



EUROPEAN COMMISSION

QUESTIONS AND ANSWERS

Brussels, 26 March 2013

Employment and Social Situation Quarterly Review: frequently asked questions

Which data are analysed?

The EU Employment and Social Situation Quarterly Review analyses labour market and social data from a wide combination of information sources, including Eurostat statistics, reports and survey data from the Commission services, national and sectoral statistics, articles from respected press sources and contributions from public and private employment services.

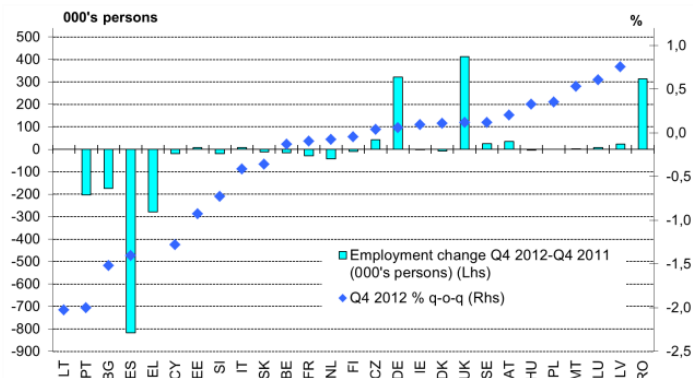
Additionally, the latest issue of the Review, covering the fourth quarter of 2012, takes a closer look at the social and employment impact of fiscal consolidation in the EU, labour market mismatches (Beveridge curves) and posting of workers. A sectoral focus on manufacture of basic metals and of motor vehicles in the EU is also provided, as well as recent labour market and social developments in Bulgaria. Additionally, main recent demographic trends are discussed in a Special Supplement.

What is the current labour market situation and outlook?

EU GDP dropped by 0.5 % during the fourth quarter of 2012, the largest contraction since early 2009. Against this backdrop, employment at EU level has been trending down since mid-2011, with positive developments only noticeable in part-time work. In the fourth quarter of 2012, overall employment fell by 0.2 % in the EU, down by 0.4 % compared to the fourth quarter of 2011. Over the last year, it fell in thirteen Member States and grew in eight. The steep falls recorded in Greece (-6.5 %), Bulgaria (-4.9 %), Cyprus (-4.8 %), Spain (-4.5 %) and Portugal (-4.3 %) were not offset at EU level by the gains seen in Germany (+0.8 %), the United Kingdom (+1.8 %) and the Czech Republic (+0.8 %, see Chart 1). Over the four years to the last quarter of 2012, 2.3 % of jobs disappeared in the EU across all sectors, although the intensity of net job losses varied between 7.9 % in industry and 15.1 % in construction on the one hand, and 2.2 % in the trade sector on the other.

Unemployment rose further in the EU in January 2013, to 26.2 million in the EU. It now accounts for 10.8 % of the active population, and for 11.9 % in the euro area (or 19 million). The increase over the last year has been more pronounced in the euro area (+1.1 pps) than in the EU (+0.7 pp) as a whole though. The divergence in labour market performance accelerated in the euro area. The gap in terms of unemployment rates between the south and periphery of the euro area, and the north of it reached an unprecedented 10 pps last year (see Chart 2). Long-term unemployment in the EU reached another historical high in the third quarter of 2012 at 11.2 million. This is 86 % higher than four years earlier and represents 4.6 % of the active population.

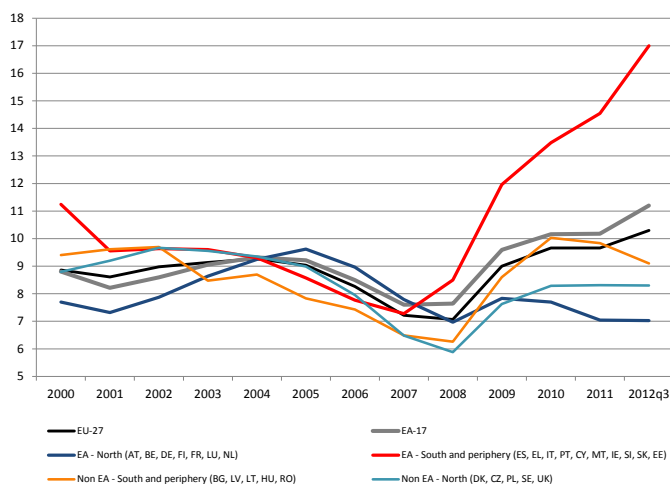
Chart 1: Employment change in 2012q4 (year-on-year change, 000's persons) and quarterly change (% , q-o-q) in the EU and Member States



Source: Eurostat, National accounts [namq_aux_pem]. 2012q3 for IE, MT and UK. q-o-q change not available for EL and RO. Year-on-year change not available for LT and PL.

Long-term unemployment has been on the rise in most Member States and is expected to continue to increase in the coming months. As a result of GDP contraction in the last quarter of 2012, the employment outlook is very bleak, with unemployment foreseen to remain at a very high level up until 2014, as highlighted in the Commission's recent winter economic forecast.

Chart 2: Diverging unemployment rates by groups of euro area (EA) and non-EA Member States since 2000



Source: Eurostat, LFS; DG EMPL calculation.

Notes: 2012 data available until 2012q3. Weighted average: aggregate unemployment rate = aggregate unemployment level / aggregate labour force.

On the positive side though, the inactivity rate declined by a further 0.7 pp over the year to the third quarter of 2012 and is converging across Member States. Despite the continuing crisis, older people of working age (55-64) have increasingly stayed in the labour market, leading to substantially higher employment for that age group. Labour productivity continued to weaken in most Member States of the euro area, while growth of compensation per employee remained strong in several. The analysis of the mismatch between the skills offered and the jobs available (Beveridge curves) in each Member State shows a high diversity across the EU.

What has been the impact of the crisis and recent public budget tightening on employment and the social situation?

Fiscal tightening has affected employment through both direct (public sector employment) and indirect (aggregate demand) channels. Changes to the tax and benefits systems and cuts in public sector wages have led to significant reductions in the level of real household incomes, putting a heavy strain on the living standards of low income households in particular. The analysis shows that the design of measures is crucial to avoid that low income households are affected disproportionately. Different fiscal consolidation packages impacted differently on high and low income households, with regressive impacts in a few countries.

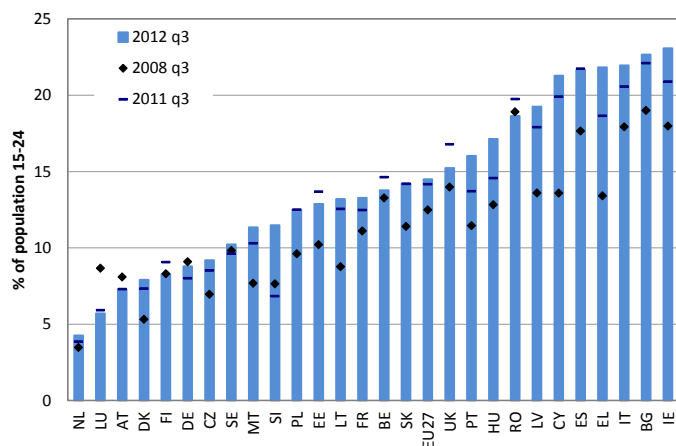
A significant part of fiscal consolidation efforts weighed on social protection expenditure. While social spending played a prominent role in compensating households' income losses in the early phase of the crisis (until 2009), and helped stabilise the economy; this impact has been weakening since mid-2010 and was negligible in 2012. After an initial increase in the first year of the crisis, social expenditure levelled off in 2010 and declined in 2011 and 2012, even in countries where unemployment kept rising. This reduction of social spending was much stronger than in past recessions, partly reflecting the exceptional need for fiscal consolidation in the context of the euro crisis. It neutralised the economic stabilisation function of social protection systems in many Member States.

These developments may in part explain why the share of the EU population reporting their households are experiencing financial distress remains well above levels observed at any time in the previous decade, although it has eased slightly in recent months. Worryingly, the share of people running into debt continues to rise steadily.

How has the situation of young people on the labour market developed recently?

Youth unemployment in the EU has reached a new peak. Up by 1.2 pps over the year, 23.6 % of active young people were jobless in January 2013, ranging from 15 % or less in Austria, Denmark, Germany and the Netherlands, to more than 55 % in Greece and Spain. Youth employment has fallen, with the decline observed for all forms of employment except part-time work. 7.1 % of active young people were long-term unemployed in the third quarter of 2012 (+0.8 pp on the third quarter of 2011). This poses serious risks for the young generation, rendered even more alarming by the rising number of young people who are neither in employment nor in education or training (NEET), now accounting for roughly 8 million young people under the age of 25. As Chart 3 shows, the NEET rate rose in all Member States during the four years to the third quarter of 2012, except in Austria (-0.8 pp), Germany (-0.3 pp), Luxembourg (-3.0 pps) and Romania (-0.3 pp).

Chart 3: NEET for EU Member States, 2008q3, 2011q3 and 2012q3



Source: Eurostat, LFS. Data non-seasonally adjusted [edat_lfse_20].

How is the number of posted workers progressing?

The number of posted workers across EU countries rose from 1 million in 2009 to 1.2 million in 2011. The largest sending countries are Poland, Germany and France while the largest destination country by far is Germany, followed by France, Belgium, the Netherlands and Austria. Over 2009-11, the number of posted workers sent abroad has increased the most from Central and Eastern Europe Member States. In terms of destination countries, the most substantial rises have been recorded in Germany, Austria, Belgium and the Netherlands. Data available on their sectoral distribution indicate that construction was the most important sector in 2011 with a share of 43 % of all posted workers.

Full version of the Quarterly EU Labour Market Review, March 2013:

<http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=7482>

Quarterly EU Labour Market Review, March 2013, homepage:

<http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=1852&furtherNews=yes>

Special supplement on "Demographic trends":

<http://ec.europa.eu/social/BlobServlet?docId=9925&langId=en>

Employment and Social Analysis portal:

<http://ec.europa.eu/social/main.jsp?catId=113&langId=en>