Council of the European Union

Brussels, 28 September 2016
(OR. en)

12488/16

SOC 553
EMPL 364
ECOFIN 826
EDUC 295

COVER NOTE

From:	Employment Committee
To:	Permanment Representatives Committee / Council
Subject:	Employment Performance Monitor (EPM) - Report on key employment challenges and main messages from EMCO - Endorsement of the Report from the EMCO

Delegations will find attached the EMCO Report on Key Employment Challenges (EMCO Annual Performance Report), with a view to the EPSCO Council on 13 October 2016.

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EMCO Annual Employment Performance Report (accompanying the 2016 Employment Performance Monitor)

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[1] to produce an "Employment Performance Monitor" (EPM), which aims at identifying at a glance the main employment challenges for the European Union and for each Member State. This note accompanies the 2016 EPM and integrates a forward looking aspect.

The EPM is based on the findings of the Europe 2020 Joint Assessment Framework (JAF). The JAF is an indicator-based assessment system prepared jointly by the Employment Committee, the Social Protection Committee (SPC) and the Commission, covering general and specific policy areas under the Employment Guidelines, with the objective to identify key challenges and good labour market outcome in these areas and support Member States in establishing their priorities.

The EPM reflects the results of JAF analysis and 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

The EPM also includes a section displaying the results obtained from the JAF modules[2] as well as the EPM dashboard. The latter is used for the identification of "trends to watch" and "positive recent trends" common to a number of Member States in the field of employment.

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[1] See Council Doc. 14478/10
[2] Currently this section features the results obtained from the analysis of the JAF module "Results and impact of the Youth Guarantee"

This report presents the main findings from a detailed analysis of the 2016 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 IG has also provided a thematic analysis of the EPM and provided 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. Also, the EPM has also allowed the identification of employment trends emerging from the analysis of recent year-on-year (which covers the period 2014 – 2015) 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 2015, the EU employment rate (20-64) increased by 0.9 percentage points compared to 2014 and stood at 70.1%, reaching a value close to the pre-crisis level of 70.3% in 2008. However, the EPM shows that despite this increase significant disparities still exist between Member States, with eight Member States demonstrating employment rates notably below their corresponding pre-crisis levels. Even though the forecasts for the next two years show a further increase in employment, the Europe 2020 target remains far from reach (an increase by almost 5 percentage points is required) as well as the corresponding national targets for the majority of Member States (and it should be noted that, even if all national targets were met, the EU would still fall short of the overall EU target of 75%).

EU Member States need to maintain on average an annual employment growth of 0.73% to reach the national 2020 targets. In 2015 the employment growth at EU level was 1.0% and varied across Member States. The majority of Member States already achieved the minimum employment growth that, if maintained, would allow them hitting their respective national targets in 2020. However, it remains to be seen whether they will be able to keep the current performance, also since employment growth is estimated to slow down in some Member States over the next two years.

Estimating the efforts needed to reach the employment rate targets requires combining information on employment growth with the impact of demography, which 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, six countries are expected to reach their 2020 target even if they experience negative employment growth, on the basis of their projected population figures.

In 2015 four Member States already achieved their national target and in all of them the employment rate increased compared to 2014. For most of the Member States not yet achieving their national targets, the gap between the national target and the employment rate in 2015 appears to have decreased as compared to 2014. However, for a few of them the achievement of national objectives is becoming increasingly challenging, as the current (but also the forecasted) employment rate evolution is lower than the one necessary to reach the target. The IG's analysis sets out in detail which Member States are on course to meet or surpass their national target, and those who are expected to fall short.

The IG's analysis also identifies those labour market sub-groups where increased employment rates would have the highest potential impact on the overall national employment rate: women aged 30 – 54; women aged 55 – 64; the low-skilled.

The IG's 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:

- 22 Member States face KECs related to education and training systems (mainly on low tertiary education attainment rate and educational inequalities), whilst 12 had GLMOs.
- 21 Member States have KECs in labour market participation, and 20 also achieved GLMOs. Youth unemployment and NEETs, older workers, non-EU migrants, and low duration of working life all feature prominently.

- 21 Member States face KECs in Active Labour Market Policies (ALMPs), focusing on long-term unemployment, public employment services, and general ALMP measures, whilst 4 had GLMOs.

- 20 Member States face KECs related to social security systems (e.g. unemployment benefits, low wage traps, unemployment traps), whilst 13 achieved GLMOs.

- 19 Member States have KECs relating to skills and lifelong learning and 8 achieved GLMOs.

These are the most prominent: other KECs related to work-life balance (17 Member States); job creation (14); labour market functioning (13); gender equality (12); wage-setting mechanisms and labour costs (10).

Finally, the IG's analysis identifies some trends to watch, both positive and negative, for the period 2014 – 2015.

Positive trends

- An increase both in the overall employment rate (in 19 Member States) and the employment rate of older workers (in 23 MS)

- Improvements in the completion of tertiary or equivalent education for the 30 – 34 age group (18 MS)

- Increase in the job vacancy rate (17 MS)

- Decreases in the NEET rate (16 MS)

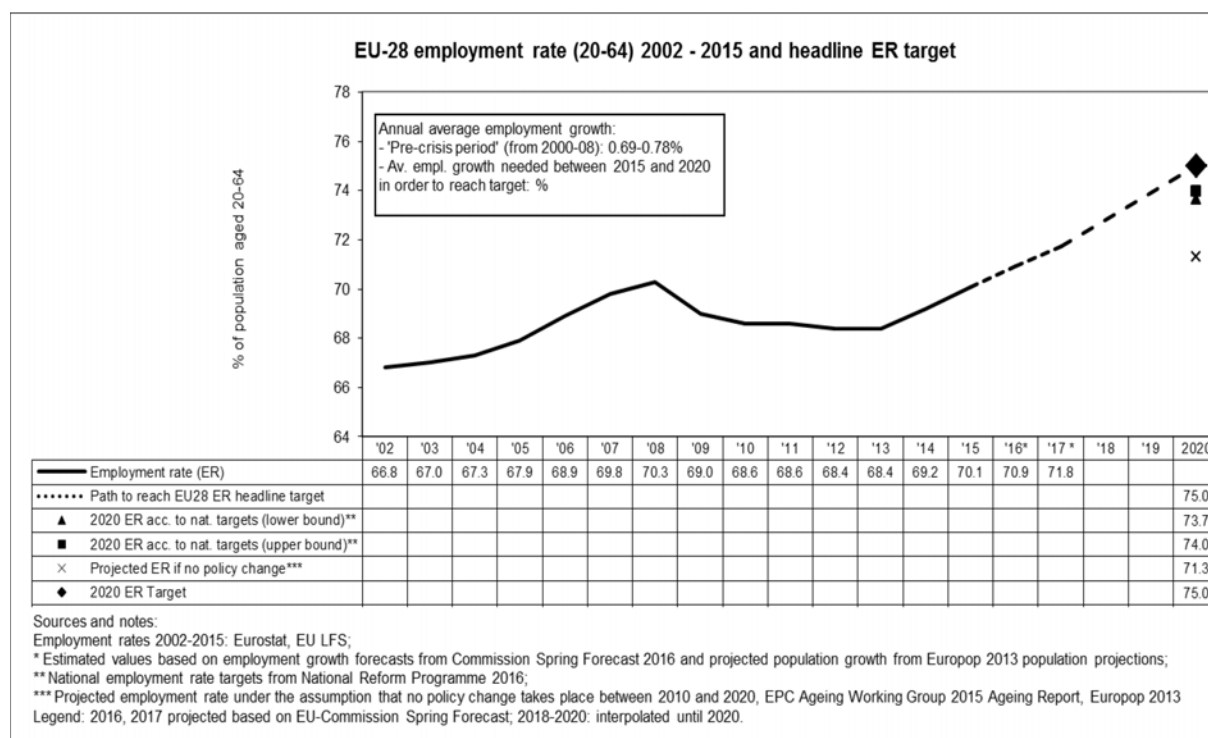- An increase in the share of adults with medium or high education (16 MS)

Negative trends

- A deterioration in the employment rate of non-EU28 nationals (12 MS)

- An increase in the at-risk-of-poverty rate of the unemployed (11 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 is translated into a set of national employment rate targets[3]. In 2015, the EU employment rate increased by 0.9 percentage points compared to 2014 and stood at 70.1% (see Figure 1), reaching a value close to the pre-crisis level of 70.3% in 2008. However, despite this increase significant disparities still exist between Member States, with a number of Member States demonstrating employment rates notably below their corresponding pre-crisis levels (Bulgaria, Cyprus, Denmark, Ireland, Spain, Greece Croatia, and Portugal). 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.

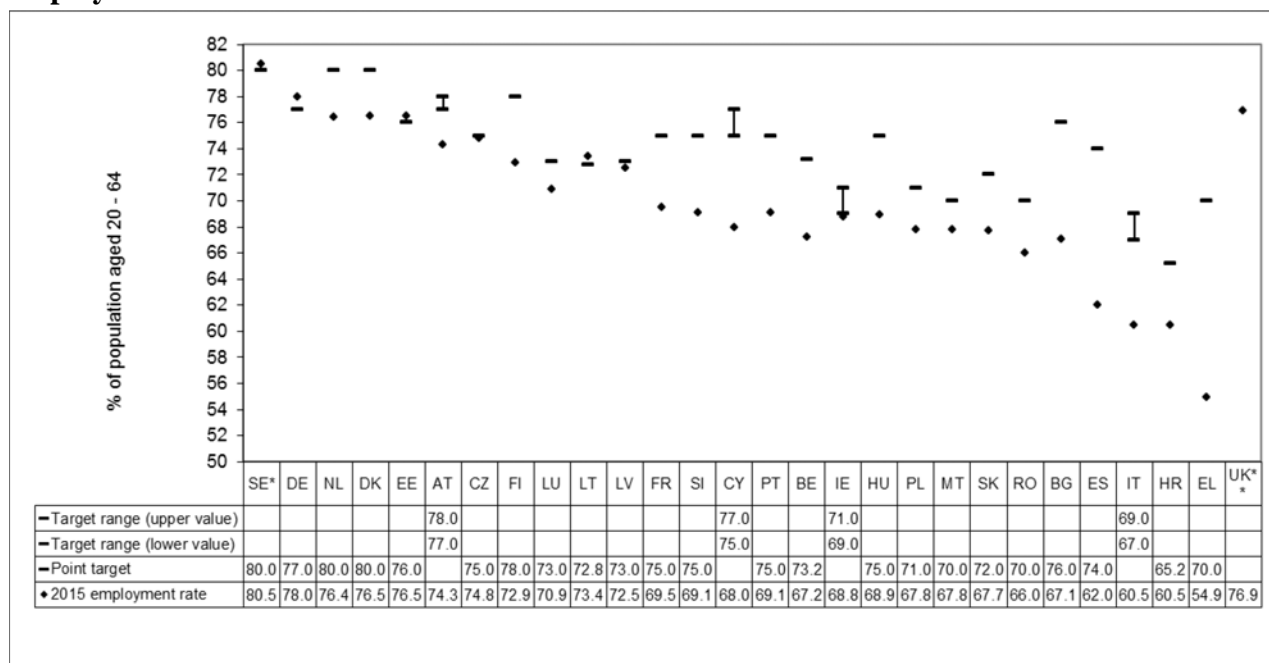**Figure 1: Progress towards the EU-28 employment rate headline target**

EU-28 employment rate (20-64) 2002 - 2015 and headline ER target

Annual average employment growth:
- 'Pre-crisis period' (from 2000-08): 0.69-0.78%
- Av. empl. growth needed between 2015 and 2020 in order to reach target: %

% of population aged 20-64

	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16*	'17 *	'18	'19	2020
Employment rate (ER)	66.8	67.0	67.3	67.9	68.9	69.8	70.3	69.0	68.6	68.6	68.4	68.4	69.2	70.1	70.9	71.8			
Path to reach EU28 ER headline target																			75.0
▲ 2020 ER acc. to nat. targets (lower bound)**																			73.7
■ 2020 ER acc. to nat. targets (upper bound)**																			74.0
✕ Projected ER if no policy change***																			71.3
◆ 2020 ER Target																			75.0

Sources and notes:
Employment rates 2002-2015: Eurostat, EU LFS;
* Estimated values based on employment growth forecasts from Commission Spring Forecast 2016 and projected population growth from Europop 2013 population projections;
** National employment rate targets from National Reform Programme 2016;
*** Projected employment rate under the assumption that no policy change takes place between 2010 and 2020, EPC Ageing Working Group 2015 Ageing Report, Europop 2013
Legend: 2016, 2017 projected based on EU-Commission Spring Forecast; 2018-2020: interpolated until 2020.

Source: EPM, Part 1, figure 1

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[3] In addition to national targets for the overall employment rate, some Member States have also set subsidiary targets for specific labour market groups, such as women, older workers, non-EU citizens, and young people.

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[4] (see Figure 2). 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 only range between 73.9% and 74.2% (depending on whether lower or upper values are considered). This means that based on present national employment rate targets, the EU as a whole would fall short of the 75% target by 0.8-1.2 percentage points even if all national targets were achieved.

Figure 2: National employment rate targets set by MS in their NRPs compared to employment rate 2015

	SE*	DE	NL	DK	EE	AT	CZ	FI	LU	LT	LV	FR	SI	CY	PT	BE	IE	HU	PL	MT	SK	RO	BG	ES	IT	HR	EL	UK**
Target range (upper value)						78.0								77.0			71.0								69.0			
Target range (lower value)						77.0								75.0			69.0								67.0			
Point target	80.0	77.0	80.0	80.0	76.0		75.0	78.0	73.0	72.8	73.0	75.0	75.0		75.0	73.2		75.0	71.0	70.0	72.0	70.0	76.0	74.0		65.2	70.0	
2015 employment rate	80.5	78.0	76.4	76.5	76.5	74.3	74.8	72.9	70.9	73.4	72.5	69.5	69.1	68.0	69.1	67.2	68.8	68.9	67.8	67.8	67.7	66.0	67.1	62.0	60.5	60.5	54.9	76.9

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.

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[4]   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.

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

Combining information on the annual employment growth in 2015, as provided by the JAF indicator in Policy Area 1 (PA1)[5], and the 2016 Commission spring forecasts of employment growth for 2016 and 2017, it is possible to identify Member States with higher estimated employment growth over 2015-2017 (Figure 3)[6].

This allows a comparison of the expected performance of Member States with the most recent developments, thus identifying those Member States which are expected to lose momentum and those that will gain traction in the next years. According to this analysis, employment growth is anticipated to pick up in Belgium, Cyprus, Finland and France during the next two years, whereas it is expected to slow down in Bulgaria, Estonia, Ireland, Greece, Hungary, Lithuania, Luxembourg, Poland and Slovakia.

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[7], which can be found in Table B1, in Annex B of the Employment Performance Monitor[8].

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[5] JAF PA1: Increase labour market participation
[6] A geometric average of the annual growth rate estimated for 2016 and for 2017 is used.
[7] 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.
[8] Table B1: National employment rate targets compared to current and projected 2020 employment rates (all age group 20-64), shows for all MS and the EU-28 the average annual employment growth during the "pre-crisis" period, the minimum annual employment growth needed in the period 2014-2020 in order to reach the national targets, the projected growth of working age population over 2010 – 2020, the EPC employment rate projections for 2020 ("no policy change scenario") and the difference (gap) between the national employment target and the EPC projected employment rate under "no policy change scenario" (percentage points).

Figure 3: Comparison of recent employment growth (in 2015) with estimated employment growth over 2015-2017 and the minimum employment growth required to reach the national employment rate target
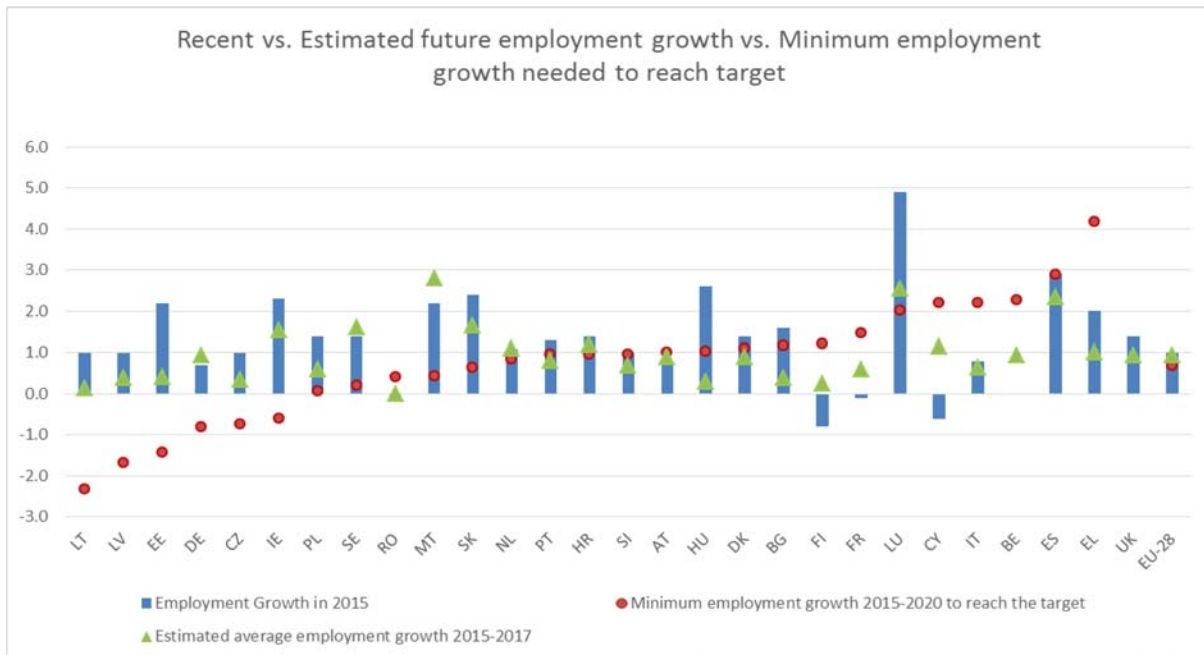
Source: Employment growth in 2015: JAF Indicator PA1.C1: Annual overall employment growth, calculated based on lfsi_grt_a. Estimated average annual employment growth 2015-2017: 2016 EU Commission's Spring Economic Forecast (employment growth), geometric average of 2016 and 2017 employment growth forecasts. Minimum employment growth2015-2020 needed to reach target: EPM, Annex, table B1

EU Member States need to maintain annual average employment growth of 0.73% 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[9]. It is noteworthy that six countries (Czech Republic, Germany, Estonia, Ireland, Latvia and Lithuania) are expected to reach their 2020 target even in occurrence of negative employment growth, in view of their national commitments and projected population figures.

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[9] Estimated decrease by 1.5%

The majority of Member States already achieved in 2015 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. However, for a number of Member States (Belgium, Cyprus, Finland, France, Italy and Greece) still considerable efforts are needed. Even though across the EU, Member States, are broadly in line with reaching the Europe 2020 employment rate target, the focus should be maintained in particular for those countries where the minimum employment growth required to reach the target is significantly higher than the EU Commission Spring forecasts over 2015-2017, namely for Belgium, Bulgaria, Cyprus, Finland, Italy, Greece and Hungary.

As a next step in the analysis of developments in employment growth, average annual employment growth previous to the economic crisis (2000-2008 period) is compared to (1) recent employment growth and (2) the estimated minimum employment growth required to reach the employment target (Figure 4). In 2015 the majority of Member States achieved employment growth higher or around the respective pre-crisis rate. However, for a number of Member States recent employment growth still falls notably behind the corresponding pre-crisis levels, namely for, Belgium, Cyprus, Spain, Finland, France and Ireland.

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

Figure 4: Comparison of pre-crisis (2000-2008) with recent (2015) employment growth and the minimum employment growth required to reach the national employment rate target
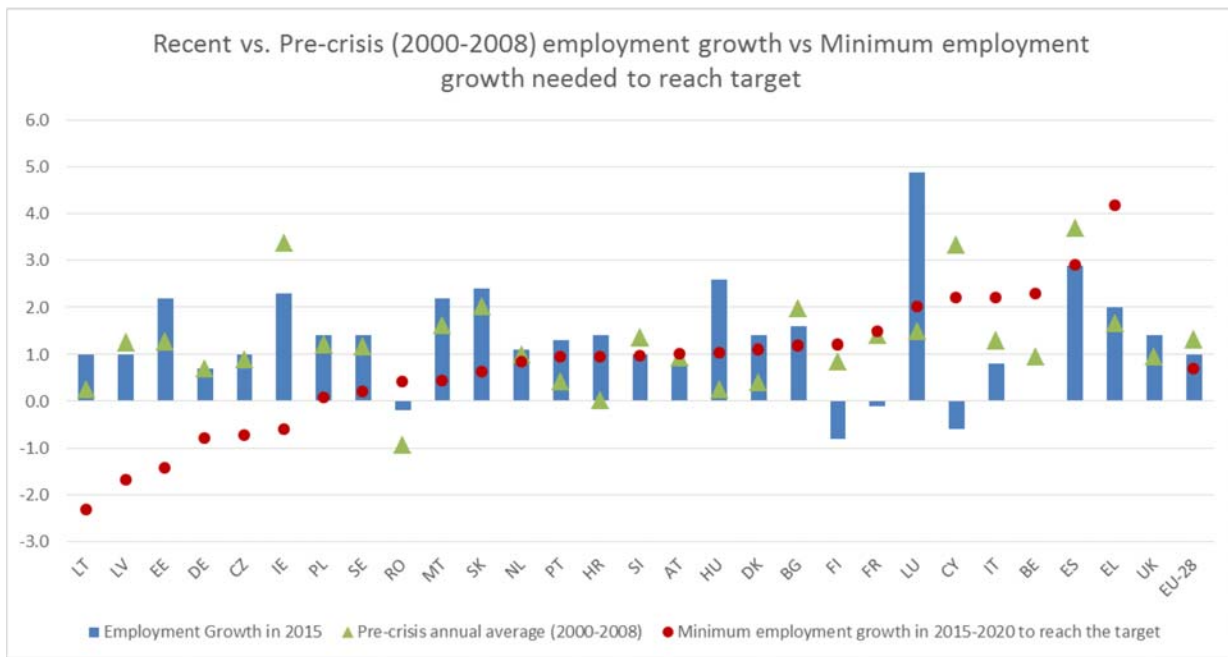
Source: Employment growth in 2015: JAF Indicator PA1.C1: Annual overall employment growth, calculated based on lfsi_grt_a. Pre-crisis employment growth: EPM, Annex B, table B1. Minimum employment growth 2015-2020 needed to reach target: EPM, Annex B, table B1

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

Complementary to the analysis of developments in employment growth, considering directly trends in the evolution of employment rates can provide information on how well each Member State performs with respect to its national 2020 employment rate target. This is achieved by comparing the evolution of the employment rate in the period 2014-2015 to the estimated average evolution of the employment rate in the period 2015 – 2017 and the estimated average change in the annual employment rate needed in the 2015-2020 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 2015-2017 are similar to those observed in 2014-2015. However, in the case of Bulgaria, Czech Republic, Estonia, Greece and Hungary the employment rate is expected to move slower than in 2015. On the other hand it is expected to grow notably faster in Germany, Luxembourg, Malta and Sweden.

Furthermore, around half of the Member States will need their employment rate to grow faster than in 2014-2015 to reach their national employment rate target, with the biggest efforts necessary in Belgium, Cyprus, Greece, Italy, Finland, France, Luxembourg and Romania, as their current employment rate evolution is notably lower than the required one to reach their national target.

Figure 5: Comparison of the recent employment rate change (over 2014-2015) to the estimated annual employment rate evolution over 2015-2017 and the average annual evolution needed to reach the national employment rate target
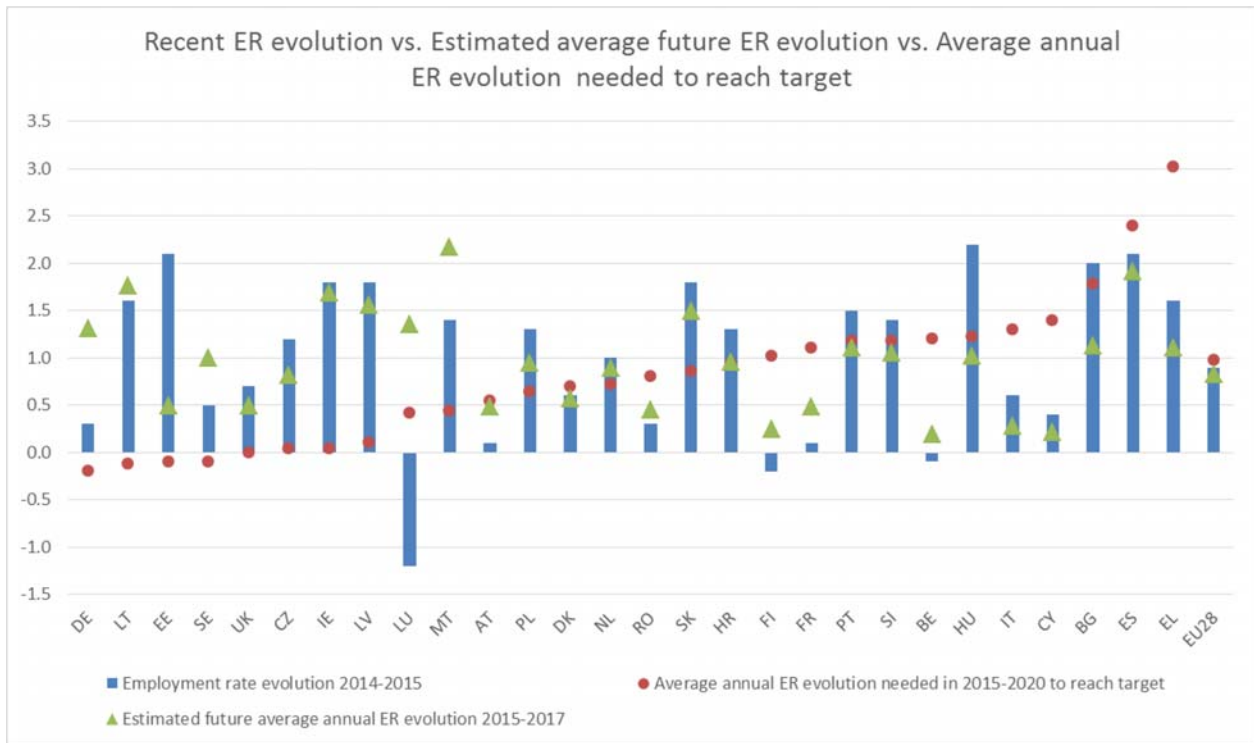

Source: Recent ER evolution – LFS. Estimated average annual employment rate evolution 2015-2017 and Estimated average annual employment rate evolution 2015-2020 needed to reach target: DG EMPL calculations on the basis of the 2016 EU Commission's Spring Economic Forecast (employment growth) and Eurostat Europop 2013 population projection.

A further step is to identify the Member States which are improving their prospects of reaching the national target by 2020. To this purpose, the difference between the national target and the employment rate observed in 2015 is computed. To evaluate the prospects of a Member State to reach its national target by 2020 this gap is compared with its change over the last year (2014-2015). 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. Also, this allows identifying for Member States which already achieved their national target whether they show positive or negative developments in their employment rate.

Specifically, the results of the analysis indicate that the majority of Member States that did not achieve their national employment rate target in 2015 showed positive developments, by decreasing the gap between the national target and the employment rate, as compared to 2014. However, this was not the case for Belgium, Finland and Luxembourg where the respective gap increased as compared to the gap in 2014. Also, on the positive side is the fact that all the Member States which had already achieved their national employment rate target exhibited a further increase in their employment rates in 2015.

Figure 6: Comparison of the difference between the recent employment rates (2015) and the national employment rate targets with the change in this difference over the last year (2014-2015)
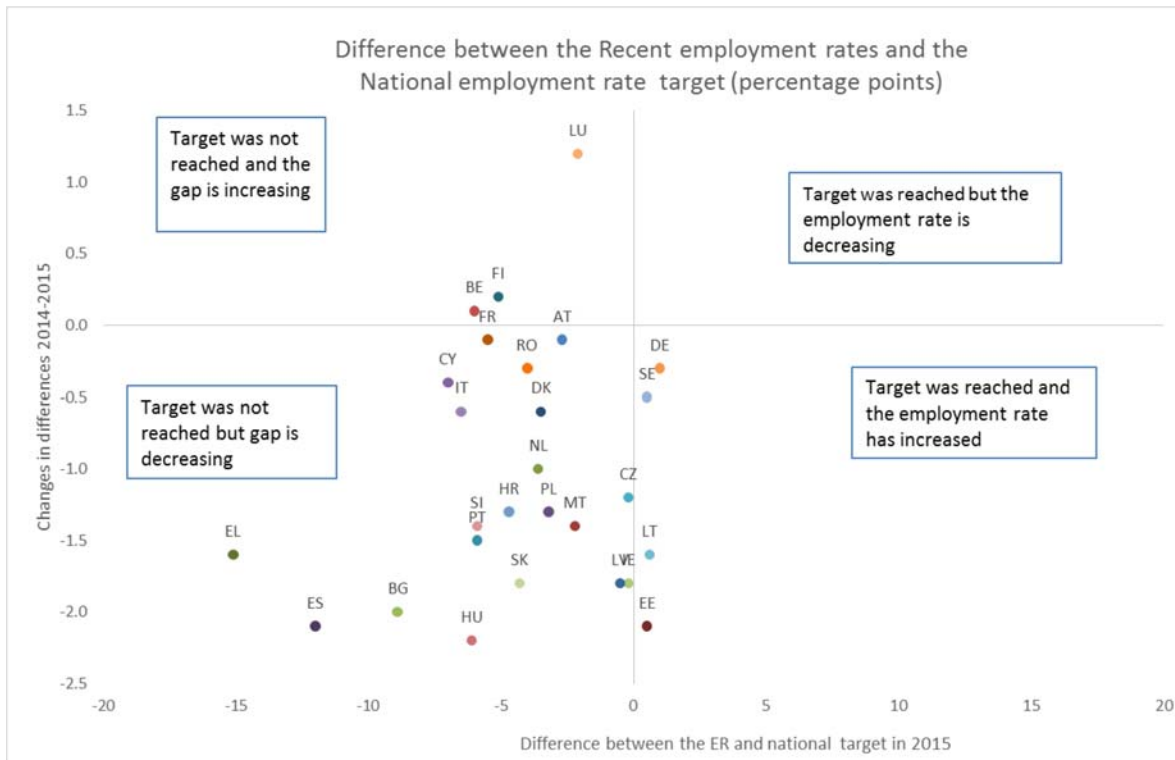
Finally, according to projected employment rates in 2020[10] (under a "no policy change scenario" assumption), some Member States will be close or on their national target (Austria, Czech Republic, Estonia and, Malta), whereas Germany and Sweden will reach a level higher than the national target. On the contrary, employment rate projections show that more efforts are needed to achieve the national target in Bulgaria, Croatia, Cyprus, Greece, Hungary, Italy, Portugal, Romania, Slovakia and Spain.

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[10]   Projections are those included in the 2015 Ageing Report, by the EPC Ageing Working Group (see EPM, Annex B, table B1)

c. Untapped labour force potential

In order to make sufficient progress towards Europe 2020 employment rate targets, it is necessary to focus on increasing the employment of specific groups with lower than average performance (namely women, low-skilled workers (ISCED 0-2), young and older workers).

Table 1 looks at labour market sub-groups and identifies those with the highest potential impact on the overall national employment rate, in case group-specific employment rates would be increased (separately) to the highest levels observed in the EU (i.e. to the best performer in the EU), taking into account their respective population share and current employment levels. Based on results from Table 1, the largest hypothetical gains are expected from boosting employment rates among the following groups: prime age women, women aged 55 to 64, the low-skilled and, to a lesser extent, prime age and older men.

Table 1: Potential contribution of different labour market sub-groups to increase the overall national employment rate

MS	Which labour market sub-groups would have the highest impact on the overall national employment rate if their group-specific employment rate would be increased (taking into account their respective population share and current employment levels)? * 1=highest potential impact; 8 = lowest potential impact. Shaded cells show the three groups with the highest potential impact						Low-skilled (20 - 64)		Non-EU27 nationals (20 - 64)	
	Men						Women									
	Young (20 - 29)		Prime age (30-54)		Older (55-64)		Young (20 - 29)		Prime age (30-54)		Older (55-64)					
AT	8	0.3	5	1.5	2	2.6	7	0.4	6	1.2	1	3.9	4	1.6	3	1.6
BE	7	1.9	5	2.6	3	3.1	6	2.1	4	2.7	2	3.7	1	4.4	8	1.5
BG	7	1.8	2	4.0	6	2.2	5	2.4	4	2.6	3	2.7	1	4.4	:	0.1
CY	4	1.9	3	2.9	5	1.9	7	1.6	1	3.6	2	3.4	6	1.7	8	0.1
CZ	6	0.6	7	0.0	5	1.1	2	2.0	3	1.7	1	2.7	4	1.7	7	0.0
DE	8	0.5	4	1.0	6	0.7	7	0.5	2	1.4	1	1.4	5	0.7	3	1.3
DK	7	0.8	1	1.5	8	0.8	5	0.9	2	1.4	3	1.4	6	0.9	4	1.2
EE	8	0.0	1	1.6	2	1.4	4	1.3	3	1.4	6	0.8	7	0.7	5	0.9
ES	6	2.5	3	5.0	5	2.5	7	2.3	1	6.3	4	3.7	2	5.4	8	1.5
FI	6	1.3	1	2.6	2	2.2	5	1.3	4	1.5	7	1.1	3	1.6	8	0.7
FR	7	1.4	5	2.3	2	2.8	6	1.9	4	2.4	1	3.0	3	2.6	8	1.4
HR	7	2.4	2	4.8	5	3.3	6	3.0	3	3.9	1	5.2	4	3.7	8	0.1
GR	7	3.0	3	5.0	5	3.4	6	3.2	1	8.6	2	5.6	4	4.3	8	1.2
HU	7	1.3	6	1.6	5	2.1	4	2.3	3	2.5	1	3.8	2	2.7	8	0.0
IE	5	1.6	2	3.2	8	1.2	6	1.4	1	5.3	4	2.6	3	2.8	7	1.2
IT	6	2.9	5	3.3	7	2.0	4	3.5	1	7.4	3	4.1	2	5.4	8	1.1
LT	6	1.0	1	3.1	3	1.6	4	1.5	7	0.7	2	1.9	5	1.4	8	0.0
LU	5	1.3	8	0.9	2	3.3	4	1.6	3	2.6	1	3.6	6	1.2	7	1.0
LV	8	0.7	1	3.3	3	1.8	7	1.0	2	2.0	4	1.8	6	1.1	5	1.7
MT	7	0.1	6	0.3	3	2.0	5	0.3	1	7.0	:	:	2	4.6	4	0.3
NL	7	0.2	3	1.3	6	0.7	8	0.0	2	2.3	1	2.4	4	0.9	5	0.7
PL	7	1.0	5	2.2	3	2.4	6	1.9	2	3.0	1	4.3	4	2.2	8	0.0
PT	5	2.0	2	2.7	4	2.3	6	1.7	3	2.5	1	3.5	8	0.0	7	0.2
RO	7	1.3	6	2.0	4	2.4	5	2.3	1	4.4	2	4.2	3	2.5	:	:
SE	3	0.8	2	1.0	6	0.0	4	0.8	6	0.0	6	0.0	5	0.4	1	1.2
SI	6	1.2	5	1.6	2	4.1	4	1.8	7	0.8	1	4.9	3	2.0	8	0.2
SK	7	1.1	6	2.3	5	2.3	3	2.7	1	3.5	2	3.4	4	2.6	:	:
UK	8	0.0	3	1.2	4	0.9	7	0.6	1	2.2	2	1.8	5	0.7	6	0.6
EU	7	1.3	4	2.3	5	1.9	6	1.7	1	3.4	2	3.0	3	2.5	8	0.9

Source: DG Employment calculations using EU LFS, EUROPOP 2013 population projections and national employment rate targets set in 2015 NRPs

* Note: Small figures in brackets document the underlying calculation. This calculation is based on the purely hypothetic simulation of how much the overall employment rate would increase if the employment rate of any of the labour-market sub-groups in this table would be at the level of the highest group specific employment rate currently observed amongst EU countries. This calculation must not be confused with what bould be realistic employment growth and is not a benchmarking exercise. The sole purpose of this technique is to illustrate the weight of any of these sub-groups with respect to the the overall employment rate, given group specific population and employment shares.

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[11], whereas specific key employment challenges and good labour market outcomes for each Member State are presented in Part II[12]. The EPM also includes a dashboard of key employment indicators (EPM dashboard[13]) 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 to provide 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.

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[11] Tables 1 and 2
[12] Part II: Country Overviews, Table 3 for each MS
[13] The EPM dashboard can be found in Annex C in the EPM

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 (4 MS), men (3 MS), women (3 MS), older workers (8 MS), low skilled (8 MS) and non-EU migrants (7 MS)
  − High and/or increasing incidence of youth unemployment and/ or NEETs (12 MS)
  − Low duration of working life (9 MS)

- Labour market functioning, combatting segmentation (13 MS)

  − Labour market segmentation (9 MS), Low transitions from temporary to permanent employment (3 MS)
  − Inadequate employment protection legislations (2 MS)
  − High incidence of undeclared work (3 MS)

- Active Labour Market Policies (21 MS) which mainly relate to

  - High incidence of long-term unemployment (10 MS) and
  - Low level of ALMP expenditure/ Insufficient provision of well targeted tailored measures/ Insufficient functioning of public employment services (19 MS)

- Adequate and employment oriented social security systems (20 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 (17 MS)
  - Disincentives for labour market participation in social security systems/ Disability pensions/ Unemployment traps (7 MS)

- Work-life balance (17 MS) which mainly relate to

  - Insufficient provision of high quality, affordable child and/or dependent care facilities (12 MS)
  - Negative employment impact of parenthood (9 MS)
  - High incidence of inactivity and part-time work due to family obligations (9 MS)

- Job creation (14 MS) which mainly relate to

  - Negative employment growth/insufficient job creation (5 MS)
  - High tax wedge on labour (9 MS)

- Gender equality which mainly relate to (12 MS)

  - Gender gaps: employment (7 MS), pay (5 MS)
  - Disincentives for second earners (3 MS)

- Skill supply and productivity, lifelong learning (19 MS) which mainly relate to

  - Weaknesses with respect to educational attainment of the (adult) population (6 MS)
  - Low participation in lifelong learning/lack of an integrated lifelong learning strategy (12)
  - Skills mismatches/Insufficient forecasting skills system (9)
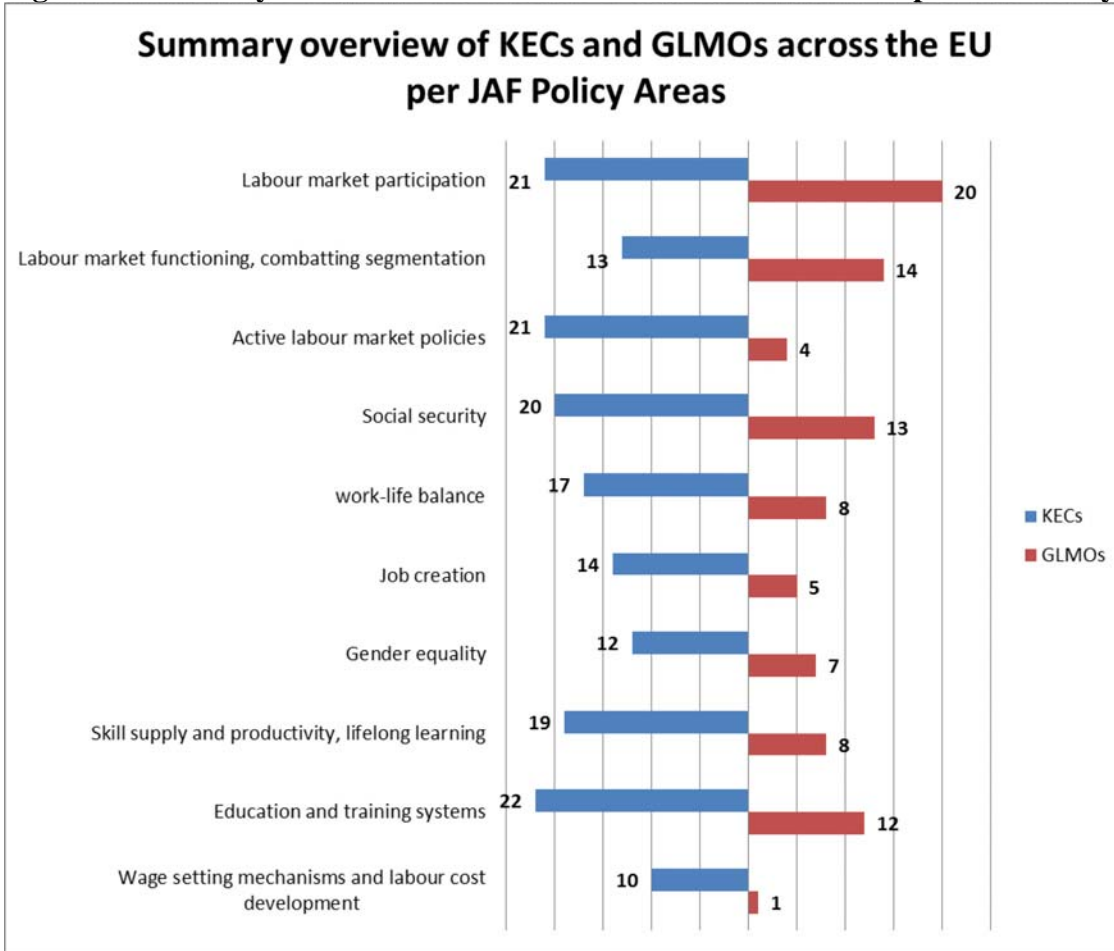 - Low share of young people with at least secondary education (3 MS)

- Education and training systems which mainly relate to (22 MS)

    − Low tertiary education attainment rate (7 MS)
    − Inequalities in education systems and outcomes (8 MS)
    − High incidence of early school leaving (4 MS)
    − Low attractiveness of vocational education and training (4 MS)
    − Insufficient provision of education and training opportunities to meet labour market needs (4 MS)

- Wage setting mechanisms and labour cost development (10 MS)

On the contrary a notable number of Member States demonstrate **good labour market outcomes** in the areas of

- Labour market participation (20 MS)
- Labour market functioning, combatting segmentation (14 MS)
- Social security (13 MS)
- Work-life balance (8 MS)
- Education and training systems (12 MS)

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

Summary overview of KECs and GLMOs across the EU per JAF Policy Areas

Policy Area	KECs	GLMOs
Labour market participation	21	20
Labour market functioning, combatting segmentation	13	14
Active labour market policies	21	4
Social security	20	13
work-life balance	17	8
Job creation	14	5
Gender equality	12	7
Skill supply and productivity, lifelong learning	19	8
Education and training systems	22	12
Wage setting mechanisms and labour cost development	10	1

b.   Review of the employment trends identified in the 2016 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"[14] with the aim of identifying common labour market trends in the European Union.

In the EU as a whole the following main negative trends, or "trends to watch" are identified for the most recent period 2014-2015 (Figure 8):

−   A deterioration in the **employment rate of non-EU28 nationals (20-64)** in a number of Member States (in 12 MS), even though an increase was observed in 9 MS.

−   An increase in the **at-risk-of-poverty rate of the unemployed** (registered in 11 MS), even though a decrease was observed in 12 MS

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

−   An increase in the **overall employment rate** (in 19 MS) and in the **employment rate of older workers** (in 23 MS)

−   An improvement in the **completion of tertiary or equivalent education** for the age group of 30-34 (in 18 MS)

−   An increase in the **job vacancy rate** (in 17 MS)

−   A decrease in the **NEET rat**e (registered in 16 MS)

−   An increase in the share of **adults with medium or high education** (in 16 MS)

−   A decrease in the **long term unemployment rate** (10 MS)

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[14]   Common trends are identified when around 1/3 of Member States show a notable deterioration/ improvement.

Figure 8: Employment trends to watch and areas of improvement for the period 2014-2015
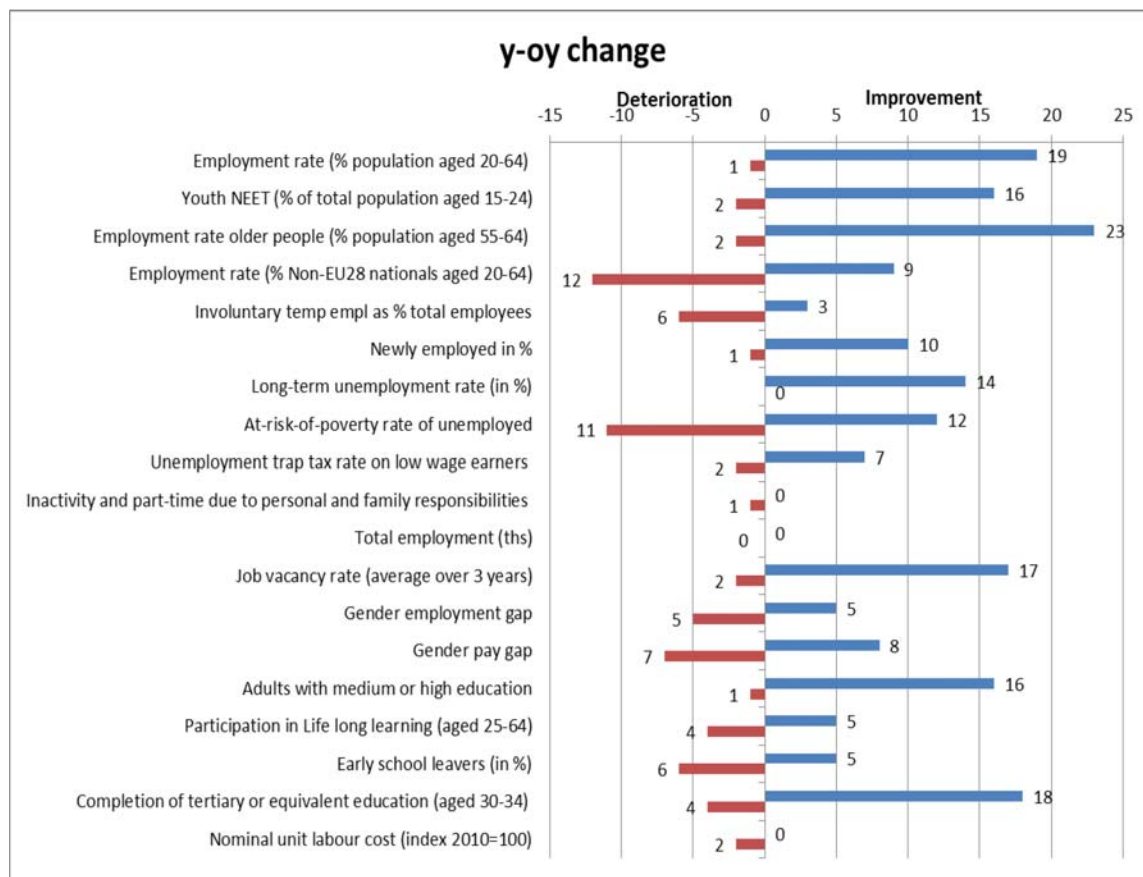
Looking at the longer-term developments (over three years) the areas with the most substantial deterioration compared to 2012 are (Figure 9):

− An increase in the **at-risk-of-poverty rate of the unemployed** (registered in 19 MS)
− An increase in the share of involuntary temporary contract in total employment (in 10 MS)

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

− An increase in the **overall employment rate** (in 18 MS) and in the **employment rate of older workers** (in 24 MS)
− An improvement in the **completion of tertiary or equivalent education** for the age group of 30-34 (in 23 MS)
− An increase in the share of **adults with medium or high education** (in 19 MS)
− A decrease in the **NEET rat**e (registered in 12 MS)

Figure 9: Employment trends to watch and areas of improvement for the period 2012-2015

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