



EUROPEAN COMMISSION

MEMO

Brussels, 28 November 2012

Joint Employment Report – Q&A

The draft Joint Employment Report is an annex to this year's Annual Growth Survey (AGS), analysing the employment situation in Europe. It is based on an examination of the implementation of the Employment Guidelines adopted by the Council in 2012 and of National Reform Programmes.

The AGS 2013 makes it clear that more decisive action is needed to return to growth and jobs. Macroeconomic adjustments and fiscal consolidation are necessary, but they should be implemented in ways that ensure sustainable growth, more and better jobs and reinforce social inclusion.

What are the recent labour market trends?

The economic and employment outlook is bleak and has worsened in recent months and is not expected to improve in 2013, although a more positive outlook for the labour markets is still expected in 2014. The EU is currently the only major region in the world where unemployment is still rising.

The general picture covers a very diverse situation across Member States. There is a growing divergence between unemployment situations. Some MS have weathered the economic crisis well and are recording very low unemployment rates, as low as 4.4% in Austria or 5.4% in the Netherlands and Germany. This is the result of the generally good economic situation in these countries but also because they are reaping the benefits of previous reforms initiated long before the economic crisis hit. In other Member States unemployment is high or rising. Usually these are the countries that were hit hardest by the sovereign and financial crisis, such as Greece or Spain where the unemployment rate is above 25%. But these are also countries with well-identified problems in their labour markets, such as segmentation, insufficiently effective active labour market policies or ineffective links between school and work. These shortcomings have amplified the effects of the crisis though they were not the cause.

Net job creation (employment growth) has consistently decreased at EU level and across Member States. However jobs are still being created or remain unfilled in a number of sectors. During the 2008-2011 period, the 'health and social work' sector created more than 1.8 million new jobs and the net demand in this sector is expected to increase by 8 million up to 2020. In the ICT sector, by 2015, is expected that up to 700 000 unfilled vacancies will be available for ICT practitioners.

Unemployment is rising again and has reached unprecedented levels in the euro area. The overall unemployment rate of the EU-27 is currently at 10.6%, while in the euro area it reaches 11.6 %, the highest level since the birth of the EMU. In May 2012 the number of unemployed in the EU exceeded 25 million people for the first time ever and it has increased by an additional 0.75 million in the quarter since then bringing the increase to almost 9 million since 2008. The trend in unemployment is upward in the majority of the Member States.

Long term unemployment has reached alarming heights with 11.1 million unemployed Europeans being unemployed for more than 12 months in 2nd quarter 2012. In 2011, 70% of all long-term unemployed in the EU-27 were concentrated in the 6 largest Member States, with Spain accounting for more than 21% of the total number of long term unemployed.

More than one in five or 5.52 million young people in the labour market are unemployed. Over the last 12 months, the unemployment rate for young people increased in the large majority of Member States and in two Member States has remained in levels above 50% and above 30 % in six. The share of early school leavers dropped from 14.1% in 2010 to 13.5% in 2011. Across the EU, more than half of young people dropping out of school are unemployed. The proportion of young people who are neither in employment, education, nor in training (NEET) continues to increase and these increases were higher in those Member States which already had higher levels.

Average household incomes are declining in many Member States but especially in those Member States where the recession was prolonged. Recent data points to higher levels and deeper forms of poverty and social exclusion. The proportion of people at risk of poverty or social exclusion has risen in a number of Member States since 2008.

What are the major labour market challenges?

The European labour markets are characterised by deeper challenges impacting on growth prospects:

- **To make our growth more job-rich:** Labour taxation should be reduced and the burden shifted to other sources. The potential for jobs in a number of sectors such as the green jobs, the ICT and the healthcare sectors should be further exploited.
- **To increase the resilience of the labour markets to maintain employment and to respond to the adjustment needs of the economy.** This can be done by increasing internal flexibility within enterprises to avoid a situation where firing workers is the first answer to difficulties. Also by simplifying employment legislation so as to reduce the uncertainties of costs and to reduce the gap between employment protection affecting temporary and permanent contracts to reduce segmentation. Wages should develop in line with productivity and minimum wages should provide employment-friendly wage floors to prevent people from becoming the "working poor".
- **To preserve the labour market attachment of long-term unemployed** to prevent a decrease in their employability and to avoid the social exclusion of large groups in society. It is essential to maintain or reinforce investments in employment services and in active labour market policies. It is also vital to increase their effectiveness by targeting hiring subsidies, providing individual job-seeking support, and training and retraining, if possible combined with work experience

- **To improve the transitions from school to work to reduce youth unemployment.** The experience of those countries performing best shows that **combined work and training opportunities**, such as apprenticeships, are essential. Setting up partnerships between education facilities, employment services, social partners and businesses can be particularly effective. This means delivering the **Youth Guarantee** in line with the forthcoming proposals of the Commission and offering young people the possibility of training or employment opportunities within four months of being unemployed. It is vital that we invest in skills throughout society, including older workers, so that employment opportunities can be seized.
- **To enhance social investments in order to help all reaches of our society.** Social protection systems, including enabling social services, need to be made as effective and employment-friendly as possible. The implementation of **active inclusion** strategies combining activation, income support and enabling social services is essential. The links between social assistance and activation should be reinforced. The essential **safety nets** should be preserved

What reforms have been implemented?

Member States have taken a number of steps to implement structural labour market reforms to tackle unemployment and to address the social consequences of the crisis, as advised by the Commission in the 2012 AGS. The country specific recommendations adopted by the Council at the end of the second European Semester show that more efforts need to be undertaken.

Many Member States have introduced changes in labour taxation and though the overall burden overall has not decreased due to the fiscal consolidation constraints, the measures have reduced the cost of labour for low-income groups in some cases.

A number of Member States, in particular those in fiscal and financial difficulties, are implementing ambitious reforms encompassing a review of their employment legislation to increase flexibility in working arrangements, a reduction of severance pay, the simplification of dismissal procedures and enhanced flexibility in collective bargaining and wage-setting systems.

Several Member States are taking steps to reinforce active labour market policies and public employment services (PES) either by introducing wages subsidies, expanding the target groups of the unemployed, focusing on training of PES employees and the development of client-oriented service models.

Unemployment benefits have been reformed in a number of Member States to increase incentives to work by reducing the maximum duration and strengthening conditionality and eligibility rules.

A good number are taking measures to extend working lives by penalising early retirement, increasing statutory retirement age, supporting lifelong learning and targeted employment incentives.

A number of Member States are taking measures to adapt education and training to reflect labour market needs. Some are taking initiatives to enhance the quality of apprenticeship and traineeship contracts and stimulating the provision of apprenticeship positions in workplaces.

There has also been progress regarding the implementation of active inclusion strategies focusing on adequate income support, inclusive labour markets and access to quality services. Some countries have taken measures in the field of anti-discrimination, accessibility, care and education while in others voluntary organisations are encouraged to employ disadvantaged persons through the allocation of financial help.

In a few Member States, a rental social market was created to ensure access to affordable and quality housing for the most vulnerable, while others are taking more general active labour market measures to integrate people with a weak foothold on the labour market.

Recent EU level initiatives to support the labour market

The **Employment Package** ([IP/12/380](#)) presented by the Commission in April 2012 included a number of proposals to help Member States exploit these big job potential areas. It urged Member States to include green employment into their' National Job Plans, strengthening green skills intelligence. It looked at ways to improve health workforce planning and forecasting to match the demand and supply of health professionals better while offering them long-term job prospects and stimulate exchange on innovative and effective recruitment and retention strategies for health workers. And it supported an increase in highly qualified ICT labour and a promotion of digital skills across the workforce.

The Employment Package also looked at how to create the right conditions for job creation and labour demand such as hiring subsidies that create new jobs, a (budget neutral) tax shift from labour to environmental taxes, or support for self-employment.

In terms of skills mismatching, the Commission is set to launch an **EU Skills Panorama** at the beginning of December. This will be an online information tool presenting quantitative and qualitative information on short-term and medium-term skills needs, skills supply and skills mismatches collated from both European and national sources.

To address the job matching process in European labour markets, the Commission adopted a decision to **modernise and improve EURES**, the pan-EU job search network, on 26 November. ([IP/12/1262](#)). This will reform the existing EURES network and will help to increase mobility of workers across Member States and pave the way for a true European labour market. The EURES reform aims to make it easier for jobseekers to contact employers looking for particular skills, to focus on sectors and occupations with skills shortages and to support targeted mobility schemes for young people

Due to the worrying situation of **youth unemployment**, the European Commission will present a comprehensive **Youth Employment Package** at the beginning of December. A number of measures will be proposed to support young people in the labour market, especially those who are not in employment, education or training, by proposing comprehensive Youth Guarantees, by enhancing the quality of apprenticeships and traineeships contracts, by providing individual tutor support, internship and training vouchers or by providing financial incentives for companies to provide apprenticeships positions.