EU employment policy – 2010-2014

Barcelona, 25 November, 2014

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Europe 2020 strategy for smart, sustainable and inclusive growth *Flagships*

Smart growth

Digital agenda for Europe
Innovation Union
Youth on the move

Sustainable growth
Resource efficient Europe
An industrial policy for the globalisation era

Inclusive growth
An agenda for new skills and jobs
European platform against poverty

Europe 2020 strategy
Targets

Employment *75% of the 20-64 year-olds to be employed (ES national target 74%)*

Fighting poverty and social exclusion *at least 20 million fewer people in or at risk of poverty and social exclusion (ES national target* 1,400,000-1,500,000)

Education

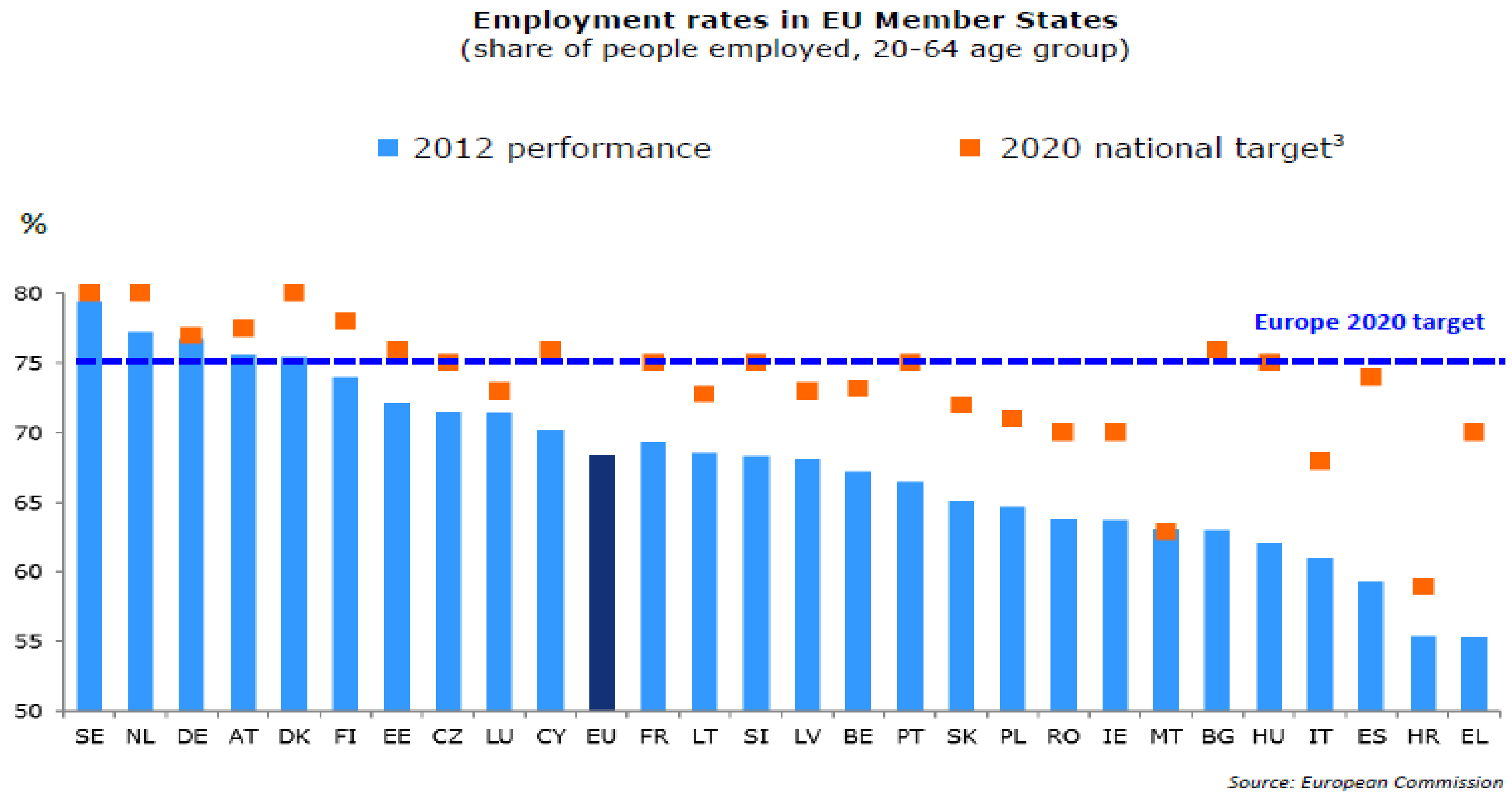
- **Reducing the rates of early school leaving below 10%**
- **at least 40% of 30-34–year-olds completing third level education**

R&D 3% of the EU's GDP to be invested in R&D

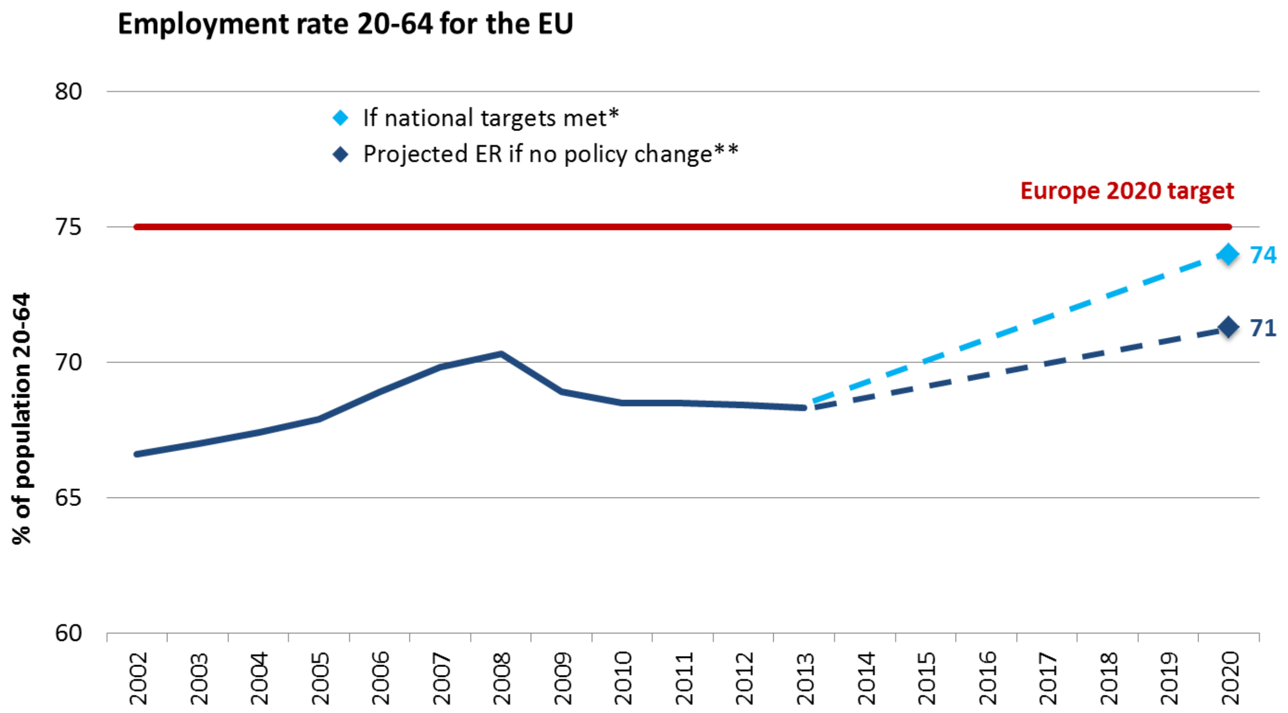
Climate change and energy sustainability

- greenhouse gas emissions 20% (or even 30%, if the conditions are right) lower than 1990
- 20% of energy from renewables
- 20% increase in energy efficiency

Employment target by Member State



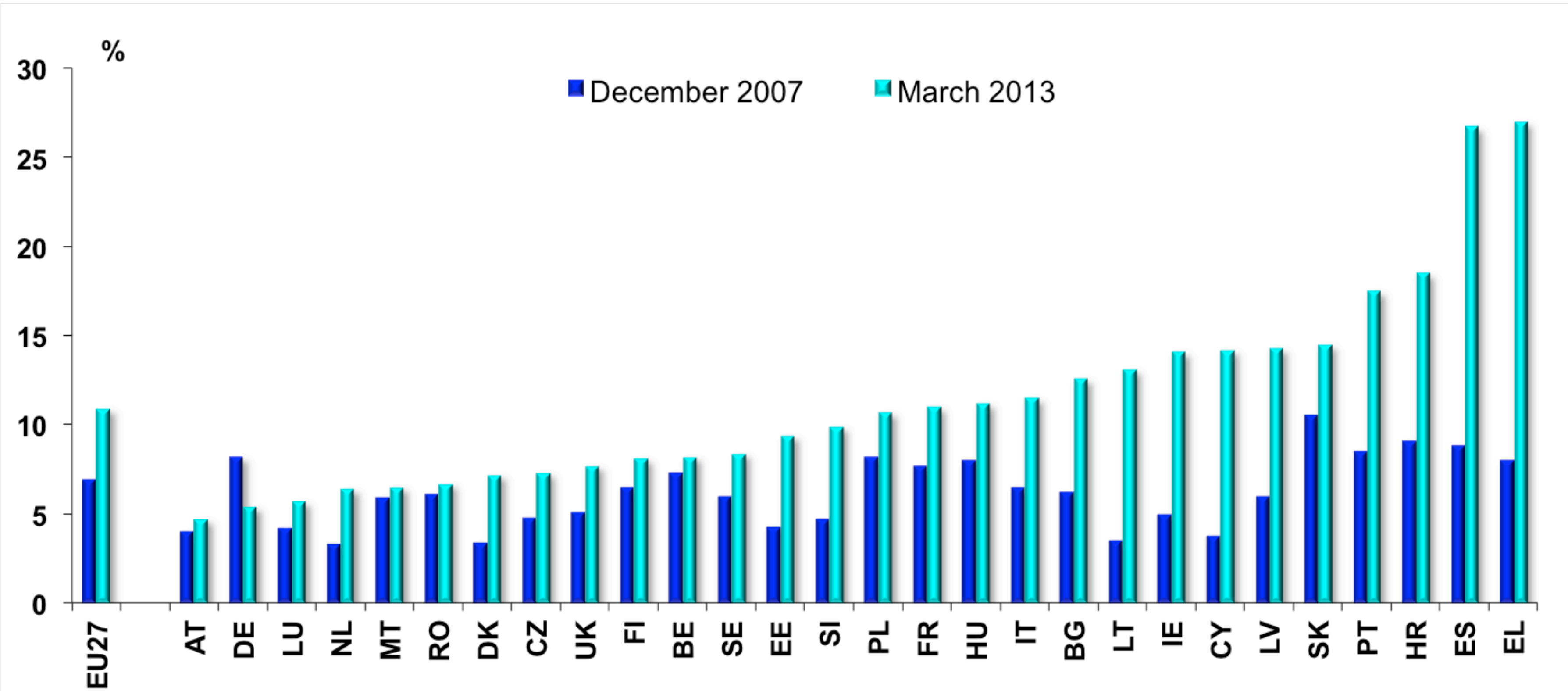
Europe 2020 employment target vs. reality



*Source: 2002-2013 Eurostat, EU-LFS. 2020 DG EMPL calculations based on * national targets from National Reform Programme 2011 and ** under assumption that no policy changes take place between 2010 and 2020,* EPC Aging Working Group 2012 Aging Report.

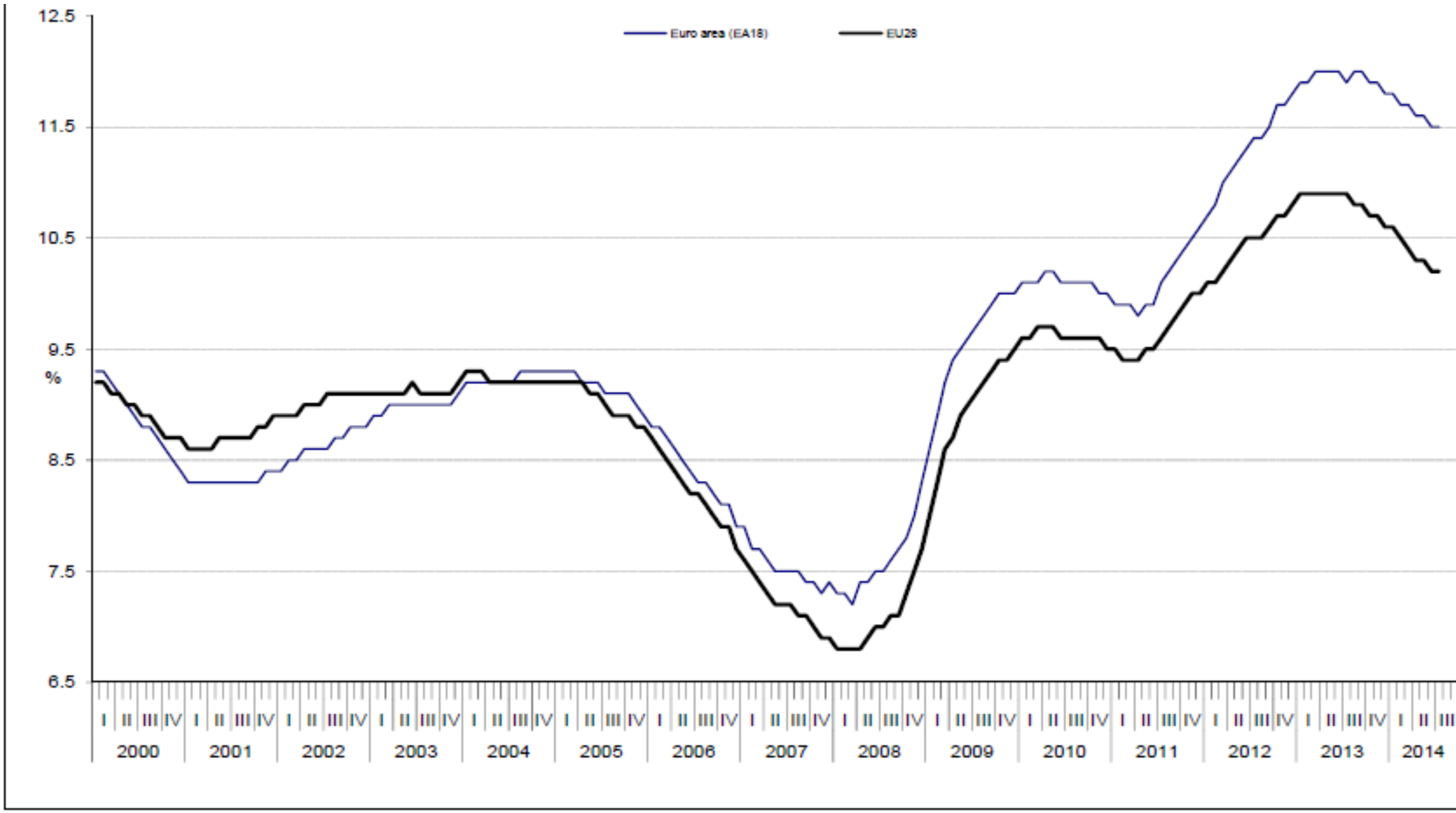
Unemployment impact is far-reaching in many countries

Unemployment rates in %



Source: European Commission

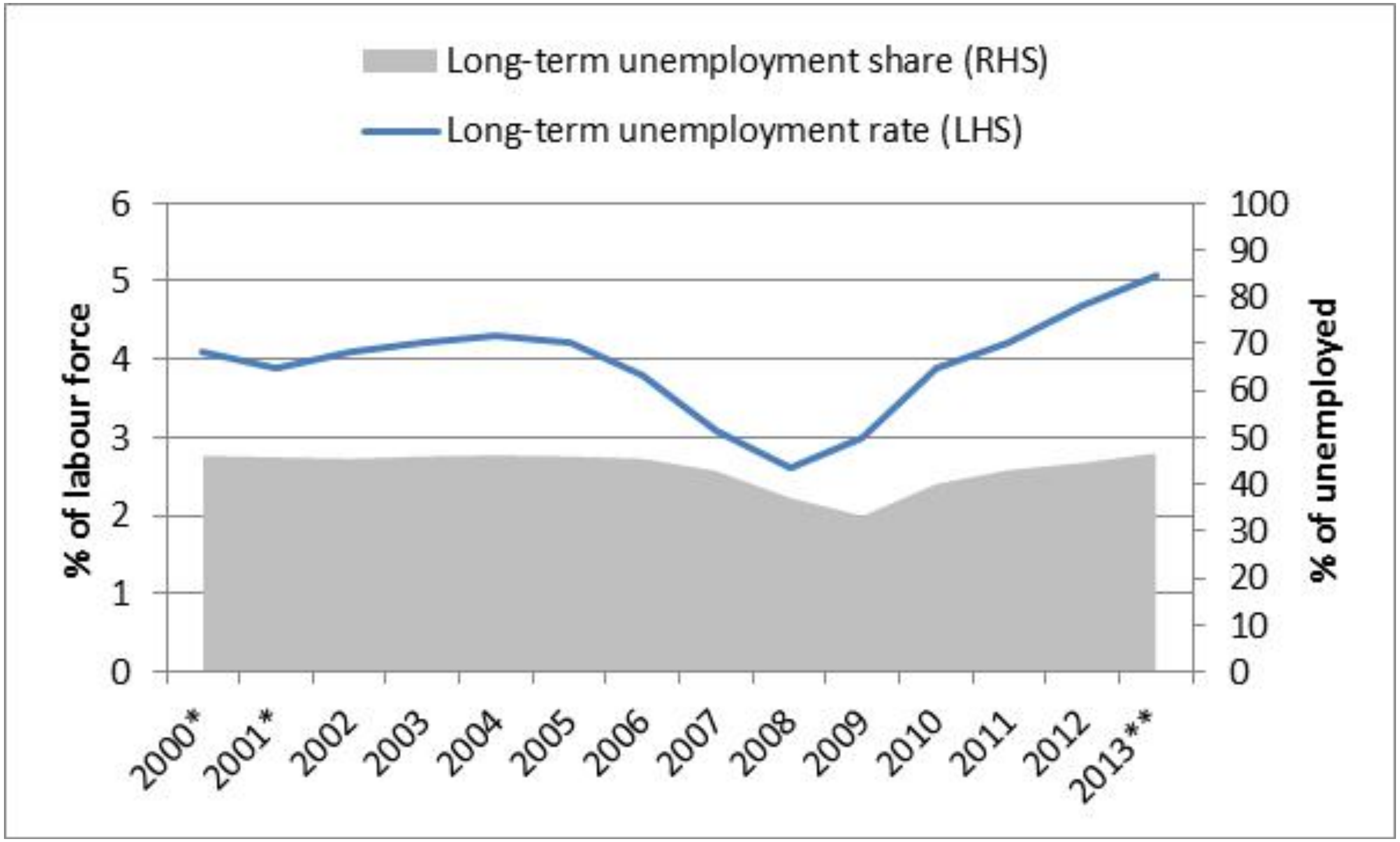
Euro area and EU28 unemployment rates
(July 2014, seasonally adjusted series)



European Commission

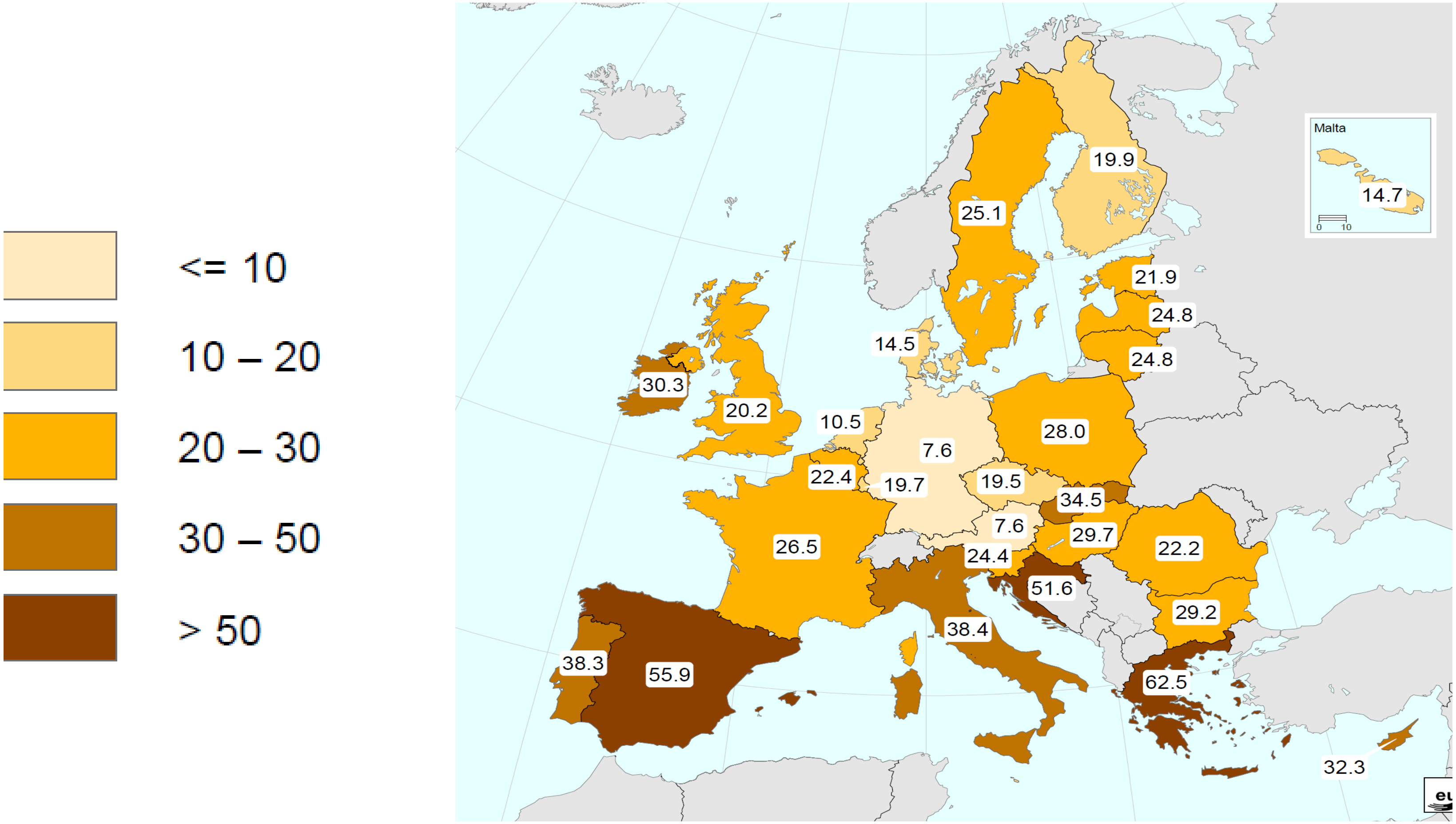
Long-term unemployment historically high

Long-term UE rate (% of labour force) and long-term UE share (% of unemployed), EU28



Source: Eurostat, EU LFS. *2000-2001 EU27, 2013 EMPL estimate**

Youth unemployment rates (March 2013)



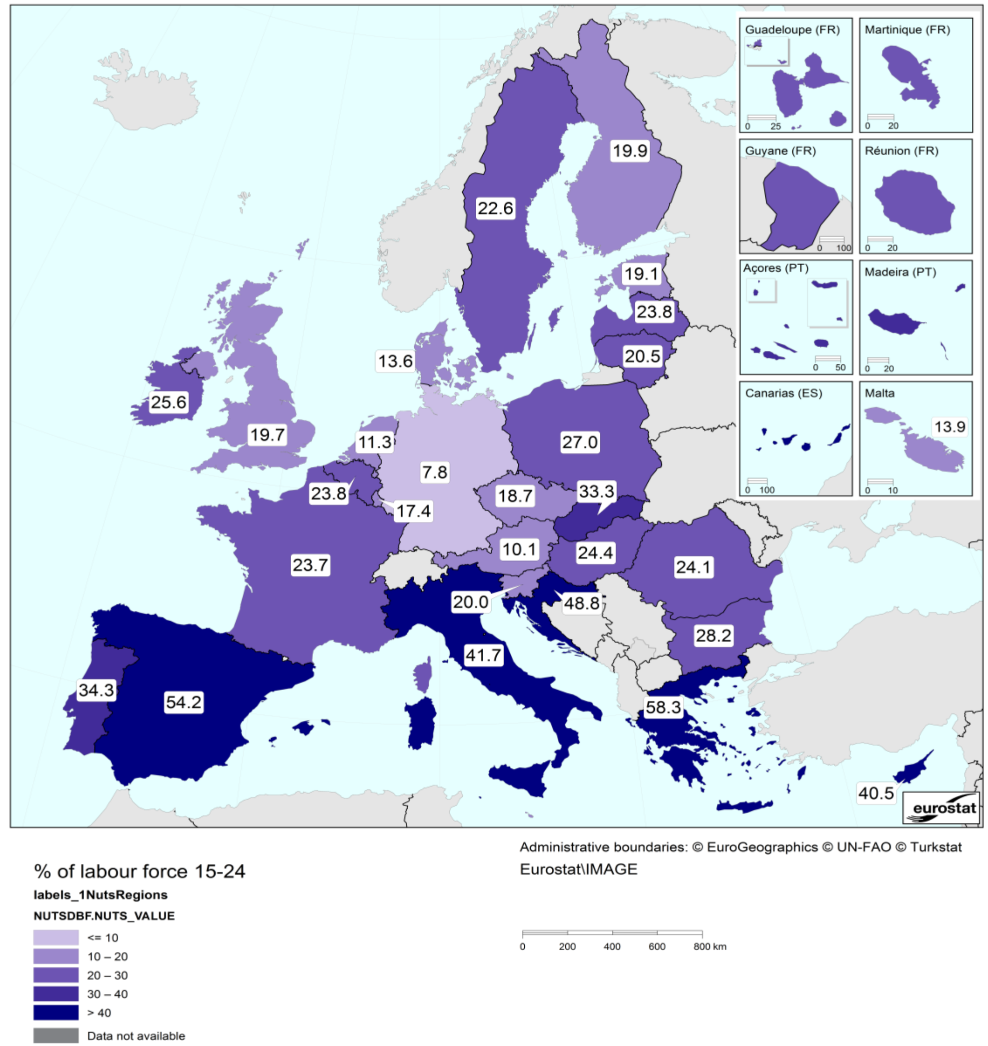
Source: European Commission

Youth unemployment rates in the European Union

Greece, Spain, Croatia: around /more than 50%

Austria, Germany, Netherlands: around /less than 10%

Youth unemployment rates - December 2013



Eurostat

Commission initiatives

- The Agenda for New Skills and Jobs (2010) was followed by the ***Employment Package (2012) and the Youth Employment Package (2012)****.*

- Creating the EU wide Youth guarantee and the Youth Emplyoment Initiative (YEI)

- Following the European Platform against Poverty and Social Exclusion, the Commission presented a ***White Paper on Pensions (2012)*** *and a* ***Social Investment Package (2013)***

Employment Package: Towards a job-rich recovery

Proposing a policy mix that goes further than supply-side measures and labour market reform:

•**stimulating labour demand** through lower labour costs and investments in job-rich sectors

•making **labour markets more dynamic and inclusive** through:

- balanced structural reforms (overcoming segmentation)
- improving workforce adaptability by investing in skills (highlighting the potential of 3 key sectors)
- easier labour mobility in a genuine European labour market

•strengthening **social partners' involvement** in EU economic governance processes

Youth Employment Package (December 2012)

- ✓ Council recommendation on establishing a **Youth Guarantee** (April 2013)
- ✓ Launch of and Council Declaration on a European Alliance for **Apprenticeships** (July/Oct 2013)
- ✓ Council Recommendation: Quality Framework for **Traineeships** (March 2014)
- ✓ **Mobility** of young workers: EURES (January 2014)

A Youth Guarantee

- Council Recommendation of 22 April 2013: Member States
  - ✓ ensure that all young people **up to 25**
  - ✓ receive a **good-quality offer** of
  - ✓ **employment**, **continued education**, an **apprenticeship** or a **traineeship**
  - ✓ within **four months** of becoming unemployed or leaving formal education.

European Commission

The Youth Guarantee is:

- … an outcome-based approach
- … a long-term structural reform, including VET / apprenticeships reform
- … about coordinated partnerships (ministries, social partners, youth organisations, foundations etc)
- …investment with substantial political backing within Member States governments
- …integrated pathways and prevention (not just relief)

Making the Youth Guarantee happen: implementation

- Youth Guarantee Implementation Plans
- Feedback to Member States (bilateral meetings)
- 8 April conference: "Youth Guarantee – making it happen“
- Series of high level meetings of heads of state and government (Berlin, Paris, Milan)
- Commission seminars (La Hulpe, Brussels, Helsinki)
- Monitoring: multilateral surveillance/ European Semester

  Majority of Member States received Country Specific Recommendations on youth in 2013 and in 2014

Employment and the EU Budget

*2014 -2020, the **European Social Fund** will invest more than € 74 billion to support efforts to meet the Europe 2020 targets through actions to combat unemployment by for instance offering traineeships and apprenticeships and for improving skills.*

Further instruments:

EGF (Globalisation Adjustment fund)

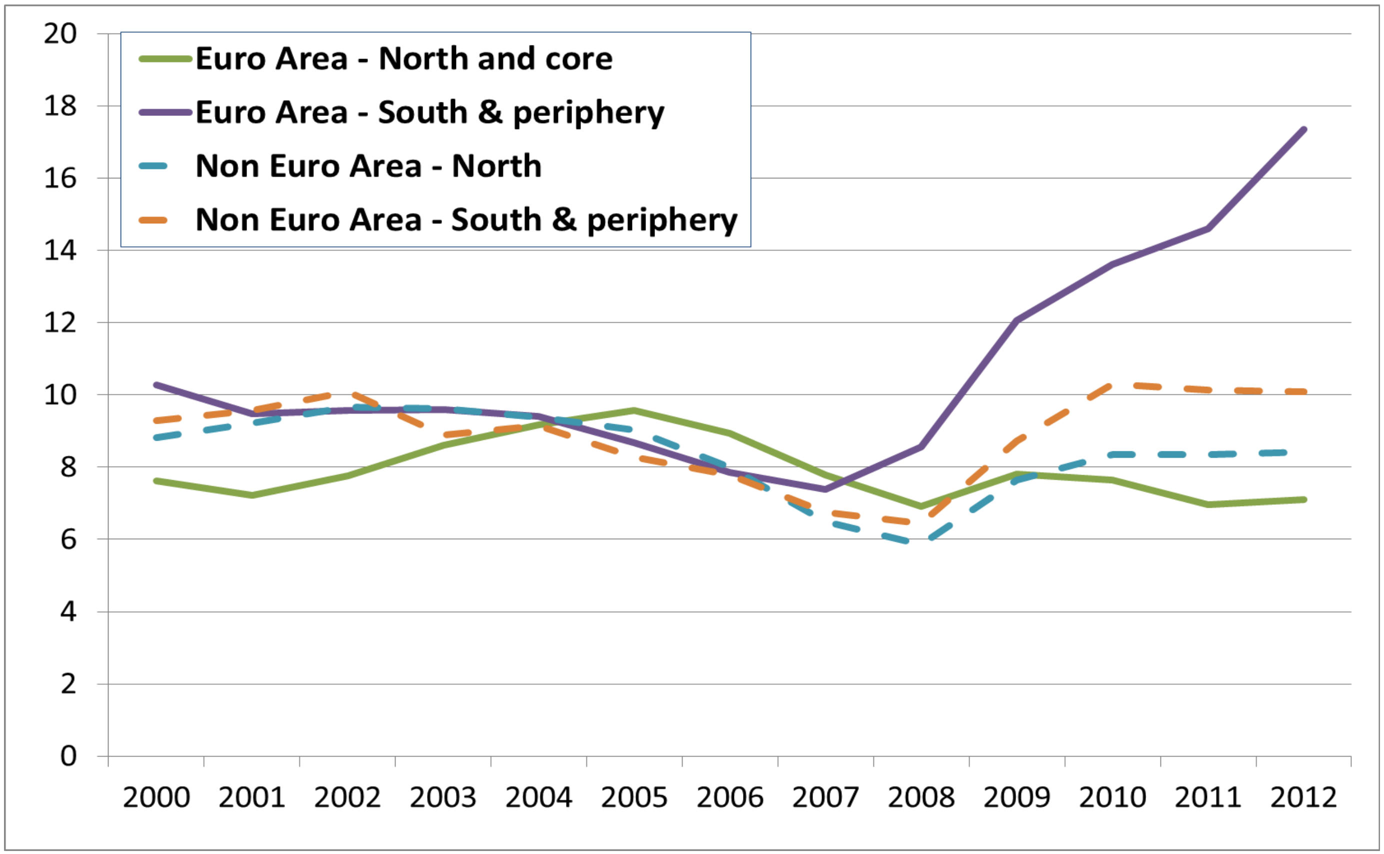
Youth Employment Initiative (YEI)

European Commission

Youth Employment Initiative

- **New instrument** established in the Multiannual Financial Framework (MFF 2014-20) to support measures set out in the YEP, and in particular the Youth Guarantee
- In addition to ESF (European Social Fund) resources, which have supported youth employment in ALL regions and will continue to do so
- EUR 3 billion from the ESF and a **further EUR 3 billion** from a new 'youth employment' budget line.
- Open to all NUTS2 regions with levels of youth unemployment **above 25%** (in 2012)
- Individualised support
- EUR 6 billion for the period 2014-2020 but **frontloaded** for first two years (2014-5)
- 85 % of total expected to be programmed by end of 2014

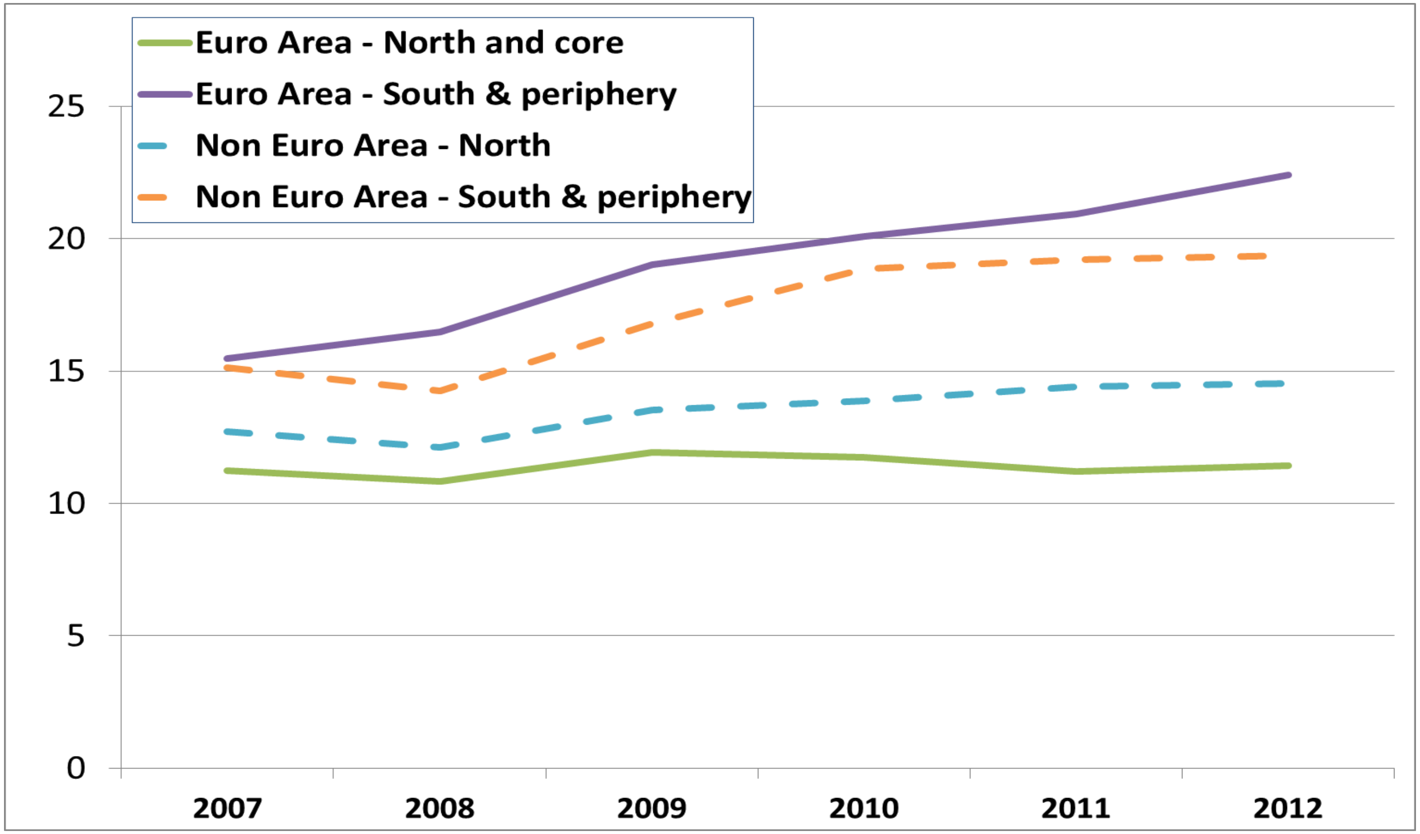
Divergence in unemployment rates



Source: Eurostat, DG EMPL calculations

EA - North & core: ***AT, BE, DE, FI, FR, LU, NL*****; South & periphery:** ***EE, EL, ES, IE, IT, CY, MT, PT, SI, SK***
Non EA – North: ***CZ, DK, PL, SE, UK*****; South and periphery:** ***BG, HR, LV, LT, HU, RO***

Divergence in NEET rates (15-29)



Source: Eurostat, statistics on education and training, DG EMPL calculations

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Social dimension of the EMU

Ability of economic governance mechanisms & policy instruments to anticipate, take into account & address problematic developments & challenges related to employment & social policies in the EMU, helping all MS to realize their growth & employment potential & improve social cohesion

- Better **monitoring** of employment & social dynamics in EMU
- Better **coordination** of employment & social policies to **collectively ensure timely action**
- Better involvement of EU-level & national **social partners** in EMU governance

Scoreboard of key employment & social indicators

Incorporated in the Joint Employment Report annexed to the Annual Growth Survey

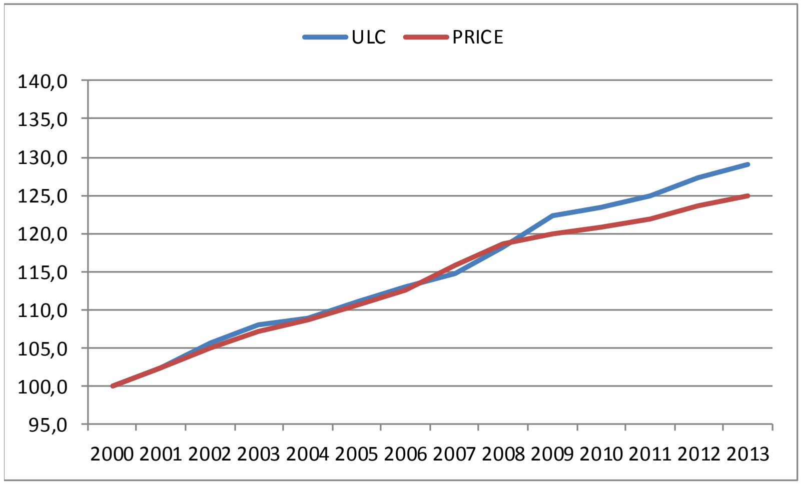
<u>Five headline indicators</u>:

- unemployment rate
- rate of young people neither in employment, nor in education or training (NEET) and youth unemployment rate
- real gross disposable income of households
- at-risk-of-poverty rate of working age population
- income inequality (S80/S20)

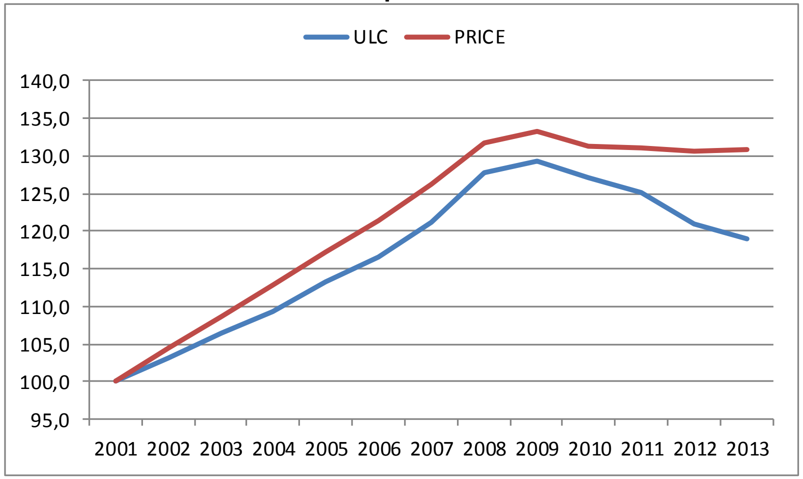
Unit labour cost and GDP price deflator

(net of indirect taxes and subsidies)

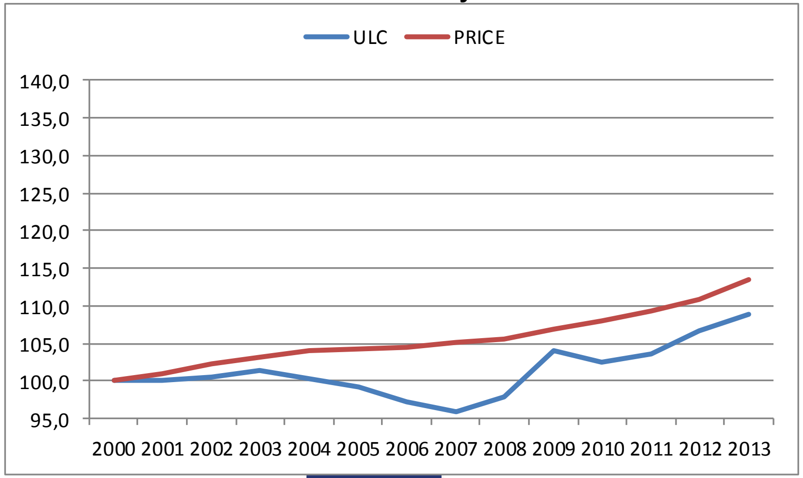
France



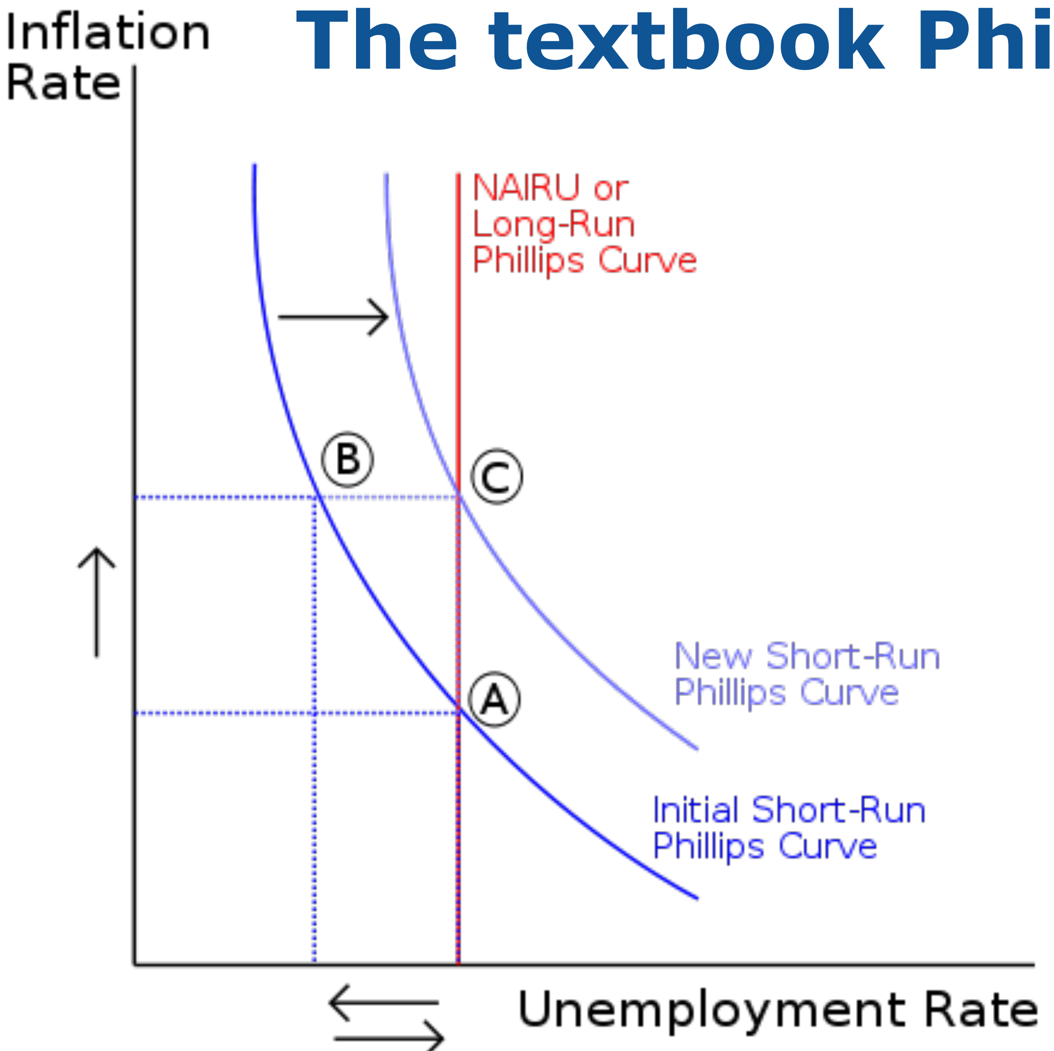
Spain



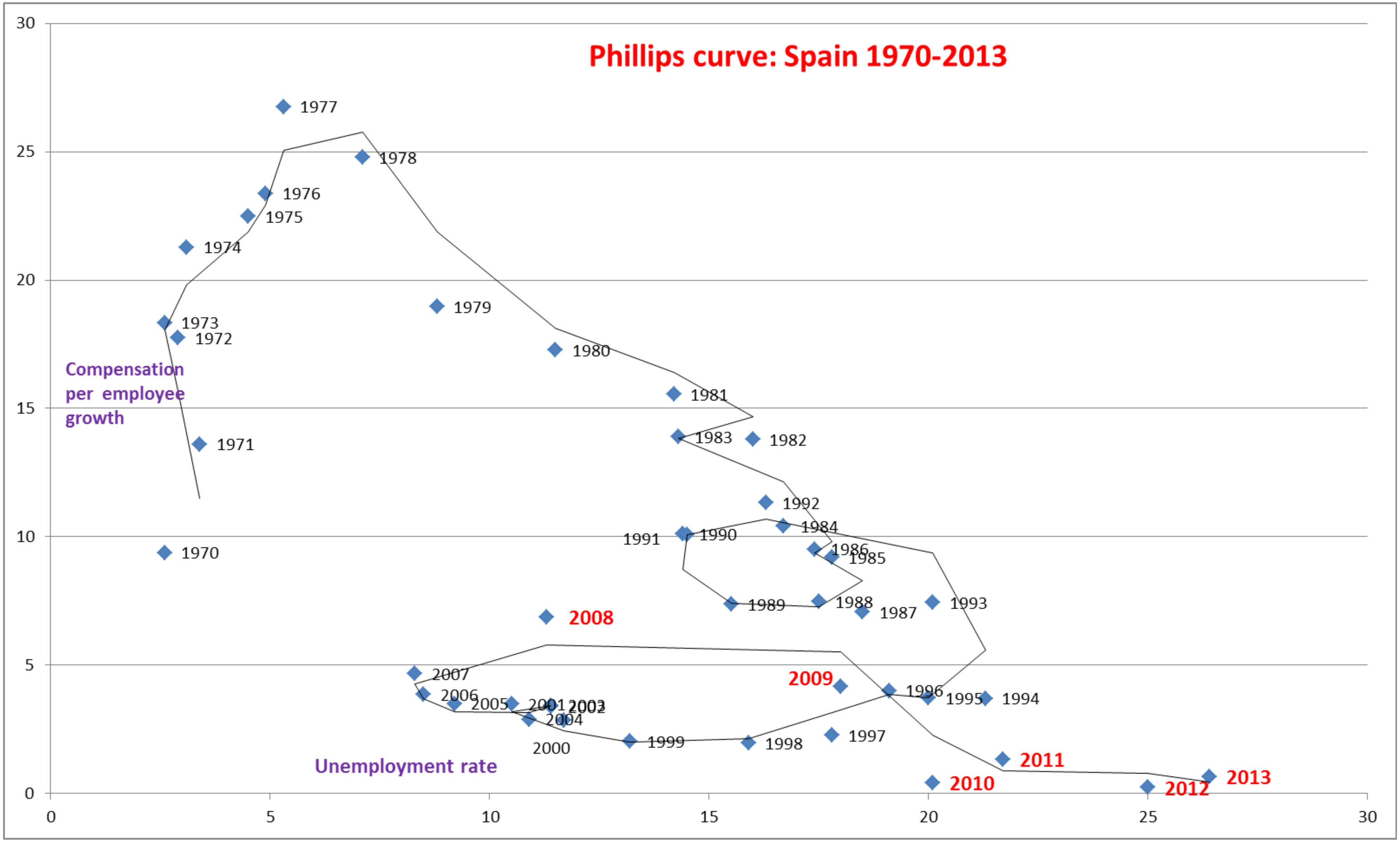
Germany



The textbook Phillips curve



(outward shift of Phillips Curve: oil price shock & resulting stagflation of 1970s)


Phillips curve: Spain 1970-2013
Compensation per employee growth
Unemployment rate
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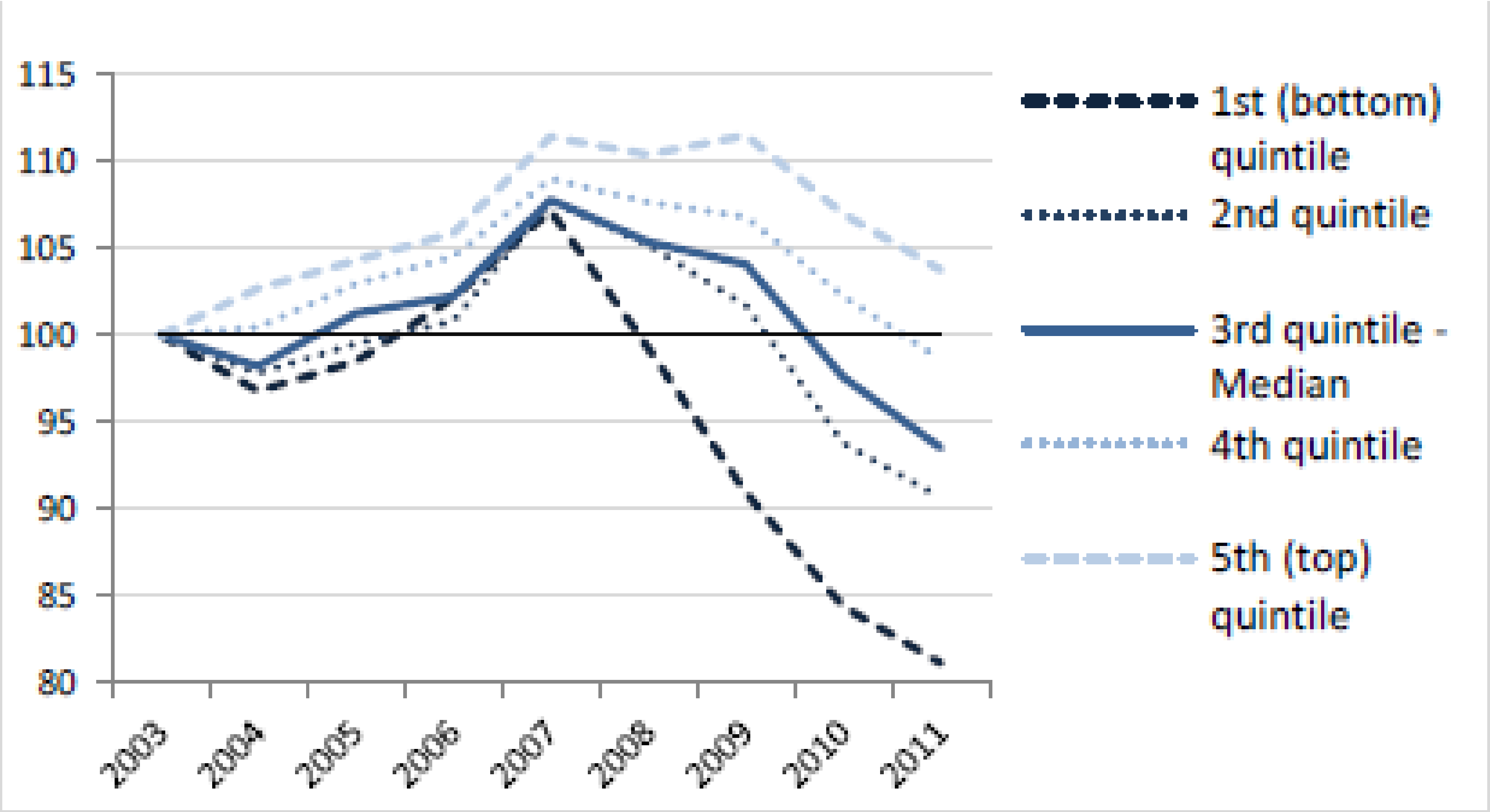
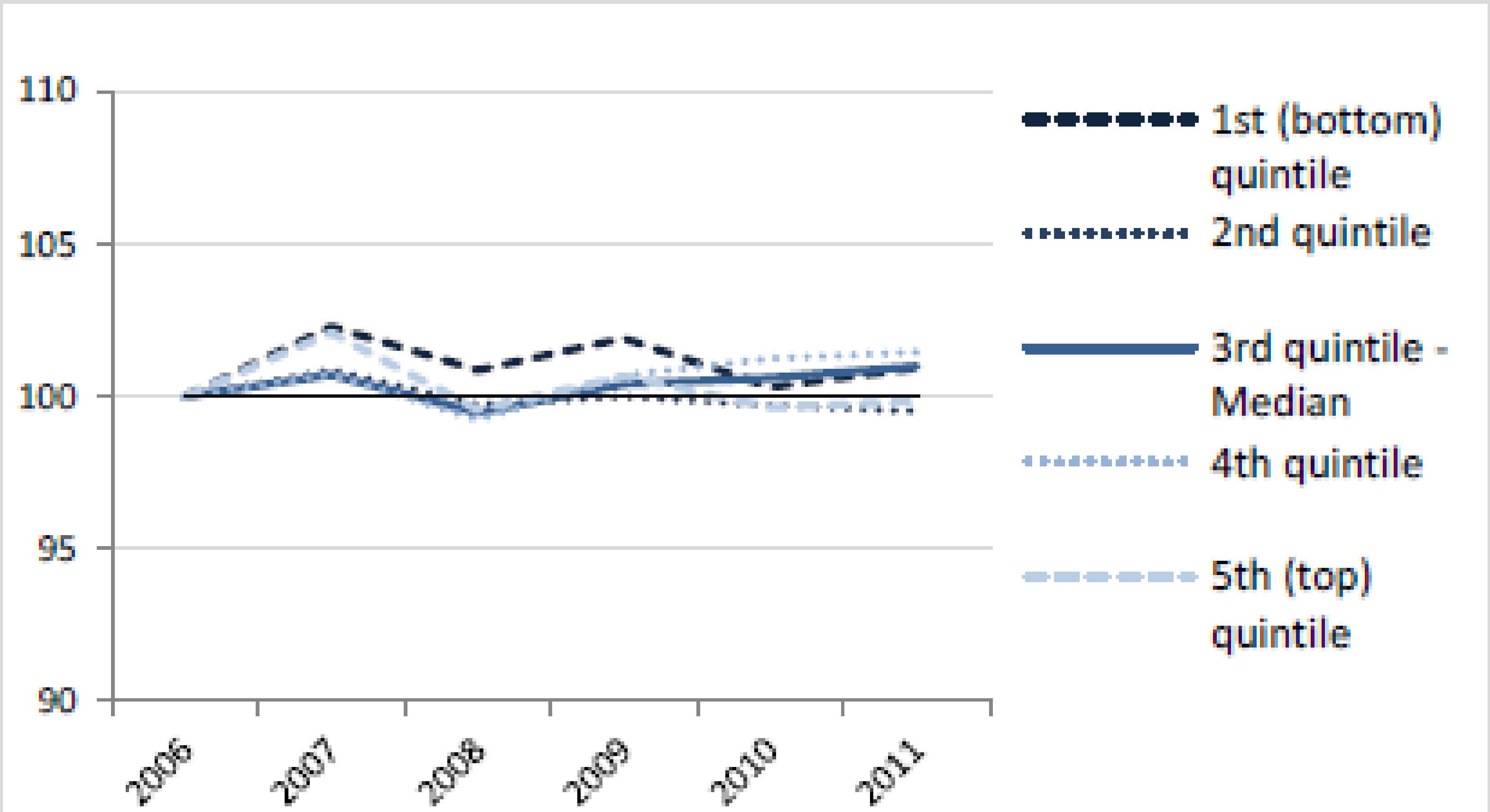
Median income growth per quintile – cumulative growth in real terms: Spain



Median income growth per quintile – cumulative growth in real terms: Germany



EMU reform and unemployment

Challenge: dealing with cyclicality and asymmetry in heterogenous monetary union with no fiscal capacity

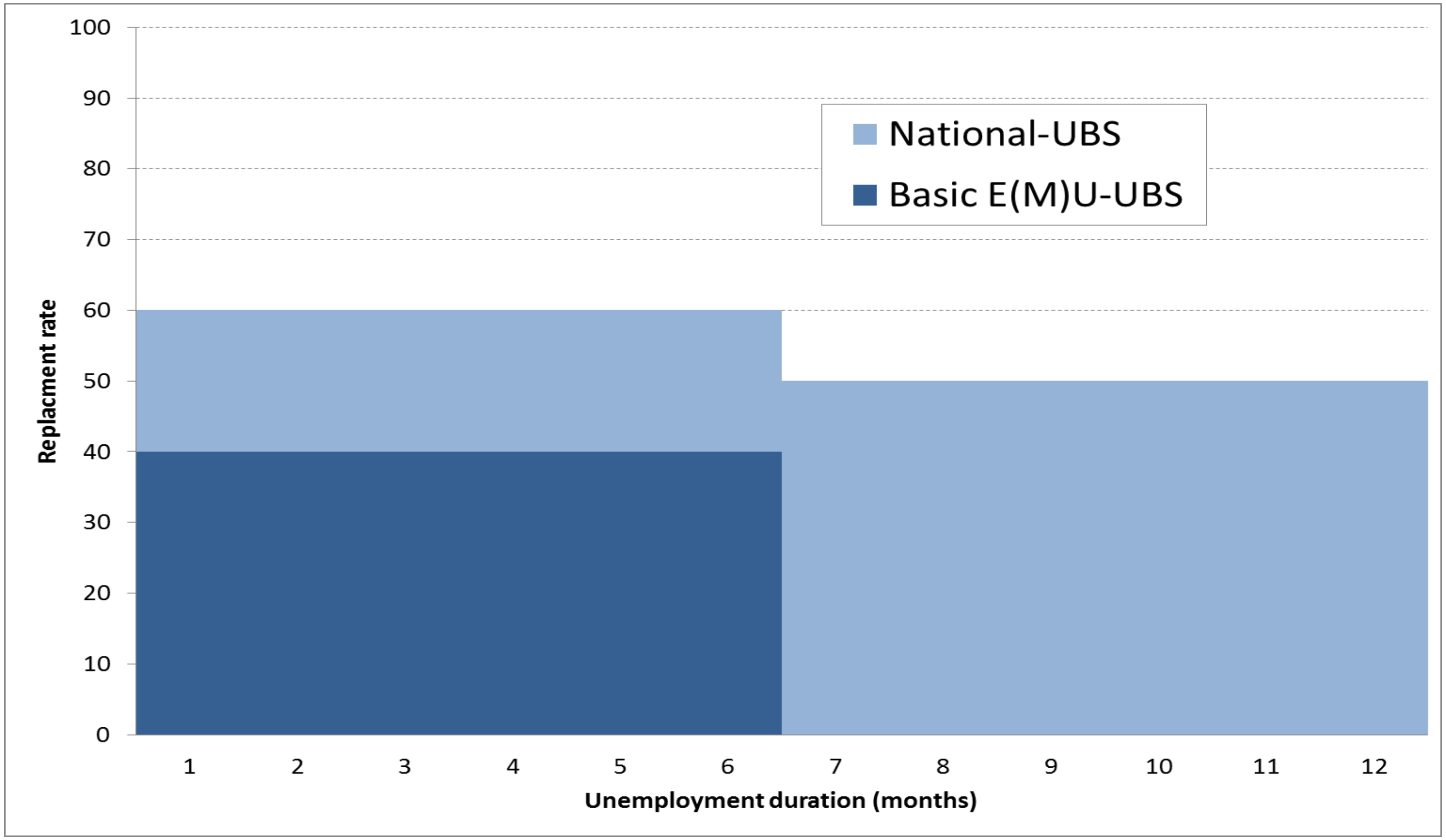
Deficit countries rely on internal devaluation in order to restore economic competitiveness

Series of internal devaluation result in falling demand and overall weakening of growth potential

Surplus countries (DE) refraining from wage increases and investment put excessive pressure on deficit countries, locking them into stagnation and high unemployment

Reform of EMU necessary – progress with Banking Union, considering automatic stabilisers, incl. EMU UBS

Example of basic European unemployment insurance and a more generous national scheme topping it up



Thank you for your attention!