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From:	General Secretariat of the Council
To:	Permanent Representatives Committee (Part 1)/Council
Subject:	Key messages to accompany the Annual Employment Performance Report and Employment Performance Monitor - Endorsement

1. Delegations will find attached the key messages from the Employment Committee (EMCO) based on Annual Employment Performance Report (AEPR) and Employment Performance Monitor (EPM). These key messages are intended to guide the preparatory work for the 2019 Annual Growth Survey.
2. The key messages and the Annual Employment Performance Report were finalised by the Employment Committee on 21 September 2018 and the Employment Performance Monitor - on 30 May 2018.
3. The AEPR can be found in document 12690 ADD 1 and the EPM can be found in document 12690 ADD 2
4. The Permanent Representatives Committee is invited to recommend to the Council to endorse key messages to accompany the AEPR and EPM (as attached), under part "A" of its agenda at a forthcoming meeting.

**Key messages to accompany the Annual Employment Performance Report
and Employment Performance Monitor**

1. In line with its mandate in Article 150 TFEU the **Employment Committee** has produced its annual review of the employment situation in the EU for the Council. This is contained in the "Employment Performance Monitor" (EPM) which monitors progress towards the 2020 targets, and identifies key employment challenges and good labour market outcomes across the EU and in each Member State. The Employment Performance Monitor is submitted to Council alongside the EMCO Annual Employment Performance Report, which summarises the main findings of the EPM and, looking forward, the developments required at EU and national levels to reach the respective employment rate targets by 2020. From this work EMCO would highlight the following messages.
2. In 2017, the EU employment rate (20-64) increased by 1.1 percentage points compared to 2016 and stood at 72.2%. If the positive increasing trend in employment continues, the EU might be well placed to reach its Europe 2020 target of a 75% employment rate. It is also important to note that ten Member States continue in 2017 to have employment rates lower than their corresponding pre-crisis (2008) levels.
3. The majority of Member States have achieved the minimum employment growth that, if maintained, would allow them to hit their targets in 2020, and eight Member States have already achieved their national target. In 2017, almost all of the Member States which have not yet achieved their national targets have decreased the gap between their national target and the employment rate as compared to 2016.
4. To support Member States' efforts, EMCO has identified, per country, those labour-market sub-groups where increased employment rates would have the highest potential impact on the overall national employment rate. Across the EU, these are: prime age women (30-54); women aged 55 to 64; the low-skilled; and, in some Member States, prime age men (30-54) and men aged 55 to 64.

5. There are many positive trends identified in the report. Twenty-six Member States have seen a significant increase in total employment and twenty-one a significant increase in the overall employment rate (compared to eighteen and thirteen respectively in 2016). Many Member States have experienced increases in the job vacancy rate (twenty-two), the employment rate of older workers (twenty-one), and the share of adults with medium or high education (fourteen). Sixteen Member States have seen a decrease in the long-term unemployment rate.
6. The report also identifies a number of negative trends, although these are less widespread: a deterioration in the nominal unit labour cost (twelve Member States); an increase in the at-risk of poverty rate of the unemployed (nine); a deterioration in inactivity and part-time work due to personal or family responsibilities (seven).
7. These annual trends are confirmed by analysis of longer-term developments over three years, with the addition of a decrease in the NEET rate in eighteen Member States during this period.
8. These are largely positive messages. In that context, EMCO would recall that its horizontal opinion for the June EPSCO Council noted, regarding a declining trend of implementation of Country-Specific Recommendations, that the current moment of economic recovery provides the best time to adopt structural reforms, with the aim of increasing economic resilience and consolidating the recently – restarted process of convergence. Implementing the European Pillar of Social Rights is key to bringing forward this process, in line with national competences, and creating better living and working conditions across the EU.
9. EMCO's recent multilateral surveillance work indicates that recent PES reforms have improved service delivery in many countries, but there is still scope for improving the coverage, effectiveness, and sustainability of many active labour market policies. The Key Employment Challenges identified in the Employment Performance Monitor point to ongoing and significant obstacles faced by people farthest from the labour market.

10. A number of groups continue to be under-represented in the labour market: women, people from a migrant background; the low-skilled; older-workers (although there have been positive developments regarding the latter). Increasing participation of these groups is an urgent challenge requiring both immediate action and a longer-term approach. EMCO's recent reviews have identified a number of innovative and interesting approaches being made to improve labour market participation of certain groups across the EU, and attention should be given to the results of these.
11. There are related challenges identified by the report regarding access to care facilities and the impact of family obligations on working life. In particular, the availability and quality of childcare is crucial in fostering female labour market participation. Whilst Member States are making efforts to improve provision, the challenge is sizeable and there are often considerable regional disparities. Several Member States are also working to improve fathers' uptake of parental leave. Whilst it is common to argue that many issues relating to female labour market participation are in some way "cultural", recent successful initiatives show that it is possible to achieve positive results.
12. Reskilling and upskilling continue to be highlighted as key policy priorities. Transformations in the labour market related to, inter alia, demographic change and digitalization make investment in skills upgrading, adult education and lifelong learning crucial, both for the employment prospects of individuals and for maintaining a productive workforce equipped with labour-market relevant skills. Social partners and individual employers have an important role to play in this area.
13. In addition, reskilling and upskilling are amongst the broader policy options open to governments to enhance productivity in support of wages, growth and convergence. Promoting wage moderation or increases remains a challenge for a number of Member States.