Monthly monitor

EU employment situation and social outlook

October 2010

CONTENTS

HIGHLIGHTS

- Latest data (covering the period up to August/September) confirm that the labour market in the EU has continued to stabilise and to show some signs of recovery. The labour market may perform somewhat better this year than previously expected, driven by a faster than envisaged economic recovery, although conditions are generally set to remain weak for some time. Fiscal consolidation and related austerity measures together with the forthcoming winding down of the labour market measures implemented during the crisis in many Member States may add some uncertainty about employment prospects in the near future.

- Overall, the developments in the Member States seem to point to a positive stabilising impact on employment during the crisis of increased recourse to internal flexibility arrangements, like short-time working or part-time work, but on the other hand the resulting labour hoarding will likely lead to low employment growth at least in the early phase of the recovery.

- The economic recovery in the EU, though still fragile, had strengthened by mid-2010, with economic output rising by a more solid 1.0 % in the second quarter. Recovery has so far been supported by broad improvements in industrial production and retail trade.

- The deterioration in employment in the EU seems to have come to an end in the second quarter of this year, as employment expanded, by 0.2 %, for the first time in nearly two years. Nevertheless, at 221.3 million, employment is still down by 1.5 million (0.7 %) compared to a year ago, and by 5.6 million relative to its peak in the second quarter of 2008, reflecting the earlier marked decline in manufacturing and construction.

- Unemployment in the EU has stabilised and might have peaked in May, having fallen by 161 000 since then: in August by 68 000, following falls of 73 000 in June and 20 000 in July. Unemployment now stands at 23.1 million, up by only 894 000 (or 4.0 %) compared to the previous year's level, but still 7.1 million up on March 2008 (or nearly 45 %), when unemployment in the EU was at a low.

- The unemployment rate has remained unchanged since February at 9.6 %. The year-on-year rise, which has been narrowing since last autumn, closed to 0.4 percentage points in August, 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, but the year-on-year rises have clearly been diminishing.

- The labour market for young people in the EU has been improving since last autumn, with youth unemployment actually declining by 258 000 since August 2009. The youth unemployment rate now stands at 20.2 % in the EU, 0.2 percentage points lower than one year ago. However, overall, the job crisis has hit young people severely: at 5.1 million, youth unemployment is still up by nearly 30 % (1.1 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 surpassing the levels observed a year ago. Also, announced job losses had continued to only slightly outnumber announced job gains.

- Economic sentiment in the EU exceeds its long-term average, although recent improvements have lost momentum. Nevertheless, firms are generally becoming more optimistic about the outlook for employment, especially in the service sectors while encouraging signs from industry continue, and consumers' unemployment concerns have continued to ease.

- According to the Commission's latest economic forecast, the EU economy, while still fragile, is recovering at a faster pace than previously envisaged, and it seems that the labour market may hold up somewhat better this year than previously expected. However, labour market conditions are set to remain weak and the pace of recovery is expected to be very divergent across Member States.

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

Latest data[1] covering the period up to August/September, confirm that the labour market in the EU has continued to stabilise and to show some signs of recovery.

Employment in the EU finally expanded in the second quarter, after nearly two years of contraction, and the level of unemployment continues to edge down. Unemployment peaked in May, while the EU unemployment rate has been stable since February, reflecting underlying recent 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 has surpassed the levels observed a year ago. Also, announced job losses had continued to only slightly outnumber announced job gains.

Economic sentiment in the EU exceeds its long-term average. Firms are generally becoming more optimistic about the outlook for employment, especially in the service sectors while encouraging signs from industry continue, and consumers' unemployment concerns have continued to ease.

According to the Commission's latest interim forecast, the EU economy, while still fragile, is recovering at a faster pace than previously envisaged, and it seems that the labour market may hold up somewhat better this year than previously expected. However, conditions are set to remain weak and divergent across Member States, and the forthcoming fiscal consolidation and the withdrawal of some of the labour market measures implemented during the crisis might create some additional uncertainty.

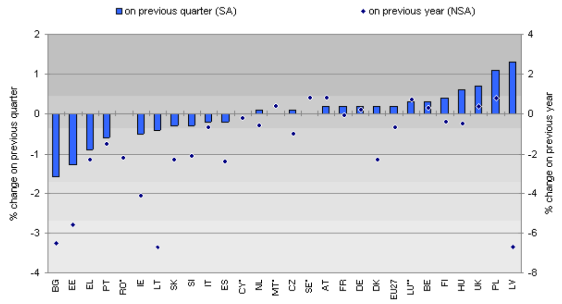
EMPLOYMENT AND UNEMPLOYMENT

The consistent signs of stabilisation in the EU labour market continue, with employment at last expanding in the second 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 en end. The fall in employment has slowed down from the sharp 0.8 % contraction recorded in the first quarter of 2009 to 0.2 % a year later, and employment in the EU finally expanded by 0.2 % to 221.3 million in the second quarter of 2010.

During the second quarter of 2010, employment expanded in several Member States, while in others the decline generally eased compared to the beginning of last year (Chart 1). Among the larger Member States, Poland and the UK experienced the strongest

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



Source: Eurostat, National accounts. Note: * Quarterly data seasonally-adjusted not available for BG, CY, MT, RO and SE, ** Data for LU 2010q1.

revival, with employment expanding by a healthy 1.1 % and 0.7 % respectively; in the UK this was the first rise after a continuous series of falls registered since mid-2008. It also expanded slightly in Germany following three flat quarters, and likewise in France following a continuous deceleration in employment declines over the last year. On the other hand, employment continued to decline in Spain, although the falls in the first and second quarters of this year (0.1 % and 0.2 %) have been limited compared to the steep contraction of last year, while in Italy employment declined by 0.2 %, after a rebound (by 0.3 %) in the first quarter.

Nevertheless, employment still fell in half of the other Member States, though steeper falls were recorded only in Ireland, Portugal, Greece, Estonia and Bulgaria (ranging from 0.5 % to 1.6 %), while employment rose most in Finland, Hungary and Latvia (ranging from 0.4 % to 1.3 %).

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

The year-on-year employment decline narrowed to 1.5 million (0.7 %) in the second quarter, still affecting mostly the manufacturing and construction sectors. By the second quarter of 2010, year-on-year employment growth remained negative in most Member States, but improved compared to previous quarters. Among the larger Member States, over the year, employment expanded in Germany (by 0.2 %), and more markedly in the UK (0.4 %) and Poland (0.8 %). On the other hand, employment contraction was most noticeable in Spain (down by 2.4 %), more limited in Italy (0.7 %) and negligible in France (down 0.1 %), although year-on-year growth has been on an upward trend in these countries for about a year. Of the remaining Member States, Ireland, Bulgaria and the Baltic States recorded the steepest falls in employment over the year (of the order of 4-6.7 %) to the second quarter, while employment expanded notably in Austria and Sweden (up 0.8 %).

The decline in employment in the EU continued for nearly a year after economic growth picked up in the second half of 2009. Overall, employment declined continuously for almost two years, falling by 5.6 million (or 2.5 %) relative to its peak in mid-2008. The deterioration during the downturn resulted mainly from strong contraction in the manufacturing and construction sectors.

EU unemployment continues to fall over the third quarter…

Consistent signs of labour market stabilisation were seen in August, as the overall level of unemployment continued to fall. After moderate increases over the previous half a year (except for a blip in January and February), unemployment finally stopped rising in May and started to fall in June (by 73 000 or 0.3 %), July (by 20 000 or 0.1 %) and August (by 68 000 or 0.3 %) (Chart 2), driven initially by falls in unemployment among young people and adult men and in August also by a fall in female unemployment after a sharp jump in July.

Since May last year, the unemployment rate for the EU had broadly been increasing by 0.1 percentage points (pps) per month, a much slower pace than between autumn 2008 and spring 2009, before stabilising more recently (Chart 3). The unemployment rate has remained unchanged since February at 9.6 %. The year-on-year rise, which has been narrowing since last autumn, closed to 0.4 pps in August.

… thanks mainly to a fall in unemployment among young people and adult men

Recent stabilisation has been driven by falls in unemployment among young people and adult men, although in August unemployment decreased mainly among young people (-62 000 or more than 90 % of the overall decrease). Starting in autumn last year, the lagged impact of the crisis has shifted more from men to women, reversing the earlier trend during the crisis in which unemployment affected men more than women. Unemployment among men had started to fall already in March and had declined by a total of 253 000 since the peak in February, while the rise in unemployment among women only eased more recently, in May-July, and was only reversed in August (when it fell by 38 000) (Chart 2). Overall, the rate for women had edged up slightly by 0.2 pps over the six months to August, while that for men had actually declined by 0.2 pps. Consequently the gender gap, in favour of women since May 2009, has disappeared since last June, with an unemployment rate of 9.6 % for both women and men.

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

Unemployment now stands at 23.1 million seasonally adjusted (22.3 million non-seasonally adjusted), up by

Chart 2: Changes in unemployment for the EU

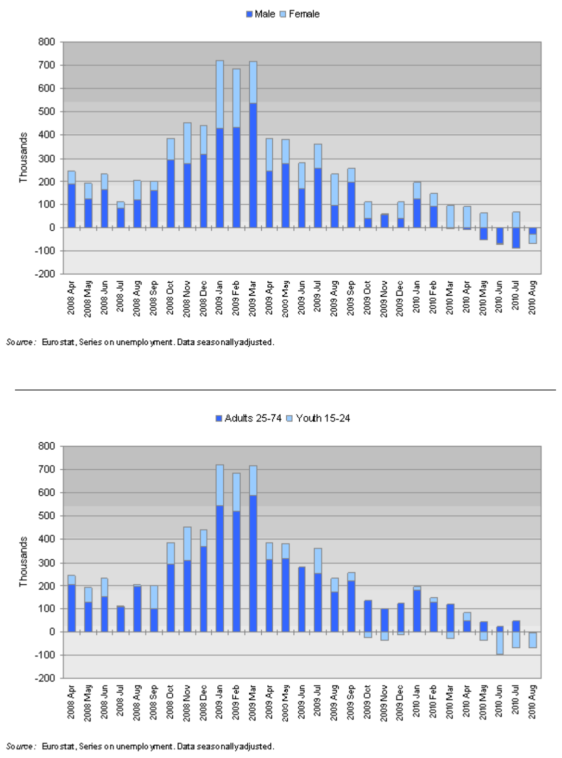
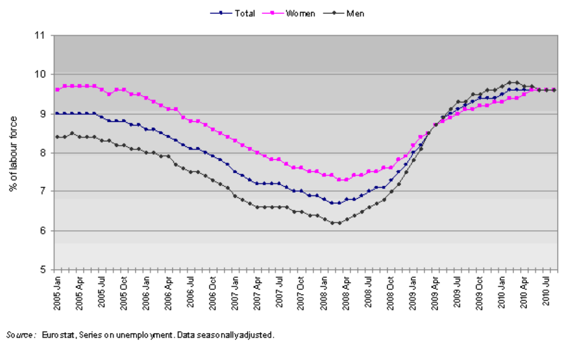


Chart 3: Unemployment rates for the EU



only 894 000 (or 4.0 %) compared to the previous year's level but still 7.1 million higher than in March 2008 (or nearly 45 %), 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 nearly two thirds (63 %) of the total increase in unemployment since spring 2008, reflecting the fact that the crisis had a much more pronounced impact on sectors employing mainly men, such as construction and industry, at least initially. At the same time, it seems that those sectors started to recover faster whereas more female-oriented sectors

Chart 4: Unemployment rate changes August 2009 - August 2010

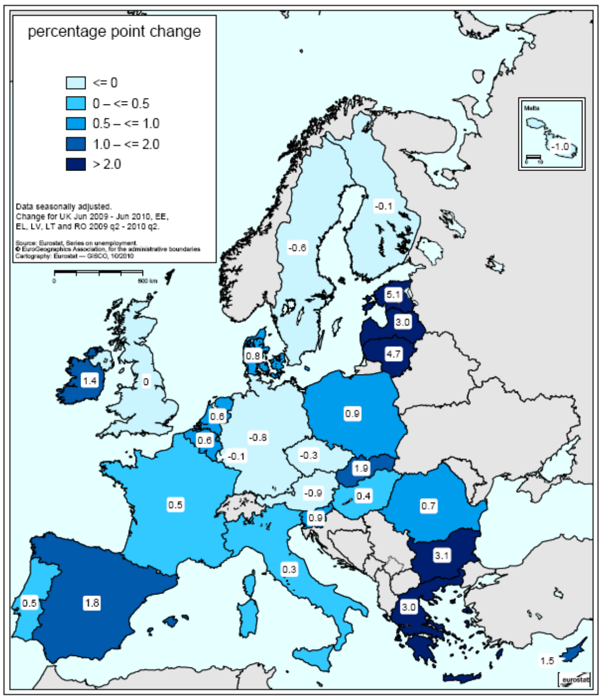
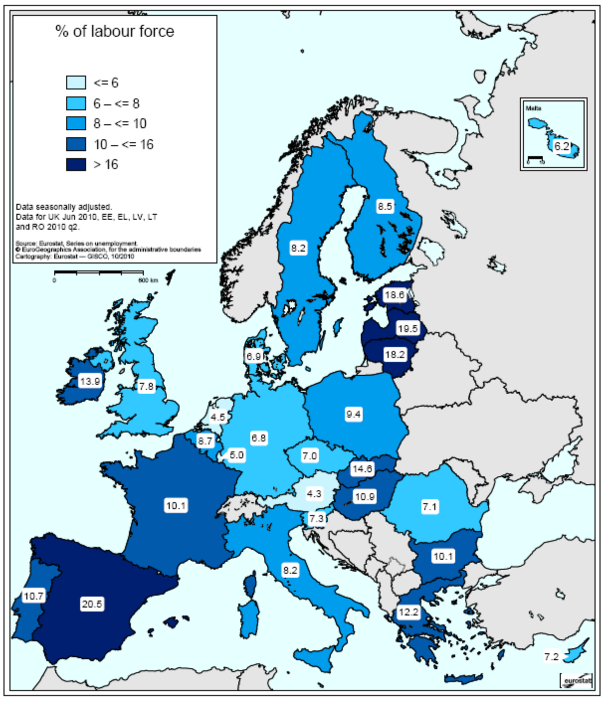


Chart 5: Unemployment rates, August 2010



have continued to be affected by declining employment. In fact women have accounted for around two-thirds of the overall rise in unemployment since August last year. Since the start of the crisis, the unemployment rate for men has increased sharply (by 3.6 pps) from 6.2% in March 2008 to its maximum 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 same 9.6%.

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

Unemployment had declined or stabilised in the majority of Member States by August, with the rate remaining stable or down on the previous month in 19 countries, while the pace of increase in unemployment in the others had eased.

Among the larger Member States, the August unemployment rate rose in Spain (by a further 0.2 pps), up for the eighth month in a row after signs of stabilising at the end of last year, and in France (by 0.1 pps), up again since July after some months of stabilisation. On the other hand, the unemployment rate remained stable in June in the UK where it has remained at broadly the same level for a year (7.8%) and decreased again in Germany by 0.1 pps to 6.8% (the lowest unemployment rate among the larger Member States). Following a period of steep increases at the end of 2009 and subsequent easing, the rate fell in July in Poland and is now stable at 9.4%, while it dropped again in Italy (by 0.2 pps) to 8.2%.

Among the other Member States, the unemployment rate increased steeply only in Lithuania (1 pps) and Greece (1.1 pps) over the second quarter of 2010. On the other hand, the rate has been falling since April in Denmark and has stabilised in Austria after a year of continuous decrease (-0.9 pps since August 2009), and in the Czech Republic after four months of decrease, but dropped significantly in Sweden (down 0.3 pps) in August after a sharp jump in July. The rate also fell in August in Hungary and Malta (down 0.2 pps in each), the Netherlands and Portugal (down 0.1 pps in each), and over the second quarter in Estonia, Latvia and Romania (Chart 6).

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

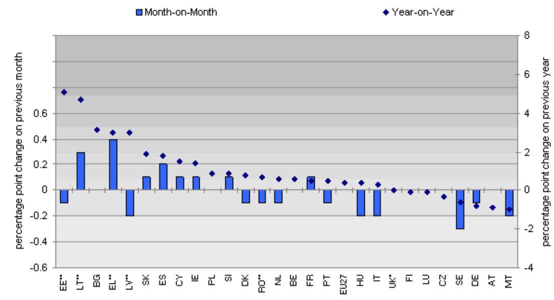
Because of stronger rises last year, the unemployment rate in August was still higher than a year ago in most Member States, but the year-on-year differences have clearly been diminishing. The year-on-year change was negligible in the UK and even negative (i.e. with rates down compared to a year earlier) in several Member States.

Of the larger Member States, only Spain recorded a steep year-on-year increase of 1.8 pps, with the rate in August reaching 20.5% (equivalent to 4.7 million unemployed), the highest jobless rate in the EU. Over the year to August, the rate increased by a significant

0.9 pps in Poland and by a more modest 0.5 pps in France and 0.3 pps in Italy; in Poland it reached 9.4 % (1.7 million unemployed), in France 10.1 % (2.9 million unemployed) and in Italy 8.2 % (2.0 million unemployed). The rate remained stable at 7.8 % over a year to June in the UK (2.4 million unemployed), while only in Germany, at 6.8 % (equivalent to 2.9 million unemployed), was the rate lower in August than a year ago (by a significant 0.8 pps). Germany is also the only Member State to show an unemployment rate lower than that in March 2008, when it was at a low in the EU, thus confirming the resilience of its labour market and indicating the positive employment impact of its internal flexibility measures (including *Kurzarbeit*).

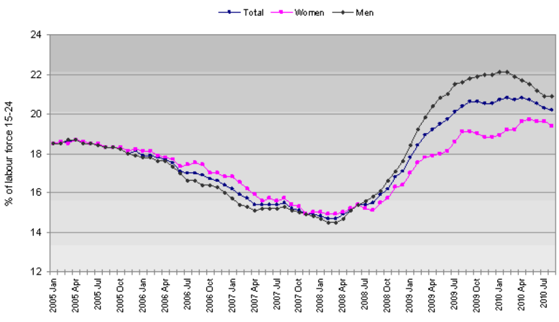
Among the remaining Member States, the sharpest rises in the unemployment rate over the year were in the Baltic States (up around 3-5 pps) and in Greece, Slovakia and Bulgaria (up 2-3 pps), while the rate was down year-on-year in Finland, Luxembourg, the Czech Republic, Sweden, Austria and Malta (ranging from 0.1 to 1.0 pps). Overall, due to the crisis, unemployment rates have increased the most and are the highest (next to Spain) in the Baltic States of Latvia (19.5 %), Estonia (18.6 %) and Lithuania (18.2 %), but they also exceed 13 % in Ireland and Slovakia. In contrast, they increased the least and remain low in Austria (the country with the lowest unemployment rate), the Netherlands, Luxembourg and Malta (between 4.3 % and 6.5 %) (Charts 4, 5 & 6).

Chart 6: Unemployment rate changes to August 2010



Source: Eurostat, Series on unemployment. Data seasonally adjusted. Note: * UK: annual change Jun 2009 - Jun 2010, monthly change May-June 2010. ** EE, EL, LV, LT and RO: annual change 2009 q2 - 2010 q2, monthly change estimated from quarterly change 2010 q1 - 2010 q2.

Chart 7: Youth unemployment rates for the EU



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

Youth unemployment in the EU has stabilised since last autumn and young people almost solely accounted for the decline in unemployment in August…

The labour market for young people has improved since last autumn, with youth unemployment actually declining by 258 000 over the year to August. As in the case of adults, this was driven only by the improved situation of young men (whose unemployment fell by 209 000), as between December 2009 and May 2010 young women saw an increase in unemployment. However, this trend has reversed in the last three months, as unemployment also declined for young women (down 79 000 over June-August).

This year, notable increases in youth unemployment were recorded only in January and February (in February driven solely by the rise in unemployment among young women), while recently unemployment fell by 35 000 (0.7 %) in May, by a steep 97 000 (1.8 %) in June, by 69 000 (1.3 %) in July and by 62 000 (1.2 %) in August (Chart 2).

The youth unemployment rate has broadly stabilised since last autumn, when it ceased its rapid rise while participation rates kept decreasing. After stabilising or decreasing between October and December, the unemployment rate went up in February to 20.8 %, but has fallen since then, by a noticeable 0.6 pps to 20.2 % in August, 0.2 pps lower than one year ago (Chart 7).

While the rate for young women has broadly been increasing up until May (when it reached 19.7 % before falling to 19.4% in August), the rate for young men has been steadily falling since its peak of 22.1 % in January/February and had declined to 20.9 % by August.

… nevertheless, 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 5.1 million, youth unemployment is down by 258 000 (4.8 %) compared to August 2009, but still up by nearly 30 % (1.1 million) compared to the low of spring 2008. This marked increase in youth unemployment since spring 2008 has been driven mainly by a very sharp rise in unemployment among young men, who, despite recent improvements, still account for almost two thirds of the increase. Overall, young people account for a significant 16 % of the total increase in unemployment since spring 2008.

The youth unemployment rate has always been significantly 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-August, the rate for young people increased by a much sharper 6.1 pps from 14.7 % in March 2008 to its peak in February. However, the strong improvement for youth since then had reduced the difference to 5.5 pps by August.

Youth unemployment had stabilised or declined in most Member States by August…

Rises in the youth unemployment rate have generally moderated in most Member States. Only Lithuania (up 3.6 pps), Slovenia (up 3.2 pps) and Greece (up 2.4 pps) saw a significant increase over the second quarter of 2010. Among the larger Member States, limited rises were recorded in August in France (up 0.3 pps) and Spain (up 0.2 pps), while the rate declined in June in the UK (down 0.3 pps) and in August in Germany and Poland (down 0.3 pps in each), and more substantially in Italy (down 0.8 pps). The rate also declined or remained unchanged in about half the remaining Member States, including Estonia and Latvia.

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

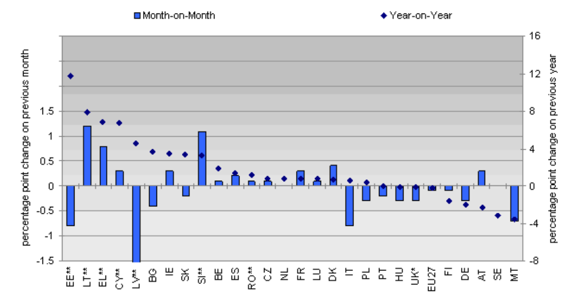
Nevertheless, the youth unemployment rate in most Member States is higher than it was a year ago. In August, among the larger Member States, Spain and France recorded the highest year-on-year rise in the rate (1.4 and 0.8 pps respectively), followed by Italy and Poland (0.6 and 0.4 pps respectively), while the rate in the UK and Germany was down (by 0.1 pps and 2.0 pps respectively). Among the remaining Member States, the youth unemployment rate rose most steeply over the year to the second quarter in Cyprus and Greece (up 6.8 pps), and in the Baltic States (between 4.5 and 11 pps) during the year to the second quarter of 2010. Against this, the rate fell to the previous year's level in Portugal, and was lower than in August 2009 in Austria, 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 severe problem in many Member States. The youth unemployment rate is higher than 15% in all but five countries (Denmark, Malta, Germany, the Netherlands and Austria) and has reached or exceeds 30% in Greece, Latvia and Slovakia, and is close to or over 40% in Estonia, Lithuania and Spain.

The recovery in the US economy has already seemingly reversed the trend in unemployment

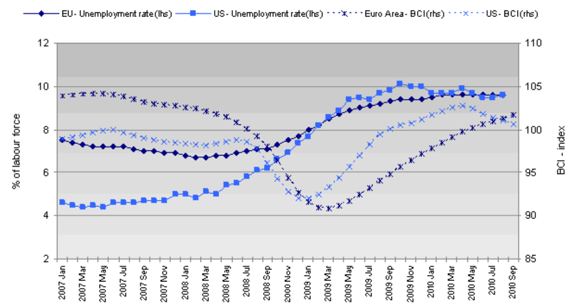
In the US, the labour market has benefited from a faster and stronger economic recovery and higher business confidence (BCI[2]) than in the EU since autumn 2009; however, confidence has waned over the last five months. The unemployment rate in the US peaked at 10.1% in autumn last year, as it decreased by 0.5 pps down to 9.6% in August and stabilized in September. Consequently, the gap between the US and EU unemployment rates, as high as 0.7 pps in favour of the EU since last October, has now disappeared (Chart 9).

Chart 8: Youth unemployment rate changes to August 2010



Source: Eurostat, Series on unemployment. Data seasonallyadjusted. Note: * UK:annual change Jun 2009 - Jun 2010 , monthlychange May-Jun 2010. ** EE, EL, CY, LV, LT, RO and SI:annual change 2009 q2- 2010 q2 monthlychange estimated from quarterlychange 2010 q1- 2010 q2.

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



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

Nevertheless, the overall impact of the crisis on the labour market in the EU remains more moderate than in the US. Unemployment in the US more than doubled (up by around 120%) from the low of spring 2007, while in the EU it increased by a more limited 45% compared to the low recorded in spring 2008. By February 2010, after which it stabilised, the unemployment rate in the EU had risen to 9.6%, up 2.9 pps compared to the low in March 2008, while in the US, compared to May 2007, it had increased by a more substantial 5.7 pps (to 10.1%) by October 2009 before falling to 9.6% by August and keeping stable in September. Overall, these rises translate into an average monthly rise in the unemployment rate of 0.12 pps for the EU over two years, compared with a higher monthly average rise of 0.2 pps over almost two and a half years in the US.

EU consumers' fears of unemployment, which have faded for a year and a half now, eased further over the third quarter

Consumers' perceptions of the general economic outlook had been improving during summer, but they deteriorated slightly in September. Consumers' expectations for the labour market, which have broadly improved since April 2009, were boosted in the last three months. Fears of unemployment receded in July (by 1.3 points), more notably in August (by 4.2 points) and in September (by 1.0 points), to end more than 40 points below the peak in March 2009 (Chart 10).

At EU level, the more limited easing in the September unemployment outlook was driven by mixed performances in larger Member States. Fears about unemployment have eased for eight consecutive months in Germany (down by a healthy 5.7 points in September after a nearly flat August) and declined again in France (down by 8.7 points), while remaining nearly unchanged in Italy (up 0.5 points). On the other hand, in September worries about the unemployment situation heightened in Spain (up 2.8 points) after two months of easing, increased again in Poland (up 3.4 points) and picked up most strongly in the UK (by 5.3 points) after receding in the previous month.

While fears of unemployment at EU level have eased considerably for a year and a half, unemployment only just started to stabilise a few months ago, and it remains to be seen when the effects of the recovery in economic activity, picking up recently but still uncertain, and confidence, will feed through more strongly to the labour market.

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, except for some falls in construction this year. However, progress has been sluggish recently, especially in the service sectors[3]. Overall expectations are now substantially better than during the low of spring 2009, but nevertheless still remain negative on balance in manufacturing and construction, although in the case of services and the financial sector, and just recently the retail trade sector, expectations have returned to a positive balance.

In September, employment expectations in industry, having been on an upward trend for a year and a half, improved more substantially (up 2.8 points), and picked up most markedly in construction (up 4.2 points) following four months of broad deterioration. The outlook for new jobs in industry and construction remains the least optimistic of all the main sectors, although expectations for employment in industry are now rapidly approaching a positive balance.

Expectations in the services sector rose in September (by 1.4 points) after a drop in July and a flat August, remaining positive on balance, while the outlook improved significantly in the retail trade sector (up by 3.9 points), bringing it to a positive balance. In financial services, the sector with the most positive net employment outlook, expectations declined slightly (by 1.3 points) in September (Chart 11).

Chart 10: Unemployment rates and expectations for the EU

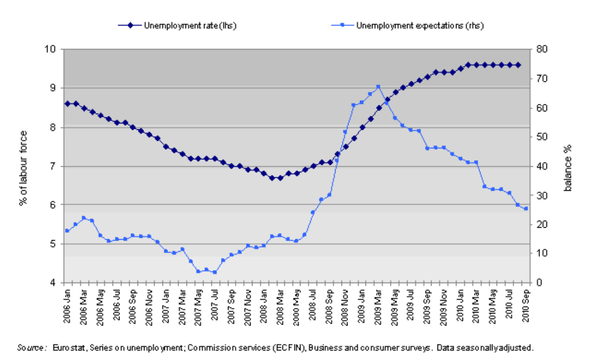
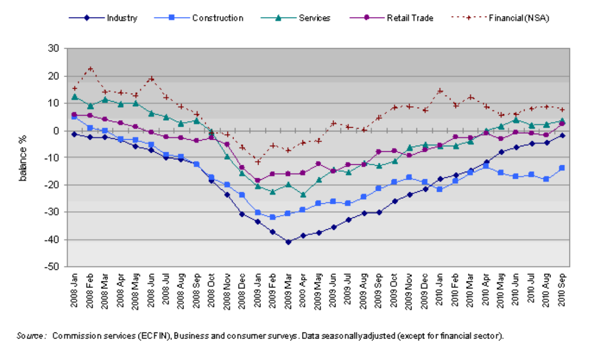


Chart 11: Sectoral employment expectations for the EU



… however, hiring prospects are mixed across Member States

According to the September Manpower Employment Outlook Survey[4], employer hiring confidence is positive, though weak and mixed across European countries. The best job prospects for the quarter ahead were reported in Germany and Poland, and there were notable improvements in the Finance and Business Services sector. On the other hand, the worst job prospects for the upcoming quarter were registered in Greece, Ireland, Italy and Spain.

Job vacancies have improved in some Member States, while some signs of difficulties in recruiting high-skilled staff are appearing…

The job vacancy rate for the EU, which bottomed out in the third quarter of 2009, increased in the second quarter of this year, and at 1.5% is 0.1 pps higher than a year before. The rate was higher than a year ago in most Member States for which data are available, indicating particularly high demand in Germany and Finland (with the rate exceeding 2% in each). Among the larger Member States, demand for new labour in the second quarter improved in Germany, the UK and strongly in Spain (although from a relatively low level). In Germany, at 964 000, vacancies were up on the previous quarter (by a non-seasonally adjusted 133 000) and on a year earlier (by nearly 10 %), while in the UK, at 491 000, vacancies improved by 11 000 (2.3 %) compared to the first quarter and were up 52 000 (or around 12 %) on a year earlier, and in Spain they improved over a year by more than 50 % to nearly 120 000.

Official sources in Germany confirm the relative improvement in demand for labour in recent months, with levels exceeding those of a year ago. In Germany, the Federal Employment Agency's job index (BA-X[5]), which had been edging upwards for a year, remained unchanged in September, at 141 points, narrowing the positive gap on the previous year's level to 30 points. Nevertheless, the index has returned to its pre-crisis level. Although the increases have been slower in recent months, companies have continued to signal both a high demand for labour and some problems in finding sufficiently (highly) qualified professionals. Two thirds of the reported jobs were for full-time workers and more than two thirds for permanent employment. The number of registered vacancies (which in part underlies the index), at around 398 000 in September[4], was up 96 000 (32 %) on a year earlier, similar to the annual rise recorded in August.

European online recruitment activity rises above levels a year earlier…

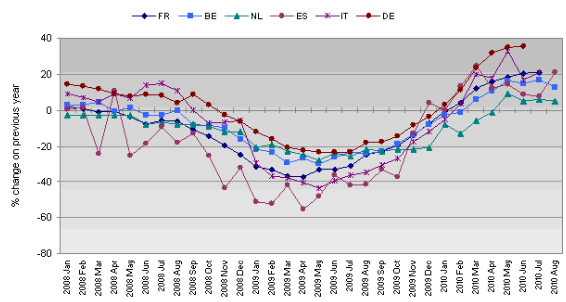
According to the Monster Employment Index[6], online recruitment activity climbed 2 % in September after remaining stable in August, which followed six consecutive months of increases. The rate of annual growth has continued to accelerate; online job opportunities were up 21 % compared to September 2009 and at their highest level since February 2009, reflecting the ongoing cautious improvement across Europe.

In September, hospitality and tourism saw the sharpest monthly pick-up in worker demand among industry sectors. Also sectors reliant on industrial and export activity, including production, manufacturing maintenance and repair and transport, post and logistics noted substantial rises in September, and science and technology sectors such as engineering and IT continued to report rises. Nearly all sectors saw demand escalate compared to a year earlier, suggesting a positive turn in business investment trends.

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

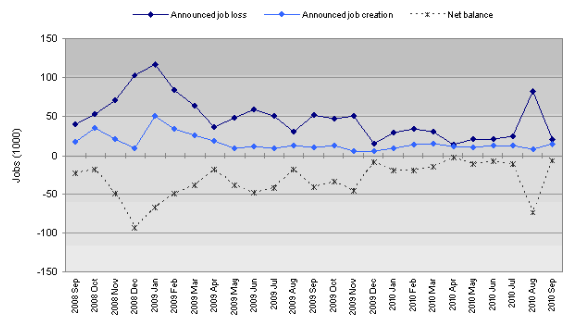
Recent data from Eurociett[7], covering July/August, continue to show an improvement in workplace activity via temporary work agencies, a leading indicator of recovery in the labour market. The number of hours invoiced by private employment agencies now exceeds the levels observed a year earlier in all countries; the year-on-year rises in invoiced hours ranged from 5-12.5 % in the Netherlands

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.

Chart 13: Announced job losses and creation for the EU



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

and Belgium to around 20 % in France, Italy and Spain and 35 % in Germany (Chart 12).

In the UK, the rate of expansion of temporary/contract staff billings eased further in August from March's peak, with the slowdown explained by economic uncertainty and public sector cutbacks. Nevertheless, growth of vacancies was recorded for an eleventh successive month. Although still solid, the latest increase was the slowest since November 2009.

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[8].

Announced job losses continue to slightly outnumber announced job gains

There was reduced restructuring activity reported on the ERM in September 2010; in fact the ERM registered only 21 312 announced job losses in the month (almost three times less than the announced job losses in the same month of the previous year), and 14 625 announced new jobs in a total of 79 cases (Chart 13).

The Member States with the largest announced job losses were the UK (8 823 jobs) and Poland (5 320 jobs), followed by Italy (2 847 jobs) and Sweden (719 jobs) (Chart 14).

Transport and communications and Manufacturing were the sectors most affected by announced restructuring job losses…

In September 2010, restructuring in transport and communications and restructuring in manufacturing accounted for the vast majority of announced job losses in the ERM. Since September 2008, the ERM has recorded 534 086 announced job losses in manufacturing, almost half of total job losses; during the month the ERM recorded 5 313 job losses. Transport and communications was the sector the most affected in September 2010 with 6 065 announced job losses. Other significantly affected sectors included financial intermediation (4 738 jobs) and public administration (3 302 jobs) (Chart 15).

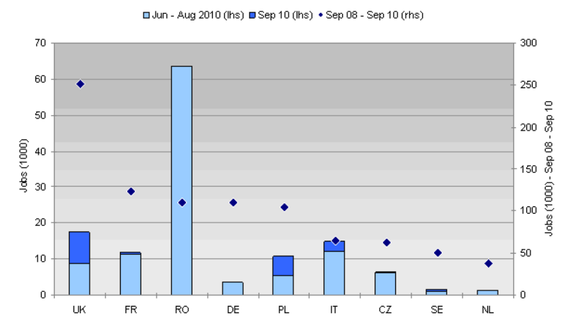
In September, the largest restructuring cases involving job loss were in:

- Transport and Communications: PKP Cargo (PL, 5 000 jobs).
- Manufacturing: Fincantieri (IT, 2 400 jobs), BAE Systems (UK, 946 jobs).
- Financial intermediation: RBS (UK, 3 500 jobs), Standard Life (UK, 575 jobs).
- Public Administration: Somerset County Council (UK, 1 500 jobs), Milton Keynes Council (UK, 600 jobs).

In the transport sector the largest case of job losses recorded in the ERM involves the Polish rail freight carrier PKP Cargo, which announced that at the beginning of December 2010 it will begin to implement the second phase of its restructuring programme, resulting in 5 000 to 7 000 redundancies by the end of 2014. The reduction will be achieved mainly through natural attrition. The company plans to combine the 16 plants located across Poland, reducing their number to 10. The first phase of this restructuring programme was announced in January 2009, envisaging 9 000 job cuts by the end of 2009. In Slovenia, Intereuropa, the largest Slovenian logistics group, announced the loss of 171 jobs, cutting employment levels by 17 %.

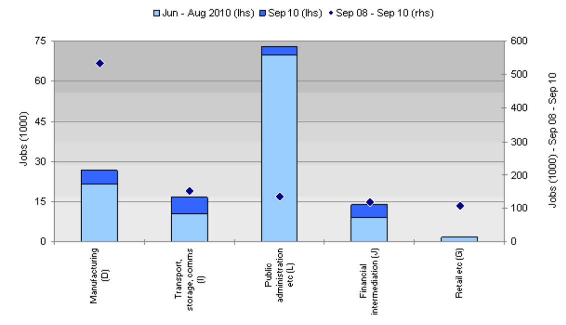
In the communication sector, the French subsidiary of T-Systems (Deutsche Telekom group) announced plans to cut 324 operational functions jobs (engineers, consultants, project managers, etc.) across several of their sites as part of an internal reorganisation. The majority of job losses will be achieved through direct dismissals and only a few through voluntary departures. In Denmark, the Norwegian-owned telecommunications company Telenor announced the loss of 200 jobs among its employees and managers.

Chart 14: Announced job losses for selected Member States



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

Chart 15: Announced job losses by sector for the EU



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

The postal sector continues to be characterised by job losses. Česká pošta (Czech Post), a state-owned company and one of the biggest employers in the country, announced plans to cut 180 jobs by the end of 2010 as part of a large restructuring measure in the run-up to 2015. Dismissals will affect administrative positions (10 % out of a total 1 800 employees).

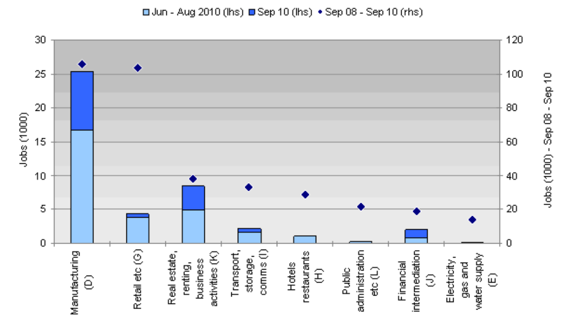
In manufacturing, the biggest case of restructuring relates to Italian shipbuilding group Fincantieri, which has agreed its 2010-2014 industrial plan, to be presented by the end of 2010. The plan should envisage the closure of two Italian shipyards: one located at Castellammare di Stabia (in the province of Naples) and the other one located at Riva Trigoso (in the province of Genoa). The closures and the reorganisation of activities should cause 2 400 job cuts. For the redundant workers the plan provides for recourse to the Italian system of social shock absorbers and to economic incentives for voluntary resignations. The plan envisages new investments for the Fincantieri shipyards located in the United States, with the consequent creation of around 900 new jobs. In the UK, defence company BAE Systems announced plans to cut 946 jobs at sites across the UK; 740 jobs will be cut from English sites in Brough, Chadderton, Farnborough, Samlesbury and Warton, while a further 206 jobs will be cut across 12 sites in the UK, yet to be identified, by the end of 2011. Many of the job losses recorded in manufacturing were due to company closures. In Italy

BAT, one of the world's main tobacco companies, is to close its plant in Lecce, with the loss of 310 jobs. The closure of the Lecce plant is part of a wider reorganisational plan that the company has announced for its European plants. In order to reduce the negative effects of the closure, the company is engaged in finding employers interested in carrying out replacement investment in the industrial area of Lecce. In Sweden, solar panel manufacturer REC Scanmodule announced that discussions have been initiated with the trade unions in order to close its facilities in Glave, (Arvika), by the end of 2010. The closure will affect approximately 300 employees. The financial performance of the plant has been unsatisfactory mainly because of growing international competition. Tetra Pak has announced plans to close its cartons factory in Wrexham, UK, with the loss of up to 150 jobs. The factory employs 265 staff but it plans to keep 115 staff and employ another 20 in order to operate a finished goods warehouse. Floor producer Armstrong announced the closure of its facilities in Holmsund, resulting in 120 job losses. Dismissals are expected to start within six months.

In the Financial Intermediation sector, Royal Bank of Scotland continues to announce job losses: in September it announced a further 3 500 job losses from its technical and back office division in the UK, 1 000 job losses will come from IT support, and 2 500 from support services to other businesses. The bank has also announced that up to 12 offices could close in England. In 2011, offices in Leeds, Bolton, Enfield and Harrogate are set to close or downsize, while those in Norwich, Bradford, Telford, Plymouth, Milton Keynes, Liverpool, Bristol and Borehamwood have been identified for the same purposes in 2012. Leicester, Southampton and Nottingham centres are under review. Insurance and pensions group Standard Life announced it is to cut almost 600 jobs over the next 15 months as part of a major overhaul of the business. The cuts are being made in order to streamline operations and shift the group's focus to long-term savings products such as individual and company pensions, rather than life insurance and investment bonds. 480 jobs will be cut in Edinburgh, while a further 95 will go at regional offices across Britain and 25 from its overseas operations. Of the jobs being cut, about 100 are held by contractors, another 100 of the reductions are expected to be achieved through natural attrition, and 24 are vacancies that will not be filled. At the same time, Standard Life is creating 100 new jobs elsewhere in the business as part of a £200m investment drive in core areas, flagged earlier this year. On 15 September 2010, the Franco-Belgian bank Dexia announced that it will cut 385 jobs in Belgium by the end of 2011. A total of 665 job cuts are being made by the company across the EU including Luxembourg (140 jobs) and France (70 jobs). These reductions are in addition to those announced in January and September 2009, which involved a total of some 1 500 employees across the EU.

As far as the public administration sector is concerned, as in previous months, announcements of restructuring-related job losses continue in city council and local governments: Somerset County Council has announced that it is to reduce staff numbers by up to 1 500 over the next three years. South Gloucestershire Council has announced plans to cut 317 jobs in an effort to save over £36m over the next three years. Milton Keynes Council has announced plans to cut 600 jobs in a bid to save £48m over the next three years. The council hopes to minimise the need for compulsory redundancies and to redeploy staff where possible. Bedford Borough Council has announced plans to cut 200 posts as part of its £10m cost-saving plans. Dundee City Council has announced the need to cut £40 million from its budget. The starting point for cuts has been the opening of a voluntary redundancy scheme; the council announced that 450 staff have applied for redundancy and so far 104 applications have been accepted. The council has yet to confirm how many posts will be lost in the cost-saving exercise.

Chart 16: Announced job creation by sector for the EU



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

...while Manufacturing and Real estate/business activities accounted for the majority of business expansion

Of the 14 625 new jobs announced during September 2010, 8 535 were in manufacturing and 3 550 in real estate/business activities. Since September 2008, manufacturing (105 961 jobs) and retail (103 722 jobs) have been the sectors to benefit the most from announced job creation. Together, they account for over half of all new announced jobs on ERM (Chart 16).

In September, the biggest cases involving job gains were:

- Real estate/Business Activities: IBM (PL, 2 000 jobs), Hewlett-Packard (UK, 700 jobs).
- Manufacturing: AUO (PL, 2 000 jobs), Hyundai Motor Manufacturing Czech (CZ, 1 000 jobs), PSA Peugeot-Citroen (FR, 900 jobs).
- Financial Intermediation: Barclays (UK, 600 jobs), Santander (UK, 400 jobs).

3. Economic context and outlook

ECONOMIC SITUATION

Economic recovery in the EU strengthened in the second quarter of 2010…

While still remaining fragile the economic recovery, which started in mid-2009, strengthened in the second quarter of 2010. The improvement was 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, and encouraging signs of revival in domestic demand, including constantly expanding consumption and, at last, increased investment. Economic activity expanded by a solid 1.0% in the second quarter, following modest growth of 0.2%-0.4% in the previous three quarters. Consequently, compared to a year earlier, economic output, still down by 2.2% at the end of 2009, was up by 2.0% by the second quarter of 2010. In the US, the recovery has generally been sounder, although growth in economic output has been slowing down from a firm 1.2% in the fourth quarter of last year to 0.4% in the second quarter of this year.

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

Within the EU, almost all Member States have returned to positive economic growth, and all the larger Member States had posted positive growth already by the first quarter of 2010 (Chart 17). Among the larger Member States, in the second quarter, economic activity expanded by a healthy 2.2% in Germany, followed by Poland and the UK (1.1% and 1.2% respectively), while Spain, Italy and France registered more modest growth (ranging from 0.2% to 0.7%). Among the remaining Member States, in the second quarter of 2010 economic output declined only in Ireland and Greece (down by 1.2% and 1.8% respectively), while it rebounded strongly in Estonia, Finland and Sweden (up 1.9% in each) and most notably in Lithuania (up 3.2%).

As a result of recent improvements, economic activity is up compared to a year earlier in more than 20 Member States, including all the larger ones except Spain. However, Romania, Ireland, Latvia and Greece continue to record steeply declining output over the year (1.5%-3.7%), although except for Greece, these drops are smaller than in previous quarters.

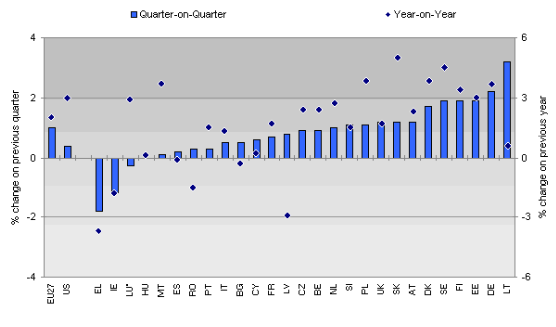
After a nearly flat July and August, industrial production in the EU improved again in September, remaining significantly higher than a year ago…

Economic recovery in the EU has been underpinned by improvements in industrial production since mid-2009. After steady expansion over the second half of 2009, industrial output broadly continued to increase this year, and after remaining flat in June and July it picked up again in August (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. In August, the increase in EU industrial output generally reflected rises in the larger Member States; output increased most significantly in Poland, Italy and Germany (ranging from 1.5 to 1.8%), more modestly in Spain and the UK (0.7% and 0.3% respectively) and remained unchanged in France. At EU level, significantly increased output of capital goods, and also durable goods and intermediate goods, more than offset a slight decline in production of energy and flat growth in non-durable consumer goods.

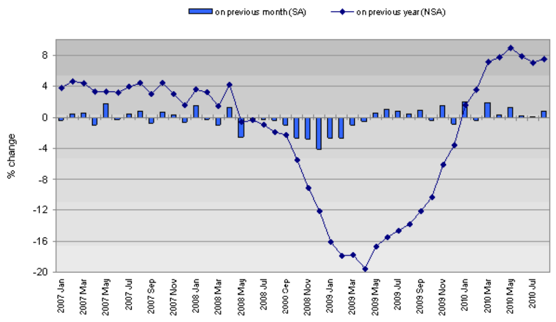
Year-on-year growth in EU industrial production, which turned positive in January, strengthened significantly over the following months, and posted a healthy 7.5% in August, although somewhat lower than the recent peak three months earlier. The strong growth in August was due to year-on-year growth in all the larger Member States, which was particularly solid in Germany and Poland (around 11-13%).

Chart 17: GDP for the EU, US and EU Member States, to the second quarter of 2010



Source: Eurostat, National accounts. Data seasonally adjusted. Note: * Data for LU 2010q1.

Chart 18: Industry production for the EU



Source: Eurostat, Short-term business statistics.

… but new orders for EU industry decreased in July, leading to a slowdown in yearly growth

New orders for industry in the EU have been broadly improving for more than a year now, reflecting more orders for goods in all categories and across the larger Member States. However, after a strong rebound in March and solid expansion in May and June, new orders dropped by 2.5% in July (Chart 19). Orders declined most considerably for capital goods and to a lesser extent for durable consumer goods and intermediate goods, while rising slightly for non-durable consumer goods. Most of the larger Member States contributed to this deterioration, ranging from a slight decline in the UK (down 0.5%) to stronger decreases in Spain, Germany and Italy (2.0%-3.2%), but new orders increased in France and Poland (0.9% and 1.5% respectively).

As a result of continuous rises since mid-2009, year-on-year growth in industrial new orders in the EU, which eventually turned positive at the end of last year, improved to a solid 22.6% in June, before slowing down to 12.6% in July. New orders for industry are still significantly higher than a year ago in all the larger Member States except for Italy, but especially in Germany and the UK (by 18-19%).

EU construction dipped in July, resulting in output again lower than a year ago…

While industry has been experiencing a steady recovery for more than a year now, production in the construction sector picked up only this year following two years of deterioration. A solid gain in construction output in March offset a significant loss in February, followed by limited changes in April and May, and subsequently after a healthy pick-up in June, construction output dropped again in July (down 2.5%) (Chart 20). The July deterioration resulted mainly from a strong plunge (down 10.0%) recorded in Spain after a rebound in the previous month, and a more limited decrease in France and suddenly in Poland (down 1.0% in each), while construction output improved slightly in Germany (up 0.9%) and continued to expand solidly in the UK (4.4%).

In the EU as a whole, year-on-year growth in construction output, which at last turned positive to a healthy 4.3% in June, dropped back into negative territory (-2.0%) in July, nevertheless still better than the -11% observed just five months before. This deterioration almost entirely reflected a steep fall in Spain (34.5%) together with a more moderate decline in France, while construction output was higher than a year earlier in other larger Member States.

… while retail trade turnover dropped in August after a slight improvement in July

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 at a slightly slower pace since then, although

Chart 19: Industrial new orders for the EU

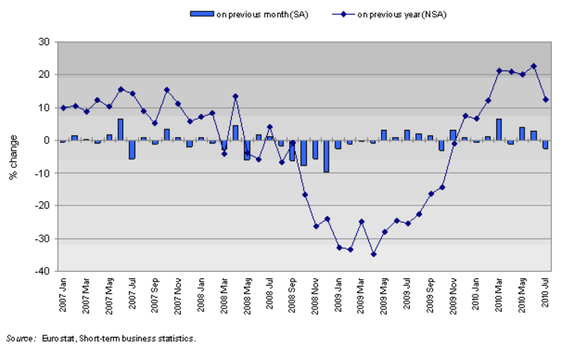


Chart 20: Construction production for the EU

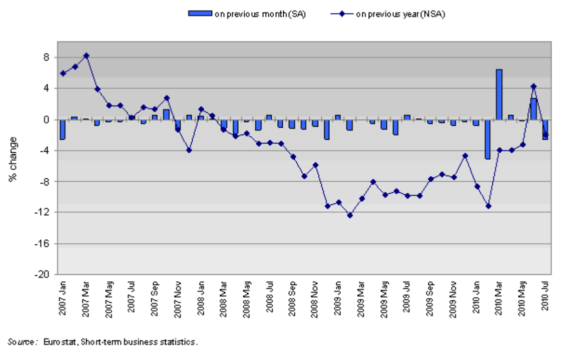
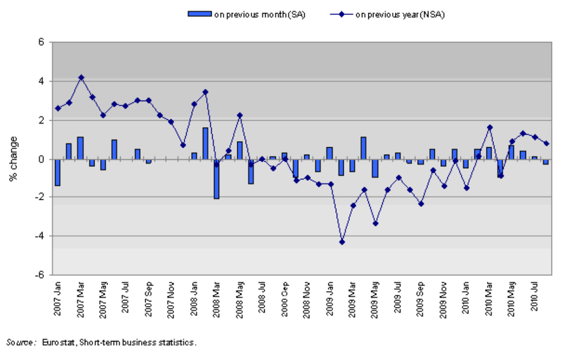


Chart 21: Retail trade turnover for the EU



monthly changes have always been volatile. After three months of improvements, retail trade turnover dropped slightly in August (by 0.3%) (Chart 21). The situation in August reflected a decrease in both 'Food, drinks and tobacco' and the non-food sectors. Underlying the August result for the EU was a mixed performance among the larger Member States: a further modest decline in Germany (down 0.2%) together with stronger drops in France and the UK (down by 0.7-0.8%), which more than offset a slight rebound in retail trade turnover in Poland and Spain (around 1% in each)

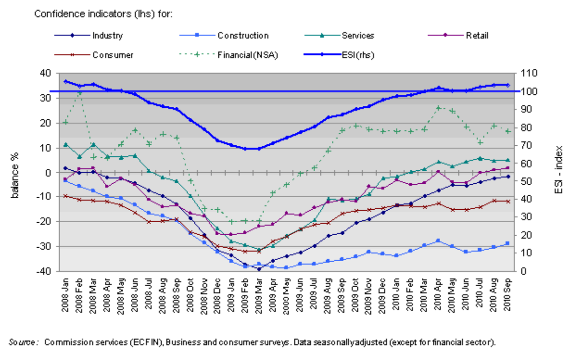
Nevertheless, year-on-year growth in turnover, which has remained positive for around half a year (except for a blip in May) slowed to 0.8% in August. Positive growth over the year was driven by significantly higher turnover in France and Poland, which together with more modest improvements in Germany and the UK compensated for a notable drop in turnover in Spain.

Indications are that the rate of economic expansion in Europe slowed in the third quarter, but that growth remained strong

As indicated by the Markit[9] composite purchasing managers' index (PMI), activity in the industry and service sectors in the euro area has continued to improve, although the pace of growth slowed down; the PMI dropped to 53.8 in September, well below market expectations and down sharply from April's post-recession peak. This indicates that euro area economic growth may have slowed sharply at the end of the third quarter, but that the rate of expansion should have remained strong for the third quarter as a whole. The weak September result sets the scene for a further slowing in the final quarter of the year.

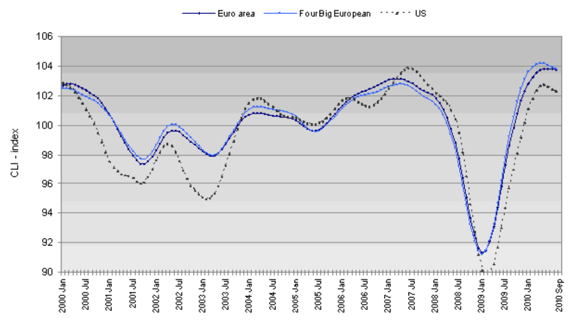
The labour market has remained a disappointing aspect of the recovery, as the PMI Employment index for the euro area fell slightly in September, down from its weak post-recession peak in August, and is consistent with only very modest employment growth of perhaps 0.2% per quarter. The jobs growth is largely confined to France and Germany, while in the other euro area countries PMI data signal an accelerating rate of job losses in September, with the rate of decline reaching the highest since February.

Chart 22: ESI and confidence indicators for the EU



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

Chart 23: Composite leading indicators for the EU and US



Source: OECD, Composite leading indicators.

OUTLOOK

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

During the last three months, the EU Economic Sentiment Indicator (ESI) resumed an upward trend, which started in April last year but broke in May[3], although the recent progress has been slower than last year. Increasing by 1.8 points in July, by 0.6 points in August and by a limited 0.3 points in September, economic sentiment rose above its long-term average to 103.4 (Chart 22).

This slight increase at EU level in September resulted from a mixed picture in the larger Member States. A further improvement in sentiment in Germany and Spain, together with a negligible change in France, offset a decline in Italy, Poland and the UK.

Underlying the sluggish rise of the EU ESI in September was a slow increase in confidence in industry, while confidence in the construction sector gained the most since its dip in June. Consequently, confidence in industry has continued to approach a zero balance though not as rapidly as before, while, due to the relatively slow improvement since bottoming out in spring 2009, pessimism in construction remained the highest among all sectors. Sentiment improved slightly in retail, taking it further above a zero balance, while it remained unchanged in services, though thanks to previous improvements, leaving it positive on balance. Consumer sentiment declined in September, after a marked improvement in August, driven by reduced confidence about the general economic outlook, and despite further easing of unemployment fears. Confidence in the financial sector, which is not included in the ESI, declined in August, but remains highest among all sectors.

…while the OECD leading indicator for Europe, far above the average, points to a possible slowdown in expansion

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 they have now ceased their firm improvement and show signs of turning down. In August, the CLI remained unchanged in the euro area and lost 0.1 point in the group of the four largest EU Member States for the third month in a row, thus losing some momentum after the marked upturn between spring and autumn last year. As they stand far above their long-term average, at 103.7 and 103.8 points, the recent sluggishness reinforces signs of slowing economic expansion. The outlook given by the

CLIs for France, Italy and the United Kingdom pointed strongly to a deceleration, while for Germany the CLI pointed to a continuation of the expansion phase. The CLI for the US also lost 0.1 point in August to stand at 102.3 points, signalling an emerging peak. Despite recent stagnation or decline, the two European groupings still posted recoveries of 5.1 and 4.6 points and the US by a stronger 6.6 points, compared to a year earlier (Chart 23).

Most recent forecasts point to a slowdown in economic recovery with increased uncertainties and sluggish labour market recovery

As reported in the previous month, even if hard data have started to confirm economic recovery and labour market stabilisation, most organisations and experts still point to a generally gloomy outlook in the advanced economies. Nevertheless, the projections of global and European growth by various institutions [10] [11] [12] [13] [14] have recently been revised upward.

According to the September Commission Interim Economic Forecast[15], the EU economy, while still fragile, is recovering at a faster pace than previously envisaged. While activity is still expected to moderate in the second half of the year, the growth outlook has improved compared to the spring forecast to 0.5% and 0.4% in the third and fourth quarters respectively. For 2010 as a whole, EU GDP growth is now forecast at 1.8%, a sizeable upward revision compared to the 1.0% growth predicted in the spring forecast. Taken together with the strong upward revision to economic growth in 2010, it seems that the labour market may perform somewhat better this year than previously expected. Nonetheless, conditions are set to remain weak, reflecting, inter alia, the partial unwinding of support measures and ongoing structural adjustment across sectors and firms. At Member State level, a continuation of the divergence in labour-market performance is also expected.

According to the IMF's October World Economic Outlook[16] economic recovery is proceeding broadly as expected, with activity forecast to expand by 4.8% in 2010 and 4.2% in 2011, but downside risks remain elevated. Most advanced economies still face major adjustments while their recoveries are proceeding at a sluggish pace, with slack remaining substantial and unemployment persistently high, posing major social challenges. Moreover, fiscal consolidation in many Member States adds some uncertainty about the path of unemployment in the near future: the IMF argues that fiscal consolidation could increase unemployment in the short term. Moreover, the forthcoming withdrawal of some of the labour market measures taken during the crisis could also contribute to a new rise in unemployment over the next few months.

Overall, the recovery in Europe has finally gained some vigour, but it is still likely to be moderate and uneven, with patchy labour market performance. The IMF revised its GDP growth forecast for the euro area upward to 1.7% for 2010 and to 1.5% for 2011 (3.3% and 2.0% for Germany, 1.6% and 1.6% for France, 1.0% and 1.0% for Italy and -0.3% and 0.7% for Spain, for 2010 and 2011 respectively), for the UK to 1.7% for 2010 and downward to 2.0% in 2011 and for Poland to 3.4% and to 3.7%.

Unemployment in advanced economies has receded only modestly from peak rates. The unemployment rate for the euro area is set to be 10.1% for 2010 and 10.0% for 2011 (7.1% and 7.1% for Germany, 9.8% and 9.8% for France, 8.7% and 8.6% for Italy, and 19.9% and 19.3% for Spain, for 2010 and 2011 respectively), for the UK standing at 7.9% in 2010 and 7.4% in 2011, and for Poland at 9.8% and 9.2%, respectively. Among the remaining EU Member States, unemployment rates are set to increase and be the highest in Spain and the Baltic States (ranging from 17.5% to 20% in 2010 before moderating to 16-19% in 2011), while also in Greece the rate will continue to rise strongly to 11.8% in 2010 and further to 14.6%.

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 France, Germany, Hungary, Italy, Poland, Spain and the United Kingdom. Priority has been given to the most recent reports and forecasts (dating from August to early October 2010) from reliable sources at country level, complemented by relevant data from Eurostat.

France

According to the National Institute of Statistics and Economic Studies (Insee), French households were still worried about unemployment in September, but less pessimistic about the economic situation. In September consumer confidence about the economic situation improved by 3 points on July 2010. At the same time, households were substantially fewer than in July to forecast a rise in unemployment, with the index falling by 24 points in two months, certainly thanks to the confirmed recovery in GDP and in purchasing power, as well as the slightly improving employment figures in the second quarter. Yet, the index remains above its long-term average.

And indeed, although Eurostat reported, for August 2010, the highest unemployment rate since September 1999, at 10.1%, the increase has been easing in recent months. A major levelling off has been seen in male unemployment, as the rate for men has remained practically unchanged since October 2009, at around 9.6%. Conversely, after stabilising at around 10% between August 2009 and January 2010, female unemployment has increased continuously since February this year to reach 10.5% in August, 0.8 pps higher than the unemployment rate for men.

Youth unemployment remains higher than the EU average, with nearly one in four young people out of work, although youth unemployment was already high before the crisis (around 18% in the first months of 2008). 24.4% of people aged less than 25 were unemployed in August 2010, 0.8 pps higher than in the same month last year. Although a stabilisation followed by a decline had been recorded between the autumn of 2009 and the spring of this year, youth unemployment is growing again, which raises some concerns.

Some improvements have recently been seen in the temporary agency workers market, a leading indicator of recovery in the labour market. According to Eurociett and Prisme, temporary agency turnover increased by 22.0% in France between July 2009 and July 2010. In the same period, the number of hours worked rose by 21.0%, while the number of temporary workers had risen by 14.4%. France accounts for 19% of the European agency work market.

Insee recently published a study on changes seen in the last 50 years in France's labour market. In half a century, employment has become more feminine, more qualified, more services-oriented, more stressful, but also less young and less long-lasting. In 1962, 19 million people had a job, of which two-thirds were men. In 2007, there were nearly 26 million, of which 53% were men. In the same period, the weight of industry in the labour market shrank from close to 30%, to only 15% in 2007. Part-time work has dramatically increased. Virtually non-existent in the 1960s, its share of employment grew from 12% in 1990 to 18% in 2007.

France's public deficit reached 7.5% of GDP in 2009. It continued rising in recent months, but the government is now striving to contain it below the 8% mark. France should seek to reduce its budget deficit to 3% by 2013 and 2% of GDP by 2014 to keep in step with the pace of fiscal tightening in Germany. Among other measures, 31000 job could be dropped in public services in 2011. These estimates were voiced by the minister for the Budget, after the government had reevaluated its GDP growth forecasts: +1.5% in 2010 and +2.0% next year. The IMF forecasts growth would be +1.6% in both years. In this context, the unemployment rate should stabilise around 9.8%.

Against this backdrop, the tough debate on pension reform is ongoing. The reform prompted by the government, and already endorsed by the National Assembly, consists in the overhaul of the pay-as-you-go pensions regime. One of its key components is raising the retirement age from 60 to 62 by 2018.

Germany

Germany is the only euro area country which has not recorded significant growth in unemployment through the crisis. According to the Bundesagentur für Arbeit (BA), the German economy is recovering and the situation on the labour market is improving. Unemployment decreased to 3 million in September, 40000 fewer than in the previous month (in seasonally-adjusted terms) and 315000 fewer than in the same month a year ago, reflecting that demand for employees continues to remain at a high level.

According to Eurostat, Germany's unemployment rate has slightly declined in recent months. It was 6.8% in August 2010, 0.1 pps lower than in the previous month and 0.8 pps lower than in August last year. It was even 0.3 pps lower than in August 2008, i.e. before the crisis started to hit the labour market. Since June 2009, when it peaked at 7.7%, the unemployment rate has been edging down progressively. This trend is mainly due to decreasing male unemployment. The unemployment rate for men fell by 1.0 pps between August 2009 and August 2010, to 7.3%, while that for women decreased by only 0.6 pps, to 6.3%. Germany's youth unemployment rate is the second lowest in the EU – at 8.8% in August 2010 - and has posted substantial falls in recent months, down 2.0 pps on August 2009.

BA has reported that (not seasonally adjusted) gainful employment increased by 114 000 to 40.47 million from July to August. Compared to the previous year, it was up by 193 000, according to Destatis. Meanwhile, full-time employment covered by social insurance is also increasing again and this by 173 000 compared to July 2009. Part-time employment covered by social insurance exceeded the level of the same month last year by 178 000. The number of self-employed persons also increased compared to the previous year.

Data on reported vacancies have shown an increasing trend, with levels now well above those of the previous year. Reported vacancies grew by a seasonally adjusted 4 000 in September, with some 398 000 positions. Compared to the previous year, this was an increase of 96 000. According to Eurociett and BZA, the number of temporary agency workers had increased by 35.5% between June 2009 and June 2010 in Germany, which accounts for 13% of the European agency work. Summarising overall developments, the BA's job index, the BA-X, remained unchanged at 141 points from August to September, but was up by 30 points compared to the previous year.

In this context, German business and consumer confidence both rose to a three-year high in September, according to Ifo and Gfk Marketing institutes, respectively. The former index is inching towards its all-time high of 108.6, with the German industrial motor still appearing to be running smoothly in the third quarter, while the latter points to the forward-looking consumer confidence indicator jumping to a higher-than-forecast 4.9 points for October from an upwardly revised 4.3 points in August, thanks to falling unemployment figures and a moderate price climate.

Roughly two years after the start of the massive recourse to short-time working arrangements, their relative importance is shrinking further. According to preliminary data, a short-time allowance due to the economic situation was paid to 288 000 employees in July. These were 111 000 less than in the previous month and 927 000 less than the year before. Compared to the peak in May 2009, short-time allowance due to the economic situation has decreased by almost four fifths.

As reported by Destatis, a seasonally adjusted increase of 0.4% was recorded in labour costs per hour worked in Germany in the second quarter of 2010. In the same period, the costs of gross wages and salaries were up 0.4% and non-wage costs 0.1%. Compared with the second quarter of 2009, labour costs had increased by 0.5% in the second quarter of 2010.

Looking ahead, according to the IMF Germany's GDP, which receded by 4.7% in 2009, is expected to grow again by 3.3% this year and 2.0% in 2011. German exports, along with industrial orders and production, have not only pushed German GDP up but also the euro area's as a whole. In this context, the German government hopes to limit its budget deficit to 4% of GDP as of this year, against 4.5% expected so far, while the unemployment rate should remain moderate, around 7.1% in 2010 and 2011. However, a strengthening euro could be conducive to revising these forecasts.

Hungary

According to the Hungarian Central Statistical Office (KSH), indicators for May-July 2010 for both employment and unemployment showed improving trends compared to the averages for the previous months. The number of employed persons was 3.76 million in the 15-64 age group, down by 22 000 or 0.6% compared with May–July last year but up by 69 000 compared with the first quarter of 2010. In May–July 2010 the employment rate was 55.5% (60.5% for males and 50.6% for females), one of the worst rates in the EU. By comparison, 64.6% of the working-age population of the EU were employed last year.

In the same age group, the number of unemployed persons rose by 60 000 to 467 000 over the year, but this represents a decrease of 31 000 compared to the first quarter. According to Eurostat, the Hungarian unemployment rate was 10.9% in August 2010, or 0.4 pps more than in the same month of last year, but had decreased for the second consecutive month (-0.2 pps per month since June). The youth unemployment rate also declined for the second consecutive month, from 27.9% in June down to 27.1% in August. Despite this improvement, the rate remains 6.9 pps higher than the EU average.

As reported by KSH, in the first half of 2010 the number of persons employed by businesses with at least five employees and by government institutions stopped falling, with a modest growth recorded in the first seven months of the year. In January–July 2010 there were 2.68 million employees, i.e. 15 000 more than a year earlier. The business climate seems favourable too, as — among others — General Motors announced it would set up an engine production site in Szentgotthard, on the Austrian border, and create 1 000 new jobs, 800 in the short term and a further 200 in the future.

Earnings have shown a recovery from last year's falls. In January–July 2010, real earnings were 3.2% higher than a year before. In the corresponding period of last year, they decreased by 2.1%. This year, rises of 3.5% and 2.8% were observed in the private and public sectors, respectively.

In the second quarter of 2010, Hungary’s GDP was higher than the corresponding quarter of the previous year for the first time since the beginning of the crisis. Looking at the first half of the year as a whole, GDP was up by 0.5% (as against a decline of 7.1% for the same period last year). The recovery has been based mainly on an export boom. From January to June, exports of goods and services rose by 14.9% while imports increased by 13.5% compared to the same period of the previous year, improving the external trade surplus. The IMF expects Hungarian GDP to grow by 0.6% in 2010 and 2.0% in 2011 and its unemployment rate to stabilise slightly above 10% until 2011.

Italy

Istat estimates that 23 million people were employed in the second quarter of 2010, down 0.8% (-195 000) from the same quarter last year. The employment rate decreased to 57.2% from 57.9% in that period. On the demand side, in the second quarter of 2010 the job vacancy rate for all sectors covered by the survey (industry and services) was 0.7%, representing a 0.2 pps increase compared with the second quarter of 2009. According to Eurociett and Assolavoro, the number of paid working days through temporary agencies rose by 20.8% between July 2009 and July 2010. Italy accounts for 6% of the European agency work market.

In the second quarter of 2010, unemployment rose to 2.1 million. The unemployment rate reached 8.3%, up 1 pps on the same quarter last year, while the inactivity rate was 37.5% (+0.1 pps). According to Eurostat, Italy's unemployment rate was 8.2% in August 2010, down 0.2 pps on the previous month. The decline seen in comparison to July was driven by the fall in unemployment for women, for whom the unemployment rate fell by 0.6 pps in a single month to 9.1%. For men, however, it edged up by 0.1 pps to 7.6%.

In the twelve months to August 2010, the youth unemployment rate increased by 0.6 pps, to 25.9%. This rate, although well above the EU average (20.2%), remains moderate compared to those recorded by other southern European countries like Greece or Spain. Based on results for the previous year, Istat reports that, in the second quarter of 2009, 33.1% of the 14 million Italians aged 15-34 had a paid job and/or were participating in a work-study programme (training, internships, apprenticeships). 15.6% of these 4.6 million young people had both paid work and a work-study place, 15.1% had at least one paid job and 18.0% percent participated in at least one work-study programme. The participation of young women in work-study programmes is higher than that of their male counterparts. In particular, 37.3% of young women no longer in education and holding a master's degree had a work-study place, compared with 33.1% of young men.

In the second quarter of 2010 the seasonally adjusted index of gross wages per full-time equivalent (fte) increased by 0.5% compared to the previous quarter (0.9% in industry and 0.6% in services). The unadjusted index rose by 3.4% compared to the second quarter of 2009 (4.6% in industry and 2.5% in services). In July 2010 both the hourly wage index and the per-employee index increased by 0.1% compared to the previous month and by 2.4% compared with June 2009.

Italy's GDP grew by 0.5% quarter-on-quarter in the second quarter of 2010. This slightly outstripped the progress seen in the previous quarter (+0.4%). This growth is supported by the positive trend seen in industrial production. According to Istat, in August 2010 the seasonally adjusted industrial production index had increased by 1.6% compared with the previous month, and by 9.5% compared with August 2009. According to the IMF, the Italian economy is forecast to grow by 1.0% in both 2010 and 2011.

According to a report released by the Italian industrial employers' association, Confindustria, the performance of the economy is the worst among industrialised countries. Confindustria has therefore scaled back its economic growth forecast for next year, with GDP now expected to rise by 1.3% compared to the previous prediction of 1.6%. But it confirmed its GDP growth forecast for this year at 1.2%. The Italian economy, according to the same report, will not return to its 2007 level until 2013. According to the report, 450000 jobs had already been lost by the middle of the year and a further 30000 are at risk in the second half of the year. Confindustria also predicted that the unemployment rate would climb to 9.3% by the end of 2011. The IMF, on its side, expects Italy's unemployment rate to reach 8.7% this year and 8.6% in 2011.

In its report, Confindustria also stated that Italy's black or underground economy rose sharply in 2009 and was now worth 20% of Italian GDP, 27% excluding the public sector. This translated into lost tax revenue far greater than the € 125 bn calculated last June, according to Confindustria. It said tax pressure in Italy had risen significantly.

Poland

According to Poland's Central Statistical Office (GUS), average employment in the first half of 2010 amounted to 8.1 million, up 0.2% on the same period of last year. A substantial increase in employment was observed in administrative and support services (+11.0%), as well as in public administration, defence, and compulsory social security (+6.8%). A drop in employment was observed in the transport and storage (-2.8%), manufacturing (-2.6%) and the electricity, gas, steam and air conditioning supply sectors (-1.7%).

At the end of June 2010, there were 1.8 million unemployed registered at the labour offices (of which 51.1% were women). Compared to the same period of last year, the number of registered unemployed was up by 185300 (+11.2%). This number rose in all regions, most of all in Pomorskie (+21.9%) and Śląskie (+16.4%). In the first quarter of 2010, the number of people coming off the unemployment registers amounted to 614600 (512700 last year). At the end of March 2010, the share of the long-term unemployed among the total number of registered unemployed amounted to 42.5%.

According to Eurostat, Poland's unemployment rate has been on the decline since March 2010, when it peaked at 9.8%. It fell continuously in the following months, to stabilise in July and August 2010 at around 9.4%. This is still 0.9 pps higher than the rate recorded in August last year, although it remains just below the EU average (9.6%). Poland's unemployment remains moderate compared to pre-accession levels, as its unemployment rate was still roughly 20% in the first months of 2004. The decline noted above is mainly due to the fall in male unemployment. This fell by 0.7 pps between March and August 2010, to 8.9%, while female unemployment remained unchanged, at 10.0%, over the same period. And indeed, although the total number of unemployed remained unchanged in August 2010, at 1.8 million, the percentage of women had increased to 52.9%. On the positive side, the youth unemployment rate did not change much (+0.4 pps) in the twelve months to August 2010, when it was at 22.6%.

According to GUS, in the first half of 2010, average monthly gross wages and salaries in the national economy amounted to PLN 3256, up 3.9% on the same period last year. In the public sector, the figure was PLN 3747 (+4.6%), as against PLN 3007 (+3.5%) in the private sector. The purchasing power of average monthly gross wages and salaries was 1.2% higher than last year. In the previous year, the increase was 2.2%.

Poland's economic growth may reach 4% this year if private investment rebounds, according to the governor of the central bank. Poland's economy is the only one in the EU that posted growth in 2009 (+1.7%), and it continued to grow, in annual terms, by 3.1% in the first quarter of 2010 and by 3.8% in the second quarter, driven mainly by domestic demand and private consumption. The IMF sees Poland's economy expanding by 3.4% this year and 3.7% in 2011. Against this background, Poland's unemployment rate is expected to remain stable through the autumn, while it will likely fall by the end of the year, according to the Ministry of Labour. In the draft budget for 2011, the unemployment rate is estimated to remain below the 10% mark at the end of 2010 and, according to the IMF, to decline further to 9.2% by 2011.

Spain

According to Eurostat, Spain, with its 4.7 million jobless, still posts the highest unemployment rate in the EU, at 20.5% in August 2010, more than double the EU average. Even more worrying is the recent trend in unemployment. Unlike in most Member States, where unemployment figures have, if not receded, at least stabilised, Spain's unemployment is continuing to rise, albeit at a slower pace. Its unemployment rate increased almost continuously in the twelve months to August 2010, by a total of 1.8 pps (+0.2 pps between July and August alone).

Female workers have suffered most from the recent rise in unemployment. The female unemployment rate climbed by 2.2 pps in the twelve months to August 2010, to reach 21.2%, while the male unemployment rose by 1.5 pps to 19.9%. Youth unemployment remained high at 41.6%, flirting with record mid-1990s levels — it was 42.8% in February 1994. It has not declined in recent months either, and is 1.4 pps higher than in the same month last year. Young men are particularly hit: 43.4% (+2.1 pps).

According to the Instituto Nacional de Estadística (INE), labour costs for companies were € 2 578 per worker per month in the second quarter of 2010, representing an increase of 1.2% as compared with the same period of 2009, and 0.2% up on the first quarter of 2010. The wage cost per worker per month increased by 1.8% year-on-year, reaching € 1 927 on average. Other costs fell by 0.6%, to € 651 per worker per month. This decrease, although more moderate than in the previous quarter, continues to be driven by the decrease in direct social benefits, especially compensation for dismissal. Labour costs per effective hour worked increased 0.8%.

Many sectors are still suffering from the downturn, although GDP has posted limited growth since the first quarter of 2010: +0.1% and +0.2% quarter-on-quarter in the two first quarters of this year, albeit still negative in annual terms (-0.1% in the second quarter of 2010). The car manufacturing industry is particularly affected. Car registrations fell roughly 24% between August 2009 and August 2010, reaching a record low for more than 20 years, owing to the increase in VAT – see below - and the end of the € 100 m car-scrapping scheme. If this situation continues, a decline could be posted for the year 2010 as a whole. Employment in this sector, which currently employs more than half a million people in Spain, could be dramatically affected, according to the Association of Spanish car and lorry manufacturers (Anfac). Consequently, Spain has asked for € 51.8 m from the EGF since 2007 to pay for training courses and subsidies to help 14 000 new unemployed in the industrial sector.

On the positive side though, provisional INE data indicate that the Industrial Production Index went up by 3.2% between August 2009 and August 2010, and was then 5.5 pps above that registered in July. By economic destination of the goods, all the sectors present positive interannual rates, except capital goods. Nevertheless, according to the IMF, GDP growth is not expected to resume before next year,: -0.3% in 2010 and +0.7% in 2011.

The Spanish government has embarked on a series of drastic austerity measures, in order to reduce the public accounts deficit from 11.1% in 2009 and an expected 9.3% in 2010 to 6% of GDP by 2011. The aim is to return to below 3% of GDP by 2013. These measures include a 16% reduction in ministry spending and an overall reduction of 7.9% in state spending by eliminating some tax rebates and cutting civil servants' wages by 5%. On the revenue side, VAT rates were raised as from 1 July. In this context, the government now expects unemployment to fall below the 20% mark next year, to 19.3% (the previous forecast was more optimistic: 18.9%).

United Kingdom

According to the Office for National Statistics (ONS), there were 30.8 million filled jobs in June 2010, up 71 000 over the quarter but down 196 000 on a year earlier. The sector showing the largest increase in jobs over the quarter was construction, which increased by 53 000. The employment rate for those aged 16-64 for the three months to July 2010 was 70.7%, up 0.4 pps over the quarter. This is the largest quarterly increase since May 1989.

The unemployment rate has been relatively stable for about a year, at around 7.8%. For the three months to July 2010, it was down 0.1 pps over the quarter as the number of unemployed fell by 8 000 to 2.47 million. Male unemployment fell by 58 000 over the quarter to 1.45 million but female unemployment increased by 50 000 to 1.01 million. Their respective rates were 8.5% and 6.8%, down 0.5 pps on the same period last year for men, but up 0.4 pps for women. The number of people unemployed for over 12 months was 797 000 in the three months to July 2010, accounting for 32.3% of total unemployment. This represents an increase of 16 000 compared to the three months to April 2010. Unemployment for 18-24 year-olds was 728 000, up 16 000 from the three months to April 2010. According to Eurostat, the youth unemployment rate was 19.1% in June 2010, 0.6 pps less than a year before, and still slightly below the EU average.

The number of people claiming jobseeker's allowance (the claimant count) increased by 2 300 between July and August 2010 to 1.47 million. This is the first monthly increase since January 2010. Between July and August, the number of male claimants fell by 2 600 to 1.04 million, but the number of female claimants increased by 4 900 to 426 300.

The number of vacancies for the three months to August 2010 was 467 000, down 14 000 over the quarter. In line with this decline, the Report on Jobs Vacancies Index posted 56.4, down from 57.7 in July. The sector with the largest quarterly fall was education, where the number of vacancies fell by 11 000 to 39 000. According to Eurociett and Markit Economics, the Permanent Staff Vacancies Index fell from 57.9 in July to 56.5 in August 2010, pointing to a further slowdown in demand growth. The Temporary Staff Vacancies Index registered 54.2, down from 55.0 in July and reaching a ten-month low in August. Economic uncertainty and public sector cutbacks were widely cited by panel members as the main drivers of the slowdown in growth.

According to ONS, the annual growth rate for total pay (including bonuses) was 1.5 % for the three months to July 2010, up from 1.1 % for the three months to June. The annual growth rate for regular pay (excluding bonuses) was 1.8 % for the three months to July 2010, up from 1.6 % for the three months to June.

After declining by 4.9 % in 2009, the UK's GDP increased by 1.2 % in the second quarter of 2010. In comparison to the second quarter of last year, it increased by 1.7 %, the first annual increase since the beginning of the crisis. The robust expansion in the three months to June was bolstered by consumers dipping into their savings and a big rise in government spending ahead of a severe austerity drive. The output of production industries remained unchanged at 1.0 % in the second quarter. Within production, manufacturing output increased by 1.6 % and construction output rose by 9.5 %.

According to the ONS, in the financial year 2009-2010 the UK posted a record deficit of 11.4 % of GDP. At the end of March 2010, general government debt was equivalent to 71.3 % of GDP. In this context and in spite of an expected pick-up in GDP figures (+1.7 % in 2010 and +2.0 % in 2011, according to the IMF), the UK government plans additional cuts in welfare expenditure, including axing child benefit payments for people in the highest tax bracket of annual earnings. According to government estimates, an overall £ 15 bn reduction in the annual welfare budget would save about 6 % of total spending in this area. At the same time, cutting by 25 % the budgets of many government departments is envisaged.

Against this backdrop, the government hopes the economic recovery will see the private sector offset the 600 000 public sector job losses it expects over the next five years. The IMF forecasts the UK's unemployment rate to peak at 7.9 % this year before falling to 7.4 % in 2011.

2. Selected sectoral trends: Jobs in the tourism sector

Significance of the sector under review

Europe is the world's top tourist destination. Each year, nearly 400 million international arrivals – or more than two-fifths of the global figure – enter one of the EU's 27 Member States. In addition, EU residents make nearly one billion holiday trips annually, three-quarters of these to a destination within their own country. In economic terms, the tourism sector comprises some 1.8 million companies, many of them SMEs, and accounts for about 5 % of the EU's GDP and employment, providing jobs for an estimated 12 to 14 million people. In addition, employment growth in the tourism sector has, over the past decade, generally been greater than in the wider economy.

Most of these jobs are found in the hotels and restaurants sector. In 2008, this highly labour-intensive service industry employed about 10.3 million people, a large share of these posts being filled by temporary workers. The sector's total workforce was then 29.3 % higher than 10 years earlier, according to Eurostat's National Accounts. The annual average increase over that period was 2.6 %, much more pronounced than the average increase for the entire economy (1.0 % per annum). In 2008, women made up 55 % of the workforce in this sector and 28 % worked part time.

Supported by lower travel costs and the economic boom in the period from 2004 to 2007, the sector thrived in the decade to 2008. Further, unlike other industries such as automobiles and construction, it has been relatively unaffected by the financial crisis, since its activities rely very little on consumer credit. Reflecting this constant progress, at least until 2008, supporting and auxiliary transport activities, which include those of travel agencies, did even better: in only nine years, from 1998 to 2007, employment rose by 40.7 %, i.e. +3.9 % per annum on average.

However, the situation was quite different in the air transport sector. It employed 385 000 people in 2007. Although marked progress was recorded compared to 1998 (+6.8 %), this hid substantial swings over the period: the sector's labour force peaked at 400 000 in 2000 before falling to 370 000 from 2001 to 2004, while finally gaining some momentum again in subsequent years. So far numbers have not yet caught up with pre-2001 levels, mostly owing to major structural challenges and ever-increasing international competition, including from low-cost carriers and high-speed train services. According to the Association of European Airlines (AEA), which represents 35 European scheduled carriers, aviation as a whole directly and indirectly accounts for more than 4.2 million jobs in Europe, a figure that should double by 2020, and contributes more than EUR 235 billion to European GDP.

Employment trends and social consequences of the downturn

The impact of the crisis in the hotels and restaurants sector is a secondary consequence of the crisis in the real economy, as people have less disposable income and are uncertain about their economic prospects. The sector was thus late to enter recession, and will be late coming out too, as already reported in the monthly LM monitor of September 2009. According to Eurostat, the number of trips remained stable in 2009 – the number of outbound trips slightly decreased – but nights spent were down by 4.8 % in hotels and similar accommodation. The monthly number of nights spent in 2009 was below 2007 levels for all months. Except for the Netherlands, Sweden and the UK, the number of nights spent in hotels and similar accommodation dropped in all Member States during 2009. In nearly all Member States, the decrease was bigger than during the year 2008. As far as the 2009 - 2010 winter season is concerned, the number of nights spent in hotels and similar establishments increased by 0.9 % or 5.1 millions in the EU, as compared to the same period in 2008 - 2009.

Recent developments reported by the European Restructuring Monitor (ERM) indicate that the economic downturn is not disproportionately affecting the hotels and restaurants sector. In fact, from January 2009 to September 2010, more than four times as many new jobs were announced as job losses, 40 502 as against 8 587, in a total of 38 cases. Major expansions were launched by fast food chains, with almost 30 000 announced new jobs since January 2009. A similar expansion was seen with low-cost holidays. In January 2010, for instance, the budget hotel chain Travelodge announced it would open 26 new hotels during the year, creating 500 new jobs.

The AEA reported early this year that 2009 saw a decrease of 4.5 % in passenger-kilometres with an even greater fall of 5.8 % in the number of boarding passengers, from 346 million to just below 326 million. This 20 million drop clearly surpasses the largest annual fall previously recorded – 14 million in 2002, following the 9/11 terrorist attack. Destinations in central, eastern and northern Europe were particularly badly hit, while results in western, southern and Mediterranean Europe were relatively better. Given that the year-on-year comparison was with a steadily worsening trend in the 2008 baseline, it is unsurprising that the decline slowed through the later stages of the year, resulting in a December traffic volume identical to that in December 2008.

According to the ERM, there has been significant restructuring in the European airline industry over the past months, in some cases leading to industrial unrest. International competition has exposed underlying structural weaknesses such as tendencies to run at overcapacity, large corporate debt and vulnerability to volatile fuel prices. The sector also faces criticism of its greenhouse gas contribution, which may lead to environmental levies and related costs. Airlines' vulnerability to cyclical shocks has also never been more evident. The profitability of many national or incumbent operators is especially sensitive to the level of business travel, which has been severely affected by the recent recession.

Consequently, restructuring programmes have been implemented across the EU, with long-established, market-leading 'flag carriers' feeling the pressure most. British Airways announced plans in October 2009 to cut 1 000 jobs and reduce the working hours of 3 000 more workers in addition to imposing a two-year pay freeze. This was followed by an announcement in November 2009 to cut a further 1 200 jobs owing to a fall in revenue over the 2009 summer holiday season. In March 2010 the ongoing restructuring at BA provoked high-profile strike action by cabin crew. In September 2009, Air France KLM also announced major job cuts. 1 500 jobs are to be cut in the company's cargo operations, a victim of the sharp decline in world trade, under a voluntary redundancy plan from 2010 to the end of 2011. In July last year, Air France had announced that it would cut more than 4 000 jobs by 2013. Direct dismissals would be avoided though, as the job cuts would be implemented through natural wastage, voluntary redundancies and internal mobility. Other major airlines announced job cuts, including Scandinavian Airlines (4 600), Aer Lingus (676) and Lufthansa (400).

Although some low-cost carriers have not been spared by the downturn, including SkyEurope and Vueling, some 'winners' have emerged, such as Ryanair, Europe's biggest budget airline. Continuing to expand, the airline announced in February 2010 that it intends to create 550 new jobs across the EU with the opening of a new € 100 m base in Kaunas, Lithuania, in May 2010, the doubling of its routes from Faro, Portugal (200 jobs) and the construction of a second maintenance hangar at Glasgow Prestwick Airport in the UK (200 jobs). However, the airline announced 200 redundancies at Dublin Airport.

The expansion seen by travel agencies and tour operators until 2007 has not extended into subsequent years. In that sub-sector, the ERM registered seven cases of restructuring since January 2009, all resulting in announced job losses (2 212 jobs in total). The largest single case was in June 2010, when the new management of the travel agency Marsans announced its plans to make 1 200 to 1 500 workers redundant. America Express Business Travel also announced the loss of 230 jobs in France with the closure of eleven offices in 2010. Club Med World, a company in the leisure and tourism sector, announced in June 2009 that it had decided to close Club Med World Paris, resulting in the loss of about 100 jobs. In Austria, Österreichisches Verkehrsbüro, Austria's leading tourism company, announced it was shedding 100 of its 3 100 jobs across the country from the beginning of 2009 by not filling vacant posts.

Outlook

These changes reflect global developments. According to the World Tourism Organisation (UNWTO), the global economic crisis, aggravated by the uncertainty surrounding the A(H1N1) pandemic, turned 2009 into one of the toughest years for the tourism sector. International tourist arrivals for business, leisure and other purposes are estimated to have declined worldwide by 4 % in 2009 to 880 million. This represents a slight improvement on the previous estimate, though, as a result of the 2 % upswing in the last quarter of 2009. In contrast, international tourist arrivals shrank by 10 %, 7 % and 2 % in the first three quarters, respectively. Asia and the Pacific and the Middle East led the recovery, with growth already turning positive in both regions in the second half of 2009.

As far as the air transport sector is concerned, prospects have improved with arrivals now forecast to grow between 3 % and 4 % in 2010. This outlook is confirmed by the remarkable rise in the UNWTO Panel of Experts' Confidence Index. Against the backdrop of both the upturn in international tourism figures and overall economic indicators in recent months, international tourist arrivals are expected to grow by 3 to 4 % in 2010. By region, Asia is expected to continue showing the strongest rebound (double-digit growth in passenger traffic), while Europe and the Americas are likely to recover at a more moderate pace. The aviation industry could recover within two years from the global economic downturn, according to the International Air Transport Association (IATA).

Despite this relatively positive outlook, Europe's tourism sector faces substantial economic, social and environmental challenges. These include: increasing competition from destinations in other parts of the world; the environmental impact of tourism; the need to seize new market opportunities, such as attracting tourists from emerging markets; developing and shifting intra-European tourism to 'alternative' — still unknown, but emerging — destinations or off-season travel; the impact on demand of the ageing European population; as well as technological change. Tackling these issues will require a coherent policy framework, not just at national level but also at European level, given tourism's cross-border nature. Building on the foundation provided by the Lisbon Treaty, the European Commission has unveiled and proposed a tourism strategy to pave the way to greater competitiveness and sustainability for the sector in the future.

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 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

[3] 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

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

[5] 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):

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

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

[8] 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 5 October 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

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

[10] For more information on the World Global Economic Prospects, please visit the website:
http://web.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTDECPROSPECTS/EXTGBLPROSPECTSAPRIL/0,,menuPK:659178~pagePK:64218926~piPK:64218953~theSitePK:659149,00.html

[11] For more information on ECB Survey of Professional Forecasters, please visit the website:
http://www.ecb.int/stats/prices/indic/forecast/html/index.en.html

[12] For more information on Consensus Economics, please visit the website: http://www.consensuseconomics.com/

[13] For more information on the ECB Macroeconomic Projections for the Euro Area, please refer to the document:
http://www.ecb.int/pub/pdf/other/ecbstaffprojections201009en.pdf

[14] For more information on the OECD Interim Economic Assessment, please visit the website:
http://www.oecd.org/document/60/0,3343,en_2649_34109_45967548_1_1_1_37443,00.html

[15] For more information on the September Commission interim forecast, please visit the website:
http://ec.europa.eu/economy_finance/articles/eu_economic_situation/2010-09-13-interim_forecast_en.htm

[16] For more information on the IMF outlook, please visit the website: http://www.imf.org/external/pubs/ft/weo/2010/02/index.htm