



Employment and Social Developments in Europe

Quarterly Review
February 2018



February 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 has been prepared by the Analysis Unit of the Directorate-General for Employment, Social Affairs and Inclusion. This review was prepared under the supervision of B. Kauffmann (Director) and L. Stemitsiotis (Head of Unit). The main contributors were: D. Arranz and M. Grzegorzewska. Indicators on job findings and separation rates were provided by A. Kowalski. The editor of this Review was D. Waterschoot, K. Jaksic and A. Pisiotis.

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.

Regular updates of these data and charts are available at:

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

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Cataloguing data as well as an abstract can be found at the end of this publication.

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¹ To access them, see [codes] mentioned under the charts, to be used with the Eurostat data search engine: http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database



"I am pleased to present once again a positive quarterly report confirming that Europe is back to solid growth. Over the latest quarters, employment in the EU has reached the highest levels ever recorded with more than 236 million people in jobs. This Commission is fighting precarious working conditions so the rise of permanent jobs and full-time employment is also very good news. Even though large differences remain between EU countries, unemployment decreased in all Member States. Youth unemployment in particular is falling steadily. These positive results confirm that now is the moment to continue putting social at the heart of our political agenda. Not all EU citizens have benefited from the economic recovery to the same extent. With the adoption of the European Pillar of Social Rights, the European Commission, Member States and social partners have built a compass towards better living and working conditions in the EU."

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

The EU's economy continued its expansion at a robust and higher than expected pace. In the third vs. the second quarter of 2017 real GDP increased by 0.7 % both in the EU and the euro area, matching the pace of the previous quarter. Year-on-year growth improved further to 2.8 % in both areas. **Most Member States reported an increasing output.** Quarterly GDP growth broadly ranged from 0.1 % in Lithuania to 2.6 % in Romania, with Denmark (-0.5 %) and Ireland (4.2 %) being the bottom and top outliers respectively. Year-on-year growth was positive in all Member States, accelerating to 7 % in Malta, Romania and Ireland.

Employment

Employment in the EU continued its expansion surpassing expectations. It increased by 0.3 % in the EU and 0.4 % in the euro area in the third vs. the second quarter of 2017. Compared to the third quarter of 2016, employment gained 1.7 % in both the EU and the euro area, which amounts to an additional 4 million and 2.7 million people employed, respectively. This evolution shows acceleration in employment growth despite earlier projections announcing a slowdown in 2017.

The number of employed reached 236.3 million in the EU and 156.3 million in the euro area, the highest levels ever recorded. Employment has now been growing for four and a half years in a row. Since its lowest level in mid-2013, it has increased by 12 million people in the EU, of which 7.4 million in the euro area.

Employment expanded in most Member States. In the third quarter of 2017, it grew notably in Croatia (1.4 %) and Estonia (1.1 %), with only Lithuania recording a decrease in employment (0.5 %). On a yearly basis, Lithuania was again the only Member State with a negative evolution, while the increase in Romania's employment was strong (5.2 %) in the year to third quarter of 2017.

Service sectors continued to drive employment growth in the EU, while improvements were smaller in industry and construction. Nearly all service sectors contributed to the employment increase seen in the third quarter of 2017, especially the scientific and technical sector. Over the year to the third quarter of 2017, employment increased in all sectors except for the financial sector, which recorded a slight decrease.

Permanent jobs and full-time employment were the main contributors to employment expansion. In the year to the third quarter of 2017, the number of employees with permanent contracts grew by 1.7 %, confirming the trend of rising confidence, bolstering the demand for labour. This represents an increase of 2.8 million employees, which is three times more than the increase in temporary contracts (900.000, 3.2 % yearly growth). Full-time workers saw their numbers increase by about 3 million, up to 181 million, and part-time workers increased by about 300.000 up to 42.7 million. It is worth to notice that part-time employment has never contracted since 2008, and now stands at nearly 5 million jobs above its 2008 level. However, full time employment still underperforms its pre-crisis, 2008 level by 1.5 million.

The EU employment rate has increased consistently over the past three years. In the third quarter of 2017, the employment rate of 20-64 years old stood at 72.3 %, the highest ever reached, but still 2.7 pps below the Europe 2020 target of 75 %. Nonetheless, **large disparities in employment rates remain among Member States.** They ranged from 58 % in Greece to 82 % in Sweden. In around half of the Member States, employment rates are still lower than in 2008.

Unemployment

The unemployment rates in the EU and euro area are approaching their pre-crisis values at a steady pace. In December 2017, they stood at 7.3 % in the EU and to 8.7 % in the euro area, a yearly reduction of 0.9 pps and 1 pp respectively. The unemployment rate for the whole 2017 averaged to 7.7 % for the EU, 0.9 pps less than in 2016, and 9.1 for the euro area, 0.9 pps less than in 2016. This has been the fourth consecutive year with reductions in the unemployment rate, and 2017 registered the highest annual decrease since the start of the recovery.

Unemployment was below 18 million, the lowest level since November 2008, including 14.2 million in the euro area. The reduction in unemployment between December 2016 and December 2017 represented about 2 million fewer unemployed in the EU, including 1.5 million in the euro area. **Unemployment has receded by around 8.6 million people since its peak recorded in April 2013.** There were still around 1.9 million more unemployed in December 2017 than in March 2008, when unemployment was at its lowest.

Unemployment rates decreased in all Member States in the year to December 2017. The largest reductions were registered in Greece (by 2.7 pps down to 20.7 % in October 2017) and Portugal (by 2.4 pps down to 7.8 %). Large differences remain among Member States: the Czech Republic (2.3 %) and Germany (3.6 %) display very low rates, while Greece² (20.7 %) and Spain (16.4 %) continue to register high rates despite the strong decreasing trend.

In the year to December 2017, the unemployment rate in the EU declined for both men and women. It did so by 0.9 pps for both, men and women, reaching 7.1 % and 7.5 % respectively. In the euro area, the unemployment rate receded by 0.9 pps to 8.4 % for men and 1 pp to 9 % for women.

In the same period, the youth unemployment rate (those aged 15-24) continued to decrease steadily in the EU and in the euro area. The rate declined in the EU by 1.9 pps to 16.1 % and by 2.4 pps to 17.9 % in the euro area. The youth unemployment rate decreased in all Member States except in the United Kingdom where it remained stable³. It fell strongly in Italy (6.9 pps) and Croatia (5.9 pps). Greece was still the country with the highest youth unemployment rate in the EU (40.8 %)⁴.

The long-term unemployment rate decreased at a steady pace. It declined by 0.5 pps in the year to the third quarter of 2017. However, the share of long-term unemployment in total unemployment remained high at around 45 %. The reduction was significant among those in very long-term unemployment (those unemployed for at least two consecutive years), lowering their rate by 0.4 pps. In almost all Member States long-term unemployment is declining. However, Greece (15.3 %) and Spain (7.1 %) still register high long-term unemployment rates.

The activity rate continued growing steadily. In the year to the third quarter of 2017, most of the Member States exhibited increased activity rates. Some Member States had experienced strong annual increases, like Bulgaria (3.5 pps) and Slovenia (3.3 pps), while Ireland and Denmark showed relevant decreases since 2008.

In the majority of countries, the underutilisation of labour force (including 'underemployment' or the 'available but not seeking'), were declining consistently with the evolution in unemployment. This evolution was moderate in most of the countries but constant since the start of the recovery. Nevertheless, there were countries with high rates of people available to work but not seeking, as Italy (11.4 %), or underemployed as in Cyprus (6.7 %)

Productivity

Labour productivity in the EU improved. Productivity growth year-on-year improved to 0.8 % both in the EU and in the euro area in the third quarter of 2017, after a weak previous quarter. Growth in labour productivity differed across Member States, but generally remained modest. Latvia, Lithuania, Poland and Romania recorded by far the strongest increase in labour productivity (3 % or more year-on-year).

Labour costs

Compensation per employee and unit labour cost grew in the EU and most Member States. The EU saw a more notable year-on-year growth in compensation per employee (1.2 %) in the third quarter of 2017. Consequently, nominal unit labour cost (which measures cost-push inflationary pressures) increased by 0.4 %. In the euro area, the growth in

² Data from October 2017

³ Data from October 2017

⁴ Data from October 2017

compensation per employee remained at a solid 1.7 %, but due to a pick-up in productivity, the unit labour cost returned to 0.9 % yearly growth, down from 1.4 % in the previous quarter. Bulgaria, Lithuania and Romania showed the strongest increases in the unit labour cost.

Real unit labour cost growth (RULC), which reflects the change in the labour income share, changed slightly in the EU. The real unit labour cost decreased by 0.1 % in the EU and by 0.3 % in the euro area in a year to the third quarter of 2017. Bulgaria and Romania saw the strongest increases in RULC, as real compensation per employee rose sharply overtaking productivity growth. On the contrary, in Estonia and Latvia, real unit labour cost decreased, as faster productivity growth offset a strong increase in real compensation per employee.

Household situation

The financial situation of EU households continued to improve, mainly driven by an increase in income from work. The growth in real gross disposable household income (GDHI) in the EU continued, but moderated to around 1.5 % year-on-year. It continued to result from an increase in income from work, while the prior increase in social benefits came to a halt. Nearly all Member States continued to see growth in household income in the year to the first half of 2017, except Austria, Greece, Spain and the UK.

Fewer EU households needed to draw on savings or run into debt to cover current expenditures (financial distress), also among low-income households. Financial distress, as observed by mid-2017, affected around 14 % of the population. It was down from a peak of nearly 17 % at the end of 2013. Among people living in the poorest households (lowest quartile), 23 % are in financial distress, down from the peak of 28 % at the end of 2013; 9 % run into debt and a further 14 % draw on savings to cover current expenditure.

Labour demand

Labour demand and labour shortages continued to increase. The overall job vacancy rate in the EU has reached 2 % in the third quarter of 2017 and it was 0.3 pp above the rate a year before. The job vacancy rate was higher in services than in industry and construction. Labour shortages increased, and hiring activity recovered (up 3.7 % in a year to the second quarter of 2017). The separation rates declined well below pre-crisis levels, while the job finding rate has accelerated its recovery over the last quarters and approached its pre-crisis rate.

Outlook

Survey data and economic forecasts suggest a positive economic and labour market outlook, with unemployment approaching its lowest level (2008). The euro area economy gained momentum and solid job creation should have continued in the fourth quarter of 2017, according to the Purchasing Managers Index. The economic sentiment and employment expectations have headed up since mid-2016, and unemployment expectations are very low. The latest Commission Winter Forecast of February 2018 confirmed that growth beat expectations last year, as the transition from economic recovery to expansion continues and the solid performance will last in 2018-2019.

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

	2016Q2		2016Q3		2016Q4		2017Q1		2017Q2		2017Q3	
	EU	EA										
Real GDP												
% change on previous quarter (SA)	0.4	0.4	0.4	0.4	0.7	0.7	0.6	0.6	0.7	0.7	0.7	0.7
% change on previous year (SA)	1.9	1.8	1.9	1.7	2.0	1.9	2.2	2.1	2.5	2.4	2.8	2.8
Employment growth												
% change on previous quarter (SA)	0.3	0.4	0.2	0.3	0.4	0.4	0.5	0.5	0.5	0.4	0.3	0.4
% change on previous year	1.4	1.4	1.1	1.3	1.1	1.3	1.5	1.6	1.7	1.6	1.8	1.7
Employment rate (15-64)												
% of working-age population	66.6	65.5	67.2	66.0	67.0	65.9	66.8	65.5	67.8	66.4	68.2	66.9
change on previous year (percentage point)	1.1	1.0	1.0	1.0	0.9	1.0	1.0	0.8	1.2	0.9	1.0	0.9
Employment rate (20-64)												
% of working-age population	71.1	70.0	71.5	70.4	71.4	70.3	71.2	70.0	72.3	71.0	72.7	71.4
change on previous year (percentage point)	1.1	1.0	0.9	1.0	0.9	0.9	1.0	0.8	1.2	1.0	1.2	1.0
Gross disposable households income												
% change on previous year	2.7	2.4	1.7	1.4	1.8	1.4	0.8	1.6	:	1.3	:	1.7
Labour productivity												
% change on previous year	1.1	1.0	0.5	0.3	0.8	0.2	1.1	1.1	0.4	0.2	0.8	0.8
Nominal unit labour cost												
% change on previous year	-1.2	0.1	-1.7	1.0	-1.9	1.1	-1.1	0.5	0.0	1.4	0.4	0.9
Long-term unemployment rate												
% labour force	4.0	5.0	3.8	4.8	3.8	4.8	3.7	4.7	3.4	4.4	3.3	4.2
change on previous year (percentage point)	-0.6	-0.7	-0.5	-0.4	-0.5	-0.6	-0.5	-0.5	-0.6	-0.6	-0.5	-0.6

	2016 Oct		2016 Nov		2016 Dec		2017 Oct		2017 Nov		2017 Dec	
	EU	EA										
Unemployment rate												
Total (% of labour force)	8.3	9.8	8.3	9.8	8.2	9.7	7.4	8.8	7.3	8.8	7.3	8.7
Men	8.2	9.5	8.1	9.5	8.0	9.3	7.2	8.5	7.1	8.4	7.1	8.4
Women	8.5	10.1	8.4	10.1	8.4	10.1	7.7	9.2	7.6	9.2	7.5	9.0
Youth (% of labour force 15-24)	18.1	20.3	18.2	20.6	18.0	20.3	16.4	18.4	16.2	18.1	16.1	18.0

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 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

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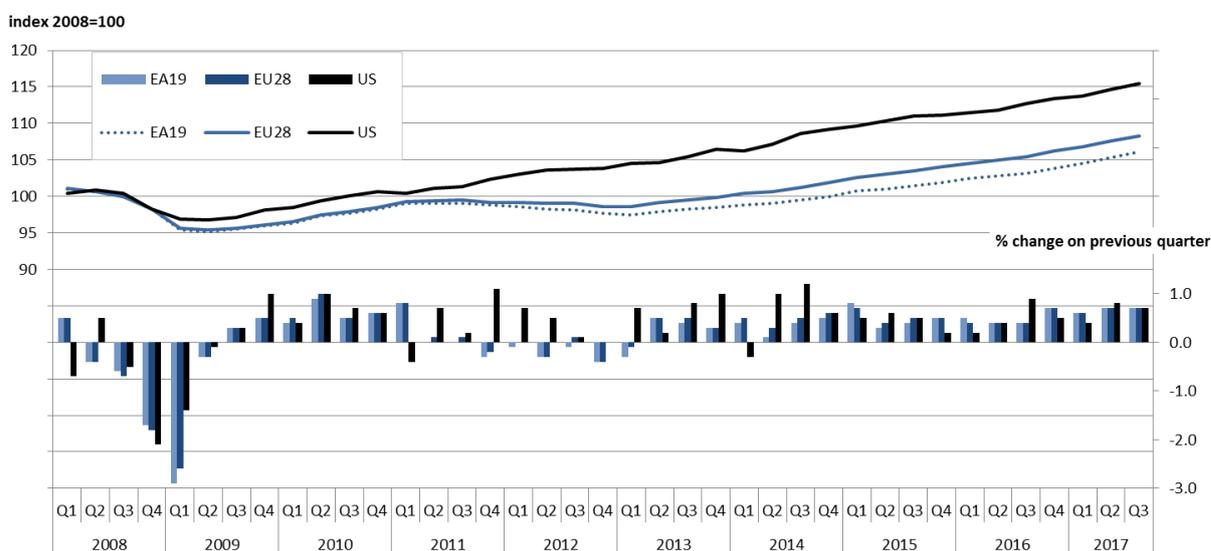
1. Macroeconomic and employment developments and outlook

The EU economy continues its expansion at robust pace

Real GDP increased by 0.7 % both in the EU and in the euro area in the third quarter of 2017, which matched the pace of the previous quarter. Private consumption and investment were the main drivers of this output growth in both areas, while contribution of external balance was neutral for the EU and slightly positive for the euro area. Year-on-year growth improved further to 2.8 % both in the EU and in the euro area. The US economy continued expansion at a similar pace, with real GDP increasing by 0.8 % in the third quarter, bringing year-on-year growth to 2.3 %.

The real GDP in the EU and the euro area started to exceed its previous peak in 2014, and is now 8.3 % and 6.1 %, respectively, above 2008 levels. In comparison, as the US economy began to recover faster, its real GDP level is now 15.5 % higher than in 2008 (Chart 1).

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

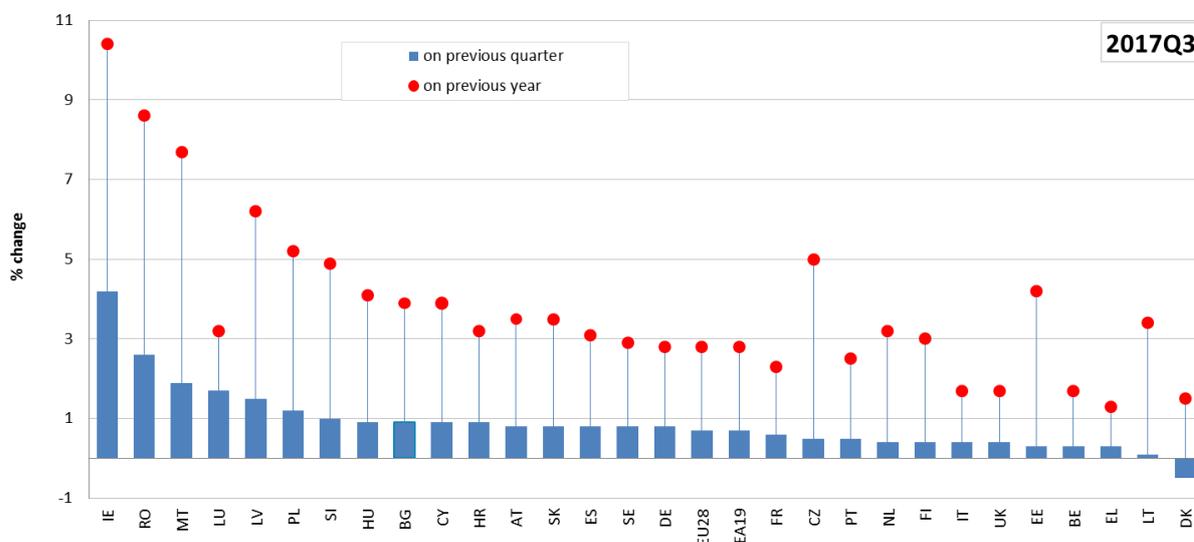


Source: Eurostat, National Accounts, data seasonally adjusted [naidq_10_gdp]
[Click here to download chart.](#)

Member States report increases in economic output

The economy continued to expand in all Member States, but Denmark in the third quarter of 2017. The dispersion of GDP growth in the EU widened, as Denmark lost 0.5 % (driven by cuts in private consumption), while Ireland gained a substantial 4.2 % (with a notably improved external balance). Apart from those two outliers, quarterly GDP growth ranged from 0.1 % in Lithuania to 2.6 % in Romania. Year-on-year growth was positive in all Member States, exceeding 7 % in Malta, Romania and Ireland (Chart 2).

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

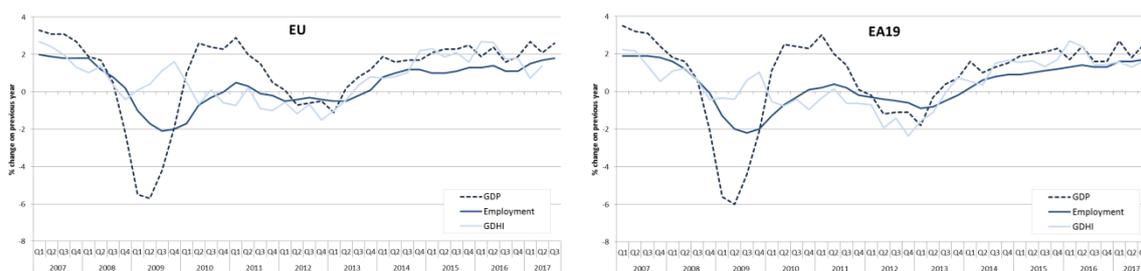


Source: Eurostat, National Accounts, data seasonally adjusted [namq_10_gdp]
[Click here to download chart.](#)

Employment and household incomes respond promptly to economic growth

Employment increased by 0.3 % in the EU and 0.4 % in the euro area in the third quarter of 2017, which marked a slowdown by 0.1 percentage point from the previous quarter. In the year to the third quarter of 2017 employment recorded a 1.8 % increase in the EU and 1.7 % in the euro area. Accompanying the economic and labour market recovery, gross disposable household income (GDHI) in the EU⁵ and euro area registered a further year-on-year increase in real terms (1.6 % for the euro area in the third quarter of 2017) (Chart 3).

Chart 3: Real GDP, GDHI and employment growth – EU and euro area



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.](#)

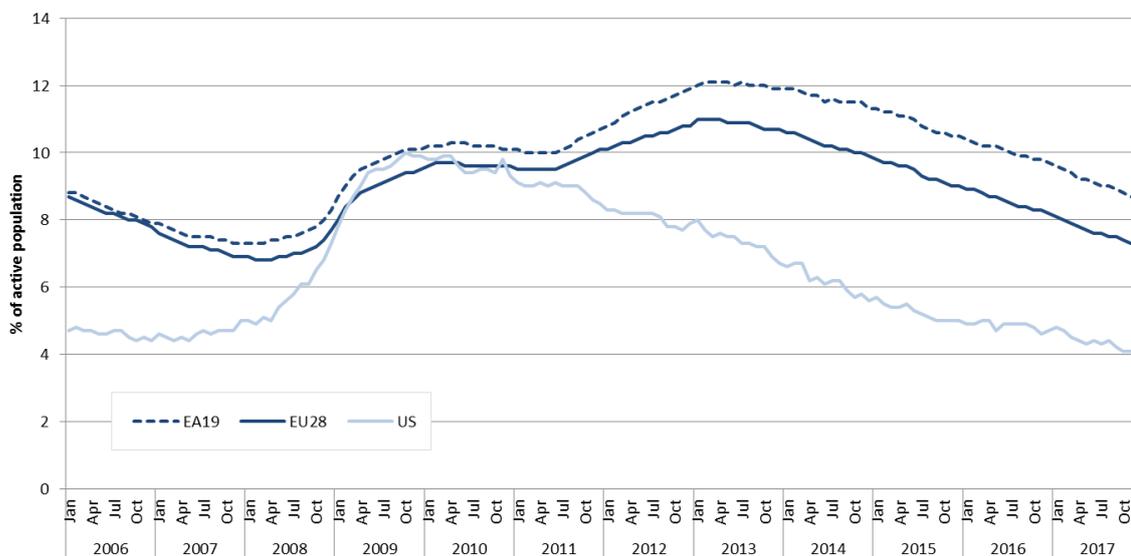
Unemployment continues to recede

In December 2017, the EU and euro area unemployment rates were 7.3 % and 8.7 %, down from 8.2 % and 9.7 % in December 2016. By comparison, the unemployment rate in the US was 4.1 % in December 2017, down from 4.7 % in December 2016.

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.

In the EU and euro area, unemployment has declined gradually from its 2013 peak, and has only now approached the end-2008 levels. By contrast, unemployment in the US declined much faster initially while the pace of declines has slowed down recently, and the unemployment has returned to 2008 level already last spring (Chart 4).

Chart 4: Unemployment rate - EU, euro area and US

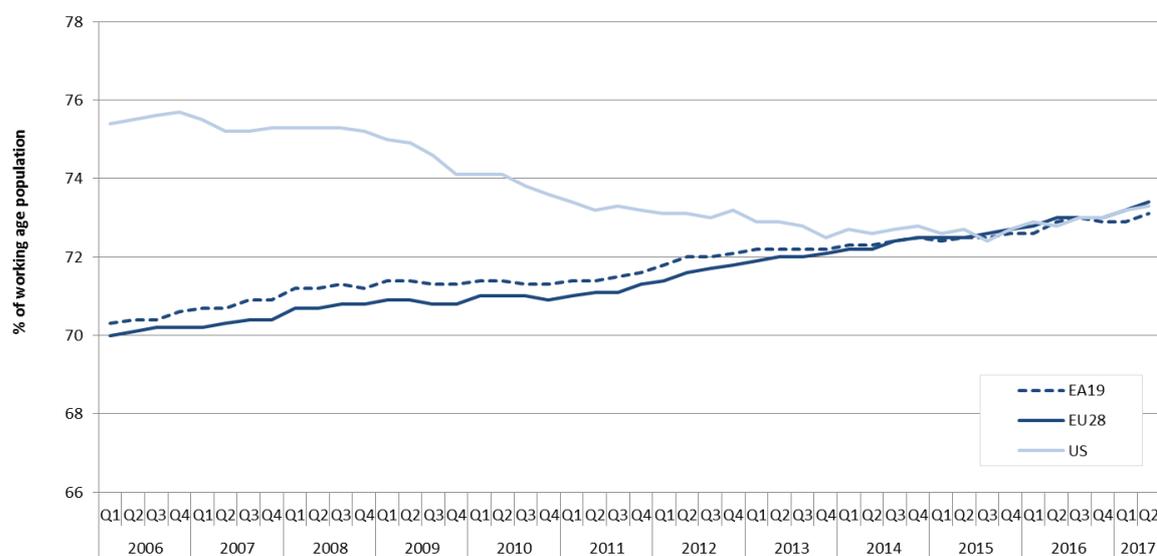


Source: Eurostat, series on unemployment, data seasonally adjusted [une_rt_m]
[Click here to download chart.](#)

Labour market participation heads up

The faster decline in the unemployment rate in the US compared to the EU can be partially linked to trends in labour market participation (those in employment and in unemployment are considered to participate in the labour market). The sharp decrease in unemployment in the US was accompanied at the beginning by an important decline in labour market participation, which was especially sharp in 2008-2011. Consequently, the large gap between the US and the EU in the activity rate observed before 2008 has disappeared by 2015-2016 (Chart 5).

Chart 5: Activity rate - EU, euro area and US



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

The euro area economy expands and job creation accelerates in the second half of 2017

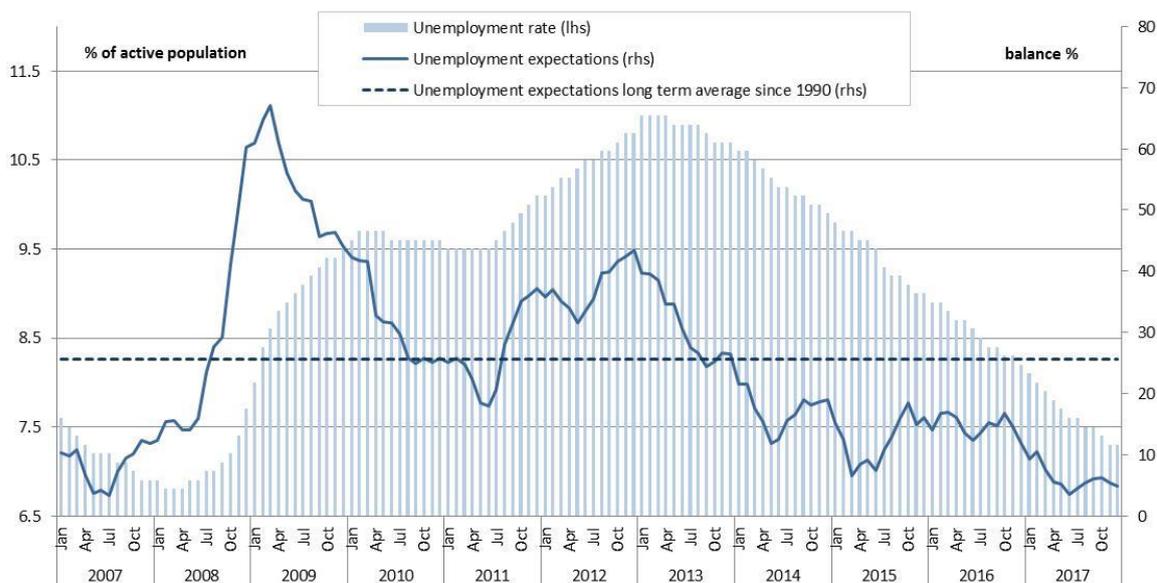
The Purchasing Managers Index (PMI)⁶ for the euro area, derived as a composite index for euro area output, has reached the highest level since early-2011. The PMI suggested that growth in euro area gathered a further momentum in the fourth quarter (0.8 %), driven by a notable expansion in manufacturing and an even steeper increase in the service sector activity. The PMI also suggested that employment increased in the fourth quarter at the highest rate observed during the past 17 years, with hiring remaining firm in services and at a record high in manufacturing.

Economic sentiment and employment prospects improve

The Commission's economic sentiment indicator (ESI), derived from the EU Business and Consumer Surveys, has been heading up since mid-2016. Confidence has consistently grown in construction where it reached a positive balance, and it has notably improved since mid-2016 in industry. After some stagnation, confidence improved in late 2017 in services (remaining the highest among all sectors) and in retail. On the household side, expectations about unemployment for the next 12 months are at the level of mid-2007 (Chart 6). Underlying the improvements in confidence, employment prospects over the next few months showed signs of improvement in all sectors, except for retail (Chart 7).

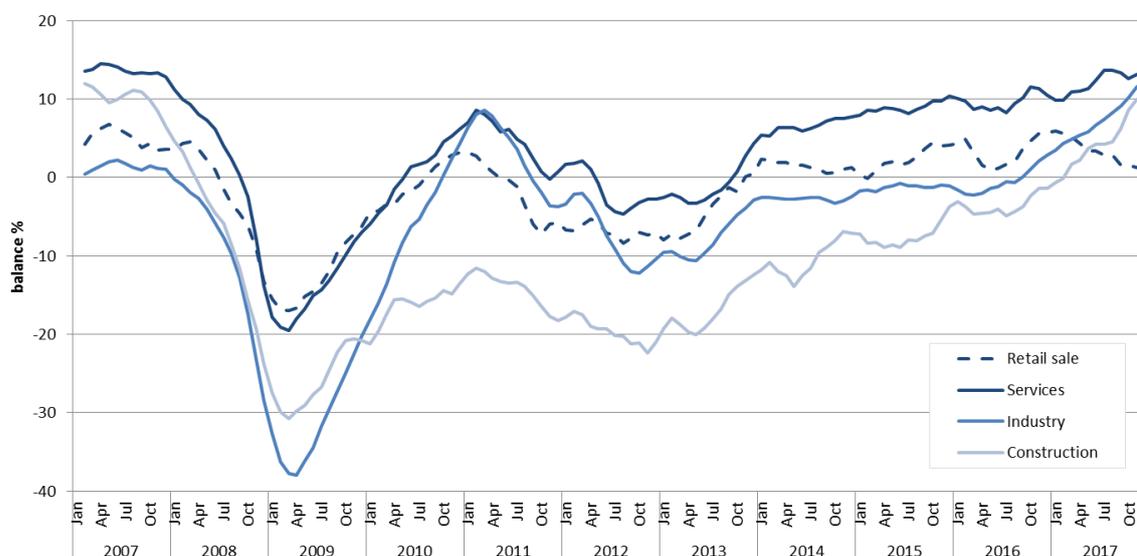
⁶ The Eurozone Manufacturing Purchasing Managers' Index (PMI) is a weighted indicator calculated from indices of output, new orders, employment, suppliers' delivery times and stocks of purchases.

Chart 6: Unemployment rate versus unemployment expectations - EU



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

Chart 7: Employment expectations by sectors - EU



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.](#)

Medium-term outlook for growth and jobs in the EU remains positive

The latest Commission Winter Interim Forecast of February 2018 confirmed the November forecast that EU economic growth beat expectations in 2017 and the solid growth will continue. The transition from economic recovery to expansion continues, as recent labour market gains are robust, private consumption is rising and investment is picking up. Labour market conditions are set to benefit from the domestic-demand driven expansion, moderate wage growth, and structural reforms implemented in some Member States.

The Commission upgraded the forecast of GDP growth in the EU to 2.4 % in 2017, 2.3 % in 2018 and 2.0 % in 2019. Regarding the labour market, in November the Commission expected employment to moderate its growth to 1.4 % in 2017, 1.0 % in 2018 and 0.8 % in 2019, as temporary fiscal incentives fade in some countries and skill shortages emerged in others. Unemployment was predicted to fall to 7.8 % in 2017, 7.3 % in 2018 and 7.0 % in 2019. The forecasted unemployment rate seems quite conservative as in December 2017 unemployment rate has already decreased to 7.3 %, bringing the average EU unemployment rate for 2017 down to 7.7 %. Forecasts from OECD, IMF and ECB confirms a similar outlook for the euro area (Table 1).

Table 1: Recent forecasts – EU and euro area

		GDP growth			Unemployment rate			Employment growth		
		2017	2018	2019	2017	2018	2019	2017	2018	2019
euro area										
Commission	<i>Nov-17</i>	2.2	2.1	1.9	9.1	8.5	7.9	1.5	1.2	1.0
	<i>Feb-18</i>	2.4	2.3	2.0	:	:	:	:	:	:
OECD	<i>Nov-17</i>	2.4	2.1	1.9	9.1	8.5	8.0	1.4	1.3	1.1
ECB	<i>Dec-17</i>	2.4	2.3	1.9	9.1	8.4	7.8	1.7	1.3	1.0
IMF	<i>Oct-17</i>	2.1	1.9	1.7	9.2	8.7	8.3	:	:	:
EU										
Commission	<i>Nov-17</i>	2.3	2.1	1.9	7.8	7.3	7.0	1.4	1.0	0.8
	<i>Feb-18</i>	2.4	2.3	2.0	:	:	:	:	:	:
IMF	<i>Oct-17</i>	2.3	2.1	1.8	:	:	:	:	:	:

Source: European Commission November 2017 and February 2018, OECD November 2017, ECB December 2017, IMF October 2017.

Note: ':' information not available.

[Click here to download table.](#)

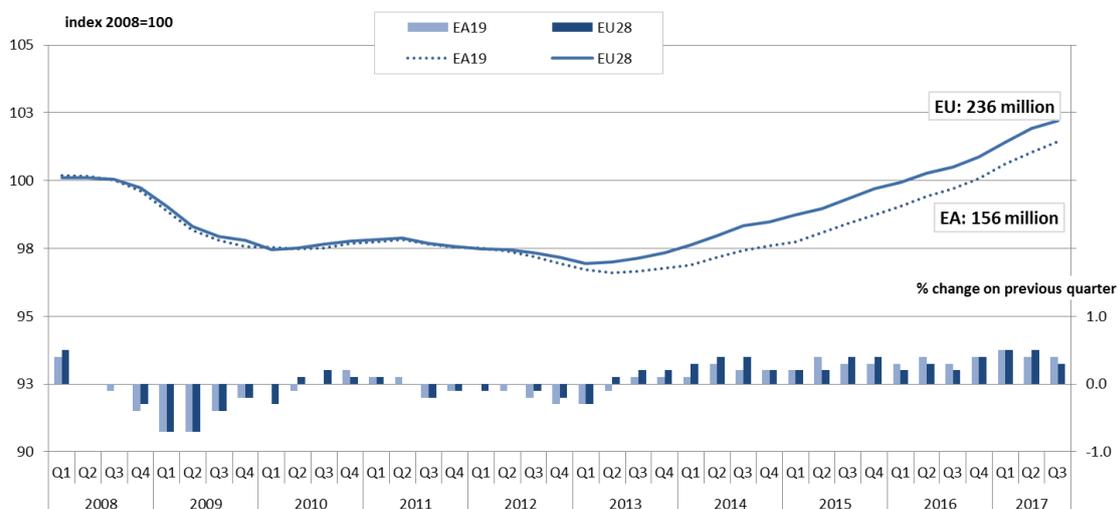
2. Employment in the EU and in Member States

Employment in the EU continues its expansion surpassing forecasts

Employment continued its increase in the third quarter of 2017: by 0.3 % in the EU and 0.4 % in the euro area. It was up by 1.7 % in both, EU and the euro area compared to the third quarter of 2016. The year-on-year increase represents 4 million more employed people in the EU, including 2.7 million in the euro area (Chart 3). The forecasts for 2017 were pointing to a slowdown in the employment growth. However, after three quarters the pace has accelerated.

Employment has already been growing for four and a half consecutive years in the EU. The lowest level since 2008 was recorded at the beginning of 2013. Since then, and up to the third quarter of 2017, employment has increased by more than 12 million (including 7.4 million in the euro area). Consequently, in the third quarter of 2017, employment in the EU reached a new record level with more than 236 million people in employment, 156 of those in the euro area (Chart 8).

Chart 8: Employment level - EU and euro area



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

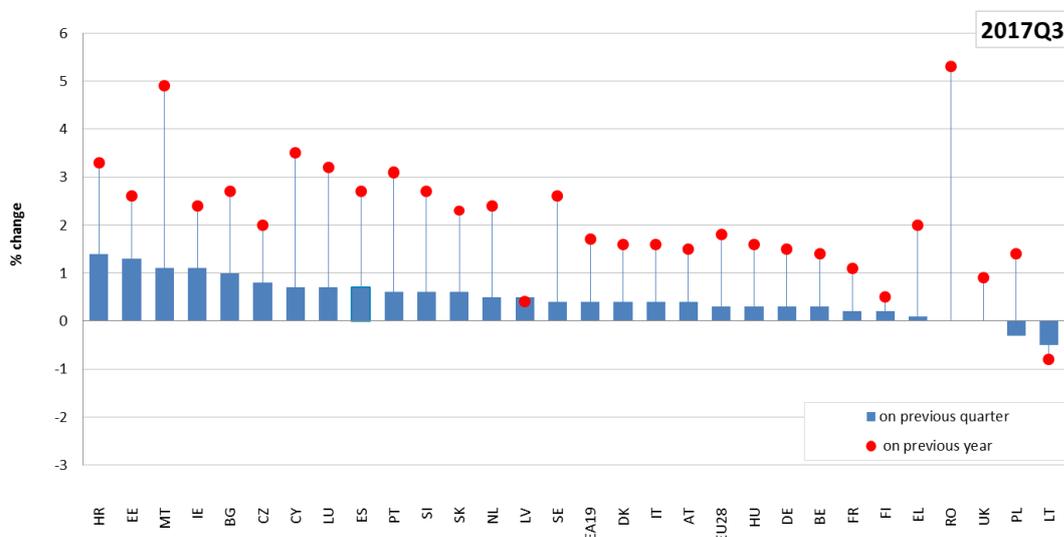
Employment expands in most Member States

In the third quarter of 2017, employment continued to increase in almost all Member States. Lithuania registered a decrease in employment of 0.5 % this quarter, while Romania and the United Kingdom were stable. Employment grew significantly in Croatia (1.4 %) and Estonia (1.1 %)⁷, see Chart 9.

Employment in the third quarter of 2017 was higher than in the third quarter of 2016 in all Member States except Lithuania. That growth was especially strong in Romania (5.2 %) and Cyprus (3.4 %).

⁷ Last data available for IE, from the second quarter of 2017 showed growth at 1.1 % on a quarterly basis

Chart 9: 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: IE data from 2017Q2
[Click here to download chart.](#)

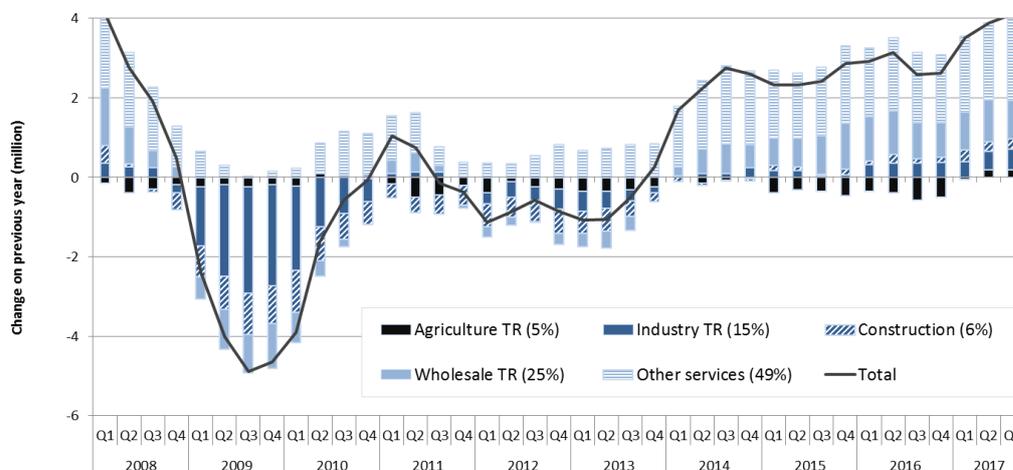
Service sectors drive employment growth

In the year to the third quarter of 2017, EU employment increased in all sectors, namely in the service sectors and to a smaller extent in industry and construction. Employment in non-tradable⁸ services has increased, even during the crisis, except for the stagnation observed in 2009. Tradable services have started to support job creation since the beginning of 2014. Employment in industry has regained some ground from the second half of 2014, while employment in construction has slightly increased since the beginning of 2015. Employment in agriculture that has been falling since 2008 increased slightly over the last two quarters (Chart 10 and Chart 11).

Looking at the third quarter of 2017 alone, employment increased in nearly all service sectors, especially the scientific and technical sector, while it declined in agriculture (Chart 11). The [Statistical Annex](#) presents in detail the changes in employment for 10 NACE branches.

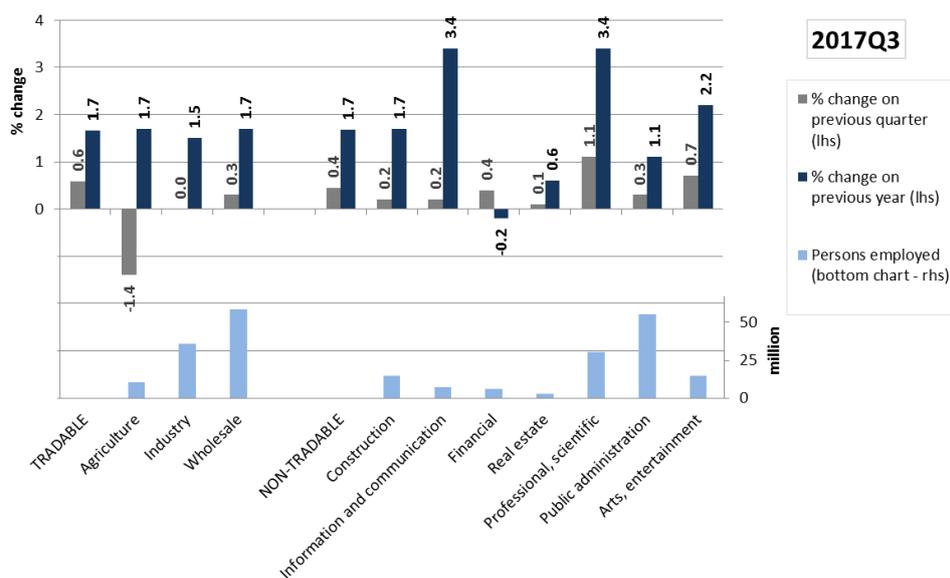
⁸ Tradable sectors include: Agriculture (A), Industry (B-E) - Mining and quarrying (B), Manufacturing (C), Electricity, gas, steam and air conditioning supply (D), Water supply, sewerage, waste management and remediation activities (E) and tradable services - Wholesale and retail trade (G), Transport (H), Accommodation and food service activities (I). Non-tradable sectors include: Construction (F) and other non-tradable services - Information and communication (J), Financial and insurance activities (K), Real estate activities (L), Professional, scientific and technical activities (M), Administrative and support service activities (N), Public administration and defence (O), Education (P), Human health and social work activities (Q), Arts, entertainment and recreation (R), Other service activities (S), Activities of household (R), Activities of extra-territorial organizations and bodies (U).

Chart 10: Employment growth by sector - EU



Source: Eurostat, National Accounts, data not seasonally adjusted [namq_10_a10_e]
Note: Figures in the legend in brackets indicate the share of sector's employment.
[Click here to download chart.](#)

Chart 11: Employment growth by sector - EU

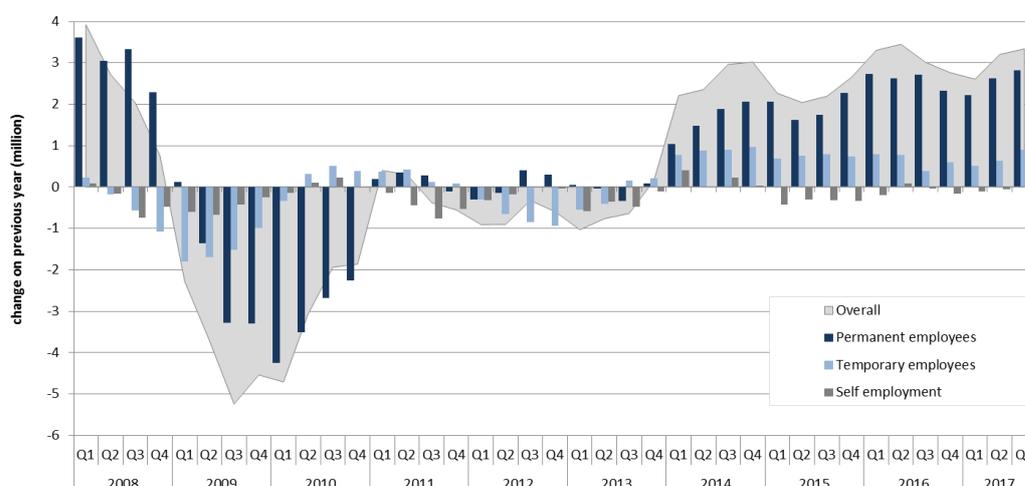


Source: Eurostat, National Accounts, data seasonally adjusted (q-o-q) and not seasonally adjusted (y-o-y) [namq_nace10_e]
Top chart: Employment growth (%). Bottom chart: Employment level (million).
[Click here to download chart.](#)

Permanent jobs contribute notably to employment expansion

In the year to the third quarter of 2017, the increase in the number of permanent employees was strong, 2.8 million (a 1.7 % increase). This has been the greater expansion since the start of the recovery at the end of 2013. The growth of temporary employees was even stronger, an increase of 900.000 (3.2 % more). By contrast, the number of self-employed fell significantly by almost 400.000 (Chart 12). Self-employment has been decreasing during the crisis and the recovery, except by small punctual improvements. There are 2.7 million fewer self-employed than in the third quarter of 2008.

Chart 12: Change in permanent and temporary employment and self-employment - EU

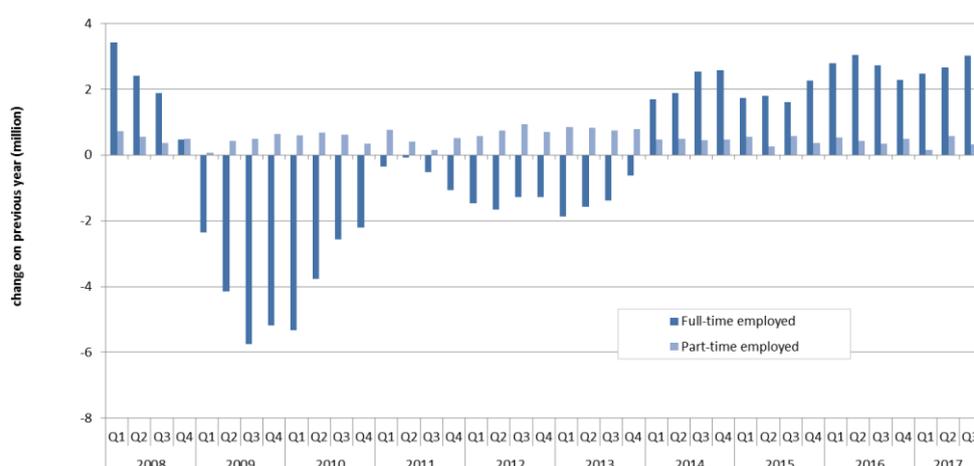


Source: Eurostat, LFS, data not seasonally adjusted [lfsq_egaps, lfsq_etgaed]
[Click here to download chart.](#)

Full-time employment continues to drive employment growth but is still below 2008 level

In the year to the third quarter of 2017, full-time employment grew faster than part-time employment. In the year to the third quarter of 2017, the number of full-time workers increased by 3 million (1.7 % more), while the number of part-time workers increased by 300 thousands (0.1 %). There are now around 181 million employed full-time, 1.6 million fewer than in the third quarter of 2008. Part-time employment was 12 % higher than in 2008, 4.6 million more employed) (Chart 13).

Chart 13: Change in part-time and full-time employment - EU



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

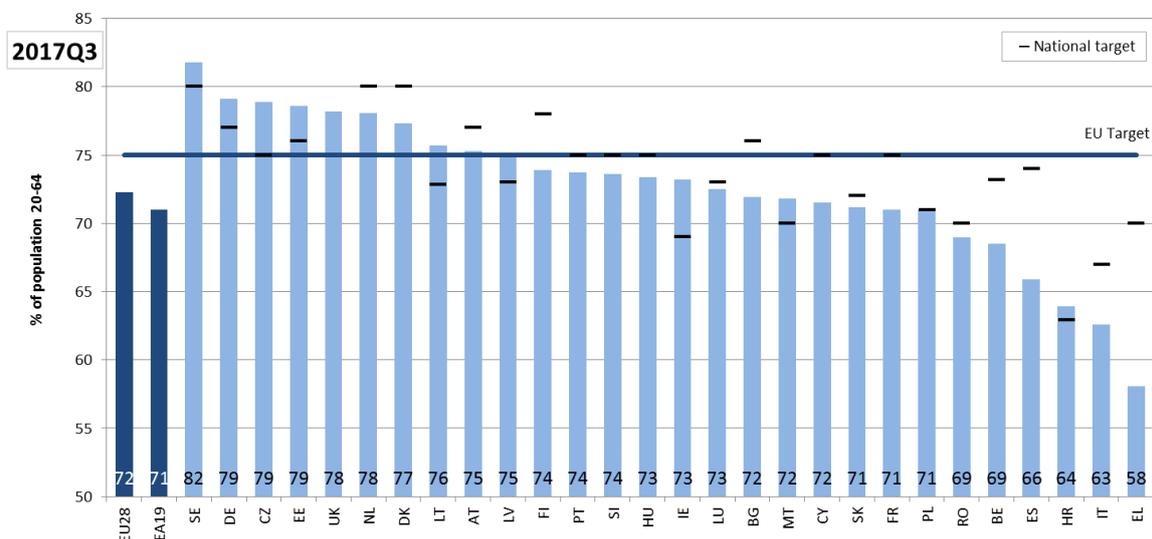
Employment rates in the EU and in Member States

Employment rate continues its rise and the Europe2020 target may be within reach

The employment rate for 20-64 year-olds has increased consistently for the last four years. At 72.3 % in the third quarter of 2017, it exceeded by 2 pps the 2008 rate and by 4 pps its low in 2013. The rate increased by 1.1 pps in the year to the first quarter of 2017. At this pace the Europe

2020 target of 75 % may be reached. For the euro area, the employment rate increased by 0.9 pps in the year to the third quarter of 2017, to reach 71 %, 0.7 pps above the rate in 2008 (Chart 15, and Chart 14).

Chart 14: Employment rate - EU, euro area and Member States



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

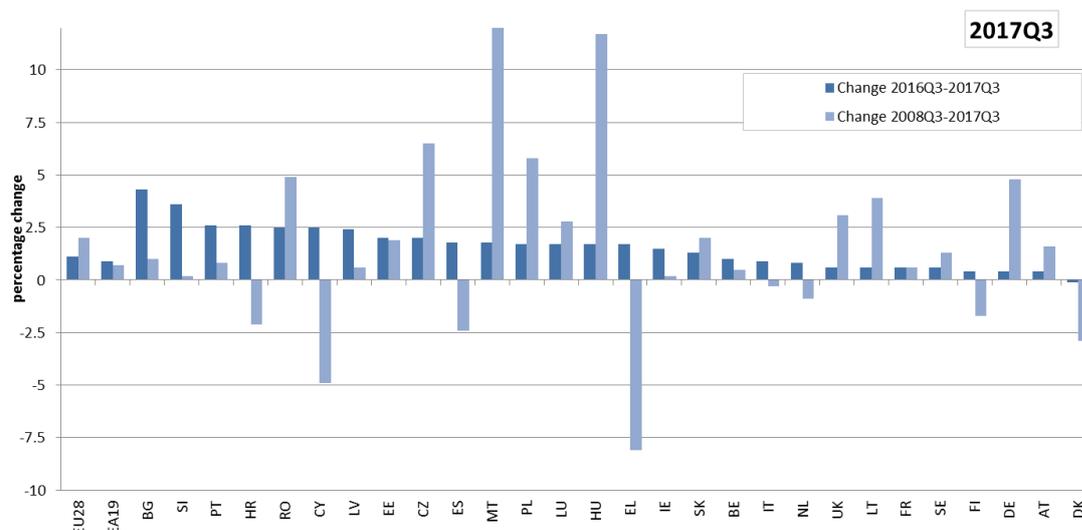
Employment rates increase in most Member States, but half are below their 2008 rates

In the year to the third quarter of 2017, the employment rate for 20-64 year-olds increased in all Member States, except in Denmark, which recorded a minor decrease, 0.1 pps. The largest annual increases were recorded in Bulgaria (4.3 pps) and Slovenia (3.6 pps), see Chart 15.

The effects of the recovery start to be visible in the majority of Member States. In the third quarter of 2017, only eight Member States had lower employment rates than in 2008. Compared with 2008, rates are significantly below in Greece (8.1) and Cyprus (4.9 pps) and (by 6 pps or more), while Hungary and Malta showed the greatest increases, of around 12 pps.

In the third quarter of 2017, there was about 25 pps difference between the highest employment rate, almost 82 % in Sweden, and the lowest, 58 % in Greece.

Chart 15: Change in employment rate - EU, euro area and Member States



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

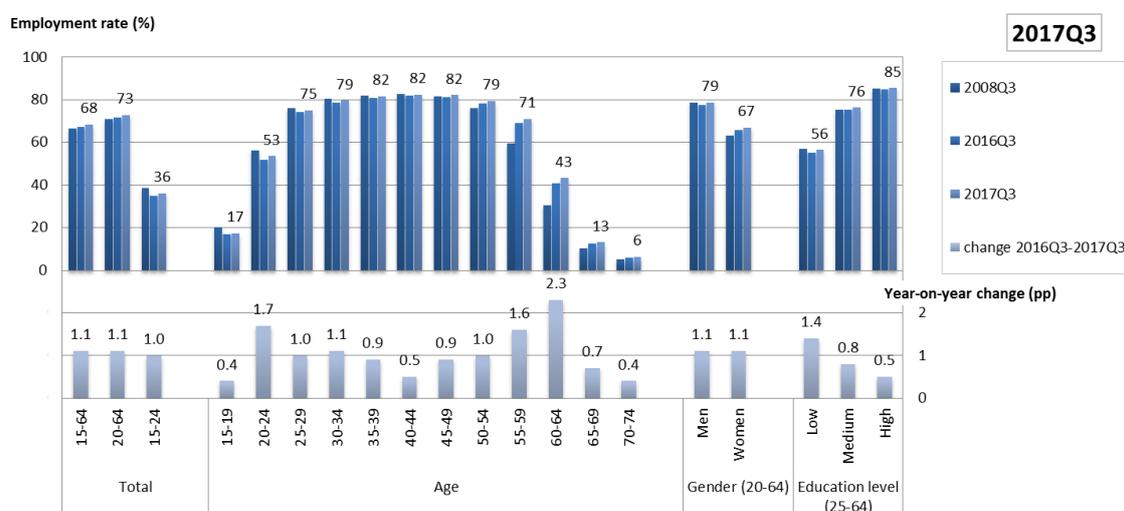
Employment rates improve across all population groups and particularly for older workers

In the year to the third quarter of 2017, the EU employment rate increased for all population groups and most noticeably for people aged 60-64 (2.3 pps) and those aged 20-24 (1.7 pps). This evolution reinforces the trend observed over the past few years where older workers, especially those above 60 years have increased their attachment to work. For the youth the evolution among those above and below 20 years is different but in both cases below their 2008 rates.

The increase in the employment rate in the year to the third quarter of 2017 was similar for both men and women, 1.1 pps. When compared to 2008, the employment rate in the third quarter of 2017 is significantly higher for women (by 3.6 pps), while men have finally reached the 2008 rate) (Chart 16).

The employment rate increased for all education levels, especially among those low-skilled, 1.4 pps. However, the low-skilled is the only group still below its 2008 rate.

Chart 16: 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).
[Click here to download chart.](#)

3. Unemployment in the EU and in Member States

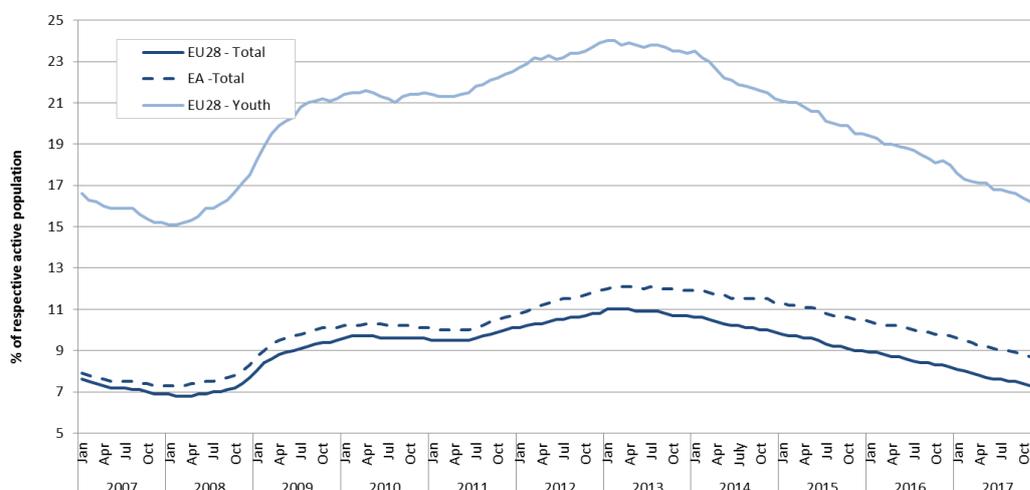
The decrease in unemployment remains stable

In December 2017, the unemployment rate in the EU and euro area continued the decline started in mid-2013. It dropped to 7.3 % in the EU and to 8.7 % in the euro area. These changes represent a reduction of 0.9 pp and 1 pps respectively when compared to December 2016. The unemployment rate in the EU is approaching its low of 6.8 % registered in April 2008 (Chart 17). Nevertheless, this is the lowest rate recorded in the EU since October 2008. Four and a half years after the start of the recovery, the unemployment is still decreasing at a relevant pace. Forecasts for 2017 were announcing a slowdown in the reduction pace that has not occurred. The 2017 annual rate decreased to 7.7 %, an annual decrease of 0.9 pps, the faster since the start of the recovery. The latest Commission's forecast⁹ projects an unemployment rate of 7.3 % for 2018, a rate already reached in the last two months of 2017.

The decline in the unemployment rate between December 2016 and December 2017 represents about 2 million fewer unemployed people in the EU, including 1.5 million in the euro area. Unemployment has receded by around 8.6 million people since its peak observed in April 2013. However, with around 18 million unemployed people, including 14.2 million in the euro area, there were still 2.1 million more unemployed people in December 2017 than in March 2008, when unemployment was at its lowest at 16.1 million people.

⁹ European Commission Forecast November 2017

Chart 17: Unemployment rate and youth unemployment rate - EU and euro area



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

Unemployment rate declines in most Member States ...

In December 2017, compared with a year ago, unemployment rates decreased in all Member States except Finland where it remained stable. The largest reductions were registered in Greece (by 2.7 pps down to 20.7 %)¹⁰ and Portugal (by 2.4 pps down to 7.8 %), see Chart 18 and Chart 19.

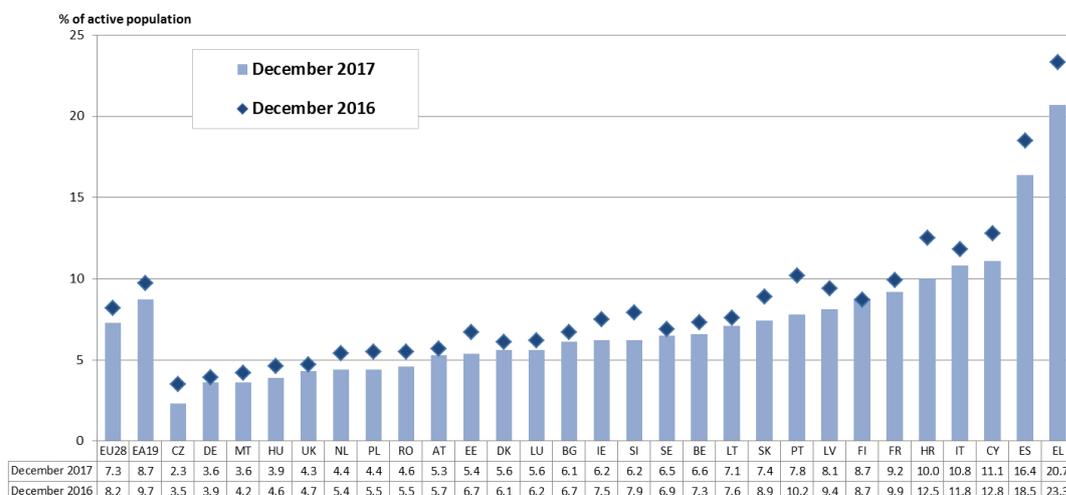
Large differences in unemployment rates remain among Member States. In December 2017, the lowest rates were recorded in the Czech Republic (2.3 %, yearly decrease of 1.2 pps), Germany and Malta (both at 3.6 %). By comparison, Greece¹¹ (at 20.7 %) is the only Member State with an unemployment rate over 20 %, followed by Spain (16.7 %), see Chart 18.

More than half of the decrease in unemployment seen in the EU was achieved thanks to the decreases in four countries: Spain (460 ths.), Italy (270 ths.), France (200 ths.) and Poland (190 ths.).

¹⁰ Change between December 2016 and October 2017, latest data available

¹¹ October 2017

Chart 18: Unemployment rates - EU, euro area and Member States

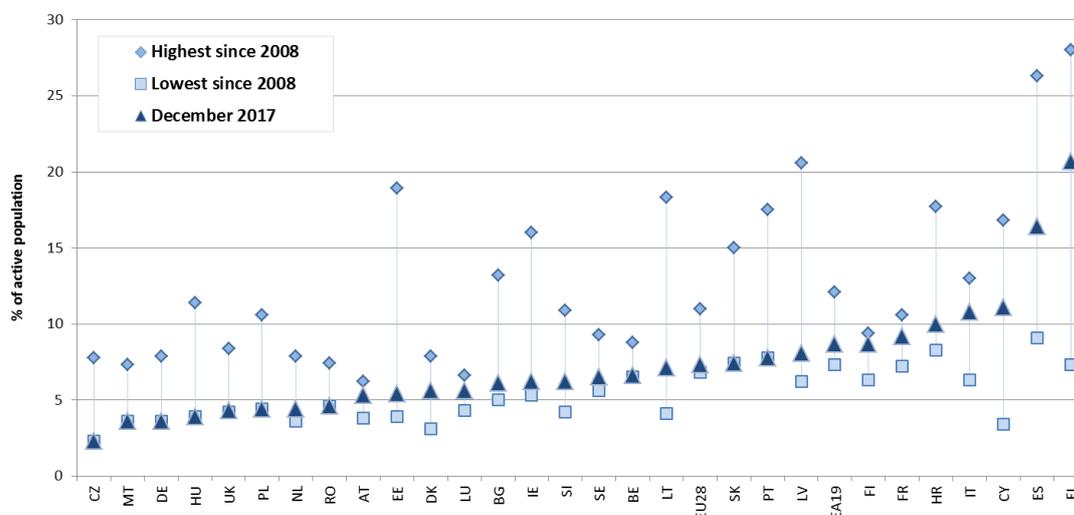


Source: Eurostat, series on unemployment, data seasonally adjusted [une_rt_m]

Note: HU and EE data from November 2017, EL and UK data from October 2017

[Click here to download chart.](#)

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



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

Note: HU and EE data from November 2017, EL and UK data from October 2017

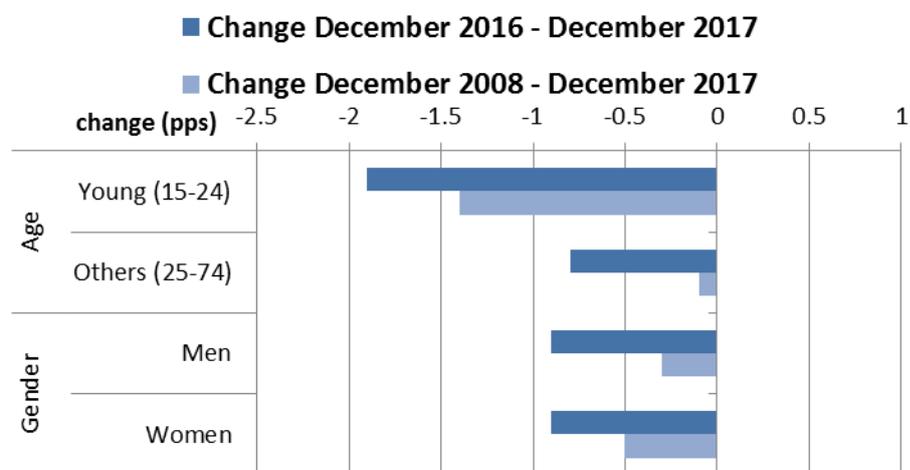
[Click here to download chart.](#)

... and also continues to decline for all population groups

In the year to December 2017, the unemployment rate in the EU decreased for all age groups and for both men and women. It fell by 0.9 pps for both men and women, down to 7.1 % and 7.5 % respectively. In the euro area, the unemployment rate declined by 0.9 pps for men and 1 pp for women to reach 8.4 % and 9 % respectively.

In the year to December 2017 a decline of 1.9 pps was observed for those aged 15-24, down to a rate of 16.1 % (Chart 20). For those aged 25-74, the unemployment rate in the EU declined by 0.8 pps down to 6.4 %. The youth unemployment rate is already below its value of December 2008, but still above the minimum reached in February 2008 (%).

Chart 20: Change in unemployment rate by population groups - EU



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

Table 2: Youth unemployment rates - December 2017

	Youth unemployment rate	Year-on-year change (percentage points)
IT	32.2	-6.9
EE	6.8	-6.8
HR	24.5	-5.9
CY	25.0	-5.7
CZ	4.9	-5.6
ES	36.8	-5.4
PT	22.1	-4.1
EL	40.8	-3.6
LU	14.8	-3.6
RO	16.8	-3.5
BE	16.2	-3.3
LV	14.2	-2.8
SK	17.0	-2.8
DK	10.0	-2.7
BG	12.3	-2.6
EA19	17.9	-2.4
LT	13.1	-2.3
MT	10.1	-2.2
NL	8.0	-2.2
EU28	16.1	-1.9
PL	13.5	-1.8
HU	10.3	-1.5
SI	12.5	-1.5
IE	13.7	-1.5
SE	17.6	-1.4
AT	9.3	-1.2
FR	22.3	-1.1
FI	19.9	-0.4
UK	12.2	-0.4
DE	6.6	-0.2

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

Note: EE, HU from November 2017, UK and EL from October 2017 and CY, and RO from September 2017

[Click here to download chart.](#)

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

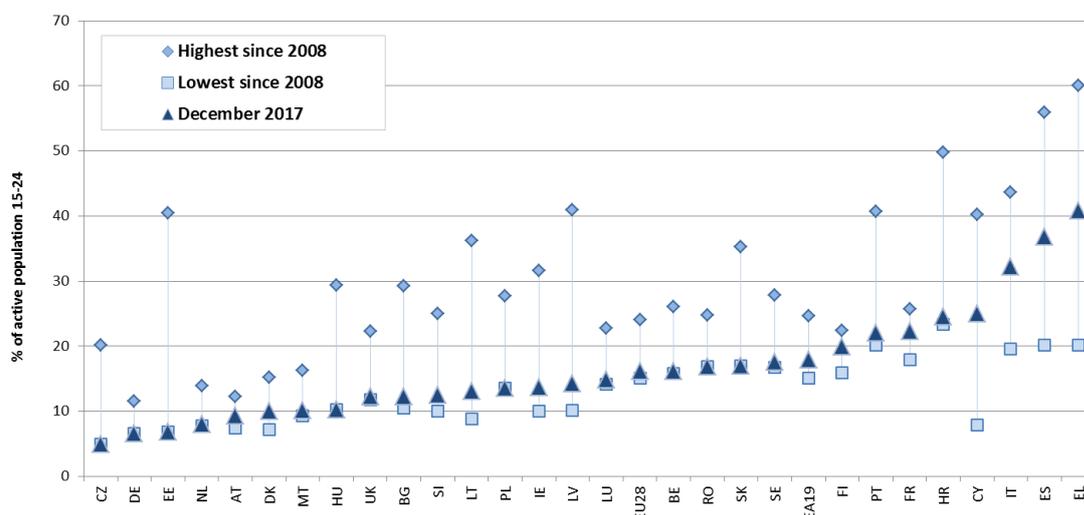
In the year to December 2017, the youth unemployment rate (for those aged 15-24) for the EU declined by 1.9 pps and reached 16.1 %. It declined in the euro area by 2.4 pps and reached 17.9 %. These declines represent nearly 500.000 fewer unemployed people aged 15-24 in the EU, including 300.000 in the euro area. In December 2017 there were 3.7 million young people unemployed, including nearly 2.6 million in the euro area. Compared to 2008, and despite a higher youth unemployment rate, the level of youth unemployment is lower. This is the result of smaller cohorts combined with lower activity rates, as education enrolment increases.

In the year to December 2017, the unemployment rate among young people aged 15-24 fell in most Member States. It remained stable in the United Kingdom. The youth unemployment rate fell considerably in Italy (6.9 pps) and Croatia (5.9 pps). Greece¹², the country with the highest youth unemployment rate (40.8 %), has also registered an important decline (5.8 pps). The youth unemployment rate is also high in Spain (36.8 %) and Italy (32.2 %). By contrast, youth

¹² October 2017

unemployment rates are the lowest in the Czech Republic (4.9 %) and Germany (6.6 %)(Table 2 and Chart 21).

Chart 21: Youth unemployment rates - EU, euro area and Member States, August 2017 and highest and lowest rate since 2008



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

Note: EE, HU from November 2017, UK and EL from October 2017 and CY, and RO from September 2017

[Click here to download chart.](#)

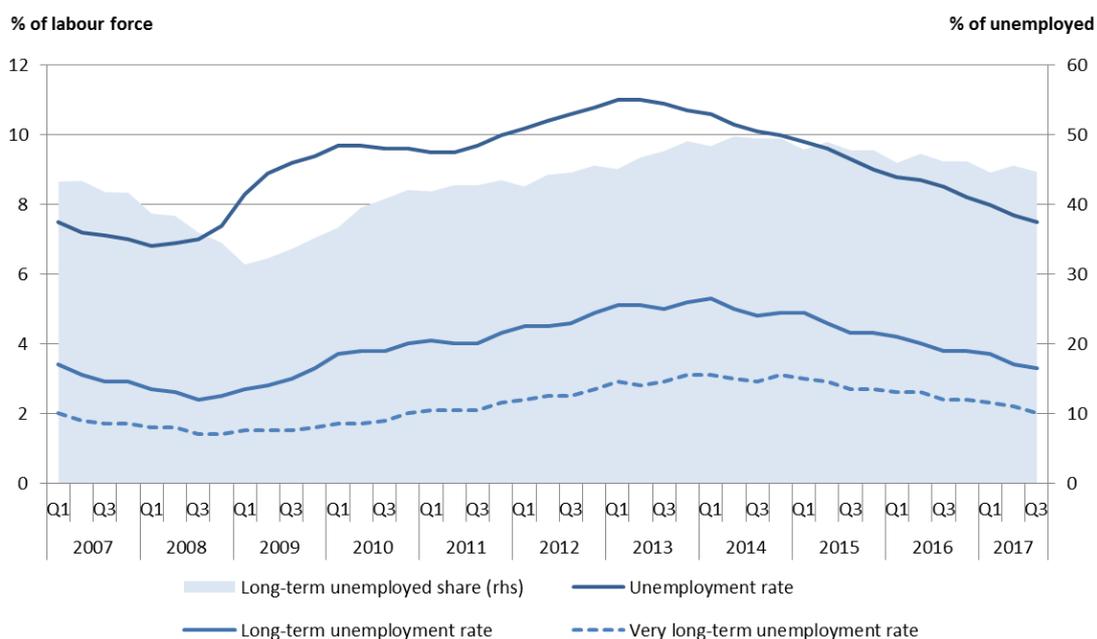
4. Long-term unemployment and additional potential labour force

Long and very long-term unemployment decrease at a steady pace

The long-term unemployment rate (those unemployed for a year or longer) decreased by 0.5 pps in the year to the third quarter of 2017. The rate went down to 3.3 % of the labour force (Chart 22). The long-term unemployment rate has been decreasing over the last three and a half years. The pace of the reduction has remained rather stable in the last two years. The very long-term unemployment rate (those unemployed for at least two years) decreased by 0.4 pps down to 2 % of the labour force.

In the third quarter of 2017, compared to the third quarter of 2016, there were around 1.2 million fewer people in long-term unemployment. In the EU there were around 8.2 million people in unemployment for more than a year, including 5.1 million for more than two years. The share of long-term unemployed in total unemployment is still high, around 44 %, but decreasing for the last two years.

Chart 22: Unemployment and long-term unemployment rates and share - EU

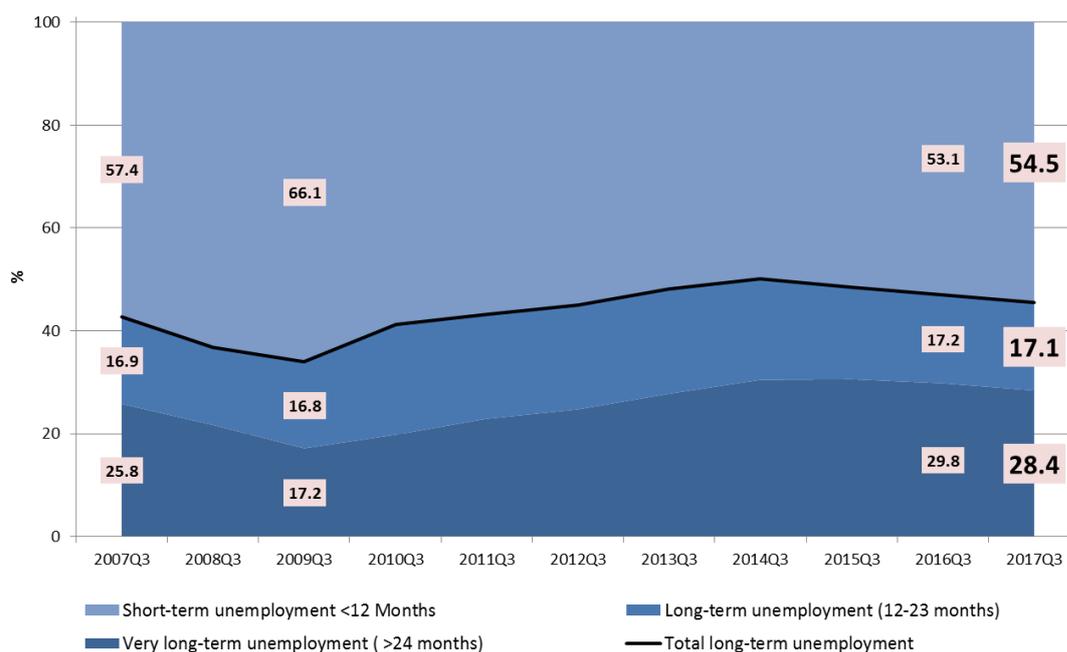


Source: Eurostat, LFS, data not seasonally adjusted [une_rt_q, une_ltu_q]
 Left axis: Unemployment rates (% of labour force). Right axis: Unemployment share (% of unemployed)
[Click here to download chart.](#)

The share of long-term unemployment in total unemployment falls slowly

The year-on-year reduction in the long-term unemployment rate has been the same than the reduction in the short-term unemployment rate (0.5 pps). The share of very long-term unemployed has decreased over the last year (Chart 23). The chart also shows that the changes in the shares of the different groups of unemployed have evolved slowly since the beginning of the recovery in contrast with the fast developments seen between 2008 and 2011.

Chart 23: Unemployment level by duration of unemployment – EU



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 most Member States

In the year to the third quarter of 2017, long-term unemployment declined across the majority of Member States. Only four Member States saw their long-term unemployment rates increase slightly, 0.1 pps in all four cases. The largest reduction occurred in Spain (2 pps) and Portugal (1.9 pps), see Chart 24.

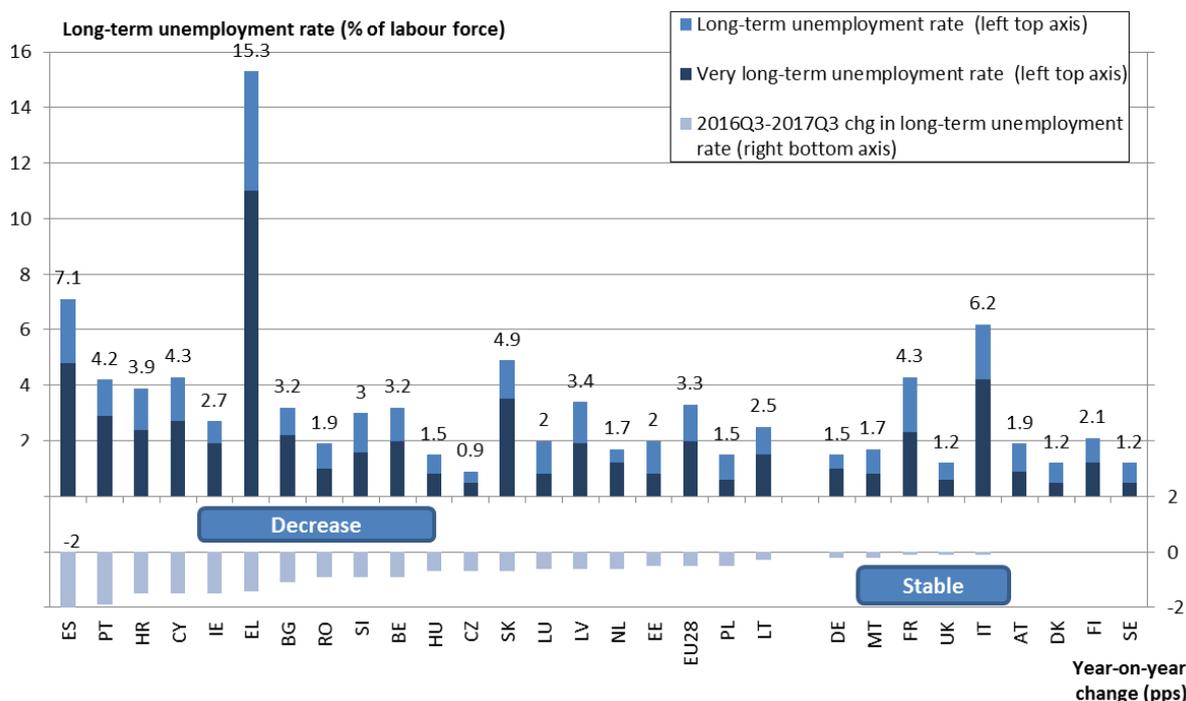
In the third quarter of 2017, Greece held the highest rate: 15.3 % of the labour force was long-term unemployed. Spain (7.1 %) and Italy (6.2 %) are the other two countries with the highest rates.

Greece's rate of very long-term unemployment remained the highest in the EU at 11 %, although it decreased by 0.4 pps in the year to the third quarter of 2017. There were important annual reductions in very long-term unemployment rates in Spain (1.5 pps) and Croatia (1.5 pp). In fact, in Croatia, the full long-term unemployment reduction was focused on the very long-term unemployed.

In the third quarter of 2017 Greece also held the highest share of long-term unemployment, 73.4 % of its total unemployment, followed by Slovakia 61.8 %.

Compared to 2008, already ten countries have lower long-term unemployment rates, notably Germany (by 2.2 pps) and Hungary (by 2.1 pps).

Chart 24: Long-term unemployment rate - EU, euro area and Member States, level and change over the year to 2017Q3



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

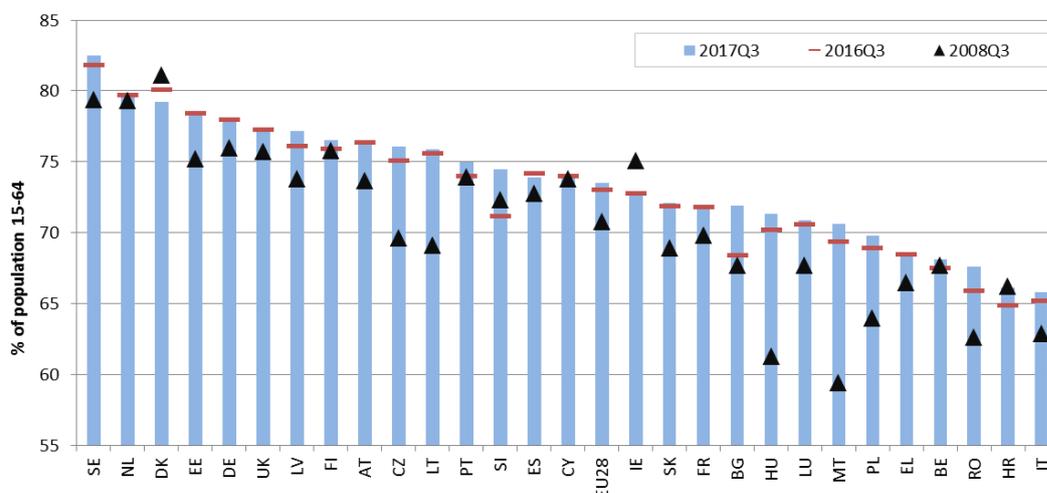
The active population in the EU is above 240 million people

The activity rate in the EU, for the 15 to 64 age group, reached 73.5 % of the EU population in the third quarter of 2017 (Chart 25). This is 0.1 pps higher than in the second quarter of 2017 and 0.5 pps more than in the first quarter of 2016. In the third quarter of 2017, the active population of the EU between 15 and 64 years was around 240.3 million people, almost 4.3 million more than in the third quarter of 2008.

In the year to the third quarter of 2017, most of the Member States registered an increase in their activity rates (Chart 25). The Member States that experienced the strongest increases were Bulgaria (3.5 pps) and Slovenia (3.3 pps). The largest decrease in activity rate took place in Denmark (0.9 pps).

The activity rate has been growing at a constant pace during the crisis years. Only three countries had lower activity rates in the third quarter of 2017 than in 2008: Ireland (2.5 pps), Denmark (1.9 pps) and Croatia (0.1 pps). At the same time Malta (11.2 pps), Lithuania (6.8 pps) and the Czech Republic (6.6 pps) have seen very important increases in their activity rate.

Chart 25: Activity rate - EU and Member States



Source: Eurostat, LFS, data seasonally adjusted [lfsi_act_q]
[Click here to download chart.](#)

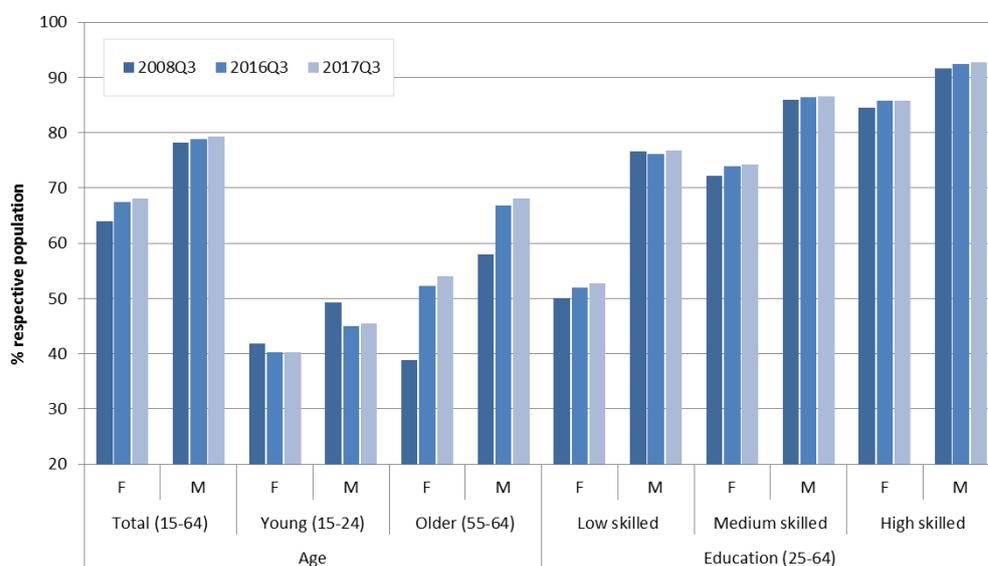
Increases in the activity rate of those 55-64 are still important but slowing down

The increase in the activity rate of older workers, those aged between 55 and 64 years, is the main driver of the global activity rise across the EU. In the year to the third quarter of 2017 the activity rate of older workers increased by 1.6 pps. There was a stronger increase for women than for men in that age group, 1.8 pps for women and 1.3 pps for men. Older workers have increased their activity rates in 12.8 pps since 2008.

During the last year, the activity rate for youths increased slightly stable but it is still 2.8 pps lower than in the third quarter of 2008 (Chart 26). The low skilled (25-64 years) increased their participation rate by 0.7 pps in the year to the third quarter of 2017.

The gender gap in activity rates is getting narrower slowly for the majority of demographic groups. However it is still very high among the low skilled, almost 24 pps.

Chart 26: Activity rate by by population groups – EU



Source: Eurostat, LFS, data seasonally adjusted [lfsq_argaed]
[Click here to download chart.](#)

The number of those 'Available to work but not seeking' and 'underemployed' in the EU 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)¹³.

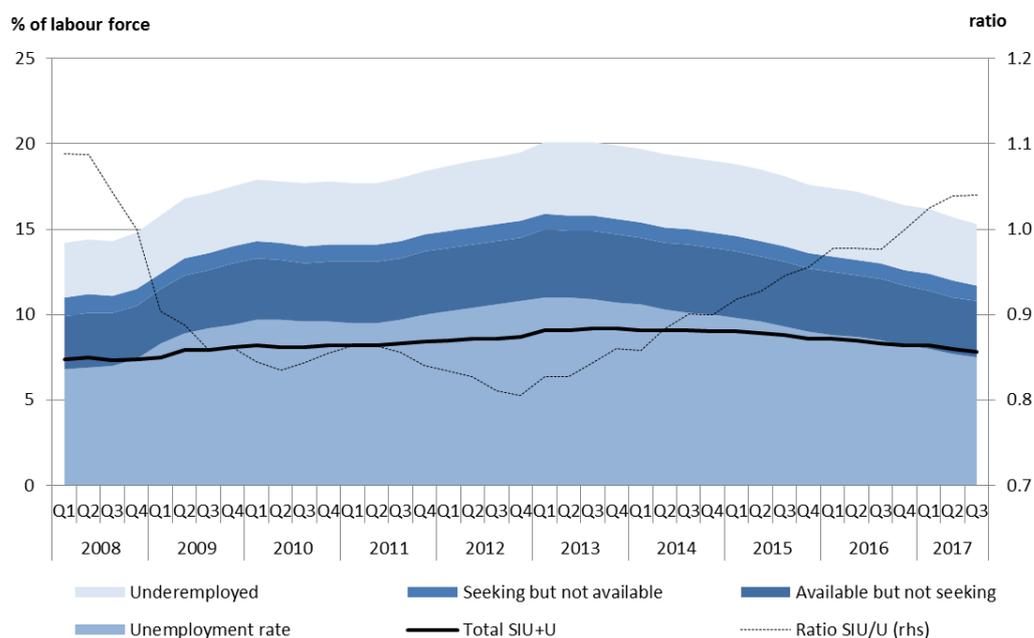
The proportion of workers in the EU who are 'available but not seeking' (for example the 'discouraged') was 3.3 % of the labour force in the third quarter of 2017. This rate decreased by 0.3 pps compared to the third quarter of 2016. 'Underemployment', i.e. the proportion of those who would like to work additional hours and are available to do so, decreased by 0.2 pps in the year to the third quarter of 2017 and represented 3.6 % of the labour force.

The rate of those 'seeking but not available for work' stood at 0.9 % of the labour force over the year to the first quarter of 2017.

The sum of the reductions in these three indicators, accounts for 0.5 % of the labour force, adds to the positive developments in unemployment and long-term unemployment (Chart 27).

¹³ See: http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Underemployment_and_potential_additional_labour_force_statistics

Chart 27: Unemployment, potential labour force and underemployment - EU



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

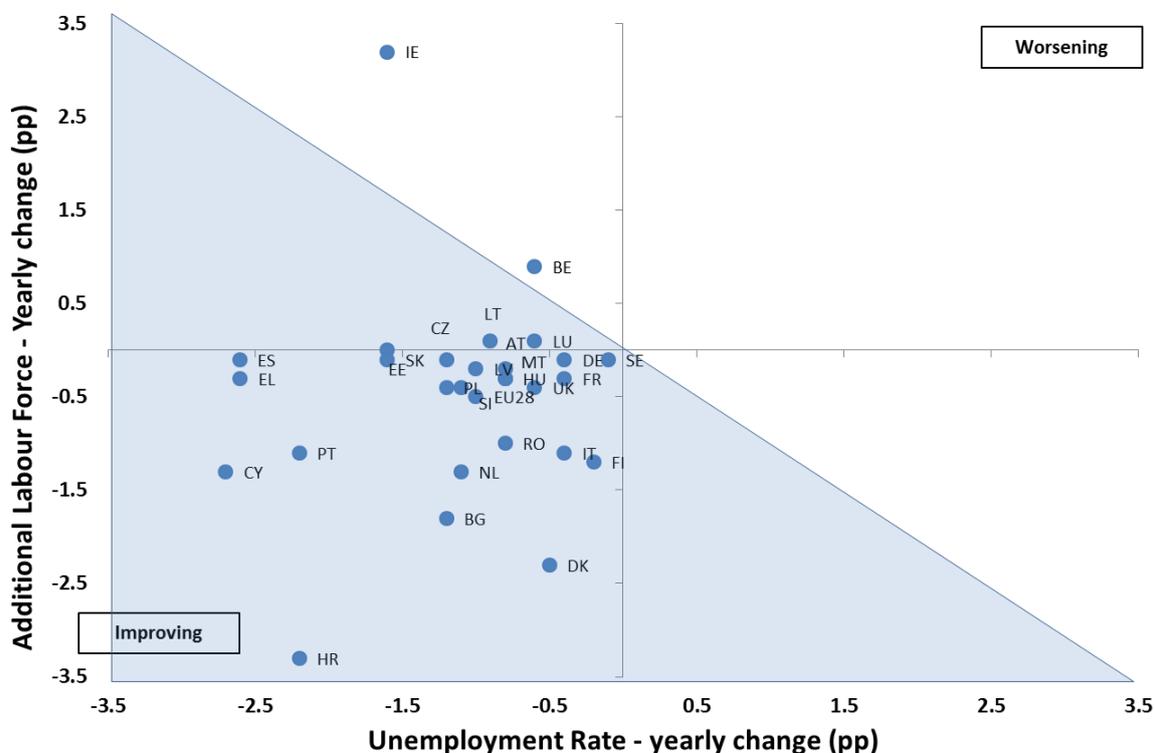
[Click here to download chart.](#)

All indicators point to labour markets improvements for most Member States

The changes in the unemployment rate must be analysed alongside changes in activity rates and 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. Looking at unemployment alone would not be sufficient; poor labour market performance may also be reflected in a large number of 'available to work but not seeking' people or widespread underemployment.

In the year to the third quarter of 2017 the reductions in unemployment were accompanied by decreases in supplementary indicators in most Member States (Chart 28). Belgium and Ireland were the only countries where the increases in supplementary indicators was higher than the decrease in unemployment. In both cases, the evolution of the supplementary indicators could have been affected by a methodological change. This may be especially applicable in the case of Ireland where the new methodology has increased by around 3 pps the amount of people available but not seeking.

Chart 28: Unemployment vs. supplementary indicators to unemployment (SIU) - EU Member States, changes 2016Q3-2017Q3



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

Note: EE, MT and RO: no data for 'Seeking but not available'. MT: no data for 'Available but not seeking'

Supplementary indicators for FR from France Metropolitan

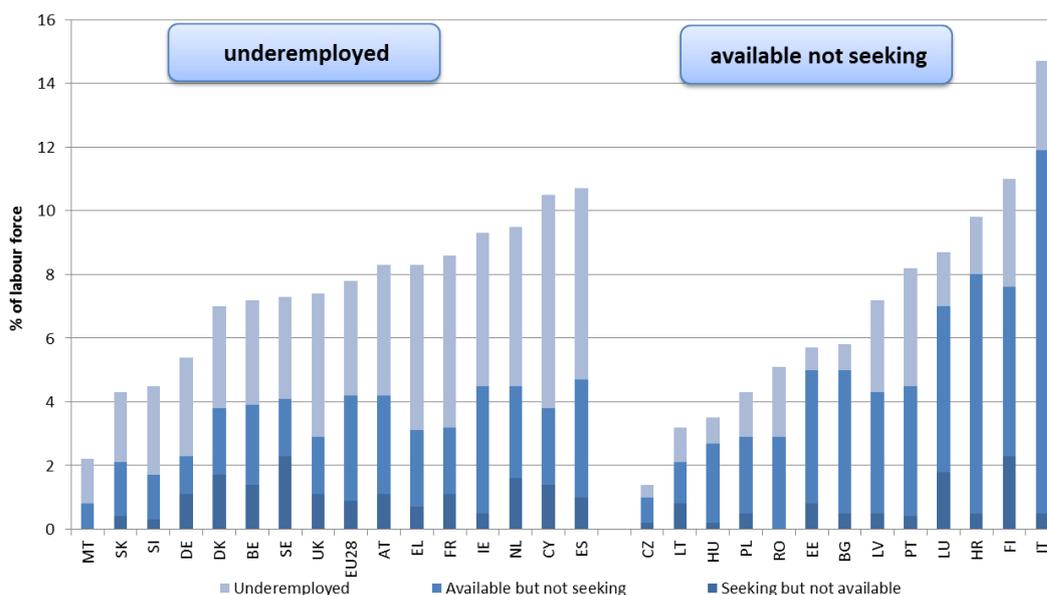
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Member States can be divided into those where people are mainly 'available but not seeking' and those where people are mainly 'underemployed'. In the third quarter of 2017 the number of countries where 'available but not seeking' is predominant has been increasing, notwithstanding the fall in these indicators experienced in most countries.

In the third quarter of 2017, Italy was the country with the highest combined level of supplementary indicators accounting for 14.7 % of its labour force. This is mainly due to the highest 'available but not seeking' rate in the EU representing 11.4 % of the labour force. However, this rate decreased by 1.1 pps in the year to the third quarter of 2017, and 2.6 pps since the peak in the first quarter of 2015. Croatia showed the largest reduction in the 'available but not seeking' rate, 2.8 pps.

In the third quarter of 2017, Cyprus still had the highest rate of underemployment, at 6.7 % of the labour force but declining. Over the same period, Denmark (1.3 pps) and Cyprus (1.2 pps) saw the largest year-on-year declines in underemployment.

Chart 29: Labour underutilisation - EU and Member States, 2017Q3



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

Note: EE, MT and RO no data for 'Seeking but not available' and MT no data for 'Available and not seeking'
[Click here to download chart.](#)

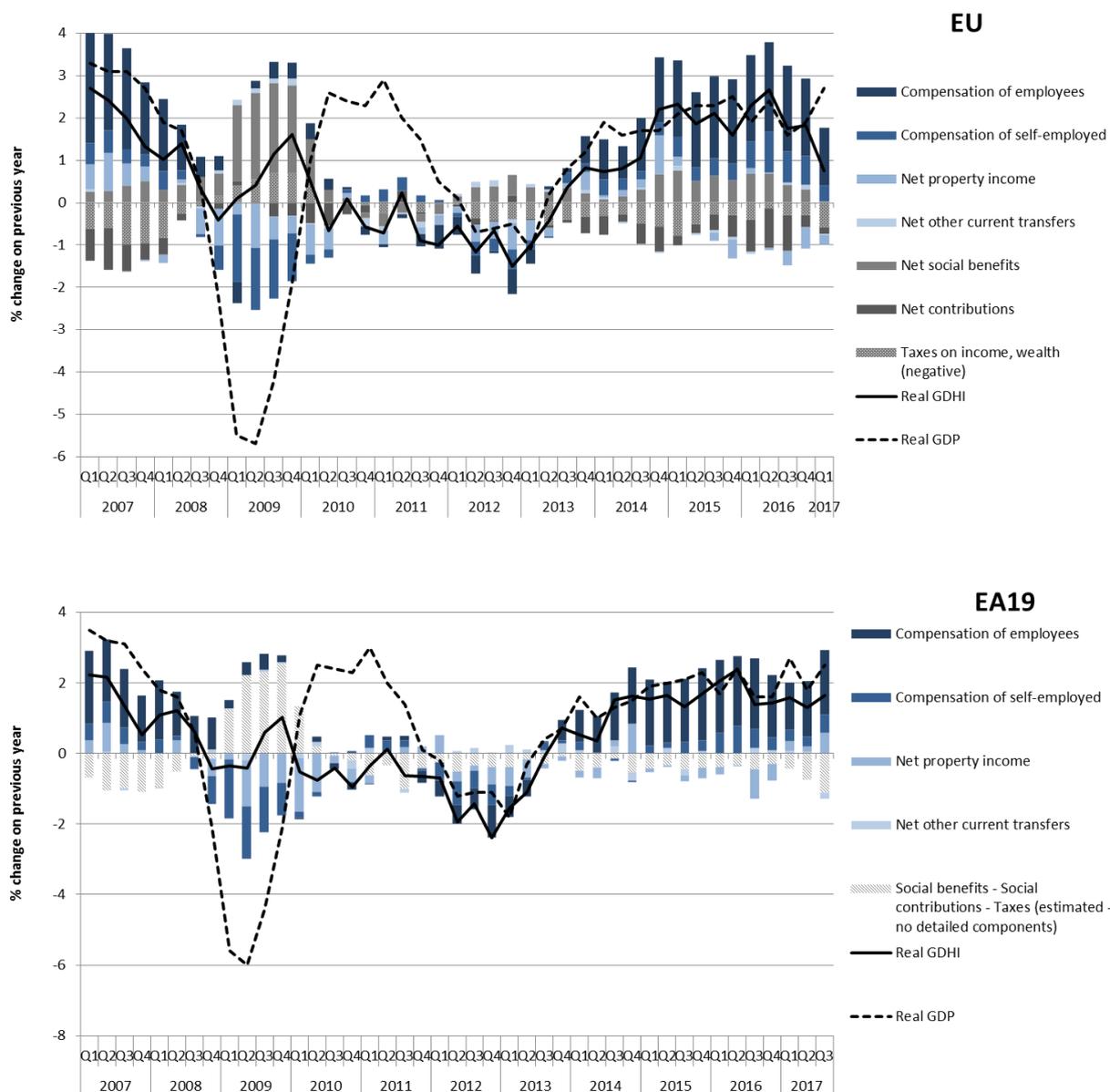
5. Income and financial situation of households

Financial situation of EU households continues to improve

On average in the EU¹⁴, the strong growth in real gross disposable household income (GDHI) has continued since the recovery in mid-2013 (around 2 %). However, in 2017 it showed a signs of slowing down in the EU to below 1.5 %, according to latest available estimates (Chart 30). In the euro area, the year-on-year real growth of GDHI recorded in the third quarter of 2017 remained at 1.6 %.

¹⁴ 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.

Chart 30: Real GDP growth, real GDHI growth and its main components – EU and euro area



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; No details on 'social transfers (benefits, contributions) and taxes' for the euro area – their total contribution (grey) is estimated as a residual.

[Click here to download chart.](#)

Households benefit from higher income from work, while increase in social benefits comes to a halt

In the year to the third quarter of 2017, the growth in GDHI continued to be driven largely by income from work. The compensation of the self-employed and employees increased, although at a rate lower to that seen in previous quarters. Meanwhile, increases in social benefits came to a halt, while higher social contributions and taxes weighed down on the growth of disposable income.

Nearly all Member States see growth in household income

The real increase in GDHI in the EU seen in the year to the second/third quarter of 2017 reflects positive developments in most Member States (see [Statistical Annex](#)). Most of the larger Member States have registered several consecutive quarters of improvement: the longest period of year-on-year increases is observed in Poland (since data are available) and Germany (since mid-2010), followed by France and Italy, while the United Kingdom and Spain saw a recent decline. Greece is the only Member States which does not show a consistent trend of improvement in household incomes.

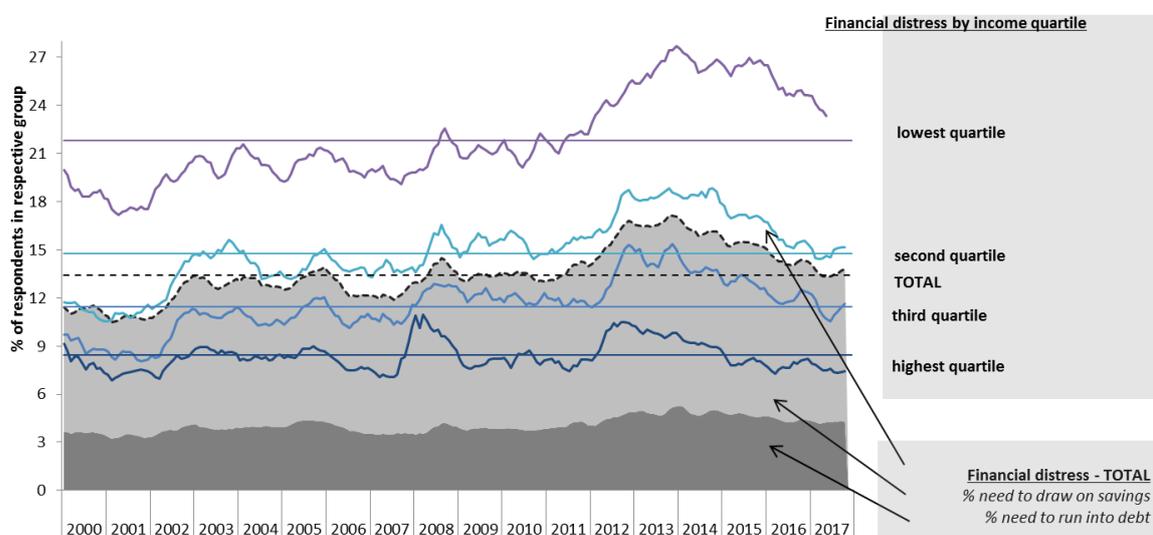
Fewer people have troubles to cover current expenditure

Financial distress¹⁵, based on personal perceptions and defined as the need to draw on savings or to run into debt to cover current expenditures, has gradually declined over the last three years. Both the share of households reporting running into debt, but even more so the share of those having to draw on their savings have declined. Financial distress receded gradually to around 13-14 % of the population from its historically high level of nearly 17 % in autumn 2013 (Chart 31).

Financial distress for low-income households eases since mid-2015

Financial distress for low-income (lowest quartile) households appears to have continued to ease since 2015, but remains high when considering a longer period. Overall, 9 % of adults in low-income households ran into debt, and a further 14 % drew on savings to cover current expenditure in the fourth quarter of 2017. By comparison, the proportions for the total population were just above 4 % and 9 % respectively (Chart 31).

Chart 31: Reported financial distress by income quartile - EU



Source: European Commission, Business and Consumer Surveys, data not seasonally adjusted, 5-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.](#)

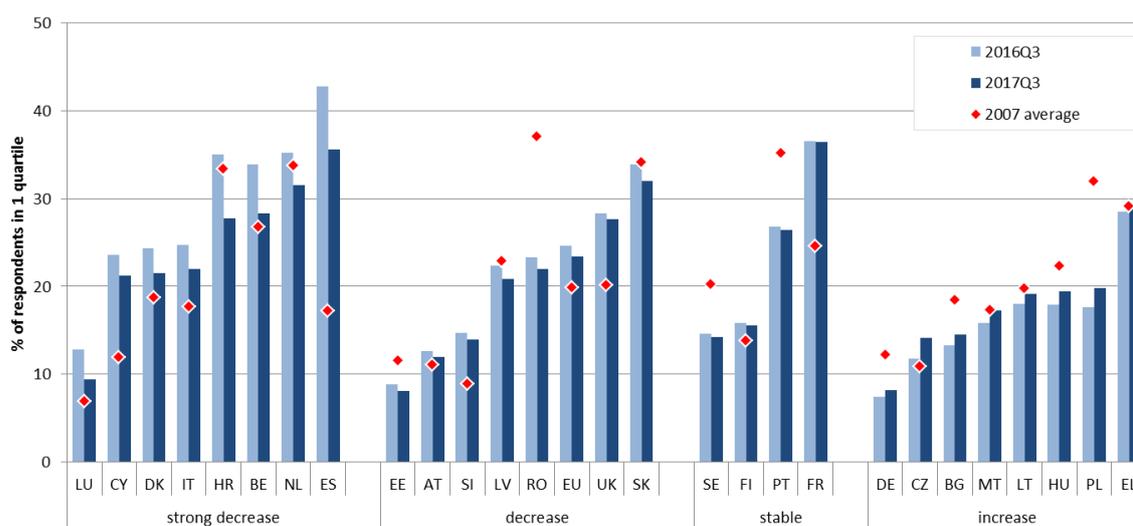
¹⁵ For details on Business and Consumer Surveys, including consumer survey's question on the current financial situation of households, see http://ec.europa.eu/economy_finance/db_indicators/surveys/index_en.htm

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

The overall level of financial distress decreased or remained stable in the majority of Member States (data for Ireland not available) on average in the year to December 2017. It remains significantly higher than in 2007 only in Greece, France and Spain. It ranges from around slightly below 5 % in Estonia, Luxembourg and Germany to over 25 % in France and Greece.

On average, financial distress for households in the lowest income quartile decreased or remained stable in the majority of Member States (data for Ireland not available) in the year to December 2017. Compared to 2007, financial distress for the poorest households is higher in around half of the Member States. On average in a year to December 2017, financial distress affected less than 10 % of people in the lowest income quartile households in Estonia, Germany and Luxembourg compared to around 35 % of the poorest quartile of the population in France and Spain (Chart 32).

Chart 32: Reported financial distress in lowest income quartile - Member States



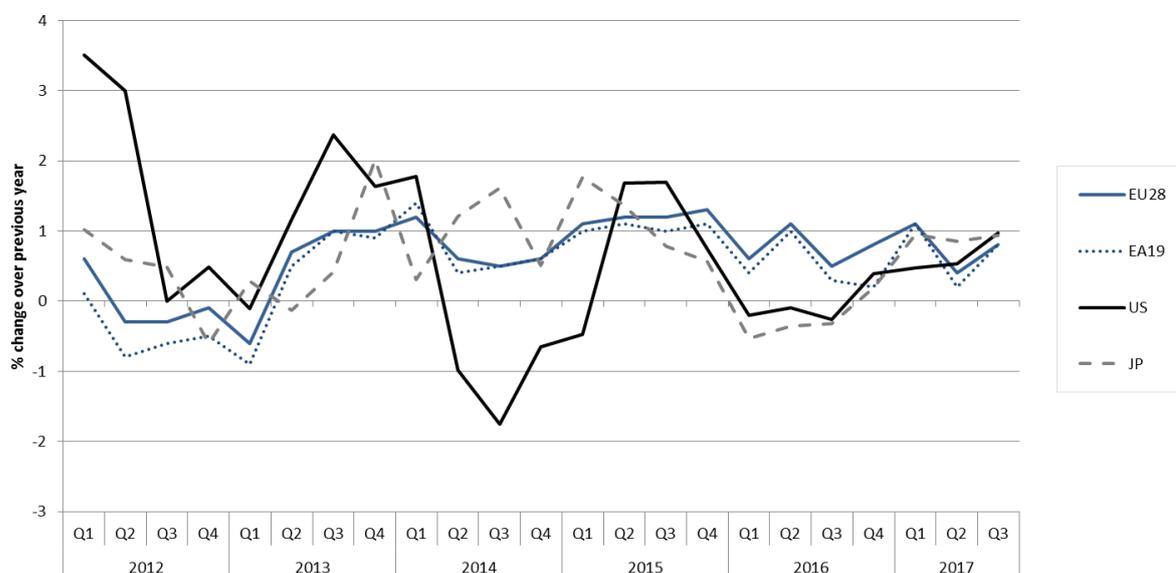
Source: European Commission, Business and Consumer Surveys data non-seasonally adjusted, 12-months rolling average (DG EMPL calculations)
[Click here to download chart.](#)

6. Productivity and labour costs

Growth in labour productivity in the EU remains modest

Productivity growth has remained modest in 2017 in the EU and euro area. Year-on-year productivity growth improved in the third quarter of 2017 to 0.8 % both in the EU and the euro area. This was a rebound after a weak previous quarter (0.4 % in the EU and 0.2 % in the euro area). At the same time, several major economies in the rest of the world reached a similar growth in labour productivity i.e. 0.9 % in the US and 1.0 % in Japan, following declines recorded over 2016 (Chart 33).

Chart 33: Real labour productivity growth - EU, euro area, US and JP

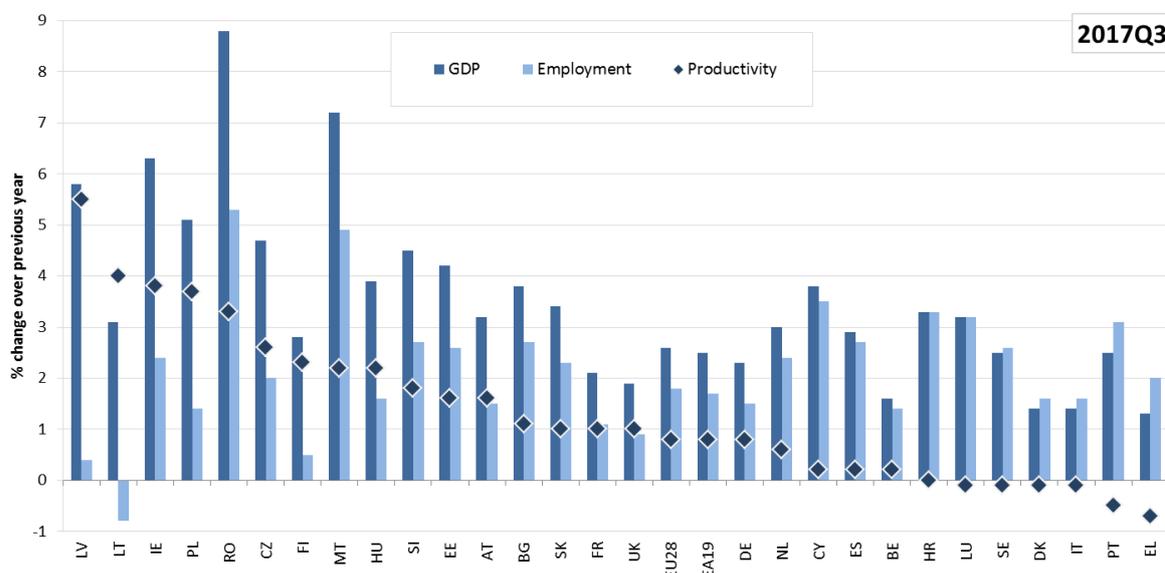


Source: Eurostat, National Accounts [namq_10_lp_ulc], data not seasonally adjusted
 Note: Labour productivity measured as GDP in constant prices per employed person
[Click here to download chart.](#)

Productivity growth results from different interactions between output and employment growth across Member States

In the third quarter of 2017, labour productivity continued to increase modestly year-on-year in most Member States. Latvia, Lithuania, Poland and Romania recorded by far the strongest increase in labour productivity (3 % or more year-on-year). The increase reflected a sharp increase in output accompanied by a drop in employment in Lithuania, while especially in Romania employment also picked up sharply. In all other Member States where labour productivity improved, stronger output growth outpaced the rise in employment (Chart 34).

Chart 34: GDP, employment and labour productivity growth - EU, euro area and Member States



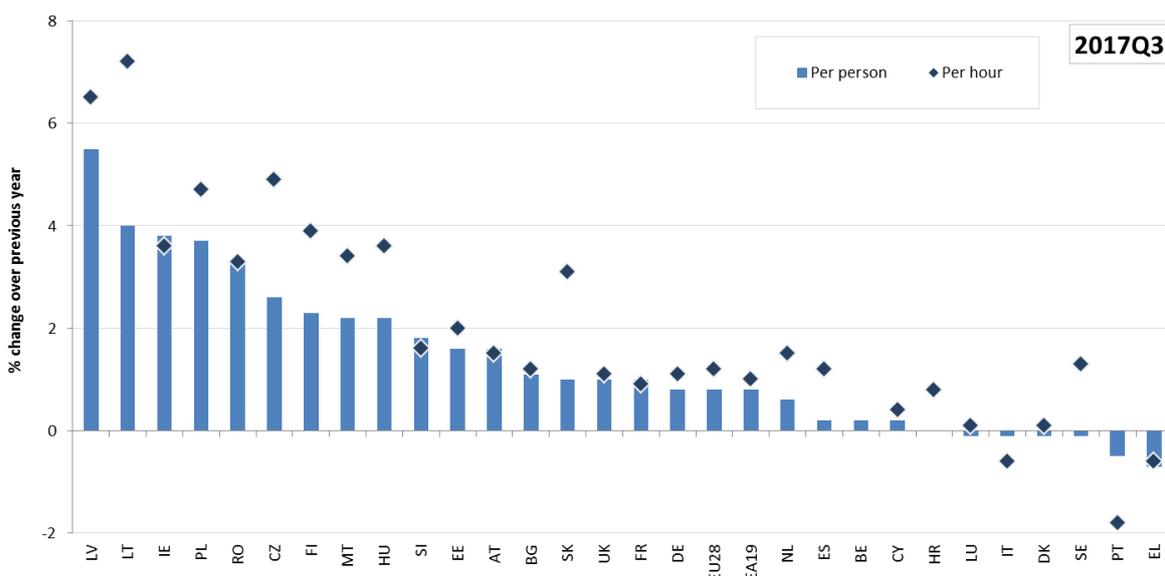
Source: Eurostat, National Accounts, data not seasonally adjusted [namq_10_pe, namq_10_gdp]

Note: IE data from 2017Q2

[Click here to download chart.](#)

Growth in productivity per hour differed considerably from labour productivity growth per person employed in several Member States. These differences reflect different adjustments of labour markets to changes in output in a short run: stronger changes in the number of hours or stronger changes in the number of employed people (Chart 35).

Chart 35: Productivity growth per person and per hour - EU, euro area and Member States



Source: Eurostat, National Accounts, data not seasonally adjusted [namq_10_lp_ulc]

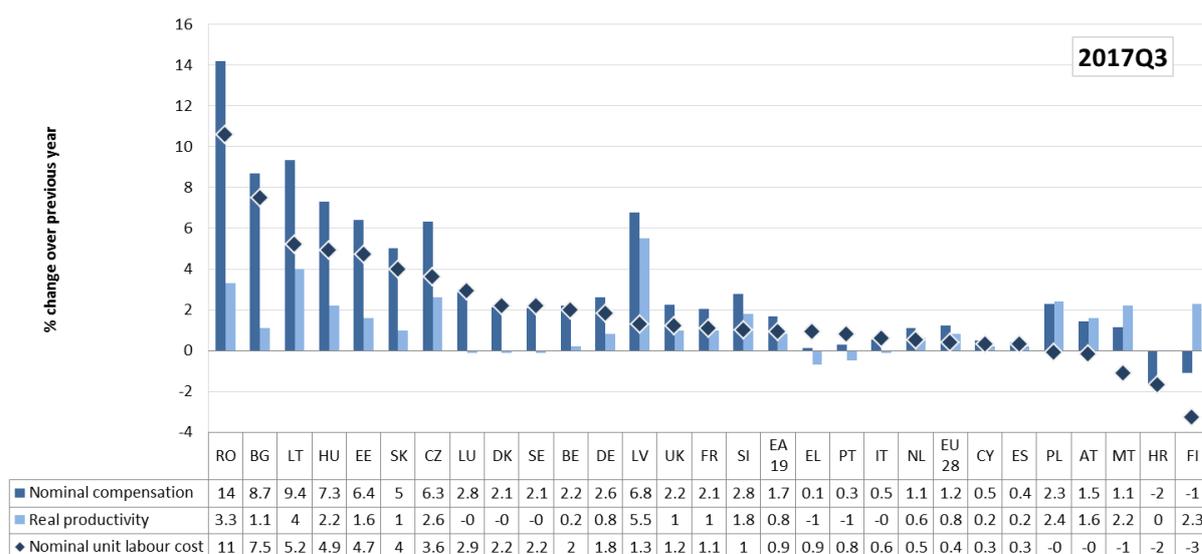
Note: BE no data on productivity per hour, IE data from 2017Q2

[Click here to download chart.](#)

Compensation per employee starts to grow in the EU

Nominal compensation per employee started to recover in the EU. The third quarter of 2017 marked the most notable year-on-year growth (1.2 %) observed since the beginning of 2016. In the euro area, growth remained stronger (1.7 %). Nominal compensation per employee (as measured in national currency) continued to grow at a moderate rate in most EU Member States. Bulgaria, Lithuania and Romania recorded the highest growth (8 % or more), while it was negative in Croatia and Finland (Chart 36).

Chart 36: Growth in nominal unit labour cost 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: IE no data on compensation and NULC for 2017Q2-2017Q3, PL data from 2017Q2

[Click here to download chart.](#)

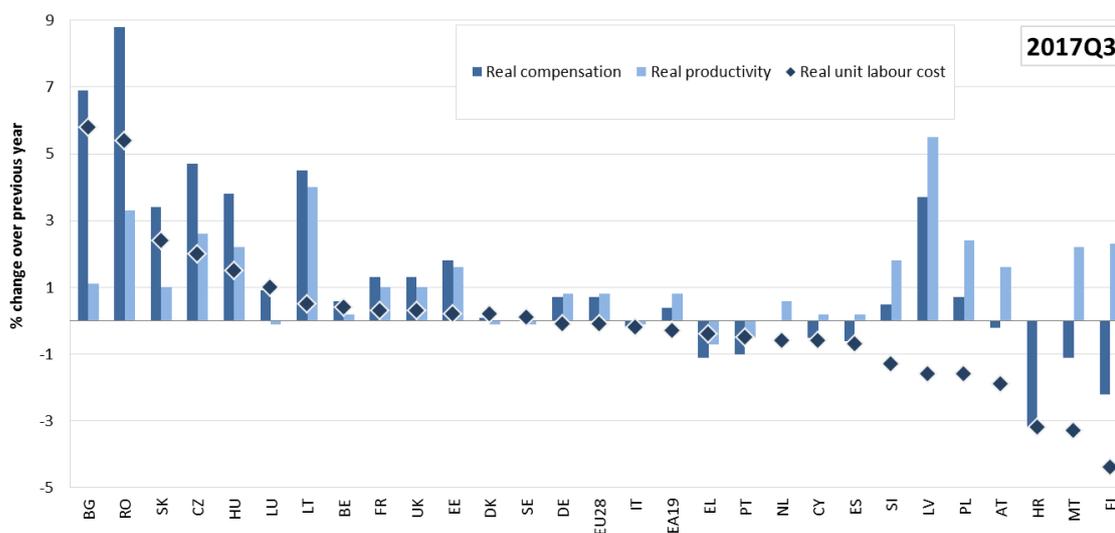
Nominal unit labour starts to increase in the EU

Nominal unit labour cost (which is a measure of cost-push inflationary pressures) went from yet negative -1.1 % in the first quarter, through 0 in the second quarter to 0.4 % in the third quarter of 2017. It returned from a high 1.4 % to 0.9 % in the euro area due to a pick-up in productivity. Nominal unit labour cost grew at a moderate rate across EU Member States. Bulgaria, Lithuania and Romania continued to record very strong increases in nominal unit labour cost, driven by a strong increase in nominal compensation per employee. On the other hand, Finland, Croatia and Malta saw the largest decreases as productivity growth was stronger than the growth in compensation per employee (Chart 36).

Real unit labour costs decreases slightly in the EU

Real unit labour cost (measuring the gap between real compensation per employee and labour productivity, which is also a measure of the labour income share) decreased slightly in the EU and euro area in the third quarter of 2017 year-on-year (-0.1 % and -0.3 % respectively). Bulgaria and Romania saw the strongest increase as real compensation per employee rose sharply overtaking productivity growth and leading to a higher increase in the real unit labour cost. On the other hand, for instance a strong increase in the real compensation per employee in Finland and Malta was offset by faster productivity growth leading to the decrease of real compensation per employee (Chart 37).

Chart 37: Growth in real unit labour cost - EU and Member States



Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_lp_ulc, namq_10_pe, namq_10_gdp] (DG EMPL calculations)

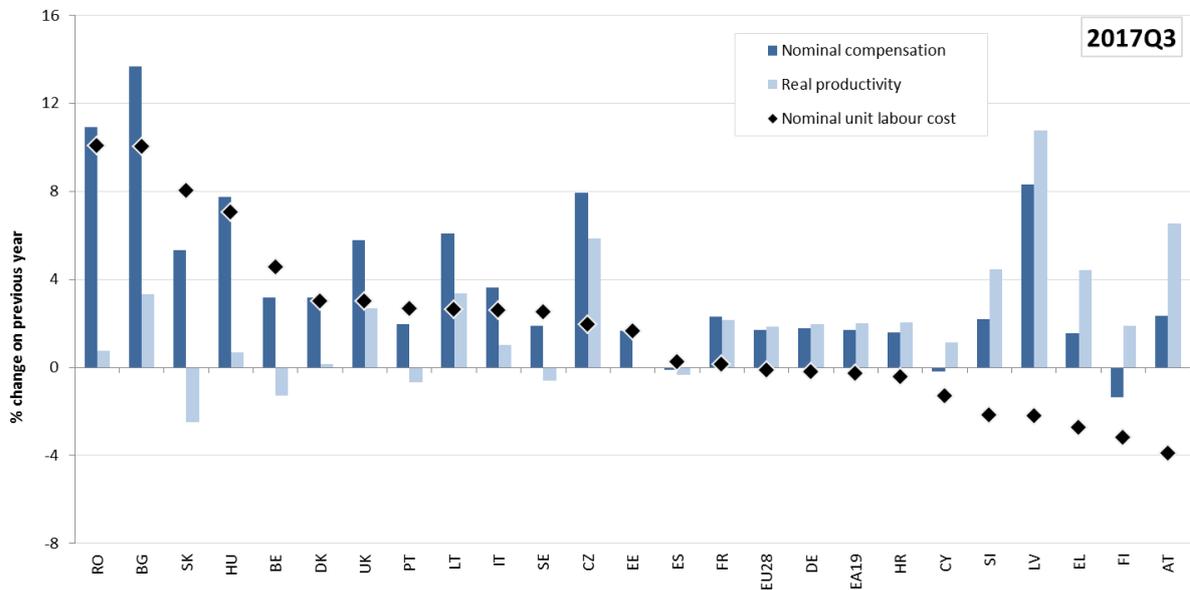
Note: IE no data on compensation and RULC for 2017Q2-2017Q3, PL data from 2017Q2

[Click here to download chart.](#)

Growth in unit labour cost at sector level differs substantially across Member States

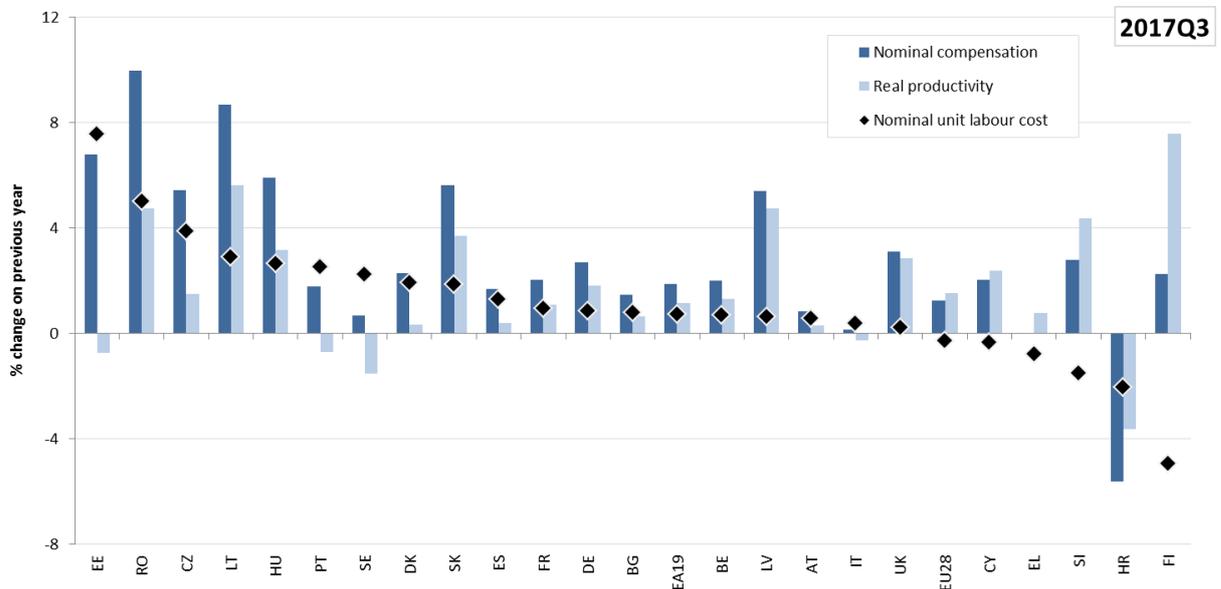
Industry nominal unit labour cost (a good indicator to measure cost-push inflationary pressures in the tradable sectors) stabilised in the EU and in the euro area, in the year to the third quarter of 2017 (Chart 38). Nominal unit labour costs in the sector 'Wholesale and retail trade, transport, accommodation and food services activities' increased in the euro area, but decreased for the EU as a whole. The developments for those two sectors showed stronger differences across Member States (Chart 39).

Chart 38: Industry – growth in nominal unit labour cost and its components – EU, euro area and Member States



Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_a10_e and namq_10_a10] (DG EMPL calculations)
[Click here to download chart.](#)

Chart 39: Wholesale and retail trade, transport, accommodation and food service activities - Nominal unit labour cost and its components – EU, euro area and Member States



Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_10_a10_e and namq_10_a10] (DG EMPL calculations)
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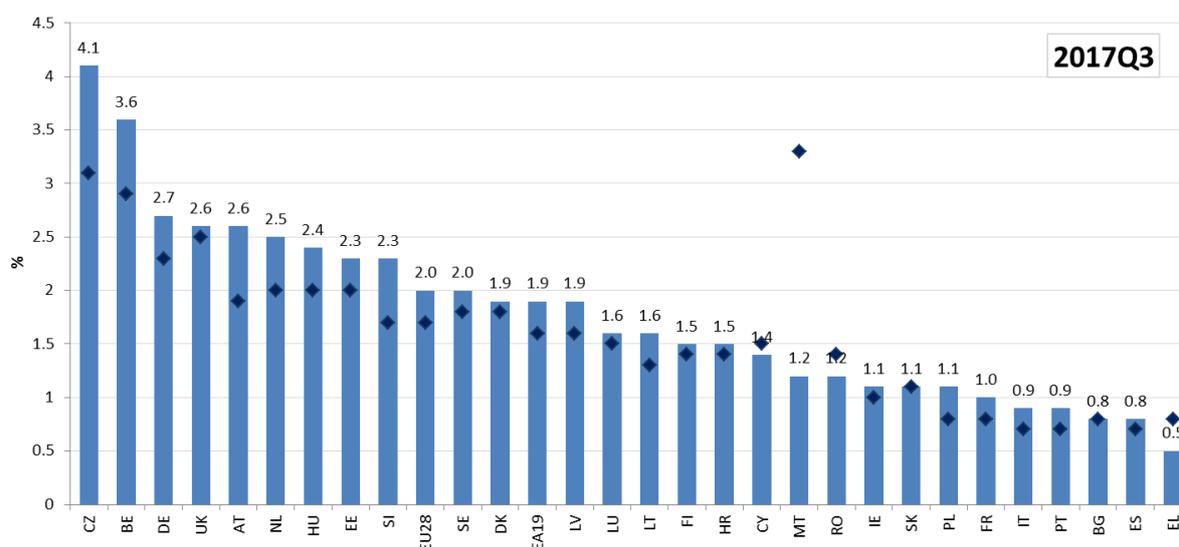
7. Labour demand: vacancies, labour shortages and hiring activity

The job vacancy rate increases

The unmet demand for labour, as expressed by the job vacancy rate¹⁶ (JVR) has been broadly rising since end-2014 in the EU and the euro area. In the third quarter of 2017, the EU JVR increased up to 2.0 %, up by 0.3 pps compared to the third quarter of 2016. In the euro area the rate also increased by 0.3 pps, up to 1.9 %. The JVR improved in most Member States year-on-year, especially in Austria, Belgium and the Czech Republic (increases of 0.7 pps or more). By contrast, it decreased strongly in Malta by 2.1 pps.

The JVR ranged from 0.5 % in Greece to 4.1 % in the Czech Republic (Chart 40). The unmet demand for labour was higher in services sectors (with a JVR of 2.3 %) than in industry and construction (with a JVR of 1.7 %) but it rose in both cases by 0.3 pps.

Chart 40: Job vacancy rates - EU, euro area and Member States



Source: Eurostat, Job Vacancy Statistics, data non-seasonally adjusted [jvs_q_nace2]

Note: NACE Rev 2 sections B to S covered. DK: sections B to N, FR, IT: section O excluded; FR, IT, MT: business units with 10 or more employees.

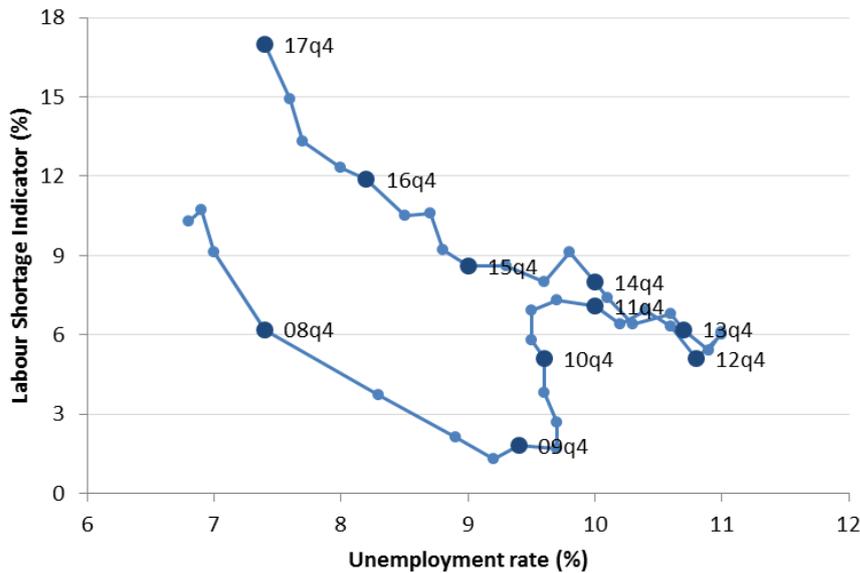
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Labour shortages increase while unemployment recedes

In the second half of 2017, unemployment declined and labour shortages intensified in the EU (Chart 41). The Beveridge curve did not show any change in trend. The decline in unemployment observed since 2013 has been accompanied by an increase in labour shortages and is reflected in a conventional upward move on the Beveridge curve. This is consistent with a normal cyclical development whereby, during a recovery, vacancies increase at a faster rate than unemployment decreases. The [Statistical Annex](#) presents the Beveridge curves for EU Member States.

¹⁶ The Job Vacancy rate is number of job vacancies / (number of occupied posts + number of job vacancies) * 100.

Chart 41: Beveridge curve 2008-2017 - EU



Source: Eurostat, LFS and European Commission, Business and Consumer Surveys [une_rt_q, ei_bsin_q_r2]

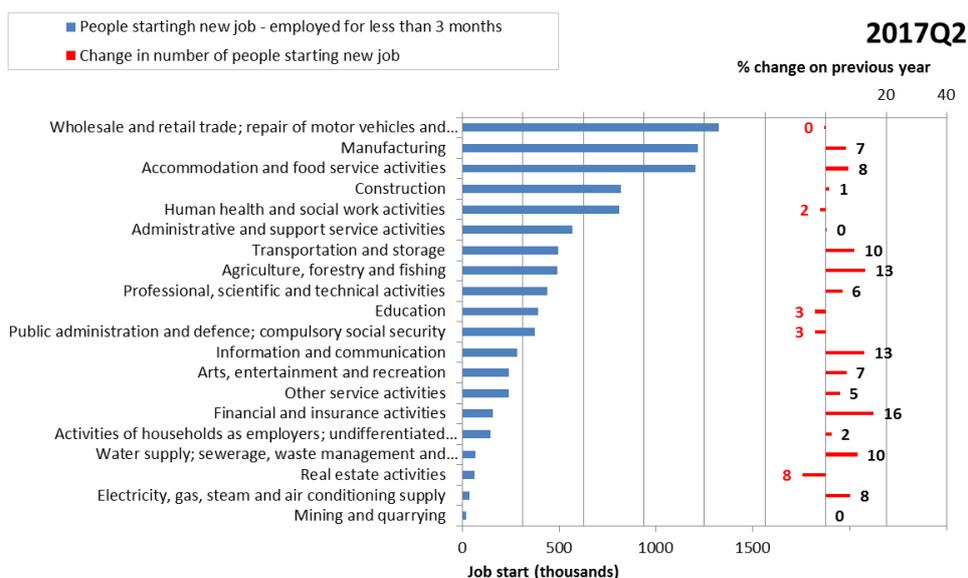
Note: Labour shortage indicator derived from EU business survey results (% of manufacturing firms pointing to labour shortage as a factor limiting production)

[Click here to download chart.](#)

Hiring improves after some stagnation

The number of people starting a new job in the EU is recovered in the second quarter of 2017, after two quarters of stagnation. The number of hirings increased by 3.7 % on a yearly basis. Several sectors registered a sound growth in hirings (10 % or more). A few sectors (wholesale and retail trade, manufacturing, accommodation and construction, human health,) accounted for nearly 55 % of the total number of people starting new jobs (Chart 42).

Chart 42: Changes in employees in new jobs by sector - EU



Source: Eurostat, LFS, data non-seasonally adjusted [lfsq_egdn2]

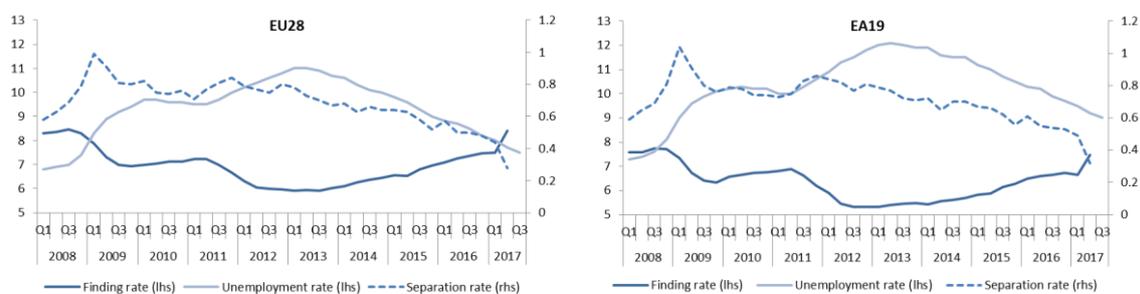
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Finding rates return to pre-crisis levels and separating rates are even lower

Declining unemployment rates in most Member States were the result of improvements in job finding rates and declines in separation rates. By the third quarter of 2017, the separation rates went well below pre-crisis levels. The job finding rate has accelerated its recovery over the last quarters and approached its pre-crisis rate. In the year to the second quarter of 2017, the job finding rate increased in almost all Member States. It grew at a robust pace in the Czech Republic, Poland and Romania. Conversely, it dropped in Estonia, Luxembourg and Malta. The Czech Republic, Denmark, Poland, Sweden and the United Kingdom have the most dynamic labour markets, showing the highest finding rates and the best chances to leave unemployment. By contrast, Belgium, Greece and Italy have the lowest finding rates of the EU, although they are slightly improving.

The separation rates generally declined over the year to the second quarter of 2017, most significantly in Belgium, Greece and Spain. They increased just moderately only in Cyprus and Finland which happen to have the highest separation rates. The Statistical Annex presents finding and separation rates for EU Member States (Chart 43).

Chart 43: Unemployment, finding and separation rates - EU and euro area



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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