



# Proposal for a Joint Employment Report 2023

The Commission Proposal for a Joint Employment Report 2023 maintains a strong focus on the implementation of the European Pillar of Social Rights, incorporating EU headline and, for the first time, national targets on jobs, skills, and poverty reduction for 2030.<sup>1</sup> The latter were put forward by the Member States, as presented in the June 2022 EPSCO. In sum, the national employment targets exceed the ambition of the corresponding EU headline target of at least 78% by 0.5 pps. Moreover, together, Member States committed to lifting 600,000 persons more out of poverty by 2030 than requested by the EU headline target of at least 15 million.<sup>2</sup> As for national targets on skills, they were set at various levels of ambition and yield at an aggregate commitment of 57.6% of adults in training every year, compared to the slightly more ambitious EU headline target of at least 60%. The 2030 national targets will play a key part in fostering policy action towards upward social convergence. The reinforced monitoring of the implementation of the Pillar principles continues, notably via thematic Pillar Boxes.

**74.8%**

**record high employment rate** in Q2-2022 (2 percentage points higher than one year earlier)

**6.0%**

**record low unemployment rate** in September 2022 (0.7 percentage point lower than one year earlier)

**14.4%**

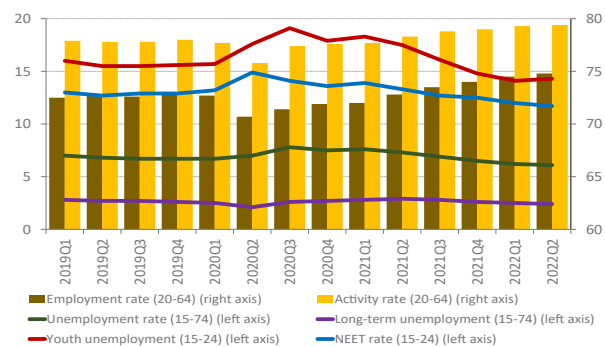
**youth unemployment rate** in Q2-2022 (3.0 percentage points lower than in Q2-2020)

After a robust recovery in 2021 and the first half of 2022, EU labour markets are facing uncertainties related to the impact of Russia's war of aggression on Ukraine and strong inflationary pressures. In Q2-2022, the employment rate increased to a record high of 74.8% in the EU, exceeding the pre-crisis level by 1.6 pps. At the same time, the EU unemployment rate reached a record low of 6% in

September 2022, down from 6.7% one year before, with labour and skills shortages exceeding pre-pandemic levels in several Member States. The NEET rate as well as youth unemployment decreased significantly since 2021. Nonetheless, from mid-2021 onwards, inflation in the Union has increased to historical highs with an annual inflation rate of 11.5% in October 2022, strongly impacting the profitability of businesses and increasing risks to the labour market outlook. Employment growth is projected at 1.7% in 2022, before coming to a standstill in 2023 and moderately edging up to 0.4% in 2024.

## Labour market outcomes remain strong

Key labour market indicators in the EU-27 (% , quarterly)



Note: Break in series in quarterly rates since Q1-2021.

Source: Eurostat database [[lfsi\\_emp\\_q](#)], [[lfsq\\_organ](#)], [[lune\\_ltu\\_q](#)] and [[lfsi\\_neet\\_q](#)]. Seasonally adjusted.

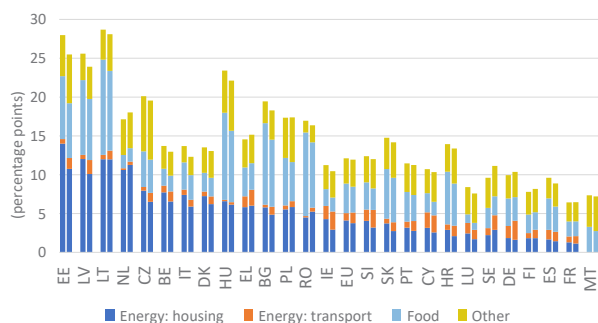
High energy prices and related inflationary pressures negatively affects purchasing power, in particular for vulnerable households, and increasing energy poverty. Russia's war of aggression against Ukraine and the resulting geo-political tensions accelerated further the rapid increase in energy prices that started in late 2021. This has negatively impacted the purchasing power of low- and middle-income households in 2021-22, especially regarding food and energy. Higher overall residential energy costs, mainly related to heating and cooling, as well as costs related to transport and food, also imply an increased risk for households of falling into poverty, including energy poverty. Around two out of ten persons at risk of poverty were already unable to keep their home adequately warm in 2021, which is more than twice as high compared to the overall population. This share was higher among low- and medium-income households, which face increased risks of being energy poor in the current situation.

1/ The Report is part of the [2023 Autumn Package](#)

2/ Not counting Germany, Denmark, and Malta, which have set their national targets using indicators different from the number of persons at risk of poverty or social exclusion, used to define the EU headline target.

## Living costs of low- and middle-income households are negatively impacted by the increases in prices.

Contribution of expenditure types to living costs increases for the first and the third fifth of the population (as ordered by income, first and second bar by Member State, respectively, %)



Note: See body of the report.

Source: JRC calculations based on HICP inflation data from Eurostat indicator [[prc\\_hicp\\_manr](#)] as of September 2022 and microdata from the 2015 wave of the EU-HBS.

**In the current high-inflation context, wage setting mechanisms should adequately reflect socio-economic conditions.** The acceleration of inflation led to a decline in real wages, especially among low-wage earners. This calls for ensuring adequate wage adjustments that mitigate the loss in purchasing power, in particular for low-earners, and reduce the risks of increasing poverty, while preserving employment and competitiveness. In the current macroeconomic environment, wage increases at the bottom of the distribution are not expected to trigger a persistent feedback loop on inflation. Effective collective bargaining has a prominent role to play in delivering balanced wage setting outcomes.

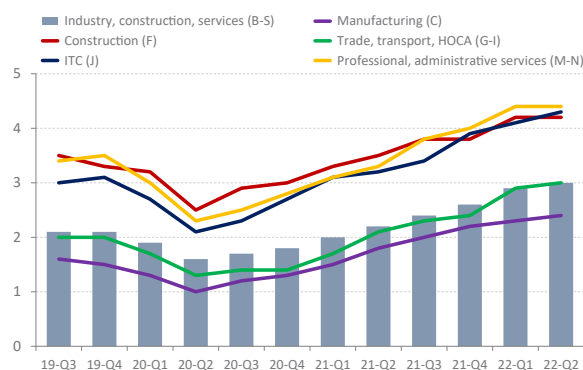
**Adequate minimum wages can help protect the purchasing power of low-wage earners and prevent increases of in-work poverty, while sustaining demand and strengthening incentives to work.** Mitigating the effects of recent substantial price increases is particularly important for low-wage earners, who are strongest hit by high energy and food prices. Yet, minimum wages have decreased in real terms in almost all Member States. The Directive on adequate minimum wages, to be transposed into national legislation within a two-year period, will help support vulnerable households by encouraging the setting of statutory minimum wages at adequate levels in those Member States that have them in place.<sup>3</sup> Moreover, regular updates of minimum wages in line with the Directive would help prevent losses in purchasing power among minimum wage earners in the current context. The Directive also contains provisions to promote collective bargaining and to enhance enforcement and monitoring mechanisms in all Member States.

**Labour and skills shortages have exceeded pre-pandemic levels in several EU countries.** The main occupation groups with reported shortages in the EU in 2021 related to health and long-term care,

software, construction, and engineering crafts. Shortages of skilled workers have also been observed in some sectors, especially those linked to the digital transition as well as the accelerated green transition in view of the energy crisis. Vacancy rates are above 4% in professional, scientific, and technical activities, information and communication and construction.

## Labour shortages have been on the rise since the outbreak of the COVID-19 pandemic

Job vacancy rates in the EU by economic activity (% quarterly data)



Note: See body of the report. Source: Eurostat [[teilm310](#)]

**Russia's war of aggression against Ukraine has triggered a significant inflow of displaced persons into the EU, with related needs for labour market and social integration.** To help address the humanitarian crisis and foster the integration of Ukrainian refugees in the EU, the European Commission activated for the first time the Temporary Protection Directive and extended it in October 2022 until March 2024. Needs for temporary protection to displaced persons relate to overcoming barriers to education and labour market integration, notably via the accelerated recognition of qualifications as well as language courses, and to accommodation, childcare, and schooling, as well as long-term care or mental health support. If those barriers are addressed, displaced persons from Ukraine, together with regular migration from other countries, may contribute to alleviating labour shortages in the Union in the medium- to long-run.

### Emerging work practices, such as telework and platform work, become more widespread.

The pandemic has increased the use of telework significantly, by 2021 almost **25% teleworked from home** (vs. 10% in 2019).

Over **28 million** persons in the EU have already done work through platforms.

**13% of employees teleworking** in 2021 report poor work-life balance vs **18% of employees on employer premises**.

<sup>3</sup>/ The [Directive](#) was adopted by the Council on 19 October 2022 and will have to be transposed by 15 November 2024.

**Persisting gender inequalities in the labour market reflect a long-standing challenge.** The gender employment gap declined only slightly during the labour market rebound in 2021. Unpaid work, including care obligations, prevented eight times more women than men from seeking paid employment and made five times more women take up part-time employment involuntarily. At the same time, tax and benefits systems in a number of EU countries continue to provide disincentives to take up paid work or increase working time for second earners (78% of whom are women) and should be addressed with appropriate reforms.

**The labour market situation of young people has improved but remains challenging, particularly for women and people with a migrant background.** The youth unemployment rate in the EU dropped below its pre-crisis level in Q2-2022, at 14.3%, nonetheless remaining almost three times higher than the unemployment rate for the overall population. Moreover, the share of 15-29-year-olds neither in employment nor in education or training (NEET) decreased to below pre-crisis level, at 11.6% by Q2-2022. This affected especially young women and people with a migrant background among them.

**The trend in early school leaving is improving - further reductions must focus on the most disadvantaged and hardest-to-reach groups.**

The risk of early school leaving is **9 times higher** among young people with **low-educated parents**.

Average early school leaving rates are **more than double** among **foreign-born pupils** than among the native-born (21.5% vs 8.5%).

Tackling early school leaving is one of the main objectives of the Commission proposal for a **Council Recommendation on Pathways to School Success** of 30 June 2022.

**Pupils from poor socio-economic background often lack basic skills, including digital ones.** Despite the positive trend in recent years, approximately 3.1 million young people leave education early and too many of them fail to acquire a minimum level of basic skills. This is especially true for those from disadvantaged backgrounds, which also further decreases their chances to enrol in tertiary education. Overall, this reduces their future labour market prospects and their ability to fully develop and exploit their potential in life. Teacher shortages, especially in STEM subjects and in socio-economically disadvantaged localities, negatively affect the quality of education at all levels, including in early childhood education and care and universities. Learning losses have emerged due to limited access to digital resources among those with low socio-economic status as well as migrant and Roma children.

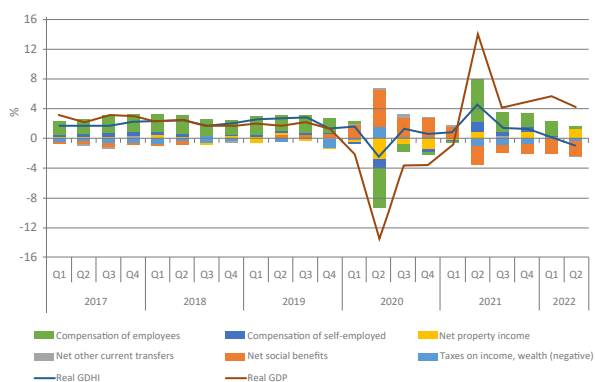
**The digital transition, accelerated by the COVID-19 pandemic, has strongly increased the demand for digital skills.** Digital skills are required for 90% of the jobs already now. Yet, in 2021 only 54% of adults

had at least basic digital skills, with a large variation across Member States. People with low educational attainment, the unemployed and persons outside the labour force tend to have lower levels of digital skills and fewer opportunities to develop such skills, endangering their future job prospects. The low level of digital skills in wide segments of the population may also produce new types of disadvantages, in the context of increasingly digitalised services, notably in relation to access to education and training, but also digitalised public services more widely, including Public Employment Services (PES).

**The current socio-economic and geopolitical situation is further emphasizing the need for up- and reskilling of the workforce.** On top of the digital transformation and the current socio-economic situation, the shift to a climate-neutral society (and its acceleration in light of the energy crisis provoked by Russia's war of aggression on Ukraine) has been changing the skills demanded on the labour market. The 2023 European Year of Skills is expected to provide an important policy impulse to promote skills acquisition, which is essential for achieving these transitions. The latest data available from 2016 point to a still too low participation rate of adults in learning over the last twelve months in the EU, at 37.4% of the population aged 25 to 64 years, highlighting the need for stepping up progress to reach the ambitious national targets set for 2030. In all Member States, low-qualified adults tend to participate in training less than those with upper secondary qualification, who in turn have lower participation rates than tertiary graduates.

### Recent high inflation has negatively affected aggregate households' real income growth observed in 2022

Growth of real GDP and real gross disposable household income and its main components (% , EU-27)



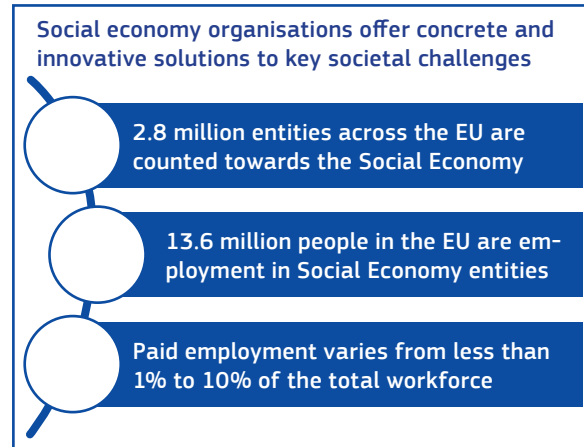
Note: See body of the report.

Source: Eurostat [[nasq\\_10\\_nf\\_tr](#)] and [[namq\\_10\\_gdp](#)], National Accounts.

**After previous increases on the back of the recovery, aggregate real household income contracted in 2022.** Household incomes were resilient to the COVID-19 shock in 2020, thanks to automatic stabilisers and the policy responses at Member States and EU level. In Q2-2021, real household income grew by a remarkable 4.5% (year-on-year), as real GDP growth peaked at 14.1%. However, starting from Q3-2021, household real income growth decelerated, dragged down by the rapidly rising inflation, despite growth of nominal compensations of employees. By Q2-2022, real gross disposable household income contracted for the first time since the COVID 19 shock in Q2-2020, while real GDP growth decelerated.

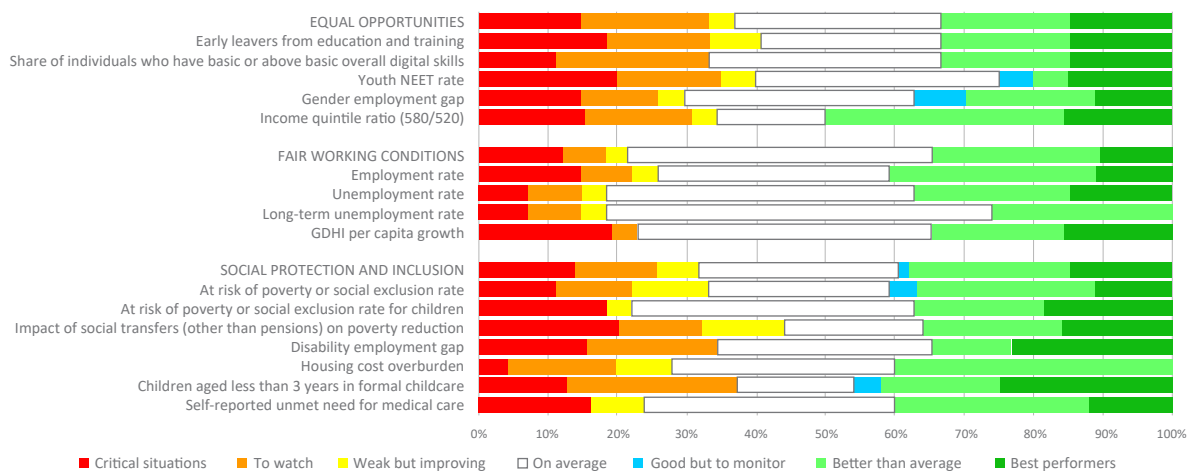
**The adequacy of minimum income schemes has been eroding in most Member States in 2020, while gaps in coverage remain.** Minimum income protection, along the active inclusion approach, plays a key role in preventing and mitigating the risk of poverty or social exclusion, particularly in the current socio-economic situation. All Member States have last resort income support schemes in place (though with substantial variation across Member States). On average the adequacy of minimum income has remained broadly unchanged in the EU over the last decade, while a slight deterioration was observed

overall in 2020. At the same time, coverage has on average improved from 73% to 78% between 2015 and 2020, but the poverty reduction effect of transfers still varies substantially across Member States with a below-average performance in 11 of them. To support upward convergence among Member States and the fight against poverty and social exclusion, the Commission has put forward a proposal for a Council Recommendation on adequate minimum income ensuring active inclusion, which outlines areas for further modernisation of minimum income schemes along the active inclusion approach.



**The analysis in the 2023 JER is supported by the Social Scoreboard.** As part of the Social Pillar Action Plan of March 2021, the Commission proposed a revision of the Social Scoreboard, to allow for a better monitoring of the Pillar principles with a revised set of headline indicators, which was endorsed by EPSCO in June 2021. This includes indicators on key policy dimensions like adult learning,<sup>4</sup> the labour market integration of persons with disabilities, the risk of poverty or social exclusion of children, and the housing cost overburden. The revised set of headline indicators, used in the JER 2023, allows an accurate identification of key employment, skills, and social challenges in the EU and in the Member States and a close monitoring of upward social convergence. The outcome of the Social Scoreboard analysis is summarised in the figure below.

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



Notes: 1) Data for the indicator on adults' participation in learning is not yet available; 2) Data is missing for some indicators on some countries – see Note for Table 1.4.1 in section 1.4. Legends for all indicators are presented in Annexes.

4/ Data for the Social Scoreboard headline indicator on adult learning will be available in 2023 for the first time.