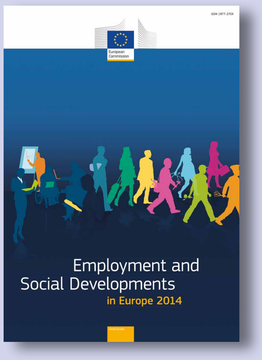
European Commission



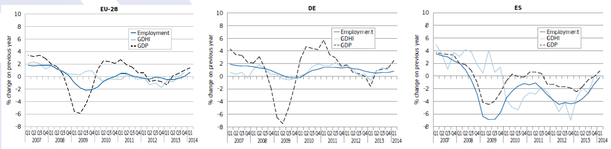
The legacy of the crisis:

Resilience and challenges

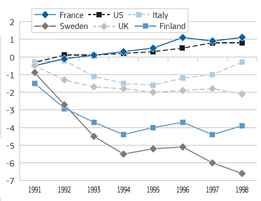
Various levels of resilience to the economic crisis

- Employment and income reacted differently to the economic shock across countries, due to disparities in labour market institutions and the stabilising impact of welfare systems (see chart 1).
- The recession generated large increases in unemployment and also had a negative impact on job quality.
- However, in contrast with past crises, economic participation in many countries continued to rise (see chart 2). This was driven by an increase among women and older workers, which was supported by policy measures that were not reversed during the recession.

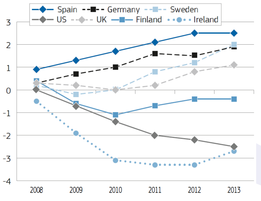
1. Real GDP, real Gross Disposable Household Income and employment, y-o-y change



2. Changes in activity rate (15–64) compared to pre-crisis (1990 and 2007) levels (in pps)



Early 1990's recession: drop of activity rates

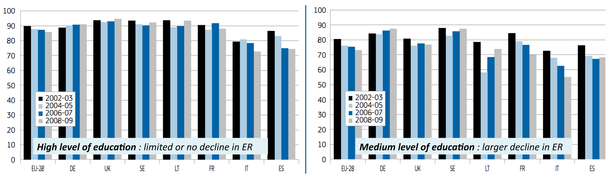


2008-09 recession : continued increase in activity rates in many EU MS

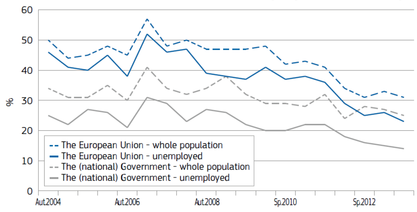
A legacy of hardship difficult to overcome

- Long-term unemployment rose in nearly all countries and doubled overall. The low-skilled and young people were the most affected.
- The unemployed youth face risks of 'scarring' effects but education plays a protective role (see chart 3) and the share of young people staying or returning to education has increased.
- Poverty and social exclusion in the EU have worsened during the crisis. The main drivers of this are long-term unemployment, labour market segmentation and wage polarisation, but also the weakening of the redistributive impact of tax and benefits systems.
- Since the recession trust in institutions has decreased (see chart 4), especially in the most affected countries and among the unemployed, which can affect the ability to conduct reforms.

3. Employment rate (ER) of those aged 20-29 no longer in education or training, five years after completing education, by cohort and level of education



4. Trust in institutions over time: unemployed and whole population (in %)



Improvements and challenges for social investment

- Some countries with high levels of social investment have maintained the resilience of their systems (e.g. in terms of long-term unemployment).
- Investment in childcare continues and is improving, while investments in education and 'mostly active' unemployment measures have reduced in a number of Member States.
- While some Member States are progressing towards a social investment model, others clearly departing from it.

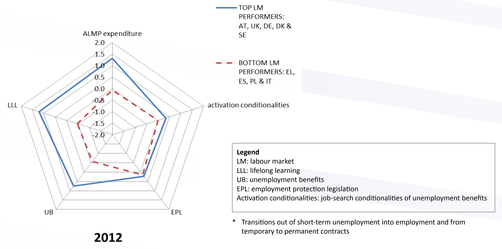
5. Summary developments in social investment (real terms, 2007-11)

Between 2007 and 2011				
Investments in 2007 in ...		Decreased	Stable	Increased
Education	High	PT, SI, IT		**DK, FI, SE**
	Medium	IE, HU, LV, UK, EE, ES	LT, CZ	BE, MT, NL, AT, PL, CY, FR
	Low	**BG, EL, RO**	SK	DE, LU
Active unemployment	High	DK, HU, UK		**SE**
	Medium	EL, IE, FR, FI, ES, IT		DE, AT, SK, LV
	Low	**RO, CY, LT, CZ, PT, PL, LU, BE, SI, BG**		MT, EE
Family	High		DK	**SE, FI**
	Medium	RO, PT	SI	ES, FR UK, DE, AT, NL, LU
	Low	**EL, CY**	EE, IE, PL, SK	IT, HU, BE, MT, LV, LT, BG
Overall	High	DK	FI	**SE**
	Medium	EL, ES, HU, IT, PT, RO, SI, UK		AT, BE, DE, FR, LU, LV, NL
	Low	**BG, CZ, LT, PL, IE, CY**	EE	MT, SK

All labour market institutions matter for resilience

- Countries with the strongest labour market performance* and resilience combined significantly higher spending on active labour market policies, stronger activation conditionality, higher participation in lifelong learning and higher coverage and adequacy of unemployment benefits (see chart 6).
- During the crisis, countries with the lowest performance reduced the strictness of their employment protection legislation (EPL), but did not improve other relevant dimensions.
- In order to achieve better employment outcomes it is therefore important that structural reforms address EPL, welfare systems and active labour market policies in an integrated and coherent manner that is sensitive to the economic cycle.

6. Labour Market Institutions Index and labour market performance* of MS, 2012



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Contact persons: Laurent.Aujean@ec.europa.eu, Virginia.Maestri@ec.europa.eu, Filip.Tanay@ec.europa.eu, Celine Thevenot