



# EU employment situation and social outlook

June 2009





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## HIGHLIGHTS

- Latest data covering the period up to May 2009 show that, in the wake of the economic downturn, EU labour markets continue to deteriorate. Unemployment is rising, job vacancies are still falling and companies continue to announce substantial job reductions across several sectors. However, while the outlook for the coming months remains bleak, there are some tentative signs that the pace of deterioration may be moderating. The number of announced job losses observed in April-May has halved compared to the preceding months. Economic sentiment including firms' employment expectations and consumers' unemployment expectations, although it remains pessimistic, improved after deteriorating for more than two years.
- Overall unemployment in the EU reached around 21 million, rising by a seasonally adjusted 0.6 million in April, an increase somewhat less marked than increases observed in the first months of the year. In the year to April 2009 unemployment increased by 4.7 million. The average EU unemployment rate has remained on an upward trend for a year, edging up to 8.6 % in April. For the first time, in all Member States (for which recent data is available), unemployment rates are higher compared to a year earlier.
- Nevertheless, the unemployment rate in the EU continues to be less affected by the economic downturn and lower confidence than in the US. In April, the unemployment rate in the EU increased by 1.8 percentage points compared to one year earlier, while in the US it increased by 3.9 percentage points. As a consequence, the US rate has surpassed the EU's for two consecutive months.
- The economic downturn has affected men more severely than women, reflecting the fact that many of the sectors hit hardest employ a predominantly male workforce. This has reversed the historic gap between women and men, with the male unemployment rate starting to exceed the female rate for the first time. The downturn has also impacted on young people, especially young men, resulting in rising unemployment.
- Recent data and national reports indicate that job vacancies, although still significant in number, have been falling in reaction to the downturn. Announcements of job losses still outnumber job gains, with the most substantial reductions in manufacturing. However, monthly levels of announced job losses halved compared to the recent peak in December 2008/January 2009.
- The low levels of business and consumer confidence still indicate a deep economic downturn, with potential impacts expected on the labour market and levels of employment and unemployment. Most of the available forecasts point towards a sharp economic downturn in 2009 and to a longer path to recovery than previously expected.
- To help Member States fight unemployment and prepare their labour markets for recovery, the Commission Communication entitled "A Shared Commitment for Employment" proposes to focus on three key priorities: (i) maintaining employment, creating jobs and promoting mobility, (ii) upgrading skills and matching labour market needs, and (iii) increasing access to employment.
- This report includes a special focus on the transport services sector, which constitutes an essential component of the EU economy and which, after enjoying a tremendous growth in previous years, is now severely hit by the crisis.

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.



# Monthly monitor

## I. SITUATION AND OUTLOOK

### 1. Labour market trends

Latest data<sup>1</sup> covering the period up to May 2009 confirm that EU labour markets continue to deteriorate in reaction to the economic downturn. Unemployment continues to rise, affecting particularly men and young people, job vacancies are decreasing, companies continue to announce job losses in several sectors, and economic confidence remains at low levels. Nevertheless, while the outlook for the coming months remains bleak, some tentative signs point to a deceleration in the pace of the labour market deterioration. Indeed, the number of announced job losses observed in April-May has halved compared to the recent peak in December 2008/ January 2009, and recently sentiment among businesses and consumers is becoming slightly less pessimistic.

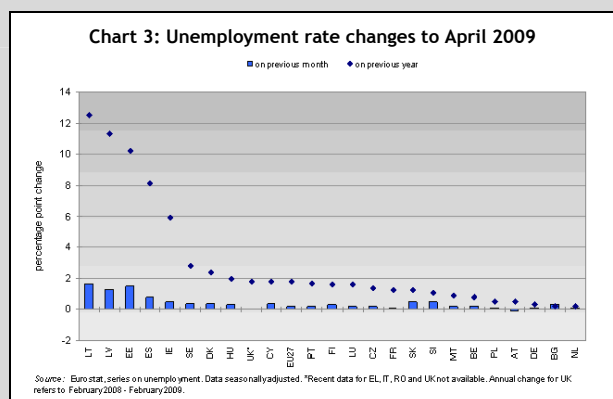
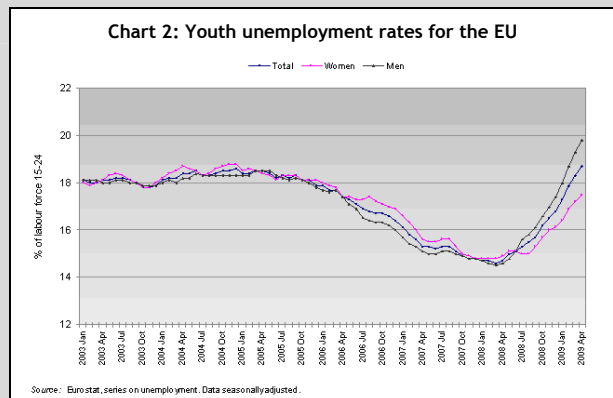
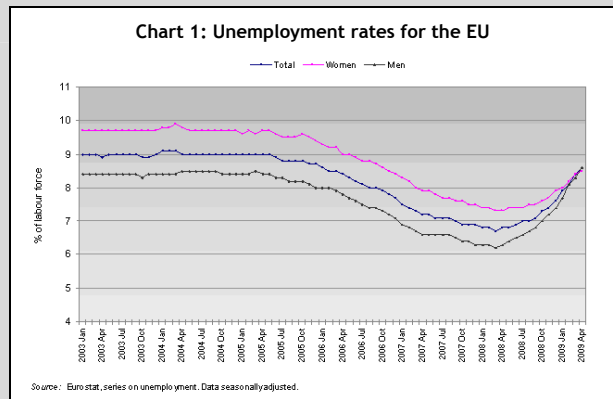
*The EU unemployment rate has been increasing for more than a year now...*

The unemployment rate has remained on the upward trend since April of the last year, climbing with particular strength since last October in reaction to the downturn. Although at a slightly lower pace than in March 2009 (0.3 percentage points (pps)), it increased in April by 0.2 pps to reach 8.6 %, 1.8 pps higher than a year earlier (Chart 1).

Though more moderately than in the first three months of the year, total unemployment rose by 556 000 (or 2.7 %) in April to a seasonally adjusted 20.8 million (21.1 million non-adjusted), an increase of 4.7 million (or 29 %) compared to April 2008 when unemployment was just above its most recent lowest level (reached in March 2008).

*... with major rises among men...*

In continuity with recent trends, the increase in the overall unemployment rate has been driven predominantly by the rise in the rate for men. In April this rate soared by a further 0.3 pps (following on from half a year of strong increases of at least 0.2 pps per month) compared to a less pronounced rise of 0.1 pps for women. Consequently, the gender gap in unemployment rates, still at 1.4 pps in the beginning of 2007, has not only disappeared now, but even reversed: in April 2009, for the first time, the male unemployment rate exceeded the female one. This development has been in line with recent economic downturn hitting predominantly male-oriented sectors in terms of employment, such as the construction and the automotive industry.

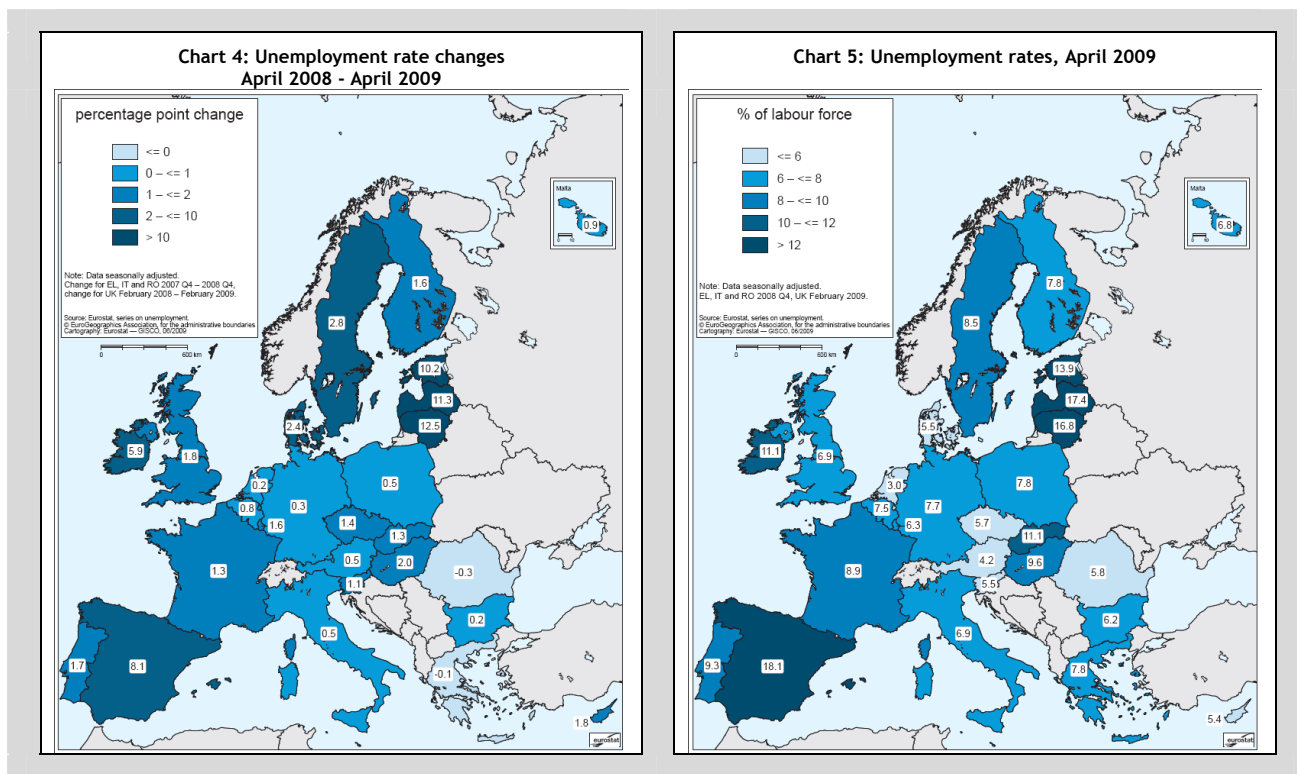


*... and young people...*

The labour market situation of youth (under 25) has been considerably affected by the downturn. The youth unemployment rate has been increasing since April 2008, and strongly so since last October. The rises intensified in the beginning of this year, but levelled down to 0.4 pps both in March and in April, leading to a rate of 18.7 % in April (Chart 2).



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Youth unemployment reached a seasonally adjusted 5.1 million (5 million non-adjusted), an increase of 106 000 (or 2.1 %) compared to the previous month and of 1.1 million (or 28 %) compared to April 2008.

The youth unemployment rate has been driven by the sharp rise recorded in the unemployment rate for young men, which stands out as opposed to the moderate edging up for young women. The improvements achieved since early 2005 in reducing the unemployment rate for young people, especially for young men, had actually been wiped out by April. This upward trend in youth unemployment is particularly marked in the Baltic States and in Ireland where it more than doubled over a year, but it also increased significantly in Hungary, Portugal, Slovakia, Spain and Sweden.

*... while unemployment rates went up in almost all Member States in April.*

Unemployment rates have been rising for at least half a year in all the larger Member States, and in April they continued to go up, most substantially in Spain (up 0.8 pps), while it grew more moderately (0.1 pps) elsewhere (Chart 3). Compared to a year earlier, the unemployment rate in April was substantially higher in Spain (up 8.1 pps), and noticeably up in France (up 1.3 pps) and in the UK (up 1.8 pps year-on-year in February). It has been also higher for the second month by April in Poland and Germany (up 0.5 and 0.3 pps

year-on-year, respectively), reversing the previous positive situation in those two countries (Chart 3 & 4).

Except for Austria (where the unemployment rate declined compared to March) all the remaining Member States (for which data is available) saw their unemployment rates increase in April, with the sharpest rises (of 1.3-1.6 pps) in the Baltic States (Estonia, Latvia and Lithuania). By April all the Member States had higher unemployment rates compared to a year earlier, with the most substantial rises (of the order of around 10-12.5 pps) in the Baltic States, in addition to Spain.

In Spain, unemployment has risen dramatically over the last year, accounting for nearly 40 % of the total rise in unemployment in the EU since the crisis began last October. Spain's unemployment rate reached 18.1 % in April (with underlying unemployment at a seasonally adjusted 4.2 million), twice as high as the EU average and the highest in the EU. In France, the rate remained slightly above the EU average, at 8.9 % (equivalent to 2.6 million unemployed). As regards the other larger Member States, the rates in Poland and Germany remained below the EU average in April - in Poland it edged up to 7.8 % (1.4 million unemployed) and in Germany to 7.7 % (3.3 million) - while in Italy it was at 6.9 % (1.7 million) in the last quarter of 2008, and in the UK it reached 6.9 % (2.2 million) in February. Among the remaining Member States, the unemployment rate in April was highest in Latvia and Lithuania (more than 15 % in both) and Estonia, Ireland and Slovakia (all with rates above 10 %), though in



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contrast it remained remarkably low in the Netherlands (3 %) (Chart 5).

*The EU unemployment rate has been less affected by the decline in demand and negative business confidence than in the US...*

Despite sharper economic downturn and stronger previous falls in business confidence and its lower level in the EU than in the US since last spring, increases in the EU unemployment rate have been much less dramatic. Indeed, by April the unemployment rate in the EU had increased by 1.8 pps compared to one year earlier, while in the US it had increased by a more marked 3.9 pps. As a result the unemployment rate in the US has been now higher than that in the EU for two months (Chart 6).

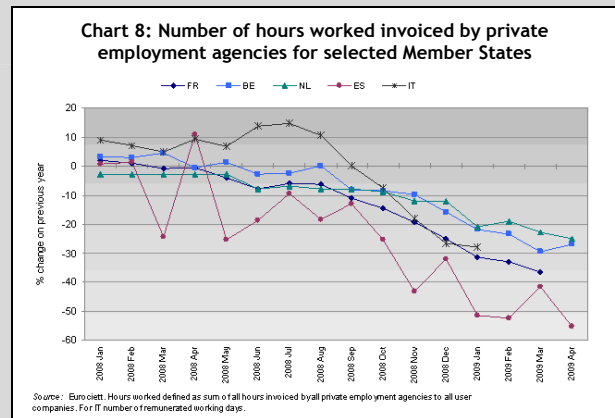
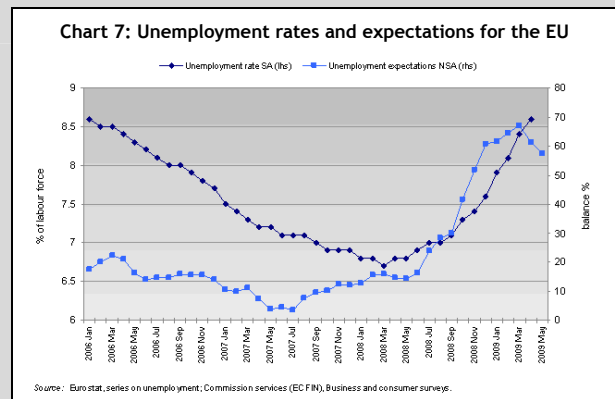
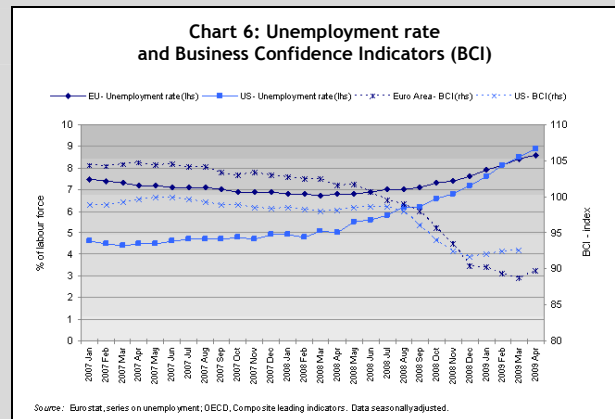
*...while consumers' fears of increased unemployment faded further away in May.*

However, there are some initial signs that the downturn might be reaching its bottom. In May, consumers felt relatively more confident about the general economic situation, and reported reduced fears of unemployment for the year ahead. Consumers' unemployment expectations decreased in April and May, the first drops in two years, marking the end to the pronounced rises recorded since September 2008 (Chart 7). However, the unemployment rate continued to increase in line with prior worsening expectations, and it might deteriorate further before the lagged effect of the turnaround in consumers' expectations takes hold, alongside any associated upturn in economic activity.

*Demand for new employees continues to fall...*

The demand for new workers continues to decline strongly. As reported in the monitor from May, according to the Manpower Employment Outlook Survey<sup>2</sup>, hiring intentions for the second quarter of 2009 had generally worsened.

This declining trend in labour demand is confirmed by official sources, e.g. from the UK and Germany. In the UK, latest data from its vacancy survey show that in the three months from February to April job vacancies were down 51 000 (or 10 %) on the preceding three months, and around 232 000 (or a third) on the year, with particularly strong declines in vacancies in construction (down 57 % on the year), manufacturing (down 56 %), and finance and business services (down 45 %). Nevertheless, overall vacancy levels remain quite high at 55 000. In Germany, the Federal Employment Agency's job index (BA-X) fell by another 5 points to 126 points in May, after having already dropped by 4 points in April and 5 points in March. Although overall labour demand in Germany has now fallen below the level of spring 2006, the number of vacancies is still quite high, with around 490 000 jobs available.



*... in particular affecting temporary agency work...*

Temporary agency work is still being hit particularly hard by the downturn. Recent data from Eurociett<sup>3</sup> generally covering March or April shows a constant and sharp year-on-year contraction in the number of hours invoiced by private employment agencies: the range is between 25 % and 37 % in the Netherlands, Belgium, Italy and France, and of 55 % in Spain (Chart 8). Except for Belgium, these declines were sharper than last month's. In April, France saw the number of temporary



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agency workers at work fall by 38 % year-on-year, but this was a slight improvement on the March figures.

In the UK, agency billings for the employment of short-term workers fell for the ninth successive month in April, reflecting lower activity at client businesses. The rate of contraction in temporary billings has remained sharp, despite easing to its weakest since last September.

*... as firms still expect to reduce staff levels in the future, though to a lower extent.*

Firms' employment expectations for the months ahead generally remain unfavourable, though there have been tentative signs of improvement over the last months. The broad downward trend observed since late 2007, and which accelerated between October 2008 and February 2009, was reversed between March and April, and turned upwards across all sectors in May (Chart 9).

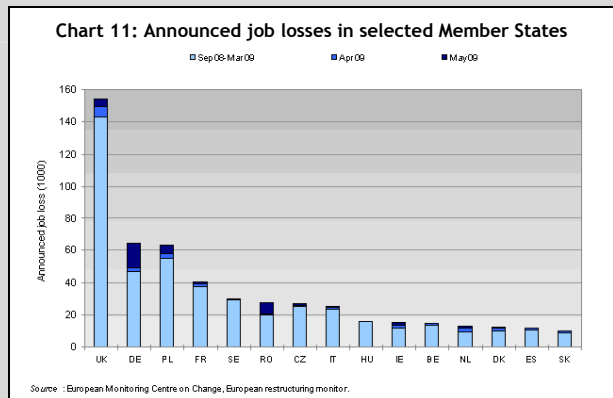
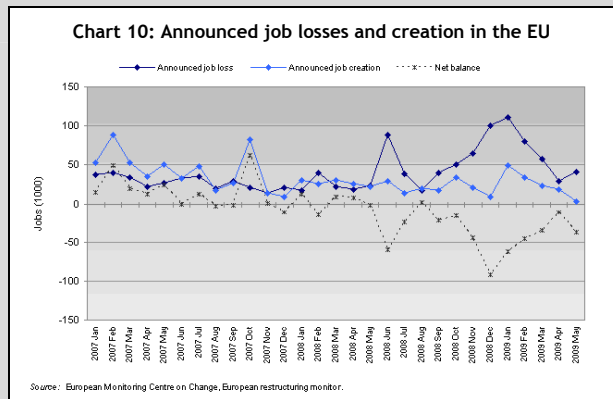
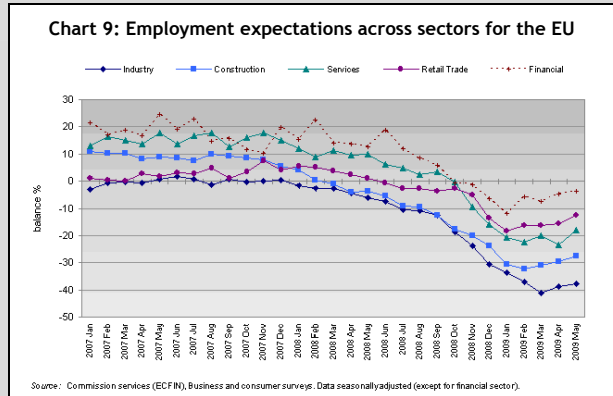
After consecutive declines since late 2007 up to the beginning of 2009, the employment outlook improved over the last two months in the industrial sector and the last three months in construction. Even so, employment expectations remain mostly pessimistic in those sectors. Employment expectations picked up strongly in retail trade and in the service sector in May (after significantly worsening in April for the latter) and continued to improve in the financial services.

## 2. Restructuring trends

The economic crisis and resulting deterioration in the situation on EU labour markets are reflected in the European Restructuring Monitor (ERM) data collected by the European Monitoring Centre on Change<sup>4</sup>. Though they continue to outnumber job gains on ERM, monthly levels of announced job losses have fallen to less than half the levels reached with the recent peak between December 2008 and January 2009. As restructuring announcements are a likely lead indicator of unemployment levels, the recent ERM data are consistent with other more positive labour market signs that have emerged in recent weeks.

*Announced job losses continue to outnumber announced job gains, but the number of net job losses was lower in April and May than in previous months...*

There have been almost three times as many announced job losses as job gains in the ERM restructuring cases since September 2008. In total, the ERM has recorded 574 000 announced job losses over the nine-month period (September 2008 - May 2009) and 208 000 new jobs. In May 2009, there were 77 new cases of restructuring-related workforce reductions, accounting for over 40 000 job losses (Chart 10). This was the first month since August 2008 when less than a



hundred cases of large-scale restructuring (affecting at least 100 workers) were announced.

In terms of the composition by restructuring type, internal restructuring has accounted for less than 70 % of the announced job losses since September 2008. The proportion of job losses attributable to bankruptcy or closure rose sharply and accounted for a quarter of job losses in the most recent nine months, whereas the share of job losses attributable to off-shoring, relocation and outsourcing has fallen (Table 1).



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... and most of the recent announcements regard Poland, Romania and Germany.

The Member States with the largest announced job losses in May 2009 were Germany (15 375 jobs, 10 cases), Romania (7 167 jobs, 14 cases), Poland (5 110 jobs, 8 cases) and the UK (4 764 jobs, 10 cases) (Chart 11).

Overall, between last September and the end of May, 1 447 restructuring cases were reported involving job losses (compared to 333 relating to job creations).

*Manufacturing and retail continue to be the sectors reporting the highest number of job losses...*

In May, manufacturing accounted for 46 % of announced job losses recorded on the ERM (19 000 out of a total of 41 000). Over the last nine months, the ERM has recorded over 300 000 announced job losses in manufacturing, just over half of total job losses (Chart 12).

Broken down at a finer level of sectoral disaggregation (NACE-2 digit), Table 2 shows those sectors where job losses have been particularly marked following the economic downturn of autumn 2008. Proportionately, the retail sector has been the most affected, accounting for four times its previous average share of announced job losses. The car making industry accounted for 14 % of the total number of recent job losses compared to a long-run (2002-8) average of 8 %.

In May, the largest restructuring cases involving job losses (excluding World/EU cases, i.e. national cases only) were in:

- **Retail:** *DWW Woolworths* (Germany, 7 000 jobs);
- **Manufacturing:** *Heideldruck* (Germany, 3 000), *Krosno Glassworks* (Poland, 2 000), *Corus Steel* (UK, Teeside, 1 920);
- **Transport:** *Romanian National railway company, CFR Infrastructura* (Romania, 1 420), *LOT ground services* (Warsaw, Poland, 1 400).

... while the sectors announcing the highest number of new jobs were the real estate, business activities and the public administration.

Announced job creations were negligible in May (only 11 cases involving fewer than 3 000 jobs). Over the last nine months, the sectors that have benefited most from announced job creations have been retail trade (78 000 jobs), followed by manufacturing industries (43 000 jobs). Together, they account for over half of all the newly announced jobs on the ERM (Chart 13).

In May, the biggest cases involving job gains were found in **Transport/communications:** *FS Group*, Italian state railway (900 jobs) and *VGP* (Prague, Czech Republic, 414 jobs).

Table 1: % of announced job losses by type of restructuring

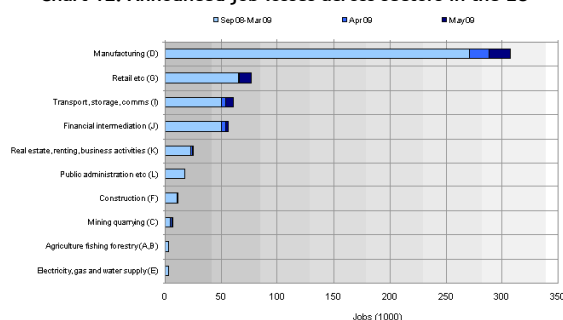
Restructuring Type	Job loss % total	Job loss % total	Announced job loss (1000)
	Previous long run mean	Sep 08-May 09	
Bankruptcy/Closure	14.2	24.7	141.8
Internal restructuring	73.0	68.2	391.3
Merger/Acquisition	4.1	3.5	20.1
Offshoring/Delocalisation	5.5	2.6	15.1
Other	0.4	0.4	2.3
Outsourcing	1.2	0.1	0.4
Relocation	1.5	0.5	2.7
Total	100	100.0	573.8

Table 2: ERM announced job losses by NACE-2 sector

Sector (NACE 2)	Sep 08-May 09		Previous long run ave		Difference (pps)	Ratio crisis:pre-crisis
	Cases	Job loss (1000)	Job loss % total	Job loss % total		
Retail	61	67	11.6	2.9	-8.7	4.0
Manufacture of machinery	118	39	6.7	2.0	-4.7	3.4
Manufacture of non-metallic products	55	18	3.2	1.1	-2.0	2.8
Computer and related activities	30	15	2.6	1.2	-1.4	2.2
Supporting transport activities	34	12	2.0	1.0	-1.0	1.9
Construction	44	11	2.0	1.1	-0.9	1.9
Auto manufacture	204	80	14.0	8.1	-5.9	1.7

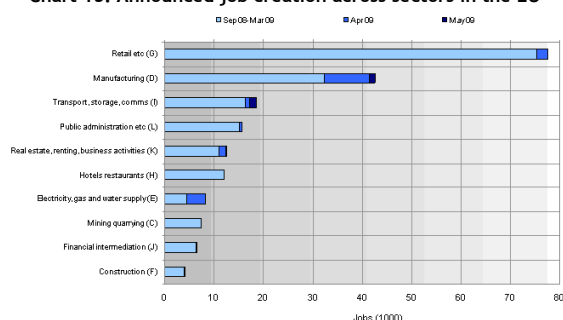
Note: limited to NACE 2 sectors accounting for at least 1% of overall job losses

Chart 12: Announced job losses across sectors in the EU



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

Chart 13: Announced job creation across sectors in the EU



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





### 3. Economic context and outlook

#### ECONOMIC SITUATION

*The economy in the EU contracted further in the first quarter of this year...*

The deterioration of the labour markets in April with further increased unemployment rates is a consequence of the prior deepening of the economic downturn. The recession in the EU has worsened as GDP declined strongly by a further 2.4% in the first quarter of this year (mostly reflecting weak capital spending), following from a sharp 1.7% contraction already recorded in the last quarter of 2008. Consequently, GDP was down in the first quarter by 4.5% compared to a year earlier. These figures compare with a more limited decrease of 1.5% in US GDP during the first quarter (down 2.5% year-on-year) (Chart 14).

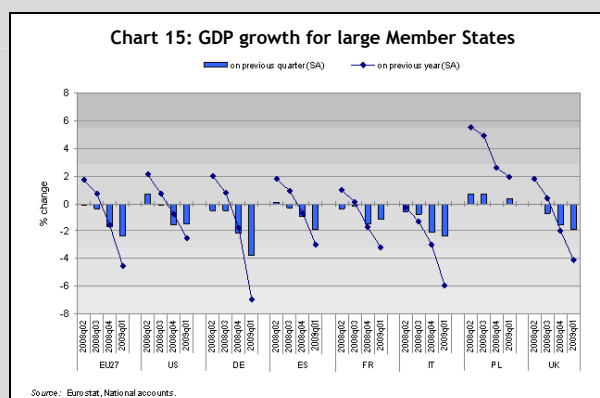
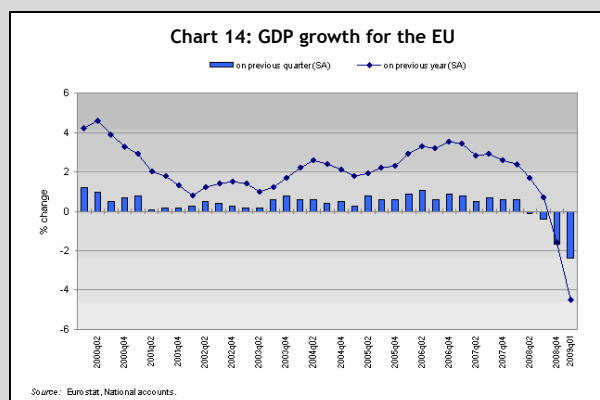
*... leaving most of the Member States facing recession.*

The marked decline at EU level reflected a 3.8% contraction in German GDP, which has recently been the worst hit by the global downturn among the EU's main economies. The sharp fall in Germany highlighted its particular weakness at the start of the year as its export-led economy was hit by significant declines in industrial orders and production. Italy also saw a strong first quarter contraction with GDP falling by 2.4%, while France, Spain and the UK recored more limited falls of 1.2-2%, and only Poland posted some growth (Chart 15).

Within the EU, most of the Member States had technically entered into recession by the first quarter of this year, and none of the Member States (for which data for the first quarter is available), except Poland, posted growth.

*Industry production had continued to contract by the end of the first quarter...*

The GDP contraction in the first quarter of 2009 was in line with consecutive monthly falls in industrial production observed by March. In March industrial production contracted for the eleventh month in a row, falling by 1.7% compared to the previous month, a slightly lower pace than in the preceding five months (Chart 16). The decline was driven by significant falls in Italy (a drop similar to the one in February) and in Spain (a decline stronger than experienced in the first two months of the year), which more than offset the increase noted in Poland and the improvements recorded in Germany. The decline in March reflected decreases in production across all sectors, especially in production of intermediate goods, which was the only sector with a decline in March which was stronger than in February.



In a longer term perspective, year-on-year growth in industrial production has fallen for eleven successive months up to March. Though at a lower pace than in the preceding months, industry output declined strongly (by 18.5%) compared to March 2008, mainly reflecting the declines in production of intermediate, capital and durable consumer goods of the order of 20% or more.

Overall, the negative tendency in industrial output continues to reflect persistent uncertainty and risk aversion, tighter credit conditions affecting domestic demand and a fall in foreign demand.

*... in line with declines in new orders...*

Industry output contractions have followed the trend of industrial new orders, which have fallen substantially since last August till January, but decreased significantly less in February and March (down 1.2% and by 0.7%, respectively) (Chart 17). These slight improvements mainly result from a substantial slowing down in the decline of new orders across all sectors, especially for capital goods over recent months, and were supported by a recent increase in new orders of non-durable consumer goods. Consequently, growth in new orders on a yearly basis, though remaining significantly negative since the middle of 2008, edged up to -25.5%.



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*...while construction output remained broadly unchanged in March...*

After rebounding slightly in January and dropping in February, production in the construction sector remained broadly unchanged in March compared with the previous month (Chart 18). This reflected a marked increase in construction output in Germany (up 7.6 % on the previous month) and moderate expansion in Poland, which offset the most notable decline in Spain (though on rebound compared to February) and a moderate drop in the UK. Year-on-year growth in construction, while remaining generally negative or negligible for a year now, has edged up to -9.5 % in March, reflecting particularly strong falls over the past year in construction output in Spain and the UK, alongside marked improvements in Germany.

*...and retail trade turnover improved in April.*

After a significant drop in February, the turnover in the retail trade sector remained broadly unchanged in March while it improved in April, mainly driven by increases in trade turnover in Germany and the UK. Consequently, after keeping a negative sign since October, and after a slip in February, year-on-year growth in turnover edged up to -0.7% in April (Chart 19).

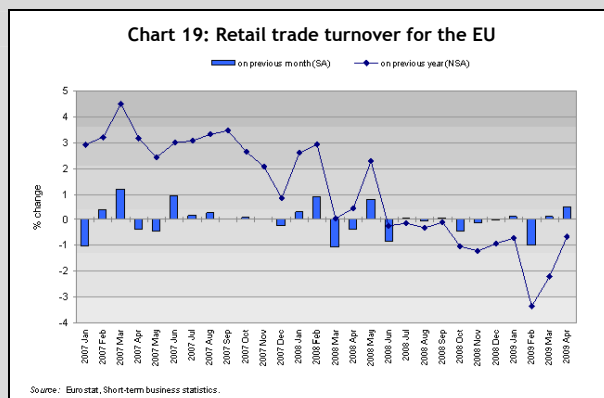
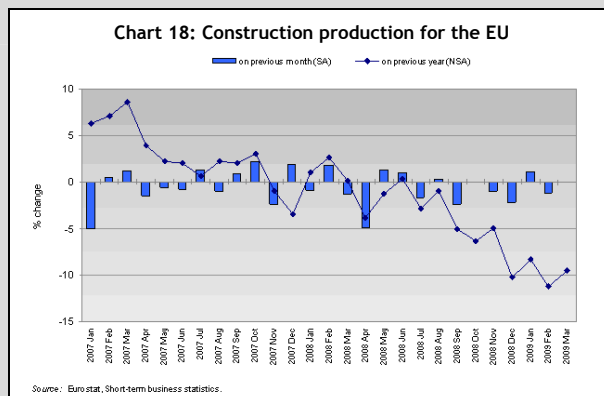
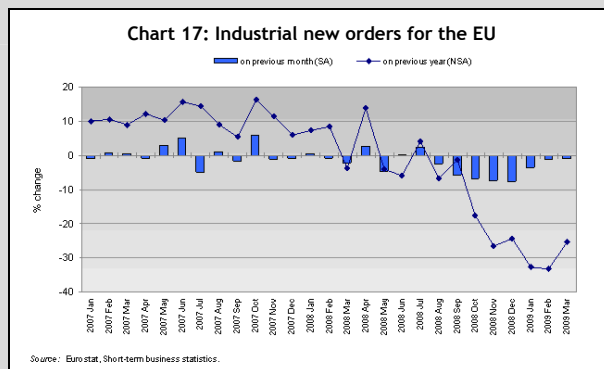
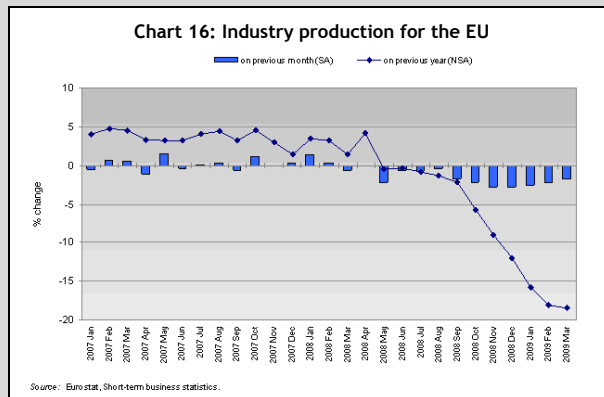
## OUTLOOK

*EU economic sentiment indicators started to pick up even though they remain at low level ...*

More recent data on the EU Economic Sentiment Indicator (ESI) show that confidence picked up for the second month in a row, rising by 2.8 points to 66.7 in May, though at a slower pace than in April; nevertheless, it remains at a low level. The clear rebound in April followed a long period of continuous strong falls since mid-2007 (excluding the blip in March 2008), which were particularly notable from October to December 2008 before slowing down from January to March 2009 (Chart 20).

The improvement at the EU level reflects rises in sentiment across the majority of Member States. Among the larger Member States, sentiment improved significantly in Italy and the UK, while it dropped in Spain resulting from a deterioration of confidence in services.

The further increase in May at EU level resulted from a clear improvement in sentiment in the retail and service sectors and some modest increases in confidence in industry, while sentiment declined in construction and among consumers. Sentiment in financial services (not included in the ESI), have improved further since March, reflecting a rise in managers' assessment of the business situation, demand for their services, and expectations of demand.





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... similarly, recent deterioration of the OECD leading indicator for the EU seems to stabilize.

The OECD's Composite Leading Indicator (CLI) for the Euro area and aggregate of the four largest EU Member States has shown continued, strong deterioration in the economic situation in general terms since mid-2007, but with some stabilization signs observed in January and February and tentative signs of upturn in March (Chart 21).

In March the CLI increased by 0.2 points in the Euro Area and by 0.4 points in the group of four largest EU Member States, while in the US it dropped by 0.6 points. Compared to a year earlier, the two former aggregates had registered a decline of 7.9 and 7.0 points respectively, compared to a stronger 11.9 points decline for the US.

These improvements in confidence may indicate some initial signs that the economic crisis could be bottoming out as downward pressure on the economy begins to slow down. On the other hand, the historically low levels of confidence still indicate an ongoing deep economic recession, with further impacts expected on the labour market and on levels of employment and unemployment.

*At the same time, forecasts for economic and labour market situations remain bleak...*

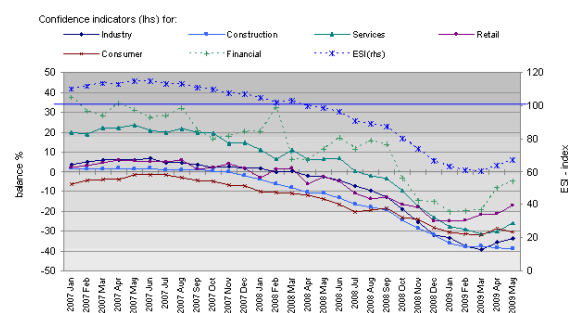
As reported in the previous report, most forecasts currently available, including the newest ECB projections released earlier this month, point towards a sharp economic downturn in 2009 and to a longer path to recovery than previously expected. The Commission forecast of clear negative trends for 2009 released in April was in line with other recent international forecasts, i.e. of the IMF world economic outlook released in April, and of the OECD economic outlook released in March.

*... and consequently, EU labour markets risk further deterioration if the economy continues to weaken, although they have proven relatively resilient.*

The relatively limited impact the economic downturn had so far on the labour markets in the EU may worsen once the sharp acceleration in the economic downturn in October fully feeds through to the labour market at the usual lag of about 2-3 quarters.

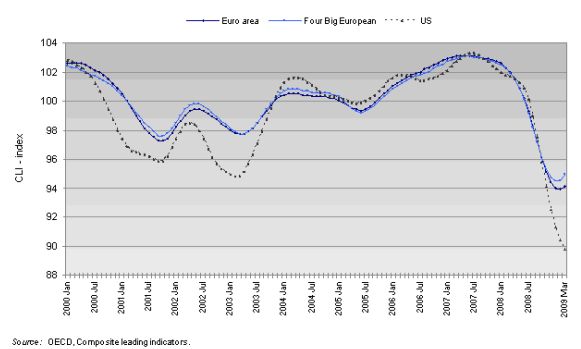
Additionally, in the EU the difficulties in finding people with the appropriate skills have encouraged employers to try to hold on to the experienced workers they have, but the longer the downturn continues, the harder this will be to hold. The relative resilience of the EU labour market, resulting from a combination of more rigid labour markets, skill shortages, application of internal adjustment measures of internal flexibility (e.g. short-time working, temporary suspension of production) and longer term concerns over a shrinking labour force, may weaken if the economy continues to contract and

Chart 20: Economic Sentiment Indicators (ESI) and confidence indicators for the EU



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

Chart 21: Composite leading indicators



Source: OECD, Composite leading indicators.

no signs of an improvement are forthcoming in the near future.

*Recently, the Commission launched a new strategy to tackle the employment impact of the crisis*

To help Member States fight unemployment and prepare their labour markets for recovery, the Commission has published a Communication entitled "A Shared Commitment for Employment<sup>5</sup>", where it proposes to focus on three key priorities: (i) maintaining employment, creating jobs and promoting mobility, (ii) upgrading skills and matching labour market needs, and (iii) increasing access to employment. Envisaged actions include accelerating €19 billion of planned funding to help people stay in work or move towards new jobs, by upgrading skills, encouraging entrepreneurship and improving public employment services under the European Social Fund. A commitment was also made to provide at least 5 million apprenticeships across the EU for young people facing unemployment; and an agenda has been set with targets to provide young unemployed with early opportunities for training or work.



## 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. This time the focus is on reviews of the labour market situation in the larger Member States of France, Germany and Poland, together with Greece, Ireland, Portugal and Slovenia. Priority has been given to the most recent reports and forecasts (dating from April or May 2009) from reliable sources at the country level.

#### *France*

In April 2009, more than 2.6 million people were unemployed in France, or 8.9% of the active population, up 0.1 pps on the previous month and 1.3 pps compared to April 2008, according to Eurostat. Recent data provided by France's Ministry of Employment show that 138 000 salaried jobs were lost in the first quarter 2009 only, which outstrips the total contraction recorded during the entire year 2008. This significant contraction of the workforce amounts to 0.9% in one single quarter and 2% year-on-year. In the context of the economic slowdown, France could have 639 000 more jobless this year, according to the unemployment insurance organisation Unedic's estimates. In 2010, the number of jobless would still increase by 137 000 in France, according to the same Unedic predictions. The number of job-seekers has increased by nearly half a million since the labour market turned around in August 2008.

Mid-May, France was officially declared in recession, since its GDP has been declining significantly for two consecutive quarters: by 1.5% in the last quarter of 2008 and by 1.2% in the first quarter of 2009, according to INSEE (the National Institute for Statistics and Economic Studies). At the same time, industrial production kept declining: -1.4% in March, after -3.1% in January and -0.9% in February. Most manufacturing industries are concerned by the decline. A substantial slowdown of the French economy is therefore expected throughout 2009, as the government reported that the French GDP might fall by 3% in 2009 and eventually pick up by 0.5% in 2010.

Major job reductions are found in the sectors suffering a fall in demand and/or restructuring, such as the airline industry, the industrial machinery sector, the car manufacturing and spare parts manufacturers. Air France-KLM is expected to shed 3 000 jobs in its new fiscal year, in a bid to further cut costs. These come in addition to the 2 700 posts already eliminated in the previous year. Caterpillar confirmed it would proceed with its massive workforce reduction, hitting more than 700 workers. The French tyre manufacturer Goodyear-

Dunlop just announced massive layoffs, consisting in 820 redundancies at Amiens Nord, a site where 1 400 workers are currently employed.

Amid this rather dark picture, some positive signs were noted recently. Consumer spending on manufactured goods appeared stronger than forecast in April, i.e. +0.7% on March instead of expected -0.1%, according to INSEE. This improvement is mainly driven by growing car sales, a sector that has recently enjoyed support by the State. However, growing jobless numbers could start to have their toll on consumption, and ultimately on the whole economy. One category of workers seems to be particularly vulnerable: the young, with 22% of young unemployed in April, against 18.1% in the same period last year, which led the government to present an emergency plan for youth employment at the end of April that focuses on apprenticeship.

#### *Germany*

The German economy is undergoing a severe recession. GDP fell by another 3.8% during the first quarter 2009, after a drop of 2.2% during the fourth quarter 2008. The worldwide economic downturn and a strong decline in exports have led to a deep cut in German industrial output which has been increasingly affecting other sectors of the economy too. Compared to the magnitude of the fall in output, however, the labour market impact has been relatively moderate.

On the whole, the ongoing recession has been leaving clear marks on the German labour market. According to figures from the German Statistical Office, total seasonally adjusted employment has fallen by 60 000 in April, after declining by 49 000 March and by 20 000 in February. The economic sectors most affected by job losses are business services, in particular temporary agency work, transport and storage, information and communication, manufacturing and construction.

In May, the increase in unemployment slowed down compared to previous months. According to figures from the German Federal Labour Agency (BAA), seasonally adjusted unemployment rose by 1 000 in May, after increases of 57 000 in April and 69 000 in March. However, this most recent development is influenced by a change in labour market policy instruments and the statistical impact this may have. Unemployment would otherwise have increased by 15 000 to 20 000 in May. Nevertheless, the increase has been less strong than in previous months, but it remains to be seen how unemployment develops in the coming months. Total registered unemployment stood at 3.46 million in May 2009 with the unemployment rate at 8.2% (national definition).

The downward trend for labour demand also shows in the fall in the number of reported job vacancies.



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Seasonally adjusted, there were 486 000 vacancies in May 2009 compared to 569 000 in May 2008. The BAA's job index (BA-X) also clearly signals German employers' diminished willingness to recruit in recent months: from April to May, the BA-X fell yet again by another 5 points down to 126 points. Compared to the previous year the index has lost 43 points.

One of the main reasons for the unexpectedly moderate labour market impact of the recession is the increasing recourse to short-time work, an instrument supported by the German government. According to latest statistics from the BAA, the number of workers receiving short-time working benefits has grown by almost 1.1 million since last year, from around 156 000 in March 2008 to 1 247 000 in March 2009. Notifications for new short time work stood at 452 000 in April, down from 679 000 in March and 721 000 in February.

The further development of the German labour market depends on how quickly the economy will recover. The latest May 2009 results from the Ifo business climate index for industry and trade suggest some improvement in the business climate and point to a gradual stabilisation of economic output at a low level. In its June 2009 report, the Bundesbank foresees an easing of the downward pressure on the German economy throughout the rest of the year, as international financial markets start to recover, expectations improve and fiscal and monetary stimulus programmes take effect. However, a real turnaround is not expected before 2010, with the Bundesbank's latest forecasts for GDP growth at -6.2 % for 2009 and 0.0 % for 2010.

### Greece

In February 2009, the number of recorded unemployed people amounted to 466 000, when unemployment rate was as high as 9.4 %, levels to be compared with 390 000 unemployed and 8 % unemployment recorded a year earlier. At the same time, the number of employed people was estimated at nearly 4.5 million, according to the labour force survey. Looking back to previous years, employment figures substantially increased from 2004 to 2008, while unemployment declined, as in most EU countries. The speed of increase in employment seen in that period of time climaxed between February 2007 and February 2008, with an annual growth of 2.2 %.

As regards unemployment, the most striking fall (-13.8 %) was noted in the 2006 - 2007 period. From 11 % in February 2004, unemployment constantly decreased until 2008 (8 % in February), before increasing back to 9.4 % in January 2009, as measured by the National Statistical Office (ESYE). However, according to Eurostat, the unemployment rate was one of the few in the EU to have fallen between the fourth quarters of 2007 and 2008. Women are particularly hit by the recently rising scarcity of job opportunities, as their unemployment rate amounted to 13.3 % in February, against 12.1 % a year before; i.e. nearly

twice as much as the rate recorded for men (6.7 % in January 2009, against 5.1 % in January 2008). The young have also been hit hard, as their percentage climbed to 22.3 % in the fourth quarter of 2008 (Eurostat).

The Greek economy currently faces huge difficulties. Its financial situation and public deficit level are worrying. However, according to the most recent quarterly national accounts, GDP grew by 0.3 % in the 1st quarter of 2009, in comparison to the 1st quarter of 2008. Compared to the previous quarter though, this is a fall of 1.2 %. The significant decrease of exports and gross fixed capital formation contributed to the deceleration of the growth rate. Total consumption expenditure recorded a marginal increase due to general government consumption, which in combination with the significant decrease of imports contributed positively to the recent evolution of GDP. Nevertheless, according to the quarterly World Economic Survey published by the IFO Economic Research Institute, Greek entrepreneurs do not seem to share much of the optimism of their European counterparts, as far as the prediction of economic stabilisation and recovery in the coming six months is concerned.

### Ireland

The Irish labour market continues to be heavily affected by the economic crisis, with unemployment still rising strongly - unemployment increased again in April and has almost doubled over the last 12 months according to national figures, rising from 196 000 in April 2008 to 384 000. The Eurostat-reported unemployment rate rose to 11.1 % in April, up 0.5 pps on the previous month and more than doubling the level recorded in April 2008, i.e. 5.2 %. As a result, over the last twelve months Ireland has gone from having an unemployment rate well below the EU average to one well above it, and is now among the five Member States with the highest rates. There has been a particularly strong rise in youth unemployment, with the unemployment rate for those aged under 25 having more than doubled over the last year, and rising further to 24 % in April. At the same time the total number of people working short-time and qualifying for benefits was at just below 53 000 in April, up from around 22 000 one year earlier.

Redundancies declined to 7 232 in April, slightly down on the previous month's level of 7 802, but remaining 132 % higher than the figure of 3 114 one year earlier. The monthly pace of redundancies to April showed no clear sign of abating - since the start of the year redundancies have fluctuated around the 7 000 level, with almost 28 000 redundancies recorded since the start of the year. Job losses have continued over May, with Eircom, Ireland's premier telecommunications operator, announcing 1 200 job cuts in the middle of the month. The recent announcement of 650 new jobs over the next three years by German discount supermarket chain Aldi at its planned 35 new stores is a



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rare positive case compared with the litany of factory and retail closures since the start of the year.

The deterioration in the labour market reflects the fact that the Irish economy is particularly exposed to the global economic downturn and the financial crisis, given the importance of foreign trade and financial services. It also reflects Ireland's strong dependence on the construction sector, which has been affected by the marked decline in residential and commercial property markets. In this context, the Irish Association of Investment Managers (IAIM) reports that Irish pension funds are in talks with the government about investing in a new infrastructure bond which would help stimulate the economy via investment in a range of infrastructure projects from water and roads to schools and energy.

Looking ahead, the latest Commission forecast has revised downwards its previous projection for Ireland - it now expects the economy to contract even more sharply in 2009, with GDP falling by 9 %, and with the contraction continuing in 2010 with a further 2.6 % decline. Employment is expected to contract by 9 % this year and a further 4 % in 2010, while unemployment is foreseen to rise sharply to 13.3 % in 2009 and then 16 % the year after. The Minister for Finance recently announced that in its projections employment is expected to contract by 7.8 % in 2009 and a further 4.6 % next year. As a result some 250 000 more people are likely to lose their jobs by the end of next year, bringing the unemployment rate to 15.5 %.

### Poland

The economy in Poland has been less affected by the consequences of the global economic crisis than in other Member States, nevertheless the labour market has deteriorated in reaction to the slowdown. However, there have been more recent signs of stabilization and labour market improvements in last two months.

After gradually decelerating over 2008, in the first quarter of 2009, GDP growth slowed down to 0.4 % on previous quarter (1.9 % compared to the first quarter of 2008), mainly affected by unexpected slowdown in domestic demand. Consequently, employment decreased by a non-seasonally adjusted 290 000 or 1.8 % on the previous quarter and by 1.4 % on a year earlier, driven mainly by declines in the industry sector, according to survey data from the Statistical Office.

In the second quarter, the labour market situation showed some signs of improvement. After a significant increase by 285 000 in the first three months of this year, registered unemployment declined by 38 900 (2.2 %) in April and by a further 32 900 (1.9 %) in May to reach 1.7 million at the end of May, according to information from the Ministry of Labour and Social Policy. Consequently, the registered unemployment rate edged down by 0.2 pps both in April and May to

reach 10.8 % in May 2009, but still up from 9.8 % in May 2008.

In line with recent declines in registered unemployment, also the posted vacancies have continued to hold up over the recent months. Although the number of new vacancies registered in May (84 900) has been somewhat lower than in March and April, it remains significantly above the low of 66 000 vacancies registered in both January and February, according to information from the Ministry of Labour and Social Policy. According to the labour force survey data, unemployment, which has been rising since last October, climbed sharply by 135 000 in the first quarter of 2009 and increased by a further 23 000 in April to reach 1.4 million. The unemployment rate edged up to 7.8 % in April, up 0.1 pps on March and 0.5 pps on April 2008.

On the other hand, business and consumer confidence has picked up again in May after stronger improvements in March and April. Nevertheless pessimism among business continues to be significant, and therefore current negative trends in the labour market may not be reversed soon. The Commission' forecasts that GDP will contract by 1.4 % in 2009 before slightly recovering by 0.8 % in 2010, employment will decline by 2.3 % in 2009 and by 1.4 % in 2010, while unemployment will rise from 7.1 % in 2008 to 9.9 % in 2009 and 12.1 % in 2010. However, less pessimistic GDP forecasts by various Polish economists which range from 0 % to -0.5 % in 2009 would consequently imply less a negative outlook for labour market indicators.

### Portugal

Registered unemployment rose to around 484 000 people in March 2009. Eurostat reports more than 500 thousand unemployed in April, accounting for 9.3 % of the active population. This is a 0.2 pps increase compared to the previous month and 1.7 pps on April 2008. Women have been dramatically affected by the downturn, since their unemployment rate climbed to 20.6 % in April this year, up from 15.6 % in the same month last year.

In the first quarter of 2009 confidence decreased across all main sectors and among consumers relative to the last quarter of 2008, reaching historically low levels. However, confidence indicators displayed a general rebound in March, even though remaining at levels below those recorded in the last quarter of 2008.

Economic activity in Portugal has been weak since the beginning of 2008, reflecting a cooling in investment, notably in the construction sector, and weak exports. Private consumption remained more or less resilient for most of 2008, but decelerated towards the end of the year. In the final quarter of the year, the downturn became more acute and broad based, and activity contracted significantly.



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According to figures released in May by the National Statistical Institute (Ine), GDP contracted by 1.5 % in the first quarter of 2009 compared to the previous quarter (or by 3.7 % year-on-year), although this was less than the EU average. In line with the sharp deterioration in the economic situation, the government recently announced a downwards revision of its forecast for economic activity for this year, with an expected decline in GDP of 3.4 % and a rise in unemployment to 8.8 %. This is broadly similar to the latest Commission forecast, which expects the Portuguese economy to contract by 3.7 % in 2009 and by a further 0.8 % in 2010 and employment to contract by 1.4 % this year and a further 0.6 % in 2010, while unemployment is foreseen to rise to 9.1 % in 2009 and then 9.8 % the year after.

### Slovenia

Uncertain economic conditions since autumn have affected the labour market in Slovenia with increasing unemployment and decreasing demand for workers amongst employers. After starting to contract in November, employment in Slovenia dropped sharply in January (down 8 000) and more modestly in February (3 500) and March (2 700), with an overall decline observed mostly in manufacturing and construction, according to the Statistical Register of Employment. However, according to the labour force survey data, employment contracted by nearly 40 000 (4 %) in the first quarter of 2009 to reach just below 1 million.

Rising since last October and after a significant jump in January (up 7 700), subsequent increases in registered unemployment slowed down to 3 200 in April and 1 700 in May to reach almost the unemployment level of 85 000 by the end of May, according to data from the Employment Office. During the first five months of this year, almost 48 000 new unemployed persons were registered (twice as many as during the same period last year), mainly due to termination of temporary contracts or to permanent redundancy. In March, the registered unemployment rate rose by 0.2 pps to reach 8.4 %, up 1.4 pps on December 2009. Given that registered unemployment went up in April and May, the rate is expected to grow further. According to the labour force survey data, unemployment increased by 5 000 in April to reach 58 000, with the unemployment rate edging up to 5.5 % in April, up 0.5 pps on the previous month and 1.1 pps compared to April 2008.

Uncertain economic conditions have also affected the demand of employers for workers. In May, employers announced almost 14 000 vacant posts, which is the second highest monthly number of vacancies posted this year, an increase of 15.9 % compared to April, but a decrease of 35.7 % on a year earlier. Demand for workers has decreased the most in the industry (down 56 %), but also in transport and storage, business activities, and in trade and repair of motor vehicles.

The Institute of Macroeconomic Analysis and Development (IMAD) forecasted in its *Spring forecast of*

*economic trends 2009* that GDP will fall by 4 % in 2009 and then expand by 1 % in 2010. Consequently, in reaction to the deteriorating economic situation and despite the measures introduced to subsidise shorter working hours, employment is expected to contract by 5.7 % in 2009, and then by 1.7 % in 2010, affecting mainly manufacturing and construction, while the unemployment rate to increase from 4.4 % to 6 % in 2009 and to 7 % in 2010, and the registered unemployment rate from 6.7 % to 8.9 % in 2009 and to just above 10 % in 2010, with the number of registered unemployed approaching 100 000 by the end of this year. The Commission forecast has been slightly more pessimistic.



## 2. Selected sectoral trends: the transport services sector

Today, transport services are an essential component of the EU economy as a whole. This section reports on the economic and social impact of the transport services at large, along with the challenges they are facing in the wake of the economic slowdown. The analysis below does not cover the manufacturing of transport equipment, which is an upstream activity already partly discussed in a previous edition.

### *Importance of the sector*

The transport services sector constitutes one of the most important sectors for the European economy (NACE 60 to 63). Its importance stems not only from its size, which accounts for 6.6 % of EU GDP and 5.8 % of the EU employment (2007 figures), but also from the fact that it plays a crucial role in connecting other economic actors with each other. The EU holds an internationally strong position in the area of transport. 30 % of the worldwide air transport and 40 % of the maritime fleet are controlled by EU companies. The share of EU export in transport equipment accounts for 16 % of the global total (EC, 2006). The transport sector (in particular the road sector) had a total value added of € 530.2 billion in 2006. The annual growth rate in value added between 1995 and 2006 has been 4.3 %, this is almost twice the annual growth of 2.3 % in value added of the total European economy in that same period.

Two distinct areas ought to be distinguished in the sector: the transport of passengers and freight transport (and logistics). Besides, differences may be established between the transport services operated under the concepts of public service and general interest, and the transport services operated without any direct State intervention.

The highest value added can be found in the NACE sector 60, transport over land. In this sector, about € 270 billion value added was generated in 2006 in the EU; this is 50.9 % of the total value added in the transport sector. The annual growth of value added in this NACE subsector 60 is 3.2 % over the period 1995-2006. In Europe, as in other parts of the world, the structure of a transport network can vary considerably. In general, though, road transport stands out among the different modes of transport as the main one in terms of volume. In NACE sector 61 - water transport - about € 27.7 billion value added was generated in 2006 in the EU, this is 5.2 % of the total value added in the transport sector. In NACE sector 62 - air transport - about € 35,6 billion value added was generated in 2006 in the EU: this is 6.7 % of the total value added in the transport sector. Finally, in NACE sector 63 - activities of travel agencies and tour operators - about € 197.2 billion value added was generated in 2006 in the EU,

representing 37.2 % of the total value added in the transport sector.

### *Sector growth*

Among the different modes of transport, road transport stands out as the main one in terms of volume, as well as in terms of growth. Alternatives like rail and water transport show substantially slower growth rates due to: (i) shortage of rail transport capacity; and (ii) lack of quality and flexibility when it comes to transport over water.

The relative importance of the various modes of transport has changed dramatically over the past decades. The use of road transport has almost tripled between 1970 and 1998, while rail transport stagnated. As result, the share of goods carried by rail in Europe fell from 21.1 % in 1970 to 8.4 % in 1998. In 2001, road transport accounted for 44 % of the goods transport market in Europe compared with 41 % for short sea shipping, 8 % for rail, and 4 % for inland waterways.

Over the past years, transport activities in the EU have increased; from 1995 to 2006, intra-EU freight transport, measured in tonne kilometres, has increased by 2.8 % per year on average while the average annual growth of intra-EU passenger transport, measured in passenger-kilometres, was 1.7 %. This compares with an average GDP growth over the same period of 2.4 %.

Freight transport is the backbone of the "real" economy. Moreover, it provides an essential link between production, distribution and consumption. Trends in intra-EU freight transport have closely followed the developments in GDP, but the sector has also proven sensitive to structural changes in market integration, namely the enlargement of the EU in 2004. The growth of intra-EU road freight transport has been more dynamic (+ 3.5 % on average per year since 1995) than the evolution of the overall intra-EU freight transport. At 1.1 %, rail freight showed the lowest annual growth rate of all modes. However, in recent years rail has started to catch up again, mostly in the markets that were already open. According to Eurostat, around one third of intra-EU freight transport and some three quarters of extra-EU freight transport take place by water.

Intra-EU passenger transport has grown more than the overall population - which means a greater mobility (more kilometres travelled) per person - but less than GDP. Although road transport is still by far the principal mode (accounting for more than 83 % of total intra-EU passenger), air transport growth has been the most dynamic over the past decade.

The demand for road transport is expected to grow noticeably faster than the GDP of many economies. Recent enlargements of the EU and fast growth in international trade support its growth. However, high oil and other commodities prices bring substantial risks of further price increases.





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Railways are highly unionised and strikes are frequent, which makes them less reliable and more expensive and rigid. There have been waves of poorly designed privatisations (e.g. in the UK rail system), the effects of which are likely to be perceived in the future. Nevertheless, existing problems with road transport (congestion, fuel costs, pollution) present an advantage for the use of rail transport.

Fuel price is the most important component of air transport costs, and a further growth in it can have destructive effects. On the other hand, following an ongoing process of liberalization - open skies for instance - more destinations are going to be available against lower costs.

### *Trends in employment and recent difficulties*

In 2005, around 8.8 million people were employed in the transport sector in the EU, accounting for nearly 6 % of total EU employment. This total only refers to employment in enterprises whose main activity is the provision of transport services. Own account transport activities are not included. Road transport accounts for slightly more than 50 % of all people employed in the transport sector. Around two thirds of the people working in road transport enterprises are active in carrying freight, one third in transporting passengers.

While overall employment numbers in the transport sector have been fairly stable in recent years, some shift between the modes can be observed: rail employs fewer people today than it did in previous years and decades, whereas employment tends to increase above all in road transport.

Transport services are heavily dependent on the whole economic activity - as they are essential for industrial and commercial logistics and trade - and on consumer confidence - when it comes, for instance, to consumption of goods and services, tourism expenditure, etc. - Therefore, transport demand is closely linked to economic growth. In times of economic slowdown, there tends to be a sudden fall in transport demand, which however is bound to recover more quickly than the rest of the economy. Indeed transport, including air, land and sea, is one of the sectors most gravely affected by the financial crisis.

From September 2008 to mid-May 2009, including cross-national EU cases, the ERM registered 41 300 announced job losses, against 13 600 job gains in a total of 91 cases.

More globally, there were three times as many job losses in the sector as in the same period a year before.

- air transport companies have been the most affected by the recent crisis, with nearly 40 % of the total number of announced job losses in the sector and only minor gains (5 % of total new jobs)

- recent quarters have seen large cross-national restructurings announced at *Air France KLM* and *SAS* involving over 7 000 employees, as well as job losses arising from cutbacks - *Meridiana* (ES), *Ryanair* (IE) - or closures - *Futura* (ES), *LTE Airways* (ES), *Sterling* (DK/IS) - of low-cost or charter airlines;
- in the rail sector, the reorganisation of passenger and freight services in Poland has led to large job losses announced at *PKP Cargo* (9 000 jobs) offset by job gains in *PKP Intercity* (5 000 jobs).

### *Perspectives*

The transport services sector is heavily capital intensive. Across manufacturing and non-manufacturing sectors, they form a major component of investment expenditure. Investment decisions have a direct impact on the manufacturing of transport means. The sector is moreover directly concerned by policies aiming at greening the economy. Along with the green technologies being deployed in all transport modes, they will certainly have a tremendous potential in terms of market development and job creations.



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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> For more information on Manpower, please visit the website: [www.manpower.com/press/meos.cfm](http://www.manpower.com/press/meos.cfm)

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

<sup>4</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 June 3rd 2009. Totals exclude World / EU cases in order to avoid doublecounting. 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>5</sup> For more information on a 'shared commitment for employment': Commission initiates new strategy to tackle the employment impact of the crisis.  
<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/859&format=HTML&aged=0&language=EN&guiLanguage=en>