



Employment and Social Developments in Europe 2014

Employment and Social Developments in Europe 2014

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 prejudices 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>).

Luxembourg: Publications Office of the European Union, 2014

ISBN 978-92-79-39484-3 (print)

ISBN 978-92-79-39483-6 (web)

ISSN 1977-270X (print)

ISSN 2315-2540 (web)

doi:10.2767/34190 (print)

doi:10.2767/33738 (web)

© European Union, 2015

Reproduction is authorised provided the source is acknowledged.

Printed in Belgium

PRINTED ON ELEMENTAL CHLORINE-FREE BLEACHED PAPER (ECF)

Contents

Executive summary	9
Job creation, productivity and more equality for sustained growth	13
1. Growth, jobs and household incomes: recent developments	13
2. Obstacles to job creation	15
2.1. Weak demand hampers job creation	15
2.2. Crisis legacy reinforces some obstacles to job creation	17
2.3. Recurrent obstacles	19
3. Who will benefit from job creation?	22
3.1. Youth: more education and better skills can lessen the impact of lack of experience	22
3.2. Long-term unemployment has doubled, different policies can help prevent and tackle it	23
3.3. The structural issue of raising the labour market participation of specific groups	26
4. Job creation with productivity growth	29
4.1. What sort of jobs will be created?	29
4.2. Job and wage polarisation: a pre-crisis trend that has continued	30
4.3. A major role for lifelong learning	30
5. Who will benefit from income growth?	32
5.1. Household incomes declined in the crisis but have started to recover	32
5.2. Rising poverty mainly affects the working-age population and children	32
5.3. Mitigating rising inequalities requires training and quality jobs for all and improving the effectiveness of social policies	33
6. Social and labour market imbalances impact GDP growth	36
6.1. How unemployment, poverty and inequality might affect GDP growth, also across national borders	36
6.2. The impact of inequality on GDP growth: theory and recent evidence	36
6.3. Lessons from the different interactions between GDP growth and labour market and social developments	37
References	38

Chapter 1: The legacy of the crisis: resilience and challenges	41
1. Introduction	41
2. The legacy of the crisis on the employment and social situation	41
2.1. Long and protracted recession	41
2.2. Participation in education and in the labour market continued to rise	49
2.3. Falling incomes and rising market income inequalities put tax and transfers systems under pressure	54
3. The potential long-term impacts on people and society	58
3.1. Scarring effects of unemployment — evidence from most recent data	58
3.2. Households: running into debt, adjusting consumption and pooling resources	60
3.3. Impact on health and access to healthcare	62
3.4. Weakening trust in institutions	63
4. The impact of the recession on welfare systems	64
4.1. The three functions of social spending: investment, stabilisation and protection	64
4.2. The developments of government and social expenditure during the crisis	64
4.3. Investing in children and families, young and working-age population	66
4.4. The development of social protection as an automatic stabiliser	70
4.5. The development in the financing of social protection: risks and opportunities	72
5. The impact of the recession on labour market institutions	73
5.1. A healthy labour market: balancing employment protection legislation, activation and support	73
5.2. Employment protection legislation: reductions with results still pending	74
5.3. The development of activation during the recession: investment in human capital and activation yielded positive labour market outcomes	77
5.4. The development of unemployment benefits and short-time working arrangements	82
5.5. The role of social partners: industrial relations and minimum wages	87
5.6. The institutional balance to recover and benefit from growth: flexibility, activation and support to prevent and tackle long-term unemployment	88
6. Conclusions	90
Annex 1: Employment change by job-wage quintile	92
Annex 2: Review of literature on scarring effects	93
Annex 3: Coping strategies during the recession — Qualitative analysis	95
Annex 4: RESCuE project — Patterns of Resilience during Socioeconomic Crises among Households in Europe	98
References	99

Chapter 2: Investing in human capital and responding to long-term societal challenges..... 103

- 1. Introduction**
- 2. Long-term challenges threatening job-rich and inclusive growth** 106
- 3. Policy and institutional framework** 109
 - 3.1. Forming human capital 109
 - 3.2. Maintaining human capital..... 115
 - 3.3. Using human capital 118
- 4. Policies and their impact: Evidence from the Labour Market Model** 124
 - 4.1. Forming HC: Investment in education — the case of Germany..... 124
 - 4.2. Maintaining HC: Investment in training — the case of Slovakia 125
 - 4.3. Using HC: Labour demand incentives to youth employment — the case of Italy 128
- 5. Conclusions**..... 130
- Annex** 131
- References**..... 132

Chapter 3: The future of work in Europe: job quality and work organisation for a smart, sustainable and inclusive growth.....	135
1. Better jobs and work organisation yield a more productive workforce	135
2. Job quality and work organisation: multi-dimensional concepts	135
2.1. Job quality dimensions.....	136
2.2. Work organisation can take different forms	137
2.3. Work organisation impacts on job quality and performance	137
3. The effects of job quality on productivity, labour market participation and social cohesion	138
3.1. Socioeconomic security: synergy of interests	138
3.2. Education and training may enhance employability and productivity	142
3.3. Good working conditions can attract and develop human capital and improve performance and output.....	143
3.4. Work-life and gender balance to strengthen participation, efficiency and equity.....	147
3.5. Summary of findings	148
4. Structural changes can impact on job quality and productivity growth.....	148
4.1. The two sides of knowledge and technology-intensive growth	149
4.2. Globalisation creates opportunities but also challenges for job quality and productivity.....	152
4.3. Demographic change calls for an innovative approach to job quality	155
4.4. The jobs potential of the green economy	156
4.5. Strengthening job quality to foster future productivity growth in the face of significant structural changes	157
5. Modernising work organisation to foster productivity growth	158
5.1. Work organisations differ across sectors, occupations and Member States.....	158
5.2. The interaction between work organisation and job quality: the importance of Learning and Lean Organisations ..	159
5.3. Declining Learning organisations and the move towards Leaner forms.....	161
5.4. Complementing technological innovation with workplace innovation	162
5.5. Fostering workers' engagement	163
5.6. Management strategies for organisational efficiency: supervision and control versus common values.....	164
5.7. Office and workflow design for optimum efficiency	164
5.8. Addressing future challenges in the Learning organisation.....	165
5.9. Further globalisation brings changes to work organisation with job quality implications.....	166
5.10. Conclusion: stronger employee empowerment matters for productivity growth.....	167
6. Conclusions	167
Annex 1: Definitions of job quality	170
Annex 2: Organisation of work — Technical details.....	178
Annex 3: Additional indicators relating to job quality	179
Annex 4: Trend developments in Learning organisation	183
Annex 5: Companies' well-being policies — case studies.....	190
References.....	192

Chapter 4: Restoring Convergence between Member States in the EU and EMU 203

- 1. Introduction** 203
- 2. Productivity and employment growth: THE key to long-term convergence in the EU** 204
 - 2.1. Convergence trends in the EU since the mid-1990s 204
 - 2.2. Structural factors impacting on employment and social divergence 213
 - 2.3. Conclusion: promoting upward convergence by balanced adjustment efforts and strengthening human capital formation 218
- 3. Convergence within the EU, a specific challenge?** 218
 - 3.1. The specificities of a monetary union 219
 - 3.2. Cross-border externalities arising from employment and social developments linked to economic shocks in a monetary union 220
 - 3.3. The contribution of employment and social policies to convergence in the EU 227
- 4. Conclusion** 232
- Annex 1: Price dynamics in the euro area** 234
- Annex 2: Member States’ overall capacity to promote productivity growth: 2013–14 ranking** 236
- Annex 3: Between and within zones convergence** 238
- References** 243

Statistical annex.....	247
1. Macro economic indicators	247
2. Labour market indicators	255
3. Social indicators	295