IN-DEPTH EMPLOYMENT ANALYSIS

CONFEDERATION SYNDICAT EUROPEAEN TRADE UNION

BUSINESSEUROPE

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1. Introduction

BUSINESSEUROPE, CEEP, UEAPME and ETUC (and the liaison committee Eurocadres/CEC) present here a new joint in-depth employment analysis. It provides an assessment of the current state of play on European labour markets seven years on from the first one[1].

The 2007 analysis was conducted at a time when the European economy was experiencing a period of reasonable growth and when unemployment rates were remarkably lower than they are today. However, the financial crisis, which subsequently turned into an economic and social one – has changed the European landscape in the intervening years. Europe's economy has been in recession, the long-term stability of the euro has been severely challenged and the unemployment rate, particularly among young people has risen sharply in many Member States. In the first quarter of 2008, some 16 million people were unemployed; six years later, dramatically, nearly 10 million more people are out of a job.

This present analysis also identifies some lessons that can be learned from this period in relation to previous recommendations such as: the urgent need to address Europe's weakness in terms of job creation, investment and growth, the importance of countercyclical macro-economic policies in good and bad times, the fact that social dialogue can deliver growth and employment, the potential for successful and sustainable adaptation to change, the limits of a copy-paste policy in Europe, the need to foster productivity or the increasing importance of fighting against inequalities and poverty.

1 The joint analysis "Key challenges facing European labour markets: a joint analysis of European social partners" was finalised on 18 October 2007. Available at: www.etuc.org ; www.businesseurope.eu.

1. Introduction

This new analysis has been undertaken as part of the 2012-2014 work programme of the EU social partners[2], and explores a range of topics having a direct or indirect impact on employment. By assessing data that covers essentially the period between 2008 and 2012 and identifying the associated challenges, the European social partners have developed a series of new joint recommendations. These recommendations are directed towards the EU institutions, Member States and social partners. The social partners recall their joint statement on the Europe 2020 Strategy of June 2010, which is still valid.[3] The European economy has to move up the ladder of innovation, technology and productivity.

With this analysis, the European social partners aim to contribute to solutions to foster job creation and employment participation. The goal is to maximise the full potential of Europe's labour force and provide the right policy environment to create more and better jobs and maintain existing ones.

In the areas directly concerning labour market and employment policies social partners should play a key role in, amongst other things, assessing and agreeing what kind of reforms are needed to achieve a sustainable job-rich recovery.

This analysis is structured around the following six themes:

a) Employment, Investment, Growth and Competitiveness;
b) Productivity, Research and Development, Innovation, Education and Training;
c) Labour Markets;
d) Industrial Relations;
e) Social Protection and Cohesion;
f) Demographic Change.

[2] In their 2012 -2014 the EU social partners committed to: *"conduct an analysis of the functioning of European labour markets, notably building upon our joint analysis of 2007 and agreed facts/figures. This analysis will address both short-term challenges deriving from the crisis and structural issues. We want to understand the reasons why some national policies have so far been able to overcome the crisis in a much more effective way than others, notably in terms of employment and skills. On this basis, we will draw conclusions and make concrete recommendations to Member States and EU institutions which will be promoted and taken forward by European and national social partners"*.

[3] European Social Partners Joint statement on the Europe 2020 Strategy of 4 June 2010, available at: www.etuc.org and www.businesseurope.eu

2. Employment, Investment, Growth, Competitiveness

Introduction

The levels of unemployment across Europe, especially among young people are a vital issue as are the difficulties that Europe presently faces in fostering job creation compared with other world regions. The crisis has exposed long-standing structural weaknesses in the EU. The economic and financial crisis has demonstrated the inter-connectedness between different regions within the global economy as well as between different markets within countries. In a global economy, Europe needs to be a good place both to work and to live, and for enterprises to invest and create jobs.

2.1 Recommendations

Governments, as part of a broader plan to boost investment, have quickly to implement their proposed measures to use public funds at both Member State and European level, to leverage public and private investment in order to restore economic growth and more and better jobs.

To boost investment across Europe, existing European financial instruments need to be strengthened. Europe must do everything it can to support the long-term investment needed. In addition the European Investment Bank (EIB) has an important role to play in fostering investment.

We need to make use of the different possibilities offered by the EIB. Ways to facilitate access to these instruments should be foreseen. During the crisis annual investments in Europe dropped significantly by as much as €367 billion by 2014; the Commission's proposal to invest an additional €315 billion in the EU economy is in first step necessary as this may kick start such a self-reinforcing growth process. New and effective instruments have to be envisaged.

The EU social partners will continue to provide their views on the EU investment plan.

Member States should be able to use the flexibility built into the stability and growth pact regarding the pace of fiscal consolidation, provided that there is clear and long-term commitment to the sustainability of public finances. However, ETUC reminds that it opposed the EU's fiscal compact.

Coordinated policy action at EU and national level is needed to fully overcome the crisis and create more and better jobs in Europe. Such action should in the first place, relate to fostering a process of self-reinforcing growth dynamics that cut unemployment. To revive the economy, robust and stable domestic demand is important.

Other aspects are:

- Smart investment in growth-enhancing areas, such as infrastructure, education and training, R&D, is key to ignite an adequate recovery, increase growth potential and achieve both more and better jobs;
- Eurozone countries must implement the new single supervisory mechanism and single resolution mechanism;
- A stable currency outlook that supports growth and inward investment to Europe is needed.

The Europe 2020 strategy, aiming to "turn Europe into a smart, sustainable and inclusive economy, delivering high levels of employment, productivity and social cohesion" should be re-emphasised, especially in those areas where the targets risk not being reached.

A number of conditions need to be met if Europe is to grow out of this crisis, under the over-arching framework of raising Europe's competitiveness for a job rich recovery and the reduction of unemployment. Further attention needs to be devoted to; harnessing the advantages of the single market for jobs and growth; safeguarding the euro and expanding EU external trade.

Improving financial stability by implementing the banking union is a positive first step. The key, however, is unlocking access to finance for businesses. The objective must be to achieve appropriately priced and diversified lending options for all enterprises across Europe especially SMEs. In particular, in a context of bank deleveraging, Europe must improve complementary sources of financing routes to bank lending.

A key means of achieving growth and job creation will be to simultaneously continue to strengthen industrial competitiveness and to develop a world-leading services sector, including high quality and performing public services. A new approach to industrial governance in the EU will be needed to ensure that the state of play for European industry and the proposals made are monitored and evaluated. The European Council should provide the strategic direction to build a European industrial strategy and evaluate progress annually. Strengthening the coordination and synchronisation to growth promotion of all EU policies within the European Commission will positively impact industrial competitiveness.

Disproportionate executive pay must be addressed. Member States, companies and - where appropriate - social partners should make sure that executive remuneration policies are aligned with the long-term success of enterprises and sound management practices.

While respecting the autonomy of collective bargaining and the diversity of national systems of social dialogue and industrial relations, social partners should aim to set real wages in line with productivity developments and the need to fund robust social protection systems. Non-wage labour costs may need to be restrained, where appropriate, in order to support job creation. Member States should also enhance European and international cooperation to establish fair tax competition while avoiding a race to the bottom.

2.2 Employment – Data description

Although the data shows an overall increase in the employment rate from 62.1% in 2000 to 64.1% in 2013, the performance of European labour markets has deteriorated over the last 8 years. The crisis has prompted a reduction on the 2008 high employment rate of 65.7% in the subsequent years and has now stabilised at around 64% between 2010 and 2013. There is evidence of a narrowing of the gap between employment rates for men and women. This is due to a more outspoken fall in the employment rate of men whereas the female employment rate has tended to stagnate at a level that is substantially lower (58.8% versus 69.4% in 2013). At the same time, the data clearly shows that the youth unemployment rate has risen markedly during this period since 2008.

Table 1: Recent developments in employment and unemployment rates, EU 28

EU 28	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Employment rate (15-64)	62.1	62.5	62.3	62.6	62.7	63.4	64.3	65.3	65.7	64.5	64.0	64.1	64.1	64.1
Men	70.8	70.9	70.4	70.3	70.4	70.8	71.6	72.5	72.7	70.7	70	70.1	69.8	69.4
Women	53.7	54.3	54.4	54.9	55.5	56.1	57.2	58.2	58.9	58.4	58.2	58.4	58.6	58.8
Unemployment rate (15-64)	8.9	8.7	9.0	9.1	9.2	9.0	8.2	7.2	7.0	8.9	9.6	9.6	10.4	10.8
Men	7.9	7.9	8.3	8.5	8.6	8.4	7.6	6.6	6.6	9.0	9.6	9.5	10.4	10.8
Women	10.1	9.6	9.8	9.9	10.1	9.8	9.0	7.9	7.6	9.0	9.5	9.7	10.5	10.9
Long-term unemployment (12 months or more) as % of total unemployment	46.1	45.8	45.5	45.9	46.1	45.9	45.5	42.9	37.2	33.4	40.1	43.1	44.6	47.4
Men	44.9	44.6	43.9	45.0	45.5	45.4	45.6	43.0	36.8	31.9	40.5	43.5	44.7	47.5
Women	47.3	47.1	46.7	46.7	46.6	46.1	45.1	42.5	37.2	34.8	39.2	42.1	44.0	46.9
Youth (15-24) unemployment rate	17.7	17.6	18.1	18.6	19.0	18.9	17.5	15.7	15.8	20.1	21.2	21.5	23.0	23.5
Men	16.8	17.0	17.8	18.6	18.8	18.7	17.2	15.4	15.8	21.2	21.9	22.1	23.7	24.1
Women	18.7	18.3	18.3	18.6	19.3	19.0	17.9	16.1	15.7	18.8	20.2	20.8	22.2	22.7
Inactivity rate (15-64) as % of the total population	31.5	31.5	31.4	31.1	30.8	30.3	29.8	29.6	29.2	29.1	29.0	28.8	28.2	28.0
Men	22.9	23.1	23.2	23.1	23.1	22.7	22.4	22.3	22.1	22.2	22.4	22.4	22.0	22.1
Women	39.9	39.8	39.5	39.8	38.5	37.8	37.1	36.8	36.3	35.9	35.6	35.2	34.4	34
Average number of actual weekly hours of work	38.3	38.1	37.6	37.6	37.6	37.7	37.5	37.4	37.3	36.9	36.9	36.9	36.7	37.2

Source: Eurostat

Long-term unemployment, as a share of the labour force 15-64, increased by 2.5 percentage points between 2008 and 2013, which represents an increase from more than 6 million to more than 12.4 million people.

In 2013 nearly half (47.4%) of all unemployed were long-term unemployed, thus remaining without work for 12 months or more. This represents a break in the trend which had seen a fall in long-term unemployment between 2000 and 2009.

However, long-term trends show a fall in the inactivity rate, both overall and by gender, for the period 2000-2012.In almost all Member States unemployment and, especially, economic inactivity rates are higher for women, particularly in the case of women with care responsibilities and of women with low educational levels.

Record high increases of the unemployment rates have been observed in Ireland (4.6% average 2008-12 to 12.3% for 2008-12), Spain (10.4% to 19.2%), Portugal (7.1% to 12.0%), Greece (9.7% to 14.4%), Cyprus (4.3% to 7.0%). At the same time, the unemployment rate has fallen or remained stable in Poland where it fell from an average of 15.8% in 2000-08 to 8.9% in 2008-12; Bulgaria where it fell from 12.4% to 9.3%; Germany where it fell from 9.2% to 6.8%; and Austria were it remained stable at 4.3%.

Table 2: Recent developments in employment and unemployment rates (2000-08 / 2008-13), EU 28

EU 28	Change 2000-2008	Change 2008-2013
Employment rate (15-64)	3.6	-1.6
Men	1.9	-3.3
Women	5.2	-0.1
Unemployment rate (15-64)	- 1.7	3.8
Men	- 1.1	4.2
Women	- 2.5	3.3
Long-term unemployment (12 months or more) as % of total unemployment	- 9.2	10.2
Men	- 1.1	10.7
Women	- 10.2	9.7
Youth (15-24) unemployment rate	- 2.7	7.7
Men	- 1.9	8.3
Women	- 3.4	7.0
Inactivity rate (15-64) as % of the total population	- 2.3	-1.2
Men	- 0.8	0.0
Women	- 3.6	-2.3
Average number of actual weekly hours of work	-1.0	0.1

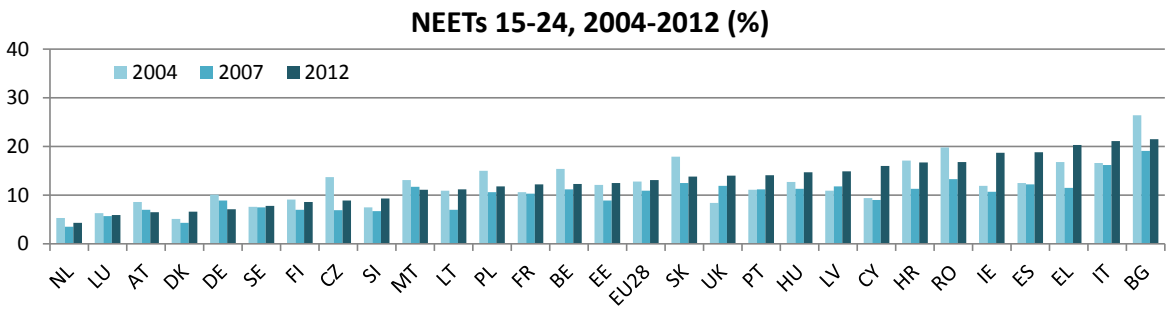
Source: Eurostat

Youth unemployment

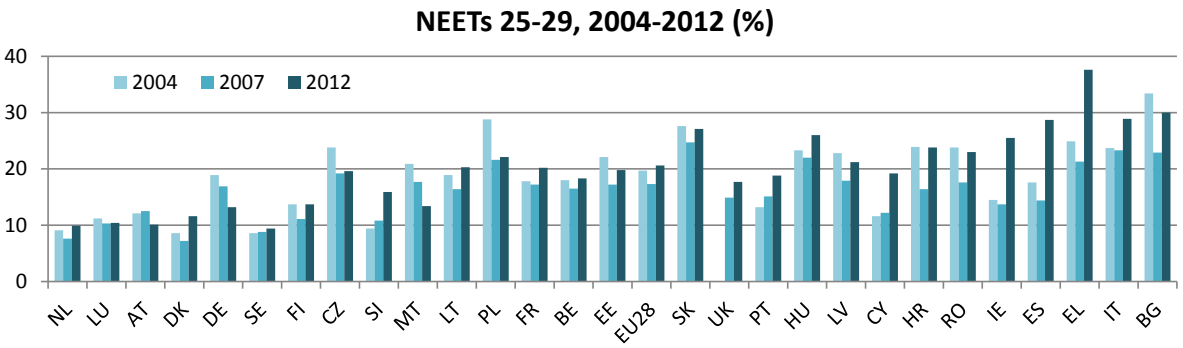
There is a longer-term trend for youth unemployment (15-24 years) resulting from young people experiencing difficulties integrating into labour markets. This has been exacerbated by the crisis and has risen from 15.5% in 2008 to 23.5 % in 2013.

More than 13% of youth (15-24) in the EU 28 are not in a job, education or training (NEET's). There is wide variation amongst Member States with the highest NEET number exceeding 20% and the lowest number close to 5%. Between 2004 and 2012, the number of NEETs has increased in all EU Member States, apart from 7, NEETs rates are much higher for young adults (25-29) where the EU average is at 20.6% and close to 40% in that Member State recording the maximum number. For example, in 2012, in Greece, nearly 38% of young adults (25-29) were not in employment, education or training, while there were 22% in 2007. Such high NEET rates are especially alarming and indicate that high unemployment rates are an acute social problem for young adults not only among youth, who for the majority are still in education.

Graph 1: NEETs: youth (15-24) 2004-2012

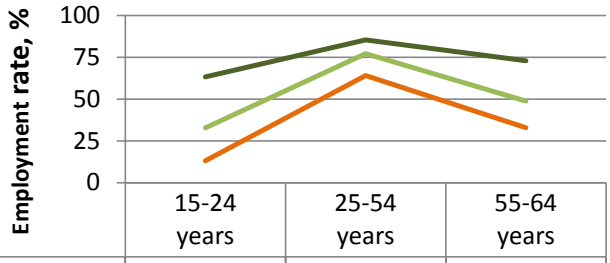


Graph 2: NEETs young adults (25-29) 2004-2012



Source: Eurostat

Graph 3: Employment rate by age group, 2012



	15-24 years	25-54 years	55-64 years
Best EU	63,3	85,4	73
EU-28	32,8	77,2	48,8
Worst EU	13,1	64,1	32,9

Note: Best EU: 15-24 The Netherlands; 25 – 54 Austria; 55 – 64 Sweden – Worst EU: 15-24 Greece; 25 – 54 Greece; 55 – 64 Slovenia

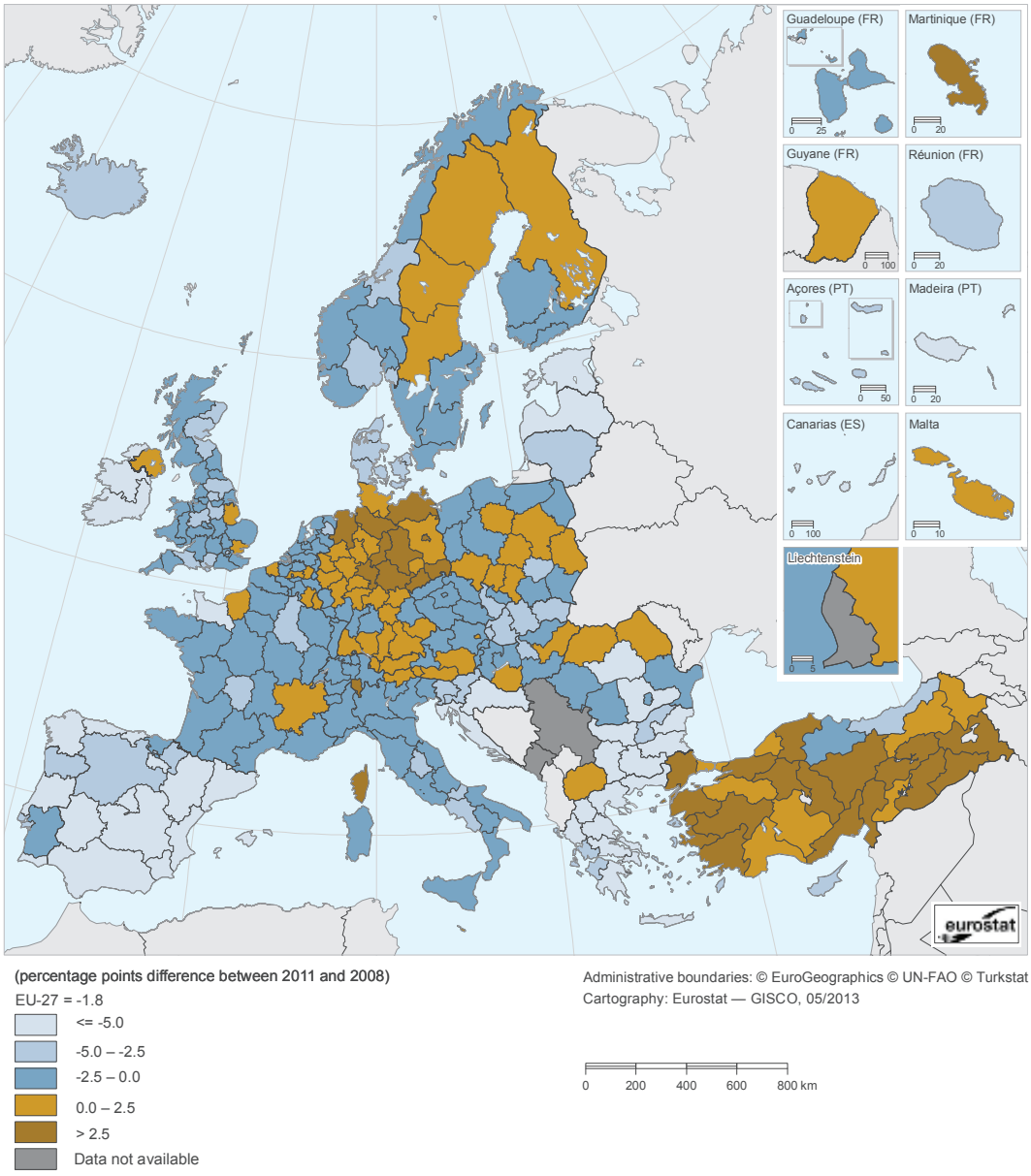
Source: Eurostat

Regional unemployment

In the EU as a whole there has been an increase of 1.9% in the dispersion of regional employment rates between 2008 and 2012. The regional employment rate differs within countries and it is hard to make generalisations at this level. Nevertheless some Member States are experiencing very high levels of regional unemployment (Belgium, Germany, Spain, Italy) that are twice or even three times higher than the national average, which points at the fact that there are a number of important factors that could affect the employment rate at regional level, such as the make-up of the regional economy and geography.

Figure 1: Regional employment

Change in employment rate, persons aged 20–64, by NUTS 2 regions, 2008–11 ([1])
(percentage points difference between 2011 and 2008)



([1]) Chemnitz (DED4), Leipzig (DED5), Emilia-Romagna (ITH5), Marche (ITI3), Helsinki-Uusimaa (FI1B), Etelä-Suomi (FI1C), Pohjois- ja Itä-Suomi (FI1D), Cheshire (UKD6), Merseyside (UKD7) and Kontinentalna Hrvatska (HR04), 2009–11.

Source: Eurostat *(online data code: lfst_r_lfe2em)*

Employment change in non-financial businesses

The data shows that, overall, there is a slight positive trend towards employment in the non-financial business economy. This is particularly evident for micro, small, medium and SMEs.

Table 3: Employment change in the non-financial business economy by enterprise size, 2002-2010

	Micro (<10 employees)	Small (10-50 employees)	Medium (50-250 employees)	SMEs (all <250 employees)	Large (>250 em-ployees)	Total
Average annual change in %						
EU15	1.2	0.7	0.4	0.9	0.6	0.8
EU12	1.5	2.5	1.6	1.8	0.2	1.3
EU27	1.3	1	0.7	1	0.5	0.9
Average annual change in the number of occupied persons						
EU15	364,000	145,000	73,000	581,000	207,000	788,000
EU12	109,000	98,000	74,000	281,000	17,000	298,000
EU27	473,000	243,000	147,000	863,000	224,000	1,086,000

Note: Non-financial business (according to the source from which the data are taken, based on NACE rev 1.1 classification): Mining and quarrying; Manufacturing; Electricity gas and water supply; Construction; Wholesale and retail trade; repair of vehicles, motorcycles and personal and household goods; Transport, storage and communication; Hotels and restaurants; Real estate, renting and business activities

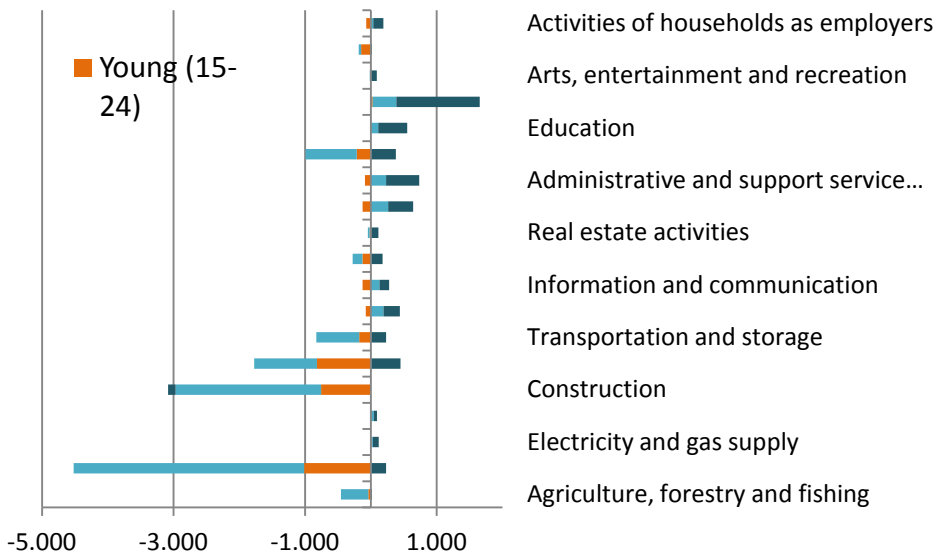
Source: EIM, based on 'European Commission: Are EU SMEs recovering from the crisis?' Annual Report on EU Small and Medium Sized Enterprises 2010/2011

Employment change by type of jobs and sector

The impact of the crisis has been felt differently across age, socio-economic groups. Young people (15-24) experienced huge losses in employment compared to the size of their cohort. Moreover, there have been substantial job losses among prime-age (25-49) workers, while the number of older workers (50-64) increased in all sectors apart from construction and agriculture.

The data shows an overall reduction in employment in the manufacturing/ mining, construction, wholesale and retail, particularly for young (15-24) and prime workers (25-49). This includes the loss of around 8 million jobs in manufacturing and construction. On the other hand there are overall increases in employment in health and social work, education and professional, scientific and technical activities. This is particularly the case for prime and older workers (50-64). Some of this will be cyclical and related to the crisis, but there are also underlying trends that will not necessarily change with a return to growth.

Graph 4: Employment change 2008-2012, EU-27 (in 1,000 jobs)



Source: Eurostat

2.3 Employment – analysis and challenges

The urgent challenge is to achieve a job-rich recovery, based on growth, productivity, investment and the right reforms that lead to quality employment.

The crisis and several of the measures adopted are severely affecting the EU's ability to meet the Europe 2020 targets of reaching, in particular, a 75% employment rate by 2020. Much more needs to be done to achieve the objectives outlined in the Europe 2020 strategy, especially for women whose employment rate is 58.6% against 69.8% for men.

Looking at the recent recession in Europe, a situation whereby an increase in employment comes slightly later than output in the recovery is to be expected, reason why more has to be done on job creation. For example, in 2010 when the European economy was beginning to recover from the initial financial crisis GDP growth was 2% whereas unemployment nevertheless increased from 9.0% to 9.7%. This may partly reflect slower hiring due to labour retention during the recession. Some firms that have been able to keep workers employed during the downturn will be able to draw on that excess capacity. Others may extend the hours of existing workers.

The increase in long-term unemployment between 2008 and 2012 shows that the crisis is having medium and long-term consequences for the labour force, the growth potential of the economy, poverty and social exclusion (see below). At the same time, the longer-term trend for a fall in long-term unemployment in a period of growth suggests, a good capacity of adaptation to the overall structure of the

economy that is evidenced in the change in employment by sector and occupation.

For example, a large number of vacancies are expected in the ICT sector by 2015. Another example: by 2020, the greening of the economy could have a positive effect on job creation if the right policies are put in place to maximise the opportunities of a low-carbon economy, and managing the transition and risks to enterprises and workers. But this adaptation means that more efforts are needed to ensure that workers have the skills that are needed and these skills are used to the maximum extent possible.

2.4 Investment and growth – data description

Over the 2008-2012 period, there has been an average annual growth contraction of minus 0.2%. Linked to some pre-existing imbalances, this turnaround in average growth figures seems to be more outspoken in member states that had been experiencing rather robust growth in the 2000-2008 period. Average EU-28 GDP growth was 2.3% over the 2000-2008 period. However, some macroeconomic imbalances were building up behind this growth.

Table 4: Macroeconomic overview

GEO/TIME	Average employment rate 2000-2008*	Average employment rate 2008-2012*	Average unemployment rate 2000-2008**	Average unemployment rate 2008-2012**	Average GDP growth 2000-2008***	Average GDP growth 2008-2012***	Average real labour productivity per hour worked 2000-2008	Average real labour productivity per hour worked 2008-2012	Average annual change in real wages 2000-2008	Average annual change in real wages 2008-2012
EU-27	63.8	64.6	8.5	9.2	2.3	-0.2	1.6	0.5	0.8	0.4
Euro area (17 countries)	63.9	64.5	8.5	9.8	2	-0.2	1.1	0.6		
Belgium	60.9	61.9	7.7	7.6	2	0.4	0.9	-0.2	0.6	0.6
Bulgaria	56.8	60.7	12.4	9.3	5.8	0.7	4	2.4	4.4	5.1
Czech Republic	65.3	65.8	7.2	6.4	4.5	0.4	4.4	0.3	4.0	0.3
Denmark	76.4	74.4	4.5	6.4	1.6	-0.9	0.9	0.2	1.7	0
Germany	66.7	71.4	9.2	6.8	1.6	0.8	1.6	0.3	-0.3	0.7
Estonia	65.7	65.3	8.9	11.8	6.6	-0.4	4.7	1.7	7.4	-1.1
Ireland	67.2	61.4	4.6	12.3	4.8	-1.5	2.3	2.2	2.6	1.1
Greece	60	57.9	9.7	14.4	3.7	-4.3	3	-1.1	2.6	-2.7
Spain	62.5	59.2	10.4	19.2	3.3	-0.9	0.6	2.0	0.7	-0.0
France	63.9	64.1	8.7	9.4	1.8	0.1	1.4	0.2	0.9	1.7
Croatia	55.3	54.3	13	11.7	4.3	-1.8		N/A	2.0	-1.0

GEO/TIME	Average employ-ment rate 2000-2008*	Average employ-ment rate 2008-2012*	Average unem-ployment rate 2000-2008**	Average unem-ployment rate 2008-2012**	Average GDP growth 2000-2008***	Average GDP growth 2008-2012***	Aver-age real labour produc-tivity per hour worked 2000-2008	Aver-age real labour produc-tivity per hour worked 2008-2012	Average annual change in real wages 2000-2008	Average annual change in real wages 2008-2012
Italy	57.5	57.4	7.9	8.4	1.3	-1.4	0.4	-0.3	0.5	0
Cyprus	69.5	68.2	4.3	7	3.8	0.2	1.5	0.6	0.6	-0.4
Latvia	64.4	62.5	10.1	15.2	7.2	-2.3	6.2	4.2	8.2	-2.5
Lithuania	62.5	60.8	10.4	13.1	7	-0.1	5.4	3.7	8.7	-2.7
Luxembourg	63.3	64.8	3.8	4.9	4.1	-0.3	0.6	-2.1	1.2	0.2
Hungary	56.9	56.1	6.6	10.2	3.3	-1	3.8	0.6	3.5	-3.2
Malta	54.3	56.6	7	6.5	2.1	1.5	1.5	-1.1	1.4	0.8
Netherlands	74.5	75.8	3.8	4.2	2.2	-0.1	1.5	-0.2	0.8	1.2
Austria	69.7	72	4.3	4.3	2.3	0.6	1.8	0.7	0.5	0.1
Poland	54	59.3	15.8	8.9	4.2	3.4	-2.4	3.4	1.4	1.7
Portugal	68	65.2	7.1	12	1.3	-1.1	1	1.1	0	-0.5
Romania	58.2	58.9	6.9	6.9	5.8	0.5	7.4	1.8	10.3	-5.7
Slovenia	65.8	66.2	6	6.9	4.3	-1	3.4	1.2	2.7	0.2
Slovakia	58.8	60.1	16	12.8	5.6	2	4.7	1.7	3.1	1.0
Finland	68.9	69.3	8.4	7.7	3.2	-0.6	2.2	-0.6	1.5	0.2
Sweden	73.2	73.2	6.5	7.8	2.8	1	2.1	0.3	2.1	1.3
United Kingdom	71.6	70.1	5.1	7.4	2.7	-0.6	2.2	-0.7	2.1	-0.8
Iceland	83.8	79.7	2.9	6.2	4.2	-1.1				
Norway	76.1	76.1	3.5	3.2	2.2	0.6	1.1			
Switzerland	78.2	79.2	5.1		2.2	1.2	1.4			
United States	71.5	67.8	4.6	8.3	2.3	0.8	2			
Japan	69.4	70.3	4.7	4.6	1.3	-0.1				

Source: Eurostat

Real wage dynamics have weakened from a compound increase of 7.7% over the 9 year period between 2000 and 2008 to a compound increase of 0.5% from 2008 and 2012 (5 year period).

Table: 5 EU Growth (selected countries)

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Average annual change 2000-2008	Average annual change 2008-2013
EU-28	GDP Growth	3.9	2	1.3	1.5	2.6	2.2	3.4	3.2	0.4	-4.5	2	1.6	-0.4	0.1	2.3	-0.2
	Real GDP per capita (% change)	3.7	1.7	1.1	1.1	2.1	1.7	3	2.8	0	-4.8	1.7	1.4	-0.7	-0.1	1.9	-0.5
EA19	GDP Growth	3.8	2	0.9	0.7	2.2	1.7	3.2	2.9	0.4	-4.4	2	1.6	-0.7	-0.4	2	-0.4
	Real GDP per capita (% change)	3.4	1.5	0.3	0	1.5	1	2.7	2.3	-0.2	-4.7	1.7	1.3	-0.9	-0.6	1.4	-0.6
Germany	GDP Growth	3.1	1.5	0	-0.4	1.2	0.7	3.7	3.3	1.1	-5.1	4	3.3	0.7	0.4	1.6	0.7
	Real GDP per capita (% change)	2.9	1.3	-0.2	-0.4	1.2	0.7	3.8	3.4	1.3	-4.9	4.2	3.3	0.5	0.2	1.6	0.7
Spain	GDP Growth	5	3.7	2.7	3.1	3.3	3.6	4.1	3.5	0.9	-3.8	-0.2	0.1	-1.6	-1.2	3.3	-1.3
	Real GDP per capita (% change)	4.2	2.5	1.2	1.4	1.6	1.9	2.5	1.6	-0.7	-4.5	-0.5	-0.1	-1.7	-0.7	1.8	-1.5
UK	GDP Growth	4.4	2.2	2.3	3.9	3.2	3.2	2.8	3.4	-0.8	-5.2	1.7	1.1	0.3	1.7	2.7	-0.1
	Real GDP per capita (% change)	4	1.8	1.9	3.5	2.7	2.6	2.2	2.7	-1.4	-5.8	0.9	0.4	-1.2	1.1	2.2	-0.9
US	GDP Growth	4.1	1	1.8	2.8	3.8	3.3	2.7	1.8	-0.3	-2.8	2.5	1.6	2.3	2.2	2.3	1.2
	Real GDP per capita (% change)	3	0	0.8	1.9	2.9	2.4	1.7	0.8	-1.2	-3.6	1.7	0.9	1.6	1.5	1.4	0.4

Source: Eurostat

Whereas GDP per capita in Europe over the 2000-2008 period increased by an average annual of 1.9%, it contracted in the second period by an average 0.5%. The corresponding figures for the US are 1.3% and 0% respectively.

Table 6: GDP and main components EU-28

GEO/TIME	Average imports of goods and services 2000-2008	Average imports of goods and services 2008-2012	Average exports of goods and services 2000-2008	Average exports of goods and services 2008-2012	Average final consumption expenditure of general government 2000-2008	Average final consumption expenditure of general government 2008-2012	Average final consumption expenditure of households 2008-2012
EU28	36.5	40.5	37.2	41.5	20.4	21.8	56.6
Euro area (17 countries)	36.8	40.5	38.2	42.1	20.2	21.6	55.7
Belgium	74.9	80.3	78.8	81.8	22.4	24.3	51.1
Bulgaria	64.9	66.2	51.8	59.2	18.4	16.1	68.4
Czech Republic	62.4	64.3	63	68.2	20.9	20.7	49.5
Denmark	44.1	47.7	48.8	52.2	26	28.4	47.2
Germany	35.6	42.5	40	48.1	18.8	19.2	56.4
Estonia	80.5	76.6	74	79	18	20	54.3
Ireland	74	78.9	86.9	96.8	16.4	19	45.9
Greece	35.4	33.2	23	23.5	17.7	18.4	69.9
Spain	31.2	30.3	26.9	28.3	17.8	20.8	57.2
France	27.1	28.3	27.1	26	23.4	24.4	54.7
Croatia	48.7	43	42.3	40.8	19.6	19.7	59.7
Italy	26.3	28.3	26.6	27.6	19.4	20.6	58.7
Cyprus	52.9	49.2	50	43.1	17.9	19.5	64.5
Latvia	57.2	57.2	43.4	52.2	19.7	18.3	62.4
Lithuania	61.3	72	53.2	68.5	19.8	19.6	64.8
Luxembourg	131.7	143.8	156.7	174.1	15.9	16.9	35.5
Hungary	73	81.2	71.2	86.1	22.2	21.6	53.4
Malta	85.4	92.6	83.3	93.7	19.3	20.6	61.1
Netherlands	62.2	71	69.3	79.1	24.1	27.8	47.7
Austria	48.3	51.5	52.3	55.7	18.5	19.2	52.9
Poland	37.7	43.9	34.6	42.7	18	18.3	62.9
Portugal	38.3	39.3	29.3	33.2	20	20.4	62.4
Romania	42.3	42.4	33	35.3	16.8	16.5	66.8
Slovenia	61.3	67.1	60.2	68.6	18.7	20.1	53.9
Slovakia	81.2	83.6	77.3	84.1	19.1	18.5	56.2
Finland	36.1	40.2	42.7	41.2	21.7	24.4	48.7
Sweden	40.7	43.7	48	49.9	26.3	26.8	46.5
United Kingdom	29.4	32.3	26.9	30.3	20.3	22.2	62.3
Iceland	42.3	48.3	35.7	54.4	24.6	25.6	55.1
Norway	28.6	28.3	44	42	20.3	21.2	41.3
Switzerland	40.4	41.3	47.6	52	11.3	11	57.5
United States	14.9	16.2	10.3	12.6	15.1	16.4	
Japan	12.4	15.3	13.7	15.1	18.1	19.8	56.4

GEO/TIME	Average real labour productivity per hour worked 2008-2012	Average gross fixed capital formation 2000-2008	Average gross fixed capital formation 2008-2012	Average change in inventories 2000-2008	Average change in inventories 2008-2012	Domestic demand - average 2000-2008	Domestic demand - average 2008-2012
EU28	56.5	20.3	19			99.3	99
Euro area (17 countries)	55.9	20.9	19.4			98.5	98.5
Belgium	51.6	20.6	20.9	1	0.7	96.1	98.5
Bulgaria	63.4	23	25.6	2.9	1.5	113.1	107
Czech Republic	49.5	27	24.6	1.2	0.3	99.4	96.1
Denmark	48	20.2	18.2	0.9	0	95.2	95.4
Germany	55.9	18.6	17.8	0.3	-0.2	95.6	94.4
Estonia	51.1	30.9	23.9	2	0.8	106.4	97.3
Ireland	47.7	24	14.3	0.5	-0.1	87.6	82
Greece	71.7	22.6	17.7	1	0.3	112.4	109.7
Spain	57	28.1	22.9	0.3	0.5	104.3	102.1
France	55.7	19.4	20	0.6	0.1	100	102.3
Croatia	58.3	23.8	22.1	2.3	1.2	106.3	102.2
Italy	60.1	20.9	19.4	0.2	0.1	99.7	100.7
Cyprus	66.7	19.4	18.6	0.1	0.2	102.8	106
Latvia	61.3	28.2	22.7	2.8	1.7	113.8	105.1
Lithuania	64.6	22.8	18.7	0.5	0.3	108.1	103.5
Luxembourg	31	21.2	19.2	0.6	1.5	75	69.7
Hungary	52.4	22.7	19.3	1.8	0.2	101.7	95
Malta	59.7	19.7	16.5	0.3	0.6	102.1	98.9
Netherlands	44.7	20	18.3	0.1	0.1	92.9	91.9
Austria	53	22.3	21	0.6	0.5	95.9	95.7
Poland	60.4	20.1	20.5	1.2	1	103.1	101.2
Portugal	63.8	24.1	19.3	0.5	0.3	109	106
Romania	62	23.9	26.8	0.6	0.4	109.3	107.1
Slovenia	55.2	25.8	21.6	1.9	0.8	101.1	98.5
Slovakia	57.3	26	21.9	1.4	0.6	103.9	99.5
Finland	52.3	20	19.8	0.9	0.1	93.5	99.1
Sweden	46.7	18.1	18.7	0.2	0.1	92.8	93.8
United Kingdom	62.1	17.1	15.1	0.4	0.1	102.5	102
Iceland	50.3	24.6	15.9	0.2	0.1	106.6	93.9
Norway	39.4	19.2	20.4	2.1		84.7	86.3
Switzerland	55.6	21.7	20.4	0.1	3.3	92.8	89.3
United States		22.1	18.9		0.4	104.6	103.6
Japan	58.5	23	21			98.7	100.2

Source: Eurostat

Domestic demand, which on average in the EU reaches almost 100% of GDP, increased by 17% between 2000 and 2008, but has since fallen significantly. In 20 Member States, the level of domestic demand (in real terms) in 2012 is below the level that was reached in 2008.

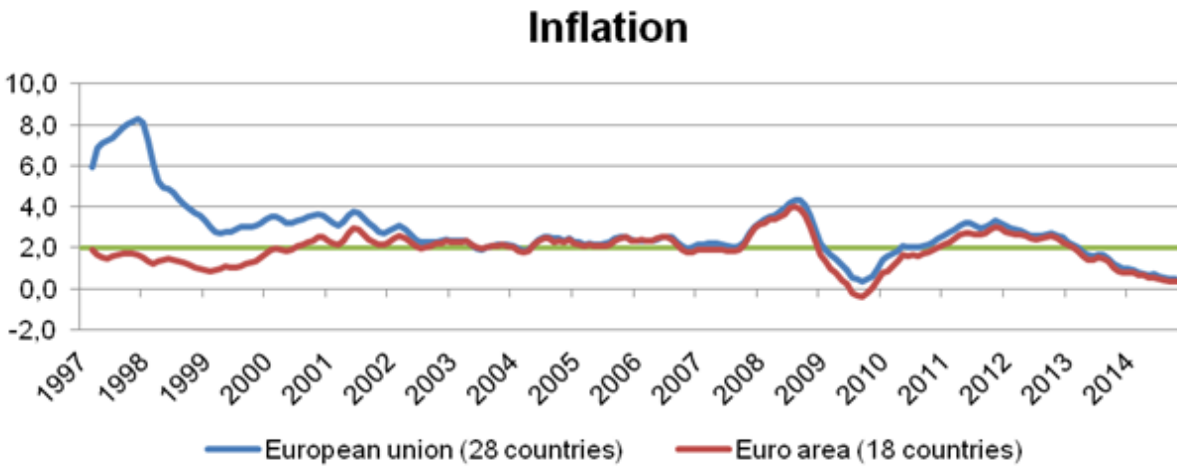
Investment fell by 18.8% during the crisis, hampering the recovery. Average gross fixed capital formation (investment) was 20.3% over the 2000-2008 period but has now come down to 19% of GDP over the 2008-2012 period, compared with 21% for Japan.

The share of profits (adjusted for the self-employed) in GDP was 28.5% in 2000 and 27.7% in 2012 for the EU-28. In the Euro Area, despite the crisis, the share of profits in 2012 stabilised at the level of 2000.

Exports of goods and services, including intra-European exports, represent 41.5% of European GDP. When only extra-European exports are concerned, the share is 16.9% of GDP. For imports, the figures are, respectively, 40.5% and 17.1% of GDP (2011 statistics). The Euro-area in particular recorded a surplus on external trade in goods and services of 2.4% of GDP (2013), up from a deficit of 0.6% in 2011.

The longer-term inflation trend for the EU-28 average shows that inflation has come down from levels of 7% (end of 1990s) towards the range of 1 to 0%.

Graph 5: Inflation 1997 - 2014



Source: Eurostat

The financial system, especially in certain parts of the Euro-area, remains constrained and does not help in overcoming major divergences in economic performance. This is in particular a problem for SMEs which are also an important pillar of job creation.

2.5 Investment and growth – analysis and challenges

According to the Commission's latest forecast, the EU's annual GDP growth could be in the order of 1.6% throughout the period 2014-2020, far from sufficient to create enough jobs and especially the 16 million jobs needed to meet the Europe 2020 employment target of 75%. A strong increase in productivity is also needed to achieve and sustain this, taking into account the effects on employment. At the same time, total investment went down by 18.8% during the crisis, hampering the recovery and the Europe 2020 targets. Average EU gross fixed capital formation has come down to 19% of the GDP over the period 2008-2012. This is a reason why more public and private investment is urgently needed.

The European social partners have stressed in previous joint texts the importance of sound and counter-cyclical macroeconomic policies while ensuring the sustainability of public finances and social protection systems. It is important to have strong public finances that allow counter-cyclical policies to be implemented when needed. Sufficient levels of saving need to be made in good times.

There was an underlying problem with public and private debt in many Western economies before the crisis, but it was the collapse of Lehmann Brothers in the USA that was the trigger of the global downturn.

The crisis has highlighted the important role played by European level instruments, particularly in the Euro-area. A banking union is essential to restore confidence in financial markets and to ensure that banks across the whole of the EU are able to provide the finance companies need to invest, strengthen growth and create jobs in line with the aims of the EU.

The US is recovering faster from the crisis than the EU. Whereas average GDP growth was similar to the growth rate in Europe for 2000-2008, the US, in contrast to Europe, has experienced limited but positive (0.8%) growth over 2008-2012.

The financial system, especially in certain parts of the Euro Area, remains constrained and does not help in overcoming major divergence in economic performance. This is in particular a problem for SMEs which need access to credit – they are also an important pillar of job creation.

A stable inflation environment below but close to 2% is important. It is a concern that both eurozone headline and core inflation are below the eurozone and the ECB's price stability target, with some Member States already in deflation. Inflationary expectations have gone down and currently are well below this target.

The objective is to have sound public finances and investment in growth-enhancing areas so that the economy fully recovers from recession. Moreover, in a monetary and European union, EU policy also has a role to play in supporting adjustment. This means to combine and sequence fiscal consolidation with investments (especially in R&D, innovation and technology, training, etc.). Effective use of public resources is also needed through, inter alia, high performing public services.

The share of developing and transition economies in foreign direct investment (FDI) inflows grew from 19% in 2000 to 52% in 2010; that of developed economies fell, over the same period, from 81% to 48%. The EU's share of worldwide FDI fell to 24% in 2012. Whereas the most determinant factors for location are: domestic market growth potential, proximity to markets or customers, investment climate, availability of skilled workers

Although the EU's share of worldwide FDI represents 2% of EU GDP, – FDI – particularly when accompanied by leading-edge skills and innovation capabilities – can have strong multiplier effects on local economies.

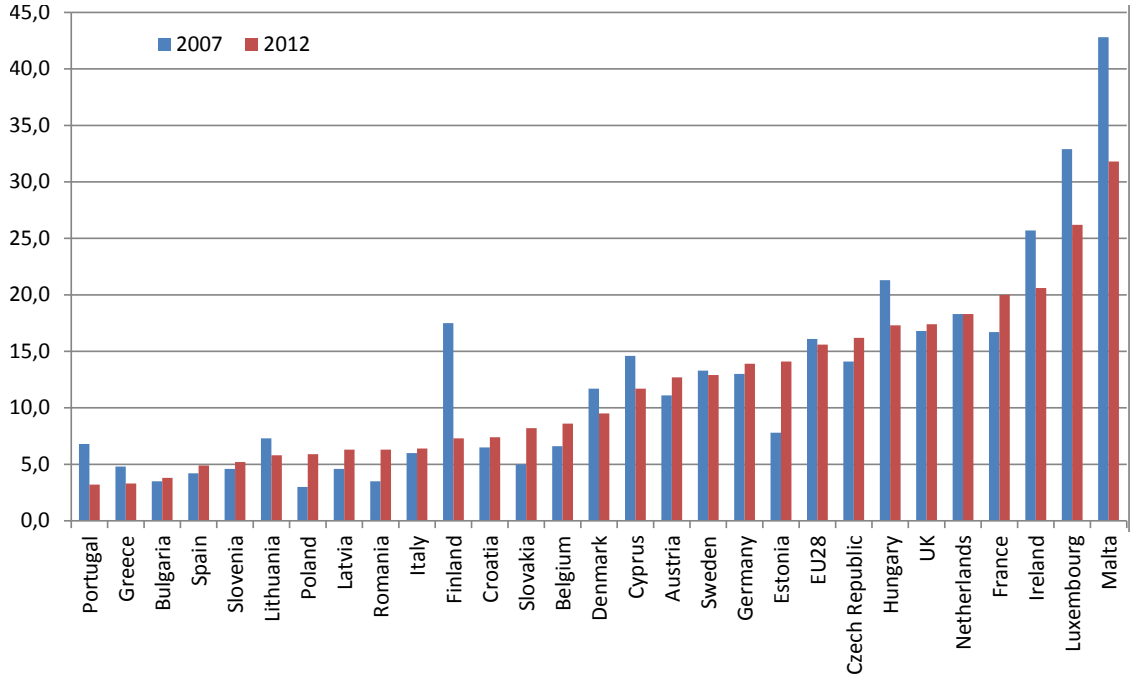
2.6 Competitiveness – data description

Those countries having a high share of innovating enterprises are in a better position to integrate in the global value chain and create added value and jobs in Europe.

In global competitiveness rankings, several EU Member States score well. Half of all countries of the first group of 20 countries (out of a total group of 145 countries) are the more competitive EU Member States (Finland, Germany, Sweden, Netherlands). However, the EU's share of worldwide foreign direct investment flows fell to 24% in 2012 compared with 40% in 2000 where, more globally, that of the developed countries fell from 81% to 48%.

Between 2000 and 2012, the EU's share of world manufacturing value added declined by 6%, while Asian market economies increased their share by 17%. The entry and development of new emerging countries, and the growth and competitiveness in Asia are a good thing; but it also means that Europe needs to do more to restore industrial competitiveness in Europe and focus on taking our economies up the global value chain.

Graph 6: High-tech exports – Exports of high technology products as a share of total exports



Statistics on high-tech industry and knowledge-intensive services (sometimes referred to as simply 'high-tech statistics') comprise economic, employment and Science, technology and innovation (STI) data describing manufacturing and services industries or products traded broken down by technological intensity.

Source: Eurostat

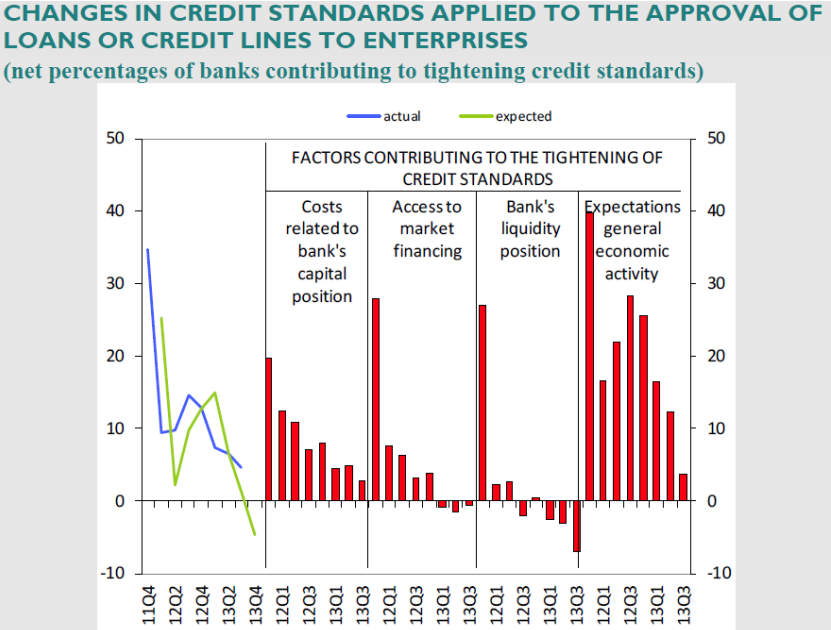
Around 15% of exports are high tech exports for the EU-28 with this share ranging from less than 5% to 30%.

European retail energy prices have risen significantly, affecting Europe's enterprises' competitiveness and ability to export. Industrial electricity prices increased by 37% in the European OECD members between 2005 and 2012, while they decreased by 4% in the USA. In this regard, the development of retail prices in the EU is increasingly determined by state levies, taxes and charges. High energy prices need to be addressed as it is an important issue for the 52 million people whose job directly or indirectly depends on industrial production, together with stronger innovation and deployment of new technologies in the energy sector.

EU investment in state-of-the-art communications infrastructure is also lagging behind that of its main competitors, especially regarding mobile infrastructure. The average mobile data speed in the EU is half of the US, and Europe has only 6% of the world's 4G mobile subscriptions.

Over 2011 and 2012, a tightening of credit standards for business sector loans has been ongoing but this tightening has abated more recently in the third quarter of 2013. As a result, outstanding loans to companies from euro area banks fell by around 10% between the start of 2012 and the end of 2013.

Graph 7: Access to finance



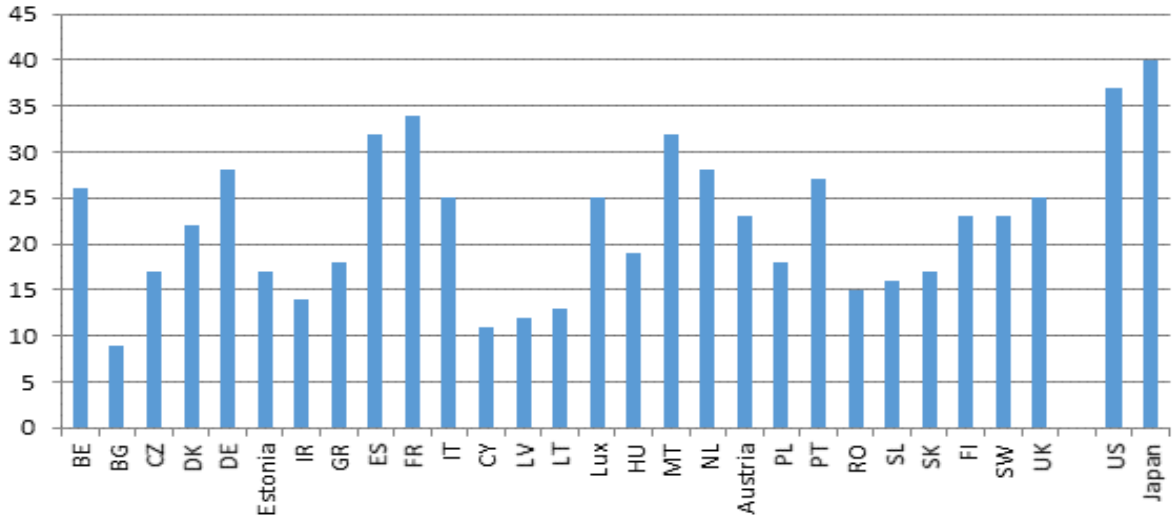
Notes: "Actual" values are changes that have occurred, while "expected" values are changes anticipated by banks. Net percentages are defined as the difference between the sum of the percentages of banks responding "tightened considerably" and "tightened somewhat" and the sum of the percentages of banks responding "eased somewhat" and "eased considerably". The net percentages for responses to questions related to the factors are defined as the difference between the percentage of banks reporting that the given factor contributed to a tightening and the percentage reporting that it contributed to an easing.

Source: European Central Bank

In global competitiveness rankings, several EU Member States score well. Half of all countries of the first group of 20 countries (out of a total group of 145 countries) are the more competitive EU Member States (Finland, Germany, Sweden, Netherlands). However, the EU's share of worldwide foreign direct investment flows fell to 24% in 2012 compared with 40% in 2000 where, more globally, that of the developed countries fell from 81% to 48%.

Between 2000 and 2012, the EU's share of world manufacturing value added declined by 6%, while Asian market economies increased their share by 17%. The entry and development of new emerging countries, and the growth and competitiveness in Asia are a good thing; but it also means that Europe needs to do more to restore industrial competitiveness in Europe and focus on taking our economies up the global value chain.

Graph 8: Effective tax rate corporate profits 2012



Source: BUSINESSEUROPE

The graph shows the effective tax rate[4] on corporate profits. There is diversity between Member States with rates ranging from below 15% in Bulgaria, Ireland, Cyprus, Latvia and Lithuania to higher than 30% in France, Spain and Malta. But the graph also shows that the effective tax rate on profits is lower in all EU Member States than the USA where it is approximately 37% and Japan where it is 40%.

[4] The effective average tax rate is the present value of taxes paid in the non-financial corporate sector as a % of income generated by an investment.

2.7 Competitiveness – analysis and challenges

As part of the concept of competitiveness an enabling environment for enterprises is key. It encompasses a wide number of factors that ultimately influence a country's growth and jobs performance favourably such as: macroeconomic fundamentals, labour market policies, innovation and investment in R&D, business environment including infrastructure, skills, education and training, labour cost and high performing public services.

A strong industrial base is essential for Europe's recovery and long-term competitiveness, growth and job creation. Industry has an important role to play in Europe's economy. Nevertheless, it has come under severe pressure in recent years. The supply of affordable and sustainable energy is also challenged as the EU transitions to lower carbon energy sources. Among other factors, this has subjected some enterprises to high energy costs.

Industrial sectors are becoming more and more technology-oriented. Digitisation has emerged in recent years as a key economic driver facilitating growth and job creation. New products and processes are indispensable for Europe to keep a competitive advantage in high-technology fields and to remain cost-efficient in this upgrading process.

An important dimension of Europe and the Euro-area in the global economy concerns the interplay between current account balances and exchange rates.

There are huge opportunities but also challenges from e-commerce. For consumers these are wider access to the best offers and possibility to get information online. For business it is about the possibility to access more consumers in an easier way. For workers it is that labour standards are respected. Around two thirds of companies in Europe use internet for transactions with public authorities, reaching close to 100% of all companies in the Member State scoring the maximum and 40% in the minimum case.

On average, effective tax rates on corporate profits in the EU is 23.1% and are low compared to the US (37.9%) and Japan (35.7%). This must be seen in context with higher non-wage labour costs in the EU by comparison to other world regions. For example the average tax wedge on low income earners in the EU stands at 39.5% by comparison to 27.2% in the United States and 20.8% in Japan.

3. Productivity, Research and Development, Innovation, Education and Training

Introduction

The European social partners have previously underlined the importance of fostering productivity through amongst others greater emphasis on the knowledge triangle – better links between research, education and innovation. Within this it is acknowledged that adjustment cannot be denied or ignored but that this adjustment should enable to compete on the basis of added value, harnessing innovation and productivity and climbing up the value chain to be really able to address the challenges of global competition, an ageing population, climate change and developing an economy that is competitive and sustainable. This remains as valid as ever today and the challenge has become more acute as other parts of the world have better scored on productivity than Europe following the crisis. To achieve prosperity more forceful and supportive policies are needed to foster skills and innovation.

3.1 Recommendations

More employment is created by innovative firms compared with non-innovative firms, in all phases of the business cycle. This pattern is particularly pronounced in downturn and recession periods. R&D spending should be preserved as a matter of priority. Both public and private investments are important to increase Europe's innovation potential. Greater synergies between academic and commercial R&D and innovation are essential in order to shorten the time to bring innovation to market. In this respect, the multiplying effect of public spending on R&D needs to be taken into account.

Cutting-edge research, innovation and education and training are essential to achieve more investment in Europe in high value-adding sectors, products or services. Partnerships in R&D are necessary in order to reach the Barcelona targets.

The EU and Member States, together with social partners, need to create and maintain an enabling business environment for enterprises to innovate, invest and grow. To foster business-based innovation in a market-friendly way, tax incentives for R&D expenditures should be provided where appropriate. A stable and sound macro-economic demand environment is also important as it makes investment in innovation more reliable.

The EU should foster an "innovation principle" by which enterprises and people are enabled to develop ideas, technologies and services while ensuring that related risks are properly managed.

The Commission should ensure good access to the funding available under Horizon 2020 and the European Structural and Investments Funds for large and small enterprises. Governments should provide platforms for innovation cooperation between businesses and research institutes at national, regional and local levels in order to tackle the commercialisation gap.

The EU needs to ensure the completion of the European Research Area by the end of 2014 in line with the European Council's target. It should be developed with the objective of excellence so that Europe becomes the most attractive region for students, scientists and industrial research.

Member States should focus on achieving better learning outcomes through resource-efficient investments in education to bring Europeans of all ages the knowledge and skills they need to succeed on the labour markets. In some Member States, the overall level of spending on education needs to be increased, both in initial and life-long education and training, as this should be a priority even during fiscal consolidation efforts.

The European social partners agree that people's expectations and the needs of labour markets must be reflected in education and training schemes so that enterprises can grow and people find jobs in line with their skills, expectations and competences.

This requires:

- Sustainable and efficient investments in high quality initial education, training and life-long learning by governments;
- Additional action towards achieving the EU2020/ ET2020 targets;
- A focus on the key competences, basic skills and learning outcomes approach and on improving quality at all levels of education and training;
- Life-long learning, on a cost and management sharing basis between governments, employers and workers. This includes: improving coordination between the three actors with a view to providing good access to, and take-up of, training as well as continuous vocational education and training for the existing workforce across all age groups, including those in the 55-64 age group, and requires improved involvement of social partners;
- Enhancing pathways between higher education and vocational training systems, including tertiary VET is important to ensure that the content of training provided to the workforce is embedded in R&D activities and quality teaching;

- A higher level of participation in, and improved quality and attractiveness of, work-based learning, including apprenticeships and traineeships, in connection with initiatives such as the European Alliance for Apprenticeship, the Quality Framework on traineeship and the Youth Guarantee;
- Better transparency and recognition of skills, qualifications, formal, non-formal and informal competences;
- Facilitating transitions from education or inactivity into skilled work for young people, notably by addressing the priorities of the two European social partners' Framework of actions on life-long learning and youth employment is a vital part of this;
- A greening skills agenda is important for all sectors and the strong involvement of social partners is key to success, while training provisions need to be affordable, effective and accessible.

3.2 Productivity, research and development, innovation – data description

The EU needs to bring the right products and services to the right markets and focus on taking our economies up the global value chain. Productivity can be achieved through greater emphasis on the knowledge triangle. Studies for the EU and the United States show business investment in knowledge-based capital contributing respectively for 20% and 34% of average labour productivity growth[5]. Encouraging companies to innovate can help the EU to achieve the Europe 2020 targets of smart, inclusive and sustainable growth.

Productivity

As in GDP growth figures, a reversal can be observed in productivity dynamics. Whereas productivity (as measured by GDP per employed person) increased in the EU-27 by 1.4% in the 2000-2008 period, the increase was barely 0.2% in the 2008-2012 period, with productivity falling in 13 Member States. In terms of labour productivity per hour, the reversal between the two periods was less outspoken and productivity in the 2008-2012 period still increased by 0.5% on average, with 7 Member States registering negative productivity figures.

[5] OECD report: Supporting Investment in Knowledge Capital, Growth and Innovation http://oe.cd/kbc

Table 7: GDP, Productivity EU 28

GEO/TIME	% annual change average GDP per employed person 2000-2008*	% annual change average GDP per employed person 2008-2012	Average number of total working hours 2000-2008**	Average real labour productivity growth per hour worked 2000-2008	Average real labour productivity growth per hour worked 2008-2012
EU-27	1.4	0.2	38.1	1.6	0.5
Euro area (17 countries)	0.9	0.3	37.6	1.1	0.6
Belgium	0.9	-0.4	37.1	0.9	-0.2
Bulgaria	4.2	2.4	41.3	4	2.4
Czech Republic	3.8	0.4	41.8	4.4	0.3
Denmark	0.7	0.1	35.4	0.9	0.2
Germany	1.1	-0.1	35.9	1.6	0.3
Estonia	5.3	0.6	39.9	4.7	1.7
Ireland	1.7	1.6	36.9	2.3	2.2
Greece	2.1	-1.2	43	3	-1.1
Spain	0.4	2.3	39.6	0.6	2.0
France	0.8	0.2	37.7	1.4	0.2
Croatia	2.5	0.6	40.6		
Italy	0.3	-0.4	38.7	0.4	-0.3
Cyprus	1.1	0.7	40.2	1.5	0.6
Latvia	5.4	2.6	41.5	6.2	4.2
Lithuania	6.5	3.5	38.4	5.4	3.7
Luxembourg	0.3	-2.8	37.5	0.6	-2.1
Hungary	3.5	-0.4	40.5	3.8	0.6
Malta	1.7	-0.3	39.4	1.5	-1.1
Netherlands	1.5	-0.2	31	1.5	-0.2
Austria	1.5	-0.1	38.7	1.8	0.7
Poland	3.5	2.2	41	-2.4	3.4
Portugal	0.8	0.8	39.2	1	1.1
Romania	7.6	0.8	40.8	7.4	1.8
Slovenia	3.1	-0.3	40.8	3.4	1.2
Slovakia	4.6	1.7	41.2	4.7	1.7
Finland	1.7	-0.9	37.9	2.2	-0.6
Sweden	1.8	0.4	36.5	2.1	0.3
United Kingdom	1.8	-0.8	37.2	2.2	-0.7
Iceland	2.4	-0.2	41.6		
Norway	0.7	-0.5	34.1	1.1	-0.4
Switzerland	0.9	-0.3	35.1	1.4	0.3
United States	1.7	1.6		2	1.4
Japan	1.3	0.3			

Source: Eurostat

Research and development

Despite a slight drop between 2004 and 2006, the EU-28 average shows that there is an overall trend for an increase in gross expenditure on research and development as a percentage of GDP between 2000 and 2012. The EU-28 average of 2.04% in 2011 compares unfavourably with the US (2.67%) and Japan (3.25%), but is higher than China (1.84%).

The country data shows that there are fluctuations over this twelve year period, but in almost all cases expenditure on research and development is higher in 2012 than it was in 2000. The exceptions are Sweden (-0.72%) the UK (-0.07%). However, it can be seen that those countries with the highest investment in R&D (Finland, Sweden, Denmark, Germany, Austria) are among those with the higher employment rates, and those who resisted the best to the crisis. It can also be seen that in 10 Member States the level is below 1%, in 7 Member States it is below 2%, and in 4 Member States it is below 2.5%, whereas the EU objective since 2000 and the Lisbon strategy aimed at 3%.

With a level of expenditure of 2.06% in 2012, and limited progress over time, the EU is still far behind Japan and the USA, but also unlikely to meet the 3% target of the Europe 2020. In 2011, public spending on R&D stood at 0.75% of GDP, whilst business R&D amounted to 1.26%.

Table 8: Expenditure on research development (% of GDP)[6]

GEO/TIME	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
EU28	1.85	1.86	1.87	1.86	1.82	1.82	1.84	1.84	1.91	2.01	2	2.04	2.06
Euro area (17)	1.84	1.86	1.88	1.87	1.85	1.84	1.87	1.88	1.96	2.06	2.07	2.12	2.14
Belgium	1.97	2.07	1.94	1.87	1.86	1.83	1.86	1.89	1.97	2.03	2.1	2.21	2.24
Bulgaria	0.51	0.46	0.48	0.48	0.49	0.46	0.46	0.45	0.47	0.53	0.6	0.57	0.64
Czech Republic	1.17	1.16	1.15	1.2	1.2	1.22	1.29	1.37	1.3	1.35	1.4	1.64	1.88
Denmark	2.24	2.39	2.51	2.58	2.48	2.46	2.48	2.58	2.85	3.16	3	2.98	2.99
Germany	2.47	2.47	2.5	2.54	2.5	2.51	2.54	2.53	2.69	2.82	2.8	2.89	2.92
Estonia	0.6	0.7	0.72	0.77	0.85	0.93	1.13	1.08	1.28	1.41	1.62	2.37	2.18
Ireland	1.11	1.09	1.1	1.16	1.23	1.25	1.25	1.28	1.45	1.69	1.69	1.66	1.72
Greece		0.58		0.57	0.55	0.6	0.59	0.6				0.67	0.69
Spain	0.91	0.92	0.99	1.05	1.06	1.12	1.2	1.27	1.35	1.39	1.4	1.36	1.3
France	2.15	2.2	2.24	2.18	2.16	2.11	2.11	2.08	2.12	2.27	2.24	2.25	2.26
Croatia			0.96	0.96	1.05	0.87	0.75	0.8	0.9	0.85	0.75	0.76	0.75
Italy	1.04	1.08	1.12	1.1	1.09	1.09	1.13	1.17	1.21	1.26	1.26	1.25	1.27
Cyprus	0.25	0.26	0.3	0.35	0.37	0.41	0.43	0.44	0.43	0.49	0.5	0.5	0.47
Latvia	0.45	0.41	0.42	0.38	0.42	0.56	0.7	0.6	0.62	0.46	0.6	0.7	0.66
Lithuania	0.59	0.67	0.66	0.67	0.75	0.75	0.79	0.81	0.8	0.84	0.79	0.91	0.9
Luxembourg	1.65			1.65	1.63	1.56	1.66	1.58	1.66	1.74	1.51		
Hungary	0.81	0.93	1	0.94	0.88	0.94	1.01	0.98	1	1.17	1.17	1.22	1.3
Malta			0.25	0.25	0.51	0.55	0.6	0.57	0.55	0.53	0.66	0.72	0.84
Netherlands	1.94	1.93	1.88	1.92	1.93	1.9	1.88	1.81	1.77	1.82	1.86	2.03	2.16
Austria	1.93	2.05	2.12	2.24	2.24	2.46	2.44	2.51	2.67	2.71	2.8	2.77	2.84
Poland	0.64	0.62	0.56	0.54	0.56	0.57	0.56	0.57	0.6	0.67	0.74	0.76	0.9
Portugal	0.73	0.77	0.73	0.71	0.74	0.78	0.99	1.17	1.5	1.64	1.59	1.52	1.5
Romania	0.37	0.39	0.38	0.39	0.39	0.41	0.45	0.52	0.58	0.47	0.46	0.5	0.42
Slovenia	1.38	1.49	1.47	1.27	1.39	1.44	1.56	1.45	1.66	1.85	2.1	2.47	2.8
Slovakia	0.65	0.63	0.57	0.57	0.51	0.51	0.49	0.46	0.47	0.48	0.63	0.68	0.82
Finland	3.35	3.32	3.36	3.44	3.45	3.48	3.48	3.47	3.7	3.94	3.9	3.8	3.55

[6] Gross domestic expenditure on R&D is composed of: Business enterprise expenditure on R&D (BERD), Higher Education expenditure on R&D (HERD), Government expenditure on R&D (GOVERD) and Private Non-profit expenditure on R&D (PNPRD).

GEO/TIME	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Sweden		4.13		3.8	3.58	3.56	3.68	3.43	3.7	3.62	3.39	3.39	3.41
United Kingdom	1.79	1.77	1.78	1.73	1.67	1.7	1.72	1.75	1.75	1.82	1.77	1.78	1.72
Iceland	2.67	2.95	2.95	2.82		2.77	2.99	2.68	2.65	3.11		2.4	
Norway		1.59	1.66	1.71	1.57	1.51	1.48	1.59	1.58	1.76	1.68	1.65	1.66
Switzerland	2.47				2.82				2.87				
Russia	1.05	1.18	1.25	1.29	1.15	1.07	1.07	1.12	1.04	1.25	1.13	1.09	1.12
United States	2.61	2.62	2.52	2.52	2.45	2.49	2.55	2.62	2.76	2.81	2.73	2.67	
China (except Hong Kong)		0.95	1.07	1.13	1.23	1.32	1.39	1.4	1.47	1.7	1.76	1.84	
Japan	3	3.07	3.12	3.14	3.13	3.31	3.41	3.46	3.47	3.36	3.25		

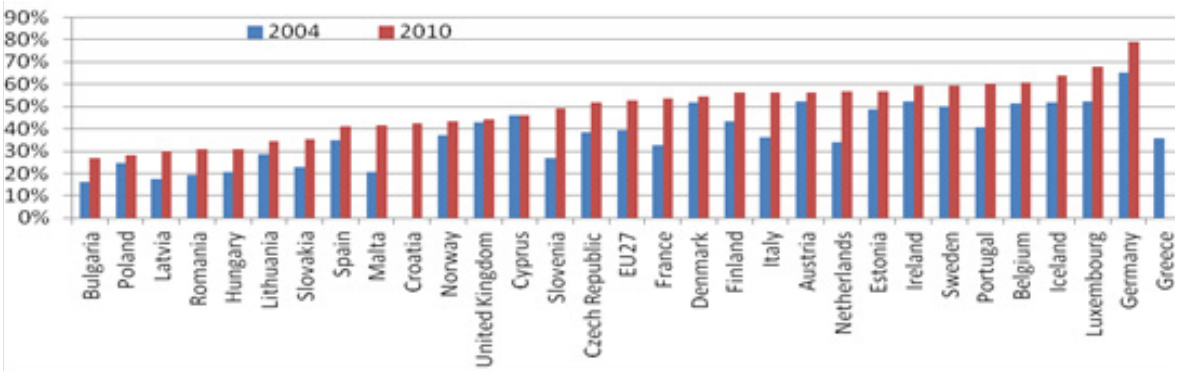
Source: Eurostat

Innovation

There is an overall trend for an increase in the share of innovating enterprises as a percentage of all enterprises between 2004 and 2010. The EU-27 average has increased from just below 40% to over 50%. The national data also shows some notable increases in the share. For example, Malta has seen a jump from 20% to just over 40%; Slovenia has gone from around 27% to almost 50% and the Netherlands from roughly 33% to around 58%. The Member State with the highest share of innovating enterprises as a percentage of all enterprises is Germany at almost 80% in 2010 (starting from a comparatively high base of about 65%) before Luxembourg, Belgium, Sweden, Netherlands, Austria, Portugal, Ireland and Estonia.

Graph 9: Share of innovating enterprises as a % of all enterprises

Those countries having a high share of innovating enterprises are in a better position to integrate in the global value chain and create added value and jobs in Europe.



Source: Community innovation surveys (CIS), Eurostat

This chart shows information related to enterprises classified as product and/or process innovative enterprises, regardless of organisational or marketing innovation (including enterprises with abandoned/ suspended or on-going innovation activities). More recently, the 2013 Innovation Union Scoreboard, comparing the EU-27 with a selected group of major global competitors, again confirms that the USA, Japan and South Korea have a performance lead over the EU-27 with South Korea joining the USA as the most innovative countries.

Furthermore, intellectual property rights, in particular patents, provide a link between innovation, inventions and the marketplace. A relatively small group of EU Member States have had a high propensity to make high-technology patent applications to the European Patent Office. In 2009, the number, expressed per million inhabitants, was around 10 in the USA and Japan, the numbers are respectively more than double (25) and fourfold (40).

Figure 2: High performing companies

Manufacturing

Innovation intensity	2.5%
R&D activity	52.7%
Export activity	66.4%
Cooperation	23.7%
Productivity	€43,553

Innovation intensity	3.9%
R&D activity	79.8%
Export activity	87.3%
Cooperation	57.4%
Productivity	€76,008

SME — **LE**

Innovation intensity	1.7%
R&D activity	47.4%
Export activity	33.6%
Cooperation	23.6%
Productivity	€42,619

Innovation intensity	1.9%
R&D activity	69.5%
Export activity	47.1%
Cooperation	53.7%
Productivity	€56,078

Other Sectors

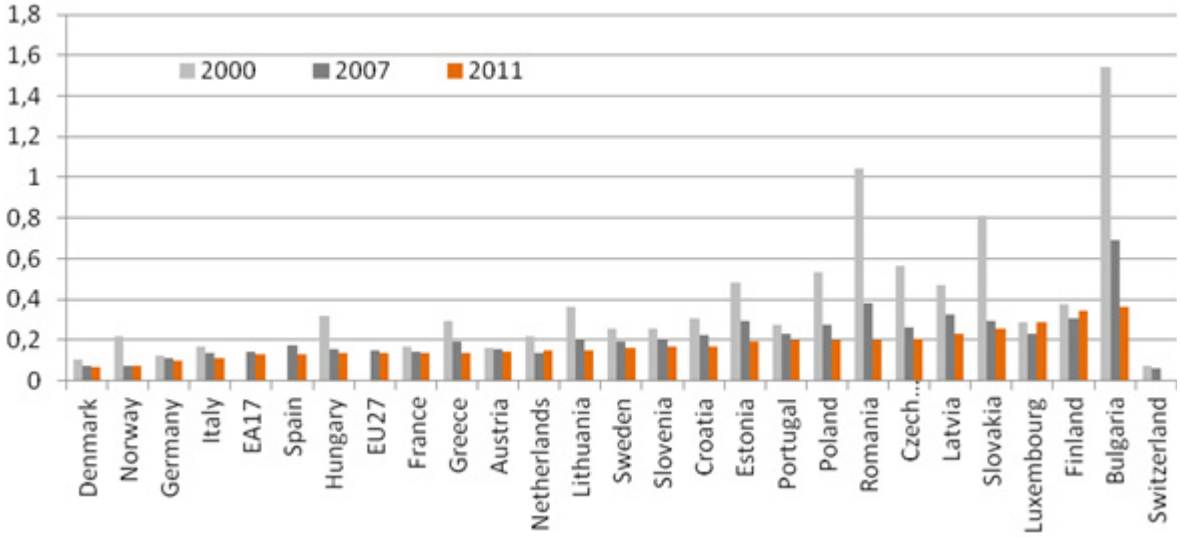
Innovation intensity: Innovation expenditure in % of total turnover 2010.
R&D activity ratio: Firms with R&D activities in % of all innovative firms 2010.
Export activity: Firms with exports in % of all firms 2010 (only includes industrial and industrial-related services sectors; data for Germany).
Cooperation: Firms cooperating in innovation activities in % of all innovative firms 2010.
Productivity: Value added per employee, 2012 in euros.

Source: Eurostat (2013), OECD (2013), ECORYS (2013), own calculations.

The diagram highlights the important contribution to productivity and innovation in Europe that continues to be made by both large and small and medium-sized enterprises in the manufacturing sector in comparison to other sectors.

The diagram also highlights variations in performance between different sectors and the size of enterprises and helps to identify where more needs to be done in relation to innovation and R&D, especially as regards SMEs.

Graph 10: Energy intensity in industry (except construction), in thousands tons of oil equivalent per millions of euro of gross value added (at basic prices)



Source: Eurostat

There is a clear trend for a fall in the level of energy intensity in industry between 2000 and 2011 across the EU. This is particularly evident in Slovakia, Romania and Bulgaria. The best performing countries are Denmark and Germany.

3.3 Productivity, research, development and innovation – analysis and challenges

The data appears to show that those countries with better outcomes in terms of research and development and education and training are generally doing better when it comes to job creation.

The data also shows that in investment in research and development the EU has been falling short of its own targets and in relation to its global competitors, such as the USA and Japan, for many years. Concretely, Japan and the USA, respectively, are 40% and 49% above the EU. And in 2014, China is set to spend more, in absolute terms, than the EU on research and development for the first time. Public procurement in R&D (defence not included) represents €14 billion in the US, against €2 billion in the EU.

Innovation increasingly relies on cooperation between all actors, including enterprises education providers and social partners. Innovation and knowledge exchange need to be boosted to make sure that innovative ideas lead to marketable products and services. Highly dynamic and innovative enterprises comprising a high innovation potential, skilled and well-trained workers having an innovative potential, broad-based

international business activities and an active participation in networks, act as high performers and trigger important economic multiplier effects.

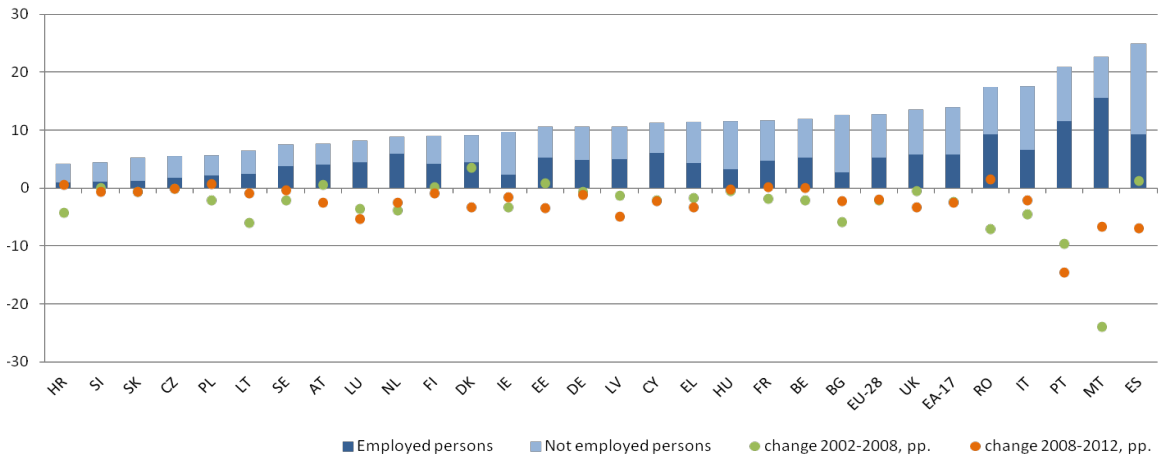
3.4 Education and training – data description

Education and training is fundamental for helping to prepare people for their future careers as well as for their own personal development. Sixteen Member States decreased their expenditure at some stage between 2008 and 2011, and significant cuts could undermine their return to smart and inclusive growth, for example in Romania (-33.5% between 2008-2010) and Latvia (-27.1%). The fact that general government investment in education and training, as an EU average, only decreased by 0.2% from 5.5% of GDP in 2009 to 5.3% in 2012 reflects the importance of education and training. Continued resource-efficient investment is needed.

In 2012, nearly 5.5 million young people (18-24) across the EU did not finish upper secondary education and were no-longer in formal or non-formal education and training. The EU average of 12.7% is above the Europe 2020 target of less than 10%.

The data shows strong variations between EU Member States in terms of the proportion of early school leavers between less or around 5% in Hungary, Slovenia and Slovakia and more than 20% in Portugal, Malta and Spain. Some countries with high levels of early school leaving managed to reduce this phenomenon strongly between 2002 and 2012, such as Portugal and Malta. In most countries in the region of 50% or higher of early school leavers go on to become unemployed.

Graph 11: Early leavers from education and training, 2012 (%) and change 2002-2012 (pp)



Note: Early leavers from education and training (formerly 'early school leavers') denotes the percentage of the population aged 18-24 having attained at most lower secondary education and not being involved in further education or training.

Source: Eurostat

Table 9: Graduates in science, technology, engineering and mathematics (STEM) – female/male

GEO/TIME	Female			Male		
	2002	2007	2011	2002	2007	2011
EU27	13.1	12	12.4	39.3	36.9	37.4
Belgium	8.2	8.6	7.1	32.8	32.1	31.4
Bulgaria	18.2	12.3	12.1	37.9	28.5	30
Czech Republic	11.9	12.6	11.6	39.7	42	41.3
Denmark	10.4	12.5	13.2	30.7	30	29.7
Germany	11.6	13.5	14.2	42.2	41.5	44.1
Estonia	9.8	11.9	11.7	31.6	41.7	41.1
Ireland	18.9	13.1	12.5	45.1	37.5	37.9
Greece		16	18.2		29.7	42.5
Spain	14.7	13.6	13.4	44	44.8	41.7
France		13.6			42.7	
Croatia		11.3			28.7	
Italy	14.4	12.5	14.9	33.9	31.2	33.4
Cyprus	6.5	6.6	9.9	20.4	20.6	27
Latvia	7.8	5.4	6.5	27.6	28.2	37.3
Lithuania	13.3	10.1	9.6	41.2	42	43.1
Luxembourg			7			22.5
Hungary	5.7	5.5	7	22.7	30	33.3
Malta	4.3	10.2	9.2	14.5	22.5	18.5
Netherlands	5.1	4.8	5.4	29.1	26.5	24.9
Austria	12.7	14.4	13	46.8	50.8	43.4
Poland	7.8	10.1	9.6	25.8	29.3	30.3
Portugal	11.2	14.4	15.5	32.8	42.3	38.5
Romania	14.3	13.2	13.9	34	29.5	30.2
Slovenia	8.3	6.9	10.5	37	33.3	42.5
Slovakia	15.3	13.4	11.1	37.5	39.5	36.5
Finland	12.9	13.1	13	54	55.4	51

GEO/TIME	Female			Male		
	2002	2007	2011	2002	2007	2011
Sweden	18.4	12.5	13.6	52.2	43.9	45.8
United Kingdom	15.7	12	12.1	41.3	36.5	36
Iceland	9.9	6.5		31.4	25.9	
Norway	7.2	6.9	8.2	29.7	27.9	30.4
Switzerland	8.3	8.2	8.7	34.8	34.2	32.2
United States	9.7	8.3	8.2	27.7	26	26.4
Japan	6.8	6.5	6.6	38.7	36.4	35.5

Note: Female/male graduates (ISCED 5-6) in Maths, Science and Technology fields – as % of total female/male graduates all fields.

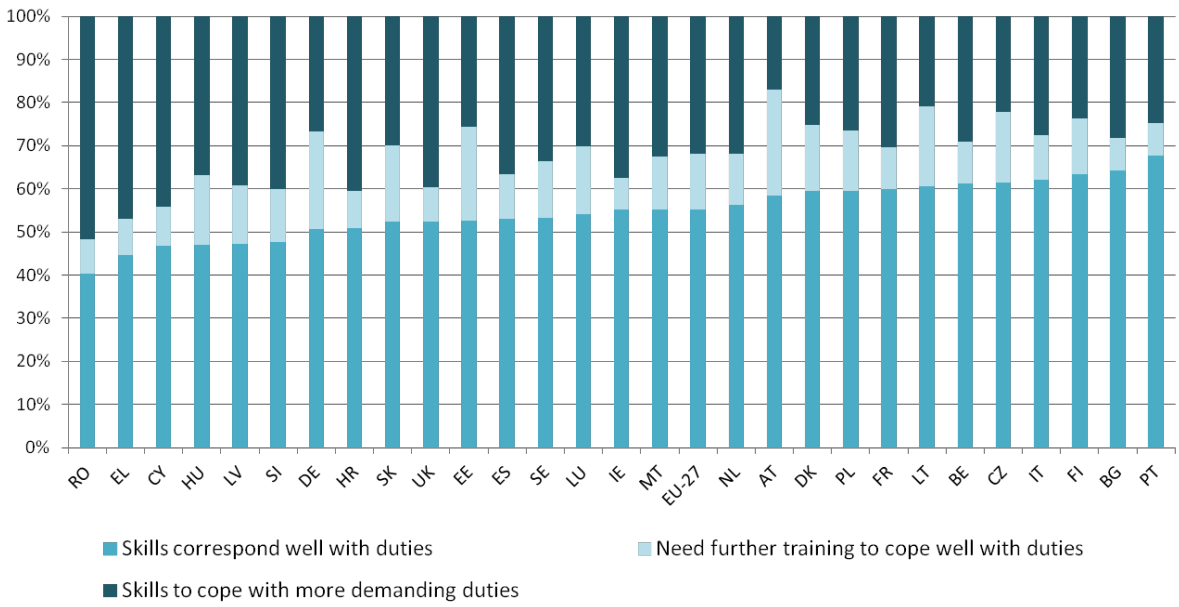
Source: Eurostat

The data shows that the EU-27 average for both female and male STEM graduates as a percentage of total female/male graduates in all subject fields has declined between 2002 and 2011, but has increased between 2007 and 2011. However, the gap between females (12.4% in 2011) and males (37.4% in 2011) has remained significant.

In 2011 the EU-27 average for females and males was higher than for the USA and Japan. At the country level, the Member States that have seen notable increases in the STEM graduates for females and males are Estonia, Hungary and Portugal. Notable falls in the number of STEM graduates were evident in Ireland, Sweden and the UK, though this has turned around more recently in some cases.

In 2010, the share of women in knowledge-intensive activities stood at 44%, and thus exceeded largely that of the men (28%). However, restricting the scope to business industries puts forth a different picture: 13% of women and 14% of men. In 2009, in the EU-27, women in research remained a minority, accounting for only 33% of researchers. In addition, more men than women are in vocational educational and training pathways.

Graph 12: Jobs skills match



Source: EWCS 2010, Eurofound

The data suggests that there is around a 55% matching of skills with the duties performed across the EU-27. It can also be seen across the Member States that they are broadly in line with this average. The exceptions are Romania, Greece, Cyprus, Hungary, Latvia and Slovenia where the figure is close to, but below 50%. The corresponding percentage of people reporting that they need more training to cope well with their duties is relatively low. Rather, it can be seen that people report already having the skills to do more demanding duties.

At the same time, employers report difficulties in finding people with the skills that they need. Education and training systems need to ensure the better matching of skills, which will contribute to well-functioning labour markets.

3.5 Education and training – analysis and challenges

The EU is also lagging behind its main competitors on education and training. Member States need to ensure that education and training systems are designed in a way that more closely matches the needs of the economy and fosters people's employability through a focus on learning outcomes and that a balance is found with encouraging people's personal development. A medium and long-term approach is needed, considering the risk of a too short-term approach to labour market needs could undermine those long-term objectives. This will underpin growth, facilitate job creation and simultaneously increase labour productivity and better working conditions. It is also important to achieve a higher standard

in mathematics, reading and science in primary education, with the results of the latest PISA study showing that a number of EU Member States need to improve the level of mathematics, reading and science among young people (the 2012 study focused primarily on 15 year old students). Internationally, it can be seen that some regions in China and Japan are performing very well in this respect, whereas the USA needs to improve in mathematics.

Improved educational attainments and the reduction of early school leaving are good news which shows that some progress has been made in the last decade, although more needs to be done to reach the Europe 2020 targets. Skills mismatches are one of the factors at play which contribute to unemployment, in particular in certain parts of Europe. Relevant education and training systems are vital to ensure a better educated workforce. At the same time, business should seek to make best use of skills that workers have acquired; in many countries greater progress is needed to build a world-leading system in education.

Europe needs to focus, inter alia, on meeting growing needs in terms of basic and also STEM skills. The setting up of quality vocational education and training pathways will help to better provide the skills required for the high number of medium skilled jobs. Reinforcing the links between higher-education and vocational training systems and improving tertiary level VET will help to provide the skills required. The question of skill-matching, but also of a well-educated European society, is even more important today considering the current levels of youth unemployment, the ageing of the European workforce and the specific needs arising in fast-evolving sectors.

The EU average share of students in vocational or technical programme orientation (level 3 of the ISCED scale) as a percentage of the total number of level 3 students was 51.9% in 2006 and 50.4% in 2012. Despite a slight fall between the two reference points this demonstrates a relatively stable trend.

The health and social services sector is also one where a substantial growth in jobs requiring a range of skills is projected. This will require the provision of highly skilled workers and will inevitably require appropriate public funding levels to meet rising demand. This will require high levels of recruitment and where needed reverse job cuts that have been made in some countries in recent years.

Future prosperity and growth in Europe will not be possible without a guaranteed supply of competent and well-qualified researchers, developers, operators and workers. This supply of talent is crucial for enterprises to be able to invest in R&D and innovative activities – and then put them into practice – in Europe. Competition from other parts of the world is strong.

Employee-driven innovation: as part of efforts to increase the value-added of European economies, employers and workers have an interest in investing in workers' skills and workers' involvement that ensure innovation can take place from the workplace up.

4. Labour Markets

Introduction

Unemployment, underemployment and other situations of precarity are pressing issues in European labour markets and should be addressed with the right mix of policies. Social partners have a key role to play both in assessing the need for and in designing, negotiating, implementing and evaluating structural reforms. These must be respected and based on the key principles of fairness, dynamism, mobility, and inclusiveness to help adapt Europe's labour markets to changing conditions.

4.1 Recommendations

Effective enforcement of EU labour law must be ensured. The EU should provide the conditions and create the right playing field for fair competition within the single market; including in particular respect for collective agreements and honouring the principles of non-discrimination and equal treatment in employment. Where appropriate, the EU and Member States, with the involvement of social partners, have to focus on assessing the need, designing and implementing a review of labour law while maintaining workers' rights.

Member States should focus on achieving a job rich recovery and reforms, where needed, that foster confidence and legal certainty, enable enterprises' adaptation to changing circumstances and promote stable employment relationships and sustainable labour market practices. The EU should encourage Member States to look at the need to foster conditions in which enterprises and workers can use adaptability to their shared advantage. This includes ensuring appropriate employment contractual arrangements in line with changing workers' and employers' needs. More needs to be done to effectively introduce measures to address entry barriers into labour markets, particularly for young people.

National social partners, Member States and the EU should ensure that paid labour provides an effective antidote to falling into poverty. Boosting the productivity of less productive jobs could also help to mitigate the increasing polarisation of labour markets.

The EU, national social partners and Member States have a number of solutions to explore in order to foster the inclusion of vulnerable workers in the labour market. These are equally important for the progression of workers once employed and throughout their career.

All forms of direct and indirect work which do not contribute to social insurance and tax systems are unfair and have to be combatted.

The EU, Member States and national social partners should make further progress to reduce the gender pay gap at national, sectoral and company level. Diverse approaches are required to tackle its multifaceted underlying causes including direct discrimination, undervaluation of women's work; segregation in the labour market; traditions and stereotypes; balancing work, family and private life.

The EU, Member States and national social partners should achieve a better image and working conditions in certain sectors to encourage more people, including young people, working in these sectors.

The EU, national social partners and Member States should tackle the causes of bogus self-employment to avoid detrimental effects for employees and employers.

Member States in consultation with social partners need to ensure a framework for information and consultation of workers that provides legal certainty for employers and workers and coherent, well organised application of EU and national rules.

Member States and the Commission should ensure the proper application of the rules of the Treaty, the European directives in the social field, the European Charter of Fundamental Rights. The Commission and Member States should have regard to the principle of subsidiarity and proportionality.

The EU, national social partners, and Member States should ensure high levels of health and safety at work. Dealing with psychosocial risks requires a holistic approach. There are organisational factors that need to be taken into account as they may have a positive or negative impact on psychosocial risks.

To facilitate transitions there need to be sufficient and better job opportunities for those that work below their qualifications, or involuntarily in, for example, fixed-term, part-time or self-employment and a good match between skills supply and demand.

The respect of non-discrimination and an efficient use of talent, irrespective for example of age, gender, ethnicity, disability, sexual orientation and religious beliefs, is key. The value of diversity initiatives, in particular social partners' initiatives at all levels, should be recognised and fostered in light of the positive contributions and added value that they can bring.

To address the issue of labour market segmentation, Member States and social partners need to build ladders facilitating mobility and higher transition rates, including from temporary to permanent employment.

It is important to smooth reversibility between part-time and full-time jobs to ensure that non-regular employment does not exacerbate labour market duality and inequalities.

Strong variations between countries' performance in terms of labour market transitions shows that there is scope for an organised process of mutual learning between Member States in this respect.

The EU, Member States and social partners have an interest in ensuring that a framework is in place which fosters mobility for workers, researchers and of scientific knowledge across EU borders, within Member States and between occupations. This can play an important role in helping to match labour supply with demand, while preventing possible brain-drain effects and recognising the rights of and benefits for mobile individuals.

Some of the most obvious barriers that need to be addressed to allow a higher proportion of cross-border mobility for those that are willing to move are the lack of language competences, problems with the recognition of qualifications and professional experience. Actions include: promoting language learning in the EU at all ages and educational levels, in particular ensuring that schools provide the opportunity for pupils to learn at least one other EU language before they reach the school-leaving age; Better provision of information and appropriate support and advice services for EU mobile citizens, in line with the recent directive on the enforcement of existing rights for mobile workers.

The EU should further encourage intra-EU worker mobility notably through the setting up of an improved EURES network that helps to overcome skills mismatches on a broader scale by offering a more targeted service of matching job seekers with vacancies. Member States should also identify national best practices on how to foster mobility within national boundaries.

An EU framework for national statistics gathering on the impact of mobile workers on economic and social situations needs to be developed to enable informed decisions to be made about mobility policies at EU and Member State level.

Public authorities, working together with social partners and private employment agencies need to ensure that appropriate active labour market policies are in place to help those most in need to minimise periods of unemployment. This includes promoting and supporting active job search and re-training opportunities that enable the unemployed to re-integrate into the labour market.

Member States should step up the cooperation between Public Employment Services in order to improve the cost-effectiveness and labour market outcomes of employment services and active labour market policies across Europe.

Additional tailor-made measures have to be put in place to curb long-term unemployment.

4.2 Fair labour markets – data description

European labour markets are characterised by a cohesive framework of protections for workers. Fair labour markets are to be understood as those in which EU law and Member State laws, standards and collective agreements are respected. They are also associated with recognition of the role of collective bargaining and employee involvement, while respecting the diversity of national practices. Several challenges need to be addressed to ensure a climate of fair competition where unlawful or dishonest social conduct is combatted.

Undeclared work

Undeclared work[7] exposes workers to risks as they may not have access to the rights foreseen in employment regulations and in terms of social protection due to the fact that they are not declared and therefore not overseen by relevant EU and national frameworks.

[7] Definition of undeclared work: "any paid activities that are lawful as regards their nature but not declared to public authorities, taking account differences in the regulatory systems of Member States. Undeclared work has serious budgetary implications through decreased tax and social security revenues. It has negative impacts on employment, productivity and working conditions, skills development and lifelong learning. It results in lower pension rights and less access to health care and unemployment compensation. It causes unfair competition between undertakings. (Communication Europe 2020 – a strategy for smart, sustainable and inclusive growth".

Table 10: Undeclared work

	Size of shadow economy (in % of GDP), 2012[1]	Undeclared work (share of GDP or employment), 1995-2006[2]	Country data or estimations[3]	World bank research[4] (% of extended labour force)
Austria	7.6	2	No data	19.7
Belgium	16.8	6 - 10	No data	10.5
Bulgaria	31.9	22-30	20% of GDP (2011)	13.2
Cyprus	25.6	4.2	19.1% (2012)	53
Czech Republic	16	9-11	No data	12.5
Denmark	13.4	3	No data	11.5
Estonia	28.2	7 - 8	8% (2011)	9.8
Finland	13.3	4.2	No data	11.2
France	10.8	4-6.5	No data	10.3
Germany	13.3	7	No data	11.9
Greece	24	25	36.3% (2012)	46.7
Hungary	22.5	15-20	16-17% (2006)	9.4
Ireland	12.7	NA	No data	33
Italy	21.6	12	12.1% (2011)	22.4
Latvia	26.1	18	No data	8
Lithuania	28.5	16-18	No data	6.4
Luxembourg	8.2	NA	No data	No data
Malta	25.3	25	No data	No data
Netherlands	9.5	2	No data	12.6
Poland	24.4	12 - 15	4.6% (2010)	21.6
Portugal	19.4	5	No data	22.4
Romania	29.1	16-21	31.4% (RO Trade Unions)	11.8
Slovakia	15.5	13-15	No data	12.2
Slovenia	23.6	17	No data	14.1
Spain	19.2	12	17% (2011)	18.8

	Size of shadow economy (in % of GDP), 2012[1]	Undeclared work (share of GDP or employment), 1995-2006[2]	Country data or estimations[3]	World bank research[4] (% of extended labour force)
Sweden	14.3	5	No data	8.2
UK	10.1	2	No data	21.7
EU-27 (weighted average)	14.9	7.2	No data	No data
EA-17 (weighted average)	15	8	No data	No data

Source
1: Schneider, F. (2012), "Size and development of the Shadow Economy from 2003 to 2012: some new facts",
2: European Commission (2004, 2007), European Employment Observatory Review, Spring 2004 and Spring 2007,
3: EUROFOUND (2012), EU MS and Norway fact sheets on estimates and approaches to measure undeclared work.
4: WB´s research working paper 5912 on "Informal Workers across Europe": Michails Hazans, December 2011. Data from European Social Survey from 2008-2009.
Extended labour force means labour force and discouraged workers (unemployed, not looking for work)
Note: The size and development of the shadow economy is calculated with the MIMIC estimation procedure. The currency demand approach was used for Austria, Germany and Poland. Averages are GDP-weighted. For undeclared work, national data is collected by European Employment Observatory (EEO), Spring Review 2004 and 2007 (figures for Belgium, Italy and Lithuania are based on the articles on undeclared work from national EEO correspondents).

Source: http://ec.europa.eu/europe2020/pdf/themes/07_shadow_economy.pdf

The table shows that there are significant variations at the national level in terms of the size of the shadow economy as a percentage of GDP. Levels range from at or below 10% in Austria, Luxembourg, the Netherlands, the UK and France to in the region of 30% in Bulgaria, Estonia, Lithuania and Romania. Similar patterns are also evident when it comes to the extent of undeclared work as a share of GDP or employment. It can also be seen that there are differences in the data sets, depending on how undeclared work is measured.

The Commission presented a proposal for a European platform to enhance cooperation in the prevention and deterrence of undeclared work on 9 April 2014. The platform will aim to facilitate the exchange of best practices and information, provide a framework at EU level and improve operational coordination of actions between national enforcement authorities.

Health and safety

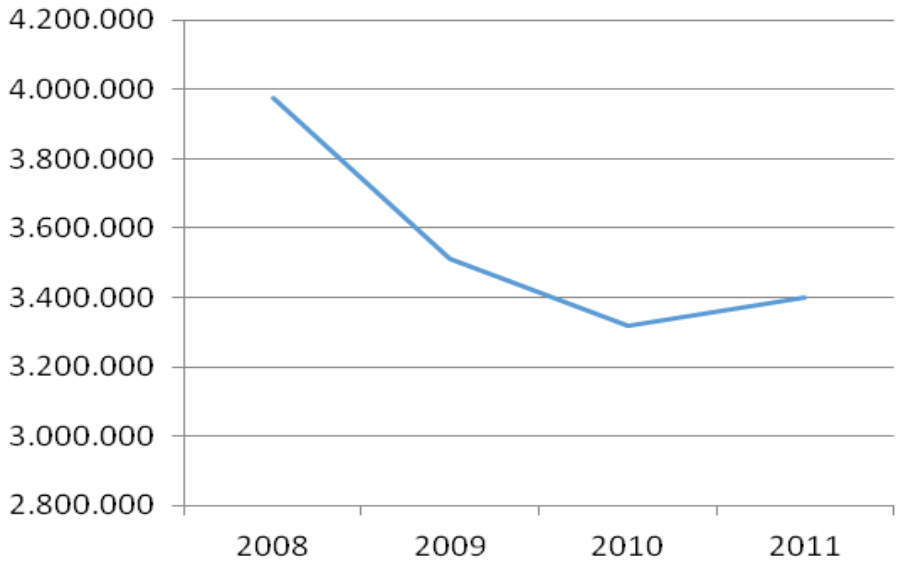
A fair labour market is characterised by compliance with health and safety requirements by employers, and responsible application of workplace preventive and protection measures by workers.

The data shows that there was an overall decline in the EU in the number of fatal and serious accidents at work in 2011 compared with 2008. Conversely an increase of non-fatal accidents at work occurred between 2010 and 2011. There is a mixed picture across the Member States and most likely across different sectors. Furthermore, according to the European Agency for Safety and Health at Work, the costs to Member States of all work-related accidents and diseases is significant, ranging from 2.6% to 3.8% of GDP across the EU Member States. Additionally, approximately 23 million people out of around 216 million working people had a health problem caused or made worse by work across a 12-month period (Eurostat, 2010).

On the other hand, another graph shows that there has been an increase in the percentage of workers absent from work for health reasons.

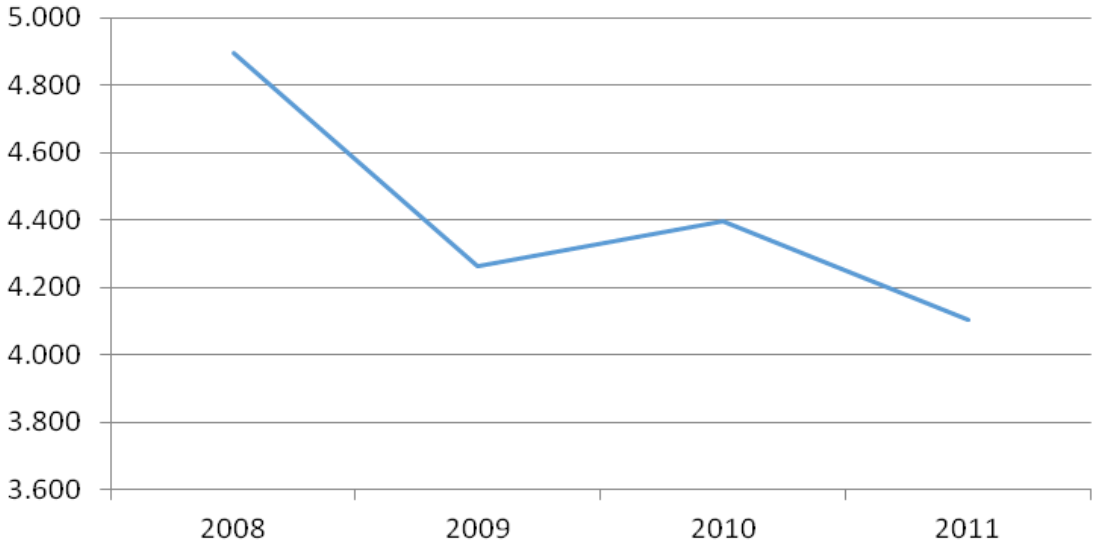
The 2012 European Working Conditions Survey reports that levels of exposure to physical risks in the workplace have not diminished greatly since the first European Working Conditions Survey in 1991.

Graph 13: Non-fatal accidents at work EU27



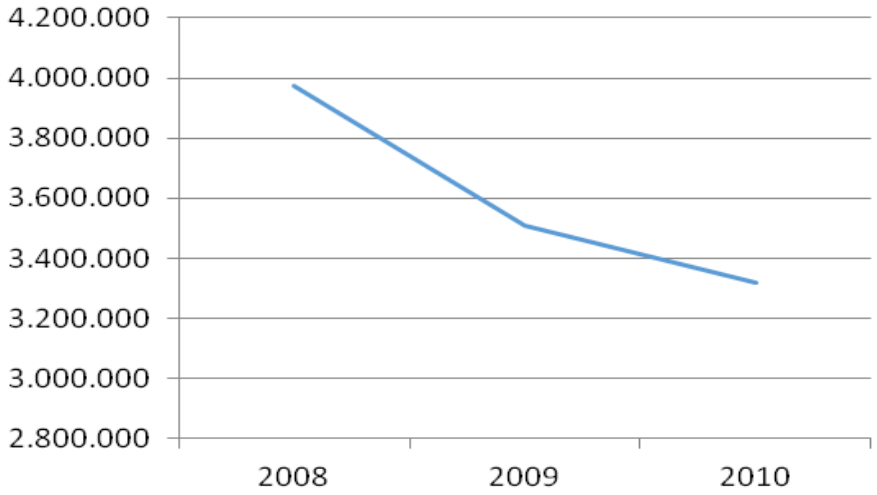
Source: Eurostat

Graph 14: Fatal accidents at work EU27



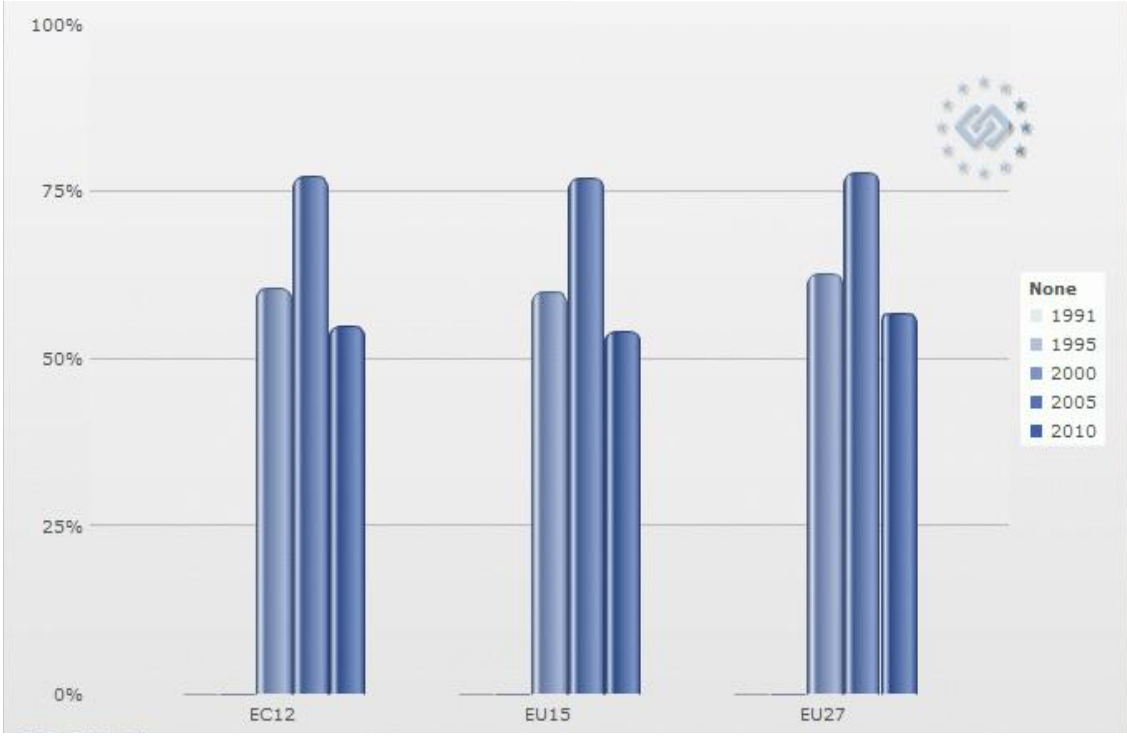
Source: Eurostat

Graph 15: Serious accidents at work (more than 3 days) EU27



Source: Eurostat

Graph 16: Number of days absent from work for health reasons



Source: Eurofound

Main reason for temporary employment

Looking at the **reasons why people are in temporary work,** the EU-28 average shows an increase from 2000-2007 to 2008-2012 from 57.6% to 60.6% of people who were in temporary employment because they could not find a permanent job. At the same time, the proportion of people combining temporary work with education and training fell from 21.3% to 18.3%. The proportion of people who are in temporary work because they did not want a permanent job has remained stable at around 12%. The country data shows that Estonia, Lithuania and Austria have seen notable falls in the percentage of people that were in temporary employment over the two time periods because they could not find a permanent job. On the other hand, this picture is reversed in the Czech Republic, Ireland and Italy, where figures have increased.

Table 11: Main reason for temporary employment

	Could not find permanent job – average 2000-2007	Could not find permanent job – average 2008-2012	In education/ training – average 2000-2007	In education/ training – average 2008-2012	Probationary period – average 2000-2007	Probationary period – average 2008-2012	Did not want a permanent job – average 2000-2007	Did not want a permanent job – average 2008-2012
EU28	57.6	60.6	21.3	18.3	9.2	9.1	11.9	12.0
EU17 (euro area)	55.4	59.0	26.3	21.5	9.6	9.3	8.7	10.1
Belgium	81.7	76.8	8.1	7.1	n/a	n/a	10.2	16.1
Bulgaria	68.7	71.2	7.9	n/a	18.1	17.7	5.8	8.6
Czech Republic	67.8	74.5	1.5	1.0	6.3	n/a	24.5	24.7
Denmark	45.6	45.4	31.0	36.1	2.7	2.8	22.7	15.7
Germany	19.7	23.6	63.3	57.3	13.9	15.9	3.0	3.1
Estonia	62.6	39.4	n/a	8.7	23.6	37.2	27.8	18.2
Ireland	35.0	59.0	12.0	8.8	9.7	5.9	54.1	31.6
Greece	83.7	84.4	8.2	6.6	4.0	5.3	4.1	3.7
Spain	91.1	90.5	4.3	4.2	1.6	1.0	3.1	4.3
France	56.8	56.5	36.2	17.5	14.9	4.0	21.4	21.9
Croatia	53.1	49.7	44.6	46.5	3.0	2.7	1.5	1.3
Italy	58.2	68.2	29.5	19.1	5.9	8.2	6.4	4.5
Cyprus	89.0	93.6	4.9	3.5	4.1	1.6	3.5	1.6
Latvia	69.8	72.5	8.6	6.7	18.5	11.6	17.0	9.7
Lithuania	80.9	65.7	n/a	n/a	12.3	23.6	12.8	n/a
Luxembourg	35.3	46.2	36.6	23.7	26.3	20.2	8.1	12.0
Hungary	64.8	65.9	3.8	1.4	21.9	17.0	9.5	15.6
Malta	45.1	52.0	10.4	11.9	13.8	18.8	30.6	17.3
Netherlands	36.7	34.4	1.2	3.1	44.6	45.9	17.5	16.6
Austria	16.8	9.9	69.6	49.3	15.3	10.6	8.4	30.2
Poland	65.1	68.9	22.3	10.2	12.5	9.4	9.8	11.6
Portugal	78.1	84.3	6.5	4.6	9.0	6.6	17.2	4.5
Romania	72.1	81.4	9.9	n/a	15.3	10.9	7.1	8.8
Slovenia	45.4	50.4	6.5	3.5	5.0	6.3	43.2	39.8
Slovakia	78.5	79.7	n/a	2.7	n/a	n/a	21.3	18.4

	Could not find permanent job – average 2000-2007	Could not find permanent job – average 2008-2012	In education/ training – average 2000-2007	In education/ training – average 2008-2012	Probationary period – average 2000-2007	Probationary period – average 2008-2012	Did not want a permanent job – average 2000-2007	Did not want a permanent job – average 2008-2012
Finland	64.3	65.3	6.5	6.5	2.0	2.8	27.3	25.4
Sweden	50.6	57.5	1.8	1.0	15.4	10.4	32.3	31.0
United Kingdom	45.2	53.6	10.1	8.9	5.0	5.1	43.5	32.3
Iceland	32.8	15.2	8.1	6.1	20.6	11.4	42.9	69.1
Norway	23.9	50.9	43.7	11.3	n/a	n/a	32.2	37.6
Switzerland	n/a	n/a	99.5	86.8	1.9	2.6	n/a	5.0

Source: Eurostat

Main reason for part-time employment

Looking at the **reasons why people are in part-time work,** the EU-28 average shows a notable increase from 2000-2007 to 2008-2012 from 20% to just over 26%, of people who were in part-time work involuntarily, i.e. because they could not find a full-time job. At the national level, significant increases are found in Ireland, Spain and Cyprus. However, there are also decreases evident in Lithuania, Poland and Malta. At the same time, it can also be seen that more than 20% of part-time workers had caring responsibilities for children or incapacitated adults. The proportion of people combining part-time work with education and training fell by approximately 1% but remains the key factor for around 10% of part-time workers.

Table 12: Main reason for part-time employment

	Could not find full-time job – average 2000-2007	Could not find full-time job – average 2008-2012	In education/ training – average 2000-2007	In education/ training – average 2008-2012	Looking after children or incapacitated adults – average 2000-2007	Looking after children or incapacitated adults – average 2008-2012	Other family or personal responsibili-ties – average 2000-2007	Other family or personal responsibili-ties – a verage 2008-2012
EU28	20.0	26.2	11.1	10.4	25.1	22.86	n/a	14.84
EU17 (euro area)	20.2	27.0	8.8	9.5	24.8	23.56	n/a	15.04
Belgium	17.5	11.7	2.4	3.1	20.0	14.72	n/a	32.88
Bulgaria	68.3	56.3	8.9	10.9	n/a	n/a	n/a	9.45
Czech Republic	14.1	16.6	6.9	13.6	18.3	17.72	n/a	10.72
Denmark	15.0	15.2	36.1	37.1	3.9	3.16	n/a	28.62
Germany	17.4	20.2	8.6	10.3	44.9	23.04	n/a	21.68
Estonia	21.8	20.3	17.1	19.9	8.8	9.36	n/a	4.6
Ireland	14.3	29.6	21.8	16.8	15.7	16	n/a	26.48
Greece	49.1	54.8	7.0	5.3	8.9	7.8	n/a	5.52
Spain	25.6	48.9	8.9	8.7	11.7	14.26	n/a	7.6
France	28.5	31.4	4.0	1.5	14.7	29.58	n/a	14.26
Croatia	23.4	21.6	3.6	2.7	10.3	4.5	n/a	9.86
Italy	37.1	50.4	5.2	3.7	30.9	22.2	n/a	6.48
Cyprus	27.1	40.2	4.7	8.9	7.5	14.28	n/a	23.06
Latvia	38.8	41.3	12.8	10.8	7.9	4.16	n/a	9.86
Lithuania	49.9	32.9	7.9	8.1	5.6	5.1	n/a	11.3
Luxembourg	8.3	10.0	3.4	4.7	28.7	26.54	n/a	37.44
Hungary	25.7	35.1	4.4	4.7	8.0	8.82	n/a	2.42
Malta	20.8	16.8	13.9	12.5	18.2	15.44	n/a	29.46
Netherlands	4.0	6.6	16.0	22.7	13.6	32.22	n/a	5.04
Austria	10.7	10.8	7.5	11.2	38.8	33.46	n/a	16.78
Poland	28.3	22.4	11.5	10.6	6.7	7.32	n/a	3.48
Portugal	30.2	43.1	6.3	6.5	10.0	4.68	n/a	16.58
Romania	52.6	53.1	1.4	1.6	4.4	2.62	n/a	6.04
Slovenia	8.5	7.6	30.9	32.1	4.2	6.5	n/a	2.42
Slovakia	14.6	25.9	7.1	4.5	5.3	3.6	n/a	3

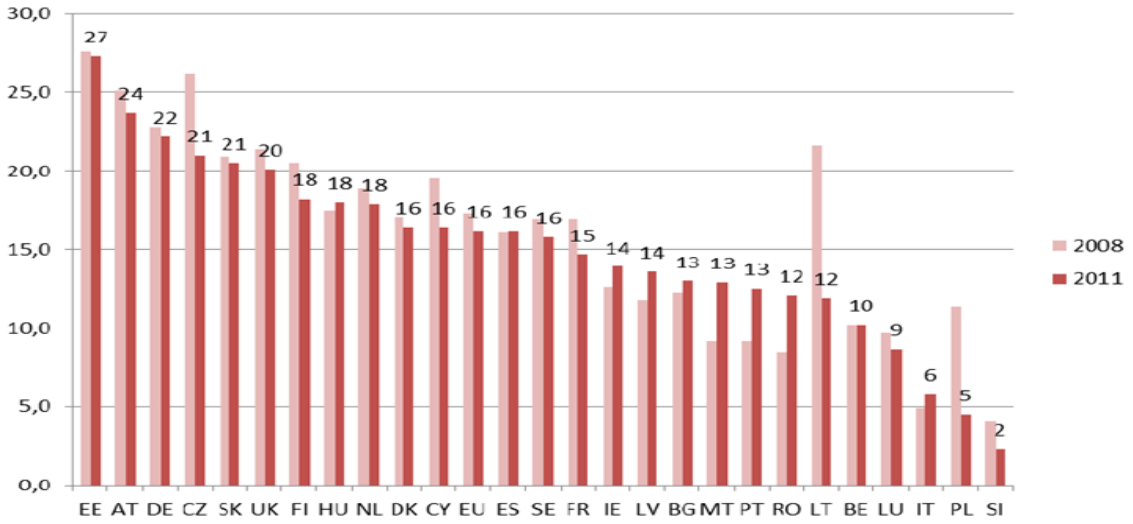
	Could not find full-time job – average 2000-2007	Could not find full-time job – average 2008-2012	In education/ training – average 2000-2007	In education/ training – average 2008-2012	Looking after children or incapacitated adults – average 2000-2007	Looking after children or incapacitated adults – average 2008-2012	Other family or personal responsibili-ties – average 2000-2007	Other family or personal responsibili-ties – a verage 2008-2012
Finland	31.1	27.6	28.8	28.5	7.6	9.06	n/a	25.94
Sweden	24.3	27.6	14.0	12.0	16.8	17.7	n/a	14
United Kingdom	9.1	17.3	16.9	13.3	38.0	33.825	n/a	17.85
Iceland	7.7	18.9	30.9	37.1	15.8	10.72	n/a	7.28
Norway	13.9	17.2	25.1	26.5	16.2	13.4	n/a	9.94
Switzerland	5.7	6.9	10.9	9.8	38.0	20.34	n/a	26.1

Source: Eurostat

Gender pay gap

The graph shows an overall trend for a fall in the gender pay gap, although in some Member States it has stagnated. Nevertheless, the gender pay gap stands at around 16.5% in terms of the EU average. There are important differences between Member States. In Slovenia it is 2.5% whereas in Estonia it is 27%.

Graph 17: Gender pay gap in 2008 and 2011



Source: Eurostat, Structure of Earning Survey, 2010 data for Ireland

4.3 Fair labour markets – analysis and challenges

To ensure fair labour markets European social partners re-emphasise the need to implement and respect at national level the principles and rules of European social directives, including those deriving from social partner agreements, as well as the basic principles of equal treatment and non-discrimination.

While respecting the diversity of practice in Member States, fair labour markets are also based upon the recognition of the role of collective bargaining and employee involvement.

Promoting good working conditions is important to attract productive and talented workers and to ensure that they are motivated and have access to good job opportunities throughout their career. Costs of employment also need to be set at a level which fosters employment, demand and growth.

More people are in a situation of in-work poverty, which may reflect the trend of the rise in atypical or unstable work patterns, and a growing polarisation in the labour market between low or unskilled work and high-skilled work. The crisis has further exacerbated this worrying trend.

Some groups are under-represented in labour markets. The situation and needs vary from one group to another. For instance, disabled workers still face challenges to enter, stay and progress in the labour market; one out of five LGBT workers felt discriminated at work in the last year (FRA Survey 2013); low-skilled migrant workers can be subject to exploitation.

Collective bargaining has an important role to play in contributing to the fairness of European labour markets across a range of issues.

Compliance with the rules of EU standards and social directives should be given the highest priority to create a fair labour market. In some cases progress may be needed to achieve better application in practice, even if EU standards and working conditions are generally being adhered to.

Transforming informal or undeclared work into regular employment would help to boost tax and social security revenues and allow for fair competition. It is important to improve tools and policies, including through sharing of best practice, aimed at preventing undeclared work and encouraging formal working arrangements. The proposed EU platform on undeclared work can be useful to share practices and information, thereby helping Member States deter and prevent undeclared work.

According to the Eurofound Working Conditions Surveys most workers report satisfaction with their working conditions but figures vary between Member States. This satisfaction has also to be nuanced by other results: stress, job insecurity, number of days absent at work have increased. Moreover, 60% of workers feel that they will not be able to fulfil their jobs when they will be 60 years old.

Labour market gender segregation remains, which is the main reason behind the gender pay gap and involuntary part-time working, along with availability of appropriate, affordable and accessible care infrastructure. Women bear much of the responsibility for care activities, which has an impact on both their private and professional lives.

The gender pay gap has narrowed in the last decade in terms of the average at EU level – even if diverging trends occur between member-states, standing at around 16.5%, also due to lower wages amongst men.

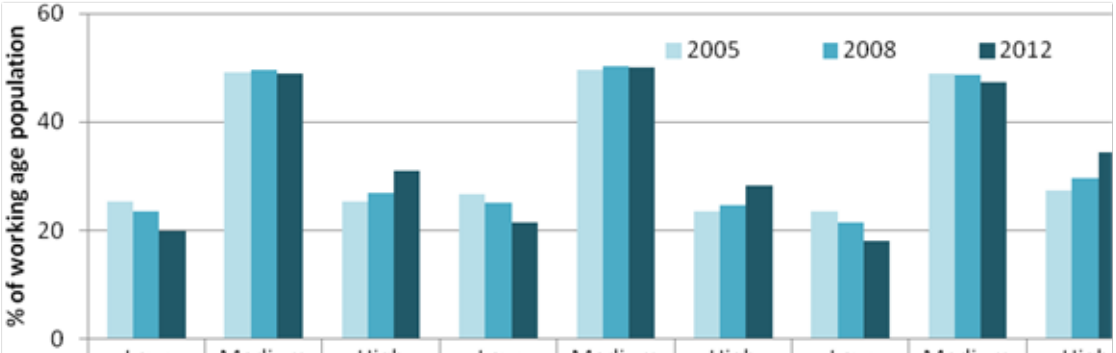
Some sectors are still not implementing specific and effective recruitment methods, and induction policies as well as ensuring the right working conditions to welcome and support new entrants in the enterprise and ensure career progression.

4.4 Dynamic labour markets – data description

Over the last years, national governments and social partners have cooperated with some success to improve employment regulations and national practices to achieve higher levels of internal flexibility to allow enterprises adapting to uncertain and changing markets while maintaining employment where possible. At the same time, there is a long trend of reducing labour share in GDP which suggests that investments in Europe have tended to go more into capital rather than into labour in recent decades.

A dynamic labour market should ensure that everyone has the chance to use his or her skills and abilities in their working life. In this respect, access to continuous further education and training with a focus on improving the employability of the labour force is also an important feature of a dynamic labour market.

Graph 18: Share of the working age population (15-64) by educational attainment levels and gender, EU-27



	Total			Men			Women		
	Low	Medium	High	Low	Medium	High	Low	Medium	High
2005	25,3	49,2	25,3	26,7	49,6	23,5	23,6	48,8	27,4
2008	23,4	49,5	26,8	25,0	50,2	24,5	21,4	48,7	29,7
2012	19,9	48,9	31,0	21,4	50,1	28,2	18,0	47,4	34,3

Note:
Low = Pre-primary, primary and lower secondary education (ISCED[8] levels 0-2);
Medium = Upper secondary and post-secondary non-tertiary education (ISCED levels 3 and 4);
High = First and second stage of tertiary education (ISCED levels 5 and 6).

Source: Eurostat

[8] International Standard Classification of Education.

The data shows an overall improvement of educational attainments in Europe, with a reduction of low qualified people from around 25% to 20% and an increase of the proportion of highly qualified from around 25% to 30%. The number of medium qualified people has been stable and remained high at around 50% over the last decade. A similar trend is observed for men and women, but women tend to be more highly qualified than men.

Nevertheless, the percentage of young people between 24 and 34 years having obtained a university degree stood at 35,7% in 2012 which is well below the USA (42%) and Japan (55%). Only 11 Member States have already achieved the 40% Europe 2020 headline target for participation of 30-34 years olds completing third level education.

Access to training

The figures for the EU-27 show a fall in the percentage of enterprises providing initial vocational training (IVET) between 2005 and 2010, but an increase in the percentage of employees participating in continuous vocational training (CVET) over the same period. Naturally, the country figures represent the situations in the different national education and training systems and include a notable fall in the percentage of enterprises providing IVET in France and the UK – though this may reflect data classification changes in some countries and may have largely not affected the percentage of employees participating – while Slovakia and Belgium have seen significant increases. Belgium is also an example of a sizeable increase in the percentage of employees participating in CVET as are Portugal and Spain. Data on CVET and on-job training show, however, that European countries and companies could improve their performance on VET, taking into account different national settings and the size and capacity of companies.

Table 13: Provision of and participation in vocational training

GEO/TIME	% enterprises providing initial vocational training		% employees participating in continuous vocational training*	
	2005	2010	2005	2010
EU27	31.0	24.0	33.0	38.0
Belgium	9.0	15.0	40.0	52.0
Bulgaria	4.0	6.0	15.0	22.0
Czech Republic	3.0	4.0	59.0	61.0
Denmark	45.0		35.0	
Germany	55.0	62.0	30.0	39.0
Estonia	1.0	19.0	24.0	31.0
Ireland	24.0		49.0	
Greece	3.0		14.0	
Spain	14.0	7.0	33.0	48.0
France	37.0	23.0	46.0	45.0
Croatia		15.0		23.0
Italy	40.0	32.0	29.0	36.0
Cyprus	2.0	5.0	30.0	37.0
Latvia	5.0	5.0	15.0	24.0
Lithuania	17.0	1.0	15.0	19.0
Luxembourg	28.0	24.0	49.0	51.0
Hungary	6.0	9.0	16.0	19.0
Malta	12.0	16.0	32.0	36.0
Netherlands	41.0	34.0	34.0	39.0
Austria	49.0	47.0	33.0	33.0
Poland	9.0	5.0	21.0	31.0
Portugal	5.0	12.0	28.0	40.0
Romania	2.0	3.0	17.0	18.0
Slovenia	9.0	8.0	50.0	43.0
Slovakia	1.0	16.0	38.0	44.0
Finland	17.0	21.0	39.0	40.0

GEO/TIME	% enterprises providing initial vocational training		% employees participating in continuous vocational training*	
	2005	2010	2005	2010
Sweden	7.0	7.0	46.0	47.0
United Kingdom	51.0	18.0	33.0	31.0
Norway	23.0		29.0	
Switzerland				
Iceland				

* includes all enterprises, not only those with specific CVET courses.

Source: Eurostat

The data shows that there has been an overall increase in participation in training in the EU-27 between 2005 and 2010, although a fall can be noted between 2000 and 2005. The percentage of companies providing on-the-job training has increased between 2005 and 2010 as has the number of people that say they are paying for their own training.

Table 14: Proportion of staff for whom paid time off for training is provided, by country (%)

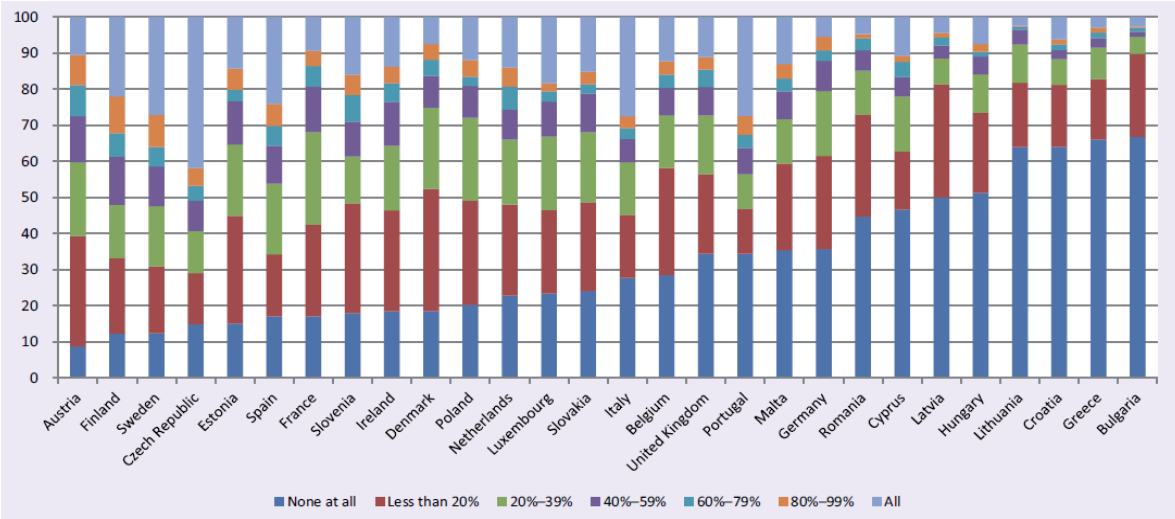
	1995	2000			2005			2010		
Over the past 12 months, have you undergone:	EU15	EU15	12NMS	EU27	EU15	12NMS	EU27	EU15	12NMS	EU27
Training paid for or provided by your employer or by yourself if self-employed	30.0%	30.6%	24.3%	29.3%	27.3%	21.2%	26.1%	34.9%	29.1%	33.7%
Training paid for by yourself	n.a.	n.a.	6.2%	n.a.	6.0%	5.8%	5.9%	8.9%	7.9%	8.7%
On-the-job training	n.a.	n.a.	24.0%	n.a.	26.8%	24.3%	26.3%	33.3%	28.1%	32.2%

Source: Eurofound, European Working Conditions Survey 2010

The proportion of staff benefiting from this varies and is highest in Austria, Finland, Sweden and the Czech Republic and lowest in Lithuania, Croatia, Greece and Bulgaria. At the same time the chart also shows that in the preceding 12 months more than 60% of the establishments had not provided paid time off for training to any employee.

According to this survey, 71% of establishments provided paid time off for training to at least some employees. Conversely, in nearly a third (29%) of establishments, no paid time off for training was provided to any staff. Small establishments are least likely to give time off for training: in 32%, no employees get any paid time off for training. Some 39% of enterprises reported difficulties finding staff with the required skills. But conversely 31.7% of the workers consider that they have the skills to cope with more demanding duties.

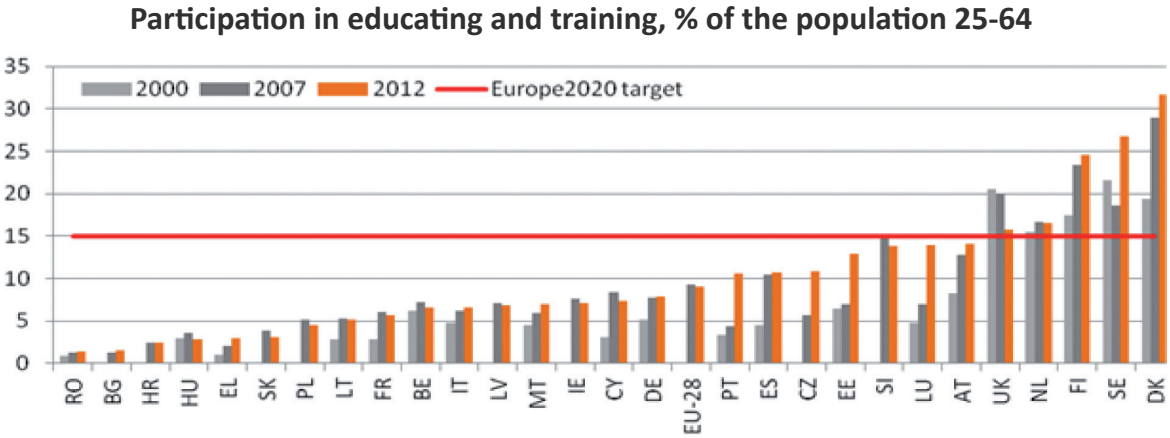
Graph 19: Paid time off for training EU-28



Source: Eurofound, European Company Survey 2013

The chart shows that in all Member States there is a degree of paid time off for training.

Graph 20: Participation of labour force in lifelong learning, 2000-2012



Source: Eurostat

The graph shows that although the majority of Member States have seen an increase in the percentage of the 25-64 year old population participating in education and

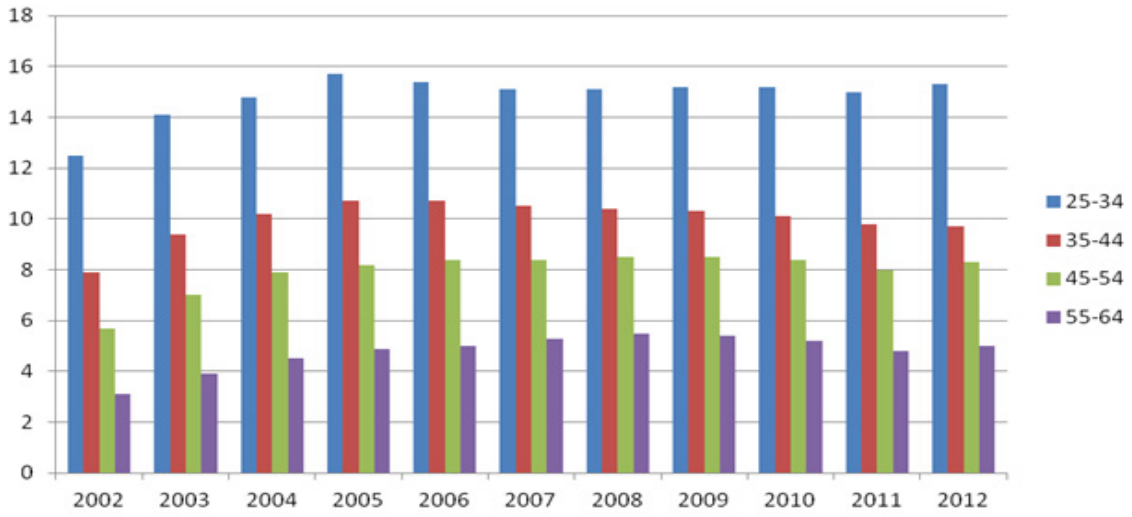
training only five countries had met the Europe 2020 target of 15% in 2012 – UK, the Netherlands, Finland, Sweden and Denmark. It can also be seen that the EU-28 average has actually decreased between 2009 and 2012 by 1.1% a year where in fact it should have increased on average by 4.4% in order to reach the benchmark.

There is a broad variety of situations in Europe regarding the access to education and training systems.

Participation in life-long learning by age group

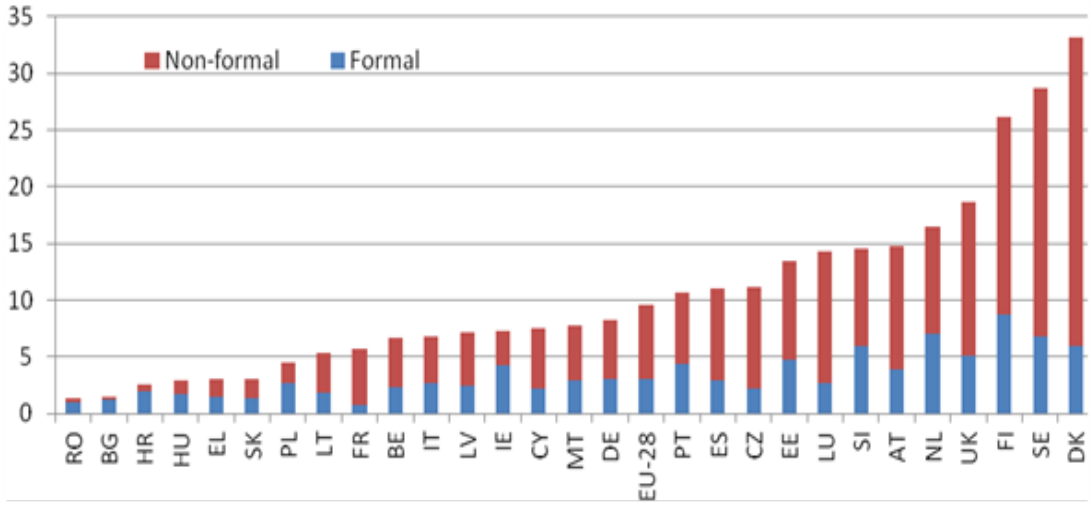
The graph shows a clear trend for a fall in participation in education and training the older a person gets. The highest levels of participation are found in the 25-34 age group and are lowest among people who are between 55 and 64. Up-skilling needs to be promoted, at the work place and in the labour market, especially in the framework of active ageing.

Graph 21: Participation in lifelong learning by age group



Source: Eurostat

Graph 22: Rate of participation (%) of 25-64 year olds in formal and non-formal education and training, 2012



Source: Eurostat

Across nearly all Member States the majority of 25-64 year olds that participate in education and training undertake non-formal learning. The exceptions are Romania, Bulgaria, Croatia, Hungary, Greece, Portugal and Ireland where participation in formal education outweighs informal pathways.

Contractual arrangements

Table 15: Employment trends according to type of contractual arrangement

EU28	2000*	2001*	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	change 2000-2008 (pp.)	change 2008-2013 (pp.)
Permanent employment (% of total employees 15-64)	87.8	87.6	87.6	87.4	86.8	86	85.5	85.5	85.9	86.5	86.1	86	86.4	86.3	-1.9	0.4
Temporary employment (% of total employees 15-64)	12.2	12.4	12.4	12.6	13.2	14	14.5	14.5	14.1	13.5	13.9	14	13.6	13.7	1.9	-0.4
Males	11.6	11.8	11.7	11.9	12.5	13.5	13.9	13.9	13.3	12.7	13.3	13.6	13.1	13.2	1.7	-0.1
Females	12.9	13.3	13.2	13.3	13.9	14.5	15.1	15.3	15	14.4	14.5	14.5	14.2	14.2	2.1	-0.8
Youth (15-24)	35.2	35.9	35.8	36.3	37.6	40	40.9	41.3	40.1	40.3	42.1	42.4	42.2	42.5	4.9	2.4
Part-time workers (% of total employment 15-64)	15.8	15.7	15.6	16	16.7	17.2	17.5	17.5	17.5	18	18.5	18.8	19.1	19.6	1.7	2.1
Males	5.9	5.9	5.9	6.1	6.4	6.7	6.9	6.9	7	7.4	7.9	8.1	8.4	8.7	1.1	1.7
Females	28.7	28.4	28	28.6	29.6	30.4	30.6	30.6	30.5	30.8	31.3	31.5	31.9	32.3	1.8	1.8
Youth (15-24)	21	21.2	21.4	22.5	23.9	24.7	25.3	25.5	26.2	27.7	28.9	29.7	31.1	32	5.2	5.8
Self-employed (% of total employment 15-64)	14.6	14.5	14.4	14.5	14.7	14.6	14.6	14.4	14.2	14.3	14.6	14.4	14.6	14.5	-0.4	0.3
Males	18.4	18.2	18.2	18.4	18.6	18.5	18.4	18.3	18	18.2	18.5	18.3	18.5	18.4	-0.4	0.4
Females	9.7	9.6	9.5	9.5	9.8	9.8	9.8	9.7	9.6	9.7	9.8	9.8	9.9	9.8	-0.1	0.2

*= excluding Croatia.

Source: Eurostat, Employment and Social Developments in Europe 2012

Despite a fall of 1.5% between the year 2000 and 2012, the data shows that permanent employment continues to be the main form of employment in the EU. At the same time, there has been a small increase in the percentage of employees in temporary employment by 1.5% between 2000 and 2012.

Between 2000 and 2012 the percentage of young workers in temporary employment has increased notably (from 35.2% to 42%) and in part-time jobs (from 21% to 31%). This trend is more acute for young female workers.

Table 16: Percentage of Part-time, temporary and self-employed

	Part-time workers (% of total employment)			Temporary employees (% of all employees)			Self-employed (% of total employment)		
GEO/TIME	2000	2008	2012	2000	2008	2012	2000	2008	2012
EU28		17.5	19.2		14.1	13.7		14.2	14.5
EA17	15.4	18.9	20.9	15	16.3	15.3	14.4	14.3	14.4
Belgium	20.6	22.4	24.7	9	8.3	8.1	13.6	12.7	13
Bulgaria		2	2.2		4.9	4.4	13.8	10.9	10.5
Czech Republic	4.8	4.3	5	7.2	7.2	8.3	14.4	15.2	17.5
Denmark	21.4	23.8	24.8	10.2	8.5	8.6	8	8	8.3
Germany	19.1	25.1	25.7	12.8	14.8	13.9	9.7	10.3	10.5
Estonia	6.3	6.4	9.2	2.3	2.4	3.5	8	7.5	8.2
Ireland	16.6	18.1	23.5	5.3	8.4	10.1	16.7	15.7	14.5
Greece	4.4	5.4	7.6	13.8	11.5	10	31.4	28.8	31.4
Spain	8	11.8	14.6	32.4	29.3	23.7	17.8	16.3	16.5
France	16.8	16.8	17.7	15.4	14.8	15.1	10	9.8	10.7
Croatia		6.9	6.3		12.1	12.8		17.4	16.4
Italy	8.7	14.1	16.8	10.1	13.3	13.8	23.6	22.9	22.4
Cyprus	7.6	6.8	9.7	10.7	14	15.1	20.1	16.9	13.7
Latvia	10.5	5.5	8.9	6.7	3.3	4.7	10.2	8.5	10.2
Lithuania	8.9	6.5	8.9	3.8	2.4	2.6	15.7	10	9.6
Luxembourg	11.2	17.9	18.5	3.4	6.2	7.6	8.7	6.1	8
Hungary	3.4	4.3	6.6	6.8	7.8	9.4	14.4	11.6	10.9
Malta	6.1	11.1	13.2	3.9	4.2	6.8	11.9	13.1	12.9
Netherlands	41	46.8	49.2	13.8	17.9	19.3	10	12.1	14
Austria	16.7	22.6	24.9	8	9	9.3	10.5	11.1	11
Poland	9.3	7.7	7.2	5.6	26.9	26.8	21.8	18.3	18.4
Portugal	8.1	8.6	11	19.8	22.9	20.7	20.3	18.8	16.8
Romania	14	8.6	9.1	2.9	1.3	1.7	20.2	18.2	18.1
Slovenia	5.3	8.1	9	12.8	17.3	17	10.3	9.3	11.6
Slovakia	1.8	2.5	4	4	4.5	6.7	7.7	13.6	15.3

	Part-time workers (% of total employment)			Temporary employees (% of all employees)			Self-employed (% of total employment)		
GEO/TIME	2000	2008	2012	2000	2008	2012	2000	2008	2012
Finland	11.9	12.7	14.1	17.7	14.9	15.5	12.6	11.8	12.3
Sweden	21.8	25.7	25	14.3	15.8	15.9	9.8	9.4	9.2
UK	24.4	24.2	25.9	6.6	5.3	6.2	11.5	12.5	13.5
Iceland	27.5	20.1	20.8	5.4	9.7	13.3	16.8	12	11.6
Norway	25.7	27.4	27.2	9.7	9	8.5	6.9	7.1	6.3
Switzerland	29.3	33.3	34.5	11.6	13.2	12.9	15	13.1	12.1

Source: Eurostat

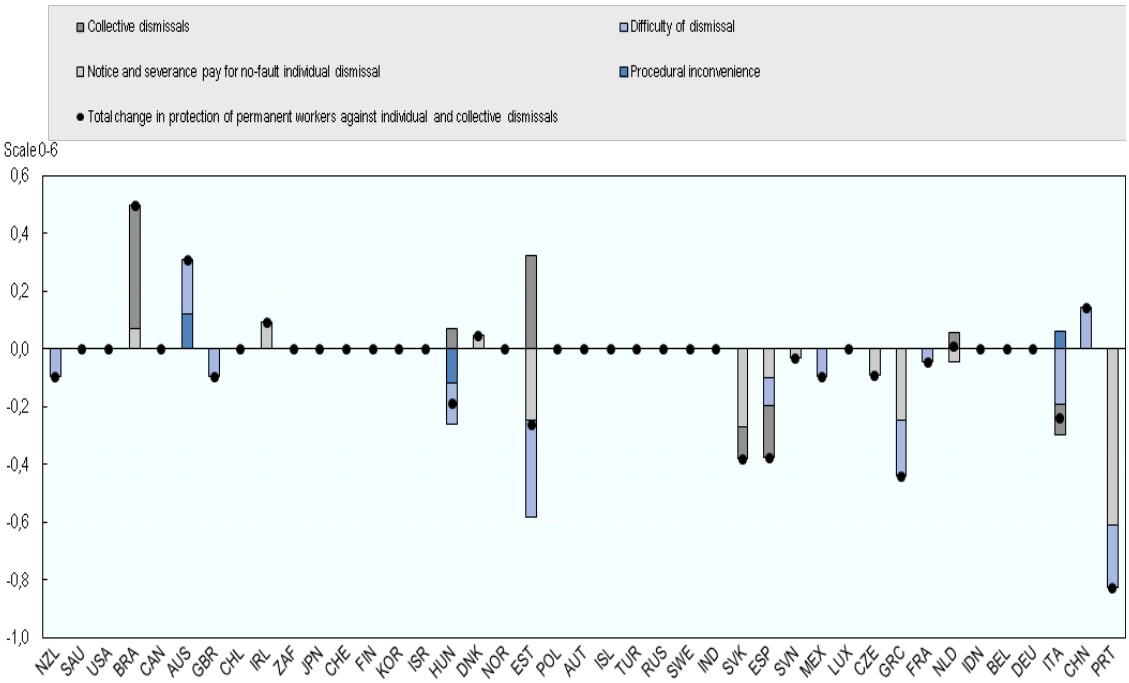
The share of part-time increased by a little under 2 percentage points between 2008 and 2012 whereas self-employment remained stable at 14.5%. During the crisis, part-time increased in all but 3 Member States.

Employment protection legislation

Overall, in the period between 2000 and 2013, employment protection for regular contracts (individual and collective dismissals) declined in 13 EU countries (out of 18 EU countries included in the OECD database) and increased in 5 countries. The protection of temporary contracts have also undergone many changes in the period 2000-2013, remaining stable only in 6 countries, while increasing in 6 and declining also in 6 EU countries (out of 18 EU Member States for which data is available).

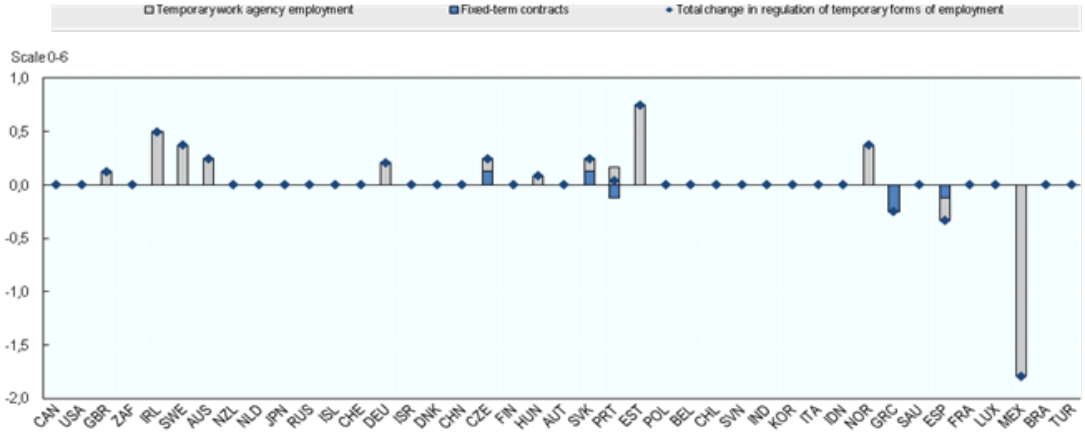
Between 2008-2013, employment protection regulations for regular workers has been decreasing in 3 Member States, while in 2 it became stricter, in one it was mixed and in 7 it remained stable. At the same time, employment protection regulations for temporary contracts increased in 8 EU countries, while decreasing in 2, in 1 it is mixed and remains stable in 10.

Graph 23: Change in protection of regular workers against individual and collective dismissals, 2008-2013



Source: OECD

Graph 24: Change in regulation for temporary contracts, 2008-2013



Source: OECD

4.5 Dynamic labour markets – analysis and challenges

In a dynamic labour market both workers and employers take a long-term view and invest in developing and maintaining employability.

Contracts of indefinite duration are and should remain the most widespread form of employment contract in Europe. Diverse contractual arrangements can be useful to match employers' and workers' needs. Social partners have a key role to play in assessing, designing and agreeing on internal and certain forms of external flexibility, including for SMEs, especially to overcome short-term rises in the number of orders or to fill in for absent employees due to sickness or family duties.

For workers, adaptability and reversibility of working time arrangements between full-time and part-time can help to reconcile paid work with family and education duties. It can also help workers to have more autonomy in scheduling their own working hours.

Dynamic labour markets are needed to enable employers to adapt to the demand of a more knowledge based economy, but also to fluctuations in demand. For example, adjusting hours of work with the support of short-time work schemes in consultation with employees and negotiations with trade unions, according to national practices, was a good example of a short-term/temporary measure delivered by social dialogue during the peak of the crisis.

Part-time employment continues to be most common among female workers; the number of involuntary part time jobs is increasing.

Dynamic labour markets also encourage enterprises creating and maintaining work by creating a framework that makes it attractive for enterprises to invest. To underpin this, it is important to ensure an offer of training in enterprises which focuses on increasing the employability of workers for current and expected labour market developments.

4.6 Mobile labour markets – data description

Mobility is a complex issue. It encompasses the two important issues of occupational and geographical mobility. Policies encouraging mobility are needed at EU and national levels. They should be designed in a way that helps more employers and workers benefiting from mobility.

Occupational mobility is essential to improve the functioning of labour markets and allow the development of workers throughout their careers. This requires making sure that labour markets institutions and regulations play a positive role to facilitate transitions between different forms of employment.

Geographical mobility is also important to ensure that people know and are encouraged to go where the jobs are. While taking a positive approach to geographical mobility, it is also important to recognise the possible negative effects that it can have on sending and receiving countries. A special Eurobarometer[9] has shown that the majority of Europeans think that mobility in Europe is a good thing with 50% citing its importance for labour markets and 47% for the economy. However, compared to other regions in the world such as the USA, European labour markets are characterised by low levels of cross-border and regional mobility.

[9] http://ec.europa.eu/public_opinion/archives/ebs/ebs_337_sum_en.pdf

Transition from temporary to permanent work

It can be seen that 90% of employees with a permanent job stay in that position or move into another permanent position and 2.6% move into temporary work. 27.5% of employees with a temporary job move into permanent employment while 51.3% stay in that job or move into another temporary role.

Temporary workers are much more likely to become unemployed in the following year than permanent workers. 13.5% of temporary employees become unemployed in the following year, compared to 2.6% of permanent workers. Temporary workers are also more likely than permanent workers to leave the labour market in the following year (6.1% and 3.7% respectively). More than 75% get a job, either temporary or permanent.

Table 17: Transitions between employment situation

EU28	Situation in year t + 1				
Situation in year t	Transition to employee with a permanent job	Transition to employee with a temporary job	Transition to employed person except employee	Transition to unemployment	Transition to inactivity
Employees with a permanent job	90	2.6	1.1	2.6	3.7
Employees with a temporary job	27.5	51.3	1.6	13.5	6.1
Unemployed persons	11.2	12.4	3.3	56.6	16.4

Source: Eurostat

Looking at the data showing the **transition rates from temporary to permanent jobs, by country** it can be seen that the national data presents a mixed picture. For example, the transition rate to being an employee with a permanent job is 40.7% in Germany; 51.0% in the UK; 59.9% in Estonia; and a high of 67.2% in Malta. On other hand it is 22.7% in Cyprus; 21.8% in Italy; 19.%5 in Poland to a low of 10.5% in Spain.

The transition from a temporary job to further temporary work shows a rate of 68.4% in the Netherlands; 66.4% in Cyprus; and 65.2% in Poland. This compares to 20.1% in Malta; 18.5% in Lithuania; and 15.9% in Estonia. In some instances where there is a low rate of transition between temporary jobs there is a higher transition to unemployment, such as is the case in Lithuania and Estonia.

Table 18: Transition rates from temporary to permanent jobs, by country

EU28	Transition to employee with a permanent job	Transition to employee with a temporary job	Transition to employed person except employee	Transition to unemployment	Transition to inactivity
EU-28	27.5	51.3	1.6	13.5	6.1
EA17	25.7	52	1.6	15.1	5.6
Belgium	32.5	49.2	0.3	11.7	6.3
Bulgaria	38.6	40.8	0.3	16.5	3.7
Czech Republic	38.4	45.4	1.4	7	7.9
Denmark					
Germany	40.7	45.4	0.6	8.2	5.1
Estonia	59.9	15.9		20.5	3.8
Ireland					
Greece	25	34	2.9	33.9	4.2
Spain	10.5	59.3	1.2	24.4	4.6
France					
Croatia	43.7	34.5	0.7	17.6	3.4
Italy	21.8	50.6	4.2	16	7.5
Cyprus	22.7	66.4	0.5	6.9	3.4
Latvia	41.4	30.5	3	19.9	5.2
Lithuania	54.8	18.5	3	18.7	5
Luxembourg	30.7	53.2	0	11.9	4.1
Hungary	39.3	29.6	4.2	20.6	6.2
Malta	67.2	20.1	2.1	4.1	6.5
Netherlands	20.8	68.4	0.6	5.3	4.8
Austria	41.4	32.9	1.3	11.4	12.9
Poland	19.5	65.2	1.6	9.8	4
Portugal	28.8	53.4	1.4	12.6	3.8
Romania	58.5	32.4	2.3	2.4	4.5
Slovenia	37.9	44.8	2.6	12.7	2.1
Slovakia	40.7	46.2	1.7	7.7	3.7
Finland	28.7	42.5	0.9	13	15

EU28	Transition to employee with a permanent job	Transition to employee with a temporary job	Transition to employed person except employee	Transition to unemployment	Transition to inactivity
Sweden	41.6	36.2	2.2	8.7	11.4
UK	51	21.8		9.5	17.8
Iceland	60.2	22.1	3.6	4.3	9.7
Norway	35.5	41.6	1.9	3.9	17.2

Source: Eurostat

It can be seen that monthly hiring rates as a percentage of employment are highest in Finland (31.0%), Sweden (29.2%) and Spain (20.1%) and lowest in Portugal (11.2%), France (10.3%) and Luxembourg (4.6%). The high monthly rate for Finland compares to an annual rate of 10.7%, a difference of 20.3% which is the most significant change among all of the countries.

Table 19: Job flow rates

	Hiring rates 2005–06 (% of employment)		Hiring rates 2005–06 (% of employment)		Hiring rates 2005–06 (% of employment)	
EU28	Month	Year	Month	Year	Month	Year
Austria	15.1	7.1	14.7	8.1	29.8	15.2
Belgium	12.9	8.3	11.9	4.5	24.8	12.7
Cyprus	17.4	8	14.1	5	31.5	13
Czech Republic	11.5	8.9	10.6	6.5	22.2	15.5
Germany	16.8	32.1	11.7	2.4	28.6	34.5
Denmark	14	7.2	14.2	6.4	28.2	13.5
Estonia	15.1	9.2	12	7.4	27.1	16.6
Spain	20.1	10.2	20	9	40.1	19.2
Finland	31	10.7	29.8	10.7	60.9	21.4
France	10.3	6.1	9.8	5.2	20.1	11.3
Greece	15	7.4	15.5	6.9	30.5	14.3
Hungary	17.6	9.5	17.5	13.4	35	22.9
Ireland	17.3	8.7	15	6.6	32.3	15.3
Italy	15.9	3.4	19.5	7.7	35.5	11.1
Lithuania	14.1	8.4	11.5	6	25.5	14.4
Luxembourg	4.6	4.8	5.4	5	10	9.9
Latvia	19.7	14.1	15.3	9.8	35	24
Norway	17.6	8.6	17.2	5.9	34.8	14.5
Poland	24.5	14.2	18.6	7.7	43.1	21.9
Portugal	11.2	6.5	12.5	6.1	23.7	12.6
Sweden	29.2	9.1	26.4	6.1	55.6	15.2
Slovenia	13.6	6.8	9.9	6.3	23.4	13.2
Slovakia	14.6	9.2	11.4	5.4	26	14.6
United Kingdom	18.2	8	16.7	7	34.9	14.9

Source: Employment in Europe Report 2009

Mobility within the EU

The EU-28 average for intra-EU worker mobility has seen a modest rise from 2.3% to 2.7% over the six year period. National level changes are equally minor although there appears to be an overall trend towards an increase in labour mobility. For example, increases of 5.5% can be noted in Cyprus; 1.6% in Italy; 1.4% in Austria; and 1.2% in the UK. This compares to decreases of 1.3% in Ireland and 0.4% in Spain.

Table 20: People employed with citizenship from EU-27 countries (except reporting country) as a % of total active population of reporting country

GEO/TIME	2007	2008	2009	2010	2011	2012
EU28	2.3%	2.4%	2.5%	2.5%	2.7%	2.7%
EU17 (euro area)	2.7%	2.9%	2.9%	3.0%	3.1%	3.1%
Belgium	5.6%	5.7%	5.8%	6.0%	6.2%	6.1%
Bulgaria						
Czech Republic	0.6%	0.6%	0.8%	0.7%	0.7%	0.6%
Denmark	1.7%	1.7%	2.0%	2.2%	2.4%	2.8%
Germany	3.3%	3.4%	3.4%	3.4%	3.6%	3.8%
Estonia	0.2%	0.3%	0.4%	0.4%	0.3%	0.3%
Ireland	10.7%	11.5%	10.3%	9.6%	9.4%	9.4%
Greece	1.2%	1.3%	1.6%	1.5%	1.4%	1.2%
Spain	3.7%	3.8%	3.6%	3.5%	3.3%	3.3%
France	2.1%	2.1%	2.0%	2.1%	2.2%	2.1%
Croatia						
Italy	1.4%	1.9%	2.4%	2.8%	3.0%	3.0%
Cyprus	6.9%	9.0%	9.8%	11.6%	12.2%	12.4%
Latvia	0.2%		0.2%			0.2%
Lithuania						
Luxembourg	42.3%	42.9%	42.3%	42.9%	42.7%	43.4%
Hungary	0.5%	0.6%	0.6%	0.5%	0.5%	0.4%
Malta	1.0%	1.1%	1.1%	1.5%	1.1%	1.0%
Netherlands	1.7%	1.7%	1.7%	1.6%	1.7%	1.9%
Austria	3.8%	4.1%	4.2%	4.4%	4.7%	5.2%
Poland	0.0%	0.1%	0.0%	0.0%	0.1%	0.1%
Portugal	0.6%	0.7%	0.6%	0.5%	0.5%	0.5%
Romania						
Slovenia		0.1%	0.1%	0.0%	0.1%	0.2%
Slovakia	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Finland	0.7%	0.8%	0.8%	0.8%	0.9%	1.1%
Sweden	2.1%	2.3%	2.5%	2.4%	2.3%	2.3%
United Kingdom	3.3%	3.6%	3.6%	3.8%	4.3%	4.5%
Iceland	2.0%	3.2%	3.0%	2.8%	3.4%	4.3%
Norway	2.5%	2.8%	2.9%	3.4%	4.1%	5.0%
Switzerland	13.2%	13.8%	14.8%	15.0%	15.6%	16.0%

Source: Eurostat

Immigration

Table 21: Immigration to the EU

GEO/TIME	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
EU27	1,460,700	1,351,200	1,666,700							
Belgium	144,698	135,281		164,152	146,409	137,699	132,810	117,236	112,060	113,857
Bulgaria				1,236	1,561					
Czech Republic	27,114	48,317	75,620	108,267	104,445	68,183	60,294	53,453	60,015	44,679
Denmark	52,833	52,236	51,800	57,357	64,656	56,750	52,458	49,860	49,754	52,778
Germany	489,422	404,055	346,216	682,146	680,766	661,855	707,352	780,175	768,975	842,543
Estonia	3,709	2,810	3,884	3,671	3,741	2,234	1,436	1,097	967	575
Ireland	52,301	39,525	37,409	63,927	88,779	103,260	102,000	78,075	58,875	61,725
Greece	110,823	119,070								
Spain	371,331	360,705	392,962	599,075	958,266	840,844	719,284	684,561	672,266	483,260
France	267,367	251,159		216,937	209,781	219,407	219,537	225,629	236,037	
Italy	385,793	458,856	442,940	534,712	558,019	297,640	325,673	444,566	470,491	222,801
Cyprus	23,037	20,206	11,675	14,095	19,017	15,545	24,419	22,003	16,779	14,370
Latvia	7,253	2,364	2,688	3,465	3,541	2,801	1,886	1,665	1,364	1,428
Lithuania	15,685	5,213	6,487	9,297	8,609	7,745	6,789	5,553	4,728	5,110
Luxembourg	20,268	16,962	15,751	17,758	16,675	14,352	14,397	12,872	13,158	12,101
Hungary	28,018	25,519	27,894	37,652	24,361	25,732	27,820	24,298	21,327	19,855
Malta	5,465	4,275	6,161	6,043	6,730	1,829	187			533
Netherlands			128,813	143,516	116,819	101,150	92,297	94,019	104,514	121,250
Austria	104,354	73,863	73,278	110,074	106,659	98,535	114,465	122,547	111,869	108,125
Poland	157,059	155,131	189,166	47,880	14,995	10,802	9,364	9,495	7,048	6,587
Portugal	19,667	27,575	32,307	29,718	46,300	38,800	49,200	57,920	72,400	79,300

GEO/TIME	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Slovenia	14,083	15,416	30,296	30,693	29,193	20,016	15,041	10,171	9,279	9,134
Slovakia	4,829	13,770	15,643	17,820	16,265	12,611	9,410	10,390	6,551	2,312
Finland	29,481	25,636	26,699	29,114	26,029	22,451	21,355	20,333	17,838	18,113
Sweden	96,467	98,801	102,280	101,171	99,485	95,750	65,229	62,028	63,795	64,087
United Kingdom	566,044	590,950	566,514	590,242	526,714	529,008	496,470	518,097	431,487	385,901

Source: Eurostat

Available data for the EU-27 average shows a decrease in the number of immigrants coming to the EU between 2009 and 2011, but an increase between 2010 and 2011. The longer-term trend at the national level shows notable increases in immigration for the UK, Sweden and Finland. Conversely, notable reductions in immigration are observed in Germany, Austria, and Spain.

Table 22: Share of working age foreign nationals in the country of residence relative to total working age population in 2011

Country		Citizenship	
	Total	EU 27	Non-EU citizen
Belgium	13.8%	8.7%	5.1%
Bulgaria	0.7%	0.1%	0.5%
Czech Republic	5.2%	1.7%	3.5%
Denmark	8.3%	3.2%	5.1%
Germany	12.0%	4.5%	7.5%
Estonia	20.6%	1.4%	19.2%
Ireland	11.6%	9.5%	2.1%
Greece	11.5%	2.1%	9.4%
Spain	16.8%	6.8%	10.0%
France	6.8%	2.3%	4.5%
Italy	9.9%	3.1%	6.9%
Cyprus	30.5%	18.2%	12.3%
Latvia	20.6%	0.6%	20.0%
Lithuania	1.2%	0.1%	1.1%
Luxembourg			
Hungary	2.6%	1.6%	1.0%
Malta	5.3%	2.5%	2.8%
Netherlands	5.3%	2.7%	2.7%
Austria	14.4%	5.7%	8.7%
Poland	0.1%	0.0%	0.1%
Portugal	5.7%	1.2%	4.5%
Romania			
Slovenia	5.4%	0.3%	5.1%
Slovakia	1.6%	1.0%	0.6%
Finland	4.0%	1.5%	2.5%
Sweden	8.5%	3.6%	4.9%
UK	9.5%	4.2%	5.3%

Source: Eurostat

Table 23: Immigration reasons: First permits issued for family reasons

GEO/TIME	2012	2011	2010	2009	2008
EU27	629,232	716,616	636,783	624,501	632,922
Belgium		25,509	28,667	28,523	20,320
Bulgaria	2,241	1,915	1,779	1,539	1,546
Czech Republic	9,630	9,922	14,851	9,283	10,699
Denmark	6,436	6,061	8,098	4,680	4,231
Germany	75,928	46,782	52,172	54,139	49,642
Estonia	1,150	1,289	972	1,148	1,402
Ireland	1,894	1,994	2,030	2,608	3,409
Greece	11,835	12,724	16,547	22,637	21,855
Spain	118,568	139,256	132,082	125,288	150,101
France	84,335	80,284	85,593	87,786	85,475
Italy	119,745	141,403	180,391	75,153	76,764
Cyprus	1,440	1,740	1,850	640	183
Latvia		1,761	776	759	2,464
Lithuania	883	764	717	788	659
Luxembourg	2,387	1,681	1,786	2,065	
Hungary	2,883	4,165	3,376	1,753	8,405
Malta	360	348	389	391	954
Netherlands	21,160	22,327	21,560	23,077	24,092
Austria	13,134	13,729	14,559	14,572	14,400
Poland		2,662	2,567	8,699	8,921
Portugal	14,654	18,229	17,478	19,964	27,270
Romania		3,920	4,642	6,043	6,109
Slovenia	3,377	4,022	3,169	3,116	3,962
Slovakia	1,138	1,042	1,162	1,156	1,224
Finland	7,180	7,397	6,706	6,643	7,170
Sweden	43,999	35,934	33,552	37,890	36,626
United Kingdom	90,879	118,698	125,360	121,268	117,041
Iceland					
Liechtenstein					
Norway	10,839	11,058	9,672	12,06	11,578
Switzerland	19,661				

Source: Eurostat

The data (Table 23) suggests that around half of migrants coming to the EU do so for family reasons.

4.7 Mobile labour markets – analysis and challenges

Mobile labour markets policies promote good and stable employment relationships providing the conditions for improved labour and geographical mobility. Updating and strengthening the levels of skills is seen by the European social partners as a key condition for mobility between jobs. The important issue of brain drain and its impact on the sending countries cannot be overlooked and should be considered.

Occupational mobility and transitions between different working situations, employment statuses and contractual forms must be fostered as a way to help overcome labour market segmentation.

Temporary employment could play a role in helping people into work but applicable measures, such as, and among others, objective reasons justifying their renewal and non-discrimination principle need to be respected. This is particularly important during periods of low growth, as have been experienced in recent years. The number of people who report that they are in temporary work because they could not find a permanent job reaches 60%. Despite the crisis impacting heavily upon employment, this average percentage has only shown a moderate increase at EU level. Some workers, especially young people, may find themselves stuck in a succession of short-term and/or limited-hours contracts, accepting these working arrangements due to a lack of other opportunities. It is also necessary to achieve higher levels of transition between temporary and permanent jobs.

The number of people working part-time involuntarily has increased by 30% (from 20% to 26%) during the crisis. The majority of part-timers are working part-time because of family or personal responsibilities.

The data shows an upward trend for the intra-EU mobility of workers. European citizens also broadly see geographical mobility as a good thing and 17% say that they intend to be mobile in the future. The overall figures remain relatively low with just 3.1% of people currently mobile within the EU with important variations between countries. A number of obstacles to mobility remain, which account for the gap between the intention to be mobile and the reality. These include language, social, cultural barriers but also employment, fiscal, legal, education and training policies. If made more user-friendly, the EURES network could play a critical role to improve mobility.

EU immigration policy is multi-dimensional. It is important that the rights of non-EU nationals are enforced and that they enjoy full equality of treatment. At the same time, there has not been enough focus on the economic and labour market aspects of migration in recent years. Europe's demographic ageing is expected to intensify in the coming decades, which requires a new approach to migration and skills.

4.8 Inclusive labour markets – data description

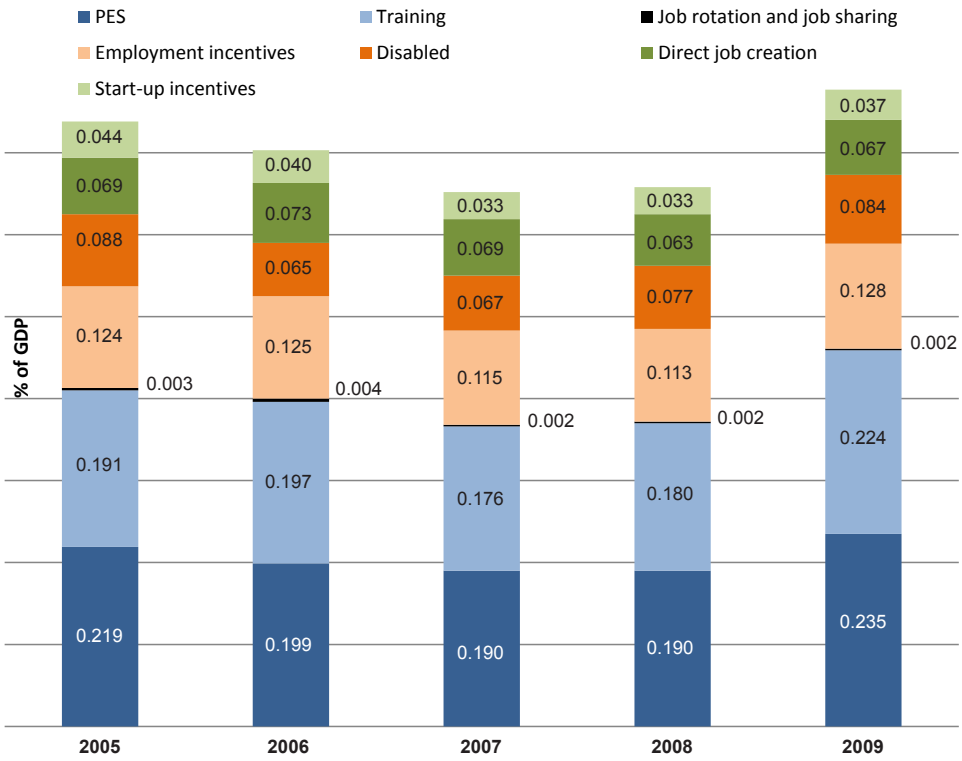
Inclusive labour markets allow and encourage all people of working age to participate in paid work and provide a framework for their career and personal development. In the first instances this involves reducing unemployment, which is currently resulting from insufficient

competitiveness, investment and growth to create the demand for jobs to bring the 27 million European citizens back to work. At the same time, structurally high levels of unemployment in Europe demonstrate the need to increase the effectiveness of fiscal incentives, training measures, as well as labour market policies and institutions in bringing the unemployed into work.

Active and passive labour market policies

The data shows that there has broadly been no change or in some cases a slight increase in public spending on active and passive labour market policies in recent years. Under active measures the most notable change is an increase on training expenditure. Overall, the spending on ALMP amounts to below 0.8% of the GDP. Under the passive measures it can be seen that there is an increase in expenditure on out-of-work income maintenance and support and a fall in expenditure on early retirement schemes.

Graph 25: Breakdown of public expenditure on ALMPs in EU27, including PES (as % of GDP), 2005-2009



Note: No data at all for Croatia, so only EU-27 available; 2010 and 2011 missing UK and Greece

Source: Eurostat

Table 24: Breakdown of public expenditure on active labour market policies and passive labour market policies in EU-27, (as % of GDP), 2005-2009

EU 27	2005	2006	2007	2008	2009	2010	2011
PES							
Labour market services	0.219	0.199	0.19	0.19	0.235		
Active measures							
Training	0.191	0.197	0.176	0.18	0.224		
Job rotation and job sharing	0.003	0.004	0.002	0.002	0.002	0.002	
Employment incentives	0.124	0.125	0.115	0.113	0.128		
Supported employment and rehabilitation	0.088	0.065	0.067	0.077	0.084		
Direct job creation	0.069	0.073	0.069	0.063	0.067		
Start-up incentives	0.044	0.04	0.033	0.033	0.037	0.044	
Passive measures							
Out-of-work income maintenance and support	1.174	1.035	0.869	0.884	1.321	1.297	
Early retirement	0.099	0.093	0.086	0.082	0.081	0.074	

Note: No data before 2005, no data at all for Croatia, so only EU-27 available

Source: Employment in Europe Report 2009

Table 25: Public expenditure on active labour market policies including PES (as % of GDP)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
EU27						0.74	0.70	0.65	0.66	0.78		
Belgium	1.11	1.11	0.19	0.19	1.02	1.06	1.11	1.18	1.27	1.4	1.47	1.6
Bulgaria					0.52	0.47	0.43	0.34	0.3	0.27	0.13	0.17
Czech Republic			0.18	0.19	0.24	0.24	0.25	0.25	0.23	0.29	0.33	0.28
Denmark	1.84	1.82	1.83	1.73	1.68	1.43	1.37	1.16	1.2	1.48	1.88	2.09
Germany	1.24	1.23	1.25	1.18	1.09	0.97	0.88	0.74	0.8	1.02	0.95	0.8
Estonia				0.08	0.06	0.07	0.07	0.05	0.07	0.24	0.23	0.23
Ireland	0.64	0.71	0.64	0.55	0.70	0.68	0.67	0.70	0.76	0.85	0.90	0.89
Greece	0.24	0.25	0.17	0.09	0.16	0.07	0.16	0.17	0.16	0.23	0.23	
Spain	0.66	0.61	0.56	0.56	0.63	0.67	0.72	0.72	0.71	0.79	0.85	0.79
France	1.19	1.16	1.11	1.05	0.96	0.90	0.93	0.94	0.85	0.99	1.14	0.94
Italy	0.56	0.64	0.70	0.71	0.58	0.51	0.45	0.41	0.42	0.4	0.35	0.34
Cyprus							0.09	0.12	0.15	0.21	0.29	0.35
Latvia				0.12	0.13	0.23	0.26	0.17	0.13	0.32	0.55	0.37
Lithuania				0.19	0.2	0.22	0.26	0.3	0.24	0.3	0.31	0.27
Luxembourg	0.18	0.23	0.24	0.37	0.41	0.45	0.43	0.41	0.38	0.43	0.47	0.51
Hungary					0.32	0.33	0.34	0.35	0.35	0.48	0.64	0.36
Malta							0.15	0.14	0.18	0.13	0.16	0.17
Netherlands	1.36	1.38	1.49	1.44	1.33	1.25	1.16	1.06	1.02	1.18	1.18	1.07
Austria	0.52	0.58	0.56	0.62	0.61	0.63	0.71	0.67	0.68	0.85	0.85	0.75
Poland						0.43	0.45	0.5	0.56	0.62	0.69	0.42
Portugal	0.58	0.52	0.47	0.61	0.63	0.64	0.56	0.49	0.53	0.75	0.69	0.57
Romania				0.15	0.14	0.15	0.14	0.11	0.09	0.07	0.06	0.05
Slovenia						0.29	0.27	0.2	0.18	0.35	0.51	0.36
Slovakia					0.17	0.34	0.32	0.22	0.26	0.25	0.33	0.3
Finland	0.85	0.79	0.78	0.87	0.93	0.87	0.87	0.83	0.78	0.87	1	0.97
Sweden	1.68	1.52	1.41	1.08	1.05	1.12	1.19	0.98	0.81	0.88	1.07	1.05
UK	0.00	0.00	0.00	0.00	0.46	0.44	0.33	0.32	0.32	0.39		
Norway	0.61	0.63	0.69	0.79	0.77	0.73	0.58	0.55	0.41	0.49	0.51	0.46

Note: From EEA data only available for Norway

Source: Eurostat

The figures (Table 25) show huge differences in Member States, ranging from 0.05% and 0.17% in respectively Romania, Bulgaria and Hungary to 1.07% and 2.09% in respectively the Netherlands, Belgium and Denmark.

In what could be seen as a consequence of the crisis, spending on ALMPs per unemployed person increased overall between 2008 and 2012. This is particularly evident in Ireland, Greece and Finland. Decreases in spending can also be observed in Spain, Italy and Hungary.

Table 26: Public expenditure on passive labour market policies including PES (as % of GDP)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
EU27						1.27	1.13	0.95	0.97	1.40	1.37	
Belgium	2.11	2.14	2.32	2.45	2.39	2.34	2.19	2.01	2.00	2.37	2.27	2.10
Bulgaria					0.25	0.20	0.17	0.14	0.15	0.38	0.45	0.42
Czech Republic			0.27	0.30	0.24	0.23	0.22	0.20	0.19	0.43	0.37	0.28
Denmark	2.38	2.27	2.31	2.66	2.66	2.34	1.86	1.50	1.21	1.72	1.78	1.65
Germany	1.90	1.94	2.15	2.30	2.33	2.03	1.73	1.29	1.11	1.51	1.34	1.04
Estonia				0.19	0.17	0.12	0.08	0.10	0.21	1.38	0.87	0.50
Ireland	0.79	0.71	0.83	0.87	0.89	0.82	0.85	0.91	1.34	2.61	2.99	2.74
Greece	0.39	0.36	0.33	0.37	0.41	0.41	0.39	0.34	0.47	0.70	0.71	
Spain	1.35	1.38	1.48	1.46	1.50	1.46	1.44	1.46	1.89	3.00	3.14	2.81
France	1.38	1.41	1.58	1.73	1.71	1.59	1.39	1.24	1.18	1.43	1.45	1.41
Italy	0.65	0.62	0.62	0.64	0.70	0.78	0.76	0.69	0.81	1.38	1.45	1.36
Cyprus							0.66	0.47	0.41	0.68	0.69	0.70
Latvia				0.37	0.38	0.31	0.29	0.29	0.35	1.03	0.69	0.32
Lithuania				0.16	0.11	0.12	0.12	0.11	0.15	0.61	0.48	0.30
Luxembourg	0.43	0.47	0.50	0.59	0.64	0.65	0.59	0.52	0.52	0.89	0.79	0.64
Hungary				0.36	0.38	0.39	0.36	0.36	0.37	0.69	0.72	0.66
Malta							0.41	0.36	0.32	0.38	0.35	0.33
Netherlands	1.76	1.69	1.73	1.97	2.12	2.02	1.70	1.41	1.29	1.70	1.75	1.63
Austria	1.18	1.19	1.25	1.38	1.42	1.51	1.39	1.23	1.16	1.49	1.40	1.28
Poland						0.86	0.71	0.51	0.35	0.34	0.34	0.31
Portugal	0.79	0.94	0.91	1.15	1.20	1.28	1.19	1.05	0.99	1.31	1.39	1.34

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Romania				0.52	0.49	0.39	0.28	0.23	0.17	0.38	0.55	0.24
Slovenia						0.39	0.38	0.30	0.27	0.62	0.68	0.88
Slovakia					0.34	0.27	0.34	0.36	0.43	0.67	0.61	0.50
Finland	2.08	1.97	2.03	2.06	2.03	1.90	1.70	1.43	1.34	1.88	1.78	1.45
Sweden	1.35	1.12	1.12	1.28	1.39	1.28	1.06	0.74	0.58	0.91	0.80	0.63
UK	0.30	0.26	0.24	0.23	0.18	0.18	0.18	0.16	0.20	0.33	0.31	
Norway	0.50	0.54	0.66	0.87	0.84	0.85	0.49	0.41	0.32	0.59	0.49	0.41

Note: From EEA data only available for Norway

Source: Eurostat

4.9 Inclusive labour markets – analysis and challenges

Inclusive labour markets mean that men and women currently not in work, including people who are furthest away from employment, are encouraged to, and can, enter or return to jobs and develop their careers on the basis of the principles of equal opportunities and non-discrimination in accordance with the Treaty. This is important for helping to ensure the sustainability of social protection and pensions systems, which is particularly relevant in view of Europe's demographic make-up (see chapters 6 and 7 for further elaboration).

The challenge is to ensure smooth transitions from education to employment, from unemployment to employment and that the people furthest away from the labour market have the possibility to retrain and access labour market opportunities again.

5. Industrial Relations

Introduction

Social dialogue is considered one of the main pillars of the EU social model. Experience has nevertheless shown that a specific policy combination that works in one country does so because there is a background and a certain tradition and history of institutions. This primarily includes labour market institutions and industrial relations systems. It also involves educational institutions, public (services) institutions, tax institutions.

5.1 Recommendations

The European social partners and their respective members will aim to maintain and continue their efforts and seek ways in order to improve and strengthen their representativeness where needed and ensure the implementation of their autonomous agreements in all EU countries, including in particular Central and Eastern European countries.

In identifying the issues of their next work programme, the EU social partners will aim to choose effective instruments to build a joint agenda that is ambitious and brings a positive contribution to growth and jobs, while respecting the subsidiarity principle.

The decision on how to organise wage bargaining is a national competence. Wage negotiations are organised at different levels in European countries in line with different industrial relations traditions. Article 153.5 of the TFEU concerning social policy establishes that the issue of pay is out of the scope of EU competences. This should be taken into account by EU institutions, the European social partners and national governments.

The EU and Member States should respect the autonomy of social partners – including their right to bargain and to organise- as well as to involve them in the design and implementation of employment and social policies at all levels (local, national, sectoral and European) in accordance with national industrial relation practices.

The EU institutions should make sure that EU social standards and working conditions are respected. Member States should also ensure that domestic labour law and ratified international labour standards are enforced.

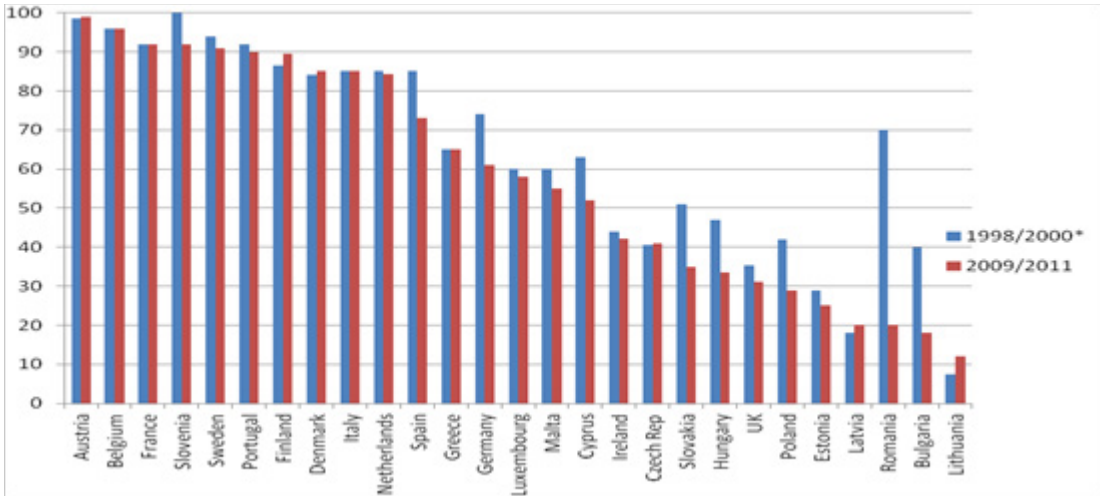
The EU institutions will also, in accordance with Article 152 of the Treaty[10], improve in a consistent way their support to social dialogue, both politically and with adequate financial resources.

Through government consultation and/or autonomously, social partners at all appropriate levels will aim to contribute to the creation of more and better jobs in order to recover from the crisis.

5.2 Industrial relations – data description

Variations in collective bargaining coverage across the EU are notably an illustration of the various industrial relations systems and differing roles of social partners according to their national traditions and practices.

Graph 26: Bargaining coverage EU27



* in some cases (BG, CY, EE, EL, FR, LV, MT, PL, RO) data only available since after 2000 , the earliest available figures were used.

AdjCov: Bargaining (or Union) Coverage, adjusted, (0- 100) = employees covered by collective (wage) bargaining agreements as a proportion of all wage and salary earners in employment with the right to bargaining, expressed as percentage, adjusted for the possibility that some sectors or occupations are excluded from the right to bargain.

Source: ICTWSS database, version April 2013

Bargaining coverage rate, i.e. the percentage of employees who are covered by collective agreements, varies largely between EU countries, ranging from less than 20% in Lithuania in 2010 to virtually 100% in Austria. There is no universal trend in collective bargaining coverage across the EU. Between 1998 and 2011, collective bargaining coverage fell markedly in some countries (Romania, Bulgaria, Spain, Slovakia, Hungary, Germany), while remaining stable in most, and increased in a few Member States (Lithuania, Latvia, Czech Republic).

[10] "The Union will facilitate dialogue between social partners, respecting their autonomy".

Table 27: European social dialogue

Since 2008 European Social Dialogue at cross-industry level has been enriched by several joint texts addressing a number of issues: economic governance, inclusive labour markets, youth employment, climate change, pensions, gender equality, reconciliation of professional, private and family life, European Works Councils, European Social Fund, and others. The table below gives an exhaustive overview of the instruments negotiated between 2008 and 2014 by the cross-industry social partners.

YEAR	TYPE	JOINT TEXTS
2008		
	Report	Progress report – Reconciliation of professional, private and family life
	AFA	Framework agreement on work-related stress - Final implementation report
	FoA	Framework of actions on gender equality – 3rd follow up report
	AFA	Framework agreement on harassment and violence at work – 1st yearly joint table
	Letter	Joint advice by the social partners on the European Works Council "Recast" Directive (letter + advice)
	Letter	Childcare (letter + annex)
2009		
	WP	European social partners' work programme 2009-2010
	Recommendations	Joint recommendations on support to economic recovery by the European social fund
	FA (Directive)	Framework agreement on parental leave (revised)
	FoA	Framework of actions on gender equality – Final evaluation report
	AFA	Framework agreement on harassment and violence at work – 2nd yearly joint table
	Report	Final report on social partners' participation in the European Social Dialogue: what are the social partners' needs

YEAR	TYPE	JOINT TEXTS
2010		
	Report	Report on the ECJ rulings in the Viking, Laval, Rüffert and Luxembourg cases
	AFA	Framework agreement on inclusive labour markets
	Statement	Joint statement on the Europe 2020 strategy
	AFA	Framework agreement on harassment and violence at work – 3rd yearly joint table
	Study	Improving the anticipation and management of restructuring, adding value through social partner engagement
	Letter	Amendment of article 155 of the Lisbon Treaty
2011		
	AFA	Framework agreement on inclusive labour markets – 1st yearly joint table
	AFA	Framework agreement on harassment and violence at work – Final implementation report
	Study	Social partners and flexicurity in contemporary labour markets (project)
	Study	Initiatives involving social partners in Europe on climate change policies and employment (project)
	Study	European social dialogue: achievements and challenges ahead (project)
	Letter	Consultation of European social partners as part of European Court of Justice (ECJ) preliminary rulings procedures
	Letter	Solvency II rules (letter by ETUC, BUSINESSEUROPE and EFRP)
2012		
	WP	European social partners' work programme 2012-2014
	AFA	Framework agreement on inclusive labour markets – 2nd yearly joint table
	Statement	Joint statement IORP – Employer, worker and industry representatives: "The IORP directive revision – a truly political debate"
	Statement	Joint press statement IORP – Employers, worker and industry representatives: "Commission should reconsider plans on occupational pensions"
	Statement	Joint statement EIOPA QIS consultation - Employer, worker and industry representatives: "Re-think is needed on IORP revision"
	Letter	EU tripartite agencies
	Letter	European Code of Conduct on Partnership (ECCP)
	Letter	European Employment Services tool (EURES)
	Letter	European Commission consultations of social partners
	Letter	European Social Fund (ESF)

YEAR	TYPE	JOINT TEXTS
2013		
	FoA	Framework of actions on youth employment
	AFA	Framework agreement on inclusive labour markets – 3rd yearly joint table
	Statement	Joint statement – employer, worker and industry representatives: Genuine transparency and governance measures for European IORPs
	Declaration	European Alliance for Apprenticeships
	Declaration	Social Partner involvement in Economic Governance
	Conclusions	Implementation of EU social dialogue instruments (project)
	Cooperation / Dialogue	High level dialogue on education and training with Commissioner Vassiliou
	Letter	Tripartite agencies
	Letter	Strengthening the European Union's investment plan to stimulate growth and employment creation
2014		
	Study	Skills needs in greening economies (project)
	Toolbox - Website	A toolkit for gender equality in practice
	Letter	EESC exploratory Opinion on the "Structure and organisation of social dialogue in the context of a genuine EMU"
	AFA	Framework agreement on inclusive labour markets – Final implementation report
	FoA	Framework of actions on youth employment – 1st follow-up report
	Letter	Structured dialogue on European Structural and Investment (ESI) Funds

5.3 Industrial relations – analysis and challenges

National industrial relations systems

Social partners support the social dialogue as a major pillar of the EU social model. Countries with the most developed social partnerships and effective social protection systems are among the most successful and competitive in the world. It is also largely acknowledged by European social partners that different industrial relations systems can lead to similar outcomes in terms of labour market performance, and that there is no single "best" model of organising industrial relations and collective bargaining, as it should suit particular national circumstances, traditions and characteristics, including specificities of SMEs. Social dialogue can contribute positively to growth, prosperity and employment.

The crisis has highlighted the important role that social partners can play in strengthening labour markets, but social dialogue has been under strain in the last years. Therefore, it is important that the agreements and proposals of national social partners are respected. They create 'social trust' and by doing so they contribute to better economic and social outcomes. To be recognised as an important source of policy making, social partnership where needed should produce improved outcomes, both in social terms as well as in terms of economics and competitiveness.

There is a wide variety of national industrial relations systems and practices across Europe which must be respected by national governments and the EU institutions. For example, even if the sectoral and multi-employer levels remain prevalent, there is variety in the level of collective bargaining – issues being negotiated by social partners at various levels, or in the scope of application of collective agreements. Some contractual arrangements are in some countries not covered by collective bargaining and in some cases they are excluded from basic social protection.

Social dialogue in some parts of Europe, for example where it was established more recently such as in CEEC countries, has not reached its full potential and there is scope for furthering its role in building a positive and stable policy environment for growth, employment and good working conditions.

Industrial relations systems are not static. For example, for years, cross-industry and sectoral agreements in an increasing number of countries have broadened the possibilities for additional bargaining at company level or have introduced "opening clauses" permitting enterprises to diverge from certain standards agreed at a higher level under specific circumstances, either temporarily or for the duration of the collective agreement (often related to their economic difficulties). The economic crisis and the need to respond to the increasingly diverging performances of different sectors, enterprises and regions have intensified this trend. In some other countries, there has been a return from sector to central level bargaining.

Several changes towards decentralisation have been introduced directly and indirectly as part of the reform programmes linked to the financial assistance packages provided by the Troika. In some countries changes have been extensive with a negative impact on collective bargaining coverage, which has a potential to increase inequalities.

Article 153 of the Treaty clearly establishes that the issue of pay is out of the scope of EU competences. EU social partners underline that the EU institutions should thus refrain from intervening on the issue, which is best addressed at national level by social partners, with a varying role of public authorities, depending on national tradition.

The crisis has clearly demonstrated that EU economies are closely interlinked. This is especially true for the Eurozone, but not exclusively. In response to the need for better coordination of policies across the EU, the EU social partners - in their joint declaration of October 2013 - outlined their views on the modalities of involvement of EU and national social partners in EU economic governance processes[11].

[11] http://erc-online.eu/wp-content/uploads/2014/05/Declaration-on-Social-Partners'-involvement-in-European-Economic-Governance-24102013-2013-01319-E.pdf

Social dialogue, at all appropriate levels, is now particularly relevant to achieving solutions that are fair, responsible and effective, contributing to economic recovery, building up social cohesion and the participatory character of the EU economy and society. To achieve results, there needs to be an understanding between the social partners of common goals of creating sustainable growth, quality jobs and social cohesion but also the willingness to find solutions to attaining these common goals.

Representative, autonomous and independent social partners foster their legitimacy for collective bargaining.

European social dialogue

The European cross-industry social dialogue has developed gradually since its inception at the beginning of the 1990s. Over the last two decades, it has progressively become more autonomous, and less driven by the consultations and inputs of the European Commission.

The European sectoral social dialogue has developed rapidly over the last fifteen years and covers, in 2014, 43 committees covering about 145 million workers.

Transnational company agreements – TCAs – are an emerging social dialogue practice in some European multinational corporations, which can have a global or European scope. They are entered into when they are believed to add value for both parties, which has led to different arrangements in line with particular needs of companies involved.

In their last two joint work programmes 2009-2011 and 2012-2014, the European social partners have addressed a number of key issues through a wide range of instruments, including youth employment (a framework of actions in 2012), social partner involvement in European economic governance processes (a joint declaration in 2013), EU2020 Strategy (a joint statement in 2010), education and training (a joint project in 2013), gender equality (a toolkit launched in 2013), climate change (joint projects in 2011 and 2013), restructuring (joint projects between 2008 and 2012), inclusive labour markets (an autonomous agreement in 2010), capacity building for social partners (various trainings and awareness raising activities since 2007) and this labour market analysis. The current 2012-2014 work programme is being implemented in a timely manner, and this analysis is an important part of it.

In the context of their joint project activities for 2014-2016, the European social partners plan to launch a reflection on the role of social dialogue in changing economies and societies. The objective will be to take stock of the situation of collective bargaining at national level and try to build a common understanding of the role and contribution of both employers and trade unions organisations in changing times, including how they can adapt to new situations.

One of the goals of the 2012-2014 work programme of European social partners was to achieve a better coordination between EU and national social agendas, notably by setting up a “framework for national discussions on the policies and reforms needed”. The recent declaration on social partners’ involvement in economic governance processes gives a clear indication that the Social Dialogue Committee, i.e. the main bipartite social dialogue body at European level, could be one of the places to organise such exchanges. In the future, it will be important to make progress towards more substantial discussions between social partners on among others the EU and national employment and social policies needed to support better labour market outcomes across Europe.

6. Social Protection and Cohesion

Introduction

Social public spending in Europe is "part and parcel of the European social model". Social protection is high in Europe compared with other world regions, and enjoys social partners' support. During the crisis, social protection systems have played a key role as automatic stabilisers and to protect people's incomes as unemployment increased. Spending has increased in recent years in all EU countries in order to address the greater need for social support, such as unemployment and social assistance benefits, as GDP growth has slowed. Developments in recent years have highlighted the close links that exist between the crisis, poverty and inequality. The financial crisis has been shown to impact upon labour markets and productivity in Europe. A key concern for European social partners is to increase employment that contributes to ensure appropriately resourced social protection systems.

6.1 Recommendations

More is needed to combat the negative developments in levels of poverty and social exclusion, particularly in those countries affected by the crisis. Measures targeted at helping people into employment are a key way to reduce poverty and social exclusion.

Member States should ensure adequate reforms that foster social inclusion, better protect vulnerable groups and provide that people at work are better off, also through welfare support and support for workers to progress in skills and earning. They should also examine and, where needed, implement the conditions so that the taxation and benefit systems aim to help people to enter, remain and develop in the labour market, including with a view to addressing in-work poverty. Member States could exchange practices on how to achieve this while respecting their exclusive competence on taxation. For example, progressively raising the level at which people start to pay tax on their earnings is a principle that could be promoted at European level to help make people better off by working.

Member States and the European Commission should better work together to tackle corruption, tax fraud and tax evasion, which have a detrimental effect on welfare systems, responsible businesses and individuals.

Social transfers are another complementary way to address poverty. In this regard some Member States need to make more effective and efficient use of their resources. In addition to those people that are not able to work, the current circumstances mean that a focus of resources on the most urgent social challenges is justified.

Member States should review where there are shortfalls in the sustainability and adequacy of their social protection systems, in collaboration with social partners, and strive to ensure that such systems continue to meet the needs of people in the future, in particular those most vulnerable and at risk of social exclusion. The positive role and contribution of social protection systems to foster social cohesion, solidarity and fight poverty, including appropriate protection during unemployment needs to be valued and defended by ensuring their financial sustainability.

Where appropriate, Member States need to adapt their social protection systems in order to reflect the needs of today's societies, in particular demographic ageing, the need to ensure efficient services and to improve their availability, affordability, accessibility and quality. For example, ensuring affordable access to childcare and care services in general is key to encourage people to (re)enter and stay in the labour market.

Member States need to ensure that pension systems give all people a sufficient income across pillars, especially first pillar statutory pension systems. They should provide adequate and safe pensions in the future and may need to be adapted to be sustainable.

Member States and the EU should ensure the environment for provision of second pillar pensions by national social partners, individual employers and groups of employers is appropriate to their specific nature, avoiding inappropriate financial services-style regulation that discourages their existence.

National social partners should implement the European framework agreement on inclusive labour markets, in line with their national industrial relations practices. In particular, to provide support and effective incentives for, and promote active job search behaviour with, people furthest from the labour market to find a job and empower social partners to remove obstacles to employing such people.

There is a need to make effective use of existing financial instruments, notably the European Social Fund, to promote and fund policies aimed at the integration of disadvantaged people in employment.

Investing in childcare to reach the Barcelona targets is crucial to revive both growth as well as growth potential, since it will unleash the underused and undervalued potential of the European workforce by increasing employment rates, in particular but not exclusively for women.

Ensure equal access to health, education, housing and social security services as well as access to basic utilities that play an important role in alleviating and addressing the impact of social exclusion.

Member States, social partners and where appropriate the EU should improve tools and policies, including through sharing of best practice, aimed at preventing undeclared work and encouraging formal working arrangements.

6.2 Social protection – data description

Social safety nets need to play their role as automatic stabilisers, as they have done during the crisis. At the same time some Member States need to take action to ensure the sustainability of their social security systems so that they can continue to provide support in the future. The impact of the crisis on social protection systems and social spending has been varied across member states. Some Member States have increased social spending considerably, notably in those countries where spending was already high, whereas others have kept social spending at more constant levels.

Evidence suggests that the primary cause of poverty in the EU is a lack of employment. But today, having a job is not a guarantee against poverty. This can be addressed through policies that foster better jobs and encourage people into work and, once employed, ensure that employment delivers a high standard of living through a progressional link e.g. to skills development. In this respect a clear distinction between work-related income and income drawing on social assistance should be made to ensure complementarity between the two.

Taxes

Table 28: Employment-tax rate overview

GEO/TIME	Tax rate on low wage earners: Tax wedge on labour costs[12] Average 2001-2007	Tax rate on low wage earners: Tax wedge on labour costs Average 2008-2012	Tax rate on low wage earners: Low wage trap[13] Single person without children, 33% average wage Average 2001-2007	Tax rate on low wage earners: Low wage trap Single person without children, 33% average wage Average 2008-2012	Tax rate on low wage earners: Low wage trap, one earner married couple at 33% average wage with 2 children, average 2001-2007	Tax rate on low wage earners: Low wage trap, one earner married couple at 33% average wage with 2 children, average 2008-2012	Tax rate on low wage earners: Unemploy-ment trap[14], average 2001-2007	Tax rate on low wage earners: Unemploy-ment trap, average 2008-2012
EU27	40.3	39.5	47.3	47.4	57.7	58.6	74.6	74.8
Euro area 17	42.3	42	43.3	46.8	49.5	53.9	75.2	76.5
Belgium	49.7	49.9	57.9	59.6	46.4	48.4	85.7	90.2
Bulgaria	35	33.7		21.8		21.7	75.4	80.8
Czech Republic	41.3	39.3	35.6	46.4	66.4	84.1	65.9	77.4
Denmark	39.2	37.4	76.7	74.4	96.9	95.5	91.3	89.4
Germany	47.2	45.7	55.6	56.6	73.7	80.7	74.6	73.4
Estonia	39.1	38.3	25	23.4	13	16	55.7	63.2
Ireland	22.5	21.5	50.3	56.2	77.3	77.1	75	77.6
Greece	34.4	35.5	41.7	31.8	26.3	11.6	56.1	61.2
Spain	35.5	35.7	25.1	26.4	15.7	14.4	80.1	82.2
France	44.9	45.9	38.3	48.8	58.4	69.9	80	77
Italy	42.4	43.9	33.6	39.6	-8.1	0.5	66	78.6
Cyprus	15.3		6		111.3	111.3	57.6	
Latvia	41.7	42.4	32	32.2	75.3	72.6	87.5	88.4
Lithuania	41.8	39.2	32	26.4	52.7	80.4	67.2	74.6
Luxembourg	28.7	28.2	50.1	55.2	108.9	110.5	86.3	86.2
Hungary	45.8	45.9	37	38.4	63.1	66.3	70.7	80.4
Malta	17.7	18.2	19.7	20.2	30.3	25.1	60.1	57.4
Netherlands	38.1	33.4	68.6	74	77	68.5	80.9	83.8
Austria	43.5	43.8	36.7	40.6	69.3	81.8	67.3	67.4

GEO/TIME	Tax rate on low wage earners: Tax wedge on labour costs[12] Average 2001-2007	Tax rate on low wage earners: Tax wedge on labour costs Average 2008-2012	Tax rate on low wage earners: Low wage trap[13] Single person without children, 33% average wage Average 2001-2007	Tax rate on low wage earners: Low wage trap Single person without children, 33% average wage Average 2008-2012	Tax rate on low wage earners: Low wage trap, one earner married couple at 33% average wage with 2 children, average 2001-2007	Tax rate on low wage earners: Low wage trap, one earner married couple at 33% average wage with 2 children, average 2008-2012	Tax rate on low wage earners: Unemploy-ment trap[14], average 2001-2007	Tax rate on low wage earners: Unemploy-ment trap, average 2008-2012
Poland	37.2	33.6	64.9	61.2	79.3	50.6	82.1	79.6
Portugal	32.6	32.7	22.3	20.8	64.4	55.4	81.7	79.8
Romania	43.2	42.9		30.4		33	66.4	57.4
Slovenia	42.6	39.1	51.3	49.8	72	64.8	83.8	85.8
Slovakia	38.2	35.6	28.3	26.4	76.7	58.9	55.7	43.4
Finland	39.8	37.1	59.7	52.8	99.3	99.6	78.1	72.8
Sweden	46.4	41.2	56.6	41.4	92.3	79.3	86.3	75.2
United Kingdom	30	29.1	58	51.4	74.3	78.6	68.1	64.8
Iceland	23.5	26	43.4	48.4	53.7	62.2	71.1	84.8
Norway	34.7	34	37.6	33.4	99.1	96.3	75.1	76
Switzerland	18.4	18						
United States	27.8	27.2	28	27.4	54.3	64.3	70.3	68.2
Japan	26.7	28.8	52.9	60.4	94.7	94.2	56.7	51.6

Source: Eurostat

Although there has been a slight fall in the average tax wedge on labour for the EU-27 between 2001-2007 (40.3%) and 2008-2012 (39.5%), the level remains high. This is particularly evident when compared with the US (27.2% for 2008-2012) and Japan (28.8% for 2008-2012). The same scenario is evident when looking at the average for the unemployment trap for the EU-27. Although the level has remained stable between 2001-2007 (74.6%) and 2008-2012 (74.8%) in the EU, it is lower in the US and Japan and this is from an already lower starting point.

[12] Tax wedge on labour costs is defined as income tax on gross wage earnings plus the employee's and the employer's social security contributions, expressed as a % of the total labour costs of the earner. The total labour costs of the earner are defined as his/her gross earnings plus the employer's social security contributions plus payroll taxes (where applicable).

[13] Low wage trap, measures the % of gross earnings which is taxed away through the combined effects of income taxes, social security contributions and any withdrawal of benefits when gross earnings increase from 33% to 67% of AW.

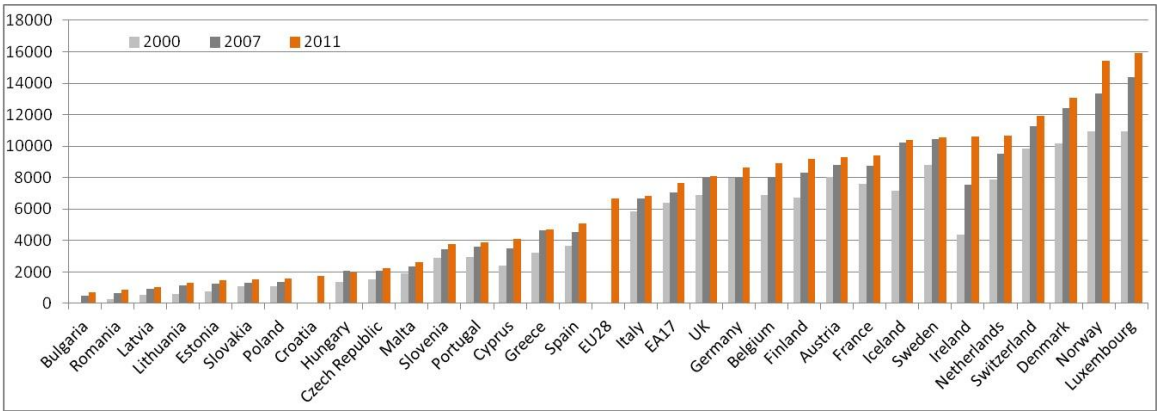
[14] Unemployment trap, measures the % of gross earnings which is taxed away through higher tax and social security contributions and the withdrawal of unemployment, and other, benefits when an unemployed person returns to employment.

Table 29: Total expenditure on social protection as % of GDP

GEO/TIME	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
EU28									26.8	29.7	29.4	29.1
EU27						27.0	26.6	26.1	26.8	29.6	29.3	29.0
Belgium	25.4	26.3	26.7	27.4	27.4	27.3	27.0	26.9	28.3	30.6	30.1	30.4
Bulgaria						15.1	14.2	14.1	15.5	17.2	18.1	17.7
Czech Republic	18.8	18.7	19.4	19.4	18.6	18.4	18.0	18.0	18.0	20.3	20.2	20.4
Denmark	28.9	29.2	29.7	30.9	30.7	30.2	29.2	30.7	30.7	34.7	34.3	34.3
Germany	29.7	29.7	30.4	30.8	30.1	30.1	29.0	27.8	28.0	31.5	30.6	29.4
Estonia	13.9	13.0	12.7	12.5	13.0	12.6	12.1	12.1	14.9	19.0	18.0	16.1
Ireland	13.3	14.3	16.7	17.2	17.4	17.5	17.8	18.3	21.5	26.5	28.5	29.6
Greece	23.5	24.3	24.0	23.5	23.6	24.9	24.8	24.8	26.2	28.0	29.1	30.2
Spain	20.0	19.7	20.0	20.3	20.3	20.6	20.5	20.8	22.2	25.4	25.8	26.1
France	29.5	29.6	30.5	31.0	31.4	31.5	31.2	30.9	31.3	33.6	33.8	33.6
Croatia									18.7	20.8	21.0	20.6
Italy	24.5	24.8	25.2	25.7	25.9	26.3	26.6	26.6	27.7	29.9	29.9	29.7
Cyprus	14.8	14.9	16.3	18.4	18.1	18.4	18.5	18.2	19.5	21.1	22.1	22.8
Latvia	15.7	14.7	14.3	14.0	13.2	12.8	12.7	11.3	12.7	16.9	17.8	15.1
Lithuania	15.7	14.7	14.0	13.5	13.4	13.2	13.3	14.4	16.1	21.2	19.1	17.0
Luxembourg	19.6	20.9	21.6	22.1	22.3	21.7	20.4	19.3	21.4	24.3	23.1	22.5
Hungary	19.9	19.5	20.4	21.3	20.8	21.9	22.5	22.7	22.9	24.3	23.1	23.0
Malta	16.3	17.0	17.2	17.4	18.0	17.8	17.7	17.7	18.1	19.6	19.4	18.9
Netherlands	26.4	26.5	27.6	28.3	28.3	27.9	28.8	28.3	28.5	31.6	32.1	32.3
Austria	28.3	28.6	29.0	29.4	29.1	28.8	28.3	27.8	28.5	30.7	30.6	29.5
Poland	19.7	21.0	21.1	21.0	20.1	19.7	19.4	18.1	18.6	19.2	19.2	19.2
Portugal	20.9	21.9	22.8	23.2	23.8	24.5	24.5	23.9	24.3	26.8	26.8	26.5
Romania	13.0	12.8	13.6	13.1	12.8	13.4	12.8	13.6	14.3	17.1	17.6	16.3
Slovenia	24.1	24.4	24.3	23.6	23.3	23.0	22.7	21.3	21.4	24.2	25.0	25.0
Slovakia	19.4	18.9	19.1	18.4	17.2	16.5	16.4	16.1	16.1	18.8	18.7	18.2
Finland	25.1	25.0	25.7	26.6	26.7	26.7	26.4	25.4	26.2	30.4	30.6	30.0
Sweden	29.9	30.4	31.3	32.2	31.6	31.1	30.3	29.2	29.5	32.0	30.4	29.6
United Kingdom	26.1	26.6	25.6	25.5	25.7	25.8	25.6	24.7	25.8	28.6	27.4	27.3
Iceland	19.2	19.4	21.2	23.0	22.6	21.7	21.2	21.4	22.0	25.4	24.5	25.0
Norway	24.4	25.4	26.0	27.2	25.7	23.7	22.4	22.5	22.2	26.0	25.6	25.2
Switzerland	24.6	25.3	26.3	27.5	27.0	27.1	25.8	25.1	24.6	26.8	26.8	26.6

Source: Eurostat

Graph 27: Expenditure on social protection, Euro per inhabitant (at constant 2005 prices)



Source: Eurostat

The data shows that absolute spending on social protection decreased between 2000 and 2007, but increased afterwards in all countries as a consequence of the crisis. In relation to spending as a percentage of GDP it increased in nearly all countries, the exceptions being those countries where GDP has increased in recent years – Germany, Poland, Slovakia and Sweden.

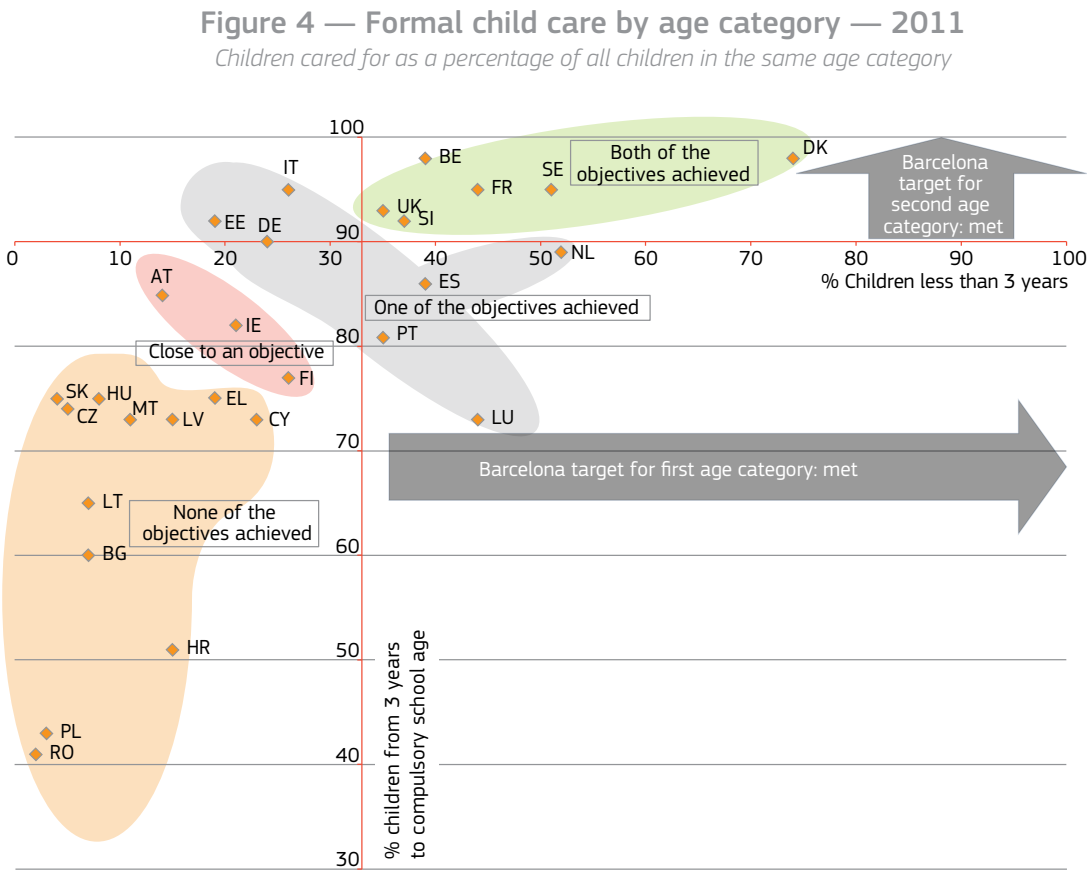
There are substantive variations in expenditure on social protection within Europe.

Occupational welfare and private savings must be added to the figures shown in the graph of expenditure on social protection, in order to give a comprehensive picture.

Childcare facilities

Only a minority of Member States (six) have achieved Barcelona childcare objectives SW, BE, FR, SL, DK and the UK; seven have achieved one of the two objectives: PT, ES, NL and LU for the first age group and DE, IT and EE for the oldest children. Most Member States still need to make significant improvements, in particular Poland, Bulgaria, Romania, Slovakia and the Czech Republic

Chart 28: Childcare facilities



Notes: Close to an objective' refers to countries that had around 25% of coverage for children under 3 (Finland) or around 80% coverage of children aged 3 to the mandatory school age (Austria, Ireland).

Source: Eurostat – EU-SILC 2010

Chart 29: Childcare facilities

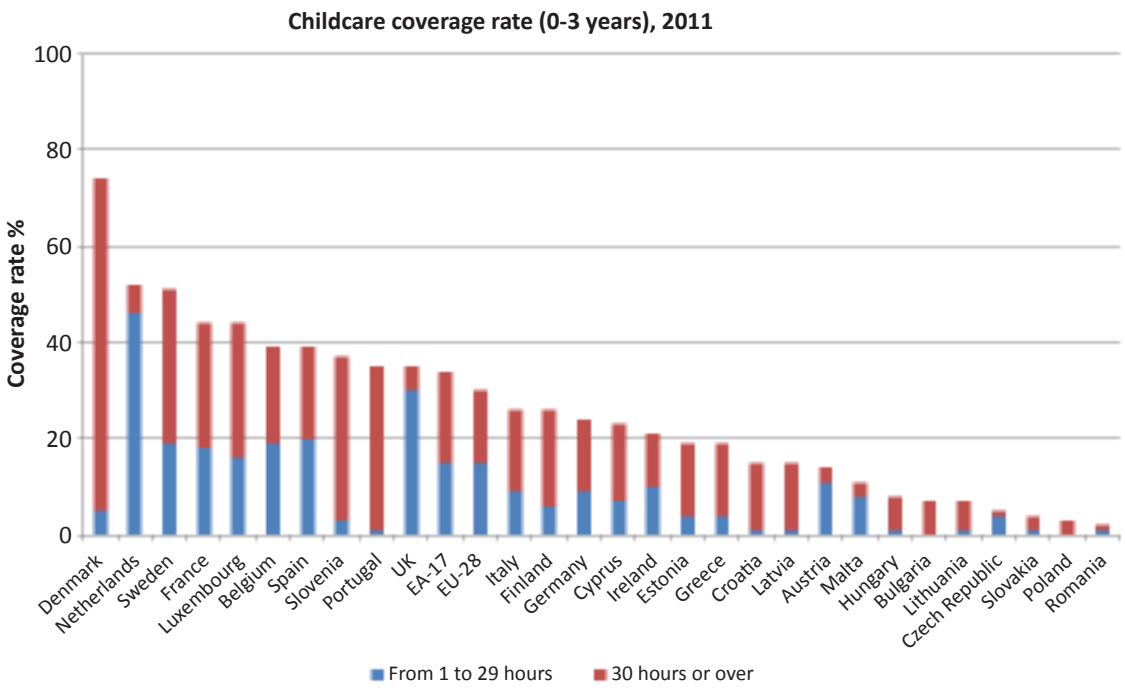
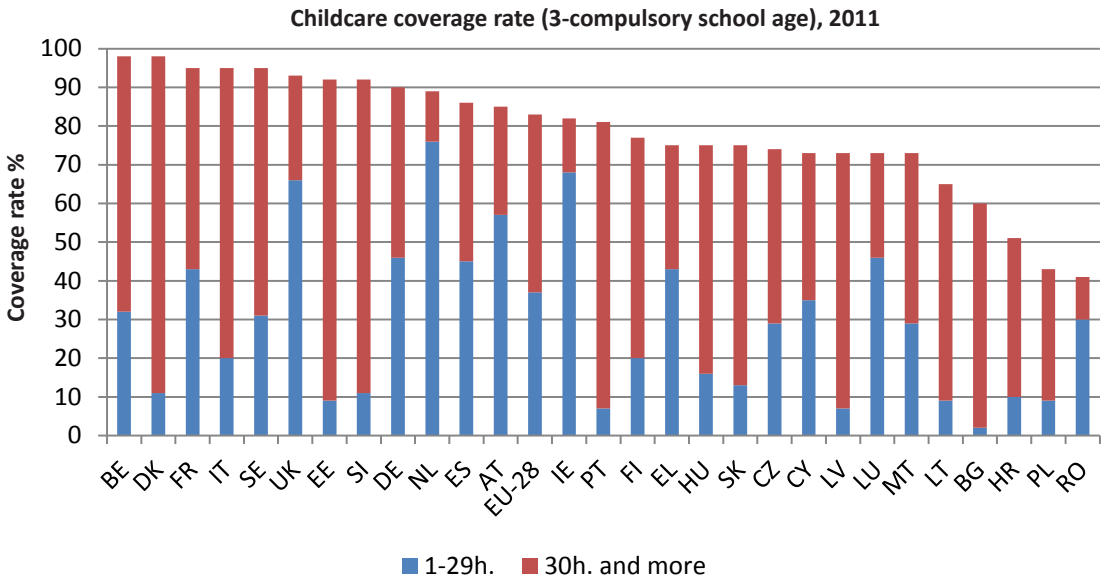


Chart 30: Childcare facilities



Source: Eurostat – EU-SILC 2010

6.3 Social protection – analysis and challenges

The objective is to reduce social exclusion and poverty by increasing participation in paid work and thereby reducing reliance on social welfare, while ensuring an appropriate level of income overall.

Taxes have a role to play in supporting investment and public services. They can be efficient tools for financing of common needs and for redistribution of income and purchasing power. At the same time, a competitive tax environment is needed to foster growth.

Total EU expenditure on social protection as a percentage of GDP stands at almost 30%. In countries where there has been an increase in social protection spending this may reflect a reduction of GDP, but in a majority it is more likely to result from a net increase of spending linked to higher unemployment and social needs.

The coverage of social protection schemes is largely linked to employment. It is important that the coverage of social protection schemes is improved and that people working with all types of contractual arrangements have access to social protection.

Active labour market policies have a role to play in helping people into work and for people to subsequently develop in their jobs. Having people in work is also fundamental to financing social protection systems. The household dimension also needs to be considered.

National social protection systems help to deliver social and political stability and alleviate poverty, and have also an economic stabilisation function to maintain demand during a downturn. Social spending in Europe as tended to increase in the last few years, mainly as a result of the crisis.

Social protection benefits contribute to mitigating the risk of poverty in a crisis, like the one that Europe has faced in recent years. However, poverty reduction depends to a large extent on improvements in the global competitive position of Europe in the world as a place to do business, create jobs and work. The effectiveness of social spending in terms of poverty reduction is positively correlated with the degree of benefit coverage, and high employment rates are essential to support the viability of social protection systems.

Public pensions play a key role in the overall pension systems and they need to be adequate as well as securely financed over the long term.

Occupational pensions in the second pillar will play a greater role in the future adequacy and sustainability of pension systems overall. Where appropriate, there should be a mix in the sources of income in retirement, taking into account national specificities. It is important that occupational pensions, which are often the responsibility of the social partners at national, sectoral or company level, remain a good and cost-effective option for employers to provide to their employees. It is important to adequately distinguish between 2nd pillar occupational pension schemes provided by employers (covering only about half of the workers) to their employees and 3rd pillar pension savings by private individuals.

6.4 Social cohesion – data description

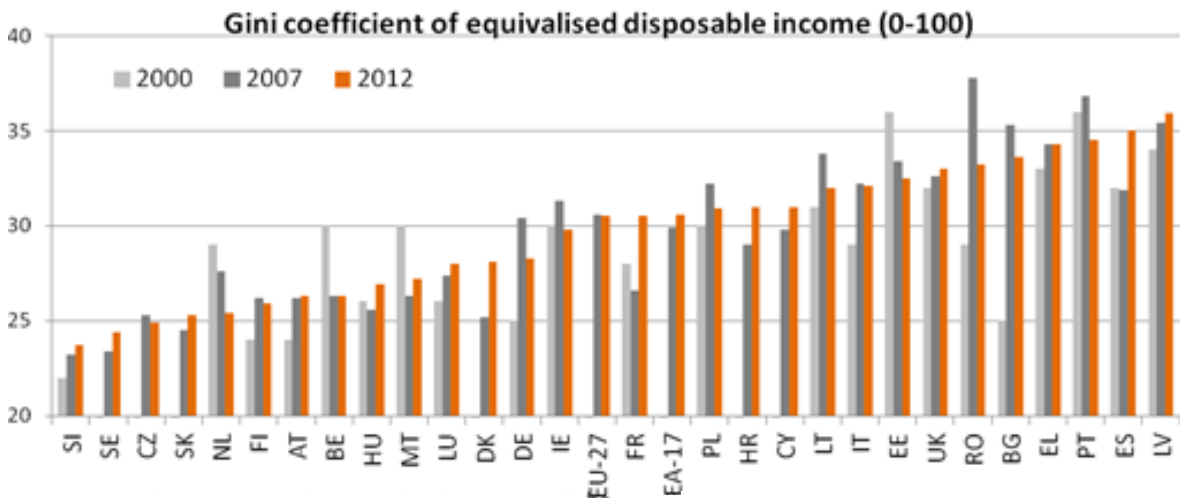
Inequality, income distribution and poverty

Contrary to the Europe 2020 target of having 20 million fewer people in or at risk of poverty and social exclusion, recent figures from the European Commission show that since 2010 there are 6.7 million more people in poverty within the EU. Impoverishment and precarity are affecting a growing part of the European population. In 2012, a quarter of the EU population was at risk of poverty.

Increases in poverty are due to the lack of, or insufficient, measures aiming at boosting growth and associated increases in the unemployment rate that have resulted from the crisis. Depending on countries, this may reflect competitive product markets, negative real wage growth, growing levels of in-work poverty, growth in the number of low pay, but not higher pay jobs, the number of working hours and other structural problems. Poverty is detrimental to social cohesion and can lead to social difficulties. Results in greater expenditure for the community as a whole and has a negative impact on people's health, in a context of reported levels of exposure to physical risks in the workplace that have not diminished greatly since 2000.

The average Gini coefficient in the EU has remained broadly stable in recent years. However, significant variations in the inequality trends have been observed between different member states with growing inequalities also between the core and the periphery of the EU. Income inequalities could become a prominent issue in some Member States. According to the Council of Europe, 40% of assets and 20% of revenues are held by 10% of the population. At the same time, ECB data shows that household assets in a number of southern Member States are higher than those in some mid-to-north European countries.

Graph 31: Income distribution. Gini coefficient (0-100), 2000, 2007, 2011



Notes: Sweden, Austria, Belgium, Ireland, Croatia and the UK 2011.

Source: Eurostat

The Gini coefficient shows the spread between the lowest and the highest income groups in a country. Between 2007 and 2012 the average Gini coefficient in the EU remained at about 30%. There are differences between Member States with the Netherlands, Belgium, Estonia and Malta showing notable decreases between 2000 and 2012. There have been notable increases in Bulgaria, France, Spain and Denmark.

Table 30: Income distribution, Income quintile, 2003-2012

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
EU28*								5.0	5.1	
EA17		5.0	4.6	4.6	4.8	4.8	4.8	4.9	5.0	
Belgium	4.3	3.9	4.0	4.2	3.9	4.1	3.9	3.9	3.9	
Bulgaria	3.6	4.0	3.7	5.1	7.0	6.5	5.9	5.9	6.5	
Czech Republic			3.7	3.5	3.5	3.4	3.5	3.5	3.5	3.5
Denmark	3.6	3.4	3.5	3.4	3.7	3.6	4.6	4.4	4.4	
Germany			3.8	4.1	4.9	4.8	4.5	4.5	4.5	
Estonia	5.9	7.2	5.9	5.5	5.5	5.0	5.0	5.0	5.3	
Ireland	4.9	4.9	5.0	4.9	4.8	4.4	4.2	5.3	4.6	
Greece	6.4	5.9	5.8	6.1	6.0	5.9	5.8	5.6	6.0	
Spain	5.1	5.1	5.5	5.3	5.3	5.4	6.0	6.9	6.8	
France	3.8	4.2	4.0	4.0	3.9	4.4b	4.4	4.5	4.6	
Croatia	4.6	4.8	4.7	4.4	4.5	4.5	4.3	5.6b	5.4	
Italy		5.7	5.6	5.5	5.5	5.1	5.2	5.2	5.6	
Cyprus	4.1		4.3	4.3	4.4	4.3b	4.4	4.5	4.3	
Latvia			6.7	7.9	6.3	7.3	7.3	6.9	6.6b	6.5
Lithuania			6.9	6.3	5.9	5.9	6.3	7.3	5.8	
Luxembourg	4.1	3.9	3.9	4.2	4.0	4.1	4.3	4.1	4.0	
Hungary	3.3		4.0	5.5	3.7	3.6	3.5	3.4	3.9	4.0
Malta			3.9	4.0	3.9	4.2	4.0	4.3	4.1	
Netherlands	4.0		4.0	3.8	4.0	4.0	4.0	3.7	3.8	
Austria	4.1	3.8	3.8	3.7	3.8	3.7	3.7	3.7	3.8	
Poland			6.6	5.6	5.3	5.1	5.0	5.0	5.0	
Portugal	7.4	7.0	7.0	6.7	6.5	6.1	6.0	5.6	5.7	
Romania	4.6	4.8	4.9	5.3	7.8	7.0	6.7	6.0	6.2	
Slovenia	3.1		3.4	3.4	3.3	3.4	3.2	3.4	3.5	
Slovakia			3.9	4.1	3.5	3.4	3.6	3.8	3.8	
Finland	3.6	3.5	3.6	3.6	3.7	3.8	3.7	3.6	3.7	3.7
Sweden		3.3	3.3	3.6	3.3	3.5	3.7	3.5	3.6	
United Kingdom	5.3		5.9	5.4	5.3	5.6	5.3	5.4	5.3	

Source: Eurostat

Income quintiles development show the ratio between the incomes of the 20% with the highest income, compared with the 20% with the lowest income. The EU average shows that the highest income group earn five times as much as the lowest income group.

The gender dimension is important in analysing income distribution. As noted in the labour market chapter, the gender pay gap is 16.5%. In addition, the gender gap in pensions is as high as 39%.

Table 31: Selected poverty indicators, EU-27 (% of total population)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
At-risk-of-poverty rate after social transfers EU27						16.4	16.5	16.5	16.6	16.4	16.4	16.8
At-risk-of-poverty rate before social transfers EU27	23	24		25	26	26.0	26.2	25.8	25.3	25.4	25.9	26.3
At-risk-of-poverty rate among less than 16 years old EU27						19.8	19.9	19.5	20.2	20.1	20.5	20.3

Notes: Cut-off point: 60% of median equivalised income.

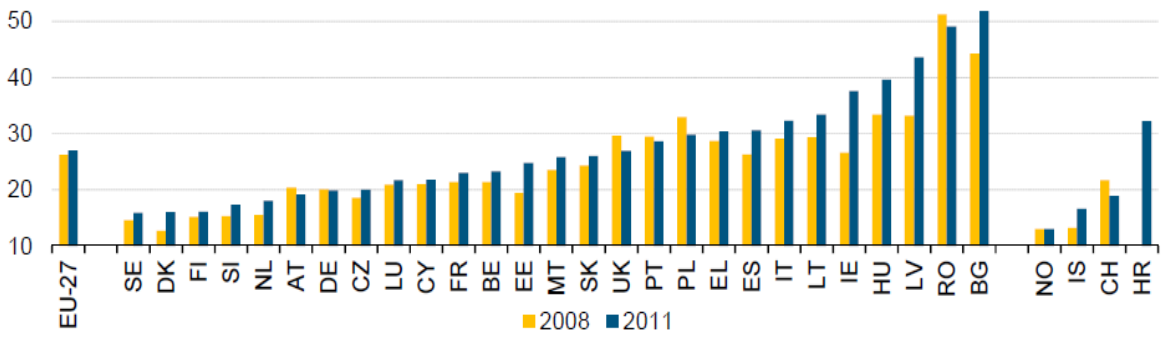
Source: Eurostat

Between 2008 and 2012, the share of the population at risk of poverty or social exclusion has increased in a third of the Member States, especially in Southern countries. The data shows that in 2011 the risk of poverty after social transfers is reduced by 6,9% compared to the risk before social transfers. It can also be seen that the risk of poverty before social transfers has remained stable at or just below 24% over the six years. The risk of poverty after social transfers has increased by 0.5% between 2010 and 2011 after being stable up to that point. Between 2011 and 2012, the share of the population at risk of poverty or social exclusion has increased in nine Member States, while decreasing in four only. Besides, the percentage of severely materially deprived people has increased significantly since 2011, especially in those countries with inefficient systems bringing people out of poverty.

According to the 2014 Joint Employment Report, average growth in gross disposable household income improved in real terms by the end of 2013. If there is a weakening of the stabilisation impact of welfare spending it is because social insurance is coming to an end and social assistance is taking over at lower levels. Growth in households' disposable income is lagging behind GDP growth.

Households in the lowest income quartile experienced the greatest difficulty in covering their expenditure. The biggest increase in people at risk of poverty or exclusion has been among those of working age, as unemployment has risen and the number of jobless households has increased. But also due to the fact that taking a job helps with getting out of poverty in only half of the cases. Children in such households are also exposed to increased poverty. In-work poverty also rose by 11.4% between 2008 and 2012. Growing social distress in employment and poverty are the result of the crisis and the lack of resilience of the labour market and social institutions. To help to mitigate the threat of poverty, short-time work schemes have played an important role, during the most acute phase of the crisis, in helping companies adapt to the effects of the crisis, while keeping people in employment and preventing further escalation of poverty and social exclusion.

Graph 32: Children at risk of poverty or social exclusion, (%), 2008 and 2011



Notes: For 2008: HR data is not available. For 2011: EU-27 Eurostat estimation, IE data is for 2010.

Source: Eurostat

The graph shows that between 2008 and 2011 there has been approximately a 1% increase in the percentage of children at risk of poverty in the EU-27 to roughly 27%. But the percentage of children at risk of poverty has increased in nearly all Member States. The exceptions are Austria, Germany, UK, Portugal, Poland and Romania.

6.5 Social cohesion – analysis and challenges

Between 2008 and 2012, income inequalities increased marginally on average in the Eurozone. But those inequalities are becoming a worrying issue in some Member States. Some of the countries most severely affected by the crisis have above average inequality in terms of income distribution. In general it can be seen that those countries least affected by the crisis have lower levels of inequality. Those countries with higher unemployment tend to have higher levels of inequality and vice-versa. This makes sustainable job creation a vital tool in tackling inequality.

High unemployment over time may result in marked declines of household disposable incomes and thereby drops in the poverty threshold (defined as 60% of median income). Changes in the relative risk-of-poverty rate do not necessarily reflect changes in the actual income situation of households.

Children growing up in poverty or social exclusion are less likely than their better-off peers to do well in school, enjoy good health and realise their full potential later in life.

7. Demography

Introduction

Demographic change is an issue that has been talked about for a number of years as one of the "long-term" labour market challenges. It is no longer the case that this is something for future policy makers to address. Whereas the immediate challenge is to bring the 26 million unemployed back to work, the retirement of the post-war baby boomers and an anticipated need to replace 75 million workers by 2020 will increase the magnitude of the challenge and needs to be dealt with now and cannot be put off into the future.

7.1 Recommendations

Public authorities and social partners at all appropriate levels should facilitate active ageing by promotion of quality employment supporting a person's ability to work throughout their career as well as encouraging the recruitment and retention of older workers. This notably includes ensuring healthy and safe working conditions over the working life, updating competences over the life course through regular and lifelong learning as well as implementing flexible working practices that benefit workers and employers, ensuring possibilities for a second career for those who need this.

Member States should, where needed, and with the social partners at all appropriate levels, promote policies that encourage the return to work, for example for women who have taken career breaks, for people who have been unemployed for longer periods, for older staff, etc., by introducing, as part of lifelong training, skills assessments, professional career guidance, personalised training courses and individual support.

Tools and processes, including a regular review process to assess the age composition of the current workforce and future skills needs, should be considered by social partners at the enterprise level in order to contribute to devising effective strategies to address the impact of demographic change.

Governments and companies should promote and facilitate access of older workers to the use of new communication technologies and social networks to support their active participation in society and working life, including the promotion of closer contacts and exchanges with younger generations.

Having regard to the goal of increasing employment participation in Europe, the EU's policy on economic migration needs to ensure that the EU has a workforce of sufficient size and productivity covering the required range of skills and competences, taking into account the EU unemployment situation and potential negative effects of brain drain.

7.2 Demography – data description

In the coming decades the EU is set to see an increase in its overall population, yet a decrease in the size of the working age population. This is due to the ageing of Europe's population. This has the potential to undermine Europe's long-term economic growth and living standards. Increased life expectancy can be considered as one of the greatest success of the 20th century. At the same time, Europe's changing demographic make-up raises questions about ensuring sustainable economic growth and social inclusion, the future provision and quality of health and social care and the type of European care and social protection systems.

Table 32: Demographic overview (Part 1)

GEO/TIME	Total population 2012	Projected population 2060 as % of total population 2012	Projected population 2060 (without migration) as % of total population	Net migration 2012 as % of total population 2012	Working age population 1990
EU-27	505,730,473	102%	85%	0%	314,204,674
Belgium	11,161,642	120%	92%	0%	6,672,563
Bulgaria	7,284,552	76%	78%	0%	5,830,075
Czech Republic	10,516,125	100%	81%	0%	6,817,371
Denmark	5,602,628	109%	94%	0%	3,454,468
Germany	80,523,746	82%	72%	0%	43,628,379
Estonia	1,324,814	89%	87%	-1%	1,038,860
Ireland	4,591,087	143%	120%	-1%	2,148,188
Greece	11,062,508	102%	80%	0%	6,760,458
Spain	46,704,308	112%	80%	0%	25,754,866
France	65,633,194	112%	104%	0%	
Croatia	4,262,140	0%	0%	0%	
Italy	59,685,227	109%	76%	1%	38,829,361
Cyprus	865,878	131%	90%	0%	361,540
Latvia	2,023,825	83%	82%	-1%	1,780,927
Lithuania	2,971,905	90%	94%	-1%	2,460,639
Luxembourg	537,039	136%	86%	2%	263,086
Hungary	9,908,798	89%	75%	0%	6,870,352
Malta	421,364	92%	83%	1%	232,695
Netherlands	16,779,575	102%	94%	0%	10,272,081
Austria	8,451,860	105%	78%	1%	5,164,673
Poland	38,533,299	8 %	82%	0%	24,639,820
Portugal	10,487,289	98%	77%	0%	6,593,050
Romania	20,057,458	86%	83%	0%	15,319,481
Slovenia	2,058,821	100%	79%	0%	1,366,532
Slovakia	5,410,836	95%	84%	0%	3,398,783
Finland	5,426,674	106%	93%	0%	3,350,382
Sweden	9,555,893	121%	98%	1%	5,487,570
United Kingdom	63,887,988	124%	100%	0%	37,340,154
Iceland	321,857	135%	128%	0%	163,501
Norway	5,051,275	130%	103%	1%	2,741,315
Switzerland	8,039,060	116%	81%	1%	4,564,889

(Part 2)

GEO/TIME	Working age population 2000**	Working age population 2012**	Projected working age population 2060	Old-age dependency ratio 2012***	Projected old-age dependency ratio 2030	Projected old-age dependency ratio 2060
EU-27	323,865,224	334,884,694	290,376,000	26.7	38.33	52.55
Belgium	6,719,207	7,283,976	7,830,000	26.4	36.68	43.83
Bulgaria	5,565,165	4,966,189	2,994,000	27.8	38.69	60.32
Czech Republic	7,152,815	7,262,768	5,835,000	23.4	34.32	55
Denmark	3,558,470	3,625,974	3,552,000	26.7	37	43.52
Germany	55,915,209	54,131,105	36,218,000	31.2	47.21	59.89
Estonia	928,802	891,074	645,000	25.5	35.83	55.54
Ireland	2,524,924	3,048,552	3,939,000	17.9	27.59	36.65
Greece	7,413,580	7,302,140	6,230,000	29.9	37.74	56.65
Spain	27,379,473	31,613,238	29,175,000	25.8	35.52	56.37
France	39,401,830	42,005,885	42,071,000	26.6	39.06	46.58
Croatia		2,865,462		25.6		
Italy	38,468,503	39,736,446	36,286,000	31.6	41.14	56.65
Cyprus	455,638	609,334	655,000	18.1	30.79	47.57
Latvia	1,600,317	1,373,105	874,000	27.7	36.17	67.99
Lithuania	2,319,462	2,016,247	1,469,000	26.9	35.2	56.65
Luxembourg	289,608	361,617	426,000	20.3	29.98	45.05
Hungary	6,961,322	6,815,721	4,904,000	24.6	33.57	57.81
Malta	256,692	287,233	216,000	23.9	39.22	55.56
Netherlands	10,765,965	11,117,321	9,770,000	24.4	40.25	47.47
Austria	5,396,769	5,687,630	5,082,000	26.2	38.83	50.73
Poland	26,037,307	27,394,455	17,405,000	19.4	35.24	64.59
Portugal	6,914,880	6,961,852	5,734,000	29.6	37.85	57.2
Romania	15,334,507	13,768,151	9,252,000	21.5	30.23	64.77
Slovenia	1,391,981	1,416,347	1,127,000	24.4	38.84	57.61
Slovakia	3,714,096	3,881,088	2,763,000	17.8	31.36	61.8
Finland	3,461,133	3,532,645	3,271,000	27.7	42.74	47.43
Sweden	5,689,170	6,113,917	6,566,000	29.2	37.21	46.21
United Kingdom	38,248,399	41,680,684	46,088,000	25.7	34.83	42.07
Iceland	181,659	212,970		18.9	32.15	33.49
Norway	2,900,748	3,294,281	3,822,000	23.3	33.02	42.97
Switzerland	4,821,209	5,394,861		25.3	38.04	54.36

* The difference between the number of immigrants and the number of emigrants. Calculated by taking the difference between total population change and natural change.
** Total population 15-64
*** Old age dependency ratio (%) (population 65 and over to population 15-64 years)

Source: Eurostat

The table shows that the EU's population is projected to increase slightly in 2060, but figures should be taken with great caution. The individual country data also shows that just over half of the Member States will experience an increase in their population. At the same time, while it can be seen that there has been a trend for an increase in the working age population in recent decades at EU level, the projection for 2060 shows a notable fall on the 2012 figure, with a decrease of around 44 million people. Without migration there would be a 17% fall for the EU-27 in the projected total population in 2060.

In parallel, there is also projected to be a trend for an increase in the old age dependency ratio, i.e. the percentage of the population that is 65 and over to the population aged between 15-64 from 26,7% in 2012 to 52,55% in 2060.

Projected increase of the dependency ratio also shows the growing need to invest is both institutional and domestic care. In many countries the care opportunities are not sufficiently available or accessible. Most of care demands fall on women and a large portion of care services is provided by domestic workers. According to the Eurostat data here are 2.6 million domestic workers in the EU; 89% of them are women, half of them are migrants. In a number of EU countries they are employed in precarious conditions, often without legal contract and therefore without healthcare or pension rights. The ILO adopted convention 189 concerning decent work for domestic workers to introduce protection measures for those who care for households and dependents, though aspects of this convention were and remain opposed by the employers' group at the ILO. The ratification of ILO conventions is a matter for individual Member States to decide. In March 2013, the Commission urged Member States to implement the domestic workers convention. In January 2014 the Council of European Union authorised Member States to ratify the Convention in the interest of the EU. Today, four EU countries have ratified the Convention – Ireland, Italy, Finland, and Germany. As the need for care for dependents will grow, so will grow the number of care givers.

According to Eurostat, between 2008 and 2011, the total number of live births fell by 3.5%, from 5.6 to 5.4 million, and the number of countries, which recorded a fall compared to the previous year, grew from 1 to 26 out of 31. Some of the biggest declines occurred in countries hardest-hit by the euro crisis. Spain's fertility rate fell from 1.46 in 2008 to around 1.38 in 2011. Latvia's fell from 1.44 to below 1.20. Big declines also occurred in Nordic countries that do not have fast-rising unemployment or big cuts in state spending. Norway's fertility rate fell from 1.95 to 1.88 in 2010-2011; Denmark's from 1.88 to 1.76. But whether countries have high fertility rates, like Britain, or low ones, like Hungary, the trend is similar: a ten-year fertility rise stopped around 2008 as the economic crisis hit, and started to slide in 2011.

The data also show the need to widen the base for financing the social protection systems, increase employment rates, in particular for women and older workers, and stimulate productivity.

7.3 Demography – analysis and challenges

Demographic change needs to be addressed to ensure sustainable economic growth in Europe. Policies to address demographic change need to be implemented in parallel to employment policies that will increase the availability of jobs and get the jobless people who are currently unemployed back to work, which will increase the activity rate of the 15-64 year olds.

Many European countries face a decline in their working age population, also due to the migration of young people. In particular, some Central Eastern European countries face a shrinking labour force, which may impact on regional growth potential in these areas. At the same time, some European countries will face sustained population growth, which may pose particular challenges in terms of sustainable urban development. In this regard, ensuring access to high performing public services, recognition of skills, portability of pensions to facilitate cross-border mobility, taking into account the negative effects of brain drain, will constitute a major challenge for European Member States and regions.

Addressing demographic change is also about having the working conditions that will allow older workers to participate in the labour market, as well as appropriate training opportunities for all age groups.

Many factors influence the demographic developments. Population trends are very sensitive to the economic cycle. From the beginning of the crisis, the total number of live births in Europe reversed the previous upward trend. Population change is expected to lead to large increases in demand for public services as well as on other public infrastructure like health care and long-term care systems.

Most of the actions will need to be devised at national level taking into account the varying demographic make-up of individual countries.

As part of the policy mix needed to address demographic change, it will also be essential to conceive policies that reduce inactivity rates by ensuring that more of the working age population is in actual work, especially women (the activity rate for women in the EU is 62% against 65% in the USA) and young people, in order to raise employment rate. This could be achieved through accompanying the return to work with sustainable working conditions across the life-course, non-discrimination of older workers in the labour market in terms of training and promotion opportunities, lifelong learning and second career possibilities, especially for people with very burdensome jobs, etc. It is important to make an efficient use of all available labour to avoid under-employment and to take full account of diverse groups and individuals at the workplace.

Demographic change has key implications for pensions systems. One of the challenges is to ensure that young people can also benefit from adequate pensions when they, in turn, come to retire.

The key policy challenge is thus to develop a coherent framework that delivers solidarity between generations and ensures that the EU has a workforce of sufficient size and productivity with the required range of skills and competences.

At European level another issue will be to consider how best to organise immigration from third countries in order to address the broad range of skills and competences that will be required in Europe as a result of the overall decline of the EU's working age population, ensuring decent work for those migrants and taking into account the EU unemployment situation.

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The European Trade Union Confederation was founded in 1973, it now represents 90 trade union organisations in 39 European countries, plus 10 European Trade Union Federations. It works for a Europe with a strong social dimension and social justice, focusing on workers' interests and well-being.

The European Centre of Employers and Enterprises providing Public services (CEEP)
www.ceep.eu

CEEP was established in 1961 and gathers enterprises and authorities from across Europe, both public and private, at national, regional and local level, which are public employers or providers of services of general interest.

European Association of Craft, Small and Medium Sized Enterprises (UEAPME)
www.ueapme.com

UEAPME is the employers' organisation representing crafts, trades and SMEs from the EU and accession countries at European level, created in 1981. UEAPME has over 80 member organisations.

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