



Employment and Social Developments in Europe

Quarterly Review

December 2018



December 2018

With regularly updated data and charts downloadable [here](#)

The Employment and Social Developments Quarterly Review provides in-depth description of recent labour market and social developments. It is prepared by the Thematic Analysis Unit of the Directorate-General for Employment, Social Affairs and Inclusion (EMPL/A4). This review was prepared under the supervision of B. Kauffmann (Director), L. Stemitsiotis (Head of Unit) and F. Siebern-Thomas (Deputy Head of Unit). The main contributors were: F. de Franceschi, E. Gyorgy and L. Pappalardo. Input was also provided by A. Kowalski.

A wide range of information sources have been used to produce this report, including Eurostat statistics¹, reports and survey data from the Commission's Directorate-General for Economic and Financial Affairs.

Charts and tables are based on the latest available data at the time of publication, and include Eurostat data on national accounts (employment and GDP) for the third quarter of 2018 (2018 Q3), Eurostat data on the Labour Force Survey second quarter of 2018 (2018 Q3) and Eurostat data on monthly unemployment concerning October 2018.

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http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database



I am happy to present the quarterly ESDE report. Once again, we see progress on the EU labour market. Total employment has hit a record of 239 million workers. Youth unemployment continues to drop and full-time jobs are on the rise. We are approaching our goal of reaching a 75% employment rate in the European Union by 2020. While these developments are positive, we still face certain challenges. Economic growth has been slowing down amid global uncertainties. Increasing labour and skill shortages may dampen employment creation. Although household disposable income is gradually increasing, financial distress and debt remains a concern for 13% Europeans. The European Commission and EU Member States will continue working towards sustainable and inclusive growth to address these issues. The implementation of the European Pillar of Social Rights is a crucial in this respect. The next EU long-term budget should also mobilise more funds to achieve these objectives. We need to make sure that our actions at EU, national, regional and local levels are fair and inclusive, step up our investment in people and restore confidence in the future.

A handwritten signature in blue ink, appearing to read 'M. Thyssen'.

Marianne Thyssen
Commissioner for Employment, Social Affairs, Skills and Labour Mobility

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List of country codes

EU Member States

AT: Austria
BE: Belgium
BG: Bulgaria
CY: Cyprus
CZ: Czech Republic
DE: Germany
DK: Denmark
EE: Estonia
EL: Greece
ES: Spain
FI: Finland
FR: France
HR: Croatia
HU: Hungary
IE: Ireland
IT: Italy
LT: Lithuania
LU: Luxembourg
LV: Latvia
MT: Malta
NL: The Netherlands
PL: Poland
PT: Portugal
RO: Romania
SE: Sweden
SI: Slovenia
SK: Slovakia
UK: United Kingdom

Further afield:

US: United States of America
JP: Japan

Executive summary

Economic conditions

In the first three quarters of 2018, the EU's economy continued its expansion, yet less dynamically than in 2017. The GDP growth rate in 2018 Q3 was 0.3 % in the EU as a whole and 0.2 % in the euro area, compared to the previous quarter. **23 Member States reported positive GDP growth in the third quarter** compared to the previous quarter, with the highest growth rates registered in Malta (3.6 %), Romania (1.9 %), Poland and Latvia (both 1.7 %). Italy, Sweden, Germany and Lithuania registered negative growth rates, ranging from -0.1 % to -0.3 %. The year-on-year growth rate in the third quarter was at 1.8 % in the EU and 1.6 % in the euro area, constituting a moderation in the growth rate compared to the first two quarters of 2018. Year-on-year growth rates were positive in all reporting Member States, accelerating by at least 5 % in Malta, Poland, Latvia, Hungary and Slovenia. In line with the deceleration of economic growth since the beginning of 2018 most recent survey indicators point to lower sentiment and higher uncertainty. Despite this adjustment in the economic outlook, the outlook for the labour market remains broadly positive.

Employment

Employment growth continued in the third quarter of 2018, but at a slower pace. It increased by 0.2 % over the previous quarter both in the EU and in the euro area, whereas compared to the third quarter of 2017 it grew by 1.2 % in the EU and by 1.3 % in the euro area. The moderation was expected and is in line with forecasts for 2018.

There are now more than 239 million people in employment in the EU, of which 158 million in the euro area: these are both new record levels, with almost 3 million more people in employment in 2018 Q3 than a year before. Employment has been growing for twenty-two consecutive quarters in the EU, since the low recorded in the first quarter of 2013. Since then, more than 15 million people found a job, including 9.4 million in the euro area. However, the number of hours worked in the European economy is still below pre-crisis levels.

Employment increased in all Member States when compared with the third quarter of 2017, especially in Malta (4.9 %), Luxembourg (3.8 %), Cyprus (3.7 %) and Ireland (3.4 %). However, when compared to 2018 Q2, it fell in Estonia (-0.8 %), Italy (-0.3 %), Bulgaria, Croatia, Poland (-0.2 %), and Romania (-0.1 %).

EU employment increased in all sectors but agriculture compared to the same quarter of the previous year. **The service sector recorded the greatest rise**, with 730 thousand more employed people alone in wholesale trade and 1.8 million more in other services. On the other hand, industry and construction experienced a less important growth.

The largest share of new jobs are permanent and full time jobs. In the second quarter of 2018, permanent jobs increased by 2.7 million compared with the same quarter of the previous year. The number of temporary employees rose by 150 thousand, while the number of self-employed fell by 500 thousand. At the same time, full-time employment grew faster than part-time: the number of full-time workers, although still below the peak level of 2008, increased by 2.3 million, while the number of part-time workers remained stable.

The employment rate continued rising towards the Europe2020 target and reached 73.2 % in the second quarter of 2018. At this pace the Europe 2020 target of 75 % appears broadly within reach. The employment rate increased in almost all Member States, with the largest annual increases were recorded in Cyprus (3.1 pps), Latvia (2.5 pps) and Portugal (2.4 pps). Large disparities in employment rates persist in the Member States, as in the second quarter of 2018 there was a difference of about 23 pps between the highest employment rate (82.5 % in Sweden) and the lowest (59.3 % in Greece).

Unemployment

In October 2018, **the unemployment rate in the EU and euro area remained at the same level recorded in the previous month**, i.e. 6.7 % in the EU and to 8.1 % in the euro area. This represents a reduction of 0.7 pps compared to the unemployment rate in the same month

of the previous year, both in the EU and in the euro area; compared to the highest level recorded in 2013, the decrease amounts to 4.3 pps and 4.0 pps, respectively.

Unemployment has receded by around 10 million people since its peak observed in April 2013. In July 2018, there were 16.6 million unemployed in the EU, about 1.5 million fewer than in the same month of the previous year.

The unemployment rate decreased in all Member States compared with a year ago. The largest reduction was registered in Croatia (by 2.1 pps down to 8.1 %). Important differences remain among Member States. The lowest rates were recorded in the Czech Republic (2.2 %) and in Germany (at 3.3 %). On the other hand, Greece² (at 18.6 %), Spain (14.8 %) and Italy (10.4 %) are the only Member States with an unemployment rate over 10 %.

In October 2018, youth unemployment stood at 15.3 %, one percentage point lower than in the same month of the previous year. This represents nearly 215 thousand fewer unemployed people aged 15-24. Youth unemployment fell in most Member States, notably in Cyprus (7.0 pps)³, Latvia (6.8 pps), and Slovakia (4.3 pps). In spite of a significant decrease, Greece remains the country with the highest youth unemployment rate (36.8 %)⁴, followed by Spain (34.9 %) and Italy (32.5 %).

Long and very long-term unemployment also continues declining. Long-term unemployment shrank by 0.4 pps in the second quarter of 2018, compared with the same quarter of the previous year, reaching 3.0 % of the labour force. It has been decreasing over the last four years. Long-term unemployment receded in all Member States. The very long-term unemployment rate (which captures people in unemployment for at least two years) declined by 0.3 pps, down to 1.9 % of the labour force. The share of long-term unemployed in total unemployment is still high, around 44 %.

The activity rate reached 73.8 % in the second quarter of 2018. This is 0.2 pps higher than in the previous quarter and 0.4 pps more than in the second quarter of 2017. Compared to the same quarter of 2018, the Member States that experienced the strongest increases were Malta (1.7 pps), Cyprus (1.3 pps) and Slovenia (1.2 pps). On the other hand, the activity rate decreased in Romania and Croatia (-0.5 pps), Greece (-0.2 pps), and Estonia (-0.1 pps).

Productivity

The growth of labour productivity, as measured by output per worker, has remained modest in the past years both in the EU and euro area. In the third quarter of 2018, year-on-year productivity growth was at 0.7 % in the EU as a whole and at 0.4 % in the euro area. While the EU figure was broadly in line with the growth rates over the three previous quarters, the euro area productivity growth showed a perceptible decline compared to the higher values registered between mid-2017 and mid-2018.

Labour costs

Following a brief decline in 2016, the **nominal compensation per employee has been growing at an increasing rate since the first quarter of 2017.** The yearly rate of growth registered in 2018 Q3 was 2.9 %, by far the highest rate since 2015. It results from productivity growth at 0.7 % and a growth in nominal unit labour costs at 2.2 %. The comparatively strong increases in unit labour cost in some Member States appear to reflect labour or skill shortages.

Household situation

The financial situation of households continues to improve in the EU: the real per capita gross disposable income of households has been growing for 20 consecutive quarters and it is now 1.5 % higher than in the same quarter of the previous year. Although it is 4.3 % higher than in 2008, there are still four Member States (Ireland, Greece, Italy and Austria) where it is

² September 2018

³ July 2018

⁴ June 2018

still below this level. At the same time, fewer people are in financial distress, including among those in the lowest income quartile. However, this reduction was not uniform across the Member States.

Labour demand

The unmet demand for labour, as expressed by the job vacancy rate (JVR) has been rising since the end of 2014 in the EU and the euro area. In the third quarter of 2018 (the latest period with data available), the vacancy rate stood at 2.2 % and 2.1 % (the highest levels registered since 2006) in the EU and the euro area, respectively. The job vacancy rate was higher in construction than in services and industry. The current value of the Labour Shortage Indicator, as published within the EU Business and Consumer Survey, is the highest on record, indicating that labour shortages are seen by businesses as a drag on economic growth to an unprecedented degree.

Outlook

Survey indicators of companies' employment expectations have markedly weakened between January and November 2018 but remain more favourable than the long-term average. Furthermore, since May 2018, unemployment expectations have worsened relative to the recently very favourable scores. While an adjustment both to the slower pace of economic growth and to the increasing uncertainties at global level appears to be underway, further improvement in the labour market remains possible.

Latest labour market and social trends in the EU28 and euro area (in red)

	2017Q2		2017Q3		2017Q4		2018Q1		2018Q2		2018Q3	
	EU	EA	EU	EA	EU	EA	EU	EA	EU	EA	EU	EA
Real GDP												
% change on previous quarter (SA)	0.5	0.4	0.3	0.4	0.3	0.3	0.5	0.4	0.4	0.4	0.2	0.2
% change on previous year (SA)	1.7	1.6	1.6	1.7	1.5	1.6	1.5	1.5	1.3	1.5	1.2	1.3
Employment growth												
% change on previous quarter (SA)	2.0	1.9	2.6	2.5	2.5	2.5	2.2	2.1	2.3	2.3	1.9	1.7
% change on previous year	:	:	:	:	:	:	:	:	:	:	:	:
Employment rate (15-64)												
% of working-age population	67.8	66.4	68.2	66.9	68.1	66.9	67.9	66.6	68.7	67.4	:	:
% change on previous year	1.2	0.9	1.0	0.9	1.1	1.0	1.1	1.1	0.9	1.0	:	:
Employment rate (20-64)												
% of working-age population	72.3	71.0	72.7	71.4	72.6	71.4	72.4	71.1	73.3	72.0	:	:
% change on previous year	1.2	1.0	1.2	1.0	1.2	1.1	1.2	1.1	1.0	1.0	:	:
Gross disposable households income												
% change on previous year	0.8	1.1	1.2	1.5	1.7	1.5	2.3	1.8	1.9	1.8	:	:
Labour productivity												
% change on previous year	0.3	0.3	1.0	0.8	0.9	0.9	0.7	0.6	0.9	0.8	0.7	0.4
Nominal unit labour cost												
% change on previous year	0.2	1.3	0.3	0.7	1.2	0.9	1.4	1.4	1.3	1.5	2.2	2.3
Long-term unemployment rate												
% labour force	3.4	4.4	3.3	4.2	3.2	4.1	3.2	4.1	3.0	3.9	:	:
% change on previous year	-0.6	-0.6	-0.5	-0.6	-0.6	-0.7	-0.5	-0.6	-0.4	-0.5	:	:

	2018 May		2018 Jun		2018 Jul		2018 Aug		2018 Sep		2018 Oct	
	EU	EA	EU	EA	EU	EA	EU	EA	EU	EA	EU	EA
Unemployment rate												
Total (% of labour force)	6.9	8.3	6.9	8.2	6.8	8.2	6.8	8.1	6.7	8.1	6.7	8.1
Men	6.6	7.9	6.6	7.9	6.6	7.8	6.6	7.8	6.6	7.8	6.5	7.7
Women	7.1	8.7	7.1	8.6	7.0	8.5	7.0	8.5	7.0	8.4	6.9	8.5
Youth (% of labour force 15-24)	15.1	17.1	15.2	17.1	15.1	17.0	15.2	17.1	15.3	17.2	15.3	17.3

Source: Eurostat, National Accounts, Labour Force Statistics and series on unemployment.

Note: Data not seasonally adjusted (except where indicated SA). ':' not available. GDHI: EA18 instead of EU19, DG EMPL calculations.

[Click here to download table.](#)

Regularly updated underlying data, charts and tables are available online as a file in Excel format. Data are refreshed shortly after their release by Eurostat - for instance unemployment is updated at the beginning of each month, figures based on National Accounts (NA) are updated in the beginning and mid- March, June, September and December, figures based on the Labour Force Survey (LFS) are updated in mid- April, July, October and January. Latest available data are accessible at:

http://ec.europa.eu/employment_social/employment_analysis/quarterly/quarterly_updated_charts.xlsx

List of charts and tables

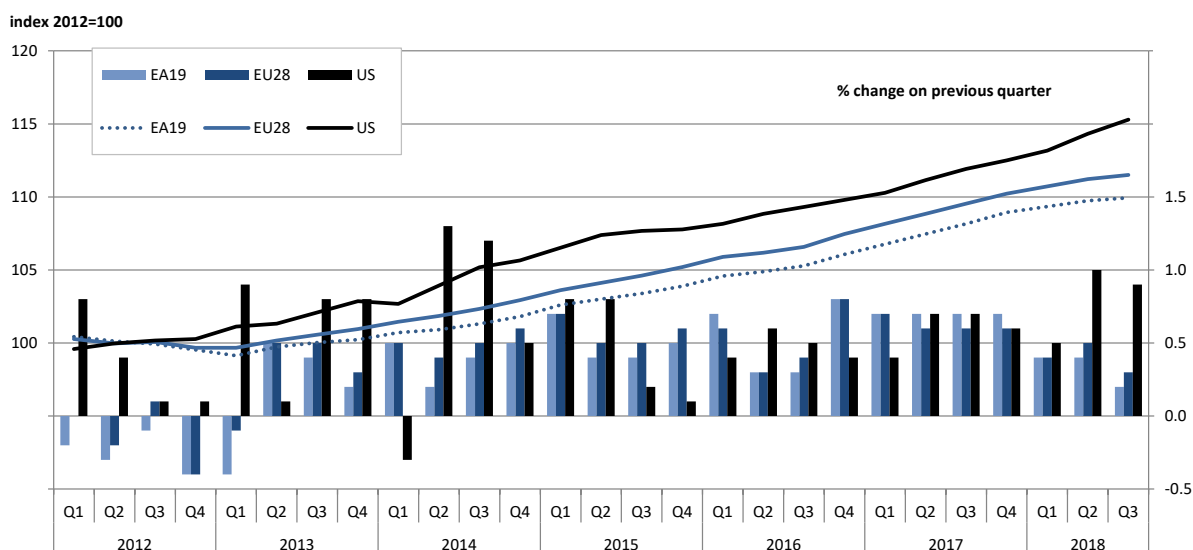
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1. Macroeconomic and employment developments and outlook

Real GDP increased by 0.3 % in the EU as a whole and by 0.2 % in the euro area in the third quarter of 2018. In the EU, the largest contribution to GDP growth came from private consumption. The contribution of the external balance was negative in both areas. Year-on-year growth rates decreased to 1.9 % in the EU and to 1.7 % in the euro area, remaining below 2 % for the first time in two years. The US economy expanded at a faster pace in the last six quarters, with real GDP increasing by 0.9 % in the third quarter, bringing year-on-year growth to 3.0 %.

The real GDP in the EU and the euro area now exceeds the levels of the first quarter of 2013, the time when the recovery started, by 12.1 % and 10.9 %, respectively. In comparison, the real GDP level in the US grew by a cumulative 14.0 % over the same period (Chart 1).

Chart 1: Real GDP growth - EU, euro area and US, 2012-2018

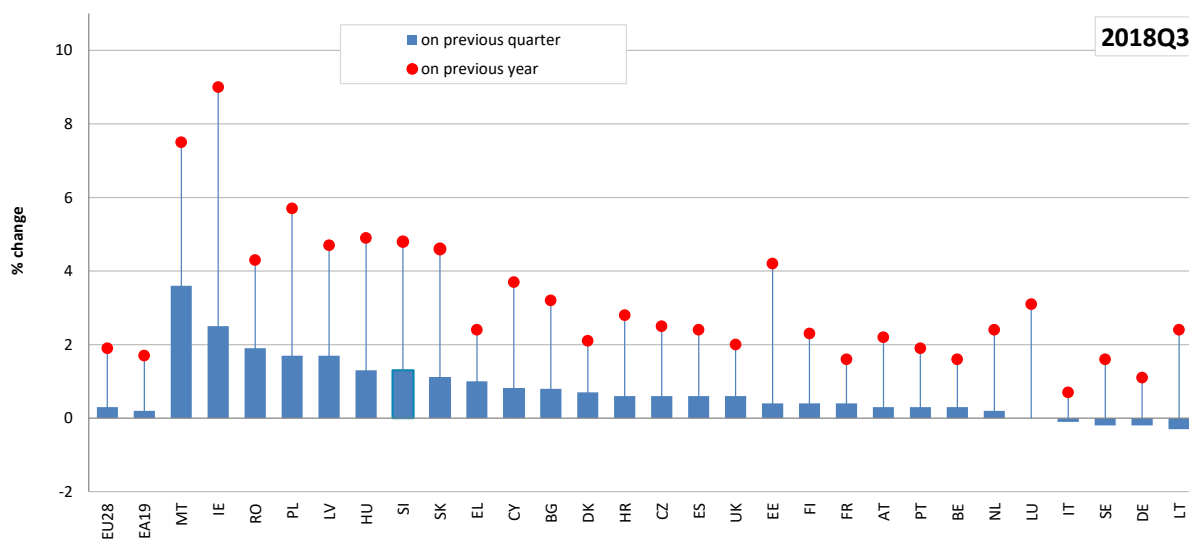


Source: Eurostat, National Accounts, data seasonally adjusted [namq_10_gdp, naidq_10_gdp]
[Click here to download chart.](#)

Most Member States report positive GDP growth, but there are notable exceptions

In the third quarter of 2018, four Member States (Italy and Germany, two of the EU's largest economies, as well as Sweden and Lithuania) experienced an economic contraction compared to the previous quarter. On the other end of the spectrum, the EU countries with the fastest growth were Malta, Ireland and Romania. The quarterly GDP growth in France and the UK (the two largest economies with positive growth) were at 0.4 % and 0.6 %, respectively. Among the Member States hardest hit by the economic and financial crisis, 2018 Q3 marks the 20th continued quarter of positive economic growth for Spain and the seventh for Greece. Year-on-year growth was positive in all Member States (Chart 2).

Chart 2: Real GDP growth - EU, euro area and Member States



Source: Eurostat, National Accounts, quarterly change seasonally adjusted and annual change non-seasonally adjusted [namq_10_gdp]

Note: Quarterly data for Slovakia are seasonally and not calendar adjusted

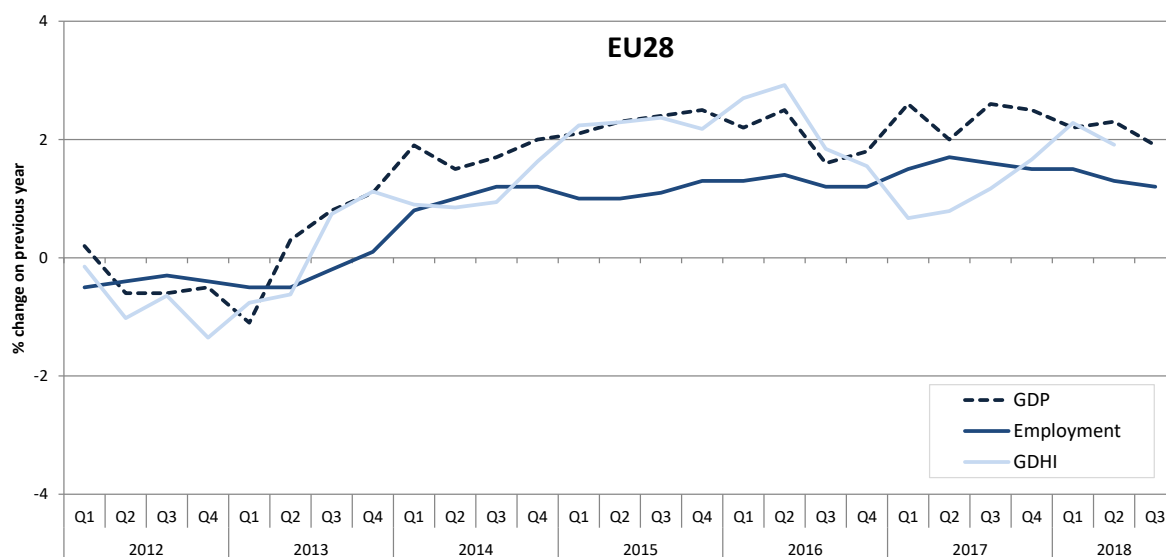
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A slowdown in economic growth also reflected by employment and household incomes

Employment increased by 0.2% both in the EU and in the euro area in the third quarter of 2018, thus marking a slowdown in the expansion registered since early 2016. In the third quarter of 2018 employment recorded a year-to-year increase of 1.2 % in the EU and 1.3 % in the euro area. Accompanying the economic and labour market recovery, gross disposable household income (GDHI) in the EU⁵ registered a 1.9 % year-on-year increase in real terms in the second quarter of 2018, the latest period for which that indicator is available (Chart 3).

⁵ The real GDHI growth for the EU is an estimation by DG EMPL, and it includes Member States for which quarterly data are available (19 Member States: AT, BE, CZ, DE, DK, EL, ES, FI, FR, HR, IE, IT, NL, PL, PT, RO, SE, SI, UK, which account for at least 90 % of EU GDHI). The nominal GDHI is converted into real GDHI by deflating with the deflator (price index) of household final consumption expenditure. The real GDHI growth for the EU is a weighted average of real GDHI growth in Member States.

Chart 3: Real GDP, GDHI and employment growth in the EU, 2012-2018



Source: Eurostat, National Accounts, data not seasonally adjusted [namq_10_gdp, namq_10_pe, nasq_10_nf_tr] (DG EMPL calculations for GDHI)

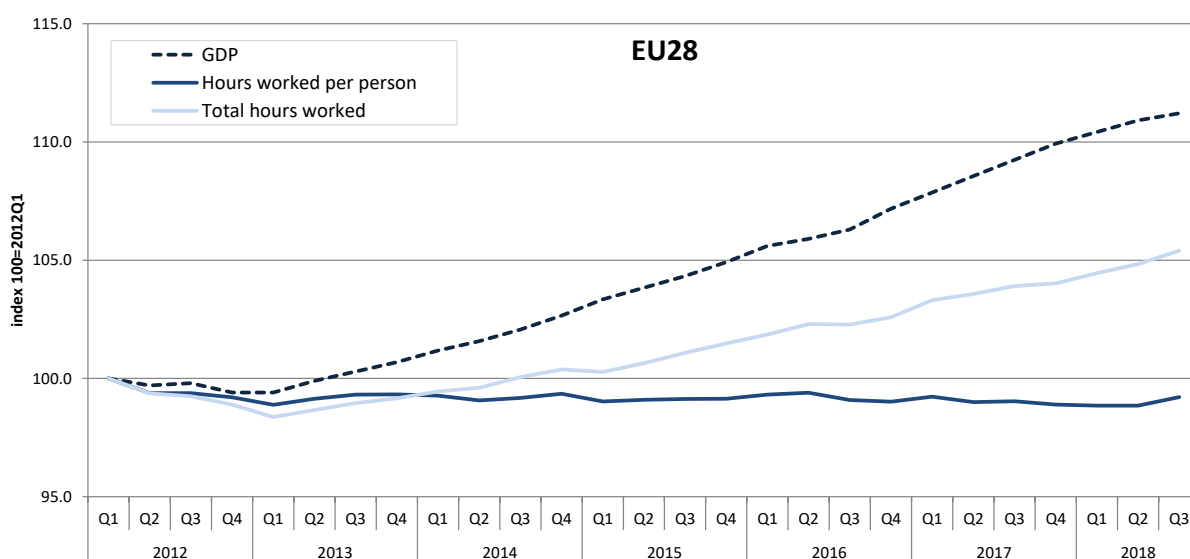
Note: GDHI EU aggregate for Member States for which data are available, GDP for EU28

[Click here to download chart.](#)

The economic recovery and expansion have not been rich in working hours

In the third quarter of 2018, the quarterly working time per worker increased, from 407 to 409 hours on average. This follows a gradual decrease that began in 2012. The number of hours worked in the European economy is still below pre-crisis levels. This is explained by a sharp drop in hours per worked per person during the crisis, and a recovery which was not particularly rich in working hours (Chart 4).

Chart 4: GDP and hours worked (total and per employed person), 2012-2018

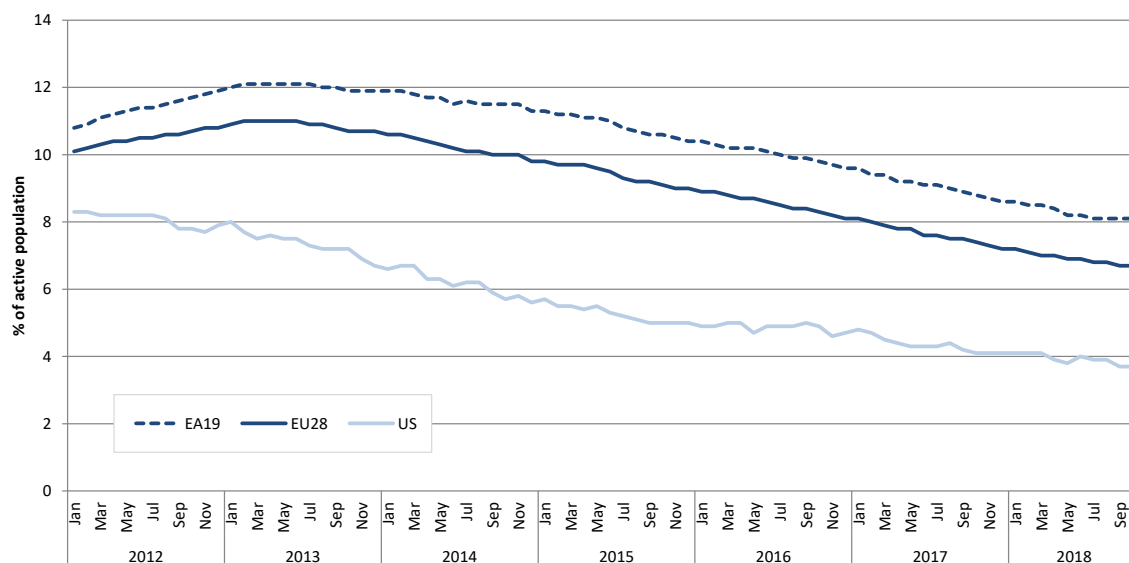


Source: Eurostat, National Accounts [namq_10_gdp, namq_10_a10_e, namq_10_pe]. Data non-seasonally adjusted

Unemployment continues to recede

In October 2018, the EU and euro area unemployment rates, which started to decline in the autumn of 2013, stood at 6.7 % and 8.1 %, respectively, down from 7.4 % and 8.8 % in October 2017. By comparison, the unemployment rate in the US, which started to decline in 2012 already, receded to 3.7 % in July 2018 from 4.1 % a year earlier (Chart 5).

Chart 5: Unemployment rate - EU, euro area and US, 2012–2018

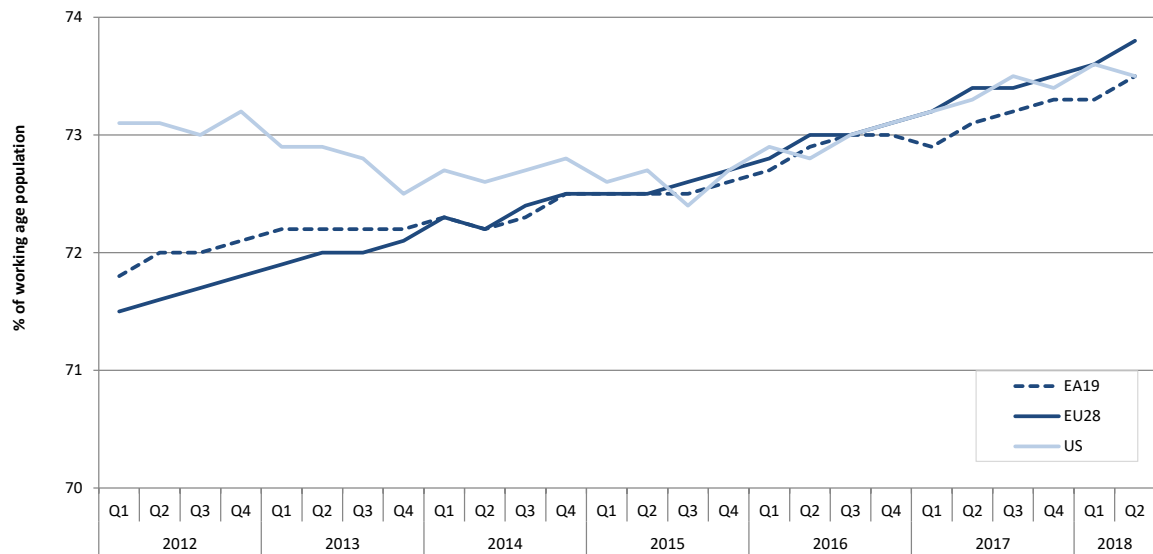


Source: Eurostat, series on unemployment, data seasonally adjusted [une_rt_m]
[Click here to download chart.](#)

Labour market participation heads up

Following a continuous hike over several years, the activity rate (the share of people in employment or unemployment within the total population) was 73.8% in the EU and 73.5 % in the euro area in the second quarter of 2018 (the latest period with data available). A large gap between the US and the EU in the activity rate observed in previous years has been closed, with the 2018 Q2 EU figure slightly surpassing the US figure (73.5 % in Chart 6).

Chart 6: Activity rate - EU, euro area and US, 2012-2018



Source: Eurostat, LFS [lfsi_act_q], and US Bureau of Labour Statistics, LFS from Current Population Survey (CPS), data seasonally adjusted

Note: Working age population 15-64 for EU, euro area and 16-64 for US.

[Click here to download chart.](#)

Outlook

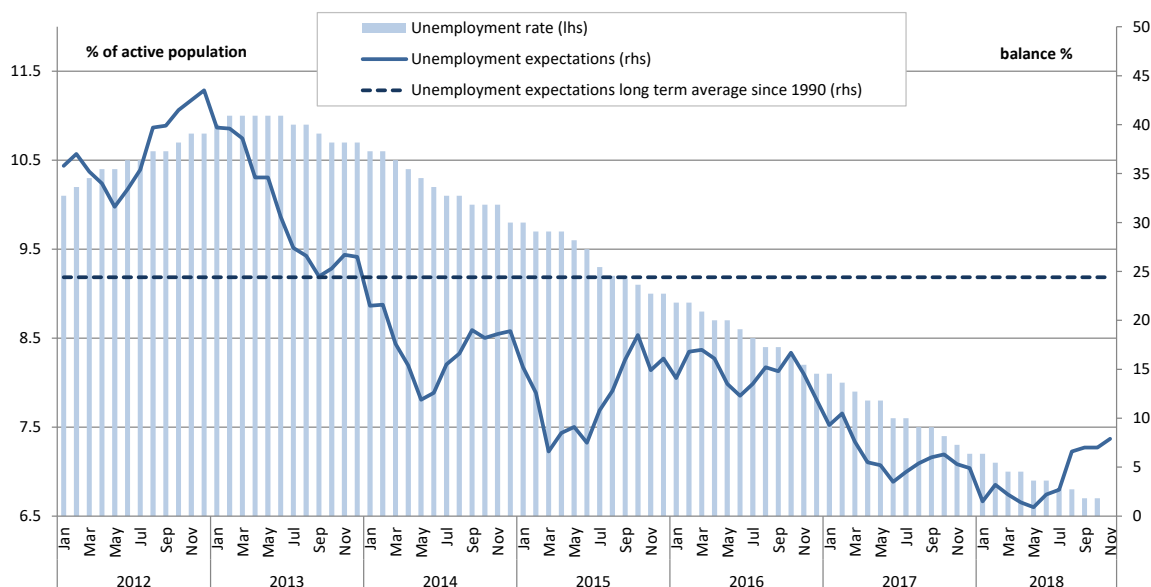
Declining confidence in economic performance and uncertain outlook

The Purchasing Managers Index (PMI)⁶ for the euro area, derived as a composite index for euro area output, has sharply declined since its peak in late 2017. The deterioration experienced over the course of 2018 (the latest available data point is November 2018) offsets the gains registered between mid-2016 and late 2017. This finding appears to be consistent with an increased perception by businesses of risks regarding the performance of the economy in the mid-term.

Economic sentiment and employment outlook have slipped after a recent peak

The Commission's economic sentiment indicator, a composite of sector-specific confidence indicators (covering industry, services, retail trade, construction and households) within the EU Business and Consumer Surveys (BCS)⁷, headed up between mid-2016 and late 2017. Since the beginning of 2018, a noticeable decline from 114.8 to 109.6 has been registered. Despite this set-back, the monthly figures for November 2018 remained higher than the ones registered any time between the summer of 2007 and the spring of 2017. Unemployment expectations of consumers⁸ have markedly deteriorated since mid-2018 but remain favourable in comparison to the long-term average (Chart 7). Firms' expectations of labour market developments vary by sector. Chart 8 shows employment expectations broken down by the sector of the firm surveyed. In the second half of 2018, they worsened in retail trade and industry, stagnated in services, and improved in construction.

Chart 7: Unemployment rate versus unemployment expectations – EU, 2012–2018



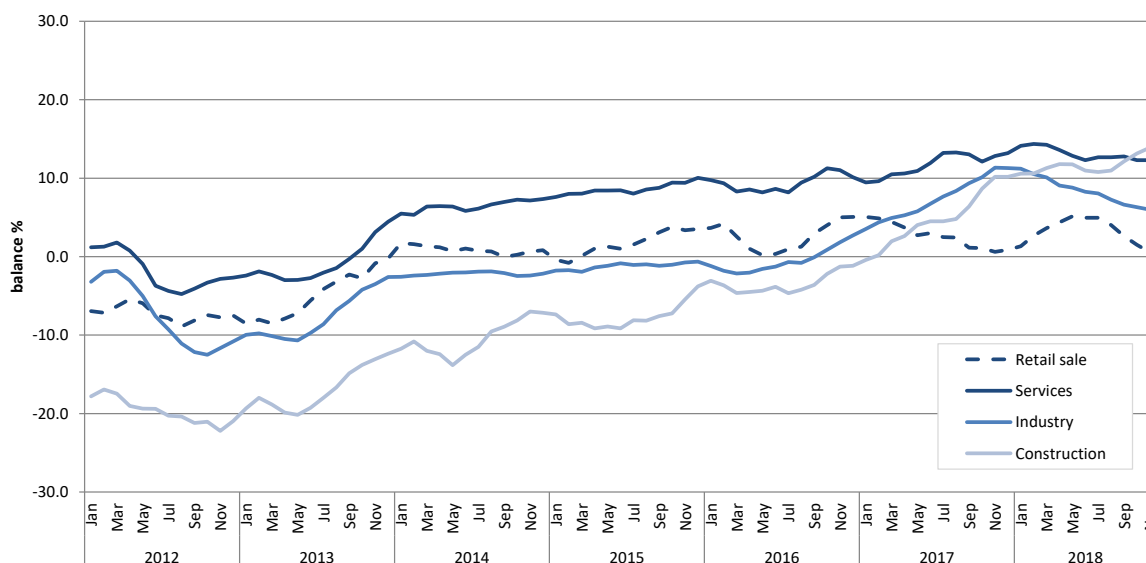
Source: European Commission, Business and Consumer Surveys and Eurostat, LFS, data seasonally adjusted [ei_bscsco_m, une_rt_m]
[Click here to download chart.](#)

⁶ The Eurozone Manufacturing Purchasing Managers' Index (PMI) is a weighted indicator calculated from indices of output, new orders, employment, suppliers' delivery times and stocks of purchases.

⁷ https://ec.europa.eu/info/business-economy-euro/indicators-statistics/economic-databases/business-and-consumer-surveys/download-business-and-consumer-survey-data/time-series_en

⁸ The unemployment expectation indicator is derived as the balance of those respondents who expect higher and those who expect a lower level of unemployment. Thus, a negative value corresponds to a lower expected level of unemployment.

Chart 8: Employment expectations by sectors – EU, 2012–2018



Source: European Commission, Business and Consumer Surveys [ei_bsrt_m_r2, ei_bsse_m_r2, ei_bsin_m_r2, ei_bsbu_m_r2], data seasonally adjusted, moving averages
[Click here to download chart.](#)

The outlook for jobs in the EU remains positive, but global economic conditions and labour shortages constitute constraints

The Autumn 2018 economic forecast by the European Commission⁹ states that a moderation in economic growth is expected in the EU, in line with a weakening global growth amid downside risks. However, further improvement in headline labour market indicators is expected into 2019 and 2020. Increasing labour shortages constrain the expansion of employment as slack at the labour market has reduced.

Regarding the labour market, in November 2018 (the latest labour market forecast available), the Commission slightly improved its forecast of employment growth to, 1.2 % in 2018. The forecasted employment growth rates for 2019 and 2020 are 0.8 % and 0.7 %, respectively. Unemployment was predicted to fall to 6.9 % in 2018, 6.6 % in 2019 and 6.3 % in 2020 (Table 1).

⁹ European Commission, Economic and Financial Affairs: Institutional paper 089 of 8 November 2018

Table 1: Recent forecasts – EU and euro area

		GDP growth			Unemployment rate			Employment growth		
		2018	2019	2020	2018	2019	2020	2018	2019	2020
euro area										
Commission	<i>May-18</i>	2.3	2.0	:	8.4	7.9	:	1.3	1.1	:
	<i>Nov-18</i>	2.1	1.9	1.7	8.4	7.9	7.5	1.4	1.0	0.9
OECD	<i>Nov-18</i>	1.9	1.8	1.6	8.2	7.6	7.2	1.2	1.0	0.8
ECB	<i>Sep-18</i>	2.0	1.8	1.7	8.3	7.8	7.4	1.4	0.9	0.8
IMF	<i>Oct-18</i>	2.0	1.9	1.7	8.3	8.0	7.7	1.2	0.7	:
EU										
Commission	<i>May-18</i>	2.3	2.0	:	7.1	6.7	:	1.1	0.9	:
	<i>Nov-18</i>	2.1	1.9	1.8	6.9	6.6	6.3	1.2	0.8	0.7
IMF	<i>Oct-18</i>	2.2	2.0	1.8	:	:	:	:	:	:

Source: European Commission May and November 2018, OECD November 2018, ECB September 2018, IMF October 2018.

Note: ':' information not available.

[Click here to download table.](#)

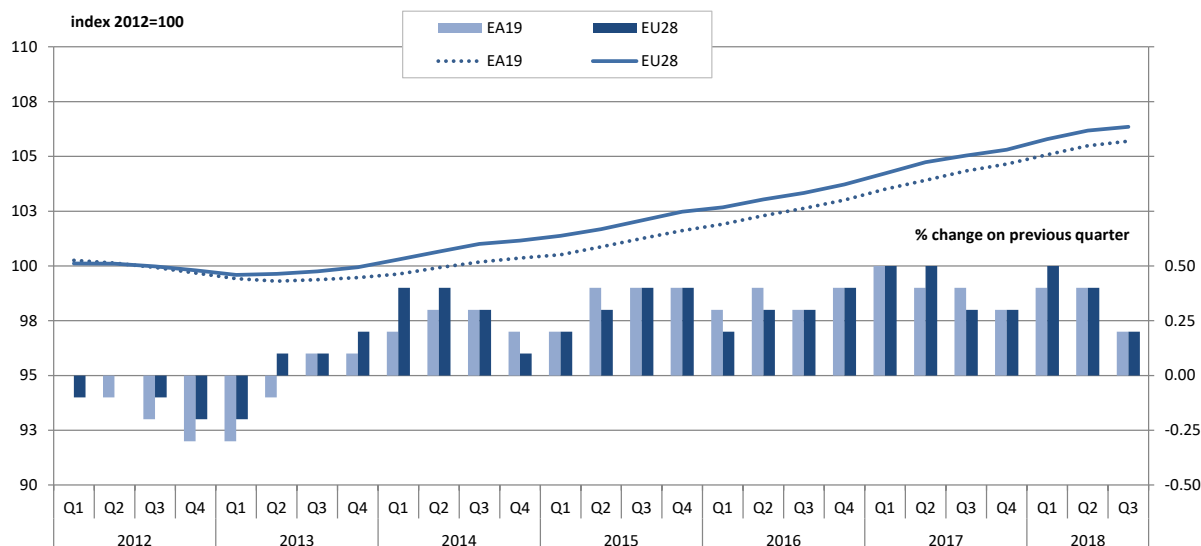
2. Employment in the EU and in Member States

Employment in the EU continues growing but at a slower pace

Employment continued its growth in the third quarter of 2018, but at a slower pace, marking an increase of 0.2 % over the previous quarter both in the EU and in the euro area. Compared to the third quarter of 2017, employment expanded by 1.2 % in the EU and by 1.3 % in the euro area. This is in line with forecasts for 2018, which predicted further improvements of the labour market conditions, but at a more moderate pace.

Employment has been growing for twenty-two consecutive quarters in the EU, since the low observed in the first quarter of 2013. Since this bottom, and up to the third quarter of 2018, employment increased by more than 15 million (including 9.4 million in the euro area). In the third quarter of 2018, employment in the EU reached a new record level with more than 239 million people in employment, of which 158 in the euro area (Chart 9).

Chart 9: Employment level - EU and euro area, 2012-2018



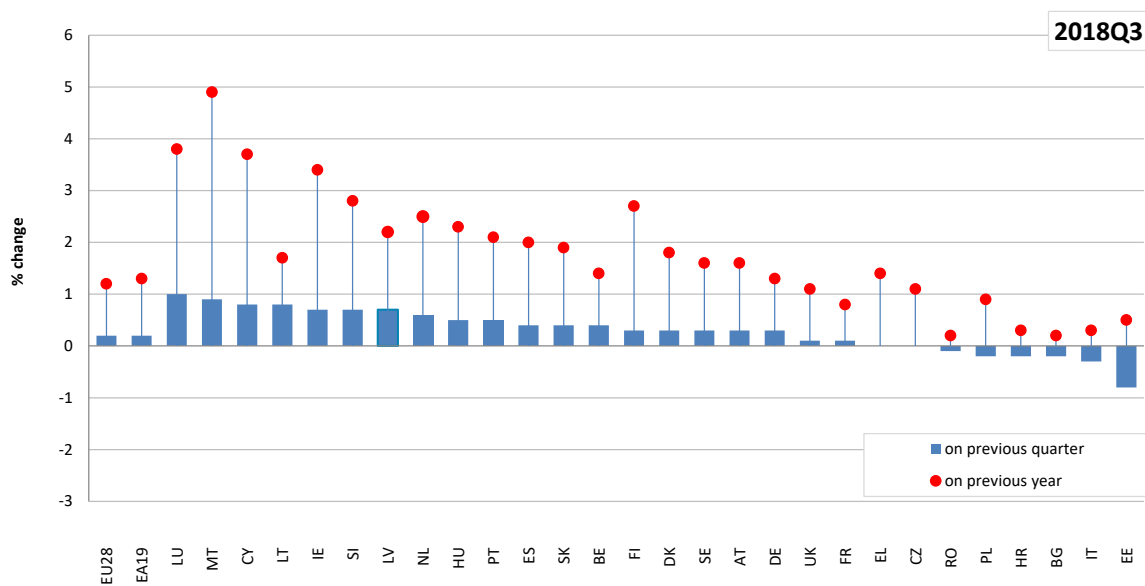
Source: Eurostat, National Accounts, data seasonally adjusted [namq_10_pe]
[Click here to download chart.](#)

Employment expands in most Member States

In the third quarter of 2018, employment continued to increase in most of the Member States when compared to the previous quarter. Estonia (-0.8 %), Italy (-0.3 %), Bulgaria, Croatia, Poland (-0.2 %), and Romania (-0.1 %), registered a decrease in employment, whereas employment grew significantly in Luxembourg (1.0 %), Malta (0.9 %), Cyprus and Lithuania (0.8 %), as shown in Chart 10.

Employment in the third quarter of 2018 was higher than in the same quarter of 2017 in all Member States. That growth was especially strong in Malta (4.9 %), Luxembourg (3.8 %), Cyprus (3.7 %), and Ireland (3.4 %).

Chart 10: Employment growth - EU, euro area and Member States



Source: Eurostat, National Accounts, data seasonally adjusted (q-o-q) and not seasonally adjusted (y-o-y) [namq_10_pe]

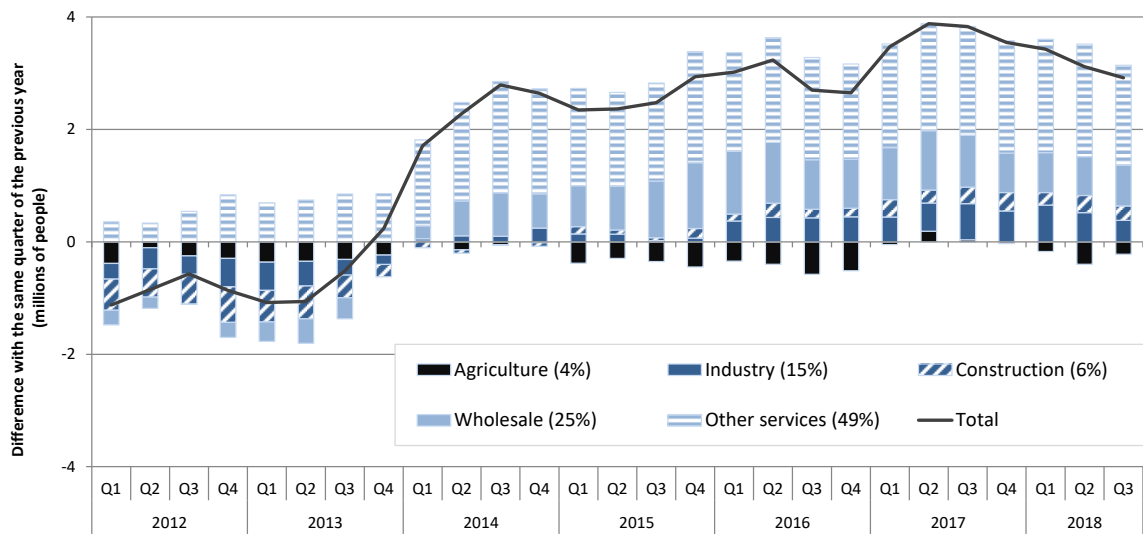
Note: Seasonal (no calendar) adjustment for q-on-q change and/or data for 2018 Q2 for several countries. [Click here to download chart.](#)

Service sector drives employment growth

In the third quarter of 2018, EU employment increased in all sectors but agriculture compared to the same quarter of the previous year. The service sector recorded the greatest rise, with 730 thousand more employed people on wholesale trade and 1.8 million more employed people in other services. Industry and construction experienced a less important growth, respectively with 380 thousand and 259 thousand more employed people. On the other hand, employment in agriculture declined by 222 thousand units, in line with a long-standing negative trend (see Chart 10 and Chart 11).

Statistical Annex presents in detail the changes in employment for 10 NACE branches.

Chart 11: Employment growth by sector – EU, 2012-2018

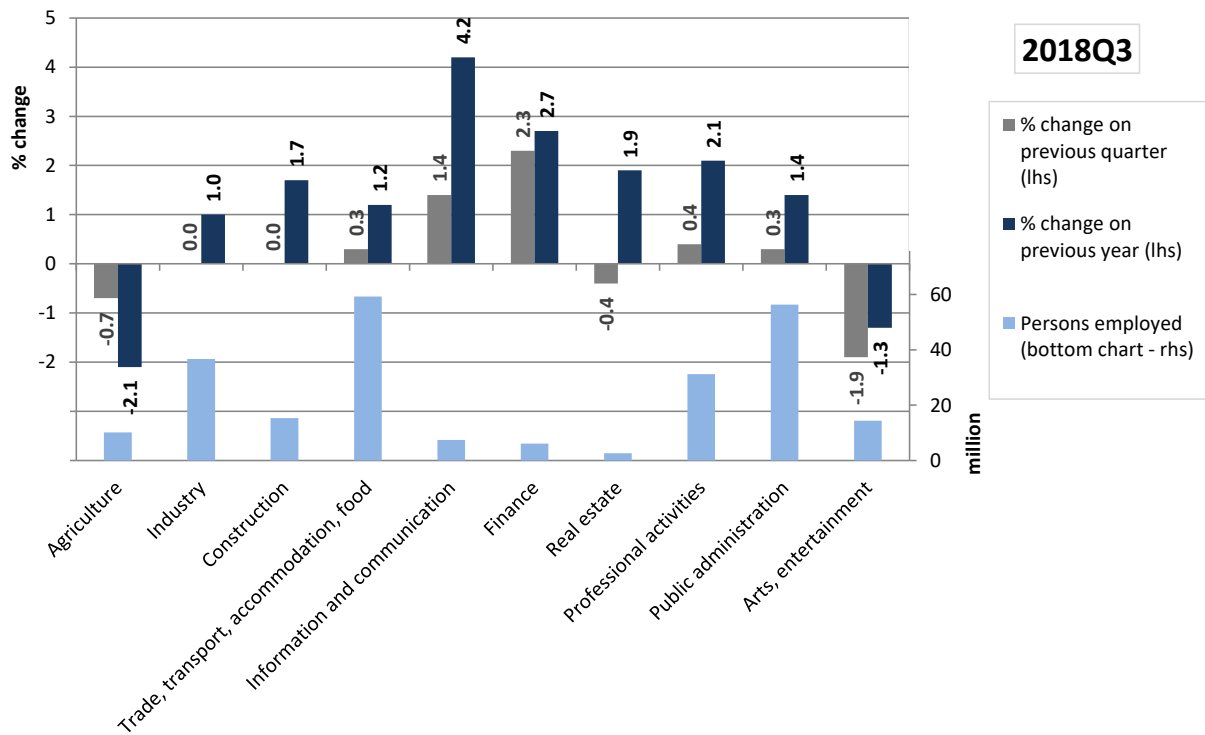


Source: Eurostat, National Accounts, data not seasonally adjusted [namq_10_a10_e]

Note: Figures in brackets in the legend indicate the sector's share of employment in the EU economy

[Click here to download chart.](#)

Chart 12: Employment growth by sector – EU

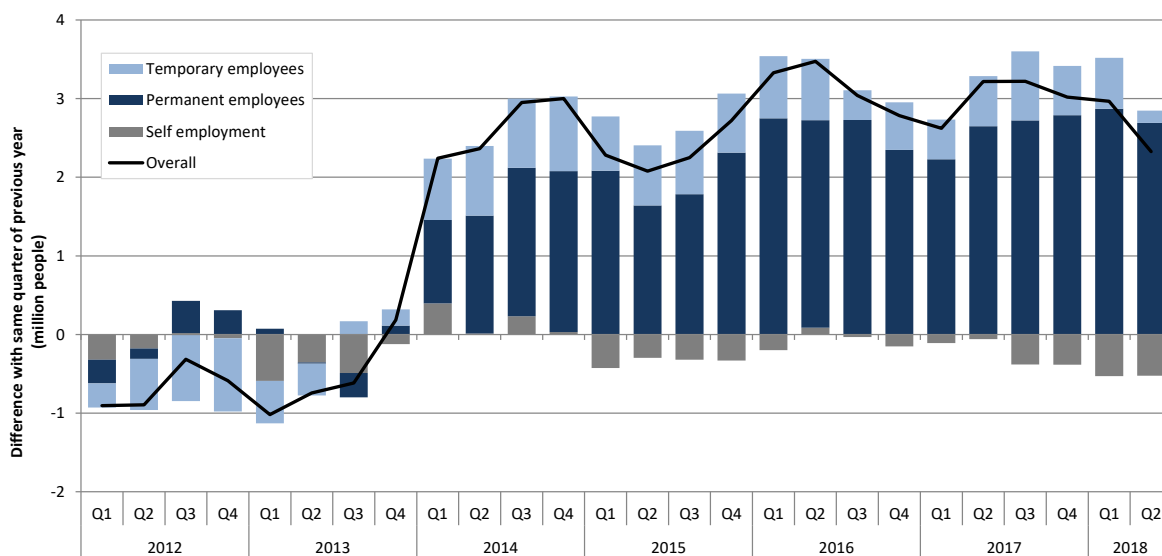


Source: Eurostat, National Accounts, data seasonally adjusted (q-o-q) and not seasonally adjusted (y-o-y) [namq_nace10_e]
 Top chart: Employment growth (%). Bottom chart: Employment level (million).
[Click here to download chart.](#)

Permanent jobs drive employment expansion

In the second quarter of 2018, the increase in the number of permanent employees compared with the same quarter of the previous year (+2.7 million) was among the strongest in the recent past. The number of temporary employees increased by 150 thousand, whereas the number of self-employed, which has been declining since 2015, fell by 500 thousand (see Chart 13).

Chart 13: Change in permanent and temporary employment and self-employment – EU, 2012-2018



Source: Eurostat, LFS, data not seasonally adjusted [lfsq_egaps, lfsq_etgaed]

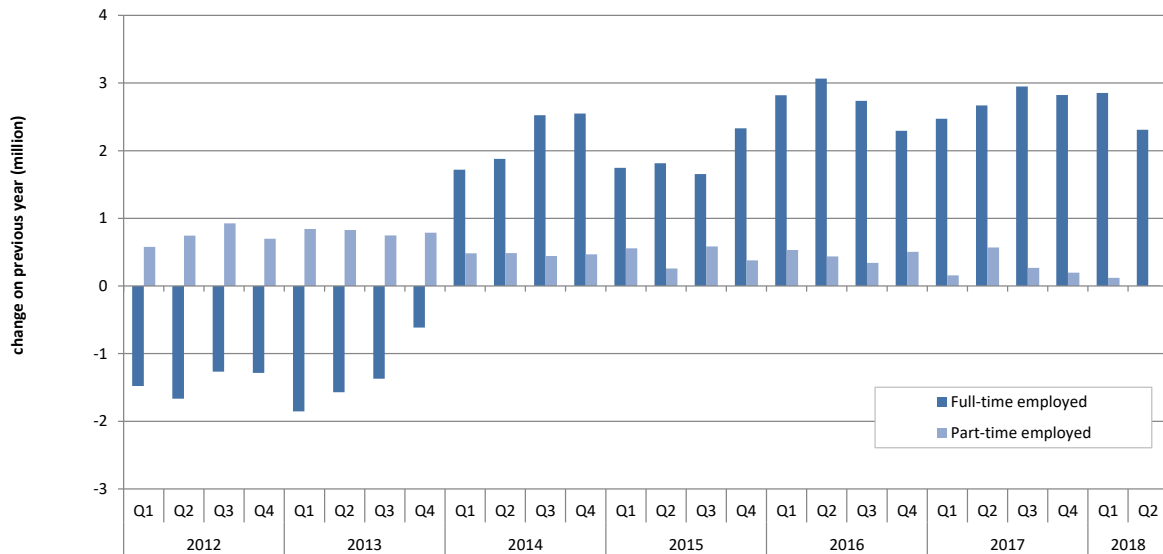
Note: Age 15-64.

[Click here to download chart.](#)

Full-time employment continues to drive employment growth

In the second quarter of 2018, compared with the same quarter of the previous year, full-time employment increased by 2.3 million, whereas part-time employment remained stable. There are now around 181 million people employed full-time and 43 million part-time employed (Chart 14).

Chart 14: Change in part-time and full-time employment – EU, 2012-2018



Source: Eurostat, LFS, data not seasonally adjusted [lfsq_empt]

Note: age 15-64

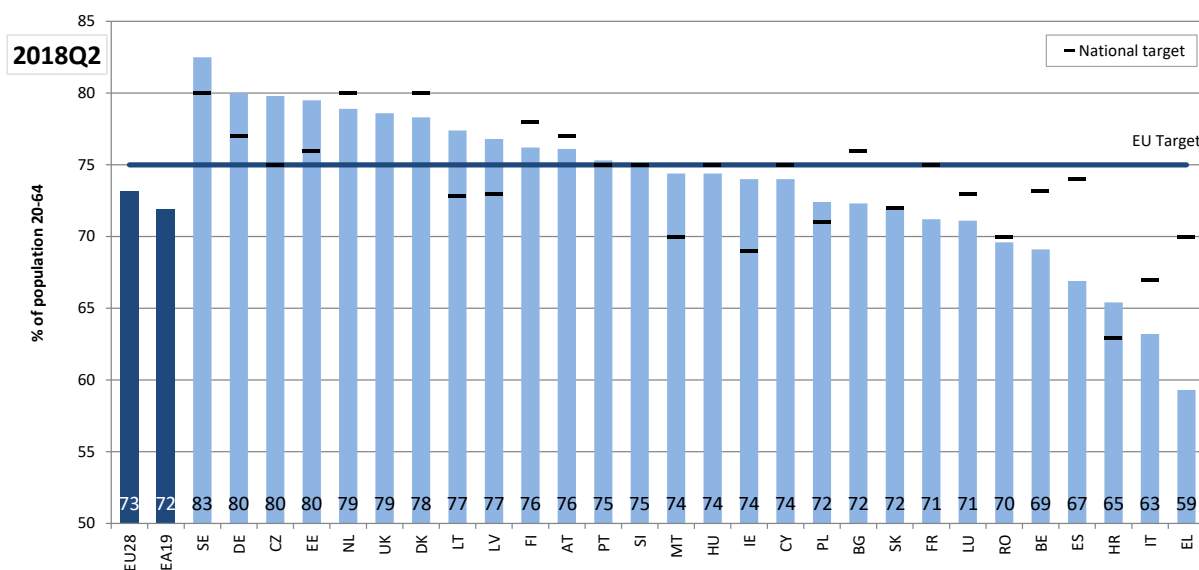
[Click here to download chart.](#)

Employment rates in the EU and its Member States

The employment rate continues its rise towards the Europe2020 target

The employment rate for 20-64 year-olds increased consistently in the last years, and reached 73.2 % in the second quarter of 2018. It exceeded by 5 pps its low in 2013 and increased by 1 pp since the second quarter of 2017. At this pace, the Europe 2020 target of 75 % appears broadly within reach. For the euro area, the employment rate increased by 1 pp since the second quarter of 2017, and reached 71.9% % (see Chart 15 and Chart 16).

Chart 15: Employment rate - EU, euro area and Member States



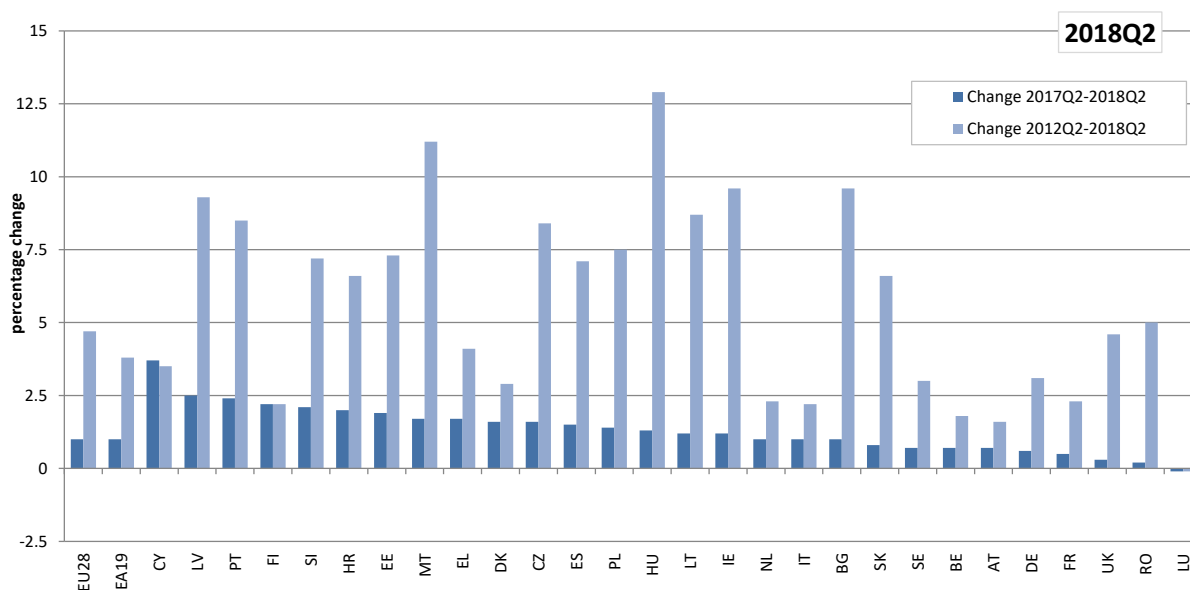
Source: Eurostat, LFS, data seasonally adjusted [lfsi_emp_q]
Note: FR metropolitan data only
[Click here to download chart.](#)

Employment rate increases in all Member States

Compared to the same quarter of the previous year, in the second quarter of 2018 the employment rate for 20-64 year-olds rose in all Member States but one. The largest annual increases were recorded in Cyprus (3.7 pps), Latvia (2.5 pps) and Portugal (2.4 pps), whereas the lowest growth was observed for Romania (0.2 pps) and the UK (0.3 pps). The employment rate decreased by 0.1 pps in Luxemburg (see Chart 16).

There is still an important variability across the Member States. In the second quarter of 2018, there was a difference of about 23 pps between the highest employment rate, 82.5 % in Sweden, and the lowest, 59.3 % in Greece.

Chart 16: Change in employment rate - EU, euro area and Member States



Source: Eurostat, LFS, data seasonally adjusted [lfsi_emp_q]

Note: FR change 2012 Q2-2018 Q2 estimated based on France (metropolitan)

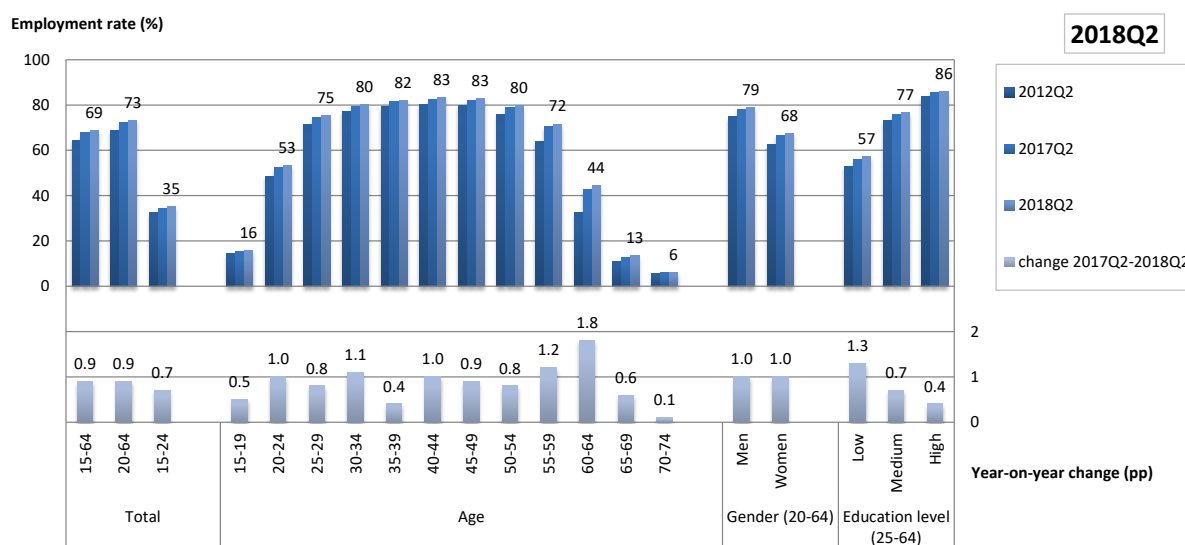
[Click here to download chart.](#)

Employment rates improve across all population groups and particularly for older workers

Compared with the same quarter of the previous year, in the second quarter of 2018 the EU employment rate increased for all population groups, most noticeably for people aged 60-64 (1.8 pps). This evolution reinforces the trend observed over the past few years where older workers, especially those above 55 years, recorded increasing employment rates.

The employment rate grew at a similar pace for men and women. It also increased for all education levels, especially among the low-skilled (1.3 pps, see Chart 17).

Chart 17: Employment rate by population groups – EU



Source: Eurostat, LFS, data non-seasonally adjusted [lfsq_ergaed]

Top chart: Employment rate (% of respective population). Bottom chart: Change in employment rate (pp).

Note: Age 15-64, by skills 25-64

[Click here to download chart.](#)

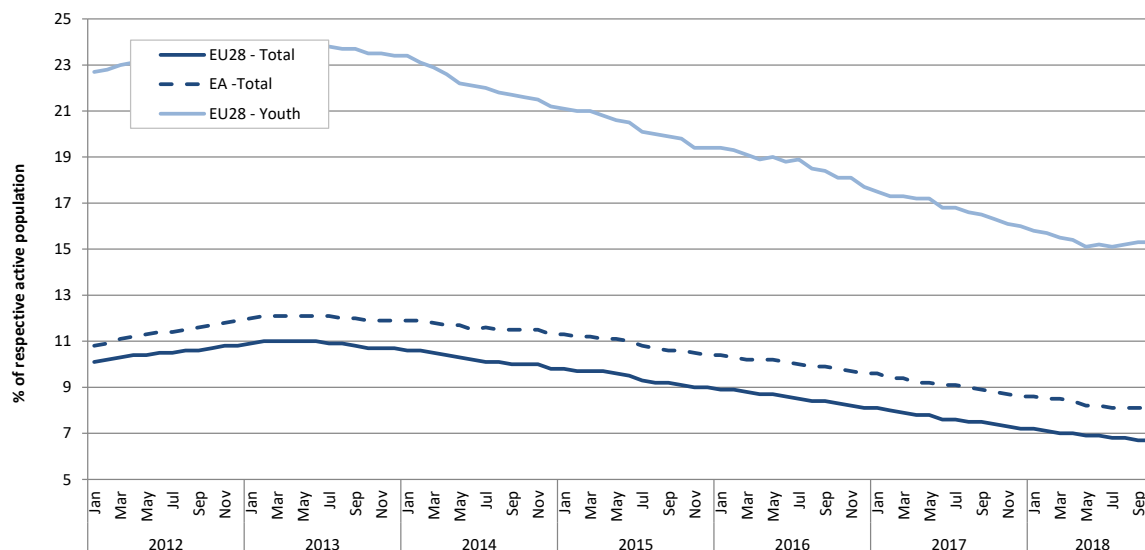
3. Unemployment in the EU and in Member States

Unemployment rate remains stable

In October 2018, the unemployment rate in the EU and euro area remained at the same level recorded in the previous month, i.e. 6.7 % in the EU and to 8.1 % in the euro area. These changes represent a reduction of 0.7 pps compared to the same month of the previous year both in the EU and in the euro area, and a reduction of 4.3 pps and 4.0 pps, respectively, when compared with the highest level recorded in 2013 (Chart 18).

In October 2018, 16.6 million people were unemployed in the EU, where the decline in the unemployment rate between October 2017 and October 2018 represents about 1.5 million fewer unemployed people, including 1.1 million in the euro area. Unemployment has receded by around 10 million people since its peak observed in April 2013.

Chart 18: Unemployment rate and youth unemployment rate - EU and euro area, 2012–2018



Source: Eurostat, series on unemployment, data seasonally adjusted [une_rt_m]
[Click here to download chart.](#)

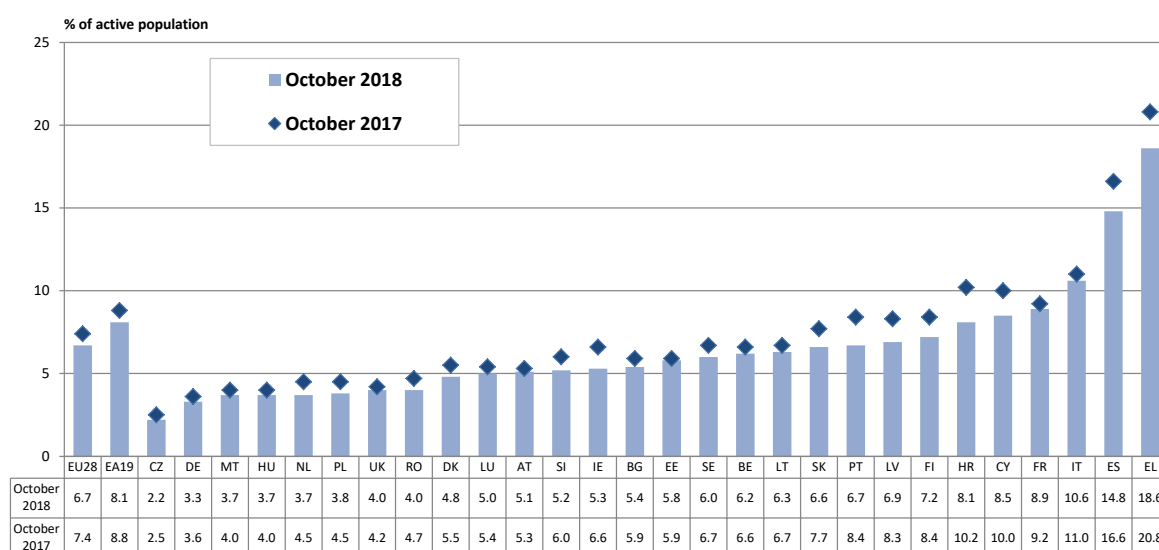
The unemployment rate declines in all Member States ...

In October 2018, compared with a year ago, the unemployment rate decreased in all Member States. Croatia registered the largest reduction by 2.1 pps, down to 8.1 % (Chart 19 and Chart 20).

Half of the decrease in unemployment in the EU was achieved thanks to reductions in four countries: Spain (388 thousand.), Germany (131 thousand), Poland (124 thousand) and Italy (118 thousand).

There are still large differences in unemployment rates among Member States. In October 2018, the lowest rates were recorded in the Czech Republic (2.2 %, yearly decrease of 0.3 pps) and Germany (3.3 %). By comparison, Greece¹⁰ (18.6 %) Spain (14.8 %) and Italy (10.4 %) are the only Member States with an unemployment rate over 10 % (Chart 19). In September 2018, Spain's unemployment rate fell below 15 % the first time since 2008.

Chart 19: Unemployment rates - EU, euro area and Member States, 2017–2018



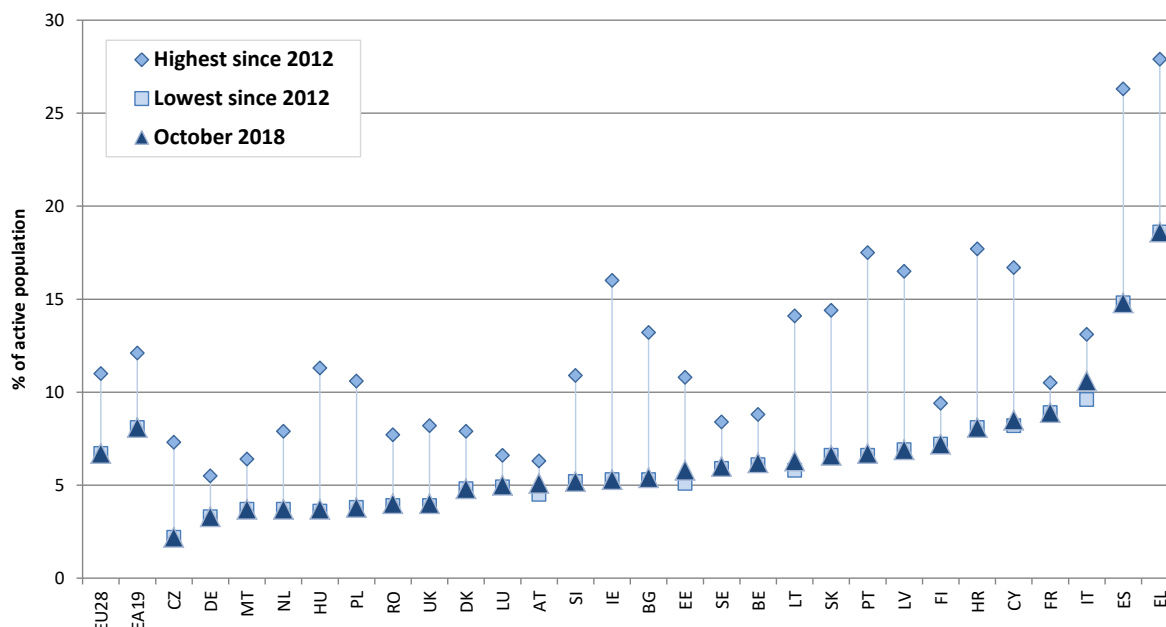
Source: Eurostat, series on unemployment, data seasonally adjusted [une_rt_m]

Note: HU, EL and EE data from September 2017/2018; UK data from August 2017/2018

[Click here to download chart.](#)

¹⁰September 2018

Chart 20: Unemployment rates - EU, euro area and Member States, 2012-2018



Source: Eurostat, series on unemployment, data seasonally adjusted [une_rt_m]

Note: HU, EL and EE data from September 2017/2018; UK data from August 2017/2018

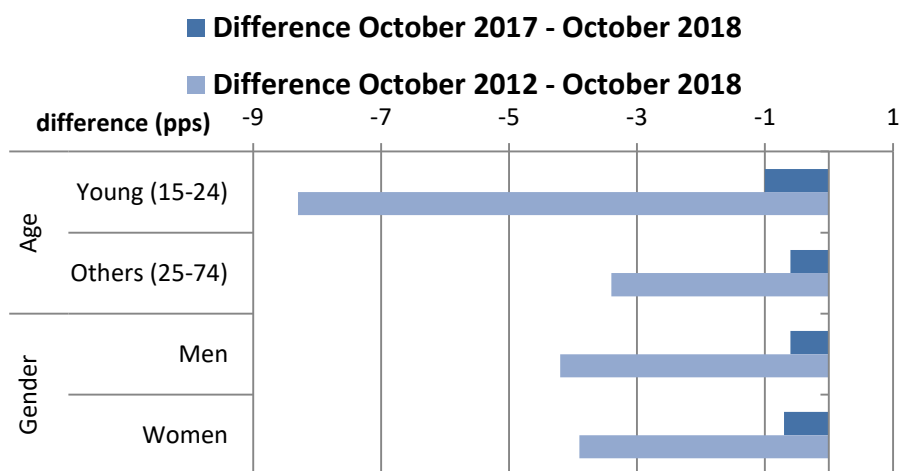
[Click here to download chart.](#)

... and also for all population groups

In October 2018, compared to the same month of the previous year, the unemployment rate in the EU decreased for all age groups and for both men and women. It fell by 0.6 pps and 0.7 pps for men and women, respectively, down to 6.5 % for men and 6.9 % for women. In the euro area, the unemployment rate declined by 0.7 pps for both men and women, and reached 7.7 % and 8.5 % respectively.

In October 2018, a decline of 1 pp was observed for those aged 15-24, compared with the same month of the previous year, down to a rate of 15.3 % (Chart 21). For those aged 25-74, the unemployment rate in the EU declined by 0.6 pps, down to 5.9 %.

Chart 21: Change in unemployment rate by population groups – EU, 2017–2018



Source: Eurostat, series on unemployment and LFS [une_rt_m]
Click here to download chart.

EU youth unemployment declines in the EU and in most Member States

In October 2018, the unemployment rate of people aged 15-24 (youth unemployment) stood at 15.3 % in the EU, down by 1 pp compared to the same month of the previous year. In the euro area, it declined by 0.8 pps to reach 17.3 %. These declines represent nearly 215 thousand fewer unemployed people aged 15-24 in the EU, including 179 thousand in the euro area. In October 2018, there were 3.5 million young people unemployed, including 2.5 million in the euro area.

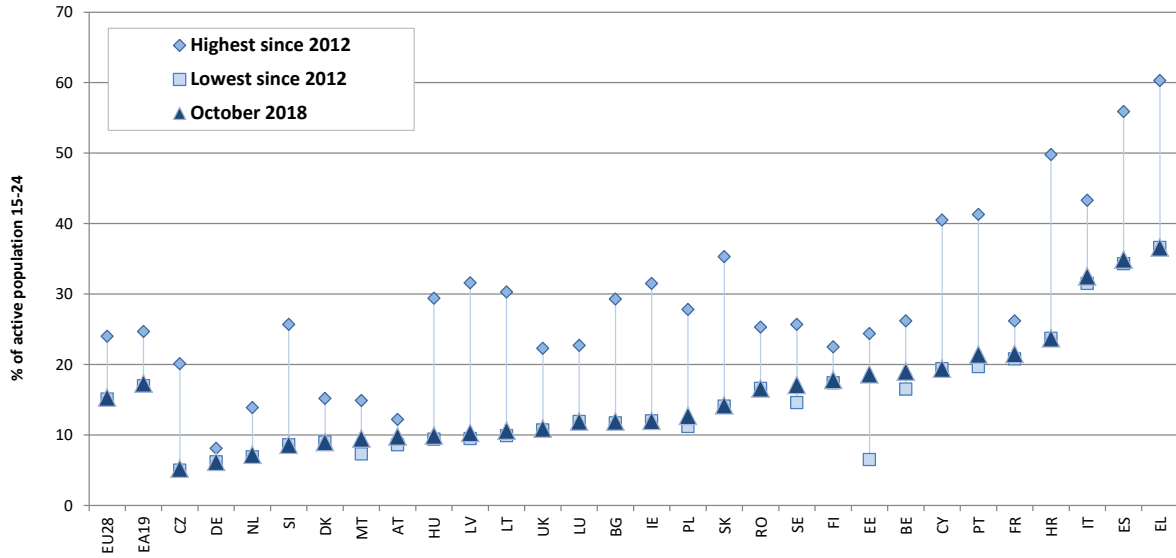
The unemployment rate among young people aged 15-24 fell in most of the Member States, and in many of them it is now at the lowest level since 2012, or close to it. The decrease was more marked in Cyprus (7.0 pps)¹¹, Latvia (6.8 pps) and Slovakia (4.3 pps). On the other hand, a steep upsurge was recorded in Estonia (6.5 pps)¹². In spite of the noticeable reduction of more than 20 pps from the record top value since 2012, Greece is still the country with the highest youth unemployment rate (36.8 %)¹³, followed by Spain (34.9 %) and Italy (32.5 %). By contrast, the youth unemployment rate is the lowest in the Czech Republic (5.2 %) and Germany (6.2 %, see Chart 21).

¹¹ July 2018

¹² August 2018

¹³ August 2018

Chart 22: Youth unemployment rates - EU, euro area and Member States, 2012-2018



Source: Eurostat, LFS, data seasonally adjusted [une_rt_m]

Note: CY and RO data from June 2018; UK data from August 2018; EL, SI, HU, EE, BE and HR data from September 2018

[Click here to download chart.](#)

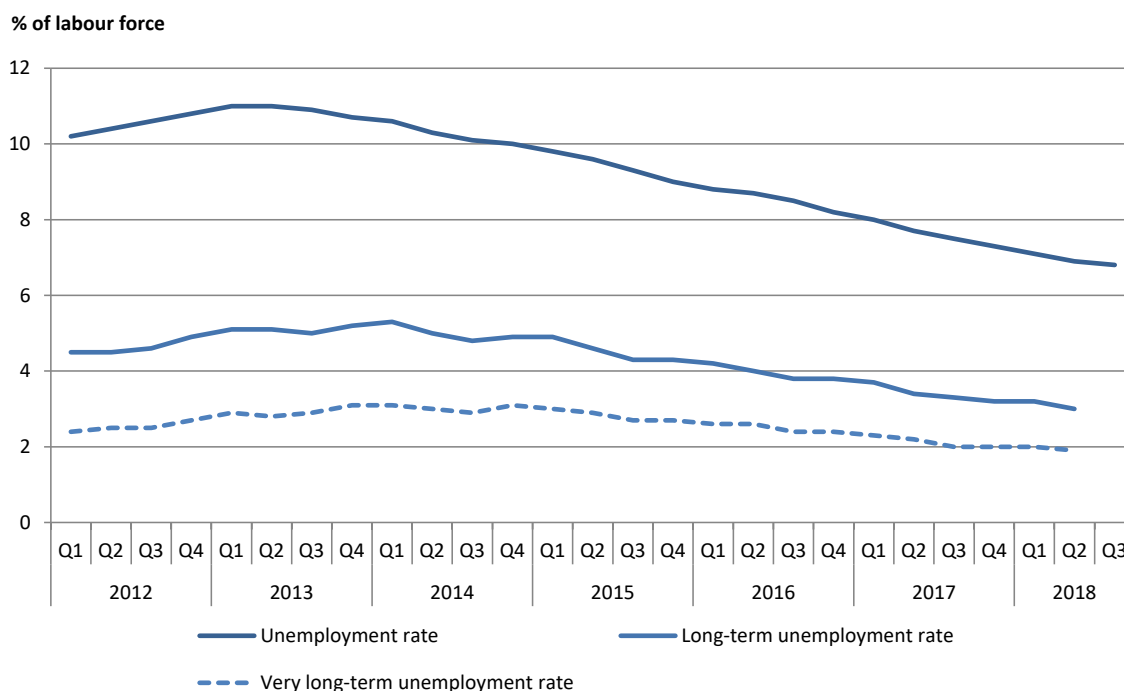
4. Long-term unemployment and additional potential labour force

Long and very long-term unemployment continues decreasing

Long-term unemployment (which captures people in unemployment for a year or more) decreased by 0.4 pps in the second quarter of 2018, compared with the same quarter of the previous year. The rate went down to 3.0 % of the labour force (Chart 23). The long-term unemployment rate has been decreasing over the last four years, at pace that has remained rather stable at, particularly in the last two years. At the same time, the very long-term unemployment rate (which captures people in unemployment for at least two years) decreased by 0.3 pps, down to 1.9 % of the labour force.

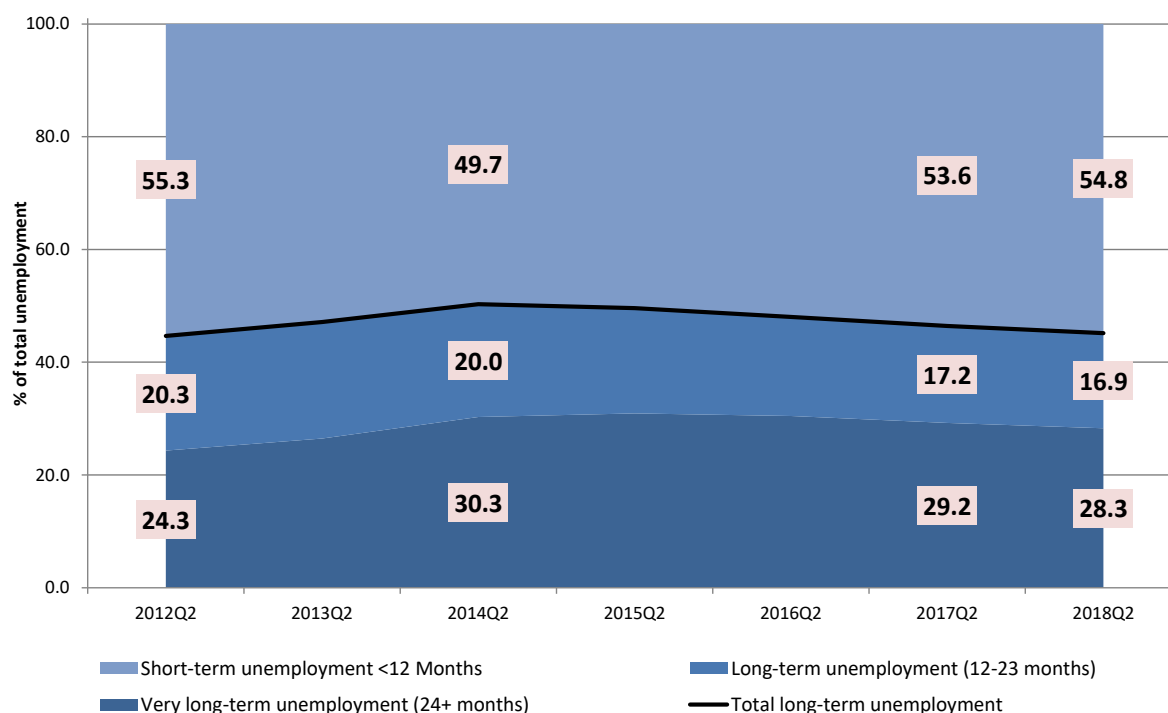
In the second quarter of 2018, there were around 7.4 million people in unemployment for more than a year in the EU, of whom 4.6 million for more than two years. This represents 1.1 million fewer people in long-term unemployment than in the second quarter of 2017, as well as 700 thousand less in long-term unemployment. The share of long-term unemployed in total unemployment remains high, at around 44 %.

Chart 23: Unemployment, long-term unemployment and very long-term unemployment rates in the EU, 2012-2018



Source: Eurostat, LFS, data not seasonally adjusted [une_rt_q, une_ltu_q]
[Click here to download chart.](#)

Chart 24: Unemployment by duration of unemployment in the EU, 2012-2018



Source: Eurostat, LFS, data not seasonally adjusted [lfsq_ugad]

Note: Data for first quarter of each year

[Click here to download chart](#)

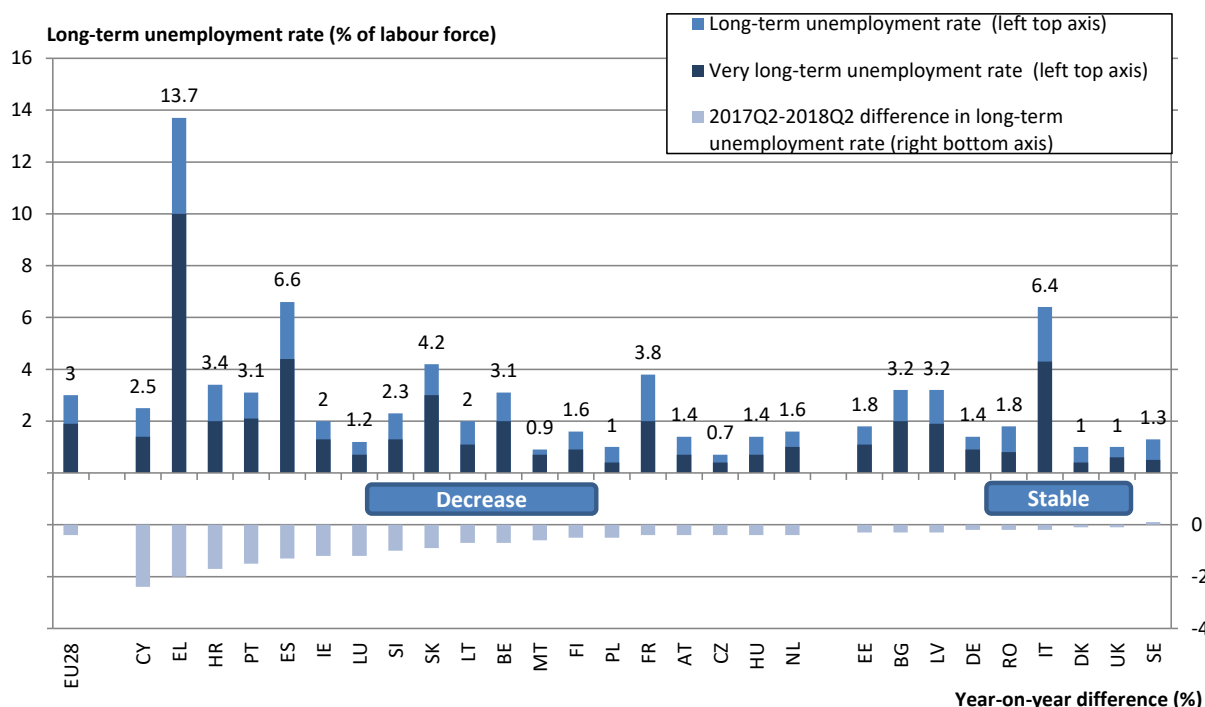
Long-term unemployment decreases in all Member States

In the second quarter of 2018, long-term unemployment declined in all Member States compared to the same quarter of the previous year. The largest reduction occurred in Cyprus (2.4 pps) and Greece (2.0 pps) (Chart 25).

Greece continued to show the highest rates of long-term unemployed and very long-term unemployed (13.7 % and 10.0 % of the labour force, respectively), followed at noticeable distance by Spain (6.6 % and 4.4 %, respectively) and Italy (6.4 % and 4.3 %, respectively).

Greece also showed the highest share of long-term unemployment (72.1 % of its total unemployment), followed by Slovakia 62.6 %.

Chart 25: Long-term unemployment rate - EU, euro area and Member States, level and change, 2017-2018



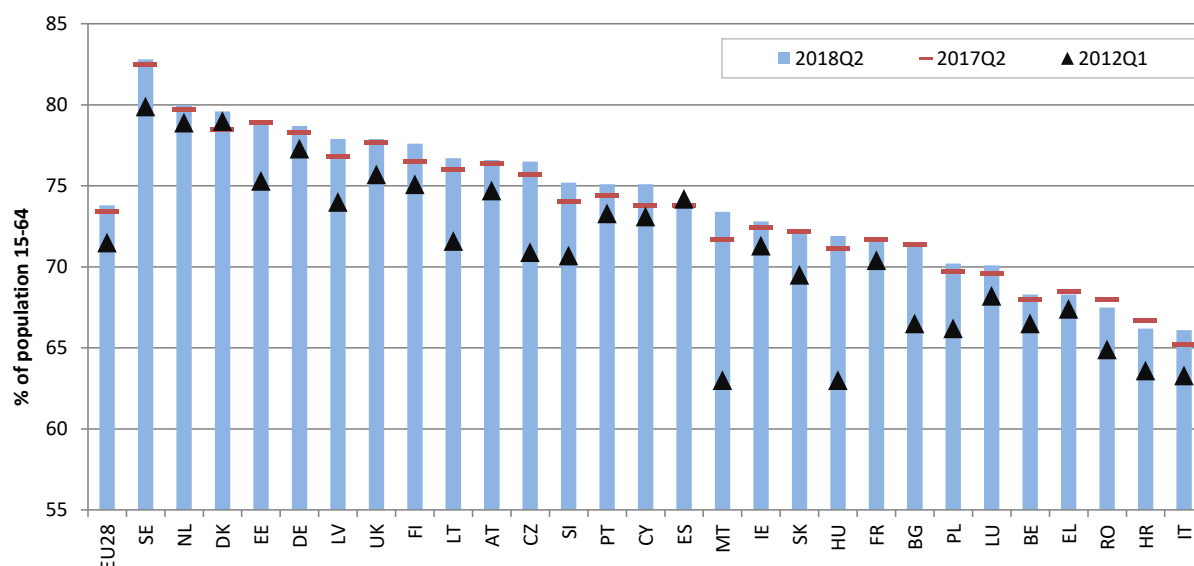
Source: Eurostat, LFS, data not seasonally adjusted [une_ltu_q]
[Click here to download chart.](#)

Active population in the EU up to 73.8 %

The activity rate in the EU, for the 15 to 64 age group, reached 73.8 % of the EU population in the second quarter of 2018 (Chart 26). This is 0.2 pps higher than in the previous quarter and 0.4 pps more than in the second quarter of 2017.

In the second quarter of 2018, most of the Member States registered an increase in their activity rates compared with the same quarter of the previous year (Chart 26). The Member States that experienced the strongest increases were Malta (1.7 pps), Cyprus (1.3 %) and Slovenia (1.2 pps). On the other hand, the activity rate decreased in Romania and Croatia (-0.5 %), Greece (-0.2 pps) and Estonia (-0.1 pps).

Chart 26: Activity rate - EU and Member States



Source: Eurostat, LFS, data seasonally adjusted [lfsi_act_q]

Note: FR only metropolitan data for 2012Q1

[Click here to download chart.](#)

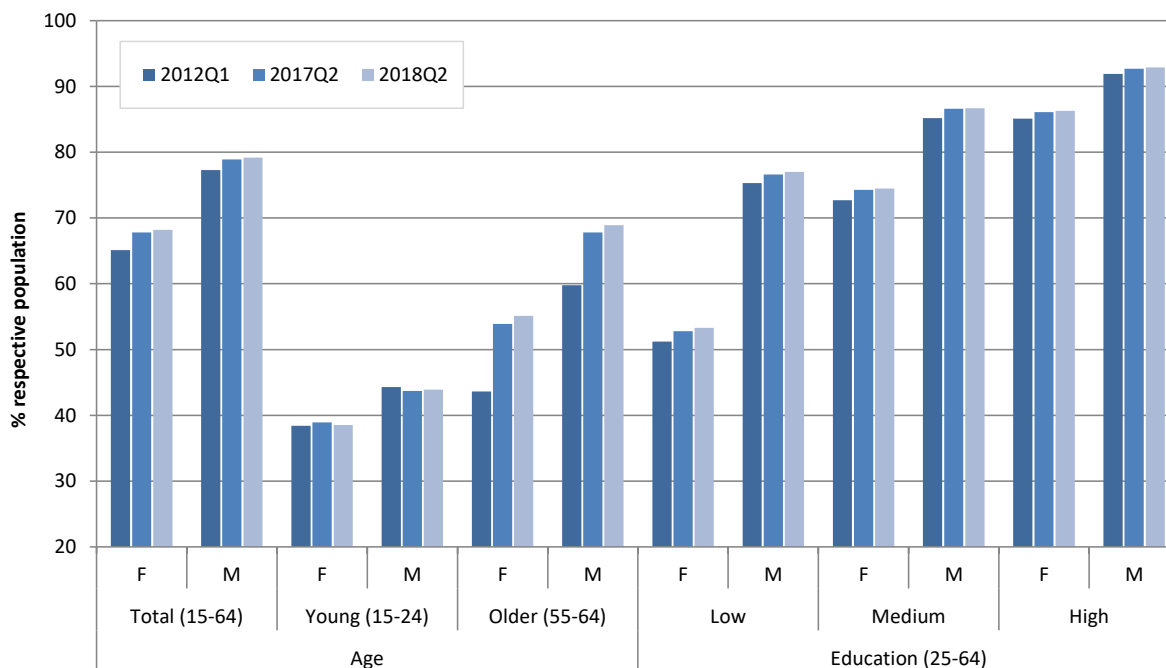
Increases in the activity rate of older workers are still important but slowing down

The increase in the activity rate of older workers, i.e. those aged between 55 and 64 years, has remained the main driver of the rise of the activity rate all over the EU. In the second quarter of 2018, the activity rate of older workers increased by 1.1 pps compared with the same quarter of the previous year. The increase was slightly stronger for women than for men (1.2 pps for women and 1 pp for men).

Compared with the same quarter of the previous year, the activity rate for younger workers decreased slightly by 0.1 pps and reached 41.3% (Chart 27). The participation rate of low skilled workers in the age group 25-64 years increased by 0.3 pps in the same period.

The gender gap in activity rates is slowly narrowing for the majority of age groups. However, at about 18 pps it is still very high notably among the low skilled.

Chart 27: Activity rate by population groups – EU



Source: Eurostat, LFS, data not seasonally adjusted [lfsq_argaed]
Click here to download chart.

The number of people 'available to work but not seeking' and 'underemployed' decreases

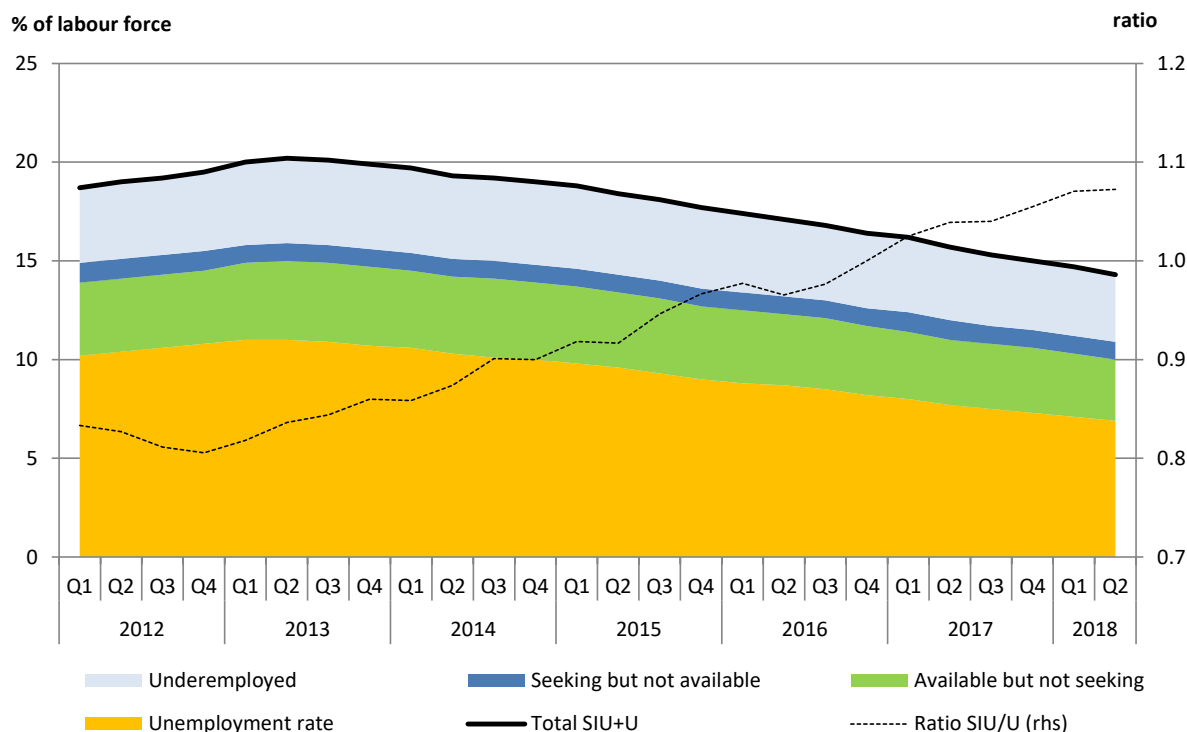
Three supplementary indicators to unemployment are used to monitor the evolution of underemployment and the potential additional labour force. These three indicators are: 'Available for work but not seeking', 'underemployed' and 'seeking but not available for work'. These indicators are measured as a percentage of the labour force, i.e. the active population. They are also called supplementary indicators to unemployment (SIU)¹⁴.

The proportion of workers in the EU who are 'available to work but not seeking' (which includes the so-called category of 'discouraged') was 3.1 % of the labour force in the second quarter of 2018. This rate decreased by 0.2 pps compared to the same quarter of the previous year. 'Underemployment', i.e. the proportion of those who would like to work additional hours and are available to do so, decreased by 0.3 pps and represented 3.4 % of the labour force. The rate of those 'seeking but not available for work' stood at 0.9 % of the labour force in second quarter of 2018, 0.1 pps less than in the same quarter of 2017.

The sum of the reductions in these three indicators amounts to 0.6 % of the labour force, adding to the positive developments in unemployment and long-term unemployment (Chart 28).

¹⁴ See: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Underemployment_and_potential_additional_labour_force_statistics

Chart 28: Unemployment, potential labour force and underemployment – EU, 2012-2018



Source: Eurostat, LFS, data seasonally adjusted [une_rt_q, lfsi_sup_q]

Note: SIU stands for the Supplementary Indicators to Unemployment; they represent the potential additional labour force. U = Unemployment

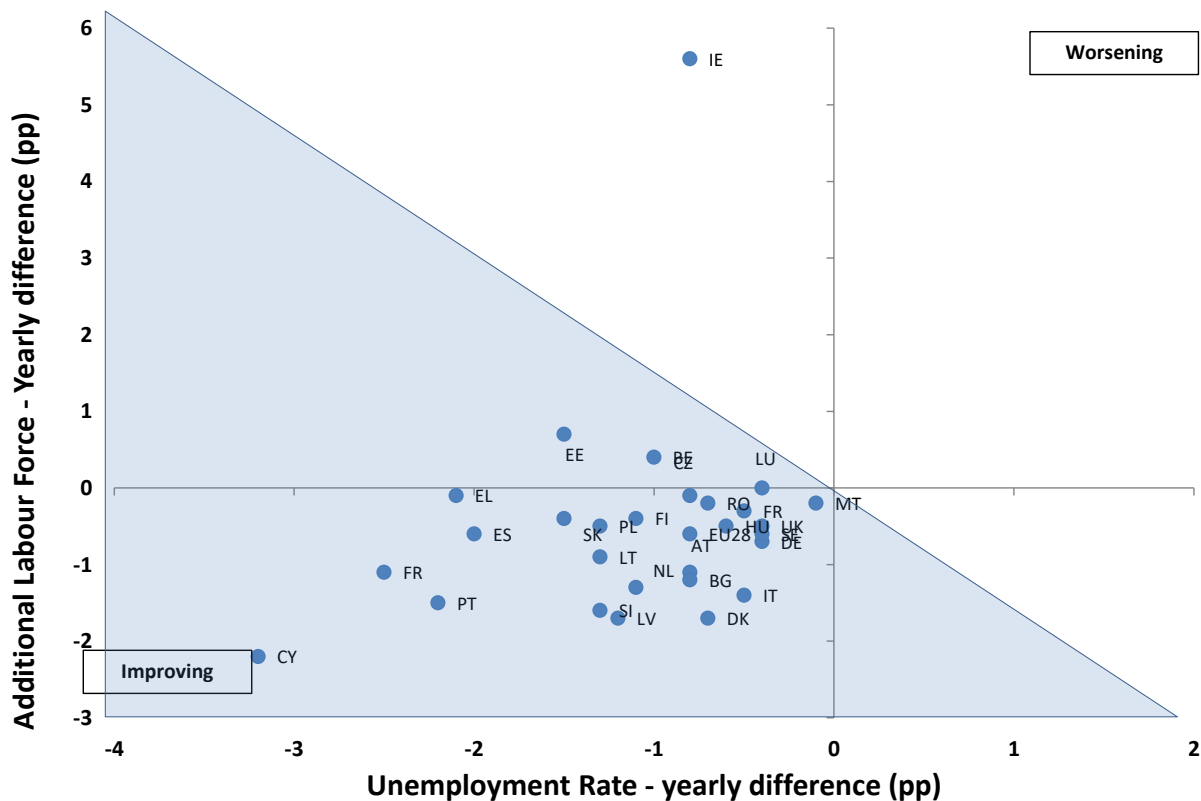
[Click here to download chart.](#)

All indicators point to labour markets improvements for most Member States

The labour market performance should be assessed not only by trends in employment and unemployment but also by changes in activity rates and in indicators of the potential labour force. Together, these indicators can be used to analyse the extent to which Member States are able to mobilise their working-age population.

In the second quarter of 2018, compared with the same quarter of the previous year, reductions in unemployment came together with decreases in supplementary indicators in most Member States (Chart 29). Estonia, Ireland and Belgium are the only Member States in which a fall in unemployment took place in parallel with a rise in the SIU.

Chart 29: Unemployment vs. supplementary indicators to unemployment (SIU) - EU Member States, changes 2017 Q2-2018 Q2



Source: Eurostat, LFS, data seasonally adjusted [une_rt_q, lfsi_sup_q]

Note: EE, MT and RO: no data for 'Seeking but not available'. Break in series for IE in "seeking but not available" 2017 Q3

Supplementary indicators for FR from France Metropolitan

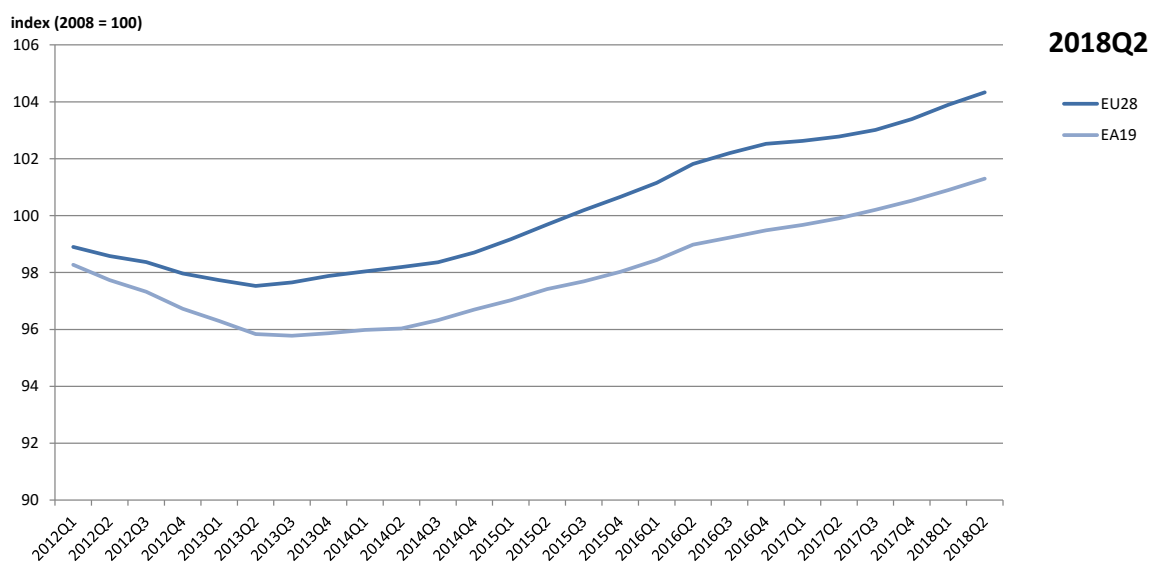
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5. Income and financial situation of households

The financial situation of EU households continues to improve

In the second quarter of 2018, the real per capita gross disposable household income (GDHI) continued to grow. In the EU, it has been growing for 20 consecutive quarters and is now 4.3 % higher than in 2008 and 1.5 % higher than in the same quarter of previous year. On the other hand, in the euro area, the recovery has been somewhat slower, and it is now only 1.3 % higher than in 2008 and 1.4 % higher than the second quarter of 2017 (Chart 30).

Chart 30: Real GDHI per capita - EU and Euro Area (index 2008 = 100), 2012-2018



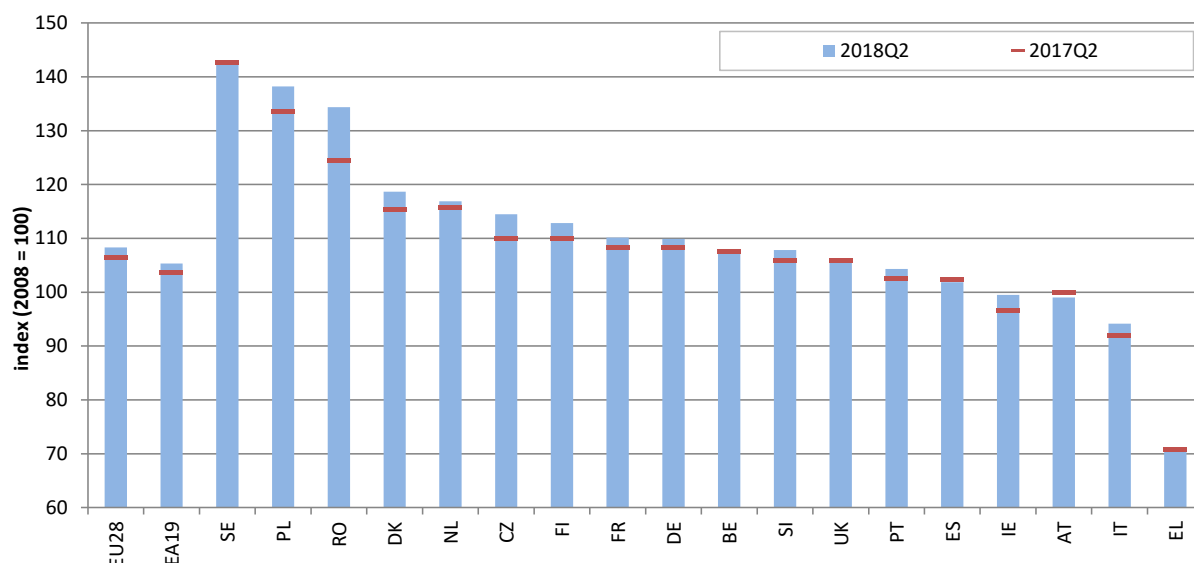
Source: Eurostat, National Accounts, data not seasonally adjusted [namq_10_gdp, nasq_10_nf_tr] (DG EMPL calculations)

Note: GDHI aggregates for Member States for which data are available. Moving averages over four last quarters. [Click here to download chart.](#)

Development of GDHI per capita varies across the EU

In the second quarter of 2018, real GDHI per capita grew in most of the Member States compared to the same quarter of 2017, but at different pace (Chart 31). Whereas in Romania, Poland and Czech Republic it increased by more than 4 pps, the growth was less important in the other Member States in for which data are available and even negative in the UK, Spain, Austria and Greece. Furthermore, in Ireland, Austria, Italy and Greece it is still below 2008 levels.

Chart 31: Real GDHI per capita – EU, EA and Member States (index 2008 = 100)

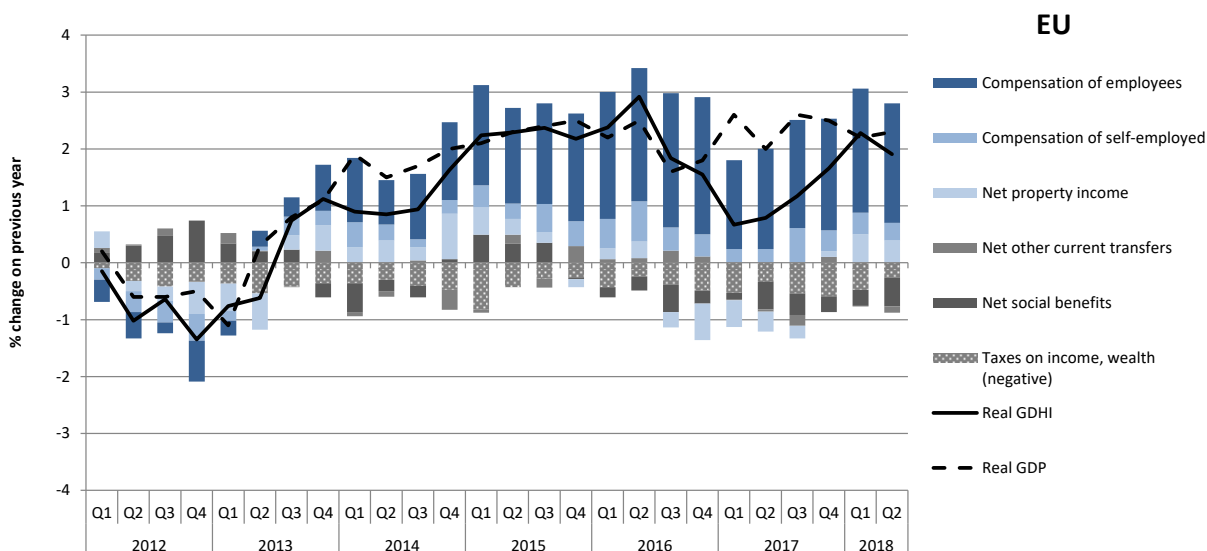


Source: Eurostat, National Accounts, data not seasonally adjusted [namq_10_gdp, nasq_10_nf_tr] (DG EMPL calculations)

Note: GDHI aggregates for Member States for which data are available. For RO, comparison is between 2018 Q1 and 2017 Q1; for UK and EL, comparison is between 2017 Q4 and 2016 Q4.

[Click here to download chart.](#)

Chart 32: Real GDP growth, real GDHI growth and its main components, 2012-2018



Source: Eurostat, National Accounts, data not seasonally adjusted [namq_10_gdp, nasq_10_nf_tr] (DG EMPL calculations)

Note: GDHI EU aggregate for Member States for which data are available, GDP for EU28.

[Click here to download chart.](#)

Households benefit from higher income from work

On average in the EU¹⁵, the growth of GDHI is back at its highest level since the recovery, following a slow-down in 2017. In the second quarter of 2018, according to latest available estimates, GDHI growth reached 1.9 % (Chart 32). Income from work continued driving this growth in GDHI. The compensation of both self-employed and employees increased and its growth rate is now back to the levels experienced in 2016.

Fewer people have troubles to cover current expenditure

Financial distress¹⁶, which is defined as the need to draw on savings or to run into debt to cover current expenditures, based on personal perceptions, gradually declined over the last three years to 13 % of the population from its historically high level of nearly 17 %, recorded in early 2014 (Chart 33). Both the share of households reporting running into debt and even more so the share of those having to draw on their savings declined. However, this drop was not uniform across the Member States, and shows a quite high variability, as discussed below.

Financial distress for low-income households is decreasing since mid-2015

Financial distress for low-income (lowest quartile) households has continuously declined from the peak of 27 % reached in Spring 2014. In October 2018, the latest month for which data are available, it stood at 22.7 %, well above 20% and above the average rate of 13.0 % for the total population (Chart 33). By comparison, for the wealthiest quartile the same indicator of financial distress stood at 7.0 %.

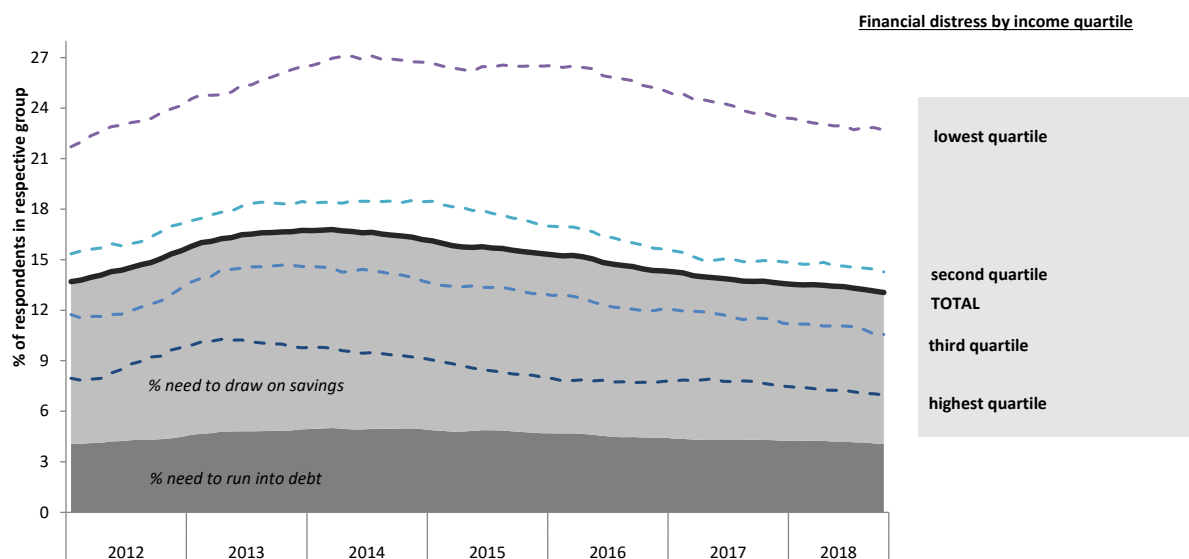
Financial distress eases in most of the Member States and variations persist

The overall level of financial distress for households in the lowest income quartile also remained stable or decreased in the majority of Member States in the third quarter of 2018, compared with the same quarter of the previous year. However, it was on a rise in Luxembourg Latvia, Malta, Finland, Italy and Belgium. Financial distress in this income quartile differs highly from one Member States to another, as it ranges from around 5 % in Estonia to over 32 % in Belgium and 36 % in France (Chart 34).

¹⁵ The real GDHI growth for the EU is an estimation by DG EMPL based on Member States for which quarterly data are available (19 Member States: AT, BE, CZ, DE, DK, EL, ES, FI, FR, HR, IE, IT, NL, PL, PT, RO, SE, SI, UK, which account for at least 90 % of EU GDHI). The nominal GDHI is converted into real GDHI by deflating with the deflator (price index) of household final consumption expenditure. The real GDHI growth for the EU is a weighted average of real GDHI growth in Member States.

¹⁶ For details on Business and Consumer Surveys, including consumer survey's question on the current financial situation of households, see http://ec.europa.eu/economy_finance/db_indicators/surveys/index_en.htm

Chart 33: Reported financial distress by income quartile – EU, 2012–Oct 2018

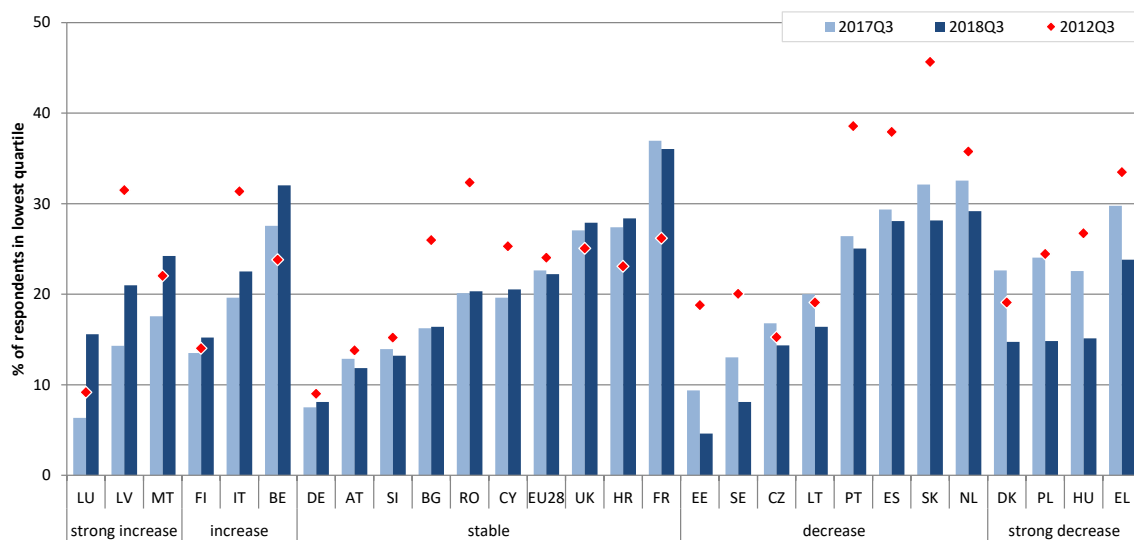


Source: European Commission, Business and Consumer Surveys, data not seasonally adjusted, 12-months moving average (DG EMPL calculations)

Note: Horizontal lines show the long-term averages for financial distress for the population as a whole and for households in the four income quartiles. The overall share of adults reporting having to draw on savings and having to run into debt are shown respectively by the light grey and dark grey areas, which together represent total financial distress.

[Click here to download chart.](#)

Chart 34: Reported financial distress in lowest income quartile - Member States



Source: European Commission, Business and Consumer Surveys, data not seasonally adjusted (DG EMPL calculations)

Note: No data for IE

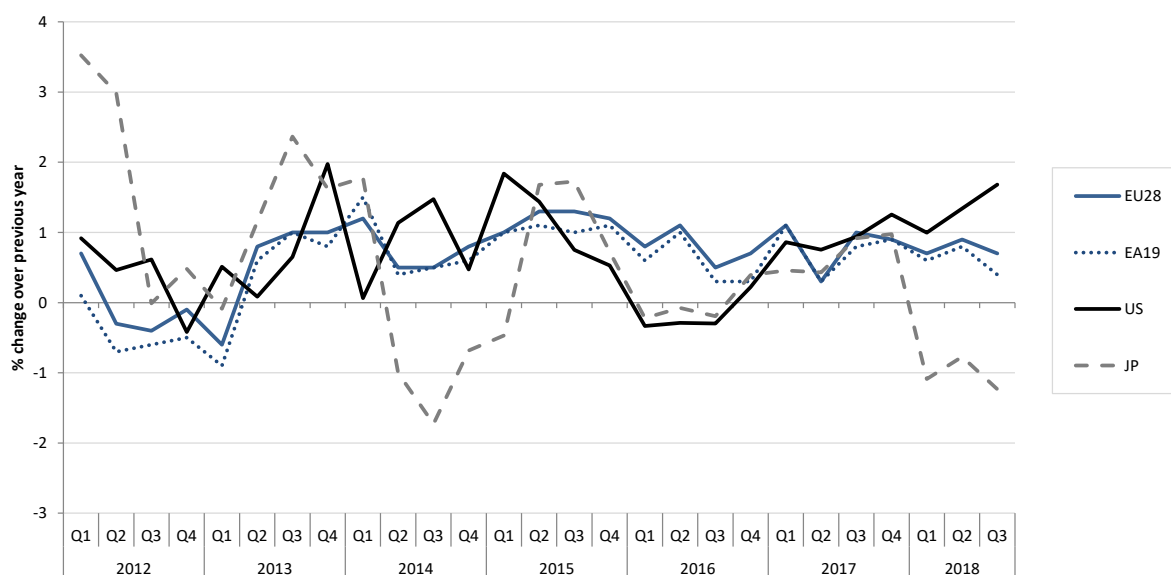
[Click here to download chart.](#)

6. Productivity and labour costs

Growth in labour productivity in the EU remains modest

The growth of labour productivity, as measured by output per worker, has remained modest in the past years in both the EU and the euro area. Year-on-year productivity growth was at 0.7 % in the EU as a whole and at 0.4 in the euro area in the third quarter of 2018. The EU figure is broadly in line with the figures registered over the three previous quarters, but the euro area productivity growth rate shows a perceptible decline compared to the values registered since mid-2017. The US economy reached a much higher growth in labour productivity at 1.7 % but Japan experienced a significant decline of -1.2 % in 2018 Q3 (Chart 35).

Chart 35: Real labour productivity growth - EU, euro area, US and JP, 2012-2018



Source: Eurostat, National Accounts [namq_10_lp_ulc], data not seasonally adjusted, data seasonally adjusted for US and JP

Note: Labour productivity measured as GDP in constant prices per employed person

[Click here to download chart.](#)

Productivity increase made a smaller contribution to economic growth than employment growth

Total output growth can be broken down into developments in the number of workers and output per worker. In most Member States, the year-on-year productivity growth registered in 2018 Q3 was positive, but below the growth rate in employment. Thus, in the EU as a whole, the larger part of GDP growth is attributable to the growing number of workers. While the productivity growth rate was negative in five Member States, it was at least 2 % in ten Member States (Chart 36).

Chart 36: GDP, employment and labour productivity growth - EU, euro area and Member States

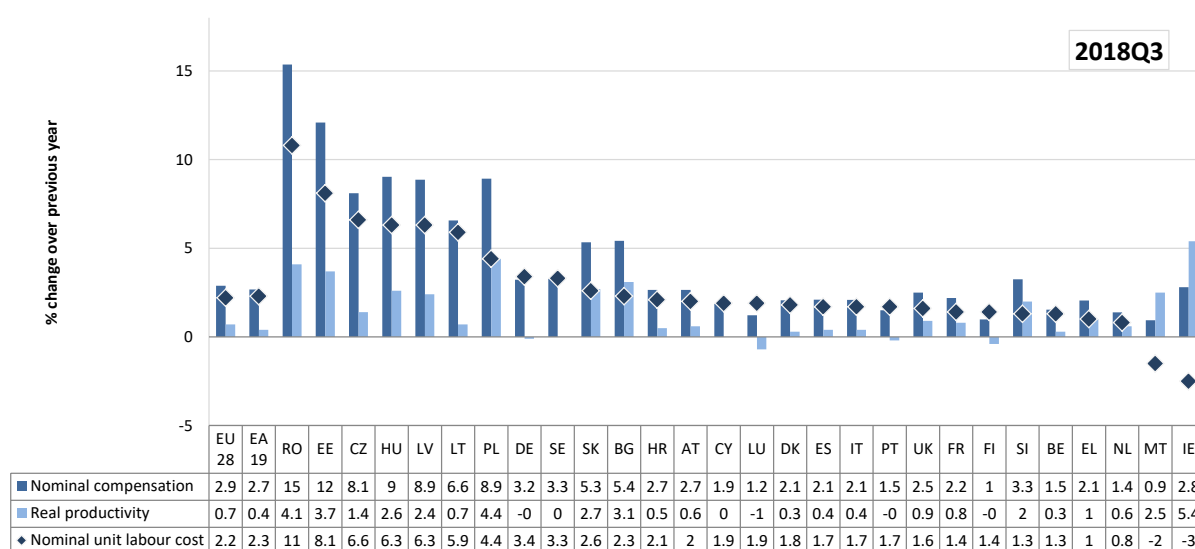


Source: Eurostat, National Accounts, data not seasonally adjusted [namq_10_pe, namq_10_gdp]
 Note: Labour productivity is measured as GDP per employed person. Data for IE, LU, BG and HR (real productivity per person) from 2018 Q2.
[Click here to download chart.](#)

Compensation per employee is growing in the EU

Following a brief decline in 2016, nominal compensation per employee has been growing at an increasing rate from the first quarter of 2017. The increase registered in 2018 Q3, as compared to the same period of the previous year, was 2.9 % in the EU and 2.7 % in the euro area, the highest values since 2015. This growth rate can be broken down into two components: a positive productivity growth (see above), and an increase in nominal unit labour costs at 2.2 % in the EU and 2.3 % in the euro area. Nominal compensation per employee (as measured in national currency) rose in all EU Member States. Romania, Estonia, the Czech Republic, Hungary, Latvia and Poland recorded the highest growth (8 % or more). Nominal unit labour costs (a measure of cost-push inflationary pressures) have been steadily increasing in the past two years. Six countries, Romania, Estonia, the Czech Republic, Hungary, Latvia and Lithuania recorded very strong increases, above 5 %. Two Member States, Malta and Ireland saw a decline, as productivity growth was stronger than the growth in compensation per employee (Chart 37).

Chart 37: Growth in nominal labour compensation and its components – EU, euro area and Member States



Source: Eurostat, National Accounts, data not seasonally adjusted [namq_10_lp_ulc, namq_10_pe, namq_10_gdp] (DG EMPL calculations)

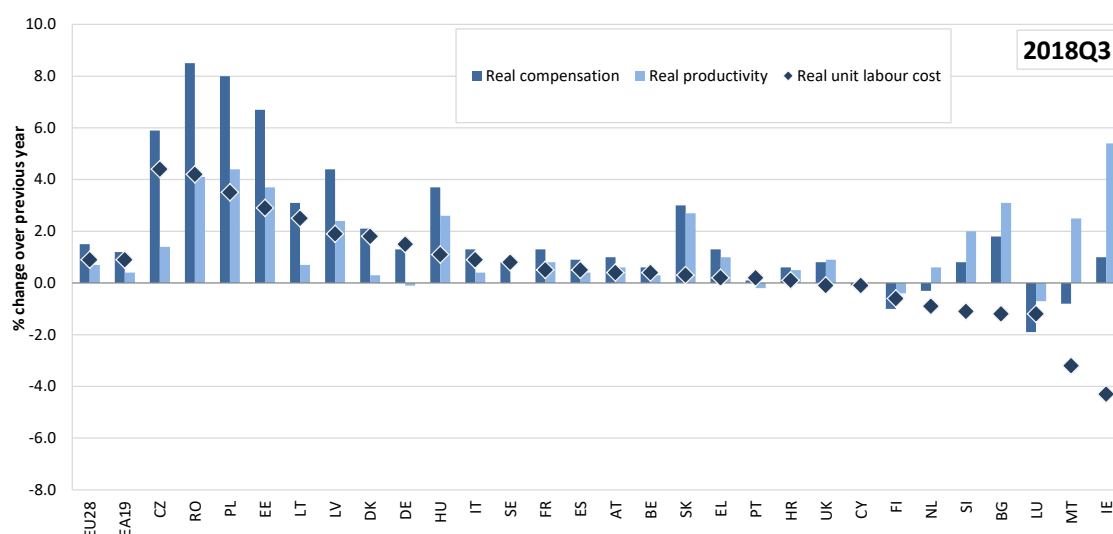
Note: Labour productivity is measured as GDP per employed person. Data for several countries refers to 2018 Q2.

[Click here to download chart.](#)

Real unit labour costs increases slightly in the EU

Real unit labour costs (measuring the gap between *real* compensation per employee and labour productivity, which is also a measure of the labour income share) increased by 0.9 % both in the EU and euro area in the third quarter of 2018 year-on-year. Romania, the Czech Republic and Poland saw the strongest (above 3 %) increase as real compensation per employee rose, overtaking productivity growth and leading to a higher increase in the real unit labour cost. On the other hand, real unit labour costs decreased in eight Member States (Chart 38).

Chart 38: Growth in real unit labour cost - EU and Member States



Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_lp_ulc, namq_10_gdp] (DG EMPL calculations)

Note: Data for several countries refers to 2018 Q2

[Click here to download chart.](#)

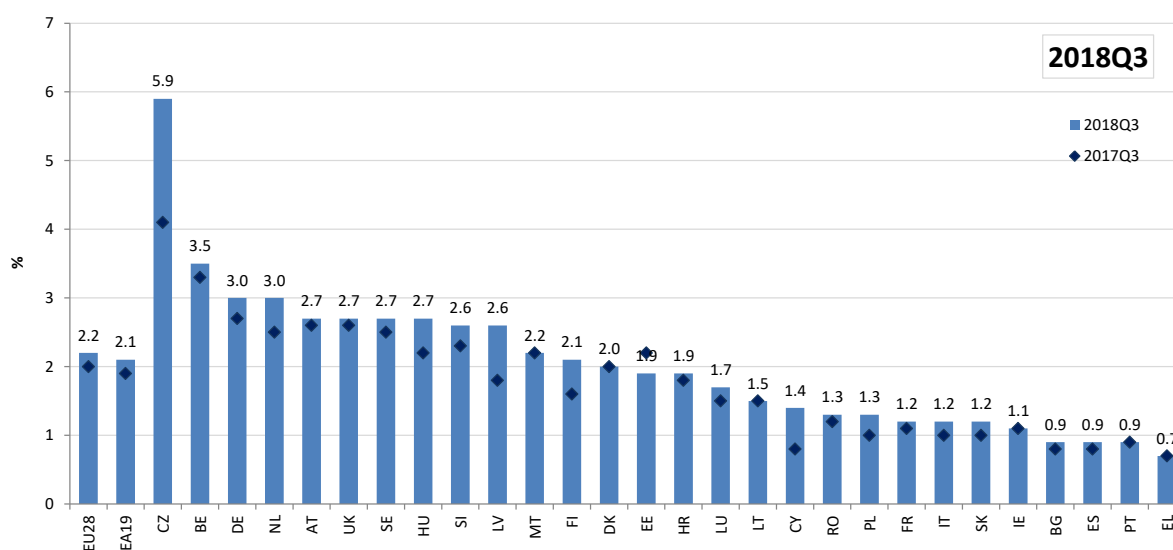
7. Labour demand: vacancies, labour shortages and hiring activity

The job vacancy rate remains at record high

The unmet demand for labour, as expressed by the job vacancy rate¹⁷ (JVR) has been broadly rising since end-2014 in the EU. It stands at 2.2 % and 2.1 %, respectively, in the EU as a whole and in the euro area as of the third quarter of 2018¹⁸. These are the highest values registered since 2006. The figures reflect an increase of 0.2 pps from the values registered a year earlier, but also shows stagnation since 2018 Q1. The job vacancy rate (JVR) ranged from 0.7 % in Greece to 4.8 % in the Czech Republic. The JVR increased in most Member States year-on-year, especially in the Czech Republic (+1.7 pps). By contrast, it decreased slightly in Estonia, Greece, Malta and Romania (Chart 39).

In a sectoral breakdown, the unmet demand for labour was the highest in construction at 3.0 % (2018 Q2). Industry, construction and services all registered an increase in JVR over the past year.

Chart 39: Job vacancy rates - EU, euro area and Member States



Source: Eurostat, Job Vacancy Statistics, data not seasonally adjusted [jvs_q_nace2]

Note: NACE Rev 2 sections B to S covered. DK: sections B to N; FR, IT, MT: business units with 10 or more employees. Data for all Member States (except CZ, DE, ES, NL, RO and UK) refer to Q2

[Click here to download chart.](#)

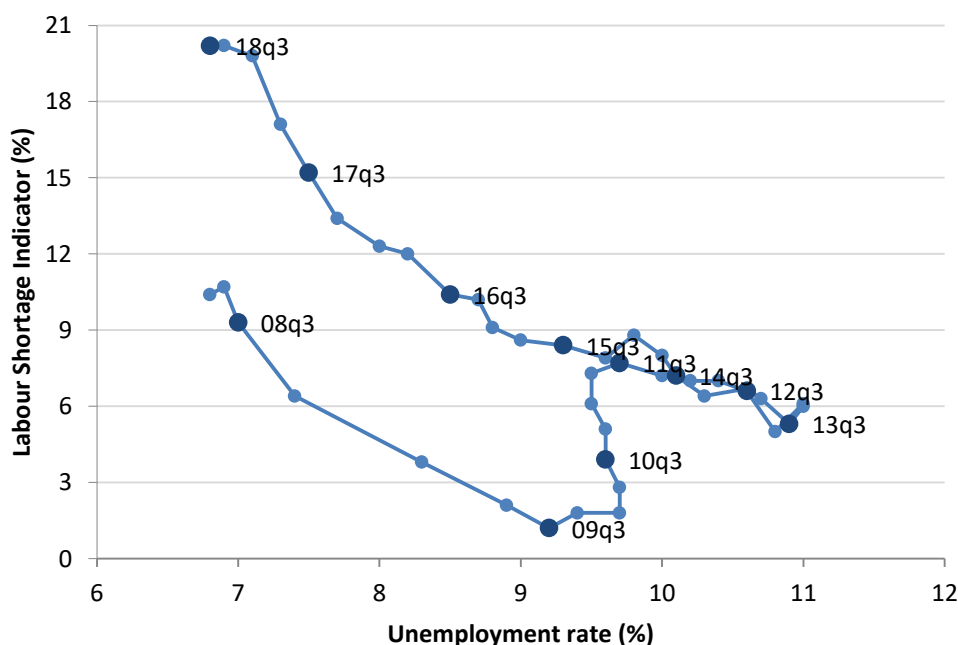
¹⁷ The Job Vacancy Rate is number of job vacancies / (number of occupied posts + number of job vacancies) * 100.

¹⁸ While EU and EA averages are available for 2018 Q3, the latest observation is Q2 for most individual Member States.

Labour shortages increase while unemployment recedes

In the third quarter of 2018, unemployment further declined and labour shortages continued to intensify in the EU (Chart 40). The Beveridge curve, which plots the unemployment rate against an indicator of unfilled jobs, did not show a change in trend. The indicator presented here is published as part of the EU Business and Consumer Surveys¹⁹. It reflects to what extent businesses see the availability of labour as a factor that limits production. The current value is the highest recorded since 1982, when the indicator was first published, indicating that at the EU level, labour shortages are seen as a drag on economic growth to an unprecedented degree. However, the indicator varies widely between countries: Hungary, Poland, the Czech Republic, Bulgaria and Malta report very high values, while in Cyprus, Italy and Greece, labour shortages are not identified as a factor limiting production. The Statistical Annex presents the Beveridge curves for EU Member States.

Chart 40: Beveridge curve – EU, 2008-2018



Source: Eurostat, LFS and European Commission, Business and Consumer Surveys [une_rt_q, ei_bsin_q_r2]
 Note: Labour shortage indicator derived from EU business survey results (% of manufacturing firms pointing to labour shortage as a factor limiting production)
[Click here to download chart.](#)

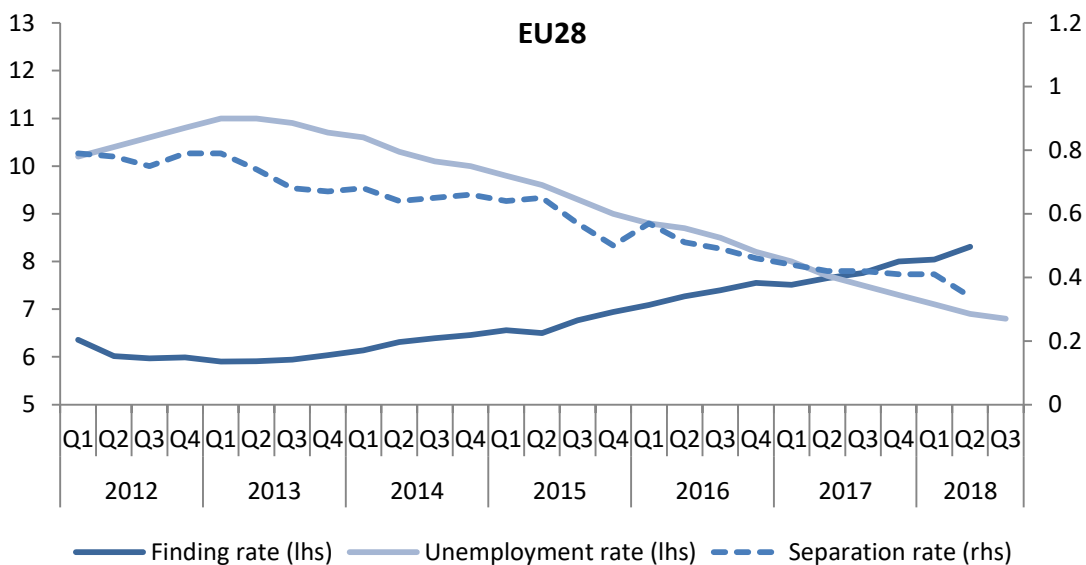
¹⁹ Using the job vacancy rate instead of the labour shortage indicator would yield qualitatively similar conclusions.

While job finding rates are increasing, separation rates are declining

Declining unemployment rates in most Member States were the result of improvements in job finding rates and declines in separation rates.

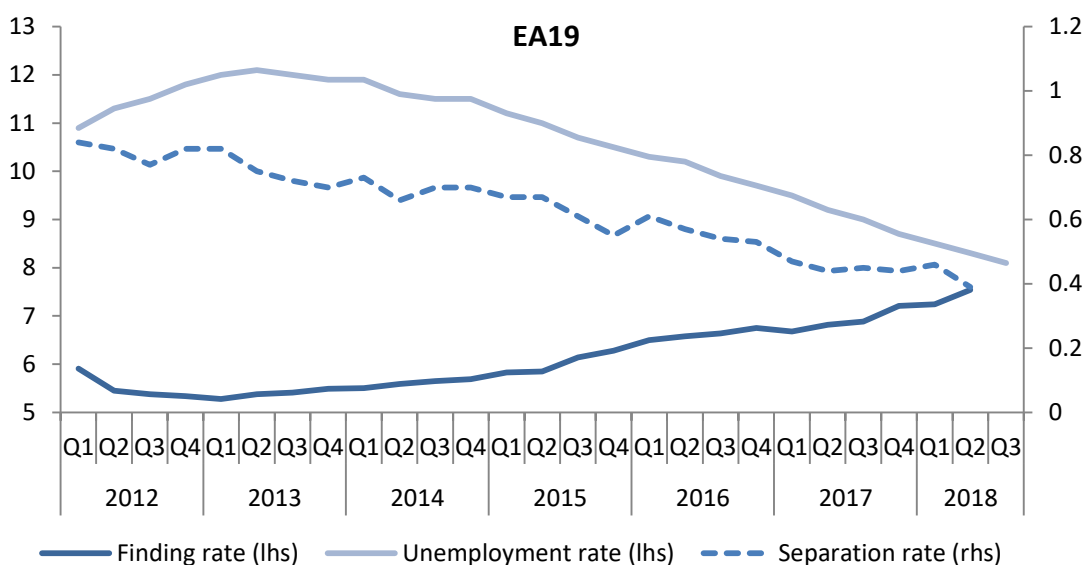
The Statistical Annex presents finding and separation rates for EU Member States (Chart 41).

Chart 41: Unemployment, finding and separation rates – EU, 2012-2018



Source: Source: Eurostat, LFS, data non-seasonally adjusted (DG EMPL calculations)
Click here to download chart.

Chart 42: Unemployment, finding and separation rates - euro area, 2012-2018



Source: Source: Eurostat, LFS, data non-seasonally adjusted (DG EMPL calculations)
Click here to download chart.

Annex

See Excel file with charts per Member State and for the EU and euro area

- 1: Real GDP growth, real GDHI growth, employment growth and unemployment rates
- 2: Real GDP growth, employment growth, real GDHI growth and its main components
- 3: Employment growth by sectors
- 4: Beveridge curves
- 5: Unemployment, finding and separation rates

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