Monthly monitor

EU employment situation and social outlook

June 2010

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HIGHLIGHTS

- Latest data (covering the period up to April/May) confirm that the labour market in the EU is stabilising, following several months of only relatively moderate deterioration. The economy started to recover from deep recession around a year ago, but it may take some time yet before the fragile pick-up in economic activity triggers an upswing in the labour market.
- The EU has been out of recession since mid-2009. However, the recovery remains slow, with growth in economic output only 0.2% in the last quarter of 2009 and the first quarter of 2010. Recovery has been supported by marked improvements in industrial production, which rose particularly strongly in January and March this year.
- The deterioration in the EU labour market resulting from the recent economic crisis has been easing since the middle of last year, with declines in employment slowing down since the sharp 0.8% contraction recorded in the first quarter of 2009 to 0.2% in the first quarter of this year. Nevertheless, employment, at 220.5 million, was still down by 3.5 million (1.5%) compared to a year earlier, reflecting marked declines in construction and industry.
- Unemployment in the EU has continued to moderate and shows signs of stabilising, with recent rises the lowest since mid-2008. Unemployment rose by only 25 000 (or 0.1%) in April to a seasonally adjusted 23.3 million (23.7 million non-seasonally adjusted). However, this remains up 2.4 million (or 11.5%) compared to April the year before, and 7.4 million (or 46%) higher than in March 2008, when unemployment was at a low.
- The unemployment rate for the EU is stabilising. It increased by just 0.3 percentage points (pps) over the six months since October, and was unchanged in April. The year-on-year rise narrowed to 1 pp, although at 9.7% the unemployment rate was still 3 pps above the low of 6.7% in spring 2008. Rises in the unemployment rate had eased in most Member States by April, and recently only Estonia recorded a steep rise in the first quarter of this year, while in twelve countries the rate stabilised or declined.
- The labour market for young people in the EU has shown even more consistent signs of stabilisation, as youth unemployment has actually declined by almost 47 000 since September. In April unemployment remained broadly unchanged (up by a modest 2 000), at 5.3 million, with the youth unemployment rate remaining at 20.6%. Nevertheless, the relative situation of young people has deteriorated considerably during the crisis, with their unemployment rate rising sharply (by 5.9 pps) from 14.7% in March 2008, while the rate for adults rose by a more limited 2.8 pps from its low of 5.6% to 8.4%.
- Demand for labour has continued to show a relative improvement, with job vacancies and workplace activity through temporary work agencies - a leading indicator of recovery in the labour market – recovering somewhat to the levels above observed a year ago.
- Economic sentiment in the EU has returned to its long-term average, however in May it deteriorated slightly after a year of consistent rises. Firms are generally less pessimistic about the outlook for employment (reaching a positive net balance in services), while consumers' unemployment expectations eased further in May.
- According to the latest forecasts, the recovery in the global economy is better than expected, however the world and the EU continue to face headwinds from several directions. The labour-market situation is forecast to remain weak for some time to come, despite apparent signs of stabilisation.
- This month's edition focuses on recent developments in the furniture sector, and is supplemented by the Quarterly Labour Market Review.

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 the 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 for employment, making use of a wide range of sources that provide more timely data. Some of the data may be of lower quality and less harmonised than the statistics usually used in Commission analysis (specifically, not all the data here are fully harmonised across Member States), but it is more up-to-date than the data 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's 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

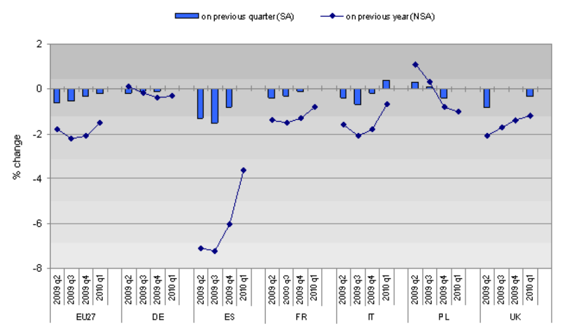
According to the latest data[1] covering the period up to April/May, the labour market in the EU is stabilising, following several months of only relatively moderate deterioration. It has been around a year since the economy started to recover from deep recession. However, it may still take some time before the fragile pick-up in economic activity and in economic confidence trigger an upswing in the labour market.

Rises in unemployment in the EU over recent months have been the smallest since the beginning of the labour market downturn, and in April the increase was comparatively negligible, while the EU unemployment rate remained unchanged. This reflects the fact that rates have stabilised or even started to decline in several Member States.

Demand for new workers has shown signs of relative improvement, while companies now announce only slightly more job losses than gains. Economic sentiment has returned to its long-term average, despite deteriorating in May, with firms becoming broadly more optimistic about employment prospects and consumers' unemployment expectations easing.

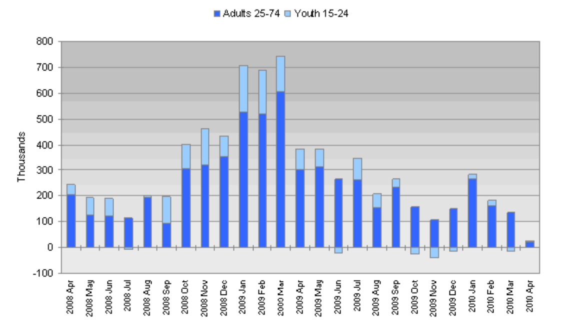
According to the latest forecasts, the recovery in the global economy is better than expected, however, the world and the EU continue to face strong headwinds. The labour-market situation is forecast to remain weak for some time to come, despite apparent signs of stabilisation.

Chart 1: Employment growth for the EU and larger Member States



Source: Eurostat, National accounts.

Chart 2: Changes in unemployment for the EU



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

Deterioration in the EU labour market has eased since mid-2009, with employment contraction subsequently moderating…

The deterioration in the EU labour market resulting from the recent economic crisis has been easing since the middle of last year. Declines in employment have slowed down since the sharp 0.8% contraction recorded in the first quarter of 2009 to 0.2% in the first quarter of this year. Reflecting the usual lagged response, job losses have continued despite the fact that economic growth picked up again in the second half of last year.

During the first quarter of 2010, employment still fell in several Member States, but the decline generally eased compared to the beginning of last year, while it stabilised or even expanded in some countries. Among the larger Member States, employment fell only in the UK (by 0.3%), after a flat previous two quarters, and in Poland. Employment remained unchanged in France, following the continuous deceleration in employment declines over the last year, and in Germany, again confirming the exceptional resilience of the German labour market. Finally, after the relatively steep contractions of last year, employment also remained unchanged in Spain. Italy, on the other hand, experienced a strong revival, with employment expanding by a healthy 0.4% in the first quarter of this year (Chart 1).

Employment fell in several of the other Member States in the first quarter of 2010, though the only particularly steep falls were in the Baltic States (ranging from 2% to 3.5%), while non-seasonally adjusted data also point to significant declines in Bulgaria. In contrast, employment remained stable in Belgium, Portugal and the Netherlands (based on the fourth quarter of last year) and rose in Denmark and Finland, and also in Austria and Luxembourg in the fourth quarter of 2009.

… however, employment remains down year-on-year in most Member States

Employment in the EU had fallen to 220.5 million by the first quarter of 2010. However the year-on-year decline narrowed to 3.5 million (1.5%), still mostly driven by declines in the construction and industry sectors. By the first quarter of 2010, year-on-year employment growth was negative in all Member States except Austria, Luxembourg and Malta. Among the larger Member States, employment had contracted most noticeably over the year in Spain (by 3.6%), and to a lesser extent in the UK (1.5%) and Poland (1.0%), by a more limited 0.7-0.8% in France and Italy, and by 0.3% in Germany - one of the lowest falls in the EU. However, year-on-year growth has returned to an upward trend in all these countries except Poland. Of the remaining Member States, the Baltic States and Ireland recorded the steepest falls in employment over the year (of the order of 7.6-16%).

A negligible rise in unemployment in the EU in April, and stabilisation in the unemployment rate

The rise in unemployment in the EU has continued to weaken, and shows tentative signs of coming to an end in April. After moderate increases over the previous six months (except for a blip in January), the rise in unemployment in April was negligible, leading to the unemployment rate remaining unchanged.

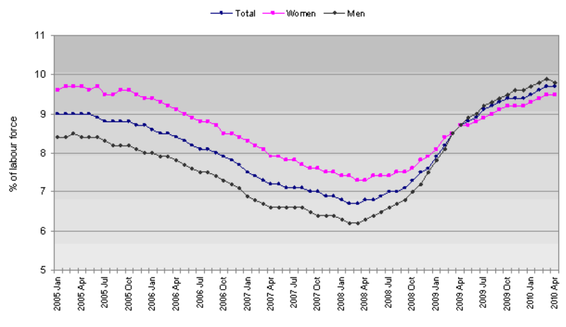
Following the blip in January (up 283 000 or 1.2%), the rise in unemployment in the EU moderated in February and March (to 184 000 and 122 000) and was very limited (at 25 000 or 0.1%) in April (Chart 2), driven solely by the rise in unemployment among women. Unemployment reached a seasonally adjusted 23.3 million (23.7 million non-seasonally adjusted), up 2.4 million (or 11.5%) compared to the previous year's level and 7.4 million (or 46.1%) higher than in March 2008, when unemployment in the EU was at a low.

Since May of last year, the unemployment rate for the EU had broadly been increasing by 0.1 percentage points (pps) per month, a much slower pace than between autumn 2008 and spring 2009. It increased by just 0.3 pps over the six months since October; after showing some signs of stabilising in November and December, the unemployment rate edged up by 0.1 pps in each of the first three months of this year and remained unchanged again in April. The year-on-year rise has been narrowing since last autumn, closing to 1 pps in April. However, as a result of two years of rising unemployment, the unemployment rate – at 9.7% - was 3 pps above the 6.7% low of spring 2008 (Chart 3).

Recent changes in the unemployment rate have been similar for men and women, although in April the rate for men showed its first decline

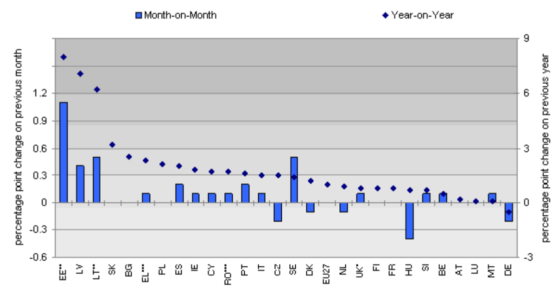
Unemployment rates for both men and women have been rising at a broadly similar pace for nine months, following a long period during which unemployment affected men more than women. However, in April the rate for men actually declined. While, in April unemployment among women rose by 60 000, unemployment among men declined by 35 000. Previously the unemployment rates for both women and for men had been increasing by 0.1 pps per month from January to March, but in April the rate for women remained unchanged at 9.5% and that for men declined by 0.1 pps to 9.8%. As a result, the gender gap, in favour of women since May last year, narrowed to 0.3 pps.

Chart 3: Unemployment rates for the EU



Source: Eurostat, Series on unemployment. Data seasonallyadjusted.

Chart 4: Unemployment rate changes to April 2010



Source: Eurostat, Series on unemployment. Data seasonallyadjusted. Note: * UK:annual change Feb 2009 - Feb 2010 ,monthlychange Jan - Feb 2010. ** EE and LT:annual change 2009 q1- 2010 q1,monthlychange estimated from quarterlychange 2009 q4 - 2010 q1. *** EL and RO:annual change 2008 q4 - 2009 q4,monthlychange estimated from quarterlychange 2009 q3 - 2009 q4.

Overall, men account for almost two-thirds of the overall increase in unemployment since spring 2008, reflecting the fact that the crisis had a much more pronounced impact – at least initially - on sectors employing mainly men, such as construction and industry. However, women had accounted for almost half of the overall rise in unemployment since July last year. Overall, since the start of the crisis, the unemployment rate for men has increased sharply (by 3.6 pps) from 6.2% in March 2008, while the rate for women rose by a more limited 2.2 pps from its low of 7.3%.

Unemployment continues to edge up in most Member States, although the rate stabilised or even declined in twelve countries in April…

The rate of increase in the unemployment rate continued to ease in most Member States in April, and only Estonia recorded a steep rise in the first quarter of this year, while in 12 countries the rate stabilised or even declined. Spain and Sweden accounted for more than 40% of the total EU increase in unemployment in April, while Germany contributed to almost 60% of the April decline.

Chart 5: Unemployment rate changes
April 2009 - April 2010

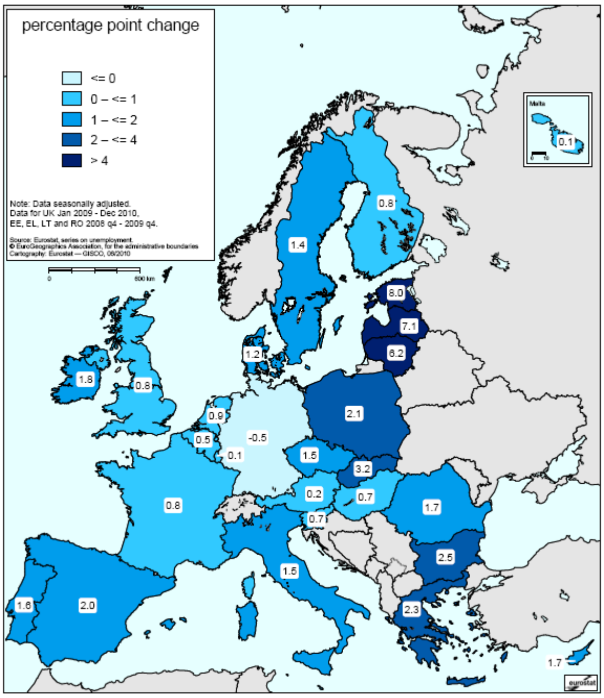
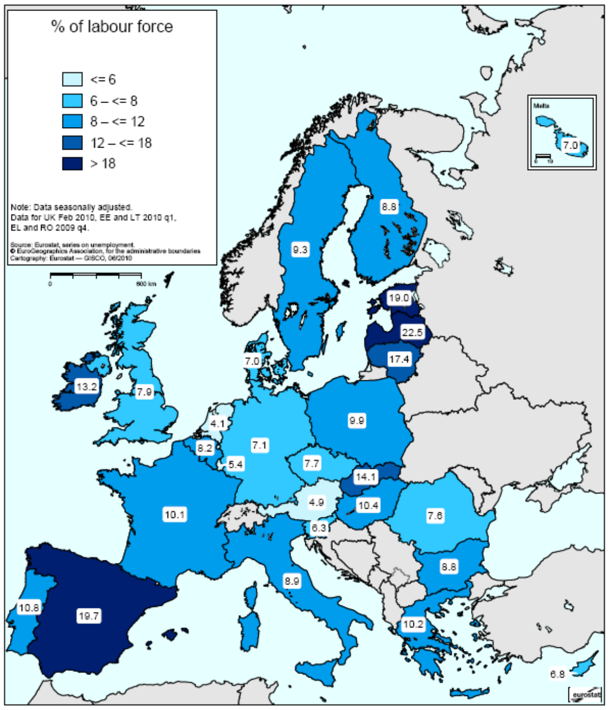


Chart 6: Unemployment rates, April 2010



Among the larger Member States, the April unemployment rate rose most steeply in Spain (up 0.2 pps) after signs of stabilising in winter, and continued to edge up in Italy (up 0.1 pps). On the other hand, the unemployment rate remained unchanged in France and, following a period of steep increases during winter, also in Poland, while it declined further in Germany (by 0.2 pps).

Among the other Member States, the unemployment rate rose sharply in Sweden (0.5 pps) after two months of declines and continued to rise noticeably in Latvia (0.4 pps). It also increased steeply in Estonia after moderating at the end of last year and in Lithuania (3.4 pps and 1.5 pps over the first quarter of 2010). On the other hand, the rate has been stable for two months or more in Austria, Finland, Luxembourg and Slovakia, remained unchanged in April in Bulgaria, and fell in the Czech Republic, Denmark and the Netherlands, and particularly strongly in Hungary (0.4 pps) (Chart 4).

...nevertheless, the unemployment rate remains higher than a year ago in all Member States except Germany

Due to the big increases in the first half of last year, the unemployment rate in April was still higher than a year ago in all Member States except Germany, but the year-on-year differences have clearly been declining.

Of the larger Member States, Poland and Spain recorded the steepest year-on-year increases in the unemployment rate (up 2.1 pps and 2 pps respectively); in April the rate reached 9.9 % in Poland (equivalent to 1.7 million unemployed) and 19.7 % in Spain (4.5 million unemployed), the second highest unemployment rate in the EU after Latvia. On the year to April (to February in the case of the UK) the rate increased by a significant 1.5 pps in Italy and by a more limited 0.8 pps in France and the UK; in Italy it rose to 8.9 % (2.2 million unemployed), in France to 10.1 % (2.9 million unemployed) and in the UK to 7.9 % (2.4 million unemployed). Only in Germany was the unemployment rate lower (by 0.5 pps) than a year ago, at 7.1 % (equivalent to 3.1 million unemployed), confirming the continued resilience of Germany's labour market.

Among the remaining Member States, the sharpest rises in the unemployment rate over the year were in the Baltic States (up 6-8 pps), while in Austria, Luxembourg and Malta the rise was much less marked (0.1-0.2 pps). Unemployment rates are the highest (next to Spain) in the Baltic States of Latvia (22.5 %), Estonia (19.0 %) and Lithuania (17.4 %), but they also exceed 13 % in Ireland and Slovakia. In contrast, they remain low in Austria, Luxembourg and the Netherlands (around 4-5.5 %) (Charts 4, 5 & 6).

Youth unemployment has broadly stabilised since last autumn…

The labour market for young people has stabilised since last autumn, with youth unemployment actually declining by almost 47 000 since September (due to declines from October to December and during March). Notable increases were only recorded in January and February, driven by rises in unemployment among young women. In April, unemployment remained broadly unchanged (up by a modest 2 000), at 5.3 million, up only by 172 000 (3.3 %) compared to April 2009. Nevertheless, it is up by a third (1.3 million) compared to the low of spring 2008 (Chart 2).

The marked increase in the youth unemployment rate since spring 2008 has been driven mainly by a very sharp rise in unemployment for young men, who account for two-thirds of the increase. However, during last summer and since the beginning of this year young women have dominated in the increase in youth unemployment. Overall, young people account for 18.2 % of the total increase in unemployment since spring 2008, although their share of total unemployment fell slightly from around 25 % in 2008 to just below 23 % in March and April 2010.

… but the unemployment rate for young people remains at a historical high

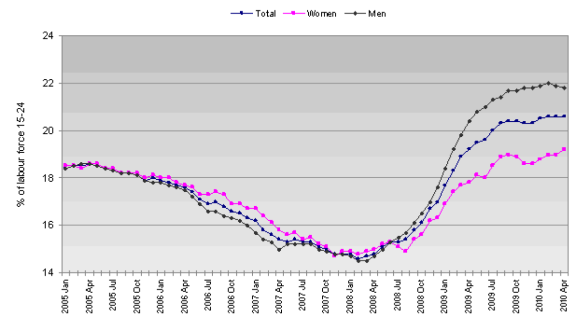
The youth unemployment rate increased by just 0.3 pps during the eight months since August, when it ceased its rapid rise. After stabilising or decreasing during the period from October to December, the unemployment rate picked up in January and February, but has stabilised since then at 20.6 % (Chart 7).

The youth unemployment rate has always been significantly higher than the adult unemployment rate, but the relative situation of young people has become even worse during the downturn. While the unemployment rate for adults rose by 2.8 pps from its low of 5.6 % in spring 2008, that for young people increased by a much sharper 5.9 pps from 14.7 % in March 2008.

Rises in the youth unemployment rate have moderated in most Member States. Only Italy recorded a notable rise in April (up 1.4 pps) and Estonia in the first quarter of 2010 (up 7.6 pps over the quarter), followed by Slovakia and Sweden (up 0.7-08 pps in April in each), and Latvia and Lithuania which recorded a steep increase in the first quarter of 2010. Among larger Member States, France and Spain recorded more limited rises (0.1 pps and 0.2 pps) in April, while the rate recently remained unchanged in the UK in and declined in Germany and Poland. The rate also declined in another 9 Member States, including Ireland.

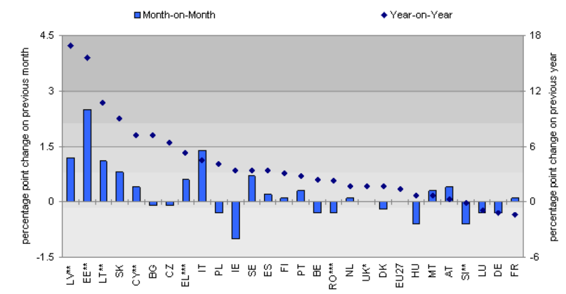
The youth unemployment rate in most Member States is higher than it was a year ago. In April, among the larger Member States, Italy, Poland and Spain

Chart 7: Youth unemployment rates for the EU



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

Chart 8: Youth unemployment rate changes to March 2010



Source: Eurostat, Series on unemployment. Data seasonally adjusted. Note: * UK: annual change Feb 2009 - Feb 2010, monthly change Jan - Feb 2010. ** EE, CY, LV, LT and SI: annual change 2009 q1 - 2010 q1, monthly change estimated from quarterly change 2009 q4 - 2010 q1. *** EL and RO: annual change 2008 q4 - 2009 q4, monthly change estimated from quarterly change 2009 q3 - 2009 q4.

recorded the highest year-on-year rise in the rate (3.4-4.5 pps), followed by the UK (1.7 pps in February), while the rate in France and Germany was down (by 1.4 pps and 1.2 pps respectively). Among the remaining Member States, the youth unemployment rate rose most steeply (by more than 10 pps) in the Baltic States during the year to the first quarter of 2009. On the contrary, the yearly rises to April were relatively limited (around 1 pps or less) in Austria, Hungary and Malta, while the rate declined in Luxembourg and in Slovenia during the year to the first quarter. As a result of the marked deterioration in the labour market situation for youth, their unemployment rate now exceeds 30 % in Estonia, Lithuania and Slovakia, and is over 40 % in Latvia and Spain (Chart 8).

Faster recovery in the US economy had brought the unemployment rate there down to the EU level by March, but in April unemployment picked up again

In the US, the labour market has benefited from a faster and stronger economic recovery and higher business confidence (BCI[2]) since last autumn. There were also signs that the unemployment rate in the US had peaked, as it remained stable in February and March after a marked fall by 0.3 pps in January. However, in April it rose again, by 0.2 pps.

Consequently, the gap between the US and EU unemployment rates, which disappeared in March, widened again to 0.2 pps (Chart 9).

The overall impact of the recent crisis on the labour market in the EU is still more moderate than in the US. Unemployment in the US more than doubled (up by 130%) from the low of spring 2007, while it increased by 46% in the EU on the recent trough in spring 2008. By April, the unemployment rate in the EU had risen to 9.7%, up 3 pps compared to the low in March 2008, while in the US, compared to May 2007, it had increased by a more substantial 5.7 pps (to 10.1%) by October 2009 and remained high at 9.9% in April. Overall, these rises translate into an average monthly rise in the unemployment rate of 0.13 pps for the EU over two years, compared with a higher monthly average rise of 0.2 pps over almost two and a half years in the US.

EU consumers' fears of unemployment, which have been easing for a year now, fell further in May…

Consumers' perceptions of the general economic outlook have declined for the last four months, and become dramatically worse in May. However, in contrast, expectations for the labour market continued to improve. Fears of unemployment in the year ahead, broadly on a downward trend since April 2009, lessened slightly in May (by 1.0 point) after fading steeply (by 8.6 points) in April, to end some 35 points below the peak in March 2009 (Chart 10).

At EU level, the slight improvement in the May unemployment outlook was driven by modest improvements in most larger Member States, with the exception of a strong deterioration in the UK. Fears around unemployment eased for a fourth month in Germany (by 1.9 points in May after a sharp decline by 19.6 points in April), and also faded steeply in France (down 4.1 points) and more moderately in Spain (down 1.9 points). On the other hand, worries about the unemployment situation remained broadly unchanged in May in Italy (up 0.3) and Poland (down 0.4), although they worsened again in the UK (up 3 points).

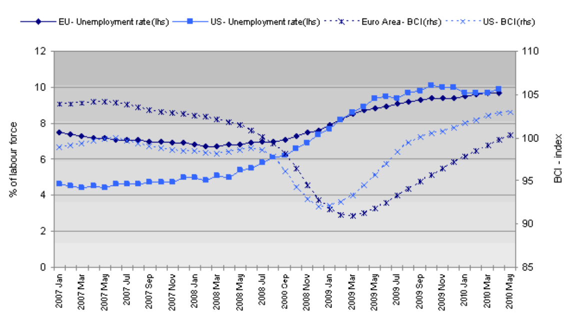
While unemployment fears at EU level have eased considerably over the year, unemployment has only just started to show signs of stabilising, and it remains to be seen when the effects of the fragile improvement in economic activity and confidence will feed through more strongly to the labour market.

... while firms' employment expectations, which have been broadly improving since spring last year across all sectors, deteriorated in construction and retail trade in May …

Similarly, since the spring of 2009, businesses have broadly reported relatively improved expectations for employment for the months ahead across all main sectors (except for falls in construction in December and January) However, expectations fell in May in construction, retail trade and financial services)[3]. Even so, overall expectations are now substantially better than during the lows of spring 2009, but nevertheless remain negative on balance except in the services and financial service sectors.

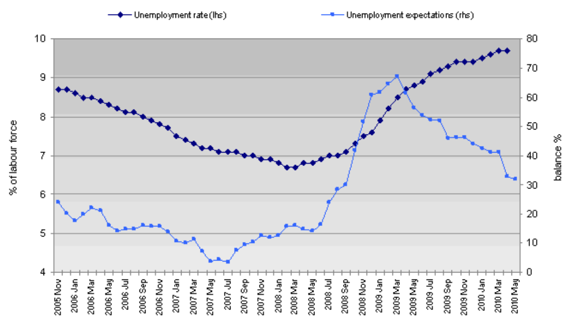
In May, employment expectations in industry - already on an upward trend for a year - again rose significantly (by 3.3 points), while in construction they showed a marked decline (by 2.3 points) after having improved during the period from February to April. The outlook for new jobs in industry and construction remains the least optimistic of all the main sectors, although it is heading back to a zero net balance in industry.

Chart 9: Unemployment rate and BCI for the EU and US



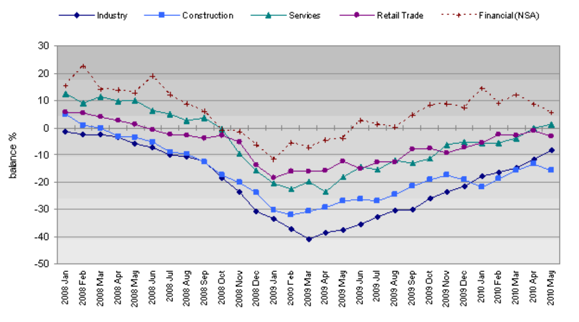
Source: Eurostat, series on unemployment; OECD, Composite leading indicators. Data seasonally adjusted.

Chart 10: Unemployment rates and expectations for the EU



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

Chart 11: Sectoral employment expectations for the EU



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

Expectations in the services sector continued to improve, gaining 1.6 points in May; as a result the employment outlook returned to a positive net balance. In contrast, expectations fell back (by 2 points) in the retail trade sector. In the financial sector, the already positive net employment outlook lost another 3 points following a similar decrease in March (Chart 11).

Labour demand continues to stabilise or improve in some Member States…

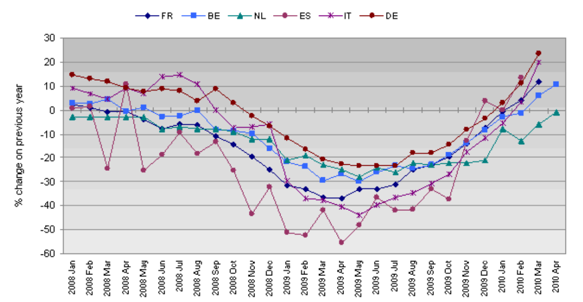
The job vacancy rate for the EU, which bottomed out in the third quarter of 2009, remained unchanged in the first quarter of this year, at 1.4%, while the year-on-year fall narrowed to 0.1 pps. This drop in the job vacancy rate was equivalent to a fall in demand for new workers of around 5% over the year to the first quarter of 2010. Among the larger Member States for which data are available, vacancies in the first quarter showed a relative improvement in Germany, and at 831 000 were only down by 40 000 (4.5%) on a year earlier, while in the UK, at 453 000, they were up by 9 000 (2.0%) on a year earlier.

Official sources in Germany confirm the relative improvement in demand for labour in recent months, with levels exceeding those of a year ago. In Germany, the Federal Employment Agency's job index (BA-X)[4] has been edging upwards since last summer, and in May it picked up by a strong 8 points to reach 157 points, indicating a continued recovery in labour demand. The positive gap on the previous year's level widened to 30 points, and the index - only 4 points lower on October 2008 - is at the level reached in the initial phase of the previous economic upturn in spring 2006. The number of registered vacancies (which account for 50% of the vacancies underlying the index), at around 523 000 in May, was up 33 000 (7%) on a year earlier, compared to the annual difference of 22 000 (4%) to April.

… similarly demand for temporary agency workers continues to improve, and is higher than a year ago in most countries

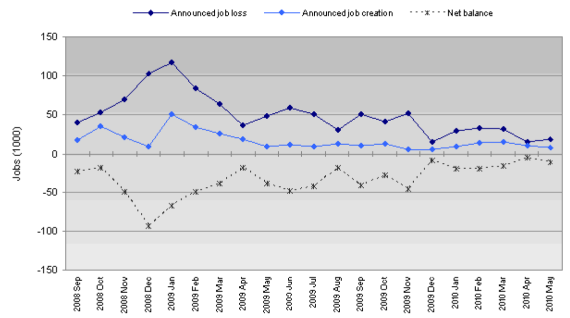
Recent data from Eurociett[5], covering March/April, continues to show an improvement in workplace activity through temporary work agencies, which is a leading indicator of recovery in the labour market. The number of hours invoiced by private employment agencies exceeds the levels observed a year earlier in all countries except the Netherlands. The year-on-year rises in invoiced hours ranged from around 11-13% in Belgium, France and Spain to 20-24% in Germany and Italy, while invoiced hours were still down by 1% in the Netherlands on a year earlier (Chart 12). In the UK, agencies showed strong growth in short-term staff appointments for April, despite easing back from the 34-month high seen in March.

Chart 12: Hours worked invoiced by private employment agencies for selected Member States



Source: Eurociett. Note: Hours worked defined as sum of all hours invoiced by all private employment agencies to all user companies. For IT number of remunerated working days., for DE number of agency workers.

Chart 13: Announced job losses and creation for the EU



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

2. Restructuring trends

The situation in EU labour markets in response to the economic downturn has been reflected in European Restructuring Monitor (ERM) data collected by the European Monitoring Centre on Change[6].

Announced job losses, although sharply down, continue to slightly outnumber announced job gains…

There was again relatively limited restructuring activity reported on the European Restructuring Monitor (ERM) in May 2010, in line with the general downward trend. Nonetheless total announced job losses increased by almost one quarter compared to April 2010, accounting for 18 172 announced job losses (Chart 13).

From a longer term perspective, there have been almost three times as many announced job losses as job gains in ERM restructuring cases since September 2008. In May 2010, there were 42 new cases of restructuring-related job loss and 27 new cases of restructuring-related job gains.

… with most of the recent job losses announced in the United Kingdom and Poland

The largest number of announced job losses in May were in the UK (6 523 jobs) and Poland (2 224 jobs), followed by France (1 940 jobs) and Italy (1 262 jobs) (Chart 14).

Manufacturing and Financial Intermediation were the sectors most affected by announced restructuring job losses…

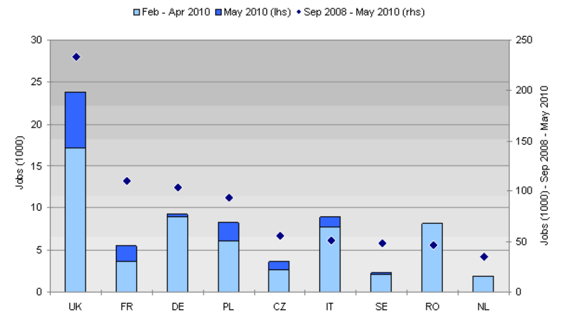
In May 2010, manufacturing accounted for 7 650 announced job losses in the ERM. Since September 2008, the ERM has recorded 504 613 announced job losses in manufacturing, almost half of total job losses. Financial intermediation was the other sector most affected in May 2010 with 5 014 announced job losses. Other significantly affected sectors included Health and Social Work (1 800 jobs) and Real Estate (1 303 jobs) (Chart 15).

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

- Manufacturing: Rohde (PT, 980 jobs), Yazaki Wiring Technologies (SK, 908 jobs), Swarovski (AT, 800 jobs), Delphi Packard Electric CZ (CZ, 700 jobs), British American Tobacco Polska (PL, 580 jobs), Nuova Pansac (IT, 440 jobs).
- Financial intermediation: RBS (UK, 2 600 jobs), Bank BPH (PL, 1 514 jobs), Société Générale, (FR, 900 jobs).
- Health and Social Work: NHS Glasgow and Clyde (UK, 700 jobs), NHS Lothian (UK, 700 jobs), Southern University Hospital (UK, 400 jobs).
- Real Estate/Business Activities: Garland Call Centres (UK, 1 088 jobs).

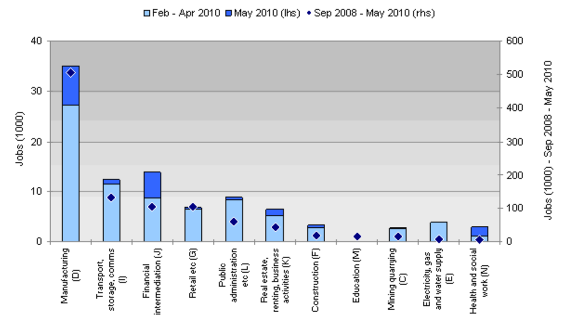
In the manufacturing sector, the biggest case of job loss relates to the plan of German company Rohde, the largest manufacturer of footwear in Portugal, to close its factory in Santa Maria da Feira with the loss of 980 jobs. Another significant case concerns British American Tobacco Polska, which announced the closure of its plant in Jawornik (southern Poland) employing 580 people. The layoffs will begin in September 2010 and production will be transferred to the other plant owned by British American Tobacco Polska in Poland, located in Agustów (eastern Poland). The Tyrol-based glassware and jewellery maker Swarovski announced on 20 May 2010 that it will cut 800 jobs within the next four years at its headquarters in Wattens. The family-run business that operates the brands Swarovski Crystal Business, Tyrolit, Swareflex and Swarovski Optik, plans to cut 200 jobs annually from 2011 to 2014. The company confirmed that the redundancies will take the form of natural attrition only. In order to keep its position as market leader against competitive pressure from Egypt and China, Swarovski is partially relocating its production to Eastern Europe, where a new production site will be built, and India and China, where existing ones will be

Chart 14: Announced job losses for selected Member States



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

Chart 15: Announced job losses for the EU



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

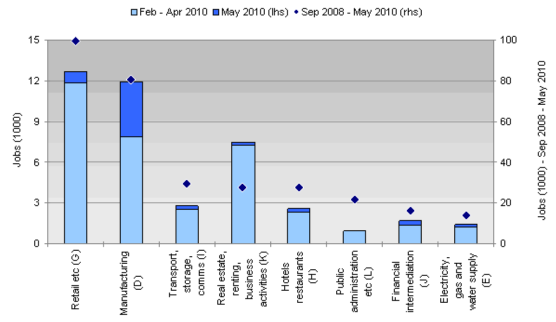
enlarged, while the head office will remain in Wattens. The company has already made 1 700 workers redundant in Wattens within the last two years and is currently employing 5 000 staff at the site. In the manufacturing of plastics, Nuova Pansac, one of the European leaders in the plastics sector, announced the cutting of 440 jobs across its sites in Italy by the end of May 2011. The new reorganisation plan announced by the company envisages the relocation of production to fewer sites with the consequent closure of the smaller plants: in particular, the plan provides for the closure of the plants located at Portogruaro (in the province of Venice), Zingonia (in the province of Bergamo), and Ravenna. Moreover, plans show that the administrative sites of Mantua and Milan may also be closed.

In the manufacturing of pharmaceuticals, US pharmaceutical giant, Pfizer, which is among Ireland's largest employers, has announced 275 redundancies at its plant in County Kildare, and approximately 500 more job losses could follow in its other Irish plants. The 275 job losses announced so far relate to a proposal to cease manufacture of oral contraceptives at the Kildare plant, although a total of 770 jobs will remain at the plant. Furthermore, Pfizer announced plans to exit operations from three other Irish plants over the next few years. These various restructuring proposals are due to take place over the next 18 months to five years and the upshot is that a further 510 jobs could eventually be lost in addition to the 275 redundancies above. This is part of a worldwide restructuring plan, where the company, as it consolidates operations following last year's purchase of smaller rival Wyeth, envisages the cutting of 6 000 jobs, or 18 % of its global workforce, at its 78 manufacturing plants over the next five years. Pfizer announced it would cease operations at eight plants in Ireland, Puerto Rico and the US by late 2015 and reduce activities at six factories in those countries as well as in Germany and Britain.

In the auto manufacturing sector, Japanese firm Yazaki Wiring Technologies announced the closure of its plant in Prievidza, Slovakia, where wire harnesses for the car industry were produced. All 1 208 jobs are to go and dismissed employees will receive redundancy pay of 6 or 8 month's wages according to the number of years in service for the company. Dismissals will take place in May and June 2010, although the company management has offered 300 redundant employees a job in the Yazaki plant in Michalovce, Eastern Slovakia. Delphi Packard Electric CZ, a subsidiary of Delphi Automotive Systems which is a global supplier of electronics for the automotive industry, has announced 700 job cuts at its plant located in Česká Lípa by the end of 2010 due to the termination of customer order contracts with Audi and BMW. In the manufacturing of other transport-related products, Alcoa Howmet, a producer of turbine blades, has announced plans to cut about 200 jobs in Exeter and Lohr Industrie (2 000 employees worldwide), a French manufacturer and designer of truck trailers, trolleys on wheels and rail transport systems, announced it would cut up to 150 jobs.

In the Financial Intermediation sector, Royal Bank of Scotland (RBS) has announced plans to cut 2 600 insurance and retail banking jobs in the UK over the next twelve months. 2 000 positions out of 16 777 will be lost from its insurance division, with the remaining 600 job losses concentrated in RBS retail banking head offices in Edinburgh and London. This latest announcement comes after the group had already announced approximately 20 000 job cuts worldwide as part of cost cutting measures following the financial crisis and the acquisition of ABN Amro. As part of the state aid package that RBS received, EU competition regulators in Brussels demanded that the Bank sell off its Direct Line and Churchill insurance businesses as well as more than 300 branches. In Poland, Bank BPH announced up to 1 514 redundancies by the end of 2011; last year Bank BPH cut almost 930 jobs. In France, banking group Société Générale announced it will cut 900 positions across its retail banking network over the next three years. The bank will make the reductions indirectly by not replacing employees who retire in its 3 000 branches nationwide. In spite of these job cuts, the company spokesperson said that the recruitment plan announced by the group earlier in the year is not suspended, the group intends to recruit 1 200 across its banking network by 2012.

Chart 16: Announced job creation for the EU



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

The Health and Social Work sector in the UK continues to be affected by a series of restructuring related job loss announcements: NHS Greater Glasgow and Clyde (GGC), Scotland's largest health board, will cut its workforce by 1 252 by 2013; 700 posts will go in 2010/11, with the full number being achieved within 18 months. NHS GGC claimed that the reductions will be through natural wastage, not compulsory redundancies, and are part of its £350m plans to modernise and redesign the services. NHS Lothian has announced plans to cut 700 jobs. The cuts are part of a £31m cuts drive for 2010-11. The job cuts are expected to be made by not replacing workers who leave or retire. The redundancies involve 333 nurses and are expected to take effect during this financial year and the next. Southern University Hospital has announced plans to cuts 400 jobs in Essex; the cuts will affect both clinical and administrative staff.

… while Manufacturing and Education accounted for the majority of business expansion

Of the 7 195 new jobs announced during May 2010, 4 029 new jobs were in manufacturing; since September 2008, manufacturing (80 279 jobs) and retail (99 386 jobs) have been the sectors to benefit most from announced job creation. Together, they account for over half of all new announced jobs on ERM. The other sector to benefit the most from announced job creation in May 2010 is Education, where in only a single case 1 000 new jobs have been announced. (Chart 16)

In fact Ireland's Department of Education announced that up to 1 000 new teaching jobs will be created by September 2010, with a further 1 000 teaching posts expected in 2011. At a time when Ireland's public finances have seriously deteriorated, the new teaching jobs have been approved because of a substantial increase in the number of full-time students, which now amounts to more than one million for the first time in the history of the Irish State (nearly 25 % of the population). Of the 1 000 new posts coming on stream this September, 600 will be in primary level and 330 in secondary level.

In May, the biggest cases involving job gains were:

- Manufacturing: Bosch (HU, 1 500 jobs).
- Education: Ireland's Department of Education (IE, 1 000 jobs).
- Retail: Media Markt (AT, 800 jobs).

3. Economic context and outlook

ECONOMIC SITUATION

Economic activity in the EU continues to improve, albeit at a slow pace…

The EU has been out of recession since mid-2009, with global recovery supporting a revival in demand for EU goods and services. Nevertheless, as the impact of temporary factors has now started to fade, the recovery remains fragile; growth in economic output kick started by 0.3% in the third quarter has subsequently moderated slightly to 0.2% in the last quarter of 2009 and the first quarter of 2010. Nevertheless, compared to a year earlier, economic activity, which at the end of 2009 was still down by 2.3%, was 0.5% higher in the first quarter of 2010 (Chart 17).

In the US, the recovery has been more robust, with economic output picking up by 0.6% during the third quarter, by a firm 1.4% in the fourth quarter, and by 0.8% at the beginning of this year. As a result, economic output in the US in the first quarter of this year was 2.5% higher than the level a year ago.

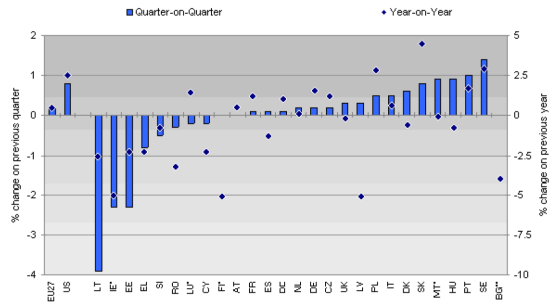
… and growth has resumed in most Member States and is up on a year earlier in several of them

Within the EU, most Member States have returned to positive growth. All the larger Member States had posted positive growth by the first quarter of 2010. Economic activity in France and Germany has been improving for a year now, although growth lost momentum recently, falling to 0.1% and 0.2% respectively in the first quarter of this year. The UK, on the other hand, has posted more solid positive growth of 0.4% and 0.3%, but only over the last two quarters. In the first quarter of 2010, output in Italy rebounded (up 0.6%) after falling back at the end of last year, and at last improved slightly in Spain (0.1%). Finally, activity in Poland continued to expand, though growth slowed to 0.5% in the first quarter.

Of the remaining Member States, in the first quarter of 2010 economic output declined significantly in Lithuania and Estonia (by 3.9% and 2.3% respectively) and in Ireland in the fourth quarter of last year; while it expanded the most in Hungary, Slovakia and Portugal (by 0.8-0.9%) and Sweden (1.4%).

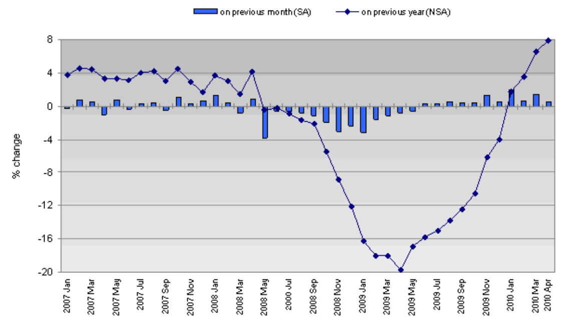
As a result of recent improvements, economic activity has recently been up compared to a year earlier in several Member States, including France, Germany,

Chart 17: GDP for the EU and Member States



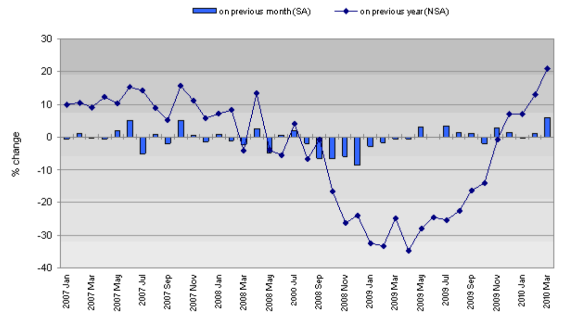
Source: Eurostat, National accounts. Data seasonally adjusted, except for annual change for BG.
Note: *Data for IE, LU, MT and FI 2009 q4. ** Quarter-on-quarter change not available for BG.

Chart 18: Industry production for the EU



Source: Eurostat, Short-term business statistics.

Chart 19: Industrial new orders for the EU



Source: Eurostat, Short-term business statistics.

Italy and Poland. However, the Baltic States, Bulgaria, Cyprus, Greece and Romania (and Finland and Ireland in the last quarter of 2009) continue to record steep declines (2.3%-5.1%), although these are lower than in previous quarters.

Industrial production in the EU continues to improve, and is significantly higher than a year earlier

Economic recovery in the EU has been strongly supported by improvements in industrial production. After a continuous steady expansion over the second half of last year and with an especially healthy rise in November, industrial output continued to increase strongly this year, particularly in January and March, while in April it expanded by a more modest 0.5 % (Chart 18).

The improvement in industrial production in the EU over the last year or so has resulted from mixed contributions of the larger Member States in different months. In April, the further improvement in EU industrial output reflected expansion in only two larger Member States – Germany (up by 0.8%) and Italy (1.1%), which compensated for a steep decline in Poland (down 2.1%) and more limited reductions in France, Spain and the UK (of 0.3-0.4% in each). At EU level, output improved across all goods, except for a decline in energy and a significant drop in output of non-durable consumer goods.

Following eight months of improvement, year-on-year growth in industrial production in the EU finally turned positive in January and strengthened significantly over the following months, with output in April up 7.9% on a year earlier. This was due to year-on-year growth in all the larger Member States, which was particularly solid in Germany and Poland.

… new orders for industry improved significantly in March, and remained notably higher than a year ago…

New orders for industry in the EU have been broadly improving for a year now, and after some slight changes in January and February, they expanded by an extraordinary 5.9% in March (Chart 19). These broad improvements reflect improvements in orders for all goods categories, and in March resulted from very firm rises in new orders for capital goods, intermediate goods and non-durable consumer goods, together with a more modest increase in orders for durable consumer goods. Underlying this was the improvement in all larger Member States in March – a significant pick-up in France and Poland, a further solid rise in Germany, Spain and the UK, as well as a lesser increase in Italy.

As a result of continuous rises since mid-2009, year-on-year growth in industrial new orders in the EU, which eventually turned positive in the beginning of the year, picked up to reach a solid 20.9% in March. This improvement was the result of positive growth in all the larger Member States, and especially the significant improvements in Germany and the UK compared to a year earlier (up by more than 30% in each country).

... and construction output bounced back appreciably in March after a steep decline in February …

While industry has been undergoing a consistent recovery, production in the construction sector has been deteriorating for almost two years, before rebounding in March. Output in construction declined slightly in January and significantly in February (5.3%), however, this was offset by a particularly solid gain of 6.5% in March (Chart 20). The deterioration at EU level in January and February resulted from deterioration in all larger Member States except for the UK, while the significant revival in construction output in March reflected the rebound in all larger Member States, in particular the outstanding growth in Germany (by 26.7%) and the more moderate rises in Poland and Spain (by 3.6% and 3.2% respectively).

Chart 20: Construction production for the EU

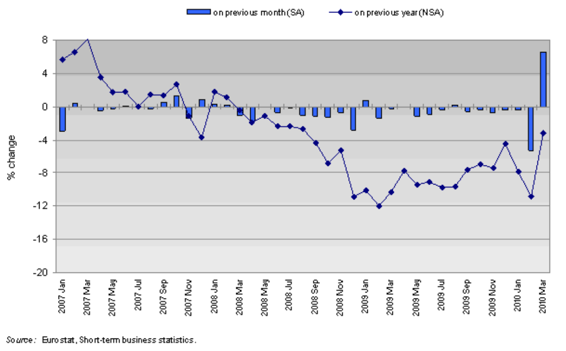
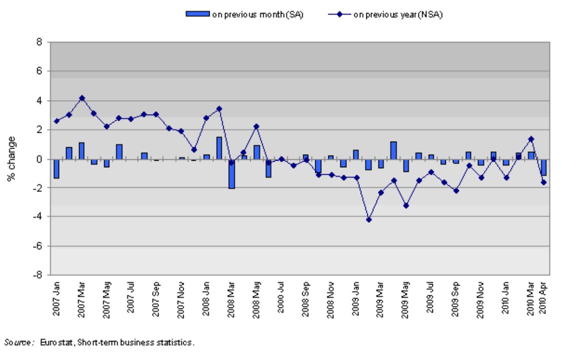


Chart 21: Retail trade turnover for the EU



For the EU as a whole, year-on-year growth in construction output picked up to -3.2% in March – the best result since September 2008 - from its low point of around -10.8% in the previous month. This still lower construction output compared to a year earlier reflected the steep decline in France and Poland, together with a more limited drop in Spain, which offset a rise in Germany and especially in the UK.

... while retail trade turnover declined significantly in April

Compared with the sizeable falls in output seen in industry and construction, retail trade turnover in the EU held up fairly well at the height of the crisis between autumn 2008 and spring 2009, and has continued to be at or around similar levels since then. Although the monthly changes have been volatile and fairly minor since mid-2009, in April retail trade turnover decreased by a significant 1.2%, the biggest drop since spring 2008, reflecting falls in both the

"Food, drinks and tobacco" and the non-food sectors. Underlying the serious deterioration of the April EU figure was a steep decline in retail trade turnover in Poland (8.7%, following a similar rebound in the previous month), which - together with the more modest decrease in Spain (2.1%) - more than offset some of the rebound in Germany (1.0%) and the almost flat turnover in France and the UK (0.2-0.3%).

Consequently, after just turning positive in March for the first time in 20 months, year-on-year growth in turnover fell back into negative territory, to -1.6% in April, driven by a deterioration in all the larger Member States (except for the UK), in particular in Poland and Spain (Chart 21).

OUTLOOK

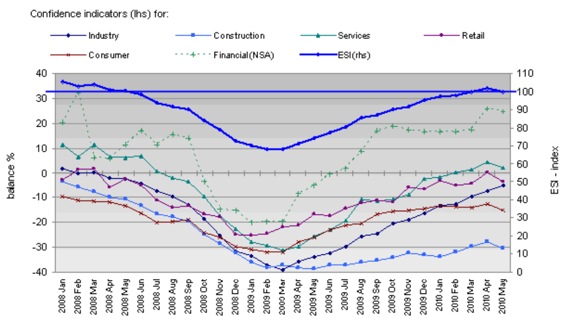
Following a year of continuous improvement, economic confidence in the EU has reached its long-term average, although it deteriorated in May …

After a year of uninterrupted improvement, the EU Economic Sentiment Indicator (ESI) declined in May by 1.9 points, moving back to its long-term average of 100 points. However, the development in May should be interpreted with care, since the change in the NACE classification caused a break in time series[3] (Chart 22).

This decline at EU level in May reflected a deterioration in all the larger Member States, except for Germany and the UK, and with the most significant drop in sentiment in France, Italy and Spain (by around 4 points in each) and a more moderate decline in Poland (down 2.2 points). Consequently, economic confidence rose further above its long-term average in Germany and the UK, while widening the gap to its long-term average in Spain (to more than 10 points) and moving back below its long-term average in the remaining larger Member States.

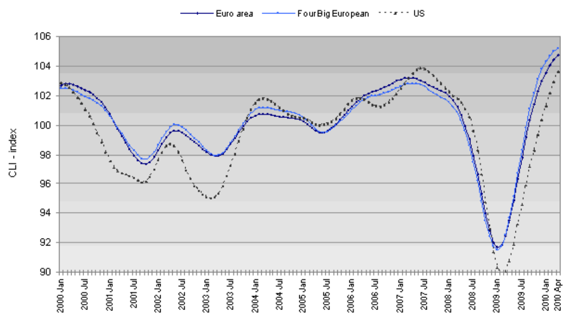
While sentiment in industry, driven by substantially better order books, improved by a solid 2.0 points, there was a significant 2.5 points drop in confidence in the construction sector. Consequently, confidence in industry is rapidly approaching a zero balance, while, due to the relatively slow improvement since bottoming out in spring 2009, sentiment in construction remains the lowest among all sectors. Sentiment also declined in services (by 2.2 points) and, after a rebound in the previous month, in retail (by 3.7 points), nevertheless remaining at a positive balance in the former but falling back below a zero balance in the latter. Consumer sentiment showed a marked decline (by 2.7 points), driven by heightened worries about the general economic outlook and despite a continued easing in fears of unemployment. Confidence in the financial sector, which is not included in the ESI, rose significantly in April after remaining flat since last summer, but it declined slightly (by 1.2 points) in May; it nevertheless remains highest among all sectors.

Chart 22: ESI and confidence indicators for the EU



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

Chart 23: Composite leading indicators for the EU and US



Source: OECD, Composite leading indicators.

…the OECD's leading indicator for Europe continues to recover

The OECD's Composite Leading Indicators (CLI) for the EU started to pick up strongly about a year ago and now point firmly to economic recovery, far exceeding their long-term average. The CLIs for the euro area and the group of the four largest EU Member States continued to improve in April, albeit losing some momentum after the marked upturn between spring and autumn last year. In April, the CLI rose by a more limited 0.3 points in the euro area and 0.2 points in the group of the four largest EU Member States, reaching 104.7 and 105.2 points respectively. It also rose by a higher 0.8 of a point to reach 103.6 points in the US. Consequently, the two European groupings have recovered by around 11-12 points and the US by around 12 points, compared to a year earlier (Chart 23).

Even though recovery in the EU is underway, the labour market will remain weak for some time, despite apparent signs of stabilisation

As reported in the previous month, according to the latest European Commission spring economic forecasts[7], the economic recovery underway in the EU - which is benefiting from a stronger-than-expected turnaround in the global economy - remains fragile and continues to be buffeted from several directions: incomplete balance-sheet adjustments, weakness in the labour market which is likely to reduce domestic demand, and a continued high level of uncertainty regarding global imbalances and financial markets, still pose a risk. As the impact of temporary support fades, EU GDP growth is expected to remain fairly subdued during the first three quarters of 2010, and not to make up ground until the end of the year, with annual growth reaching 1.0% this year and 1.7% next year. By 2011, all EU countries except Greece are expected to have returned to positive economic growth.

Despite apparent signs of stabilisation, the labour market situation is forecast to remain weak for some time to come, and the relatively limited labour market adjustment so far, reflecting a higher degree of labour hoarding during this recession, suggests a somewhat jobless recovery and (potentially persistent) high unemployment ahead. Employment is expected to contract by 0.9% this year and increase by only 0.3% next year. These numbers will lead to a further rise in the unemployment rate, which is due to average 9.8% this year and move down only marginally to 9.7% in 2011. Unemployment is expected to remain high for some time to come, especially in the Baltic States of Estonia, Latvia and Lithuania, and in Greece, Ireland, Slovakia and Spain.

Business Europe, in its June Economic Outlook[8], assesses that the EU economy continues to show signs of recovery during the first half of 2010, supported in particular by a revival in global trade and industrial activity. It predicts real GDP growth in the EU will reach 1.1% this year and 1.6% in 2011. Regarding the labour market, unemployment is foreseen to stabilise in the coming months, leading to the unemployment rate averaging 9.8% in 2010 and 9.9% in 2011, while job creation is expected to resume only in the later part of 2011 (employment growth is forecast at -1.0% this year and at -0.1% in 2011). The analysis concludes that, compared with other parts of the world, rigidities in both labour and product markets and greater obstacles to entrepreneurship and market innovation will weigh on the strength of the upturn in Europe. As one of the policy considerations highlighted, Business Europe advocates smart consolidation which would combine both exit strategies to cap public indebtedness with entry strategies to support growth and job creation.

According to the IMF's World Economic Outlook[9] and OECD’s latest Economic Outlook[10], the global recovery and economic activity in OECD countries are picking up faster than previously expected. Global growth is projected by the IMF to reach 4.25% in 2010-2011, while GDP across OECD countries is projected to rise by 2.7% this year and by 2.8% in 2011. According to the OECD, activity is projected to rise by 3.2% this year and by a further 3.2% in 2011 in the US, by 3.0% in 2010 and by 2.0% in 2011 in Japan, while for the Euro area growth is forecast at a more limited 1.2% this year and 1.8% next year.

However, risks to the recovery could be higher now, as - along with overheating in emerging market economies - volatile sovereign debt markets pose a serious risk. The OECD has therefore highlighted the need for the euro area to strengthen its institutional and operational architecture and emphasized that bolder measures need to be taken to ensure fiscal discipline.

Although activity is picking up, employment growth is still lagging behind. The OECD-wide unemployment rate may now have peaked at just over 8.5% and is set to average 8.5% this year and fall to 8.2% in 2011. At the same time, the pick-up in activity, notably in Japan and in some European economies, is likely to be supported by an increase in the average hours worked per employed person and in hourly labour productivity, rather than by any significant net job creation. Therefore, prospects for strong employment growth in these countries appear weak. By contrast, firms in the United States have shed large numbers of employees during the downturn and may therefore have to rehire relatively strongly in the upturn.

According to the OECD, employment in the US will remain stable this year and increase by 2% in 2011; in Japan, it will stabilise in 2010-2011, while in the Euro area employment will contract by 0.9% this year before stabilising in 2011. Consequently, the unemployment rate is set to average 9.7% this year and decline to 8.9% in 2011 in the US; in Japan it is set to fall to 4.9% in 2010 and to 4.7% in 2011, while the unemployment rate in the Euro area will remain at 10.1% in 2010-2011.

Appropriate labour market and social policies can do much to promote a jobs-rich recovery. As the recovery takes hold and countries face the challenge of fiscal consolidation, it is important to continue to make room in budgets for cost-effective labour market programmes that support those workers at the greatest risk of becoming long-term unemployed and losing their attachment to the labour market.

II. SPECIAL FOCUS

1. Latest developments and expectations in selected Member States

This section provides an overview of recent developments and forecasts at Member State level. In this issue, the focus is on the labour market situations in Austria, the Czech Republic, Cyprus, Malta, the Netherlands, Slovakia and Slovenia. Priority has been given to the most recent reports and forecasts (dating from April to early June 2010) from reliable sources at country level, which is complemented by relevant data from Eurostat.

Austria

Following a relative recovery in the last two quarters of 2009 (with GDP growth of +0.7% and +0.3%), Austria's GDP stagnated in the first quarter of 2010 (0% growth), due to weakness notably in the construction sector but also in industry. However, this stabilisation led to positive year-to-year growth (+0.5%) for the first time since the second quarter of 2008. According to the Commission's Spring 2010 European Economic Forecasts (EEF), Austria's GDP contracted by 3.6% in 2009 and is forecast to recover slowly in 2010 (+1.3%) and 2011 (+1.6%), close to the EU average. The recovery could be led first by net exports, which are expected to grow quickly in 2010 and 2011, thanks to the emerging recovery in Austria's main trading partners.

Recent employment statistics seem to show a stabilisation of the situation in the labour market, with total employment picking up slowly (+0.1%) in the first quarter of 2010, after a year of declines or stagnation. Compared to one year before, employment is up by 0.2%, compared to a 1.5% decline for the EU average. The net increase of 8000 jobs compared to the first quarter of 2009 is mainly due to growth in financial services and business activities (up 21 000 or 3.5%) and other services (up 42000 or 3.6%), although these were largely offset by declines in industry (down 35000 or 5.0%) and in the related sector of trade, transport and communication (-12000 or down 1.6 %).

The global economic crisis had only a limited impact on unemployment in Austria, due notably to the comprehensive labour market package launched in 2009. Short-time work and extended training in particular contributed to a smaller fall in employment than might have been expected given the scale of the contraction in activity. As a result, according to the Labour Force Survey, in April 2010 Austria had the second lowest unemployment rate among EU Member States, at 4.9% — around half of the EU average. This rate has not changed in the last three months, showing a continued stabilisation of the Austrian labour market since the peak in summer 2009. The unemployment rate is just 0.2 pps above its level one year ago, compared to 1 pps for the EU as a whole.

In April, the unemployment rate was higher for men (5.3%) than for women (4.5%), reflecting the stronger impact of the crisis on male-dominated industries. This has led to a reversing of the gender gap since February 2009. In absolute terms, the number of unemployed persons was 209000 in April, unchanged compared to March (and 4.5% above its level one year before). This recent stability, however, disguises the fact that there were 2000 more young unemployed people (under 25 years old), which represents a rise of 3.4%. This is a worrying development, after an improvement of the situation during the last quarter of 2009. Around one in ten (10.5%) economically active Austrians under the age of 25 was unemployed in April. Although this rate is well below the EU average (20.6%), it has recently been rising faster in Austria.

The stabilisation of unemployment is also confirmed by statistics from the Austrian public employment service which point to a reduction in the number of registered unemployed (non-seasonally adjusted) for the fourth consecutive month, reaching 227000 in May 2010 — 5.3% below its level one year ago. The reduction is particularly pronounced for men, reaching 124000 — which is the lowest level since November 2008 and represents a decline of 8.8% compared to May 2009. The number of job vacancies has picked up in recent months, reflecting a positive trend in labour demand which should help employment to recover. After having reached 23000 in January (the lowest point in several years) the number of job vacancies increased to 33000 in May, representing a 19% rise compared to one year ago and its highest level since November 2008. However, the recovery in the labour market may be only partial, since the temporary stimulus measures are coming to an end and the government is planning expenditure cuts and tax increases in 2011 to reverse the rise in its deficit. According to the Commission's EEF, the unemployment rate is likely to continue growing in 2010 (averaging 5.1%) and 2011 (5.4%). This is in spite of the expected pick-up in job creation in 2011, and is due notably to the growing domestic labour force and the phasing-out of measures aimed at stabilising the labour market.

The Czech Republic

During the first quarter of 2010, economic growth was only slightly positive in the Czech Republic (+0.2%), after two quarters of higher growth which had marked a recovery from the severe recession of the beginning of 2009. This represents a small increase in GDP (+1.2%) compared to last year.

The recovery has been supported by a slight pickup in exports, helped notably by the adoption of car-scrapping schemes and other measures to support the automobile sector in major export markets. Although these measures are gradually being phased out, the automotive industry has continued to recover quickly. According to AIA (the Czech Automotive Industry Association), car production jumped to 266000 (or up 29.6%) over the year to the first quarter 2010. The industrial sector, one of the key branches of the Czech economy, grew by 1% in April, after two months of near stagnation (-0.2% in February and +0.7% in March). Compared with one year earlier (i.e. when the crisis had strongly reduced industrial output), industrial production was up 10.9%. This year-on-year growth of industrial production was due mainly to growth in the manufacture of motor vehicles, trailers and semi-trailers (+20.9%) and in the production of basic metals (+55.1%).

According to national accounts data, total employment decreased sharply (-0.9%) over the first quarter of 2010 to reach 5.16 million, in contrast to the stabilisation of the previous quarter. This decline was due to developments in industry (down 16 000 jobs or 1.1%) and construction (down 10 000 jobs or 2.1%) sectors. Compared to one year earlier, total employment was down by 2.1%, an more marked fall than for the EU average (-1.5%). This trend is mainly explained by the employment losses in industry (down 89 000 or 5.9%) and in the related sector of trade, transport and communication (down 17 000 or 1.3%).

According to the Labour Force Survey, 429 000 persons (7.7% of the active population) were unemployed in April. This represents a certain stabilisation (a decrease of 0.2 pps compared to March) after 4 months of steady increase. The unemployment rate had increased by 1.5 pps (or 82 000 persons) since April 2009, more quickly than the EU average (1 pps), reflecting the delayed effect of the crisis on the Czech labour market. The overall unemployment rate nevertheless remained lower than the EU average (9.7%).

The decrease of unemployment in April was mainly due to a decline in the male unemployment rate (from 7.3% in March to 7% in April) whereas female unemployment (at the higher level of 8.7%) has not shown any sign of reduction. The youth unemployment rate has been increasing very sharply — from 9.8% in October 2008 to 21.4% in April 2010. In addition, persons aged less than 25 years represent more than 30% of the net increase in unemployment since last year. This increase has been more pronounced for young women (22.5%) than for young men (20.7%), and they have been particularly hard hit in recent months (+6.4 pps since July 2009 compared to +3.2 pps for men).

The number of job vacancies decreased to 32 300 in the first quarter of 2010, down by more than half (or 34 600) compared to a year before. This reflects a continuing decline in labour demand, in contrast with the trends in most other EU Member States. However the figures published by the employment offices showed a slight improvement over the last few months after the low reached in December 2009. The economic sentiment indicator shows that there has been a slow improvement in economic expectations and among consumers more respondents indicate that they expect unemployment to decrease. At the same time, business surveys indicate that employment in industry is expected to continue falling slightly.

According to the Commission's EEF, the Czech economy should recover fairly rapidly, achieving 1.6% growth in 2010 and 2.4% in 2011, though at a much lower pace of expansion than before the crisis (more than 6% per year in the period 2005-07). The recovery should be supported by a rise in external demand, but private consumption is likely to remain weak due to rising unemployment, low wage growth and the cuts in public expenses which the government is expected to adopt in order to implement its fiscal consolidation policies. The unemployment rate should peak in 2010 at 8.3%, reflecting an expected contraction in employment of 1.9%, before decreasing to 8.0% in 2011.

Cyprus

After showing strong resilience to the economic recession until the end of 2008, Cyprus's economy was subsequently affected by a decline in GDP of 1.7% in 2009. In the first quarter of 2010, economic activity contracted for the sixth consecutive quarter, though close to stagnation (-0.2%). Compared with the same period of the previous year, GDP had declined by 2.3%. This contrasts with the gradual recovery of GDP in the EU as a whole since the third quarter of 2009. The recession in Cyprus is due to weak domestic demand and to a difficult external environment leading to declining exports.

The labour market has been quite badly affected by the economic recession, especially in the labour-intensive sectors. In the first quarter of 2010, total employment was down by 5 000 (a fall of 1.3%) compared to one year before. Worst hit were the construction sector (down 3 000 or -8%) and the trade, transport and communication sector (down 5 000 or -3.8%), although this negative trend has been partly offset by a rise in employment in the other service sectors (+4 000 jobs or 3.5%).

The unemployment rate in Cyprus reached 6.8% in April 2010, which was up 0.1 pps on the previous month and up 1.7 pps on April 2009. It remains one of the lowest rates among EU Member States and is almost 3 pps below the EU average. However, it has increased substantially since the beginning of the crisis: the rate almost doubled from around 3.5% (14 000 persons) in September 2008 to 6.8% (roughly 28 000 persons) in April 2010.

Before the crisis, unemployment affected women more than men. Now, however, male (6.9%) and female (6.7%) unemployment rates are very similar, due to the stronger increase of unemployment among men, notably over the last quarter. Unemployment is particularly high among young people (18.1% in the first quarter, closer than before to the EU average (20.6%)), and for whom it has increased very substantially since September 2008 (+9.4 pps compared to +4.8 pps for the EU as a whole). According to the public employment services, the number of job vacancies (non-seasonally adjusted) fell by 3 400 (or 40%) in the first quarter, showing the downward trend in labour demand.

According to the Commission's EEF, economic activity in Cyprus should contract by 0.4% in 2010, before recovering to 1.3% growth in 2011. The weak economic outlook is expected to weigh on the labour market in 2010 (with an expected decline in employment of 0.7%), particularly in labour-intensive sectors such as construction and tourism. The measures announced by the government which will be taken in order to reduce the public deficit (estimated at 6.1% of GDP in 2009), notably a freeze on new recruitment in the public sector and cuts in the budgets of the ministries, may also affect the labour market. As employment declines, the unemployment rate is expected to rise to historically high levels, reaching about 7% in 2011 (after 6.7% in 2010).

Malta

According to Malta's National Statistics Office (NSO), compared to the corresponding month last year the number of registered unemployed in the archipelago increased by 400 (or 5.5%) to 7606 in April 2010, and was 0.7% higher than the preceding month. While there was a drop in the under-25 age group, the other age groups recorded rises, both month-on-month and year-on-year. Long-term unemployment also increased. Year on year, the number of people on the unemployment register for more than one year increased by 18.5%. The main occupations being sought by the unemployed range from trade- and services-related occupations for men to clerical or service-oriented jobs for women.

In April 2010, Malta's unemployment rate amounted to 7.0%, up 0.1 pps on the previous month and up 0.1 pps on the same month a year ago, according to Eurostat figures (LFS data). In other words, the unemployment rate has remained relatively constant over the previous 12 months. This stability masks the fact that male unemployment actually increased slightly (from 6.5% to 6.9% in April 2010), while for women it decreased moderately (from 7.7 to 7.2%). Consequently, one effect of the crisis has been the shrinking of the gender gap in terms of unemployment, from 1.2 pps to 0.3 pps over the same period. The relative stability in the unemployment rate reflects that Malta has experienced one of the lowest increases in unemployment in the EU since the crisis started, with a rise of only 1.2% between September 2008 and April 2010. It has the 6th lowest unemployment rate in the EU (at the same level as Denmark) and also posts the EU's 6th lowest youth unemployment rate, at 15.2% in April 2010, i.e. 5.4 pps under the EU average.

According to the Commission's European Economic Forecast (EEF) for Spring 2010, Malta's private consumption proved resilient in 2009, but it is exports and investment that should be driving the recovery. GDP - which declined by 1.9% in 2009 - is forecast to pick up by 1.1% this year and to grow by 1.7% in 2011. The same report points to the unemployment rate peaking in 2010, at 7.3% (up 0.4 pps on last year), before stabilising in 2011 (7.2%). For the time being, some indicators point to an improvement of the economic climate in Malta. These include the economic sentiment indicator (ESI), which exceeded the 100-point threshold for the first time in April 2010, at 103.6 points, and which reached 103.9 points a month later, ahead of the overall score for the EU. Unemployment expectations, meanwhile, continue to decline.

The Netherlands

According to Statistics Netherlands (CBS), unemployment in the Netherlands averaged 459 000 in the period February-April 2010, posting the first decline on the previous quarter since the summer of 2008 (in seasonally adjusted terms). However, it is perhaps premature to signal a reversal in the trend.

In April 2010, as has been the case since the beginning of 2007, the Netherlands reported the lowest unemployment rate in the EU, at 4.1% (Eurostat, LFS), which was down 0.1 pps on the previous month, but up 0.9 pps on April 2009. This is less than half the rate recorded for the EU as a whole (9.7%). The slight increase which took place over the previous 12 months was divided equally between women and men, as the unemployment rates for both were around 4.1-4.2% in April 2010.

The Netherlands has shown that it has a fairly resilient labour market through the crisis, as its unemployment rate posted one of the smallest increases in the EU, i.e. +1.4%, since the last quarter of 2008. The youth unemployment rate in the Netherlands also remains the lowest in the EU, at 8% in April 2010 (as against 20.6% at EU level), up 0.1 pps on the previous month and up 1.7 pps on April 2009.

According to CBS, the number of job vacancies in the Netherlands was 113 000 at the end of March 2010, after correction for seasonal effects. This is 11 000 down on the previous quarter, as the decrease in job vacancies continues; following an earlier stabilisation in the third quarter of 2009, the decrease does not appear to be over yet. This was confirmed by Eurociett, which reported that the number of hours worked by Dutch agency workers declined by 1.0% for the period covering weeks 13 to 16 this year compared to the same period last year, while the turnover of those agencies fell by 3%. Of particular note is that, after a long period during which hours worked have been decreasing, hours in the industrial sector increased by 13%, together with turnover, which was up by 14%.

At 76.5% in the fourth quarter of 2009, the Netherlands posts the highest employment rate in the EU, 12.1 pps ahead of the EU average. In this context, according to CBS, the share of employees in the Netherlands who say they want to work until they reach the age of 65 has doubled in four years: from 21% in 2005 to 42% in 2009. However, fewer of them (13%) want to stay in work after their 65th birthday.

The same institute announced that economic output in the Netherlands in the first quarter of 2010 was up 0.1% compared with the same quarter last year. Compared with the fourth quarter in 2009, the economy grew by 0.2% in the first quarter, although it was less pronounced than in the two previous quarters. Supported by exports and manufacturing output, this is the third consecutive quarter featuring a positive quarter-on-quarter growth. Recent changes in investment spending, in household consumption and in construction output are less favourable though. According to the Commission's Spring 2010 EEF, after falling back by 4.0% last year Dutch GDP is expected to pick up by 1.3% this year and to continue increasing in 2011 (+1.8%). In the same vein, economic sentiment for the Netherlands continues to forge ahead, the ESI index reaching 99.5 points after 15 months of consecutive rises. However, the unemployment rate could still edge up to 4.9% this year and 5.2% in 2011.

Slovakia

In April 2010, Slovakia's unemployment rate remained stable at 14.1% according to Eurostat figures (LFS). This stability has been a consistent feature since November 2009. However, compared to April 2009, the rate - which is the EU's fifth highest - has risen by 3.2 pps. This is mostly due to the surge in male unemployment, as male workers are particularly strongly represented in the sectors hardest hit in the recession (see below), with a 4 pps increase in 12 months. The female unemployment rate, on the other hand, rose by a more moderate 2.1 pps.

Since the beginning of the crisis (October 2008), the overall unemployment rate has risen by 5.2 pps, one of the most marked rises seen in the EU. The youth unemployment rate in Slovakia - at 34.1% in April 2010 - is also one of the highest in the EU. More than one in every three young workers aged under 25 is now unemployed.

According to the Statistical Office of the Slovak Republic, In March 2010 employment had fallen year-on-year in all of the sectors surveyed. It decreased most in the wholesale sector (-19.8%), in information and communication (-15.2%), in food and beverage service activities (-9.5%), in the sale and repair of motor vehicles (-9.4%) and in industry (-9.1%). During the same month, the average nominal monthly wage rose year-on-year in industry (+9.1%), in wholesale (+7.9%), in accommodation (+5%), in selected market services (+4.6%), in retail trade (+4.2%), in food and beverage service activities (+3.7%), in transportation and storage (+3.7%), in the sale and repair of motor vehicles (+2.7%) and in construction (+0.9%). In contrast, it decreased in information and communication (-3.5%).

According to the same source, the Slovak economy, driven by the automotive and the electronic sectors in particular, has now resumed year-on-year growth, after a decrease in 2009. In the first quarter of 2010, mainly due to foreign demand and, to a lesser extent, to final consumption - and in spite of reduced foreign investment - Slovakia's real GDP posted a 4.5% increase compared to the same quarter last year, and a 0.8% rise compared with the 4th quarter of 2009 (after seasonal adjustment). Total employment in the reference period was at 2 133 000, down by 3% compared with the same period of 2009.

Economic sentiment as indicated by the ESI has recently remained unsettled - after peaking at 98.7 points in March 2010, it fell back to 94.3 in May 2010. GDP is nevertheless expected to pick up this year, with growth estimated at 2.7% - after peaking at 10.4% in 2007 and 6.4% in 2008, and falling 4.7% last year - and to continue to pick up to 3.6%, in 2011 according to the Commission's EEF for Spring 2010. The OECD is even more optimistic, as it forecasts that growth levels will attain 3.6% and 3.9% respectively. In this favourable economic environment, the unemployment rate - after peaking at 14.1% this year - should fall slightly in 2011, to 13.3%. This trend could be reinforced by Austria lifting all restrictions on access of Slovak citizens to its labour market, which is due to happen next year.

Slovenia

According to the Statistical Office of the Republic of Slovenia, the number of persons in employment continues to fall. In the first quarter of 2010 there were 965 000 persons in employment in Slovenia, i.e. 1.8% fewer than in the previous quarter. Most of those in employment worked in manufacturing (24.4% of the total), while professionals accounted for the highest share among major groups of occupations (with 16.7%).

The number of unemployed persons has been increasing since the second half of 2008. In comparison with the previous quarter, the number of unemployed persons increased by 10.4% in the first quarter of 2010. In the same quarter the number of persons in employment recorded in the Statistical Register of Employment had fallen by 12 000 compared to the fourth quarter of 2009.

The same office indicates that the number of job vacancies, after falling throughout 2009, picked up in the first quarter of 2010. On average, over 4 100 job vacancies were registered, which is 260 more than in the last quarter of 2009. In the first quarter of 2010, nearly 803 000 posts were occupied, i.e. about 6 000 fewer than in the previous quarter. In this comparison the greatest fall in the number of occupied posts was seen in construction (-4 000). Manufacturing had the largest number of job vacancies.

LFS data (Eurostat) point to a stabilisation of Slovenia's unemployment rate as, after peaking at 6.5% in October last year, it subsequently declined and settled at around 6.2-6.3% between December 2009 and April 2010. Compared to April 2009, this is an increase of 0.7 pps. This moderate increase is primarily due to the rising level of female unemployment, which climbed by 1.1 pps during the same period, while the male rate edged up by only 0.4 pps. The female unemployment rate, which was still lower than the male rate in April last year, is now higher, at 6.5% in April 2010, as against 6.1% for men. Conversely, after peaking at 14.4% in the third quarter of 2009, youth unemployment declined significantly, dropping to only 12.2% in the first quarter of this year, i.e. the fourth lowest rate recorded among EU Member States.

Economic sentiment has gradually made up for the ground lost since September 2008, with the ESI reaching 95 points in May 2010, i.e. up 21 points on May last year. On the positive side, too, and despite the fact that GDP actually decreased by 0.5% in the first quarter of 2010, Slovenia's GDP is expected to pick up this year by a forecast 1.1% according to the Commission's Spring 2010 EEF - after falling back by 7.8% last year. Growth is also expected to accelerate in 2011, to 1.8%. The same report suggests that there is likely to be a slowing down in the rise in unemployment, with the unemployment rate expected to be 7.0% in 2010 and 7.3% in 2011. The latest unemployment statistic released by the National Employment Office are also encouraging, reporting a fall of 1% in the number of newly registered unemployed people in May 2010, compared with the previous month. Looking at the first five months of 2010, this number was down by 20% compared to the same period last year.

2. Selected sectoral trends: the furniture industry

This section reports on recent developments in the furniture manufacturing sector (NACE 31, Rev.2).

Importance of the sector and trends

The furniture industry employed around 1.5 million people in Europe in 2008, accounting for 0.7% of total employment. It accounts for a value added (VA) of € 63 billion, which is 3.4% of the VA of the manufacturing sector as a whole, and 0.6% of the VA of the total economy (data for 2007). Around one third of total employment in this sector is located in the new Member States, while of the one million employees in the old Member States, half are located in Germany.

Furniture-making is an unusual industrial production activity, as it is to a large extent dominated by SMEs: The average firm in the furniture industry has a production of € 0.8 million per year, compared to the EU manufacturing average of € 2.5 million. However, firms in the new Member States tend to be larger on average than those from the old Member States.

EU-wide production and value added have increased slightly since 1995, but from 2000 onwards the increase has been concentrated entirely in the new Member States, while in the EU-15 growth turned negative.

Recent difficulties

Furniture is a cyclical industry, as consumers regard the majority of furniture purchases as non-essential, with the result that such purchases are easily disregarded when financial resources become scarce. The rise in unemployment in other sectors, together with the economic uncertainty, have therefore hit the sector hard. For example, overall turnover fell by 3.7% in 2008, despite a positive first half, thereby underlining that demand was falling much more quickly than in many other industries. According to EU Labour Force Survey data, in 2009 employment in the manufacturing of furniture sector fell by roughly 10% compared to the previous year. In the fourth quarter of 2009, the sector employed 1 384 000 people, or 175 000 fewer than in the same quarter of 2008. Countries hit hardest were, in relative terms and in descending order, Denmark, Cyprus, Finland, Lithuania, Latvia and Germany. On the plus side, signs of an economic recovery will also have a positive and fairly rapid impact on the furniture sector.

Restructuring and impact on employment

According to the European Restructuring Monitor (ERM), from September 2008 to May 2010 there were 58 cases of restructuring in the furniture sector, involving more than 14 000 announced job losses against just over 200 announced job gains in Europe. However, since January 2010 the situation seems to have eased somewhat: in five cases a total of only 973 jobs were lost and in one case 130 new jobs were gained.

The biggest cases of announced job losses involved the following:

- Italian sofa manufacturer Natuzzi, which in March 2009 announced a reorganisation plan involving 1 540 job losses across its plants in Matera, Bari and Taranto.
- In Lithuania, Venta announced the closure of its plant in Siauliai, resulting in 800 job losses in October 2008.
- Nowy Styl, which produces furniture and chairs in Krosno, Poland, announced plans to lay off 700 employees in February 2009.
- In April 2010 chair and sofa maker Capdevielle went into liquidation, leaving 468 employees jobless in Mont-de-Marsan in South-West France.
- Other major cases concerned Paged Meble (Poland, 700 job losses announced in Nov 2008), Saga Trade (Latvia, 550 job losses announced in Nov 2009), and Narbutas & Ko (Lithuania, 530 job losses announced in May 2009).

Outlook

As in many industrial sectors, the European furniture industry is well placed in the high-end and premium niche markets, such as designer furniture, new materials and ecological furniture. At the same time, increasing globalisation is bringing tremendous pressure to bear on the more cost-competitive mass market segment. This explains, at least in part, why EU production of furniture has been moving slowly but steadily towards the new Member States, with the result that furniture companies have become bigger and the workforce tends to be younger and have a higher proportion of female workers than in the EU-15. This trend is likely to continue for the foreseeable future.

Links to selected Eurostat tables

Employment growth

Unemployment rate by gender - total / Unemployment by gender - total

Youth 15-24 unemployment rate by gender / Youth 15-24 unemployment by gender

Adult 25-74 unemployment rate by gender / Adult 25-74 unemployment by gender

GDP growth

Economic sentiment indicator

Industrial production

Industrial new orders

Construction production

Retail trade deflated turnover

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[1] For more information or data, please visit the websites:

- Eurostat: http://ec.europa.eu/eurostat
- OECD: www.oecd.org http://stats.oecd.org/index.aspx

[2] For more information on interpretation and comparability of OECD Composite Leading Indicators (CLI) , reference series data and standardized business (BCI) and consumer confidence (CCI) indicators please refer to the presentation section of the OECD CLI methodology document http://www.oecd.org/dataoecd/26/39/41629509.pdf

[3] The change in classification of economic activities, implemented in the business survey in May, lead to a break in series. The results for May are based on NACE rev 2, while data up to April 2010 are based on NACE rev 1. Internal check indicated that the changeover affected the level, making interpretation more difficult. This level shift did not, on the whole, affect the direction of the change, but only its magnitude. The consumer confidence indicator and confidence in financial services are not subject to changeover.

[4] The BA-X is the most up-to-date and comprehensive job index in Germany and is based on actual vacancies reported by businesses. It shows the trend for labour demand in Germany, including demand on the primary labour market. The seasonally adjusted index includes unsubsidised vacancies reported to the BA for 'regular' jobs covered by social security, jobs for freelances and self-employed people and vacancies communicated by private placement agencies.

[5] For more information on Eurociett, please visit the website: www.eurociett.eu

[6] European Restructuring Monitor [ERM] data are collected by Eurofound's European Monitoring Centre on Change. The ERM covers:

- Announcements of redundancies rather than effective redundancies (the announcements can relate to redundancy programmes taking effect 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, or create at least 100 jobs.

The data in this report are based on an extraction from the ERM database on 2 June 2010. Totals exclude World/EU cases in order to avoid double counting. As the database is continually updated in the light of new information on recent cases, the 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

[7] For more information on the Commission's economic forecast, please visit the website http://ec.europa.eu/economy_finance/publications/european_economy/2010/ee2_en.htm

[8] For more information on the BusinessEurope outlook, please visit the website http://www.businesseurope.eu/content/default.asp?PageID=568&DocID=26626

[9] For more information on the IMF outlook, please visit the website http://www.imf.org/external/pubs/ft/weo/2010/01/index.htm

[10] For more information on the OECD outlook, please visit the website http://www.oecd.org/document/9/0,3343,en_2649_201185_45303817_1_1_1_1,00.html