

EU Employment and Social Situation

Quarterly Review

March 2014

With supplements on:

- Labour market transitions before and during a severe economic downturn: some evidence from micro-economic data
- Trends in poverty and social exclusion between 2008 and 2012
- Trends in social expenditure and distributional impact of policy changes until 2013



This Quarterly Review provides in-depth analysis of recent labour market developments. It is prepared by the Employment Analysis and Social Analysis Units in DG EMPL. A wide combination of information sources have been used to produce this report, including Eurostat statistics (see [codes] mentioned under the charts, to be used with the Eurostat data search engine: http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database), reports and survey data from the Commission's Directorate-General for Economic and Financial Affairs, national and sectoral statistics and articles from respected press sources.

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Executive summary

The EU economy is maintaining the growth first seen in the second quarter of 2013 (+0.4% in Q4), with estimated gross domestic product (GDP) figures from across the EU indicating that a recovery has started, albeit at a relatively slow pace. At this early stage, it is difficult to assess whether and when this fragile economic recovery will bring new jobs and to what extent society as a whole will benefit.

Improvements in the labour markets in Europe are still at best weak. Employment in the EU showed the first signs of stabilising during 2013, with a mild increase in the number of persons employed in the third and fourth quarters (+0.1% in both). This reflects a slow-down of the number of employed losing their jobs, though the job finding rate continues to deteriorate. It also corresponds to a slowdown in the decrease of employment in the construction and industry sectors, while the number of employed continued to grow in the service sectors. In February 2014, managers in the EU expected moderate employment growth in industry, while employment expectations in the services sector were still below their long-term average.

In 2013, the gross disposable income of households continued to decline in the Euro area¹ in real terms, but at a slower pace and nearly stabilised in the third quarter, reflecting the evolution of labour market incomes and a weakening of the stabilisation impact of welfare spending. Growth in households' disposable income is lagging behind GDP growth. There is a danger that the recovery will not benefit all parts of the economy equally, with a large part of households and individuals potentially benefiting only marginally, if at all, from the slightly improved economic situation. In the third quarter of 2013, real gross disposable household income remained stable overall in the Euro area compared to the same quarter in 2012.

Poverty and social exclusion in the EU has deteriorated during the crisis and show little signs of improvement so far, especially in the Member States where economic conditions continued to worsen. According to Eurostat data, poverty and social exclusion continued to increase in 2011 and 2012, reflecting the deterioration of labour market conditions, as long-term unemployment increased and an increasing share of jobs do not ensure a living wage (e.g. involuntary part-time). Poverty and social exclusion are estimated to have increased further in a few countries in 2013 (according to Euromod estimates available for 10 countries), especially in countries where it was already high. Also, a recent Euromod study shows that reforms of the tax and benefit systems introduced in 2012-13 were progressive or neutral in 7 out of 9 countries reviewed.

The prolonged economic downturn has seen **households' financial distress intensify in recent months**, due to the need to draw on savings or borrow in order to maintain current standards of living. Households in the lowest income quartile experienced the greatest difficulty in covering their current expenditure.

The market for permanent and full-time jobs has seen only slight improvement, and it is the increasing use of temporary and part-time work which has driven the rising overall employment figures. The number of part-time jobs has risen during the crisis, mostly because the job cuts which have taken place in predominantly male-oriented sectors have been followed by an increase in the proportion of the male labour force working part-time and a higher rate of transition of workers from full-time to part-time jobs.

Unemployment has stabilised since mid-2013, but figures for January 2014 show that it is still at record high levels, with around 26 million people (10.8% of the economically active population) in the EU looking for work. In several Member States, unemployment remains close to the historically-high levels first seen in the current crisis. The unemployment rate among young people fell by 0.3% over the year to January 2014 in the EU and by 0.1% in the Euro area. Unemployment in the same period has fallen more among men than among women.

Both involuntary part-time workers and the potential additional workforce (i.e. discouraged workers who are no longer actively looking for jobs but who could form part of the workforce) grew in the EU, and differences between Member States became more pronounced. Despite this

¹ No GDHI in real terms available for EU28.

somewhat mixed picture, the outlook for unemployment is showing the first signs of improvement, with European consumers expecting unemployment to fall in the coming months.

Young people continue to be the hardest hit by the job crisis, with the unemployment rate amongst this age group standing at 23.4% in January 2014 for the EU as a whole. A total of 2.5 million young women and 3.1 million young men aged 15-24 are currently unable to find work. In 2013, only a third of young people in the EU had a job, and many of these were on a temporary or part-time basis. Half of Member States saw an overall improvement in unemployment figures for young people, but considerable disparities continue to exist across the EU. Overall, close to 60% of young people in the EU were not in employment in 2013, although in 9 out of 10 cases this was due to enrolment in education.

The rate of growth of nominal unit labour costs continued to slow in the Euro area, increasing the risk of cost-push **deflationary pressures** that could damage prospects of a sustained recovery and the accompanying creation of jobs. In Spain, on the other hand, the real unit labour cost increased for the first time since the fourth quarter of 2009.

Three supplements accompany this Quarterly review.

The first supplement compares labour market transitions in the EU as a whole in 2010 and 2006. The analysis shows that **employment stability for individual workers declined significantly by 2010** whereby a transition to unemployment was the most important destination on leaving employment. Moreover, the stepping-stone function of temporary employment (whereby workers on temporary contracts move up to a permanent contract) has diminished notably.

The second supplement analyses recent trends in poverty and social exclusion. According to latest survey data, **poverty continued to increase in 2012 and is estimated to have increased further since then** in those countries where economic and labour market conditions have continued to deteriorate. Between 2011 and 2012, the population at risk of poverty or social exclusion increased in one third of EU-Member States, amongst them in countries with low levels of poverty and social exclusion such as the United Kingdom, Luxembourg and Austria. The at-risk-of-poverty rate remained stable on average at EU level between 2011 and 2012, hiding diverging national developments at national level. It increased especially noticeably in Greece and is estimated to increase further between 2011 and 2013 in this country and a few others.²

The third supplement presents recent developments in social expenditure and estimates of the distributional impact of policy changes until 2013. The latest available data show that **the stabilising impact of social protection expenditure remained very weak in 2013, despite a slight improvement compared to 2012.** In 2013 social protection expenditure grew much less than expected, and remained below its trend, despite the further deterioration of the output gap (around -3%). In two countries, changes to the tax and benefit system in 2012-13 lead to a reduction of incomes across all or most of the income distribution. In four others the overall impact on household incomes was positive, with those at the bottom of the distribution benefiting most in proportional terms.

Latest labour markets trends in the EU-28

² Eurostat statistics on poverty and social exclusion are currently available until 2012, providing information about the 2011 income distribution.

	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4
Real GDP					
(% change on previous quarter, SAWA)	-0.4	-0.1	0.4	0.3	0.4
(% change on previous year, SAWA)	-0.9	-1.4	0.0	0.5	1.1
Employment growth					
(% change on previous quarter, SAWA)	-0.2	-0.3	0.0	0.1	0,1
(% change on previous year, SAWA)	-0.3	-0.5	-0.5	-0.3	-0.1
Employment rate (15-64)					
(% of working-age population, NSA)	64.1	63.3	64.1	64.5	NA
Employment rate (20-64)					
(% of working-age population, NSA)	68.4	67.6	68.4	68.8	NA
Job vacancy rate (EU27)					
(% of vacant and occupied posts, NSA)	1.4	1.5	1.5	1.4	1.6
Labour productivity					
(% change on previous year, SAWA)	-0.5	-0.3	0.3	0.5	1.1
Nominal unit labour cost					
(% change on previous year, SAWA)	3.2	1.5	0.8	-0.1	-0.1
Long-term unemployment rate					
(% labour force, NSA)	4.9	5.2	5.1	5.1	NA

	2013 Jan	2013 Oct	2013 Nov	2013 Dec	Jan 2014
Unemployment rate (SA)					
Total (% labour force)	11.0	10.8	10.8	10.8	10.8
Men	10.9	10.7	10.7	10.7	10.7
Women	11.0	10.9	10.9	10.8	10.9
Youth (% labour force aged 15-24)	23.7	23.3	23.4	23.3	23.4

Source: Eurostat, DG EMPL own calculations.

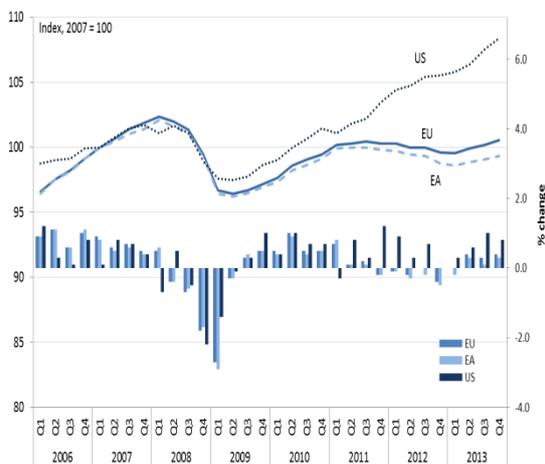
Note: SA = seasonally adjusted; SAWA = seasonally adjusted and adjusted by working days; NSA = non-seasonally adjusted; NA: not available.

Macroeconomic and employment developments and outlook

The first signs of an economic recovery emerged in 2013, following the prolonged economic and social crisis. The EU economy picked up in the second quarter, with GDP growing at an average of 0.3% per quarter since then (with +0.4% in Q4). Growth has been weaker in the Euro area (EA), with an increase of 0.3% in the fourth quarter of 2013. GDP fell by 0.5% over the course of 2013 in the Euro area and rose by 0.1% in the EU. The GDP gap between the EU/EA and the US economy – whose GDP rose by 0.8% in the last quarter of 2013 – was the widest since 2009 (see Chart 1).

GDP growth in the EU is becoming less dependent on external demand and more driven by internal demand, with private consumption contributing positively to GDP growth in all four quarters of 2013.³

Chart 1: Real GDP in the EU/EA and US (lhs), and % changes over the previous quarter (rhs)



Source: Eurostat, National Accounts, data seasonally adjusted and adjusted by working days [namq_gdp_k]

Since the onset of the crisis, Europe experienced a persistent year-on-year decline in real gross disposable households

income (GDHI), with a direct negative impact on aggregate demand and the general living standard of the populations. In 2013, the gross disposable income of households continued to decline in the Euro Area⁴ in real terms, but at a slower pace and nearly stabilised in the third quarter, reflecting the evolution of labour market incomes. However, the growth in disposable household income in Europe, adjusted for inflation, still lags behind GDP growth, and has done so since the beginning of 2010. There is a concern that the recovery is not benefitting all parts of the economy equally, with households and individuals not benefitting much from improvements in the economy.

Chart 2: Disposable Household income lags behind GDP



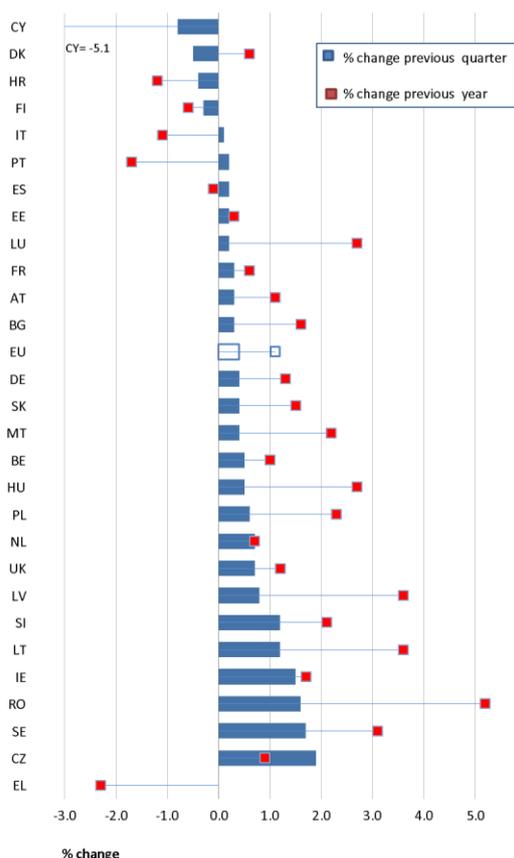
Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_gdp_k]

In the fourth quarter of 2013, GDP growth became positive in the majority of EU Member States, albeit that there were large differences, with negative quarter-on-quarter changes registered in Cyprus, Denmark, Croatia and Finland (see Chart 3).

³ Eurostat news release of National Accounts data for 2013Q4 available at: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-05032014-BP/EN/2-05032014-BP-EN.PDF

⁴ No GDHI in real terms available for EU28.

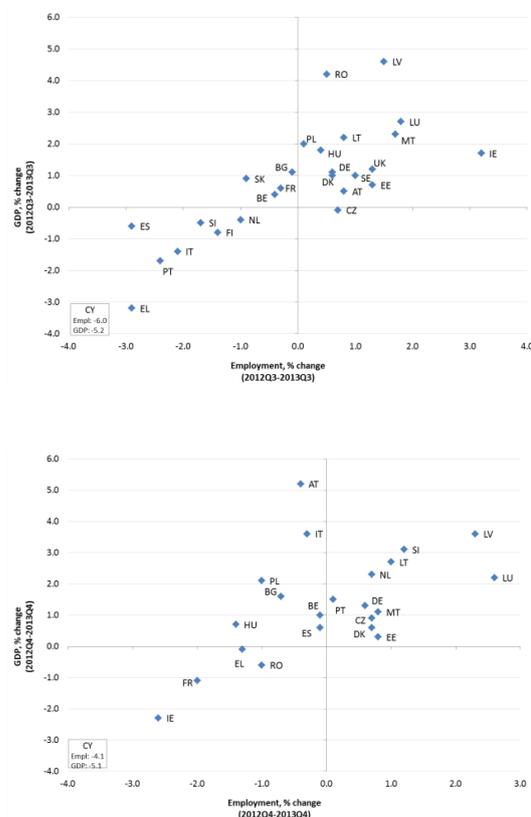
Chart 3: Real GDP growth in the fourth quarter of 2013, by Member States



Source: Eurostat, National Accounts, data seasonally adjusted and adjusted by working days (q-o-q) and non-seasonally adjusted (y-o-y) [namq_gdp_k]; figures for IE, LU, PT, and RO: 2013Q3

It is still too early to assess whether the recent phase of economic recovery will bring with it a significant increase in new jobs, and what type of jobs they will be. Figures from the third and the fourth quarters of 2013 show that in an increasing number of EU Member States an improving economy has not been accompanied by the creation of new jobs, as represented by the countries positioned in the north-west quadrants of Chart 4.

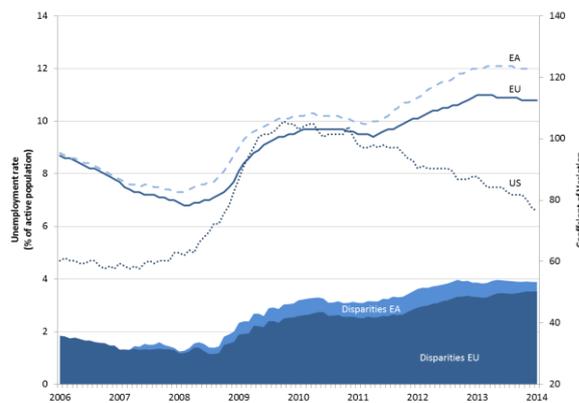
Chart 4: Real GDP change (y-o-y) vs. total employment change (y-o-y), by Member State: third quarter 2013 (top panel) and fourth quarter 2013 (bottom panel).



Source: Eurostat, National Accounts, data non-seasonally adjusted [namq_gdp_k and namq_aux_pem]
 Note: data not available for HR in Q3 and for IE, LU, PT, and UK in Q4.

Unemployment in Europe remained at a record high in January, with about 26 million people, or 10.8% (12% in the EA) of the economically active population, looking for work. Major disparities in unemployment rates (UR) between Member States exist – and have been increasing since the end of 2008 (see Chart 5). The unemployment rates in the US have been falling since 2009. The divergent trends in the EU/EA and US unemployment rates are the result of both growth differentials between these two regions and a declining active labour force in the US (the total activity rate in the US declined 2.49 percentage points (pps) since 2008Q3, while increased 1.1 pps in the EU in the same period).

Chart 5: Unemployment rates in Europe (EU/EA) and US and unemployment disparities in Europe



Source: Eurostat, LFS, data seasonally adjusted [une_rt_m]

Note: Disparity is measured by the degree of dispersion of EU28 unemployment rates. Dispersion is the coefficient of variation calculated over the EU-28 Member States' unemployment rates. If all unemployment rates of EU MS are equal, the coefficient of variation is zero. Significant differences between unemployment rates imply a fairly wide dispersion.

Outlook

Steady recovery in economic sentiment

The Commission's economic sentiment indicator has recovered steadily, but from a very low level, since April 2013. Confidence indicators stand now well above their long-term average, except in the service and construction sectors.

Similarly, the Euro-area Purchasing Managers Index (PMI) composite output index reached its highest level in three years in February 2014, and remained above the 50-level (which separates growth from contraction) for eight consecutive months now. Forecasted growth is however not yet strong enough to make a significant dent in unemployment.

Table 1 shows the recent forecasts for the EU-27 and the Euro area by the European Commission and two international institutions.

Table 1: Recent forecasts for growth and unemployment

	Institute	date	gr. '14	gr. '15	UR '14	UR '15
EU-27	IMF	21-Jan	NA	NA	NA	NA
	Commission	25-Feb	1.5	2.0	10.7	10.4
	ECB	06-Mar	NA	NA	NA	NA
Euro area	IMF	21-Jan	1.0	1.4	NA	NA
	Commission	25-Feb	1.2	1.8	12.0	11.7
	ECB	06-Mar	1.2	1.5	11.9	11.7

Source: Diverse forecast documents; "gr." is real GDP growth in %; "UR" is the unemployment rate, in % of the active population.

Commission winter forecasts for real GDP growth remained close to the autumn forecasts with growth projections of 1.5% in the EU and 1.2% in the Euro area in 2014, and 2.0% and 1.8% respectively in 2015. The winter forecast projected a modest rise in employment (from 2014 on) and a decline in the unemployment rate to 10.4% in the EU and 11.7% in the Euro area by 2015, with cross-country differences remaining very large.

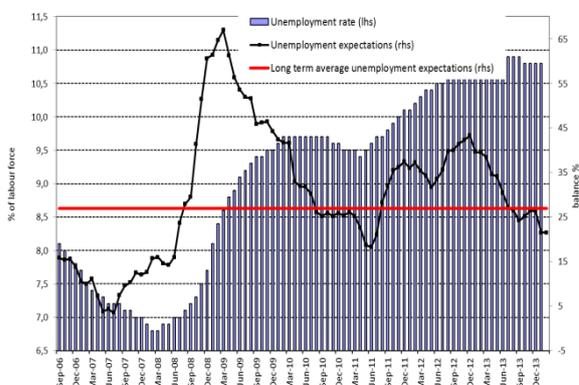
The ECB unemployment forecast is similar, but less optimistic about growth in 2015. The ECB and IMF forecasts also cover 2016, with Euro area growth projections of 1.8% and 1.5% respectively. The ECB sees a small drop in Euro area unemployment to 11.4% in 2016.

In February 2014, employment prospects in industry in the EU remained above their long-term average, indicating that managers in this sector expect moderate growth in employment. Employment expectations in the services sector have remained below their long-term average, both in the EU as a whole and in the Euro area. Sentiment around jobs in the construction sector has remained depressed at European level in recent years. In February 2014, managers in the construction sector reported reducing staff numbers more drastically on average in the Euro area than in the EU as a whole.

European consumers expecting unemployment to fall slightly.

In February 2014, European consumers' expectations for unemployment at EU level over the coming months remained lower than the long-term average, indicating that they see unemployment as falling slightly in the coming months (see Chart 6).

Chart 6: EU consumers' expectations for unemployment over the next 12 months and unemployment rate (scale varies)



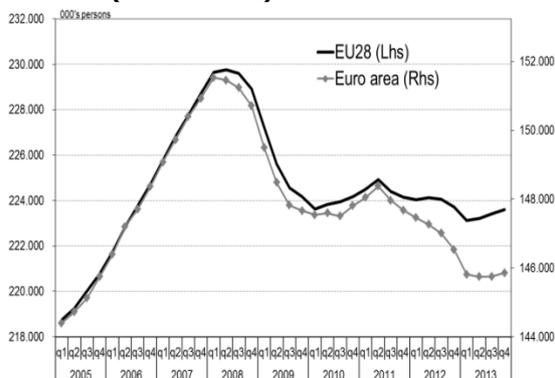
Source: European Commission DG ECFIN, Business and Consumer Surveys and Eurostat, LFS, [une_rt_m], data seasonally adjusted

Employment in the EU and its Member States

Decline in employment came to a halt in the second half of 2013

Employment started to show small signs of stabilising during 2013, with a slight upturn in growth (+0.1%) in the third quarter in the EU and in the last quarter in the EA. Still, falls registered in the beginning of the year weighted heavily on 2013 performance. Compared to a year earlier, employment decreased in the EU by 0.1% (110 000 people) and by a more severe 0.5% in the EA (680 000 people) reaching 223.6 million by the end of 2013 in the EU (see Chart 7).

Chart 7: Employment in the EU and the EA, 2005-13 (scale varies)



Source: Eurostat, national accounts [namq_aux_pem]. Data seasonally adjusted.

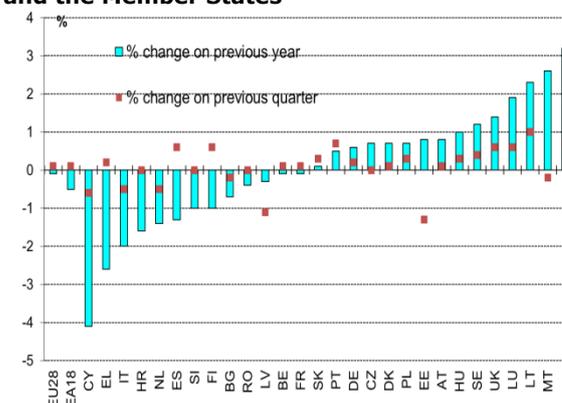
The employment trend improved at the end of 2013 in the EU28 and in the EA where the decrease has been more severe during the past two years

Prospects have improved, with employment stabilising since the second quarter of 2013, followed by two consecutive quarters of slight growth in the EU28 (+0.1% in 2013 Q3 and 2013 Q4). Over the two years to 2013 Q4, the decline in employment was more severe in the Euro area (-1.2% over the two year to 2013 Q4) than in the EU28 (-0.2%). Yet, in the last quarter, employment trends improved in both area (+0.1 % q-o-q).

Employment increased in 17 Member States in the last quarter 2013

In the last quarter 2013, 17 Member States have benefited from increased employment, while it decreased in seven (see Chart 8). Even if the trend improved at EU28 aggregate level, Member State performance varied, with the highest increases (compared with the previous quarter) in Lithuania (+ 1.0%), Portugal (+ 0.7 %) and Ireland (+0.7%), and the largest decreases in, Estonia (-1.3%), Latvia (-1.1%) , Italy (-0.5%) and the Netherlands (-0.5%).

Chart 8: Employment growth in the fourth quarter of 2013, compared to the previous quarter and previous year in the EU, the EA and the Member States



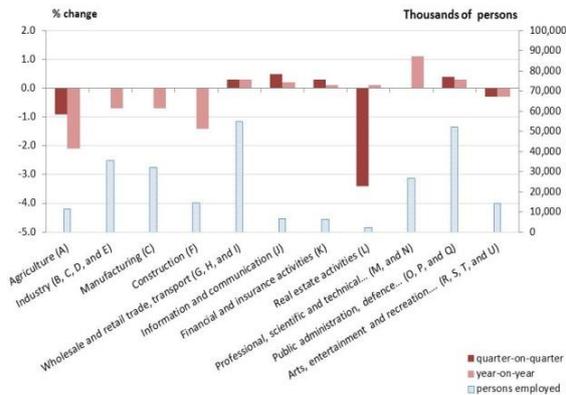
Source: Eurostat, National Accounts, data seasonally adjusted, [namq_aux_pem]. Q3 2013 for HR

Employment is not decreasing in the majority of sectors.

Employment growth in the last quarter of 2013 was mostly driven by increased employment in the service sectors, and a slowdown in the decrease in employment in the construction and industry sectors. In particular the construction sector, seriously

hit by the crisis, registered the first signs of recovery.

Chart 9: Employment growth in the EU, by NACE sector (NACE code between parentheses; scale varies)



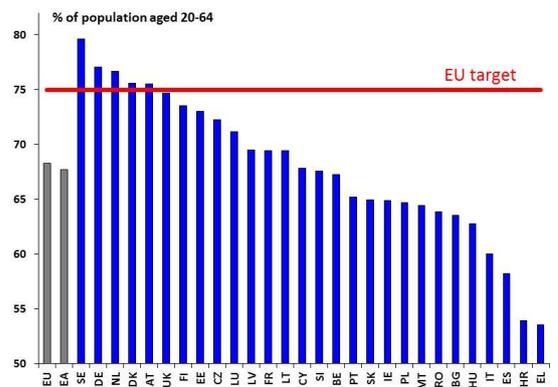
Source: Eurostat, National Accounts, data seasonally adjusted and adjusted by working days (q-o-q) and non-seasonally adjusted (y-o-y) [namq_nace10_e]

Employment rate for the EU has stagnated below 70%

In 2013 Q3, the EU-28 employment rate for the 20-64 age group (68.3 %) remained stable in comparison with the third quarter of 2012. In the Euro area, it was 67.7 % — a decline of 0.3 % over the year. In the year to 2013 Q3, 16 Member States saw an employment rate increase and 12 a decrease.

The highest rises were recorded in Ireland (+2.1 pps) and Lithuania (+1.0 pps) while the most significant falls occurred in Cyprus (-3.1 pps) and Croatia (-2.2 pps). The difference between Sweden, which has the highest employment rate, and Greece is more than 25 pps (see Chart 10). The 2013 Q3 EU employment rate was 2.0 pps lower than in 2008 (70.3%).

Chart 10: Employment rate in the EU-28, the euro area and in Member States, 2013 Q3

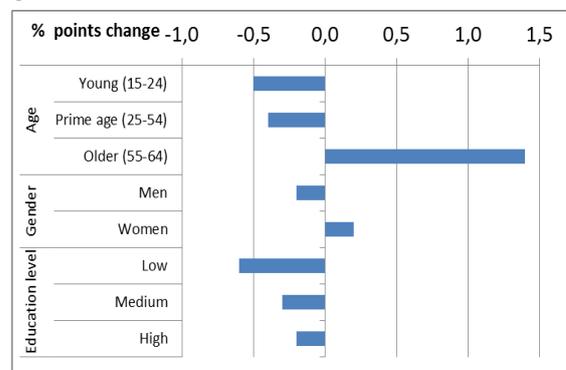


Source: Eurostat, LFS, data non-seasonally adjusted [lfsi_emp_q]

Employment rate differs across population groups

As of 2013 Q3, there was a decrease in the employment rate over the year for the young and prime aged worker groups but an increase for older workers. Workers with lower levels of education recorded a significant decrease (see Chart 11).

Chart 11: Year-on-year change in the EU-28 employment rate in 2013 Q3, by age group, gender and education level

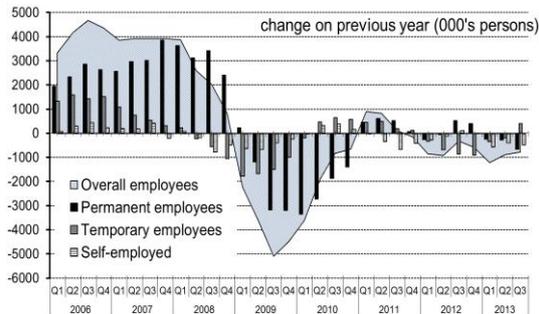


Source: Eurostat, LFS, data non-seasonally adjusted [lfsq_ergaed].

Improvements in employment have been driven by temporary and part-time work.

In the year to the third quarter of 2013, temporary employment grew by 1.6% or 390 000 workers, while permanent employment declined by 0.5% or 670 000 (Chart 12). Self-employment decreased by 1.4% or 480 000.

Chart 12: Employees in permanent and temporary work in the EU-28, self-employment and total employment (15-64 years) (1 000 persons), 2006-13, year-on-year change

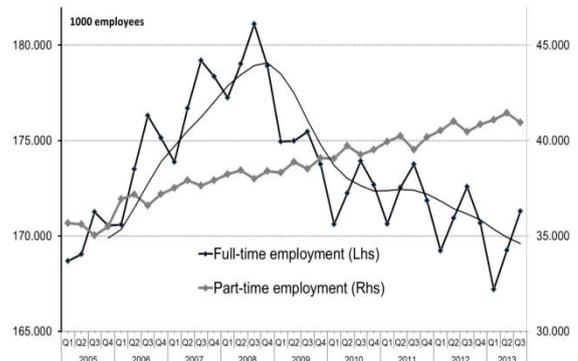


Source: Eurostat, LFS, data non-seasonally adjusted (DG EMPL estimation)

Full-time employment falling while part-time continues to rise

In the year to 2013 Q3, the number of full-time workers in the EU had fallen by 0.8% (or 1.3 million). When viewed over the medium term, over the last five years, full-time employment has decreased dramatically — by 9.8 million (- 5.4%). On the other hand, at EU aggregate level, the number of employees working part-time has grown by 1.2% (or 480 000 part-timers) in the year to 2013 Q3. There has been steady growth in this type of work in recent years, with 2.9 million more part-time jobs since the third quarter of 2008, a rise of 7.8%. Consequently, the share of part-time workers (of total EU employees) has risen consistently in recent years, reaching 19.3% in the third quarter of 2013. While permanent jobs were severely hit during the crisis, part-time jobs did not appear to have suffered, mostly because of an increasing share of male part-time workers in the EU and higher transitions of male workers from full-time to part-time work.

Chart 13: Part-time and full-time employees in the EU-28 (1 000 employees), 2005-13 (scale varies)



Source: Eurostat, LFS, data non-seasonally adjusted [lfsq_epgaed]

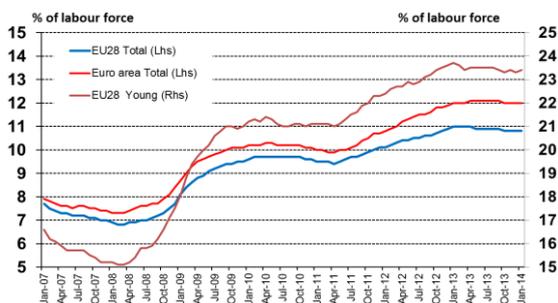
Unemployment

The EU unemployment rate has fallen slightly from a high initial level.

Recent months have seen a slight drop in the unemployment rate in the EU as a whole. Between September 2013 and January 2014, unemployment fell by 0.1% to 10.8%. Over the same period of time, the unemployment rate in the Euro area also fell by 0.1% to reach 12.0% in January 2014. The unemployment rate in the EU is 0.2% lower compared to January 2013, which represents 450 000 fewer people unemployed.

With 26.2 million people out of work and actively seeking work in the EU, and 19.1 million in the Euro area, the level of unemployment remains historically high. This mild improvement follows on from a second peak in unemployment which saw the number of people unemployed rise by 17% between the first quarter of 2011 and the first quarter of 2013, an increase equivalent to 4.0 million more people out of work in the EU28.

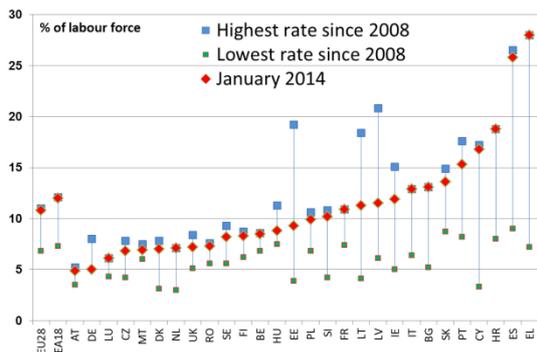
Chart 14: Unemployment rate in the EU (total and young people) and in EA, January 2007 to January 2014 (scale varies)



Source: Eurostat, LFS, data seasonally adjusted [une_rt_m]. An increasing number of Member States have seen unemployment stabilise, but in some cases at levels very close to historic highs.

In the three months to December 2013, the unemployment rate increased in 16 EU countries and decreased in 12. The recent falls in unemployment in Spain, the United Kingdom and Germany and, to a lesser extent, in Poland and Portugal have improved the unemployment situation at EU level. A rise in joblessness in Italy and France has, however, had a negative effect on the EU unemployment rate over recent months. The unemployment rate in the EU Member States is stabilising, but at a high level, with several countries remaining close to the historically high unemployment levels seen in recent years (see Chart 15).

Chart 15: Monthly unemployment rates in the EU Member States in January 2014, and the highest and lowest unemployment rates since 2008

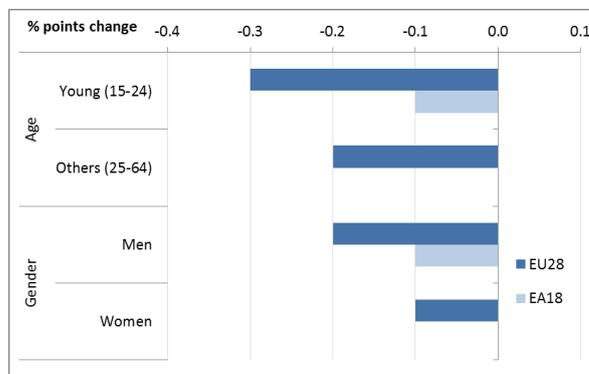


Source: Eurostat, LFS, data seasonally adjusted [une_rt_m]. Exceptions: HU, LV (2013M12) EE, EL, UK (2013M11).

Diverging trends among different population groups

The unemployment rate among young people fell by 0.3% over the year to January 2014 in the EU and by 0.1% in the Euro area. Unemployment fell more significantly among men than women, both in the EU as a whole (where there was a decrease in the respective unemployment rates for men and women of 0.2% and 0.1% year-on-year) and in the Euro area (where unemployment among men fell by 0.1% while the rate among women remained unchanged) (see Chart 16).

Chart 16: Year-on-year change in unemployment rate in the EU in January 2014, by age and gender

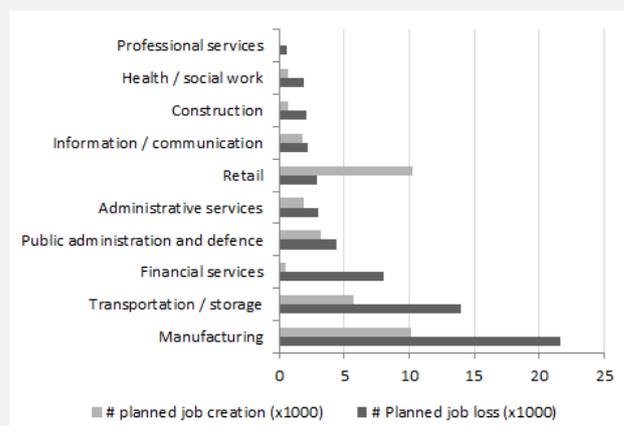


Source: Eurostat, LFS, data seasonally-adjusted [une_rt_m].

Impact of restructuring on employment

The European restructuring Monitor (ERM) recorded a total of 345 cases of restructuring between 1 October and 31 December 2013.^a Of these, 230 were cases of announced restructuring involving job loss, 104 were cases involving announced job creation and 11 were cases involving both job loss and job creation. These cases comprised a total of 96,245 announced job losses and 37,529 announced job gains. Internal restructuring accounted for over 70% of the announced job losses, while the incidence of job loss due to bankruptcy (11%) and closures (9%) decreased compared to the previous quarter. In terms of geographical distribution, the countries which recorded the greatest number of announced job losses were the United Kingdom (13,838 jobs) and Germany (13,506 jobs), followed by France (11,705 jobs), Spain (10,142 jobs), Greece (6,537 jobs) and Italy (6,457 jobs). The Czech Republic (9,529 jobs) recorded the highest number of new jobs, followed by France (6,020 jobs), Poland (4,558 jobs), the United Kingdom (3,528 jobs) and Germany (3,370 jobs).

The figure below plots the top-10 NACE Rev.2 1-digit sectors in terms of announced job loss and job creation in the EU, in the period 1 December 2013 to 28 February 2014. This period registered a total of 61,685 announced job losses and 38,340 announced job gains in the EU. Manufacturing experienced the most restructuring activity involving job losses, accounting for about 35% of total job losses, while Retail and Transport and Storage accounted for the majority of job gains (around 27% of total job gains).



Source: ERM, December 2013 – February 2014 (DG EMPL estimation)

^a For details see the January issue of the ERM Quarterly available at: <http://www.eurofound.europa.eu/emcc/erm/index.php?template=quarterly>

Long-term unemployment, additional potential labour force and underemployment⁵

Long-term unemployment stagnated in the EU ...

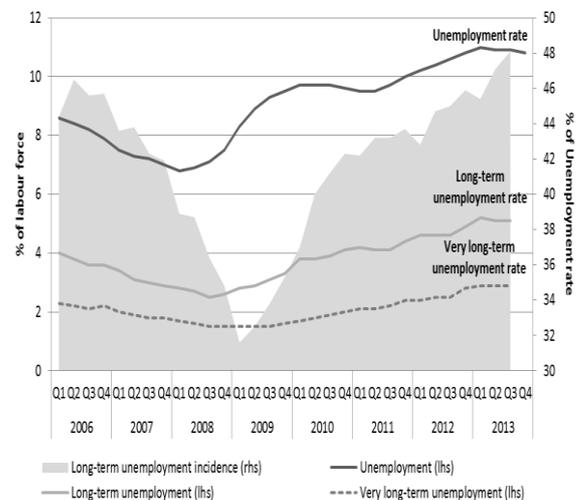
In the three first quarters of 2013 the number of long-term unemployed has remained stable in the EU (around 12.5 million people). Long-term and very long-term unemployment rates have also been stationary for the last three quarters, showing a trend similar to the unemployment rate.

... but its share grew, intensifying labour market detachment

The share of long-term unemployment (as percentage of the total unemployment) in the EU is increasing. It has reached and surpassed its pre-crisis level, with a sharp rise in the latest quarters.

Often changes in unemployment precede changes in long-term unemployment.⁶ Chart 17 shows that the unemployment rate anticipated the changes in the long-term and, later on, in the very long-term unemployment rate. However, the trend in the latest quarters for all three indicators is towards stagnation. Indeed, the first indicator to stabilize was the very long-term unemployment rate (2012Q4).

Chart 17: Unemployment, long-term and very long-term unemployment rates and long-term unemployment incidence in EU28 2006Q1-2013Q3 (scale varies)



Source: Eurostat, LFS, data seasonally adjusted (unemployment rate) and non-seasonally adjusted (long-term unemployment rates) [une_rt_q and une_ltu_q]. Note: Very long-term unemployment refers to those in unemployment for at least two consecutive years

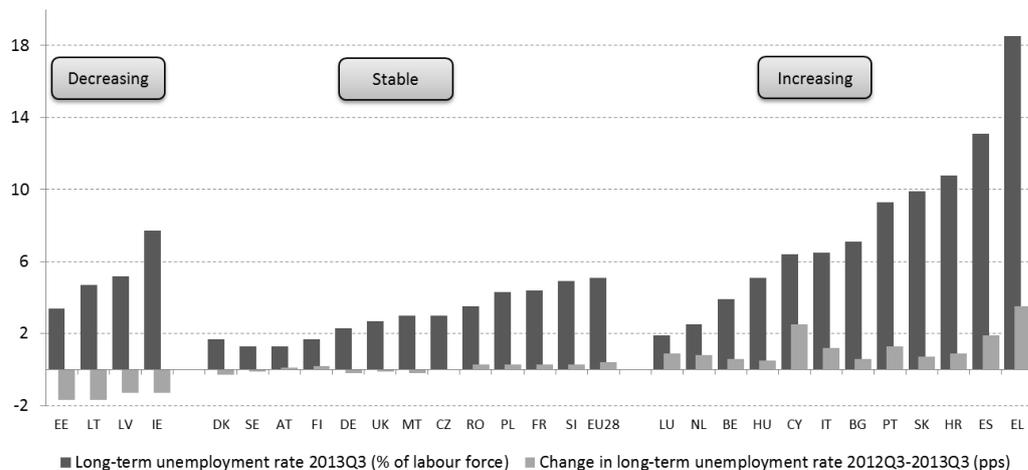
Member States show different long-term unemployment patterns...

The dispersion in the long-term unemployment levels among Member States, not only remained high, but also increased last year.

⁵ Underemployment and additional potential labour force cover the three EUROSTAT supplementary indicators to unemployment (SIU): [1] underemployed part-time workers, [2] persons seeking work but not immediately available and [3] persons available for work but not seeking it (i.e. discouraged). These people do not fulfil all the criteria of the unemployment definition of the International Labour Organisation (ILO) and are therefore not classified as unemployed. They do however share some characteristics with the unemployed. See: http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Underemployment_and_potential_additional_labour_force_statistics.

⁶ ESDE 2012 (Chapter 1, The dynamics of long-term unemployment, 1.1.2, pag. 67)

Chart 18: Long-term unemployment in Member States



Source: Eurostat, LFS, data non-seasonally adjusted [une_lt_q]

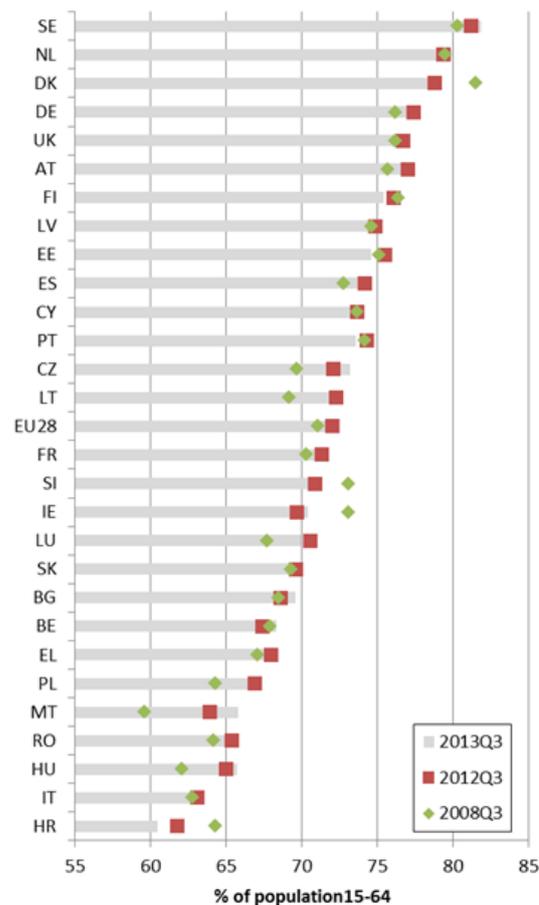
Activity in the EU still increasing ...

The activity rate in the EU has increased constantly in recent years for the main age groups, to reach a high point in the active population in the EU, with 238.5 million people in the 20-64 age group. At the same time, the United States suffered a noticeable decline in its activity rate (see page 8).

...and converging among Member States

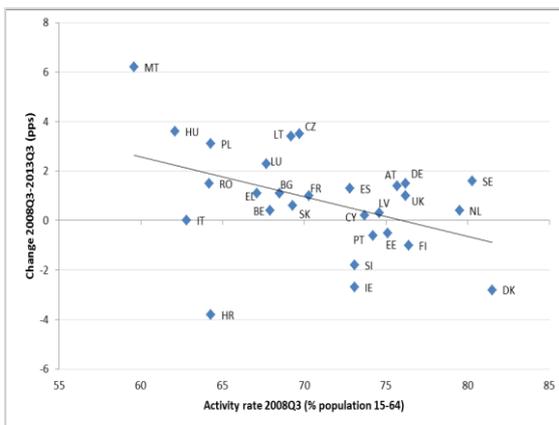
Significant differences persist among the activity rates of EU Member States. Less than 2/3 of the population is actively involved in the labour market in Croatia, Italy and Hungary (see Chart 20). However, in terms of activity rates, convergence between Member States has taken place in the period between 2008 and 2013. Malta had the lowest activity rate of the EU in 2008. It has consistently increased its activity rate since the onset of the crisis and still led growth in the EU during last year. On the other hand, Croatia is suffering sustained decline in its activity (Chart 20).

Chart 19: Activity rate levels and evolution in Member States



Source: Eurostat, LFS, data non-seasonally adjusted [lfsi_act_q]

Chart 20: Convergence in the activity rates of Member States in the period 2008Q3 to 2013Q3.

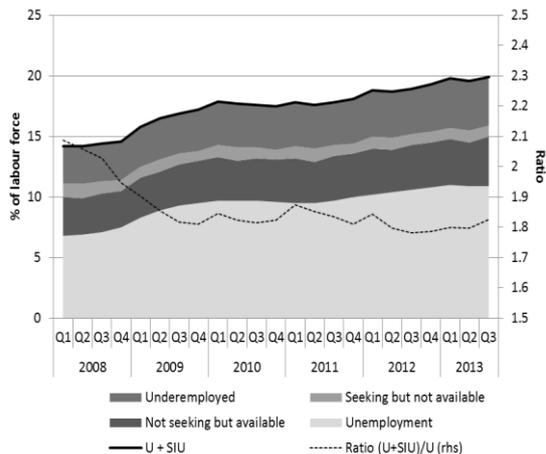


Source: Eurostat, LFS, data non-seasonally adjusted [lfsi_act_q]

Both the underemployed and additional potential labour force growing in the EU...

Underemployed and additional potential labour force⁷ in the EU have grown at the same pace as the unemployment rate, especially since the middle of 2009. All three supplementary indicators have evolved in a similar manner.

Chart 21: Unemployment rate, potential labour force and underemployment in the EU (scale varies)



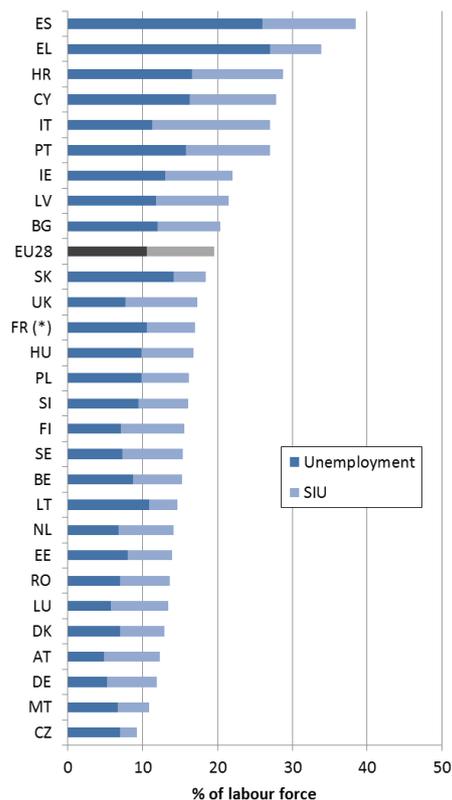
Source: Eurostat, LFS, data seasonally adjusted (unemployment rate) and non-seasonally adjusted (other indicators), [une_rt_q and lfsi_sup_age_q] (DG EMPL estimation]

⁷ Additional potential labour force is those *seeking work but not available* and *not seeking work but available* (see footnote 6 and: http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Underemployment_and_potential_additional_labour_force_statistics).

...increasing differences among Member States

The size of the potential labour force and underemployment is relevant, as they represent on average an increase of 40% on the unemployment level.

Chart 22: Unemployment and the three supplementary indicators to unemployment (SIU), by Member State (2013Q3)

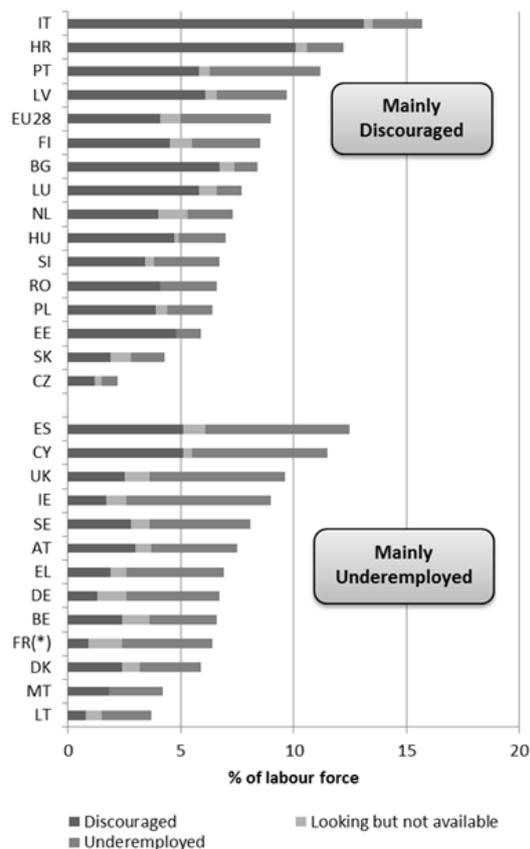


Source: Eurostat, LFS, data non-seasonally adjusted [une_rt_q and lfsi_sup_age_q] (DG EMPL estimation). (*)SIU for FR from 2012Q

Discouraged or underemployed

Member States can be divided into two main groups on the basis of the incidence of the different supplementary indicators: discouraged or underemployed. In the EU, as a whole, the incidence of the discouraged is slightly higher.

Chart 23: Labour underutilisation in EU Member State (2013Q3)



Source: Eurostat, LFS, data non-seasonally adjusted [une_rt_q],[lfsi_sup_age_q] (DG EMPL estimation). (*) Values for FR from 2012Q4

Households' income and financial situation

The decline in household incomes slowed down and nearly stabilised in the Euro Area

In 2013, the gross disposable household income of households continued to decline year on year in the Euro Area⁸ in real terms, but at a slower pace and nearly stabilising in the third quarter. This relative improvement mainly occurred because the decline in labour market incomes (especially in the compensation of employees) slowed down. This is consistent with the trends observed on the labour market showing that employment growth stabilised mainly

⁸ The real GDHI for EA is analysed based on data releases from Eurostat and the ECB. Calculation of quarterly real GDHI for EU is not possible because data for several Member States are missing. The nominal EA aggregate is converted into real GDHI by deflating with the EA HICP.

thanks to the slowdown of job destruction in the sectors most hit by the crisis, i.e. construction and industry (see Chart 9). At the same time, the increase of social benefits partly compensated these market income losses, but to a much lesser extent than in 2009. Indeed, in 2012-2013, the stabilisation impact of tax-benefit systems weakened, also reflecting the exceptional scale of the fiscal adjustment needed at EA level.

By the third quarter of 2013, real GDHI had stabilised overall in the Euro Area compared to the same quarter in 2012. It was nearly stable in Ireland, France or Italy and improved in some Member States such as Sweden and Germany. However, GDHI continued to decline in Greece, Portugal, Slovenia and Spain (see Chart 24 for the EA and charts in the annex for selected Member States).

Households' financial distress⁹ - the need to draw on savings or to run into debt - continues to increase.

Financial distress has continued its upward trend since 2010. Contributing factors have been the increasing share of the population reporting that their households had to draw on their savings and also, more recently, the increasing share reporting running into debt. Financial distress reached a new high level, not experienced in the previous decade, driven primarily by the increasing reliance on savings since 2011 (see Chart 25).

Financial distress continues to increase for all households, and especially strongly for those on low incomes.

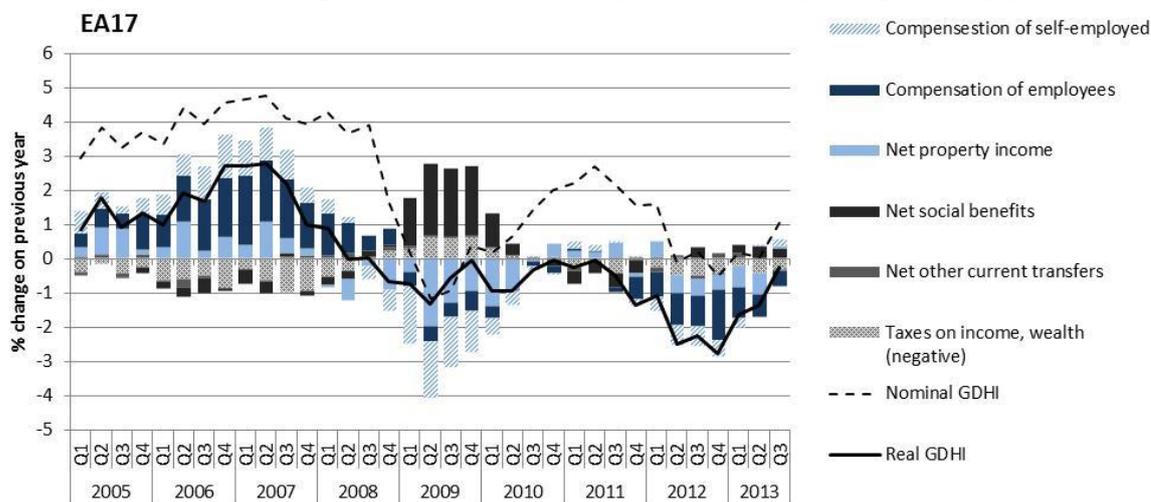
Financial distress remains well above long-term averages for households in all income quartiles, and for all but upper quartile households it has soared above levels recorded at the time the crisis first hit. The acute financial situation continues to affect low income households the most, in particular last year saw a widening of the gap in financial distress between low income households and other households. 10% of adults in low income households are

⁹ See previous editions of this report. For details on Business and Consumer Surveys, including consumer survey's question on the current financial situation of the household, see: http://ec.europa.eu/economy_finance/db_indicators/surveys/index_en.htm

forced to run into debt and a further 15% must draw on savings to cover current

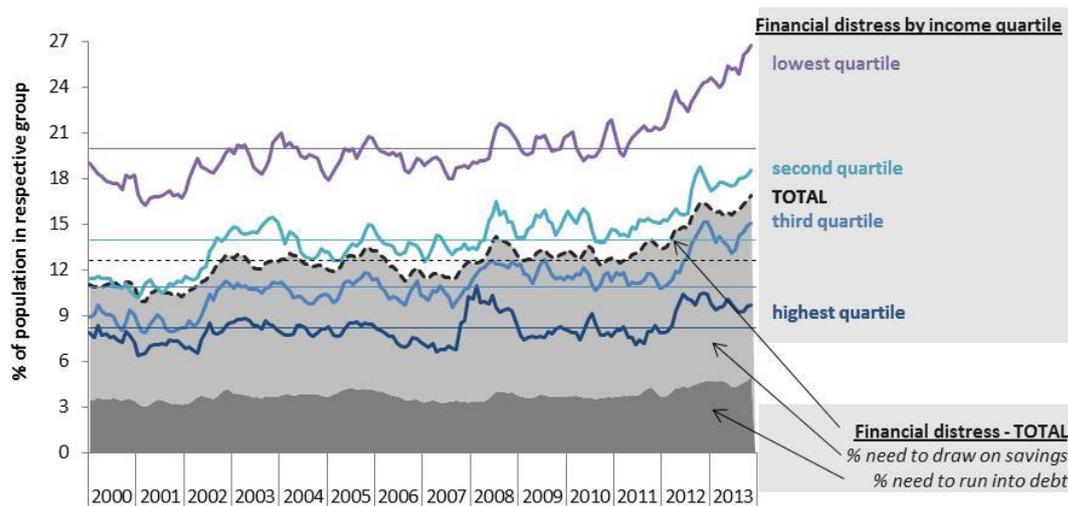
expenditure (compared to 5% and 12% for the total population).

Chart 24: a weakening of the stabilisation impact of social benefits in 2012 compared to 2009
Real GDP growth, real GDHI growth and its main components, EA17 (2005Q1-2013Q3)



Source: Eurostat, National Accounts and Price Statistics, data non-seasonally adjusted [namq_gdp_k, nasq_nf_tr and prc_hicp_midx] (DG EMPL estimation)

Chart 25: Rise in financial distress across all income quartile households, driven mainly by increased need to draw on savings
Reported financial distress by income quartile, and components of reported financial distress (share of adults reporting necessity to draw on savings and share of adults reporting need to run into debt), EU28



Source: European Commission DG ECFIN, Business and Consumer Surveys (DG EMPL estimation), data non-seasonally adjusted.

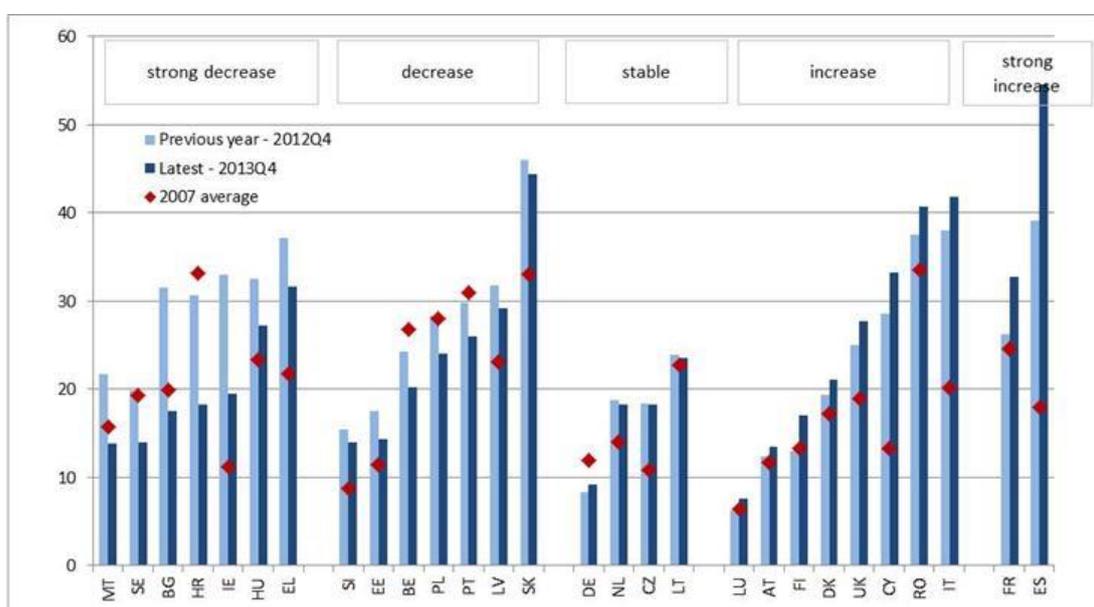
Note: Three-months moving averages. Horizontal lines reflect long-term averages of financial distress for total and 4 income quartile households. For total households, the share of adults reporting needing to draw on savings and needing to run into debt are stacked in the grey chart area which adds to total financial distress.

Divergence in developments in household financial situations across Member States continues

The incidence of financial distress among all households worsened over 2013 in several Member States and remains higher than in 2007 in most of them, ranging from less than 5% in Germany and Sweden to more than 25% in many Southern Member States. The increase in financial distress

among people in the lowest income quartile households, which has accelerated since 2007 in all Member States soared in 2013 in France and Spain, while nearly halved in Bulgaria, Croatia and Ireland. The share of the population in the lowest income quartile households that suffers from financial difficulties ranges from less than 10% in Germany and Luxembourg to more than 40% in Italy, Romania, Slovakia and Spain (see Chart 26).

Chart 26: Financial distress in low income households affected Member States differently. Reported financial distress in lowest income quartile households in 2007, 2012Q4 and 2013Q4 in EU Member States



Source: European Commission DG ECFIN, Business and Consumer Surveys, DG EMPL calculations.
Note: Data non-seasonally adjusted, 3-months moving averages.

Productivity, wages and hours worked

Productivity, labour costs and hours worked

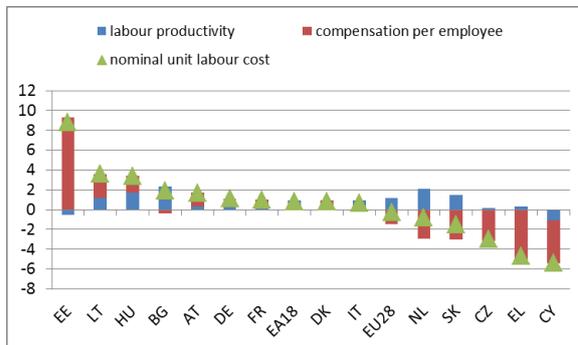
Labour productivity growth remained weak in most Member States in the fourth quarter of 2013...

In the fourth quarter of 2013, labour productivity growth (measured as productivity per person employed) was weak in the EU (as compared with the fourth quarter of 2012), as several Member States recorded very low or even negative productivity growth. These developments

reflect primarily a weak cyclical pick-up in output growth for most Member States.

In the Euro area, Cyprus (-1.1%), Estonia (-0.5%) and Malta (-0.5%) recorded decreases in their labour productivity, while most of the other Member States showed growth just above or below 1% - notable exceptions are Slovenia (+3.2%) and the Netherlands (+2.1%). Outside the Euro area, Romania (+5.6%), Latvia (+4.0%) and Slovenia (+3.2%) recorded robust productivity growth, while the Czech Republic (+0.2%), Denmark (-0.1%), and Finland (+0.4%) showed rather weak growth (see Chart 27).

Chart 27: Labour productivity, nominal compensation per employee and nominal unit labour cost



Source: DG EMPL calculations based on Eurostat [namq_aux_lp], [namq_aux_ulc]
Note: Not seasonable adjusted data.

... but growth in nominal compensation per employee was also weak in most Member States

Growth in nominal compensation per employee remained subdued in the European Union in the fourth quarter of 2013 (as compared with the fourth quarter of 2012), with some Member States even showing strong decreases.

In the Euro area, Cyprus (-6.5%), followed by Portugal (-0.4%) and Malta (-0.3%) recorded a strong decrease in their average nominal compensation per employee, while growth remained rather subdued in Belgium (1.8%), Germany (1.8%), France (1.6%), Italy (1.5%) and the Netherlands (1.4%), but picked in Spain (+2.2%) and Finland (+2.3%) and rose sharply in Estonia (8.8%). Outside the Euro area, Romania (+6.2%), Lithuania (+5.0%) and Bulgaria (+4.2%) recorded very strong growth in nominal compensation per employee. See Chart 27.

... so that deflationary pressures in the Euro area strengthened

In the Euro area, nominal unit labour cost growth (i.e. growth in nominal compensation per employee adjusted for productivity growth) weakened notably in the last quarter of 2013 (as compared with the same quarter in 2012) - with Cyprus and Greece even showing strong decreases. See Chart 27. Weakening nominal unit labour cost growth is a driver of cost-push deflationary pressures which — in combination with nominal interest rates close to their lower bound in the face of sharp output gaps — may lead to a significant weakening of growth and employment.

Within the Euro area, the strongest decreases in nominal unit labour cost are to be found in Cyprus (down by -5.4%) and Greece (-4.7%), while moderate decreases are recorded for Slovakia (-1.5%) and the Netherlands (-0.8%). Apart from Estonia, which recorded a very strong 8.8% increase (as compared with the fourth quarter of 2012), the other Member States of the Euro area showed weak growth in their nominal unit labour cost. In Germany, nominal unit labour cost grew by 1.1% in the fourth quarter of 2013, by 1.0% in France, by 0.7% in Italy, and by 1.7% in Austria.

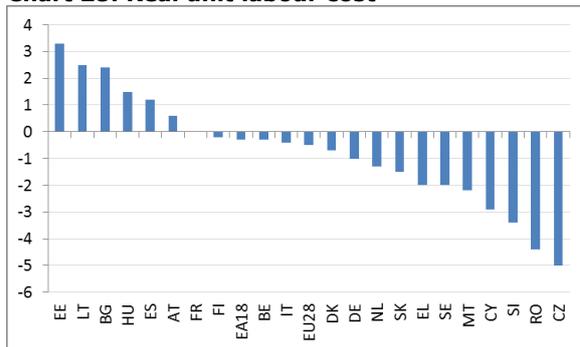
Outside the Euro area, Lithuania (3.6%) and Hungary (3.4%) showed rather robust growth in nominal unit labour cost increased in the fourth quarter (as compared with the fourth quarter in 2012). However, several Member States outside the Euro area also showed weak nominal unit labour cost growth, i.e. Denmark (0.8%) and even decreasing in the Czech Republic (-3.0%).

.. but real unit labour cost decreased rapidly in several Member States.

Real unit labour cost (which is the nominal unit labour cost adjusted for prices and which also measures the labour income share) decreased rapidly in several Member States in the fourth quarter of 2013 – reflecting weaker growth in compensation per employee (adjusted for output prices) than labour productivity (see Chart 28).

By far, the sharpest decreases in real unit labour cost in the fourth quarter of 2013 (as compared with the fourth quarter of 2012) are to be found in the Czech republic (-5.0%), Romania (-4.4%), and Slovenia (-3.4%), followed by Cyprus (-2.9%), Malta (-2.2%) and Sweden (-2.0%). A notable development was that in Spain the real unit labour cost increased for the first time since the fourth quarter of 2009 — due to a much stronger increase in real compensation per employee than productivity, primarily triggered by the ongoing GDP price disinflation with an increase of only 0.2% in the fourth quarter (as compared with the same quarter in 2012).

Chart 28: Real unit labour cost

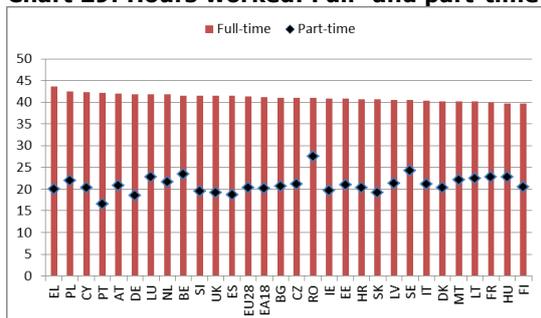


Source: Eurostat, [namq_aux_ulc]

The number of hours worked remained on average fairly stable

The third quarter of 2013 (i.e. a quarter for which data are available for all Member States), full-time workers in Greece performed the highest average number of actual weekly hours of work in a main job, i.e. 43.7 hours, followed by workers in Poland (42.5 hours), Cyprus (42.4 hours), Portugal (42.2 hours) and Austria (42.1%). The lowest amount of hours worked by full-time workers was recorded in Finland (39.7 hours), followed by Hungary (39.8 hours) and France (40.0 hours). At the same time, part-time workers in Romania worked the longest hours, i.e. on average 27.5 hours, followed by workers in Sweden (24.3 hours) and Belgium (23.5 hours). The lowest amount of hours worked by part-time workers was found in Portugal (16.6 hours), followed by Germany (18.5 hours) and Spain (18.7 hours). See Chart 29.

Chart 29: Hours worked: Full- and part-time



Source: Eurostat, [lfsq_ewhais]

Note: average number of actual weekly hours of work in main job

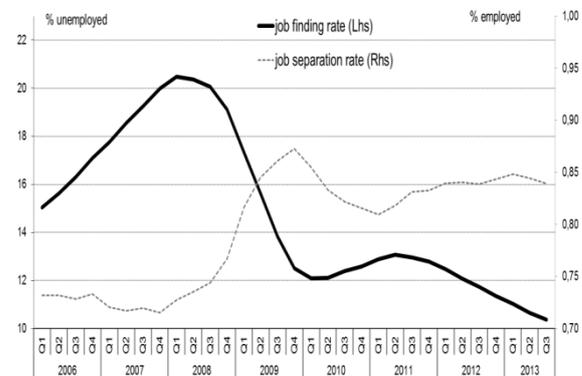
Labour demand: vacancies, labour shortages and hiring activity

The EU's job finding rate has decreased from an already low level, while the job separation rate has stabilised.

The EU job finding rate¹⁰ decreased again in the third quarter of 2013 to 10.4%¹¹ (see). This was its lowest level in the past year, showing that it is becoming increasingly hard for an unemployed person to find a job. The job separation rate¹² was 0.84% in 2013 Q3 (see Chart 30).

The EU's job finding rate remained low over the past year compared with the pre-crisis period. In the second semester of 2012, it dropped below 12% from an average of over 20% five years ago (see Chart 30). The EU job separation rate has remained high since 2009, growing moderately to 0.87% in the last quarter of 2012, 0.14 percentage points higher than five years previously.

Chart 30: Job finding and job separation in the EU (scale varies)



Source: Eurostat; LFS (DG EMPL estimation)

The fall in the number of people starting new jobs has spread across many sectors of the EU economy

In many sectors fewer people have started a new job in the third quarter of 2013. The

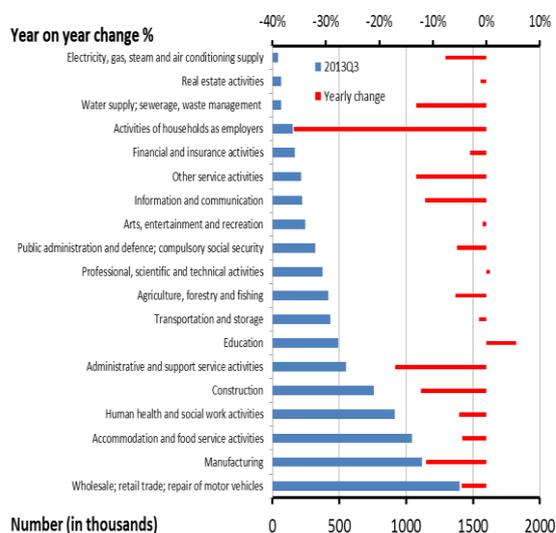
¹⁰ Monthly ratio of the number of people starting new jobs to those who are unemployed. People starting a job include those previously in work and those changing jobs (employment to employment flow), those unemployed (unemployment to employment) or those not in the workforce (inactivity to employment).

¹¹ Weighted average of the four quarters preceding the estimated quarter.

¹² Monthly ratio of the number of people who quit their job to the number of people in employment.

number of people starting new jobs has decreased in the wholesale and retail trade by 4.6% (over the year to the third quarter of 2013), in manufacturing by 11.2%, in accommodation and food service activities by 4.5%, in human health and social work activities by 5.1%, in the construction sector by 12.2% and in administrative and support service activities by 17.0%. In the education sector, however, there has been an increase (of 5.6%) in the number of people starting a job.

Chart 31: Number of people starting a new job and Year-on-year change in the third quarter of 2013 by NACE sector (scale varies)



Source: Eurostat; LFS (DG EMPL estimation)

According to the recently published European Vacancy Monitor, vacancies were fairly stable in the third quarter of 2013, except for some increase in the public sector.¹³ In the fourth quarter of 2013 the EU job vacancy rate rose compared to the level a year ago (1.6% against 1.4% in 2012Q4), with a rate above the EU level in only three of the ten Member States for which data are available – Belgium, Germany and the UK.¹⁴

In the quarters between 2013Q1 and 2014Q1, there were increases in the labour shortage indicator at the EU level at the same time as unemployment remained fairly stable. Increases between the last quarter of 2013 and the first quarter of

2014 were particularly significant in Slovenia (+4.7 pps), the Czech Republic (+2.6 pps) and Croatia (+2.4ppt), while the strongest declines were registered in the UK (-6.2 pps) and Estonia (-3.1 pps).

The latest Manpower Employment Outlook Survey provides with a measure of hiring expectations between January and March 2014.¹⁵ Despite continuing economic challenges and widespread uncertainty in the global labour market, first-quarter research reveals that at the global level the majority of hiring managers will continue to add to their workforces by varying degrees during the first quarter of 2014. In Europe, positive hiring activity is expected in 12 of the 19 Member States covered by the Survey.¹⁶ The strongest hiring plans for the first quarter of 2013 are in Poland, where the Outlooks improve in most sectors and regions in both quarter-on-quarter and year-on-year comparisons. In Greece, employer hiring plans are positive for the second consecutive quarter, and employers report the strongest outlook since the fourth quarter of 2008. Irish, Italian and Spanish employers continue to predict weak labour markets, with the weakest hiring intentions reported by employers in Italy, where employer hiring plans have improved slightly from three months ago but remain negative and unchanged from year-ago levels.

Latest data for January 2014 from EUROCIETT17 report a growth of 4.8% in the number of hours worked by agency workers in Europe.¹⁸ This means growth is still accelerating ever since the first positive growth in October last year, however not as quickly as during the last recovery, in Q1 of 2010. Today, Poland, Denmark and Italy show the biggest growth in the European market.

¹⁵ The Manpower Employment Outlook Survey is a forward-looking employment survey polling over 65,000 employers in 42 countries and territories to measure their intentions to increase or decrease the number of employees in their workforce during the next quarter.

¹⁶ For details see:

<http://www.manpowergroup.com/wps/wcm/connect/manpowergroup-en/home/thought-leadership/meos/#.UxYSC3ct58F>

¹⁷ Available at:

http://www.eurociett.eu/fileadmin/templates/eurociett/docs/stats/Eurociett_March_2014_Agency_Work_Business_Indicator.pdf

¹⁸ The weighted European average is determined by the surveyed countries share of the European agency work market in 2012. The countries contributing to the weighted European Average account for 62.6% of the agency work market in Europe.

¹³ Available at:

<http://ec.europa.eu/social/main.jsp?catId=955>

¹⁴ BE, CZ, DE, ES, NL, RO, SK, FI, and UK (as for the 3rd March 2014).

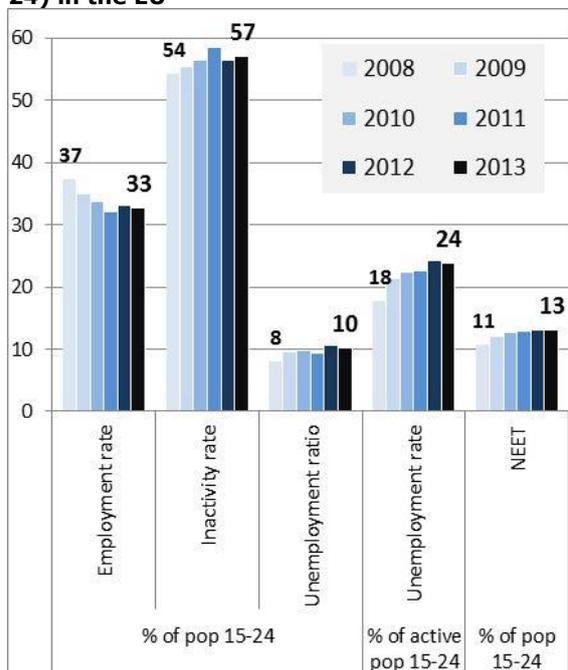
Labour market and social situation for selected groups

Youth

Labour markets for youth in the EU have shown signs of stabilising since mid-2013

Monthly developments in 2013 and in January 2014 indicate stabilisation in unemployment for youth (see Chart 14). Over the year to the third quarter of 2013 unemployment was already down by 1% - the first year-on-year decline since mid-2011. Inactivity and the number of people not in employment, education or training (NEET) also decreased by 1% and 2%, respectively over the same period (see Chart 32).

Chart 32: The labour market for youth aged 15-24 has stabilised, but it remains much weaker than prior to the downturn
Employment rate, unemployment ratio and NEET rate (% of population 15-24) and unemployment rate (% of labour force 15-24) in the EU



Source: Eurostat, EU LFS, data non-seasonally adjusted, (DG EMPL estimation, average of four quarters to quarter 3)

Young people, hit severely during the downturn, still face many challenges, with historically high unemployment and increasing divergence among Member States

In 2013¹⁹ only a third of young persons in the EU had a job, down from 37% in 2008, often on temporary or part-time basis. More than 40% of young employees had temporary jobs, 3.5 times more than prime-age adults. Nearly a quarter of young people – a constantly increasing share, work part-time, up from less than 20% in 2008. Unemployment affected around 10%²⁰ of young people aged 15-24 in the EU, up from 8% in 2008.

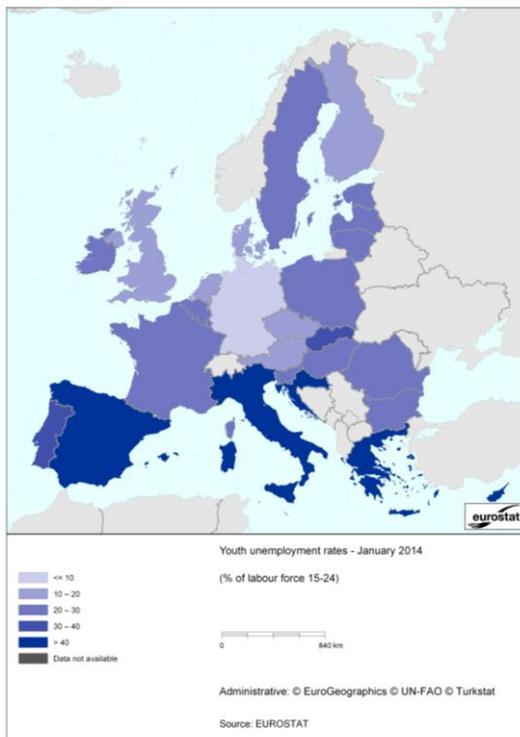
Unemployment, with the rate at 23.4% in January 2014, affects 2.5 million young women and 3.1 million young men aged 15-24. Considerable disparities exist among Member States, despite improvements in half of them over 2013 (except for a surge in Cyprus, Estonia and Italy). The unemployment rate ranges from around 10% or less in countries little affected by labour market deterioration, i.e. Austria, Germany and the Netherlands, to more than half of the young active in the labour market being unemployed in Greece and Spain – nearly a triple compared to 2008.

In 2013²¹, unemployment affected around 10% of young people aged 15-24 in the EU, up from 8% observed in 2008. However, also people aged 25-29 who often enter the labour market after graduation, require policy attention, because they suffer from a similar lack of job opportunities (with the unemployment ratio of 10% as well).

¹⁹ Average of four quarters 2012q3-2013q3

²⁰ The unemployment-to-population ratio.

²¹ Average of four quarters 2012q3-2013q3

Chart 33: Youth unemployment rates in Europe, January 2014


	Youth unemployment rate ²²	ppt change (y-o-y)
EL	59.0	0.6
ES	54.6	-1.2
HR	49.8	-0.4
IT	42.4	4.0
CY	40.3	8.0
PT	34.7	-5.6
SK	31.3	-3.1
BG	30.0	2.2
PL	27.4	-0.3
IE	26.0	-2.2
FR	25.4	-0.7
HU	24.5	-3.8
BE	24.3	1.7
RO	23.6	0.8
LV	23.5	-0.9
EU28	23.4	-0.3
SI	23.3	0.4
SE	22.9	-0.6
EE	22.7	4.1
LU	21.4	2.9
LT	21.1	-2.0
UK	20.0	-0.6
FI	19.7	-0.1
CZ	19.1	0.4
MT	15.3	1.7
DK	13.7	0.6
NL	11.1	0.8
AT	10.5	1.4
DE	7.6	-0.2

²² RO: September 2013; EE, EL, and UK: November 2013; HR, CY, LV, HU, and SI: December 2013.

Differences between the unemployment rates and the unemployment ratios reflect disparities in the activity levels of young people in different Member States.

At EU level, nearly 60% of young people were inactive in 2013²³, with variations among Member States of between 30% and 75%. In nine out of 10 cases this was because of enrolment in education. High unemployment rates of young people in Spain and especially in Greece and Croatia, and low rates in Austria, Germany and the Netherlands partially reflect differences in labour market participation (higher in the latter group), including in the employment of young people. Consequently, the disparities between the unemployment rate and the unemployment-to-population ratio are the highest in the first group and lowest in the latter one. This results in a lower variation in the unemployment-to-population ratio among Member States.

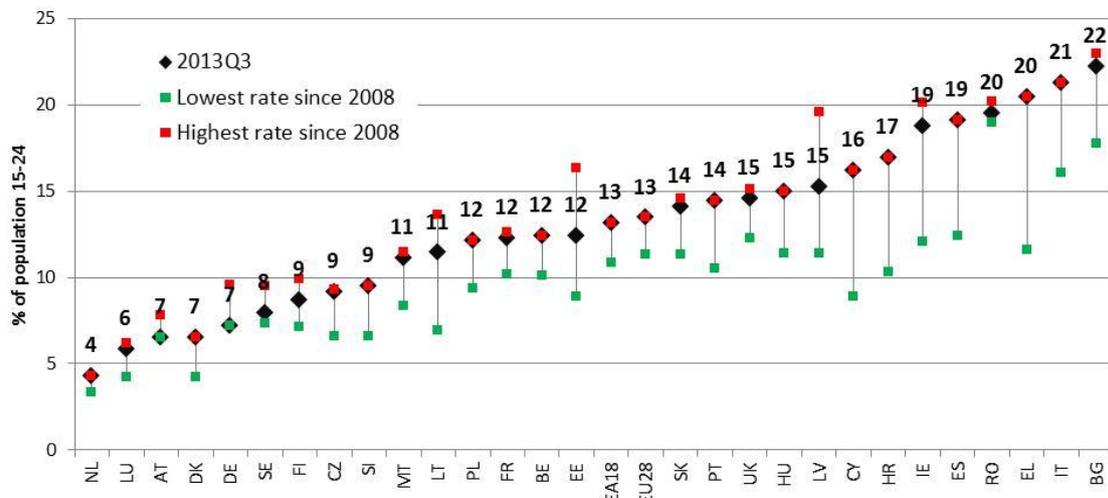
Young people who are neither in employment nor in education or training (NEET) should remain the main policy focus

Around 70% of young people remained in education in the EU in 2013²⁴. However, the share of those who are not in education or employment picked up from below 11% in 2008, to around 12.5% in 2010, and then has broadly stabilised since 2011 at around 13%. Considerable disparities exist among Member States, ranging from less than 5% in the Netherlands to more 20% or more in southern Europe, while in Baltics the NEET is on downturn (see Chart 34).

²³ Average of four quarters 2012q3-2013q3

²⁴ Average of four quarters 2012q3-2013q3

Chart 34: The share of young people not in education or employment varies among Member States and remains higher than before the downturn in most of them
NEET rate for the EU, EA and Member States



Source: Eurostat, EU LFS, data non-seasonally adjusted (DG EMPL estimation average of four quarters)

Young people face high poverty risk, but variations among countries reflect household composition

The risk of poverty among young people (16-24), which stood at 23.1% in 2012, and is higher than among adults (around 15%) is not straightforward to assess. While it is understandable that lack of experience and high education is penalised in terms of wages, the household composition blurs the comparison across Member States. The variations between adults and youth rates are clearly impacted by the incidence of young people sharing household with their parents. The poverty gap has been the highest in Denmark, Finland, and Sweden – where less than 60% of young people live with parents and one of the lowest in Belgium, the Czech Republic, Malta and Slovakia where the share is above 85% transitions.

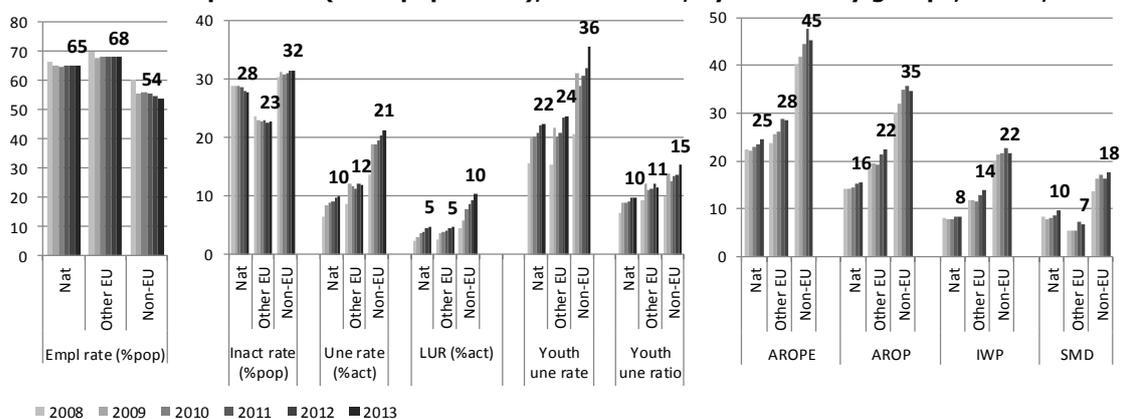
Migrants

Labour markets in the EU for third country migrants continued to deteriorate, and remain a challenge

Third-country migrants account for nearly 5% of the EU population. Their labour market situation has always been more severe than that among nationals, with significantly subdued activity and employment and double the unemployment rate (20%). The labour market continued to weaken up to the third quarter of 2013, as third-country migrants were increasingly unemployed for longer on the account of weaker employment. Weaker labour market development pushed migrants into poverty or social exclusion, which had always been less favourable (see Chart 35).

Chart 35: Labour market for third-country migrants in the EU continued to deteriorate in 2013 and remains worse than for Europeans.

Employment rate, inactivity rate (% of pop 15-64), unemployment rate, long-term unemployment rate (% of active pop 15-64), youth unemployment rate (% of active pop 15-24) and unemployment ratio (% of pop 15-24), 2008-2013 q3, at-risk-of-poverty-or-social-exclusion rate, at-risk-of-poverty rate (% of pop 18-64), in-work poverty rate (% of employed 18-64), severe material deprivation (% of pop 18-64), 2008-2012, by nationality groups, EU-27,



Source: Eurostat, EU LFS and EU SILC, data non-seasonally adjusted (DG EMPL estimation, average of four quarters to quarter 3 for labour market indicators)

Supplements to the EU Employment and Social Situation Quarterly Review

**S1. Labour market transitions before and during a severe
economic downturn: some evidence from micro-economic data**

S2. Trends in poverty and social exclusion between 2011 and 2012

**S3. Trends in social expenditure and distributional impact of policy
changes until 2013**

S1. Labour market transitions before and during a severe economic downturn: some evidence from micro-economic data

This supplement provides some empirical evidence on labour market transitions in the European Union before and during the economic downturn that started in 2008²⁵ – using micro-economic EU SILC data²⁶ (for the Member States for which data are available²⁷).

A search and matching model underpinned the empirical analysis of conditional transition probabilities. In such model labour market transitions are triggered by mismatches between reservation wages and productivity. For instance, as an economy goes into recession, the productivity of many matches falls below the required reservation wage, which leads to an upsurge in job destructions and increased inflows into unemployment. At the same time, firms reduce their hiring activities and post fewer vacancies so that the flows from unemployment to employment are reduced. Both effects reduce employment and increase unemployment.

Comparing labour market transitions in the European Union as a whole in 2010 with transitions in 2006, the analysis shows that employment stability declined significantly in 2010 whereby a transition to unemployment was the most important destination on leaving employment; that transitions of men and young people were most strongly affected; and that the stepping-stone function of temporary employment (whereby workers on temporary contracts move up to a permanent contract) reduced notably.

The following charts provide some further details.²⁸

Transitions from employment

This section shows estimates of the impact of individual characteristics (i.e. gender, age and skills) on the probability to transit from employment (E) to another labour market state (i.e. self-employment (S), unemployment (U), education (Ed) or inactivity (I)) in 2006 and 2010.

Chart 1 shows the changes in the transition probabilities of the reference groups between 2006 and 2010.²⁹ These reference categories are women for gender, 35-54 years old for age, and medium skilled for skill level. The chart shows that the probability to transit from employment to unemployment increased for women by 0.7 percentage point (pps) in 2010 compared with 2006, for 35-54 years old workers by 1.2 pps and for medium-skilled workers by 1.2 ppt. At the same time, the probability to stay employed was for women 0.7 pps lower in 2010 than in 2006, 0.9 pps for 35-54 years old, and 1.1 pps for medium-skilled workers.

²⁵ I.e., based on the "Study on labour market transitions using micro-data from the Statistics on Income and Living Conditions (SILC)", executed by Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI) with funding of the European Union Programme for Employment and Social Solidarity - PROGRESS (2007-2013) (contract VC/2013/0020)

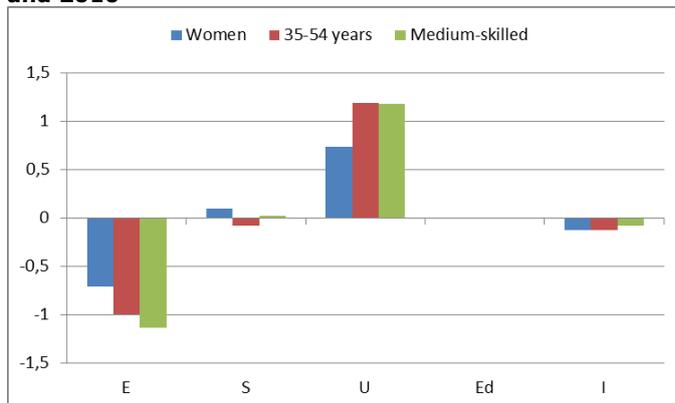
²⁶ Applying advanced econometric techniques, i.e., multinomial logit estimation techniques that recognize more than two possible discrete outcomes, *in casu* the labour market states employment, unemployment, self-employment, education and inactivity.

²⁷ 2010 SILC releases not available for Germany, Croatia and Romania, but including Iceland and Norway.

²⁸ See RWI (2014) for an elaborated discussion of the estimation results.

²⁹ Technically speaking: the values shown in Chart 1 reflect the point estimates of a "crisis dummy" which is 0 in 2006 and 1 in 2010, thereby measuring the impact of the crisis on the transition probability of the reference category, i.e. women, medium skilled, and 35-54 years old.

Chart 1: Change in transition probability from employment for reference categories between 2006 and 2010



Source: RWI (2014, Tables A.6.5, A.6.7 and A.6.9)

Note: E: employment, S: self-employed, U: unemployed, Ed: education, I: inactive

Note: the bars reflect the value of the point estimate of a "crisis dummy" which is 0 in 2006 and 1 in 2010, thereby measuring the impact of the crisis on the transition probability of the reference category, i.e. women, medium skilled, and 35-54 years old.

Note: only statistically significant estimates for E and U.

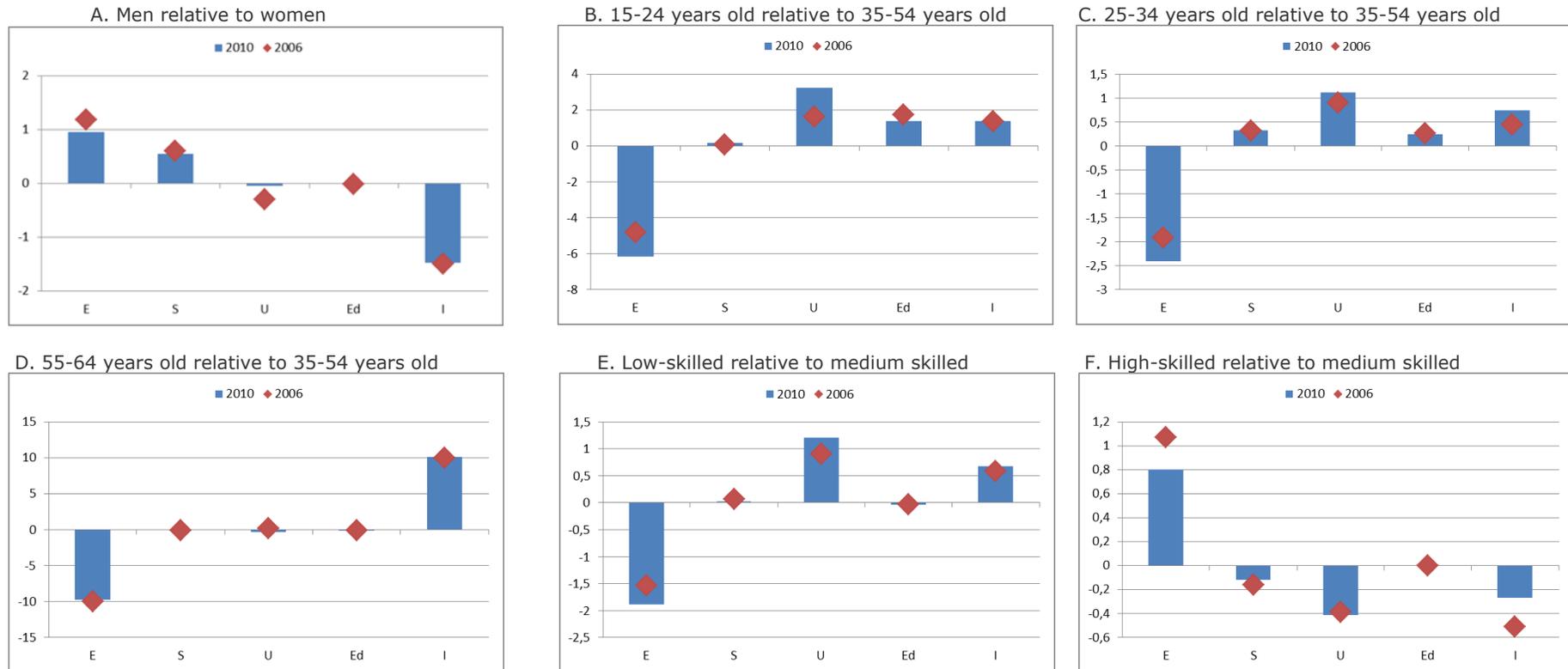
Chart 2 shows transition probabilities from employment for the other groups of workers (relative to the reference category): the blue bars show the transition probabilities in 2010, while the red stars show the probabilities in 2006. All individual covariates that were included in the regression analysis have intuitive signs and are significant in most cases. The estimation results can be summarised as follows.

In 2010, employed men were 0.9 pps more likely to remain employed than women, compared to 1.2 pps in 2006. Men were about 1.5 pps less likely to become inactive than women in 2010 – which is almost the same as in 2006, see Chart 2.A. Here it should be noted that these estimates are corrected for individual and occupational characteristics of the employees, which implies that they take into account the often stronger sensitivity of men's job opportunities to the business cycle. In other words, the estimated convergence of probability in employment stability may reflect structural changes in labour market behaviour – such as a decrease in discrimination against female workers.

In 2010, the probability to remain employed was highest for those aged between 35 and 54 years and lowest for those aged between 55 and 64 years, see Charts 2.B, 1.C and 2.D. The probability of making a transition from employment to unemployment was highest for the youngest cohort (aged 15-24) in both periods, even increasing by 1.6 pps (compared to the 35-54 cohort) between 2006 and 2010.

Finally, the employment stability of the low-skilled decreased by 0.4 pps compared to the medium skilled between 2006 and 2010, see Charts 2.E. At the same time, their probability to become unemployed or inactive increased, up from respectively 0.9 pps and 0.6 ppt. in 2006 to respectively 1.2 pps and 0.7 pps in 2010. Not surprisingly, the high-skilled workers had a lower probability to become unemployed or inactive than their medium-skilled and low-skilled counterparts in 2010 – albeit that it was less pronounced than in 2006, see Chart 2.F.

Chart 2: Probability of transition from employment in 2006 and 2010 (scales vary)



Source: RWI (2014, Table A.6.13 and Table A.6.15)

Note: E: employment, S: self-employed, U: unemployed, Ed: education, I: inactive



Transitions from unemployment

Charts 3 shows to what extent individual characteristics affected the probability to transit from unemployment into another labour market state in 2006 and 2010. Changes in the transition probabilities from unemployment for reference categories between 2006 and 2010 are not shown as they did not include statistically significant estimates.

Unemployed men were 4.9 pps more likely to remain unemployed than women in 2010 (up from 0.5 pps in 2006). Nevertheless, an unemployed man was about 3 pps more likely to find a job than a woman in 2010 (but down from 6.7 pps in 2006), and also 9.3 pps less likely to become inactive (about the same as in 2006).

In 2010, young persons were about 8 ppt. more likely to make a transition from unemployment to employment than the 35-54 years cohort, while older persons were about 17.5 ppt. less likely than the 35-54 years cohort. Nevertheless, for the young cohort this probability decreased by about 4 pps between 2006 and 2010, while it increased for the older workers by about 2.5 pps.

In 2010, the low skilled were 7.4 pps more likely to remain unemployed than the medium-skilled (about the same as in 2006), but they were still 6.3 pps less likely to transit from unemployment to employment than the medium skilled (compared to 8.8 pps 2006), see Charts 3.E. By contrast, unemployed high skilled workers experienced a strong increase in their probability to stay unemployed (compared to the medium skilled), while their probability to get employed also decreased, down by 2 pps between 2006 and 2010.

Transition from temporary employment

Charts 4 shows to what extent individual characteristics affect the probability to transit from temporary employment to another labour market state (including permanent employment). Most estimated coefficients display intuitive tendencies, but several are not statistically significant.³⁰

Men were about 2 ppt. more likely to move from temporary to permanent employment than women in 2010, compared to 3.4 pps in 2006, see Chart 4.A. They were also about 2 ppt. less likely to become inactive in 2010, compared to 2.6 pps in 2006. Again, it should be noted that these estimates are net of job characteristics, so that the change in the estimated parameter values may indicate structural changes such as less discrimination against female workers.

In 2010, the youngest and oldest age cohorts were respectively 3.2 and 8.0 ppt. less likely to remain in temporary employment than the middle-aged group, compared to respectively 1.5 ppt. and 4.0 pps in 2006, see Chart 4.B. Young workers on a temporary contract were about 1.4 ppt. more likely to move into education than the 35-54 years old in 2010, compared to 3.3 ppt. in 2006; and they were also about 3.6 ppt. more likely to transit to unemployment than the 35-54 years old.³¹ The oldest workers on a temporary contract were about 11.9 pps more likely to become inactive than the 35-54 years old in 2010, compared with 9.8 pps in 2006.

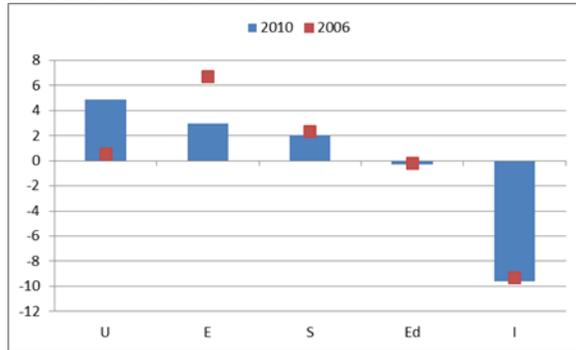
Chart 4.E to 4.F show that low-skilled workers on a temporary contact were 2.9 pps less likely to move to a permanent-contract job than medium-skilled workers in 2010, compared to 4.7 pps in 2006. However, they were also 4.8 ppt. more likely to become unemployed than the medium-skilled workers in 2010, compared to 2.9. pps in 2006. Finally, in 2010 the high-skilled workers on a temporary contract were more likely to remain on temporary contracts and less likely to transit into unemployment and inactivity than the other skill groups – though these differences in probability have decreased notably between 2006 and 2010.

³⁰ This could be due to a lack of statistical power since these regressions are restricted to those individuals that transfer from temporary employment and this is a smaller group than those permanently employed. Change in transition probability from temporary employment for the reference categories between 2006 and 2010 is not shown because they did not include significant estimates.

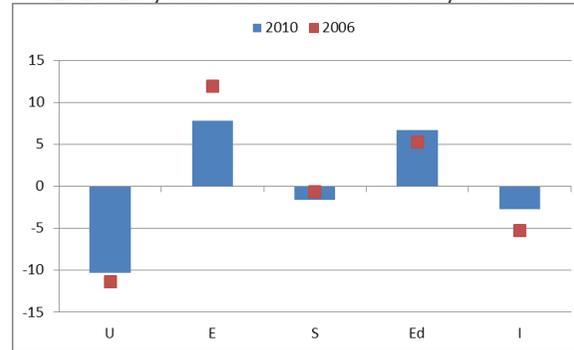
³¹ No significant estimate for 2006.

Chart 3: Probability of transition from unemployment in 2006 and 2010 (scales vary)

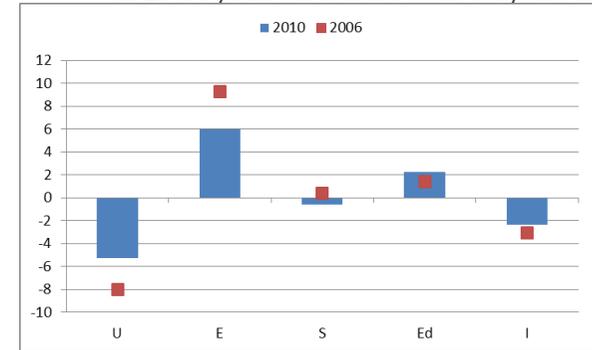
A. Men relative to women



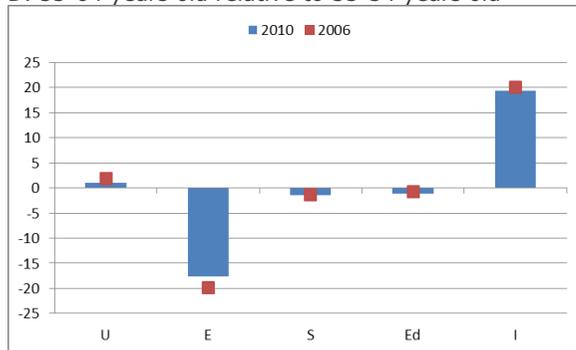
B. 15-24 years old relative to 35-54 years old



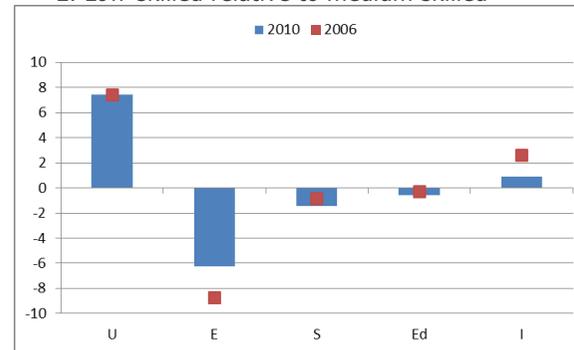
C. 25-34 years old relative to 35-54 years old



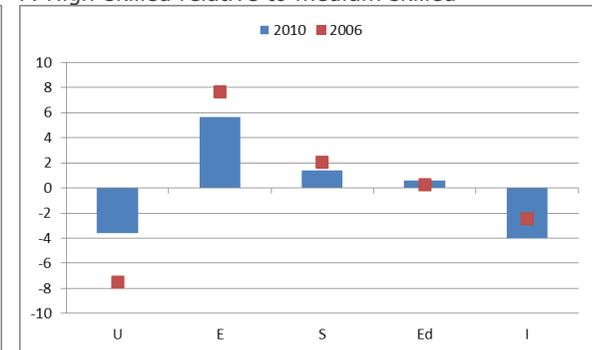
D. 55-64 years old relative to 35-54 years old



E. Low-skilled relative to medium skilled



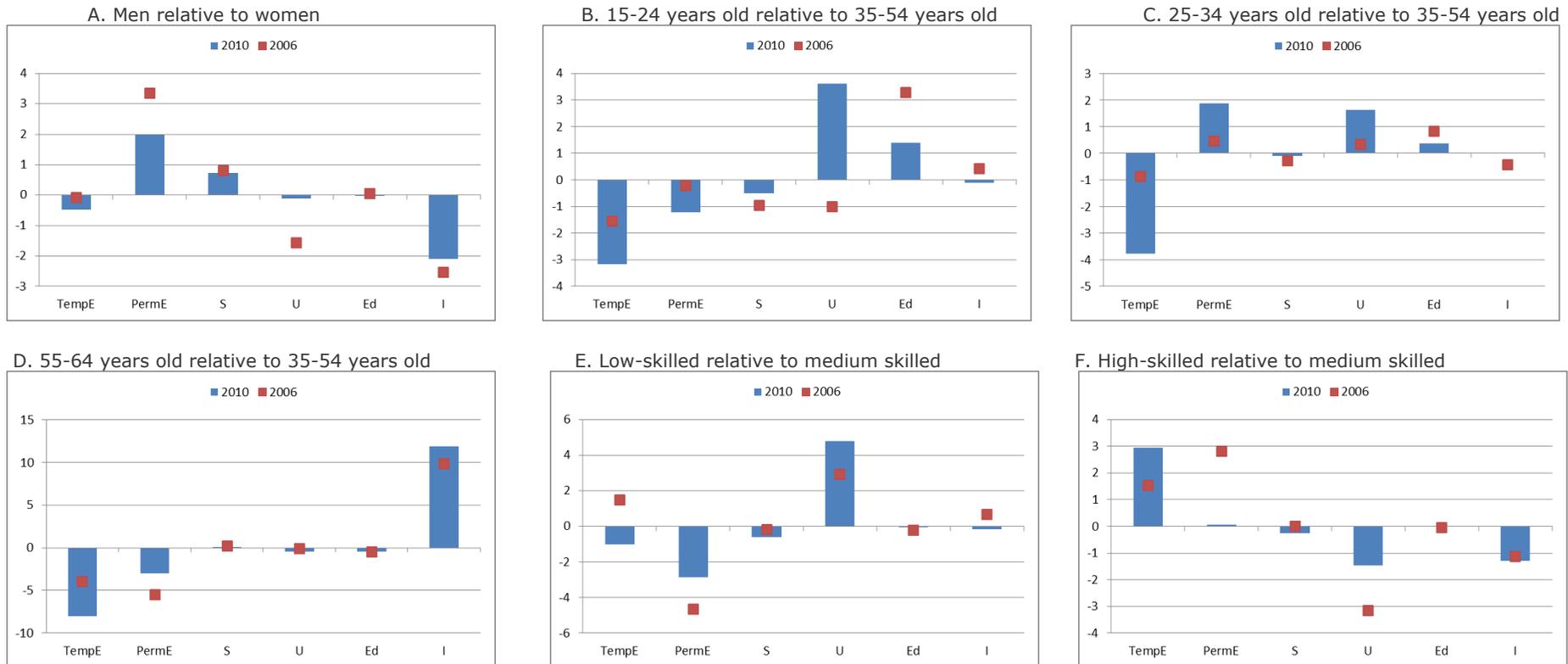
F. High-skilled relative to medium skilled



Source: RWI (2014, Table A.6.61 and Table A.6.63)

Note: E: employment, S: self-employed, U: unemployed, Ed: education, I: inactive

Chart 4: Probability of transition from temporary employment in 2006 and 2010 (scales vary)



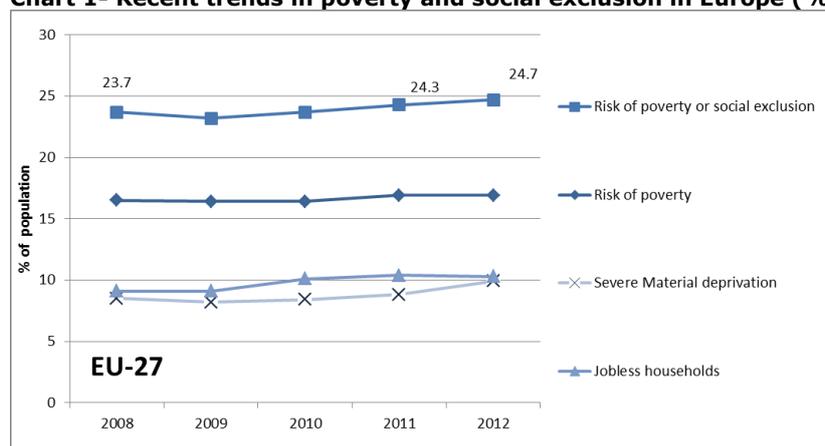
Source: RWI (2014, Table A.6.31 and Table A.6.31)

Note: E: employment, S: self-employed, U: unemployed, Ed: education, I: inactive

S2. Trends in poverty and social exclusion between 2011 and 2012

The latest survey data indicated that poverty would continue to increase in 2012, particularly in a few countries where economic and labour market conditions had continued to deteriorate. In the EU-28,³² 24.8% of Europeans were affected by the risk of poverty or social exclusion³³ in 2012, an increase of 0.5 pps since 2011 (see Chart 1). This corresponds to 124 million people (123 million in the EU-27).³⁴

Chart 1- Recent trends in poverty and social exclusion in Europe (% of the population)



Source: Eurostat, EU-SILC

The at-risk of poverty or social exclusion increased in one third of the Member States between 2011 and 2012

Between 2011 and 2012, the share of the population at risk of poverty or social exclusion increased in a third of the EU's Member States (see Chart 2): EL, CY, IE, IT, RO, HU, MT and PT. It dropped in HR, BG, BE and ES, but this decrease is partly explained by a fall in the poverty threshold, reflecting lower overall living standards in these countries (see below). Rates also increased in countries with relatively low levels of poverty and social exclusion, such as the UK, LU and AT.³⁵ In the Baltic States, especially LV, the situation remained stable or even improved due to economic recovery in recent years, following a profound shock just after the crisis. Nevertheless, poverty and social exclusion remain high in these Member States.

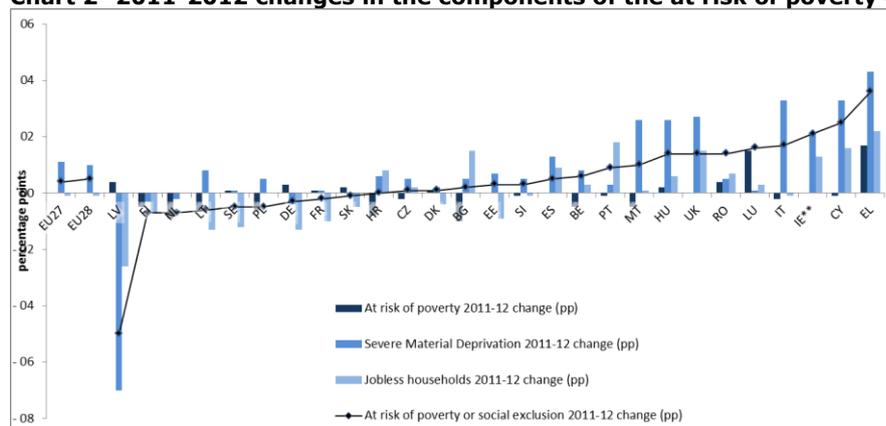
³² NB: Croatia did not join the EU until 2013.

³³ The EU poverty and social exclusion headline target is determined on the basis of three indicators: the at-risk-of-poverty rate, the severe material deprivation rate and the share of people living in very low work-intensity (quasi-jobless) households. It covers people in any of these categories and, while very broad, reflects the many facets of poverty and social exclusion across Europe.

³⁴ See also annexes to the Communication *Taking stock of the Europe 2020 strategy for smart, sustainable and inclusive growth*. Social Europe, *Many ways, one objective*, March 2014.

³⁵ In AT, the information process has changed; information from additional administrative sources (mainly as regards income) was introduced between 2011 and 2012. This resulted in a change in income distribution and a break in series. For this reason, SILC results regarding incomes for AT are not commented on further. However, as the Euromod nowcast exercise is based on *ex-ante* information, it is not affected by the break in series and is commented on.

Chart 2- 2011-2012 changes in the components of the at risk of poverty or social exclusion (pp)



Source: Eurostat, EU-SILC

In a number of countries, the poverty threshold declined, reflecting a general deterioration of living conditions

The average at-risk-of-poverty rate (relative income poverty) remained stable at EU level between 2011 and 2012, but this hid diverging national developments, with a particularly sharp increase in EL. However, changes in the rate must be considered alongside changes in the poverty threshold, which shifts in line with total income. The combination of labour market deterioration and the weakening stabilising effect of social protection over time³⁶ may result in marked declines of household disposable incomes and thereby drops in the poverty threshold (defined as 60% of median equivalised income). In such cases, changes in the (relative) risk-of-poverty rate do not necessarily reflect changes in the actual income situation of households. The anchored poverty rate, using a threshold fixed at 2008 value (updated by inflation) over time, helps to disentangle the two effects.

EL has seen a strong increase in the risk of poverty (by 1.7 pps since 2011), accompanied by a strong drop in the risk-of-poverty threshold (by 14.3% since 2011). If the poverty threshold had remained at the 2008 level (updated by inflation), the risk of poverty in EL would have increased by 15.7 pps between 2008 and 2012 (see Chart 3). In ES, IT, IE and LT, poverty rates and poverty thresholds have decreased or stagnated. However, the anchored poverty rates increased significantly in these countries, indicating a deterioration of households' social situation.

Nowcasting the at-risk of poverty to 2013

Currently available Eurostat statistics on poverty and social exclusion go up to 2012, i.e. covering 2011 income distribution. The lack of timely information³⁷ from income surveys has led to the development of alternative indicators, such as financial distress.³⁸ A micro-level approach, 'nowcasting', is also possible. This has the advantage of reflecting changes in different parts of the income distribution, shifts in tax-benefit policies and developments on the labour market.

Nowcast exercises provide estimates of change in the distribution of income between households over the period for which EU-SILC data are not yet available, on the basis of changes in household income and employment, taking account of changes in tax-benefit policies.³⁹ On average, past

³⁶ See 'Employment and social developments in Europe', Chapter 3.

³⁷ Eurostat indicators on poverty and social exclusion based on 2014 EU-SILC survey (where income data will still refer to 2013) will be released in December 2015.

³⁸ See *Data sources for the timely monitoring of the social situation in EU Member States* — DG EMPL Working Paper 2/2013 (30.7.2013), I. Engsted-Maquet and P. Minty.

³⁹ Thanks to the more timely release of labour force data, it is possible to take advantage of employment transitions and changes from short- to long-term unemployment, as well as the tax-benefit policy changes included in the EUROMOD microsimulation model, to nowcast the risk of poverty up to 2014.

nowcast exercises have been 95 % accurate,⁴⁰ although accuracy has varied across Member States and over time.⁴¹

Between 2011 and 2013, the at-risk of poverty is estimated to rise in a number of countries and further in Greece

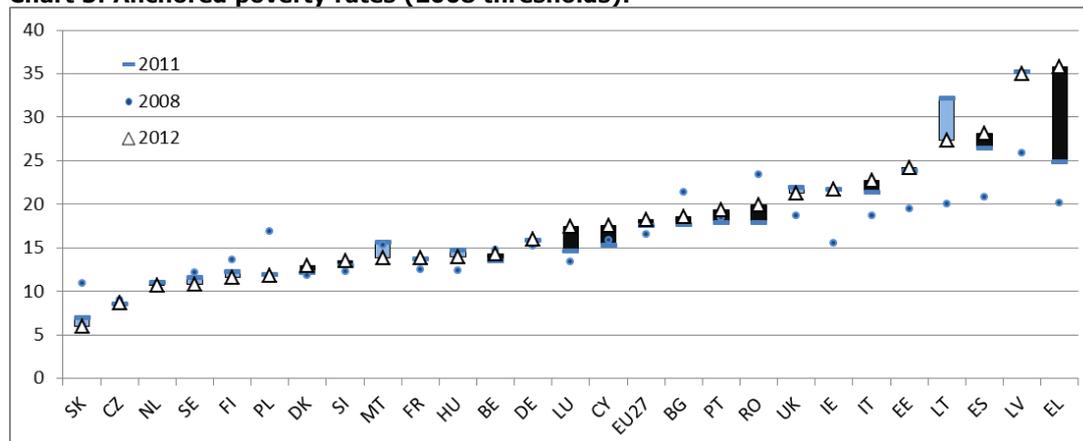
Results⁴² up to 2013 are available for a subset of 13 Member States: DE, EE, EL, ES, FR, IT, LV, LT, AT, PL, PT, RO and FI (see Chart 4). The latest nowcast estimates that at-risk-of-poverty rates will increase further between 2011 and 2013 in EL (by 1.8 pp), RO (1.1 pp), LV (0.9 pps) and EE (0.7 pp), decrease slightly in PT (by 0.8 pps), FR (0.8 pps) and AT (0.6 pps), and stabilise in IT, ES, DE and LT. The estimated decrease in PT is explained by a considerable drop in the poverty threshold (by 5 % in 2012-14). The threshold is also expected to decrease in ES (by 2 %) and more dramatically in EL (by 20 %), which shows the worst combination of increasing relative poverty and falling median income.

Anchored poverty (using a fixed 2009 poverty threshold) is expected to increase in 2011-13 in all of the 13 Member States in question, with the exception of the three Baltic countries and PL (drops of 2.2 % in EE and LT, 1.6 % in LV and 0.7 % in PL).

The advantages of nowcasting where there are structural breaks in EU-SILC data

Nowcast results based on microsimulations are not only useful to overcome the problem of the timeliness of data, but also where there is a break in the series of survey data. EU-SILC data were recently revised on the basis of 2011 censuses. As a result, Eurostat reports series breaks in the 2011 data for LV and 2012 data for LT. In AT, data were adjusted on the basis of administrative data, producing a structural break in 2012 EU-SILC data. For these three Member States, Eurostat statistics on monetary poverty cannot distinguish between actual change in the at-risk-of-poverty rate and the effect of the statistical break. Nowcast results are expected to be more reliable, as they are not based on revised survey data. For LT, for instance, nowcast estimates capture much better the effect of temporary cuts in social benefits since 2010, showing a rising trend in the at-risk-of-poverty rate, while Eurostat statistics show a falling trend. For AT, nowcast estimates show a decrease in the rate, while Eurostat statistics show an increase. For LV, the structural break in EU-SILC data does not significantly affect poverty figures

Chart 3: Anchored poverty rates (2008 thresholds).



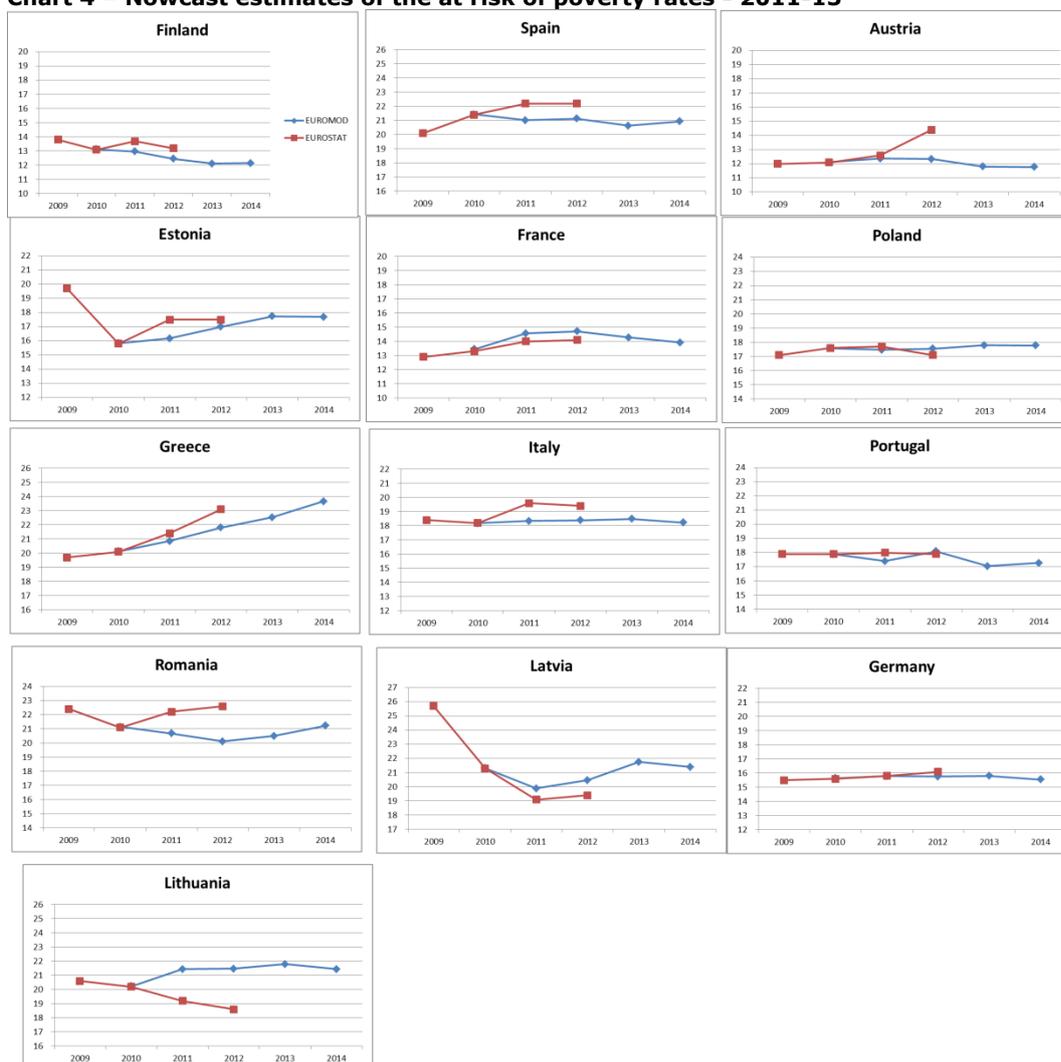
Source: Eurostat, EU-SILC.

⁴⁰ Average of the absolute deviation of calibrated nowcast estimates from Eurostat figures for the years in which both sets of data are available (2010-12), excluding the years in which there is a structural break in the data for some MS (2012 for LT and AT, 2011 for LV).

⁴¹ While for most Member States and years the level of accuracy is close to 100 %, some problems are reported for LT. This might be explained by large macro-economic shocks. In general, nowcast estimates tend to underestimate the rise in the at-risk-of-poverty rate in the Member States most affected by the crisis (by, on average, 5 % in EL, ES and IT) and in RO (by, on average 9 %) and to overestimate poverty figures for FR (by 4 %).

⁴² Results are extracted from *Nowcasting: estimating developments in the risk of poverty and income distribution in 2012 and 2013*, Social Situation Monitor, research note 1/2013.

Chart 4 – Nowcast estimates of the at risk of poverty rates - 2011-13



Source: Euromod

In 2012, severe material deprivation rose, while the share of people living in jobless households stabilized

Between 2008 and 2010, following deterioration in the labour markets and the ensuing rise in unemployment, an upward trend in poverty and social exclusion was driven by the increasing share of individuals living in jobless households. In 2010-11, when growth resumed in many Member States, the share of people living in jobless households tended to stabilise (down 0.1 pp in EU-27 between 2011 and 2012, reference years 2010 and 2011). Joblessness decreased in LV, LT, EE, but also in FI, SE, DE and FR (see Table 1). However, it continued to rise in EL, CY, IE, the UK, PT, ES, BG and HR.

From 2010, as a consequence of sustained hardship, severe material deprivation started to increase significantly across Europe (down by 0.1 pp between 2008 and 2010, but up by 1.1 pp between 2010 and 2012), rising especially sharply in EL, CY, IE, IT, HU, MT, ES and the UK.

Elderly people facing biggest changes in poverty

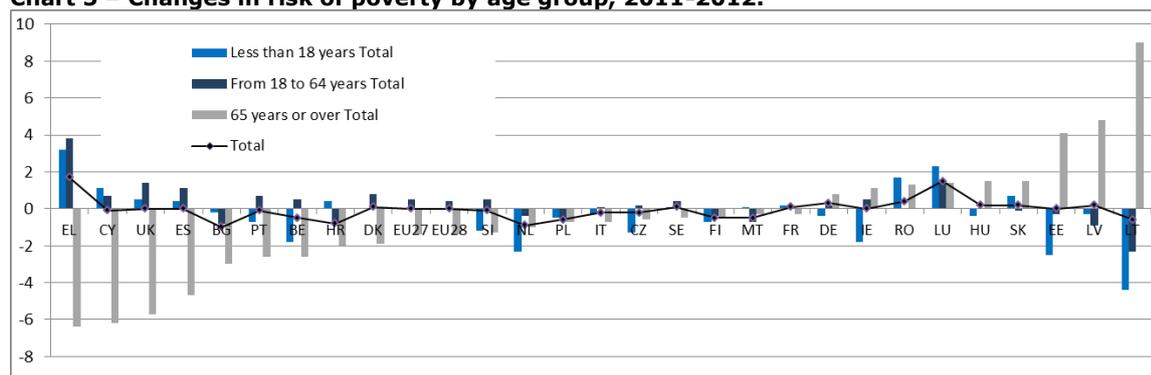
The elderly are the age group that has experienced the biggest change in poverty rates (see Chart 5). The risk of poverty for older persons had declined in most Member States since 2008, and continued to fall between 2011 and 2012 in many (EL, CY, the UK, ES, BG, PT, BE, HR and DK).

The improvement in the relative situation for the elderly reflects the fact that pensions have remained to a large extent unchanged during the crisis, and have in some cases brought pensioners' income above the poverty threshold; however, this is due to changes in total income distribution rather than their economic situation in real terms). Conversely, in the Baltic States, where increases in the poverty threshold were marked between 2011 and 2012 following the sharp drop between 2008 and 2010, the older age group faced an increased risk of poverty.

Working-age adults have been strongly hit in EL, reflecting the deterioration in labour market conditions. As many working-age adults live in households with children, child poverty has also been impacted. In other Member States, poverty among working-age adults remained stable between 2011 and 2012 in a context of resuming growth. It decreased slightly in some Member States where the poverty threshold also fell, e.g. the NL, BE, the CZ and IE.

Between 2011 and 2013, nowcast estimates that the biggest changes in poverty levels in most Member States will continue to affect the elderly. Among Member States where monetary poverty declines are estimated between 2011 and 2013 (FR, IT, AT, PT, FI and particularly ES), the elderly will probably be the group with the most significant decreases. However, in countries where the risk of poverty is expected to increase (EE, LT, RO) or remain stable (LV), the elderly are expected to experience a considerable increase in monetary poverty, particularly in EE and LV (+6 pps). Nowcast estimates that anchored poverty among the elderly will increase in LT and particularly in RO (+1.1 pps) and decrease in EE (following an increase of 7 pp between 2010 and 2012) and LV. The increase in anchored poverty in EE is explained by the slower growth of pensions when economic growth resumed. In EL, working-age adults are expected to be the group most exposed to poverty increases between 2011 and 2013 (+3.0 pps).

Chart 5 – Changes in risk of poverty by age group, 2011-2012.



Source: EU SILC, Eurostat; 2011 for IE

Table 1 - Developments in main social and complementary indicators (2008-2012) and nowcast estimates

	Risk of poverty or social exclusion		At risk of poverty rate		Poverty threshold change (2011-12) (%)	Severe material deprivation		Jobless households		Anchored poverty rate (2008)		Nowcasted at risk of poverty rate		Poverty threshold change (2011*-13*) (%)
	2012, %	2011-12 change (pp)	2012, %	2011-12 change (pp)		2012, %	2011-12 change (pp)	2012, %	2011-12 change (pp)	2012, %	2011-12 change (pp)	2013*, %	2011*-13* change (pp)	
EU27	24.7	0.4	16.9	0.0		9.9	1.1	10.3	-0.1	18.2	1.7			
EU28	24.8	0.5	16.9	0.0		9.9	1.0	10.3	-0.1					
EL	34.6	3.6	23.1	1.7	-14.3	19.5	4.3	14.2	2.2	35.8	15.7	23.7	1.8	-19.7
CY	27.1	2.5	14.7	-0.1	-3.4	15.0	3.3	6.5	1.6	17.6	1.7			
IE**	29.4	2.1	15.2	0.0	-4.9	7.8	2.1	24.2	1.3	21.7	6.2			
IT	29.9	1.7	19.4	-0.2	-2.8	14.5	3.3	10.3	-0.1	22.7	4.0	18.2	-0.2	2.3
AT	18.5	1.6				4.0	0.1	7.7	-0.4			11.8	-0.6	2.5
LU	18.4	1.6	15.1	1.5	-2.1	1.3	0.1	6.1	0.3	17.5	4.1			
RO	41.7	1.4	22.6	0.4	-2.7	29.9	0.5	7.4	0.7	19.9	-3.5	21.2	1.1	3.7
UK	24.1	1.4	16.2	0.0	0.8	7.8	2.7	13.0	1.5	21.3	2.6			
HU	32.4	1.4	14.0	0.2	0.6	25.7	2.6	12.8	0.6	14.0	1.6			
MT	23.1	1.0	15.1	-0.5	2.1	9.2	2.6	9.0	0.1	13.8	-1.5			
PT	25.3	0.9	17.9	-0.1	-3.7	8.6	0.3	10.1	1.8	19.4	0.9	17.3	-0.8	-4.7
BE	21.6	0.6	14.8	-0.5	-2.4	6.5	0.8	14.1	0.3	14.3	-0.4			
ES	28.2	0.5	22.2	0.0	-3.6	5.8	1.3	14.3	0.9	28.1	7.3	20.9	-0.2	-2.0
SI	19.6	0.3	13.5	-0.1	-1.7	6.6	0.5	7.5	-0.1	13.5	1.2			
EE	23.4	0.3	17.5	0.0	2.6	9.4	0.7	9.1	-0.9	24.2	4.7	17.7	0.7	13.4
BG	49.3	0.2	21.2	-1.0	-4.2	44.1	0.5	12.5	1.5	18.6	-2.8			
DK	19.0	0.1	13.1	0.1	-1.6	2.8	0.2	11.3	-0.4	13.0	1.2			
CZ	15.4	0.1	9.6	-0.2	-1.8	6.6	0.5	6.8	0.2	8.7	-0.3			
HR	32.3	0.0	20.5	-0.8	-4.6	15.4	0.6	16.2	0.8					
SK	20.5	-0.1	13.2	0.2	5.9	10.5	-0.1	7.2	-0.5	6.0	-4.9			
FR	19.1	-0.2	14.1	0.1	0.8	5.3	0.1	8.4	-1.0	13.8	1.3	13.9	-0.8	-0.3
DE	19.6	-0.3	16.1	0.3	0.7	4.9	-0.4	9.9	-1.3	16.0	0.8	15.5	-0.2	3.0
PL	26.7	-0.5	17.1	-0.6	0.2	13.5	0.5	6.9	0.0	11.8	-5.1	17.8	0.2	5.0
SE	15.6	-0.5	14.1	0.1	3.0	1.3	0.1	5.7	-1.2	10.8	-1.4			
LT	32.5	-0.6	18.6	-0.6	9.0	19.8	0.8	11.4	-1.3	27.4	7.4	21.4	0.0	9.9
NL	15.0	-0.7	10.1	-0.9	-1.5	2.3	-0.2	8.9	0.0	10.7	0.2			
FI	17.2	-0.7	13.2	-0.5	0.8	2.9	-0.3	9.3	-0.7	11.6	-2.0	12.1	-0.3	4.6
LV	35.1	-5.0	19.4	0.4	3.7	24.0	-7.0	10.0	-2.6	35.0	9.1	21.4	0.9	9.4

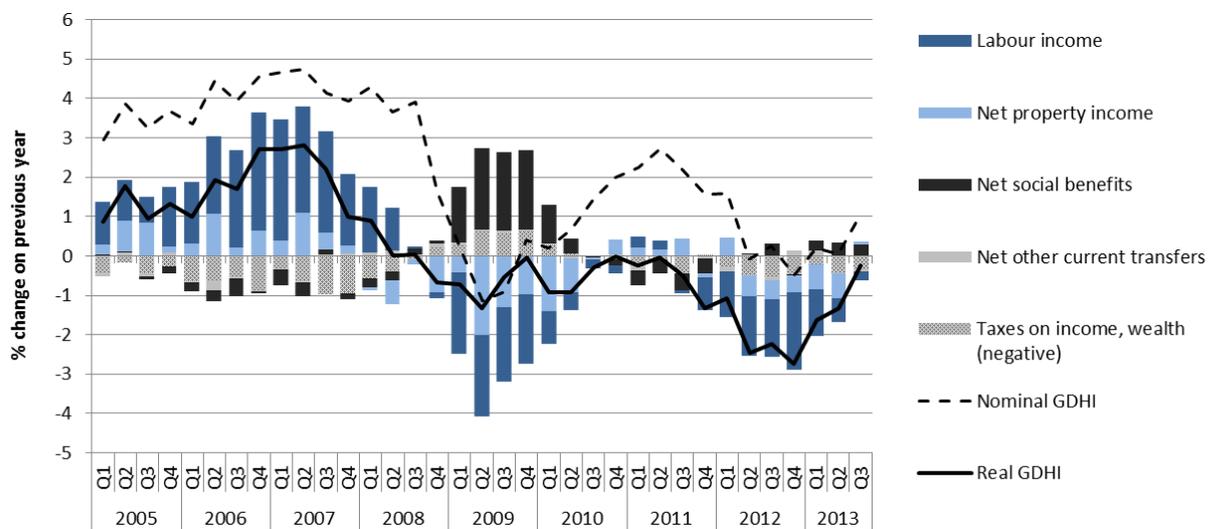
Source: EU SILC, Eurostat and Euromod (nowcast). Data for IE refer to the year before (no data for 2012)
 Poverty threshold changes measured using the Harmonized Consumer price index in national currency.
 * figures for Nowcast refer to the reference year

S3. Trends in social expenditure and the distributional impact of policy changes until 2013

The latest data available show that the stabilising impact of social protection expenditure remained very weak in 2013 despite a slight improvement

In 2013, as the decline in labour market incomes slowed down, the stabilising impact of social benefits⁴³ improved slightly in comparison to 2012. However, the impact remained well below the effects observed at the onset of the crisis (2007-09), when social benefits were the main contributing factor to the stabilisation of household incomes in Europe⁴⁴ (see Chart 1).

Chart 1 - Contributions of components to the growth of real gross disposable of households in the Euro area (2000-2013)



Source: ECB and Eurostat. Note: annual percentage change and percentage point contributions. Labour income includes compensation of employees and gross operating surplus and mixed income (compensation of self-employed).

In 2013, while the economic environment remained weak⁴⁵, most Member States registered increases in cash expenditure and relatively stable in-kind expenditure⁴⁶. However, declines were very significant in some Member States (IE, EL, CY, LT, SI and UK), while cash benefits actually recorded real increases in most Member States (except IE, EL, CY, LT and AT). These diverse developments in 2013 translated into a relatively weak pattern of social expenditure growth in the EU and EA (see Chart 2). This slight increase in 2013 only partly compensates for the declines observed in 2012. Indeed, in 2012, despite a weaker economic environment⁴⁷, most Member States registered a decline in in-kind expenditure, and relatively stable cash expenditure.

⁴³ Social protection expenditure generally helps to stabilise the economy in bad economic times, since social benefits partly compensate for the decline in households' market income. Unemployment benefits typically have a stabilising function, as do means-tested benefits of various sorts (typically social exclusion, family or housing). Health and pensions expenditure play a role too, but to a lesser extent, since they generally increase (or remain constant), while market incomes decline.

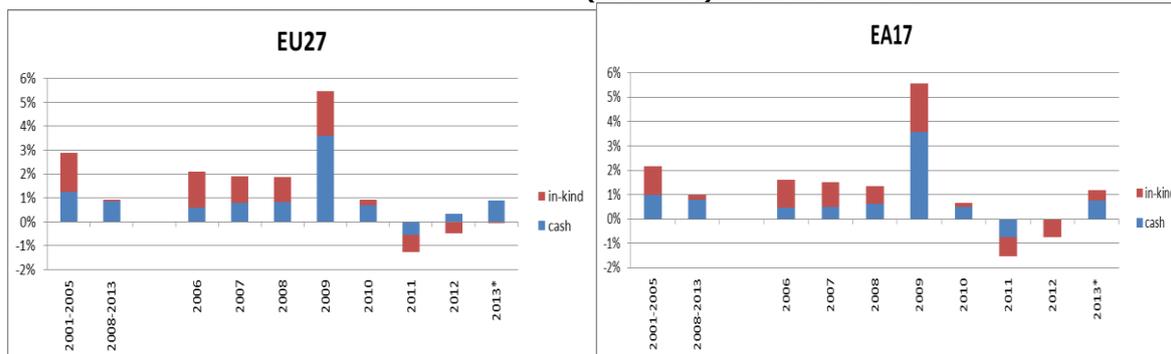
⁴⁴ The stabilising role of social benefits is analysed in detail in the 2013 review Employment and Social Developments in Europe.

⁴⁵ In 2013, GDP remained stable in the EU and declined by 0.4% on average in the EA (with positive developments in BE, BG, DE, DK, EE, IE, F, LV, LT, LU, HU, MT, AT, PL, RO, SK, SE and the UK).

⁴⁶ For 2013, the annual growth rate of social expenditure reflects an estimate based on quarterly National Accounts.

⁴⁷ In 2012, GDP declined by 0.4% on average in the EU and 0.7% in the EA (with positive developments in BG, DE, EE, IE, LV, LT, MT, AT, PL, RO, SK, SE and the UK).

Chart 2 – Breakdown of the annual change in real public social expenditure between the contributions from in-cash and in-kind benefits (2001–13) in the EU-27 and EA-17



Source: Eurostat (NA and DG EMPL calculations). Note: the values for 2013 are generally an estimate based on national accounts. Note: When no data are available in the National Accounts (annual), the data were either based on National Accounts (quarterly) or the AMECO database (in the latter case by usually applying calculated growth rates to the data available from National Accounts (annual)).

In 2013, social protection expenditure grew much less than expected given poor economic conditions

In this section, the evolution of social expenditure (deviation from trend) is analysed in relation to the output gap, and compared to developments in past recessions (See chart 3).⁴⁸ Based on past experience, social expenditure is expected to grow above the trend when the output gap declines and particularly when it is negative, and to adjust downwards and return to the trend when the output gap recovers.

Compared to past recessions, the year of recession (N, 2009 in most countries) was much deeper in this crisis, and led to a strong increase in public social expenditure well above the trend. In past recessions, the output gap was generally narrower and the deviation from the trend of social expenditure was smaller.⁴⁹ During the following two years (N+1, 2010 in most countries and N+2, 2011 in most countries), the output gap improved and growth in social expenditure declined, which resulted in them approaching their trend levels, as one would expect from past recessions. However, three years into the crisis (2012 in most countries), social expenditure grew well below its trend and went on adjusting downwards despite a worsening of the output gap, contrary to what happened in past instances of declining and negative output gap.

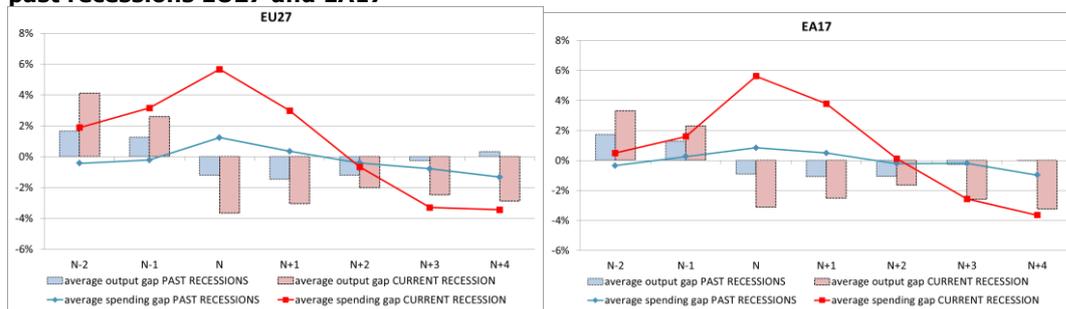
In 2013 (which corresponds to 4 years after the first recession year in most countries), growth in social protection expenditure remained below their trend, despite the further deterioration of the output gap (around -3 %), which resulted in a further weakening of their stabilisation impact.

This partly reflects the exceptional scale of the fiscal consolidation needed during this crisis, which translated into a significant downward adjustment in the cyclical component of social protection expenditure, as well as a potential permanent adjustment of the trend of social protection expenditure.

⁴⁸ For a detailed description of the method and analysis See 2013 review of Employment and Social Developments in Europe p. 328.

⁴⁹ This tends to suggest that the increase in social expenditure in the first year of this crisis was more sensitive to the economic cycle in this crisis, reflecting greater increases in unemployment levels and also greater increases in other types of expenditure (such as health and pensions expenditure due to the play of indexation mechanisms in a context of slowdown of inflation).

Chart 3: Deviation from the trend of public social expenditure and GDP output gap in current and past recessions EU27 and EA17

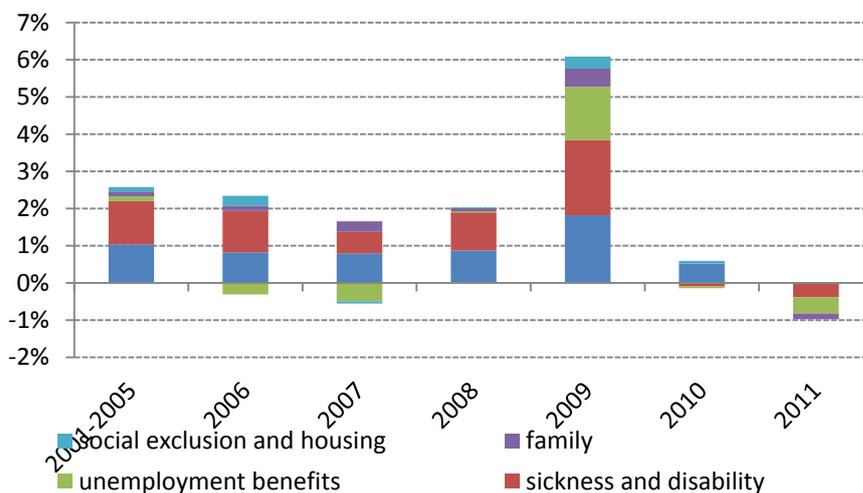


Source : Eurostat, National Accounts, DG EMPL calculations. Notes: 2013 data are estimated based on quarterly data from the first three quarters. In the current recession, N is year 2009. Estimates of the deviation from the trend in social protection expenditures are based on a standard Hodrick-Prescott filter. Reading notes : in the year of the recession, in the current crisis, social expenditure was about 5% above their trend in Europe, while the GDP was about 4% below its potential (output gap of -4%). Averages are unweighted country averages (since countries do not always experience a recession the same year).

What drove the changes in social protection expenditure?

Detailed information on the evolution of social expenditure by function is only available until 2011. In 2011, social protection expenditure declined in real terms, mainly driven by the reduction in expenditure on unemployment benefits and sickness and disability. This decline followed on from the significant growth observed in 2008 and 2009, and the very modest increase of 2010. The 2008-09 increase in unemployment expenditure mainly reflected increases in the number of unemployed persons (see Chart 4), while the contribution of pensions and health expenditure reflected the automatic impact of indexation mechanisms in a context of inflation slow-down.

Chart 4: Annual real growth of social expenditure in the EU-27 (2001–11) and the contribution of different functions



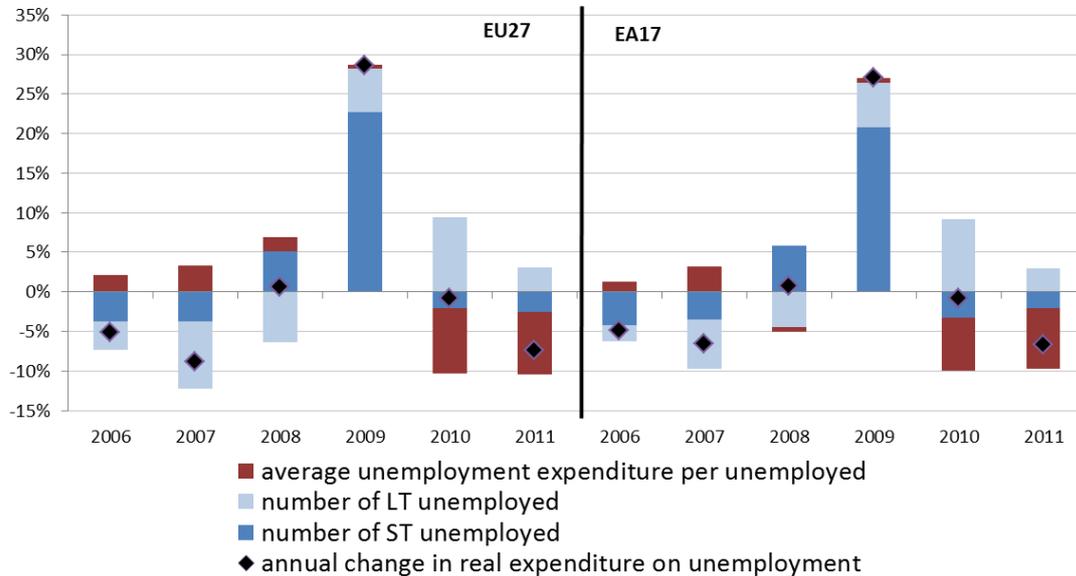
Source: Eurostat (ESSPROS) and DG EMPL calculations. Note: For the EU-27, 2001–05 actually refers to the EU-25 since data for all of the EU-27 were not available; 2001–05 refers to the average annual growth rate.

In 2011, average expenditure per unemployed⁵⁰ decreased further compared to 2010 contributing to a real decline in real unemployment expenditure (Chart 5). This may reflect a number of factors, such as erosion of the eligibility of unemployed people, an increase in the share of long-term unemployed people among the unemployed, as well as the impact of indexation rules in the specific sequence of inflation during this crisis or tightening of benefit

⁵⁰ Development in unemployment expenditure can be broken down into the effects of changes in the numbers of unemployed (the total number of potential beneficiaries) and changes in average expenditure per potential beneficiary.

calculation rules in some countries. The impact of these factors differs depending on the country, as illustrated in the section below.

Chart 5: Contributions to the annual change in real unemployment expenditure (2006–11) – EU-27 and EA-17



Source: Eurostat (ESSPROS). Note: This graph shows the annual change in real expenditure on unemployment benefits (in %) and the main factors that influence it: the average expenditure per unemployed and the number of short-term (ST) and long-term (LT, i.e. for more than one year) unemployed. The contributions of these factors is expressed in percentage points.

Distributional impact of tax-benefit changes since 2008

Until detailed data become available, it is difficult to evaluate the impact of changes in the tax-benefit system on inequality. Even then,⁵¹ it will be difficult to distinguish the direct effect of the crisis from that of policy changes.⁵² This section illustrates the impact of changes in the tax benefit system in 12 Member States, including some where household incomes were particularly affected during the crisis. This assessment takes into account changes in taxes (direct income taxes and social contributions, as well as VAT changes) and in cash benefits (pensions and other benefits). It does not take account of other measures that may have had an indirect impact on the distribution of households' income, such as those affecting employers or cuts in public services.⁵³

Updated results from the EUROMOD micro-simulation model illustrate the impact of measures enacted over the 2008-2013 period on households' incomes in 12 countries.⁵⁴ It should be noted that to assess the impact of overall changes over the period, a counterfactual needs to be chosen, specifically on the implicit indexation of benefit levels and calculation rules over the period and that price indexation (CPI counterfactual) is used in the results presented below.

⁵¹ The most recent data available reflect the income situation in 2011, while nowcast estimates of poverty trends up to 2013 are available for a number of Member States.

⁵² A recent IMF study analysed past fiscal consolidation episodes (in a number of OECD countries over the period 1980–2010) and found that a 1 percentage point of GDP consolidation is associated with an increase of about 0.6 % in inequality of disposable income (as measured by the Gini coefficient) in the following year. It also suggests that the cumulative impact peaks after five to six years and fades after the tenth year. IMF (2012), Fiscal monitor, Taking Stock: A Progress Report on Fiscal Adjustment, October 2012.

⁵³ Furthermore, some measures may have already expired during the period considered (from 2008 until mid-2012), while some countries may have planned further adjustments after mid-2012.

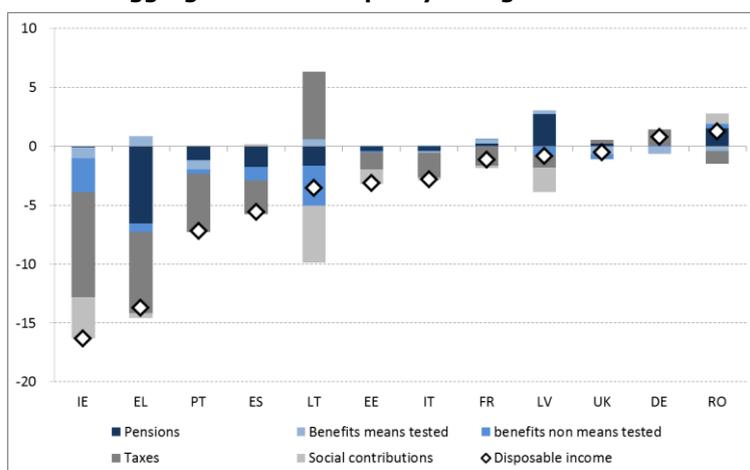
⁵⁴ De Agostini P., Paulus A., Sutherland H. and Tasseva I. (2014), "The effect of tax-benefit changes on income distribution in EU countries since the beginning of the economic crisis", Research note 02/2013, Social Situation Monitor, forthcoming.

Size of overall impact on household incomes differ...

EUROMOD results focus on the impact of measures implemented after the 2008 economic downturn and up to mid-2013. The impact of these measures on household incomes was particularly strong in Ireland, Greece, Portugal, Spain and Lithuania. It was less pronounced in Estonia, Italy, France, Latvia and the UK and was positive in Germany and Romania.

The composition of measures taken into account varies significantly across Member States (Chart 6), with large contributions from cuts in pensions, increases in income taxes or social contributions and reduced benefits. Cuts in public pensions were particularly important in Greece. Cuts in non-means-tested benefits were relatively large in Ireland and Lithuania, while there were also cuts in means-tested benefits in Ireland, Portugal, the UK and Germany. Increases in income tax were important in Ireland, Greece, Portugal and Spain, and in terms of the share of the total, also in Estonia, Italy and France. Increases in social contributions were significant in Ireland, Lithuania and Latvia.

Chart 6: Aggregate effects of policy changes on household disposable income (2008-2013)

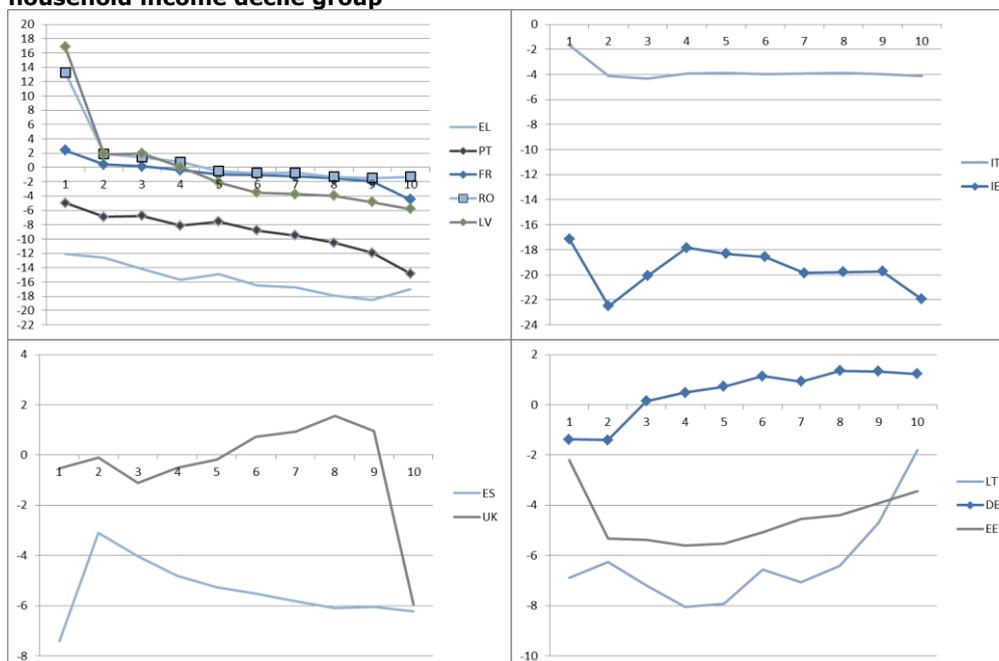


Note: counterfactual on CPI (prices). Source: De Agostini and al (2014).

... and can have different impacts on the distribution of household incomes...

In France, Greece, Latvia, Portugal and Romania, the better-off lose a higher proportion of their income than the poor, as a result of the measures modelled over 2008-2013 (Chart 7). In Spain and the UK, the burden of fiscal consolidation falls slightly more heavily on the poor and/or the rich than it does on those on middle incomes, producing an inverted U-shaped pattern. Italy and Ireland show more mildly progressive and nearly proportional changes in incomes over the income distribution. While the effect of consolidation measures can be labelled progressive, a proportional income drop can actually affect the living standards of those already in lower income brackets more severely. At the other extreme, in Estonia, Germany and Lithuania, measures over the period 2008-2013 period have had a clearly regressive impact.

Chart 7: Percentage change in household disposable income due to policy changes 2008-2013 by household income decile group



Notes: Deciles are based on equivalised household disposable income in 2013 with 2008 policies in place, indexed by the CPI counterfactual index and are constructed. Measures include changes in benefits and taxes and social contributions and changes in VAT. Changes in VAT are also included though they do not impact directly on incomes, but they do indirectly through changes in price levels. The charts are drawn to different scales, but the interval between gridlines on each of them is the same. Source: De Agostini and al (2014).

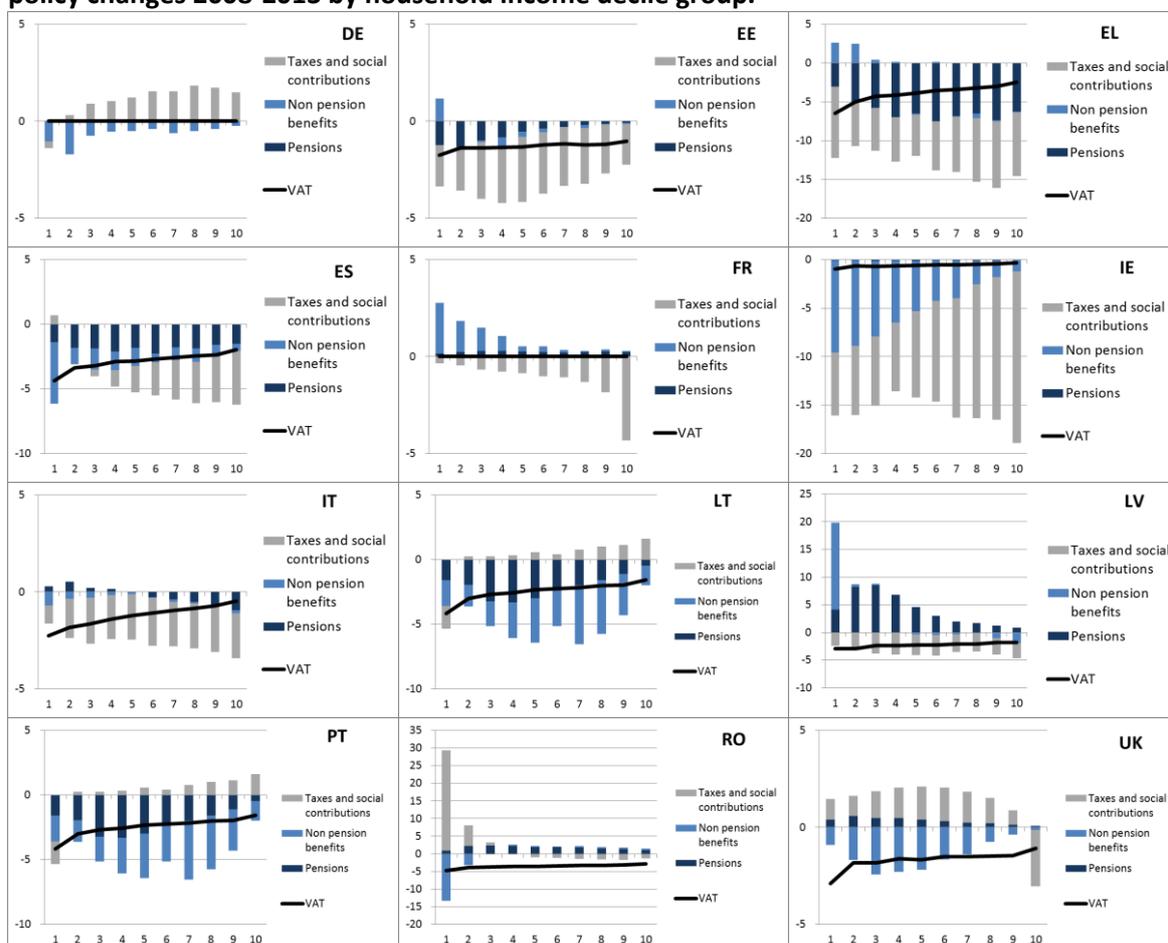
As a consequence, it appears that the overall distributional impact of measures over the period 2008-2013 period is not related to the overall size of the average impact on household incomes. In other words, more regressive and progressive patterns are observed both in countries with more or less significant overall impact on household incomes, which highlights the central importance of the design of measures as regards their distributional impact.

... and the same types of tools can have different distributional impacts depending on their design

The overall progressive impact on household incomes shown for Greece, France, Latvia, Portugal and Romania reflects different types of effects, such as changes in the design of non-means-tested benefits, of public pensions and of taxes (Chart 8). The regressive pattern observed in Estonia mainly reflects changes introduced in the indexation of pension benefits, the one observed in Lithuania mainly reflects changes in VAT and the one observed in Germany mainly changes in taxes and non-pension benefits.

Changes in the design of non-pension benefits were progressive in Greece, Latvia, France and Romania, while they were regressive in Ireland, Germany, Portugal (resulting from the freeze of means-tested benefits) and Romania.

Chart 8: Contribution by type of measure to the change in household disposable income due to policy changes 2008-2013 by household income decile group.



Notes: Deciles are based on equivalised household disposable income in 2013 with 2008 policies in place, indexed by CPI counterfactual index and are constructed. The charts are drawn to different scales, but the interval between gridlines on each of them is the same. Source: De Agostini and al (2014).

The design of changes to public pensions was progressive in Greece and, to a lesser extent, in Portugal (where downward changes have been limited for lower levels of pensions) and Italy, and regressive in Estonia and to a lesser extent in Latvia (reflecting changes in the indexation of benefits).

Changes in SICs (social insurance contributions) and income taxes were generally progressive, while they were merely proportional in Estonia, Greece and Italy, and were regressive in Germany and Portugal.

Increases in VAT generally had proportional or regressive effects. Changes in the main VAT rate were null in Germany and France and ranged from 2 pps (Estonia, Ireland, Italy and Portugal) to 5 pps (Spain and Romania). The differences across countries are linked to differences in the structure of VAT, consumption patterns and savings rates (which generally increases along the income distribution), as well as differences in increases in the standard rate of VAT. In several countries (such as Spain, Italy, Lithuania, Romania and the UK), the extent of the effect on household incomes is similar to the total of other tax and benefit measures.

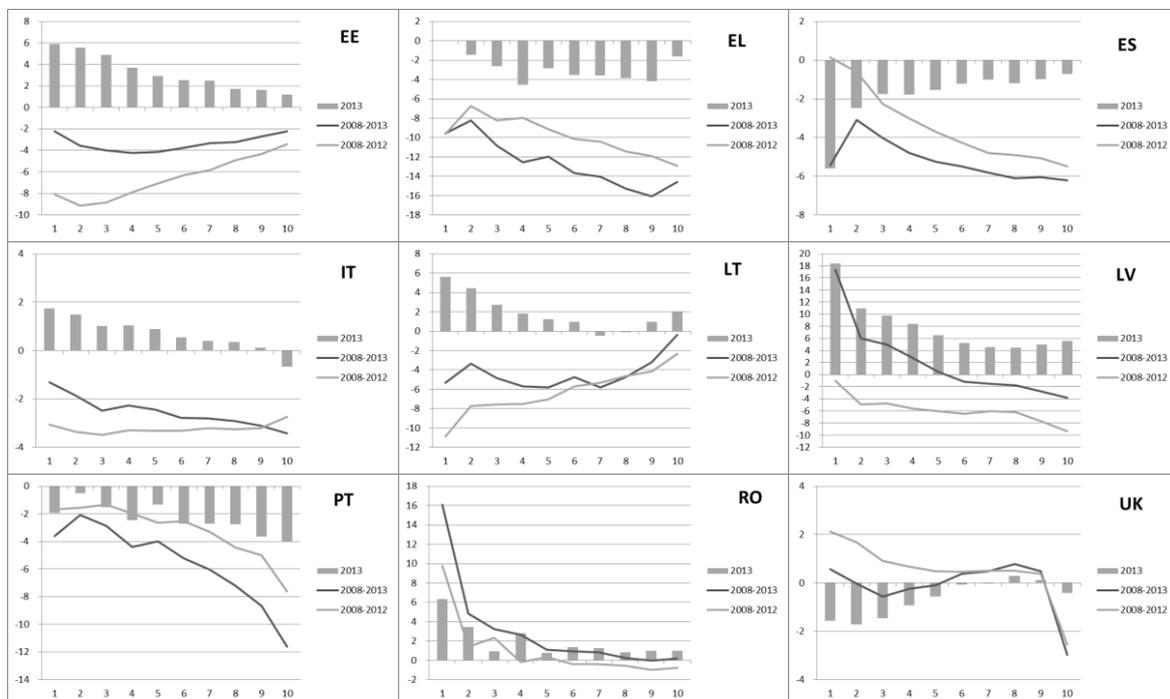
The burden of fiscal consolidation can also be shared differently across different types of households. The effects across countries are generally similar for children and older people, with a few exceptions. Households with children are more affected in Estonia and Lithuania and less so in Germany, while households with older people have been more affected in Ireland, Italy, Greece, Spain and Lithuania. This partly reflects changes in tax and benefits, particularly for

children or elderly people, such as changes in child tax credits or pensions (but also the composition of households across the income distributions).

Policy changes introduced in 2012-2013 were progressive or neutral in seven out of nine countries, but had a clearly negative impact on low income households in Spain and the UK

These results also help to shed some light on changes introduced between mid-2012 and mid-2013, and in particular those implemented since the analysis for 2008-2012 presented in Avram et al. (2012).⁵⁵ Chart 9 contrasts them directly for the nine countries included in both studies.⁵⁶ In Greece and Portugal the effect of additional policy changes in 2012-2013 was to reduce incomes, across all or most of the income distribution. In Estonia, Italy, Latvia, Lithuania and Romania the overall impact on household incomes was positive (except in Italy for the highest decile), with those at the bottom of the distribution benefiting most in proportional terms from the changes in the most recent year. In the UK and Spain households in the bottom of the distribution have seen reductions in their income due to policy changes in 2012-2013.

Chart 9 - Percentage change in household disposable income due to policy changes 2012-2013 (by household income decile group)



Notes: Deciles or quintiles are based on equivalised household disposable income in 2013 and 2012 respectively with 2008 policies in place, indexed by change in prices (CPI). The charts are drawn to different scales, but the interval between gridlines on each of them is the same. Source: De Agostini and al (2014).

Conclusion

Social protection spending played a prominent role in compensating households' income losses in the early phase of the crisis and helped stabilise the economy. Its impact declined since mid-2010, was negligible in 2012 and slightly resumed in 2013. This reduction in social spending was stronger than in past recessions, partly reflecting the exceptional need for fiscal consolidation in the context of the Euro crisis. It neutralised the economic stabilisation function of social protection systems in many Member States.

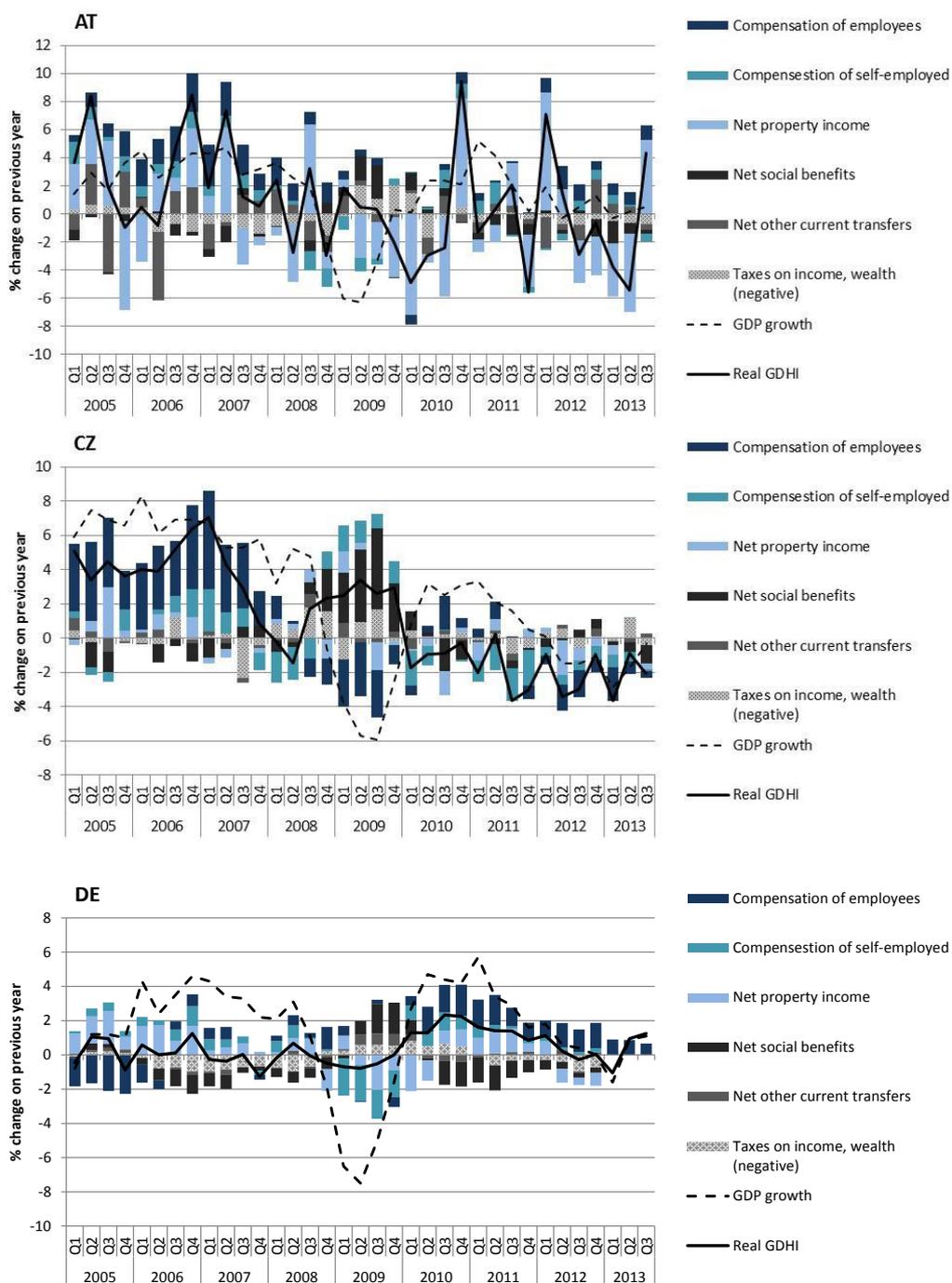
⁵⁵ Avram and al (2012) (Avram, S., F. Figari, C. Leventi, H. Levy, J. Navicke, M. Matsaganis, E. Militaru, A. Paulus, O. Rastrigina, and Sutherland H., (2012), "The distributional effects of fiscal consolidation in nine EU countries", Research Note 1/2012 of the social Situation Observatory) compared 2012 policies with those from 2008, indexed by CPI by measuring the percentage change in household disposable income (by income decile) and are there therefore broadly comparable with the CPI indexed comparison of 2008 with 2013 from De Agostini and al (2014).

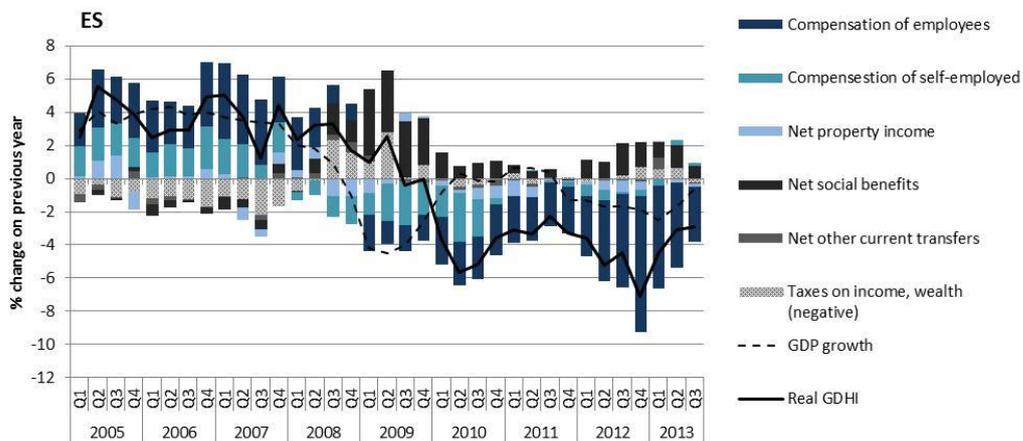
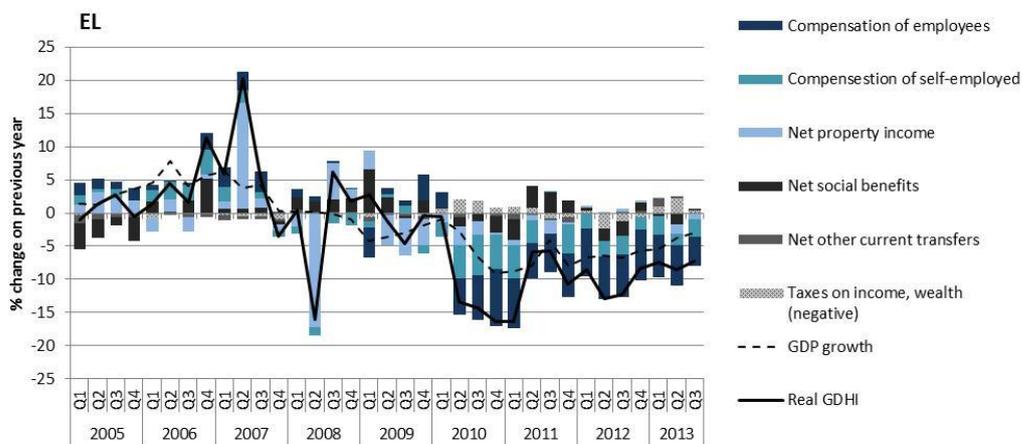
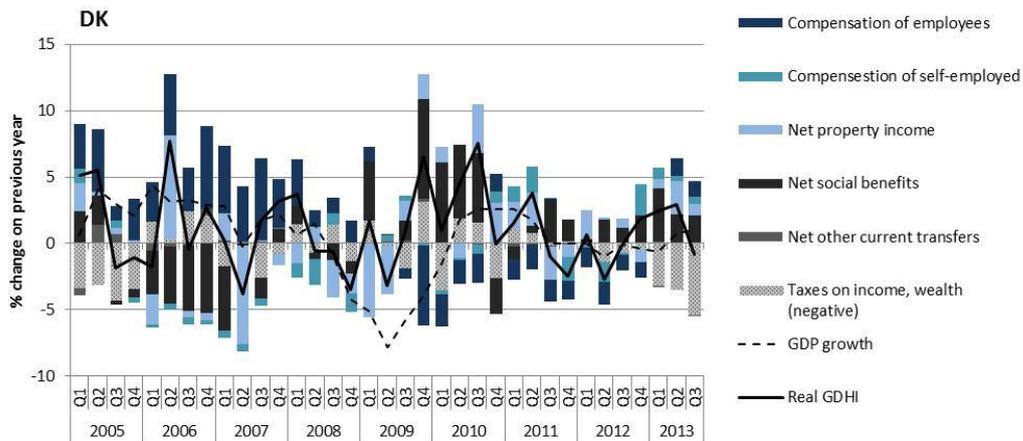
⁵⁶ It should be noted that these two sets of results are based on different micro-data. The 2008-2013 results use 2010 SILC and the 2008-2012 results use 2008 SILC.

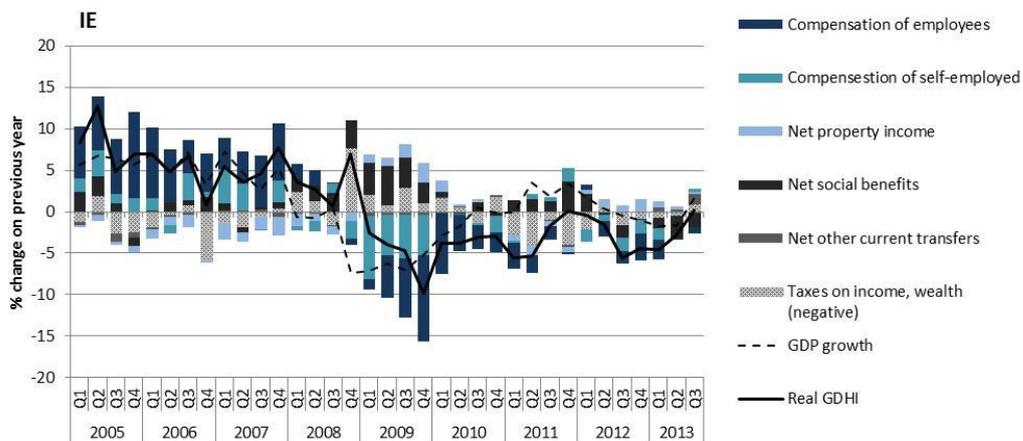
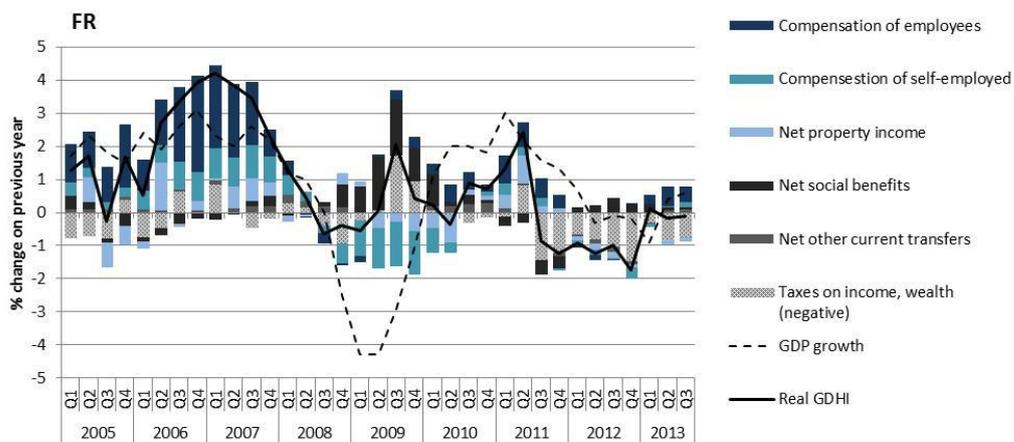
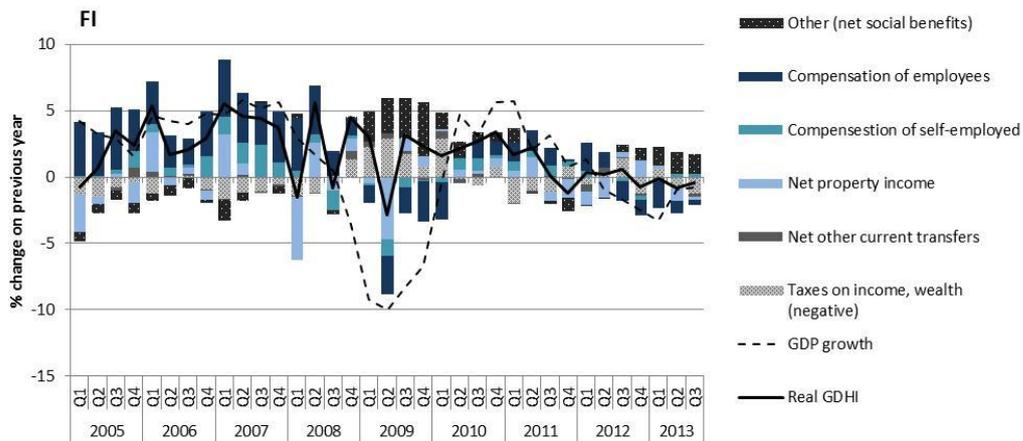
Changes to the tax and benefits systems over the period 2008-13 have sometimes led to significant reductions in the level of real household incomes, potentially putting a heavy strain on the living standards of low income households. The impact of spending cuts and tax hikes was different on high and low income households. The analysis shows that careful design of the measures is crucial to avoid the poorest being disproportionately affected, as has been the case in a few countries.

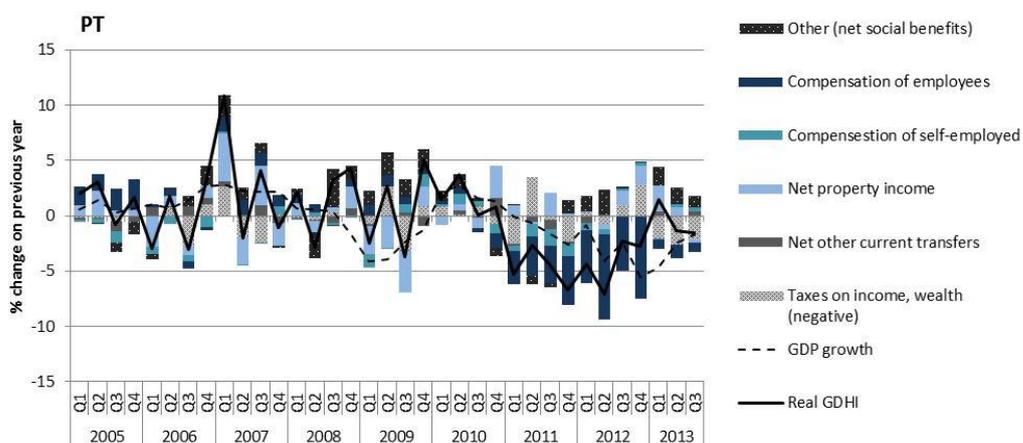
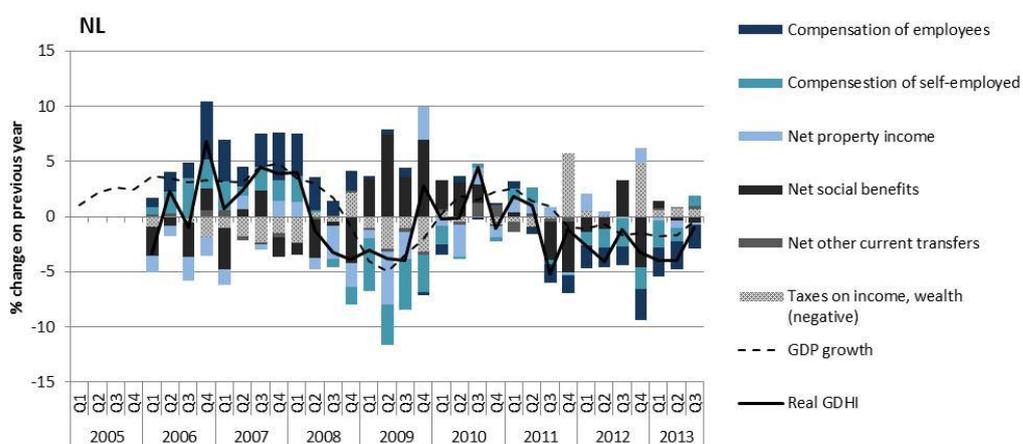
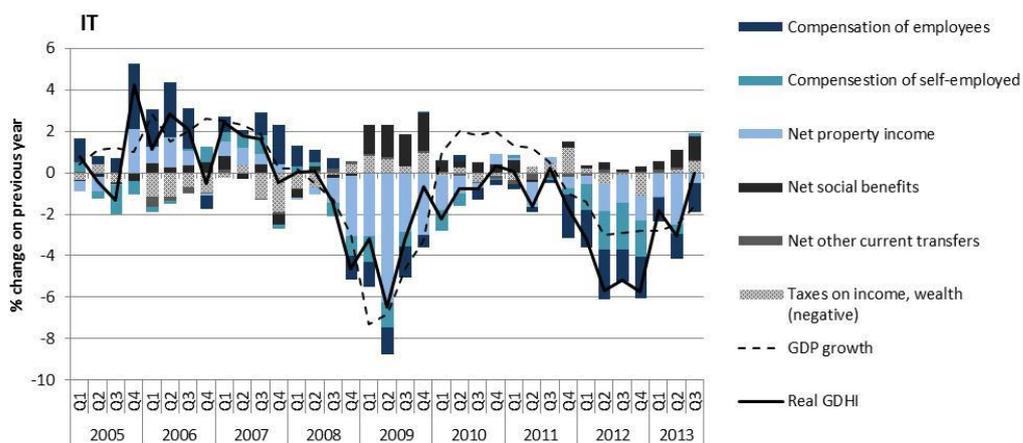
Annex 1: Real GDP growth, real GDHI growth and its main components for selected Member States

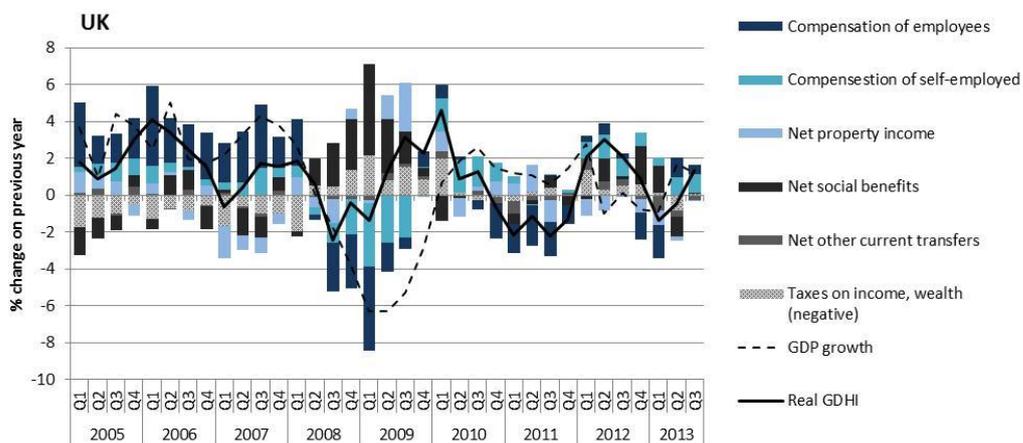
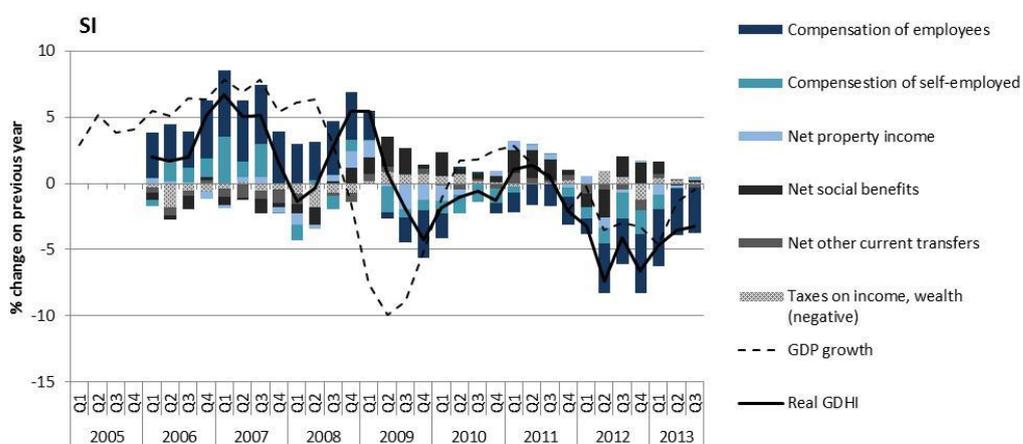
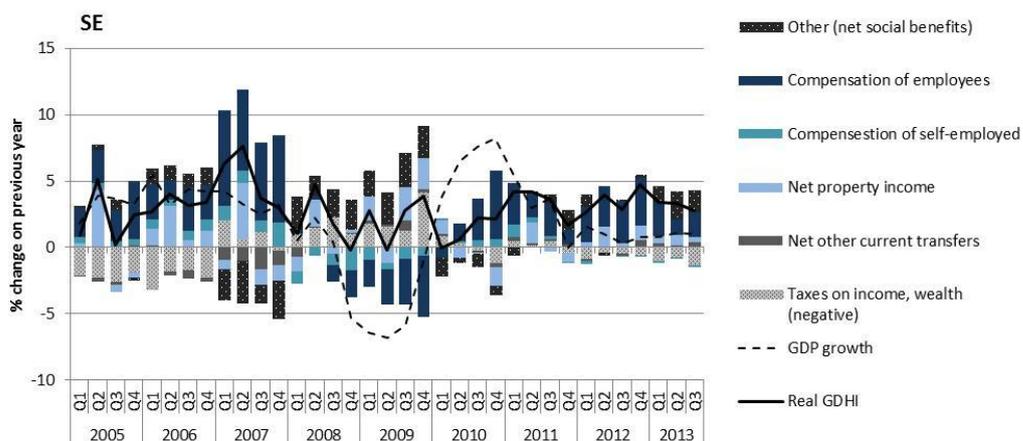
Source: Eurostat, National Accounts. Data non-seasonally adjusted.











Annex 2: Selected research

This section presents some relevant recent research results at EU level. European Research financed or carried out by the EU, European bodies or agencies closely linked with employment and social affairs or international organisations contribute to this achievement. This section is certainly not exhaustive. Degree of completion of the research projects as well as direct relevance to the issues developed in this report are the main criteria used for the selection of the presented results. The contents of this section do not necessarily reflect the position or opinion of the European Commission.

Is the Tide Rising?

Global activity strengthened during the second half of 2013, as anticipated in the October 2013 World Economic Outlook (WEO). Activity is expected to improve further in 2014–15, largely on account of recovery in the advanced economies. Global growth is now projected to be slightly higher in 2014 at around 3.7 percent, rising to 3.9 percent in 2015, a broadly unchanged outlook from the October 2013 WEO. But downward revisions to growth forecasts in some economies highlight continued fragilities, and downside risks remain.

A IMF research - World Economic Outlook (WEO) Update

See: <http://www.imf.org/external/pubs/ft/weo/2014/update/01/pdf/0114.pdf>

WWWforEurope: Analytical Strength for Europe 2020

An ambitious research project involving 33 partners in 12 European countries is working to strengthen the analytical foundations of the Europe 2020 growth strategy. Launched in 2012, WWWforEurope¹ is producing evidence-based insights into key concerns surrounding employment, social inclusion and public debt. Over the coming months the consortium members are planning to formulate “comprehensive policy measures needed for a new growth path”. The four-year project has already made substantial contributions to the Europe 2020 policy debate. Through multiple stakeholder workshops and scores of peer-reviewed papers, the researchers are systematically exploring the underpinnings of smart, sustainable and inclusive growth. Many of the project’s findings are conveniently accessible through a searchable publications database on the project’s website. The database currently features more than 40 Working Papers as well as several Policy Papers and Policy Briefs.

WWWforEurope, Welfare, Wealth and Work for Europe, a FP7 project

See: <http://www.foreurope.eu/>

BUSINESSEUROPE 2014 Reform Barometer

BUSINESSEUROPE just published the 2014 edition of its Reform Barometer. Part 1 of the report carries out an in-depth analysis of global competitiveness indicators covering taxation and public finances, business environment, innovation and skills, access to finance and financial stability, and labour market. Part 2 is based on a survey of BUSINESSEUROPE Member Federations and evaluates the recommendations for structural reforms made under the European Semester, assesses progress in implementing them, and identifies priorities for future reforms. The BUSINESSEUROPE Reform Barometer is compiled with analysis from national business federations across Europe who assess progress made by their respective Governments in driving structural reform. Individual country assessments are also available.

A publication of Business Europe

See:

<http://62.102.106.140/docs/1/CJLDLEILDJEMPLAIKEAMJOPCPDWK9DBYC19LTE4Q/UNICE/docs/DLS/2014-00285-E.pdf>

Pay in Europe in the 21st century

This report provides comparative time series on wage-bargaining outcomes across the EU Member States and Norway. It presents and discusses pay developments against the background of different wage-bargaining regimes and looks into the link between pay and productivity developments (in terms of nominal and real unit labour costs). The report also investigates different systems and levels of minimum wages in Europe.

A Eurofound publication

See: <http://www.eurofound.europa.eu/pubdocs/2013/881/en/1/EF13881EN.pdf>

Attractiveness of initial vocational education and training: identifying what matters

Previous studies on how attractive people find vocational education and training (VET) as learning path have focused on the influence of specific characteristics of the initial VET system. These include the provision of guidance and counselling, the chances to move on to higher education, the qualifications system, or quality assurance for the training provided. But even though an IVET system produces good outcomes it is not necessarily seen as an attractive learning option. This study reveals other wider issues that be crucial to understanding what makes initial VET and attractive option to potential students. It shows that the composition and respective strengths of the labour market, expenditure on vocational education, as well as wider factors such as views of family members, perceptions about the quality of VET and the wider educational context all play a role. The study concludes with several insights on how to influence perceptions of VET.

A CEDEFOP publication

See: http://www.cedefop.europa.eu/EN/Files/5539_en.pdf

Macroeconomic benefits of vocational education and training

Improvements in workforce skills are essential for European countries to attain higher economic growth and to compete effectively on product markets. Literature indicates a positive relationship between levels of education and productivity growth; this report builds on and expands this body of research in two ways. First, it investigates the differential impact of various skill types – higher (academic), upper-intermediate vocational, lower-intermediate vocational, lower-intermediate general, and low – on labour productivity. Then it accounts for the stock of uncertified skills (i.e. those built through training). The analysis is carried out in six EU Member States – Denmark, Germany, France, the Netherlands, Sweden and the UK – representing different modes of VET (and for which data were available). The analysis suggests that general and vocational skills complement each other and that the effect of (certified) skills on productivity is stronger when certified skills are reinforced by training.

A CEDEFOP publication

See: http://www.cedefop.europa.eu/EN/Files/5540_en.pdf

Adult and continuing education in Europe: Using public policy to secure a growth in skills

Adult and continuing education has the dual function of contributing to employability and economic growth, on the one hand, and responding to broader societal challenges, in particular promoting social cohesion, on the other. Companies and families support important investments that have, to date, ensured important growth in both skills and the ability of the European population to innovate. Thanks to this commitment, Europe today has a wealth of organisations specialising in adult and continuing education. The sector has grown in importance, both as an increasingly significant player in the economy and in view of its capacity to respond to the demand for learning by the knowledge economy. As this book shows, adult and continuing education has a critical role to play in ensuring Europe copes with the phenomenon of education exclusion, which, repeated year after year, generation after generation, undermines social

cohesion and the growth of employment. Public policies must respond to two strategic challenges: to encourage the propensity to invest in adult and continuing education and to guarantee the reduction of educational exclusion.

A Directorate-General for Research and Innovation publication

See: <http://ec.europa.eu/research/social-sciences/pdf/kina25943enc.pdf>

European Social Survey, data release

The European Social Survey (ESS) is an academically driven cross-national survey that has been conducted every two years across Europe since 2001. The survey measures the attitudes, beliefs and behaviour patterns of diverse populations in more than thirty nations. First edition of data and documentation for ESS Round 6 was released on 30 October 2013. In this first edition, data and documentation for the following 24 countries are included:

Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, Germany, Hungary, Iceland, Ireland, Israel, Kosovo, Netherlands, Norway, Poland, Portugal, Russian Federation, Slovakia, Slovenia, Spain, Sweden, Switzerland and the United Kingdom.

ESS, The European Social Survey, a European Research Infrastructure Consortium

See: <http://www.europeansocialsurvey.org/data/>

ORBIS the Open Repository Base on International Strategic Studies

European Strategy and Policy Analysis System (ESPAS) is an inter-institutional EU-project with a view to putting in place by 2014 a permanent inter-institutional system to identify and analyse long-term trends along various dimensions such as economy, society, governance and power. Different papers are already available. ORBIS the Open Repository Base on International Strategic Studies gives access to a wide variety of topics.

ESPAS, European Strategy and Policy Analysis System, an inter-institutional EU-project

See: <http://europa.eu/espas/orbis/>

Role of social dialogue in industrial policies

Financial turmoil and the increasing globalisation of value chains have focused attention on how countries across Europe can stimulate economies by revitalising industrial policy. The role of the state in this process is regarded as crucial, but it is clear the social partners also have a role to play. This study attempts to find answers to the following questions: What industrial policy instruments are currently used in Europe? Are the social partners involved in the shaping or implementation of industrial policies? What are the positions of the European social partners regarding industrial policies? Does European sectoral social dialogue play an active role in industrial policies?

A Eurofound publication

See: <http://www.eurofound.europa.eu/publications/htmlfiles/ef14071.htm>

Social work sector: Working conditions and job quality

This report gives an overview of working conditions, job quality, workers' health and job sustainability in the social work sector. It is based mostly on the fifth European Working Conditions Survey (EWCS), which gathers data on working conditions and the quality of work across 34 European countries. Additional information on the structural characteristics of the sector is derived from Eurostat data. The sector contains all social work activities for the elderly and the disabled, child day-care activities, and all other social work activities that do not involve accommodation. The fifth EWCS contains responses from 875 workers in this sector. The report compares aspects of work in the sector with the EU28 as a whole.

A Eurofound publication, other sectors are available as well.

See: <http://www.eurofound.europa.eu/publications/htmlfiles/ef138410.htm>

Working conditions and job quality: Comparing sectors in Europe

This report and the accompanying 33 sectoral information sheets aim to capture the diversity prevalent across sectors in Europe in terms of working conditions and job quality. The report provides a comparative overview of sectors and gives background information that enables the results presented in the individual information sheets to be interpreted. The information sheets indicate how each sector compares to the European average for all sectors, as well as highlighting differences and similarities among different groups of workers.

A Eurofound publication

See: <http://www.eurofound.europa.eu/publications/htmlfiles/ef13841.htm>

The Europeanisation of Everyday Life

Cross-border practices associated with EU citizenship are strengthening cosmopolitan values, even in countries wary of the European project. EUCROSS offers insights into the relationship between cross-border activities and identifications among EU residents.

Interviews with over 6,000 residents in six EU Member States (Denmark, Germany, Italy, Romania, Spain and the United Kingdom) show a large portion of respondents actively utilizing the basic benefits of EU integration (i.e. enhanced mobility and the free flow of goods and services). Altogether, cross-border behaviours reported by EU residents suggest they have become more "Europeanised" than many are inclined to acknowledge.

EUCROSS's assessment of cross-border engagement looks beyond the EU as well, yielding a more complete picture of European transnationalism. Results from this strain of the research show that "cross-border practices under the EU citizenship regime have helped the spread of cosmopolitan values, including to countries that claim to be sceptical or outside the European project". In light of this Europeanising effect, "it would be better for policy makers to focus on the EU's promotion of wider, global and multicultural values, than on European identity per se", the consortium concludes.

EUCROSS, Crossing borders making Europe, a FP7 project

See:

http://www.eucross.eu/cms/index.php?option=com_content&view=category&layout=blog&id=14&Itemid=105

Quality of life in Europe: Trends 2003-2012

Eurofound has conducted the European Quality of Life Survey (EQLS) in 2003, 2007 and 2011. This report compares the results from the three waves to provide evidence of trends and change in the quality of life of Europeans over a decade. It also examines whether differences across EU Member States have narrowed or remained stable. One of its findings is that subjective well-being has remained stable across the EU as whole, but it also finds that financial strain in households has grown in the wake of the economic crisis. The report proposes a more active approach to social protection, as lower household income is a strong negative influence on quality of life, and especially so in an economic downturn.

A Eurofound publication

See: <http://www.eurofound.europa.eu/publications/htmlfiles/ef1364.htm>

Social Innovation: Optimizing the Win-Win Approach

TEPSIE is a research collaboration between six European institutions aimed at understanding the theoretical, empirical and policy foundations for developing the field of social innovation in Europe. The project explores the barriers to innovation, as well as the structures and resources that are required to support social innovation at the European level. The aim is to identify what

works in terms of measuring and scaling innovation, engaging citizens and using online networks to maximum effect in order to assist policy makers, researchers and practitioners working in the field of social innovation. The global field of social innovation is gathering momentum, and beginning to move from the margins to the mainstream. From micro-credit to mobile banking to new forms of education and eldercare, new methods and models are radically transforming the ways in which social and environmental challenges are being addressed. In Europe, much of this innovation is being driven by access to networked technologies and the current economic crisis which has made social innovation more important than ever - not only as a core component of economic strategies to build a smart, sustainable and inclusive Europe but also as a way of tackling Europe's most pressing social needs.

Tepsie, The theoretical, empirical and policy foundations for building social innovation in Europe, a FP7 project

See: www.tepsie.eu/

Social innovation research in the European Union: Approaches, findings and future directions

'Buzzword' or 'Concept'? 'Solution' or 'Tool'? 'Sustainable' or 'Elusive'? Although social innovations pop up in many areas and policies and in many disguises, and social innovation is researched from a number of theoretical and methodological angles, the conditions under which social innovations develop, flourish and sustain and finally lead to societal change are not yet fully understood both in political and academic circles. However, in particular in the current times of social, political and economic crisis, social innovation has evoked many hopes and further triggered academic and political debates.

In the framework of FP5, FP6 and FP7, the Socio-economic Sciences and Humanities Programme has funded a substantial body of research on issues related to social innovation. This policy review, written by Jane Jenson and Denis Harrisson, has produced a systematic overview of research findings of 17 comparative European projects in the area of social innovation. The review focusses on how these projects address 'social innovation' in terms of theory, methodology, policy areas, actors, and level of analysis with the aim of bringing the results to the attention of policy-makers, wider groups of stakeholders and the broader public in a comprehensive way. The report makes substantial recommendations for future research practices on social innovation, including in HORIZON 2020.

A Directorate-General for Research and Innovation publication

See: http://ec.europa.eu/research/social-sciences/pdf/social_innovation.pdf

How remittances can improve human capital?

The relevant policy question of this analysis is whether, in order to compensate the brain drain due to migration, remittances can act as a useful channel to foster development, and in particular, education in origin countries. If so, a policy fostering an easing of the ways of sending remittances at home would be appropriate. Moreover, our policy question relates more generally to the whole issue of the brain drain due to migration, which should be tried to be controlled in order for the European Neighbourhood Policy to benefit from the integration with the EU. In this context we look at the behaviour in terms of remittances of more educated migrants, since they represent the higher loss of human capital due to migration. Hence the question here is whether more educated migrants are more likely to remit than less educated migrant and, if so, whether they remit higher amounts. Given that most developed countries' immigration policies increasingly favour skilled migrants, whether they remit more or less than unskilled migrants has important implications for migrants' home countries. From a policy perspective, the concern is whether migration policies that shift the education composition of migrants affect remittances.

SEARCH, Sharing KnowledgE Assets: InteRregionally Cohesive NeigHborhoods, a FP7 project

See: <http://www.ub.edu/searchproject/>

Using EU indicators of immigrant integration

This report on the further development and use of EU immigrant integration indicators in policy debates is prepared at the request of the European Commission by the European Services Network (ESN) and the Migration Policy Group (MPG). It is based on research undertaken by an ad hoc research team lead by MPG including scholars from the Free University of Brussels (ULB) and the International Centre for Migration Policy Development (ICMPD) in Vienna. Part I of this report explores how three types of factors influence societal integration outcomes in four areas and as such can inform integration policies. The three types of factors concern personal characteristics of the immigrant population, the general context in the country and its specific migration and integration policies. The four areas are employment, education, social inclusion and active citizenship. In those areas, the European Union selected an initial number of indicators (the Zaragoza indicators) which are considered in this project. Overall, the analysis reconfirms the relevance and usefulness of the Zaragoza indicators. Part II reconfirms the availability, accessibility and reliability of the main sources for the calculation of the integration indicators considered within the report. They include the EU-Labour Force Survey (EU-LFS), EU Statistics on Income and Living Conditions (EU-SILC), OECD's Programme for International Student Assessment (PISA) as well as Eurostat's migration statistics. These are well-established international and comparative data sources which build upon data that is gathered nationally, often by national statistical institutes. Part III presents different options reflecting the different ways in which indicators could be used to understand national contexts, evaluate the outcomes of policies, and use targets to improve integration. It takes existing national and EU indicators as starting point for reflection. Indicators can be used to describe the (constantly changing) situation in societies with citizens and residents with and without a migration background. Indicators can also be used to clarify the link between integration policies and societal outcomes, for example by monitoring the beneficiaries of policies and conducting robust impact evaluations. The report is explorative and descriptive in nature. Considering the advantages and limitations of international and comparative research, the results of this report represent a substantive contribution to the on-going debate and research on the development and use of integration indicators on which integration actors can build

A report of Directorate-General for Home Affairs

See: <http://bookshop.europa.eu/en/using-eu-indicators-of-immigrant-integration-pbDR0313566/?CatalogCategoryID=FLIKABstbqUAAAEjs5EY4e5L>

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