14.9	14.6	14.1	14.7	14.8	-0.1

Source: Eurostat, EU LFS. Data non-seasonally adjusted.
(from 15 to 64 years)

Table 10: Part-time employment as a percentage of the total number of employees

	2010q3	2010q4	2011q1	2011q2	2011q3	2011q3 change on previous year (pps)
BE	22.7	24.2	25.4	25.1	23.6	0.9
BG	2.0	2.2	2.1	2.3	2.1	0.1
CZ	5.0	5.0	4.9	4.7	4.6	-0.4
DK	25.1	25.0	25.8	25.6	24.5	-0.6
DE	25.4	25.2	25.9	25.9	25.7	0.3
EE	8.9	9.9	10.4	9.5	8.5	-0.4
IE	21.9	22.7	23.2	22.7	22.9	1.0
GR	6.1	6.3	6.5	6.2	6.6	0.5
ES	12.7	13.3	14.0	14.0	13.1	0.4
FR	17.3	17.6	17.7	17.8	17.2	-0.1
IT	14.5	15.1	15.0	15.3	14.8	0.3
CY	7.6	8.7	9.4	8.6	8.0	0.4
LV	8.3	9.5	9.1	8.5	8.5	0.2
LT	6.5	7.9	8.3	7.7	8.0	1.5
LU	16.5	16.8	18.4	18.1	18.1	1.6
HU	5.6	5.7	5.9	6.5	6.7	1.1
MT	11.8	11.5	12.7	12.0	12.9	1.1
NL	48.4	48.3	48.5	48.5	48.3	-0.1
AT	24.0	24.1	24.5	24.4	24.0	0.0
PL	7.4	7.5	7.5	7.2	7.0	-0.4
PT	8.2	8.5	10.6	9.7	10.0	1.8
RO	10.3	9.3	9.4	9.4	9.5	-0.8
SI	10.4	9.9	9.1	9.1	9.9	-0.5
SK	4.1	3.7	3.9	4.0	4.0	-0.1
FI	12.9	14.5	14.9	13.6	13.0	0.1
SE	24.4	25.4	25.3	24.9	23.7	-0.7
UK	25.8	25.7	25.6	25.6	25.2	-0.6
EU27	18.4	18.6	18.9	18.8	18.5	0.1
Men	7.9	7.9	8.1	8.1	7.9	0.0
Women	31.0	31.4	31.8	31.6	31.1	0.1

Source: Eurostat, EU LFS. Data non-seasonally adjusted.
(from 15 to 64 years)

Table 11: Employment rates 15-64

	2010q3	2010q4	2011q1	2011q2	2011q3	2011q3 change on previous year (pps)
BE	62.0	62.7	61.3	62.5	61.7	-0.3
BG	60.6	59.0	57.3	58.2	59.9	-0.7
CZ	65.4	65.5	65.0	65.7	66.1	0.7
DK	73.8	73.0	72.6	73.3	73.8	0.0
DE	71.5	71.7	71.5	72.5	72.8	1.3
EE	62.1	63.6	63.2	64.3	67.2	5.1
IE	60.3	59.4	58.9	59.5	59.1	-1.2
GR	59.7	58.3	56.9	56.4	55.4	-4.3
ES	58.9	58.4	57.7	58.3	57.9	-1.0
FR	64.3	63.5	63.4	64.0	64.3	0.0
IT	56.7	57.0	56.8	57.3	56.9	0.2
CY	70.0	70.1	68.8	69.0	67.6	-2.4
LV	60.6	60.1	60.2	61.4	62.7	2.1
LT	58.5	59.2	59.1	60.8	61.4	2.9
LU	66.1	65.3	65.7	63.8	65.0	-1.1
HU	56.0	55.8	54.6	55.8	56.4	0.4
MT	56.7	56.2	57.4	57.3	58.1	1.4
NL	74.9	74.9	74.4	74.7	75.1	0.2
AT	72.6	72.3	71.1	72.1	73.0	0.4
PL	60.0	59.6	58.9	59.7	60.2	0.2
PT	65.5	65.2	64.6	64.8	64.5	-1.0
RO	60.2	57.9	58.0	58.8	59.1	-1.1
SI	66.3	65.7	63.7	64.4	65.1	-1.2
SK	59.2	59.3	59.0	59.6	59.9	0.7
FI	69.3	67.6	67.1	70.1	70.3	1.0
SE	74.1	72.9	72.7	74.5	75.4	1.3
UK	70.0	69.7	69.4	69.4	69.5	-0.5
EU27	64.6	64.2	63.8	64.5	64.6	0.0
Men	70.7	70.2	69.5	70.2	70.5	-0.2
Women	58.5	58.2	58.1	58.7	58.7	0.2

Source: Eurostat, EU LFS. Data non-seasonally adjusted.

Table 12: Employment rates 20-64

	2010q3	2010q4	2011q1	2011q2	2011q3	2011q3 change on previous year (pps)
BE	67.4	68.3	66.6	68.0	66.9	-0.5
BG	66.4	64.7	62.6	63.4	65.4	-1.0
CZ	70.8	70.8	70.2	70.9	71.2	0.4
DK	76.4	75.7	75.0	75.8	76.3	-0.1
DE	75.3	75.3	75.2	76.4	76.6	1.3
EE	67.9	69.5	68.4	69.6	72.4	4.5
IE	65.0	64.2	63.8	64.4	63.9	-1.1
GR	64.1	62.7	61.3	60.9	59.7	-4.4
ES	62.8	62.5	61.7	62.3	61.7	-1.1
FR	69.5	68.9	68.8	69.4	69.4	-0.1
IT	60.9	61.2	60.9	61.5	61.1	0.2
CY	75.7	75.8	74.7	74.9	73.1	-2.6
LV	66.3	65.8	65.6	67.0	68.0	1.7
LT	65.2	65.9	65.5	67.3	67.9	2.7
LU	71.6	70.7	71.1	69.3	70.4	-1.2
HU	61.0	60.7	59.5	60.7	61.3	0.3
MT	60.3	60.4	61.9	61.4	61.4	1.1
NL	76.9	77.1	76.7	76.8	77.0	0.1
AT	75.5	75.3	74.2	75.5	75.7	0.2
PL	65.3	64.8	64.1	64.9	65.3	0.0
PT	70.4	70.2	69.5	69.8	69.3	-1.1
RO	64.6	62.3	62.5	63.1	63.3	-1.3
SI	70.0	69.9	67.8	68.6	68.6	-1.4
SK	65.0	65.1	64.6	65.2	65.6	0.6
FI	73.9	72.8	72.3	74.4	74.7	0.8
SE	79.7	79.1	78.9	80.3	80.9	1.2
UK	74.0	73.7	73.6	73.6	73.6	-0.4
EU27	68.9	68.6	68.2	68.9	68.9	0.0
Men	75.6	75.2	74.5	75.3	75.4	-0.2
Women	62.3	62.1	61.9	62.5	62.4	0.1

Source: Eurostat, EU LFS. Data non-seasonally adjusted.

Table 13: Unemployment rates

	2011 Jan	2011 Aug	2011 Sep	2011 Oct	2011 Nov	2011 Dec	2012 Jan	2012 Jan change on previous month (pps)	2012 Jan change on previous year (pps)
BE	7.3	7.4	7.4	7.3	7.3	7.3	7.4	0.1	0.1
BG	11.2	11.0	10.9	10.9	11.0	11.2	11.5	0.3	0.3
CZ	6.9	6.6	6.5	6.6	6.7	6.8	6.9	0.1	0.0
DK	7.6	7.5	7.6	7.7	7.8	7.9	7.9	0.0	0.3
DE	6.5	5.8	5.8	5.8	5.7	5.7	5.8	0.1	-0.7
EE	13.6	11.5	11.5	11.7	11.7	11.7	:	:	:
IE	14.4	14.7	14.5	14.5	14.6	14.7	14.8	0.1	0.4
EL	14.7	18.4	18.8	19.4	19.9	:	:	:	:
ES	20.6	22.0	22.4	22.8	23.0	23.1	23.3	0.2	2.7
FR	9.6	9.7	9.7	9.7	9.8	9.9	10.0	0.1	0.4
IT	8.1	8.3	8.6	8.5	8.8	8.9	9.2	0.3	1.1
CY	6.3	7.8	8.4	9.0	9.3	9.5	9.6	0.1	3.3
LV	16.3	14.7	14.7	:	:	:	:	:	:
LT	16.3	15.3	15.3	14.3	14.3	14.3	:	:	:
LU	4.7	4.9	4.9	4.8	4.8	5.1	5.1	0.0	0.4
HU	11.4	10.9	10.8	10.8	10.7	10.9	10.9	0.0	-0.5
MT	6.5	6.4	6.3	6.4	6.5	6.5	6.5	0.0	0.0
NL	4.3	4.4	4.5	4.8	4.9	4.9	5.0	0.1	0.7
AT	4.5	3.8	4.0	4.2	4.3	4.2	4.0	-0.2	-0.5
PL	9.4	9.7	9.8	10.0	10.0	10.1	10.1	0.0	0.7
PT	12.3	12.7	13.0	13.6	14.0	14.6	14.8	0.2	2.5
RO	7.3	7.5	7.7	7.3	7.6	7.5	7.2	-0.3	-0.1
SI	8.1	8.0	8.2	8.2	8.2	8.2	8.2	0.0	0.1
SK	13.6	13.4	13.4	13.5	13.5	13.4	13.3	-0.1	-0.3
FI	8.0	7.7	7.7	7.6	7.6	7.5	7.5	0.0	-0.5
SE	7.8	7.4	7.3	7.5	7.5	7.5	7.6	0.1	-0.2
UK	7.8	8.3	8.3	8.4	8.4	:	:	:	:
EU27	9.5	9.7	9.8	9.9	10.0	10.0	10.1	0.1	0.6
Men	9.4	9.6	9.7	9.8	9.9	9.9	10.1	0.2	0.7
Women	9.6	9.8	9.9	10.0	10.1	10.0	10.1	0.1	0.5

Source: Eurostat, EU LFS. Seasonally adjusted Data
Note: : not available

Table 14: Youth unemployment rates

	2011 Jan	2011 Aug	2011 Sep	2011 Oct	2011 Nov	2011 Dec	2012 Jan	2012 Jan change on previous month (pps)	2012 Jan change on previous year (pps)
BE	19.8	20.6	21.1	21.3	21.3	21.0	21.2	0.2	1.4
BG	26.3	25.5	24.9	25.1	26.0	27.0	28.9	1.9	2.6
CZ	16.8	18.0	18.1	18.7	19.2	19.5	19.8	0.3	3.0
DK	14.1	14.6	14.5	14.4	14.4	14.2	14.6	0.4	0.5
DE	9.0	8.5	8.4	8.2	8.0	7.9	7.8	-0.1	-1.2
EE	20.2	22.3	22.3	25.1	25.1	25.1	:	:	:
IE	29.1	30.5	29.1	29.2	29.2	29.5	29.6	0.1	0.5
EL	37.8	45.9	46.6	47.3	48.1	:	:	:	:
ES	44.0	46.9	47.8	48.4	49.0	49.3	49.9	0.6	5.9
FR	23.3	22.5	22.5	22.9	23.3	23.4	23.3	-0.1	0.0
IT	28.5	28.7	30.1	30.0	31.2	31.0	31.1	0.1	2.6
CY	18.8	23.6	23.6	27.0	27.0	27.0	:	:	:
LV	30.8	29.9	29.9	:	:	:	:	:	:
LT	32.0	32.0	32.0	34.4	34.4	34.4	:	:	:
LU	14.4	15.3	15.3	14.4	14.3	15.0	13.9	-1.1	-0.5
HU	26.7	26.2	26.2	26.1	25.9	26.3	27.3	1.0	0.6
MT	13.7	13.6	13.3	13.5	13.7	13.7	13.8	0.1	0.1
NL	7.8	7.5	8.0	8.2	8.6	8.6	9.0	0.4	1.2
AT	8.2	6.9	7.7	9.0	8.7	8.4	8.9	0.5	0.7
PL	25.1	25.8	26.3	26.7	27.1	27.0	27.5	0.5	2.4
PT	26.5	29.9	31.0	32.9	34.3	35.0	35.1	0.1	8.6
RO	22.9	23.8	23.8	:	:	:	:	:	:
SI	16.3	15.2	15.2	15.3	15.3	15.3	:	:	:
SK	33.1	33.8	34.0	34.7	35.2	35.6	36.0	0.4	2.9
FI	20.5	20.0	20.1	20.0	20.0	20.1	20.1	0.0	-0.4
SE	22.7	23.0	22.2	22.3	23.2	22.9	22.4	-0.5	-0.3
UK	20.4	22.0	22.0	22.2	22.2	:	:	:	:
EU27	21.1	21.5	21.7	22.0	22.3	22.2	22.4	0.2	1.3
Men	21.3	21.9	22.3	22.6	22.9	22.8	23.1	0.3	1.8
Women	20.8	21.0	21.0	21.3	21.6	21.4	21.4	0.0	0.6

Source: Eurostat, EU LFS. Seasonally adjusted Data
Note: : not available

Table 15: Long-term unemployment rate

	2010q3	2010q4	2011q1	2011q2	2011q3	2011q3 change on previous year (pps)
BE	4.2	3.9	3.5	3.2	3.8	-0.4
BG	4.5	5.9	6.3	6.3	6.2	1.7
CZ	3.1	3.0	2.9	2.6	2.7	-0.4
DK	1.5	1.6	1.9	2.0	1.7	0.2
DE	3.2	3.2	3.2	2.9	2.8	-0.4
EE	8.2	6.6	8.1	7.3	6.3	-1.9
IE	7.0	7.7	8.3	8.3	8.8	1.8
EL	5.7	6.5	7.1	8.0	9.1	3.4
ES	7.4	8.2	8.6	8.6	8.9	1.5
FR	4.0	3.9	4.0	3.8	4.0	0.0
IT	3.8	4.2	4.3	4.2	4.1	0.3
CY	1.3	1.4	1.3	1.2	1.8	0.5
LV	8.3	9.3	9.5	8.8	7.9	-0.4
LT	7.5	8.5	8.7	8.0	8.0	0.5
LU	1.0	1.6	1.1	1.8	1.4	0.4
HU	5.7	5.6	5.6	5.4	5.1	-0.6
MT	3.4	3.3	3.3	2.9	2.7	-0.7
NL	1.2	1.3	1.5	1.5	1.4	0.2
AT	1.1	1.1	1.2	1.1	0.9	-0.2
PL	3.0	3.3	3.5	3.5	3.6	0.6
PT	6.6	6.5	6.1	6.3	5.9	-0.7
RO	2.6	2.6	3.0	3.0	3.0	0.4
SI	3.3	3.6	3.8	3.5	3.3	0.0
SK	9.4	9.5	9.5	9.1	8.7	-0.7
FI	2.0	2.2	1.8	1.7	1.7	-0.3
SE	1.5	1.5	1.6	1.4	1.3	-0.2
UK	2.6	2.6	2.7	2.6	2.7	0.1
EU27	3.8	4.0	4.1	4.0	4.1	0.3
Men	3.9	4.1	4.2	4.0	4.1	0.2
Women	3.8	4.0	4.1	4.0	4.1	0.3

Source: Eurostat, EU LFS. Data non-seasonally adjusted.

Table 16: Job Vacancy rate

	2010q1	2010q2	2010q3	2010q4	2011q1	2011q2	2011q3	2011q4	2011q1 change on previous year (pps)	2011q2 change on previous year (pps)	2011q3 change on previous year (pps)	2011q4 change on previous year (pps)
BE	1.8	1.8	1.5	1.6	1.6	1.9	2.1	:	-0.2	0.1	0.6	:
BG	0.8	0.7	0.8	0.8	0.8	0.8	0.7	0.8	0.0	0.1	-0.1	0.0
CZ	0.8	0.8	0.9	0.8	0.8	0.9	1.0	0.9	0.0	0.1	0.1	0.1
DK	1.3	1.3	1.2	1.1	1.4	1.3	1.1	:	0.1	0.0	-0.1	:
DE	1.9	2.0	2.1	2.6	2.7	2.5	2.5	3.0	0.8	0.5	0.4	0.4
EE	0.9	1.1	1.2	1.0	1.2	1.3	1.6	:	0.3	0.2	0.4	:
IE	0.4	0.6	0.5	0.6	0.7	0.6	0.7	:	0.3	0.0	0.2	:
EL	3.2	1.6	1.1	0.7	2.9	1.4	1.0	:	-0.3	-0.2	-0.1	:
ES	1.4	1.4	1.1	1.1	1.1	1.1	1.0	:	-0.3	-0.3	-0.1	:
FR	0.3	0.4	0.4	0.6	0.7	0.7	0.7	0.6	0.4	0.3	0.3	0.0
IT	0.7	0.7	0.7	0.6	0.9	0.9	0.7	:	0.2	0.2	0.0	:
CY	1.7	1.9	1.7	1.1	1.6	1.5	0.9	0.5	-0.1	-0.4	-0.8	-0.6
LV	0.2	0.2	0.3	0.3	0.4	0.4	0.4	0.4	0.2	0.2	0.1	0.1
LT	0.6	0.6	0.8	0.6	0.9	0.8	1.1	0.6	0.3	0.2	0.3	0.0
LU	0.5	0.5	0.7	0.7	0.8	1.0	0.8	0.6	0.3	0.5	0.1	-0.1
HU	1.1	1.0	0.9	1.0	1.2	1.1	1.1	:	0.1	0.1	0.2	:
MT	3.6	3.5	2.9	3.2	2.4	3.6	2.9	:	-1.2	0.1	0.0	:
NL	1.5	1.6	1.5	1.6	1.7	1.8	1.6	1.5	0.2	0.2	0.1	-0.1
AT	1.6	1.7	2.1	2.2	2.3	2.1	1.9	1.8	0.7	0.4	-0.2	-0.4
PL	0.7	0.6	0.6	0.5	0.7	0.6	0.5	:	0.0	0.0	-0.1	:
PT	0.4	0.5	0.5	0.4	0.4	0.4	0.4	:	0.0	-0.1	-0.1	:
RO	0.7	0.6	0.6	0.5	0.7	0.7	0.7	0.5	0.0	0.1	0.1	0.0
SI	0.6	0.7	0.7	0.7	0.8	0.8	1.0	:	0.2	0.1	0.3	:
SK	0.8	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.0	0.1	0.0	0.0
FI	2.2	2.1	1.7	1.4	2.7	2.3	1.8	1.6	0.5	0.2	0.1	0.2
SE	1.1	1.4	1.2	1.2	1.6	1.8	1.4	1.3	0.5	0.4	0.2	0.1
UK	1.6	1.8	1.8	1.8	1.7	1.7	1.8	1.7	0.1	-0.1	0.0	-0.1
EU27	1.3	1.4	1.3	1.5	1.6	1.5	1.5	1.5	0.3	0.1	0.2	0.0

Source: Eurostat, Job vacancy statistics. Data non-seasonally adjusted. NACE: B-S (Industry, construction and services (except activities of households as employers and extra-territorial organisations and bodies). DK, IT: cover only sections B to N. FR, GR, PT: does not include section O. FR, IT, MT: includes only business units with 10 or more employees

Table 17: Labour productivity per person employed

	Annual % change			% change on previous quarter					% change on previous year				
	2009	2010	2011	2010	2011				2010	2011			
				q4	q1	q2	q3	q4	q4	q1	q2	q3	q4
EU-27	-2,5	2,5	1,1	0,2	0,6	0,0	:	:	2,0	1,9	1,2	:	:
EURO	-2,4	2,3	1,2	0,2	0,7	-0,2	:	:	1,8	2,1	1,1	:	:
BE	-2,7	1,4	0,5	0,0	0,4	0,0	-0,1	0,0	0,7	1,3	0,6	0,2	0,3
BG	-2,9	5,3	6,1	2,1	1,7	1,2	1,1	0,1	8,6	8,2	6,4	6,3	4,2
CZ	-3,5	4,5	0,9	0,8	0,6	0,1	-0,5	0,2	3,8	2,4	1,8	1,0	0,5
DK	-2,7	3,6	1,7	-0,2	0,6	0,2	0,4	0,1	2,8	2,4	2,1	0,9	1,3
DE	-5,2	3,2	1,6	0,2	1,0	-0,1	0,3	-0,5	2,7	3,2	1,6	1,4	0,7
EE	-4,7	7,4	0,6	0,0	-0,1	0,3	-0,8	0,3	5,8	2,8	0,3	-0,7	-0,4
IE	1,2	4,0	2,9	-0,7	2,3	1,3	-0,7	:	3,5	3,1	4,3	2,3	:
EL	-3,0	-1,7	-0,2	-1,3	2,4	:	:	:	-4,3	-0,5	:	:	:
ES	3,2	2,6	2,8	0,5	0,9	0,4	1,2	0,8	2,3	2,6	2,2	3,0	3,3
FR	-1,6	1,3	1,1	0,2	0,7	-0,3	0,2	0,3	0,8	1,5	0,9	0,8	0,8
IT	-3,9	2,5	0,1	-0,4	0,2	-0,2	0,1	-0,6	2,2	1,1	0,4	-0,3	-0,4
CY	-1,3	1,1	-0,1	-0,1	0,2	0,0	-0,8	-0,1	1,6	0,5	0,7	-0,8	-0,7
LV	-5,3	4,7	2,0	0,7	0,1	0,9	1,2	-0,3	2,1	0,6	1,6	2,9	1,9
LT	-8,6	6,9	3,8	0,7	0,7	-0,3	3,4	0,6	6,1	4,2	2,2	4,6	4,5
LU	-6,2	0,8	-1,7	0,6	-0,5	-1,8	0,0	:	1,5	0,3	-2,3	-1,7	:
HU	-4,2	0,9	1,2	-0,3	1,6	-0,2	-0,1	:	0,6	1,5	1,5	1,0	:
MT	-2,4	0,0	-0,3	1,7	-1,4	0,0	-0,8	0,2	0,3	0,4	1,0	-0,6	-2,1
NL	-2,8	2,0	0,9	0,6	0,8	0,0	-0,6	-0,6	1,5	2,0	1,5	0,9	-0,3
AT	-3,0	1,4	1,6	0,6	0,5	0,1	-0,1	-0,4	1,9	2,6	2,4	1,1	0,1
PL	1,2	3,5	3,3	0,8	1,0	1,0	0,8	0,4	2,8	2,7	4,0	3,7	3,3
PT	-0,3	3,0	-0,1	0,0	-0,6	-0,4	-0,3	1,5	2,7	1,0	-0,3	-1,2	0,2
RO	-4,7	-0,1	2,3	:	:	:	:	:	:	:	:	:	:
SI	-6,3	4,0	1,6	1,3	0,1	0,1	0,0	-0,4	4,7	3,9	2,4	1,5	-0,2
SK	-3,0	5,8	1,5	0,2	0,1	0,5	0,5	0,9	2,9	1,5	1,3	1,4	2,1
FI	-5,9	4,9	1,7	2,1	-0,3	-1,1	1,4	-0,2	5,7	4,7	0,3	2,1	-0,3
SE	-2,7	5,0	1,7	1,4	-0,4	0,7	0,6	-1,3	5,3	3,0	2,3	2,2	-0,4
UK	-2,8	1,9	0,3	-0,3	-0,1	-0,1	1,2	-0,4	0,9	0,2	-0,3	0,7	0,6

Source: Eurostat (variable nama_aux_lp and namq_aux_lp)
Note: provisional values for IE and EL; forecast annual 2011 value for EU12, EURO, CZ, FR, LU, HU, NL, PT, RO

Table 18: Nominal compensation per employee

	Annual % change			% change on previous quarter					% change on previous year				
	2009	2010	2011	2010	2011				2010	2011			
				q4	q1	q2	q3	q4	q4	q1	q2	q3	q4
EU-27	:	:	:	:	:	:	:	:	:	:	:	:	:
EURO	1,4	1,6	:	0,7	1,0	0,6	0,1	:	1,6	2,4	2,5	2,4	..
BE	1,1	1,4	3,3	0,6	1,3	0,0	1,7	0,9	1,9	3,1	2,7	3,6	4,0
BG**	9,4	13,0	:	11,5	-7,2	6,0	-1,5	:	11,4	1,6	6,0	8,1	:
CZ**	-1,2	3,7	..	-0,4	0,9	0,5	0,6	:	3,7	2,3	2,6	1,6	..
DK	2,8	2,6	1,7	-0,2	1,1	-0,1	0,5	0,8	1,9	2,0	1,2	1,4	2,4
DE*	0,0	2,0	3,0	0,7	1,4	0,9	0,0	0,6	2,4	2,9	3,4	2,9	2,8
EE	-3,4	1,4	:	-0,3	-0,8	0,6	0,3	:	2,9	1,2	1,2	-0,1	:
IE*	-1,2	-3,2	:	-0,2	0,9	0,9	1,6	:	-0,3	1,1	1,3	3,2	:
EL	4,0	-3,3	-3,2	-2,7	-0,4	..	..	:	-5,8	-5,7	:	:	:
ES	4,5	-0,1	0,8	0,1	0,2	0,5	0,5	-0,4	-0,7	0,6	0,5	1,4	0,8
FR*	1,5	2,1	2,8	0,8	0,9	0,8	0,4	1,0	1,8	2,5	2,8	2,9	3,1
IT*	0,0	1,8	:	1,1	0,9	0,0	-1,1	:	1,2	1,7	1,3	1,0	..
CY**	2,5	2,5	:	21,5	..	..	..	:	3,2	1,8	2,1	1,6	:
LV	-12,7	-6,0	:	1,8	0,1	0,2	3,0	:	3,7	3,3	4,1	5,2	:
LT	-9,9	-0,9	:	-1,2	3,1	-1,4	3,0	:	1,5	1,9	0,9	3,4	:
LU*	1,8	2,5	:	15,7	-12,7	1,7	-1,7	:	3,6	3,6	1,6	1,0	:
HU	-1,4	-2,3	:	-1,3	7,7	0,1	0,7	:	-2,9	4,2	7,4	7,1	:
MT**	3,3	-0,4	0,4	2,3	-1,6	0,5	-2,4	4,3	0,2	0,8	1,5	-1,2	0,8
NL*	2,2	1,1	..	0,7	0,1	0,0	0,4	:	1,5	2,3	1,2	1,3	:
AT*	1,7	1,4	3,0	0,7	0,9	0,8	0,7	:	2,1	2,5	3,0	3,1	:
PL*	3,5	5,7	:	0,3	0,7	0,8	4,1	:	5,9	3,6	4,3	5,9	:
PT**	2,8	1,4	:	14,8	-18,3	10,7	-5,4	:	0,6	0,4	-1,0	-1,7	:
RO**	-1,9	-3,6	:	21,5	-30,3	17,1	9,2	:	-4,5	3,0	3,5	8,3	:
SI	1,8	4,3	2,0	0,8	0,5	0,2	0,2	0,1	4,3	3,5	2,4	1,6	0,9
SK*	3,6	4,4	0,9	-1,0	1,9	-0,5	0,4	-1,8	2,5	2,2	0,7	0,8	0,0
FI	2,3	3,5	2,7	1,1	0,3	-0,1	0,9	0,5	4,0	4,4	2,7	2,2	1,6
SE**	1,6	3,0	0,8	3,4	-3,5	5,0	-3,1	1,8	4,0	0,9	0,9	1,5	-0,1
UK	2,7	3,6	1,1	0,0	-0,1	0,6	1,9	-0,6	1,2	-0,6	0,4	2,5	1,9

Source: ECB Statistical Data Warehouse and own calculations.
Note: Member States with * not working day adjusted, Member States with ** neither seasonally nor working day adjusted

Table 19: Nominal unit labour cost

	Annual % change			% change on previous quarter					% change on previous year				
	2009	2010	2011	2010	2011				2010	2011			
				q4	q1	q2	q3	q4	q4	q1	q2	q3	q4
EU-27	1,2	0,6	1,2	0,0	0,5	0,0	:	:	1,1	0,9	0,6	:	:
EURO	3,9	-0,7	1,1	0,5	0,3	0,8	:	:	-0,2	0,3	1,3	:	:
BE	3,9	0,0	2,7	0,6	0,8	0,1	1,8	0,9	1,2	1,8	2,1	3,4	3,7
BG	12,7	5,6	1,1	:	:	:	:	:	:	:	:	:	:
CZ	2,4	-0,7	1,3	-1,2	0,1	0,1	0,9	-0,8	-0,1	-0,2	0,4	0,0	0,4
DK	5,7	-1,0	0,0	0,1	0,5	-0,2	0,1	0,7	-0,9	-0,5	-0,9	0,5	1,1
DE	5,5	-1,1	1,4	0,5	0,4	1,0	-0,3	1,1	-0,3	-0,3	1,8	1,6	2,1
EE	1,4	-5,6	0,8	-0,8	-0,7	0,9	1,1	:	-2,8	-1,6	0,9	0,4	:
IE	-2,4	-6,9	-2,9	0,5	-1,3	-0,5	2,3	:	-3,7	-1,9	-2,9	0,9	:
EL	7,2	-1,7	-3,0	-1,3	-2,8	:	:	:	-1,6	-5,2	:	:	:
ES	1,3	-2,6	-1,9	-0,4	-0,7	0,1	-0,7	-1,2	-2,9	-2,0	-1,6	-1,6	-2,4
FR	3,2	0,7	1,2	0,6	0,2	1,1	0,2	0,7	1,0	0,9	1,9	2,0	2,2
IT	4,0	-0,5	1,0	1,7	0,6	0,6	-1,4	0,8	-0,8	0,5	1,2	1,4	0,5
CY	3,9	1,4	1,1	0,1	-0,3	0,6	1,6	:	1,5	1,4	1,4	1,9	:
LV	-7,9	-9,8	2,1	1,3	-0,3	-0,3	1,4	1,3	2,3	2,5	3,1	2,1	2,1
LT	-1,4	-7,3	-0,3	-2,6	3,0	-0,9	-0,7	0,8	-4,6	-1,9	-1,0	-1,3	2,1
LU	8,6	1,7	4,4	0,2	0,6	1,2	0,6	:	2,1	3,3	4,1	2,7	:
HU	2,9	-3,2	4,0	-1,1	6,0	0,3	0,8	:	-3,5	2,7	5,8	6,0	:
MT	5,9	-0,4	0,8	-2,3	1,5	-0,4	0,7	1,2	-0,5	0,6	0,4	-0,5	3,0
NL	5,2	-0,8	0,9	0,2	-0,6	0,0	0,8	:	0,0	0,3	-0,3	0,4	:
AT	4,9	0,0	1,3	0,1	0,4	0,7	0,8	1,1	0,2	-0,1	0,6	2,0	2,9
PL	2,2	2,2	1,9	-0,5	-0,3	-0,3	3,3	:	3,0	0,9	0,2	2,1	:
PT	3,1	-1,5	0,2	-0,7	0,6	-0,1	-0,2	:	-2,0	-0,7	-0,7	-0,5	:
RO	2,9	-3,5	1,3	:	:	:	:	:	:	:	:	:	:
SI	8,7	0,3	0,4	-0,5	0,4	0,1	0,1	0,5	-0,4	-0,4	-0,1	0,1	1,1
SK	6,9	-1,3	-0,6	-1,2	1,8	-1,1	-0,1	-2,7	-0,4	0,7	-0,6	-0,6	-2,1
FI	8,7	-1,3	1,0	-1,0	0,6	1,1	-0,6	0,7	-1,6	-0,3	2,4	0,1	1,9
SE	4,4	-1,9	-0,9	:	:	:	:	:	:	:	:	:	:
UK	5,7	1,7	0,8	0,3	0,0	0,7	0,7	-0,2	0,2	-0,8	0,7	1,7	1,3

Source: Eurostat (variable nama_aux_ulc and namq_aux_ulc)
Note: provisional values for IE and EL; forecast annual 2011 value for EU12, EURO, CZ, FR, CY, LU, HU, NL, PL, PT, RO

Table 20: Real unit labour cost

	Annual % change			% change on previous quarter					% change on previous year				
	2009	2010	2011	2010	2011				2010	2011			
				q4	q1	q2	q3	q4	q4	q1	q2	q3	q4
EU-27	2,8	-1,6	-0,4	0,0	-0,3	0,1	:	:	-1,5	-1,6	-0,8	:	:
EURO	3,0	-1,4	-0,3	0,3	-0,2	0,4	:	:	-1,1	-1,0	-0,1	:	:
BE	2,6	-1,8	0,5	0,0	0,3	-0,3	1,4	0,5	-1,4	-1,1	-0,2	1,4	1,9
BG	8,1	2,7	-3,7	:	:	:	:	:	:	:	:	:	:
CZ	0,5	1,0	0,4	-0,5	0,9	-0,1	0,3	-1,7	2,3	1,6	2,0	0,6	-0,5
DK	4,6	-4,7	-0,8	-0,1	0,2	-0,3	0,6	0,1	-3,9	-2,5	-1,8	0,3	0,5
DE	4,2	-1,7	0,6	0,4	0,3	0,5	-0,6	0,8	-0,6	-0,6	1,0	0,7	1,1
EE	2,4	-6,6	-2,8	-0,9	-1,1	-0,6	-0,1	:	-6,1	-4,5	-3,6	-2,7	:
IE	1,7	-4,6	-2,1	5,0	-4,3	0,0	2,1	:	0,3	-0,8	-0,3	2,6	:
EL	4,3	-3,4	-4,5	-0,8	-2,1	:	:	:	-3,8	-5,6	:	:	:
ES	1,2	-3,0	-3,2	-0,8	-1,1	-0,3	-0,9	-1,4	-3,9	-3,2	-3,2	-3,0	-3,6
FR	2,7	-0,1	0,1	0,4	-0,4	0,7	-0,2	0,2	-0,2	-0,5	0,4	0,5	0,3
IT	1,9	-0,9	-0,3	1,5	-0,2	0,2	-1,6	0,8	-1,4	-0,7	0,1	-0,1	-0,8
CY	3,8	-0,3	-0,9	-0,9	0,3	-1,1	1,4	:	0,0	0,0	-1,1	-0,3	:
LV	-6,7	-7,7	-3,1	0,7	-1,5	-2,3	-0,6	0,0	0,2	-1,4	-2,6	-3,8	-4,3
LT	2,4	-9,1	-5,4	-2,6	0,1	-2,6	-0,8	-0,4	-9,4	-5,3	-6,5	-5,8	-3,7
LU	8,4	-3,0	1,7	-1,5	0,2	0,7	-0,6	:	-4,8	-3,0	-0,7	-1,3	:
HU	-0,6	-6,1	0,5	-1,3	5,6	-0,4	-1,4	:	-5,7	-0,2	2,8	2,4	:
MT	3,3	-3,3	-1,5	-2,6	0,3	0,5	-0,7	1,3	-3,5	-1,9	-2,5	-2,6	1,3
NL	5,6	-2,1	-0,5	-0,1	-0,8	-0,2	0,3	:	-2,1	-1,6	-1,2	-0,7	:
AT	3,8	-1,8	-0,8	-0,5	-0,2	0,3	0,4	0,7	-1,9	-2,3	-1,6	0,1	1,3
PL	-1,4	0,8	-1,1	-1,2	-1,4	-0,7	2,5	:	1,1	-2,4	-2,2	-1,0	:
PT	2,2	-2,6	-0,5	-0,6	-0,1	0,8	-1,0	:	-2,9	-1,7	-1,6	-0,9	:
RO	-1,2	-9,0	-6,3	:	:	:	:	:	:	:	:	:	:
SI	5,6	1,4	-0,4	0,1	-0,6	-0,1	-0,5	-0,5	1,3	-0,5	-0,5	-1,1	-1,7
SK	8,2	-1,8	-2,2	-1,2	1,6	-1,9	-0,4	-3,1	-1,5	-0,8	-2,4	-1,9	-3,8
FI	7,2	-1,8	-2,5	-1,7	-1,2	0,0	-0,7	0,5	-2,9	-3,0	-2,1	-3,6	-1,4
SE	2,3	-2,9	-1,8	:	:	:	:	:	:	:	:	:	:
UK	4,0	-1,2	-1,5	-0,5	-0,8	0,5	0,1	-0,8	-2,8	-3,1	-1,5	-0,7	-1,0

Source: Eurostat (variable nama_aux_ulc and namq_aux_ulc)
Note: provisional values for IE and EL; forecast annual value 2011 for EU12, EURO, CZ, FR, CY, LU, HU, NL, PL, PT, RO

Table 21: Weekly working hours

	Weekly working time of full-time employed persons								Weekly working time of part-time employed persosns							
	Level			Level					Level			Level				
	2009	2010	2011	2010	2011				2009	2010	2011	2011				
				q4	q1	q2	q3	q4				q4	q1	q2	q3	q4
EU-27	40,7	40,8	:	40,4	41,0	40,6	41,3	:	19,9	20,1	:	19,9	19,9	19,9	20,3	:
EURO	40,5	40,8	:	40,3	41,0	40,5	41,3	:	19,8	20,0	:	19,8	19,9	19,7	20,1	:
BE	40,8	41,2	:	41,0	41,5	41,6	41,5	:	23,0	23,3	:	22,9	23,5	22,6	22,9	:
BG	40,7	40,9	:	40,9	40,7	40,3	40,8	:	20,3	20,7	:	20,6	20,4	20,8	20,1	:
CZ	41,6	41,6	:	40,3	42,2	42,1	40,7	:	21,6	21,0	:	20,5	21,4	21,0	21,3	:
DK	39,1	39,5	:	39,1	40,2	39,4	40,5	39,5	19,8	19,9	:	19,8	19,5	19,6	20,2	19,2
DE	41,4	41,7	:	41,7	42,1	41,3	42,1	:	18,1	18,3	:	18,4	18,2	17,9	18,3	:
EE	39,5	40,5	:	40,3	40,9	40,1	41,3	:	21,2	21,3	:	21,1	20,5	20,8	22,3	:
IE	39,5	39,6	:	39,1	39,7	39,7	40,4	:	18,7	18,6	:	18,2	18,4	18,7	19,1	:
EL	42,1	42,3	:	42,0	41,7	42,3	43,2	:	19,6	20,0	:	20,1	19,4	19,8	20,3	:
ES	40,7	40,7	:	39,8	41,0	40,5	41,2	40,0	18,5	18,4	:	18,0	18,5	18,6	19,1	18,1
FR	39,4	39,8	:	39,1	40,5	39,4	40,1	:	22,4	22,5	:	22,1	22,8	22,4	22,8	:
IT	39,9	40,1	:	39,5	39,9	40,0	40,5	:	21,0	21,3	:	21,1	21,0	21,2	21,8	:
CY	40,2	40,7	:	41,0	40,1	40,3	41,7	:	19,6	19,3	:	19,7	18,8	19,0	19,5	:
LV	40,6	40,2	:	40,0	40,4	40,2	40,8	:	21,6	21,4	:	20,1	20,8	22,0	21,5	:
LT	39,9	39,8	:	39,8	39,7	40,0	40,1	39,8	23,4	22,5	:	21,7	21,3	22,4	22,8	22,1
LU	41,4	41,4	:	41,2	41,3	41,6	41,5	:	20,5	20,9	:	20,3	21,5	22,1	22,2	:
HU	40,5	40,5	:	40,5	40,1	40,1	40,7	:	23,7	23,9	:	24,3	23,3	22,8	23,7	:
MT	41,0	40,5	:	40,7	41,0	40,1	39,9	:	20,9	20,6	:	20,1	19,8	21,4	21,1	:
NL	41,0	41,2	:	41,8	41,3	40,9	41,7	:	20,7	20,8	:	20,9	20,9	20,6	21,7	:
AT	42,0	41,9	:	41,1	42,7	41,7	42,6	:	20,0	20,0	:	19,3	20,0	19,8	20,3	:
PL	41,4	41,3	:	40,4	40,8	40,9	42,3	:	20,8	20,8	:	20,3	20,6	21,0	21,8	:
PT	40,4	40,5	:	39,3	41,6	40,7	42,2	40,7	18,6	18,6	:	18,2	16,2	16,1	16,2	15,5
RO	40,7	40,7	:	40,5	39,9	41,2	41,5	:	27,4	27,2	:	26,2	23,6	27,4	28,0	:
SI	41,3	41,2	:	41,4	40,6	40,4	41,3	:	19,4	18,8	:	18,8	18,7	18,8	20,3	:
SK	39,9	40,3	:	39,9	40,9	40,4	40,0	:	22,0	20,1	:	19,0	19,0	18,7	18,5	:
FI	38,6	39,0	:	38,7	39,0	38,4	40,1	:	19,7	20,3	:	19,7	19,6	20,2	21,4	:
SE	39,2	39,9	:	39,8	40,1	38,5	40,7	:	23,4	24,0	:	23,9	23,6	23,4	24,3	:
UK	41,0	41,1	:	41,1	41,3	40,6	41,3	:	18,4	18,5	:	18,5	18,5	18,4	18,7	:

Source: Eurostat ([lfsq_ewhan2]

Annex 2: Research results

This section presents some relevant recent research results at EU level. European Research Framework Programmes FP6 or FP7 and European bodies or agencies closely linked with employment and social affairs contribute to this achievement. This section includes major studies commissioned by the Commission in this domain. It is certainly not exhaustive. Degree of completion of the research projects as well as direct relevance to the issues developed in this report are the main criteria used for the selection of the presented results.

- **Responding to the crisis: Paths to stability**

Policy makers seeking guidance in the current financial crisis may wish to consult the findings of the PEGGED research project. Analysis and advice on vital aspects of the crisis, such as sovereign debt and the banking system, has been produced by the team of researchers from seven European institutions, led by David Vines from The University of Oxford.
PEGGED - Politics, economics and global governance: the European dimensions (duration: 1/7/2008 - 30/6/2012). A FP7 project
See: http://pegged.cepr.org/

- **Monitoring of Sectoral Employment**

This study, prepared by the Vienna Institute for International Economic Studies (WiiW) and Applica, consists in a comprehensive collection and a long-term analysis of key sectoral data with a view to identify and monitor sectoral employment developments and inter-dependencies. The analysis also aims at highlighting more recent developments, such as the impact of the recent crisis. This was analysed for a representative set of sectors, paying special attention to flexicurity, skills, outsourcing and restructuring, labour productivity, technological change, etc..
A • WiiW - Applica study
See
http://ec.europa.eu/social/keyDocuments.jsp?policyArea=&type=0&country=0&year=0&advSearchKey=monitoringsectoralempl&mode=advancedSubmit&langId=en

- **The cost competitiveness of European industry in the globalisation era - empirical evidence on the basis of relative unit labour costs (ULC)**

This study has developed a database of estimates of unit labour costs (ULCs) and real effective exchange rates (REERs; nominal exchange rates deflated by relative ULCs and weighted for the importance of each trading partner to a country's trade) at the 2-digit NACE level for manufacturing industries..
A Cambridge Econometrics study
See http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item_id=5628&lang=en&tpa_id=203

- **Adapting to Change**

Private employment services support companies and workers in adapting to seasonal and cyclical changes in the economy. Private employment services have developed as part of the solution to meet an increased volatility in labour demand and to support organisations in adapting to the impact that each cycle has on their employment levels. The Boston Consulting Group/Eurociett study finds that the private employment sector stands for a number of characteristics that help labour markets to remain and become more efficient, and making it a valuable employment partner for governments, companies and workers in the decades to come..
A European Confederation of Private Employment Agencies (Eurociett) publication
See http://www.eurociett.eu/index.php?id=181

- **Golden Growth: Restoring the Lustre of the European Economic Model**

This report looks at long-term growth in Europe, paying special attention to the last two decades, and identifies what needs to be done to assure continued prosperity in the decades ahead. It assesses the six principal components of the European growth model: trade, finance, enterprise, innovation, labor, and government. Its main findings: most countries in Europe are doing well in trade and finance, many in enterprise and innovation, but few are doing well in labor and government. So Europe needs many changes to make governments and labor markets work better, fewer changes to foster

innovation and productivity growth in enterprises, and fewer changes still to reform finance and trade. Stalled productivity, declining populations, and unsustainable fiscal imbalances have made many changes urgent.
A World Bank report
See
http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/0,,contentMDK:23069550~pagePK:146736~piPK:146830~theSitePK:258599,00.html

- **Global Employment Trends 2012: Preventing a deeper jobs crisis**

The annual Global Employment Trends report offers the latest global and regional information and projections on several indicators of the labour market, including employment, unemployment, working poverty and vulnerable employment. It also presents a number of policy considerations in light of the new challenges facing policy makers in the coming year.
An International Labor Organization's publication
See http://www.ilo.org/global/publications/books/global-employment-trends/WCMS_171571/lang--en/index.htm

- **A strategy for green skills?**

A study on skill needs and training has wider lessons for successful transition to a green economy. Growing Europe's green economy and increasing its skill supply should be part of wider strategies to provide the skills needed to support more job-intensive sustainable development.
A recently released briefing note by the European Centre for the Development of Vocational Training (Cedefop).
See http://www.cedefop.europa.eu/EN/Files/9067_en.pdf

- **Job quality can suffer even during employment growth in Europe**

Employment in the EU increased by 7.9% from 2000 to 2008 (the period before the economic crisis). The Walqing research project, however, has found that the quality of these new jobs was split almost 50:50 between those classified as lower quality and those classified as higher quality jobs. Therefore, employment growth does not automatically improve job quality. Active policy intervention is necessary to support better job quality through policy measures such as a minimum wage, standard setting, health and safety regulations, and regulating the informal part of a sector.
walqing - Work and life quality in new and growing jobs (duration: 1/12/2009 - 30/11/2012). A FP7 project.
See: http://www.walqing.eu/

- **Working Paper No. 12/64: Labor Market Flexibility and Unemployment: New Empirical Evidence of Static and Dynamic Effects**

The aim of this paper is to analyze the relationship between labor market flexibility and unemployment outcomes. Using a panel of 97 countries from 1985 to 2008, the results of the paper suggest that improvements in labor market flexibility have a statistically and significant negative impact on unemployment outcomes (over unemployment, youth unemployment and long-term unemployment). Among the different labor market flexibility indicators analyzed, hiring and firing regulations and hiring costs are found to have the strongest effect.
Published by Bernal-Verdugo, Lorenzo E. ; Furceri, Davide ; Guillaume, Dominique M.
See: http://www.imf.org/external/pubs/cat/longres.aspx?sk=25753.0

- **Social investment policies needed to integrate work and welfare**

Although there was an increase in the employment rate in Europe during the 2000s, the quality of jobs created has not kept pace. According to the RecWoWe network of excellence (FP6), in-work poverty, quality and equality were forgotten in the rush to increase employment. The RecWoWe co-ordinators call for policy changes to reconcile and find a balance between the worlds of work and welfare.
RecWoWe – Reconciling Work and Welfare in Europe (duration: 1/10/2006 – 30/9/2011) A FP6 project.
See: http://www.recwowe.eu

- **How social entrepreneurs can enhance service innovation in Europe**

The SELUSI research project has been working to find out whether the special abilities of social entrepreneurs might be utilised by more traditional companies to promote their own innovation-led

growth. The project suggests that the intelligence of social entrepreneurs can be leveraged to enhance innovative processes in corporate contexts outside the realm of the purely social enterprise.
SELUSI – Social entrepreneurs as "lead users" for service innovation (duration: 1/6/2008 – 31/10/2011). A FP7 project.
See: http://www.selusi.eu/

- **Barriers and opportunities for young immigrants in Europe**

The EUMARGINS research project has found a wide diversity in the experiences of inclusion and exclusion among young immigrants, ranging from success in work and private life, to marginalisation and exclusion that can change over a course of a life time. Immigration status, class, ethnicity, religion, age and gender are all factors that interact and create segmentation, influencing inclusion or exclusion. Policy solutions should take account of the specifics of each country as well as immigrants' demographic, cultural and socio-economic background, and target the most vulnerable groups in each country.
EUMARGINS – On the margins of the European Community – Young adult immigrants in seven European countries (duration: 1/10/2008 – 30/9/2011). A FP7 project.
See: http://www.sv.uio.no/iss/english/research/projects/eumargins/

- **The impact of immigration on the structure of wages: theory and evidence from Britain**

Immigration to the UK, particularly among more educated workers, has risen appreciably over the past 30 years and as such has raised labor supply. However studies of the impact of immigration have failed to find any significant effect on the wages of native-born workers in the UK. This is potentially puzzling since there is evidence that changes in the supply of educated natives have had significant effects on their wages. Using a pooled time series of British cross-sectional micro data on male wages and employment from the mid-1970s to the mid-2000s, this paper offers one possible resolution to this puzzle, namely that in the UK natives and foreign born workers are imperfect substitutes. We show that immigration has primarily reduced the wages of immigrants—and in particular of university educated immigrants—with little discernable effect on the wages of the native-born.
Published in the Journal of the European Economic Association by Manacorda, Marco - Manning, Alan - Wadsworth, Jonathan
See:
http://www.swetswise.com/FullTextProxy/swproxy?url=http%3A%2F%2Fonlinelibrary.wiley.com%2Fresolve%2Fdoi%2Fpdf%3FDOI%3D10.1111%2Fj.1542-4774.2011.01049.x&ts=1332154472802&cs=3585351149&userName=5783658.ipdirect&emCondId=5783658&articleID=164127343&yevoID=3471742&titleID=232662&referer=1&remoteAddr=158.169.9.14&hostType=PRO&swsSessionId=ZkDkJZJ25E8cbs4QC94Hdw .pasc1