

LABOUR MARKET BROADLY STABLE IN THE EU BUT YOUTH UNEMPLOYMENT AT ITS HIGHEST

The latest data confirm that the labour market in the EU has stabilised, with signs of recovery in some Member States. Despite the moderate economic recovery, conditions are generally set to remain weak for some time, with potentially persistent unemployment.

Overall summary of the situation:

- Unemployment rate unchanged since February 2010, at a high 9.6%
- Youth unemployment at its highest, at 21%
- End of overall deterioration of employment
- Temporary work leading labour market recovery: demand higher than a year ago
- Decrease in restructuring activity and improving confidence on labour markets

The economic recovery is fragile

After a strong revival in the second quarter of 2010, which saw economic output rise by a solid 1.0 %, growth moderated to 0.5 % in the third quarter and will probably not accelerate in the last quarter of 2010 (output even contracted by 0.5 % in the UK). The deterioration in employment in the EU stopped in the second and third quarters of this year, as employment expanded (by 0.1 %) for the first time in nearly two years in the second quarter and remained unchanged in the third quarter. Nevertheless, at 221.2 million, employment was still down by 399 000 (0.2 %) compared to a year earlier, and by 5.7 million relative to its peak in the second quarter of 2008.

The EU unemployment rate has stabilised...

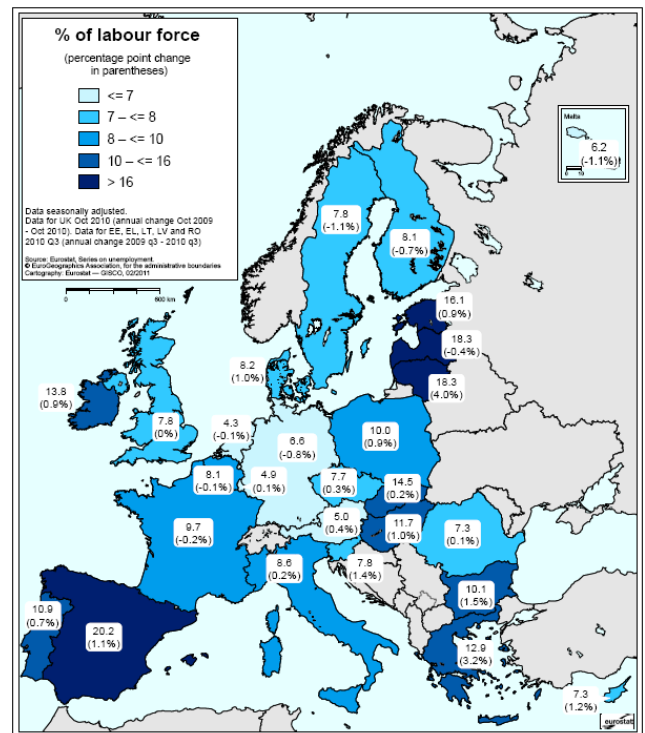
The unemployment rate has remained unchanged at 9.6 % since February 2010. The year-on-year rise, which has been narrowing since the autumn 2009, closed to 0.1 pps in December, even though the unemployment rate is still 2.9 pps above the low of 6.7 % in spring 2008. The rate is still higher than a year ago in all but nine Member States and around 15-20% in Spain and the Baltic states (Chart 1), although the year-on-year rises have clearly been diminishing.

Underlying unemployment in the EU decreased by 19 000 in December, thanks to a steep fall in female unemployment (down by 42 000) while male unemployment still increased by 24 000.

...but the unemployment rate remains higher than a year ago in all but nine Member States

Unemployment had declined or stabilised in the majority of Member States by December, with the rate remaining stable or down on the previous month in 17 countries, while in the other Member States the rate of increase in unemployment had eased.

Chart 1: Unemployment rates, December 2010 and unemployment rate changes December 2009-December 2010 in parentheses



Among the larger Member States, the unemployment rate rose in Poland (by 0.1 pps). On the other hand, the unemployment rate decreased by 0.2 pps in Spain – still posting EU's highest UR – and remained stable in December in the other four larger Member States. In particular, unemployment in Germany, where short-time working has stabilised since August 2010, is at its lowest level since September 1992 and registered unemployment fell more than expected in January.

Youth unemployment still rising

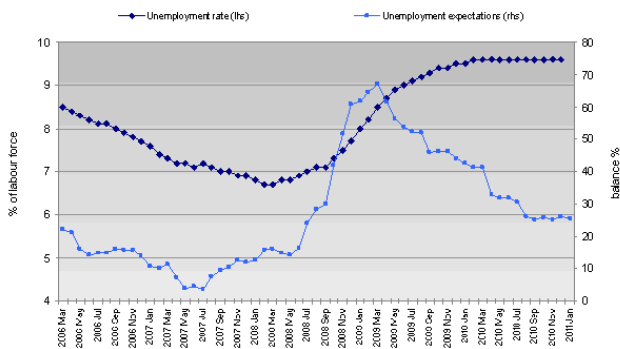
The labour market for young people in the EU is still depressed and continues to show worrying developments: youth unemployment has started picking up again in November after a decrease from May to August and it is now 80 000 higher than in December 2009. The youth unemployment rate in November has reached its highest level since the beginning of the crisis at 21 % in the EU and remained stable in December, still up 0.5 pps on December 2009 and up 6.3 pps on March 2008. Peaks above 25 % were seen in Spain (42.8 %, +3.3 pps on December 2009), Slovakia (37.3 %, +5.1 pps), Ireland (29.1 %, +0.9 pps), Italy (29 %, +2.4 pps), Hungary (28.4 %, +0.6 pps), Poland (25.7 %, +3 pps) and the Baltic States (around 30 %). Conversely, Germany and Belgium have witnessed significant falls in youth unemployment

figures over the period. The job crisis has hit young people hard: at 5.4 million, youth unemployment is still up by nearly 35 % (or 1.4 million) compared to the low of spring 2008. Young graduates have recently encountered huge difficulties to find a job: in the UK for instance, one in five university leavers who entered the labour market failed to find a job last year, as graduate unemployment reached its highest level since 1995 and nearly doubled during the crisis.

Employment and unemployment expectations stable

After the most recent marked decline in August, fears of unemployment kept broadly stable, 41 points below the peak recorded in March 2009 (chart 2). In January, employment expectations slightly improved in industry, construction, services and retail sectors, but persist to be negative in the construction sector (chart 3). Expectations are highest in the financial sector where they declined slightly in January.

Chart 2: Unemployment rate and unemployment expectations over the 12 months ahead



Source: Eurostat, Series on unemployment; Commission services (ECFIN), Business and consumer surveys. Data seasonally adjusted.

Online and temporary labour demand increasing

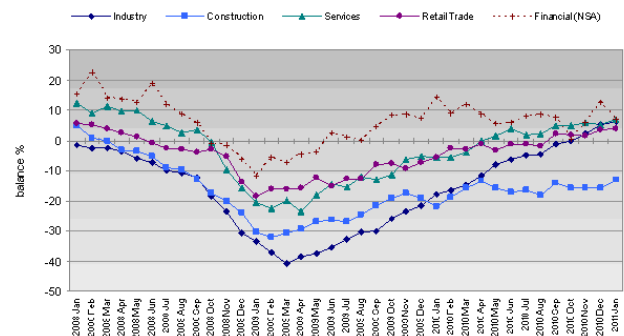
According to the Monster Employment Index, online job demand in the EU increased by 25 % in January, the most rapid pace seen during the current cycle. Real estate led monthly online demand followed by management and consulting and healthcare and social work while public sector opportunities decrease. Recent data from Eurociett, covering October/December, continue to show an improvement in workplace activity via temporary work agencies. The number of hours invoiced exceeds the levels observed a year earlier in all countries reviewed ranging from 7 % in the Netherlands, 12.3 % in Belgium, 18 % in France and

Key labour market indicators for the EU27 (age 15-74)

EU27 seasonally Adjusted data	Year				Month			Monthly change		Annual change	
	2000	2008	2009	2010	2009 Dec	2010 Nov	2010 Dec	Number or pps	%	Number or pps	%
Unemployment (1000)	19 532	16 794	21 468	23 115	22 745	23 198	23 179	-19	-0.1	434	1.9
Males	9 748	8 684	11 800	12 665	12 594	12 616	12 640	24	0.2	46	0.4
Females	9 784	8 109	9 668	10 450	10 151	10 581	10 539	-42	-0.4	388	3.8
Less than 25	5 024	4 193	5 202	5 341	5 335	5 402	5 415	13	0.2	80	1.5
Unemployment rate (%)	8.7	7	8.9	9.6	9.5	9.6	9.6	0	-	0.1	-
Males	7.8	6.6	9	9.7	9.6	9.6	9.6	0	-	0	-
Females	9.8	7.5	8.8	9.5	9.3	9.6	9.6	0	-	0.3	-
Less than 25	17.4	15.5	19.7	20.7	20.5	21	21	0	-	0.5	-

27.1 % in Italy, to 35.2 % in Germany and 47.4 % in Poland. In the EU hours invoiced increased by 23 % over the year.

Chart 3: Employment expectations over the 12 months ahead

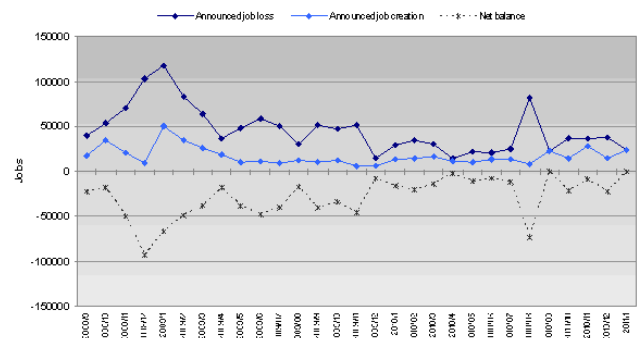


Source: Commission services (ECFIN), Business and consumer surveys. Data seasonally adjusted (except for financial sector).

Restructuring trends

There was reduced restructuring activity reported by the European Restructuring Monitor (ERM) in January 2011 (chart 4). During the month, the ERM registered a decrease in restructuring-related announced job losses (23586 jobs) and a slight increase in announced new jobs (23273 jobs) in a total of 102 cases. The Member States with the largest announced job losses were the UK (13540 jobs) and the Czech Republic (2996 jobs), followed by France (1573 jobs) and Poland (1390 jobs). Public administration and transport and communications were the sectors affected the most by announced job losses, while retail and manufacturing accounted for the majority of business expansion.

Chart 4: Restructuring trends



Source: European Monitoring Centre on Change, European Restructuring Monitor.

