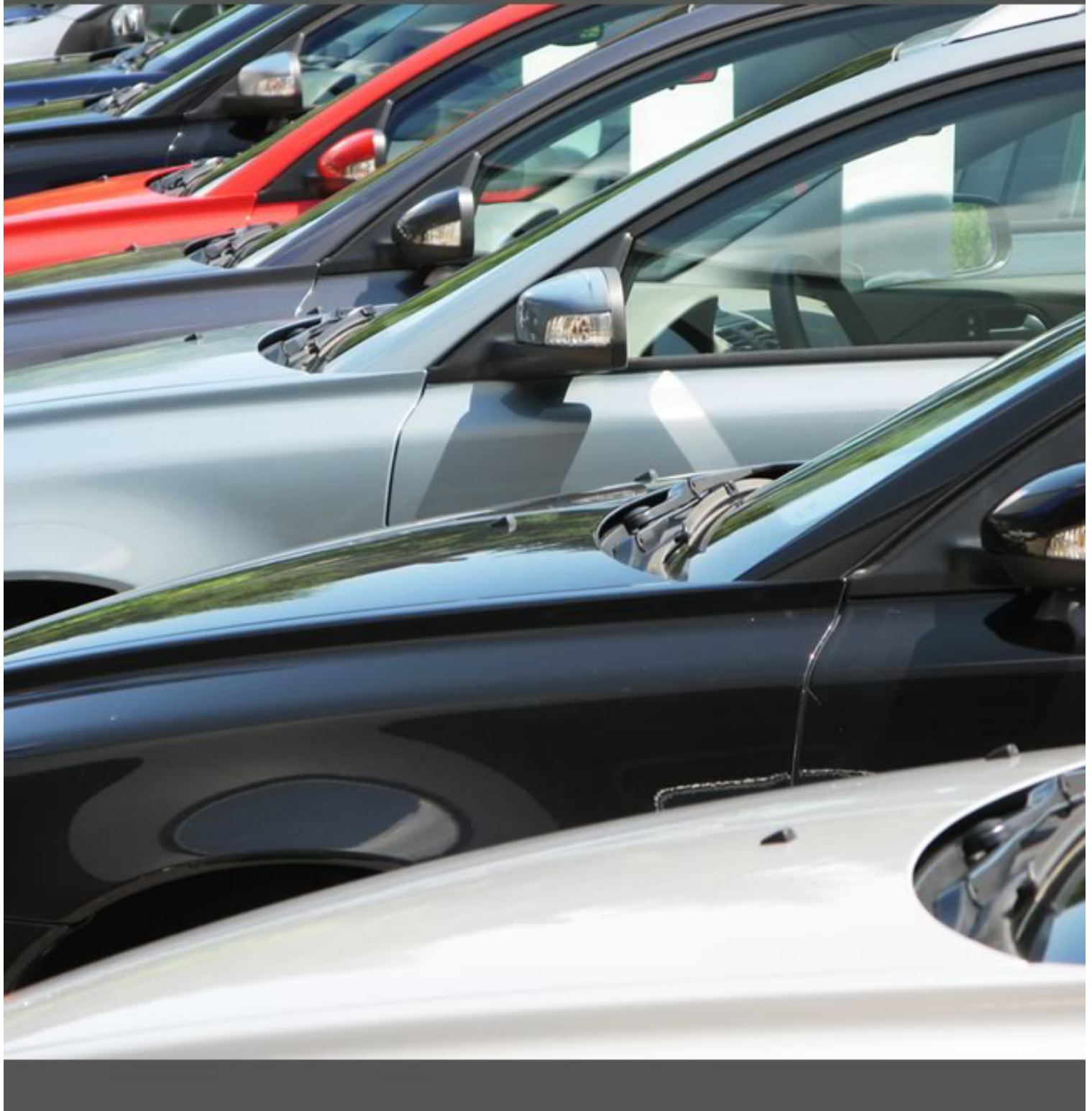




# EU employment situation and social outlook

November 2009





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## HIGHLIGHTS

- Latest data for September/October 2009 show that EU labour markets continue to weaken, although recently at a more moderate pace. Unemployment continues to rise, job vacancies remain significantly lower than a year ago and companies continue to announce more job reductions than creation. Moreover, the labour market outlook for the coming months remains unfavourable. However, labour markets are showing tentative signs of stabilising in some Member States, while a relative improvement in confidence among businesses and consumers, including their employment and unemployment expectations, although still pessimistic, adds support to the view that the pace of economic and labour market deterioration is easing.
- The economic downturn eased in the second quarter of this year, and the EU economy is expected to have started to expand again in the third quarter, supported by increased activity in industry. Nevertheless, economic output remains significantly down on a year earlier.
- Labour markets in the EU continue to weaken. By mid-2009 employment in the EU had been contracting for over a year, severely affecting workers with temporary contracts, and resulting in a 1.9 % contraction in employment over the year to the second quarter of 2009.
- Unemployment continued to rise in September, though still at a more moderate pace than the strong rises witnessed over the first quarter of the year. Overall unemployment in the EU rose by 285 000 (or 1.3 %) in September to reach 22.1 million, an increase of 6.1 million (or 38 %) compared to the recent minimum reached in March 2008, and with youth, men, migrants and the low-skilled most affected by the rise in unemployment.
- The EU unemployment rate edged up by 0.1 percentage points (pps) to 9.2 %, 2.1 pps higher than a year earlier and 2.5 pps higher than in March 2008. The rate increased markedly only in Latvia in September, and showed further signs of stabilising in some Member States.
- The bottoming out of the downturn and the recent return to economic growth have been signalled for some time by the EU Economic Sentiment Indicator and by the OECD's Composite Leading Indicator. Furthermore, sentiment indicators generally continued to improve in October in line with the recent trend – consumer confidence has improved since spring while firms are increasingly less pessimistic regarding their employment expectations for the months ahead.
- Nevertheless, although the economic situation is improving, the outlook for the labour market remains unfavourable. Although according to the latest Commission forecast growth is set to turn positive for the second half of this year, followed by a gradual recovery over the next two years, employment is expected to continue to fall – by 2.3 % this year and by a further 1.2 % in 2010. Unemployment in the EU is forecast to rise to 10.3 % in 2010 and to remain at around 10.2 % in 2011. The risk of a 'jobless' recovery will depend among other things on the flexibility of the labour market and the policies in place.
- In this month's edition there is a special focus on the health sector as well as an update on the situation in the automotive industry, previously reported on in the February issue.

This monthly monitoring report responds to the need to monitor the impact of the current economic crisis on different sectors, as announced in the Commission Communication "From financial crisis to recovery" (COM (2008) 706), and to a more general need for timely information on labour market developments. It is not a detailed analytical document; rather, it presents a situation update on recent developments and the outlook concerning employment, making use of a wide range of sources of more timely data. Some of the data may be of lower quality and less harmonised than usually reported in Commission analysis (specifically, not all data here is fully harmonised across Member States), but it is more up-to-date than generally available from most of the standard statistical sources.

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



## I. SITUATION AND OUTLOOK

### 1. Labour market trends

Latest data<sup>1</sup> covering the period up to September/October 2009 show that EU labour markets continue to weaken, although recently at a more moderate pace. Unemployment continues to rise, job vacancies remain significantly lower than a year ago and companies continue to announce more job reductions than creation.

On the other hand, there are stronger signs of a stabilisation in the economic and labour market situation in certain Member States, including Germany. Economic activity continues to be supported by increases in industrial production, while unemployment has recently levelled off in some Member States. Additionally, survey data continue to show a relative improvement in confidence among businesses and consumers.

Nevertheless, the outlook for the labour market, though improved, remains unfavourable. While the EU economy is now set to exit recession, the full impact of the economic crisis on labour markets remains to be faced and the risk of a 'jobless' recovery will depend among other things on the flexibility of the labour market and the policies in place.

*Employment in the EU has declined over the year to mid-2009, and was down in almost all Member States*

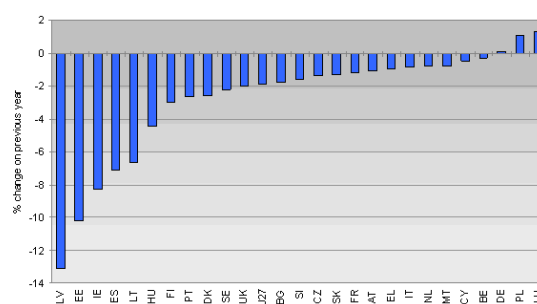
By mid-2009 employment in the EU had been contracting for over a year, with the most substantial falls (of 0.8 % and 0.6 %) registered in the first and second quarters of this year. As a result, employment had declined to 223 million, down by 4.3 million (1.9 %) compared to a year earlier, reflecting in particular strong employment declines in the construction and industry sectors.

Labour market performances deteriorated across all Member States to the second quarter of this year. Employment fell in almost all compared to the previous quarter, among the larger Member States most notably in Spain and the UK, but also particularly strongly in the Baltic States (Estonia, Latvia and Lithuania), Ireland and Slovenia. By the second quarter of 2009, year-on-year growth was negative in all Member States except Luxembourg and Poland (Chart 1).

*Unemployment continued to edge up in September...*

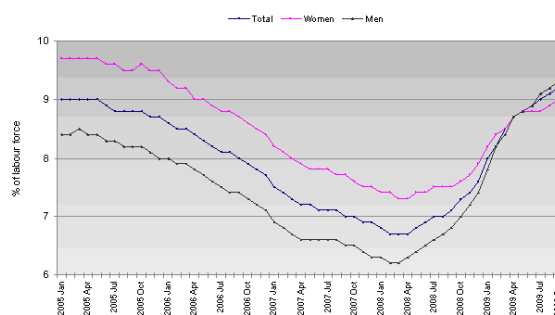
Unemployment in the EU has remained on an upward trend since spring of last year, climbing with particular strength since last October through to April this year in reaction to the intensification of the economic crisis. However, since May of this year the unemployment rate

Chart 1: Employment growth in 2009 q2



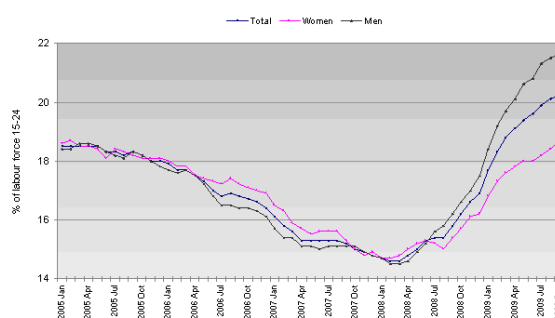
Source: Eurostat, national accounts. Data not seasonally adjusted. Note: Data for RO not available.

Chart 2: Unemployment rates for the EU



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

Chart 3: Youth unemployment rates for the EU



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

has been increasing at a more moderate pace (edging up by around 0.1 percentage points (pps) per month) to reach 9.2 % in September, 2.1 pps higher than a year earlier, and 2.5 pps higher than the trough of 6.7 % of spring 2008 (Chart 2). The unemployment rate is now back up to the levels of five years ago.



## Monthly monitor

Chart 4: Unemployment rate changes  
September 2008 - September 2009

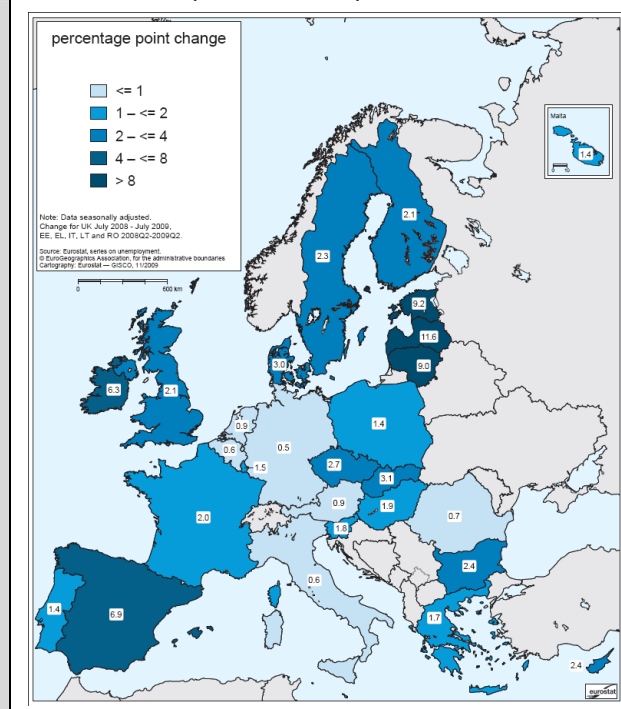
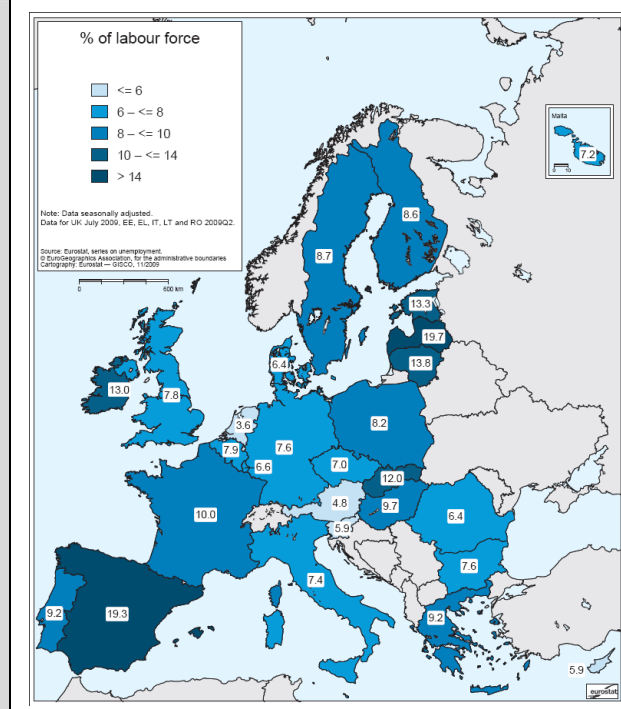


Chart 5: Unemployment rates, September 2009



In September, underlying unemployment rose by 285 000 (or 1.3 %), slightly more than in the previous three months, to a seasonally adjusted 22.1 million (21.5 million non-adjusted). This represents an increase of 5 million (or around 30 %) compared to September 2008, and of 6.1 million (or 38 %) on March 2008 when unemployment was at a low.

*... with recent rises in rates now similar for men and women...*

So far the crisis has hit men more severely than women – overall men account for more than two-thirds of the increase in unemployment since spring 2008. Resulting from stronger increases in the rate for men (which were particularly sharp at 0.2-0.4 pps per month from October to April) the gender gap in the unemployment rate, still above a percentage point in the beginning of 2008, had disappeared by April 2009, with the male unemployment rate then exceeding the one for women since July.

Nevertheless, since May rates both for men and women have broadly been edging up by 0.1 pps per month, and in September women accounted for almost two-thirds of the rise in unemployment. This confirms that the initial focus of the impact of the economic downturn on predominantly male-oriented sectors, such as the construction and automotive industries, has been

diminishing as the effect on employment broadens out across the wider economy.

*... and the youth unemployment rate remaining historically high*

Young people account for slightly more than a fifth of the total increase in unemployment since spring 2008. Their unemployment rate has been climbing since March last year, gaining momentum from October 2008 to March of this year, before edging up by a more limited 0.2-0.3 pps from April onwards and slowing down to 0.1 pps in September. The unemployment rate has risen to a substantial 20.2 %, up 4.4 pps on September 2008 and up 5.6 pps on March 2008, when the youth unemployment rate was at its lowest (Chart 3).

Consequently, the improvements achieved since early 2005 in reducing the unemployment rate for youth have been more than reversed, with the rate growing to the highest level since Eurostat data for the EU27 became available. The marked increase in the youth unemployment rate has been driven mainly by the very sharp rise in the rate for young men, who account for three-quarters of the increase in youth unemployment since spring 2008.

In September, youth unemployment reached a seasonally adjusted 5.4 million (5.5 million non-adjusted), reflecting an increase of 57 000 (or 1.1 %) on



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the previous month, and accounting for 20 % of the total increase in unemployment in September. Compared to September 2008 youth unemployment had increased by 1.1 million (or about a quarter), and by 1.4 million (or almost 35 %) compared to March 2008.

Over the last year, the youth unemployment rate has risen most in the Baltic States (by 16 pps or more to the second quarter) and in Ireland and Spain (by 13 pps or more to September). As a result, the unemployment rate among young people has reached more than 30 % in Latvia and Lithuania and exceeds 40 % in Spain.

*Unemployment continues to rise in most Member States, though it shows signs of stabilising in some*

Unemployment continued to rise in most Member States in September, most notably in Latvia, though it appears to have stabilised in a few, including Germany. However, while the increases of recent months have generally been more limited than those recorded over the period from last autumn to April 2009, the rise in September was more pronounced than in the preceding months in some Member States, notably in Bulgaria, Denmark, Ireland and Spain.

Among larger Member States, in September the unemployment rate rose by 0.5 pps in Spain, somewhat more than the monthly rises observed in the preceding months, but significantly less than those observed between September and April. The rate continued to increase in France (by 0.2 pps) and for the second month in a row it rose in Poland (by 0.1 pps) after remaining stable over the period between April and July. However, the rate has remained broadly stable in Germany between April and September.

The rate increased in most of the remaining Member States, though only Latvia recorded a sharp rise (of 1.1 pps) in September (significantly higher than the increase observed in August). Additionally, the rate in Denmark picked up suddenly after showing signs of stabilisation over the previous months, while in Ireland it also showed signs of accelerating again. In contrast, unemployment rates remained stable in Belgium, Malta and Slovenia (Chart 6).

*... and the unemployment rate remained higher than a year ago in all Member States*

Over the year to September unemployment has deepened across all Member States. Among the larger Member States, the unemployment rate has risen most substantially in Spain, up by 6.9 pps compared to twelve months earlier. Its rate, at 19.3 % in September (equivalent to 4.5 million unemployed), is now the second highest in the EU. Unemployment also climbed noticeably over the last year in France (by 2 pps) to reach 10 % in September (2.9 million unemployed), in the UK (by 1.8 pps) to 7.8 % in July (2.4 million unemployed), and in Poland (by 1.4 pps) to 8.2 % in September (1.4 million unemployed). Although rises have been more restrained, the rate was also higher

Chart 6: Unemployment rate changes to September 2009

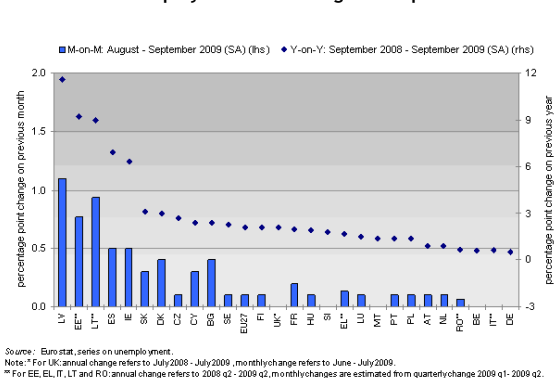
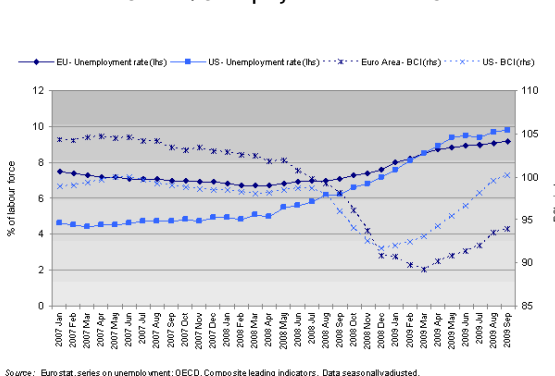


Chart 7: Unemployment rate and BCI



(by 0.5 pps) than a year earlier in Germany, at 7.6 % in September (3.3 million unemployed), and in Italy (up by 0.6 pps), at 7.4 % in the second quarter of 2009 (1.8 million unemployed).

Among the remaining Member States, the unemployment rate had risen most substantially over the last year (by around 9-12 pps) in the Baltic States, with the rate in Latvia now the highest in the EU (19.7 % in September). Other Member States with very high unemployment rates include Estonia and Lithuania (exceeding 13 % in both in the second quarter) and Ireland and Slovakia (at 13% and 12 % respectively). In contrast, unemployment rates remain low in Austria and the Netherlands (at less than 5 % in both) (Charts 4, 5 & 6).

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

Despite a sharper economic downturn and stronger falls (and a slower recovery) in business confidence in the EU compared to the US, the impact on the labour market in the EU has been less dramatic than that in the US, where unemployment has more than doubled since mid-2007. By September, the unemployment rate in the EU had increased by 2.1 pps compared to a year



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earlier, while in the US it had increased by a more marked 3.6 pps. In September, the unemployment rate increased by 0.1 pps in both regions, to 9.2 % in the EU and to 9.8 % in the US, hence leaving the EU's positive unemployment rate gap with respect to the US at 0.6 pps (Chart 7).

*EU consumers' fears of unemployment remained unchanged in September...*

Since April, EU consumers have started to feel relatively more confident about the general economic situation, and have reported reduced fears regarding levels of unemployment for the year ahead. Following strong falls over the second quarter, more limited declines over the summer and a significant drop in September, consumers' unemployment expectations remained unchanged in October (Chart 8). Among larger Member States, the fears of unemployment lessened in Germany, but intensified significantly in Italy and Poland.

The unemployment rate has continued to increase in line with the lagged effect from the prior worsening expectations, and can be expected to deteriorate further before the turnaround in consumers' expectations takes hold, alongside any associated improvement in economic activity.

*... while firms' employment expectations continued to improve, they still expect to reduce staff levels*

Similarly, since spring firms have shown a relative improvement in their employment expectations for the months ahead, although the expected demand for new workers generally continues to be negative on balance. Following the consecutive declines from late 2007 up to early 2009, the employment outlook has shown a relative improvement over recent months across all main sectors.

Remaining generally on an upward trend for more than half a year now, in October employment expectations improved significantly in construction, but also picked up noticeably in industry after remaining somewhat flat in the previous month. In services, employment expectations picked up marginally in October, and broadly levelled off in retail trade after strong improvement in the preceding months, while expectations in financial services, already positive on balance, continued to improve, reversing the slight deterioration seen over the summer months (Chart 9).

*There are signs that demand for labour has stabilised, though it remains low compared to last year...*

At EU level, in the second quarter of 2009 the job vacancy rate was unchanged from the previous quarter at 1.4 %, suggesting a stabilisation in labour demand,

Chart 8: Unemployment rates and expectations for the EU

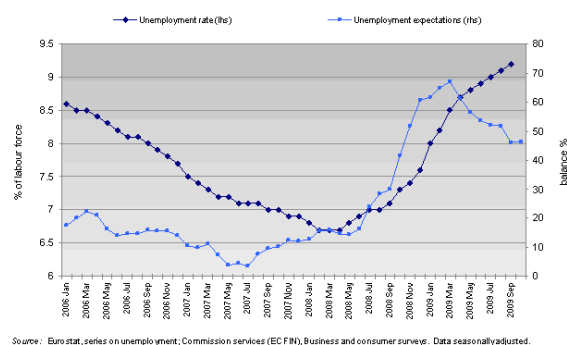
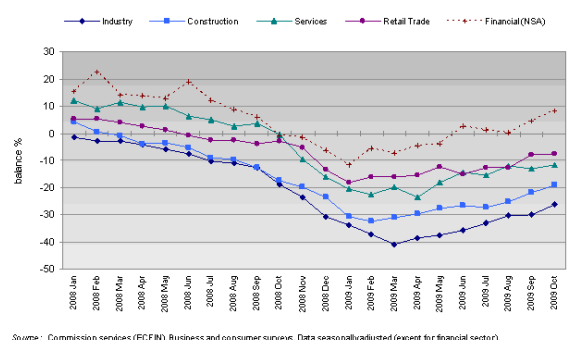


Chart 9: Employment expectations for the EU



but the rate nevertheless remains down by 0.7 pps compared to a year earlier.

The relatively low level of labour demand compared to the situation last year is confirmed by official sources, such as those in the UK and Germany. In the UK, according to the Office of National Statistics vacancy survey, unfilled vacancies stabilised at 434 000 on average in the three months to August, but were down 163 000 (or 27 %) on the year. Administrative data on the number of vacancies at the Jobcentre Plus indicate an average of 286 914 vacancies notified each month between July and September 2009.

In Germany, the Federal Employment Agency's job index (BA-X)<sup>2</sup> increased by 1 point to 125 points in October, suggesting that the downward trend in the demand for labour has come to a halt and that demand is stabilising. Nevertheless, the index remains at a low level, down by 36 points compared to October 2008. The number of vacancies remained virtually unchanged in October, with around 479 000 jobs reported as available, down by 92 000 (16 %) on the previous year.



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... similarly, demand for temporary agency work has dropped over the year, but there are signs of recent improvements

Temporary agency work has been hit hard by the downturn. Recent data from Eurociett<sup>3</sup> generally covering July to October continued to show a noticeable year-on-year contraction in the number of hours invoiced by private employment agencies, ranging from 22-23 % in Belgium, the Netherlands and Spain to 25 % in France and around 35 % in Italy, according to the respective reference periods. However, there are signs that the situation has improved over recent months, as the year-on-year declines are much lower than those observed during the spring (Chart 10). In the UK, although only marginal, growth of agencies' temporary/contract staff billings in September was nevertheless the strongest for fifteen months, reflecting higher numbers of short-term appointments in response to improved demand for temporary workers.

A recent International Labour Office report<sup>4</sup> underlined that an upturn in demand for the services of private employment agencies would be among the first indicators of the beginning of the end of the economic crisis, as has been the case in past economic downturns. This would generally happen after overtime hours and the length of the working week begin to rise among the 'core' workforce, and slack capacity begins to fall, user companies then turning to temporary work agencies to meet their workforce needs.

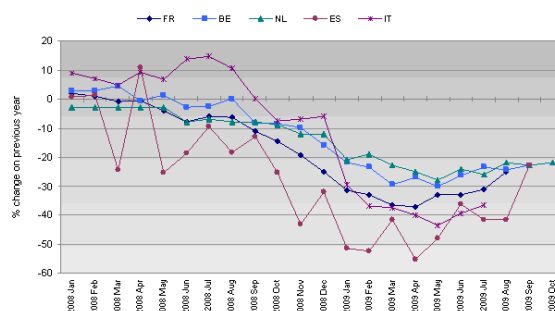
## 2. Restructuring trends

The economic crisis and resulting deterioration in the situation on EU labour markets is reflected in European Restructuring Monitor (ERM) data collected by the European Monitoring Centre on Change<sup>5</sup>. Job losses continue to outnumber job gains on the ERM, as they have done more or less continuously since the second quarter of 2008. Nonetheless, there was a continuation of the trend towards reduced restructuring activity in October 2009 and in particular a decline in the number of announced job losses. During the month, the ERM registered 23 926 announced job losses, half the number announced in September 2009 (Chart 11). The share of large-scale restructurings registered on the ERM declined sharply in October – only 6 cases of announced job losses involved 1 000 or more employees.

*Announced job losses continued to outnumber announced job gains...*

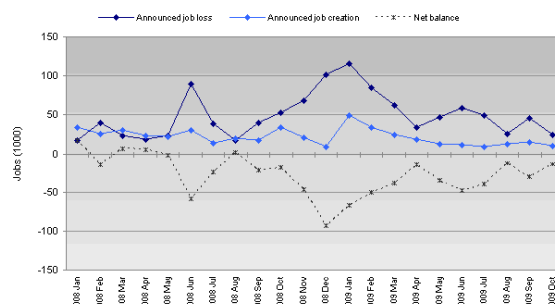
There have been almost three times as many announced job losses as job gains in ERM restructuring cases since September 2008. In total, the ERM has recorded over 810 000 announced job losses over the period between September 2008 and October 2009 and 280 000 new jobs. In October 2009, there were 72 new

**Chart 10: Hours worked invoiced by private employment agencies**



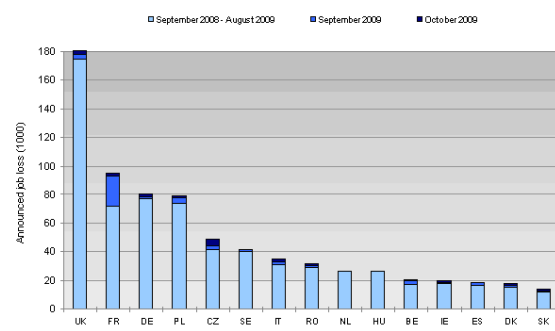
Source: Eurociett.  
Note: Hours worked defined as sum of all hours invoiced by all private employment agencies to all user companies.

**Chart 11: Announced job losses and creation in the EU**



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

**Chart 12: Announced job losses**



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

cases of restructuring-related job loss accounting for approximately 24 000 job losses and 25 new cases of job gains accounting for slightly more than 15 000 job gains.

*... with most of the recent job loss announcements relating to the Czech Republic and the United Kingdom*

The Member States with the largest announced job losses in October 2009 were the Czech Republic (4 830





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jobs), the UK (3 207 jobs), Slovenia (2 639 jobs), Germany (1 973) and France (1 869 jobs) (Chart 12).

*Manufacturing was the sector most affected by announced restructuring job losses...*

In October 2009, manufacturing accounted for more than half of the announced job losses in the ERM (13 425 out of a total of 23 926). Since September 2008, the ERM has recorded 414 973 announced job losses in manufacturing, slightly more than half of total job losses. Other sectors significantly affected in October included transport and communication (2 946 jobs), public administration (2 757 jobs) and retail (1 063 jobs) (Chart 13).

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

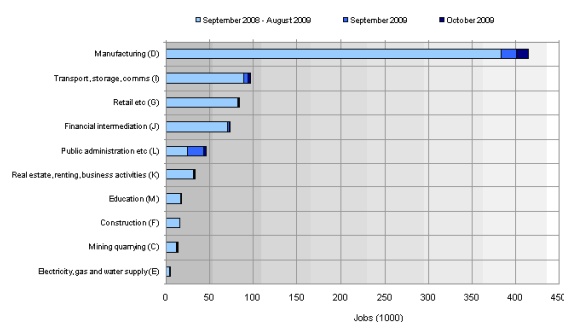
- **Manufacturing:** Mura (Slovenia, 2 639 jobs), Avia Ashok Leyland Motors (Czech Republic, 1 500 jobs).
- **Transport, Storage and Communications:** ČD Cargo (Czech Republic, 1 200 jobs).
- **Public Administration:** Land Registry (UK, between 1 100 and 1 500 jobs).
- **Mining and quarrying:** Compania Națională a Huilei (Romania, 1 000 jobs).

In the manufacturing sector, Mura, Slovenia's largest producer of clothing apparel products announced the reduction of its workforce, cutting 2 639 jobs out of a total of 3 300. In the Czech Republic, Avia Ashok Leyland Motors, a Prague-based manufacturer of trucks, announced that at least 1 500 job losses have been implemented in the period January-October 2009.

In the transport and communication sector, ČD Cargo, a freight transport subsidiary of the České dráhy (the Czech state-owned railway company) announced that 1 200 job losses (i.e. 11% of the staff) have been implemented from January to September 2009 due to the global economic crisis. The Irish airline Aer Lingus announced proposals for 676 redundancies by the end of 2011. The redundancies will occur on a phased basis, and most are expected to be of a voluntary nature, although the company has reserved the right to make workers compulsorily redundant if agreement with unions is not forthcoming.

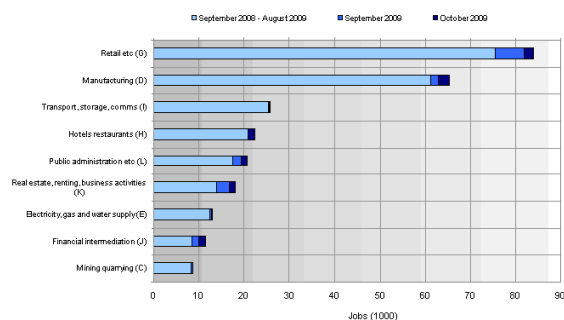
In the UK, the Land Registry, a government body which registers all land ownership transactions in England and Wales, announced plans to cut up to 1 500 jobs. The cuts are blamed on the economic downturn and they are part of wider cost-cutting plans aimed at a 'more flexible and leaner organisation' which will reflect the move to more online transactions. The Registry plans to close 5 local offices (Croydon, Peterborough, Portsmouth, Stevenage and Tunbridge Wells), to merge two offices in Plymouth and to outsource some support functions.

Chart 13: Announced job losses for the EU



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

Chart 14: Announced job creation for the EU



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

Table 1: Job loss by type of restructuring (%)

	September 2008 - August 2009	September 2009	October 2009
Bankruptcy / Closure	22.8	11.6	37.3
Internal Restructuring	69.7	80.8	57.5
Merger / Acquisition	3.6	0.8	0.8
Off-shoring / Delocalisation	2.9	5.9	4.0
Other	1.0	0.9	0.4

In the mining and quarrying sector, the Romanian National Hard Coal Company Petroșani (Compania Națională a Huilei Petroșani, CNH) one of the main employers in the county of Hunedoara, announced the intention to dismiss 1 000 employees in early 2010. The job losses are part of an ongoing restructuring programme.

Almost a quarter of announced job losses during the downturn (since September 2008) have been attributable to bankruptcy/closure, and although levels were continuing to revert to their long-run average, in October the share of job losses attributable to bankruptcy/closure rose sharply compared to the previous months. In October slightly less than 40% of job losses were attributable to bankruptcy (Table 1).



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*... but manufacturing also accounted for the majority of business expansion*

Of the 10 623 new jobs announced during October 2009, almost 2 500 were in the manufacturing sector and almost 2 000 in the retail sector (Chart 14).

Since September 2008, the sectors to benefit most from announced job creation have been retail (84 056 jobs) followed by manufacturing (65 336 jobs). Together, they account for over half of all announced job creation on the ERM.

In October, the biggest cases involving job gains were in:

- **Retail:** Plaza Centres (Poland 2 000 jobs)
- **Hotels and Restaurants:** Kentucky Fried Chicken (KFC) (France, 1 500 jobs).
- **Public Administration:** Belgian Armed Forces (Belgium 1 293 jobs)
- **Financial intermediation:** Amplico (Poland, 850 jobs).
- **Manufacturing:** Husqvarna (Poland, 800 jobs).

### 3. Economic context and outlook

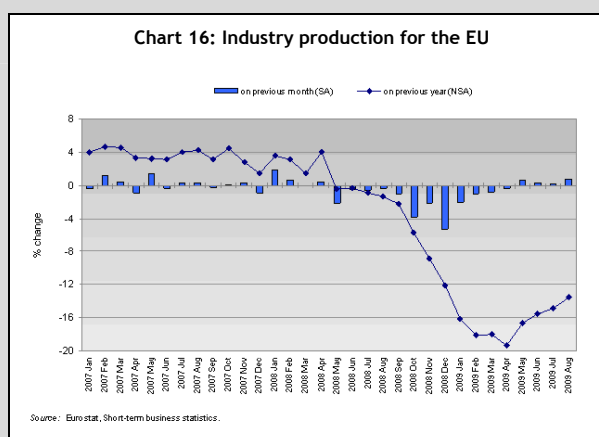
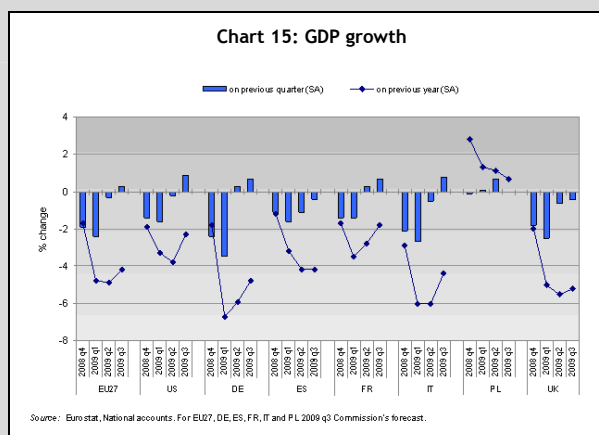
#### ECONOMIC SITUATION

*Economic downturn in the EU has halted, with growth expected to have resumed in the third quarter...*

The economic downturn in the EU eased in the second quarter of this year, as GDP declined by a more modest 0.3 % on the previous quarter. According to the latest European Commission forecast the EU economy has already emerged from recession, with GDP expected to have increased by 0.3 % in the third quarter. Compared to a year earlier, GDP had declined by a substantial 4.9 % by the second quarter of 2009 and is forecast to remain down by 4.2 % in the third quarter. In the US, economic output contracted by a similar 0.2 % during the second quarter but picked up by 0.9 % in the third quarter, with GDP down by 2.8 % compared to a year earlier (Chart 15).

*... with improvements in most Member States*

Within the EU, most Member States had technically entered recession by the first quarter of 2009, but almost all started to experience improvements in GDP growth since then. Among the larger Member States, the economy is expected to have started to expand again in Italy in the third quarter, to join France and Germany in posting positive growth already in the second quarter. In contrast, the economy is expected to have weakened slightly further in Spain and the UK in the third quarter and to have remained flat in Poland.



*Industry production in the EU has been increasing since May, reversing a year of contraction in output ...*

The recovery in overall economic activity has been supported by improvements in industrial production. Following on from the strong month-on-month contractions over the year to spring 2009, growth in industrial output has been positive since May and increased by a further 0.7 % in August (Chart 16).

The rise in industrial production at EU level in August resulted from improvements across most of the larger Member States; strong expansion in output in Italy, a continued increase in France and a rebound in Germany, Spain and Poland more than offset a significant fall in output in the UK. The increase reflected a significant rise in output of durable goods, but also in production of capital goods and intermediate goods, which compensated for a decrease in production of non-durable consumer goods.

As a result of the recent improvements, the downward trend in year-on-year growth in industrial production has come to an end, with growth showing a relative improvement since May. It nevertheless remained sharply down compared to levels one year earlier (down by 13.5 % in August), still reflecting the



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sequence of particularly strong falls which occurred between last autumn and this spring.

*... in line with expanding industrial new orders...*

Previous contractions in industrial output have followed the trend in industrial new orders, which dropped substantially in the second half of 2008, but started to recover somewhat in the beginning of this year. In August, industrial new orders increased by 1.2%, following on from the first significant rise (1.6%) in more than twenty months in July (Chart 17). The improvement in new orders in August mainly resulted from increases in new orders for intermediate goods and capital goods, which counteracted a drop in orders for durable and non-durable consumer goods.

On a yearly basis the level of new orders had generally been on a downward trend since the middle of 2008 until April 2009. Although improving subsequently, by August new orders were still down by 22.3% compared to a year earlier.

*... while construction output declined slightly in August, but less so than in the preceding months...*

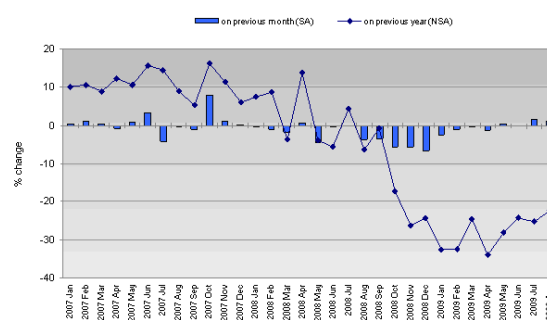
Following on from much stronger contractions from May to July, which contradicted some initial signs of stability in the previous two months, output in construction decreased only slightly (by 0.1%) in August (Chart 18). This limited decline at EU level resulted from a strong rebound in output in Germany, which helped to offset falls in the remaining larger Member States.

As a result of the recent declines, year-on-year growth in construction output in the EU, which had shown some signs of recovery in spring, fell back to -10.8% in August. This resulted from strong declines in construction output in Spain and the UK, and a more moderate drop in France, with Germany recording some increase and Poland expanding by a significant 10%.

*... and retail trade turnover dropped again in August*

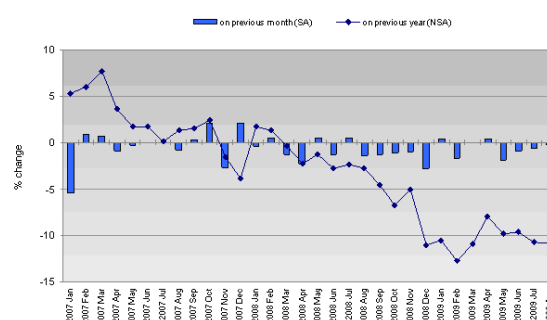
Except for sizeable falls in February and May, retail trade turnover in the EU has held up rather well since October of last year. However, after remaining broadly stable in July, retail trade turnover subsequently decreased by 0.3% in August and by 0.4% in September. The September decline reflected a fall in turnover of 0.5% in the non-food sector and of 0.3% in the food sector, and was driven by a fall in turnover in all larger Member States for which data is available (Germany, Spain and Poland). Consequently, after edging up in June and July, year-on-year growth in retail turnover had dropped back to -1.6% in August and to -2.5% by September (Chart 19).

Chart 17: Industrial new orders for the EU



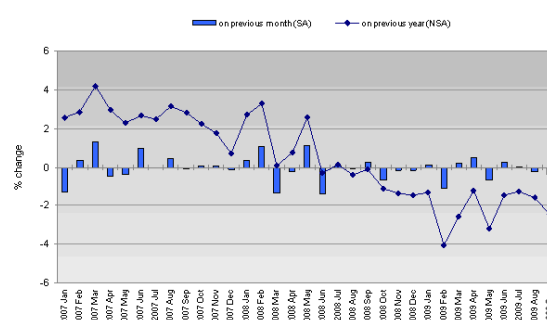
Source: Eurostat, Short-term business statistics.

Chart 18: Construction production for the EU



Source: Eurostat, Short-term business statistics.

Chart 19: Retail trade turnover for the EU



Source: Eurostat, Short-term business statistics.

### OUTLOOK

*Economic sentiment in the EU continued to improve in September, but remained below its long-term average...*

The bottoming out of the downturn started to be signalled some months ago by indicators of business and consumer confidence – the EU Economic Sentiment Indicator (ESI) has been improving for seven months now. In October the ESI rose by a further 3.4 points to



86 points. However, it still remains well below its long-term average (Chart 20).

The improvement at EU level reflected improvements in all the larger Member States, with marked rises in sentiment in France, Germany and Italy (up 3 points or more) and a slightly more moderate increase in Poland and Spain (up around 2 points). The increase resulted mainly from a significant rise in sentiment in industry (up 4 points, driven by more optimistic production expectations), together with more moderate increases in confidence in construction and in services, and a slight improvement in consumer sentiment. Confidence declined only in the retail trade sector. Sentiment in financial services (not included in the ESI) improved only slightly compared to the strong pick-up in the previous two months.

*... while the OECD leading indicator for the EU continued to recover strongly*

The OECD's Composite Leading Indicator (CLI) also started to point some months ago to improvements in the economic situation in Europe and to an imminent return to growth. After the declines observed over 2008, the CLIs for the euro area and aggregate of the four largest EU Member States started to stabilise in the beginning of 2009 and have picked up markedly since April, driven most significantly by positive signals in Germany and Italy (Chart 21).

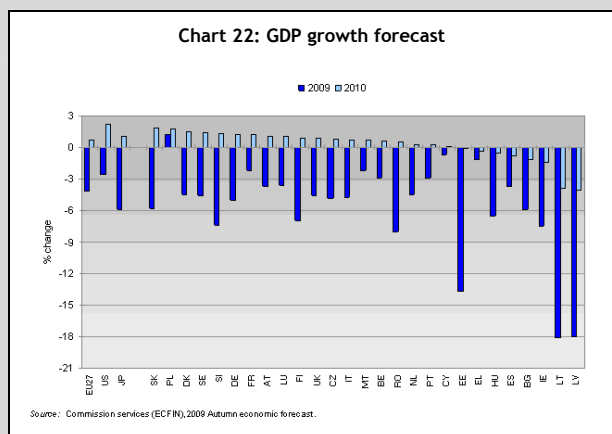
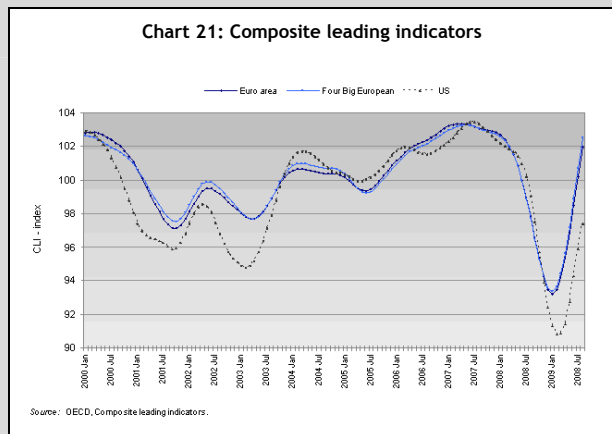
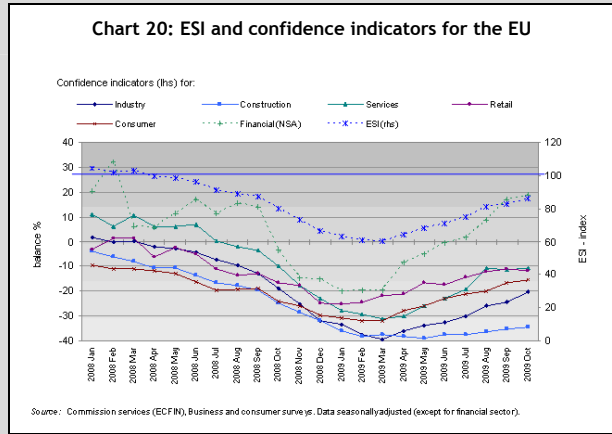
In August the CLI increased by 1.7 points in the euro area and by 1.8 points in the group of the four largest EU Member States, and also rose by 1.6 points in the US. However, compared to a decline of 1.6 points over the year to August in the US, the two former aggregates were up by a significant 4.1 and 4.8 points compared to a year earlier and have been approaching the levels observed in 2007.

These improvements in the CLI give support to the view that recovery is already underway in the EU. Nevertheless, any positive impact on the labour market will still take much longer to manifest itself, given the usual lags before employment reacts to a change in confidence and economic activity.

*Latest Commission forecast points to an end to recession, and a return to positive growth in the second half of 2009...*

According to the latest autumn Commission forecast<sup>6</sup>, the EU economy is set to emerge from recession with growth turning positive in the second half of this year (nevertheless leaving annual growth for 2009 at -4.1%). This should be followed by a gradual recovery over the next two years, with EU GDP expanding by 0.7% in 2010 and by 1.6% in 2011.

The economic contraction in 2009 has been broad-based across Member States, but particularly severe in the Baltic States. In 2010 most Member States are expected to return to positive growth, however, the



downturn will continue in Bulgaria, Estonia, Greece, Hungary and Ireland and most severely in Latvia and Lithuania (with GDP forecast to fall by a further 4% in the latter two) (Chart 22).

*... but labour markets are still expected to deteriorate and employment to contract further...*

Despite the resilience shown by labour markets to the recession (mainly due to short-term policy measures and labour hoarding, alongside the favourable impact



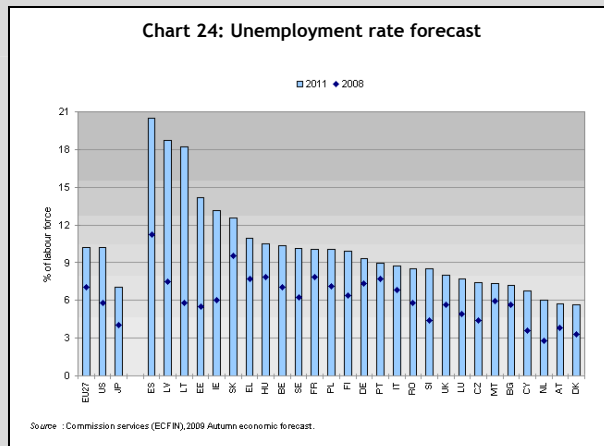
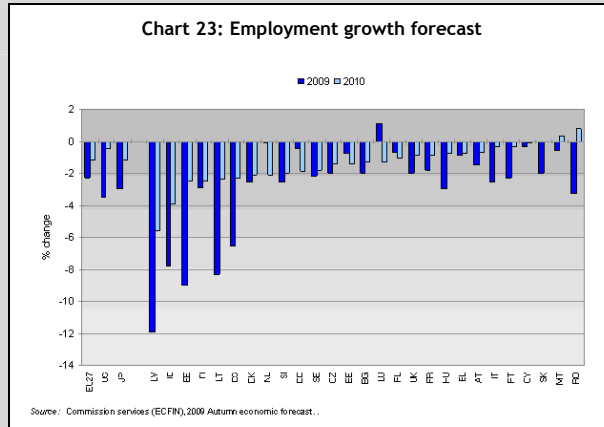
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of past reforms), employment is expected to fall by 2.3 % this year and by a further 1.2 % in 2010. This represents an employment contraction of around 7.5 million over these two years. Furthermore, looking ahead, the risks of a 'jobless' recovery will depend among other things on the flexibility of the labour market, the policies in place and the implementation of the necessary structural adjustments across sectors and firms.

Employment growth is expected to be negative in most Member States both this year and in 2010. Particularly strong falls in 2009 (of around 6-12 %) are foreseen for the Baltic States, Ireland and Spain. Though declines are set to lessen significantly in 2010 in almost all Member States, employment is set to contract more strongly next year in Belgium, Germany, Luxembourg, the Netherlands and Poland. The strongest falls in employment in 2010 are expected to be in Ireland and Latvia (Chart 23).

*... and unemployment rates to continue to rise*

At the same time, unemployment is forecast to rise significantly, potentially reaching 10.3 % by 2010 and remaining around 10.2 % in 2011, up more than 3 pps on 2008 levels. Between 2008 and 2011, rates are projected to rise in all Member States, with increases ranging from 2 pps or less in Austria, Bulgaria, Germany, Italy, Malta and Portugal to 7 pps or more in Ireland, Spain and the Baltic States. The strong increase in unemployment is projected to lead to particularly high unemployment rates of 12-15 % in Estonia, Ireland and Slovakia by 2011, and of 18-21 % in Latvia, Lithuania and Spain (Chart 24).





## II. SPECIAL FOCUS

### 1. Latest developments and expectations in selected Member States

This section provides an overview of recent developments and forecasts at the Member State level. In this issue the focus is on reviews of the labour market situation in Denmark, Finland, Hungary, Poland, Spain and Sweden. Priority has been given to the most recent reports and forecasts (dating from September to early November 2009) from reliable sources at the country level.

#### Denmark

Strong economic performance in Denmark came to an end in early 2008, with GDP subsequently falling by 1.2% for the year as a whole. The authorities reacted to the crisis with a significant fiscal expansion, notably through large tax reductions as soon as early 2009. However, the crisis in Denmark is marked by the decline in private consumption combined with a fall in exports and investment at double-digit rates, and in this environment the massive government intervention and sizeable automatic stabilisers could not prevent the economy from contracting by an expected 4.5% in 2009.

According to the Danish Council, the number of unemployed could double to 100 000 this year, and continue to rise to 157 000 in 2010 and 171 000 in 2011. Eurostat figures confirm that unemployment in Denmark has risen substantially over the last year, especially among men. While its unemployment rate was still the EU's second lowest in September 2008, it ranked only 5<sup>th</sup> a year later, above the rates posted by the Netherlands, Austria, Cyprus and Slovenia. After a 3 pps increase in a single year, it reached 6.4% in September 2009, which nevertheless remains 2.8 pps below the EU average. Youth unemployment has grown at a similar pace, up 3.1 pps over the past year, but at 11.4 % it remains one of the lowest rates recorded in the EU.

Another consequence of the downturn is the decline in the number of hours worked and the growth of part-time work. From the second quarter of 2008 to the same quarter this year, the former declined on average by 1.2 hours per week (EU average down 0.7 hours) while the share of workers in part-time work rose by 1.1 pps to 25.8 %.

According to the Danish Public Employment Service (Arbejdsmarkedstyrelsen), the number of job vacancies declined by 65% from September 2007 to September 2009, corresponding to approximately 14 500 full-time jobs. Hardest hit by the fall in demand for new workers have been the sales, transport and construction sectors. At the same time, registered unemployment figures have increased by 52 %, accounting for approximately 34 800 more people on the dole and bringing the total to 102 000 in September 2009.

The economic recovery is expected to come in 2010 and be confirmed in 2011, with GDP posting annual increases of 1.5 % and 1.8 % respectively. However, recovery, and the rise in employment which would accompany it, certainly depends on the continuation of targeted and temporary fiscal stimulus and the strength of the pick-up in private consumption. On the positive side, according to the recent Eurobarometer survey on poverty and social exclusion, only 31 % of Danes surveyed believe that poverty is widespread in their country, which is the lowest percentage recorded in the EU (EU average: 73%).

#### Finland

After a decade of rapid growth, Finland entered the period of global crisis in 2008 from a relatively strong position. Nevertheless, the global crisis has had a strong impact on the export-dominated Finnish industry, as well as on domestic demand-led sectors through negative confidence effects. At the outset, the crisis had a sharply negative impact on consumer confidence, even though, over the course of 2009, it has rebounded to close to pre-crisis levels. However, this has not yet been reflected in actual output data for the first half of 2009 – GDP contracted at a quarterly rate of about 3 % in both the first and second quarters of 2009. GDP is expected to contract by 6.9 % for 2009 as a whole, before picking up in 2010 and 2011 (with rises in GDP forecast at 0.9 % and 1.6 % respectively).

At 8.6 % in September 2009, the unemployment rate in Finland remains lower than the EU average (9.2%), but posted the same increase over the past year (2.1 pps). The youth unemployment rate remains at very high levels, 22.8 % in September 2009, i.e. 5.8 pps higher than a year earlier and 2.6 pps above the EU average. Male workers have suffered most in this recession, with their unemployment rate rising by 3 pps in a single year to 9.4 %, whereas the female rate increased by only 1.1 pps within the same period to 7.8 %. The labour market has also adjusted through reduced working hours – from the second quarter 2008 to the same quarter this year, Finns worked on average 1.4 hours less per week, the second highest fall in the EU.

According to the Finnish Public Employment Service, the number of registered jobseekers was 265 800 in September 2009, at a similar level as that of the previous month, but 38 % higher than in September 2008. The number of laid-off workers as registered at the Employment and Economic Development Office amounted to 30 000 in September 2009, in line with the general trend observed over the previous months, although slightly decreasing from its highest level (35 000) posted in March 2009. This still remains high compared to the annual averages for 2007 and 2008 (respectively 6 800 and 9 177).

Demand for new workers remains low. In September 2009, the total number of vacancies recorded at the Employment and Economic Development Offices was 49 577, i.e. 500 vacancies less than in August 2009 and 22 982 or 32 % less than in September 2008. The total number of vacancies in



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September is significantly lower than the annual average in 2007 (82 251) and in 2008 (80 106).

All sectors have been hit by the recession, especially the manufacturing industries (wood and metal processing in particular), the services and transport. Substantial job cuts are expected to occur in the near future, with the forest company UPM announcing the closure of plywood factories (900 job losses expected) and Nokia Siemens Networks planning to axe around 6 000 jobs worldwide.

Despite the deterioration in the labour market, compared to other EU citizens Finns are less concerned about the possibility that the current economic crisis will affect working conditions, regardless of the fact that the unemployment rate is expected to exceed 10 % in 2010. However, over half of the population believes that occupational health and safety will deteriorate somewhat.

### Hungary

At 9.7 % in September 2009, the Hungarian unemployment rate was 0.5 pps higher than the EU average. Over the last year it has risen by 1.9 pps, which is lower than the average rise for the EU (2.1 pps). Male workers have particularly suffered from the recession, with their unemployment rate increasing by 2.3 pps, to 10 %, over the last year. However, the young remain the main victims of the recession, as more than 1-in-4 young people in the labour force is now unemployed. Furthermore, 25.2 % of Hungarians aged 15 to 24 are out of the labour market, 5.2 pps more than in September 2008.

According to the Hungarian Central Statistical Office, in the second quarter of 2009, 3.8 million Hungarians were in employment, or 71 400 less than in the corresponding quarter one year earlier (i.e. before the crisis). The employment rate of the population aged 15-64, which is very low in international terms anyway, fell by an annual 0.9 pps to 55.6 % in the same quarter.

The relative stability in the level of employment can partly be linked to temporary factors (seasonal works, public work programme). In addition, enterprises have endeavoured to retain employees with higher qualifications and have tended to favour part-time employment arrangements instead of dismissals. At the same time, the sharp decline in production has induced a pronounced flow from full-time employment to part-time work and non-employment and has also capped wage expectations for those who remained active in the labour market. The drop in full-time equivalent employment in the private sector could be roughly 5% in 2009 and a further decline is expected in 2010. Thus, while the number of full-time employees fell by 111 000 between the second quarter 2008 and the same quarter this year, that of part-time employees grew by 40 000, representing 5.6 % of employed people, a higher proportion than ever before.

The economic situation in Hungary remains bleak as economic output continues to contract, public debt is soaring, consumer confidence is plummeting and unemployment is expected to exceed 10 % by the end of the year. According to the latest European Commission forecasts, Hungary's GDP is expected to decrease by 6.5 % in 2009, and to fall slightly in 2010 (down by 0.5 %) before

returning to positive growth in 2011 (up 3.1 %). According to the recent Eurobarometer survey on poverty and social exclusion, 64 % of surveyed Hungarians believe that poverty has "strongly increased" in their country in the last three years, which is the highest percentage of any EU country.

### Poland

The Polish economy was marked by rapid growth in the period 2003-2008. Nowadays, amid the global economic crisis, it has demonstrated a fairly strong resilience, supported by a mix of factors. The sound fundamentals established in recent years have helped the Polish economy weather the global crisis better than other central and eastern European countries, which are more dependent on external trade. Consequently, although Polish GDP growth is sharply down from the 5 % posted in 2008, it compares very well with expected contractions this year in the Czech and Hungarian economies of 4.3 % and 6.5 % respectively. Indeed, with real GDP growth projected at around 1.2 %, Poland is expected to be the only country in the EU to avoid recession in 2009. This is expected to be followed by growth of 1.8 % in 2010 and a stronger 3.2 % in 2011.

The recovery could, however, be delayed by unfavourable future labour market developments. So far, the Polish labour market has recorded one of the EU's smallest rises in unemployment - from September 2008 to September 2009, the unemployment rate increased by a moderate 1.4 pps, to 8.2 %. Both figures are lower than the EU average; however unemployment might increase more substantially next year to reach nearly 10%. Moreover, youth unemployment remains high at 20.5 %, up 3.9 pps on September last year. The female unemployment rate remains above the male rate, although the latter has increased most, up 1.8 pps over the year to 7.9 %, compared to a rise of 0.8 pps to 8.5 % for women.

According to the Central Statistical Office, more than 1.7 million people were registered as unemployed in September 2008, 27 000 more than in August. The current jobless rate, high though it may seem, is fairly low compared to the 20 % posted in February 2003, one year prior to EU accession. On the positive side, retail sales have been increasing in Poland, which recorded the EU's highest annual rise in September 2009 (+5.4 %, EU average: +1.1 %), and its car market, the biggest in Central Europe, is doing well with September figures showing that car sales had increased by 7.9 % compared to the same month last year. These positive trends are, however, tempered by a less favourable one, as industrial orders have been falling recently.

### Spain

More than a decade of strong economic expansion in Spain came to an end in the second half of 2008 and was followed by a contraction in economic activity. According to recent data from the Central Bank of Spain, GDP continued to contract in the third quarter of this year (by 0.4 % quarter-on-quarter), while for 2009 as a whole, economic activity is estimated to have fallen by 3.7 % (according to the latest EC forecasts). After initially hitting the construction sector, the economic downturn is



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now felt strongly in most sectors, especially services, agriculture, construction and manufacturing industry. It has taken a heavy toll on both jobs and public finances, which may result in high long-term unemployment and a sharp worsening of the long-term sustainability of public finances.

In this context, unemployment picked up in September, after easing somewhat in the previous months, with nearly 100 000 more jobless. The unemployment rate has risen by 6.9 pps compared to a year earlier, more than double the average rise at EU level. As a result, Spain posted the second highest unemployment rate in the EU in September, at 19.3 %, up 0.5 pps on the previous month. According to the National Statistics Institute, Spain currently has 4.1 million unemployed. Youth unemployment is dramatic, as 41.7 % of active young Spaniards were unemployed in September 2009, up 15.5 pps on the same month in 2008.

Under these circumstances, the EC forecasts that unemployment in Spain will continue growing – unemployment is expected to reach an annual average of 20 % in 2010 (up 2.1 pps on this year) and to reach 20.5% in 2011. Spain is also forecast to be the last member of the euro area to enter economic recovery – the euro area is expected to grow by 0.7 % in 2010 while Spain's GDP would still decrease by 0.8 % before eventually picking up in 2011 to register positive growth of 1 %.

The protracted fall in employment is set to induce slow growth in disposable income, both in nominal terms, thus affecting household budgets, and in real terms, with an obvious impact on real demand and thus leading to an increase in precautionary saving. In addition, access to consumer credit remains more difficult than in the past, due not only to tight credit conditions imposed by financial institutions, but also to high household indebtedness.

Given the severity of the crisis, Spain has adopted a substantial fiscal stimulus package, including the State Fund for Local Investment in Spanish Municipalities. The latter is reported to have contributed to the creation or sustaining of nearly 400 000 jobs, although a majority of them are temporary and being used to preserve existing jobs. According to the OECD, labour market duality in Spain has been accentuated by the recession: temporary employment accounted for close to 90% of all job losses in the 12 months to June 2009.

Unemployment is a key driver of poverty in Spain, so stemming further job losses will be vital to prevent poverty spreading over the next few years. Indeed the OECD Employment Outlook 2009 shows that close to 50% of jobless households in Spain were relatively poor, compared with 37% on average across the OECD. This pattern is confirmed by the recent Eurobarometer survey on poverty and social exclusion (October 2009), which also highlights that 90 % of surveyed Spaniards have difficulties in getting a mortgage, and 78 % in getting a consumer loan, the highest percentages in the EU.

### Sweden

Sweden has been hit relatively hard by the global recession, with GDP expected to contract by 4.6 % this year. However, after a weak start to 2009, the Swedish

economy subsequently stabilised, posting its first quarter of positive GDP growth in over a year in the second quarter (+0.2 % compared to the previous quarter). Economic activity is now expected to pick up in the next two years, with GDP rising by 1.4 % in 2010 and by 2.1 % in 2011.

According to the Labour Force Survey for the third quarter of 2009, an average of 399 000 people aged 15-74 were unemployed. This represents an increase of 119 000 compared to the same quarter last year. According to Eurostat, the unemployment rate reached 8.7 % in September 2009, up 2.3 pps from the rate recorded in the same month last year. Male workers have suffered the most, as now 9.1 % of the active male population is unemployed, up 3 pps on September 2008, compared to 8.2 % of active women (up 1.5 pps). Youth unemployment remains very high, with more than one in four active young Swedes (26.2 %) unemployed. Another worrying feature is the percentage of long-term unemployed – nearly one in three, or 125 000, of the unemployed are long-term unemployed.

In general, Sweden's unemployment is set to grow further in the coming months. However, while the number of hours actually worked by Swedish workers declined by 1.3 hours per week on average between the second quarter 2008 and the same quarter this year, the number of redundancy notices has dwindled in recent months. This could imply that unemployment might grow more slowly going forward. Nevertheless, the unemployment rate is still expected to reach 10 % in 2010.

The Swedish car industry has been severely hit by the global economic crisis, like in most EU member states. In this context, Sweden has applied for the European Globalisation Fund (EGF) to support its car industry: if approved, the €9.8 million requested will help 1 500 workers made redundant in the motor industry back into employment. (This plan is designed to help workers at Volvo Cars, in the region of Västsverige, where 73 % of the redundancies occurred. The number of unemployed workers in the region in March 2009 was 60 % higher than in March 2008.)





## 2. Selected sectoral trends: health and social services and an update on the automotive sector

This section reports on recent employment developments in the health and social services sector on the one hand, and provides an update\* on the automotive sector on the other. The former is very labour-intensive and, unlike most economic sectors, has generally shown resilience to the downturn. By contrast, the latter is one of the sectors most heavily impacted by the downturn.

### Health and social services

#### Importance of the sector

The 'Health and social services' sector constitutes one of the most important sectors for the European economy. This stems not only from the size of its share in economic output (it accounts for between 5% and 13% of GDP) but also from the level of employment in the sector (about 20 million workers in 2006). In 2006 the sector accounted for a value added of over €800 billion. However, value added in the sector differs enormously between the EU-15 and the new member states (NMS) – the NMS represent only 3% of the EU value added.

In the EU, the share of social services in the overall sectoral workforce amounts to roughly 30%. The share is, however, very different across Member States. In most new Member States the share is less than 20 %, while in some old Member States, like Denmark, the share even reaches nearly 45 %. Some old Member States, however, also have a relatively low share. In Belgium, for instance, the share accounts for only 20%.

Although major differences are present between countries with respect to the magnitude of long term growth in employment in the sector, all categories of countries have recorded employment growth over the last decade.

#### Challenges

There are a number of challenges facing health systems in Europe. EU health systems have to perform a difficult balancing act, firstly between increasing demands on health services and restricted supply, and secondly regarding the need to respond to the needs of different elements of the population (they have to face the challenge of adapting healthcare systems to an ageing population). Moreover, the introduction of new technology is making it possible to increase the range

and quality of healthcare in terms of diagnosis, prevention and treatment.

Finally, citizens have sharply rising expectations about having access to the best possible healthcare. All of this is inevitably leading to continually rising spending on health, and indeed is posing major longer-term issues of sustainability of health systems in some countries.

As the sector is highly labour intensive, the workforce is a vital factor for the quality and the efficiency of the services. Migration of health professionals into and out of the EU and mobility within the EU are also having the effect of increasing shortages in some regions.

#### Perspectives

Health care is changing. Ageing populations, new therapeutic possibilities and rising expectations have made the provision of health care much more complex than in the past.

At the heart of these changes are the health professionals themselves. They must acquire a range of new skills. Some are technical, such as how to get the most from new information systems or advances in technology. Some are organisational, such as how to work in multi-disciplinary teams.

Yet the new landscape requires more than this. It also demands new attitudes, finding ways in which the health professional can engage in effective partnerships both with their patients and with the organisations that purchase care.

In an economic downturn, cost pressures may first be felt in areas viewed as low priorities. All too often public health research can suffer, as well as the limited capacity to absorb innovations.

#### Recent job losses and creations

Some important announcements of job cuts in the sector have occurred so far this year. For example, the Hospital group Orbis announced on 9 March 2009 the loss of 700 jobs in the Netherlands; on 31 July 2009 Riga's Hospital No.1 announced the dismissal of 570 employees starting in September 2009; and in France, the Centre Universitaire Hospitalier (CHU University Hospital) of Reims announced on 20 October 2009 the cutting of 265 jobs within the next three years.

However, there have also been recent announcements of significant job creation, such as the announcement by Fresenius Medical Care to create 400 new jobs in 2011. Likewise, MedLife, a provider of healthcare services, announced 250 new jobs as a result of an investment of 5 million euro in a new unit in Bucharest.

\* Previously published, in February 2009 issue.



## Automotive sector

### Recent challenges and difficulties

The combined effect of the financial and economic crisis started impacting seriously on automotive markets in the last quarter of 2008. Steep falls in sales were followed by downsizing of production, a decline in manufacturers' revenue and intensive cost-saving (including cutbacks in the workforce, R&D and other investments).

As regards passenger cars, according to ACEA, registrations continued to fall dramatically till the first quarter of 2009 when the situation started to improve slightly (with smaller decreases registered). In June 2009, for the first time in 14 months, passenger car registrations rose (by 2.4%), and by September registrations had increased by 6.3% compared to the same month a year ago. According to available forecasts, car sales will record only a 3.6% year-on-year decrease in 2009. The relative improvement in sales has largely been due to the implementation of scrapping schemes in 12 Member States (AT, CY, DE, ES, FR, IT, LU, NL, PT, RO, SK, UK while CZ has announced that it will also be implementing such a scheme). The question remains of what will be the effect on sales of the forthcoming end to such demand support schemes.

As for commercial vehicles, new registrations in Europe were down 27.7% in September compared to the same month in 2008, the seventeenth consecutive monthly decline. Three quarters into the year, there were 35.6% fewer new registrations than in the first nine months of last year. This situation is a consequence of the general drop in commercial transport activities, due to the collapse in global and intra-EU trade as well as the general decline in industrial output.

Suppliers have also been severely affected in recent months. Industry representative CLEPA has estimated that up to 30% of all European suppliers are at risk as a result of the crisis and that some 500-600 companies will go bankrupt. The EIB estimates that, depending on the level of demand in coming months, 30-60% of suppliers are at risk of bankruptcy.

### Restructuring processes – recent trends (ERM)

Between July and October 2009 the ERM registered 14 486 announced job losses and 3 207 job gains concerning the automotive and related sectors. The biggest cases of job losses were:

- Austrian-Canadian automobile parts manufacturer Magna announced, in September 2009, plans to lay off 2 090 employees from its Opel plant in Figueruelas (Spain) within the next two years. At the European level, the announced measures will lead to the dismissal of 10 952 people (4 116 in Germany; 2 517 in Belgium (factory being closed); 2 090 in Spain; 1 373 in the UK; and 437 in Poland).

- In the Czech Republic, Avia Ashok Leyland Motors, a Prague-based manufacturer of trucks, announced that at least 1 500 job cuts have been implemented from January 2009 until October 2009. The vehicle manufacturer Tatra announced further restructuring measures that will result in the reduction of 850 jobs out of 3 000 jobs at the Kopřivnice plant by the end of 2009.
- In Hungary, the automotive supplier Denso Hungary Kft announced, on 10 July 2009, the loss of 800 jobs, representing almost 20% of the firm's workforce, starting from 1 October 2009.

The biggest cases of job gains were:

- Hyundai Motor Manufacturing Czech announced plans to employ 3 500 people at its Nošovice plant by 2011.
- Nissan announced the creation of 350 jobs at its factory near Sunderland in the UK (Nissan currently employs 4 200 workers at its Sunderland plant and in January 2009 the firm had announced a cut of 1 200 jobs at the plant due to falling customer demand for new cars).
- ITT Corporation, a multinational engineering company, announced plans to create 300 new jobs at its Czech site by the end of 2009.



### 3. Social situation trends

The economic crisis and the ensuing deterioration in EU labour markets has had a greater impact on the traditionally more vulnerable groups in the labour market, such as young people, migrants, the low-skilled and those in temporary contracts. At the same time, the continued influx into unemployment together with fewer opportunities for prompt returns to employment, especially among the most disadvantaged groups, aggravates the risk of increased long-term unemployment and poverty.

*Unemployment is perceived as one of the main factors of poverty*

According to a recent Eurobarometer survey on "Poverty and Social Exclusion"<sup>7</sup> unemployment, and wages and salaries which are not high enough to cope with the cost of living, are the most widely perceived causes of poverty. The survey confirmed the perceived vulnerability of the unemployed: over half of Europeans believe that the unemployed are most at risk of poverty and close to half believe that the unemployed should be a priority group for receiving social assistance. The unemployed themselves also feel they are at greater risk of poverty than other groups.

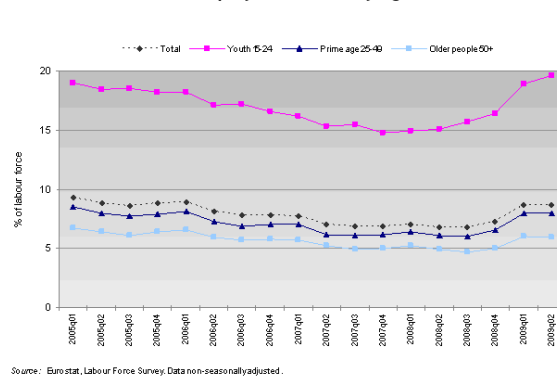
*Unemployment has risen most strongly among young people, migrants and the low skilled...*

Youth unemployment, which started to rise in early 2008, increased sharply in the first quarter of 2009, before rising by a more moderate 1.0 pps and 0.8 pps in the following quarters of this year. By the third quarter of 2009 it had increased by 4.5 pps compared to the same quarter of 2008. However, since the beginning of the year, the impact of the economic downturn has become more evident also among prime age people (those aged 25-49), for whom the unemployment rate had increased by 1.9 pps by the second quarter compared to a year earlier, while the rate for older people aged 50 and over rose by a more moderate 1 pps (Chart 25).

Unemployment among migrants (non-EU nationals) rose steeply in autumn last year and early 2009 before stabilising somewhat in the second quarter of 2009, by which time the rate had increased by 5.1 pps on a year earlier. The rate for other EU-nationals increased significantly only in the first quarter of this year, and by mid-2009 remained 2.9 pps higher on a year earlier. The gap between the unemployment rates for non-EU27 nationals and nationals, which had stayed fairly stable at around 7 pps over recent years, has now reached an alarming 11.2 pps, while it is only around 3 pps for other EU-nationals (Chart 26).

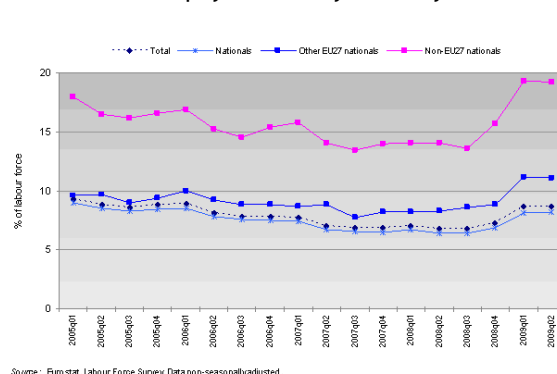
Unemployment among the low-skilled and among the medium-skilled rose sharply in the beginning of this year, but remained relatively stable in the second

Chart 25: Unemployment rates by age for the EU



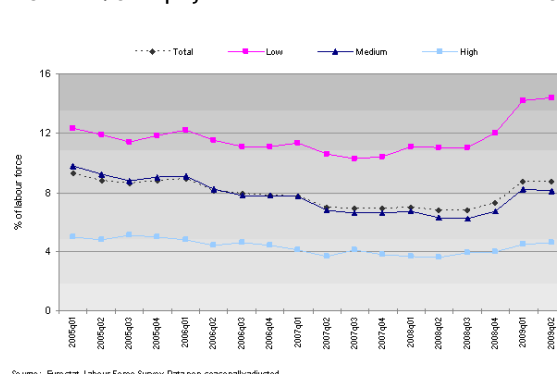
Source: Eurostat, Labour Force Survey, Data non-seasonally adjusted.

Chart 26: Unemployment rates by nationality for the EU



Source: Eurostat, Labour Force Survey, Data non-seasonally adjusted.

Chart 27: Unemployment rates by education level for the EU



Source: Eurostat, Labour Force Survey, Data non-seasonally adjusted.

quarter. The sharp hike for the low-skilled led, by mid-2009, to the rate being 3.4 pps higher than a year earlier, while the rate for the medium-skilled had increased by a more modest 1.8 pps. At the same time the rate for the high-skilled had risen by 1 pps on a year earlier. The gap between the unemployment rates for the low and the high-skilled, at around 7 pps over recent years, had therefore expanded to 10 pps, while that between the medium and high-skilled had increased from around 3 pps in 2007 to 4 pps (Chart 27).



# Monthly monitor

*... aggravating the risk of increasing long term unemployment*

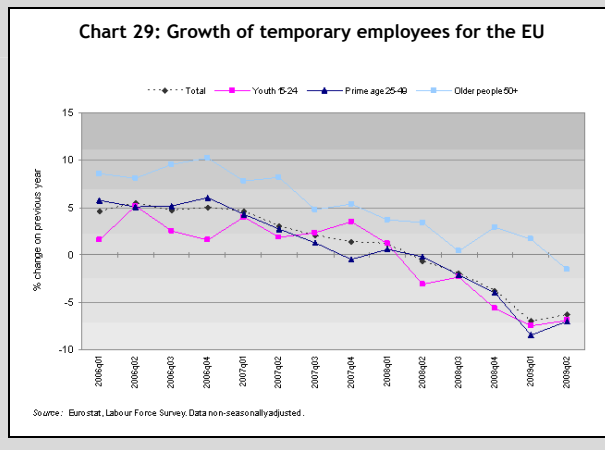
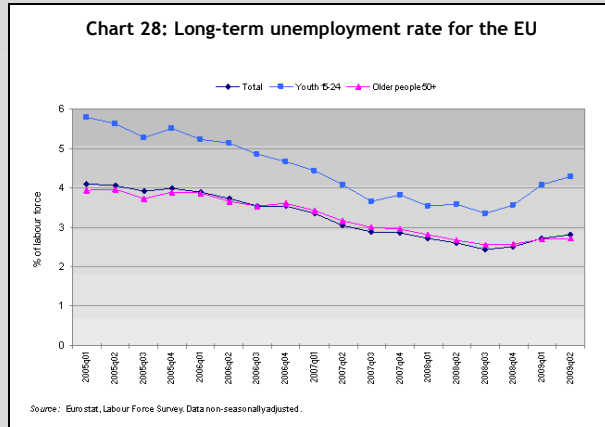
The long-term unemployment rate in the EU had been decreasing up until the third quarter of 2008, but it started to rise again to reach 2.8 % of the labour force in the second quarter of 2009. The rises have been particularly severe among young people, with long-term unemployment affecting 4.3 % of the youth labour force, up 0.7 pps on a year earlier. The long-term unemployment rate for older people has remained stable over the last year, but has started to rise in a number of countries (Chart 28).

However, this limited rise does not yet fully reflect the recent weakening of EU labour markets and the subsequent increase in unemployment, and it is likely that the long-term unemployment rate will move higher in the quarters ahead as elements of the large influx of recent entrants to unemployment eventually feed through to the stocks of the long-term unemployed.

*... while employment contracted most severely among workers with temporary contracts*

The economic downturn has led to a reduction in temporary employment of 6.3 % over the year to the second quarter of 2009, compared to a 0.7 % decline in permanent employment. Reductions in temporary employment affected first and foremost young and prime-age workers, with temporary employment declining by around 7 % year-on-year to the second quarter of 2009 for both groups, while for temporary older employees the decline was a much more moderate 1.5% (Chart 29).

As a result, the share of employees with fixed-term contracts relative to total dependent employment had



fallen to 13.5 % by the second quarter of 2009, down by 0.7 percentage points on a year earlier.



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<sup>1</sup> For more information or data, please visit the websites:

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

<sup>2</sup> The BA-X is the most up-to-date and comprehensive job index in Germany and is based on actual vacant positions reported by businesses. The BA-X shows the trend for the demand for labour in Germany and the development trend for the demand on the primary labour market. The seasonally adjusted index includes the unsubsidised positions that are reported to BA for 'regular' jobs covered by social security, jobs for freelancers and self-employed people and positions communicated by private placement agencies.

<sup>3</sup> For more information on Eurociett, please visit the website: [www.eurociett.eu](http://www.eurociett.eu)

<sup>4</sup> For more information on the ILO publication, please visit the website:  
[www.ilo.org/public/english/dialogue/sector/techmeet/wpeac09/wpeac-ip.pdf](http://www.ilo.org/public/english/dialogue/sector/techmeet/wpeac09/wpeac-ip.pdf)

<sup>5</sup> European Restructuring Monitor [ERM] data is collected by Eurofound's European Monitoring Centre on Change.

The ERM covers:

- Announcements of redundancies rather than effective redundancies (the announcements can relate to programmes of redundancies to be materialised over a period of time, sometimes years);
- Announcements reported by the press rather than formal announcements made by companies;
- Only restructuring cases that: affect at least one EU country; entail an announced or actual reduction of at least 100 jobs; involve sites employing more than 250 people and affecting at least 10 % of workforce; create at least 100 jobs.

Data in this report are based on an extraction from the ERM database on 3<sup>rd</sup> November 2009. Totals exclude World / EU cases in order to avoid double counting. As the database is continually updated in light of new information on recent cases, data reported here may not correspond exactly to later extractions.

For more information, please visit the website: [www.eurofound.europa.eu/emcc/erm/index.htm](http://www.eurofound.europa.eu/emcc/erm/index.htm)

<sup>6</sup> For more information on the Commission Autumn 2009 forecast, please visit the website:  
[http://ec.europa.eu/economy\\_finance/thematic\\_articles/article16051\\_en.htm](http://ec.europa.eu/economy_finance/thematic_articles/article16051_en.htm)

<sup>7</sup> For more information in the Eurobarometer, please visit:  
[http://ec.europa.eu/public\\_opinion/archives/eb\\_special\\_en.htm](http://ec.europa.eu/public_opinion/archives/eb_special_en.htm)