



European  
Commission

# EU Employment and Social Situation

## Quarterly Review

*Spring 2016*

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

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April 2016 | 1

This Quarterly Review provides in-depth analysis of recent labour market and social developments. It has been prepared by the Analysis Unit of the Directorate-General for Employment, Social Affairs and Inclusion. This review was prepared under the supervision of B. Kauffmann (Director) and R. Jacob (Head of Unit). The main contributors were: D. Arranz, M. Grzegorzewska, S. Jemmotte, and E. Meyermans. Indicators on job findings and separation rates were provided by A. Arpaia and A. Kowalski. The editor of this Review was A. Xavier.

A wide range of information sources have been used to produce this report, including Eurostat statistics<sup>1</sup>, reports and survey data from the Commission's Directorate-General for Economic and Financial Affairs. Due to delays in the publication of LFS data, indicators based on the LFS still refer to the third quarter of 2015, as in the previous edition, but have nevertheless been included to provide readers with a comprehensive set of the latest available data.

Regular updates of these data and charts are available at:  
[http://ec.europa.eu/employment\\_social/employment\\_analysis/quarterly/quarterly\\_updated\\_charts.xls](http://ec.europa.eu/employment_social/employment_analysis/quarterly/quarterly_updated_charts.xls)

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<sup>1</sup> To access them, 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](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database)

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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

### Key Findings

#### *Economic conditions*

**It is now nearly three years since the EU economy started its slow though consistent recovery. Economic activity has expanded in most Member States, but the recovery remains uneven and some countries have registered quarterly declines.** In the fourth quarter of 2015, real GDP increased by 0.4% in the EU and 0.3% in the euro area (EA). Among the largest Member States, Poland (1.1%) and Spain (0.8%) continued their strong economic expansion and the UK posted a moderate GDP growth (0.6%). In contrast, economic growth in France, Germany (0.3%) and Italy (0.1%) was more modest and weighed down EU and EA growth rates. Growth was strong in Sweden and rebounded in Denmark, Estonia, Finland and Greece, but contracted in Croatia and Latvia, and stagnated in the Czech Republic.

Year-on-year growth slowed down slightly to 1.8% in the EU (compared to the 1.9% year-on-year growth observed in the third quarter of 2015) and remained at 1.6% in the EA. It was positive in all Member States but Greece. Real GDP growth reached 4% in Ireland, Malta and Sweden. Among the larger Member States, it exceeded 3% in Poland and Spain.

#### *Employment*

**In the year to the fourth quarter of 2015, employment in the EU progressed slowly in line with economic growth. However, employment growth slowed in the fourth quarter of 2015.** Employment increased by 0.1% in the EU and by 0.3% in the EA in this quarter. Over the year, employment gained 1.0% in the EU and 1.1% in the EA. This amounts to an additional 2.4 million more people employed in the EU, including 1.8 million people in the EA. Since its lowest level in mid-2013, employment has increased by 5.7 million people in the EU, including 3.1 million in the EA.

**The pace of improvement also varied across Member States.** In the fourth quarter of 2015, the strongest employment increase was in Malta (1.7%), followed by Poland and Sweden (0.7-0.8%). Quarterly employment growth rebounded in Croatia and Portugal and remained relatively high in Luxembourg and Spain. By contrast, employment contracted in Estonia (-0.3%) and Lithuania (-2.4%) and remained unchanged in Finland. Employment in the fourth quarter of 2015 was higher than in the fourth quarter of 2014 in all Member States except Finland and Romania. The highest year-on-year employment growth was observed in Greece, Latvia, Hungary, Luxembourg, Malta and Spain (where it reached 3%).

**Service sectors, both tradable and non-tradable, continued to drive employment growth in the EU.** All service sectors contributed to the employment increase in the fourth quarter of 2015, as well as agriculture. Employment stagnated in industry and declined in construction. Over the year to the fourth quarter of 2015, employment increased in all sectors except agriculture and construction.

**Permanent jobs and full-time employment continued to increase, but at a slower pace than in 2014.** The number of employees with a permanent contract grew by about 1.5 million in the year to the third quarter of 2015, while temporary contracts grew by about 930 thousand and the number self-employed declined by 330 thousand. The number of full-time workers increased by about 1.5 million, while the number of part-time workers increased by about 600 thousand.

**The EU employment rate for the EU returned to its pre-crisis level in the third quarter of 2015, but large disparities across countries remain.** At 70.6% (non-seasonally adjusted), the EU employment rate for 20-64 year-olds reached its pre-crisis level, but remains nearly 5 pp below the 2020 target. In many Member States, employment rates have still some way to go to recover from the crisis. Employment rates in Member States range from just 55% in Greece to around 80% in Estonia, Germany and Sweden.

## **Unemployment**

**Unemployment has continued to recede gradually, but remains high.** In February 2016 the EU unemployment rate was 8.9%, and 10.3% in the EA, a reduction of 0.8 pp and 0.9 pp respectively compared to February 2015. This decline represents around 2 million fewer unemployed people in the EU, including 1.3 million in the EA. Unemployment numbers have receded by 4.9 million people since its peak in April 2013. A further decline by almost 5 million is necessary to bring unemployment down to the number observed in March 2008, before the crisis hit (the EU unemployment rate was 6.7% in March 2008). In February 2016, 21.7 million people were unemployed in the EU, including 16.6 million in the EA.

Unemployment fell in most Member States but large differences still exist across Member States. Between February 2015 and February 2016, the unemployment rate declined in most Member States but increased in three, namely Austria by (0.6 pp), Latvia (0.4 pp) and Finland by (0.1 pp). It remained stable in Belgium. Large differences remain across Member States, with the unemployment rate ranging from 4.5% in Germany to a high of 24 % in Greece (Dec 2015) and 20.4% in Spain. In the year to February 2016, it declined by 0.8 pp for men and by 0.9 pp for women to reach 8.8% and 9%, respectively. The youth unemployment rate in February 2016 was 19.4% in the EU and 21.6% in the EA, down 1.5 pp and 1.1 pp respectively compared to a year before. This corresponds to around 428,000 fewer unemployed youths (15-24) in the year to February 2016, including 219,000 in the EA. For those aged 25 or more, the unemployment rate fell by 0.8 pp when compared to February 2016. It also decreased for all skill-groups.

**Long-term unemployment fell proportionally more than short-term unemployment** in the year to the third quarter of 2015. The long-term unemployment rate decreased by 0.6 pp compared to the third quarter of 2014. The very-long-term unemployment rate (unemployment duration in excess of two years) fell by 0.2 pp. This means that long-term unemployment has gone down slightly as a share of total unemployment. Nevertheless, about 10.5 million people had been unemployed for more than a year in the third quarter of 2015. Of these, 4.5 million had been unemployed for more than two years.

## **Activity**

**The activity rate (i.e. the proportion of people who are in employment or looking for employment) in the EU has continued its steady increase observed since 2008.** The activity rate has evolved differently across age groups since 2008. Whereas the activity rate of older workers aged 55-64, has seen a large increase of around 10 pp, the activity rate of those 25-54 has remained fairly stable, and the activity rate of young people aged 15-24 has decreased by around 3 pp, but this may be due to higher participation in education and training.

## **Household situation**

**The financial situation of EU households continued to improve thanks to higher income from work and social benefits. Nearly all Member States saw growth in household income.** Real gross disposable household income (GDHI) in the EU grew by a solid 2% in the year to the third quarter of 2015. The improvement resulted from an increase in income from work, an increase in property income and a further increase in social benefits.

**Fewer EU households needed to draw on savings or run into debt to cover current expenditures compared to a year ago, with the exception of low-income households.** Financial distress remains high despite receding gradually to 15% of the population from its high at the end of 2013 when it was nearly 17%. Around 25% of adults in low-income households are in financial distress: 10% run into debt, and a further 15% draw on savings to cover current expenditure.

**Labour productivity growth in the EU grew at 1%, faster than in the US and in Japan** where labour productivity growth was at 0.4%. Labour productivity growth differed strongly across the EU Member States, with strong increases in Romania and Sweden and a strong contraction in Greece. Nominal unit labour costs at national as well as sectorial level increased at a strong pace in Estonia, while it remained subdued in most other euro area Member States.

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### ***Labour demand***

**Labour demand has gradually improved, although 2015 saw some flattening.** The overall job vacancy rate in the EU is broadly stable in 2015 at 1.7% and higher than it was a year ago. It was higher in services than in industry and construction. Labour shortages did not change, and hiring activity had been up, with 2.7% more people starting a new job compared to the previous year. This, together with a decline in unemployment, confirms the slow but consistent recovery on the labour market.

### ***Outlook***

**The labour market trends observed since 2013, as well as survey data and economic forecasts, suggest a moderate outlook.** The employment growth and unemployment reduction in 2014 was higher than what could be expected given the modest economic upturn. In 2015, GDP growth strengthened, sustaining the labour market recovery. At the same time, household incomes continued to improve, supported by better income from work which, in turn, should feed growing private consumption. There are some signs of a slowdown in economic activity and job creation towards the end of 2015 and the beginning of 2016, and medium-term forecasts have been revised downward for the EU. On the other hand, the economic sentiment and employment expectations continued to improve in the end of 2015 and beginning of 2016, while unemployment expectations stabilised.

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

	2014Q3		2014Q4		2015Q1		2015Q2		2015Q3		2015Q4	
	EU	EA	EU	EA								
<b>Real GDP</b>												
% change on previous quarter (SA)	0.4	0.3	0.5	0.4	0.6	0.6	0.5	0.4	0.4	0.3	0.4	0.3
% change on previous year (SA)	1.3	0.8	1.4	1.0	1.7	1.3	1.9	1.6	1.9	1.6	1.8	1.6
<b>Employment growth</b>												
% change on previous quarter (SA)	0.3	0.2	0.2	0.1	0.3	0.2	0.3	0.4	0.3	0.3	0.1	0.3
% change on previous year	1.2	0.7	1.1	0.8	1.0	0.8	1.0	0.9	1.0	1.1	1.0	1.2
<b>Employment rate (15-64)</b>												
% of working-age population	65.4	64.3	65.2	64.2	64.8	63.8	65.5	64.5	66.2	65.0	:	:
change on previous year (percentage point)	0.9	0.5	0.9	0.6	0.8	0.6	0.7	0.6	0.8	0.7	:	:
<b>Employment rate (20-64)</b>												
% of working-age population	69.7	68.6	69.6	68.5	69.2	68.1	70.0	68.9	70.6	69.4	:	:
change on previous year (percentage point)	0.9	0.6	0.9	0.7	0.8	0.7	0.8	0.6	0.9	0.8	:	:
<b>Gross disposable households income</b>												
% change on previous year	0.8	1.2	1.8	1.0	2.5	2.0	2.2	2.2	2.2	1.8	:	:
<b>Labour productivity</b>												
% change on previous year	0.1	0.1	0.1	0.1	0.7	0.5	0.9	0.7	1.0	0.6	1.0	0.7
<b>Nominal unit labour cost</b>												
% change on previous year	1.8	1.2	1.8	1.1	2.3	0.7	2.7	0.6	2.3	0.7	1.9	0.5
<b>Long-term unemployment rate</b>												
% labour force	4.9	5.9	5.0	6.1	4.9	6.0	4.7	5.7	4.3	5.3	:	:
change on previous year (percentage point)	-0.2	0.1	-0.3	-0.1	-0.4	-0.3	-0.4	-0.4	-0.6	-0.6	:	:

	2014 Dec		2015 Jan		2015 Feb		2015 Dec		2016 Jan		2016 Feb	
	EU	EA										
<b>Unemployment rate</b>												
Total (% of labour force)	9.8	11.3	9.8	11.3	9.7	11.2	9.0	10.5	8.9	10.4	8.9	10.4
Men	9.8	11.2	9.7	11.1	9.6	11.0	8.9	10.3	8.8	10.2	8.8	10.2
Women	9.9	11.5	9.9	11.5	9.9	11.4	9.1	10.7	9.1	10.6	9.0	10.6
Youth (% of labour force 15-24)	21.2	23.0	21.0	22.9	20.9	22.8	19.5	21.9	19.5	21.8	19.4	21.7

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.](#)

Regularly updated underlying data, charts and tables are available online as a file in Excel format. Data are 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](http://ec.europa.eu/employment_social/employment_analysis/quarterly/quarterly_updated_charts.xlsx)

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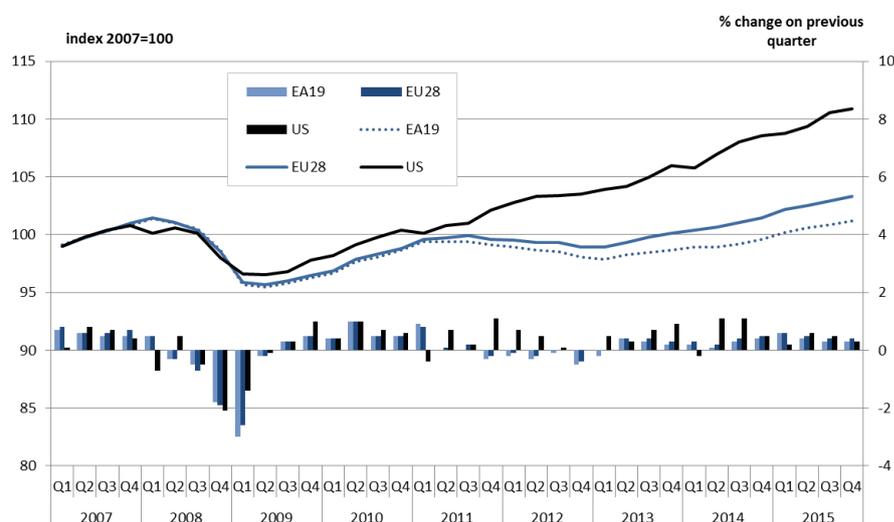
## 1. Macroeconomic and employment developments and outlook

### *EU economy continues its slow upward trend for nearly three years now*

Real GDP increased by 0.4% in the EU and 0.3% in the euro area (EA) in the fourth quarter of 2015. Domestic demand, both private consumption and investment, contributed to this output growth, while the external balance was negative for both the EU and EA. In the year to the fourth quarter of 2015, real GDP growth slowed down slightly to 1.8% in the EU (compared to the 1.9% year-on-year growth observed in the third quarter of 2015) and remained at 1.6% in the EA<sup>2</sup> (Chart 1).

The US registered a slowdown, with real GDP increasing by 0.3% in the fourth quarter of 2015, resulting in a reduced year-on-year growth of 1.9% (compared to the 2.2% year-on-year growth observed in the third quarter of 2015). The EU, EA and US GDP levels are now all above the pre-crisis levels, with the US economy having recovered faster and its real GDP well above its pre-crisis level.

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



Source: Eurostat, National Accounts, data seasonally adjusted [naidq\_10\_gdp]  
[Click here to download chart.](#)

### *Economic activity expands in most Member States, but growth remains uneven*

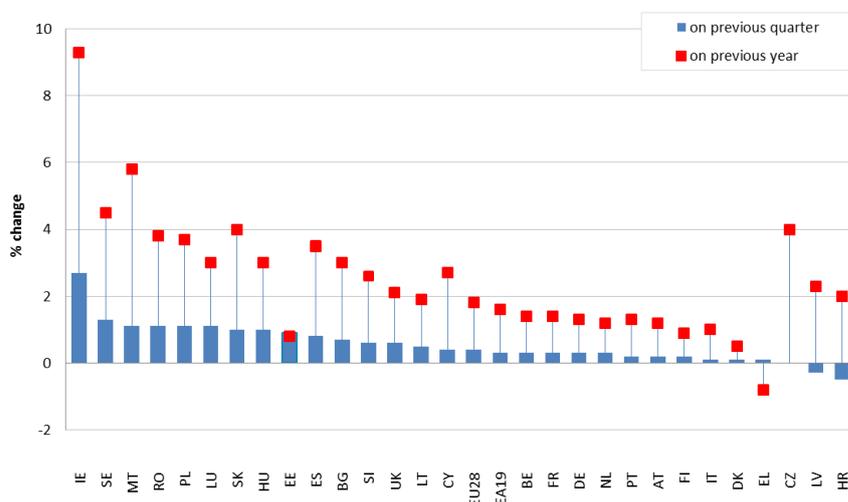
The economy continued to expand in the majority of Member States in the fourth quarter of 2015, but for some there has been some deterioration. While Denmark, Estonia, Finland and Greece recovered from the contraction observed in the previous quarter, real GDP declined in Croatia and Latvia and remained unchanged in the Czech Republic. Several Member States recorded strong growth, in particular Sweden (1.3%). Among the largest Member States, Poland (1.1%) and Spain (0.8%) continued their strong economic expansion while the UK posted a moderate GDP growth (0.6%). Economic growth in France Germany (0.3%) and Italy (0.1%) was more modest and down-weighted EU and EA growth rates.

In the fourth quarter of 2015, real GDP was higher than in the fourth quarter of 2014 in all Member States except for Greece. Among the largest Member States, the year-on-year growth strengthened in Poland (3.7%) and Spain (3.5%), followed by France (1.4%) and Italy (1.0%), while it slowed

<sup>2</sup> The annual real GDP growth for 2015 was 1.9% for the EU and 1.6% for the EA.

down in Germany (1.3%) and the UK (1.9%). Among the remaining Member States, real GDP growth continued to be the strongest in Ireland, Malta and Sweden where it exceeded 4% (Chart 2).

**Chart 2: Real GDP growth - EU, EA and Member States, 2015Q4**



Source: Eurostat, National Accounts, data seasonally adjusted [namq\_10\_gdp]  
[Click here to download chart.](#)

*Employment and household incomes develop in line with modest economic growth*

In the year to the fourth quarter of 2015, employment in the EU continued to expand, recording a 1.0% increase. Gross disposable household income (GDHI) in the EU<sup>3</sup> continued to register a further year-on-year increase in real terms by the third quarter of 2015<sup>4</sup> (Chart 3).

In 2014, employment growth in the EU was stronger than could perhaps be expected given the modest economic improvements. In 2015, real GDP growth strengthened, which was necessary to sustain the labour market recovery, while employment continued to expand at a modest pace, in line with what would be expected given the observed real GDP growth rate. Accompanying the economic and labour market recovery, household incomes continued to improve throughout 2014 and 2015, supported by better income from work.

<sup>3</sup> 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.

<sup>4</sup> Data not available for the fourth quarter of 2015.

**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)

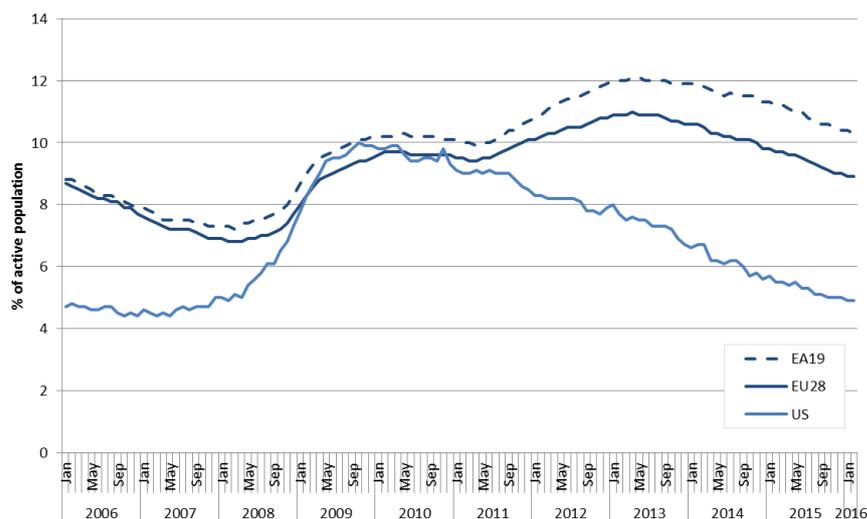
Note: GDHI EU aggregate for Member States for which data are available, GDP for EU28

[Click here to download chart.](#)

*Unemployment slowly recedes from high levels*

In February 2016, the EU and EA unemployment rates were 8.9% and 10.3%, down from 9.7% and 11.2% in February 2015. By comparison, the unemployment rate in the US was 4.9% in February 2016, down from 5.5% in February 2015. In the EU and EA, unemployment declined gradually from its 2013 peak, but it is still far above the 2008 levels. By contrast, unemployment in the US declined much faster and the unemployment rate has approached its pre-crisis level (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.](#)

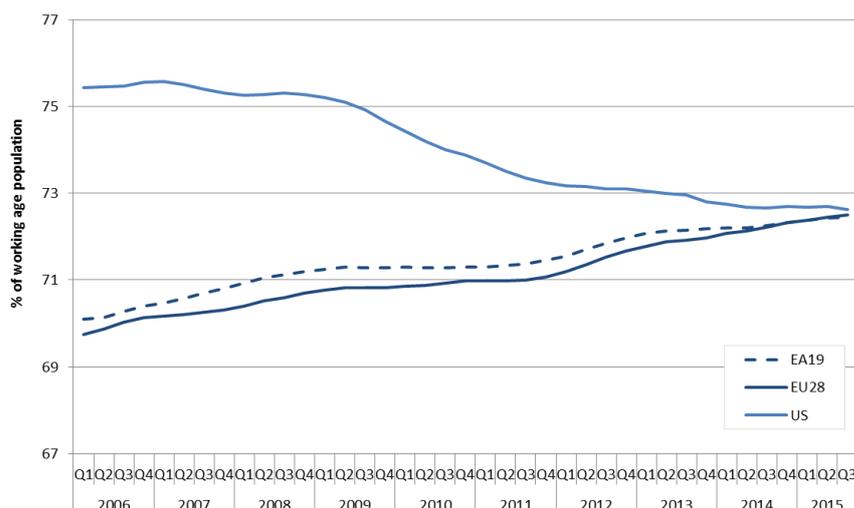
*Labour market participation continues to increase*

This faster decline in the unemployment rate in the US compared to the EU can be partially explained by trends in labour market participation (those in employment and in unemployment). The

sharp decrease in unemployment in the US has been accompanied by a decline in labour market participation, that is, by an increase in inactivity, which was especially sharp in 2010-2011.

By contrast, labour market participation consistently increased in the EU in the last decade and during the crisis years. This reflects a higher participation of certain population groups that tended to be inactive in the past, such as older workers and women. Consequently, the large gap between the US and the EU in the activity rate observed before 2008 has 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

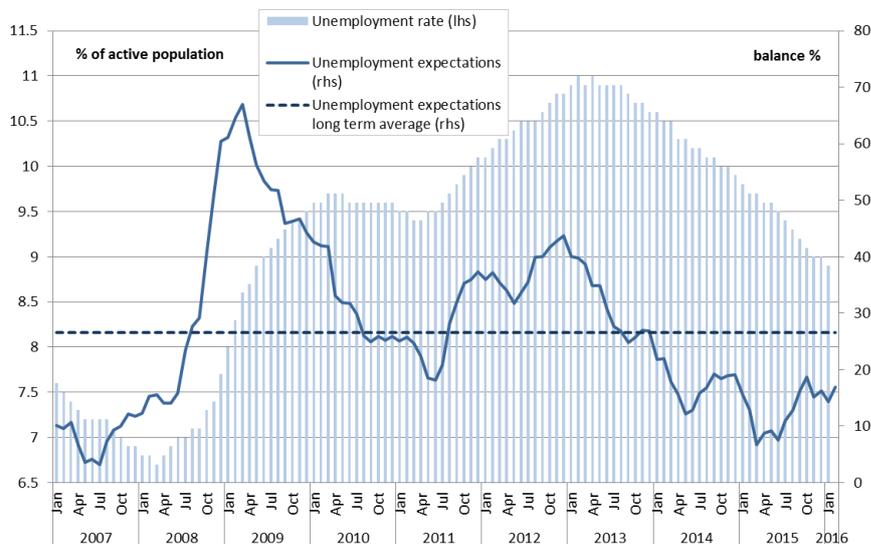
### *Economic growth and job creation in the EA may be slower in the beginning of this year*

The Purchasing Managers Index (PMI) for the EA, derived as a composite index for EA output, declined in January and February 2016, after solid increases observed the end of last year. The reduced PMI points to a possible weakening of EA growth. The PMI also suggests that employment continued to increase in January and February, with job creation signalled by both manufacturers and service providers. Employment improved across the biggest EA economies in February: marginally but stronger than before in France, moderately in Germany and Italy, and with Spain seeing a faster rate of growth. The PMI indicates that EA GDP growth may have deteriorated further in the first quarter of 2016 from the already modest pace seen in the second half of 2015, when GDP rose only 0.3% per quarter.

### *For the EU, economic sentiment and employment prospects for this year improve*

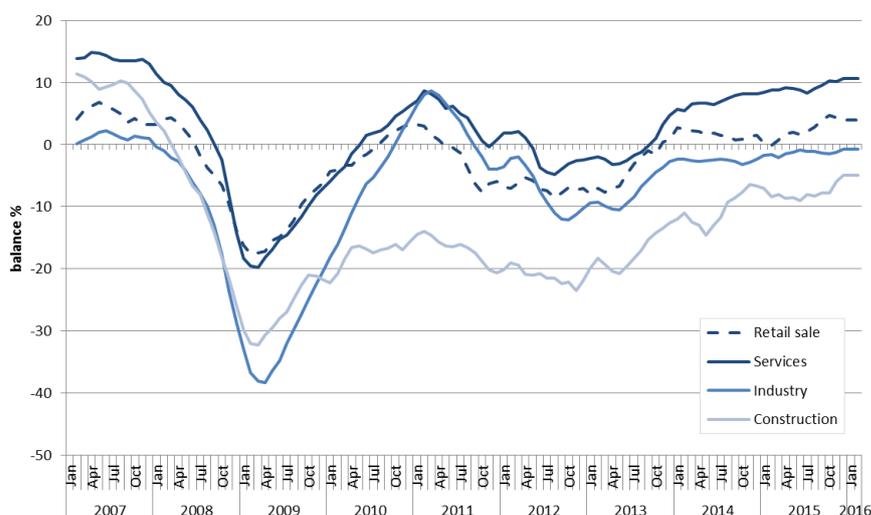
The Commission's economic sentiment indicator (ESI), derived from the EU Business and Consumer Surveys, has slowly improved since autumn 2014. Confidence increased significantly in services and retail, but with retail seeing some deterioration in recent months. Confidence also increased in construction where it is, nevertheless, the gloomiest, and stagnated in industry. On the household side, expectations remained more volatile and less optimistic than business expectations. In particular, consumers' unemployment expectations for the next 12 months remain broadly at a two-year high (Chart 6). Employment prospects for the next months have broadly improved in all sectors except industry (Chart 7).

**Chart 6: Unemployment rate versus unemployment expectations - EU**



Source: European Commission, Business and Consumer Surveys and Eurostat, LFS, data seasonally-adjusted [ei\_bscs\_m, une\_rt\_m]  
[Click here to download chart.](#)

**Chart 7: Employment expectations by sectors - EU**



Source: European Commission, Business and Consumer Surveys [ei\_bsrt\_m\_r2, ei\_bsse\_m\_r2, ei\_bsin\_m\_r2, ei\_bsbu\_m\_r2], data seasonally-adjusted, moving averages

[Click here to download chart.](#)

*Medium-term growth outlook for the EU and EA may weaken, as already seen for the EA*

The latest available Commission Winter Forecast of February 2016 suggested that economic recovery would continue at a modest pace in 2016 and 2017, and together with recent reforms would induce a stronger labour market performance, albeit at a slow and uneven pace across Member States. The Commission forecasted GDP growth in the EU at 1.9% in 2016 and 2.0% in 2017. Regarding the labour market, unemployment was forecast to decline gradually to 9% in 2016 and 8.7% in 2017 in the EU, and 10.5% in 2016 and 10.2% in 2017 in the EA. The more recent forecast of the OECD revised down the economic outlook for the EA, pointing out that the recovery remains modest, with GDP growth expected to pick up only slowly and unemployment remaining high (Table 1).

**Table 1: Recent forecasts – EU and EA**

		GDP growth			Unemployment rate			Employment growth		
		2015	2016	2017	2015	2016	2017	2015	2016	2017
<b>euro area</b>										
Commission	Feb-16	1.6	1.7	1.9	10.9	10.5	10.2	1.0	1.0	1.0
OECD	Feb-16		1.4	1.7		:	:		:	:
IMF	Jan-16		1.7	1.7		:	:		:	:
ECB	Jan-16		1.7	1.8		10.3	9.9		:	:
<b>EU</b>										
Commission	Feb-16	1.9	1.9	2.0	9.4	9.0	8.7	1.0	1.0	0.9

Source: European Commission February 2016 Update, OECD February 2016, ECB survey of professional forecasters (2016Q1), IMF January 2016 Update. Note: ':' data not available.  
[Click here to download table.](#)

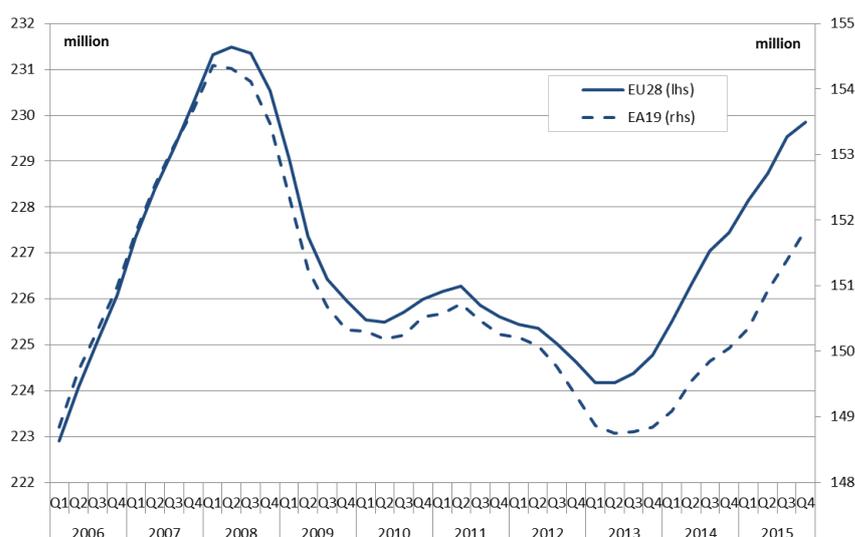
## 2. Employment in the EU and its Member States

### *Employment in the EU continues to expand*

Employment continued to increase in the fourth quarter of 2015, by a modest 0.1% in the EU and a more firm 0.3% in the EA. It was up by 1.0% in the EU and by 1.1% in EA compared to the fourth quarter of 2014. The year-on-year increase represents about 2.4 million more employed people in the EU, including 1.8 million in the EA. Since 2013 and the economic recovery, employment growth has always been higher for the EU as a whole than for the EA. However, employment growth appears to be catching up in the EA (Chart 3).

Employment has grown at EU level for two and a half years now. Its lowest level since the 2008 crisis had been observed in mid-2013. Since then and up to the fourth quarter of 2015, employment has increased by 5.7 million in the EU, including by 3.1 million in the EA. Nevertheless, in the fourth quarter of 2015, employment in the EU remains 0.7% (1.6 million people) below the level reached in its peak level of spring 2008. It is 1.6% lower in the EA, representing 2.5 million fewer people in employment than in spring 2008 (Chart 8).

**Chart 8: Employment level - EU and EA**



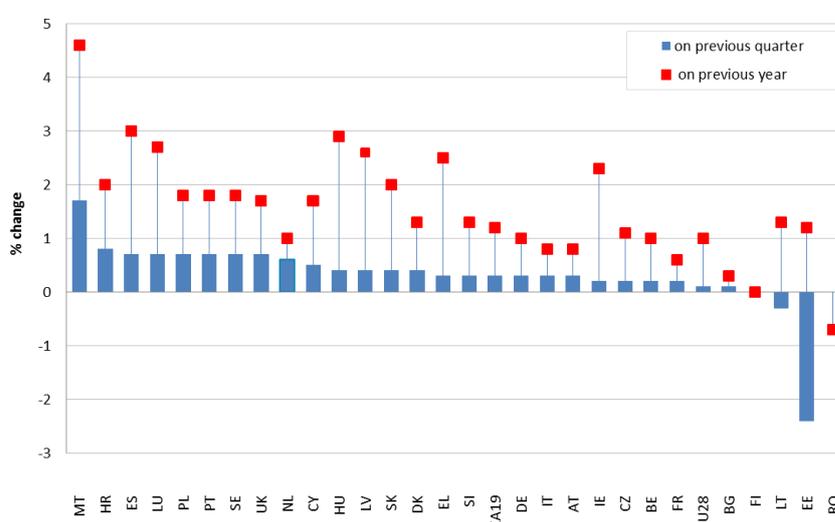
Source: Eurostat, National Accounts, data seasonally-adjusted [namq\_10\_pe]  
[Click here to download chart.](#)

*Employment expands in most Member States, but recovery is uncertain in some*

In the fourth quarter of 2015, employment continued to increase in most Member States, but its recovery is not fully grounded in some. Employment recovered in some Member States after stagnation (Bulgaria, the Czech Republic and Croatia) or the decline (Portugal) seen in the previous quarter. By contrast employment declined in Estonia (-0.3%) and Lithuania (-2.4%) and stagnated in Finland. Among the best performing countries, quarterly employment growth rebounded in Croatia and Portugal, remained relatively high in Luxembourg and Spain, and accelerated in Poland and Sweden (0.7% or more) and most noticeably in Malta (1.7%).

Employment in the fourth quarter of 2015 was higher than in the fourth quarter of 2014 in nearly all Member States. It stagnated in Finland and was lower than a year before in Romania. Among the largest Member States, employment growth remained strong in Spain (3.0%), strengthened to 1.8% in Poland, 1.0% in Germany, 0.8% in Italy and 0.6% in France. Among the remaining Member States, employment growth continued to be the strongest in Greece, Latvia, Hungary, Luxembourg and Malta where it reached 2.5% (Chart 9).

**Chart 9: Employment growth - EU, EA and Member States, 2015Q4**



Source: Eurostat, National Accounts, data seasonally adjusted (q-o-q) and non-seasonally adjusted (y-o-y) [namq\_10\_pe]

Note: No q-on-q seasonally adjusted data for RO.  
[Click here to download chart.](#)

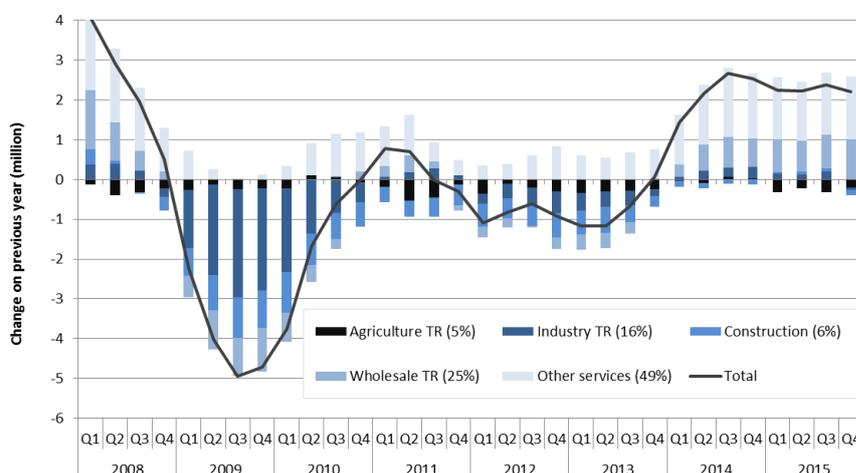
*Service sectors drive employment growth, industry sees stagnation and construction decline*

In the year to the fourth quarter of 2015, EU employment continued to increase across service sectors, but not across industry. Employment in non-tradable<sup>5</sup> services has increased despite the crisis, except for the stagnation observed in 2009. Tradable services have started to support job creation since the beginning of 2014. Employment in industry regained ground since the second half of 2014 onwards, but the end of 2015 saw stagnation. Employment in agriculture, stabilised in 2014, but contracted again in 2015. Employment in construction has not yet shown signs of recovery and in fact contracted further in the year to the fourth quarter of 2015 (Chart 10 and Chart 11).

<sup>5</sup> 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).

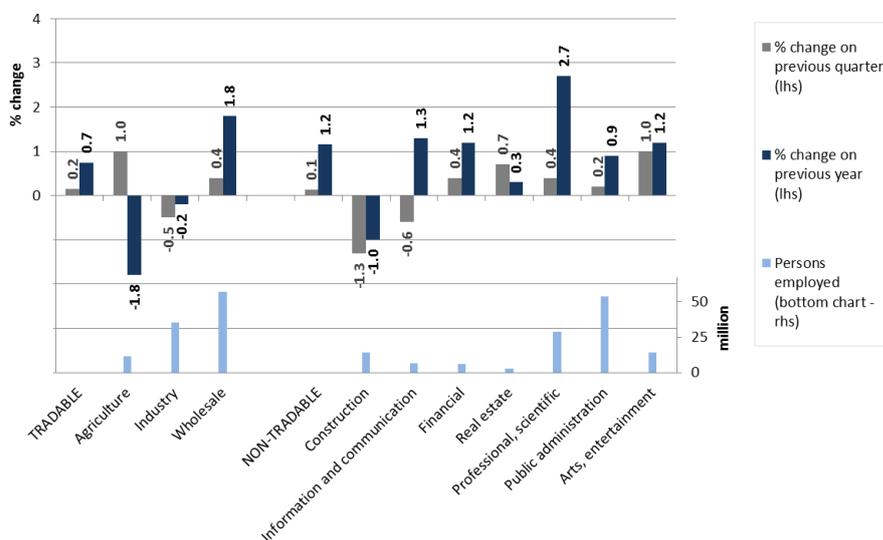
Looking at the fourth quarter of 2015 alone, employment increased in all service sectors, while it declined in industry, construction and agriculture (Chart 11). The [Statistical Annex](#) presents in detail the changes in employment for 10 NACE branches.

**Chart 10: 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.](#)

**Chart 11: Employment growth by sector - EU, 2015Q4**



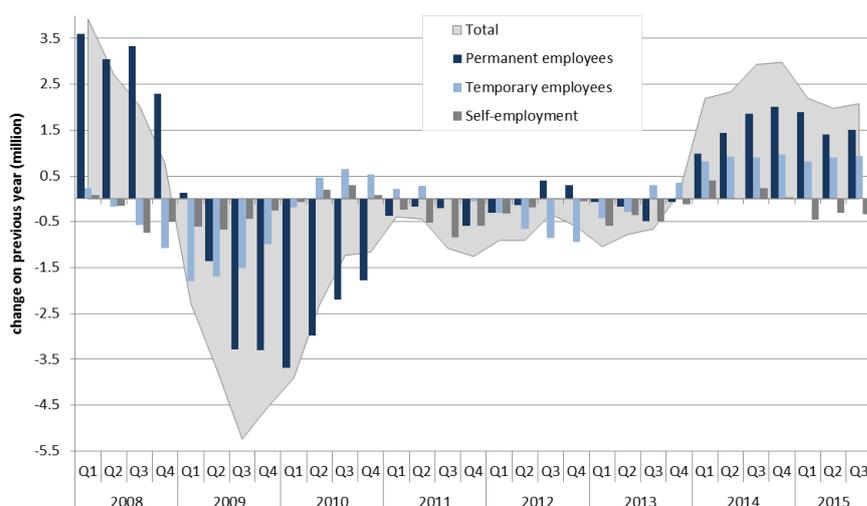
Source: Eurostat, National Accounts, data seasonally adjusted (q-o-q) and non-seasonally adjusted (y-o-y) [namq\_nace10\_e]  
Top chart: Employment growth (%). Bottom chart: Employment level (million).  
[Click here to download chart.](#)

*Permanent jobs continue to contribute to employment expansion, but less so than in 2014*

For nearly two years (since 2014) up to the third quarter of 2015, the increase in the number of permanent employees has outnumbered the increase in the number of temporary employees. Yet, temporary employment, accounting for less than 15% of all employees, had been growing at a faster

pace than permanent employment. In the year to the third quarter of 2015, the number of employees with a permanent contract increased by about 1.5 million (1.0%), while the number of employees with a temporary contract increased by 930 thousand (3.6%). The number of self-employed decreased by around 330 thousand (1.0%). Permanent employment had not fully recovered to the 2008 levels, whereas temporary employment had. Compared to the pre-crisis level in 2008, the number of employees with a permanent contract in the third quarter of 2015 had remained 2.4 million (1.5%) lower, while the number of employees with a temporary contract had been 400 thousand (1.5%) higher (Chart 12).

**Chart 12: Change in permanent and temporary employment and self-employment - EU**

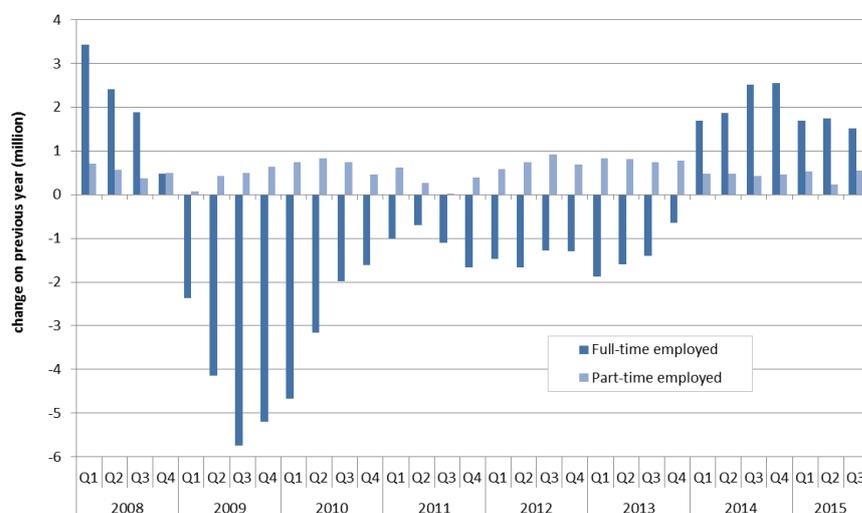


Source: Eurostat, LFS, data non-seasonally adjusted [lfsq\_egaps, lfsq\_etgaed]  
[Click here to download chart.](#)

#### *Full-time employment continues to drive employment growth*

Full-time employment had also increased faster than part-time employment for nearly two years (since 2014). In the year to the third quarter of 2015, the number of full-time workers increased by about 1.5 million (0.9%) and the number of part-time workers increased by about 600 thousands (1.3%). Part-time employment had never declined since the crisis, whereas full-time employment is still below its 2008 pre-crisis level. The number of people working full-time in the third quarter of 2015 had remained 4.1% (7.5 million) lower than in 2008, while part-time employment had been 10.4% higher (3.9 million) (Chart 13).

**Chart 13: Change in part-time and full-time employment - EU**



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

## Employment rates in the EU and its Member States

### *The EU employment rate returns to pre-crisis level – ‘seven years lost’*

By the third quarter of 2015, the employment rate for 20-64 year-olds had increased consistently for two years. It increased by 0.9 percentage points (pp) in the year to the third quarter of 2015, at a similar pace as in previous quarters. Although it had returned to its 2008 level, at 70.6% (non-seasonally adjusted), the rate remained nearly 5 pp below the Europe 2020 target. For the EA, the employment rate increased by 0.8 pp in the year to the third quarter of 2015, to reach 69.4%. The employment rate in the EA was still 1.1 pp below the 2008 value (Chart 14, Chart 15).

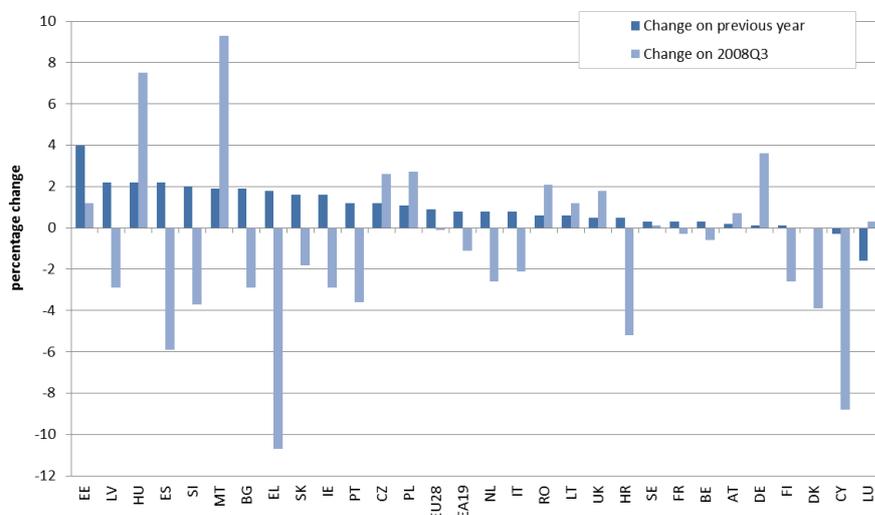
### *Employment rates recover in most Member States, but are far below pre-crisis level in many*

In the year to the third quarter of 2015, the employment rate for 20-64 year-olds increased in all Member States except for Cyprus and, more noticeably, Luxembourg (where it was down 1.6 pp). The largest increases were recorded in Estonia, Latvia, Hungary and Spain (more than 2 pp).

Despite the observed improvements, the employment rate in the third quarter of 2015 remained below the 2008 rate in many Member States, having dropped significantly (by 5 pp or more) in Greece, Cyprus, Spain and Croatia. Hungary and Malta showed the most significant increase (more than 7 pp). After having some of the lowest employment rates in the EU, they now have approached the EU average. Among the largest Member States, Germany, Poland and the UK saw a consistent increase in their employment rates, which contributed to the increase of the EU average employment rate and its recovery to the 2008 pre-crisis level.

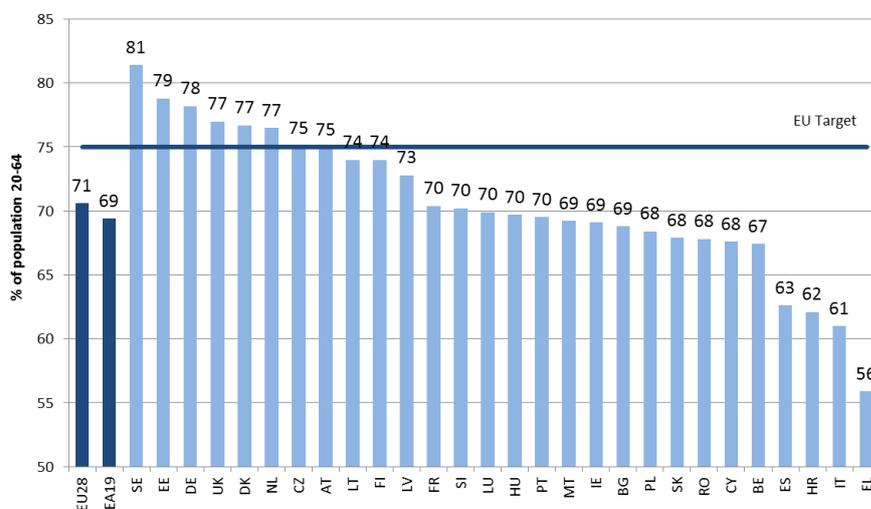
In the third quarter of 2015, there was a 25 pp difference between the highest employment rate of more than 80% in Sweden and the lowest employment rate of just 56% in Greece (Chart 15).

**Chart 14: Employment rate - EU, EA and Member States, change to 2015Q3**



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

**Chart 15: Employment rate - EU, EA and Member States, 2015Q3**



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

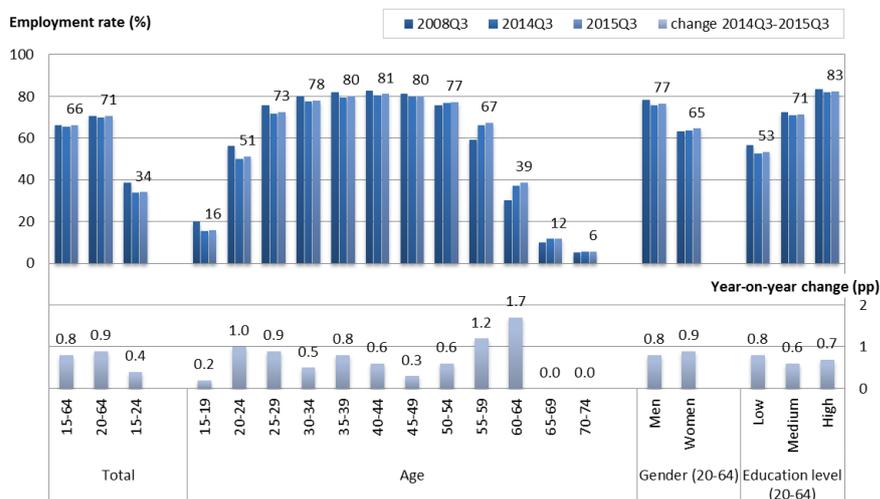
*Employment rates improve across all population groups and particularly for older workers*

In the year to the third quarter of 2015, the EU employment rate increased for all population groups and most noticeably for people aged 55-59 (1.2 pp) and those aged 60-64 (1.7 pp). This encouraging trend observed over the past few years resulted in an 8 pp increase in the employment rate of older workers since 2008. In the year to the third quarter of 2015, a noticeable 1 pp increase was recorded in the employment rate of young people aged 20-24 and 25-29. Still, the employment rate for young people remains much lower than in 2008: a 4 pp gap for 20-24 year-olds and a 5 pp gap for 25-29 year-olds.

The increase in the employment rate during the year to the third quarter was similar for both men and women and for the various education levels. When compared to 2008, the employment rate in

the third quarter of 2015 had increased for women (by 1.5 pp), but not for men (down by 1.7 pp) (Chart 16).

**Chart 16: 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 2014Q3-2015Q3 (pp).

[Click here to download chart.](#)

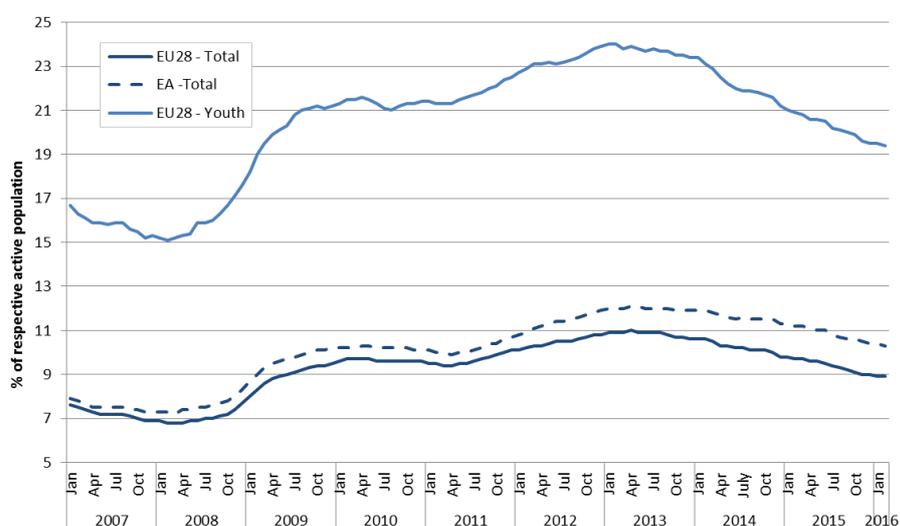
### 3. Unemployment in the EU and in Member States

#### *EU and EA unemployment continues to slowly recede*

The unemployment rate in the EU and EA has seen a steady but moderate decline since mid-2013. It declined to 8.9% in the EU and 10.3% in the EA in February 2016, a reduction of 0.8 pp for the EU and 0.9 pp for the EA compared to February 2015. The unemployment rate in the EU remained 2.2 pp higher than its low of 6.7% in March 2008 (Chart 17). For the EA, the difference with respect to March 2008 is 3.1 pp but the February unemployment rate was the lowest rate recorded since September 2011.

The decline in the unemployment rate between February 2015 and February 2016 represents about 2 million fewer unemployed people in the EU, including 1.3 million in the EA. Although unemployment receded by more than 4.9 million since its peak observed in April 2013, its decline has not returned unemployment to the 2008 pre-crisis levels. With about 21.7 million unemployed people, including 16.6 million in the EA, there are still around 4.9 million more unemployed people in February 2016 than in March 2008, when unemployment was at its lowest.

**Chart 17: 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 declines in most Member States*

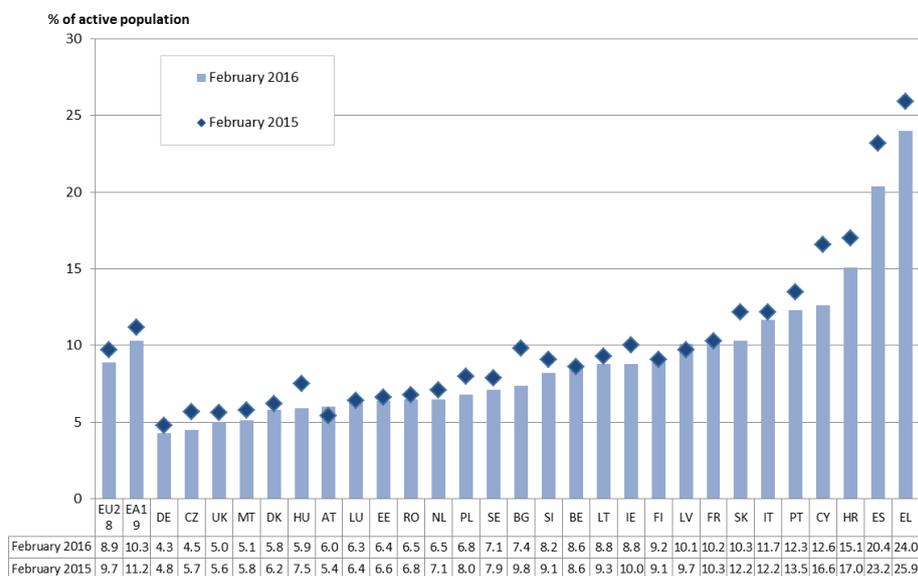
In the year to February 2016, unemployment rates decreased in most Member States but increased in three, namely Austria by 0.6 pp, Latvia by 0.4 pp, and Finland by 0.1 pp. The largest decreases were recorded in Cyprus (4.0 pp), Spain (2.8 pp) and Bulgaria (2.4 pp).

The largest year-on-year reductions in unemployment took place in Spain (2.8 pp), Portugal and Slovakia (each with a reduction of 1.8 pp) (Chart 19).

Large differences remain among Member States, with the unemployment rate ranging from 4.5 % in Germany to a high 24 % in Greece<sup>6</sup> and 20.4 % in Spain (Chart 18).

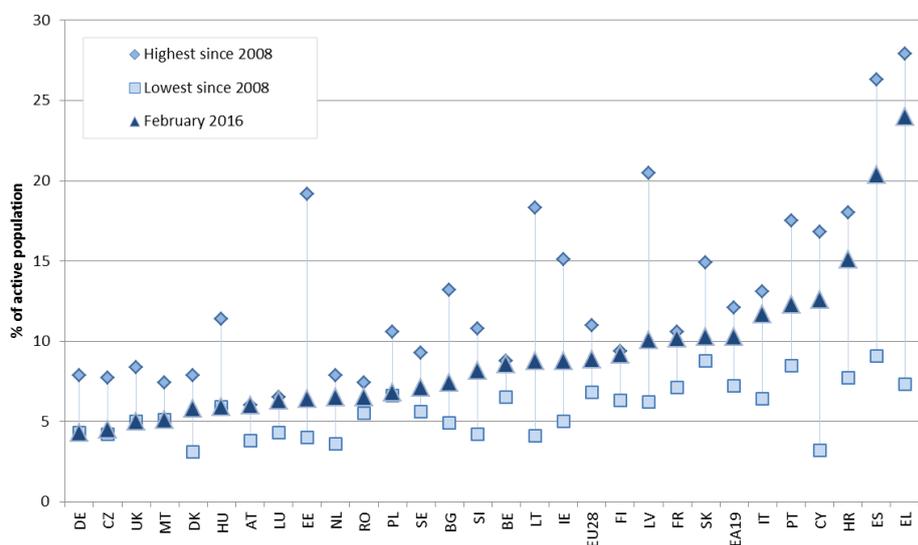
<sup>6</sup> December 2015

**Chart 18: Unemployment rates - EU, EA and Member States, February 2015 and February 2016**



Source: Eurostat, series on unemployment, data seasonally adjusted [une\_rt\_m]  
Note: EL, UK: December 2015, EE, HU: January 2016  
[Click here to download chart.](#)

**Chart 19: Unemployment rates - EU, EA and Member States, February 2016 and highest and lowest rate since 2008**



Source: Eurostat, series on unemployment, data seasonally adjusted [une\_rt\_m]  
Note: EL, UK: December 2015, EE, HU: January 2016  
[Click here to download chart.](#)

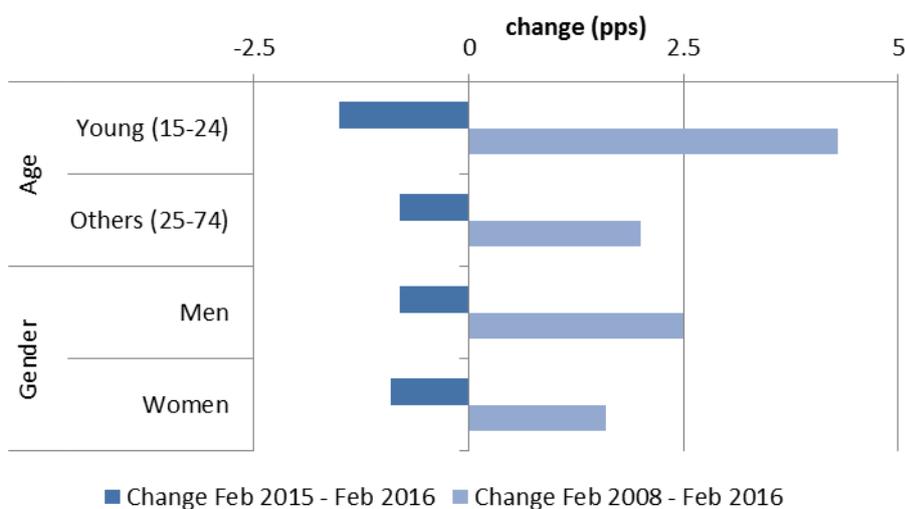
*Unemployment declines for all population groups*

In the year to February 2016, the unemployment rate declined in the EU for all age-groups and for both men and women. In that period, it declined by 0.8 pp for men and 0.9 pp women and stood at 8.8% and 9.0% respectively in February 2016. In the EA, the unemployment rate declined by 0.8 pp for men and 0.9 pp for women to reach 10.2% and 10.5% respectively in February 2016. For those

aged 25-74, the unemployment rate in the EU declined by 0.8 pp in the year to February 2016, with a sharper 1.5 pp decrease observed for those aged 15-24 now 19.4%.

Quarterly data for the third quarter of 2015 (not shown) confirms the decline in unemployment rates for all 5-year age groups between 15 and 64 years of age when compared to the third quarter of 2014. The only (slight) increase is seen for the age group 65-69. The unemployment rate also declined for the three levels of education considered (low, medium and high). Nonetheless, these changes were not enough to return unemployment rates back to the values observed in 2008 (Chart 20).

**Chart 20: Unemployment rate by population groups - EU, change to February 2016**



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

**Table 2: Youth unemployment rates - February 2016**

	Youth unemployment rate	Year-on-year change (percentage points)	flag
HR	40.3	-6.0	2015Q4
ES	45.3	-5.5	
HU	14.4	-4.3	2016M01
CZ	10.2	-4.0	
LT	14.5	-3.9	
CY	30.5	-3.9	2015Q4
LU	15.1	-3.5	
PT	30.0	-3.1	
SE	19.4	-2.6	
RO	20.9	-2.6	2015Q4
UK	13.4	-2.5	2015M12
SK	24.1	-2.5	
IT	39.1	-2.5	
EL	48.9	-2.3	2015M12
IE	20.1	-1.9	
PL	20.0	-1.8	
SI	16.9	-1.7	2015Q4
EU28	19.4	-1.5	
EA19	21.6	-1.1	
BG	20.8	-0.7	
DE	6.9	-0.3	
FR	24.6	-0.3	
DK	10.5	0.0	
MT	10.8	0.3	
NL	11.3	0.3	
FI	22.1	0.3	
EE	15.6	2.7	2016M01
LV	18.2	3.1	
BE	25.1	3.2	2015M12
AT	12.6	3.8	

Source: Eurostat, series on unemployment, data seasonally adjusted [une\_rt\_m]

Note: BE, EL, UK: December 2015, EE, HU: January 2015, CY, SI, RO and HR: 2015Q4

[Click here to download chart.](#)

#### *Youth unemployment in the EU continues to recede*

In the year to February 2016, the youth unemployment rate (for those aged 15-24) for the EU declined by 1.5 pp and reached 19.4%. In the same period, the youth unemployment rate declined by 1.1 pp in the EA and reached 21.6 % in February 2016. These declines represent nearly 428 000 fewer unemployed people aged 15-24 in the EU, including 219 000 in the EA. Still, at 4.4 million unemployed young people, including 3 million in the EA, the level of youth unemployment remains markedly higher than its low in 2008.

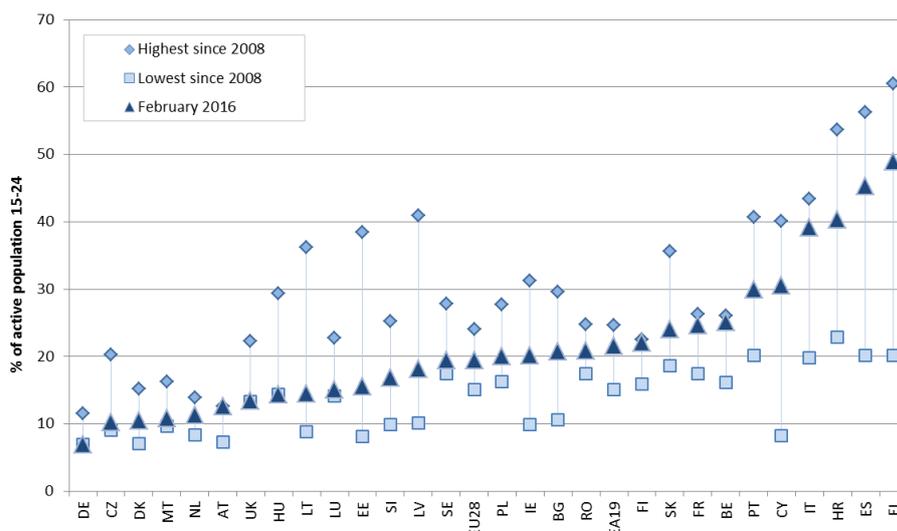
#### *Youth unemployment below peak levels in all Member States but for many still some way from pre-crisis levels*

In the year to February 2016, the unemployment rate among young people aged 15-24 fell in most Member States. However, seven Member States had year-on-year increases during this period, notably Austria (3.8 pp), Belgium (3.2 pp), Latvia (3.1 pp) and Estonia (2.7 pp). The youth unemployment rate fell considerably in Croatia (6 pp), Spain (5.5 pp), Hungary (4.3 pp), the Czech Republic (4 pp) and Cyprus and Luxembourg (each 3.9 pp). Despite the observed improvements, unemployment affects over 40% of young active people aged 15 to 24 in Greece (48.9%), Spain (45.3%) and Croatia (40.3%). It is more than 30% in Italy (39.1%), Cyprus (30.5%) and Portugal (30%). By contrast, youth unemployment rates are below 11% in Germany (6.9%), the Czech Republic (10.2%), Denmark (10.5) and Malta (10.8%) (Table 2 and Chart 21).

All Member States registered youth unemployment rates below their recent peak values. Some Member States including Estonia, Latvia, Lithuania, Ireland, and Croatia have achieved significant

reductions in their youth unemployment rate since recent highs (Chart 21), and in Member States with very high youth unemployment like Greece and Spain, the youth unemployment rate has registered an important decline. However and despite the observed improvements some Member States like Cyprus, Italy, Croatia, Greece and Spain have a significant way to go to return to pre-crisis levels.

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



Source: Eurostat, LFS, data seasonally adjusted [une\_rt\_m]  
Note: BE, EL, UK: December 2015, EE, HU: January 2015, CY, SI, RO and HR: 2015Q4  
[Click here to download chart.](#)

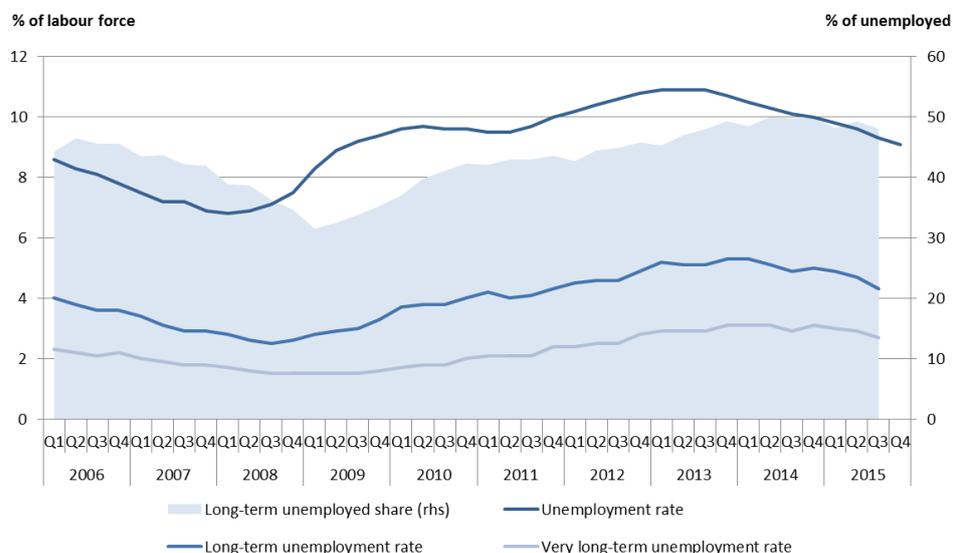
## 4. Long-term unemployment and additional potential labour force

### *Long-term unemployment rate declines at a faster pace*

The long-term unemployment rate, i.e. the rate of those unemployed for a year or more, decreased 0.6 pp in the year to the third quarter of 2015, to reach 4.3% of the labour force (Chart 22). This is the largest reduction since the first decline in long-term unemployment observed in 2014. In the same period the very long-term unemployment rate, i.e. those unemployed for at least two years, decreased by 0.2 pp to reach 2.7% of the labour force. These figures suggest that that the reduction in long-term unemployment may be gaining some momentum.

Compared to the third quarter of 2014, there were almost 1.5 million fewer people in long-term unemployment. However, long-term unemployment remains an important challenge in the EU with around 10.5 million people in unemployment for more than a year, despite searching for a job, including 6.5 million for more than two years. In the third quarter of 2015 there were still 4.5 million more people in long-term unemployment than in 2008.

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



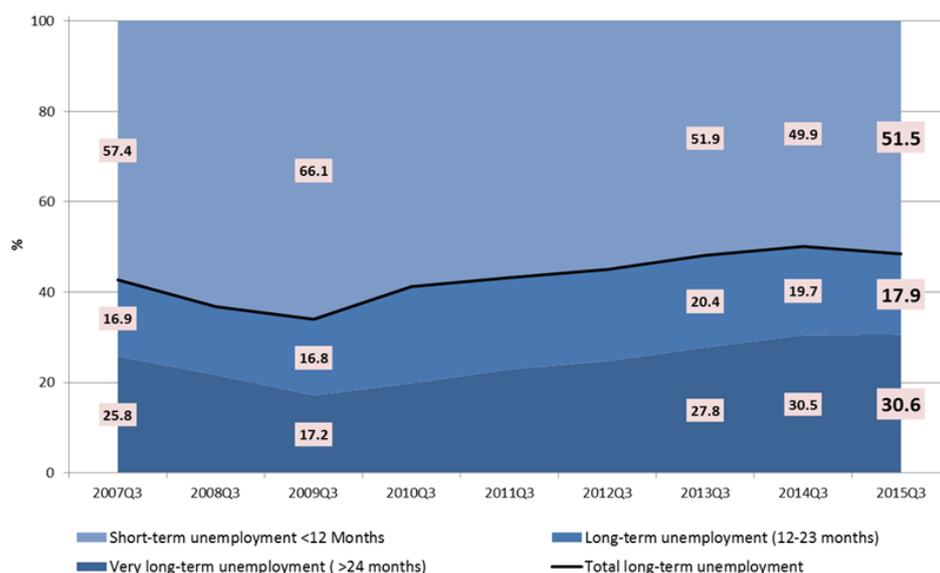
Source: Eurostat, LFS, data seasonally adjusted (unemployment rate) and non-seasonally adjusted (long-term unemployment rates) [une\_rt\_q, une\_ltu\_q]

Left axis: Unemployment rates (% of labour force). Right axis: unemployment share (% of unemployed)  
[Click here to download chart.](#)

*The share of long-term unemployment in total unemployment starts to diminish*

The yearly reduction in long-term unemployment rate has been larger than the decline in short-term unemployment (0.6 pp vs 0.2 pp). This has resulted in a decline in the share of long-term unemployment in total unemployment. This new trend suggests that the labour market recovery may be reaching those further from the labour market. Chart 23 shows the detailed composition of unemployment by duration and the respective changes. The chart also shows that the reduction is proportionally stronger for those unemployed between one and two years than for the very long-term unemployed, i.e. those unemployed for two or more years. Their share has increased slightly, even if the very long-term unemployment rate has decreased.

**Chart 23: Unemployment level by duration of unemployment – EU**



Source: Eurostat, LFS, data non-seasonally adjusted [lfsq\_ugad]

Note: Data for third quarter of each year

[Click here to download chart](#)

### *Strong decreases in Member States with highest unemployment rates*

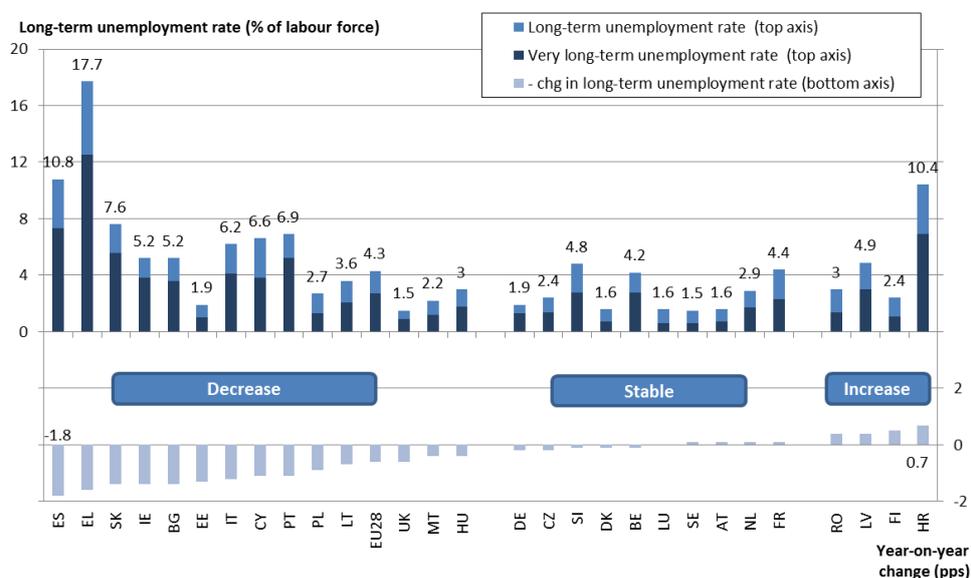
In the year to the third quarter of 2015, long-term unemployment declined across the majority of Member States. Moreover, Member States with the highest rates, above 6%, saw important decreases, above 1 pp, with the exception of Croatia where long-term unemployment increased by 0.7 pp. The largest decreases were seen in Spain (1.8 pp) and Greece (1.6 pp) although they still had the highest rates, 10.8% and 17.7% respectively. Estonia also registered one of the strongest decreases (1.3 pp) although Estonia had one of the lowest rates of long-term unemployment (1.9%). Finland, in line with its increase in unemployment, saw one of the highest increases in long-term unemployment rate (0.5 pp) although its rate was still far below the EU average (2.4% vs. 4.3%). Interestingly, the other two countries with the highest increases in long-term unemployment in this period, Croatia and Latvia, saw reductions in their unemployment rate. This is because, in these countries, and in contrast to the general trend, the performance for short-term unemployment was better than for long-term unemployment.

Greece's rate of very long-term unemployment remains the highest in the EU at 12.5% of their labour force, although it decreased by 0.4 pp in the year to the third quarter of 2015. During the same period, Latvia showed the sharpest increase in very long-term unemployment rate, 0.7 pp, so that it is now 3% of the labour force.

Greece also holds the highest share of long-term unemployment, 73.7% of its total unemployment, followed by Croatia and Slovakia with 67.5% and 67%. All these shares are well above the EU28 average (48.1%).

Since the onset of the crisis in 2008, Germany has seen the best overall long-term unemployment rate evolution with a decrease of 1.8 pp. This was mostly achieved through the reduction of the very long-term unemployment rate (down by 1.4 pp).

**Chart 24: Long-term unemployment rate - EU, EA and Member States, level and change over the year to 2015Q3**



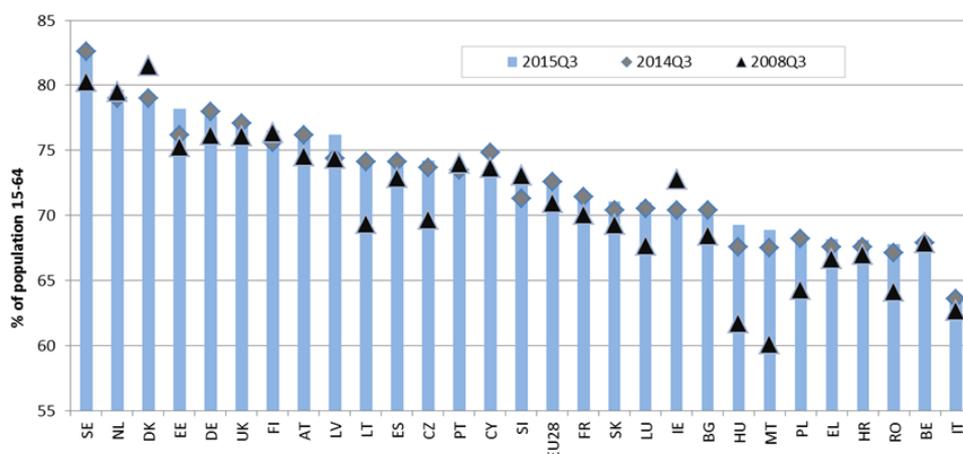
Source: Eurostat, LFS, data non-seasonally adjusted [une\_ltu\_q]  
[Click here to download chart.](#)

*Activity rates continue to increase ...*

The EU activity rate for the 15 to 64 age group increased 0.2 pp in the year to the third quarter of 2015 to reach 72.8% of the total population (Chart 5). The rate has grown at a constant pace since the third quarter of 2008 and is now 1.8 pp higher. In the third quarter of 2015, the total active population of the EU was around 243 million people, 2.5 million more people than in the third quarter of 2008.

In the year to the third quarter of 2015, most Member States registered an increase in their activity rates (Chart 25). Four Member States experienced minor decreases, and Cyprus had a more significant 1.6 pp decrease. The largest increases in activity rates occurred in Estonia (2 pp) and Latvia (1.8 pp). Malta and Hungary have had the largest increases in activity rates since the third quarter of 2008, 8.8 pp and 7.6 pp respectively. The largest decreases in active population since 2008 were seen in Denmark (2.8 pp) and Ireland (2.3 pp), though the activity rate in Denmark is one of the EU highest. Sweden, Netherlands and Denmark have the highest activity rates with around 80% of the total population in activity, including a large part in employment (employment rates of 76.9%, 74.5% and 73.7%). Italy is the only Member State with an activity rate below 65%, 4 pp less than the second lowest Member State, Belgium.

**Chart 25: Activity rate - EU and Member States**



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

...mostly due to a significant increase in the activity rate of those 55-64, with the activity rate of those aged 55-59 approaching the overall 15-64 (working age) activity rate

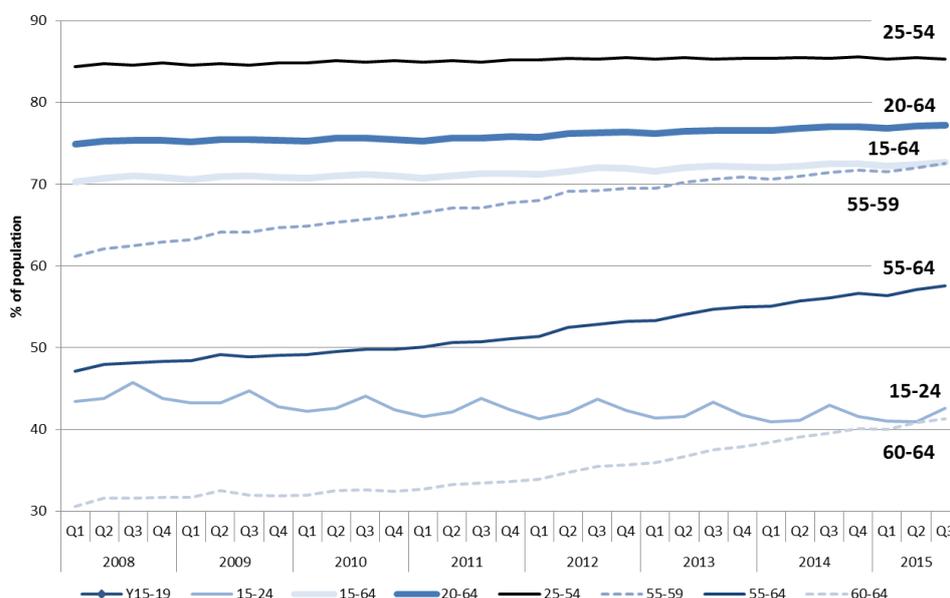
The constant growth of the overall working age (15-64) activity rate hides some interesting and differences across age groups. Since the onset of the crisis, the different age groups analysed in Chart 26 have evolved according to different trends.

As mentioned above, activity rates have been growing consistently since 2008 for those aged 15 to 64 years (standard working age group) and for those 20 to 64 years (Europe 2020 employment rate target group). Within these age groups, older workers aged 55 to 64 years are the main age group driving the continuous increase in activity rates. This group saw an activity rate increase close to 10 pp in seven years. This compares to an activity rate increase of 0.7 pp seen for the age-group 25-54.

Within the 55-64 age group, the activity rate of those 55 to 59 years has continuously increased altogether by more than 10 pp. The activity rate of those 55-59 years has now reached the rate of those 15 to 64 years. Those aged 60 to 64 years have also seen their activity rate (and employment rate) increase continuously and substantially since 2008 and especially since 2012.

Young people, especially those under 20, have been somewhat experiencing an opposite trend in their activity rate notably up to mid-2015. The activity rate of young people aged 15-24 declined by almost 3 pp in its activity rate since 2008. However, this decline in activity rates is not necessarily a bad sign for young people aged 15-24 if it reflects an increase in training and education enrolment as could indeed be observed and is implied by the Europe 2020 target for tertiary education. The third quarter of 2015 saw an increase in activity rates which has been associated with an increase in employment.

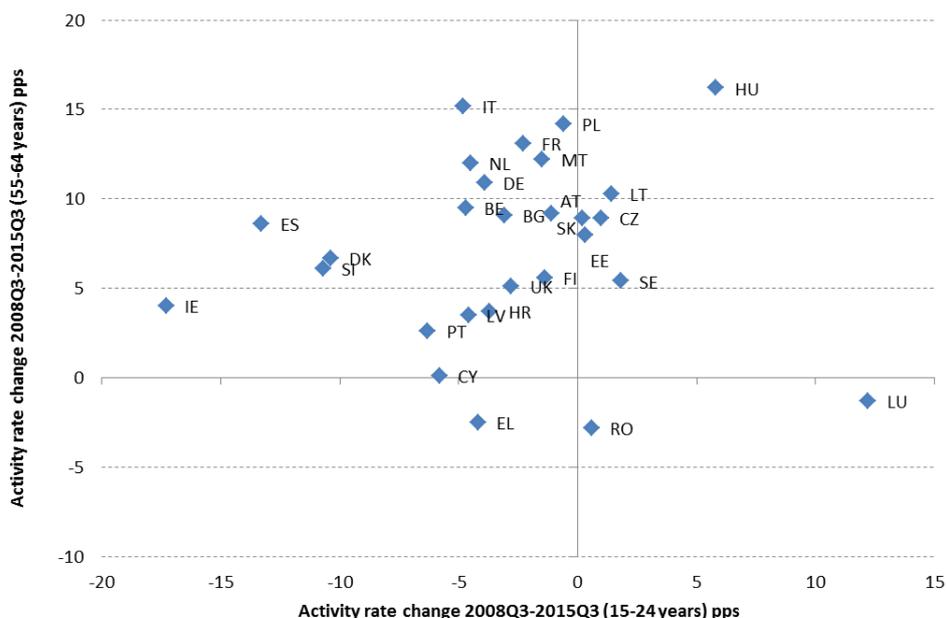
**Chart 26: Activity rate by selected age groups – EU**



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

Chart 27 shows the detailed evolution in the activity rate of young people and older workers per Member State. Most of the countries follow the general trend of increasing rates for older workers and reductions for youngsters. Hungary combines the greatest change in both age groups, while Greece is the only country with decreases in both age groups. Regarding the evolution of youth activity rates, most of the countries have moderate decreases that can be explained by increases in education enrolment. But there are some countries, with decreases above 10 pp since 2008, where the situation is more worrying, namely Ireland, Spain, Slovenia and Denmark.

**Chart 27: Change in Activity by age group (15-24 vs 55-64) in Member States**



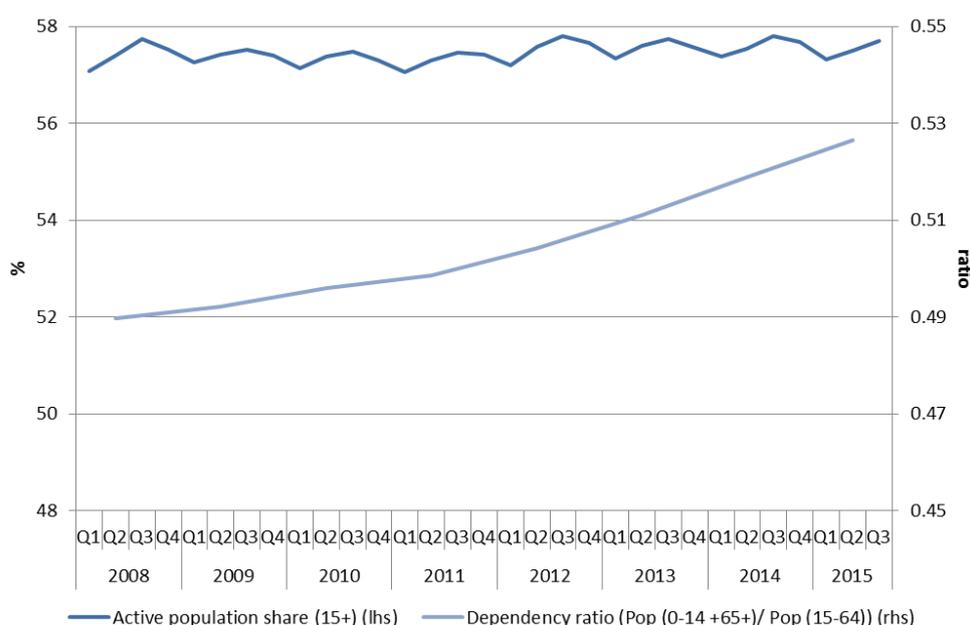
Source: Eurostat, LFS, data non-seasonally adjusted [lfsq\_argaed]  
[Click here to download chart.](#)

*But the share of the active population aged 15 years and more in the total population remains stable as a result of population ageing*

In spite of the increase in the activity rate of the population aged 15 to 64 years since 2008, the share of active people in the total population above 15 years has not changed significantly (Chart 28). This is caused mainly by population ageing driven by a longer life expectancy and lower fertility rates. For instance, the population above 65 years has increased in the EU by more than 10 million people since 2008. This is shown by the increase in the dependency ratio that compares the so called 'dependent population', i.e. those less than 15 years and above 64 years, with the working age population, those between 15 and 64 years (Chart 28).

The increase in working-age activity rates and more specifically the increase in activity rates of those aged 55-64 has helped compensate for the increase in the population aged 55 and more and has resulted in a flat evolution of the share of the active population in the total population above 15 years.

**Chart 28: Active population share and dependency ratio – EU**



Source: Eurostat, LFS and Demographic, data non-seasonally adjusted [lfsq\_pganws, demo\_pjanbroad]  
[Click here to download chart.](#)

*Discouragement and underemployment in the EU are decreasing*

The potential additional labour force that could be added to those in employment or unemployed (the active population) is monitored using three supplementary indicators<sup>7</sup> to unemployment. These are 'discouragement', 'underemployment' and 'seeking but not available for work'. These three indicators are expressed as a percentage of the labour force, i.e. the active population. They are also called supplementary indicators to unemployment (SIU).

<sup>7</sup> 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](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Underemployment_and_potential_additional_labour_force_statistics)

The proportion of 'discouraged workers' in the EU, i.e. those who are available for work but not seeking it, was 3.9% of the labour force in the third quarter of 2015. This rate slightly decreased by 0.2 pp compared to the third quarter of 2014.

'Underemployment', i.e. the proportion of those who would like but cannot find full-time work, showed a minor 0.1 pp decrease in the year to the third quarter of 2015 and was 4% of the labour force. This was its lowest value in 3 years.

The rate of 'those seeking but not available for work', remained unchanged at 0.9% of the labour force in the year to the third quarter of 2015.

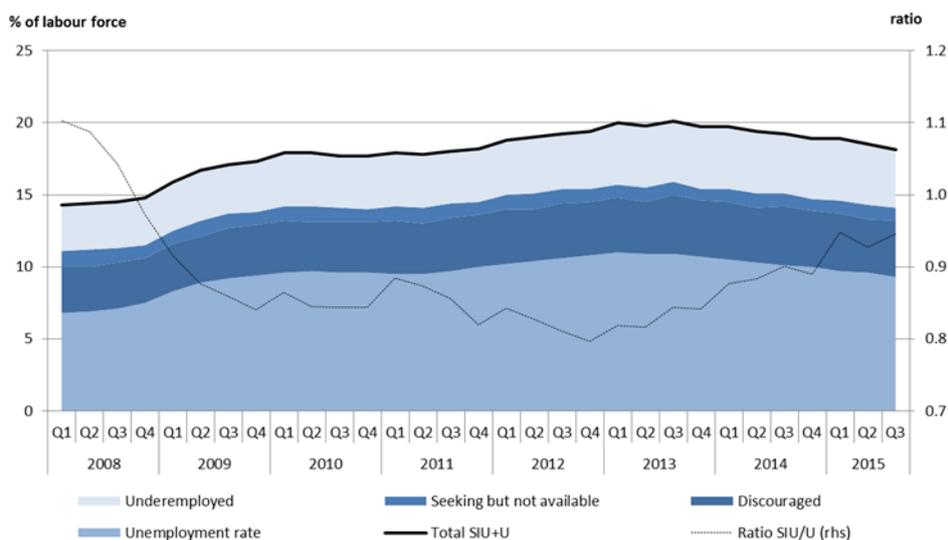
The combined decrease of these three indicators complements the positive developments of total unemployment (Chart 29) and also long-term unemployment.

**"Underemployment" vs "Involuntary part-time"**

These two indicators are similar but slightly different when looking at the definitions and could be misused. "Underemployment" is defined as those working part-time who would like to work more hours and are available to do so. On the other hand, "Involuntary part-time" is defined as one of the reasons to be in part-time work: "Couldn't find full time work".

There are important overlaps between both groups, although it is important to bear in mind the differences in their definitions in order to choose the right indicator for a specific context. For instance, a person working part-time and wanting to extend his working hours (for example from 4 to 6 daily hours) but not a full-time job, will not be considered as involuntary part-time employed but will be considered as underemployed. Therefore, when looking at underutilisation of the labour force, it is better to use underemployment than involuntary part-time to obtain a more complete picture.

**Chart 29: Unemployment, potential labour force and underemployment - EU**



Source: Eurostat, LFS, data seasonally adjusted (unemployment rate) and non-seasonally adjusted (other indicators), [unert\_q, lfsi\_sup\_age\_q] (DG EMPL calculations)

Note: SIU stands for the Supplementary Indicators to Unemployment representing the potential additional labour force

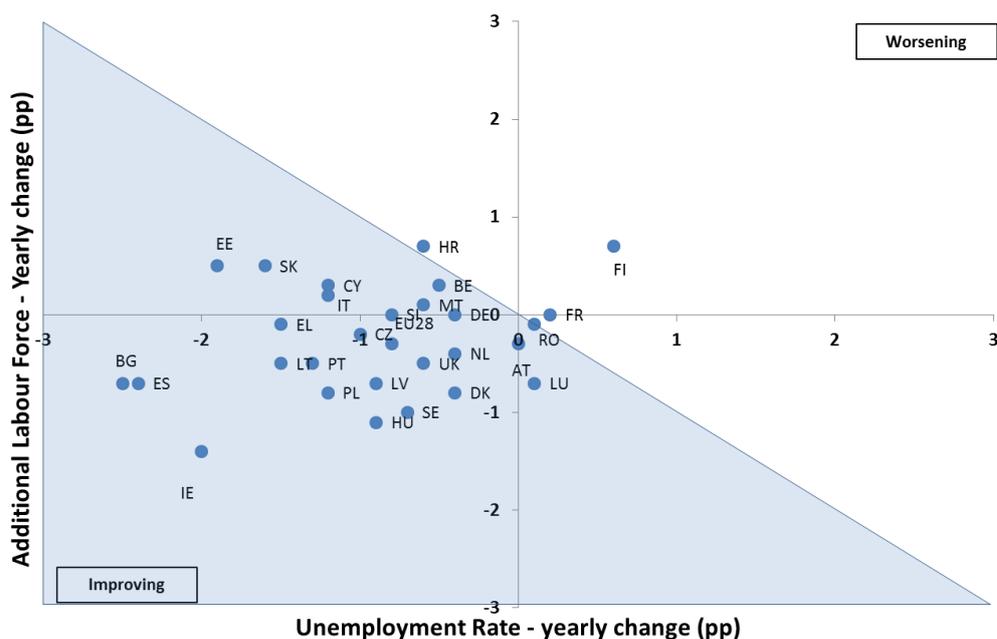
[Click here to download chart.](#)

*All indicators point to labour markets improvements for the EU as a whole*

The changes in the unemployment rate must be analysed alongside indicators on activity rates (as above) and indicators of the potential labour force. Together these indicators can be used to analyse the extent to which Member States are able to mobilise their working-age population. Looking at

unemployment alone would not be sufficient; poor labour market performance may also be reflected in a rising number of discouraged workers or increased underemployment. In the year to the third quarter of 2015, the reductions in unemployment in most Member States were accompanied by improvements in supplementary indicators. This is especially the case in Bulgaria, Spain and Ireland (Chart 30). On the other hand, Finland registered the largest combined increase in the additional potential labour force and the unemployment rate: 1.2 pp in the year to the third quarter of 2015.

**Chart 30: Unemployment vs. supplementary indicators to unemployment (SIU) - EU Member States, changes 2014Q3-2015Q3**



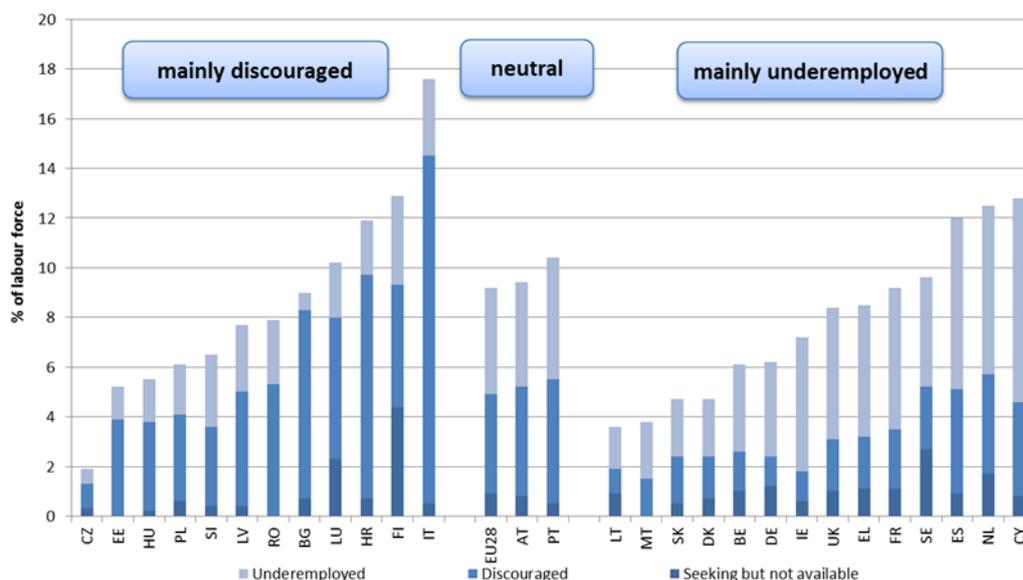
Source: Eurostat, LFS, data non-seasonally adjusted [une\_rt\_q, lfsi\_sup\_age\_q]  
Note: EE, LU, MT and RO: no data for 'Seeking but not available'  
[Click here to download chart.](#)

*Members States face different challenges with regard to their potential additional labour force*

Member States can be divided into those with mainly 'discouraged people' and those with mainly 'underemployed people' (Chart 31). In the third quarter of 2015, Italy was still the country with the highest combined level of supplementary indicators. This is mainly due to Italy having the highest discouragement rate in the EU – 14.4% of the labour force, a rate that increased by 0.2 pp in the year to the third quarter of 2015. Croatia is the Member State with the second highest discouragement rate, 8.3% of the labour force, and the worst evolution over the last year with a 0.8 pp increase.

In the third quarter of 2015, Cyprus still had the highest rate of underemployment, followed by Spain: 7.1% and 6.5% of the labour force, respectively. The Netherlands also has a high rate of underemployment, 6.3% of the labour force. However, the Netherlands also has, by far, the highest share of part-time employment in the EU, around 50%. In the year to the third quarter of 2015, Slovenia was the country with the highest increase (1.2 pp), so that underemployment reached 3.6% of the labour force.

**Chart 31: Labour underutilisation - EU and Member States, 2015Q3**



Source: Eurostat, LFS, data non-seasonally adjusted [lfsi\_sup\_age\_q]

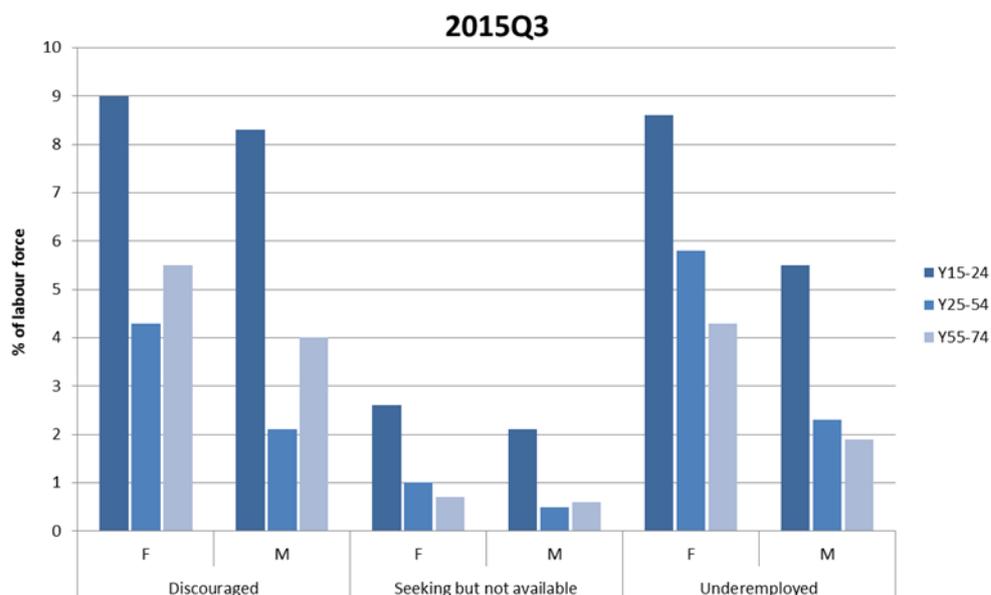
Note: EE, LU, MT and RO: no data for 'Seeking and not available'

[Click here to download chart.](#)

*Discouragement is lower among the young, and underemployment for women decreased*

Young workers are particularly affected by underemployment and discouragement. Nevertheless, during the year to the third quarter of 2015, discouragement decreased markedly for young people aged 15-24 (0.6 pp), albeit not everywhere in the EU. In Slovenia, underemployment among young people registered an increase of 7.8 pp. By contrast, in Estonia, discouragement among youngsters decreased by 3.8 pp, and the discouragement rate is down to 9.9%. Underemployment decreased slightly for women (0.1 pp), but this change differed across age groups: it increased by 0.3 pp for young women but decreased by 0.3 pp for older women. The gender gap in underemployment is double that for discouragement (Chart 32).

**Chart 32: Underemployment and potential labour force by sex and age - EU, 2015Q3**



Source: Eurostat, LFS, data non-seasonally adjusted [lfsi\_sup\_age\_q]  
[Click here to download chart.](#)

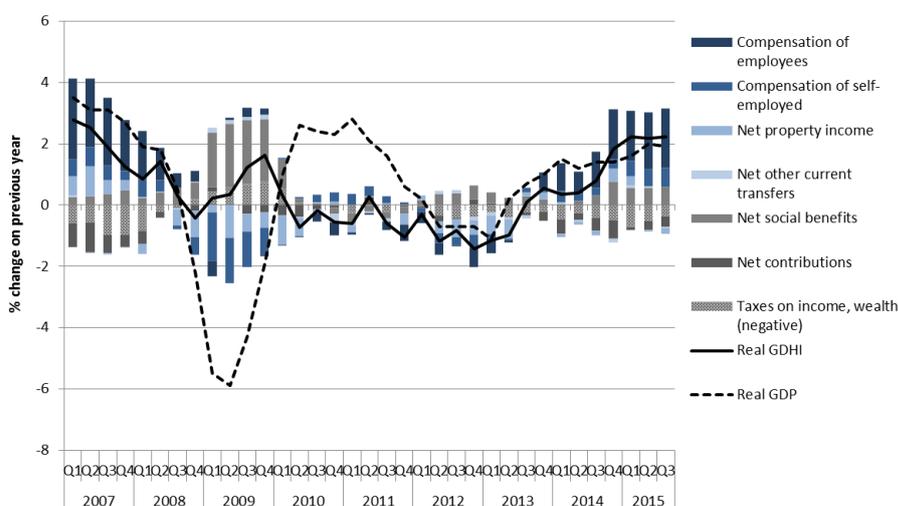
## 5. Income and financial situation of households

### *Household incomes in the EU benefit from strengthening economic activity*

On average in the EU<sup>8</sup>, real growth in gross disposable household income (GDHI) remained at a solid 2% in the year to the third quarter of 2015. The year-on-year growth rates observed throughout the first three quarters of 2015 were higher than the growth rates of less than 1% observed in 2014 (Chart 33). By contrast, in the EA, the year-on-year real growth rate of GDHI recorded in the third quarter of 2015 had decelerated to 1.6% compared to the year-on-year growth seen in previous quarter.

<sup>8</sup> 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 33: 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 income resulting from higher income from work and improved social benefits*

In the year to the third quarter of 2015, the growth in GDHI continued to be driven largely by income from work. The compensation of both employees and the self-employed increased at a rate similar to that seen in the previous four quarters. Property income continued to increase as well, but other transfers declined. Meanwhile, further increases in social benefits supported the growth of disposable income, while higher taxes and social contributions weighed down on it.

#### *Nearly all Member States benefit from growth in household income*

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 [Statistical Annex](#)). All the largest Member States have registered several quarters of improvements: the longest period of year-on-year increases has been seen in Poland (since data are available) and Germany (since mid-2010), followed by France and more recently Spain, Italy and the UK. Among other Member States, real GDHI declined in Greece, Portugal and slightly in Austria and Belgium in the third quarter of 2015.

#### *Households' financial distress goes down from historical highs*

Financial distress<sup>9</sup>, defined as the need to draw on savings or to run into debt to cover current expenditures, has gradually declined over the last two years and a half. Both the share of the households reporting running into debt and the share of those having to draw on their savings have declined, particularly the share of those running into debt.

Financial distress receded gradually to 15% of the population from its historically high level of nearly 18% in autumn 2013, but remains high and well above the levels seen in the previous decade (Chart 34).

#### *Financial distress stagnated at high levels for low-income households*

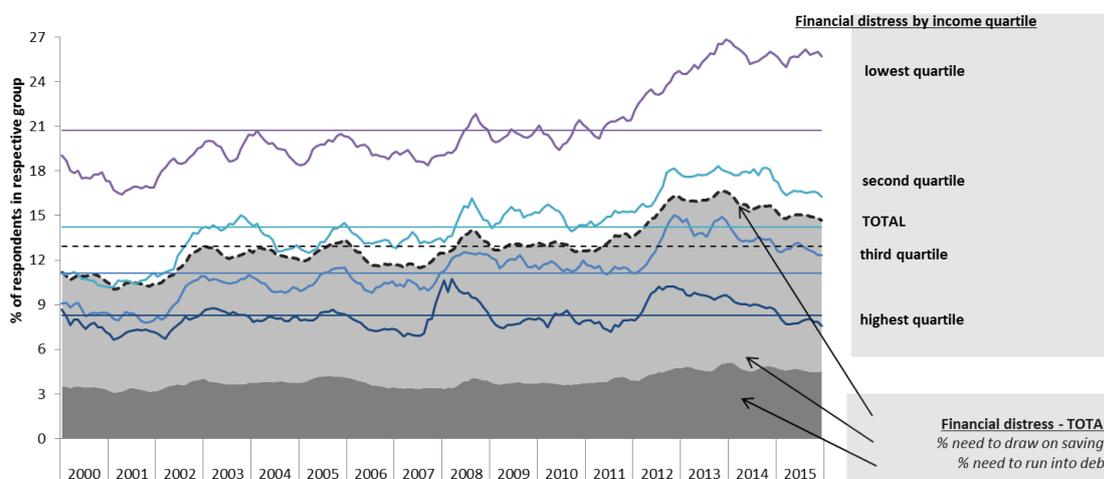
Financial distress for low-income (lowest quartile) households has broadly stagnated over the last two years and a half. Low-income households have seen some ups and downs since the beginning of 2014 which confirmed that this group has not seen a more permanent easing in their financial

<sup>9</sup> 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](http://ec.europa.eu/economy_finance/db_indicators/surveys/index_en.htm)

distress. Since 2012, financial distress has shown a more consistent downward trend in higher income groups. This downward trend is especially clear for the top income group where it has fallen below the long-term average.

Overall, around 10% of adults in low-income households run into debt and a further 15% drew on savings to cover current expenditure in 2015. By comparison, the shares for the total population were 4.5% and 10%, respectively. This level of financial distress for households in all income quartiles increased to levels above the long-term average (straight lines in the chart) and echoes the rapid worsening seen between mid-2010 and the end of 2013. The gap in financial distress between low-income and high-income households has widened (Chart 34).

**Chart 34: Reported financial distress by income quartile - EU**



Source: European Commission, Business and Consumer Surveys, data non-seasonally adjusted, 5-months moving average (DG EMPL calculations)

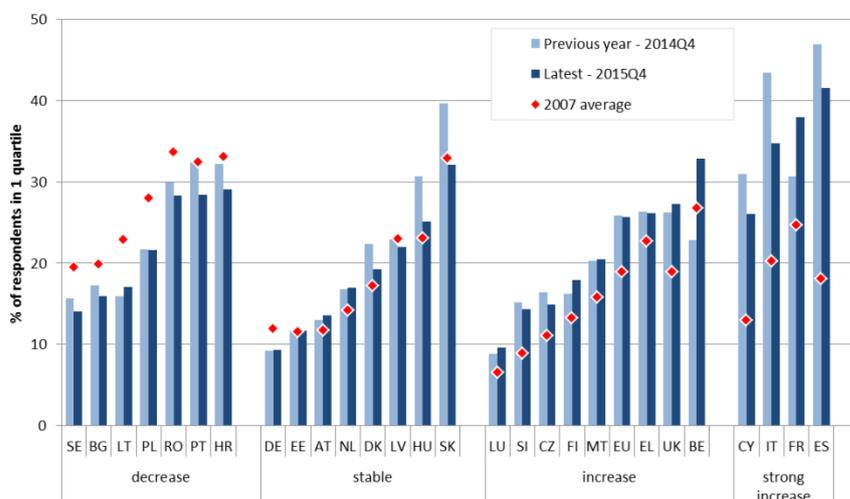
Note: Horizontal lines show the long-term averages for financial distress for the population as a whole and for households in the four income quartiles. The overall share of adults reporting having to draw on savings and having to run into debt are shown respectively by the light grey and dark grey,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

[Click here to download chart.](#)

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

The overall level of financial distress decreased or remained stable in the majority of Member States (data for Ireland not available) in the year to the fourth quarter of 2015. It remains higher than in 2007 in the majority of the Member States, in particular in Cyprus, Greece, France, Italy and Spain. It ranges from around 3.5% in Germany to around 25% in Greece, France and Italy. Financial distress for households in the lowest income quartile increased over the last year in several Member States (Austria, Belgium, France and Poland). Compared to 2007, financial distress for the poorest households is higher in around half of the Member States. In the third quarter of 2015, it affected around 9% of households in the lowest income quartile in Germany compared to 40% of the poorest quarter of the population in Spain (Chart 35).

**Chart 35: Reported financial distress in lowest income quartile - Member States**



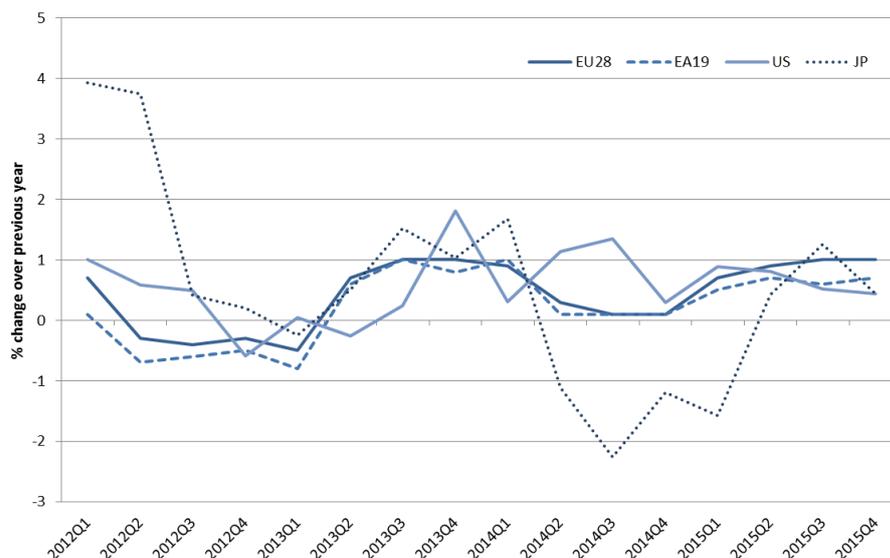
Source: European Commission, Business and Consumer Surveys data non-seasonally adjusted, 5-months moving average (DG EMPL calculations)  
[Click here to download chart.](#)

## 6. Productivity, labour costs and hours worked

*Labour productivity growth remains subdued in most Member States...*

In the year to the fourth quarter of 2015 labour productivity growth (measured as the percentage change in GDP per person employed) in the EU as a whole stalled at 1%, while in the EA it increased from a year-on-year growth of 0.6% in the third quarter of 2015 to 0.7% in the fourth quarter of 2015. In the US and in Japan, year-on-year labour productivity growth was weaker at 0.4% (Chart 36).

**Chart 36: Real labour productivity growth - EU, EA, US and JP**



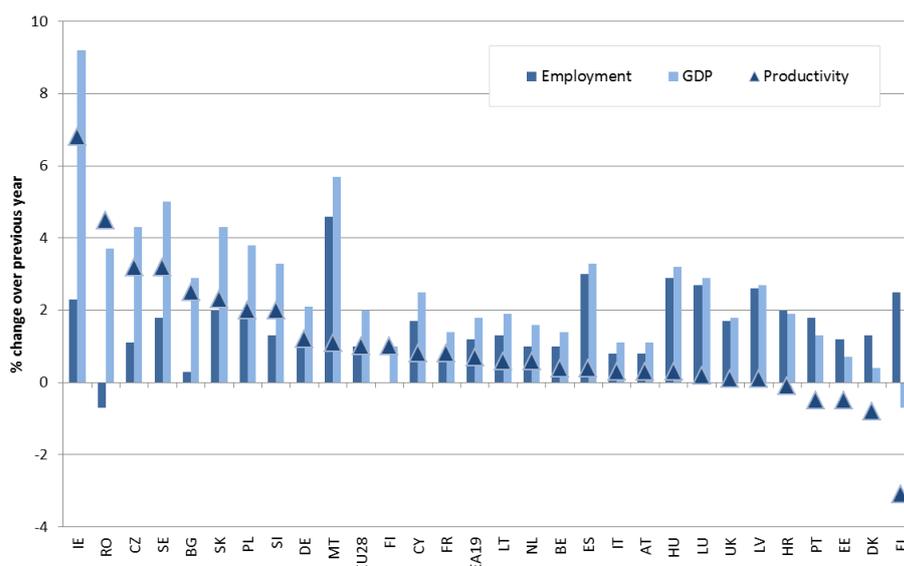
Source: Eurostat, National Accounts [namq\_10\_lp\_ulc] and OECD, data non-seasonally adjusted  
Note: Labour productivity measured as GDP in constant prices per employed person  
[Click here to download chart.](#)

Year-on-year labour productivity growth differed strongly across the EU Member States in the fourth quarter of 2015 (Chart 37). Outside the EA, Romania (4.5%) showed the strongest increase, followed by Sweden and Czech Republic (both 3.2%). In Romania, the strong increase in labour productivity growth reflected a strong increase in output (3.7%) while total employment decreased by (0.7%). In Sweden and the Czech Republic, it was mainly a strong rebound in output that generated the increase in productivity.

In the EA, Ireland (6.8%) recorded by far the strongest increase in labour productivity reflecting strong increases in output driven by a surge in gross capital formation. Slovakia (2.3%) and Slovenia (2.0%) registered also notable increases, while Germany (1.2%), France (0.9%) and Finland (0.7%) recorded very moderate productivity growth. Latvia (0.1%), Austria (0.3%), Italy (0.3%), Spain (0.4%), and Belgium (0.4%) recorded very weak productivity growth.

In Greece, labour productivity contracted sharply (3.1%) in the fourth quarter of 2015 but at a slower pace than that observed in the third quarter of 2015. This contraction reflects a modest decrease in output (0.7%) in combination with a notable increase in employment (2.5%). Denmark by (0.8%), Estonia (0.5%) and Portugal (0.4%) also recorded a decrease in labour productivity. In these Member States, the decrease reflected a weak increase in output in combination with strong increases in employment.

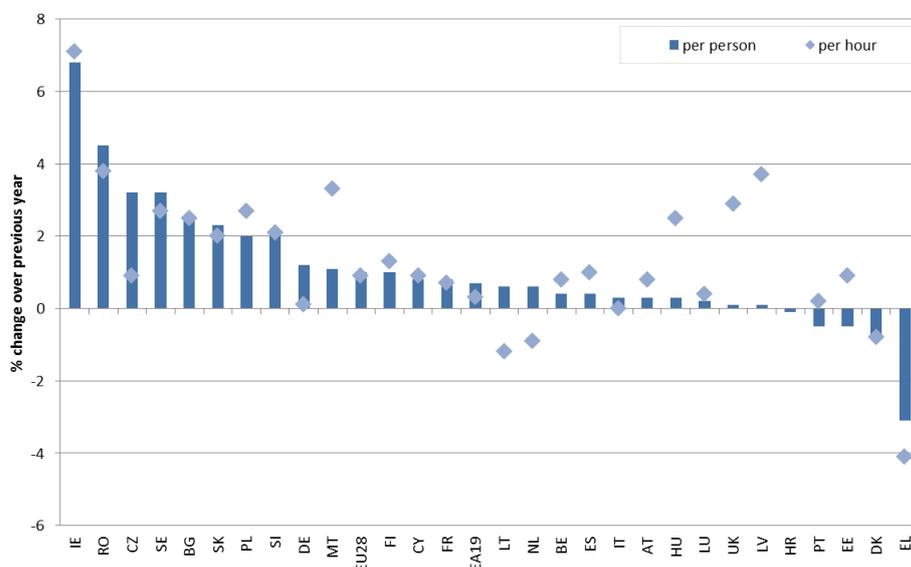
**Chart 37: Employment, GDP and productivity growth - EU, EA and Member States, 2015Q4**



Source: Eurostat, National Accounts, data non-seasonally adjusted [namq\_10\_pe, namq\_10\_gdp]  
[Click here to download chart.](#)

Labour productivity growth, measured as output per hour worked, differed from labour productivity growth per person employed in several Member States (Chart 38) reflecting different working time trends. Labour productivity growth measured in hours worked was well above labour productivity growth measured in persons employed in Latvia, the UK, Hungary, Malta and Estonia. This suggests that in these Member States the number of hours worked increased at a slower pace than the number of persons employed. Labour productivity growth per hour worked was noticeably lower than productivity per person employed in the Czech Republic, Lithuania, the Netherlands and Germany.

**Chart 38: Labour productivity per person employed and hour worked - EU, EA and Member States, 2015Q4**



Source: Eurostat, National Accounts, data non-seasonally adjusted [namq\_10\_lp\_ulc]  
[Click here to download chart.](#)

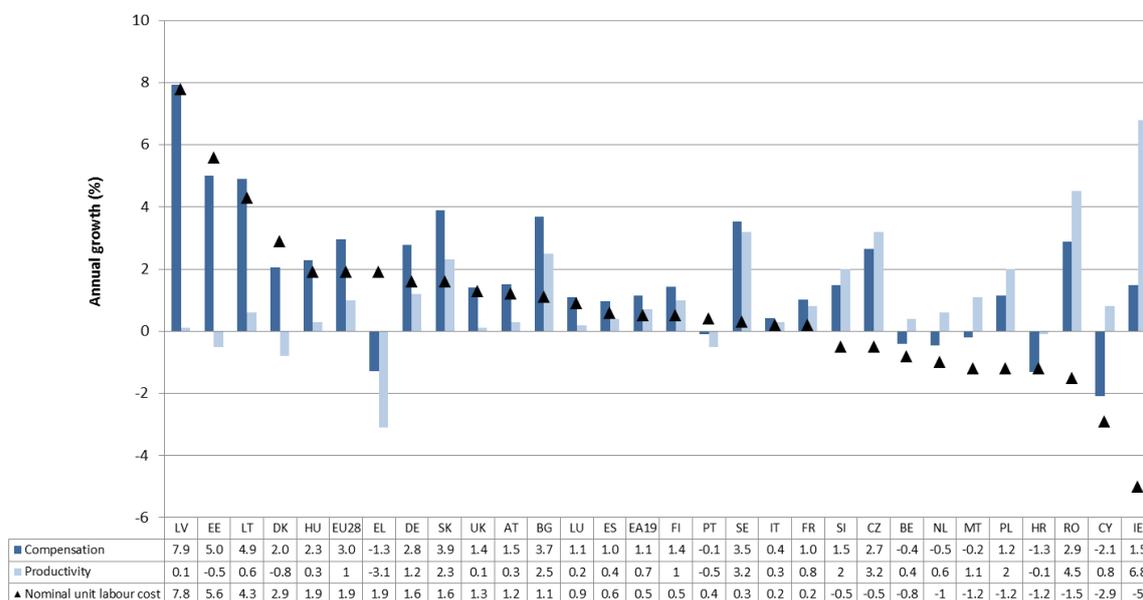
*...while the growth in nominal compensation per employee remained low in several Member States*

In the EA, the year-on-year growth in nominal compensation per employee weakened further in the fourth quarter of 2015, down from 1.3% in the third quarter of 2015 to 1.1% in the fourth quarter of 2015. However, for the EU as a whole, nominal compensation per employee (measured in euro) grew by 3.0% in the year to the fourth quarter of 2015. This partly reflects the depreciation of the euro against the British pound.

Within the EA, growth in nominal compensation per employee in Latvia (7.9%), followed by Estonia (5.0%) and Lithuania (4.9%) remained strong in the year to the fourth quarter of 2015 (Chart 39). Within the EA, Slovakia (3.9%) and Germany (2.8%) recorded also a notable increase, while growth in nominal compensation per employee remained rather weak in Italy (0.4%) and Spain (1.0%). In Cyprus by (-2.1%), Greece (-1.3%), the Netherlands (-0.5%), Belgium (-0.4%), Malta (-0.2%) and Portugal (-0.1%) nominal compensation per employee decreased.

Outside the EA, Croatia recorded a decrease (-1.3%), while Bulgaria (3.7%) and Sweden (3.5%) recorded notable increases.

**Chart 39: Nominal unit labour cost and its components – EU, EA and Member States, 2015Q4**



Source: Eurostat, National Accounts, data non-seasonally adjusted [namq\_10\_lp\_ulc] [namq\_10\_pe, namq\_10\_gdp] (DG EMPL calculations)

Notes: PL data from 2015Q3 for Compensation per employee and Nominal nit labour cost

[Click here to download chart.](#)

#### *Nominal unit labour cost progressed little in most Member States.*

In the EA (0.5%), nominal unit labour cost growth, measuring nominal compensation per employee adjusted for productivity (an indication of cost-push inflationary pressures) remained weak in the year to the fourth quarter of 2015, while in the EU as a whole nominal unit labour cost (measured in euro) remained robust (partly reflecting the depreciation of the euro). Nevertheless, some notable differences across Member States can be observed (Chart 39).

Within the EA, Latvia (7.8%), followed by Estonia (5.6%) and Lithuania (4.3%) recorded the strongest increase in nominal unit labour cost (which is also a measure of cost-push pressures) reflecting strong increases in nominal compensation per employee in combination with weak productivity growth. At the same time, Ireland (-5%) recorded the strongest decline in nominal unit labour costs reflecting the strong increase in labour productivity. Strong declines in nominal unit labour costs could also be observed in Cyprus (-2.9%), followed by Malta (-1.2%), Croatia (-1.2%), and the Netherlands (-1%), primarily reflecting decreases in nominal compensation per employee in the face of weak productivity growth.

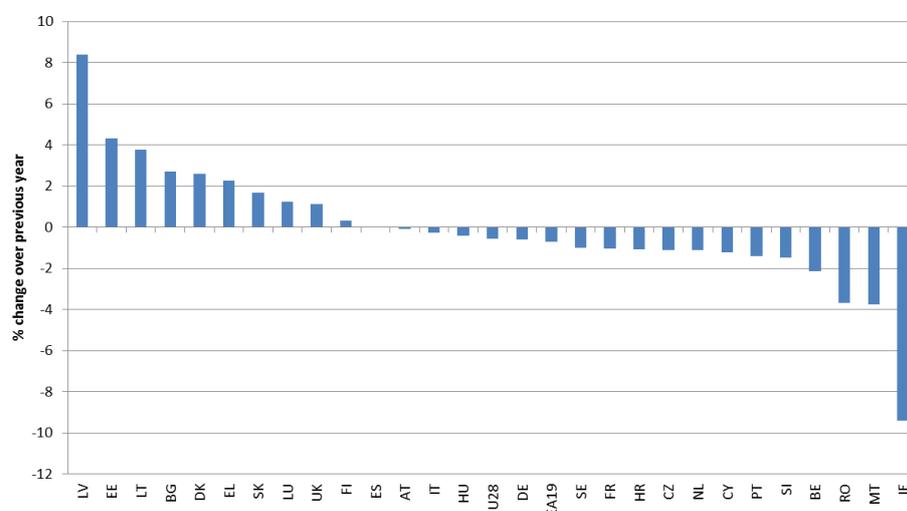
Within the EA, Greece (1.9%) recorded a notable increase in nominal unit labour cost as the decrease in productivity was stronger than the decrease in nominal compensation per employee. Germany (1.6%), Slovakia (1.6%) and Austria (1.2%) also recorded important increases. By contrast, the increase in nominal labour costs remained very low in Portugal (0.4%), Italy (0.2%), Finland (0.5%), Spain (0.3%) and France (0.2%).

Outside the EA, Romania (-1.5%), Croatia (-1.2%) and the Czech Republic (-0.9%) recorded a decrease in nominal unit labour cost in year to the fourth quarter of 2015; while Denmark (3.1%), followed by Hungary (1.9%), recorded strong increases, reflecting primarily a decrease in productivity in the case of Denmark.

#### *Real unit labour cost decreased slightly*

Both the EU (0.6%) and EA (0.7%) recorded a modest decrease in real unit labour costs, which is also a measure of the gap between real compensation of employees and productivity as well as a measure of the labour income share (Chart 40).

**Chart 40: Growth in real unit labour cost - EU and Member States, 2015Q4**



Source: Eurostat, National Accounts, data non-seasonally adjusted [namq\_10\_pe, namq\_10\_gdp] (DG EMPL calculations)

Notes: No data for PL

[Click here to download chart.](#)

In the year to the fourth quarter of 2015, strong increases in the real unit labour cost could be observed in Latvia (8.4%), followed by Estonia (4.3%) and Lithuania (3.8%). These primarily reflect strong increases in nominal unit labour costs in combination with a weak increase in the GDP deflator (even decreasing in Latvia) (Chart 40)

Ireland recorded a very strong decrease (9.4%) in the real unit labour cost in the face of the strong increases in the nominal unit labour cost and the GDP deflator. Malta (3.8%) and Romania (3.7%) saw the strongest decreases in real unit labour cost reflecting decreases in nominal unit labour cost in combination with a notable increase in the GDP deflator (above 2%).

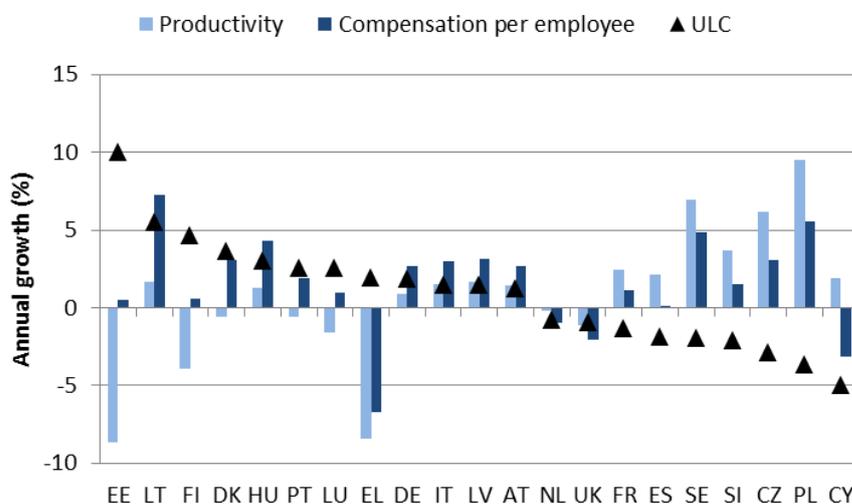
#### *Unit labour cost at sectorial level also showed some differences across Member*

Sector nominal unit labour costs are measured as sector compensation per employee adjusted for sector labour productivity per employed person. Sector labour productivity is measured as sector gross value added in constant prices divided by the number of persons employed in the sector. Chart 41 shows year-on-year nominal unit labour cost growth in industry for the fourth quarter of 2015.

Nominal unit labour cost in industry increased at strongest pace in Estonia (7.7%) in the year to the fourth quarter of 2015, followed by Denmark (6.7%) and Lithuania (6.2%). In each of these Member States labour productivity in industry decreased significantly, while nominal compensation per employee increased strongly. As industry comprises primarily tradable goods, developments in its nominal unit labour cost have a direct impact on international cost competitiveness (Chart 41).

By far the strongest decrease in nominal unit labour cost of industry could be seen in Ireland (-16.7%) reflecting a strong surge in labour productivity in industry. Strong decreases in nominal unit labour cost in industry can also be observed in Luxembourg (-4.0%), followed by Croatia (-3.4%), Sweden (-2.3%), France (-1.8%) and Belgium (-1.8%). In Sweden, this outcome was primarily driven by a strong increase in labour productivity, while in Luxembourg and Croatia it was a strong increase in labour productivity in combination with very weak increases in nominal compensation per employee.

**Chart 41: Industry - Nominal unit labour cost and its components – EU, EA and Member States, 2015Q4**



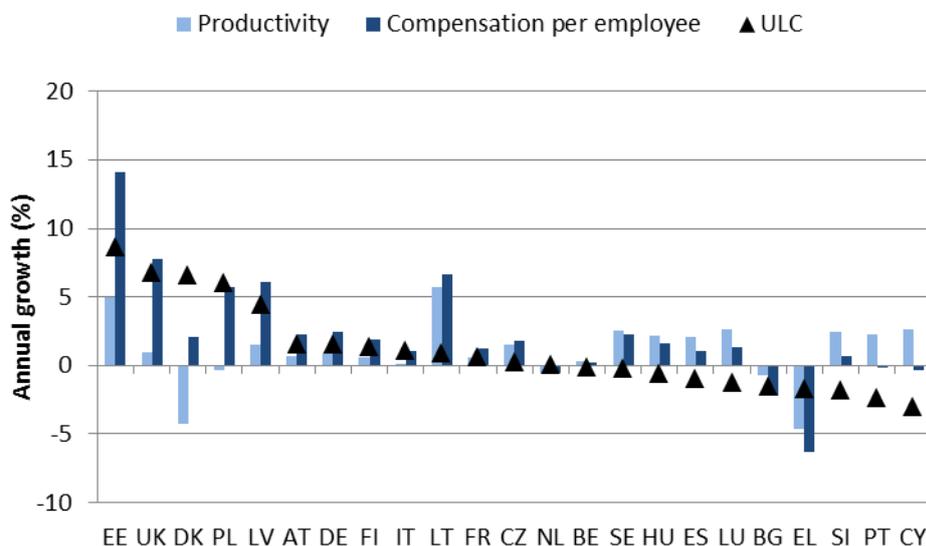
Source: DG EMPL computations based on Eurostat (namq\_10\_a10\_e and namq\_10\_a10); seasonally adjusted and adjusted data by working days (if available, otherwise only seasonally adjusted data; provisional data for Greece, Spain and the Netherlands)

Note: ULC is unit labour cost which measures nominal compensation per employee adjusted for productivity

Chart 42 shows nominal unit labour cost growth in the sector 'wholesale and retail trade, transport, accommodation and food service activities'. In this sector, unit labour cost growth was strongest (among the Member States for which the data are available) in Greece (7.6%), followed by Latvia (6.7%), Slovakia (6.4%), Estonia (6.2%), Denmark (5.9%) and the UK (5.8%). The increase mainly reflects strong increases in nominal compensation per employees in combination with negative productivity growth, except in the case of Latvia and Slovakia which recorded some increase in sectorial productivity.

Bulgaria (10.2%) recorded by far the strongest decrease in nominal unit labour cost reflecting a sharp decrease in nominal compensation per employee. Slovenia (-1.6%), Cyprus (-1.6%), Ireland (-1.5%) and Croatia (-1.4%) recorded the strongest decrease in unit labour cost, but while in Slovenia and Ireland it reflected a notable increase in labour productivity in combination with low growth in nominal compensation per employee, in Croatia it reflected a decrease in nominal compensation per employee that was stronger than the decrease in labour productivity.

**Chart 42: Wholesale and retail trade, transport, accommodation and food service activities - Nominal unit labour cost and its components – EU, EA and Member States, 2015Q4**



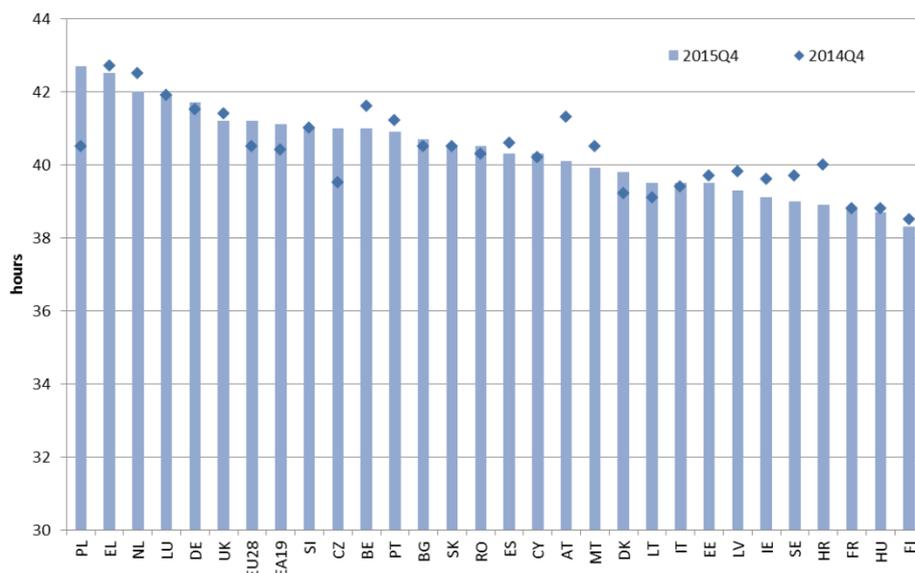
Source: DG EMPL computations based on Eurostat (namq\_10\_a10\_e and namq\_10\_a10); seasonally adjusted and adjusted data by working days (if available, otherwise only seasonally adjusted data; provisional data for Greece, Spain and the Netherlands)

Note: ULC is unit labour cost which measures nominal compensation per employee adjusted for productivity

Full-time employed persons in Greece (42.7 hours), Luxembourg (41.9), the United Kingdom (41.2), Belgium (41.0) and Slovenia (41.0) recorded the highest average number of actual weekly hours of work in the main job in the fourth quarter of 2015. Nevertheless, in each of these Member States this number of hours worked was smaller than the number of hours recorded in the fourth quarter of 2014 (equal in the case of Luxembourg), with the sharpest drop in Belgium (down from 41.6 hours to 41.0 hours). At the same time, full-time employed persons in Finland (38.3 hours), Hungary (38.7), France (38.8), Croatia (38.9) and Sweden (39.0) recorded the lowest average number of hours, with notable decreases in Croatia (down from 40.0 to 38.9) and Sweden (down from 39.7 to 39.0). All in all, considering all Member States for which the data are available, Austria recorded the strongest decrease (down from 41.3 to 40.1), while Denmark recorded the strongest increase (up from 39.2 to 39.8).

Part-time workers in Belgium (23.4), Sweden (23.3), Luxembourg (22.8) and France (22.1) recorded the highest average number of actual weekly hours of work in the fourth quarter of 2015 which was almost the same as in the fourth quarter of 2014. At the same time, part-time workers in Portugal (16.0), Denmark (17.9), Finland (18.5), Spain (18.7), and Cyprus (18.8) recorded the lowest number. The strongest increase was observed in Slovenia (up from 18.7 hours to 20.0 hours), Slovakia (up from 18.4 to 19.0) and Italy (up from 20.6 to 21.2), while the strongest decrease occurred in Latvia (down from 21.1 to 19.3), Bulgaria (down from 19.9 to 19.5) and Lithuania (down from 21.3 to 21.0).

**Chart 43: Average working hours (full-time) - EU, EA and Member States, 2014Q4 and 2015Q4**

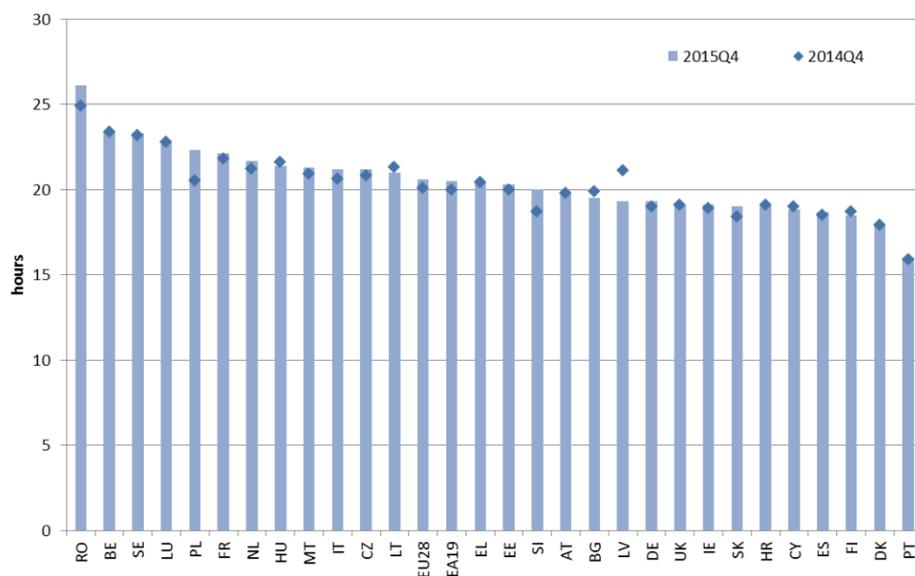


Source: Eurostat, LFS, data non-seasonally adjusted [lfsq\_ewhais]

Note: Average number of actual weekly hours of work in main job (employed persons). Data for CZ, DE, EA19, EU28, NL, PL, RO from 2015Q3

[Click here to download chart.](#)

**Chart 44: Average working hours (part-time) - EU, EA and Member States, 2014Q4 and 2015Q4**



Source: Eurostat, LFS, data non-seasonally adjusted [lfsq\_ewhais]

Note: Average number of actual weekly hours of work in main job (employed persons). Data for CZ, DE, EA19, EU28, NL, PL, RO from 2015Q3

[Click here to download chart.](#)

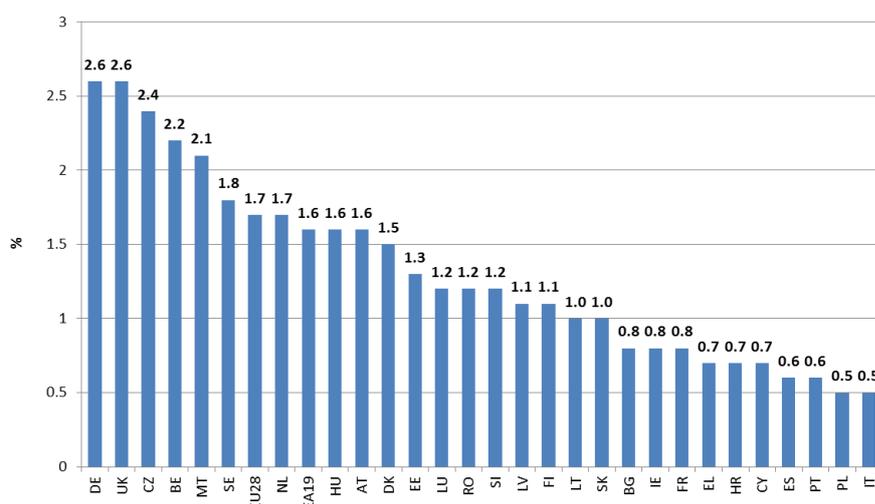
## 7. Labour demand: vacancies, labour shortages and hiring activity

### *The job vacancy rate remains stable in the EU in 2015*

The unmet demand for labour, as expressed by the job vacancy rate<sup>10</sup> (JVR) has remained broadly stable in the EU and the EA, at a rather low level. In the fourth quarter of 2015, the EU JVR stood at 1.7%, up 0.1 pp compared to the previous quarter and compared to the fourth quarter of 2014. At 1.6%, the rate was also 0.1 pp higher in the EA during that period. In the year to the fourth quarter of 2015, the JVR improved in most Member States, and most notably in the Czech Republic and Latvia (an increase of 0.7-0.8 pp).

Only Estonia, Greece and Malta recorded small declines. The JVR ranged from 0.5% in Italy and Poland to 2.6% in Germany and the UK (Chart 45). In the same period, the unmet demand for labour was higher in services sectors (with a JVR of 2.0%) than in industry and construction (with a JVR of 1.2%).

**Chart 45: Job vacancy rates - EU, EA and Member States, 2015Q4**



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.](#)

### *Labour shortages stabilise while unemployment recedes*

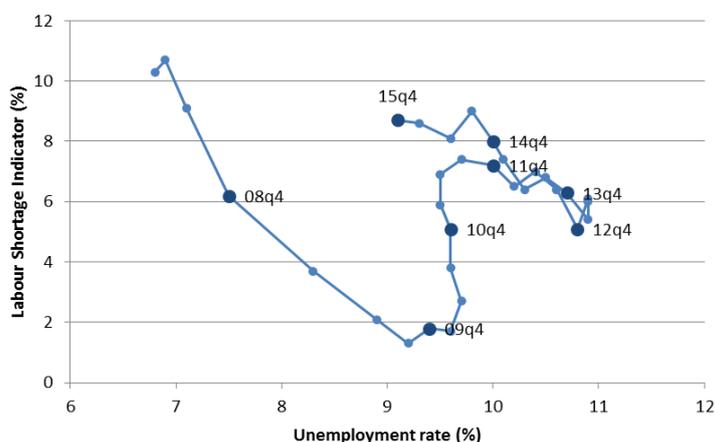
In the fourth quarter of 2015, unemployment continued to decline while labour shortages remained unchanged in the EU. However, looking at the uneven evolution seen in previous quarters, it may be too early to say if this is a permanent trend.

The decline in unemployment observed since 2013 has been accompanied by an increase in labour shortages as measured by a higher job vacancies and is reflected in a conventional move up the Beveridge curve. It is consistent with a normal cyclical development whereby, 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 in unemployment). From 2010 to 2012, the Beveridge curve in the EU appears to have shifted outwards, reflecting a greater mismatch at the

<sup>10</sup> Job Vacancy rate is number of job vacancies / (number of occupied posts + number of job vacancies) \* 100.

EU level, but possibly also increased disparities across Member States. Future results for the vacancies and the unemployment rate over the coming quarters will shed some light on whether the observed changes are indeed an upward movement along the curve or a shift of the Beveridge curve (Chart 46). The [Statistical Annex](#) presents the Beveridge curves for EU Member States.

**Chart 46: Beveridge curve 2008-2015 - EU**

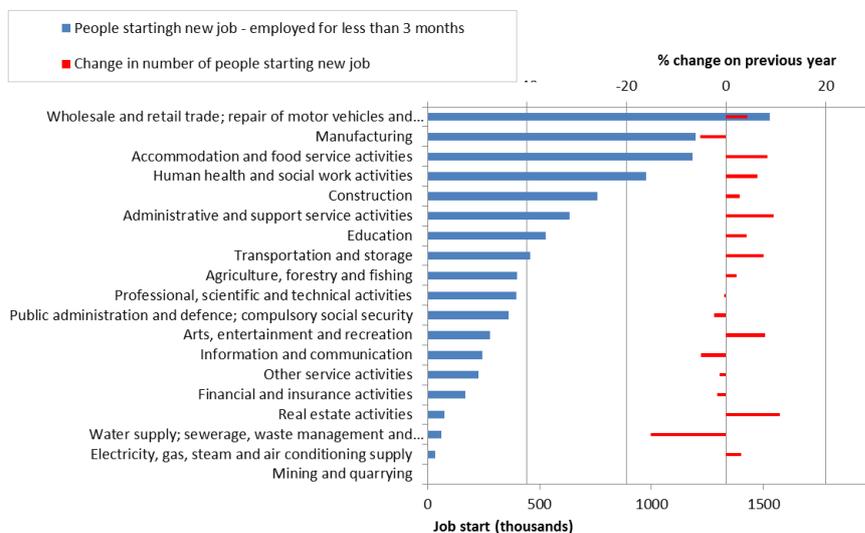


Source: Eurostat, LFS and European Commission, Business and Consumer Surveys [une\_rt\_q, ei\_bsin\_q\_r2]  
Note: Labour shortage indicator derived from EU business survey results (% of manufacturing firms pointing to labour shortage as a factor limiting production)  
[Click here to download chart.](#)

*Hiring activity still strengthening but at a slower pace*

The number of people starting a new job in the EU had continued to improve. However, the growth in hiring decelerated to 2.7% in the third quarter of 2015, from a 5.9% increase registered during the previous quarter. Several sectors registered sound growth in hiring (more than 5%), while some sectors, including manufacturing, registered a slowdown in hiring rates. A few sectors (wholesale and retail trade, repair of motor vehicles and motorcycles, manufacturing, accommodation and food service activities and human health and social work activities) accounted for 50% of the total number of people starting new jobs (Chart 47).

**Chart 47: Employees in new jobs by sector - EU, change to 2015Q3**



Source: Eurostat, LFS, data non-seasonally adjusted [lfsq\_egdn2]  
[Click here to download chart.](#)

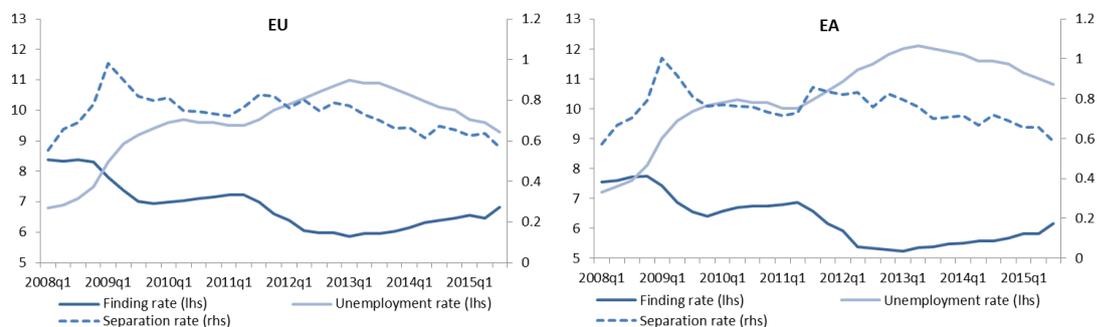
*Separation rates return to pre-crisis levels, while job finding rates improve gradually*

Declining unemployment rates in most Member States were the result of improvements in job finding rates and declines in separation rates. Separation rates are nearly at pre-crisis levels, while improvements in job finding rates have been more gradual (Chart 48).

In the third quarter of 2015, job finding rates increased at a relatively robust pace in Estonia, Lithuania and Poland. Conversely, they dropped in Latvia and Romania. Sweden, the UK and Denmark have the most dynamic labour markets, showing the best chances to leave unemployment. In contrast, Greece has the lowest finding rate of the EU, although it is improving.

The separation rates generally declined, most significantly in Croatia, Bulgaria and Spain. They increased in Lithuania and to a lesser extent in Poland and the UK. Spain and Finland have the highest separation rates. In the case of Spain, this is due to the high number of temporary contracts. In Finland, it reflects the recent rise in unemployment. The [Statistical Annex](#) presents finding and separation rates for EU Member States.

**Chart 48: Unemployment, finding and separation rates - EU and EA**



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

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## Annex

See excel file with charts per Member State and for the EU and EA

- 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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