



SUSTAINABLE GROWTH FOR ALL: CHOICES FOR THE FUTURE OF SOCIAL EUROPE

Employment and Social Developments in Europe 2019



#ESDE2019

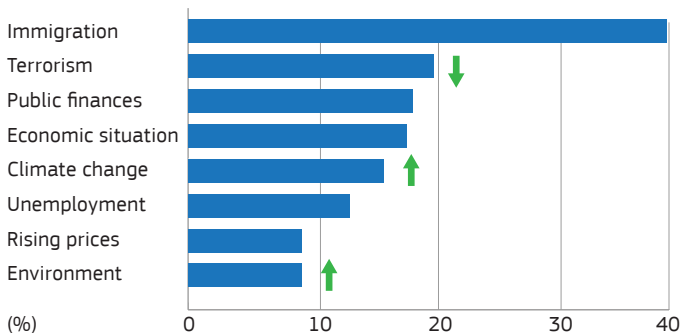
The social dimension of sustainable growth and development is the focus of the 2019 edition of the *Employment and Social Developments in Europe* (ESDE - Annual Review).

WHAT ARE THE KEY DIMENSIONS OF SUSTAINABILITY?

Sustainable development in the EU has three dimensions – economic, social and environmental. All three are fundamental objectives of the European Union. They are also reflected in the UN 2030 Agenda for Sustainable Development with its [17 Sustainable Development Goals](#), to which the EU actively contributed.



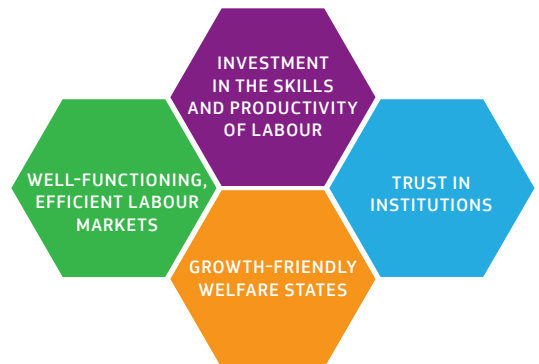
WHAT ARE EU CITIZENS' MAIN CONCERNS?



Sustainability concerns (economic/fiscal, social and climate change) are among EU citizens' first preoccupations, after immigration and security. EU citizens are increasingly concerned about climate change and the environment (up 10 pp and 4pp, respectively, compared to 2014).

Source: ESDE 2019 (Eurobarometer, November 2018)

WHAT DRIVES SOCIAL SUSTAINABILITY IN THE EU?



WHERE DOES EUROPE STAND?

Employment is at record high and unemployment keeps declining:

- ▶ Employment in the EU: 240.7 million in Q1 of 2019, up 13.4 million since the Juncker Commission took office, end of 2014.
- ▶ EU employment rate: 73.5% at the end of 2018 - the highest level ever recorded – up 4 pp since end 2014
- ▶ EU unemployment rate: 6.3% (May 2019) - the lowest level since the start of recordings in 2000
- ▶ Unemployment rates in all Member States lower than in 2014
- ▶ At-risk-of poverty and social exclusion (AROPE) rate: 22.4% in 2017, down from 24.4% in 2014
- ▶ Productivity and wages grow in all sectors of the economy, notably in industry and construction

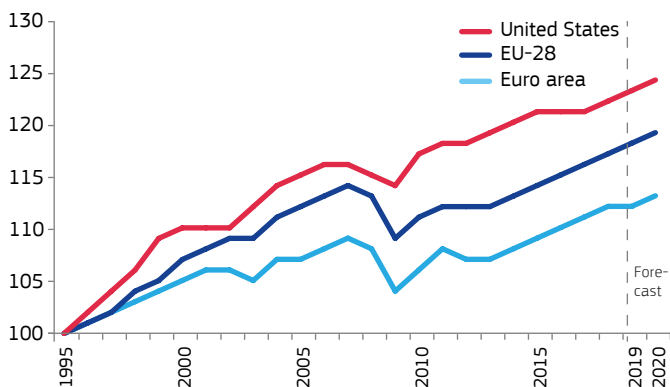
WHAT ARE THE MAIN EU POLICY TOOLS

- ▶ European Pillar of Social Rights
- ▶ Europe 2020 Agenda and beyond
- ▶ European Structural and Investment Funds, notably the European Social Fund (ESF/ESF+)
- ▶ European Skills Agenda
- ▶ European Industrial Policy Agenda
- ▶ European Semester and structural reform
- ▶ EU climate change policy and long-term strategy to reduce carbon emissions
- ▶ European Research & Innovation programmes
- ▶ European Globalisation Adjustment Fund (EGF)

SUSTAINABILITY CHALLENGE: RAISE PRODUCTIVITY AND STRENGTHEN INNOVATION

Productivity growth in the EU has picked up and is broadly at par with the US, yet it remains lower than before the crisis. The productivity gap with the US persists.

TFP growth, 1995–2020

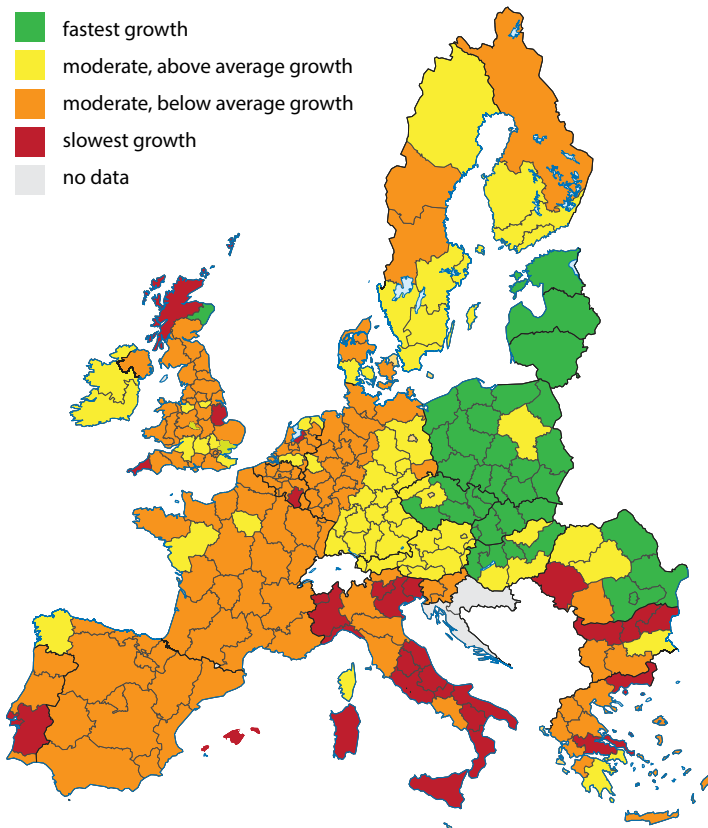


Note: Both charts show total factor productivity (TFP) growth, i.e. the part of economic growth that is due to the more efficient use of existing resources, including faster adoption and better use of technologies as well as workplace innovation. At least half of GDP growth in the EU comes from TFP growth. Data available from 1995.

Source: ESDE 2019 (AMECO database) Commission's Spring Forecast for 2019–2020

Catching-up continues but TFP has slowed down. Productivity growth varies both between and within Member States. Disparities in productivity performance across firms and sectors keep growing too.

Productivity growth in EU regions, 1995–2015



Source: ESDE 2019

SUSTAINABILITY CHALLENGE: IMPROVE SKILLS AND INCREASE INVESTMENT IN HUMAN CAPITAL FOR ALL

Investment in education and training has significant returns in terms of innovation and productivity as well as employment and income. But investment in education has grown more slowly than GDP, and education expenditure per student has continued to fall in some Member States. Moreover, divergence across Member States further increased.

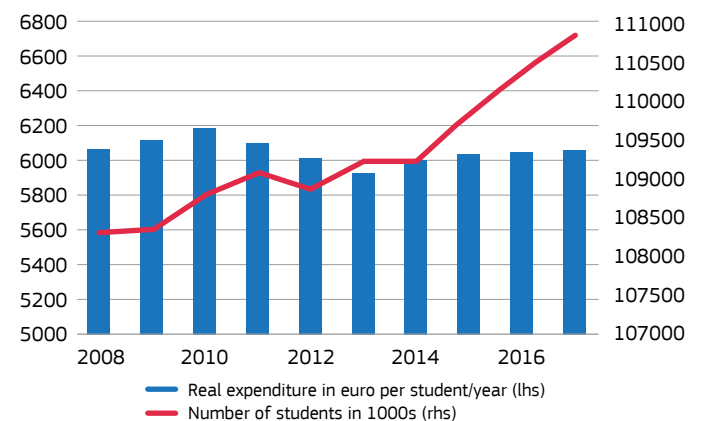
Highest education level	Effect on employment probability
Secondary education	+ 11,5%
Tertiary education	+ 21,2%

Work experience during education	Effect on employment probability
Paid work experience during the highest level of education	+ 12,4%
Unpaid work experience during the highest level of education	+ 1,8%

Migration background	Effect on employment probability
EU-15 mover	+ 4,8%
EU-13 mover	+ 5,4%
non-EU European migrant	- 5,1%
African or Asian migrant	- 12,3%

Source: ESDE 2019 (LFS ad hoc module 2016; 25–34 age group)

Education expenditure per student by Member State



SUSTAINABILITY CHALLENGE: STRENGTHEN GOVERNANCE AND EMPLOYEE REPRESENTATION AND PROMOTE BEHAVIOURAL CHANGE

Collective bargaining structures and constructive social dialogue are key instruments to improve training and working conditions, anticipate changing skill requirements and upgrade skills, promote workplace innovation and tackle social exclusion. Together with behavioral changes towards more sustainable consumption patterns, it is key for support a just transition towards a more circular, climate-neutral, competitive and inclusive economy.

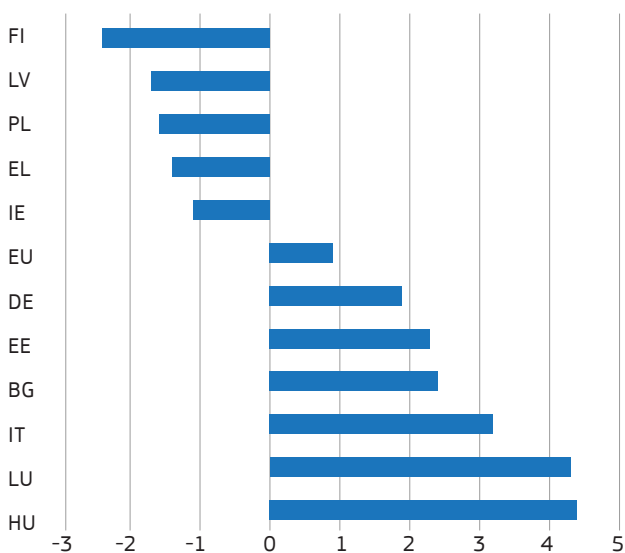
1. increasing attractiveness of work and motivation, leading to a better performance;
2. supporting employees through training, making them more likely to remain fit until and beyond retirement;
3. making the competitiveness of their employer a long-term interest of the employee, the inclusion of workers in decision-making processes will contribute to sustainable management decisions.

SUSTAINABILITY CHALLENGE: TACKLE IN-WORK POVERTY, INCOME INEQUALITY AND REGIONAL DISPARITIES

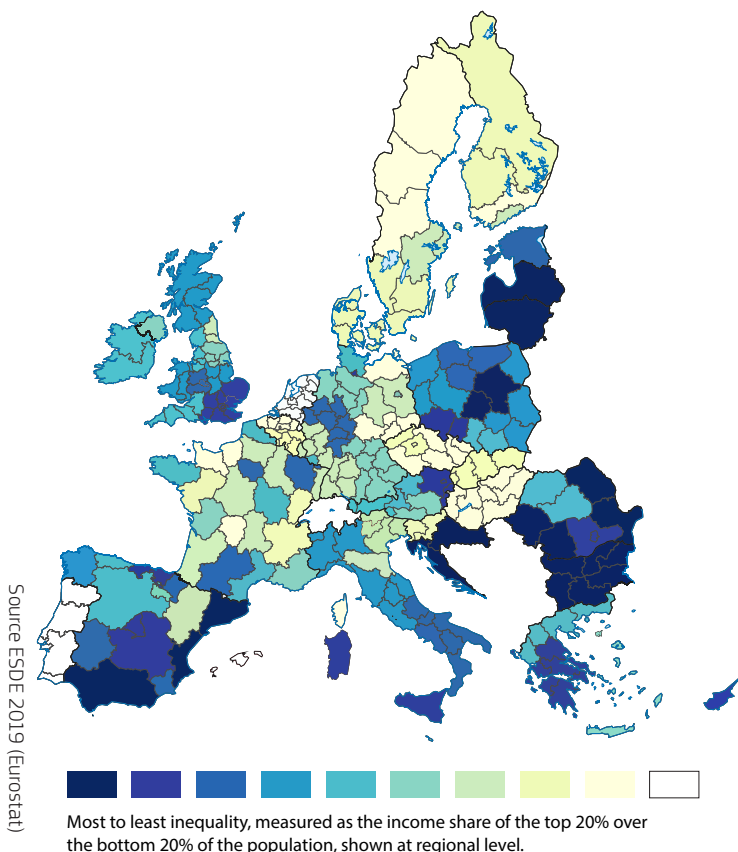
Thanks to the employment expansion, the share of **people at risk of poverty or social exclusion has fallen below pre-crisis levels**, to 22.4% of total population, or 113 million people, in 2017. Compared with 2008, 10 million fewer people were at risk of poverty or exclusion in 2016 and 2017; the numbers of those subject to severe material deprivation went down by 17 million. Also, fewer households have very low work intensity.

Overall, living standards of Europeans have further improved. Yet, **income inequality and in-work poverty have increased**. Almost 10% of the employed were poor in 2017, indicating that work is less of a guarantee of a secure adequate income than before the crisis. Despite sustained convergence in the EU, disparities have been growing across regions since the onset of the crisis.

In-work poverty: Changes 2008–2018 in the EU and selected Member States



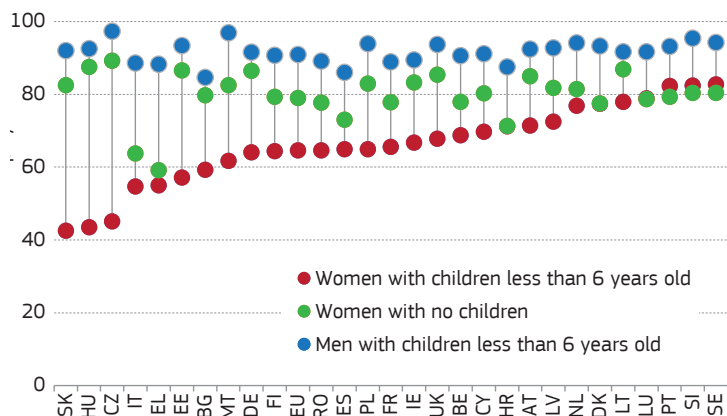
Regional socio-economic disparities 2016



SUSTAINABILITY CHALLENGE: INVEST IN CHILDREN, FAMILIES AND EQUAL OPPORTUNITIES

Investing in children and in equal opportunities generates long-term positive effects, including on productivity and inclusion. It is important to ensure equal access to services, promote stable employment, equal pay and career progression and target social transfers to those most in need.

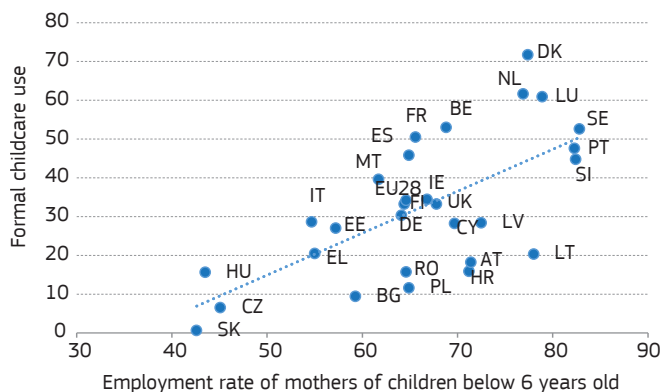
Equalizing the employment rates of women with children with those of women without children or of men would be a tremendous boost of overall employment and, by extension, productivity.



Note: Employment rates of mothers, fathers and women without children (people aged 25-49)

The availability and affordability of childcare services plays a crucial role in possibilities of mothers to work. In **countries with higher use of professional childcare**, mothers have higher employment rates and are also less subject to unstable employment and wage penalties, with more opportunities for high-quality employment and career progression.

Countries with higher shares of formal use of childcare also show higher employment rates of women (2017)

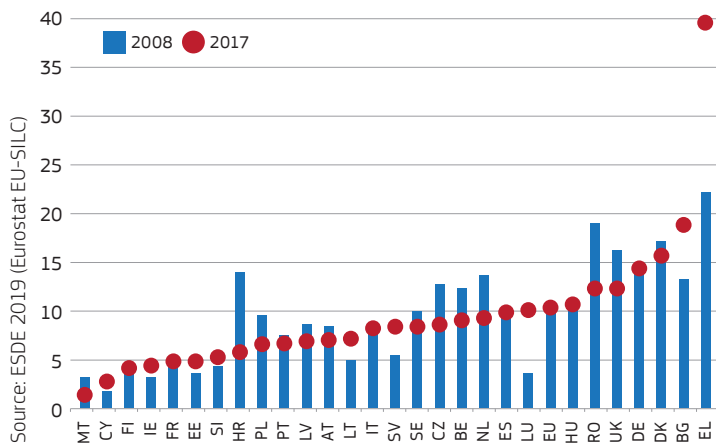


Source: ESDE 2019 (Eurostat EU-SILC)

SUSTAINABILITY CHALLENGE: PROMOTE AFFORDABLE AND ADEQUATE HOUSING FOR ALL

Households in the EU spend on average more than one fifth of their disposable income on housing. Almost one third consider **housing costs as a very heavy financial burden**. One in ten Europeans live in a household that spends 40% or more of its income on housing costs, and more in Greece, Bulgaria, Denmark, Germany, the UK, Romania and Hungary. At-risk-of-poverty increases from 17% to 32% if housing expenses are deducted from the households' disposable income.

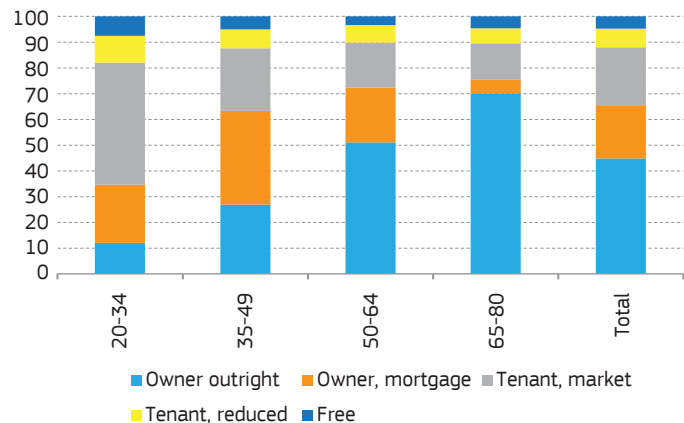
Housing cost overburden rate, 2008–2017



Note: Percentage of the population living in a household where total housing costs represent more than 40% of the total disposable household income (both net of housing allowances).

Affordable and adequate housing is a particular concern for young adults. Inadequate housing can have adverse long-term effects on productivity, health and social inclusion.

Housing tenure and life course in the EU, 2016



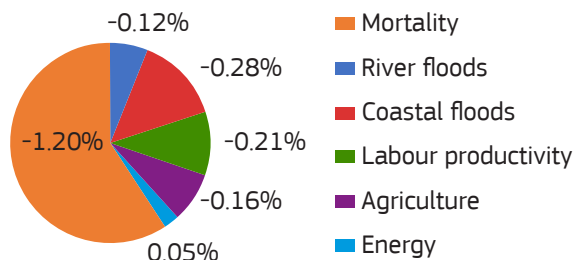
Source: ESDE 2019 (EU-SILC users' database 2016)

SUSTAINABILITY CHALLENGE: ADDRESS ENERGY POVERTY

Energy prices are projected to increase by more than 20% up to 2030. This can aggravate energy poverty and may affect both low-income and middle-income households, notably if energy costs increase faster than total disposable household income. There have been some positive developments in the EU as indicators of energy poverty have declined below 2010 levels on average. Yet, almost one household out of ten in the EU cannot afford to keep their house warm or pay their utility bills.

SUSTAINABILITY CHALLENGE: ENSURE A JUST TRANSITION TOWARDS A CLIMATE-NEUTRAL ECONOMY

Estimates of the socio-economic effects of climate inaction on GDP (*high warming scenario*) for 6 types of impact show strongest impact on mortality, coastal floods and labour productivity, and strongest for the South of Europe.



Source: JRC, PESETA III studies
Note: Annual welfare losses (in % of GDP) due to global warming

While expected to create more than 2 million new jobs in the EU by 2050, and more than one million by 2030, the transition to a low-carbon economy will have adverse effects on some sectors and regions. **Job losses will be concentrated in a few sectors**, including fossil fuel extraction and processing. Job gains will come in construction and manufacturing of renewable and energy-efficiency equipment as well as from ICT and other service sectors.

Much of the **expected employment creation will be in middle-skilled, middle-income jobs, notably in construction and in services.**

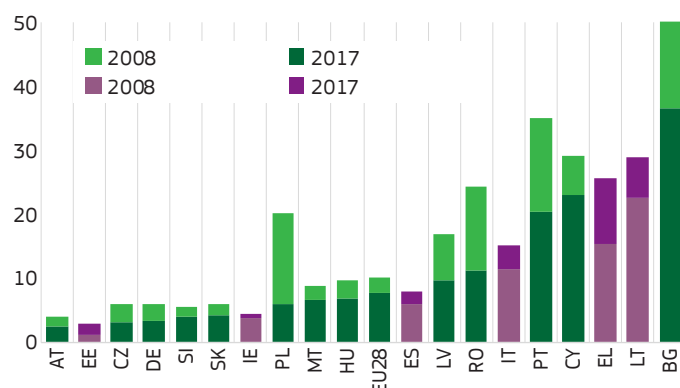
Employment implications in the EU at sectoral level, 2030

Sector	percent	thousands
Agriculture	0,5	40
Mining	-16,6	-93
Manufacturing	0,7	209
Utilities	-2,4	-72
Construction	1,1	160
Distribution, retail, hotels, catering	0,6	305
Transport, communications	0,5	64
Business services	0,7	473
Non-business services	0,3	142
Total	0,5	1228

Source: ESDE 2019 (based on Eurofound (2019))
Note: Deviation from the baseline in % and in thousands of persons.

Workers and sectors need support to adjust to new production technologies and skill requirements. Yet, currently the EU regions with the highest share of employment in energy intensive industries and automotive manufacturing are also regions with below average participation rates of adults in training. Further investments are necessary for the retraining and upskilling to ensure a just transition.

Population share facing difficulties to heat their homes



Source: ESDE 2019 (Eurostat EU-SILC)
Note: Data included for Member States with significant changes only