



EU employment situation and social outlook

May 2010





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HIGHLIGHTS

- Latest data (covering the period up to March/April) indicate that the labour market in the EU is showing signs of stabilising, following several months of more moderate deterioration. The economy started to recover from deep recession nine months ago, however it may take more time yet before the fragile pick-up in economic activity and confidence feed through more strongly to the labour market.
- The EU has been out of recession since mid-2009, however the recovery remains fragile as economic output increased by a mere 0.1% in the fourth quarter of 2009, and is estimated to have risen by a moderate 0.2% in the first quarter of this year. Recovery has been supported by marked improvements in industrial production, which rose particularly strongly in January and March this year.
- Deterioration in the EU labour market started to ease already in the second half of 2009, with employment contraction moderating compared to the first half of the year. Overall, employment declined by just 0.3% in the fourth quarter, but at 221 million was nevertheless down 4.9 million (2.2%) compared to a year earlier, reflecting marked declines in construction and industry.
- Unemployment in the EU has continued to moderate, and the rises over the last six months have been the lowest since mid-2008. Unemployment rose by 123 000 (or 0.5%) in March to a seasonally adjusted 23.1 million (24 million non-seasonally adjusted), up 2.5 million (or 12%) compared to March the year before, and 7.2 million (or almost 45%) higher than in March 2008, when unemployment was at a low.
- The unemployment rate for the EU shows signs of stabilising. It increased by just 0.2 percentage points (pps) over the five months since October; after remaining unchanged in November and December, the unemployment rate edged up by 0.1 pps in both January and February then remained stable in March. The year-on-year fall narrowed to 1.1 pps, although at 9.6% the unemployment rate was still 2.9 pps above the 6.7% low of spring 2008. Rises in the unemployment rate eased in most Member States in March, and only Latvia recorded a steep increase, while the rate stabilised or declined in 10 countries.
- The labour market for youth in the EU has shown even more consistent signs of stabilisation, as youth unemployment has actually declined by 50 000 since September. In March unemployment declined by 6 000 (0.1%) to 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 by a sharp 5.9 pps from 14.7% in March 2008, while the rate for adults has risen by a more limited 2.6 pps from its low of 5.7% to 8.3%.
- Demand for labour has continued to show a relative improvement, with job vacancies and workplace activity through temporary work agencies - a leading indicator of a recovery in the labour market - recovering somewhat to the levels observed a year ago.
- Economic sentiment in the EU has returned to its long-term average, and firms are less pessimistic about the outlook for employment (approaching a zero net balance in services and retail), while consumers' unemployment expectations eased significantly further in April.
- According to the latest European Commission spring economic forecasts, the fragile economic recovery in the EU continues to face headwinds. Despite apparent signs of stabilisation, the labour market situation is forecast to remain weak for some time to come; employment is expected to contract by 0.9% this year, leading to a further rise in the unemployment rate, which is forecast to average 9.8% for the year as a whole.
- This month's edition focuses on recent developments in the non-metallic materials sector.

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 data¹ covering the period up to March/April, the labour market in the EU is showing signs of stabilising, following several months of more moderate deterioration. It has been nine months since the economy started to recover from deep recession, and it may take some time yet this year before the fragile pick-up in economic activity and in economic confidence feed through more strongly to the labour market.

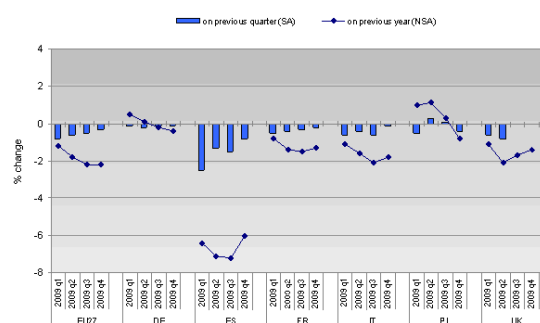
Unemployment rises in the EU over the last months have been the smallest since the beginning of the labour market downturn, and the EU unemployment rate remained unchanged in March. This reflects that rates have stabilised or even started to decline in some Member States. Demand for new workers now shows signs of picking up and is approaching levels observed a year ago, and companies are announcing only slightly more job losses than gains. Furthermore, economic sentiment has now returned to its long-term average, with firms becoming more optimistic about employment prospects, especially in the service sectors, and consumers' unemployment expectations are easing. According to the latest European Commission spring economic forecasts, the fragile economic recovery underway in the EU continues to face headwinds from several directions, while despite apparent signs of stabilisation, the labour-market situation is forecast to remain weak for some time to come.

Deterioration in the EU labour market eased off already in the second half of last year, with employment contraction subsequently moderating...

The deterioration in the EU labour market resulting from the recent economic crisis started to ease already in the second half of last year. Declines in employment have slowed down since the peak in the first quarter of 2009, with employment contracting at a decelerating pace of 0.6%, 0.5% and 0.3% respectively in subsequent quarters. 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.

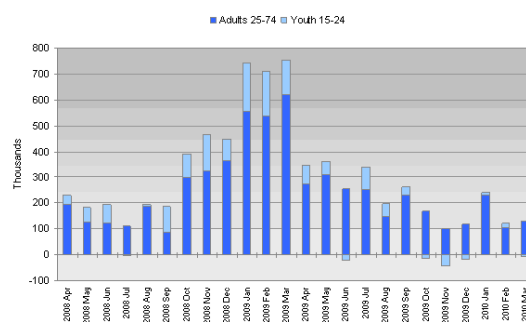
During the fourth quarter of 2009, employment fell in most Member States, but the decline generally eased compared to the beginning of last year, with employment stabilising or reviving in some countries. Among the larger Member States, employment fell by just 0.1% in Italy and by 0.2% in France, it remained unchanged in the UK in the second half of 2009 following steep falls in the first half of the year, and the deterioration in Spain has consistently eased, with declines decelerating to what is still a marked 0.8%. While a slight decline by 0.1% at the end of the year

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.

and a flat first quarter of 2010 confirms the exceptional resilience of the German labour market, a significant reduction in employment in Poland (by 0.4%) brought its previous labour market resilience to an end (Chart 1). Employment fell in most of the other Member States, though the only particularly steep falls were in the Baltic States (ranging from 2.3% to 4%), while non-seasonally adjusted data also point to significant declines in Bulgaria. In contrast, employment remained stable in Portugal and rose in Austria, the Czech Republic and Luxembourg.

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

Employment in the EU had fallen to 221 million by the last quarter of 2009, down 4.9 million (2.2%) compared to a year earlier, reflecting severe declines in the construction and industry sectors. By the fourth quarter, year-on-year employment growth was negative in all Member States except Luxembourg. Among the larger Member States, employment had contracted most noticeably in Spain (by 6%), and to a lesser extent in Italy (1.8%), the UK (1.4%) and France



(1.3%). However, year-on-year growth has returned to an upward trend. On the other hand, despite remaining the lowest in the EU, the year-on-year employment decline worsened slightly in Germany (0.4%), while negative growth was recorded for the first time in Poland (0.8%). Of the remaining Member States, the Baltic States and Ireland recorded the steepest falls in employment over the year (of the order of 8-16.5%).

Unemployment continues to rise moderately, with signs of stabilisation in the EU unemployment rate...

Rises in unemployment in the EU have continued to moderate, with the increases over the last six months the smallest since mid-2008 (except for a blip in January), while the unemployment rate remained unchanged in March.

Following two months of modest increases, unemployment in the EU picked up by 240 000 (1.1%) in January, though the rise was more limited, at 123 000 (0.5%), in February and March (Chart 2), mainly due to a significant increase in Italy. Unemployment reached a seasonally adjusted 23.1 million (24 million non-seasonally adjusted), up 2.5 million (or 12.4%) compared to the level a year before, and 7.2 million (or 44.8%) higher than in March 2008, when unemployment in the EU was at a low.

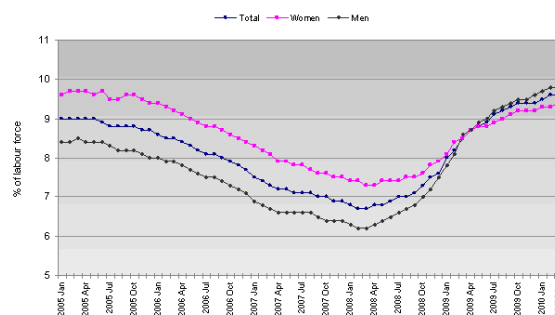
Since May of last year, the unemployment rate for the EU had broadly been increasing by 0.1 percentage points (pps) per month, a much slower pace than between autumn 2008 and spring 2009. It increased by just 0.2 pps for the five months since October; after showing some signs of stabilising in November and December, the unemployment rate edged up by 0.1 pps in both January and February and stabilised again in March. The year-on-year decline has been narrowing since last autumn, to 1.1 pps in March, however as a result of nearly two years of rising unemployment, the unemployment rate, at 9.6%, was 2.9 pps above the 6.7% low of spring 2008 (Chart 3).

... and recent changes in the unemployment rate have been similar for men and women

Unemployment rates for both men and women have been increasing at a broadly similar pace for eight months, after a long period during which unemployment affected men more than women. In March, women accounted for almost two-thirds of the increase. The unemployment rate for women remained unchanged in February and rose by 0.1 pps in March to 9.4%, while for men it edged up by 0.1 pps in February and remained unchanged in March at 9.8%. As a result, the gender gap, in favour of women since May last year, narrowed to 0.4 pps.

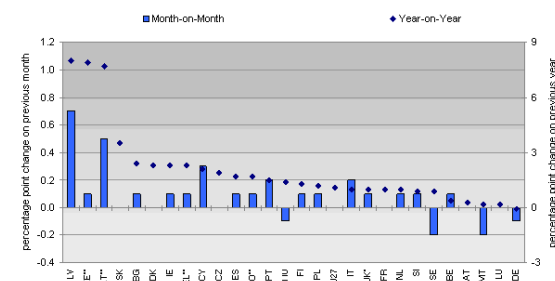
Overall, men account for almost two-thirds of the overall increase in unemployment since spring 2008, reflecting the fact that the crisis had a much more pronounced impact on sectors employing mainly men, such as construction and industry, at least initially. However, women accounted for as much as 45-65% of

Chart 3: Unemployment rates for the EU



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

Chart 4: Unemployment rate changes to March 2010



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

Notes: ** UK: annual change Jan 2009 - Jan 2010; monthly change Dec 2009 - Jan 2010. ** EE, EL, LT and RO: annual change 2009 q4 - 2009 q4, monthly change estimated from quarterly change 2009 q3 - 2009 q4.

the overall rise in unemployment in August, October, December 2009 and this March. 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 2.1 pps from its low of 7.3%.

Unemployment continues to edge up in several Member States, although the rate stabilised or even declined in 10 countries in March...

The rate of increase in the unemployment rate eased in most Member States in March, and only Latvia recorded a steep rise, while in 10 countries the rate stabilised or even declined.

In March, among the larger Member States, unemployment rose most steeply in Italy (by 58 000, which accounted for more than a third of the total EU increase), leading to a 0.2 pps rise in its unemployment rate. The rate also increased further in Spain after signs of stabilising in previous months (up 0.1 pps both in February and March), it picked up (by 0.1 pps) in January in the UK after the broad stabilisation observed since June, and continued to edge up (by 0.1 pps) in Poland. On the contrary, the unemployment rate remained unchanged in France, while, after remaining broadly flat for a year now, it declined in Germany (by 0.1 pps).



Chart 5: Unemployment rate changes
March 2009 - March 2010

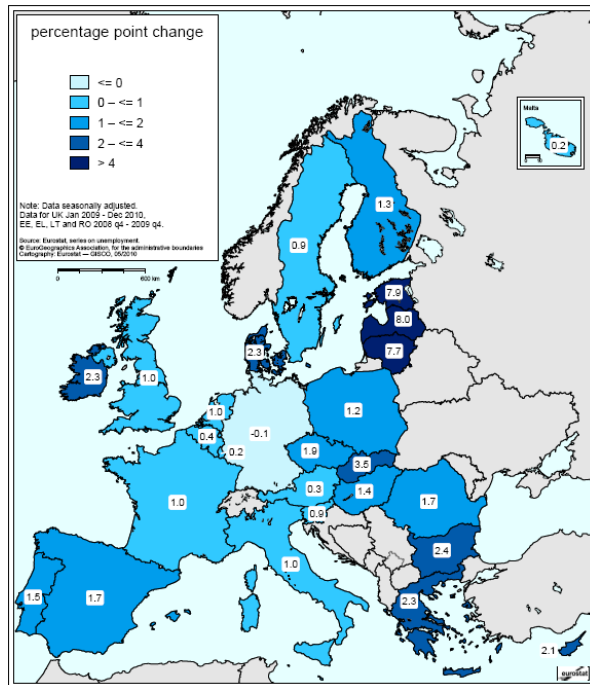
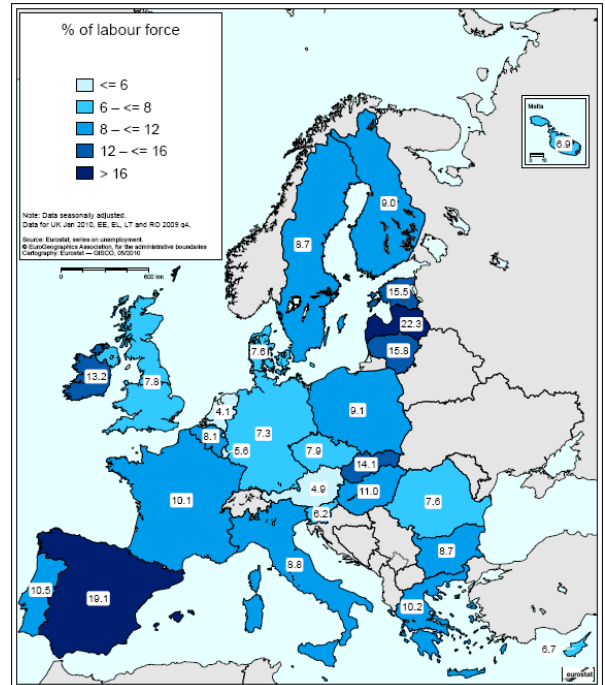


Chart 6: Unemployment rates, March 2010



Among the other Member States, the unemployment rate continued to rise steeply only in Latvia (0.7 pps) and in Lithuania (1.6 pps over the fourth quarter of 2009). It also rose in Cyprus (0.3 pps), picked up after showing signs of stabilisation in Portugal (0.2 pps), rose in Slovenia after four successive months of decreases, and in Belgium after four flat months. On the other hand, the rate has been stable for two months in Slovakia, it remained unchanged in Austria, the Czech Republic, Denmark and Luxembourg, and it fell in Hungary, Malta and Sweden (Chart 4).

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

Due to the large increases in the first part of last year, the unemployment rate in March was still higher than a year ago in all Member States except for Germany, but the year-on-year differences have been declining.

Of the larger Member States, Spain recorded the steepest year-on-year increase in its unemployment rate (up 1.7 pps) to 19.1% in March (equivalent to 4.4 million unemployed), the second highest unemployment rate in the EU after Latvia. In Poland, the rate also increased by a significant 1.2 pps on March 2009, to 9.1% (1.6 million unemployed). Over the year to March (January in the case of the UK) the rate increased by 1 pps in other larger Member States: in France to 10.1% (2.9 million unemployed), Italy to 8.8% (2.2 million unemployed) and the UK to 7.8% (2.4 million unemployed). The unemployment rate has remained broadly stable (with declines in some

months) in Germany, and consequently for the first time in a year the rate, at 7.3% (equivalent to 3.2 million unemployed), is lower (by 0.1 pps) than a year ago, confirming the continued resilience of Germany's labour market to the economic crisis.

Of the remaining Member States, the sharpest rise in the unemployment rate over the year was in the Baltic States (by 7.7-8 pps), with Latvia recording the highest rate in the EU (22.3%), and Estonia and Lithuania rates of around 15.5%, while in Austria, Belgium, Luxembourg and Malta the rise was a less marked 0.2-0.4 pps. Unemployment rates were also high in Ireland and Slovakia (more than 13%), but remained low in Austria, Luxembourg and the Netherlands (4.1-5.6%) (Charts 4, 5 & 6).

Youth unemployment has broadly stabilised over the last six months...

The labour market for youth has shown some signs of stabilising since last autumn, as youth unemployment has actually declined by 50 000 since September (due to declines from October to December), while increases, driven by rises in unemployment among young women, were registered only in January and February. In March, unemployment declined by a modest 6 000 (0.1%). At a seasonally adjusted 5.3 million (5.4 million non-seasonally adjusted), it was still up by 231 000 (4.5%) compared to March 2009, and by a third (1.3 million) compared to the low in spring 2008 (Chart 2).



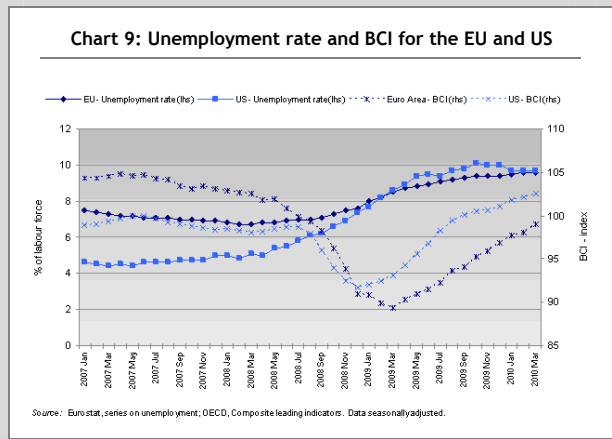
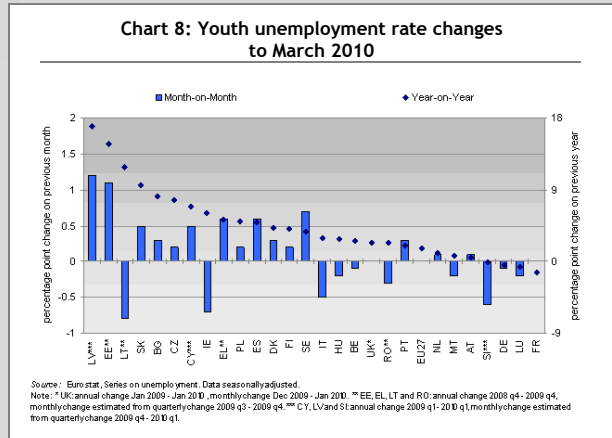
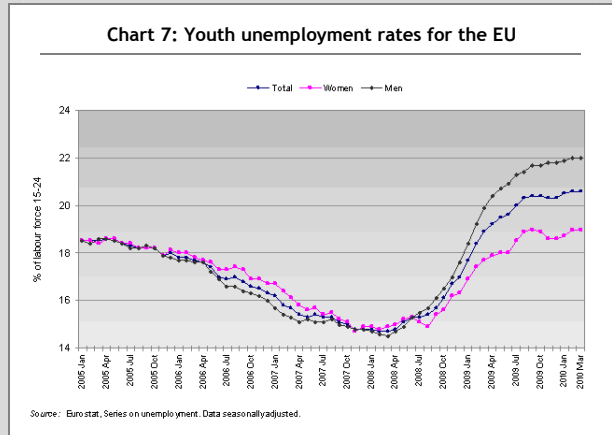
The marked increase in the youth unemployment rate since spring 2008 has been driven mainly by a very sharp rise in unemployment for young men, who have accounted almost for 70% of the increase. However, since autumn last year young women have dominated both in increases and decreases of unemployment. Overall, young people account for almost one-fifth (18.4%) of the total increase in unemployment since 2008, although their share of total unemployment decreased slightly from around 25% in 2008 to just above 23% in February 2010.

... nevertheless the unemployment rate for young people has been pushed to a historical high

The youth unemployment rate has increased by just 0.3 pps during the half-year since August, when it ceased its rapid rise. After stabilising or decreasing from October to December, the unemployment rate picked up by 0.2 pps in January and by a more limited 0.1 pps in February, and stabilised at 20.6% in March, up 1.7 pps on March 2009 (Chart 7). The youth unemployment rate has always been significantly higher than the rate of adult unemployment, but the relative situation of young people has become even worse during the downturn. Indeed, the unemployment rate for young people picked up sharply (by 5.9 pps) from 14.7% in March 2008, while the rate for adults rose by a more limited 2.6 pps from its low of 5.7% in spring 2008 to 8.3%.

Rises in the youth unemployment rate have eased in most Member States. Only Latvia recorded a notable rise in the first quarter of 2009 (up 3.7 pps over the quarter), while Spain and Sweden recorded increases higher than 0.5 pps in March, and Estonia, Greece and Latvia recorded a steep increase in the fourth quarter of 2009. The rate recently remained unchanged in France and the UK, and declined in 10 Member States, including Germany, Ireland, Italy and Lithuania.

Compared to the situation a year ago, the youth unemployment rate is higher in most Member States. Of the larger Member States, in March, Poland and Spain recorded the highest year-on-year rise in the rate (around 5 pps), followed by Italy (2.9 pps) and the UK in January (2.4 pps), while the rate declined in France (down 1.3 pps) and Germany (down 0.4 pps). Among the remaining Member States, over the year to the fourth quarter of 2009/March 2010 the youth unemployment rate rose most steeply (by around 12 pps or more) in the Baltic States, while the rises were modest (around 1 pps or less) in Austria, Malta and the Netherlands, and the rate declined in Luxembourg and Slovenia. As a result of the strong deterioration in their labour market situation, the unemployment rate among young people now exceeds 30% in Estonia, Lithuania and Slovakia, and is now more than 40% in Latvia and Spain (Chart 8).



Recent improvements on the US labour market have brought the unemployment rate there down to around the EU level

A faster and stronger economic recovery and higher business confidence (BCI²) have benefited the labour market in the US since last autumn. The unemployment rate in the US has probably peaked already, it remaining stable in February and March after a marked fall by 0.3 pps in January, thus narrowing the gap between the US and EU



unemployment rates to 0.1 pps, down from 0.7 pps in October (Chart 9).

Nevertheless, the overall impact of the recent crisis on the labour market in the EU still remains more moderate than in the US. Unemployment in the US more than doubled (up by almost 130%) from the low of spring 2007, while it increased by 45% in the EU on the recent trough in spring 2008. By March, the unemployment rate in the EU had risen to 9.6%, up 2.9 pps compared to the low in March 2008, while in the US it had increased by a more substantial 5.7 pps compared to May 2007 to 10.1% in October before falling to 9.7% in January. 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, decreased significantly in April...

Consumers' perception of the general economic outlook and expectations regarding the level of unemployment in the year ahead improved significantly in March. Fears of unemployment, broadly on a downward trend since April 2009, fell steeply (by 8.6 points) to end up some 34 points below the peak in March 2009 (Chart 10).

At EU level, the improvement in the March unemployment outlook was driven by recovery in all larger Member States. Fears over unemployment eased for a third month by a solid 19.6 points in Germany, faded further in Poland (down 2.7 points) following five months of continuous improvement, and declined significantly in Italy (7.6 points), Spain (5.3 points), France (4 points) and the UK (4 points).

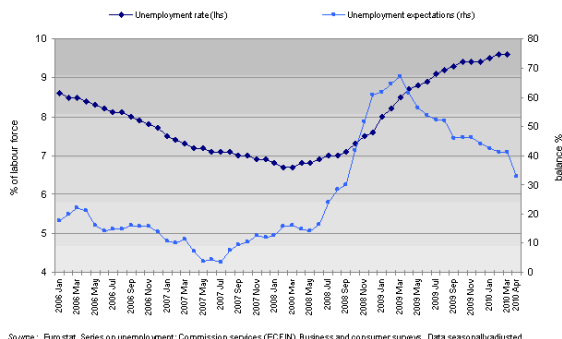
Though unemployment fears at EU level have been easing over the year, unemployment has only just started to show some tentative signs of stabilising, and it remains uncertain when the effects of the fragile improvement in economic activity and confidence will feed through more strongly to the labour market.

... while firms' employment expectations continue to improve, and are set to return to a positive net balance in services ...

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). Consequently, expectations are now substantially better than during the lows of spring 2009 and have recently approached a zero net balance in the service and retail sectors. However, they remain pessimistic in the industry and construction sectors.

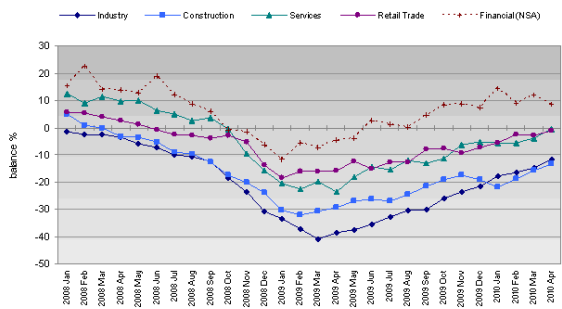
In April employment expectations picked up significantly in industry (by 3.2 points) after more sluggish increases over the previous two months, while

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).

in construction they gained more modestly (by 2.4 points) for the third month in a row, after deteriorating during the winter. Nevertheless, the outlook for new jobs in industry and construction remains negative on balance and the least optimistic of all the main sectors.

Expectations in the services sector, which remained stable at the beginning of the year, rebounded in March and gained another healthy 3.2 points in April, while they rebounded (by 1.6 points) in the retail trade sector after weakening in March. Consequently, the employment outlook looks set to shortly return to a positive net balance in those two sectors. In the financial sector, the already positive net employment outlook lost 3.5 points following a similar increase in February, but remains positive on balance (Chart 11).

Labour demand continues to stabilise or improve in some Member States, recovering to the levels of a year ago...

The job vacancy rate for the EU, which bottomed out in mid-2009, improved in the fourth quarter of last year, and at 1.4% narrowed the year-on-year fall to 0.3 pps, thus confirming the relative improvement in demand for new workers. Among the larger Member States for which data is available, vacancies improved



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in the fourth quarter in Germany and the UK but were, at 942 000 and 449 000 respectively, still down by 148 000 (14%) and 80 000 (15%) on a year earlier.

Official sources in Germany confirm the relative improvement in demand for labour over recent months, with levels exceeding those of a year ago. In Germany, the Federal Employment Agency's job index (BA-X)³ has been edging upwards since last summer, and in April it picked up by a strong 7 points to 147 points, widening the positive gap on the previous year's level to 17 points. The index is now at the level reached in the initial phase of the previous economic upturn in spring 2006. However, labour demand is expected to expand more moderately than in the previous upswing, reflecting the impact of the currently widespread use of short-time working arrangements. The number of registered vacancies (which account for 50% of the vacancies underlying the index), at around 517 000 in April, was for the first time up 22 000 (4%) on a year earlier.

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

Recent data from Eurociett⁴, generally covering February/March, continues to show an improvement in workplace activity through temporary work agencies, a leading indicator of recovery in the labour market. The number of hours invoiced by private employment agencies has approached the levels observed a year earlier in all countries except the Netherlands. The year-on-year rises in invoiced hours ranged from 3-6% in Italy, France and Belgium to 11-13% in Germany and Spain, while invoiced hours were still down by 6% in the Netherlands on a year earlier (Chart 12). In the UK, agencies showed strong growth in short-term staff appointments for March, reaching its best level for 34 months, driven by a boost in demand and increased workload at client businesses.

2. Restructuring trends

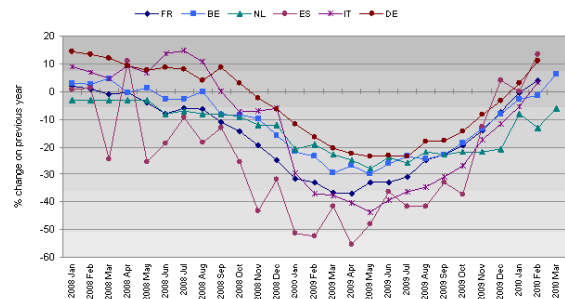
The situation in EU labour markets in response to the economic downturn has been reflected in European Restructuring Monitor (ERM) data collected by the European Monitoring Centre on Change⁵

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

There was reduced restructuring activity reported on the European Restructuring Monitor (ERM) in April 2010, in line with a continued downward trend. There were only 11 064 job losses announced during the month, less than half of the total job losses announced in the previous month (Chart 13).

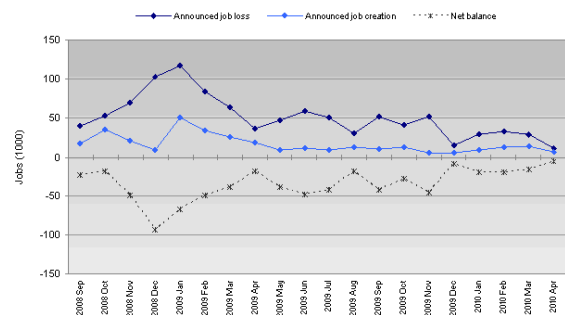
In April, there were 35 new cases of employers reporting restructuring-related job losses, and 22 new cases of restructuring-related job gains.

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



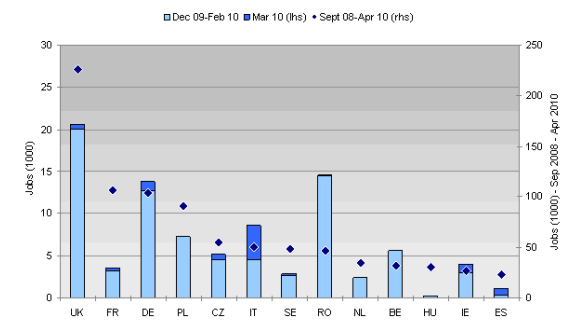
Source: Eurociett. Note: Hours worked defined as sum of all hours invoiced by all private employment agencies to all user companies. For IT number of remunerated working days, for DE number of agency workers.

Chart 13: Announced job losses and creation for the EU



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

Chart 14: Announced job losses for selected Member States



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

... with most of the recent job losses announced in Italy and Germany

The largest number of announced job losses in April were in Italy (4 087 jobs), followed by Germany (1 070 jobs), Ireland (1 000 jobs) and Spain (819 jobs) (Chart 14).



Manufacturing and Transport were the sectors most affected by announced restructuring job losses...

In April 2010, manufacturing accounted for 4868 announced job losses in the ERM. Since September 2008, the ERM has recorded 495 302 announced job losses in manufacturing, almost half of total losses. Transport and communication was the other sector most affected in April, with 2 559 announced job losses. Other significantly affected sectors included Real Estate (1 359 jobs) and Health and Social Work (1 000 jobs) (Chart 15).

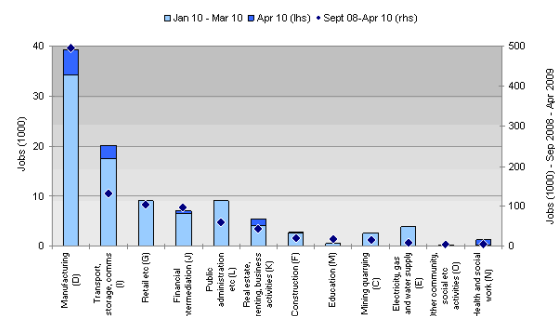
In April, the largest restructuring cases involving job loss were in:

- Manufacturing: Mahle (DE, 800 jobs), OP Prostějov (CZ, 600 jobs), Danish Crown (DK, 580 jobs).
- Transport/Communication: Telecom Italia (IT, 2 200 jobs), Interattica (GR, 214 jobs).
- Real Estate/Business Activities: Teleperformance (IT, 1 000 jobs)
- Health and Social Work: Health Service Executive (IE, 1 000 jobs).
- Financial intermediation: Unnim (ES, 530 jobs).

In April 2010, the ERM registered over 1 200 job losses in food manufacturing. In Denmark, the abattoir Danish Crown announced the cutting of 580 jobs, in Sweden Milko, a local dairy producer, announced plans to cut 100 jobs in northern Sweden and in Finland the food company Ruokatalo announced plans to cut 200 jobs. In the UK, Northern Foods, a food plant making Chinese ready meals in Swansea, announced it was closing down with the loss of 234 jobs while in France, the mushroom producer France Champignon announced the cutting of 150 jobs with the closure of its canning plant in Beaufort-en-Vallée, Maine-et-Loire. The closure is scheduled to take place in two phases (May-June 2010 and October 2011).

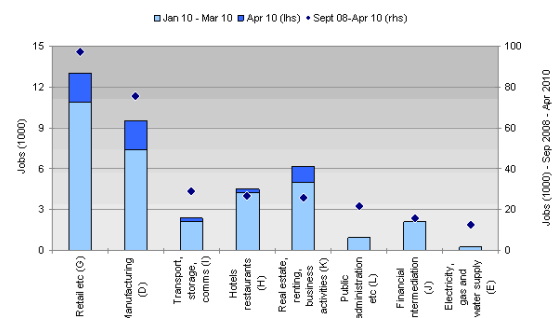
During April, over 1 000 job losses were registered in clothing and textiles manufacturing: in the Czech Republic, OP Prostějov, a clothing manufacturer, announced 300 job cuts at its Prostějov plant and 300 job cuts resulting from the closure of its plants in Jeseník, while Hybler, a textile producer announced the cutting of 116 jobs at its two facilities by the end of June 2010 due to increasing competition from Asian manufacturers. In Greece, Farbetex, a Greek company producing knitted fabrics shut down its operation in Kilkis resulting in 102 job losses. In the textile and clothing manufacturing sector, there were two cases of restructuring related job losses in lingerie manufacturing: French lingerie manufacturer Lejaby announced plans to cut 197 posts across France as it closes three factories, and Playtex, a company belonging to the multinational Dim Branded Apparel, announced it would be closing its plant in Pomezia, in the province of Rome, on 10 June with the loss of 120 jobs.

Chart 15: Announced job losses for the EU



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

Chart 16: Announced job creation for the EU



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

In the auto manufacturing sector the ERM registered only two cases of restructuring related job losses, accounting for almost 1 000 job cuts, in Germany and Spain. The automotive supplier Mahle announced it would cut around 800 jobs in Germany. The cuts are part of a restructuring programme to dismiss 1 400 workers in Western Europe as the company seeks to counter a steep decline in sales due to the economic crisis. Remaining Mahle employees in Germany are to work short-time in the second quarter of 2010. In Spain, Nissan announced that it would present a redundancy plan to shed 150 workers and reduce the payroll from 650 to 500 workers: 85 through early retirements and 65 through voluntary measures.

In the post and communication sector, Telecom Italia, the leading Italian telecommunications company, announced its 2010-2012 reorganisation plan envisaging 2 200 job-cuts by the end of 2012. According to the company, the redundant workers could benefit from economic incentives for voluntary dismissals and other measures in order to avoid direct lay-offs. In Greece, Interattica, one of the biggest courier companies in the country, has closed down, with the loss of 214 jobs. In the transport sector, BDR Logistics Ltd, a UK-based logistics company, stopped trading on 17 April 2010, with the loss of 145 jobs.



... while Retail and Manufacturing accounted for the majority of business expansion

Of the 6252 new jobs announced during April 2010, 2122 new jobs were in retail and 2120 in manufacturing (Chart 16).

Since September 2008, retail (97236 jobs) and manufacturing (75473 jobs) have been the sectors to benefit the most from announced job creation. Together, they account for over half of all new announced jobs on the ERM.

In April, the biggest cases involving job gains were:

- Retail: Kaufland (RO, 500 jobs), Kika (RO, 400 jobs), Fielmann (DE, 400 jobs).
- Manufacturing: AU Optronics (SK, 1 300 jobs).

3. Economic context and outlook

ECONOMIC SITUATION

Economic activity in the EU continues to improve, though at a slow pace...

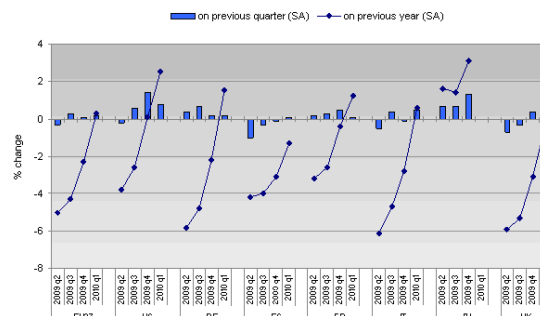
The EU has been out of recession since mid-2009, with global recovery supporting a revival in demand for EU goods and services. Nevertheless, as the impact of temporary factors starts to fade, the recovery remains fragile; economic output picked up by 0.3% in the third quarter of 2009, but increased by a mere 0.1% in the fourth, and is estimated to have risen by 0.2% in the first quarter of this year. As a result, economic activity at the end of 2009 was still down by 2.3% on a year earlier, but is estimated to be up by 0.3% in the first quarter of 2010 compared to a year earlier (Chart 17).

In the US, economic output strengthened, picking up by 0.6% during the third quarter, by a solid 1.4% in the fourth, and by 0.8% in the beginning of this year. As a result, economic output in the first quarter of this year was 2.5% higher compared to the level a year earlier.

... and growth has resumed in most Member States and is up on a year earlier in several

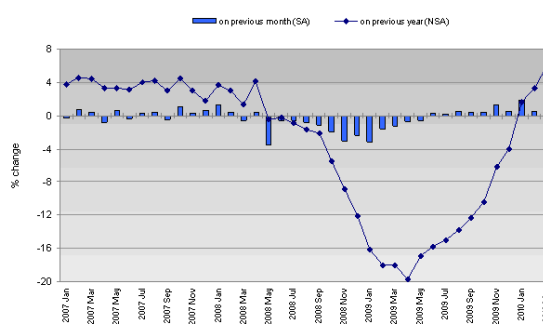
Within the EU, most Member States have returned to positive growth. All the larger Member States had posted positive growth by the first quarter of 2010. Economic activity in France and Germany has been improving since mid-2009, though growth lost momentum recently to 0.2% and 0.1% respectively in the first quarter of this year, while the UK has posted positive growth over the last two quarters. In the first quarter of 2010, output rebounded in Italy (up 0.5%) after falling back at the end of last year, and finally improved slightly in Spain (0.1%). Of the remaining Member States, for which data for the first quarter of 2010 is available, economic output declined significantly in Lithuania and Estonia (by 4.1% and

Chart 17: GDP growth for the EU and larger Member States



Source: Eurostat, National accounts.

Chart 18: Industry production for the EU



Source: Eurostat, Short-term business statistics.

2.3% respectively), but, in contrast, expanded most in Hungary, Slovakia and Portugal (by 0.8% or more).

As a result of recent improvements, economic activity has recently been up compared to a year earlier in several Member States, including France, Germany, Italy and Poland. However, Bulgaria, Latvia, Lithuania and Romania continue to record steep declines, although lower than in previous quarters.

Industrial production in the EU has improved markedly, and is significantly higher than a year earlier...

Economic recovery in the EU has been strongly supported by improvements in industrial production. After continuous steady expansion over the second half of last year and with an especially healthy rise of 1.3% in November, industrial output continued to increase strongly this year, particularly in January (up 1.6%) and in March (up 1.2%) (Chart 18).

The improvement in industrial production in the EU over the last year or so has resulted from mixed contributions of larger Member States in different months. In March, the significant improvement in EU industrial output reflected strong increases in Germany (2.6%), Poland (2.3%), Spain (2.1%) and the UK (2%) and a more modest rise in France (1%), while



output remained broadly unchanged in Italy. At EU level, output improved across all goods, except for a flattening in output of durable consumer goods and a decline in energy.

Following eight months of improvement, year-on-year growth in industrial production in the EU finally turned positive in January and strengthened in March, with output up 6% compared to 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 continued to improve slowly, and remained significantly higher than a year ago...

New orders for industry in the EU have been broadly improving for a year now, and after a strong rise in November, they expanded over the following months by 0.9%, 0.3% and 1.2% respectively (Chart 19). A strong rise in new orders for intermediate goods and durable consumer goods, together with more modest increases in orders for capital goods more than compensated for a drop in orders for non-durable consumer goods. Underlying this was a significant pick-up in Italy and a sustained improvement in the UK, together with a more limited rise in Germany after a rebound in the previous month, and some revival in Spain, which offset falls in France and Poland.

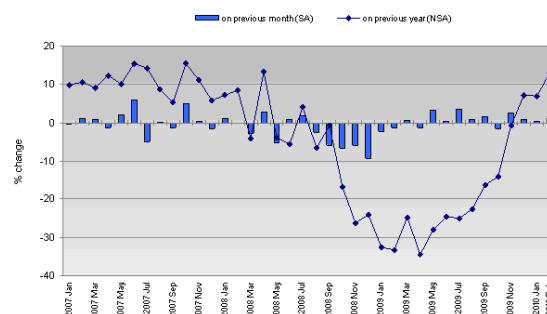
As a result of continuous rises since mid-2009, year-on-year growth in industrial new orders in the EU, which eventually turned positive in December, picked up to a solid 12.9% in February. This improvement resulted from positive growth in all the larger Member States, except for France, and especially from significant improvements in Germany and the UK compared to a year earlier.

... while construction output declined in January and February ...

While industry has been undergoing a consistent recovery, production in the construction sector has continued to deteriorate for almost two years now. Overall output in construction declined significantly, partially because of bad weather, in January (1.1%) and February (3.1%), with the drop in February being the steepest for a year (Chart 20). The deterioration at EU level in January resulted from a steep decline in construction in Germany, Poland and Spain, while in February a significant further drop in construction output in Spain (down 6%), together with more limited falls in Poland (2.3%) and France (0.6%), more than offset a slight recovery in Germany (up 1%) and continued limited expansion in the UK (up 0.3%).

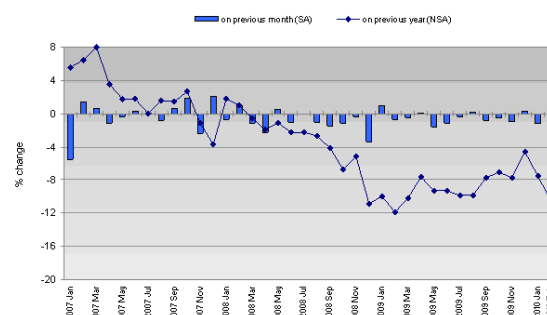
For the EU as a whole, year-on-year growth in construction output dropped again to -10.5% in February, almost down to the lowest level observed at the beginning of 2009 when the crisis gained momentum. This decrease in output, compared to a year earlier, reflected steep declines in Germany, Poland and Spain, together with a more limited fall in

Chart 19: Industrial new orders for the EU



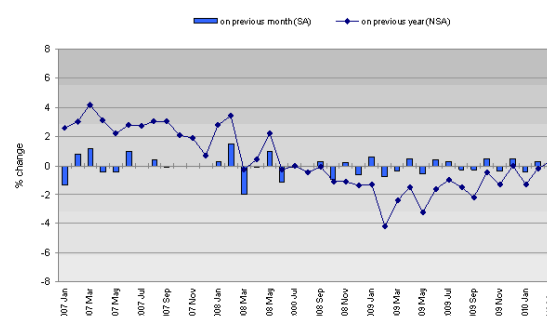
Source: Eurostat, Short-term business statistics.

Chart 20: Construction production for the EU



Source: Eurostat, Short-term business statistics.

Chart 21: Retail trade turnover for the EU



Source: Eurostat, Short-term business statistics.

France, while year-on-year growth continued to be positive in the UK.

... and retail trade turnover remained stable in March

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. The recent monthly changes in retail trade turnover have generally been volatile; turnover decreased in



January by 0.5%, only to increase again in February by 0.3% and to remain stable in March. Underlying the March EU figure, a rebound in retail trade turnover in Poland (2.4%), together with more limited further increases in France, Spain and the UK (0.6-0.8%) offset a decline in Germany (2.4%).

Consequently, year-on-year growth in retail turnover finally turned positive in March, up 0.3% compared to March 2009, driven by improvements in Spain and the UK (Chart 21).

OUTLOOK

Economic confidence in the EU has returned to its long-term average ...

Economic sentiment in the EU started signalling the bottoming-out of the economic downturn and a recent return to growth almost a year ago. After a year of uninterrupted improvement, the EU Economic Sentiment Indicator (ESI) rose again in April by 2.1 points to 101.9 points - above its long-term average (Chart 22).

This improvement at EU level in April reflected improvements in all the larger Member States, except for flat sentiment in Poland, and with the most significant pick-up in sentiment in Germany (by a further 4.3 points). Consequently, economic confidence in the EU returned to its long-term average in Germany, France, Poland and the UK (and stayed close in Italy); however, it remains 7.4 points below its average in Spain.

The trend in the ESI closely reflects sentiment in industry, which, driven by substantially better order books, improved by a solid 2.3 points and is rapidly approaching a zero balance. Confidence in construction improved by a more modest 1.7 points but, due to the relatively slow improvement since bottoming out in spring 2009, remains the lowest among all sectors.

Sentiment improved in services (by 2.9 points) and regained momentum in retail (4.6 points), reaching a positive balance in the former and a zero balance in the latter. Consumer sentiment recovered slightly (by 1.6 points), as fears of unemployment eased. Confidence in the financial sector, which is not included in the ESI, has generally been flat since last summer, but rose significantly in April and remains highest among all sectors.

... and the OECD's leading indicator for Europe continued to recover, exceeding the long-term average...

The OECD's Composite Leading Indicators (CLI) for the EU started to pick up strongly about a year ago and are now pointing 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 have continued to improve over recent months, albeit at a slightly slower pace than the marked

Chart 22: ESI and confidence indicators for the EU

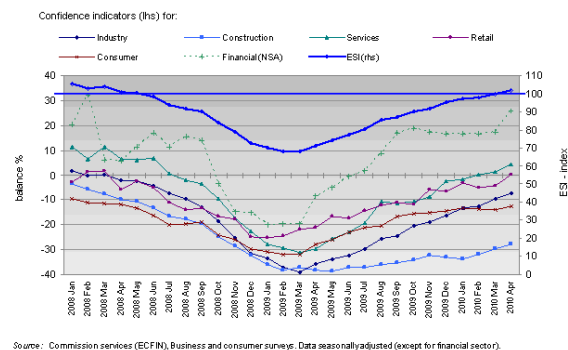
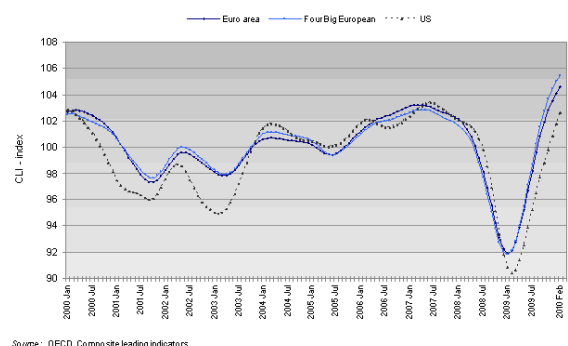


Chart 23: Composite leading indicators for the EU and US



upturn between spring and autumn last year. In February, the CLI rose by 0.5 points in the euro area and 0.4 points in the group of the four largest EU Member States, reaching 104.6 and 105.5 points respectively. It also rose by a higher 0.9 of a point to reach 102.7 points in the US. While the US has recorded an increase of 12.2 points over the year to February, the CLIs for the two European groupings have recovered by 12.5 and 13.4 points respectively, compared to a year earlier (Chart 23).

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

According to the latest European Commission spring economic forecasts, the fragile economic recovery underway in the EU continues to face headwinds from several directions. On the positive side the EU economy is likely to benefit from a stronger-than-expected turnaround in the global economy, most notably in emerging Asia. Opposing this are incomplete balance-sheet adjustments in several sectors/countries, factors such as weakness in the labour market which is likely to restrain domestic demand for years to come, and a continued high level of uncertainty regarding global imbalances and financial markets.



Overall, EU GDP growth is expected to remain rather subdued during the first three quarters of 2010, on average, and to regain ground only by the end of the year. This follows from, in particular, the fading impact of temporary support that kick-started the recovery. An annual growth rate of about 1.0% is forecast for this year, while for 2011, GDP growth is expected to accelerate to 1.7%. 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, while firms' mounting need to improve profitability and productivity suggests that any further adjustment in the labour market will weigh more heavily on headcount than hours. Employment is expected to contract by 0.9% this year, leading to a further rise in the unemployment rate, which is set to average 9.8% for the year as a whole. The relatively limited labour market adjustment so far, reflecting a higher degree of labour hoarding during this recession which helped stem the rise in unemployment, suggests a rather jobless recovery and (potentially persistent) high unemployment ahead. For 2011, the forecast for job growth is only 0.3%, with the unemployment rate remaining at 9.7%, only marginally down on 2010. 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.

Given these forecasts, there is still a need to support the labour market and short-term aggregate demand until recovery has taken a firmer hold. Key challenges for the EU and its Member States are linked to the balance and sequence of crisis exit strategies, such as the timing of withdrawal of major policy measures. This will be crucial in supporting further economic growth and employment. Moreover, a high priority should be assigned to minimizing the persistence of difficult labour market conditions during the recovery and beyond. This increases the need for labour market policies to prevent long-term unemployment, and to help individuals remain in the labour force and find a job.



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 Bulgaria, Greece, Ireland, Poland, Portugal, Romania and Spain. Priority has been given to the most recent reports and forecasts (dating from March to early May 2010) from reliable sources at country level, which is complemented by relevant data from Eurostat.

Bulgaria

According to the latest Labour Force Survey (LFS) data, the total number of employed persons in Bulgaria aged 15-64 was 3.2 million in 2009 and the employment rate stood at 62.6%, down 1.4 pps on the previous year. Unemployment hit 238 000 people in 2009, up by 19.2% compared with 2008. Consequently, the unemployment rate increased by 1.2 pps in the same interval to 6.8%, hitting men hardest (+1.5 pps, compared to +0.8 pps for women). In the fourth quarter of 2009 the number of unemployed was 272 800, giving an unemployment rate of 7.9%, according to the LFS. Compared to the same quarter of 2008 that number was up by 95.1 thousand and the unemployment rate increased by 2.9 pps (+ 3.5 pps for men and +2.3 pps for women). For the period concerned the number of long-term unemployed rose by 24.2% to 117.6 thousand, accounting for 43.1% of all unemployed.

In March 2010, the unemployment rate stood at 8.7%, 0.9 pps below the EU average (9.6%), but up 2.4 pps on March last year. The situation of young people is more worrying, as nearly one in four economically active Bulgarians under the age of 25 (22.5%) was unemployed in March, well above the EU average (20.6%) and 8.2 pps higher than a year earlier. Looking at the annual figures, the rise in unemployment clearly affected male workers more, as their unemployment rate climbed from 6.3% to 9.5% between March 2008 and March 2009, while the female unemployment rate rose from 6.2% to 7.9% in the same interval.

Transitional restrictions imposed on Bulgarian workers by nine EU Member States as regards the fundamental principle of free movement of labour are set to be lifted soon. This would have an obviously positive impact on Bulgaria's labour market too, as it would help to bring down unemployment.

According to the Commission's Spring 2010 European Economic Forecast (EEF), Bulgaria's GDP contracted by 5% in 2009 and is forecast to remain unchanged in 2010, before growth picks up to 2.7% in 2011, as both private consumption and investment gather pace. The volume of retail sales, excluding motor vehicles, declined by 12.4% year-on-year in February and by 12.9% in January, following a 5.5% year-on-year decline in the fourth quarter of 2009. In this context, the budget deficit grew from 1.9% of GDP to 3.9% in 2009. In April the

government responded by adopting austerity measures to bring the 2010 budget deficit under control. These include the privatisation of infrastructures such as airports, railway stations and harbours. According to the EEF, unemployment should peak this year, at 7.9% of the active population, before decreasing to 7.3% in 2011.

Greece

According to the National Statistical Service of Greece (ELSTAT), the unemployment rate was 10.2% in the fourth quarter of 2009, up 2.4 pps on the corresponding quarter of 2008. The female unemployment rate (13.9%) is almost double the male rate (7.6%), while the share of long-term unemployed in total unemployment is 43.3%. The youth unemployment rate, at 27.5% in the same period, is well above the EU average and close to levels recorded in early 2004 (more than 28%). More recently, according to ELSTAT, Greece's unemployment rate reached 11.3% in January 2010, or 1.9 pps higher than in January 2009. This is the highest rate recorded in the last six years in Greece. The number of employed persons stood at 4.4 million in January while the unemployed amounted to 567.1 thousand.

Many sectors remain fragile, including the tourism industry. According to ELSTAT, the number of incoming foreign visitors dropped by 6.4% in 2009, compared to 2008. This industry accounts for nearly 18% of Greece's GDP and employs directly and indirectly some 850 000 people, i.e. roughly one-fifth of the country's workforce, according to the government.

Confronted with an unprecedented financial crisis and on the verge of default (Greece's current account deficit doubled in the twelve months to February 2010), the government has taken austerity measures to reduce the public deficit from 13.6% of GDP last year to 8.1% in 2010 and 7.6% of GDP in 2011, while the public debt is expected to rise further from 115% in 2009 to 133% and 145% of GDP in 2010 and 2011 respectively. On 1 May, the governments of the euro area and the IMF decided to grant Greece a € 110 billion loan facility, conditional on Greece's commitment to save € 30 billion over three years. The severe austerity measures taken by the government include increasing revenues by raising taxes and cutting spending, for example through freezing private and public pensions, among other things.

According to the Greek government, after contracting by 2% in 2009 GDP is forecast to fall by 4% in 2010 and by slightly less in 2011 (-2.6%) before the economy picks up in 2012 (+1.1%). This is partly confirmed by the Commission's EEF, which predicts a contraction of 3% in 2010 but a smoother decline in 2011 (-0.5%). In 2010, according to the Bank of Greece, the unemployment rate could reach 11%. According to the EEF, this might grow again in 2011, to 13.2%.

Ireland

According to the Central Statistics Office (CSO), the seasonally-adjusted live register which includes part-time workers (those who work up to three days a week), seasonal and casual workers entitled to Jobseekers



Benefit or Allowance increased to 433 000 in March 2010, up 600 on February. In the year to March the unadjusted increase amounted to 66 000 (+17.9%). The standardised unemployment rate in March was 13.4%. This compares with 13.1% in the fourth quarter of 2009. Between October and December 2009, there were 281.7 thousand unemployed in Ireland.

Ireland's unemployment rate rose again above the 13% mark in January 2010, to 13.1%. It was 13.2% in March, i.e. 2.3 pps higher than a year before. This level is twice as high as in mid-2008, before the economic crisis hit the labour market. Although the youth unemployment rate seems to have stabilised at 27.9% in March 2010, i.e. 1 pps down on January 2010 (when it peaked at an unprecedented level), it is still worrying, as this percentage is 7.3 pps higher than the EU average. It also means that young people are hit twice as hard by unemployment as the entire population in Ireland. Men have been hit hard as well, since their unemployment rate rose by 3 pps to 16.7% in the year to March 2010, while the female unemployment rate edged up, by 1.7 pps, to 8.9%.

The first CSO estimates of GDP for the year 2009 point to a shrinking of Ireland's economy, the first one in the euro area to enter recession in 2008, by 7.1% compared to the previous year. This is the largest decline in output ever recorded in a single year. The fall between the fourth quarters of 2008 and 2009 amounted to 5.1%, as a result of falling consumer spending, contracting capital investment, declining industry output, partly offset by a higher net export balance. Ireland's economy is expected to contract for a third consecutive year in 2010 (-0.9% according to the Commission's EEF), before a slow and gradual recovery takes hold in 2011.

Despite a sharp upward revision of its 2009 deficit to 14.3% of GDP, Ireland is sticking to its plan to bring its budget deficit into line with EU rules by 2014. The budget deficit is forecast to widen further in 2010, before declining gradually. Last December's austerity budget, which cut social welfare and the pay of all public servants, was primarily aimed at tidying up the public finances. In this context, unemployment is expected to peak at 13.8% in 2010 before declining next year.

Poland

According to LFS data released by the Central Statistical Office, unemployment in Poland rose between the fourth quarters of 2008 and 2009. Compared to the third quarter of 2009, the number of unemployed grew by 4.8%, while the employed and economically inactive did not change substantially (respectively -0.9% and +0.7%).

Poland's unemployment rate has grown moderately since the fourth quarter of 2008. It reached 9.1% in March 2010, up 1.2 pps on March last year. Such a percentage has not been attained since the third quarter of 2007 (9%) although it remains low compared to the nearly 21% recorded in the first quarter of 2004, just before the country joined the EU. But youth unemployment does not seem to be decreasing, as it climbed to 23.6% in March, up 5 pps on the same month in 2009. Such a level had not been seen since the first quarter of 2007 when it peaked above the 25% mark. Unemployment has hit males hardest, since their unemployment rate went up by 1.7 pps from March 2009 to March 2010, to 9%, while the

female unemployment rate rose by 0.5 pps, to 9.2%. Consequently, the unemployment gender gap has almost disappeared.

Poland's economic performance in 2009 was strong, given the worldwide downturn. It is the only EU country to have avoided recession last year. In 2009 its economy expanded by 1.7%, helping to avoid deep job cuts. Macroeconomic policy responses to the global slowdown were largely appropriate, and the sharp depreciation of the zloty cushioned the impact of the foreign shock, but contributed to the postponement of euro adoption. The slowdown even cooled off residual inflationary pressure, while the swift turnaround in wages helped limit job losses.

According to the Commission's EEF, real GDP growth is forecast to pick up to 2.7% in 2010 and 3.3% in 2011, as domestic demand recovers. Contained wage growth and tightening of monetary policy will allow annual average inflation to fall in 2010-11 from 3.5% in 2009. The budget deficit is forecast by the Polish government to remain stable in 2010, slightly below 7% of GDP, compared to last year (7.1%), and public debt should not exceed 55% of GDP this year.

According to the latest Manpower Employment Outlook Survey, employers forecast steady headcount growth in Poland during the second quarter of 2010. With 20% of employers expecting staff levels to increase, 7% anticipating a decrease and 71% predicting no change, the net employment outlook stands at +13%. Hiring intentions are a considerable 9 pps points stronger in comparison to the previous quarter. Nevertheless, according to the EEF Poland's unemployment rate is expected to edge up to 9.2% this year and to 9.4% in 2011.

Portugal

According to Statistics Portugal, unemployment hit 563.3 thousand people in the fourth quarter of 2009, on a total employed population of 5 million workers. The unemployment rate is estimated at 10.1%, up 2.3 pps on the corresponding quarter in 2008 and 0.3 pps on the third quarter of 2009. The increase in the number of men unemployed accounts for 60.9% of the overall increase in unemployment. Most of the newly unemployed come from the following sectors: the mining and quarrying industry, manufacturing, electricity, gas and water supply, the construction sector and services. The participation rate of the working age population was estimated at 61.8% (56.2% for women and 68% for men) in the fourth quarter of 2009, down 0.5 pps over the same period.

In March 2010, Portugal's unemployment rate reached 10.5%, up 1.5 pps on the same month a year ago. This is double the percentage recorded in mid-2002. The change affected both female and male workers, as their unemployment rates rose respectively by 1.6 and 1.3 pps in the same interval, to 9.9% and 11.2% in March 2010. The youth unemployment rate has also doubled since mid-2002, reaching 21.4% in March 2010.

GDP contracted by 2.7% in 2009 (private and public consumption were the only GDP components to record quarter-on-quarter growth in the fourth quarter) and is expected to pick up only moderately in both 2010 and 2011, by respectively 0.5% and 0.7% according to the



Commission's EEF. The fiscal consolidation strategy, designed to bring the budget deficit down from 9.4% in 2009 to 8.3% - possibly 7.3% - this year and below 3% of GDP by 2013 through a combination of expenditure restraint (e.g. civil servants' wage freeze) and revenue-raising initiatives, will weigh heavily on all domestic demand components. In this context, the unemployment rate is forecast to peak at 9.9% this year and to remain unchanged in 2011.

Romania

Romania's unemployment rate reached 7.6% in the fourth quarter of 2009, a level not seen since the beginning of 2006 (7.8%), but still well below the EU average (9.4% in the same period). Non-seasonally-adjusted unemployment remained virtually unchanged in March 2010, when the rate increased by only 0.06 pps on February, up to 8.36%. The main explanation for the unemployment rate becoming more stable is the fact that the private sector has finished most of its restructuring, after making massive personnel adjustments throughout last year, which brought over 300 000 unemployed into the economy in 2009, according to the Ministry of Labour. Moreover, the government expects unemployment in Romania to drop by the end of this year to 7.5%, after registering slight increases in April and May. Wage growth has slowed as a result of annual bonuses being cut.

The youth unemployment rate is stabilising around the 20% mark, standing at 20.4% in the fourth quarter last year, back to levels recorded in the third quarter of 2007. More than 100 000 unemployed people in Romania are younger than 25. According to sociological surveys carried out in the November-December 2009 period, more than 65% of all young people have been unemployed for no more than six months. Most of the unemployed are school-leavers or college graduates and more than half of them have never worked.

According to the National Institute of Statistics, companies' managers expect relative stability in activity in the construction and retail sectors and moderate growth in manufacturing and services for the April-June 2010 period. A slow recovery is expected this year, with real GDP growing by 0.8% in 2010 and 3.5% in 2011, according to the Commission's EEF, after an economic contraction of 7.1% last year, one of the worst declines in the EU.

From 7.2% of GDP in 2009, the government should reduce Romania's public deficit to 6.8% of GDP this year. The government put a vital € 20 billion EU-IMF aid deal back on course earlier this year by promising to cut spending, including reducing wages and pensions, and axing tens of thousands of public sector jobs. The country's public sector employs 1.3 million workers, a third of all jobs. Its payroll swallows 9% of GDP and analysts say the cost is twice as high as it should be. Romania is under pressure from lenders to carry out long-delayed reforms regarded by analysts as critical to chances of convergence with fellow EU members.

Transitional restrictions imposed on Romanian workers by nine EU Member States as regards the fundamental principle of free movement of labour are set to be lifted soon. This would have an obviously positive impact on Romania's labour market too, as it would help to bring down unemployment. In this context, the country's

unemployment rate, after peaking at 8.5% this year, ought to rapidly decline in 2011, to 7.9% (EEF figures).

Spain

Spain's jobless rate topped 20% of the workforce in the first quarter of 2010, its highest level since 1997, according to the Instituto Nacional de Estadística (INE). The number of unemployed increased by 286.2 thousand as compared with the previous quarter and by 602 thousand during the last 12 months, standing at 4.6 million. The same institute estimated that the number of employed persons decreased by 251 800 in the first quarter of 2010, as compared with the previous quarter, standing at 18.4 million, out of a total of 23 million active people. In the last year, employment had fallen by 696.6 thousand. According to recent statistics, 85% of jobs lost were temporary contracts.

Female and male unemployment rates have been more or less the same since February, the former having risen by 1.3 pps to 19.1% from March 2009 to March 2010, and the latter by 2.2 pps to 19.2% over the same period. In the past 12 months, employment for women fell by 105 700, and for men by 591 000, according to the INE. The number of employed persons dropped in all age groups except in the 50-54 group, where it remained practically unchanged.

The decrease in employment figures was most pronounced among the youngest groups. Youth unemployment broke new records (37% in the first quarter of 1998), as it exceeded the 40% mark in February this year, reaching 41.2% in March. This is exactly twice the EU average and more than double the overall Spanish unemployment rate. Many analysts point out that this phenomenon risks halting Spain's growth ambitions in their tracks and leaving a generation of school leavers stuck on the dole, as this worrying figure may not fall fast.

In the first quarter of 2010, the number of households with all active members working decreased by 213 400 to stand at 9.2 million. Over the last 12 months, the number of households in this category decreased by 400 000. The number of households in which all active members are unemployed increased by 230 200 in the last 12 months, to 1.3 million.

Regarding the quarter-on-quarter evolution by activity sector, the number of persons employed in agriculture increased by 52 600, to stand at 835 200. Those employed in industry decreased by 81 100 persons, to a total of 2.6 million. In the construction sector, in the first quarter of the year, a decrease of 139 700 was recorded in the number of employed persons, with employment in the sector standing at close to 1.7 million. Lastly, the number of those employed in services stood at 13.3 million, with a decrease of 83 600. Over the 12-month period, employment fell mostly in construction (-15.9%) and in industry (-10.4%).

Spain's government has pledged to reduce its deficit from 11.2% of GDP in 2009 to 3% by 2013, as it envisages substantial cuts in public expenses, a civil servants' hiring freeze, raising taxes and raising the retirement age from 65 to 67. Spain's overall debt remains low compared to some other EU countries, as it stood at 53% of GDP last year. In this context, after contracting by 3.6% last year,



Monthly monitor

it may be assumed that the economy would stabilise in 2010 (-0.4%) before growing again in 2011 (+0.8%).

To help its economy recover, Spain is to invest billions of euros in rail and road projects. This plan is expected to create thousands of new jobs and boost the economy

struck by the collapse of its construction sector and the effects of the recent international financial crisis. In this context, according to the Commission's EEF, Spain's unemployment rate could stabilise at around 19.7% this year and remain unchanged in 2011.



2. Selected sectoral trends: the other non-metallic materials sector

This section reports on recent developments in the other non-metallic materials sector.

Importance of the sector and trends

The other non-metallic materials sector covers a broad range of industries that convert natural resources (such as silica sand, clay, natural stone and rock) into marketable products. In official statistics the sector is referred to as the 'manufacture of other non-metallic mineral products' (NACE 26 under the Rev.1.1 classification) and includes the manufacture of glass, ceramic materials, bricks, tiles and construction products, concrete, cement, lime and plaster.

Significant differences exist between the various sub-sectors, with sometimes high concentration in basic manufacturing (flat glass, bricks), and a large number of transformers. The glass sector consists of 17 800 companies across the EU (Eurostat, 2008). The European ceramics industry accounts for around 20 000 companies across the EU (Eurostat, 2008), while companies in the cement, concrete, lime and plaster industries number some 1 200 (Eurostat, 2008). The industry for shaping and finishing of ornamental and building stone comprises more than 40 000 SMEs, each of them employing between 5 and 100 workers.

In 2008, the sector's value added was € 82 865 million in the EU (€ 72 816 million in the EU15 and € 10 049 million in the new Member States). The value added of the sector as a whole grew more slowly than the overall EU economy, at 1.19% compared with 2.31% overall in the 1998-2008 period. However, in the new Member States the sector grew faster than the overall economy, at 6.34% compared with 4.60% overall.

There are 'winner' countries, where the sector has boosted its already strong position while gaining competitive advantage: Italy, Greece, Portugal, Spain, the Czech Republic, Estonia, Hungary and Slovakia. These winners are all located in central or south-eastern Europe, where the sector is strong and developing. Beside strong demand from the construction sector, demand also comes in the form of final consumption, for example glass. Natural resources (mines and quarries) are found in the south and the east of Europe. Finland and Latvia are upcoming; Finland also has natural resources of mineral products. The sector is retreating in north-western Europe and losing momentum in Belgium, Austria, Poland and Slovenia. This indicates that competitive advantage is shifting from the west to the east, i.e. from richer countries towards countries that have a smaller GDP per capita, but whose economy has grown faster in recent years. When an economy grows fast, investments in real estate and infrastructure are relatively high and construction and building materials industries thrive.

Recent developments in employment

Overall employment in the EU's other non-metallic materials sector amounted to around 1.7 million people in 2008, equivalent to 0.78% of overall employment and 4.51% of overall manufacturing employment in the EU.

Employment in the sector has been declining almost continuously in recent years, from over 1.9 million in 1995 to fewer than 1.7 million in 2008. Combined with the growth observed in value added, this implies that the sector has exhibited substantial productivity growth. In countries with cheaper labour, like Greece and Spain and many new Member States (Bulgaria, Czech Republic and Slovenia), employment in the sector gained ground. Also in Finland, employment increased. The overall EU decline in employment was influenced by a very sharp decline in the UK (-5.8%) that growing countries were unable to compensate. Beside the UK, employment shrank in north-western European countries like Germany, France, the Netherlands and Denmark, as well as in Lithuania. In terms of its share in EU employment, the sector is strong in Germany, Italy, and Spain. In Spain and Italy the relative share grew, whereas it shrank in Germany, in line with value added developments. The overall picture is that the sector is relatively stable. Countries that already had a comparative advantage and further extended this in recent years are Italy, Spain, Austria, Finland, Bulgaria, Czech Republic and Slovenia.

Looking at the sector in more detail, there are two main groups: construction materials and glass and ceramics. While construction materials showed a slight growth in employment, glass and ceramics witnessed a considerable decrease over the period 2000-2006. More than half of employment in construction materials is in the manufacture of articles of concrete, plaster and cement, another 10% in the production of cement, plaster and concrete – which also includes about 14 000 people in lime manufacturing. Glass and ceramics is almost as big in terms of employment. In the glass sub-sector, the manufacture of hollow glass and the shaping and processing of flat glass accounted for a large share of employment, about 36% and 30%; the manufacture of flat glass and glass fibres accounted for considerably less employment, about 9% and 6%, respectively, with the remainder of 19% in the mixed 'other glass' category.

Recent developments in the European Restructuring Monitor (ERM) indicate that the economic downturn has clearly impacted on the manufacture of non-metallic mineral products. From September 2008 to April 2010, the ERM registered 24 132 announced job losses against 2 435 announced job gains for the sector. However, in the most recent quarter (January



to March 2010) the ERM registered three major restructuring cases, accounting for 429 jobs lost and one case of announced job gains, accounting for 350 new jobs.

Some recent developments

Cases of major restructuring in the sector are as follows:

- Manufacture of glass and glass products: Huta Szkła (PL, 2 000 job losses, announced in May 2009), Crystalex Nový Bor (CZ, 1 700 job losses, announced in January 2009), Sklo Bohemia (CZ, 1 200 job losses, announced in September 2008), Swarovski (AT, 1 100 job losses, announced in March 2009), Slovglass (SK, 715 job losses, announced in January 2009).
- Manufacture of ceramics: Karlovarský porcelán (CZ, 1 090 job losses, announced in October 2008), Ideal Standard (IT, 650 job losses, announced in July 2009), Vista Alegre (PT, 500 job losses, announced in May 2009).
- Manufacture of ceramic tiles: Iris Ceramica (IT, 770 job losses, announced in January 2009), Lasselsberger (CZ, 220 job losses, announced in October 2009), Azuvi (ES, 197 job losses, announced in June 2009).

In the manufacture of glass and glass products sector:

A series of job loss announcements for the Waterford Wedgwood group ended with the company going into administration in January 2009, resulting in over 600 job losses in Ireland and almost 600 job losses in the UK. The company employed 1 900 people in the UK and 800 at its Irish site in Waterford.

The Tyrolean family-run glassware and jewellery maker Swarovski announced on 25 March 2009 that 600 jobs would be cut at its headquarters in Wattens. An additional 500 jobs are to be relocated abroad in the course of 2010 – a majority of them to central or Eastern Europe.

German multinational Schott announced in December 2008 plans to create 135 jobs at its Mainz facility, and in September 2009 announced plans to cut 300 jobs in Germany: 90 jobs to be shed at the manufacturing plant in Mainz, 100 jobs at Grünenplan and 100 at Schott Lithotec.

Crystalex Nový Bor, a Czech glass manufacturer, announced the closure of its plant in Hostomice resulting in 136 job losses by the end of January 2009. Subsequently the company announced that about 1 700 people could lose their jobs because of the closure of glass production at three sites (Nový Bor, Vrbno pod Pradědem, Karolinka) due to a long-term insolvency. Crystalex CZ, the new owner of Crystalex Nový Bor, announced up to 350 jobs with the launch of a new glass production line in the Nový Bor factory by the end of January 2010.

In the ceramics manufacturing sector:

On 20 March 2009 the management of the ceramics factory Villeroy & Boch announced plans to cut 400 jobs in Germany and the termination of its production activities in Luxembourg resulting in 230 job losses by 2010. The company is reported to be centralising production in its German plants and the closure is part of a worldwide restructuring plan involving 900 of its 9 250 global workforce.

In Spain, the bathroom fittings producer Roca announced cuts of 177 jobs at its plant in Alcalá de Guadaíra (Seville), 180 jobs at its plant in Alcalá de Henares (Madrid) and 356 jobs at its two plants in Barcelona (Gavà and headquarters).

In 2009 Ideal Standard, the leading European brand in bathroom design and solutions, announced plans to reduce its workforce by cutting 150 jobs at its facility in Bulgaria and 650 jobs at its Italian sites in Brescia and in Gozzano.

In the manufacturing of ceramic tiles there were three cases of job losses involving Austrian manufacturer of ceramic tiles Lasselsberger (150 job losses in Romania; in the Czech Republic, 165 job losses announced in March 2009 and 220 in October 2009).



3. Social situation trends

This section focuses on a selection of regular key socio-economic indicators available for potentially vulnerable target groups. However, most of the standard poverty and social exclusion indicators are not sufficiently timely to allow for up-to-date monitoring of the direct social impact the crisis is having.

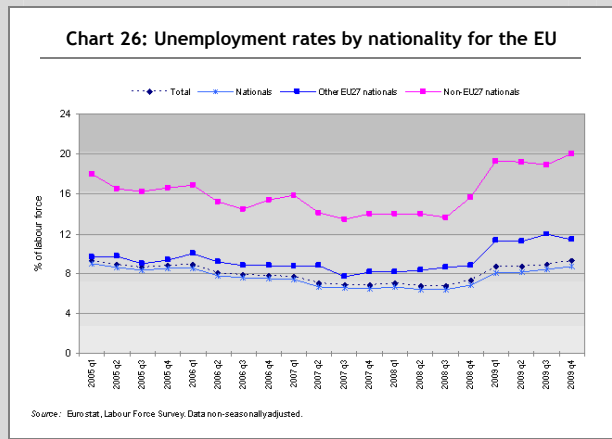
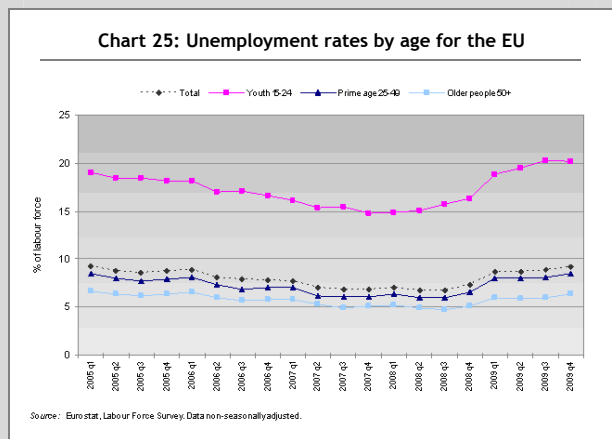
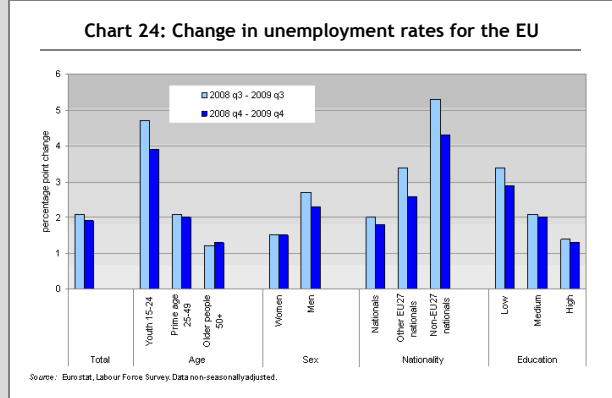
Nevertheless, the recent deterioration of the EU labour markets must have increased the risk of poverty, especially among those disproportionately affected by the surge in unemployment, such as young people, migrants, and the low skilled (Chart 24).

As a result of the crisis, unemployment has hit young people, men, migrants, and the low-skilled hardest...

Young people (i.e. under 25) have been the group most severely hit by the downturn. Even though the rate at which unemployment has increased has slowed since mid-2009, the unemployment rate has risen twice as fast for young people as for adults. The year-on-year change in the unemployment rate, at 4.7 pps and 3.9 pps in the third and fourth quarters of 2009, was significantly higher than the 2.1 pps and 2 pps increase for prime-age people (25-49) and the 1.2 pps and 1.3 pps rise for older people. The youth unemployment rate remained at 20.5% in the first quarter of this year, more than twice as high as the overall rate in the EU (Chart 25). Relative to the beginning of 2008, the rate for young people has picked up sharply (by 5.8 pps) from 14.7%, while the rate for adults rose by a more limited 2.5 pps from its low of 5.7% and now stands at 8.2%.

Men have been hit harder by the downturn than women. They account for almost two-thirds of the overall increase in unemployment since spring 2008, and have experienced a higher pace of unemployment rate increases than women. The unemployment rate for men picked up sharply (by 3.6 pps) from 6.2% in spring 2008 to 9.8% in March 2010, while the rate for women rose by a more limited 2.1 pps from its low of 7.3%, and now stands at 9.4%. Consequently, the gender gap has favoured women since May last year, and remains at 0.4 pps.

Unemployment among migrants (non-EU nationals) has increased dramatically, particularly during the autumn of 2008 and early 2009. The unemployment rate for migrants picked up sharply (by more than 6 pps) from under 14% in the third quarter of 2008 to reach 20% by the fourth quarter of last year (up 4.3 pps year-on-year). The rate for other EU nationals (mobile EU citizens) rose by around 3 pps from below 8% in the beginning of 2008 to 11.4%, while the rate for nationals rose by just above 2 pps from 6.4% in the second/third quarter to 8.7% by the end of 2009. Consequently, the gap in the unemployment rate between nationals and non-EU migrants widened sharply in 2009 to 11.3 pps, while that between



nationals and mobile EU citizens reached around 3 pps in 2009 (Chart 26).

Finally, the low-skilled have been relatively more affected by unemployment increase. Their unemployment rate went up by almost 4 pps from 11% in mid-2008 to almost 15%, while the rate for the medium-skilled rose by a more modest 2.2 pps to 8.7%, and that for the high-skilled rose by just 1.4 pps. The gap between the unemployment rates for the low and the high-skilled, at around 7 pps over



recent years, thus widened to almost 10 pps, while that between the medium and high-skilled remained at 3.4 pps (Chart 24).

... with an increasing risk of long-term unemployment

The long-term unemployment rate in the EU had been decreasing until the third quarter of 2008, but it started to rise again to reach 3.2% of the labour force in the fourth quarter of 2009. The rises have been particularly severe among young people, with long-term unemployment affecting 5.1% of the youth labour force, up 1.6 pps on a year earlier. The long-term unemployment rate for older people increase by 0.4 pps, however the share of long-term unemployed remains the highest for that group, as 47% of older people are unemployed for more than a year (Chart 27).

There is a risk that the long-term unemployment rate will rise significantly higher, as elements of the large influx of recent entrants to unemployment face a lack of job opportunities and eventually join the ranks of the long-term unemployed.

Rises in unemployment may increase the risk of poverty especially among unemployed and young people...

Unemployment rates have increased in all EU countries and across all population groups, but not all Europeans are on an equal footing to face the consequences of the crisis. While survey data on income and living conditions (EU-SILC) are not yet available for the period after 2008, it is nevertheless possible to highlight that being unemployed or young has potentially very different consequences in terms of poverty and living conditions across the EU.

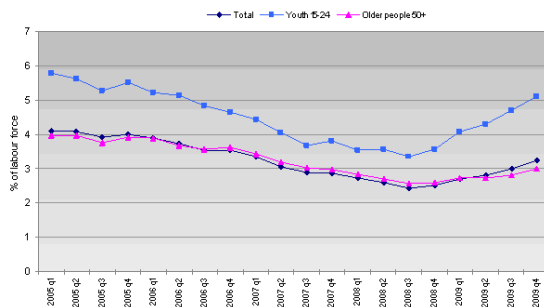
On average, 17% of the EU population is at risk of poverty, a situation that is likely to prevent people from participating fully in society. At-risk-of-poverty rates range from 9% to 26% across Member States, but living on low income in comparison to one's own country's standards hides very different social realities across Europe. On average, the risk of poverty faced by the unemployed in the EU is 44%, against 15% for the total adult population (aged 18+), and varies from 28% in Ireland to 60% in Estonia (Chart 28).

Young people are more at risk of poverty than other age groups. Indeed, while every fifth young person lives below the national poverty threshold, only 14% of adults face poverty (Chart 29). The number of young people facing poverty can be expected to grow, as they have been more affected by unemployment. Depending on the social protection, the extent of poverty could be mitigated.

Joint effort by the Commission and the Member States to monitor the social impact of the crisis

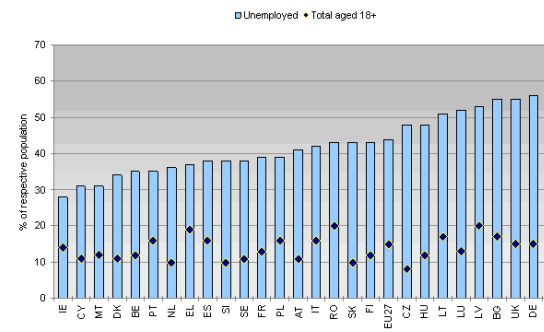
At the end of 2008, the Commission engaged in a joint effort with Member States to monitor the social impacts of the crisis⁶. Available national data showed that the number of recipients of unemployment

Chart 27: Long-term unemployment rate for the EU



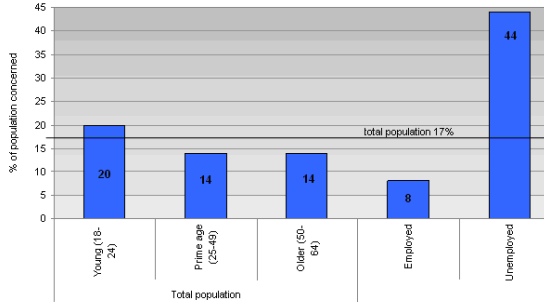
Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted.

Chart 28: At-risk of poverty rates for unemployed, 2008



Source: Eurostat, EU-SILC (2008).

Chart 29: At-risk of poverty rates for the EU, 2008



Source: Eurostat, EU-SILC (2008).

benefits surged, followed by a rise in the number of those receiving social assistance.



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](#)

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 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 freelancers and self-employed people and vacancies communicated by private placement agencies.

⁴ For more information on Eurociett, please visit the website: www.eurociett.eu

⁵ 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 4 May 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

⁶ For more information, please visit the website:

<http://register.consilium.europa.eu/pdf/en/09/st16/st16169-ad01.en09.pdf>