

Last updated: January 31, 2012 6:52 pm

Eurozone jobless rate at euro-era high

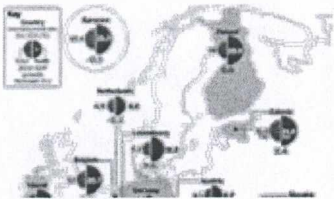
By Stanley Pignal in Brussels



Just hours after European Union leaders signed a decree agreeing to focus their political energy on generating jobs and growth, the scale of the challenge was brought into stark relief by new data on Tuesday showing unemployment in the eurozone at a record high.

The number of jobless in the 17 countries of the single currency bloc rose in December for an eighth consecutive month to 16.5m – roughly the population of

the Netherlands.



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The unemployment rate at year end stood at 10.4 per cent, the highest level since the euro was introduced a decade ago, according to seasonally adjusted data from the EU’s statistical arm.

The 0.1 percentage point increase from November’s estimate compares with an unemployment rate of 10 per cent a year earlier. By the same measure, US joblessness in the same period fell nearly 1 percentage point, to 8.5 per cent in December.

Critics of EU efforts argue that Brussels has focused on fiscal austerity at the expense of growth. Some also belittled the new initiative signed on Monday as little more than warmed up commitments to policies that have been promised or proposed before.

“The council’s [representing national governments] presentation of a strategy for growth is a strategy in name only being far too narrow in scope, too vague in commitments and too small in ambitions to have much impact,” said Sony Kapoor, head of the economic consultancy Re-Define.

“While it is important the council is at least talking about growth and the need to generate employment, they have precious little of substance to say at this point.”

José Manuel Barroso, the European Commission president, on Tuesday presented EU leaders with a dire report on employment across the region, particularly among the young, where countries such as Spain and Greece are posting youth unemployment rates of close to 50 per

Interactive graphic:
Youth unemployment



This graphic shows how unemployment levels for people aged 24 and below have fluctuated since 2005 and which countries have been most affected

cent. "We cannot accept that almost a quarter of Europe's young people are unemployed," Mr Barroso said.

Martin Van Vliet, economist at ING, said: "The high and rising unemployment rates in the periphery cast a dark cloud over growth prospects in the euro region."

EU officials acknowledge that Brussels' ability to boost job growth was limited without corresponding initiatives in individual member states, and the challenges facing the 17 eurozone governments are vastly different.

Germany, Europe's largest economy, is now facing labour shortages in some sectors, with its 5.5 per cent jobless rate the lowest since reunification two decades ago. National data for

January also published on Tuesday pointed to a further drop in claimant numbers.

By contrast, unemployment in the debt-laden periphery has reached severe proportions. Portugal's jobless rate rose the fastest out of the entire bloc, up 0.4 per cent to 13.6 per cent. Spain was steady at 22.9 per cent, the highest in the EU.

EU leaders pledged to accelerate the spending of European development funds to help alleviate unemployment. But the money they have in mind, from the regional and social affairs budget, has already long been earmarked for boosting jobs and growth, and none of the countries will receive new resources.

National governments will have to submit plans to boost job creation, outlining new measures to cut claimants. Teams of EU officials will assist those countries with the highest jobless rates, a process which started on Tuesday with preliminary contacts with the national capitals. But under tough new fiscal rules, no high-debt governments will be able to stray from the austerity measures.

"We cannot resort to fiscal stimulus to boost growth at the present time," Mr Barroso said.

Additional reporting by Peter Spiegel in Brussels

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