

Brussels, 27 June 2012

Employment and Social Situation Quarterly Review: Polarising labour market and social situation in the EU

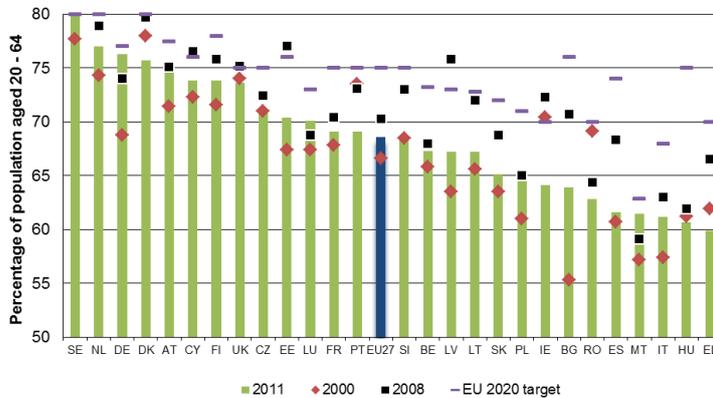
According to the latest EU Employment and Social Situation Quarterly Review released today by the European Commission, the labour market and social situation in the EU have continued to deteriorate overall and to show clearer signs of polarisation. This emerges from the analysis of regular data revealing diverging labour market trends across Europe in terms of job creation, unemployment and the prospects for youth. The social situation is increasingly marked by homelessness, material deprivation, loss of public employment and reductions in social protection expenditure, while South-North mobility of labour is taking off.

In addition to the regular available short term data, the Review contains also an updated analysis of annual labour force survey data, focused on longer term employment trends, (in)activity and segmentation of the labour market and Flexicurity. It also takes a closer look at the labour markets and social situation in Austria, Germany, Hungary, Ireland, Poland, Slovakia, Spain, Sweden and the United Kingdom.

What is the labour market situation and outlook?

EU employment remained static in the first quarter of 2012, after two consecutive quarters of contraction, bringing the unemployment rate in the EU to above 10 % in early 2012 (10.3% in April). The number of unemployed at EU level increased by more than 2 million over the last year. The divergence between EU and US unemployment rates over the last twelve months is marked and reflects mainly the economic growth differential. The EU aggregate employment rate declined since 2008 and remained stuck at 68.8 % for the 20-64 age group in 2011, more than 6 pps short of the Europe 2020 target. To reach the 75 % target set at EU level, some 17 million jobs should be created by 2020, requiring an annual increase of the EU's workforce by 0.9 % on average. However, taking the national targets as a reference (see Chart 1), the number of jobs in the EU are expected to be increased by only 0.7-0.8 % per annum on average until 2020, which involves the creation of roughly 13.5 million jobs, while the developments expected in the labour market for 2012 and 2013 raise little hope of any significant progress soon.

Chart 1: Employment rate developments in Member States between 2000 and 2011 with respect to the EU 2020 target (20 – 64 age group)



Source: Eurostat, EU LFS.

Note: Data for RO from 2002 instead of 2000.

Forecasts indeed project no EU GDP growth this year and a meagre 1% next year, although consumers are less pessimistic about future unemployment than firms. Divergence within the EU remains very marked with roughly half the Member States seeing some economic growth and the other half either stagnation or a decline in the first part of 2012. Permanent and temporary jobs as well as self-employment were all falling in the second half of 2011 in the EU overall, while the share of people starting new jobs in the last quarter of 2011 has stabilised in comparison to the previous year. One bright spot is that inactivity rates have been falling recently driven by significantly increased participation in the labour force of women.

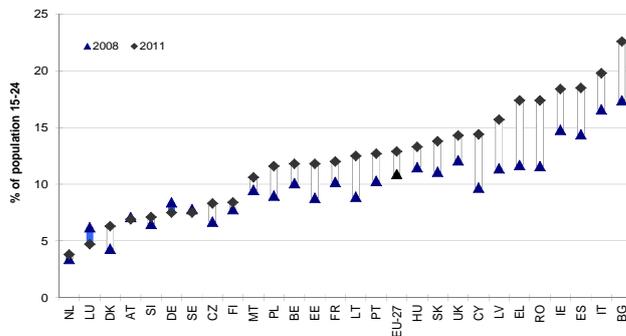
A closer look at manufacturing industry, construction and wholesale and retail trade reveals big differences during the crisis. Between the first quarter of 2008 and the first quarter of this year, the manufacturing industry lost 9% of employment, the construction sector 15% and the trade sector only 2%. In the first quarter of 2011, after having weathered the crisis well until the end of 2010, with rising employment numbers, the public sector experienced a sharp reversal as fiscal constraints kicked in. However, "white" jobs remain a key driver for providing employment, and will continue to do so in a context of ageing population and rising demand for healthcare, as highlighted in the recently adopted Employment Package.

In this context, many policy actions have been implemented by the Member States, which combine an element of flexibility and security and can be regarded as Flexicurity. These include measures that aim at replacing traditional job protection by measures enhancing the employability of outsiders of the labour market while easing hiring and lay-off procedures and costs for the employers, backed up by active labour market policies.

Who has been affected most by the recent deterioration of the labour market?

Certain population segments – men, young people, non-nationals and the low-skilled – are still more affected by deteriorating labour market conditions. The recent labour market deterioration for young people in the EU has moderated and the youth unemployment rate has stabilised this year, still at an unprecedented 22.4 % in April. Risks for young people remain high (see p. 17), as they are the most exposed to precariousness and labour market segmentation (involuntary part-time and short-term contracts), becoming long-term unemployed (the long-term unemployment rate of 6.8 %), or joining the ranks of NEETs (not in employment, education or training). The NEET category continued to rise in 2011, accounting for 12.9 % of the population aged 15-24, up 2.0 pps on 2008 (see Chart 2).

Chart 2: NEETs in the EU Member States, 2008-2011



Source: Eurostat, EU LFS.

Migrants have suffered severely from the recent renewed deterioration. A rise in the unemployment rate (to more than 20%) and an increase in the long-term unemployment rate (to 8.9%) by the end of last year created greater social challenges, especially given that the risks of poverty and social exclusion for migrants had increased to 42 % already in 2010. On the other hand, older people have increasingly stayed in the labour market, even during the crisis, leading to substantially higher employment. However challenges for them remain, i.e. a still relatively low employment rate (47.8 %) and a high share of long-term unemployed (nearly 60 %).

Is there an increase in cross-border mobility from EU countries strongly affected by unemployment?

Due to the growing divergence in labour market conditions across EU Member States, there are indications of a high interest in mobility among citizens (especially among young people) of the four Southern European countries who represent almost half (47%) of the CVs posted on the EURES website in June 2012. It is however more complex to measure how

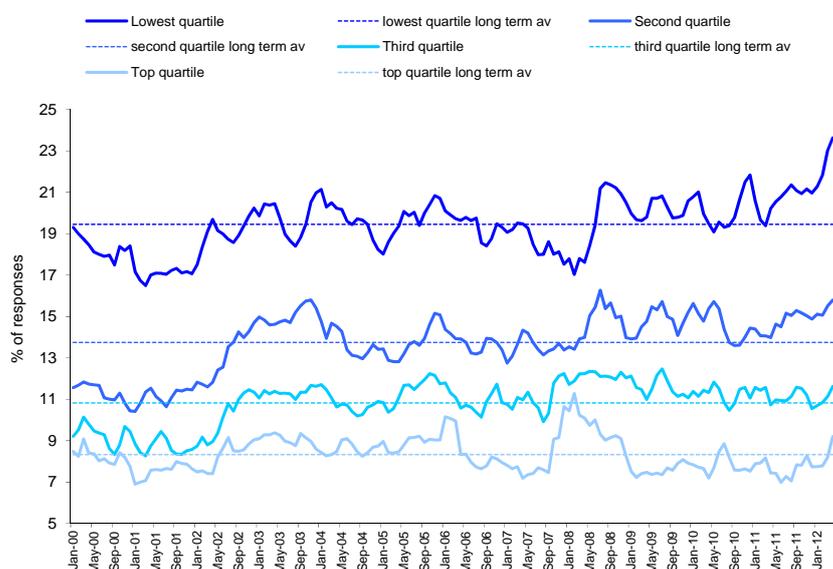
many have actually moved abroad. According to Eurostat migration statistics, there has been an increase in 2010 in emigration from those EU countries affected by a high unemployment rate. However, most of the emigrants were in fact migrants returning to their countries of origin (inside or outside the EU) and only Ireland recorded in that year a marked increase in emigration among nationals. Nevertheless, recent EU-LFS figures for 2011 indicate that other countries such as Spain and Greece recorded an increase in the number of nationals moving to other EU Member States. This contrasts with an overall drop in intra-EU mobility since 2008.

Recent data from social security registers confirm that the number of workers in Germany coming from Southern European countries (hit by the crisis) rose strongly in relative terms, but that their absolute numbers remain limited, notably in comparison to flows from Eastern Europe. In February 2012, the net year-to-year increase by 22 thousand is indeed insignificant (0.03%) compared to the total active population of around 59 million in Southern European countries. Therefore, intra-EU mobility can relieve only a minor part of the labour market pressure in those countries. Finally, migration to non-EU countries seems limited, except in the case of Ireland, but more data would be needed to better measure the phenomenon.

What is the current social situation in the EU?

Unfavourable labour market conditions, especially for some population segments and not supported by sufficient social protection expenditure, aggravated social challenges for households. Among indicators of this are a worsening of household's financial situations, material deprivation, homelessness, and increased south-north mobility. Results from EU consumer surveys indicate there has been a sharp rise through to early 2012 in the share of households experiencing financial distress in the EU. The overall level of financial distress now exceeds that observed in late 2008, and represents a new all-time high since the data series began. There has been a particularly marked worsening in the share of households in financial distress in the lowest income quartile (see Chart 3).

Chart 3: Reported financial distress in households by income quartile of household (2000 – 2012)

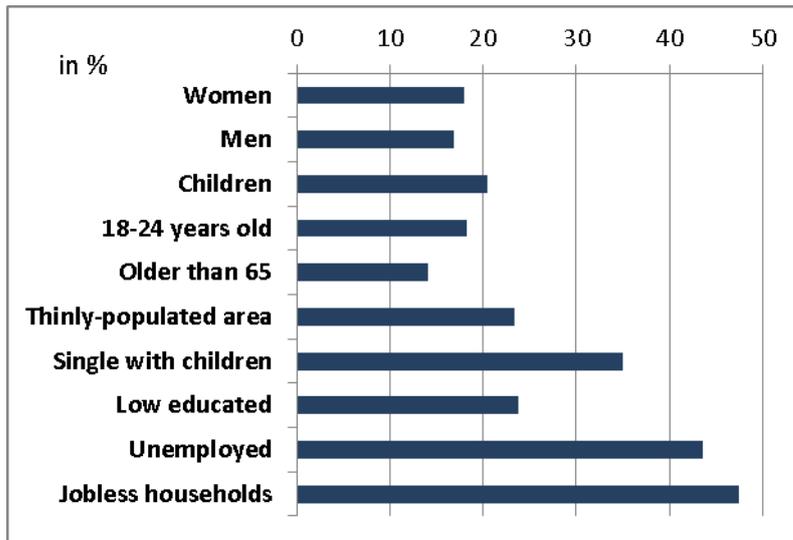


Source: Joint harmonised EU consumer surveys & DG EMPL calculations.

Note: 3-month centred moving average figures. Data are not seasonally adjusted. Long-term averages computed over 2000 – 2012.

Between 2008 and 2010, there was a marked increase in material deprivation in the Baltic States, Ireland and Spain. People unable to afford a meal with meat every second day, to face unexpected expenses or to pay utility bills have become more numerous in many Member States. Women are generally more deprived than men (see Chart 4). Homelessness has grown across the EU as many people experienced a sudden job loss or income drop in the recession. Young people and foreign nationals have been disproportionately affected.

Chart 4: Material deprivation by population subgroups

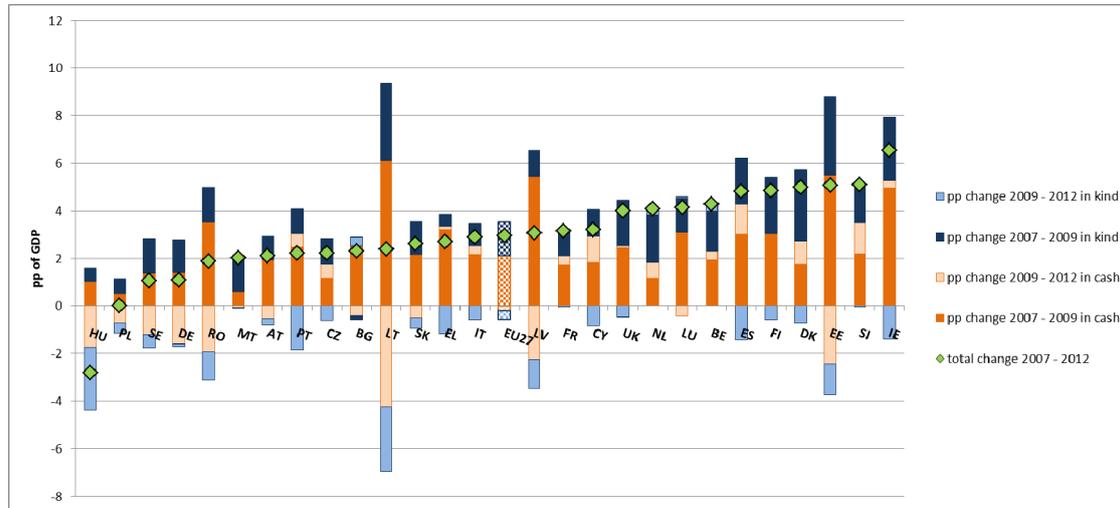


Source: EU-SILC, Eurostat, 2010

How has social protection expenditure developed recently?

Recent developments in social protection expenditure have varied significantly among the EU Member States, not only in size but also in composition (benefits provided in cash / in kind). Relative to GDP, total social protection expenditure has mostly grown in 2007 – 2009, but in 2009 – 2012 it has decreased in nearly all Member States, especially because of cuts in in-kind benefits (see Chart 5). However, over the whole period 2007 – 2012 social protection expenditure is expected to have increased relative to GDP in nearly all Member States. In spite of this, in many countries it has not been sufficient to prevent the gross household disposable income from falling.

Chart 5: Change (pp) in social protection expenditure (percentage of GDP, 2007 – 2012)



Source: Commission services, National accounts and European Economic Forecast — Spring 2012.

Note: Data for years 2011 and 2012 are forecasts.

[Full version of the Quarterly EU Labour Market Review, June 2012](#)