



EU Employment and Social Situation

Quarterly Review

March 2015

With regularly updated data and charts downloadable [here](#)

This Quarterly Review provides in-depth analysis of recent labour market and social developments. It is prepared by the Employment Analysis and Social Analysis Units in DG EMPL. This review was prepared under the supervision of G. Fischer (Director), N. Gibert-Morin (Head of Unit) and R. Maly (Head of Unit). The main contributors were: D. Arranz, M. Grzegorzewska, S. Jemmotte, E. Joseph and E. Meyermans. General reviewing was provided by A. Xavier.

A wide combination of information sources have been used to produce this report, including Eurostat statistics (see [codes] mentioned under the charts, to be used with the Eurostat data search engine: http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database), reports and survey data from the Commission's Directorate-General for Economic and Financial Affairs.

Underlying regularly updated data and charts are available at:

http://ec.europa.eu/employment_social/employment_analysis/quarterly/quarterly_updated_charts.xlsx

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

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List of country codes

EU Member States

AT: Austria
BE: Belgium
BG: Bulgaria
CY: Cyprus
CZ: Czech Republic
DE: Germany
DK: Denmark
EE: Estonia
EL: Greece
ES: Spain
FI: Finland
FR: France
HR: Croatia
HU: Hungary
IE: Ireland
IT: Italy
LT: Lithuania
LU: Luxembourg
LV: Latvia
MT: Malta
NL: The Netherlands
PL: Poland
PT: Portugal
RO: Romania
SE: Sweden
SI: Slovenia
SK: Slovakia
UK: United Kingdom

Further afield:

US: United States of America

Executive summary

The economic situation in the EU has been improving continuously for nearly two years with EU GDP now reaching pre-crisis levels and the recovery extending to most Member States. Employment in the EU also continues to improve, extending to nearly all sectors and involving more permanent and full-time jobs. The increase in employment and participation has also widened to all sub-population groups. Unemployment is slowly receding from its high levels in the EU and in most Member States. Long-term unemployment receded for the first time since the onset of the crisis, and youth unemployment declines to the 2009-2010 level. Alongside this, household income continues to increase at a faster pace compared with the previous quarters.

Despite the positive economic and labour market developments some challenges remain and differences across Member States are significant. In 2014, GDP in the euro area was still 1.4% lower than in 2008. Unemployment remains high and is decreasing at a very slow pace. A large share of unemployment is now made up of long-term unemployed and youth unemployment remains high, especially in some Member States.

The EU economy has now reached pre-crisis levels and recovery has broadened across Member States. Nevertheless, in 2014 GDP in the euro area (EA) was still 1.4% lower than in 2008. The fourth quarter of 2014 shows a further improvement in the economic situation with real GDP increasing by 0.4% in the EU and by 0.3% in the EA. Nearly all Member States showed improvements, although growth remained weak in some. Cyprus and Greece registered notable quarterly declines although real GDP growth in Greece was above 1% in the year to the fourth quarter. In this same period real GDP grew by 1.3% in the EU and by 0.9% in the EA. The 2015-2016 outlook for economic growth has improved and EU labour markets are also forecast for moderate improvement.

Employment in the EU continues to improve moderately but consistently, although developments at the EU level hide marked differences between Member States. Against the modest economic recovery of the last two years, employment has been steadily increasing. In the fourth quarter of 2014, it increased by 0.2% in the EU and 0.1% in the EA. The majority of Member States experienced an increase, including countries with very high unemployment rates such as Greece and Spain. The only exceptions were Portugal, Croatia and Cyprus which registered a quarterly decline (1.4%, 0.9% and 0.6%, respectively).

Developments in 2014 led altogether to a 1.0% employment growth in the EU and 0.9% in the EA in the year to the fourth quarter of 2014. Employment was up in all Member States except Cyprus, Finland and Latvia. And although EU employment is 2% lower than in the 2008 peak, it has recovered by 2.7 million jobs since its lowest levels in the first quarter of 2013. As a result, the EU employment rate for 20-64 year-olds increased in the year to the third quarter of 2014, to reach nearly 70%. However, despite the consistent improvement, it remains lower than the 2008 rates and the Europe 2020 target of 75% in most Member States.

The employment improvement extended to almost all sectors in the fourth quarter of 2014. In addition to the services sector, which has seen a consistent increase over the years, employment has now expanded in industry and construction sectors and only agriculture saw a reduction in jobs. Between the fourth quarter of 2013 and that of 2014 the agricultural and construction sectors saw a reduction.

The increase in permanent and full-time contracts was higher than that for temporary and part-time contracts in absolute terms. For a third consecutive quarter, the increase in permanent and in full-time employment has outnumbered the increase in temporary and part-time employment. In the year to the third quarter of 2014, employment in permanent jobs and in full-time jobs has increased by 0.6% and 0.8%, respectively. More than half (55%) of the year-to-year expansion in employment is attributed to the increase in the number of employees holding permanent contracts, representing an additional 1.3 million full-time workers. However, the number of permanent contract workers and full-time workers is still lower than in 2008 by 2.3% and 5.1%, respectively.

The employment rate improves across all population groups. The EU employment rate for 20 to 64 year-olds rose by 1.0 percentage point (pp) in the year to the third quarter of 2014 to 69.8%. The EA employment rate also picked up, but more slowly with a 0.6 pp increase in the same period, to reach 68.6%. The employment rate went up by 0.6 pp for young people aged 15-24 and noticeably by 1.2 pp for 20-24 year-olds. For those aged 25-54 it increased by 0.7 pp and more significantly, for older workers aged 55-64 by 1.7 pp. It went up for both men and women by 1.0 pp. Women saw their employment rate consistently increase since 2008. However, the gender gap remains significant at more than 10 pp (76% versus 64%).

Unemployment in the EU continues to slowly recede, but it remains high with large differences across the EU. The EU unemployment rate was 9.8% in February 2015, 0.7 pp lower than the year before and the lowest since autumn 2011. Unemployment rates decreased in most Member States in the year to February 2015, except for increases in Croatia, Cyprus, Finland and France. Large differences remain among Member States. The unemployment rate ranges from around 5% in Germany and Austria to very high 23% in Spain and 26% in Greece. Youth unemployment in the EU fell by 1.8 pp in the year to February 2015, to reach 21.1%. This is still high compared to its lowest level since 2008 of 15.1%. It declined in most Member States except for Luxembourg, Finland and France. Unemployment affects 50% of young active people in Greece and Spain, and more than 30% in Cyprus, Portugal, Italy and Croatia. Overall, 23.9 million people are unemployed in the EU, including 18.2 million in the EA, and 4.9 million young people.

Long-term unemployment declines for the first time since 2009. In the year to the third quarter of 2014, long-term unemployment declined by 0.2 pp but remains a main challenge in the EU labour market and more so in some Member States. The long-term unemployment rate is now 4.9%, marking the first improvement since the beginning of 2009. Still, around half of the unemployed people in the EU, around 12.4 million people, have been unemployed for more than a year, and of those, more than 6 million have been unemployed for more than two years. In addition, long-term unemployment rates remain very high in some Member States: Greece (19%), Spain (12.6%), Croatia (9.7%), Slovakia (9%), Portugal (8%), Italy (7.4%) and Cyprus (7.8%). They are not decreasing in Greece and continue to increase in Italy and Cyprus.

The labour demand improved but remained low in the EU, while the labour matching process appears to have worsened. In the year to the third quarter of 2014, the number of people starting a new job in the EU in the last 3 months hirings, increased by 4.6% in the year to the third quarter of 2014. Further, the job vacancy rate improved slightly to 1.7% when comparing the fourth quarter of 2014 with the same quarter of 2013, supported solely by increases in vacancies in the service sector. Demand remains at a rather low level compared with the pre-crisis period, with more labour demand in services, 2.2%, and lower demand in industry and construction, 1.1%. In 2013-2014 the labour demand increased while unemployment decreased.

Productivity growth remains weak in the fourth quarter of 2014 with a 0.3% growth in the year to the fourth quarter of 2014. Nominal compensation per employee grew at a moderate pace (2.2%) in most Member States in the same period. As a result, the growth in nominal unit labour cost remained subdued (0.8%) in most Member States. The overall weak growth in labour productivity reflects a weak business cycle component, but also a slowdown in some Member States especially Greece, Italy and Luxembourg since the onset of the crisis.

Growth in household income (GHDI) in the EU continued, accelerating from previous quarters, in line with economic and employment improvements. The real GHDI growth accelerated to 1.3% in the year to the third quarter of 2014. The recent growth has mainly been driven by income from work as employment continues to pick up, while an increase in social contributions and a minor increase in taxes counterbalanced an increase in social benefits. Among large Member States, household income continued to rise in France, Germany and the UK, and also went up in Italy and Spain in the third quarter of 2014.

Financial distress remained unchanged in the EU in the fourth quarter of 2014, below the peak levels seen in mid-2013, but far above the pre-crisis levels. Underlying this stagnation and worryingly, the financial distress intensified among low-income households, reverting the positive trend observed in the first half of 2014.

Latest labour markets and social trends in the EU28 and EA19 (in red)

| | 2013Q4 | | 2014Q1 | | 2014Q2 | | 2014Q3 | | 2014Q4 | |
|--|--------|------|--------|------|--------|------|--------|------|--------|-----|
| | EU | EA | EU | EA | EU | EA | EU | EA | EU | EA |
| Real GDP | | | | | | | | | | |
| % change on previous quarter (SA) | 0.4 | 0.3 | 0.4 | 0.3 | 0.2 | 0.1 | 0.3 | 0.2 | 0.4 | 0.3 |
| % change on previous year (SA) | 0.9 | 0.4 | 1.4 | 1.1 | 1.3 | 0.8 | 1.2 | 0.8 | 1.3 | 0.9 |
| Employment growth | | | | | | | | | | |
| % change on previous quarter (SA) | 0.0 | 0.0 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 | 0.1 |
| % change on previous year | -0.1 | -0.3 | 0.5 | 0.2 | 0.7 | 0.6 | 0.9 | 0.7 | 1.0 | 0.9 |
| Employment rate (15-64) | | | | | | | | | | |
| % of working-age population | 64.3 | 63.7 | 64.0 | 63.2 | 64.8 | 64.0 | 65.5 | 64.4 | : | : |
| change on previous year (percentage point) | 0.2 | 0.1 | 0.7 | 0.3 | 0.7 | 0.4 | 1.0 | 0.5 | : | : |
| Employment rate (20-64) | | | | | | | | | | |
| % of working-age population | 68.6 | 67.9 | 68.4 | 67.5 | 69.3 | 68.3 | 69.8 | 68.6 | : | : |
| change on previous year (percentage point) | 0.2 | 0.0 | 0.8 | 0.3 | 0.9 | 0.5 | 1.0 | 0.5 | : | : |
| Gross disposable households income | | | | | | | | | | |
| % change on previous year | 0.9 | 0.9 | 0.7 | 0.5 | 1.0 | 0.5 | 1.3 | 1.7 | : | : |
| Labour productivity | | | | | | | | | | |
| % change on previous year | 1.0 | 0.6 | 0.9 | 0.9 | 0.6 | 0.1 | 0.4 | 0.1 | 0.3 | 0.0 |
| Nominal unit labour cost | | | | | | | | | | |
| % change on previous year | 0.0 | 1.2 | 1.1 | 0.7 | 1.1 | 1.2 | 2.0 | 1.1 | 2.0 | 1.2 |
| Long-term unemployment rate | | | | | | | | | | |
| % labour force | 5.3 | 6.2 | 5.3 | 6.3 | 5.1 | 6.1 | 4.9 | 5.9 | : | : |
| change on previous year (percentage point) | 0.4 | 0.6 | 0.1 | 0.3 | 0.0 | 0.2 | -0.2 | 0.1 | : | : |

| | 2014 Feb | | 2014 Nov | | 2014 Dec | | 2015 Jan | | 2015 Feb | |
|---------------------------------|----------|------|----------|------|----------|------|----------|------|----------|------|
| | EU | EA |
| Unemployment rate | | | | | | | | | | |
| Total (% of labour force) | 10.5 | 11.8 | 10.0 | 11.5 | 9.9 | 11.4 | 9.9 | 11.4 | 9.8 | 11.3 |
| Men | 10.5 | 11.7 | 9.9 | 11.4 | 9.8 | 11.2 | 9.7 | 11.2 | 9.7 | 11.1 |
| Women | 10.5 | 11.9 | 10.1 | 11.8 | 10.0 | 11.6 | 10.0 | 11.6 | 10.0 | 11.6 |
| Youth (% of labour force 15-24) | 22.9 | 24.1 | 21.5 | 23.4 | 21.2 | 23.1 | 21.1 | 22.9 | 21.1 | 22.9 |

Source: Eurostat, National Accounts, Labour Force Statistics and series on unemployment.

Note: Data non-seasonally adjusted (except where indicated SA). ':' not available. GDHI: EU18 instead EU19, DG EMPL calculations.

[Click here to download chart.](#)

A tool is provided to facilitate access to regularly updated underlying data, charts and tables. Files in the Excel format, which are now available online, make it easy to access data and import charts and tables. Data will be refreshed shortly after their release by Eurostat - for instance unemployment will be updated at the beginning of each month, figures based on the Labour Force Survey (LFS) will be updated in mid-April, July, October, and January. Latest available data are accessible at:

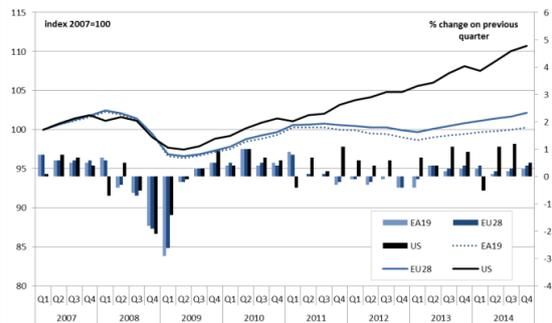
http://ec.europa.eu/employment_social/employment_analysis/quarterly/quarterly_updated_charts.xlsx

1. Macroeconomic and employment developments and outlook

The EU economy continues its modest recovery and reaches pre-crisis levels

Real GDP increased by 0.4% in the EU and 0.3% in the euro area (EA) in the fourth quarter of 2014. The larger Member States that drove this increase are Poland, Spain, Germany and the UK. Domestic demand, both private consumption and investments, as well as external balance, contributed to the output growth. Real GDP increased in the year to the fourth quarter of 2014 by 1.3% in the EU to reach the pre-crisis level and by 0.9% in the EA. By comparison, real GDP in the US increased by 0.5% in this quarter, resulting in a year-on-year growth of 2.4% (Chart 1).

Chart 1: Real GDP - EU, EA and US

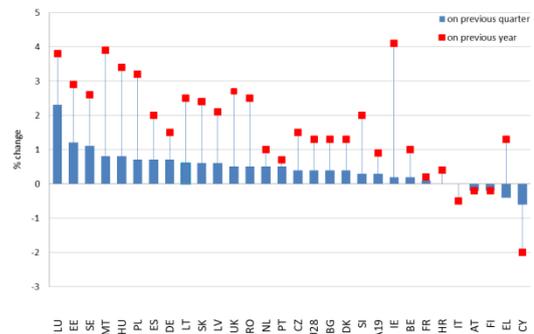


Source: Eurostat, National Accounts, data seasonally adjusted [namq_gdp_k]
[Click here to download chart.](#)

While nearly all Member States register positive growth, large cross country differences remain

GDP grew in most EU Member States in the fourth quarter of 2014, with the exception of Austria, Croatia, Cyprus, Finland, Greece and Italy. It grew by more than 1% in Estonia and Sweden. The economic output in these countries was also lower compared to the fourth quarter of 2013, with the exception of Greece. Among larger Member States, the year-on-year GDP growth was 2% or more in Poland, the UK, and Spain. It was 1.5% in Germany, very low in France and negative in Italy (Chart 2). It was more than 3% in Malta and Hungary.

Chart 2: Real GDP growth - EU, EA and Member States, 2014Q4



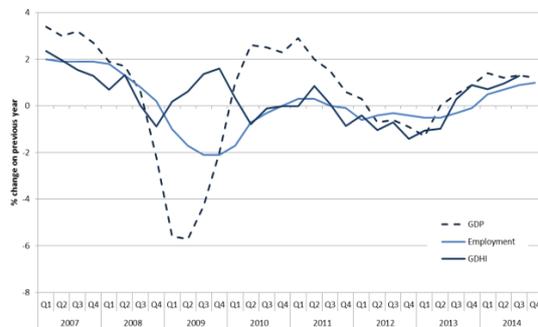
Source: Eurostat, National Accounts, data seasonally adjusted [namq_10_gdp]
 Note: IE and LU: 2014Q3
[Click here to download chart.](#)

EU employment and household incomes steadily progress supported by economic improvements

Employment in the EU continued to expand, gaining 1.0% in the year to the fourth quarter of 2014. Also gross disposable household income (GDHI) in the EU¹ increased further in the year to the third quarter of 2014 by 1.3% in real terms (Chart 3). Employment and household incomes have recently progressed more than could be expected given the modest-so-far economic improvements. Further economic growth and prompt expansion in employment are crucial for the sustainability of household income.

¹ The real GDHI growth for the EU is DG EMPL estimation, and it includes Member States for which quarterly data are available (13 Member States: CZ, DE, DK, EL, ES, FI, FR, IT, NL, PT, SE, SI, UK, which account for 85% of EU GDHI). The nominal GDHI is converted into real GDHI by deflating with the deflator (price index) of household final consumption expenditure. The real GDHI growth is a weighted average of real GDHI growth in Member States.

Chart 3: Real GDP, GDHI and employment growth - EU



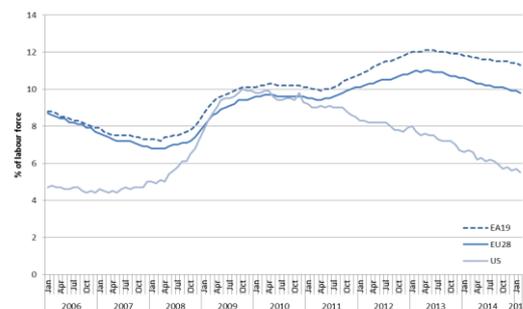
Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_gdp, namq_10_pe, nasq_10_nf_tr] (DG EMPL calculations for GDHI)
 Note: GDHI EU aggregate for Member States for which data are available, GDP for EU28
[Click here to download chart.](#)

Unemployment in the EU continues to slowly recede in the beginning of 2015

In February 2015, the EU and EA unemployment rates went down to 9.8% and 11.3% respectively, from 10.5% and 11.8 in February 2014. The unemployment rate in the US was 5.5% in February 2015, down from 6.7% in February 2014 (Chart 4).

This faster decline in unemployment in the US than in the EU can be partially explained by trends in labour market participation. The sharp decrease in unemployment in the US has been accompanied by a fall in labour market activity. By contrast, labour market activity has consistently increased in the EU in the last decade and during the crisis years with previously inactive people going into either employment or unemployment.

Chart 4: Unemployment rate - EU, EA and US



Source: Eurostat, series on unemployment, data seasonally adjusted [une_rt_m]
[Click here to download chart.](#)

Outlook

The Purchasing Managers Index for the EA indicates economic expansion and job creation

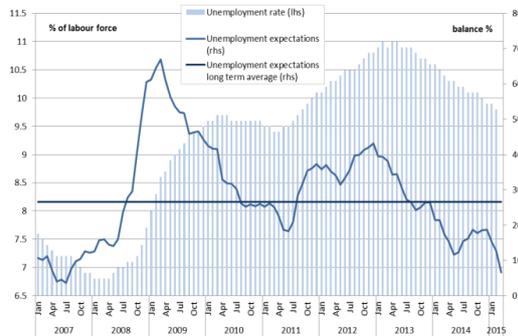
In March 2015, the Purchasing Managers Index (PMI) for the EA composite output index rose to its highest level since July 2014, and remained above the level which separates growth from contraction. Results reflect the expansion in economic activity across most EA countries analysed. During March 2015, job creation rose at its quickest pace in three-and-a-half years, supported by employment increases in Germany, Italy, Spain and Ireland, while in France the trend moved closer to stabilisation.

Economic sentiment and labour market confidence for the EU continue to gradually improve

The Commission's economic sentiment indicator, derived from the EU Business and Consumer Surveys, has shown signs of modest improvements. The signs of positive development have been mainly fuelled by more optimistic consumers, while business sectors, including services, retail, industry and construction saw the economic sentiment just slightly better in March 2015.

Consumers have become more optimistic that unemployment will continue to fall and the improved consumer's confidence fed into the movement of overall economic sentiment (Chart 5). Employment prospects improved in all business sectors in March including industry, services, retail and construction.

Chart 5: Consumers' expectations for unemployment vs. unemployment rate - EU



Source: European Commission, Business and Consumer Surveys and Eurostat, LFS, data seasonally-adjusted [ei_bosco_m, une_rt_m] [Click here to download chart.](#)

Outlook for growth improves somewhat, and EU labour markets will continue to improve though moderately

Recent forecasts of the IMF, European Commission, ECB and OECD concur on an improved economic outlook, with GDP set to grow in the EA between 1.2% and 1.5% in 2015, accelerating to nearly 2% in 2016. According to the recent Commission winter forecast, from 2016 onwards, GDP growth in the EU would be about 0.5 percentage points (pp) stronger each year. Employment growth would strengthen slightly, EU unemployment would decline to below 9.5%, while EA unemployment would decline only gradually, to just above 10.5% in 2016 (Table 1).

Table 1: Recent forecasts for real GDP growth, unemployment rate and employment growth - EU and EA

| | GDP growth | | Unemployment rate | | Employment growth | |
|------------------|------------|------|-------------------|------|-------------------|------|
| | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
| euro area | | | | | | |
| IMF | 1.2 | 1.4 | : | : | : | : |
| Commission | 1.3 | 1.9 | 11.2 | 10.6 | 0.7 | 1.0 |
| ECB | 1.5 | 1.9 | 11.1 | 10.5 | 0.9 | 0.9 |
| OECD | 1.4 | 2.0 | : | : | : | : |
| EU | | | | | | |
| Commission | 1.7 | 2.1 | 9.8 | 9.3 | 0.7 | 0.9 |

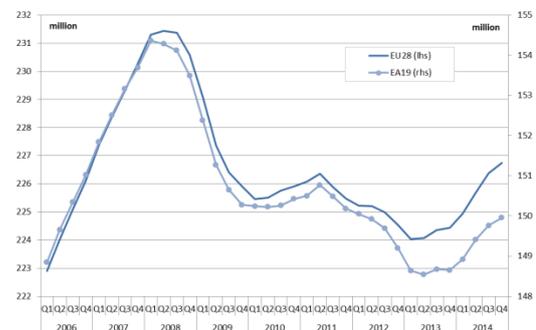
Source: Diverse forecast documents.
Note: Forecasts were published on 20 January (IMF), 5 February (Commission), 5 March (ECB) and 18 March (OECD). Interim forecasts of IMF and OECD do not include forecasts of labour market variables.

2. Employment in the EU and its Member States

Employment grows moderately but consistently in the EU and in the EA during 2014

Employment continued to rise in the fourth quarter of 2014 by 0.2% in the EU and 0.1% in the EA, though perhaps at a slower pace as previous quarter-on-quarter growth was 0.3% and 0.2%, respectively. In the year to the fourth quarter of 2014, employment grew by 1.0% in the EU, but it remained 2.0% lower than at its peak in mid-2008. In the EA, it increased by 0.9%, but remained 2.9% lower than at the beginning of 2008 (Chart 6). Employment recovered by 2.7 million jobs since its recent lowest level observed in the first quarter of 2013. Nevertheless, its growth pace is not yet strong enough to compensate for the loss of 7.4 million jobs during the crisis years.

Chart 6: Employment level - EU and EA



Source: Eurostat, National Accounts, data seasonally-adjusted [namq_10_pe] [Click here to download chart.](#)

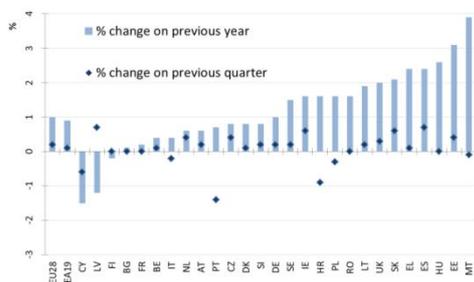
Employment grows in the majority of Member States in the last quarter 2014

Employment increased in the majority of EU Member States in the fourth quarter of 2014. It rose in 16 of the 26 Member States for which data are available, remained stable in four and fell in six. The largest growth rates were recorded in Spain and Latvia, with 0.7%, and in Ireland and Slovakia with 0.6%. Portugal, Croatia and Cyprus recorded the largest decreases of 1.4%, 0.9% and 0.6% respectively (Chart 7).

Employment is higher than it was a year ago in a large majority of Member States

In the year to the fourth quarter of 2014, 24 of the 27 Member States, for which data is available, saw an increase in employment and three saw a decrease. The largest increases were recorded in Malta, 3.9%, Estonia, 3.1%, Hungary, 2.6%, Spain and Greece, 2.4%. And decreases were seen in Cyprus, 1.5%, Latvia, 1.2%, and Finland 0.2%.

Chart 7: Employment growth - EU, EA and Member States, 2014Q4



Source: Eurostat, National Accounts, data seasonally adjusted (q-o-q) and non-seasonally adjusted (y-o-y) [namq_10_pe] [Click here to download chart.](#)

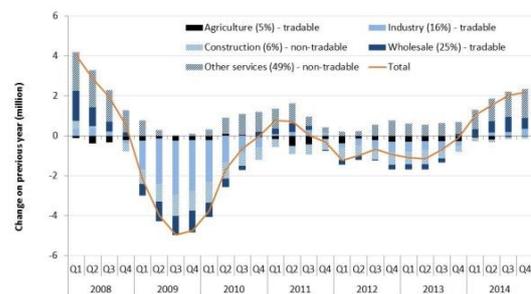
Services drive employment recovery in the EU, but job creation picks up in industry

Employment in non-tradable² services continued to expand in the EU in the fourth quarter of 2014, as it did throughout the crisis, except for the observed stagnation in 2009. Tradable services have started to support job creation since the beginning of 2014 with employment in industry also starting to regain ground since the second half of 2014 (Chart 8).

² Tradable sectors include: Agriculture (A), Industry (B-E) - Mining and quarrying (B), Manufacturing (C), Electricity, gas, steam and air conditioning supply (D), Water supply, sewerage, waste management and remediation activities (E) and tradable services - Wholesale and retail trade (G), Transport (H), Accommodation and food service activities (I). Non-tradable sectors include: Construction (F) and other non-tradable services - Information and communication (J), Financial and insurance activities (K), Real estate activities (L), Professional, scientific and technical activities (M), Administrative and support service activities (N), Public administration and defence (O), Education (P), Human health and social work activities (Q), Arts, entertainment and recreation (R), Other service activities (S), Activities of household (R), Activities of extra-territorial organizations and bodies (U).

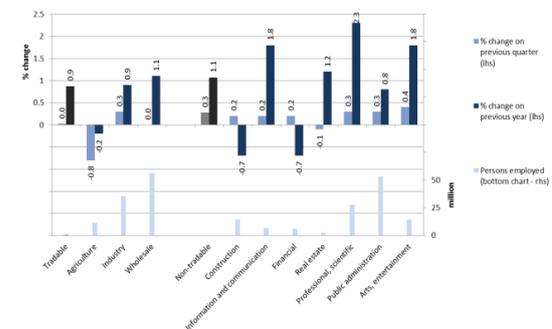
In the fourth quarter of 2014, employment increased in all sectors, with the exception of agriculture and real estate activities. Compared to the fourth quarter of 2013, employment is up in all sectors, with the exception of agriculture, construction, and financial and insurance activities (Chart 9). See Annex 4 for detailed changes in employment in the fourth quarter of 2014, by 10 NACE branches.

Chart 8: Employment growth by sector - EU



Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_a10_e] [Click here to download chart.](#)

Chart 9: Employment growth by sector - EU, 2014Q4



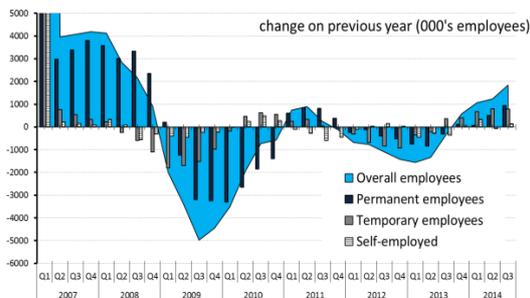
Source: Eurostat, National Accounts, data seasonally adjusted (q-o-q) and non-seasonally adjusted (y-o-y) [namq_nace10_e] Top chart: Employment growth (%). Bottom chart: Employment level (million). [Click here to download chart.](#)

The number of permanent jobs increases more than temporary jobs in absolute numbers

The increase in permanent employment outnumbers the increase in temporary jobs for the first time since 2011. In the year to the third quarter of 2014, the number of employees with a permanent contract grew by 930 000 (0.6%), while for employees

with a temporary contract it grew by 770 000 (3.1%). Self-employment increased slightly by 0.5% (Chart 10).

Chart 10: Change in permanent and temporary employment and self-employment - EU

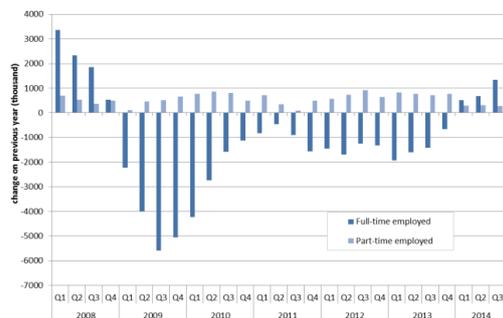


Source: Eurostat, LFS, data non-seasonally adjusted [lfsq_egaps, lfsq_etgaed]
[Click here to download chart.](#)

Full-time work is also increasing and outnumbering the increase in part-time jobs

The increase in full-time work accelerated and outnumbered the increase in part-time jobs. In the year to the third quarter of 2014, the number of full-time workers rose by 1.3 million or 0.8%. The number of part-time workers grew by 280 000 or 0.7% (Chart 11). The number of people working full-time remains 5.1% and markedly lower than in 2008, while part-time employment has grown continuously since 2008 by 8.8%.

Chart 11: Change in part-time and full-time employment - EU



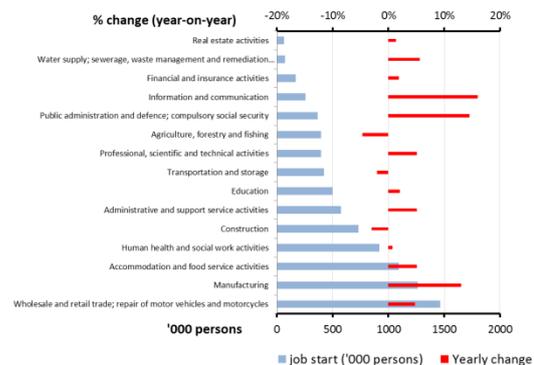
Source: Eurostat, LFS, data non-seasonally adjusted [lfsq_eftpt]
[Click here to download chart.](#)

Companies step up hiring activity during 2014

The number of people starting a new job increased by 4.6% in the year to the third quarter of 2014, which is an improvement

compared to an observed 3.8% year-on-year increase in the previous quarter. The sectors that grew were the wholesale and retail trade, manufacturing, accommodation and food service activities, administrative and support service activities and education. By contrast, there was a drop in the number of people starting a new job in the construction, agriculture, forestry and fishing, and transportation and storage (Chart 12) sectors.

Chart 12: Employees in new jobs by sector - EU, change to 2014Q3



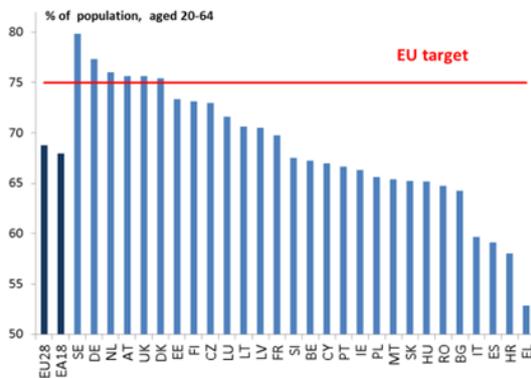
Source: Eurostat, LFS, data non-seasonally adjusted [lfsq_egdn2]
[Click here to download chart.](#)

Employment rate in the EU and its Member States

The EU employment rate improves and approaches 70%

The EU employment rate for 20 to 64 year-olds is the age range against which the Europe 2020 target is monitored. This rate rose by 1.0 pp in the year to the third quarter of 2014, to reach 69.8% after a year-on-year change of 0.9 pp observed in the second quarter. It remains 1.3 pp lower than in 2008. For the EA this also picked up, but more slowly, with a 0.6 pp increase in the year, to reach 68.6% (Chart 13).

Chart 13: Employment rate - EU, EA and Member States, 2014Q3

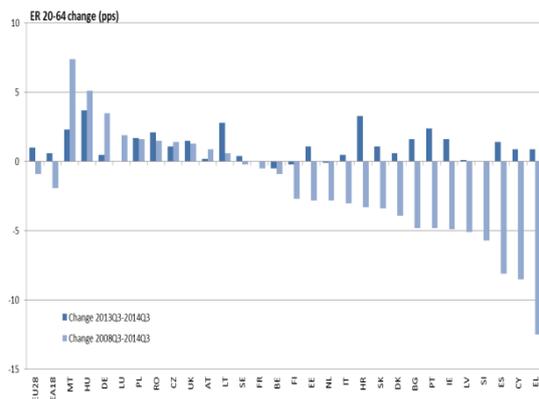


Source: Eurostat, LFS, data non-seasonally adjusted [lfsi_emp_q]
[Click here to download chart.](#)

The employment rate increases in most Member States

In the year to the second quarter of 2014, the employment rate for 20 – 64 years olds increased in 22 Member States, was stable in three and decreased in three. The largest rises were recorded in Hungary, 3.7 pp, Croatia, 3.3 pp, Lithuania, 2.8 pp, and Portugal, 2.6 pp. Three countries recorded falls: the Netherlands, 0.1 pp, Finland, 0.2 pp and Belgium, 0.5 pp (Chart 14).

Chart 14: Employment rate - EU, EA and Member States, change to 2014Q3



Source: Eurostat, LFS, data non-seasonally adjusted [lfsi_emp_q]
[Click here to download chart.](#)

The employment rate remains below the 2008 level and the Europe 2020 target in two thirds of the Member States

Despite the recent increases, the employment rate remains below 2008 levels in two thirds of the Member States. Spain,

Cyprus and Greece have been particularly affected, with falls of 8.8 pp, 9.3 pp and 13.4 pp, respectively, between 2008 and the third quarter of 2014. Over the same period, the rate increased significantly in Germany, 3.6 pp, Hungary, 4.2 pp and Malta, 6.8 pp (Chart 14). There is a 27 pp difference between the highest employment rate of 81.1% in Sweden and the lowest rate of 54.1% in Greece.

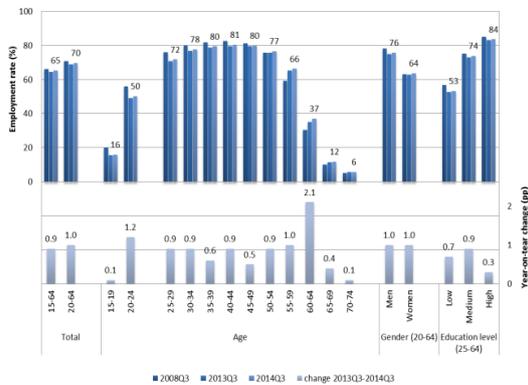
Employment rates improve across all population groups and still notably for older workers

The EU employment rate increased for all population groups in the year to the third quarter of 2014 (Chart 15). The overall increase was 0.9 pp for the 15 to 64 year-olds and 1 pp for the 20 to 64 year-olds. The employment rate went up by 0.5 pp for young people aged 15 to 24 and noticeably by 1.2 pp for the 20 to 24 year-olds. For those aged 25-54 it increased by 0.7 pp while for older workers aged 55-64 it increased more significantly by 1.7 pp.

The employment rate has consistently increased despite the crisis for people aged 50+, while it only started to recover for younger age groups last year. In the year to the third quarter of 2014, the rate increased quite noticeably for people aged 60-64: 2.1 pp.

In the same period, the employment rate for 15 to 64 year olds went up by 1 pp for men and women. Women saw their employment rate consistently increase since 2008. However, the gender gap remains significant at more than 10 pp: 76% for men versus 64% for women. It also went up for all skills groups though to different degree (Chart 15).

Chart 15: Employment rate by population groups - EU



Source: Eurostat, LFS, data non-seasonally adjusted [lfsq_ergaed]
 Top chart: Employment rate (% of respective population). Bottom chart: Change in employment rate 2013Q4-2014Q4 (pp).
[Click here to download chart.](#)

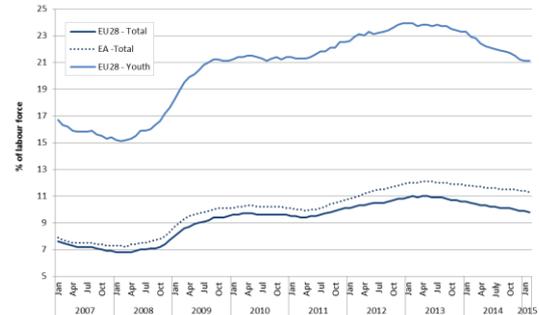
3. Unemployment in the EU and in Member States

Unemployment in the EU slowly recedes from high levels

The unemployment rate in the EU has been decreasing, though moderately, since June 2013. It went down to 9.8% in February 2015, a reduction of 0.7 pp compared with February 2014, reaching the rates of autumn 2011. In the EA, it declined by 0.5 pp over the same period to reach 11.3%. The unemployment rate remains 3 pp higher than its low of 6.8% in March/April 2008.

The unemployment rate decline represents around 1.5 million fewer unemployed people in the EU, including 645 000 in the EA from February 2014 to February 2015. Unemployment receded by 2.6 million since its recent peak observed in the first quarter of 2013. Nevertheless, the decline is too weak to ensure a prompt return to its pre-crisis level. At 23.9 million unemployed people, including 18.2 million in the EA, the level of unemployment remains 7.9 million higher than its low in the beginning of 2008.

Chart 16: Unemployment rate and youth unemployment rate - EU and EA



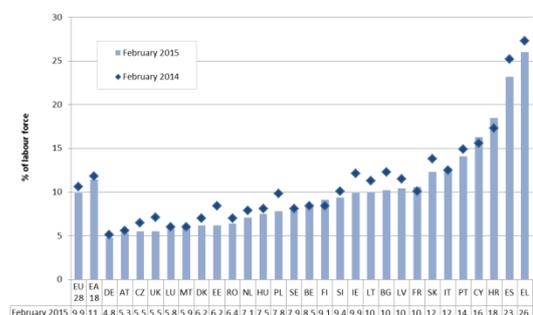
Source: Eurostat, series on unemployment, data seasonally adjusted [une_rt_m]
[Click here to download chart.](#)

Unemployment falls in majority of Member States, while large differences in the rate remain

In the year to February 2015, unemployment rates have decreased in most Member States, except for Croatia, Cyprus, Finland, and France which registered increases of 0.5 pp or more. Italy and Belgium also saw a small increase of 0.2 pp and 0.1 pp respectively. All Member States, except for Croatia, Finland and France, register unemployment rates below their recent peaks.

Large differences remain among Member States, with the unemployment rate ranging from around 5% in Germany and Austria, to a very high 23% in Spain and 26% in Greece (Chart 17).

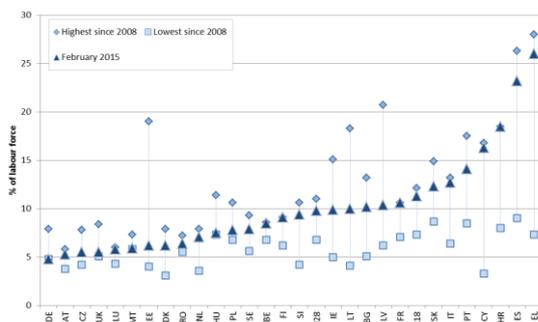
Chart 17: Unemployment rates - EU, EA and Member States, February 2014 and February 2015



Source: Eurostat, series on unemployment, data seasonally adjusted [une_rt_m]
 Note: EL, UK: December 2014, EE, HU: January 2014, LV: 2014Q4
[Click here to download chart.](#)

The easing in unemployment took place in countries with very high unemployment like Greece and Spain, while some other Member States hit hard by the crisis like the Baltic States, Ireland and Portugal, followed by Greece and Spain, have achieved significant reductions in their unemployment rates since their recent highs (Chart 18).

Chart 18: Unemployment rates - EU, EA and Member States, February 2015 and highest and lowest rate since 2008

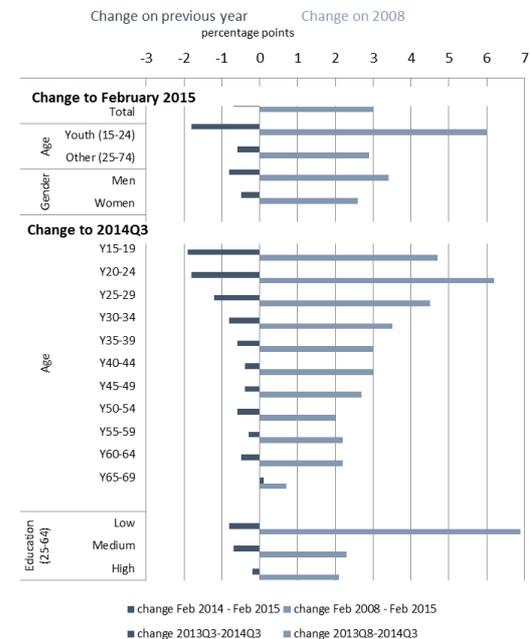


Source: Eurostat, series on unemployment, data seasonally adjusted [une_rt_m]
 Note: EL, UK: December 2014, EE, HU: January 2014, LV: 2014Q4
[Click here to download chart.](#)

Unemployment falls for all population groups

In the year to February 2015, unemployment fell across all population groups though unevenly: by 0.8 pp for men and 0.5 pp for women; by 0.6 pp for those aged 25 to 74 and 1.8 pp, i.e. a sharper decrease, for those aged 15-24. Earlier data shows more in detail that the unemployment rate decreased in the year to the third quarter of 2014 across all sub-age groups, and across skill-groups. Nonetheless, these recent changes are not enough to compensate for the increase observed since 2008.

Chart 19: Unemployment rate by population groups - EU, change to February 2015/ 2014Q3



Source: Eurostat, series on unemployment and LFS [une_rt_m, lfsq_urgaed]
[Click here to download chart.](#)

Unemployment among young people in the EU slowly declines

In the year to February 2015, the youth unemployment rate fell by 1.8 pp to 21.1% in the EU and by 1.2 pp to 22.9% in the EA. These declines represent nearly 0.5 million fewer unemployed young people aged 15-24 in the EU, including 230 000 in the EA. Youth unemployment receded by 900 000 since its recent peak observed in the end of 2014. Still, at 4.85 million, including 3.25 million in the EA, the level of unemployment remains 800 000 higher than its low in the beginning of 2008. The unemployment rate remains 6 pp higher compared to its low of 15.1% in February 2008.

Unemployment among young people falls in majority of Member States, while large differences persist

In the year to February 2015, the unemployment rate among young people aged 15-24 fell in all Member States, with the exception of Luxembourg, Finland and France which show an increase. Importantly, the rate receded by more than 3 pp in countries strongly affected by crisis, including Cyprus, Estonia, Greece and

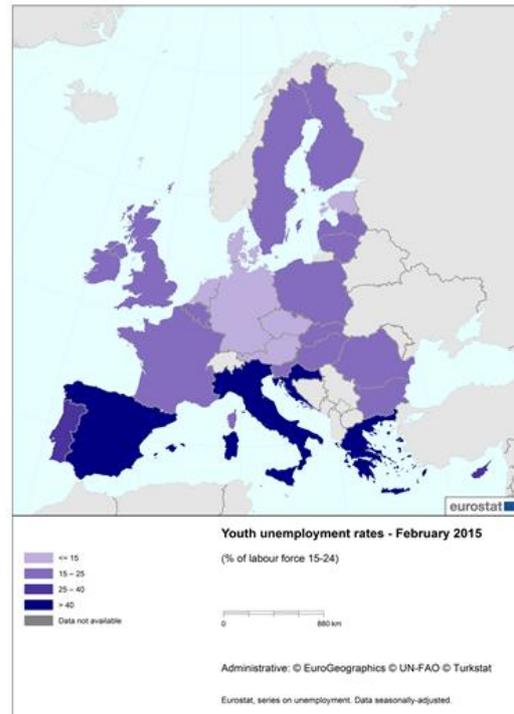
Spain. Despite the improvement, unemployment affects 50% of young active people aged 15 to 24 in Greece and Spain, and more than 30% in Cyprus, Portugal, Italy and Croatia. By contrast the rate is below 10% in Germany and Austria (Table 2 and Map-Chart 20).

Table 2: Youth unemployment rates - February 2015

| | Youth unemployment rate (15-24) | Year-on-year change (percentage points) |
|------|---------------------------------|---|
| EL | 51.2 | -5.0 |
| ES | 50.7 | -3.3 |
| HR | 46.4 | -1.8 |
| IT | 42.6 | 0.1 |
| PT | 35.0 | -1.1 |
| CY | 34.2 | -6.0 |
| SK | 24.9 | -6.9 |
| FR | 24.7 | 1.0 |
| BG | 23.6 | -2.3 |
| RO | 23.6 | -0.5 |
| EA18 | 22.9 | -1.2 |
| BE | 22.6 | -1.0 |
| SE | 22.3 | -1.1 |
| LU | 21.7 | 3.6 |
| IE | 21.6 | -4.6 |
| FI | 21.4 | 1.3 |
| EU28 | 21.1 | -1.8 |
| PL | 20.8 | -4.9 |
| LV | 19.4 | -4.1 |
| SI | 19.1 | -0.3 |
| HU | 18.8 | -3.4 |
| LT | 18.5 | -2.2 |
| UK | 15.9 | -3.7 |
| CZ | 14.8 | -1.6 |
| EE | 13.9 | -5.7 |
| MT | 11.8 | -1.7 |
| NL | 11.0 | -2.8 |
| DK | 10.2 | -3.3 |
| AT | 9.0 | -1.9 |
| DE | 7.2 | -0.7 |

Source: Eurostat, LFS, data seasonally adjusted [une_rt_m]
 Note: EE, HU: October 2014, UK: September 2014, LV, HR, CY, RO, and SI: 2014Q3
[Click here to download table.](#)

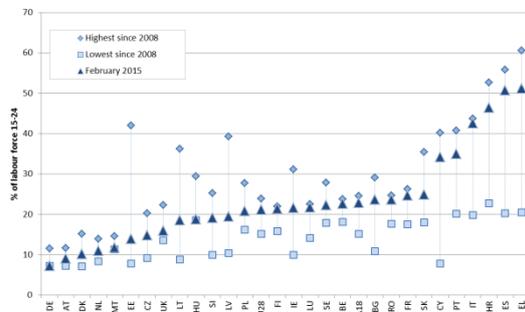
Chart 20: Map - youth unemployment rates - Member States, February 2015



Source: Eurostat, LFS, data seasonally adjusted [une_rt_m]
 Note: EL, HR, RO, SI, UK: December 2014, HU, EE: January 2014, LV: 2014Q4
[Click here to download map.](#)

All Member States register unemployment rates for youth below their recent peaks. Notably, unemployment lessened in countries with severe unemployment like Greece and Spain, while some other Member States including the Baltic States, Hungary, Ireland, and Slovakia managed to achieve significant reductions in their youth unemployment since recent highs (Chart 21).

Chart 21: Youth unemployment rates - EU, EA and Member States, February 2015 and highest and lowest rate since 2008



Source: Eurostat, LFS, data seasonally adjusted [une_rt_m]
 Note: EL, HR, RO, SI, UK: December 2014, HU, EE: January 2014, LV: 2014Q4
[Click here to download chart.](#)

4. Long-term unemployment, additional potential labour force and underemployment

Long-term unemployment in the EU shows first signs of receding

The long-term unemployment rate, i.e. the rate for those unemployed for a year or more, decreased by 0.2 pp in the year to the third quarter of 2014 and is now 4.9% of the labour force. It is the first time that this rate is below the 5% level since 2012 and it is the first year-on-year improvement since the first quarter of 2009.

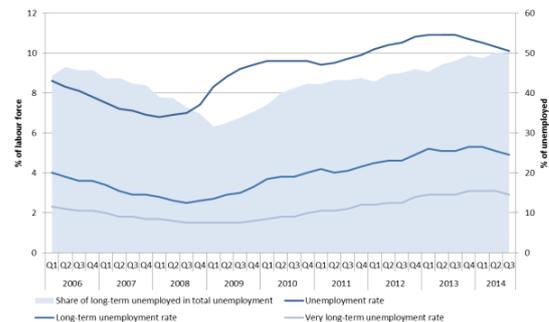
In the same period and for those unemployed for at least two years, i.e. the very long-term unemployed, the rate showed the first reduction of 0.2 pp, falling below 3%.

The decline represents half a million fewer people in long-term unemployment than in the third quarter of 2013. However, it remains high with about 12.4 million unemployed people who have been out of work for more than a year and of these more than 6 million who have been out of work for more than two years.

The reduction in overall unemployment and therefore short-term unemployment has been faster than the reduction in long-term

unemployment. As a result, the share of long-term unemployment over total unemployment remains at a historically high level and close to 50% (Chart 22). The evolution of long-term unemployment in the following quarters can be crucial to understanding the dynamics of long-term unemployment in a scenario of employment recovery.

Chart 22: Unemployment and long-term unemployment rates and share - EU

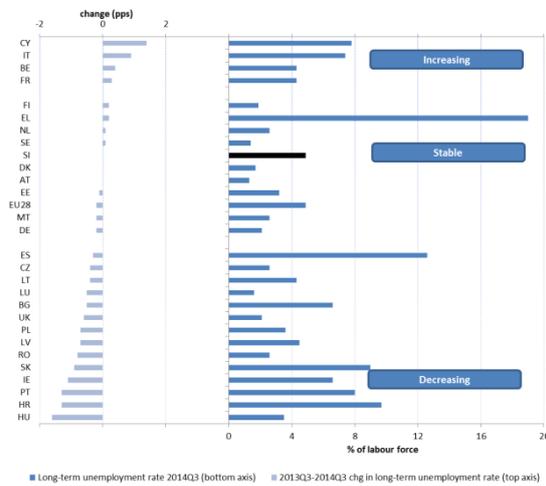


Source: Eurostat, LFS, data seasonally adjusted (unemployment rate) and non-seasonally adjusted (long-term unemployment rates) [une_rt_q, une_ttu_q]
 Left axis: Unemployment rates (% of labour force). Right axis: unemployment share (% of unemployed)
[Click here to download chart.](#)

Long-term unemployment declines in most Member States

Most Member States show a reduction or stable rates of long-term unemployment in the year to the third quarter of 2014. A number of Member States registered significant decreases in the long-term unemployment rate. For example, in Hungary, Portugal, Croatia and Ireland the reduction was above 1 pp. By contrast, long-term unemployment rates are still increasing in Cyprus and Italy. Greece still holds the highest proportion of long-term unemployed: 75.4% of total unemployment.

Chart 23: Long-term unemployment rates - EU, EA and Member States, level and change to 2014Q3

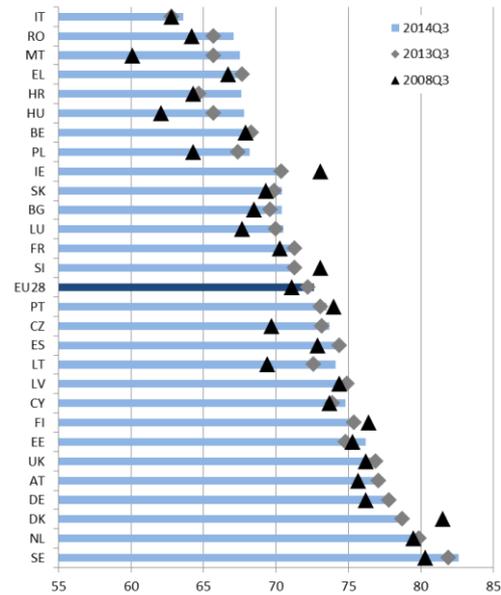


Source: Eurostat, LFS, data non-seasonally adjusted [une_ltu_q]
[Click here to download chart.](#)

Activity rates improve and converge among Member States

The activity rate for 15 to 64 year-olds in the EU increased by 0.4 pp in the year to the third quarter of 2014, to reach 72.6%. The rate is 1.5 pp higher than in the third quarter of 2008 and represents a total of 243.7 million active people. Changes in the activity rate were positive in most Member States in the year to the third quarter of 2014. Only five Member States showed a small decrease in their activity rates. Italy remains under 65% which is 9 pp below the EU level. The biggest increases, above 2 pp, occurred in Croatia and Hungary. The largest decreases in active population since the onset of the economic crisis in 2008 were seen in Ireland, 2.7 pp, and Denmark, 2.5 pp. By contrast, Malta, 7.4 pp and Hungary, 5.7 pp, saw the highest increases.

Chart 24: Activity rate - EU, EA and Member States



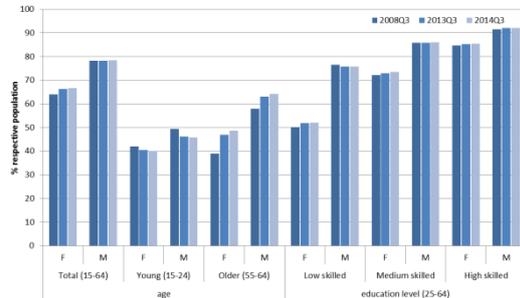
Source: Eurostat, LFS, data non-seasonally adjusted [lfsi_act_q]
[Click here to download chart.](#)

Women and those aged 60-64 years show the highest increase in activity rates

In the period between the third quarter of 2008 and the third quarter of 2014, the activity rate increased only slightly for men by 0.3 pp reaching 78.5%, and quite significantly for women by 2.7 pp reaching 66.7%. Nevertheless, an important gender gap of 11.8 pp remains.

The activity rate increased among all age and skill groups, with the exception of young people 15-24. There were larger increases for those aged 55-64 years and within this group, the increase was even larger for those aged 60-64.

Chart 25: Activity rate by population groups - EU



Source: Eurostat, LFS, data non-seasonally adjusted [lfsq_argaed]
[Click here to download chart.](#)

Discouragement and additional potential labour force³ in the EU stabilise

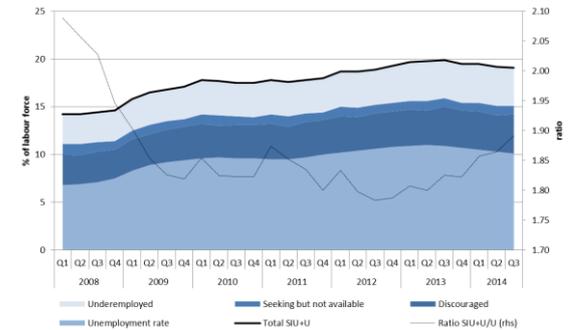
In the third quarter of 2014 'discouraged workers' in the EU, i.e. those who are available to work but not looking for a job, remained 4.1% of the labour force as compared to the third quarter of 2013. This is the highest value the indicator has reached in recent years. The declines seen in unemployment and long-term unemployment have not yet reached this layer of inactive individuals.

The other main component of the potential labour force is underemployment, i.e. those who would like to but cannot find full-time work. This indicator also showed no change on a yearly basis, and remains 4.0% of the labour force, close to peak values.

Those looking for a job but not available for work are 0.9% of labour force, and also remained unchanged in the year to the third quarter of 2014.

The stability of these three supplementary indicators indicates that the improvements in the labour market had not been yet benefited these groups by the third quarter of 2014.

Chart 26: Unemployment, potential labour force and underemployment - EU



Source: Eurostat, LFS, data seasonally adjusted (unemployment rate) and non-seasonally adjusted (other indicators), [une_rt_q, lfsi_sup_age_q] (DG EMPL calculations)
[Click here to download chart.](#)

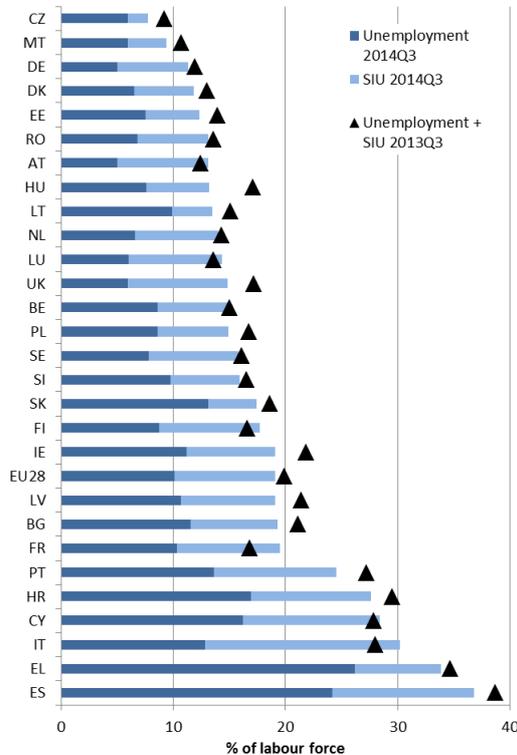
The EU and most Member States see lower combined levels of unemployment and supplementary indicators

In the year to the third quarter of 2014, 23 Member States saw an improvement in labour market performance when looking at combined rates of unemployment alongside the supplementary indicators, designed to give a fuller picture of labour market performance. Italy with 17.4% and Spain with 12.6% are the Member States with the highest aggregate rate of supplementary indicators.

Overall, Italy registered the largest combined increase of supplementary indicators and unemployment rate of 2.3 pp in the year to the third quarter of 2014. In the same period, Hungary registered the largest combined decrease of supplementary indicators and unemployment rate 3.9 pp (Chart 27).

³ Underemployment and additional potential labour force cover the three EUROSTAT supplementary indicators to unemployment: [1] underemployed part-time workers, [2] persons seeking work but not immediately available and [3] persons available for work but not seeking it (i.e. discouraged). See: http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Underemployment_and_potential_additional_labour_force_statistics

Chart 27: Unemployment, potential labour force and underemployment - EU and Member States

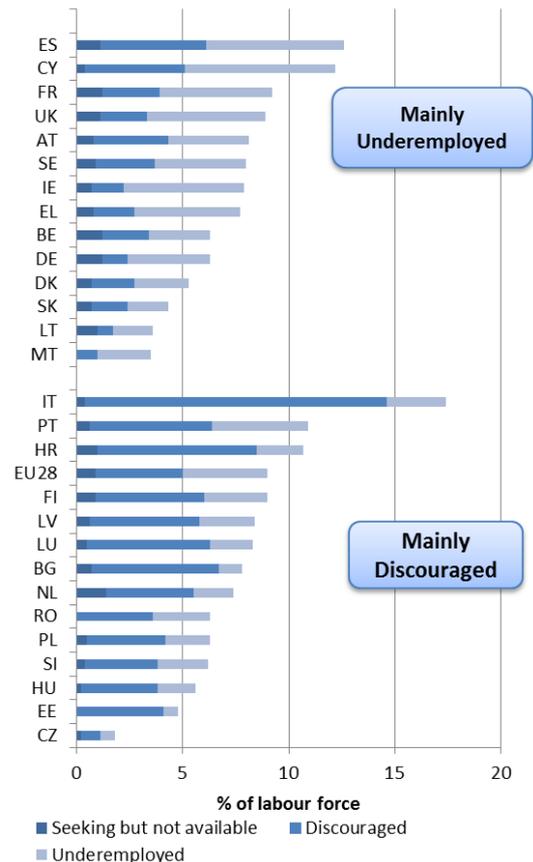


Source: Eurostat, LFS, data non-seasonally adjusted [une_rt_q, lfsi_sup_age_q] Note: EE, MT and RO: no data for 'Seeking but not available', FR no data for 'Discouragement' 2013Q3
[Click here to download chart.](#)

The division of Member States into those with mainly 'discouraged people' and those with mainly 'underemployed people' remain unchanged in the third quarter of 2014 (Chart 28). Italy is still the country with the highest percentage of discouraged workers and the latest developments are still undesirable: a 0.9 pp increase compared to the third quarter of 2013, to reach 14.2% in the third quarter of 2014. Croatia remains the country with the second highest discouragement level though showing a significant improvement in the year to the third quarter of 2014: a 1.8 pp decrease.

In the third quarter of 2014, Cyprus has again the highest rate of underemployment and is the country with the highest increase, 2.0 pp, in the year to the third quarter of 2014.

Chart 28: Labour underutilisation - EU and Member States, 2014Q3

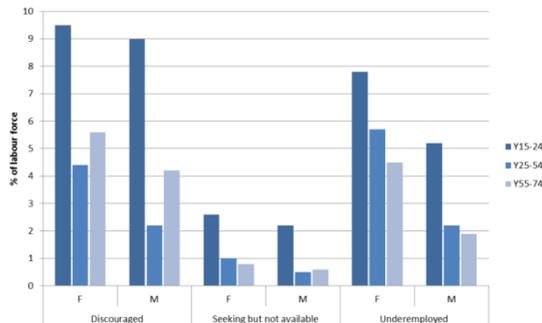


Source: Eurostat, LFS, data non-seasonally adjusted [une_rt_q, lfsi_sup_age_q] Note: EE, MT and RO: no data for 'Seeking and not available'
[Click here to download chart.](#)

Discouragement among women aged 55-64 and underemployment for young people decrease

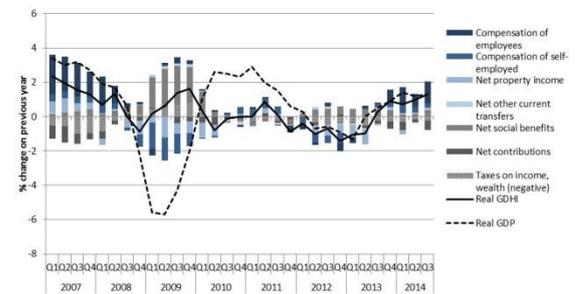
Developments in discouragement and underemployment vary across population groups. During the year to the third quarter of 2014 discouragement decreased especially for older women aged 55-64 years. Underemployment was either stable or decreased slightly for all age groups, but especially for young workers, men and women, aged 15-24. Still, young workers are particularly affected by underemployment and discouragement (Chart 29). In Slovenia, discouragement among young people saw a sharp drop of 9.9 pp. By contrast, in Croatia, discouragement among young men increased significantly by 4.0 pp.

Chart 29: Underemployment and potential labour force by sex and age - EU, 2014Q3



Source: Eurostat, LFS, data non-seasonally adjusted [lfsi_sup_age_q]
[Click here to download chart.](#)

Chart 30: Real GDP growth, real GDHI growth and its main components - EU



Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_gdp, nasq_10_nf_tr] (DG EMPL calculations)
 Note: GDHI EU aggregate for Member States for which data are available, GDP for EU28
[Click here to download chart.](#)

5. Household income and financial situation

Household income in the EU steadily progress in line with economic and employment improvements

On average in the EU⁴ growth in gross disposable household income (GDHI) in real terms continued in the third quarter of 2014 and at a faster pace: a 1.3% year-on-year growth rate, up from 0.7% and 1.0% observed in the year to the first and second quarters, respectively. An even stronger real GDHI growth of 1.7% was recorded in the EA. The prospects for a sustained recovery of household income are positive, especially in view of the improved economic outlook, but caution should remain (Chart 30).

Growth in household income is reinforced by income from work and the support of social benefits

In the year to the third quarter of 2014, the growth in GDHI was driven mainly by income from work. The compensation of both employees and those self-employed increased, and it became stronger than in the three previous quarters, in line with the recent positive trend in employment (see Section 2). Meanwhile, an increase in social contributions and a minor increase in taxes, which followed the improvement in income from work, counterbalanced an increase in social benefits. Property income and other transfers remained stable. These encouraging developments across components contributed to the reinforced growth of GDHI.

Growth in household income broadens across most Member States

The real increase in GDHI seen in the year to the third quarter of 2014 reflects positive developments in the largest Member States. France, Germany and the UK continued to see improvements in household income which started in the second half of 2013. Italy and Spain also registered improvements in household income in the third quarter of 2014.

Among other Member States (charts in Annex 1 for the EA and selected Member States), GDHI increased in Sweden, Croatia, Slovenia, Greece, the Czech Republic, Belgium, the Netherlands, and to smaller extent in Portugal. Only Finland registered a reduction in GDHI.

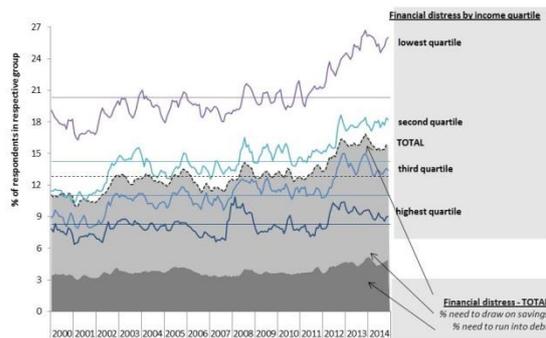
⁴ The real GDHI growth for the EU is DG EMPL estimation, and it includes Member States for which quarterly data based on the ESA2010 are available (13 Member States (CZ, DE, DK, EL, ES, FI, FR, IT, NL, PT, SE, SI, UK) which account for 85% of EU GDHI). The nominal GDHI is converted into real GDHI by deflating with the deflator (price index) of household final consumption expenditure. The real GDHI growth is a weighted average of real GDHI growth in Member States.

Households' financial distress remains unchanged in the EU, below the peak observed at the end of 2013

Financial distress⁵, defined as the need to draw on savings or to run into debt to cover current expenditures, remained unchanged in the fourth quarter of 2014 compared to the third quarter. There was also no quarterly change both in the share of the households reporting running into debt and those having to draw on their savings.

Financial distress remains near its historically high levels, well above the levels seen in the previous decade. It currently affects around 15% of the population. The higher rates seen in recent years have primarily been driven by the increasing reliance on savings, especially since mid-2010 (Chart 31).

Chart 31: Reported financial distress by income quartile - EU



Source: European Commission, Business and Consumer Surveys, data non-seasonally adjusted (DG EMPL calculations)

Note: Three-months moving averages. Horizontal lines show the long-term averages for financial distress for the population as a whole and for households in the four income quartiles. The overall share of adults reporting having to draw on savings and having to run into debt are shown respectively by the light grey and dark grey, which together represent total financial distress. [Click here to download chart.](#)

Financial distress puts more strain on low-income households

Financial distress for low-income households increased again in the fourth quarter of 2014, after having eased since the end of 2013. Financial distress remained more stable for the higher income quintile groups. As a result, the gap in financial distress between low-income households and other households, which had narrowed in the first half of 2014, started widening again.

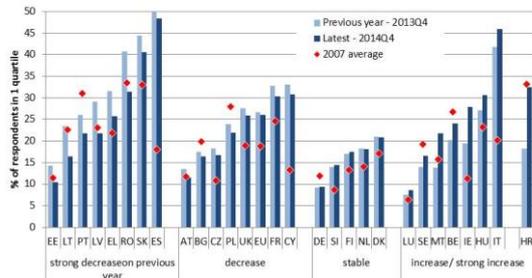
Overall, around 10% of adults in low-income households run into debt and a further 16% draw on savings to cover current expenditure. By comparison, for the total population the shares are 5% and 11%, respectively. This level of financial distress for low income households is far above the long-term average, following the rapid worsening between mid-2010 and the end of 2013. In the same period, financial distress for households in other income quartiles also increased to levels above long-term averages, with only the top quartile returning to the long-term average in recent months.

Financial distress eases only in half of the Member States, and variations persist

The overall level of financial distress fell in the majority of Member States in the year to the fourth quarter of 2014, but remains higher than in 2007. It ranges from less than 4% in Germany and Sweden to over 25% in Croatia, Cyprus, France, Greece and Italy. Financial distress for households in the lowest income quartile increased in half of the Member States and rose markedly in Croatia. Compared to 2007, financial distress for the poorest households is higher in most Member States. In the fourth quarter of 2014, it affected around 10% of households in the lowest income quartile in Germany and Luxembourg, reaching 40% of the population in Italy, Slovakia and Spain (Chart 32).

⁵ For details on Business and Consumer Surveys, including consumer survey's question on the current financial situation of the households, see: http://ec.europa.eu/economy_finance/db_indicators/surveys/index_en.htm

Chart 32: Reported financial distress in lowest income quartile - Member States



Source: European Commission, Business and Consumer Surveys (DG EMPL calculations)
 Note: Three-months moving averages
[Click here to download chart.](#)

6. Productivity, wages and hours worked

Productivity growth remains weak

The growth in productivity per employed person in the EU remained very weak, with a 0.3% increase in the fourth quarter of 2014 when compared to the fourth quarter of 2013. It was stagnant in the EA (Chart 33).

Latvia recorded the strongest growth of 3.3%, as a result of a 1.2% contraction of employment and a 2.1% expansion of output. Croatia, 1.3%, Greece, 1.2%, and Italy, 1.0%, continued to show notable declines in labour productivity - 1.3%, 1.2%, and 1.0% respectively - as employment expanded at a stronger pace than output.

Nominal compensation per employee grows at a moderate pace in most Member States

In the year to the fourth quarter of 2014, nominal compensation per employee grew by 2.2% in the EU and by only 1.2% in the EA (Chart 33).

By far the strongest increases in nominal compensation per employee, of 4% or more, were seen in Latvia, Estonia and Hungary, while Croatia, Slovenia and Cyprus recorded the strongest declines of at least 2.5%.

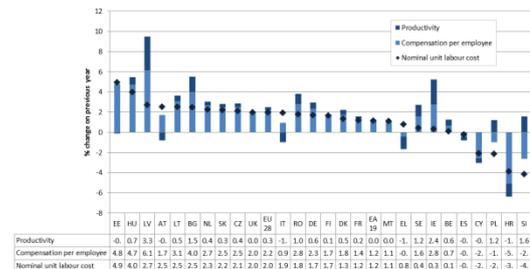
Reflecting developments in productivity and labour cost, growth in nominal unit labour cost remains subdued in most Member States

Nominal unit labour cost measures nominal compensation per employee adjusted for

productivity and is an indicator of cost-push inflationary pressures. Nominal unit labour cost grew by a robust 2% in the EU in the year to the fourth quarter of 2014. Nevertheless, in the EA growth in nominal unit labour cost remained rather weak, up by 1.2% in the same period, and almost the same as in the two previous quarters (Chart 33).

By far the strongest increases in nominal unit labour cost, of 4% or more, were seen in Latvia, Estonia and Hungary, while Croatia, Slovenia and Cyprus recorded the strongest declines of around 4%.

Chart 33: Growth in nominal unit labour cost and its component - EU, EA and Member States



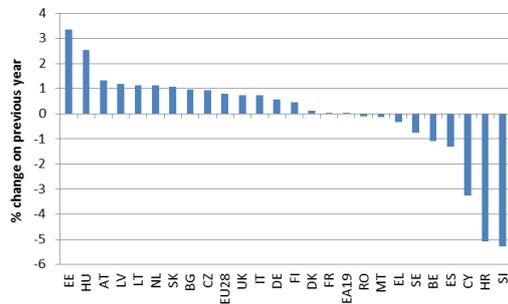
Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_pe, namq_10_gdp] (DG EMPL calculations)
[Click here to download chart.](#)

Real unit labour cost developments diverge noticeably across Member States

Real unit labour cost measures nominal unit labour cost adjusted for prices and is also a measure of the labour income share. Real unit labour costs increased by 0.8% in the EU in the year to the fourth quarter of 2014. They remained stable in the EA (Chart 34).

The strongest increases in real unit labour cost, of 2.5% or more, were seen in Estonia and Hungary, while Croatia and Slovenia recorded the strongest declines of more than 5%. Spain reaffirmed its downward trend since the onset of the crisis, with a significant 0.7% decrease. This comes after a brief trend interruption when real unit labour cost increased somewhat in late-2013 to early-2014.

Chart 34: Growth in real unit labour cost - EU and Member States, 2014Q4



Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_pe, namq_10_gdp] (DG EMPL calculations)
[Click here to download chart.](#)

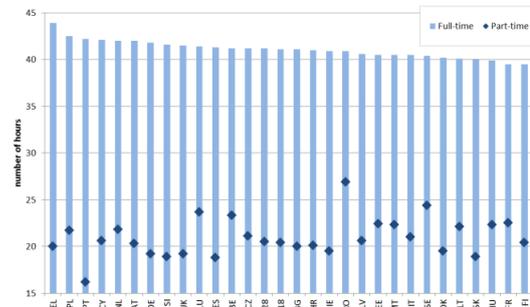
Hours worked remain robust across the EU

In the third quarter of 2014, hours worked remained robust across the EU.

Considering all full-time employment, i.e. both employees and self-employed, workers in Greece performed the highest average number of actual weekly hours, 43.9 hours of work in main job, followed by workers in Poland, 42.5 hours, Portugal, 42.2 hours, and Cyprus, 42.1 hours. The lowest amount of hours worked by full time workers was recorded in Finland, 39.5 hours and Hungary, 39.9 hours.

Considering part-time workers, it is in Romania that these worked the longest hours, on average 26.9 hours, followed by workers in Sweden, 24.4 hours, and Luxembourg, 23.7 hours. The lowest amount of hours worked by part-time workers is to be found in Portugal, 16.2 hours, followed by Spain, 18.87 hours, and Slovakia, 18.9 hours (Chart 35).

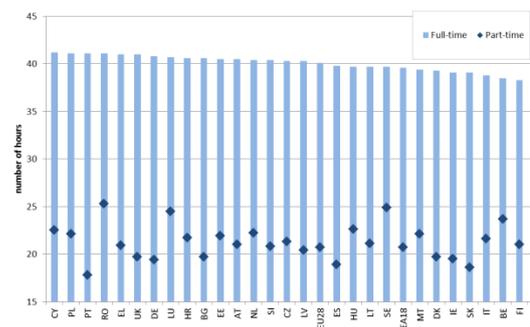
Chart 35: Average working hours (employed) - EU, EA and Member States, 2014Q3



Source: Eurostat, LFS, data non-seasonally adjusted [lfsq_ewhais]
 Note: Average number of actual weekly hours of work in main job (employed persons)
[Click here to download chart.](#)

Looking at employees only, full-time employees work on average more than 40 hours in most Member States. The highest number of average hours worked is to be found in Cyprus, 41.2 hours, followed by Poland, Portugal and Romania all with 41.1 hours. In France, 37.9 hours, Finland, 38.3 hours, and Belgium, 38.5 hours, full-time employees record the lowest average number of actual weekly hours of work in the main job. Part-time employees perform the highest average hours worked in Romania, 25.3 hours, Sweden, 24.9 hours, and Luxembourg, 24.5 hours (Chart 36).

Chart 36: Average working hours (employees) - EU, EA and Member States, 2014Q3



Source: Eurostat, LFS, data non-seasonally adjusted [lfsq_ewhais]
 Note: Average number of actual weekly hours of work in main job (employed persons)
[Click here to download chart.](#)

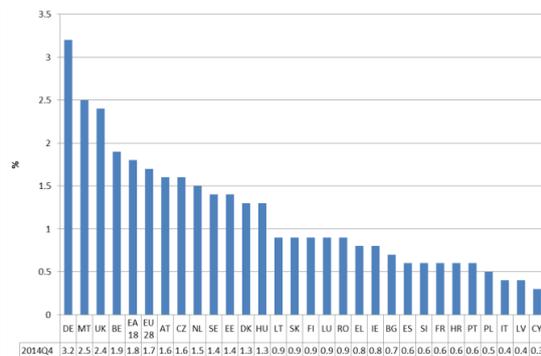
7. Labour demand: vacancies, labour shortages and hiring activity

The EU job vacancy rate increases slightly

In the fourth quarter of 2014, the EU job vacancy rate⁶ (JVR) was 1.7% and the EA 1.8%. When compared with the fourth quarter of 2013, the JVR increased by 0.2 pp in the EU and EA. The JVR ranged from less than 0.5% in Italy, Latvia and Cyprus to above 2% in Germany, Malta and in the UK 2.4% (Chart 13). In the same period, the JVR rose in 21 Member States, remained stable in five and fell in two. The largest increases were recorded in Malta, 1.2 pp, and the Czech Republic, 0.7 pp, while Belgium recorded a notable decrease of 0.5 pp (Chart 37).

The EU JVR remains higher in services, 2.2%, than in industry and construction, 1.1%. In the year to the fourth quarter of 2014, the JVR rose in services by 0.4 pp but decreased in industry/construction by 0.1 pp.

Chart 37: Job Vacancy Rates - EU, EA and Member States, 2014Q4

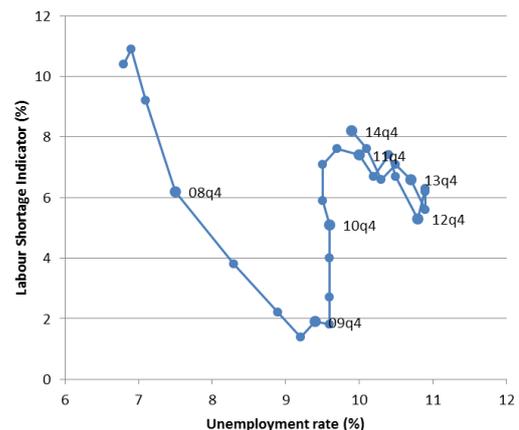


Source: Eurostat, Job Vacancy Statistics, data non-seasonally adjusted [jvs_q_nace2]
 Note: NACE Rev 2 sections B to S covered. DK: sections B to N, FR, IT: section O excluded; FR, IT, MT: business units with 10 or more employees
[Click here to download chart.](#)

Two developments mark labour matching issues in the EU: a recent increase in labour shortages and a structural shift of the matching process

The recent 2013-2014 decline in unemployment was accompanied by an increase in labour shortages. This process is reflected by the conventional move up on the Beveridge curve, and confirms recent improvements in the JVR. At the same time, the mismatch in the EU appears to have increased during the 2010-2012 period, when the Beveridge curve shifted upwards, compared to its previous position in 2008-2009. This meant a higher unemployment rate for a given labour shortage, and suggests a structurally worse matching process in the EU (Chart 38). Annex 5 reports the Beveridge curves for EU Member States.

Chart 38: Beveridge curve 2008-2014 - EU



Source: Eurostat, LFS and European Commission, Business and Consumer Surveys [une_rt_q, ei_bsin_q_r2]
 Note: Labour shortage indicator derived from EU business survey results (% of manufacturing firms pointing to labour shortage as a factor limiting production)

⁶ Job Vacancy rate is number of job vacancies / (number of occupied posts + number of job vacancies) * 100.

Annexes

Annex 1: Real GDP growth, employment growth, real GDHI growth and its main components and employment growth for the EU, euro area and available EU Member States

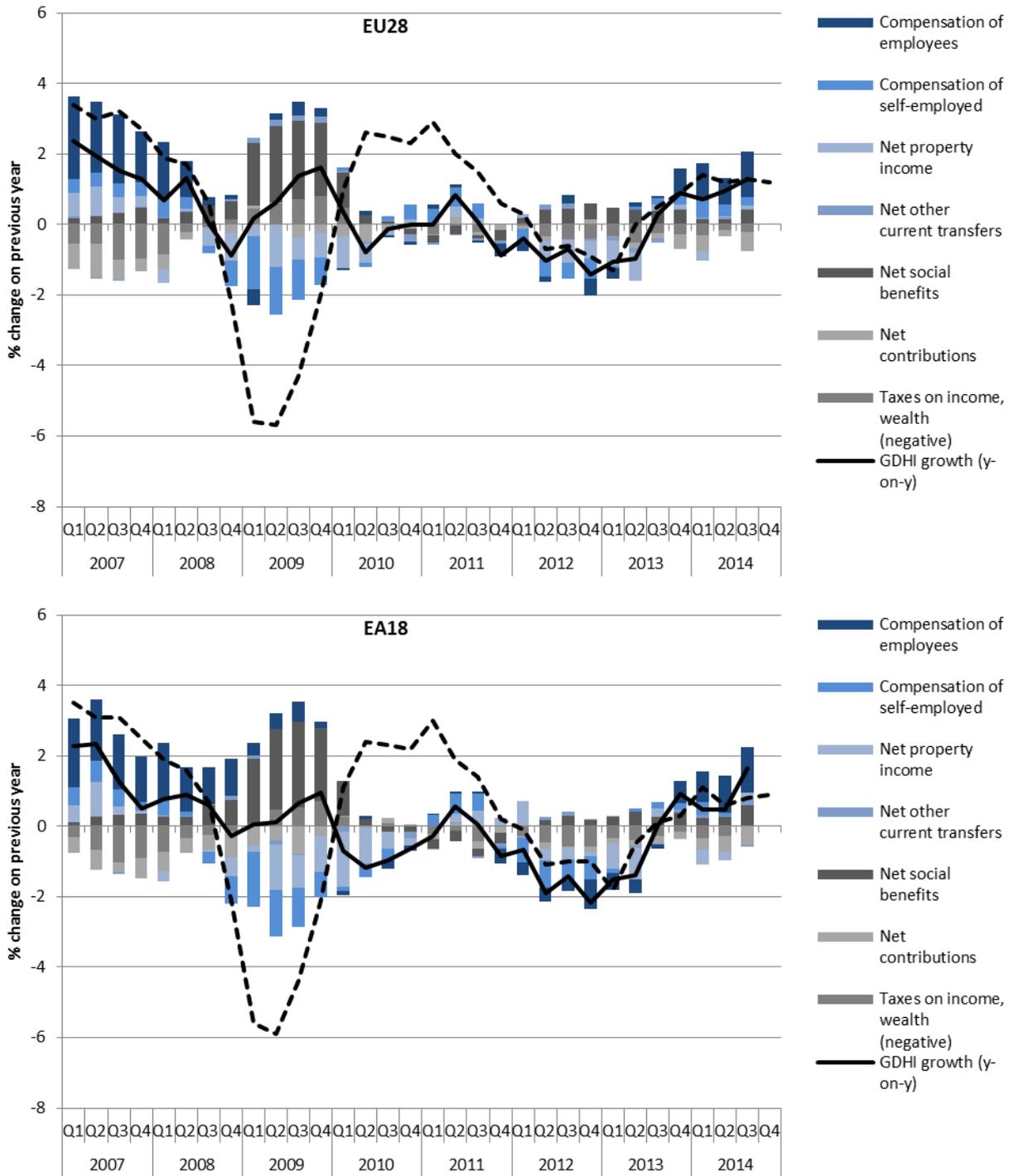
The real GDHI growth is DG EMPL estimation. The nominal GDHI is converted into real GDHI by deflating with the deflator (price index) of household final consumption expenditure. The results cover the EA18 and selected Member States for which quarterly data are available (12 Member States). Data non-seasonally adjusted.

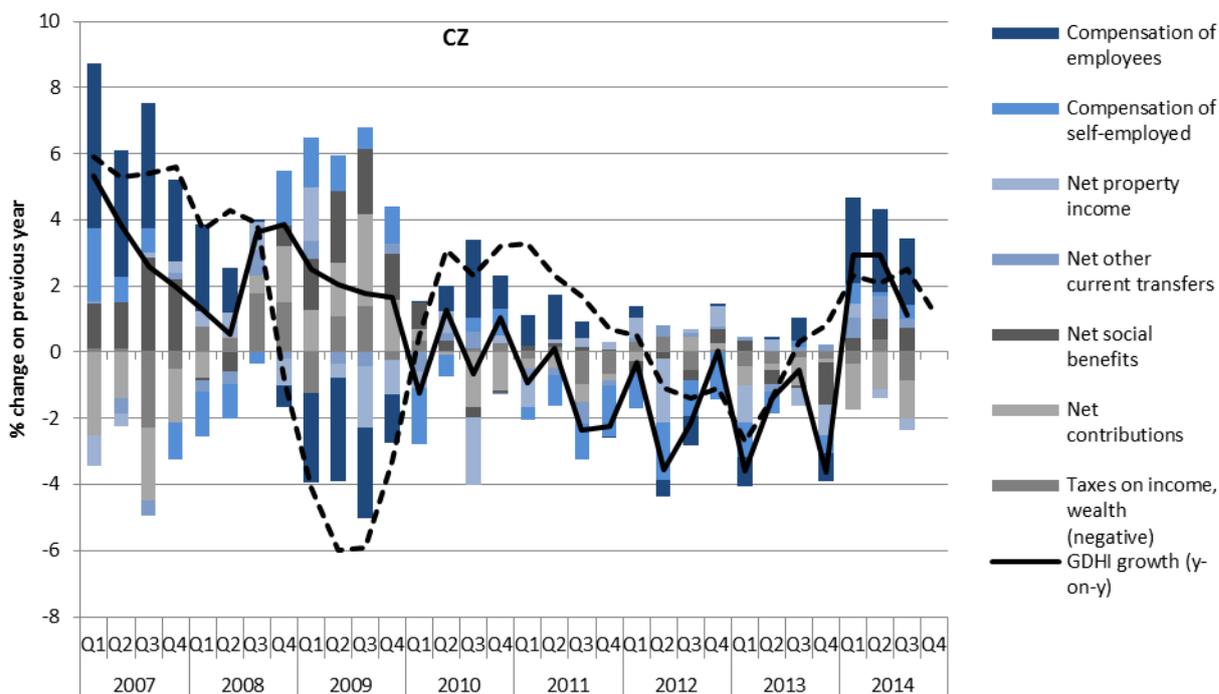
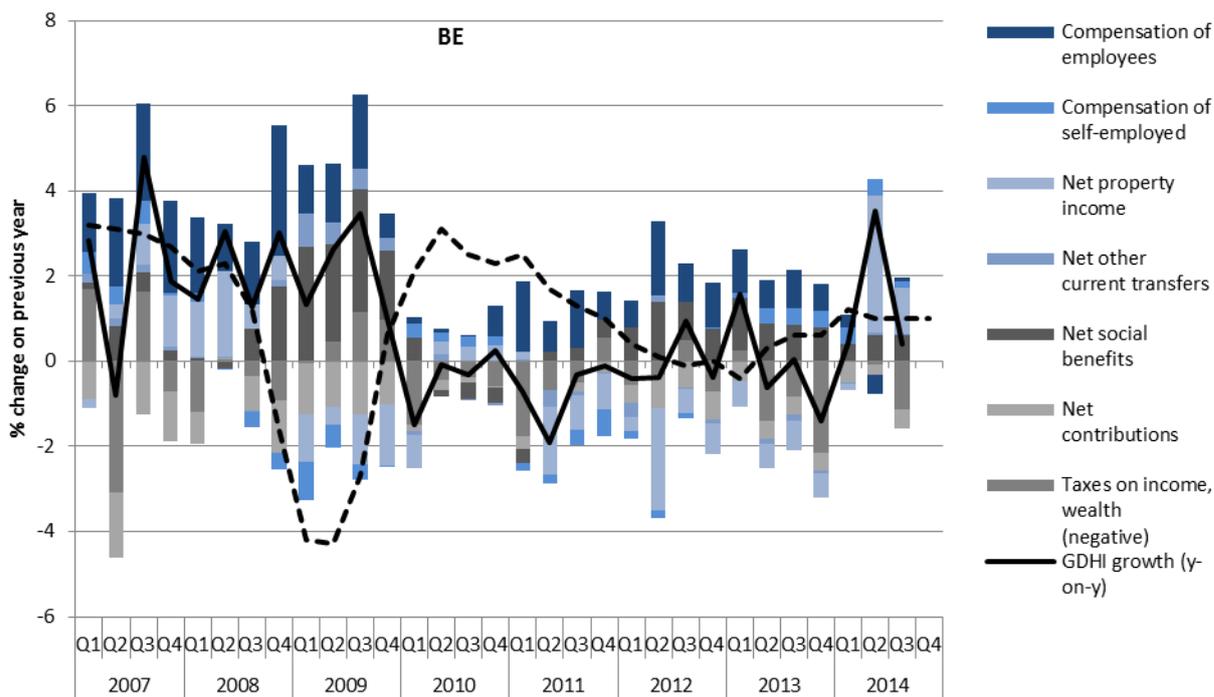
Line chart: % change year-on-year (GDHI, GDP and employment), stacked bars: contribution of components to change in GDHI.

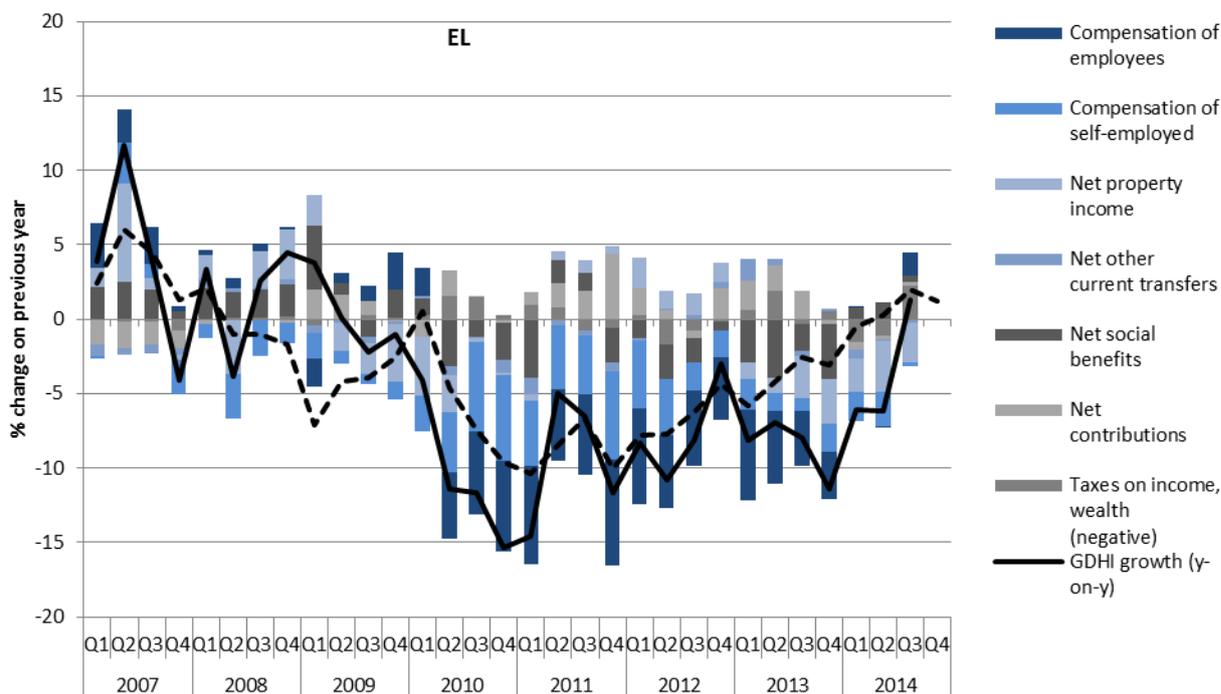
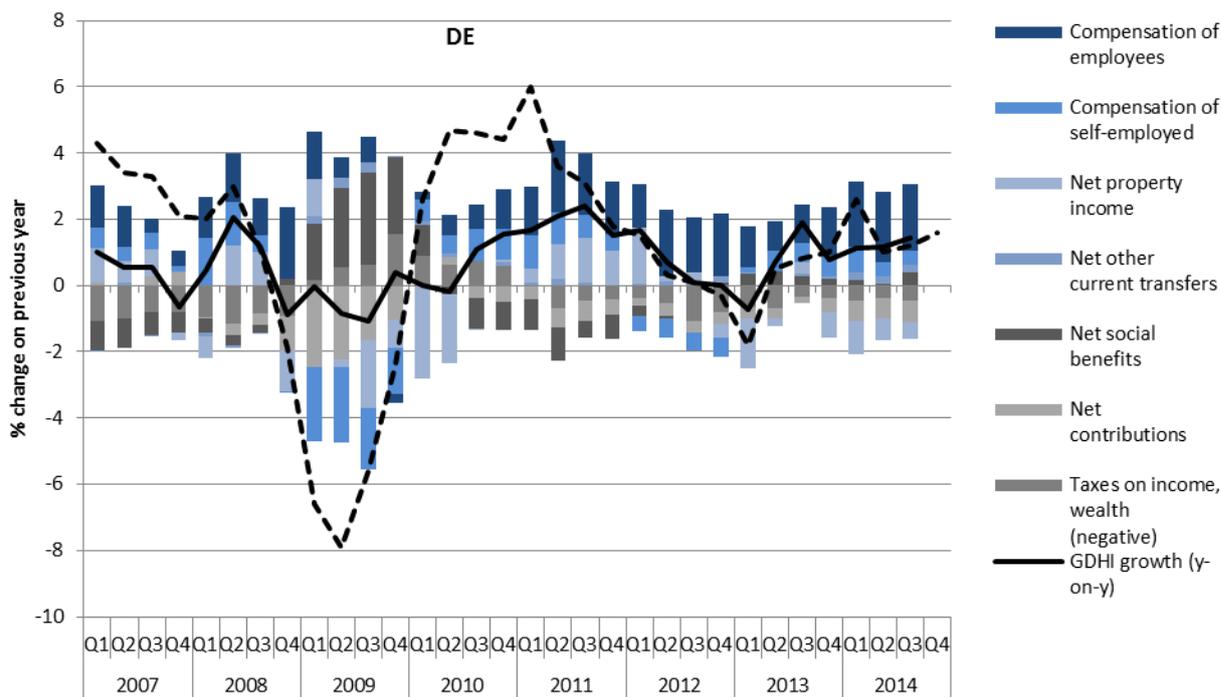
Source: Eurostat, National Accounts [nasq_10_nf_tr, namq_10_gdp and namq_10_pe] (DG EMPL calculations).

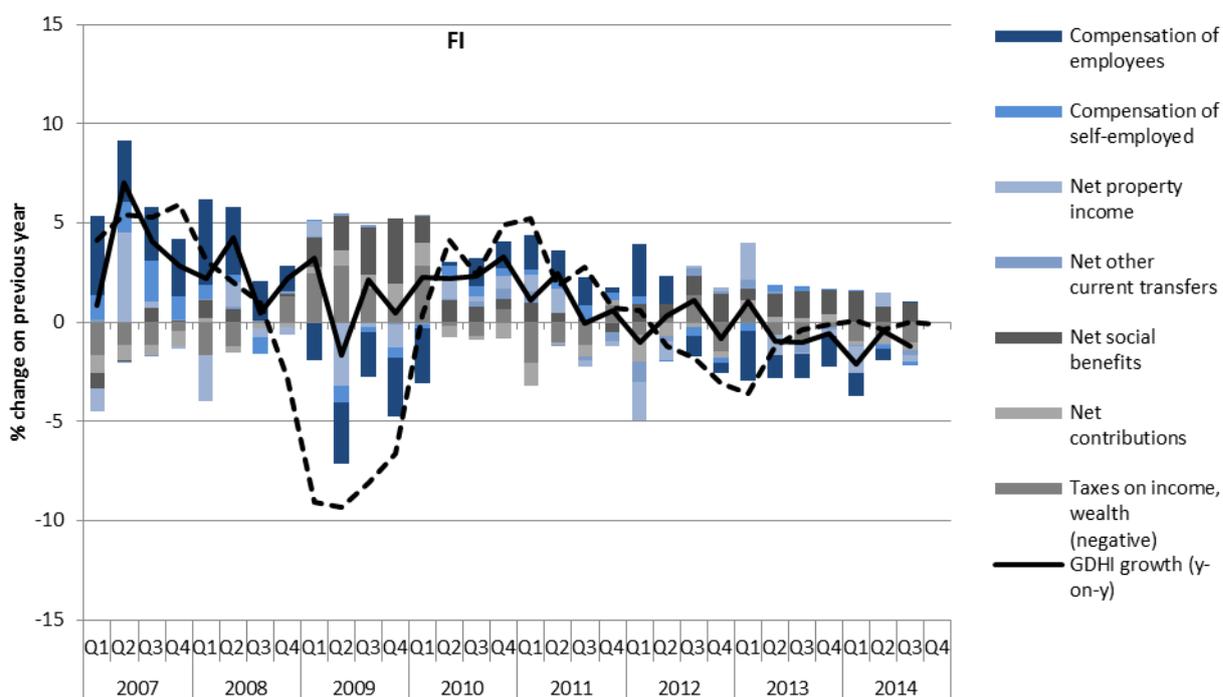
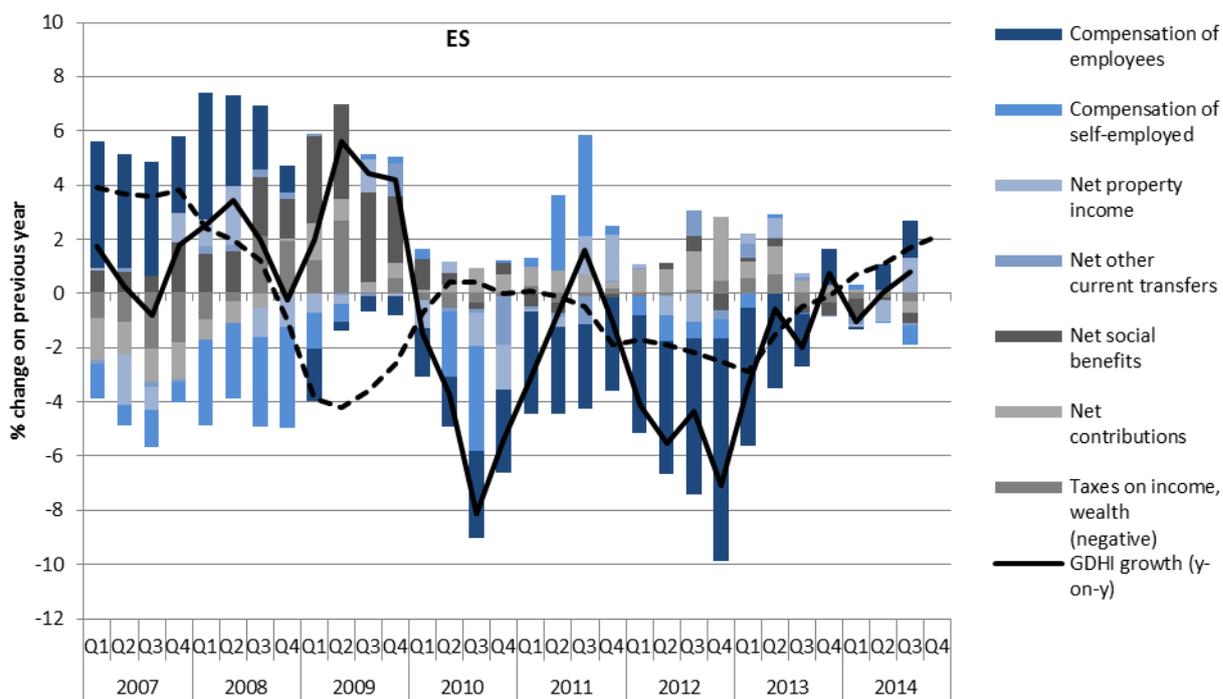
Summary of Member States' recent developments:

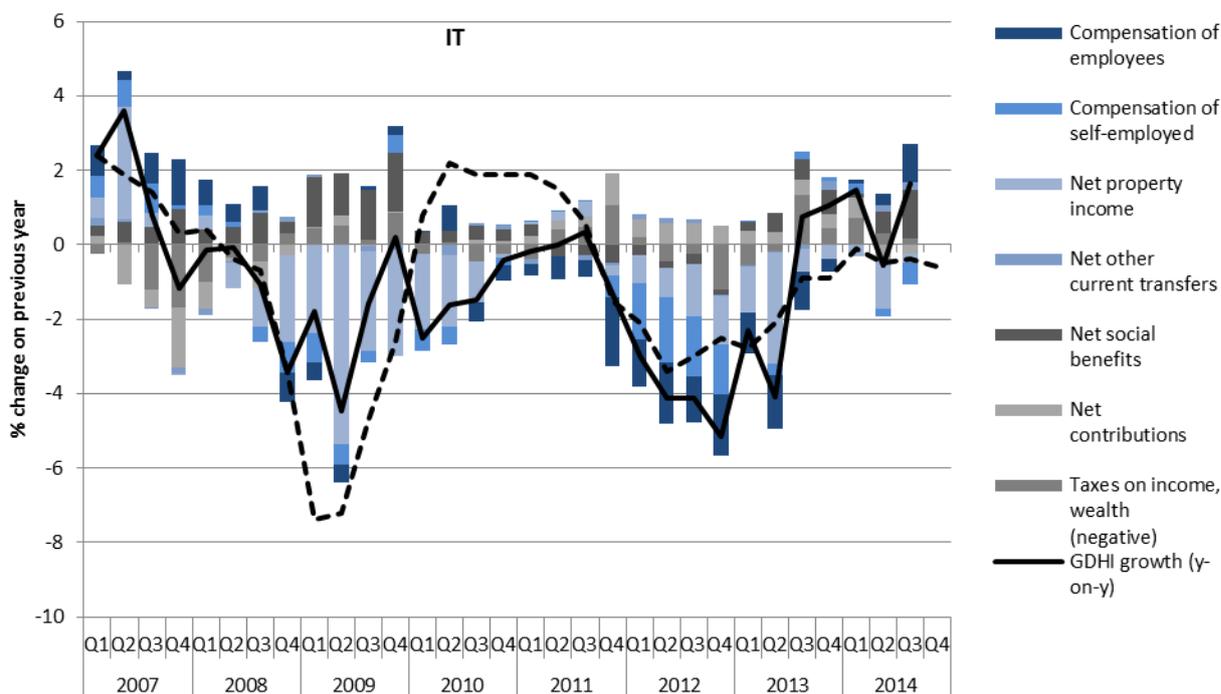
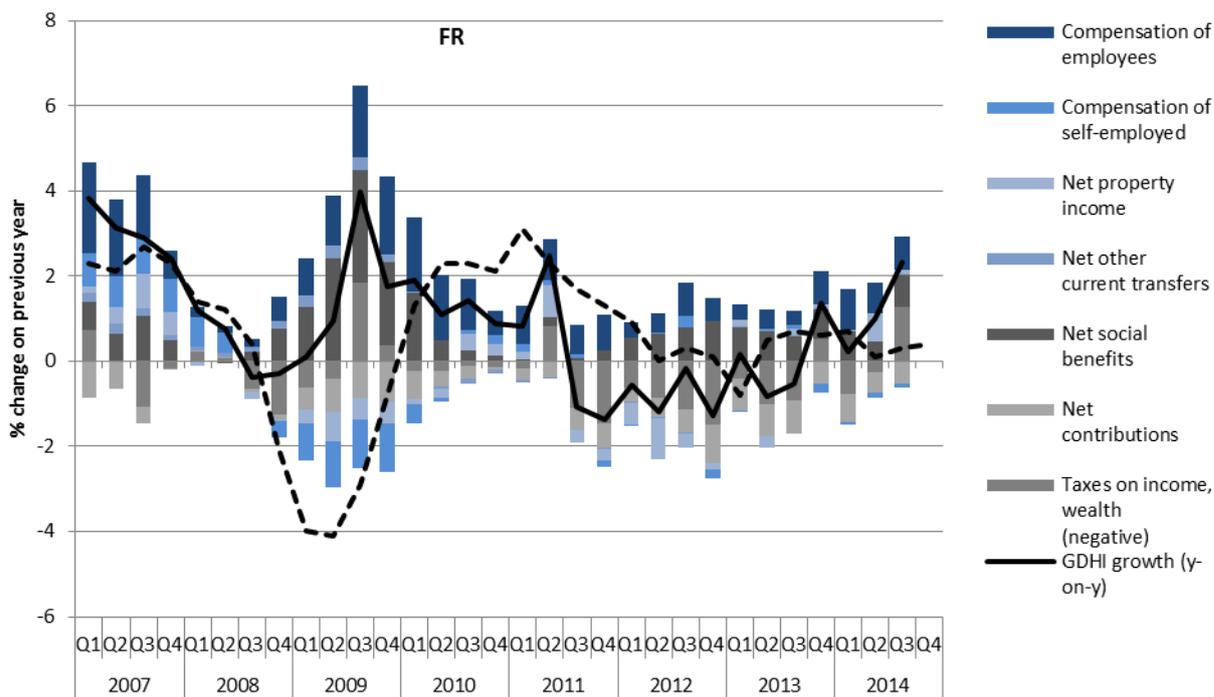
- **Continuous increase:** **EU** since 2013Q3, **EA18** since 2013Q4, **BE** since 2014Q1, **CZ** since 2014Q1, **DE** since 2013Q2, **FR** since 2013Q4, **IT** since 2013Q3 (except for the decline in 2014Q2), **NL** since 2013Q4, **PT** since 2013Q4, **SE** continuous growth, **SI** since 2013Q4 (except for the decline in 2014Q1), **UK** since 2013Q3
- **Increase in 2014Q3:** **EL** after declines since mid-2009, **ES** after being generally negative since the beginning of 2010
- **Continuous decline:** **FI** since 2013Q2

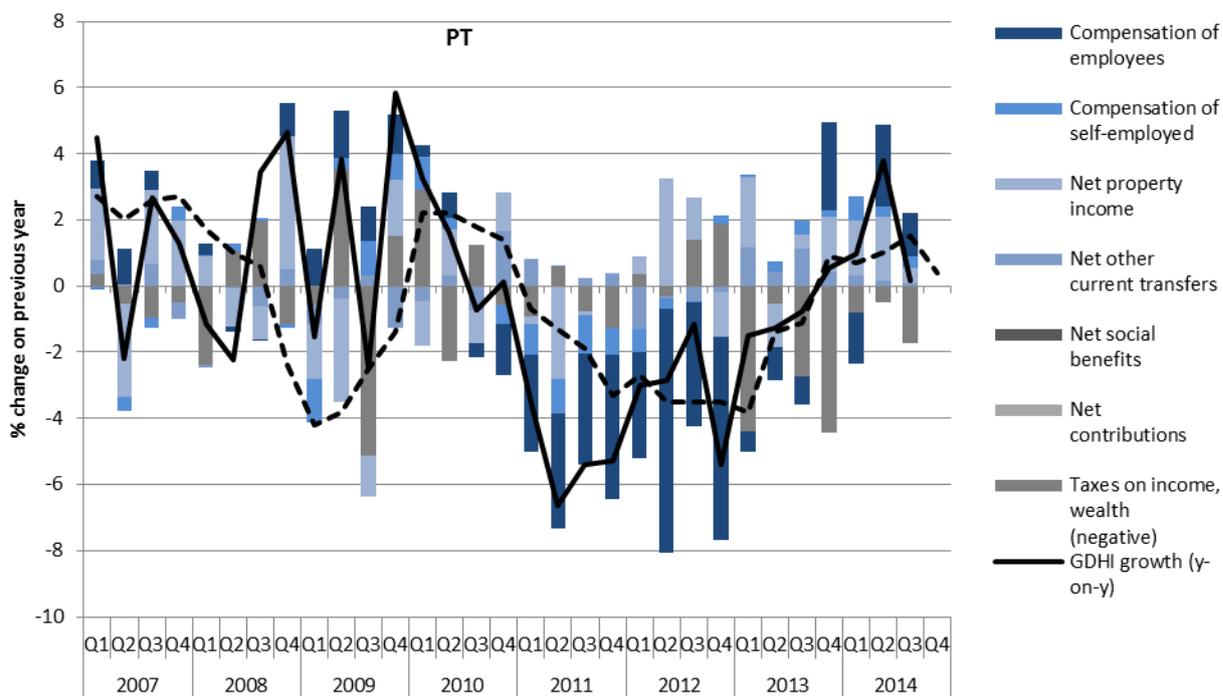
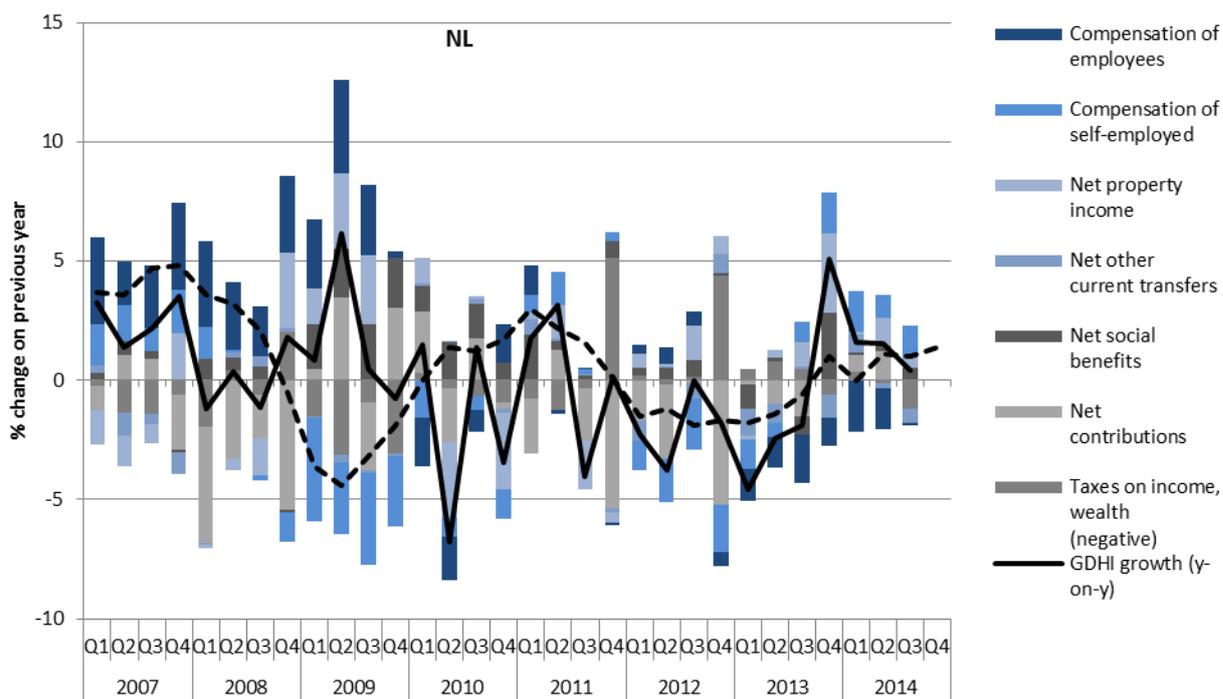


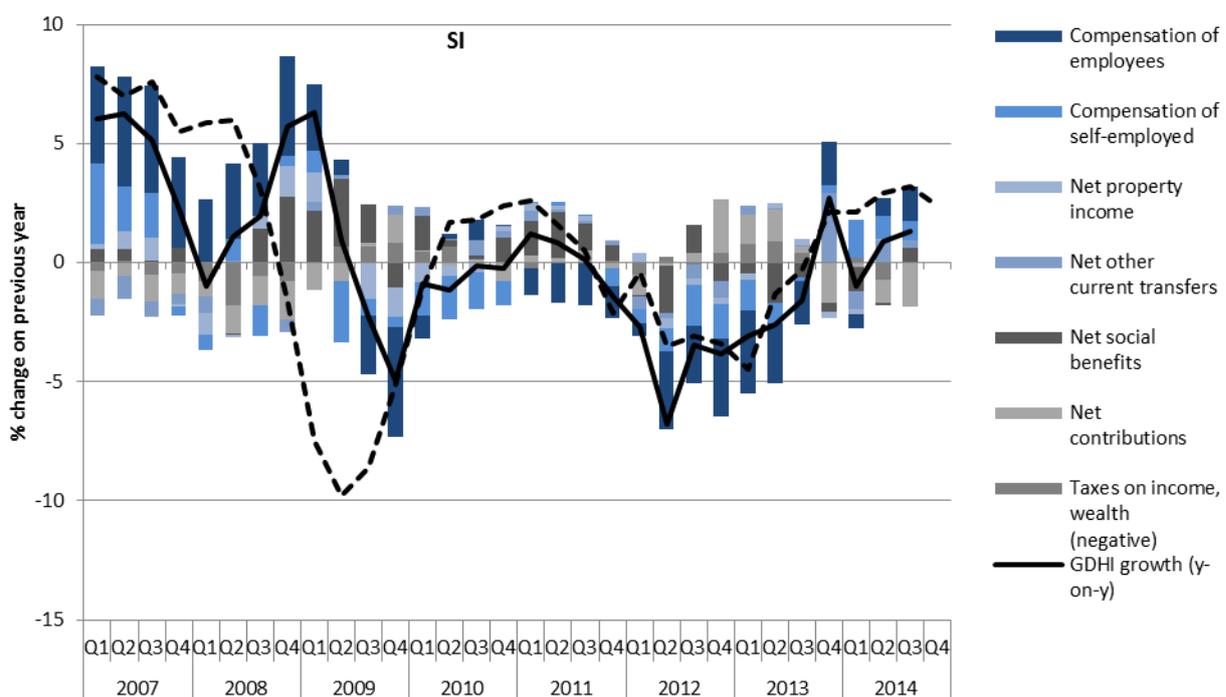
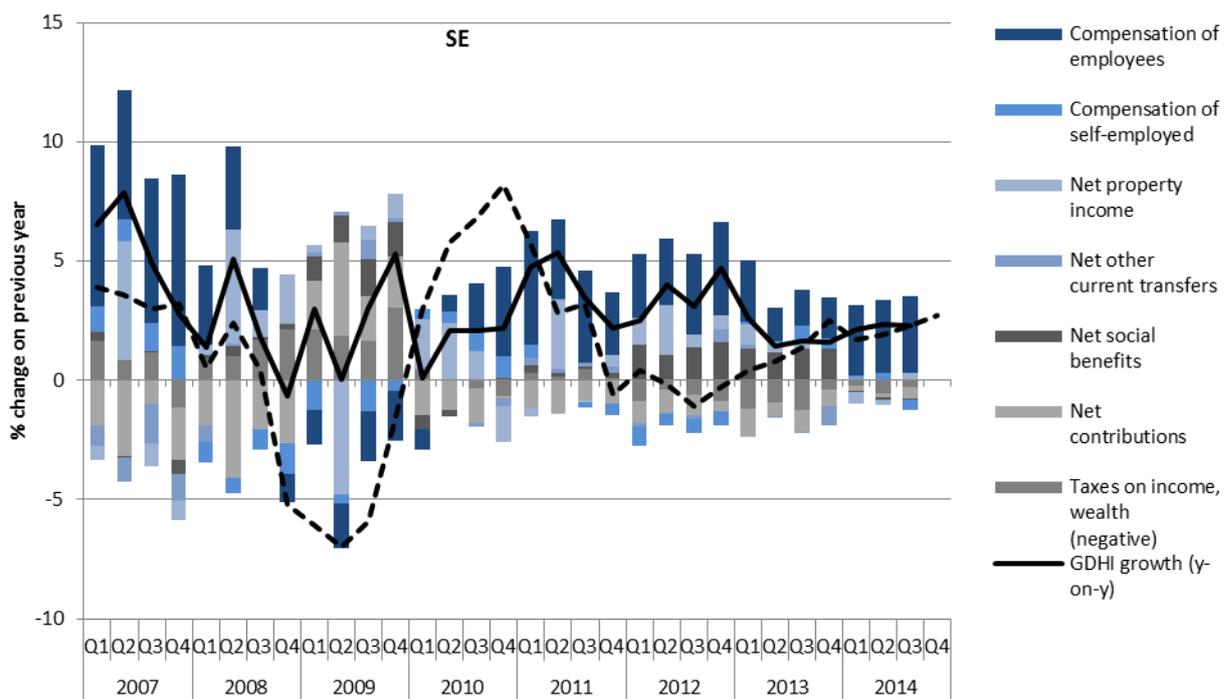


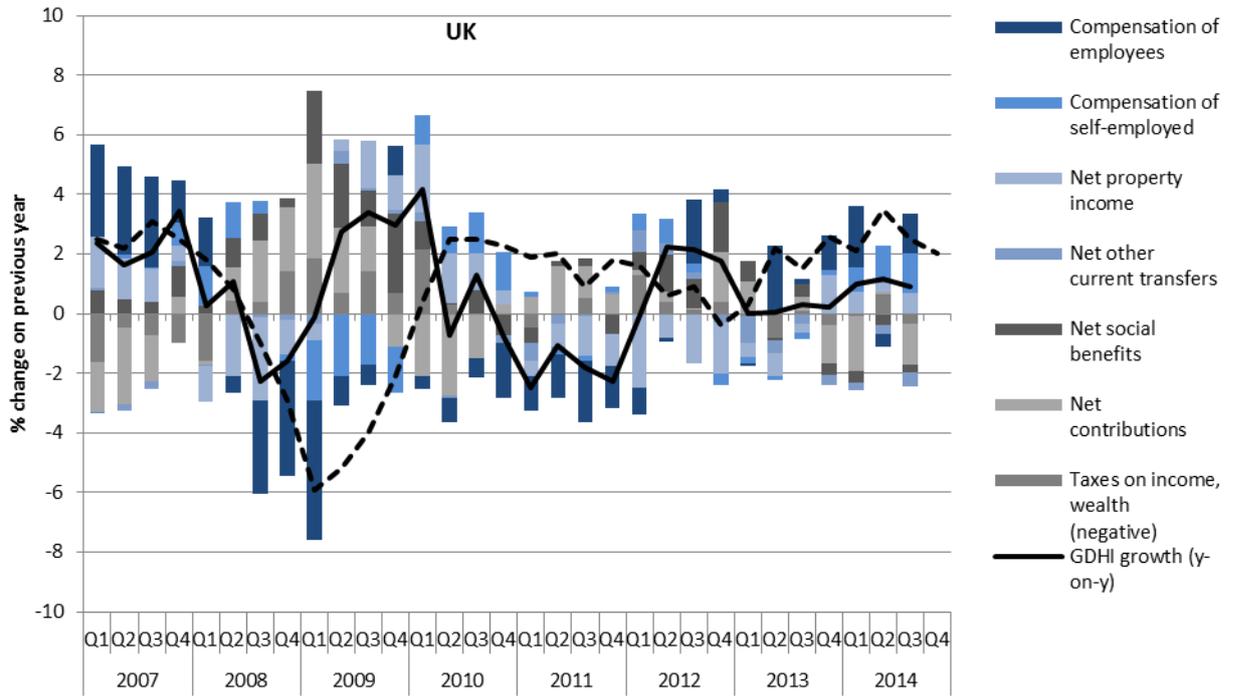








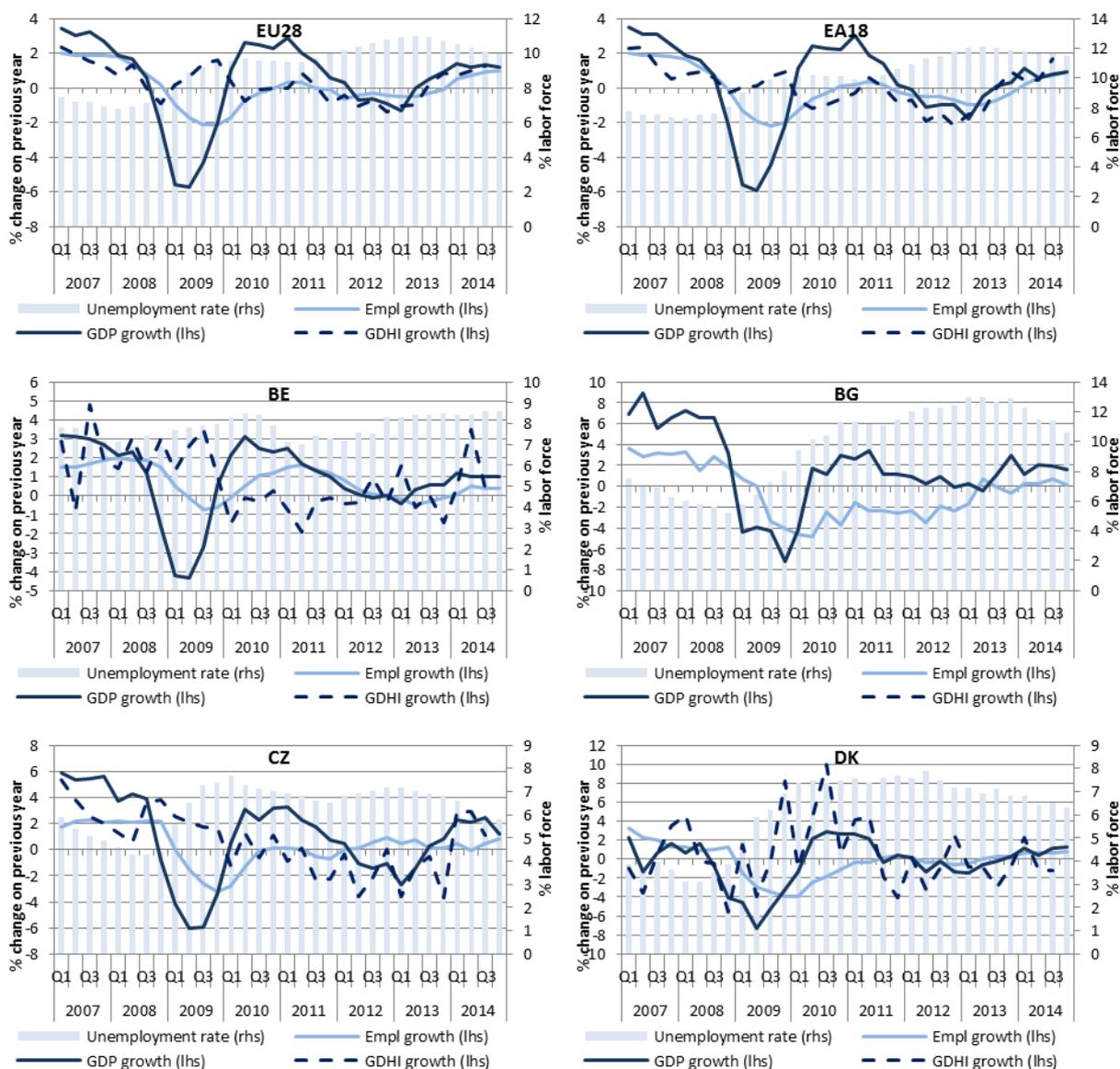


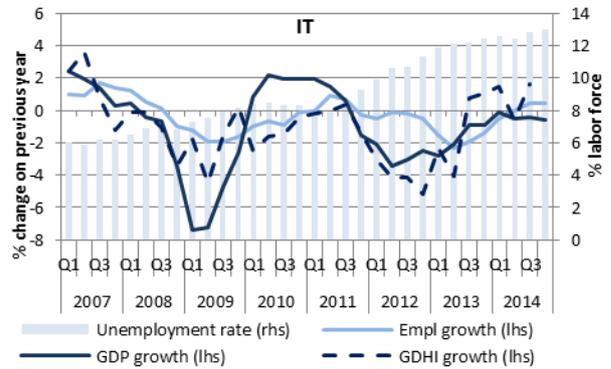
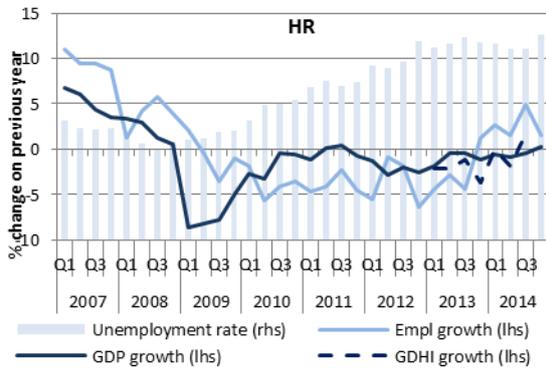
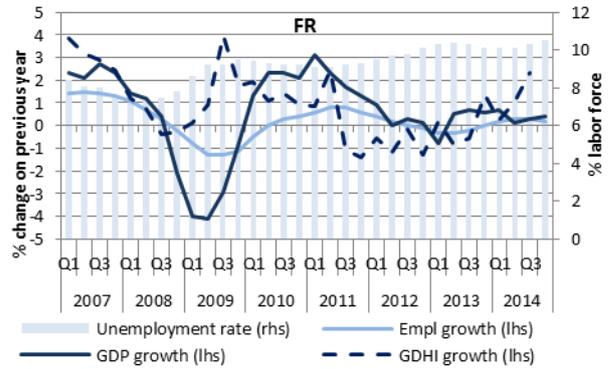
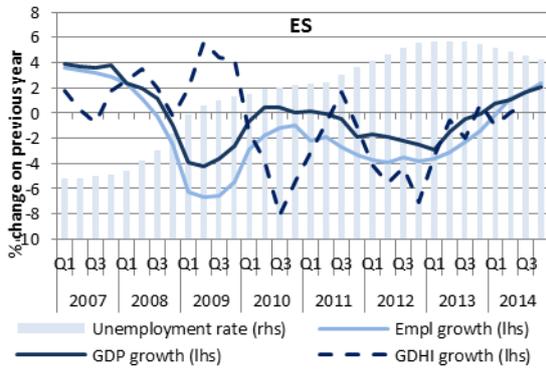
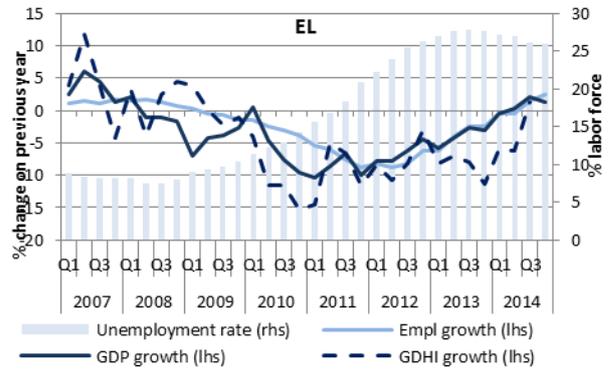
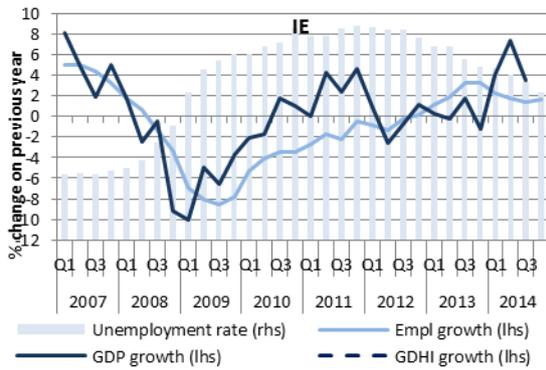
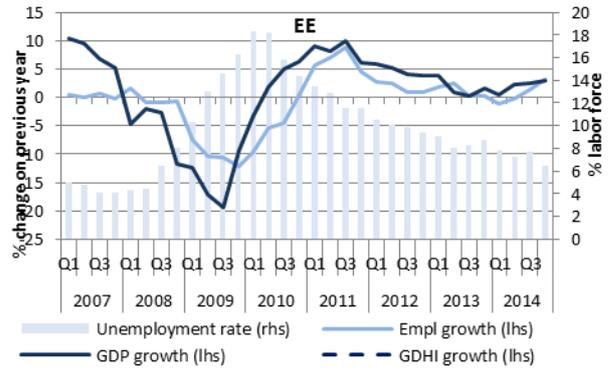
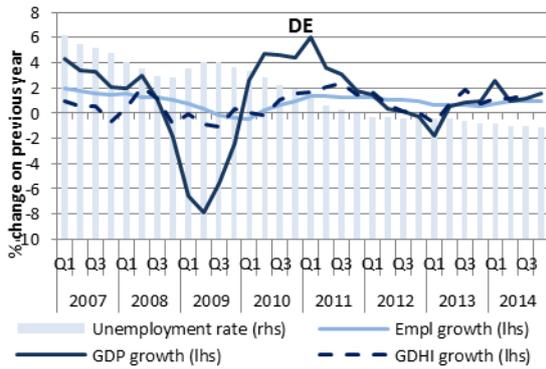


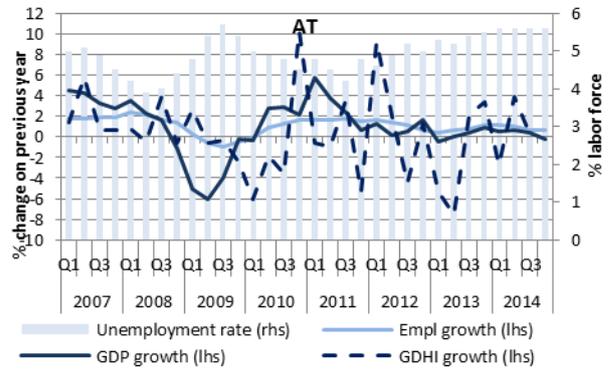
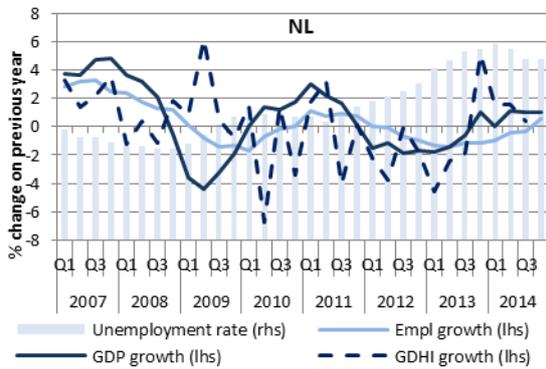
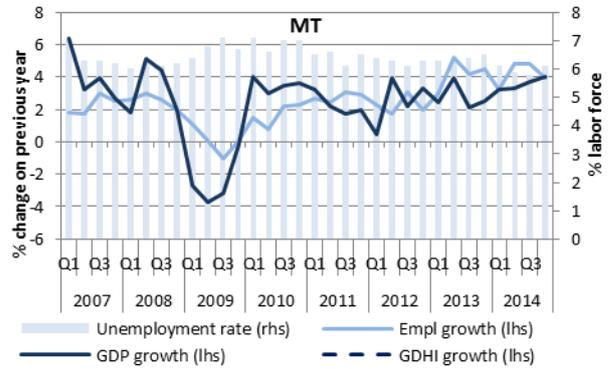
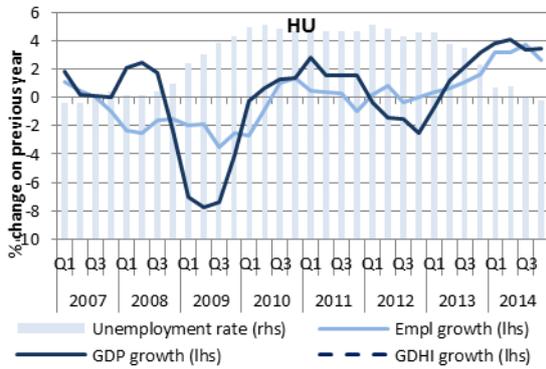
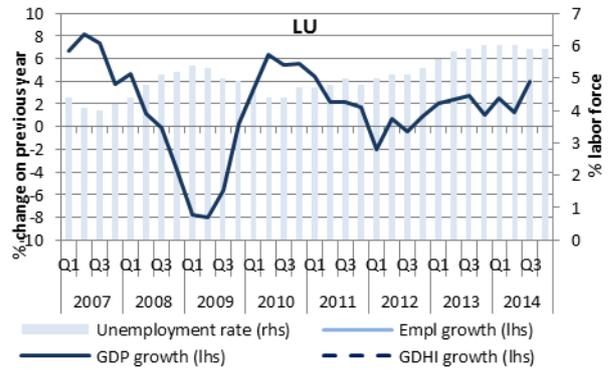
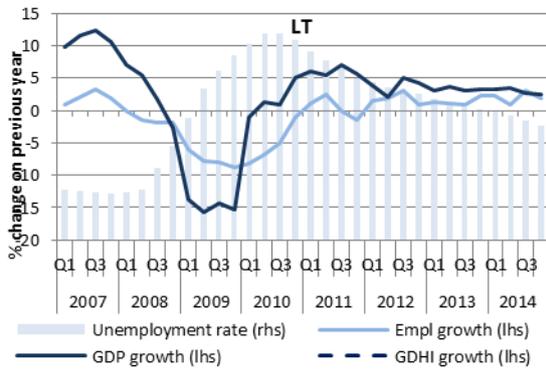
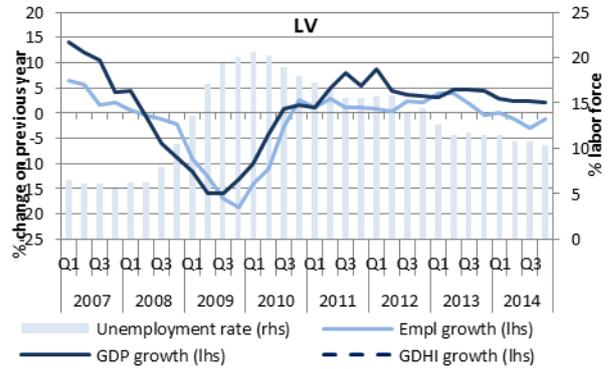
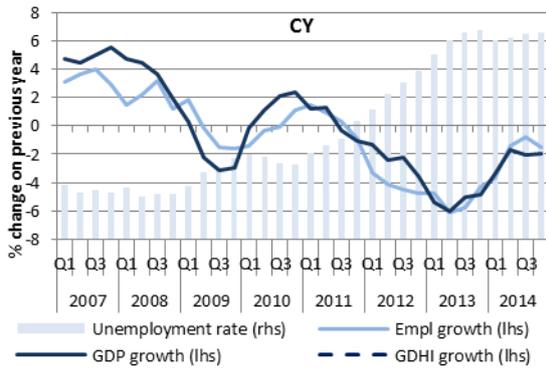
Annex 2: Real GDP growth, real GDHI growth, employment growth and unemployment rates in the EU, euro area and EU Member States

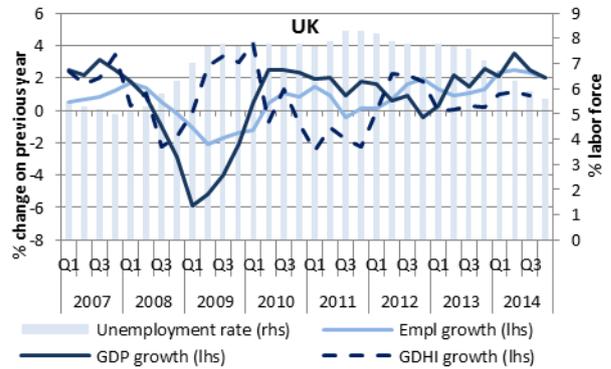
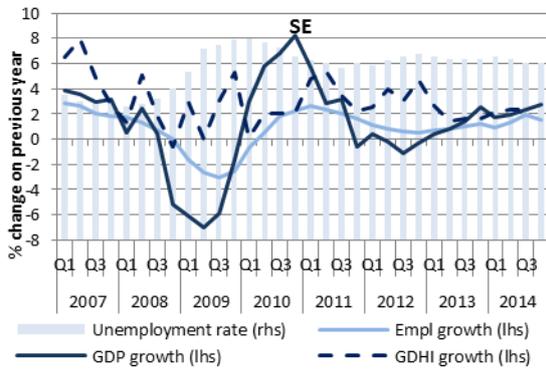
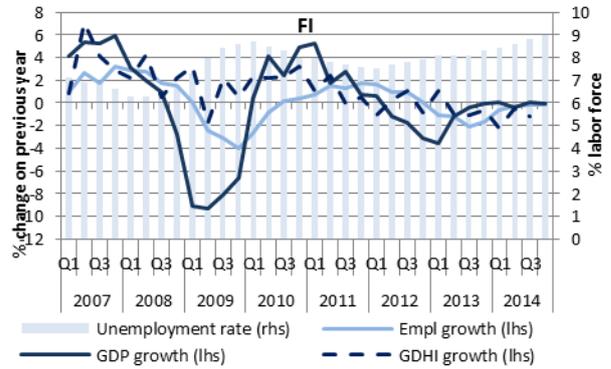
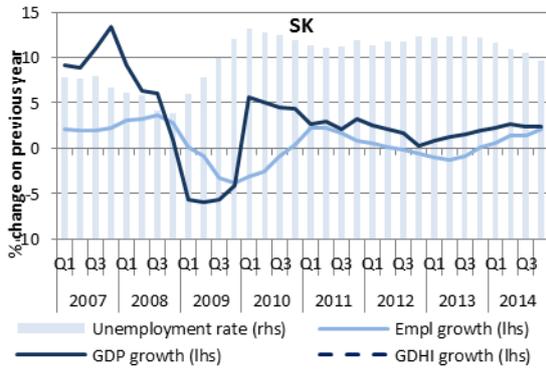
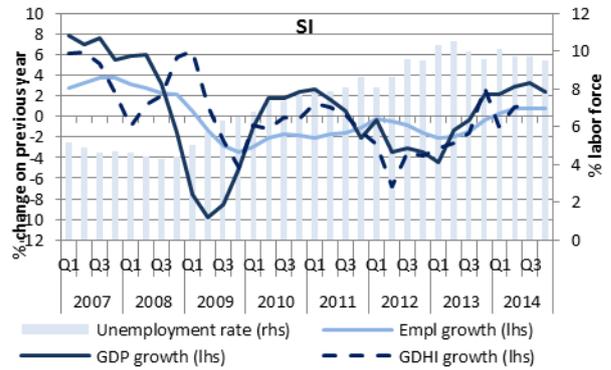
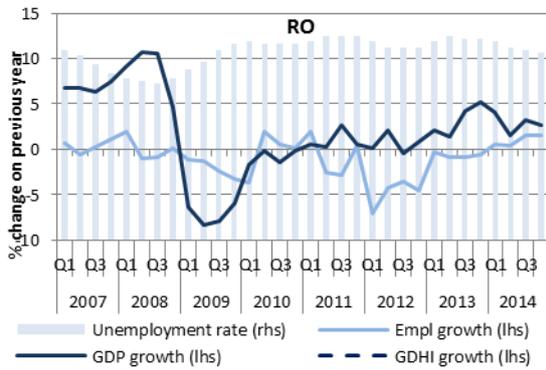
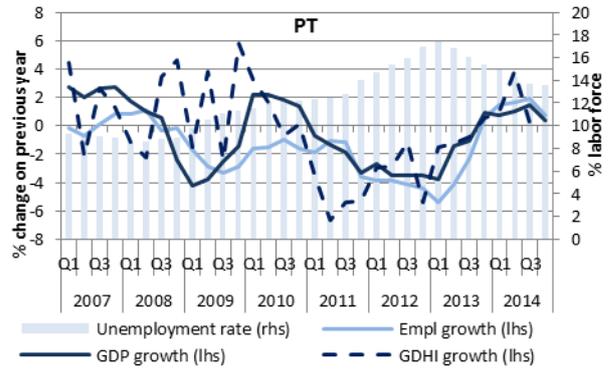
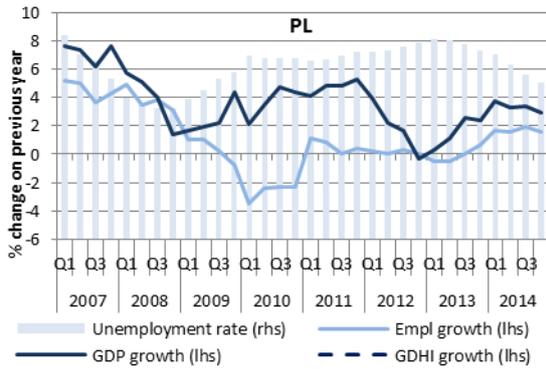
Line chart - left axis: year-on-year percentage change in real GDP, real GDHI (where available) and employment (non-seasonally adjusted). Bar chart - right axis: unemployment rate (seasonally-adjusted).

Source: Eurostat, National Accounts and Labour Force Survey [namq_10_gdp, and namq_10_pe and une_rt_q].









Annex 3: Contribution to employment change in the EU

- Permanent and temporary employees by gender
- Full time and part-time employment by gender
- By age

Line chart: change in total employment (million). Bars: change in employment by type (million). Data non-seasonally adjusted.

Source: Eurostat, Labour Force Survey.

Chart A3.1. Change in employment: permanent/ temporary employees by gender and self-employment, EU28

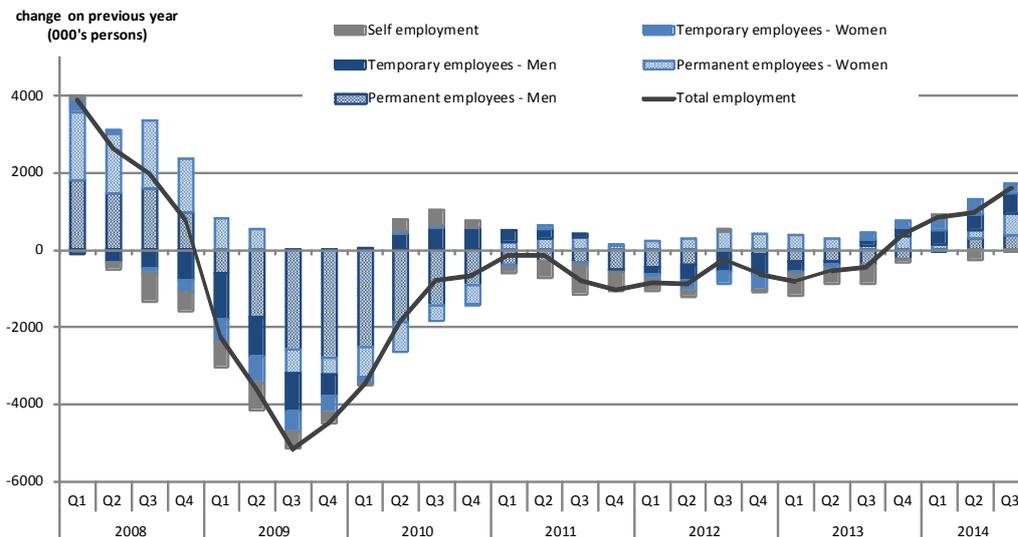


Chart A3.2. Change in employment: full-time/ part-time employment by gender, EU28

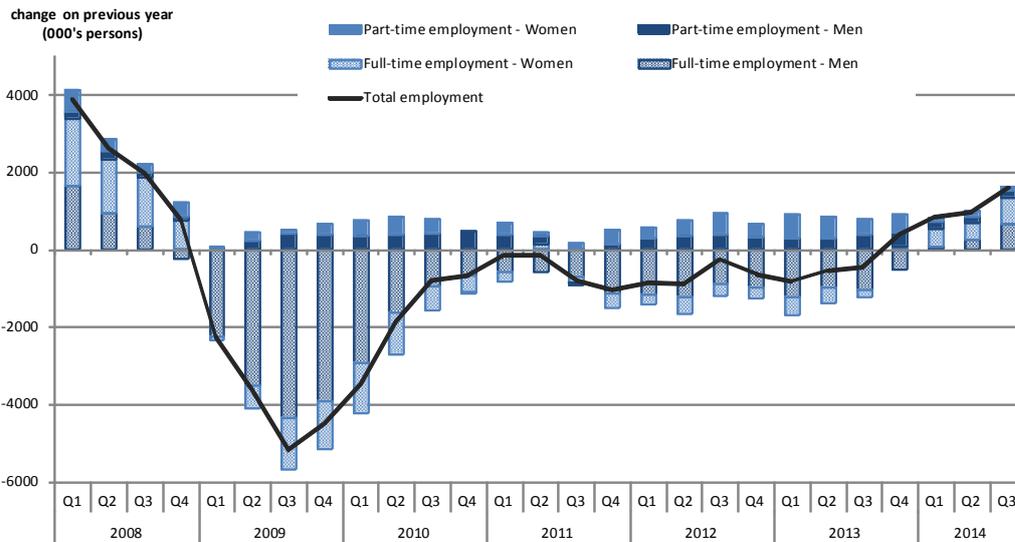
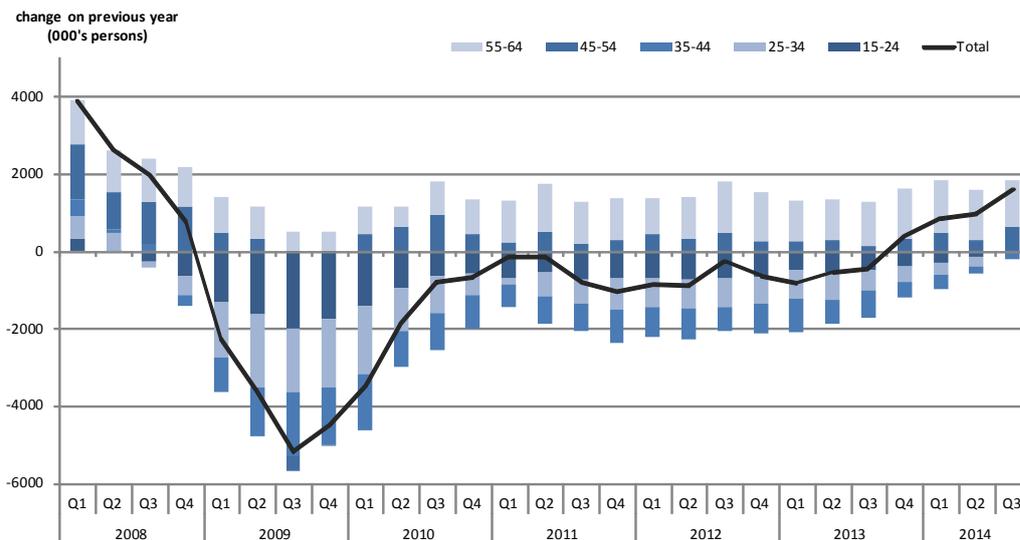


Chart A3.3 Change in employment: by age, EU28



Annex 4: Employment growth by sectors in the euro area and by EU Member States

The third quarter of 2014 (2014Q3)

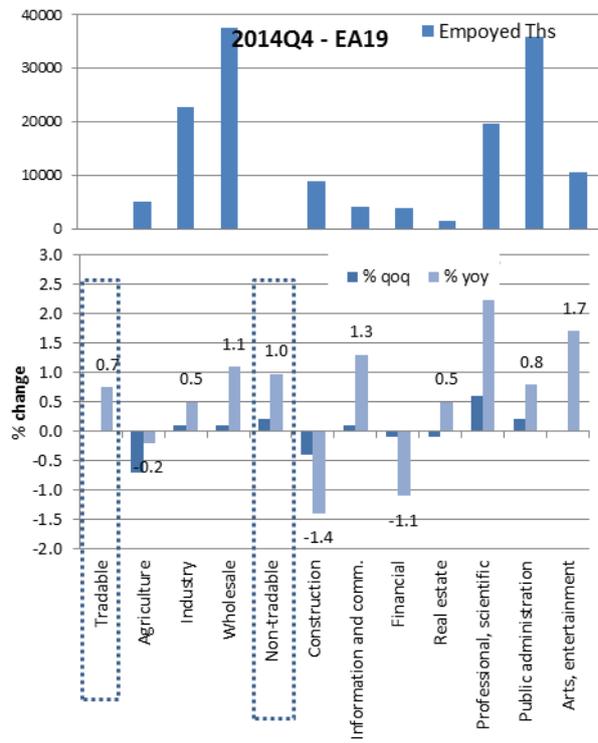
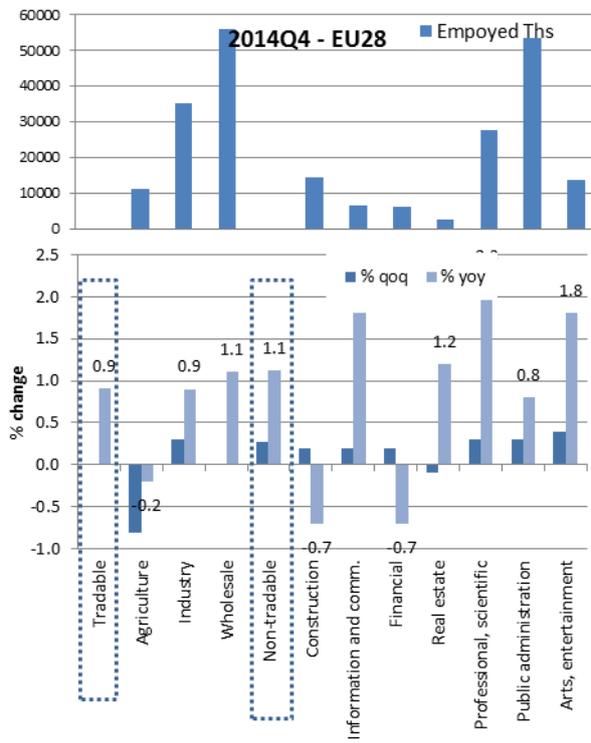
Top chart: employment change by 10 branches (%); quarter-on-quarter (seasonally-adjusted) and year-on-year (non-seasonally adjusted). Bottom chart: Persons employed by sectors (1000).

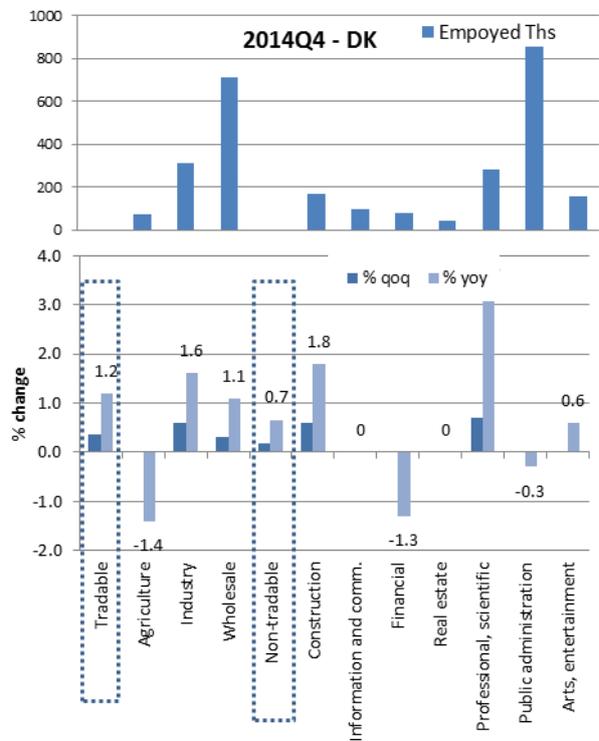
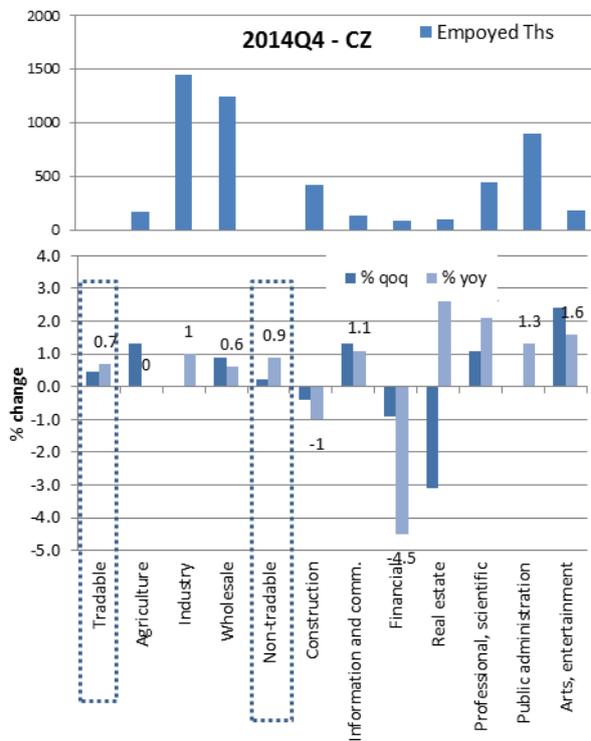
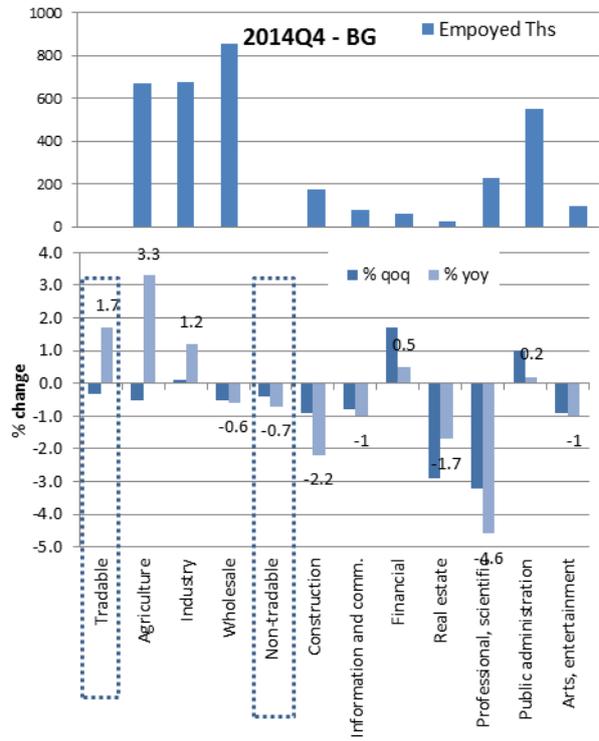
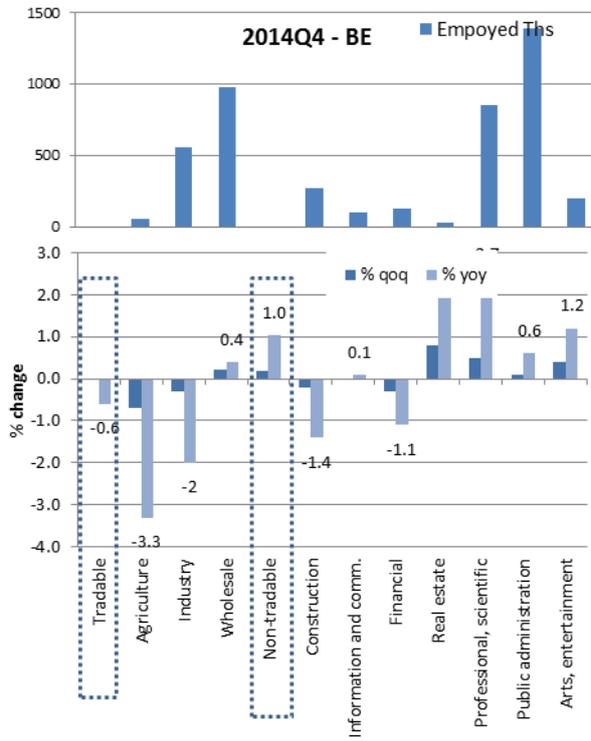
Note: No charts for Luxembourg , no data available. No data for Romania for the quarter-on-quarter change

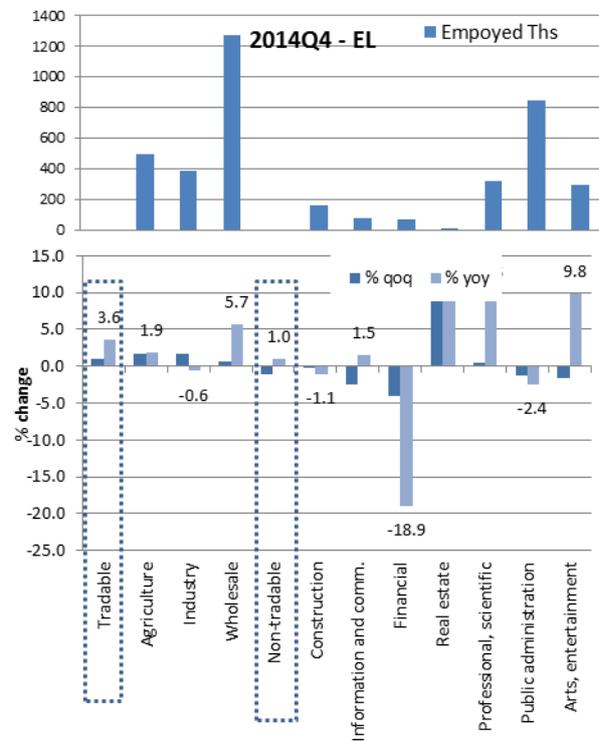
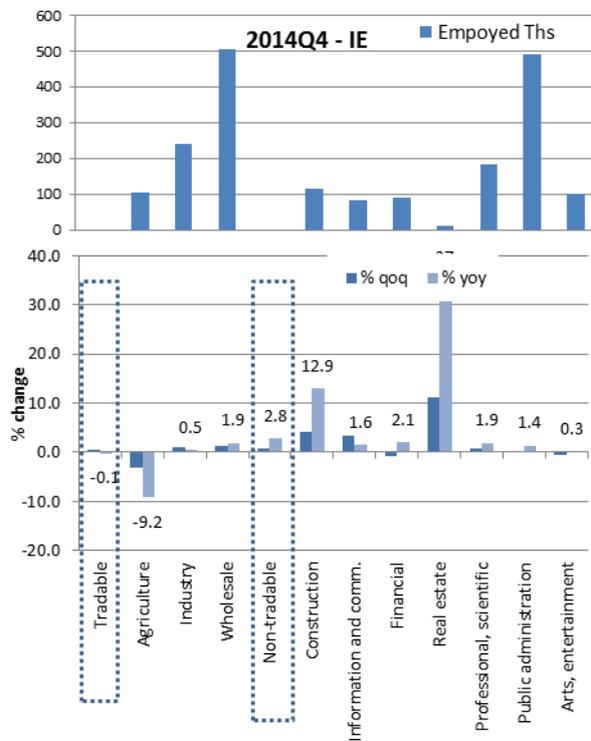
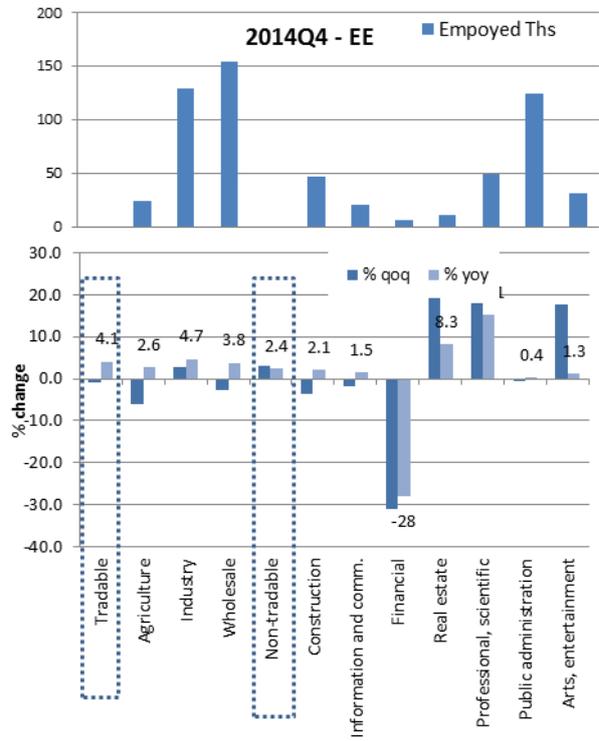
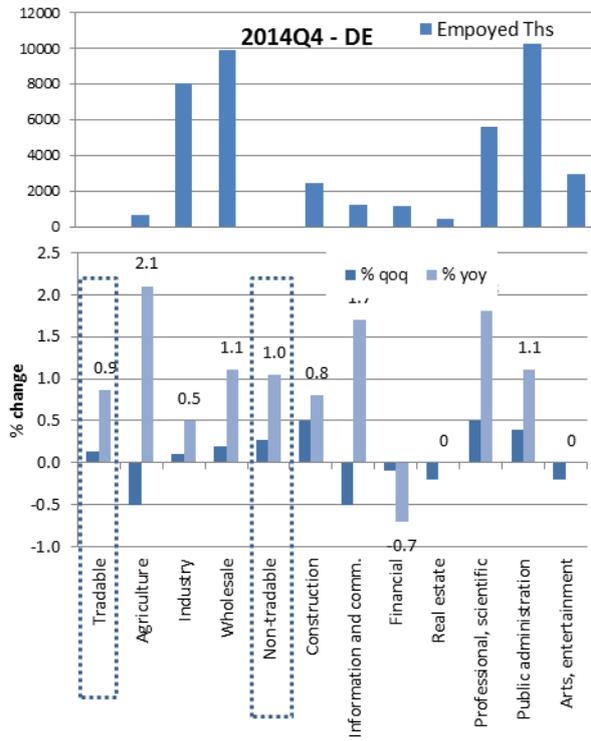
Source: Eurostat, National Accounts.

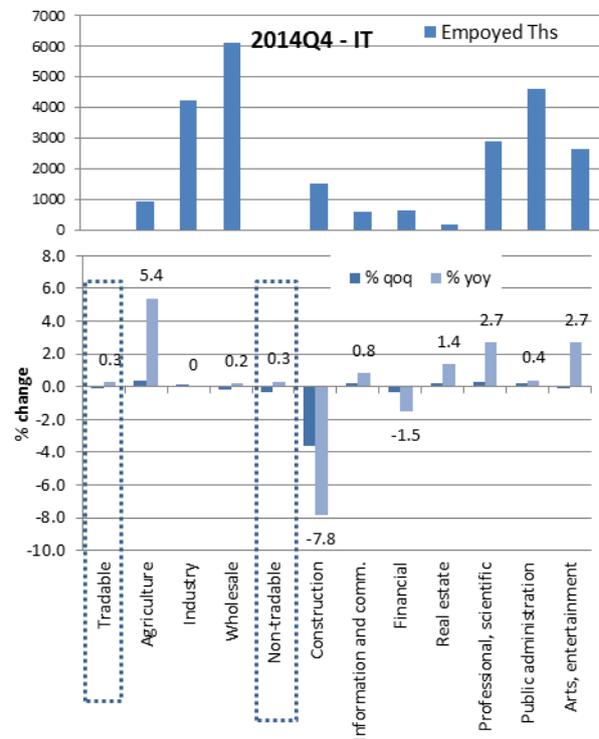
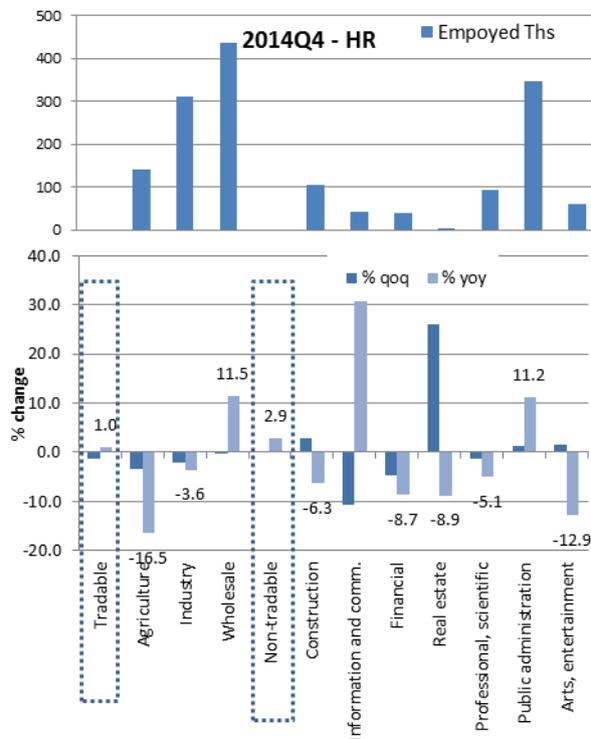
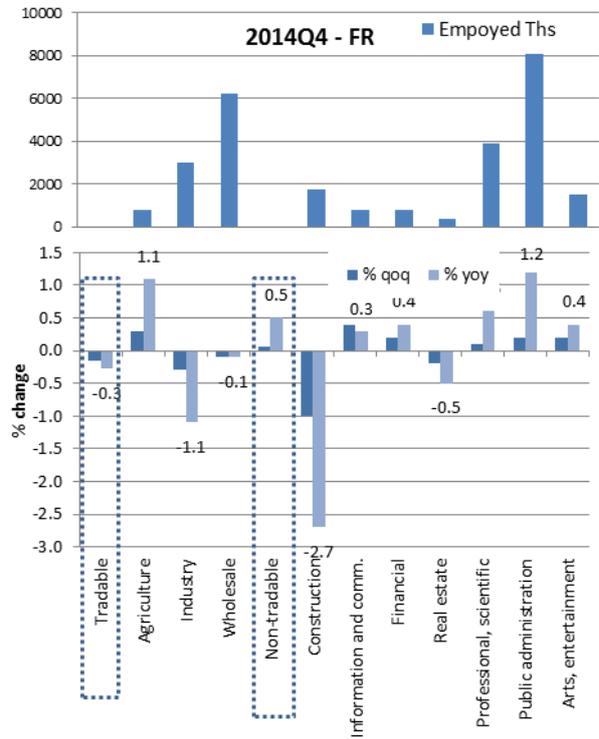
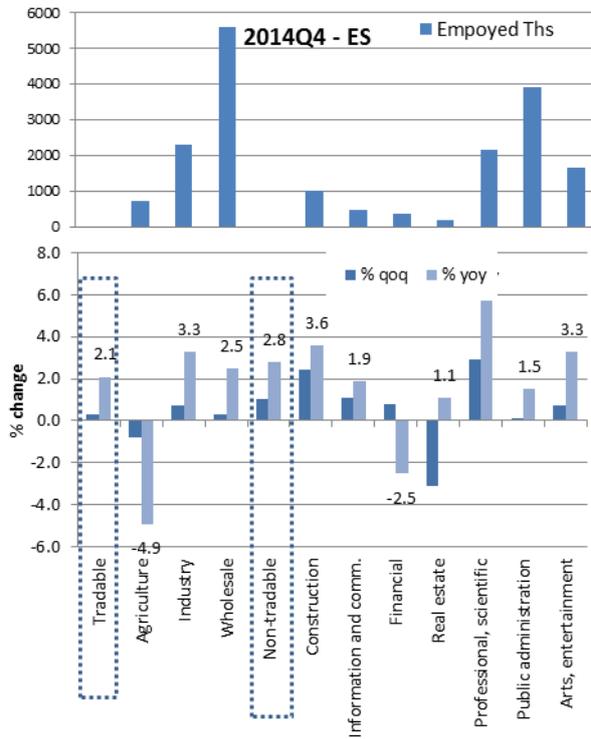
List of 10 branches (based on NACE revision 2.0)

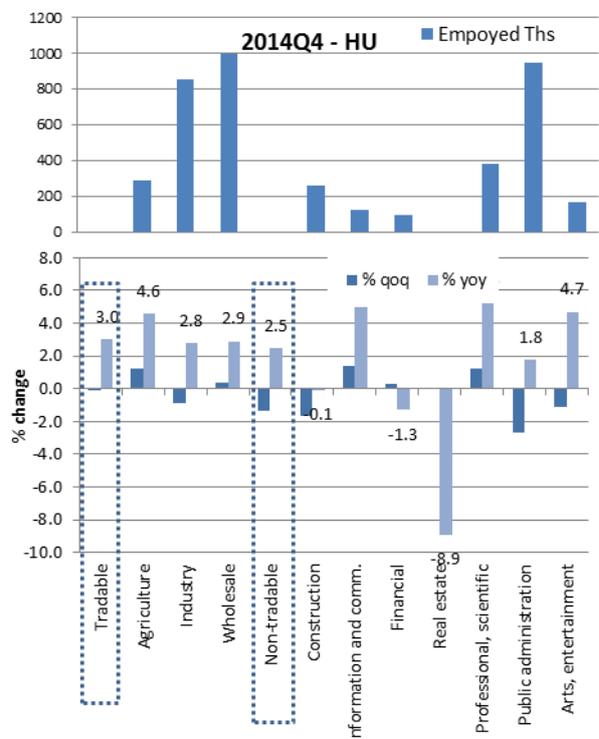
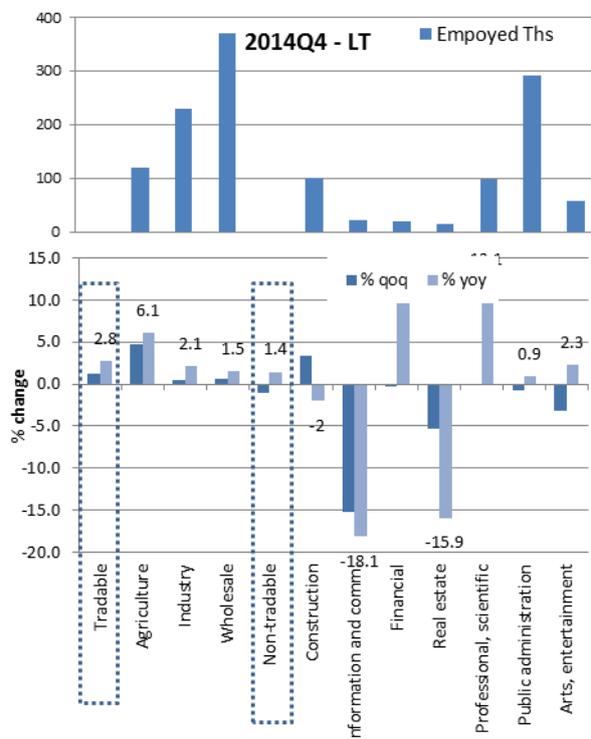
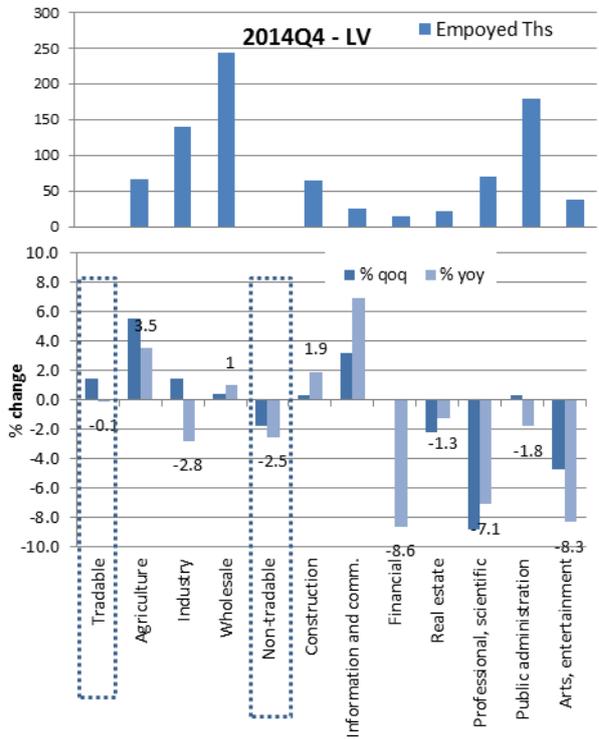
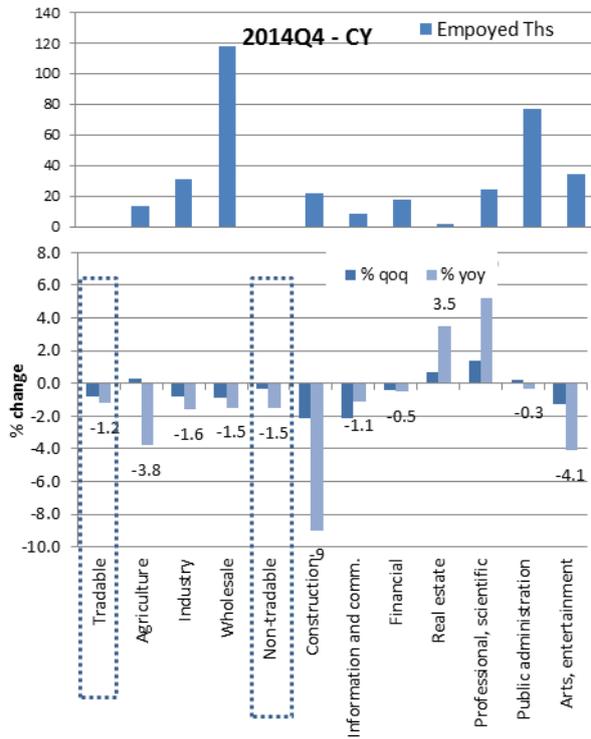
| | |
|--------|--|
| A | Agriculture, forestry and fishing |
| B-E | Industry (except construction) |
| F | Construction |
| G to I | Wholesale and retail trade, transport, accommodation and food service activities |
| J | Information and communication |
| K | Financial and insurance activities |
| L | Real estate activities |
| M to N | Professional, scientific and technical activities; administrative and support service activities |
| O to Q | Public administration, defence, education, human health and social work activities |
| R to U | Arts, entertainment and recreation; other service activities; activities of household and extra-territorial organizations and bodies |

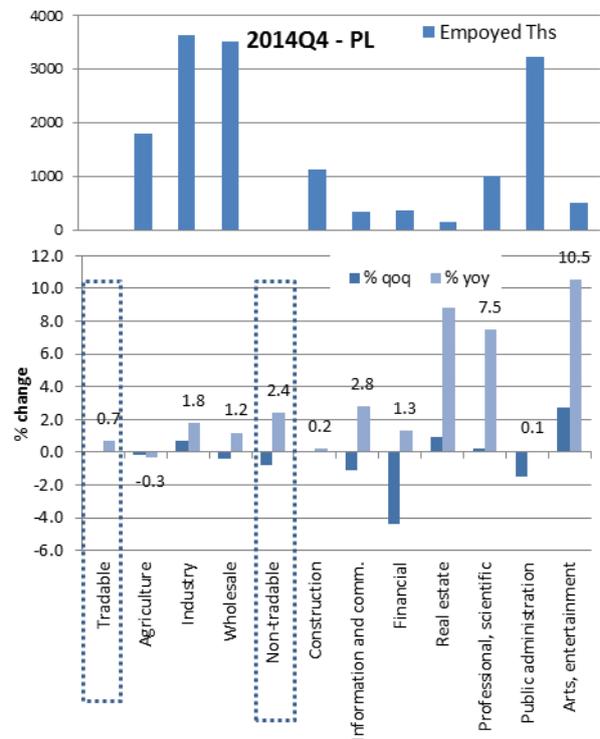
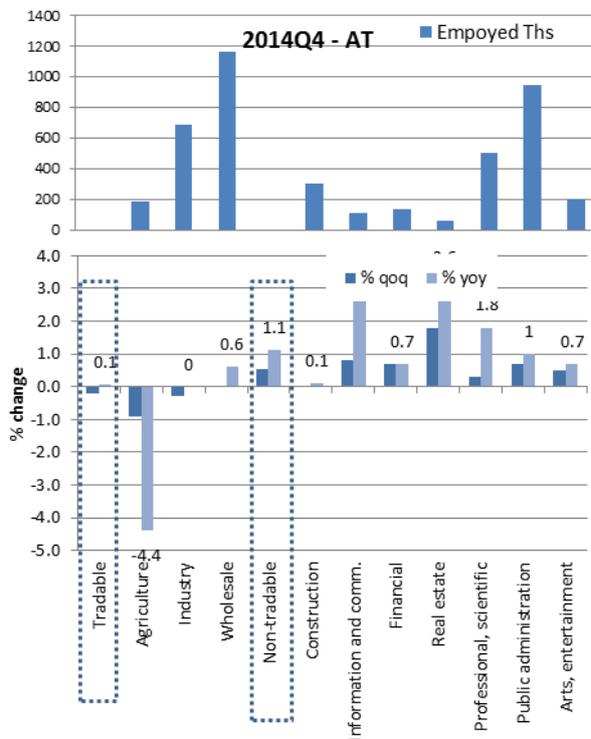
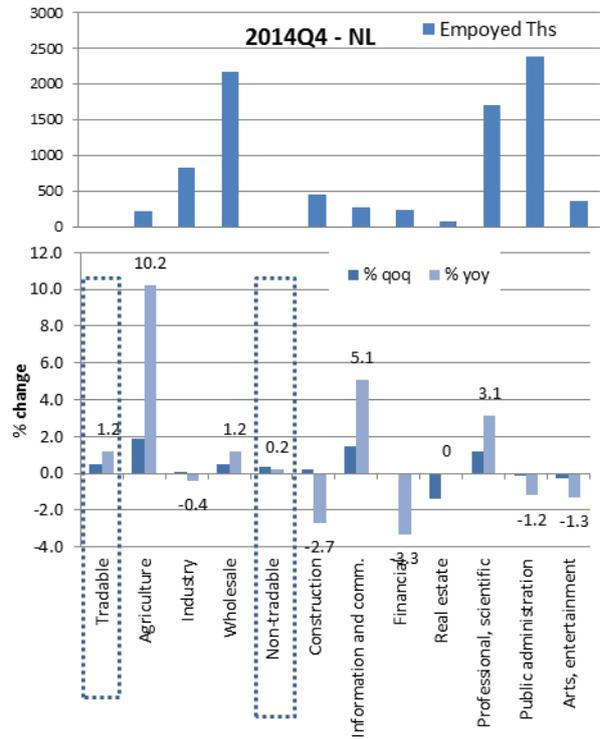
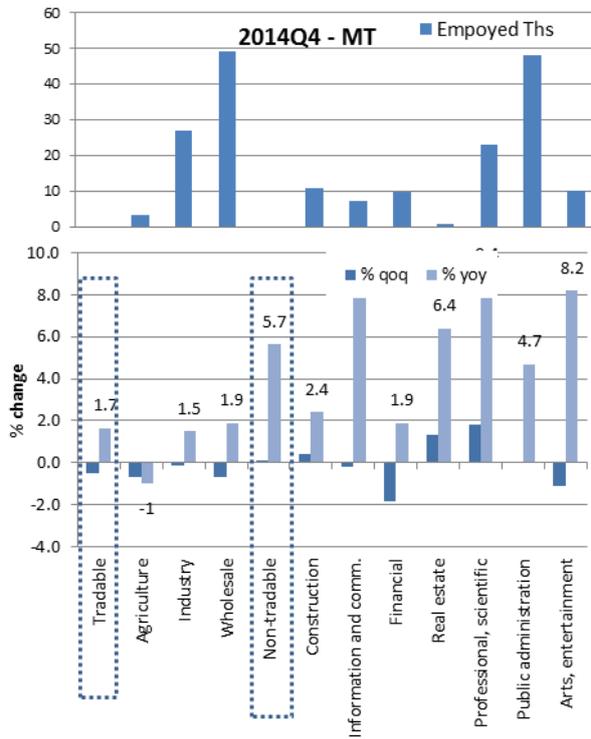


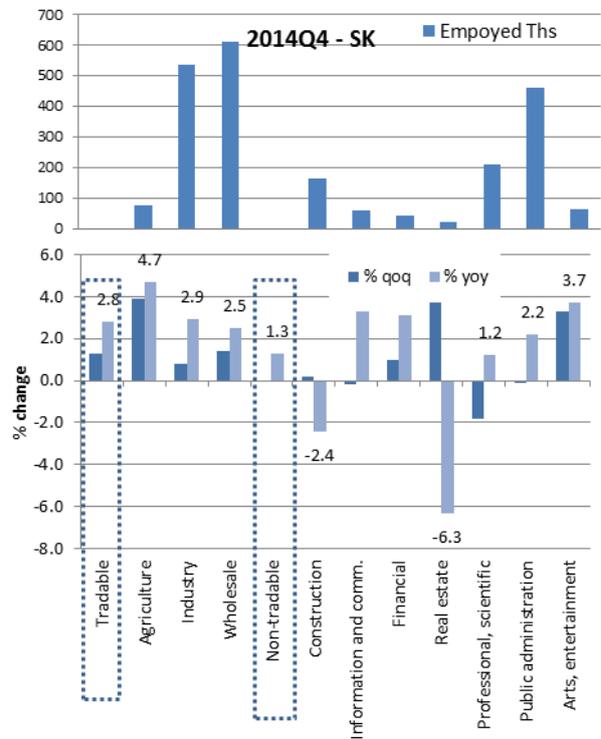
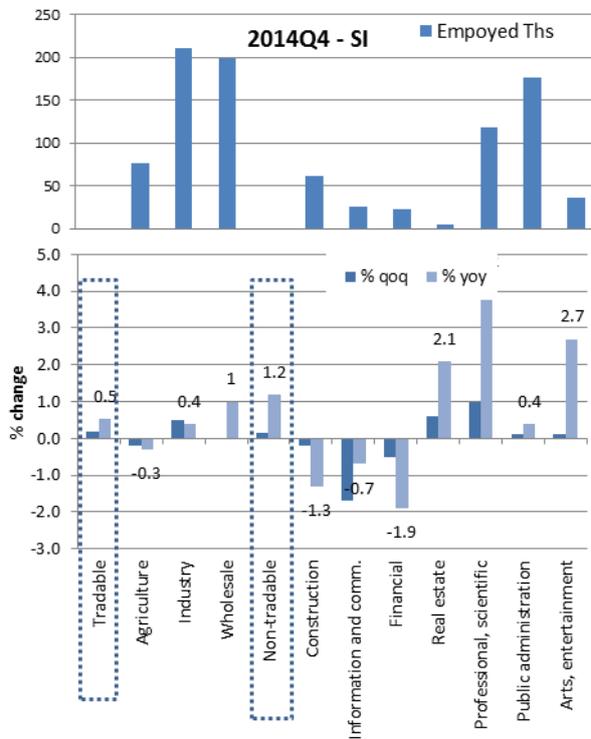
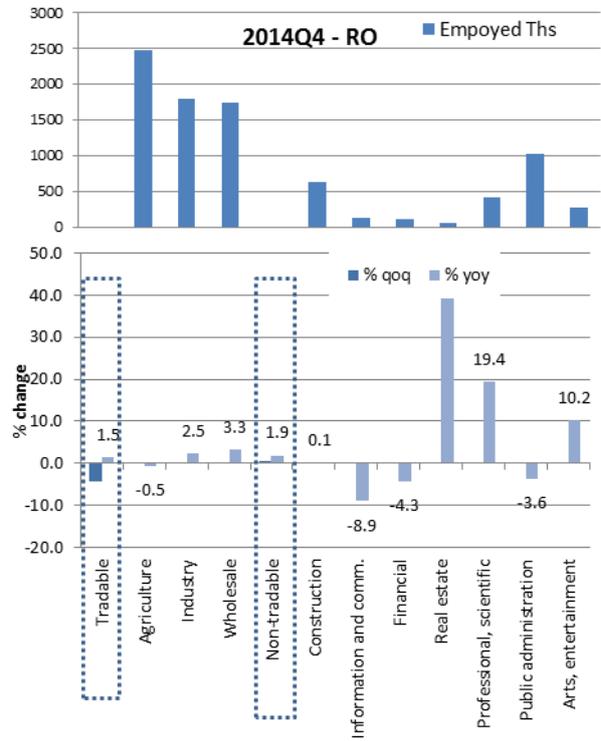
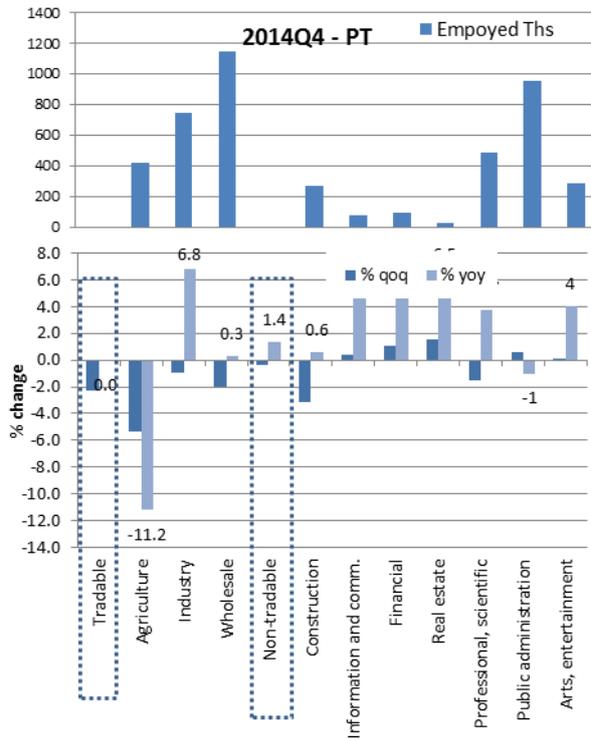


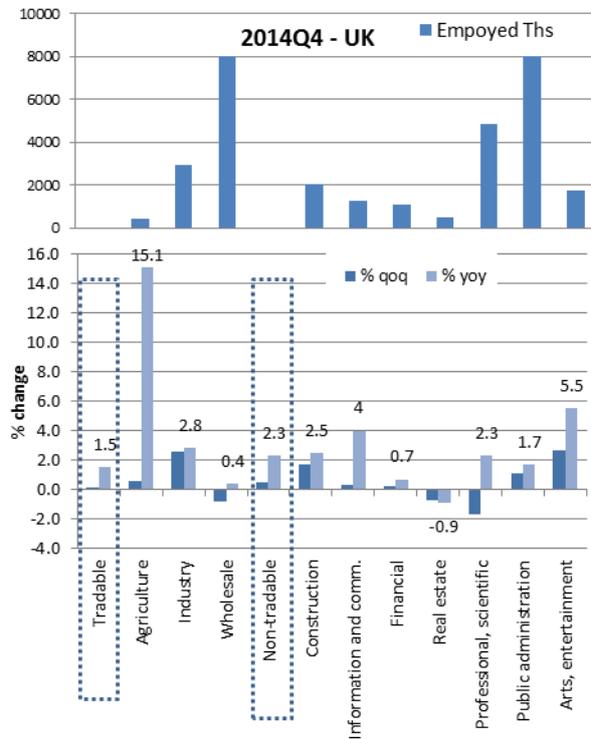
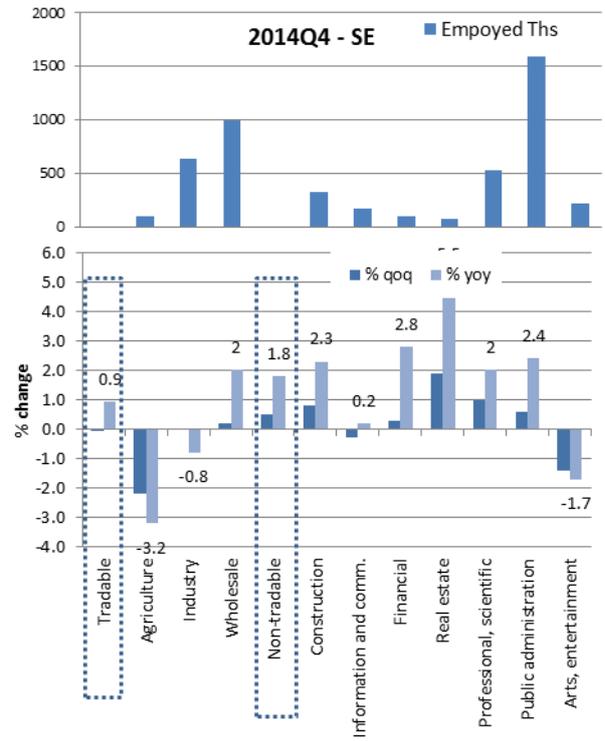
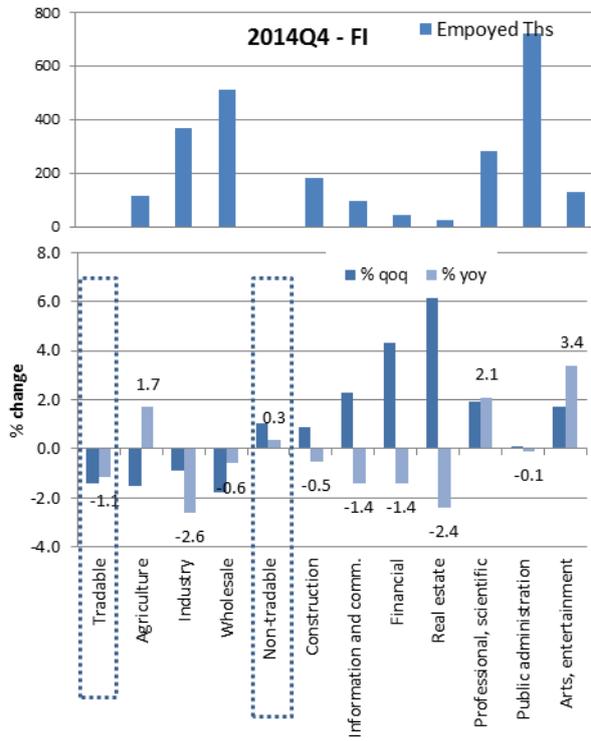










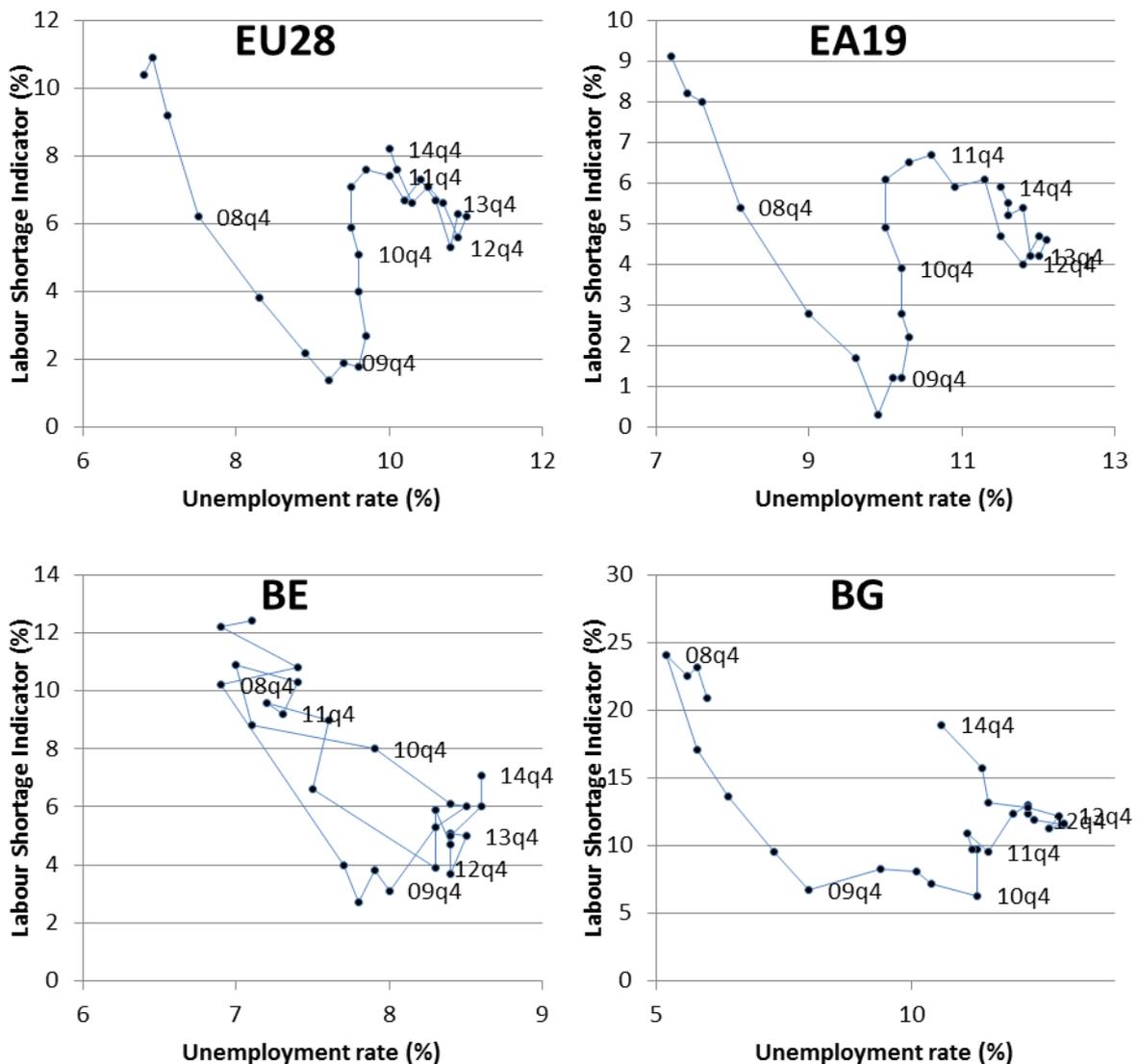


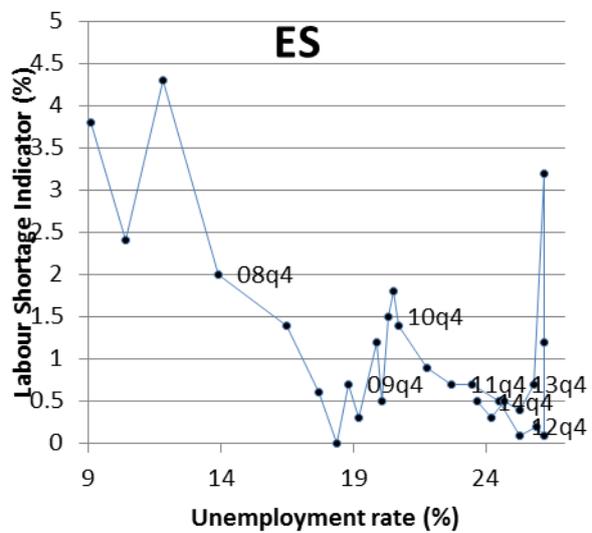
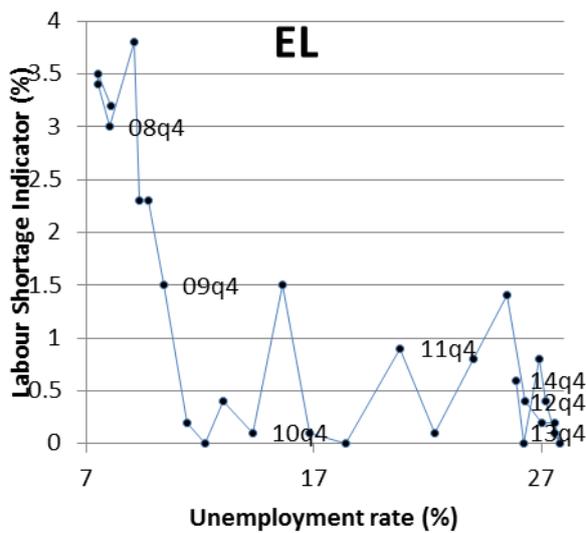
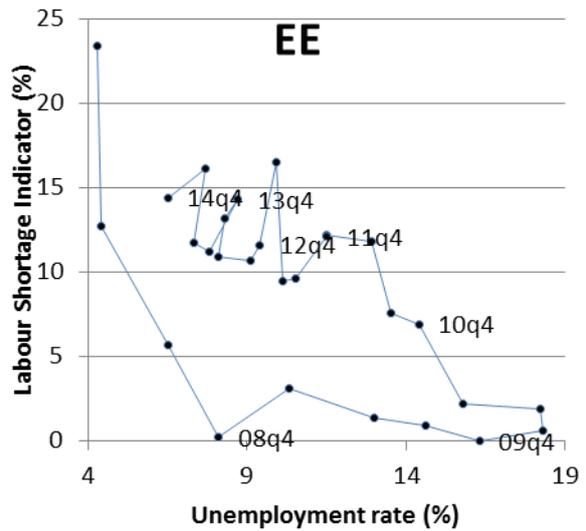
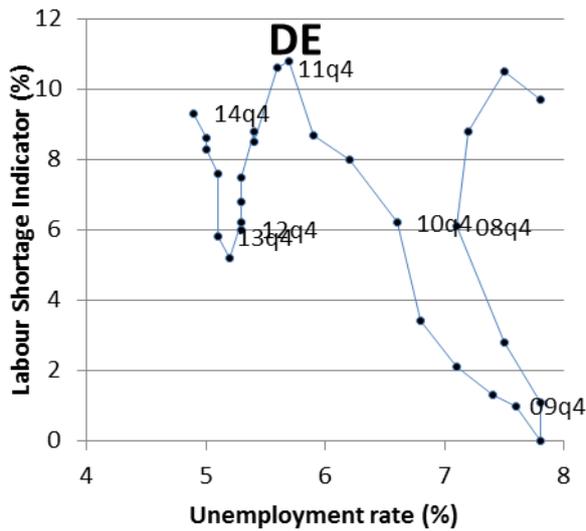
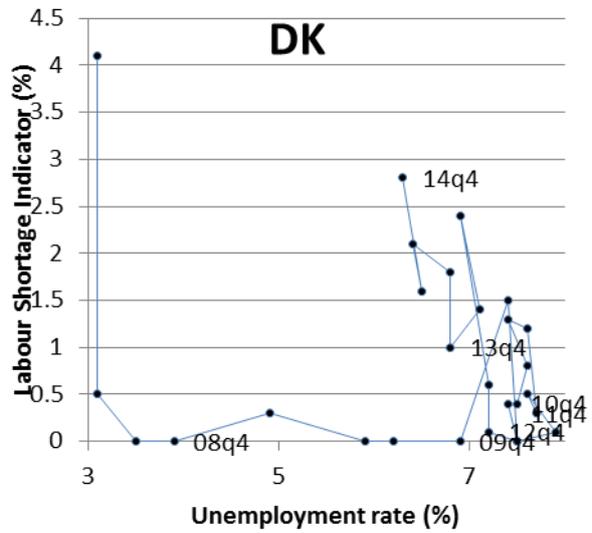
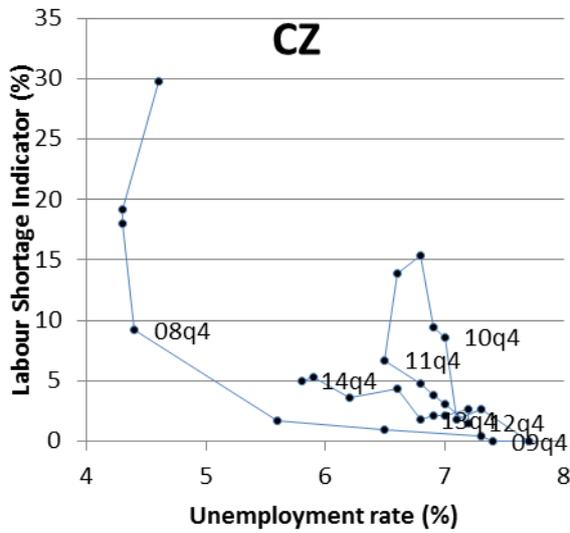
Annex 5: Beveridge curves, by Member State

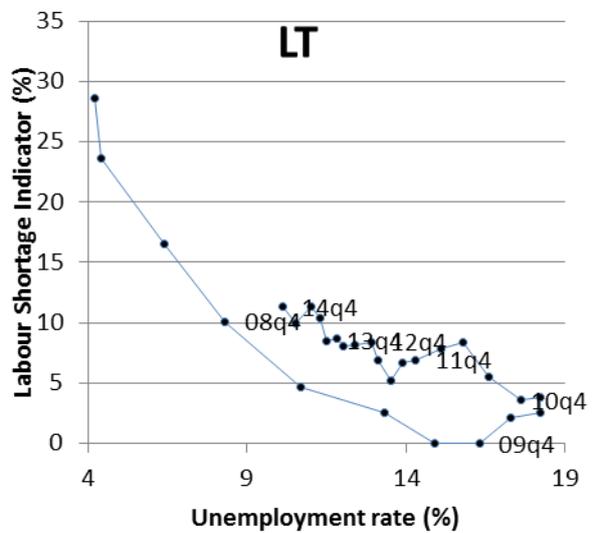
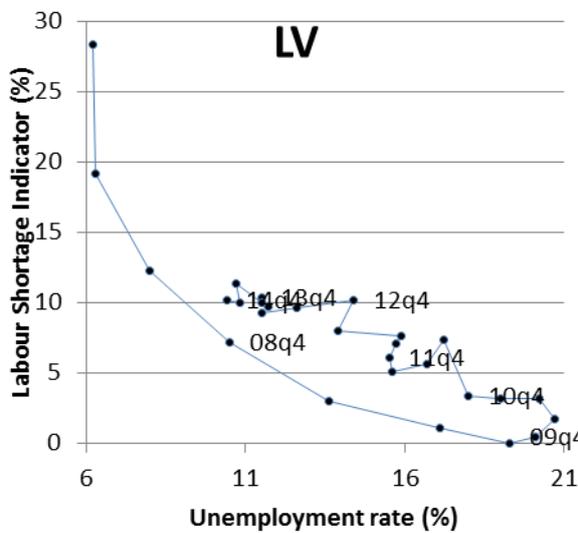
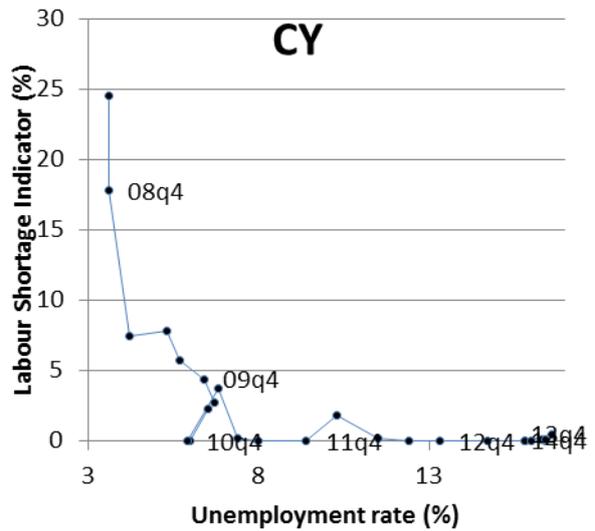
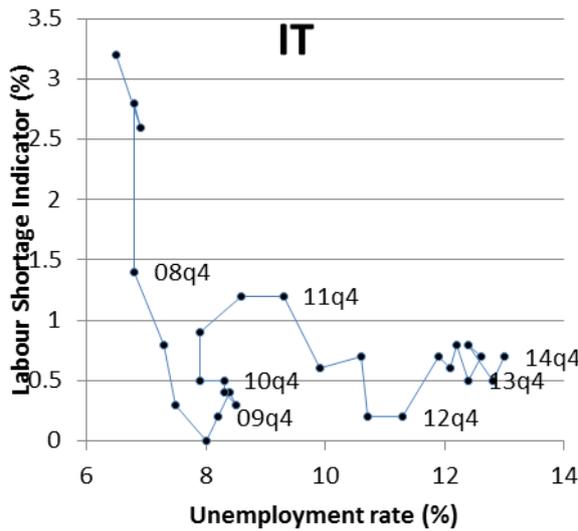
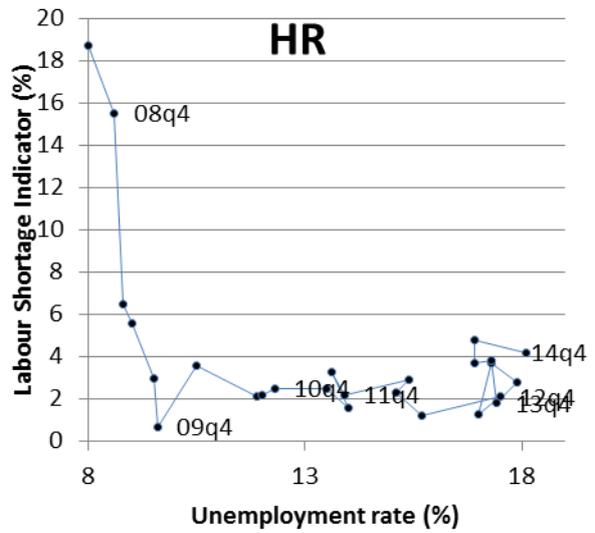
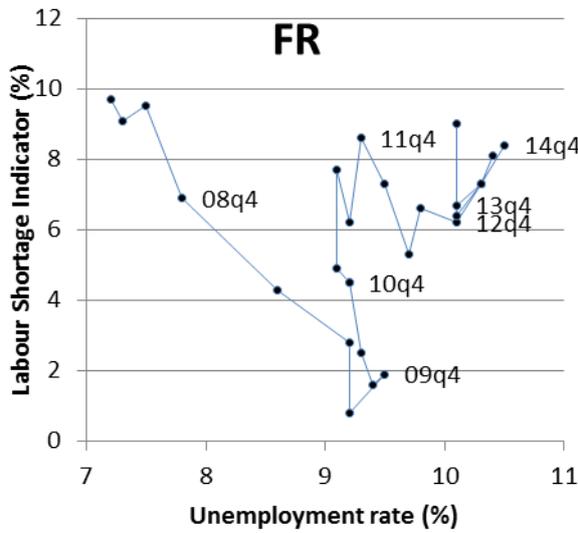
Labour shortage indicator, derived from EU business survey results (% of manufacturing firms pointing to labour shortage as a factor limiting production).

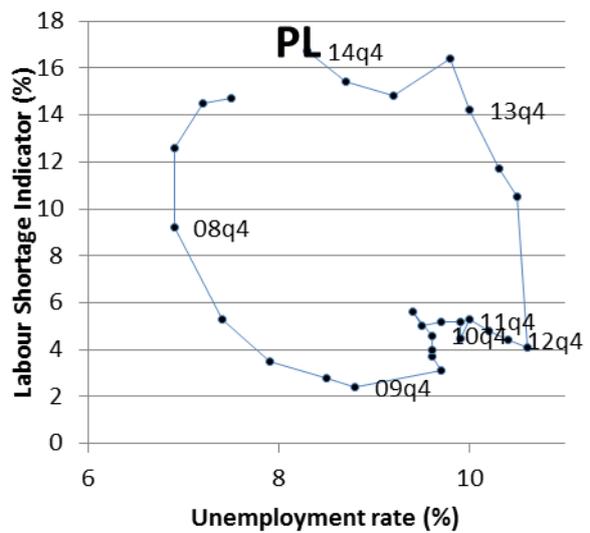
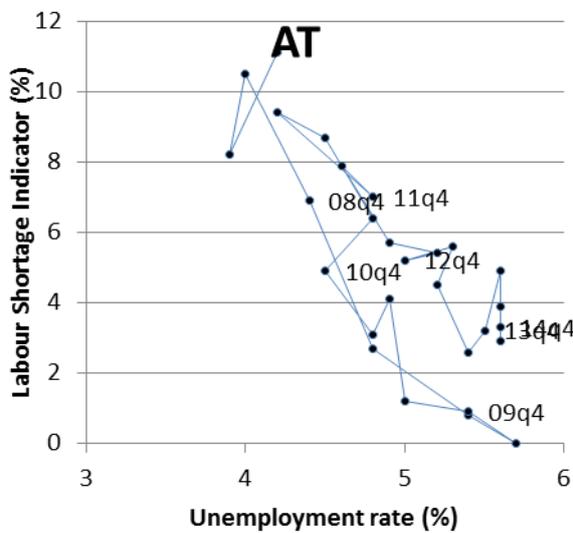
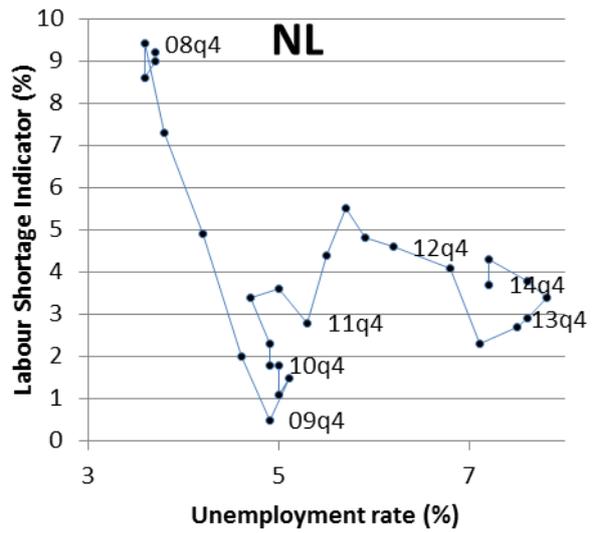
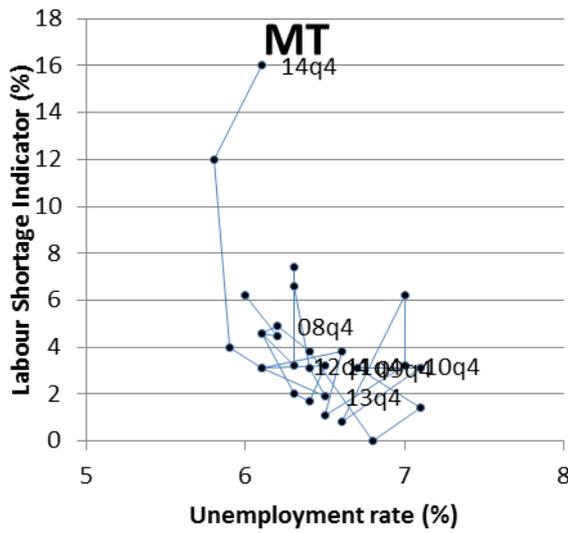
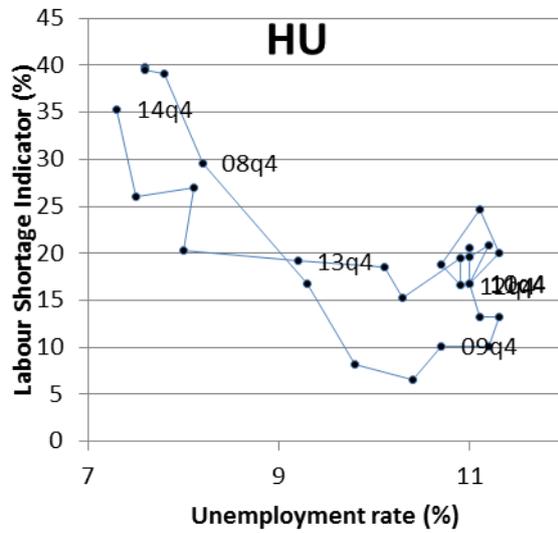
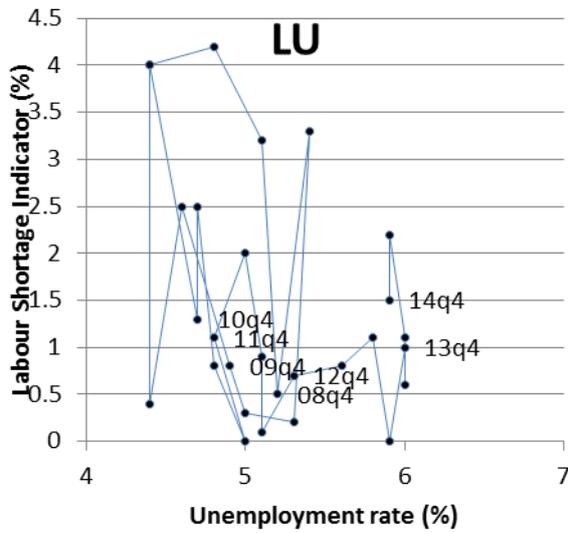
Note: no chart for Ireland as the Labour shortage indicator for this country is not available.

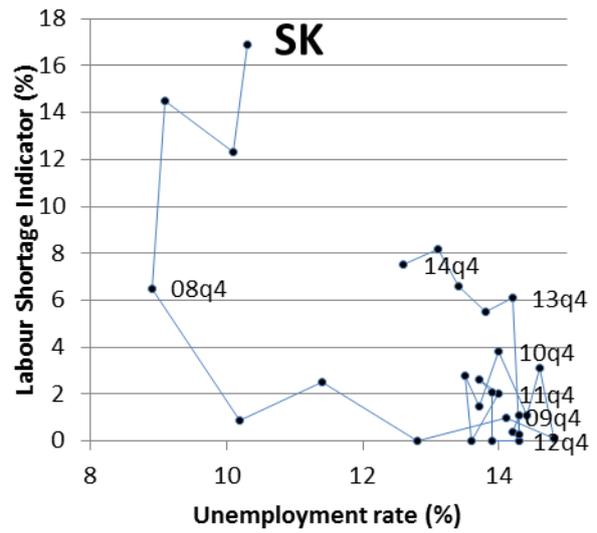
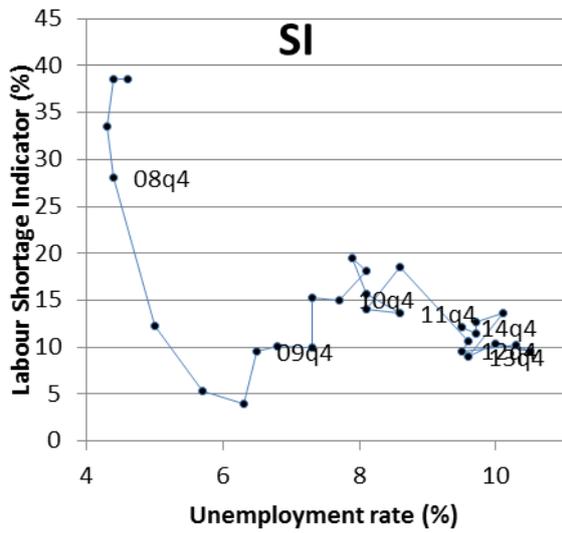
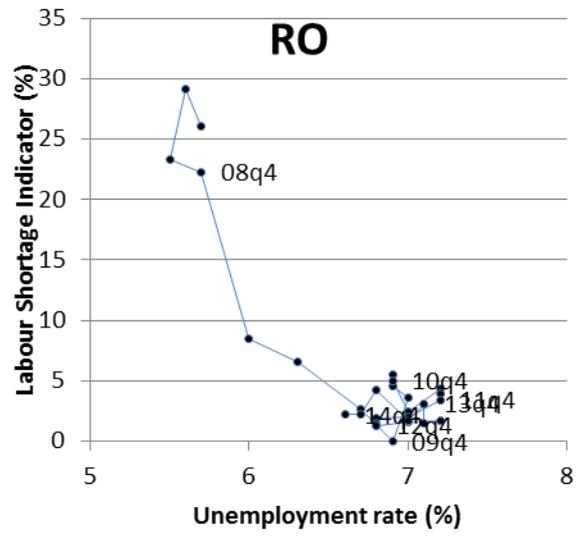
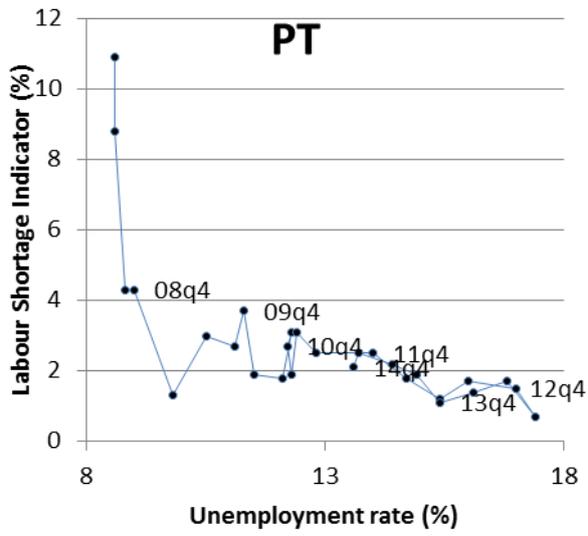
Source: Eurostat, LFS and European Commission, EU Business and Consumer Surveys [une_rt_q, ei_bsin_q_r2]. Data seasonally adjusted.

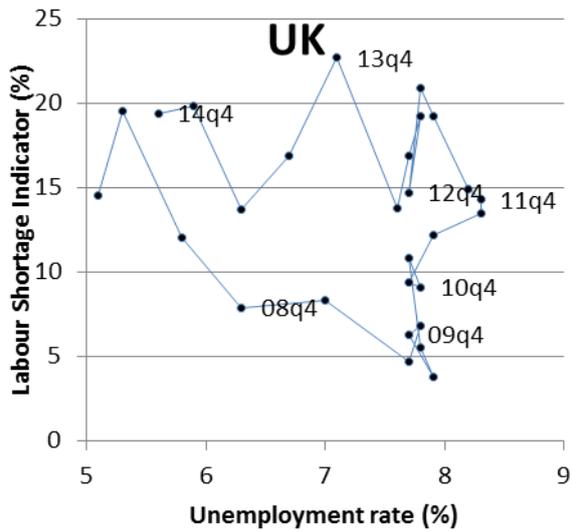
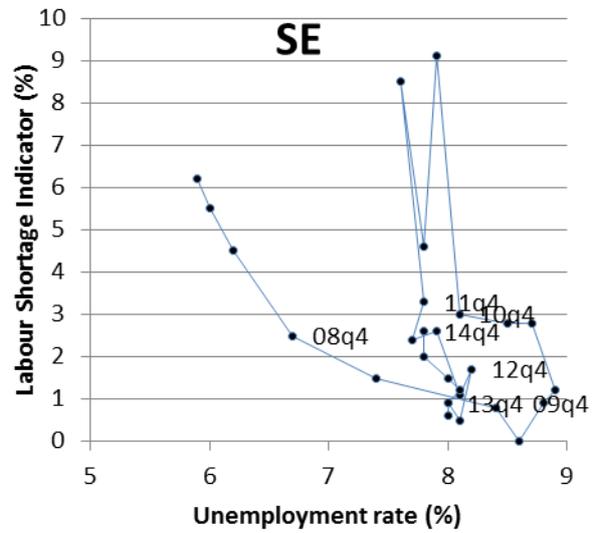
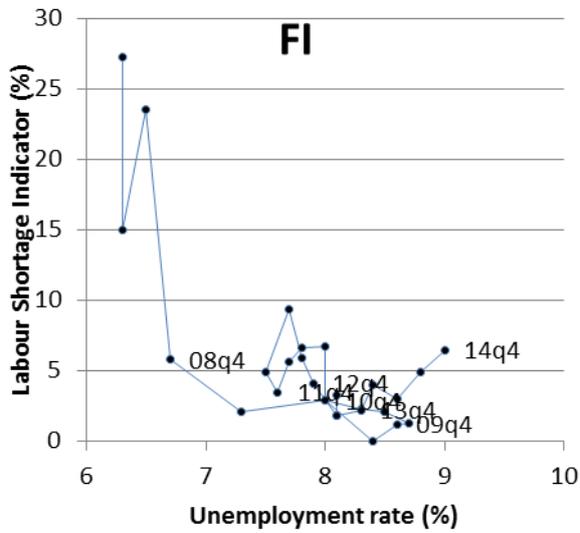












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