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From:	General Secretariat of the Council
To:	Delegations
Subject:	EMCO Annual Employment Performance Report

Delegations will find attached the EMCO Annual Employment Performance Report.

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EMCO Annual Employment Performance Report (accompanying the 2018 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 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 2018 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 at national levels to reach the respective employment rate targets by 2020. The EMCO Indicators Group (EMCO 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. The EPM has also allowed for the identification of employment trends emerging from the analysis of recent year-on-year (covering the period 2016 – 2017) 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 2017, the EU employment rate (20-64) increased by 1.1 percentage points compared to 2016 and stood at 72.2%, thereby surpassing the pre-crisis level of 70.3% in 2008. 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. Despite this increase, significant disparities still exist between Member States, with six Member States showing employment rates below their corresponding pre-crisis levels. EU Member States need to maintain an average annual employment growth of 1.2% to reach their national 2020 targets. In 2017, the employment growth at EU level was 1.4% and varied across Member States. 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, based on their projected population figures.

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[1] See Council Doc. 14478/10

In 2017, eight Member States had already achieved their national target and in all of them the employment rate increased compared to 2016. Moreover, in almost all Member States[2] which have not yet achieved their national targets the gap has narrowed in 2017 as compared to 2016. The analysis in this report 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 analysis also identifies those labour market sub-groups where increased employment rates would have the highest potential impact on the overall national employment rate: these are prime age women (30-54) and women aged 55 to 64, the low-skilled and, in some Member States: prime age men (30-54) and men aged 55 to 64.

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:

- 23 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 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 8 had GLMOs

- 18 Member States have KECs relating to skills and lifelong learning and 12 achieved GLMOs.

- 17 Member States face KECs related to social security systems (e.g. unemployment benefits, low wage traps, unemployment traps), whilst 15 achieved GLMOs.

- 16 Member States face KEC in the area of work-life balance and 8 achieved GLMOs.

- 15 Member States face KECs in Active Labour Market Policies (ALMPs), focusing on long-term unemployment, public employment services, and general ALMP measures, whilst 2 had GLMOs.

- 15 Member States face KEC in the area of labour market functioning and 15 achieved GLMOs

Other KECs relate to job creation (8); gender equality (13); wage-setting mechanisms and labour costs (6).

Finally, the analysis identifies some significant trends to watch for the period 2016 – 2017.

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[2] Denmark: Employment rate decrease from 77,4 % (2016) to 76,9 % (2017).Break in time series between 2016 and 2017 (Q1)

Positive trends

- An increase in the total employment (in 26 MS)

- An increase in the job vacancy rate (in 22 MS)

- An increase in the overall employment rate (in 21 MS) and in the employment rate of older workers (in 21 MS)

- A decrease in the long term unemployment rate (16 MS)

- An increase of the share of adults with medium or high education (14 MS)

Negative trends

- A deterioration in the nominal unit labour cost in a number of Member States (in 12 MS)

- An increase in the at-risk-of-poverty rate of the unemployed (registered in 9 MS)

- A deterioration in the inactivity and part-time work due to personal and family responsibilities in a number of Member States (in 7 MS)

- A deterioration in the unemployment trap tax rate on low wage earners in a number of Member States (in 5 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 2017, the EU employment rate increased by 1.1 percentage points compared to 2016 and stood at 72.2% (see Figure 1), surpassing the pre-crisis level of 70.3% in 2008. 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 [4]. This positive trend is verified by the current forecasts which show a further increase for the next two years (73.0% in 2018 and 73.7% in 2019). Despite this increase, significant disparities still exist between Member States, with a number of Member States showing employment rates notably below their corresponding pre-crisis levels (Cyprus, Denmark Greece, Spain, Finland and Croatia).

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

EU-28 employment rate (20-64) 2002 - 2017 and headline ER target

Annual average employment growth:
- 'Pre-crisis period' (from 2000-08): 1.4%
- Av. empl. growth needed between 2017 and 2020 in order to reach target: 1.2%

	'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	71,1	72,2	73,0	73,7	
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***																			72,7
◆ 2020 ER Target																			75,0

Sources and notes:
Employment rates 2003-2017: Eurostat, EU LFS;
* Estimated values based on employment growth forecasts from Commission Spring Forecast 2018 and projected population growth from 2015 population projections;
** National employment rate targets from National Reform Programme 2018;
*** Projected employment rate under the assumption that no policy change takes place between 2010 and 2020, EPC Ageing Working Group 2018 Ageing Report, Eurostat 2015 population projection
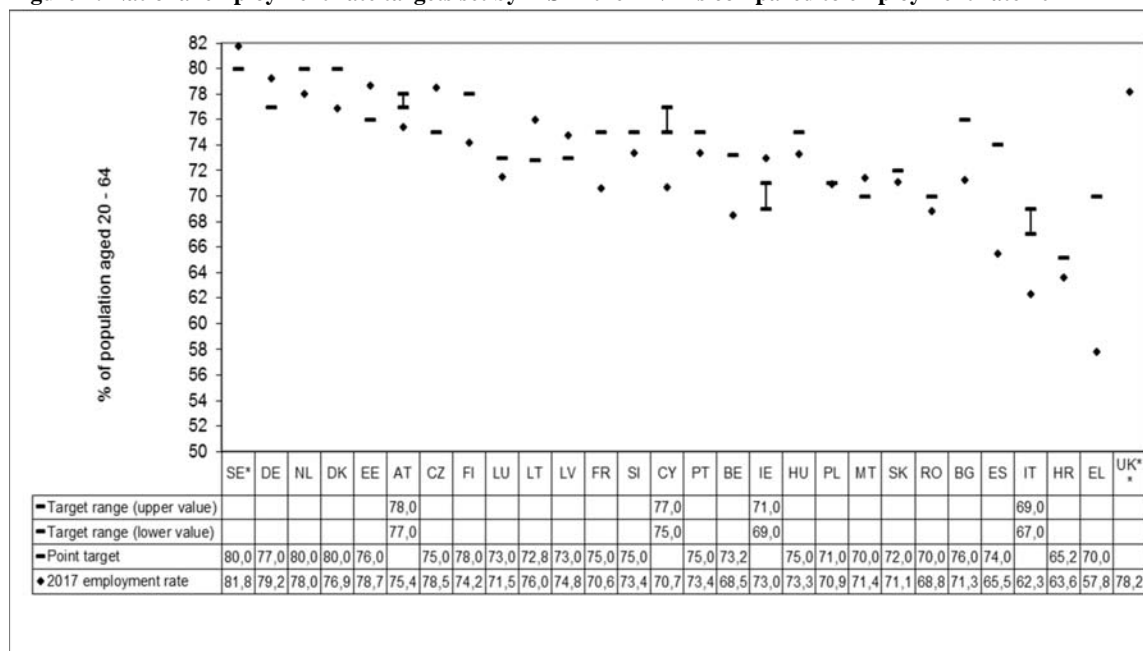
Source: EPM, Part 1, figure 1

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[5] (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 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.

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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.
[4] Employment and Social Developments Report 2018
[5] 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.

Figure 2: National employment rate targets set by MS in their NRPs compared to employment rate 2017

	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	
2017 employment rate	81,8	79,2	78,0	76,9	78,7	75,4	78,5	74,2	71,5	76,0	74,8	70,6	73,4	70,7	73,4	68,5	73,0	73,3	70,9	71,4	71,1	68,8	71,3	65,5	62,3	63,6	57,8	78,2

Sources: National Reform Programmes 2018, EU Labour Force Survey for 2017 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 and the 2018 Commission spring forecasts of employment growth for 2018 and 2019 it is possible to identify Member States with higher estimated employment growth for 2017-2019 (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. Employment growth is anticipated to pick up in Belgium, Denmark, Finland, Croatia, Latvia, Lithuania, Malta and Austria during the next two years, whereas it is projected to slow down notably in Bulgaria, Cyprus, Czech Republic, Estonia, Portugal, Romania and Slovenia.

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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[6] A geometric average of the annual growth rate estimated for 2018 and for 2019 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 2017-2020 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 (2016-2017) with estimated employment growth over 2017-2019 and the minimum employment growth required to reach the national employment rate target
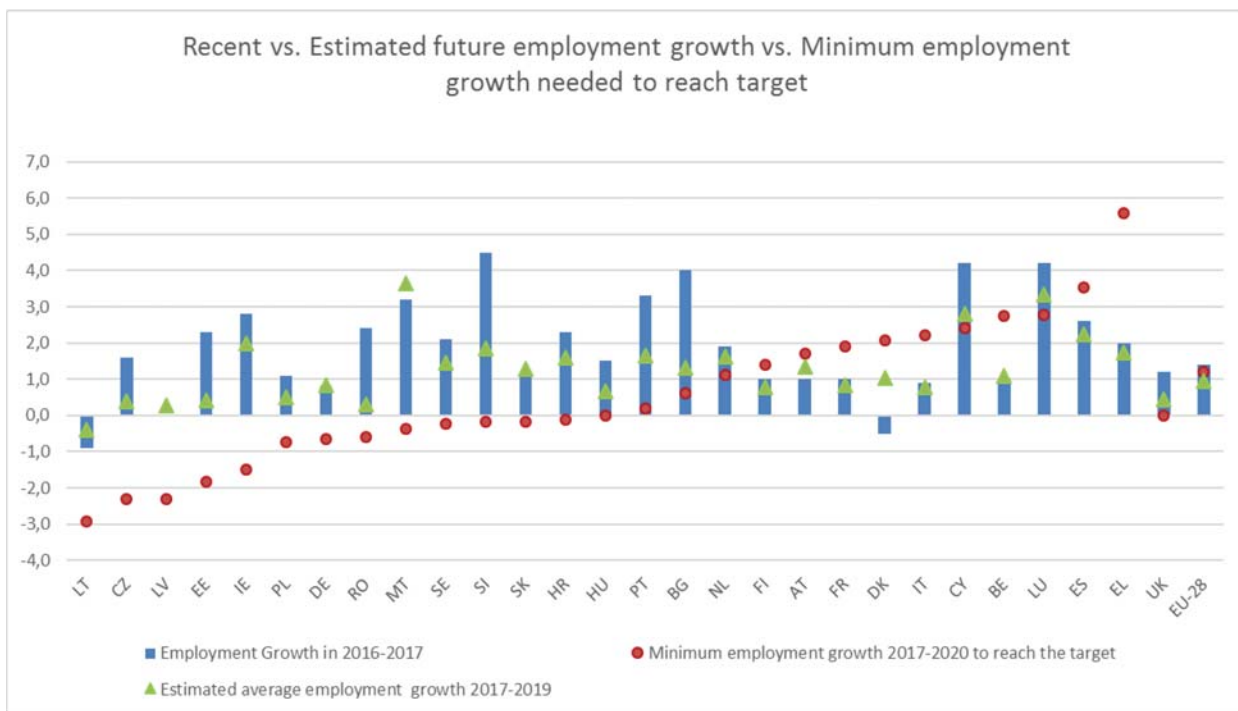
Source: Employment growth in 2016-2017: JAF Indicator PA1.C1: Annual overall employment growth, calculated based on lfsi_grt_a. Estimated average annual employment growth 2017-2019: 2018 EU Commission's Spring Economic Forecast (employment growth), geometric average of 2018 and 2019 employment growth forecasts. Minimum employment growth 2017-2020 needed to reach target: EPM, Annex, table B1

EU Member States need to maintain on average an annual 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[9]. It is noteworthy that thirteen countries (Czech Republic, Germany, Estonia, Croatia, Ireland, Latvia, Lithuania, Malta, Poland, Romania, Sweden, Slovenia and Slovakia) 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 2017 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. For a number of Member States (Belgium, Denmark, Greece, Spain, France and Italy) considerable efforts are still needed. Even though, across the EU, Member States are broadly on course to meet the Europe 2020 employment rate target, more is needed in those countries where the minimum employment growth required to reach the target is significantly higher than the EU Commission Spring forecasts over 2015-2017 (Belgium, Denmark, Greece, Spain, France and Italy).

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[9]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 2017 the majority of Member States achieved employment growth higher than or around the respective pre-crisis rate. However, for a number of Member States (Denmark, Spain, Ireland, Latvia, Lithuania and Slovakia) recent employment growth still falls behind the corresponding pre-crisis levels.

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 Belgium, Denmark, Greece and Luxembourg the estimated annual employment growth needed to reach the 2020 national target is notably higher than corresponding pre-crisis growth.

Figure 4: Comparison of pre-crisis (2000-2008) with recent (2017) employment growth and the minimum employment growth required to reach the national employment rate target
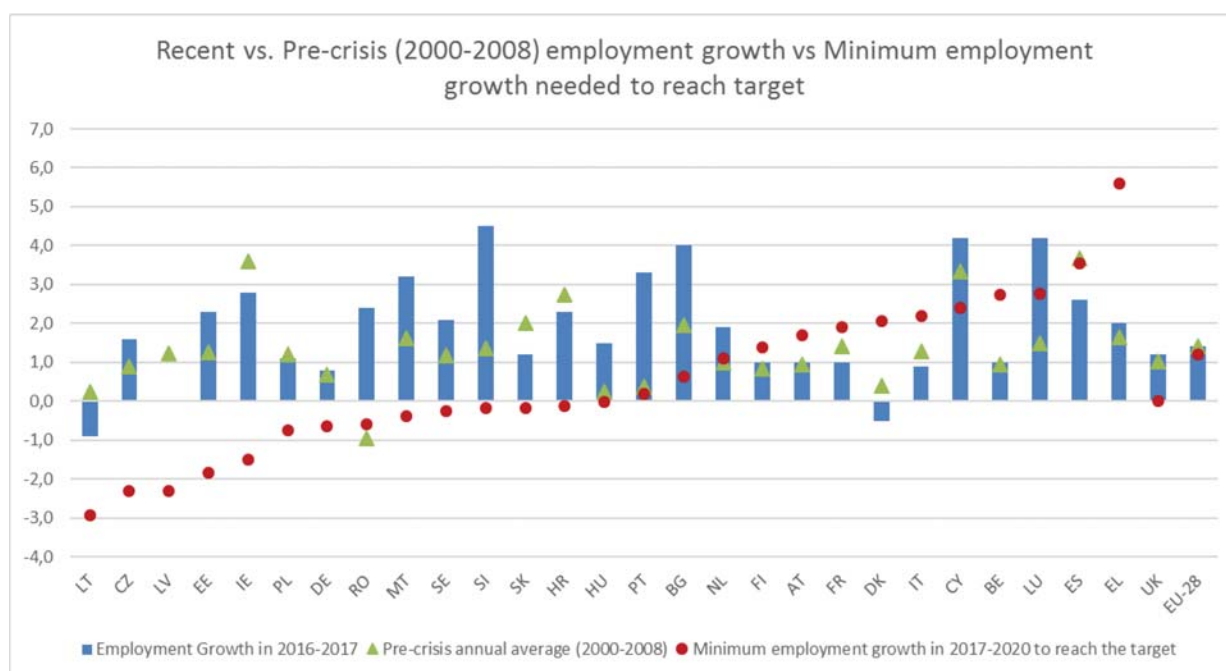
Source: Employment growth in 2016-2017: JAF Indicator PA1.C1: Annual overall employment growth, calculated based on lfsi_grt_a. Pre-crisis employment growth: EPM, Annex B, table B1. Minimum employment growth 2017-2020 needed to reach target: EPM, Annex B, table B1

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

Considering trends in the evolution of employment rates directly 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 2016-2018 to the estimated average evolution of the employment rate in the period 2017 – 2019 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 2017-2019 are lower to those observed in 2016-2017. Specifically, in the case of Bulgaria, Estonia, Portugal, Slovenia and Romania the employment rate is expected to move notably slower than in 2017. On the other hand, it is expected to grow notably faster than in 2017 in Denmark and Malta.

Furthermore, many Member States will need their employment rate to grow at around the same rate or faster than in 2016-2017 to reach their national employment rate target by 2020, with the biggest efforts necessary in Belgium, Denmark, Greece, Spain. France and Italy.

Figure 5: Comparison of the recent employment rate change (over 2016-2017) to the estimated annual employment rate evolution over 2017-2019 and the average annual evolution needed to reach the national employment rate target
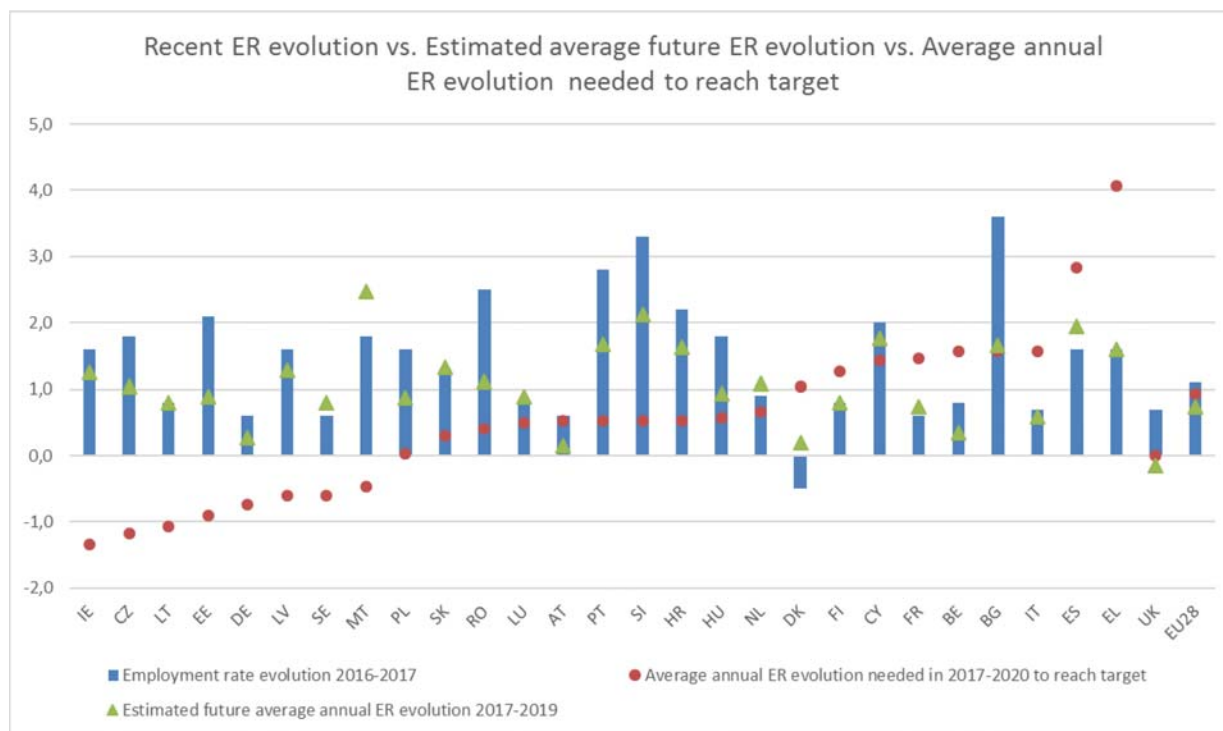

Source: Recent ER evolution – LFS. Estimated average annual employment rate evolution 2016-2018 and Estimated average annual employment rate evolution 2016-2020 needed to reach target: DG EMPL calculations on the basis of the 2016 EU Commission's Spring Economic Forecast (employment growth) and Eurostat 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 2017 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 this gap between the years 2016 and 2017. 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 allows 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 2017 showed positive developments, by decreasing the gap between the national target and the employment rate as compared to the situation in 2016[10].. On the positive side, all the Member States, which had already achieved their national employment rate target, exhibited a further increase in their employment rates in 2017.

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[10] In Denmark the target has not been achieved so far but the evolution in the employment rate cannot be quantified due to a break in time series between 2016 and 2017 (Q1)

Figure 6: Comparison of the difference between the 2017 employment rates and the national employment rate targets with the change in this difference between 2016 and 2017
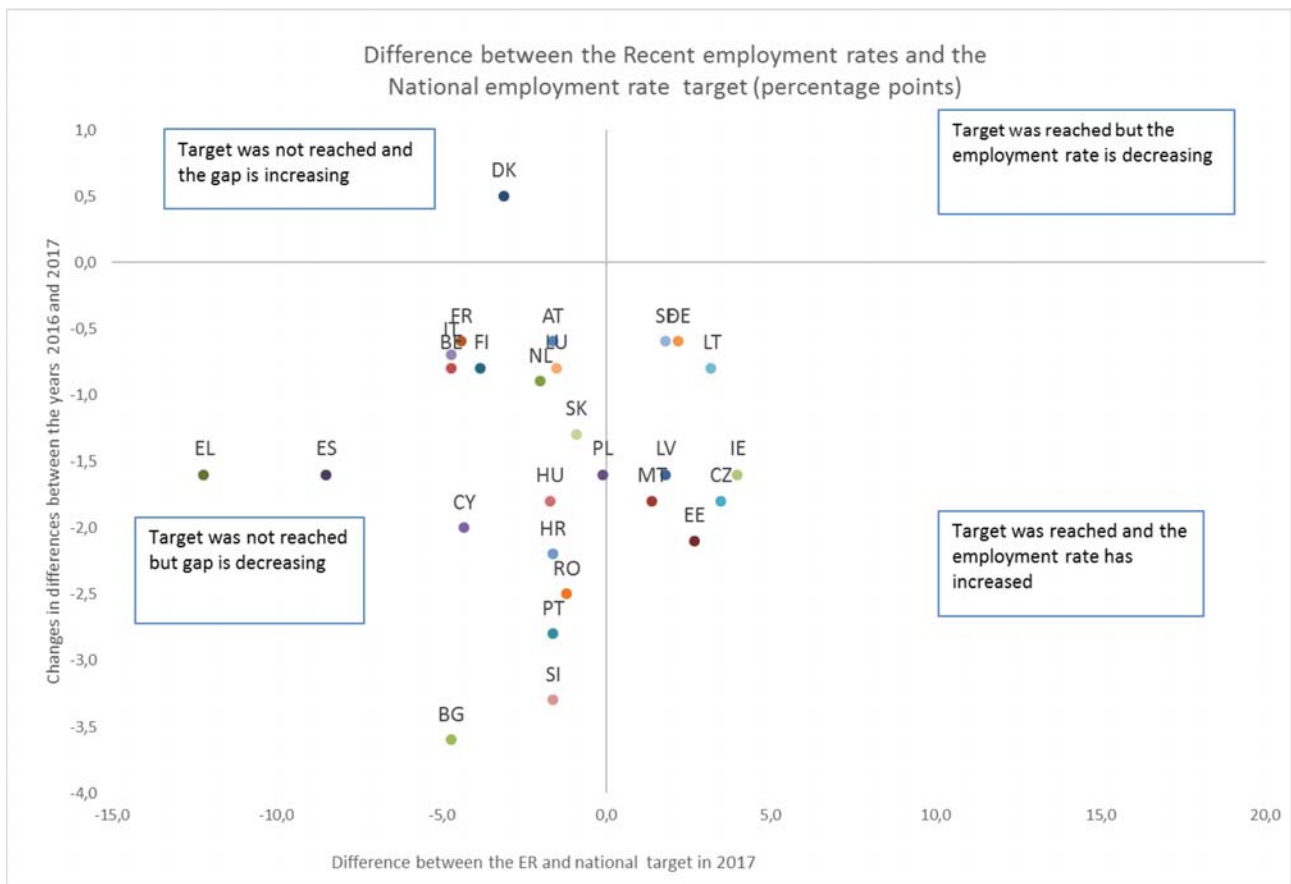
Finally, according to projected employment rates in 2020[11] (under a "no policy change scenario" assumption) around a third of the Member States will have achieved their national target in 2020. On the contrary, employment rate projections show that significantly more efforts are needed to achieve the national target in Belgium, Bulgaria, Cyprus, Greece, Spain, Finland, France and Italy.

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 in the majority of Member States are to be expected from boosting employment rates among: prime age women (30-54) and women aged 55 to 64, the low-skilled and, in some Member States: prime age men (30-54) and men aged 55 to 64.

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[11] Projections are those included in the 2018 Ageing Report, by the EPC Ageing Working Group (see EPM, Annex B, table B1)

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

MS	Men						Women						Low-skilled (20 - 64)		Non-EU28 nationals (20 - 64)	
	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	1,6	2	2,4	7	0,4	6	1,2	1	3,7	3	2,1	4	1,9
BE	7	1,9	5	2,7	3	3,1	6	2,1	4	2,8	2	3,7	1	4,8	8	1,5
BG	7	1,9	1	4,0	6	2,2	5	2,5	4	2,6	3	2,7	2	3,8	8	0,0
CY	4	2,0	3	2,8	6	1,8	7	1,7	1	3,6	2	3,2	5	2,0	8	1,1
CZ	6	0,7	7	0,0	5	1,2	2	2,1	3	1,7	1	2,8	4	1,2	7	0,0
DE	8	0,5	5	1,0	6	0,7	7	0,5	2	1,4	3	1,3	4	1,1	1	1,9
DK	7	0,8	1	1,5	8	0,7	6	0,9	2	1,4	4	1,4	3	1,4	5	1,1
EE	8	0,0	1	1,6	3	1,4	4	1,4	2	1,4	6	0,8	7	0,2	5	1,0
ES	5	2,6	3	5,0	7	2,4	6	2,5	1	6,3	4	3,5	2	5,1	8	1,4
FI	6	1,3	1	2,6	2	2,3	5	1,3	4	1,5	7	1,1	3	1,9	8	0,7
FR	8	1,4	5	2,3	3	2,8	6	1,9	4	2,4	2	3,0	1	3,3	7	1,7
HR	7	2,4	3	4,8	5	3,3	6	3,1	4	4,0	1	5,1	2	4,8	8	0,1
GR	7	3,1	3	5,0	6	3,3	5	3,3	1	8,7	2	5,5	4	4,7	8	1,0
HU	7	1,3	6	1,6	5	2,2	3	2,3	2	2,5	1	3,9	4	2,2	8	0,0
IE	5	1,5	2	3,3	7	1,1	6	1,3	1	5,4	4	2,5	3	3,0	8	0,7
IT	6	2,9	5	3,4	7	2,0	4	3,5	1	7,5	3	4,0	2	6,1	8	1,1
LT	6	1,0	1	3,2	3	1,5	4	1,5	7	1,7	2	1,7	5	1,2	8	0,0
LU	7	1,2	8	0,9	2	3,3	5	1,5	3	2,7	1	3,5	4	2,3	6	1,3
LV	8	0,7	1	3,3	3	1,8	7	1,0	2	2,0	4	1,7	6	1,0	5	1,7
MT	8	0,1	7	0,3	4	2,0	6	0,3	1	7,0	2	5,6	3	5,0	5	0,4
NL	7	0,2	4	1,3	6	0,7	8	0,0	1	2,4	2	2,3	3	1,4	5	0,8
PL	7	1,1	4	2,1	3	2,4	6	2,0	2	2,9	1	4,4	5	2,1	8	0,0
PT	5	1,9	2	2,7	4	2,2	6	1,8	3	2,5	1	3,3	8	0,0	7	0,1
RO	7	1,3	6	2,0	4	2,5	5	2,3	2	4,3	1	4,3	3	2,7	:	:
SE	4	0,8	2	1,0	6	0,0	5	0,8	6	0,0	6	0,0	3	0,9	1	1,5
SI	6	1,2	5	1,6	2	4,0	4	1,9	7	0,8	1	4,8	3	2,1	8	0,2
SK	7	1,2	6	2,2	5	2,3	3	2,9	1	3,4	2	3,4	4	2,6	8	0,0
UK	8	0,0	3	1,2	4	0,8	7	0,6	1	2,2	2	1,7	5	0,8	6	0,7
EU	7	1,3	4	2,3	5	1,8	6	1,7	1	3,4	2	2,9	3	2,8	8	1,1

*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*

Source: DG Employment calculations using EU LFS, Eurostat 2015 population projections and national employment rate targets set in 2018 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 would 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 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[12], whereas specific key employment challenges and good labour market outcomes for each Member State are presented in Part II[13]. The EPM also includes a dashboard of key employment indicators (EPM dashboard[14]) 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 (23 MS) which mainly relate to

    – Low and/or decreasing employment rate: overall (5 MS), women (5 MS), older workers (11 MS), low skilled (8 MS) and non-EU migrants (7 MS)

    – High and/or increasing incidence of youth unemployment and/ or NEETs (10 MS)

    – Low duration of working life (8 MS)

- Labour market functioning, combatting segmentation (15 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 (15 MS) which mainly relate to

    - Low level of ALMP expenditure/ Insufficient provision of well targeted tailored measures/ Insufficient functioning of public employment services (15 MS) and

    - High incidence of long-term unemployment (5 MS)

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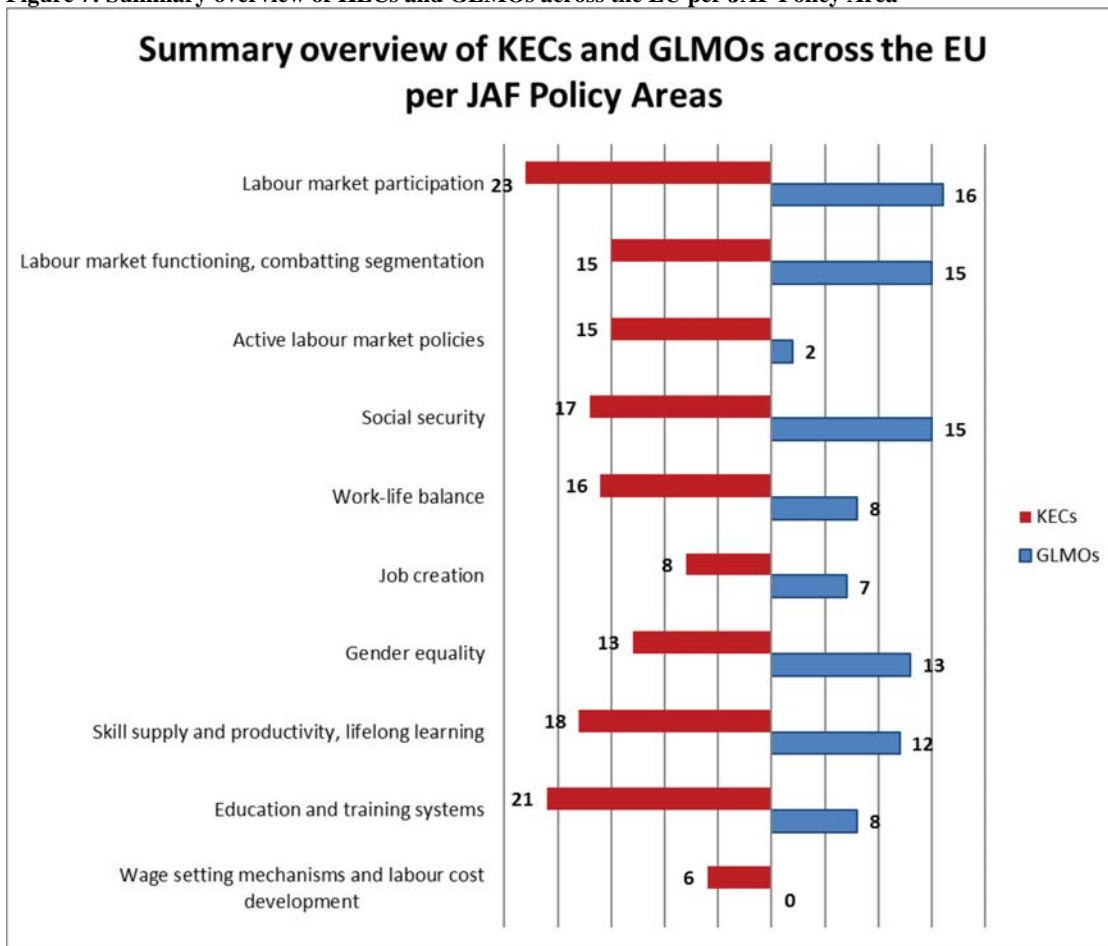[14] The EPM dashboard can be found in Annex C in the EPM

- Adequate and employment oriented social security systems (17 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 (12 MS)

    - Disincentives for labour market participation in social security systems/ Disability pensions/ Unemployment traps (5 MS)

- Work-life balance (16 MS) which mainly relate to

    - Insufficient provision/uptake of high quality, affordable child and/or dependent care facilities (12 MS)

    - High incidence of inactivity and part-time work due to family obligations, high impact of parenthood on employment (11 MS)

- Job creation (8 MS) which mainly relate to

    - Negative employment growth/insufficient job creation (1 MS)

    - High tax wedge on labour (7 MS)

- Gender equality which mainly relate to (13 MS)

    - Gender gaps: employment (9 MS), pay (4 MS)

    - Disincentives for second earners (4 MS)

- Skill supply and productivity, lifelong learning (18 MS) which mainly relate to

    - Weaknesses with respect to educational attainment of the (adult) population (4 MS)

    - Low participation in lifelong learning/lack of an integrated lifelong learning strategy (9)

    - Skills mismatches/Insufficient forecasting skills system (12)

    - Low level of digital skills among adults (4 MS)

- Education and training systems which mainly relate to (21 MS)

    - High incidence of early school leaving (6 MS)

    - Low upper secondary education attainment (3 MS)

    - Low tertiary education attainment rate (5 MS)

    - Low attainment of basic skills (5 MS)

- Educational outcomes depending on socio-economic and migrant background (9 MS)

- Low participation in early education and care (1 MS)

- Low attractiveness of the teacher profession (2 MS)

- Public spending on human resources low/inefficient (1 MS)

- Insufficient provision of education and training opportunities to meet labour market needs (5 MS)

- Wage setting mechanisms and labour cost development (6 MS)

  - Minimum wage setting (3 MS)

  - Collective bargaining (3 MS)

  - Labour cost developments not in line with productivity gains (1 MS)

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

- Labour market participation (16 MS)

- Labour market functioning, combatting segmentation (15 MS)

- Active labour market policies (2 MS)

- Social security (15 MS)

- Work-life balance (8 MS)

- Job creation (7 MS)

- Gender Equality (13 MS)

- Skill supply and productivity, lifelong learning (12 MS)

- Education and training systems (8 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	23	16
Labour market functioning, combatting segmentation	15	15
Active labour market policies	15	2
Social security	17	15
Work-life balance	16	8
Job creation	8	7
Gender equality	13	13
Skill supply and productivity, lifelong learning	18	12
Education and training systems	21	8
Wage setting mechanisms and labour cost development	6	0

b. Review of the employment trends identified in the 2018 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"[15] 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 2016-2017 (Figure 8):

- A deterioration in the **nominal unit labour cost** in a number of Member States (in 12 MS) even though an improvement was observed in 3 MS.

- An increase in the **at-risk-of-poverty rate of the unemployed** (registered in 9 MS), even though a decrease was observed in 5 MS

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[15]The identification of significant positive/ negative changes is done following the methodology for determining thresholds for substantive significance based on historical series, agreed in EMCO IG with cut-off point of 7.5% and 1SD as threshold plus the statistical significance estimates provided by Eurostat

- A deterioration in the **inactivity and part-time work due to personal and family responsibilities** in a number of Member States (in 7 MS), even though an improvement was observed in 7 MS.

- A deterioration in the **unemployment trap tax rate on low wage earners** in a number of Member States (in 5 MS), even though an improvement was observed in 7 MS.

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

- An increase in the **total employment** (in 26 MS)

- An increase in the **job vacancy rate** (in 22 MS)

- An increase in the **overall employment rate** (in 21 MS) and in the **employment rate of older workers** (in 21 MS)

- A decrease in the **long term unemployment rate** (16 MS)

- An increase of the **share of adults with medium or high education** (14 MS)

Figure 8: Employment trends to watch and areas of improvement for the period 2016-2017
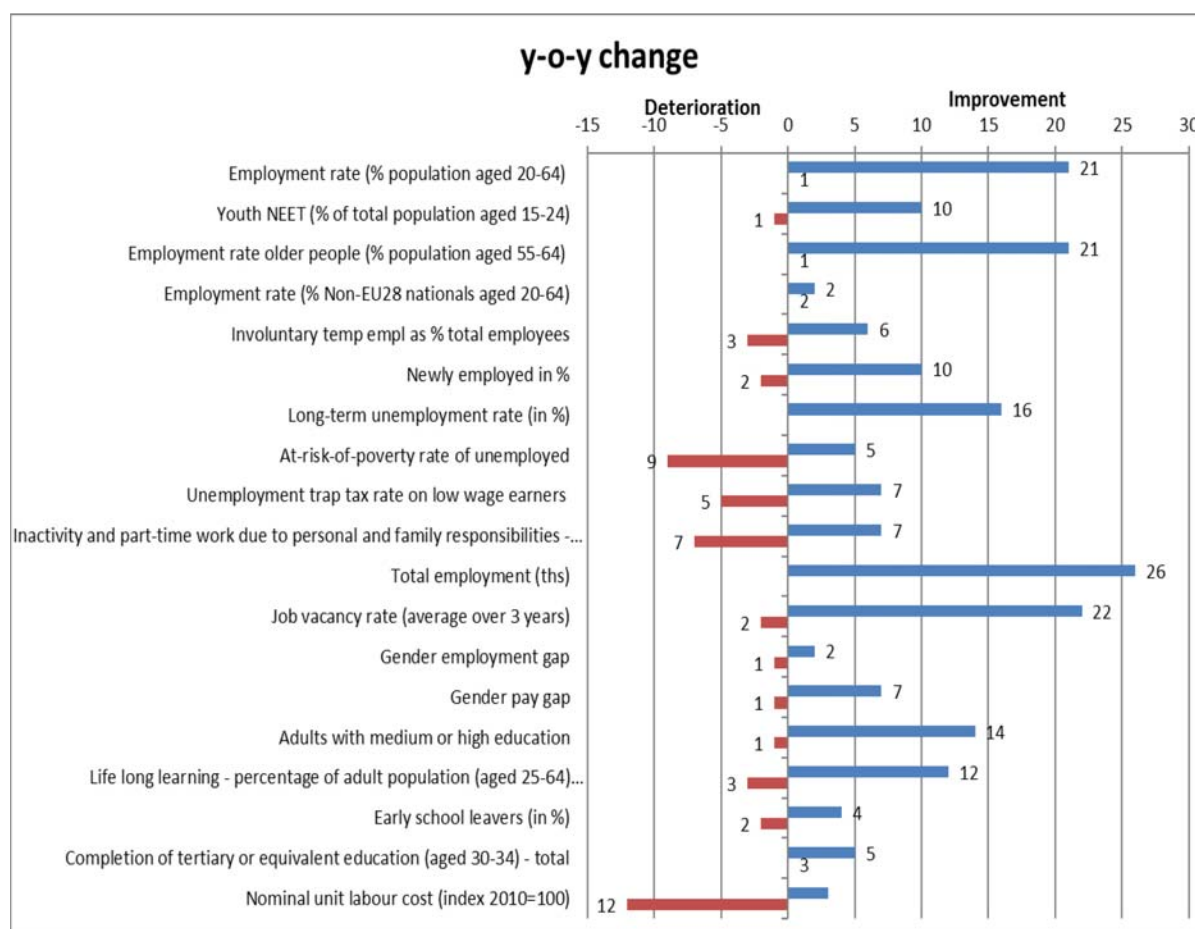
Looking at the longer-term developments (over three years), the areas with the most substantial deterioration compared to 2014 are (Figure 9):

- An increase in the **at-risk-of-poverty rate of the unemployed** (registered in 11 MS)

- A deterioration in the **nominal unit labour cost** in a number of Member States (in 11 MS)

- A deterioration in the **inactivity and part-time work due to personal and family responsibilities** in a number of Member States (in 9 MS)

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

- An increase in the **total employment** (in 24 MS)

- An increase in the **job vacancy rate** (in 21 MS)

- An increase in the **overall employment rate** (in 21 MS) and in the **employment rate of older workers** (in 26 MS)

- An increase of the **share of adults with medium or high education** (18 MS)

- A decrease in the **NEET rat**e (registered in 18 MS)

Figure 9: Employment trends to watch and areas of improvement for the period 2014-2017