



Draft Joint Employment Report – frequently asked questions

Brussels, 28 November 2014

The new cycle of the European Semester, the EU's yearly economic policy-making cycle, has been launched with the publication of the Annual Growth Survey 2015 by the European Commission. The latest draft Joint Employment Report, which accompanies the Annual Growth Survey 2015 analyses employment and social trends and challenges as well as presents the policy responses deployed by Member States to improve the employment and social performance. It also contains the second edition of the scoreboard of key employment and social indicators introduced to strengthen the social dimension of the Economic and Monetary Union by gaining a better understanding of the labour market and social developments at risk. The Report serves as a basis for further analysis, surveillance and coordination throughout the European Semester.

The draft Joint Employment Report will be endorsed by the EU's Council of Employment and Social Affairs Ministers and then presented to the European Council in order to feed into the European Semester process and surveillance.

What are the recent labour market and social trends and challenges?

Unemployment is slowly decreasing but remains at high levels in the EU-28, 24,6 million (10,1%) in September 2014. Developments in unemployment across the EU still vary widely, but have stopped diverging further. Long-term unemployment is still rising. Between 2010 and 2013 the long-term unemployment rate increased from 3.9% to 5.1% in the EU-28. Youth unemployment remains at very high levels, 21.6% in the EU-28 in September, but is showing signs of improvement while the proportion of young people (15-24) not in employment, education or training (NEET) has remained high. Early school leaving levels are gradually going down, making progress towards the target of less than 10% school drop-outs by 2020. Similarly, Europe is also making good progress towards the target of achieving a tertiary or equivalent attainment rate of at least 40% by 2020.

While activity rates have withstood the crisis years well in most Member States, the EU employment rate continues to show a negative trend. Developments in employment and unemployment rates are unevenly distributed between gender, age groups, education level, sector and type of contracts. Whereas employment is likely to improve slightly in the future, mainly as a result of projected GDP growth, a strong reversal would be needed to reach the Europe 2020 headline target of 75% for men and women aged 20-64. Small- and medium-sized enterprises are traditionally seen as the engine of employment growth. However the lack of dynamism in the employment record of SMEs since 2010 shows the potential impact of appropriate solutions, in particular to financial sector problems.

Segmentation on the labour market continues to be considerable in several Member States. Against the background of the limited intra-EU labour mobility but also skills mismatches, labour market matching has worsened in several Member States, as evident by the number of vacancies which has remained relatively stable on average over the last few years. To address this, the supply of skills relevant to labour market needs shall be further improved as Europe's growth potential is threatened by structural weaknesses in its skills base.

Wage developments have started to move towards aligning with productivity hence supporting macro-economic rebalancing in Europe. Unit labour cost reductions and wage moderation have fed only slowly and incompletely into lower prices. The tax wedge remains high in many Member States. Fighting undeclared work remains a challenge in some Member States.

There is both a wide dispersion and growing divergence between Member States in the evolution of gross household disposable income in real terms. The levels of inequality increased in many Member States. The at-risk-of-poverty and social exclusion (AROPE) rate increased significantly, with growing divergences between Member States. The developments in poverty levels vary substantially between age cohorts. Children have been experiencing an increasing risk of poverty or social exclusion since 2008 as the situation of their (mostly working-age) parents worsened. In some Member States, people in vulnerable situations and with low-income continued to experience difficulties in access to healthcare.

What employment and social policy reforms have been implemented by the Member States?

Several Member States have pursued reforms, in line with Country Specific Recommendations issued in the framework of the 2014 European Semester. First positive effects are visible for instance in increasing activity rates.

However, specific measures are needed to increase the integration of long term unemployed into the labour market and reduce segmentation. Unemployment benefits schemes should be better linked to activation and Member States should continue, or in some cases step up, measures addressing the challenge of segmented labour markets by simplifying labour law.

Some reforms of tax systems have been initiated so as to reduce disincentives to take on jobs and – at the same time - decrease labour taxation to allow companies to (re)hire young and long-term unemployed. Several Member States have addressed wage-setting mechanisms to promote the alignment of wage developments to productivity and to support households' disposable income, with a particular focus on minimum wages. A few Member States have looked at avenues for job creation through (temporary) hiring, wage or social contribution subsidies targeted to new hires.

Member States have progressed in the implementation of Youth Guarantees. Further efforts are required, with specific attention for public employment services, tailored active labour market interventions and vocational education and training. Member States should ensure a favourable environment for companies to offer apprenticeships which will make the transition from education to employment easier.

Member States have worked to introduce measures aimed at improving skills supply and promoting adult learning. A number of countries took measures to improve their primary, secondary and tertiary education system, while others addressed the overall education strategy. However, Member States need to continue to reform their Vocation Education and Training systems to increase productivity of workers in the light of rapidly changing skills requirements.

Policy reforms of the social protection systems have been introduced to effectively activate those that are able to access the labour market, protect those excluded from the labour markets and shelter individuals from risks in their lifecycles. Member States are increasing efforts to better target those at higher risk of poverty. Several Member States have enhanced their social policies aiming at safeguarding well-being of children and elderly, improved benefits while others have introduced specific policies to address child poverty. Pensionable age is being raised and gender pension age is being equalised. Member States are opening routes for people to prolong their working lives and improve pension entitlements by deferring retirement. In addition, Member States are reviewing healthcare expenditure and seeking ways to improve value for money and effective outcomes while better instruments for cost containment are introduced.

Reforms have been undertaken in all the above areas. However, the degree of progress and ambition varies across policy areas and between Member States. Further efforts and swift implementation is thus needed to ensure concrete outcomes of the reforms on the ground.

Does the draft Joint Employment Report assess the reforms implemented by Member States?

The draft Joint Employment Report presents an overview of reforms and measures introduced by Member States in the past 12 months. The assessment will be conducted country-by-country in the context of the 2015 European Semester and presented in the proposals for Country Specific Recommendations next year.

How does the new scoreboard of indicators work?

The Commission announced in its October 2013 [Communication on strengthening the social dimension of the Economic and Monetary Union \(EMU\)](#) that it was creating a new scoreboard to follow key employment and social developments relevant for the well-functioning of the EMU. The scoreboard was used for the first time in the 2014 European Semester and will be applied as an analytical tool throughout the 2015 European Semester

The scoreboard focuses on employment and social trends that would threaten the stability and good functioning of the EU and the EMU by undermining employment, social cohesion and human capital, and therefore the competitiveness and sustainable growth. Its purpose is to allow a broader understanding of social developments and feed into debates on the institutional level. It serves as an

analytical tool, allowing for the better and earlier identification of major employment and social problems and therefore allowing for prompt action.

The scoreboard consists of a number of key indicators of employment and social trends that can severely undermine employment, social cohesion and human capital. It contains five headline indicators:

- unemployment
- youth unemployment and the rate of those not in education, employment or training (NEET rate)
- household disposable income
- the at-risk-of-poverty rate
- income inequalities (the S80/S20 ratio).

The scoreboard covers all EU Member States and comparisons are thus made with the EU average. At the same time, statistical deviations from the euro area average merit particular attention as convergence in socio-economic outcomes is crucial for the good functioning of a currency union using a single monetary policy. This is why there are two annexed tables showing the Member States' situation vis-à-vis the EU and the Eurozone averages respectively.

What are the key findings from the scoreboard for the EU and the Eurozone in general? Why should they be a matter of concern for *all* Member States? What is new comparing to the previous, first edition of the scoreboard?

The scoreboard's findings indicate persistent, yet not growing to the extent similar to the last year, socio-economic divergences. The divergences remain visible in the rates of unemployment, of youth unemployment and of young people who are neither in employment nor in education or training; declines in household income and increases in inequalities and increased poverty rates are evident in most Southern European Member States of the Euro zone although they increased in some other Member States as well. At this stage, in particular for the unemployment related indicators, the divergences are not becoming more profound yet the scale of reversal of the previous trends remains to be seen.

In the event of an economic shock, employment and social problems risk developing within the monetary union partly because of the limited range of adjustment tools available. At the same time, lack of implementation of effective policy responses to major employment and social challenges may indirectly result in negative effects in other Member States and the European Union as a whole. It is hence in the interest of all Member States to ensure that employment and social challenges are addressed in a timely and effective manner.

Throughout 2014, the Commission continued to work with Member States in the Employment Committee and the Social Protection Committee on the operationalization of the scoreboard beyond the 2014 European Semester. The current edition of the Joint Employment Report includes several discussed proposals, among others, strengthening the gender and age dimensions in the data analysis and the consideration of changes in the levels of an indicator beyond the most recent period.

For further information

[2015 Draft joint Employment Report](#)

[Scoreboard of key employment and social indicators](#)

[Annual Growth Survey 2015: A new Momentum for Jobs, Growth and Investment](#)

[The EU's economic governance explained](#)

[Fourth Alert Mechanism Report on macroeconomic imbalances in EU Member States](#)

[Draft Budgetary Plans](#)

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