



EU employment situation and social outlook

February 2010





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HIGHLIGHTS

- Economic growth has resumed in the EU, although the recovery remains fragile. Nevertheless, it is still too early for the pick-up in economic activity to have had much impact on the labour market at this stage, given the usual delays, and latest data covering the period up to December 2009/January 2010 indicates that the labour market continues to deteriorate, although at a more moderate pace over recent months.
- The EU emerged from recession in the second half of last year, as GDP returned to positive growth in the third quarter (0.3%), and expanded by a further 0.1% in the fourth quarter. Of the larger Member States, Spain was the only country where the economy continued to weaken in both quarters, although in the fourth quarter growth also turned negative again in Italy while output remained flat in Germany. On a yearly basis, growth in economic activity recovered slightly to -2.3% compared to the fourth quarter of 2008, but has remained negative in almost all Member States.
- Employment in the EU continued to decline in the third quarter, even though economic growth picked up again; however, the rate of deterioration has been slowing (it was down 0.5% in the third quarter). Employment fell in most Member States, but the only particularly steep falls were in Latvia, Spain and Ireland. As a result of the continued declines, employment had contracted to 223 million by the third quarter of 2009, i.e. down by 4.7 million (2%) compared to a year earlier.
- Unemployment continues to rise in most Member States as companies continue to announce more job losses than gains (although substantially fewer than in previous months). Nevertheless, rises in unemployment have been moderating in recent months. Unemployment rose by 163 000 (or 0.7%) last December, which was the smallest rise since mid-2008. It reached around 23 million, i.e. up by 4.6 million (or a quarter) compared to December 2008, and up 7 million (or 44%) on March 2008 when unemployment was at a low.
- The EU unemployment rate has been increasing at a more subdued rate of 0.1 percentage points (pps) per month since May of last year, reaching 9.6% in December, 2 pps higher than a year earlier and 2.9 pps higher than in March 2008. Although the rate continued to rise in most Member States, the only particularly strong rises were in Latvia and Estonia, while there are signs of rates stabilising in several Member States and even declining in a few.
- Youth unemployment has contributed significantly to the overall increase in unemployment since spring 2008, and even if the rises in the youth unemployment rate have weakened recently, they remain substantial compared to the recent more limited increase in the rate for adults. The unemployment rate for young people rose by 0.2 pps to reach a high of 21.4% in December.
- Survey data continue to show an improvement in sentiment, with firms being increasingly less pessimistic about the outlook for employment and consumers' unemployment expectations easing in December and January.
- Nevertheless, according to the latest forecasts and despite the improvement in economic prospects, the labour market outlook remains unfavourable for this year, and even thereafter it is expected to show only a gradual improvement.
- This month's edition focuses in particular on recent developments in the financial sector and in the postal services 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

Economic growth has resumed in the EU, although the recovery remains fragile. Nevertheless, it is still too early for the pick-up in economic activity to have had much impact on the labour market at this stage, given the usual delays, and latest data¹ covering the period up to December 2009/January 2010 indicates that the labour market continues to deteriorate, although at a more moderate pace over recent months.

Unemployment continues to rise in most Member States and companies continue to announce more job losses than gains (although substantially fewer than in previous months). However, there are signs of unemployment stabilising in several Member States and even declining in a few. Furthermore, survey data continue to show an improvement in sentiment, with firms improving their outlook for employment and consumers' unemployment expectations easing.

Nevertheless, the outlook for the labour market for the year ahead remains unfavourable, and the full impact of the economic crisis on labour markets has not yet fully run its course. Young people in particular continue to see their unemployment rates rise substantially.

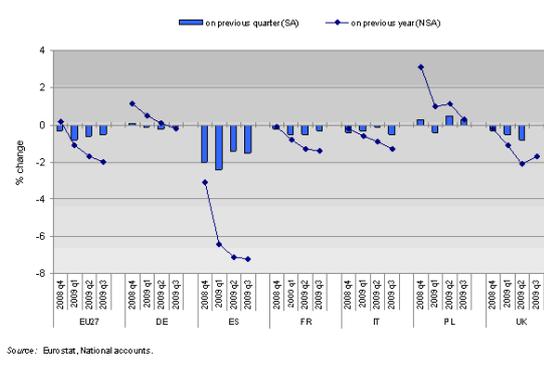
This report is supplemented by the Quarterly Labour Market Review, which provides a more detailed statistical review of developments in GDP and employment growth, employment and unemployment, and sentiment indicators. It also gives an overview of recent developments in employment by sector and by category of employment, trends in working hours, progress in employment rates and developments in labour demand and labour costs.

The EU labour market has continued to deteriorate, although employment contraction has moderated ...

The EU labour market is still feeling the effects of the recent economic crisis. Employment started to decline in the third quarter of 2008, only one quarter after the contraction in economic activity began, but the biggest wave of job losses hit the EU labour markets at the beginning of 2009, as employment contracted by 0.8% and 0.6% respectively in the first and second quarters. The decline has continued since then, albeit at a slower pace of 0.5% in the third quarter, even though economic growth has resumed.

During the third quarter, employment declined in most Member States, but the deterioration was generally no worse than in the previous two. Among the larger Member States, employment contracted substantially in

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



Spain and Italy, and continued to weaken moderately in France and Germany, whereas it remained unchanged in the UK and continued to expand in Poland (Chart 1). Employment fell in all the other Member States (except Luxembourg), but the only particularly steep falls were in Latvia and Ireland.

... by the third quarter of 2009, employment was down on a year earlier in most Member States

Employment in the EU had declined to 223 million by the third quarter of 2009, down by 4.7 million (2%) compared to a year earlier, and reflecting strong employment declines in the construction and industry sectors in particular. Year-on-year employment growth had turned negative in all Member States except Luxembourg and Poland. Among the larger Member States employment had contracted by 7.2% in Spain, 1.4% in France, 1.3% in Italy, and 1.7% in the UK compared to levels a year earlier. Among the remaining Member States, the Baltic States and Ireland recorded the steepest falls (of the order of 7-16%) in employment over the year.

Rises in unemployment in the EU continued to moderate...

Unemployment in the EU rose sharply between autumn 2008 and spring 2009, but the increases subsequently moderated from May onwards. More recently, the rises in unemployment in November and December, at 172 000 (or 0.8%) and 163 000 (or 0.7%) respectively, were the smallest since mid-2008. Nevertheless, unemployment has now reached close to 23 million, up 4.6 million (or a quarter) compared to the level in December 2008, and 7 million (or 44%) higher than in March 2008, when unemployment was at a low.



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Since May of last year the unemployment rate for the EU has broadly been increasing by 0.1 percentage points (pps) per month, a much lower pace than during the period from autumn 2008 to spring 2009 (Chart 2). Overall, twenty-one months of successive increases had pushed the unemployment rate to 9.6% in December, some 2 pps higher than a year earlier and 2.9 pps more than the low of 6.7% in spring 2008. This is comparable to the levels last seen in the mid-1990s.

... while, initially, unemployment affected mainly men, recent rises have affected both men and women

The crisis has had a more dramatic effect on the labour market situation of men than that of women, with men accounting for two-thirds of the overall increase in unemployment since spring 2008. This reflects the fact that the downturn has so far mainly impacted on male-oriented sectors, such as construction and industry. Due to the relatively larger increases in unemployment, the unemployment rate for men picked up steeply from 6.2% in March 2008 to 9.8% in December, a rise of 3.6 pps, while the rate for women rose by a more limited 2 pps over that period - from 7.3% to 9.3%. The gender gap in the unemployment rate disappeared in spring 2009 and has subsequently stayed at 0.5 pps in favour of women since November.

From June, there were signs that unemployment might be starting to equally affect women, with rates for both men and women increasing at a broadly similar pace, and with women accounting for as much as 41%, 49% and 46% of the overall rise in unemployment in August, October and December respectively.

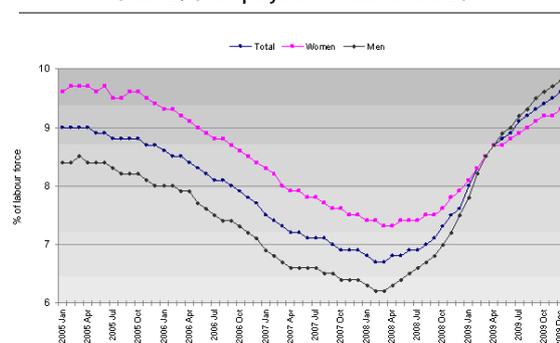
Youth unemployment has contributed significantly to the increase in unemployment since spring 2008, and recent rises remain substantial compared to those for adults...

Youth unemployment has been rising since spring 2008, and strongly so between autumn 2008 and March 2009 amid the economic downturn. After the summer it also picked up again strongly in September and October; however, the rises in unemployment slowed in November and December to 61 000 (or 1.1%) and 48 000 (0.9%), respectively.

By December, youth unemployment had reached a seasonally adjusted 5.7 million (5.4 million non-seasonally adjusted), up 1.1 million (almost a quarter) compared to a year earlier, and by 1.7 million (43%) compared to the low of spring 2008.

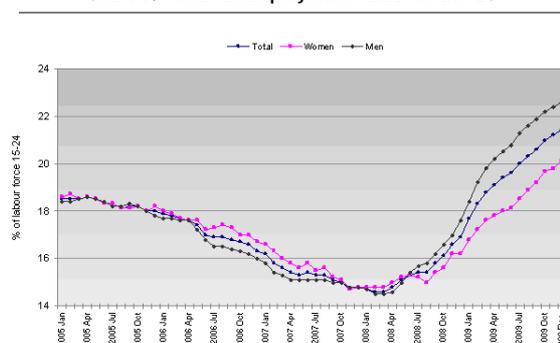
As a result young people account for almost one quarter of the total increase in unemployment since 2008. The growth in unemployment was generally slightly higher for adults than for young people until June 2009, but unemployment among young people since then has risen faster than among adults. This development has only added to the structural problems faced by young people on the labour market.

Chart 2: Unemployment rates for the EU



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

Chart 3: Youth unemployment rates for the EU



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

... with the unemployment rate for youth now reaching historical highs

Even before the crisis the youth unemployment rate was significantly higher than that for adults. However, the relative situation of youth has become even worse during the downturn. The youth unemployment rate climbed particularly steeply at the beginning of 2009 (0.5-0.8 pps in each of the three months of January, February and March), before edging up by a more limited 0.2-0.4 pps from April onwards. Despite a recent moderation in the magnitude of the rises (0.2 pps in November and December), the increases in the youth unemployment rate have continued to be substantial compared to those in the adult rate, which have stabilised at around 0.1 pps per month. By December, the unemployment rate for young people had reached 21.4%, up 4.5 pps on December 2008 and up 6.8 pps compared to the low of March 2008 (Chart 3). This is the highest level since figures for the EU27 became available.



Chart 4: Unemployment rate changes
December 2008 - December 2009

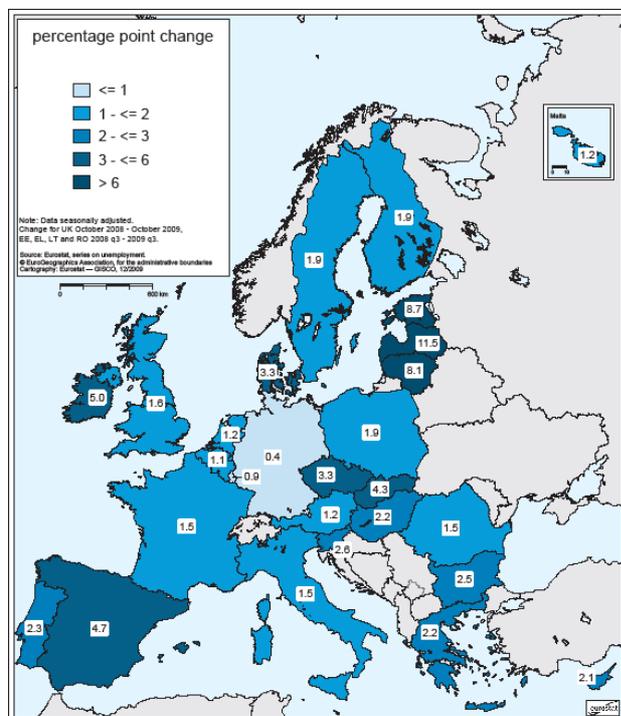
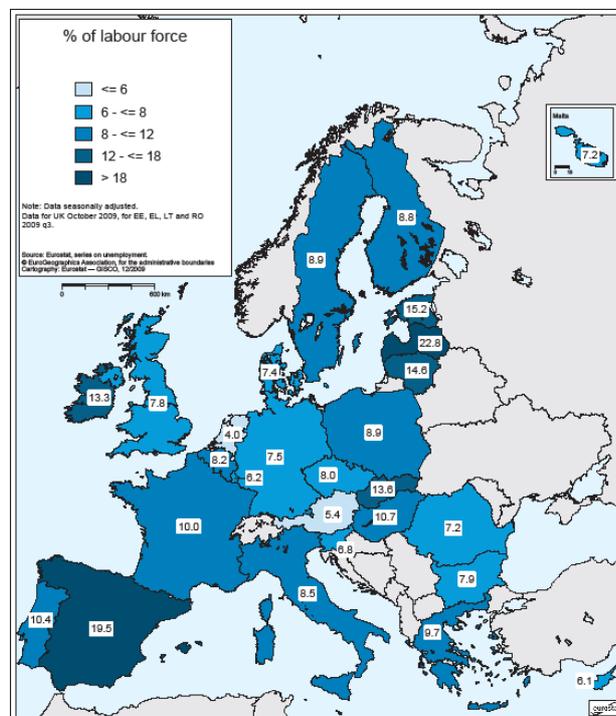


Chart 5: Unemployment rates, December 2009



The marked increase in the youth unemployment rate has been driven mainly by a very sharp rise in the rate for young men - except in the months of August, October and December 2009, when the increase in the rate for young women was steeper. Overall, young men account for almost two-thirds (64%) of the increase in youth unemployment since spring 2008.

Focusing on developments in individual Member States, over the year to December the youth unemployment rate doubled in the Baltic States (increasing by around 15 pps or more, and by as much as 24.1 pps in Latvia) and increased significantly in Ireland, Slovakia and Spain (up around 13-14 pps). As a result, the unemployment rate among young people exceeded 30% in Ireland, Lithuania and Slovakia and even topped 40% in Latvia and Spain.

Unemployment continued to rise in most Member States, however, in some it has stabilised or even declined ...

Unemployment continued to rise in most Member States in December, however, only Latvia recorded a steep rate increase (of 0.6 pps). In contrast, the rate actually declined or stabilised in several, including the larger Member States of France, Germany and the UK.

Among the larger Member States, Italy recorded the biggest rise in the unemployment rate (0.2 pps) in December, while the rise was a moderate 0.1 pps in

Poland and also in Spain. The unemployment rate remained flat in December in France, and has been stable in Germany since October and in the UK since June. Among the remaining Member States, the unemployment rate remained stable in Cyprus, Slovenia and Sweden, and declined in Austria, Finland and Hungary (Chart 6).

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

Nevertheless, despite recent improvements, in December the unemployment rate was still higher than twelve months earlier in all Member States. Of the larger Member States, Spain was the only one to experience a steep year-on-year increase in the unemployment rate (up 4.7 percentage points), and - at 19.5% in December (equivalent to 4.4 million unemployed) - it currently has the second highest unemployment rate in the EU. Over the year to December, there were also noticeable increases in the unemployment rate in Poland (by 1.9 pps) to 8.9% (1.5 million unemployed), France (by 1.5 pps) to 10% (2.9 million unemployed) and Italy (by 1.5 pps) to reach 8.5% (2.1 million unemployed). In the UK, the unemployment rate was up (by 1.6 pps) to 7.8% (2.4 million unemployed) on the year to October. The limited increase in unemployment in Germany (up by only 0.4 pps), which has lifted the unemployment rate there to 7.5% (3.2 million unemployed), was the lowest



in the EU, confirming the strong resilience of the German labour market in the face of the current economic crisis.

Among the remaining Member States, the unemployment rate rose most sharply over the year (by around 8-12 pps) in the Baltic States, reaching the highest level in the EU in Latvia (22.8%), and around 15% in Estonia and Lithuania. While unemployment rates were also high in Ireland and Slovakia (more than 13% in each), they remained low in Austria and the Netherlands (at 5.4% and 4%, respectively) (Charts 4, 5 & 6).

The EU unemployment rate remains below that in the US

Despite a sharper economic downturn (plus a later and slower recovery) and a more marked fall in business confidence (BCI)² in the EU compared to the US, the total impact on the labour market in the EU has remained more moderate than in the US.

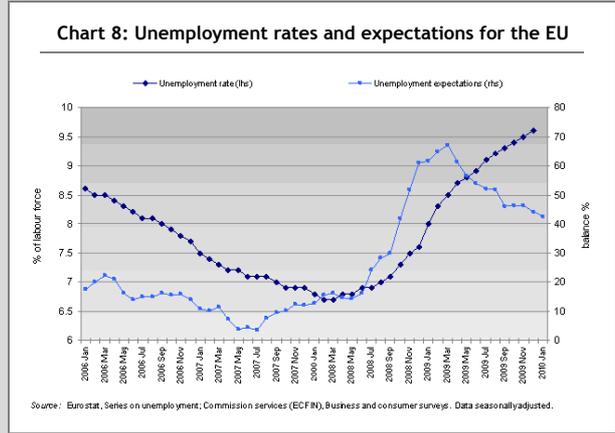
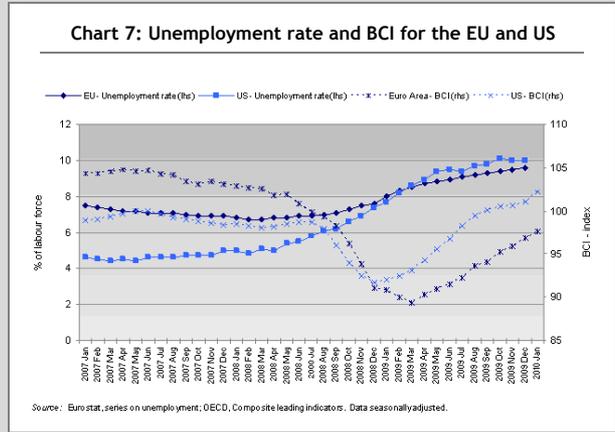
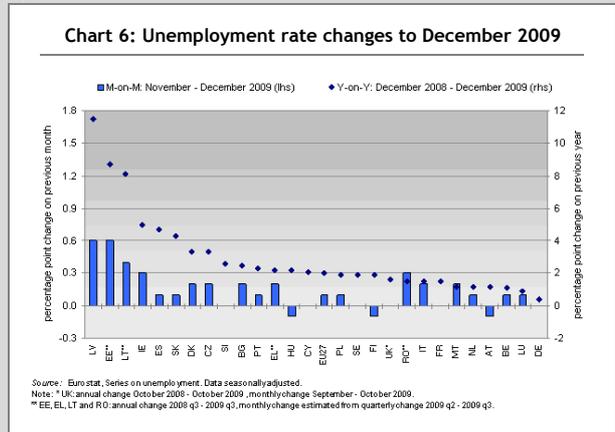
Unemployment in the US has more than doubled since the low in mid-2007, compared to an increase of 44% in the EU on the recent trough in spring 2008. By December, the unemployment rate in the EU had risen to 9.6%, up 2.9 pps compared to the low in March 2008, while in the US it had increased by a more substantial 5.6 pps on May 2007 to reach 10%. These total rises translate into an average monthly increase of 0.14 pps for the EU, compared with a higher monthly average rise of 0.18 pps in the US.

However, following a steep rise of 0.4 pps in October, the unemployment rate in the US fell back by 0.1 pps in November, and stabilised in December, narrowing the EU's positive unemployment rate gap with the US to 0.4 pps (Chart 7).

EU consumers' fears of unemployment have eased since April of last year...

Since April 2009, EU consumers have been feeling relatively more confident about the general economic situation, leading to an easing in their expectations regarding the level of unemployment in the year ahead. Consumers' unemployment expectations have been broadly receding since the peak in March last year and, after remaining unchanged in October and November, they eased further in both December and January (down 2.1 and 1.8 points respectively) (Chart 8).

At the EU level, the unemployment outlook among consumers in January was driven by mixed performances in the larger Member States. Fears over unemployment faded in January, with particularly strong falls in Spain and the UK (down 8 and 7.7 points respectively). After a marked drop observed in December, falls were slightly lower in France (down 0.8 points) and in Poland (0.2 points). On the other hand, in Italy unemployment concerns deepened slightly



(contrary to the improvement in economic sentiment which was the most significant among the larger Member States), while unemployment fear picked up steeply in Germany (up 3.9 points), after a significant fall during the previous month, where it remains highest among the larger Member States.

Despite the overall improvement in expectations at EU level, the unemployment rate has continued to edge up in line with the lagged effect of previous worsening



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expectations, and can be expected to deteriorate for some months yet before the effects of the recent improvement in economic activity and sentiment feed through to the labour market.

... and employment expectations continued to pick up, narrowing the negative balance between firms plans for hiring and lay-offs ...

Similarly, since the spring of 2009, firms' employment expectations for the months ahead have broadly improved across all main sectors, except for recent falls in construction. While employment expectations have improved significantly in industry over the last four months, including by a solid 3.3 points in January, employment prospects in construction faded further in December and January (down 1.6 and 2.7 points) after having previously improved from August to November. The employment outlook in these two sectors remains the least optimistic of all main sectors. Expectations in the services sector, which had been improving since spring 2009, fell back slightly in January (down 0.5 points), but improved in the retail trade sector in the last two months (rising 1.9 and 1.7 points). Prospects for employment improved most noticeably in January in the financial sector (up 6.9 points), which remains the only sector with a positive net employment outlook (Chart 9).

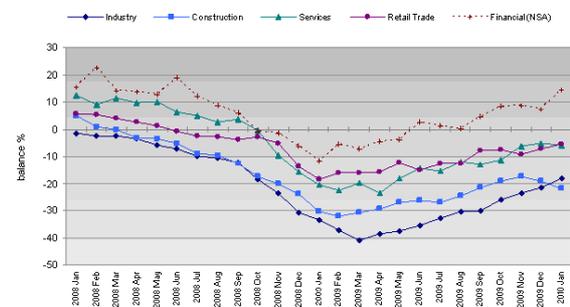
Despite the recent recovery, firms in most sectors still anticipate more lay-offs than hiring. The sluggishness affecting future hiring prospects has been confirmed by the latest Manpower Employment Outlook Survey³, which reported a slightly improved, but still fragile, employment outlook among employers, which was driven by expectations for fewer layoffs rather than for more hiring.

... while there are signs of a relative improvement in vacancies in some Member States...

Official sources, for example in Germany and the UK, confirm the stabilisation, or relative improvement, in labour demand over recent months, albeit with levels remaining low compared to mid-2008.

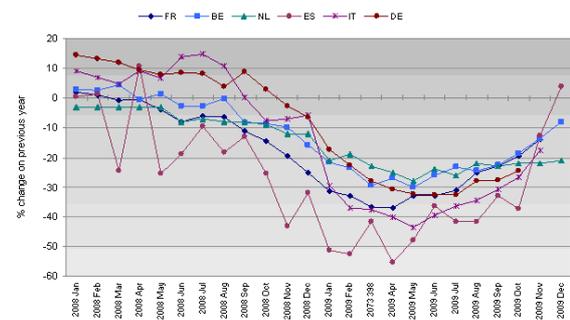
In Germany, the Federal Employment Agency's job index (BA-X)⁴ has been on a moderate upward trend since last summer, and in January it rose 1 point to reach 130 points, confirming the slight recovery in demand for new workers. Nevertheless, the index remained down by 12 points compared to January 2009, and slightly below the level of January 2006 - which was when the previous economic upswing began. Furthermore, it is not yet clear to what extent labour demand will continue to grow in the coming months. The underlying number of vacancies - at around 457 000 in January - was down 29 000 (6%) on a year earlier. In the UK, according to the vacancy survey conducted by the Office of National Statistics, there were 448 000 unfilled vacancies on average in the three months to November. The number of vacancies increased by 16 000 on the previous quarter, but were down by

Chart 9: Employment expectations for the EU



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

Chart 10: 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.

80 000 (-12.2%) on the year, affecting all sectors, but construction in particular (-45.9%). Administrative data on the number of vacancies at Jobcentre Plus show an average of 328 606 vacancies notified every month between October and November of 2009.

... similarly, demand for temporary agency workers continues to improve, but remains sharply down on a year ago

Recent data from Eurociett⁵, generally covering November to December, continued to show an improvement over recent months in employment through temporary agencies. On an upward trend, the number of hours invoiced by private employment agencies was nevertheless down compared to a year earlier in most countries, ranging from falls of 8% in Belgium and 14% in France to 18% in Italy, while Spain, following sharp rises in November and December, actually saw invoiced hours up 3.9% in December on a year earlier. On the contrary, growth in the number of hours has stagnated for five months in the Netherlands (Chart 10). In the UK, agencies' billings from the employment of temporary/contract staff rose for a sixth consecutive month in January, at a pace only



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marginally weaker than December's two-and-a-half year high.

2. Restructuring trends

The situation in EU labour markets in response to the economic downturn has been reflected in the European Restructuring Monitor (ERM) data collected by the European Monitoring Centre on Change⁶.

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

There was little restructuring activity reported on the ERM in January 2010 in line with a continued downward trend in particular of job loss cases. Total announced job losses were 20 472 during the month compared to over 100 000 in the same month a year previously (Chart 11).

There have been almost three times as many announced job losses as job gains in ERM restructuring cases since September 2008. In January 2010, there were 32 new cases of restructuring-related job loss and 13 new cases of restructuring-related job gains.

... with most of the recent job loss announcements relating to Romania and the United Kingdom

The member states with the largest announced job losses in January 2010 were Romania (6 380 jobs), the United Kingdom (4 423 jobs), Germany (4 280) and the Czech Republic (2 640 jobs) (Chart 12).

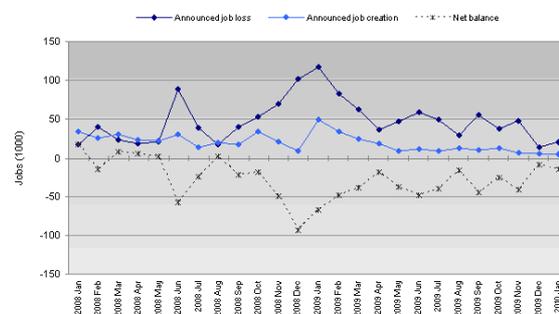
Manufacturing and Transport, storage and communications were the sectors most affected by announced restructuring job losses...

In January, manufacturing accounted for 9 049 announced job losses in the ERM. Since September 2008, the ERM has recorded 460 168 announced job losses in manufacturing, half of total losses. Transport, storage and communications was the other sector most affected in January, with 6 895 announced job losses. Other significantly affected sectors included Retail (2 460 jobs) and Financial Intermediation (780 jobs) (Chart 13).

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

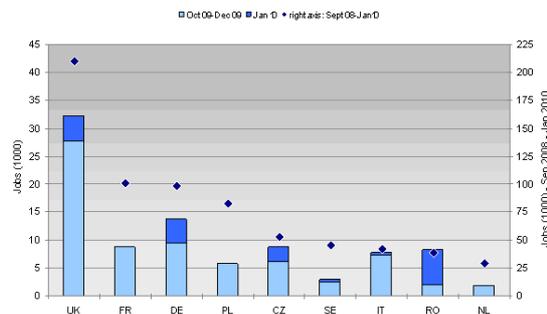
- Manufacturing: Skoda Auto (Czech Republic, 2 440 jobs), Siemens (Germany, 2 000 jobs), Airbus (Germany, 1 000 jobs) and Bosch (UK, 900 jobs).
- Transport, storage and communications: CFR Marfă (Romania, 6 380 jobs), Dublin Airport Authority (Ireland, 375 jobs).
- Retail: Shop Direct (UK, 1 500 jobs) and Vitalis (Germany, 650 jobs).
- Financial intermediation: Lloyds (UK, 585 jobs).

Chart 11: : Announced job losses and creation for the EU



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

Chart 12: Announced job losses for selected Member States



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

In the manufacturing sector, aircraft manufacturer Airbus announced plans to progressively cut about 1 000 temporary agency jobs originally created in relation to production of the new A380 model.

In the auto manufacturing sector, Skoda Auto announced plans to cut 2 400 temporary agency jobs in the Czech Republic, while in the UK, the motor parts maker Bosch announced the loss of about 900 jobs as a result of the closure of its South Wales plant due to the transfer of production to Hungary by 2011. Car manufacturer Pininfarina announced a cut of 120 blue-collar jobs at its plant in Uddevalla, Sweden, by mid-2010. Pininfarina is a subcontractor to Volvo and the affected joint venture site is co-owned by Pininfarina (60%) and Volvo (40%) and manufactures Volvo C70. The company stated that the restructuring is not a consequence of Ford's plans to sell Volvo but nonetheless the uncertain future of Volvo and Saab has led to a number of restructuring measures among Sweden-based automotive suppliers (e.g. Lear Corporation announced a cut of 119 workers at its seating plant in Trollhattan).

In the Transport sector, Romania's state owned freight railway Societatea Națională de Transport Feroviar de



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Marfã announced a cut of 6 380 jobs in order to comply with a restructuring plan that envisages job cuts, pay and bonuses freezes and not outsourcing any rail repair work. In Ireland, Dublin Airport Authority employees who are members of the Services, Industrial, Professional and Technical Union (SIPTU) have voted for a restructuring plan entailing 275 permanent and 100 temporary job losses at Dublin, Cork and Shannon airports. The plan also includes a pay freeze until 2011. In an attempt to avoid pay cuts, the plan will also lead to an Employee Recovery Investment Contribution scheme with staff facing pay reductions of 5.5 per cent on average from February 2010. Under the scheme employees will invest a percentage of their earnings and will recoup the money after three years or when the company is restored to profitability.

In the retail sector, Shop Direct, a home shopping group, announced plans to cut 1 500 jobs, resulting from the closure of three call centres. UK-owned company Debenhams announced the loss of 170 full time jobs across its Irish stores. The company has assured that many of the redundancies will be voluntary.

In the financial sector, Lloyds Bank announced plans to further reduce its workforce across the UK, with the cutting of 585 jobs, while the Student Loans Company announced it is to cut 150 jobs from two offices in Glasgow and transfer 45 posts to Darlington. The company anticipates that the majority of redundancies will be voluntary.

... while Hotels and restaurants and Retail accounted for the majority of business expansion ...

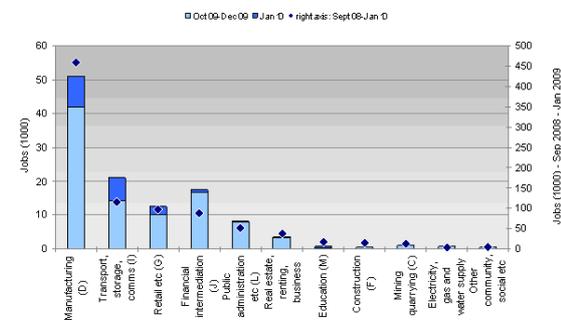
Of the 5 683 new jobs announced during January 2010, 2 500 were in the hotels and restaurants sector and 1 200 in retail (Chart 14).

Since September 2008, the sectors to benefit most from announced job creation have been retail (85 168 jobs) followed by manufacturing (64 952 jobs). Together, they account for over half of all new announced jobs in the ERM over this period.

In January, the biggest cases involving job gains were:

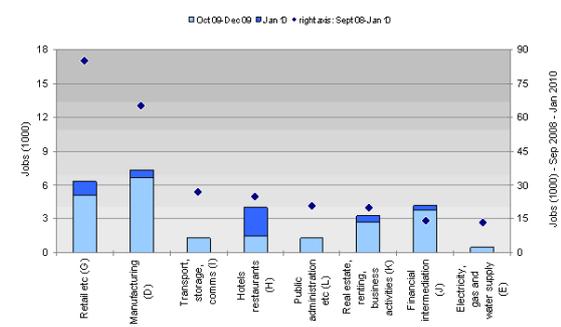
- Hotel and restaurants: McDonald's (Germany, 2 000 jobs), Travelodge (UK, 500 jobs).
- Retail: Rossmann (Germany, 1 000 jobs).
- Financial intermediation: Intesa San Paolo (Italy, 400 jobs).
- Manufacturing: Crystalex CZ (Czech Republic, 350 jobs).

Chart 13: Announced job losses for the EU



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

Chart 14: Announced job creation for the EU



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

3. Economic context and outlook

ECONOMIC SITUATION

The EU started to recover from recession in the third quarter of last year...

The EU has been recovering from a long, deep and broad-based recession. The recession was already easing in the second quarter of last year, after which economic output started to expand again. It rose by 0.3% and by 0.1% in the third and fourth quarters of 2009 respectively. Nevertheless, because the earlier downturn had been so steep, economic output at the end of 2009 was still down by 2.3% compared to a year earlier (Chart 15). In the US, economic output has strengthened, picking up by 0.6% during the third quarter and by a solid 1.4% in the fourth quarter. As a result, by the fourth quarter economic output had recovered to the levels of a year earlier.



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September). In contrast, construction output increased in Poland and Germany. In the EU as a whole, year-on-year growth in construction output remained broadly stable at -6.4% in November 2009 (and still well up from the low of -12.1% in February). This decrease in output compared to a year earlier reflected declines over the year in France, Spain and the UK, which more than cancelled out rises in Poland and Germany.

... and retail trade turnover has been broadly stable

By comparison with the sizeable falls in the output of industry and construction, retail trade turnover in the EU held up fairly well between autumn 2008 and spring 2009, and has continued to be at or around similar levels since then. Retail trade turnover remained almost unchanged in December after declining steeply (-0.5%) in November. In December, “Food, drinks and tobacco” gained 0.3%, cancelling out a similar drop in the non-food sector. Underlying the EU figure was a rebound in retail trade turnover in France, Germany and Spain in December, which - together with continuing expansion in Poland - offset a decline in the UK. Consequently, year-on-year growth in retail turnover edged up to -1% in November (Chart 19).

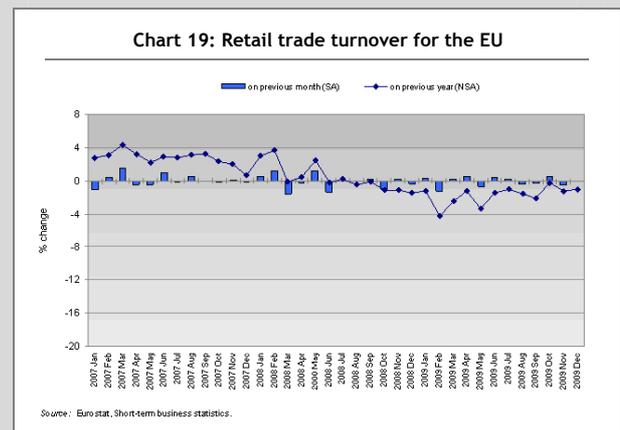
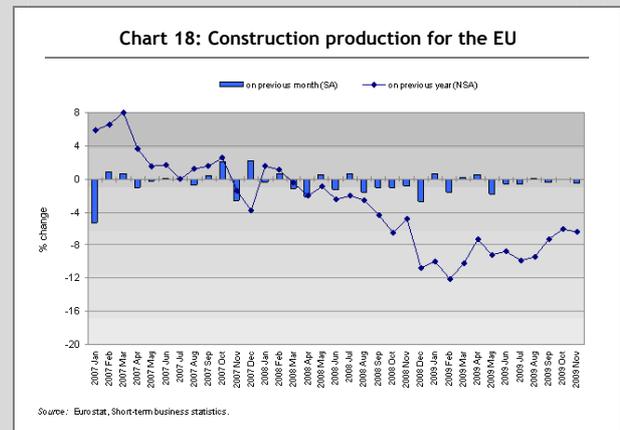
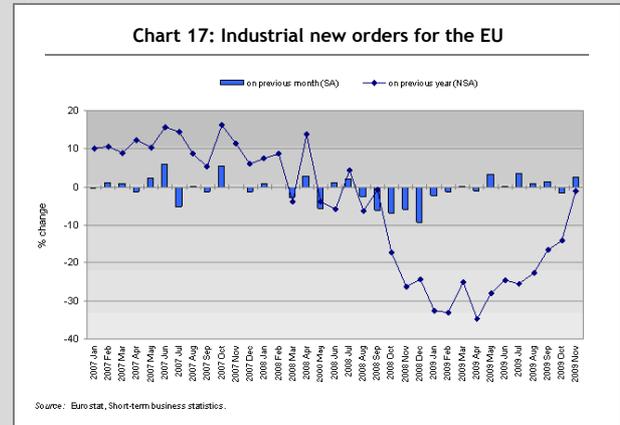
OUTLOOK

Economic sentiment in the EU continued to improve in December, closing to its long-term average...

Indicators of business and consumer confidence started signalling the bottoming out of the downturn and the recent return to positive growth some months ago. The EU Economic Sentiment Indicator (ESI) began to improve ten months ago, and rose by a further 2.1 points to reach 97.1 points in January. Although the pace of improvement has slowed, the ESI is now close to its long-term average (Chart 20).

The improvement at EU level reflected underlying improvements in all the larger Member States. In January, sentiment picked up strongly in Italy (up 4.2 points) and the UK (3.2 points), while the rises in other larger Member States were more modest, ranging from a negligible 0.3 points in Spain, and 0.6 points in Germany and France, to 0.9 points in Poland. Economic sentiment is now approaching the long-term average in all the larger Member States except Spain, and even recently exceeded it in Italy (101.4 points).

The increase in the ESI was mainly due to a further rise in sentiment in industry (up 2.8 points, driven by a strong improvement in order books and in production expectations), while sentiment in construction has declined further (down 0.7 points) and remains the lowest among all sectors. Confidence bounced back in the retail sector (up 3.1 points), and continued to rise, by a more limited 0.5 points, in services. Consumer sentiment continued to contribute to the improvement in the ESI, and increased by a further 1.2 points, as fears of unemployment eased. Confidence in the financial sector, which is not included in the ESI, has



remained generally flat since last summer, albeit at the pre-crisis level and remaining the highest among all sectors, and increased by a negligible 0.2 points in January, following two months of falls.

... while the OECD's leading indicator for Europe continued to recover strongly...

The OECD's Composite Leading Indicator (CLI) started to pick up strongly around a year ago and now points



Monthly monitor

firmly to economic recovery in the EU. After the steep declines observed over 2008, the CLIs for the euro area and the group of the four largest EU Member States began to stabilise at the beginning of 2009 and have picked up markedly since March, to the extent that they now well exceed the long-term average (Chart 21). In December, the CLI increased by around a further point in the euro area and in the group of the four largest EU Member States, reaching 104.9 and 106.1 points respectively; it also rose by close to a point to reach 101.5 points in the US. While the US has recorded an increase of 9 points over the year to December, the CLIs for the two European groupings have staged a stronger recovery, with increases of 12.2 and 13.4 points, respectively, compared to a year earlier. Despite drastically improved confidence in the EU, any positive impact on the labour market will still take some time to materialize, given the usual lags before employment reacts to changes in confidence and economic activity.

... nevertheless the labour market outlook remains unfavourable

According to the Commission's autumn 2009 forecast⁷, despite an improvement in economic prospects the labour market outlook (as reported in the previous months' editions of this monitoring report) continues to be unfavourable for this year, and is expected to gradually improve only in 2011.

More recent global analysis and forecasts also point to a sluggish employment recovery in the EU, and generally call for sustaining stimulus measures as long as economic recovery remains fragile and unemployment continues to increase.

In a recent report the International Labour Organisation (ILO) highlighted the need for a 'global jobs pact' to boost employment around the world, and emphasised that avoiding a jobless recovery is the political priority of today. The ILO expects unemployment to remain high throughout 2010, with perhaps an additional 3 million people in the rich world losing their jobs or unable to find employment as they enter the labour market.

The International Monetary Fund in its latest World Economic Outlook raised its forecast for global growth for 2010 to 3.9% against the 3.1% forecast in October, but warned that many risks still threaten the world economy. In the euro area, the forecast for economic growth has been raised to 1% in 2010 (against 0.3% previously), reflecting in particular a strong upward adjustment for France (GDP growth raised to 1.4% against 0.9% previously). The IMF estimates that economic growth remains dependent on state support in developed countries, indicating that they should maintain stimulus measures while recovery was not well established. Nevertheless, it also warned of the risks related to the high levels of debt.

Chart 20: ESI and confidence indicators for the EU

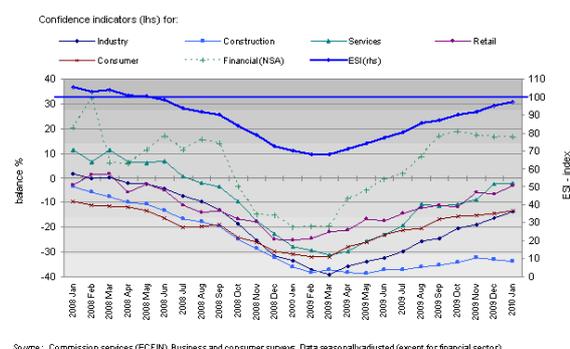
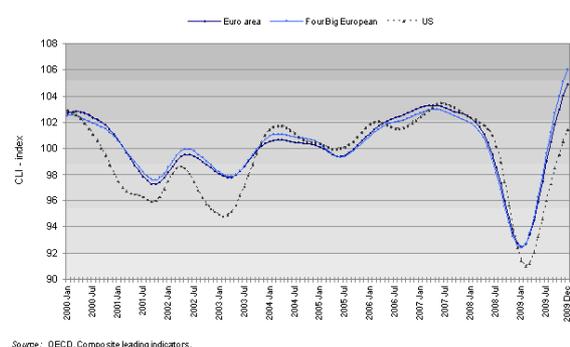


Chart 21: Composite leading indicators for the EU and US



The World Bank in its latest Global Economic Prospects report warns that the world economy will suffer the fallout from the financial crisis for years to come. Nevertheless it foresees global growth of 2.7% this year, and 3.2% in 2011, although European economies will see a rather slower recovery, with growth forecast at only 1% in 2010 and 1.7% in 2011. This expected level of economic growth in 2010 will not be sufficient to reduce unemployment.



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, the Netherlands, Poland, Slovakia and Spain. Priority has been given to the most recent reports and forecasts (dating from December 2009 to early February 2010) from reliable sources at country level.

Austria

After a year of contraction in output, owing to the global slump and a subsequent fall in investments, the Austrian economy emerged from recession in the third quarter of last year. Thanks to the improved external environment and supportive policies, GDP picked up by 0.5%, slowing the year-on-year decline to -3.7%. The recovery has been driven by the construction sector, together with a massive increase in industrial new orders and a revival in industry, with the result that GDP is forecast to expand by around 1.3-1.5% in 2010.

The labour market situation has deteriorated since the beginning of 2009. Employment decreased by 1.2% (51 000) over the year to the third quarter of 2009, with reductions affecting mostly manufacturing, but also the trade, transport and communications sector. Nevertheless, the deterioration in employment has been far less pronounced than in most other Member States.

Indeed, Austria is among the few Member States where unemployment has recently stabilised or declined. There are signs that unemployment has started to recede slightly from the peak of last October - the rate edged down to 5.4% in December, and remains the second lowest in the EU. Nevertheless, overall unemployment is up 50% (equivalent to an increase of 82 000), and the unemployment rate up by 1.8 pps, since its low one year and a half ago. Unemployment has mostly affected men, while the rate for youth has reached a historical high (rising from 7.3% in mid-2008 to 12% in December). Despite recent stabilisation, unemployment is set to increase further in 2010, but the rate will remain comparatively low (6% compared to around 10% for the EU, according to the Autumn Commission forecast).

As regards registered unemployment, the Public Employment Services registered 323 651 unemployed in January, 22 122 (or 7.3%) more than in January 2009, with - like in most Member States - men accounting for most of the rise (almost 75%). Registered unemployment bottomed out at 172 658 in June 2008, but annual rises, which peaked early last year, have been easing since November, indicating a certain stabilisation in unemployment.

At the same time, companies submitted 30 846 new job vacancies to employment offices in January, 1 982 more than a year ago, while 22 837 vacancies were filled,

suggesting that demand for new labour has remained rather dynamic in Austria and seems to be picking up. This is in line with the findings of the Manpower Employment Outlook Survey, which indicated that on average employers expect a return to hiring in the first quarter of this year. In particular, an increase in hiring intentions in the wholesale and retail trade sectors (contrary to usual reductions in that sector after Christmas) and an anticipated slight improvement in the manufacturing industry, give a positive signal for the labour market.

Signs of more positive developments in the labour market are supported by results from recent business and consumer surveys, which indicate that firms' employment expectations continued to improve in January, while consumers' fears of unemployment receded further, and that overall economic sentiment is again approaching its long term average. Nevertheless, according to a recent Eurobarometer survey many Austrians (43%) find unemployment the most urgent problem facing their country. However, in Austria most of the respondents (46%) believe that the impact of the economic crisis on the job market has already reached its peak.

To support labour markets through the crisis, the Austrian government launched in 2009 a comprehensive labour market package with improved active labour market policy instruments, including short-time working schemes, combined wage schemes, new professional and advanced training opportunities, and this has played an important part in restricting the rise in unemployment.

The Czech Republic

The export-driven economy in the Czech Republic entered recession in the third quarter of 2008, marked by a sudden steep contraction in GDP of 4.4% quarter-on-quarter, but recovered immediately in the following quarters as a pick-up in external demand (mostly from the EU countries) partially offset weakening household consumption. The recovery was supported later in November by an improvement in construction output and by a surge in industrial new orders.

Economic sentiment, which had not deteriorated as markedly as elsewhere in the EU over 2008 and in the beginning of 2009, remained broadly flat since spring 2009 and improved only in December and January. The Commission's forecasts for GDP growth for 2010 is similar to that for the EU as a whole, but the Central Bank predicts another slowdown in mid-2010, depending on the speed of recovery in the main economic partners and in particular the effect of the potential end to stimulus programmes in Germany.

The reaction of the labour market to the crisis has been intensifying, with employment growth turning negative in the beginning of 2009. A 2% reduction in employment over the year to the third quarter of 2009, in line with the EU average and concentrated in the manufacturing sector, brought employment down to 5.2 million.

The lagged effect of the crisis on employment will cause further deterioration this year. According to the Commission's autumn forecast employment is expected to decline by 1.4% in 2010, before a slight recovery next year.



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Unemployment continued to expand over the last quarter of 2009, and reached 425 000 (ILO definition) in December, almost double compared to its low in the third quarter of 2008. Registered unemployment has been even higher. According to the Ministry of Labour and Social Affairs, by the end of December employment offices registered 539 136 job seekers, 186 886 (almost 75%) more than in December 2008. Contrary to the tendency in the EU as a whole, the recent rises in unemployment have still been substantial. The unemployment rate climbed by 0.2 pps in December (up by 3.3 pps on December 2008). Nevertheless, at 8%, the rate remained 1.6 pps below the EU average, while the rate for women (at 8.8% in December) has continued to exceed the rate for men (7.4%). The labour market situation for youth deteriorated dramatically during 2009, with their unemployment rate rising by an alarming 0.6-0.9 pps per month to 21.1% in December, up 9.7 pps on a year earlier. Overall, unemployment affected on average 6.8% of the labour force in 2009, and is set to increase by around a percentage point in 2010, before falling in 2011.

Demand for new workers started to decline in September 2008 and dropped off drastically in 2009. Employment offices registered only 30 927 vacancies in December, down by two-thirds or 60 262 vacancies compared to December 2008. At present, there are on average 17.4 job seekers for every vacancy.

According to the Manpower Employment Outlook Survey, the struggling labour market will continue to slump in the first quarter of the year, as employers reported continued weak hiring expectations, with a negative net employment outlook across most sectors. At the same time, contrary to the improvements in most other Member States, consumer confidence, and in particular their unemployment expectations, has remained broadly unchanged over recent months. According to a recent Eurobarometer survey, around half of respondents find unemployment and the economic situation the most urgent problems faced by the country and are afraid that the impact of the economic crisis on the labour market has not yet run its course.

Netherlands

The Netherlands exited recession in the third quarter of last year, with GDP returning to positive growth of 0.5%. Nevertheless economic output remained down around 4% compared to levels one year before, very similar to the average fall for the EU as a whole, while, according to Statistics Netherlands, employment continued to fall by some 50 000 between the second and third quarters.

As one of the most open economies in Europe the Netherlands could not remain untouched by the effects of the global economic and financial crisis. As a result, the high economic growth recorded in the Netherlands in 2006 and 2007 came to a sudden end in the second quarter of 2008. Thereafter, the economic downturn accelerated further, as exports were particularly severely hit by the abrupt fall in world trade.

Nevertheless, employment only started to contract in the Netherlands from the first quarter of 2009, although it subsequently declined at a rate averaging 0.5% quarter-on-quarter over the first three quarters. As a result, compared to the same period the year before, overall

employment had declined by 1.5% by the third quarter, although still somewhat less than the EU average (2%).

According to Statistics Netherlands, in the third quarter of 2009 there were 140 000 fewer employees than in the third quarter of 2008, the biggest drop in over 25 years. The financial/business services sector has seen the sharpest contraction over this period (around 5%), with underlying job losses of 101 000, mainly consisting of temporary jobs through temp agencies. The manufacturing industry, construction, hotels and restaurants, and transport sectors have also experienced substantial job losses. However, in the public sector the number of jobs continued to grow (by 46 000). Much of this expansion took place in health care and social work, where job numbers were up by 33 000 compared to 2008.

Looking at recent unemployment figures, compared to the month before unemployment rose by some 8 000 in December to a level of 358 000, up around 113 000 on a year ago. The Netherlands has, compared to other Member States, suffered a relatively limited rise in unemployment following the crisis. According to Eurostat, the Netherlands still has the lowest unemployment rate in the EU (at 4.0% in December), along with by far the lowest youth unemployment rate (7.6%). The former only increased by 1.2 pps over the last year, less than the average 2 pps rise in the EU, and remains less than half the EU average (9.6%). Similarly, although rising by a more substantial 2.2 pps over the last year, the youth unemployment rate also remains well below the EU average (around a third).

The limited increase in unemployment reflects the fact that in the Netherlands employment contraction has been dampened by the use of flexible working hour arrangements, the part-time working scheme introduced by the government and labour hoarding, as companies are reluctant to let qualified personnel go. It also reflects the results of broad government action. In response to the economic crisis, the Dutch government has adopted a total of three recovery packages, containing stimulus measures which were broadly in line with the European Economic Recovery Plan. The first two packages, which were adopted at the end of 2008 and the beginning of 2009, amounted to ½% of GDP in both 2009 and 2010. The third package adopted in March 2009 in view of a further economic deterioration, was roughly twice the size of the two previous packages taken together, providing a total stimulus of around 2%. The stimulus measures were aimed at the areas most affected by the crisis, focusing on household purchasing power, private (and public) investment and employment protection.

Looking ahead, economic sentiment has been progressively improving since last February, broadly in line with developments at EU level. Despite recent improvements in employers' employment expectations for the months ahead, together with further recent declines in consumers' unemployment expectations, the labour market outlook for the year ahead remains unfavourable. The latest European Commission economic forecast expects employment to contract by 2.1% over 2010, more strongly than the EU average (1.2%), while the unemployment rate is set to average 5.4%, although still remaining at around half the EU figure.



Poland

Poland was the only EU Member State to avoid recession last year, partly because its economy is not highly dependent on foreign demand and has a relatively healthy financial sector. Nevertheless, Poland has been affected by the global financial and economic crisis. GDP growth for 2009 (1.7%) was sluggish compared to previous years (5% in 2008), as a result of poor performance in early 2009, before economic activity picked up again in the second half of the year.

Despite improvements in economic activity late last year, the labour market in Poland has continued to weaken – though only to a limited extent, defying global and regional trends. Indeed, compared to most other EU Member States, Poland has posted modest rises in unemployment. After hitting a 16-year low in October 2008 (6.7%), the unemployment rate increased to 8.9% in December. However, recent increases suggest that the initial relative resilience of the Polish labour market has weakened. Indeed, despite decreasing fears of unemployment among Polish consumers, the unemployment rate is forecast to reach 10% in 2010-2011, similar to the EU average. (It is currently 0.7 pps below the EU average).

As in most Member States, the downturn in Poland mostly hit men. Female unemployment rose only from October 2008 to March 2009, during the worst period of the downturn, and stabilised at 8.9% in December (up 1.4 pps on October 2008). Polish men, on the other hand, have continued to face relatively severe unemployment rises. The unemployment rate for men has reached a similar level of 8.8%, but this was 2.7 pps higher than in October 2008. At 24.2% in December 2009, youth unemployment remains high, up 6.8 pps on the year, highlighting both persistent structural problems and risks related to long-lasting effects of the crisis, i.e. long-term unemployment or inactivity. The youth unemployment rate in Poland is 2.8 pps higher than the average rate for the EU.

Registered unemployment is even higher. According to the Polish Central Statistical Office, almost 1.9 million people were registered as unemployed in December 2009, 81 600 more than in November. Over the year to December 2009 registered unemployment increased by 419 300 (28.5%). Registered unemployment usually increases in December each year because seasonal work in construction, forestry and horticulture comes to an end, and people who had found temporary jobs thanks to active labour market policies return to the ranks of the unemployed. Additionally, fixed-term contracts usually cease at the end of the year, and there are fewer subsidised job offers. The jobless rate (the registered unemployment rate) edged up to 11.9% in December, up from 11.4% in November and after bottoming out at 8.8% in October 2008. The Labour Ministry forecasts that the jobless rate will exceed 12% in January, and will continue increasing thereafter, albeit at a slower pace than last year, to reach 12.8% at the end of 2010.

On the other hand, firms' employment expectations continue to improve. According to the Manpower Employment Outlook, employers will continue to take a 'wait and see' approach to hiring workers, but overall they are cautiously optimistic about the employment outlook

for the first quarter of 2010. A slight increase in employment can be expected in firms which have overcome the difficulties related to the financial crisis, while companies still facing problems or those that did not suffer the effects of the crisis plan to continue to reduce rather than to increase the number of posts.

At the same time, consumers' unemployment expectations stabilised in January and are among the lowest in the EU. Nevertheless, according to a recent Eurobarometer survey, 48% of Poles see unemployment as the most important problem their country faces, while 41% believe that the employment situation in Poland will not change in the coming twelve months.

Economic forecasts for Poland point to further improvements over the course of this year and into 2011, with annual growth for 2010 set to be the strongest in the EU, ranging from 1.8% to 2.5% for 2010. At the same time, there are risks that unemployment will reach double-digit figures. In response to these risks, policy measures to mitigate the impact of the crisis on jobs, including partial unemployment benefits in case of temporary closures or reduction in working hours as well as changes to working time regulations will be in force until the end of 2011.

Slovakia

Slovakia has not technically been in recession, but a single quarter of marked decline in economic output (by 8.6% in the first quarter of 2009) had pushed down year-on-year GDP growth to -5% by the third quarter of last year. Recovery has recently been driven by a revival in industry and a strong pick-up in November in construction output, with the result that GDP is forecast to expand over this year at an annual rate of 1.2-1.9%.

The labour market has suffered relatively strongly from the economic downturn. Employment declined by 85 000 (or 3.8%) on a year to the third quarter, affecting almost exclusively industry-based sectors. Unemployment increased by 50% (123 000) in just thirteen months from its low in October 2008, to reach 365 000 in December 2009 (13.6% of the labour force), up 4.8 pps on October 2008. Contrary to the tendency in the EU as a whole the unemployment rate rose sharply last year; the 4.3 pps rise on a year to December 2009 was exceeded only by the increases in the Baltic States, Ireland and Spain and left the Slovakian rate one of the highest in the EU.

The downturn has impacted rather more on men than on women, with their unemployment rates up on October 2008 levels by 5.5 pps and 3.8 pps, respectively, narrowing the gender gap to 0.6 pps in December 2009. The crisis has also added dramatically to persistent structural problems in youth unemployment, which increased by 14 pps from a level of 18.8% in September 2008 to an alarming 32.9% in December 2009, 11.5 pps above the average for the EU.

Public Employment Services registered 335 490 unemployed in December, an increase by 16 570 (more than 50%) on December 2008. At the same time, employment offices registered only 5 027 vacancies by the end of December 2009, 493 less than in November and 5 996 less than at the end of 2008.



The high point of the crisis on the job markets is still to be faced, according to most of the respondents (51%) to a recent Eurobarometer survey, and Slovaks consider unemployment and the economic situation to be the most urgent problems faced by their country (according to 64% and 45% of the respondents, respectively).

However, there are signs that the situation is stabilising - as unemployment rises over the last quarter of 2009 moderated, consumers' fear of unemployment continued to decline and the unemployment rate is forecast to remain below 13% this year. Indeed, several factors have softened the impact of the crisis on labour markets, among them active labour market policy measures, and the initiation of career guidance services and negotiations in order to prevent and mitigate the impact of mass dismissals caused by the financial and economic crisis.

Spain (EU Presidency January-June 2010)

Recent data indicate that the Spanish labour market continues to deteriorate, but with broad signs that the pace of deterioration has moderated over recent months. In particular, rises in unemployment have softened substantially compared to the many months of steep increases prior to the last quarter of 2009. For example, according to Eurostat data, in December the unemployment rate increased by 0.1 pps, following rises of 0.2 pps in October and November, all down on the average 0.3 pps per month rises from April to September and the particularly sharp rises over the year prior to that.

Nevertheless, the unemployment rate, at 19.5% in December, is edging close to the 20% mark, and reflects an underlying level of unemployment of close to 4.5 million. At this level the rate remains more than double the EU average and second highest only to Latvia. Furthermore the Spanish labour ministry recently reported that the number of registered unemployed increased by close to 125 000 in January, a strong jump on the weaker rises recorded in November and December (55 000), to reach a level of just over 4 million.

Youth unemployment, at close to 1 million, remains especially problematic in Spain, with around 45% of all people aged 15 to 24 affected in December, the highest rate of any Member State and double the EU average. Furthermore, the rise in the youth unemployment rate shows few signs of moderating, unlike that for overall unemployment, and by December the rate had increased by around 13.5 percentage points on a year earlier.

According to Eurostat, employment contracted by a further 1.5% in the third quarter of last year, and was down by over 7% compared to the same time one year before. This reflects an underlying fall in employment of around 290 000 (seasonally adjusted) over the third quarter, and of close to 1.5 million over the year. Construction and manufacturing industry continue to be the sectors suffering the largest job losses, with employment down by around 24% and 15% respectively over the year to the third quarter. This protracted fall in employment is set to induce slow growth in disposable income, both in nominal terms, thus affecting households' balance-sheets, and in real terms, with an impact on real demand.

More than a decade of strong economic expansion in Spain came to an end in the second half of 2008 and was followed by a sharp contraction in economic activity. In response to the crisis, expansionary fiscal measures to stimulate the economy were adopted in line with the European Economic Recovery Plan. The fiscal stimulus - aimed at enhancing infrastructure and supporting households and businesses - amounted to about 2½% of GDP in 2009. 2010 began with a new drive to stimulate economic activity and employment through the State Fund for Employment and Local Sustainability (FEESL). This provides a new boost to demand and employment that will maintain in part the effects of the previous State Fund for Local Investment (FEIL). €5 billion is to be spent in 2010 on the FEESL initiatives. According to AGETT (Asociación de Grandes Empresas de Trabajo Temporal) and AFI's (Analistas Financieros Internacionales), the FEESL should contribute to the creation or preservation of some 87 000 jobs in 2010 on an annual basis, mainly in R&D, construction and education sectors, and, in the medium term, could create a further 98 000 induced jobs.

Looking ahead, recent data show that, unlike most other Member States, the recession continued in Spain in the third quarter of 2009 (as GDP shrank a further 0.3% on the previous quarter and with economic output remaining down by around 4% compared to a year earlier), and is expected to last into 2010. According to the Bank of Spain, the economy contracted for a sixth consecutive quarter in the last three months of 2009, as GDP fell by a further 0.1%, although the rate of decline is clearly easing. The latest European Commission economic forecast expects the Spanish economy to contract by 0.8% over 2010, although the pace of contraction should ease. The decline in economic activity, which particularly affects labour-intensive sectors, continues to weigh heavily on employment, which is forecast to contract by a further 2.3% this year, while the unemployment rate is set to average 20% for the year as a whole.



2. Selected sectoral trends: the postal services and financial sectors

This section reports on recent employment developments in the postal services sector, a major employer in the EU, and provides an update on the financial sector, one of the sectors most affected by the recent economic crisis.

The postal services sector

Importance of the sector

Around 95 billion letter-post items were delivered within the European Union in 2007, while around one fifth of the letter post volume worldwide originated in the EU. The six largest national letter post markets (in terms of volume) account for nearly 80% of the EU letter-post business: namely the United Kingdom, Germany, France, Spain, Italy and the Netherlands.

The role of postal services is evolving substantially. Postal services are at the crossroads of three markets of major importance for economic development: communication, advertising, and transportation. Due to considerable technological developments in electronic communications, postal activities are continuously shifting from two-way communication services to advertising and transportation services.

The postal sector - encompassing letter post, parcel and express services - is highly important to the EU economy. The letter post submarket accounts for about 60% of all revenues from postal services. The parcel and express segments account for the remainder. The express industry is one of Europe's fastest growing sectors, with a yearly growth in turnover of 12% over 1998-2003.

Postal services in the EU earned about €90 billion in 2004, equivalent to 0.9% of GDP. However, the EU-27 letter post market is highly fragmented into national markets. This is essentially because domestic letter post remains the dominant product type, and cross-border mail is relatively small in comparison. Additionally, there are substantial differences in postal products (standards and pricing schemes) and in the institutional arrangements between Member States.

Employment

With 40 000 enterprises, of which 37 000 are in courier activities, the postal sector employs around 2 million people, accounting for 0.89% of overall EU employment in 2006. Almost 81% of all jobs are based in the EU-15.

EU employment has grown 1.7% annually, and at 2.7% in the new Member States, during the period 2000-2006. Two thirds of total sector employment is in national postal activities (mainly universal service provision, or USP), while almost two thirds of value added is generated by national post activities and one third by courier activities.

Between 1997 and 2006, employment with national postal operators (NPOs), the incumbents in the market, fell by 7.7%. At the same time, new jobs were created within competitive postal operators (CPOs).

The impact of IT on substitution (postal mail by Internet, by e-mail and by mobile messages), on e-business (parcels) and on advertising obviously affects the skills mix. Most jobs in the postal sector are in the categories 'clerks' (administrative and sales personnel in, for example, post offices and express companies' back-offices), other professionals (i.e. sales and marketing), engineers and IT professionals, and sorting staff and mail carriers.

Improved and new technologies have allowed companies to increase the efficiency of their logistics processes dramatically in recent years. Most efficiency gains were achieved through a decrease in the number of employees needed to staff sorting centres, as a much larger share of letters and parcels are now sorted mechanically.

Recent restructuring cases

Several important restructuring cases have been reported in the sector over the last year or so, leading to significant job losses.

Ireland's state postal company An Post announced 1 300 redundancies over the next three years in a cost-cutting plan which commenced in January 2010.

In Germany, in September 2009 Deutsche Post announced its intention to cut 560 jobs at its subsidiary DHL in response to the insolvency of German mail-order retailer Arcandor, and in October 2009 DHL announced a cut of another 200 jobs due to the bankruptcy of German mail-order retailer Quelle, a subsidiary of Arcandor.

In the UK, Royal Mail closed its sorting office in Oxford resulting in the loss of 383 jobs. 224 staff opted for voluntary redundancy, 92 will be relocated to Swindon and 61 found alternative employment. The remaining cuts were implemented through early retirement.

In the Netherlands, on 2 July 2009, TNT announced the dismissal of 11 000 mail deliverers and sorters over a period of one to three years.

In Belgium, EAT, a subsidiary of the company DHL, announced the relocation of its activities resulting in a cut of 180 jobs at its site located at Brussels Airport. The company will relocate a part of its activities from Brussels to Leipzig in Germany where it has established its European hub. In November DHL made a further announcement of relocation of its Belgium activities: the company will relocate its European headquarters from Diegem to Bonn in Germany. The relocation will result in 788 job losses over a period of two years, though affected employees will receive job offers in Bonn.

Perspectives

Sector strengths include a stable overall level of demand, the existence of trusted brands, as well as new IT technologies (due to new innovative companies). Liberalisation and deregulation offer opportunities for new start-ups, new products and services and further



diversification, and opens up scope for new forms of public-private cooperation for the sector.

Weaknesses include a still pervasive outdated culture among incumbents (at least in some Member States), monopolistic market structures, and the universal service obligation¹ affecting competition.

Liberalisation and technological progress have resulted in a reduction in the number of staff employed in traditional postal services and a change in the composition of the labour force, with more part-time jobs and less full-time jobs. The shift in job and skills structure reflects a change in technologies (automation, internet, IT), in markets (packages and freight, new services) and in business models (reflecting competition from new competitors but also from ICT and new media companies). With the shift to more IT-intensive production and newer services the nature of the business has changed to more consultancy-type and technology driven services, requiring more high-skilled labour. Basic IT skills have become more important for operators and postmen; advanced IT skills have become more important for technical and professional operators.

Job opportunities requiring high skill levels will increase, together with a need for up-skilling and retraining of important parts of the workforce, either to take on new functions, or to be (re)employed elsewhere in the economy.

In the near future, market opening will bring further benefits for postal services' customers, both consumers and businesses. Full market opening is scheduled for 31 December 2010, with a longer transition period (31 December 2012) for certain Member States.

The financial sector

The financial services sector², encompassing banking, insurance and financial intermediaries, has suffered throughout 2008 from the crisis that hit the sector beginning in the summer of 2007. More recently, 2009 was marked by signs of recovery, with some large financial institutions returning to profit. Nonetheless, for many banks, 2009 saw internal reorganisations, modification of their business model and above all cost reduction. This is particularly true for institutions having benefitted from the bail-out schemes granted by the public authorities amid the financial crisis, and which now have to reimburse the sums borrowed.

Employment

In terms of employment, the crisis prompted a series of layoffs during the course of 2009. Latest Eurostat figures³ show that employment in the EU financial sector

contracted by 1.8% between the third quarter of 2008 and the third quarter of 2009. However, the situation is much more varied across countries. Employment contraction has been particularly dramatic in Ireland (-25% over the same period), the Slovak Republic (-23%) and to a lesser extent in Belgium and Portugal (respectively -13% and -11%). In contrast, the sector has started to hire again in Poland and Bulgaria (+15%), Luxembourg (+13%), Slovenia and Romania (+12%). In Germany, which has the largest level of employment in the sector in the EU, employment decreased by nearly 84 000 jobs, equivalent to a 6% decline. In the UK, employment fell by 2% (a loss of 24 000 jobs).

Institutional framework

In the wake of the financial crisis, European governments have decided to reform the EU supervisory framework. They agreed to create three new bodies to supervise banking, insurance and securities markets: the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities Market Authority. It was also decided to create the European Systemic Risk Board to monitor potential threats to the stability of the financial system. Entry into force of these new authorities is foreseen in the course of 2010.

The Commission has also adopted a Communication in October 2009 to safeguard financial stability while at the same time ensure the continuity of banking services in periods of crisis. It proposes a series of tools for better management of financial crises. The document, which now needs to be discussed by stakeholders, includes proposals such as early intervention tools, restructuring tools, and the question of the financing of the measures and of the harmonisation of insolvency procedures in the EU.

Concerning insurance companies, the European Council adopted in November 2009 the "Solvency II" directive to strengthen the supervision of insurance companies and prudential regulation.

Recent developments in restructuring

Recent ERM data indicate that the economic downturn is still having an impact on the financial sector. Since January 2009, the ERM has recorded 65 518 announced job losses against 13 425 job gains in a total of 138 cases.

Some of the largest cases of restructuring in 2009 include: almost 15 000 job losses in the UK announced throughout 2009 by Lloyds banking since its merger with HBOS; 12 045 job losses across Europe reported by RBS and its subsidiary Ulster Bank; and 674 jobs losses in Italy announced in October by Banca Popolare di Milano. Concerning the insurance and pension funding sector, the Greek company Aspis Pronia announced 700 job losses in September, ING announced 800 job losses in the Netherlands in July and Axa made an announcement in June that 560 jobs would be lost in the UK.

¹ This consists of a set of measures aiming to permanently grant all users in all points of a territory a sufficient level of service. This obligation may take the form of constraints, and applies to a range of products or services. It involves quality, in the broad sense, and price controls.

² This section provides an update on developments in the sector, which was first covered in the April edition of the monthly monitoring report.

³ From the EU labour force survey



3. Social situation trends

This section focuses on a selection of regular key socio-economic indicators available for potentially vulnerable target groups. It must be pointed out, however, that 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 of the crisis.

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

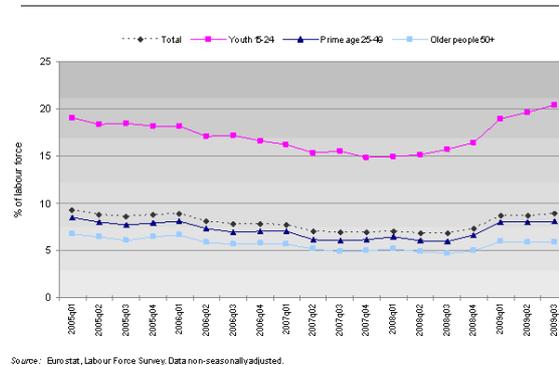
Unemployment continues to increase steeply among young people ...

The economic downturn hit first and foremost young people (i.e. those aged under 25). Youth unemployment - which started to rise in the beginning of 2008 - increased sharply during 2009 (+30% by third quarter 2009 compared to third quarter 2008), and by the third quarter of 2009 the rate had increased by 4.7 pps compared to the same quarter of 2008. The youth unemployment rate is more than twice as high as the overall unemployment rate in most EU countries (20.4% as against 8.9% for the EU as a whole) (Chart 22). The impact of the economic downturn has spread among prime age workers too, for whom the unemployment rate increased by 2.1 pps compared to the third quarter of 2008.

... and initially severely affected migrants...

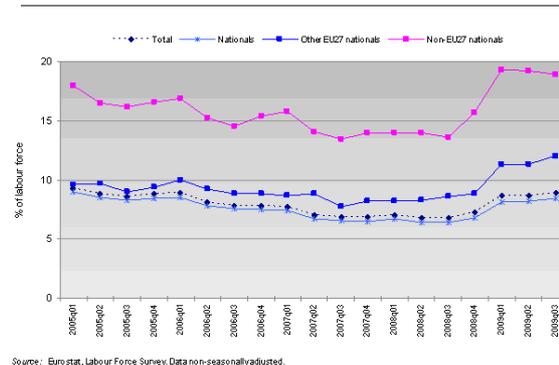
Unemployment among migrants (non-EU nationals) rose steeply in autumn of 2008 and early 2009 before stabilising somewhat since the second quarter of 2009. By the third quarter of 2009, the unemployment rate had increased by 5.3 pps on a year earlier to reach 18.9%. The rate for other EU-nationals, picking up significantly in the first quarter of last year, was 3.4 pps higher in the third quarter of 2009 on a year earlier (Chart 23). The gap between the unemployment rates for non-EU27 nationals and nationals, which had stayed fairly stable at around 7 pps over recent years, has now reached 10.5 pps, while it is only 3.6 pps for other EU-nationals. The increase in unemployment was particularly sharp for migrant men, whose unemployment rate rose by 50% and is close now to 20%.

Chart 22: Unemployment rates by age for the EU



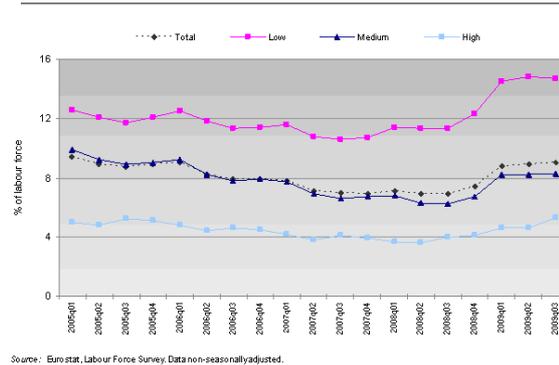
Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted.

Chart 23: Unemployment rates by nationality for the EU



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

Chart 24: Unemployment rates by education level for the EU



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

... and low-skilled workers

Unemployment among the low-skilled and among the medium-skilled rose sharply in the beginning of this year, but remained relatively stable in the second and third quarters. The sharp hike for the low-skilled led, by the third quarter of 2009, to the rate being 3.4 pps higher than a year earlier, while the rate for the medium-skilled had increased by a more modest



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2.1 pps. At the same time the rate for the high-skilled had risen by 1.3 pps on a year earlier. The gap between the unemployment rates for the low and the high-skilled, at around 7 pps over recent years, had therefore expanded to 9.4 pps, while that between the medium and high-skilled has remained at 3 pps (Chart 24).

... with an increasing risk of long term unemployment

As unemployment is increasing significantly, the duration of unemployment spells needs to be closely monitored.

The long-term unemployment rate in the EU had been decreasing up until the third quarter of 2008, but it started to rise again to reach 3% of the labour force in the third quarter of 2009. The rises have been particularly severe among young people, with long-term unemployment affecting 4.7% of the youth labour force, up 1.4 pps on a year earlier. The long-term unemployment rate for older people has remained stable over the last year, but has started to rise in a number of countries (Chart 25).

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

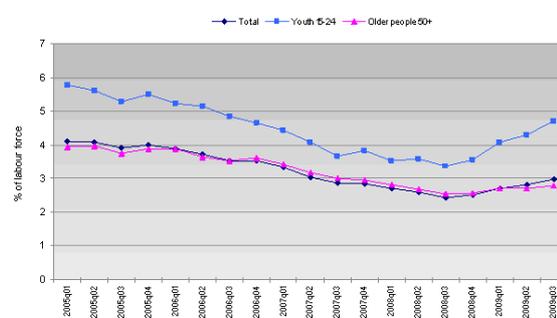
The share of long-term unemployed in total unemployment differs among Member States (from 8.6% in Denmark to 52.4% in Slovakia), and the evolution during recent months has been very different too (from -42.1% in Czech Republic to +24.6% in Spain). Differences in social situations among countries (older workers remaining on the labour market or taking early retirement) should explain these recent trends.

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

The economic downturn has led to a reduction in temporary employment of 5.6% over the year to the third quarter of 2009, compared to a 2% decline in permanent employment. Reductions in temporary employment affected first and foremost young employees and prime-age workers, however while the fall for temporary prime-age employees (5.3% year-on-year) to the third quarter of 2009 was lower than in the two previous quarters, temporary employment for youth had declined further with a year-on-year drop of 8.4% (Chart 26).

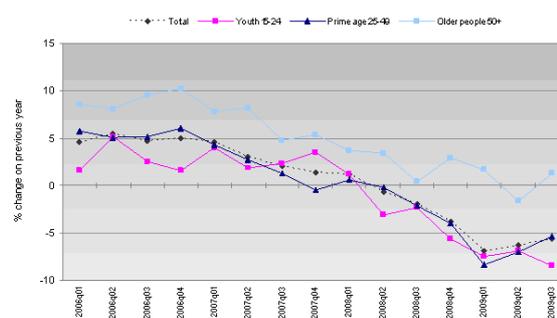
As a result, the share of employees with fixed-term contracts relative to total dependent employment had fallen to 13.8% by the third quarter of 2009, down by 0.5 pps on a year earlier.

Chart 25: Long-term unemployment rate for the EU



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

Chart 26: Growth of temporary employees for the EU



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

Rises in unemployment may have different social effects across Member States, since poverty and living conditions vary

Unemployment rates are rising in all EU countries, 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 has potentially very different consequences in terms of poverty and living conditions across the EU. On average, the risk of poverty faced by the unemployed is 44% in the EU against 15% for the adult population as a whole, and varies from 28% in Ireland to 50% or more in the UK and the Baltic States (Chart 27).

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% in the EU, but living on low income in comparison to one's own country's standards hides very different social realities across Europe.



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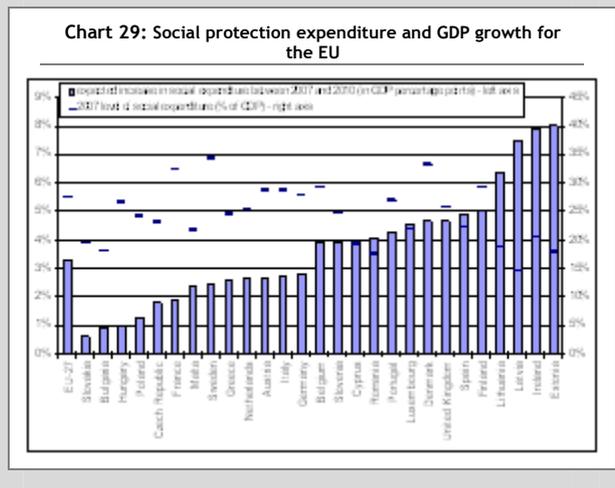
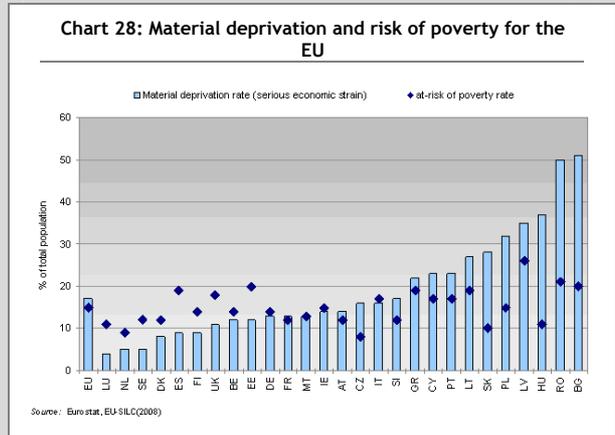
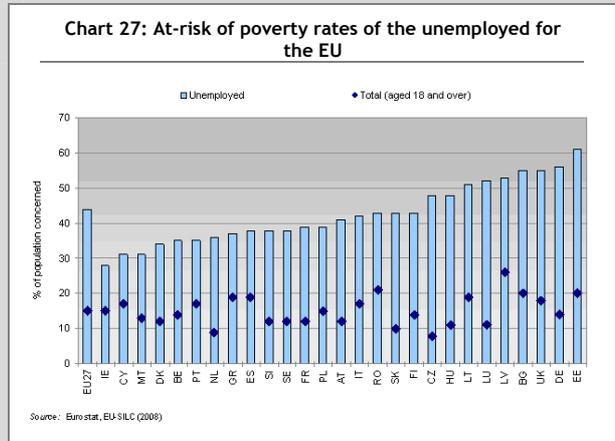
The material deprivation rate⁴ measuring the proportion of people whose living conditions are severely affected by a lack of resources varies from 5% or less in Luxembourg, the Netherlands and Sweden to 50% or more in Romania and Bulgaria (Chart 28).

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 crisis⁸. Available national data showed that the number of recipients of unemployment benefits surged, followed by an increase in social assistance recipients.

Social protection expenditure projections

According to the Autumn Commission economic forecast, as a result of automatic stabilisers and of discretionary measures to reinforce social benefits, social expenditures in the EU are expected to increase by 3.2 percentage points of GDP between 2007 and 2010 (Chart 29). However, this forecast increase varies from less than 1 pp in Bulgaria, Hungary and Slovakia to 6 pp or more in Estonia, Ireland, Latvia and Lithuania.



⁴ The material deprivation rate is a headcount of people who are affected by three out of nine of the following deprivation items: cannot afford to pay their rent, mortgage or utility bills, keep their home adequately warm, face unexpected expenses, eat meat or proteins regularly, go on holiday, or cannot afford to buy a television, a washing machine, a car or a telephone.



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 For more information on Manpower, please visit the website: www.manpower.com/press/meos.cfm

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 freelancers 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 3 February 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 Autumn 2009 forecast, please visit the website: http://ec.europa.eu/economy_finance/thematic_articles/article16051_en.htm

⁸ <http://ec.europa.eu/social/BlobServlet?mode=redirLinks&url=http://register.consilium.europa.eu/pdf/en/09/st16/st16169-ad01.en09.pdf>