



Council of the  
European Union

Brussels, 2 October 2019  
(OR. en)

12589/19  
ADD 1

SOC 639  
EMPL 483  
ECOFIN 840  
EDUC 392

#### COVER NOTE

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From: Employment Committee  
To: Permanent Representatives Committee/Council

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Subject: EMCO Annual Employment Performance Report

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With a view to the EPSCO Council on 24 October 2019, delegations will find attached the EMCO Annual Employment Performance Report.

# EMCO Annual Employment Performance Report 2019

## Executive Summary

In line with the EPSCO Council's commitment to put its expertise on employment and labour market policies at the service of the European Council for a successful implementation of the Europe 2020 Strategy, the Employment Committee was mandated<sup>1</sup> to produce an "Employment Performance Monitor" (EPM), which serves two main objectives:

- Monitoring the progress towards the overall 2020 employment rate target and related national targets
- Identifying at a glance the key employment challenges (KECs) and good labour market outcomes (GLMOs) across the European Union and for each Member State respectively

This report presents the main findings from a detailed analysis of the 2019 EPM. In particular the EMCO Indicators Group analysed the EPM results to assess progress towards the EU-28 overall and national employment rate targets, as set in the Europe 2020 Strategy. The analysis integrates a forward-looking aspect, as it looks at the developments required both at EU and national levels to reach the respective employment rate targets by 2020. The EMCO Indicators Group has also provided a thematic analysis of the EPM as well as a summary of the key employment challenges and good labour market outcomes across the EU. This contributes to the identification of the main thematic EU priorities for the coming year. The EPM has also allowed for the identification of employment trends emerging from the analysis of recent year-on-year (which cover the period 2017-2018) as well as 3-year evolutions in data. The full analysis is presented in the sections below, but the main messages are presented in this section.

In 2018, the EU employment rate (20-64) increased by 1 percentage point compared to 2017 and stood at 73.2%, the highest level ever reached. Despite this increase, significant disparities still exist across the EU, with four Member States demonstrating employment rates notably below their corresponding pre-crisis levels. Over the past years, the EU was on track to meet its Europe 2020 target of a 75% employment rate for the population aged 20-64 years. However, slowing economic growth is expected to have an impact on the employment rate and therefore net job creation will continue at a more moderate pace. According to the latest Commission's Spring forecast, the number of employed persons in the EU is expected to increase by 0.8% in 2019 and 0.7% in 2020, lower than the 2018 expansion of 1.3%, while an increase of 1.8 percentage points is required over the next two years to reach the Europe 2020 employment target. Consequently, the forecast increases in the EU employment rate for the next two years (to 73.8% in 2019 and to 74.3% in 2020) mean the EU is expected to come very close to, but not to reach the Europe 2020 employment target of 75%.

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<sup>1</sup> See Council Doc. 14478/10

The majority of Member States already achieved the minimum employment growth that, if maintained, would allow them to hit their targets in 2020. However, it remains to be seen whether they will be able to maintain their current performance, given that employment growth is estimated to slow down in some Member States over the next two years.

The impact of demography on the efforts needed to reach the targets is worth underlining. The majority of Member States will need lower annual employment growth compared to the pre-crisis period to reach their national targets due to population decline. Moreover, thirteen countries are expected to reach their 2020 target even if they experience negative employment growth, on the basis of their projected population figures.

In 2018, thirteen Member States had already achieved their national target and in all of them the employment rate increased compared to 2017. Moreover, all the Member States that have not yet achieved their national targets have decreased the gap between their national target and the employment rate in 2018 as compared to the situation in 2017. The analysis in this report sets out in detail the Member States which are on course to meet or surpass their national target, and those which are expected to fall short.

The overview of the EPM indicates the following thematic priorities for Member States going forward, based on the EPM's reading of both Key Employment Challenges (KECs) and Good Labour Market Outcomes (GLMOs) in individual Member States (Tables 1 and 2 in Annex):

- 21 Member States have KECs in **labour market participation**, and 16 also achieved GLMOs. Youth unemployment and NEETs, older workers, non-EU migrants, and low duration of working life all feature prominently.
- 21 Member States have KECs relating to **skills and lifelong learning** and 9 achieved GLMOs.
- 20 Member States face KECs related to **education and training systems** (mainly on educational outcomes depending on socio-economic background, low tertiary education attainment rate, low attainment of basic skills and early school leavers), whilst 7 had GLMOs.
- 15 Member States face KEC in the area of **work-life balance** and 11 achieved GLMOs.
- 15 Member States face KEC in the area of **gender equality** and 11 achieved GLMOs.
- 13 Member States face KEC in the area of **labour market functioning** (labour market segmentation, transitions from temporary to permanent employment, undeclared work) and 15 achieved GLMOs.

- 13 Member States face KECs related to **social security systems** (e.g. unemployment benefits, low wage traps, unemployment traps), whilst 14 achieved GLMOs.
- 13 Member States face KECs in **Active Labour Market Policies** (ALMPs), focusing on long-term unemployment, public employment services, and general ALMP measures, whilst no Member State achieved GLMOs.
- 5 Member States face KECs related to **job creation** and 6 achieved GLMOs.
- 4 Member States face KECs related to **wage-setting mechanisms and labour costs**, whilst no Member State achieved GLMOs.

Finally, the analysis identifies some trends to watch for the period 2017-2018:

#### Positive trends

- An increase in the **employment rate** (in 26 MS)
- An increase in the **employment rate of older workers** (in 24 MS)
- An increase in **total employment** (in 23 MS)
- An increase in the **job vacancy rate** (in 22 MS)
- A decrease in the **long term unemployment rate** (in 16 MS)
- An increase of the **share of adults with medium or high education** (in 15 MS)

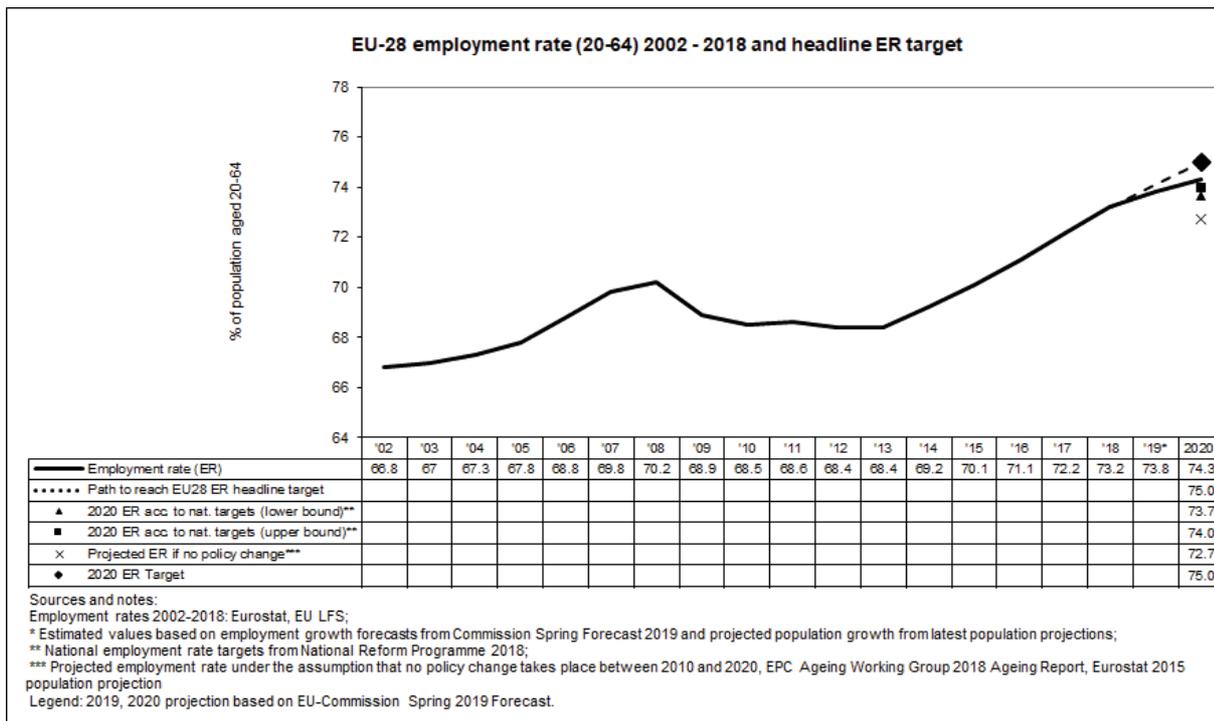
#### Negative trends

- An increase in the **nominal unit labour costs** in a majority of Member States (in 17 MS).
- An increase in the **at-risk-of-poverty rate of the unemployed** (registered in 9 MS), even though a decrease was observed in 7 MS.
- An increase in the **gender employment gap** in 7 MS, even though a decrease was registered in 4 MS.
- A deterioration in the **inactivity and part-time work due to personal and family responsibilities** in 6 MS, even though an improvement was observed in other 6 MS.
- A deterioration in the **unemployment trap tax rate on low wage earners** in 4 MS, even though an improvement was observed in 3 MS.

## 1. Progress towards the EU-28 employment rate headline target

The Europe 2020 Strategy set an EU-wide employment rate target of 75% for women and men aged 20 to 64 by 2020, which was translated into a set of national employment rate targets (Despite the setbacks encountered during the crisis years, the EU has recently seen strong employment expansion and has achieved record levels of employment. Since the adoption of the Europe 2020 strategy in 2010, the employment rate has grown by almost 5 percentage points (4.7 pp), with the most persistent growth taking place after 2015. In 2018, the EU employment rate (20-64) stood at 73.2%, well above the pre-crisis level of 70.3% in 2008 (which had already been surpassed in 2016) (Figure 1), and by the last quarter of 2018 had reached 73.5%, the highest level ever recorded.

Figure 1. Progress towards the EU-28 employment rate headline target



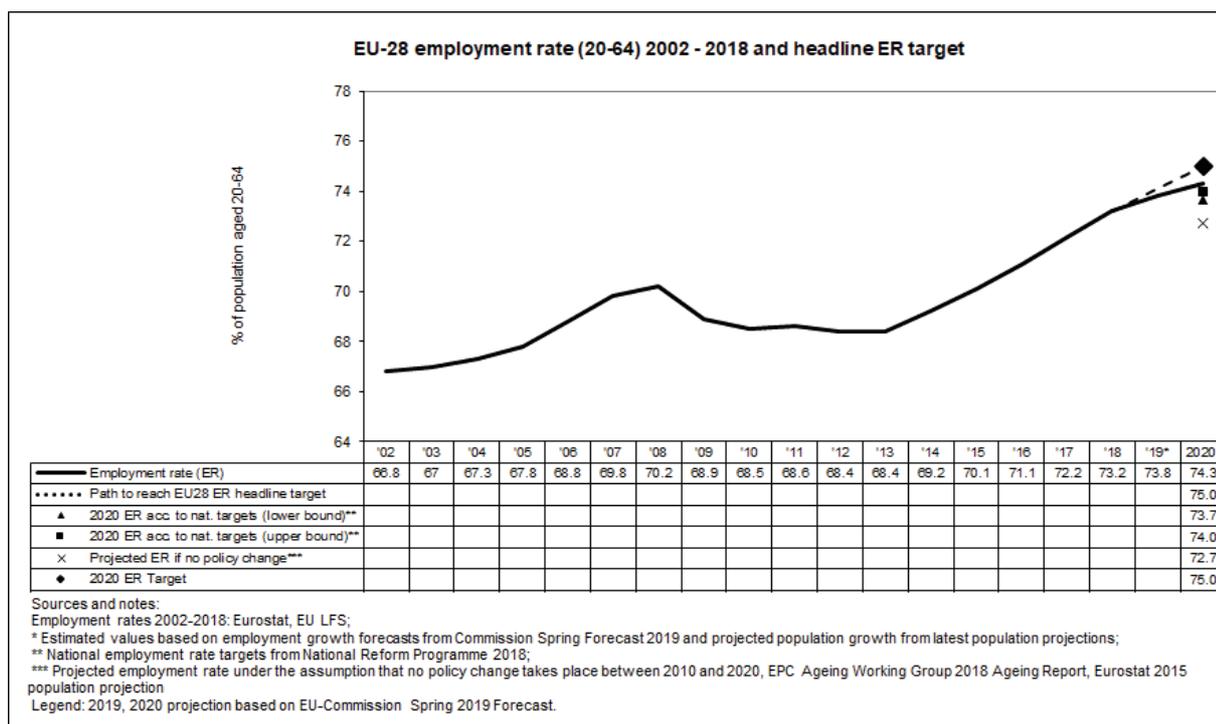
Source: Eurostat and DG Employment, Social Affairs and Inclusion estimates for 2019 and 2020

Table 1). The national 2020 employment rate targets (announced by Member States in 2011 through their National Reform Programmes or updated since then) range from 65.2% in Croatia to 80% in Denmark, the Netherlands and Sweden.<sup>2</sup>

The choice and ambition of the national targets has important implications for reaching the overall EU employment target, given that if all the Member States were to achieve their stated national targets for 2020, the EU average employment rate (20-64) would range between 73.7% and 74.0% (depending on whether lower or upper values are considered). This means that based on present national targets, the EU as a whole would fall short of the 75% target by 1-1.2 percentage points even if all national targets were achieved.

Despite the setbacks encountered during the crisis years, the EU has recently seen strong employment expansion and has achieved record levels of employment. Since the adoption of the Europe 2020 strategy in 2010, the employment rate has grown by almost 5 percentage points (4.7 pp), with the most persistent growth taking place after 2015. In 2018, the EU employment rate (20-64) stood at 73.2%, well above the pre-crisis level of 70.3% in 2008 (which had already been surpassed in 2016) (Figure 1), and by the last quarter of 2018 had reached 73.5%, the highest level ever recorded.

Figure 1. Progress towards the EU-28 employment rate headline target



Source: Eurostat and DG Employment, Social Affairs and Inclusion estimates for 2019 and 2020

<sup>2</sup> The United Kingdom has not set a national target. In a few countries (Austria, Cyprus, Ireland and Italy), the national target is expressed as a range of values (i.e. with upper and lower values) instead of a point target.

Table 1. National employment rate and sub-targets

MS	Employment rate (Headline target: 75% for age group 20-64)	2018 Employment rate	National sub-targets (%)
AT	77-78	76.2	
BE	73.2	69.7	ER of w omen 69.1; NEET 8.2; ER of older w orkers 50.0; difference betw een ER-non and EU citizens <16.5
BG	76	72.4	Reducing the level of unemployment among young people (aged 15-29) to 7% in 2020; Achieving a level of Employment among elderly people (aged 55-64) of 53% in 2020
CY	75-77	73.9	
CZ	75	79.9	ER of w omen 65.0; ER of older w orkers 55.0; unemployment rate (15-24) reduced by 1/3; unemployment rate of low -skilled reduced (ISCED 0- 2) by 1/4.
DE	77	79.9	ER older w orkers 60.0; ER of w omen 73.0
DK	80	78.2	
EE	76	79.5	Youth unemployment 10.0; long-term unemployment 2.5; productivity per employed person 80.0; share of adults (25-64) w ith no professional qualification 30.0; participation rate in lifelong learning among adults (25-64) 20.0; labour participation rate (15-64) 75.0
EL	70	59.5	
ES	74	67.0	ER of w omen 68.5
FI	78	76.3	
FR	75	71.3	ER of w omen 70.0
HR	65.2	65.2	
HU	75	74.4	
IE	69-71	74.1	
IT	67-69	63.0	
LT	72.8	77.8	ER of w omen 69.5; ER of men 76.5; ER of older w orkers 53.4
LU	73	72.1	
LV	73	76.8	
MT	70.0	75.0	
NL	80	79.2	
PL	71	72.2	
PT	75	75.4	
RO	70	69.9	
SE	well over 80	82.6	
SI	75	75.4	
SK	72	72.4	Long-term unemployment rate of 3% by 2020
UK	n.a.	78.7	
<b>EU average*</b>	<b>73.7-74.0</b>		

Source: National Reform Programmes 2018

\* Weighted average of all EU Member States excluding the UK which has not set a national employment rate target

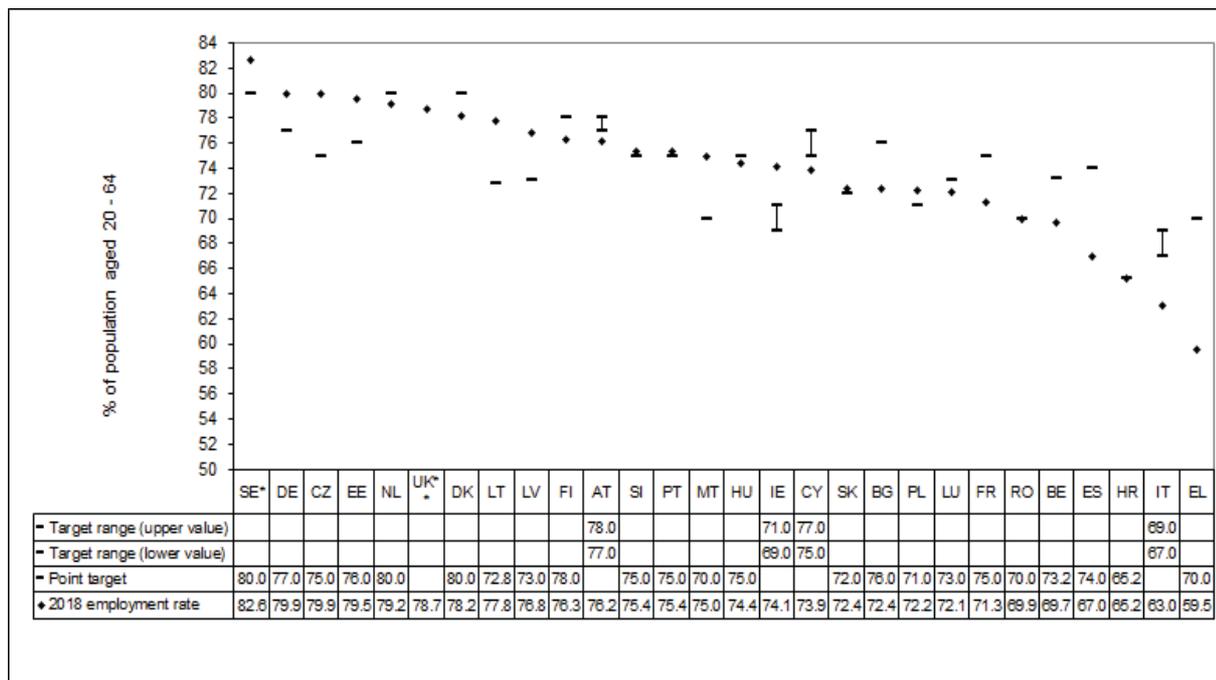
If the current trend were to continue into this and next year, the EU would be on track to meet its Europe 2020 target of a 75% employment rate for the population aged 20-64 years. However, the latest Spring European Commission economic forecast (European Commission (2019a)) reports that slowing economic growth has started to have an impact on the pace of employment growth and recent data suggest that net job creation will continue but at a more moderate pace. The number of employed persons in the EU is expected to increase by 0.8% in 2019 and 0.7% in 2020, lower than the 2018 expansion of 1.3%. Consequently, the forecast increases in the EU employment rate for the next two years (to 73.8% in 2019 and to 74.3% in 2020) mean the EU is expected to come very close to reaching the Europe 2020 target of 75%.

In 2018, thirteen Member States had already achieved their national target and in all of them the employment rate increased compared to 2017 (

Figure 2). Moreover, in all Member States that have not yet achieved their national targets, the gap narrowed in 2018 as compared to 2017. Despite recent progress, significant disparities still exist between countries, with four Member States (Greece, Cyprus, Spain and Denmark) showing employment rates below their corresponding pre-crisis levels, and four others (Italy, Croatia, The Netherlands and Finland) in which the employment rates increased very little in the past ten years.

The impact of demography on the efforts needed to reach the targets is worth underlining. The majority of Member States will need lower annual employment growth compared to the pre-crisis period to reach their national targets due to population decline. The rises in employment rates for women and older workers have been clear successes over the period of the strategy. However, unemployment and economic inactivity remain very high in some countries, notably amongst young people and the low skilled, who have been particularly affected by the crisis. Furthermore, in-work poverty has risen and remains persistently high, and labour market segmentation continues to be a challenge in a number of Member States, while the quality and precariousness of employment are also issues gaining increasing attention.

Figure 2. National employment rate targets set by Member States in their National Reform Programmes compared to employment rates in 2018



Sources: National Reform Programmes 2018, EU Labour Force Survey for 2018 employment rate.

Note: I indicates a range for Member States national targets

\* Sweden has defined a national employment rate target of "well over 80%".

\*\* The United Kingdom has not set a national employment rate target.

### a. Employment Growth needed to reach the Employment Target

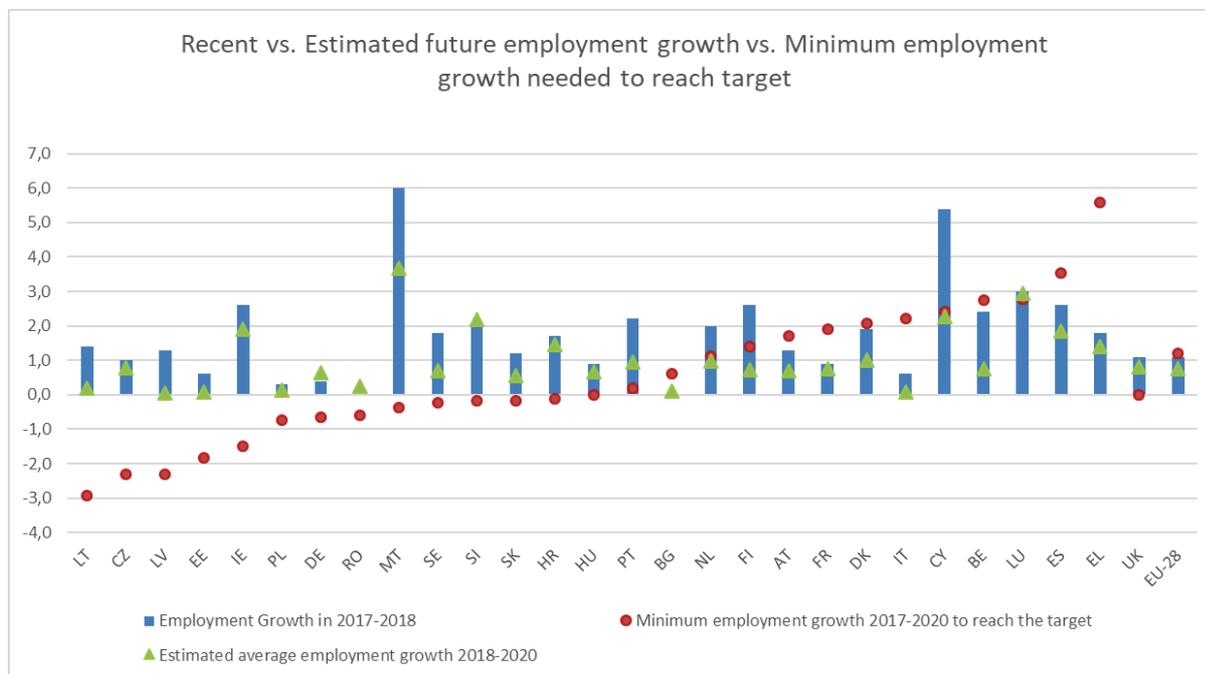
Combining information on the annual employment growth in 2017-2018 and the European Commission's 2019 Spring forecasts of employment growth for 2019 and 2020, it is possible to identify Member States with higher estimated employment growth for 2019-2021 (Figure 3).<sup>3</sup> This allows a comparison of the expected performance of Member States with the most recent developments, thus identifying those Member States that are expected to lose momentum and those that will gain traction in the next years. Employment growth is anticipated to pick up slightly in Slovenia and Germany during the next two years, whereas it is projected to slow down significantly in Cyprus, Malta, Finland, Portugal, Latvia, Lithuania, and The Netherlands.

However, simply looking at estimated employment growth does not provide a full picture. Thus, the next step in the analysis is to compare recent and estimated future developments with the minimum employment growth required to reach the employment target<sup>4</sup>, which can be found in Table B1 in Annex B of the Employment Performance Monitor.

<sup>3</sup>A geometric average of the annual growth rate estimated for 2018 and for 2019 is used.

<sup>4</sup>The minimum employment growth needed (that can be negative growth) ensures that the national target is at least reached, and that any higher growth will give a higher ER in 2020.

Figure 3: Comparison of recent employment growth (2017-2018) with estimated employment growth over 2019-2021 and the minimum employment growth required to reach the national employment rate target



Source: Employment growth in 2017-2018: JAF Indicator PA1.C1: Annual overall employment growth, calculated based on *lfsi\_grt\_a* (Eurostat LFS). Estimated average annual employment growth 2018-2020: 2019 European Commission's Spring Economic Forecast (employment growth), geometric average of 2019 and 2020 employment growth forecasts. Minimum employment growth 2017-2020 needed to reach target: EPM, Annex, table B1

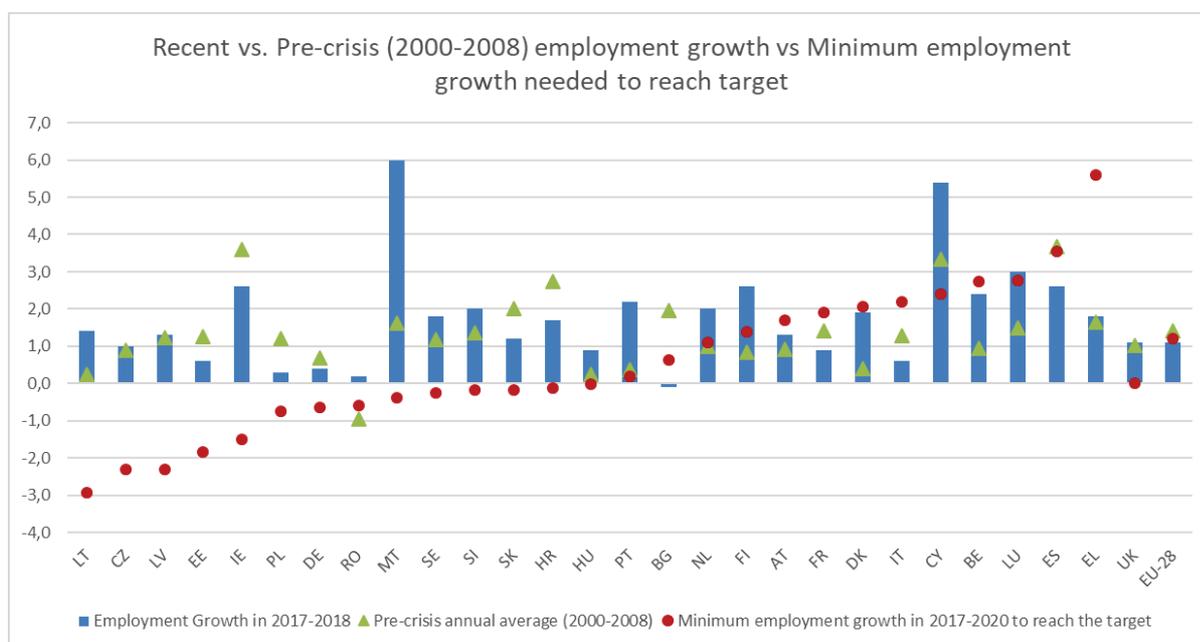
EU Member States need to maintain annual average employment growth of 1.2% to reach the national 2020 targets. The demographic change that will occur over the next years is important to consider when measuring the efforts needed to attain the national employment rate targets. In the EU-28 as a whole, the population aged 20-64 is set to decline slightly by 2020.<sup>5</sup> It is noteworthy that thirteen countries (Lithuania, Czech Republic, Latvia, Estonia, Ireland, Poland, Germany, Romania, Malta, Sweden, Slovenia, Slovakia and Croatia) are expected to reach their 2020 target even if there is negative employment growth, in view of their projected population figures (Figure 3).

The majority of Member States had already achieved in 2018 the estimated minimum employment growth required to reach the employment target. However, it should be noted that this growth needs to be maintained over the next years in order to achieve the target by 2020. Even though Member States are broadly on course to meet the Europe 2020 employment rate target, more efforts are still needed in those countries where the minimum employment growth required to reach the target is significantly higher than the European Commission's 2019 Spring forecasts for 2018-2020 (Greece, Italy, Belgium, Spain, France and Denmark).

<sup>5</sup> Estimated decrease by 1%

The average annual employment growth before the economic crisis (2000-2008 period) is then compared to (1) recent employment growth and (2) the estimated minimum employment growth required to reach the employment target (Figure 4). In 2018 the majority of Member States achieved employment growth higher than or around the respective pre-crisis rate. However, for a number of Member States (Bulgaria, Spain, Croatia, Ireland, Poland, Slovakia, Italy, Estonia, France and Germany), recent employment growth still falls behind the corresponding pre-crisis levels.

Figure 4: Comparison of pre-crisis (2000-2008) with recent (2017-2018) employment growth and the minimum employment growth required to reach the national employment rate target



Source: Employment growth in 2017-2018: JAF Indicator PA1.C1: Annual overall employment growth, calculated based on *lfsi\_grt\_a*. Pre-crisis employment growth: EPM, Annex B, table B1. Minimum employment growth 2017-2020 needed to reach target: EPM, Annex B, table B1

Finally, due to the population decline, the majority of Member States would need lower annual employment growth than in the pre-crisis period to reach their national targets by 2020. However, this is not the case for a number of Member States. In Greece, Belgium, Denmark, Luxembourg, Italy, Austria, Finland and France, the estimated annual employment growth needed to reach the 2020 national target is notably higher than the corresponding pre-crisis growth.

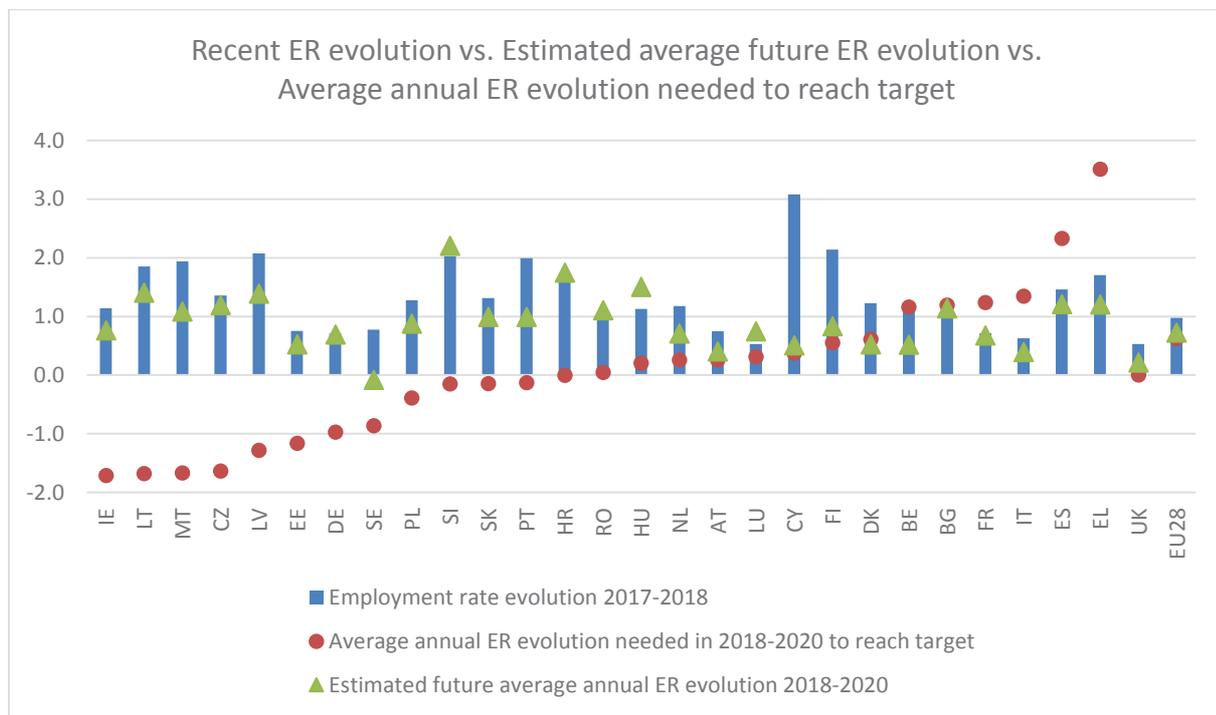
## b. Employment rate (ER) evolution for reaching the Employment target

Trends in the evolution of employment rates can provide complementary information on how well each Member State is performing with respect to its national 2020 employment rate target. This is achieved by comparing the evolution of the employment rate in the period 2017-2018 to the estimated average evolution of the employment rate in the period 2018-2020 and the estimated average change in the annual employment rate needed in the 2017-2020 period to reach the target in 2020 (Figure 5).

The result of the analysis indicate that for a number of Member States the estimated dynamics of employment rates for 2018-2020 are lower than those observed in 2017-2018. Specifically, in the case of Cyprus, Finland, Portugal, Latvia, Belgium and Denmark, the employment rate is expected to move notably slower than in 2018. On the other hand, it is expected to grow notably faster than in 2018 in Hungary, Slovenia, Luxembourg and Romania.

Furthermore, many Member States will need their employment rate to grow at around the same rate or faster than in 2018 to reach their national employment rate target by 2020, with the biggest efforts necessary in Greece, Spain, Italy and France.

Figure 5: Comparison of the recent employment rate change (over 2017-2018) to the estimated annual employment rate evolution over 2018-2020 and the average annual evolution needed to reach the national employment rate target

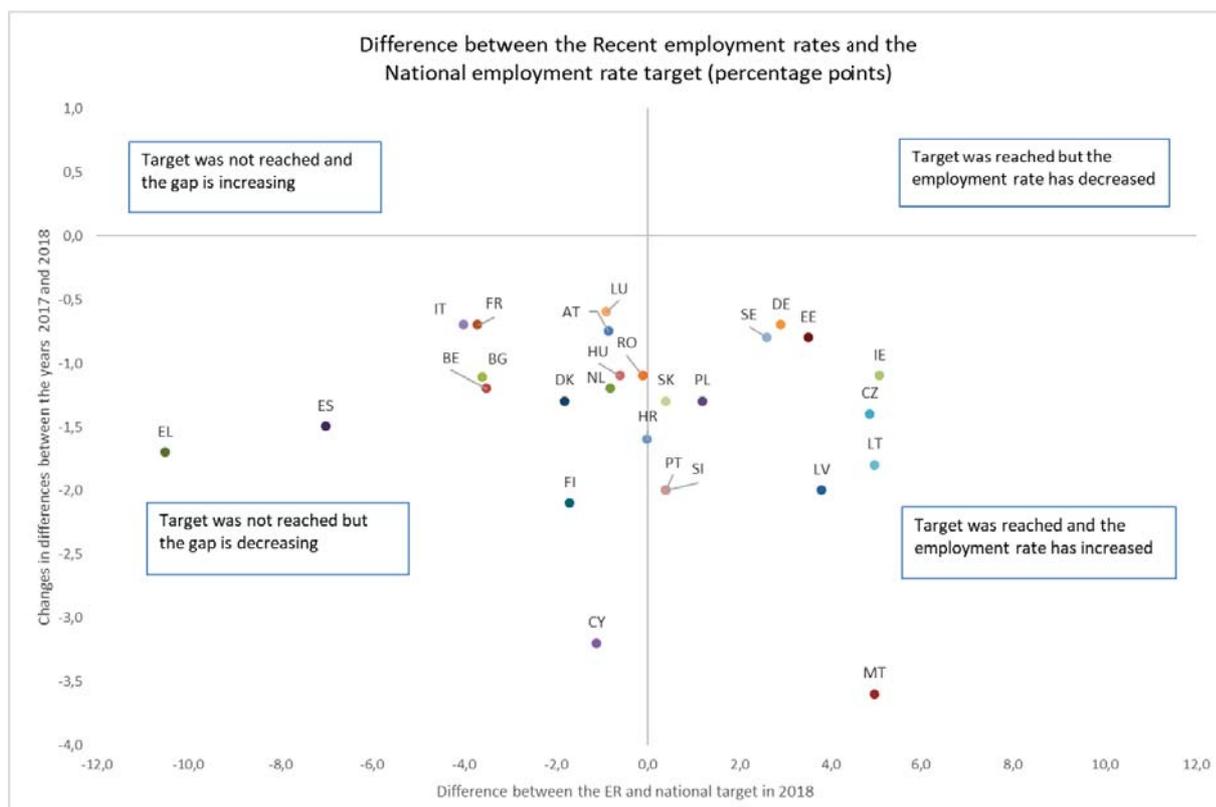


Source: Recent ER evolution – LFS. Estimated average annual employment rate evolution 2018-2020 and Estimated average annual employment rate evolution 2018-2020 needed to reach target: DG EMPL calculations on the basis of the 2019 European Commission's Spring Economic Forecast (employment growth) and Eurostat Europop 2015 population projection.

A further step is to identify the Member States that improved their prospects of reaching the national target by 2020. To this purpose, the difference between the national target and the employment rate observed in 2018 is computed. To evaluate the prospects of a Member State to reach its national target by 2020, this gap is compared with the change in the gap between the years 2017 and 2018. This comparison can be better visualised through the scatterplot in Figure 6, which identifies the group of countries that are moving towards achieving their national employment rate target and those moving in the opposite direction. This also shows which Member States have already achieved their national target and allows evaluating whether they show positive or negative developments in their employment rates.

The results of the analysis indicate that the majority of Member States that did not achieve their national employment rate target in 2018 showed positive developments, by decreasing the gap between the national target and the employment rate as compared to the situation in 2017. Moreover, all the Member States that had already achieved their national employment rate target showed a further increase in their employment rates in 2018.

Figure 6: Comparison of the difference between the 2018 employment rates and the national employment rate targets with the change in this difference between 2017 and 2018



Source: Recent employment rates - (Eurostat LFS)

Finally, according to projected employment rates in 2020<sup>6</sup> (under a "no policy change scenario" assumption) around a third of the Member States will have achieved their national target in 2020. On the contrary, employment rate projections show that significantly more efforts are needed to achieve the national target in Belgium, Bulgaria, Cyprus, Greece, Spain, Finland, France and Italy.

## 2. Overview of Key Employment Challenges and Employment trends in the EU labour market

One of the main objectives of the Employment Performance Monitor (EPM) is to identify at a glance the key employment challenges (KECs) and good labour market outcomes (GLMOs) across the European Union and for each Member State respectively, which are derived through the assessment produced by the Joint Assessment Framework (JAF). Tables displaying a summary of key employment challenges and good labour market outcomes across the EU can be found in Part I of the EPM<sup>7</sup>, whereas specific key employment challenges and good labour market outcomes for each Member State are presented in Part II<sup>8</sup>. The EPM also includes a dashboard of key employment indicators (EPM dashboard<sup>9</sup>) which can be used to identify "trends to watch" and "positive recent trends" common to a number of Member States in the field of employment.

A summary overview of the findings from both of these sections of the EPM is presented in the sections below with the aim of providing an overall picture of the labour market situation in the EU, covering both structural challenges as well as overall recent trends.

### a. Overview of key employment challenges and good labour market outcomes

This section provides a summary overview of the KECs and GLMOs across the EU, based on a horizontal reading of the information in the EPM. KECs are defined as major areas of underperformance that can signal structural problems, whereas GLMOs are defined as areas of good labour market performance.

In the EU as a whole, readings of the EPM show that Member States face the following **key employment challenges** under the 10 JAF policy areas (Figure 7):

- Labour market participation (21 MS), which mainly relate to
  - Low and/or decreasing employment rate: overall (6 MS), women (4 MS), older workers (11 MS), low-skilled (9 MS) and non-EU migrants (6 MS)
  - High and/or increasing incidence of youth unemployment and/ or NEETs (8 MS)
  - Low duration of working life (7 MS)

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<sup>6</sup> Projections are those included in the 2018 Ageing Report, by the EPC Ageing Working Group (see EPM, Annex B, table B1)

<sup>7</sup> Tables 1 and 2

<sup>8</sup> Part II: Country Overviews, Table 3 for each MS

<sup>9</sup> The EPM dashboard can be found in Annex C in the EPM

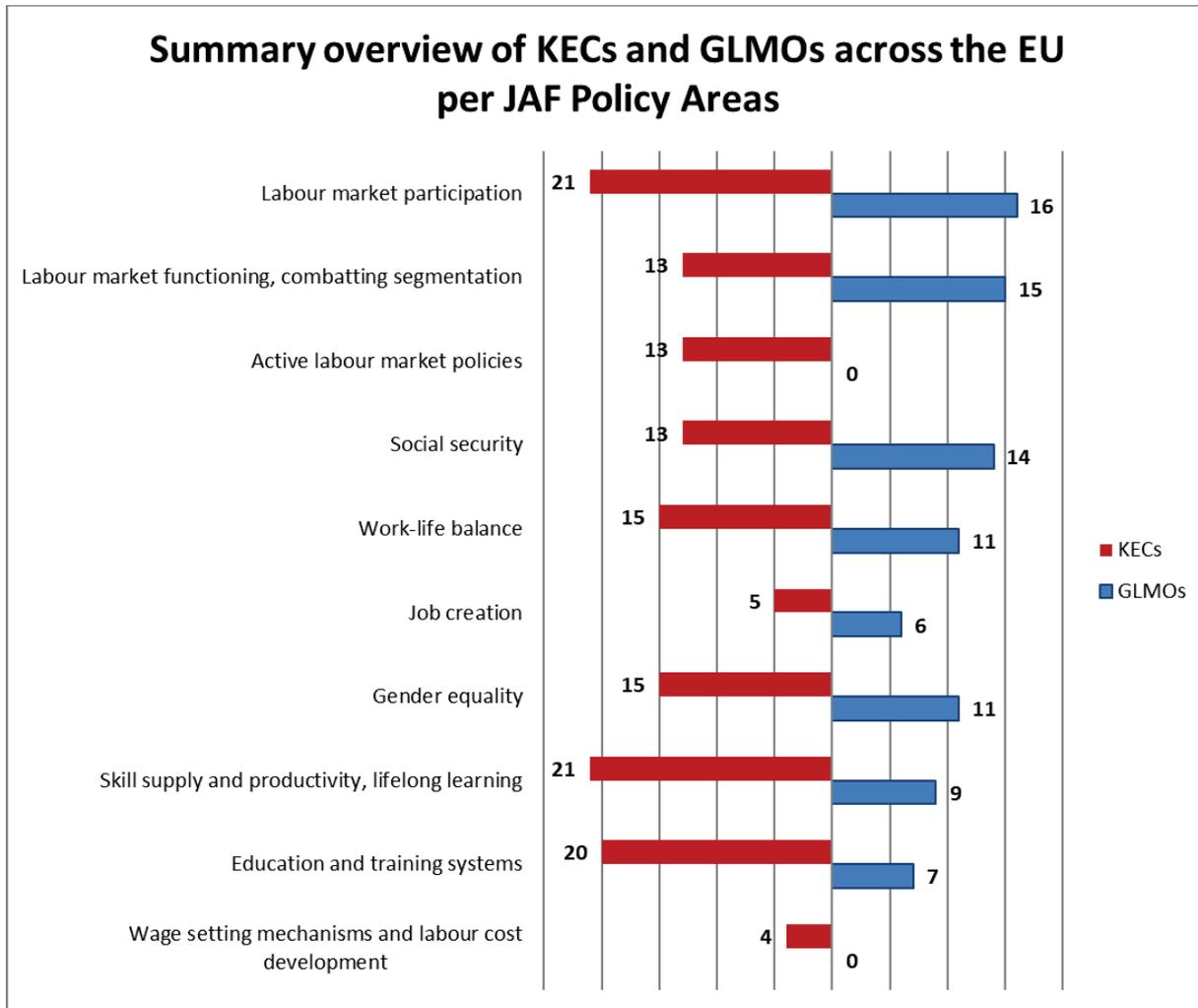
- Labour market functioning (labour market segmentation, transitions from temporary to permanent employment, undeclared work)(13 MS)
  - High/increasing labour market segmentation (9 MS), low transitions from temporary to permanent employment (3 MS)
  - High incidents of undeclared work (6 MS)
- Active Labour Market Policies (13 MS), which mainly relate to
  - Low level of ALMP expenditure/Insufficient provision of well targeted tailored measures/Insufficient functioning of public employment services (13 MS)
  - High incidence of long-term unemployment (5 MS)
- Adequate and employment oriented social security systems (13 MS), which mainly relate to
  - Inadequate level and coverage of unemployment benefits / High poverty and/or low wage traps / High levels of at risk-of poverty (10 MS)
  - Disincentives for labour market participation in social security systems / Disability pensions / Unemployment traps (3 MS)
- Work-life balance (15 MS), which mainly relate to
  - Insufficient provision / uptake of high quality, affordable child and/or dependent care facilities (11 MS)
  - High incidence of inactivity and part-time work due to family obligations, high impact of parenthood on employment (12 MS)
- Job creation (5 MS), which mainly relate to
  - Negative employment growth / insufficient job creation (1 MS)
  - High tax wedge on labour (4 MS)
- Gender equality (15 MS), which mainly relate to
  - Gender gaps: employment (9 MS), pay (5 MS)
  - Disincentives for second earners (6 MS)

- Skill supply and productivity, lifelong learning (21 MS), which mainly relate to
  - Weaknesses with respect to educational attainment of the (adult) population (5 MS)
  - Low participation in lifelong learning / lack of an integrated lifelong learning strategy (12 MS)
  - Skills mismatches / Insufficient forecasting skills system (14 MS)
  - Low level of digital skills among adults (3 MS)
- Education and training systems (20 MS), which mainly relate to
  - High incidence of early school leaving (8 MS)
  - Low upper secondary education attainment (3 MS)
  - Low tertiary education attainment rate (6 MS)
  - Low attainment of basic skills (5 MS)
  - Educational outcomes depending on socio-economic and migrant background (8 MS)
  - Low participation in early education and care (1 MS)
  - Low attractiveness of vocational education and training (1 MS)
  - Low attractiveness of the teacher profession (2 MS)
  - Insufficient provision of education and training opportunities to meet labour market needs (5 MS)
- Wage setting mechanisms and labour cost development (4 MS), which relate to
  - Minimum wage setting (2 MS)
  - Collective bargaining (3 MS)

On the contrary, Member States demonstrated good **labour market outcomes** in the areas of

- Labour market participation (16 MS)
- Labour market functioning (labour market segmentation, transitions from temporary to permanent employment, undeclared work) (15 MS)
- Social security (14 MS)
- Work-life balance (11 MS)
- Job creation (6 MS)
- Gender Equality (11 MS)
- Skill supply and productivity, lifelong learning (9 MS)
- Education and training systems (7 MS)

Figure 7: Summary overview of KECs and GLMOs across the EU per JAF Policy Area



**b. Review of the employment trends identified in the 2019 EPM dashboard**

This section provides an overview of recent developments in the employment situation in the EU, based on the results from the latest edition of the EPM dashboard, a tool which uses the main indicators under the 10 JAF Policy Areas to identify common EU employment "trends to watch" and "positive recent trends"<sup>10</sup> with the aim of identifying common labour market trends in the European Union.

<sup>10</sup> Common trends are identified when around 1/3 of Member States show a notable deterioration / improvement.

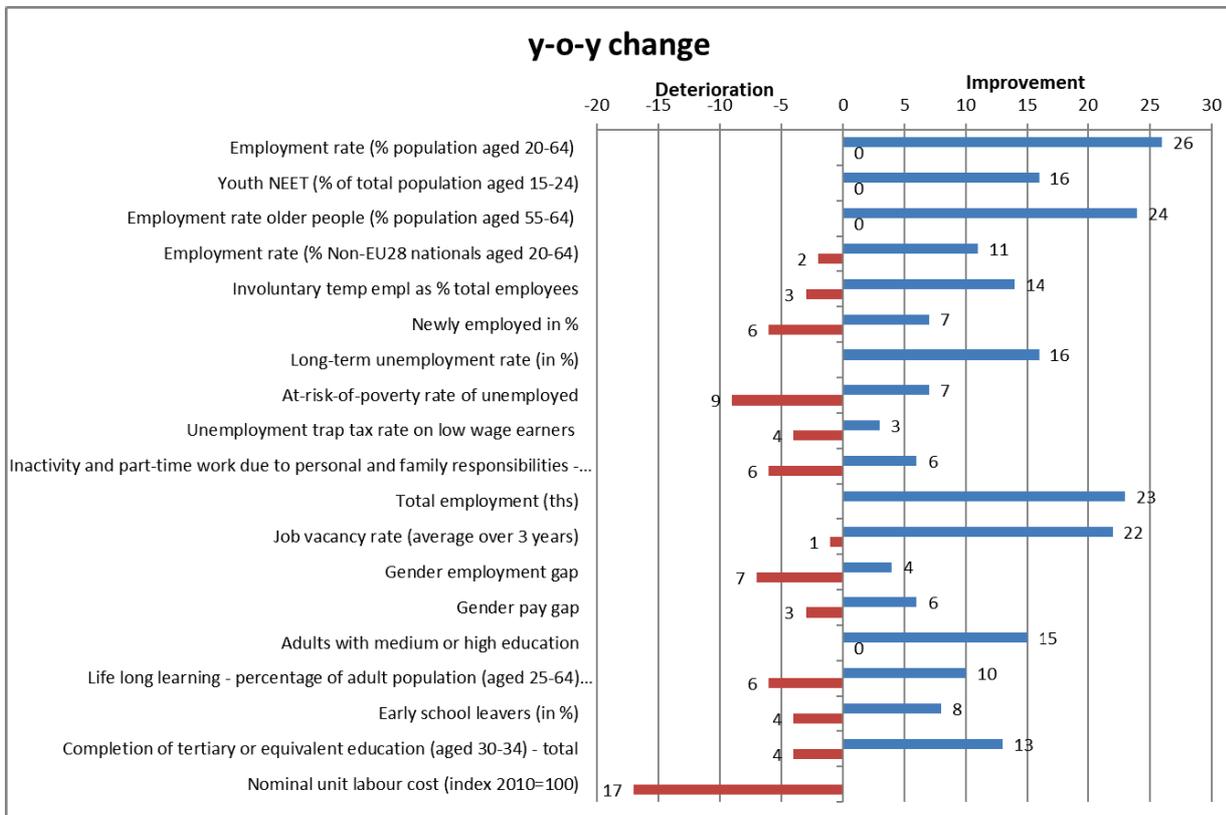
In the EU as a whole the following main negative trends, or “trends to watch” are identified for the most recent period 2017-2018 (Figure 8):

- An increase in the **nominal unit labour costs** in a majority of Member States (in 17 MS).
- An increase in the **at-risk-of-poverty rate of the unemployed** (registered in 9 MS), even though a decrease was observed in 7 MS.
- An increase in the **gender employment gap** in 7 MS, even though a decrease was registered in 4 MS.
- A deterioration in the **inactivity and part-time work due to personal and family responsibilities** in 6 MS, even though an improvement was observed in other 6 MS.
- A deterioration in the **unemployment trap tax rate on low wage earners** in 4 MS, even though an improvement was observed in 3 MS.

In contrast, positive developments in the labour market and social situation can be observed in the following areas:

- An increase in the **employment rate** (in 26 MS)
- An increase in the **employment rate of older workers** (in 24 MS)
- An increase in **total employment** (in 23 MS)
- An increase in the **job vacancy rate** (in 22 MS)
- A decrease in the **long term unemployment rate** (in 16 MS)
- An increase of the **share of adults with medium or high education** (in 15 MS)

Figure 8: Employment trends to watch and areas of improvement for the period 2017-2018



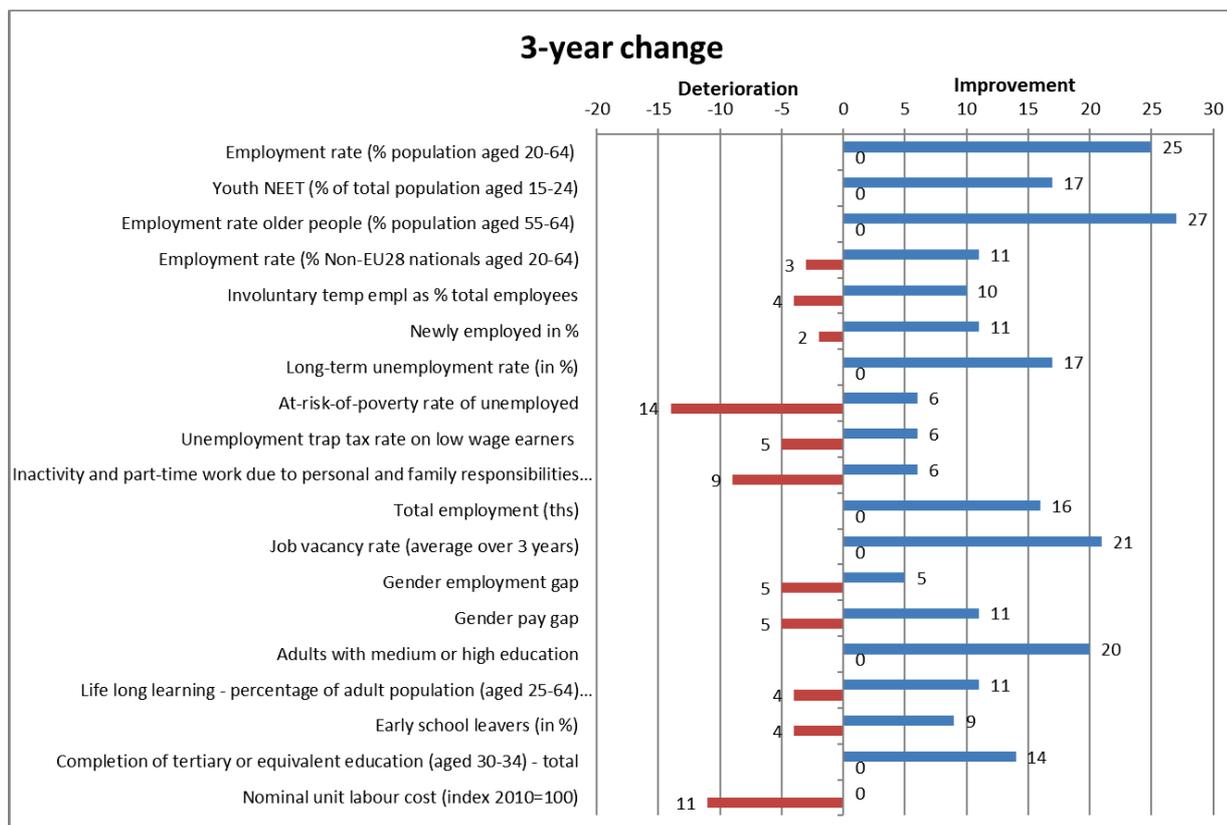
Looking at the longer-term developments (over three years), the areas with the most substantial deterioration compared to 2015 are (Figure 9):

- An increase in the **at-risk-of-poverty rate of the unemployed** (registered in 14 MS), even though a decrease was observed in 6 MS.
- An increase in the **nominal unit labour cost** in 11 MS.
- A deterioration in the **inactivity and part-time work due to personal and family responsibilities** in 9 MS, even though an improvement was observed in other 6 MS.

In contrast, positive developments can be observed in the following areas:

- An increase in the **employment rate of older workers** (in 27 MS)
- An increase in the **employment rate** (in 25 MS)
- An increase in the **job vacancy rate** (in 21 MS)
- An increase of the **share of adults with medium or high education** (in 20 MS)
- A decrease in the **NEET rate** (registered in 17 MS)
- A decrease in the number of the **long-term unemployed** (in 17 MS)
- An increase in the total employment (in 16 MS)

Figure 9: Employment trends to watch and areas of improvement for the period 2015-2018



## Annex

Table 1: Summary overview of the Key Employment Challenges and particularly good labour market outcomes per Member State and per policy area, May 2019

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/G			C/G	C	C/G	
BG	C	C/G	C		C		G	C	C	C
CZ	C/G		C	C/G	C		C	G	C	
DK	G	G		G	G			C	C	
DE	G	G		C	C	G	C	C	C	
EE	G	C/G		G	C		C	G	C	
IE	G	G		G	C			C/G		
EL	C	C	C	C/G	G	C	C	C	C/G	
ES	C	C/G	C	C	G			C	C	
FR	C	C		G	G	C		C	C	
HR	C	C	C	G	C/G			C	C/G	C
IT	C	C	C	G	C		G	C	C	
CY	C	C/G	C	G	C	G	G	C	C/G	
LV	C/G	C/G	C	C		C	G	C/G		
LT	C/G	G		C			G	C/G	C/G	
LU	C/G			C	G	G	G	C/G	C	
HU	C/G	G		C	C	G	C		C	C
MT	C/G			C	G	G	C	C	C	
NL	C/G	C		G	C		C			
AT	C	G			C	C	C		C	
PL	C/G	C/G			C		C/G	C	G	
PT	G	C	C		G		C	C	C	
RO	C	C/G	C	G	C		G	C	C	C
SI	C/G		C	C	G	C	G		G	
SK	C		C	C/G	C		C	C	C	
FI	C/G	C	C	C/G	G		C	C/G	C	
SE	G	G			G		G	G	C	
UK		C/G		C	C	G		C/G		

C=challenge

G=good labour market outcome

Table 2: Common Key Employment Challenges, May 2019 – Details<sup>11</sup>

Employment policy areas	Key Employment Challenges	EU-28 sum	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
1. Labour market participation	Low/decreasing employment rate	6								c	c		c	c				c							c					
	Low/decreasing female employment rate	4								c			c							c			c							
	Low/decreasing participation of older workers	11	c							c	c	c	c					c		c		c	c		c	c				
	High/increasing incidence of youth unemployment and/or NEET	8		c						c	c		c	c	c				c						c					
	Low/decreasing participation of low-skilled persons	9	c	c	c								c	c				c						c			c	c		
	Low/decreasing participation of non-EU nationals/people with migrant background	6	c										c						c			c	c						c	
	Duration of working life	7	c	c							c							c		c			c							
2. Enhancing labour market functioning; combating segmentation	High/increasing labour market segmentation	9									c	c	c	c	c						c		c	c					c	
	Low transition from temporary into permanent contracts	3										c	c										c							
	High incidence of undeclared work	6		c						c				c	c	c										c				
3. Active labour market policies	Low level of ALMP expenditure/Insufficient provision of well targeted tailored measures/functioning of employment services	13		c	c					c	c		c	c	c	c								c	c	c	c	c		
	High incidence of long-term unemployment	5		c						c	c			c													c			
4. Adequate and employment oriented social security systems	Inadequate level and coverage of unemployment benefits, poverty trap, at risk-of poverty	10			c		c			c	c						c	c		c					c		c			c
	Disincentives for LM participation in the social security system/disability pension, unemployment/inactivity/low wage traps	3	c																c									c		

<sup>11</sup> The table is updated on the basis of the key employment challenges identified in in the country overviews under part II of the EPM. The aim of the table is to identify the key employment challenges that are common to several Member States.

## Common Key Employment Challenges, May 2019 – Details (CONTINUED)

Employment policy areas	Key Employment Challenges	EU-28 sum	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK			
5. Work-life balance	Insufficient provision/uptake of high quality, affordable child and/or dependant care facilities	11		c	c				c				c		c				c		c	c			c		c			c			
	High incidence of inactivity and part-time work due to family obligations, high impact of parenthood on employment	12		c	c		c	c	c					c					c		c		c			c		c			c		
6. Job creation	Negative employment growth/insufficient job creation	1								c																							
	High tax wedge on labour	4										c					c						c					c					
7. Gender equality	Large gender employment gaps (including part time)	9			c			c	c										c	c	c	c	c		c		c						
	Large/increasing gender pay gap	5			c		c	c												c				c									
	Disincentives for LM participation for second earners	6	c				c						c							c							c		c				
8. Improving skill supply and productivity; Lifelong learning	Weaknesses with respect to educational attainment of the (adult) population	5				c								c											c	c							
	Low participation in lifelong learning/lack of an integrated lifelong learning strategy	12		c					c	c		c	c		c	c	c	c					c			c		c					
	Skills mismatches/Insufficient forecasting skills system	14	c	c			c	c	c	c	c				c									c			c					c	
	Low level of digital skills among adults	3												c	c												c						
9. Improving education and training systems	High incidence of early school leaving	8		c		c					c			c						c						c	c		c				
	Low upper secondary education attainment	3										c															c						
	Low tertiary education attainment rate	6		c										c	c											c	c						
	Low attainment of basic skills	5									c										c		c				c						
	Educational outcomes depending on socio-economic and migrant background	8	c					c																			c		c		c		
	Low participation in early education and care	1																												c			
	Low attractiveness of vocational education and training	1											c																				
	Low attractiveness of the teacher profession	2			c																											c	
	Public spending on human resources low/inefficient	0																															
	Insufficient provision of education and training opportunities to meet labour market needs	5		c										c	c		c												c				
10. Wage setting mechanism and labour cost developments	Minimum wage setting	2		c																									c				
	Collective bargaining	3												c																c			
	Labour cost developments not in line with productivity gains	0																															