



**EUROPEAN COMMISSION**

**PRESS RELEASE**

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## **EU Employment and Social Situation: Quarterly Review analyses deepening social crisis**

The employment and social situation in the EU remained critical in the fourth quarter of 2012 with employment receding overall and unemployment rising further, while households' financial situation remained serious according to the European Commission's latest Employment and Social Situation Quarterly Review. The adverse effects of public budget cuts and tax increases on employment and living standards are increasingly apparent in certain Member States. The Review also notes that net immigration from outside the EU has slowed down and that the crisis has adversely affected fertility.

László Andor, European Commissioner for Employment, Social Affairs and Inclusion, commented: "The social crisis in Europe keeps worsening and in a number of Member States there is no tangible improvement in sight. The poorest have very often been the hardest-hit. Governments need to invest in order to find the way to inclusive growth and to give people a real chance to make a decent living - the Commission's recent Social Investment Package has highlighted ways to do this. But most of all we need more solidarity: within individual countries and also between them. We can only overcome this crisis if we stick together."

Unemployment rose further in January 2013, to 26.2 million in the EU (19 million in the euro area), or 10.8% of the economically active population (11.9 % in the euro area). The unemployment rate gap between the south/periphery and the north of the euro area reached an unprecedented 10 percentage points in 2012. In the EU, GDP shrank by 0.5% during the fourth quarter of 2012, the largest contraction since early 2009. Overall employment in the EU fell by 0.4% in 2012, with positive developments only noticeable in part-time work. In the fourth quarter of 2012 alone, it fell by 0.2% compared to the previous quarter.

### **Social protection spending falling faster than in previous economic crises**

Tightening of public budgets has adversely affected employment both directly through reduced public sector employment and indirectly through lower aggregate macroeconomic demand. Changes to tax and benefits systems and cuts in public sector wages have led to significant reductions in the level of real household incomes, putting a heavy strain on the living standards of low income households. Spending cuts and tax increases have impacted differently on high and low income groups. The analysis shows that careful design of budget reforms is crucial to avoid the poorest being disproportionately affected, as was the case in a few countries (e.g. Estonia and Lithuania). The share of the EU population reporting financial distress remains well above levels observed at any time in the previous decade, affecting almost one-in-four low income households.

Social protection spending played a prominent role in compensating households' income losses in the early phase of the crisis and helped to stabilise the economy. Since mid-2010 the impact declined and in 2012 it was negligible even in countries where unemployment kept rising. This reduction of social spending was much stronger than in past recessions, partly reflecting the exceptional needs for fiscal consolidation in the context of the euro crisis. It neutralised the economic stabilisation function of social protection systems in many Member States, and may have contributed to aggravating the recession, at least in the short term.

The March 2013 European Council confirmed that tackling unemployment and the social consequences of the crisis remains a key priority of EU and national policies. In February 2013, the Commission put forward a [Social Investment Package](#) which gives guidance to Member States on more efficient and effective social policies in response to the significant challenges they face (see [IP/13/125](#), [MEMO/13/117](#), [MEMO/13/118](#) and [SPEECH/13/141](#)). The Package underlined that public investment like childcare, education, or support to active and healthy ageing must be maintained or stepped up even when national budgets are tight, because without such investment, many people are unable to participate in society or develop their economic potential.

## **Youth unemployment and inactivity at highest ever levels**

Not only has youth unemployment reached a new peak across the EU (23.6 % of active young people were jobless in January 2013), but also periods of unemployment among the young have tended to become longer. 7.1 % of active young people had been jobless for more than a year in the third quarter of 2012, against 6.3% a year earlier. This trend poses a serious risk in terms of young people becoming detached from the labour market and from society as a whole. The rising number of young people under the age of 25 who are neither in employment nor in education and training (NEET), now accounting for roughly 8 million young people, is also a major cause for concern.

To help to tackle the unacceptably high levels of youth unemployment, the Commission presented a Youth Employment Package on 5 December 2012 (see [IP/12/1311](#), [MEMO/12/938](#) and [SPEECH/12/910](#)). It included a proposal for a Recommendation on introducing a Youth Guarantee in each Member State to ensure that all young people up to age 25 receive a quality offer of a job, continued education, an apprenticeship or a traineeship within four months of leaving formal education or becoming unemployed. The Council of Ministers reached political agreement on this Recommendation on 28 February 2013 (see [MEMO/13/152](#)). The Commission has also recently proposed operational rules to quickly implement the Youth Employment Initiative to combat youth unemployment (see [IP/13/217](#)). The Youth Employment Initiative was proposed by the 7-8 February 2013 European Council with a budget of €6 billion for the period 2014-20.

## **Crisis hits fertility**

The Quarterly Review also analyses the adverse effect of the crisis on fertility. Since 2009 fertility has stopped recovering and stabilised at just under 1.6 children per woman in the EU-27. The average age of women at childbirth has kept rising and reached the 30-year threshold. On the other hand, life expectancy continued to increase and has reached 77.4 years for men and 83.1 for women. Migration from outside the EU has decreased from its 2007 peak but even in 2011 the EU-27 posted a net increase of ½ million, that is 1 immigrant from outside the EU per thousand EU inhabitants. Citizenship acquisitions are higher and reached almost one million. The longer-term challenges for EU labour markets from a shrinking and ageing workforce clearly remain serious.

## **Further information**

[Employment and Social Situation Quarterly Review](#)

[Social Investment Package](#)

[Youth Employment Package](#)

[Employment Package](#)

[Employment and Social Analysis web page](#)

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