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**NOTE**

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From: Employment Committee (EMCO)  
To: Permanent Representatives Committee/Council

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Subject: Employment Performance Monitor (EPM) - Report on key employment challenges and main messages from EMCO  
- Endorsement of the main messages

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Delegations will find attached the main messages from the Employment Committee on the Employment Performance Monitor (EPM) and its Report on Key Employment Challenges (EMCO Annual Employment Performance Report).

The full Report can be found in doc.: 12488/16.

The EPM can be found in doc: 12490/16.

## **Note accompanying the EMCO Annual Employment Performance Report and Employment Performance Monitor**

For the first time the Employment Committee (EMCO) is submitting its annual Employment Performance Monitor (EPM) to the October meeting of the EPSCO Council rather than the June meeting. This change is due to EMCO's wish to contribute to the preparation of the 2017 Annual Growth Survey. The EPM has strengthened its forward-looking approach, while keeping the richness of information on Key Employment Challenges and good labour market outcomes, which will contribute to the 2016 – 2017 Semester cycle as it has done in previous years.

To enhance the readability of the EPM, EMCO's Indicators Group has prepared a report (called the EMCO Annual Employment Performance Report) summarising the main findings. EMCO's intention is to submit such a report every year with the EPM. From this report and the most recent quarterly data, EMCO notes that the EU employment rate is now back to its pre-crisis level, although significant disparities exist between Member States (8 Member States have employment rates notably below their pre-crisis level). Employment growth is currently recovering. Even though the forecasts for the next two years show a further increase, reaching the Europe 2020 target will still require a considerable effort, as the employment rate would have to increase by almost 5 percentage points in order to reach the target of 75% by 2020. If all national targets were achieved, the EU as a whole would still fall short of the 75% target by 0.8-1.2 percentage points.

The report also provides information on the employment growth needed to reach the Employment Target for each Member State, and compares the average annual evolution of employment needed to reach the national target with that of the most recent period (over 2014-2015) and the estimated evolution over 2015-2017. The majority of Member States are currently achieving growth which, if maintained, would allow them to hit their respective national targets in 2020. However, employment growth is estimated to slow down in some Member States over the next two years.

To increase its contribution to the forward looking debate, the report also highlights the sources for untapped labour force potential. In particular, it identifies the labour market sub-groups (prime age women, women aged 55 to 64, low-skilled men) with the highest potential impact on the overall national employment rate, were their employment rates to be increased to the highest levels observed in the EU. This is intended to help focus debate on the priorities for employment policies in the context of the Europe 2020 Strategy.

The EPM also provides an analysis and identification of the underlying trends and common problems in the EU labour markets. It should therefore help to underpin the key messages on employment issues in the debate of next year's priorities.

Looking at the Key Employment Challenges (KECs) identified by the EPM, and drawing also on discussions on last year's EPM, EMCO would also want to highlight the following points ahead of the publication of this year's Annual Growth Survey.

Job creation must remain a key focus of reforms. To this end, the recent trend of an increase in the tax wedge on labour in some Member States should be reversed. Reforms promoting the alignment of wages to productivity should also be maintained.

Skills, education and training feature prominently amongst the KECs, although there are also positive trends related to the level of education possessed by adults. Sustained investment in these areas remains essential to contribute to growth and competitiveness.

Labour market participation remains a challenge in a large majority of Member States. EMCO's monitoring of the Youth Guarantee signals a reduction in youth unemployment (the EPM identifies a decrease in the NEET rate in a majority of Member States) and on improving school-to-work transitions: this should continue to be properly funded and implemented. The employment rate of non-EU28 nationals (and the deterioration in this rate in some Member States) identified by the EPM should be a cause for concern.

Active labour market policies remain a focus for many Member States. The implementation of the Council Recommendation on the integration of the long-term unemployed should be a priority for Member States in this field. EMCO will begin monitoring the implementation of this Recommendation in the 2016 – 2017 Semester.

Social protection and social security systems are another major area of concern for a majority of Member States. The EPM has identified an increase in the at-risk-of-poverty rate of the unemployed in a number of Member States and this should be addressed. Social protection should promote the active inclusion of those furthest away from the labour market.