



Employment and Social Developments in Europe 2013

Employment and Social Developments in Europe 2013

This publication is a Commission staff working document aimed to inform the public at large. It does not constitute an official position of the Commission on this subject nor in any way prejudgets one. Neither the European Commission nor any person acting on behalf of the Commission may be held responsible for the use that may be made of the information contained in this publication.

ACKNOWLEDGEMENTS

The Directorate-General for Employment, Social Affairs and Inclusion would like to thank Eurostat and Eurofound for their close collaboration and support in preparing the review.

Comments from other services of the European Commission are gratefully acknowledged.

Comments on the review would be gratefully received and should be sent to:

Directorate A

Directorate-General for Employment, Social Affairs and Inclusion

Office J-27 05/80

B-1049 Brussels

E-mail: Empl-A1-unit@ec.europa.eu

Cover illustration: Mi Ran Collin — © European Union

For any use or reproduction of photos which are not under European Union copyright, permission must be sought directly from the copyright holder(s).

*Europe Direct is a service to help you find answers
to your questions about the European Union.*

Freephone number (*):

00 800 6 7 8 9 10 11

(*) The information given is free, as are most calls
(though some operators, phone boxes or hotels may charge you).

More information on the European Union is available on the Internet (<http://europa.eu>).

Cataloguing data can be found at the end of this publication.

Luxembourg: Publications Office of the European Union, 2014

ISBN 978-92-79-33878-6 (print)

ISBN 978-92-79-35281-2 (web)

ISSN 1977-270X (print)

ISSN 2315-2540 (web)

doi:10.2767/6072 (print)

doi:10.2767/59315 (web)

© European Union, 2014

Reproduction is authorised provided the source is acknowledged.

Printed in Belgium

PRINTED ON ELEMENTAL CHLORINE-FREE BLEACHED PAPER (ECF)

Foreword

Through more than five years of economic crisis, the European Social Model has been challenged and re-defined in many ways. The 2011 and 2012 editions of the Employment and Social Developments in Europe review analysed this process from many angles and have proven useful in helping policy-makers understand the scale and nature of the problems Europe faces.

ESDE 2013 further develops the European Commission's analysis of the difficult and increasingly diverse labour market and social conditions in Europe, examining also to what extent employment and social policies have helped to counteract the growing challenges and what policy responses need to intensify or change. It shows, for instance, how allocation between different types of social spending could be improved, as debated already in the context of the 2013 Social Investment Package. It analyses where future jobs are likely to come from and how they might look like given longer-term structural trends shaping the economy. It seeks to identify the right policy mixes for narrowing gender gaps in labour markets, fighting poverty in working age and limiting its negative social consequences, and also for reducing the incidence of undeclared work. It contributes to the 'beyond GDP' debate by analysing various proposed metrics of prosperity and social progress, trying in particular to capture the impact of growing income inequalities on the socio-economic reality. Finally, ESDE 2013 offers further analytical backing to the recently launched policy debate on strengthening the social dimension of the Economic and Monetary Union by examining the causes of growing economic and social disparities in the euro area and ways in which they can be tackled in order to improve the economic and social performance of Europe as a whole.

However hopeful we may be that the economic crisis in Europe has finally reached its bottom, the fact is that employment and social conditions will not improve without sufficiently strong public policies, further integration in the euro zone and greater solidarity within and between societies. Ensuring a job-rich rather than jobless recovery, minimising the long-term scarring effects of the crisis on people's skills and preventing entrenched poverty is possible, but will not happen simply as a result of a mild and uneven economic upturn. All economic activity and public policy as well as the architecture of the EMU need to be organised in a way to achieve social objectives. The fact that the Europe 2020 targets on employment and poverty reduction are very distant after many years of recession cannot be an excuse for the EU and its Member States to do less; it is a reason to do more.

I hope that ESDE 2013 will prove to be not only a solid analytical contribution for employment and social policy-makers, but also a stimulus for all political leaders to take greater responsibility in their respective fields for improving today's deeply worrying employment and social situation.



László Andor

*Commissioner for Employment,
Social Affairs and Inclusion*

Contents

Foreword	3
Executive summary	13
Key employment and social trends in the face of a long delayed and fragile recovery	17
1. Introduction	17
2. The EU in the global context: how does it compare to its main partners?	17
2.1. Employment trends and labour market resilience	17
2.2. Inequality and poverty trends	18
2.3. Government spending and the functioning of the economic stabilisers	20
2.4. Competitiveness	21
3. Employment and social divergences in the EMU	21
3.1. Divergences and risks of impacts across borders	21
3.2. Major employment and social problems in the EU	24
4. Challenging EU employment and social context	34
4.1. Protracted stagnation coming to an end?	34
4.2. The threat to the future of young people	45
4.3. Longer-term impact on labour markets	48
4.4. Further deterioration of poverty and inequality	55
4.5. Increased pressure on social spending	57
5. Conclusions	59
References	61

Chapter 1: EU employment in a global context: where will new jobs come from and what will they look like?	63
1. Introduction	63
2. Labour market dynamics	65
2.1. Sectoral employment dynamics.....	65
2.2. Expanding global value chains.....	68
2.3. Knowledge-intensive employment growth.....	69
2.4. Enterprise dynamics.....	70
2.5. Cyclical and persistence	73
3. Where will the new jobs come from?	74
3.1. Globalisation	74
3.2. Technological progress and innovation.....	78
3.3. Demographic change	83
3.4. Greening	87
4. Barriers to future labour market dynamics	90
4.1. Effect of the economic downturn on future job potential.....	90
4.2. Absence of structural reforms	95
5. What will new jobs look like?	99
5.1. Job profiles in 2020.....	100
5.2. Work organisation in 2020	100
5.3. Job quality in 2020.....	102
6. Skill formation and demography	104
6.1. Skills, productivity, and employment.....	107
6.2. Skills and migration	108
7. Conclusions.....	110
References.....	117

Chapter 2: Working age poverty: what policies help people finding a job and getting out of poverty?.....	129
1. Introduction	129
2. Poverty in working age: serious consequences of the crisis on poverty outcomes ..	130
3. Mapping the drivers of working age poverty at national level indicates the need to integrate policies	132
3.1. The drivers of working age poverty vary across Member States	132
3.2. Policies and institutions to prevent and tackle poverty in working age	132
3.3. Integrated and comprehensive active inclusion policies are linked to better performance with respect to poverty drivers and poverty outcomes.....	140
4. The profile of adults at risk of poverty: focus on the working poor and adults living in jobless households	143
4.1. Main characteristics of in-work poor and adults living in jobless households.....	143
4.2. Working age adults at risk of poverty are living on incomes from work, social benefits and pensions from elderly household members	148
4.3. The nature of benefits received by the working age population varies across Member States	151
5. The role of labour market transitions in exiting poverty	154
5.1. Non-working adults taking up a job have one chance out of two to leave poverty.....	154
5.2. Getting out of in-work poverty: the role of wage transitions	159
6. Which policies facilitate returns to work and limit poverty?.....	161
6.1. The generosity of income support does not prevent returns to employment.....	161
6.2. Benefit systems integrated with inclusive labour markets and enabling services facilitate the returns to employment	164
7. Conclusions.....	166
References.....	170

Chapter 3: The gender impact of the crisis and the gap in total hours worked.....	173
1. Introduction	173
2. Post-crisis developments from a gender perspective.....	174
2.1. <i>Employment adjustment</i> affected men more strongly.....	174
2.2. ...in line with the <i>sectoral</i> patterns of the crisis	175
2.3. The crisis had a distinct effect on <i>age groups</i>	176
2.4. ...and it also induced changes in <i>hours worked – more so for men</i>	177
2.5. Change of <i>composition of employment</i> within couples, points to possible added worker effect.....	178
2.6. ...which could have contributed to changes in the <i>relative earnings structure</i> within couples.....	179
2.7. <i>Unemployment rate</i> gender gap closed but unemployment rates are moving upwards.....	180
2.8. <i>Austerity measures</i> affect women heavily.....	182
2.9. Worsening situation of men during the crisis led to a decrease of the <i>at-risk-of-poverty rate gap</i> in most Member States ...yet still women are more exposed to poverty	183
2.10. Overview – Gender gaps have been <i>narrowing</i> ... but they remain significant and a large part of this phenomenon stems from men being more affected by the crisis	184
3. Gender gap in total hours worked	184
3.1. Introduction	184
3.2. Cross-national comparison of full-time equivalent employment rate gaps	187
4. Policy drivers of the full-time equivalent employment rate gap are various...	190
4.1. ...with <i>part-time work</i> clearly being one of the main factors leading to lower full-time equivalent employment rates for women compared with men.....	190
4.2. <i>Working hours regimes</i> are important for work-life balance.....	193
4.3. <i>Division of unpaid work</i> within a couple is significantly influencing female paid working hour choices	197
4.4. Financial disincentives can contribute to second earners working less hours.....	199
4.5. Appropriate <i>childcare</i> contributes to maternal employment	201
5. Conclusions.....	203
References.....	229

Chapter 4: Undeclared work: recent developments.....	231
1. Introduction	231
1.1. Definition and measurement	231
1.2. Drivers of UDW	234
1.3. Why does UDW matter?.....	234
2. Highlights of the Eurobarometer survey.....	234
2.1. Introduction	234
2.2. The demand side of UDW	235
2.3. The supply side of UDW.....	237
2.4. Envelope wages.....	242
3. Econometric analysis of driving factors using the Eurobarometer.....	244
3.1. Labour market conditions are driving more visibly the practice of envelope wages, rather than the private supply of undeclared work	244
3.2. Poverty: apparent influence on the readiness to accept envelope wages	245
3.3. Taxation alone does not explain variations in UDW	248
3.4. An effective welfare state may strengthen tax morale and contain UDW.....	249
3.5. Results of a micro-data analysis	250
4. The role of policies in transforming undeclared work into declared work.....	254
4.1. Introduction	254
4.2. ‘Compliance-oriented’ approach.....	256
4.3. Commitment approach	263
5. Conclusions.....	265
References	278

Chapter 5: Convergence and divergence in EMU - employment and social aspects....	279
1. Introduction	279
2. Functioning of monetary unions	280
2.1. Brief overview of theory of monetary unions	280
2.2. Specificities of the euro area; institutional comparisons with other monetary unions and with non-euro Member States.....	280
3. Labour market and social convergence in 1999-2007	287
3.1. Introduction	287
3.2. Evidence of convergence (1999-2007)	288
3.3. Imbalances and warning signals 1999-2007	291
4. Labour market and social divergence since 2007	301
4.1. Evidence of divergence	301
4.2. Developments since 2007 in other monetary unions and in the non-euro EU area	309
5. Improving the working of the EMU	311
5.1. Introduction – the Commission Blueprint	311
5.2. Social EMU	312
5.3. European automatic stabilisers	312
6. Conclusions	313
References.....	316
Chapter 6: Efficiency and effectiveness of social expenditure in the crisis.....	321
1. Introduction	321
2. Trends in social protection expenditure and financing in the crisis.....	321
2.1. Social protection expenditure in the EU	321
2.2. Social expenditure growth in the crisis: increase in the first years (2008-10) and decline since 2011	323
2.3. Trends in social expenditure: potential beneficiaries vs. expenditure levels?	326
2.4. Weakening of the stabilisation function of social expenditures	328
2.5. Developments of households incomes	332
3. Effectiveness and efficiency of social protection spending in the crisis	334
3.1. A stylised framework for measuring effectiveness and efficiency of social protection spending	334
3.2. Social protection key outcomes and spending levels in 2010	338
4. Did expenditure growth over the period 2007–10 reflect areas of higher needs? ..	359
5. Conclusions.....	362
References.....	376

Chapter 7: Indicators of inclusive growth to complement GDP growth.....	377
1. Introduction	377
2. Why is it necessary to complement GDP and to examine inclusive growth?.....	378
2.1. Limitations of GDP for measuring societal progress	378
2.2. The need for distributional measures.....	379
3. Measures of inclusive growth.....	380
3.1. Developments in broad indicators of the effect of economic growth on the population in general.....	381
3.2. Integrating distributional measures in the monitoring of growth	390
3.3. Measures of wealth distribution.....	399
4. How do distributional measures relate to quality of life outcomes and the broader sustainability agenda?.....	402
4.1. Inequality and links to measures of quality of life and other social outcomes	402
4.2. Impact of inequality on economic efficiency and the sustainability of economic growth	410
4.3. Inequality and the broader sustainability agenda	412
5. Conclusions.....	414
References	416
Statistical annex	419
1. Macro economic indicators	419
2. Labour market indicators.....	426
3. Social indicators.....	433

