

Brussels, 17 February 2009

## **Monthly monitoring report on EU employment and social situation**

### **What is the monthly monitoring report?**

Today's report is the first in a new series of monthly analyses to monitor the EU employment situation. Making use of a wide range of sources of timely data, the monitor presents an update of the labour market situation and restructuring trends, set against a background of economic and sectoral developments.

This month it provides a special focus on developments in the larger Member States as well as an in-depth analysis of the automotive industry, and an indication of the overall social implications of the economic crisis. Every three months, there will be an update on the social situation.

### **What is the EU doing to counter the employment impacts of the crisis?**

This report is intended to inform the policy debate at EU and Member State level and provide guidance to support the development of further appropriate policy responses to the crisis.

The EU has already taken coordinated and effective action to counter the effects of the crisis, on employment in particular. The economic recovery plan, endorsed by all Member States last December, aims to protect and create employment, both now and in the future, including by setting out short-term measures to boost demand and by promoting major investment in infrastructure projects (by for example making full use of €5 billion of unspent money from the EU budget for key energy and internet broadband infrastructure projects).

The Commission has also proposed changes to both the European Social Fund and the European Globalisation Fund to make them more effective during the crisis and help keep more people in jobs as well as help them find new ones. Flexicurity continues to offer a useful framework for action – including by enabling the use of internal flexibility such as short-time work which helps workers stay in jobs and maintain or upgrade their skills, and will also help employers avoid the costs of recruiting and retraining when the economy picks up again.

The jobs and social summit at heads of state and government level, proposed by President Barroso, to be held in May in Prague will be an opportunity to consider what further action needs to be taken at both European and Member State levels to limit the impacts of the crisis on employment.

### **Why is it being released now?**

The need to monitor the impact of the current economic crisis on different sectors was announced in the November 2008 Commission Communication "From financial crisis to recovery", as part of the European Economic Recovery Plan.

This monitoring report on the EU employment situation and outlook responds to this but also to a more general need for up-to-date and relevant information on labour market developments and ongoing restructuring. It will be published monthly.

### **What are the main conclusions of the first report?**

Latest data covering the end of 2008 and January 2009 show that EU labour markets are starting to react more strongly to the current economic downturn, with companies announcing substantial job reductions in several sectors and business and consumer confidence continuing to fall.

Up until December, the average EU unemployment rate had been less affected by the sharp economic slowdown and declines in confidence than in the US. The December unemployment rate in the EU had increased by only 0.6 percentage points compared to one year earlier, while in the US it had increased by 2.3 percentage points.

However, recent data and national reports indicate that job vacancies, although still significant in number, have started to fall in reaction to the downturn, that announced job losses now far outweigh those relating to job creation, and that unemployment rates are rising across the EU (now at 7.4% for the EU).

### **What about the outlook for the forthcoming months?**

The limited labour market impact until now of the crisis in the EU is due in part to the fact that employment usually reacts with a lag of about three quarters to economic activity, but also reflects an increased use of internal flexibility (flexible working-time arrangements, short-time working, temporary suspension of production etc.) which appears to have prevented significant job losses so far, especially in manufacturing, by allowing firms to use various means of internal adjustment rather than reduce their workforce.

As business and consumer confidence fell sharply in December and dropped again in January, further deterioration in the labour market situation is foreseen for the months ahead. The latest Commission forecasts expect employment growth to turn negative in 2009, with overall employment contracting by 1.6 % or some 3.5 million jobs, while the average EU unemployment rate is set to increase by about 2.5 percentage points in the coming two years.

### **Which sectors are most affected?**

The metal and machinery, motor industry, financial services and transport and storage sectors have been hit hardest by announced job losses in January. A net loss of more than 100 000 jobs was announced in these sectors in the four months from October 2008 to January 2009. Commerce (defined as wholesale and retail trade) appears the most resilient sector, with significant new jobs announced over recent months, including January (21 000 new commerce jobs in the UK).

This month's report focuses on recent developments in the motor industry, as one of the sectors most heavily affected by the downturn. Within this industry, the main EU carmakers have announced temporary suspensions of production, reduction of shifts and lay-offs, as well as cutting temporary jobs. However, there have not yet been any notices of permanent site closures.

### **Who is most likely to be affected by the downturn?**

Young people and those on temporary employment contracts have been the first to be hit by the rise in unemployment, but elderly people, foreign nationals and low-income households are also likely to be at the forefront of those most affected by the wider impacts of the downturn.

Despite the sharp decrease in overall inflation, and drops in oil and other commodity prices recorded in the second half of 2008, the strong increases in the prices of food, housing and energy over the previous half year have had particularly adverse effects on low-income households and the elderly.

### **Monthly monitor on EU labour market situation and outlook – February 2009:**

<http://ec.europa.eu/social/main.jsp?catId=120&langId=en>