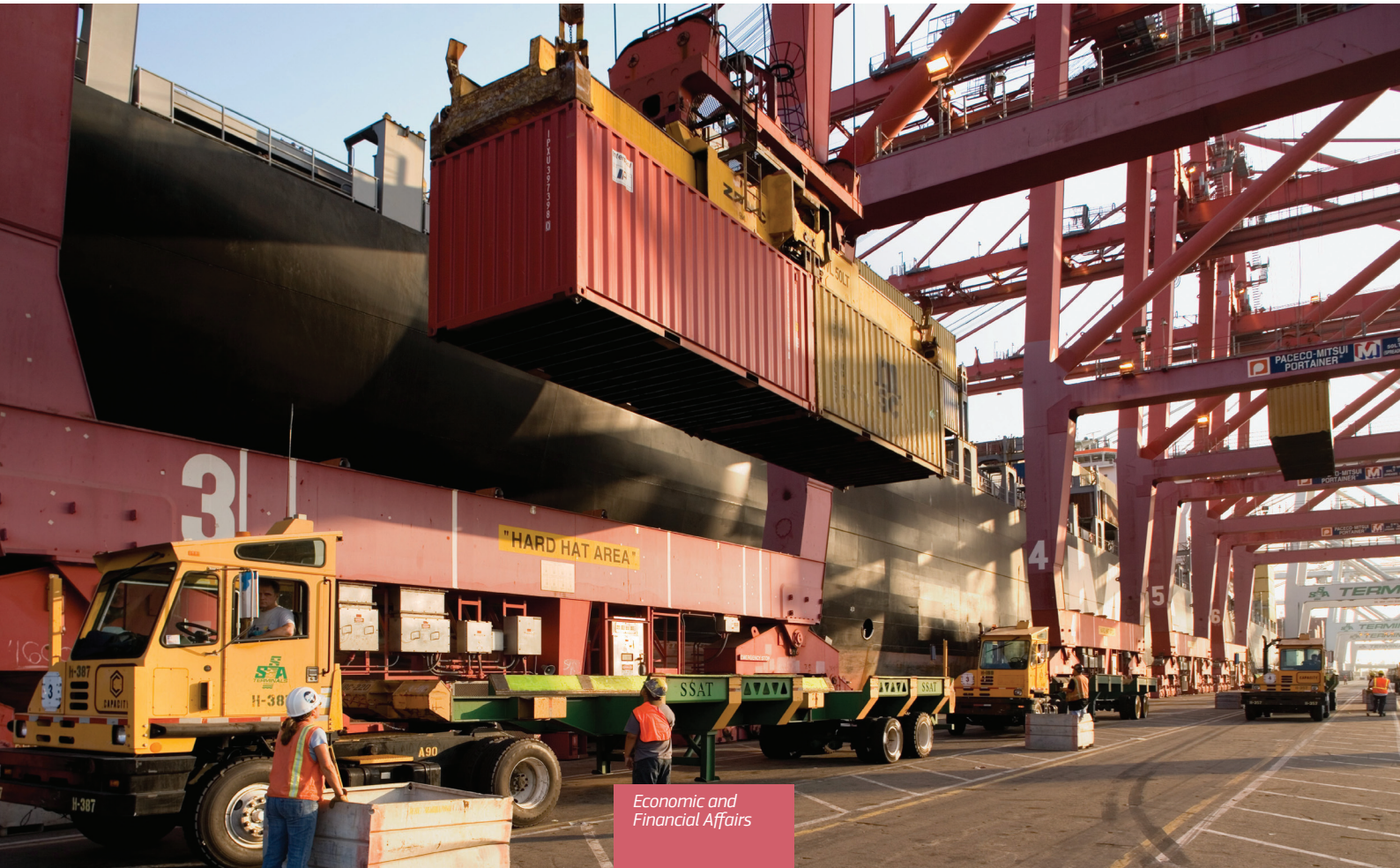
European Commission

Labour Market Developments in Europe 2012

EUROPEAN ECONOMY 5|2012



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Comments on the report would be gratefully received at the following email address: ecfin-secretariat-b3@ec.europa.eu.

CORRIGENDUM

The last three paragraphs of page 66 are revised as follows.

Information on the direction of reforms (whether they are ex-ante likely to have an employment-friendly impact by increasing labour supply, labour demand, or easing the matching between supply and demand) and relevance (major versus non-major reforms) is codified by means of binary indicators (see Box II.1.1 and the Appendix for the criteria followed for such classification).

The taxonomy to construct the indicator of direction of reforms builds on existing economic literature (e.g., Nickell and Layard, 1999). Although most of the underlying assumptions are broadly undisputed (e.g., policies increasing non-labour income reduce labour supply, policies increasing that tax wedge reduce labour supply and demand,…) this taxonomy needs to interpreted with caution as some simplifications are inevitable (for instance, because non-standard policy effects may sometimes arise from particular values for relevant elasticities). However, an indicator of direction appears necessary when analysing determinants and effects of reforms, in order to avoid mixing reforms bringing opposite changes in the underlying policy settings.

It is also important to stress that the taxonomy of reforms into "employment-friendly" and "other reforms" has no normative implications (e.g., reforms increasing labour taxation or the generosity of unemployment benefit systems might not directly help the creation of employment but may be fully justified on different grounds) and should not be understood as necessarily reflecting the recommendations of the European Commission in the field of employment and social policies, which need to be consistent with the objectives of the Treaty in the field of employment and social policies (notably including the autonomy of social partners in setting wages) and that are framed in the Europe 2020 strategy.

The compilation of the database is carried out in two steps. Firstly, information is collected by DG ECFIN, using publicly available national and international sources and classified according to the criteria agreed with the EPC. ([1]) In a second step, the information collected are sent for validation to national authorities via the EPC. At present, LABREF covers policy measures for the EU-25 over the 2000-2010 period, plus Romania and Bulgaria starting form 2003. Information up to 2010 was validated by the Members of the Economic Policy Committee of the ECOFIN Council. The database is accessible through the website *http://ec.europa.eu/comm/economy_fina- nce /indicators/labref/*.

APPENDIX 1 (pages 103 and 104) are revised as follows:

A1.1. Operationalising the direction of labour market reforms

The taxonomy presented in this Appendix serves the purpose of identifying labour market reforms that are ex-ante likely to increase employment either by raising labour demand, raising labour supply, or improving the matching between the demand and the supply of labour.

This taxonomy has no normative implications and should not be understood as reflecting the recommendations of the European Commission in the field of employment and social policies.

If the measures present the characteristics listed below, a negative score, arbitrarily normalised to -1 is assigned, if the effects of the measure go in the opposite direction, score 1 is assigned. In a few cases, if

([1]) Sources used to compile LABREF include ILO databases, information published by EIRO (European Industrial Relations Observatory of the Dublin Foundation for the Improvement of Working and Living Conditions), country reports by the OECD and IMF, National Action Plans for Employment annually set-up in the framework of the Employment Strategy, National Reform Programmes under the Lisbon Strategy, national legislation and other information available from the websites of the EU Ministries for Employment and Social Affairs.

the direction of the reform is ambiguous or not easily classifiable on the basis of the above criteria, score 0 is assigned. The algebraic sum of the direction scores in a given domain or field, in a given country, in a given year, provides a synthetic gauge of the reform stance.

Labour Taxation

- Social security contributions (SSCs): enacted measures *decrease* SSCs for employers and/or for employees.

- Level of labour income taxation: enacted measures *decrease* the rate of labour income taxation and its coverage.

- Progressivity of labour income taxation: enacted measures make labour income taxation *less progressive.*

Unemployment Benefits

- Unemployment insurance: enacted measures *decrease* the generosity (replacement rate, coverage, duration) of the unemployment insurance benefits or *tighten* eligibility conditions/job availability requirements.

- Unemployment assistance: enacted measures *decrease* the generosity (replacement rate, coverage, duration) of the unemployment assistance benefits or *tighten* eligibility conditions/job availability requirements.

Other benefits

- In-work benefits: enacted measures *decrease* the generosity (level, coverage, duration) of in-work benefits, *tighten* the eligibility, *remove* or *decrease* the possibility to cumulate them with other benefits or wages.

- Other benefits (means-tested benefits, sickness, and family-related schemes): enacted measures *decrease* the generosity (level, coverage, duration) or *tighten* the eligibility conditions for other benefits.

Active Labour Market Policies

- Public employment services (PESs): enacted measures *enhance* the effectiveness of PESs and its services.

- Direct job creation and employment subsidies: enacted measures *increase* the availability of direct job creation schemes and the generosity of the incentives to hire vulnerable groups.

- Training and Special Schemes: enacted measures *enhance* the quality and frequency of the provided training.

Employment Protection Legislation

- Permanent contracts: enacted measures *loosen* the definition of/conditions for dismissals, *decrease* the notice period duration and the level of severance payments, *increase* the trial period, or *reduce* the procedural requirements for dismissals under permanent contracts.

- Temporary contracts: enacted measures *increase* the maximum cumulated duration of fixed-term and temporary contracts and the maximum number of renewals, or *loosen* the definition of the cases where fixed-term and temporary contracts can be used.

Pensions, Early retirement, and disability schemes

- Contributions: enacted measures *decrease* the level of contributions for the pension/disability schemes.

- Eligibility conditions: enacted measures *decrease* the coverage or *tighten* the eligibility conditions for pension/early retirement/ disability benefits.

- Pensions - Retirement age: enacted measures *increase* retirement age and penalties/age for early retirement schemes.

- Pensions – Entitlements: enacted measures *decrease* the amount of pension benefits and allowances, or *increase* the taxation of pension benefits.

Wage Bargaining Framework

- Statutory and contractual minimum wages and collective minimum via tripartite agreements: enacted measures *decrease* statutory and contractual minimum wages/ tripartite agreements *decrease* the indicative wage threshold for lower level wage negotiations beyond past records, or *remove*/*decrease* non-wage emoluments.

- Government interventions or tripartite agreements *decrease* the bargaining coverage (e.g., by revising the modalities and conditions for the extension of collective agreements to non-signatory parties) or decentralise the bargaining system (e.g., by *introducing/extending* the possibility to derogate from higher level agreements or to negotiate firm-level agreements).

- Performance-related pay: enacted measures *increase* the share of the variable component (dependent on workers' productivity/performance) on employees' wage or the share of firm's profits and bonus.

Working Time Organization

- Flexible working time arrangements: enacted measures *reduce constraints* on minimum working time, *decrease* the payment of extra hours, make working hours *more* flexible, *introduce* or *extend* schemes of banks of hours/hours off instead of overtime pay, or *encourage* the use of part-time contracts.

- Participation-friendly schemes: enacted measures *extend* training, sabbatical or educational leaves, allow for *longer*/*more generous* maternity/paternity/parental leave or leave for employees that have a sick relative, *improve* reconciliation of family and work life, or *promote* the creation of kindergarten and taking hours off to take care of the children.

Immigration and Labour-Mobility Policies

- Immigration: enacted measures *reduce* barriers to immigration, the quotas for immigrants with specific professional background, or *improve* the immigrants' integration through education and initial support.

- Labour mobility: enacted measures *increase* support for geographical labour mobility within the country.

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SUMMARY AND MAIN FINDINGS

The employment recovery was interrupted in the course of 2011 amid growing uncertainty on the resolution of the sovereign crisis; a new process of job shedding has started

The EU labour market in 2011 was marked by a sudden interruption of the timid recovery in employment. Employment started falling in the mid of 2011 amid a reduction of job finding rates and a new process of job shedding concerning most of the EU, with job separations surging in a few countries, notably Greece and Portugal.

The EU is the only major world region where unemployment is not falling. The overall unemployment rate of the EU is currently heading towards nearly 10.5%, that of the euro area is about 11%, the highest rate since the start of EMU. Since the start of the crisis in 2008, the number of jobs lost totalled about 5 million in the EU, 3 million in the euro area.

The current weakening of the labour market is mostly the result of worsening economic activity linked to the aggravation of the sovereign crisis. In some countries, tackling the debt crisis required a resolute fiscal adjustment, which had an impact on output and employment. The impact of the debt crisis was compounded by the tightening of financial conditions linked to the ongoing deleveraging process. The reduced room for adjusting working hours, which have stabilised below pre-crisis levels, and the increased uncertainty on the economic outlook, further contributed to a strongly negative response of employment to the deceleration of economic activity. In light of the widespread uncertainty, a growing share of employment is on temporary contracts.

The growing divergence of unemployment rates largely reflects deleveraging needs for the private and public sector

Aggregate EU unemployment data conceal record-high differences between countries. The dispersion of unemployment rates within the euro area has reached an unprecedented level. It has been growing since 2008 and is mostly explained by worsening unemployment in the countries most concerned by the sovereign crisis and external imbalances; a process that mirrored a parallel tendency for a number of euro-area surplus countries, notably Germany, to record strong employment growth. About 40% of the growth in unemployment for the overall EU since 2008 is due to the massive increase in Spanish unemployment. In 2011, however, some noteworthy elements of convergence at EU level were observed: the high unemployment rates in the Baltics started falling at a fast pace.

The unemployment divergence within the EU is partly the result of differences in developments in economic activity and partly the outcome of different responses of unemployment to growth. In 2011, the effect of the deterioration in economic activity on employment was much stronger than expected on the basis of "Okun law" estimates in the countries with persistent or worsening debt crises, notably Greece, Spain, Portugal. By contrast, the reduction in unemployment was stronger than expected in the countries well-advanced in the correction of their external imbalances and with stabilising financial markets, notably the Baltics.

Despite these large differences in unemployment within the EU, migration flows have not so far provided a substantial contribution to the reduction of the pool of the unemployed except in a few countries, notably Latvia and Ireland.

Persistently low job finding rates are at the root of rising youth and long-term unemployment and contribute to worsening labour market matching

Four years after the start of the financial crisis job finding rates remain low in most Member States and further worsening in some countries, notably Spain. As a result of the persistent low rate of job creation, the duration of unemployment has been rising in most Member States, with the biggest increases recorded in Ireland, Slovakia, Spain, the Baltics. Youth unemployment rates increased dramatically in Greece, Portugal, Spain, and remained worryingly high in a number of other countries, notably the Baltics.

The evidence indicates that unemployment is becoming increasingly structural. The "Beveridge curve" for the euro area has clearly been shifting outward since 2010: the same amount of job vacancies coexist with higher unemployment, an indication of worsening labour market matching. Job shedding in the past years concerned especially the low-skilled, which are often characterised by a relatively low capacity to re-convert to different activities and tasks, and whose employability tends to fall with the duration of the unemployment spell. The NAWRU, the concept of structural unemployment consistent with a constant wage growth, is also on the rise in most EU countries, and a remarkable co-movement is observed between the shift in the Beveridge curve and the NAWRU.

Although activity rates remained resilient in most countries despite the persistent labour market slack, looking forward there is a risk that marginally-attached workers could start leaving the labour force.

On the positive side, developments in wages and labour costs started following a path that is supportive for the adjustment of external imbalances and unemployment divergences...

In 2011, the dynamics of nominal compensation per employee started reflecting more clearly the different needs to reduce unemployment and rebalance external positions.

Within the euro area, while Germany, Belgium, Austria, France and Finland recorded growth rates above 2.5%, compensation per employee declined in Greece, Ireland and Portugal, and grew at rates below 1% in Spain. A recently concluded collective agreement in Germany in the metal and electrical engineering sector sets wage growth above 4%. The reduction in private wages in high-unemployment, external deficit countries, was mostly linked to the re-negotiation of individual contracts and firm-level contracts, but lately also sectoral collective contracts started setting lower wage conditions (Greece).

After growing above productivity in 2009, real compensation per employee in 2011 expanded at a rate below that of productivity, confirming the trend initiated in 2010. This wage moderation, much needed for adjusting labour markets in high-unemployment countries, is often stronger than suggested by aggregated data in light of rising skill-intensity of employment. Not in all countries, however, the speed and breath of downward adjustment in real wages seems proportionate to the unemployment challenges.

Also unit labour cost developments are increasingly following patterns supportive of external re-balancing, with dynamics becoming increasingly evident in countries with current account surpluses and reductions in a number of euro-area countries in the process of correcting past or current deficits (Greece, Spain, Ireland, Portugal, Slovakia).

Price competitiveness developments, however, appear somehow delinked from those in labour cost competitiveness, with gains not yet visible in most

countries with high current account deficits. While improvements in cost competitiveness are per-se helpful to external rebalancing, adjustment in relative prices are needed not only to support export demand via reduced export prices but also to induce the necessary shift from the non-tradable sector. In the latter respect, a role could be played by structural reforms contributing to reduce mark-ups in the non-tradable sector.

…and the recent intensification of reform activity across the EU will start bringing fruits…

Since the start of the crisis, most EU countries have taken an active reform stance, and managed in some cases to pass ambitious reform plans. Not only the number of reforms was on the rise, but the orientation of measures taken was more clearly in the sense of creation of more favourable conditions for employment.

Recent reform activity appears to be largely in line with the priorities set at European level, notably measures that help to mobilise labour, make labour markets more dynamic, reduce precariousness, and improve competitiveness. Some countries with high unemployment and large external imbalances have taken up the challenge of improving the responsiveness of wages and their labour market adjustment capacity, by thoroughly reforming their job protection and wage setting systems. Activation and job assistance policies have been adapted to the growing labour market challenges, as well as targeted employment incentives. In some countries, a substantial revision of the unemployment benefit system has taken place.

…as confirmed by the analysis of past labour market reforms in the EU contained in the report

One of the thematic chapters in the report digs deeper on the main features, determinants and effects of labour market reforms carried out in the EU over the past decade. The analysis is based on an updated version of the LABREF database on labour market reforms developed by DG ECFIN of the European Commission in cooperation with the Economic Policy Committee of the ECOFIN Council.

The evidence reveals that most reforms were generally carried out in response to worsening labour market outcomes. The analysis also supports the view that reforms carried out in the EU in the last decade brought fruits, although with some lags, notably in terms of participation and unemployment rates.

Looking forward, EU labour market challenges will remain high on the policy agenda, which require a comprehensive, differentiated, and coordinated response

Unemployment is becoming a very serious issue in a number of EU countries, with increasingly visible economic, social and political implications. Eventually, reducing substantially unemployment rates requires creating the conditions for renewed confidence and resumed labour demand on a stable basis. Nonetheless, the immediate challenge is that of managing high and protracted jobless rates, and the associated risk of hysteresis, under subdued growth conditions and, in some countries, against the background of ongoing processes of deleveraging and external rebalancing.

In light of the much differentiated labour market conditions across Europe, and of the important policy spillovers, notably in the euro-area, the policy response needs to be differentiated and coordinated. In this respect, EU surveillance will continue to play a key role.

The recent momentum towards ambitious structural reforms favouring adjustment needs to be maintained in countries with major labour market challenges

In this context, reforms pertaining to the functioning of the labour market will continue to play an essential role down the road, particularly to address labour-market related structural bottlenecks to growth and to foster macroeconomic rebalancing.

As shown in the analysis presented in one of the thematic chapters of this report, strict EPL is linked to reduced dynamism of the labour market and precarious jobs. Moreover, by hampering the inter-sectoral re-allocation of labour, rigid EPL may hamper the process of macroeconomic rebalancing. EPL reforms, eventually linked to a revision of unemployment income support systems, appear as a key driver for reviving job creation in sclerotic labour markets while tackling segmentation and adjustment at the same time. Reforms promoting wage adjustment are also key to absorb effectively unemployment while favouring the price competitiveness gains that are needed for the correction of current account deficits.

In several countries, these reforms, usually politically costly, were recently carried out within the framework of structural adjustment programmes or amid pressures coming from bond markets.

Greece, Spain, Italy, and Portugal, took measures that were broad and far-reaching. Looking forward, in light of the seriousness of the challenges that these countries are facing, and of their relevance from an EU-wide perspective, it is key that the reforms recently enacted in these countries are successfully implemented, monitored, and followed by additional measures if necessary.

The momentum observed in a number of Member States in recent years towards policy action to keep participation rates high should also be kept. In countries with less pressing fiscal consolidation needs, tax reforms, possibly targeted, could create the conditions for better mobilising labour supply and demand.

Adequate responses need to be put in places to prevent unemployment becoming entrenched and to tackle the social consequences of the crisis

There are growing signs of worsening labour market matching across Europe. To prevent joblessness becoming entrenched and jobseekers leaving the labour force, policy frameworks to improve labour market matching and maintain the long-term unemployed in the labour force need to be stepped up, and adequate resources mobilised, to ensure in particular that the scale of activation programmes and the capacity of Public Employment Services are proportionate to the growing pool of unemployed. In the countries concerned by high youth unemployment, policies should also focus on easing the school-work transition, including via an effective use of apprenticeship systems. To promote hiring of the long-term unemployed or the youth, temporary social security cuts or job subsidy schemes for the new hires could be considered, provided they are well targeted and designed. These policies would help avoiding hysteresis effects once economic growth resumes.

Surging unemployment and falling disposable incomes are at the root of growing poverty and social exclusion in some countries. The enhancement of income support systems along the adequacy, sustainability, and incentives dimension would help tackling the social consequences of the crisis and making current macroeconomic and structural policy strategies politically sustainable.

Part I

Labour market developments

1. GENERAL LABOUR MARKET CONDITIONS IN THE EURO AREA AND THE EU

1.1. INTRODUCTION

Following the escalation of the sovereign debt crisis in the euro area, uncertainty dominated the economic outlook since the second half of 2011, influencing investments and consumption decisions. Output growth in most EU countries decelerated, including in light of further headwinds linked, inter-alia, to a slowing growth in emerging economies.

Employment was hardly hit. The timid recovery started at mid-2011 was interrupted and job losses prevailed. Repercussions were felt not only in terms of reduced job finding rates, but also in terms of a renewed process of job shedding. Unemployment in the EU as a whole grew, in contrast with other world regions.

The unemployment rate in the euro area is currently at the highest level since the start of the monetary union, and the degree of diversity in the unemployment performance remains at unprecedented levels.

Against this background, this chapter analyses the anatomy of the current labour market adjustment by looking at aggregate developments in the EU and the euro area. In doing so, it compares the EU labour market performance with that of other world macro-regions and assesses the role of cyclical and structural factors in unemployment dynamics and the role played by the relevant adjustment margins, including working hours and labour costs.

The remainder of the chapter is organised as follows. The next section compares aggregate labour market developments in the euro area and the EU with those taking place in other world areas. Section 1.3 analyses employment and unemployment dynamics, while section 1.4 reviews latest trends in wages and labour costs. Section 1.5 focuses on salient aspects of European unemployment, analysing job market flows, long-term unemployment and labour market matching. A concluding section follows.

1.2. SETTING THE SCENE: THE EU LABOUR MARKET IN AN INTERNATIONAL PERSPECTIVE

1.2.1. Recent EU-level developments

Immediately after the 2008 recession, employment proved particularly resilient in the EU, notably in light of a prompt adjustment in working hours (European Commission, 2010, 2011, 2011a). However, the 2010 EU recovery turned out to be short-lived, as the sovereign crisis escalated and the economic outlook worsened.

The deceleration of GDP growth in the second half of 2011 put a lid on an already hesitant process of job creation: employment growth in the EU and notably the euro-area decelerated in the second half of 2011 while the timidly started decline in the unemployment rate came to a halt (Table I.1.2). In fact, the unemployment rate kept rising at a fast pace at the end of the year to reach in April 2012, 11 and 10%, respectively, in the euro area and in the EU.

Table I.1.1: **GDP growth and unemployment in selected countries**

	GDP growth			Unemployment rate		
	2000-2007	2010	2011	2000-2007	2010	2011
EA17	2.2	2.0	1.5	8.6	10.2	10.2
EU	2.5	2.1	1.5	8.6	9.7	9.7
CAN	2.9	3.2	2.4	6.9	8.0	7.5
JPN	1.5	4.4	-0.7	4.7	5.1	4.6
USA	2.6	3.0	1.7	5.0	9.6	9.0
OECD	2.5	3.0	1.6	6.4	8.3	8.0
BRIC:	8.0	8.7	6.9	:	:	:
BRA	*3.5*	*7.5*	*2.7*	*11.1*	*6.8*	*6.0*
RUS	*7.2*	*4.0*	*4.3*	*8.1*	*7.5*	*6.6*
IND	*7.1*	*8.4*	*6.9*	*:*	*:*	*:*
CHN	*10.5*	*10.3*	*9.2*	*3.9*	*4.1*	*:*

Source: Eurostat and OECD.

The number of unemployed in April 2012 was 17.4 million for the euro area, almost 25 million in the EU. The number of job losses since 2008 amounts to about 5 million for the EU; 3 million for the euro area.

Although the youth unemployment rate (age 15-24) for the overall EU was increasing relative to that of other age groups until 2008 and falling from January 2009, in some countries the number of young unemployed reached recently record highs (see Chapter 2).

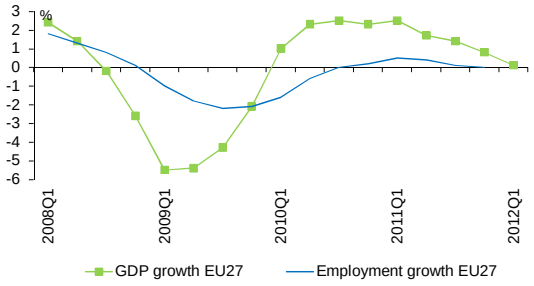
Table I.1.2: **Unemployment, compensation per employee and GDP growth in the euro area and European Union**

						Quarter over quarter of previous year					Quarter over quarter same year				
		2009	2010	2011	2012	2011Q1	2011Q2	2011Q3	2011Q4	2012Q1	2011Q1	2011Q2	2011Q3	2011Q4	2012Q1
Unemployment rate	EA	9.6	10.1	10.2	11.0	10.4	9.8	9.9	10.6	11.5	0.3	-0.6	0.1	0.7	0.9
	EU	9.0	9.7	9.7	10.3	10.0	9.4	9.5	10.0	10.7	0.4	-0.6	0.1	0.5	0.7
Unemployment growth	EA	28.8	6.0	1.6	-0.9	-0.9	-1.4	2.5	6.5	10.5	3.6	-5.7	1.5	7.3	7.5
	EU	28.2	7.7	0.6	-0.9	-2.3	-1.8	1.7	4.9	8.2	3.3	-4.7	1.4	5.1	6.5
Growth of nominal compensation per employee	EA	1.8	1.8	2.2	1.9	1.8	1.9	2.0	2.0	2.0	0.6	0.6	0.2	0.6	0.6
	EU	-0.9	3.5	2.2	3.0	2.8	1.9	1.7	2.2	2.5	1.0	0.1	0.5	0.7	1.3
GDP growth	EA	-4.4	2.0	1.5	-0.3	2.6	1.8	1.3	0.3	0.3	-3.1	2.7	-0.6	1.5	-3.2
	EU	-4.4	2.1	1.5	0.0	2.3	2.0	1.3	0.6	0.3	-4.3	2.8	-0.1	2.4	-4.5
Employment growth	EA	-1.9	-0.4	0.1	-0.5	0.6	1.0	0.7	0.3	-0.6	-0.2	1.1	0.0	-0.5	-1.2
	EU	-1.8	-0.3	0.2	-0.2	0.5	0.5	0.1	0.0	-0.4	-0.7	1.1	0.2	-0.6	-1.1

(1) The changes in unemployment rate are in pps; for the other variables the change are in per cent.
Source: Eurostat and DG ECFIN AMECO database.

Aggregate unemployment data conceals major differences at country level. In particular, it is remarkable the large and rising dispersion of unemployment rates within the euro area after the 2008 recession, which is expected to increase further until 2013, according to the Commission Spring Forecast (Graph I.1.1). A large fraction of the increase in total euro-area unemployment is mainly driven by developments in a few countries, notably in Spain.

Graph I.1.1: **Employment and GDP growth in the EU**

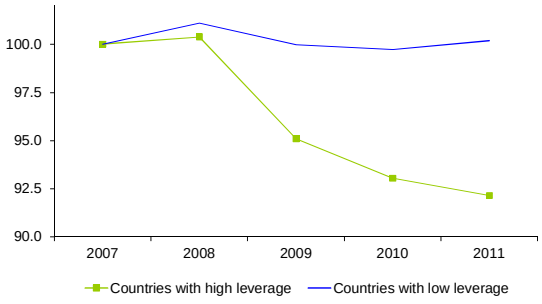


Source: Eurostat and DG ECFIN AMECO database.

Diverging labour market conditions since the 2008 recession reflect not only the asymmetric effect of the crisis (notably, on the banking the housing sector), but also different institutional settings and policy responses, and different constraints for the financial sector and fiscal policy.

In particular, the different need for private and government sector deleveraging explains the protracted divergence in the labour market performance. Graph I.1.2 shows that employment has been declining more in euro-area countries with a rapid increase in households' indebtedness before the crisis. Highly-leveraged financial systems are at the current juncture characterised by higher risk premia and tigher credit conditions, which put a brake on domestic demand for investment and consumption. ([2])

Graph I.1.2: **Employment in high and low leverage countries (2007=100)**



(1) Countries with high leverage include EU countries with an increase between 2004 and 2007 of households' debt to income ratio higher than the third quartile: Denmark, Estonia, Ireland, Spain, Cyprus, Latvia and the Netherlands.
Source: Commission services.

Similarly, Graph I.1.3 shows that employment growth fell especially in those euro-area countries having carried out more substantial fiscal consolidation since the outburst of the crisis.

The evidence shows indeed that fiscal consolidation has a significant impact on unemployment (see Box I.1.1). This impact is mostly temporary and in the order of 0.1% additional unemployment for a fiscal impulse of 1% of GDP.

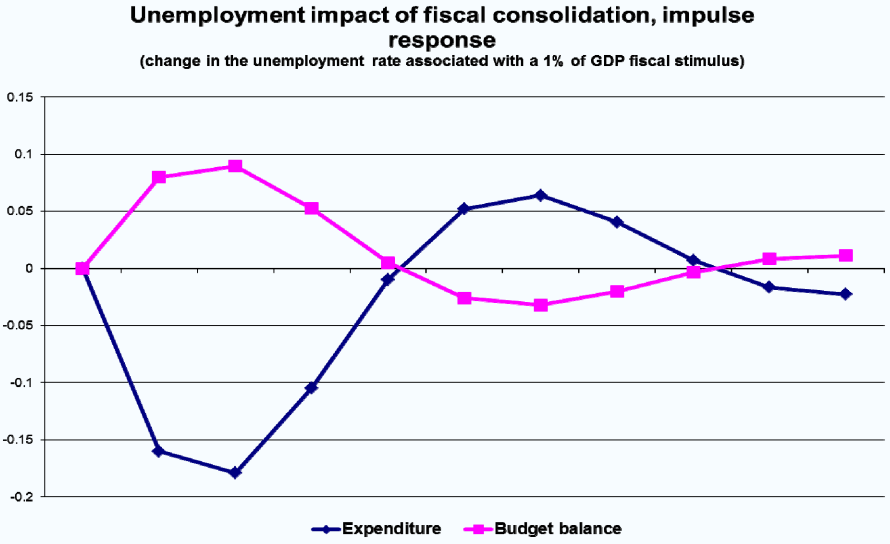
([2]) A cross-section regression for the 27 countries between employment growth during the period 2008-2011 and the percentage point change in the household debt to income ratio over the period 2004-2007 turns out negative and strong, implying that one standard deviation increase in the change of debt income ratio before the crisis is associated to a decline of employment growth since 2008 of 0.7%.

Box I.1.1: Assessing the impact of fiscal consolidation on unemployment

This box presents result from empirical analysis on the impact of fiscal policy on unemployment using an action-based fiscal consolidation variable (Devries et al, 2011), which have the double advantage of not including cyclical elements and being largely exogenous (available for the period 1978-2009 for 13 EU countries). The impact of consolidations is assessed on cyclical unemployment (source: AMECO database), in light of its stationarity properties. The specification regression framework is an augmented AR2 model, which reproduces the broadly regular oscillations of cyclical unemployment around its mean (zero):

$$u_{i,t} = \alpha u_{i,t-1} + \beta u_{i,t-2} + \gamma FC_{i,t} + \theta_i + \eta_t + \varepsilon_{i,t} \qquad (1)$$

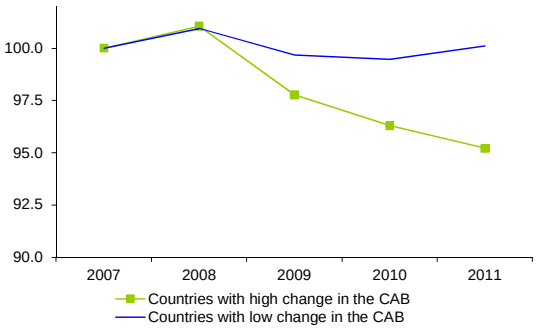
where i, t denote country and year respectively, u is cyclical unemployment, FC is a consolidation variable, θ and η are, respectively, country and year fixed effects, while ε is a standard white-noise error. The unemployment impact multiplier of the overall budgetary consolidation variable is positive but not large, amounting to less than 1/10 of a percentage point of unemployment for each GDP point of consolidation. While the impact of government revenue is non-significant, that of government expenditure is negative and higher in absolute value and of a higher order of significance that that for the overall budget balance. The estimated unemployment impact multipliers are broadly in line with existing estimates of GDP fiscal multipliers (for instance, the estimated 0.16 unemployment multiplier for government expenditure would imply a GDP fiscal multiplier of about 0.5 assuming a standard Okun coefficient of 0.3).



Due to the auto-regressive process of unemployment, the peak multiplier is above the impact multiplier, as the adjustment of unemployment to the fiscal shock takes time. As shown in the graph above, the peak effect materializes after one year (reaching almost 0.1 per cent for the overall budget and about -0.18 for expenditure cuts) and effects decay to zero with oscillations after about 5 years.

Nonetheless, substantial budgetary cuts, protracted over a number of years as in the case of few euro-area countries, could by themselves explain a quite relevant fraction of the increased unemployment since the crisis.

Graph I.1.3: **Employment and fiscal consolidation (2007=100)**



(1) Countries with strong consolidation include EU countries with a cumulated change in the structural deficit since 2011 above the third quartile: Greece, Spain, Latvia, Lithuania, Poland, Portugal and Romania.
Source: Commission Services.

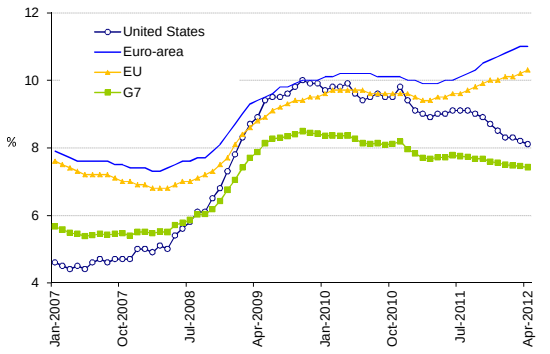
1.2.2. Recent labour market developments in major world regions

Four years after the Great Recession, the labour market outlook remains weak in most industrialised countries. However, while between 2010 and 2011 the unemployment rate fell in most major world macro-regions, this was not the case for the EU. In 2011, the euro area was the world region with the highest unemployment rate (Table I.1.1).

Since second half of 2011, unemployment developments in industrialised countries have started to diverge, mainly as a consequence of a more sustained recovery in the US and Canada compared with the EU and Japan (Graph I.1.4). Sovereign debt concerns in the EU, the different stage of debt deleveraging, access to credit and developments of consumers' confidence partly explain the uneven cyclical positions across the two sides of the Atlantic. ([3]) Other relevant factors comprise the extent of adjustment of working hours at the beginning of the recession which delayed labour market response in the EU, different responses of real wages, the behaviour of labour supply and the importance of sectoral reallocation and its effects on the matching efficiency of labour (see next sections).

In the US, employment growth accelerated while unemployment continued to trend downward, albeit from historically high levels. Employment growth was supported by job creation in the service-providing industries (e.g., professional and business services, education and leisure and hospitality) while it was sluggish in the goods producing industries (in particular construction). As opposed to Europe, in the US a proportion of the population exited the labour force as a consequence of the crisis: as of May 2012 the participation rate of the population above 15 years in the US is at 63.8%, the lowest rate since the early 1980s. ([4])

Graph I.1.4: **Unemployment rates in the EU and the US**



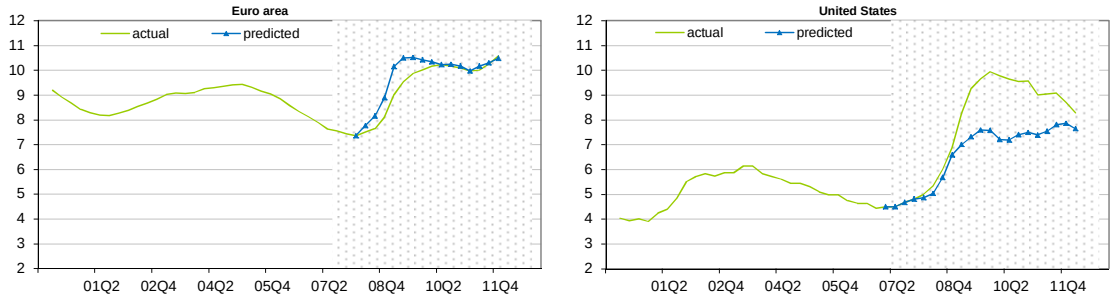
Source: OECD.

In Japan, GDP growth turned out negative following weak external demand and the supply chain disruptions related to the March 2011 earthquake and the November flooding in Thailand. The mild decline in employment that followed the contraction in economic activity coincided with a drop in labour productivity, after a sizeable increase of 2010. Conversely, in many other industrialised countries, most notably Canada, Australia, and New Zealand, unemployment remains above the pre-crisis average in spite of the recovery.

([3]) E.g., OECD (2012).

([4]) Participation was flat-to-rising during the 1973-75, 1981-82, and 1990-91 recessions. This pattern is driven by falling participation of married and highly educated women during expansions (Albanesi and Prados, 2012).

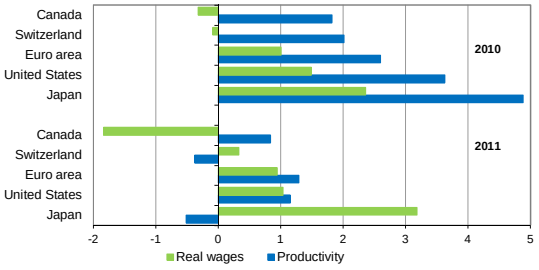
Graph I.1.5: **Unemployment rate in the euro area and the United States: actual and Okun law predictions**



(1) Predicted unemployment rate is an out of sample prediction of an Okun's law estimate on the period starting with 1996q1 and ending with the last quarter of before the start of the recession. For the euro area (United States), 68% (43%) of the change in unemployment is explained by contemporaneous changes in GDP.
Source: Commission Services.

Looking at developments in real wages, there is evidence of different adjustment patterns across the most advanced economies (Graph I.1.6). In the euro area, while the productivity decline of 2008-2009 was accompanied by a limited adjustment of real wages, in 2011 real wages were broadly in line with productivity developments. In the United States, relatively stable real wages were associated with sluggish job creation amid strong recovery of productivity growth. In Japan, the limited adjustment in head-count employment during the 2011 contraction coincided with a substantial increase in real wages, mostly attributable to price deflation. Conversely, in Canada, in spite of productivity gains, real wages declined substantially, eroded by inflation.

Graph I.1.6: **Real wages and productivity growth in the euro area and selected advanced countries**



Source: DG ECFIN AMECO database.

1.3. EMPLOYMENT AND UNEMPLOYMENT

Employment expansion lost pace in the second half of 2011. In spite of the economic recovery in the export oriented industries driven by the strong dynamics of global growth in the first half of the year, the demand for labour in these industries continued to be lacklustre. Employment expanded at a moderate pace in manufacturing and more strongly in wholesale and retail trade; for a third year in a row, job destruction prevailed in construction (Table I.1.3).

Table I.1.3: **Employment and value added in sectors**

	2000-2007	2009	2010	2011
	Employment growth			
All NACE activities	1.0	-1.8	-0.5	0.2
Industry (except construction)	-0.8	-5.7	-3.2	0.3
Manufacturing	-0.7	-6.3	-3.5	0.2
Construction	2.2	-5.4	-4.1	-3.0
Wholesale, retail trade; hotels and restaurants;	1.4	-1.7	-0.6	0.5
Financial intermediation; real estate	3.2	0.1	-1.4	0.0
Public administration, community services; activities of households	1.4	1.6	1.0	-0.3
Services	1.3	-0.1	0.1	0.1
	Value added growth			
All NACE activities	2.3	-4.3	2.1	1.6
Industry (except construction)	2.0	-12.1	6.5	3.2
Manufacturing	2.3	-14.3	7.6	4.7
Construction	1.9	-7.7	-2.1	0.3
Wholesale, retail trade; hotels and restaurants;	2.5	-5.7	2.4	1.9
Financial intermediation; real estate	3.9	1.1	-0.5	-0.3
Public administration, community services; activities of households	1.5	1.7	0.9	0.7
Services	2.3	-1.7	1.3	1.1

Source: Eurostat.

How the jobless rate has responded to GDP developments in 2011 can be gauged from Okun's law estimates, linking the percentage point shift in the unemployment rate to the percentage point change in output.

After a limited response of unemployment in 2008-2009, departures from the Okun law in 2010-2011 were small relative to changes in the observed unemployment (Graph I.1.5).

Box I.1.2: The impact of uncertainty on unemployment

It could be expected that an uncertain environment leads not only to delay not only investment, but also hiring, having this way both a direct effect on employment and an indirect one, via economic activity. The present analysis develops a VAR model aimed at isolating and measuring these effects.

Uncertainty is measured by the index developed in Baker et al. (2012, 2012a) for the EU aggregate and the US. The index is obtained by combining information on the frequency of newspapers articles that containing the terms *uncertain* or *uncertainty* and the terms *economic or economy* and policy relevant words such as *taxes, policy, spending, regulation etc.*

The dynamic interactions between uncertainty, GDP and the unemployment rate are captured fitting a VAR over the period 1996Q1-2011Q4 separately for the euro area aggregate and the US. Shocks are identified by means of a Cholesky decomposition imposing that uncertainty is a forward-looking variable. For the euro area, a VAR has been fit also on uncertainty, GDP, the job finding and separation rates over the same period. The charts below depict the impulse responses to output and uncertainty shocks.

The main findings are as follows:

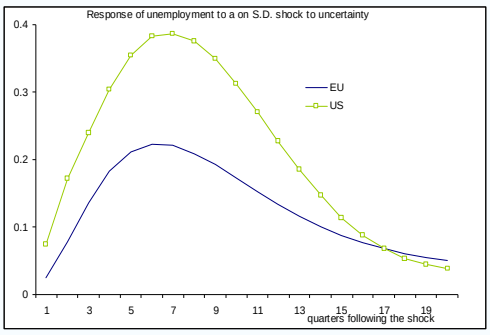
- Unemployment responds both to GDP and uncertainty shocks. This means that falling GDP coupled with much increased uncertainty implies unemployment rising more than predicted by a standard Okun relation. Following a one standard deviation shock to uncertainty, unemployment rate rises for 2 years before reverting back to the pre-shock level.

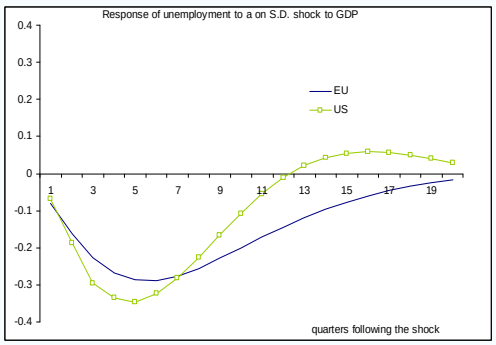
- In line with existing evidence (e.g., OECD, 2012), the response of unemployment to a GDP shock is stronger in the U.S. than in the euro area. The response of unemployment to an uncertainty shock is stronger and more rapid in the U.S. than in the euro area.

- GDP shocks account for about 60% of the variability of unemployment in the euro area; after one year uncertainty shocks account for 30% of unemployment fluctuations. Shocks to uncertainty account for a larger proportion of unemployment changes in the U.S. than in the euro area. Shock to GDP account for less than 50% of unemployment variability in the euro area.

- The response of the separation rate and job finding rate to a transitory GDP shock are of the same magnitude as the responses to a shock to uncertainty. Within a one-year horizon, shocks to GDP account for 50% of fluctuations of the separation rates, while shocks to uncertainty account for about 30% of overall fluctuations of the separation rate; shocks to GDP and uncertainty account for about 40% of total variability of the job finding rate.

Unemployment response to GDP and uncertainty shocks: euro area, US





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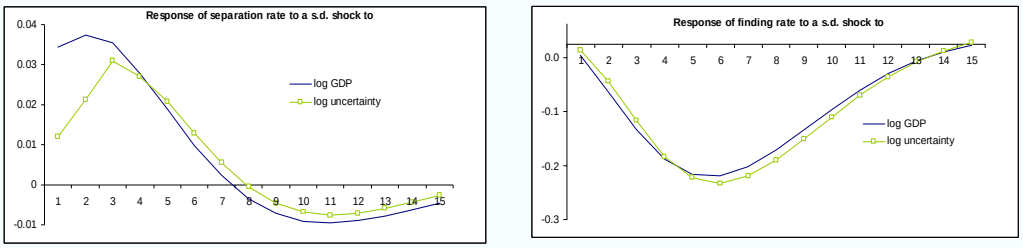
Box (continued)

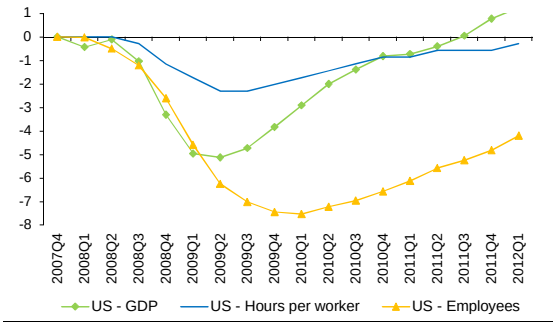
Response of job finding and job separation rates to GDP and to uncertainty, euro area



For the euro area the state of the labour market in 2011 is explained well by the historical relationship between economic activity and unemployment. This contrasts with developments in the United States, where, from the end of 2008 through all 2009, unemployment was considerably higher than what implied by Okun's law. ([5])

Different factors may influence the changing response of unemployment to economic activity.

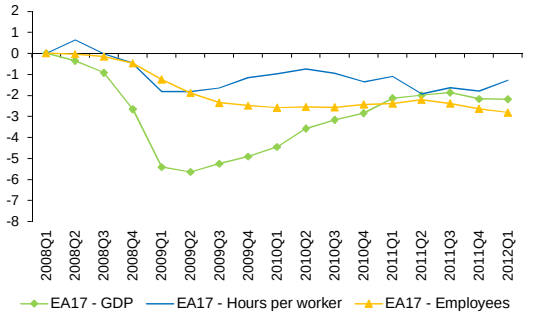
Graph I.1.7: **United States cumulative decline in GDP, number of employees and average hours worked per employee**



Source: Eurostat, U.S. Department of Labour.

First, unemployment may be less responsive to GDP growth due to *adjustment of working hours* (at the *intensive margin*). Graph I.1.7 and I.1.8 show that the US and the euro area experienced different adjustment patterns in the components of the labour input during the recent cyclical phase.

Graph I.1.8: **Euro-area cumulative decline in GDP, number of employees and average hours worked per employee**



Source: Eurostat, National Accounts.

The decline in head-count employment was milder during the recession in the euro area, while in the United States the labour market adjustment took place largely at the "extensive margin" (i.e. the hours per worker declined more than employment in the euro area relative to the US). Currently, the margin for a downward adjustment of working hours to cater for a temporary output loss appear lower in the EU, as the average hours worked have stabilised at a level below that prevailing in the pre-crisis period.

The second element that may explain the sluggish employment growth in the euro area is related to *heightened uncertainty*, notably linked to the sovereign-debt crisis on its implications on the banking sector. ([6]) After improving until the first

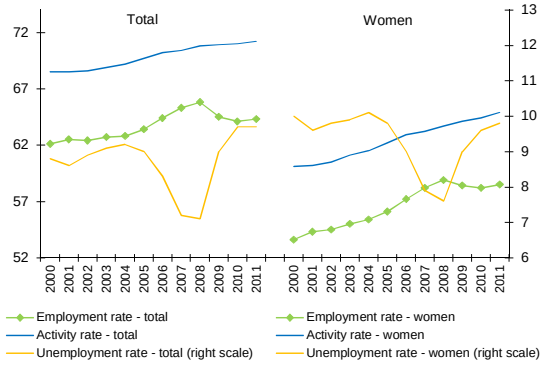
([5]) See OECD (2012), Bernanke (2012), and Elsby et al. (2011). A decline in unemployment stronger than predicted by Okun's law is typical of recent US expansions.

([6]) Other events increasing the uncertainty about the economic policy environment were the public finance concerns in the US, the disruption of the supply chains after the flooding in Thailand, the increases in the oil prices and the geopolitical

quarter of 2011, EU business and consumer confidence have been substantially weakening since April. Facing a more uncertain outlook and sluggish economic growth, businesses may have been more reluctant to hire and more prone to shed jobs. ([7]) Increased uncertainty further helps explaining the increased sensitivity of employment dynamics to output deceleration in 2011. As shown in Box I.1.2, uncertainty shocks impact not only on output but directly to employment decisions, with a deterioration of both the job finding and separation rates and a rather persistent increase in unemployment.

The third factor affecting the reaction of unemployment to economic activity is the behaviour of *labour force participation*. Activity rates in Europe were generally highly resilient during the recession (chapter 2). As shown in Graph I.1.9, during 2008-2010 the proportion of active working-age population increased, and remained mainly unchanged in 2011.

Graph I.1.9: **Employment, unemployment and participation rates in the EU and the euro area**



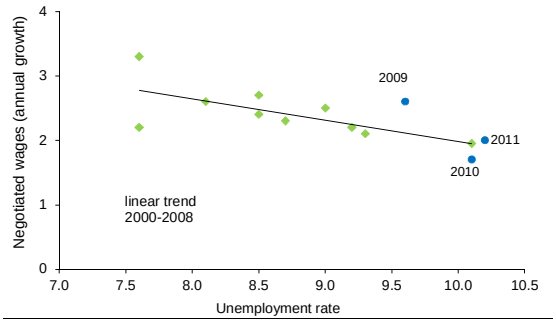
Source: Eurostat, LFS.

This development reflects to some extent composition effects: a steep increase in female participation (with a broadly unchanged male participation); a growing participation by older workers, in line with pre-crisis trends; falling participation for young adults. ([8]) Overall, the interpretation of the resilient labour force participation in the EU immediately after the crisis is linked to the so-called "added worker effect", namely, increased activity notably by second earners to cope with reduced income household income prospects (European Commission, 2011, 2011a).

1.4. WAGES AND LABOUR COSTS

Expectations about the incoming recovery in 2010 were followed in 2011 by a moderate pick up of negotiated wages in the euro area, which were expanding on an annual basis at 2% (against 1.7% of the previous year). However, persistent labour market slack was already incorporated in the first quarter of 2012 in the dynamics of the variable components of wages, which almost offset the moderate increase stipulated by the collective bargaining agreements.

Graph I.1.10: **Phillips curve for the euro area 2000-2011: growth of negotiated wages**



Source: Commission Services.

For the euro area as a whole, the labour market weakness has been only gradually incorporated in collectively agreed wages, as shown by the Phillips curve based on the period 2000-2008 period (Graph I.1.10): the increase in unemployment after the 2008 recession was followed by a deceleration of negotiated wages with lags, and only starting from 2010 and 2011 the dynamics of negotiated wages are broadly in line with what

tensions in the middle-east; see European Commission (2012), Spring Forecast.

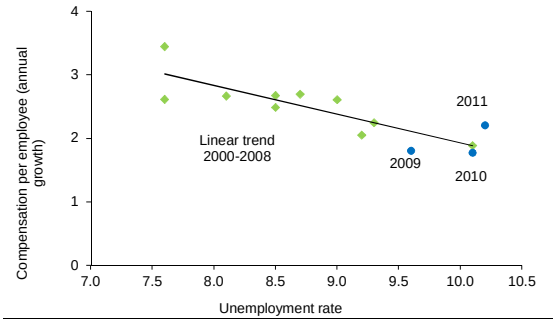
([7]) The uncertainty on the resolution of the sovereign debt crisis and its effects on the cost of private capital may have curbed hiring intentions worsening labour market prospects with negative feedbacks on short-term interest rates, economic prospects and solvency risks (Manasse and Trigilia, 2011).

([8]) In 2011 the US participation rate dropped by ½ p.p. Among various age groups, participation is increasing only among the young adults (20-24).

predicted on the basis of the Phillips curve-type relation.

The dampening effect of unemployment on wage growth was instead fully reflected already in 2009 when measured in terms of compensation per employee, which include the variable component of wages and employers' social security contributions (Graph I.1.11). This evidence suggests that the variable component of wages adjusted faster to labour market slack than the negotiated component.

Graph I.1.11: **Phillips curve of the euro area 2000-2011: growth of compensation per employee**



Source: Commission Services.

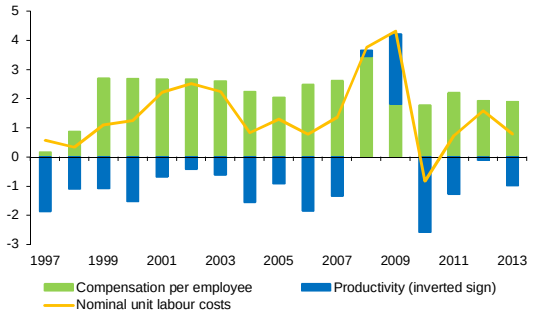
The reading of dynamics in aggregate wage figures needs also to take into account of the changing composition of employment by skill. The substantial decline in low-skilled employment since the crisis may partly explain the lags in the wage response to increased unemployment in the euro area and may indicate that, taking into account composition effects, the actual wage response is stronger than revealed by referring to unadjusted aggregate figures.

Regarding euro-area dynamics in real product wages (i.e. nominal compensations per employee deflated with product prices; the definition of real wage relevant for firms' hiring decisions), it appears that they may have somehow contributed to accommodate the slack in the labour market. After growing at 1.4% in 2008, the real compensation per employee based on the GDP deflator decelerated to 0.9% in 2009-2011.

More importantly, looking at cross-country patterns, it appears that real wage adjustment is increasingly linked to labour market slack. In fact, Graph I.1.5 (panel b) shows that until 2009 real wage dynamics were actually stronger in countries with worse unemployment outcomes, and that this pattern has inverted only in 2010.

As for developments in productivity and unit labour costs, the slowdown of labour productivity growth in 2011 combined with unchanged growth of compensation per employee implies a recovery in unit labour costs in the EU and in the euro area (Graph I.1.12). These developments compensate partly for the opposite trend observed in 2008 and 2009, caused by widespread labour hoarding.

Graph I.1.12: **Compensation per employee and unit labour costs in the euro area**



(1) For 2012 and 2013 Commission Spring forecast.
Source: DG ECFIN AMECO database.

The dynamics of real labour costs mirrors changes in the wage share and in its complement the profit share. Between 2007 and 2009, labour hoarding and the limited wage adjustment were accompanied by an increase in the labour share. With adjustment of wages taking place, and with limited room for labour hoarding opportunities in countries where hours worked remain below the pre-crisis average, the wage share started to revert towards its pre-crisis level. In 2011 the average profit share in the EU stood at about 57%, well above the share prevailing before the crisis (55%). In spite of this recovery in the profit share and its implications for the availability of internal funds, investment has not resumed due to substantial uncertainty on demand prospects.

The fact that the largest increase in compensations per employee was recorded in manufacturing reflects the shift in the composition of employment towards higher wage categories as well as the recovery of the export sector (Table I.1.4). Despite

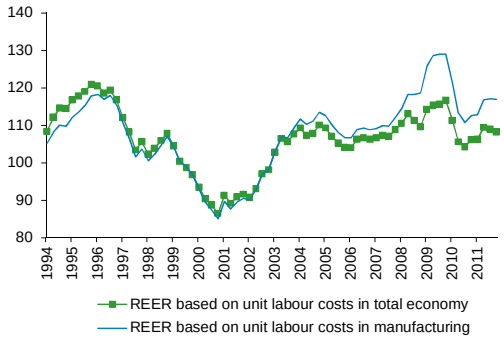
Table I.1.4: **Labour costs by sector**

	Compensation per employee			Value added			Total hours worked			Unit Labour Costs		
	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011
Total Economy												
EU27	-0.9	3.5	2.2	-4.3	2.1	1.6	-3.1	-0.1	0.5	1.6	0.7	0.8
Euro-area	1.8	1.8	2.2	-4.4	2.1	1.5	-1.9	0.2	1.0	4.2	-0.9	0.8
US	2.1	2.7	3.2	-2.6	3.0	1.7	-5.5	0.0	:	0.5	-0.9	2.0
Japan	-3.8	0.2	1.0	-7.5	4.5	-0.7	-4.7	0.7	:	0.4	-4.4	1.5
Canada	1.5	2.6	3.2	-3.1	3.2	2.2	-3.3	1.9	:	2.8	0.8	2.4
Industry (except construction)												
EU27	-2.4	5.6	3.1	-12.1	6.5	3.2	-8.2	-1.0	0.9	4.6	-4.0	0.2
Euro-area	-2.2	3.7	3.0	-13.2	6.7	3.4	-6.9	-0.5	1.6	8.7	-5.9	-0.1
US	3.4	2.7	:	-5.5	:	:				-1.9	-6.0	
Manufacturing												
EU27	-3.0	5.5	3.1	-14.3	7.6	4.7	-9.0	-1.1	1.0	6.1	-5.4	-1.3
Euro-area	-2.6	3.8	3.1	-15.7	7.6	4.6	-7.8	-0.6	1.8	10.9	-6.8	-1.1
US	3.6	2.9	:	-9.2	:	:				0.9	-8.3	
Construction												
EU27	0.5	3.8	2.4	-7.7	-2.1	0.3	-7.2	-4.0	-2.6	3.1	1.7	-0.9
Euro-area	4.4	1.1	3.0	-6.9	-4.2	-1.0	-7.7	-4.4	-3.6	5.7	1.6	0.2
US	3.5	1.8	:	-15.8	:	:				-0.2	-1.5	
Wholesale and retail trade, transport, accomodation and food service activities												
EU27	-1.7	3.1	2.0	-5.7	2.4	1.9	-2.4	0.1	0.7	2.5	0.1	0.7
Euro-area	-0.1	1.7	1.7	-5.7	2.6	2.0	-0.9	-0.3	1.3	5.3	-1.5	0.5
US	1.3	2.3	:	-2.9	:	:				3.3	-4.2	
Financial and insurance activities												
EU27	-0.3	4.9	2.1	1.1	-0.5	-0.3	-1.4	-0.9	0.5	-1.3	4.0	2.4
Euro-area	0.2	2.0	1.2	3.9	1.3	0.5	-0.3	-0.7	0.7	-2.7	-0.3	0.8
US	0.9	3.8	:	-1.2	:	:				-3.5	2.3	

(1) Unit Labour Cost data by sector for the EU and EA are own calculations.
Source: Eurostat, DG ECFIN AMECO database, OECD, Bureau of Labour Statistics.

the increase in compensation per employee, unit labour costs continued through 2011 the downward path started in 2010 owing to productivity gains linked to labour inputs growing at a slower pace compared with value added. In construction, a recovery in unit labour costs was visible in 2011 in non-euro-area countries, linked to an incipient recovery in value added. Conversely, in market services, notably financial services, unit labour costs have been rising on aggregate amid a deceleration of value added compared with 2010.

Graph I.1.13: **Euro area competitiveness indicators**



(1) Real effective exchange rates against 36 trading partners.
Source: Commission Services.

For the EU and the euro area, these developments have led to an evolution of relative unit labour costs consistent with a gradual improvement of the competitiveness of export-oriented sectors as also evident from the evolution of the competitiveness indicators based on unit labour costs (Graph I.1.13).

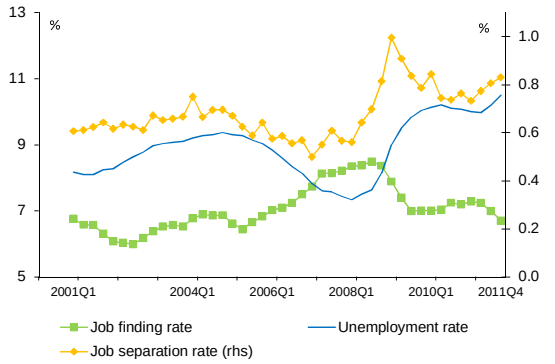
1.5. LABOUR MARKET MATCHING AND LONG-TERM UNEMPLOYMENT

Unemployment dynamics are the result of a continuous process of job creation and job separation. The separate analysis of job flows helps assessing the underlying factors driving the evolution of unemployment and its characterstics, notably in terms of duration.

Graph I.1.14 shows the evolution of job separation and job finding rates for the euro area aggregate. The job finding rate dropped in 2009, remaining persistently low in 2010 and declining further in 2011, contributing in this way to a growing unemployment rate and an increased duration. ([9]) Less obviously, the weakening of the labour market in 2011 did not manifest itself only in reduced job openings, but also in a renewed process of job shedding. After the substantial drop in separation rates from the peak of early 2009, job separation rates are rising again starting from 2011. As discussed in Chapter 2, this new process of job destruction is concentrated in few countries.

([9]) See Arpaia and Curci (2010) for the methodology.

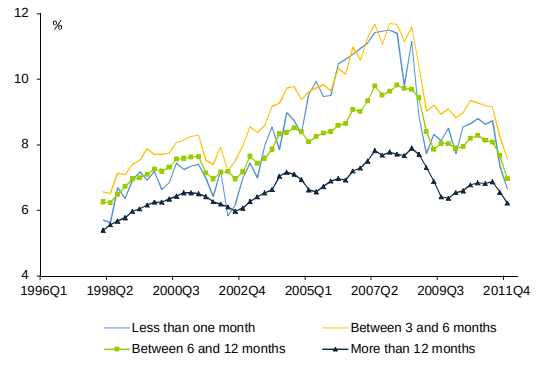
Graph I.1.14: **Job finding and job separation rates in the euro area**



Source: Commission Services based on Eurostat data.

The deterioration of the job finding rate is common at all unemployment durations (Graph I.1.15). This is indicative that the main driver of the reduced job creation is mostly a shortfall of labour demand, because in the opposite case of structural factors playing a major role, the job finding probability would have fallen mostly for the long-term unemployed. ([10])

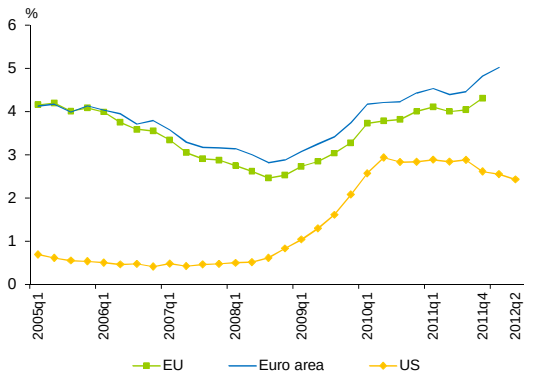
Graph I.1.15: **Job finding rate by duration of unemployment, euro area**



Source: Commission services on Eurostat data.

Looking forward, there are risks that persistently high unemployment rates would also imply that unemployment will become increasingly of a structural nature. As low rates of job creation persist, a growing share of unemployment will be fall on long durations. At the onset of the crisis, about 3% of the labour force was looking for a job for more than 12 months (Graph I.1.16). After an initial fall in this ratio linked to job shedding, the ratio has continuously kept rising in the euro area and EU. ([11])

Graph I.1.16: **Percentage of the labour force jobless for 1 year or more**



Source: Eurostat and BLS.

Since, as shown in Graph I.1.15, long-term unemployed are less likely to find easily a job (due, inter alia, loss of skill, stigma, or reduced search effort) the increased unemployment duration will contribute to a worsened matching process, thereby keeping job finding rates low and unemployment persistently high.

The composition of unemployment by duration is not the only factor affecting matching in the labour market. A broad assessment of the efficiency of the matching process can be gauged by the Beveridge curve, putting in relation unemployment and job vacancies. Movements along the curve are associated to changing labour demand; shifts of the curve are related to changes in the efficiency of the matching process.

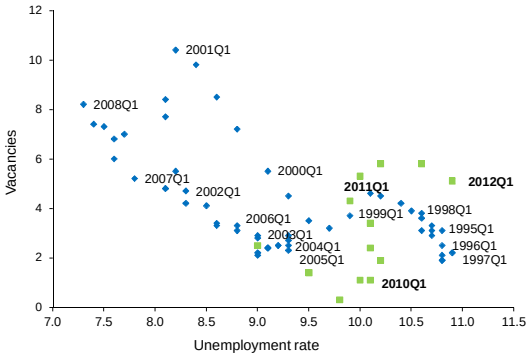
Graph I.1.17 shows that the euro-area Beveridge curve is negatively sloped as expected. It also reveals two prominent inward shifts occurring in the late 1990s and at mid-2000s, which are suggestive of improvements in the efficiency of the matching process. The curve also reveals that the crisis led first to a major drop in labour demand without major consequences in terms of matching until 2010 (compare 2008q1 with the 2010q1 and

([10]) Similar evidence is found for the US; see: Bernanke (2012)

([11]) This tendency contrasts that in the US: after an initial surge in the share of long-term unemployment in 2008, the ratio has been falling since 2010, reflecting mostly a turnaround in job finding rates.

the other green square labels), and then a gradual deterioration in the matching process. In the first quarter of 2012, the combination of unemployment and vacancies lies well above the historical relation.

Graph I.1.17: **Beveridge curve for the euro-area, 1995q1-2011q1**

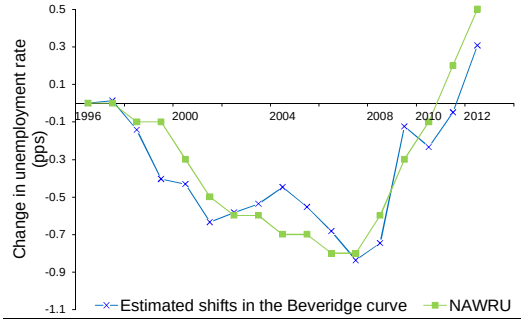


(1) Job vacancies are approximated with the survey based indicator of labour shortages.
Source: Commission Services.

The recent movements in the Beveridge curve point to a possible substantial deterioration in the matching process in the euro-area labour market. However, this interpretation is subject to a number of caveats. First, movements of vacancies and unemployment can be a sign of frictions in the adjustment of labour input rather than a deterioration of the labour market matching process (e.g. Blanchard and Diamond, 1989). Second, movements in the unemployment rate do not account for labour market slackness resulting into workers dropping from the labour force. Finally, vacancies and unemployment may co-move due to factors not linked to matching efficiency (e.g., wage setting conditions,…).

Shifts in the Beveridge curve may be temporary or may signal instead a long-lasting transformation in the labour market. The extent to which Beveridge curve shifts are linked to permanent transformations in the labour market can be gauged by comparing the shifts in the location of the curve, representing changes in unemployment rate due to changes in match efficiency, and the NAWRU. ([12])

Graph I.1.18: **Shifts in the euro-area Beveridge curve and NAWRU (cumulated changes since 1996)**



(1) For 2012 the shift refer to first quarter, NAWRU to 2012 Spring forecasts.
Source: Commission services.

As shown in Graph I.1.18, the two curves exhibit a remarkable degree of co-movement, which is particularly evident in recent years. Until 2008, both series points toward declining structural unemployment. After 2008, the NAWRU and the mismatch-related unemployment shot up considerably. This evidence suggests that, if not reversed, the worsening labour mismatch may imply that a structural and long-lasting increase of unemployment.

1.6. CONCLUSIONS

The EU labour market in 2011 was marked by a sudden interruption of the timid recovery in employment. Employment started falling in the mid of 2011 amid a reduction of job finding rates and a renewed process of job shedding. The EU was the only world macro region where unemployment did not fall in 2011. The euro-area unemployment rate is currently close to 11%, the highest rate since the start of monetary union, and unemployment divergences have reached a record high.

The labour market weakness was mostly the results of worsening economic activity linked to the deterioration of the sovereign crisis. The reduced room for adjusting working hours, which

([12]) The Graph is based on an estimate of a Beveridge curve for the euro area on the period 1996Q1-2011Q4 with constant equal to 3.9 and the coefficient of the vacancies squared that equals -0.13 both significant at 99%; R2=0.99. For the methodology and a review of the Beveridge curve see "Labour market developments in Europe" report of last year.

have stabilised at a level below the one prevailing before the crisis, and the increased uncertainty on the economic outlook hampering labour hoarding, further contributed to a response of employment to the deceleration of economic activity that was much stronger compared with the onset of the crisis, albeit in line with Okun's law estimates.

Dynamics in negotiated wages remained fairly moderate in 2011 and unit labour costs improved as a result of productivity gains. Moreover, aggregate data on wage dynamics may mask composition effects linked to a falling share of low-skilled employment which, if taken into account, would reveal a more substantial wage adjustment. In light of the lagged response of bargained wages and the slackness in the labour market of 2011, sustained wage moderation might be expected looking forward. Most importantly, as stressed in the next chapters, wage dynamics at country level started increasingly reflecting differences in unemployment performance and external rebalancing needs.

The evidence indicates that the persistence of high unemployment rates is creating the conditions for unemployment becoming increasingly structural in the euro area. The share of long-term unemployed has risen continuously since 2009. The Beveridge curve for the euro area has clearly been shifting outward since 2010, an indication of worsening labour market matching.

2. LABOUR MARKET DEVELOPMENTS AT COUNTRY LEVEL

2.1. INTRODUCTION

Labour market developments at country level followed diversified paths in 2011. Employment growth was strong in the countries with the economic recovery on more stable footings (the Baltics, Germany and the Benelux, Austria, Hungary, Poland and Sweden). Conversely, employment sharply declined in Member States with falling or stagnating GDP such as Greece, Slovenia, Ireland, Spain or Portugal. Also in Romania, and especially Bulgaria, employment shrunk despite the upswing in economic activity. Overall, the unemployment rate was the lowest in Austria, the Netherlands and Luxembourg (all below 5%) and the highest in Spain, Greece and Latvia (annual averages ranging between almost 22% in the former and 16% in the latter).

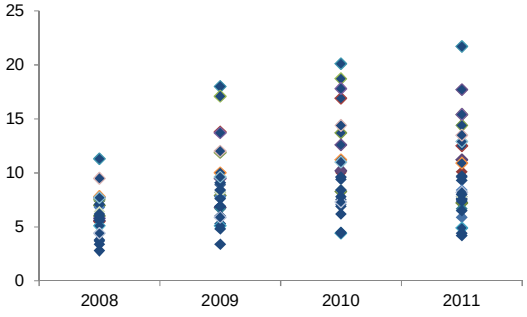
This chapter digs deeper in the main features of employment developments at EU country level. It provides also an analysis of job market flows and a disaggregated overview of employment dynamics by age, gender, national origin, and type of contract (temporary versus permanent, part-time versus full-time).

The remainder of this chapter is structured as follows. Section 2.2 describes the recent developments in the unemployment and the labour input. Section 2.3 looks into employment and participation rates developments and flashes employment developments per sector of activity. Section 2.4 provides country evidence on the risk of unemployment persistence and the build-up of long-term unemployment. The labour market outcomes for specific employment groups are presented in Section 2.5.

2.2. UNEMPLOYMENT RATES

In 2011, barring Germany and Luxembourg, the unemployment rate stood above pre-crisis levels in the rest of the EU (Graph I.2.1). Compared to 2010, unemployment rates in 2011 declined in a minority of countries, most notably the Baltics, and to a lesser extent, Germany, Austria, Belgium, the Netherlands, Sweden, Finland, Hungary, Czech Republic. The major increases in the unemployment rate were recorded in Greece, Portugal, Spain and Cyprus.

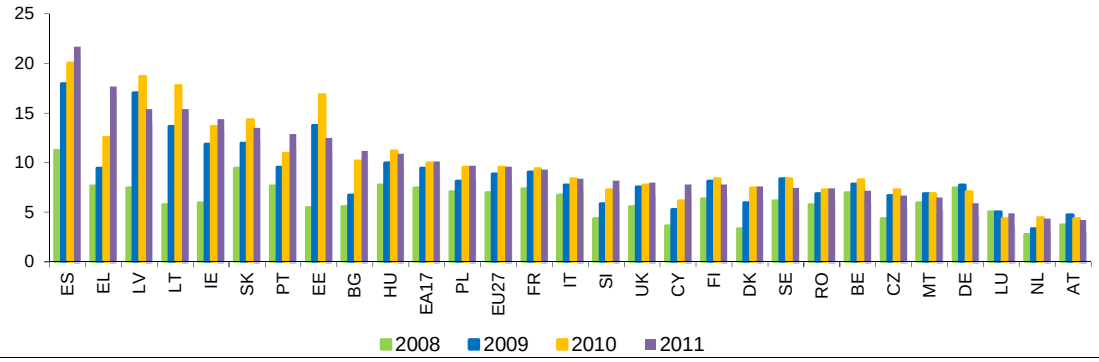
Graph I.2.1: **Evolution of distribution of unemployment rates in the EU in recent years**



Source: Eurostat, LFS.

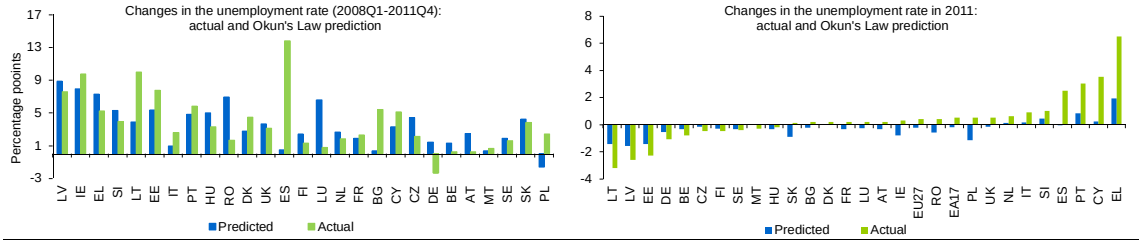
Overall, unemployment dispersion has increased markedly with increasing cross-country differences since the start of the economic and financial crisis.

Graph I.2.2: **Unemployment rates in the EU Member States: 2008-2011 (15-74 years, as % of labour force)**



(1) Countries are ranked in descending order of unemployment in 2011.
Source: Eurostat, LFS.

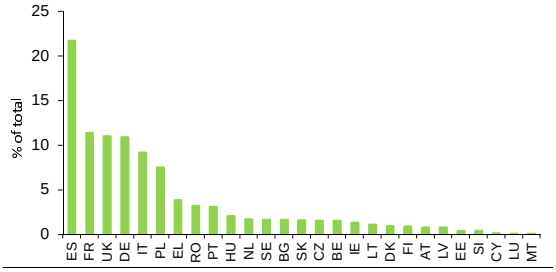
Graph I.2.3: **Unemployment rates: actual and prediction from Okun's law**



(1) Predicted values are out-of-sample forecast based on an Okun's law estimated on a panel of 27 countries for the period 1997q1-2008q1. Country and period fixed effects are included. The Okun's coefficient is 0.28 In panel a) countries are ranked in ascending order of GDP growth.
Source: Commission Services.

A large share of unemployment is concentrated in relatively few countries. Spain alone, with almost 5 million unemployed, accounted for over one fifth of the total unemployment in the EU in 2011 (Graph I.2.4) (more than one third in the euro area alone). Because of their size, other large Member States such as France, the United Kingdom and Germany, accounted also for an important even if visibly smaller share of unemployment in the EU.

Graph I.2.4: **Distribution of unemployment across EU: percentage share of total EU unemployment in 2011**

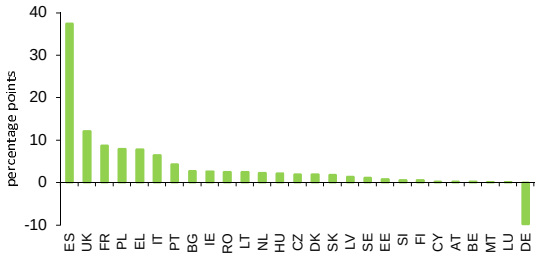


Source: Eurostat, LFS.

In incremental terms, the jump in the Spanish unemployement represented almost 40% of the EU-wide increase in unemployment since 2008 (Graph I.2.5), going well beyond the share of other large Member States. Also France, Italy, Poland and Greece contributed with more than 10% to the rise in total jobless persons in the EU since the start of the crisis. Conversely, Germany gave the strongest negative contribution to overall EU unemployment.

The different evolution of unemployment could be linked either to different output developments or to a different employment response to economic activity. Graph I.2.3 reports the observed change in the unemployment rate (2008Q1-2011Q4) and that predicted on the basis of country-level Okun's law estimates. ([13]) It appears that for more than half of the EU countries the increase in unemployment since the crisis is lower than predicted by the Okun law (e.g., Luxembourg, Romania, Germany or Austria). This confirms the relevant role played by adjustment of working hours during the recession in a number of EU countries. However, in some Member States, most notably Spain, Lithuania, and Bulgaria, unemployment was more reactive than what predicted by the change in GDP alone.

Graph I.2.5: **Unemployment in the EU: contributions for the increase in unemployment between 2008 and 2011 (in % of the total EU change)**



Source: Eurostat, LFS.

Comparing the Okun law prediction with actual unemployment changes for year 2011 only, it appears that discrepancies are substantial only in some countries and follow a quite clear pattern. The Okun law does not hold on the one hand in countries characterised by a protracted or worsening sovereign and financial crisis (Greece, Cyprus, Portugal, Spain, Slovenia, Italy, with

([13]) The Okun's Law has been estimated with OLS and robust variances on a panel of the 27 Member States over the period 1997Q1-2011Q4 controlling for country specific fixed effects and period effects; the panel is unbalanced due to data availability.

unemployment growth above prediction), on the other hand in countries in the verge of completing their rebalancing process and with stabilising financial systems (the Baltics, with unemployment reduction above prediction). All in all, this confirms the point made in Chapter I that uncertainty and risk premia, and private and public sector deleveraging are playing a key role in explaining diverging employment developments across Europe.

2.3. EMPLOYMENT, PARTICIPATION RATES HOURS WORKED

2.3.1. Employment and participation rates

As stressed in Chapter 1, for the EU as a whole, the drop in employment was accompanied by an increase in participation over the crisis period. While the employment rate has increased only in very few countries, the activity rate remained above or at its pre-crisis level in a most Member States, most notably Poland, Germany, Lithuania and Malta (Table I.2.1). However, drops in activity rates were recorded in Ireland, Bulgaria, Denmark, Slovenia, Latvia and Finland.

Table I.2.1: **Activity rates, employment rates unemployment rates**

	Activity rates			Employment rates			Unemployment rates		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
EU27	70,9	71,0	71,2	64,5	64,1	64,3	9,0	9,7	9,7
EA	71,4	71,4	71,5	64,5	64,2	64,2	9,5	10,1	10,2
BE	66,9	67,7	66,7	61,6	62,0	61,9	8,0	8,4	7,2
BG	67,2	66,5	66,0	62,6	59,7	58,5	6,9	10,3	11,3
CZ	70,1	70,2	70,5	65,4	65,0	65,7	6,8	7,4	6,8
DK	80,2	79,4	79,3	75,3	73,3	73,1	6,1	7,6	7,7
DE	76,3	76,6	77,2	70,3	71,1	72,5	7,9	7,2	6,0
EE	74,0	73,8	74,7	63,5	61,0	65,1	14,1	17,3	12,8
IE	70,8	69,8	69,4	62,2	60,1	59,2	12,0	13,9	14,7
EL	67,8	68,2	67,7	61,2	59,6	55,6	9,6	12,7	17,9
ES	73,0	73,4	73,7	59,8	58,6	57,7	18,1	20,2	21,8
FR	70,5	70,5	70,4	64,0	63,8	63,8	9,2	9,4	9,3
IT	62,4	62,2	62,2	57,5	56,9	56,9	7,9	8,5	8,5
CY	74,0	74,4	74,0	69,9	69,7	68,1	5,4	6,4	7,9
LV	73,9	73,2	73,3	60,9	59,3	61,8	17,5	19,0	15,6
LT	69,8	70,5	72,0	60,1	57,8	60,7	13,9	18,0	15,6
LU	68,7	68,2	67,9	65,2	65,2	64,6	5,2	4,4	4,9
HU	61,6	62,4	62,7	55,4	55,4	55,8	10,1	11,2	11,0
MT	59,1	60,3	61,6	55,0	56,1	57,6	7,0	7,0	6,5
NL	79,7	78,2	78,4	77,0	74,7	74,9	3,4	4,5	4,4
AT	75,3	75,1	75,3	71,6	71,7	72,1	4,9	4,5	4,2
PL	64,7	65,6	66,1	59,3	59,3	59,7	8,3	9,7	9,8
PT	73,7	74,0	74,1	66,3	65,6	64,2	10,0	11,4	13,4
RO	63,1	63,6	63,3	58,6	58,8	58,5	7,2	7,6	7,7
SI	71,8	71,5	70,3	67,5	66,2	64,4	6,0	7,4	8,3
SK	68,4	68,7	68,9	60,2	58,8	59,5	12,1	14,4	13,6
FI	75,0	74,5	74,9	68,7	68,1	69,0	8,4	8,5	7,9
SE	78,9	79,5	80,2	72,2	72,7	74,1	8,5	8,6	7,7
UK	75,7	75,5	75,7	69,9	69,5	69,5	7,7	7,9	8,2

Source: Eurostat, LFS.

In countries with the largest increase in unemployment, the increase in the number of jobless people was offset by a decline in participation only in Latvia and Ireland. Conversely, the unemployment rate could have been lower in Lithuania, Spain and Greece had the participation rate not increased. Finally, in countries with a relatively strong labour market performance such as Germany, Poland or the Netherlands, employment and participation rates have evolved in tandem, consistently with the "discouraged worker" effect.

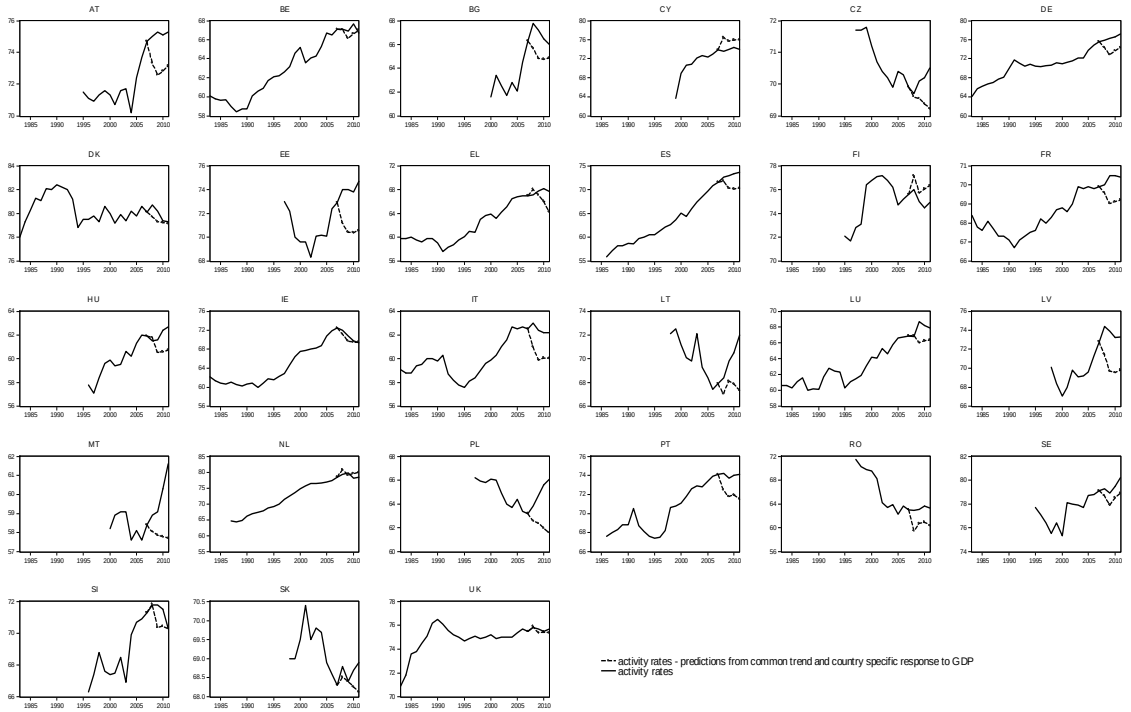
Overall, participation rates after the 2008 recession behaved differently compared with previous recessions (notably the recessions recorded in the early 1990s), where a substantial amount of younger and older workers exited from the labour force in several EU countries.

A comparison between actual participation rates and those predicted on the basis of GDP (Graph I.2.6) reveals also that participation rates were in general more resilient than expected in the aftermath of the recession started in 2008. It is worth noting, however, that this phenomenon was particularly accentuated in large EU countries (Germany, France, Spain, Italy), while in other countries the response was in line or below prediction (e.g., Ireland, Belgium, Denmark, the Netherlands). This partly contributes to explain the strong resilience for the EU on aggregate.

Demography could be one factor driving the resilient behaviour of participation rates. However, the data rather reveal that for the EU as a whole demography effects have played rather in the opposite direction.

As a result of ageing, between 2007 and 2011, the share of prime-age workers in the labour force declined by less than 1 percentage point, while that of older workers increased by 1.2 percentage points. The shift of the labour force towards age groups with participation rates below average led to a decline of the total participation rate by about 0.5 percentage points, which was however offset by an increase in participation for all age groups, except young adults (age 20-24). This evidence corroborates the view that the "added-worker effect" taking place notably in a number of large EU countries was a main driver for the exceptional resilience of labour force participation in Europe since the crisis.

Graph I.2.6: **Participation rate: actual and predicted on the basis of GDP and common trend**



(1) The predicted values are the outcome of out of sample prediction from a regression estimated on the period 1993-2007 of the activity rate on a common trend and GDP, where the effect of GDP is allowed to vary across countries; country fixed effects are included in the estimate.
Source: Commission services based on Eurostat, LFS.

Despite the current resilience, looking forward, one may express concerns about the sustainability of high participation rates by jobless people with low labour market attachment if labour market prospects remain poor and in absence of adequate policy frameworks.

2.3.2. The adjustment of hours worked

Although all countries have recorded a fall in hours worked per person, in some the reduction in the average hours worked per worker during the 2008-2009 crisis was an effective tool to adjust the labour input and avoid massive job losses (Graph I.2.7).

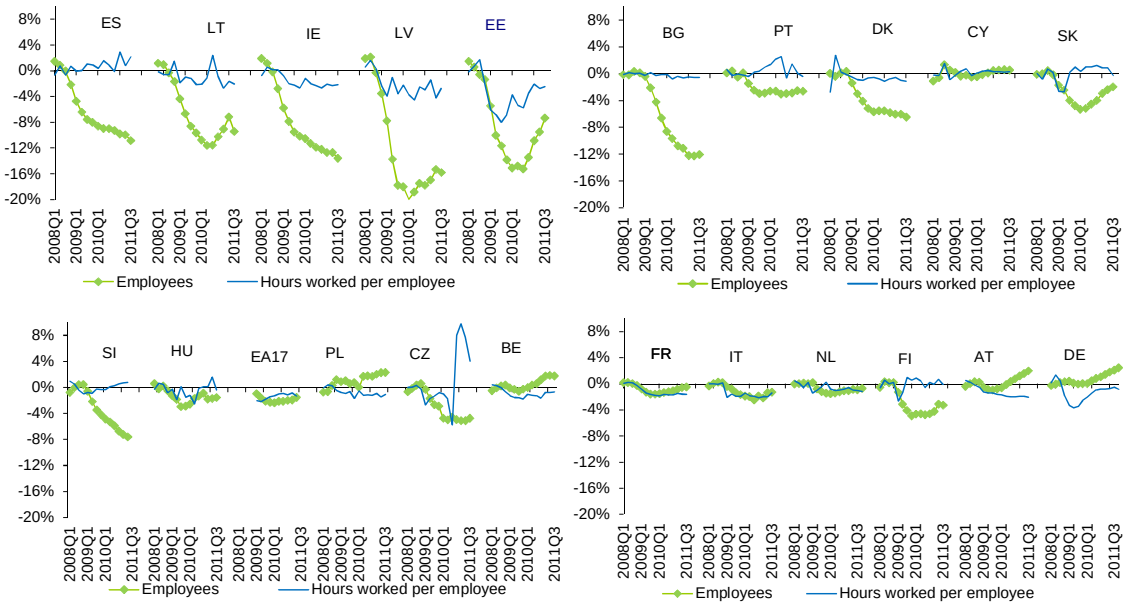
In 2011, the average hours worked per worker did not get back to pre-crisis levels in almost every Member State. This helped preserving jobs. In contrast, in some high-unemployment countries, notably Spain and Portugal, the average number of hours worked has increased since the onset of the 2008-2009 recession. While such a development would help reducing unit labour costs and restoring competitiveness, did not help containing the massive process of labour shedding in these countries.

On the opposite, falling hours per worker are associated with a recent increase in the number of employees in Belgium, Austria, Germany and Poland. The behaviour of total labour input in Germany reflects the sustained recovery, with a rapid return of average hours to pre-crisis levels, an increase in headcount employment above pre-crisis levels, and signs of labour market tightening.

2.3.3. Employment developments at sectoral level

While manufacturing and construction have driven the fall in employment, job creation in services, namely non-market services, mitigated these big drags on employment in a large number of countries (Table I.2.2). After two years of negative growth, job creation resumed in 2011 in industry and construction in most Member States.

Graph I.2.7: **Change in total hours worked (cumulative changes since 2008Q1)**



Source: Eurostat, National accounts.

Table I.2.2: **Employment growth in different sectors: 2008-2011 (%)**

	Total	Agriculture	Industry	Construction	Market services	Non-market services
LU	5.6	6.1	1.1	2.1	4.7	11.8
MT	4.4	7.1	-9.0	-6.1	8.5	7.2
BE	2.1	-8.7	-7.7	3.3	3.2	5.0
DE	1.9	-0.9	-2.9	3.5	3.0	3.2
PL	1.9	-7.5	-5.3	5.9	7.4	6.1
AT	1.5	-1.2	-2.3	0.4	2.1	3.8
SE	0.8	-0.1	-9.2	8.2	3.4	1.3
CY	0.0	8.0	-7.1	-14.6	-1.5	9.4
NL	-0.7	-8.7	-5.6	-6.0	-2.5	5.3
FR	-0.9	-8.2	-7.7	-2.1	0.1	1.2
UK	-0.9					
SK	-1.7	-12.7	-11.3	-0.3	4.3	0.2
IT	-2.0	-3.2	-7.4	-6.6	-0.5	1.3
HU	-2.1	-0.7	-3.4	-12.9	0.5	-2.1
CZ	-2.6	-14.4	-10.1	-1.6	2.3	0.4
FI	-2.6	-6.9	-11.9	-2.6	-3.1	3.8
RO	-3.0	6.9	-15.5	-5.5	-3.2	-1.0
PT	-5.6	-8.1	-10.5	-16.5	-3.8	1.1
DK	-5.8	-2.7	-16.6	-16.4	-6.2	1.0
SI	-5.9	-6.0	-15.2	-21.4	-1.6	5.0
EE	-8.3	4.8	-8.1	-36.9	-5.9	-1.2
EL	-8.7	-3.4	-17.3	-34.0	-6.6	-2.9
LT	-9.8	-2.4	-18.8	-43.7	-1.2	-2.7
ES	-10.9	-6.4	-20.3	-43.1	-6.5	0.4
BG	-11.1	-8.0	-16.5	-31.8	-5.3	-9.3
IE(***)	-13.8	-26.2	-16.0	-48.1	-9.3	1.0
LV	-14.5	2.1	-13.0	-46.1	-11.8	-10.6

(1) (*) sector detail excludes Ireland and United Kingdom; (**) sector detail excludes Ireland; (***) 2008-2010 for the case of IE.
Source: Commission services.

In some countries, the construction sector has also been a major drag on employment and in fact the sector that recorded the most dramatic consolidation. The number of employed in construction nearly halved in Ireland, Spain and the Baltic countries over the latest number of years, with construction alone amounting to around half of the total job losses in these Member States. Even in other Member States with much milder employment reductions, construction jobs have fallen by large margins. Only in a minority of countries, employment in the sector has actually risen and almost always by small margins.

Declining jobs in industry have contributed the most to rising unemployment. For the EU as whole, the sector accounted for slightly more than half of the net job destruction. In fact, jobs in industry have declined in every single Member State barring Luxembourg (where it has little weight on employment) since the beginning of the crisis; cumulated job falls close to or beyond the double digit mark were recorded in half of the Member States, most severely in Spain, Lithuania and Greece. However, in many industrialised countries employment in manufacturing has been declining since well before the 2008-2009 recession as a consequence of shifts of production toward developing countries.

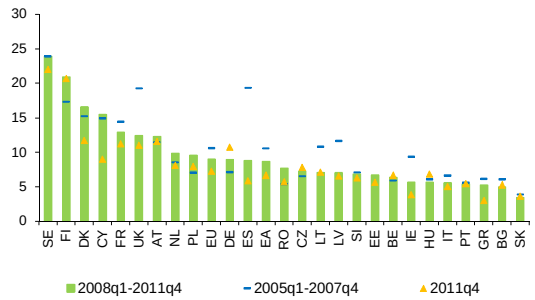
Market services had a mixed employment performance, with around half of the Member States recording net employment growth (notably, Poland, Malta and Germany) and the other half net employment losses (e.g., Latvia, Ireland and Greece).

Non-market services, notably the public administration, was the only sector where net employment gains were recorded in most countries (major net losses only in Latvia and Bulgaria). Unlike other sectors, employment in non-market services lost momentum in 2011, reflecting public finances consolidation dynamics also over the government wage bill.

2.4. JOB MARKET FLOWS

The analysis of labour market flows provides indication on the sources of unemployment fluctuations, notably whether changes in unemployment rates are mostly related to fluctuations in separation, job finding rates or both.

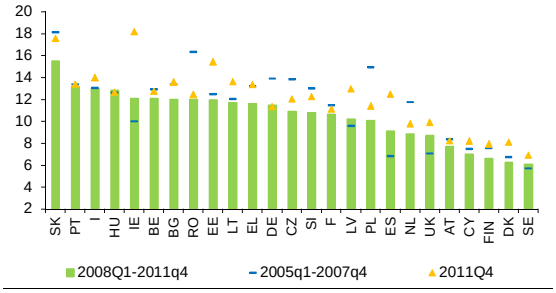
Graph I.2.8: **Job finding rates**



Source: Commission services' calculations on Eurostat LFS.

Four years since Great Recession, job finding rates remain low or are further dropping in most countries (Graph I.2.8). Since the onset of the crisis, the most substantial drops in the job finding rates were observed in Spain and in countries with relatively dynamic labour markets (United Kingdom, the Baltics and Ireland).

Graph I.2.9: **Unemployment duration in months**

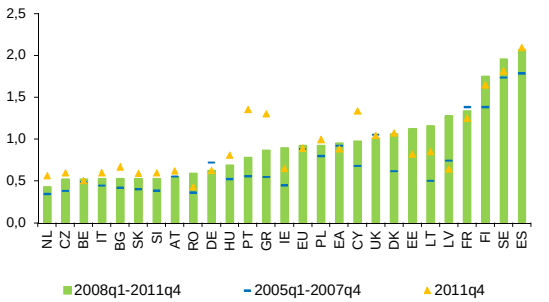


Source: Commission services.

At the end of 2011, the probability of finding a job fell considerably in Cyprus, Denmark, Greece, Spain, Ireland and Romania. This reduced exit rate from unemployment coincided with an increase in unemployment duration (I.2.9). By contrast, Germany, Romania, the Netherlands and Poland recorded increased job finding rates and a declining duration of unemployment in 2011. In terms of levels, unemployment duration in 2011 appears particularly high in Ireland, Slovakia, the Baltics, Portugal, Italy and Hungary.

As a result of the crisis, job separation rates increased in almost all countries (Graph I.2.10), with few exceptions (notably Germany). Particularly large increases were recorded in the Baltics, Ireland, Greece, Portugal, Denmark. In spite of a separation rate increase not among the highest after the crisis, Spain recorded the largest job separation rate in levels. In 2011, job separation rates increased substantially in Portugal, Greece, Cyprus, to a lesser extent in a number of other countries (including Italy, Slovenia, the Netherlands, Hungary) and further raised also in Spain. Conversely, reduced job separation rates compared with pre-crisis average were recorded in 2011 in Germany, the Baltics, France.

Graph I.2.10: **Job separation rates**



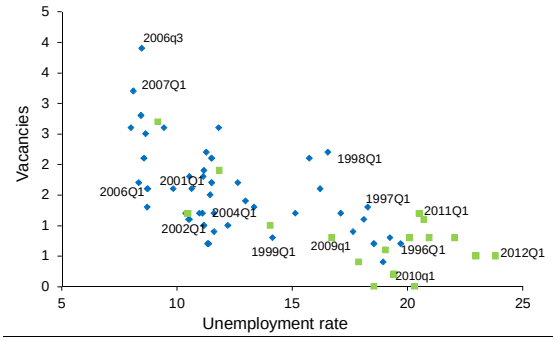
Source: Commission services' calculations on Eurostat LFS.

All in all, in 2011 the pattern of persistently reduced job finding rates in crisis-prone countries appears confirmed, with a noteworthy worsening situation in Spain, while a new, enhanced process of job destruction was set in motion in a number of countries, notably those same countries that recorded the increases in unemployment much above what predicted on the basis of output recessions (Greece, Portugal, Cyprus).

In light of the major relevance of the Spanish unemployment situation from a EU perspective, a focus on the analysis of labour market matching and structural unemployment for this country is deserved.

Graph I.2.11 reports the Beveridge curve for Spain for the period 1996Q1-2012Q1. The curve appears to be shifting rightward since 2010, a sign of deterioration of the labour market matching process. In 2011, vacancies fell and unemployment raised, reflecting the slowdown of the second half of the year.

Graph I.2.11: **Beveridge curve for Spain, 1996Q1-2012Q1**



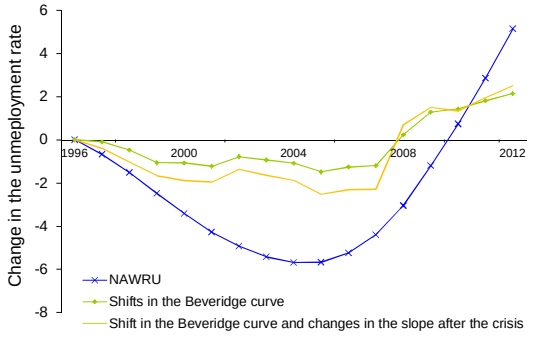
(1) Job vacancies are approximated with the survey based indicator of labour shortages.
Source: European Commission.

Graph I.2.12 depicts the NAWRU and the shifts in the Beveridge curve. ([14]) The Beveridge curve shift is estimated also allowing for a possible permanent change in the relation between vacancies and unemployment after the crisis. The estimates reveal an improvement in job matching at mid-1990s, taking place together with a reduction in the NAWRU. ([15]) After 2008, there is instead evidence of an outward shift of the curve (i.e., a higher unemployment at a given level of vacancies), which mirrors the increase in the NAWRU.

Overall, the analysis points to the relevance of mismatch in the Spanish labour market for the extent to which unemployment becomes structural and therefore for the market response of wages associated to a given level of unemployment.

([14]) See Chapter 1 for the methodology.
([15]) This is consistent with evidence that the drop in the Spanish NAWRU was partly driven by substantial wage moderation triggered by the immigration boom (Bentolila et al., 2008) and the related expansion of the construction sector (European Commission, 2011a).

Graph I.2.12: **Shifts in the Spanish Beveridge curve and NAWRU (cumulated changes since 1996)**



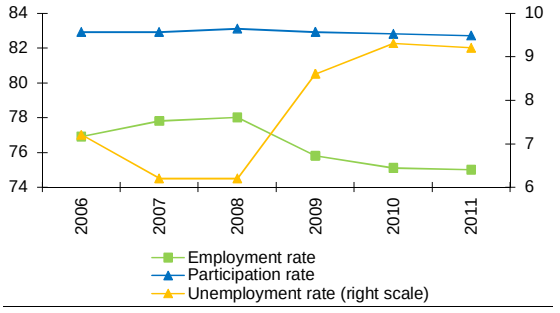
Source: European Commission.

2.5. LABOUR MARKET STATUS OF DIFFERENT GROUPS

2.5.1. Gender

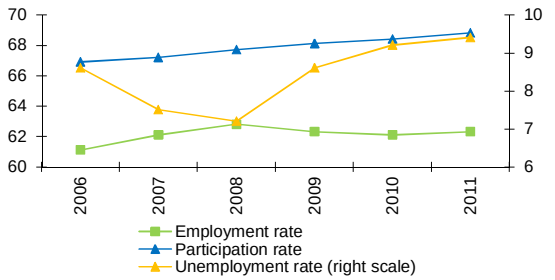
The large difference between employment developments for males and females observed during the 2008-2009 recession narrowed down in 2011 (Graphs I.2.13 and I.2.14): the big decline in male employment rates, coupled by a much smaller decline in the female employment rate came to a standstill, without however being reversed.

Graph I.2.13: **Men: employment, participation and unemployment rates, EU 27**



Source: Eurostat LFS, age 20-64.

Graph I.2.14: **Women: employment, participation and unemployment rates, EU 27**



Source: Eurostat LFS, age 20-64.

The gender gap in employment rates narrowed in the majority of countries (Table I.2.3), in particular in Greece and Bulgaria owing to the strong decline in men's employment rate (-5.1 pps and -2.5 pps respectively). By contrast, in the Baltics the gender gap in employment rates increased considerably due to the strong rebound in male employment. This illustrates the higher sensitivity of male employment to the business cycle compared to female employment. In spite of the overall trend, in some Member States the gender gap in employment rates remains substantial.

Table I.2.3: **Employment rates by country and gender**

	Men		Women	
	2011	2010-11	2011	2010-11
MT	78.8	1.0	43.4	1.8
IT	72.6	-0.2	49.9	0.4
EL	71.1	-5.1	48.6	-3.1
CZ	79.9	0.3	61.7	0.8
LU	78.1	-1.1	61.9	-0.1
SK	72.7	0.8	57.6	0.2
PL	72.2	0.6	57.6	-0.1
RO	69.9	-0.9	55.7	-0.2
CY	80.4	-2.1	67.3	-1.2
EA 17	75.0	-0.2	61.9	0.2
EU 27	75.0	-0.1	62.3	0.2
ES	67.6	-1.5	55.5	-0.3
HU	66.8	0.8	54.9	-0.1
BE	73.0	-0.5	61.5	-0.1
UK	79.4	0.1	67.9	0.0
AT	80.8	0.6	69.6	0.0
NL	82.6	-0.2	71.4	0.6
DE	81.4	1.3	71.1	1.5
FR	73.8	0.1	64.6	-0.1
IE	68.6	-0.9	59.7	-0.8
PT	73.4	-2.0	64.8	-0.8
SI	71.8	-2.2	64.8	-1.7
DK	79.0	0.4	72.4	-0.6
EE	73.5	5.8	67.6	1.9
SE	82.8	1.1	77.2	1.5
BG	66.6	-2.5	61.2	-0.5
FI	75.6	1.1	71.9	0.4
LV	68.7	3.6	65.8	0.9
LT	67.7	4.1	66.7	1.6

(1) Countries are sorted in descending order of the gap between male and female employment rates.
Source: Eurostat LFS, age 20-64.

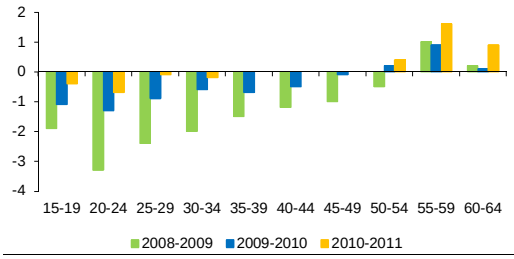
Turning to labour force participation rates, in 2011 the participation of women continued to increase, while that of men remained mainly unchanged. The peculiar feature observed during the recession of no withdrawal from the labour market is confirmed also in 2011. As a consequence of the worse employment performance of men during the recession, the gender gap in unemployment rates has become insignificant.

2.5.2. Age

The young are a vulnerable group for several reasons. They have little or no work experience, are more likely to be hired with an unstable contractual relationship, and their short tenure usually implies limited access to unemployment benefits; the transition from education to work is often difficult (see Box I.2.1).

All this is reflected in a youth unemployment rate which has reached 21.3% in the EU, although the increase in 2011 has been moderate (0.4 percentage points).

Graph I.2.15: **Employment rate change by 5-year age group, EU-27**

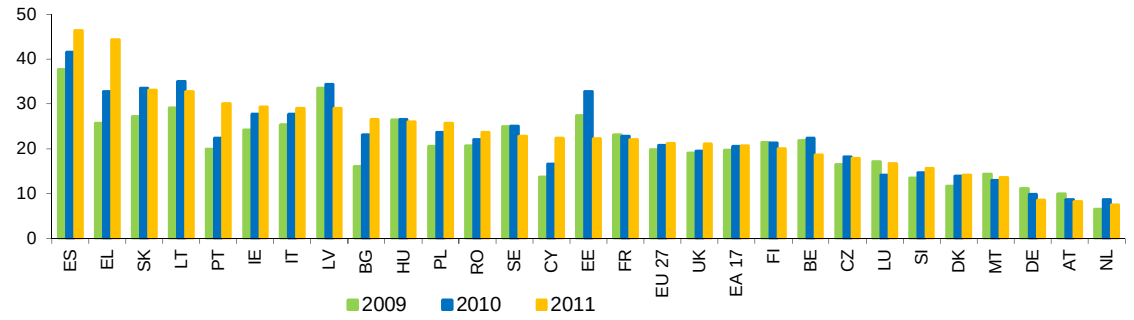


Source:

Graph I.2.15 shows the change in employment rates by age groups since the beginning of the crisis. There is a positive relationship between age and the employment rate developments: older cohorts tend to perform better than younger generations.

By 2011Q4, persons below 25 years of age in 11 Member States experienced unemployment rates of about 28 per cent or higher (Graph I.2.16). In contrast, jobless rate of adults range from 9 to 22 per cent in these countries. Even in countries with relatively low youth unemployment (i.e. Germany, Netherland and Austria), jobless rate were at the

Graph I.2.16: **Youth unemployment rates by country (age 15-24)**



(1) Countries are sorted by youth unemployment in 2011.
Source: Eurostat LFS.

end of 2011 between 1.4 to 2.5 times the adult levels. The situation differs starkly between countries, with strong increases in youth unemployment in Greece and Portugal; youth unemployment rates are rapidly falling in Estonia and Latvia from the high peaks of 2010.

Table I.2.4: **Risks of unemployment for the young: ratio between the unemployment rates of the young and the adults**

	1983	1993	2000	2007	2011
AT	:	:	1,4	2,4	2,4
BE	2,6	2,7	2,7	3,0	3,1
BG	:	:	2,3	2,5	2,7
CY	:	:	2,4	3,1	3,5
CZ	:	:	2,3	2,2	3,1
DE	2,0	1,0	1,1	1,5	1,5
DK	2,5	1,5	1,6	2,3	2,3
EE	:	:	2,0	2,5	2,0
EL	4,4	4,5	3,3	3,2	2,8
ES	:	2,4	2,1	2,6	2,4
EU	:	2,3	2,2	2,5	2,6
FR	3,6	2,7	2,3	2,9	2,8
FI	:	:	3,6	3,1	3,3
HU	:	:	2,2	2,8	2,7
IT	7,2	4,5	3,8	4,1	4,2
IE	1,7	1,9	1,7	2,4	2,3
LT	:	:	2,0	2,1	2,4
LUX	3,0	2,2	3,2	4,6	4,1
LV	:	:	1,6	2,0	2,1
MT	:	:	2,5	2,9	2,7
NL	2,2	1,9	2,4	2,3	2,0
PL	:	:	2,6	2,7	3,2
PT	:	3,0	2,6	2,3	2,6
RO	:	:	3,2	4,1	4,1
SE	:	:	1,9	4,5	4,4
SI	:	:	2,9	2,4	2,1
SK	:	:	2,4	2,0	2,8
UK	2,4	2,0	2,7	4,0	3,6

Source: Commission Services.

In spite of constantly higher unemployment rates, in a number of Member States the risk of unemployment did not change substantially during the 2008-2009 recession. As shown by Table I.2.4, the unemployment of the young relative to the adults remains mainly unchanged or increase only marginally compared to the pre-crisis level in nine Member States, including Austria, Belgium, Germany, France and Italy ([16]). The ratio declines in 12 Member States, most notably Estonia, Greece, Spain, the Netherlands and the United Kingdom. It increases in the remaining seven Member States most notably in Cyprus, the Czech republic, Poland, Portugal, Lithuania and Finland.

2.5.3. Education

In 2011, the employment rates of the low- and the high-skilled continued to decline, albeit at a slower pace than in 2010, while that of the medium-skilled remained unchanged (Table I.2.5). For the low skilled, there is a considerable difference in the behaviour of the employment rate by gender, with low-skilled men doing much worse than low skilled women.

Table I.2.5: **Employment, participation and unemployment rate by education**

Education	Low	Medium	High
ISCED	1-2	3-4	5-6
Employment rate 2011	53.0	69.9	82.1
change 2010-2011	-0.4	0.0	-0.3
change 2009-2010	-1.0	-0.5	-0.6
Participation rate 2011	63.1	76.5	87.0
change 2010-2011	0.0	0.0	-0.1
change 2009-2010	-0.2	-0.1	-0.2
Unemployment rate 2011	16.0	8.6	5.6
change 2010-2011	0.6	-0.1	0.2
change 2009-2010	1.3	0.6	0.4

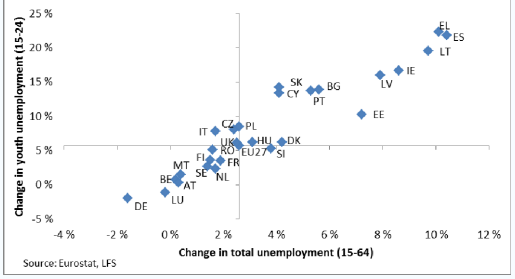
Source: Eurostat LFS, age 20-64.

([16]) In Italy the relative unemployment of the young is U shaped declining until early 2000s and increasing continuously since then.

Box I.2.1: **Youth unemployment during the crisis**

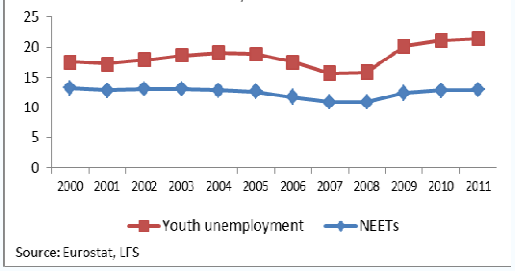
The unemployment risk of young people is usually higher than that of adults, and younger cohorts have on average higher unemployment. This is a result of various factors including lower work experience, relatively short or unfinished education and more unstable contractual relationship, less job-search contacts. Since the average time spent in education is slightly above 17 years, those who enter the labour market between the age of 15 and 24 years leave education early and are at higher risk of job instability. Staying longer in education or training, investing more in human capital could be a valid answer to lack of job opportunities. However, there is little evidence that during the crisis at the EU-level that this happened. The proportion of young that are neither in education, nor in employment or training (the so-called "NEETs") has increased in the EU since the onset of the crisis, more in countries where their level was already high (e.g. BG, ES, IE, IT, EL where 20% of the young population are NEETs).

Graph 1: Percentage point change in total vs youth unemployment rate, 2008-2011



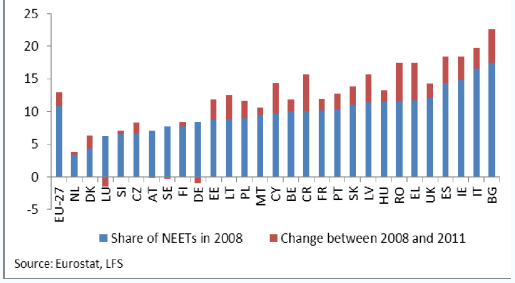
Source: Eurostat, LFS

Graph 2 : Unemployment and share of NEETs among the 15-24 years old



Source: Eurostat, LFS

Graph 3: Share of NEETs among the 15-24 years old



Source: Eurostat, LFS

Being neither in education, nor in employment or training is a route towards marginalisation, especially in countries such as Italy and Greece where young people experience a long period or repeated spells of being out of work and education (Quintini and Martin, 2006). Leaving school early is related to social disadvantages like coming from a deprived family or entering into a cycle of material deprivation, social exclusion and poverty. Young workers entering the labour market with fixed-term contracts are often trapped in jobs with limited prospects of acceding permanent positions, in particular in countries where partial labour market reforms have reduced the employment protection of temporary contract with no major changes for permanent contract workers, thus creating a gap in the employment protection for these two kinds of contracts.

Unemployment creates big individual and social burdens. Job losses entail large and persistent earning losses for the affected (Wachter and Davis, 2012). These costs can be even higher for the young low-skilled who have left education early. The relevance of the long-term consequences of early unemployment (so-called scarring effects) depend on a series of factors including the loss of skills and work experience, employers' belief that spells of early unemployment signal low commitment to work and/or low productivity. Scarring effects are generally less persistent in less regulated markets such as the United Kingdom or the United States; on the contrary they tend to persist up to 15 years of labour market entry in Spain, France or Germany (OECD 2010). Being out of work or education also entail lost public revenues; estimates for 21 EU countries suggest that NEETs cost €100 billion, about 1% of their aggregated GDP - €94 billion of foregone earnings and €7 billion of excess transfers. (Eurofound, 2011).

While youth unemployment is everywhere higher than overall unemployment, there are important differences across countries. These differences underline the role of education and particularly vocational education and apprenticeship schemes in helping the young to make smooth transitions from school to work.

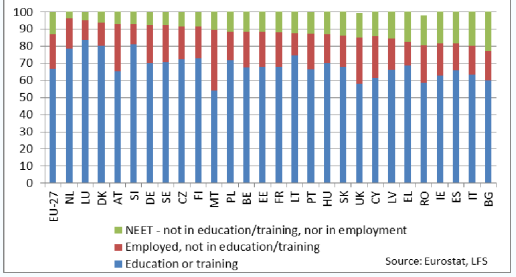
(Continued on the next page)

Box (continued)

However, other factors include the role of the public sector as employer of last resort (Alesina et al 2000), the level and limited differentiation of minimum wage (e.g. Neumark and Wascher, 2004), the effectiveness of active labour market policies (ALMPs).

The prevalence of high youth unemployment rates points to a dysfunctional labour market. However, the large majority of the young are still studying (about 67% in the EU) and as such are not considered in the pool of those that are actively engaged in the labour market (either working or looking for a job). For example, in Spain only about 41% of the young aged between 15 and 24 years were active in 2011 and of these 46.4% were unemployed. This meant that 19% of the young population were looking for jobs in vain –outrageously high, but far from the "every second youngsters cannot find a job" misinterpretation that is so widespread.

Graph 4: Participaction of young in education and in employment



Governments have adopted various instruments to support young people during the crisis, including promotion of apprenticeships, training and work experience programmes; development of education systems to improve their skills, tax incentives and employment hiring and training subsidies. A comprehensive solution, "Youth guarantees" seem to becoming more popular. Youth guarantees promote rapid action for NEETs - e.g. in Finland anyone aged 16–25 and enrolled with the public employment service for at least three months is entitled to take part in the job guarantee, i.e.: either find a job or enrol in the regular education system more quickly. (Räisänen et al, 2012; Eurofound, 2012).

Table I.2.6: **Unemployment rates of the low skilled by country**

	2011	10-11	09-10		2011	10-11	09-10
NL	5.7	-0.5	1.7	SI	14.7	2.1	3.6
CY	7.7	0.4	0.9	EU 27	16.0	0.6	1.3
LU	7.8	2.5	-1.9	EA 17	16.6	0.6	1.4
MT	7.8	-0.2	0.4	EL	18.1	5.5	3.2
RO	8.1	1.4	-1.3	PL	19.0	0.8	3.0
AT	8.2	0.0	-1.2	CZ	23.1	-0.9	0.7
DK	9.6	0.0	1.7	IE	23.3	2.3	4.2
IT	10.3	0.3	0.9	HU	24.5	-0.2	2.1
UK	12.5	0.5	1	EE	25.9	-4.3	3.4
SE	12.7	-0.8	1	BG	26.5	3.8	7.5
FI	13.0	0.0	1.8	LV	26.7	-3.5	1.2
BE	13.4	-1.3	1.5	ES	28.2	1.9	2.8
PT	14.0	1.8	1.6	LT	38.7	-1.1	10.8
DE	14.1	-1.9	-0.9	SK	41.1	-1.9	2.9
FR	14.5	-0.1	1.1				

(1) Countries are ranked in ascending order of the unemployment rate in 2011.
Source: Eurostat LFS, age 20-64.

The participation rate of all three skill groups was virtually unchanged. The developments of the employment and participation rates resulted in an increase in the unemployment rate for the low skilled (+0.6 percentage points) and the high skilled (+0.2 percentage points) and a slight decline in the rate of the medium skilled (-0.1 percentage points).

There are remarkable cross-countries differences in the labour market outcomes for the low-skilled (Table I.2.6). Two countries, Lithuania and Slovakia, are struggling with low skilled unemployment rates as high as 40%; however, in both countries the rate has declined slightly. On the other hand, seven countries have low skilled unemployment rates below 10%. The fastest increase was recorded in in Greece (+5.5 percentage points), reaching 18.1%.

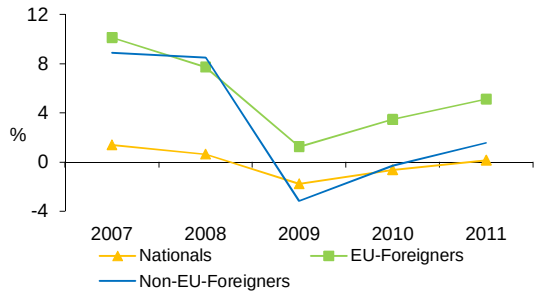
2.5.4. Nationality

In 2011 the employment rate of foreigners increased, while that of nationals (EU citizens working in their home country) stagnated. The employment of EU-foreigners (EU citizens working in a country other than their home country) gathered further pace, increasing by 5%. The employment of non-EU foreigners (who hold no EU citizenship) also increased, but – similarly to 2009 and 2010, at a smaller pace, growing by 2%. On the whole, intra-EU labour migration continued strongly despite the crisis. – while in 2005 4.2 million EU citizens were working abroad,

in 2011 this amounted to 6.3 million, an increase of 300 thousand last year.

Germany with her favourable labour market continued to attract foreigners, and added 110 thousand EU-foreigner and 70 thousand non-EU foreigner to its employed labour force – having now over 1.5 million EU-foreigner and over 2 million non-EU foreigner. By contrast, in crisis-stricken Spain, Greece and Portugal, the employment of foreign workers shrunk at a higher pace than that recorded for the employment of natives.

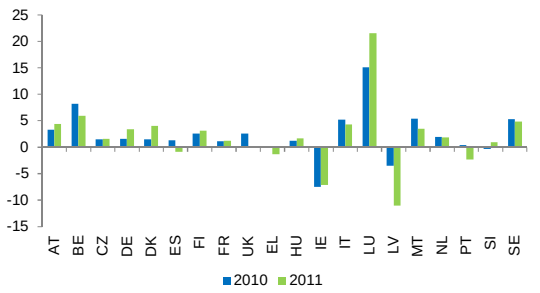
Graph I.2.17: **Employment growth by nationality, EU-27**



Source: Eurostat LFS.

Net migration flows reveal that migration has contributed to labour market adjustment at a high extent in a few countries (Graph I.2.18). In Latvia and Ireland, outward net migration has contributed to absorb the large pool of unemployed. Net migration has become negative only in 2011 in Spain, despite the high unemployment rate. For Luxemburg, Germany, Austria, Belgium, Sweden, Finland, net inward migration flows are consistent with relatively strong employment dynamics.

Graph I.2.18: **Net migration rates (% of population)**

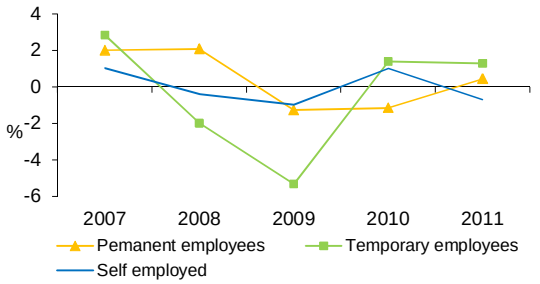


Source: Eurostat

2.5.1. Contract Type

Temporary employment took much of the brunt of the recession (Graph I.2.19). With growth resuming, albeit in an uncertain environment, temporary employment returned to increase in 2010 and continued to grow in 2011. Permanent employment in contrast started to contract later but also returned to modest growth only in 2011. Self-employment in 2011 lost much of the gain made in 2010.

Graph I.2.19: **Employment growth by contract type, EU-27**



Source: Eurostat LFS.

The young were the most impacted by the decline in temporary employment as 42.5% of the young have fixed-term contracts (Table I.2.7), against 12.4% for those aged between 25 and 49 and less than 7% for those in the 50-64 age bracket.

Table I.2.7: **Share of temporary employees, by age**

Age	2006-2009	2010	2011
15-24	40.6	42.1	42.5
25-49	12.1	12.1	12.4
50-64	6.8	6.8	6.7

Source: Eurostat LFS.

Part-time employment continued to increase, albeit modestly (Table I.2.8), while full-time employment remained stable. This evidence corroborates the view that part-time is mostly counter-cyclical, so that it expected to grow faster when unemployment is high as in the current juncture. The share of part-time employment in the labour force increased most in Slovenia, Slovakia and Malta, while the major reduction was recorded in Greece.

Table I.2.8: **Part-time and full-time employment, EU-27**

	2010	2011
Full-time employment (Millions)	173.0	173.0
Part-time employment (Millions)	39.4	40.0
Share of part-time for men	7.8	8.1
Share of part-time for women	31.4	31.6

Source: Eurostat LFS, age 15-64.

The distribution of employment between permanent employment, temporary employment and self-employment differs considerable across EU (Table I.2.9), with the Mediterranean countries as well as Poland characterised by strong segmentation. At EU level, the share of permanent employment was almost unchanged in 2011, but relatively strong increases took place in some countries, particularly Romania and in Portugal, as the share of self-employment declined.

Table I.2.9: **Distribution of contract types among the employed in % by country**

	Permanent contract		Temporary contract		Self employed	
	2011	chg	2011	chg	2011	chg
LT	88.4	*-0.2*	2.5	*0.4*	9.1	*-0.2*
EE	87.8	*-0.8*	4.1	*0.7*	8.1	*0.1*
LU	85.7	*-0.5*	6.6	*0.0*	7.7	*0.5*
BG	85.3	*0.9*	3.6	*-0.2*	11.0	*-0.6*
LV	83.9	*0.0*	5.8	*-0.3*	10.3	*0.3*
DK	83.5	*-0.3*	8.2	*0.4*	8.4	*0.0*
UK	81.6	*-0.1*	5.2	*0.0*	13.2	*0.1*
MT	81.3	*-0.1*	5.7	*0.8*	13.0	*-0.7*
HU	80.7	*1.0*	7.9	*-0.6*	11.4	*-0.4*
AT	80.0	*-0.3*	8.5	*0.3*	11.5	*0.1*
BE	79.3	*-0.5*	7.7	*0.7*	12.9	*-0.2*
SK	78.7	*-0.8*	5.5	*0.8*	15.8	*0.0*
RO	78.5	*1.5*	1.2	*0.3*	20.3	*-1.8*
IE	76.5	*-0.2*	8.4	*0.5*	15.1	*-0.3*
DE	76.2	*-0.1*	13.2	*0.1*	10.6	*0.0*
SE	76.2	*-0.1*	14.4	*0.5*	9.4	*-0.4*
CZ	76.1	*-0.2*	6.6	*-0.2*	17.3	*0.4*
FR	75.5	*-0.4*	13.5	*0.2*	10.9	*0.1*
FI	74.1	*-0.1*	13.6	*0.1*	12.3	*0.0*
EU 27	73.4	*0.1*	12.0	*0.1*	14.6	*-0.2*
CY	73.1	*0.3*	11.6	*0.1*	15.3	*-0.4*
EA 17	72.0	*-0.1*	13.5	*0.2*	14.5	*-0.1*
SI	71.9	*-1.0*	15.8	*0.8*	12.3	*0.2*
NL	70.5	*0.1*	15.7	*-0.1*	13.8	*-0.1*
IT	66.8	*-0.3*	10.3	*0.5*	22.8	*-0.2*
PT	64.9	*1.5*	18.5	*-0.4*	16.6	*-1.0*
ES	63.0	*-0.2*	21.4	*0.4*	15.6	*-0.2*
EL	60.1	*-0.1*	7.9	*-0.6*	32.0	*0.7*
PL	59.1	*0.3*	21.7	*-0.2*	19.2	*0.0*

(1) Countries are ranked by share of permanent contracts.
Source: own calculations based on Eurostat LFS.

2.6. CONCLUSIONS

Labour market conditions kept diverging across the EU in 2011, not only because of different paths of economic activity but also because of a different response of employment to growth. The increase unemployment was much above that predicted by the Okun law in the countries with persistent or aggravating sovereign crises (Greece, Portugal, Spain, Cyprus), while drops in unemployment stronger than predicted in countries on the verge of rebalancing and with financial conditions stabilising (the Baltics).

Activity rates were resilient in most countries, more than expected on the basis of historical regularities, with some noteworthy exceptions (e.g., Ireland). Hours worked resumed, but stabilised below pre-crisis levels in a majority of countries. In a few countries (Spain, Portugal) the increase in the average hours worked would help reducing labour costs looking forward, but did not help containing the substantial labour shedding.

Four years after the start of the crisis job finding rates remained low in most Member States and are further worsening in some countries, notably Spain. Job separation rates increased in a majority of countries, with very substantial increases in the same countries exhibiting a major divergence of the employment response to the current recession (Greece, Portugal).

As a result of the persistent low rate of job creation, the duration of unemployment has risen in most Member States, with the biggest increases recorded in Ireland, Slovakia, Spain, the Baltics. In light of the sheer size of the Spanish unemployment problem, avoiding that longer unemployment duration translates into worsened labour market mismatch in this country is a priority to prevent that a high share of the euro-area unemployment becomes structural.

In light of widespread uncertainty of the sustainability of the recovery, the share of temporary employment in the euro area has further increased. The share of low-skilled employment is falling in most countries, while the gap in terms of worsening employment rates for males compared with females is coming to an end. Youth unemployment rates increased dramatically in Greece, Portugal, Spain and remained worryingly high in other countries, notably the Baltics.

Outward migration from Latvia and Ireland is becoming a relevant margin of absorption of the high pool of unemployed in these countries. By contrast, in Spain net migration became negative only in 2011.

3. RECENT WAGE AND LABOUR COST DEVELOPMENTS

3.1. INTRODUCTION

In 2011, nominal compensation per employee in the euro area accelerated somewhat on aggregate, but with very heterogeneous patterns across countries. While Germany, Belgium, Austria, France and Finland recorded growth rates above 2.5%, compensation per employee declined in Greece, Ireland and Portugal, and grew at rates below 1% in Malta, Spain and Slovakia. In the non-euro area countries, compensation per employee grew moderately in Sweden, the Czech Republic, Denmark and the United Kingdom; it accelerated in Poland, and became positive after years of negative growth in Latvia, Lithuania and Hungary.

This chapter reviews wage and unit labour costs developments at country level, with a view to highlight patterns of wage adjustment. Aggregate wage dynamics are disentangled in such a way to analyse the contribution of different sectors of the economy and of the government. Unit labour cost dynamics are distinguished along the main components of wages, social security contributions, productivity. Developments in price competitiveness indicators based on unit labour costs are discussed in relation to euro-area adjustment dynamics and external re-balancing.

The remainder of this chapter is organised as follows. The next section describes the main trends in wages and unit labour costs. Section 3.3 looks at the evolution of REERs and external adjustment. Section 3.4 concludes.

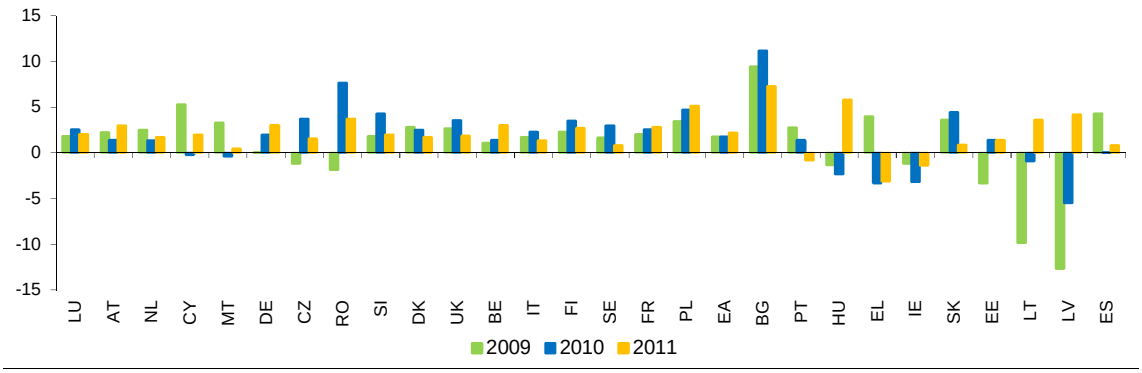
3.2. TRENDS IN WAGES AND UNIT LABOUR COSTS

The dynamics of compensation per employee across the EU remained highly heterogeneous in 2011, ranging between growth rates around 3% in Germany and a similar rate of negative growth in Greece (Graph I.3.1). Ireland and Portugal are together with Greece the euro area countries recording negative growth rates in compensation per employee in 2011. Malta, Spain and Slovakia registered growth rates in compensation per employee below 1%, while Germany, Belgium, Austria, France and Finland recorded the highest growth rates.

In the non-euro area countries, developments in compensation per employee were also uneven. While the growth rate in compensation per employee ranges from around 3.5% in Lithuania to above 7% in Bulgaria, that in Sweden, the Czech Republic, Denmark and the United Kingdom, was below 2%.

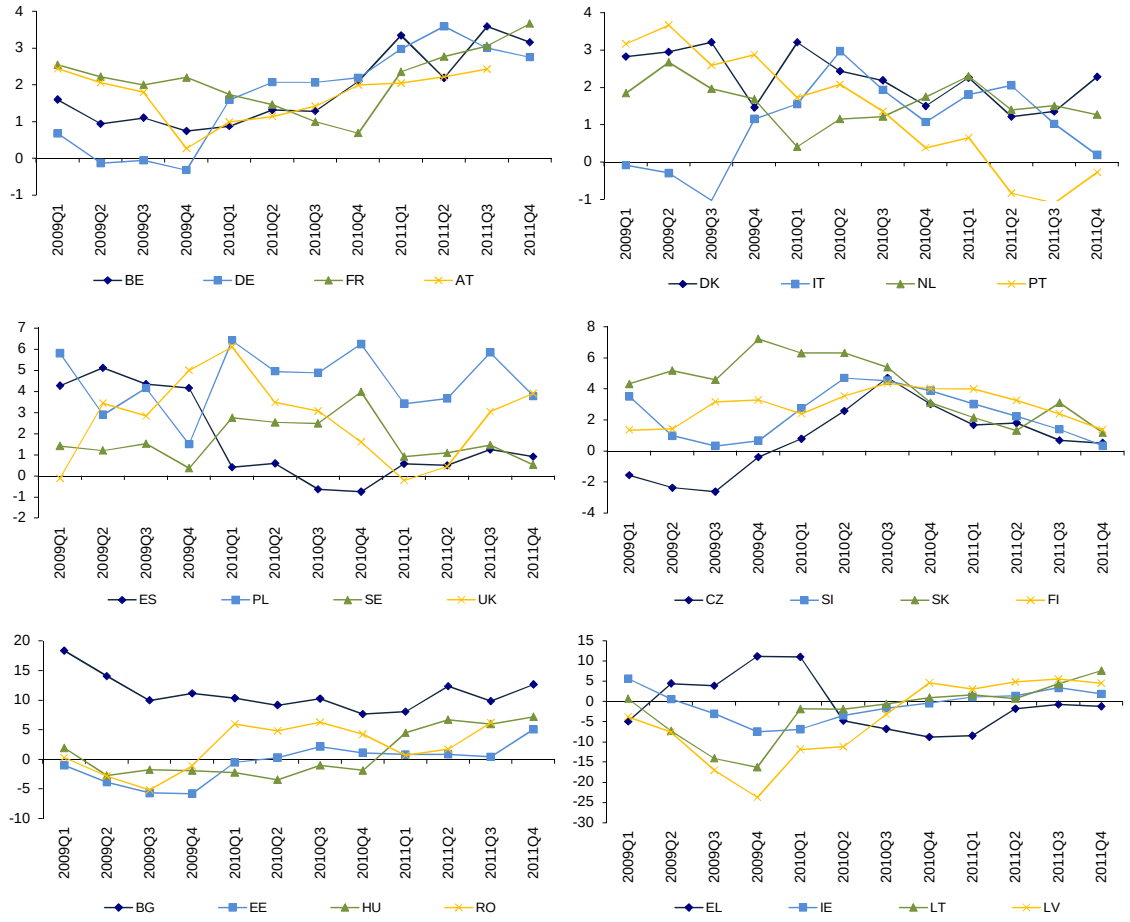
Graph I.3.3 shows the relation between the variation in compensation per employee and its level measured in Purchasing Power Standards (PPS). It is expected that catching-up countries, on average, will display higher growth rates in compensation per employee. Indeed, in 2011, countries with lower levels of compensation per

Graph I.3.1: **Nominal compensation per employee, y-o-y % change**



(1) Countries are displayed in ascending order of the unemployment rate in 2010.
Source: DG ECFIN AMECO database.

Graph I.3.2: **Compensation per employee, y-o-y % change**

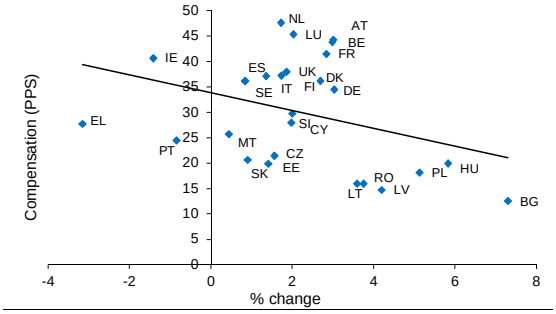


(1) For Bulgaria Hourly Labour Cost Index is used instead of compensation per employee. Countries are grouped according to the level of variation in compensation per employee to facilitate a better reading of the changes.
Source: Commission services, based on Eurostat data.

employee measured in PPS recorded on average higher growth rates. This was particularly the case of Bulgaria, Hungary and Poland.

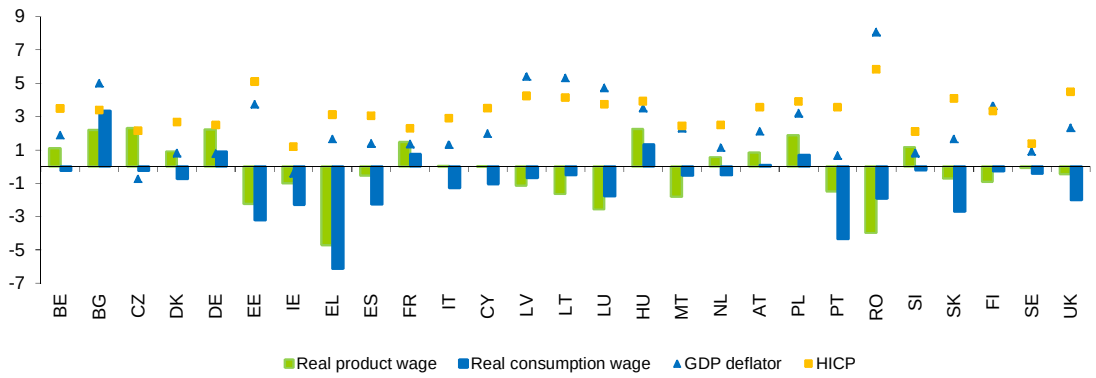
Turning to the quarterly profile of wage developments, the overall picture varies markedly across countries (Graph I.3.2). This reflects different conditions and exposures to the recession, need of rebalancing in some countries and underlying labour market institutions. For the euro area as a whole the growth rate in compensation per employee reached the lowest level in the third quarter of 2009 and recovered thereafter, stabilising at a rate slightly above two per cent at the end of 2011.

Graph I.3.3: **Compensation per employee, y-o-y % change vs level of compensation in PPS, 2011**



Source: DG ECFIN AMECO database.

Graph I.3.4: **Real product and consumption wages, HICP and GDP deflator, y-o-y % change, 2011**



Source: DG ECFIN AMECO database.

Germany, after having recorded negative growth rates in compensation per employee in the last three quarters of 2009, recorded a robust growth thereafter with growth rates peaking at 3.5% in the second quarter of 2011. The conclusion of a collective agreement in May 2012 granting wage increases above 4% in the metal and electrical engineering sector preludes to sustained wage growth looking forward.

In France and Belgium, the growth rate in compensation per employee accelerated strongly during 2011. In Austria, after the drop in the last quarter of 2009 the growth rate in compensation per employee has been increasing steadily.

The adjustment of wages was in general sharpest in the euro area countries facing stronger adjustment and rebalancing needs. In Portugal, the growth rate in compensation per employee has been declining steadily and recorded negative growth rates in the last three quarters of 2011. Much of the wage reduction comes from dynamics in the public sector, as shown in the remainder of the chapter.

In Italy, after a strong rebound in 2010, the growth rate in compensation per employee decelerated sharply in the last two quarters of 2011. In Spain, there was a strong deceleration in the growth rate in compensations in 2010, that however recovered slightly in 2011.

In Greece, the growth rate in compensation per employee is recording negative values for seven consecutive quarters. Wage reductions in this country come both from the public and the private sector. Most of the wage reduction are linked to re-negotiations of individual and firm-level contracts. Early signs of wage reductions as a result of renegotiations of collective contracts are also becoming visible.

In the coming years, wage moderation in the private sector in Italy, Spain, Portugal and Greece could be linked, inter-alia, to recently adopted reforms in the wage setting system (see Chapter 4).

In Ireland, growth rates returned to positive territory after 6 consecutive quarters of decline in compensation.

In the non-euro area countries, Latvia and Lithuania, after sharp declines in compensation per employee during 2009 and 2010, saw the growth rates in compensation per employee growing at robust rates in 2011. In Lithuania, compensation per employee grew above 7% in the fourth quarter of 2011. In Hungary, compensation also grew at a robust rate after several quarters of negative growth rates. The Czech Republic, Sweden and the United Kingdom, after a relative strong growth in compensation per employee in 2010, registered a relative moderate growth in compensation in 2011.

3.2.1. Real consumption and production wages

Developments in the GDP deflator and the HICP influence the growth rate of real product wages

and real consumption wages. The relevant wage variable for firms is the real product wage, which is the price of labour relative to the value added deflator. For consumers, the variable of interest is the real consumption wage, which is their take-home pay relative to the price of goods and services they purchase.

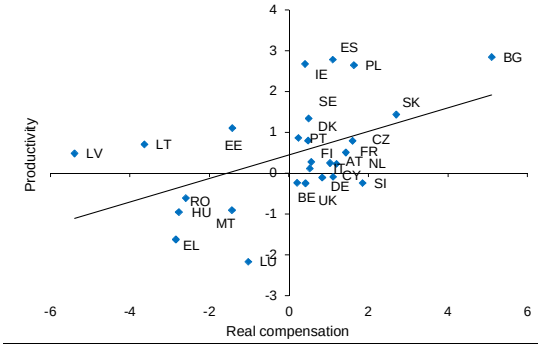
Real product wages declined in 15 Member States. Greek employers benefited from the sharpest decline in the cost of labour, with the real product wage declining by 4.7%. By contrast, real product wages increased at a rate above 2% in Bulgaria, Germany, Hungary and the Czech Republic. Real consumption wages declined in 21 Member States in 2011. The Greek and Portuguese workers suffered the sharpest declines in purchasing power following a drop in real consumption wages of 6% and 4%. In Estonia, Slovakia, Ireland, Spain, and the United Kingdom, the decline in purchasing power was above 2%. Bulgaria saw the real consumption wages growing at 3.4%, the fastest rate in the EU.

3.2.2. Real compensation per employee productivity and unemployment

Real wage growth aligned with productivity is a condition for wage growth consistent with labour demand. Graph I.3.5 shows the average growth rate in real compensation per employee and the average growth rate in productivity over the period 2009-2011. During this period the average growth in real compensation per employee was marginally faster than the growth in productivity. The average is strongly influenced by the sharp fall in productivity in 2009. Over the last two years, on average, productivity grew faster than compensation. In 2011, real compensation per employee grew by 0.7%, while labour productivity grew by 1.4%.

The cumulative difference between real compensation per employee and productivity is above 1 percentage point in Luxembourg, Cyprus, Slovakia, Slovenia and Bulgaria. On the contrary, it is significantly negative in the Baltic countries and Ireland. Hungary, Romania, Spain, Greece and Poland registered a cumulative negative difference above 1 percentage point. In spite of the differences in the order of magnitude between average growth rates in these two variables, there is a clear positive correlation between the average growth rates in real compensation per employee and average growth rates in labour productivity over the past three years.

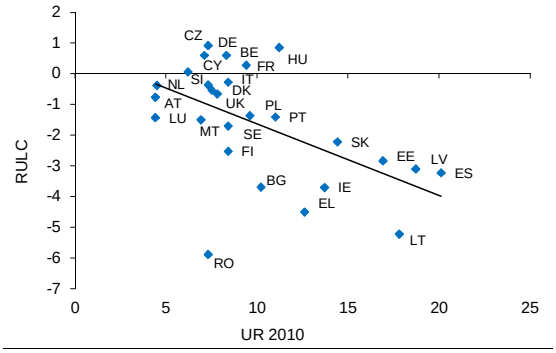
Graph I.3.5: **Real compensation per employee and productivity, average growth rates 2009-2011**



Source: DG ECFIN AMECO database.

Graph I.3.6 plots the growth rate in real unit labour costs in 2011 against the unemployment rate in 2010. There is a negative relationship between the levels of unemployment in 2011 and the evolution of real unit labour costs in 2011. The adjustment seems conducive to convergence in unemployment rates.

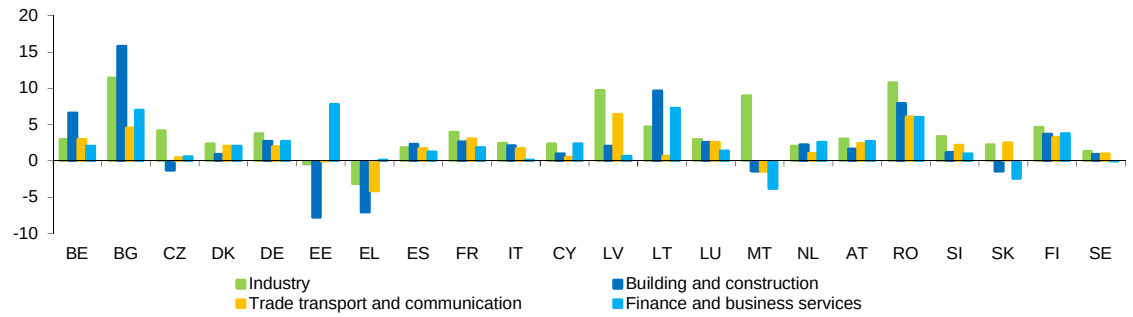
Graph I.3.6: **RULC, y-o-y % change 2011 and unemployment rate in 2010**



Source: DG ECFIN AMECO database.

However, the degree of adjustment varies markedly across Member States. Romania, Bulgaria, Greece, Ireland and Lithuania, recorded lower unemployment rates than Spain but saw a stronger downward adjustment in real unit labour costs. The downward adjustment in real unit labour costs in Portugal was similar to that of Poland, Sweden, Malta and Luxembourg, while these countries have a lower unemployment rate. In

Graph I.3.7: **Compensation per employee by sector, y-o-y % change 2011**



(1) Remaining EU countries not included because of missing data.
Source: DG ECFIN AMECO database.

Hungary and France real unit labour costs increased, while a number of countries with lower unemployment rates recorded a decline in real unit labour costs.

3.2.3. Compensation per employee at sectoral level

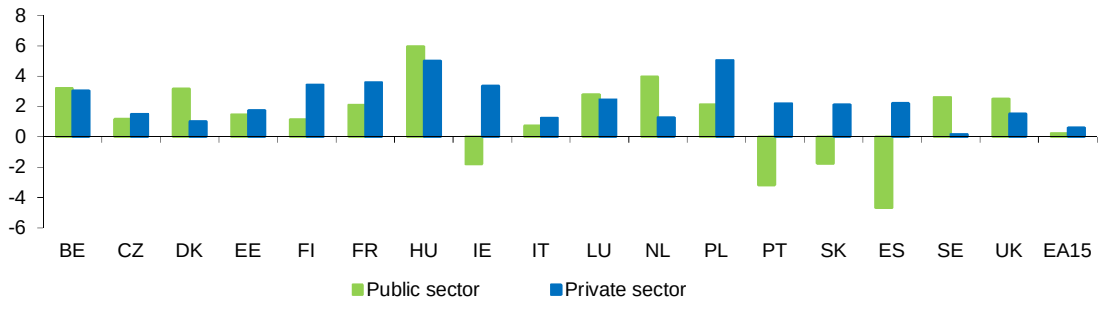
The sectoral breakdown of the compensation per employee shows that the growth rate in compensation per employee was somewhat stronger in the industry in most countries (Graph I.3.7). This pattern relates to the rebound in industry after the collapse of manufacture output at the onset of the crisis. However, compensation per employee in industry is in general more moderate in 2011 compared with the previous year, while broadly similar growth rates are observed in the other sectors. Overall, the recovery in labour remunerations in manufacturing helps shifting resources towards tradable activities and contributes to the re-balancing. Wage growth in industry (and tradable services, notably "trade, transport and communication") is particularly visible in countries having undertaken a successful re-balancing process like Latvia and Romania. In this countries, it is also visible a recovery in wages in the construction sector.

Conversely, declines in compensation per employee in the construction sector are very strong in Greece, a country in the middle of a major rebalancing process, while Bulgaria records a strong absolute growth of wages in this sector.

3.2.4. Compensation per employee in private and public sector

The growth rate of compensation per employee in the public sector was on average lower than in the private sector in 2011 (see Graph I.3.8). Ireland, Portugal, Slovakia and Spain recorded a contraction in compensation per employee in the public sector. In Ireland and Spain, compensation per employee in the public sector is falling, respectively, for the third and second consecutive years. The reduction results from measures taken by governments to reduce their fiscal deficits. In Ireland, the government imposed a pension levy that came into effect in 2009, followed by further pay cuts in the general public sector (inversely related to income levels) between 5 and 8% in 2010. In Spain the government imposed an average 5% cut in 2010 followed by a pay freeze in 2011. The decrease in compensation per employee in Portugal was a consequence of an average 5% cut on public employees earning above 1500 Euros a month. In Slovakia, the decline in compensation per employee resulted from cuts to reduce the total wage bill. In Italy, the growth rate in compensation per employee in the public sector was below 1%, which resulted from pay freezes and cuts of 5 and 10% for annual salaries above 90,000 and 150,000 Euros.

Graph I.3.8: **Compensation per employee in private and public sector, y-o-y % change, 2011**



(1) Remaining EU countries not included because of missing data.
Source: OECD.

Public sector wages grew significantly above wages in private sector in Denmark, Hungary, the Netherlands and Sweden. In Hungary, the growth rate in public sector wages was particularly high despite plans to freeze the total wage bill in the public sector. While the total wage bill increased by less than 1% the number of total employees was reduced by 5%. In the United Kingdom the total wage bill declined by more than 1%, while the number of employee declined by more than 5%.

3.2.5. Decomposition of unit labour costs

Nominal unit labour costs grew moderately in the euro area and the EU in 2011 (Table I.3.1). This follows the record lows registered in 2010 when nominal unit labour costs declined. The evolution of unit labour cost in 2011 was marked by a relative moderate increase in nominal compensation per employee and an increase in productivity at a rate above 1%. Productivity growth declined substantially as compared to 2010. However, the strong rebound in productivity in 2010 benefitted from a base effect related to the number of hours worked which declined markedly in 2009 and pushed productivity down.

Nominal unit labour costs registered the sharpest decline in Ireland, which recorded the second consecutive decline above 4%. Greece and Spain also registered a significant decline in unit labour costs. Portugal and Slovakia were the other euro area countries to register a decline in unit labour costs, though of a smaller dimension than the other three countries. In the euro area nominal unit labour costs accelerated the most in Cyprus and Luxembourg, as both countries recorded negative productivity growth, while the growth rate in compensation per employee was about 2%. The evolution of nominal unit labour costs in Ireland and Spain benefitted especially from the highest and second highest productivity growth in the euro area.

Table I.3.1: **Decomposition of unit labour costs, y-o-y % change, 2011**

	NULC	Compensation per employee	Labour productivity	GDP deflator	RULC
BE	2.5	3.0	0.5	1.9	0.6
BG	1.1	7.3	6.1	5.0	-3.7
CZ	0.2	1.6	1.4	-0.7	0.9
DK	0.3	1.7	1.5	0.8	-0.5
DE	1.4	3.0	1.6	0.8	0.6
EE	0.8	1.4	0.6	3.7	-2.8
IE	-4.1	-1.4	2.8	-0.4	-3.7
EL	-3.0	-3.2	-0.2	1.6	-4.5
ES	-1.9	0.8	2.8	1.4	-3.2
FR	1.6	2.8	1.2	1.3	0.3
IT	1.0	1.4	0.3	1.3	-0.3
CY	2.0	2.0	-0.1	2.0	0.0
LV	2.1	4.2	2.0	5.4	-3.1
LT	-0.2	3.6	3.8	5.3	-5.2
LU	3.2	2.0	-1.1	4.7	-1.4
HU	4.4	5.8	1.4	3.5	0.8
MT	0.8	0.4	-0.3	2.3	-1.5
NL	0.7	1.7	1.0	1.1	-0.4
AT	1.3	3.0	1.6	2.1	-0.8
PL	1.8	5.1	3.3	3.2	-1.4
PT	-0.8	-0.8	-0.1	0.7	-1.4
RO	1.7	3.7	2.0	8.1	-5.9
SI	0.4	2.0	1.6	0.8	-0.4
SK	-0.6	0.9	1.5	1.6	-2.2
FI	1.0	2.7	1.7	3.6	-2.5
SE	-0.8	0.8	1.7	0.9	-1.7
UK	1.6	1.9	0.2	2.3	-0.7

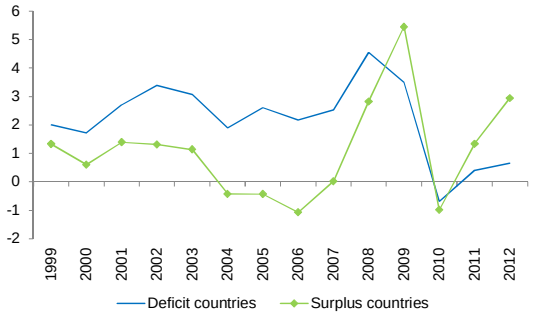
Source: DG ECFIN AMECO database.

In the non-euro area countries nominal unit labour costs registered small declines in Sweden and Lithuania. In contrast, nominal unit labour costs increased at a rate above 4% in Hungary, the fastest rate in the EU.

Real unit labour costs declined for the second consecutive year in the euro area and the EU. This follows the sharp increase of 2009. Romania and

Lithuania recorded the sharpest declines in the EU, while Hungary and the Czech Republic recorded a positive growth. In the euro area the sharpest decline was registered by Greece, followed by Ireland and Spain.

Graph I.3.9: **Unit labour costs in deficit and surplus countries, euro-area groups weighted averages, y-o-y % change**



Surplus countries are BE, DE, LU, NL, AT and FI.
Source: DG ECFIN AMECO database and Spring 2012 European Commission Forecast.

Overall, the evolution of unit labour costs in 2011 is contributing to the rebalancing of external positions in euro-area countries. Until 2008, unit labour costs grew on average at a slower pace in countries with current account surplus than in deficit countries in the euro area. This pattern reverted in 2009, but in 2010 ULC growth rates were roughly equal in surplus and deficit countries. In 2011, ULCs are again growing at slower rate in deficit countries, and this process is expected to accelerate in 2012 according to the European Commission Spring 2012 Economic Forecast.

3.2.6. Contributions to the final demand deflator

Table I.3.2 presents the growth rate in the final deflator as well as the contribution of its different components. The growth rate in the final demand deflator ranges from about 0.5% in Sweden to about 8.5% in Lithuania. The contribution of unit labour costs to the increase in the final demand deflator is relatively modest and much lower than the historic average before 2009. In the euro area, the contribution of nominal unit labour costs to the final demand deflator was negative in Greece, Ireland, Spain, Portugal and Slovakia. In the non-euro area countries, the contribution of nominal unit labour costs to the final demand deflator was negative in Sweden, while it was the highest in Hungary yet just above 1%.

The other components of the final demand deflator show that import prices contributed the most to the overall domestic inflationary pressures in 2011. In the euro area, the contribution of import prices was highest in Belgium, Estonia, Slovakia and Luxembourg. In the non-euro area countries, the contribution of import prices to domestic inflationary pressures was stronger in Lithuania and Bulgaria. The contribution of gross operating surplus was the most important component to the increase in final demand deflator in Spain, Latvia, Greece and Romania. Finally, net indirect taxes were the lowest contributor to the increase in the final demand deflator in most Member States, though the size is relatively large in Romania.

Table I.3.2: **Contributions to the final demand deflator, y-o-y % change, 2011**

	Import prices	NULC	Indirect taxes	G. oper. surplus	F. demand deflator
BE	3.0	0.9	0.0	0.2	4.1
BG	3.4	0.4	0.6	2.2	6.6
CZ	1.0	0.0	-0.1	-0.4	0.6
DK	1.1	0.1	0.2	0.3	1.7
DE	1.5	0.6	0.3	-0.3	2.0
EE	2.7	0.2	0.5	1.5	3.8
IE	1.7	-1.2	0.1	0.8	0.6
EL	1.6	-1.2	0.2	2.3	2.8
ES	1.8	-0.8	-0.2	2.0	2.8
FR	1.2	0.7	0.6	-0.3	2.3
IT	1.6	0.5	0.2	0.3	2.6
CY	1.2	0.8	-0.3	0.9	2.5
LV	1.9	0.7	0.8	2.1	5.3
LT	5.3	-0.1	0.3	2.9	8.5
LU	2.4	0.7	0.3	1.0	4.4
HU	2.2	1.2	0.0	0.8	4.2
MT	2.2	0.2	0.4	0.5	3.4
NL	1.8	0.3	-0.2	0.6	2.5
AT	2.1	0.5	0.2	0.7	3.0
PL	2.3	0.6	0.4	1.2	4.5
PT	2.2	-0.3	0.2	0.6	2.7
RO	2.1	0.7	2.1	2.9	7.8
SI	2.2	0.2	0.0	0.3	2.8
SK	2.4	-0.2	0.1	1.0	3.2
FI	2.1	0.4	0.9	1.3	4.2
SE	-0.1	-0.3	0.6	0.4	0.5
UK	1.6	0.8	0.7	0.2	3.4

Source: DG ECFIN AMECO database.

3.2.7. Unit labour costs and the tax wedge

Taxes and social security contributions drive a wedge between the cost for the employer and the net compensation received by the employee. Table I.3.3 shows the breakdown of the total tax wedge and its evolution over the period 2001-2011. Belgium, Germany, France and Hungary display the highest tax wedge. Belgium has the second highest rate on personal income tax, Germany has the second highest rate on employees' social

Table I.3.3: **Decomposition of the tax wedge**

	Total Tax Wedge 2011	Of which			Difference 2010 - 2011				Difference 2001 - 2011			
		Personal Income Tax	Social Security Contributions Employee	Social Security Contribution Employer	Total Tax Wedge	Personal Income Tax	Social Security Contribution Employee	Social Security Contribution Employer	Total Tax Wedge	Personal Income Tax	Social Security Contribution Employee	Social Security Contribution Employer
AT	48.4	11.9	14.0	22.6	0.2	0.2	0.0	0.0	1.5	1.5	0.0	-0.1
BE	55.5	21.7	10.8	23.1	0.2	0.0	0.0	0.1	-1.1	-0.3	0.1	-0.9
BG*	32.5	7.5	10.3	14.7	-1.3	0.1	-0.7	-0.8	-7.9	-1.1	4.1	-10.9
CY**	13.9	2.1	5.9	5.9	-0.2	-0.2	0.0	0.0	-6.9	-2.3	0.3	-5.0
CZ	42.5	8.9	8.2	25.4	0.4	0.4	0.0	0.0	-0.1	1.5	-1.1	-0.6
DE	49.8	15.9	17.4	16.5	0.6	0.0	0.3	0.3	-2.1	-1.9	0.4	-0.6
DK	38.4	28.0	10.7	0.0	0.1	0.1	0.0	0.0	-5.0	-4.5	-0.1	0.0
EE	40.1	12.5	2.1	25.6	0.1	0.1	0.0	0.0	-0.8	-3.7	2.1	0.8
EL	38.0	3.0	12.8	22.2	-0.2	-0.8	0.3	0.3	3.3	2.5	0.4	0.4
ES	39.9	12.0	4.9	23.0	0.1	0.1	0.0	0.0	1.0	1.4	0.0	-0.4
FI	42.7	18.5	5.8	18.4	0.2	0.1	0.0	0.1	-3.6	-2.6	0.6	-1.6
FR	49.4	10.0	9.6	29.7	0.0	0.0	0.0	0.0	-0.4	-1.0	0.1	0.5
HU	49.4	13.6	13.6	22.2	2.8	2.4	0.4	0.0	-6.4	-5.0	4.7	-6.1
IE	26.8	13.5	3.6	9.7	0.9	3.8	-2.9	0.0	0.9	2.7	-0.8	-1.0
IT	47.6	16.1	7.2	24.3	0.4	0.4	0.0	0.0	1.0	1.7	0.3	-1.0
LT*	40.7	10.0	6.9	23.8	-0.1	-0.1	0.0	0.0	-5.1	-9.6	4.6	0.0
LU	36.0	13.3	11.7	11.0	1.7	0.3	0.7	0.6	0.3	-0.4	1.4	-0.8
LV*	44.2	17.6	7.3	19.4	2.0	2.0	0.0	0.0	1.0	2.1	0.1	-1.3
MT*	22.4	9.2	6.6	6.6	0.1	0.7	-0.3	-0.3	-1.0	-0.2	-0.4	-0.4
NL	37.8	14.5	14.0	9.2	-0.3	-0.1	0.0	-0.2	0.4	4.8	-3.9	-0.5
PL	34.3	5.9	15.5	12.9	0.1	0.1	0.0	0.0	-3.7	0.5	-2.8	-1.5
PT	39.0	10.9	8.9	19.2	1.4	1.4	0.0	0.0	2.6	2.6	0.0	0.0
RO*	44.3	9.5	12.9	21.9	-0.1	0.3	0.1	-0.4	-3.6	1.4	3.9	-8.9
SE	42.8	13.6	5.3	23.9	0.0	0.0	0.0	0.0	-6.3	-5.5	0.1	-0.8
SI	42.5	9.6	19.0	13.9	0.0	0.0	0.0	0.0	-3.7	-1.5	0.6	-2.7
SK	38.9	7.5	10.6	20.8	1.0	1.0	0.0	0.0	-3.6	1.8	1.3	-6.8
UK	32.5	14.1	8.5	9.9	-0.1	-0.6	0.3	0.2	0.3	-1.6	1.0	0.9

(1) Single person without children, 100% of average wage.
Source: OECD, Taxing wages report. **2007 data *2010 data.

security contributions and France has the highest rate on employer's social security contributions.

Over the period 2001-2011, the tax wedge decreased in most countries. Bulgaria, Cyprus, Hungary, Sweden, Lithuania and Denmark recorded the sharpest reductions. In the euro area, beyond Cyprus, the tax wedge decreased the most in Slovenia, Slovakia, Finland and Germany. Between 2010 and 2011, Bulgaria recorded the highest reduction on the back of reduction in employers and employees' social security contribution. On the contrary Portugal, Luxembourg, Latvia and Hungary recorded the most significant increases in the tax wedge.

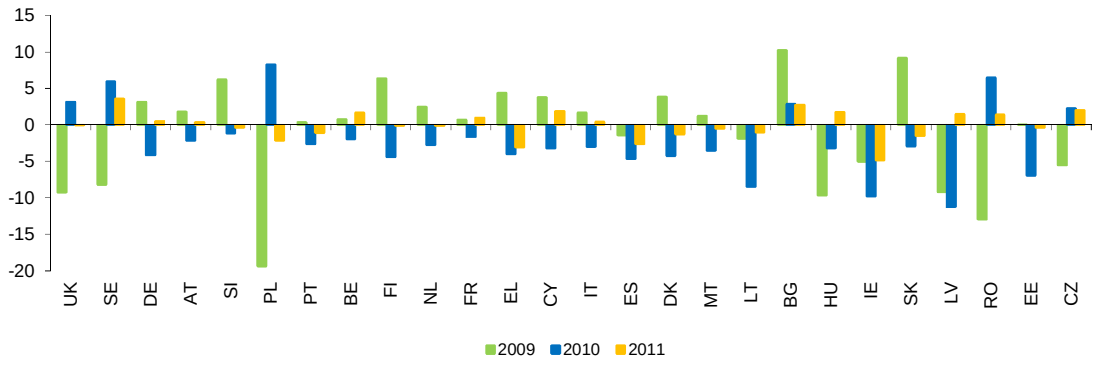
3.3. PRICE COMPETITIVENESS DEVELOPMENTS

Cost competitiveness relative to a group of 35 industrialised nations improved in most of the EU Member States over the period 2009-2011 in light of the productivity rebound and widespread moderation in wage dynamics (Graph I.3.10). Developments were however quite uneven.

Within the euro area, Ireland recorded the strongest adjustment, with an 18% cumulative decline in the REER over the period. Spain and Estonia also recorded a decline in REERs of about 8%. In Portugal, Malta and Greece REERs had a cumulative depreciation of about 3%. Slovakia and Slovenia recorded instead an appreciation above 4% in REERs during this three year period.

Among non-euro area countries, Latvia, Poland, Lithuania and Hungary recorded the sharpest depreciation in REERs in the period 2009-2011. In Latvia and Lithuania the developments in REERs were driven by strong downward adjustment in unit labour costs, while in Poland and Hungary the depreciation was mostly related to depreciations in nominal exchange rates. Nominal exchange rates also contribute to explain the variations in REERs in the Czech Republic, Romania, Sweden and the United Kingdom in 2009 and 2010.

Graph I.3.10: **REERs based on ULC deflator, y-o-y % change**



(1) Belgium also includes Luxembourg.
Source: DG ECGIN AMECO database.

Different measures of REERs evolved in opposite directions in a number of countries. Graph I.3.11 shows the year-on-year evolution of REERs based on ULC deflator, GDP deflator and export price deflator. This allows a distinction between broad and narrow measures of REERs. While REERs based on ULC and GDP cover the entire economy, export prices deflator concerns prices of exports only. Over relatively long time horizons, broad REERs indicators convey similar information regarding competitiveness positions. But in the short-term they may differ substantially in light of short-term variations in profit margins and indirect taxation. Differences may also exist between broad and narrow measures of REERs. This may be indicative of different price dynamics in tradable and non-tradable sectors and composition of exports. Graph I.3.11 shows that REERs based on the different deflators display conflicting signals in a number of countries.

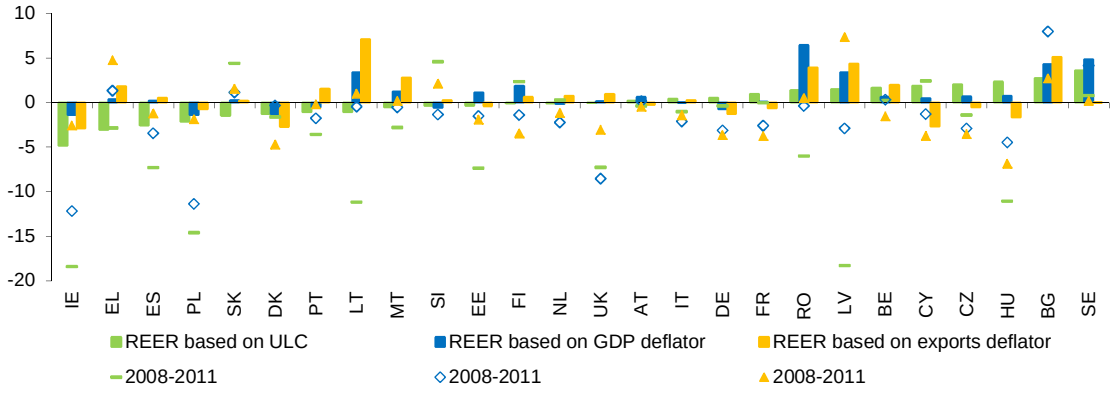
REERs based on ULC depreciated more in the euro area countries under more need to adjust. In Ireland the depreciation was about 5%, in Spain and Greece about 3% and in Portugal about 1%. In Germany and Austria REERs appreciated by about 0.5%. Belgium and Cyprus were the only euro area countries where REERs based on ULC appreciated by more than 1%. Of the non-euro area countries Sweden, Bulgaria, Hungary and the Czech Republic recorded the sharpest appreciations. On the contrary, Poland recorded the highest depreciation. In Poland, the Czech Republic and Sweden the movement in REERs in 2011 seems to be more related to movements in exchange rates than in nominal unit labour costs.

The countries with the sharpest depreciation in REERs based on ULC have not seen the same adjustment in REERs based on the GDP deflator. In Ireland, the depreciation of REERs based on the GDP deflator was below 2% while in Spain and Greece appreciated slightly. In Portugal REERs based on GDP deflator depreciated but less than the REER based on unit labour costs. In some countries (e.g., Romania, Latvia, Bulgaria) price competitiveness based in terms of GDP deflator worsened much more markedly than ULC cost competitiveness. Conversely, in some countries (Germany , Belgium, Czech Republic, Cyprus, Hungary) labour cost competitiveness losses outpaced price competitiveness losses.

REERs deflated by the export prices deflator evolved differently from REERs based on broad measures. Lithuania recorded the largest difference between the REER based on ULC and the REER based on the export deflator. In Germany, France, Cyprus the Czech Republic and Hungary the REERs based on the export deflator depreciated more than REERs based on ULC. This suggests that export firms in these countries have tried to offset the increase in cost competitiveness through a drop in profit margins, or the unit labour cost in export sectors varied considerably from those for the whole economy.

Overall, in 2011 countries having to rebalance external positions while reducing high

Graph I.3.11: **REERs based on ULC deflator, GDP deflator and export prices deflator, % change, 2011 y-o-y and over the 2008-2011 period.**



(1) Belgium also includes Luxembourg.
Source: DG ECGIN AMECO database.

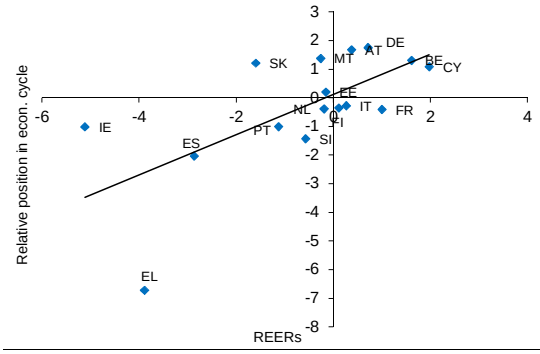
unemployment recorded in general a stronger adjustment in labour cost competitiveness than in price competitiveness. A similar stronger adjustment of competitiveness in terms of labour costs rather than in relative prices for deficit countries is observable over a longer time frame, namely, since the start of the crisis (the 2008-2011 period), as reported in Graph I.3.11. While improvements in cost competitiveness are per se helpful to external rebalancing, adjustment in relative prices are needed not only to support export demand via reduced export prices but also to induce the necessary shift from the non-tradable sector. In the latter respect, a role in fostering price competitiveness adjustment could be played by structural reforms more effectively contributing to reduce mark-ups in the non-tradable sector.

3.3.1. Competitiveness and adjustment in the euro area

In monetary unions, nominal unit labour costs are expected to adjust to differences in business cycle developments. Hence, in the presence of positive (negative) asymmetric shock, unit labour costs in a euro-area country should increase faster (slower) than in the rest of the area. This adjustment in turn favours the rebalancing of cyclical competitiveness positions via changes in net exports.

Graph I.3.12 shows the year-on-year changes in REERs based on ULC and the relative output gap, calculated as the difference between the output gap of each individual country with that of the euro area.

Graph I.3.12: **REERs based on ULC, y-o-y % change, and relative output gap 2011**



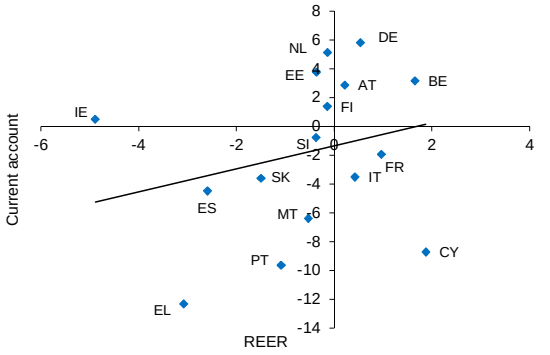
Note: Belgium also includes Luxembourg.
Source: Commission services, based on DG ECFIN AMECO database.

As expected, there is a positive relation between the relative output gap position and changes in REERs: countries with the largest cyclical slack tend to be those exhibiting stronger cost competitiveness gains. ([17]) Changes in REERs varied considerably across countries in similar cyclical positions. Ireland, Greece, Spain and Portugal recorded an economic performance relatively worse than that of the euro area and all saw their REERs depreciating, though the depreciation recorded by Ireland was the largest. Germany recorded the best economic performance in relation to the euro area while France performed relatively worse, but France recorded an

([17]) This result is confirmed in empirical work on larger samples (e.g., Biroli, Mourre, and Turrini, 2010).

appreciation of REER higher than that of Germany.

Graph I.3.13: **REERs based on ULC, y-o-y % change 2011 and current account balance 2010**



Note: Belgium also includes Luxembourg.
Source: Commission services, based on DG ECFIN AMECO database.

Apart from contributing to the absorption of cyclical divergences, competitiveness adjustment is also key for the external rebalancing of the economies. Graph I.3.13 plots the current account balance in proportion of GDP in 2010 against changes in REERs based on ULC in 2011. The correlation between the variation in REERs and the current account is roughly positive, suggesting that the REER tends to appreciate more (less) in countries with a current account surplus (deficit).

3.4. CONCLUSION

In 2011, the dynamics of nominal compensation per employee started exhibiting an increasingly clear differentiation between countries with stronger needs to reduce unemployment and rebalance external positions and countries with a more sustained recovery and current account surpluses.

Real compensation per employee declined in about half of the Member States. After growing above productivity in 2009, real compensation per employee in 2011 expanded at a rate below that of productivity, confirming the trend initiated in 2010 of a declining wage share. The moderation in real wages is needed for containing unemployment and is probably under-estimated by aggregated data in light of rising skill-intensity of employment. Not in all countries, however, the speed and breath of downward adjustment in real wages seems proportionate to the unemployment challenges.

The growth of compensation per employee in the public sector was on average lower than in the private sector. As part of their fiscal consolidation efforts, several governments imposed wage cuts and wage freezes in the public sector; wage cuts in the public sector were enacted in Ireland, Portugal, Slovakia and Spain; in Italy compensation per employee in the public sector grew below 1%.

Looking at the sectoral breakdown, the growth of compensation per employee was more evenly distributed across sectors than in 2010. It was on average stronger in industry (excluding construction) and closely followed by the growth rate of compensation per employee in the construction sector, in trade, transport and communication and in finance and business services. The cross-country pattern of wage growth in manufacturing appears consistent with external rebalancing, with labour demand and wages more sustained in the tradable sector in countries having clearly started or nearly completed a process of correction of current account deficits.

Also unit labour cost developments are increasingly following patterns supportive of external re-balancing, with dynamics becoming increasingly sustained in surplus countries and more muted in deficit countries. Price competitiveness developments, however, appear somehow delinked to those in labour cost competitiveness, with gains still having to fully materialise in most deficit countries.

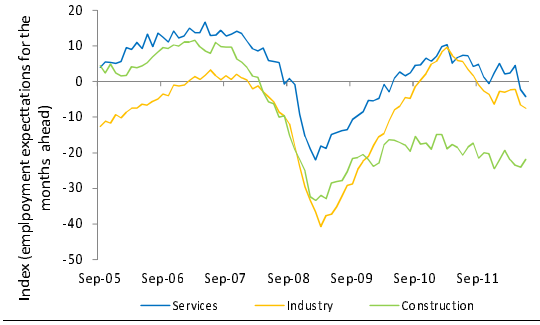
4. EU LABOUR MARKET OUTLOOK

After two years of continued economic expansion following the Great Recession, the European economy is again losing momentum and an expansion of economic activity is not expected before 2013.

Renewed tensions in sovereign bond markets, protracted fiscal consolidation to ensure public debt sustainability, concerns regarding credit supply amidst a process of gradual deleveraging, and some moderation in growth in emerging economies, mark the uncertain background for the EU economy.

Hard data have pointed to worsening activity and employment since late 2011 and the latest results from business surveys point to weakening employment prospects. This state of worsening expectations could signal an actual reduction in employment growth looking forward, as survey results turn out being a quite effective leading indicator in the past, as hinted by Graph I.4.1.

Graph I.4.1: **Employment expectations by the EU businesses and actual employment growth**



Source: European Commission (DG ECFIN Business and Consumer Surveys)

According to the European Commission services Spring 2012 Forecast, EU GDP is expected to stagnate in 2012 and to expand by 1.3% in 2013. In the euro area alone, economic activity is likely to recede by -0.3% in 2012 before edging up by 1% in 2013.

Patterns of economic activity are expected to be highly different across Member States in 2012, reflecting different challenges in terms of private and public sectors adjustment as well as different exposure to the international cycle. Poland, Lithuania and Latvia are all expected to register GDP growth in excess of 2% in 2012. Greece and Portugal are projected to record notorious recessions, while Spain, Italy, Slovenia, the Netherlands, Cyprus and Hungary are also expected to register GDP falls. In 2013, GDP growth is instead expected to gain momentum in essentially all the EU countries, yet at different speeds.

The background for economic activity in the quarters ahead is marked by heightened uncertainty of financial and fiscal conditions on individuals and firms decisions. In all, this uncertainty about the pace of economic activity can induce a wait-and-see attitude on the part of firms and compound the effects of falling activity. The fact that job creation in 2010 and 2011 took place especially in terms of temporary and part-time jobs surrogates the argument that uncertainty on the economic outlook has been playing a role.

The falling momentum in economic activity amid increased uncertainty is therefore expected to have implications for employment. In the EU as a whole, employment is forecast to decline by 0.2% in 2012 and to recover by the same magnitude the following year. The outlook for the euro area alone is bleaker as employment is projected to decline by 0.5% in 2012 and to stabilise in 2013. In 2012, the unemployment rates are expected to increase to 10.3% and 11% in the EU and in the euro area respectively (from 9.7% and 10.2% in 2011) and to remain broadly unchanged in 2013.

The high diversity of employment developments across EU countries observed in recent years is expected to persist (Table I.4.1). The prospects remain poor in a number of EU countries whose labour markets were strongly hit by the crisis. This is notably the case of Greece, Spain and Portugal. Member States like Bulgaria, Slovenia, Cyprus or Italy are also forecast to experience a labour market deterioration. Employment rates are expected to increase in Luxembourg, Germany and Hungary, all by at least 1% in 2012. Employment growth increases are expected also in Austria, France, the Baltics and the UK.

Regarding unemployment rates, they are likely to be on a downward trend only in a tiny minority of Member States in 2012 and 2013, notably Hungary, Ireland, Slovakia and Germany. Also in

Table I.4.1: **Employment growth and unemployment rate forecasts by EU Commission (DG ECFIN), OECD and IMF**

	Employment (annual percentage change)							Unemployment (percentage of civilian labour force)						
	ECFIN			OECD		IMF		ECFIN			OECD		IMF	
	2011	2012	2013	2012	2013	2012	2013	2011	2012	2013	2012	2013	2012	2013
BE	1.4	0.0	0.4	0.1	0.2	-0.3	0.3	7.2	7.6	7.9	7.5	7.8	8.0	8.3
BG	-4.2	-1.9	-0.2					11.3	12.1	12.0			12.5	12.0
CZ	1.3	-0.1	0.2	-0.6	0.5	-0.1	-0.2	6.7	7.2	7.2	7.0	6.9	7.0	7.4
DK	-0.5	0.1	0.3	-0.1	0.2	0.6	0.6	7.6	7.7	7.6	7.6	7.5	5.8	5.5
DE	1.3	1.0	0.4	0.9	0.2	0.3	0.2	5.9	5.5	5.3	5.4	5.2	5.6	5.5
EE	6.7	0.6	1.2	1.1	0.9	0.5	0.7	12.5	11.6	10.5	11.4	10.4	11.3	10.0
IE	-2.2	-0.6	0.7	-0.1	0.3	-1.0	0.7	14.4	14.3	13.6	14.5	14.4	14.5	13.8
EL	-6.7	-4.8	-0.2	-5.0	-1.1	-4.8	-0.3	17.7	19.7	19.6	21.2	21.6	19.4	19.4
ES	-2.0	-3.7	-1.5	-4.1	-1.1	-3.2	0.1	21.7	24.4	25.1	24.5	25.3	24.2	23.9
FR	0.5	0.4	0.4	-0.1	0.2	0.2	0.3	9.7	10.2	10.3	9.8	10.0	9.9	10.1
IT	0.3	-0.8	0.0	-0.3	-0.3	-1.1	0.1	8.4	9.5	9.7	9.4	9.9	9.5	9.7
CY	0.5	-1.5	0.6			-0.3	1.0	7.9	9.9	10.0			9.5	9.6
LV	-8.4	0.7	1.2					16.2	14.9	13.3			15.5	14.6
LT	2.0	0.6	0.5					15.4	13.8	12.7			14.5	13.0
LU	2.3	1.7	1.2	1.4	1.3	1.8	1.8	4.9	5.3	6.0	6.3	6.6	6.0	6.0
HU	0.8	1.0	1.4	-0.1	0.1			10.9	10.6	9.6	12.0	12.2	11.5	11.0
MT	2.4	0.6	1.1			0.6	1.2	6.5	6.6	6.3			6.6	6.5
NL	0.6	-0.1	-0.2	-0.3	0.1	-0.6	0.7	4.4	5.7	6.2	5.3	5.7 #	5.5	5.5
AT	1.4	0.4	0.7	0.5	0.3	0.3	0.8	4.2	4.3	4.2	4.6	4.8	4.4	4.3
PL	1.1	0.3	0.4	0.1	-0.1			9.7	9.8	9.6	10.3	10.6	9.4	9.1
PT	-1.9	-3.3	0.2	-3.9	-1.2	-2.5	0.3	12.9	15.5	15.1	15.4	16.2	14.4	14.0
RO	-0.9	0.4	1.1					7.4	7.2	7.1			7.2	7.1
SI	-3.2	-1.7	-1.0	-3.3	-2.7	-2.0	-0.4	8.2	9.1	9.4	8.8	9.2	8.7	8.9
SK	1.5	0.5	0.7	-0.1	0.7	-0.3	0.8	13.6	13.3	12.8	14.0	13.5	13.8	13.6
FI	1.1	-0.1	-0.1	-0.1	0.2	0.0	-0.2	7.8	7.9	7.7	7.9	7.8	7.7	7.8
SE	1.7	0.1	0.4	0.4	0.9	0.1	3.0	7.5	7.7	7.7	7.6	7.6	7.5	7.7
UK	0.5	0.4	0.5	-0.2	0.1	0.1	0.7	8.0	8.5	8.4	8.6	9.0	8.3	8.2
EA-17	0.1	-0.5	0.0	-0.6	0.1			10.2	11.0	11.0	10.3	10.6 #	10.9	10.8
EU-27	0.2	-0.2	0.2					9.7	10.3	10.3			na	na
US	-0.6	1.8	0.8	1.8	1.6	1.4	1.6	8.9	8.2	8.0	8.1	7.6	8.2	7.9
JP	-0.4	0.1	0.1	0.1	-0.2	1.4	0.2	4.6	4.5	4.4	4.5	4.4	4.5	4.4

Source: EU Commission spring 2012 forecast, IMF World Economic Outlook database April 2012, OECD Economic Outlook n°91 June 2012. For the euro area figures by OECD, 15 countries are considered (no data for Cyprus and Malta).

the Baltic countries unemployment rates will continue to fall visibly, from rather elevated levels. By contrast, increases in the unemployment rate will approach or even exceed 2 percentage points in the cases of Spain, Portugal, Cyprus and Greece. In the case of Spain, the unemployment is expected to grow substantially not only in 2012 but also in 2013.

The differences in the forecast unemployment dynamics across countries are mostly linked to the multi-speed recovery. However, in some cases the unemployment response to growth is also forecast to differ considerably. Furthermore, in a number of countries, unemployment patterns are expected to be driven by substantial structural relocations needs: it is not only that labour demand for some skills will continue to decline, labour supply may not be offering the skills demanded in the areas that are most promising to pull stricken economies out of the recession. Indeed, as mentioned in Chapter 1, and in Chapter 2 for the case of Spain, the recent shifts in the Beveridge curve suggest a worsening labour matching.

Overall, in the absence of a resolution of factors underlying the weakness of economic activity, notably the uncertainties linked to the sovereign crisis and the associated feed-back loops to the financial and real sector, the process of absorption of unemployment is likely to be long-lasting.

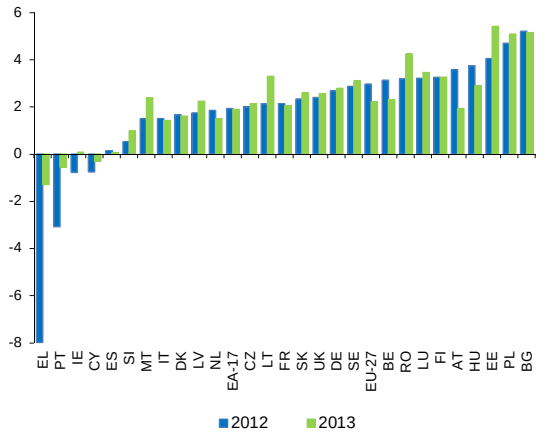
The speed at which unemployment will be re-absorbed will also depend, among other factors, on the capacity of wages to adjust to prevailing labour market conditions. The growth rate of compensation per employee in the EU is expected to remain essentially unchanged in 2012 and 2013 (at slightly over 2%), while for the euro area a small deceleration (to marginally below 2%) is forecast.

On the positive side, the dynamics of compensation per employee are forecast to follow differentiated paths (Graph I.4.2). Nominal compensation is forecast to grow strongly not only in non-euro area countries (e.g., Bulgaria, Poland and Estonia) but also in surplus euro-area countries, including Germany, Austria, Finland. On the opposite, deficit countries like Greece, Portugal, Ireland and Cyprus are forecast to record falls in average nominal compensation. The reduction in nominal compensation per employee in Spain is expected to be rather marginal.

Real wages are expected to decline somewhat in 2012 but to recover those losses in 2013. Nevertheless, they are expected to grow always

below productivity in the EU and in the euro area, especially in 2013 when a cyclical upswing in productivity is expected, following a recovery in activity.

Graph I.4.2: **Nominal compensation per employee in EU Member States (% change)**

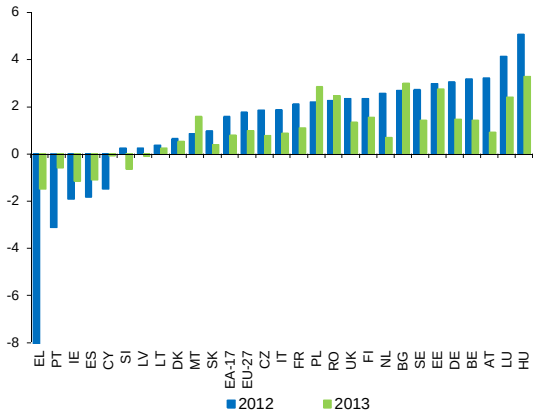


Source: Commission services spring 2012 forecasts

With productivity losing steam in 2012 before picking up again in 2013, and with little changes in in compensation per employee in 2012 and 2013, nominal unit labour costs for the EU and the euro area are forecast to increase in 2012, and to decelerate in 2013 for the euro area (Graph I.4.3).

Inside the euro area, the strongest upward dynamics are projected for Luxembourg, Estonia, Belgium and Germany. On the opposite side, unit labour costs are expected to decline in a number of countries, most notably, Greece, Portugal, Ireland, Spain and Cyprus. The combination of these patterns should help narrowing imbalances in external accounts.

Graph I.4.3: **Nominal unit labour costs in the EU Member States (% change)**



Source: Commission services spring 2012 forecasts

5. POLICY DEVELOPMENTS

5.1. INTRODUCTION

Recent years have been characterised by an exceptionally intense reform activity, where the large fiscal stimulus launched all over the EU in the aftermath of the crisis has been subsequently followed by a wave of structural reforms without precedents in a number of countries. Largely due to growing disparities in economic performance and fiscal constraints, and to different institutional settings, reform patterns have indeed been diverse across the EU.

This chapter provides an overview of recent reform trends in the EU. It first analyses the overall reform activity since when the crisis started to be felt in the real economy. It then looks more in detail into labour market measures adopted between 2011 and the first half of 2012. Major labour market reforms taking place in selected countries are illustrated in depth. An attempt is made to assess ex-ante the impact of recent major EPL reforms on job market flows. The chapter finally takes a forward-looking perspective discussing priorities for further reform action across the EU, policy recommendations within the EU Semester and Macroeconomic Imbalance Procedure framework, and national policy plans looking forward.

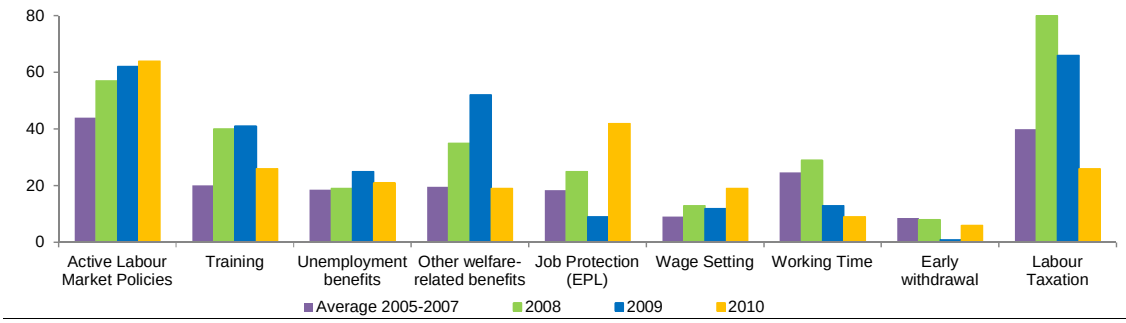
The remainder of the chapter is structured as follows. In the next section recent policy trends across countries and policy areas are discussed. Section 3 reviews more in depth the measures passed in 2011 and in the first half of 2012 in a number of labour market policy fields. Section 4 looks into policy priorities and plans looking forward. Section 5 concludes by identifying desirable reform strategies in the EU.

5.2. POLICY TRENDS

The wave of reforms started in the second half of 2008 reflects the exceptional circumstances which have prevailed over the last four years, dominated by a deep economic crisis, followed by sluggish recovery or recession in some countries and uncertain global prospects looking forward. The overall reform intensity sharply increased from 2008 compared to previous years, with a relative higher increase in the number of measures in the fields of training, social assistance and income support, and wage setting.

At first, European countries responded with a large fiscal stimulus to contain the labour market effects of the economic slowdown and mitigate its social impact, in line with what recommended in the European Economic Recovery Plan of November 2008. Main temporary measures included increased support for labour demand and job creation, the full working of automatic stabilizers and their reinforcement where necessary, enhanced mechanisms to support job search and labour reallocation, and financial support to companies in difficulties to keep their labour force in case of temporary shortfall of demand.

Graph I.5.1: **Number of labour market measures by domain, total EU**



(1) * ALMP without training.
Source: Commission services, DG ECFIN LABREF database.

Box I.5.1: The effectiveness of Active labour market policies: evidence

While passive labour market policies are aimed at providing income support to the unemployed, active labour market policies (ALMPs) aim at improving the employability of job seekers and tackling the mismatch between the supply and demand of labour.

ALMPs are carried out by means of a number of different instruments – including the provision of information to job seekers and firms, job counselling and activation, training, subsidized employment, direct job creation in the public sector. Offices providing ALMPs and managing the available instruments are above all the public employment services (often in cooperation with private employment services) and public and private training centres.

The empirical assessment of ALMPs is generally based on a comparison of outcomes (job finding rates, unemployment duration, wage loss after re-employment…) before and after participation into an ALMP programme, and compared with individuals not participating in any programme, controlling for a series of other characteristics ("difference-in-difference quasi-experiments", see, e.g., Heckman et al., 1999).

If effectively designed and managed, ALMPs help to improve and adapt work skills, maintain employability, promote more active search behaviour and also have a screening function as they are substitutes for work experience and reduce employer uncertainty about employability. If badly designed and organised, ALMPs may not only be of limited effectiveness, but could also have a stigma effect.

Empirical analyses on the effectiveness of ALMPs point to widely different impacts. In some studies, the effect of ALMPs turn out being insignificant or slightly negative, in other cases effects can be quite sizable, for example with average annual job finding rates being increased by about 5 percentage points (e.g., Blundell et al., 2004). Estimated effects of ALMPs tend to be higher when measured over longer periods (Card et al, 2010).

A key determinant of the effectiveness of ALMPs in achieving a given objective is the type of instrument considered (Kluve, 2010). However, also the design of the programme matters. For instance, there is evidence that early participation in activation policies is more effective than programmes started after long unemployment spells. Moreover, the effectiveness of ALMPs needs to be evaluated conditional on the specific population groups targeted and taking into account the interaction with other policy frameworks, notably income support policies (ECORYS, 2004, 2008).

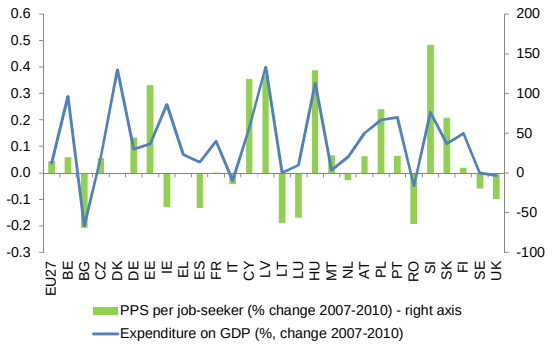
Turning to the estimated effects of specific ALMPs instruments:

- Training is generally found to have a positive impact on the probability of re-employment and wage prospects, although the effects are often estimated to be quite small (e.g., Heckman et al, 1999). It is also found that training tends to be more effective if provided within-firm and in connection to counselling, start-up support, wage subsidies (e.g., Martin and Grubb, 2001).
- The initial scepticism towards wage subsidies (e.g., Martin and Grubb, 2001; Boone and van Ours, 2004) is increasingly replaced by more positive evaluations, possibly partly related to improved design of most recent schemes (Card et al., 2010; Estevão, 2007; Dauth et al., 2010).
- Activation policies, including job search assistance are among the least costly ALMPs and a significant impact has been found on the job finding rate (e.g., Blundell et al., 2004) and on unemployment duration (Centeno et al., 2009). The effectiveness of this instrument can be enhanced by increased monitoring of job-search behaviour and enforcement of work tests (e.g., Martin and Grubb, 2001; Ende et al, 2012).
- Public jobs programmes are widely considered to be the ALMP with the smallest increase in long term employment prospects (e.g., Heckman et al., 1999; Card et al, 2010) and are mostly targeted to hardly employable population groups. However, during periods of mass unemployment, temporary and targeted public job programmes contribute to mitigating the loss of income while maintaining the link to the labour market (e.g. Azam et al., 2012).

The majority of policy interventions were intended to increase the employability of those hit by the crisis, improve the matching process and ultimately facilitate labour market transitions. Reinforcing activation and supporting employment by cutting labour cost, thus stimulating labour demand while keeping high the incentives to remain in the labour market, were also high on the reform agenda on the aftermath of the crisis.

Starting from 2010, growing fiscal constraints, the need to address longer-term labour market weaknesses and large cumulated imbalances in a number of countries, led to the rapid phasing-out of crisis-related measures and to an intense structural reform activity, centred on the need to ensure a smooth labour market functioning and improved adjustment capacity.

Graph I.5.2: **Percentage change in labour market policy measures expenditure 2007-2010**



Source: Eurostat, LMP database, LMP categories 2-7

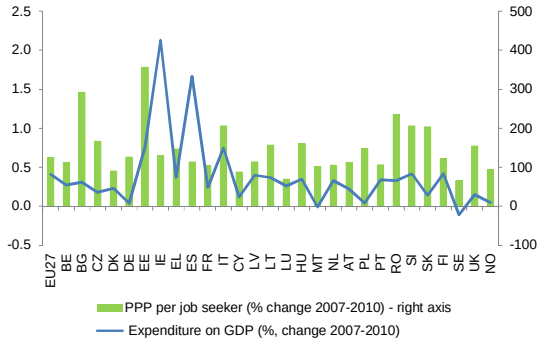
These broad reform trends are largely captured in the LABREF database. ([18]) A simple count of measures by policy area shows a constant increase in the number of interventions in the field of active labour market policies (ALMPs). ([19]) On the other hand, the interventions in the field of unemployment and other welfare-related benefits, which had seen a pick in the immediate aftermath of the crisis, started to decline in 2010, while the intensity of reform activity in areas touching the inner functioning of labour market, such as employment protection legislation (EPL) and wage setting mechanisms, significantly increased in 2010-2011.

([18]) http://ec.europa.eu/economy_finance/db_indicators/labref/index_en.htm

([19]) Data for 2011 are still provisional.

The vast majority of measures taken over the period 2008-2011 in the field of ALMPs aimed at supporting employability, improving matching and enhancing skills. Most active support focused on enhancing and expanding the training offer, devising new vocational training strategies, and improving school-to-work transition via strengthened apprenticeship and training schemes. Wage subsidies were reinforced in a limited number of countries and less attention was paid to direct job creation schemes, a shift that could reflect inter-alia growing evidence on the different effectiveness of ALMP instruments (see Box I.5.1).

Graph I.5.3: **Percentage change in out-of-work income maintenance and support 2007-2010**



Source: Eurostat, LMP database, LMP categories 8-9

Despite the noticeable reform activity in this field, public expenditure in ALMPs per job-seeker declined slightly on average over the period. This general trend hides huge disparities across Member States, with countries such as Bulgaria, Lithuania, Romania, Ireland and Spain, most of them hit by record unemployment levels, registering a sharp reduction of resources per job seeker. This can be largely explained by the steady increase in the take-up of active labour market policies since the start of the crisis, coupled in some cases with capped or reduced funds or with the need for increased efficiency, to face growing budgetary constraints.

By contrast, expenditure on out-of-work income maintenance and support increased almost everywhere in the EU, with a few picks both as a percentage of GDP and per person in countries with the highest unemployment surge, such as Ireland, Spain and Italy.

Reform intensity in the field of unemployment and other welfare-related benefits was overall stable over the period 2008-2011, yet with different policy priorities. While in 2008-2009 most measures were aimed at increasing the generosity and coverage of the system, in 2010 and 2011 they turned into reducing generosity and tightening eligibility conditions. Most interventions in means-tested and other welfare-related benefits, aimed at reinforcing social assistance and other income support mechanisms, were indeed recorded in 2008 and 2009.

Short-time working schemes have emerged as a new feature to support companies faced with a shortfall in demand. In particular, newly designed schemes which had been introduced on a temporary basis in the aftermath of the crisis have become a permanent feature of labour market institutions in a number of countries (e.g. Czech Republic, Spain, Sweden and Belgium for white-collars, following measures adopted in 2011).

As compared to 2008-2009, significantly fewer measures were adopted in 2010 and 2011 in the field of labour taxation. This could be due to the high number of fiscal measures which had been enacted immediately after the crisis to sustain labour demand. EPL and wage setting reforms saw an unprecedented boost in 2010-2011, and were largely concentrated in countries with major labour market problems and macro-economic imbalances.

Regarding cross-country patterns of reform, in countries with positive employment prospects but with structural labour market weaknesses, crisis-related measures have been largely discontinued while reforms have started to be enacted in specific policy areas considered as bottleneck to higher employment. However, the reform process has been in some cases irregular, with more piecemeal and less incisive interventions.

In contrast, comprehensive reform packages have been introduced in countries with serious fiscal and macroeconomic imbalances targeting several policy areas simultaneously to reap the benefits of reform complementarities. In particular, the accession of countries to multilateral financial assistance programmes has provided for ambitious structural labour market reforms. The scope for new measures or implementing announced measures has been to some extent affected by fiscal consolidation needs.

5.3. POLICY ACTION SINCE 2011

The overall policy trends which had emerged in 2010 have been confirmed in 2011. Policies to sustain labour supply, encourage labour demand and facilitate transitions to work have remained a focal strategy to prevent unemployment from becoming entrenched. In addition, unprecedented measures in the area of employment protection legislation have come to the forefront to support labour market dynamics and reduce labour market segmentation. These reforms have been to some extent complemented with measures to enhance internal flexibility while bold reforms of wage setting mechanisms towards greater decentralisation and higher wage flexibility have mitigated the adjustment of labour input. New reforms of unemployment benefit systems have supported transitions back to work, primarily by adjusting the design of unemployment benefits over the unemployment spell and in some cases by strengthening job-search conditionalities. ([20])

Active Labour Market Policies

Activation and job-search assistance policies have remained one of the most widely used instruments to fight unemployment. New strategies and action plans have been devised to improve matching, by focusing on reinforced individual support and an early activation (e.g. Finland, France, Spain, Portugal, Denmark, Ireland, Sweden, Luxembourg), especially of the young and long-term unemployed, and in some cases of workers from specific sectors particularly hit by the crisis (e.g. Spain).

To improve efficiency, several countries have adapted the institutional network in place to support the unemployed, notably by reorganising the *public employment services* (e.g. Czech Republic, Spain, Hungary, Ireland, Belgium), increasing staff capacity (e.g. France, Sweden), setting-up a one-stop shop (e.g. Czech Republic,

([20]) Information reported in this section are based on national sources, ECFIN staff, and various issues of European Employment Observatory, Quarterly Reports.

Hungary, Ireland), decentralising activation (e.g. Finland, Belgium) or outsourcing it to private employment agencies (e.g. Czech Republic, United Kingdom, Slovakia). Further measures include tighter conditionality of benefits with respect to accepting a job offer, public works or training (e.g. Ireland, Spain, Hungary and Czech Republic).

Employment incentives have continued to be used extensively to support labour demand and recruitment of specific vulnerable groups. Newly introduced or scaled-up *wage subsidies* and tax incentives to employers have been decided in many countries (e.g. Cyprus, Spain, Belgium, France, Latvia, Greece, Sweden, Bulgaria, Hungary, Luxembourg), often conditional upon new hires, and targeted at specific and less employable demographic groups such as young, long-term unemployed, older persons, ethnic minorities or foreign-born residents and mothers.

In contrast, a few countries scaled back employment incentives for the unemployed (e.g. Denmark). Direct job creation schemes have been less important, except in some countries (e.g. Hungary, Latvia), while new measures emerged to support the unemployed to start to work as self-employed (e.g. Austria, Belgium, Czech Republic, United Kingdom).

Training and life-long learning

A wide range of measures have been adopted to enhance the training offer, there including at the workplace, so as to better adapt the skills of workforce to labour market needs and facilitate labour adjustment. New training schemes for the unemployed have been introduced and existing ones have been adapted, by revising training needs and priority areas, extending the training coverage and increasing financial support (e.g. Greece, Lithuania, Sweden, Spain, Latvia, Luxembourg, Bulgaria, Estonia, Denmark, Ireland, Belgium and Germany). To ensure that the unemployed can better build a link with the labour market, many countries have announced or expanded existing work experience, internship and apprenticeship schemes in private, public, community or voluntary sectors (Sweden, France, Italy, United Kingdom, Ireland, Latvia, Estonia, Luxembourg, Spain and Denmark), targeting above all specific groups such as the young and the unemployed. Some measures have been also introduced to up-skill employees, by strengthening their rights to training at work and taking leave from work for training purposes (e.g. Spain).

Participation-friendly schemes

Keeping labour market attachment of specific groups has remained high on the policy agenda. A variety of measures have addressed bottlenecks for women to participate in the labour market, by providing tax incentives on income from work (e.g. Italy, Malta, Hungary, Austria) and making childcare facilities more available (e.g. Austria, Malta, Hungary, Luxembourg). In contrast, a refund of childcare costs was reduced in the Netherlands. Targeted measures have been also introduced or announced to increase employment of the disabled (e.g. France, Slovenia, Denmark, Czech Republic) and to keep older persons either employed or attached to the labour market (e.g. Austria, Poland, Germany).

Unemployment benefits

A major overhaul of unemployment benefit systems has been decided in some countries, with the aim either to address insufficient incentives to take-up work while supporting fiscal consolidation plans, or to improve income stabilisation and income security. Incentive-friendly measures include reduction in the maximum level of benefits (Portugal, Slovenia), adaptation of the design of benefits over the unemployment spell (e.g. Portugal, Belgium, Slovakia, Slovenia, Finland), cuts in benefit duration (Portugal, Hungary, Slovakia, Finland), and stricter eligibility criteria (Czech Republic). In contrast, consumption-stabilisation measures are extending benefit coverage to new groups of workers in Italy and Portugal, temporarily lengthen benefit duration in Denmark and increase benefit generosity as part of a comprehensive reform of the unemployment benefit system in Italy (as of 2017). The possibility of drawing unemployment benefits and income from work was introduced to support labour market integration of specific categories of unemployed in Belgium and France, while a similar scheme was abolished to limit its misuse in the Czech Republic.

Labour taxation

The tax wedge has increased in most countries due to pressing needs to consolidate public finances, although targeted tax reductions helped to boost work incentives of specific groups. Around one half of Member States have changed personal income taxes since 2011. Personal income taxes have been increased in some countries, especially in the form of surcharges on high income earners and often only on a temporary basis (Belgium, Greece, Italy, Cyprus, Luxembourg, Portugal, Spain), while in others they have been reduced (e.g. Hungary, Latvia, Finland, Germany), mainly to boost work incentives of specific vulnerable groups, notably of parents (Hungary, Malta, Germany) and of low to medium income earners (Belgium, Finland, Ireland, Hungary, the Netherlands). As a result, income tax progressivity has increased. Social security contributions have increased in many countries, mainly as a result of a hike in standard rates (Greece, Latvia, United Kingdom) or in rates for specific groups (Bulgaria, France, Hungary, Poland, Austria, Portugal), or on account of a broader tax base (Cyprus, Slovakia). Targeted cuts in social security contributions were decided in Spain and other countries to support the employment of young people and long-term unemployed. Germany reduced social security contributions across the board.

Job protection

The reform activity in the area of employment protection legislation has been sustained, notably in countries with strong need for facilitating labour market adjustment and with rigid employment protection legislation.

A number of countries have introduced changes to *individual and collective dismissals* under the pressure of mass unemployment and a highly segmented labour market. Main reforms include increased probationary periods (e.g. Romania, Slovakia), eased dismissal rules (e.g. Italy, Portugal, Spain), clearer and broadened scope of justified dismissals (e.g. Spain, Portugal), reduced costs of dismissals and uncertainty related to both justified dismissals (e.g. Portugal, Spain, Greece, Slovakia, Czech Republic, United Kingdom) and unjustified dismissals (e.g. Portugal, Spain, Italy). Additional flexibility was introduced also concerning "staff loans" between employers that allow companies facing cyclical difficulties to find other companies to take on some of their staff on a temporary basis (e.g. France).

With regard to the *regulation of temporary contracts*, the purpose of reforms has been either to inject more flexibility on the labour market or to limit their abuse and thus contain problems related to labour market segmentation. Access to fixed-term contracts has been facilitated, by extending their scope (e.g. Romania, Lithuania), their duration (e.g. Romania, Slovakia, Czech Republic) and the number of allowed renewals (e.g. Czech Republic, Slovakia), by reducing costs of dismissals (e.g. Lithuania) and aligning them with those of permanent contracts (e.g. Portugal), and by easing the regulation of temporary work agencies (e.g. Romania, Malta, Lithuania, Slovakia). In contrast, the use and abuse of temporary contracts has been discouraged, on account of restrictions upon chaining fixed-term contracts (e.g. Italy), higher social security contributions (e.g. Italy) and limitations on the use of other a-typical contracts and non-dependant work (e.g. Italy, Malta).

Collective bargaining

Changes in collective bargaining structures and wage setting arrangements have been largely supportive of rendering wages more responsive to economic conditions at firm level. Measures taken towards *decentralisation of collective bargaining* include the ending of collective bargaining at national level (Romania), applying sectoral collective agreement to signatory parties only (e.g. Romania, Greece), the predominance of firm level/lower level collective agreements over higher levels (e.g. Spain, Greece), new criteria on trade union representativeness (Italy, Romania) and on the validity of company-level agreements (Italy), and the possibility of opting-out from law and national collective agreements (Italy). In addition, wage flexibility has been supported by temporary restrictions to the *application of the wage indexation system* in Luxembourg and Cyprus. Other relevant measures include a modification of the arbitration system in Greece, a cap on the extension of expired and not renewed contracts (e.g. Spain, Greece), changes in the system of consultation with social partners (e.g. Hungary, Romania) and revised legal provisions with regard

to collective bargaining in certain sectors with sizeable numbers of low-paid workers in Ireland.

The climate for social dialogue was tense in some countries, leading to difficult negotiations for the renewal of cross-industry agreements over potential wage increases (e.g. Belgium) and on minimum wage rates (e.g. Slovakia). In Finland, a tripartite framework for a new centralised national agreement on wages and working conditions could be reached thanks to government's support via tax reliefs in exchange for moderate pay increases.

Statutory minimum wages

In countries with very large macroeconomic imbalances, the minimum wage has been cut (Greece), remained largely unchanged (Czech Republic, Latvia, Portugal, Ireland) or increased by a lower rate than previously agreed (Poland). Few countries decided an increase in the minimum wage as an instrument to combat poverty (e.g. Bulgaria, Luxembourg). The youth minimum wage has remained frozen in the United Kingdom while the other rates have increased by less than inflation. Germany has introduced the minimum wage for certain sectors (e.g. temporary agency work).

Working time regulation

Internal flexibility has been largely used as a tool to complement flexibility on the external margin and to increase employment among specific groups. Several countries introduced more flexible working time arrangements, by adapting the overtime regulation (e.g. Portugal, Romania, Greece, Hungary, Slovakia, Czech Republic), promoting part-time contracts (e.g. France), changing the regulation of short-time working schemes (e.g. Portugal, Italy), introducing working time accounts (e.g. Luxembourg, Slovakia), introducing job sharing (e.g. Slovakia) and giving more margins to employers to change working time arrangements (e.g. Spain, Romania). In some countries, more flexible working time arrangements have been decided, aimed at better reconciling work and family life (e.g. Italy, Hungary, United Kingdom).

Early retirement

Access to early retirement schemes has been restricted and measure adopted to support the employment of older persons. Early retirement schemes are to be either withdrawn (e.g. Hungary) or limited (e.g. Denmark, United Kingdom, Austria, Finland, Spain), depending in some cases on the sector (e.g. Belgium). Several measures increase the costs of early retirement, by making social security contributions dependant on the age of the beneficiary (e.g. Belgium) and cutting retirement benefits (e.g. the Netherlands, Austria).

5.4. POLICY PRIORITIES AND PLANS LOOKING FORWARD

Against the backdrop of persistently weak economic perspectives, large macroeconomic imbalances in a number of countries, worsening labour matching and sluggish net job creation, the emphasis of policy making is more than ever on structural measures supporting labour market adjustment and enhancing growth and competiveness.

EU policy recommendations

Along these lines, the Annual Growth Survey for 2012 gives priority to reform measures that help mobilising labour while improving competitiveness and supporting structural change towards dynamic sectors. In order to counteract the effects of the crisis on the EU social tissue, action is also urged to sustain living standards and improve the effectiveness of social protection systems.

In particular, policy measures should aim at:

- Moving forward with the implementation of the agreed recommendations on revising wage-setting mechanisms;

- Prioritising growth-enhancing expenditure such as education and ensuring the efficiency of such spending. Further adapting education and training systems to better reflect labour market conditions;

Table I.5.1: **Country-Specific Recommendations 2012-2013 by country and labour market field**

	Wage setting	Tax on labour	Welfare-related benefits	Active labour market policies	Labour market participation	Early retirement and Pension systems	Education	EPL	Poverty and social exclusion
AT		X			X	X	X		
BE	X	X	X	X		X			
BG		X		X		X	X		X
CY	X			X		X	X		X
CZ		X		X	X	X	X		
DE	X	X		X	X		X		
DK					X	X	X		
EE		X	X	X	X		X		
ES	X	X		X	X	X	X	X	X
FI	X				X	X	X		
FR	X	X		X	X	X		X	
HU		X		X	X		X		X
IT	X	X	X	X	X		X	X	
LT			X	X	X	X		X	X
LU	X			X		X	X		
LV		X	X	X			X		X
MT	X				X	X	X		
NL		X			X	X	X	X	
PL				X	X	X		X	
SE				X	X				
SI	X			X		X	X	X	
SK		X	X	X	X	X	X		
UK				X	X		X		X
Total	10	13	6	18	17	16	18	7	7

Source: Council Recommendations, OJ C219 (2012).

- Promoting quality apprenticeships and traineeships, and paying particular attention to vocational training in tertiary education systems;

- Increasing the effectiveness of activation policies, training and support schemes, and adapting unemployment benefit schemes where necessary;

- Reforming employment protection legislation, so as to provide easier labour market access to those left outside, in particular young people;

- Restricting access to early exit pathways while supporting longer working lives;

- Enhancing labour mobility and promoting business creation and self-employment.

The country-specific recommendations (CSRs) agreed for 2012-2013 within the EU Semester Framework (Broad Economic Policy Guidelines and Employment Guidelines) and the Macroeconomic Imbalance Procedure largely reflect these broad policy guidelines. ([21])

Many recommendations deal with creating the conditions for higher levels of employment, *increasing participation* and keeping people in the labour market. Belgium, Estonia, Italy and Slovakia have been recommended to pursue/ complete the reform of their unemployment and social benefit systems, while Belgium, Bulgaria, Cyprus, Czech Republic, Estonia, Spain, France, Hungary, Latvia, Lithuania, Slovakia and Sweden will have to step-up their activation and training policies and/ or to increase the coverage, quality and/or effectiveness of ALMPs. Progress in expanding affordable childcare and dependent care facilities, reducing pay gaps and improving the tax treatment of second earners has been considered insufficient to increase significantly the participation of women in the labour market in Austria, Germany, Hungary, Italy, Malta, the Netherlands and Slovakia (Table I.5.1).

Particular focus is on *fighting youth unemployment*, with recommendations on reducing *early school leaving* and improving *vocational education and training*, developing *apprenticeships* and *enhancing the effectiveness of ALMPs*. Action in this field is considered insufficient and needs to be stepped up in Bulgaria, Cyprus, Estonia, Spain, France, Italy, Lithuania, Luxembourg, Latvia, Malta, Poland, Sweden, Slovakia and United Kingdom. From its part, Finland is asked to implement on-going measures. Austria, Spain, Hungary, Italy, Latvia and the United Kingdom have also been addressed a specific recommendation concerning young people neither in employment, education or training (NEET).

([21]) The Country-Specific Recommendations 2012-2013 can be downloaded from: http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm

Box I.5.2: Labour market reforms in selected countries

Several countries have recently carried out comprehensive and unprecedented reforms of the employment protection legislation (EPL), the unemployment benefits system, the organisation of working time, wage bargaining, and active labour market policies. In some countries, these reforms were implemented in the context of financial assistance programme by the EC-IMF; in others governments introduced long-awaited reforms to enhance labour market functioning.

Greece

The reform of the EPL shortened notice periods for white collars, in particular for job tenure longer than 10 years, and reduced severance payments. The probationary period has been increased from 2 to 12 months, the longest trial period in the EU with that of the UK and Ireland; with the new legislation, an open-ended contract can be terminated within the first 12-months of trial period without notice and dismissal pay. The maximum cumulated duration of temporary contracts has been increased from 24 to 36 months (the same duration as in Germany, Italy and Slovakia). The maximum period under temporary working agencies has been increased from 12 months to 3 years. The definition of collective dismissal has been changed by increasing the threshold number of employees that have to be made redundant to initiate a collective dismissal procedure. The reform of the collective bargaining has suspended the extension of occupational and sectoral collective agreements to non-signatory parties and favourability clauses of sectoral agreements over firm-level collective agreements have been suspended. Firm-level wage bargaining was further facilitated by allowing workers' representatives to negotiate firm-level collective agreements. Collective agreements can be concluded for a maximum duration of 3 years and the regime of "*after effects"* has been revised, so that expired agreements will remain de-facto in force for maximum of 3 months, after which some allowances will be suspended until a new contract is signed. The reform of the collective dispute resolution procedures ensure symmetric access of employers and employees' representatives to a board of mediation and arbitration freed by government influence. The minimum wages were reduced and sub-minima wage was introduced for those younger than 25 years. Concerning working arrangements, overtime premium was reduced by 20% and more opportunities created for flexible working time arrangements.

Spain

Following the process initiated with the 2010 reform, the 2012 EPL reform has reduced the severance payment for unjustified dismissals from 45 to 33 days per year of service, up to a maximum of 24 months; limited workers' claim of back pay only when the employer opts for reinstatement; introduced a detailed specification of the conditions for justified dismissals stating that the dismissal is justified when the firm experiences or expects a reduction in the level of *sales* for 3 consecutive quarters; eliminated the "express dismissal"; introduced a new open-ended contract for SMEs with less than 50 employees, with hiring incentives for firms keeping the worker for at least 3 months and longer trial period (1 year); removed the prior administrative authorisation for collective dismissals. To tackle segmentation, chaining of temporary contracts will be limited to 24 months, as from 2013. Internal flexibility is also significantly increased, by giving more flexibility to the employer to modify the terms of the contract and re-assign the worker to different tasks if justified by technical, economic and organisational reasons. The wage bargaining system implemented was modified by giving more prevalence to firm-level collective agreements over higher level agreements, easing use of opt-out clauses, reducing the survival of collective agreements expired and not renewed to a maximum of one year. ALMPs are being revamped to increase their effectiveness and enhance workers' employability. Job search conditionality has been strengthened and access to apprenticeship contracts eased. Temporary work agencies will be allowed to compete with public services.

Ireland

The reform of the bargaining system tackled rigidities of the Employment Regulation Orders (sector-specific regulations issued by the Labour Court - EROs) and Registered Employment Agreements (collective agreements extended to non-signatory parties once registered with the Court - REAs), which set sectoral minimum wages and working conditions above national standards. The reform provides targeted abolition of some EROs and reduces greatly the number of minimum wages. EROs will no longer deal with terms of employment covered by existing legislation (e.g. compensation for working on Sundays); when setting

(Continued on the next page)

Box (continued)

minimum wage rates, the Court will be required to consider economic conditions such as unemployment, wage trends, and international competitiveness. Regarding REAs, the aim is to establish a time-bound process by which its terms may be adapted to changing economic circumstances without consent of all parties and to clarify representativeness criteria to register a REA. Companies in financial distress will be able to deviate from EROs and REAs. A comprehensive reform aims at enhancing incentives to join the labour force and for job search activities. Key features of this reform include: more efficient administration of unemployment benefits, social assistance, ALMPs, and vocational training; enhanced conditionality on work and training availability; strengthened activation, via better identification of job seekers' needs, more effective monitoring and use of sanctions for beneficiaries not complying with job-search conditionalities.

Italy

Recent social partners' framework agreements and legislative acts have given more prominence to firm-level bargaining. Agreements allowed derogations from sectoral contracts at company level and set rules on the certification of representativeness for participation in industry-wide bargaining at national level and on the validity of company deals. In 2011, a Government act allowed derogations from labour law on various issues, including dismissal procedures. Tax burden on older workers was reduced and retirement age increased. A new Act on Apprenticeships aims at better regulating and simplifying apprenticeship contracts. In 2012, a comprehensive reform modified the legislation on individual and collective dismissals, introduced measures to fight labour market segmentation and reformed the social safety net. The EPL reform has reduced the notice period and eased the administrative procedures for individual notice; reduced the scope of reinstatement in case of unfair dismissal and capped the back-payment of wages lost during the period of a labour trial; abolished the *mobility lists*, thereby reducing the monetary costs that firms had to incur when recurring to the collective dismissal procedure; reduced the opportunity of reinstatement in case of dismissal for procedural vices; discouraged the use of temporary and semi-dependent work contract through higher social security contributions and stricter conditions for the use of these contracts. The reform of the safety net has unified the fragmented system of unemployment benefits, extending the coverage and generosity of previous system and enhancing its insurance dimension; the wage supplementation scheme for financing short-term working schemes keeps its original role, but its coverage is extended while the scope is limited.

Portugal

The reform of the EPL has cut severance payments and eased the definition of individual dismissals. The maximum duration of unemployment benefits was cut from 38 to 26 months and a declining profile introduced with a 10% cut after 6 months of unemployment. The maximum benefit has been reduced. Concerning working arrangements, key measures include: reductions of overtime premium by 50% and the removal of the additional 25% time off granted per hour of overtime; the possibility of firms and workers to distribute 150 hours over the year by individual agreement; increase in the annual working hours with abolition of four national holidays and 3 annual leave days. In the area of collective bargaining, the scope for firm-level collective agreements was enlarged with the reduction of the threshold that allows works councils to negotiate directly with employers. The government has prepared a plan to reform the PES and implement a wage subsidy. Finally, a recent programme involving about 90000 young will create internships, reduce social security contributions and provide subsidies to firms.

Romania

The collective bargaining reform reduced the role of the national level as dominant bargaining level; abolished automatic erga-omnes extension at sectoral level. A threshold of 50% of the total number of employees in the sector was introduced for a labour contract to be registered and potentially extended to non-signatory parties. The reform tightened also the criteria for setting up union at firm level, increased the threshold for union representativeness and, in absence of representativeness, strengthened the role of work council. A reform of the EPL increased the trial period for permanent contracts, the maximum duration of fixed-term contracts and widened the cases admitted for their use. Working time regulation will ease the use of overtime. The Social Assistance Law streamlined social benefits and introduced measures to improve the efficiency of social protection expenditure (by means of new eligibility criteria to enhance targeting of social welfare support).

Addressing poor educational outcomes is indeed a major issue as concerns both the quality and labour market relevance of - and the access to - education and training systems in several countries (Austria, Bulgaria, Czech Republic, Germany, Denmark, Estonia, Hungary, Malta, Poland, Slovenia, Slovakia, Spain, Latvia). In this respect, many Member States are also advised to preserve public investment in growth-enhancing areas, there including education.

A number of Member States are also recommended to ensure that their *wage setting mechanisms* appropriately reflect productivity developments, so as to boost competitiveness and support labour market adjustment and job creation. While some countries have introduced far-reaching reforms of their wage setting systems in this direction (e.g. Greece, Spain, Portugal), limited progress has been made in others, where the functioning of certain wage setting and wage indexation systems has been identified as a possible threat to competitiveness (Belgium, Cyprus, Italy, Luxembourg, Malta). In other countries, a balance needs to be struck between ensuring that minimum wage levels are not too high to discourage the recruitment of the young and low-skilled but not as low as to risk creating in-work poverty (Bulgaria, France and Slovenia).

Whereas some Member States have started far-reaching reforms of their *EPL* (Greece, Italy, Spain and Portugal), in others the reform process appears slow in comparison to the challenges they face in terms of labour market segmentation. Recommendations have been addressed to France and Italy (where a major reform has been adopted at the end of June 2012); to Lithuania as concerns fixed-term contacts, dismissal provisions and temporary agency work; to Poland concerning the partial abuse of self-employment and civil law contracts; to Sweden and Slovenia.

There are several recommendations on *labour taxation* (Austria, Belgium, Germany, Estonia, Spain, France, Hungary, Italy, Latvia, Slovakia), largely designed to shift the burden from labour to less growth-distortive tax bases and aimed at making labour taxation more employment friendly.

Tackling the social consequences of the crisis has also come to the forefront in a number of countries, especially those with already weak social protection systems and heavy pressures on public spending. Recommendations to make *social transfers more effective* and to improve the *employability of vulnerable groups* have been addressed to Bulgaria, Estonia, Spain, Lithuania, Latvia and the United Kingdom. Rising social concerns in programme countries (Greece, Ireland, Portugal and Romania) are being addressed in the framework of their economic adjustment programmes.

Finally, several Member States have been asked to step up their efforts to tackle the low activity rates of older workers and the widespread use of *early retirement and invalidity pension schemes* (e.g. Austria, Belgium, Bulgaria, Cyprus, Finland, France, Luxembourg, Malta, the Netherlands, Poland and Slovenia). The effect of demographic ageing is accelerating the withdrawal of experienced workers from the labour market and the prospects of a stagnating/diminishing working age population is imminent in many of these countries, with correlated new risks of skills mismatches and shortages. Some of these countries are also not fully using the potential of migrant workers (Austria, Belgium, Denmark, the Netherlands and Sweden).

In addition to the AGS and the EU Semester CSRs, specific recommendations relating to employment policies were issued by the European Commission. The Employment Package (Commission Communication "Towards a Job-rich recovery, COM(2012) 173 final) complements the policy priorities identified by the AGS; it identifies and recommends a number of measures to promote labour demand and boost labour supply over the medium-term in line with the European 2020 employment objectives. Inter-alia, the Employment Package stresses the role of fiscal measures to foster job creation (e.g. budgetary neutral and cost-effective targeted hiring subsidies and reductions in tax wedge on labour) to avoid a deterioration of employment chances of specific population segments (e.g., the long-term unemployed, the young).

National plans

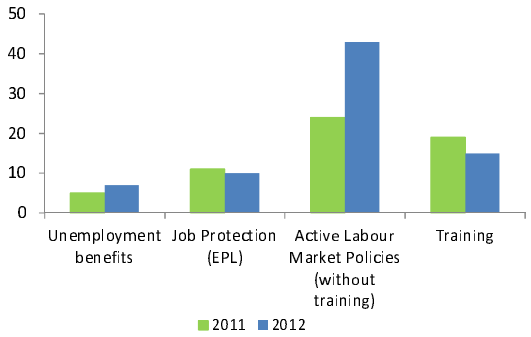
The action plans announced by the Member States in their 2012 National Reform Programmes are broadly consistent with the priorities set out in the

Annual Growth Survey and to a variable extent address existing country-specific challenges.

Much is proposed in order to improve the effectiveness of ALMPs, in particular to improve the school-to-work transition and the employability of workers. Key reforms of job protection legislation are tabled in those countries that have been addressed CSRs in this field. Major reforms of the unemployment system are foreseen in a few cases, while active ageing is gaining momentum in several countries.

Measures that enhance the *capacity and effectiveness of placement and matching services*, as well as of training and activation policies, have been announced in many countries (e.g. Belgium, Bulgaria, Finland, France, Lithuania, Latvia, Poland, Portugal, Romania, Slovakia, Slovenia, Spain), in some cases specifically targeted at groups such as long-term unemployed, young people and those at risk of social exclusion. Few interventions are also planned to improve the effectiveness of wage subsidies (Latvia, Poland and Romania). Only a few countries announce measures to improve the labour market participation of women (Czech Republic, Finland and the Netherlands).

Graph I.5.4: **Total number of planned reforms by domain in the EU, 2011- 2012**



Source: National Reform Programmes 2011 and 2012

The urgency of tackling youth unemployment is reflected in the variety of policy plans presented in this field across the EU. Apprenticeship and internship schemes will be reinforced in Belgium, Denmark, Cyprus, Ireland, Lithuania and Portugal. In Slovakia a new apprenticeship scheme will be developed, while Spain has planned a reform of its education and vocational training systems and the introduction of a dual vocational training system. Bulgaria, Czech Republic, Denmark, Cyprus and Estonia will reform their education systems. Malta expects to present a strategy to tackle early school leaving by end 2012, while Lithuania is preparing a new Lifelong Learning Action Plan. Other measures to facilitate school-to-work transition for young unemployed are being devised in several countries, often on an experimental basis (Austria, Bulgaria, Estonia, Latvia, Lithuania, Luxembourg and Slovenia). From its part, Hungary is contemplating a youth minimum wage, while Ireland is devising a programme to support business start-ups of young people.

Large reforms are also expected on the front of EPL, concerning fixed-term contracts (Latvia, Lithuania), the notice period and severance pay (Lithuania, Slovenia), the termination of employment contracts (Lithuania, Portugal and Slovenia). In Slovenia, the move towards a single contract is also being discussed, with a view to ease the transition of workers from flexible to more stable forms of employment, while a modification of the labour law is pending in Sweden. As described in Box I.5.3, EPL reforms may entail substantial effects on the overall turnover, thereby enhancing labour market dynamism and workers' reallocation across jobs and sectors. Based on the framework developed in the thematic Chapter 2 and an own update of EPL indicators using OECD methodology (*ibidem*), reforms of EPL carried out in a number of Member States entail an increase in the labour turnover between 13% and 50% relative to the pre-crisis historical average in the turnover level. An interesting finding of the analysis is that most of this increase is due to an increase in the job finding rates rather than to an increase in the job separation rates.

Plans for major reforms to the unemployment benefit system have been put forward in the Netherlands, where employers will pay for the first six months of unemployment benefits, and in the United-Kingdom, where unemployment benefits will be transformed into a universal credit from October 2013. In-work benefits will be stepped up in Austria and Finland.

Box I.5.3: **Effect of reforms of employment protection legislation**

Firing restrictions associated to tight EPL regulation have a bear on the dynamics of job flows: both inflows into unemployment and the outflows out of unemployment (see Chapter on EPL in this report). A sclerotic labour market has major costs: it implies higher spells of unemployment and, possibly, higher structural unemployment. Moreover, reallocation of labour across economic activities is hampered, with implications for macroeconmic adjustment.

The reforms recently enacted in several Member States have the potential of reducing the hiring and firing costs, with positive effects on workers' turnover and labour market dynamism. This box provides an attempt to analyse ex-ante the potential effects of reforms in Greece, Spain, Italy, and Portugal on job market flows.

With a view to quantify the effect of the different reforms on EPL strictness, the EPL indicators constructed by the OECD have been updated in light of the main policy changes introduced, following the standard OECD methodology. ([1]) It is important to stress that while some aspects of the legislation (like advance notices, the severance payments or the length of the probationary period) can be measured with precision, other features, like strictness of fair dismissal definitions, are more difficult to quantify and measurement make use of simplifying assumptions. Moreover, some aspects of EPL systems, like interactions among EPL features, labour court practices and jurisprudence, or fiscal treatment of different labour contracts, are not always captured in synthetic EPL indicators.

For example, in Greece the recent EPL reform has only changed the required notice before dismissal, while leaving severance payments untouched. However, since the legislation foresees that only half the severance pay is due when termination is with notice, the reform de-facto reduces also overall severance payments, because employers after the reform will much more likely terminate a contract with notice, at reduced costs. These aspects are not captured by the OECD EPL indicators. Similarly, measures introduced in Italy or in Spain to promote a rapid resolution of controversies on economic dismissal cases are not incorporated in the indicators.

With these caveat in mind, EPL indicators have been re-calculated to incorporate the changes introduced for the recent reforms The main effects on the indicator are summarised in the tables below.

Recent reforms of employment protection legislation for open-ended contracts: 2010-2012

	Greece	Italy	Spain	Portugal
Notification procedures		↓		
Delay involved before notice can start				
Length of notice period at 9 months of tenure			↓	
Length of notice period at 4 years of tenure	↓		↓	
Length of notice period at 20 years of tenure	↓		↓	
Severance pay at 9 months of tenure			↓	↓
Severance pay at 4 years of tenure			↓	↓
Severance pay at 20 years of tenure				↓
Definition of justified or unfair dismissal				↓
Length of trial period	↓		↓	
Compensation following unfair dismissal			↓	
Possibility of reinstatement following unfair dismissal		↓		
Maximum time to make a claim of unfair dismissal				
Elements of regulation not entering in EPL calculation	↓	↓	↓	

Note: arrows show the effect of on EPL (down means less rigid EPL).

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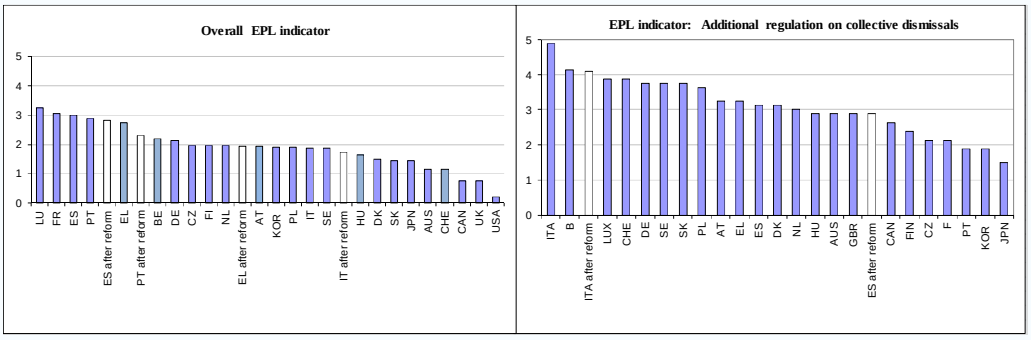
Box (continued)

Recent reforms of employment protection legislation for temporary contracts	Greece	Italy	Spain	Portugal
Valid cases for use of fixed-term contracts				
Maximum number of successive fixed-term contracts				
Maximum cumulated duration of successive fixed-term contracts	↓			
Elements of regulation not entering in EPL calculation	↓	↑↓		

Recent reforms of employment protection legislation for collective dismissals	Greece	Italy	Spain	Portugal
Definition of collective dismissal	↓			
Additional notification requirements for collective dismissals				
Additional delays involved before notice can start			↓	
Other special costs to employers of collective dismissals		↓		
Elements of regulation not entering in EPL calculation				

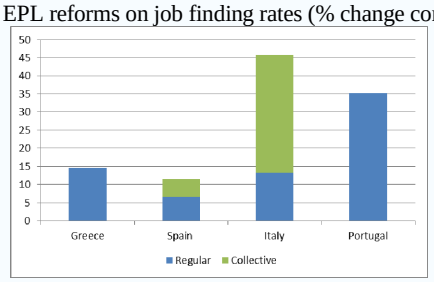
The reforms enacted in the countries examined entail a significant change in the ranking of EU countries according to the EPL indicator (see Graph 1). The overall EPL indicator, obtained as the sum of the indicator for individual dismissals and for temporary contracts, falls especially for Greece and Portugal, while the EPL indicator for collective dismissals falls for Italy and Spain. For regular contracts, the largest change in the rank is for Portugal, which before the reform had the strictest regulation. The overall EPL indicator for greece is affected by less strict conditions for temporary employment.

Graph 1. Computed changes in EPL synthetic indicators



The impact of EPL reforms on job flows can be gauged by means of the estimated sensitivity of job flows to changes in the EPL sub-indicators for regular contracts, temporary contracts and collective dismissals. Since these sensitivities, estimated on a panel of countries (see the second analytical Chapter in this report for the value and the methodology), indicate that the impact of EPL indicators is stronger in case of job finding rates, the analysis is focused on this type of flows.

Graph 2. Computed impact of EPL reforms on job finding rates (% change compared with pre-crisis average)



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Box (continued)

Graph 2 reports the combined effect of reforms in various EPL elements in terms of percentage change in job finding rates compared with the pre-crisis average. These effects need to be interpreted as steady-state changes. As effects arising from reforms in temporary employment turned out being negligible they are not reported. The reforms of the EPL carried out in these countries entail a substantial increase in their labour market dynamism, corresponding to an increase in the turnover from 12% to 50%, depending pre-crisis average turnover of each country. The 12% increase in the turnover of Spain needs to be considered against a relatively higher pre-crisis turnover rate.

Denmark and Latvia plan a broad tax reform to significantly reduce the tax burden on labour. Cuts in employees' social security contributions are being put forward in Belgium (2012 June plans) and Germany to increase the financial incentives to work, while Hungary will apply a wide range of reduction in employers' social security contributions to support labour demand. Greece also foresees cuts in employers' social security contributions.

A number of countries are planning to reform their early retirement schemes or to step up the financial incentives to work longer (e.g. Austria, Belgium, Denmark and Sweden). Thorough reforms of disability pension schemes are planned in Austria and Denmark, while specific measures will be taken in Finland, Latvia and the Netherlands to strengthen work incentives and increase the employment rate of partially disabled people.

Assessing the impact of reforms

The accelerated and more ambitious reform action that took place in recent years requires appropriate monitoring, with a view to calibrate further refinements of policy framework where necessary and fine-tune the policy agenda looking forward. Appropriate analytical tools are needed to assess both ex-ante and ex-post the impact of major reforms. Box I.5.3 provides an example of ex-ante analysis on the impact of recent major EPL reforms in EU countries.

5.5. CONCLUSIONS

Recent years have witnessed a strong intensification of reform activity across the EU. Major reforms have been passed and others are planned for the years to come.

Most of the measures adopted in the latest years appear to be largely in line with the priorities set at European level, notably measures that help to mobilise labour, make labour markets more dynamic, tackle precariousness and improve competitiveness.

Countries with high unemployment and large external imbalances have taken up the challenge of improving the responsiveness of wages and their labour market adjustment capacity, by thoroughly reforming their job protection and wage setting systems. In these same countries, priorities are now moving forward to ensuring that these reforms pay-off once growth resumes.

However, while ambitious policy agendas were adopted in several countries to remove obstacles to labour market adjustment, in others reforms were rather marginal, rarely encompassing more than a single dimension at a time. There, EU recommendations give a direction for action.

Looking forward, EU labour market challenges will remain high on the policy agenda. The extent to which potential growth can sustainably resume largely depends on how successfully labour market bottlenecks are addressed and the risk of unemployment hysteresis is tackled. Effectively tackling joblessness will also be a key condition to ensure the social and political sustainability of current reform action and fiscal and macroeconomic adjustment strategies. In light of the very differentiated labour market conditions across Europe, and of the important policy spillovers, notably in the euro-area, the *policy response needs to be differentiated and coordinated*. In this respect, EU surveillance will continue to play a key role. A number of short-to-medium term priorities emerge as follows:

- the recent momentum towards ambitious structural reforms favouring adjustment needs to be maintained in countries characterised by major labour market challenges, including for what concerns a proper implementation of enacted measures;

- momentum should be kept also towards policy action to raise participation rates; where fiscal conditions allow, tax reforms should create the conditions for better mobilising labour supply and demand;

- to prevent employment losses becoming permanent and avoid hysteresis effects once growth resumes, policy frameworks need to be stepped up, where necessary, to ease labour market matching and maintain the long-term unemployed in the labour force, and adequate resources ensured;

- in countries with serious youth unemployment problems, policy action could address, with different emphasis, labour legislation, the tax and benefit regime, ALMPs, and education and training, including via an effective use of the apprenticeship systems;

- among the schemes aimed at tackling the risk of hysteresis a the current juncture by promoting the hiring of workers at risk of leaving the labour force (the long-term unemployed, young workers with no previous experience…), temporary social security cuts or job subsidy schemes for new hires can be considered, if well targeted and effectively designed;

- in some countries, surging unemployment and falling incomes call for the enhancement of current social protection systems in terms of adequacy, sustainability and incentives.

Part II

Thematic chapters

1. A DECADE OF LABOUR MARKET REFORMS IN THE EU: TRENDS, MAIN FEATURES, OUTCOMES

1.1. INTRODUCTION

Since the outburst of the financial crisis, EU countries are facing tremendous reform challenges. Since the onset of EMU, there was clear awareness that a successful monetary union would have required reforming labour markets where needed in such a way to ease adjustment in the face of asymmetric shocks and to permit a prompt reaction of price competitiveness as a tool to absorb idiosyncratic shocks and favour the correction of macroeconomic imbalances. The need for such reforms has become not only evident but urgent after the crisis in light of the highly asymmetrical impact on the financial sector, public finances, and the real economy of EU and euro-area countries, and as a consequence of the sudden unwinding of large external imbalances accumulated over the 2000s in a number of these countries.

The need of timely and courageous labour market reforms was reflected in the identification of policy priorities at EU level. Recommendation to put in place policies to counter the tremendous loss of output after the bankruptcy of Lehman Brothers in 2008 by means of strengthened temporary income support for the unemployed and short-term working schemes were included in the Commission European Economic Recovery Package. Reforms improving the functioning of the labour market, including by means of supportive labour taxation, EPL frameworks aimed at favouring job creation and tackling segmentation, benefit and activation systems providing the unemployed with incentives to take up jobs, adjustment-friendly wage setting frameworks, feature prominently among the priorities identified in the 2011 and 2012 Annual Growth Survey by the Commission, endorsed by the EU and European Council. Country Specific Recommendations were issues in the framework of the EU Semester for economic surveillance, reflecting these priorities.

Against the background or an increased urgency to reform labour markets, and broadly in line with the recommendations by European institutions, most Member States have stepped up their reform agenda both by taking an increased number of measures and taking action to reform those aspects that are key to ensure effective changes but that are at the same time politically costly because having relevant redistributive implications.

This increased reform activism calls for a proportionate increased effort to track the record of past reforms and assess their features, determinants and effects. Such an assessment is complex, most notably in light of the very heterogenous character of the complex and varied set of policies that normally fall under the broad heading “reform”. The first and most important condition for an effective assessment of reforms is adequate information on the reform features and characteristics.

The aim of this chapter is to describe recent reforms carried out in EU countries making use of the LABREF database that was set up by DG ECFIN of the European Commission in cooperation with the Economic Policy Committee. This database contains information on a large set of policy measures carried out between 2000 and 2010. As compared with other similar existing databases, contains information on a larger set of reform characteristics.

The remainder of the Chapter is organised as follows. The next section discusses issues relating to the measurement of economic reforms. The description of the LABREF databases follows. Section 3 presents information on the main trends and cross-country features for what concerns labour market reforms in the EU since 2000.

1.2. MEASURING LABOUR MARKET REFORMS: METHODOLOGICAL ASPECTS

1.2.1. Tracking labour market reforms

Reform databases can either be descriptive or indicator-based. Descriptive databases collect information on enacted reforms on the basis of predefined criteria, with the aim of providing an exhaustive description of the main policy measures taken. Indicator-based databases aim instead at quantifying the degree of stringency and distortion associated with existing regulations and

institutions. These indicators provide therefore a synthetic measure of the anti-competitive implications of the existing stock of regulations and institutions, and reforms can only be measured indirectly, and in an aggregate fashion, by means of time differences in the indicator. While indicator-based databases permit a very effective synthesis of information for comparisons over time and across countries, information at the level of the specific policy measures is missing.

Descriptive databases

The International Labour Organisation (ILO) provides synthetic information on measures adopted in the fields of minimum wages, maternity protection and working time and referral to relevant regulations. The ILO also compiles the NATLEX database, providing a comprehensive record of abstracts of legislation and relevant information of national labour, social security and related human rights laws for over 190 countries.

The inventory of labour market reforms developed by the OECD in the framework of the evaluation of the OECD Jobs Strategy contains information on reforms in seven main policy areas grouped in two sub-periods (1995-1999 and 2000-2004) .

The "Social Reforms Database" developed by the Fondazione Rodolfo Debenedetti provides information on reform measures adopted in the EU countries starting from the eighties. The database collects information on the main qualitative features of reforms in four broad policy areas - employment protection legislation; public pension systems; non-employment benefits, migration policies.

Indicator-based databases

Structural indicators are increasingly used in policy analysis. While providing a very useful proxy for the extent of government intervention in the labour market, these indicators raise a number of measurement issues: (i) the choice of the weight attributed to the various aspects of regulation is somehow arbitrary; (ii) only a subset of regulatory aspects is taken into account and relevant country-specific features in the design of the regulations are not considered; (iii) the degree of enforcement of specific regulations is often not captured.

Indicators measuring the stringency of employment protection regulations have been developed by the OECD, which capture the most important features of regulation, both for regular and temporary contracts, and for collective dismissals, for most OECD countries since the eighties.

Indicators for labour market regulations are developed also by the in the framework of the Fraser Institute's "Economic Freedom around the World" index. Indexes scoring the absence of anti-competitive restrictions in a number of domains are produced for a large number of countries across the world, starting from the seventies. The economic freedom index for the labour market is the combination of separate indicators on minimum wage, flexibility in hiring and firing, level of collective bargaining, unemployment insurance; use of military conscripts.

The World Bank "Doing Business" database provides scores for regulations hampering a business-friendly environment, with an attempt to capture also information on enforcement. Within the Doing Business framework, a number of indicators concerning labour market regulations for 85 countries in the early 2000s were developed by Botero et al. (2004). While the country coverage is large, the database spans a relatively short time series (it starts in 2003).

The Global Labour Survey (GLS) database (Chor and Freeman, 2005) conducted in 2004 at the Harvard Labour School seeks to measure de facto labour practices around the world covering aspects of labour institutions such as employment regulations, employee benefits, wage setting, and builds indices of labour practices in ten broad areas for 33 countries.

1.2.2. Description of the LABREF database

The LABREF database was developed upon initiative of the European Commission's Directorate General for Economic and Financial Affairs (DG ECFIN) and the Labour Market Working Group (LMWG) attached to the Economic Policy Committee (EPC) in 2005.

The aim is to build an effective tool for the surveillance of labour market policies in the framework of the EU economic policy

coordination processes, and for the analysis of the impact of reforms on labour market performance. LABREF is a descriptive database providing, compared with other similar databases, a higher amount of information on the features and characteristics of measures in a broad range of labour market and welfare policy fields.

LABREF is organised around 52 policy fields, further grouped in 9 broad policy domains (see Box II.1.1). The fields covered by the database reflect standard classifications of labour market and welfare institutions (e.g., Nickell and Layard, 1999), with the addition of labour mobility and migration policies.

The measures reported in the database refer to information on enacted legislation (approved by Parliament), as well as other public acts of general scope (such as decisions of public authorities or general court decisions) likely to have an impact on labour market performance, including measures entailing changes in the implementation framework of a previously adopted reform. In addition, reported reforms also encompass collective agreements, including cross-industry agreements, tripartite agreements (involving government, trade unions and employers' federations), sector-level collective agreements (whenever the agreement concluded in one sector is likely to set the patterns for negotiations in other sectors) and company agreements, provided that they have the potential to affect a large proportion of employees or to engender a change of regime in the medium term (for instance, innovative company agreements concluded in Germany on pay and working time). The database does not record information on discussions of planned reforms or law bills not yet formalised. ([22])

For each measure the database collects information on the main objective and status of the reform (legal status, timing of adoption and implementation) and on a number of characteristics which are likely to shed some light on its design, scope, implementation and durability (e.g., target group, budgetary cost, presence of a broad policy package and complementarities with other policies, positions of social partners…).

Information on the direction of reforms (whether they are ex-ante likely to have an employment-friendly impact by reducing taxation, regulations, generosity of out-of labour income, improving incentives and labour market matching…) and relevance (major versus non-major reforms) is codified by means of binary indicators (see Box II.1.1 and the Appendix for the criteria followed for such classification).

Although such classifications are subject to inevitable simplifying assumptions and, for that reason, are to be interpreted with caution and should not be given mechanistic normative implications (e.g., reforms increasing labour taxation or the generosity of unemployment benefit systems might not directly help the creation of employment but may be fully justified on different grounds), they prove useful when analysing determinants and effects of reforms, as shown in the following sections.

The compilation of the database is carried out in two steps. Firstly, information is collected by DG ECFIN, using publicly available national and international sources and classified according to the criteria agreed with the EPC. ([23]) In a second step, the information collected are sent for validation to national authorities via the EPC. At present, LABREF covers policy measures for the EU-25 over the 2000-2010 period, plus Romania and Bulgaria starting form 2003. Information up to 2010 was validated by the Members of the Economic Policy Committee of the ECOFIN Council. The database is accessible through the website *http://ec.europa.eu/comm/economy_finance /indicators/labref/*.

([22]) A single piece of legislation may cover several areas of policy intervention and will consequently be recorded as pertinent to a multiplicity of policy fields or domains in LABREF.

([23]) Sources used to compile LABREF include ILO databases, information published by EIRO (European Industrial Relations Observatory of the Dublin Foundation for the Improvement of Working and Living Conditions), country reports by the OECD and IMF, National Action Plans for Employment annually set-up in the framework of the Employment Strategy, National Reform Programmes under the Lisbon Strategy, national legislation and other information available from the websites of the EU Ministries for Employment and Social Affairs.

Box II.1.1: **Overview of the LABREF database**

The database covers main reforms in 52 labour market and welfare policy fields, which are further grouped in 9 broad policy domains as follows:

1. Labour taxation
   - Employers' social security contributions
   - Employees' social security contributions
   - Income tax
   - Other
2. Unemployment benefits
   - Net replacement rate
   - Duration of unemployment benefits
   - Coverage (number of people or sectors of the economy covered)
   - Entitlement (eligibility rules, job availability requirements)
   - Other
3. Other benefits
   - Short-time working schemes
   - In-work benefits (employment conditional benefit or tax credit)
   - Means-tested benefits (housing, social assistance)
   - Sickness schemes
   - Family-related benefits
4. Active labour market programmes
   - Public Employment Services (job assistance, job-counselling etc.)
   - Training
   - Direct job creation and employment subsidies
   - Special schemes
   - Other
5. Job protection
   - Permanent contracts
     - Procedural requirements
     - Notice and severance payments
     - Restrictions to dismissal
     - Collective dismissals
     - Other
   - Temporary contracts
     - Maximum number of renewals
     - Maximum duration
     - Temporary agency work
     - Other
6. Pension Systems
   - Early retirement
   - Disability schemes
   - Pensions
     - Level
     - Eligibility
     - Coverage
     - Tax treatment
     - Contributions
     - Other
7. Wage Setting
   - Statutory minima
   - Contractual minima
   - Contractual Flexible arrangements (e.g. performance-related pay)

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Box (continued)

- Social Pacts, framework agreements (changes in the level of wages, changes in the way the wage setting system works)
- Government intervention in wage bargaining (e.g. extension clauses)
- Public wages
- Other

8. Working time
   - Working hours management
   - Participation friendly schemes
   - Working time organisation over the life time (e.g. working time accounts; part-time work arrangements for older workers; sabbatical leaves etc)
   - Other
9. Immigration and mobility
   - Immigration
     - Immigration control
     - Selective Immigration policies
     - Measure to facilitate labour market integration of immigrants
   - Internal mobility
   - Other

The information on reform characteristics collected and reported in LABREF concerns the following aspects:

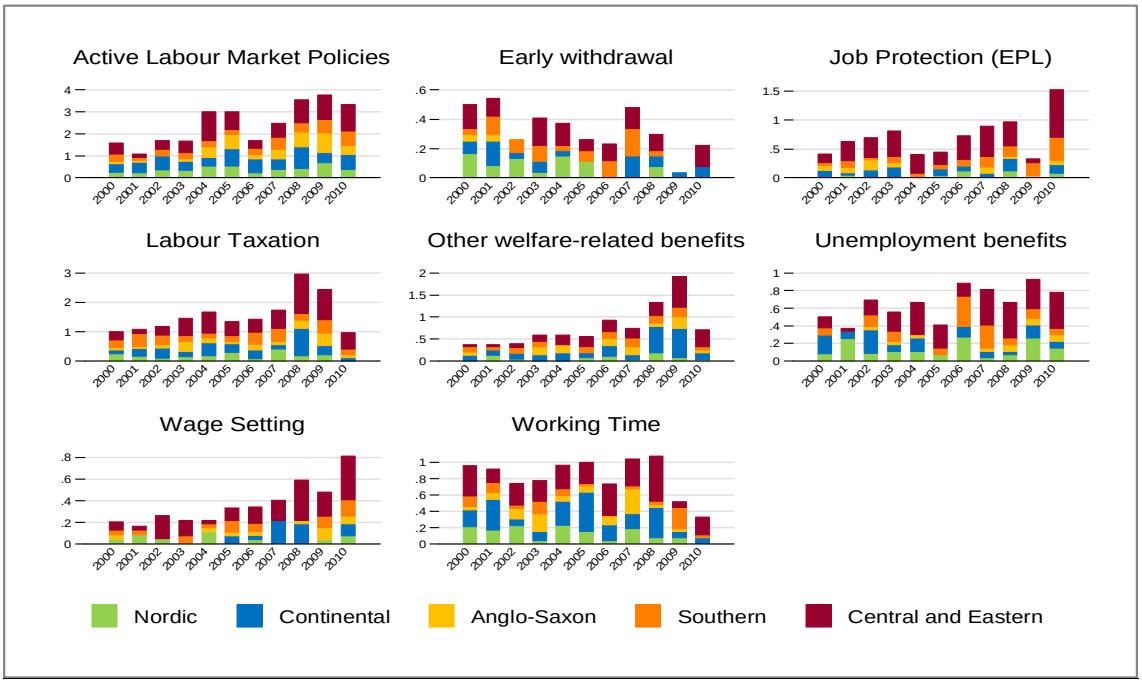
- *General description of the measure:* The aim and main features of the reform are described. Reference to the text establishing the measure is reported (budget law, decree,…). The specific information source used to fill the database is indicated.
- *Timing.* Year of adoption: the date when a reform measure is approved (by Parliament, government, social partners,…). Timing of implementation: this corresponds to the scheduled or expected timing of the implementation (i.e., entry in force, phasing-in schedule,…). No recording of planned reforms.
- *Scope, targeting.* Is the measure applied to new entrants only or also to current incumbents? Are there particular socio-economic categories targeted (i.e., young, older worker, low wage earners,..)?.
- *Direct budgetary costs for general government*: As a first option here appears only information from national authorities.
- *Monitoring, enforcement.* Are enforcement and monitoring procedures put in place? Is an ex-post evaluation foreseen? If so, is the assessment carried out by the government or by some independent organisation?
- *Reform packages, interactions*. Is the reform part of a broader reform package? Does the reform require policy interventions in related areas? Is the measure embedded in a formal long-term policy programme?
- *Role of social partners*. Is there an involvement of the social partners? If so, do they have an active role or a passive (consultative) role? Do they agree on the measure?

Binary indicators have also been constructed for each policy measure as follows: (i) *direction*: employment-friendly reforms reducing labour taxation, regulatory restrictions, the generosity of out of work support, or improving labour market matching (score 1) are separated from the rest (score -1); (ii) *intensity*: major reforms (reforms that are either systemic or parametric but revising at the same time a number of relevant parameters) are distinguished from the rest. The criteria chosen for the classification of the direction of reforms are detailed in the Appendix.

Synthetic indicators have been constructed to aggregate information on reform activity within a given policy domain or field in a given country, in a given year. In addition to a *synthetic indicator of reform intensity* corresponding to the total number of reforms carried out, a *synthetic direction indicator* (obtained as the algebraic sum of direction binary indicators) provides information on whether reform action was employment-friendly.

For the sake of presentation and analysis in this Chapter, only reforms with relevant direct impact on labour market outcomes are considered. Immigration and mobility policies are not examined, as well as pension reforms different than those with direct impact on early exit from the labour market. Only wage setting reforms that modify the standard criteria for wage formation are considered (government intervention on wage setting mechanisms, framework agreements on collective bargaining, social pacts and tripartite agreements), while changes in the level of statutory minimum wages are not analysed.

Graph II.1.1: **Number of reforms by domain and country group**



Source: DG ECFIN LABREF database.

1.3. EU LABOUR MARKET REFORMS 2000-2010: STYLIZED FACTS

This section looks at the evolution of reforms and their characteristics, and their distribution across different policy domains and country groups with a view to distil a number of stylised facts.

Graph II.1.1 shows the evolution the average number of reforms for each policy domain, distinguishing for country groups. For instance, the height of the first bar under "Active Labour Market Policies" indicates that on average EU member states implemented 1.5 reforms in this domain in 2000. ([24]) The colour code within the bars shows the distribution of the reforms across country groups. These groups represent types of labour market institutions: countries within each group have relatively similar institutional structure.

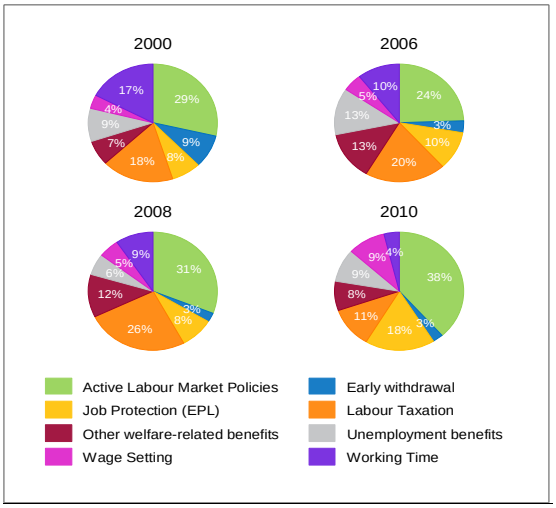
A first look at the graphs reveals that the *frequency* of policy intervention *varies considerably across policy domains*. On average, most reforms were undertaken in the active labour market policy and labour taxation domains, while early withdrawal and wage setting reforms are relatively scarce. In most policy domains the number of reforms is showing an increasing trend. This is due to the *increased number of reforms during the crisis*, which is at the end of the sample period. Policy activism seems to peek in 2008-2009. Two policy domains are exceptions to this trend: early withdrawal and working time reforms. In these domains there are significantly less reforms during the crisis period.

When looking at the *distribution of reforms across country groups*, two observations stand out. First, this *distribution is unstable over time*: in some periods some groups are more active, in other periods reform activity is instead observed in other groups. An explanation could be that, with the

([24]) The analysis is based on the country taxonomy proposed by Esping and Andersen (1990) and European Commission (2007) where countries are classified into five groups on the basis of soci-economic systems. This classification covers 22 EU countries which are classified into five groups on the basis of principal component analysis. The five missing EU countries were allocated as follows: Malta and Cyprus were allocated to the Anglo-Saxon group of countries, Luxembourg to the Continental group; Romania and Latvia to the Central, Eastern group of countries. Note that in the Esping and Andersen taxonomy the Netherlands in classified among northern countries, Greece among Eastern countries.

exception of the crisis period, reforms are often the response to asymmetric shocks, which is consistent with a relatively low degree of synchronisation of reforms across countries over the whole decade. Second, some country groups do not undertake reforms in some policy domains for a large part of the observed period. For example, there are very few reforms concerning early withdrawal instruments by Anglo-Saxon countries or concerning job protection by Nordic countries. Given that country groups are defined on the basis of similar labour market institutions, these differences reflects the fact that the *timing of reforms is linked to the interplay between shocks and the typology of existing institutions.*

Graph II.1.2: **Distribution of reforms across policy domains**



Source: DG ECFIN LABREF database.

The *distribution of reforms across policy domains is* much more *stable*, especially until 2008, as Graph II.1.2 shows. Until 2008, the only trend one can observe is the gradual decline in the incidence of working time and early withdrawal reforms and a parallel increase in labour taxation and other welfare-related benefit reforms. The latter also include short term working schemes, which were implemented simultaneously by a number of EU countries as a response to the crisis in 2008 and 2009 (as revealed by the sudden increase in these years of policy measures in the "other benefit" domain, Graph II.1.1).

As the crisis dragged on, labour market reforms became *more frequent in domain of active labour market policies, job protection, wage setting.* Measures in these domains account by themselves two thirds of the total of the measures implemented in 2010.

The crisis also *increased* the *number of reforms that target some specific part of the population* (women, self-employed, young etc.) as Graph II.1.3 indicates. No clear time trend is instead visible for what concerns the fraction of reforms that are classified as "major" (e.g., systemic or tackling more than one parameter, see Box II.1.1).

Graph II.1.3: **Fraction of major and targeted reforms**

Source: DG ECFIN LABREF database.

Similarly, no trend is apparent concerning the scope of reforms, i.e., the fraction of reforms targeted to the whole population, incumbents, or new entrants only (Graph II.1.4): most reforms extend to the whole population over the whole decade.

Graph II.1.4: **Fraction of reforms aimed at new entrants and incumbents**

Source: DG ECFIN LABREF database.

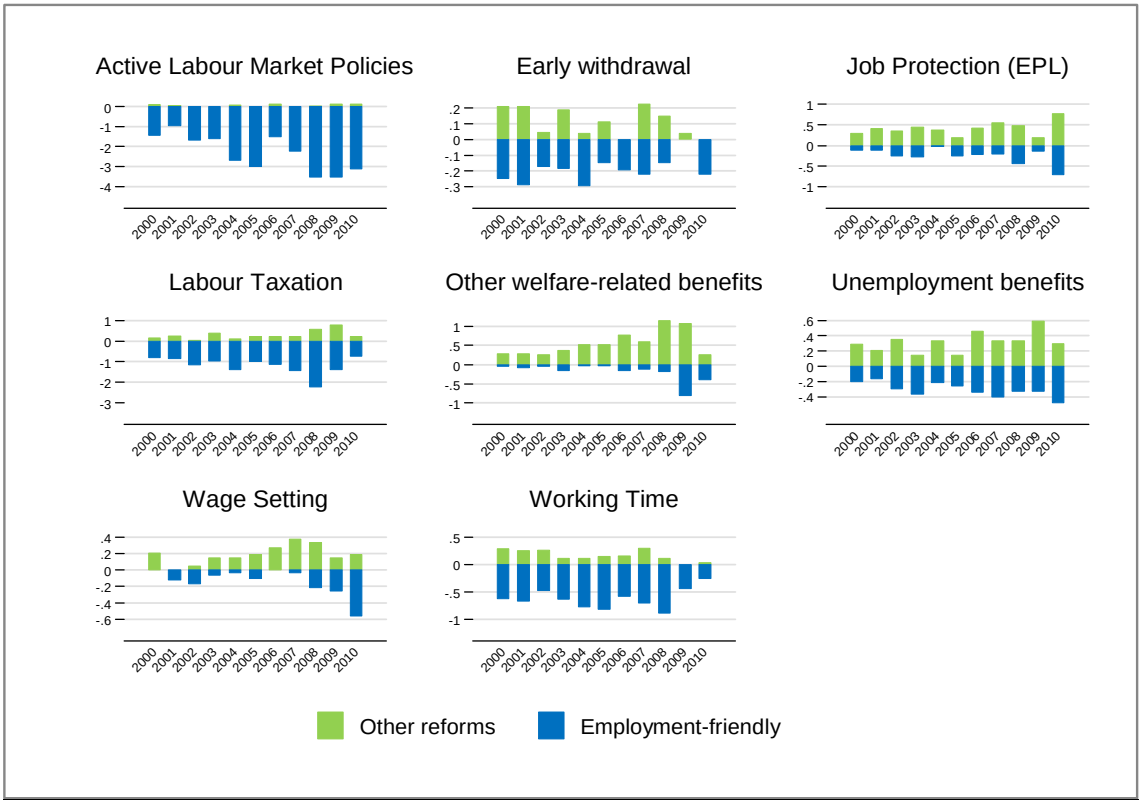
Nevertheless, there were periods when measures targeted mostly new entrants, most notably in the early withdrawal domain, and, to a lesser extent, in the active labour market policy, job protection and unemployment benefit domains.

Information on the direction of the policy measures (i.e., whether a measure is employment-friendly) provides additional insight into the nature and purpose of labour market reforms during the last decade. Graph II.1.5 shows the evolution of the average number of reforms in each domain, distinguishing by direction. For example, the first blue bar of the "Early withdrawal" policy domain shows that, on average, 0.25 employment-friendly reforms were implemented in 2000 (i.e., one fourth of the countries implemented such a reform), while the green bar indicates that about the same number of reforms in the same domain were implemented in parallel the same year, but without having an employment impact that can ex-ante be judged as positive.

The first message of the graph is that there are considerable *differences across policy domains regarding the fraction of employment-friendly measures*. Not surprisingly, by their own nature, ALMPs are predominantly employment-friendly. Labour taxation and working time reforms are also happened to be more frequently employment friendly overt the past decade. Measures in other domains (job protection, unemployment benefits, wage setting) present a roughly balanced distribution between reforms that are employment-friendly and that are not. Reforms in the other benefit domain (which include most social assistance schemes), in light of the criteria adopted (see Appendix) happen to be more frequently classified as not having an employment-friendly impact, because of the possible repercussions on labour participation (of course, this implies no judgement on the desirability of these policies on different grounds).

In most policy domains, an increasing trend is observed for reforms in both directions. However, *after the crisis, the frequency of employment-*

Graph II.1.5: **Direction of reforms by policy domain (average yearly frequency across the EU)**



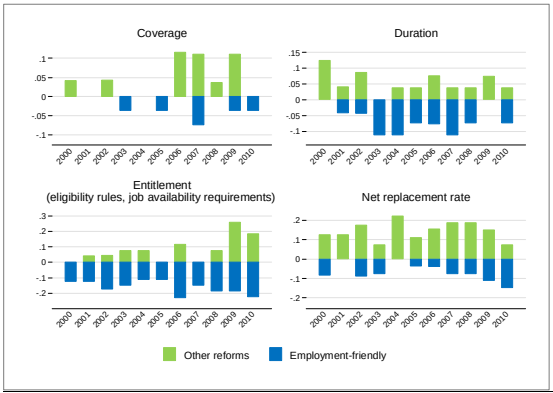
Source: DG ECFIN LABREF database.

friendly reforms increased, notably in some domains. The clearest example are reforms in wage setting that became more frequently employment-friendly after 2007.

It is worthwhile to look deeper between policy domains and zoom into those *policy fields* with the most relevant *macro-structural* impact: unemployment benefits, job protection, and wage setting policies.

Graph II.1.6 shows policy measures (fields) within the unemployment benefits domain. It reveals that most measures in the field of duration and entitlement were often employment-friendly. The coverage of benefits was instead raised after the crisis. The balance between measures raising and reducing replacement rates shifted as the crisis unfolded: initially a higher number of measures raised benefits; as the crisis dragged on measures reducing benefits became relatively more frequent.

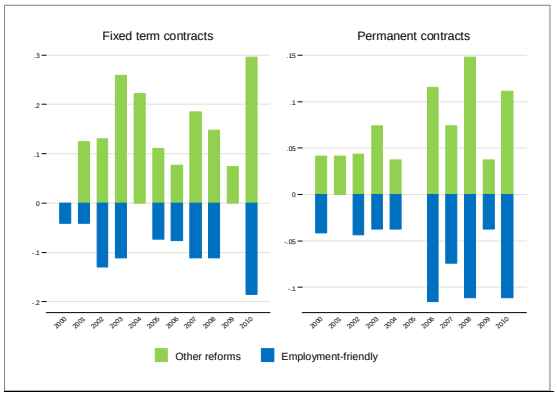
Graph II.1.6: **Direction of reforms in the unemployment benefit domain (average yearly frequency across the EU)**



Source: DG ECFIN LABREF database.

Graph II.1.7, shows reforms within the job protection domain. It reveals increased policy activism in the case of permanent contracts since 2006, with a broadly-balanced frequency of measures in terms of directions. As for fixed-term contracts, in the past decade the incidence of measures relaxing conditions is almost systematically below that of measures tightening conditions, which may reflect, in a number of cases, a gradual adjustment to past reforms relaxing conditions for fixed term contracts with the implication of raising employment while at the same time creating segmentation.

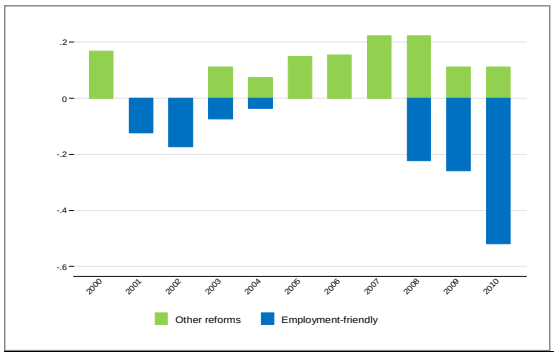
Graph II.1.7: **Direction of reforms in the job protection domain (average yearly frequency across the EU)**



Source: DG ECFIN LABREF database.

The cyclicality of measures affecting wage setting (higher frequency of employment-friendly reforms in low-growth years) previously pointed for the whole domain of measures (including also social pacts and tripartite agreements) is even clearer when focusing on the field comprising government intervention aimed reforming the wage setting system only (Graph II.1.8) This evidence suggests a shift in the positioning of governments on the wage-employment trade off during periods of high unemployment.

Graph II.1.8: **Government intervention in wage setting (average yearly frequency across the EU)**

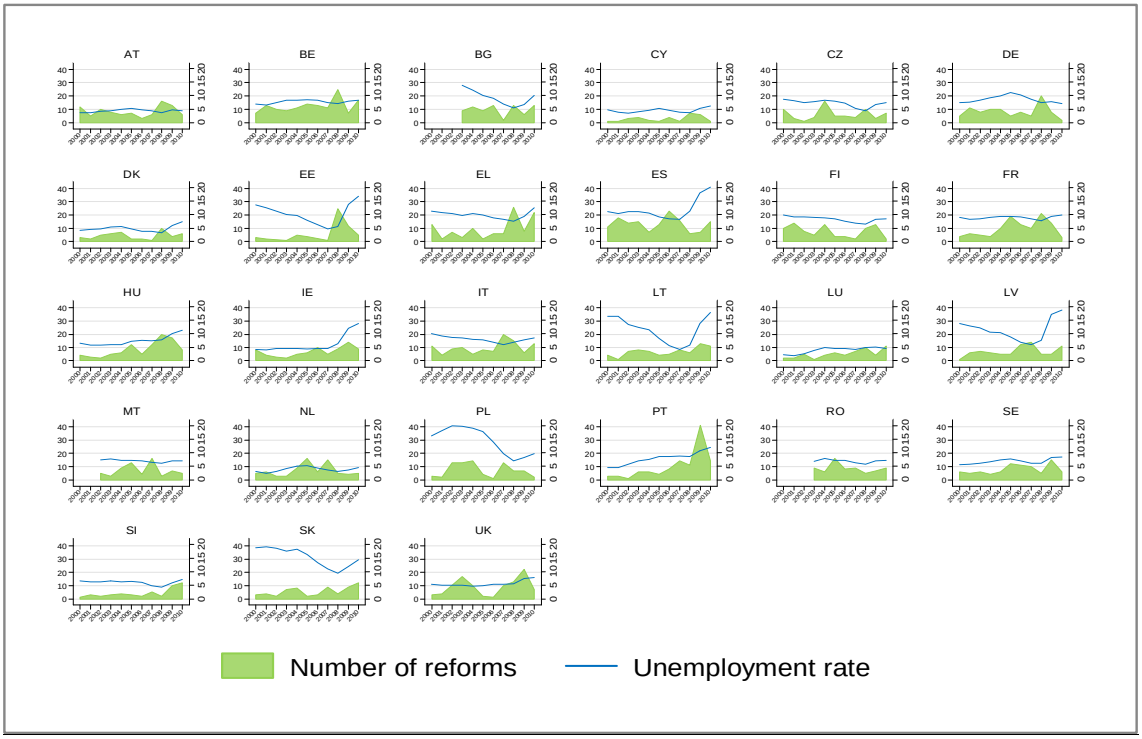


Source: DG ECFIN LABREF database.

Finally, it is worthwhile to compare reform directions across countries within each policy domain. The graphs in Appendix A.1.2 provide some interesting insights:

- the comparison of reform patterns within country groups reveal some similarities, thus

Graph II.1.9: **Number of reforms and the unemployment rate**



Source: DG ECFIN LABREF database, Eurostat

confirming that institutional factors play a role in driving reform patterns.

- Central and Eastern European countries were relatively less active in the ALMP domain.
- Concerning job protection measures, Anglo-Saxon countries barely implemented employment-friendly reforms, while Southern Countries carried out frequently this type of reforms.
- Eastern and Continental countries relied relatively strongly on employment-friendly welfare benefit reforms.
- Even within country groups, there is a good deal of heterogeneity in terms of direction of unemployment benefit and wage setting reforms.
- Continental countries were by far the most frequent users of employment-friendly working time measures.

1.4. SEARCHING FOR THE DETERMINANTS OF LABOUR MARKET REFORMS

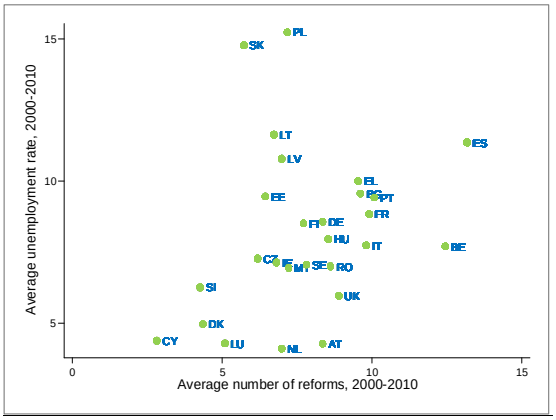
When and where labour market reforms are more likely to take place? What are the characteristics of countries exhibiting higher reform intensity? During which periods reform action is more abundant? What factors trigger reforms? These are the questions addressed in this section. To this purpose, the analysis builds on synthetic reform indicators varying across countries and years, as described in Box II.1.1.

The co-movement between the number of reforms and the most relevant labour market variable for policy makers, unemployment, suggests that reforms are more frequent in periods when unemployment starts increasing (Graph II.1.9). This is particularly evident after the 2008 recession in most countries.

The scatterplot in Graph II.1.10 confirms this finding in a cross-section of countries. The average reform intensity tends to be higher in countries characterized on average by a higher

unemployment rate. The cross-country positive relation between reforms and unemployment is quite neat, Poland and Slovakia being outliers in light of the high unemployment rates in early 2000s following transition.

Graph II.1.10: **Average number of reforms and unemployment rate, 2000-2010**



Source: DG ECFIN LABREF database, Eurostat

A number of additional cross-country correlations appear of interest, as reported in Table II.1.1. Country-specific factors are distinguished as follows: structural characteristics affecting labour market outcomes, labour market outcomes, and other macro-fiscal relevant characteristics, including income per capita, GDP growth, debt and fiscal stance. Correlations are reported separately for employment-friendly and other reforms. As expected, overall reform intensity is higher in countries with more regulated labour markets (EPL), a higher tax wedge on labour, a higher coverage of collective bargaining, and more generous unemployment benefits. However, these correlations hold most notably for employment-friendly reforms.

Unsatisfactory labour market outcomes are also correlated with more intense reform activity. Most importantly, reforms are more frequent in countries with high unemployment. Interestingly, reforms in high-unemployment countries are more frequent in both directions: employment-friendly and other reforms. One the one hand, more support to the unemployed is necessary, which requires more generous benefit systems. On the other hand, employment-friendly policies, ALMPs, and an efficient design of benefit systems are necessary.

Reforms are also more frequent in countries with segmented labour markets. Countries with a particularly high share of long-term unemployment do not exhibit instead a significant correlation with employment-friendly policies: the evidence based on aggregate reform indicators do not permit to establish a clear pattern and disaggregate information on reforms is required.

Table II.1.1: **Reform intensity and country characteristics: cross-country correlations**

	Total number of reforms	Number of employment-friendly reforms	Number of other reforms
Structural factors			
Tax wedge	0.5887	0.658	0.4496
Unemployment benefits spending g (% GDP)	0.3782	0.5716	0.0708
EPL indicator, overall EPL	0.2788	0.3741	0.1033
Collective bargaining coverage	0.2528	0.3969	0.0975
Labour market outcomes			
Unemployment rate	0.3138	0.2988	0.2651
Share of temporary employment (% total)	0.373	0.4631	0.1235
Share of long-term unemployment (% total)	0.0702	0.0006	0.1845
Other macro-fiscal variables			
Real GDP per capita, euros	-0.117	0.0351	-0.2833
Real GDP growth	-0.499	-0.5638	-0.2619
Government debt / GDP	0.7797	0.7762	0.6485
Change in primary cyclically-adjusted budget balance	-0.4802	-0.4027	-0.373

(1) Rank correlations of averages over the period 2000-2010.
Source: Tax wedge: European Commission-OECD Tax and Benefit Project; Unemployment benefit spending: Eurostat; EPL:OECD; Collective bargaining coverage: ICTWSS database; Labour market outcomes: Eurostat; Other macro-fiscal variables: ECFIN AMECO database.

Reforms appear to be less frequent in countries with high growth rates, irrespective of their direction. As for income per capita, the relation is negative, but mostly for other reforms. This result is to a large extent driven by catching up and former transition economies that reformed their labour market systems by introducing new instruments of workers' protection. Finally, countries with higher government debt and a fiscal stance oriented towards the improvement of the state of public finances implement more reforms.

Aggregate reform indicators do not permit to assess how different types of reforms are driven by different determinants. Moreover, correlation analysis helps to shed light on some stylized facts, without however providing sufficient elements for interpreting findings. Achieving additional insight requires looking separately at reforms in different domains, taking into account the time dimension in addition to cross-country comparisons, and

Box II.1.2: **Investigating the determinants of labour market reforms with count data**

Econometric analysis can help identifying the determinants of the number of reforms taking place in a given country, in a given year. The first step in this type of analysis is to ensure a broadly homogenous sample of reforms in terms of expected driving factors: in absence of a sufficient degree of homogeneity, no discernible pattern may become visible. To this purpose, the analysis refers only to employment-friendly reforms. The analysis is also conducted separately by selected policy domains.

The dependent variable used in the analysis is the number of employment-friendly reforms concerning EPL, unemployment benefits, labour taxation (reforms selected reduce the tax wedge), wage bargaining (the reforms selected are those where government intervention is aimed at reducing downward rigidities). This type of count data (bounded to be non negative and integer) do not allow the use of standard econometrics. A Poisson regression is therefore applied, which permits to estimate the probability of observing a given number of reforms within a time interval as a function of a set of explanatory variables assuming a Poisson distribution for the underlying stochastic events.

Since some relevant reform determinants may be slow-moving variables, and in light of the relatively short time series available (10 years), rather than estimating Poisson conditional fixed effect regressions, cross-section and time series data are pooled, while ensuring robust error terms with respect to non-independence within country clusters. This allows assessing reform determinants both along the time series and the cross-section dimensions.

The chosen specifications have the following form for each reform domain:

$$\log(E(N_{i,t} / \overline{X}_{it-1})) = a + \sum_{j=1}^{K} \beta_j X_{it-1} \qquad (1)$$

where *i* and *t* denote, respectively, countries and time periods, *j* denotes a generic explanatory variable, and where *N* and *X* denote, in turn, the reform dependent variable and the explanatory variables (variables labelled with an upper bar are multi-dimensional vectors). Note that what appears at the right hand side of (1) is the logarithm of the conditional expected value for the reform variable, so that the effect of the explanatory variables is not linear, i.e., their marginal impact changes depending on the level of $X_{i,t}$. The assumption for the distribution of $Y_{i,t}$ is that it follows a Poisson with rate (mean and variance) given as in (1). The explanatory variables are all lagged one period to tackle the risk of reverse causation and are selected on the basis of a general-to-specific approach: starting from a general specification that includes a large set of explanatory variables, the least significant are eliminated. Lagged variables of the dependent variable are generally highly non-significant, except for the labor taxation domain, which is consistent with the assumption of independence among reform intensity observations which is implicit in the Poisson model. Public finance variables (Government debt and the change in the primary cyclically-adjusted balance) are not statistically significant.

analysing the impact of several explanatory factors at the same time.

With a view to address the above limitations, regression analysis on the panel of all EU countries are carried out, separately for different policy domains: EPL, labour taxation, unemployment benefits, wage bargaining. To keep the sample used in the analysis homogenous in terms of reform objectives, the reform variable used is the number of employment-friendly reforms, separately in each domain. In contrast with existing analogous exercises making use of synthetic indicators summarizing structural conditions (e.g., Hoj et al., 2007) which employ standard least square regression models, non-linear models for count data become necessary in the present analysis. Box II.1.2 describes the empirical strategy and the estimation method followed.

Table II.1.2 reports the results of the empirical analysis of reform determinants. EPL reforms making the system more "flexible" appear more likely in sclerotic (low job finding rates) and segmented (high share of temporary labour) labour markets. EPL reforms are also less likely in conditions of low growth.

Table II.1.2: **Determinants of labour market reforms**

	(1)	(2)	(3)	(4)
Explanatory variables	EPL	Labour taxation	Unemployment beneftis	Government intervention
Lagged dependent variable		0.093 [1.86]*		
Job finding rate	-0.128 [2.38]**			
Share of temporary employment	8.151 [4.11]***			
Tax wedge on labour		0.037 [5.07]***		
Employment rate		-0.039 [3.00]***		
Net replacement rate			3.953 [1.43]	
Unemployment benefit duration			0.015 [1.50]	
Share of long-term unemployment			0.088 [4.15]***	
Wage share				0.091 [2.10]**
Unemployment				0.125 [3.34]***
Real per-capita GDP, euros		0.017 [3.83]***	0.083 [4.65]***	
Real GDP growth	-0.078 [2.61]***	0.047 [3.06]***	-0.09 [3.38]***	-0.06 [1.47]
Constant	-0.865 [2.03]**	0.278 [0.36]	-5.913 [2.59]***	-7.828 [2.84]***
Observations	218	226	95	236

(1) Dependent variables: number of employment-friendly reforms. All explanatory variables are lagged one period. Estimation method: Poisson regressions, pooled cross section time series data. Standard errors robust with respect of non independence within countries. Robust z statistics in brackets. * significant at 10%; ** 5% and *** 1%.
Source: Tax wedge, unemployment benefit et replacement rate and duration: European Commission-OECD Tax and Benefit Project; Job finding rate; elaborations on Eurostat data; Other labour market outcomes: Eurostat; Other macro-fiscal variables: ECFIN AMECO database

Reforming labour taxation appears to be a process that gradually unfolds over time, as revealed by the significant coefficient of the lagged dependent variable: reforms reducing labour taxation this year are more likely the higher the number of the same type of reforms the previous year. Labour tax reforms are, as expected, more frequent if starting from a situation with a high tax wedge on labour and with a low employment rate. It also turns out that labour tax reforms are more frequent in high income countries and during good times, probably in light of the stronger budgetary room for manoeuvre.

Unemployment benefit systems are more likely to be reformed the higher is the generosity of unemployment insurance schemes (both net replacement rates and duration) and the higher the share of long-term unemployment. This type of reforms is also more likely in countries with higher income per capita and periods of low growth.

In line with expectations, reforms in wage bargaining are more frequent starting from a situation where a large fraction of value added accrues to labour and when the unemployment rate is high. It also appears that low growth conditions are more conducive to this type of reforms, although the coefficient does not reach statistical significance.

Overall, the analysis of LABREF data confirms the view that reforms are carried out mostly when and where justified both on the ground of structural regulatory and institutional factors and on the ground of labour market outcomes. Other macro-fiscal conditions play a role, which is however less clear-cut. Reform activism is generally associated with low GDP growth, but not for all policy domains. Countries with higher income per-capita are more likely to deregulate labour markets in selected domains. Public finances also appear to play some role in cross-country correlation analysis (countries with high public debt exhibit more reform intensity, while countries taking a tougher fiscal consolidation stance reform less), which is however not clearly confirmed in regression analysis conducted separately by policy domain.

1.5. ASSESSING THE IMPACT OF REFORMS: SOME PRIMA-FACIE EVIDENCE

This section discusses the effect of reforms on outcomes. A thorough assessment of the impact of changes in policy frameworks requires the use of disaggregated data: only in this way it is possible to identify the effect of reforms by comparing the specific outcome variables affected by the reforms between those population groups, sectors, individuals, that are concerned and those that are not (e.g, Imbens and Woolridge, 2009). The findings from the previous analysis also show quite clearly the risks of reverse causation when running analysis on aggregate outcome variables: unsatisfactory outcomes trigger reforms, and

reforms at the same time produce effects on those outcomes over time. In light of these arguments, the LABREF database has been used in past analysis to assess policy effects with the help of disaggregate data, including the impact of reforms across different gender and age groups (Arpaia et al, 2009) and on marginally attached workers (European Commission, 2008).

Notwithstanding their limitations, attempts to assess the impact of reforms on macro data are not uncommon, not only because easier to implement, but because helpful in providing a synthetic, prima-facie gauge on the direction and order of magnitude of reform effects (e.g., Layard and Nickell, 1999; Belot and Van Ours, 2004; Bassanini and Duval, 2006, Bouis and Duval, 2011).

With a view to shed some light on the impact of reforms, and without pretence of providing definitive answers, panel regressions were run separately for selected labour market outcome variables: the share of temporary labour, the job finding rate, the participation rates, the unemployment rate. The analysis aims at assessing whether reforms play a role in driving the evolution of these variables over time.

The reform indicator used in the analysis is the direction score for selected reforms, i.e., the algebraic sum of the direction indicator for all measures taken in a given country in a given year (see Box II.1.3). This indicator aims at capturing the extent to which policy action in a given country, in a given year, in a given domain, affected the underlying structural conditions. Hence, the purpose of the statistical analysis is to test whether the labour market outcomes that are expected to be more closely linked to the various reform indictors actually move in an employment-friendly direction. Box II.1.3 describes the empirical methodology followed.

Results are displayed in Table II.1.3. The preponderance of employment-friendly reforms implies a more negative value for the each reform direction score. The presence of 3 lags of the reform direction score indicator allows evaluating how the impact of reforms unfolds over time.

A variable capturing reforms addressing labour market segmentation (employment-friendly reforms in the EPL for regular contracts net of the same type of reforms for temporary contracts) exhibit the expected sign in driving the share of temporary employment in the economy. The coefficient is positive, which indicates that employment-friendly reforms reduce precariousness, although it reaches a degree of statistical significance close to 10 per cent only after 3 years.

Table II.1.3: **Reform effects on selected outcome variables**

	(1)	(2)	(3)	(4)
	Share of temporary employment, year-on-year change	Job finding rate	Activity rate, year-on-year change	Unemployment rate, year-on-year change
Dep. variable (1 lag)		0.582	-0.188	0.402
		[6.02]***	[1.53]	[4.83]***
Dep. variable (2 lags)		0.057		0.055
		[0.46]		[0.41]
Dep. variable (2 lags)		-0.308		-0.371
		[2.45]**		[2.48]**
EPL reforms addressing segmentation (1 lag)	0			
	[0.04]			
EPL reforms addressing segmentation (2 lags)	0			
	[0.40]			
EPL reforms addressing segmentation (3 lags)	0.001			
	[1.61]			
EPL reforms (1 lag)		-0.12		
		[1.13]		
EPL reforms (2 lags)		-0.131		
		[1.26]		
EPL reforms (3 lags)		0.007		
		[0.05]		
Labour tax reform (1 lag)			-0.103	0.03
			[2.18]**	[0.66]
Labour tax reform (2 lags)			-0.089	0.084
			[1.78]*	[0.98]
Labour tax reform (3 lags)			-0.009	0.168
			[0.18]	[1.79]*
Unemployment benefit reform (1 lag)				-0.011
				[0.18]
Unemployment benefit reform (2 lags)				0
				[0.00]
Unemployment benefit reform (3 lags)				0.182
				[1.52]
Social benefits (1 lag)			-0.002	
			[0.03]	
Social benefits (2 lags)			-0.011	
			[0.16]	
Social benefits (3 lags)			-0.114	
			[1.43]	
Constant	0.001	5.429	-0.11	0.149
	[0.71]	[4.58]***	[0.45]	[0.33]
Observations	193	167	193	171
R-squared	0.12	0.53	0.17	0.62

(1) Reform variables are the algebraic sums of binary direction indicators of all measures taken in a given country and a given year (for employment-friendly reforms the direction indicator is set at -1, for other reforms at 1). EPL reform addressing segmentation: employment-friendly EPL reforms for permanent and other reforms for temporary contracts. All specifications include country and year effects. Estimation method: least squares dummy variables. Standard errors robust with respect of non independence within countries. Robust t statistics in brackets. * significant at 10%; ** 5%; *** 1%.
Source: Commission Services.

Employment-friendly EPL reforms at large (both permanent and temporary contracts) have instead the expected positive impact on the job finding

Box II.1.3: Assessing the impact of reforms from the LABREF database on aggregate variables

The empirical specification chosen for the estimation of the effect of reforms exploits the time series properties of selected labour market outcome variables. The idea is that of augmenting simple auto-regressive models for stationary variables with lags of reform indicators that are ex-ante expected to have a potential effect. By looking at the coefficients of the various lags of the reform indicator it is possible to gauge the intensity and direction of the impact of reforms, and their evolution over time.

The reform variable chosen is the direction score for selected reforms. Hence, the indicator represents the number of employment-friendly reform measures carried out in a given country in a given year, minus the number of other reforms. The choice of this indicator is dictated by the need, when assessing the impact of reforms, of taking account not only of the intensity of the reform action, but also of the likely impact on underlying regulations and institutions.

Since the time series dimension of the LABREF database is limited, the estimation is carried out over a whole panel of EU countries. To ensure the stationarity of the outcome variables selected, time differences are performed when necessary. Lags of the dependent variables are added to the specification until they remain statistically significant. To capture common, time-varying factors that may impact the dependent variable (e.g., global economic economic conditions,…) time fixed effects are included in addition to country fixed effects.

The selected specification for a generic variable Y is as follows

$$Y_{i,t} = \alpha + \sum_{l=1}^{L} \beta_l Y_{i,t} + \sum_{j=1}^{3} \beta_j^k R_{i,t}^j + \eta_i + \theta_t + \varepsilon_{i,t} \qquad (1)$$

where i, and t denote, respectively, country and time period, where L is the number of lags of the dependent variable, R is the reform direction score indicator, and where η and θ are, respectively, country and year effects, while ε is white-noise disturbance.

rate, as revealed by the negative regression coefficient: lower EPL restrictions tend to impact positively on job creation, as measured by the hazard rate at which unemployed find a job. The effect is not statistically significant at 10 per cent but, after 2 years, the t tests reveal a quite satisfactory significance level.

Activity rates are put in relation with tax and benefit reforms. Reforms reducing the tax wedge have a statistically significant impact on the activity rate, which fades away gradually over time. Reforms reducing the generosity of social benefits also have the expected positive impact on activity rates (negative regression coefficient), but effects do not reach statistical significance and take time to materialize (growing from the first to the third year after the reform), probably in light of the fact that these reforms mostly concern new beneficiaries or foresee a gradual phasing out of benefits for current beneficiaries.

Tax wedge and unemployment benefit reforms appear to help reducing the unemployment rate. Regarding the tax wedge, the effect achieves statistical significance, but only over time (the third year after reform). This result contrasts that found in the case of participation rates (immediate impact of tax wedge reforms) and could be linked to the fact that, in case of reforms reducing personal income taxation, employment decisions by firms are affected only with the necessary delay necessary for the tax cut to feed into reduced wage demands by workers. Probably, analogous reasons (delays for benefit reductions translating into reduced wage demands and higher) explain the fact that also the effects of unemployment benefit reforms take time to materialize.

It is important to take these results with the necessary degree of caution. Aggregate approaches to assess the impact of reforms have a limited power in identifying the effect of reforms because they do not allow measuring the impact on what is

directly changed by policy measures and do not permit separating the effects between the population affected by the reform and the one which is instead not affected. Hence, rather than a proper quantification of the reform impact, aggregate analysis provide a statistical account of the extent to which the dynamics of relevant labour market outcome variables was affected by the adoption of a certain number of reforms of a certain type. In light of the relatively small sample size and the indirect link between reform indicators and outcome variables, it is not surprising that in many cases statistical significance is not reached.

Nevertheless, the results from aggregate analysis presented in this section appear in light of a-priori expectations of reform impact, which is reassuring in that confirms priors often implicitly or explicitly underlying reform action by governments or policy advice and recommendations by experts, think tanks and policy institutions. The results also provide a number of new insights, notably regarding the time pattern of reform effects, that deserve further investigation.

1.6. CONCLUSIONS

This increased reform activism recorded by EU countries over the recent past calls for a proportionate increased effort to track the record of past reforms and assess their features, determinants and effects. Such an assessment is complex, most notably in light of the very differentiated character of the multi-faceted set of measures that normally fall under the broad heading "reform".

The rich information contained in the LABREF database, developed by DG ECFIN of the European Commission in cooperation with the Economic Policy Committee, allows tracking labour market reforms in the EU over the past decade.

Descriptive analysis reveals a number of noteworthy trends and regularities:

- Over the whole decade, reforms do not appear to be strongly synchronised across countries, which may reflect that measures are often taken in response to idiosyncratic shocks.
- However, there is some indication that countries with similar institutional settings tend to follow analogous reform patterns.
- Moreover, the 2008 crisis, triggered increased policy activism in most policy domains in a large number of EU countries. The crisis acted as a common shock and required simultaneous responses. External pressure from markets and sovra-national institutions, notably the EU, and increased economic uncertainty, may also have helped governments to publicly commit and swing away part of the political responsibility of unpopular policies. ([25])
- A higher incidence of reforms with macro-structural relevance (EPL, unemployment benefits, wage setting) is observed with the crisis.
- With the crisis, a tendency for reforms to become more frequently aimed at supporting employment by easing regulations or welfare benefits generosity is also observed.
- Correlation and regression analysis shows that reforms tend to be more frequently carried out when and where justified by unsatisfactory labour market outcomes (notably high and growing unemployment) and by outdated regulations and institutions. Other macro-fiscal conditions play a role which is less clear-cut.
- Statistical analysis of the effects produced by selected reforms on aggregate labour market outcomes is supportive of common priors: tax and benefit reforms tend to be followed with some lags by improved activity rates and lower unemployment; EPL reforms are followed by a reduced share of temporary contracts and increased job-finding rates.

Further analysis on the LABREF database could aim at assessing the effect of reforms on labour market outcomes using micro-level data that allow better identifying the impact of the policy across population groups.

([25]) Buti et al. (2010), Gancia, G.; A. Bonfiglioli (2011).

2. MACROECONOMIC IMPLICATIONS OF EMPLOYMENT PROTECTION LEGISLATION

2.1. INTRODUCTION

In 2011 some Member States received Country-Specific Recommendations (CSRs) to revise selected features of EPL to reduce segmentation and enhance labour market flexibility. In particular measures were advocated to enhance labour market flexibility to allow for a better use of temporary contracts (Lithuania) or reduce the asymmetries in rights and obligations between permanent and temporary contracts (Slovenia, Spain, France, Italy). In the framework of Economic Adjustment Programmes Greece and Portugal are in the process of revising their EPL system with a view to foster job creation, tackle segmentation, and enhance the adjustment capacity of the economy.

The aim of this chapter is threefold. First, it provides an overview of key concepts to fully appreciate the multi-faceted aspects of EPL and describes the main characteristics of EPL systems across EU countries. Second, it discusses the effects of EPL on labour markets on the economy at large on the basis of existing literature and in light of original analysis. In particular, there will be a discussion of the channels through which EPL can affect growth potential and external adjustment. Third, the note discusses which factors need to be taken into account when assessing reforms needs in the EPL domain and how can desirable reform paths be characterised depending on countries' economic and institutional characteristics.

The remainder of the chapter is structured as follows. In the next section basic facts and definitions about EPL are reviewed. In section 2 the EPL characteristics of EU countries are compared and discussed. Section 3 reviews existing studies on the effects of EPL and presents fresh analysis on the topic. In section 4 the discussion focuses on the identification of reform needs and on avenues for desirable reform strategies in EU countries.

2.2. KEY CONCEPTS ABOUT EPL

2.2.1. Basic facts about employment protection legislation

Employment Protection legislation (EPL) consists of rules and procedures that define private employment relationships. EPL refers to provisions defining the lawfulness of dismissal, formal and procedural requirements to be followed in case of individual or collective dismissals, payments to workers for early contract termination and remedies to deal with the consequences of unfair dismissal, hiring restrictions (e.g. favouring specific groups of disadvantaged workers or limiting specific types of contracts).

The economic rationale of EPL is to address the risks for workers associated with the lay-off process (e.g., Pissarides, 2010). Since unemployment risks can hardly be fully covered by the insurance market, risk-averse, liquidity-constrained employees may demand employment protection to reduce income volatility and employers may agree to provide such protection in exchange of reduced wages (the so-called "bonding argument"). Under perfect-information, competitive environment, EPL would be voluntary and efficient, and there would be no need for minimum mandatory employment protection. Under imperfect information, however, cases of under-provision of employment protection may arise, giving raise to an economic reason for mandatory minimum EPL (see, e.g., Blanchard and Tirole, 2003). ([26]) An additional economic reason why EPL may be needed is to address the externalities associated with the break-up of employment relationships. ([27])

([26]) When employers have incomplete knowledge about workers' ability, job applicants tend to ask for low job protection, with a view to signal they are high-quality workers who do not expect being easily dismissed (signalling problem). Similarly, firms tend to undersupply EPL, since offering a high degree job security would attract the less qualified and motivated workers, difficult to fire once hired (adverse selection problem).

([27]) Workers that are laid off, if not quickly re-employed, may lose skill and motivation, thus becoming hardly re-employable. Employers, when deciding about lay offs do not take into account the fact that their decision may have implications in terms of effective labour inputs availability for the whole economy.

The existence of EPL is not only justified on economic grounds. Views concerning workers' rights and fair labour relations also play a relevant role. For instance, dismissals motivated by discriminatory reasons are generally considered illegal, while protection to employees is generally not provided when dismissals are justified by major disciplinary reasons. Protection against dismissal is also recognised in ILO Conventions, in the EU charter of fundamental rights, and in EU law. ([28])

Specific EPL features are the outcome of different legal and institutional traditions. Countries with civil and common law traditions provide employment protection in different ways. In the former, EPL tends to be regulated by law, while in the latter it relies more on contracts and private litigations. In common law countries, courts have ample judicial discretion as opposed to civil law where procedural codes play a greater role. Moreover, EPL is an articulated set of institutions enshrined not only in law but also in collective and individual labour contracts.

2.2.2. Main features of EPL

Individual dismissals, regular contracts

EPL legislation generally contains a number of conditions that are to be respected by the employer for dismissing workers. The lack of respect of these conditions renders the dismissal unfair, with implications in terms of obligations to the employer and rights to compensation to the worker. The main aspects of EPL for individual dismissals for regular contracts are as follows.

- *Probationary period*. During the trial period both parties can terminate the employment relationship at no costs. Employers may favour long probationary periods as they find it cheaper to discourage less qualified applicants from seeking jobs than to renegotiate the contracts of workers who are found to be unsuitable. However, to avoid the risk of employers abusing of long trial periods, the legislation often establishes maximum trial periods. In some countries, the legislation allows deviations from the standard maximum trial period by way of temporary derogations, most notably for work-related training. In some cases, the trial period is disciplined in such a way to grant lower dismissal costs at the beginning of the employment relationship.

- *Procedural requirements* and notice periods. Legislations often require a notice period prior dismissal and a written notification. Long notice periods may have relevant monetary implications as they imply involuntary and possibly unproductive employment. In some countries, failure to comply with the notice period may give the right to a compensation for the earnings that the worker would have received had this been correctly observed.

- *Reasons for individual dismissal*. Most current regulations dealing with employment termination require the fulfilment of not only prior procedural requirements before dismissal (like a notification to the worker to be dismissed), but also impose an obligation on the employer to substantiate the reasons justifying dismissal. The cases for justified dismissal can be: (i) on disciplinary grounds or for personal reasons, except discriminatory cases (e.g. based on age, gender, colour, religion, trade union activity, maternity and educational leave,…); (ii) on economic grounds (extinction of the post, technological change, unsuitability of the worker).

While dismissals on disciplinary grounds do not imply compensations to the worker, dismissals on economic grounds may imply compensations in some countries. National legislation differs as to the scope of valid reasons for dismissal and the discretion of judges in questioning employers' decisions. The valid reasons for dismissal can be defined in a broad way, with the advantage of providing room to cope with a disparate range of situations. Alternatively, the reasons for justified dismissal could be very detailed, thereby reducing

([28]) The information and consultation of employees is a fundamental right recognised by the Charter of Fundamental Rights of the EU (Art. 27). The protection against unjustified dismissal is a fundamental right recognised by the Charter of Fundamental Rights of the EU (Art. 30) and is subject to the ILO Termination of Employment Convention C 158. Art.151 and 153 TFEU provide in particular that the Union shall have as its objectives the promotion of employment, improved working conditions, the information and consultation of workers and the protection of workers when their employment contract is terminated.

the scrutiny of the labour judges on employers' decisions.

- *Consequences of unfair dismissal*. In common law countries employees are often compensated via severance payments in case of dismissals by law or collective agreement, and a justified economic reason for dismissal may not be necessary for such compensation (no compensation for disciplinary dismissal). In civil law countries, the legislation often prescribes a justified economic reason and if the court verifies that justified reasons are not present the employer may have to reinstate the employee. The payment of a monetary compensation as an alternative to reinstatement may be contemplated by the law in some countries, and the choice may be given either to the employer or to the employee. In addition to reinstatement, employers may have to compensate for wage losses and the social security contributions unpaid during the period between the dismissal and the judgment.

- *Design of severance payments*. The severance pay consists of a lump sum payment to a worker who has been involuntary laid-off. Severance payment entitlements may be enshrined in law or be bargained in collective agreements. The payment may differ according to the reason for dismissal (justified or not justified). In the majority of the countries severance payment exists in case of dismissal for economic reasons, while they are not usually due in case of dismissal for disciplinary reasons. The size of severance payments is often linked to the number of years of service and on the wage pay close to the moment of dismissal. Severance payments may be subject to a maximum cap. In some countries the size of severance payments is negatively linked to the length of the notice period given to the dismissed employee.

Collective dismissals

Collective dismissal procedures are triggered by the simultaneous dismissal of a number of employees in light of economic reasons. The legislation often defines additional requirements on to the employers in case of collective dismissals, in view of the social implications arising from the lay-off of many employees in a short time period, in a specific geographical area. What changes as compared with individual dismissals is generally the necessity of fulfilling additional procedural requirements and the notion of admissible economic dismissal for the dismissal to be considered fair. Rules on collective dismissals concern a number of elements as follows.

- *Definition of collective dismissal*. The legislation sets the minimum number of workers dismissed in a given lapse of time, in a given location, for the dismissal to qualify as collective. Often this minimum number is linked to firm/plant size.

- *Procedural and notification requirements*. Employers are required to consult with workers' representatives when contemplating collective dismissals, with a view to find alternative solutions whenever possible. Employers are also required to notify the intention to operate collective dismissals to the competent public authority.

- *Criteria for selecting employees to be dismissed*. Transparent and non-discriminatory criteria may be indicated by law, in collective agreements, or may have to be announced by the employer at the moment of dismissal.

Compensations, implications of unfair collective dismissals. In most cases, severance payments provided irrespective of the specific reason for individual economic dismissal are also due in case of collective dismissal. Additional monetary compensations (e.g., co-financing of unemployment benefits) may have to be provided by the employers. National legislations provide alternative implications for the lack of respect of procedural and notification requirements of in case of the disrespect of selection criteria for dismissal.

Legislation on fixed-term contracts

EPL legislation also deals with conditions under which fixed-term contracts can be used and on the main features of such contracts. Employers may have incentives to use series of fixed-term contracts rather than regular contracts, for example, to save on dismissal costs. The

Box II.2.1: **The construction of OECD EPL indicators**

Individual dismissal of workers with regular contracts. This index incorporates three main aspects of dismissal protection: (i) procedural inconveniences that employers face when starting the dismissal process, such as notification and consultation requirements; (ii) notice periods and severance pay, which typically vary by tenure of the employee; and (iii) difficulty of dismissal, as determined by the circumstances in which it is possible to dismiss workers, as well as the repercussions for the employer if a dismissal is found to be unfair (such as compensation and reinstatement).

Additional costs for collective dismissals: most countries impose additional delays, costs or notification procedures when an employer dismisses a large number of workers at one time. This measure includes only additional costs which go beyond those applicable for individual dismissal. It does not reflect the overall strictness of regulation of collective dismissals, which is the sum of costs for individual dismissals and any additional cost of collective dismissals.

Regulation of temporary contracts: quantifies regulation of fixed-term and temporary work agency contracts with respect to the types of work for which these contracts are allowed and their duration. This measure also includes regulation governing the establishment and operation of temporary work agencies and requirements for agency workers to receive the same pay and/or conditions as equivalent workers in the user firm, which can increase the cost of using temporary agency workers relative to hiring workers on permanent contracts.

For each of these indicators a score from 0 (least restrictions) to 6 (most restrictions) is given. Sub-indicators are aggregated into upper-tier indicators by means of simple averaging. The overall EPL indicator is the simple average of the EPL indicator for individual dismissals on regular and fixed term contracts.

legislation poses constraints on the use of such contracts with a view to prevent discrimination of fixed-term workers and a possible abuse of fixed-term contracts. Requirements generally consist of pre-defined cases justifying the use of fixed-term contracts and limits on the number of renewals or total duration of cumulated contracts. Among the reasons that are often mentioned in the legislation justifying the use of fixed-term contracts, the following are among the most recurrent: coping with unexpected fluctuations of demand; replacing permanent staff on holiday, maternity leave or sick leave; hiring workers with specialised skills to carry out specific projects; start-up ventures implying risky and uncertain returns.

Different contract typologies may define different conditions for the use of temporary labour. As opposed to permanent contracts that are generally subject to a rather homogenous discipline within each country, different typologies of temporary labour are often present, with a view to modulate conditions for the use of fixed-term labour to the specific reasons underlying the choice of fixed-term contracts. For instance, in the case of very short labour relations often related to the need of replacing permanent workers that are temporarily absent, interim work is often chosen in light of relatively low procedural costs.

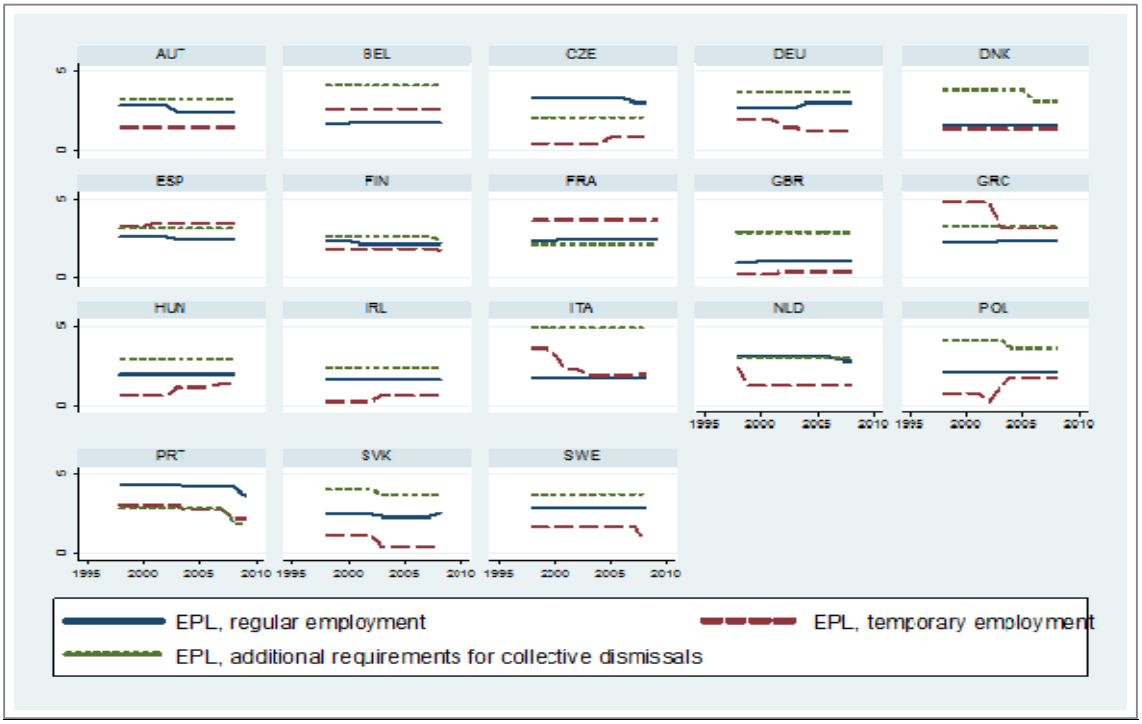
2.3. EPL REGIMES IN EU COUNTRIES

2.3.1. Quantitative EPL indicators

Synthetic indicators permit a prima-facie quantification of the strictness of EPL legislation. The OECD compiles regularly such indicators for most OECD countries on the basis of the codification of 21 elements of the legislation, covering all three main aspects of employment protection: protection of permanent workers against individual dismissal; regulation on temporary forms of employment; specific additional requirements for collective dismissals (see Box II.2.1 for the construction of the indicators).

Graph II.2.1 provides a synthetic overview of the evolution of EPL stringency in EU countries. The latest available indicators computed by the OECD are for 2008 (data for 2009 are available for France and Portugal). The Graph shows that since 1998 the EPL legislation for individual regular contracts

Graph II.2.1: **Evolution of OECD EPL indicators in EU countries**



Source: OECD.

and collective dismissals is broadly stable over time in most EU countries, while the regulation of fixed-term contracts have changed quite considerably in a number of countries. EPL for fixed-term contracts became less rigid notably in Southern countries (Greece, Italy, Portugal), but also in Germany, the Netherlands, Slovakia. Conversely, EPL for fixed-term contracts become more stringent in some New Member States (Czech Republic, Hungary, Poland), albeit generally starting from a situation of high flexibility.

Cross-country illustration of the main EPL features is provided in Graphs II.A2.1 and II.A2.2 and in Table II.A2.1 in the Appendix. ([29]) In the radar charts the EPL main sub indicators (EPL for regular contracts, EPL for temporary contracts, additional requirements for collective dismissals) and the sub indicators for the EPL for regular contracts for each country are put in comparison

([29]) The taxonomy, proposed by the European Commission (2007), is based on principal component analysis and largely confirms the findings of existing seminal work on the taxonomy of socio-economic systems (Esping-Andersen, 1990).

Table II.2.1: **EPL reforms for permanent and fixed term contracts 2008-2010, an overview**

Country	AT	BG	CZ	EE	EL	ES	FI	FR	HU	IE	IT	LT	LV	NL	PT	UK
Permanent contracts - Restrictions to individual dismissals	2008; 2009			2008		2010		2008	2009			2010			2009	
Permanent contracts - Notice and severance payments				2008		2010		2008							2009	
Permanent contracts - Procedural requirements			2010	2008	2008			2008			2008; 2009		2010		2009	2008
Permanent contracts - Probation period					2010			2008								
Permanent contracts - Collective dismissals	2009			2008		2010									2009	
Permanent contracts - Other											2009					
Temporary contracts - Max number of renewals							2010							2010		
Temporary contracts - Max duration				2008	2010	2010		2008						2010	2009	
Temporary contracts - Temporary agency work					2010	2010	2008				2009	2010				
Temporary contracts - Other		2009		2008	2010	2010	2008				2009					

Source: DG ECFIN LABREF database.

with the EU average and with the average of country groups defined on the basis of similarities in flexicurity models (Nordic Countries, Continental Countries, Southern Countries, Eastern European Countries).

The latest available information for all countries is for 2008. Since then, a number of countries have carried out reforms, in some cases relevant (see Box II.2.1) which are not taken into account in the value of the EPL indexes for 2008. Table II.2.1 presents and overview of EPL reforms in EU countries implemented in the 2008-2010 period on the basis of the ECFIN LABREF database. Table II.2.2 presents correlation analysis across the various indicators. It is shown that the various EPL dimensions tend to be positively correlated, so that the countries with a higher degree of strictness of EPL in one aspect tend also to be more restrictive in other aspects.

Table II.2.2: **Correlation among OECD EPL sub-indices**

	EPL sub-indexes		
	EPL on regular contracts	EPL on temporary contracts	EPL on collective dismissal
EPL on regular contracts	1		
	0.407	1	
	-0.0308	0.0789	1
	Sub-indexes for EPL on regular contracts		
	Procedural inconvenience of dismissal	Notice and severance pay	Difficulty of dismissal
Procedural inconvenience of dismissal	1		
	0.3337	1	
	0.5895	0.4156	1

(1) Sub-indices for regular contracts: Procedural inconvenience of dismissal – procedural inconveniences (unweighted average of notification procedures and delay involved before notice can start). Notice and severance pay- Length of notice period and severance pay at 9 months, 4 years and 20 years of tenure (unweighted average). Difficulty of dismissal – consequences of unfair dismissal (unweighted average of definition of justified dismissal, lenth of trial period, compensation following unfair dismissal, possibility of reinstatement following unfair dismissal, deadline to make a claim of unfair dismissal).
Source: Elaboration on OECD data.

Graphs II.A2.1 and II.A2.2 permit a comparison of the main EPL elements across EU countries for the latest available value of the indicators. The radar charts in Graph II.A2.1 provide information about the protection for regular employment, the restrictions for the use of temporary employment, the additional requirements to be respected if dismissal is collective. Graph II.A2.1 summarise information on procedural inconvenience employers encounter if they intend to dismiss a worker (notification and notice period), trial period, notice and severance payments (for tenures up to 4 years and 20 years), definition of unfair dismissals and their consequences (pecuniary compensation and reinstatement). A larger perimeter of the radar chart suggests a more rigid regulation of individual dismissals. The main points can be summarised as follows:

- *Broad EPL elements*. Individual dismissals are relatively strictly regulated in Southern countries, notably for permanent contracts. Nordic countries and Continental countries have on average the tightest regulation of temporary work. Anglo-Saxon Countries are in general characterised by flexible employment protection legislation. Country groupings are relatively homogenous, although with some exceptions (e.g, high regulation for collective dismissals wither respect to Southern Countries in Italy, relatively low regulation of fixed-term contracts in Slovakia as compared with Eastern Countries,…).

- *Individual dismissals, permanent contracts*. Individual dismissals tend to be considerably more expensive in Southern countries, including on account of a short trial period. The definition of unfair dismissals is relatively strict in Continental and Northern countries, while the opposite holds for Central and Eastern countries. Anglo-Saxon countries have in all aspects the most flexible regulation of individual dismissals. Country regulations appear highly heterogenous also within country groupings.

2.3.2. Main features of EPL regulations across EU countries ([30])

Where EPL differs most is the regime for individual dismissals on regular contracts. Tables II.A2.1-II.A2.4 summarise information on the main characteristics of EPL legislation for individual dismissals. The source is OECD; the latest available information for all countries is for 2008 (so that reforms having taken place afterwards are not contemplated). The EPL regime

([30]) Information in this section is mostly based on OECD http://www.oecd.org/document/11/0,3746,en_2649_33927_42695243_1_1_1_1,00.html or ILO http://www.ilo.org/dyn/eplex/termmain.home?p_lang=en. Further information can be found at the website of the European Labour Law Network: http://www.labourlawnetwork.eu/home/prm/52/size__1/index.html.

differs quite considerably not only in terms of the degree of stringency but also in terms of the instruments used to protect workers against dismissal. A number of points stand out as follows:

- *Individual notice and dismissal*. Normally, procedures depend on whether the reason for dismissal is personal (e.g. due to worker's incapacity, disciplinary reasons) or economic. Procedures may also depend on the typology of worker, company size, and trade union membership. In general, if dismissal is based on personal reasons procedures tend to be lighter. In some countries employers have to notify, sometimes on request by employee, one or more third parties (normally workers' representatives or the public employment service, labour inspectorate or other government authorities) if they intend to dismiss an employee. Apart from notification, in some countries employers also have to provide third parties with a justification of dismissals. Depending on the country, delays before notice can start may exceed one month.

- *Definition of fair and unfair dismissals*. In some countries the definition of fair dismissal is not highly restrictive and unfair dismissals are limited to cases which are not reasonably based on economic circumstances and on cases of discrimination (e.g., Belgium, Czech Republic, Denmark, Greece, Hungary, Ireland, Italy, Poland, Slovakia, United Kingdom). In some countries dismissals are not justified if they are not based on an effective and relevant reason (e.g. Finland, France). In addition, in case of redundancy, dismissals are considered as unfair if the employer fails to take into account specific circumstances of dismissed workers such as social dimension (e.g., France, Germany, Austria), tenure (e.g., Estonia, Sweden), family responsibilities (e.g., France, Estonia), professional qualifications (e.g., Estonia, France), age/gender balance in a firm (the Netherlands) etc. In some countries fair dismissal requires specific alternatives to redundancy to be considered. These alternatives may include retraining, rehabilitation and/or a transfer of a worker to another position in a firm (e.g., Austria, Finland, Estonia, France, Germany, Sweden, the Netherlands).

- *Trial period*, notice period and severance pay. Monetary costs related to dismissal depend on both the lengths of notice period and severance payments. In some countries employers do not bear any severance payments, however, notice period can be very long (e.g., Finland, Sweden). ([31]) In others, severance pay is the main cost of dismissal (e.g. Spain, the Netherlands). Notice period and severance pay generally do not apply during the trial period. The maximum trial period in the EU spans from less than 1 month to 12 months; in a majority of countries it is between 3 and 6 months. As for the financing of severance payments, it generally comes fully from the employer that operated the dismissal, but in some countries severance payments are shared among several employers. In Austria for instance, severance payments are financed via a fund at the name of the employee, which is portable across employers until it is used (dismissal or retirement) and to which all employers in the career history of the employee contribute.

- *Compensation and reinstatement if dismissal is unfair*. In case of unfair dismissal, firms have additional obligations against an employee. Normally, a worker is entitled either to a pecuniary compensation on top of what is normally required for fair dismissals or to be reinstated, and employers may also have to pay the worker's foregone wages ("back pay"). The regime for reinstatement differs widely across EU countries. In some cases reinstatement is not foreseen (e.g., Belgium, Finland) while in others reinstatement is the rule (e.g., Austria, Estonia, Luxembourg, Czech Republic). Often, the decision about reinstatement is left to the worker. In some cases, firms may have to bear additional compensation in the absence of reinstatement (e.g., Luxembourg, United Kingdom, Slovakia). In some countries, firms have to both reinstate a worker and provide "back pay" (e.g., Italy, Portugal). In some countries, instead of additional compensation only "back pay" is required (e.g., Czech Republic, Greece, Ireland). "Back pay" is

([31]) With few exceptions (Germany, Belgium, Greece), statutory severance payments are due without any consideration of the notice period.

Box II.2.2: **EU directives on collective dismissals and on fixed-term labour**

Collective dismissals

The Directive on collective redundancies (98/59/EC) provides that an employer which envisages collective redundancies must provide workers' representatives with specified information concerning the proposed redundancies and must consult with the workers' representatives in good time with a view to reaching an agreement. These consultations should cover ways of avoiding or of reducing the redundancies, and of mitigating their consequences by recourse to social accompanying measures aimed, in particular, at aid for redeployment and retraining of the redundant workers. The Directive also provides for the public authorities to be notified of any projected collective redundancies, and requires that these redundancies cannot take effect earlier than 30 days after this notification.

Fixed-term labour

The EU Council Directive 1999/70/EC is based on the framework agreement on fixed-term work concluded by the EU representation of social partners (ETUC, UNICE, CEEP) and sets EU-wide principles to prevent the discrimination of fixed term workers and the abuse of fixed-term contracts.

According to the principle of non-discrimination, treating fixed-term workers in a less favourable manner than permanent workers solely because they have a fixed-term contract is forbidden, unless the difference in treatment can be justified on objective grounds.

To prevent abuse arising from the use of successive fixed-term employment contracts, the legislation on the individual labour contract of definite duration must have one or more of the following measures:

- objective reasons justifying the renewal of such contracts or relationships;
- the maximum total duration of successive fixed-term employment contracts and relationships;
- the number of renewals.

In general, Member States can choose to introduce either objective reasons to justify renewals, or a maximum total duration or a maximum number of renewals of the fixed-term employment contract or relationship.

The Directive on temporary agency work (2008/104/EC) aims to guarantee an effective protection to temporary workers while contributing to the development of the temporary work sector as a flexible option for employers. To be implemented by December 2011, it lays down the principle of non-discrimination, regarding the essential conditions of work and of employment, between temporary workers and workers who are recruited by the user company.

Details on directives and their implementation are to be found at http://ec.europa.eu/social/main.jsp?catId=157&langId=en.

capped in some countries (e.g., Czech Republic, Portugal, Ireland).

EU countries exhibit a somewhat lower variation in terms of the legislation to deal with collective dismissals. In spite of differences, a series of common elements are found, which are inter-alia linked to the presence common EU principles to be followed in case of collective enshrined in EU Council Directives 75/129 and 98/59/EC.

- *Definition of collective dismissal*. National laws generally refer to the minimum number of workers dismissed in a given period of time, most often linked to firm/plant size.

- *Notification and consultation procedures*. In all EU countries, employers are required to inform and consult with workers' representatives when contemplating collective dismissals. Consultation most often concerns alternatives

to redundancy and ways to mitigate its effect. In a majority of countries, the employer has also the obligation to draw up a social plan that may comprise both passive (subsidies to alleviate the hardship following dismissal) and active labour market policies (re-training,…). All EU countries also provide for the obligation of employers to notify the intention to operate collective dismissals to competent public authorities.

- *Dismissal selection and re-employment criteria*. EU Directives require that the employers notify workers representatives the criteria followed for selecting employees to be dismissed. Various countries have also introduced mandatory criteria to be followed as a protective measure for workers (e.g., Estonia, Germany). In some countries, rules must be followed for the reinstatement of collectively dismissed workers when employers begin new hiring (e.g., Cyprus, Finland, Luxembourg, Slovakia, Slovenia). In some countries legally binding selection criteria for dismissals coexist with priority rules for re-employment (e.g., France, Italy, Lithuania, the Netherlands, Romania, Spain, Sweden).

- *Monetary costs*. In most cases, the same severance payments provided for individual economic dismissal are also due in case of collective dismissal. In some countries, additional monetary compensations have to be provided by the employers (e.g., Belgium, Italy, Poland). In other countries, specific provisions are contained in the social plan (e.g., Austria, Germany, Luxembourg, the Netherlands).

- The regulation of fixed term employment differs quite considerably across the EU, in spite of the presence of common EU principles. Following the EU Council Directive 1990/70/EC on fixed term contracts, the legislation generally discipline at least one of three aspects of temporary contracts: (i) reasons justifying their use; (ii) maximum number of renewals (i.e. contracts with the same firm); (iii) maximum duration of successive fixed-term contracts. The legislation in Member States differs as to the way it regulates different combinations of these elements.

- *Reasons justifying fixed-term employment*. In some countries there is no requirement to use fixed-term contracts only in pre-defined valid cases (e.g. Germany, the Netherlands, United Kingdom,…), while others define only broadly the context for their use (e.g. Austria, Belgium, Italy,…). In some countries the legislation list instead specific reasons for hiring with fixed-term contracts (e.g. Finland, France, Romania,…). In some countries, limits on renewal and the maximum cumulated period of fixed-term contracts depend on whether the use falls or not within pre-specified cases.

- *Renewal of fixed-term contracts*. Some countries define a maximum number of renewals of fixed term contracts (generally between 2 and 4), while in others there is no upper bound on how many time the same worker can be offered a fixed-term contract. In those case, subsequent renewals generally imply a conversion to a permanent contract except in case of objective reasons (e.g., Austria, Denmark, Hungary, Ireland).

- *Maximum cumulated number of fixed-term contracts*. The cap on cumulated maximum duration may either absent or very long (e.g. Austria, Poland, Estonia) or rather short instead (between two and three years, e.g., France, Luxembourg, Spain).

2.4. EPL AND ECONOMIC OUTCOMES

2.4.1. Labour market impact

EPL generally comprises both a "transfer" (e.g., severance payments from the employer to the employee) and a "deadweight loss" component (notably, procedural costs, long dispute settlement processes). While the deadweight loss component inevitably raises effective labour costs, thereby weighing not only on dismissal decisions but also on hiring, the transfer component of EPL may have neutral effects, but only under restrictive conditions, namely, provided wages are sufficiently flexible to compensate for the

insurance provided with firing restrictions (Bertola and Rogerson, 1997; Elmeskov et al., 1998).

Strict employment protection goes especially to the detriment of the adjustment capacity of labour markets and may involve social costs. EPL reduces the likelihood that jobs are destroyed in the presence of shocks, but, by raising the effective cost of employment, it also dampens job creation. While the predicted effect on the unemployment rate of strict EPL is ambiguous, lower job destruction coupled with reduced creation are likely to translate into longer unemployment spells or into higher labour market segmentation, resulting from a high share of fixed-term job offers.

Job market flows

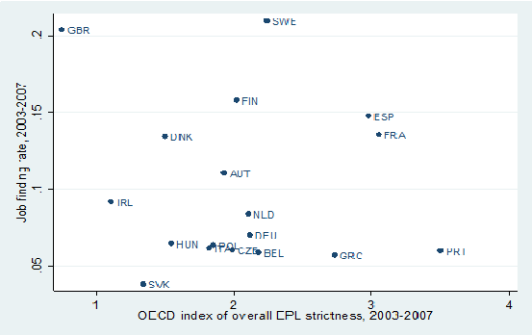
Economic theory demonstrates that employment protection reduces both job separations but also hiring. It has been shown by means of imperfect matching labour market models that, by increasing the firing costs borne by firms, EPL also reduces the present value of a filled job for the employer, thereby leading to lower job creation (Mortensen and Pissarides, 1994; Bertola, 1999; Garibaldi, 1998).

A number of existing empirical studies find evidence of a negative cross-country relationship between employment protection and flows in and out of unemployment. Among others, Garibaldi, Konings and Pissarides (1997) present data on job reallocation rates for 10 OECD countries, finding a negative correlation between job reallocation and employment protection. Gomez-Salvador, Messina and Vallanti (2004) find that EPL has a negative effect on the dynamics of job reallocation. Table II.A2.5 provides a summary of the results of selected empirical studies.

New empirical work supports existing findings and helps qualifying them:

Table II.2.2 displays correlation coefficients between indices of job market flows and OECD EPL indexes. Data on job market flows were constructed according to the methodology detailed in Arpaia and Curci (2009). The job finding rate appears to be negatively correlated with all indicators of EPL considered, and the relation is particularly strong for EPL for regular employment (notably with the sub-indicator encompassing the strictness of notice and severance pay requirements) and for EPL for collective dismissals.

Graph II.2.2: **Job finding rate and strictness of overall employment protection legislation, 2003-2007**



Source: Elaboration on OECD and LFS data

Graph II.2.2 provides a visual representation of the cross-section relation between the overall EPL index and the job finding rate. The job separation rate is also negatively related with these two components of EPL, but exhibits a positive relation with the EPL indicator for fixed-term contracts.

Graph II.2.3: **Share of temporary workers in total unemployment and strictness of overall employment protection legislation, 2003-2007**

Source: OECD and EUROSTAT (LFS).

Cross-country regression analysis controlling for time effects broadly confirm these findings. Table II.2.3 reports the results. Four different specifications of the regression model are considered, using alternative the overall EPL indicator, the sub-indicators for regular employment, collective dismissals, fixed-term contracts, and three sub-indictors for EPL for regular employment. As suggested by the correlations, the job finding rate has a stronger

Table II.2.3: **Correlation coefficients between EPL indicators and measures of labour market performance, 18 EU Member States, 1999-2007**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Overall EPL	EPL on regular contracts	EPL on temporary contracts	EPL on collective dismissal	Procedural inconvenience of dismissal	Notice and severance pay	Difficulty of dismissal
	Correlation of average values across countries						
Job finding rate	-0.1861	-0.2362	-0.0902	-0.2693	-0.0873	-0.3133	-0.1449
Job separation rate	0.083	-0.1146	0.1886	-0.1473	0.0196	-0.1901	-0.0937
Overall unemployment	0.1105	0.0064	0.1442	0.311	-0.0479	0.1371	-0.0891
Youth unemployment	0.2041	-0.0418	0.3012	0.3316	-0.1548	0.1219	-0.0813
Long-term unemployment	0.1774	0.2251	0.0934	0.4211	0.078	0.2158	0.2367
Share of temporary workers	0.6136***	0.4178*	0.5402**	-0.0477	0.3951	0.3371	0.2466
	Correlation across the whole panel						
Job finding rate	-0.1849**	-0.2280***	-0.0947	-0.2463***	-0.0538	-0.2852***	-0.1838**
Job separation rate	0.0527	-0.0882	0.1306	-0.1009	0.0656	-0.1605*	-0.0984
Overall unemployment	0.1096	0.0085	0.1392*	0.3009***	-0.0446	0.1246	-0.0745
Youth unemployment	0.1964**	-0.037	0.2825***	0.3192***	-0.1448*	0.1078	-0.0655
Long-term unemployment	0.1358*	0.1273	0.0967	0.3190***	-0.0192	0.2077***	0.0951
Share of temporary workers	0.5868***	0.3929***	0.5168***	-0.0633	0.3744***	0.3174***	0.2238***

(1) Sub-indices for regular contracts: Procedural inconvenience of dismissal procedural inconveniences (unweighted average of notification procedures and delay involved before notice can start). Notice and severance pay- Length of notice period and severance pay at 9 months, 4 years and 20 years of tenure (unweighted average). Difficulty of dismissal consequences of unfair dismissal (unweighted average of definition of justified dismissal, lenth of trial period, compensation following unfair dismissal, possibility of reinstatement following unfair dismissal, deadline to make a claim of unfair dismissal).
Source:

relation with EPL than the job separation rate and EPL for regular employment and collective dismissal exhibits a significant negative relation with both job finding and job separation rates. The significance of the EPL indicator for regular contracts on both labour market flows appear to be associated especially with the impact of long notice periods and high severance payments, followed by the sub-indicator on difficulty of dismissal (taking into account trial period, the definition of fair dismissal, the implications of unfair dismissals, possibilities of reinstatement).

Overall, the analysis of the data shows that higher EPL, notably for regular contracts and collective dismissals, appears to be robustly associated with lower job finding rates, less strongly with job destruction rates. The results also suggest that the aspects of EPL regulating notice and severance pay, appear to be the strongly linked to job finding rates.

Unemployment rates

Existing evidence concerning the link between employment protection legislation and the overall unemployment rate is not clear-cut. Economic theory predicts that strict employment protection regulations reduce flows out of and into unemployment, with ambiguous effects on overall unemployment. A majority of the empirical studies (such as Bertola, 1990; OECD, 1999; Blanchard and Portugal, 2001), do not find significant effects of EPL on unemployment. However, other studies, such as Lazear (1990), estimate a positive impact of employment protection on overall unemployment.

Correlation and regression analysis presented in the Tables II.2.3 and II.2.4 broadly confirm the result that EPL is not significantly related with overall unemployment. Correlation and regression coefficients are non-significant, with the exception of the indicator of collective dismissal, which appears to be positively and significantly linked to overall unemployment. An explanation for this result is not straightforward, and requires further analysis aimed at disentangling the possible influence of omitted variables in explaining the cross-country variation in unemployment rates, an exercise which is beyond the scope of this note.

Employment protection legislation however does affect the duration and the age composition of unemployment. Since job finding rates are lower with stricter EPL, also the average length of unemployment spells tend to become longer. The implication is that with strict EPL there is a higher risk of long-term unemployment (see e.g. OECD, 2004) and a higher risk of unemployment for those that enter the labour market for the first time, namely the young. The correlation and regression analysis confirm the expectation for long-term unemployment, which appear to be positively

Table II.2.4: **EPL and labour market performance 18 EU countries, 1999-2007**

Dependent variables Explanatory variables	Job finding rate	Job separation rate	Overall unemployment	Youth unemployment	Long-term unemployment ratio	Share of temporary workers
Overall of EPL						
Overall EPL	-0.013**	0.0003	0.563	2.322***	2.550**	0.045***
	[0.006]	[0.0004]	[0.364]	[0.798]	[1.246]	[0.005]
R-squared	0.068	0.008	0.031	0.054	0.032	0.364
Overall EPL sub-indicators						
EPL on regular contracts	-0.023***	-0.001**	0.278	-0.381	4.144***	0.022***
	[0.006]	[0.0004]	[0.316]	[0.681]	[1.317]	[0.003]
EPL on temporary contracts	0.002	0.0007**	0.373	2.12***	0.27	0.023***
	[0.003]	[.0003]	[.24475]	[0.523]	[0.963]	[0.005]
EPL on collective dismissal	-0.024***	-0.0009*	1.606***	3.537***	7.246***	-0.001
	[0.006]	[0.0005]	[0.410]	[0.829]	[1.315]	[0.004]
R-squared	0.186	0.067	0.126	0.189	0.163	0.365
EPL sub-indicators for regular employment						
Procedural inconvenience of dismissal	0.007	0.001**	-0.025	-1.749	-2.288	0.023***
	[0.006]	[0.0004]	[0.625]	[1.348]	[1.716]	[0.005]
Notice and severance pay	-0.013***	-0.0006*	0.674**	1.373**	2.861**	0.014***
	[0.004]	[0.0003]	[0.257]	[0.552]	[1.158]	[0.004]
Difficulty of dismissal	-0.009	-.0009*	-0.589	-0.07	1.795	-0.005
	[0.008]	[.0005]	[0.615]	[1.473]	[2.013]	[0.006]
R-squared	0.126	0.065	0.052	0.059	0.07	0.209

(1) Estimation method: cross-section regression including year effects. Robust standard errors in brackets. * Statistically significant at 10% level ** Statistically significant at 5% level *** Statistically significant at 10% level. Sub-indices for regular contracts: Procedural inconvenience of dismissal – procedural inconveniences (unweighted average of notification procedures and delay involved before notice can start). Notice and severance pay- Length of notice period and severance pay at 9 months, 4 years and 20 years of tenure (unweighted average). Difficulty of dismissal – consequences of unfair dismissal (unweighted average of definition of justified dismissal, lenth of trial period, compensation following unfair dismissal, possibility of reinstatement following unfair dismissal, deadline to make a claim of unfair dismissal).
Source:

linked with most EPL indicator, notably EPL for regular contracts (especially the sub-index summarising notice and severance payments) and collective dismissals. The youth unemployment rate appears instead to be positively linked especially with EPL for fixed-term contracts, a result that could be interpreted in light of the fact that the young are more likely to be hired on fixed term contracts than the old.

Labour market segmentation

Flexibility to hire with fixed-term contracts coupled with persistently high EPL for regular contracts may lead to increased segmentation of the labour market. As shown previously, reforms reducing the stringency of EPL since the nineties mainly concerned fixed-term contracts. This type of reforms is likely to entail "honeymoon" (transitory job creation) effects and a decline in productivity (see Boeri and Garibaldi, 2007). The persistence of high EPL on regular contracts, however, may lead to a situation where job creation takes place mostly by means of temporary jobs. More importantly, the risk arises that the workers that are initially hired with temporary contracts cannot easily move into permanent jobs, i.e., that the labour market becomes segmented, with some workers having well-protected permanent jobs, and some workers being relegated to precarious employment. Furthermore, the high incidence of short-term contracts makes employment more volatile and prone to large fluctuations over the economic cycle, with employment variations concentrated.

EPL for permanent contracts is correlated across countries with the incidence of temporary employment. As shown in Boeri (2011), there is a positive cross-section correlation between the share of temporary contracts in total employment and the strictness of EPL for permanent contracts. This evidence is confirmed in Graph II.2.3 and in Tables II.2.3 and II.2.4. Note that the relation between the share of temporary contracts and fixed-term employment is also positive, which is opposite of what one may expect. The result could be spurious, and mostly explained by the fact that EPL for regular and fixed-term contracts are correlated across countries (see Table II.2.2, so that the countries with higher EPL for fixed contracts have more fixed-term employed because permanent contracts are hardly offered due to high EPL for regular jobs).

Table II.2.5: **Share of temporary contracts and EPL reforms 18 EU countries, 1983-2008**

Explanatory variables	Dependent variable Change in share of temporary contracts on total employment
Log share of temporary contracts on total employment	-0.127* [0.0509]
Lagged change in EPL index for temporary contracts	-0.00285+ [0.00162]
Constant	0.0120* [0.00481]
Observations	342
Number of countries	18
R-squared	0.175

(1) ** p<0.01, * p<0.05, + p<0.1; specifications include country and year effects. Estimation method: Least Square Dummy Variables, standard errors robust with respect to heteroschedasticity and within country autocorrelation.
Source: OECD and EUROSTAT (LFS).

There is evidence that reductions in EPL for fixed-term is associated with a more widespread use of fixed-term labour. This is interpretation is corroborated by the econometric evidence reported in Table II.2.5. The table reports results from a regressions putting in relation the change in the share of temporary contracts on total employment to EPL reforms for temporary contracts (corresponding to a negative change in the EPL index), taking into account country and time factors by means of fixed effects and the starting level of the incidence of temporary contracts. It turns out that after reforms reducing the restrictiveness of EPL, the share of temporary contracts in the total economy was reduced significantly on average across the sample.

2.4.2. Impact on productivity growth and adjustment

The economic literature has identified a number of channels through which EPL can affect productivity and, indirectly, economic growth. On the one hand, job security can foster human capital investments in firm-specific knowledge (e.g., Belot et al., 2007). This incentives to firm-specific human capital investments are likely to raise productivity. On the other hand, a series of channels suggest an opposite, negative effect of stringent EPL on productivity.

- First, EPL may deter firms' restructuring and the reallocation of labour, both voluntary and involuntary, towards fastest growing activities and sectors, thereby reducing overall productivity in level and growth rates (e.g., Hopenhayn and Rogerson, 1993).

- Second, high EPL may discourage firms' investments in innovative activities. Since this type of activities are risky, and since high EPL tend to shift lay-off risks onto the employers, high EPL could deter productivity growth due to a depressed innovative performance (e.g., Saint Paul, 2002).

- Third, overly high EPL could lead to reduced productivity since well-protected workers may tend to provide less effort compared with less protected ones.

- Finally, if asymmetric EPL for fixed term and temporary labour produces segmentation outcomes, productivity growth may suffer in light of the reduced incentives to invest in human capital by workers that find themselves trapped in precarious jobs (Booth et al 2002).

Empirical analysis provides some support to the view that strict EPL can have negative implications for productivity growth. Although country-level studies are mostly inconclusive on the relation between alternative measures of productivity growth and EPL (e.g., Nickell and Layard, 1999), analyses using disaggregate data and exploiting identification strategies based on the presence of stricter EPL for part of the sample often find evidence supportive of the various channels through which EPL can affect productivity. Burgess et al. (2000) and Caballero et al. (2004) analyse sectoral data in cross-country panels and show that in countries with higher EPL inter-sectoral adjustment is slowed down. Bassanini et al. (2009) in a cross-country sectoral panel show that TFP growth tends to be lower in sectors where EPL is more likely to be binding. Autor et al. (2007) and Cingano et al. (2010) on, respectively, US and Italian data, support the view that firms with stronger EPL constraints also have a weaker EPL performance. Pierre and Scarpetta (2006) in a cross-country sample show that the firms that are the most innovative are also those being mostly negatively affected by EPL. Ichino and Riphahn (2005) and Riphahn (2004) provide evidence on the negative relation between EPL and workers effort.

EPL coupled with flexibile working hours may help mitigating the employment impact of temporary shocks, but is also likely to hamper the

capacity of the economy to adjust to external imbalances. EPL coupled with flexibility of working hours helps mitigating the impact of temporary shocks to headcount employment, thus reducing the risk that transitory shocks produce longer-term effects. However, as long as EPL hampers the reallocation of labour, the necessary inter-sectoral adjustment that needs to take place between the tradable and the non-tradable sector during phases of adjustment to correct large current account imbalances is also slowed down. Moreover, to the extent that EPL increases the effective labour costs borne by the employers, excessively strict EPL may also translate into cost price competitiveness compared with trading partners. EPL reforms therefore may help adjustment not only by reducing obstacles to sectoral reallocation but also by bringing gains in terms of cost competitiveness in labour market setting where wages are rigid downward.

Table II.2.6: **Employment shift from non-tradables to tradables and EPL Insights from regressions analysis (6 EU countries, 1985-2008)**

	Sample: Countries with average current account balance/GDP<-1%
Dependent variable: Delta log(E_tr_ntr)	
Explanatory variables	
Delta log(E_tr_ntr), 1 lag	0.1
	[0.0549]
Log(E_tr_ntr), 1 lag	-0.215**
	[0.0322]
EPL, 1 lag	-0.0229+
	[0.00961]
Constant	0.0405+
	[0.0162]
Observations	88
R-squared	0.355
Number of countries	6

(1) ** p<0.01, * p<0.05, + p<0.1; the specifications include country and year fixed effects. Estimation method: Least Square Dummy Variables, standard errors robust with respect to heteroschedasticity and within country autocorrelation. Delta log(E_tr_ntr): growth rate in relative employment in tradable versus non tradable sectors. Tradables include manufacturing, agriculture and trade, transport and communication services. Non-tradables include the rest of market services and construction. Log(E_tr_ntr): log relative employment in tradable versus non tradable sectors. EPL: OECD indicator for overall employment protection legislation. The counties with average current account balance/GDP ratios below -1% over the period are as follows: Greece, Spain, Poland, Portugal, Slovakia, United Kingdom.
Source: OECD and EUROSTAT (National Accounts)

The issue is not studied extensively in existing analyses, but a simple panel regressions support the view that EPL matters for the reallocation of labour between the tradable and the non tradable sector during the process of macroeconomic rebalancing. Table II.2.6 reports results of a regression analysis where the growth rate of the share of employment in the tradable and the non-tradable sector is explained by the stringency of EPL. The specification includes country and time effects and takes into account the dynamics in the adjustment of relative sectoral employment. The expectation is that the share of employment in the tradable sector needs to grow in countries that are in the process of adjusting large current account deficits. The analysis is therefore run separately for EU countries with relatively high current account deficits over the sample period (larger than 1 per cent of GDP on average). In line with expectations, EPL turns out to have a significantly negative effect on labour reallocation towards tradables for these countries.

2.5. IMPROVING THE DESIGN OF EPL

2.5.1. Assessing reform needs

The desirability and design of EPL reforms depend on the seriousness of the problems in the labour market, on current EPL settings, and on other relevant institutional framework conditions. It depends first and foremost on the extent and type of labour market malfunctions, on current EPL characteristics, institutions relevant for the implementation and enforcement of the EPL system, including the judiciary system, on other framework conditions, including other labour market institutions, notably the unemployment benefit and the wage setting system, the availability of short-term working schemes, and the framework for active labour market policies, which contribute to determine the effects of EPL on labour market outcomes and the feasibility of EPL reforms.

Assessing whether labour market and macroeconomic performance can benefit from EPL reform requires analysing data on job market flows and unemployment composition. As shown previously, EPL is expected to produce effects especially in terms of reduced inflows and outflows in unemployment, and in terms of increased incidence of long-term unemployment. Constant monitoring of labour market flows is especially important to assess whether EPL strictness is producing undesired results.

EPL quantitative indicators provide a prima-facie assessment of EPL settings and permit cross-country benchmarking. The available indexes measuring EPL strictness are an utmost useful instrument to evaluate the evolution of EPL legislation, perform cross-country comparisons, have a synthetic picture of the main EPL features. Regarding the bechmarking of EPL indexes across countries, alternative benchmarks could be considered. In addition to benchmarking against the EU average, a comparison against country groups presenting similarities in terms of flexicurity models and labour market institutions at large appears recommendable.

The assessment of EPL characteristics should go beyond the comparison of quantitative indicators and dig into the specific provisions in the legislation. This is dictated by a number of reasons. First, EPL indicators are not immune from drawbacks, since not all aspects of the legislation can be easily codified and since there is a fundamental uncertainty on the weights to be attributed to different legislation elements when building synthetic indexes. The second fundamental reason is that only a satisfactory understanding of the legislation permits the identification of concrete paths for reforms. The third reason is that only a proper understanding of the legislation allows pinning down the reasons underlying a more or less satisfactory implementation and enforcement.

The institutions that play a role in the implementation and enforcement of EPL also deserve scrutiny. EPL laws have direct implications by determining minimum requirements for employers to be respected when dismissing workers and also an indirect impact, by setting the starting point for dismissal conditions included in collective or individual labour contracts. Depending on the collective bargaining practice, countries with relatively flexible EPL legislation may be characterised by a de-facto relatively protected system, in that EPL standards more generous than those provided in the legislation may be included in collective contracts. At the opposite, the minimum requirements provided by the legislation may de-facto be lower, because enforcement of the legislation provision may be weak in some countries. A proper understanding of the functioning of the litigation system and of the judiciary in this respect is key, not only to assess whether EPL laws are actually enforced, but also to gauge the costs and the inefficiencies associated with the enforcement mechanism, and therefore with the overall EPL system.

Evaluating the interaction of EPL with other labour market institutions is key to assess the impact of EPL on labour market outcomes and the feasibility of alternative avenues for reform. It was previously pointed out that the effects of EPL are mediated by other labour market institutions, notably wage setting institutions: if wages are sufficiently responsive, EPL would partly translate into moderate wage claims rather than into reduced job creation. Other institutions are key for the feasibility of EPL reforms. In particular, the absence of adequate social safety nets and unemployment insurance render major EPL reforms hardly feasible in the presence of weak cyclical conditions due to the social costs associated with increased risk of job destruction. Conversely, the presence of efficient ALMPs and employment services may reduce the risk of long-term unemployment at given degree of EPL strictness, thereby reducing the urgency of a major EPL overhaul.

2.5.2. Paths for desirable reforms

There is no single way to reform EPL systems, but rather different reform paths that depend on country characteristics. The specific scope and direction of reform depends on the ranking of the labour market problems to be tackled, on the EPL features that can better contribute to pursue the reform objectives, on the need to address other institutions than strictly EPL to ensure effectiveness or feasibility.

- Depending on the severity of economic challenges involved and on the prevailing policy settings, in some cases reforms in selected EPL aspects may be sufficient, while in others the EPL system needs to be more fundamentally re-thought.

- Reforms may concern the EPL regime for new hires or affect also the regime of current employees. While reforms limited to new hires have the advantage of bringing benefits in terms of job creation while limiting the impact

on job destruction, their impact on sectoral reallocation is more limited.

- In some cases, reforms to be effective or feasible cannot be confined to EPL only. For instance, in some countries reforming EPL requires also putting in place alternative insurance mechanism against increased risk of dismissal (e.g., strengthening unemployment insurance), while in others EPL should be accompanied by an attempt to improve the functioning of the judicial system in settling labour disputes. Support by social partners is functional to the effective implementation and social sustainability of ambitious EPL reforms.

Countries having to reduce EPL for permanent contracts may have to follow different paths depending the main characteristics of their EPL regime. A series of specific considerations are in order:

(i) EPL reforms for individual dismissals should aim at reducing deadweight costs associated with heavy procedures and lengthy and uncertain dispute settlement mechanisms following claims of unfair dismissal. As discussed previously, these deadweight costs are detrimental both to the employer and the employee, to different extents depending on the specific context. A number of reform measures, rather complementary than alternative, can be identified in those cases:

- Lengthening the trial period. Excessively short trial periods may not permit sufficient monitoring of workers and raise the risk of disciplinary dismissals or economic dismissals for workers' unsuitability. As long as these dismissals are challenged in court, and dispute settlement is long and uncertain, costs may arise for both the employer and the employee.

- Reducing the compensation due to workers in case of ascertained unfair dismissal and compared to that available irrespective of the reason for dismissal (other than disciplinary). A key factor determining the extent to which deadweight losses can impinge on EPL systems is whether compensations to the employee are mostly due only in case of unfair dismissal. If this is the case, the incentive for workers to appeal against dismissal is strong. Reforms in this direction could comprise re-defining the cases justifying the compulsory reinstatement of employees and their modalities.

- Modifying the definition of unfair dismissal. In some cases, the definition of fair economic dismissal can be overly restrictive, thereby leading to frequent appeals on the part of workers, high settlement costs and a highly inefficient system of protection. In other cases the problem could lie in a highly discretionary role played by courts in judging economic dismissal cases in the presence of fair economic dismissals that are defined in relatively broad terms. ([32]) In this respect, a forward-looking definition of fair economic reason for dismissal making reference to the need for employers to cope not only with existing but also with forthcoming expected difficulties could make a difference.

- Tackling procedural costs and delays and enhancing the efficiency of the dispute settlement system. In particular, incentives could be provided for parties to agree on pre-trial settlements of disputes and fast-track procedures for labour trials could be introduced.

(ii) Protection systems based on lengthy notice periods and high severance payments can also imply efficiency costs if not properly designed. The alternative of generously compensating workers irrespective of the specific reason for dismissal (other than disciplinary) is not free of costs either, since employers may find themselves liquidity-constrained during crisis period, when collective dismissals or frequent individual dismissals for economic reasons may imply high monetary dismissal payments concentrated in time. High severance payments growing with seniority can also imply reduced voluntary mobility for senior employees, aware of losing severance payments entitlements if moving to different employers. Overall, these costs may imply a relevant impact on labour market outcomes (which is confirmed by the high significance of the notice and severance payment EPL sub-indicator in the

([32]) Ichino et al. (2003) show on Italian data that the distinction between disciplinary and objective is blurred by firms' perceptions about what constitutes a worker misbehaviour which changes over the cycle and the financial position of the firm.

empirical analysis) and on the adjustment capacity of the economy. Reforms could go in the following directions.

- Improving the design of severance payments. Severance payments growing with seniority without limit may reduce voluntary mobility and imply unaffordable dismissal costs for established firms mostly employing permanent workers. The presence of caps to overall severance payments can help tackling this issue. Replacing notice periods for severance payments could also help mildening financial constraints.

- Reforming the financing of severance payments. The financial constraints associated with the payment of large severance payment lump sums can be tackled by setting up funds regularly financed by a potentially large pool of employers that are activated when dismissals take place. Depending on the specific design of the fund, the system can involve a different degree of risk sharing and re-distribution across employers. Funds defining employee-specific individual severance payment accounts that are portable across employers (e.g., the system currently prevailing in Austria) have the additional advantage of encouraging voluntary job-to-job mobility.

- In countries characterised by a segmentation problem reforms should bed aimed at aligning EPL conditions for regular and fixed-term contracts. In a number of EU countries the problem is not only or not fundamentally that of avoiding excessively strict or inefficient EPL for individual contracts, but reducing the large asymmetry between EPL for permanent and fixed-term contracts, with a view to tackle the associated segmentation of the labour market. A number of Country –Specific Recommendations were issued in 2011 in the framework of the EU semester to countries with a need to labour market segmentation (Slovenia, Spain, France, Italy).

- Sequencing reforms. As discussed previously, reform action aimed at improving job creation in a number of EU countries took place in terms of enhanced entry flexibility, mostly in terms of reduced requirements for the use of fixed-term contracts and higher availability of flexible contractual forms. The consequence of the piece-meal reform strategy was to create employment at the expense of an increased degree of labour market segmentation. The experience of these countries is useful for the design of reform strategies looking forward: in absence of appropriate reforms concerning exit flexibility, the risk is that flexibilisation of entry alone results into segmented labour markets.

- Defining priorities. In some countries (e.g., Spain), the analysis of EPL settings suggests that segmentation is not so much the outcome of very flexible EPL for fixed-term contracts. For these countries, the origin of segmentation may lie in the regime for EPL for regular contracts. However, the way the legislation on fixed term contracts is applied and enforced can also play a role. ([33]) The high incidence of fixed-term contracts in other countries (e.g., Poland) may instead be mainly linked to a history of a relatively flexible regime for fixed-term contracts.

- The debate on the single contract. For countries with segmented labour markets it has been emphasized in the recent debate the desirability of a "single" labour contract. ([34]) Although there is no unique single-contract definition and proposals in the debate differ quite substantially, the broad aim of the introduction of a single labour contract is that of better aligning EPL for permanent and fixed contracts while at the same time reducing the number and typology of available fixed term contracts. The radical application of the idea of a single contract would foresee a unique labour contract, with a degree of protection designed in such a way to grow over time, replacing

([33]) A typical example is that of Spain, whose EPL index for fixed-term contracts rank high in light of relatively strict limit of the renewal and maximum cumulated periods with for the use of fixed-term contracts. However, for years the maximum number of fixed-term contract renewals applied to single undertakings, with the implication of the same worker possibly receiving a large number of consecutive fixed-term contracts within the same group, as long as different firms appear as counterparts. The 2010 Spain EPL reform has tackled this issue by applying the maximum number of fixed term contract renewals at group rather than firm level.

([34]) See, e.g., Cahuc and Kramarz (2004), Boeri and Garibaldi (2008), Andrés et al. (2009), Bentolila (2010).

existing permanent and fixed term contract typologies. Despite being often advocated as a desirable instrument to tackle segmentation, reforms introducing a "strictu-sensu" single contract have not been carried out yet, notably in light of the opposition by social partners to the elimination of available fixed term contract typologies or to the substantial "flexibilisation" of regular employment. Recent reforms aligning the conditions for permanent and fixed-term contracts have nonetheless taken place, notably in Portugal and Spain. ([35])

In countries with low labour market participation of second earners, young, or old-age workers, EPL reforms may contemplate easing conditions for fixed-term contracts. In some countries that situation is, quite the opposite, one where a strict regulation of fixed-term contracts risks deterring employment and labour participation for categories of workers more likely to benefit from temporary employment opportunities. Romania for instance has recently taken steps to reform the Labour Code with a view to increase the opportunities for fixed-term employment. Lithuania received a Country-Specific Recommendation aimed at fostering reforms capable of triggering a better use of temporary contracts.

The particularly precarious employment situation for the youth in some countries requires revisiting the system of labour contracts system with a view to improve the school-to-work transition. In particular, the development of apprenticeship labour contracts combining work with training could be an effective instrument to ease labour market entry for the youth, as shown by the successful experience of a number of countries (e.g. Austria, Germany, the Netherlands…). Apprenticeship contracts offer the advantage of providing marketable skills to young workers while at the same time giving incentives to firms that retain the workforce on which they have made an investment in terms of training. Fiscal incentives can play a role in stimulating the supply of apprenticeships. However, the effectiveness of apprenticeship contracts in bridging the gap between school and permanent employment requires that apprenticeships are not only motivated by the purpose of receiving lower taxation, but that are part of a genuine long-term strategy to recruit and train the workforce. In this respect, the role of social partners is key for the effective design and implementation of apprenticeship contracts.

In countries facing major labour market challenges, the reform of the EPL needs to be sufficiently ambitious and embedded in a wide-ranging reform action with a view to improve not only the capacity of the economy to create jobs but also growth and adjustment prospects. A number of EU countries facing challenges linked to low potential growth (Italy, Portugal, Greece), high unemployment (Spain, Greece), and to the correction of accumulated current account imbalances (Greece, Spain, Portugal) have recently taken action or are in the process of taking action to ambitiously reforming the EPL system (see Chapter 4 of this report) in conjunction with other aspects of the labour market. Countries facing major labour market challenges and having to put in place an adequate structural reform package to improve the growth potential and ease adjustment will also have to find the right balance between EPL reform elements only concerning new hires (which permit to limit the job destruction impact of the reform) and elements extending to current employees with a view to foster labour mobility and ease sectoral relocation. In Portugal, the recent reform of severance payments extends to current employees without reducing matured entitlements.

2.6. CONCLUSIONS

EU countries differ considerably in their EPL systems. Differences concern not only the degree of strictness of EPL, but also the composition of the available instruments to provide protection to workers against dismissal. Differences are remarkable for the protection of regular labour contracts, but non-negligible differences are found also in terms of regulations for fixed-term contracts. Further analysis could be useful to assess to what extent these large differences are among the factors that underlie the very different response of EU labour markets to the crisis.

EPL affects labour market outcomes notably by reducing not only job destruction but also and most notably job creation. Sclerotic labour markets

([35]) See, e.g., Turrini (2011) on the way the recent programme of EPL reforms in Portugal contribute to align conditions for permanent and fixed-term contracts.

linked to excessively high EPL are not necessarily associated with higher overall unemployment rates but tend to be characterised by a higher incidence of long-term unemployment and by higher unemployment rates for the young. Segmentation of the labour market between workers with temporary and permanent contracts is also a typical outcome of strict EPL for open-ended contracts especially if coupled with flexible regimes for fixed-term contracts.

The impact of EPL is not limited to labour market outcomes. By affecting the extent to which labour can easily be re-allocated across firms and industries, EPL has indirect effects on productivity and then economic growth and on the capacity of the economy to adjust with a view to correct macroeconomic imbalances.

The assessment of reform needs is helped by an indicator-based approach but has to go beyond and look into labour market performance and legislation aspects, including implementation and enforcement. Quantitative EPL indicators provide a useful prima-facie gauge of EPL strictness and features and permit cross-country benchmarking. However, a proper assessment of reform priorities needs to go beyond and to take into account a number of aspects:

- The extent to which the performance of labour markets appears to exhibit typical malfunctions associated with overly strict EPL should be evaluated by looking not only at unemployment rates, but also at data on labour market flows. Theory and empirical evidence shows that EPL produces its main effects on labour market dynamics. In this respect, availability of data on job finding and job separation rates and on transitions between fixed and permanent contracts is key.

- The implementation and enforcement aspect of EPL, including the working of dispute settlement systems and the judiciary framework, should be looked at, as well as the way the legislation interacts with practice followed in collective and individual contracts.

- The effectiveness of and feasibility of EPL reforms need also to be evaluated in conjunction with other labour market institutions, notably the unemployment benefit system, the wage setting system, the availability of short-term working schemes, and the framework for Active Labour Market Policies.

- There is no single way to reform EPL systems, but rather different reform paths that depend on country characteristics. The specific scope and direction of reform depends on the ranking of the labour market problems to be tackled, on the EPL features that can better contribute to pursue the reform objectives, on the need to address other institutions than strictly EPL to ensure effectiveness or feasibility. Depending on the severity of economic challenges involved and on the prevailing policy settings, in some cases reforms in selected EPL aspects may be sufficient, while in others the EPL system needs to be more fundamentally re-considered. Support by social partners is functional to the effective implementation and social sustainability of ambitious EPL reforms.

- Depending on the organisation of EPL systems, some countries may have mostly to reform the definition of admissible dismissals, the implications of unfair dismissal or the dispute settlement mechanism, while others may have to focus on the magnitude, design and financing of severance payments.

- For countries with segmentation problems the priority may be to align the protection for permanent contracts with that of fixed-term contracts, while keeping an overall EPL system compatible with job creation and a dynamic labour market.

- The serious youth unemployment problem in some countries require the strengthening of contractual forms easing the transition from school to work, including well-designed apprenticeship systems.

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APPENDIX 1

A decade of labour market reforms in the EU

A1.1. OPERATIONALISING THE DIRECTION OF LABOUR MARKET REFORMS

Reforms potentially leading to better employment outcomes (henceforth *employment-friendly reforms*) reducing taxation on labour, regulations, generosity of out-of-work support, and improving incentives to supply labour and labour market matching are distinguished as follows.

Labour Taxation

- Social security contributions (SSCs): enacted measures *decrease* SSCs for employers and/or for employees.
- Level of labour income taxation: enacted measures *decrease* the rate of labour income taxation and its coverage.
- Progressivity of labour income taxation: enacted measures make labour income taxation *less progressive.*

Unemployment Benefits

- Unemployment insurance: enacted measures *decrease* the generosity (replacement rate, coverage, duration) of the unemployment insurance benefits or *tighten* eligibility conditions/job availability requirements.
- Unemployment assistance: enacted measures *decrease* the generosity (replacement rate, coverage, duration) of the unemployment assistance benefits or *tighten* eligibility conditions/job availability requirements.

Other benefits

- In-work benefits: enacted measures *decrease* the generosity (level, coverage, duration) of in-work benefits, *tighten* the eligibility, *remove* or *decrease* the possibility to cumulate them with other benefits or wages.
- Other benefits (means-tested benefits, sickness, and family-related schemes): enacted measures *decrease* the generosity (level, coverage, duration) or *tighten* the eligibility conditions for other benefits.

Active Labour Market Policies

- Public employment services (PESs): enacted measures *enhance* the effectiveness of PESs and its services.
- Direct job creation and employment subsidies: enacted measures *increase* the availability of direct job creation schemes and the generosity of the incentives to hire vulnerable groups.
- Training and Special Schemes: enacted measures *enhance* the quality and frequency of the provided training.

Employment Protection Legislation

- Permanent contracts: enacted measures *loosen* the definition of/conditions for dismissals, *decrease* the notice period duration and the level of severance payments, *increase* the trial period, or *reduce* the procedural requirements for dismissals under permanent contracts.
- Temporary contracts: enacted measures *increase* the maximum cumulated duration of fixed-term and temporary contracts and the maximum number of renewals, or *loosen* the definition of the cases where fixed-term and temporary contracts can be used.

Pensions, Early retirement, and disability schemes

- Contributions: enacted measures *decrease* the level of contributions for the pension/disability schemes.
- Eligibility conditions: enacted measures *decrease* the coverage or *tighten* the eligibility conditions for pension/early retirement/ disability benefits.

- Pensions - Retirement age: enacted measures *increase* retirement age and penalties/age for early retirement schemes.

- Pensions – Entitlements: enacted measures *decrease* the amount of pension benefits and allowances, or *increase* the taxation of pension benefits.

Wage Bargaining Framework

- Statutory and contractual minimum wages and collective minimum via tripartite agreements: enacted measures *decrease* statutory and contractual minimum wages/ tripartite agreements *decrease* the indicative wage threshold for lower level wage negotiations beyond past records, or *remove*/*decrease* non-wage emoluments.

- Government interventions, tripartite agreements, and other measures on wage-bargaining mechanism: enacted measures, governmental interventions or tripartite agreements:

– *decrease* the bargaining coverage or (automatic) extension of collective agreements.

– reform the bargaining system in a *less centralized* way, for instance by *removing* or *limiting* the "favourability principle", or *introducing/extending* the possibility to derogate from higher level agreements or to negotiate firm-level agreements.

– result in an overall *reduction* in the wage-setting power of trade unions.

- Performance-related pay: enacted measures *increase* the share of the variable component (dependent on workers' productivity/performance) on employees' wage or the share of firm's profits and bonus.

Working Time Organization

- Flexible working time arrangements: enacted measures *increase* working time, *decrease* the payment of extra hours, make working hours *more* flexible, *introduce* or *extend* schemes of banks of hours/hours off instead of overtime pay, or *encourage* the use of part-time contracts.

- Participation-friendly schemes: enacted measures *extend* training, sabbatical or educational leaves, allow for *longer*/*more generous* maternity/paternity/parental leave or leave for employees that have a sick relative, *improve* reconciliation of family and work life, or *promote* the creation of kindergarten and taking hours off to take care of the children.

Immigration and Labour-Mobility Policies

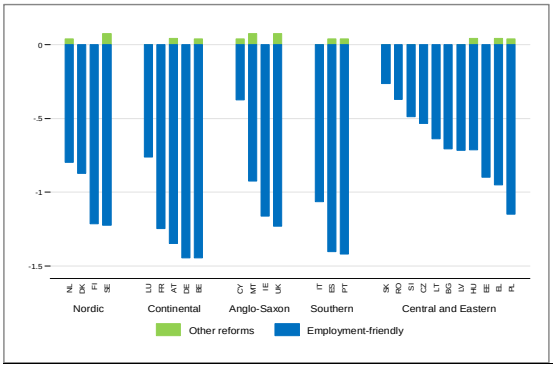
- Immigration: enacted measures *reduce* barriers to immigration, the quotas for immigrants with specific professional background, or *improve* the immigrants' integration through education and initial support.

- Labour mobility: enacted measures *increase* support for geographical labour mobility within the country.

If the measures present the characteristics listed above, a negative score, arbitrarily normalised to -1 is assigned, if the effects of the measure go in the opposite direction, score 1 is assigned. In a few cases, if the direction of the reform is ambiguous or not easily classifiable on the basis of the above criteria, score 0 is assigned. The algebraic sum of the direction scores in a given domain or field, in a given country, in a given year, provides a synthetic gauge of the reform stance.

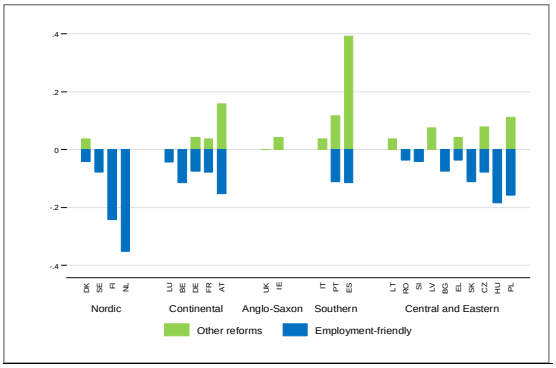
A1.2. DIRECTIONS OF REFORMS BY POLICY DOMAIN AND COUNTRY

Graph II.A1.1: **Direction of active labour market policy reforms by country (average yearly frequency over the 2000-2010 period)**



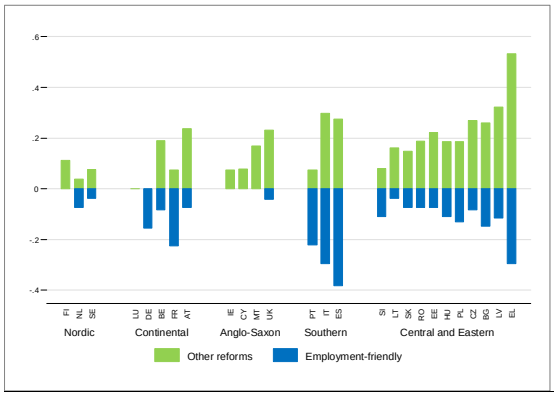
Source: DG ECFIN LABREF database.

Graph II.A1.2: **Direction of early withdrawal reforms by country (average yearly frequency over the 2000-2010 period)**



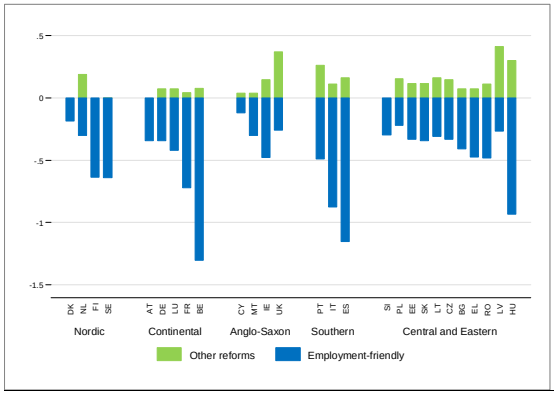
Source: DG ECFIN LABREF database.

Graph II.A1.3: **Direction of job protection reforms by country (average yearly frequency over the 2000-2010 period)**



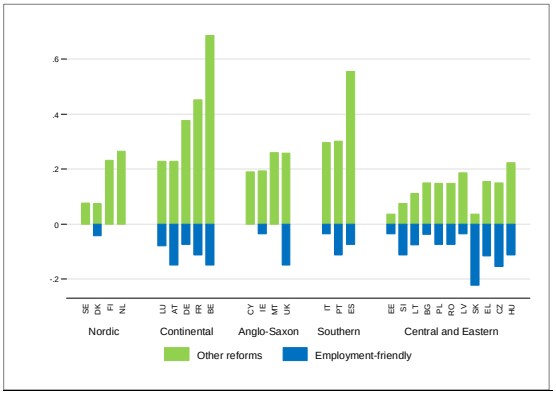
Source: DG ECFIN LABREF database.

Graph II.A1.4: **Direction labour taxation reforms by country (average yearly frequency over the 2000-2010 period)**



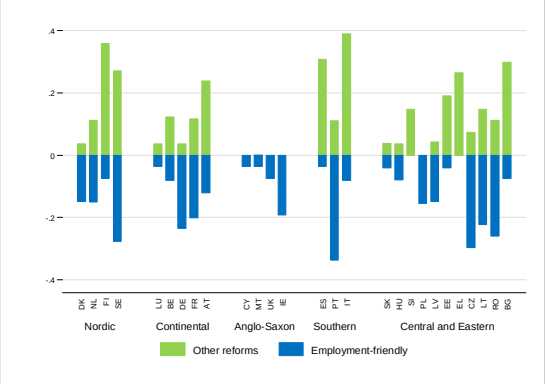
Source: DG ECFIN LABREF database.

Graph II.A1.5: **Direction of other welfare benefit reforms by country (average yearly frequency over the 2000-2010 period)**



Source: DG ECFIN LABREF database.

Graph II.A1.6: **Direction of unemployment benefit reforms by country (average yearly frequency over the 2000-2010 period)**

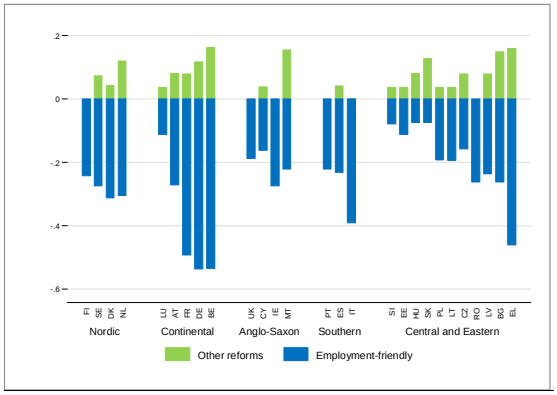


Source: DG ECFIN LABREF database.

Graph II.A1.7: **Direction of wage setting reforms by country(average yearly frequency over the 2000-2010 period)**

Source: DG ECFIN LABREF database.

Graph II.A1.8: **Direction of working time reforms by country (average yearly frequency over the 2000-2010 period)**

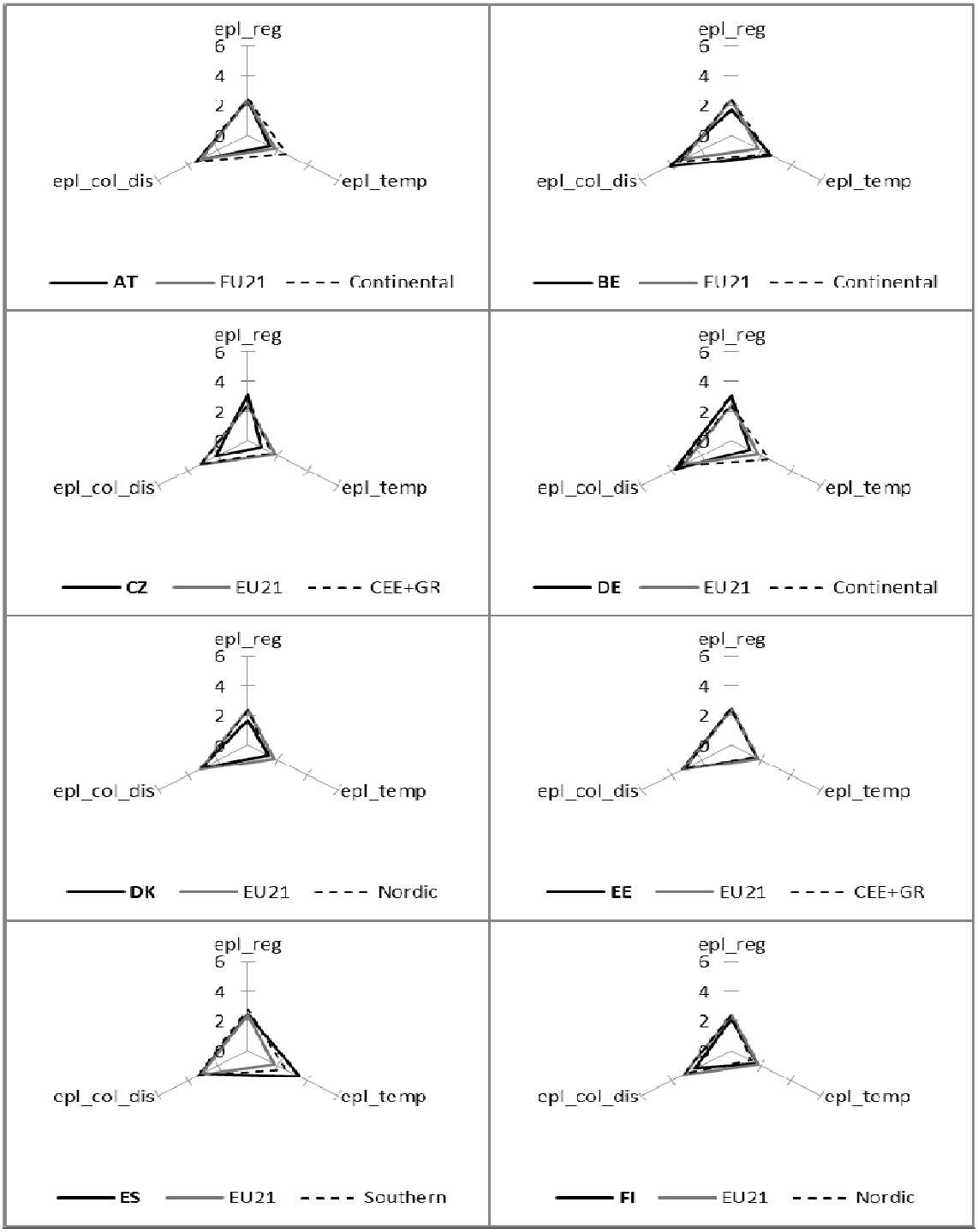


Source: DG ECFIN LABREF database.

APPENDIX 2

Macroeconomic implications of EPL

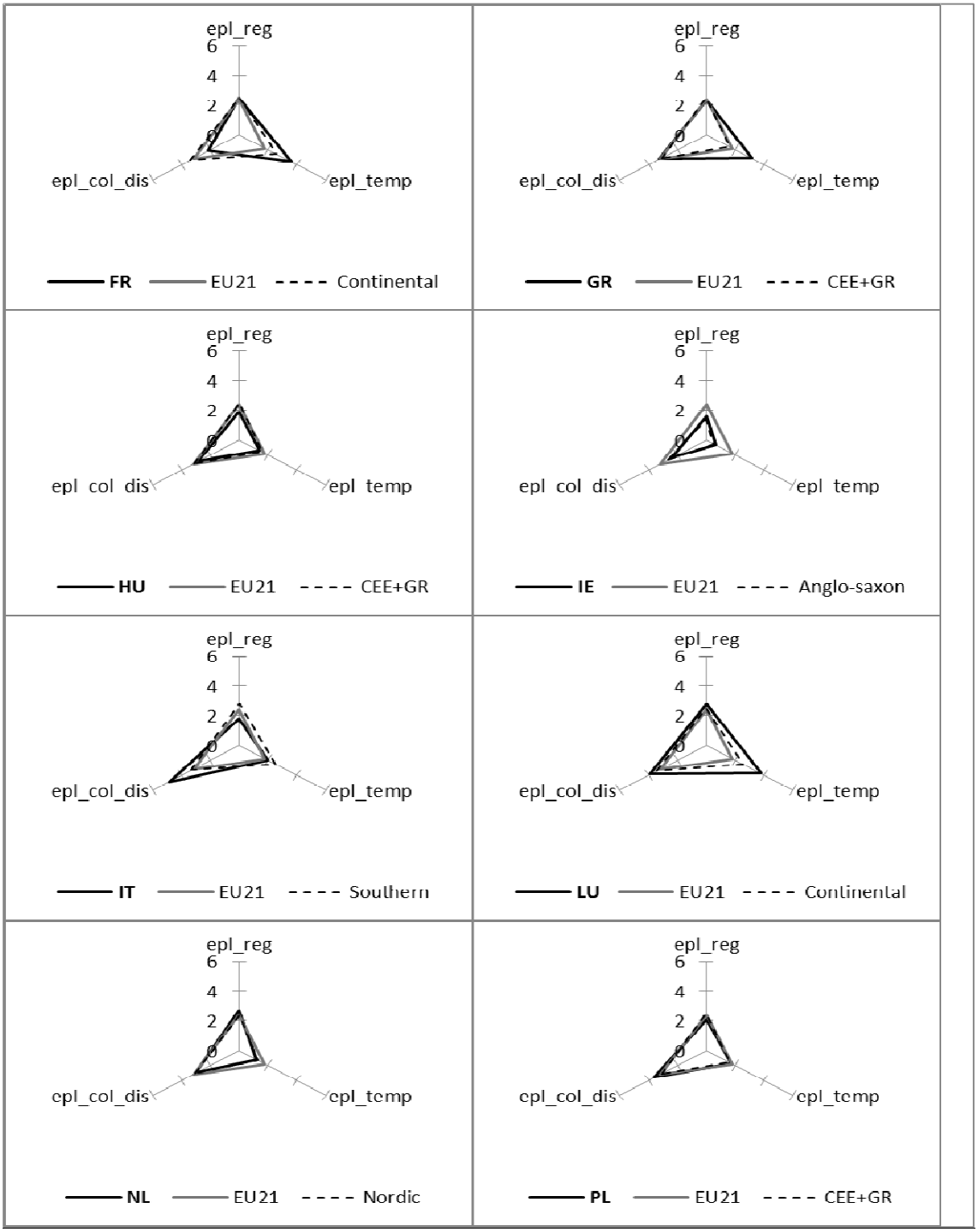
Graph II.A2.1: **Benchmarking employment protection regulation, main EPL sub-indicators**



Source: OECD.

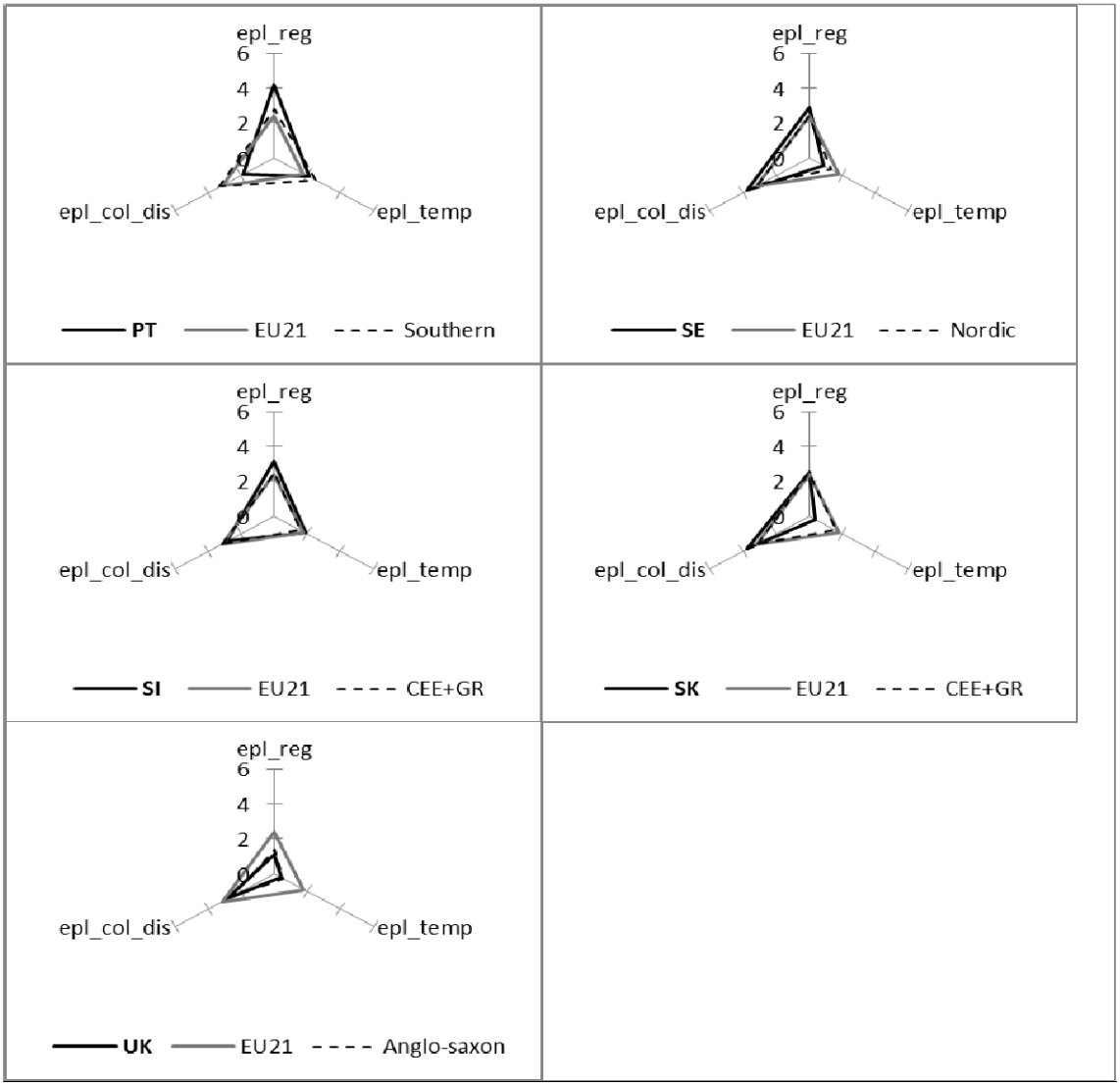
APPENDIX 2
Macroeconomic implications of EPL

Graph II.A2.1: **Benchmarking employment protection regulation, main EPL sub-indicators - continued**



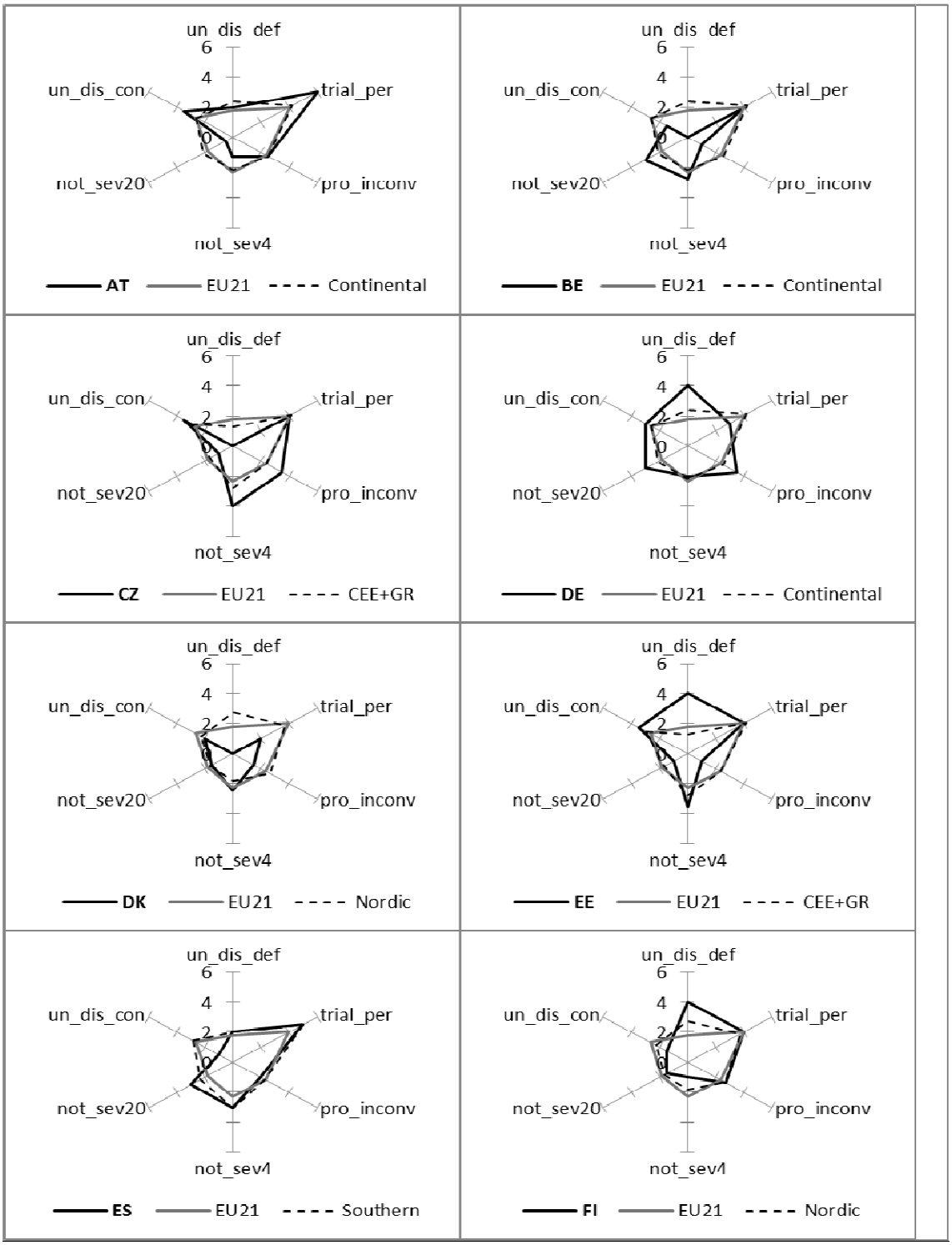
Source: OECD.

Graph II.A2.1: **Benchmarking employment protection regulation, main EPL sub-indicators - continued**



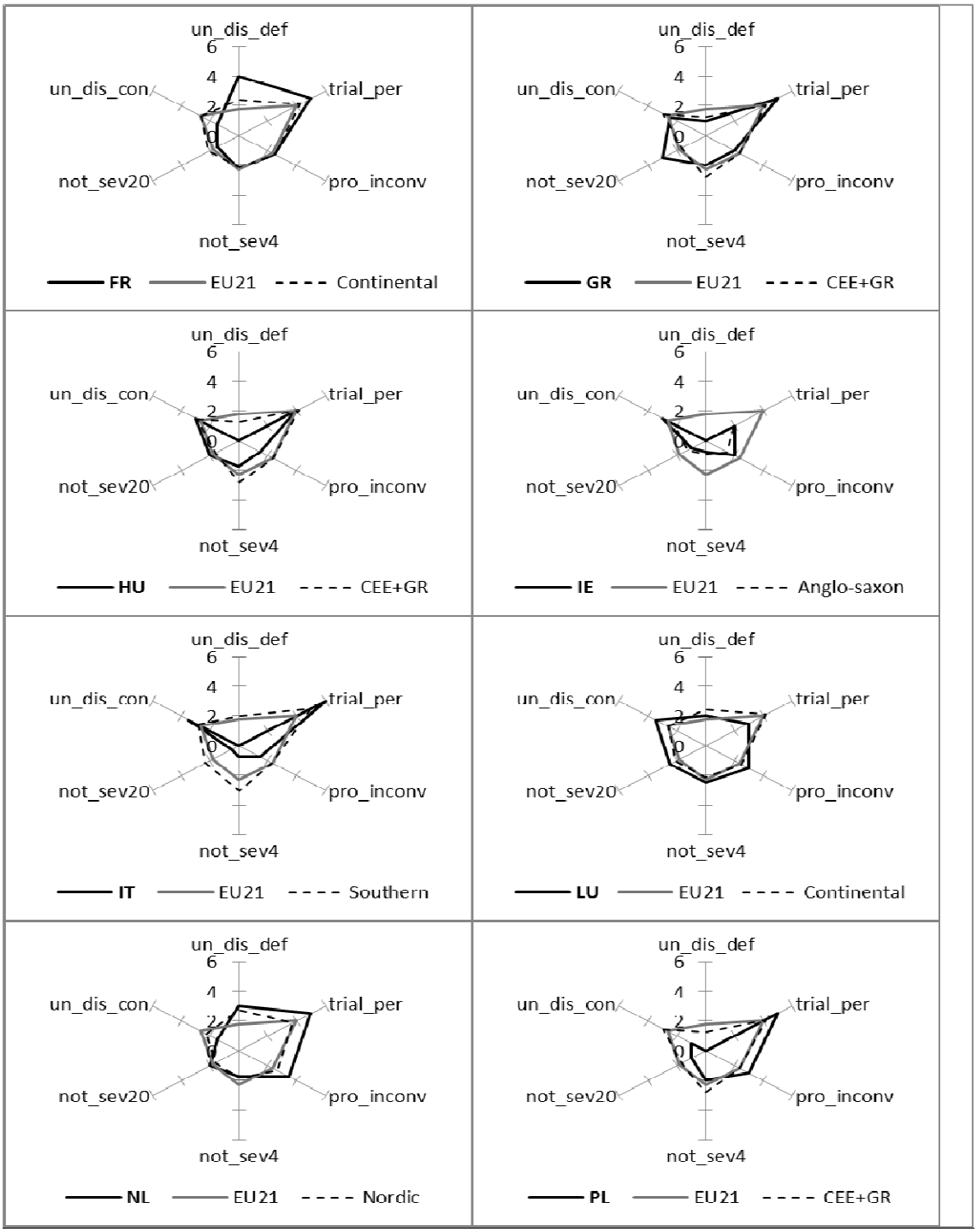
(1) Legend:
epl_reg – EPL for regular employment
epl_temp – EPL for temporary contracts
epl_dis – EPL, additional requirements for collective dismissals
Source: OECD.

Graph II.A2.2: **Benchmarking employment protection regulation for individual dismissals, EPL sub-indicators for regular employment**



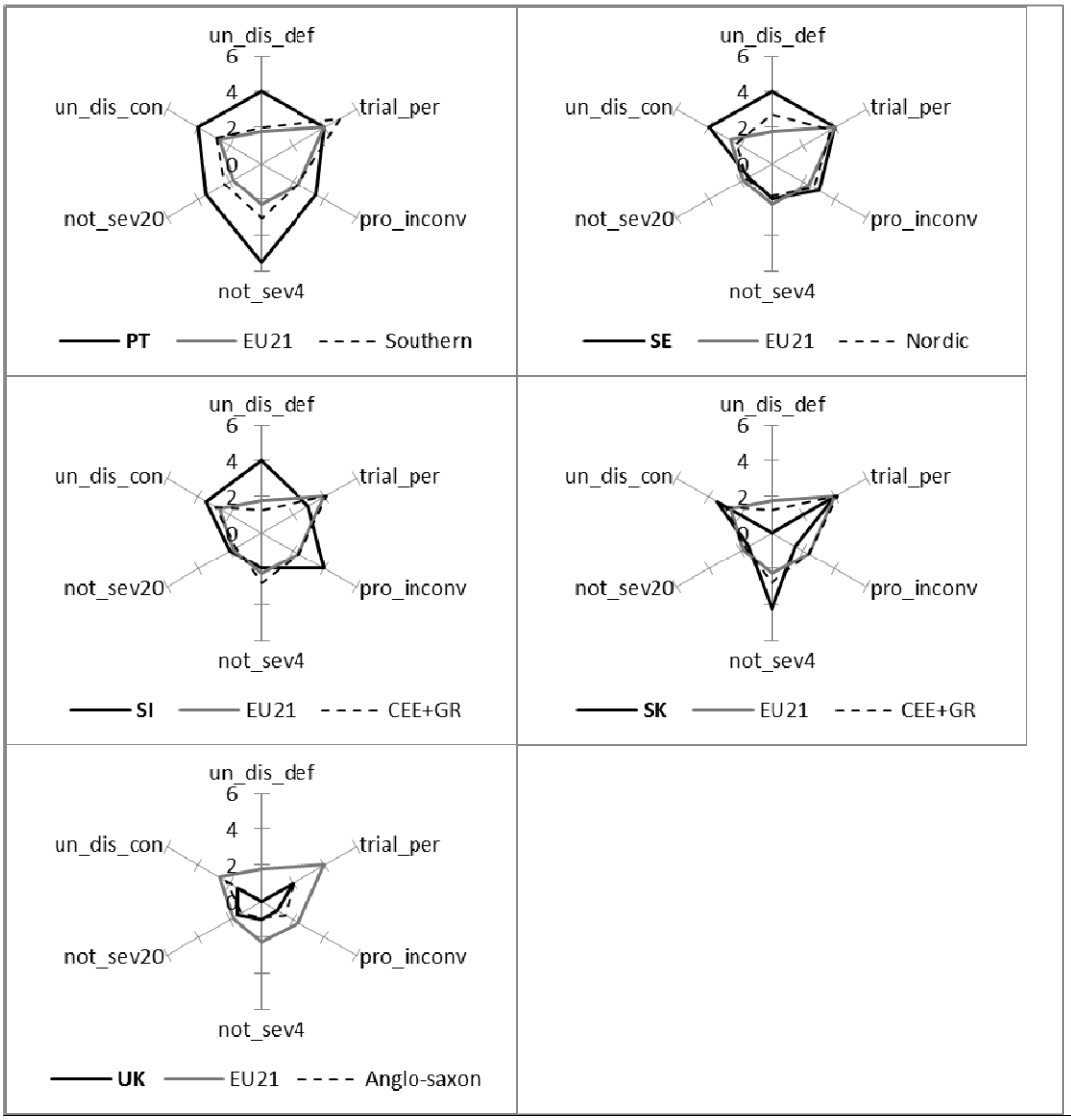
Source: OECD.

Graph II.A2.2: **Benchmarking employment protection regulation for individual dismissals, EPL sub-indicators for regular employment, continued**



Source: OECD.

Graph II.A2.2: **Benchmarking employment protection regulation for individual dismissals, EPL sub-indicators for regular employment, continued**



(1) Legend:
un_dis_def - definition of justified or unfair dismissal
trial_per - length of trial period
pro_inconv - procedural inconveniences (unweighted average of notification procedures and delay involved before notice can start)
not_sev4 - Length of notice period and severance pay at 9 months and at 4 years of tenure (unweighted average)
not_sev20 - Length of notice period and severance pay at 20 years of tenure (unweighted average)
un_dis_con - consequences of unfair dismissal (unweighted average of compensation following unfair dismissal and possibility of reinstatement following unfair dismissal)
Source: OECD.

Table II.A2.1: **Notice periods and severance pay for individual dismissals at three lengths of service, 2008**

		Notice period			Severance pay		
		9 months	4 years	20 years	9 months	4 years	20 years
Austria	Blue collar	0.5	0.5	0.5	0.0	0.0	0.0
Austria	White collar	1.4	2.0	4.0	0.0	0.0	0.0
Belgium	Blue collar	1.2	1.2	3.7	0.0	0.0	0.0
Belgium	White collar	3.0	3.0	15.0	0.0	0.0	0.0
Czech Republic	All workers	2.0	2.0	2.0	0.0	0.0	0.0
Czech Republic	Economic: Redundancy cases	2.0	2.0	2.0	3.0	3.0	3.0
Denmark	Blue collar	0.7	1.8	2.3	0.0	0.0	0.0
Denmark	White collar	3.0	4.0	6.0	0.0	0.0	3.0
Estonia	Liquidation of firm	2.0	2.0	2.0	2.0	2.0	4.0
Estonia	Economic: Redundancy	2.0	2.0	4.0	2.0	2.0	4.0
Estonia	Personal: Unsuitability	1.0	1.0	1.0	1.0	1.0	1.0
Finland	All workers	0.5	1.0	6.0	0.0	0.0	0.0
France	All workers	1.0	2.0	2.0	0.0	0.8	6.7
Germany	Personal reasons	0.9	1.0	7.0	0.0	0.0	0.0
Germany	Economic: Operational reasons	0.9	1.0	7.0	0.4	2.0	10.0
Greece	Blue collar	0.0	0.0	0.0	0.2	0.5	4.0
Greece	White collar	1.0	3.0	16.0	0.5	1.5	8.0
Hungary	All workers	1.0	1.2	3.0	0.0	1.0	5.0
Ireland	All workers	0.2	0.5	1.8	0.0	0.0	0.0
Ireland	Economic: Redundancy cases	0.5	0.5	1.8	0.0	0.8	3.8
Italy	Blue collar	0.2	0.3	0.4	0.0	0.0	0.0
Italy	White collar	0.5	2.0	4.0	0.0	0.0	0.0
Luxembourg	All workers	2.0	2.0	6.0	0.0	0.0	6.0
Netherlands	Termination via PES	1.0	1.0	3.0	0.0	0.0	0.0
Netherlands	Termination via court	0.0	0.0	0.0	0.0	6.0	18.0
Poland	All workers	1.0	3.0	3.0	0.0	0.0	0.0
Portugal	All workers	0.5	1.0	2.5	3.0	4.0	20.0
Slovak Republic	All workers	2.0	2.0	3.0	2.0	2.0	3.0
Slovenia	Economic reasons	1.0	1.0	2.5	0.0	0.8	6.7
Slovenia	Personal: Incapacity	1.0	1.0	2.0	0.0	0.8	6.7
Spain	All workers	1.0	1.0	1.0	0.7	3.5	17.0
Sweden	All workers	1.0	3.0	6.0	0.0	0.0	0.0
United Kingdom	All workers	0.2	0.9	2.8	0.0	0.0	0.0
United Kingdom	Economic: Redundancy cases	0.2	0.9	2.8	0.0	0.9	4.6

Source: OECD.

Table II.A2.2: **Conditions under which individual dismissals are fair or unfair, 2008**

	Legal provisions	Score
Austria	Fair: dismissals for "serious reason", including non-performance or lack of competence, and for operational reasons or other business needs. In the case of dismissal for operation reasons, the court may examine whether dismissal was actually necessary or whether it would have been possible to transfer the worker to another post. Unfair: "socially unjustified" dismissals (which would affect the dismissed employee more unfavourably than other comparable employees of the company, or which would impair the interests of the employee to a greater degree than the interest of the firm in dissolving the employment relationship); and dismissals on inadmissible motive (e.g. discrimination, trade union activity or imminent military service). Employers intending to terminate older workers' contracts with a tenure of more than 2 years have to take social aspects into account if it appears to be difficult for such workers to get another job.	1
Belgium	Unfair: for blue collar workers, dismissals for reasons which have no connection whatsoever with the capability or conduct of the worker or which are not based on the operational needs of the undertaking, establishment or department. For white collar workers, the concept of abusive dismissal does not exist in regulation and one will refer to the general concept of abuse right. The right to lay off must be exerted for an aim for which it was granted, namely the interest of the company. Also unfair are dismissals of workers on maternity or educational leave, and trade union and works council delegates.	0
Czech Republic	Fair: Dismissals for failure to meet performance requirements and for reasons of technological and organisational change. Unfair: Dismissals based on discrimination (age, sex, colour, religion, union membership, etc.).	0
Denmark	Fair: Lack of competence and economic redundancy are legitimate reasons. Unfair: Dismissals founded on arbitrary circumstances" (blue collar workers) or "not reasonably based on the employee's or the company's circumstances". Dismissals based on race, religion, national origin, etc. and as a result of a corporate take-over are also unfair.	0
Estonia	Fair: decrease in work volume, reorganisation of production or work, liquidation or bankruptcy of business, unsuitability of employee for work, unsatisfactory performance, breach of duties, corruption, loss of trust, long term incapacity, employee has reached retirement age. In the case of redundancy, employer is required to offer another position to the employee if possible. The employer should also give preference when laying off workers to retaining employee representatives, workers with better results, those with occupational diseases or injuries sustained while working for the employer, workers with the longest tenure, with dependents or those engaging in education or training to increase their productivity.	2
Finland	Fair: Dismissals are justified for "specific serious reasons", including personal characteristics and urgent business needs. Dismissals for economic and personal reasons are valid only if employees cannot be reasonably, in view of their skills and abilities, transferred or retrained. Unfair: Dismissals for an employee's illness, participation in a strike, union activities and political or religious views.	2
France	Fair: Dismissals for real and serious cause: for personal characteristics such as non-performance or lack of competence, or for economic reasons. In case of dismissal for economic reasons, the employer must take account of certain criteria (such as social characteristics, family responsibilities, professional qualifications). The employee is given priority when rehiring in the year following dismissal. Unfair: Dismissals without a real and serious cause. In case of employee illness or dismissals for economic reasons, the employer must attempt to find another position for the employee. Null: Dismissals for reasons relating to the private life of the employee, based on discrimination or following harassment.	2
Germany	Fair: Dismissals based on factors inherent in the personal characteristics or behaviour of the employee (such as insufficient skill or capability), or business needs and compelling operational reasons. Unfair: Dismissals where the employee can be retained in another capacity within the same establishment or enterprise, and redundancy dismissals where due account has not been taken of "social considerations" (e.g. seniority, age, alimony). Rehabilitation must already have been attempted before the dismissal, or the dismissal is considered unfair.	2
Greece	The termination of an employment contracts according to Greek law is a unilateral, non-causative legal act, except for those cases stipulated otherwise by law (e.g. dismissal of employee representatives, recent mothers, or for reasons of pregnancy or discrimination). The definition of fair or unfair (abusive) dismissal is based on case law. Generally, dismissals for non-performance of business needs are considered fair. In larger companies, dismissals have to be a "last resort" possibly only after exhaustion of oral and written warnings, pay reductions and suspensions, and after consultation with employer representatives.	0.5
Hungary	A regular employment contract may be lawfully terminated: (a) by mutual consent of the employer and employee; (b) by ordinary notice (e.g. for reasons in connection with the employer's operations); (c) by extraordinary notice (where the employee has seriously violated key obligations under the employment relationship deliberately or by serious carelessness or otherwise acts in such a way that makes it impossible to sustain the employment relationship); or (d) with immediate effect during the trial period. A termination is regarded as unfair/unlawful if it is not undertaken according to the cases mentioned above.	0
Ireland	Fair: Dismissals for lack of ability, competence or qualifications, conduct, or redundancy. Unfair: Dismissals reflecting discrimination on grounds of race, religion, age, gender, etc., including when these factors bias selection during redundancies. Exercise or proposed exercise of rights under carer' s leave, maternity leave, parental leave, adoption leave or minimum wage legislation.	0
Italy	Fair: Termination of contract only possible for "just cause" or "just motive", including significant non-performance of the employee, and compelling business reasons. Unfair: Dismissals reflecting discrimination on grounds of race, religion, gender, trade union activity, etc.	0
Luxem-bourg	Fair: Dismissal is fair if it is based on serious misconduct; worker capability; economic needs of the business. In assessing the conduct of the employee in unfair dismissal cases, judges take into account education, work histories, social status and elements affecting the employee's responsibility and consequences of dismissal.	1
Nethe-rlands	Fair: Dismissals on grounds of employee conduct or unsuitability, and for economic redundancy. In the latter case, data on the financial state of the company and proof that alternatives to redundancy have been considered must be given, and the selection of dismissed employees be justified (age/sex balance of the workforce, for example). Unfair: Unfair are "obviously unreasonable" terminations, and dismissals of pregnant women, the disabled, new mothers and works council members.	1.5
Poland	Fair: Dismissals based on factors inherent in the employee (e.g. lack of competence) or on economic grounds of redundancy of the job.	0
Portugal	Fair: Dismissals are permitted for economic grounds and for lack of professional or technical capability. Dismissals for individual redundancy must not involve posts also manned by people on fixed-term contracts. Dismissals for lack of competence are only possible after introduction of new technology or change to job functions. Unfair: Where the grounds for dismissal are irregular (where some of the formalities are not followed) or illegal (where the grounds for dismissal are declared unfounded by a judge or which lack fundamental procedural aspects).	2
Slovak Republic	Fair: An employer may only give notice for the reasons specified in the Labour Code (e.g. personal reasons: continual minor breaches of work discipline or unsatisfactory work results – redundancy, economic or organisational reasons). Unfair: An employer cannot give notice for other reasons, such as discrimination, etc.	0
Slovenia	Fair: Cancellation is legitimate if there exists a justified reason for cancellation which prevents continued work under the conditions from the employment contract. Unfair: Cancellation is not valid if it is: discriminatory, made owing to a threat or deception by the employer or for an unjustified reason. Unjustified reasons for regular cancellation are deemed to be: temporary absence from work due to illness or injury, parental leave or to care for family members; participating in legal proceedings against the employer; participation in union activities outside working hours; participation in union activities during working hours in agreement with the employer; participation in legal strike action; being a worker representative; change of employer; discrimination based on race, nationality or ethnic origin, skin colour, gender, age, disability, marital status, family obligations, pregnancy, religious and political beliefs, national or social background; taking part in military or civil service.	2
Spain	Fair: Dismissal based on objective grounds, including economic grounds, absenteeism, lack of adequacy for the job, lack of adaption to technological changes made in the enterprise after, if appropriate, a training course of three months, and lack of funding of public plans or programmes developed by the public administration or non-profit organisations. Unfair dismissal: dismissals where none of the above-mentioned grounds is proven. Null and void: dismissals based on discrimination or carried out with violation of fundamental rights, as well as those based on situations derived from maternity (pregnancy, birth, feeding, childcare, etc.).	2
Sweden	Fair: Dismissals on " objective grounds", i.e. economic redundancy and personal circumstances, including lack of competence. In the case of lesser capability because of (e.g.) age, disease, etc., the employer has to try to adjust the workplace, rehabilitate the employee or transfer the employee to other suitable work. According to case law, it is only fair dismissal if the employee has a "permanent reduction of the working capacity which is so considerable that the employee no more can be expected to perform work of any significance with the employer". In cases of redundancy, selection of workers to be dismissed has to be justified (mainly based on last-in, first-out principle). Unfair: Objective grounds are deemed not to exist if an employee could reasonably have been transferred to another work, or if dismissal is based on events that happened over two months ago.	2
United Kingdom	Fair: Dismissals relating to the capability, qualifications or conduct of the employee; because he/she is redundant; because continued employment would be illegal; or some other "substantial reason". One year tenure generally necessary for being able to file for unfair dismissal. Unfair: Dismissals related to a range of reasons including trade union activity, health and safety whistle blowing, pregnancy or maternity, and the national minimum wage. No qualifying service required for complaints for these reasons	0

Source: OECD.

Table II.A2.3: **Trial period, 2008**

	Legal provisions	Length (mths)
Austria	Usually 1 month	1
Belgium	Not legally required, but when introduced in the employment contract, minimum and maximum duration is set by law. Blue collar workers: 7-14 days; white collar workers: 1-6 months (up to 12 months if annual salary exceeds 34 261 EUR (2008) or 35 638 EUR (2009).	3.3
Czech Republic	3 months.	3
Denmark	Blue collar: 9 months (based on collective agreements). White collar: 12 months.	10.5
Estonia	A probationary period shall not exceed 4 months	4
Finland	4 months.	4
France	Contracts of indefinite duration can include trial periods of two months, (three months for supervisors and technicians and four months for managers). The trial period can be renewed once by agreement to a maximum, including renewal, of four months (six months for supervisors and technicians and eight months for managers).	4
Germany	6 months.	6
Greece	2 months.	2
Hungary	Maximum 3 months.	3
Ireland	All workers: 12 months (shorter trial periods are commonly agreed between employer and employee, but claims under statutory unfair dismissal legislation are not normally possible until after the periods shown). The 12 month limit does not apply in certain dismissal situations e.g. pregnancy, exercise or contemplated exercise of rights under maternity, adoptive, parental or carer"s leave legislation, for trade union activity or rights under minimum wage legislation.	12
Italy	Blue collar: 1-2 weeks (the trial periods cited are those common in collective agreements). White collar: 3-8 weeks.	0.8
Luxembourg	The maximum length of the trial period for a contract of unlimited duration is 6 months.	6
Netherlands	All workers: 1 month for contract of < 2 years duration; 2 months for contract of >2 years duration.	2
Poland	All workers: Minimum 2 weeks. Ranging up to 3 months.	1.8
Portugal	180 days for general workers (240 days for managers and senior officers/top executives).	3
Slovak Republic	A probationary period for the maximum of three months may be agreed in writing in an employment contract. A probationary period may not be prolonged.	3
Slovenia	Probation can last a maximum of six months. It can be extended in the event of temporary absence from work. Unsuccessful completion of probation is a reason for extraordinary cancellation (without notice).	6
Spain	In accordance with provisions of collective agreements. If there is no provision on this matter, this period may not be longer than six months for qualified experts, nine months for senior managers on indefinite contracts or two months for other workers (three months in enterprises with less than 25 workers).	2.5
Sweden	All workers: Probationary period limited to a maximum of 6 months trial; does not exclude claim for damages. Deviation possible by collective agreement.	3
United Kingdom	Trial periods are for agreement between employer and employee, but do not affect the employee"s statutory employment rights. Claims under unfair dismissal legislation are not normally possible until 1 year"s service has been completed.	12

Source: OECD.

Table II.A2.4: **Compensation pay and related provisions following unjustified dismissal, 2008**

		Typical compensation at 20 years tenure (months)	Extent of reinstatement (scale 0-3)
Austria	The employee has the right to choose between reinstatement and compensation, although this option is rarely taken up by employees. In the event of socially unjustified dismissal, the employee is entitled to compensation equal to earnings between the dismissal and the legal settlement of the case. Sums earned by the employee in the interim are set off against the award.	6	3
Belgium	No right to reinstatement. Compensation at least equal to the notice period (in the event that notice was not given). White collar: additional compensation for damages as determined by a judge. Blue collar: additional compensation for damages corresponding to six months' wages.	14	0
Czech Republic	Reinstatement is always available to the employee. Unfair dismissal gives rise to a right to reinstatement. If reinstatement is not accepted by both parties, compensation is through severance pay and award of lost earnings during the court case (up to 6 months). Sums earned by the employee in the interim are set off against the award. There is no maximum amount for compensation.	8	3
Denmark	Reinstatement orders are possible but rare (the possibility of reinstatement was introduced in the Main Agreement in 1981 - blue collar workers - but until now there have been only a few decisions in which a tribunal decided that the dismissed employee should be reinstated - Section 61 of the Labour code). For blue collar workers, compensation is limited to 52 weeks of pay for long service cases. Average is 10.5 weeks according to Danish Confederation of Trade Unions. For white collar workers, compensation depends on age and seniority with the firm and is increasing in both (maximum is 6 months for older than 30 with more than 15 years tenure).	9	1
Estonia	If termination of an employment contract is declared unlawful, an employee has the right to reclaim his or her former job or position. In such a case, a labour dispute resolution body shall make a decision on reinstatement of the employee in his or her former job or position. Compensation up to six months wages, subject to the circumstances of the employment contract and the nature of the offence upon termination of the employment contract.	6	3
Finland	No reinstatement. Compensation between 3 and 24 months. The following factors must be taken into account when determining the amount of compensation: estimated time without employment, estimated loss of earnings, duration of the employment relationship, and degree of guilt found on the side of employer. The highest compensations are used only in cases of gross injustice.	14	0
France	The option of reinstatement is available to the employee in cases of discriminatory dismissal only. Compensation in addition to regular severance pay of six months minimum (generally 12-24 months, can be more) for employees with at least two years of tenure and working in enterprises with more than 11 employees. For employees with less than two years of service and/or working in a firm with fewer than 11 workers, the judge an order compensation according to the loss suffered, but without any minimum.	16	0
Germany	Reinstatement is possible, although rarely taken up by the employee concerned. Compensation of up to 12 months, depending on length of service (15 months if aged under 50 and tenure >15 years, 18 months if aged over 55 and tenure >20). Compensation must be requested by employee or employer during court action; continuation of employment must be unreasonable for one of the parties. In some cases, additional liability for wages from the expiry date of the notice to the conclusion of the court hearing.	18	1.5
Greece	Frequent reinstatement orders, accompanied by indemnity for the period of time between notice of termination and court ruling. No reinstatement, if severance pay has been requested. Compensation through regular severance pay, plus a sum equal to earnings between the dismissal and the legal settlement of the case. According to case law, any dismissal not justified by the employer's legitimate business interests is deemed to constitute unfair dismissal and is rendered null and void. The consequence of nullity in cases of unfair dismissal is that the contract of employment is deemed to have continued to exist without interruption (hence, no legal imposition of reinstatement is necessary) and the employer is obliged to pay the employee the remuneration due for the whole of the intervening period since the date of the nullified termination.	6	2
Hungary	If a court of law declares that the employment was illegally terminated, the employee shall be reinstated to the original position if he/she requests. At the employer's request, the court may refrain from reinstating the employee to the original position provided that the employer pays compensation. In lieu of reinstatement, the court shall order (upon weighing all circumstances, in particular the unlawful action and its consequences) the employer to pay no less than two and no more than twelve months' average earnings to the employee.	10	2
Ireland	A reinstatement order, with back pay from the date of dismissal, is possible. Also re-engagement from date after date of dismissal with no back pay from date of dismissal also possible. Deciding body must specify why re-instatement/re-engagement not applied if compensation awarded. In 2007, reinstatement was ordered in one case and re-engagement was ordered in four cases. Maximum compensation equals 104 weeks' pay. Compensation awards based on financial loss. Maximum 4 weeks' award where no loss established. (Average Employment Appeals Tribunal award in 2007 was 7280 EUR.)	24	1
Italy	The option of reinstatement is fairly often made available to the employee. Workers in companies employing >15 employees in an establishment or in the same municipality or in companies with more than 60 employees (even if distributed in production units or municipalities with less than 15 employees) can choose reinstatement or financial compensation of 15 months' (plus at least 5 months' compensation for the period between dismissal and court decision in both cases). For establishments not included in the above cases, the employer can choose between re-employment (different from reinstatement because it does not give rise to compensation for the period between dismissal and the court decision) and compensation of 2.5-6 months (depending on seniority and firm size). This can be increased up to 10 months > 10 years, and 14 months >20 years seniority.	15	2
Luxem-bourg	When ruling on unfair dismissal, judges may request that the employee is reinstated. If the employer does not want to reinstate the employee, the employer can pay additional compensation of one months' salary. If the dismissal is found to be unfair, the employer may be required to pay damages to the employee. In determining the amount of damages, the court will consider a period which should have been sufficient for the employee to find a new job (typically 4-6 months). The dismissed employee must demonstrate that he/she has taken necessary steps to find a new job. The court also takes into account various factors such as seniority, age and family situation.	5	3
Nethe-rlands	The option of reinstatement is rarely made available to the employee. Termination via PES: The employee can file a claim at the court for unfair dismissal. If the court comes to the conclusion that the dismissal was unfair it usually grants financial compensation according to the same formula for severance pay minus the salary paid during the processing time of the CWI and during the notice period. Termination via court: If the court thinks that termination is unfair, but upholds the contract as not feasible, then the correction factor will be more than one. Recent research documents the average compensation for dissolving a contract is equivalent to about seven months' pay.	7	1
Poland	Reinstatement is possible, but not often made available by the court. Compensation of up to 3 months' wages depending on amount of salary earned in another job by the time of court decision.	3	1
Portugal	Irregular dismissal: no reinstatement available. No back pay, no reinstatement, only right to compensation of 7.5-22.5 days of pay per year of service (typically up to 15 days per year of service). Illegal dismissal: The option of reinstatement is made available to the employee, although the employer may, in companies with up to nine workers, or in the case of directors or workers in management positions, submit a request to the court to oppose reinstatement. Back pay limited to one year (where court takes longer to rule on the issue, the State bears costs), and choice between reinstatement and compensation, typically of one months' pay per year of service (minimum payment of 3 months).	15	2
Slovak Republic	In the event that an employer gave an invalid notice to an employee and the employee notified the employer that he insists on further employment, his employment relationship does not terminate, except in the case when a court decides that the employer cannot be fairly required to further continue employing the employee. Compulsory compensation for unfair dismissal equal to 12 monthly wages. If an employer does not allow the employee to work or if a law suit in respect of unfair dismissal takes longer than 12 months, further compensation is to be determined by the courts.	12	2.5
Slovenia	If the courts determines that the employer's cancellation is not legitimate, but the worker does not wish to continue the employment, it may, on the proposal of the worker: determine the duration of the employment; grant a period of tenure and other rights from the employment relationship; and award appropriate monetary compensation. If the court determines that the continuation of the employment is no longer possible, it may still adopt the same decision, irrespective of the worker's proposal. If there is no reinstatement, the court may grant the worker tenure and other rights from the employment relationship and appropriate monetary compensation up to a maximum amount of 18 months of average wages paid in the last three months prior to dismissal.	18	2
Spain	In the case of unfair dismissal, the employer can choose between reinstatement with back pay (the wages for the period going from the dismissal to the final decision by the courts, if that stage is reached) and compensation with back pay (45 days wages per year of seniority with a maximum of 42 months wages) with back pay. Where the dismissed employee is a legal representative of the workers or a union delegate, the employee can choose between reinstatement and compensation. If the dismissal was discriminatory, the worker should always be reinstated. For new permanent contracts after 1997 (aimed at young and disadvantaged workers: 16-28, over 45, fixed-term employees, long-term unemployed, women where they are under-represented) compensation is fixed in 33 days per year of service, with a maximum of 24 months pay.	22	0
Sweden	Courts may order reinstatement or damages, plus a sum equal to earnings between the dismissal and the legal settlement of the case. The option of reinstatement is rarely made available to the employee. If employer refuses to comply with reinstatement, damages are payable on the scale: 16 months <5 years; 24 months <10 years; 32 months >10 years.	32	1
United Kingdom	Employers are not obliged to reinstate but if a tribunal orders reinstatement or re-engagement in a comparable job and the employer refuses to comply, the tribunal may make an additional award on top of the basic and compensatory awards. Compensation may consist of various elements: basic award (up to 7 800 GBP); compensatory award (up to 53 500 GBP); and additional awards (up to 13 520 GBP). Unlimited, if the dismissal is connected with health and safety matters or whistle blowing. Compensation under discrimination legislation is also unlimited.	8	1

Source: OECD.

Table II.A2.5: **Effects of EPL on labour market performance: evidence from existing literature**

Author(s)	Sample	Effects of EPL
Belot and van Ours (2004)	17 OECD countries, 1960-1999	Insignificant effect on the unemployment rate
Blanchard and Portugal (2001)	19 OECD countries, 1985-1994	Negative effect on flows into unemployment Positive effect on unemployment duration Insignificant effect on unemployment
Blanchard and Wolfers (2000)	20 OECD countries, 1960-1995	Positive effect on unemployment
Boeri (2011)	All OECD countries, 2008	Positive correlation with share of temporary employment
Elmeskov, Martin and Scarpetta (1998)	19 OECD countries, 1983-1995	Positive effect on unemployment
Garibaldi, Konings and Pissarides (1997)	10 OECD countries	Negative correlation with job reallocation
Gomez-Salvador, Messina and Vallanti (2004)	13 EU countries, 1992-2001	Negative effect on job flows
Grubb and Wells (1993)	11 EU countries, 1989	EPL for regular workers increases temporary work
Heckman and Pagés (2000)	43 countries	No significant effect on aggregate unemployment Positive effect on female and youth unemployment
Lazear (1990)	22 countries, 1956-1984	Positive effect of severance pay on unemployment
Nickell and Layard (1999)	20 countries, 1983-88 and 1989-94	Insignificant effect on unemployment
Nickell, Nunziata and Ochel (2005)	20 OECD countries, 1961-1995	Positive effect on unemployment persistence
OECD (1999)	19 OECD countries, 1985-1997	Insignificant effect on unemployment Negative effect on prime-age male unemployment rate Positive effect on share of self-employment
OECD (2004)	19 OECD countries, 1985-2002	Negative effect on flows into unemployment Negative effect on flows out unemployment Positive effect on long-term unemployment

Source:

Statistical annex

ANNEX 1

Labour market data

Belgium	2007	2008	2009	2010	2011	2010-2011
1 - **Population** (total, 1000 pers.)	10614	10708	10796	10892	10989	0.9 %
2 - **Population** (working age:15-64, 1000 pers.)	7008	7073	7126	7177	7220	0.6 %
(% of total population)	66.0	66.1	66.0	65.9	65.7	-0.2 pps
3 - **Labour force** (15-64, 1000 pers.)	4701	4747	4769	4856	4817	-0.8 %
Male	2595	2609	2609	2649	2623	-1.0 %
Female	2106	2138	2159	2207	2194	-0.6 %
4 - **Activity rate** (% of population 15-64)	67.1	67.1	66.9	67.7	66.7	-0.9 pps
Young (15-24)	33.9	33.4	32.4	32.5	32.0	-0.5 pps
Prime age (25-54)	85.3	85.7	85.6	86.3	84.7	-1.6 pps
Older (55-64)	35.9	36.1	37.2	39.2	40.3	1.2 pps
Nationals (15-64)	67.5	67.4	67.3	67.9	67.2	-0.8 pps
Non-nationals (15-64)	63.3	64.3	63.1	65.1	62.9	-2.2 pps
Male	73.6	73.3	72.8	73.4	72.3	-1.2 pps
Young (15-24)	36.1	36.0	34.9	35.2	34.1	-1.1 pps
Prime age (25-54)	92.5	92.3	91.8	92.2	90.7	-1.5 pps
Older (55-64)	44.4	44.5	45.2	47.6	47.8	0.2 pps
Female	60.4	60.8	60.9	61.8	61.1	-0.7 pps
Young (15-24)	31.6	30.8	29.9	29.8	29.8	0.0 pps
Prime age (25-54)	78.0	79.0	79.2	80.4	78.7	-1.7 pps
Older (55-64)	27.5	27.9	29.3	30.9	33.0	2.1 pps
5 - **Employment rate** (% of population 15-64)	62.0	62.4	61.6	62.0	61.9	-0.1 pps
Young (15-24)	27.5	27.4	25.3	25.2	26.0	0.8 pps
Prime age (25-54)	79.7	80.5	79.8	80.0	79.3	-0.7 pps
Older (55-64)	34.4	34.5	35.2	37.3	38.7	1.4 pps
Low-skilled (15-64)	40.5	39.7	38.6	39.1	38.4	-0.7 pps
Medium-skilled (15-64)	65.9	67.0	65.4	65.7	65.6	-0.1 pps
High-skilled (15-64)	83.6	83.0	81.9	81.9	82.0	0.1 pps
Nationals (15-64)	57.2	57.4	56.6	56.7	56.4	-0.3 pps
Non-nationals (15-64)	4.9	5.0	5.0	5.3	5.6	0.3 pps
Male	68.7	68.6	67.2	67.4	67.1	-0.3 pps
Young (15-24)	29.9	29.7	27.4	27.3	27.7	0.4 pps
Prime age (25-54)	87.0	87.0	85.7	85.5	84.9	-0.7 pps
Older (55-64)	42.9	42.8	42.9	45.6	46.0	0.4 pps
Female	55.3	56.2	56.0	56.5	56.7	0.2 pps
Young (15-24)	25.0	25.0	23.2	23.1	24.2	1.1 pps
Prime age (25-54)	72.3	73.8	73.8	74.4	73.8	-0.6 pps
Older (55-64)	26.0	26.3	27.7	29.2	31.6	2.3 pps
6 - **Employed persons** (15-64, 1000 pers.)	4348.1	4413.7	4389.4	4450.6	4470.5	0.4 %
7 - **Employment growth** (%, National accounts)	1.7	1.8	-0.2	0.7	1.4	0.7 pps
Employment growth (%, 15-64, LFS)	2.7	1.5	-0.6	1.4	0.4	-0.9 pps
Male	2.1	0.7	-1.4	1.1	0.1	-1.0 pps
Female	3.5	2.5	0.5	1.7	0.9	-0.8 pps
8 - **Self employed** (% of total employment)	13.1	12.7	13.2	13.0	12.8	-0.2 pps
Male	9.2	8.9	9.2	9.0	9.0	-0.1 pps
Female	3.9	3.8	4.0	4.0	3.8	-0.1 pps
9 - **Temporary employment** (% of total employment)	8.6	8.3	8.2	8.1	8.9	0.8 pps
Male	6.8	6.6	6.5	6.7	7.7	1.0 pps
Female	10.8	10.2	10.2	9.6	10.3	0.7 pps
10 - **Part-time** (% of total employment)	21.9	22.4	23.2	23.7	24.7	1.0 pps
Male	7.1	7.5	8.2	8.4	9.2	0.8 pps
Female	40.5	40.8	41.4	42.1	43.3	1.2 pps
11 - **Unemployment rate** (harmonised:15-74)	7.5	7.0	7.9	8.3	7.2	-1.1 pps
Young (15-24)	18.8	18.0	21.9	22.4	18.7	-3.7 pps
Prime age (25-49)	6.8	6.3	7.1	7.6	6.6	-1.0 pps
Older (55-64)	4.2	4.4	5.1	4.6	4.0	-0.6 pps
Low-skilled (15-64)	13.0	12.5	13.7	15.4	14.1	-1.3 pps
Medium-skilled (15-64)	7.6	7.0	8.1	8.2	6.8	-1.4 pps
High-skilled (15-64)	3.8	3.6	4.5	4.5	3.8	-0.7 pps
Nationals (15-64)	6.8	6.3	7.1	7.5	6.3	-1.2 pps
Non-nationals (15-64)	15.5	14.2	16.2	16.4	15.6	-0.8 pps
Male	6.7	6.5	7.8	8.1	7.1	-1.0 pps
Female	8.5	7.6	8.1	8.5	7.2	-1.3 pps
12 - **Long-term unemployment rate** (% of total unemployment)	50.4	47.5	44.2	48.8	48.4	-0.4 pps
13 - **Worked hours** (average actual weekly hours)	41.1	40.8	40.8	41.2	41.4	0.5 %
Male	41.9	41.7	41.7	42.1	42.4	0.7 %
Female	39.4	39.0	39.2	39.5	39.4	-0.3 %
14 - **Sectoral employment growth** (% change)						
Agriculture	:	-2.1	-2.9	-4.8	-4.2	0.6 pps
Building and construction	3.6	2.6	0.7	0.7	2.0	1.3 pps
Services	2.1	2.5	-0.3	1.3	:	: pps
Manufacturing industry	:	-0.1	-4.8	-3.6	-0.5	3.1 pps
15 - **Indicator board on wage developments** (% change)						
Compensation per employee	3.4	3.6	1.2	1.4	3.1	1.7 pps
Real compensation per employee based on GDP	1.0	1.4	-0.1	-0.4	1.1	1.5 pps
Hourly labour costs (Eurostat labour cost index)	2.2	3.5	3.9	3.3	2.8	-0.5 pps
Wage and salaries	4.6	5.4	0.2	1.9	4.7	2.8 pps
Labour productivity (GDP/person employed)	1.2	-0.8	-2.6	1.7	0.4	-1.3 pps

Bulgaria	2007	2008	2009	2010	2011	2010-2011
1 - **Population** (total, 1000 pers.)	7673	7640	7607	7564	7505	-0.8 %
2 - **Population** (working age:15-64, 1000 pers.)	5198	5169	5122	5046	4970	-1.5 %
(% of total population)	67.7	67.7	67.3	66.7	66.2	-0.5 pps
3 - **Labour force** (15-64, 1000 pers.)	3448	3505	3442	3356	3279	-2.3 %
Male	1820	1859	1828	1775	1723	-2.9 %
Female	1628	1646	1614	1582	1556	-1.6 %
4 - **Activity rate** (% of population 15-64)	66.3	67.8	67.2	66.5	66.0	-0.5 pps
Young (15-24)	28.9	30.1	29.5	28.9	27.4	-1.6 pps
Prime age (25-54)	84.5	85.5	84.3	83.4	82.4	-0.9 pps
Older (55-64)	45.7	48.7	49.2	47.9	48.3	0.4 pps
Nationals (15-64)	66.3	67.8	67.2	66.5	66.0	-0.5 pps
Non-nationals (15-64)	0.0	0.0	0.0	0.0	0.0	0.0 pps
Male	70.6	72.5	72.0	70.8	69.6	-1.2 pps
Young (15-24)	31.7	34.0	34.0	33.4	31.5	-1.9 pps
Prime age (25-54)	87.5	88.8	88.0	86.3	84.6	-1.6 pps
Older (55-64)	55.3	58.7	57.4	55.7	55.3	-0.4 pps
Female	62.1	63.1	62.5	62.3	62.4	0.1 pps
Young (15-24)	26.0	26.1	24.8	24.2	23.0	-1.2 pps
Prime age (25-54)	81.4	82.1	80.6	80.5	80.2	-0.3 pps
Older (55-64)	37.2	40.2	42.1	41.3	42.4	1.1 pps
5 - **Employment rate** (% of population 15-64)	61.7	64.0	62.6	59.7	58.5	-1.1 pps
Young (15-24)	24.5	26.3	24.8	22.2	20.1	-2.1 pps
Prime age (25-54)	79.4	81.3	79.2	75.7	74.0	-1.7 pps
Older (55-64)	42.6	46.0	46.1	43.5	43.9	0.4 pps
Low-skilled (15-64)	30.6	32.9	32.3	28.5	26.6	-1.9 pps
Medium-skilled (15-64)	70.6	72.7	70.0	66.0	64.5	-1.6 pps
High-skilled (15-64)	84.6	86.1	85.5	83.3	82.1	-1.2 pps
Nationals (15-64)	61.6	63.9	62.5	59.6	58.5	-1.1 pps
Non-nationals (15-64)	0.0	0.0	0.0	0.0	0.0	0.0 pps
Male	66.0	68.5	66.9	63.0	60.9	-2.1 pps
Young (15-24)	27.1	29.3	28.0	25.4	22.8	-2.5 pps
Prime age (25-54)	82.5	84.7	82.7	77.9	75.0	-2.9 pps
Older (55-64)	51.8	55.8	54.1	50.3	49.9	-0.4 pps
Female	57.6	59.5	58.3	56.4	56.2	-0.2 pps
Young (15-24)	21.8	23.1	21.4	18.9	17.2	-1.7 pps
Prime age (25-54)	76.2	77.9	75.8	73.6	73.0	-0.6 pps
Older (55-64)	34.5	37.7	39.2	37.7	38.8	1.1 pps
6 - **Employed persons** (15-64, 1000 pers.)	3208.8	3306.2	3204.8	3010.4	2908.3	-3.4 %
7 - **Employment growth** (%, National accounts)	3.2	2.6	-2.6	-4.7	-4.2	0.5 pps
Employment growth (%, 15-64, LFS)	4.5	3.0	-3.1	-6.1	-3.4	2.7 pps
Male	4.6	3.2	-3.2	-7.0	-4.5	2.5 pps
Female	4.3	2.8	-2.9	-5.0	-2.2	2.8 pps
8 - **Self employed** (% of total employment)	10.9	10.9	11.2	11.5	10.9	-0.6 pps
Male	7.3	7.2	7.4	7.4	7.0	-0.3 pps
Female	3.6	3.8	3.8	4.1	3.9	-0.3 pps
9 - **Temporary employment** (% of total employment)	5.1	4.9	4.6	4.4	4.1	-0.3 pps
Male	4.8	5.5	5.1	5.0	4.5	-0.5 pps
Female	5.4	4.3	4.1	3.9	3.7	-0.2 pps
10 - **Part-time** (% of total employment)	1.5	2.0	2.1	2.2	2.2	0.0 pps
Male	1.1	1.6	1.8	2.0	2.0	0.0 pps
Female	1.9	2.4	2.5	2.4	2.4	0.0 pps
11 - **Unemployment rate** (harmonised:15-74)	6.9	5.6	6.8	10.3	11.3	1.0 pps
Young (15-24)	15.1	12.7	16.2	23.2	26.6	3.4 pps
Prime age (25-49)	6.1	4.8	6.0	9.2	10.3	1.1 pps
Older (55-64)	6.8	5.5	6.3	9.3	9.1	-0.2 pps
Low-skilled (15-64)	18.0	14.9	15.8	23.1	27.1	4.0 pps
Medium-skilled (15-64)	5.8	4.5	6.2	9.7	10.4	0.7 pps
High-skilled (15-64)	2.4	2.3	2.9	4.5	5.0	0.5 pps
Nationals (15-64)	6.9	5.7	6.9	10.3	11.3	1.0 pps
Non-nationals (15-64)	:	:	:	:	:	: pps
Male	6.5	5.5	6.9	10.8	12.3	1.5 pps
Female	7.4	5.8	6.7	9.6	10.1	0.5 pps
12 - **Long-term unemployment rate** (% of total unemployment)	58.9	51.6	43.1	46.4	56.1	9.7 pps
13 - **Worked hours** (average actual weekly hours)	41.4	41.4	40.7	40.9	40.6	-0.7 %
Male	41.9	41.8	41.0	41.1	40.8	-0.7 %
Female	40.9	40.9	40.3	40.6	40.4	-0.5 %
14 - **Sectoral employment growth** (% change)						
Agriculture	:	1.9	-0.9	-3.7	-3.7	0.0 pps
Building and construction	17.7	18.4	-8.9	-17.7	-9.2	8.5 pps
Services	3.3	5.3	0.7	-0.6	:	: pps
Manufacturing industry	:	:	:	:	:	: pps
15 - **Indicator board on wage developments** (% change)						
Compensation per employee	12.7	16.3	9.4	11.2	7.3	-3.9 pps
Real compensation per employee based on GDP	3.2	7.3	4.9	8.2	2.2	-6.0 pps
Hourly labour costs (Eurostat labour cost index)	17.9	19.7	13.4	9.1	10.6	1.5 pps
Wage and salaries	20.7	16.2	8.3	7.4	1.9	-5.5 pps
Labour productivity (GDP/person employed)	3.2	3.5	-2.9	5.3	6.1	0.8 pps

Czech Republic	2007	2008	2009	2010	2011	2010-2011
1 - **Population** (total, 1000 pers.)	10320	10422	10499	10522	10546	0.2 %
2 - **Population** (working age:15-64, 1000 pers.)	7347	7410	7431	7400	7345	-0.7 %
(% of total population)	71.2	71.1	70.8	70.3	69.6	-0.7 pps
3 - **Labour force** (15-64, 1000 pers.)	5132	5163	5209	5192	5180	-0.2 %
Male	2888	2922	2952	2943	2922	-0.7 %
Female	2244	2241	2257	2249	2258	0.4 %
4 - **Activity rate** (% of population 15-64)	69.9	69.7	70.1	70.2	70.5	0.4 pps
Young (15-24)	31.9	31.1	31.8	30.9	30.1	-0.8 pps
Prime age (25-54)	87.8	87.3	87.7	87.8	88.0	0.2 pps
Older (55-64)	48.2	49.5	49.6	49.7	50.6	0.8 pps
Nationals (15-64)	69.7	69.6	70.0	70.1	70.4	0.4 pps
Non-nationals (15-64)	81.5	77.0	77.4	78.1	77.1	-1.1 pps
Male	78.1	78.1	78.5	78.6	78.7	0.1 pps
Young (15-24)	36.7	35.9	37.3	36.2	35.6	-0.6 pps
Prime age (25-54)	95.0	94.8	95.1	95.5	95.3	-0.2 pps
Older (55-64)	62.5	64.2	63.1	62.4	62.6	0.2 pps
Female	61.5	61.0	61.5	61.5	62.2	0.7 pps
Young (15-24)	26.9	26.1	26.1	25.3	24.2	-1.1 pps
Prime age (25-54)	80.3	79.6	79.9	79.8	80.4	0.6 pps
Older (55-64)	35.2	36.1	37.2	38.0	39.4	1.5 pps
5 - **Employment rate** (% of population 15-64)	66.1	66.6	65.4	65.0	65.7	0.7 pps
Young (15-24)	28.5	28.1	26.5	25.2	24.7	-0.6 pps
Prime age (25-54)	83.5	83.8	82.5	82.2	82.8	0.6 pps
Older (55-64)	46.0	47.6	46.8	46.5	47.6	1.1 pps
Low-skilled (15-64)	24.2	24.1	22.8	22.0	21.4	-0.6 pps
Medium-skilled (15-64)	72.6	73.1	71.3	70.4	71.0	0.6 pps
High-skilled (15-64)	84.0	83.2	82.0	81.0	81.0	0.0 pps
Nationals (15-64)	65.4	65.8	64.4	64.0	64.7	0.7 pps
Non-nationals (15-64)	0.7	0.8	1.0	1.0	1.0	0.0 pps
Male	74.8	75.4	73.8	73.5	74.0	0.5 pps
Young (15-24)	32.8	32.4	31.1	29.6	29.2	-0.4 pps
Prime age (25-54)	91.7	92.1	90.5	90.5	90.9	0.3 pps
Older (55-64)	59.6	61.9	59.6	58.4	58.9	0.5 pps
Female	57.3	57.6	56.7	56.3	57.2	1.0 pps
Young (15-24)	23.9	23.5	21.7	20.6	19.9	-0.7 pps
Prime age (25-54)	74.9	75.2	74.1	73.4	74.3	0.9 pps
Older (55-64)	33.5	34.4	35.0	35.5	37.2	1.7 pps
6 - **Employed persons** (15-64, 1000 pers.)	4855.9	4933.5	4857.2	4809.6	4827.8	0.4 %
7 - **Employment growth** (%, National accounts)	2.1	2.3	-1.2	-1.7	0.3	2.0 pps
Employment growth (%, 15-64, LFS)	1.8	1.6	-1.5	-1.0	0.4	1.4 pps
Male	2.2	2.0	-1.5	-0.9	-0.1	0.8 pps
Female	1.3	1.1	-1.6	-1.1	1.0	2.1 pps
8 - **Self employed** (% of total employment)	15.4	15.2	15.9	16.8	17.2	0.4 pps
Male	11.3	11.2	11.5	12.1	12.2	0.0 pps
Female	4.0	4.0	4.3	4.7	5.0	0.4 pps
9 - **Temporary employment** (% of total employment)	7.8	7.2	7.5	8.2	8.0	-0.2 pps
Male	6.5	5.7	6.1	6.8	6.7	-0.1 pps
Female	9.4	9.1	9.3	9.8	9.5	-0.3 pps
10 - **Part-time** (% of total employment)	4.4	4.3	4.8	5.1	4.7	-0.4 pps
Male	1.7	1.6	2.0	2.2	1.8	-0.4 pps
Female	7.9	7.8	8.5	9.1	8.5	-0.6 pps
11 - **Unemployment rate** (harmonised:15-74)	5.3	4.4	6.7	7.3	6.7	-0.6 pps
Young (15-24)	10.7	9.9	16.6	18.3	18.0	-0.3 pps
Prime age (25-49)	4.8	4.0	6.0	6.4	5.9	-0.5 pps
Older (55-64)	4.6	3.9	5.7	6.5	5.8	-0.7 pps
Low-skilled (15-64)	20.4	19.4	24.4	25.3	24.7	-0.6 pps
Medium-skilled (15-64)	4.7	3.7	6.2	7.0	6.5	-0.5 pps
High-skilled (15-64)	1.7	1.7	2.5	2.8	2.9	0.1 pps
Nationals (15-64)	5.4	4.4	6.8	7.4	6.8	-0.6 pps
Non-nationals (15-64)	5.6	3.7	5.8	4.6	5.7	1.1 pps
Male	4.2	3.5	5.8	6.4	5.8	-0.6 pps
Female	6.7	5.6	7.7	8.4	7.9	-0.5 pps
12 - **Long-term unemployment rate** (% of total unemployment)	52.3	49.3	30.1	41.0	40.6	-0.4 pps
13 - **Worked hours** (average actual weekly hours)	42.3	42.3	41.6	41.6	41.4	-0.5 %
Male	43.6	43.6	42.9	42.8	42.6	-0.5 %
Female	40.4	40.3	39.8	39.9	39.6	-0.8 %
14 - **Sectoral employment growth** (% change)						
Agriculture	:	2.2	-2.4	-9.8	-2.8	7.0 pps
Building and construction	4.3	3.6	4.2	-2.1	-3.6	-1.5 pps
Services	3.3	3.0	1.6	-0.7	:	: pps
Manufacturing industry	:	1.1	-9.5	-1.3	0.9	2.2 pps
15 - **Indicator board on wage developments** (% change)						
Compensation per employee	6.3	4.2	-1.2	3.7	1.6	-2.2 pps
Real compensation per employee based on GDP	2.8	2.2	-3.1	5.6	2.3	-3.2 pps
Hourly labour costs (Eurostat labour cost index)	8.3	6.6	5.1	2.6	3.6	1.0 pps
Wage and salaries	8.3	7.5	-2.1	-0.4	1.1	1.5 pps
Labour productivity (GDP/person employed)	3.5	0.8	-3.5	4.5	1.4	-3.1 pps

Denmark	2007	2008	2009	2010	2011	2010-2011
1 - **Population** (total, 1000 pers.)	5438	5485	5517	5542	5566	0.4 %
2 - **Population** (working age:15-64, 1000 pers.)	3582	3605	3616	3619	3613	-0.1 %
(% of total population)	65.9	65.7	65.5	65.3	64.9	-0.4 pps
3 - **Labour force** (15-64, 1000 pers.)	2869	2908	2901	2872	2864	-0.3 %
Male	1513	1533	1524	1507	1498	-0.5 %
Female	1356	1374	1377	1365	1366	0.0 %
4 - **Activity rate** (% of population 15-64)	80.1	80.7	80.2	79.4	79.3	-0.1 pps
Young (15-24)	70.6	72.2	70.9	67.5	67.1	-0.4 pps
Prime age (25-54)	88.9	89.9	89.4	88.7	88.2	-0.5 pps
Older (55-64)	61.0	59.9	60.7	61.8	63.2	1.4 pps
Nationals (15-64)	80.9	81.3	80.6	79.8	79.8	0.0 pps
Non-nationals (15-64)	66.8	70.3	74.6	72.8	72.5	-0.3 pps
Male	83.7	84.3	83.6	82.6	82.3	-0.3 pps
Young (15-24)	72.0	72.8	71.7	67.5	67.1	-0.4 pps
Prime age (25-54)	92.3	93.3	92.2	92.0	91.5	-0.5 pps
Older (55-64)	66.9	66.8	68.1	67.8	68.3	0.5 pps
Female	76.4	77.0	76.8	76.0	76.1	0.1 pps
Young (15-24)	69.1	71.5	70.0	67.4	67.1	-0.3 pps
Prime age (25-54)	85.3	86.4	86.5	85.3	84.7	-0.5 pps
Older (55-64)	55.1	53.0	53.5	55.9	58.0	2.2 pps
5 - **Employment rate** (% of population 15-64)	77.0	77.9	75.3	73.3	73.1	-0.2 pps
Young (15-24)	65.3	66.4	62.5	58.1	57.5	-0.5 pps
Prime age (25-54)	86.1	87.5	84.7	82.8	82.3	-0.5 pps
Older (55-64)	58.9	58.4	58.2	58.4	59.6	1.1 pps
Low-skilled (15-64)	64.5	65.8	62.3	58.6	57.7	-0.9 pps
Medium-skilled (15-64)	81.5	81.7	78.7	77.6	77.4	-0.2 pps
High-skilled (15-64)	87.1	88.4	86.7	85.4	85.5	0.1 pps
Nationals (15-64)	73.3	74.1	71.4	69.4	68.8	-0.6 pps
Non-nationals (15-64)	3.6	3.7	4.0	4.0	4.4	0.4 pps
Male	80.8	81.6	78.0	75.6	75.9	0.3 pps
Young (15-24)	66.5	67.4	62.2	56.7	56.6	-0.1 pps
Prime age (25-54)	89.8	91.0	86.9	85.3	85.7	0.4 pps
Older (55-64)	64.9	65.2	64.8	63.3	63.8	0.5 pps
Female	73.2	74.1	72.7	71.1	70.4	-0.7 pps
Young (15-24)	64.0	65.3	62.8	59.5	58.5	-1.0 pps
Prime age (25-54)	82.3	84.0	82.5	80.3	78.9	-1.4 pps
Older (55-64)	52.9	51.5	51.7	53.7	55.3	1.6 pps
6 - **Employed persons** (15-64, 1000 pers.)	2758.7	2806.7	2724.1	2654.0	2643.1	-0.4 %
7 - **Employment growth** (%, National accounts)	2.8	1.7	-2.4	-2.3	-0.4	1.9 pps
Employment growth (%, 15-64, LFS)	-0.1	1.7	-2.9	-2.6	-0.4	2.2 pps
Male	-0.3	1.6	-4.2	-3.0	0.2	3.2 pps
Female	0.1	1.8	-1.5	-2.1	-1.1	1.0 pps
8 - **Self employed** (% of total employment)	8.0	8.0	8.6	8.4	8.4	0.0 pps
Male	6.0	6.0	6.3	6.0	6.1	0.0 pps
Female	2.1	2.0	2.3	2.4	2.3	-0.1 pps
9 - **Temporary employment** (% of total employment)	9.0	8.5	8.7	8.5	8.9	0.4 pps
Male	7.7	7.6	7.8	8.1	8.3	0.2 pps
Female	10.3	9.4	9.6	8.8	9.4	0.6 pps
10 - **Part-time** (% of total employment)	23.0	23.8	25.2	25.6	25.1	-0.5 pps
Male	12.4	13.3	14.3	14.0	14.2	0.2 pps
Female	35.1	35.6	37.2	38.1	37.0	-1.1 pps
11 - **Unemployment rate** (harmonised:15-74)	3.8	3.4	6.0	7.5	7.6	0.1 pps
Young (15-24)	7.5	8.0	11.8	14.0	14.2	0.2 pps
Prime age (25-49)	3.2	2.7	5.4	6.7	6.8	0.1 pps
Older (55-64)	3.4	2.6	4.1	5.5	5.7	0.2 pps
Low-skilled (15-64)	5.7	5.5	9.3	11.3	11.6	0.3 pps
Medium-skilled (15-64)	3.0	2.8	5.6	6.9	6.8	-0.1 pps
High-skilled (15-64)	3.0	2.3	3.7	4.8	5.3	0.5 pps
Nationals (15-64)	3.5	3.2	5.8	7.1	7.1	0.0 pps
Non-nationals (15-64)	9.2	8.7	11.8	15.0	16.5	1.5 pps
Male	3.4	3.2	6.6	8.4	7.7	-0.7 pps
Female	4.2	3.7	5.3	6.5	7.5	1.0 pps
12 - **Long-term unemployment rate** (% of total unemployment)	16.1	13.5	9.5	20.2	24.4	4.2 pps
13 - **Worked hours** (average actual weekly hours)	39.3	39.1	39.1	39.5	39.8	0.8 %
Male	40.5	40.4	40.3	40.8	41.1	0.7 %
Female	37.2	37.1	37.3	37.6	37.8	0.5 %
14 - **Sectoral employment growth** (% change)						
Agriculture	:	0.0	1.4	-2.7	-1.4	1.3 pps
Building and construction	4.3	1.0	-10.3	-6.3	0.0	6.3 pps
Services	2.9	2.9	-3.1	-2.9	:	: pps
Manufacturing industry	:	1.9	-10.0	-7.3	-0.9	6.4 pps
15 - **Indicator board on wage developments** (% change)						
Compensation per employee	3.6	3.5	1.8	2.7	1.6	-1.0 pps
Real compensation per employee based on GDP	1.3	-0.7	0.8	-1.2	0.8	2.0 pps
Hourly labour costs (Eurostat labour cost index)	3.4	3.7	2.8	3.1	2.8	-0.3 pps
Wage and salaries	6.5	5.8	-0.4	-0.7	1.3	2.0 pps
Labour productivity (GDP/person employed)	-1.1	-2.4	-3.5	3.6	1.2	-2.4 pps

Germany	2007	2008	2009	2010	2011	2010-2011
1 - **Population** (total, 1000 pers.)	81363	81265	80967	80760	80806	0.1 %
2 - **Population** (working age:15-64, 1000 pers.)	54229	54066	53763	53546	53730	0.3 %
(% of total population)	66.7	66.5	66.4	66.3	66.5	0.2 pps
3 - **Labour force** (15-64, 1000 pers.)	40992	41032	41030	41015	41474	1.1 %
Male	22313	22313	22232	22175	22329	0.7 %
Female	18679	18719	18798	18839	19145	1.6 %
4 - **Activity rate** (% of population 15-64)	75.6	75.9	76.3	76.6	77.2	0.6 pps
Young (15-24)	51.5	52.2	51.8	51.3	52.5	1.1 pps
Prime age (25-54)	87.2	87.0	87.1	87.3	87.7	0.4 pps
Older (55-64)	57.2	58.7	61.0	62.5	64.0	1.6 pps
Nationals (15-64)	76.7	77.0	77.4	77.7	78.3	0.6 pps
Non-nationals (15-64)	66.8	66.8	67.5	67.5	68.4	0.9 pps
Male	81.7	82.0	82.2	82.3	82.5	0.2 pps
Young (15-24)	54.0	54.7	54.3	53.7	54.8	1.1 pps
Prime age (25-54)	93.8	93.5	93.2	93.1	93.1	0.0 pps
Older (55-64)	65.8	67.2	69.3	70.8	71.7	0.9 pps
Female	69.4	69.7	70.4	70.8	71.8	1.0 pps
Young (15-24)	49.0	49.5	49.2	48.9	50.0	1.2 pps
Prime age (25-54)	80.6	80.5	81.0	81.3	82.1	0.8 pps
Older (55-64)	48.9	50.5	52.9	54.5	56.7	2.2 pps
5 - **Employment rate** (% of population 15-64)	69.0	70.1	70.3	71.1	72.5	1.4 pps
Young (15-24)	45.4	46.6	46.0	46.2	47.9	1.7 pps
Prime age (25-54)	80.3	80.9	80.8	81.5	82.8	1.4 pps
Older (55-64)	51.3	53.7	56.1	57.7	59.9	2.2 pps
Low-skilled (15-64)	44.8	45.6	45.3	45.4	46.5	1.0 pps
Medium-skilled (15-64)	73.1	74.0	73.9	74.7	75.8	1.1 pps
High-skilled (15-64)	85.3	85.7	86.3	86.7	87.6	0.9 pps
Nationals (15-64)	63.0	64.0	64.1	64.9	66.0	1.1 pps
Non-nationals (15-64)	5.8	6.0	6.2	6.2	6.6	0.3 pps
Male	74.7	75.8	75.4	76.0	77.3	1.3 pps
Young (15-24)	47.2	48.7	47.5	47.9	49.7	1.8 pps
Prime age (25-54)	86.4	87.1	86.1	86.5	87.7	1.2 pps
Older (55-64)	59.4	61.7	63.8	65.0	67.0	1.9 pps
Female	63.2	64.3	65.2	66.1	67.7	1.6 pps
Young (15-24)	43.5	44.5	44.4	44.6	46.1	1.6 pps
Prime age (25-54)	74.0	74.7	75.4	76.3	77.8	1.5 pps
Older (55-64)	43.4	46.0	48.6	50.5	53.0	2.5 pps
6 - **Employed persons** (15-64, 1000 pers.)	37397.2	37902.3	37807.8	38072.7	38979.3	2.4 %
7 - **Employment growth** (%, National accounts)	1.7	1.2	0.1	0.6	1.4	0.8 pps
Employment growth (%, 15-64, LFS)	2.1	1.4	-0.2	0.7	2.4	1.7 pps
Male	1.9	1.2	-1.1	0.4	2.2	1.8 pps
Female	2.3	1.5	0.8	1.1	2.6	1.6 pps
8 - **Self employed** (% of total employment)	10.5	10.3	10.5	10.5	10.5	0.0 pps
Male	7.2	7.0	7.1	7.1	7.1	0.0 pps
Female	3.3	3.2	3.3	3.4	3.4	0.0 pps
9 - **Temporary employment** (% of total employment)	14.7	14.8	14.6	14.7	14.8	0.1 pps
Male	14.7	14.7	14.4	14.5	14.6	0.1 pps
Female	14.7	14.8	14.8	15.0	14.9	-0.1 pps
10 - **Part-time** (% of total employment)	25.4	25.1	25.3	25.5	25.7	0.2 pps
Male	8.5	8.3	8.6	8.7	9.0	0.3 pps
Female	45.6	45.2	44.9	45.0	45.1	0.1 pps
11 - **Unemployment rate** (harmonised:15-74)	8.7	7.5	7.8	7.1	5.9	-1.2 pps
Young (15-24)	11.9	10.6	11.2	9.9	8.6	-1.3 pps
Prime age (25-49)	7.9	7.0	7.3	6.7	5.5	-1.2 pps
Older (55-64)	10.3	8.5	8.0	7.7	6.5	-1.2 pps
Low-skilled (15-64)	17.3	15.6	15.9	15.1	13.4	-1.7 pps
Medium-skilled (15-64)	8.3	7.3	7.7	7.0	5.8	-1.2 pps
High-skilled (15-64)	3.9	3.4	3.4	3.2	2.5	-0.7 pps
Nationals (15-64)	8.0	6.9	7.1	6.5	5.5	-1.0 pps
Non-nationals (15-64)	16.3	14.2	14.9	13.8	11.3	-2.5 pps
Male	8.6	7.4	8.1	7.5	6.2	-1.3 pps
Female	8.8	7.7	7.3	6.6	5.6	-1.0 pps
12 - **Long-term unemployment rate** (% of total unemployment)	56.6	52.5	45.5	47.4	48.0	0.6 pps
13 - **Worked hours** (average actual weekly hours)	42.3	42.1	41.4	41.7	41.8	0.2 %
Male	43.2	43.0	42.2	42.5	42.7	0.5 %
Female	40.4	40.4	39.8	40.0	40.1	0.2 %
14 - **Sectoral employment growth** (% change)						
Agriculture	:	0.8	0.3	-0.9	0.6	1.5 pps
Building and construction	1.6	-0.6	0.4	1.2	1.7	0.5 pps
Services	1.8	1.3	-0.1	1.1	:	: pps
Manufacturing industry	:	2.1	-2.7	-1.7	1.9	3.6 pps
15 - **Indicator board on wage developments** (% change)						
Compensation per employee	0.8	2.1	0.2	2.4	3.0	0.6 pps
Real compensation per employee based on GDP	-0.8	1.3	-1.1	1.4	2.2	0.8 pps
Hourly labour costs (Eurostat labour cost index)	0.9	2.4	2.1	0.6	3.4	2.8 pps
Wage and salaries	3.2	3.8	0.1	2.9	4.8	1.9 pps
Labour productivity (GDP/person employed)	1.5	-0.1	-5.2	3.6	1.6	-2.0 pps

Estonia	2007	2008	2009	2010	2011	2010-2011
1 - **Population** (total, 1000 pers.)	1338	1336	1336	1335	1337	0.1 %
2 - **Population** (working age:15-64, 1000 pers.)	909	907	906	904	903	-0.2 %
(% of total population)	68.0	67.9	67.8	67.7	67.6	-0.2 pps
3 - **Labour force** (15-64, 1000 pers.)	663	671	670	667	674	1.1 %
Male	338	340	337	333	339	1.7 %
Female	325	331	333	334	335	0.4 %
4 - **Activity rate** (% of population 15-64)	72.9	74.0	74.0	73.8	74.7	0.9 pps
Young (15-24)	38.3	41.4	39.9	38.3	40.6	2.3 pps
Prime age (25-54)	88.5	88.1	87.8	88.2	88.3	0.1 pps
Older (55-64)	62.1	65.1	66.7	64.2	64.7	0.5 pps
Nationals (15-64)	72.2	73.0	72.8	72.6	73.8	1.2 pps
Non-nationals (15-64)	76.3	79.0	79.2	79.6	79.6	0.0 pps
Male	77.5	78.3	77.6	76.8	78.1	1.3 pps
Young (15-24)	44.2	45.3	45.0	42.3	44.0	1.7 pps
Prime age (25-54)	93.6	92.9	91.9	91.8	92.1	0.4 pps
Older (55-64)	63.7	68.8	67.4	64.5	67.1	2.6 pps
Female	68.7	70.1	70.6	71.0	71.5	0.5 pps
Young (15-24)	32.3	37.4	34.7	34.2	37.1	2.9 pps
Prime age (25-54)	83.7	83.6	83.9	84.9	84.7	-0.2 pps
Older (55-64)	61.0	62.3	66.1	63.9	62.9	-1.1 pps
5 - **Employment rate** (% of population 15-64)	69.4	69.8	63.5	61.0	65.1	4.1 pps
Young (15-24)	34.5	36.4	28.9	25.7	31.5	5.8 pps
Prime age (25-54)	84.8	83.9	76.4	74.8	78.1	3.3 pps
Older (55-64)	60.0	62.4	60.5	53.8	57.2	3.4 pps
Low-skilled (15-64)	33.1	34.9	27.7	26.2	30.9	4.7 pps
Medium-skilled (15-64)	74.4	75.4	66.3	63.3	68.6	5.4 pps
High-skilled (15-64)	86.8	85.2	82.1	78.5	79.1	0.5 pps
Nationals (15-64)	57.9	57.9	52.8	51.6	55.6	4.0 pps
Non-nationals (15-64)	11.5	12.0	10.7	9.4	9.6	0.1 pps
Male	73.2	73.6	64.1	61.5	67.7	6.1 pps
Young (15-24)	38.8	39.5	30.7	27.4	33.6	6.2 pps
Prime age (25-54)	89.7	88.5	77.4	75.7	81.5	5.8 pps
Older (55-64)	59.4	65.2	59.4	52.3	57.3	5.0 pps
Female	65.9	66.3	63.0	60.5	62.8	2.3 pps
Young (15-24)	30.0	33.2	27.0	24.0	29.4	5.5 pps
Prime age (25-54)	80.1	79.5	75.5	73.9	74.8	0.9 pps
Older (55-64)	60.4	60.3	61.2	54.9	57.1	2.2 pps
6 - **Employed persons** (15-64, 1000 pers.)	630.7	633.5	575.8	551.8	588.2	6.6 %
7 - **Employment growth** (%, National accounts)	0.8	0.2	-10.0	-4.8	7.0	11.8 pps
Employment growth (%, 15-64, LFS)	1.5	0.4	-9.1	-4.2	6.6	10.8 pps
Male	2.7	0.3	-13.0	-4.2	10.0	14.2 pps
Female	0.4	0.5	-5.1	-4.2	3.4	7.6 pps
8 - **Self employed** (% of total employment)	8.7	7.5	8.0	7.9	8.0	0.1 pps
Male	6.2	5.2	5.4	5.4	5.7	0.3 pps
Female	2.5	2.3	2.6	2.5	2.4	-0.2 pps
9 - **Temporary employment** (% of total employment)	2.2	2.4	2.5	3.7	4.5	0.8 pps
Male	2.8	3.5	3.1	4.9	5.5	0.6 pps
Female	:	:	2.0	2.7	3.5	0.8 pps
10 - **Part-time** (% of total employment)	7.2	6.4	9.4	9.8	9.3	-0.5 pps
Male	3.8	3.5	6.1	6.2	5.0	-1.2 pps
Female	10.6	9.3	12.5	13.1	13.5	0.4 pps
11 - **Unemployment rate** (harmonised:15-74)	4.7	5.5	13.8	16.9	12.5	-4.4 pps
Young (15-24)	10.0	12.0	27.5	32.9	22.3	-10.6 pps
Prime age (25-49)	4.3	4.7	13.0	15.4	11.8	-3.6 pps
Older (55-64)	0.0	0.0	9.4	16.2	11.6	-4.6 pps
Low-skilled (15-64)	11.7	12.2	29.9	32.4	27.4	-5.0 pps
Medium-skilled (15-64)	4.9	5.9	16.1	19.6	13.0	-6.6 pps
High-skilled (15-64)	0.0	3.0	6.4	9.5	8.2	-1.3 pps
Nationals (15-64)	4.0	4.6	12.1	14.5	11.0	-3.5 pps
Non-nationals (15-64)	8.5	10.2	22.6	29.7	21.9	-7.8 pps
Male	5.4	5.8	16.9	19.5	13.1	-6.4 pps
Female	3.9	5.3	10.6	14.3	11.8	-2.5 pps
12 - **Long-term unemployment rate** (% of total unemployment)	49.2	30.1	27.4	45.3	56.8	11.5 pps
13 - **Worked hours** (average actual weekly hours)	41.3	40.6	39.5	40.5	40.6	0.2 %
Male	41.9	41.1	39.9	41.2	41.1	-0.2 %
Female	40.6	40.0	39.0	39.8	40.1	0.8 %
14 - **Sectoral employment growth** (% change)						
Agriculture	:	-15.6	-9.7	2.2	13.5	11.3 pps
Building and construction	27.6	-4.0	-31.0	-26.1	23.8	49.9 pps
Services	-1.4	3.8	-7.5	-4.2	:	: pps
Manufacturing industry	:	3.2	-15.8	-5.7	12.7	18.4 pps
15 - **Indicator board on wage developments** (% change)						
Compensation per employee	25.0	9.7	-3.4	1.4	1.4	0.0 pps
Real compensation per employee based on GDP	12.0	4.2	-2.4	0.3	-2.2	-2.6 pps
Hourly labour costs (Eurostat labour cost index)	20.0	14.0	-1.8	-2.0	4.6	6.6 pps
Wage and salaries	24.3	11.1	-14.6	-3.9	8.5	12.4 pps
Labour productivity (GDP/person employed)	6.6	-3.8	-4.7	7.4	0.6	-6.8 pps

Ireland		2007	2008	2009	2010	2011	2010-2011
1	- **Population** (total, 1000 pers.)	4357	4440	4468	4476	4491	0.3 %
2	- **Population** (working age:15-64, 1000 pers.)	2997	3041	3028	3002	2979	-0.8 %
	(% of total population)	68.8	68.5	67.8	67.1	66.3	-0.7 pps
3	- **Labour force** (15-64, 1000 pers.)	2174	2189	2143	2094	2067	-1.3 %
	Male	1236	1236	1195	1157	1138	-1.7 %
	Female	938	953	948	937	929	-0.9 %
4	- **Activity rate** (% of population 15-64)	72.5	72.0	70.8	69.8	69.4	-0.4 pps
	Young (15-24)	55.4	52.6	47.4	42.3	39.9	-2.4 pps
	Prime age (25-54)	81.9	81.6	81.1	80.7	80.3	-0.3 pps
	Older (55-64)	55.1	55.5	54.8	54.9	55.3	0.4 pps
	Nationals (15-64)	71.5	71.0	70.0	69.3	68.9	-0.4 pps
	Non-nationals (15-64)	78.9	77.3	75.4	73.1	73.3	0.3 pps
	Male	81.6	80.7	78.8	77.4	76.8	-0.6 pps
	Young (15-24)	58.8	55.2	48.6	43.1	40.6	-2.5 pps
	Prime age (25-54)	91.6	91.3	90.3	89.6	89.1	-0.5 pps
	Older (55-64)	69.6	68.6	66.7	65.3	65.0	-0.3 pps
	Female	63.3	63.1	62.7	62.2	62.1	-0.1 pps
	Young (15-24)	51.9	49.9	46.1	41.5	39.1	-2.4 pps
	Prime age (25-54)	71.9	71.8	71.9	71.8	71.7	-0.1 pps
	Older (55-64)	40.4	42.2	42.9	44.5	45.6	1.1 pps
5	- **Employment rate** (% of population 15-64)	69.2	67.6	62.2	60.1	59.2	-0.9 pps
	Young (15-24)	50.4	45.9	35.8	30.5	28.2	-2.4 pps
	Prime age (25-54)	78.6	77.3	72.4	70.4	69.4	-1.0 pps
	Older (55-64)	53.8	53.7	51.3	50.2	50.0	-0.1 pps
	Low-skilled (15-64)	49.4	46.9	40.5	37.2	35.5	-1.7 pps
	Medium-skilled (15-64)	74.2	71.9	64.8	61.5	60.0	-1.5 pps
	High-skilled (15-64)	85.6	84.4	80.9	79.8	79.8	-0.1 pps
	Nationals (15-64)	58.5	56.7	53.4	52.5	52.0	-0.5 pps
	Non-nationals (15-64)	10.6	10.9	8.9	7.6	7.2	-0.3 pps
	Male	77.5	74.9	66.9	64.1	63.1	-1.0 pps
	Young (15-24)	53.0	46.7	33.5	28.4	26.3	-2.1 pps
	Prime age (25-54)	87.7	85.5	77.8	75.2	74.1	-1.0 pps
	Older (55-64)	67.8	66.1	61.3	58.2	57.2	-1.0 pps
	Female	60.6	60.2	57.6	56.1	55.4	-0.7 pps
	Young (15-24)	47.8	45.1	38.1	32.6	30.0	-2.6 pps
	Prime age (25-54)	69.3	69.0	66.9	65.7	64.8	-1.0 pps
	Older (55-64)	39.5	41.1	41.1	42.1	42.9	0.8 pps
6	- **Employed persons** (15-64, 1000 pers.)	2072.6	2054.8	1884.8	1803.8	1764.0	-2.2 %
7	- **Employment growth** (%, National accounts)	3.6	-1.1	-8.1	-4.2	-2.1	2.1 pps
	Employment growth (%, 15-64, LFS)	3.4	-0.9	-8.3	-4.3	-2.2	2.1 pps
	Male	2.2	-2.4	-11.5	-5.5	-2.4	3.1 pps
	Female	5.0	1.2	-4.1	-2.9	-2.0	1.0 pps
8	- **Self employed** (% of total employment)	15.4	15.7	16.0	15.4	15.1	-0.3 pps
	Male	12.7	12.8	13.0	12.3	12.0	-0.3 pps
	Female	2.6	2.8	3.0	3.1	3.1	0.0 pps
9	- **Temporary employment** (% of total employment)	8.0	8.4	8.6	9.3	9.9	0.6 pps
	Male	6.7	7.1	7.5	8.6	9.5	0.9 pps
	Female	9.5	9.8	9.6	10.0	10.3	0.3 pps
10	- **Part-time** (% of total employment)	17.3	18.1	20.9	22.0	22.9	0.9 pps
	Male	6.4	7.1	10.0	11.1	12.2	1.1 pps
	Female	31.6	31.9	33.5	34.3	35.1	0.8 pps
11	- **Unemployment rate** (harmonised:15-74)	4.6	6.3	11.9	13.7	14.4	0.7 pps
	Young (15-24)	9.0	12.7	24.3	27.8	29.4	1.6 pps
	Prime age (25-49)	4.1	5.4	11.2	13.1	14.1	1.0 pps
	Older (55-64)	2.4	3.3	6.5	8.7	9.5	0.8 pps
	Low-skilled (15-64)	7.6	10.1	17.9	22.0	24.1	2.1 pps
	Medium-skilled (15-64)	4.4	6.2	13.5	15.9	17.1	1.2 pps
	High-skilled (15-64)	2.7	3.4	7.1	7.7	7.7	0.0 pps
	Nationals (15-64)	4.4	5.8	11.4	13.3	14.3	1.0 pps
	Non-nationals (15-64)	6.1	7.7	15.8	17.4	17.5	0.1 pps
	Male	4.9	7.4	14.9	16.9	17.5	0.6 pps
	Female	4.1	4.9	8.0	9.7	10.6	0.9 pps
12	- **Long-term unemployment rate** (% of total unemployment)	29.6	27.1	29.2	49.3	59.4	10.1 pps
13	- **Worked hours** (average actual weekly hours)	40.5	40.2	39.5	39.6	39.7	0.3 %
	Male	42.4	42.0	41.4	41.6	41.7	0.2 %
	Female	36.9	36.8	36.2	36.4	36.5	0.3 %
14	- **Sectoral employment growth** (% change)						
	Agriculture	:	3.8	-16.3	-11.5	-2.3	9.2 pps
	Building and construction	3.2	-11.8	-33.8	-23.1	-10.7	12.4 pps
	Services	4.7	-0.2	-5.5	-2.9	:	: pps
	Manufacturing industry	:	-4.4	-10.2	-6.2	-1.6	4.6 pps
15	- **Indicator board on wage developments** (% change)						
	Compensation per employee	5.8	5.4	-1.2	-3.2	-0.2	3.0 pps
	Real compensation per employee based on GDP	5.2	8.8	3.9	-0.9	0.0	0.9 pps
	Hourly labour costs (Eurostat labour cost index)	4.6	4.5	3.1	-0.6	-1.7	-1.1 pps
	Wage and salaries	8.6	3.6	-9.4	-6.5	:	: pps
	Labour productivity (GDP/person employed)	1.5	-1.9	1.2	4.0	2.8	-1.2 pps

Greece	2007	2008	2009	2010	2011	2010-2011
1 - **Population** (total, 1000 pers.)	10754	10780	10839	10882	10925	0.4 %
2 - **Population** (working age:15-64, 1000 pers.)	7208	7232	7222	7231	7230	0.0 %
(% of total population)	67.0	67.1	66.6	66.5	66.2	-0.3 pps
3 - **Labour force** (15-64, 1000 pers.)	4829	4851	4894	4934	4892	-0.9 %
Male	2849	2860	2857	2858	2819	-1.4 %
Female	1981	1991	2036	2077	2073	-0.2 %
4 - **Activity rate** (% of population 15-64)	67.0	67.1	67.8	68.2	67.7	-0.6 pps
Young (15-24)	31.1	30.2	30.9	30.3	29.2	-1.1 pps
Prime age (25-54)	81.9	82.0	82.8	83.3	83.2	-0.1 pps
Older (55-64)	43.9	44.2	44.2	45.1	43.1	-2.1 pps
Nationals (15-64)	66.6	66.6	67.1	67.5	67.0	-0.5 pps
Non-nationals (15-64)	73.3	73.6	74.8	75.8	74.6	-1.2 pps
Male	79.1	79.1	79.0	78.9	77.7	-1.1 pps
Young (15-24)	34.7	34.3	34.4	33.4	31.8	-1.6 pps
Prime age (25-54)	94.6	94.4	94.4	94.2	93.5	-0.7 pps
Older (55-64)	60.8	60.9	60.1	60.2	57.3	-2.9 pps
Female	54.9	55.1	56.5	57.6	57.5	0.0 pps
Young (15-24)	27.6	26.1	27.4	27.3	26.6	-0.6 pps
Prime age (25-54)	69.1	69.4	71.0	72.2	72.7	0.5 pps
Older (55-64)	28.2	28.6	29.3	30.9	29.7	-1.2 pps
5 - **Employment rate** (% of population 15-64)	61.4	61.9	61.2	59.6	55.6	-4.0 pps
Young (15-24)	24.0	23.6	22.9	20.3	16.3	-4.1 pps
Prime age (25-54)	75.6	76.1	75.4	73.3	69.0	-4.4 pps
Older (55-64)	42.4	42.8	42.2	42.3	39.4	-2.9 pps
Low-skilled (15-64)	52.3	52.4	51.9	50.0	45.7	-4.3 pps
Medium-skilled (15-64)	60.8	61.2	60.4	58.6	54.4	-4.2 pps
High-skilled (15-64)	81.9	82.1	81.6	78.9	74.1	-4.8 pps
Nationals (15-64)	56.9	56.8	55.4	53.9	50.7	-3.3 pps
Non-nationals (15-64)	4.4	5.1	5.8	5.6	4.9	-0.7 pps
Male	74.9	75.0	73.5	70.9	65.9	-5.0 pps
Young (15-24)	29.2	28.5	27.7	24.5	19.6	-4.9 pps
Prime age (25-54)	90.1	90.2	88.4	85.3	80.0	-5.4 pps
Older (55-64)	59.1	59.1	57.7	56.5	52.3	-4.2 pps
Female	47.9	48.7	48.9	48.1	45.1	-3.0 pps
Young (15-24)	18.7	18.5	18.1	16.2	12.9	-3.3 pps
Prime age (25-54)	60.8	61.9	62.2	61.1	57.7	-3.4 pps
Older (55-64)	26.9	27.5	27.7	28.9	27.3	-1.6 pps
6 - **Employed persons** (15-64, 1000 pers.)	4423.5	4473.7	4423.2	4306.5	4016.6	-6.7 %
7 - **Employment growth** (%, National accounts)	1.6	0.8	-0.2	-1.9	-6.7	-4.8 pps
Employment growth (%, 15-64, LFS)	1.3	1.1	-1.1	-2.6	-6.7	-4.1 pps
Male	1.3	0.5	-2.0	-3.3	-7.0	-3.7 pps
Female	1.4	2.1	0.3	-1.6	-6.4	-4.8 pps
8 - **Self employed** (% of total employment)	28.7	28.8	29.2	29.6	30.4	0.7 pps
Male	20.9	20.6	20.9	20.9	21.2	0.4 pps
Female	7.8	8.2	8.3	8.7	9.1	0.4 pps
9 - **Temporary employment** (% of total employment)	10.9	11.5	12.1	12.4	11.6	-0.8 pps
Male	9.3	9.9	10.6	11.0	10.5	-0.5 pps
Female	13.2	13.7	14.1	14.4	12.9	-1.5 pps
10 - **Part-time** (% of total employment)	5.4	5.4	5.8	6.2	6.6	0.4 pps
Male	2.5	2.5	2.9	3.4	4.2	0.8 pps
Female	9.9	9.8	10.1	10.2	10.0	-0.2 pps
11 - **Unemployment rate** (harmonised:15-74)	8.3	7.7	9.5	12.6	17.7	5.1 pps
Young (15-24)	22.9	22.1	25.8	32.9	44.4	11.5 pps
Prime age (25-49)	8.3	7.6	9.4	12.6	18.0	5.4 pps
Older (55-64)	3.4	3.2	4.6	6.3	8.5	2.2 pps
Low-skilled (15-64)	7.8	7.6	9.7	12.9	18.5	5.6 pps
Medium-skilled (15-64)	9.8	8.8	11.0	14.5	20.1	5.6 pps
High-skilled (15-64)	7.1	6.3	7.4	9.8	14.0	4.2 pps
Nationals (15-64)	8.5	7.9	9.5	12.5	17.6	5.1 pps
Non-nationals (15-64)	7.5	6.8	10.5	15.0	20.7	5.7 pps
Male	5.2	5.1	6.9	9.9	15.0	5.1 pps
Female	12.8	11.4	13.2	16.2	21.4	5.2 pps
12 - **Long-term unemployment rate** (% of total unemployment)	49.9	47.5	40.8	45.0	49.6	4.6 pps
13 - **Worked hours** (average actual weekly hours)	42.4	42.2	42.1	42.3	42.4	0.2 %
Male	43.7	43.5	43.4	43.5	43.5	0.0 %
Female	40.1	40.1	39.9	40.2	40.6	1.0 %
14 - **Sectoral employment growth** (% change)						
Agriculture	:	-0.5	2.5	2.1	-7.7	-9.8 pps
Building and construction	6.3	-0.7	-4.5	-10.6	-22.6	-12.0 pps
Services	2.1	1.7	-0.4	-2.0	:	: pps
Manufacturing industry	:	2.0	-1.0	-5.5	-11.5	-6.0 pps
15 - **Indicator board on wage developments** (% change)						
Compensation per employee	5.0	6.1	4.0	-3.3	-3.2	0.2 pps
Real compensation per employee based on GDP	1.4	1.3	1.1	-5.0	-4.7	0.2 pps
Hourly labour costs (Eurostat labour cost index)	3.3	2.6	7.6	-1.0	:	: pps
Wage and salaries	7.0	7.1	4.8	-6.0	-10.4	-4.4 pps
Labour productivity (GDP/person employed)	1.4	-0.9	-3.0	-1.7	-0.2	1.5 pps

Spain		2007	2008	2009	2010	2011	2010-2011
1	- **Population** (total, 1000 pers.)	44630	45329	45671	45820	45908	0.2 %
2	- **Population** (working age:15-64, 1000 pers.)	30808	31252	31349	31261	31127	-0.4 %
	(% of total population)	69.0	68.9	68.6	68.2	67.8	-0.4 pps
3	- **Labour force** (15-64, 1000 pers.)	22043	22689	22881	22933	22949	0.1 %
	Male	12702	12933	12844	12730	12596	-1.1 %
	Female	9341	9756	10037	10203	10354	1.5 %
4	- **Activity rate** (% of population 15-64)	71.6	72.6	73.0	73.4	73.7	0.4 pps
	Young (15-24)	47.8	47.7	45.1	42.7	40.9	-1.8 pps
	Prime age (25-54)	82.8	83.8	84.7	85.5	86.0	0.5 pps
	Older (55-64)	47.4	49.2	50.2	50.8	52.3	1.5 pps
	Nationals (15-64)	70.5	71.5	71.9	72.2	72.8	0.6 pps
	Non-nationals (15-64)	78.5	79.1	79.0	80.0	79.4	-0.6 pps
	Male	81.4	81.8	81.0	80.7	80.4	-0.3 pps
	Young (15-24)	52.1	51.5	48.3	45.1	42.6	-2.5 pps
	Prime age (25-54)	92.6	92.6	92.3	92.5	92.6	0.1 pps
	Older (55-64)	63.1	65.1	64.0	63.9	63.7	-0.2 pps
	Female	61.4	63.2	64.8	65.9	67.0	1.1 pps
	Young (15-24)	43.3	43.7	41.7	40.1	39.1	-1.0 pps
	Prime age (25-54)	72.7	74.7	76.7	78.3	79.3	1.0 pps
	Older (55-64)	32.5	34.2	37.2	38.5	41.7	3.2 pps
5	- **Employment rate** (% of population 15-64)	65.6	64.3	59.8	58.6	57.7	-0.9 pps
	Young (15-24)	39.1	36.0	28.0	24.9	21.9	-3.0 pps
	Prime age (25-54)	76.8	75.3	70.7	69.6	68.7	-0.9 pps
	Older (55-64)	44.6	45.6	44.1	43.6	44.5	0.9 pps
	Low-skilled (15-64)	57.5	55.5	49.6	48.2	47.3	-1.0 pps
	Medium-skilled (15-64)	68.2	67.4	62.6	60.6	58.7	-1.9 pps
	High-skilled (15-64)	82.5	81.7	79.0	77.5	76.5	-1.0 pps
	Nationals (15-64)	56.6	55.0	51.4	50.4	50.1	-0.4 pps
	Non-nationals (15-64)	9.0	9.3	8.4	8.1	7.6	-0.5 pps
	Male	76.2	73.5	66.6	64.7	63.2	-1.4 pps
	Young (15-24)	44.2	39.3	29.5	25.6	22.1	-3.6 pps
	Prime age (25-54)	87.6	84.4	77.3	75.7	74.5	-1.3 pps
	Older (55-64)	60.0	60.9	56.7	54.7	53.9	-0.8 pps
	Female	54.7	54.9	52.8	52.3	52.0	-0.3 pps
	Young (15-24)	33.8	32.5	26.5	24.2	21.8	-2.4 pps
	Prime age (25-54)	65.6	65.9	63.8	63.2	62.7	-0.5 pps
	Older (55-64)	30.0	31.1	32.3	33.2	35.6	2.4 pps
6	- **Employed persons** (15-64, 1000 pers.)	20211.3	20102.8	18736.0	18304.1	17953.3	-1.9 %
7	- **Employment growth** (%, National accounts)	3.0	-0.1	-6.5	-2.5	-1.5	1.0 pps
	Employment growth (%, 15-64, LFS)	3.1	-0.5	-6.8	-2.3	-1.9	0.4 pps
	Male	2.1	-2.2	-9.2	-3.3	-2.9	0.4 pps
	Female	4.6	1.9	-3.5	-1.0	-0.7	0.3 pps
8	- **Self employed** (% of total employment)	16.3	16.3	15.7	15.7	15.5	-0.2 pps
	Male	11.5	11.4	10.8	10.8	10.5	-0.3 pps
	Female	4.8	4.9	5.0	4.9	5.0	0.0 pps
9	- **Temporary employment** (% of total employment)	31.7	29.3	25.5	25.0	25.4	0.4 pps
	Male	30.6	27.7	23.8	23.9	24.2	0.3 pps
	Female	33.1	31.4	27.3	26.2	26.6	0.4 pps
10	- **Part-time** (% of total employment)	11.6	11.8	12.6	13.1	13.7	0.6 pps
	Male	3.9	4.0	4.7	5.2	5.9	0.7 pps
	Female	22.7	22.6	22.9	23.1	23.4	0.3 pps
11	- **Unemployment rate** (harmonised:15-74)	8.3	11.3	18.0	20.1	21.7	1.6 pps
	Young (15-24)	18.2	24.6	37.8	41.6	46.4	4.8 pps
	Prime age (25-49)	7.4	10.4	17.1	19.2	20.8	1.6 pps
	Older (55-64)	5.9	7.3	12.1	14.1	15.0	0.9 pps
	Low-skilled (15-64)	10.5	15.4	24.7	27.5	29.2	1.7 pps
	Medium-skilled (15-64)	8.1	10.6	17.1	19.3	21.5	2.2 pps
	High-skilled (15-64)	5.3	6.4	9.8	11.3	12.7	1.4 pps
	Nationals (15-64)	7.7	10.3	16.1	18.3	19.7	1.4 pps
	Non-nationals (15-64)	12.2	17.5	28.5	30.2	32.9	2.7 pps
	Male	6.4	10.1	17.7	19.7	21.2	1.5 pps
	Female	10.9	13.0	18.4	20.5	22.2	1.7 pps
12	- **Long-term unemployment rate** (% of total unemployment)	20.4	17.8	23.7	36.6	41.6	5.0 pps
13	- **Worked hours** (average actual weekly hours)	41.1	41.0	40.7	40.7	40.7	0.0 %
	Male	42.0	41.9	41.6	41.6	41.6	0.0 %
	Female	39.5	39.4	39.2	39.3	39.3	0.0 %
14	- **Sectoral employment growth** (% change)						
	Agriculture	:	-3.9	-4.8	1.1	-3.2	-4.3 pps
	Building and construction	5.6	-11.4	-22.2	-12.6	-15.6	-3.0 pps
	Services	3.8	2.9	-4.8	-2.2	:	: pps
	Manufacturing industry	:	-1.3	-13.9	-5.2	-0.9	4.3 pps
15	- **Indicator board on wage developments** (% change)						
	Compensation per employee	4.6	6.7	4.3	0.2	0.5	0.3 pps
	Real compensation per employee based on GDP	1.4	3.6	4.2	-0.4	-0.5	-0.1 pps
	Hourly labour costs (Eurostat labour cost index)	4.6	5.1	4.9	0.8	2.8	2.0 pps
	Wage and salaries	8.2	6.0	-2.5	-0.7	:	: pps
	Labour productivity (GDP/person employed)	0.4	1.0	3.0	2.2	2.0	-0.2 pps

France	2007	2008	2009	2010	2011	2010-2011
1 - **Population** (total, 1000 pers.)	60505	60825	61129	61458	61773	0.5 %
2 - **Population** (working age:15-64, 1000 pers.)	39569	39736	39858	39995	40057	0.2 %
(% of total population)	65.4	65.3	65.2	65.1	64.8	-0.2 pps
3 - **Labour force** (15-64, 1000 pers.)	27647	27817	28087	28181	28192	0.0 %
Male	14538	14603	14705	14733	14721	-0.1 %
Female	13109	13214	13383	13448	13471	0.2 %
4 - **Activity rate** (% of population 15-64)	69.9	70.0	70.5	70.5	70.4	-0.1 pps
Young (15-24)	38.4	38.5	39.8	39.1	38.3	-0.8 pps
Prime age (25-54)	88.1	88.6	88.8	88.9	88.5	-0.4 pps
Older (55-64)	40.2	40.0	41.5	42.6	44.4	1.8 pps
Nationals (15-64)	70.2	70.3	70.9	70.9	70.7	-0.1 pps
Non-nationals (15-64)	63.9	64.7	64.0	64.5	65.4	1.0 pps
Male	74.7	74.7	75.0	74.9	74.8	-0.2 pps
Young (15-24)	41.8	42.2	43.1	42.8	41.6	-1.1 pps
Prime age (25-54)	94.2	94.4	94.4	94.2	93.8	-0.5 pps
Older (55-64)	42.7	42.6	44.3	45.3	47.2	1.9 pps
Female	65.2	65.4	66.1	66.1	66.2	0.0 pps
Young (15-24)	35.0	34.8	36.5	35.5	34.9	-0.5 pps
Prime age (25-54)	82.3	83.1	83.4	83.7	83.4	-0.3 pps
Older (55-64)	37.8	37.6	38.9	40.0	41.8	1.8 pps
5 - **Employment rate** (% of population 15-64)	64.3	64.8	64.0	63.9	63.9	0.0 pps
Young (15-24)	31.0	31.4	30.5	30.2	29.9	-0.3 pps
Prime age (25-54)	82.0	83.0	82.0	81.8	81.4	-0.4 pps
Older (55-64)	38.2	38.2	38.9	39.8	41.5	1.8 pps
Low-skilled (15-64)	47.5	47.0	45.8	45.2	45.0	-0.1 pps
Medium-skilled (15-64)	69.2	69.3	68.2	67.8	67.2	-0.6 pps
High-skilled (15-64)	79.2	80.7	79.8	80.2	80.5	0.3 pps
Nationals (15-64)	61.1	61.4	60.8	60.5	60.4	-0.1 pps
Non-nationals (15-64)	3.1	3.3	3.1	3.4	3.4	0.1 pps
Male	69.1	69.5	68.3	68.2	68.2	0.0 pps
Young (15-24)	34.1	34.4	32.7	33.3	32.8	-0.4 pps
Prime age (25-54)	88.2	89.1	87.6	87.1	86.7	-0.4 pps
Older (55-64)	40.5	40.6	41.5	42.2	44.1	1.9 pps
Female	59.6	60.2	59.9	59.7	59.7	0.0 pps
Young (15-24)	27.9	28.3	28.3	27.1	26.9	-0.2 pps
Prime age (25-54)	76.0	77.2	76.6	76.6	76.2	-0.4 pps
Older (55-64)	36.0	35.9	36.6	37.5	39.1	1.6 pps
6 - **Employed persons** (15-64, 1000 pers.)	25425.7	25756.3	25515.1	25545.4	25582.5	0.1 %
7 - **Employment growth** (%, National accounts)	1.4	0.5	-1.3	-0.1	0.5	0.6 pps
Employment growth (%, 15-64, LFS)	1.7	1.3	-0.9	0.1	0.1	0.0 pps
Male	1.0	1.1	-1.5	0.1	0.1	0.0 pps
Female	2.4	1.6	-0.3	0.1	0.1	0.0 pps
8 - **Self employed** (% of total employment)	10.2	9.8	10.2	10.7	10.9	0.1 pps
Male	7.3	6.9	7.3	7.6	7.7	0.1 pps
Female	2.9	3.0	3.0	3.1	3.2	0.1 pps
9 - **Temporary employment** (% of total employment)	15.0	14.8	14.3	14.9	15.2	0.3 pps
Male	14.0	13.7	12.9	14.0	14.6	0.6 pps
Female	16.1	16.1	15.7	15.9	15.8	-0.1 pps
10 - **Part-time** (% of total employment)	17.2	16.8	17.2	17.6	17.6	0.0 pps
Male	5.5	5.6	5.8	6.4	6.5	0.1 pps
Female	30.4	29.4	29.8	30.0	29.9	-0.1 pps
11 - **Unemployment rate** (harmonised:15-74)	8.4	7.8	9.5	9.7	9.6	-0.1 pps
Young (15-24)	19.1	18.6	23.2	22.8	22.0	-0.8 pps
Prime age (25-49)	7.2	6.5	8.0	8.3	8.4	0.1 pps
Older (55-64)	5.1	4.6	6.2	6.6	6.5	-0.1 pps
Low-skilled (15-64)	12.3	11.8	14.4	15.4	15.2	-0.2 pps
Medium-skilled (15-64)	7.2	6.9	8.8	8.8	8.9	0.1 pps
High-skilled (15-64)	5.5	4.5	5.6	5.5	5.4	-0.1 pps
Nationals (15-64)	7.5	7.0	8.7	8.9	8.7	-0.2 pps
Non-nationals (15-64)	16.4	14.1	17.9	17.2	18.2	1.0 pps
Male	7.8	7.3	9.3	9.4	9.1	-0.3 pps
Female	9.0	8.4	9.8	10.1	10.2	0.1 pps
12 - **Long-term unemployment rate** (% of total unemployment)	40.2	37.4	35.2	40.2	41.5	1.3 pps
13 - **Worked hours** (average actual weekly hours)	39.6	39.5	39.4	39.8	39.8	0.0 %
Male	40.8	40.7	40.6	41.0	41.0	0.0 %
Female	37.6	37.7	37.5	38.0	38.0	0.0 %
14 - **Sectoral employment growth** (% change)						
Agriculture	:	-3.1	-2.5	-3.4	-2.5	0.9 pps
Building and construction	4.1	2.8	0.2	-1.6	-0.6	1.0 pps
Services	1.8	0.8	-2.0	0.7	:	: pps
Manufacturing industry	:	-1.3	-4.8	-3.8	-0.9	2.9 pps
15 - **Indicator board on wage developments** (% change)						
Compensation per employee	2.5	2.6	1.8	2.3	2.9	0.5 pps
Real compensation per employee based on GDP	0.0	0.2	1.3	1.5	1.5	0.0 pps
Hourly labour costs (Eurostat labour cost index)	4.0	3.5	0.9	3.1	3.4	0.3 pps
Wage and salaries	4.1	3.1	0.0	2.3	2.9	0.6 pps
Labour productivity (GDP/person employed)	0.9	-0.6	-1.9	1.7	1.2	-0.5 pps

Italy		2007	2008	2009	2010	2011	2010-2011
1	- **Population** (total, 1000 pers.)	58880	59336	59752	60051	60328	0.5 %
2	- **Population** (working age:15-64, 1000 pers.)	38946	39182	39406	39546	39659	0.3 %
	(% of total population)	66.1	66.0	65.9	65.9	65.7	-0.1 pps
3	- **Labour force** (15-64, 1000 pers.)	24350	24696	24591	24594	24686	0.4 %
	Male	14483	14571	14498	14457	14438	-0.1 %
	Female	9867	10125	10093	10137	10248	1.1 %
4	- **Activity rate** (% of population 15-64)	62.5	63.0	62.4	62.2	62.2	0.1 pps
	Young (15-24)	30.9	30.9	29.1	28.4	27.4	-1.0 pps
	Prime age (25-54)	77.6	78.1	77.2	76.9	76.9	0.0 pps
	Older (55-64)	34.6	35.5	37.0	38.0	39.5	1.5 pps
	Nationals (15-64)	61.9	62.3	61.6	61.4	61.4	0.0 pps
	Non-nationals (15-64)	73.2	73.3	72.7	71.4	70.9	-0.5 pps
	Male	74.4	74.4	73.7	73.3	73.1	-0.2 pps
	Young (15-24)	36.1	35.9	34.0	33.2	31.6	-1.6 pps
	Prime age (25-54)	91.0	91.0	90.0	89.4	89.2	-0.2 pps
	Older (55-64)	46.3	47.0	48.5	49.6	50.7	1.1 pps
	Female	50.7	51.6	51.1	51.1	51.5	0.4 pps
	Young (15-24)	25.5	25.7	23.9	23.4	22.9	-0.5 pps
	Prime age (25-54)	64.1	65.2	64.5	64.4	64.6	0.2 pps
	Older (55-64)	23.5	24.7	26.1	27.0	28.9	1.9 pps
5	- **Employment rate** (% of population 15-64)	58.7	58.7	57.5	56.9	56.9	0.1 pps
	Young (15-24)	24.7	24.4	21.7	20.5	19.4	-1.1 pps
	Prime age (25-54)	73.5	73.5	71.9	71.1	71.1	0.0 pps
	Older (55-64)	33.8	34.4	35.7	36.6	37.9	1.3 pps
	Low-skilled (15-64)	46.5	46.0	44.5	43.6	43.7	0.1 pps
	Medium-skilled (15-64)	67.9	67.9	66.5	65.7	65.2	-0.6 pps
	High-skilled (15-64)	77.7	78.5	77.0	76.4	77.0	0.6 pps
	Nationals (15-64)	54.8	54.3	52.7	51.6	51.3	-0.3 pps
	Non-nationals (15-64)	3.8	4.4	4.8	5.2	5.6	0.4 pps
	Male	70.7	70.3	68.6	67.7	67.5	-0.2 pps
	Young (15-24)	29.6	29.1	26.1	24.3	23.1	-1.2 pps
	Prime age (25-54)	87.3	86.7	84.7	83.5	83.4	-0.2 pps
	Older (55-64)	45.1	45.5	46.7	47.6	48.4	0.7 pps
	Female	46.6	47.2	46.4	46.1	46.5	0.4 pps
	Young (15-24)	19.5	19.4	17.0	16.5	15.5	-0.9 pps
	Prime age (25-54)	59.6	60.2	59.1	58.7	58.9	0.2 pps
	Older (55-64)	23.0	24.0	25.4	26.2	28.1	1.9 pps
6	- **Employed persons** (15-64, 1000 pers.)	22846.2	23010.5	22650.1	22496.5	22582.7	0.4 %
7	- **Employment growth** (%, National accounts)	1.3	0.3	-1.6	-0.7	0.3	1.0 pps
	Employment growth (%, 15-64, LFS)	1.0	0.7	-1.6	-0.7	0.4	1.1 pps
	Male	0.8	-0.1	-1.9	-1.1	-0.1	1.0 pps
	Female	1.3	1.9	-1.1	0.0	1.2	1.2 pps
8	- **Self employed** (% of total employment)	23.4	22.9	22.5	22.7	22.5	-0.2 pps
	Male	16.7	16.3	16.1	16.3	16.1	-0.2 pps
	Female	6.8	6.6	6.4	6.4	6.4	0.0 pps
9	- **Temporary employment** (% of total employment)	13.2	13.3	12.5	12.8	13.4	0.6 pps
	Male	11.2	11.5	10.8	11.4	12.3	0.9 pps
	Female	16.0	15.7	14.6	14.5	14.7	0.2 pps
10	- **Part-time** (% of total employment)	13.4	14.1	14.1	14.8	15.2	0.4 pps
	Male	4.6	4.8	4.7	5.1	5.5	0.4 pps
	Female	26.8	27.8	27.9	29.0	29.3	0.3 pps
11	- **Unemployment rate** (harmonised:15-74)	6.1	6.7	7.8	8.4	8.4	0.0 pps
	Young (15-24)	20.3	21.3	25.4	27.8	29.1	1.3 pps
	Prime age (25-49)	5.8	6.4	7.4	8.1	8.0	-0.1 pps
	Older (55-64)	2.4	3.1	3.4	3.6	3.9	0.3 pps
	Low-skilled (15-64)	7.5	8.6	9.6	10.5	10.8	0.3 pps
	Medium-skilled (15-64)	5.7	6.2	7.3	8.0	7.9	-0.1 pps
	High-skilled (15-64)	4.5	4.6	5.6	5.8	5.5	-0.3 pps
	Nationals (15-64)	6.0	6.7	7.6	8.2	8.1	-0.1 pps
	Non-nationals (15-64)	8.3	8.5	11.2	11.7	12.2	0.5 pps
	Male	4.9	5.5	6.8	7.6	7.6	0.0 pps
	Female	7.9	8.5	9.3	9.7	9.6	-0.1 pps
12	- **Long-term unemployment rate** (% of total unemployment)	47.4	45.6	44.4	48.4	51.9	3.5 pps
13	- **Worked hours** (average actual weekly hours)	40.6	40.4	39.9	40.1	39.9	-0.5 %
	Male	41.9	41.7	41.1	41.3	41.2	-0.2 %
	Female	37.8	37.7	37.4	37.6	37.5	-0.3 %
14	- **Sectoral employment growth** (% change)						
	Agriculture	:	-2.1	-2.6	1.4	-2.0	-3.4 pps
	Building and construction	3.2	0.4	-1.4	-1.8	-3.5	-1.7 pps
	Services	1.5	0.9	-1.7	0.1	:	: pps
	Manufacturing industry	:	-0.8	-4.8	-3.6	0.3	3.9 pps
15	- **Indicator board on wage developments** (% change)						
	Compensation per employee	2.0	3.0	-0.1	2.0	1.1	-0.9 pps
	Real compensation per employee based on GDP	-0.1	1.3	-0.4	1.9	0.0	-1.8 pps
	Hourly labour costs (Eurostat labour cost index)	2.3	4.1	4.7	2.0	2.3	0.3 pps
	Wage and salaries	3.8	3.5	-1.0	0.9	1.8	0.9 pps
	Labour productivity (GDP/person employed)	0.4	-1.4	-3.9	2.5	0.1	-2.4 pps

Cyprus	2007	2008	2009	2010	2011	2010-2011
1 - **Population** (total, 1000 pers.)	752	758	763	771	773	0.2 %
2 - **Population** (working age:15-64, 1000 pers.)	518	524	528	534	535	0.1 %
(% of total population)	68.9	69.1	69.2	69.3	69.2	0.0 pps
3 - **Labour force** (15-64, 1000 pers.)	383	386	391	398	396	-0.5 %
Male	209	210	213	215	215	0.0 %
Female	174	176	178	183	181	-1.0 %
4 - **Activity rate** (% of population 15-64)	73.9	73.6	73.9	74.4	74.0	-0.5 pps
Young (15-24)	41.6	41.8	41.1	40.6	37.8	-2.8 pps
Prime age (25-54)	86.7	86.4	86.6	87.2	87.5	0.4 pps
Older (55-64)	57.7	56.6	58.5	59.6	58.0	-1.6 pps
Nationals (15-64)	73.7	73.0	73.5	73.2	72.4	-0.8 pps
Non-nationals (15-64)	75.5	76.8	76.1	79.1	79.8	0.7 pps
Male	82.9	82.0	82.0	81.7	81.3	-0.4 pps
Young (15-24)	43.9	43.2	42.2	40.3	39.8	-0.5 pps
Prime age (25-54)	95.0	94.0	93.5	93.5	93.2	-0.3 pps
Older (55-64)	74.9	73.0	74.8	75.0	73.6	-1.4 pps
Female	65.4	65.7	66.2	67.4	66.8	-0.6 pps
Young (15-24)	39.7	40.5	40.2	40.8	36.1	-4.7 pps
Prime age (25-54)	78.7	79.1	79.7	80.9	81.9	0.9 pps
Older (55-64)	41.5	41.1	42.7	44.8	43.0	-1.9 pps
5 - **Employment rate** (% of population 15-64)	71.0	70.8	69.9	69.7	68.1	-1.6 pps
Young (15-24)	37.5	38.0	35.5	33.8	29.4	-4.5 pps
Prime age (25-54)	83.8	83.7	82.6	82.5	81.6	-0.9 pps
Older (55-64)	55.9	54.8	55.9	56.8	55.2	-1.5 pps
Low-skilled (15-64)	52.9	50.9	51.8	52.7	50.6	-2.0 pps
Medium-skilled (15-64)	73.6	74.1	72.5	71.4	69.3	-2.1 pps
High-skilled (15-64)	86.5	86.5	84.8	83.1	81.5	-1.6 pps
Nationals (15-64)	60.6	58.6	57.5	55.0	53.0	-2.0 pps
Non-nationals (15-64)	10.3	12.3	12.5	14.7	15.1	0.4 pps
Male	80.0	79.2	77.6	76.6	74.7	-1.9 pps
Young (15-24)	39.1	39.5	36.4	33.8	30.6	-3.2 pps
Prime age (25-54)	92.4	91.4	89.2	88.4	86.5	-1.9 pps
Older (55-64)	72.6	70.8	71.6	71.3	69.8	-1.5 pps
Female	62.4	62.8	62.5	63.0	61.6	-1.3 pps
Young (15-24)	35.9	36.7	34.5	33.7	28.3	-5.4 pps
Prime age (25-54)	75.5	76.3	76.0	76.6	76.6	0.0 pps
Older (55-64)	40.4	39.4	40.9	43.1	41.0	-2.1 pps
6 - **Employed persons** (15-64, 1000 pers.)	367.9	371.1	369.3	372.3	364.1	-2.2 %
7 - **Employment growth** (%, National accounts)	3.2	2.1	-0.5	0.0	0.5	0.5 pps
Employment growth (%, 15-64, LFS)	5.6	0.9	-0.5	0.8	-2.2	-3.0 pps
Male	4.2	0.6	-0.5	-0.2	-2.0	-1.8 pps
Female	7.4	1.2	-0.4	2.0	-2.3	-4.4 pps
8 - **Self employed** (% of total employment)	17.5	16.9	16.6	15.5	15.1	-0.4 pps
Male	13.0	12.6	11.9	11.0	10.9	-0.1 pps
Female	4.5	4.3	4.7	4.5	4.2	-0.3 pps
9 - **Temporary employment** (% of total employment)	13.3	14.0	13.5	13.6	13.7	0.1 pps
Male	7.6	8.2	7.5	6.9	7.0	0.1 pps
Female	19.2	20.0	19.9	20.6	20.7	0.1 pps
10 - **Part-time** (% of total employment)	6.4	6.8	7.4	8.1	8.7	0.6 pps
Male	3.0	3.4	3.9	4.9	5.9	1.0 pps
Female	10.4	10.8	11.5	11.8	12.1	0.3 pps
11 - **Unemployment rate** (harmonised:15-74)	4.1	3.8	5.5	6.4	7.9	1.5 pps
Young (15-24)	10.2	9.0	13.8	16.7	22.4	5.7 pps
Prime age (25-49)	3.3	3.3	4.7	5.7	7.2	1.5 pps
Older (55-64)	3.1	3.2	4.3	4.7	4.9	0.2 pps
Low-skilled (15-64)	5.1	5.2	6.6	7.7	8.0	0.3 pps
Medium-skilled (15-64)	4.0	3.7	5.6	6.3	8.7	2.4 pps
High-skilled (15-64)	3.4	3.0	4.5	5.7	7.2	1.5 pps
Nationals (15-64)	3.7	3.4	4.9	5.7	7.4	1.7 pps
Non-nationals (15-64)	5.7	5.4	8.0	8.7	9.9	1.2 pps
Male	3.6	3.4	5.4	6.3	8.1	1.8 pps
Female	4.6	4.3	5.5	6.4	7.7	1.3 pps
12 - **Long-term unemployment rate** (% of total unemployment)	18.6	13.6	10.3	20.3	20.9	0.6 pps
13 - **Worked hours** (average actual weekly hours)	40.4	40.5	40.2	40.7	40.7	0.0 %
Male	41.7	41.8	41.6	41.9	41.6	-0.7 %
Female	38.7	38.7	38.4	39.2	39.5	0.8 %
14 - **Sectoral employment growth** (% change)						
Agriculture	:	-3.0	6.3	2.4	-0.7	-3.1 pps
Building and construction	4.9	2.3	-4.7	-5.8	-4.9	0.9 pps
Services	2.9	1.8	-2.8	-0.1	:	: pps
Manufacturing industry	:	0.1	-2.1	-3.0	-4.2	-1.2 pps
15 - **Indicator board on wage developments** (% change)						
Compensation per employee	3.0	3.2	5.3	-0.2	2.0	2.2 pps
Real compensation per employee based on GDP	-1.3	-1.3	5.2	-1.9	0.0	1.9 pps
Hourly labour costs (Eurostat labour cost index)	3.6	6.2	3.8	1.9	1.7	-0.2 pps
Wage and salaries	6.8	8.0	4.9	0.0	2.5	2.5 pps
Labour productivity (GDP/person employed)	1.8	1.4	-1.3	1.1	-0.1	-1.2 pps

Latvia	2007	2008	2009	2010	2011	2010-2011
1 - **Population** (total, 1000 pers.)	2281	2271	2261	2248	2230	-0.8 %
2 - **Population** (working age:15-64, 1000 pers.)	1573	1568	1560	1549	1536	-0.8 %
(% of total population)	69.0	69.0	69.0	68.9	68.9	0.0 pps
3 - **Labour force** (15-64, 1000 pers.)	1145	1167	1153	1134	1125	-0.8 %
Male	591	597	583	570	572	0.2 %
Female	555	570	570	564	554	-1.8 %
4 - **Activity rate** (% of population 15-64)	72.8	74.4	73.9	73.2	73.3	0.1 pps
Young (15-24)	43.0	42.9	41.7	40.4	38.4	-1.9 pps
Prime age (25-54)	87.2	88.9	88.5	88.5	88.1	-0.4 pps
Older (55-64)	60.3	63.3	61.4	57.2	59.8	2.6 pps
Nationals (15-64)	72.8	73.8	73.6	73.1	73.0	-0.1 pps
Non-nationals (15-64)	69.9	77.8	75.7	74.0	74.7	0.7 pps
Male	77.6	78.6	77.0	75.8	76.5	0.7 pps
Young (15-24)	48.9	48.8	46.8	43.0	42.5	-0.5 pps
Prime age (25-54)	91.0	92.2	91.1	91.3	91.1	-0.2 pps
Older (55-64)	67.9	68.8	63.8	58.9	63.1	4.2 pps
Female	68.3	70.5	71.0	70.7	70.2	-0.6 pps
Young (15-24)	36.8	36.7	36.3	37.7	34.2	-3.5 pps
Prime age (25-54)	83.6	85.7	86.1	85.9	85.2	-0.7 pps
Older (55-64)	54.6	59.3	59.7	55.8	57.3	1.5 pps
5 - **Employment rate** (% of population 15-64)	68.3	68.7	61.0	59.3	61.8	2.5 pps
Young (15-24)	38.3	37.2	27.7	26.4	27.3	0.8 pps
Prime age (25-54)	82.3	82.6	74.7	73.4	75.8	2.4 pps
Older (55-64)	57.7	59.4	53.2	48.2	51.1	2.9 pps
Low-skilled (15-64)	38.6	37.1	29.4	28.3	30.8	2.5 pps
Medium-skilled (15-64)	74.3	74.5	64.6	61.5	63.2	1.7 pps
High-skilled (15-64)	86.9	86.9	82.3	80.6	84.0	3.5 pps
Nationals (15-64)	67.4	58.1	51.7	50.6	52.8	2.2 pps
Non-nationals (15-64)	0.9	10.5	9.3	8.7	9.0	0.3 pps
Male	72.5	72.1	61.0	59.2	62.8	3.6 pps
Young (15-24)	43.4	42.4	29.3	27.8	30.0	2.2 pps
Prime age (25-54)	85.6	85.4	74.5	72.9	76.2	3.3 pps
Older (55-64)	64.6	63.1	53.2	47.6	52.6	5.0 pps
Female	64.4	65.4	60.9	59.4	60.8	1.4 pps
Young (15-24)	33.1	31.9	26.0	25.0	24.4	-0.6 pps
Prime age (25-54)	79.1	79.9	74.9	73.8	75.4	1.6 pps
Older (55-64)	52.4	56.7	53.3	48.7	49.9	1.3 pps
6 - **Employed persons** (15-64, 1000 pers.)	1075.1	1076.3	950.9	918.9	949.3	3.3 %
7 - **Employment growth** (%, National accounts)	3.6	0.9	-13.2	-4.8	-8.1	-3.3 pps
Employment growth (%, 15-64, LFS)	2.7	0.1	-11.7	-3.4	3.3	6.7 pps
Male	2.8	-0.8	-15.6	-3.6	5.4	9.0 pps
Female	2.5	1.1	-7.6	-3.2	1.4	4.5 pps
8 - **Self employed** (% of total employment)	8.8	8.5	9.7	9.9	10.2	0.3 pps
Male	5.8	5.7	6.1	5.9	6.2	0.3 pps
Female	3.0	2.9	3.5	4.0	4.0	0.0 pps
9 - **Temporary employment** (% of total employment)	4.2	3.3	4.4	6.8	6.5	-0.3 pps
Male	5.6	4.6	5.9	8.9	7.9	-1.0 pps
Female	2.8	1.9	3.0	5.0	5.2	0.2 pps
10 - **Part-time** (% of total employment)	5.6	5.5	8.4	9.3	8.8	-0.5 pps
Male	4.4	3.9	7.0	7.5	7.3	-0.2 pps
Female	6.9	7.1	9.6	11.0	10.3	-0.7 pps
11 - **Unemployment rate** (harmonised:15-74)	6.5	8.0	18.2	19.8	16.2	-3.6 pps
Young (15-24)	10.7	13.1	33.6	34.5	29.1	-5.4 pps
Prime age (25-49)	5.6	7.2	15.8	17.0	13.9	-3.1 pps
Older (55-64)	4.4	6.2	13.4	15.6	14.5	-1.1 pps
Low-skilled (15-64)	10.8	14.6	31.4	32.3	28.0	-4.3 pps
Medium-skilled (15-64)	5.9	7.7	18.7	20.4	17.6	-2.8 pps
High-skilled (15-64)	3.7	4.2	8.4	10.5	6.8	-3.7 pps
Nationals (15-64)	6.2	7.1	16.4	17.6	14.6	-3.0 pps
Non-nationals (15-64)	0.0	11.1	23.5	26.1	21.2	-4.9 pps
Male	6.9	8.6	21.7	23.1	18.6	-4.5 pps
Female	6.0	7.4	14.8	16.7	13.8	-2.9 pps
12 - **Long-term unemployment rate** (% of total unemployment)	26.3	25.7	26.7	45.1	54.6	9.5 pps
13 - **Worked hours** (average actual weekly hours)	41.8	40.7	40.6	40.2	40.3	0.2 %
Male	42.6	41.3	41.1	40.6	40.8	0.5 %
Female	40.8	40.0	40.0	39.8	39.8	0.0 %
14 - **Sectoral employment growth** (% change)						
Agriculture	:	-15.1	-5.0	-3.2	-7.4	-4.2 pps
Building and construction	23.1	1.7	-38.7	-19.5	-6.5	13.0 pps
Services	4.6	4.7	-9.4	-4.4	:	: pps
Manufacturing industry	:	-2.9	-18.8	0.8	-10.1	-10.9 pps
15 - **Indicator board on wage developments** (% change)						
Compensation per employee	35.1	15.7	-12.7	-5.5	17.2	22.7 pps
Real compensation per employee based on GDP	11.9	2.4	-11.6	-3.4	11.2	14.6 pps
Hourly labour costs (Eurostat labour cost index)	30.1	22.3	-0.1	-2.9	3.4	6.3 pps
Wage and salaries	43.3	19.4	-26.6	-10.4	6.8	17.2 pps
Labour productivity (GDP/person employed)	5.8	-4.2	-5.3	4.7	14.8	10.1 pps

Lithuania	2007	2008	2009	2010	2011	2010-2011
1 - **Population** (total, 1000 pers.)	3385	3366	3350	3311	3231	-2.4 %
2 - **Population** (working age:15-64, 1000 pers.)	2319	2316	2309	2283	2210	-3.2 %
(% of total population)	68.5	68.8	68.9	68.9	68.4	-0.5 pps
3 - **Labour force** (15-64, 1000 pers.)	1575	1584	1612	1610	1591	-1.2 %
Male	796	801	805	800	797	-0.4 %
Female	779	783	807	810	794	-2.0 %
4 - **Activity rate** (% of population 15-64)	67.9	68.4	69.8	70.5	72.0	1.4 pps
Young (15-24)	27.4	30.8	30.4	29.6	29.4	-0.3 pps
Prime age (25-54)	86.0	85.5	87.3	88.5	90.0	1.5 pps
Older (55-64)	55.6	55.6	57.6	56.8	58.4	1.5 pps
Nationals (15-64)	67.9	68.3	69.8	70.5	72.0	1.4 pps
Non-nationals (15-64)	69.3	76.1	63.8	72.0	69.0	-3.0 pps
Male	71.0	71.4	72.0	72.4	74.3	1.9 pps
Young (15-24)	31.8	35.4	33.8	32.8	33.5	0.7 pps
Prime age (25-54)	87.9	87.4	88.3	89.2	91.0	1.9 pps
Older (55-64)	63.4	63.0	63.9	62.9	64.9	1.9 pps
Female	65.0	65.5	67.8	68.8	69.7	0.9 pps
Young (15-24)	22.8	26.0	26.7	26.3	25.0	-1.4 pps
Prime age (25-54)	84.2	83.8	86.3	87.9	89.0	1.1 pps
Older (55-64)	49.7	50.0	52.9	52.2	53.4	1.2 pps
5 - **Employment rate** (% of population 15-64)	64.9	64.3	60.1	57.8	60.7	2.9 pps
Young (15-24)	25.2	26.7	21.5	19.2	19.7	0.5 pps
Prime age (25-54)	82.5	81.2	76.3	73.8	77.3	3.5 pps
Older (55-64)	53.4	53.1	51.6	48.6	50.5	1.9 pps
Low-skilled (15-64)	25.9	20.7	17.7	14.4	15.3	0.9 pps
Medium-skilled (15-64)	68.6	68.1	61.9	57.6	59.9	2.3 pps
High-skilled (15-64)	88.1	87.7	85.9	85.4	87.5	2.1 pps
Nationals (15-64)	64.4	64.0	59.8	57.5	60.4	2.9 pps
Non-nationals (15-64)	0.5	0.4	0.3	0.4	0.3	0.0 pps
Male	67.9	67.1	59.5	56.8	60.9	4.1 pps
Young (15-24)	29.6	30.9	22.0	20.2	21.9	1.7 pps
Prime age (25-54)	84.3	82.7	74.6	71.4	76.3	4.8 pps
Older (55-64)	60.8	60.2	56.0	52.3	54.6	2.3 pps
Female	62.1	61.8	60.7	58.7	60.5	1.8 pps
Young (15-24)	20.5	22.2	20.9	18.2	17.4	-0.9 pps
Prime age (25-54)	80.8	79.7	78.0	76.1	78.3	2.2 pps
Older (55-64)	47.9	47.7	48.3	45.8	47.4	1.6 pps
6 - **Employed persons** (15-64, 1000 pers.)	1505.8	1490.2	1387.5	1319.6	1342.1	1.7 %
7 - **Employment growth** (%, National accounts)	2.8	-0.7	-6.8	-5.1	2.0	7.1 pps
Employment growth (%, 15-64, LFS)	2.0	-1.0	-6.9	-4.9	1.7	6.6 pps
Male	2.4	-1.2	-11.4	-5.6	4.0	9.6 pps
Female	1.7	-0.8	-2.2	-4.2	-0.3	3.9 pps
8 - **Self employed** (% of total employment)	11.7	10.0	10.2	9.1	8.9	-0.1 pps
Male	7.5	6.6	6.4	5.4	5.3	-0.1 pps
Female	4.2	3.4	3.8	3.7	3.7	0.0 pps
9 - **Temporary employment** (% of total employment)	3.5	2.4	2.3	2.4	2.8	0.4 pps
Male	4.8	2.9	3.0	3.3	3.8	0.5 pps
Female	2.3	1.9	1.6	1.7	1.9	0.2 pps
10 - **Part-time** (% of total employment)	8.1	6.5	8.0	7.7	8.2	0.5 pps
Male	6.5	4.7	6.7	6.3	6.5	0.2 pps
Female	9.7	8.3	9.1	8.9	9.8	0.9 pps
11 - **Unemployment rate** (harmonised:15-74)	4.3	5.8	13.7	17.8	15.4	-2.4 pps
Young (15-24)	8.2	13.4	29.2	35.1	32.9	-2.2 pps
Prime age (25-49)	4.0	4.9	12.5	16.8	14.1	-2.7 pps
Older (55-64)	3.8	4.4	10.4	14.5	13.5	-1.0 pps
Low-skilled (15-64)	7.7	13.7	30.9	41.1	39.5	-1.6 pps
Medium-skilled (15-64)	5.1	6.7	16.4	21.9	19.2	-2.7 pps
High-skilled (15-64)	2.1	3.0	6.1	7.8	6.4	-1.4 pps
Nationals (15-64)	4.3	5.9	13.9	18.0	15.6	-2.4 pps
Non-nationals (15-64)	:	:	:	:	:	: pps
Male	4.3	6.1	17.1	21.2	17.8	-3.4 pps
Female	4.3	5.6	10.4	14.5	13.0	-1.5 pps
12 - **Long-term unemployment rate** (% of total unemployment)	32.0	21.1	23.2	41.4	51.9	10.5 pps
13 - **Worked hours** (average actual weekly hours)	40.0	40.3	39.9	39.8	39.9	0.3 %
Male	40.6	40.9	40.5	40.4	40.4	0.0 %
Female	39.3	39.7	39.4	39.3	39.4	0.3 %
14 - **Sectoral employment growth** (% change)						
Agriculture	:	-23.0	9.2	-6.9	-3.9	3.0 pps
Building and construction	15.9	-3.7	-26.3	-23.8	0.4	24.2 pps
Services	4.6	4.0	-4.9	-0.4	:	: pps
Manufacturing industry	:	1.2	-13.1	-7.9	2.1	10.0 pps
15 - **Indicator board on wage developments** (% change)						
Compensation per employee	13.9	14.3	-9.9	-1.0	3.6	4.5 pps
Real compensation per employee based on GDP	4.8	4.2	-6.4	-2.9	-1.6	1.2 pps
Hourly labour costs (Eurostat labour cost index)	21.3	17.8	-6.5	-4.7	2.8	7.5 pps
Wage and salaries	18.8	15.8	-16.7	-3.5	6.1	9.6 pps
Labour productivity (GDP/person employed)	6.8	3.6	-8.6	6.9	3.8	-3.1 pps

Luxembourg	2007	2008	2009	2010	2011	2010-2011
1 - **Population** (total, 1000 pers.)	465	467	481	488	500	2.3 %
2 - **Population** (working age:15-64, 1000 pers.)	316	318	330	335	344	2.7 %
(% of total population)	68.0	68.1	68.5	68.6	68.9	0.3 pps
3 - **Labour force** (15-64, 1000 pers.)	211	213	227	229	234	2.3 %
Male	118	120	128	128	131	1.9 %
Female	94	92	99	100	103	2.9 %
4 - **Activity rate** (% of population 15-64)	66.9	66.8	68.7	68.2	68.0	-0.3 pps
Young (15-24)	26.6	29.1	32.3	24.7	24.9	0.2 pps
Prime age (25-54)	84.8	83.4	84.8	85.7	85.7	-0.1 pps
Older (55-64)	32.6	35.1	39.3	40.5	40.3	-0.2 pps
Nationals (15-64)	62.7	62.7	64.8	64.3	63.7	-0.6 pps
Non-nationals (15-64)	72.1	71.9	73.3	72.8	72.8	0.0 pps
Male	75.0	74.7	76.5	76.0	75.0	-1.0 pps
Young (15-24)	30.7	30.8	34.8	26.7	26.2	-0.5 pps
Prime age (25-54)	94.9	93.8	94.1	94.8	93.9	-0.9 pps
Older (55-64)	36.3	39.6	47.7	48.9	48.4	-0.5 pps
Female	58.9	58.7	60.7	60.3	60.7	0.5 pps
Young (15-24)	22.4	27.0	29.2	22.5	23.2	0.8 pps
Prime age (25-54)	74.7	72.9	75.3	76.3	77.1	0.8 pps
Older (55-64)	29.2	30.4	30.8	32.2	32.0	-0.2 pps
5 - **Employment rate** (% of population 15-64)	64.2	63.4	65.2	65.2	64.6	-0.6 pps
Young (15-24)	22.5	23.9	26.7	21.2	20.7	-0.5 pps
Prime age (25-54)	81.9	80.0	81.2	82.3	82.0	-0.4 pps
Older (55-64)	32.0	34.1	38.1	39.6	39.2	-0.3 pps
Low-skilled (15-64)	49.8	48.4	45.0	43.8	44.2	0.5 pps
Medium-skilled (15-64)	67.4	65.3	65.8	66.7	64.4	-2.3 pps
High-skilled (15-64)	83.5	83.7	83.8	83.8	83.7	-0.1 pps
Nationals (15-64)	33.7	33.5	33.6	33.7	32.9	-0.7 pps
Non-nationals (15-64)	30.4	29.9	31.5	31.5	31.7	0.2 pps
Male	72.3	71.5	73.2	73.1	72.1	-1.0 pps
Young (15-24)	26.7	27.1	29.0	22.1	22.8	0.7 pps
Prime age (25-54)	92.2	90.2	90.8	92.0	90.8	-1.2 pps
Older (55-64)	35.4	38.8	46.6	47.8	47.0	-0.8 pps
Female	56.1	55.2	57.0	57.2	56.9	-0.2 pps
Young (15-24)	18.3	20.6	24.2	20.4	18.4	-1.9 pps
Prime age (25-54)	71.7	69.5	71.4	72.5	72.8	0.3 pps
Older (55-64)	28.8	29.5	29.6	31.4	31.2	-0.2 pps
6 - **Employed persons** (15-64, 1000 pers.)	202.6	201.8	214.8	218.6	222.4	1.7 %
7 - **Employment growth** (%, National accounts)	4.5	4.7	1.0	1.8	2.7	0.9 pps
Employment growth (%, 15-64, LFS)	4.0	-0.4	6.4	1.8	1.7	0.0 pps
Male	2.4	1.6	6.1	1.0	1.9	0.9 pps
Female	5.8	-2.8	6.9	2.7	1.7	-1.0 pps
8 - **Self employed** (% of total employment)	7.0	6.1	7.4	7.2	7.7	0.5 pps
Male	4.5	3.7	5.0	4.7	4.9	0.2 pps
Female	2.5	2.4	2.4	2.5	2.8	0.3 pps
9 - **Temporary employment** (% of total employment)	6.8	6.2	7.2	7.1	7.1	0.0 pps
Male	6.2	5.9	6.3	6.2	6.3	0.1 pps
Female	7.6	6.6	8.3	8.3	8.2	-0.1 pps
10 - **Part-time** (% of total employment)	17.8	17.9	17.6	17.5	18.0	0.5 pps
Male	2.6	2.7	4.5	3.4	4.3	0.9 pps
Female	37.1	38.2	34.9	35.8	35.9	0.1 pps
11 - **Unemployment rate** (harmonised:15-74)	4.2	4.9	5.1	4.6	4.9	0.3 pps
Young (15-24)	15.2	17.9	17.2	14.2	16.8	2.6 pps
Prime age (25-49)	3.4	4.3	4.5	4.0	4.4	0.4 pps
Older (55-64)	:	:	:	:	:	: pps
Low-skilled (15-64)	5.8	6.6	8.2	6.1	8.3	2.2 pps
Medium-skilled (15-64)	3.4	5.9	4.3	4.0	4.4	0.4 pps
High-skilled (15-64)	3.2	2.4	4.2	3.8	3.7	-0.1 pps
Nationals (15-64)	3.3	3.0	3.0	2.8	3.5	0.7 pps
Non-nationals (15-64)	4.9	7.3	7.3	6.1	6.4	0.3 pps
Male	3.4	4.1	4.5	3.8	3.9	0.1 pps
Female	5.1	5.9	5.9	5.5	6.2	0.7 pps
12 - **Long-term unemployment rate** (% of total unemployment)	28.7	32.2	23.2	29.3	28.6	-0.7 pps
13 - **Worked hours** (average actual weekly hours)	40.8	40.4	41.4	41.4	41.3	-0.2 %
Male	41.2	40.9	42.4	42.2	42.1	-0.2 %
Female	40.0	39.3	39.3	39.6	39.6	0.0 %
14 - **Sectoral employment growth** (% change)						
Agriculture	:	:	:	:	:	: pps
Building and construction	5.1	:	:	:	:	: pps
Services	5.1	:	:	:	:	: pps
Manufacturing industry	:	:	:	:	:	: pps
15 - **Indicator board on wage developments** (% change)						
Compensation per employee	3.7	2.2	1.8	2.6	2.0	-0.5 pps
Real compensation per employee based on GDP	0.1	-2.1	1.7	-2.2	-2.6	-0.4 pps
Hourly labour costs (Eurostat labour cost index)	3.2	3.1	4.0	2.2	3.0	0.8 pps
Wage and salaries	8.9	6.8	1.7	4.7	4.7	0.0 pps
Labour productivity (GDP/person employed)	2.1	-3.8	-6.2	0.8	-1.1	-1.9 pps

Hungary	2007	2008	2009	2010	2011	2010-2011
1 - **Population** (total, 1000 pers.)	9907	9893	9867	9852	9833	-0.2 %
2 - **Population** (working age:15-64, 1000 pers.)	6800	6794	6771	6769	6770	0.0 %
(% of total population)	68.6	68.7	68.6	68.7	68.9	0.1 pps
3 - **Labour force** (15-64, 1000 pers.)	4209	4178	4172	4225	4247	0.5 %
Male	2290	2267	2260	2270	2292	1.0 %
Female	1919	1911	1912	1955	1954	0.0 %
4 - **Activity rate** (% of population 15-64)	61.9	61.5	61.6	62.4	62.7	0.3 pps
Young (15-24)	25.6	25.0	24.6	24.9	24.8	-0.2 pps
Prime age (25-54)	80.0	80.1	80.2	80.9	81.3	0.4 pps
Older (55-64)	34.5	33.1	35.0	37.3	39.2	1.9 pps
Nationals (15-64)	61.9	61.4	61.5	62.4	62.7	0.3 pps
Non-nationals (15-64)	68.0	70.4	73.8	67.8	63.6	-4.3 pps
Male	69.0	68.3	68.2	68.3	68.8	0.5 pps
Young (15-24)	29.3	28.6	27.7	27.7	27.3	-0.4 pps
Prime age (25-54)	86.9	87.0	86.9	87.2	88.3	1.0 pps
Older (55-64)	43.6	40.5	42.6	43.1	44.0	0.8 pps
Female	55.1	55.0	55.3	56.7	56.8	0.1 pps
Young (15-24)	21.8	21.3	21.5	22.1	22.1	0.0 pps
Prime age (25-54)	73.2	73.3	73.6	74.6	74.3	-0.3 pps
Older (55-64)	27.3	27.0	28.8	32.4	35.2	2.7 pps
5 - **Employment rate** (% of population 15-64)	57.3	56.7	55.4	55.4	55.8	0.4 pps
Young (15-24)	21.0	20.0	18.1	18.3	18.3	0.0 pps
Prime age (25-54)	74.6	74.4	72.9	72.5	73.1	0.6 pps
Older (55-64)	33.1	31.4	32.8	34.4	35.8	1.4 pps
Low-skilled (15-64)	27.3	27.2	25.7	25.9	25.7	-0.2 pps
Medium-skilled (15-64)	64.8	63.3	61.6	61.1	61.1	0.1 pps
High-skilled (15-64)	80.0	79.5	78.1	77.8	78.4	0.7 pps
Nationals (15-64)	56.9	56.2	54.9	55.0	55.4	0.4 pps
Non-nationals (15-64)	0.4	0.5	0.5	0.4	0.5	0.0 pps
Male	64.0	63.0	61.1	60.4	61.2	0.8 pps
Young (15-24)	24.2	23.1	19.9	20.0	19.9	-0.1 pps
Prime age (25-54)	81.3	81.0	78.9	77.9	79.6	1.7 pps
Older (55-64)	41.7	38.5	39.9	39.6	39.8	0.2 pps
Female	50.9	50.6	49.9	50.6	50.6	0.0 pps
Young (15-24)	17.8	16.9	16.3	16.6	16.7	0.1 pps
Prime age (25-54)	67.9	67.9	66.9	67.1	66.6	-0.5 pps
Older (55-64)	26.2	25.7	27.0	30.1	32.4	2.3 pps
6 - **Employed persons** (15-64, 1000 pers.)	3897.0	3849.2	3751.2	3750.1	3779.0	0.8 %
7 - **Employment growth** (%, National accounts)	0.0	-1.4	-2.8	0.3	0.3	0.0 pps
Employment growth (%, 15-64, LFS)	-0.2	-1.2	-2.5	0.0	0.8	0.8 pps
Male	0.2	-1.5	-3.2	-1.0	1.7	2.7 pps
Female	-0.7	-0.9	-1.8	1.2	-0.3	-1.4 pps
8 - **Self employed** (% of total employment)	11.8	11.6	11.9	11.7	11.4	-0.4 pps
Male	8.0	8.0	8.0	7.9	7.8	-0.1 pps
Female	3.8	3.6	3.9	3.8	3.5	-0.3 pps
9 - **Temporary employment** (% of total employment)	7.3	7.8	8.4	9.6	8.9	-0.7 pps
Male	7.7	8.6	9.0	10.0	9.4	-0.6 pps
Female	6.8	7.0	7.8	9.2	8.4	-0.8 pps
10 - **Part-time** (% of total employment)	3.9	4.3	5.2	5.5	6.4	0.9 pps
Male	2.5	3.0	3.6	3.6	4.4	0.8 pps
Female	5.5	5.8	7.1	7.6	8.8	1.2 pps
11 - **Unemployment rate** (harmonised:15-74)	7.4	7.8	10.0	11.2	10.9	-0.3 pps
Young (15-24)	18.0	19.9	26.5	26.6	26.1	-0.5 pps
Prime age (25-49)	7.0	7.3	9.4	10.7	10.2	-0.5 pps
Older (55-64)	4.2	5.0	6.3	7.8	8.7	0.9 pps
Low-skilled (15-64)	17.5	18.9	23.4	25.3	24.9	-0.4 pps
Medium-skilled (15-64)	6.6	7.2	9.4	10.6	10.6	0.0 pps
High-skilled (15-64)	2.9	2.8	4.0	4.7	4.5	-0.2 pps
Nationals (15-64)	7.4	7.9	10.1	11.3	11.0	-0.3 pps
Non-nationals (15-64)	0.0	0.0	11.2	8.4	8.9	0.5 pps
Male	7.1	7.6	10.3	11.6	11.0	-0.6 pps
Female	7.7	8.1	9.7	10.7	10.9	0.2 pps
12 - **Long-term unemployment rate** (% of total unemployment)	46.8	46.5	41.6	49.3	47.9	-1.4 pps
13 - **Worked hours** (average actual weekly hours)	40.7	40.7	40.5	40.5	40.3	-0.5 %
Male	41.5	41.5	41.1	41.1	40.9	-0.5 %
Female	39.6	39.8	39.8	39.8	39.5	-0.8 %
14 - **Sectoral employment growth** (% change)						
Agriculture	:	-7.1	-5.0	0.8	3.7	2.9 pps
Building and construction	2.8	-2.1	-5.4	-5.9	-2.1	3.8 pps
Services	-0.2	1.7	-2.2	1.9	:	: pps
Manufacturing industry	:	-0.8	-6.4	-1.1	3.6	4.7 pps
15 - **Indicator board on wage developments** (% change)						
Compensation per employee	6.4	6.8	-1.4	-2.3	5.2	7.5 pps
Real compensation per employee based on GDP	0.9	1.5	-4.8	-5.3	1.9	7.1 pps
Hourly labour costs (Eurostat labour cost index)	9.7	7.9	2.3	-0.7	5.5	6.2 pps
Wage and salaries	6.8	5.1	-2.3	1.0	4.2	3.2 pps
Labour productivity (GDP/person employed)	0.1	2.4	-4.2	0.9	1.3	0.4 pps

Malta		2007	2008	2009	2010	2011	2010-2011
1	- **Population** (total, 1000 pers.)	409	411	414	416	418	0.7 %
2	- **Population** (working age:15-64, 1000 pers.)	285	288	290	289	289	0.1 %
	(% of total population)	69.7	70.1	70.0	69.5	69.0	-0.4 pps
3	- **Labour force** (15-64, 1000 pers.)	166	169	171	174	178	2.1 %
	Male	112	113	113	114	115	1.0 %
	Female	54	57	58	60	63	4.3 %
4	- **Activity rate** (% of population 15-64)	58.4	58.8	59.1	60.3	61.6	1.2 pps
	Young (15-24)	53.1	52.2	51.3	51.4	51.8	0.5 pps
	Prime age (25-54)	69.7	70.8	71.8	73.1	74.7	1.6 pps
	Older (55-64)	29.5	30.5	29.6	31.5	32.7	1.1 pps
	Nationals (15-64)	58.5	58.9	59.0	60.2	61.5	1.3 pps
	Non-nationals (15-64)	57.5	56.1	60.0	64.1	64.5	0.3 pps
	Male	77.6	76.9	76.7	77.8	78.5	0.7 pps
	Young (15-24)	56.9	55.2	55.1	55.1	56.4	1.3 pps
	Prime age (25-54)	94.2	93.6	93.7	94.4	94.8	0.4 pps
	Older (55-64)	47.5	47.9	47.6	50.3	51.5	1.2 pps
	Female	38.6	40.2	40.7	42.3	44.0	1.8 pps
	Young (15-24)	48.9	49.1	47.5	47.3	46.9	-0.4 pps
	Prime age (25-54)	44.0	46.8	48.8	51.0	53.6	2.7 pps
	Older (55-64)	12.4	13.1	11.7	13.5	14.1	0.7 pps
5	- **Employment rate** (% of population 15-64)	54.6	55.3	55.0	56.1	57.6	1.4 pps
	Young (15-24)	45.7	45.8	43.9	44.8	44.7	-0.2 pps
	Prime age (25-54)	66.2	67.4	68.0	68.8	70.6	1.8 pps
	Older (55-64)	28.4	29.1	27.9	30.2	31.8	1.6 pps
	Low-skilled (15-64)	45.6	46.6	45.9	47.4	47.4	0.0 pps
	Medium-skilled (15-64)	71.6	71.7	72.8	70.3	72.3	2.0 pps
	High-skilled (15-64)	85.0	84.6	83.6	83.9	86.1	2.2 pps
	Nationals (15-64)	53.2	53.8	53.2	54.2	55.9	1.7 pps
	Non-nationals (15-64)	1.4	1.5	1.7	1.9	1.6	-0.3 pps
	Male	73.0	72.6	71.5	72.4	73.6	1.2 pps
	Young (15-24)	48.2	47.8	46.2	47.8	48.6	0.8 pps
	Prime age (25-54)	89.9	89.5	88.9	88.9	89.7	0.8 pps
	Older (55-64)	46.0	46.5	45.2	47.9	50.2	2.2 pps
	Female	35.7	37.4	37.6	39.2	40.9	1.7 pps
	Young (15-24)	43.3	44.1	41.4	41.5	40.4	-1.2 pps
	Prime age (25-54)	41.2	44.0	45.8	47.9	50.6	2.8 pps
	Older (55-64)	11.7	12.5	11.0	12.8	13.8	1.0 pps
6	- **Employed persons** (15-64, 1000 pers.)	155.5	159.1	159.3	162.0	166.3	2.7 %
7	- **Employment growth** (%, National accounts)	3.2	2.6	-0.3	2.4	2.4	0.0 pps
	Employment growth (%, 15-64, LFS)	3.2	2.3	0.1	1.7	2.7	1.0 pps
	Male	1.1	0.5	-0.4	0.6	1.7	1.1 pps
	Female	8.0	6.2	0.8	4.1	4.5	0.4 pps
8	- **Self employed** (% of total employment)	13.8	13.1	13.3	13.8	13.0	-0.7 pps
	Male	11.5	11.1	11.2	11.8	10.9	-0.9 pps
	Female	2.3	2.0	2.1	2.0	2.2	0.2 pps
9	- **Temporary employment** (% of total employment)	5.1	4.2	4.8	5.6	6.5	0.9 pps
	Male	3.7	3.3	3.6	4.6	5.7	1.1 pps
	Female	7.7	5.8	6.8	7.3	7.9	0.6 pps
10	- **Part-time** (% of total employment)	10.6	11.1	10.7	11.7	12.4	0.7 pps
	Male	4.0	4.0	4.4	5.0	5.4	0.4 pps
	Female	24.6	25.3	23.2	24.5	25.5	1.0 pps
11	- **Unemployment rate** (harmonised:15-74)	6.5	6.0	6.9	6.9	6.5	-0.4 pps
	Young (15-24)	13.9	12.2	14.4	13.0	13.7	0.7 pps
	Prime age (25-49)	5.2	5.1	5.6	6.0	5.4	-0.6 pps
	Older (55-64)	:	:	:	:	:	: pps
	Low-skilled (15-64)	8.6	8.4	9.1	9.2	9.1	-0.1 pps
	Medium-skilled (15-64)	:	:	4.7	5.2	4.4	-0.8 pps
	High-skilled (15-64)	:	:	:	:	:	: pps
	Nationals (15-64)	6.4	6.1	6.8	6.9	6.5	-0.4 pps
	Non-nationals (15-64)	:	:	:	:	:	: pps
	Male	5.9	5.6	6.6	6.9	6.2	-0.7 pps
	Female	7.6	6.9	7.6	7.1	7.1	0.0 pps
12	- **Long-term unemployment rate** (% of total unemployment)	41.9	42.2	43.5	46.3	46.2	-0.1 pps
13	- **Worked hours** (average actual weekly hours)	41.0	41.2	41.0	40.5	40.3	-0.5 %
	Male	41.9	42.0	41.8	41.4	41.3	-0.2 %
	Female	38.6	39.1	38.9	38.5	38.0	-1.3 %
14	- **Sectoral employment growth** (% change)						
	Agriculture	:	-6.3	7.3	2.2	-5.5	-7.7 pps
	Building and construction	3.2	0.1	-4.0	-2.3	-1.1	1.2 pps
	Services	4.1	4.9	1.5	3.6	:	: pps
	Manufacturing industry	:	-6.1	-5.8	-1.6	-3.7	-2.1 pps
15	- **Indicator board on wage developments** (% change)						
	Compensation per employee	1.7	4.8	3.3	-0.4	0.7	1.1 pps
	Real compensation per employee based on GDP	-1.1	1.7	0.8	-3.2	-1.6	1.7 pps
	Hourly labour costs (Eurostat labour cost index)	0.2	0.9	2.1	1.1	1.9	0.8 pps
	Wage and salaries	5.2	7.8	2.3	1.9	3.4	1.5 pps
	Labour productivity (GDP/person employed)	1.2	1.5	-2.3	0.1	-0.4	-0.5 pps

Netherlands	2007	2008	2009	2010	2011	2010-2011
1 - **Population** (total, 1000 pers.)	16180	16190	16223	16350	16400	0.3 %
2 - **Population** (working age:15-64, 1000 pers.)	10986	10970	10970	11017	10994	-0.2 %
(% of total population)	67.9	67.8	67.6	67.4	67.0	-0.3 pps
3 - **Labour force** (15-64, 1000 pers.)	8622	8704	8742	8614	8614	0.0 %
Male	4680	4705	4700	4632	4609	-0.5 %
Female	3942	3999	4042	3982	4005	0.6 %
4 - **Activity rate** (% of population 15-64)	78.5	79.3	79.7	78.2	78.4	0.2 pps
Young (15-24)	72.7	73.2	72.8	69.0	68.8	-0.2 pps
Prime age (25-54)	87.6	88.5	88.8	87.9	87.5	-0.4 pps
Older (55-64)	52.8	54.7	56.8	55.9	58.5	2.6 pps
Nationals (15-64)	79.1	79.8	80.2	78.7	78.9	0.2 pps
Non-nationals (15-64)	65.1	68.8	68.4	67.0	67.2	0.2 pps
Male	84.6	85.3	85.3	83.7	83.5	-0.2 pps
Young (15-24)	73.1	73.7	72.7	68.6	67.8	-0.9 pps
Prime age (25-54)	94.0	94.5	94.4	93.3	93.0	-0.3 pps
Older (55-64)	64.0	65.9	67.6	67.3	68.6	1.3 pps
Female	72.2	73.3	74.1	72.6	73.1	0.5 pps
Young (15-24)	72.4	72.6	72.9	69.4	69.9	0.4 pps
Prime age (25-54)	81.2	82.5	83.0	82.4	81.9	-0.4 pps
Older (55-64)	41.4	43.5	46.0	44.5	48.4	3.9 pps
5 - **Employment rate** (% of population 15-64)	76.0	77.2	77.0	74.7	74.9	0.2 pps
Young (15-24)	68.4	69.3	68.0	63.0	63.5	0.5 pps
Prime age (25-54)	85.4	86.8	86.3	84.7	84.2	-0.5 pps
Older (55-64)	50.9	53.0	55.1	53.7	56.1	2.4 pps
Low-skilled (15-64)	61.0	62.8	62.2	59.2	59.8	0.6 pps
Medium-skilled (15-64)	79.9	80.9	80.9	78.7	78.5	-0.2 pps
High-skilled (15-64)	87.5	88.0	87.6	86.6	86.7	0.1 pps
Nationals (15-64)	72.8	73.8	73.6	71.7	71.7	0.0 pps
Non-nationals (15-64)	2.6	2.8	2.7	2.5	2.6	0.1 pps
Male	82.2	83.2	82.4	80.0	79.8	-0.2 pps
Young (15-24)	68.9	69.8	67.5	62.6	62.7	0.1 pps
Prime age (25-54)	92.1	93.0	92.0	90.0	89.4	-0.6 pps
Older (55-64)	61.5	63.7	65.4	64.5	65.8	1.3 pps
Female	69.6	71.1	71.5	69.3	69.9	0.6 pps
Young (15-24)	67.9	68.8	68.4	63.5	64.4	0.9 pps
Prime age (25-54)	78.7	80.5	80.7	79.3	79.0	-0.4 pps
Older (55-64)	40.1	42.2	44.7	42.8	46.4	3.6 pps
6 - **Employed persons** (15-64, 1000 pers.)	8345.1	8467.6	8443.4	8226.9	8231.7	0.1 %
7 - **Employment growth** (%, National accounts)	2.6	1.5	-0.7	-0.4	0.7	1.1 pps
Employment growth (%, 15-64, LFS)	2.4	1.5	-0.3	-2.6	0.1	2.6 pps
Male	1.7	0.9	-1.0	-2.5	-0.5	2.0 pps
Female	3.2	2.2	0.6	-2.6	0.7	3.3 pps
8 - **Self employed** (% of total employment)	12.0	12.1	12.4	13.8	13.7	-0.1 pps
Male	8.0	8.0	8.1	9.2	9.0	-0.1 pps
Female	4.0	4.1	4.3	4.6	4.7	0.1 pps
9 - **Temporary employment** (% of total employment)	17.9	17.9	18.0	18.3	18.2	-0.1 pps
Male	16.4	16.2	16.0	16.9	17.0	0.1 pps
Female	19.5	19.8	20.2	19.8	19.5	-0.3 pps
10 - **Part-time** (% of total employment)	46.3	46.8	47.7	48.3	48.5	0.2 pps
Male	22.5	22.8	23.6	24.2	24.3	0.1 pps
Female	74.8	75.2	75.7	76.2	76.5	0.3 pps
11 - **Unemployment rate** (harmonised:15-74)	3.6	3.1	3.7	4.5	4.4	-0.1 pps
Young (15-24)	5.9	5.3	6.6	8.7	7.6	-1.1 pps
Prime age (25-49)	2.5	2.0	2.8	3.7	3.7	0.0 pps
Older (55-64)	3.6	3.2	3.1	4.0	4.2	0.2 pps
Low-skilled (15-64)	5.3	4.6	5.5	7.4	6.9	-0.5 pps
Medium-skilled (15-64)	2.9	2.4	3.1	4.0	4.1	0.1 pps
High-skilled (15-64)	1.8	1.6	2.1	2.8	2.8	0.0 pps
Nationals (15-64)	3.1	2.6	3.2	4.3	4.2	-0.1 pps
Non-nationals (15-64)	6.5	6.2	7.0	9.5	9.7	0.2 pps
Male	3.1	2.8	3.7	4.4	4.5	0.1 pps
Female	4.1	3.4	3.8	4.5	4.4	-0.1 pps
12 - **Long-term unemployment rate** (% of total unemployment)	39.3	34.4	24.2	27.5	33.5	6.0 pps
13 - **Worked hours** (average actual weekly hours)	41.3	41.1	41.0	41.2	41.4	0.5 %
Male	41.9	41.7	41.6	41.8	42.0	0.5 %
Female	38.9	38.9	38.8	38.9	39.1	0.5 %
14 - **Sectoral employment growth** (% change)						
Agriculture	:	-1.9	-2.0	-0.7	-0.6	0.1 pps
Building and construction	1.2	1.8	-1.8	-2.4	-1.8	0.6 pps
Services	3.1	1.2	-2.0	-2.0	:	: pps
Manufacturing industry	:	0.9	-2.6	-2.9	-0.9	2.0 pps
15 - **Indicator board on wage developments** (% change)						
Compensation per employee	3.0	3.4	2.1	1.2	1.5	0.3 pps
Real compensation per employee based on GDP	1.6	1.1	2.4	0.4	0.5	0.1 pps
Hourly labour costs (Eurostat labour cost index)	3.3	3.8	2.0	2.0	2.0	0.0 pps
Wage and salaries	6.1	4.8	1.2	0.4	1.8	1.4 pps
Labour productivity (GDP/person employed)	1.3	0.3	-3.0	2.0	0.3	-1.7 pps

Austria	2007	2008	2009	2010	2011	2010-2011
1 - **Population** (total, 1000 pers.)	8191	8220	8238	8259	8290	0.4 %
2 - **Population** (working age:15-64, 1000 pers.)	5551	5576	5588	5606	5644	0.7 %
(% of total population)	67.8	67.8	67.8	67.9	68.1	0.2 pps
3 - **Labour force** (15-64, 1000 pers.)	4149	4182	4207	4209	4248	0.9 %
Male	2257	2259	2252	2256	2275	0.9 %
Female	1891	1923	1955	1953	1973	1.0 %
4 - **Activity rate** (% of population 15-64)	74.7	75.0	75.3	75.1	75.3	0.2 pps
Young (15-24)	60.8	60.8	60.5	58.8	59.9	1.1 pps
Prime age (25-54)	87.4	87.3	87.7	87.7	88.1	0.4 pps
Older (55-64)	39.8	41.9	42.1	43.3	42.9	-0.5 pps
Nationals (15-64)	75.3	75.7	75.9	75.8	76.0	0.2 pps
Non-nationals (15-64)	70.5	69.5	70.3	70.1	70.5	0.4 pps
Male	81.7	81.4	81.0	80.9	81.1	0.2 pps
Young (15-24)	65.0	64.6	64.0	63.6	64.9	1.3 pps
Prime age (25-54)	93.7	93.0	92.6	92.5	92.8	0.3 pps
Older (55-64)	51.3	52.8	52.3	53.0	52.6	-0.4 pps
Female	67.8	68.6	69.6	69.3	69.5	0.2 pps
Young (15-24)	56.7	56.9	57.0	54.1	55.0	0.8 pps
Prime age (25-54)	81.1	81.5	82.8	82.8	83.4	0.6 pps
Older (55-64)	28.9	31.6	32.4	34.2	33.7	-0.6 pps
5 - **Employment rate** (% of population 15-64)	71.4	72.1	71.6	71.7	72.1	0.4 pps
Young (15-24)	55.5	55.9	54.5	53.6	54.9	1.3 pps
Prime age (25-54)	84.0	84.4	84.0	84.2	84.9	0.8 pps
Older (55-64)	38.6	41.0	41.1	42.4	41.5	-0.9 pps
Low-skilled (15-64)	51.9	51.0	49.1	49.3	49.9	0.6 pps
Medium-skilled (15-64)	75.9	77.1	76.6	76.7	76.8	0.1 pps
High-skilled (15-64)	86.5	86.1	86.1	85.1	85.9	0.9 pps
Nationals (15-64)	64.0	64.5	64.2	63.9	64.0	0.0 pps
Non-nationals (15-64)	7.4	7.6	7.5	7.8	8.1	0.4 pps
Male	78.4	78.5	76.9	77.1	77.8	0.6 pps
Young (15-24)	59.6	59.5	57.3	57.9	59.8	1.8 pps
Prime age (25-54)	90.6	90.2	88.5	88.7	89.6	0.9 pps
Older (55-64)	49.8	51.8	51.0	51.6	50.6	-1.0 pps
Female	64.4	65.8	66.4	66.4	66.5	0.2 pps
Young (15-24)	51.5	52.3	51.6	49.4	50.1	0.8 pps
Prime age (25-54)	77.5	78.6	79.5	79.7	80.2	0.6 pps
Older (55-64)	28.0	30.8	31.7	33.7	32.9	-0.8 pps
6 - **Employed persons** (15-64, 1000 pers.)	3963.2	4019.8	4002.4	4021.1	4069.6	1.2 %
7 - **Employment growth** (%, National accounts)	1.8	2.0	-0.7	0.8	1.7	0.9 pps
Employment growth (%, 15-64, LFS)	2.1	1.4	-0.4	0.5	1.2	0.7 pps
Male	2.3	0.5	-1.8	0.6	1.5	0.8 pps
Female	1.8	2.6	1.2	0.3	0.9	0.7 pps
8 - **Self employed** (% of total employment)	11.7	11.1	10.9	11.3	11.3	0.1 pps
Male	7.5	7.2	7.1	7.3	7.3	0.1 pps
Female	4.1	3.9	3.8	4.0	4.0	0.0 pps
9 - **Temporary employment** (% of total employment)	8.9	9.0	9.1	9.3	9.6	0.3 pps
Male	8.8	8.9	9.1	9.8	9.7	-0.1 pps
Female	9.0	9.1	9.0	8.9	9.5	0.6 pps
10 - **Part-time** (% of total employment)	21.8	22.6	23.7	24.3	24.3	0.0 pps
Male	6.2	6.9	7.4	7.8	7.8	0.0 pps
Female	40.7	41.1	42.4	43.3	43.4	0.1 pps
11 - **Unemployment rate** (harmonised:15-74)	4.4	3.8	4.8	4.4	4.2	-0.2 pps
Young (15-24)	8.7	8.0	10.0	8.8	8.3	-0.5 pps
Prime age (25-49)	3.9	3.4	4.2	4.0	3.8	-0.2 pps
Older (55-64)	3.0	2.1	2.4	2.2	3.2	1.0 pps
Low-skilled (15-64)	8.8	8.1	10.1	8.7	8.6	-0.1 pps
Medium-skilled (15-64)	3.7	3.3	4.2	4.0	3.6	-0.4 pps
High-skilled (15-64)	2.5	1.8	2.3	2.4	2.4	0.0 pps
Nationals (15-64)	3.8	3.4	4.2	3.9	3.6	-0.3 pps
Non-nationals (15-64)	9.6	7.8	10.4	8.7	8.4	-0.3 pps
Male	3.9	3.6	5.0	4.6	4.0	-0.6 pps
Female	5.0	4.1	4.6	4.2	4.3	0.1 pps
12 - **Long-term unemployment rate** (% of total unemployment)	26.8	24.2	21.3	25.2	25.9	0.7 pps
13 - **Worked hours** (average actual weekly hours)	43.1	42.9	42.0	41.9	42.1	0.5 %
Male	43.9	43.7	42.8	42.7	42.8	0.2 %
Female	41.4	41.1	40.4	40.4	40.6	0.5 %
14 - **Sectoral employment growth** (% change)						
Agriculture	:	-1.2	-0.7	-1.2	-0.5	0.7 pps
Building and construction	2.0	3.4	0.1	0.5	2.0	1.5 pps
Services	2.2	2.2	-1.2	1.4	:	: pps
Manufacturing industry	:	1.2	-3.8	-1.3	1.2	2.5 pps
15 - **Indicator board on wage developments** (% change)						
Compensation per employee	3.1	3.2	1.7	1.2	1.9	0.7 pps
Real compensation per employee based on GDP	0.6	1.3	1.2	-0.4	1.1	1.4 pps
Hourly labour costs (Eurostat labour cost index)	3.5	4.8	4.3	1.2	4.0	2.8 pps
Wage and salaries	5.3	5.5	0.8	2.0	3.9	1.9 pps
Labour productivity (GDP/person employed)	1.9	-0.5	-3.1	1.2	1.0	-0.2 pps

Poland	2007	2008	2009	2010	2011	2010-2011
1 - **Population** (total, 1000 pers.)	37277	37158	37196	37368	37503	0.4 %
2 - **Population** (working age:15-64, 1000 pers.)	26299	26266	26338	26527	26618	0.3 %
(% of total population)	70.5	70.7	70.8	71.0	71.0	0.0 pps
3 - **Labour force** (15-64, 1000 pers.)	16610	16765	17039	17414	17599	1.1 %
Male	9086	9170	9310	9492	9616	1.3 %
Female	7524	7595	7728	7922	7983	0.8 %
4 - **Activity rate** (% of population 15-64)	63.2	63.8	64.7	65.6	66.1	0.5 pps
Young (15-24)	33.0	33.1	33.8	34.5	33.6	-0.9 pps
Prime age (25-54)	81.7	82.5	83.4	84.1	84.2	0.1 pps
Older (55-64)	31.8	33.3	34.5	36.7	39.6	2.9 pps
Nationals (15-64)	63.2	63.8	64.7	65.6	66.1	0.5 pps
Non-nationals (15-64)	69.7	71.4	72.6	68.2	70.1	1.9 pps
Male	70.0	70.9	71.8	72.4	73.0	0.6 pps
Young (15-24)	36.5	36.5	38.1	39.1	38.7	-0.3 pps
Prime age (25-54)	87.9	88.8	89.4	89.7	89.8	0.1 pps
Older (55-64)	44.8	46.8	47.5	48.9	51.6	2.7 pps
Female	56.5	57.0	57.8	59.0	59.4	0.4 pps
Young (15-24)	29.3	29.6	29.4	29.7	28.2	-1.5 pps
Prime age (25-54)	75.6	76.3	77.5	78.6	78.7	0.0 pps
Older (55-64)	20.6	21.6	23.2	25.9	29.1	3.1 pps
5 - **Employment rate** (% of population 15-64)	57.0	59.2	59.3	59.3	59.7	0.4 pps
Young (15-24)	25.8	27.4	26.8	26.3	24.9	-1.4 pps
Prime age (25-54)	74.9	77.5	77.6	77.1	77.2	0.1 pps
Older (55-64)	29.7	31.6	32.3	34.0	36.9	2.8 pps
Low-skilled (15-64)	24.9	25.5	24.6	23.6	23.5	-0.2 pps
Medium-skilled (15-64)	61.0	63.3	62.7	62.0	62.2	0.2 pps
High-skilled (15-64)	82.8	83.7	83.7	82.7	82.4	-0.3 pps
Nationals (15-64)	56.9	59.1	59.3	59.2	59.6	0.4 pps
Non-nationals (15-64)	0.1	0.1	0.1	0.1	0.1	0.0 pps
Male	63.6	66.3	66.1	65.6	66.3	0.7 pps
Young (15-24)	29.2	31.0	30.4	30.3	29.6	-0.7 pps
Prime age (25-54)	81.1	84.0	83.7	82.6	83.0	0.5 pps
Older (55-64)	41.4	44.1	44.3	45.3	47.8	2.6 pps
Female	50.6	52.4	52.8	53.0	53.1	0.1 pps
Young (15-24)	22.4	23.7	23.2	22.1	20.1	-2.1 pps
Prime age (25-54)	68.8	71.0	71.6	71.7	71.4	-0.3 pps
Older (55-64)	19.4	20.7	21.9	24.2	27.3	3.0 pps
6 - **Employed persons** (15-64, 1000 pers.)	14996.5	15557.4	15629.5	15718.9	15879.6	1.0 %
7 - **Employment growth** (%, National accounts)	4.5	3.9	0.4	0.5	1.0	0.5 pps
Employment growth (%, 15-64, LFS)	4.6	3.7	0.5	0.6	1.0	0.5 pps
Male	4.2	3.8	0.1	0.2	1.6	1.4 pps
Female	5.1	3.7	1.0	1.0	0.3	-0.7 pps
8 - **Self employed** (% of total employment)	18.7	18.3	18.3	18.5	18.5	0.0 pps
Male	12.3	12.0	12.0	12.1	12.2	0.0 pps
Female	6.5	6.3	6.3	6.3	6.3	0.0 pps
9 - **Temporary employment** (% of total employment)	28.2	26.9	26.4	27.2	26.9	-0.3 pps
Male	28.4	26.2	26.2	27.3	27.5	0.2 pps
Female	27.9	27.6	26.6	27.1	26.2	-0.9 pps
10 - **Part-time** (% of total employment)	8.5	7.7	7.7	7.6	7.3	-0.3 pps
Male	5.8	5.1	5.0	5.0	4.7	-0.3 pps
Female	11.7	10.9	10.9	10.8	10.4	-0.4 pps
11 - **Unemployment rate** (harmonised:15-74)	9.6	7.1	8.2	9.6	9.7	0.1 pps
Young (15-24)	21.7	17.3	20.6	23.7	25.8	2.1 pps
Prime age (25-49)	8.4	6.1	7.0	8.4	8.4	0.0 pps
Older (55-64)	6.8	5.3	6.3	7.1	6.9	-0.2 pps
Low-skilled (15-64)	16.5	12.8	15.4	18.4	19.2	0.8 pps
Medium-skilled (15-64)	10.3	7.6	8.8	10.6	10.5	-0.1 pps
High-skilled (15-64)	4.7	3.8	4.4	5.0	5.3	0.3 pps
Nationals (15-64)	9.7	7.2	8.3	9.7	9.8	0.1 pps
Non-nationals (15-64)	:	:	:	:	:	: pps
Male	9.0	6.4	7.8	9.3	9.0	-0.3 pps
Female	10.4	8.0	8.7	10.0	10.5	0.5 pps
12 - **Long-term unemployment rate** (% of total unemployment)	51.4	33.5	30.3	31.1	37.2	6.1 pps
13 - **Worked hours** (average actual weekly hours)	42.2	41.8	41.4	41.3	41.1	-0.5 %
Male	43.9	43.4	42.9	42.8	42.5	-0.7 %
Female	39.9	39.7	39.4	39.3	39.2	-0.3 %
14 - **Sectoral employment growth** (% change)						
Agriculture	:	-0.9	-4.5	-2.8	-0.3	2.5 pps
Building and construction	14.5	16.0	5.5	-2.4	2.9	5.3 pps
Services	5.0	3.4	3.2	2.5	:	: pps
Manufacturing industry	:	4.7	-5.2	-3.3	1.9	5.2 pps
15 - **Indicator board on wage developments** (% change)						
Compensation per employee	4.9	8.9	3.5	4.7	5.1	0.4 pps
Real compensation per employee based on GDP	0.9	5.6	-0.2	3.3	1.9	-1.4 pps
Hourly labour costs (Eurostat labour cost index)	10.5	10.1	5.1	1.2	4.5	3.3 pps
Wage and salaries	11.1	15.3	3.8	5.0	:	: pps
Labour productivity (GDP/person employed)	2.2	1.2	1.2	3.4	3.3	-0.1 pps

Portugal	2007	2008	2009	2010	2011	2010-2011
1 - **Population** (total, 1000 pers.)	10604	10623	10638	10636	10647	0.1 %
2 - **Population** (working age:15-64, 1000 pers.)	7135	7145	7143	7114	7097	-0.2 %
(% of total population)	67.3	67.3	67.1	66.9	66.7	-0.2 pps
3 - **Labour force** (15-64, 1000 pers.)	5285	5299	5263	5264	5261	-0.1 %
Male	2801	2811	2775	2755	2762	0.3 %
Female	2484	2488	2488	2509	2499	-0.4 %
4 - **Activity rate** (% of population 15-64)	74.1	74.2	73.7	74.0	74.1	0.1 pps
Young (15-24)	41.9	41.6	39.2	36.7	38.8	2.1 pps
Prime age (25-54)	87.8	88.0	87.9	88.7	88.4	-0.3 pps
Older (55-64)	54.4	54.4	53.9	54.0	53.7	-0.3 pps
Nationals (15-64)	73.8	73.8	73.4	73.7	73.8	0.1 pps
Non-nationals (15-64)	81.4	82.2	79.8	80.8	82.1	1.3 pps
Male	79.4	79.5	78.5	78.2	78.5	0.3 pps
Young (15-24)	45.3	44.4	40.8	38.6	41.1	2.5 pps
Prime age (25-54)	92.8	93.2	92.4	92.5	92.3	-0.2 pps
Older (55-64)	63.0	63.0	62.7	61.8	61.6	-0.2 pps
Female	68.8	68.9	69.0	69.9	69.8	0.0 pps
Young (15-24)	38.4	38.6	37.5	34.8	36.4	1.7 pps
Prime age (25-54)	82.8	82.9	83.4	84.9	84.5	-0.4 pps
Older (55-64)	46.7	46.6	45.9	47.0	46.5	-0.5 pps
5 - **Employment rate** (% of population 15-64)	67.8	68.2	66.3	65.6	64.2	-1.3 pps
Young (15-24)	34.9	34.7	31.3	28.5	27.2	-1.4 pps
Prime age (25-54)	81.0	81.6	79.7	79.2	77.8	-1.4 pps
Older (55-64)	50.9	50.8	49.7	49.2	47.9	-1.4 pps
Low-skilled (15-64)	65.7	65.8	62.9	61.8	59.6	-2.2 pps
Medium-skilled (15-64)	64.8	65.8	66.3	66.1	65.9	-0.2 pps
High-skilled (15-64)	84.2	84.7	84.3	82.8	80.9	-1.9 pps
Nationals (15-64)	65.1	65.0	63.4	62.8	62.0	-0.8 pps
Non-nationals (15-64)	2.7	3.1	2.9	2.8	2.2	-0.6 pps
Male	73.8	74.0	71.1	70.1	68.1	-1.9 pps
Young (15-24)	39.1	38.5	33.2	30.4	29.3	-1.1 pps
Prime age (25-54)	87.2	87.6	84.5	83.9	81.6	-2.3 pps
Older (55-64)	58.6	58.5	57.5	55.6	54.2	-1.4 pps
Female	61.9	62.5	61.6	61.1	60.4	-0.8 pps
Young (15-24)	30.6	30.8	29.4	26.5	24.9	-1.7 pps
Prime age (25-54)	74.9	75.8	74.9	74.6	74.1	-0.5 pps
Older (55-64)	44.0	43.9	42.7	43.5	42.1	-1.3 pps
6 - **Employed persons** (15-64, 1000 pers.)	4836.6	4872.2	4735.5	4663.4	4557.4	-2.3 %
7 - **Employment growth** (%, National accounts)	0.0	0.5	-2.6	-1.5	-1.5	0.0 pps
Employment growth (%, 15-64, LFS)	0.1	0.7	-2.8	-1.5	-2.3	-0.8 pps
Male	0.1	0.5	-3.9	-1.8	-2.9	-1.1 pps
Female	0.1	1.0	-1.5	-1.2	-1.6	-0.4 pps
8 - **Self employed** (% of total employment)	19.0	18.8	18.5	17.5	16.5	-1.0 pps
Male	11.2	10.9	11.1	10.5	10.4	-0.2 pps
Female	7.8	7.9	7.5	7.0	6.2	-0.8 pps
9 - **Temporary employment** (% of total employment)	22.4	22.9	22.0	23.0	22.2	-0.8 pps
Male	21.8	21.7	20.8	22.4	22.0	-0.4 pps
Female	23.0	24.2	23.3	23.7	22.4	-1.3 pps
10 - **Part-time** (% of total employment)	8.8	8.6	8.4	8.4	10.1	1.7 pps
Male	4.7	4.1	4.3	4.9	7.0	2.1 pps
Female	13.6	13.9	13.0	12.3	13.7	1.4 pps
11 - **Unemployment rate** (harmonised:15-74)	8.9	8.5	10.6	12.0	12.9	0.9 pps
Young (15-24)	16.6	16.4	20.0	22.4	30.1	7.7 pps
Prime age (25-49)	7.9	7.4	9.5	11.1	12.1	1.0 pps
Older (55-64)	6.5	6.6	7.7	8.9	10.8	1.9 pps
Low-skilled (15-64)	8.7	8.3	11.0	12.5	14.6	2.1 pps
Medium-skilled (15-64)	8.2	7.9	9.7	11.4	13.4	2.0 pps
High-skilled (15-64)	7.6	7.0	6.5	7.2	9.3	2.1 pps
Nationals (15-64)	8.3	7.9	9.7	11.1	13.0	1.9 pps
Non-nationals (15-64)	12.1	10.9	16.4	18.9	22.1	3.2 pps
Male	8.0	7.9	10.7	11.8	12.7	0.9 pps
Female	10.0	9.2	10.5	12.2	13.2	1.0 pps
12 - **Long-term unemployment rate** (% of total unemployment)	47.1	47.4	44.2	52.3	48.1	-4.2 pps
13 - **Worked hours** (average actual weekly hours)	40.5	40.4	40.4	40.5	41.3	2.0 %
Male	41.3	41.2	41.2	41.3	42.2	2.2 %
Female	39.5	39.4	39.3	39.5	40.1	1.5 %
14 - **Sectoral employment growth** (% change)						
Agriculture	:	-0.7	-1.7	-3.8	-2.8	1.0 pps
Building and construction	0.9	-2.6	-8.0	-3.9	-5.6	-1.7 pps
Services	0.7	2.1	-1.7	-1.3	:	: pps
Manufacturing industry	:	-1.9	-7.4	-3.2	-1.3	1.9 pps
15 - **Indicator board on wage developments** (% change)						
Compensation per employee	3.6	3.0	2.8	1.4	-0.9	-2.3 pps
Real compensation per employee based on GDP	0.7	1.4	1.9	0.3	-1.5	-1.9 pps
Hourly labour costs (Eurostat labour cost index)	5.3	4.3	3.3	1.4	-0.3	-1.7 pps
Wage and salaries	4.2	2.9	0.2	:	:	: pps
Labour productivity (GDP/person employed)	2.4	-0.5	-0.3	3.0	-0.1	-3.1 pps

Romania	2007	2008	2009	2010	2011	2010-2011
1 - **Population** (total, 1000 pers.)	21551	21517	21484	21447	21384	-0.3 %
2 - **Population** (working age:15-64, 1000 pers.)	15046	15042	15028	14999	14968	-0.2 %
(% of total population)	69.8	69.9	69.9	69.9	70.0	0.1 pps
3 - **Labour force** (15-64, 1000 pers.)	9483	9457	9485	9547	9480	-0.7 %
Male	5261	5294	5313	5352	5281	-1.3 %
Female	4222	4164	4172	4195	4200	0.1 %
4 - **Activity rate** (% of population 15-64)	63.0	62.9	63.1	63.6	63.3	-0.3 pps
Young (15-24)	30.5	30.4	30.9	31.2	31.1	-0.1 pps
Prime age (25-54)	79.0	78.3	78.5	79.5	79.1	-0.3 pps
Older (55-64)	42.4	44.2	43.9	42.5	41.5	-0.9 pps
Nationals (15-64)	63.0	62.9	63.1	63.6	63.3	-0.3 pps
Non-nationals (15-64)	66.9	62.9	64.7	0.0	:	: pps
Male	70.1	70.6	70.9	71.5	70.7	-0.8 pps
Young (15-24)	35.9	35.9	35.9	36.2	35.4	-0.8 pps
Prime age (25-54)	85.9	85.8	86.3	87.5	86.5	-1.0 pps
Older (55-64)	52.1	55.1	54.5	52.7	51.6	-1.0 pps
Female	56.0	55.2	55.4	55.8	56.0	0.2 pps
Young (15-24)	24.9	24.7	25.8	26.1	26.7	0.6 pps
Prime age (25-54)	72.0	70.7	70.6	71.4	71.7	0.3 pps
Older (55-64)	33.9	34.7	34.7	33.5	32.7	-0.8 pps
5 - **Employment rate** (% of population 15-64)	58.8	59.0	58.6	58.8	58.5	-0.4 pps
Young (15-24)	24.4	24.8	24.5	24.3	23.8	-0.6 pps
Prime age (25-54)	74.6	74.4	73.7	74.4	74.1	-0.3 pps
Older (55-64)	41.4	43.1	42.6	41.1	40.0	-1.1 pps
Low-skilled (15-64)	40.3	41.0	42.0	43.0	40.5	-2.5 pps
Medium-skilled (15-64)	63.9	63.5	62.2	62.2	62.3	0.1 pps
High-skilled (15-64)	85.8	85.7	84.1	82.4	82.1	-0.2 pps
Nationals (15-64)	58.7	59.0	58.5	58.8	58.4	-0.4 pps
Non-nationals (15-64)	0.1	0.1	0.1	0.0	0.0	0.0 pps
Male	64.8	65.7	65.2	65.7	65.0	-0.8 pps
Young (15-24)	28.3	29.1	28.3	28.1	27.0	-1.1 pps
Prime age (25-54)	80.6	80.9	80.5	81.5	80.7	-0.8 pps
Older (55-64)	50.3	53.0	52.3	50.3	48.9	-1.4 pps
Female	52.8	52.5	52.0	52.0	52.0	0.0 pps
Young (15-24)	20.2	20.2	20.6	20.4	20.4	0.0 pps
Prime age (25-54)	68.5	67.8	66.9	67.2	67.4	0.2 pps
Older (55-64)	33.6	34.4	34.1	33.0	32.2	-0.7 pps
6 - **Employed persons** (15-64, 1000 pers.)	8842.5	8882.2	8804.7	8822.0	8750.0	-0.8 %
7 - **Employment growth** (%, National accounts)	0.4	0.0	-2.0	-1.4	0.4	1.8 pps
Employment growth (%, 15-64, LFS)	0.1	0.4	-0.9	0.2	-0.8	-1.0 pps
Male	0.6	1.3	-0.7	0.5	-1.4	-1.9 pps
Female	-0.6	-0.6	-1.1	-0.2	-0.1	0.1 pps
8 - **Self employed** (% of total employment)	18.6	18.2	18.4	19.5	17.9	-1.6 pps
Male	13.4	13.2	13.4	14.3	12.9	-1.4 pps
Female	5.1	5.0	5.0	5.2	4.9	-0.2 pps
9 - **Temporary employment** (% of total employment)	1.6	1.3	1.0	1.1	1.5	0.4 pps
Male	1.7	1.3	1.1	1.2	1.8	0.6 pps
Female	1.5	1.1	1.0	1.0	1.3	0.3 pps
10 - **Part-time** (% of total employment)	8.6	8.6	8.5	9.7	9.3	-0.4 pps
Male	8.3	8.1	8.0	9.6	8.7	-0.9 pps
Female	8.9	9.3	9.1	9.9	10.1	0.2 pps
11 - **Unemployment rate** (harmonised:15-74)	6.4	5.8	6.9	7.3	7.4	0.1 pps
Young (15-24)	20.1	18.6	20.8	22.1	23.7	1.6 pps
Prime age (25-49)	5.8	5.1	6.1	6.6	6.6	0.0 pps
Older (55-64)	2.3	2.5	3.0	3.3	3.7	0.4 pps
Low-skilled (15-64)	8.6	8.6	8.9	7.2	8.6	1.4 pps
Medium-skilled (15-64)	6.9	6.0	7.3	8.3	8.1	-0.2 pps
High-skilled (15-64)	3.0	2.7	4.4	5.4	5.2	-0.2 pps
Nationals (15-64)	6.8	6.1	7.2	7.6	7.7	0.1 pps
Non-nationals (15-64)	:	:	:	:	:	: pps
Male	7.2	6.7	7.7	7.9	7.9	0.0 pps
Female	5.4	4.7	5.8	6.5	6.8	0.3 pps
12 - **Long-term unemployment rate** (% of total unemployment)	50.0	41.3	31.6	34.9	41.9	7.0 pps
13 - **Worked hours** (average actual weekly hours)	41.1	41.0	40.7	40.7	40.7	0.0 %
Male	41.8	41.7	41.4	41.3	41.3	0.0 %
Female	40.1	40.0	39.9	40.0	40.0	0.0 %
14 - **Sectoral employment growth** (% change)						
Agriculture	:	:	-0.1	5.1	1.9	-3.2 pps
Building and construction	22.1	:	-1.2	-5.5	1.2	6.7 pps
Services	0.6	:	0.4	-3.3	:	: pps
Manufacturing industry	:	:	-9.7	-7.5	1.1	8.6 pps
15 - **Indicator board on wage developments** (% change)						
Compensation per employee	22.0	31.9	-1.9	7.6	3.8	-3.9 pps
Real compensation per employee based on GDP	7.5	14.5	-5.9	1.5	-4.0	-5.5 pps
Hourly labour costs (Eurostat labour cost index)	21.1	20.4	12.0	5.2	7.0	1.8 pps
Wage and salaries	22.8	36.3	-6.6	3.4	5.1	1.7 pps
Labour productivity (GDP/person employed)	5.9	7.3	-4.7	-0.2	2.0	2.2 pps

Slovenia	2007	2008	2009	2010	2011	2010-2011
1 - **Population** (total, 1000 pers.)	2015	2033	2037	2048	2051	0.2 %
2 - **Population** (working age:15-64, 1000 pers.)	1412	1422	1414	1422	1421	-0.1 %
(% of total population)	70.1	70.0	69.4	69.4	69.2	-0.2 pps
3 - **Labour force** (15-64, 1000 pers.)	1007	1021	1016	1017	998	-1.8 %
Male	547	554	550	551	540	-2.1 %
Female	460	466	466	466	459	-1.5 %
4 - **Activity rate** (% of population 15-64)	71.3	71.8	71.8	71.5	70.3	-1.2 pps
Young (15-24)	41.8	42.9	40.9	39.9	37.4	-2.5 pps
Prime age (25-54)	89.3	90.1	89.6	90.0	90.1	0.2 pps
Older (55-64)	34.6	34.2	36.9	36.5	33.3	-3.2 pps
Nationals (15-64)	71.3	71.8	71.9	71.5	70.2	-1.3 pps
Non-nationals (15-64)	72.3	71.6	64.5	68.9	73.2	4.3 pps
Male	75.8	75.8	75.6	75.4	73.9	-1.5 pps
Young (15-24)	47.7	47.6	45.3	44.4	41.9	-2.5 pps
Prime age (25-54)	91.3	91.6	91.2	91.7	91.8	0.1 pps
Older (55-64)	46.7	46.4	48.2	47.5	42.7	-4.9 pps
Female	66.6	67.5	67.9	67.4	66.4	-0.9 pps
Young (15-24)	35.4	37.4	35.8	34.8	32.3	-2.5 pps
Prime age (25-54)	87.3	88.5	88.0	88.1	88.4	0.3 pps
Older (55-64)	23.1	22.2	25.6	25.5	23.7	-1.8 pps
5 - **Employment rate** (% of population 15-64)	67.8	68.6	67.5	66.2	64.4	-1.8 pps
Young (15-24)	37.6	38.4	35.3	34.1	31.5	-2.6 pps
Prime age (25-54)	85.3	86.8	84.9	83.7	83.1	-0.6 pps
Older (55-64)	33.4	32.8	35.6	35.0	31.2	-3.8 pps
Low-skilled (15-64)	43.1	42.9	41.1	39.7	35.3	-4.3 pps
Medium-skilled (15-64)	70.8	72.0	70.0	68.6	66.4	-2.2 pps
High-skilled (15-64)	87.5	87.5	88.1	86.6	85.5	-1.1 pps
Nationals (15-64)	67.2	67.7	66.8	65.2	63.1	-2.2 pps
Non-nationals (15-64)	0.5	0.9	0.7	1.0	1.3	0.4 pps
Male	72.7	72.7	71.0	69.6	67.7	-1.9 pps
Young (15-24)	43.2	43.0	39.1	37.6	35.7	-1.9 pps
Prime age (25-54)	88.1	88.6	86.4	85.2	84.8	-0.4 pps
Older (55-64)	45.2	44.7	46.4	45.5	39.5	-6.0 pps
Female	62.6	64.2	63.8	62.6	60.9	-1.6 pps
Young (15-24)	31.5	33.2	31.0	30.0	26.9	-3.1 pps
Prime age (25-54)	82.4	84.8	83.2	82.1	81.3	-0.7 pps
Older (55-64)	22.2	21.1	24.8	24.6	22.8	-1.8 pps
6 - **Employed persons** (15-64, 1000 pers.)	957.0	975.2	954.8	941.5	914.8	-2.8 %
7 - **Employment growth** (%, National accounts)	3.3	2.6	-1.8	-2.5	-1.7	0.8 pps
Employment growth (%, 15-64, LFS)	2.2	1.9	-2.1	-1.4	-2.8	-1.4 pps
Male	2.9	1.4	-2.9	-1.3	-2.9	-1.6 pps
Female	1.2	2.5	-1.1	-1.5	-2.7	-1.2 pps
8 - **Self employed** (% of total employment)	10.0	9.3	10.1	11.6	11.9	0.3 pps
Male	7.4	6.8	7.5	8.2	8.4	0.2 pps
Female	2.6	2.5	2.6	3.4	3.5	0.1 pps
9 - **Temporary employment** (% of total employment)	18.4	17.3	16.2	17.1	18.0	0.9 pps
Male	16.3	15.2	14.9	15.2	16.4	1.2 pps
Female	20.7	19.6	17.6	19.2	19.7	0.5 pps
10 - **Part-time** (% of total employment)	8.1	8.1	9.5	10.3	9.5	-0.8 pps
Male	6.5	6.2	7.4	7.4	7.1	-0.3 pps
Female	10.0	10.4	12.1	13.6	12.2	-1.4 pps
11 - **Unemployment rate** (harmonised:15-74)	4.9	4.4	5.9	7.3	8.2	0.9 pps
Young (15-24)	10.1	10.4	13.6	14.7	15.7	1.0 pps
Prime age (25-49)	4.4	3.8	5.5	7.3	7.8	0.5 pps
Older (55-64)	3.3	4.0	3.6	4.0	6.3	2.3 pps
Low-skilled (15-64)	7.4	6.6	9.5	12.5	14.4	1.9 pps
Medium-skilled (15-64)	5.0	4.4	6.4	7.6	8.7	1.1 pps
High-skilled (15-64)	3.3	3.4	3.2	4.3	5.0	0.7 pps
Nationals (15-64)	4.9	4.4	5.9	7.3	8.3	1.0 pps
Non-nationals (15-64)	0.0	0.0	14.8	13.8	11.9	-1.9 pps
Male	4.0	4.0	5.9	7.5	8.2	0.7 pps
Female	5.9	4.8	5.8	7.1	8.2	1.1 pps
12 - **Long-term unemployment rate** (% of total unemployment)	45.7	42.2	30.1	43.3	44.2	0.9 pps
13 - **Worked hours** (average actual weekly hours)	41.8	41.6	41.3	41.2	40.7	-1.2 %
Male	42.5	42.3	41.9	41.8	41.3	-1.2 %
Female	40.8	40.6	40.4	40.4	40.0	-1.0 %
14 - **Sectoral employment growth** (% change)						
Agriculture	:	-2.1	-1.7	-2.0	-2.5	-0.5 pps
Building and construction	10.9	12.2	-0.9	-9.5	-11.4	-1.9 pps
Services	4.0	3.7	0.3	-0.6	:	: pps
Manufacturing industry	:	-0.5	-9.5	-6.2	-0.2	6.0 pps
15 - **Indicator board on wage developments** (% change)						
Compensation per employee	6.2	7.2	1.8	4.4	1.7	-2.7 pps
Real compensation per employee based on GDP	1.9	3.0	-1.1	5.4	1.2	-4.3 pps
Hourly labour costs (Eurostat labour cost index)	5.4	9.5	2.5	2.4	2.1	-0.3 pps
Wage and salaries	10.1	10.3	-1.1	1.2	-0.6	-1.7 pps
Labour productivity (GDP/person employed)	3.5	0.8	-6.1	3.5	2.2	-1.3 pps

Slovak Republic	2007	2008	2009	2010	2011	2010-2011
1 - **Population** (total, 1000 pers.)	5391	5396	5409	5422	5435	0.2 %
2 - **Population** (working age:15-64, 1000 pers.)	3873	3892	3917	3926	3932	0.1 %
(% of total population)	71.8	72.1	72.4	72.4	72.3	-0.1 pps
3 - **Labour force** (15-64, 1000 pers.)	2646	2679	2680	2696	2707	0.4 %
Male	1464	1481	1491	1491	1508	1.1 %
Female	1182	1198	1189	1205	1200	-0.5 %
4 - **Activity rate** (% of population 15-64)	68.3	68.8	68.4	68.7	68.9	0.2 pps
Young (15-24)	34.6	32.4	31.4	31.1	30.2	-0.9 pps
Prime age (25-54)	86.9	87.8	87.2	86.9	87.0	0.1 pps
Older (55-64)	38.8	41.9	42.8	45.1	46.0	0.9 pps
Nationals (15-64)	68.3	68.8	68.4	68.7	68.9	0.2 pps
Non-nationals (15-64)	71.2	77.6	74.2	59.5	72.1	12.6 pps
Male	75.9	76.4	76.3	76.1	76.7	0.7 pps
Young (15-24)	38.9	37.8	37.1	36.4	37.3	0.9 pps
Prime age (25-54)	93.1	93.4	93.6	92.9	93.5	0.6 pps
Older (55-64)	57.0	59.9	58.7	59.7	58.9	-0.8 pps
Female	60.8	61.3	60.6	61.3	61.0	-0.3 pps
Young (15-24)	30.2	26.8	25.4	25.5	22.8	-2.8 pps
Prime age (25-54)	80.7	82.1	80.7	80.9	80.4	-0.5 pps
Older (55-64)	23.3	26.4	29.0	32.2	34.6	2.4 pps
5 - **Employment rate** (% of population 15-64)	60.7	62.3	60.2	58.8	59.5	0.7 pps
Young (15-24)	27.6	26.2	22.8	20.6	20.2	-0.5 pps
Prime age (25-54)	78.0	80.1	77.8	75.8	76.5	0.8 pps
Older (55-64)	35.6	39.2	39.5	40.5	41.4	0.9 pps
Low-skilled (15-64)	14.7	15.9	14.3	14.3	14.9	0.6 pps
Medium-skilled (15-64)	69.0	70.1	67.1	65.1	65.5	0.4 pps
High-skilled (15-64)	83.1	83.9	80.3	78.0	76.8	-1.2 pps
Nationals (15-64)	60.6	62.1	60.1	58.6	59.4	0.8 pps
Non-nationals (15-64)	0.1	0.1	0.1	0.1	0.1	0.0 pps
Male	68.4	70.0	67.6	65.2	66.3	1.1 pps
Young (15-24)	30.9	30.8	26.8	23.8	25.0	1.2 pps
Prime age (25-54)	85.0	86.4	84.2	81.4	82.6	1.2 pps
Older (55-64)	52.6	56.7	54.9	54.0	52.6	-1.4 pps
Female	53.0	54.6	52.8	52.3	52.7	0.4 pps
Young (15-24)	24.1	21.5	18.7	17.4	15.1	-2.3 pps
Prime age (25-54)	71.0	73.7	71.2	70.1	70.4	0.3 pps
Older (55-64)	21.2	24.2	26.1	28.7	31.5	2.8 pps
6 - **Employed persons** (15-64, 1000 pers.)	2350.5	2423.4	2356.6	2307.2	2339.3	1.4 %
7 - **Employment growth** (%, National accounts)	2.1	3.2	-2.0	-1.5	1.8	3.3 pps
Employment growth (%, 15-64, LFS)	2.4	3.1	-2.8	-2.1	1.4	3.5 pps
Male	2.4	2.9	-2.7	-3.2	1.9	5.1 pps
Female	2.4	3.3	-2.8	-0.7	0.8	1.5 pps
8 - **Self employed** (% of total employment)	12.8	13.6	15.5	15.8	15.8	0.0 pps
Male	9.6	10.3	11.3	11.7	11.6	-0.2 pps
Female	3.1	3.3	4.2	4.1	4.3	0.2 pps
9 - **Temporary employment** (% of total employment)	5.0	4.5	4.3	5.6	6.5	0.9 pps
Male	4.9	4.4	4.5	5.5	6.2	0.7 pps
Female	5.1	4.7	4.0	5.8	6.7	0.9 pps
10 - **Part-time** (% of total employment)	2.5	2.5	3.4	3.8	3.9	0.1 pps
Male	1.0	1.3	2.6	2.6	2.6	0.0 pps
Female	4.3	4.1	4.5	5.2	5.6	0.4 pps
11 - **Unemployment rate** (harmonised:15-74)	11.2	9.6	12.1	14.5	13.6	-0.9 pps
Young (15-24)	20.3	19.0	27.3	33.6	33.2	-0.4 pps
Prime age (25-49)	10.2	8.8	10.9	13.0	12.2	-0.8 pps
Older (55-64)	8.2	6.4	7.7	10.1	10.0	-0.1 pps
Low-skilled (15-64)	45.1	39.6	41.7	44.3	42.4	-1.9 pps
Medium-skilled (15-64)	9.4	8.1	11.5	14.1	13.4	-0.7 pps
High-skilled (15-64)	4.1	3.6	4.3	5.8	5.8	0.0 pps
Nationals (15-64)	11.2	9.6	12.1	14.5	13.6	-0.9 pps
Non-nationals (15-64)	:	:	:	:	:	: pps
Male	10.0	8.4	11.5	14.3	13.6	-0.7 pps
Female	12.8	11.0	12.9	14.7	13.6	-1.1 pps
12 - **Long-term unemployment rate** (% of total unemployment)	74.2	69.5	54.0	64.0	67.8	3.8 pps
13 - **Worked hours** (average actual weekly hours)	40.8	40.4	39.9	40.3	40.4	0.2 %
Male	41.7	41.3	40.7	41.1	41.2	0.2 %
Female	39.5	39.1	38.8	39.2	39.2	0.0 %
14 - **Sectoral employment growth** (% change)						
Agriculture	:	-1.1	-7.1	-9.1	3.4	12.5 pps
Building and construction	5.1	9.3	3.9	-2.2	-1.8	0.4 pps
Services	2.6	3.6	1.1	0.2	:	: pps
Manufacturing industry	:	4.1	-11.0	-4.2	3.6	7.8 pps
15 - **Indicator board on wage developments** (% change)						
Compensation per employee	8.7	7.0	3.6	4.4	0.9	-3.5 pps
Real compensation per employee based on GDP	7.5	4.0	4.9	3.9	-0.7	-4.7 pps
Hourly labour costs (Eurostat labour cost index)	7.3	5.4	3.8	1.0	5.5	4.5 pps
Wage and salaries	10.6	7.5	1.1	2.6	4.5	1.9 pps
Labour productivity (GDP/person employed)	8.2	2.4	-3.0	5.8	1.5	-4.3 pps

Finland	2007	2008	2009	2010	2011	2010-2011
1 - **Population** (total, 1000 pers.)	5266	5289	5317	5343	5365	0.4 %
2 - **Population** (working age:15-64, 1000 pers.)	3497	3514	3527	3537	3518	-0.5 %
(% of total population)	66.4	66.4	66.3	66.2	65.6	-0.6 pps
3 - **Labour force** (15-64, 1000 pers.)	2642	2669	2644	2634	2637	0.1 %
Male	1358	1376	1355	1360	1366	0.5 %
Female	1284	1293	1289	1274	1271	-0.3 %
4 - **Activity rate** (% of population 15-64)	75.6	76.0	75.0	74.5	74.9	0.5 pps
Young (15-24)	53.4	53.5	50.4	49.4	50.5	1.1 pps
Prime age (25-54)	88.0	88.6	88.2	87.5	87.6	0.1 pps
Older (55-64)	58.8	59.7	59.1	60.2	60.9	0.7 pps
Nationals (15-64)	75.7	76.0	75.0	74.6	75.2	0.5 pps
Non-nationals (15-64)	70.5	72.3	71.7	69.3	67.6	-1.7 pps
Male	77.2	77.9	76.4	76.4	77.2	0.8 pps
Young (15-24)	53.2	53.4	49.7	49.4	50.5	1.1 pps
Prime age (25-54)	90.4	91.2	90.6	90.5	90.9	0.4 pps
Older (55-64)	59.1	60.6	58.7	60.1	61.4	1.3 pps
Female	73.8	73.9	73.5	72.5	72.7	0.2 pps
Young (15-24)	53.6	53.5	51.2	49.3	50.5	1.2 pps
Prime age (25-54)	85.6	85.9	85.7	84.4	84.3	-0.1 pps
Older (55-64)	58.4	58.8	59.5	60.3	60.4	0.1 pps
5 - **Employment rate** (% of population 15-64)	70.3	71.1	68.7	68.1	69.0	0.9 pps
Young (15-24)	44.6	44.7	39.6	38.8	40.4	1.6 pps
Prime age (25-54)	83.3	84.3	82.4	81.6	82.3	0.7 pps
Older (55-64)	55.0	56.5	55.5	56.3	57.0	0.7 pps
Low-skilled (15-64)	46.4	46.4	43.0	41.1	41.2	0.1 pps
Medium-skilled (15-64)	73.9	75.1	71.9	71.2	72.2	1.0 pps
High-skilled (15-64)	85.1	85.6	84.4	84.0	84.3	0.2 pps
Nationals (15-64)	69.2	69.8	67.4	66.8	67.5	0.7 pps
Non-nationals (15-64)	1.1	1.3	1.3	1.3	1.5	0.1 pps
Male	72.1	73.1	69.5	69.4	70.6	1.2 pps
Young (15-24)	44.5	44.3	37.7	37.7	39.5	1.9 pps
Prime age (25-54)	86.0	87.3	84.3	83.9	84.8	1.0 pps
Older (55-64)	55.1	57.1	54.6	55.6	56.8	1.1 pps
Female	68.5	69.0	67.9	66.9	67.4	0.5 pps
Young (15-24)	44.7	45.0	41.5	40.0	41.2	1.3 pps
Prime age (25-54)	80.6	81.2	80.5	79.2	79.6	0.4 pps
Older (55-64)	55.0	55.9	56.3	56.9	57.2	0.3 pps
6 - **Employed persons** (15-64, 1000 pers.)	2458.5	2497.2	2423.3	2410.1	2428.5	0.8 %
7 - **Employment growth** (%, National accounts)	2.2	2.6	-2.6	-0.1	1.1	1.2 pps
Employment growth (%, 15-64, LFS)	1.8	1.6	-3.0	-0.5	0.8	1.3 pps
Male	1.5	1.9	-4.5	0.1	1.2	1.1 pps
Female	2.1	1.2	-1.3	-1.2	0.3	1.5 pps
8 - **Self employed** (% of total employment)	11.5	11.8	12.6	12.2	12.2	0.0 pps
Male	7.9	8.0	8.5	8.3	8.3	0.1 pps
Female	3.7	3.8	4.1	4.0	3.9	-0.1 pps
9 - **Temporary employment** (% of total employment)	15.9	14.9	14.5	15.4	15.5	0.1 pps
Male	12.3	11.1	10.5	12.3	12.6	0.3 pps
Female	19.4	18.7	18.3	18.4	18.4	0.0 pps
10 - **Part-time** (% of total employment)	13.4	12.7	13.3	13.9	14.1	0.2 pps
Male	8.3	7.9	8.3	8.9	9.4	0.5 pps
Female	18.8	17.8	18.5	19.0	19.0	0.0 pps
11 - **Unemployment rate** (harmonised:15-74)	6.9	6.4	8.2	8.4	7.8	-0.6 pps
Young (15-24)	16.5	16.5	21.5	21.4	20.1	-1.3 pps
Prime age (25-49)	5.3	4.9	6.7	6.8	6.2	-0.6 pps
Older (55-64)	6.3	5.4	6.2	6.5	6.4	-0.1 pps
Low-skilled (15-64)	13.0	12.8	15.3	16.7	16.7	0.0 pps
Medium-skilled (15-64)	7.1	6.4	9.2	9.0	8.3	-0.7 pps
High-skilled (15-64)	3.6	3.3	4.1	4.5	4.0	-0.5 pps
Nationals (15-64)	6.8	6.2	8.1	8.2	7.7	-0.5 pps
Non-nationals (15-64)	16.7	15.8	18.0	19.6	16.8	-2.8 pps
Male	6.5	6.1	8.9	9.1	8.4	-0.7 pps
Female	7.2	6.7	7.6	7.6	7.1	-0.5 pps
12 - **Long-term unemployment rate** (% of total unemployment)	22.8	18.4	16.7	24.0	22.2	-1.8 pps
13 - **Worked hours** (average actual weekly hours)	39.2	39.2	38.6	39.0	39.0	0.0 %
Male	40.7	40.6	40.1	40.4	40.5	0.2 %
Female	37.4	37.3	36.8	37.2	37.1	-0.3 %
14 - **Sectoral employment growth** (% change)						
Agriculture	:	-1.0	-0.7	0.7	-3.9	-4.6 pps
Building and construction	7.1	3.6	-5.7	1.9	2.6	0.7 pps
Services	2.2	3.5	-3.2	0.7	:	: pps
Manufacturing industry	:	2.1	-7.4	-3.9	-0.6	3.3 pps
15 - **Indicator board on wage developments** (% change)						
Compensation per employee	3.7	4.4	2.3	1.8	3.4	1.6 pps
Real compensation per employee based on GDP	0.6	1.4	0.8	1.3	0.3	-1.1 pps
Hourly labour costs (Eurostat labour cost index)	6.3	4.1	4.3	0.6	2.6	2.0 pps
Wage and salaries	6.1	7.1	-0.5	2.5	4.5	1.9 pps
Labour productivity (GDP/person employed)	3.1	-2.2	-6.1	3.4	1.6	-1.8 pps

Sweden	2007	2008	2009	2010	2011	2010-2011
1 - **Population** (total, 1000 pers.)	9147	9203	9297	9363	9419	0.6 %
2 - **Population** (working age:15-64, 1000 pers.)	6002	6046	6080	6101	6113	0.2 %
(% of total population)	65.6	65.7	65.4	65.2	64.9	-0.3 pps
3 - **Labour force** (15-64, 1000 pers.)	4750	4797	4799	4852	4906	1.1 %
Male	2482	2508	2513	2550	2569	0.7 %
Female	2268	2289	2286	2302	2337	1.5 %
4 - **Activity rate** (% of population 15-64)	79.1	79.3	78.9	79.5	80.2	0.7 pps
Young (15-24)	52.2	52.8	51.0	51.7	52.6	0.8 pps
Prime age (25-54)	90.0	90.4	90.0	90.6	91.0	0.4 pps
Older (55-64)	72.8	72.8	73.9	74.5	75.9	1.4 pps
Nationals (15-64)	79.7	79.8	79.4	80.1	81.0	0.8 pps
Non-nationals (15-64)	68.6	71.8	72.5	71.0	70.3	-0.7 pps
Male	81.4	81.7	81.4	82.3	82.7	0.4 pps
Young (15-24)	51.8	52.6	51.1	52.1	52.6	0.5 pps
Prime age (25-54)	92.9	93.1	92.8	93.6	93.8	0.2 pps
Older (55-64)	76.2	76.5	77.8	79.1	79.9	0.8 pps
Female	76.8	76.9	76.4	76.7	77.7	1.1 pps
Young (15-24)	52.7	53.1	51.0	51.4	52.5	1.2 pps
Prime age (25-54)	87.1	87.6	87.1	87.5	88.1	0.6 pps
Older (55-64)	69.4	69.0	69.9	69.8	71.8	2.0 pps
5 - **Employment rate** (% of population 15-64)	74.2	74.3	72.2	72.7	74.1	1.4 pps
Young (15-24)	42.2	42.2	38.3	38.7	40.5	1.8 pps
Prime age (25-54)	86.1	86.5	84.5	85.0	86.0	1.0 pps
Older (55-64)	70.0	70.1	70.0	70.5	72.3	1.8 pps
Low-skilled (15-64)	56.8	55.9	50.1	46.6	47.5	0.9 pps
Medium-skilled (15-64)	81.4	81.6	78.7	78.9	80.1	1.2 pps
High-skilled (15-64)	87.6	88.1	87.0	87.1	86.9	-0.2 pps
Nationals (15-64)	71.2	71.1	68.8	69.2	70.5	1.3 pps
Non-nationals (15-64)	3.0	3.2	3.3	3.4	3.5	0.1 pps
Male	76.5	76.7	74.2	75.1	76.3	1.2 pps
Young (15-24)	42.0	42.2	37.6	38.2	40.1	1.9 pps
Prime age (25-54)	89.1	89.4	86.9	88.0	88.8	0.8 pps
Older (55-64)	72.9	73.4	73.2	74.2	75.7	1.5 pps
Female	71.8	71.8	70.2	70.3	71.8	1.6 pps
Young (15-24)	42.3	42.1	38.9	39.2	41.0	1.8 pps
Prime age (25-54)	83.0	83.5	81.9	82.0	83.2	1.2 pps
Older (55-64)	67.0	66.7	66.7	66.8	68.9	2.1 pps
6 - **Employed persons** (15-64, 1000 pers.)	4453.3	4493.8	4391.4	4437.5	4529.4	2.1 %
7 - **Employment growth** (%, National accounts)	2.3	0.9	-2.4	1.1	2.2	1.1 pps
Employment growth (%, 15-64, LFS)	2.3	0.9	-2.3	1.0	2.1	1.0 pps
Male	2.3	1.0	-2.8	1.6	1.8	0.2 pps
Female	2.3	0.8	-1.7	0.4	2.4	1.9 pps
8 - **Self employed** (% of total employment)	9.6	9.4	9.6	9.8	9.4	-0.4 pps
Male	7.1	6.9	7.0	7.1	6.8	-0.3 pps
Female	2.4	2.5	2.6	2.7	2.6	-0.2 pps
9 - **Temporary employment** (% of total employment)	17.2	15.8	14.9	15.4	15.9	0.5 pps
Male	14.7	13.2	12.6	13.5	14.0	0.5 pps
Female	19.7	18.5	17.3	17.3	17.9	0.6 pps
10 - **Part-time** (% of total employment)	24.2	25.7	26.0	25.3	24.7	-0.6 pps
Male	10.5	11.9	12.6	12.2	12.0	-0.2 pps
Female	39.5	40.9	40.5	39.7	38.7	-1.0 pps
11 - **Unemployment rate** (harmonised:15-74)	6.1	6.2	8.3	8.4	7.5	-0.9 pps
Young (15-24)	19.3	20.2	25.0	25.2	22.9	-2.3 pps
Prime age (25-49)	4.6	4.5	6.5	6.4	5.7	-0.7 pps
Older (55-64)	4.0	3.8	5.3	5.4	4.7	-0.7 pps
Low-skilled (15-64)	11.9	12.6	16.7	18.2	16.7	-1.5 pps
Medium-skilled (15-64)	5.2	5.0	7.7	7.6	6.9	-0.7 pps
High-skilled (15-64)	3.6	3.4	4.5	4.5	4.2	-0.3 pps
Nationals (15-64)	5.9	5.9	8.0	7.9	6.9	-1.0 pps
Non-nationals (15-64)	13.0	14.3	16.8	18.8	20.7	1.9 pps
Male	5.9	5.9	8.6	8.5	7.6	-0.9 pps
Female	6.5	6.6	8.0	8.2	7.5	-0.7 pps
12 - **Long-term unemployment rate** (% of total unemployment)	13.9	12.7	13.2	17.8	18.6	0.8 pps
13 - **Worked hours** (average actual weekly hours)	39.6	39.6	39.2	39.9	39.8	-0.3 %
Male	40.5	40.5	40.0	40.7	40.5	-0.5 %
Female	38.1	38.2	37.9	38.5	38.5	0.0 %
14 - **Sectoral employment growth** (% change)						
Agriculture	:	1.5	-0.5	1.2	-0.8	-2.0 pps
Building and construction	7.6	7.2	-1.0	4.0	5.1	1.1 pps
Services	2.1	2.3	-1.7	1.8	:	: pps
Manufacturing industry	:	0.3	-9.8	-1.5	0.9	2.4 pps
15 - **Indicator board on wage developments** (% change)						
Compensation per employee	5.2	1.5	1.6	3.0	0.8	-2.2 pps
Real compensation per employee based on GDP	2.4	-1.6	-0.4	2.0	-0.1	-2.0 pps
Hourly labour costs (Eurostat labour cost index)	3.4	2.4	3.7	2.0	2.7	0.7 pps
Wage and salaries	7.0	5.5	0.1	3.1	5.7	2.6 pps
Labour productivity (GDP/person employed)	1.0	-1.5	-2.7	5.0	1.7	-3.3 pps

United Kingdom	2007	2008	2009	2010	2011	2010-2011
1 - **Population** (total, 1000 pers.)	59862	60305	60734	61099	61510	0.7 %
2 - **Population** (working age:15-64, 1000 pers.)	39845	40094	40318	40441	40599	0.4 %
(% of total population)	66.6	66.5	66.4	66.2	66.0	-0.2 pps
3 - **Labour force** (15-64, 1000 pers.)	30089	30409	30525	30529	30721	0.6 %
Male	16260	16416	16433	16433	16512	0.5 %
Female	13829	13993	14093	14096	14209	0.8 %
4 - **Activity rate** (% of population 15-64)	75.5	75.8	75.7	75.5	75.7	0.2 pps
Young (15-24)	61.7	61.7	59.7	59.2	58.8	-0.4 pps
Prime age (25-54)	84.5	84.9	85.1	85.0	85.3	0.4 pps
Older (55-64)	59.3	59.9	60.3	59.9	59.7	-0.2 pps
Nationals (15-64)	75.8	76.1	76.0	75.7	75.8	0.1 pps
Non-nationals (15-64)	72.5	73.3	73.1	73.6	74.3	0.6 pps
Male	82.2	82.4	82.0	81.7	81.7	0.0 pps
Young (15-24)	64.6	64.8	62.0	61.8	61.5	-0.4 pps
Prime age (25-54)	91.6	91.6	91.7	91.4	91.7	0.2 pps
Older (55-64)	69.0	69.9	70.3	69.1	68.5	-0.6 pps
Female	69.0	69.4	69.5	69.4	69.7	0.3 pps
Young (15-24)	58.7	58.4	57.4	56.4	56.0	-0.4 pps
Prime age (25-54)	77.6	78.2	78.7	78.6	79.1	0.5 pps
Older (55-64)	50.0	50.2	50.6	51.1	51.3	0.2 pps
5 - **Employment rate** (% of population 15-64)	71.5	71.5	69.9	69.5	69.5	0.0 pps
Young (15-24)	52.9	52.4	48.4	47.6	46.4	-1.2 pps
Prime age (25-54)	81.3	81.4	80.2	79.8	80.1	0.3 pps
Older (55-64)	57.4	58.0	57.5	57.1	56.7	-0.3 pps
Low-skilled (15-64)	60.1	56.2	54.1	52.3	52.6	0.3 pps
Medium-skilled (15-64)	76.7	75.1	72.4	71.5	71.7	0.2 pps
High-skilled (15-64)	87.2	85.3	84.2	84.0	82.6	-1.4 pps
Nationals (15-64)	66.2	65.8	64.2	63.7	63.2	-0.5 pps
Non-nationals (15-64)	5.3	5.7	5.7	5.7	6.2	0.6 pps
Male	77.5	77.3	74.8	74.5	74.5	0.0 pps
Young (15-24)	54.4	53.8	48.5	48.5	47.0	-1.5 pps
Prime age (25-54)	88.2	87.7	85.7	85.4	85.9	0.5 pps
Older (55-64)	66.3	67.3	66.2	65.0	64.2	-0.8 pps
Female	65.5	65.8	65.0	64.6	64.5	0.0 pps
Young (15-24)	51.4	51.0	48.2	46.6	45.7	-0.9 pps
Prime age (25-54)	74.6	75.2	74.7	74.3	74.5	0.1 pps
Older (55-64)	48.9	49.0	49.2	49.5	49.6	0.1 pps
6 - **Employed persons** (15-64, 1000 pers.)	28477.7	28670.8	28183.5	28109.6	28207.3	0.3 %
7 - **Employment growth** (%, National accounts)	0.7	0.7	-1.6	0.2	0.4	0.2 pps
Employment growth (%, 15-64, LFS)	0.6	0.7	-1.7	-0.3	0.3	0.6 pps
Male	0.8	0.4	-2.5	-0.1	0.4	0.5 pps
Female	0.4	1.1	-0.7	-0.5	0.3	0.8 pps
8 - **Self employed** (% of total employment)	12.6	12.5	12.7	13.0	13.1	0.1 pps
Male	9.1	9.1	9.1	9.1	9.2	0.1 pps
Female	3.5	3.5	3.7	3.8	3.9	0.0 pps
9 - **Temporary employment** (% of total employment)	5.7	5.3	5.5	6.0	6.0	0.0 pps
Male	5.1	4.7	5.1	5.6	5.6	0.0 pps
Female	6.4	5.9	5.9	6.4	6.4	0.0 pps
10 - **Part-time** (% of total employment)	24.2	24.2	25.0	25.7	25.5	-0.2 pps
Male	9.4	9.8	10.4	11.0	11.0	0.0 pps
Female	41.4	41.0	41.7	42.4	42.2	-0.2 pps
11 - **Unemployment rate** (harmonised:15-74)	5.3	5.6	7.6	7.8	8.0	0.2 pps
Young (15-24)	14.3	15.0	19.1	19.6	21.1	1.5 pps
Prime age (25-49)	3.9	4.3	6.0	6.3	6.4	0.1 pps
Older (55-64)	3.2	3.1	4.6	4.7	5.0	0.3 pps
Low-skilled (15-64)	9.5	10.4	13.3	14.2	14.6	0.4 pps
Medium-skilled (15-64)	5.2	5.6	7.9	8.3	8.7	0.4 pps
High-skilled (15-64)	2.6	2.8	4.0	4.1	4.4	0.3 pps
Nationals (15-64)	5.2	5.6	7.6	7.8	8.1	0.3 pps
Non-nationals (15-64)	7.7	7.0	8.9	9.0	9.5	0.5 pps
Male	5.6	6.1	8.6	8.6	8.7	0.1 pps
Female	5.0	5.1	6.4	6.8	7.3	0.5 pps
12 - **Long-term unemployment rate** (% of total unemployment)	23.7	24.1	24.5	32.6	33.4	0.8 pps
13 - **Worked hours** (average actual weekly hours)	41.3	41.0	41.0	41.1	41.1	0.0 %
Male	42.7	42.4	42.3	42.4	42.4	0.0 %
Female	38.6	38.4	38.6	38.6	38.6	0.0 %
14 - **Sectoral employment growth** (% change)						
Agriculture	:	:	:	:	:	: pps
Building and construction	:	:	:	:	:	: pps
Services	:	:	:	:	:	: pps
Manufacturing industry	:	:	:	:	:	: pps
15 - **Indicator board on wage developments** (% change)						
Compensation per employee	5.2	1.5	2.7	2.7	2.0	-0.7 pps
Real compensation per employee based on GDP	2.9	-1.5	1.4	0.0	-0.6	-0.6 pps
Hourly labour costs (Eurostat labour cost index)	4.6	4.2	0.3	2.1	1.6	-0.5 pps
Wage and salaries	6.1	2.5	-0.2	1.1	2.5	1.5 pps
Labour productivity (GDP/person employed)	2.9	-1.7	-2.4	1.6	0.2	-1.4 pps

European Union (27 countries)	2007	2008	2009	2010	2011	2010-2011
1 - **Population** (total, 1000 pers.)	488555	490665	492290	493724	495163	0.3 %
2 - **Population** (working age:15-64, 1000 pers.)	329256	330447	330935	331176	331418	0.1 %
(% of total population)	67.4	67.3	67.2	67.1	66.9	-0.1 pps
3 - **Labour force** (15-64, 1000 pers.)	231817	233946	234740	235240	236015	0.3 %
Male	127582	128462	128374	128286	128304	0.0 %
Female	104235	105484	106366	106954	107711	0.7 %
4 - **Activity rate** (% of population 15-64)	70.4	70.8	70.9	71.0	71.2	0.2 pps
Young (15-24)	44.2	44.3	43.7	43.0	42.7	-0.3 pps
Prime age (25-54)	84.3	84.6	84.7	84.9	85.0	0.1 pps
Older (55-64)	47.2	48.1	49.1	49.7	50.9	1.2 pps
Nationals (15-64)	70.4	70.7	70.9	71.0	71.2	0.2 pps
Non-nationals (15-64)	70.9	71.7	71.7	71.7	71.8	0.1 pps
Male	77.7	77.9	77.8	77.6	77.6	-0.1 pps
Young (15-24)	47.6	47.8	46.9	46.1	45.7	-0.4 pps
Prime age (25-54)	91.9	92.0	91.8	91.7	91.6	-0.1 pps
Older (55-64)	57.0	57.9	58.6	58.9	59.5	0.6 pps
Female	63.2	63.7	64.1	64.4	64.9	0.4 pps
Young (15-24)	40.6	40.8	40.4	39.7	39.6	-0.1 pps
Prime age (25-54)	76.7	77.3	77.7	78.1	78.4	0.2 pps
Older (55-64)	38.0	38.8	40.2	41.2	42.8	1.7 pps
5 - **Employment rate** (% of population 15-64)	65.3	65.8	64.5	64.1	64.3	0.1 pps
Young (15-24)	37.3	37.4	35.0	34.0	33.6	-0.4 pps
Prime age (25-54)	79.0	79.5	78.0	77.6	77.6	0.0 pps
Older (55-64)	44.6	45.6	46.0	46.3	47.4	1.1 pps
Low-skilled (15-64)	48.6	48.1	46.1	45.1	44.8	-0.4 pps
Medium-skilled (15-64)	70.1	70.5	68.9	68.4	68.4	0.0 pps
High-skilled (15-64)	83.7	83.7	82.8	82.3	82.0	-0.2 pps
Nationals (15-64)	61.2	61.4	60.2	59.7	59.8	0.0 pps
Non-nationals (15-64)	4.1	4.4	4.3	4.4	4.5	0.1 pps
Male	72.5	72.7	70.7	70.1	70.1	0.0 pps
Young (15-24)	40.4	40.3	37.1	36.2	35.7	-0.4 pps
Prime age (25-54)	86.8	86.9	84.6	83.9	83.9	0.0 pps
Older (55-64)	53.9	55.0	54.8	54.6	55.2	0.6 pps
Female	58.2	58.9	58.4	58.2	58.5	0.3 pps
Young (15-24)	34.2	34.4	32.9	31.8	31.4	-0.4 pps
Prime age (25-54)	71.2	72.0	71.4	71.3	71.4	0.1 pps
Older (55-64)	35.9	36.8	37.8	38.6	40.2	1.6 pps
6 - **Employed persons** (15-64, 1000 pers.)	215063.3	217401.5	213526.3	212405.0	213047.3	0.3 %
7 - **Employment growth** (%, National accounts)	1.8	0.9	-1.8	-0.5	0.3	0.8 pps
Employment growth (%, 15-64, LFS)	1.8	1.1	-1.8	-0.5	0.3	0.8 pps
Male	1.6	0.7	-2.7	-0.8	0.1	0.9 pps
Female	2.1	1.6	-0.7	-0.2	0.5	0.7 pps
8 - **Self employed** (% of total employment)	14.4	14.2	14.3	14.5	14.4	-0.1 pps
Male	10.1	9.9	10.0	10.1	10.0	-0.1 pps
Female	4.3	4.3	4.4	4.5	4.4	0.0 pps
9 - **Temporary employment** (% of total employment)	14.6	14.1	13.6	13.9	14.0	0.1 pps
Male	13.9	13.3	12.7	13.3	13.6	0.3 pps
Female	15.3	15.0	14.5	14.6	14.6	0.0 pps
10 - **Part-time** (% of total employment)	17.6	17.6	18.1	18.6	18.8	0.2 pps
Male	7.0	7.0	7.4	7.9	8.1	0.2 pps
Female	30.8	30.6	31.0	31.4	31.6	0.2 pps
11 - **Unemployment rate** (harmonised:15-74)	7.2	7.1	9.0	9.7	9.7	0.0 pps
Young (15-24)	15.5	15.6	19.9	20.9	21.3	0.4 pps
Prime age (25-49)	6.4	6.3	8.2	8.9	9.0	0.1 pps
Older (55-64)	5.5	5.1	6.3	6.8	6.8	0.0 pps
Low-skilled (15-64)	10.9	11.6	14.9	16.2	16.7	0.5 pps
Medium-skilled (15-64)	7.0	6.5	8.4	9.1	9.0	-0.1 pps
High-skilled (15-64)	4.0	3.9	5.0	5.5	5.6	0.1 pps
Nationals (15-64)	6.9	6.7	8.5	9.1	9.1	0.0 pps
Non-nationals (15-64)	12.0	12.2	16.4	16.8	16.8	0.0 pps
Male	6.6	6.7	9.1	9.7	9.6	-0.1 pps
Female	7.9	7.6	9.0	9.6	9.8	0.2 pps
12 - **Long-term unemployment rate** (% of total unemployment)	42.7	36.9	33.1	39.9	42.9	3.0 pps
13 - **Worked hours** (average actual weekly hours)	41.2	41.0	40.7	40.8	40.8	0.0 %
Male	42.3	42.1	41.7	41.9	41.9	0.0 %
Female	39.2	39.1	38.9	39.1	39.1	0.0 %
14 - **Sectoral employment growth** (% change)						
Agriculture	:	-1.6	-1.9	0.1	-1.2	-1.3 pps
Building and construction	5.3	0.3	-5.4	-4.1	-3.0	1.1 pps
Services	2.1	1.8	-1.5	0.0	:	: pps
Manufacturing industry	:	0.1	-6.3	-3.5	0.2	3.7 pps
15 - **Indicator board on wage developments** (% change)						
Compensation per employee	3.3	0.6	-1.3	3.1	2.1	-1.0 pps
Real compensation per employee based on GDP	0.7	0.8	0.7	1.1	0.8	-0.3 pps
Hourly labour costs (Eurostat labour cost index)	3.5	4.0	2.5	1.7	2.7	1.0 pps
Wage and salaries	5.7	1.8	-3.3	2.7	:	: pps
Labour productivity (GDP/person employed)	1.4	-0.6	-2.6	2.6	1.3	-1.3 pps

Euro Area	2007	2008	2009	2010	2011	2010-2011
1 - **Population** (total, 1000 pers.)	321714	323405	324479	325409	326437	0.3 %
2 - **Population** (working age:15-64, 1000 pers.)	215245	216137	216363	216443	216676	0.1 %
(% of total population)	66.9	66.8	66.7	66.5	66.4	-0.1 pps
3 - **Labour force** (15-64, 1000 pers.)	152508	154015	154404	154509	155024	0.3 %
Male	84598	85095	84853	84595	84523	-0.1 %
Female	67910	68919	69551	69915	70501	0.8 %
4 - **Activity rate** (% of population 15-64)	70.9	71.3	71.4	71.4	71.5	0.2 pps
Young (15-24)	44.4	44.4	43.6	42.5	42.2	-0.3 pps
Prime age (25-54)	84.7	85.0	85.1	85.2	85.2	0.0 pps
Older (55-64)	46.1	47.1	48.4	49.4	50.8	1.4 pps
Nationals (15-64)	70.9	71.3	71.4	71.4	71.6	0.2 pps
Non-nationals (15-64)	70.7	71.4	71.4	71.4	71.4	0.0 pps
Male	78.6	78.7	78.4	78.2	78.1	-0.1 pps
Young (15-24)	47.8	47.8	46.7	45.4	44.9	-0.5 pps
Prime age (25-54)	93.0	93.0	92.6	92.4	92.2	-0.2 pps
Older (55-64)	55.6	56.5	57.5	58.3	59.1	0.8 pps
Female	63.1	63.8	64.3	64.6	65.0	0.4 pps
Young (15-24)	40.9	41.0	40.5	39.4	39.4	0.0 pps
Prime age (25-54)	76.3	77.0	77.5	77.9	78.2	0.2 pps
Older (55-64)	37.0	38.1	39.8	41.0	43.0	2.0 pps
5 - **Employment rate** (% of population 15-64)	65.5	65.9	64.5	64.2	64.3	0.1 pps
Young (15-24)	37.7	37.5	35.0	33.7	33.5	-0.3 pps
Prime age (25-54)	79.0	79.3	77.7	77.3	77.2	-0.1 pps
Older (55-64)	43.2	44.3	45.1	45.8	47.1	1.3 pps
Low-skilled (15-64)	50.2	49.9	47.7	46.8	46.4	-0.4 pps
Medium-skilled (15-64)	70.8	71.2	69.9	69.5	69.3	-0.2 pps
High-skilled (15-64)	82.6	83.0	82.1	81.6	81.6	0.0 pps
Nationals (15-64)	60.4	60.4	59.2	58.8	58.8	0.0 pps
Non-nationals (15-64)	5.0	5.4	5.3	5.3	5.4	0.1 pps
Male	73.3	73.3	71.1	70.4	70.3	-0.1 pps
Young (15-24)	41.0	40.5	37.1	35.9	35.6	-0.3 pps
Prime age (25-54)	87.7	87.4	84.9	84.1	83.9	-0.2 pps
Older (55-64)	52.3	53.3	53.5	53.8	54.6	0.8 pps
Female	57.7	58.4	58.0	57.9	58.2	0.3 pps
Young (15-24)	34.3	34.4	32.8	31.5	31.3	-0.2 pps
Prime age (25-54)	70.3	71.2	70.6	70.5	70.6	0.1 pps
Older (55-64)	34.5	35.7	37.1	38.1	40.0	1.9 pps
6 - **Employed persons** (15-64, 1000 pers.)	140992.1	142335.2	139641.4	138854.5	139231.3	0.3 %
7 - **Employment growth** (%, National accounts)	1.8	0.8	-1.9	-0.5	0.2	0.7 pps
Employment growth (%, 15-64, LFS)	2.0	1.0	-1.9	-0.6	0.3	0.8 pps
Male	1.5	0.3	-2.9	-1.0	-0.1	0.9 pps
Female	2.5	1.7	-0.6	-0.1	0.7	0.8 pps
8 - **Self employed** (% of total employment)	14.6	14.3	14.4	14.5	14.4	-0.1 pps
Male	10.2	10.0	10.0	10.1	10.0	-0.1 pps
Female	4.4	4.4	4.4	4.4	4.4	0.0 pps
9 - **Temporary employment** (% of total employment)	16.6	16.3	15.4	15.6	15.8	0.2 pps
Male	15.8	15.2	14.2	14.8	15.1	0.3 pps
Female	17.7	17.4	16.6	16.5	16.6	0.1 pps
10 - **Part-time** (% of total employment)	18.9	18.9	19.5	19.9	20.4	0.5 pps
Male	6.8	6.8	7.3	7.6	8.1	0.5 pps
Female	34.2	34.1	34.4	34.8	35.2	0.4 pps
11 - **Unemployment rate** (harmonised:15-74)	7.6	7.6	9.6	10.1	10.1	0.0 pps
Young (15-24)	15.1	15.6	19.8	20.6	20.6	0.0 pps
Prime age (25-49)	6.8	6.9	8.9	9.6	9.7	0.1 pps
Older (55-64)	6.3	5.9	6.9	7.4	7.3	-0.1 pps
Low-skilled (15-64)	10.8	11.7	15.1	16.5	17.0	0.5 pps
Medium-skilled (15-64)	7.1	6.9	8.6	8.9	8.8	-0.1 pps
High-skilled (15-64)	4.5	4.3	5.5	5.9	6.1	0.2 pps
Nationals (15-64)	7.1	7.0	8.7	9.3	9.4	0.1 pps
Non-nationals (15-64)	12.9	13.2	17.8	18.2	18.2	0.0 pps
Male	6.7	7.0	9.4	10.0	9.9	-0.1 pps
Female	8.7	8.5	9.8	10.3	10.5	0.2 pps
12 - **Long-term unemployment rate** (% of total unemployment)	44.3	39.3	35.6	42.5	45.2	2.7 pps
13 - **Worked hours** (average actual weekly hours)	41.1	40.9	40.5	40.8	40.8	0.0 %
Male	42.2	42.0	41.5	41.8	41.8	0.0 %
Female	39.1	39.0	38.7	38.9	39.0	0.3 %
14 - **Sectoral employment growth** (% change)						
Agriculture	:	-1.8	-2.2	-1.2	-2.4	-1.2 pps
Building and construction	3.8	-2.2	-6.6	-3.8	-3.9	-0.1 pps
Services	2.1	1.6	-1.7	0.0	:	: pps
Manufacturing industry	:	0.2	-5.6	-3.4	-0.1	3.3 pps
15 - **Indicator board on wage developments** (% change)						
Compensation per employee	2.6	3.3	1.4	1.6	2.2	0.5 pps
Real compensation per employee based on GDP	0.3	1.4	0.8	1.0	1.0	0.0 pps
Hourly labour costs (Eurostat labour cost index)	2.7	3.5	2.7	1.5	2.8	1.3 pps
Wage and salaries	4.8	4.3	-0.5	1.4	:	: pps
Labour productivity (GDP/person employed)	1.2	-0.4	-2.6	2.5	1.3	-1.2 pps

ANNEX 2
Policy variables

Austria				
List of policy variables		Last three data points		
Monthly minimum wage (proportion of average monthly earnings, to %); Eurostat		2009	2010	2011
	mean	:	:	:
	median	:	:	:
		2009	2010	2011
Social security and other labour costs paid by employer		26.40	26.20	:
Total tax wedge (incl.employers SSC) - Married couple, no children, 100% and 100% of AW		47.95	48.17	48.41
Total tax wedge (incl.employers SSC) - Married couple, 2 children, 100% and 100% of AW		42.63	42.94	43.35
Tax wedge, average wage person, no children; EC/OECD		47.95	48.17	48.41
Tax wedge, low wage person, no children; EC/OECD		43.19	43.43	43.69
		1998	2003	2008
Employment Protection Legislation overall; OECD		2.21	1.93	1.93
Employment Protection Legislation for regular employment; OECD		2.92	2.37	2.37
Employment Protection Legislation for temporary employment; OECD		1.50	1.50	1.50
Employment Protection Legislation for collective dismissals; OECD		3.25	3.25	3.25
		2008	2009	2010
NRR; average wage person; no children; 2nd month of unemployment; incl. social assistance; EC/OECD		0.55	0.55	0.55
NRR; average wage person; no children; 7th month of unemployment; incl. social assistance; EC/OECD		0.55	0.55	0.55
NRR; average wage person; no children; 13th month of unemployment; incl. social assistance; EC/OECD		0.51	0.51	0.51
NRR; average wage person; no children; 60th month of unemployment; incl. social assistance; EC/OECD		0.51	0.51	0.51
		2008	2009	2010
Unemployment benefit duration_maximum; EC/OECD		12	12	12
Unemployment benefit duration_minimum; EC/OECD		5	5	5

Belgium				
List of policy variables		Last three data points		
Monthly minimum wage (proportion of average monthly earnings, to %); Eurostat		2009	2010	2011
	mean	45.80	44.70	:
	median	52.60	51.40	:
		2009	2010	2011
Social security and other labour costs paid by employer		27.60	28.00	:
Total tax wedge (incl.employers SSC) - Married couple, no children, 100% and 100% of AW		55.33	55.37	55.50
Total tax wedge (incl.employers SSC) - Married couple, 2 children, 100% and 100% of AW		50.95	51.11	51.27
Tax wedge, average wage person, no children; EC/OECD		55.34	55.39	55.55
Tax wedge, low wage person, no children; EC/OECD		49.40	49.51	49.75
		1998	2003	2008
Employment Protection Legislation overall; OECD		2.15	2.18	2.18
Employment Protection Legislation for regular employment; OECD		1.68	1.73	1.73
Employment Protection Legislation for temporary employment; OECD		2.63	2.63	2.63
Employment Protection Legislation for collective dismissals; OECD		4.13	4.13	4.13
		2008	2009	2010
NRR; average wage person; no children; 2nd month of unemployment; incl. social assistance; EC/OECD		0.57	0.67	0.66
NRR; average wage person; no children; 7th month of unemployment; incl. social assistance; EC/OECD		0.58	0.63	0.63
NRR; average wage person; no children; 13th month of unemployment; incl. social assistance; EC/OECD		0.52	0.53	0.53
NRR; average wage person; no children; 60th month of unemployment; incl. social assistance; EC/OECD		0.52	0.53	0.53
		2008	2009	2010
Unemployment benefit duration_maximum; EC/OECD		unlimited	unlimited	unlimited
Unemployment benefit duration_minimum; EC/OECD		unlimited	unlimited	unlimited

Bulgaria				
List of policy variables		Last three data points		
Monthly minimum wage (proportion of average monthly earnings, to %); Eurostat		2009	2010	2011
	mean	39.10	36.30	34.00
	median	:	:	:
		2009	2010	2011
Social security and other labour costs paid by employer		16.80	16.10	:
Total tax wedge (incl.employers SSC) - Married couple, no children, 100% and 100% of AW		33.81	32.50	:
Total tax wedge (incl.employers SSC) - Married couple, 2 children, 100% and 100% of AW		29.00	27.78	:
Tax wedge, average wage person, no children; EC/OECD		33.81	32.50	:
Tax wedge, low wage person, no children; EC/OECD		33.81	32.50	:
		1998	2003	2008
Employment Protection Legislation overall; OECD		:	:	:
Employment Protection Legislation for regular employment; OECD		:	:	:
Employment Protection Legislation for temporary employment; OECD		:	:	:
Employment Protection Legislation for collective dismissals; OECD		:	:	:
		2008	2009	2010
NRR; average wage person; no children; 2nd month of unemployment; incl. social assistance; EC/OECD		0.47	0.54	0.76
NRR; average wage person; no children; 7th month of unemployment; incl. social assistance; EC/OECD		0.47	0.54	0.76
NRR; average wage person; no children; 13th month of unemployment; incl. social assistance; EC/OECD		0.15	0.15	0.14
NRR; average wage person; no children; 60th month of unemployment; incl. social assistance; EC/OECD		0.15	0.15	0.14
		2008	2009	2010
Unemployment benefit duration_maximum; EC/OECD		12	12	12
Unemployment benefit duration_minimum; EC/OECD		4	4	4

Czech Republic				
List of policy variables		Last three data points		
Monthly minimum wage (proportion of average monthly earnings, to %); Eurostat		2009	2010	2011
	mean	34.30	33.30	32.50
	median	:	:	:
		2009	2010	2011
Social security and other labour costs paid by employer		27.00	26.90	:
Total tax wedge (incl.employers SSC) - Married couple, no children, 100% and 100% of AW		42.01	42.13	42.35
Total tax wedge (incl.employers SSC) - Married couple, 2 children, 100% and 100% of AW		37.24	37.22	37.49
Tax wedge, average wage person, no children; EC/OECD		42.01	42.13	42.51
Tax wedge, low wage person, no children; EC/OECD		38.72	38.90	39.47
		1998	2003	2008
Employment Protection Legislation overall; OECD		1.90	1.90	1.96
Employment Protection Legislation for regular employment; OECD		3.31	3.31	3.05
Employment Protection Legislation for temporary employment; OECD		0.50	0.50	0.88
Employment Protection Legislation for collective dismissals; OECD		2.13	2.13	2.13
		2008	2009	2010
NRR; average wage person; no children; 2nd month of unemployment; incl. social assistance; EC/OECD		0.53	0.66	0.70
NRR; average wage person; no children; 7th month of unemployment; incl. social assistance; EC/OECD		0.30	0.32	0.36
NRR; average wage person; no children; 13th month of unemployment; incl. social assistance; EC/OECD		0.30	0.32	0.36
NRR; average wage person; no children; 60th month of unemployment; incl. social assistance; EC/OECD		0.30	0.32	0.36
		2008	2009	2010
Unemployment benefit duration_maximum; EC/OECD		12	11	11
Unemployment benefit duration_minimum; EC/OECD		6	5	5

Germany				
List of policy variables		Last three data points		
Monthly minimum wage (proportion of average monthly earnings, to %); Eurostat		2009	2010	2011
	mean	:	:	:
	median	:	:	:
		2009	2010	2011
Social security and other labour costs paid by employer		22.10	22.10	:
Total tax wedge (incl.employers SSC) - Married couple, no children, 100% and 100% of AW		50.94	49.22	49.81
Total tax wedge (incl.employers SSC) - Married couple, 2 children, 100% and 100% of AW		46.29	44.30	45.01
Tax wedge, average wage person, no children; EC/OECD		50.94	49.22	49.81
Tax wedge, low wage person, no children; EC/OECD		46.03	45.01	45.64
		1998	2003	2008
Employment Protection Legislation overall; OECD		2.34	2.09	2.12
Employment Protection Legislation for regular employment; OECD		2.68	2.68	3.00
Employment Protection Legislation for temporary employment; OECD		2.00	1.50	1.25
Employment Protection Legislation for collective dismissals; OECD		3.75	3.75	3.75
		2008	2009	2010
NRR; average wage person; no children; 2nd month of unemployment; incl. social assistance; EC/OECD		0.60	0.60	0.62
NRR; average wage person; no children; 7th month of unemployment; incl. social assistance; EC/OECD		0.60	0.60	0.62
NRR; average wage person; no children; 13th month of unemployment; incl. social assistance; EC/OECD		0.44	0.45	0.42
NRR; average wage person; no children; 60th month of unemployment; incl. social assistance; EC/OECD		0.36	0.37	0.35
		2008	2009	2010
Unemployment benefit duration_maximum; EC/OECD		18	18	18
Unemployment benefit duration_minimum; EC/OECD		6	6	6

Denmark				
List of policy variables		Last three data points		
Monthly minimum wage (proportion of average monthly earnings, to %); Eurostat		2009	2010	2011
	mean	:	:	:
	median	:	:	:
		2009	2010	2011
Social security and other labour costs paid by employer		13.10	12.90	:
Total tax wedge (incl.employers SSC) - Married couple, no children, 100% and 100% of AW		39.53	38.30	38.40
Total tax wedge (incl.employers SSC) - Married couple, 2 children, 100% and 100% of AW		36.36	35.03	35.18
Tax wedge, average wage person, no children; EC/OECD		39.53	38.30	38.40
Tax wedge, low wage person, no children; EC/OECD		37.98	36.69	36.80
		1998	2003	2008
Employment Protection Legislation overall; OECD		1.50	1.50	1.50
Employment Protection Legislation for regular employment; OECD		1.63	1.63	1.63
Employment Protection Legislation for temporary employment; OECD		1.38	1.38	1.38
Employment Protection Legislation for collective dismissals; OECD		3.88	3.88	3.13
		2008	2009	2010
NRR; average wage person; no children; 2nd month of unemployment; incl. social assistance; EC/OECD		0.61	0.60	0.61
NRR; average wage person; no children; 7th month of unemployment; incl. social assistance; EC/OECD		0.61	0.60	0.61
NRR; average wage person; no children; 13th month of unemployment; incl. social assistance; EC/OECD		0.61	0.60	0.61
NRR; average wage person; no children; 60th month of unemployment; incl. social assistance; EC/OECD		0.58	0.58	0.57
		2008	2009	2010
Unemployment benefit duration_maximum; EC/OECD		48	48	48
Unemployment benefit duration_minimum; EC/OECD		48	48	48

Estonia				
List of policy variables		Last three data points		
Monthly minimum wage (proportion of average monthly earnings, to %); Eurostat		2009	2010	2011
	mean	36.40	35.50	33.50
	median	:	:	:
		2009	2010	2011
Social security and other labour costs paid by employer		:	:	:
Total tax wedge (incl.employers SSC) - Married couple, no children, 100% and 100% of AW		39.17	40.05	40.14
Total tax wedge (incl.employers SSC) - Married couple, 2 children, 100% and 100% of AW		35.93	36.86	37.05
Tax wedge, average wage person, no children; EC/OECD		39.17	40.05	40.14
Tax wedge, low wage person, no children; EC/OECD		37.74	38.64	38.78
		1998	2003	2008
Employment Protection Legislation overall; OECD		:	:	2.10
Employment Protection Legislation for regular employment; OECD		:	:	2.46
Employment Protection Legislation for temporary employment; OECD		:	:	1.75
Employment Protection Legislation for collective dismissals; OECD		:	:	3.25
		2008	2009	2010
NRR; average wage person; no children; 2nd month of unemployment; incl. social assistance; EC/OECD		0.54	0.53	0.54
NRR; average wage person; no children; 7th month of unemployment; incl. social assistance; EC/OECD		0.44	0.44	0.44
NRR; average wage person; no children; 13th month of unemployment; incl. social assistance; EC/OECD		0.18	0.21	0.24
NRR; average wage person; no children; 60th month of unemployment; incl. social assistance; EC/OECD		0.18	0.21	0.24
		2008	2009	2010
Unemployment benefit duration_maximum; EC/OECD		12	12	12
Unemployment benefit duration_minimum; EC/OECD		6	6	6

Greece				
List of policy variables		Last three data points		
Monthly minimum wage (proportion of average monthly earnings, to %); Eurostat		2009	2010	2011
	mean	46.60	43.40	56.40
	median	59.30	55.20	71.80
		2009	2010	2011
Social security and other labour costs paid by employer		20.60	:	:
Total tax wedge (incl.employers SSC) - Married couple, no children, 100% and 100% of AW		39.32	39.32	38.83
Total tax wedge (incl.employers SSC) - Married couple, 2 children, 100% and 100% of AW		39.40	39.36	38.66
Tax wedge, average wage person, no children; EC/OECD		38.17	38.24	38.04
Tax wedge, low wage person, no children; EC/OECD		34.41	34.41	35.61
		1998	2003	2008
Employment Protection Legislation overall; OECD		3.50	2.73	2.73
Employment Protection Legislation for regular employment; OECD		2.25	2.33	2.33
Employment Protection Legislation for temporary employment; OECD		4.75	3.13	3.13
Employment Protection Legislation for collective dismissals; OECD		3.25	3.25	3.25
		2008	2009	2010
NRR; average wage person; no children; 2nd month of unemployment; incl. social assistance; EC/OECD		0.53	0.52	0.53
NRR; average wage person; no children; 7th month of unemployment; incl. social assistance; EC/OECD		0.53	0.52	0.53
NRR; average wage person; no children; 13th month of unemployment; incl. social assistance; EC/OECD		0.35	0.33	0.33
NRR; average wage person; no children; 60th month of unemployment; incl. social assistance; EC/OECD		0.00	0.00	0.00
		2008	2009	2010
Unemployment benefit duration_maximum; EC/OECD		12	12	12
Unemployment benefit duration_minimum; EC/OECD		5	5	5

Spain

List of policy variables		Last three data points		
Monthly minimum wage (proportion of average monthly earnings, to %); Eurostat		2009	2010	2011
	mean	37.60	37.80	36.70
	median	45.40	44.70	:
		2009	2010	2011
Social security and other labour costs paid by employer		26.60	26.30	:
Total tax wedge (incl.employers SSC) - Married couple, no children, 100% and 100% of AW		38.26	39.75	39.89
Total tax wedge (incl.employers SSC) - Married couple, 2 children, 100% and 100% of AW		36.78	38.30	38.47
Tax wedge, average wage person, no children; EC/OECD		38.26	39.75	39.89
Tax wedge, low wage person, no children; EC/OECD		34.35	36.48	36.63
		1998	2003	2008
Employment Protection Legislation overall; OECD		2.93	2.98	2.98
Employment Protection Legislation for regular employment; OECD		2.61	2.46	2.46
Employment Protection Legislation for temporary employment; OECD		3.25	3.50	3.50
Employment Protection Legislation for collective dismissals; OECD		3.13	3.13	3.13
		2008	2009	2010
NRR; average wage person; no children; 2nd month of unemployment; incl. social assistance; EC/OECD		0.61	0.60	0.60
NRR; average wage person; no children; 7th month of unemployment; incl. social assistance; EC/OECD		0.61	0.60	0.60
NRR; average wage person; no children; 13th month of unemployment; incl. social assistance; EC/OECD		0.61	0.60	0.60
NRR; average wage person; no children; 60th month of unemployment; incl. social assistance; EC/OECD		0.23	0.23	0.24
		2008	2009	2010
Unemployment benefit duration_maximum; EC/OECD		24	24	24
Unemployment benefit duration_minimum; EC/OECD		4	4	4

Finland

List of policy variables		Last three data points		
Monthly minimum wage (proportion of average monthly earnings, to %); Eurostat		2009	2010	2011
	mean	:	:	:
	median	:	:	:
		2009	2010	2011
Social security and other labour costs paid by employer		22.40	22.10	:
Total tax wedge (incl.employers SSC) - Married couple, no children, 100% and 100% of AW		42.50	42.48	42.73
Total tax wedge (incl.employers SSC) - Married couple, 2 children, 100% and 100% of AW		39.82	39.90	40.23
Tax wedge, average wage person, no children; EC/OECD		42.50	42.48	42.73
Tax wedge, low wage person, no children; EC/OECD		37.07	36.97	37.19
		1998	2003	2008
Employment Protection Legislation overall; OECD		2.09	2.02	1.96
Employment Protection Legislation for regular employment; OECD		2.31	2.17	2.17
Employment Protection Legislation for temporary employment; OECD		1.88	1.88	1.75
Employment Protection Legislation for collective dismissals; OECD		2.63	2.63	2.38
		2008	2009	2010
NRR; average wage person; no children; 2nd month of unemployment; incl. social assistance; EC/OECD		0.51	0.52	0.54
NRR; average wage person; no children; 7th month of unemployment; incl. social assistance; EC/OECD		0.51	0.52	0.54
NRR; average wage person; no children; 13th month of unemployment; incl. social assistance; EC/OECD		0.51	0.52	0.54
NRR; average wage person; no children; 60th month of unemployment; incl. social assistance; EC/OECD		0.44	0.44	0.45
		2008	2009	2010
Unemployment benefit duration_maximum; EC/OECD		23	23	23
Unemployment benefit duration_minimum; EC/OECD		23	23	23

France

List of policy variables		Last three data points		
Monthly minimum wage (proportion of average monthly earnings, to %); Eurostat		2009	2010	2011
	mean	47.00	46.50	:
	median	59.40	58.80	:
		2009	2010	2011
Social security and other labour costs paid by employer		33.20	33.40	:
Total tax wedge (incl.employers SSC) - Married couple, no children, 100% and 100% of AW		49.30	49.35	49.38
Total tax wedge (incl.employers SSC) - Married couple, 2 children, 100% and 100% of AW		46.42	46.52	46.59
Tax wedge, average wage person, no children; EC/OECD		49.30	49.35	49.38
Tax wedge, low wage person, no children; EC/OECD		45.94	46.21	46.50
		1998	2003	2008
Employment Protection Legislation overall; OECD		2.98	3.05	3.05
Employment Protection Legislation for regular employment; OECD		2.34	2.47	2.47
Employment Protection Legislation for temporary employment; OECD		3.63	3.63	3.63
Employment Protection Legislation for collective dismissals; OECD		2.13	2.13	2.13
		2008	2009	2010
NRR; average wage person; no children; 2nd month of unemployment; incl. social assistance; EC/OECD		0.66	0.67	0.66
NRR; average wage person; no children; 7th month of unemployment; incl. social assistance; EC/OECD		0.66	0.67	0.66
NRR; average wage person; no children; 13th month of unemployment; incl. social assistance; EC/OECD		0.66	0.67	0.66
NRR; average wage person; no children; 60th month of unemployment; incl. social assistance; EC/OECD		0.34	0.34	0.34
		2008	2009	2010
Unemployment benefit duration_maximum; EC/OECD		36	36	36
Unemployment benefit duration_minimum; EC/OECD		7	4	4

Hungary

List of policy variables		Last three data points		
Monthly minimum wage (proportion of average monthly earnings, to %); Eurostat		2009	2010	2011
	mean	38.30	38.00	38.60
	median	:	:	:
		2009	2010	2011
Social security and other labour costs paid by employer		28.20	25.60	:
Total tax wedge (incl.employers SSC) - Married couple, no children, 100% and 100% of AW		53.10	46.60	49.38
Total tax wedge (incl.employers SSC) - Married couple, 2 children, 100% and 100% of AW		48.16	41.66	41.09
Tax wedge, average wage person, no children; EC/OECD		53.10	46.60	49.38
Tax wedge, low wage person, no children; EC/OECD		46.16	43.79	45.15
		1998	2003	2008
Employment Protection Legislation overall; OECD		1.27	1.52	1.65
Employment Protection Legislation for regular employment; OECD		1.92	1.92	1.92
Employment Protection Legislation for temporary employment; OECD		0.63	1.13	1.38
Employment Protection Legislation for collective dismissals; OECD		2.88	2.88	2.88
		2008	2009	2010
NRR; average wage person; no children; 2nd month of unemployment; incl. social assistance; EC/OECD		0.59	0.58	0.56
NRR; average wage person; no children; 7th month of unemployment; incl. social assistance; EC/OECD		0.33	0.33	0.30
NRR; average wage person; no children; 13th month of unemployment; incl. social assistance; EC/OECD		0.23	0.25	0.22
NRR; average wage person; no children; 60th month of unemployment; incl. social assistance; EC/OECD		0.23	0.25	0.22
		2008	2009	2010
Unemployment benefit duration_maximum; EC/OECD		9	9	9
Unemployment benefit duration_minimum; EC/OECD		9	9	9

Ireland

List of policy variables		Last three data points		
Monthly minimum wage (proportion of average monthly earnings, to %); Eurostat		2009	2010	2011
	mean	44.90	44.70	44.50
	median	49.50	:	:
		2009	2010	2011
Social security and other labour costs paid by employer		14.20	13.40	:
Total tax wedge (incl.employers SSC) - Married couple, no children, 100% and 100% of AW		24.74	25.83	26.75
Total tax wedge (incl.employers SSC) - Married couple, 2 children, 100% and 100% of AW		19.09	20.80	22.13
Tax wedge, average wage person, no children; EC/OECD		24.74	25.83	26.78
Tax wedge, low wage person, no children; EC/OECD		16.16	16.73	21.28
		1998	2003	2008
Employment Protection Legislation overall; OECD		0.93	1.11	1.11
Employment Protection Legislation for regular employment; OECD		1.60	1.60	1.60
Employment Protection Legislation for temporary employment; OECD		0.25	0.63	0.63
Employment Protection Legislation for collective dismissals; OECD		2.38	2.38	2.38
		2008	2009	2010
NRR; average wage person; no children; 2nd month of unemployment; incl. social assistance; EC/OECD		0.50	0.50	0.50
NRR; average wage person; no children; 7th month of unemployment; incl. social assistance; EC/OECD		0.50	0.50	0.50
NRR; average wage person; no children; 13th month of unemployment; incl. social assistance; EC/OECD		0.50	0.50	0.49
NRR; average wage person; no children; 60th month of unemployment; incl. social assistance; EC/OECD		0.50	0.50	0.49
		2008	2009	2010
Unemployment benefit duration_maximum; EC/OECD		15	12	12
Unemployment benefit duration_minimum; EC/OECD		12	9	9

Italy

List of policy variables		Last three data points		
Monthly minimum wage (proportion of average monthly earnings, to %); Eurostat		2009	2010	2011
	mean	:	:	:
	median	:	:	:
		2009	2010	2011
Social security and other labour costs paid by employer		:	:	:
Total tax wedge (incl.employers SSC) - Married couple, no children, 100% and 100% of AW		46.79	47.17	47.61
Total tax wedge (incl.employers SSC) - Married couple, 2 children, 100% and 100% of AW		44.21	44.72	45.27
Tax wedge, average wage person, no children; EC/OECD		46.79	47.17	47.61
Tax wedge, low wage person, no children; EC/OECD		43.46	44.01	44.51
		1998	2003	2008
Employment Protection Legislation overall; OECD		2.70	1.82	1.89
Employment Protection Legislation for regular employment; OECD		1.77	1.77	1.77
Employment Protection Legislation for temporary employment; OECD		3.63	1.88	2.00
Employment Protection Legislation for collective dismissals; OECD		4.88	4.88	4.88
		2008	2009	2010
NRR; average wage person; no children; 2nd month of unemployment; incl. social assistance; EC/OECD		0.59	0.59	0.59
NRR; average wage person; no children; 7th month of unemployment; incl. social assistance; EC/OECD		0.59	0.59	0.59
NRR; average wage person; no children; 13th month of unemployment; incl. social assistance; EC/OECD		0.00	0.00	0.00
NRR; average wage person; no children; 60th month of unemployment; incl. social assistance; EC/OECD		0.00	0.00	0.00
		2008	2009	2010
Unemployment benefit duration_maximum; EC/OECD		12	12	12
Unemployment benefit duration_minimum; EC/OECD		8	8	8

Lithuania				
List of policy variables		Last three data points		
Monthly minimum wage (proportion of average monthly earnings, to %); Eurostat		2009	2010	2011
	mean	42.40	43.60	42.60
	median	:	59.40	:
		2009	2010	2011
Social security and other labour costs paid by employer		28.40	27.80	:
Total tax wedge (incl.employers SSC) - Married couple, no children, 100% and 100% of AW		40.73	40.66	:
Total tax wedge (incl.employers SSC) - Married couple, 2 children, 100% and 100% of AW		37.87	39.78	:
Tax wedge, average wage person, no children; EC/OECD		40.73	40.66	:
Tax wedge, low wage person, no children; EC/OECD		38.94	38.84	:
		1998	2003	2008
Employment Protection Legislation overall; OECD		:	:	:
Employment Protection Legislation for regular employment; OECD		:	:	:
Employment Protection Legislation for temporary employment; OECD		:	:	:
Employment Protection Legislation for collective dismissals; OECD		:	:	:
		2008	2009	2010
NRR; average wage person; no children; 2nd month of unemployment; incl. social assistance; EC/OECD		0.61	0.68	0.43
NRR; average wage person; no children; 7th month of unemployment; incl. social assistance; EC/OECD		0.16	0.20	0.21
NRR; average wage person; no children; 13th month of unemployment; incl. social assistance; EC/OECD		0.16	0.20	0.21
NRR; average wage person; no children; 60th month of unemployment; incl. social assistance; EC/OECD		0.16	0.20	0.21
		2008	2009	2010
Unemployment benefit duration_maximum; EC/OECD		9	9	9
Unemployment benefit duration_minimum; EC/OECD		6	6	6

Luxembourg				
List of policy variables		Last three data points		
Monthly minimum wage (proportion of average monthly earnings, to %); Eurostat		2009	2010	2011
	mean	47.80	48.60	49.30
	median	59.70	60.20	61.50
		2009	2010	2011
Social security and other labour costs paid by employer		14.00	14.00	:
Total tax wedge (incl.employers SSC) - Married couple, no children, 100% and 100% of AW		32.29	32.72	34.35
Total tax wedge (incl.employers SSC) - Married couple, 2 children, 100% and 100% of AW		25.29	25.88	27.64
Tax wedge, average wage person, no children; EC/OECD		33.87	34.31	35.96
Tax wedge, low wage person, no children; EC/OECD		27.36	27.67	29.22
		1998	2003	2008
Employment Protection Legislation overall; OECD		:	:	3.25
Employment Protection Legislation for regular employment; OECD		:	:	2.75
Employment Protection Legislation for temporary employment; OECD		:	:	3.75
Employment Protection Legislation for collective dismissals; OECD		:	:	3.88
		2008	2009	2010
NRR; average wage person; no children; 2nd month of unemployment; incl. social assistance; EC/OECD		0.85	0.84	0.84
NRR; average wage person; no children; 7th month of unemployment; incl. social assistance; EC/OECD		0.85	0.84	0.84
NRR; average wage person; no children; 13th month of unemployment; incl. social assistance; EC/OECD		0.44	0.46	0.46
NRR; average wage person; no children; 60th month of unemployment; incl. social assistance; EC/OECD		0.44	0.46	0.46
		2008	2009	2010
Unemployment benefit duration_maximum; EC/OECD		12	12	12
Unemployment benefit duration_minimum; EC/OECD		12	12	12

Latvia

List of policy variables		Last three data points		
Monthly minimum wage (proportion of average monthly earnings, to %); Eurostat		2009	2010	2011
	mean	41.30	41.90	44.80
	median	:	:	:
		2009	2010	2011
Social security and other labour costs paid by employer		21.60	20.90	:
Total tax wedge (incl.employers SSC) - Married couple, no children, 100% and 100% of AW		42.20	44.22	:
Total tax wedge (incl.employers SSC) - Married couple, 2 children, 100% and 100% of AW		38.48	40.17	:
Tax wedge, average wage person, no children; EC/OECD		42.20	44.22	:
Tax wedge, low wage person, no children; EC/OECD		41.54	43.48	:
		1998	2003	2008
Employment Protection Legislation overall; OECD		:	:	:
Employment Protection Legislation for regular employment; OECD		:	:	:
Employment Protection Legislation for temporary employment; OECD		:	:	:
Employment Protection Legislation for collective dismissals; OECD		:	:	:
		2008	2009	2010
NRR; average wage person; no children; 2nd month of unemployment; incl. social assistance; EC/OECD		0.83	0.84	0.87
NRR; average wage person; no children; 7th month of unemployment; incl. social assistance; EC/OECD		0.41	0.42	0.43
NRR; average wage person; no children; 13th month of unemployment; incl. social assistance; EC/OECD		0.23	0.26	0.29
NRR; average wage person; no children; 60th month of unemployment; incl. social assistance; EC/OECD		0.23	0.26	0.29
		2008	2009	2010
Unemployment benefit duration_maximum; EC/OECD		9	9	9
Unemployment benefit duration_minimum; EC/OECD		4	9	9

Malta

List of policy variables		Last three data points		
Monthly minimum wage (proportion of average monthly earnings, to %); Eurostat		2009	2010	2011
	mean	46.50	47.20	48.30
	median	54.80	56.00	57.40
		2009	2010	2011
Social security and other labour costs paid by employer		8.90	:	:
Total tax wedge (incl.employers SSC) - Married couple, no children, 100% and 100% of AW		22.28	22.39	:
Total tax wedge (incl.employers SSC) - Married couple, 2 children, 100% and 100% of AW		20.92	21.09	:
Tax wedge, average wage person, no children; EC/OECD		22.28	22.39	:
Tax wedge, low wage person, no children; EC/OECD		17.67	18.14	:
		1998	2003	2008
Employment Protection Legislation overall; OECD		:	:	:
Employment Protection Legislation for regular employment; OECD		:	:	:
Employment Protection Legislation for temporary employment; OECD		:	:	:
Employment Protection Legislation for collective dismissals; OECD		:	:	:
		2008	2009	2010
NRR; average wage person; no children; 2nd month of unemployment; incl. social assistance; EC/OECD		0.41	0.43	0.41
NRR; average wage person; no children; 7th month of unemployment; incl. social assistance; EC/OECD		0.41	0.43	0.42
NRR; average wage person; no children; 13th month of unemployment; incl. social assistance; EC/OECD		0.41	0.43	0.42
NRR; average wage person; no children; 60th month of unemployment; incl. social assistance; EC/OECD		0.41	0.43	0.42
		2008	2009	2010
Unemployment benefit duration_maximum; EC/OECD		5	5	5
Unemployment benefit duration_minimum; EC/OECD		5	5	5

Netherlands				
List of policy variables		Last three data points		
Monthly minimum wage (proportion of average monthly earnings, to %); Eurostat		2009	2010	2011
	mean	43.90	44.70	:
	median	52.00	51.70	:
		2009	2010	2011
Social security and other labour costs paid by employer		:	:	:
Total tax wedge (incl.employers SSC) - Married couple, no children, 100% and 100% of AW		38.02	38.10	37.76
Total tax wedge (incl.employers SSC) - Married couple, 2 children, 100% and 100% of AW		34.28	34.34	34.03
Tax wedge, average wage person, no children; EC/OECD		38.02	38.10	37.76
Tax wedge, low wage person, no children; EC/OECD		33.25	33.49	33.11
		1998	2003	2008
Employment Protection Legislation overall; OECD		2.73	2.12	1.95
Employment Protection Legislation for regular employment; OECD		3.08	3.05	2.72
Employment Protection Legislation for temporary employment; OECD		2.38	1.19	1.19
Employment Protection Legislation for collective dismissals; OECD		3.00	3.00	3.00
		2008	2009	2010
NRR; average wage person; no children; 2nd month of unemployment; incl. social assistance; EC/OECD		0.74	0.74	0.74
NRR; average wage person; no children; 7th month of unemployment; incl. social assistance; EC/OECD		0.70	0.70	0.70
NRR; average wage person; no children; 13th month of unemployment; incl. social assistance; EC/OECD		0.70	0.70	0.70
NRR; average wage person; no children; 60th month of unemployment; incl. social assistance; EC/OECD		0.54	0.53	0.53
		2008	2009	2010
Unemployment benefit duration_maximum; EC/OECD		38	38	38
Unemployment benefit duration_minimum; EC/OECD		3	3	3

Poland				
List of policy variables		Last three data points		
Monthly minimum wage (proportion of average monthly earnings, to %); Eurostat		2009	2010	2011
	mean	40.00	40.80	38.50
	median	:	:	:
		2009	2010	2011
Social security and other labour costs paid by employer		:	:	:
Total tax wedge (incl.employers SSC) - Married couple, no children, 100% and 100% of AW		34.12	34.19	34.31
Total tax wedge (incl.employers SSC) - Married couple, 2 children, 100% and 100% of AW		31.35	31.51	31.80
Tax wedge, average wage person, no children; EC/OECD		34.12	34.19	34.31
Tax wedge, low wage person, no children; EC/OECD		33.13	33.23	33.41
		1998	2003	2008
Employment Protection Legislation overall; OECD		1.40	1.65	1.90
Employment Protection Legislation for regular employment; OECD		2.06	2.06	2.06
Employment Protection Legislation for temporary employment; OECD		0.75	1.25	1.75
Employment Protection Legislation for collective dismissals; OECD		4.13	4.13	3.63
		2008	2009	2010
NRR; average wage person; no children; 2nd month of unemployment; incl. social assistance; EC/OECD		0.46	0.45	0.50
NRR; average wage person; no children; 7th month of unemployment; incl. social assistance; EC/OECD		0.46	0.45	0.44
NRR; average wage person; no children; 13th month of unemployment; incl. social assistance; EC/OECD		0.24	0.23	0.21
NRR; average wage person; no children; 60th month of unemployment; incl. social assistance; EC/OECD		0.24	0.23	0.21
		2008	2009	2010
Unemployment benefit duration_maximum; EC/OECD		18	18	12
Unemployment benefit duration_minimum; EC/OECD		6	6	6

Portugal

List of policy variables		Last three data points		
Monthly minimum wage (proportion of average monthly earnings, to %); Eurostat		2009	2010	2011
	mean	42.80	42.40	42.20
	median	57.80	59.80	:
		2009	2010	2011
Social security and other labour costs paid by employer		19.10	19.10	:
Total tax wedge (incl.employers SSC) - Married couple, no children, 100% and 100% of AW		37.47	37.62	39.54
Total tax wedge (incl.employers SSC) - Married couple, 2 children, 100% and 100% of AW		35.23	35.58	38.62
Tax wedge, average wage person, no children; EC/OECD		37.47	37.62	39.00
Tax wedge, low wage person, no children; EC/OECD		32.67	32.66	33.14
		1998	2003	2008
Employment Protection Legislation overall; OECD		3.67	3.67	3.15
Employment Protection Legislation for regular employment; OECD		4.33	4.33	4.17
Employment Protection Legislation for temporary employment; OECD		3.00	3.00	2.13
Employment Protection Legislation for collective dismissals; OECD		2.88	2.88	1.88
		2008	2009	2010
NRR; average wage person; no children; 2nd month of unemployment; incl. social assistance; EC/OECD		0.84	0.84	0.75
NRR; average wage person; no children; 7th month of unemployment; incl. social assistance; EC/OECD		0.84	0.84	0.75
NRR; average wage person; no children; 13th month of unemployment; incl. social assistance; EC/OECD		0.84	0.84	0.75
NRR; average wage person; no children; 60th month of unemployment; incl. social assistance; EC/OECD		0.17	0.17	0.17
		2008	2009	2010
Unemployment benefit duration_maximum; EC/OECD		38	38	38
Unemployment benefit duration_minimum; EC/OECD		9	9	9

Romania

List of policy variables		Last three data points		
Monthly minimum wage (proportion of average monthly earnings, to %); Eurostat		2009	2010	2011
	mean	34.90	32.40	:
	median	:	:	:
		2009	2010	2011
Social security and other labour costs paid by employer		24.10	23.20	:
Total tax wedge (incl.employers SSC) - Married couple, no children, 100% and 100% of AW		44.40	44.32	:
Total tax wedge (incl.employers SSC) - Married couple, 2 children, 100% and 100% of AW		42.21	42.32	:
Tax wedge, average wage person, no children; EC/OECD		44.40	44.32	:
Tax wedge, low wage person, no children; EC/OECD		43.11	43.12	:
		1998	2003	2008
Employment Protection Legislation overall; OECD		:	:	:
Employment Protection Legislation for regular employment; OECD		:	:	:
Employment Protection Legislation for temporary employment; OECD		:	:	:
Employment Protection Legislation for collective dismissals; OECD		:	:	:
		2008	2009	2010
NRR; average wage person; no children; 2nd month of unemployment; incl. social assistance; EC/OECD		0.42	0.48	0.44
NRR; average wage person; no children; 7th month of unemployment; incl. social assistance; EC/OECD		0.42	0.48	0.44
NRR; average wage person; no children; 13th month of unemployment; incl. social assistance; EC/OECD		0.08	0.10	0.09
NRR; average wage person; no children; 60th month of unemployment; incl. social assistance; EC/OECD		0.08	0.10	0.09
		2008	2009	2010
Unemployment benefit duration_maximum; EC/OECD		12	15	12
Unemployment benefit duration_minimum; EC/OECD		6	9	6

Sweden				
List of policy variables		Last three data points		
Monthly minimum wage (proportion of average monthly earnings, to %); Eurostat		2009	2010	2011
	mean	:	:	:
	median	:	:	:
		2009	2010	2011
Social security and other labour costs paid by employer		32.90	32.90	:
Total tax wedge (incl.employers SSC) - Married couple, no children, 100% and 100% of AW		43.23	42.76	42.80
Total tax wedge (incl.employers SSC) - Married couple, 2 children, 100% and 100% of AW		40.46	39.97	40.06
Tax wedge, average wage person, no children; EC/OECD		43.23	42.76	42.80
Tax wedge, low wage person, no children; EC/OECD		41.29	40.65	40.69
		1998	2003	2008
Employment Protection Legislation overall; OECD		2.24	2.24	1.87
Employment Protection Legislation for regular employment; OECD		2.86	2.86	2.86
Employment Protection Legislation for temporary employment; OECD		1.63	1.63	0.88
Employment Protection Legislation for collective dismissals; OECD		3.75	3.75	3.75
		2008	2009	2010
NRR; average wage person; no children; 2nd month of unemployment; incl. social assistance; EC/OECD		0.50	0.48	0.47
NRR; average wage person; no children; 7th month of unemployment; incl. social assistance; EC/OECD		0.50	0.48	0.47
NRR; average wage person; no children; 13th month of unemployment; incl. social assistance; EC/OECD		0.50	0.48	0.47
NRR; average wage person; no children; 60th month of unemployment; incl. social assistance; EC/OECD		0.44	0.43	0.43
		2008	2009	2010
Unemployment benefit duration_maximum; EC/OECD		21	21	21
Unemployment benefit duration_minimum; EC/OECD		14	14	14

Slovenia				
List of policy variables		Last three data points		
Monthly minimum wage (proportion of average monthly earnings, to %); Eurostat		2009	2010	2011
	mean	44.20	50.50	52.70
	median	:	:	:
		2009	2010	2011
Social security and other labour costs paid by employer		14.40	14.30	:
Total tax wedge (incl.employers SSC) - Married couple, no children, 100% and 100% of AW		42.24	42.54	42.50
Total tax wedge (incl.employers SSC) - Married couple, 2 children, 100% and 100% of AW		37.46	37.80	37.77
Tax wedge, average wage person, no children; EC/OECD		42.24	42.54	42.50
Tax wedge, low wage person, no children; EC/OECD		39.72	38.57	38.54
		1998	2003	2008
Employment Protection Legislation overall; OECD		:	:	2.51
Employment Protection Legislation for regular employment; OECD		:	:	3.15
Employment Protection Legislation for temporary employment; OECD		:	:	1.88
Employment Protection Legislation for collective dismissals; OECD		:	:	2.88
		2008	2009	2010
NRR; average wage person; no children; 2nd month of unemployment; incl. social assistance; EC/OECD		0.64	0.65	0.73
NRR; average wage person; no children; 7th month of unemployment; incl. social assistance; EC/OECD		0.64	0.65	0.68
NRR; average wage person; no children; 13th month of unemployment; incl. social assistance; EC/OECD		0.33	0.33	0.32
NRR; average wage person; no children; 60th month of unemployment; incl. social assistance; EC/OECD		0.33	0.33	0.32
		2008	2009	2010
Unemployment benefit duration_maximum; EC/OECD		24	24	24
Unemployment benefit duration_minimum; EC/OECD		3	3	3

Slovak Republic				
List of policy variables		Last three data points		
Monthly minimum wage (proportion of average monthly earnings, to %); Eurostat		2009	2010	2011
	mean	35.70	36.00	36.10
	median	46.80	47.50	47.70
		2009	2010	2011
Social security and other labour costs paid by employer		25.70	25.50	:
Total tax wedge (incl.employers SSC) - Married couple, no children, 100% and 100% of AW		37.71	37.92	38.87
Total tax wedge (incl.employers SSC) - Married couple, 2 children, 100% and 100% of AW		33.41	33.63	34.71
Tax wedge, average wage person, no children; EC/OECD		37.71	37.92	38.87
Tax wedge, low wage person, no children; EC/OECD		34.36	34.67	36.09
		1998	2003	2008
Employment Protection Legislation overall; OECD		1.80	1.34	1.44
Employment Protection Legislation for regular employment; OECD		2.47	2.31	2.50
Employment Protection Legislation for temporary employment; OECD		1.13	0.38	0.38
Employment Protection Legislation for collective dismissals; OECD		4.00	3.75	3.75
		2008	2009	2010
NRR; average wage person; no children; 2nd month of unemployment; incl. social assistance; EC/OECD		0.71	0.64	0.64
NRR; average wage person; no children; 7th month of unemployment; incl. social assistance; EC/OECD		0.21	0.20	0.20
NRR; average wage person; no children; 13th month of unemployment; incl. social assistance; EC/OECD		0.21	0.20	0.20
NRR; average wage person; no children; 60th month of unemployment; incl. social assistance; EC/OECD		0.21	0.20	0.20
		2008	2009	2010
Unemployment benefit duration_maximum; EC/OECD		6	6	6
Unemployment benefit duration_minimum; EC/OECD		4	4	4

United Kingdom				
List of policy variables		Last three data points		
Monthly minimum wage (proportion of average monthly earnings, to %); Eurostat		2009	2010	2011
	mean	38.60	38.70	38.80
	median	49.60	50.10	50.50
		2009	2010	2011
Social security and other labour costs paid by employer		15.70	15.70	:
Total tax wedge (incl.employers SSC) - Married couple, no children, 100% and 100% of AW		32.41	32.58	32.50
Total tax wedge (incl.employers SSC) - Married couple, 2 children, 100% and 100% of AW		30.06	30.27	30.19
Tax wedge, average wage person, no children; EC/OECD		32.41	32.58	32.50
Tax wedge, low wage person, no children; EC/OECD		29.10	29.37	28.48
		1998	2003	2008
Employment Protection Legislation overall; OECD		0.60	0.75	0.75
Employment Protection Legislation for regular employment; OECD		0.95	1.12	1.12
Employment Protection Legislation for temporary employment; OECD		0.25	0.38	0.38
Employment Protection Legislation for collective dismissals; OECD		2.88	2.88	2.88
		2008	2009	2010
NRR; average wage person; no children; 2nd month of unemployment; incl. social assistance; EC/OECD		0.38	0.38	0.37
NRR; average wage person; no children; 7th month of unemployment; incl. social assistance; EC/OECD		0.38	0.38	0.37
NRR; average wage person; no children; 13th month of unemployment; incl. social assistance; EC/OECD		0.38	0.38	0.37
NRR; average wage person; no children; 60th month of unemployment; incl. social assistance; EC/OECD		0.38	0.38	0.37
		2008	2009	2010
Unemployment benefit duration_maximum; EC/OECD		6	6	6
Unemployment benefit duration_minimum; EC/OECD		6	6	6