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NOTE

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

Subject: Key Employment Challenges: Key messages from the EMCO based on the Annual Employment Performance Report and Employment Performance Monitor
- Endorsement of the key messages

Delegations will find attached the key messages from the Employment Committee (EMCO) based on the Annual Employment Performance Report (AEPR) and Employment Performance Monitor (EPM).

The full AEPR can be found in doc.: 11372/20 ADD 1.

Key messages to accompany the 2020 Annual Employment Performance Report and the Employment Performance Monitor

1. In line with its mandate as per Article 150 TFEU, the Employment Committee has produced an annual review of the employment situation in the EU for the Council. This review is contained in the 2020 Employment Performance Monitor (EPM), which monitors progress towards the Europe 2020 Strategy targets and identifies key employment challenges and good labour market outcomes across the EU and in each Member State. The EPM builds 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, and aiming to identify at a glance key challenges and good labour market outcomes in these areas and to support Member States in establishing their priorities.
2. The main findings of the 2020 EPM are summarised in the 2020 Annual Employment Performance Report (AEPR). These complement the conclusions of the Employment Committee's multilateral surveillance of the implementation of the Council's Recommendations within the framework of the European Semester. The 2020 EPM findings must, however, be seen in the light of the impact of the COVID-19 crisis and, being mostly based on 2019 data, are not fully representative of present conditions. Nonetheless, the review also points to long-standing policy challenges, which may be exacerbated by the impact of the pandemic. Tackling such challenges will be crucial for a sustainable and inclusive recovery. The following messages reflect the main points of the analysis contained in the EPM.

3. In 2019, EU unemployment rates had fallen to their lowest levels in more than a decade, while employment had reached new all-time highs. The EU28 employment rate (20-64) rose by 0.7 percentage points compared to 2018 and stood at 73.9% (79.6% for men and 68.2% for women); the highest level ever reached. Seventeen Member States had already achieved their national EU2020 targets, and in 14 of them the employment rate rose compared to 2018. Moreover, in all the Member States which did not achieve their national targets, the gap between the national target and the employment rate decreased in 2019 compared to 2018.
4. The monitoring identifies positive trends in 2019. Twenty Member States saw a rise in their employment rate, while 18 Member States recorded a rise in total employment. The proportion of adults with medium or high education rose in 19 Member States, while at the same time, in a generally auspicious labour market environment (in 2019), the job vacancy rate rose in 16 Member States. Likewise, the employment rate for older workers improved in 15 Member States.
5. The review also highlights a number of negative trends: a rise in nominal unit labour cost (22 Member States); a rise in the at-risk-of-poverty rate among the unemployed (registered in 13 Member States) and a deterioration in part-time work and inactivity due to personal and family responsibilities (nine Member States). Additionally, key employment challenges are identified in the areas of skills supply, education and training systems, labour market participation, social security systems (e.g. unemployment benefits, low-wage traps, unemployment traps), work-life balance and gender equality.

6. The COVID-19 crisis has put a halt to the positive labour market developments of the previous years. The EU entered the deepest economic recession in its history, while the pandemic had a serious impact on people's health, with a significant number of deaths recorded across the Union. EU27 GDP is expected to contract by 8.3% this year (Summer 2020 European Economic Forecast), far deeper than during the financial crisis in 2009, before growing again by 5.8% next year. The way Member States will emerge from the crisis is set to be uneven and could thus undermine past efforts at upward convergence. The unemployment rate (7.2% in July) is expected to rise to 9% in 2020 before receding to 7.9% in 2021. Its moderate rise thus far is linked to the massive support provided by Member States.
7. Policy action in dealing with the fallout of the pandemic has been swift, with measures such as short-time work schemes for workers income subsidies for the self-employed, and liquidity measures for firms, taken to limit employment losses. A data collection exercise launched through EMCO's Indicators Group (together with SPC's Indicators Sub-group) showed that approximately 26 million jobs were supported by various short-time work and temporary lay-off schemes in April, while 24 million jobs were supported in May (in the 16 Member States for which data are available).

8. The EU adopted quickly a number of initiatives to mitigate the impact of the crisis, including a new instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE). Furthermore, EU leaders agreed on a comprehensive package of EUR 1824.3 billion, which combines the multiannual financial framework (MFF) and an extraordinary recovery effort, Next Generation EU (NGEU). In particular, the new Recovery and Resilience Facility included in the package will help the EU mitigate the social and economic impact of the crisis and rebuild from the COVID-19 pandemic, through support to reforms and investment that strengthen growth potential, job creation and economic and social resilience and contribute to the green and digital transitions. Nonetheless, it is estimated that the number of employed people in the EU27 will rise by 4.4% in 2020 before it falls again in 2021 (Spring 2020 European Economic Forecast). Indicatively, in 2020 Q2, employment in the EU dropped by 5.5 million compared to the first quarter of 2020. This is the sharpest decline in employment ever observed over two successive quarters since data have been available (1995).
9. In this context, EMCO would recall that its horizontal opinion on the European Semester for the June EPSCO Council noted that the crisis was bound to have a substantial impact on social conditions and in particular on the most vulnerable: workers on temporary contracts, the self-employed, platform workers, the low-skilled, and migrant workers. Moreover, there is a significant risk of widening economic and social differences between and within Member States, which requires a coordinated, decisive and adequate policy response. More than ever, the European Semester has a key role to play in ensuring effective coordination in the economic, employment and social policy responses necessary for protecting both employment and incomes, and in putting growth back on track.
10. EMCO's multilateral surveillance work reviewed policies and measures taken before the onset of the COVID-19 pandemic. The process indicates that the labour market areas where Member States carried out reforms but where challenges still remain are: active labour market policies; labour market participation of women and disadvantaged groups; labour market segmentation, wages, undeclared work and labour taxation; and education, training and skills.

11. The reviews conducted by EMCO show that Member States have taken action to increase the efficiency and quality of active labour market policies (ALMPs) and public employment services (PES). Nonetheless, a number of countries still face challenges in terms of the functioning of public employment services, as also underlined in the EPM. Enhancing the capacity of PES is important in improving tailor-made support for jobseekers. Further steps are needed to increase the participation of the low-skilled in adult learning and training. Equally, reaching out to all labour market participants including employers and those furthest away from the labour market, as well as NEETs, is a priority for PES.
12. As regards youth unemployment, given the favourable employment context of the previous years, most Member States' efforts turned to increasing the attractiveness of vocational education and training, and providing quality traineeships. However, outreach to NEETs in particular remains a challenge in many Member States. Countries are also aware of the need to step up efforts to assess impact following exit from the Youth Guarantee scheme by means of solid monitoring and evaluation systems.
13. Difficulty in reconciling professional and caring responsibilities is one of the main drivers of the persistent gender employment gap. In response, Member States have made or planned investments to increase the quality and number of places in early childhood education and care (ECEC). In most cases, however, the Barcelona target for children under three years old is still not met, for lack of service provision. Additionally, while higher female employment rates in some Member States are also due to the use of part-time options, more and greater flexibility in working arrangements could reduce involuntary part-time work and inactivity. The EPM also shows that a high incidence of inactivity and part-time work due to family obligations remains a concern for a number of countries. Likewise, gender gaps in employment and pay remain a challenge in some Member States.

14. Higher education attainment, as well as the effects of pension reforms and health provision, have led to rises in retirement age over the past twenty years. Considering the demographic trends in Europe, further increasing the employment rates of people above fifty years old continues to be an important objective. At the same time, more support and tailored active labour market policies are needed for groups most distant from the labour market, including people with disabilities, the low-skilled, the long-term unemployed and people with migrant backgrounds.
15. Member States have continued to shift taxes away from labour towards more growth-friendly environmental and new 'green' taxes. Simultaneously, tax relief for families and initiatives to increase the disposable income of low-income earners and reduce disincentives to work are still policy priorities in a number of Member States.
16. Regarding minimum wages, it is important to ensure that they are set in accordance with national practices, respecting the autonomy of the social partners, and taking into account all relevant factors at Member State level, including prices, wages and productivity developments, as well as labour market conditions, in-work poverty and wage inequalities, while adhering to the making-work-pay principles. In most Member States, policy developments in this area are closely linked to the role of social partners and collective bargaining.
17. Labour market segmentation has become more complex. In addition to the more traditional differences between permanent and temporary contracts, it increasingly refers to more atypical forms of employment. Measures to support the use of open-ended contracts and more stable types of employment should be further promoted in some countries, while the involvement of the social partners in measures combating segmentation is important to ensure more sustainable, long-term solutions.

18. Investment in skills upgrading, adult education and lifelong learning continue to be policy priorities. The EPM also points to low participation in lifelong learning and skills mismatches as key employment challenges. Vocational education and training have thus been at the centre of reform in many Member States, with a view to creating better links between education and the skills necessary to drive the digital and green transitions. Efforts have also been made to increase the quality and supply of apprenticeships.
19. Member States have taken action to reduce inequalities in access to quality education and training. However, as also shown in the EPM, socio-economic background remains a strong predictor of educational attainment in some countries. Policies that focus on reducing early school-leaving and tackling lower educational achievement contribute to the inclusiveness of the education and training systems as well as to addressing skills mismatches.
