Employment and social aspects in the annual growth survey 2012

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PURPOSE: to present the Annual Growth Survey 2012, presentation of the joint employment report.

BACKGROUND: the annual growth survey is the starting point for the European Semester, which involves simultaneous monitoring of the member states' fiscal policies and structural reforms, in accordance with common rules, during a six-month period every year.

The European Semester was implemented for the first time in 2011 as part of a reform of EU economic governance. The 2012 European Semester will be the second such exercise, but the first since the establishment of a new procedure for excessive economic imbalances in the framework of the "**six pack**" on the reform of economic governance.

This year's Joint Employment Report, mandated by Article 148 TFEU, is part of the Commission package to launch the 2012 European Semester. As key input to strengthened economic guidance, the JER underpins and expands on key employment messages contained in the Annual Growth Survey.

The analysis and messages it contains are based on the employment and social situation in Europe, the implementation of the Employment Guidelines as well as on the results of country examination of the National Reform Programmes that led to the country-specific recommendations adopted by the Council in July 2011 and of their implementation so far.

CONTENT: a targeted programme to fast track growth has been presented by the Commission.

For 2012, the Commission considers that efforts at national and EU level should concentrate on the following five priorities:

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.

Social impact of the crisis: the social impact of the crisis is far-reaching. While the EU was able to create millions of jobs and increase the number of people in work since the mid-1990s, progress has stopped since 2008. Unemployment has increased significantly as a result, with **23 million people unemployed in the EU today**.

The crisis is precipitating major shifts across the economy, with business undergoing fast restructuring, many persons moving in and out of employment and working conditions being adjusted to changing environments. With job prospects deteriorating, a significant share of the population may not manage such transitions. The share of long-term unemployed has increased, with risks of falling permanently outside the labour force. The implementation of **balanced flexicurity policies** can help workers to move across jobs and labour market situations. At the same time, the effect of demographic ageing is now accelerating the withdrawal of experienced workers from the labour market and the prospect of a stagnating /diminishing working age population is imminent in several Member States.

The scope and pace of these changes create the risk of a **structural mismatch between the supply and demand for labour** which will hinder recovery and long-term growth. While unemployment has been reaching high levels, the number of unfilled vacancies has also been increasing since mid-2009. This situation results from inadequate wage conditions, lack of adequate skills or limited geographic mobility.

Already before the crisis, performance of Member States in terms of participation of all age groups in employment, as well as in terms of education, training and lifelong learning, varied widely and the overall EU average was falling behind in international comparison.

Mobilising labour for growth: to create jobs and ensure a job-rich recovery, the Commission considers that Member States should give particular priority to the following:

- moving forward with the agreed recommendations on revising wage-setting mechanisms, in conformity with national social dialogue practices, to better reflect productivity developments, and adapting unemployment benefits further, combined with more effective activation and appropriate training and support schemes, to facilitate the return to work.
- **enhancing labour mobility** by removing remaining legal obstacles, by facilitating the recognition of professional qualifications and experience, by strengthening cooperation between public employment services, and by reviewing the functioning of housing markets and the provision of transport infrastructure.
- **restricting access to early retirement schemes** and other early exit pathways while supporting longer working lives by providing better access to life-long learning, adapting work places to a more diverse workforce, and developing employment opportunities for older workers, including through incentives.
- **promoting business creation and self-employment**, including **social entrepreneurship**, by improving the quality of support systems, and promoting entrepreneurial skills.
- developing initiatives that facilitate the development of sectors with the highest employment potential, including in the low-carbon, resource-efficient economy ("green jobs"), health and social sectors ("white jobs") and in the digital economy.

Supporting employment especially of young people: a particular focus is needed on young people. Between 2008 and 2010, the total number of young (under 25) unemployed in the EU increased by one million – making it one of the groups that have been worst affected by the crisis. **EU-wide unemployment rate has increased to over 20%,** with peaks of more than 40% in some Member States. This group also faces other structural challenges, hindering their integration into the labour market. For instance, 40% of young employed persons work on temporary contracts. Moreover, one out of seven (14.4%) currently leaves the education system with no more than lower secondary education and participates in no further education and training.

In these circumstances, the Commission considers that Member States should give priority to:

- identifying the most urgent needs and proposing concrete actions, targeting in particular **young people who are not in employment**, education or training, as well as commitments to promote quality apprenticeships and traineeship contracts and entrepreneurial skills. Particular attention should be paid to a vocational training dimension in tertiary education systems and getting work experience;
- engaging with social partners to implement commitments to promote quality apprenticeships and traineeship contracts, especially in sectors with bottlenecks in filling vacancies, so that young people gain real work experience and quickly enter the job market;
- **reforming employment protection legislation** in consultation with social partners, reducing the excessive rigidities of permanent contracts and providing protection and easier access to the labour market to those left outside, in particular young people;

- **further adapting education and training systems** to reflect labour market conditions and skills demand, while reinforcing their efficiency and quality, and focusing on sectors and occupations that experience the most pronounced skills or labour shortages – for instance, the number of IT graduates has not increased since 2008 and if this persists, the EU may lack 700 000 IT professionals by 2015;
- **reviewing the quality and funding** of the universities and considering measures such as the introduction of tuition fees for tertiary education, accompanied by student loan and scholarship schemes, or alternative sources of funding, including the use of public funds to leverage private investment.

Protecting the vulnerable: in addition to economic realities, the social tissue of the EU is being put to the test. The crisis has disproportionately hit those who were already vulnerable and has created new categories of people at risk of poverty. There are also clear signs of increases in the number of people at risk of income poverty, notably child poverty, and social exclusion, with acute health problems and homelessness in the most extreme cases. People with no or limited links to the labour market – such as pensioners or vulnerable people dependent on social benefits, for instance single parents – are also exposed to changes affecting the calculation and eligibility of their source of income.

The Commission considers that Member States should give priority to:

- further improving the **effectiveness of social protection systems** and making sure that social automatic stabilisers can play their role as appropriate, avoiding precipitate withdrawals of past extensions of coverage and eligibility until jobs growth substantially resume;
- the implementation of **active inclusion strategies** encompassing labour market activation measures, and adequate and affordable social services to prevent marginalisation of vulnerable groups;
- ensuring **access to services** supporting integration in the labour market and in society, including by ensuring access to a basic payment account, electricity supply to vulnerable customers and access to affordable housing.