



# **European Employment Outlook:** *priorities for 2013 and EC's initiative*

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# Annual Growth Survey 2013



## AGS and Annexes



- The AGS communication sets out the economic and social priorities for the EU in 2013.
- Launches the next European Semester.
- Provides guidance to Member States, which they can use to prepare their national reform programmes.
- Includes two annexes, the **Macro-economic Report** and the **Draft Joint Employment Report**.
- Accompanied by the separate publication of the Alert Mechanism Report and Single Market Report.

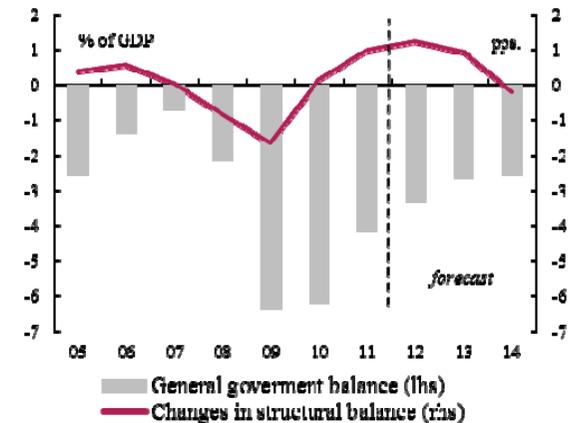


# AGS in context

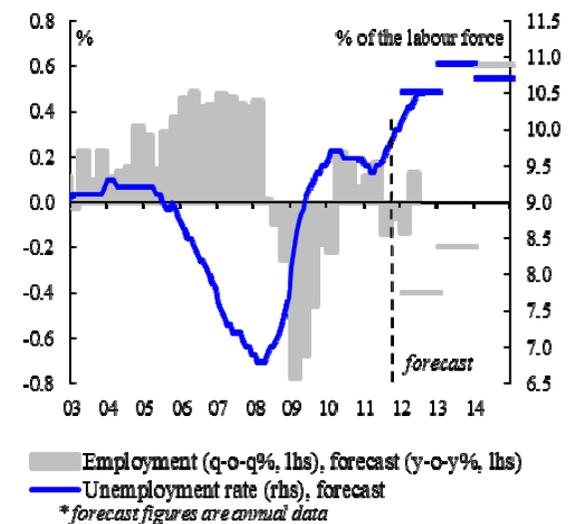


- The economic situation has continued to deteriorate in 2012 and the social consequences are being severely felt.
- Unemployment is reaching new heights and the risks of poverty and social exclusion are rising.
- The short-term challenge is to restore the confidence in EU economies and financial markets, whilst also carrying out structural reforms for the medium-term.
- Some important action has already been taken, but it will be crucial to maintain the pace of reforms, recognising the specific needs of each Member State.

## Budgetary developments in the Euro area



## Employment rate and unemployment growth in EU



## AGS: Priorities (1)



The Commission therefore considers that the EU should focus on the same priorities as in last year's AGS:

1. Pursuing differentiated, growth-friendly fiscal consolidation;
2. Restoring normal lending to the economy;
3. Promoting growth and competitiveness for today and tomorrow;
- 4. Tackling unemployment and the social consequences of the crisis;**
5. Modernising public administration.

Efforts should be concentrated on implementation!



## AGS: Priorities (2)



Regarding the **employment and social priority** there are three main priority areas for action:

1. Continue improving the **responsiveness** and the **adjustment capacity** of labour markets;
2. To **fight unemployment** and improve employability and support access to jobs in particular of **youth** and the **long-term unemployed**;
3. **Social protection systems** should be modernised and made more effective.





# The Draft Joint Employment Report:

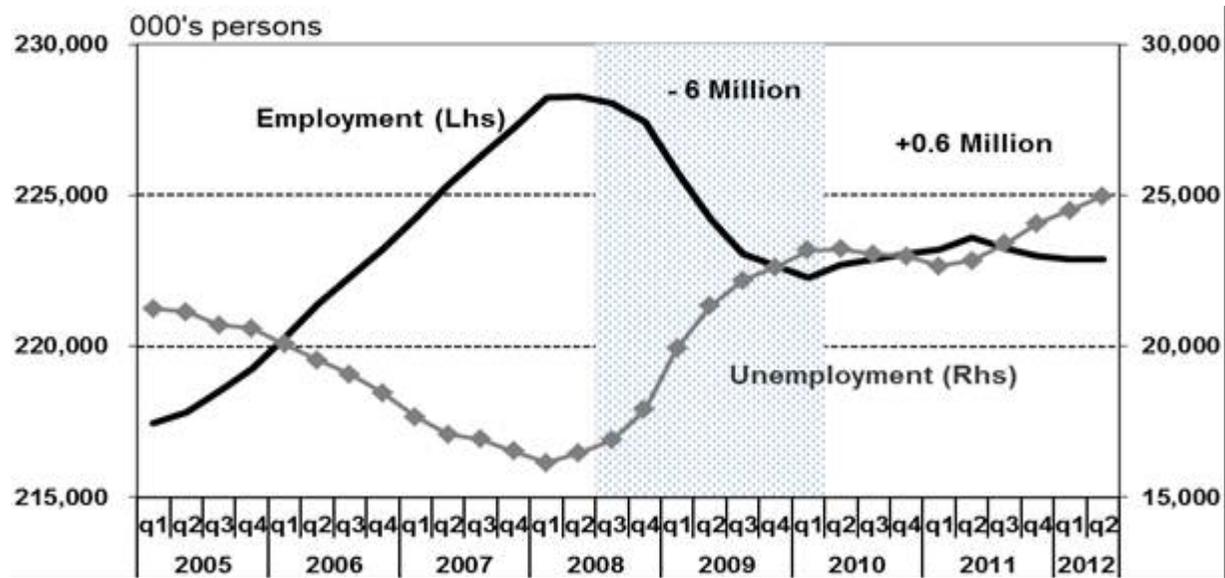
*Recent labour market and social  
development trends*



# JER: Trends (1)



- **Employment** recovery has come to a halt and employment is decreasing.
- **Unemployment** is rising again and has reached unprecedented levels in the euro area.



Source: Eurostat



## JER: Trends (2)



- **Long term unemployment has reached alarming highs** (11.1 million unemployed Europeans had been unemployed for more than 12 months 2012 q2).
- The **probability for unemployed people to find a job has decreased** in most MS since the outbreak of the crisis, both for short and long term unemployed (particularly for MS subject to significant fiscal consolidation measures).
- More than one in five **young people** in the labour market are unemployed.
- **Early school-leavers** face bleak employment prospects.
- The proportion of young people who are neither in employment, education, nor in training (**NEET**) continues to increase.

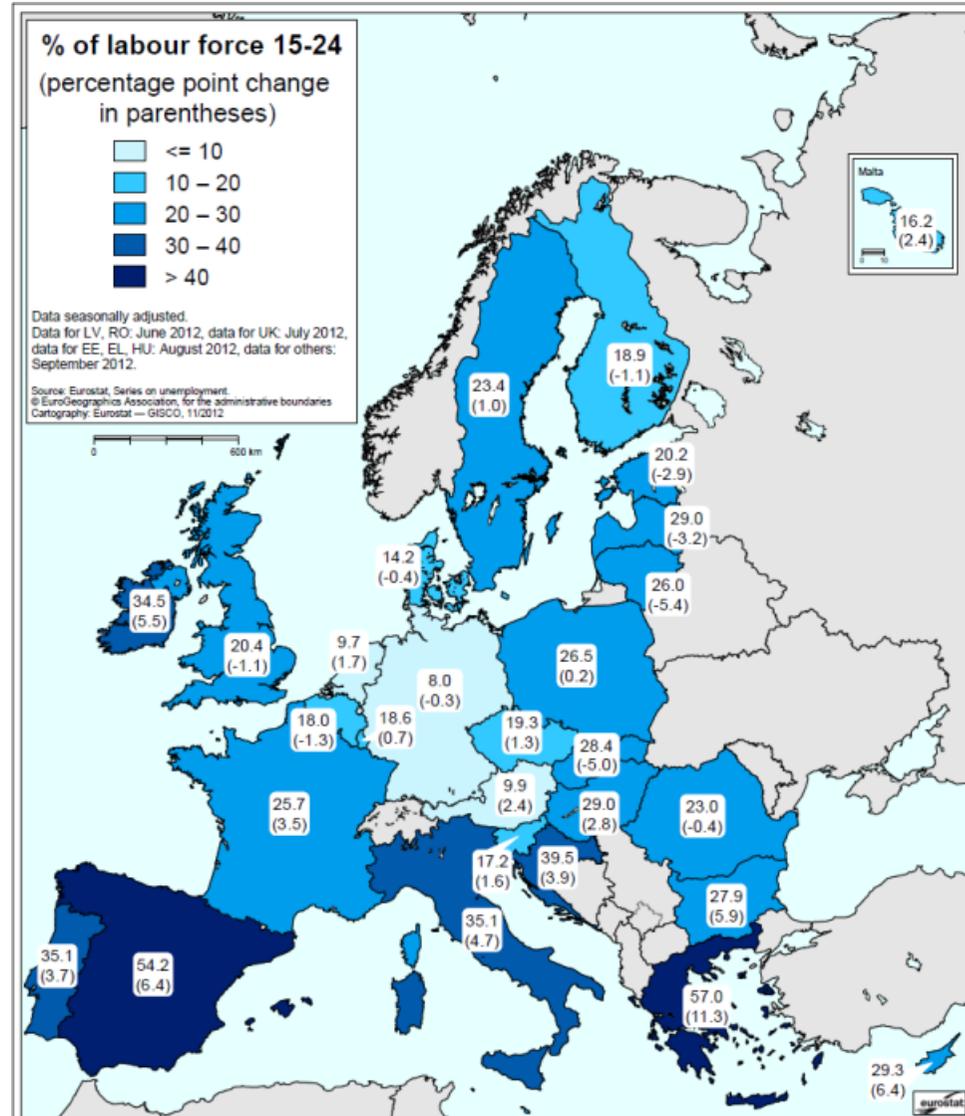


# JER: Trends (3)



European Commission

## Youth unemployment rates and year-on-year changes, 09/12

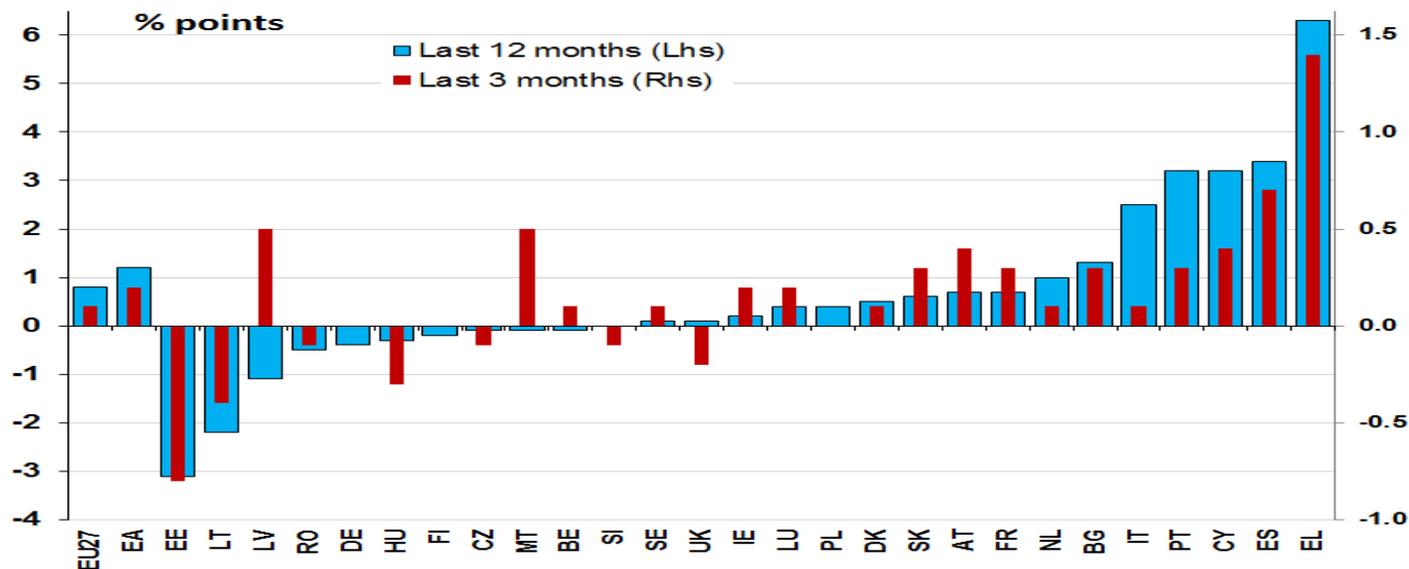


# JER: Trends (4)



- The **dispersion of unemployment rates** between MS has markedly increased, particularly in the euro area (in August 2012 unemployment was lowest in AT at only 4.5% while it has reached 25.1% in ES).

Change in unemployment rate (p.p.) over the last 12 months and the last three months to August 2012



Source: Eurostat



## JER: Trends (5)



- **Average household incomes are declining** in many MS.
- The share of the EU population reporting that their **households are experiencing financial distress** remains historically high (the 2012 year-on-year increase in the financial stress indicator among the lowest quintile was especially strong in ES and IT – up 10 p.p.).
- The proportion of **people at risk of poverty or social exclusion** has risen in a number of MS since 2008.
- **In-work poverty** and **social polarisation** is on the rise in many MS.





# **The Draft Joint Employment Report:**

*Major labour market challenges*



## JER: Challenges (1)



- The European labour markets are still characterised by major challenges :
  1. Low rates of job creation to make growth more job-rich;
  2. High taxation on labour;
  3. Gaps in employment protection and labour market segmentation;
  4. Deteriorated job matching process;
  5. Decline in ALMP expenditure;
  6. Significant differences in effectiveness of social protection systems .

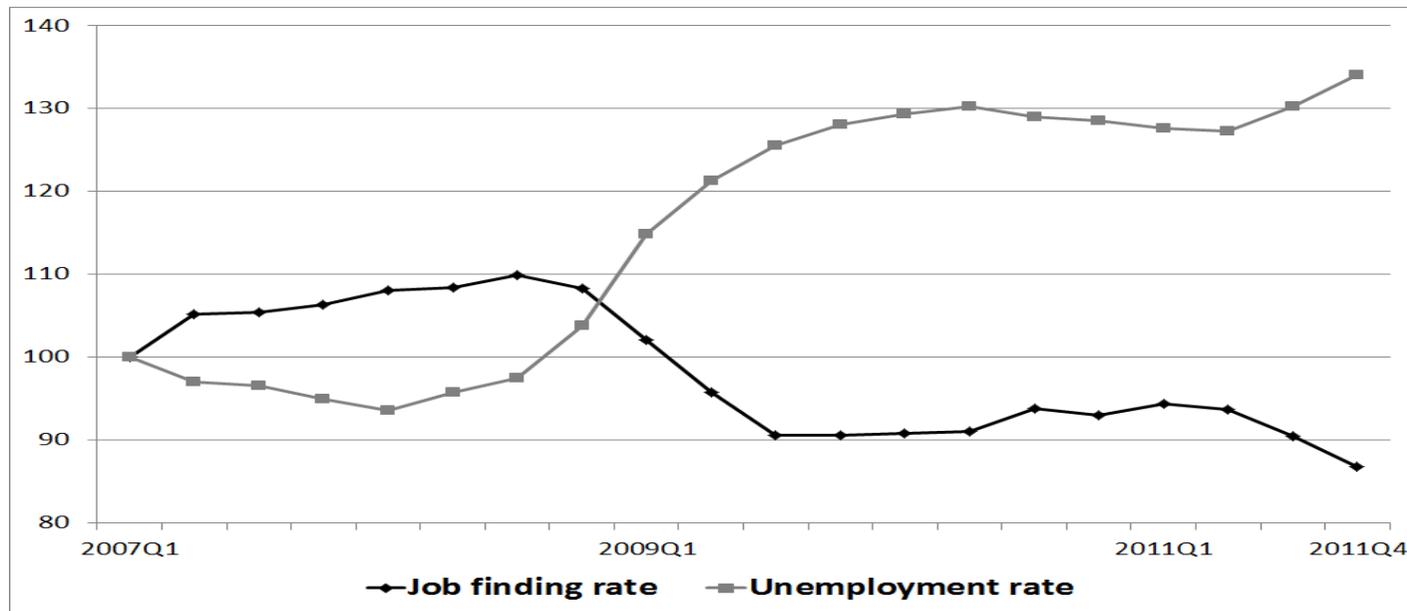




## Low rates of job creation

Net job creation has consistently decreased both at EU level and across MS, with the exception of 2010

Unemployment rate and job finding rate in the EU-27, 2007Q1-2011Q4



Source: Commission Services calculations based on Eurostat data

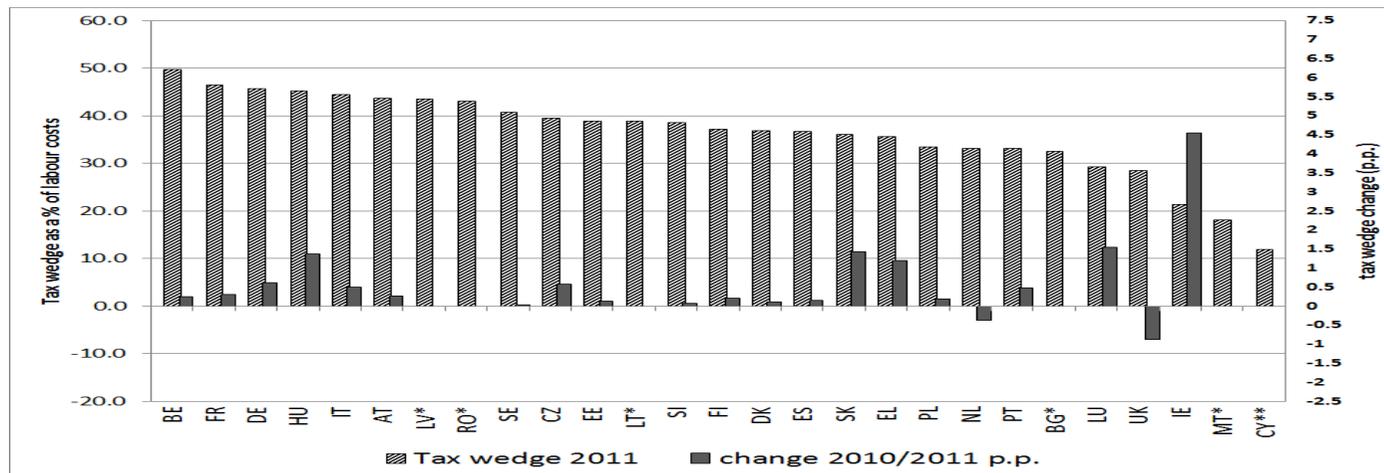




## High taxation on labour

Taxation on labour remains high and has even increased in a number of Member States, but changes in the composition are reducing the cost of labour

Total tax wedge for low earners (using 67 % of the average wage as a proxy for this group) in 2011 and annual change 2010-2011



Short description: \*Data for non-OECD-EU countries (BG, LV, LT, MT and RO) are only available for 2010; \*\*CY data for 2007. For these countries, changes in tax wedge refer to period 2009-2010 (for CY to period 2006-2007). Source: OECD



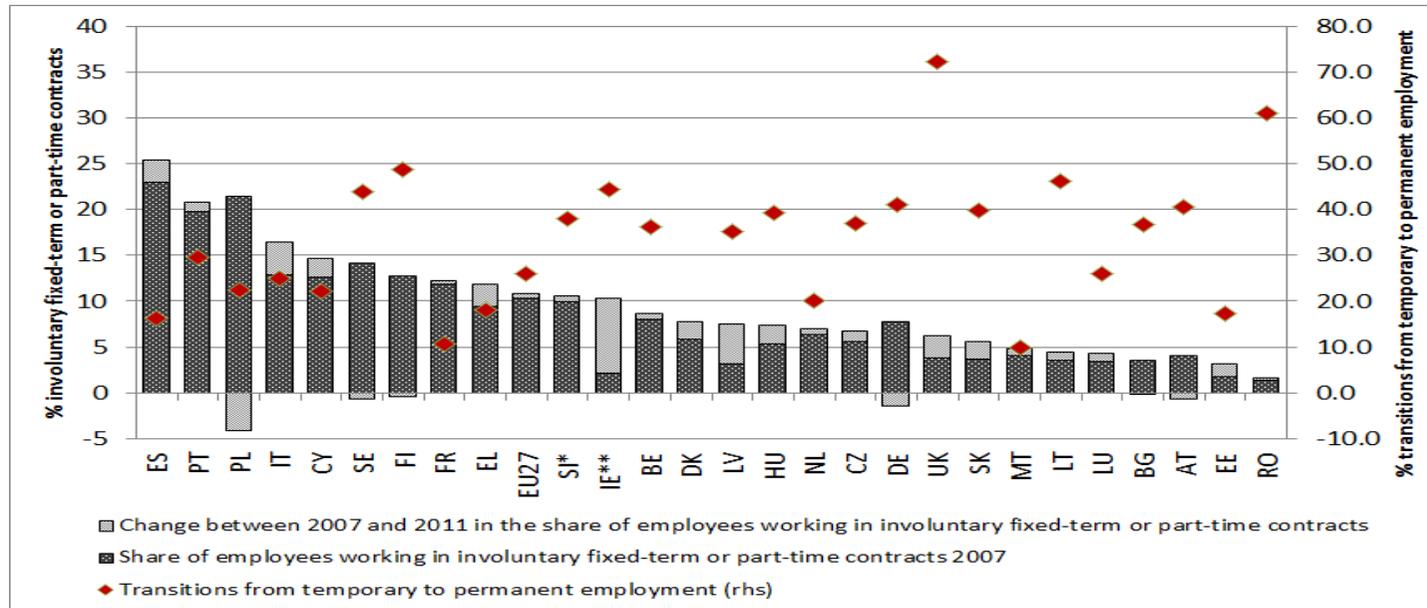
# JER: Challenges (4)



## Gaps in the EPL and high labour market segmentation

Labour market segmentation has continued to rise with temporary contracts and part-time work expanding.

Share of employees working in involuntary fixed-term or part-time contracts (in 2007 and 2011) and transitions from temporary to permanent employment (2010 data)



Short description: \*Data for SI refers to 2011; \*\*IE data are only available for 2007.  
Source: Eurostat, LFS and SILC



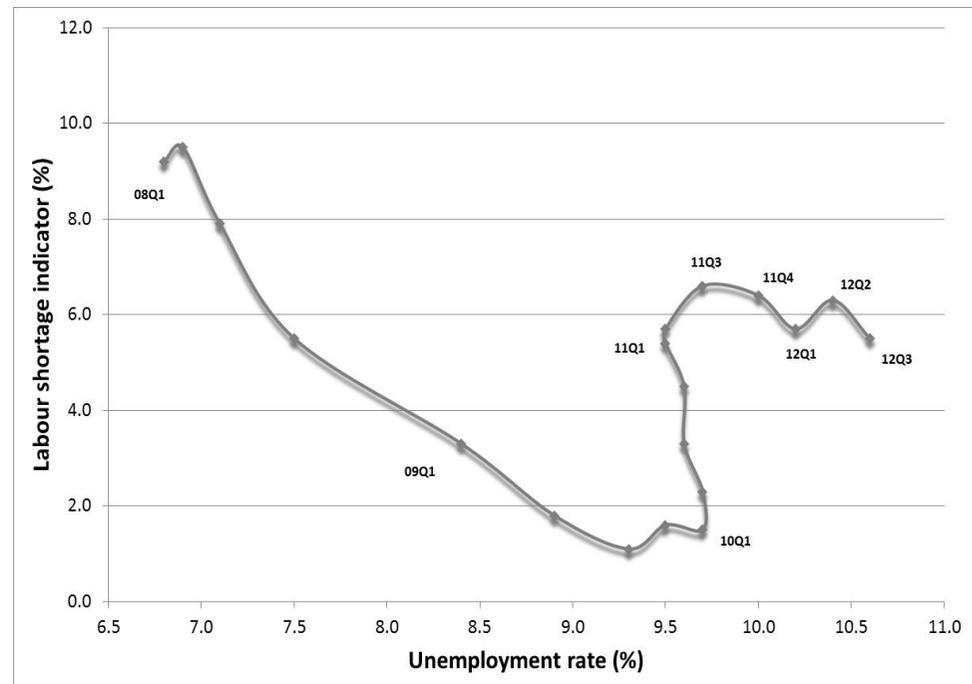


## Deteriorated job matching process

The deterioration might be the consequence of:

1. mismatches between skills and educational qualifications required for a certain job;
2. rising long term unemployment;
3. inadequate response to demographical changes and inefficiencies in the services offered by employment services;
4. frictions and barriers to geographical and occupational mobility;
5. asymmetric information between employers and employees.

Beveridge curve, EU-27, 2008 (Q1) – 2012 (Q3)



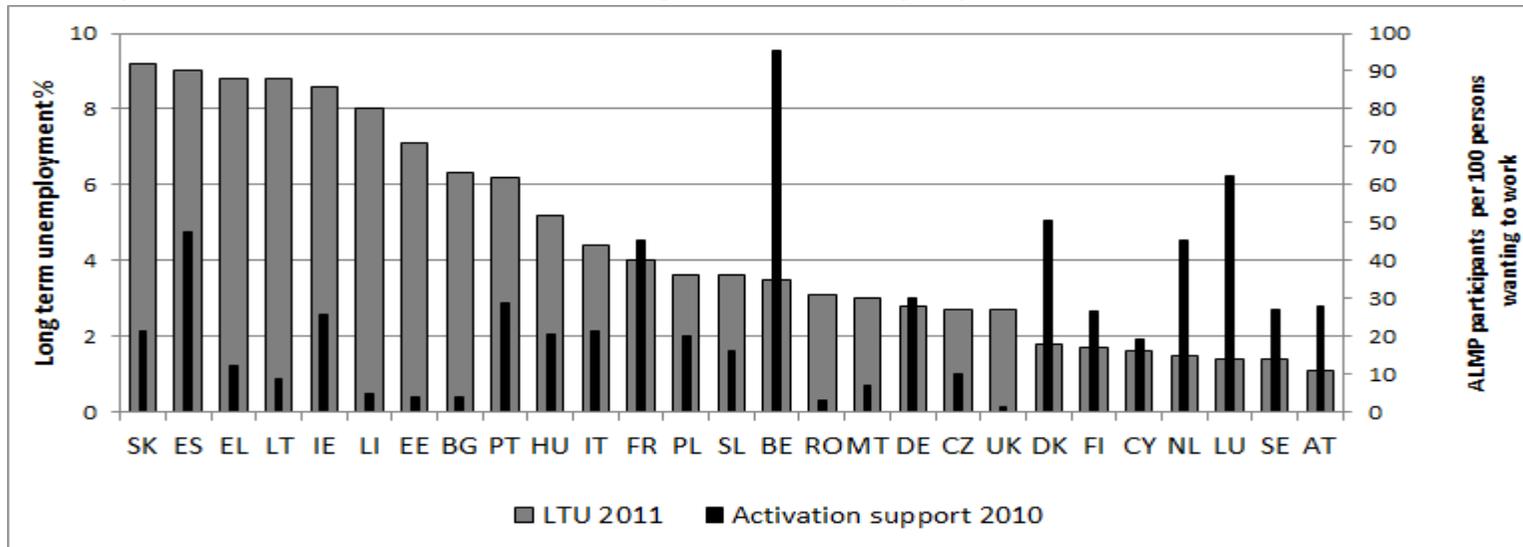
Source: Eurostat, the data used are: (i) the unemployment rate (UR, %), and (ii) the labour shortage indicator (LSI, %), derived from EU business survey results



## Decline in the ALMP expenditure

Those MS with the lowest level of LTU are also amongst those where the level of participation in ALMP is the highest (although other factors may have contributed to this good performance)

Participation in ALMP 2010 and long term unemployment rate 2011



Source: Eurostat





### Differences in effectiveness of social protection systems

- The cushion effects of social protection system on households income as an automatic stabiliser has started weakening after 2009
- In some countries more and more people are not covered by any scheme at all
- In addition, there are significant differences among MS in the efficiency of their spending, namely in the outcomes and poverty reduction effect they achieve per unit of spending when the patterns of spending and structures in social protection provisions are similar.





# **Policy measures and structural labour market reforms**





# Policy measures and structural labour market reforms are urgently needed

Three main areas:

1. Mobilising labour for growth
2. Protecting the vulnerable
3. Supporting employment especially of young





# Mobilising labour for growth

1. Need to reinforce ALMPs and PES;
2. Measures to reduce the tax on labour (mainly targeted to increase work incentives for specific groups);
3. Measures to promote business creation and self-employment;
4. Adaptation of unemployment benefits to facilitate the return to work;
5. Efforts to reinforce mutual responsibility;
6. Measures to address wage setting to ensure that wages develop in line with productivity;
7. Measures to enhance labour mobility;
8. Measures to reduce early exit from the labour market;
9. Measures focused on the promotion of longer working lives.





## **Protecting the vulnerable**

1. Measures to ensure the effectiveness of social protection systems;
2. Implementation of active inclusion strategies focusing on adequate income support, inclusive labour markets, and access to quality services;
3. Access to services supporting integration in the labour market and in society.





### Supporting employment especially of young

1. Initiatives aiming at enhancing the quality apprenticeship and traineeship contracts;
2. Actions to support NEET young people, such as programmes focused on the vocational training dimension, on-the-job training and on financial support;
3. Partnerships with the social partners to promote quality apprenticeship or traineeship contracts;
4. Measures to reform the employment protection legislation;
5. Progress concerning adapting education and training systems to reflect labour market needs;
6. Quality and funding of the universities





# Youth Employment Package





**Early December** – the Commission will propose a **Youth Employment Package** that includes:

1. A proposal for a **Council recommendation** to establish **Youth Guarantee schemes**;
2. A second stage consultation of social partners at EU-level on a **Quality framework for traineeships**;
3. The announcement of a **European Alliance for apprenticeships** and of improved **mobility of young workers**;
4. Reports on one year of implementation of the **Youth Opportunities Initiative** plus 28 supporting country-fiches and an overview of **youth-specific country-specific recommendations**.

