



EU employment situation and social outlook

January 2010





CONTENT

HIGHLIGHTS..... 3

I. SITUATION AND OUTLOOK 4

 1. LABOUR MARKET TRENDS 4

 2. RESTRUCTURING TRENDS 8

 3. ECONOMIC CONTEXT AND OUTLOOK..... 10

II. SPECIAL FOCUS..... 13

 1. LATEST DEVELOPMENTS AND EXPECTATIONS IN SELECTED MEMBER STATES 13

 2. SELECTED SECTORAL TRENDS: THE BUILDING AND REPAIRING OF SHIPS AND BOATS SECTOR 17



HIGHLIGHTS

- The latest data covering the period up to November/December 2009 confirm that, despite improved economic conditions, EU labour markets continue to weaken, although at a more moderate pace than at the end of 2008/beginning of 2009. Unemployment is still rising in most Member States and companies continue to announce more job losses than gains, although the trend has clearly moderated over recent months. On the other hand, labour markets have shown stronger signs of stabilising in certain Member States, which together with the improvement in confidence - including a less pessimistic employment outlook and decreased fears of unemployment - confirms that there has been an easing in the deterioration of the labour market. Nevertheless, despite improvements in the economic situation and economic prospects, the labour market outlook for the coming months remains unfavourable.
- The EU has emerged from the longest, deepest and most broad-based recession in its history, as GDP returned to positive growth of 0.3% in the third quarter of last year and is forecast to have expanded by 0.2% in the fourth quarter. Year-on-year GDP growth, which was significantly negative (-4.3%) in the third quarter, is set to have recovered slightly to -2.2% in the last quarter of 2009.
- Employment in the EU has been contracting for more than a year now, having fallen by 4.6 million (2%) over the year to the third quarter of 2009, although the pace of deterioration has been moderating. Among the larger Member States, employment contracted substantially during the third quarter in Spain and Italy, and continued to weaken moderately in France and Germany, whereas it remained unchanged in the UK and continued to expand in Poland. Employment fell in all remaining Member States for which data are available, but the only particularly steep fall was in Latvia.
- Unemployment in the EU continued to rise in October and November, albeit at a more moderate pace than at the beginning of last year. Unemployment rose by 285 000 (1.3%) in October and by 185 000 (or 0.8%) in November to reach 22.9 million; this represents an increase of 6.9 million (or 43%) compared to the low reached in March 2008.
- The EU unemployment rate has edged up by 0.1 percentage points (pps) per month since August, to reach 9.5% in November, which is 2 pps higher than a year earlier and 2.8 pps higher than in March 2008. In October and November a marked increase in the rate was seen only in Latvia, while it showed signs of stabilising in some Member States, particularly in Germany. Nevertheless, it remains higher than a year ago in all Member States. The deterioration in youth unemployment continued to be more substantial, with the unemployment rate rising a steep 0.3 pps in November to 21.4%.
- The bottoming out of the downturn with a return to economic growth has been signalled for some time by sentiment and leading indicators - the EU Economic Sentiment Indicator and the OECD Composite Leading Indicator for Europe generally have been improving since the spring. At the same time, firms continue to be less pessimistic regarding their employment expectations, while there was a slight easing of consumer unemployment expectations in December, after they had remained flat during the previous two months.
- Nevertheless, according to the Commission's latest forecast and despite the improvement in economic prospects, the labour market outlook remains unfavourable for this year, and will only show a gradual improvement afterwards.
- This month's edition focuses specifically on the building and repairing of ships and boats sector.

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 it is more up-to-date than the data generally available from most of the standard statistical sources.

A wide combination of information sources have been used to produce this report, including Eurostat statistics, reports and survey data from the Commission's Directorate General for Economics and Finance, national and sectoral statistics, restructuring data from the European Restructuring Monitor (collected by the European Monitoring Centre on Change), and articles from respected press sources. The report has also benefited from preliminary contributions from public and private employment services. The section on restructuring trends has been prepared by the European Foundation for the Improvement of Living and Working Conditions.



I. SITUATION AND OUTLOOK

1. Labour market trends

The latest data¹ covering the period up to November/December 2009 confirm that, despite improved economic conditions, EU labour markets continue to weaken, although at a more moderate pace than at the end of 2008/beginning 2009. Unemployment continues to rise in most Member States, job vacancies remain lower than a year ago and companies continue to announce more job losses than gains (although substantially fewer than in previous months).

On the other hand, along with the exit of the EU and most Member States from recession in the second half of last year, labour markets have shown stronger signs of stabilising in certain Member States, where recently unemployment has either levelled off or grown rather less rapidly. Moreover, survey data continue to show an improvement in sentiment, with firms improving their outlook for employment and consumers' unemployment expectations easing.

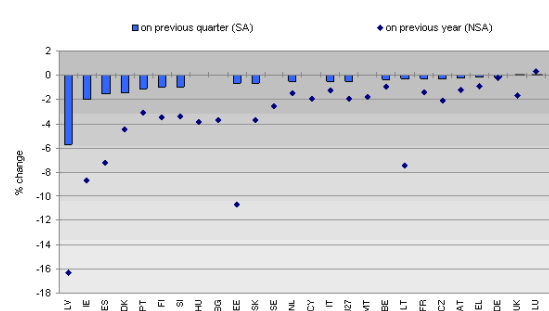
Nevertheless, the outlook for the labour market for the year ahead remains unfavourable, and the full impact of the economic crisis on labour markets may not have fully materialized yet.

Employment in the EU has been contracting for more than a year, although the pace has generally been moderating...

By the third quarter of last year, employment in the EU had contracted for five successive quarters, with the steepest fall being the 0.8% (equivalent to 1.8 million) registered in the first quarter of 2009, which was followed by smaller declines of 0.6% (1.4 million) and 0.5% (1 million) in the second and third quarters.

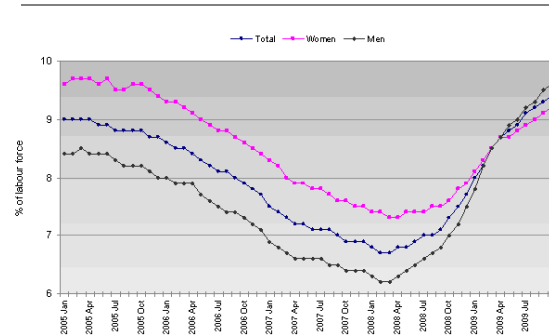
Employment declined in all Member States in the third quarter of last year, but generally the deterioration was no worse than the falls that had been seen in the two previous quarters. Among the larger Member States, employment fell particularly in Spain (by 1.5%), but also more sharply than in previous quarters in Italy (by 0.5%). It also continued to weaken in France - albeit at a slower pace (down by 0.3%) and Germany (down 0.1%). In contrast, employment in the UK remained unchanged after a year of contractions, and it continued to expand in Poland. Compared to the previous quarter, employment fell in all the remaining Member States, but particularly steeply only in Latvia (down almost 6%), while reductions in Estonia and Lithuania were more limited (especially by comparison with the sharp declines in the first quarter of 2009) (Chart 1).

Chart 1: Employment growth for the EU and Member States in the third quarter of 2009



Source: Eurostat, National accounts.
Note: Data for RO not available. Quarterly data seasonally-adjusted for B, G, CY, HU, MT, PL and SE not available.

Chart 2: Unemployment rates for the EU



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

... and by the third quarter of 2009 employment was down on a year earlier in almost all Member States

Employment in the EU had declined to 223 million by the third quarter of 2009, down by 4.6 million (2%) compared to a year earlier and reflecting strong employment declines in the construction and industry sectors in particular. By that time, year-on-year employment growth was negative in almost all Member States for which data are available, with the steepest falls (7-16%) in the Baltic States, Ireland and Spain. Employment was still slightly up only in Poland, but was down for the first time in Germany on the level of a year ago.

Unemployment continued to edge up in October and November...

Unemployment in the EU troughed in the spring of 2008, but between autumn 2008 and spring 2009 it rose sharply in reaction to the intensifying economic crisis. Since May of last year, however, the rate has generally been increasing at a more moderate pace of



Monthly monitor

0.1 percentage points (pps) per month. These steady increases since last spring have pushed up the unemployment rate to 9.5% in November, 2.8 pps more than the low of 6.7% in spring 2008, and 2 pps higher than a year earlier (Chart 2).

Underlying unemployment rose by 285 000 (or 1.3%) in October and by 185 000 (or 0.8%) in November, to a seasonally adjusted 22.9 million (22.7 million non-adjusted). However, the recent increase was significantly smaller than the increases observed during the previous several months. Unemployment was up by 5 million (or 28%) compared to November 2008, and was 6.9 million (or 43%) higher than in March 2008, when unemployment was at a low.

... with rises continuing to be smaller for women than for men...

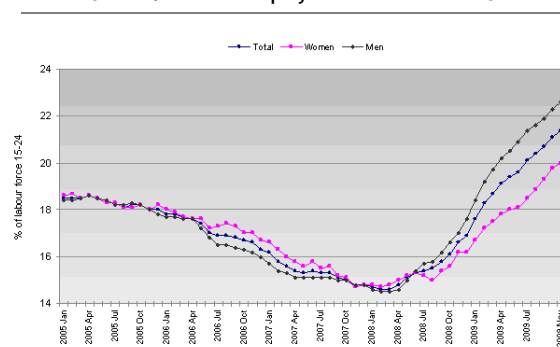
Unemployment has affected men more severely than women, with men accounting for more than two thirds of the overall increase in unemployment since spring 2008. Consequently, due to stronger increases in the rate for men (which were particularly steep at 0.3-0.4 pps per month from December 2008 to March 2009), the gender gap in the unemployment rate, still over one percentage point in the beginning of 2008, disappeared in spring 2009. Since then, the male unemployment rate has exceeded the rate for women, with the gap subsequently widening to 0.5 pps.

From June, there were signs that unemployment might have started to hit women equally hard, with rates for both men and women increasing at a broadly similar pace, and with women accounting for 40% and 44% of the overall rise in unemployment in August and October, respectively. However, while the rate for women stabilised in November at 9.2%, the rate for men continued to edge up by a further 0.1 pps to 9.7%. Overall, in terms of employment, the impact of the economic downturn has so far predominantly affected male-oriented sectors, such as construction and industry, and it is unclear from the recent volatility in unemployment changes for women whether the impact is broadening more strongly into other, less male-dominated, activities.

... and youth unemployment rising more steeply and remaining historically high

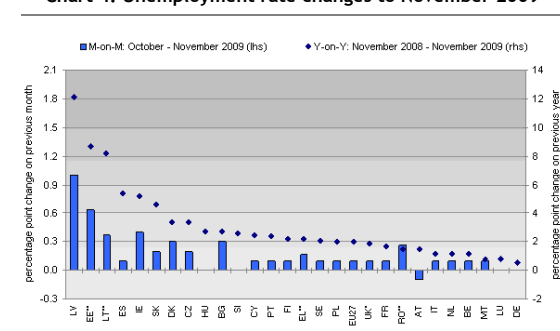
In line with the overall deterioration of the labour market, youth unemployment has been rising since spring 2008, with young people accounting for a quarter of the total increase in unemployment since then. The youth unemployment rate had climbed particularly steeply at the beginning of 2009 (up 0.7 pps in January and February each), before edging up by a more limited 0.2-0.4 pps from March onwards. Nevertheless, while the rise in the adult rate has stabilised at around 0.1 pps per month, the increase in the youth rate has continued to be substantial despite some recent moderation. In November, the rate rose to 21.4%, up 4.8 pps on November 2008 and up 6.8 pps

Chart 3: Youth unemployment rates for the EU



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

Chart 4: Unemployment rate changes to November 2009



Source: Eurostat, Series on unemployment. Data seasonally adjusted.
Note: * UK: annual change September 2008 - September 2009, monthly change August - September 2009.
** EE, EL, LT and RO: annual change 2008 q3 - 2009 q3, monthly change estimated from quarterly change 2009 q2 - 2009 q3.

compared the low in March 2008, reaching levels not seen since Eurostat data for the EU27 became available (1998) (Chart 3).

The marked increase in the youth unemployment rate has been driven mainly by a very sharp rise in the rate for young men, except for the months from August to October 2009, when the increase in the rate for young women was steeper than that for men. Overall, young men have accounted for almost two-thirds of the increase in youth unemployment since spring 2008.

Youth unemployment reached a seasonally adjusted 5.7 million (5.6 million non-adjusted) in November, reflecting a rise of 70 000 (or 1.2%) on the previous month, and accounting for almost a quarter of the November increase in overall unemployment. Compared to November 2008, youth unemployment had increased by 1.2 million (or just above a quarter), and by 1.7 million (or 43%) compared to March 2008.

Over the year to November, the youth unemployment rate doubled in the Baltic States (up around 15 pps or more) and increased significantly in Ireland, Slovakia and Spain (up 12-14 pps). As a result, the unemployment rate among young people exceeded 30%



Monthly monitor

Chart 5: Unemployment rate changes
November 2008 - November 2009

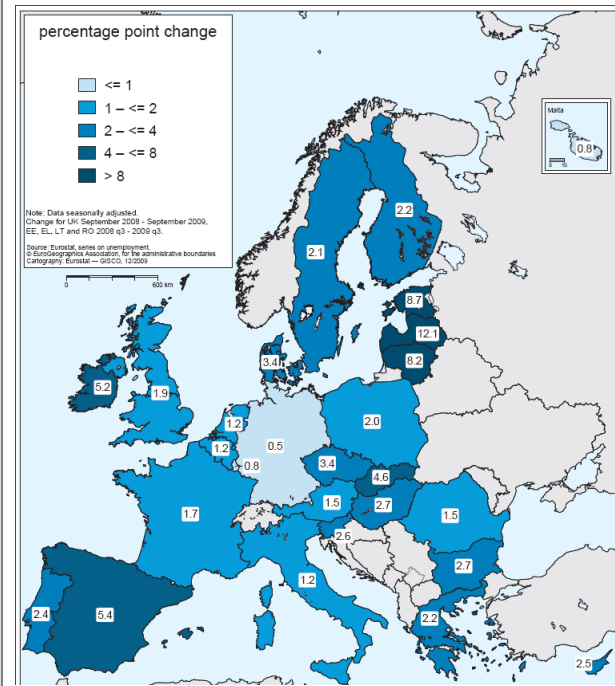
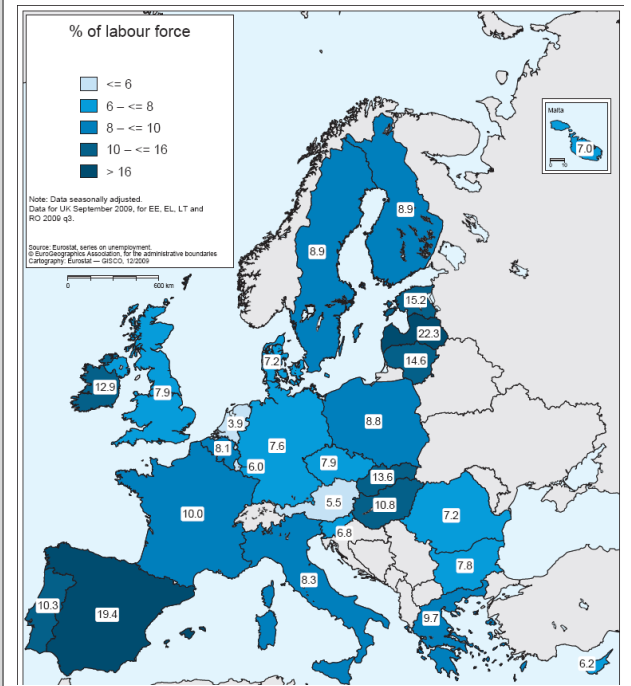


Chart 6: Unemployment rates, November 2009



in Latvia, Lithuania and Slovakia and surpassed 40% in Spain.

Unemployment continues to rise in most Member States, though at a slower rate, however it has stabilised in some...

Unemployment continued to rise in most Member States in November. However, while the unemployment rate increased steeply only in Latvia, it declined or stabilised in a few Member States, including Germany.

Unemployment continued to rise in most of the larger Member States, although the deterioration has softened. Unemployment rates increased in November by a more limited 0.1 pps (half of the October increases) in France, Italy, Poland and - after many months of steeper rises - in Spain. Unemployment has been broadly stable since April/May in Germany, and the rate remained unchanged also in November. In the UK, the rate increased by 0.1 pps in September, after remaining stable during the summer months.

Among the remaining Member States, only Latvia continued to see a sharp rise in the unemployment rate in November (up 1 pps, following rises of 1.2 pps in the two previous months). Rates also rose noticeably in Denmark, Ireland and Bulgaria, although the increases in these countries were more limited (0.3-0.4 pps). In contrast, unemployment rates remained stable in Hungary, Slovenia and Luxembourg and fell in Austria (Chart 4).

... nevertheless, the unemployment rate was still higher than a year ago in all Member States

Over the year to November, unemployment increased across all countries in the EU. Among the larger Member States, Spain had an unemployment rate which was significantly higher than the previous November (up by 5.4 pps), and at 19.4% (equivalent to 4.4 million unemployed) it was the second highest in the EU. Over the year to November, the unemployment rate also increased noticeably in Poland (by 2 pps) to 8.8% (1.5 million unemployed) and in France (by 1.7 pps) to 10% (2.9 million unemployed), and, on the year to September, it went up in the UK (by 1.9 pps) to 7.9% (2.5 million unemployed). The unemployment rate continued to show a more modest increase over the year to October in Italy (by 1.2 pps) to reach 8.3% (2.1 million unemployed), while the limited increase in Germany (by only 0.5 pps), which has brought the rate to 7.6% (3.3 million unemployed), was the lowest in the EU, confirming the strong resilience of the German labour market in the face of the economic crisis.

Among the remaining Member States, the unemployment rate rose most sharply over the year (by around 8-12 pps) in the Baltic States, reaching the highest level in the EU in Latvia (22.3%), and to around 15% in Estonia and Lithuania. While unemployment rates were also high in Ireland and Slovakia (more than 12% in each), they remained low in Austria and the



Monthly monitor

Netherlands (at 5.5% and 3.9%, respectively) (Charts 4, 5 & 6).

Unemployment in the EU continues to be less affected by the downturn than in the US

Despite a sharper economic downturn (and a slower recovery) and a sharper fall in business confidence in the EU compared to the US, the impact on the labour market in the EU has been less dramatic than in the US. Unemployment in the US has more than doubled since the low point in mid-2007, compared to an increase of 40% in the EU since the recent trough in spring 2008. By November, the unemployment rate in the EU had risen to 9.5%, up 2 pps compared to a year earlier, while in the US it had increased by a more marked 3.2 pps to 10%. However, following a steep rise of 0.4 pps in October, the unemployment rate in the US fell back by 0.2 pps in November, leaving the EU's positive unemployment rate gap with respect to the US at 0.5 pps (Chart 7).

EU consumers' fears of unemployment eased in December...

Since April 2009, EU consumers have been feeling relatively more confident about the general economic situation, and their fears regarding unemployment for the year ahead have been receding. After several months of strong declines since March last year, consumers' unemployment expectations remained unchanged in October and November, but eased further (down 2 points) in December (Chart 8). Among the larger Member States, fears of unemployment eased notably in France, Germany, Poland, and Spain in December (down 5-7 points in each); they remained unchanged in Italy, but intensified significantly in the UK (up 3.5 points). Despite the overall improvement in expectations at EU level, the unemployment rate has continued to edge up in line with the lagged effect of earlier worsening expectations, and can be expected to deteriorate for some months yet before the effects of the recent improvement in economic activity and sentiment feed through to the labour market.

... and firms' employment expectations continued to pick up ...

Similarly, employment expectations among firms have shown a relative improvement since the spring of last year, although expected demand for workers generally continues to be negative on balance. After consecutive declines from late 2007 up to early 2009, employment expectations for the months ahead have broadly improved over recent months across all the main sectors.

Employment expectations, which have generally been on an upward trend for some nine months now - continued to improve further in industry (up 2 points) in December; however after ten months of increases, they deteriorated in construction (down 2 points). The outlook for employment showed a further slight

Chart 7: Unemployment rate and BCI for the EU and US

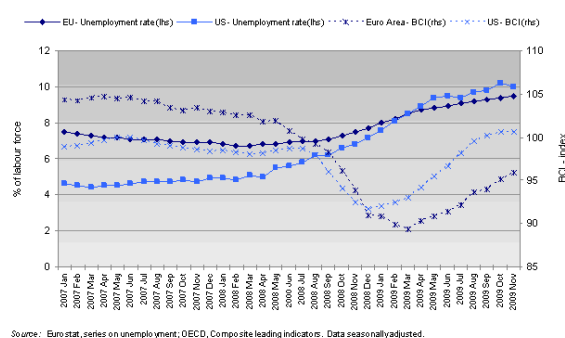


Chart 8: Unemployment rates and expectations for the EU

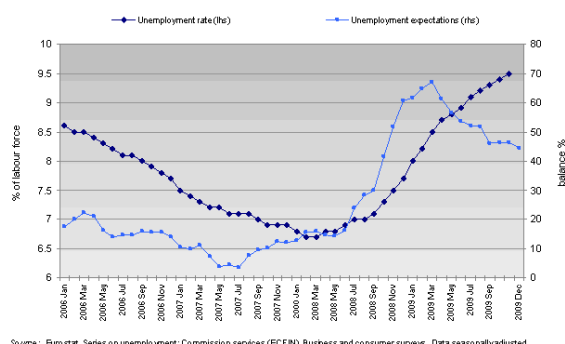
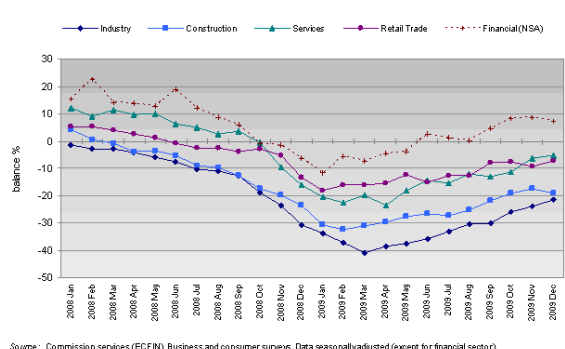


Chart 9: Employment expectations for the EU



improvement in services (up 1 point), while expectations in the retail trade picked up again (up 2 points). Financial services, while remaining the only sector with a positive balance, saw expectations worsen slightly (down 1 point) in December (Chart 9).

... resulting from fewer expected layoffs

The latest Manpower Employment Outlook Survey² also reports that the stabilisation in the employment



Monthly monitor

outlook has continued since the second quarter of last year. The outlook for the first quarter of 2010 improved from that of the fourth quarter of 2009, although it remained fragile. There was a slight improvement in overall employment sentiment among employers in all countries, although this is due more to an expected decrease in layoffs than to more hiring.

Labour markets are continuing to adjust to the weak economic situation. However, employers are trying to hold on to the skills and experience that will be vital for their companies as soon as markets pick up again. Among the 79% of European employers that reported no expected change in their staff levels, a large proportion of them pointed to concerns about losing skilled workers who would be hard to replace. Instead, efforts have focused on working time arrangements, such as shorter working weeks and greater use of part time employment by companies in order to hold on to their (skilled) staff.

... while job vacancies have stabilised, although they are still low compared to last year...

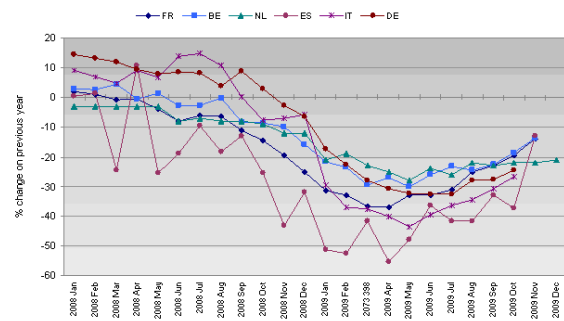
The job vacancy rate for the EU has remained broadly stable since the beginning of last year, confirming a stabilisation in demand for new workers. Nevertheless, at 1.3% in the third quarter, the rate was still down by 0.6 pps compared to a year earlier.

The stability in labour demand over recent months, albeit at relatively low levels compared to mid-2008, is confirmed by official sources, for example in Germany. In Germany, the Federal Employment Agency's job index (BA-X)³ has been on a moderate upward trend since last summer and rose 2 points to 129 points in December, confirming the pick-up in demand for new workers. Although improving, the index remains low - down by 21 points compared to December 2008. The number of vacancies was at, around 461000 in December, down 42000 (8%) on a year earlier.

... similarly, despite recent improvements, demand for temporary agency work remains sharply down on a year ago

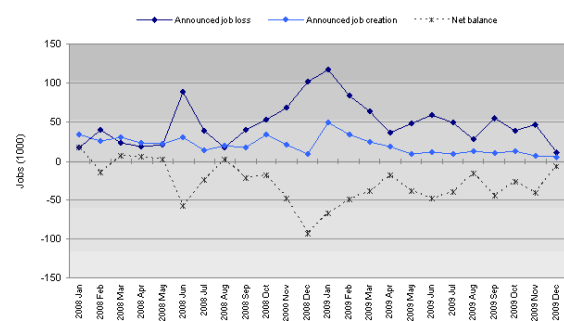
Recent data from Eurociett⁴, generally covering October to December, continued to show an improvement over recent months in employment through temporary agencies, with year-on-year declines much lower than those observed during spring last year. Nevertheless, the number of hours invoiced by private employment agencies was still well down compared to a year earlier, ranging from around 13-14% in Belgium, France and Spain to 22% in the Netherlands in December, and around 25% in Italy and Germany in November (Chart 10). In the UK, agencies' billings from the employment of temporary/contract staff rose for a fifth consecutive month in December, reaching its highest since June 2007, and reflecting stronger demand for short-term workers.

Chart 10: 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.

Chart 11: : Announced job losses and creation for the EU



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

2. Restructuring trends

The deterioration in EU labour markets in response to the economic downturn has been reflected in the European Restructuring Monitor (ERM) data collected by the European Monitoring Centre on Change⁵.

Announced job losses, although sharply down, continue to outnumber announced job gains...

There was less restructuring activity reported on the ERM in December 2009 in line with a continued downward trend, in particular of job loss cases. Total announced job losses were only 11365 during the month, sharply down on previous months and in particular compared to over 100000 in the same month a year previously (Chart 11).

There have been almost three times as many announced job losses as job gains in reported ERM restructuring cases since September 2008. In December 2009, there were 28 new cases of restructuring-related job loss and 15 new cases of restructuring-related job gains.



Monthly monitor

... with most of the recent job loss announcements relating to Poland and Germany

The Member States with the largest announced job losses in December 2009 were Poland (3 030 jobs), Germany (2 227 jobs), Ireland (1 570) and Sweden (1 208 jobs) (Chart 12).

Transport, storage and communications and Manufacturing were the sectors most affected by announced restructuring job losses...

In December 2009, transport, storage and communications accounted for 5 745 announced job losses in the ERM. Manufacturing was the other sector most affected in December 2009, with 2 653 announced job losses. (Since September 2008, the ERM has recorded 424 471 announced job losses in manufacturing, half of total job losses.) Other significantly affected sectors included retail (1 177 jobs) and financial intermediation (1 085 jobs) (Chart 13).

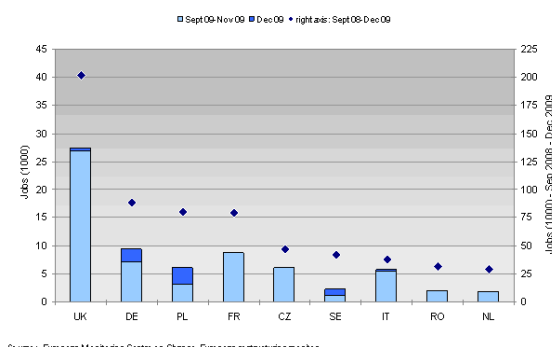
In December, the largest restructuring cases involving job loss were in:

- **Transport, Storage and Communications:** TP SA (Poland, 1 980 jobs), An Post (Ireland, 1 300 jobs), Ericsson (Sweden, 856 jobs), Österreichische Bundesbahnen (ÖBB) (Austria, 800 jobs).
- **Manufacturing:** Toyota (Germany, 500 jobs), Leoni (Poland, 500 jobs), Bosch (Germany, 350 jobs).
- **Retail:** Karstadt (Germany, 1 177 jobs).
- **Financial intermediation:** BNP Paribas Fortis (Belgium, 750 jobs).

In Poland, the national telecommunication provider TP SA announced plans to dismiss 1 980 workers in its central office in Warsaw and in branches across the country during 2010. Ireland's state postal company An Post has announced 1 300 redundancies over the next three years in a cost-cutting plan due to commence in January 2010. In eastern Sweden, the communication company Ericsson will close its plant in Gävle with the loss of 856 jobs. The redundancies affect 545 white collar workers, 311 blue collar workers and about 300 external consultants at the facility, which designs and manufactures base stations for third generation mobile phones.

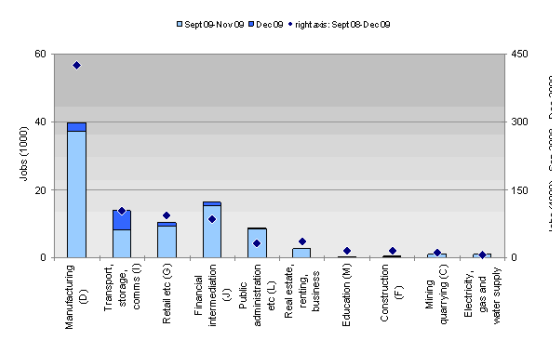
In the manufacturing sector, Leoni, a producer of cabling systems for automobiles and other industrial applications, announced plans to close its plant in Ostrzeszów, Poland dismissing all its 500 employees by the end of 2010. As a result of falling demand for cars and trucks, staff in the Ostrzeszów plant had already been reduced from about 1 650 in December 2008 to 500 before the recent announcement. In Germany, the automotive supplier Bosch announced a cut of 350 jobs at its site in Salzgitter by the end of 2012.

Chart 12: Announced job losses for selected Member States



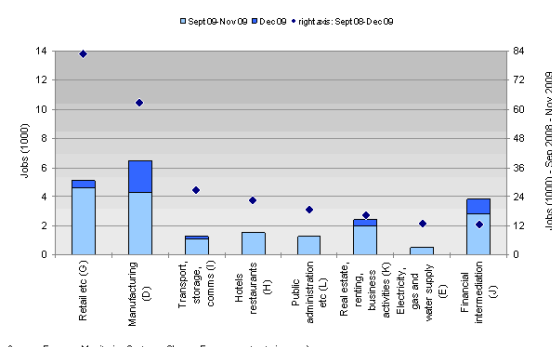
Source: European Monitoring Centre on Change, European restructuring monitor.

Chart 13: Announced job losses for the EU



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

Chart 14: Announced job creation for the EU



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

In the retail sector, on 1 December 2009, the insolvent retail chain Karstadt announced restructuring measures affecting almost 1 200 employees by 31 March 2010. The measure includes both closure and restructuring of stores.

In the financial intermediation sector, BNP Paribas Fortis confirmed it was cutting 750 jobs in Belgium by the end of 2012.



... while manufacturing and financial intermediation accounted for the majority of business expansion

Of the 4895 new jobs announced during December 2009, over 2200 were in manufacturing and 1000 in financial intermediation (Chart 14).

Since September 2008, the sectors to benefit the most from announced job creation have been retail (82 673 jobs) followed by manufacturing (62 637 jobs). Together, they account for over half of all announced new jobs on ERM over this period.

In December, the biggest cases involving job gains were all in Poland:

- **Financial intermediation:** Alior Bank (Poland, 1 000 jobs).
- **Manufacturing:** Ford Werke (Poland, 800 jobs), Fiat Powertrain Technologies, (Poland, 400 jobs).
- **Education:** Jagiellońskie Centrum Innowacji (JCI) (Poland, 500 jobs).

3. Economic context and outlook

ECONOMIC SITUATION

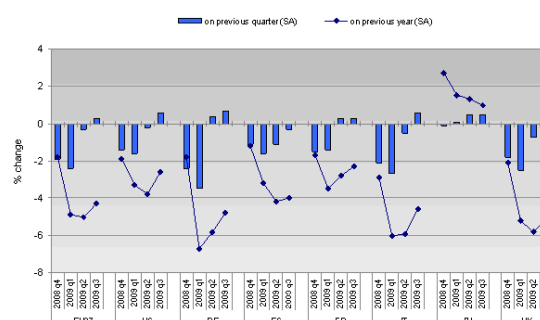
The EU started to recover from recession in the third quarter of last year...

The EU emerged from the longest, deepest and broadest-based recession in its history in the third quarter of 2009. After five consecutive quarters of contraction, economic output rose by 0.3% during the third quarter, and, according to the latest Commission economic forecast, is expected to have expanded by 0.2% in the last quarter of 2009. Nevertheless, compared to a year earlier, economic output had declined by a substantial 4.3% by the third quarter of 2009, although it is forecast to have declined by a more limited 2.2% by the last quarter of 2009 (Chart 15). In the US, economic output strengthened, picking up by 0.6% during the third quarter, while GDP was down by 2.6% compared to a year earlier.

... with the economic situation improving in most Member States

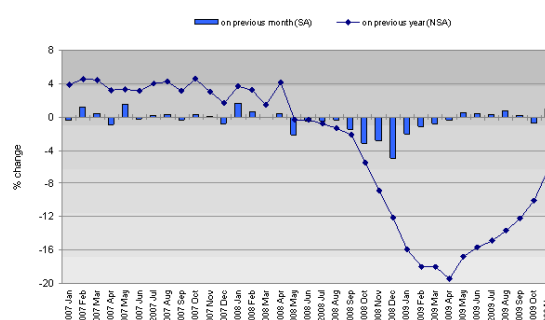
Within the EU, most Member States were in recession by the first quarter of 2009, but since then almost all have begun to see improvements in economic activity. Among the larger Member States, the economy expanded again in the third quarter in Italy, which joined France, Germany and Poland in posting positive growth already by the second quarter. However, in the third quarter the recession continued in Spain and the UK. Among the remaining Member States, economic output still declined significantly in Estonia, Latvia and Hungary but, in contrast, output expanded notably in Lithuania, Slovenia and Slovakia during the third

Chart 15: GDP growth for the EU and larger Member States



Source: Eurostat, National accounts.

Chart 16: Industry production for the EU



Source: Eurostat, Short-term business statistics.

quarter. Nevertheless, economic activity remained down on a year earlier in all Member States except Poland.

Industry production in the EU has improved since May...

The recovery in overall economic activity continues to be supported by improvements in industrial production. Industrial output has been expanding since May last year, except for a 0.7% slump in October, and rose by a healthy 0.9% in November, marking the strongest rise since the beginning of 2008 (Chart 16).

Underlying November's increase in industrial output at EU level were improvements in all larger Member States. Industry output continued to expand the fastest in Poland (following three months of strong increases), but also recovered strongly in France (after two months of declines) and picked up in Germany (after a steep contraction in October). Production also continued to rise, although at a more moderate pace, in Italy, Spain and the UK. The rise reflected an increase in output of intermediate goods, capital goods and non-durable consumer goods, while the production of durable consumer goods decreased.



Monthly monitor

As a result of the recent increases, year-on-year growth in industrial production remained on an upward trend. Nevertheless, despite a significant improvement in November, it still remains substantially below the level one year earlier (down by 6.4% in November), still reflecting the particularly strong consecutive falls between autumn 2008 and spring last year.

... in line with developments in new orders for industry...

The development in industrial output has followed the trend in new orders, which dropped substantially in the second half of 2008, but has recovered somewhat since the spring of last year (Chart 17). However, in October, after five months of consecutive rises, new orders decreased by 1.6%, reflecting drops in new orders for all goods (capital goods, non-durable and durable consumer goods) except for intermediate goods. Underlying this deterioration in new orders at EU level in October were significant drops in orders in France, more limited declines in Germany and Poland and a slight decrease in Spain, which more than offset modest increases in new orders in Italy and the UK. On a yearly basis, new orders had generally been on a downward trend from the middle of 2008 until April 2009, but they have been improving since then. Nevertheless, by October, new orders in the EU were still down by 14.1% compared to a year earlier.

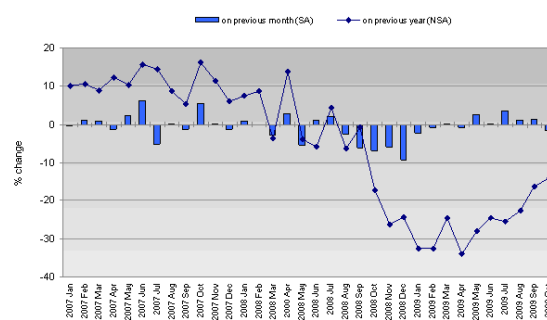
... while construction output declined further...

While industry's production was improving, output in construction was broadly decreasing during the second half of last year, although at a lower rate than observed in the second half of 2008. Production continued to fall by 0.3% in October (Chart 18). This deterioration at EU level in recent months has generally been due to drops in output in Germany, France and Spain, with volatile changes in Poland. In October, construction activity showed a further strong decline in Germany; it also, dropped in Spain after a rebound in September and, after several months of expansion, it contracted in the UK. Meanwhile, construction output remained stable in France and Poland. Nevertheless, owing to the more limited recent declines, year-on-year growth in construction output in the EU edged up to -6.6% in October 2009 (from the low of -12.1% in February). This decrease reflected strong declines over the year in construction output in France, Spain and the UK, cancelling out a rise in Poland and a small increase in Germany.

... and after an increase in October retail trade turnover declined again in November

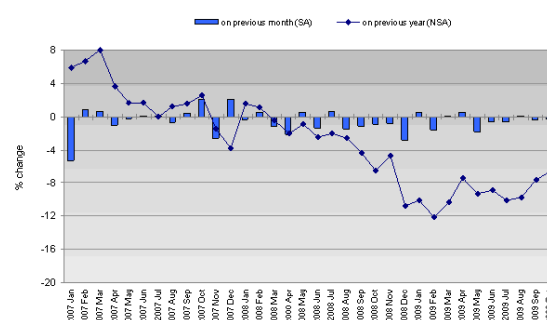
Compared to sizeable falls in industry and construction output, retail trade turnover in the EU held up fairly well between autumn 2008 and spring 2009, and has continued to fluctuate at similar rates since then. After rising in October 2009, retail trade turnover declined again by a steeper 0.8% in November. The November decrease was the result of a significant drop (of 1%) in

Chart 17: Industrial new orders for the EU



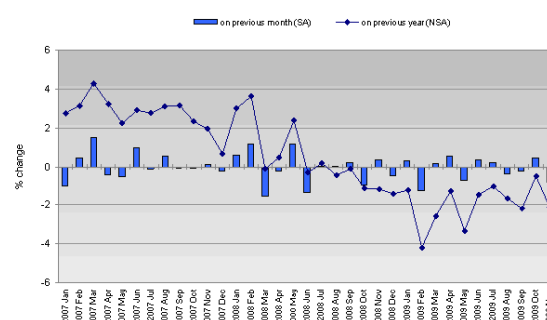
Source: Eurostat, Short-term business statistics.

Chart 18: Construction production for the EU



Source: Eurostat, Short-term business statistics.

Chart 19: Retail trade turnover for the EU



Source: Eurostat, Short-term business statistics.

the non-food sector and a more limited decline of 0.4% in the food sector. It was mainly driven by a drop in turnover in Germany and Spain, but also in France, which cancelled out the increases in Poland and the UK. Consequently, year-on-year growth in retail turnover had fallen back to -2.1% by November after making a strong showing in the previous month (Chart 19).



OUTLOOK

Economic sentiment in the EU continued to improve in December, although still remaining below its long-term average...

The bottoming out of the downturn and the recent return to positive growth started to be signalled some months ago by indicators of business and consumer confidence. The EU Economic Sentiment Indicator (ESI), which started to improve nine months ago, rose by a further solid 4.1 points to reach 92 points in December. Nevertheless, it still remains below its long-term average (Chart 20).

The improvement at EU level reflected improvements in all the larger Member States, except for Poland (down 1 point). Sentiment picked up strongly in the UK (up 8 points), also rising significantly in France (up 4 points) and Italy (3 points), and slightly more moderately in Germany (up 2 points) and Spain (1 point). The increase in the ESI resulted from a further rise in sentiment in industry (up 3 points, driven by a strong improvement in order books), boosted by a steep increase in confidence in services (up 6.5 points), and supported by improved confidence among consumers (1 point) as fears of unemployment eased further. On the other hand, sentiment remained broadly unchanged in retail (down 0.5 point) and in financial services (not included in the ESI - down 0.7 points) and, after six months of improvements, it also declined in construction (down 1 point).

... while the OECD's leading indicator for Europe continued to recover strongly...

Some months ago the OECD's Composite Leading Indicator (CLI) also started to signal a halt in economic deterioration and point to a recovery in the EU. After the declines observed over 2008, the CLIs for the euro area and the group of the four largest EU Member States began to stabilise at the beginning of 2009 and have picked up markedly since April, so that they now exceed the levels recorded in 2007 (Chart 21).

In November, the CLI increased by a further 1.1-1.2 points in the euro area and in the group of the four largest EU Member States, reaching 104.6 and 105.7 points respectively; it also rose by 1 point to reach 100.9 points in the US. While the US recorded an increase of 6.8 points over the year to November, the CLI for the two European groupings staged a much stronger recovery, with significant increases of 10.9 and 12.1 points, respectively, compared to a year earlier. The fact that CLIs for the European aggregates have climbed above 100 points, which occurred during the summer months, is an indicator of economic expansion in the coming months. However, any positive impact on the labour market will still take some time to materialize, given the usual lags before employment reacts to a change in confidence and economic activity.

Chart 20: ESI and confidence indicators for the EU

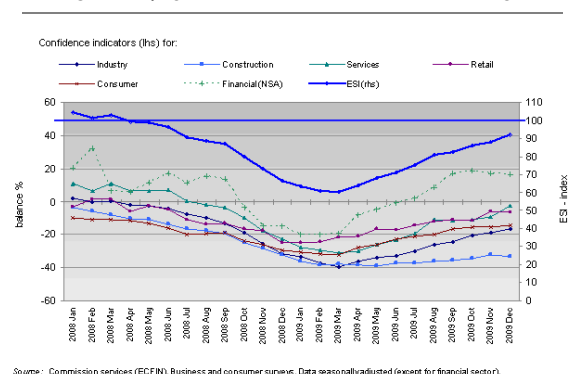
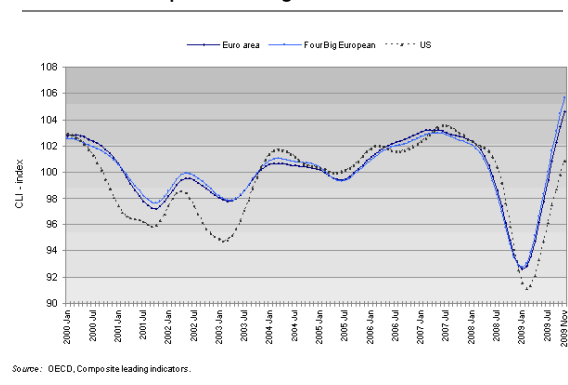


Chart 21: Composite leading indicators for the EU and US



... nevertheless the labour market outlook remains unfavourable

According to the Commission's Autumn 2009 forecast⁶, despite an improvement in economic prospects, the labour market outlook (as reported in the previous month's edition of this monitoring report) continues to be unfavourable for this year, and is expected to gradually improve only in 2011.

Despite the resilience to the recession shown by EU labour markets (mainly due to short-term policy measures and labour hoarding, in addition to the favourable impact of past reforms), employment fell noticeably during 2009, and in 2010 the expectation is for employment to contract further, with unemployment due to rise, potentially reaching 10.2% in 2011. Furthermore, looking ahead, there are a number of risks, including a 'jobless' recovery, persistent high unemployment and a shrinking workforce. Whether these risks materialise will depend among other things on the flexibility of the labour market, the policies in place and the implementation of the necessary structural adjustments across sectors and firms.



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 Cyprus, France, Germany, Italy, Malta and the UK. Priority has been given to the most recent reports and forecasts (dating from October 2009 to early January 2010) from reliable sources at country level.

Cyprus

According to CYPSTAT, there were 21 530 unemployed people registered at the District Labour Offices on the last day of December 2009. Seasonally-adjusted numbers for the same month reached 19 745, i.e. down 2.8% on November, which is a sign that the level of unemployment is stabilising after months of upward movement. However, looking further back, in comparison with December 2008, this figure represents an increase of 52% in one year, which is the same as the increase in the yearly average. The sectors which have been hardest hit by employment losses included construction, public administration, trade, hotels and restaurants and, to a lesser extent, real estate and business activities, and manufacturing.

The unemployment rate in Cyprus reached 6.2% in November 2009, which was up 0.1 pps on the previous month and 2.5 pps on November 2008. The relative increase is substantial, although Cyprus still has the fourth lowest unemployment rate in the EU, at 3.3 pps below the EU27 average. However, the Minister of Labour and Social Insurance predicted that 2010 would be another tough year for employment. The Finance Ministry expects unemployment to rise to 6.5% in 2010, while the Commission has forecast 6.6% for 2010 and 6.7% in 2011.

The government therefore intends to continue to monitor the labour market carefully in order to help support businesses and at the same time limit redundancies, with a particular focus on young people and women. Youth unemployment is indeed high, reaching 15.8% in the third quarter of 2009, which is almost three times the overall figure and up 7.4 pps on the same period of the previous year. Due to the crisis, male and female unemployment rates have moved closer in recent months, amounting to 6.2% and 6.3% respectively in November 2009, which are respectively 3 and 2.1 pps up on November 2008.

On the positive side, the economic slowdown recorded in Cyprus in 2009 has remained relatively confined, as its GDP receded by only 0.7%. Cyprus, which represents about 0.2% of the economy of the euro area, went into recession in the second quarter of 2009 as a consequence of a slump in the real estate market and declining earnings from tourism. According to estimates, its economy is due to stabilise in 2010, picking up slightly by 0.1%. This will not prevent a deficit of 4.5% of GDP in 2010, according to the worst scenario of diminishing earnings, while the

Commission expects the deficit to be even bigger (5.7%) for this year. Cyprus' Finance Minister recently advocated a €500 million injection plan, designed to offset the €1.43 billion drop in revenue in 2009. This fall was mainly due to reduced income from property development and tourism. Such a plan would probably also be beneficial for Cyprus' labour market.

France

Amid the crisis, and as economic growth is expected to remain moderate and fragile in the upcoming quarters (with quarterly growth of 0.3 to 0.4%), France continues to experience high levels of unemployment. According to Insee, the French National Institute of Statistics and Economic Studies, unemployment is the main issue of concern for French citizens. A recent Gallup-International-BVA survey shows that more than four out of ten French people (43%) are afraid of losing their jobs. This figure is 12 pps higher than the average for the 33 countries covered by the study. According to the same survey, 82% of French citizens (i.e. 14 pps higher than the European average and 31 pps higher than the average of the 33 countries covered) are expecting unemployment to rise further in 2010, while 51% (i.e. 9 pps higher than the European average) believe that the economic situation will continue to deteriorate.

After hitting a historic low of 7% in the second quarter of 2008 - a level which had never been seen during the previous 25 years - France's unemployment rate has been on the rise again, hitting the 10% mark in November 2009, and in line with the euro area average. This is an increase of 0.1 pps on the previous month and of 1.6 pps on the same month in 2008. Recent developments point to a slowing down of unemployment rises.

Looking back, 600 000 people have been added to the jobless register over a period of 18 months. In the third quarter of 2009, 80 700 jobs were lost, which is close to the figure of 87 000 reported by Insee for the previous quarter. The number of those out of work is expected to continue to rise in 2010, although at a somewhat slower pace than in 2009: in the first half of 2010, 125 000 jobs are likely to disappear on top of the 170 000 job losses recorded in the second half of 2009. This is in line with the estimates published by the Commission in its autumn 2009 forecasts, which expect the unemployment rate to rise to 10.2% in 2010.

Youth unemployment remains problematic. In October 2009 it settled above the 25% mark - a level not seen since the end of the 1990s - and remained high (at 25.5%) in November, up 5 pps on the same month in 2008 and 4.1 pps higher than the current EU27 average. As men have been hit hardest by the surge in joblessness, male and female unemployment rates have moved closer to each other, reaching 9.8% and 10.2% respectively in November 2009.

On the positive side, a significant rise in agency work was seen in the third quarter, according to Pôle Emploi. The same source reports that, after declining for months, the level of agency work is tending to stabilise. According to Prisme, France still accounts for 19% of the European agency work market.



Although - after a year of decline - France's GDP has risen by 0.3% in both the second and third quarters of 2009, the French government sees weak growth ahead, as it expects GDP to grow by only 0.75% in 2010. Recently the French Central Bank estimated that GDP growth would reach 0.6% in the fourth quarter of 2009.

French manufacturers remain pessimistic and further unemployment could hit consumer-driven growth. In this context, cuts of nearly 34 000 jobs in public administration are foreseen, as planned in the 2010 budget, and a million jobless could lose their unemployment benefits this year.

France's synthetic business sentiment indicator is still below its long-term average, but is gradually stabilising, although the OECD composite leading indicator (CLI) continues to point to a recovery as the CLI for France increased by 1.2 points in November.

Germany

The German economy is currently recovering rapidly from a historic recession, as it recently posted one of the most vigorous growth rates in the EU. Its GDP grew by 0.4% in the second quarter of 2009 and by 0.7% in the third quarter compared to previous quarters. However, the annual decline remains high (-4.8% in the third quarter).

According to the European Commission's autumn 2009 forecasts, Germany's GDP is likely to grow by 1.2% in 2010. However, recent signals remain mixed. After seven consecutive months of increases, German industrial orders declined by 1.9% in October last year, due mostly to weaker demand from other European trading partners and the expiry of the government's car-scrapping bonus plan in September. Consequently, German industrial production posted a surprise fall (-1.8%) in October, after two consecutive monthly rises. Despite this setback, the trend in orders remains upward and a recovery in industrial production is due to continue in the fourth quarter, although at a moderate pace, according to the Economics Ministry. In fact, German industrial orders picked up again in November as increasing domestic demand in Europe's biggest economy balanced out a dip in foreign orders, even though it remained weak.

At 7.6%, German unemployment remained remarkably stable from September to November 2009. In the space of one year, German unemployment has risen by only 0.5 pps - following the historic low in German unemployment recorded in the fourth quarter of 2008. As a result, it is still 1.9 pps under the EU27 average. However, German temporary workers - who account for 13% of the European agency work market (BZA data) - have been particularly hard hit during the crisis, seeing their numbers fall by 24.6% between October 2008 and October 2009, according to Eurociett.

The male unemployment rate increased from 7.3 to 8.2% in one year, whereas female joblessness remained stable (6.8%). Youth unemployment has remained very low compared to the EU27 average, peaking at 10.4% in September last year and then stabilising in the two following months. The youth unemployment rate - at 10.3% in November 2009 - is still less than half the EU27 average (21.4%).

Although the recent pattern in unemployment in Germany has been one of relative stability, there are fears that this trend might reverse and, with analysts recently predicting that the numbers out of work in seasonally adjusted terms would rise by 8 000 in December, this would potentially cancel out the 7 000 fall in the numbers out of work reported in November. In that context, there is still a risk that German unemployment, which concerned 3.3 million people by the end of 2009 (up 220 000 compared to the end of 2008), might increase further at the turn of the decade.

Indeed, so far, the relative stability in unemployment can be explained by government-subsidized, short-time working contracts and a fiscal stimulus plan that have helped German employers avoid large-scale layoffs. However, drawing down fiscal stimulus, in addition to restrictive credit conditions, would dampen growth and could result in a rise in joblessness. The OECD has predicted that German unemployment could climb to 9.2% in 2010 - in line with the Commission's autumn 2009 forecasts - before edging up to 9.7% in 2011. This relative pessimism is shared by the German population, a majority (69%) of whom believe that unemployment is set to rise further in 2010, according to a recent Gallup-International survey.

According to OECD, the German economy will expand by 1.4% in 2010 and 1.9% in 2011, after contracting by a dramatic 4.9% this year. In December, German business confidence rose for the ninth consecutive month according to the Ifo business confidence index, while the survey released by the Centre for European Economic Research (ZEW) showed that investor confidence in Germany posted its third consecutive monthly fall in December. The monthly index measuring the mood among German analysts and institutional investors slipped to 50.4 points in December. However, according to the OECD composite leading indicator for Germany, the economy will continue on its path to recovery, as the CLI for Europe's largest economy rose by 1.4 points in November.

Italy

According to ISTAT, more than half a million Italians (508 000) lost their jobs in 2009, as the number of unemployed hit the 2 million mark in October 2009 for the first time since March 2004. In the third quarter alone, a decrease in employment of 0.9%, equivalent to some 222 000 jobs, was registered compared to the same period in 2008, while the employment rate dropped from 59% to 57.5% in the same period.

The unemployment rate reached 8.3% in November 2009, which was up 1.2 pps on the same month a year earlier (Eurostat, provisional figures). This is the highest rate for five years, but is still currently 1.7 pps lower than the EU27 average. Youth unemployment remains the most worrying issue, as 26.5% of the population under 25 was jobless in November 2009: this rate is 2.9 pps higher than in the same month a year ago and currently 5.1 pps above the EU27 average. However, the rate has stabilised compared to the previous month (26.6%).

The fairly limited rise in unemployment numbers in Italy, compared to the EU average, is due to companies frequently resorting to the partial unemployment scheme



and some sectors, like the automotive industry, receiving massive aid.

As in most of the EU, male workers have been hit hardest by the downturn, especially at the beginning of the recession. The male unemployment rate peaked at 7.4% last November, up 1.5 pps on the same month in 2008, while female unemployment, which was much higher than male unemployment before the recession, reached 9.7% last October and remained at that level for the following month, i.e. 1 pps up on a year earlier. Italy's temporary workers have been particularly hard hit, as their number of remunerated working days dropped by 26.8% between October 2008 and October 2009, as reported by Eurociett.

The Italian economy is gradually recovering. It grew by 0.6% in the third quarter of 2009, the first quarter-on-quarter rise since the end of 2008. However, compared to the third quarter of 2008, it still registered a 4.6% decline, close to the EU average of 4.3%. The OECD composite leading indicator points to the recovery continuing in Italy, as it increased by 0.9 of a point in November 2009. In September, according to the OECD the Italian economy expanded, showing the strongest signs of recovery in the 30-nation group for the second month in succession.

The Italian Ministry for Economic Affairs forecasts that the economy will expand by 0.7% in 2010, after having contracted by 1% and 4.8% in 2008 and 2009 respectively. However, it is too early to speak of a solid recovery, and the unemployment rate could still rise in 2010, to as high as 8.7% according to the European Commission's autumn 2009 forecasts, before stabilising in 2011.

Malta

According to the national statistical office of Malta, there were 7588 registered unemployed in November 2009, consisting of 6801 in Malta (+15.9% y-o-y) and 787 in Gozo (+7.7% y-o-y). This is an increase of 988 compared to November 2008. Most rises occurred in male dominated sectors.

During the twelve months to November 2009, the unemployment rate rose by 0.8 pps to 7%. This is the sixth lowest unemployment rate in the EU27, 2.5 pps lower than the EU average. However, the youth unemployment rate is almost double that figure, at 13.8% in the same month and up 1.6% on November 2008. Nevertheless, this is the fourth lowest increase recorded in the EU for that period.

The picture with regard to older workers is less bright, as Malta has the lowest employment rate for older workers (50+): 24.2% in the second quarter of 2009. Even so, this age category seems to have been less affected by the crisis than the overall population, as the rise in unemployment was only 0.5 pps on the same period in 2008. As far as the gender gap is concerned, male and female workers appear to have been equally hard hit, with the male unemployment rate rising from 5.9% to 6.7% between November 2008 and November 2009, while female unemployment increased from 6.7% to 7.7% in the same period.

According to the Commission's autumn 2009 forecasts, Malta's unemployment rate could rise further in 2010, to 7.4%, before stabilising in 2011 (7.3%). The same source

predicts that Malta's GDP will increase moderately in 2010 (+0.7%) before rising more firmly in 2011 (+1.6%). After contracting in 2009 due to lower real disposable income - the consequence of rising unemployment and slower wage growth - private consumption is expected to post a mild recovery over 2010, mainly as a result of improved labour market conditions further fuelling that growth.

The UK

UK GDP fell by 0.3% in the third quarter of 2009, the sixth consecutive quarter of contraction. This followed a decline of 0.6% between the first and second quarters of 2009. In the most recent period, GDP was 6 pps below its pre-recession level and 5.1 pps below the level posted in the third quarter of 2008. According to the Office for National Statistics (ONS), this compares with equivalent figures of 2.4 pps for the same period in the 1990s recession and 4.5 pps in the 1980s recession.

In these two previous recessions, GDP returned to positive quarterly growth in the sixth quarter following the onset of the downturn. By contrast, in the sixth quarter of the current recession, GDP continued to fall, although the rate of decline has decreased, while all other major EU economies other than Spain posted positive GDP growth from the third quarter of 2009 onwards.

According to the ONS, the British economy shrank by 5.1% in 2009, as the trade deficit widened - in spite of the weakness of sterling - and domestic consumption remained depressed. As a consequence, manufacturing output was down 8.4% in October 2009, compared with a year earlier. In the quarter August to October, which is normally considered a more reliable indicator of trends, it was down 9.9% compared to a year ago. However, looking ahead, the British government still forecasts output picking up by 1 to 1.5% this year and higher growth as of 2011-2012 (+3.5%). Very recent data released at the beginning of January tend to confirm the expected return to positive growth, since a sharp rise was recorded in manufacturing activity, mortgage approvals and a key measure of money supply, all of which pointed to Britain's economy actually returning to growth towards the end of 2009. Moreover, the OECD composite leading indicator (CLI) for the UK tends to show that confidence is returning and the growth of the British economy is reviving: the CLI for the UK rose by 1.2 points in November 2009 and was 10.7 points higher than a year ago.

The unemployment rate stood at a 13-year high of 7.8% in the third quarter of 2009, with roughly 2.5 million jobless. This is a rise of 0.1 pps on the previous quarter, the smallest increase since the spring of 2008 according to the ONS. Furthermore, for the first time in almost two years, the number of Britons claiming unemployment benefits fell in November 2009 - by 6300 - according to official data. This has led economists to suggest that the peak in unemployment was likely to be lower than in previous recessions. Indeed, the unemployment rate has actually been lower than during the 1980s and 1990s recessions, when it peaked at 9.5 and 9.9% respectively. Nevertheless, in the third quarter of last year, unemployment was roughly 2 pps higher than in the third quarter of 2008 and 3.3 pps higher than in the second quarter of 2005, when it posted a record low of 4.5%.



At 20.9% in the third quarter of 2009, the youth unemployment rate was close to the then EU27 average and 4.3 pps higher than the level posted a year earlier. The recession has taken its toll on male workers as well, as their unemployment rate rose from 6.5% in the third quarter of 2008 to 9.1% a year later, while the rise in female unemployment was more moderate, up from 5.5% to 6.7%.

Temporary employment now seems to be on the increase again. According to Markit Economics, the UK accounts for 34% of the European agency work market. This percentage might be even higher, given that in December agencies' billings from the employment of temporary or contract staff rose for the fifth consecutive month. The pace of growth accelerated further, reaching its highest level since June 2007. Increased temporary billings primarily reflected the stronger demand for short-term workers. Besides, the Jobs Vacancies Index also pointed to an increase in overall demand for staff for the third consecutive month in December.

The British government has recently set out a range of measures designed to tackle the growing problem of youth unemployment in the recession. Plans are being designed to offer £2 500 "golden hellos" to firms to encourage them to take on young apprentices. In November, the number of 16 to 24 year-olds not in employment, education or training (so-called NEETs) passed the 1 million mark for the first time. The government's target is to lower the percentage of NEETs from its current level of 13.4% to 7.6% in 2010.



2. Selected sectoral trends: the building and repairing of ships and boats sector

Importance of the sector

The building and repairing of ships and boats industry can be regarded as a strategic sector:- it develops advanced technologies providing valuable by-products for other sectors, supplies the basic means of transport for international trade, and makes a decisive contribution to defence and security by equipping navies with technologically advanced vessels. In addition to this, the sector provides high levels of employment for various subcontractors.

From an economic perspective, the European ship and boat repair sector has an estimated production value of EUR 5.3 billion. Approximately 20% of the repairing activity corresponds to the pleasure and sports boats sector, whereas the remaining 80% corresponds to the repair and maintenance activities on ships.

Europe is relatively strongly positioned in the ship repair market. In 2005 the building and repairing of ships sector in the EU27 consisted of a total of 9500 enterprises that generated a turnover of EUR 27.1 billion and an added value at factor cost of EUR 7.6 billion (source: Eurostat, SBS).

The largest European shipbuilding Member State in terms of turnover is Germany (EUR 4.8 billion), followed by Italy, France, Spain, the Netherlands and the United Kingdom (with EUR 4.1, 4, 3.1, 3 and 2.7 billion, respectively). Other countries with a significant presence of shipbuilding activities include Poland and Finland (EUR 1.7 and 1.2 billion, respectively).

From a chronological perspective, repair activity has experienced an upward trend since 2002, although during 2003 and 2004 the level of repair activity was lower than normal due to low levels of activity in the offshore oil and gas sector and high freight rates on offer (with many owners cutting down as far as possible on the work to be done by the repairing/maintenance yards in the interests of getting their ships running). By contrast, 2005 and 2006 experienced an especially positive evolution in repair/maintenance activities.

Employment

According to Eurostat estimates, in 2005 the EU27 building and repairing of ships and boats sector provided employment to 295 thousand people.

From a national perspective, the building and repairing of ships and boats sector is quite unevenly distributed across the EU27. The sector is practically absent in the five landlocked Member States of the Czech Republic, Luxembourg, Hungary, Austria and Slovakia. By contrast, and in economic terms, the sector plays a very important role in countries such as Malta,

Romania, Lithuania, Estonia or Latvia, where more than 1.5% of total manufacturing value added is generated by the sector. The sector also seems to be of relative importance in countries such as Greece, the Netherlands, Finland, Bulgaria and Poland.

Recent difficulties, threats and opportunities

The financial crisis has not left the shipbuilding industry untouched, but the current impact on output is rather limited since the consequences on the sector are generally felt with a delay of about two years, which is roughly the duration of the production cycle of merchant ships.

However, the crisis is having a strong impact on the possibilities for ship financing, since it is becoming more difficult to obtain credit in order to make an advance payment, which will have an impact on future production. Regarding already existing activities, in countries where advance payments are high, the cancellations will be less numerous compared to countries where the advance payments are lower or where ships are built on a speculative basis. Therefore the present consequences of the crisis tend to be fiercer for shipbuilding activities in the latter.

Lessons can be derived from previous crises endured by the sector, which are characterised by their relatively long duration. Indeed, the low demand period for the shipbuilding sector tends to last much longer than the period of low demand experienced by the economy as a whole. Explanations for this are that capacity laid off in low demand years will be put in service again only with a certain delay after the economy improves. Other factors may be hesitation to invest among buyers, who will first involve older or second-hand vessels before taking the risk to apply for new building. It is likely that similar factors will also play a role in the current crisis.

The ageing process of the European workforce is another threat affecting the European building and repairing of ships and boats sector. A significant number of European workers in the sector are near retirement but it is difficult to replace them with younger workers. The main underlying reasons include the lack of an appealing image for the sector (often linked to a 'steel and dirt' or 'industry in decline' image as a result of past large scale redundancies and despite the fact that wages are often higher than the national average) or the cyclical nature of employment relationships (due to the cyclical nature of the sector). In this sense, the sector is currently characterised by important skill shortages in a number of blue collar fields such as metal workers (especially welders), as well as for university graduates such as engineers and naval architects, where this skill shortage problem has been aggravated by the substantial employment cuts and the strategies of outsourcing and subcontracting experienced by the sector in the last twenty years together with the low number of qualified university graduates. These skill and labour shortages can have a



negative influence on the capacity of the European shipbuilding industry to take advantage of the increased demand for new, specialised ships.

The full realisation of the opportunities opened up by new technologies, innovations and existing high tech processes is directly dependant on the presence of a highly qualified, skilled, trained and educated workforce. This situation imposes a number of challenges to the sector in recruiting, training and retaining a quality, skilled workforce for the industry, such as the need to streamline the existing education and training system with the current and future needs of the sector, the need to attract young people, and the need to provide training for the new skills demands identified by the sector.

Recent restructuring cases

On 13 November 2009, the shipbuilding and construction group Hegemann announced a cut of 400 jobs at its shipyards in Wolgast and Stralsund, Germany. The downsizing was part of a restructuring programme to enhance the company's competitiveness. The job reduction was to be carried out in a socially acceptable manner until spring 2010.

In August 2009, the Odense Stell Shipyard announced that the shipyard in Munkebo, Denmark will close due to a long period of weak orders, dismissing 175 workers. The reduced staff will be adapted to the ongoing production which will continue until February 2012, when the last large ship leaves the shipyard. The first 175 redundancies will take effect from the end of August 2009. Odense is the last of the large shipyards in Denmark.

Hellenic Shipyards in Skaramangas are for sale, with 1200 to 1400 workers about to loose their jobs. ThyssenKrupp is putting the Skaramangas Shipyards up for sale on April 1, 2009 to make cutbacks of half a billion euros per year due to the global economic crisis. ThyssenKrupp reportedly informed the competent ministers about its intention to depart if certain issues it deems crucial are not solved. According to the head of Neorion any plan will have to proceed under the supervision of the European Commission, along the lines of the Olympic Airlines privatization procedure.



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 data, please visit the websites:

- Eurostat: <http://ec.europa.eu/eurostat>
- OECD: www.oecd.org

² For more information on Manpower, please visit the website: www.manpower.com/press/meos.cfm

³ 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, jobs for freelancers and self-employed people and vacancies communicated by private placement agencies.

⁴ For more information on Eurociett, please visit the website: www.eurociett.eu

⁵ European Restructuring Monitor [ERM] data are collected by Eurofound's European Monitoring Centre on Change.

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 8 January 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, please visit the website: www.eurofound.europa.eu/emcc/erm/index.htm

⁶ For more information on the Commission's Autumn 2009 forecast, please visit the website: http://ec.europa.eu/economy_finance/thematic_articles/article16051_en.htm