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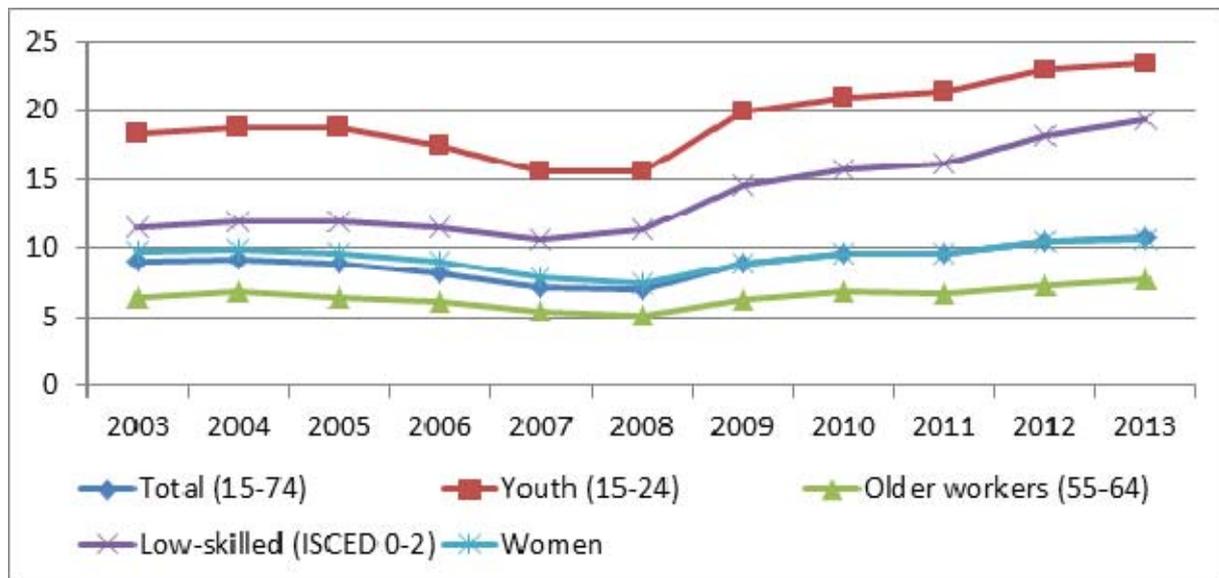
DRAFT JOINT EMPLOYMENT REPORT

**accompanying the Communication from the Commission on Annual Growth
Survey 2014**

1. LABOUR MARKET AND SOCIAL TRENDS AND CHALLENGES IN THE EUROPEAN UNION¹

Unemployment has reached unprecedented levels in the EU-28. While the unemployment rate decreased by over 2 percentage points between 2003 and 2008, the financial and economic crisis has caused a severe deterioration (Figure 1). Between 2008 (annual figure) and the second quarter of 2013 the (seasonally adjusted) unemployment rate in the EU-28 increased from 7.1% to 10.9%. Developments over time have been more or less similar for different groups on the labour market, with a few exceptions. First, youth unemployment seems to be more responsive to the business cycle in general. Second, when the crisis hit there was a faster rise in unemployment for men than for women, mainly because "male dominated sectors" were most affected. This is apparent from the larger jump between 2008 and 2009 for total unemployment than for female unemployment. As for structural differences, youth, low-skilled workers and third-country nationals² suffer from much higher unemployment levels.

Figure 1: Development of unemployment rates since 2003 in the EU-28, total, youth, older workers and low-skilled



Note: 2013 figures refer to the second quarter; figures for 2003 to 2012 are annual data; Source: Eurostat

Unemployment stopped growing at mid-2013. Since the beginning of 2013, the unemployment rate has remained quite stable. In September 2013 the total number of unemployed stood at almost 26.9 million (seasonally adjusted). The corresponding rate was 11%, unchanged for the sixth consecutive month. Looking forward, it is still too early to judge whether or not this is the start of a trend reversal. The trends are not similar across the

¹ This section partly builds on the detailed analysis presented in "EU Employment and Social Situation, Quarterly Review", March 2013. For details in the area of education, training and skills, cf the 2013 edition of the Education and Training Monitor.

² The unemployment rate of third-country nationals reached 21.3% in 2012 compared to 20.0% in 2011 - and 14.4% 2008.

EU. As compared with September 2012, unemployment increased in 16 Member States (most in EL, CY, IT and NL) and it fell in 12 countries (strongest in the Baltic states, IE and HU) These divergences are more or less in line with developments in GDP across Member States.

Long-term unemployment is still rising, due to the long duration of the crisis. At the end of the second quarter of 2013, long-term unemployment reached an all-time high of 12.5 million in the EU-28, which is 5% of the active population. Since 2008 long-term unemployment has roughly doubled, with increases in nearly all Member States, except DE (where the rate decreased from 4% to 2.5% between 2008 and 2012) and LU (where the rate was stable at around 1.5% over this period). Over the year to the second quarter of 2013 long-term unemployment as a percentage of total unemployment increased from 45% to 47.1% in the EU-28 (47.0% and 49.5% for the EA-17).

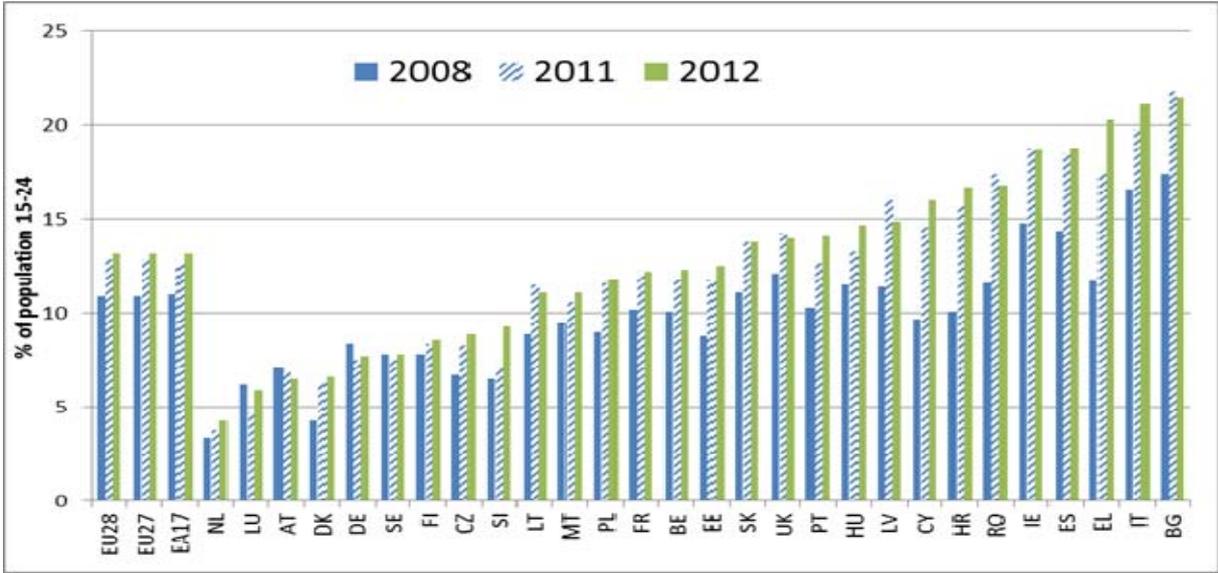
Unemployment is showing a wide and growing divergence between Member States particularly within the euro area. Since the start of the crisis unemployment has increased strongly in the south and periphery of the euro area, but much less so in other Member States. In August 2013 the unemployment rate ranged from 4.9% in AT, 5.2% in DE and 5.9% in LU to 26.6% in ES and 27.6% in EL³. With the rates disproportionately high in EL and ES, unemployment is also considerably above the EU-28 average also for PT, HR and CY, with rates above 16%. As for unemployment changes, the largest year-on-year increase (between September 2012 and September 2013) was recorded in CY (+ 4.4 pps). The trend is also relatively negative in NL (but from a low level) and in IT and to a lesser extent, in BE, BG, HR, LU and SI.

Youth unemployment remains at very high levels. In September 2013 youth unemployment in the EU-28 stood above 23.5%, up by 0.4 percentage points from a year before but stable over the last six months. There is a wide dispersion between Member States, with the September 2013 figures ranging from 7.7% in DE and 8.7% in AT to 56.5% in ES and 57.3% in EL. In recent months the divergence has stopped growing, but it remains large.

The proportion of young people not in employment, education or training (NEET) has continued to increase. Between 2008 and 2011, the NEET rate for young people aged 15 to 24 increased by 2 percentage points to 12.9% (Figure 2). In 2012 there was a further increase in the NEET rate at EU level, but less so than in the years before and not in all Member States (decreases were recorded in AT, UK, LT, LV, RO and BG). Levels remain high in a great majority of Member States (LT, MT, PL, FR, BE, EE, SK, UK, PT, HU, LV, CY, HR, RO, IE, ES, EL, IT, and BG) while the most recent trends (2011-12) in EL and SI, and to a somewhat lesser extent in IT and HU, are particularly worrying. NEET rates are somewhat higher for females than for males: in 2012 the rates were 13.4% and 12.9% respectively (total 13.1%). The NEET phenomenon is mainly due to an increase in youth unemployment rather than in non-education linked inactivity.

³ Data for EL only available until July.

Figure 2: Total NEET rate (15-24 age group) in the Member States



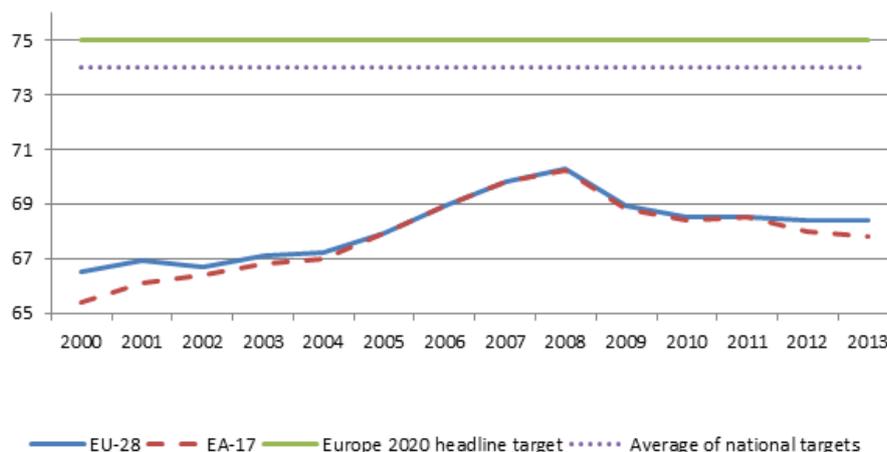
Source: Eurostat

Early school leaving levels are gradually going down. Early school-leaving (ESL) stood at 12.7% in 2012, down from 13.4% a year earlier. ESL remains a serious problem, as it concerns about 5.5 million people, over 40% of whom are unemployed. In 2012 in 12 Member States the rate was lower than the Europe 2020 target of 10%. ESL was highest in ES, PT and MT with rates over of 20%. **Europe is making good progress towards the target of achieving a tertiary equivalent attainment rate of at least 40% by 2020.** In 2012 tertiary education attainment amounted to 35.7%.

Despite the crisis, activity rates have further improved in many Member States, mainly because of increasing activity rates among older workers and women (aged 55-64). Between 2008 (Q2) and 2013 (Q2) the EU-28 activity rate for the population aged 15-64 went up from 70.7% to 71.9%, although there was considerable cross-country variation. Activity rates increased most strongly in CZ, MT, LT and HU, while the largest decreases were witnessed in DK (but from a very high level), IE and HR.. Although female activity rates have improved over time there is still a considerable gap as compared with those for men: 12.1 percentage points in the second quarter of 2013 (the corresponding rates for men and women were at 78% and 65.9% respectively). Gender gaps in activity rates are particularly high in several Southern EU Member States, such as EL, IT and PT. Some other countries show high female activity rates but are characterised by widespread part-time employment for women e.g. in the second quarter of 2013 in NL (77.3%), in DE (46.5%) and AT (45.6%).

The employment rate continues to show a negative trend and a strong reversal of the trend would be needed to reach the Europe 2020 headline target of 75% for men and women aged 20-64. Since the onset of the crisis employment rates in the EU-28 have gone down by almost 2 percentage points, to just 68% by the end of 2012 (Figure 3). Since then the figures have deteriorated further. Between the second quarters of 2012 and 2013 employment rates fell by 0.6 pps in the euro area and by 0.42 pps in the EU-28.

Figure 3: Development of EU-28 and euro area employment rates with regard to Europe 2020 targets (20-64 age group)



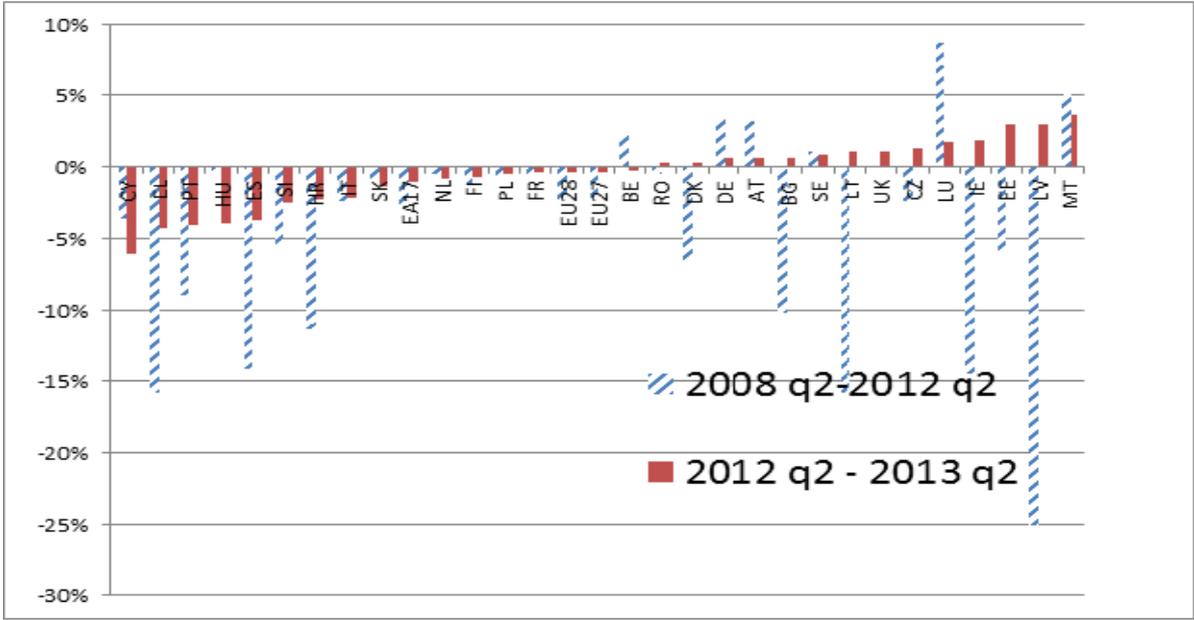
Note: Employment rates for 2000 and 2001 are for EU-27 rather than EU-28; 2013 figures refer to the second quarter; Source: Eurostat (LFS) and Europe 2020 targets

"Gains and losses" in employment during the crisis have not been evenly distributed.

While employment rates for men (20-64) have decreased by more than 3 percentage points since 2008 (from 77.9% in 2008 to 74.5% in 2012), female employment went down only marginally and has even increased somewhat over the last year. Increases have been substantial for older workers (3.3 percentage points since 2008 to reach 48.8% in 2012, with sizeable increases in BE, DE, FR, IT, LU, HU, NL and PL), in particular women (5.0 percentage points). As for education levels, decreases in employment have been largest for the lower-skilled and lowest for highly educated individuals. The employment rate of third-country nationals (20-64) in the EU-28 declined from 58.5% in 2010 to 56.8% in 2012. As far as employment trends by sector are concerned, between the second quarters of 2012 and 2013, the largest losses were recorder in construction (-4.5%), agriculture (-1.5%) and manufacturing (-1.2%). Increases have been particularly large in ICT (+2.5%). Although the past five years have been detrimental for permanent employment, the greatest burden of adjustment fell mainly on temporary jobs (non-renewal). Finally, full-time employment is in its fourth consecutive year of contraction, down by 8.3 million (-4.6%) since the last quarter of 2008. Conversely, there has been steady growth in part time jobs in recent years, with 2.5 million more since the last quarter of 2008, a rise of 6.4%.

Employment growth is showing cross-country divergence. Figure 4 shows that experiences have been quite different across Member States and that until the second quarter of 2012 employment growth was particularly negative in LV, EL, LT, IE and ES. Since the second quarter of 2012, employment has gone up in the Baltics and in IE. It deteriorated however in several other countries, in particular CY, ES, PT and HU. Overall, some "core" euro area countries (as well as MT) have fared relatively well, while employment has continued to decline in Southern euro area countries such as IT and ES, confirming the growing divergence within the euro area as regards unemployment (see above).

Figure 4: Employment growth (number of persons) since 2008q2, by Member State



Note: 2013q1 for HU and HR; Source: Eurostat (national accounts), DG EMPL calculations

Employment is likely to improve slightly in the future, mainly as a result of projected GDP increases. Currently the job vacancy rate stands at roughly 1.5%, which is more or less the average since the end of 2010.⁴ Looking forward, over the medium term, several trends will lead to further job growth, in particular in certain areas. For instance, technological progress will create jobs in the ICT sector (900,000 unfilled ICT practitioners' vacancies are expected by 2015), while ageing, despite present constraints in public healthcare budgets, is likely to increase the demand for health workers and health-related services in the medium term (in 2012 the total number of persons hired in healthcare occupations in the EU-27 had already reached almost one million). Furthermore, the greening of the economy may lead to an increase in green jobs (total numbers employed have grown from 2.4 million in 2000 and 3.0 million in 2008 and were estimated to reach 3.4 million in 2012). Other high-tech-reliant sectors such as the transport industry will also require substantial hiring of medium- to high-skilled labour force, to accommodate the growth recorded in aviation and passenger transport and the high percentage of elderly staff expected to leave the transport sector by 2020.

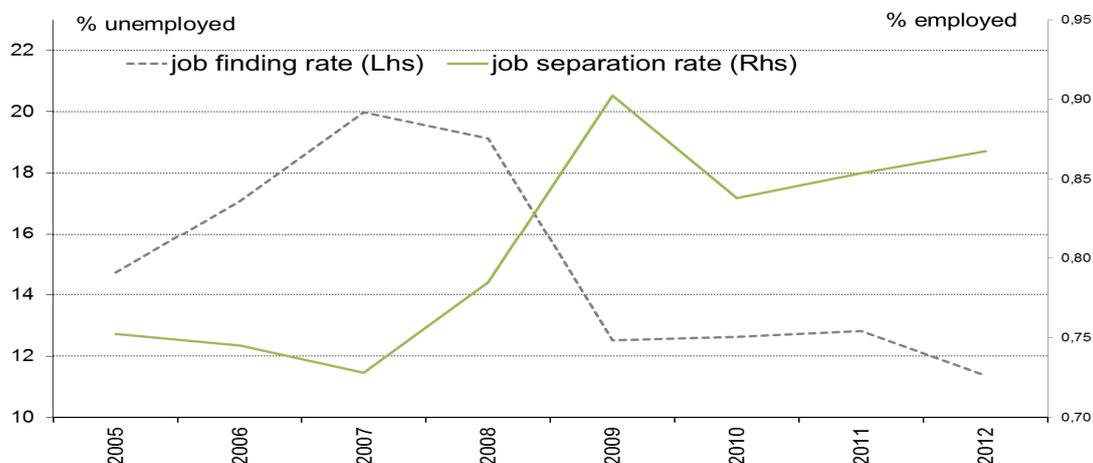
Employment dynamics is driven mainly by a fall in the job finding rate. Looking at the underlying dynamics, the fall in the employment rate is due both to an increase in the job separation rate and a decrease in the job finding rate, the latter being the more important factor in relative terms (Figure 5).⁵ Between 2008 and 2012 the job finding rate fell in 24

⁴ According to the latest Vacancy Monitor, the professions with the highest growth in employees after personal care workers in health services were software applications developers and analysts, administrative and specialised secretaries, mining, manufacturing and construction supervisors, and primary school and early childhood teachers.

⁵ The job finding rate is defined as the ratio between the number of people starting new jobs and those who are unemployed. The job separation rate is the ratio of the number of people who left their jobs to the number of people in employment.

Member States while it increased in only three (LU, DE and NL). The steepest declines were seen in DK, CY and SI.

Figure 5: Job finding and job separation rate in the EU-27, annual average 2005-12



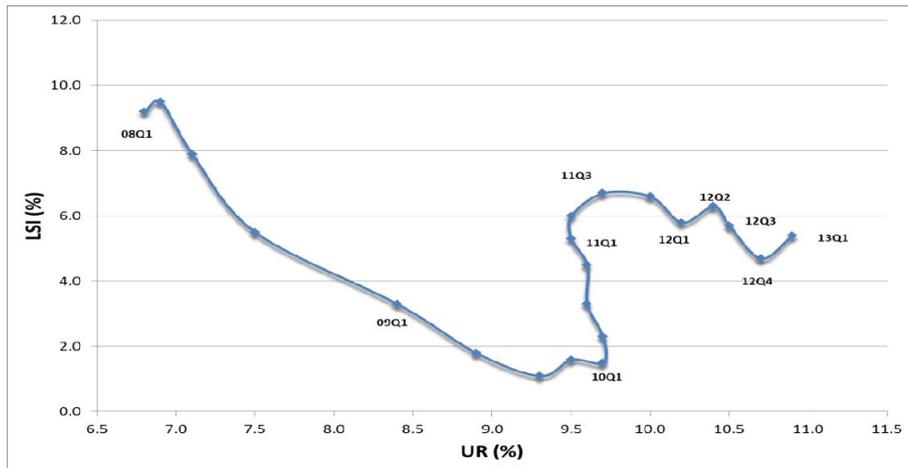
Source: Eurostat (LFS), DG EMPL calculations

Segmentation on the labour market continues to be considerable. The share of temporary employees has increased by 0.4 percentage points since 2011, largely reflecting uncertain economic conditions. This adds to existing high unemployment and/or low participation rates for certain groups. Youth employment is characterised by high shares of both temporary and part-time employment, somewhat over 40% and 30% (of total employment) respectively in 2012. In comparison, in the total working population the share of temporary and part-time employment was much lower, at around 14% and 19% respectively in 2012 in the EU-28.. Women are overrepresented in part-time work. In 2012 the incidence of part-time work for women was 31.9%, as compared with 8.4% for men, with the NL, UK, DE, AT and BE all having a share of more than 40% of women working part-time lowering significantly lowering employment rates measured in full-time equivalents. At the current juncture temporary and part-time jobs, involuntary to some extent, may contribute to job creation and in the medium to long run they may act as a stepping stone to permanent and/or full-time contracts (e.g. for youth). Segmentation can also be seen from persistent gender pay gaps and low transition rates from less to more protected contractual forms of work. The latter is to the detriment of groups that typically work on temporary contracts, mainly young people.

Labour market matching is poor in several Member States. Although the job vacancy rate has not changed much over the last three years on average, unemployment has been on the rise, hinting at deterioration in labour market matching. The Beveridge curve (Figure 6) shows that structural unemployment has been rising since around mid-2011. Beveridge curves have deteriorated for most Member States, with the exception of DE in particular. This overall negative trend is driven mainly by a growing skills mismatch⁶, indicating that the lack of labour market opportunities associated with the economic crisis is producing hysteresis effects which need to be counteracted by investments in human capital and more effective matching.

⁶ "Labour Market Developments in Europe, 2013", European Commission.

Figure 6: Beveridge curve, EU-27, 2008q1- 2013q1



Note: LSI (vertical axis) stands for "labour shortage indicator", derived from EU business survey results (% of manufacturing firms pointing to labour shortage as a factor limiting production); Source: Eurostat

The growing number of unemployed, the increasing proportion of long-term unemployed and the resulting decrease in matching efficiency pose serious challenges to active labour market policies (ALMPs) and public employment services (PES). While some Member States have increased the funds allocated to ALMPs and PESs, others have decreased them, with a view to meeting fiscal consolidation targets and aimed at increasing PES efficiency. Some Member States have also improved working processes within PESs.

The economic crisis and its labour market repercussions seems to have impacted on migration flows in the EU at three different levels: lower migration from third-countries to the EU (-3.7% between 2010 and 2011), increased migration from the EU to third-countries (+14% between 2010 and 2011, of which 90% from ES, UK, FR, IE, PT and CZ, mostly returning migrants rather than nationals) and changing patterns as far as migration within the EU ('intra-EU mobility') is concerned. Intra-EU mobility of workers seems to be increasingly driven by push factors, whereas pull factors dominated before. Overall, despite the strong increase in mobility from Southern Member States to other EU countries (e.g. UK and DE) in relative terms, the absolute figures remain relatively low compared with the size of the labour force (and unemployed segment) in the Southern EU countries and also with the much larger mobility flows from the eastern and central Member States, which remain the main countries of origin of those moving within the EU.

The supply of skills is lagging behind changes in skills demand. Several trends, in particular globalisation and (skill-biased) technological change, have led to gradual changes in labour demand. The relative demand for high-skilled workers has generally increased, to the detriment of medium and lower-skilled workers ('up-skilling of labour demand'). There has also been a change in the relative importance of skill types, with both ICT-related skills and 'soft skills' becoming more important for a large number of occupations.

Even though over time average education levels and thereby the ‘quality’ of skill supply have increased, the skills that workers possess have not kept pace with skills demand. This is even truer as trends for participation in lifelong learning are on a negative slope in several Member States, for both men and women. As a result of such changes in the relative demand for and supply of skills, employment opportunities for the high-skilled are better than for the medium- and low-skilled. Labour market forecasts confirm this trend for the coming years⁷.

Europe's growth potential and competitiveness are threatened by structural weaknesses in its skills base. The recent data⁸ suggest that about 20% of the working age population have only very low skills, and in some countries (ES, IT) this proportion is even higher. Only few countries (FI, NL, SE) have a high proportion of people with very good skills and most European countries do not come near the top-performing countries outside Europe (such as Japan or Australia). The data confirm that Europe is not investing effectively in education and skills, which poses a threat to its mid-term competitiveness and to the employability of a large proportion of the labour force. 10 Member States have reduced education expenditure in absolute terms (DK, IE, EL, ES, IT, CY, HU, PT, SK and UK) and 20 Member States have reduced the relative share of GDP that they invest in education.

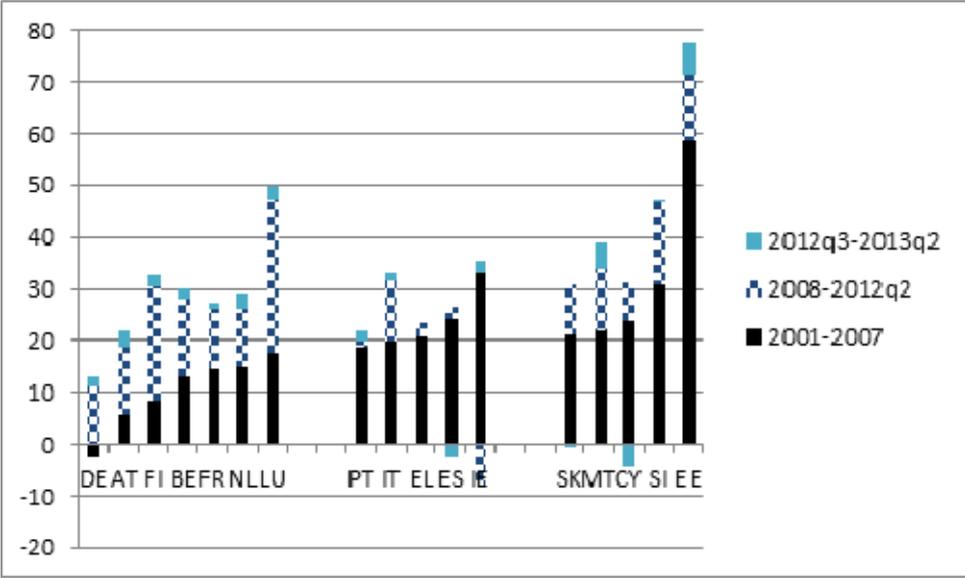
Wage developments accommodate rebalancing needs. In the run up to the crisis considerable external imbalances built up within the EU, and within the euro area in particular. More recently, the dynamics of unit labour costs have been supportive of external rebalancing (Figure 7). Moreover, real labour cost developments are adjusting in line with the various countries' labour market positions. It is important that wage developments continue to be consistent with the need to adjust external imbalances and reduce unemployment. If sustained, recent wage increases in ‘surplus’ countries may strengthen overall aggregate demand.⁹

⁷ For instance *"Future Skills Supply and Demand in Europe"*, Cedefop.

⁸ In October 2013, the OECD and Commission released the outcome of a new *Survey on Adult Skills (PIAAC)*, European Commission, OECD.

⁹ See e.g. "Is Aggregate Demand Wage-Led or Profit-Led? National and Global Effects", International Labour Office, Conditions of Work and Employment Series No. 40, Geneva, 2012.

Figure 7: Nominal unit labour cost developments in the euro area



Note: no quarterly data available for EL; EL cut-off at end 2012; Source: DG EMPL calculations based on Eurostat

Unit labour cost reductions and wage moderation have fed only slowly and incompletely into price developments. Partly, this incomplete pass-through can be explained by simultaneous hikes of indirect taxes and administered prices due to fiscal consolidation¹⁰. Nominal unit labour cost reductions in the face of staggering prices have led to decreases in labour income shares in several Member States, in particular ES, PT and EL. The resulting increase in profit margins has not been accompanied by an increase in investments.

The tax wedge remains high in many Member States. A high and in some cases increasing tax wedge, especially for low wage and second income earners, remains an issue in a considerable number of Member States. To illustrate, in the case of low wage earners (67% of the average wage), a fall in the tax wedge between 2008 and 2010 in most countries was followed by an increase in the two subsequent years in nearly all Member States (with the exception of the UK, NL, PT, SI and FI). The 2012 levels ranged from 20% or less in MT and IE to more than 45% in BE, DE, FR and HU. In 2012-2013 personal income tax increases concentrated on higher income earners, continued in 11 Member States¹¹.

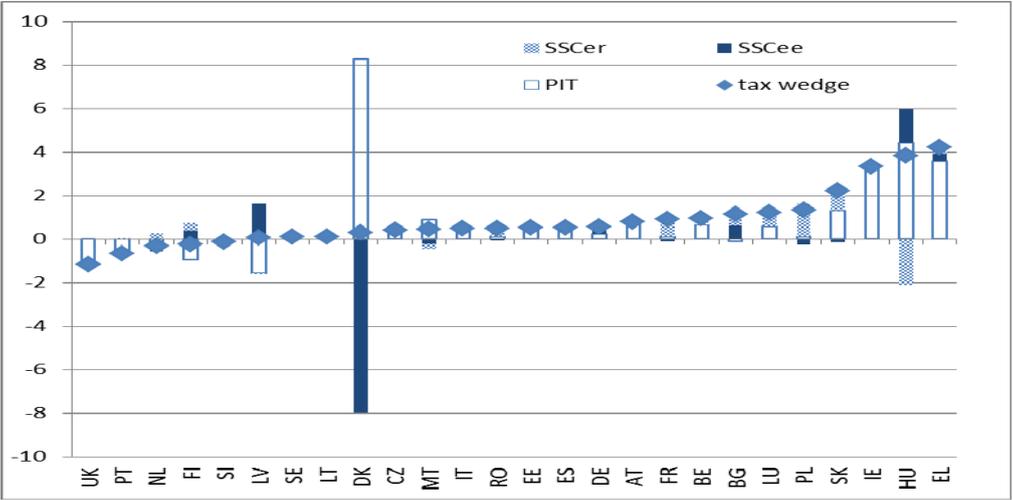
Changes in the total tax wedge have been driven mainly by PIT (personal income tax), where increases can be seen for 19 (out of 26) Member States (Figure 8; NB single person, no child). Increases in PIT have been particularly large in IE, HU and EL. Taking PIT and employees **continued in 11 Member States** social security contributions together, the burden on employees has increased in 18 Member States, while this is less true for employers (11 countries with increases in the burden). Overall the level of employers' social security

¹⁰ See *Quarterly Report on the Euro Area*, European Commission, Volume 12, No. 3, 2013.

¹¹ Source: Garnier et al. (2103): Recent Reforms of Tax Systems in the EU: Good and Bad News. *Taxation paper*, 39. European Commission

contributions has remained more or less stable in most Member States, with a few exceptions (notably FR, SK, PL and HU).

Figure 8: Change between 2010 and 2012 of the total tax wedge by components (67% of the average wage, single person, no child)



Note: Data for CY and HR not available; Source: OECD

Fighting undeclared work is a challenge in some Member States. Shadow economic activity and undeclared work have negative implications which affect macroeconomic objectives as well as the quality and productivity of work and social cohesion. From a macroeconomic perspective, they decrease tax revenues (income tax and VAT) and undermine the financing of social security systems. From a microeconomic perspective, undeclared work and other atypical forms of employment such as bogus self-employment tend to distort fair competition among firms, paving the way for social dumping inhibiting the creation of regular employment with full social protection. It also causes productive inefficiencies, as informal businesses typically avoid access to formal services and inputs (e.g. credit) and do not grow. Although fully reliable figures on the extent of the shadow economy and undeclared work are not readily available, rough data do indicate that the issue poses a challenge in some Member States¹².

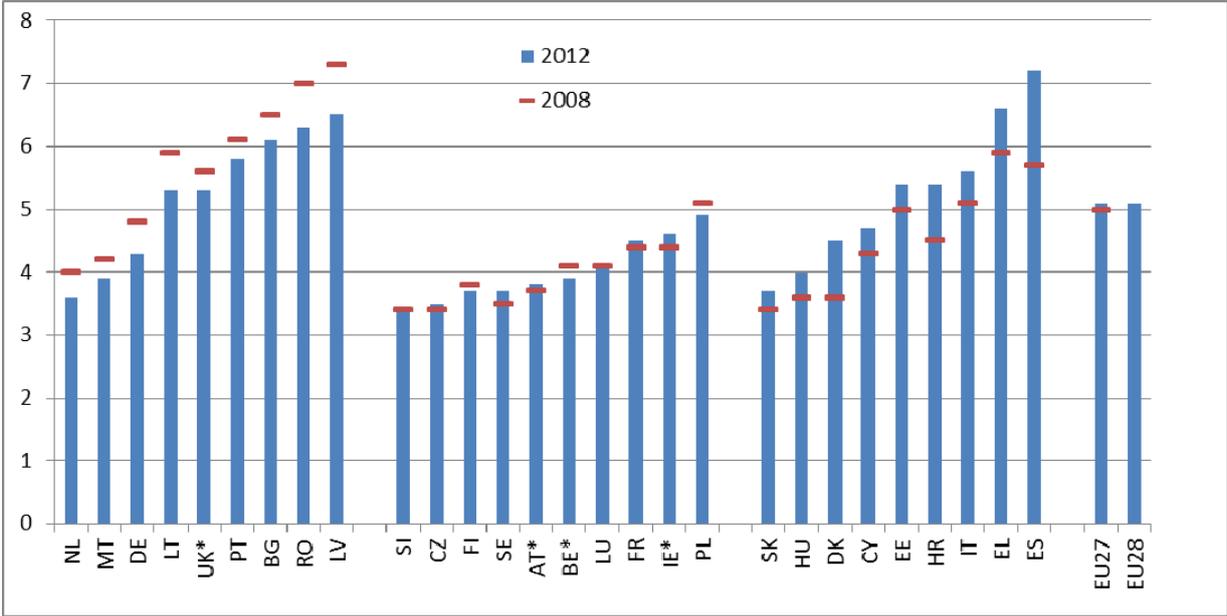
The crisis has substantially altered the dynamics of inequality and affected different sections of the population in different ways. While on average the S80/S20 ratio¹³ remained stable between 2008 and 2012 in the EU-27, there is a wide dispersion and growing divergence in inequality between Member States (Figure 9). The inequality has grown in most of the Southern Member States (ES, EL, IT, CY) as well as in HR, EE, DK, HU, SK and

¹² See e.g. Eurofound (2013), *Tackling Undeclared Work in 27 European Union Member States and Norway: Approaches and Measures Since 2008*, Eurofound, Dublin; Hazans, M. (2011), *Informal Workers Across Europe*, Research Paper 5912, World Bank, Washington DC.

¹³ The income quintile share ratio or the S80/S20 ratio is a measure of the inequality of income distribution. It is calculated as the ratio of total income received by the 20 % of the population with the highest income (the top quintile) to that received by the 20 % of the population with the lowest income (the bottom quintile). All incomes are compiled as equivalised disposable incomes.

slightly in IE. Despite recent improvements, inequality also remains a particular concern in BG, LV, PT and RO.

Figure 9: Inequality of income distribution (income quintile share ratio), 2008-12

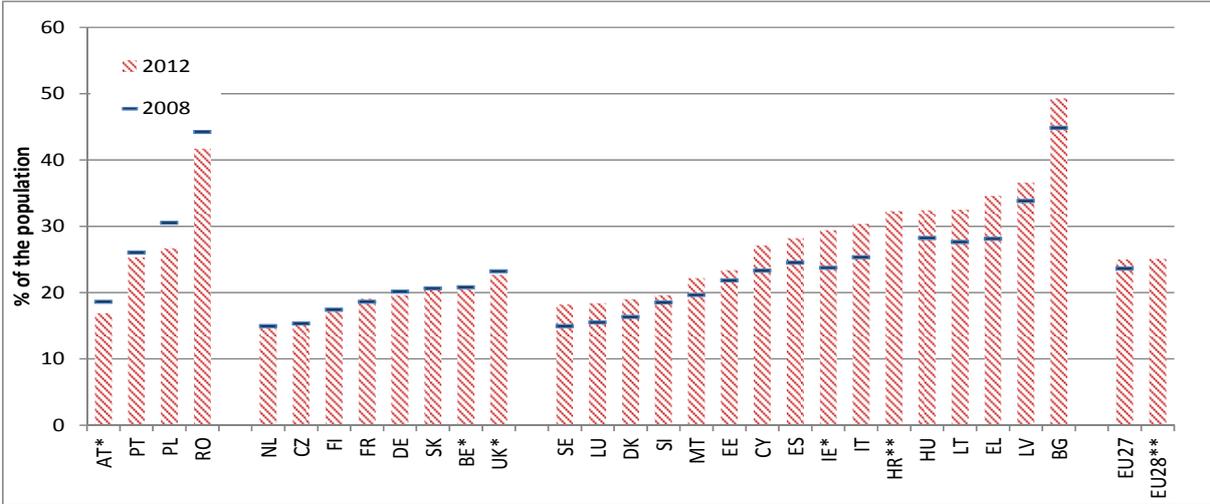


Source: Eurostat, EU-SILC. *AT, BE, IE and UK 2011 instead of 2012, 2012 estimated for EU-27 and EU-28, provisional for IT.

The at-risk-of-poverty and social exclusion rate increased significantly, with differences between Member States also growing. A strong reversal of the trend would be needed to reach the Europe 2020 headline target of lifting at least 20 million people out of the risk of poverty or social exclusion. Between the beginning of the crisis in 2008 and 2012¹⁴, the number of Europeans at-risk-of-poverty or social exclusion increased by a worrying 8.7 million (excluding HR), to 25.1% of the EU-28 population in 2012 (Figure 10). While the proportion of the population at-risk-of-poverty or social exclusion has risen in particular in those Member States most hit by the economic crisis, a few Member States report decreasing *relative* poverty levels.

¹⁴ The latest EU-SILC figures include Eurostat estimates for the EU-28 and EU-27 for 2012 (results for AT, BE, IE and UK are missing). The SILC reference data 2012 refer to the income year 2011.

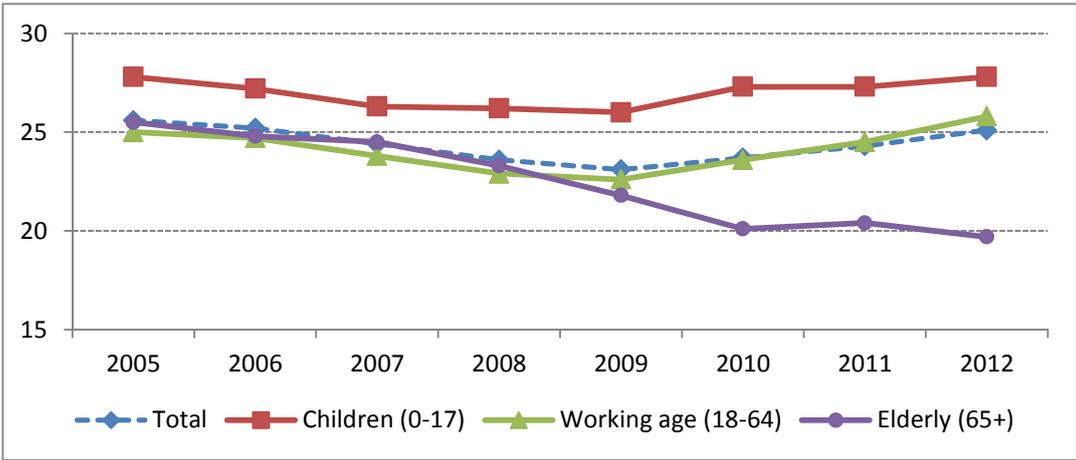
Figure 10: Developments in the at-risk-of-poverty or social exclusion rates (AROPE) 2008-12



Source: Eurostat, EU-SILC. Sorted by AROPE in 2012. 2012 estimated for EU-27 and EU-28, provisional for IT, *AT, BE, IE and UK 2011 instead of 2012, **HR and EU-28 no data for 2008,.

There are substantial differences between age cohorts. The working age population has been most affected. Poverty and social exclusion among 18-64 year-olds has increased significantly in two thirds of the Member States in recent years, mainly because of rising levels of jobless or low work intensity households and in-work poverty. In 2012, approximately 50 million people of working age lived on less than 60% of the national equivalised median income in the EU-28, 33.1 million suffered from severe material deprivation, and 30.4 million people aged 18-59 lived in a jobless household.

Figure 11: Development of at-risk-of-poverty or social exclusion rates (AROPE) since 2005 in the EU-28, total, children, working-age population and elderly



Source: Eurostat, EU-SILC. EU-27 average for 2005-09; EU-28 average for 2010-12, 2012 estimate.

Older people (65+) have been relatively less affected as their risk of poverty or social exclusion has declined in most Member States with women still more affected by old-age poverty than men. However, the relative improvement results primarily from pensions being

largely unchanged while income levels for the working age population have stagnated or dropped.

The risk of poverty or social exclusion for children has risen since 2008 along with the worsened situation of their (mostly working-age) parents in more than 20 Member States as compared with 2008 but single parent households face a risk of poverty and social exclusion (EU-28: 47.8% in 2012) that is more than twice as high as for families with two adults (24.4%). The substantially higher risk of poverty among single parent households is found across all Member States ranging from 35% in SI, FI and DK to 78% in BG. Similarly, families with three or more children face considerably higher risks of poverty or social exclusion (EU-28: 30.9%) than the population as a whole. Working-age men have been more directly hit by the deterioration of labour market conditions in the crisis. Nevertheless, women still face a higher risk of (persistent) poverty or exclusion than men due to care related periods of inactivity and part-time work. The risk of poverty and social exclusion in 2012 was much higher (48.8%) for third-country nationals (aged 18-64) than for the nationals (24.9%). Overall the gap increased from 21.7 pps in 2010 to 23.9 pps in 2012.

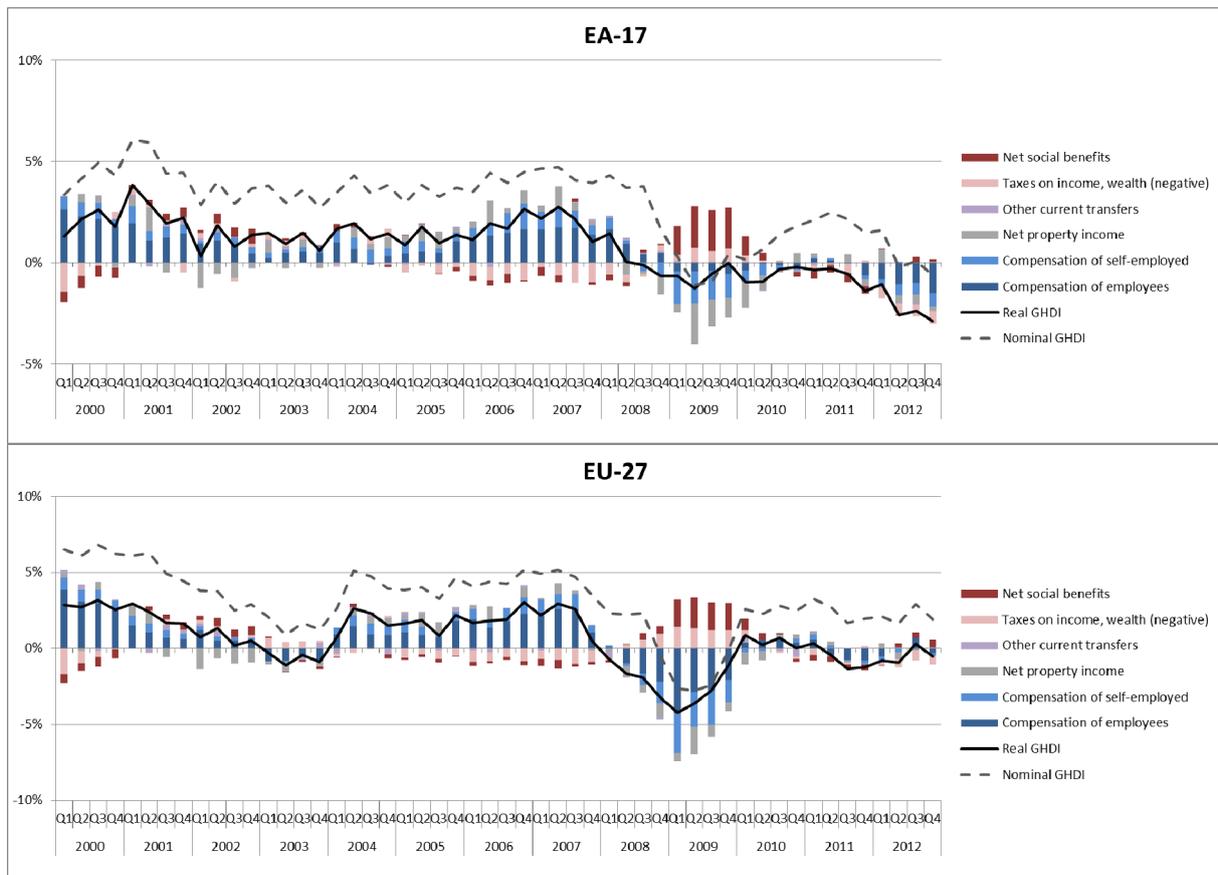
Since 2011, household disposable incomes have been declining in real terms on average in the EU and in the euro area. Declines were especially strong (above 5 percentage points cumulated over the two years) in EL, ES, IT, CY, PT, and RO and more moderate in BE, CZ, DK, HU, NL, SI, and SK. In other countries household incomes stagnated or increased slightly.

The stabilising effect of social spending on household incomes lessened after 2010. During the 2008-09 recession, social spending played a significant role in sustaining household incomes in most EU countries¹⁵, also as a result of the fiscal stimulus measures put in place to sustain aggregate demand and contain excessive job shedding, in line with the European Economic Recovery Plan of November 2008. Moreover, net social benefits and reduced taxes contributed positively to the change in gross household disposable income (GHDI) in 2009 and in the first two quarters of 2010 (Figure 12). From mid-2010 on, the contribution of social benefits to the change in gross household income lessened. This may have occurred because of the increase in the number of long-term unemployed losing their entitlements, along with the partial phasing-out, following some improvement in the economic outlook in a few Member States, of the measures put in place to counter the crisis. Finally, in some Member States the tapering off of the impact of social spending also reflected improvements in the economic situation and outlook.¹⁶

¹⁵ See *Employment and social developments in Europe 2012*, European Commission

¹⁶ *Ibid*

Figure 12: Contributions of components to the growth of gross disposable income of households (GHDI) (EA17 and EU27)



Source: Eurostat – Sectoral accounts

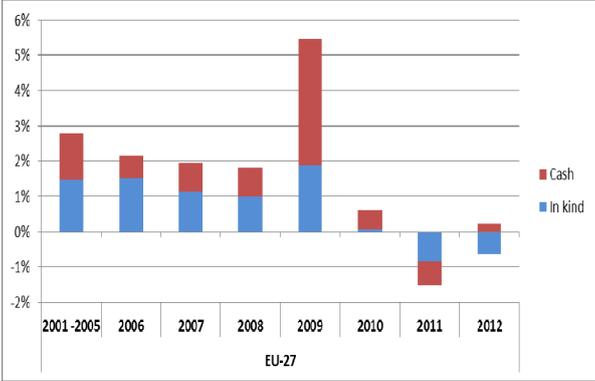
The distributional impacts of fiscal consolidation varied substantially across countries. According to a Euromod study¹⁷, depending on their design, fiscal consolidation packages impacted differently on high and low-income households. In a few countries regressive impacts put an additional strain on the living standards of low-income households in particular. Other Member States, through more careful attention to the distributional profile of their fiscal consolidation measures, managed to avoid disproportionate effect on low income households. Such differences in distributional impacts occurred independently of the differences in the overall size of the adjustments.

Overall, after a peak in 2009, social expenditure growth rates have been negative since 2011 (Figure 13). In the early phase of the crisis (until 2009), the rise in social expenditure was driven mainly by unemployment expenditure, but also, to a lesser extent, by other functions (notably pensions and health). Social expenditure growth weakened in 2010, reflecting a combination of fiscal stimulus measures expiring and the standard path of phasing

¹⁷ See EUROMOD Working Paper 2/13 Avram, Figari, Leventi, Levy, Navicke, Matsaganis, Militaru, Paulus, Rastringina, Sutherland: The Distributional Effects of Fiscal Consolidation in Nine Countries. A new version of the paper is to be presented soon. In the nine countries reviewed by the study, the impact of household income-based measures (e.g. changes to the tax and benefits systems and cuts in wages taken between 2007 and mid-2012) varied from 1.6% of pre-crisis disposable income in IT and 1.9% in UK to 9.1% in LV and 11.6% in EL.

out automatic stabilisation in countries experiencing recovery. Since 2011 (Figure 13) social expenditure declined despite the further deterioration of the economic and social conditions.¹⁸

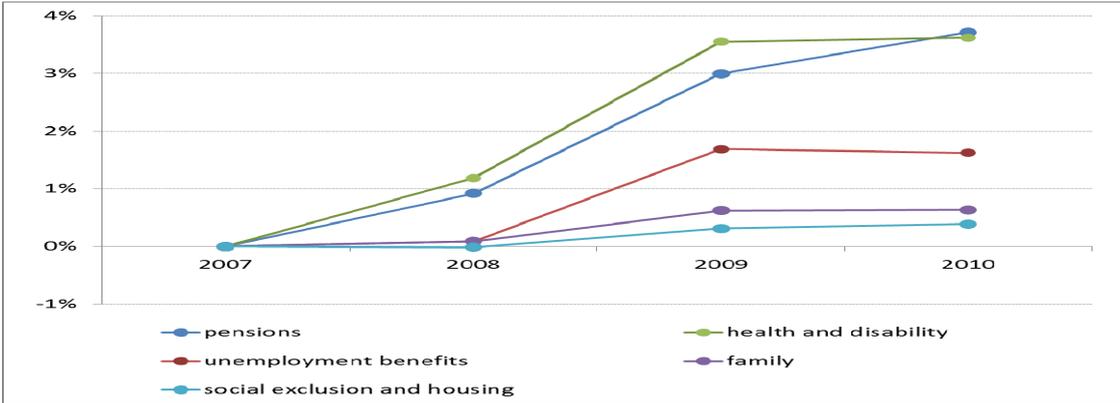
Figure 13: Contributions to growth in real public social expenditure in EU of cash and in-kind benefits (2001 – 2012)



Source: National accounts, DG EMPL calculations;

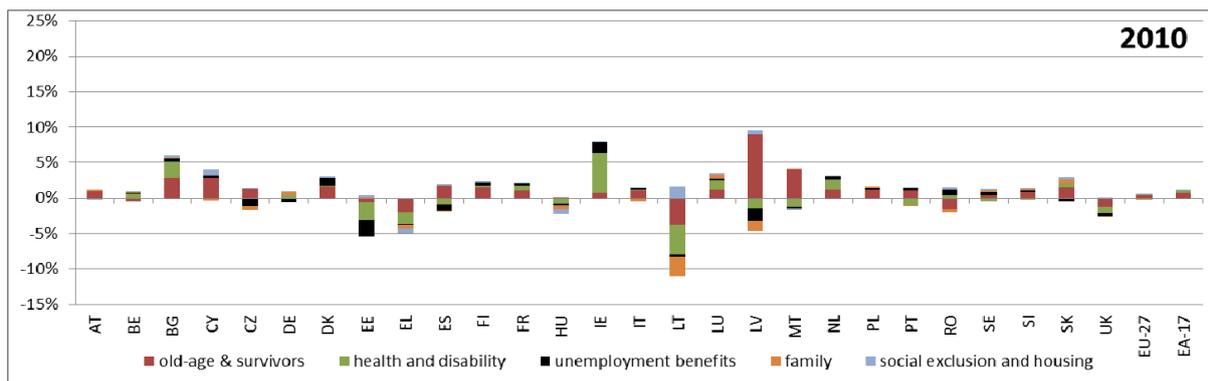
The crisis has also affected the structure of social protection spending. In some countries, strong increases have occurred in 2009 and 2010¹⁹ in areas (such as pensions and disability) in which the level of spending was already high and associated with relatively weaker social or employment outcomes (Figure 14). At the same time, in some countries the level of spending stagnated or even declined in areas such as health, social exclusion, housing or family expenditure.

Figure 14: Cumulative contribution to total social protection growth in the EU 27 by functions (2007-10) and Growth in (real) total social protection expenditures in Europe, by country, 2010



¹⁸ See EU Employment and social situation, Quarterly Review March 2013. Analysis shows that the downwards adjustment of social expenditure observed since 2011 appears more pronounced in comparison to similar episodes of recession over the past three decades.

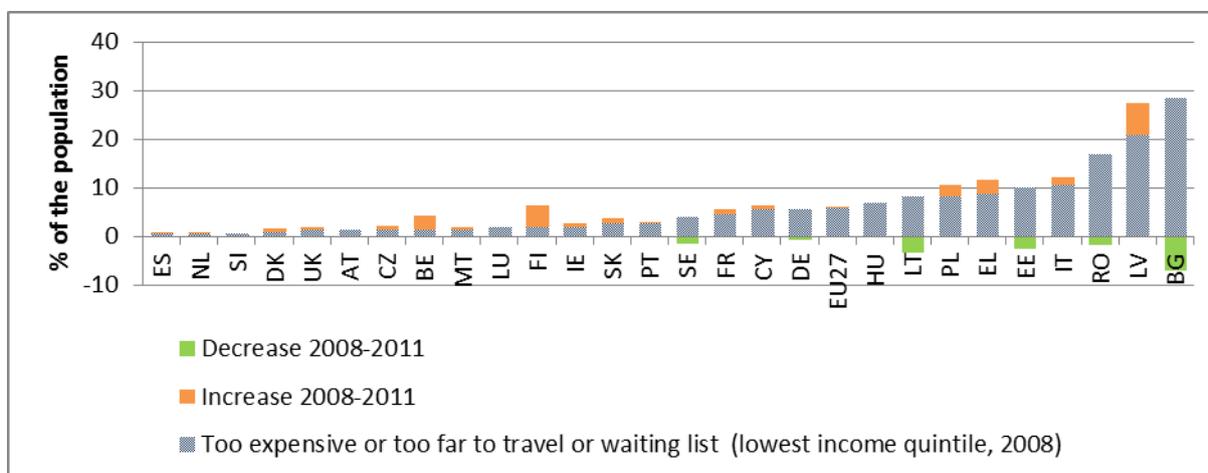
¹⁹ 2011 data available soon



Note: contributions by function to the overall growth of social expenditure; Source: ESSPROS

In some Member States, access to healthcare may have become more difficult for people in vulnerable situations. Together with the effects of the crisis on incomes reductions in public health spending are likely to affect the adequacy of access to health care services, notably for low-income groups and people in vulnerable situations. Figure 15 illustrates the proportion of people in the lowest income quintile who report unmet health needs because the treatment was 'too expensive', or because the waiting time was too long or it was too far to travel. While for the EU-27 as a whole this proportion increased only moderately from 2008 to 2011 further deterioration from a high level of access to services was reported for countries such as LV, EL, IT and PL, while significant increases from low levels were registered in countries such as CY, BE, FI, FR and SK.

Figure 15: Unmet need for health-care, poorest income quintile, 2008-11



Source: Eurostat EU-SILC 2011

2. IMPLEMENTING THE EMPLOYMENT GUIDELINES: EMPLOYMENT AND SOCIAL POLICY REFORMS

This section²⁰ presents an overview of reforms and measures introduced by Member States in the past 12 months. The Employment Guidelines²¹ offer stable policy guidance to Member States on how to respond to employment and social challenges against the background of current trends and with a view to reaching the Europe 2020 objectives (as presented in Section 1). The 2013 Annual Growth Survey set out the priorities and policy guidance for Member States submitting their National Reform Programmes in the framework of the 2013 European Semester. The National Reform Programmes were reviewed accordingly and the Council, on the basis of the Commission's proposals, issued country-specific recommendations. The Employment and Social Protection Committees review the Member States' performance and progress in responding to relevant challenges through the application of the Employment Performance Monitor (EPM) and the Social Protection Performance Monitor (SPPM). The subsequent policy reforms will be assessed in the context of the 2014 European Semester.

The European Social Fund supports efforts to achieve the Europe 2020 goals through actions to fight unemployment, with a special focus on youth, offering traineeships and apprenticeships for re-skilling and up-skilling, education, supporting social inclusion and administrative capacity building. For the 2014-20 programming period the close alignment of the ESF and other European Structural and Investment Funds to the policy priorities of the Europe 2020 Strategy together with the Funds' results-oriented focus will reinforce their role as financial pillars of the Strategy.

Reforms have been undertaken or are being prepared in all the areas described in the following sections. However, the degree of progress varies across policy areas and between Member States. Further efforts are thus needed, even though in many cases the full effects of the reforms are not yet visible as they typically take time to materialise. Also the 'value' of reforms cannot typically be judged in isolation as several reforms may be undertaken at the same time. Member States should therefore take relevant trade-offs into account when designing policies and reforms.

2.1 Employment Guideline 7: Increasing labour market participation

Member States continued to reinforce their active labour market policy (ALMP) measures. Several Member States increased the financing allocated to ALMP measures for 2013 (CY, IE, HR, PL, SE), while others lowered them (NL, SI), putting more emphasis on efficiency. Some Member States took measures to strengthen matching (BE, BG, ES, LT) and introduced or enhanced profiling of the unemployed (FR). FR created a National Plan for priority training implemented by the PES: 30.000 jobseekers receive training in priority, job-rich areas. The UK provides more support for hard-to-place unemployed people through more tailor-made job search assistance but will at the same time tighten the requirements for the continued receipt of jobseekers benefits. In IT, employers who hire recipients of unemployment benefits are entitled to a contribution worth 50 % of the remaining subsidy that would have been paid to the employees had they remained unemployed; also a database

²⁰ This section gives an update of the situation as presented in the previous Joint Employment Report and due to space limitations, is not exhaustive and does not aim to report on all reforms and policy measures.

²¹ Council Decision 2010/707/EU of 21 October 2012 on guidelines for the employment policies of the Member States.

was created to collect information on the services provided throughout the country. The planned state reform in BE will further regionalise a number of competences with regard to activation and follow-up of the unemployed. RO amended its Unemployment Insurance Act by, inter alia, introducing a new category of unemployed (long-term unemployed) to benefit from ALMPs, such as the mobility incentive and free assessment of formally or non-formally acquired competences. In HU, HR, LV and SI, public works programmes are aimed at bringing the unemployed to the labour market and providing income support for unemployed people who do not qualify for unemployment benefits.

Several Member States took measures aimed at enhancing the capacity of their public employment services (PESs), improving their efficiency and effectiveness, training and/or recruiting job counsellors (CY, CZ, DE, EL, ES, FI, FR, HR, HU, IE, NL, PL, PT, SI).

Some PESs are focused on offering more tailor-made services for the unemployed (SI), promoting mutual responsibility (NL) and strengthening their cooperation with other stakeholders (PL), employers and local authorities (HU, PT). In DE, the intention is to focus on hard-to-place long-term unemployed persons by moving PES staff from some services for the short-term unemployed. In FR, jobseekers have been classified in three categories reflecting the difficulties they face in entering the labour market, with different follow-up methods for each category. In IE, the Jobpath initiative was designed to increase PES capacity through the involvement of private third-party contractors, a commitment to double the number of case workers for the unemployed during 2014 and a merger with the welfare institutions. In ES and PT, there has been some progress in increasing the role of private agencies in the development of placement activities. Under the 2013 European Semester CSRs on ALMPs and/or PES (i.e. enhance quality, coverage and effectiveness of ALMPs, increase performance of PES, ensure better targeting or strengthen activation elements and individualised services) have been issued to 16 Member States (BE, BG, CZ, DE, EE, ES, FR, HU, IT, LT, LU, LV, RO, SE, SI and SK).

Specific measures were introduced to bring closer to the labour market the unemployed from disadvantaged groups, in particular persons with disabilities, the long-term unemployed and workers with a migrant background. Several Member States (BG, HU, NL, PT) took measures to improve the labour market situation of disadvantaged people at large. Other countries have focused efforts on specific target groups.

The situation on the labour market for persons with disabilities was addressed in several countries (FI, HU, LT and MT). HU established a new authority and a network to deliver rehabilitation-related measures and lowered labour costs by reducing social security contributions. In FI, a new project envisages the appointment of a personal coordinator providing individually tailored services for individuals with disabilities. The effect of the project should be multiplied by other changes: prolonging the duration of part-time work with part-time sick-leave benefit and easing the criteria for vocational rehabilitation. In MT, the newly established Job Bridge Centre aims to integrate persons with disability into employment. In LT, more attention has been paid to supporting the employment of persons with disabilities by improving funding of social enterprises.

Many ALMP measures (as described above) specifically targeted the long-term unemployed. In addition, IE provided more training and education to the long term unemployed in order to enhance their employment prospects and started providing grant payments to enterprises as an

incentive to recruit them. The State Employment Agency in LV provides support for long-term unemployed persons with addiction problems. DK provided job-openings mostly in public sector and in particular for the long-term unemployed at risk of losing their benefits.

Member States adopted specific measures to integrate people with a migrant background. DE adopted a programme promoting the labour market integration of immigrants and improving their participation in the education and vocational training system. SE strengthened its ALMP measures for the immigrants by prioritising workplace-based measures and extending wage subsidies for foreign-born persons.

Member States addressed the situation of young people on the labour market with the early introduction of some elements of the Youth Guarantee. In view of the deterioration of the situation of young people on the labour market, all Member States introduced additional measures for this target group. In many cases, existing measures were extended, boosted financially and embraced a larger target group. Full, partial and/or sectoral wage subsidies (BE, BG, EL, HU, FR, IT, PT), the reduction of non-wage labour costs (BE, EL, ES, FR, HR, PT, SI), youth internships (BE, CZ, PT), apprenticeships (DK, EL, ES, FI, HU, IT, PT, SE, UK), work placements (CY, PL, SI), counselling (AT) and public sector employment opportunities (BG, FR, HU) were the most common instruments used to promote youth employment.

A majority of the Member States are currently drafting their Youth Guarantee Implementation Schemes to have national Youth Guarantee schemes (YGs), to be operational as of January 2014; others are expected to submit their plans in spring 2014. Fully-fledged YGs or some of their components or pilot projects have been rolled out in the past 12 months (AT, ES, FI, FR, IE, HR, HU, MT, RO, UK). In FI, the YG was reinforced as of 1 January 2013. In IE, an YG pilot project has been launched in one of the districts of Dublin, with a view to full implementation in 2014. RO launched a call for strategic projects worth EUR 10 million and adopted the National Plan for Youth Employment. The UK progressed with its Youth Contract providing apprenticeships and voluntary work experience placements. AT introduced Youth Coaching measure designed to help young people find an education or vocational path that suits their personal needs. The First Job Guarantee Programme in HU will offer the 100% refund for four months of the wage bill and social security contributions in respect of new entrants to the labour market. MT adopted a National Youth Employment Strategy as a comprehensive framework for the successful integration of young persons into employment and also appointed an action committee tasked in part with the implementation of the Youth Guarantee. In FR, 'jobs for the future' are subsidised contracts which aim to train and hire 100,000 young people by the end of 2013 and 150.000 by March 2014, mostly in the public sector, and a pilot project was launched in 10 territories, involving 10.000 young NEETs facing major difficulties. ES has approved a 2013-16 Strategy for Entrepreneurship and Youth Employment that includes 100 actions and an overall budget of over EUR 3.485 billion.

Member States promoted measures to boost female employment rates and to reconcile work and private life by introducing changes to early childhood education and care (ECEC)²² services and revising parental leave regulations. Additional resources were allocated to ensure that all-day ECEC facilities operate with more flexible opening hours (DE, FI, HU, MT, PL). The UK announced a new scheme for tax-free childcare for working families and IE guaranteed additional after-school places for primary school children from low-income families. DE introduced a right to childcare for children below the age of three, while guaranteeing child-rearing benefits. It nevertheless maintained a childcare allowance for children not using a childcare facility. HU will lower the age for compulsory education to three as from 2014. HR introduced compulsory pre-school education and changed its legislation on non-standard forms of childcare provision²³. EE amended its parental benefit act.

To facilitate the reconciliation of family and work obligations, Member States introduced changes relating to more flexible working hours for wage earners (LU), measures to help students with children (CZ), tax-free premiums (DK) and the promotion of gender equality through empowerment, mainstreaming and training (EE).

Some Member States extended (paid) parental leave (LU, MT, PL, UK). In DK and MT, self-employed parents were granted equal (*vis-à-vis* employed parents) rights to a parental leave. New measures in EE and PL were aimed at encouraging fathers to take paternity leave. New rules were introduced in FR, granting six months of parental leave to the second parent. AT reformed its childcare leave regulation to facilitate a better work-life balance of parents living in non-traditional family forms and to simplify the use of existing models. HR harmonised its Law on Maternity and Parental Benefits with the EU's *acquis communautaire*.

Employment-promoting initiatives also addressed barriers to longer working lives. Several Member States took measures to boost the employment rate among older workers (AT, BE, CZ, FI, PL, SI), e.g. through the adoption of specific measures, action plans or ageing strategies (CZ, FI, PL). These included using part-time work (AT), on-the-job training (SI), introducing comprehensive trainings/e-training for PES employees in improving services for unemployed people over 50 years old (PL) and providing incentives to employers to hire older workers (AT, ES, PT). BE promoted measures to encourage people to work past retirement age by obliging companies with more than 20 employees to set yearly plans for keeping or increasing the number of employees over 45 years old and raised the age threshold for exemption from active job searching from 58 to 60 years. In March 2013, ES adopted a royal decree law to allow compatibility between pension and work, and to discourage collective dismissals of employees over 50 in large companies. Regarding the labour market participation, CSR issued this year highlighted challenges regarding labour market participation of women (11 Member States: AT, CZ, DE, EE, HU, IT, MT, NL, PL, SK and UK); keeping people longer in the labour market and enhancing older workers' employment (15 Member States: AT, BE, BG, CZ, ES, FI, FR, LT, LU, MT, NL, PL, RO, SI and SK) and boosting youth employment perspectives (22 Member States: AT, BE, BG, CZ, DE, DK, EE, ES, FI, FR, HU, IT, LT, LU, LV, MT, PL, RO, SE, SI, SK and UK).

²² The term early childhood education and care refers to all forms of care and education from birth to the start of primary schooling.

²³ See additional reporting on this issue in the section on social inclusion.

Several Member States have made changes to the level of minimum or public wages. The majority of Member States have taken policy measures in the area of wages. Some countries have recorded increases in the minimum wage (CZ, EE, FR, HR, HU, LT, PL, SI, RO). On the other hand, minimum wages have been lowered (EL) or frozen in others (PT). Public wages have also been frozen or lowered in several cases; wage freezes in the public sector have been extended in several Member States (ES, IT NL, PT) while cuts have been applied in other countries (CY, EL, HR, IE, SI). Conversely, DK is allowing very modest public sector salary increases. RO took measures to restore the salaries of public employees to their June 2010 levels.

Member States addressed wage-setting mechanisms, including wage indexation, and collective bargaining processes. Wage indexation has been (temporarily) suspended or amended in a few Member States (CY, ES, LU). IT adapted its wage bargaining framework to take better account of developments at the local and sectorial level. In ES social partners reached an agreement on wage moderation in 2012-14, limiting wage increases and linking them to growth in Spain's GDP and to euro zone inflation. In BE, after unsuccessful negotiations between social partners on a new inter-professional collective agreement, the government has set the wage norm (the amount by which labour costs are allowed to increase above inflation) at 0% for 2013 and 2014. The CSRs adopted in July 2013 highlight the Member States (BE, DE, FI, FR, IT, LU, SI) for which wage developments remains a challenge.

Many Member States took tax measures to promote job creation. Several countries (CZ, DK, LV, MT, NL, RO, SK and UK) continue to promote public investment programmes and/or investment incentives to help create jobs, even though fiscal constraints are tight. Tax measures have been taken in various countries (BE, ES, FI, FR, HU, LV, MT and UK) to promote job creation. Nearly all Member States introduced new measures or initiatives (or strengthened existing ones) to stimulate private investment in R&D and innovation. At the same time a vast majority of Member States introduced grants for SMEs or intermediate sized enterprises.

The tax wedge is still quite high in many Member States, but only a few countries have taken steps to address this problem, also in light of the limited fiscal margin. In order to support labour demand, EE and HR decreased rates of social security contributions paid by employees and employers while BE, HU and PT cut rates for special groups. In PT financial support is given to employers who hire older unemployed people (45+ years) by reimbursement of 75% to 100% of the social security contribution paid by the employer. FR introduced a new tax credit for competitiveness and employment that will allow a labour cost reduction. On the labour supply side, LV reduced its personal income tax rate to 24%. In BE, the 'workbonus' is designed to increase the take-home salary of the low-paid, thus reducing unemployment and low-wage traps. In general CSRs issued this year focused on lowering the tax burden on low-wage earners (AT, DE, HU, LV and HU) and lowering tax burden and social contributions on all workers (BE, CZ, DE, FR, IT, NL).

A number of Member States have continued to support initiatives exploring job-rich sectors (CZ, FI, LU, MT, NL, RO). The government in LU continues with its strategy of investing in promising new economic sectors and has set up a committee for identifying new niche sectors with job growth potential. In CZ, a major ESF-funded programme 'New Green for Savings' opened its first call in mid-2013. RO is planning to cover more of the IT sector

with fiscal incentives (i.e. tax exemptions). Nevertheless, integrated policy frameworks linking green growth and employment exist in only a small number of countries (EL, FR, AT, PT, FI), while in others progress is being made towards the introduction of a more comprehensive policy response (BG, IE, ES, LU, MT, HR). There are still many Member States which continue to address green growth with a range of separate instruments and policies (eg. CZ, LT, SI)²⁴.

Some Member States used employer subsidies and promoted entrepreneurship.

Employer subsidies were often used to create labour demand (LV, ES at regional level, NL and SI). Member States took some further measures to promote business creation and self-employment. Some countries continued or started to offer subsidies to start up entrepreneurship by the unemployed (BG, CZ, PL, SI) while ES offered reductions in social security contributions reductions for boosting self-employment and also supported the hiring of certain groups, such as persons with disabilities and young people. AT improved the social security system for the self-employed. PT introduced a measure supporting hiring by start-up enterprises. Some Member States (IT, LT, PL, SI) focused on boosting entrepreneurship among young people. IT supports self-employment projects developed by young people in the Southern regions, especially in the non-profit sector. Other countries (AT, PL and LT) are focusing on reducing red tape and improving the business environment to strengthen job creation. CY provides assistance to micro, small and medium-sized enterprises by supplying them with technical support. To attract foreign investment, CZ prepared a ‘Welcome Package’ aimed at easing and speeding up the entry and employment of non-EU nationals involved in major investments.

Additional measures are taken to address the issue of undeclared work. In the area of undeclared work, some Member States strengthened their punitive measures (BE, CZ, EL, ES, FR, LV, NL, SK), while others offered some incentives to declare employment (EL, HR, LT, SI). BE and CZ focused on combating false self-employment while FR and SK put more emphasis on the inspection of illicit work. LT introduced service cheques to facilitate a simplified, flexible form of employment in agriculture and forestry. EL promoted the use of the ‘labour voucher’, i.e. an employment coupon with an alternative type of insurance mainly for domestic staff and people employed in agriculture and healthcare. LV strengthened legislation to combat tax fraud and pressed ahead with the implementation of its Plan of Measures to Combat the Grey Economy and Ensure Fair Competition.

Many Member States continued to introduce changes to their employment protection legislation (EPL). In FR the law on securing employment, adopted in June 2013, introduced a wider access to complementary health insurance, creation of an individual training account, rights for securing mobility and for career guidance, simplification of collective dismissal and more flexibility in difficult economic situation through agreements to maintain employment. In SI the new reform envisages the simplification of procedures and reducing administrative barriers, increasing flexibility in the labour market, incentives for indefinite period contracts and disincentives for fixed-term contracts. BE is harmonising EPL for blue and white-collar workers and increased flexibility of the working time regulation. In HR, the first phase of the Labour Law changes, completed in June 2013 focused, *inter alia*, on harmonisation with the

²⁴ *Promoting green jobs throughout the crisis: a handbook of best practices in Europe*, European Employment Observatory 2013

Directive on the establishment of a European Works Council and on some elements of fixed-term contracts. In EE, the civil service reform brought considerable changes to the employment relations and working conditions in the public sector, bringing them more into line with those in the private sector. Several Member States took measures to increase labour code flexibility, through the use of fixed-term contracts (CZ, for seasonal jobs in agriculture and construction), extension of short-term work (DE, from six to 12 months), shortening the mandatory time breaks between fixed-term contracts with the same employer (IT), extending working time periods and using flexible working hours (PL). Some countries made changes to pay or allowances for flexible contracts (DE for temporary agency workers in several new sectors, AT for short-term work). Thus, the balance between flexibility and security has been shifted in several Member States.. In total, five out of seven countries that received a CSR to reform EPL in 2013 were recommended to tackle segmentation (ES, IT, SI, FR, and PL). In LT and NL, relaxing legislation on fixed-term contracts and dismissal protection would favour higher employment participation and labour market fluidity.

2.2 Employment Guideline 8: Developing a skilled workforce

Improving skills supply and promoting adult learning became a priority in several Member States. Many Member States introduced measures aimed at improving skills supply and promoting adult learning. MT and BG enhanced the employability of unemployed or low-paid persons through training while AT focused on the low and medium qualified by introducing favourable changes to the system of education. PL adopted its Human Capital Strategy 2020. In LV, a new re-immigration plan, aimed at encouraging the return of skilled workers and professionals, will offer labour market information, Latvian language courses, and support for children of returnees to participate in the education system.

In some countries (CZ, IE, MT, NL), the new measures have focused on specific sectors with high job-rich potential or particularly hit by the crisis. MT supports graduates with skills for which there is a lack of supply by reimbursing education expenses and IE focused on reskilling graduates to take advantage of expanding job opportunities in the ICT sector. To enrich the labour pool with required skills, two Member States (AT and DE) amended regulations concerning the access of third-country nationals to employment. A great number of Member States have introduced or plan to introduce in 2013 new or strengthened measures to maintain or increase human resources in STEM (Science, Technology, Engineering and Mathematics).

Many Member States introduced measures that facilitate school to work transitions. A considerable number of Member States (AT, BE, CZ, ES, FI, IT, PT, RO, SE, UK) sought to improve school-to-work transitions by developing traineeships and apprenticeships and by strengthening relevant institutions. PT reformed its dual apprenticeship system, extended the length of the traineeship and broadened access to all qualification levels. RO promoted professional training for higher education graduates. In the UK employers will be able to design their own apprenticeships according to their specific needs and a new traineeships programme was introduced to provide young people lacking the skills and experience required by the labour market with a tailor-made package of support to enable them to take up apprenticeships or other jobs. In BE, unskilled young people can do a full-time three to six month internship in a company, non-profit organisation or public service. As part of the Youth Guarantee, FI is making apprenticeship training more accessible and attractive both for trainees and employers. IT simplified the employer's duties regarding the provision of training

for apprentices and earmarked resources to activate traineeships for NEETs living in disadvantaged areas as well as for tertiary students. SE is rolling out ‘vocational introduction jobs’ for young people aged 15-24 who lack previous experience of the specific profession, with 15-25% of their working time being devoted to unpaid education and training. ES developed a training and apprenticeship contract and established the basis for dual vocational training. CZ created a National Catalogue of Internships.

2.3 Employment Guideline 9: Improving quality of education and training systems

Several Member States focused on improving vocational education and training systems (VET) to better reflect the needs of the labour market (DK, EE, EL, ES, HU, IE, LV, PL, SE, SK). Some countries laid foundations or revised their dual vocational education systems accordingly (EE, EL, ES, HU, SK). In EE, the new Vocational Education Institutions Act will apply a new structure of VET study programmes. In EL, the Secondary Education Restructuring Act lays the foundations for changes in vocational education such as restructuring curricula and upgrading the role of the Labour Force Employment Organisation in setting up apprenticeship schemes. SE strengthened its system by increasing the allowances paid to employers for taking on apprentices. DK introduced apprenticeship-centres to their vocational schools and IE established a new education and training authority (SOLAS). CY established post-secondary VET institutes as well as an evening technical and vocational school of secondary education.

Member States have implemented qualification frameworks, to better link general education, vocational education and training, and higher education, and to improve the transparency of qualifications across borders. Since late 2012, five more countries (BG, DE, IT, PL, SI) have not only developed a national qualifications framework but also linked it to the European Qualifications framework, bringing the overall number of Member States who have done so to 20. CZ, DK, EE, FR, IE, LT started issuing qualifications with explicit references to an EQF level.

Relevant changes were introduced to tertiary education systems in many Member States. Reforms of the higher education system are taking place in AT, EE, EL, FR, HU, PL, PT and LV. The reform in AT is aimed at increasing the proportion of active students and the rate of completion of studies, reducing dropouts and shortening average course duration. In EE, a reform gives the higher education institution more guidance on the basis of the needs of the labour market and in close cooperation with employers and related ministries, as to how many study places to make available in various study fields. EL consolidated the network of technical institutes and universities. PL guaranteed financial support for realising innovative university curricula in strategic sectors and LV proposed several reforms for increasing the quality and competitiveness of its higher education. Broadening access to professional and technical bachelor qualifications, reducing dropouts at the bachelor level, reinforcing practical experience in the curricula, reforming teachers training and boosting strategic development towards digital modes of learning are key objectives of the recent FR reform. Several Member States changed the system of grants and/or tuitions (DE, DK, EE, FR, HU, PL).

Several Member States took measures to improve their primary and secondary education system (AT, BE, BG, CZ, DK, EE, EL, ES, FR, LU, MT, NL, PL, PT, SE, SK). A few addressed the challenges with more comprehensive reforms while others focused on the quality of teaching and curricula or on early school leavers. In EE, the recently adopted Basic School and Upper Secondary School Act clarifies the responsibilities of the state and local municipalities in the organisation of general education and seeks to improve the upper secondary school network. MT continued to strengthen general education by the introduction of the new National Curriculum Framework. DK agreed a reform of primary and secondary education, to be implemented as of the 2014-15 school year, which involves more hours for core subjects (e.g. Danish, Maths and English) and more emphasis on practical training. Once finally adopted, the new secondary education reform in LU will seek to deliver a system that is more competence-orientated, dynamic and flexible. CZ and SK introduced new measures in relation to school inspections and school performance. PT is developing a comprehensive monitoring tool to evaluate the results and impact of education policies. In order to improve the performance of schools and teachers PL is introducing changes to the Teacher's Charter as of 2014: shortening paid holidays and long-term sick leave, and focusing training resources on courses directly addressing schools' needs. PL also lowered its official school entry age from seven to six; school attendance at this age will be compulsory as from 2014.

BG and MT set up measures aimed at reducing the numbers of early-school leavers while AT focused on tackling unexcused school absenteeism as a means of eventually improving educational outcomes, especially for disadvantaged young people. To speed up the integration of low educated persons into the labour market, SE introduced three-month study motivation courses, to be delivered by high schools.

2.4 Employment Guideline 10: Promoting social inclusion and combating poverty

While some Member States have improved benefits addressing child poverty, others have restricted access to or reduced benefits. In response to growing concerns about the effects of increasing numbers of children affected by poverty, measures to address child poverty have been stepped up in some Member States, including through a comprehensive national action plan in BE. In EE, the needs-based family allowance reform was partly implemented from July 2013 (with increased allowances planned for 2015). In LV, in order to support poorer families, minimum monthly parental benefits, childcare benefits and childcare benefit supplements for children born in multiple births were increased, including for parents without social insurance, and the personal income tax allowance for dependents was increased. Recent trends of increased conditionality or cuts to benefits have also continued, for example in countries implementing a tightening of eligibility or freezing or reducing the level of income support measures (EL, ES, SI, UK). This has contributed to the weakening of the stabilising effect of social spending on household incomes.

Similarly mixed signs are found in access to early childhood education and care. Some Member States (DE, FR, HU, LV, PL, UK) took initiatives aimed at extending child enrolment in ECEC as part of their strategies to improve opportunities for children. DE introduced the right to childcare for the under threes, FR's reform aims, by means of an appropriate pedagogical approach, to raise the participation rate of two to three year old and PL plans to expand the list of companies able to apply for funding from the state budget for the establishment and operation costs of care institutions. In addition PL adopted a new regulation in July 2013 under which as of September 2015 every four- year-old will have a

right to participate in pre-school education and as of September 2017 every three-year-old will have a guaranteed place in pre-school education. Other countries (HR, LV and UK) took steps to improve the affordability of ECEC services. In LV, local governments now co-finance the cost of the enrolment in private facilities of children from one to four years in cases where there is a waiting list for public facilities. HR introduced a law on nannies which aims to improve access to childcare. Various Member States have also taken measures to strengthen child protection in their welfare systems (DK, ES, FI, PL, SE).

Rebalancing time in work and retirement is a key theme in pension initiatives as almost everywhere the pensionable age is being raised and gender equalised. Responding to the demographic challenges for pension provision, Member States increasingly recognise the need to ensure longer working lives to offset longevity growth. Over the past year, various Member States adopted or accelerated an increase of the pensionable age for women and/or men. In total, 23 of 28 MS have now legislated current or future increases of the pensionable age. In many cases, the increase is accompanied by a (gradual) equalisation of pensionable ages for men and women (CZ, EE, EL, HR, IT, LT, MT, PL, SI, SK, UK). However, more efforts are warranted to tackle other main drivers of the gender pension gap, in particular career interruptions and low-work intensity.

More countries are also taking the crucial step of linking pension age to longevity growth. Having first raised the pensionable age to cover earlier increases in longevity a growing number of countries have opted to introduce an explicit link between the pensionable age and future gains in life expectancy (CY, DK, EL, IT, NL, SK). Yet several Member States have serious reservations about this idea. Some argue that first they need to reduce the current gap between the effective and the pensionable age. Others see the idea of a pensionable age that automatically moves upward with the rise in life expectancy as too novel.

In order to curb early exit, most Member States have taken steps to restrict access to early retirement. The main reform measures in this respect are stricter eligibility conditions for early pensions (minimum age, contribution record and benefit level), increased penalties for early exit and stronger focus on activation measures. In particular, many countries are restricting access to widely-used pathways to early retirement such as prolonged unemployment benefits (e.g. ES) or invalidity benefits (e.g. AT, BE, DK). Still in some Member States (AT, BE, BG, HR, LU, MT, RO, SI) early exit options still tend to undermine the adequacy and sustainability of pensions and reduce employment and growth.

Many Member States are opening routes for people to prolong their working lives and improve pension entitlements by deferring retirement. In 2012, BG and the UK abolished provisions on default retirement. In FR, the age at which private employers can send a worker into retirement without his/her consent has been raised from 65 to 70. Many pension systems include incentives for working beyond pensionable age (ES), such as higher pension accrual rates or a pension bonus in the event of delayed retirement (FI and FR). More countries are relaxing rules to allow pension benefits to be combined with work-related income (BE, ES, NL and SI). Importantly, some countries are increasingly underpinning pension reforms with active ageing measures in work places and labour markets (e.g. BE, FR, SI, SK). However, in this area efforts in this area are still far too limited and uncoordinated. If pension reforms are to succeed Member States will need to greatly expand and intensify measures to enable and encourage women and men to work to higher ages.

In response to fiscal pressures, countries are reviewing healthcare expenditure and seeking ways to improve value for money while better instruments for cost containment are introduced. Several Member States have undertaken or launched structural reforms of their healthcare systems (AT, BG, CY, EL, ES, FI, HR, HU, LT, UK). BG is in the process of introducing a new hospital care pricing model based on the use of diagnosis-related groups. The new Health and Social Care Act will bring major changes to the NHS in the UK (England) with effects on who makes decisions about the commissioning of services and the way money is spent. A number of Member States introduced or are planning to introduce measures to contain the rising costs of health expenditure (AT, BE, CY, DE, EL, ES, FR, HR, HU, IE, NL, PT). AT, BE and FR focused on capping the overall level of healthcare expenditure growth. PT introduced new rules for pricing generics and for prescription by International Non-proprietary Name (INN), thereby promoting the use of generic medicines and the least costly available products. A variety of measures have been taken to improve health service delivery, many of them further developing e-Health (AT, BE, BG, DK, ES, HU, LT, LV, MT, PL, PT, SE, SI, SK, UK). ES is introducing a new legal framework defining clinical management models applicable to all centres of the National Health System. AT adopted an Electronic Health Record Act aimed at improving the continuum of care and the information flow of healthcare providers. Given the important challenge they face regarding health-care, some Member States have stepped up their efforts yet it is still too early to assess whether these have been effective.

It remains necessary to find new ways of tackling staff shortages and securing access to healthcare for all calls for further measures. Some Member States are substantially investing in the healthcare workforce (BG, DE, HU, MT, PL, SK). HU increased the wages of 90,000 health professionals. DE aims to address the lack of healthcare professionals in rural areas. Enhancing access to healthcare services remained a priority for several Member States (DK, EL, FI, FR, LU, LV). LU introduced a 'third party payer' system for insured persons officially declared to be in an economically vulnerable situation by the competent Social Office. EL is setting-up a temporary system of health vouchers ensuring that uninsured citizens have access to primary healthcare services.

Whilst long-term care services are often affected by budget constraints countries are also taking steps to secure a better organisation of such social services. Some Member States (BG, SI) adopted national strategies based on an integrated approach and enhancing the provision of quality social services, including long-term care. In SI, the National Programme of Social Protection (2013-20) defines qualitative and quantitative goals for the development of social systems in general and social services in particular. FI adopted a reform of its long-term care system strengthening the role of rehabilitation services and giving a clear priority to home care over residential services. In several Member States underdevelopment of formal LTC provisions remains a major impediment to female employment and growth as well as protection against dependency in old age.

Increased efforts to contain or reduce adult poverty include major overhauls of social assistance systems. A number of Member States are introducing or strengthening activating measures as part of their policy to better address adult poverty (see section on labour market participation). Reforms of the social assistance system are planned or in progress in a number of MSs (LT, CY, DK, EL, HR, IT, PL and RO). In 2012, LT launched the cash social assistance reform to increase work incentives, strengthen the links between social assistance and activation measures and better targeting and enhance the cooperation between local

employment offices and municipalities. IT is implementing a reform of the main means-testing mechanism. The provision is intended to increase the targeting ability of the instrument and the fair distribution of fiscal relief and social benefits. IT also launched a 'new social card' pilot project- a minimum income scheme to be connected later to activation policies. As part of its reforms of the social assistance system, CY is also planning to introduce a guaranteed minimum income scheme (GMI) (which will actually replace the existing public assistance scheme). EL is planning to launch a pilot programme to introduce a minimum income scheme in the country. Some Member States (BE, EE, ES, HU, MT, UK) have taken steps towards administrative simplification. Despite the efforts, much remains to be done at Member States level to reach the right mix of adequate income support, inclusive labour markets and access to services.

Member States introduced special inclusion programmes for people in situations of particular disadvantages and for people affected by homelessness and housing exclusion.

Many Member States have rethought or developed their National Roma Integration Strategies or integrated sets of policy measures in concrete terms, in particular by seeking to organise dialogue (AT, BE, BG, CZ, DK, EE, EL, ES, FI, FR, HU, IE, IT, LV, NL, RO, SE, SI, UK). To efficiently confront homelessness, LU launched an integrated, non-criminalising, housing-led homelessness strategy with a focus on prevention, reducing long-term homelessness and improving access to housing and quality social services by homeless people. Several Member States (ES, FR, SK) have introduced measures to increase affordable social and rental housing for low-income households or fight segregation (HU). NL introduced income-dependent rent increases in the social housing sector, and in BE rent subsidies are offered to those who have been on the social housing waiting list for a long time.

3. SCOREBOARD OF KEY EMPLOYMENT AND SOCIAL INDICATORS

In the Communication on Strengthening the Social Dimension of the Economic and Monetary Union (EMU)²⁵ the Commission proposed a scoreboard of key employment and social indicators to be used in the draft Joint Employment Report. The scoreboard consists of five headline indicators: the unemployment rate (15-74 age group); the NEET rate in conjunction with the youth unemployment rate (15-24 age group); real gross household disposable income; the at-risk-of-poverty rate (15-64 age group) and income inequalities (S80/S20 ratio). The scoreboard ensures greater visibility and makes it easier to identify of major employment and social trends²⁶ that may affect the good functioning of the EMU and may warrant a closer follow-up within the European Semester²⁷. The October 2013 European Council concluded that the use of an employment and social scoreboard in the Joint Employment Report and of employment and social indicators along the lines proposed by the Commission should be pursued, following appropriate work in the relevant Committees, for decision by the Council in December with the objective of using these new instruments as early as the 2014 European Semester²⁸.

In the event of an economic shock, there is a risk of employment and social problems developing within the monetary union in the absence of implementation of effective policy responses and thereby resulting in persistent disparities and deterioration in the economic fundamentals of the European Union as a whole. The main channels through which severe employment and social problems spill over on other Member States are internal trade, erosion of human capital resulting in deterioration of long-term international competitiveness conditions.. It is hence in the interest of all Member States to ensure that employment and social challenges are addressed in a timely and effective manner²⁹.

The analysis in this section is based on five headline indicators introduced in the above Communication³⁰. The reading of the scoreboard should not be mechanical and a more detailed interpretation of it should build on existing tools (the Employment Performance Monitor (EPM), the Social Protection Performance Monitor (SPPM), the Joint Assessment Framework (JAF) and agreed datasets like the European Labour Force Survey and EU Statistics on Income and Living Conditions³¹.

²⁵ COM(2013) 690.

²⁶ The scoreboard as included in this version of the draft Joint Employment Report may be updated in December 2013 once the new wave of annual social data is available.

²⁷ As part of the draft Joint Employment Report, based on Article 148 TFEU and feeding into the European Semester process, the scoreboard covers all EU Member States and comparisons are thus made with the EU average. In some cases, statistical deviations from the EA average might also be relevant. As set out in the Commission's Blueprint for a deep and genuine economic and monetary union, coordination and surveillance of employment and social policies should be reinforced within the EMU governance, and convergence in these areas should be promoted.

²⁸ Conclusions of the European Council, 24/25 October 2013.

²⁹ For the detailed overview of spill-over effects of employment and social developments beyond border see: EU Employment and Social Situation. Quarterly Review, September 2013, available at: <http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=1974&furtherNews=yes>

³⁰ The Commission is open to considering possible refinements of the scoreboard in future editions, based on ongoing technical discussions in the Employment and Social Protection Committees and reactions from the European Parliament, social partners and other stakeholders.

³¹ COM(2013) 690, page 6.

The divergences highlighted by this new scoreboard and the ways to tackle negative trends and disturbing levels of employment and social problems will be further analysed during the 2014 European Semester through an even more detailed application of additional indicators, including in the multilateral surveillance process and during the preparation of country-specific recommendations.

What follows in the subsequent subsections is an overview of recent divergent socio-economic trends within the European Union, identifying the most noteworthy developments in individual countries per each of the five indicators. Finally, tables are provided in Annex with an overview of the situation per indicator in all EU Member States as well as an overview of the key employment challenges as identified in the EPM and the social trends to watch from the SPPM.

Potentially worrying key employment and social developments and levels leading to divergences across the EU and warranting further analysis and possibly stronger policy response could be detected along three dimensions:

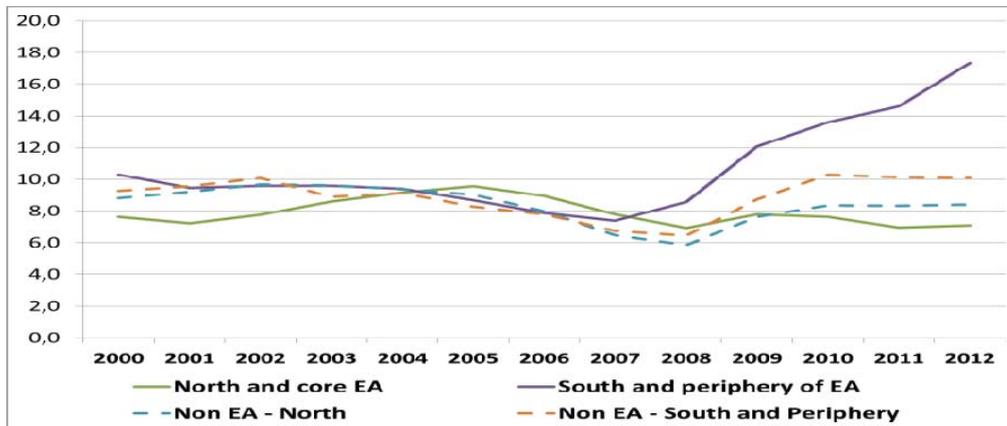
- For each Member State, the change in the indicator in a certain year as compared with earlier periods in time (historical trend);
- For each Member State, the difference from the EU and the euro zone average rates in the same year (providing a snapshot of existing employment and social disparities);
- The change in the indicator between two consecutive years in each Member State relative to the change at the EU and euro zone levels (indicative of the dynamics of socio-economic convergence/divergence).

3.1. Unemployment rate - change and level

The gap that appeared between the unemployment rates for the 'North and core' and the 'South and periphery' of the euro area³², has been growing at an alarming pace since 2008, and now reaches 10.2 percentage points (pp), against 1.7 pp between the North and periphery of non-EA countries. In the mid-2000s, the currency union indirectly contributed to convergence in unemployment rates across its Member States, notably due to the increases in demand associated with the large capital inflows into the 'peripheral' countries after the introduction of the euro. However, the financial and economic crisis has unleashed divergence in unemployment rates on a much larger scale, partly due to the slow deleveraging process and the uncertainty around the recovery prospects of the 'periphery' which also translated into high borrowing costs within these countries.

³² Definition of areas: North and core of EA: AT, BE, DE, FI, FR, LU, NL; South and periphery of EA: EE, EL, ES, IE, IT, CY, MT, PT, SI, SK; Non EA – North: CZ, DK, PL, SE, UK; Non EA - South and periphery: BG, HR, LV, LT, HU, RO.

Figure I: Unemployment rates (15-74 age group) by groups of euro area (EA) and non-EA Member States since 2000



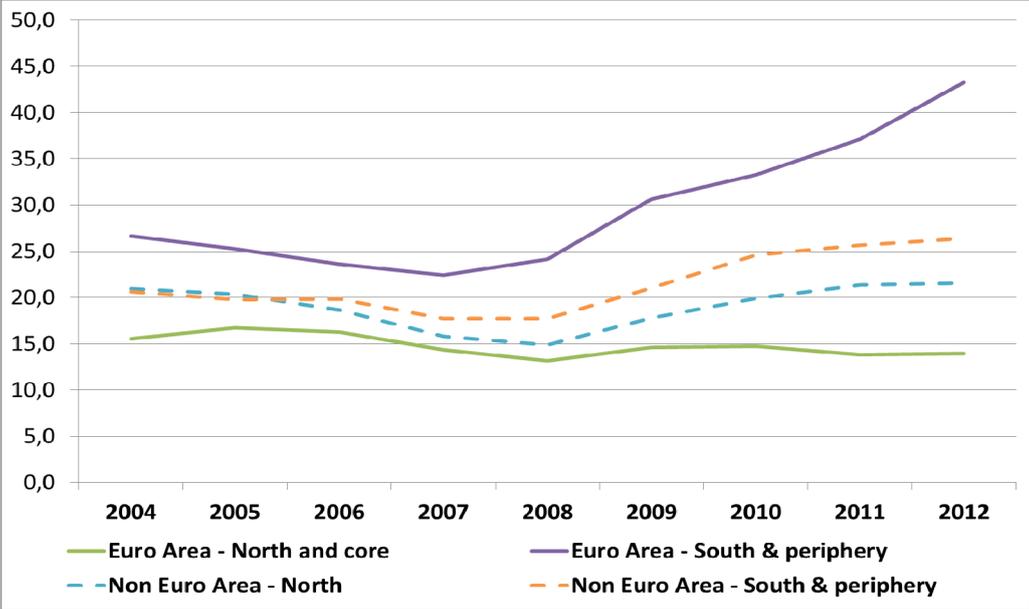
Source: Eurostat (LFS), DG EMPL calculations; weighted averages

As seen from figures in the tables in annex, there are five Member States (HR, CY, EL, PT and ES) where the unemployment situation is most alarming. In these countries the unemployment rate is far above the EU and EA averages. Also the increase in unemployment has been relatively fast, as compared with historical trends and with other Member States (i.e. divergence). Departing from different starting points, IT, the NL and SI are experiencing unemployment rates that are not extreme in terms of their levels but have increased significantly in recent years.

3.2. Youth unemployment rate and NEET rate (young people not in education, employment or training) - change and level

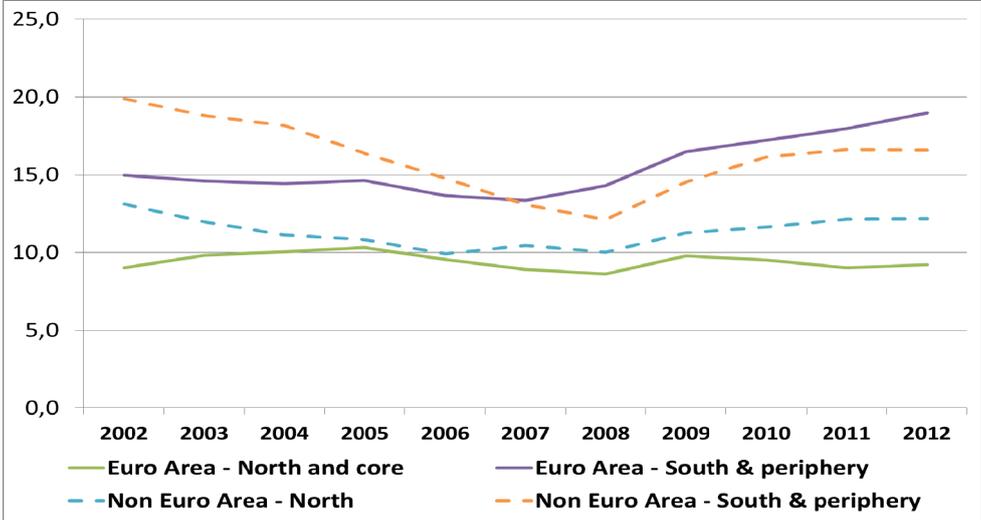
In the South and periphery of the euro area youth unemployment increased substantially from 2008 onwards, to reach a rate of over 40% in 2012. In contrast, in the North/core of the EA rates have remained more or less stable, so that by 2012 the gap between the two groups of Member States had grown to more than 25 percentage points. Developments in the remaining Member States have also been negative, but less so than in the South/periphery. The average rate of people not in employment, education or training (NEETs) aged 15-24 reached 19% in the South and periphery of the euro area, against 9.2% in the North/core, and the gap between these two groups of countries keeps increasing, following a similar pattern to that of unemployment trends. Youth unemployment and inactivity are of particular concern given their scarring effects on the future employability and productivity of the people in question. The present divergence in youth unemployment and NEET rates threatens to fuel an even greater divergence in socio-economic fundamentals across the currency union and the EU over the longer term.

Figure IIa: Youth unemployment rates (age group 15-24 age group) by groups of euro area (EA) and non-EA Member States since 2007



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

Figure IIb: NEET rates (age group 15-24) by groups of euro area (EA) and non-EA Member States since 2007



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

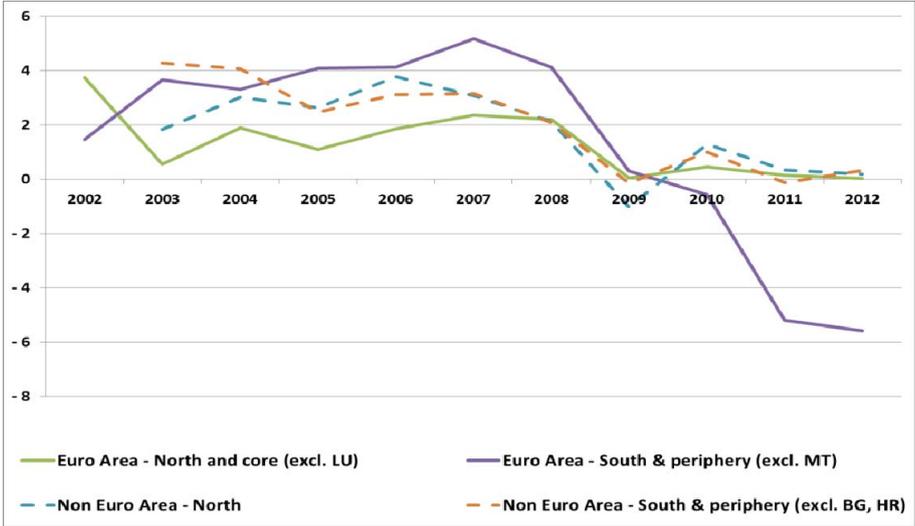
Reading the figures from the scoreboard (tables in annex), the situation for young people is alarming in several Member States. As for youth unemployment, both levels and trends are worrying in CY, EL, ES, IT, PT and HR. In SI and to a lesser extent BE, it is the trends rather than the levels that give rise to concern while the opposite holds for SK (high youth

unemployment rate). As regards the NEET rates both the level and trends are worrisome in EL and IT. In BG, IE and ES it is the level that stands out, while for CY, LU, HU, PT and SI it is the recent trend.

3.3. Real change in gross disposable income of households

During the crisis years, household incomes (as measured by the growth rate of real gross household disposable income) in the North and central part of the euro area kept increasing, though at a reduced pace (except for the year 2010), while in the peripheral countries stagnated in real terms or declined after 2009. Household incomes have primarily been affected by the reduction of market incomes and the weakening of automatic stabilisers over time. In addition, fiscal tightening - concentrated in Southern/peripheral EA countries - has affected employment and changes to the tax and benefits systems and cuts in public sector wages have led to significant reductions in the level of real household incomes. This may have contributed to the widening divergence within the euro area.

Figure III: Real change in gross household disposable income (GHDI) by groups of EA and non-EA Member States since 2002



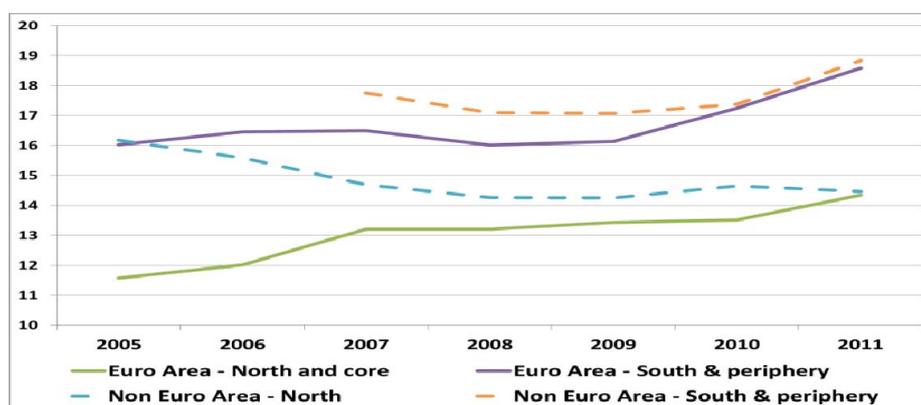
Source: Eurostat, National accounts, DG EMPL calculations; weighted averages

There is both a wide dispersion and growing divergence between Member States in the evolution of gross household disposable income in real terms. Looking at 2012 data no less than 11 Member States have experienced significant negative developments in gross household disposable incomes: EL has experienced a year-on-year decrease of nearly 10% and CY one of more than 8%. The declines in IT, HU, NL, PT, RO (data for 2011), SI, and ES, hover between 3% and 5% while DK and SK experienced a drop of around 1-2%. Such year-on-year decreases are particularly noteworthy, given that for several decades, real GHDI used to steadily if mildly rise across Europe due to economic growth or short-term automatic stabilisation in the event of downturns, with any year-on-year decreases thus being rather exceptional.

3.4 At-risk-of-poverty rate of working age population – change and level;

At-risk of poverty rates (AROP) are on the rise in many Member States. They have increased significantly since 2008 in the South and periphery of the EU, both in EA and non-EA countries. This increase came on top of already high poverty risk levels. Since 2009 AROP rates have also increased in Member States in the North and core of the euro area, albeit from a much lower level. The extended period of negative or close to zero GDP growth, rising long-term unemployment and the weakening over time of automatic stabilisers have now impacted on poverty risks in these countries as well.

Figure IV: At-risk-of-poverty rates in working age (15-64) by groups of EA and non-EA Member States since 2004³³



Source: Eurostat, EU-SILC, DG EMPL calculations; weighted averages - years refer to income year

Member States experiencing trends of increasing at-risk-of-poverty rates between 2010 and 2011 include BG, EE, ES, FR, IT, HU, RO and SK. EL, LV and LT have very high levels of people at-risk-of-poverty as compared with the EMU average, without significantly increasing trends during this time period. Particularly worrisome are developments in ES and RO as they display both high poverty levels and a trend of significant increases of poverty over a short period of time.

3.5. Inequalities (S80/S20 ratio) – change and level³⁴

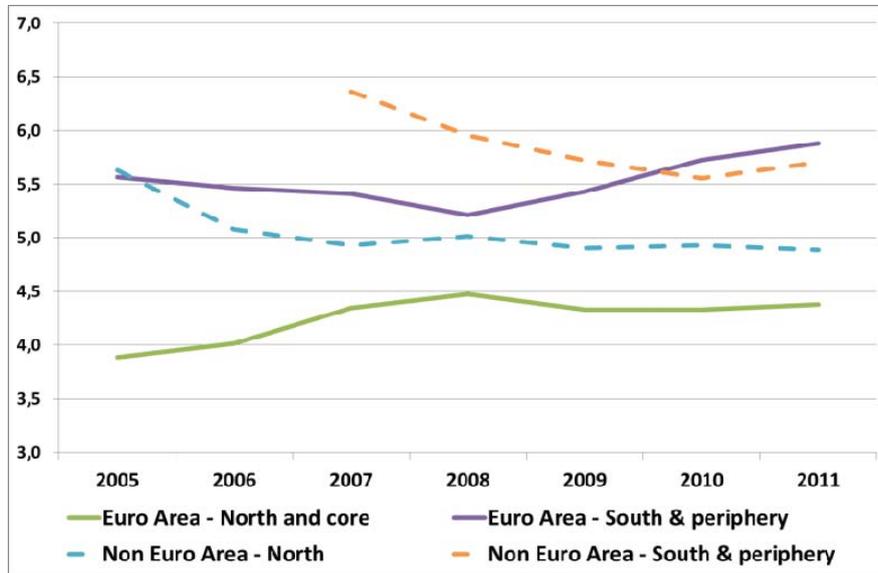
Income inequality is growing across and within Member States, particularly in the South and periphery of the EU. These are also the Member States that witnessed the largest increases in unemployment. In many countries, the crisis has intensified the long-term trends of wage polarisation and labour market segmentation, which together with less redistributive tax and benefit systems have fuelled rising inequalities. High levels of unemployment (with the largest increases at the bottom of the labour market) and in some cases the impact of fiscal

³³ For the at-risk-of poverty rate, the income reference year is the calendar year prior to the survey year (i.e. 2010) except for UK (survey year) and IE (12 months preceding the survey). The same applies to the inequalities (S80/S20 ratio) indicator.

³⁴ The ratio between the incomes of the 20% of the population with the highest incomes and the incomes of the 20% with lowest incomes.

consolidation³⁵ also explain the significant increases in inequalities observed in the countries most affected by the jobs crisis.

Figure V: Inequality (S80/S20 measure) by groups of EA and non-EA Member States since 2005



Source: Eurostat, EU-SILC, DG EMPL calculations; weighted averages - years refer to income year

There is a wide dispersion and growing divergence in inequality (S80/S20 ratio) between Member States. Looking at 2011 data, BG figures along all three dimensions: year-on-year change, distance from EMU average and the change between two consecutive years in a Member State relative to the change at EU/EA level. EE, EL, IT and HU stand out for the annual change (deterioration of the inequality ratio between 0,3 and 0,5 points) while RO, LV and ES stand out for their divergence from the EA average (increase of the inequality ratio by 1,2 point or more).

³⁵ See EUROMOD Working Paper 2/13.

Annex 1: Scoreboard of key employment and social indicators with EU and Eurozone averages as reference points

	Unemployment rate			Youth unemployment						Real growth in gross household disposable income		At-risk-of-poverty rate			Inequalities - S80/S20		
	Y-Y change (S1/2012-S1/2013)	Distance from EU average	Y-Y for MS to Y-Y for EU	Y-Y change (S1/2012-S1/2013)	Distance from EU average	Y-Y for MS to Y-Y for EU	Y-Y change (2011-2012)	Distance from EU average	Y-Y for MS to Y-Y for EU	Y-Y change (2011-2012)	Y-Y for MS to Y-Y for EU	Y-Y change (2010-2011)	Distance from EU average	Y-Y for MS to Y-Y for EU	Y-Y change (2010-2011)	Distance from EU average	Y-Y for MS to Y-Y for EU
EU-27	0,6	0,0	0,0	0,6	0,0	0,0	0,3	0,0	0,0	-0,9	0,0	0,8	0,0	0,0	0,0	0,0	0,0
EA-17	0,9	1,2	0,4	1,4	0,6	0,7	0,6	0,0	0,3	-1,7	-0,7	1,0	0,2	0,2	0,1	0,0	0,1
BE	1,0	-2,5	0,4	3,3	0,0	2,6	0,5	-0,9	0,2	-0,4	0,5	0,8	-3,1	0,0	0,0	-1,1	0,0
BG	0,8	2,0	0,2	-0,1	5,1	-0,8	-0,3	8,3	-0,6	:	:	2,2	2,2	1,4	0,6	1,5	0,6
CZ	0,3	-3,8	-0,4	-0,6	-4,4	-1,3	0,6	-4,3	0,3	0,3	1,2	1,0	-6,9	0,2	0,0	-1,5	0,0
DK	-0,8	-4,0	-1,4	-2,3	-10,9	-3,0	0,3	-6,6	0,0	-0,9	0,0	0,2	-2,9	-0,6	0,0	-0,6	0,0
DE	-0,2	-5,6	-0,8	-0,3	-15,5	-0,9	0,2	-5,5	-0,1	0,7	1,6	0,8	0,4	0,0	0,0	-0,5	0,0
EE	-1,7	-2,2	-2,3	-4,0	-5,3	-4,7	0,7	-0,7	0,4	2,4	3,3	2,4	2,0	1,6	0,3	0,3	0,3
IE	-1,2	2,9	-1,8	-3,2	4,9	-3,8	-0,1	5,5	-0,4	5,7	6,7	0,5	-0,9	-0,3	-0,1	-0,4	-0,1
EL	4,1	16,1	3,5	6,1	36,1	5,5	2,9	7,1	2,6	-9,6	-8,7	1,0	4,0	0,2	0,4	1,0	0,4
ES	2,2	15,5	1,6	3,9	32,2	3,3	0,3	5,6	0,0	-5,2	-4,2	1,5	4,5	0,7	-0,1	2,1	-0,1
FR	0,8	-0,1	0,2	2,1	2,4	1,4	0,2	-1,0	-0,1	-0,3	0,6	1,1	-2,5	0,3	0,1	-0,4	0,1
HR	1,9	6,1	1,3	12,2	28,1	11,5	1	3,5	0,7	:	:	0,7	3,1	-0,1	-0,2	0,4	-0,2
IT	1,7	1,1	1,1	4,5	15,6	3,8	1,3	7,9	1,0	-4,5	-3,6	1,6	2,5	0,8	0,4	0,6	0,4
CY	4,3	4,3	3,7	11,2	13,8	10,5	1,4	2,8	1,1	-8,0	-7,0	-0,4	-4,5	-1,2	-0,2	-0,7	-0,2
LV	-3,6	1,1	-4,2	-8,2	-2,2	-8,9	-1,1	1,7	-1,4	4,9	5,8	-0,3	4,2	-1,1	-0,3	1,6	-0,3
LT	-1,5	1,4	-2,1	-5,5	-0,6	-6,1	-0,4	-2,1	-0,7	:	:	-1,6	4,2	-2,4	-1,5	0,8	-1,5
LU	0,6	-5,3	0,0	0,2	-4,7	-0,4	1,2	-7,3	0,9	:	:	-0,8	-2,9	-1,6	-0,1	-1,0	-0,1
HU	-0,4	-0,3	-1,0	0,5	4,9	-0,1	1,4	1,5	1,1	-3,0	-2,0	1,7	-2,4	0,9	0,5	-1,1	0,5
MT	0,1	-4,4	-0,5	-0,5	-9,5	-1,2	0,5	-2,1	0,2	:	:	0,2	-2,9	-0,6	-0,2	-0,9	-0,2
NL	1,4	-4,5	0,8	1,4	-12,7	0,7	0,5	-8,9	0,2	-3,1	-2,2	0,4	-5,5	-0,4	0,1	-1,2	0,1
AT	0,6	-6,1	0,0	0,0	-14,6	-0,6	-0,4	-6,7	-0,7	1,4	2,3	0,3	-5,0	-0,5	0,1	-1,2	0,1
PL	0,6	-0,4	0,0	1,1	3,8	0,4	0,2	-1,4	-0,1	0,4	1,4	0,2	1,1	-0,6	0,0	0,0	0,0
PT	2,1	6,4	1,5	3,6	16,6	3,0	1,4	0,9	1,1	-3,0	-2,1	0,5	0,2	-0,3	0,1	0,7	0,1
RO	0,1	-3,7	-0,5	-0,3	-0,1	-0,9	-0,6	3,6	-0,9	-4,3*	-4,2*	1,8	5,0	1,0	0,2	1,2	0,2
SI	2,3	-0,3	1,7	5,3	0,1	4,6	2,2	-3,9	1,9	-3,8	-2,9	0,7	-4,3	-0,1	0,1	-1,5	0,1
SK	0,4	3,3	-0,2	0,4	10,5	-0,3	0	0,6	-0,3	-2,3	-1,4	1,2	-3,6	0,4	0,0	-1,2	0,0
FI	0,4	-2,8	-0,2	1,1	-3,3	0,4	0,2	-4,6	-0,1	0,3	1,2	0,5	-3,2	-0,3	0,1	-1,3	0,1
SE	0,3	-2,9	-0,4	1,1	0,8	0,4	0,3	-5,4	0,0	2,9	3,9	0,6	-3,5	-0,2	0,1	-1,4	0,1
UK	-0,3	-3,2	-0,9	-0,6	-2,5	-1,3	-0,3	0,8	-0,6	2,2	3,1	-0,8	-1,9	-1,6	-0,1	0,3	-0,1

* The latest data for RO for real growth in GHDI available for 2010-11

	Unemployment Rate			Youth unemployment						Real growth in gross household disposable income		At-risk-of-poverty rate			Inequalities - S80/S20		
				Youth UR			NEETs										
	Y-Y change (S1/2012-S1/2013)	Distance from EA average	Y-Y for MS to Y-Y for EA	Y-Y change (S1/2012-S1/2013)	Distance from EA average	Y-Y for MS to Y-Y for EA	Y-Y change (2011-2012)	Distance from EA average	Y-Y for MS to Y-Y for EA	Y-Y change (2011-2012)	Y-Y for MS to Y-Y for EA	Y-Y change (2010-2011)	Distance from EA average	Y-Y for MS to Y-Y for EA	Y-Y change (2010-2011)	Distance from EA average	Y-Y for MS to Y-Y for EA
EU-27	0,6	-1,2	-0,4	0,6	-0,6	-0,7	0,3	0	-0,3	-0,9	0,7	0,8	-0,2	-0,2	0,0	0,0	-0,1
EA-17	0,9	0,0	0,0	1,4	0,0	0,0	0,6	0	0	-1,7	0,0	1,0	0,0	0,0	0,1	0,0	0,0
BE	1,0	-3,7	0,0	3,3	-0,7	1,9	0,5	-0,9	-0,1	-0,4	1,3	0,8	-3,3	-0,2	0,0	-1,1	-0,1
BG	0,8	0,9	-0,1	-0,1	4,5	-1,5	-0,3	8,3	-0,9	:	:	2,2	2,0	1,2	0,6	1,5	0,5
CZ	0,3	-5,0	-0,7	-0,6	-5,0	-2,0	0,6	-4,3	0	0,3	2,0	1,0	-7,1	0,0	0,0	-1,5	-0,1
DK	-0,8	-5,1	-1,7	-2,3	-11,6	-3,7	0,3	-6,6	-0,3	-0,9	0,7	0,2	-3,1	-0,8	0,0	-0,6	-0,1
DE	-0,2	-6,7	-1,1	-0,3	-16,2	-1,7	0,2	-5,5	-0,4	0,7	2,3	0,8	0,2	-0,2	0,0	-0,5	-0,1
EE	-1,7	-3,4	-2,6	-4,0	-5,9	-5,4	0,7	-0,7	0,1	2,4	4,0	2,4	1,8	1,4	0,3	0,3	0,2
IE	-1,2	1,7	-2,2	-3,2	4,2	-4,5	-0,1	5,5	-0,7	5,7	7,4	0,5	-1,1	-0,5	-0,1	-0,4	-0,2
EL	4,1	15,0	3,2	6,1	35,4	4,7	2,9	7,1	2,3	-9,6	-7,9	1,0	3,8	0,0	0,4	1,0	0,3
ES	2,2	14,4	1,2	3,9	31,6	2,6	0,3	5,6	-0,3	-5,2	-3,5	1,5	4,3	0,5	-0,1	1,8	-0,2
FR	0,8	-1,3	-0,2	2,1	1,8	0,7	0,2	-1	-0,4	-0,3	1,3	1,1	-2,7	0,1	0,1	-0,4	0,0
HR	1,9	4,9	0,9	12,2	27,5	10,8	1	3,5	0,4	:	:	0,7	2,9	-0,3	-0,2	0,4	-0,3
IT	1,7	-0,1	0,8	4,5	14,9	3,1	1,3	7,9	0,7	-4,5	-2,8	1,6	2,3	0,6	0,4	0,6	0,3
CY	4,3	3,2	3,4	11,2	13,1	9,8	1,4	2,8	0,8	-8,0	-6,3	-0,4	-4,7	-1,4	-0,2	-0,7	-0,3
LV	-3,6	-0,1	-4,5	-8,2	-2,8	-9,6	-1,1	1,7	-1,7	4,9	6,6	-0,3	4,0	-1,3	-0,3	1,6	-0,4
LT	-1,5	0,2	-2,5	-5,5	-1,3	-6,8	-0,4	-2,1	-1	:	:	-1,6	4,0	-2,6	-1,5	0,8	-1,6
LU	0,6	-6,5	-0,4	0,2	-5,4	-1,2	1,2	-7,3	0,6	:	:	-0,8	-3,1	-1,8	-0,1	-1,0	-0,2
HU	-0,4	-1,4	-1,4	0,5	4,3	-0,9	1,4	1,5	0,8	-3,0	-1,3	1,7	-2,6	0,7	0,5	-1,1	0,4
MT	0,1	-5,6	-0,9	-0,5	-10,1	-1,9	0,5	-2,1	-0,1	:	:	0,2	-3,1	-0,8	-0,2	-0,9	-0,3
NL	1,4	-5,6	0,4	1,4	-13,3	0,0	0,5	-8,9	-0,1	-3,1	-1,4	0,4	-5,7	-0,6	0,1	-1,2	0,0
AT	0,6	-7,3	-0,4	0,0	-15,2	-1,4	-0,4	-6,7	-1	1,4	3,1	0,3	-5,2	-0,7	0,1	-1,2	0,0
PL	0,6	-1,5	-0,3	1,1	3,2	-0,3	0,2	-1,4	-0,4	0,4	2,1	0,2	0,9	-0,8	0,0	0,0	-0,1
PT	2,1	5,3	1,2	3,6	16,0	2,3	1,4	0,9	0,8	-3,0	-1,3	0,5	0,0	-0,5	0,1	0,7	0,0
RO	0,1	-4,8	-0,9	-0,3	-0,8	-1,6	-0,6	3,6	-1,2	-4,3*	-4,0*	1,8	4,8	0,8	0,2	1,2	0,1
SI	2,3	-1,5	1,4	5,3	-0,5	3,9	2,2	-3,9	1,6	-3,8	-2,2	0,7	-4,5	-0,3	0,1	-1,5	0,0
SK	0,4	2,1	-0,6	0,4	9,9	-1,0	0	0,6	-0,6	-2,3	-0,6	1,2	-3,8	0,2	0,0	-1,2	-0,1
FI	0,4	-4,0	-0,5	1,1	-3,9	-0,3	0,2	-4,6	-0,4	0,3	2,0	0,5	-3,4	-0,5	0,1	-1,3	0,0
SE	0,3	-4,0	-0,7	1,1	0,1	-0,3	0,3	-5,4	-0,3	2,9	4,6	0,6	-3,7	-0,4	0,1	-1,4	0,0
UK	-0,3	-4,3	-1,3	-0,6	-3,1	-2,0	-0,3	0,8	-0,9	2,2	3,9	-0,8	-2,1	-1,8	-0,1	0,3	-0,2

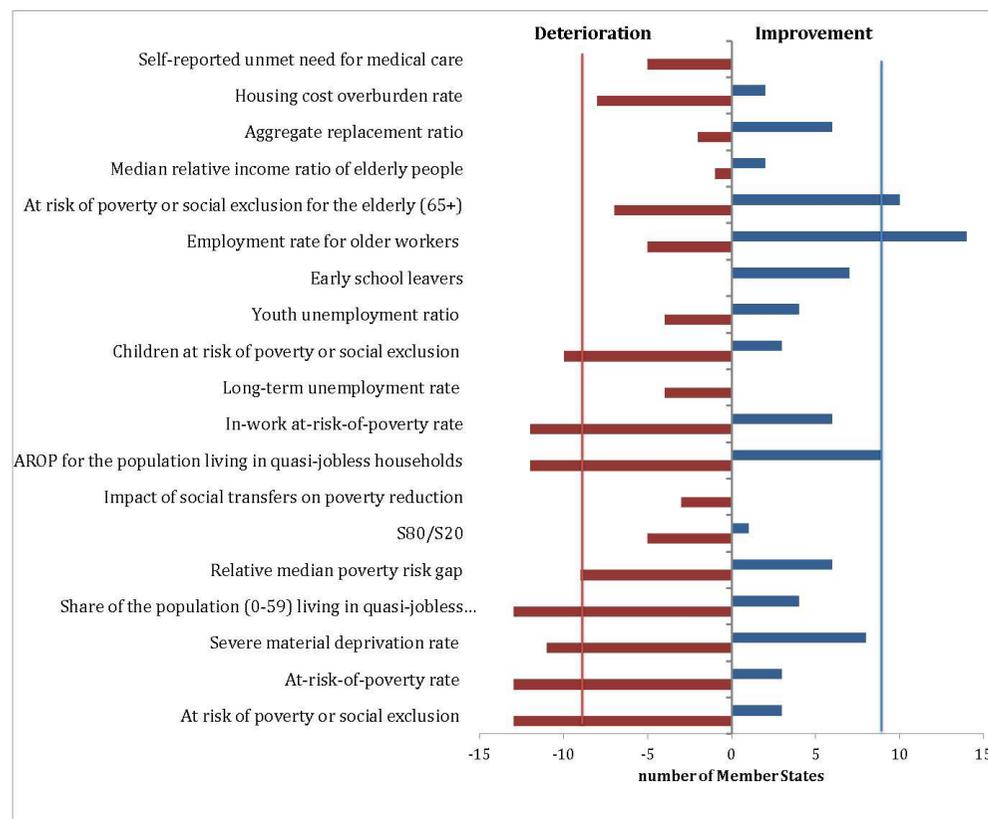
* The latest data for RO for real growth in GHDI available for 2010-11

Annex 2: Summary overview of Key Employment Challenges and particularly good labour market outcomes according to the Employment Performance Monitor (C=challenge; G=good labour market outcome) – adopted in June 2013³⁶.

Country	Labour market participation	Labour market functioning, combatting segmentation	Active labour market policies	Social security	work-life balance	Job creation	Gender equality	skill supply and productivity, lifelong learning	Education and training systems	wage setting mechanisms and labour cost development
BE	C	C	C	C/G				C	C	C
BG	C		C	C	C	C		C	C/G	C
CZ	C/G		C	C	C		C	C	C/G	
DK	C/G		G	C/G	G			G	C	
DE	G		C	C	C	G			C	
EE	C/G		C	C/G	C	G	C/G	C	C	
IE	C		C	C	C	C	G		G	G
EL	C	C	C	C	C	C		C	C	G
ES	C	C	C	C	C	C	G	C/G	C/G	G
FR	C/G	C	C	C/G		C		C/G		
IT	C/G	C	C	C	C	C	C/G	C/G	C/G	C
CY	C/G	C		C/G	C		C	C/G	C/G	
LV	C		C	C	C			C	C	G
LT	C	C	C	C	C		G	C	C	
LU	C/G		C	G		G		C	C/G	C
HU	C/G		C		C	C		C/G	C	
MT	C/G	G	C/G	C	C	G	C	C/G	C	
NL	C/G	C		C/G	C		G			
AT	C/G	G	G		C	C	C	C	C	
PL	C	C			C		C/G	C	C/G	
PT	C/G	C	C	G	G	C	G		C/G	C/G
RO	C		C	C/G	C		C	C	C	
SI	C	C	C	C	G	C	G	C	G	C
SK	C		C	C/G	C	C	C	C	C/G	
FI	C/G		C				C	G	G	C
SE	C/G		G	C/G	G			G		
UK	C/G				C		C		C/G	
HR	C		C		C		C	C	C/G	

³⁶ <http://register.consilium.europa.eu/pdf/en/13/st10/st10373-re01.en13.pdf>

Annex 3: Summary overview of the ‘social trends to watch’ as identified by the Social Protection Performance Monitor³⁷ - adopted in Jan 2013.



2010-2011	MS with significant deterioration	MS with significant improvement
At risk of poverty or social exclusion rate	CZ, EE, IE, EL, ES, IT, LV, HU, MT, NL, SI, FI, SE	PL, PT, RO
At-risk-of-poverty rate	BE, BG, CZ, EE, EL, ES, IT, HU, NL, RO, SI, SK, SE	UK, LV, LU
Severe material deprivation rate	DE, IE, EL, IT, CY, LV, LU, HU, MT, NL, FI	BE, BG, ES, LT, PL, PT, RO, SK
Share of the population (0-59) living in quasi-jobless households	BE, BG, DK, EE, IE, EL, ES, LT, LU, NL, SI, FI, SE	UK, RO, PT, PL
Relative median poverty risk gap	EE, IE, EL, IT, CY, LV, HU, AT, RO	CZ, FR, LT, LU, SK, SE
S80/S20	BG, EE, EL, IT, HU	LT
Impact of social transfers on poverty reduction	BG, EE, SK	-
AROP for the population living in quasi-jobless households	BE, DE, EE, EL, ES, IT, HU, NL, RO, SI, SK, SE	DK, IE, CY, LV, LU, MT, PT, FI, UK
In-work at-risk-of-poverty rate	CZ, DE, EE, FR, IT, HU, NL, PT, RO, SI, SK, UK	BE, EL, ES, LV, LT, LU
Long-term unemployment rate	BG, IE, EL, ES	-
Children at risk of poverty or social exclusion	BG, CZ, ES, IT, LV, NL, RO, SI, FI, SE	UK, PL, DE
Youth unemployment ratio	PT, CY, ES, EL	BE, EE, LV, SE
Early school leavers	-	BG, DK, ES, CY, LU, MT, PT
Employment rate for older workers	SI, RO, PT, CY, EL	BE, CZ, DK, DE, EE, FR, IT, LV, LT, HU, MT, NL, PL, SE
At risk of poverty or social exclusion for the elderly (65+)	IE, EL, IT, LT, HU, SI, SE	BG, DK, EE, FR, CY, LV, LU, PT, RO, SK
Median relative income ratio of elderly people	LT	LV, PT
Aggregate replacement ratio	IE, LT	EL, ES, CY, LV, LU, PT
Housing cost overburden rate	BE, BG, EE, IE, EL, PL, PT, SE	DK, RO
Self-reported unmet need for medical care	BE, EE, EL, HU, RO	-

Note: The social trends to watch for 2010-11, identified by deterioration in more than 1/3 of MS, are highlighted in red in the table to the right.

³⁷ ec.europa.eu/social/BlobServlet?docId=9235&langId=en