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Employment and Social Developments in Europe

Quarterly Review
Winter 2017



The Employment and Social Developments Quarterly Review provides in-depth description 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 L. Stemitsiotis (Head of Unit). The main contributors were: D. Arranz, M. Grzegorzewska and S. Jemmotte. Indicators on job findings and separation rates were provided by A. Kowalski. The editor of this Review was D. Waterschoot and L. Stemitsiotis.

A wide range of information sources have been used to produce this report, including Eurostat statistics¹, reports and survey data from the Commission's Directorate-General for Economic and Financial Affairs.

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¹ To access them, see [codes] mentioned under the charts, to be used with the Eurostat data search engine:
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"I am pleased to present the encouraging results of this quarterly report showing strong reductions in people out of work for over a year or longer. The Council recommendation adopted last year on **the integration of the long-term unemployed into the labour market** is aimed at just that: reducing long-term unemployment and helping those most at risk of social exclusion to remain integrated in society through work. However, the share of long-term unemployed in total unemployment is still high, at above 45%, and remains an important challenge with around 9.3 million people in the EU unemployed for more than a year, including 5.9 million for more than two years. The Commission urges and supports Member States to fully and swiftly implement the Recommendation on long-term unemployment. Our investment in human capital and support in upskilling people to make them fit for the labour market is more than ever crucial."

A handwritten signature in blue ink, appearing to read 'M. Thyssen'.

Marianne Thyssen
Commissioner for Employment, Social Affairs, Skills and Labour Mobility

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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

Economic conditions

The EU's economy continues its expansion with nearly all Member States reporting increasing output, although growth remains uneven. Latest flash estimates suggest that real GDP increased by 0.6% in the EU and by 0.5% in the euro area (EA) in the fourth quarter of 2016, a slightly stronger pace than registered in the third quarter (0.5% in the EU and 0.4% in the EA). In the third quarter, real GDP declined slightly only in Luxembourg, while several Member States registered solid growth, topped by Ireland (4%). Year-on-year growth remained at 1.9% in the EU and 1.8% in the EA in the second half of 2016. It was positive in all Member States, exceeding 4% year-on-year in Ireland, Luxembourg and Romania.

Employment

Employment in the EU also continues growing, albeit at a slower pace. Employment increased by 0.2% both in the EU and in the EA in the third quarter of 2016. Compared to the third quarter of 2015, employment gained 1.1% in the EU and 1.2% in the EA, which amounts to an additional 2.8 million people employed in the EU, including 1.9 million people in the EA. **Employment has been growing for three years in a row.** Since its lowest level in mid-2013, it increased by 8.2 million people in the EU, including 4.6 million in the EA. **Employment exceeds now the 2008 peak,** with 0.9% or 940 thousand people more.

Employment expands in most Member States: however several see contractions. Baltic States, Bulgaria, Romania, Sweden and Italy witnessed contractions in the third quarter of 2016, while employment stagnated in the Czech Republic. Among the best performing countries, quarterly employment growth remained the highest in Portugal (1.3%) and Spain (0.8%). Employment in the third quarter of 2016 was higher than in the third quarter of 2015 in most Member States except for Bulgaria, Estonia, Latvia and Romania. Employment growth continued to be the strongest in Cyprus, Ireland, Luxembourg, Malta and Spain (2.7% or more).

Service sectors continue to drive employment growth in the EU, while improvements are smaller in industry and construction. Nearly all service sectors contributed to the employment increase seen in the third quarter of 2016. Employment was more stable in construction industry and declined in agriculture. Over the year to the second quarter of 2016, employment increased in all sectors except agriculture.

Permanent jobs and full-time employment contribute notably to employment expansion. In the year to the third quarter of 2016, the number of employees with permanent contracts grew by 1.8%. This represents an increase of 2.8 million employees, which is seven times more than the increase in temporary contracts of 420 thousand (1.6% growth). Full-time workers saw their numbers increase by about 2.8 million and part-time workers by about 370 thousand.

The EU employment rate for 20-64 year-olds has increased consistently for two and a half years now. At 71.2%, it is just above its 2008 level, but still remains 3.8 pp below the Europe 2020 target of 75% for people aged 20-64. **Large disparities in employment rates remain, and many Member States are well below their 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 56% in Greece to 81% in Sweden.

Unemployment

Unemployment in the EU and EA continued its steady but moderate decline since mid-2013. It declined to 8.2% in the EU and 9.6% in the EA in December 2016, a reduction of 0.8 pps for the EU and 0.9 pps for the EA when compared to December 2015. The unemployment rate in the EU remained 1.4 pps higher than its low of 6.8% in March 2008. It is nevertheless the lowest rate recorded in the EU since February 2009. For the EA, the difference with respect to March 2008 is 2.6 pps.

The decline in the unemployment rate between December 2015 and December 2016 represents about 1.8 million fewer unemployed people in the EU, including 1.3 million in the EA. **Unemployment has receded by around 6.5 million people since its peak observed in**

April 2013. However, with about 20.1 million unemployed people, including 15.6 million in the EA, **there were still about 4 million more unemployed people in August 2016 than in March 2008**, when unemployment was at its lowest.

Rates decreased in twenty-four Member States, and increased in four Member States over the year to December 2016; Cyprus by 1.2 pps, Italy by 0.4 pps, Estonia (November 2015 to November 2016) and Denmark each by 0.1 pp. Large differences remain among Member States. Notably with the Czech Republic (at 3.5%) and Germany (at 3.9%) also registering further year on year declines, brought their unemployment rates to below 4%. By comparison Greece² (with 23%) is now the only Member State with an unemployment rate over 20%.

In the year to December 2016, the unemployment rate declined in the EU for all age groups and for both men and women. It declined by 0.9 pps for men and 0.7 pps women and stood at 8% and 8.4% respectively in December 2016. In the EA, the unemployment rate receded by 1 pp for men and 0.8 pps for women to reach 9.3% and 9.9% respectively in December 2016. For those aged 25-74, the unemployment rate in the EU decreased by 0.8 pps in the year to December 2016 and stood at 7.6%.

Data for the third quarter of 2016, compared to third quarter of 2015, confirms the reduction in unemployment rates for all age groups between 15 and 69 years of age. **The strongest reductions were seen in the younger age groups 20-24 (1.2 pps) and 25 -29 (1 pp).** However **residual effects of the 2008 recession are still more so experienced by those aged between 20 - 34 years.** For example, those aged 20-24 are still 3.6 pps above pre-crisis unemployment rates the greatest difference compared to other age groups. The unemployment rate also fell for the three levels of education considered (low, medium and high). Nonetheless, these changes were not yet enough to return unemployment rates back to the values observed in 2008 especially for the low skilled (above pre-crisis levels by as much as 5 pps).

In the year to December 2016, the youth unemployment rate (for those aged 15-24) decreased moderately in the EU and in the EA (by 0.9 pps registering 18.6% and 0.9 pps registering 20.9 % respectively). It represents nearly 196 000 fewer unemployed people aged 15-24 in the EU, including 88 000 in the EA. At 4.2 million unemployed young people, including nearly 3 million in the EA, the level of youth unemployment remains markedly higher than its low in 2008.

In the year to December 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 Estonia (3.6 pp), Denmark and Latvia (each 1.2 pps), Lithuania (0.7 pps) and Sweden (0.5 pp) and unchanged in three Member States. **The youth unemployment rate fell considerably in Croatia (11.8 pps).** Ireland (5 pps), Slovakia (4.8 pps) and Greece (4.6 pps) also saw strong declines.

Long-term unemployment rate has been decreasing for more than two years 0.5 pps on the year to the third quarter of 2016. This quarter, as in the previous one, the reduction in long-term unemployment is bigger than the reduction in short-term unemployment (0.5 pps vs. 0.2 pps). However over the last few quarters this decreasing trend has been slowing down.

Croatia reported the strongest decline in total unemployment by 3.6% over the year to December 2016, supported by a particularly strong decrease in long-term unemployment of 5 pp over the year to the third quarter of 2016, although these reductions could be partially explained by the increases in inactivity, especially amongst those 'available but not seeking' like the discouraged.

Activity rate is growing at a stable pace in the EU and in most of the countries. **For the first time in the third quarter of 2016, all Member States achieved activity rates above 65% for those aged 15 – 65 years.** Italy was the last country to reach that threshold. Older workers (those between 55 - 64 years) are the main group contributing this sustained increase.

² June 2016

In the majority of countries, supplementary indicators to unemployment (like underemployment or 'available but not seeking') are decreasing following the decreases in unemployment rate. This evolution is moderate in most of the countries; nevertheless, some countries are showing strong divergent evolutions such as Croatia and Denmark.

Productivity

Labour productivity growth in the EU remains modest. Productivity growth weakened over 2016, and remained fairly modest at 0.5% in the EU and 0.3% in the EA in the third quarter of 2016. **Member States experienced different trends in productivity growth.** In most other Member States where labour productivity improved, stronger output growth outpaced the rise in employment (except in Bulgaria, Estonia, Latvia and Romania that registered a decline in employment). Within the EA, productivity started to decline in Austria and Portugal, continued to decline in Malta and Italy, and stagnated in Belgium and France. Outside of the EA, it decreased in the Czech Republic, and continued to decrease in Denmark, Hungary and the UK. In all these countries, the increase in output was weak (France, Italy) or insufficient in combination with an increase in employment.

Labour costs

Compensation per employee continued to grow at a moderate pace in most Member States except Croatia. However, the EU saw a drop in nominal unit labour cost in the year to the third quarter of 2016, which was linked to the strong depreciation of the British pound. Despite strong growth in the UK, its contribution to the EU aggregated growth was negative, leading to its decline. On balance, nominal unit labour cost growth (which measures cost-push inflationary pressures) was negative in the EU, remained fairly moderate in the EA, but the Baltic Member States showed very strong increases.

Real unit labour cost growth stabilised in the EU, implying a stable labour income share. Baltic States, the Czech Republic and Romania saw the strongest increase as real compensation per employee rose sharply overtaking productivity growth. A strong increase in a real compensation per employee in Bulgaria and Ireland was offset by faster productivity growth leading to the decrease of real compensation per employee.

Household situation

The financial situation of EU households continues to improve, driven by income from work and social benefits. Nearly all Member States saw growth in household income. Real gross disposable household income (GDHI) continued to grow by a solid 2% in the year to the second quarter of 2016. The improvement resulted from an increase in income from work, and a further increase in social benefits.

Fewer EU households need to draw on savings or run into debt to cover current expenditures (financial distress), also among low-income households. Financial distress as observed in by mid-2016 remained high and affected just under 14% of the population. It is nevertheless down from a peak of nearly 17% at the end of 2013. Among people living in the poorest households (lowest quartile), nearly 25% are in financial distress: nearly 10% run into debt and a further 15% draw on savings to cover current expenditure.

Labour demand

Labour demand is improving. The overall job vacancy rate in the EU has risen to 1.8% in the second quarter of 2016 and was 0.1 pp higher than a year before. It was higher in services than in industry and construction. Labour shortages increased, and hiring activity was up, with 2.6% 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

Survey data and economic forecasts suggest a positive economic and labour market outlook. EA economy is expected to have expanded and job creation to have accelerated in the beginning of 2017, according to Purchasing Managers Index. The economic sentiment and

employment expectations improved in recent months, while unemployment expectations are lower than a year ago. The autumn forecasts of the Commission, OECD and ECB suggested that economic growth would continue at a moderate pace, as recent labour market gains and rising private consumption are being counterbalanced by weakening factors.

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

	2015Q2		2015Q3		2015Q4		2016Q1		2016Q2		2016Q3	
	EU	EA										
Real GDP												
% change on previous quarter (SA)	0.4	0.4	0.4	0.3	0.6	0.5	0.5	0.5	0.4	0.3	0.5	0.4
% change on previous year (SA)	2.2	2.0	2.1	1.9	2.1	2.0	1.8	1.7	1.8	1.6	1.9	1.8
Employment growth												
% change on previous quarter (SA)	0.3	0.3	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.4	0.2	0.2
% change on previous year	1.0	0.9	1.1	1.1	1.3	1.2	1.4	1.4	1.4	1.3	1.1	1.2
Employment rate (15-64)												
% of working-age population	65.5	64.5	66.2	65.0	66.1	64.9	65.8	64.7	66.7	65.5	67.1	66.0
change on previous year (percentage point)	1.5	1.3	1.4	1.1	0.7	0.6	0.6	0.5	1.2	1.0	0.9	1.0
Employment rate (20-64)												
% of working-age population	70.0	68.9	70.6	69.4	70.5	69.3	70.2	69.2	71.1	70.0	71.5	70.4
change on previous year (percentage point)	1.7	1.5	1.4	1.1	0.8	0.7	0.6	0.7	1.1	1.1	0.9	1.0
Gross disposable households income												
% change on previous year	2.1	1.4	2.0	1.9	2.5	1.6	2.0	1.8	2.5	2.4	2.9	2.5
Labour productivity												
% change on previous year	0.7	0.5	1.1	1.1	0.9	0.9	1.2	1.1	0.5	0.2	0.8	0.9
Nominal unit labour cost												
% change on previous year	1.3	0.7	2.3	0.2	2.3	0.4	1.5	0.2	0.2	1.1	-0.9	0.4
Long-term unemployment rate												
% labour force	4.6	5.7	4.3	5.2	4.3	5.4	4.2	5.2	4.0	5.0	3.8	4.8
change on previous year (percentage point)	-0.7	-0.6	-0.7	-0.8	-0.5	-0.4	-0.7	-0.8	-0.6	-0.7	-0.5	-0.4

	2015 Oct		2015 Nov		2015 Dec		2016 Oct		2016 Nov		2016 Dec	
	EU	EA										
Unemployment rate												
Total (% of labour force)	9.1	10.6	9.0	10.5	9.0	10.5	8.3	9.7	8.2	9.7	8.2	9.6
Men	9.0	10.4	8.9	10.3	8.9	10.3	8.1	9.4	8.1	9.4	8.0	9.3
Women	9.3	10.8	9.2	10.8	9.1	10.7	8.5	10.1	8.4	10	8.4	10
Youth (% of labour force 15-24)	19.9	22.2	19.5	21.9	19.5	21.8	18.5	20.7	18.6	21.0	18.6	21.0

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

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

[Click here to download table.](#)

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

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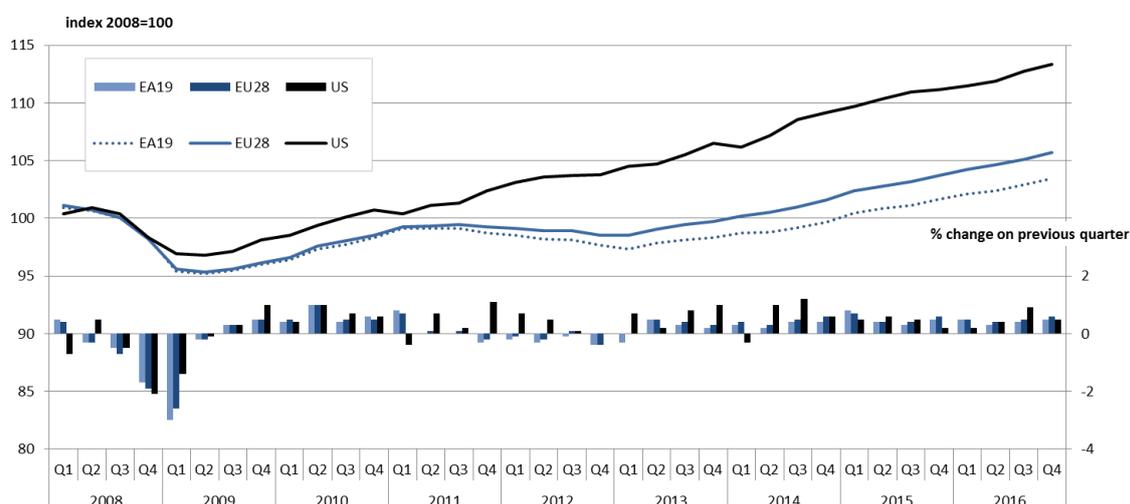
1. Macroeconomic and employment developments and outlook

EU economy continues its modest expansion

Flash estimates point to an increase in GDP by 0.6% in the EU and by 0.5% in the euro area (EA) in the fourth quarter of 2016, a slightly stronger pace compared to the previous quarters (0.5% in the EU and 0.4% in the EA) (Chart 1). In the third quarter, private consumption continued to drive GDP growth, while contribution of investment and external balance was neutral. In the year to the fourth quarter of 2016, real GDP growth is estimated to remain at 1.9% in the EU and to 1.8% in the EA.

The US registered some slowdown, with real GDP increasing by 0.5% in the fourth quarter, compared to the previous 0.9%, still a year-on-year growth picked up to around 2%. The real GDP levels in the EU and EA are now above the 2008 level (5.7% and 3.4% above). Compared to that, the US economy recovered faster and its real GDP level is now 13.4% higher than in 2008.

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

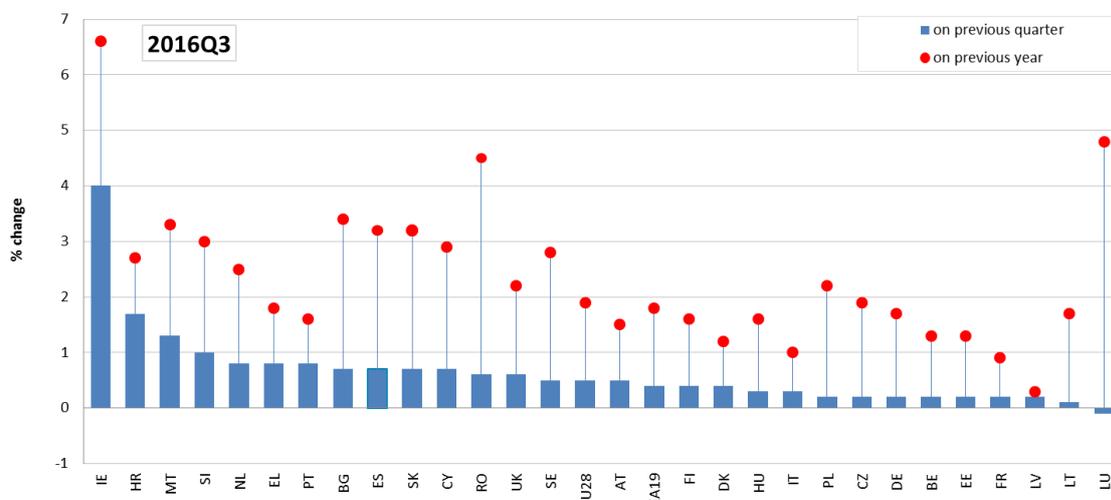


Source: Eurostat, National Accounts, data seasonally adjusted [naidq_10_gdp]
[Click here to download chart.](#)

Economic activity expands in across Member States

The economy continued to expand in most Member States in the third quarter of 2016. Real GDP declined slightly only in Luxembourg, after a solid growth seen in the previous quarter. Several Member States recorded solid quarterly growth; in particular Ireland, with a strong contribution of the external sector. Real GDP was higher than a year before in all Member States also in Greece. Real GDP growth continued to be the strongest in Ireland, Luxembourg and Romania (more than 4% year-on-year) (Chart 2).

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



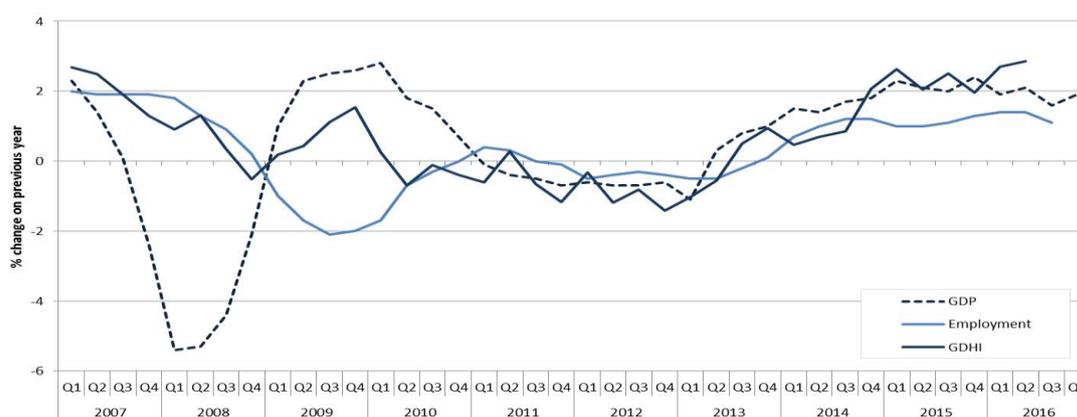
Source: Eurostat, National Accounts, data seasonally adjusted [namq_10_gdp]
[Click here to download chart.](#)

Employment and household incomes follow economic growth

In the year to the third quarter of 2016, employment in the EU continued to expand, but at a slower pace, recording a 1.1% increase. Gross disposable household income (GDHI) in the EU³ also registered a further year-on-year increase in real terms by the second quarter of 2016⁴ (Chart 3).

Employment growth picked up in 2016. Accompanying the economic and labour market recovery, household incomes continued to improve throughout 2014 -2015 and into 2016, supported mainly by better income from work.

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



Source: Eurostat, National Accounts, data not 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.](#)

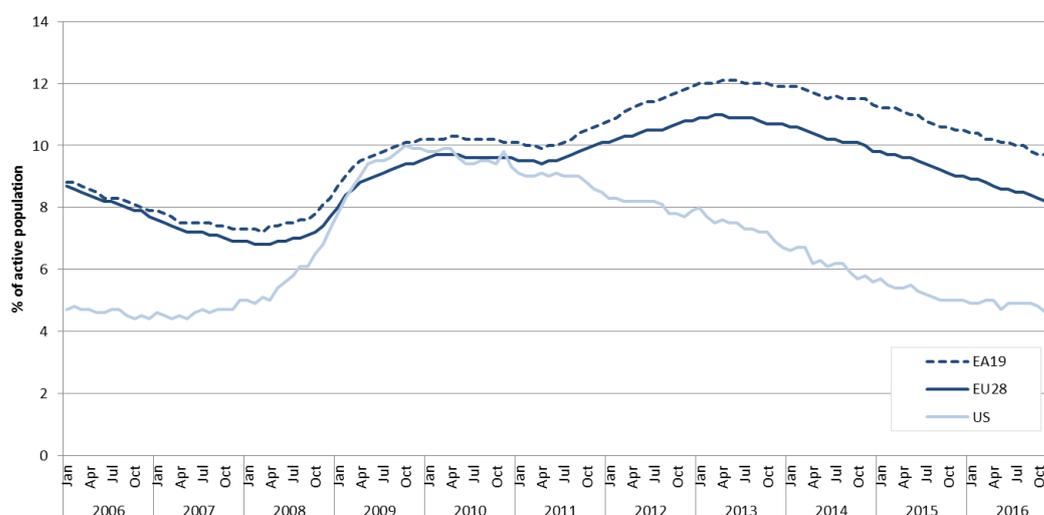
³ The real GDHI growth for the EU is DG EMPL estimation, and it includes Member States for which quarterly data are available (19 Member States: AT, BE, CZ, DE, DK, EL, ES, FI, FR, HR, IE, IT, NL, PL, PT, RO, SE, SI, UK, which account for at least 90% of EU GDHI). The nominal GDHI is converted into real 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.

⁴ Data not available for the first quarter of 2016.

Unemployment continues to recede

In December 2016, the EU and EA unemployment rates were 8.2% and 9.6%, down from 9% and 10.5% in December 2015. By comparison, the unemployment rate in the US was 4.7% in December 2016, down from 5% in December 2015. In the EU and EA, unemployment has declined gradually from its 2013 peak, but it is still above the 2008 levels. By contrast, unemployment in the US declined much faster initially while the pace of declines has slowed down recently, and the unemployment is returning to 2008 level (Chart 4). The different paths in unemployment are linked to different paths in the labour market participation in the EU and the US.

Chart 4: Unemployment rate - EU, EA and US



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

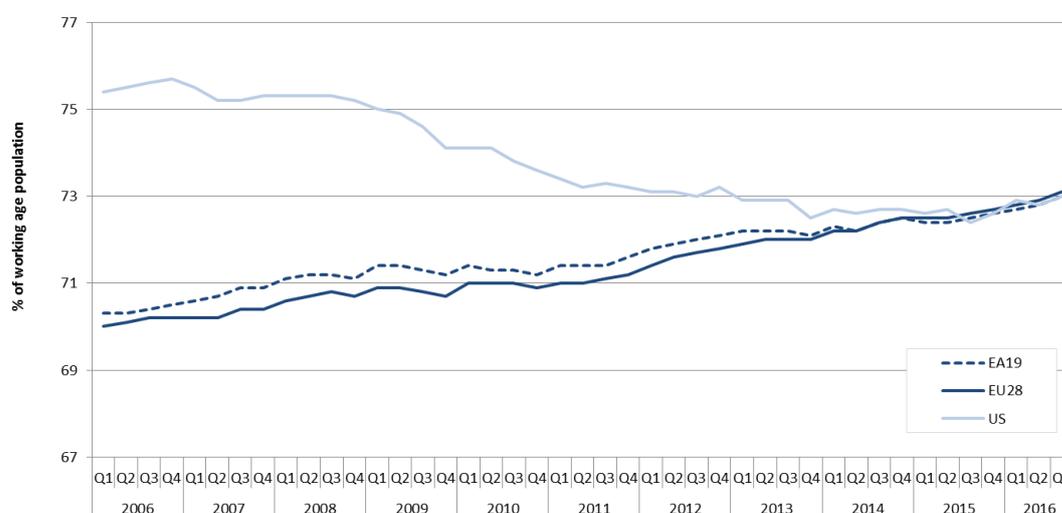
Labour market participation heads up

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 more inactive in the past, such as older workers and women.

The faster decline in the unemployment rate in the US compared to the EU can be partially linked to trends in labour market participation (those in employment and in unemployment are considered to participate in the labour market). 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. The labour market participation in the US has stabilised since 2013.

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 seasonally adjusted

Note: Working age population 15-64 for EU, EA and 16-64 for US.

[Click here to download chart.](#)

Outlook

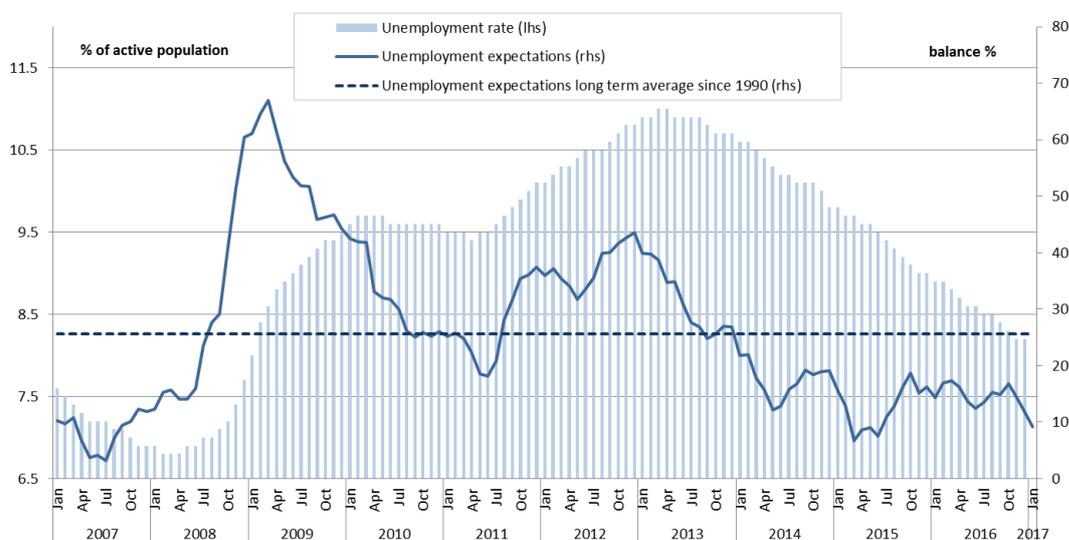
EA economy expands and job creation accelerates in the beginning of 2017

The Purchasing Managers Index (PMI) for the EA, derived as a composite index for EA output, has improved since autumn 2016, after a slowdown observed in the first part of last year. The PMI suggested an EA growth in the first quarter of 2017 at 0.4%. The PMI suggests also that employment increased at the fastest rate since 2008, amid rising optimism about business outlook, with hiring gaining momentum both in services and manufacturing.

Economic sentiment and employment prospects show signs of improvement

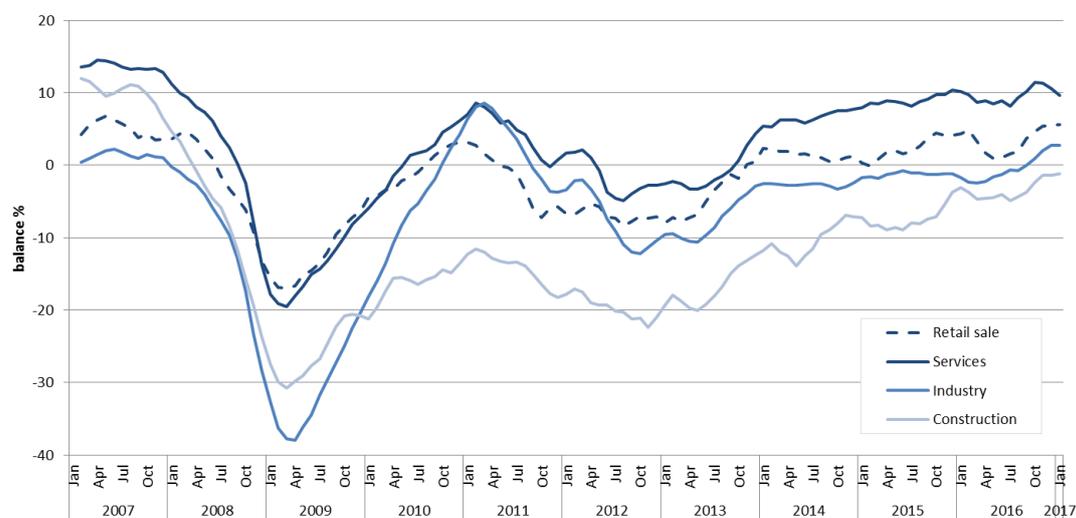
The Commission's economic sentiment indicator (ESI), derived from the EU Business and Consumer Surveys, has improved over the last months. Confidence consistently increases in construction where it is, nevertheless, the gloomiest; it shows signs of improvement in industry. Although the highest among sectors, confidence is still a bit lower than a year ago in services and retail. On the household side, consumers' unemployment expectations for the next 12 months are lower than in the end of 2015 (Chart 6). Employment prospects over the next few months shows signs of improvement in all sectors (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 outlook for growth and jobs in the EU remains positive

The latest available Commission Autumn Forecast of November 2016 suggested that economic growth would continue at a moderate pace, as recent labour market gains and rising private consumption are being counterbalanced by weakening factors. The Commission forecasted GDP growth in the EU at 1.8% in 2016 and 1.6% in 2017 and 1.8% in 2018. Regarding the labour market, the Commission set employment to grow by 1.4% in 2016, faster than at any time since 2008. It is also expected to moderate to 0.9% in 2017 and 0.8% in 2018. Unemployment is predicted to fall from 8.5% in 2016 to 8.3% next year and 7.9% in 2018. The other forecasts of the OECD, IMF and ECB confirmed the outlook for the EA (Table 1).

Table 1: Recent forecasts – EU and EA

		GDP growth			Unemployment rate			Employment growth		
		2016	2017	2018	2016	2017	2018	2016	2017	2018
euro area										
Commission	Nov-16	1.7	1.5	1.7	10.1	9.7	9.2	1.4	1.0	1.0
OECD	Nov-16	1.7	1.6	1.7	10.0	9.5	9.1	1.8	1.2	1.0
ECB	Oct-16	1.6	1.4	1.5	10.1	9.7	9.3	:	:	:
IMF	Oct-16	1.7	1.5	1.6	10.0	9.7	9.3	:	:	:
EU										
Commission	Nov-16	1.8	1.6	1.8	8.5	8.3	7.9	1.4	0.9	0.8
IMF	Oct-16	1.9	1.7	1.8				:	:	:

Source: European Commission November 2016, OECD November 2016, ECB survey of professional forecasters (2016Q4), IMF October 2016. Note: ':' data not available.
[Click here to download table.](#)

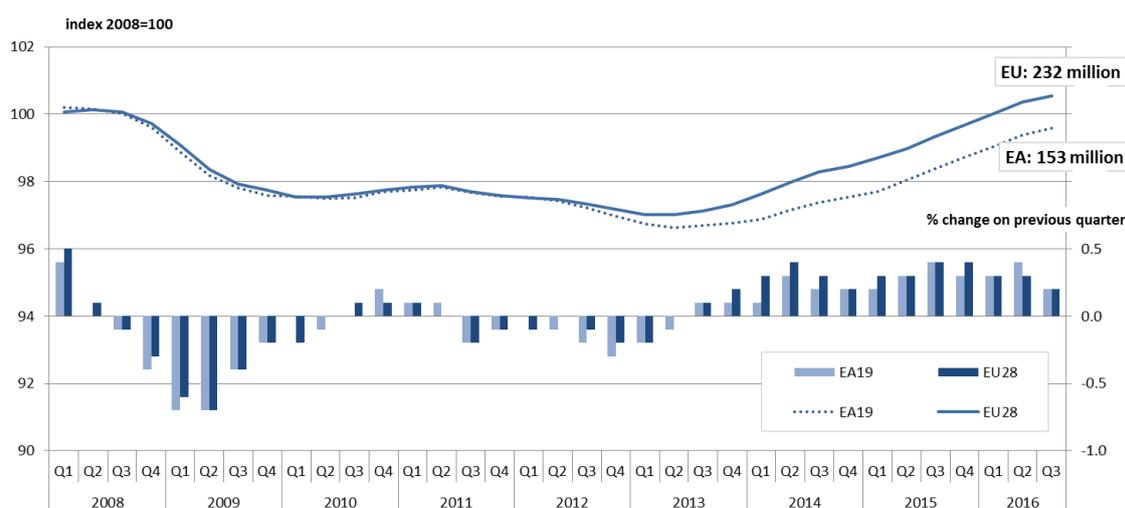
2. Employment in the EU and in Member States

Employment in the EU exceeds 2008 level, but its expansion slows down

Employment continued to increase in the third quarter of 2016: by 0.2% in both the EU and in the EA. It was up by 1.1% in the EU and 1.2% in the EA compared to the third quarter of 2015. The year-on-year increase represents 2.8 million more employed people in the EU, including 1.9 million in the EA. Since the start of the economic recovery in 2013, employment growth had always been higher for the EU as a whole than for the EA. Since 2016, employment growth has caught up in the EA (Chart 3).

Employment has grown at EU level for three years now. Its lowest level since 2008 had been observed in mid-2013. Since then and up to the third quarter of 2016, employment has increased by 8.2 million in the EU, including by 4.6 million in the EA. Consequently, in the third quarter of 2016, employment in the EU remained 0.9% (940 thousand people) above the level reached at its peak level of spring 2008. It is 0.97% lower in the EA, representing 870 thousand fewer people in employment than in spring 2008 (Chart 8).

Chart 8: Employment level - EU and EA



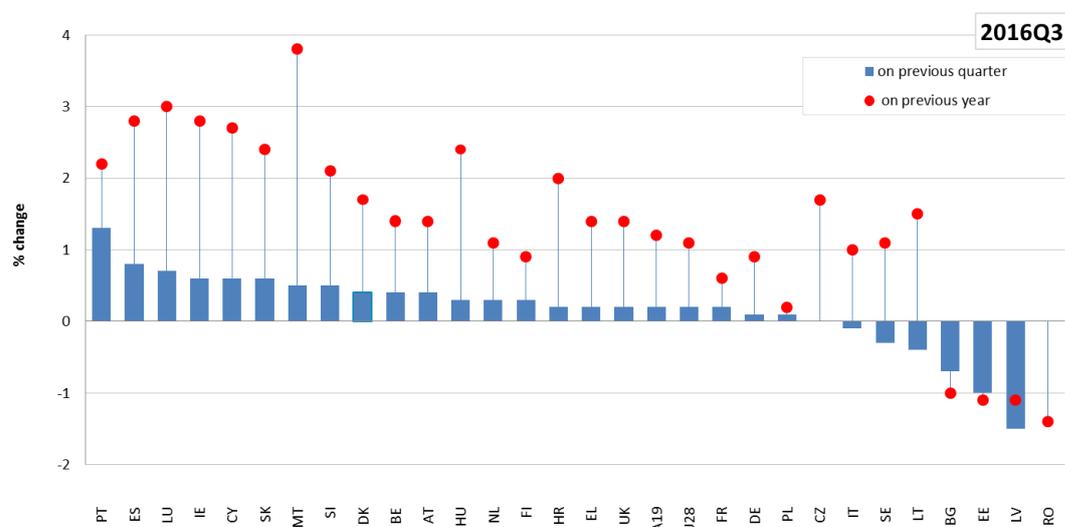
Source: Eurostat, National Accounts, data seasonally adjusted [namq_10_pe]
[Click here to download chart.](#)

Employment expands in most Member States, however several start seeing contractions

In the third quarter of 2016, employment continued to increase in most Member States. However, several countries witnessed declines, namely Baltic States, Bulgaria, Romania, Sweden and Italy, while employment stagnated in the Czech Republic. Employment recovered in Finland after stagnation seen in the previous quarter. Among the best performing countries, quarterly employment growth remained the highest in Portugal (1.3%) and Spain (0.8%).

Employment in the third quarter of 2016 was higher than in the third quarter of 2015 in most Member States except for Bulgaria, Estonia, Latvia and Romania. Employment growth continued to be the strongest in Cyprus, Ireland, Luxembourg, Malta and Spain (2.7% or more) (Chart 9).

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



Source: Eurostat, National Accounts, data seasonally adjusted (q-o-q) and not seasonally adjusted (y-o-y) [namq_10_pe]

Note: No q-on-q seasonally adjusted data for RO.

[Click here to download chart.](#)

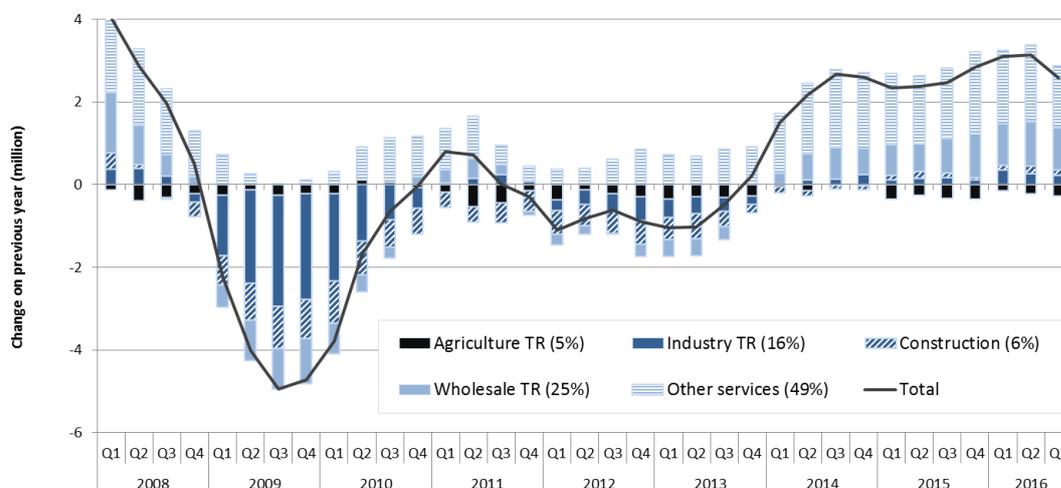
Service sectors drive employment growth

In the year to the third quarter of 2016, EU employment continued to increase across service sectors and to smaller extent in industry and construction. Employment in non-tradable⁵ 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 has regained some ground from the second half of 2014, while employment in construction has slightly increased since the beginning of 2015. Employment in agriculture stabilised in 2014 but has been contracting again since the beginning of 2015 (Chart 10 and Chart 11).

Looking at the third quarter of 2016 alone, employment increased in nearly all service sectors, while it was more stable in industry and construction and declined in agriculture (Chart 11). The [Statistical Annex](#) presents in detail the changes in employment for 10 NACE branches.

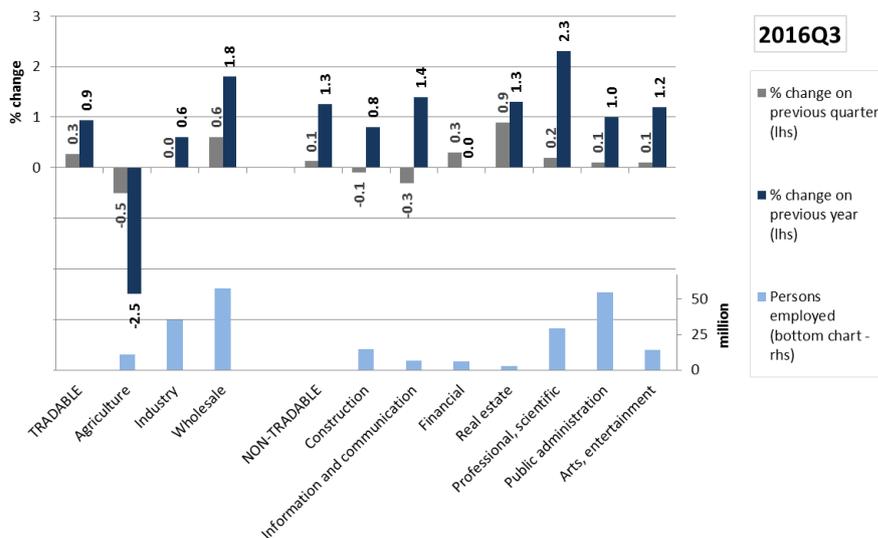
⁵ Tradable sectors include: Agriculture (A), Industry (B-E) - Mining and quarrying (B), Manufacturing (C), Electricity, gas, steam and air conditioning supply (D), Water supply, sewerage, waste management and remediation activities (E) and tradable services - Wholesale and retail trade (G), Transport (H), Accommodation and food service activities (I). Non-tradable sectors include: Construction (F) and other non-tradable services - Information and communication (J), Financial and insurance activities (K), Real estate activities (L), Professional, scientific and technical activities (M), Administrative and support service activities (N), Public administration and defence (O), Education (P), Human health and social work activities (Q), Arts, entertainment and recreation (R), Other service activities (S), Activities of household (R), Activities of extra-territorial organizations and bodies (U).

Chart 10: Employment growth by sector - EU



Source: Eurostat, National Accounts, data not 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

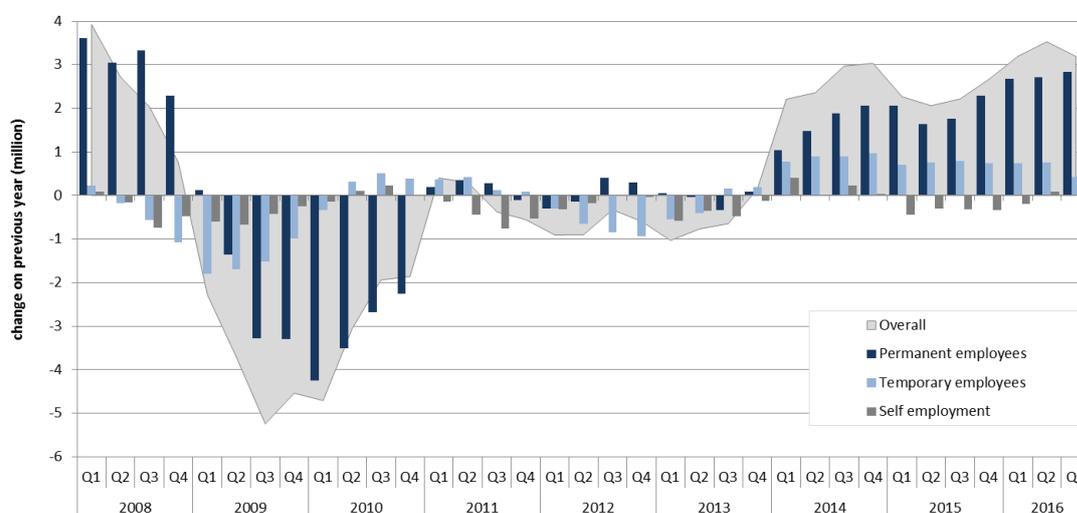


Source: Eurostat, National Accounts, data seasonally adjusted (q-o-q) and not seasonally adjusted (y-o-y) [namq_nace10_e]
Top chart: Employment growth (%). Bottom chart: Employment level (million).
[Click here to download chart.](#)

Permanent jobs contribute notably to employment expansion

The increase in the number of permanent employees has exceeded the increase in the number of temporary employees for nearly three years now. In the year to the third quarter of 2016, the number of employees with a permanent contract increased by 2.8 million (1.8%), while the number of employees with a temporary contract increased by 420 thousand (1.6%). The number of self-employed stagnated (Chart 12).

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

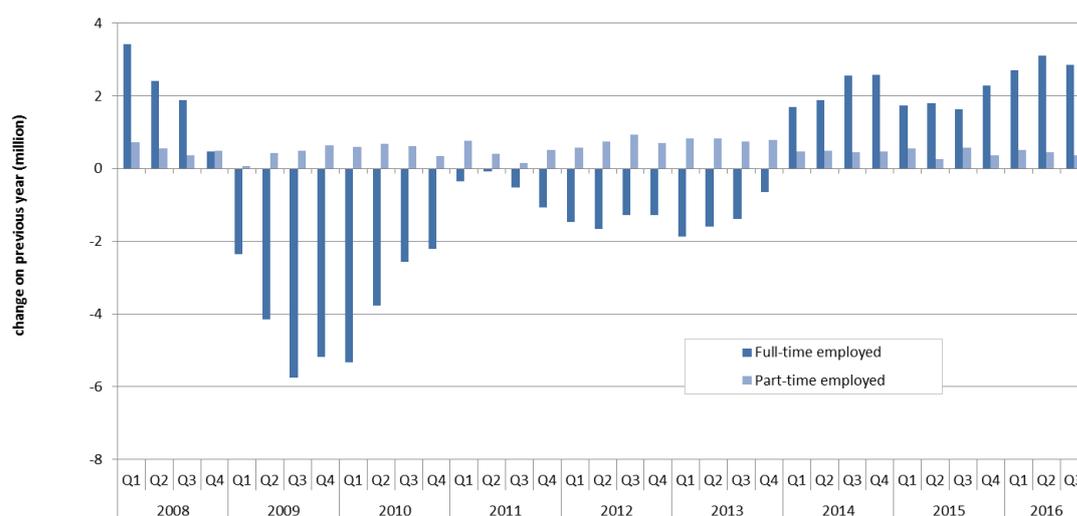


Source: Eurostat, LFS, data not seasonally adjusted [lfsq_egaps, lfsq_etgaed]
[Click here to download chart.](#)

Full-time employment continues to drive employment growth

Full-time employment has increased faster than part-time employment for nearly three years. In the year to the third quarter of 2016, the number of full-time workers increased by 2.8 million (1.6%), and the number of part-time workers increased by 370 thousands (0.9%). Part-time employment never declined during the crisis, whereas full-time employment is still below its 2008 level. The number of people working full-time in the third quarter of 2016 remained 2.4% (4.5 million) lower than in 2008, while part-time employment was 11.4% higher (4.3 million) (Chart 13).

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



Source: Eurostat, LFS, data not seasonally adjusted [lfsq_emptpt]
[Click here to download chart.](#)

Employment rates in the EU and in Member States

Employment rate exceeds its previous peak, and Europe2020 target may be in reach

The employment rate for 20-64 year-olds has increased consistently for three years. At 71.2% in the third quarter of 2016 it exceeded by 0.9 percentage points (pp) its 2008 level. The rate increased by 1 pp in a year to the third quarter of 2016, and if this yearly pace continues the Europe 2020 target of 75% may be reached. For the EA, the employment rate increased by 1 pp in the year to the third quarter of 2016, to reach 70.1%. The employment rate in the EA was just 0.2 pps below the 2008 value (Chart 14, and Chart 15).

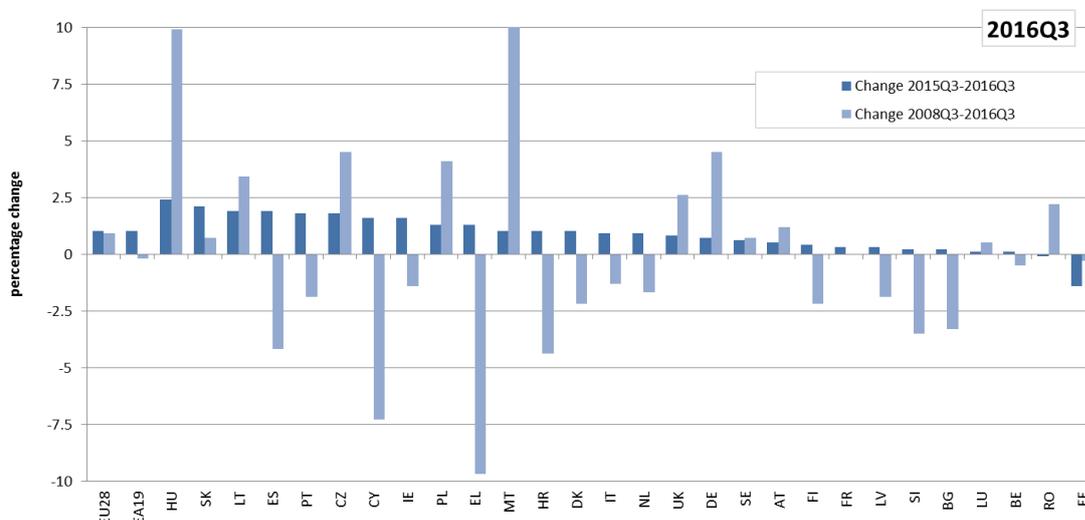
Employment rates recover in most Member States, but are far below 2008 level in many

In the year to the third quarter of 2016, the employment rate for 20-64 year-olds increased in most Member States, except for Estonia and Romania. The largest increases were recorded in Hungary and Slovakia (by more than 2 pps).

Despite the observed improvements, the employment rate in the third quarter of 2016 remained below the 2008 rate in half of the Member States, having dropped significantly (by 6 pps or more) in Cyprus and Greece. Hungary and Malta showed the most significant increases (around 10 pps) since 2008; after having had 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 level.

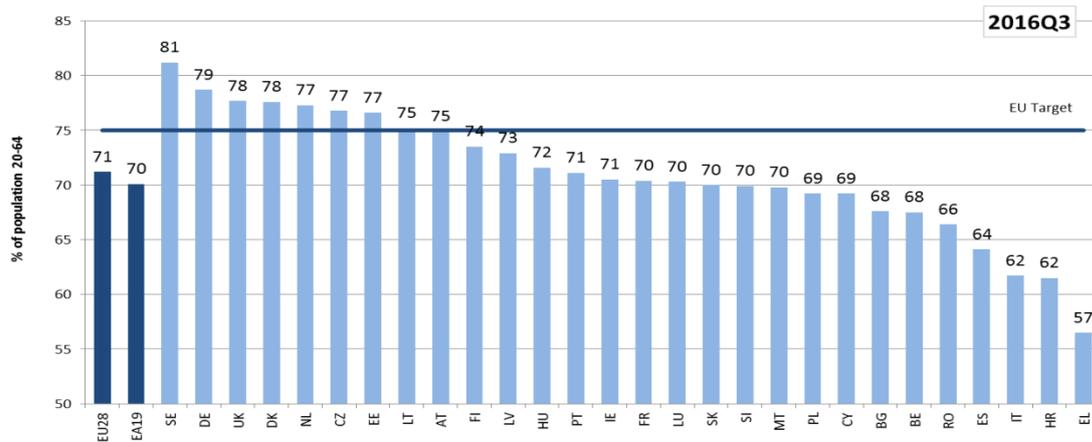
In the third quarter of 2016, there was 25 pps difference between the highest employment rate of more than 80% in Sweden and the lowest employment rate of 57% in Greece (Chart 15).

Chart 14: Change in employment rate - EU, EA and Member States



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

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



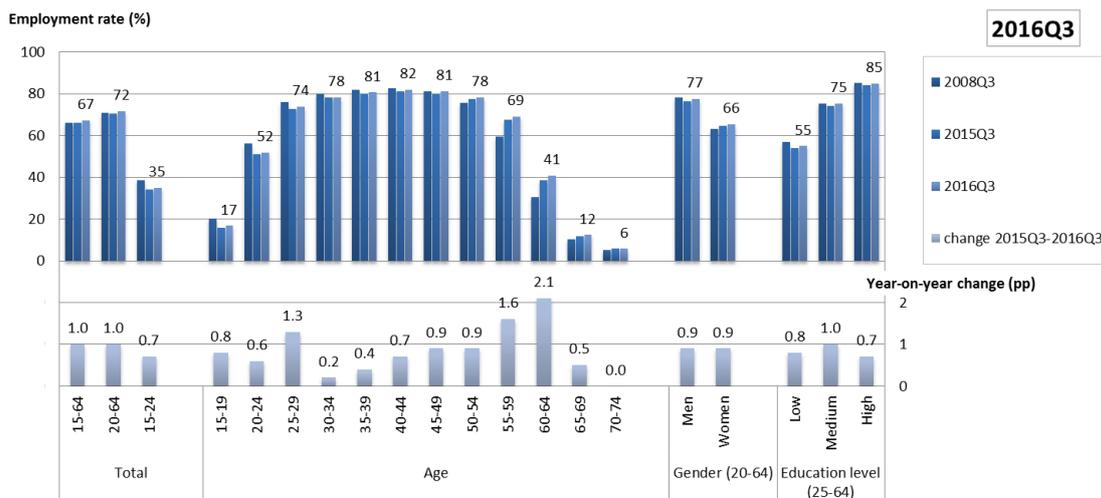
Source: Eurostat, LFS, data seasonally adjusted [lfsi_emp_q]
[Click here to download chart.](#)

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

In the year to the third quarter of 2016, the EU employment rate increased for all population groups and most noticeably for people aged 55-59 (1.6 pps) and those aged 60-64 (2.1 pps). This encouraging trend observed over the past few years resulted in 10 pps increase in the employment rate of older workers since 2008. In the year to the third quarter of 2016, the employment rate of young people aged 25-29 also increased noticeably (1.3 pps). Still, their employment rate remained 2 pps lower than in 2008.

The increase in the employment rate during the year to the third quarter of 2016 was similar for both men and women. The rate for medium-skilled people increased most. When compared to 2008, the employment rate in the third quarter of 2016 had increased for women (by 2.4 pps), but not for men (down by 0.9 pps) (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 2015Q3-2016Q3 (pp).
[Click here to download chart.](#)

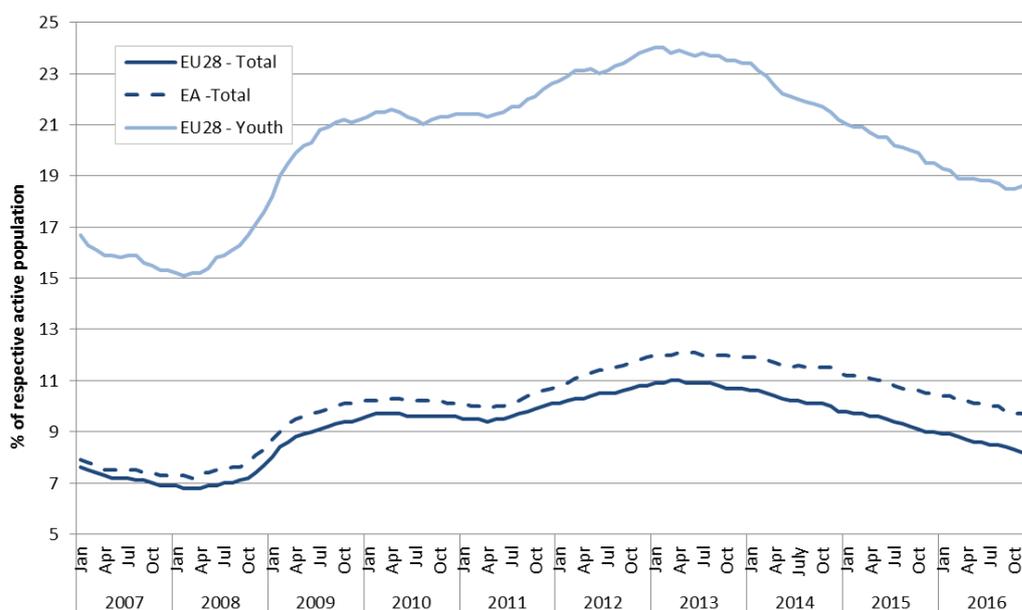
3. Unemployment in the EU and in Member States

Unemployment in the EU at its lowest recorded rate since February 2009

The unemployment rate in the EU and EA continued its steady but moderate decline since mid-2013. It declined to 8.2% in the EU and 9.6% in the EA in December 2016, a reduction of 0.8 pp for the EU and 0.9 pp for the EA when compared to December 2015. The unemployment rate in the EU remained 1.4 pps higher than its low of 6.8% in March 2008 (Chart 17). It is nevertheless the lowest rate recorded in the EU since February 2009. For the EA, the difference with respect to March 2008 is 2.6 pps.

The decline in the unemployment rate between December 2015 and December 2016 represents about 1.8 million fewer unemployed people in the EU, including 1.3 million in the EA. Unemployment has receded by around 6.5 million people since its peak observed in April 2013. However, with about 20.1 million unemployed people, including 15.6 million in the EA, there were just over 4 million more unemployed people in August 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.](#)

Stronger declines seen in Member States with high unemployment rates

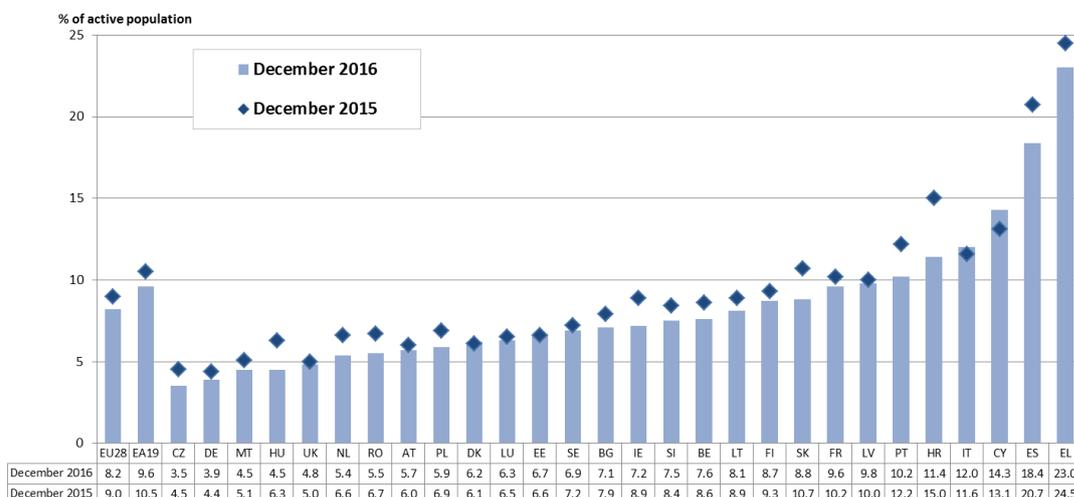
Compared with a year ago, unemployment rates decreased in twenty-four Member States, and increased in Cyprus by 1.2 pps, Italy by 0.4 pp. Estonia (November 2015 to November 2016) and Denmark each by 0.1 pp. The largest reductions were registered in Croatia (by 3.6 pps down to 11.4%), Spain (by 2.3 pps down to 18.4%) and Portugal (by 2 pps down to 10.2%) (Chart 18 and Chart 19). Greece also registered a decline of 1.5 pp (October 2015 to October 2016) to 23%.

Large differences in unemployment rates remain among Member States. Notably with the Czech Republic (at 3.5%) and Germany (at 3.9%) also registering further year on year declines, brought their unemployment rates to below 4% (Chart 18). By comparison Greece⁶ (with 23%) is now the

⁶ June 2016

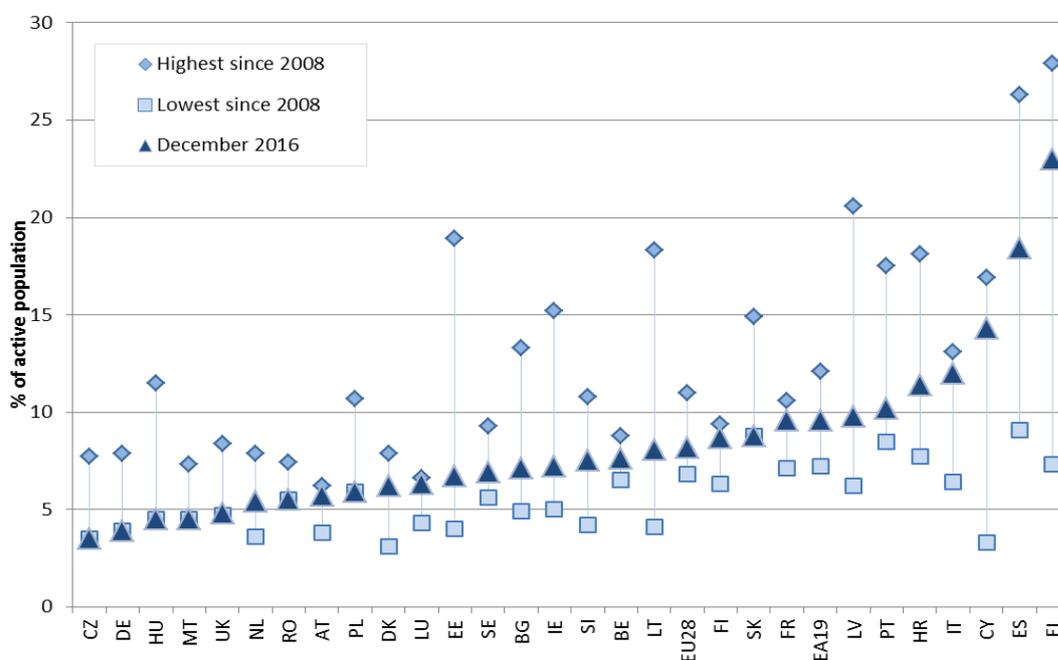
only Member State with an unemployment rate over 20%. Spain with the second largest unemployment rates trails a little further behind (18.4%).

Chart 18: Unemployment rates - EU, EA and Member States



Source: Eurostat, series on unemployment, data seasonally adjusted [une_rt_m]
Note: HU & EE data from November 2016, EL & UK data from October 2016
[Click here to download chart.](#)

Chart 19: Unemployment rates - EU, EA and Member States



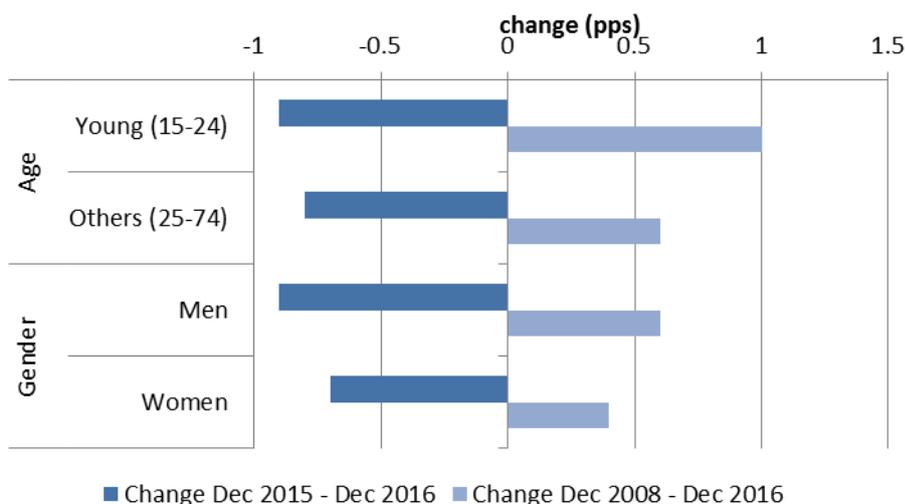
Source: Eurostat, series on unemployment, data seasonally adjusted [une_rt_m]
Note: HU & EE data from November 2016, EL & UK data from October 2016
[Click here to download chart.](#)

... and it also continues to decline for all population groups

In the year to December 2016, the unemployment rate declined in the EU for all age groups and for both men and women. In that period, it declined by 0.9 pp for men and 0.7 pp women and stood at 8% and 8.4% respectively in December 2016. In the EA, the unemployment rate declined by 1 pp for men and 0.8 pp for women to reach 9.3% and 9.9% respectively in December 2016. For those aged 25-74, the unemployment rate in the EU declined by 0.8 pp in the year to December 2016 and stood at 7.6%. A decline of 0.9 pp was observed for those aged 15-24, down to a rate of 18.6% (Chart 20).

Data for the third quarter of 2016, compared to third quarter of 2015, shows the decline in unemployment rates for all age groups between 15 and 69 years of age. Looking at the age structure the strongest declines were seen in the younger age groups 20-24 (1.2 pps) and 25 -29 (1 pp). However residual effects of the 2008 recession are still more so experienced by those aged between 20 - 34 years. For example, those aged 20-24 are still 3.6 pps above 2008 unemployment rates, the greatest difference compared to other age groups. The unemployment rate also declined for the three levels of education considered (low, medium and high). Nonetheless, these changes were not yet enough to return unemployment rates back to the values observed in 2008 especially for the low skilled (greater by as much as 5 pps). By contrast the highly skilled, whose unemployment rates soared the most over the last decade, are just 1.2 pps away from 2008 levels when it was at its lowest.

Chart 20: Change in unemployment rate by population groups - EU



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

Table 2: Youth unemployment rates - December 2016

	Youth unemployment rate	Year-on-year change (percentage points)
Croatia	28.0	-11.8
Ireland	14.5	-5.0
Slovakia	20.4	-4.8
Greece	44.2	-4.6
Belgium	20.4	-4.0
Portugal	26.4	-3.9
Hungary	11.9	-3.7
Estonia	12.2	-3.4
Spain	42.9	-3.4
Poland	17.5	-2.1
Finland	19.8	-1.9
Austria	10.5	-1.1
The Netherlands	10.2	-1.0
EA19	20.9	-0.9
The UK	12.6	-0.9
EU28	18.6	-0.9
Romania	20.3	-0.9
Lithuania	13.1	-0.8
Germany	6.5	-0.7
Latvia	18.3	-0.5
The Czech Republic	10.7	0.0
Slovenia	16.8	0.0
Sweden	19.2	0.0
Denmark	12.8	1.7
France	26.2	1.8
Italy	40.1	1.8
Luxembourg	19.9	2.1
Malta	13.0	2.4
Cyprus	32.8	2.5
Bulgaria	22.4	2.9

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

Note: RO data from September 2016, EL & UK data from October 2016 and HU & EE November 2016
[Click here to download chart.](#)

EU youth unemployment show moderate decline Member States

In the year to December 2016, the youth unemployment rate (for those aged 15-24) for the EU declined by 0.9 pp and reached 18.6%. In the EA it declined by 0.9 pp and reached 20.9 %. These declines represent nearly 196 000 fewer unemployed people aged 15-24 in the EU, including 88 000 in the EA. At 4.2 million unemployed young people, including nearly 3 million in the EA, the level of youth unemployment remains markedly higher than its low in 2008.

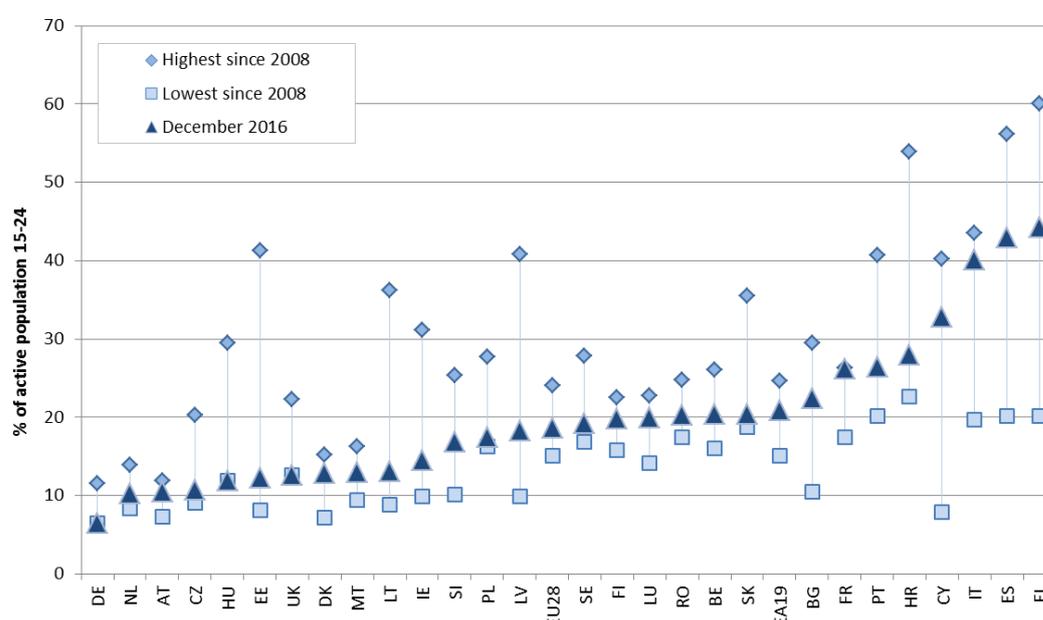
In the year to December 2016, the unemployment rate among young people aged 15-24 fell in most Member States. However, seven Member States had year-on-year increases during this period, notably Estonia (3.6 pp), Denmark and Latvia (each 1.2 pp), Lithuania (0.7 pp) and Sweden (0.5 pp) and unchanged in three Member States. The youth unemployment rate fell considerably in Croatia (11.8 pps). Ireland (5 pps), Slovakia (4.8 pps) and Greece (4.6 pps) also registered strong declines. Unemployment still affects over 40% of young active people aged 15 - 24 in Greece⁷ (44.2%), Spain (42.9%) and Italy (40.1%) and over 30% in Cyprus (32.8%). By contrast, youth unemployment

⁷ June 2016

rates are around or below 10% in Germany (6.5%), Netherlands (10.2%), Austria (10.5), and the Czech Republic (10.7%), (Table 2 and Chart 21).

All Member States registered youth unemployment rates below their recent peak values. Estonia and Croatia, have registered the strongest decreases in youth unemployment since their peak figures by 29.1 pps and 25.9 pps respectively. Other Member States also achieved notable declines, notably Lithuania (23.1 pps) and Latvia (22.5 pps) (Chart 21). Greece, the country with the highest youth unemployment, has also registered an important decline. However, and despite these improvements, Member States like Cyprus, Greece, Spain and Italy still have high levels of unemployed young people which must continue to be addressed.

Chart 21: Youth unemployment rates - EU, EA and Member States, August 2016 and highest and lowest rate since 2008



Source: Eurostat, LFS, data seasonally adjusted [une_rt_m]

Note: RO data from September 2016, EL & UK data from October 2016 and HU & EE November 2016

[Click here to download chart.](#)

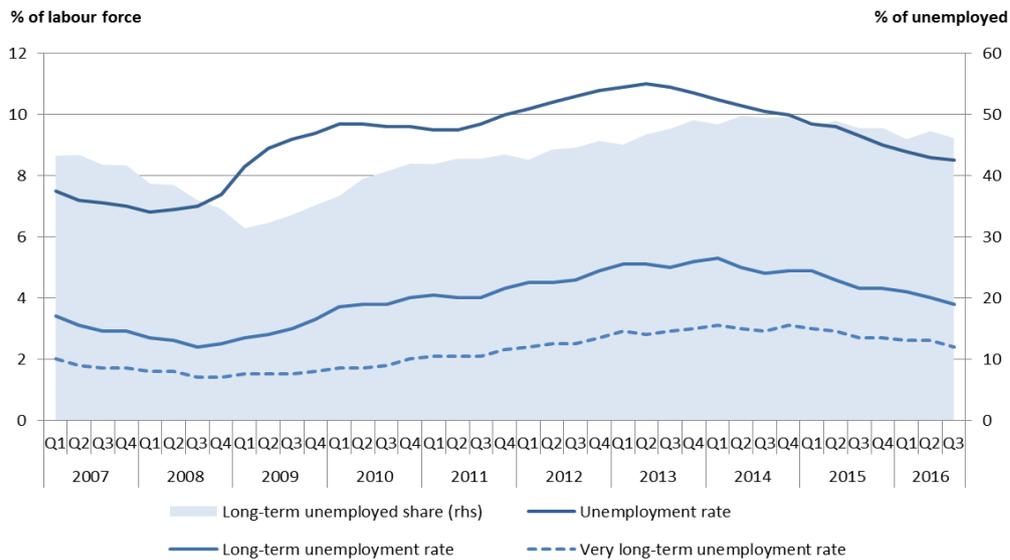
4. Long-term unemployment and additional potential labour force

Very long-term unemployment is still decreasing but slower

The long-term unemployment rate, i.e. the rate of those unemployed for a year or more, decreased by 0.5 pps in the year to the third quarter of 2016, to reach 3.8% of the labour force (Chart 22). This is the tenth consecutive quarter with yearly decreases in long-term unemployment rate. However, the pace of the reduction has slowed down in the last two quarters. In the year to the third quarter of 2016 the very long-term unemployment rate, i.e. those unemployed for at least two years, decreased by 0.3 pps to reach 2.4% of the labour force.

In the third quarter of 2016, compared to the third quarter of 2015, there were around 1.1 million fewer people in long-term unemployment. However, long-term unemployment remains an important challenge in the EU with around 9.3 million people in unemployment for more than a year, including 5.9 million for more than two years. The share of long-term unemployed in total unemployment is still high and above 45%, but decreasing over the last quarters.

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

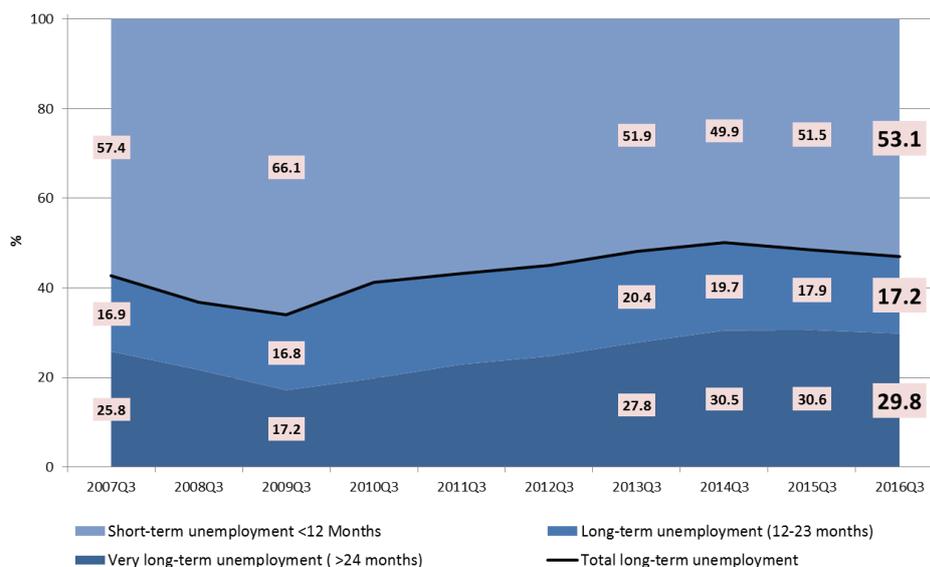


Source: Eurostat, LFS, data not seasonally adjusted [une_rt_q, une_ltu_q]
Left axis: Unemployment rates (% of labour force). Right axis: unemployment share (% of unemployed)
[Click here to download chart.](#)

The share of long-term unemployment in total unemployment falls slowly

The year-on-year reduction in the long-term unemployment rate has been larger than the reduction in the short-term unemployment rate (0.5 pps vs 0.2 pps). Chart 23 shows the detailed composition of unemployment by duration and its evolution. The share of those in very long term on total unemployment has also decreased over the last year. The chart also shows that the changes in the shares of the different groups are evolving slowly since the beginning of the recovery in contrast with the fast developments seen between the third quarter of 2008 to the third quarter of 2009.

Chart 23: Unemployment level by duration of unemployment - EU



Source: Eurostat, LFS, data not seasonally adjusted [lfsq_ugad]
Note: Data for third quarter of each year
[Click here to download chart](#)

Croatia reduces its long-term unemployment rate by 5 pps in one year

In the year to the third quarter of 2016, long-term unemployment declined across the majority of Member States, only five Member States increased their long-term unemployment rates. The largest reduction occurred in Croatia with a huge decrease of 5 pps which is almost half the long-term unemployment rate Croatia had one year before. Slovakia (2 pps) and Spain (1.7 pps) also had significant reductions in their rates.

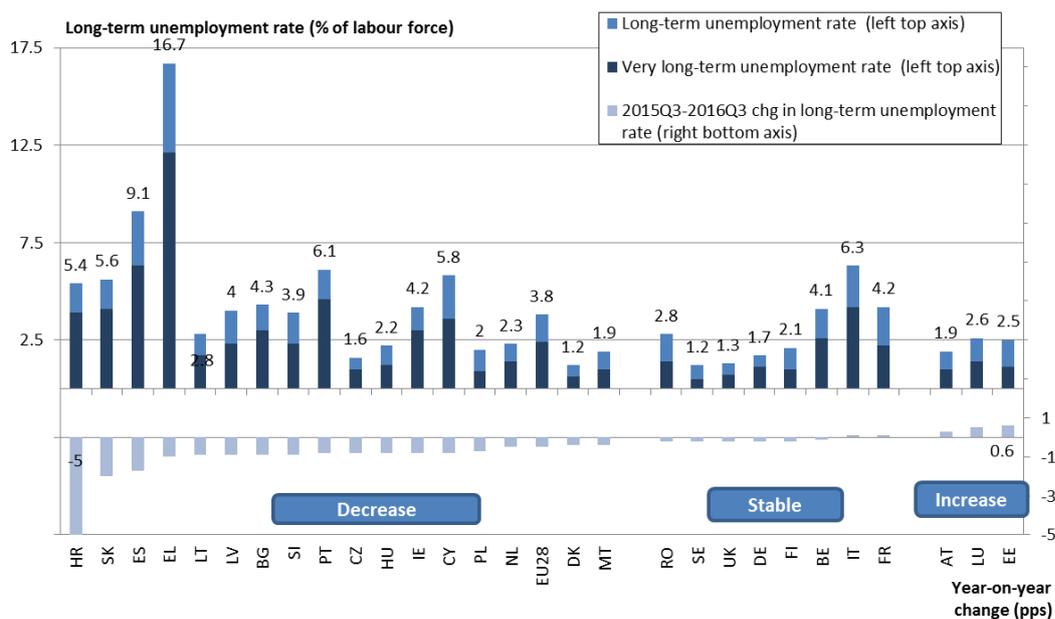
In the third quarter of 2016, Greece held the highest rate: 16.7% of the labour force was long-term unemployed. Only five Member States showed increases across the EU in long-term unemployment rate (Chart 24). The largest increases occurred in Estonia (0.6 pps) and Luxembourg (0.5 pps)

Greece's rate of very long-term unemployment remained the highest in the EU at 12.1% of the labour force, although it decreased by 0.4 pps in the year to the first quarter of 2016. There were important reductions in very long-term unemployment rates in Croatia (3 pps) and Slovakia (1 pp).

Greece also held the highest share of long-term unemployment, 73.8% of its total unemployment and stable developments, followed by Bulgaria 62.2%.

Compared to 2008, already seven countries have lowered their long-term unemployment rates, namely Germany (by 2 pps) and Hungary (by 1.4 pps), but also Czech Republic, Malta, Poland, Slovakia and United Kingdom with smaller changes.

Chart 24: Long-term unemployment rate - EU, EA and Member States, level and change over the year to 2016Q3



Source: Eurostat, LFS, data not seasonally adjusted [une_ltu_q]
[Click here to download chart.](#)

All EU Member States are above 65% activity rate

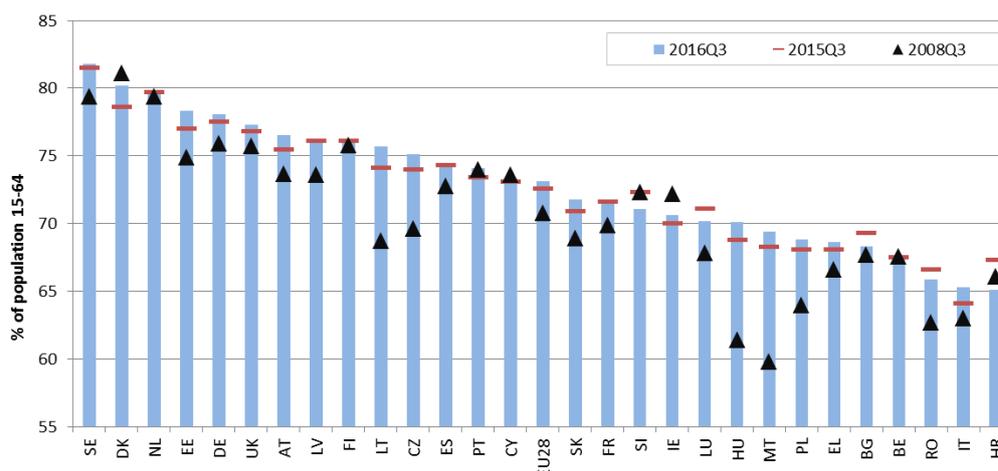
For the moment, the latest reductions in unemployment, long-term and very long-term unemployment are not caused by increases in inactivity. The activity rate in the EU, seasonally adjusted, for the 15 to 64 age group, reached 73.1% of the population in the third quarter of 2016 (Chart 25). This is 0.2 pps higher than in the second quarter of 2016 and 0.5 pps more than in the third quarter of 2015. In the first quarter of 2016, the active population of the EU between 15 and 64 years was above 239 million people, around 3.5 million more people than in the third quarter of 2008.

In the year to the third quarter of 2016, most of the Member States registered an increase in their activity rates (Chart 25). The Member States that experienced the strongest increases were

Lithuania and Denmark (1.7 pp), followed by Estonia and Hungary (1.3 pp). The largest decreases in activity rates were in Croatia (2.2 pp) and Slovenia (1.2 pp).

For the first time, in the third quarter of 2016 all Member States have activity rates above 65% of its population between 15 and 64 years. Italy was the last country to exceed this threshold with a yearly increase of 1.2 pps and 2.3 pps since the third quarter of 2008. By contrast, Croatia now holds the lowest activity rate, 65.1% and following a negative trend.

Chart 25: Activity rate - EU and Member States



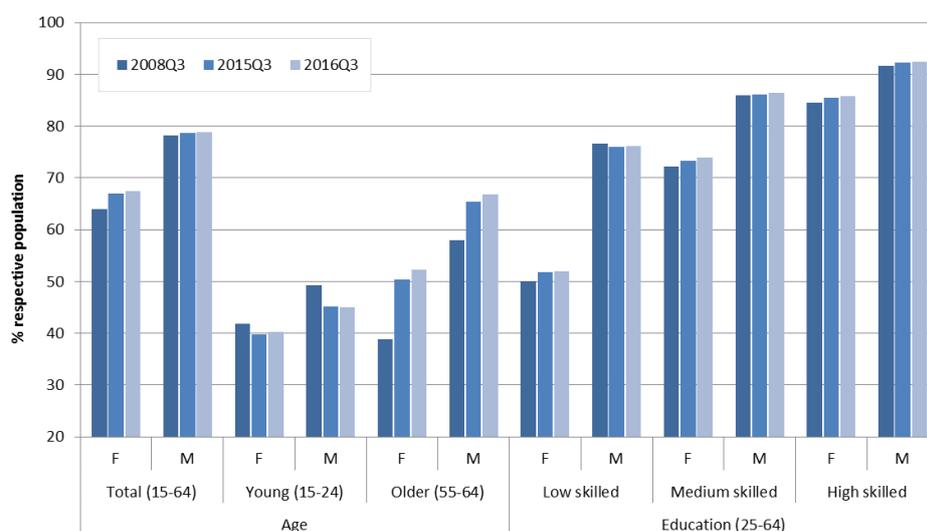
Source: Eurostat, LFS, data seasonally adjusted [lfsi_act_q]
[Click here to download chart.](#)

Important increases in the activity rate of those 55-64

The increase in the activity rate of older workers, those aged between 55 and 64 years, is the main driver of the increase in activity rates across the EU. In the year to the third quarter of 2016 the activity rate of older workers increased by 1.7 pps with a stronger increase for women than for men in that age group (1.9 pps for women vs. 1.4 pps for men). Older workers have increased their activity rates in more than 11 pps since 2008. During the last year, the activity rate for youths slightly increased (by 0.1 pp) but is 3.1 pp lower than in the third quarter of 2008 (Chart 26).

All the groups by different skill level increased their participation in labour market at a similar pace (Chart 26). The gender gap in activity rates is getting narrower for all age groups, namely between the youth, 4.7 pps, 0.7 pps less than the year before.

Chart 26: Activity rate by by population groups – EU



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

'Available to work but not seeking' and 'underemployment' in the EU are decreasing

Three supplementary indicators to unemployment are used to monitor the evolution of underemployment and the potential additional labour force. These three indicators are: 'Available for work but not seeking', 'underemployed' and 'seeking but not available for work'. These indicators are expressed as a percentage of the labour force, i.e. the active population. They are also called supplementary indicators to unemployment (SIU)⁸.

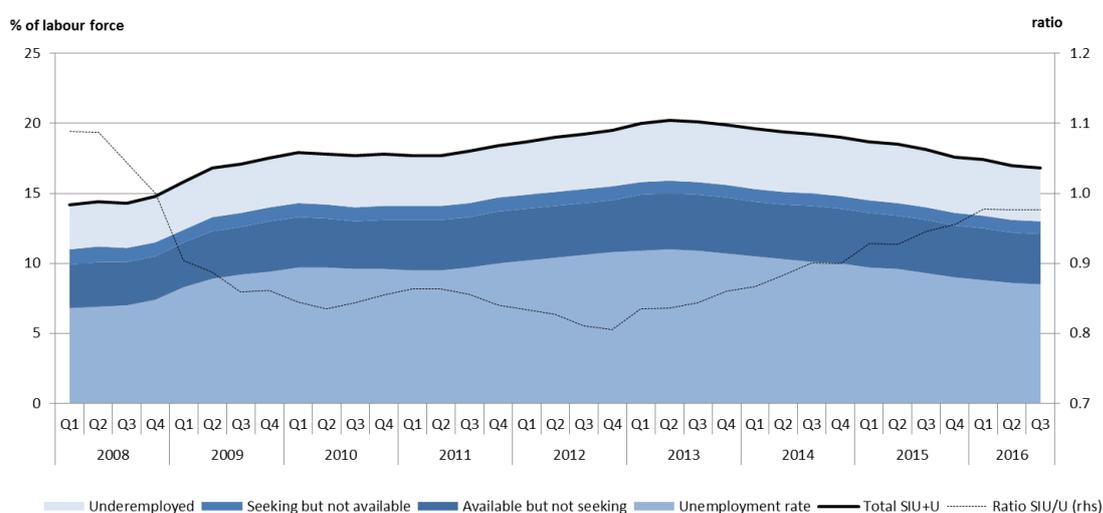
The proportion of workers in the EU who are 'available but not seeking' (for example the 'discouraged') was 3.6% of the labour force in the third quarter of 2016. This rate decreased by 0.2 pps compared to the third quarter of 2015. 'Underemployment', i.e. the proportion of those who would like to work additional hours and is available to do so, decreased by 0.3 pps in the year to the third quarter of 2016 and represented 3.8% of the labour force.

The rate of those 'seeking but not available for work' remained unchanged over the year and stood at 0.9% of the labour force in the third quarter of 2016.

The sum of the reductions in these three indicators, amounting to 0.5% of the labour force, adds to the positive developments in unemployment (Chart 27) and long-term unemployment.

⁸ See: http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Underemployment_and_potential_additional_labour_force_statistics

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



Source: Eurostat, LFS, data seasonally adjusted [une_rt_q, ifsi_sup_q]

Note: SIU stands for the Supplementary Indicators to Unemployment; they represent the potential additional labour force

[Click here to download chart.](#)

All indicators point to labour markets improvements for most Member States⁹

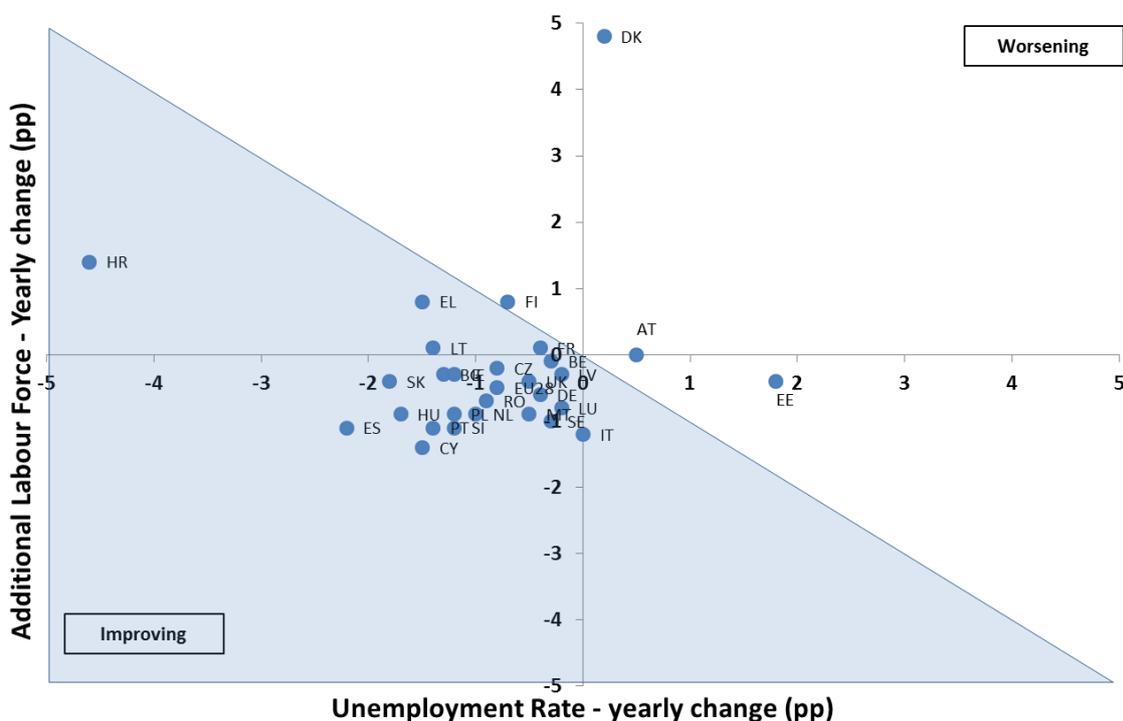
The changes in the unemployment rate must be analysed alongside changes in activity rates and indicators of the potential labour force. Together, these indicators can be used to analyse the extent to which Member States are able to mobilise their working-age population. Looking at unemployment alone would not be sufficient; poor labour market performance may also be reflected in a large number of 'available to work but not seeking' people or widespread underemployment.

In the year to the third quarter of 2016, the reductions in unemployment were accompanied by decreases in supplementary indicators in most Member States (Chart 28). This quarter there are two strong outliers showing quite different evolutions: Croatia and Denmark. On the one hand, Croatia has seen an important reduction in unemployment (4.6 pps), mainly due to the reduction in long-term unemployment, 5 pps. Part of this large reduction could have been driven by the increase (1.6 pps) of people 'available but not seeking', in fact Croatia had the highest yearly increase in this indicator.

On the other hand, Denmark did not show improvements in the labour market, its unemployment rate increased slightly 0.2 pps. Moreover, the supplementary indicators to unemployment have increased in total 4.5 pps. However, this strong increase seems to be mainly due to a break in series due to methodological changes rather than real change in the trend.

⁹ Denmark cannot be included in the analysis in this quarter due to a break in the series of supplementary indicators data, preventing any year-on-year comparison. The rates for all three indicators in Denmark have more than doubled following a change in methodology.

Chart 28: Unemployment vs. supplementary indicators to unemployment (SIU) - EU Member States, changes 2015Q3-2016Q3



Source: Eurostat, LFS, data seasonally adjusted [une_rt_q, lfsi_sup_q]

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

Supplementary indicators for FR from France Metropolitan

[Click here to download chart.](#)

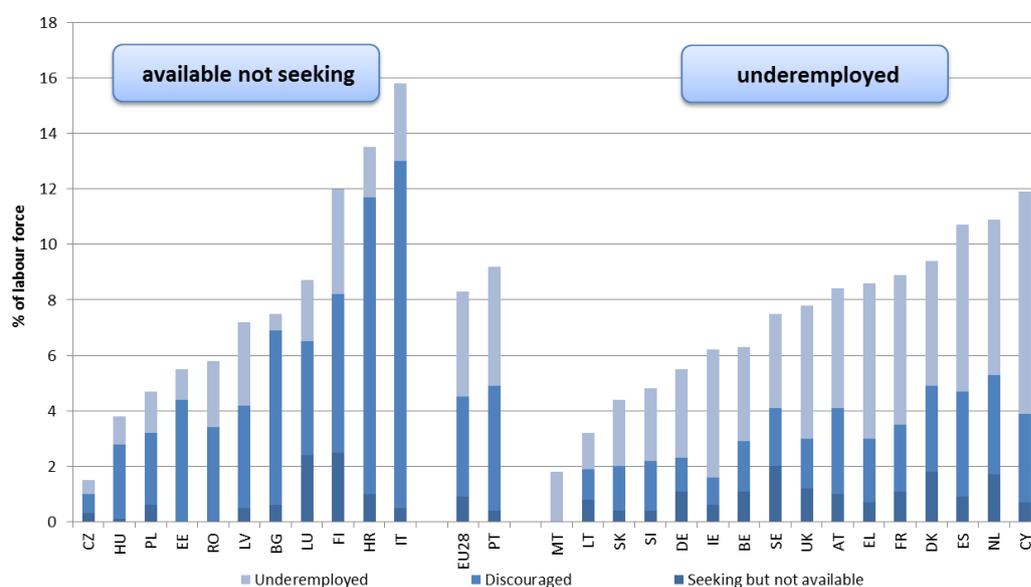
Underemployment is becoming a predominant feature in most Member States

Member States can be divided into those mainly with people who are 'available but not seeking' and those with mainly 'underemployed' people. In the past, this division was fairly even, but recently the number of countries where underemployment is predominant has been increasing (Chart 29), notwithstanding the fall in these indicators that most countries have experienced.

In the third quarter of 2016, Italy was still the country with the highest combined level of supplementary indicators, 15.8% of its labour force. This is mainly due to the highest 'available but not seeking' rate in the EU at 12.5% of the labour force. However, this rate decreased by 1.1 pps in the year to the third quarter of 2016. There could be a link between this decrease and the increase in activity rate mentioned in the previous section. Cyprus showed the largest reduction in the 'available but not seeking' rate, 2.7pps. By contrast, Croatia was the Member State with the highest increase in 'available but not seeking' rate (1.6 pps).

In the third quarter of 2016, Cyprus still had the highest rate of underemployment, at 8% of the labour force and slightly increasing, followed by Spain (6% of the labour force). Denmark had the biggest yearly increase (2.3 pps) in underemployment, but probably due to the methodological changes mentioned above. Over the same period of time, Malta (0.9 pps), Slovenia (0.7 pps) and Spain (0.6 pps) saw the largest year-on-year declines in underemployment.

Chart 29: Labour underutilisation - EU and Member States, 2016Q3



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

Note: LV, MT and RO no data for 'Seeking but not available'

[Click here to download chart.](#)

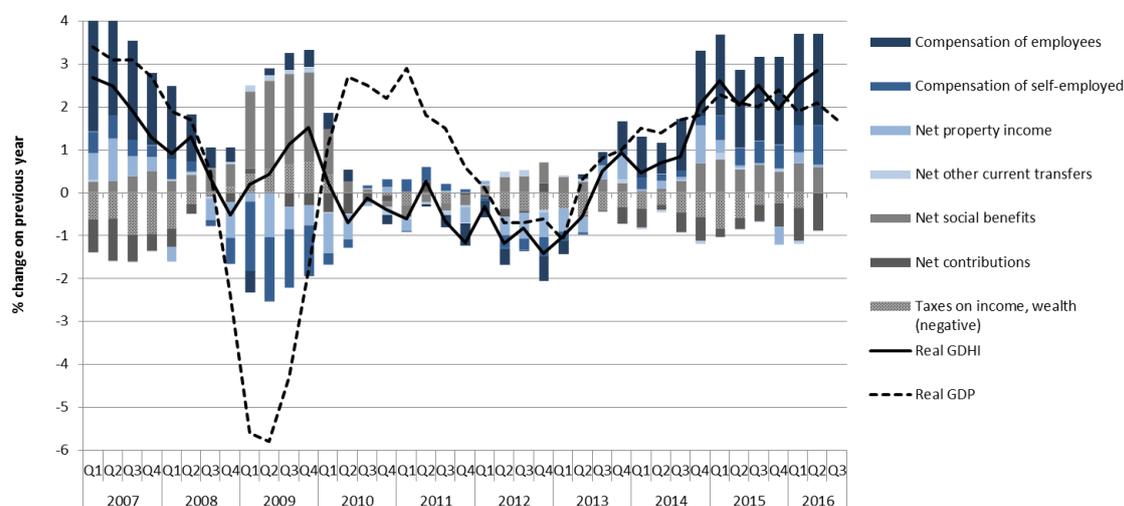
5. Income and financial situation of households

Household incomes in the EU benefit from positive labour market trends

On average in the EU¹⁰, real growth in gross disposable household income (GDHI) remained above a solid 2% in the year to the second quarter of 2016. This continues the strong growth in 2015 – the strongest since the recovery in mid-2013 (Chart 30). In the EA, the year-on-year real growth of GDHI recorded in the second quarter of 2016 remained above 1.5%.

¹⁰ The real GDHI growth for the EU is a DG EMPL estimation based on 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 30: Real GDP growth, real GDHI growth and its main components – EU update for Q3 if available



Source: Eurostat, National Accounts, data not 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.](#)

Households benefit from higher income from work and improved social benefits

In the year to the second quarter of 2016, the growth in GDHI continued to be driven largely by income from work. The compensation of the self-employed and especially employees increased at a rate similar to that seen in the previous quarters. The contribution from property income and from other transfers did not change much. Meanwhile, further increases in social benefits supported strongly the growth of disposable income, while higher social contributions weighed down on it, and taxes remained the same.

All Member States see growth in household income

The real increase in GDHI in the EU seen in the year to the second quarter of 2016 reflects positive developments in most 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, Italy, the United Kingdom and for two years in Spain.

Households' financial distress slowly recedes

Financial distress¹¹, based on personal perceptions and defined as the need to draw on savings or to run into debt to cover current expenditures, has gradually declined over the last three years. Both the share of households reporting running into debt, but even more so the share of those having to draw on their savings have declined. Financial distress receded gradually to around 14% of the population from its historically high level of nearly 17% in autumn 2013 (Chart 31).

Financial distress for low-income households eases since mid-2015

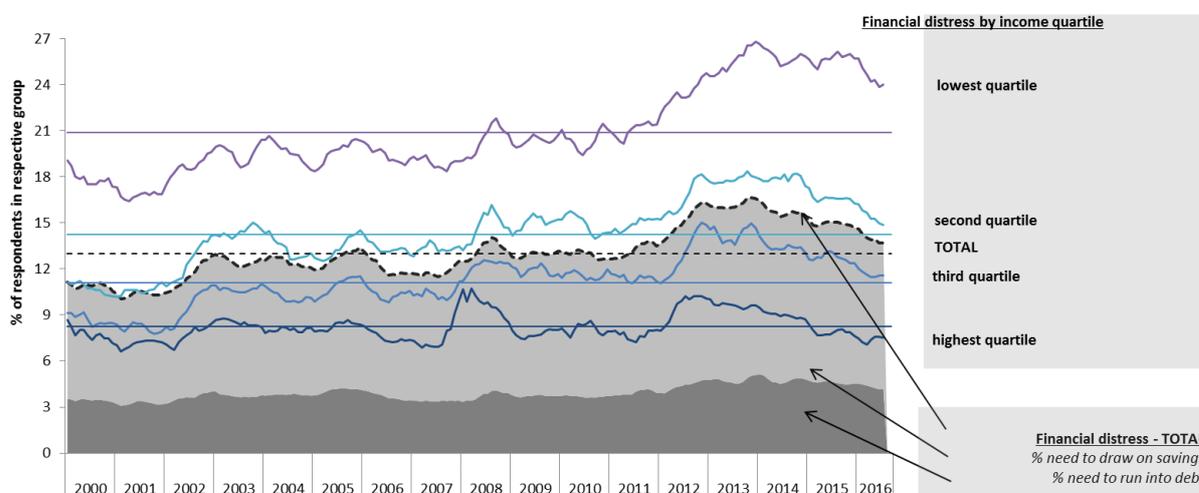
Financial distress for low-income (lowest quartile) households appears to have continued to ease over 2016, but remains high when considering a longer period. Low-income households have seen some ups and downs in their financial distress since the beginning of 2014. Since 2012, financial

¹¹ For details on Business and Consumer Surveys, including consumer survey's question on the current financial situation of households, see http://ec.europa.eu/economy_finance/db_indicators/surveys/index_en.htm

distress has shown a more consistent downward trend in higher income groups, where it has approached or fallen below the long-term average.

Overall, about 10% of adults in low-income households run into debt, and a further 15% drew on savings to cover current expenditure on average in 2016. By comparison, the proportions for the total population were just above 4% and 10%, respectively. The level of financial distress for households in all income quartiles increased to levels above the respective long-term averages (the 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 31).

Chart 31: Reported financial distress by income quartile - EU



Source: European Commission, Business and Consumer Surveys, data not 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 areas, which together represent total financial distress.

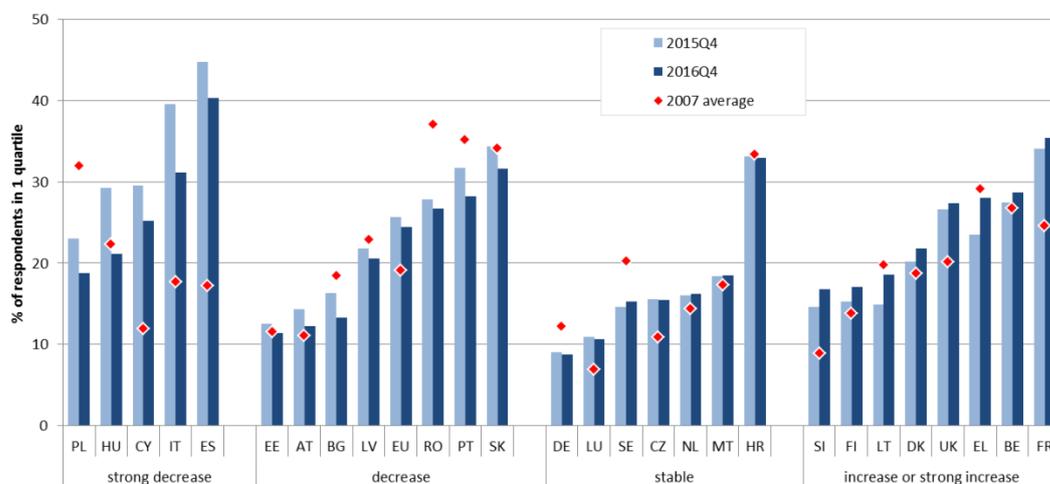
[Click here to download chart.](#)

Financial distress eases in only 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) on average in 2016 compared to level average in 2015. It remains higher than in 2007 in around half of the Member States, in particular in Greece, France and Spain. It ranges from around 3.5% in Germany to more than 25% in Greece and France.

Financial distress for households in the lowest income quartile decreased or remained stable in the majority of Member States (data for Ireland not available) on average in 2016 compared to average level in 2015. It increased over the last year in several Member States (Greece and Lithuania). Compared to 2007, financial distress for the poorest households is higher in around half of the Member States. On average in 2016, it affected less than 10% of households in the lowest income quartile in Germany compared to around 40% of the poorest quartile of the population in Spain (Chart 32).

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



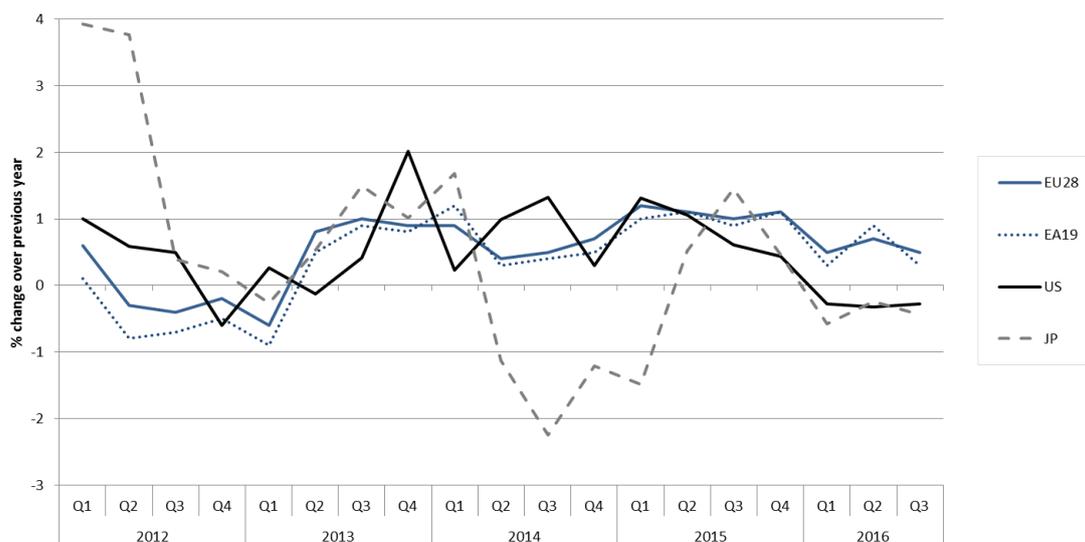
Source: European Commission, Business and Consumer Surveys data non-seasonally adjusted, 12-months rolling average (DG EMPL calculations)
[Click here to download chart.](#)

6. Productivity, labour costs and hours worked

Growth in labour productivity in the EU remains modest

Productivity growth has weakened over 2016 in the EU and EA. For the EU as a whole, productivity growth remained fairly modest at 0.5% in the third quarter of 2016 (relative to the same quarter in 2015). For the EA, it decelerated to 0.3%. At the same time, several major economies in the rest of the world recorded a decrease in labour productivity, down by 0.3% in the US and 0.4% in Japan (Chart 33).

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



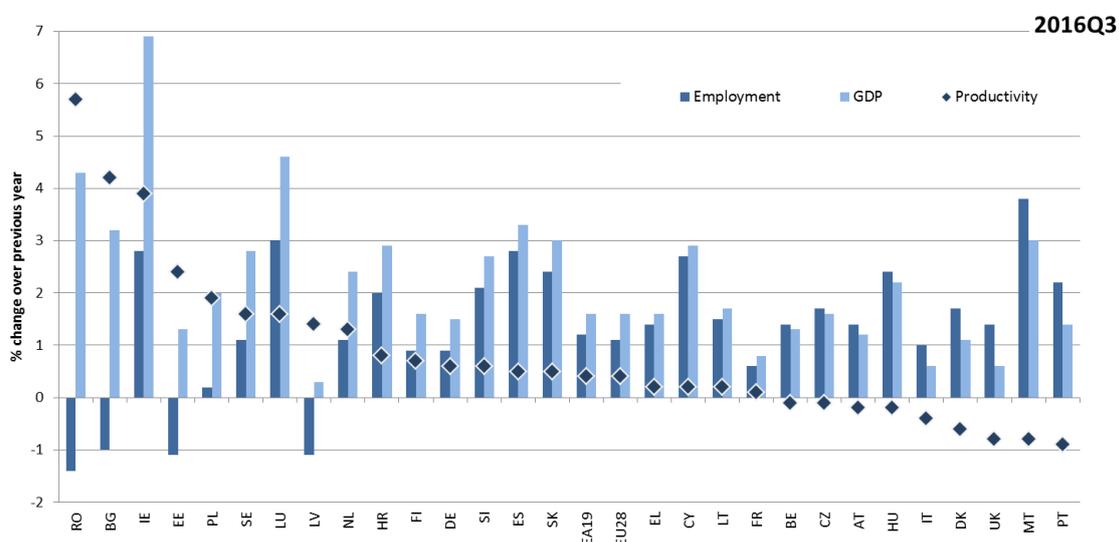
Source: Eurostat, National Accounts [namq_10_lp_ulc] and OECD, data not seasonally adjusted
Note: Labour productivity measured as GDP in constant prices per employed person
[Click here to download chart.](#)

Productivity growth results from different interactions between output and employment growth across Member States

In the third quarter of 2016, labour productivity continued to increase year-on-year in most Member States. Bulgaria, Romania, and Ireland recorded by far the strongest increase in labour productivity (4% or more year-on-year). The increase reflected a sharp increase in output accompanied by a drop in employment in Bulgaria and Romania, while in Ireland employment also picked up sharply.

In most other Member States where labour productivity improved, stronger output growth outpaced the rise in employment (except in Estonia and Latvia that registered a decline in employment). Within the EA, productivity started to decline in Austria and Portugal, continued to decline in Malta and Italy, and stagnated in Belgium and France. Outside of the EA, productivity decreased in the Czech Republic, and continued to decrease in Denmark, Hungary and the UK. In all these countries, the increase in output was weak (France, Italy) or insufficient when combined with increased employment (Chart 34).

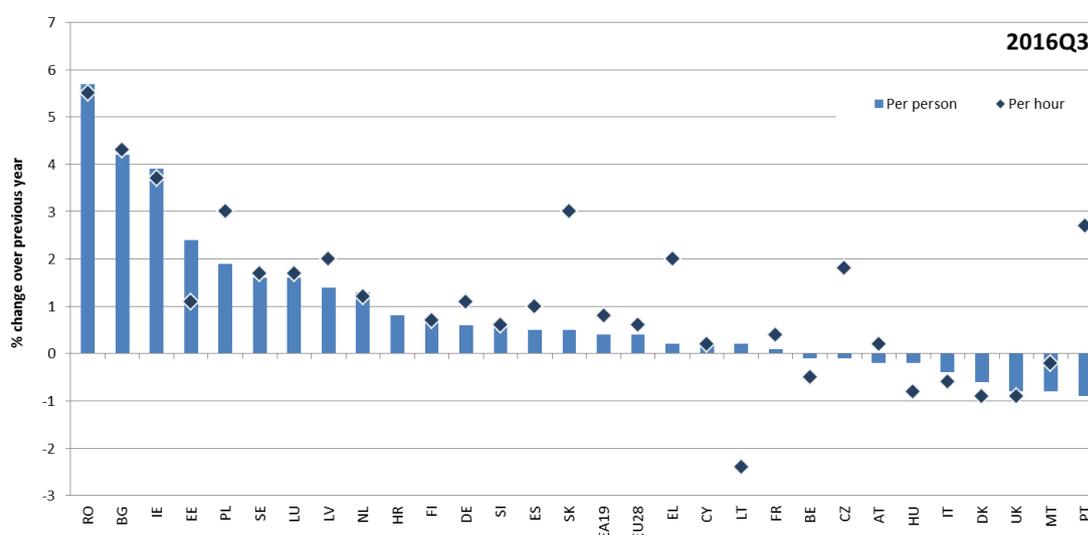
Chart 34: Employment, GDP and labour productivity growth - EU, EA and Member States



Source: Eurostat, National Accounts, data not seasonally adjusted [namq_10_pe, namq_10_gdp]
[Click here to download chart.](#)

Growth in productivity per hour differed considerably from labour productivity growth per person employed in several Member States. The strongest disparity in productivity growth per hour worked and per person employed was seen in the Czech Republic Greece, Lithuania, Portugal and Slovakia (Chart 35). These differences reflect different adjustments of labour markets to changes in output in a short run: stronger changes in the number of hours or stronger changes in the number of employed people.

Chart 35: Productivity growth per person and per hour - EU, EA and Member States



Source: Eurostat, National Accounts, data not seasonally adjusted [namq_10_lp_ulc]

Note: HR: no data on productivity per hour

[Click here to download chart.](#)

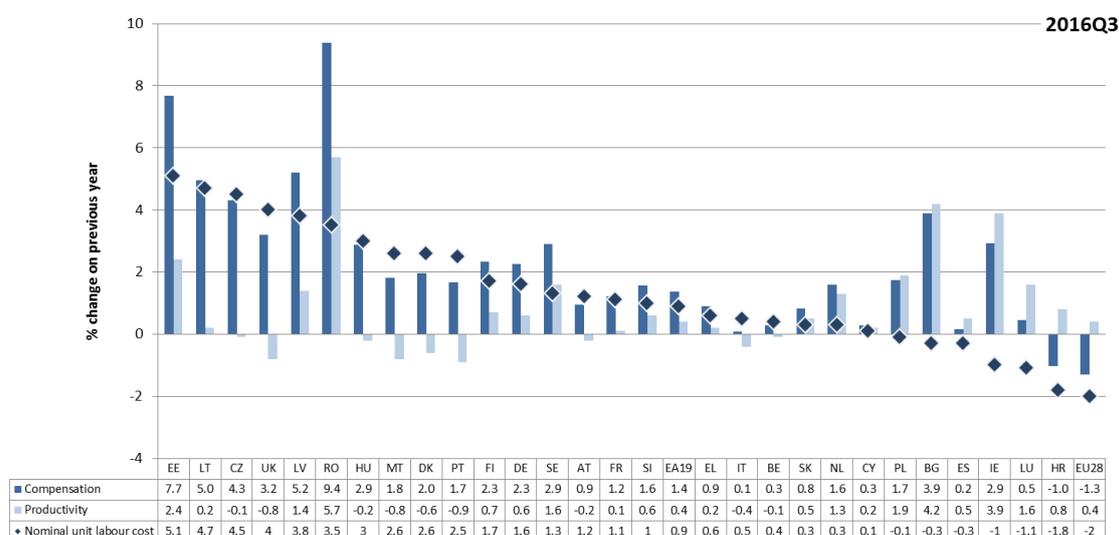
Compensation per employee grows at moderate pace across Member States

Nominal compensation per employee (measured in national currency) grew at a moderate year-on-year rate across EU Member States in the third quarter of 2016. The Czech Republic, Baltic States, Bulgaria and Romania recorded the highest growth (4% or more), and it was negative in only Croatia.

Growth in nominal compensation per employee remained fairly weak (less than 2%) within the EA, except in Baltic States, Finland, Germany and Ireland. It was stronger outside the EA.

In the context of positive growth across Member States, a drop in nominal compensation of employees in the EU was linked to the strong depreciation of the British pound (down 17% in a year). Despite strong growth in the UK, its contribution to the EU aggregated growth of the nominal compensation of employees was negative, leading to its decline (Chart 36).

Chart 36: Growth in nominal unit labour cost and its components – EU, EA and Member States



Source: Eurostat, National Accounts, data not seasonally adjusted [namq_10_lp_ulc, namq_10_pe, namq_10_gdp] (DG EMPL calculations)
[Click here to download chart.](#)

Nominal unit labour cost grows at moderate pace across Member States

Nominal unit labour cost (which is a measure of cost-push inflationary pressures) grew at a moderate rate across EU Member States in the third quarter of 2016 year-on-year.

Within the EA, Baltic States continued to record very strong increases in nominal unit labour cost, driven by a strong increase in nominal compensation per employee. Also Malta and Portugal recorded a notable increase in their nominal unit labour cost, caused by an increase in nominal compensation per employee but also contributed by a drop in productivity. On the other hand, Luxembourg, Ireland, and Spain showed a decrease as productivity growth was stronger than the growth in compensation per employee.

Outside the EA, growth in nominal unit labour cost was stronger (more than 2%, except in Sweden). Bulgaria, Croatia and Poland recorded declines; in Croatia it reflected productivity growth accompanied by a decline in nominal compensation per employee, while in Poland and Bulgaria a robust increase in labour productivity was accompanied by a notable increase in nominal compensation per employee.

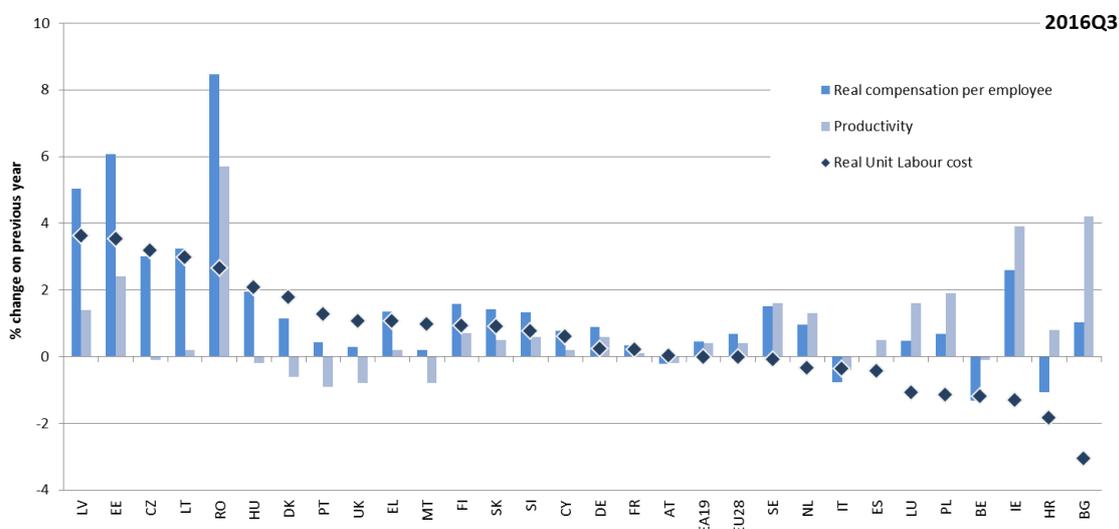
In the context of positive growth across Member States, a drop in nominal unit labour cost in the EU is linked to the strong depreciation of the British pound. The negative growth in nominal compensation per employee impacted on negative growth in nominal unit labour cost in the EU. Despite strong growth in the UK, its contribution to the EU aggregated growth of the nominal compensation of employees and subsequently in the nominal unit labour cost was negative, leading to a decline in the EU aggregate (Chart 36).

Real unit labour costs stabilises in the EU

Real unit labour cost (measuring the gap between real compensation per employee and labour productivity, which is also a measure of the labour income share) stabilised in the EA and EU in the third quarter of 2016 year-on-year (and over 2016), after declines seen in 2014-2015 (Chart 37).

Baltic States, the Czech Republic and Romania saw the strongest increase as real compensation per employee rose sharply overtaking productivity growth. A strong increase in a real compensation per employee in Bulgaria and Ireland was offset by faster productivity growth leading to the decrease of real compensation per employee.

Chart 37: Growth in real unit labour cost - EU and Member States



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

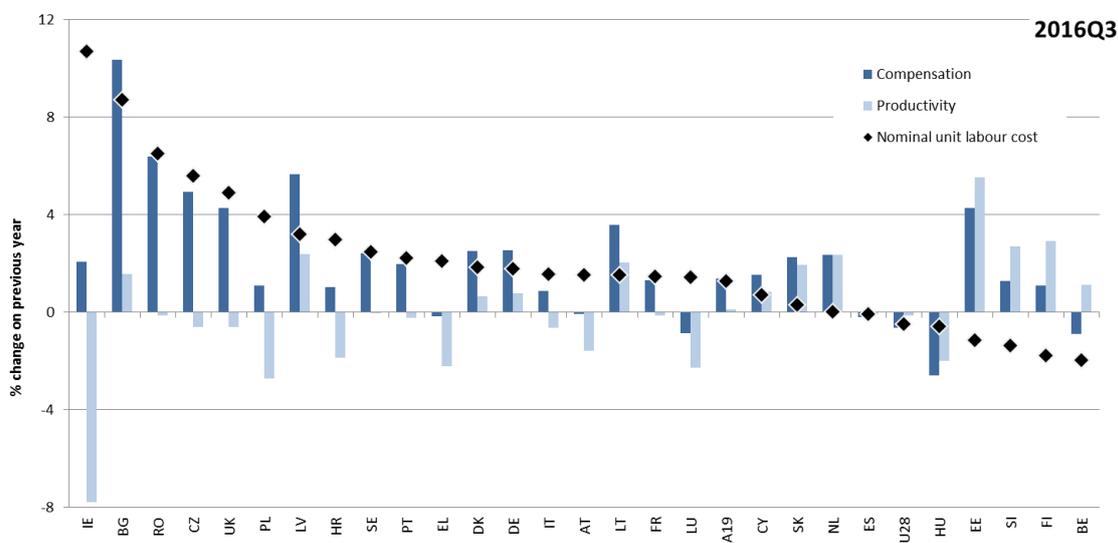
Growth in unit labour cost at level of sectors differs substantially across Member States

Industry nominal unit labour cost (a good indicator to measure cost-push inflationary pressures in the tradable sector) decreased in the EU and increased in the EA, in the year to the third quarter of 2016. Most countries in the EA and all (but Hungary) outside the EA, continued to record increases in nominal unit labour cost in industry. Its growth generally reflected growth in nominal compensation per employee in combination with either weaker or negative growth in labour productivity. Within the EA, strong increases in labour productivity and modest increases in nominal compensation per employee in Estonia, Slovenia and Finland resulted in decreases of the unit labour cost in industry. In Belgium the unit labour cost in industry declined as a result of a decline in nominal compensation per employee and an increase in labour productivity (Chart 38).

Nominal unit labour costs in the sector 'Wholesale and retail trade, transport, accommodation and food services activities' increased in the EA, but decreased for the EU as a whole. They showed even stronger differences across Member States.

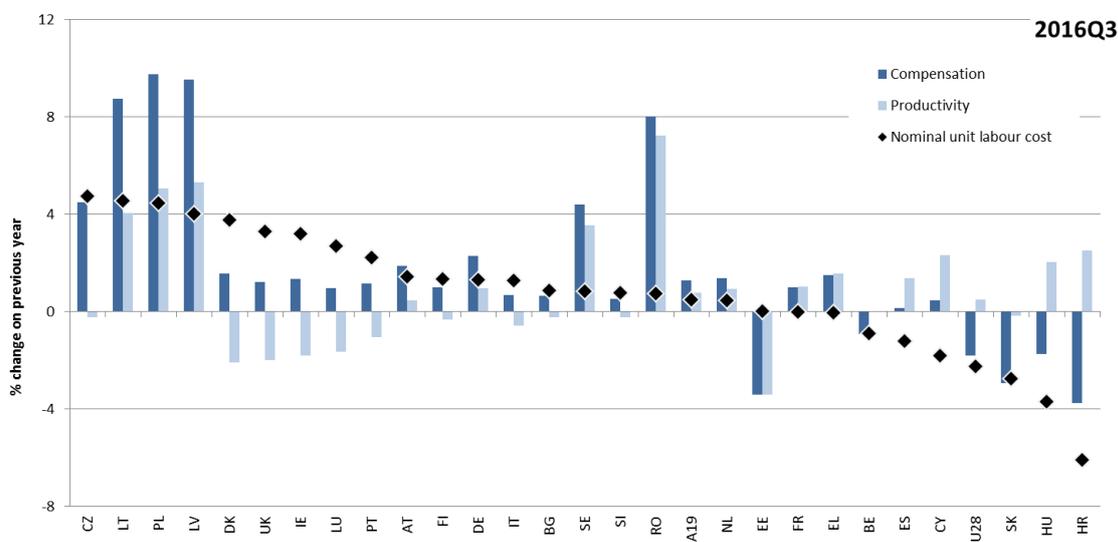
Most countries in the EA and all (but Croatia and Hungary) outside the EA, continued to record increases in nominal unit labour cost in this sector. The growth also reflected growth in nominal compensation per employee in combination with either weaker or negative growth in labour productivity. Within the EA, strong increases in labour productivity in industry and modest increases in nominal compensation per employee in industry in Cyprus and in Spain resulted in decreases. In Belgium and Slovakia, the nominal compensation per employee declined while productivity increased. Outside the EA, strong increases in labour productivity and declines in nominal compensation per employee in Croatia and Hungary resulted in decreases of unit labour cost in industry (Chart 39).

Chart 38: Industry – growth in nominal unit labour cost and its components – EU, EA and Member States



Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_a10_e and namq_10_a10] (DG EMPL calculations)
[Click here to download chart.](#)

Chart 39: Wholesale and retail trade, transport, accommodation and food service activities - Nominal unit labour cost and its components – EU, EA and Member States, 2016Q2



Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_a10_e and namq_10_a10] (DG EMPL calculations)
[Click here to download chart.](#)

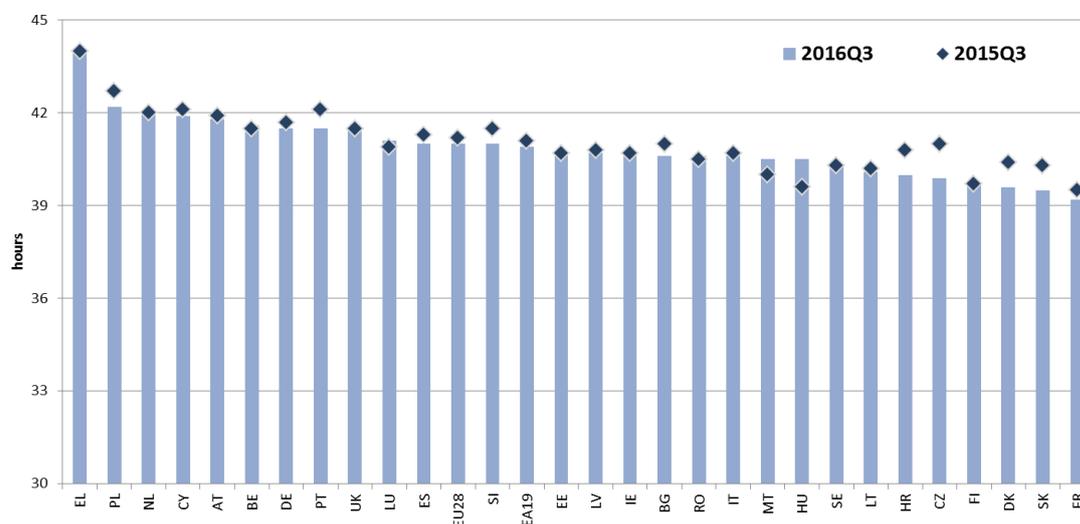
Average number of actual hours worked differs across Member States

Average number of working hours for full-time employed persons in the EU remained in the third quarter of 2016 just below those observed a year before. The changes in weekly hours of work (relative to the third quarter in 2015) ranged from a decline by more than 1 hour in the Czech Republic to increase by nearly 1 hour in Hungary. The average actual weekly hours of work ranged from around 39 hours in Denmark, France and Slovakia to 44 hours in Greece (Chart 40).

Average number of working hours for part-time employed persons in the EU remained stable in the third quarter of 2016 (relative to the third quarter in 2015). The changes in weekly hours of full-time workers ranged from a decline by 1 hour in the Czech Republic to a substantial increase by more

than 2 hours in Estonia. The average actual weekly hours of part-time workers ranged from just above 15 hours in Portugal to more than 25 hours in Romania (Chart 41).

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

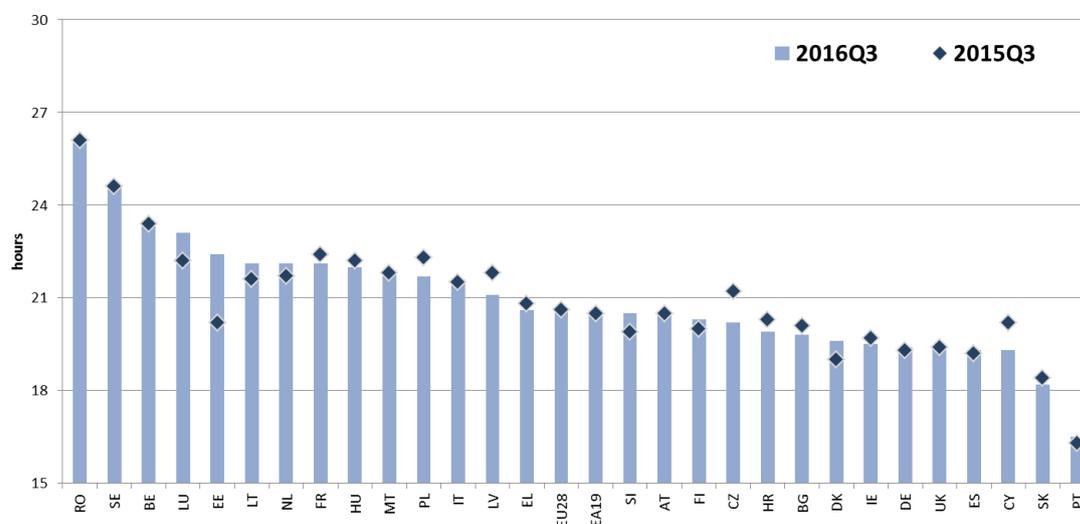


Source: Eurostat, LFS, data not seasonally adjusted [lfsq_ewhais]

Note: Average number of actual weekly hours of work in main job (employed persons).

[Click here to download chart.](#)

Chart 41: Average working hours (part-time) - EU, EA and Member States



Source: Eurostat, LFS, data not seasonally adjusted [lfsq_ewhais]

Note: Average number of actual weekly hours of work in main job (employed persons).

[Click here to download chart.](#)

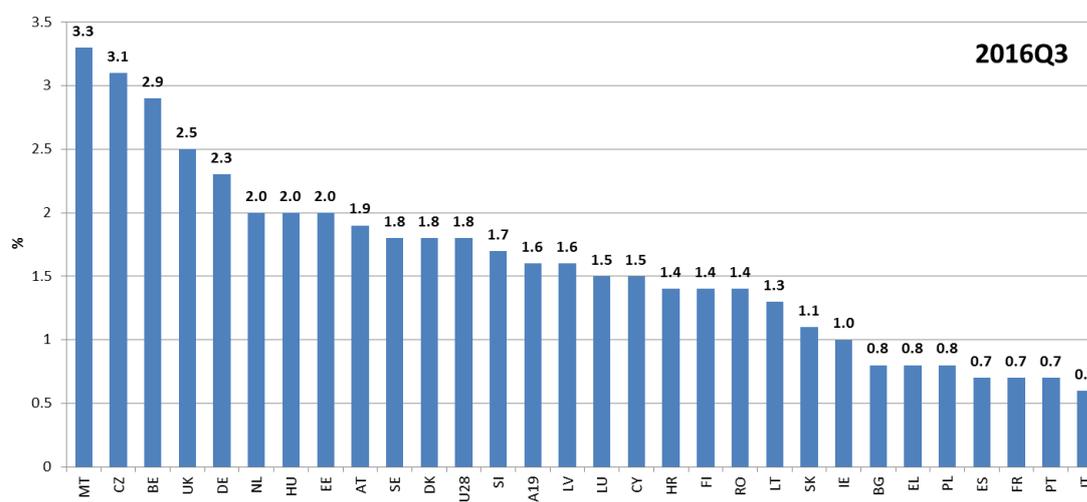
7. Labour demand: vacancies, labour shortages and hiring activity

The job vacancy rate improves

The unmet demand for labour, as expressed by the job vacancy rate¹² (JVR) has been rising since mid-2015 in the EU and the EA, but remains at a rather low level. In the third quarter of 2016, the EU JVR stood at 1.8%, up 0.2 pp compared to the third quarter of 2015. At 1.6%, the rate was 0.1 pp higher in the EA. In the year to the third quarter of 2016, the JVR improved in most Member States, and most notably in the Czech Republic and Latvia (increases of more than 1 pp).

Finland, and to smaller extent Sweden, Germany, Bulgaria and Italy recorded declines when compared to the third quarter of 2015. The JVR ranged from 0.6% in Italy to 2.9% or more in Belgium, the Czech Republic, and Malta (Chart 42). The unmet demand for labour was higher in services sectors (with a JVR of 2.1%) than in industry and construction (with a JVR of 1.4%).

Chart 42: Job vacancy rates - EU, EA and Member States



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.

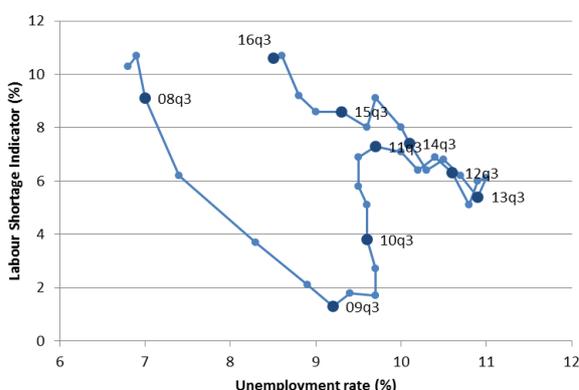
[Click here to download chart.](#)

Labour shortages increase while unemployment recedes

In the third quarter of 2016, unemployment declined slightly, and labour shortages stabilized in the EU (Chart 43). The Beveridge curve did not show much movement. The decline in unemployment observed since 2013 has been accompanied by an increase in labour shortages as measured by more job vacancies and is reflected in a conventional move up the Beveridge curve. This is consistent with a normal cyclical development whereby, during a 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). The [Statistical Annex](#) presents the Beveridge curves for EU Member States.

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

Chart 43: Beveridge curve 2008-2016 - EU

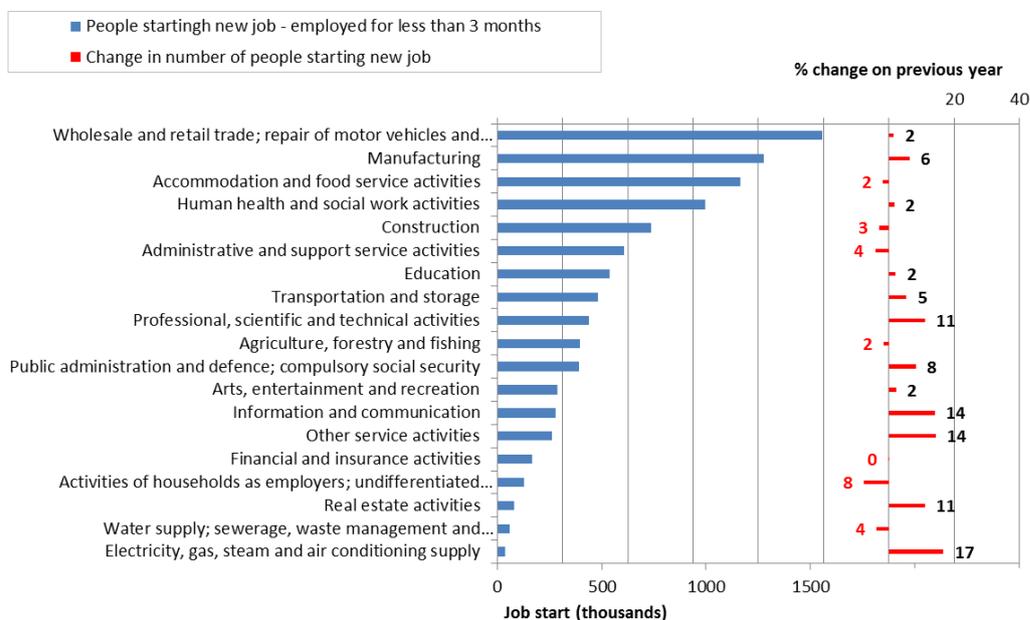


Source: Eurostat, LFS and European Commission, Business and Consumer Surveys [une_rt_q, ei_bsin_q_r2]
Note: Labour shortage indicator derived from EU business survey results (% of manufacturing firms pointing to labour shortage as a factor limiting production)
[Click here to download chart.](#)

Hiring activity still strengthening but at a slower pace

The number of people starting a new job in the EU has continued to increase. However, the growth in hiring continued to decelerate to 2.2% in the third quarter of 2016, from a 2.8% increase registered a year before. Several sectors registered sound growth in hiring (10% or more). A few sectors (wholesale and retail trade, manufacturing, accommodation, human health and construction) accounted for nearly 60% of the total number of people starting new jobs (Chart 44).

Chart 44: Changes in employees in new jobs by sector - EU



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. In the year to the third quarter of 2016, job finding rates increased at a robust pace in Croatia, Czech Republic and Lithuania. Conversely,

they dropped most in Estonia, Luxembourg and Austria. Sweden, Denmark and the United Kingdom have the most dynamic labour markets, showing the highest finding rates and the best chances to leave unemployment. By contrast, Greece, Italy and Belgium have the lowest finding rates of the EU, although they are slightly improving except in Belgium where they remain stable.

Separation rates generally declined over the year to the third quarter of 2016, most significantly in Croatia, Portugal and Romania. They increased in Estonia, Italy and Denmark. Cyprus, Spain and Sweden have the highest separation rates. In the case of Spain, this is due to the high number of temporary contracts. The Statistical Annex presents finding and separation rates for EU Member States (Chart 45).

Chart 45: Unemployment, finding and separation rates - EU and EA



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

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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