



Proposal for a Joint Employment Report 2022

The 2022 edition of the JER has a stronger focus on the implementation of the European Pillar of Social Rights, in line with the commitments of the Pillar Action Plan of March 2021, which was welcomed by the EU leaders in the 8 May 2021 Porto Declaration and by the June European Council. It includes thematic Pillar boxes providing in-depth analyses on key challenges in the employment and social fields relevant for the implementation of the Pillar. The report also integrates the three new EU headline targets on employment, skills and poverty reduction by 2030:

- at least 78% of the 20-64 population should be in employment;
- at least 60% of people aged 25-64 should participate in learning activities each year; and
- the number of people at risk of poverty or social exclusion should decrease by at least 15 million compared to 2019.

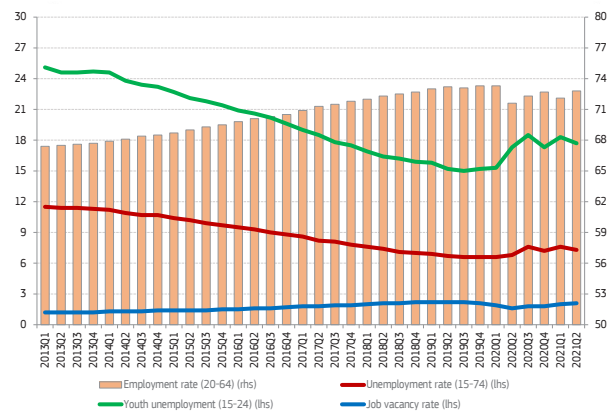
The labour market impact of the COVID-19 crisis has been cushioned by decisive policy action at Member State and EU level. Overall, increase in unemployment has remained below what could have been expected given the magnitude of the COVID-19 impact on the economy. This is due to the reduction in working hours linked to policy measures to retain workers, introduced by the Member States, also with support from **EU funding (notably SURE and REACT-EU)**, and to a lesser extent to the fact that some people moved at least temporarily into inactivity. The Recovery and Resilience Facility (RRF), along with the European Social Fund, the European Regional Development Fund and other funding instruments, provides significant funding to support the Member States' efforts.

The proportion of employees and companies supported by short-time work and other job retention measures decreased gradually. All EU Member States introduced or strengthened short-time work and/or other job-retention schemes since the start of lockdowns in early 2020. The number of workers in these schemes remained high until mid-2021. Short-time work schemes can facilitate and support restructuring processes and should remain part of the policy toolbox also beyond the crisis, and

refocus on helping the modernisation of the economy without delaying structural adjustments.

The labour market recovery is taking hold

Rates of employment, unemployment, youth unemployment, and the vacancy rate in the EU-27, in %



Note: Break in series in quarterly employment and unemployment rates in Q1-2021.

Source: Eurostat database. Seasonally adjusted, not calendar adjusted data.

Despite the recovery, employment and total hours worked are not yet back to pre-crisis levels. After reaching a low point of 71.6% in Q2 2020, the employment rate (age 20-64) has recovered partially to 72.8% in Q2 2021, but is still slightly below the Q4 2019 peak. Similarly, total hours worked have partially recovered from the sharp decline following the pandemic outbreak, but are not yet at their pre-crisis levels. Overall, employment is projected to increase by 0.8% in 2021, by 1% in 2022, and by 0.6% in 2023.

72.8%

employment rate in Q2 2021 (1.2 percentage points higher than one year earlier)

6.7%

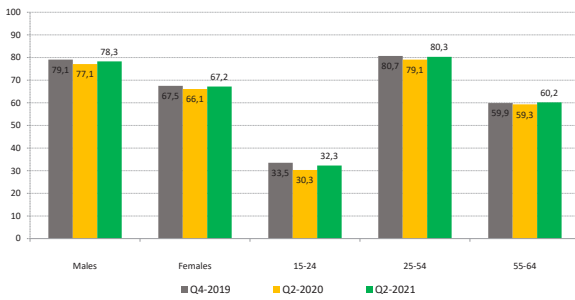
unemployment rate in September 2021 (1 percentage point lower than one year earlier)

17.4%

youth unemployment rate in Q2 2021 (0.6 percentage points higher than in Q2 2020)

Increasing employment rates is a key priority for 2030

Employment rates by gender and age group in the EU-27, seasonally adjusted data, not calendar adjusted (in %)



Note: Break in time series from Q1-2021.
Source: Eurostat, LFS.

The crisis temporarily reduced labour shortages, but in most Member States they are again on the rise. The share of employers reporting that in the first three quarters of 2021 labour shortages were a major factor limiting the production was highest (above 20%) in Poland, Romania, Lithuania, Croatia, Greece and Germany. In sectors such as construction, health and long-term care, as well as ICT, long-lasting skills shortages are the key driver for re-emerging labour shortages in 2021.

As the economy recovers, support to job transitions becomes particularly important. For some firms the pandemic has been a transitory shock. For others it may lead to profound changes in business models. Support to job transitions along the lines of the Commission Recommendation on **Effective Active Support to Employment (EASE)** can address labour shortages, boost productivity, wages and social cohesion, and facilitate the green and digital transitions.

Effective support for labour market transitions is key to promote a job-rich recovery

- 1 Hiring incentives bolster demand in the initial phase of the recovery
- 2 Investing in upskilling and reskilling ensures an inclusive growth model
- 3 Public employment services are essential for effective labour market (re-) integration and support to job-to-job transitions
- 4 Digitalisation and the green transition make it critical to match skill supply to the labour market needs

Pillar Box I

Skills and education are key for resilience, and remaining challenges in participation, inclusion and digital skills should be addressed. Due to the crisis, the share of adults participating in learning in the EU (over the previous 4 weeks) dropped to 9.2% in 2020. There is a significant reading skills gap between pupils of lower and high-

er socioeconomic status, and preliminary evidence suggests substantial learning loss during the pandemic. Even though digital skills are required (at the appropriate level) in over 90% of current jobs and in nearly all sectors of the economy (Cedefop), only 56% of adults had at least basic digital skills in 2019, with slow progress recorded over time.

Integrated financial and non-financial support is needed to **incentivise more adults to participate in learning**

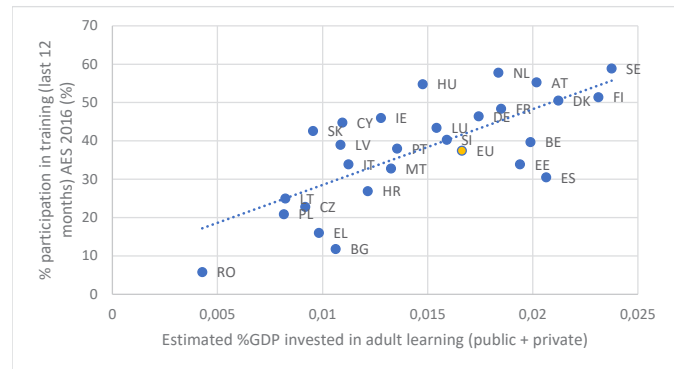
Member States have put in place **schemes to address existing obstacles**

Lifelong skills acquisition is key to the competitive sustainability of the EU economy

Pillar Box II

The level of investment in adult learning correlates with participation rates

Correlation of participation in adult learning and share of GDP



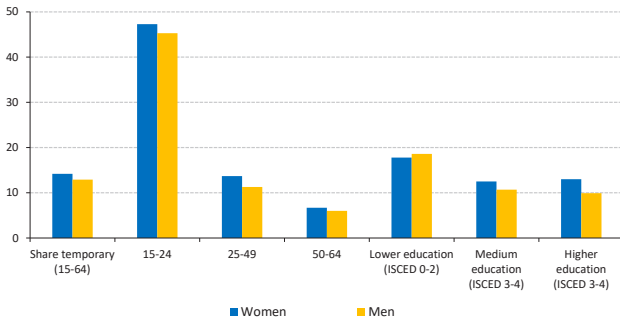
Source: Adult Education Survey (2016), Continuing Vocational Training Survey (2016) and Labour Market Policies database.

The impact of the crisis has been uneven across categories of workers. Workers in non-standard employment have been hit hard, particularly those on fixed-term contracts in Member States with larger shares of temporary employment. Non-EU born on average experienced larger employment losses than the native population. Besides, there is considerable potential to increase employment among persons with disabilities.

Young people, in particular job starters, have been strongly affected. The youth unemployment rate (15-24) in the EU showed signs of recovery by mid-2021 but still stood at 17.4%, nearly triple the unemployment rate of the population aged 25-74. The situation was particularly difficult for young people in transition from the education system to the labour market. The number of recent job starters aged 15-24 declined in 2020 to 2 million on average per quarter, from about 2.4 million in 2019.

There is a different incidence of temporary contracts by age group and level of qualification

Share of employees on temporary contracts by age and education level in the EU-27 (2020)



Source: Eurostat, LFS.

1.6 million

fewer employees (20-64) on temporary contracts in Q2-2021 compared to Q2-2019

6.8%

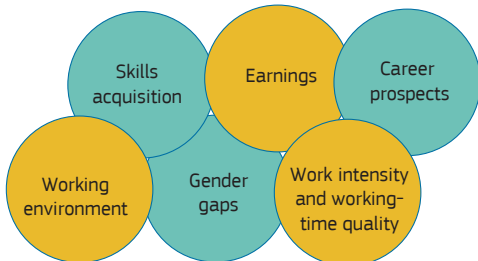
in involuntary temporary employment in 2020, with large prevalence of youth

17.2%

of employed persons working part-time in the EU in 2020 (1.2 pps lower than in 2019)

Labour market participation of women is a long-standing challenge. Employment rates dropped more for men than for women between 2019 and 2020, reducing the gender employment gap from 11.5 pps to 11.1 pps, still a high level. This gap rises to 32.2 pps for women with at least one small child. Women temporarily experienced a steeper fall in working hours, linked to gender differences in sectors and occupations affected by the crisis and in the use of telework, as well on their larger share of caring responsibilities.

The COVID-19 crisis has impacted multiple dimensions of job quality



Ensuring **high quality jobs for all** requires an **overarching policy response** and holistic approach across policy domains.

Pillar Box III

Social protection systems helped weather the COVID-19 crisis. Flash estimates suggest that the at-risk-of-poverty or social exclusion rate (AROPE) and overall income inequality remained broadly

stable between 2019 and 2020 in most Member States. This reflects the impact of the tax and benefit systems, as well as of the large public support, including via short-time work schemes and other job retention measures, introduced or extended during the COVID 19 crisis, in particular for vulnerable groups. Still, there were around 22% of people at risk of poverty or social exclusion in 2020, and 8.2% of people could not keep their homes adequately warm in 2020.

96.5 million

people at risk of poverty or social exclusion in the EU-27 in 2020

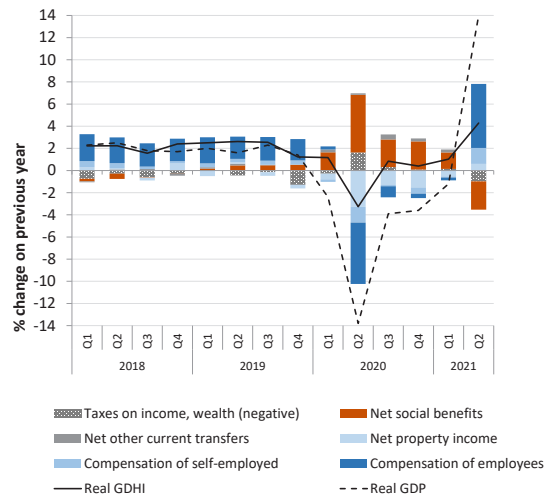
46.5%

of older people with difficulties in care or home activities could not get the necessary help

The impact of social transfers on poverty reduction has been stable in the EU-27 since 2015. On average, in the EU, social transfers (excluding pensions) reduced the at-risk-of-poverty rate by about a third. However there are significant differences across Member States, ranging from about 16% to above 50%.

Aggregate household incomes remained broadly stable on average in EU Member States in 2020

GDP growth, growth in real gross disposable household income and its main components (EU-27)



Source: Eurostat database, National Account.

Combating social exclusion and providing support to children

The number of **children at risk of poverty or social exclusion** in the EU is high

European Pillar of Social Rights sets several principles relevant for children's well-being and development

Quality **early childhood education and care** prevents children's educational gaps and supports labour market participation

Council recommendation of 14 June 2021 establishing a **European Child Guarantee**

Pillar Box IV

Poverty and social exclusion risks remain high for certain groups, notably families with children, persons with disabilities and migrants.

Poverty among households with very low work intensity has increased over the last decade. In most Member States children are more exposed to poverty (including persistent poverty) than the adult population. The Action Plan on the European Pillar of Social Rights put forward a complementary ambition to the 2030 EU headline target on poverty reduction, which is to reduce by at least 5 million the number of children at risk of poverty or social exclusion by 2030.

The 2019 Council Recommendation on access to social protection supports progress on Principle 12 of the European Pillar of Social Rights

Adapt **social protection systems** to **quickly evolving labour markets**

Recent national measures to address gaps in formal coverage often concern the **self-employed** and **people in non-standard work**

Most national plans include measures that address **at least one of the four areas of the Recommendation**, with some differences in range, scope and timing

Pillar Box V

The demand for long-term care (LTC) services is likely to increase strongly, driven in large part by population ageing. On average, 26.6% of people aged 65 or more living in private households were in need of long-term care in 2019 in the EU. Strengthening access to formal LTC is important to ensure social fairness and gender equality, and also provide an opportunity for job creation.

The **share of older people in need of care** differs widely between Member States and has a **strong gender dimension**

Social protection **coverage for LTC is limited** and relies on a mix of in-kind and cash benefits that varies across countries

Households in need of LTC often have **limited access to formal homecare services** as they are not **affordable or simply not available**

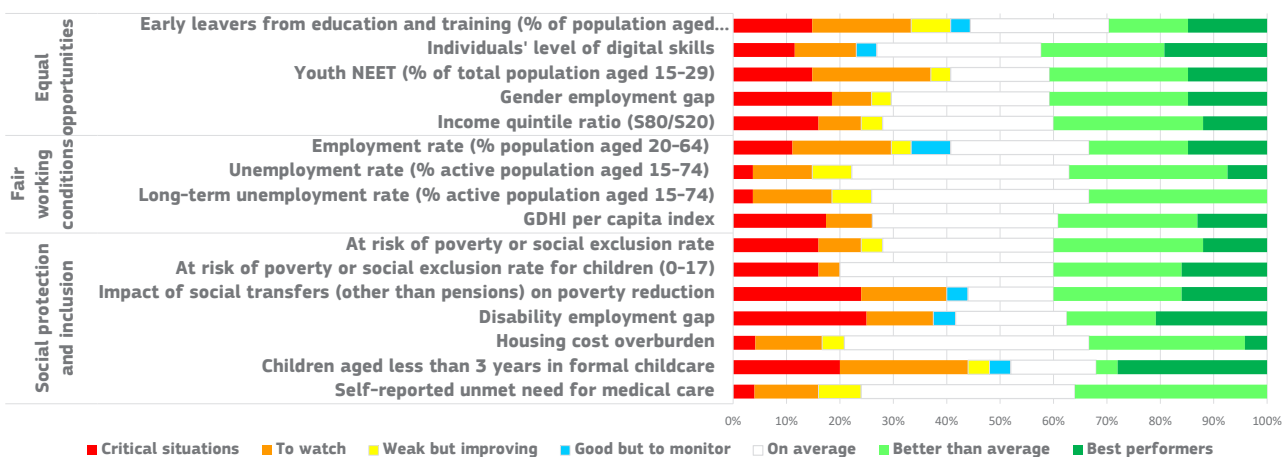
Population ageing calls for further **availability and affordability of long-term care (LTC)**

Pillar Box VI

The revised Social Scoreboard underpins the analysis in the 2022 JER, more comprehensively covering the Pillar principles. As part of the Social Pillar Action Plan of March 2021, the Commission proposed a revised Social Scoreboard, to allow for a better monitoring of the Pillar, which EPSCO endorsed in June 2021. The 2022 JER therefore assesses Member States' performance on the revised set of headline indicators¹. These now include new ones that allow to capture important dimensions like adult learning, the labour market integration of persons with disabilities, the risk of poverty or social exclusion for children, and the housing cost overburden. The evidence from the revised Social Scoreboard, together with country-specific analysis of evidence and policy context, allows a thorough identification of key employment, skills and social challenges in the EU and in the Member States (see figure).

¹ The Pillar Action Plan also proposed secondary Social Scoreboard indicators, for which the discussions are still ongoing.

Employment, skills and social challenges across EU Member States by headline indicators in the revised Social Scoreboard



Notes: 1) data for the indicator on adult participation in learning is not yet available; 2) indicator on digital skills refers to 2019 data; 3) Data is missing for some countries in some indicators: the legends for all indicators are presented in the Annex to the Report.