Monthly monitor

EU employment situation and social outlook

December 2010

CONTENTS

HIGHLIGHTS

- The latest data (covering the period up to October/November) confirm that the labour market in the EU has stabilised, with signs of recovery in some Member States including France, Germany, Poland and the UK. Although the labour market performance may be somewhat better this year than previously expected, driven by a faster than envisaged economic recovery over the first half of 2010, conditions are generally set to remain weak for some time.

- The economic recovery in the EU, which started in mid-2009, has remained fragile. After a strong revival in the second quarter of 2010, which saw economic output rise by a solid 1.0 %, growth moderated in the third quarter to 0.5 %. Compared to a year earlier, economic output - which was still down 2.2 % at the end of 2009 - was up 2.2 % in the third quarter of 2010.

- The deterioration in employment in the EU stopped in the second and the third quarter of this year, as employment expanded (by 0.1 %) for the first time in nearly two years in the second quarter and remained unchanged in the third quarter. Nevertheless, at 221.2 million, employment is still down by 461 000 (0.2 %) compared to a year ago, and by 5.7 million relative to its peak in the second quarter of 2008.

- The unemployment rate has remained unchanged at 9.6 % since February. The year-on-year rise, which has been narrowing since last autumn, closed to 0.2 percentage points in October, although the unemployment rate is still 2.9 percentage points above the low of 6.7 % in spring 2008. The rate is still higher than a year ago in all but eight Member States, although the year-on-year rises have clearly been diminishing.

- Nevertheless, underlying unemployment in the EU increased by 84 000 in October owing to a new rise in both male and female unemployment. However, due to a general reversal of the earlier trend of unemployment affecting men more than women, the gender gap – which has been in favour of women since spring 2009 - has disappeared, with the rate for both male and female unemployment standing at 9.6 % in October. Unemployment now stands at 23.2 million, up by 590 000 (or 2.6 %) compared to the level a year ago, and still 7.2 million up on March 2008 (or 45 %), when unemployment in the EU was at a low (16 million).

- Despite a recent increase in unemployment among young women, the labour market for young people in the EU has been generally improving since last autumn, with youth unemployment actually declining by 154 000 since October 2009. The youth unemployment rate now stands at 20.4 % in the EU, which is 0.2 percentage points lower than one year ago. However, overall, the job crisis has hit young people hard: at 5.2 million, youth unemployment is still up by nearly 31 % (or 1.2 million) compared to the low of spring 2008.

- Demand for labour has continued to show a relative improvement, with job vacancies, online worker demand and workplace activity through temporary work agencies exceeding the levels observed a year ago. However, hiring prospects are mixed across Member States.

- Confidence on labour markets in the EU has continued to broadly improve, albeit at a slower pace and with divergences between Member States and sectors. Firms are becoming more optimistic about the outlook for employment, especially in services, but consumers' unemployment concerns are starting to increase again. Economic sentiment regained momentum in November after some months of sluggishness and the leading indicator for Europe is pointing to a steady but slow economic expansion.

- According to latest European Commission economic forecasts, the EU economy, while still fragile, is recovering at a faster pace than previously envisaged, but conditions are set to remain weak and divergent across Member States. The outlook is still one of a rather jobless recovery and (potentially persistent) high unemployment ahead at the aggregate level. Furthermore, the need to consolidate the fiscal stance may have some important feedback effects on employment policies and employment in the short term, depending on the fiscal instrument used and the composition of the adjustment.

This monthly monitoring report responds to the need to monitor the impact of the current economic crisis on different sectors, as announced in the Commission Communication 'From financial crisis to recovery' (COM(2008) 706), and to the more general need for timely information on labour market developments. It is not a detailed analytical document; rather, it presents a situation update on recent developments and the outlook for employment, making use of a wide range of sources that provide more timely data. Some of the data may be of lower quality and less harmonised than the statistics usually used in Commission analysis (specifically, not all the data here are fully harmonised across Member States), but are more up-to-date than the data generally available from most of the standard statistical sources.

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 Economics and Finance, 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 preliminary contributions from public and private employment services. The section on restructuring trends has been prepared by the European Foundation for the Improvement of Living and Working Conditions.

I. SITUATION AND OUTLOOK

1. Labour market trends

The latest data[1], covering the period up to October/November, confirm that the labour market in the EU has stabilised and is even showing signs of recovery in some Member States, but the overall situation remains weak.

Employment in the EU expanded slightly in the second quarter and stabilised in the third quarter, after nearly two years of contraction. Unemployment peaked in May and, despite the recent rise following three months of decrease in the summer, the EU unemployment rate has been stable since February, reflecting underlying stabilisation or falls in rates in most of the Member States.

Demand for labour has continued to show a relative improvement. Job vacancies, online worker demand and workplace activity through temporary work agencies have surpassed the levels observed a year ago. Also, announced job losses have continued to be only slightly higher than announced job gains.

Confidence on labour markets has continued to broadly improve, with firms becoming more optimistic about the outlook for employment across most sectors, and consumers' unemployment concerns broadly easing. On the other hand, economic sentiment in the EU, although above its long-term average, has stagnated – pointing to a possible slowdown in economic expansion.

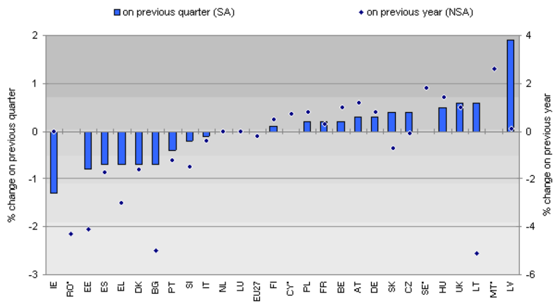
According to the latest European Commission forecasts, the EU economy, while still fragile, is recovering at a faster pace than previously envisaged, but conditions are set to remain weak and divergent across Member States. The outlook remains one of a relatively jobless recovery and (potentially persistent) high unemployment ahead at the aggregate level.

EMPLOYMENT AND UNEMPLOYMENT

The consistent signs of stabilisation in the EU labour market continue, with employment stabilising in the third quarter of this year…

After easing since the middle of last year, the deterioration in the EU labour market may at last have come to an end. The contraction in employment slowed from the sharp 0.8% fall recorded in the first quarter of 2009 to 0.2% a year later, and employment expanded by 0.1% in the second quarter of 2010 and stabilised in the third quarter. The recent improvement was due to an expansion in business and other services, including the public sector, which offset a contraction in manufacturing and construction.

Chart 1: Employment growth for EU Member States, to the third quarter of 2010



Source: Eurostat, National accounts. Note: * Quarterly data seasonally-adjusted not available for BG, CY, MT, RO and SE.

During the third quarter of 2010, employment expanded in several Member States, while in others the decline generally eased compared to the beginning of the previous year (Chart 1). Among the larger Member States, Germany, France, Poland and the UK experienced a revival, with employment expanding by 0.3%, 0.2%, 0.2% and 0.6% respectively. Employment in Spain, on the other hand, continued to decline by 0.7% compared to the previous quarter, while in Italy employment declined again by 0.1%, after a small rebound in the first quarter.

Nevertheless, employment still fell in half of the other Member States, although steeper falls (ranging from 0.4% to 1.3%) were recorded only in Ireland, Portugal, Greece, Estonia and Bulgaria, while employment showed the biggest rises in the Czech Republic, Slovakia, Austria, Lithuania, Belgium, Hungary and Latvia (ranging from 0.3% to 1.9%).

… however, employment still remains down year-on-year in the EU and in half of the Member States

The year-on-year decline in employment narrowed to 461 000 (0.2%) in the third quarter, still reflecting mostly contraction in the manufacturing and construction sectors. By the third quarter of 2010, year-on-year employment growth remained negative in half of the Member States, but had improved compared to previous quarters. Among the larger Member States, over the year to the third quarter, employment was higher in Germany (by 0.8%) and also in the UK (1%), Poland (0.8%) and France (up 0.3%). On the other hand, employment contraction was most noticeable in Spain (down by 1.7%) and more limited in Italy (0.5%), although year-on-year growth has been on an upward trend in these countries for about a year. Of the remaining Member States, Portugal, Bulgaria and the Baltic States recorded the steepest falls in employment over the year (of the order of 1-5%) to the third quarter, while employment showed a notable expansion in Austria (up 1.2 %), Malta (up 2.6 %) and Sweden (up 1.8 %).

The EU unemployment rate has stabilised since February …

Unemployment in the EU has continued to stabilise. The unemployment rate for the EU, which had been broadly increasing by 0.1 percentage points (pps) per month since May 2009, has remained unchanged since February at 9.6 % (Chart 2), except for a small drop of 0.1 pps in August. The year-on-year rise, which has been narrowing since last autumn, closed to 0.2 pps in October. Overall, the trend points to a stabilisation in labour markets.

…despite underlying unemployment in the EU increasing again in October

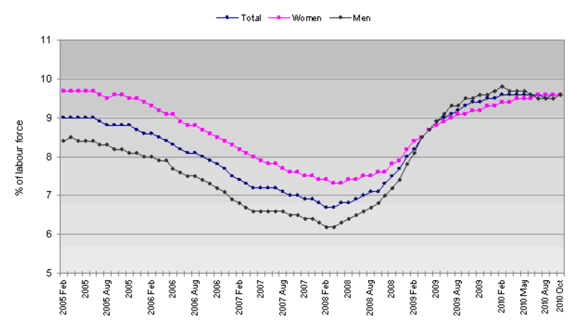
However, unemployment rose again in October by 84 000 after stabilising in May and declining from June to August by 134 000 (Chart 3). This rise was driven by a new increase in both male and female unemployment after a continuous fall in male unemployment since the beginning of 2010. In fact, stabilisation in recent months has been mainly driven by falls in unemployment among young people and adult men: starting in autumn last year, the lagged impact of the crisis has shifted more from men to women, reversing the earlier trend in which men were more affected by unemployment than women (Chart 3). Women account for 93 % of the rise in unemployment since October 2009. Overall, the rate for women had edged up by 0.3 pps over the ten months to October, while the rate for men had actually declined by 0.1 pps. Consequently the gender gap, in favour of women since May 2009, has vanished as the unemployment rate is now 9.6 % both for women and for men.

The impact of the crisis on the overall labour market in the EU remains significant

Seasonally adjusted unemployment now stands at 23.2 million (23.1 million non-seasonally adjusted), which means that it is up by only 590 000 (or 2.6 %) compared to the previous year's level, but still 7.2 million (or 45 %) higher than in March 2008, when unemployment in the EU was at a low.

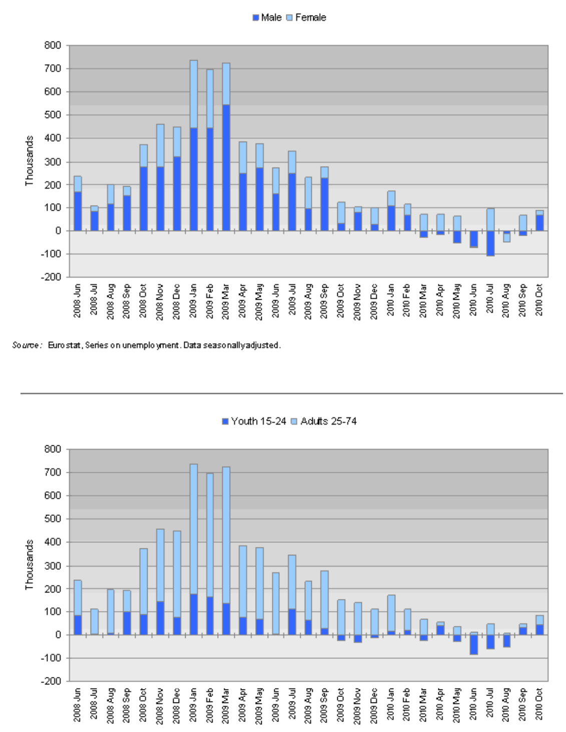
The unemployment rate, at 9.6 %, is still significantly up — 2.9 pps — on its low of 6.7 % in March 2008. Overall, men account for around 62 % of the total increase in unemployment since spring 2008, reflecting the fact that - at least initially - the crisis had a much more pronounced impact on sectors employing mainly men, such as construction and industry. At the same time, it seems that those sectors started to recover faster, whereas more female-oriented sectors have continued to be affected by declining employment. Since the start of the crisis, the unemployment rate for men has increased sharply (by 3.4 pps) from 6.2 % in March 2008 to its high point of 9.8 % in February-March before falling to the current 9.6 %, while the rate for women has risen by a more limited 2.3 pps from its low of 7.3 % to the current 9.6 %.

Chart 2: Unemployment rates for the EU



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

Chart 3: Changes in unemployment for the EU



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

Chart 4: Unemployment rate changes
October 2009 - October 2010

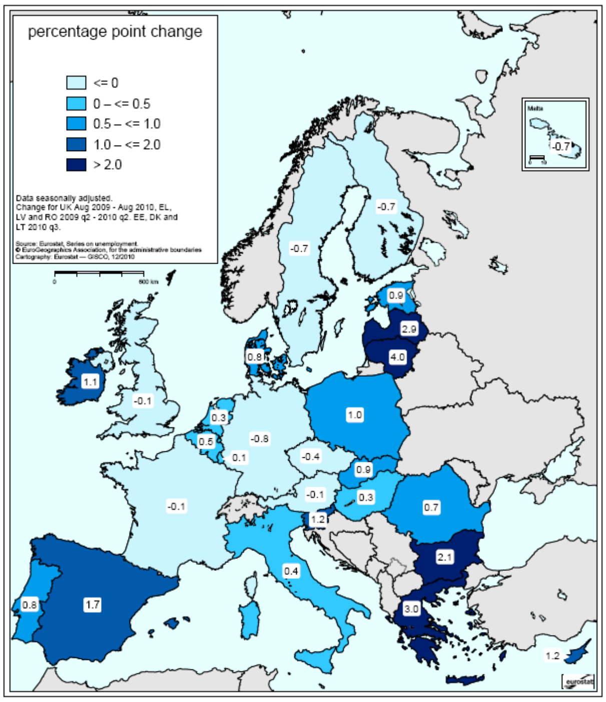
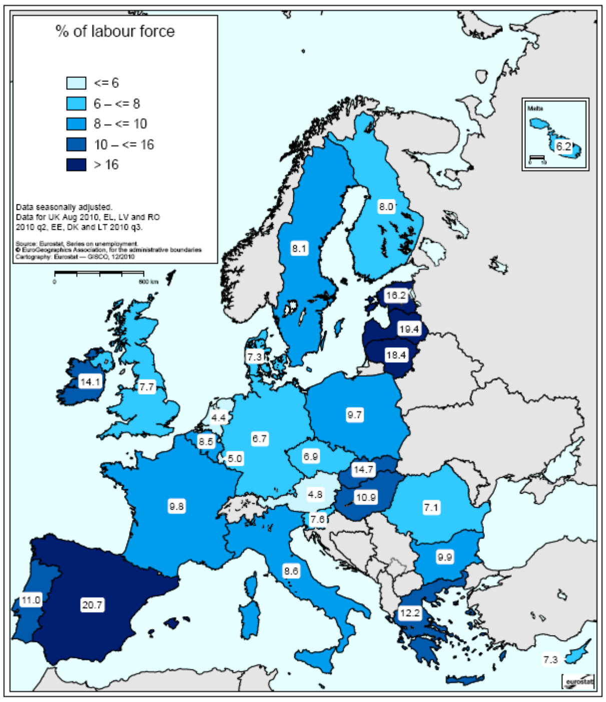


Chart 5: Unemployment rates, October 2010



Unemployment had stabilised or declined in most Member States by October…

Unemployment had declined or stabilised in the majority of Member States by October, with the rate remaining stable or down on the previous month in 18 countries, while the rate of increase in unemployment in the others had eased. In October, Italy alone accounted for more than a half of the total rise in EU unemployment for that month. Significant rises were also recorded in Austria, Greece and Poland.

Among the larger Member States, the unemployment rate rose in Italy (by a further 0.3 pps) in October, reaching its highest value since the beginning of the crisis, and in Poland (by 0.1 pps), for the second month in a row. On the other hand, the unemployment rate remained stable in October in Germany and Spain, after nine successive months of steady increase and in August in the UK. The unemployment rate in France declined by 0.1 pps.

Among the other Member States, the unemployment rate increased noticeably only in Cyprus (0.2 pps) Hungary and Lithuania (0.1 pps each). On the other hand, the rate fell steeply in Estonia (down 0.8 pps) and slightly in Latvia (down 0.2 pps), as well as Bulgaria, Portugal, Finland and Sweden (all down by 0.1 pps) (Chart 6).

…nevertheless, the unemployment rate remains higher than a year ago in all but eight Member States

Because of the stronger rises last year, the unemployment rate in October was still higher than a year ago in 19 Member States, but the year-on-year differences have clearly been diminishing. In contrast, the year-on-year change was actually negative (i.e. with rates down compared to a year earlier) in several Member States, including France, Germany and the UK.

Of the larger Member States, only Spain recorded a steep year-on-year increase of 1.7 pps, with the rate in October reaching 20.7% (equivalent to 4.8 million unemployed), which was the highest jobless rate in the EU. In the year to October, the rate increased by a significant 1 pp in Poland and by a more modest 0.4 pps in Italy; in Poland it reached 9.7% (1.7 million unemployed), and in Italy 8.6% (2.2 million unemployed). The rate decreased by 0.1 pps to 9.8% in France (2.9 million unemployed), which was the same rate for the period March-July 2010 and in August in the UK by 0.1 pps to 7.7% (2.4 million unemployed), and in October by a significant 0.8 pps in Germany to 6.7% (equivalent to 2.9 million unemployed). Germany now reports its lowest unemployment rate in the last 17 years.

Among the remaining Member States, the sharpest rises in the unemployment rate over the year were in the Baltic States (up around 1-4 pps) and in Greece and Bulgaria (up 2-3 pps) and in Ireland (up 1.1 pps), while the rate was down year-on-year in Finland, the Czech Republic, Sweden, Finland and Malta (ranging from 0.4 to 0.7 pps). Overall, due to the crisis, unemployment rates have increased the most and are the highest (after Spain) in the Baltic States of Latvia (19.4%), Lithuania (18.4%) and Estonia (16.2%) but they also exceed 14% in Ireland and Slovakia. In contrast, they have increased the least and remain low in the Netherlands (the country with the lowest unemployment rate), Austria and Luxembourg (respectively 4.4%, 4.8% and 5%) (Charts 4, 5 & 6).

Youth unemployment in the EU has broadly stabilised since last autumn but it has started to increase again since September

The labour market for young people has generally improved since last autumn, with youth unemployment actually declining by 154 000 over the year to October. As in the case of adults, this was driven only by the improved situation of young men (whose unemployment fell by 212 000), while unemployment among young women increased between December 2009 and May 2010 and decreased in June and August. However, youth unemployment went up again in September by 32 000, driven solely by the rise in unemployment among young women (up 33 000) and by 43 000 in October driven by rises among both young females (up by 11 000) and young males (up by 32 000).

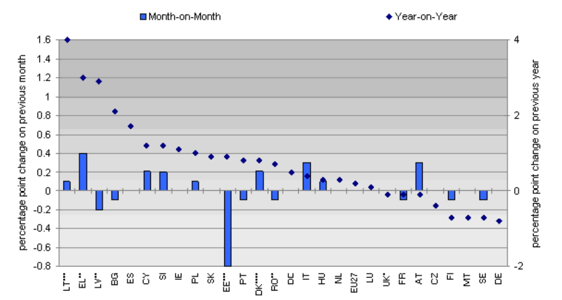
The youth unemployment rate has broadly stabilised since last autumn, when it ceased its rapid rise, whereas participation rates continued to fall. After stabilising or decreasing between October and December, the unemployment rate rose in February to 20.8%, but fell thereafter to 20.3% in August, and rose again in September and October to 20.4%, although remaining 0.2 pps lower than one year ago (Chart 7).

While the rate for young women has broadly been rising steadily to 20% in October (except for 0.1 pps drops in June), the rate for young men has been falling steadily from its peak of 22.2% in January and declined to 20.7% by October.

Overall, the impact of the crisis on the labour market for youth remains significant

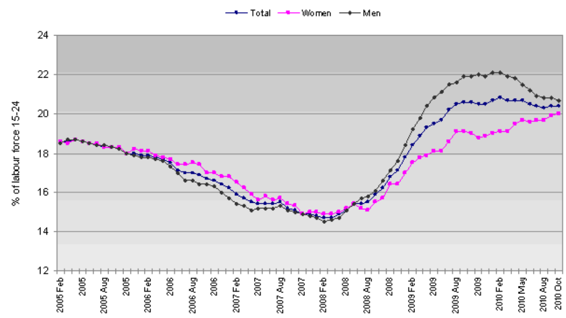
The job crisis in the EU has hit young people particularly hard. At 5.2 million, youth unemployment is down by 154 000 (2.9%) compared to October 2009, but still up by 31% (1.2 million) compared to the low of spring 2008. This marked increase in youth unemployment since spring 2008 was driven initially by a very sharp rise in unemployment among young men, who, despite recent improvements, still account for 60% of the increase. However, in the last year, young women have borne the brunt of the increase.

Chart 6: Unemployment rate changes to October 2010



Source: Eurostat, Series on unemployment. Data seasonally adjusted. Note: * UK: annual change Aug 2009 - Aug 2010, monthly change Jul - Aug 2010. ** EL, LV and RO: annual change 2009 q2 - 2010 q2, monthly change estimated from quarterly change 2010 q1 - 2010 q2. *** EE and LT: annual change 2009 q3 - 2010 q3, monthly change estimated from quarterly change 2010 q2 - 2010 q3. **** DK: annual change Sep 2009 - Sep 2010, monthly change Aug - Sep 2010.

Chart 7: Youth unemployment rates for the EU



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

The youth unemployment rate has always been a lot higher than the adult rate, but the relative situation of young people has become even worse as a result of the recent downturn. While the unemployment rate for adults rose by 2.7 pps from its low of 5.6% in spring 2008 to 8.3% in March-October 2010, the rate for young people increased by a much sharper 6.1 pps from 14.7% in March 2008 to its peak in February-April this year. However, the strong improvement for young people since then had narrowed the difference to 5.7 pps by October.

Youth unemployment had stabilised or declined in half of the Member States by October…

Rises in the youth unemployment rate have generally slackened in half of the Member States. Among the larger Member States the rate rose only in Spain (up 0.5 pps), remained stable in October in Germany, France and Poland and declined in Italy (by 0.3 pps) after a steep increase in September by 1.4 pps and in August in the UK by 0.3 pps. Among the remaining Member States, Austria (up 0.9 pps) and Hungary (up 0.7 pps) saw an increase in the youth unemployment rate in October and Cyprus (up 1 pp) over the third quarter, but the youth unemployment rate also increased in September in Denmark (up 0.5 pps) and in

October in Czech Republic (0.6 pps), Ireland (0.4 pps) and Slovakia (0.5 pps). In contrast, the rate declined or remained unchanged in about half the remaining Member States, dropping most steeply in the Baltic countries and Portugal, Sweden and Slovenia.

… nevertheless a high unemployment rate for young people remains a major challenge in all Member States

Nevertheless, the youth unemployment rate in all but ten Member States is higher than it was a year ago. In October, among the larger Member States, Spain and France recorded the highest year-on-year rise in the rate (3.4 and 0.5 pps respectively), while in Poland the unemployment rate remained stable, and decreased in Italy and Germany (by 0.9 pps and 1.8 pps respectively) over the year to October and in the year to August in the UK (down 0.9 pps). Among the remaining Member States, the youth unemployment rate rose most steeply over the year to the second/third quarter in Greece (up 6.8 pps), Cyprus (up 5.4 pps) and in Latvia and Lithuania (between 2 and 4 pps). In contrast, the rate was lower than in September 2009 in the Czech Republic, Finland, Hungary, Malta, and Sweden (Chart 8).

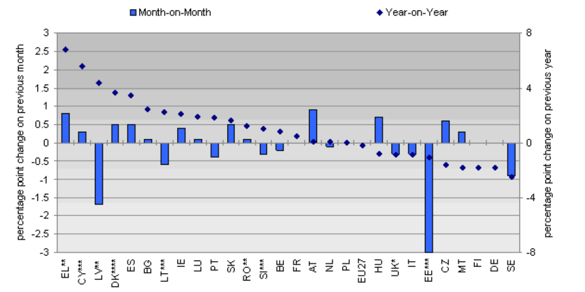
As a result of the marked deterioration in the labour market situation for young people during the crisis, youth unemployment has become an even more serious problem in many Member States. The youth unemployment rate is over 10% in all but three countries (Germany, the Netherlands and Austria) and is at or over 30% in Ireland, Greece, Latvia and Slovakia, and close to or over 40% in Estonia, Lithuania and Spain. This is a major cause of concern for Member States, since the youth unemployment rate has particularly negative economic and psychological effects in the long term (see Chapter 3 in Employment in Europe 2010[2]).

The labour market in the US worsened again in November, as the economic climate deteriorated over the last half year

The US labour market initially benefited from a faster and stronger economic recovery and higher business confidence (BCI[3]) than in the EU since autumn 2009; however, confidence has waned over the last five months and now the BCI is higher in the EU than in the US. The number of unemployed persons rose again in the US in November, to 15.1 million, and the unemployment rate increased by 0.2 pps to 9.8%, after three months at 9.6%. Consequently, the gap between the US and EU unemployment rates, which was as high as 0.7 pps in favour of the EU last October, disappeared in September and October before the new increase in November in the US (Chart 9).

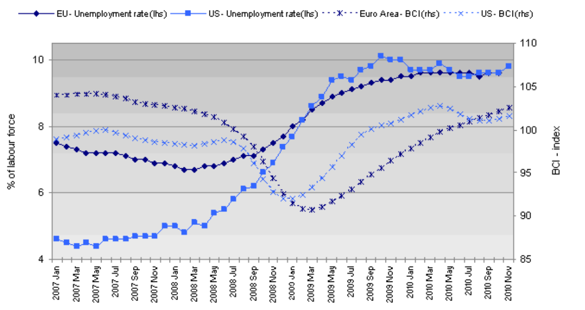
Overall, the impact of the crisis on the labour market in the EU remains more moderate than in the US. Unemployment in the US has more than doubled (up by around 120%) from the low of spring 2007, while in the EU it has increased by a more limited 45% compared to the low recorded in spring 2008. By February 2010 the unemployment rate in the EU had

Chart 8: Youth unemployment rate changes to October 2010



Source: Eurostat, Series on unemployment. Data seasonally adjusted. Note: *UK: annual change Aug 2009 - Aug 2010, monthly change Jul - Aug 2010. ** EL, LV and RO: annual change 2009 q2 - 2010 q2, monthly change estimated from quarterly change 2010 q1 - 2010 q2. *** EE and LT: annual change 2009 q3 - 2010 q3, monthly change estimated from quarterly change 2010 q2 - 2010 q3. **** DK: annual change Sep 2009 - Sep 2010, monthly change Aug - Sep 2010.

Chart 9: Unemployment rate and BCI for the EU and US



Source: Eurostat, series on unemployment; OECD, Composite leading indicators. Data seasonally adjusted.

risen to 9.6%, up 2.9 pps compared to the low in March 2008, after which it stabilised, while in the US it had increased by a more substantial 5.7 pps (to 10.1%) by October 2010, compared to May 2007, before falling to 9.6% by August and increasing again to 9.8% in November.

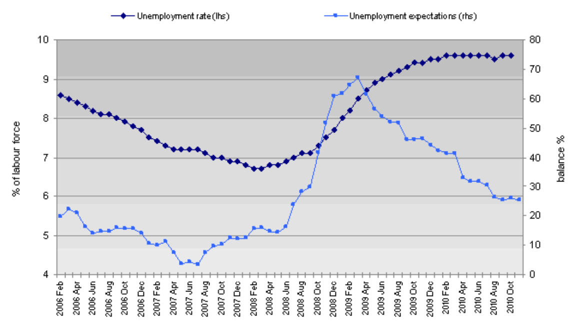
EU consumers' fears of unemployment remained stable in November after easing over the third quarter

In November there was a slight improvement in consumers' perceptions of the general economic outlook, which had been improving during the summer. Consumers' expectations for the labour market, which have broadly improved since April 2009, also remained generally unchanged for the last four months. After the most recent marked decline in August (by 4.2 points), fears of unemployment receded a little in September, while worsening slightly in October and easing again in November by 0.5 points, to end 42 points below the peak recorded in March 2009 (Chart 10).

At EU level, the stagnation in the November unemployment outlook was driven by mixed performances in the larger Member States, with optimism in Germany, Spain and Poland offsetting deterioration in other larger Member States. Fears about unemployment have eased for nine consecutive months in Germany (down by a strong 5.7 points in November) and receded in Spain (down by 1.3 points after a strong pick-up by 5 points in October) and Poland by 1.5 points, while remaining virtually unchanged in Italy (up 0.3 points). In November, on the other hand, worries about the unemployment situation grew most strongly in France (by 1.7 points) after receding in the summer and in the UK (by 2.9 points) after a decrease in October.

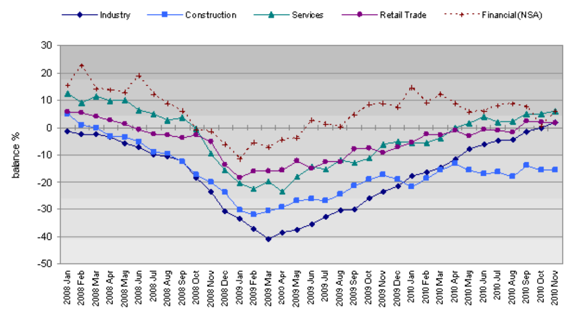
While fears of unemployment at EU level have eased considerably over the past year and a half, unemployment has only started to stabilise since spring this year, and it remains to be seen when the effects of the recovery in economic activity – which has been picking up recently but remains uncertain - and confidence will feed through more strongly to the labour market.

Chart 10: Unemployment rates and expectations for the EU



Source: Eurostat, Series on unemployment; Commission services (ECFIN), Business and consumer surveys. Data seasonally adjusted.

Chart 11: Sectoral employment expectations for the EU



Source: Commission services (ECFIN), Business and consumer surveys. Data seasonally adjusted (except for financial sector).

LABOUR DEMAND

Firms' employment expectations in the EU have been broadly improving across most sectors since spring last year …

Since the spring of 2009, businesses have broadly reported relatively better expectations for employment for the months ahead across all main sectors. However, while employment prospects in industry have been on a consistent upward trend for the past year and a half, repeated falls in the outlook for construction have continued this year and progress has recently been more sluggish in the service sectors[4].

In November, employment expectations improved markedly in the financial sector (up by 5.4 points) and in the industry sector (up by 2 points) and the services sector (up by 1 point). Employment expectations declined slightly only in the retail sector (by as little as 0.3 points) and remained stable in the construction sector (Chart 11).

Overall, employment expectations returned to a positive balance in services nearly half a year ago and in the retail trade more recently, and they have remained positive on balance in financial services for more than a year, although prospects in the latter sector have recently taken a downturn. In the industry sectors, employment expectations in manufacturing have finally switched to a positive net balance, but the outlook for new jobs in construction remains the least positive.

… and 2011 hiring plans indicate progress toward recovery

The December Manpower Employment Outlook Survey[5] suggests a more positive start to the new year for the global labour market. The data reveal improved hiring expectations in France, Germany, Italy, the United Kingdom and the United States, where hiring plans are stable or improved relative to both the fourth quarter of 2010 and this time last year. Hiring activity in the EU is expected to be strongest in Germany and Sweden and weakest in Greece and the Czech Republic. Despite continued mixed results across Europe, German employers are reporting their strongest hiring plans since early 2008. Meanwhile, although hiring intentions among U.S. employers remain modest, they point to the most optimistic first-quarter outlook in three years.

Job vacancies have slightly improved in some Member States…

The job vacancy rate for the EU bottomed out in the third quarter of 2009, and since the beginning of 2010 has been stable at 1.5%, 0.2 pps higher than a year ago. The rate was higher than a year ago in most Member States for which data are available, with particularly high demand in Germany (2.6%). Among the larger Member States for which data are available, demand for new labour in the third quarter improved only in Germany, where at 979 000, vacancies were up on the previous quarter (by a non-seasonally adjusted 14 000) and in Spain almost doubled over the year to nearly 154 000 (up 0.4 pps to 0.7%). In the UK, vacancies decreased by 21 000 in the third quarter with the rate is now at 1.7%, and at 474 000 they are up 24 000 (or by around 5.3%) on a year earlier.

Official sources in Germany confirm the relative improvement in demand for labour in recent months. In Germany, the Federal Employment Agency's job index (BA-X[6]), which had been edging upwards for a year, rose by 4 points to 149 points in November. The positive mood of the economy is also reflected in the demand for skilled workers. Compared to last year, it increased by 36 points. The BA-X is thus also above the pre-economic crisis level. A substantial share of demand comes from temporary employment agencies; this branch generates more than one in three registered jobs on the primary labour market. On top of that, sectors such as trade, construction, gastronomy or health, as well as social businesses, are currently looking for staff. More than three quarters of the registered vacancies are full-time positions and also more than three-quarters are for permanent employment. Some companies have problems in finding sufficient (highly) qualified professionals. The number of registered vacancies (which in part underlies the index), at around 394 000 in October, was up 104 000 (36 %) on a year earlier.

European online recruitment activity accelerated in November, confirming a steady pace of labour market improvement…

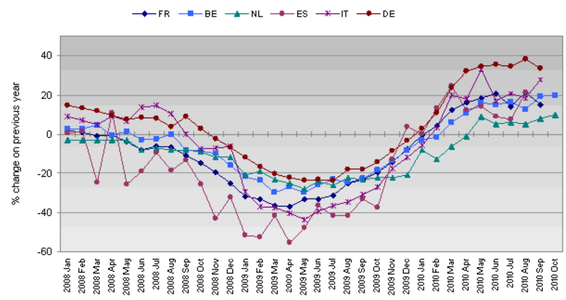
According to the Monster Employment Index[7], online job demand increased by 22 % in November compared to year-earlier levels.

Online job demand rose the most for the automotive sector in November, with demand up six points (6 %) compared to October 2010 levels. The sector also saw one of the strongest annual growth trends, with opportunities up 38 % compared to November 2009. Professional service related sectors also exhibited mixed hiring activity patterns in November. Environment, architecture and urbanism and IT both saw a steady monthly increase, climbing four points (4 %) and two points (2 %) respectively, extending the longer term trend that has seen IT opportunities grow 19 % and environment, architecture and urbanism rise 11 % compared to November 2009. Some sectors, such as banking, finance and marketing, PR and media, saw an expected seasonal slowdown of two points (2 %) in November, but are still up by 6 % and 8 % respectively, compared to November 2009.

From an annual perspective, transport, post and logistics reported the sharpest year-on-year growth, followed closely by production, manufacturing, maintenance and repair. The sectors grew 52 % and 46 % respectively. Growth can be attributed to an overall uptick in production and exports across Europe.

Italy noted the largest jump in opportunities on a monthly basis, whilst Germany and Sweden had the sharpest annual growth

Chart 12: Hours worked invoiced by private employment agencies for selected Member States



Source: Eurociett. Note: Hours worked defined as sum of all hours invoiced by all private employment agencies to all user companies. For IT number of remunerated working days., for DE number of agency workers.

… while demand for temporary agency workers is higher than a year ago in all countries

Recent data from Eurociett[8], covering September/October, continue to show an improvement in workplace activity via temporary work agencies, which is a leading indicator of recovery in the labour market. The number of hours invoiced by private employment agencies now exceeds the levels observed a year earlier in all countries; the year-on-year rises in invoiced hours ranged from 10 % in the Netherlands, 15 % in France to 19.6 % in Belgium, 27.6 % in Italy and 21.2 % in Spain, to 33.7 % in Germany (Chart 12).

Monitoring job vacancies

To promote the "New Skills and Jobs" flagship initiative, the Commission has launched in November a new project: "Monitoring labour market developments in Europe". The idea is to gather up-to-date information on job vacancies, which will also serve as an early-warning tool for bottlenecks and mismatches on the labour market. The information will be made available through two quarterly bulletins.

*The first, the **European Vacancy Monitor,** is a comprehensive overview of recent developments on the European job market. Data on job vacancies and hiring shed light on trends in occupational demand and skills requirements. The data are drawn from a wide range of sources: public employment services, temporary work agencies, online services, the EU statistics office (labour force survey, job vacancy statistics), national statistical offices and other relevant research.*

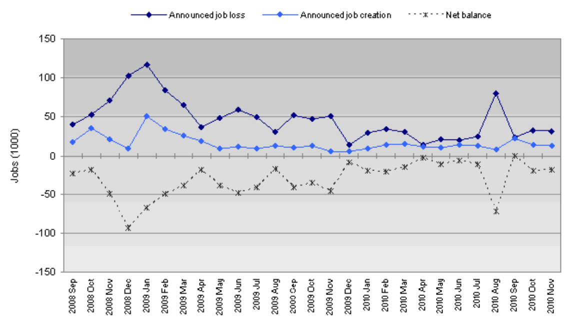
*The second, the **European Job Mobility Bulletin**, analyses vacancies posted on the EURES jobs portal (and its database) by national public employment services. This bulletin is specifically targeted at people looking for work outside their home region/country, and at EURES advisers aiming to help them.*

2. Restructuring trends

The situation in EU labour markets in the wake of the recent economic downturn and subsequent recovery has been reflected in European Restructuring Monitor (ERM) data collected by the European Monitoring Centre on Change[9].

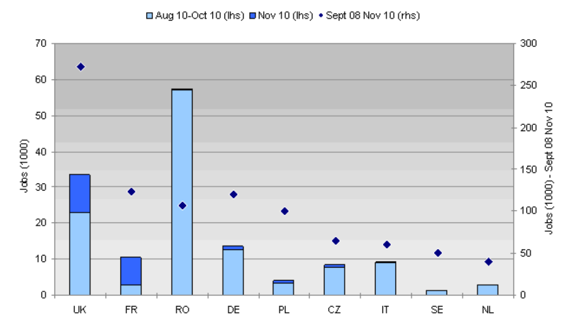
There was a slight decrease in the restructuring activity reported on the European Restructuring Monitor (ERM) in November 2010, compared to the previous month. This is because the ERM registered around 30 000 announced job losses in November, which is two thirds less than the number of announced job losses in the same month of the previous year.

Chart 13: Announced job losses and creation for the EU



Source: European Monitoring Centre on Change, European restructuring monitor.

Chart 14: Announced job losses for selected Member States



Source: European Monitoring Centre on Change, European restructuring monitor.

Announced job losses continued to outnumber announced job gains

In November 2010, the ERM registered 31 391 restructuring-related job losses and 12 456 announced new jobs in a total of 82 cases. The Member States with the largest announced job losses were the UK (10 544 jobs) and France (7 596 jobs), followed by Ireland (5 000 jobs), Hungary (2 520 jobs) and Poland (1 100 jobs).

Manufacturing and Public Administration were the sectors most affected by announced job losses due to restructuring …

In November 2010, restructuring in manufacturing and in public administration accounted for the vast majority of announced job losses in the ERM. Since September 2008, the ERM has recorded 551 491 announced job losses in manufacturing, which amount to almost half of total job losses; during the month the ERM recorded 11 786 job losses in the sector. Public Administration was the other sector most affected in November 2010, with 9 324 announced job losses. Other sectors that were significantly affected included Health and social work (5 000 jobs) and Construction (2 870 jobs).

Job losses continue to be recorded in auto-manufacturing, where during the month car manufacturer PSA Peugeot Citroën announced the loss of 280 jobs at its Aulnay sous Bois plant (FR) by the end of 2011. The company's management has indicated that there will be no compulsory redundancies and that losses will be achieved by means of voluntary redundancies, or by redeploying staff elsewhere within the company. Last October the company terminated the contracts of 500 (out of 800) temporary workers at the plant. PSA is committed to an agreement with the public authorities under which the company will receive financial support in return for its assurance that there will be no job cuts in the plant until the end of 2011. Nevertheless, the company's management has explained that this commitment only refers to forced redundancies, and that voluntary redundancies and other measures are permitted. Renault announced its intention to shed 3 000 jobs in France over the next three years as part of an early retirement programme. The programme is aimed at employees who are at least 58 years of age and have done shift-work for more than 15 years or those who have a permanent incapacity which reduces their work capacity by at least 10 %. Such workers will be able to leave the company and earn 75 % of their last gross wage until they are able to retire on full pension. Johnson Controls, which manufactures car seats, has announced the closure of its factory in Geel, in the Flanders region of Belgium, which will result in the loss of 180 jobs.

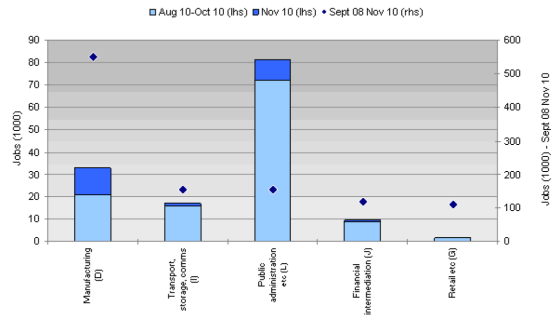
As regards the manufacturing of electrical machinery and apparatus, GE Hungary announced plans to dismiss 2 100 employees by the end of 2011. Last year the company had anticipated the dismissal of over 2 570 employees by the end of 2011, but new investments and the relocation of production facilities have allowed the company to save almost 500 jobs. The dismissals will mostly affect the site in Nagykanizsa, where 1 300 people will lose their jobs and the site in Vác, which will be closed in the course of 2011. Large losses have been announced by the global aviation technology company, Thales, which announced its intention to reduce its French workforce, affecting up to 1 500 jobs. Thales will open discussions with employee representatives and has said that it will give priority to voluntary departures and solutions that maintain the employability of Thales staff. The group has adopted a plan to reduce costs by EUR 1.3 billion over the next five years. Thales warned that, in 2011, it will probably have to reduce its workforce in other European countries, in particular the UK. At the same time the company's workforce will increase in emerging countries such as Brazil, India, and China.

Job losses continue in the chemical manufacturing sector: the pharmaceutical company Gruenenthal announced the cutting of 220 jobs in Germany. These job cuts are part of a cost saving and restructuring programme which envisages savings of EUR 57 million annually from 2013 onwards. Gruenenthal intends to invest more heavily in its research and development activities and expand in the Northern and Latin American markets. The Swiss pharmaceutical company, Roche, announced plans to shut down its plant in Graz by 2013, resulting in 400 job losses. The first phase of dismissals is due to start in the second quarter of 2011.

The closure of the Graz plant is part of the company's world-wide restructuring programme 'Operational Excellence', whereby some 4 800 people will be made redundant. Cosmetics manufacturer Avon announced that it is to offshore its German production to Poland, resulting in 250 job losses at the production site in Neufahrn. Although the company had initially planned to phase out its production by mid 2011, these plans have been postponed to mid 2012 and are part of a worldwide restructuring scheme involving an estimated 4 000 job losses.

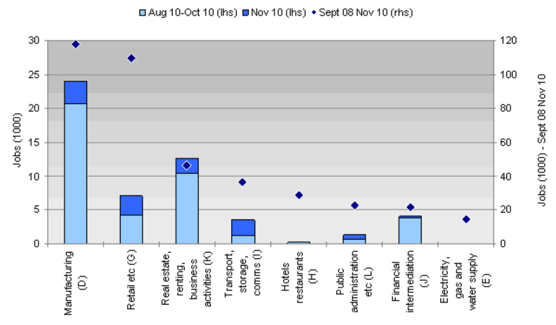
As in previous months, announcements of restructuring-related job losses continue in city councils and local governments, especially in the UK, following the government’s spending review: Tameside Council in greater Manchester has announced it is to cut 800 jobs over the next four years to save £100m. The local authority hopes to cut 550 posts in 2011/12 in order to make the necessary £37m in savings in the next financial year. Blackpool Council has announced plans to cut between 800 and 1 000 jobs, while Stoke-on-Trent City Council plans to cut 710 jobs in an attempt to reduce its 2011/12 budget by £34m. The affected departments include: 240 jobs in services for children and young people, 160 in adult social care, health and communities, 100 jobs going in housing, environmental and neighbourhoods, 30 in the chief executive's department, 110 with central services and 70 posts lost in regeneration. The City of York Council has announced plans to cut up to 650 jobs in a bid to make budget savings of £50m; management is working with unions in order to reduce the need for compulsory redundancies. Proposed measures include natural wastage. Gateshead Council has announced plans to cut about 600 jobs, and the Council aims to cut at least £25m from its budget in the next financial year; it is seeking volunteers for redundancy but compulsory redundancies are not ruled out. Knowsley Council has announced plans to cut 400 jobs in a bid to reduce a shortfall of £30m. Other job losses

Chart 15: Announced job losses by sector for the EU



Source: European Monitoring Centre on Change, European restructuring monitor.

Chart 16: Announced job creation by sector for the EU



Source: European Monitoring Centre on Change, European restructuring monitor.

announced in public administration relate to planned job cuts at Greater Manchester Police (GMP), which announced that it plans to cut 2 944 jobs; members of the police authority voted to cut 1 387 officer and 1 557 civilian posts, which is equivalent to a 23 % reduction in staff. The plans include a recruitment freeze and compulsory retirement of all staff with more than 30 years service. Northumbria Police has announced it is to cut 450 civilian posts as a result of £34m cuts to its budget. The police force has frozen recruitment and looked at other ways of saving money; it hopes that most job losses can be achieved by natural wastage. Tyne and Wear Fire Brigade has announced plans to cut 170 jobs in a bid to make budget savings of 25 % following the government spending review. The service has pledged to try to avoid compulsory redundancies and plans to protect front line staff, thereby focusing cuts on back room functions. In France, the French public employment service - Pôle Emploi - announced that it would cut 1800 jobs in 2011 (1 500 fixed term posts and 300 permanent posts), which, according to the management, will help to reduce the public deficit. The cuts will be achieved by not replacing 1 500 workers on fixed term posts and through the natural wastage of 300 permanent positions.

In Health and Social Work, a single announcement of restructuring-related job losses accounted for 5 000 job cuts. Ireland's Health Service Executive (HSE) has announced an early retirement and redundancy package designed to cut the number of clerical, administrative and support staff by 5 000 by the end of 2010; HSE currently employs about 28 000 such staff. Under the scheme, which has been agreed by the departments of Finance and Health as well as the HSE, early retirement will be offered to employees who are over 50 years of age, while voluntary redundancy will be open to staff up to the age of 60. To be eligible, staff in the clerical, administrative or support grades had to apply by 19 November and agree to leave the HSE by the end of 2010. Staff opting for the voluntary redundancy package will receive three weeks' pay per year of service, capped at two years' salary, plus their statutory entitlements. The clerical and administrative employees who apply are guaranteed to be accepted for the package, but not all support staff who apply may be approved. The package is being put forward as a once-for-all offer.

In the Construction sector, administrators of the construction company Rok announced a total of 2 800 job losses across the UK, while AE&E Austria is to dismiss up to all of its 375 employees due to insolvency (Chart 15).

In November, the largest restructuring cases involving job loss were in:

- Health and Social work: Health Service Executive (IE, 5 000 jobs).
- Manufacturing: Renault (FR, 3 000 jobs), GE Hungary (HU, 2 100 jobs), Thales (FR, 1 500 jobs), VF Poland (PL, 1 100 jobs).
- Public Administration: Greater Manchester Police (UK, 2 944 jobs), Pole Emploi (FR, 1 800 jobs), Tameside Council (UK, 800 jobs), Blackpool Council (UK, 800 jobs).
- Construction: Rok (UK, 2 800 jobs).

…while manufacturing and retail accounted for the majority of business expansion

Of the 12 456 new jobs announced during November 2010, 3 305 new jobs were in manufacturing and 2 850 in retail; since September 2008, manufacturing (117 960 jobs) and retail (109 818 jobs) have been the sectors which have benefited the most from announced job creation. Together, they account for over half of all new announced jobs on ERM (Chart 16).

In November, the biggest cases involving job gains were:

- Transport and Communications: Arriva (Malta) (MT, 1 100 jobs).
- Retail: Iceland (IE, 2 000 jobs).
- Manufacturing: BMW (DE, 800 jobs), Zelmer (PL, 700 jobs).

3. Economic context and outlook

ECONOMIC SITUATION

Economic recovery in the EU continued in the third quarter, although at a slower pace…

The economic recovery in the EU, which started in mid-2009, has remained fragile; after a strong revival in the second quarter of 2010, growth subsequently reverted to the moderate levels observed at the beginning of the turnaround. The improvement in the second quarter had been mainly due to an export-driven industrial rebound in line with the continued strong recovery in global growth and trade in the first half of the year, amid encouraging signs of revival in domestic demand, including constantly expanding consumption and, at last, increased investment.

In the third quarter, economic activity expanded by a modest 0.5 %, following a solid 1.0 % rebound in the second quarter and moderate growth of 0.2 %-0.4 % in the previous three quarters. As a result of expansion over more than a year, economic output – which was still down by 2.2 % at the end of 2009 - was up by 2.2 % in the third quarter of 2010 compared to a year earlier. In the US, the recovery has generally been more robust, although growth in economic output has also been slowing down from a firm 1.2 % in the fourth quarter of last year to 0.6 % in the third quarter of this year.

… while economic growth had resumed in almost all Member States and, despite recent moderation, is up on a year earlier in most of them

Although almost all Member States within the EU have returned to positive economic growth, the recent expansion in economic activity in nearly all countries has moderated and, of the larger countries, Spain's output remained flat (Chart 17). Among the larger Member States, GDP expanded by a still healthy 0.8 % in the UK and 0.7 % in Germany in the third quarter of 2010 (although this was a significant moderation compared to the 1.2 % and 2.3 % growth registered respectively in the second quarter), followed by more limited growth in France and Italy (0.4 % and 0.2 % respectively), while output in Spain remained unchanged. Poland continued its positive trend by growing by 1.3 % in the third quarter. Among the remaining Member States for which data are available, in the third quarter of 2010 economic output declined only in the Netherlands, Romania and Greece (down by 0.1 %, 0.7 % and 1.1 % respectively), while it expanded most strongly in the Czech Republic and Finland (up 1.1 % and 1.3 % respectively).

As a result of recent improvements, by the third quarter of 2010 economic activity was up compared to a year earlier in nearly all Member States, and only Ireland, Romania and Greece continued to see steeply declining output over the year (down 1.8 %-4.5 %).

Industrial output rebounded in October and remains significantly higher than a year ago…

Economic recovery in the EU has been underpinned by improvements in industrial production since mid-2009; after expansion over the second half of 2009, industrial output has broadly continued to increase this year with a rebound in October after a fall in September (Chart 18).

The improvement in industrial production in the EU over the last year or so has resulted from mixed contributions of the larger Member States in different months. Output increased most significantly in Lithuania (up 9.7%), Luxembourg (up 6.4%), Estonia (+4.9%) and Greece (up 3.6%), and the largest decreases in Ireland (down 4.8%), Denmark (down 2.8%), Malta (down 2.5%) and Portugal (down 2.4%). The improvement in industrial production at EU level in October reflected higher output in non-durable goods, energy and intermediate goods, but also a decrease in durable consumer goods.

Year-on-year growth in EU industrial production, which turned positive in the beginning of this year, strengthened significantly over the following months to its recent peak of 8.9% in May, but slowed to 6.7% in October. Still healthy year-on-year growth in October was due to yearly expansion in all the larger Member States except in Spain, and was particularly solid in Germany (up 12.1%) and Poland (up 10.4%).

Chart 17: GDP for the EU, US and Larger Member States

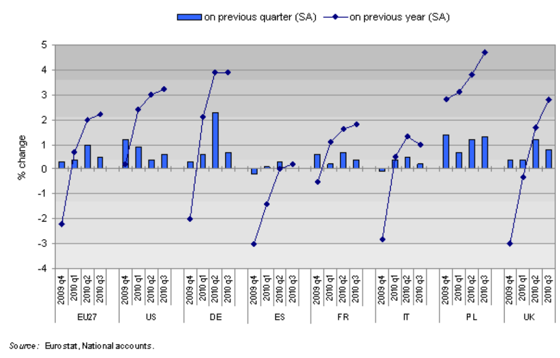
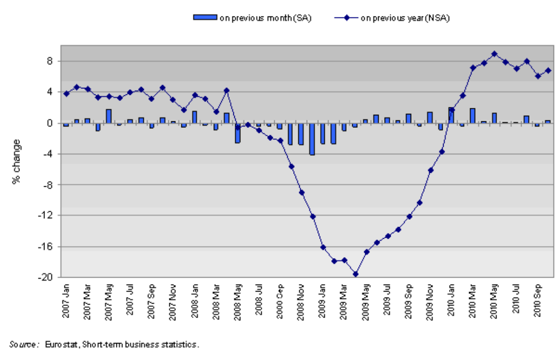


Chart 18: Industry production for the EU



… and new orders for industry recovered in August, but fell again in September…

New orders for industry in the EU have been broadly improving for sixteen months now, reflecting more orders for goods in all categories and across the larger Member States, but they fell back in September by 2.62% (Chart 19). In August, there was an increase in new orders across all goods categories, most noticeably for capital goods, but also for durable consumer goods and intermediate goods, and to a lesser extent for non-durable consumer goods. Only in Poland did new orders increase by 3.1%, while they fell in Germany by 3.5%, in Spain by 0.1%, in France by 1.6%, in Italy by 3.7% and in the UK by 0.7%.

Year-on-year growth in industrial new orders in the EU, which eventually entered positive territory at the end of last year, improved to a solid 22.7% in August, but fell to 13.15% in September. New orders for industry are still significantly higher than a year ago in all the larger Member States, except France (-0.4%).

EU construction improved slightly in October but it remains lower than a year ago…

While industry has been experiencing a steady recovery for more than a year now, production in the construction sector has not yet really picked up following more than two years of deterioration, with only three months of revival observed this year. A solid gain in construction output in March, followed by limited changes in April and May and a subsequent healthy pick-up in June, was followed by a drop in output in July and only a slight improvement in August and a fall in September. Construction in October increased again by a small 0.5% compared to the previous month (Chart 20). The result for October reflected mixed performances across the larger Member States: on the one hand, construction continued to decline in France, Poland and the UK by 0.37%, 0.6% and 0.4% respectively and, on the other hand, there was a significant rebound in Germany by 1.3%.

In the EU as a whole, year-on-year growth in construction output, which at last entered positive territory with a healthy 3.8% in June, dropped back into negative territory and was at -1.9% in October; however, this was still better than the -12% seen just half a year ago. This deterioration almost entirely reflected a steep fall in Spain (34.1%) together with a more moderate decline in France (2%), while construction output was higher than a year earlier in Germany, Poland and the UK, up 5.8%, 10.4% and 9.5% respectively.

… while retail trade turnover continued to increase slightly in October

Compared with the sizeable falls in output seen in industry and construction, retail trade turnover in the

EU held up fairly well at the height of the crisis between autumn 2008 and spring 2009, and has evolved more slowly since then, although monthly changes have always been volatile. After three months of improvements, retail trade turnover dropped slightly in August (by 0.2%), remained more or less unchanged in September and increased slightly in October by 0.4% (Chart 21). Underlying the October result for the EU was a general good performance among the larger Member States: all of them except France increased their retail trade turnover. Germany picked up again after a decline in September by 2.3%, Spain by 0.3%, Poland by 0.8% and the UK by 0.4%.

Year-on-year growth in turnover, which had been positive for nine months (except for a blip in May) was at 1.8% in October. Positive growth over the year was driven by significantly higher turnover in France and Poland, which - together with limited improvements in Germany and the UK - compensated for a notable drop in turnover in Spain.

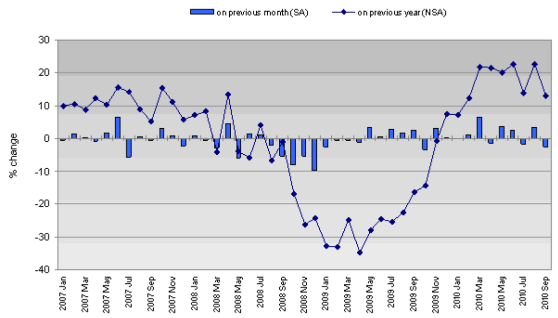
Indications are that the rate of economic expansion in Europe regained momentum in November

As indicated by the Markit[10] composite purchasing managers' index (PMI), the recovery in the euro area regained momentum in November. The final Markit Index rose to a three-month high of 55.5 in November, up from 53.8 in October and above the earlier flash estimate of 55.4. Output has increased in each of the past 16 months. The average index reading so far in Q4 (54.6) remained below that for Q3 (55.7), but is nevertheless historically consistent with GDP expanding at a quarterly rate of roughly 0.5%.

Rates of expansion strengthened in the manufacturing and service sectors, reaching three-month highs in both cases. Growth rates have converged between the two sectors since earlier in the year. This primarily reflects the fact that services have maintained a relatively steady rate of expansion, while growth in manufacturing has moderated from the near-record highs seen in the spring, when the impacts of inventory rebuilding and export growth both peaked.

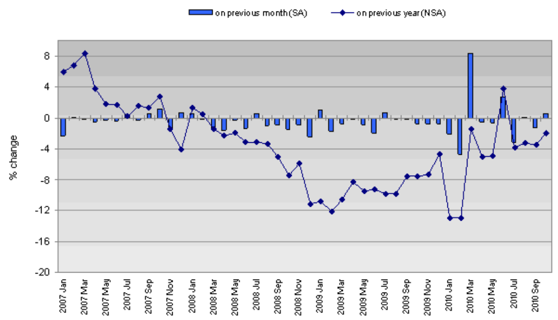
Output rose at the fastest rate in Germany (where growth accelerated to a pace close to the near three-and-a-half year high seen in the spring), followed by France (although growth here was again subdued by ongoing civil protests) and then Italy (which saw a six-month growth peak). Ireland, however, saw only further modest growth and Spain reported a contraction for the third month in a row. Variations in output growth reflected divergent trends in inflows of new business. Levels of new work rose across the Euro Area at the fastest rate since August and at a faster pace than the earlier flash estimate. However, while Germany and France recorded steep gains in new business and Italy also saw an increase, new work fell in both Spain and Ireland.

Chart 19: Industrial new orders for the EU



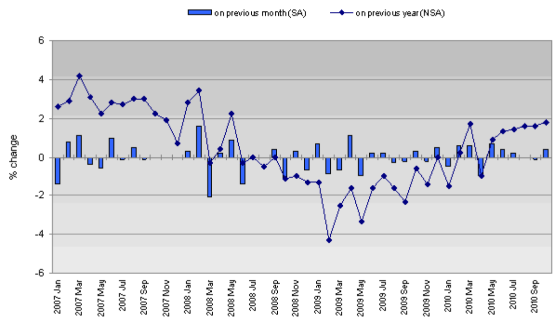
Source: Eurostat, Short-term business statistics.

Chart 20: Construction production for the EU



Source: Eurostat, Short-term business statistics.

Chart 21: Retail trade turnover for the EU



Source: Eurostat, Short-term business statistics.

OUTLOOK

Economic confidence in the EU, above the long-term average, has continued to improve, although at a slower pace…

The EU Economic Sentiment Indicator (ESI) has generally been on an upward trend since April last year, except for a break last May[3]. Nevertheless, recent progress has been notably slower than in 2009. The ESI increased by less than 0.5 points in both September and October, but regained momentum in November, increasing by 1.3 points to 105.2 (Chart 22).

This slight increase at EU level in October was due to greater optimism in Germany and Italy (up by 2.8 and 1.4 points respectively) and more modest improvement in other larger Member States (ranging from 0.3 to 0.5 points), except for a slight drop in France (down 0.2 points).

Underlying the sluggish rise of the EU ESI in October was mixed behaviour across sectors. Sentiment improved most markedly in the services sector and slightly in the industry sector. Confidence in industry, which had been on a consistent upward trend since spring 2009, has finally reached a zero net balance; however, due to the relatively slow improvement since bottoming out in spring 2009, pessimism in construction remains the highest among all sectors. Sentiment also improved particularly in retail, taking it further above a zero balance, despite a decrease of 0.7 points in November. Consumer sentiment remained unchanged in November, following a slight drop in September and a marked improvement in August, driven by increasing confidence in the general economic outlook, but slightly worsening fears of unemployment. Confidence in the financial sector, which is not included in the ESI, rose in November and remains highest among all sectors.

…while the OECD leading indicator for Europe, far above the average, points to divergent patterns

The OECD's Composite Leading Indicators (CLI) for the EU[2], which started to pick up at the beginning of 2009, have exceeded their long-term average for a year now, although since last April they have levelled out. In October, the CLI remained unchanged in the euro area and in the four big European Countries (France, Germany, Italy and the UK), thus losing some momentum after the marked upturn between spring and autumn last year. As they are well above their long-term average, at 103.4 points, the recent sluggishness underlines the signs of slowing economic expansion. The CLIs for France, Germany and the UK point to a continuation of the expansion phase while that for Italy continues to signal a downturn. The CLIs for the US gained 0.3 point in October to stand at 102.3 points, signalling a steady expansion. Despite recent stagnation or decline, the two European groupings had still posted recoveries of 3.9 and 3.2 points, and the US a stronger 5.6 points, compared to a year earlier (Chart 23).

Chart 22: ESI and confidence indicators for the EU

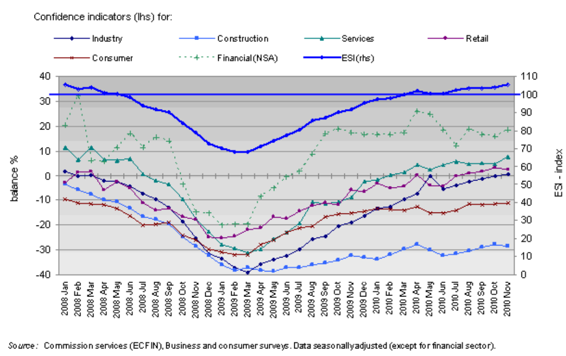


Chart 23: Composite leading indicators for the EU and US

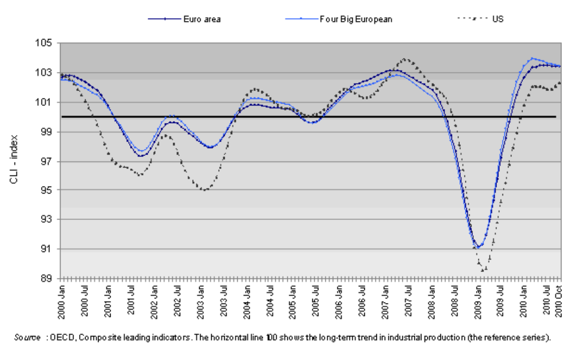
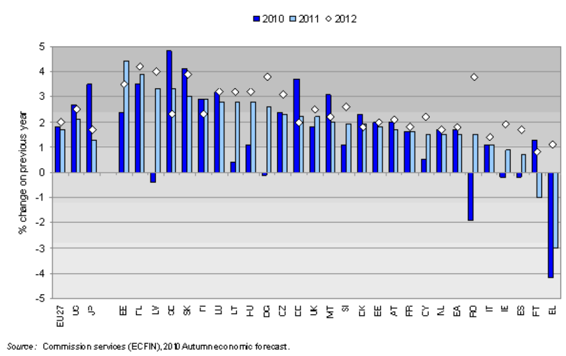


Chart 24: Forecasts GDP growth in the EU



Forecasts show a faster pace of economic recovery but the situation remains fragile and labour markets weak…

According to the European Commission's Autumn Forecasts[11], the economic recovery in the EU, while still fragile and uneven across Member States, is moving at a somewhat faster pace than anticipated in the spring. This is very much in line with the findings of the November OECD Economic Outlook[12] and with the ECB[13] projections.

The pace of GDP growth (Chart 24) in the EU is set to moderate into mid-2011, as the global economy goes through a temporary soft patch, dampening EU export growth. The pace of economic activity already eased in the third quarter, reflecting also the fading of the temporary factors that kick-started the recovery, such as the exceptional stimulus measures and the positive impulse from inventory adjustments that were particularly important in shaping short-run dynamics in the EU and globally in recent quarters.

The outlook for labour markets is for a gradual but slow improvement over the forecast horizon. Employment (Chart 25) is now projected to contract by around 0.5% in the EU and 0.75% in the euro area in 2010, which is some 0.25 pps less than envisaged in the spring, followed by a modest 0.4% expansion in 2011 and 0.7% in 2012. The outlook for unemployment (Chart 26) does not point to any major improvements in the coming months: the unemployment rate is set to stabilize at 9.6% in 2010 and is expected to decrease only slightly to 9.5% in 2011 and to 9.1% in 2012.

…with potentially persistent high unemployment in the coming years…

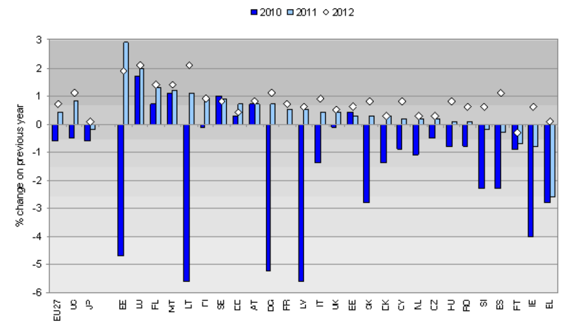
The outlook remains for a rather jobless recovery and (potentially persistent) high unemployment ahead at the aggregate level. The unemployment rate in the EU and euro area is in fact set to stay above the structural rate (NAWRU, i.e. the non-accelerating wage rate of unemployment) over the forecast horizon. Past experiences show that rises in NAIRU during and in the aftermath of crises tend to be persistent. Lasting increases in capital costs, arising from the shifts in attitudes towards risk brought about by the financial turmoil, have the potential to raise the NAIRU permanently, as firms are inclined to increase their mark-up to recoup the higher cost of capital. Moreover, long unemployment spells may lead to the permanent destruction of human capital, as well as an irreversible rise in the NAIRU (the so-called 'hysteresis effect') and further losses in potential output growth in the medium-term. Model estimates in the Autumn Economic Forecast show a slight increase of NAWRU in the coming years (Chart 27).

…and the challenge of fiscal consolidation to be faced in many Member States

Fiscal consolidation is likely to weigh on growth prospects in the short-to-medium term, especially in those Member States that are struggling to keep the fiscal situation on a sustainable footing.

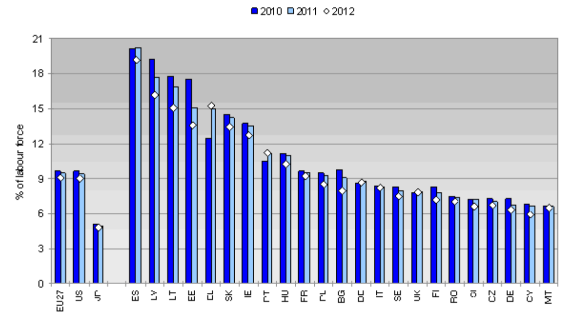
The main challenge now faced by policy makers is to design consolidation measures in such a way as to minimise the short run costs, especially in terms of GDP and employment loss, and maximise the long run gains. Model simulations published in the European Economic Forecast compare a credible general "across-the-board" fiscal consolidation to an alternative where

Chart 25: Forecasts employment growth in the EU



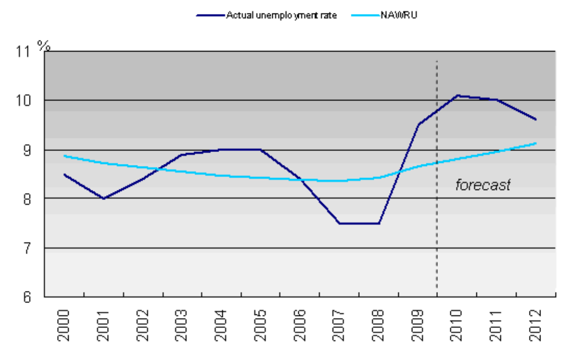
Source: Commission services (ECFIN), 2010 Autumn economic forecast.

Chart 26: Forecasts unemployment rate in the EU



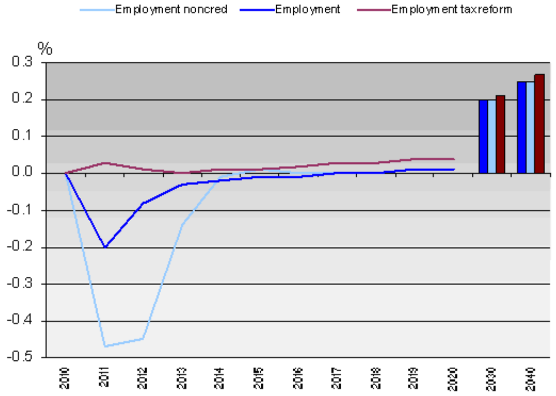
Source: Commission services (ECFIN), 2010 Autumn economic forecast.

Chart 27: Actual and structural unemployment rates, euro area



Source: ECFIN, European Economic Forecasts, Autumn 2010 credibility is lacking and agents do not initially believe that consolidation measures are permanent. The effects of the zero interest rate floor are considered, as well as the effects in the case of a synchronised global combining of expenditure cuts with tax cuts. The results indicate that fiscal consolidations that are credible and perceived as permanent lead to short-term falls in GDP and employment, but these effects are significantly smaller than multipliers for temporary fiscal policy changes (Chart 28). The impact on GDP can be larger at the zero interest rate floor. However, reducing government debt levels can bring positive GDP and employment effects in the longer run, as lower debt servicing costs will create fiscal space for reducing distortionary taxes. The short and long run output effects depend crucially on the fiscal instrument used and, hence, on the composition of the adjustment.

Chart 28: Impact of 1% of GDP across-the-board fiscal consolidation (credible vs. non-credible) vs. Fiscal consolidation combined with tax reform



Source : ECFIN, European Economic Forecasts, Autumn 2010

II. SPECIAL FOCUS

1. Latest developments and expectations in selected Member States

This section provides an overview of recent developments and forecasts at Member State level. In this issue, the focus is on the labour market situations in the Netherlands, Austria and Luxembourg, the three member states posting the lowest unemployment rates in October 2010, and in the Czech Republic, Ireland and Slovakia. Priority has been given to the most recent reports and forecasts (dating from October to early December 2010) from reliable sources at country level, complemented by relevant data from Eurostat.

Austria

The labour market in Austria has shown clear and strong signs of recovery since August 2010. Statistik Austria reports an average of 4 081 000 persons employed in the second quarter of 2010, 53.9 % of whom were men. The employment rate for persons aged 15 to 64 was 71.4 % in the same period, i.e. one of the highest in the EU, and above the target set by the Lisbon Strategy for 2010. However, a decline of 0.3 pps was recorded over the corresponding quarter of the previous year, and there was 11.4 pps difference between the employment rate for men (77.2 %) and women (65.8 %).

In the second quarter of 2010, the number of people unemployed was 187 000, 44.4 % of whom were women. Compared with the same quarter of 2009 this was a fall of 11 700, almost equally shared between men and women. However, the number of inactive persons who were searching for work in a broader sense, but did not meet all the criteria for ILO unemployment, showed an increase. The total of 218 000 inactive persons seeking a job in the second quarter of 2010 was up 2 500 compared to the previous year. The situation for young people seeking their first job improved slightly. Compared to the first quarter of 2010 the number of unemployed young persons fell by 6 000. The situation is more worrying as regards the number of long-term unemployed persons who have been unemployed one year or longer, up slightly by 49 000 compared with 2009. Their proportion of all unemployed persons in the second quarter of 2010, at 26.3 %, was higher than it had been in the same quarter of 2009 (19.4 %).

According to Eurostat, unemployment in Austria has been on the rise again since August 2010. In October, the unemployment rate edged up by 0.3 pps on the previous month, to 4.8 %, the second lowest rate in the EU. This is nearly to the same as the rate seen in October last year (4.9 %) and is half the EU average unemployment rate (9.6 %). It is 0.4 pps lower than the peak recorded in July and August 2009 (5.2 %) and 1.3 pps higher than the low recorded before the crisis, in June 2008 (3.5 %). Recent changes have been shared equally between women and men. Their respective unemployment rates were 4.4% and 5.1 % in October 2010. Youth unemployment surged in the same month, up 0.9 pps on September, to 9.8 %, a level comparable to that of October last year (9.7 %). Although Austria is one of the few EU countries where this rate has so far been confined to single-digit territory, this change is worrying and runs counter to the stabilisation we are seeing in most countries.

The part-time rate was up from 24.9 % in the second quarter of 2009 to 25.4 % in the second quarter of this year. In the same period, 884 000 employees, i.e. more than one in four, worked part-time, 747 000 of whom were women. The expansion of part-time work has certainly helped Austria’s labour market to weather the economic downturn, which partly explains why its unemployment rate remains the second lowest in the EU. With Belgium and Germany, Austria’s labour market has coped with the crisis supported by cutting working hours and productivity.

According to the latest Commission European Economic Forecast, the GDP for Austria should, after falling by 3.9 % last year, have picked up by 2.0 % this year and is expected to continue to rise in the next two years (+1.7 % and +2.1 % respectively). This should allow a moderate employment growth (0.7% annually), which is confirmed by the year-on-year employment growth calculated by Eurostat, which has been positive since the first quarter of this year and reached 1.2 % in the third quarter. In this context, the unemployment rate, after peaking at 4.8 % last year, is expected to ease down to 4.4 % this year, and to 4.2 % and 4.0 % in 2011 and 2012.

Czech Republic

The labour market in the Czech Republic has started showing some signs of recovery in recent months, after the strong increase in unemployment since the beginning of the crisis. According to the Ministry of Labour and Social Affairs Czech unemployment rose in November by 11 479 in comparison with October, taking it above the half million threshold (506 640 people). Nevertheless, according to the Czech Statistical Office, preliminary LFS data for the third quarter 2010 confirmed a substantial slowdown in the year-on-year decline in employment and even an overall increase over the recent past. Compared with the third quarter of 2009, total employment was down by 10 100 in the same quarter this year. This is also reflected by the employment rate for persons aged 15 to 64. This stood at 65.4 % in the third quarter of this year and was 0.2 pps up on the same period last year, while a quarter earlier, there was a year-on-year drop of 1.4 pps. The growth in this particular employment rate was explained also by a fall in the total 15-64 age group population. The male employment rate increased by 0.6 pps to 74.3 %, while the female rate edged down by 0.1 pps to 56.4 %.

Looking back, 2009 and the beginning of 2010 were characterised by a slump in employment in the secondary sector, which was partially offset by the growing number of persons employed in the tertiary sector. Economic recovery in the second and third quarters of this year was reflected by a substantially slower decline in the number of production sector workers. According to Eurostat, the year-on-year decline in employment figures has virtually come to an end in the third quarter of this year (-0.1 %).

The number of persons unemployed dropped by 12 400 between the third quarter of 2009 and the same quarter this year, whereas long-term unemployment rose by 52 300. Also, in the third quarter of 2010, the seasonally adjusted average number of unemployed people decreased by 10 600 in comparison with the previous quarter. The stagnation in the number of unemployed persons points to a gradual improvement in labour market conditions. Indeed, the number of unemployed persons reached 374 700, i.e. 12 400 fewer than in the same period last year, while six months before, the unemployed population was still increasing, on a year-on-year basis.

According to Eurostat, the unemployment rate for the Czech Republic has remained stable at 6.9 % since August 2010. With the rate unchanged two months later, this is 0.9 pps lower than the peak recorded in March this year (7.8 %). But the negative consequences of the economic downturn for the labour market are still far from resolved, bearing in mind that the unemployment rate was still at its lowest in September 2008 (4.3 %). It still remains one of the lowest in the EU. More worryingly, the youth unemployment rate is still high and, at 18.2 % in October 2010, up 0.6 pps on the previous month. At that level, the Czech youth unemployment rate is getting closer to the EU average (20.4 %) and is nearly twice the rate recorded in the last months of 2007. The unemployment rate for women is, at 8.2 %, 2.2 pps higher than for men.

In October 2010 seasonally adjusted industrial production was down 0.3 % compared to September 2010, as reported by the Czech Statistical Office. In annual terms, industrial production increased by 6.9 % compared to October 2009. In the same twelve-month period, the value of new orders grew by 12.6 %. The average registered number of employees — excluding agency workers — in industrial enterprises with 50 or more employees decreased by 1.3 % compared to October 2009. According to the latest Commission economic forecasts, the GDP for the Czech Republic should, after shrinking by 4.1 % last year, pick up by 2.4 % this year and continue to rise in the next two years (+2.3 % and +3.1 % respectively). In this context, the rise in the unemployment rate should ease somewhat: after peaking at 7.3 % this year, it is expected to decrease to 7.0 % and 6.7 % in 2011 and 2012.

Ireland

The economic crisis hit Ireland's labour market before any other EU country. It started to deteriorate in the autumn of 2007, i.e. roughly six months before the EU average. Although the Irish unemployment rate was only around half the EU rate in the first years of the decade, it is now almost 50 % higher.

But the situation is gradually stabilising. According to Ireland's Central Statistics Office (CSO), employment decline slowed to 4.1 % in the year to the second quarter of 2010, to 1.86 million people. This is the lowest annual fall since the fourth quarter of 2008 (-3.9 %), although it remains high in comparison to the EU 27 average (-0.6 %). It compares with an annual decrease in employment of 5.5 % in the previous quarter and of 8.2 % in the year to the second quarter of 2009. Over the same period, the overall employment rate among persons aged 15-64 fell by 2.1 pps to 60.4 %, down from 62.5 % in the second quarter last year. This rate has been on a steady annual decline each quarter since the fourth quarter of 2007 and is now back at the same level as in the second quarter of 1998. Employment fell on an annual basis in 10 of the 14 economic sectors, the largest decline being recorded in the construction sector, where the numbers employed fell by 19.4 % over the year. Employment in this sector has now fallen by almost 54 % since its peak in the second quarter of 2007. The next largest annual decreases in employment were recorded in the industry, and in agriculture, forestry and fishing, where the numbers employed fell by 7.0 % and 12.7 % respectively.

In the second quarter of 2010 there were 293 600 persons unemployed, up 11.0 % year-on-year. This is the lowest annual increase in unemployment since the second quarter of 2008. Male unemployment increased by 7.1 %, but female unemployment was up 20.5 %. The overall participation rate declined from 62.5 % in the second quarter of 2009 to 61.3 % in the same quarter this year. According to Eurostat, Ireland's unemployment rate is gradually stabilising, at around 14.1 % in September and October 2010, up 1.1 pps on October last year, and roughly three times higher than before the crisis, in October 2007 (4.7 %). The sectors hit hardest — construction, industry, and the financial sector — are mostly male-oriented, and so the male unemployment rate remains significantly higher than the female, at 17.2 % and 10.1 % respectively in October 2010, both up 1.1 pps on October last year.

Youth unemployment tripled through the crisis. The unemployment rate for young people was higher than it has ever been in recent decades, at 29.3 % in October 2010, up 2.1 pps on the same month last year. Young men are hardest hit, with the unemployment rate for them now close to 36 %. Conversely, significantly lower unemployment rates were recorded among the older age groups. Long-term unemployment is reaching worrying proportions: it more than doubled in the year to the second quarter of this year, accounting now for 43 % of total unemployment. It should be noted also that during the second quarter of 2010 the estimated number of non-Irish nationals in the labour force reported by CSO was 276 500, a decrease of 48 900 or 15.0 % in the year.

Fiscal consolidation with the support of a rescue package from the European Union and the IMF is set to bring Ireland's public deficit back within EU limits by 2014 and to act as a constraint for a rapid recovery of employment. Economic growth is not expected to pick up this year yet as in most member States, as the Irish GDP is forecast to decline by 0.2 % in 2010 as a whole. A modest increase is expected for 2011 (+0.9 %), followed by more sustained growth in 2012 (+1.9 %). Against this background, the unemployment rate should continue to stabilise and shrink: after peaking at 13.7 % this year, it should be down to 13.5 % in 2011 and 12.7 % in 2012.

Luxembourg

The labour market in Luxembourg has started recovering since the first quarter of 2010: the year-on-year employment growth in Luxembourg is firmly positive, according to Eurostat, at 1.6 % in the second quarter of 2010. Luxembourg's unemployment rate has remained stable in recent months. It was 5.0 % between July and October 2010, i.e. the third lowest rate on record in the EU. This rate is 0.4 pps below the high recorded in February and March last year (5.4 %). It is 1.0 pps higher than in September 2007 (4.0 %), before the onset of the labour market crisis, which started six months earlier than in most EU countries. According to Luxembourg's Statistical Office STATEC though, the number of registered unemployed persons residing in the Grand-Duchy was 14 703 on 31 October 2010. This is 564 — or 4.0 % — higher than the figure recorded a month earlier.

Despite this overall stabilisation, the youth unemployment rate is still fluctuating. It was 18.3 % in October 2010, 0.7 pps lower than in December 2008 but still 3.2 pps higher than the pre-crisis low point, in January 2008 (15.1 %). Male unemployment rate is the second lowest in the EU, at 4.4 % in October 2010, i.e. the same percentage as in the same month last year. The rate for women has likewise remained stable in the months to October 2010, at 5.8 %.

STATEC also reported that in the wake of a slightly improving economic situation, the employment figures should rise by 1.8 % in 2010, after picking up by 1.0 % last year. This acceleration stems mainly from the construction sector, the temporary work agency sector, and non-market services, while the revival in industries which have been hit hardest by the crisis remains sluggish, e.g. manufacturing, financial services and business services. STATEC expects domestic employment growth to slacken slightly in 2011. Since the March 2009 trough, domestic salaried employment has risen steadily. Since the second quarter of this year, though, the pace has eased somewhat. The rate of increase is expected to be 1.8 % in 2010, but only 1.5 % next year.

According to the latest Commission economic forecasts, after a sharp decline in GDP of -3.7 % Luxembourg's GDP is picking up by 3.2 % this year and is expected to continue to rise in the next two years (+2.8 % in 2011 and +3.2 % in 2012). The unemployment rate is expected to gradually stabilise: after reaching 5.1 % last year, it should be 5.5 % this year and then 5.6 % in 2011 and 2012.

Netherlands

According to Statistics Netherlands (CBS), in the second quarter of this year, unemployment increased form the previous quarter by 78 000 people. This is less than in the second quarter of 2009, when the number of unemployed grew by 89 000. The number of people who lost their jobs in the second quarter of 2010 is still high compared to earlier years. People with permanent employment contracts are less likely to become unemployed. In the second quarter of this year, 44 000 people who three months ago had permanent jobs of twelve hours a week or more had lost their jobs, as against 54 000 one year ago.

Job losses are not spread evenly across all sectors. In the second quarter of this year, 14 000 people in the business services sector and 8 000 in manufacturing became unemployed, as against 19 000 and 13 000 respectively in the second quarter of 2009. The number of people unemployed in the trade sector remained unchanged, while unemployment increased in the health care and welfare sectors and in cultural and other services. The seasonally adjusted unemployment figure for October 2010 stood at 410 000, i.e. 2 000 fewer than in September. The number of jobseekers dropped sharply in higher teaching (-3.1 %) or higher language-related (-2.8 %) professions. There were also fewer jobseekers (-2.0 %) among young people. In the six months prior to September, unemployment dropped by an average of 6 000 a month. Figures published by the Institute for Employees' Insurance Schemes (UWV) show that the number of jobseekers and the amount of unemployment (WW) benefits have both dropped.

According to Eurostat, the year-on-year decline in employment has come to an end in the third quarter of this year. Since the early months of 2007, the Netherlands has consistently posted the EU's lowest unemployment rate. In October 2010 it was 4.4 %, slightly below the peak recorded in July this year (4.6 %). This remains 1.4 pps higher than the low (3.0 %) recorded in the months to November 2008, before the economic crisis started to take its toll on the labour market. Likewise, the youth unemployment rate is remarkably low, in relative terms. At the same level as in Germany, i.e. 8.5 % in October 2010, it is 0.6 pps lower than the peak recorded in January of this year (9.1 %) and less than half the EU average rate. In 2009, the Dutch female inactivity rate in the 15-24 age group was, at 28.1 %, the lowest in the EU.

The economic situation at the end of November was slightly better than at the end of October, as reported by CBS. In November, significant improvements were registered in exports, vacancies, capital market rate, fixed capital formation and large purchases. In contrast, the manufacturing output still shows some signs of deterioration. Temporary jobs have moved significantly upwards. The amount of hours worked in temporary jobs increased by 3 % in the third quarter of

2010 compared to the second quarter. Adjusted for seasonal variation, the index figure (2005=100) for the number of hours worked — including people working for temporary work agencies — was 110.8, as against 107.6 in the previous quarter. According to Eurociett and ABU, period 10 (week 37 – 40) of this year is the sixth period in a row to show stable growth in the temporary agency work market. In that period, the total hours worked increased by 10% and turnover grew by 10%, compared with the same period last year. In the industrial sector these percentages were 17% and 19% respectively. The Netherlands accounts for 10% of the European agency work market, according to ABU.

The Netherlands' GDP stagnated in the third quarter of this year, as national output dipped by 0.1% on the previous quarter. According to the latest Commission economic forecasts, following negative growth in 2009 (-3.9%), GDP should pick up by 1.7% this year and continue to rise, albeit moderately, in the next two years (+1.5% and +1.7% respectively). The unemployment rate should, after peaking at 4.5% this year, progressively decline, to 4.4% next year, and 4.3% in 2012.

Slovakia

Labour market in Slovakia has broadly stabilised since the beginning of 2010. According to the Statistical Office of the Slovak Republic, total employment in the third quarter of this year decreased by 31 900 (i.e. 1.3%) year-on-year to 2.34 million people. This decrease was slightly lower than in the previous two quarters of this year. Indeed, according to Eurostat, the year-on-year decline in employment figures has substantially fallen in the third quarter of this year (-0.7%, as against -2.3% in the previous quarter). The hardest hit by this residual decline were the self-employed (-3.4%), while paid employees remained relatively unaffected (-0.9%). Employment declined in most sectors, but mainly in industry, trade and in professional, scientific and technical activities, while it rose in human health and social work activities.

The employment rate (in the 20-64 age group) decreased by 1.3 pps to 65% compared with the third quarter of 2009. Again compared with the third quarter of 2009, the number of job vacancies decreased by 2 476, or 15.2%, to 13 854. The decline was most marked in public administration, defence and compulsory social security. Considerable decreases were recorded in human health and social work activities, and in transportation and storage, while more vacancies were recorded in manufacturing and in construction.

Unemployment has been moderating gradually through recent quarters. In the third quarter of this year, unemployment increased by 44 300, or 13.1%, to 383 300 people. The rise was affected most by people made redundant in the construction sector, in trade activities, or in accommodation and food service activities. More worryingly, in the same quarter, long-term unemployment (for more than one year) had increased by 71 300 over the same quarter last year, to 236 800, accounting for more than 60% of total unemployment. Another striking figure is the significant share (79.5%) of the total represented by persons in apprenticeship and/or in primary and full secondary education. According to Eurostat, however, Slovakia's unemployment rate has recently stabilised at around 14.7% in September and remained at that level in October 2010. This is roughly the rate recorded in the first months of this year. The decline seen in May and June of this year, to 14.4%, was moderate and short-lived. The current unemployment rate is almost 6 pps higher than the pre-crisis level, 8.8% in October 2008, but remains subdued compared with what happened in the early years of the decade, where it was close to 20% (19.6% in July 2000). The female and male unemployment rates have moved more or less in tandem, standing at 15.0% and 14.5% in October 2010. Young people have been severely hit by the crisis, as the unemployment rate for those aged less than 25 is on the rise again after dipping last summer. It was 32.6% in October 2010, one of the highest rates in the EU, up 0.5 pps on the previous month and up 1.6 pps on October last year.

Unemployment trends were influenced by positive and negative factors in October 2010. According to the Slovak Public Employment Service, the negative ones include layoffs, the inflow of jobseekers from other EU countries, a mismatch between the vacancies structure and the jobseekers structure, the lack of vacancies, the termination of fixed-term labour contracts, termination by agreement for organisational reasons and/or within the probation period. On the other hand, the following factors had a positive impact: active measures on the labour market, jobs available under EURES arrangements, activation of advisory services and negotiations with a view to preventing and lessening the impact of layoffs and dismissals due to the financial and economic crisis, and continuation of seasonal work. On 31 October, labour offices recorded a 3.8% decrease in the number of vacancies, compared with the previous month, whereas in annual terms vacancies rose by 13.3% over October last year.

Slovakia has been out of recession since the first quarter of this year. Its GDP has posted sustained growth — one of the highest rates seen in the EU recently — mainly supported by external trade (i.e. the automotive industry and electronics) and domestic demand. In the third quarter of 2010, Slovak GDP was 4.2% higher than in the same quarter a year ago. According to the latest Commission economic forecasts, after the negative growth in 2009 (-4.8%), GDP is expected to pick up by 4.1% this year and continue to rise, albeit more moderately, in the next two years (+3.0% and +3.9% respectively). The unemployment rate should, after peaking at 14.5% this year, gradually decline, to 14.2% next year, and 13.4% in 2012 In the meantime, the government is expected to implement an austerity budget, aimed at bringing the country's deficit down to 4.9% in 2011 from 7.8% this year. Slovakia is the latest Member State to join the euro area, on 1 January 2009.

2. Social situation trends

Two years after the beginning of economic downturn, some population groups are now facing a dramatically higher unemployment rate than before the crisis. Statements and expectations of European households regarding their financial situation have sharply decreased in 2008 and are barely stable in 2009 and 2010. In most Member States the number of those receiving unemployment benefits continued to increase in 2009 and 2010 and the take-up of social assistance schemes also increased. In any event, situations and social impacts of the crisis at country level are very diverse.

The impact of the economic downturn had a significant impact on young people, the low-skilled, migrants and men, but situations differ among Member States

Between the second quarter of 2008 and the second quarter of 2010, the unemployment rate increased more dramatically for some groups than for the EU as a whole (up 2.7 pps): young people (up 5.6 pps), migrants (up 5.9 pps), the low-skilled (up 4.8 pps) and men (up 3.2 pps) (Chart 29).

Statements and expectations of European households on their financial situation decreased sharply in 2008 and barely stabilized in 2009 and 2010

According to the Eurobarometer 73[14] survey conducted in spring 2010, households' expectations regarding their financial situation for the next twelve months are on the negative side (-1 in Spring 2010, after +3 and +2 in Spring and Autumn 2009, balance between % better and % worse) (Chart 30).

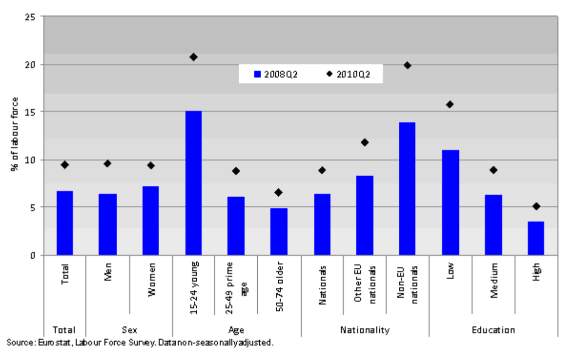
The household statement on their current financial situation collected in the monthly consumer surveys seems to confirm a severe worsening of the household financial situation in 2008 and a slow recovery in 2009 and 2010, but the balance stays close to the long term average, revealing more of a stabilisation than an improvement (Chart 30).

In the last three years, households' expectations of their financial situation have fallen sharply at EU level between spring 2007 (+11) and autumn 2008 (-9). Since then, European households have become more positive but at a lower level than before the economic downturn. At country level, all Member States except Hungary have recorded a negative trend (Chart 31).

In most Member States the number of unemployment benefit recipients continued to increase in 2009 and 2010; the take-up of social assistance schemes also increased

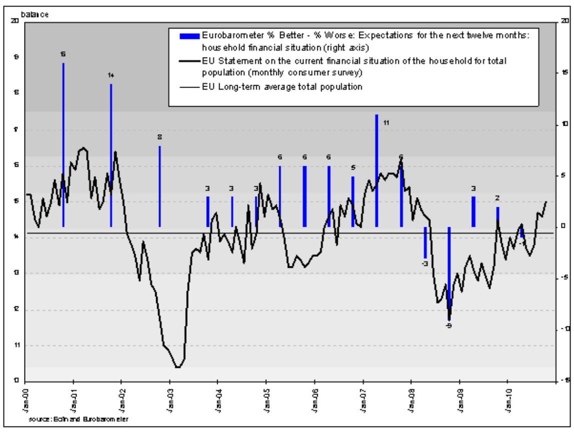
The Social Protection Committee (SPC) and the European Commission have monitored the social impact of the crisis as it has unfolded. The monitoring has shown that firm policy intervention and the automatic stabilizers embedded in European welfare systems have limited the economic and social impact of the worst recession in decades[15]. Administrative data on benefit recipients for different social schemes (unemployment, social assistance and disability) were provided by Member States at the end of October 2010 through the SPC/ISG questionnaire on the social impact of the crisis.

Chart 29: Unemployment rates for the EU by population groups (2008 q2 and 2010 q2)



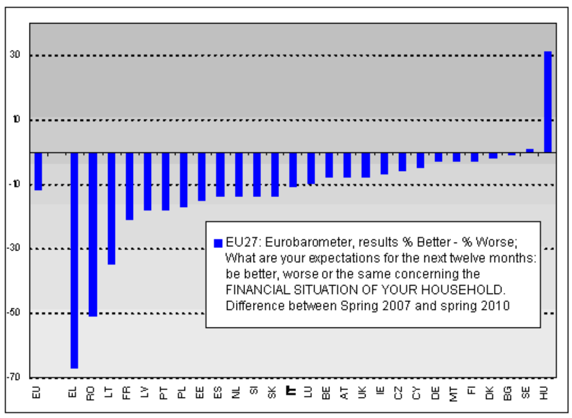
Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted.

Chart 30: Households statement and expectation on their financial situation (EU)



source: Ecfin and Eurobarometer

Chart 31: Eurobarometer, Expectations concerning the household financial situation Difference between Spring 2007 and spring 2010



Following the continued rise in unemployment, the number of unemployment benefit recipients continued to increase between June 2009 and June 2010 in most Member States. During the same period, the number of recipients of (non contributory) social assistance schemes also increased in a majority of Member States. No strong pressure on disability schemes was observed, while the number of beneficiaries of early retirement schemes increased in a few countries. It is important to contain the take-up of disability benefits and early retirement in order to avoid permanent withdrawal from the labour market. Unemployment insurance and social assistance schemes have operated in very different ways in the crisis. In six Member States, job losses mainly led to an increase in unemployment benefits recipients with little impact on other schemes. In ten Member States, the crisis had an impact on both unemployment insurance and social assistance schemes. In another four countries, after an initial rise in the early stages of the crisis, the number of unemployment benefit recipients started to decrease in 2009, while the number of people on social assistance increased dramatically. People on social assistance face higher risks of long term exclusion unless measures are taken to maintain their link to the labour market through active inclusion strategies.

The unemployed have a high risk of poverty, unemployment benefit could alleviate this risk …

Nearly half of all unemployed persons have an income below the poverty threshold in the EU. In 2008[16], the percentage of unemployed who were considered as poor ranged from 28.1% in Ireland to 62.1% in Germany. The level of unemployment benefits is one factor that prevents the unemployed from falling below the poverty line (see Chart 32). However, the durability, adequacy and coverage of income support need to be monitored.

Social inclusion policy is the core of three drivers: Europe 2020 with the target on social inclusion[17], GDP and beyond mandate for Eurostat with a view to measure inequality with more timeliness and Stiglitz recommendation. This impetus to measure social dimension in EU will benefit from the thematic surveillance of the indicators EU2020, but already most of these indicators are part of SPC work[18].

Since its definition in 1985 council, social inclusion has been defined in quantitative terms with a set of indicators to measure the different dimension of poverty. This portfolio of indicators measure poverty on several dimensions, the time, (recent trends are available), different aspect (portfolio of indicators) and categories (for example: gender, age). Europe 2020 target include three indicators: at risk-of-poverty, severely materially deprived and households with very low work intensity. The union of the three sub-indicators gives a measure of the population at risk of poverty or social exclusion. Around one sixth of population lives in poverty or social exclusion in CZ, NL, SE, DK, FI and AT; this share is higher than two fifth in BG and RO (Chart 33).

Member States are currently defining their targets, which will be adapted to specific national priorities, while contributing to the achievement of the EU headline target. The national targets are expected to enhance the commitment and accountability of governments vis-à-vis the objectives of the Europe 2020 Strategy.

Chart 32: At risk of poverty rate for unemployed and social expenditure on unemployment benefits per inhabitant (2008)

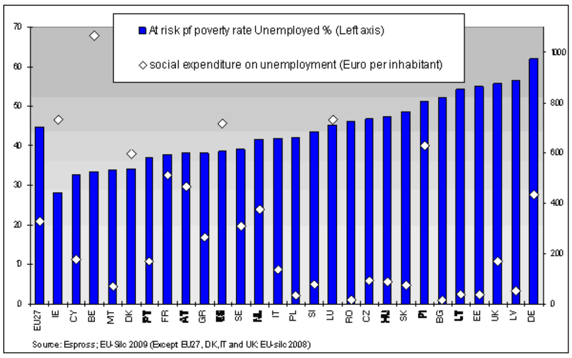
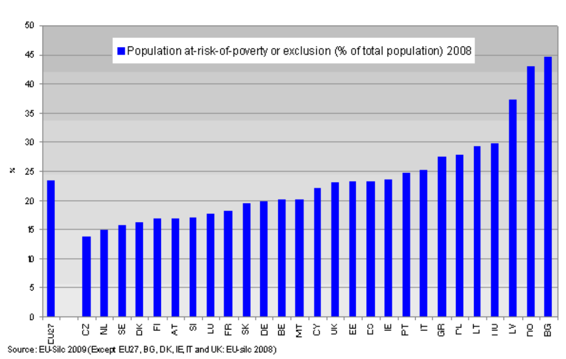


Chart 33: Population at-risk-of-poverty or exclusion; Percentage (2008)



Links to selected Eurostat tables

Employment growth

Unemployment rate by gender – total / Unemployment by gender – total

Youth 15-24 unemployment rate by gender / Youth 15-24 unemployment by gender

Adult 25-74 unemployment rate by gender / Adult 25-74 unemployment by gender

GDP growth

Economic sentiment indicator

Industrial production

Industrial new orders

Construction production

Retail trade deflated turnover

[1] For more information or Eurostat data, please visit the website: http://ec.europa.eu/eurostat

[2] For more information on the Employment in Europe 2010 report, please visit the website:
http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=948&furtherNews=yes

[3] For more information on interpretation and comparability of OECD Composite Leading Indicators (CLI), please refer to the presentation section of the OECD CLI methodology document http://www.oecd.org/dataoecd/26/39/41629509.pdf

For more information on OECD, please visit the website: www.oecd.org

[4] The change in classification of economic activities, implemented in the business survey in May, led to a break in series. The results for May are based on NACE rev 2, while data up to April 2010 are based on NACE rev 1. Internal checks indicated that the changeover affected the level, making interpretation more difficult. This level shift did not, on the whole, affect the direction of the change, but only its magnitude. The consumer confidence indicator and confidence in financial services are not subject to changeover.

For more information on the Business and Consumer Survey, please visit the website:
http://ec.europa.eu/economy_finance/db_indicators/surveys/index_en.htm

[5] For more information on the Manpower Outlook, please visit the website: http://www.manpower.com/press/meos.cfm

[6] The BA-X is the most up-to-date and comprehensive job index in Germany and is based on actual vacancies reported by businesses. It shows the trend for labour demand in Germany, including demand on the primary labour market. The seasonally adjusted index includes unsubsidised vacancies reported to the BA for 'regular' jobs covered by social security, reported jobs for freelances and self-employed people and vacancies communicated by private placement agencies. Note: In July the Federal Employment Agency changed their reporting system of vacancies, recalculating the series for reported jobs and BA-X (e.g. the June figure of 536 000 has been re-estimated at 370 000):

[7] For more information on the Monster Employment Index, please visit the website: http://about-monster.com/employment/index/17/45

[8] For more information on Eurociett, please visit the website: www.eurociett.eu

[9] European Restructuring Monitor (ERM) data are collected by Eurofound's European Monitoring Centre on Change (EMCC). The ERM covers:

- Announcements of redundancies rather than effective redundancies (the announcements can relate to redundancy programmes taking effect over a period of time, sometimes years);
- Announcements reported by the press rather than formal announcements made by companies;
- Only restructuring cases that affect at least one EU country, entail an announced or actual reduction of at least 100 jobs, involve sites employing more than 250 people and affecting at least 10% of workforce, or create at least 100 jobs.

The data in this report are based on an extraction from the ERM database on 4 November 2010. Totals exclude World/EU cases in order to avoid double counting. As the database is continually updated in the light of new information on recent cases, the data reported here may not correspond exactly to later extractions.

For more information on EMCC and the ERM, please visit the website: www.eurofound.europa.eu/emcc/erm/index.htm

[10] For more information on MARKIT, please visit the website: http://www.markiteconomics.com/MarkitFiles/Pages/About.aspx

[11] For more information on the ECFIN European economic forecasts:
http://ec.europa.eu/economy_finance/eu/forecasts/2010_autumn_forecast_en.htm

[12] For more information on the OECD Economic outlook, please visit the website: www.oecd.org/oecdEconomicOutlook

[13] For more information on the ECB Monthly Bulletin http://www.ecb.int/pub/mb/html/index.en.html

[14] For more information on Eurobarometer, please visit the website: http://ec.europa.eu/public_opinion/index_en.htm

[15] See "Joint Report on Social Protection and Social Inclusion 2010", available at http://ec.europa.eu/social/main.jsp?catId=757&langId=en

16 EU-Silc 2009, (Except for EU27, DK, IT and UK: EU-silc 2008). The income reference period in EU-SILC is a fixed 12-month period (such as the previous calendar or tax year) for all countries except UK for which the income reference period is the current year and IE for which the survey is continuous and income is collected for the last twelve months. Other data is typically collected for those individuals who are members of the household on the date of the survey. http://epp.eurostat.ec.europa.eu/portal/page/portal/income_social_inclusion_living_conditions/data/main_tables

[17] For more information on Europe 2020 targets, please visit the website: http://ec.europa.eu/europe2020/targets/eu-targets/index_en.htm

[18] For more information on Social and Protection Committee, please visit the website: http://ec.europa.eu/social/main.jsp?catId=758&langId=en