

Employment and Social Developments in Europe 2012 Review

Technical briefing

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Employment and social developments

Current employment and social trends

+ 6 thematic chapters

- 1. The dynamics of long-term unemployment
- 2. The dynamics of poverty and social exclusion
- 3. Social protection confronting the crisis
- 4. Taxation and the employment and poverty targets
- 5. Wage developments during a severe economic downturn
- 6. The skill mismatch challenge in the EU





Widening gap between the north and south, greater within the euro area

Since 2008,

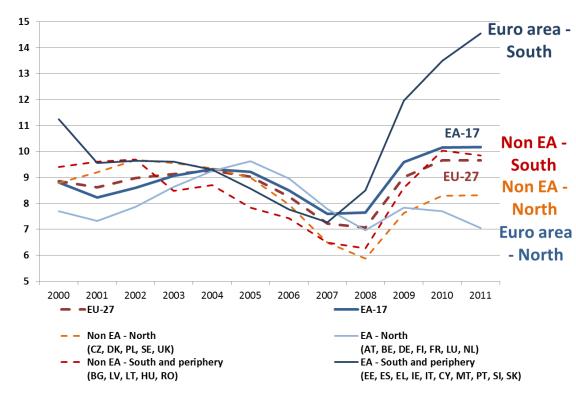
unemployment rates diverge between the North and South (and periphery) of EU

2011 gap between North and South

- Euro area: **7.5** pps

- Non Euro-area: 1.5 pps

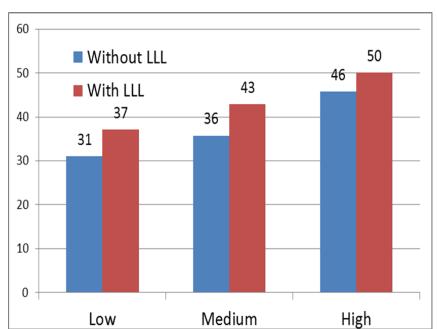
Unemployment rates (2000 - 2011)



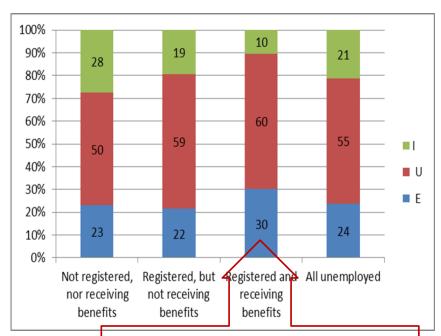


Which policies help the unemployed get back to work?

Chances to return to employment increase with participation in lifelong learning (by level of education)



Chances to return to employment increase if people are registered in job centers and receive benefits



Source: EU-LFS longitudinal data – DG EMPL calculations

30% of the unemployed find work again when registered and receiving benefits, against 22% if not receiving



Dynamics of poverty; risk of long term exclusion confirmed with great country variations

Low entry & low exit rates:

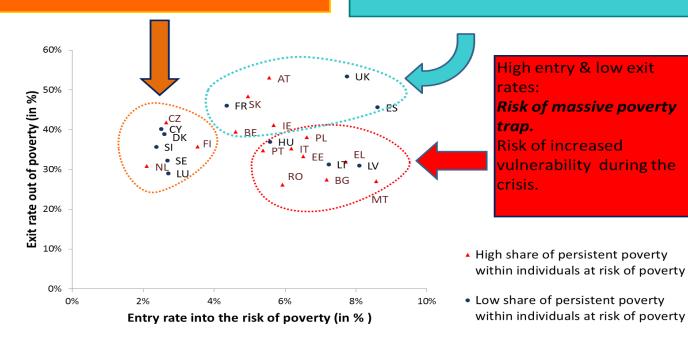
Risk of downward spiral for those excluded.

Risk of **social polarisation** between those excluded and the rest of society.

High entry & high exit rates:

High turnover of poverty.

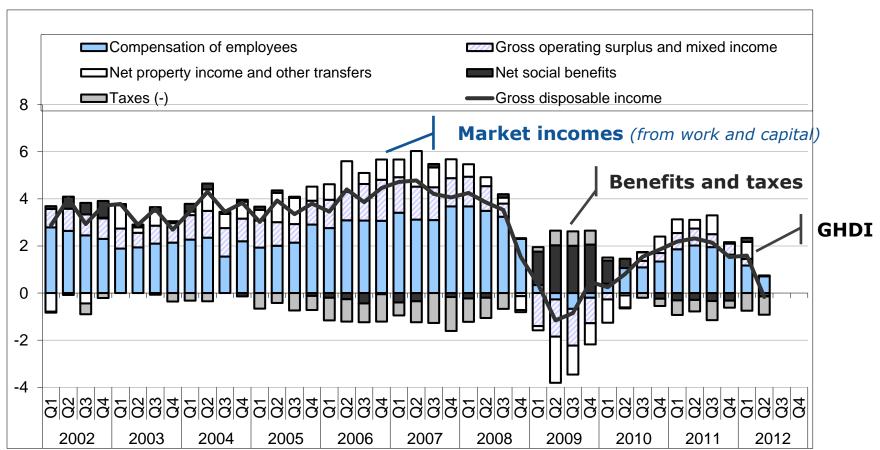
This framework is favourable <u>but</u> does not exclude risks of reccurrence and risk of 'core bulk permanently poor'.



Source: EU-SILC longitudinal dataset



Social transfers helped supporting household incomes in the crisis



Source: Eurostat and ECB.

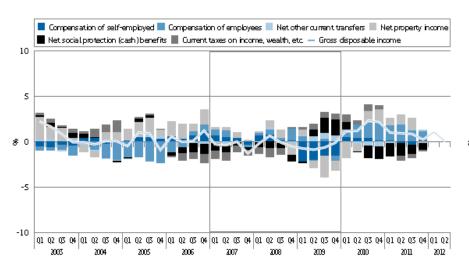




By country

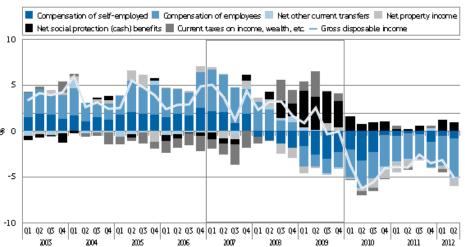
After 2010

Germany: Market incomes increase again with recovery; benefits not needed anymore



After 2010

Spain: Weakened social benefits do not compensate for falling market incomes

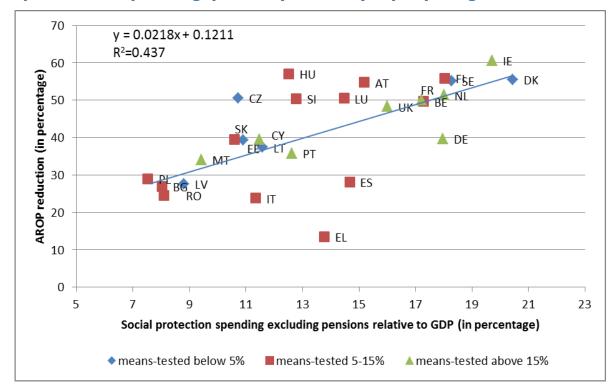




Room for efficiency gains in social protection spending

- Large differences across EU Member States in efficiency
- There is room for efficiency gains
- More targeted spending (green triangles) doesn't seem to be the explanation

Charts: Relation between poverty reduction and social protection spending (not on pensions) – people aged 0-65

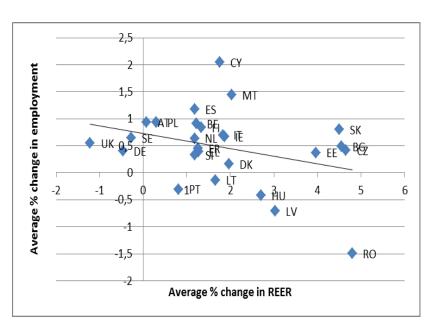




Wages: both external and internal demand effects matter

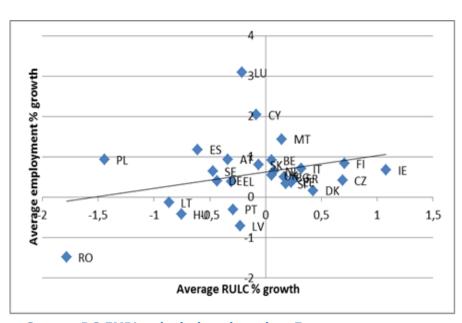
Case of REER (external competitiveness) vs. RULC (labour income share)

Real Effective Exchange Rates (REER) and employment growth (2001-11 averages)



Source: DG EMPL calculations based on Eurostat

Real Unit Labour Cost (RULC) and employment growth (2001-11 averages)



Source: DG EMPL calculations based on Eurostat