



European
Commission

EU Employment and Social Situation

Quarterly Review
September 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 D. Eckert (Director), N. Gibert-Morin (Head of Unit) and R. Maly (Head of Unit). The main contributors were: A. Arpaia, D. Arranz, M. Grzegorzewska, S. Jemmotte, E. Joseph, A. Kowalski, 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
JP: Japan

Executive summary

The latest quarterly data confirms previous modest but positive economic, labour market and social developments. The EU economy continues its moderate growth, which has broadened across virtually all Member States. Labour markets in the EU continue to gradually improve, benefitting from the strengthening in economic activity. There are more permanent and full-time jobs. The increase in employment extended to all sub-population groups. Unemployment including youth unemployment continues to slowly recede in the EU and in most Member States though large differences remain. Long-term unemployment also shows further signs of decline but remains high. Household incomes and financial conditions of EU households continue to improve, benefitting from stronger economic activity and improved labour markets.

Key Findings

The EU economy continues its moderate but consistent growth, with all but one Member State registering positive growth in the second quarter of 2015. Real GDP increased by 0.4% both in the EU and the euro area (EA). All Member States except France, where output remained unchanged, contributed to this increase, and among larger Member States Poland and Spain saw the highest growth rates. **Economic activity in the second quarter of 2015 was higher than a year ago in nearly all Member States.** Year-on-year growth reached 1.9% in the EU and 1.5% in the EA. Among the larger Member States it exceeded 3% in Poland and Spain. Among the remaining Member States it was over 4% for the Czech Republic, Malta, Ireland and Luxembourg. Only in Finland GDP remained unchanged.

Labour markets in the EU continue to gradually improve, benefitting from the strengthening in economic activity. In the second quarter of 2015, employment levels increased by 0.2% in the EU and by 0.3% in the EA. Over the year to the second quarter of 2015, employment growth was 1.0 % in the EU and 0.9 % in the EA i.e. about 2.3 million and 1.3 million people respectively. Since its lowest level observed in the first quarter of 2013, employment has risen by 2.0 % in the EU (about 4.5 million more employed people) and by 1.4 % in the EA (about 2.0 million more employed people). When compared with its peak levels reached in mid-2008, employment in the EU remains 1.2 % lower, i.e. around 2 million fewer people.

Service sectors contributed the most to the recent employment growth in the EU. Most service sectors (with the exception of real estate activities) contributed to the employment increase in the second quarter of 2015, while employment stagnated in agriculture and industry and declined in construction. Compared to the first quarter of 2014, employment was up in all sectors except agriculture.

Permanent and full-time jobs continue to lead employment expansion since the beginning of 2014. In the year to the first quarter of 2015, the number of employees with a permanent contract grew by 1.9 million, while the number of employees with a temporary contract grew by 815 900. In the same period, the number of full-time workers rose by 1.7 million while the number of part-time workers grew by 535 000.

The EU employment rate continues to improve. For 20-64 year-olds, the rate increased by 0.8 percentage points (pp) in the year to the first quarter of 2015. At 69.2%, it remained lower than in the first quarter of 2008 and far from the 2020 target. For the EA, the employment rate also saw a 0.7 pp increase in the year to the first quarter of 2015, but at 68.1%, it remained lower than in the first quarter of 2008. The largest rises were recorded in Hungary 3.2 pp and Estonia 2.0 pp while four countries were stable or recorded declines: France 0.1 pp, Finland 0.2 pp, Luxemburg 0.4 pp and Romania 0.5 pp.

Employment rates continue to improve across all population groups and again most notably for older workers. In the year to the first quarter of 2015 the employment rate for those aged 15-64 and 20-64 increased 0.8 pp to reach 65% and 69% respectively. It increased more for people aged 55-59 and 60-64 - 1.2 pp and 1.7 pp respectively - to reach 66% and 37%. These age groups have seen a marked increase over the past few years including during the crisis. For those aged 20-24, the employment rate increased 1.6 pp to reach 48% but remains below the rate registered in the first quarter of 2008. For men and women aged 20-64

the rate increased 0.8 pp and 0.7 pp respectively and is now 75% and 64%. When compared with the first quarter of 2008, the employment rate of women is now higher while the employment rate of men is now lower but a significant gender gap remains. In the year to the first quarter of 2015, the employment rate also increased for all skills groups though to different degrees.

The unemployment rate in the EU and EA continues its modest but steady decrease since mid-2013. It reduced to 9.5% in the EU and 11% in the EA in August 2015, a reduction of 0.6 pp for EU and 0.5 pp for the EA compared to August 2014. This decline represents 1.49 million fewer unemployed people in the EU, including 0.9 million in the EA. Although there are around 3.5 million fewer unemployed people since in the unemployment peak of April 2013, unemployment has yet to recede to pre-crisis levels (EU unemployment rate was 6.7% in March 2008). With about 23 million unemployed people in the EU, including 17.6 million in the EA, the level of unemployment is 7 million higher in August 2015 than its low in March 2008.

Unemployment fell or remained stable in most Member States but large differences remain across Member States. Between August 2014 and August 2015 unemployment rates declined for most Member States but increased in four, namely Finland 0.9 pp, and to a lesser extent France 0.4 pp, Belgium 0.2 pp and Austria by 0.1 pp. Large differences remain among Member States, with the unemployment rate ranging from 4.5% in Germany to a high of 22.2% in Spain and (25.2% in June 2015) Greece. In the year to the August 2015, it declined for men by 0.6 pp and women by 0.7 pp and is now 9.4% and 9.6% respectively. In the EA the fall was by 0.5 pp for men and 0.6 pp for women. Youth unemployment decreased by around half a million youths in the year to August 2015 in the EU including 262,000 in the EA. The youth unemployment rate in August 2015 is now 20.4% in the EU and 22.3% in the EA a decline of 1.5 pp and 1.3 pp respectively. For those aged 25-74 it fell by 0.5 pp and a sharper decrease of 1.7 pp was seen for 15-24 year-olds. It also decreased for all skill-groups.

The long-term unemployment rate shows some signs of decline but remains high. The long-term unemployment rate saw a yearly moderate decline in the first quarter of 2015 (0.4 pp). Though still modest, the decline was higher than those of previous quarters. Nevertheless, in the first quarter of 2015, those unemployed for more than a year continue to represent almost 5% of the EU labour force and nearly 12 million people. During this period the very-long term unemployment rate (for those unemployed for more than two years) showed its first year-on-year decrease (0.1pp) since 2008 and is now 3%.

The overall activity rate in the EU has grown for seven years now but differs among population groups. In the year to the first quarter of 2015, activity rates increased by 0.2pp to reach 72.2%. However, low skilled people aged 25 to 64 and male youths aged 15 to 24 years saw yet another yearly decrease in activity rates in contrast with the general increase. All three components of 'potential additional labour force' - underemployment, discouragement and seeking but not available - remained stable in the year to the first quarter of 2015. However, several Member States record high values for these indicators, higher than in previous periods of similar unemployment levels.

Labour productivity growth and growth in nominal compensation per employee remained weak in most Member States and particularly so for the EA. Nominal unit labour cost increased only moderately in most Member States especially in the EA. Developments in real unit labour cost showed large variations across Member States, with sharp decreases in Ireland and Romania and notable increases in Lithuania and Estonia.

Financial conditions of EU households continue to improve, benefitting from a stronger economic activity and improved labour markets. Growth in real gross disposable household income (GDHI) in the EU accelerated further in the year to the first quarter of 2015. The continuous improvement resulted mainly from an increase in income from work, but also from an increase in property income, and was supported by a further increase in social benefits.

Fewer EU households need to draw on savings or run into debt to cover current expenditures than a year ago. Still, financial distress is well above the levels seen in the previous decade, currently affecting around 15% of the population. Low-income households have seen some ups and downs since the beginning of 2014 indicating that this group cannot reach a more permanent easing in the financial distress.

The economic outlook points to a continuation of economic and labour market recovery. Employment growth, which progressed better than could be expected given the modest economic improvements in 2014, appears nevertheless to have slowed down in the EU. At the same time, household incomes continue to improve supported by better income from work and this in turn should feed private consumption. While unemployment in the EU was lower in July and August than in previous months, sound economic growth is crucial to sustain expansion in employment and to support sustainability of household income. There are signs of modest progress in economic development in recent months, with economic sentiment and employment expectations a bit firmer, and unemployment expectations lower than a year ago. Positive medium-term outlook for growth for 2015-2016 has not changed much, with labour markets set to continue to progress moderately.

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

	2014Q2		2014Q3		2014Q4		2015Q1		2015Q2	
	EU	EA	EU	EA	EU	EA	EU	EA	EU	EA
Real GDP										
% change on previous quarter (SA)	0.3	0.1	0.4	0.3	0.5	0.4	0.5	0.5	0.4	0.4
% change on previous year (SA)	1.3	0.7	1.3	0.8	1.5	0.9	1.7	1.2	1.9	1.5
Employment growth										
% change on previous quarter (SA)	0.4	0.3	0.3	0.2	0.2	0.1	0.3	0.2	0.2	0.3
% change on previous year	1.0	0.6	1.2	0.8	1.1	0.8	1.0	0.8	0.9	0.8
Employment rate (15-64)										
% of working-age population	64.8	63.9	65.4	64.3	65.2	64.2	64.8	63.8	:	:
change on previous year (percentage point)	0.7	0.4	0.9	0.5	0.9	0.6	0.8	0.6	:	:
Employment rate (20-64)										
% of working-age population	69.2	68.3	69.7	68.6	69.6	68.5	69.2	68.1	:	:
change on previous year (percentage point)	0.8	0.5	0.9	0.6	0.9	0.7	0.8	0.7	:	:
Gross disposable households income										
% change on previous year	0.7	0.4	1.2	1.7	1.9	1.3	2.6	2.2	:	:
Labour productivity										
% change on previous year	0.2	0.0	0.2	0.0	0.3	0.1	0.7	0.5	1.0	0.7
Nominal unit labour cost										
% change on previous year	1.3	1.4	2.0	1.4	1.9	1.1	2.3	0.8	2.8	0.6
Long-term unemployment rate										
% labour force	5.1	6.1	4.9	5.9	5.0	6.1	4.9	5.9	:	:
change on previous year (percentage point)	0.0	0.2	-0.2	0.1	-0.3	-0.1	-0.4	-0.4	:	:

	2015 Apr		2015 May		2015 Jun		2015 Jul		2015 Aug	
	EU	EA								
Unemployment rate										
Total (% of labour force)	9.6	11.1	9.6	11.1	9.6	11.1	9.5	11.0	9.5	11.0
Men	9.6	10.9	9.6	11.0	9.5	10.9	9.4	10.8	9.4	10.8
Women	9.7	11.3	9.6	11.2	9.7	11.3	9.6	11.2	9.6	11.2
Youth (% of labour force 15-24)	20.8	22.6	20.7	22.5	20.6	22.6	20.4	22.2	20.4	22.3

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:

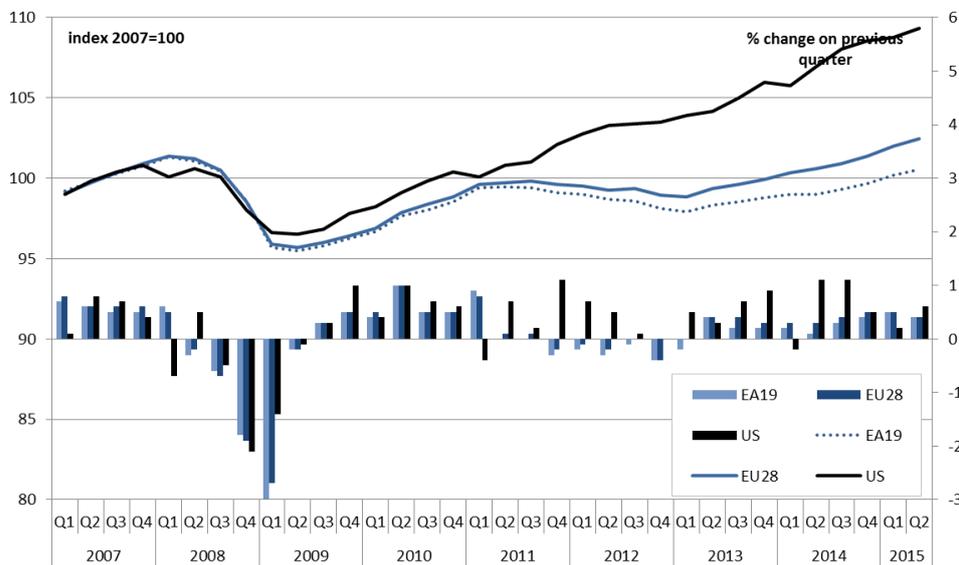
http://ec.europa.eu/employment_social/employment_analysis/quarterly/quarterly_updated_charts.xlsx

1. Macroeconomic and employment developments and outlook

The modest but consistent economic growth in the EU continues

Real GDP increased by 0.4% both in the EU and in the euro area (EA) in the second quarter of 2015. Within domestic demand, private consumption contributed to this output growth and investment was neutral, while the contribution of the external balance was positive. In the year to the second quarter of 2015, real GDP growth accelerated to 1.9% in the EU and 1.5% in the EA. By comparison, real GDP in the US increased by 0.6% in this quarter, resulting in a year-on-year growth of 2.3%. GDP in the EU and in the EA recently reached the pre-crisis level whereas in the US, GDP recovered much quicker and is now far above its pre-crisis level (Chart 1).

Chart 1: Real GDP growth - EU, EA and US



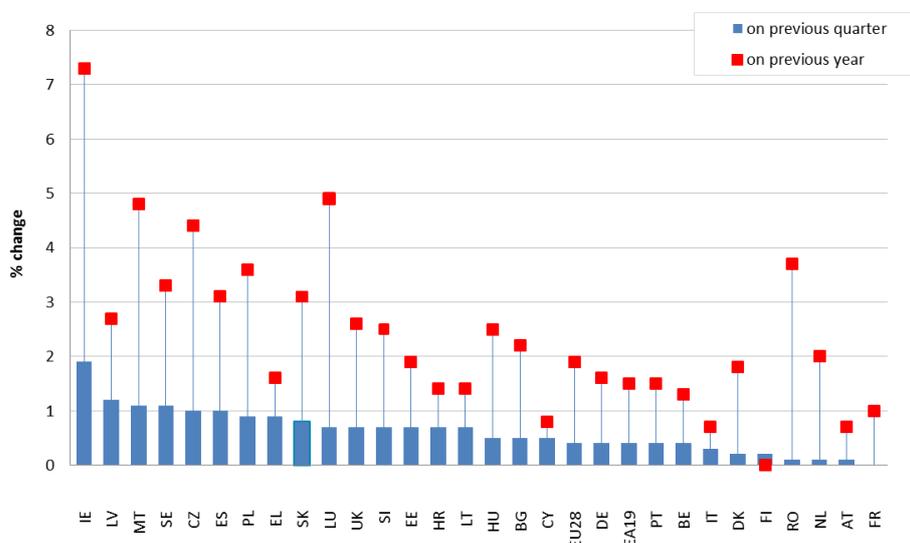
Source: Eurostat, National Accounts, data seasonally adjusted [naidq_10_gdp]
[Click here to download chart.](#)

GDP grows in nearly all Member State

All EU Member States but one achieved real GDP growth in the second quarter of 2015. GDP remained unchanged in France after signs of stronger recovery in the first quarter. Finland registered its first quarterly increase in a year. Robust quarterly growth of 0.9% and above continued in the Czech Republic, Poland and Spain and notably in Ireland (around 2%).

GDP in the second quarter of 2015 was higher than in the second quarter of 2014 in all Member States except for Finland, which registered zero growth. Among larger Member States, this growth strengthened and was more than 3% in Poland and Spain, 1.6% in Germany, 1.0% in France and 0.7% in Italy. For the UK, while it slowdown it was still a firm 2.6%. Among the remaining Member States growth was 4% or more in the Czech Republic, Malta, Ireland and Luxembourg (Chart 2).

Chart 2: Real GDP growth - EU, EA and Member States, 2015Q2



Source: Eurostat, National Accounts, data seasonally adjusted [namq_10_gdp]

Note: LU 2015Q1

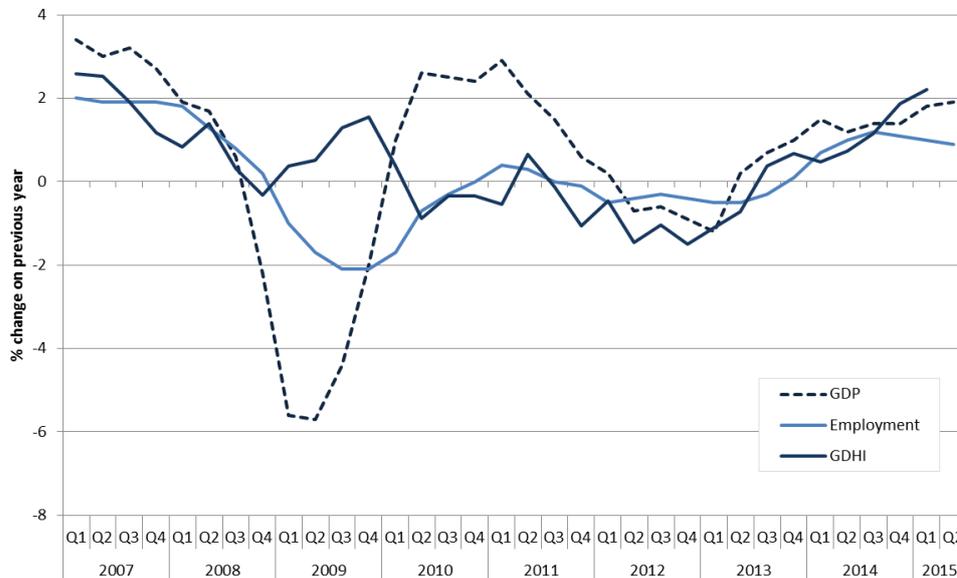
[Click here to download chart.](#)

Employment in the EU expands but at a slower pace, while household incomes still benefit from growth

Employment in the EU continues to grow, although it slowed down to 0.9% in the year to the second quarter of 2015. By the first quarter, real gross disposable household income (GDHI) in the EU¹ had registered a further year-on-year increase (Chart 3). Employment growth, which in 2014 was higher than could be expected given the modest economic improvements, appears to have slowed down. At the same time, household incomes continue to improve, supported by better income from work and which in turn should feed private consumption. While unemployment in the EU was lower in July and August than in previous months, sound economic growth is crucial to sustain expansion in employment and to support 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 (19 Member States: AT, BE, CZ, DE, DK, EL, ES, FI, FR, HR, IE, IT, NL, PL, PT, RO, SE, SI, UK, which account for at least 90% 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



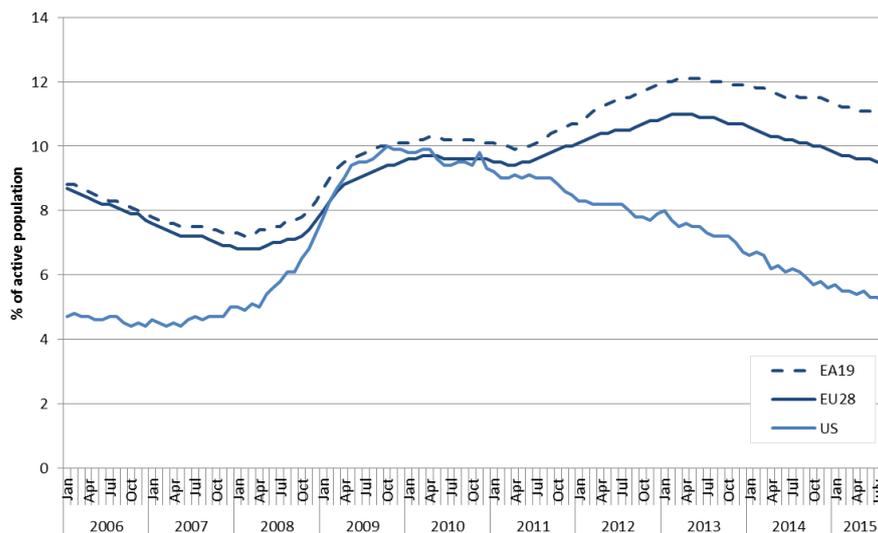
Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_gdp, namq_10_pe, nasq_10_nf_tr] (DG EMPL calculations for GDHI)

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 August 2015, the EU and EA unemployment rates were 9.5% and 11.0%, down from 10.1% and 11.5% in August 2014, respectively. The unemployment rate in the US was 5.1% in August 2015, down from 6.1 % in August 2014 (Chart 4).

Chart 4: Unemployment rate - EU, EA and US



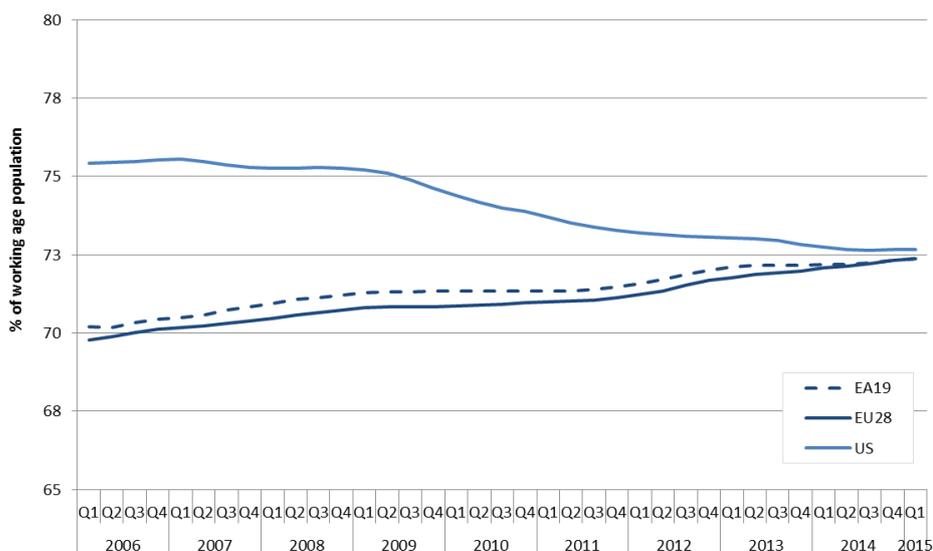
Source: Eurostat, series on unemployment, data seasonally adjusted [une_rt_m]
[Click here to download chart.](#)

Labour market activity in the EU continues to increase

This faster decline in the unemployment rate in the US compared to the EU can be partially explained by trends in labour market activity. The sharp decrease in unemployment in the US has been accompanied by a fall in labour market activity especially sharp in 2010-2011.

By contrast, labour market activity has consistently increased in the EU in the last decade and during the crisis years, suggesting higher participation either in employment or unemployment of certain population groups previously inactive, such as older workers and women. Consequently the high gap in the activity rate before 2008 has nearly disappeared (Chart 5).

Chart 5: Activity rate - EU, EA and US



Source: Eurostat, LFS [lfsi_act_q], and US Bureau of Labor Statistics, LFS from Current Population Survey (CPS), data non-seasonally adjusted

Note: Working age population 15-64 for EU, EA and 16-64 for US. Average of the current and 3 previous quarters.

[Click here to download chart.](#)

Outlook

The Purchasing Managers Index for the EA indicates economic expansion and job creation in July and August 2015

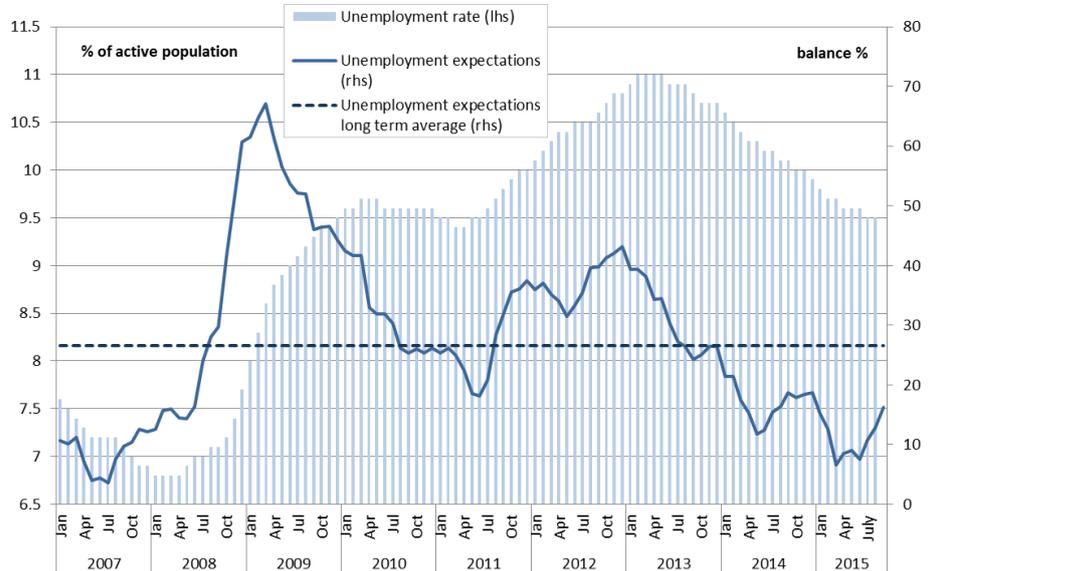
The Purchasing Managers Index (PMI) for the EA composite output index increased in July and August 2015 demonstrating the economy's improved resilience. In August, business activity increased at its fastest pace in over four years. Levels of incoming 'new business' rate also increased at a solid pace to support the second-quickest rate of job creation since May 2011. Employment increased in Germany, Italy, Spain and Ireland, while jobs stagnated in France in August after a modest decline in July. The PMI indicates EA GDP growth was close to 0.5% in the third quarter of 2015.

Economic sentiment for the EU continues to improve as do employment prospects, but Europeans are less optimistic about unemployment decline

The Commission's economic sentiment indicator (ESI), derived from the EU Business and Consumer Surveys, has improved modestly since the autumn 2014. This development results from a better economic sentiment in business sectors, notably in services and retail, while some stagnation is observed in industry and construction. They offset recent gloomier consumer expectations. Looking at the labour market, consumers are less optimistic than three months earlier that unemployment will continue to fall, but still more optimistic than a year earlier

(Chart 6). Employment prospects are higher in construction and retail, but not in industry and services.

Chart 6: Unemployment rate versus unemployment expectations - EU



Source: European Commission, Business and Consumer Surveys and Eurostat, LFS, data seasonally-adjusted [ei_bsc0_m, une_rt_m]
[Click here to download chart.](#)

Medium-term outlook for growth in the EA remains positive

Available IMF, ECB and OECD interim forecasts do not revise much the economic outlook for the EA. However, the most recent OECD interim outlook suggests that growth in the EA is improving but not as fast as could be expected given the decline in oil prices, long-term interest rates and the value of the euro. GDP is set to grow by 1.4% to 1.6% in 2015, accelerating to 1.7-1.9% in 2016. The Commission has not updated its outlook forecast, and in May it forecast GDP growth in the EA to be 1.5% in 2015 and 1.9% in 2016. Regarding the labour market, unemployment in the EA is forecast to decline gradually to 10.5% in 2016 (Table 1).

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

	GDP growth		Unemployment rate	
	2015	2016	2015	2016
euro area				
IMF	15	17	:	:
ECB	14	18	11.0	10.5
OECD	16	19	:	:

Source: Diverse forecast documents: July 2015 (IMF), 2015Q3 (ECB survey of professional forecasters) and September 2015 (OECD). ':' do not include forecasts of labour market variables.

Note: ':' forecasts of labour market variables not available.

[Click here to download table.](#)

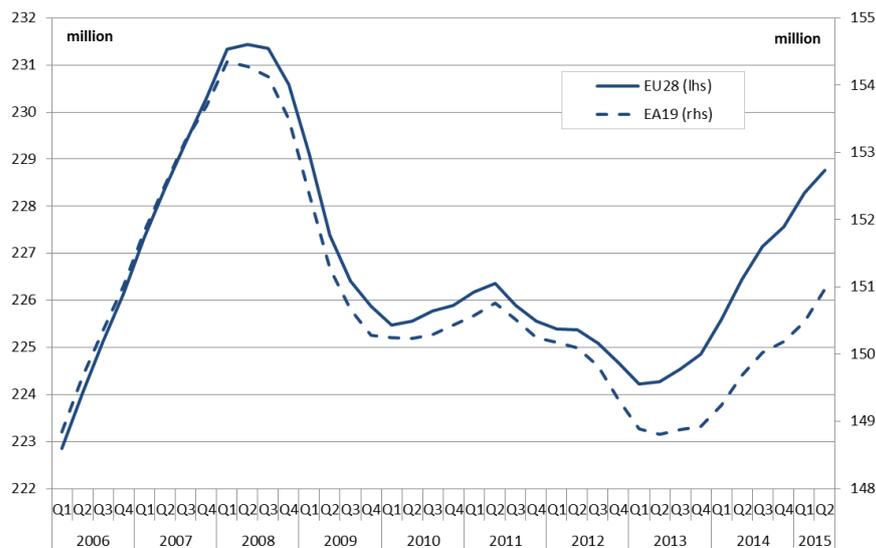
2. Employment in the EU and its Member States

Employment continued to rise in the second quarter of 2015 in the EU and in the EA

Employment levels continued to rise in the second quarter of 2015 by 0.2% in the EU (after 0.3 % in first quarter 2015) and by 0.3% in the EA (after 0.2% in previous quarter). Over the

year to the second quarter of 2015, employment growth was 0.9 % in the EU and 0.8 % in the EA. Employment has been growing at EU aggregate level since the mid-2013. Since its lowest level observed in the first quarter of 2013, employment has risen by 2.0 % in the EU (about 4.5 million more people) and by 1.4 % in the EA (about 2.0 million). When compared with its peak levels reached in mid-2008, employment in the EU remains 1.2 % (around 2.7 million people), below the level reached in the second quarter 2008 (2.1 % lower in the EA representing 3.3 fewer people in employment) (Chart 7).

Chart 7: Employment level - EU and EA



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

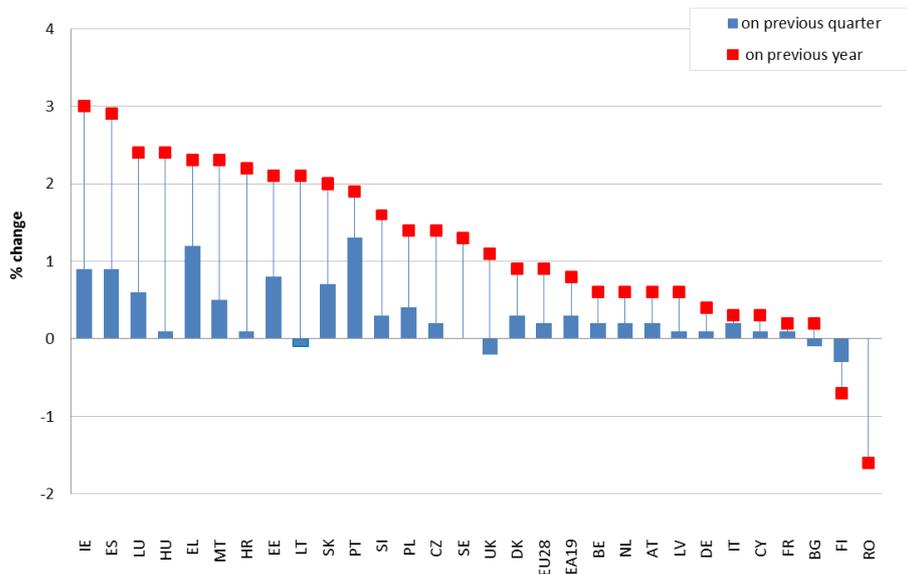
Employment has grown in most Member States in the second quarter 2015 and is higher than it was a year ago in the quasi totality of Member States

Employment increased in most EU Member States in the second quarter of 2015.² The largest quarterly growth rates were recorded in Portugal 1.3 %, Greece 1.2 % and Spain 0.9 %. Quarterly decreases were nevertheless recorded in Lithuania, Bulgaria, the United Kingdom and Finland. Sweden recorded a zero growth in the second quarter 2015.

In the year to the second quarter of 2015, the number of people in employment grew in most Member States, decreasing in two. Several Member states recorded a yearly employment growth of over 2 %, with the largest increases were recorded in Spain 2.9 %, Luxembourg 2.4 %, Hungary 3.4 %, Greece, Ireland and Malta, 2.3 %. Decreases were recorded in Finland - 0.7 % and Romania -1.6 % (Chart 8).

² No data for RO

Chart 8: Employment growth - EU, EA and Member States, 2015Q2



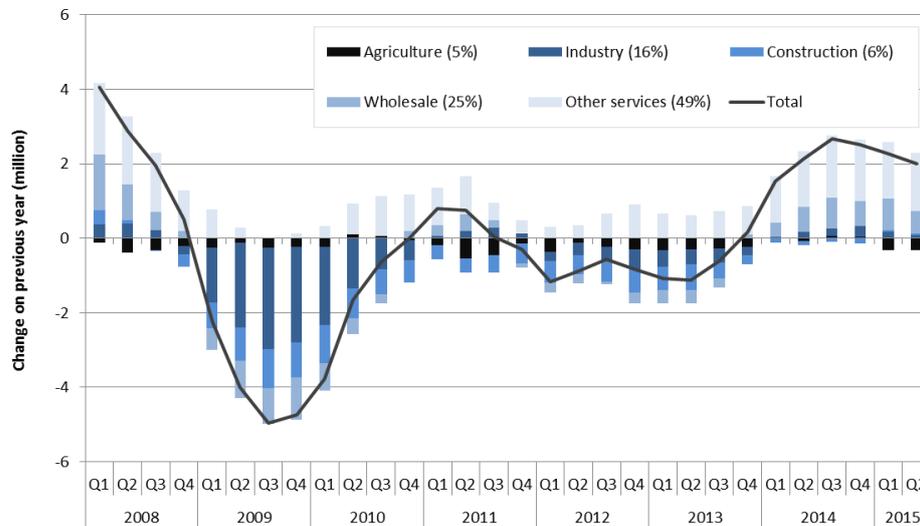
Source: Eurostat, National Accounts, data seasonally adjusted (q-o-q) and non-seasonally adjusted (y-o-y) [namq_10_pe]
[Click here to download chart.](#)

Service sectors contribute mostly to employment growth in the EU

In the year to the second quarter of 2015, EU employment continued to expand across most sectors. Employment in non-tradable³ services has expanded despite the crisis, except for the stagnation observed in 2009. Tradable services started to support job creation since the beginning of 2014. Employment in industry started to regain ground from the second half of 2014 onwards. Employment in agriculture, stable in 2014, contracted in the first half of 2015 (Chart 9).

³ 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).

Chart 9: Employment growth by sector - EU

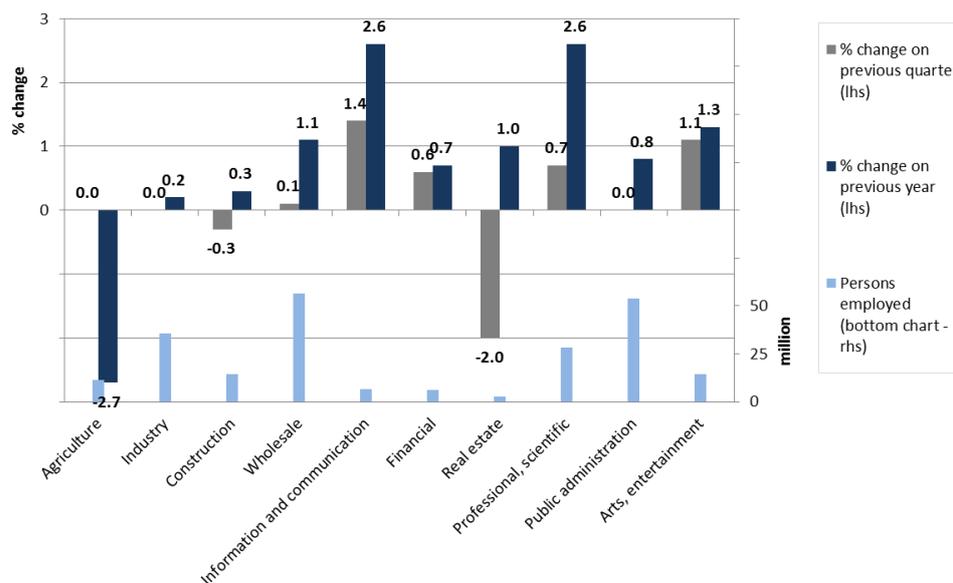


Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_a10_e]
 Note: Figures in the legend in brackets indicate the share of sector's employment.

[Click here to download chart.](#)

Looking at the sectors in more detail, in the second quarter of 2015, employment increased in most service sectors. Employment stagnated in agriculture and industry and declined in construction and real estate activities. Compared to the second quarter of 2014, employment was up in all sectors but agriculture (Chart 10). See [Statistical Annex](#) for detailed changes in employment in the first quarter of 2015 for 10 NACE branches.

Chart 10: Employment growth by sector - EU, 2015Q2

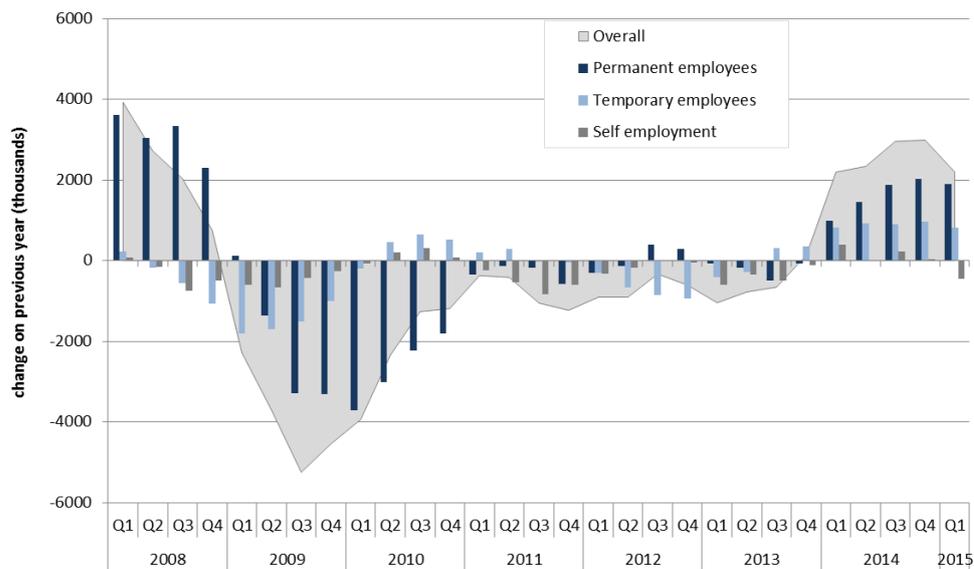


Source: Eurostat, National Accounts, data seasonally adjusted (q-o-q) and non-seasonally adjusted (y-o-y) [namq_nace10_e]
 Top chart: Employment growth (%). Bottom chart: Employment level (million).
[Click here to download chart.](#)

The number of permanent employees continues to increase more than temporary employees in absolute numbers

In absolute terms, the increase in permanent employment in the year to the first quarter of 2015 outnumbered the increase in temporary jobs continuing the evolution of previous quarters. The number of workers with a permanent contract grew by 1.9 million (1.2%), while for workers with a temporary contract it grew by 815 900 (3.4%) and self-employment decreased by around 260 000 (0.8 %) (Chart 11).

Chart 11: Change in permanent and temporary employment and self-employment - EU

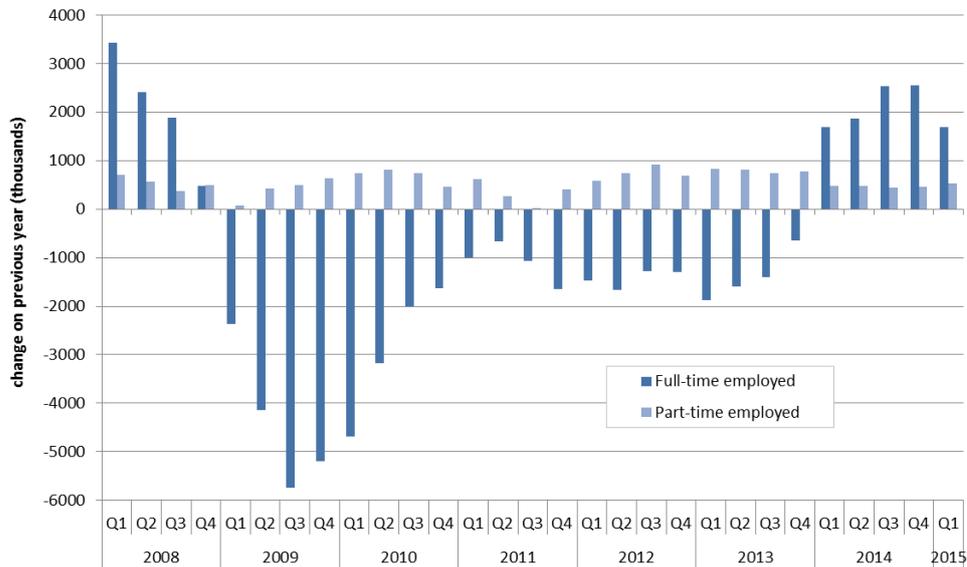


Source: Eurostat, LFS, data non-seasonally adjusted [lfsq_egaps, lfsq_etgaed]
[Click here to download chart.](#)

Full-time work is increasing in the first quarter 2015

Full-time work also increased in the first quarter 2015 after continuous growth in 2014. In the year to the first quarter of 2015, the number of full-time workers rose by around 1.7 million or 1 % and the number of part-time workers grew by 535 000 or 1.3 % (Chart 12). The number of people working full-time in the first quarter of 2015 remains 4.5% lower than in 2008 around 8.0 million lower, while part-time employment is 10.1 % higher around 3.8 million more.

Chart 12: Change in part-time and full-time employment - EU



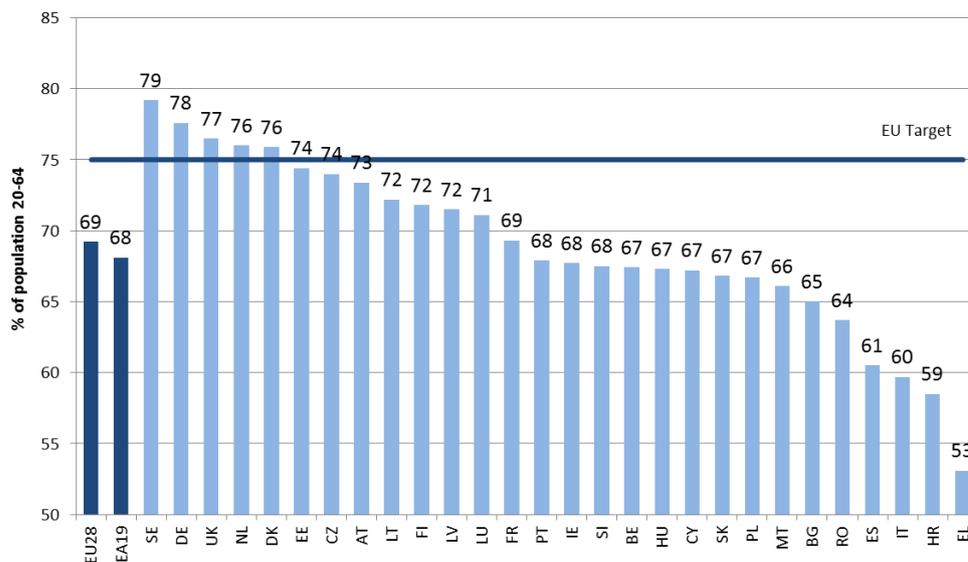
Source: Eurostat, LFS, data non-seasonally adjusted [lfsq_eftpt]
[Click here to download chart.](#)

Employment rate in the EU and its Member States

The EU employment rate continues to improve

The employment rate for 20 to 64 year-olds rose by 0.8 percentage points (pp) in the year to the first quarter of 2015, after a year-on-year change of 0.8 pp observed in the last quarter 2014. It reached 69.1% but remains 0.7 pp lower than in 2008 and more than 5 pp away from the 2020 target. For the EA, the employment rate increased over the year, with a 0.7 pp increase in the year to the first quarter of 2015, when it reached 69.9% (Chart 13).

Chart 13: Employment rate - EU, EA and Member States, 2015Q1



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

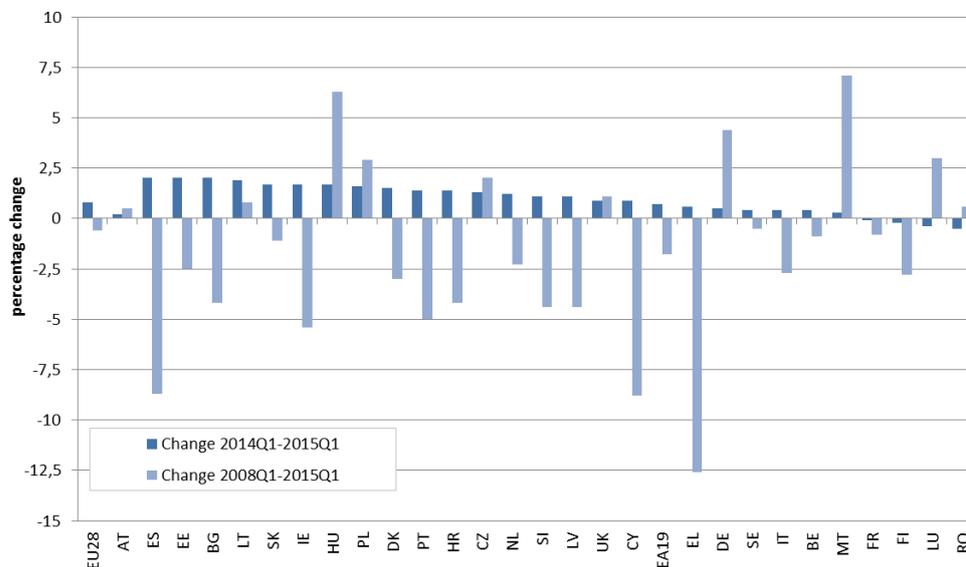
The employment rate has increased in most Member States in the year to the first quarter 2015

In the year to the first quarter of 2015, the employment rate for 20-64 years old increased in most Member States and decreased in four. The largest rises were recorded in Hungary 3.2 pp, Estonia 2.0 pp, Bulgaria 1.9 pp, Lithuania 1.9 pp and Poland and Spain both by 1.8 pp. Four countries recorded declines namely, France 0.1 pp, Finland 0.2 pp, Luxemburg 0.4 pp and Romania 0.5 pp (The *EU employment rate continues to improve*

The employment rate for 20 to 64 year-olds rose by 0.8 percentage points (pp) in the year to the first quarter of 2015, after a year-on-year change of 0.8 pp observed in the last quarter 2014. It reached 69.1% but remains 0.7 pp lower than in 2008 and more than 5 pp away from the 2020 target. For the EA, the employment rate increased over the year, with a 0.7 pp increase in the year to the first quarter of 2015, when it reached 69.9% (Chart 13).

Chart 13).

Chart 14: Employment rate - EU, EA and Member States, change to 2015Q1



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 60 % of the Member States

Despite the improvements observed since 2013, the employment rate remains below the 2008 rate in 18 Member states. This is especially the case for Spain, Cyprus and Greece with rates 8.7 pp, 8.8 pp and 12.6 pp lower than their 2008 values. Over the same period, the rate increased significantly in Malta 7.1 pp, Hungary 6.3 pp and Germany 4.4 pp (Chart 14). In the first quarter of 2015, there was a 26.1 pp difference between the highest employment rate of 79.2% in Sweden and the lowest rate of 53.1 % in Greece.

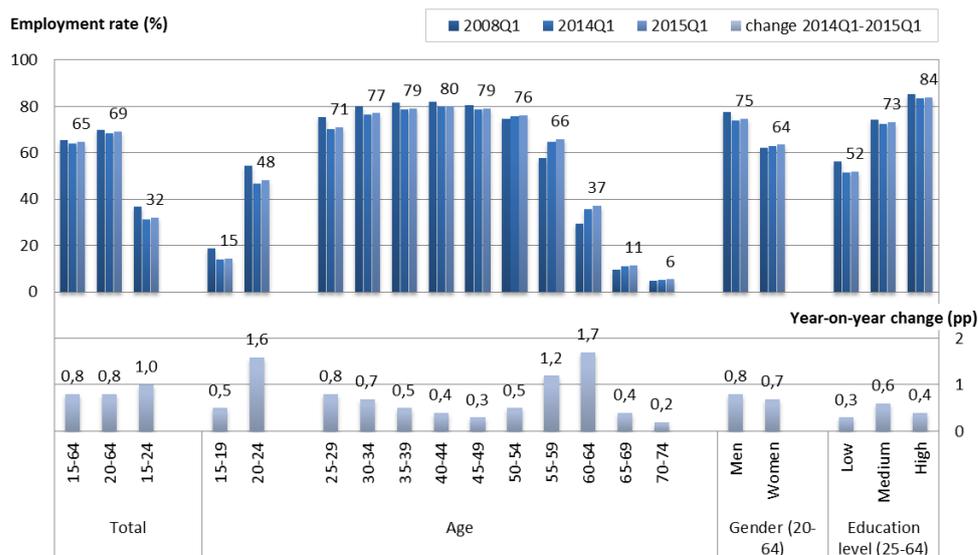
Employment rates improve across all population groups and again most notably for older workers

The EU employment rate increased for all population groups in the year to the first quarter of 2015 (Chart 15). The overall increase for those aged 15-64 and 20-64 was 0.8 pp. Employment rate rose more for people aged 55-59 (1.2 pp) and 60-64 (1.7 pp). And it has grown markedly over the past few years for these age groups with an increase of 8.4 pp for 55-59 year-olds and 8 pp for 60-64 year-olds since the first quarter 2008. For those aged 20-24, the increase was 1.6 pp; yet, for this age group the rate remains 6 pp lower than that registered in 2008 (see chart 16 below).

Over the year to first quarter 2015 for 20-64 year-old men and women, the employment rate grew by 0.8 pp and 0.7 pp. When compared with the first quarter of 2008, the employment rate of women grew by 1.2 pp to reach 63.5%, while it decreased for men by 2.7 pp to 74.7%.

In the year to the first quarter of 2015, the employment rate increased 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 2014Q1-2015Q1 (pp).

[Click here to download chart.](#)

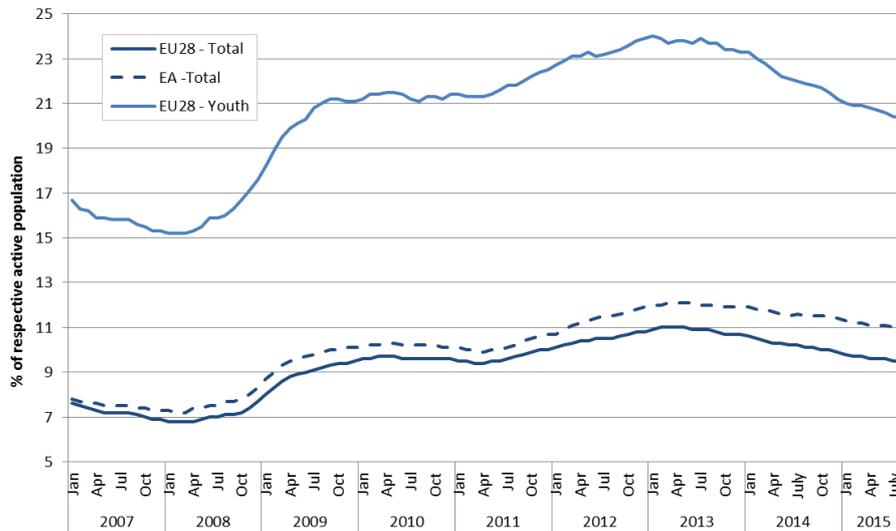
3. Unemployment in the EU and in Member States

The unemployment rate continues modest but steady decreases experienced since mid-2013

The unemployment rate in the EU and EA has been decreasing, rather moderately, since mid-2013. It reduced to 9.5% in the EU and 11% in the EA in August 2015, a reduction of 0.6 pp for EU and 0.5 pp for the EA compared to August 2014. The unemployment rate in the EU remains 2.8 pp higher than its low of 6.7% in March 2008 (Chart 16).

The decline in the unemployment rate represents about 1.5 million fewer unemployed people in the EU, including 0.9 million in the EA, between August 2014 and August 2015. Although unemployment receded by more than 3.5 million since its peak observed in April 2013 its decline has not returned unemployment to pre-crisis levels. With about 23 million unemployed people, including 17.6 million in the EU and the EA, there are still 7 million more unemployed people in July 2015 than its low in March 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 most Member States

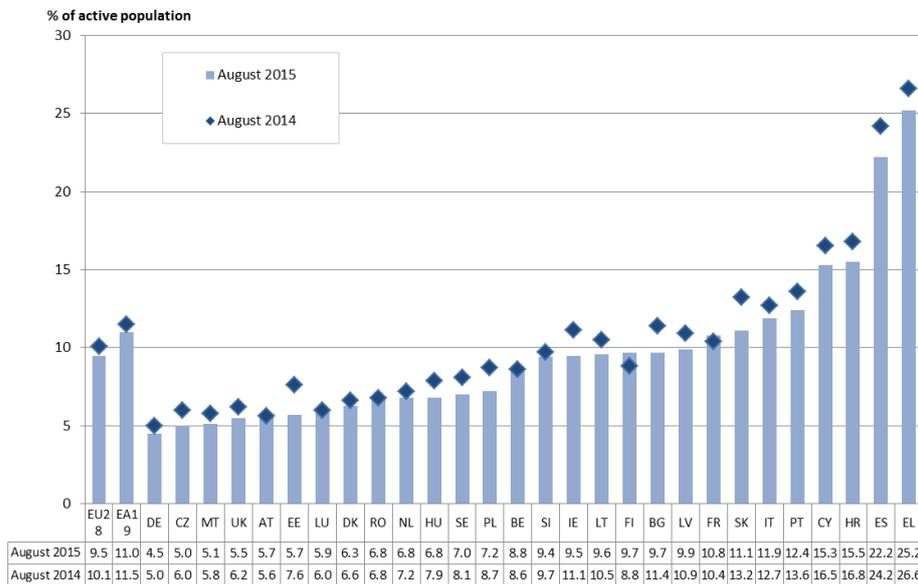
In the year to August 2015, unemployment rates decreased most Member States but increased in four, namely Finland 0.9 pp and, to a lower extent, France 0.4 pp, Belgium 0.2 pp and Austria by 0.1 pp. Large differences remain among Member States, with the unemployment rate ranging from 4.5 % in Germany to a high 22.2 % in Spain and 25.2 % in Greece⁴ (Chart 17).

The largest yearly reductions in unemployment took place in Estonia 2.3 pp⁵, Slovakia 2.1 pp, Spain 2.0 pp, Bulgaria 1.7 pp, and Ireland 1.6 pp (Chart 18).

⁴ June 2015

⁵ July 2015

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

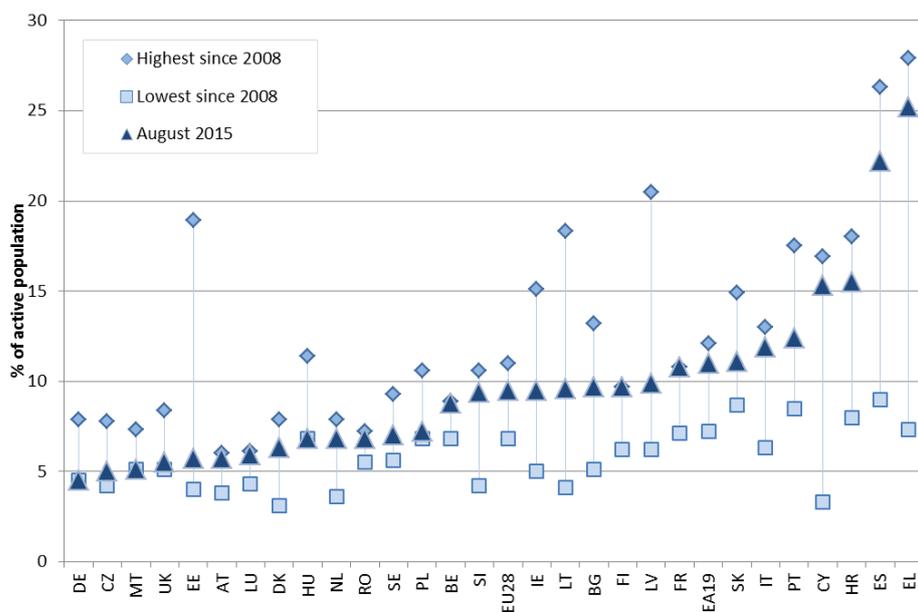


Source: Eurostat, series on unemployment, data seasonally adjusted [une_rt_m]

Note: EL, UK: June 2015, EE, HU: July 2015

[Click here to download chart.](#)

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



Source: Eurostat, series on unemployment, data seasonally adjusted [une_rt_m]

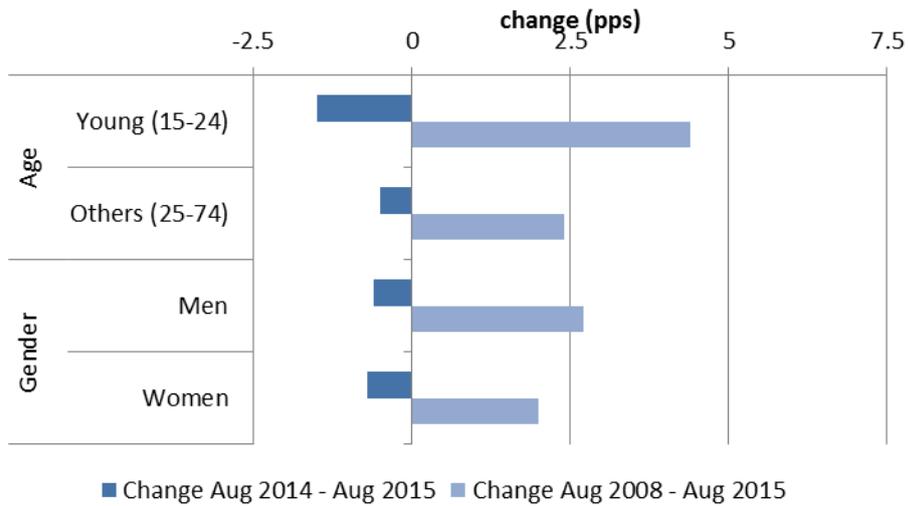
Note: EL, UK: June 2015, EE, HU: July 2015

[Click here to download chart.](#)

Unemployment falls for all population groups

In the year to August 2015, unemployment fell for all population groups: 0.6 pp for men and 0.7 for women; 0.5 pp for those aged 25-74 and a sharper 1.5 pp decrease for 15-24's. Earlier data shows more in detail that the unemployment rate decreased in the year to the first quarter 2015 across all sub-age groups and across skill-groups. Nonetheless, these recent changes are not enough to return to the values observed in 2008 (Chart 19).

Chart 19: Unemployment rate by population groups - EU, change to August 2015



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

Table 2: Youth unemployment rates - August 2015

	Youth unemployment rate	Year-on-year change (percentage points)
LV	14.1	-5.4
SK	24.6	-5.2
ES	48.8	-5.0
PL	19.0	-4.8
CY	32.6	-4.4
HU	17.7	-3.8
LU	18.5	-3.8
SI	16.8	-3.5
CZ	12.4	-3.1
SE	19.6	-2.4
IE	20.7	-2.3
RO	22.3	-2.3
IT	40.7	-2.3
EE	11.5	-2.0
EU28	20.4	-1.5
HR	43.5	-1.5
PT	31.8	-1.4
BG	21.3	-1.3
EA19	22.3	-1.3
NL	11.2	-1.2
EL	48.3	-1.1
UK	15.4	-0.9
DK	11.4	-0.7
DE	7.0	-0.6
FR	24.5	0.1
LT	18.9	0.2
AT	10.8	1.1
MT	13.1	1.2
BE	22.6	2.3
FI	23.7	3.3

Source: Eurostat, series on unemployment, data seasonally adjusted [une_rt_m]

Note: EL, UK: June 2015, EE, HU: July 2015, CY, SI, RO and HR: 2015Q2

[Click here to download chart.](#)

Youth unemployment in the EU continues to decline

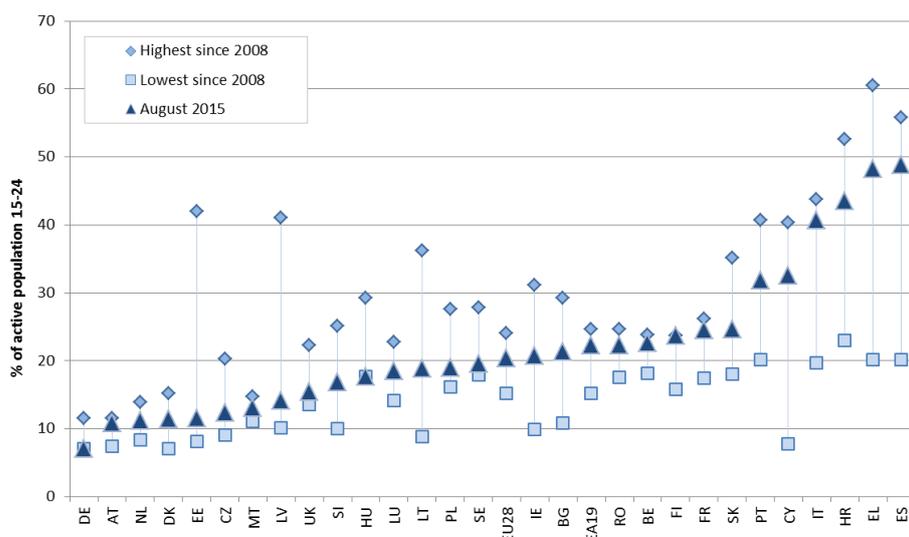
The unemployment rate in the EU has been decreasing since June 2013. In the year to August 2015, the youth unemployment rate fell by notably 1.5 pp to 20.4% in the EU and by 1.3 pp to 22.3% in the EA. These declines represent nearly 450 000 fewer unemployed aged 15-24 in the EU, including 260 000 in the EA. Still, at 4.6 million, including 3.1 million in the EA, the level of unemployment remains markedly higher than its low in 2008.

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

In the year to August 2015, the unemployment rate among young people aged 15-24 fell in most Member States. Six Member States had year-on-year increases during this period notably Finland by 3.3 pp, Belgium by 2.3 pp and Malta and Austria by just over 1 pp each. The rate reduced notably in Spain by 5% and Cyprus by 4.4%. Estonia and Greece also experienced declines but more modest 2% and 1.1% respectively. Despite the improvement, unemployment affects over 40% of young active people aged 15 to 24 in Spain, Greece, Croatia and Italy and

more than 30% in Cyprus and Poland. By contrast the rate is 7% in Germany and 10.8% in Austria. (Table 2 and Chart 20). All but one Member State, register unemployment rates for youth below their recent peak. Notably for Finland they have returned to their peak level. But it has also lessened in countries with severe unemployment like Greece and Spain, while some other Member States including Estonia, Latvia, Lithuania, Ireland, Spain and Croatia managed to achieve significant reductions in their youth unemployment since recent highs (Chart 20).

Chart 20: Youth unemployment rates - EU, EA and Member States, August 2015 and highest and lowest rate since 2008



Source: Eurostat, LFS, data seasonally adjusted [une_rt_m]
 Note: EL, UK: June 2015, EE, HU: July 2015, CY, SI, RO and HR: 2015Q2
[Click here to download chart.](#)

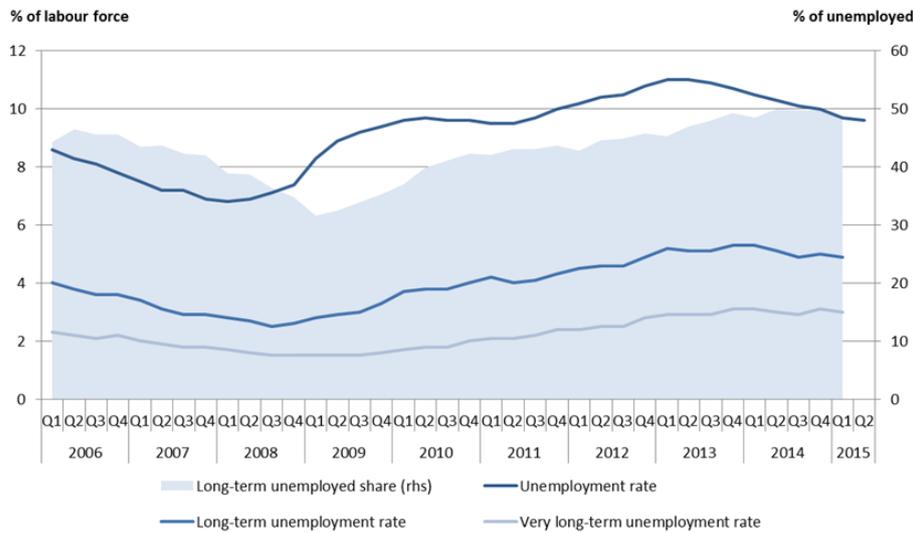
4. Long-term unemployment, additional potential labour force and underemployment

Long-term unemployment rate confirms its downward trend

The long-term unemployment rate, i.e. the rate for those unemployed for a year or more, decreased 0.4 pp in the year to the first quarter of 2015 and is now 4.9% (Chart 21). This is the third consecutive quarter with a year-on-year decrease. In the same period, for the first time since 2008, the very long-term unemployment rate, those unemployed for at least two years, decreased slightly 0.1 pp and is now 3.0% of the labour force.

The overall decline represents about 0.9 million fewer people in long-term unemployment than in the first quarter of 2014. However, it remains high with about 11.9 million unemployed people who have been out of work for more than a year despite searching for a job. Of these, around 7.3 million have been out of work for more than two years.

Chart 21: Unemployment and long-term unemployment rates and share - EU

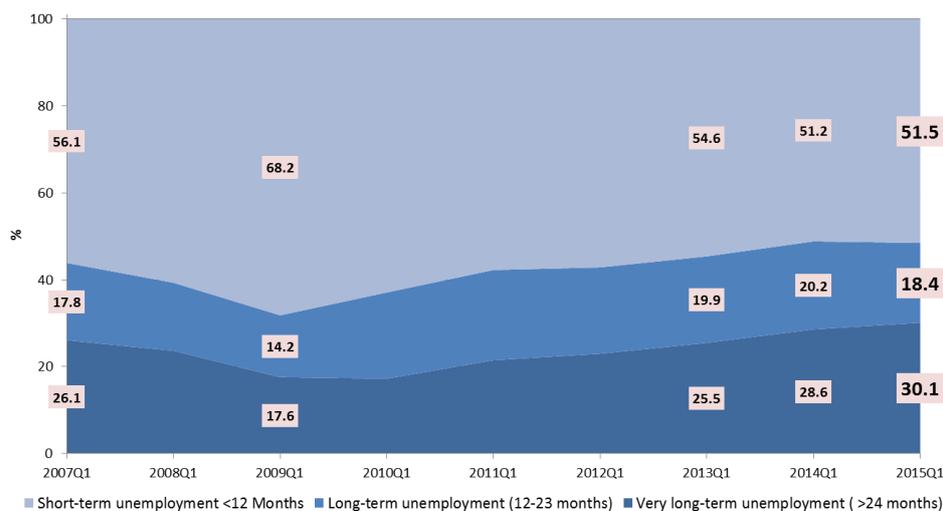


Source: Eurostat, LFS, data seasonally adjusted (unemployment rate) and non-seasonally adjusted (long-term unemployment rates) [une_rt_q, une_ltu_q]
 Left axis: Unemployment rates (% of labour force). Right axis: unemployment share (% of unemployed)
[Click here to download chart.](#)

The share of very long-term unemployment over total unemployment is high and with an upward trend

The detailed composition of unemployment by its duration (Chart 22) reveals a different evolution of the shares of the two long-term unemployed groups. The share of those unemployed for one to two years is decreasing, while the share of the very long-term unemployed, i.e. those unemployed for two years or more, is increasing. This high and upward proportion of those with very long-term unemployment spells, signals a risk that unemployment may become chronic for some.

Chart 22: Unemployment level by duration of unemployment – EU



Source: Eurostat, LFS, data non-seasonally adjusted [lfsq_ugad]
 Note: Data for first quarter of each year
[Click here to download chart](#)

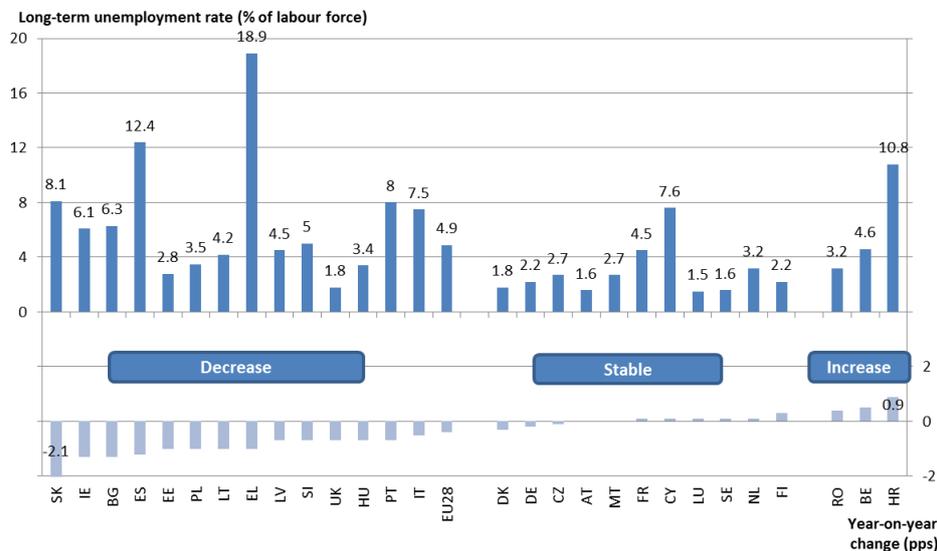
Most Member States show decreases of long-term unemployment

The reduction in long-term unemployment is seen across the majority of Member States in the year to the first quarter of 2015. Eight Member States registered decreases above 1 pp in their long-term unemployment rate, including Greece though it still holds the highest rate with 18.9%. Slovakia 2.1 pp, and Bulgaria and Ireland 1.3 pp experienced the greatest decreases. By contrast, long-term unemployment rates have increased sharply in Croatia 0.9 pp and moderately in Belgium 0.5 pp and Romania 0.4 pp.

In addition, Greece's rate of "very long-term" unemployment remains the highest in the EU at 13.2% of their labour force, having increased 0.5 pp in the same period, followed by Spain and Croatia, with 8.2% and 7.1%.

Greece holds the highest share of long-term unemployment: 75.4% of its total unemployment followed by Slovakia and Ireland with 65.0% and 60.7% with shares well above the EU28 average, 48.2%. Spain and Croatia also have a high proportion of "very long-term" unemployment.

Chart 23: Long-term unemployment rate - EU, EA and Member States, level and change to 2015Q1



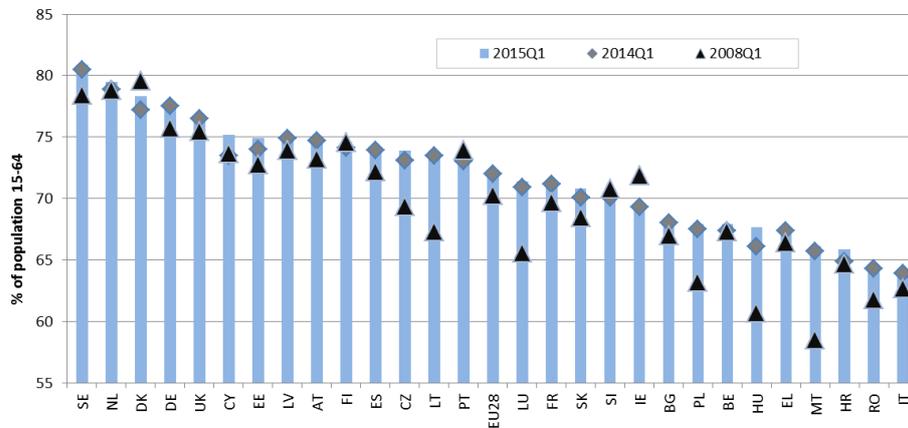
Source: Eurostat, LFS, data non-seasonally adjusted [une_ltu_q]
[Click here to download chart.](#)

Activity rates have improved for seven consecutive years

The EU activity rate for the 15 to 64 age group increased 0.2 pp in the year to the first quarter of 2015 to reach 72.2% of the total population. The rate is 1.9 pp higher than in the first quarter of 2008, and since then not a single quarter has registered yearly negative growth in the activity rate. The total active population of the EU is around 242 million people.

Sweden, Netherlands and Denmark have the highest rates, around 80% of their population, whereas Italy and Romania have a rate below 65%. In the year to the first quarter of 2015 changes in the activity rate were positive for most Member States with five Member States showing minor decreases in their activity rates. The biggest increases, of more than 1.5 pp, occurred in Cyprus and Hungary. Malta, Hungary and Lithuania have had the largest increases in activity rate since 2008; all above 6 pp. The largest decreases in active population since 2008 were seen in Ireland 2.7 pp and Denmark 1.3 pp.

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



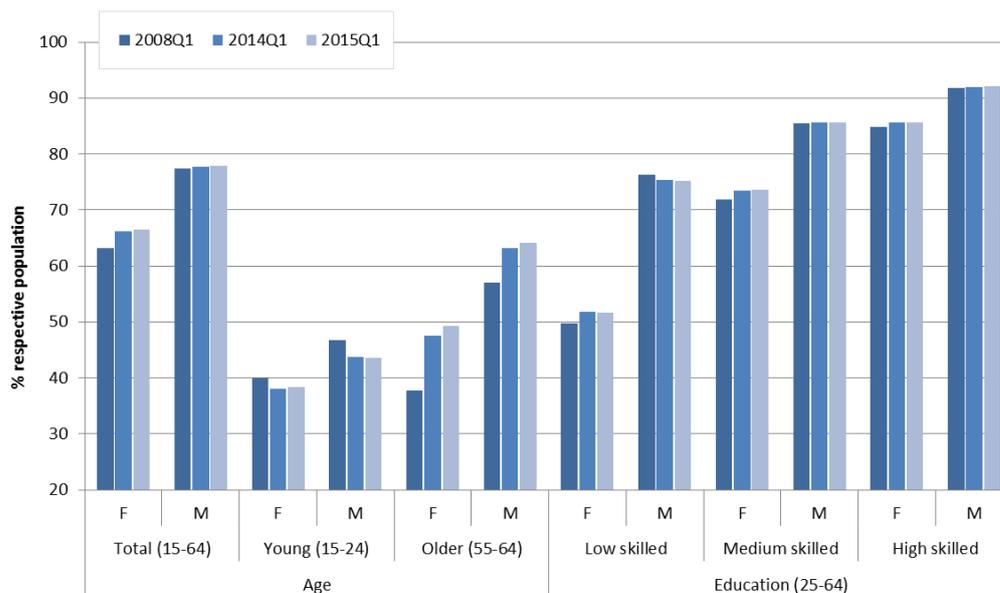
Source: Eurostat, LFS, data non-seasonally adjusted [lfsi_act_q]
[Click here to download chart.](#)

Low skilled youth show the highest decrease in activity rate

In the period between the first quarter of 2014 and the first quarter of 2015, the activity rate increased slightly for men, 0.2 pp, and women, 0.3 pp. Still an important gender gap of 11.4 pp remains.

The activity rate increased among all age and skill groups, with the exception of the low skilled who experienced a 0.5 pp decrease. This was especially so for low-skilled, youth men who experienced a 0.5 pp decrease in the year and for whom it is 7.2 pp lower than it was in 2008. By contrast high-skilled young people have had the highest increase in activity rate, 1.9 pp in the year to the first quarter of 2015. There were also considerable increases in activity rate for those aged 55-64 years by 1.6 pp for women and 0.9 pp for men (Chart 25).

Chart 25: Activity rate by population groups - EU



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

Additional potential labour force in the EU is stable

The potential additional labour force is monitored using three supplementary indicators⁶ to unemployment: These are discouragement, underemployment and seeking but not available for work.

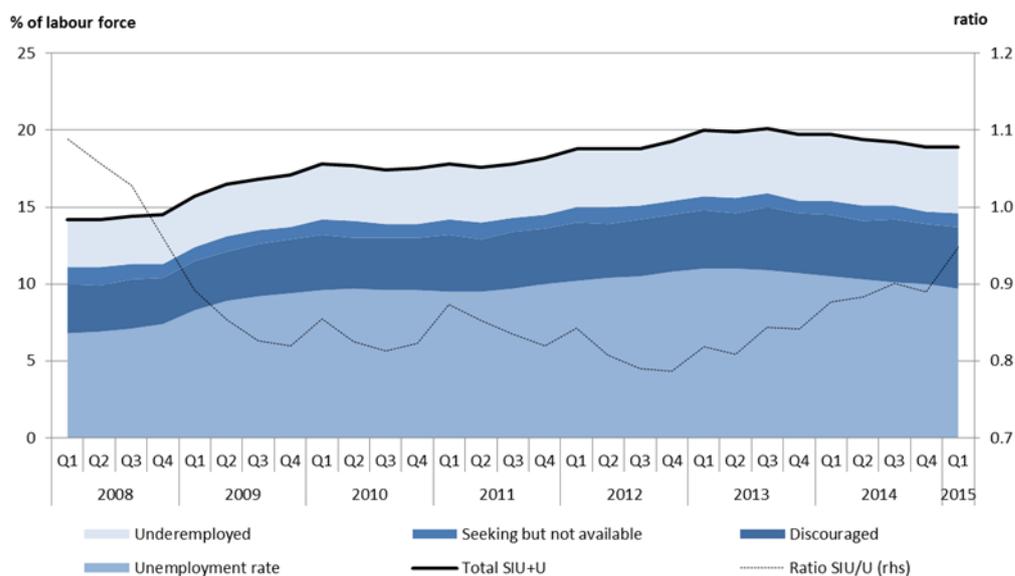
In the first quarter of 2015, there was no change in the proportion of 'discouraged workers' in the EU, those who are available to work but not looking for a job, compared to the first quarter of 2014 at 4% of the labour force.

Underemployment, those who would like to but cannot find full-time work remained stable over the year at 4.3% of the labour force, and remains close to peak values.

Those seeking but not available for work remained largely unchanged and is now 0.9% of labour force in the year to the first quarter of 2015.

The stability of these three indicators, close to peak values, softens the declines seen in unemployment and long-term unemployment. The ratio between these three supplementary indicators and the unemployment rate has been increasing since the end of 2012. (Chart 26). This ratio is approaching pre-crisis levels but with the current higher levels of unemployment it suggests there is a possible hysteresis of the labour market.

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.](#)

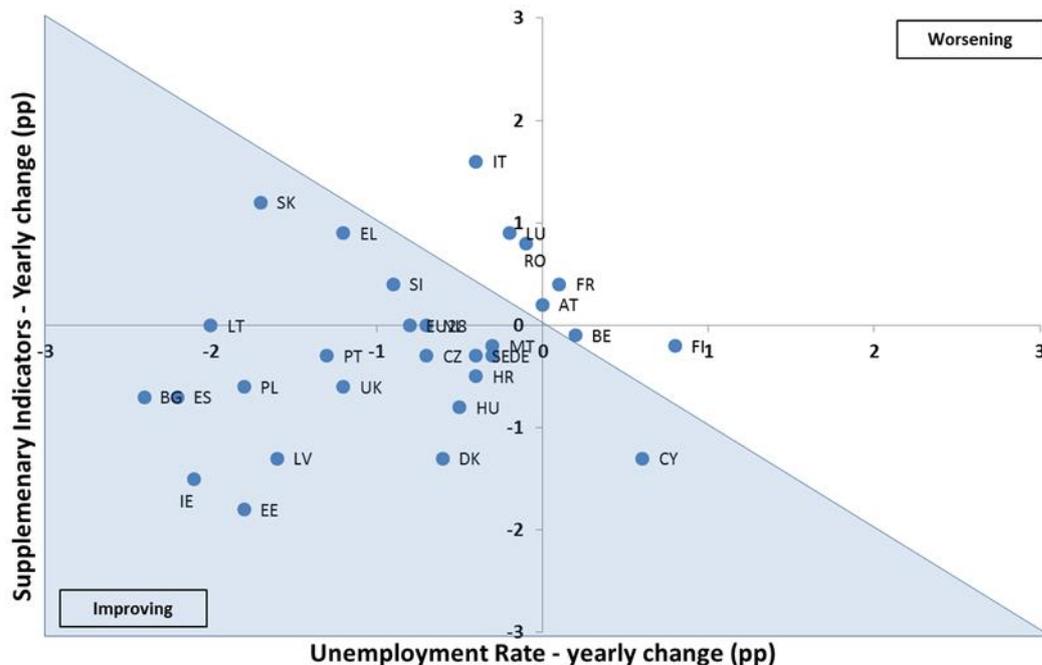
Looking at unemployment and potential labour force indicators jointly – most Member States see improvements

Monitoring unemployment levels alongside indicators on the potential labour force can be used to analyse if improvements in unemployment are at the expense of negatively increasing the potential labour force. In the year to the first quarter of 2015, most Member States saw an improvement in their labour markets when combining additional potential labour force and the

⁶ 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

unemployment rate, namely Ireland, Estonia, and Bulgaria (Chart 27). On the other hand, Italy registered the largest combined increase of additional potential labour force and unemployment rate, 1.2 pp in the year to the first quarter of 2015, despite a slight decrease in unemployment.

Chart 27: Unemployment vs. supplementary indicators to unemployment (SIU) - EU Member States, changes 2014Q1-2015Q1



Source: Eurostat, LFS, data non-seasonally adjusted [une_rt_q, lfsi_sup_age_q]

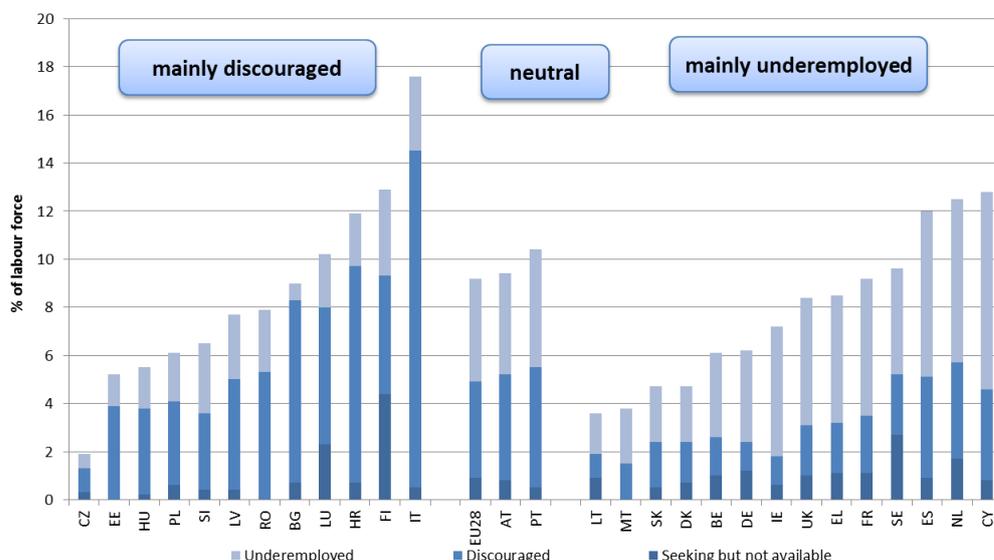
Note: EE, MT and RO: no data for 'Seeking but not available', LU no data for 'Discouragement' 2014Q1
[Click here to download chart.](#)

Italy the most "discouraged" with a very negative evolution and Cyprus the most "underemployed" but stabilizing

The division of Member States into those with mainly 'discouraged people' and those with mainly 'underemployed people' remains balanced in the first quarter of 2015 (Chart 28). Italy remains the country with the highest combined levels of supplementary indicators. This is mainly because they have the highest discouragement in the EU with 14% of labour force and the worst evolution with a 1.2 pp increase in the year to the first quarter of 2015. This is the seventh quarter in a row in which Italy shows a yearly growth in discouragement of around 1 pp.

In the first quarter of 2015, Cyprus still had the highest rate of underemployment followed by Spain, 8.2% and 6.9% of the labour force respectively. Slovakia was the country with the highest increase, 0.7 pp, in the year to the first quarter of 2015 however their rate is low, 2.3% of the labour force.

Chart 28: Labour underutilisation - EU and Member States, 2015Q1

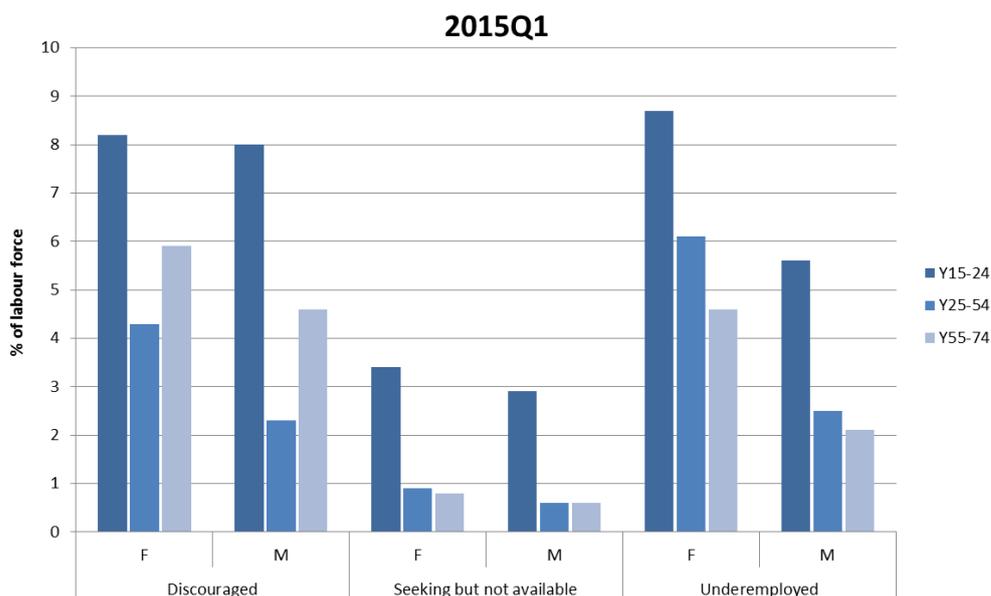


Source: Eurostat, LFS, data non-seasonally adjusted [une_rt_q, lfsi_sup_age_q]
 Note: EE, MT and RO: no data for 'Seeking and not available'
[Click here to download chart.](#)

Discouragement among young women and underemployment for women decreased

Developments in discouragement and underemployment were small across different groups at EU level. During the year to the first quarter of 2015 discouragement decreased especially for young women aged 15-24 years, 0.4 pp. Underemployment decreased slightly for women in all age groups, 0.2 pp. The gender gap in underemployment is double that for discouragement (Chart 29). Young workers are particularly affected by underemployment and discouragement. In Cyprus, discouragement among young people saw a drop of 8.2 pp. By contrast, in Italy, discouragement among youngsters increased by 3.6 pp up to 35.3%.

Chart 29: Underemployment and potential labour force by sex and age - EU, 2015Q1



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

5. Household income and financial situation

Household incomes in the EU benefit from strengthening economic activity

On average in the EU⁷ real growth in gross disposable household income (GDHI) continued to accelerate to more than 2% in the year to the first quarter of 2015. This was a higher pace compared to less than 1% increases year-on-year observed in 2014 (Chart 30). Similarly, a real growth rate of GDHI of more than 2% was recorded in the EA. As estimated by Eurostat⁸, real adjusted GDHI per capita⁹ and real consumption per capita increased in the EU by 0.9% and 0.8%, respectively.

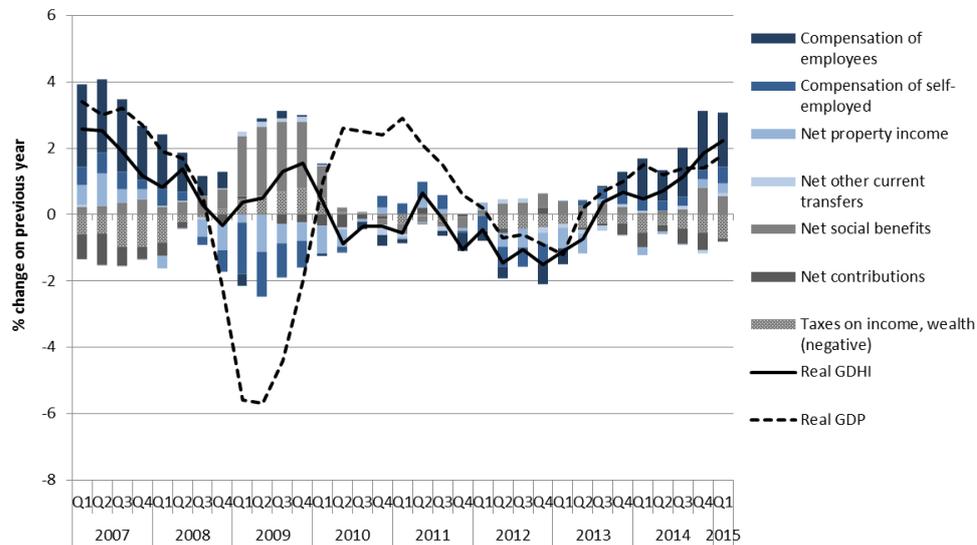
The prospects for a sustained recovery of household income continue to be positive. This is especially in view of the positive economic outlook, while in turn household income should feed private consumption. Caution should be kept, as employment growth seems to be easing and soft data point to some stagnation in financial distress since the second quarter of 2015, even if it is lower than in its peak of 2013.

⁷ The real GDHI growth for the EU is DG EMPL estimation, and it includes Member States for which quarterly data are available (19 Member States: AT, BE, CZ, DE, DK, EL, ES, FI, FR, HR, IE, IT, NL, PL, PT, RO, SE, SI, UK, which account for at least 90% 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.

⁸ See, Eurostat publication <http://ec.europa.eu/eurostat/web/products-press-releases/-/2-29072015-AP>

⁹ The real adjusted GDHI per capita is defined as the real adjusted GDHI (including social transfers in-kind) divided by the total population.

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.](#)

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

In the year to the first quarter of 2015, the growth in GDHI continued to be driven largely by income from work. The compensation of both employees and those self-employed increased similarly like in the fourth quarter of 2014, in line with continued employment expansion (see Section 2). Also, property income increase for the second time, after nearly two years, while other transfers remained stable. Meanwhile, following the improvement in income from work, taxes adjusted downwards household incomes. But their increase was accompanied by a notable increase in social benefits, while social contribution stagnated.

Growth in household income broadens across most Member States

The real increase in GDHI in the EU seen in the year to the first quarter of 2015 reflects positive developments in nearly all Member States (see charts in Annex 1 for the EA and selected Member States)¹⁰. All larger Member States have registered several quarters of broad improvements: the longest period of year-on-year increase have been in Poland (since data available) and Germany (since 2006 and since mid-2010), followed by the UK, and more recently Italy, France Spain. Among other Member States (see [Statistical Annex](#)), real GDHI declined only in Slovenia.

Households' financial distress is down from historical highs of 2013

Financial distress¹¹, defined as the need to draw on savings or to run into debt to cover current expenditures was lower compared to the second quarter of 2014. It picked up slightly in the second quarter of 2015 as both, the share of the households reporting running into debt and those having to draw on their savings increased. Further, financial distress remained unchanged in July and August.

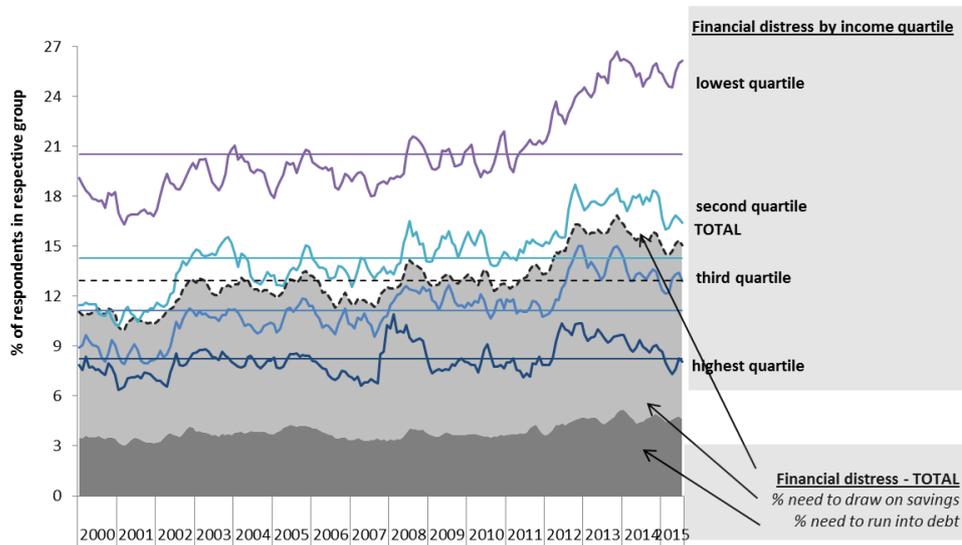
Financial distress recedes gradually from its historically high levels but remains high. It is still well above the levels seen in the previous decade, and currently affects around 15% of the

¹⁰ Data for Poland is not available for 2013-2014.

¹¹ 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

population. The higher rates seen in recent years have primarily been driven by the increasing reliance on savings, especially between 2010 and 2013 (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.](#)

Low-income households are not able to permanently ease financial distress

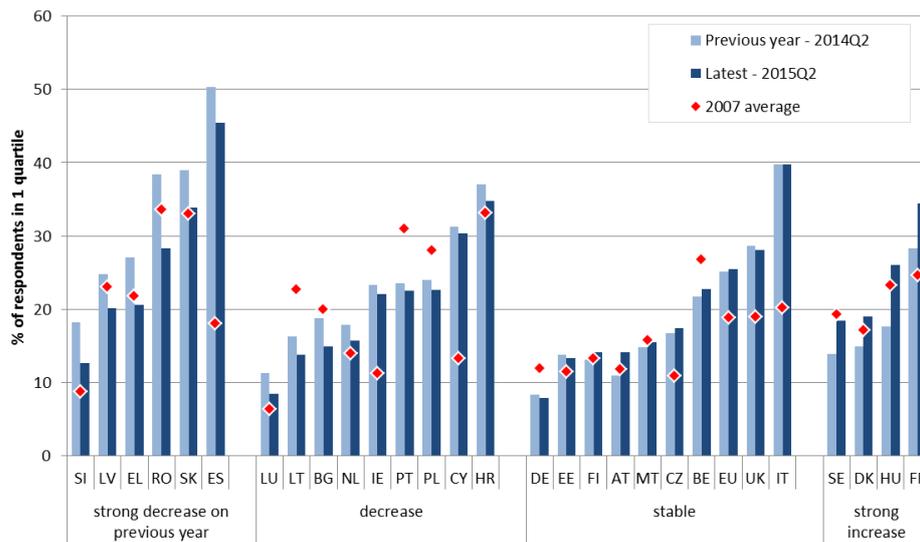
Financial distress for low-income registers ups and downs since the beginning of 2014 indicate that this group cannot reach a more permanent easing in the financial distress. It increased in the second quarter of 2015. Financial distress shows more consistent downward trends in higher income groups, since 2012, especially clear in the top income group. The gap in financial distress between low-income households has widened.

Overall, around 10% of adults in low-income households run into debt and a further 15% draw on savings to cover current expenditure. By comparison, for the total population the shares are 4% and 10%, respectively. This level of financial distress for low income households is far above the long-term average, and follows from the rapid worsening seen between mid-2010 and the end of 2013. More generally and for the same period, financial distress for households in other income quartiles also increased to levels above long-term averages, with only the top quartile going below 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 or remained stable in the majority of Member States in the year to the second quarter of 2015. It remains higher than in 2007 in the majority of the Member States, except for Germany, Sweden and several new Member States (Croatia, Estonia Hungary, Lithuania, Malta and Poland). It ranges from less than 4% in Germany and Sweden to more than 25% in France and Italy. Financial distress for households in the lowest income quartile increased in several Member States (Denmark, France, Hungary and Sweden). Compared to 2007, financial distress for the poorest households is significantly higher in around half of Member States. In the second quarter of 2015, it affected around 8% of households in the lowest income quartile in Germany and Luxembourg, reaching 40% of the population in Italy and Spain (Chart 32).

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



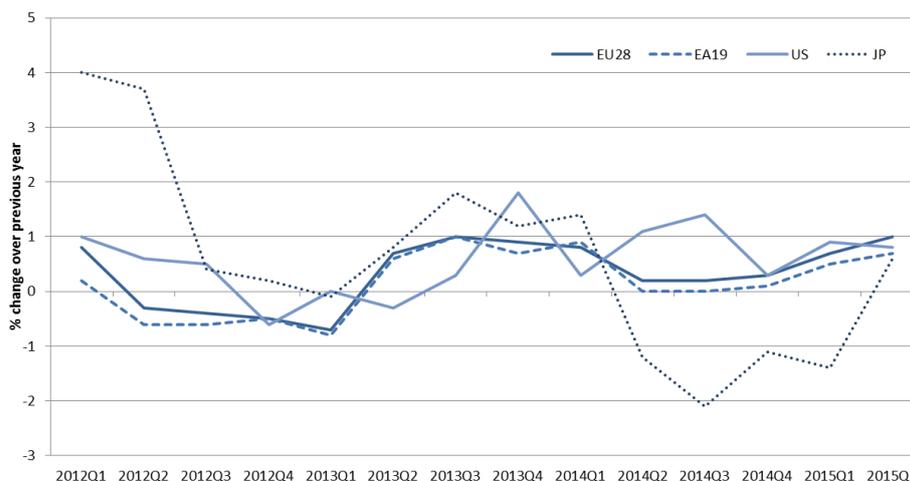
Source: European Commission, Business and Consumer Surveys (DG EMPL calculations)
 Note: Three-months moving averages
[Click here to download chart.](#)

6. Productivity, labour cost and hours worked

Labour productivity growth remained subdued especially in the EU...

In the second quarter of 2015, labour productivity growth (measured as output per person employed and not seasonally adjusted) strengthened somewhat but remained weak at 1% in the EU as a whole. This outcome is similar to developments in the US while in Japan labour productivity regained a positive growth momentum after four quarters of contraction (Chart 33).

Chart 33: Real labour productivity - EU, EA, US and JP



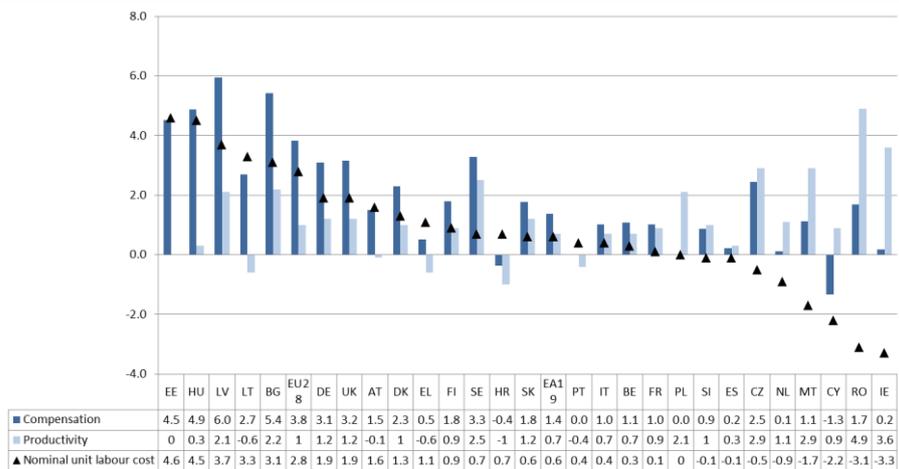
Source: Eurostat, National Accounts [namq_10_lp_ulc] and OECD, data non-seasonally adjusted
[Click here to download chart.](#)

Within the euro area, apart from Ireland, Malta and Latvia, Germany, Slovakia and the Netherlands recorded labour productivity growth just above 1%. Finland regained positive

growth momentum, up from -0.1% in the first quarter to 0.9% in the second quarter. This is due to a modest increase in output and a notable contraction in employment. Spain recorded modest labour productivity growth at 0.3% as strong output growth was accompanied by strong employment growth.

In Croatia, and to a lesser extent in Lithuania, Greece, Portugal and Austria, labour productivity contracted as employment increased at a stronger pace than output, down by 1% in Croatia. In Estonia labour productivity did not change.

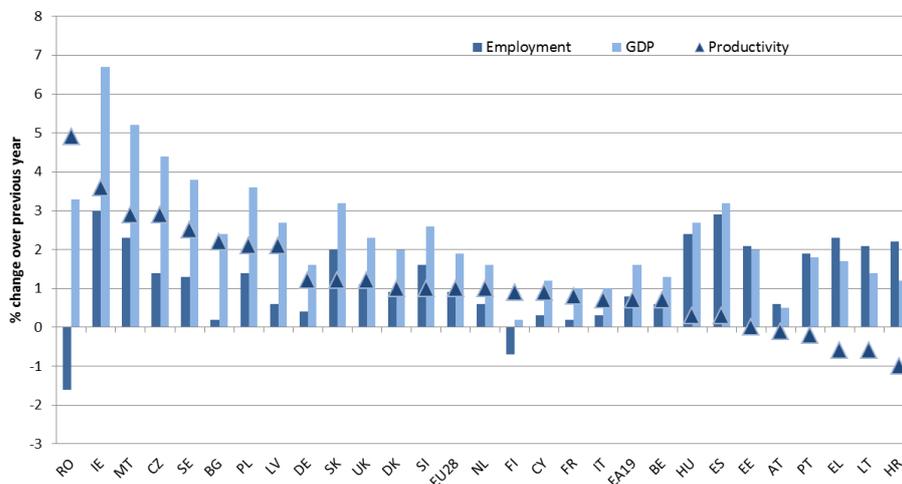
Chart 34: Growth in nominal unit labour cost and its component - EU, EA and Member States, 2015Q2



Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_gdp, namq_10_pe, namq_10_lp_ulc] (DG EMPL calculations)
[Click here to download chart.](#)

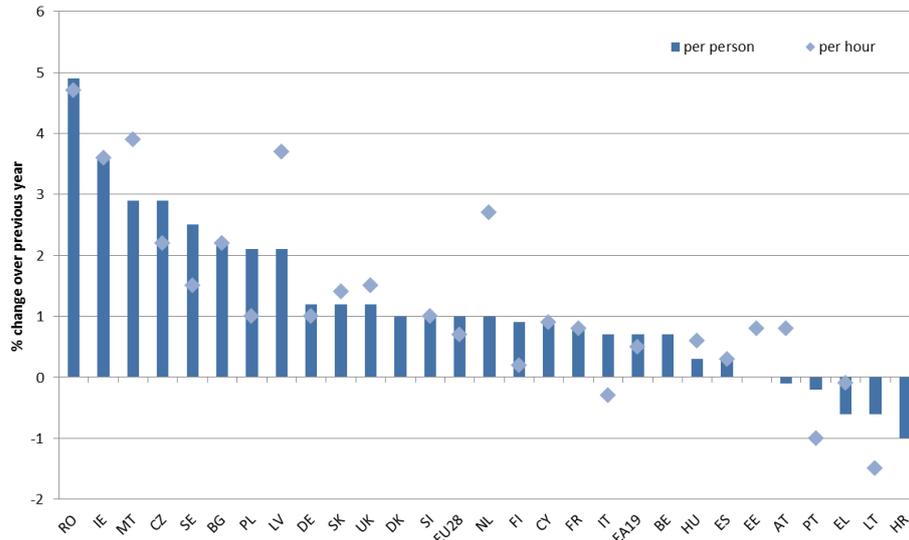
Number of hours worked showed more or less the same pattern as labour productivity measured per person employed, except for Latvia, the Netherlands, and to a lesser extent Austria and Greece. For these Member States productivity per hour worked increased at a notably stronger pace than productivity per employed person (Chart 35).

Chart 35: Employment, GDP and productivity growth - EU, EA and Member States, 2015Q1



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

Chart 36: Labour productivity per person employed and hour worked - EU, EA and Member States, 2015Q1



Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_lp_ulc]
[Click here to download chart.](#)

... while growth in nominal compensation per employee remained modest in most Member States ...

In the second quarter of 2015, Latvia and Bulgaria recorded nominal compensation per employee growth (measured in local currency and not seasonally adjusted) in excess of 5% (chart 33). Cyprus and Croatia were the only Member States that showed a decrease.

In the EA, Estonia continued to record notable increases in nominal compensation per employee, up by 4.5% in the second quarter of 2015. At the same time, Germany recorded a strong 3% increase, while Spain, Greece, Ireland, Slovenia and France recorded growth below 1%.

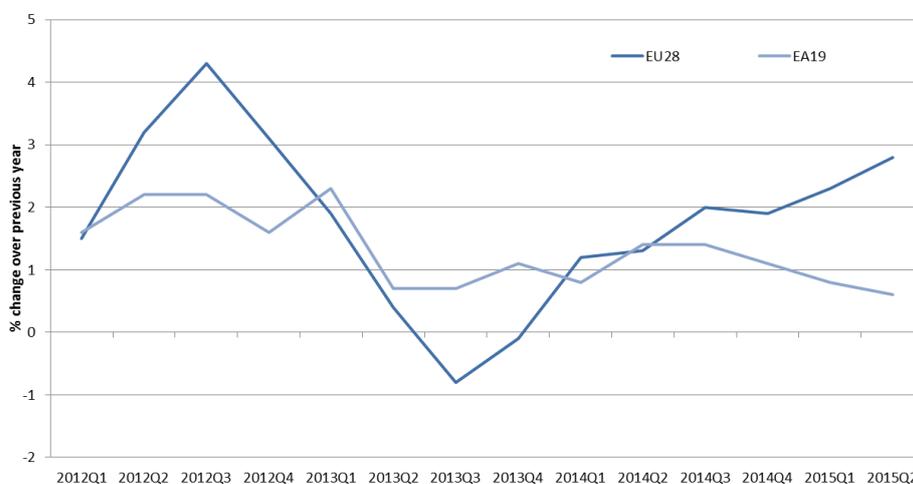
Outside the EA, Bulgaria, the UK, Sweden, the Czech Republic and Denmark recorded growth in excess of 2%.

... so that nominal unit labour cost increased moderately in most Member States...

In the EU as a whole nominal unit labour cost growth strengthened, but in the euro area it remained subdued (Chart 36)¹².

¹² Remember that EU aggregates are measured in euro. As a consequence, an appreciation of a national currency vis-à-vis the euro, such as the British pound in recent months, may induce increases in nominal variables which reflect exchange rate fluctuations rather than labour market developments.

Chart 37: Nominal unit labour cost - EU and EA



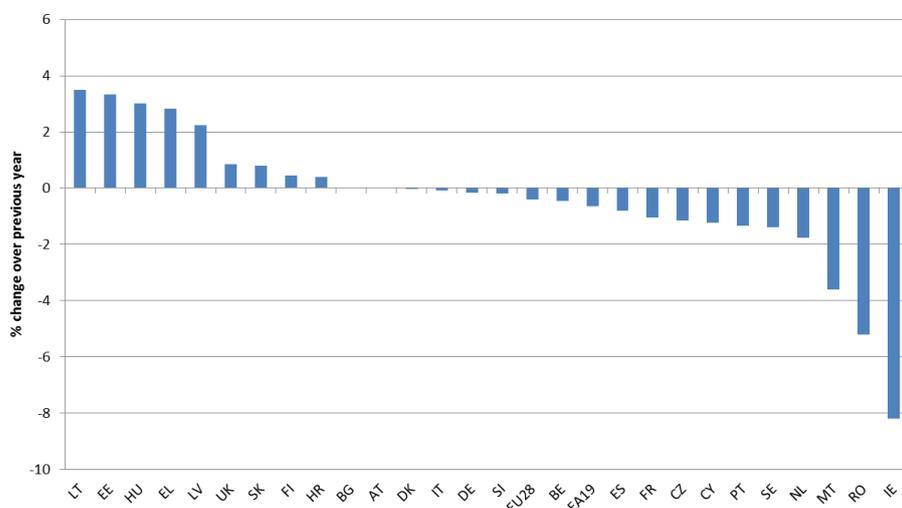
Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_lp_ulc]
[Click here to download chart.](#)

Nominal unit labour cost (which measures nominal compensation per employee adjusted for productivity per employed person and which is also a measure of cost-push inflationary pressures) decreased strongly in Ireland and Romania in the second quarter of 2015, reflecting strong increases in labour productivity and a modest rise in compensation per employee (see Chart 33). In Cyprus nominal unit labour cost also fell notably, reflecting a fall in nominal compensation per employee and a modest rise in productivity.

By contrast, Estonia, Latvia, Lithuania and Bulgaria showed strong increases in nominal unit labour cost. In Latvia and Bulgaria this was mainly the outcome of sharp increases in nominal compensation per employee, while in Lithuania this was caused by a contraction in labour productivity.

Germany and the United Kingdom recorded nominal unit labour cost growth just below 2%, while Malta, and to a lesser extent the Czech Republic, Slovenia and Spain showed a decrease.

Chart 38: Growth in real unit labour cost - EU and Member States, 2015Q2



Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_pe, namq_10_gdp] (DG EMPL calculations)

Note: No data for PL and LU

[Click here to download chart.](#)

.... and real unit labour cost

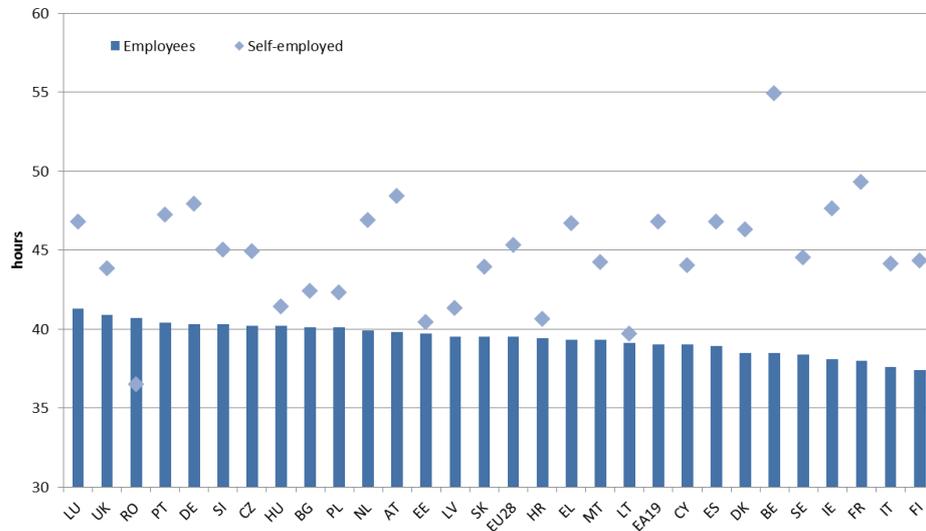
Growth in real unit labour cost, which measures nominal unit labour cost adjusted for prices and labour income share, showed wide variation across Member States in the second quarter of 2015 compared to the second quarter in 2014 (see Chart 37).

The strongest increases in real unit labour cost are to be found in Lithuania, Estonia, Hungary, Greece and Latvia. In Latvia and Estonia the strong increases primarily reflect a strong increase in nominal unit labour cost, while in Greece and to a lesser extent in Lithuania increases in excess of 2% primarily reflect notable decreases in prices.

Ireland recorded by far the strongest decrease in real unit labour cost, down by 8%, reflecting a sharp rise in its GDP deflator¹³ and a notable decrease in nominal unit labour cost. Romania also recorded a strong decrease at 5%, driven by strong productivity growth and price rises in combination with weak growth in nominal compensation per employee. The Czech Republic, Sweden, France, Spain, Belgium, Slovenia and Germany recorded smaller decreases, ranging from 1.1% to 0.1%, as price increases were stronger than the rise nominal unit labour cost.

¹³ In Ireland, recent developments in GDP deflator have been driven by notable increases in deflator of exports, following the depreciation of the euro.

Chart 39: Average working hours (full-time) - EU, EA and Member States, 2015Q1

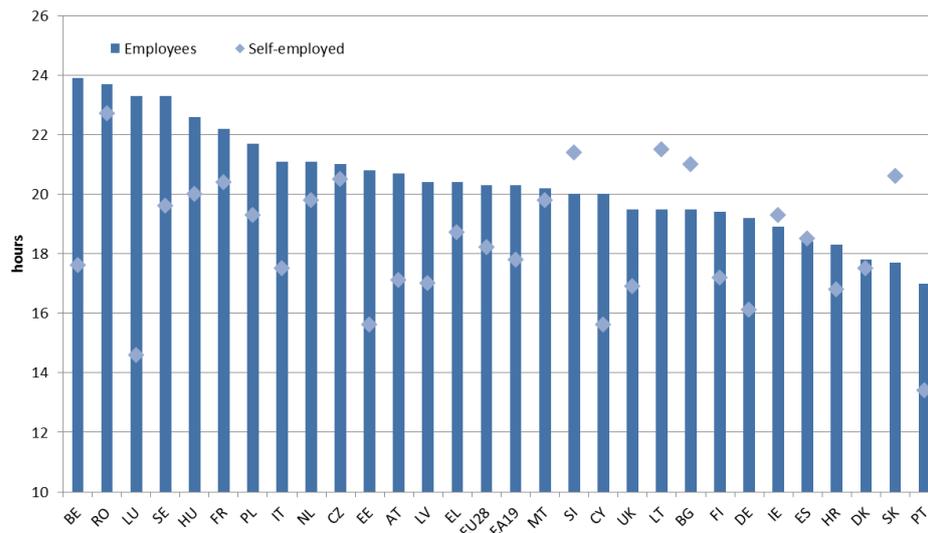


Source: Eurostat, LFS, data non-seasonally adjusted [lfsq_ewhais]
 Note: Average number of actual weekly hours of work in main job (employed persons)
[Click here to download chart.](#)

The number of hours worked remained on average fairly stable

In the first quarter of 2015, hours worked remained robust across the EU. In all Member States, except Romania, self-employed persons work more hours than employees, with the strongest differences to be found in Belgium and France, and the smallest in Lithuania and Estonia. In most Member States part-time employees worked longer hours than part-time self-employed, notable exceptions are Slovakia, Lithuania, Slovenia and Bulgaria where the part-time self-employed work longer hours.

Chart 40: Average working hours (part-time) - EU, EA and Member States, 2015Q1



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.](#)

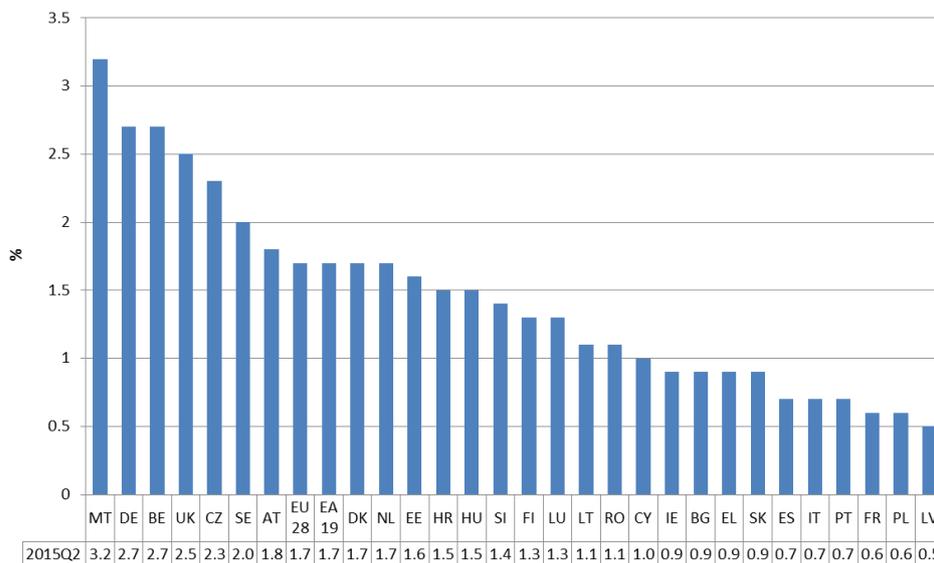
7. Labour demand: vacancies, labour shortages and hiring activity

The job vacancy rate has increased slightly in EU and remains stable in the EA

In the second quarter of 2015, the EU and the EA job vacancy rate¹⁴ (JVR) was 1.7%. When compared with the second quarter of 2014, it increased by 0.1 pp in the EU and in the EA. It ranged from 0.5% in Latvia to 2.7 % in Belgium and Germany followed by the UK with 2.5% (Chart 41). In this period, the JVR rose in 21 Member States, remained stable in 3 and fell in 3. The largest increases were recorded in the Czech Republic 1.1 pp Croatia 0.5 pp, Belgium, Luxembourg and the Netherlands 0.3 pp. Germany and Greece decreased by 0.1 pp and Cyprus by 0.2 pp.

The EU JVR remains higher in services, 2.1%, than in industry and construction, 1.3%. In the year to the second quarter of 2015, the JVR was stable in services and rose in industry/construction by 0.2 pp.

Chart 41: Job vacancy rates - EU, EA and Member States, 2015Q2



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.](#)

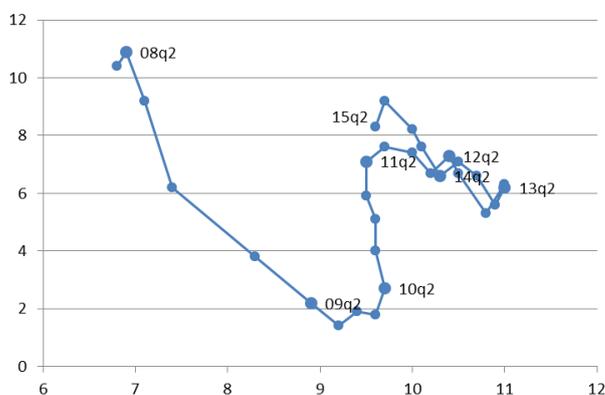
Two developments mark labour matching issues in the EU: recent increase in labour shortages and structural shift of matching process

In the second quarter of 2015, both unemployment and labour shortages declined in the EU and the EA however it is too early to see if it is a permanent shift. The recent 2013-2015 decline in unemployment up to the first quarter of 2015 was accompanied by an increase in labour shortages. This process is reflected by a conventional move up the Beveridge curve, and confirms recent improvements in the JVR. It is also consistent with a normal cyclical development where during recovery, vacancies increase at a faster rate than unemployment decreases (i.e. in a normal cyclical development an increase in vacancies is seen prior to a drop of unemployment). From 2010-2012 the Beveridge curve in the EU appears to have shifted. This movement suggests a deterioration of mismatch following the 2008/2009 crisis where

¹⁴ Job Vacancy rate is number of job vacancies / (number of occupied posts + number of job vacancies) * 100.

there was an increase of structural unemployment. Which one of the two will materialise require strict monitoring of the Beveridge curve movements in the next quarters (Chart 42). Annex 5 reports the Beveridge curves for EU Member States.

Chart 42: Beveridge curve 2008-2015 - EU



Source: Eurostat, LFS and European Commission, Business and Consumer Surveys [une_rt_q, ei_bsin_q_r2]

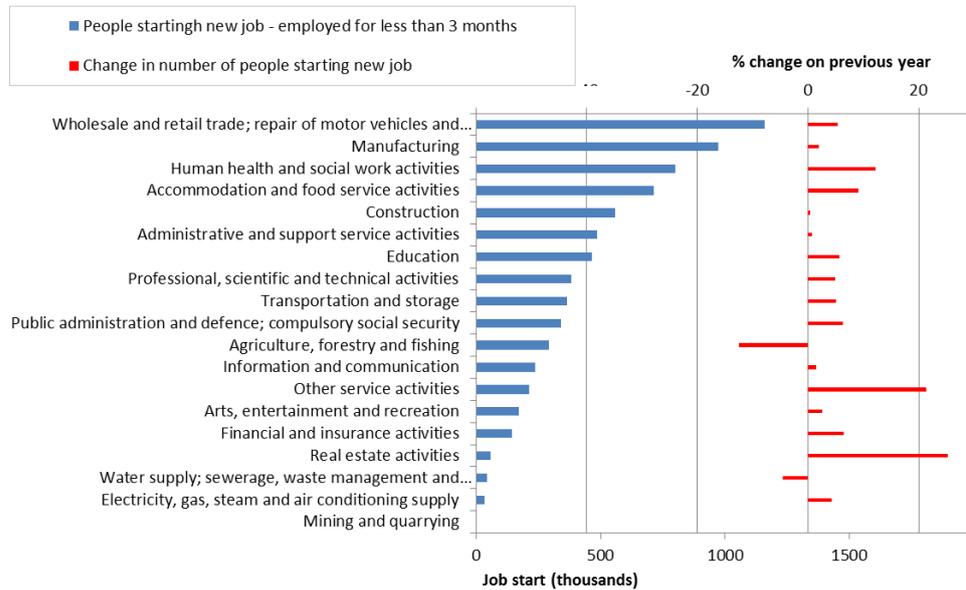
Note: Labour shortage indicator derived from EU business survey results (% of manufacturing firms pointing to labour shortage as a factor limiting production)

[Click here to download chart.](#)

Companies step up hiring activity

Number of people starting a new job in the EU has increased by 4.9 % in the year to the first quarter of 2015, following a growth of 4.1 % during previous quarter. In the EU as a whole, the largest increases were recorded in real estate 25 %, human health and social work 12 %, and accommodation and food service 9 %. Over the year to the first quarter of 2015, the number of people starting new jobs decreased in water supply; sewerage, waste management and remediation by 4.6 % and agriculture, forestry and fishing by 12.6 % (Chart 43).

Chart 43: Employees in new jobs by sector - EU, change to 2015Q1



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

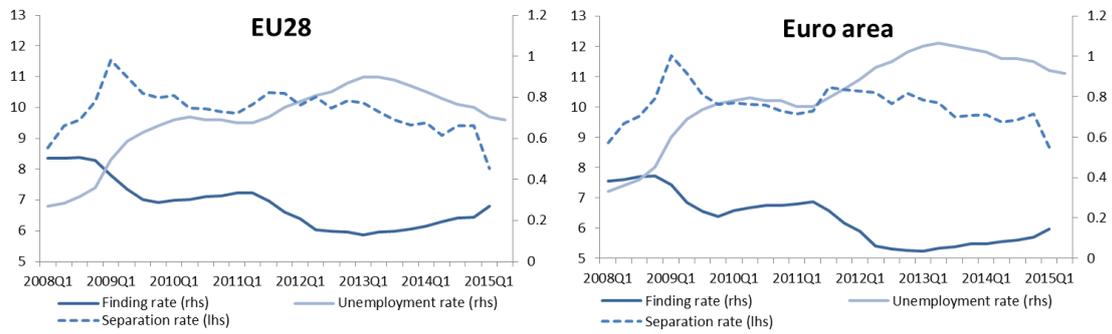
Separation rates are almost back to pre-crisis levels, while improvements in job finding rates are gradual

In the second quarter of 2015, the unemployment rate continued to decline in the large majority of EU countries. The drop is sustained particularly in countries which experienced a rapid increase in the jobless rate during the crisis, most notably, Spain, Cyprus, Greece and Portugal. Sharp improvements in the job finding and separation rates accompany the decline in unemployment; separation rates are nearly at pre-crisis levels, while improvements in job finding rates appear more gradual (Chart 44).

In the first quarter of 2015 (the last available data), the job finding rate increased at a relatively robust pace in the UK, the Netherlands, Bulgaria, Spain, Hungary, Ireland, and Italy. Conversely, it dropped in Finland and Romania. The decline in separation rates was quite generalised and sizeable particularly in the Baltics, Croatia, Slovakia, and Ireland; separation rates increased slightly in France and the Netherlands.

The recovery of the job finding rates has not been sufficient to avert the increase in long-term unemployment previously seen. As shown, long-term unemployment shows signs of decline but the share of the unemployed who have been out of work for more than 12 months and especially those unemployed for over two years continues to increase.

Chart 44: Unemployment, finding and separation rates - EU and EA



Source: Source: Eurostat, LFS, data non-seasonally adjusted (DG EMPL calculations)

Annex

See excel file with charts per Member State

- 1: Real GDP growth, real GDHI growth, employment growth and unemployment rates
- 2: Real GDP growth, employment growth, real GDHI growth and its main components
- 3: Employment growth by sectors
- 4: Beveridge curves
- 5: Unemployment, finding and separation rates

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