



Presentation of the 2013 ESDE Review

Press points

Press conference
Brussels, 21 January 2014

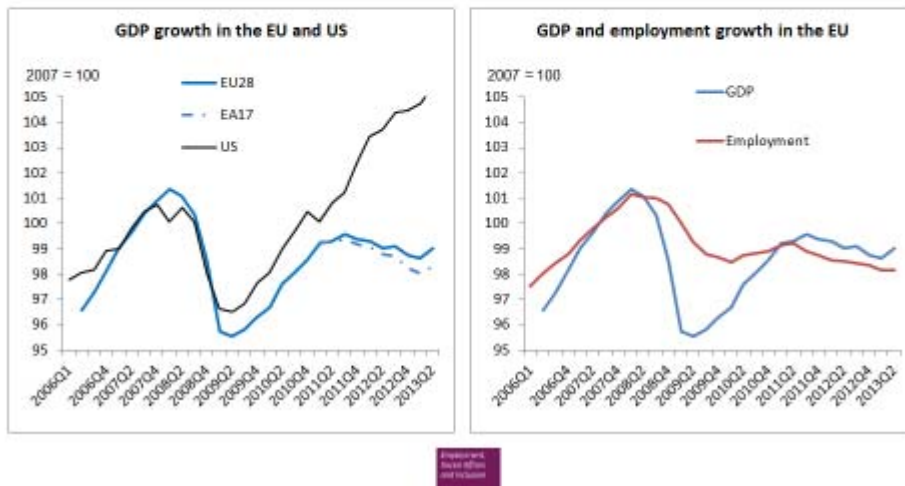
Presentation of 2013 ESDE Review

Press points

- A **significant increase in the risk of poverty among the working age population** is one of the most tangible social consequences of the economic crisis in Europe.
- Even if unemployment is gradually reduced as currently projected, this may not be enough to reverse rising poverty, especially if wage polarisation continues, notably due to a rise in part-time work.
- These are amongst the main findings of the European Commission's **2013 Employment and Social Developments in Europe Review**, which analyses the difficult and increasingly diverse labour market and social conditions in Europe.



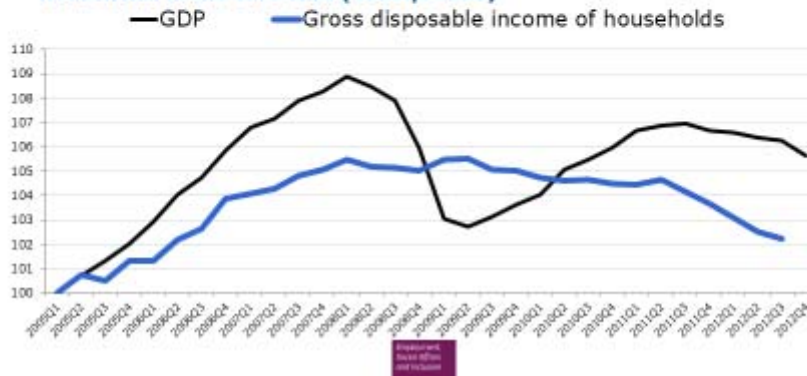
A fragile recovery



- In 2013 we have seen some tentative signs of economic recovery from the double-dip recession: GDP grew in the second and third quarters of the year, unemployment stopped rising and employment stopped falling.
- However, this recovery is still very modest and rather fragile. We have not yet begun to make up for the job losses of the past five years. Long-term unemployment is still on the rise in most Member States, as well as precarious jobs.

Household incomes lagging behind the GDP

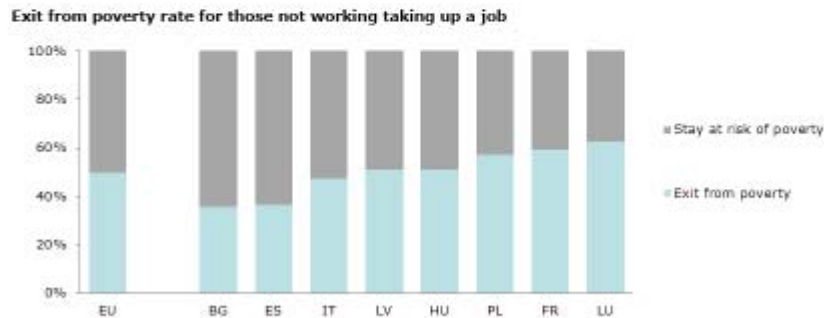
Cumulated real growth of GDP and aggregate Gross Disposable Income for Households in the euro area (2005q1=100)



- As you can see from this graph, household incomes in the euro area have lagged behind GDP for most of the past decade. The only exception was in the first phase of the economic crisis when GDP fell sharply but automatic stabilisers and budgetary deficits helped to support household incomes and counteract the downturn.
- However, since 2010, household incomes have been falling, which also means **weak domestic demand** and that is why we can still only speak about a fragile recovery.



Taking up a job helps people to get out of poverty... only in half of the cases

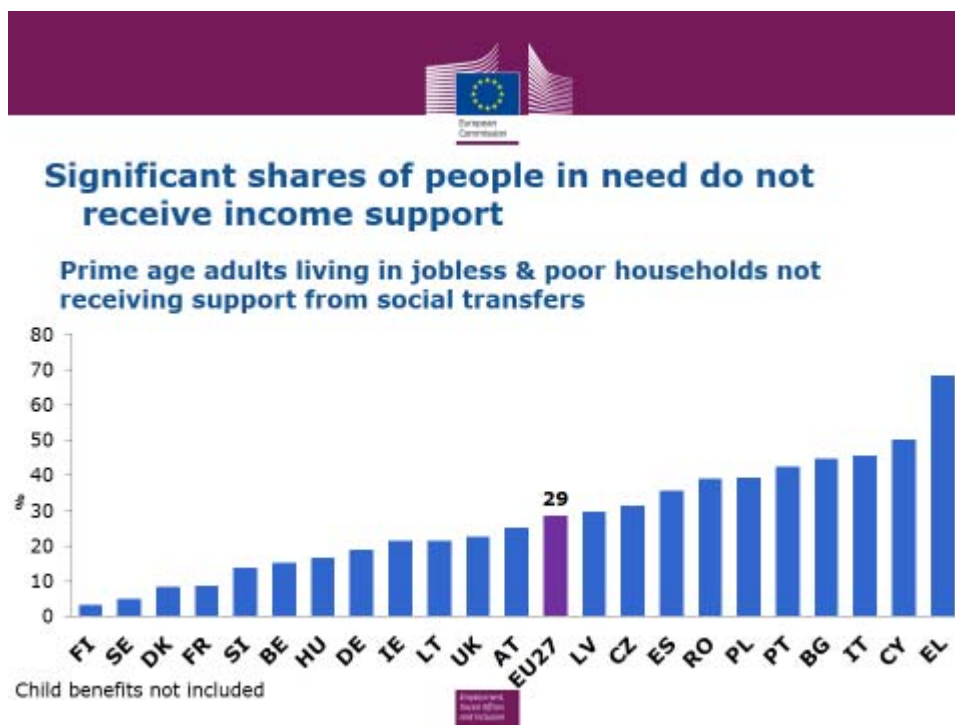


Source: EIU SILE, DG EMPL calculations



- On average, **out of three Europeans** who live at risk of poverty, **only one manages to move above the poverty threshold within a year.**
- In order for an adult to exit poverty, it is usually necessary to find a job. But it is not always enough: our analysis shows that **getting a job is a way out of poverty in only half of the cases.**
- Much depends on the type of job found, the level of pay and the number of hours worked. It also depends on the composition of the household and the working situation of the partner. Unfortunately we cannot say that having a job necessarily equates with a decent standard of living.

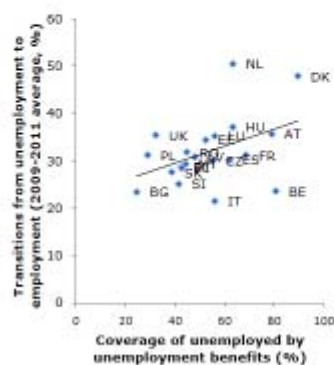
- This has important implications on what we can expect from the present modest economic recovery: **a gradual reduction of unemployment is unlikely to be enough to reverse the increasing trend in poverty levels.** Poverty is especially likely to remain a growing problem if polarisation between high and low wages continues, and if more and more people are obliged to work only part-time.
- Therefore, policy-makers need to aim not only to create jobs, but also to ensure **inclusive labour markets** and **decent working conditions**.
- Moreover, governments must continue to provide **income support and other social expenditure**, including for households whose members do have a job, if people are to exit poverty.



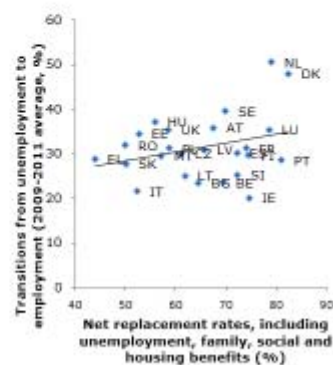
- Unfortunately, in many Member States, significant shares of unemployed people are not covered by standard safety nets, such as unemployment benefits or social assistance. *(These are shown on the right-hand side of this graph.)*
- The Review also show that, contrary to many commonly held views, **job seekers receiving unemployment benefits are *more likely* to get a job than those who don't receive benefits.**



Adequate & widely available systems of unemployment benefits support return to work



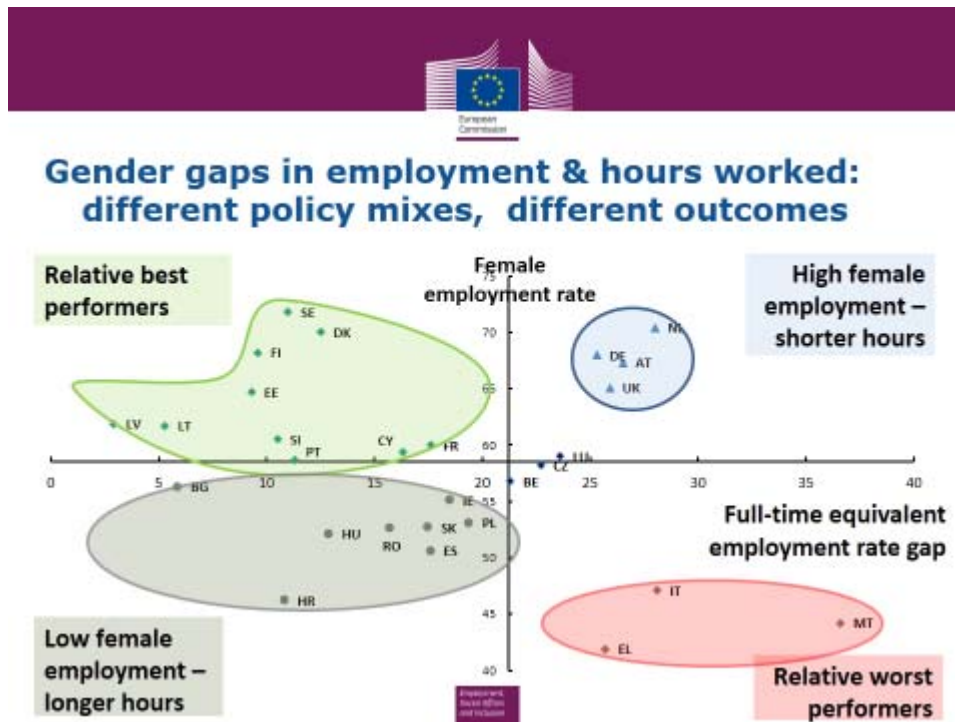
Coverage



Adequacy



- Why is that? Because well-designed unemployment benefit systems, such as those that reduce the generosity of the benefits over time, require unemployed people receiving benefits to actively look for a job.
- Moreover, these unemployed receive advice from job centres and have better access to training. They are also given the necessary time to find jobs that match their skills, and so they are more likely to get out of poverty when they do find the job.
- On the contrary, unemployed people relying on other sources, like support from their family members, do not have the same incentives or support to look for a job. Therefore they find it more difficult to get a job.



- Another persistent challenge to labour and social inclusion covered by the Review is **gender gaps** in labour market participation, pay and the risk of poverty.
- It is true that gender gaps have decreased since the start of the crisis, mainly because male-dominated sectors have been worse hit.
- However, we still have persistent gender inequalities on the labour market. Women still work shorter hours and have lower hourly pay and less career opportunities.
- Some Member States have a high share of working women but with shorter hours (*those in the top right part of the chart*), while in other countries fewer women work relatively longer hours (*those on the bottom left*). Only Nordic and Baltic countries (*top left*) succeed in combining high female employment rates with a low gender gap in hours worked.
- The key to this success seems to be in an effective policy mix including measures such as widely-available flexible working conditions, incentives to fairly share unpaid work within a couple, as well as employment-friendly, accessible and affordable childcare.