**MEMO/09/554**

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# Joint Employment Report 2009

## What is the 'Joint Employment Report'?

The Joint Employment Report (JER) is the employment analysis and reporting part of the EU's Lisbon Strategy for Growth and Jobs. The draft report will be discussed by Employment and Social Affairs Ministers in the Council early in 2010 and when adopted, will become a joint report by the Commission and the Member States. Its recommendations will then be passed to the Spring European Council on 25 March to be discussed by EU leaders.

This year, the report will help to shape the EU's new strategy for growth and jobs after 2010, the so-called EU2020 Strategy.

## What does it aim to do?

The report gives an update of the employment situation in the EU, reports on the principal labour market reforms undertaken by Member States in 2009 and highlights the main challenges for the future. In view of the economic crisis, the report also includes information on measures Member States have taken to limit the impact of the crisis on labour markets. Furthermore, the report focuses on how employment policies could prepare for and encourage labour market recovery as part of the exit strategies from the crisis.

## What is the link with the European Recovery Plan?

The impact of the financial and economic crisis on EU labour markets (rising unemployment, falling demand for new workers, employment contraction) required Member States to take immediate action in addition to the longer term structural reforms at the heart of the EU's ongoing Lisbon Strategy for Growth and Jobs (including the European Employment Strategy).

The European Economic Recovery Plan adopted by Member States in December 2008 set out a number of actions, in particular measures to stem the rise in unemployment and to ensure support to the most vulnerable. The draft Joint Employment Report includes information on both short-term measures and longer term structural reforms and discusses how coherence between them could be enhanced in the future.

## What are the main actions undertaken by Member States?

To provide an immediate stimulus to the economy, and to protect vulnerable groups from the impact of the crisis on labour markets, Member States have considerably stepped up their employment and social policies under the three priorities of the European Employment Strategy (increasing labour supply and modernising social protection systems; improving the adaptability of workers and enterprises; increasing investment in skills and human capital).

Many Member States have continued to undertake reforms to make work more attractive and to reduce high non-wage labour costs and the tax burden on labour. Such measures are particularly important in the crisis context in order to keep people in jobs and to promote recruitment.

Increasing investments in skills and human capital is particularly important during the economic downturn in order to prepare people to move to new jobs and to protect workers' employability in the jobs they currently hold. Strategies for gaining a qualification have been laid out in certain Member States, and on-the-job training has been stepped up as well. Some countries have started to increase their capacity for forecasting and anticipating skills needs.

In all Member States the social security systems had to respond to an increase in the number of unemployed persons. Automatic stabilisers (such as unemployment benefits) have helped to cushion the immediate social impact of the downturn.

Many Member States have strengthened the service provision of Public Employment Services in order to cope with the increasing number of unemployed people, for example through better cooperation between labour market integration and insurance services or new types of service delivery (e.g. combination of personal and web-based services).

## How has the EU supported Member States?

The European Social Fund (ESF) and the European Globalisation Fund (EGF) have helped Member States to fight unemployment. A number of Member States have used the opportunity of amending their ESF Operational Programmes for crisis adjustment. The Commission has modified ESF programming and management to improve the ESF's capacity to expedite programmes and target them at sectors and groups most in need of support.

The number of applications from Member States to the European Globalisation Fund (EGF) rose strongly in 2009 (20 compared to 5 in 2008). In total 12 countries have requested support for 24,300 workers who have lost their jobs in sectors such as the steel, automotive and construction industries for a total amount of €152.7 million.

## What are the priorities for the near future?

The measures Member States have put in place in response to the crisis and the longer-term structural reforms they have pursued in 2009 have significantly contributed to limiting the adverse impact of the crisis on employment.

However, a number of strong challenges lie ahead. The crisis has accentuated structural labour market problems, with a higher risk of long-term and structural unemployment in the coming years. Skills mismatches persist despite high unemployment and require continued efforts in human capital investments. The crisis has also shown that some groups are particularly at risk (young people, migrants, low-skilled workers) and that labour market exclusion of the most disadvantaged groups remains a problem.

In preparing for an exit from the current crisis the Commission identifies three broad challenges for employment policies in which the crisis measures will need to be adjusted within the framework of ongoing structural reforms:

- *The need to reinforce existing crisis measures* – the key is to focus on improving the effectiveness of these measures. In particular, short-time working arrangements can remain temporarily justified for sustainable jobs as long as unemployment keeps growing but eligibility criteria must be much stricter compared to those applied in 2009. Stepping up the capacity of Public Employment Services to provide a more personalised approach in pre-redundancy job search assistance, and improving the efficiency and effectiveness of specific labour market institutions have been shown to have a favourable impact on labour markets.
- *The need to re-orient crisis measures* – the key issue is to reduce inactivity and unemployment traps while ensuring income security for those most in need and

those experiencing transitions. It is a priority to tackle increasing labour market segmentation with a view to improving the situation of people on non-standard contracts who are often inadequately covered by unemployment insurance systems and active labour market policies.

- *The need to phase out crisis measures* - the focus is on structural reforms. As there will be additional pressure on the longer-term labour market reform measures that will now be faced with higher numbers of unemployed; increasing the effectiveness of these measures will be a high priority. Flexicurity-inspired reforms that improve the flexibility and security of labour markets are called for, including balancing employment protection and security in the market, bridging the gaps between emerging demands and the skills currently available in the labour market, promoting labour mobility across regions and between occupations, and enhancing the response of wages to productivity developments. The ultimate objective is to increase the economy's resilience to future sector or country specific shocks.

See also IP/09/1926