

Session I.

Access to the labour market.

Session Scope

- Employment in Europe is today at its highest level ever and unemployment is at its lowest since the outbreak of the financial crisis. These are signs that past reforms are paying off in many countries.
- Employment performances vary significantly between Member States and between regions as unemployment remains high in several parts of Europe. The challenge is particularly acute for young people and long-term unemployed.
- Labour market participation of women and older people is on the rise in many Member States, but there still remains a reservoir of untapped talent and capabilities among women, older workers, migrants and people with disabilities who continue to encounter obstacles in accessing the labour market.
- Most new jobs are being created in service-oriented and knowledge intensive sectors, in small and medium-sized businesses, and in new firms. Technology is transforming jobs and as all sectors adapt to technological innovations and new markets, employment needs and conditions are likely to be transformed as well.
- Challenges to finding, taking up and keeping a job, or to creating one include: inadequate skills development or training opportunities; discouraging tax and benefit systems; direct or indirect discrimination; difficulties in reconciling work and private life; or coping with longer and more demanding careers.
- Population ageing, demographic changes, and technology pose new challenges and new opportunities to include the potential and talents of all men and women in the labour market.
- There is scope for public authorities at all levels and social partners to work out solutions that meet these challenges and better prepare for the future.

Main issues for discussion

- What are the key challenges that must be addressed to improve access to the labour market for all men and women?
- What are the national or EU initiatives that can be further developed to sustain job creation, remove obstacles and create the right conditions to entering and remaining in the labour market?



1. Changes in the labour market

Steady job creation but no room for complacency

Employment has improved steadily across Europe and more men and women are employed than ever before. 11 million jobs have been created since the height of the crisis in early 2013, and around **235 million people are employed in the EU today**.

Unemployment is at a nine-year low, reaching 7.6% in the EU28 and 9.1% in the euro area in September 2017 (Figure 1).

Figure 1. Unemployment is falling but remains high

Unemployment rate in EU28, in % (seasonally adjusted)



Source: European Commission

Growth has also steadily returned for the fifth consecutive year and the outlook is a lot more positive than before. The EU economy is expected to grow by over 2% in 2017, and sustained economic growth is anticipated for next year as well.

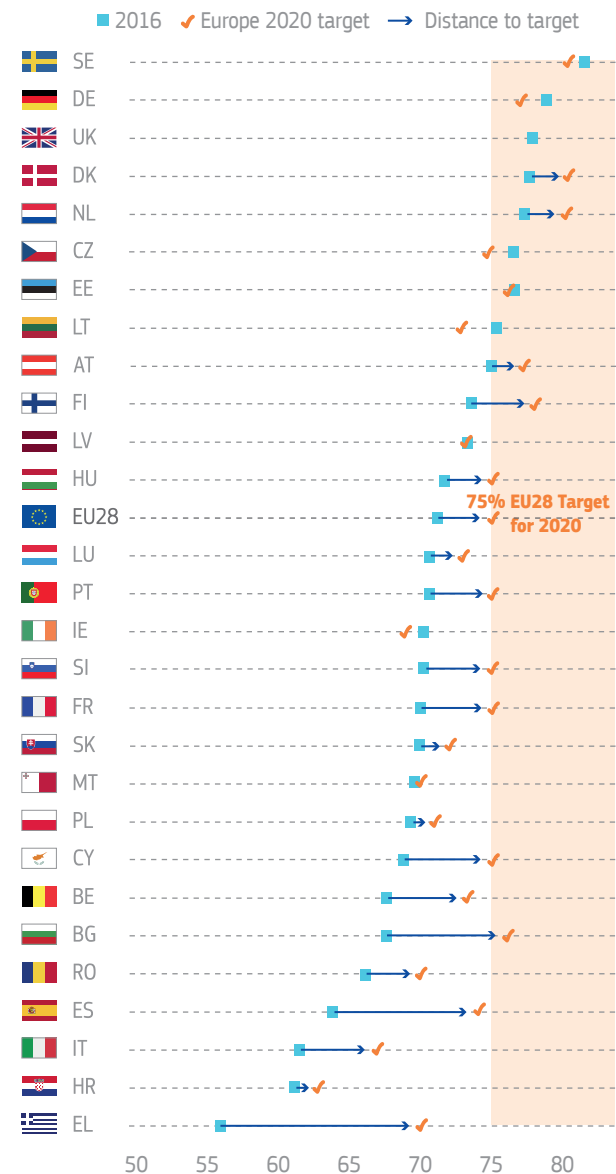
Back in 2010, only 69% of Europe's working age population (men and women aged 20-64 years old) was in employment. Member States set national targets to increase Europe's employment rate to at least 75% by 2020. Today, it stands at 71.1% and if current trends persist, the EU-wide target could be reached by 2020. Several Member States have achieved a higher employment rate than they had before the crisis broke out in 2008, but the majority still **lag behind the national targets they had set for themselves** in 2010 (Figure 2).

There is no room for complacency. Labour productivity and wages are experiencing only modest growth, and social challenges persist.

Conditions and employment performances vary significantly between Member States (Figure 3) and between regions.

Figure 2. Most Member States are still below the national target they set for 2020

Employment rates per country in 2016 and Europe 2020 targets set nationally



Notes: Countries ordered according to 2016 employment rate

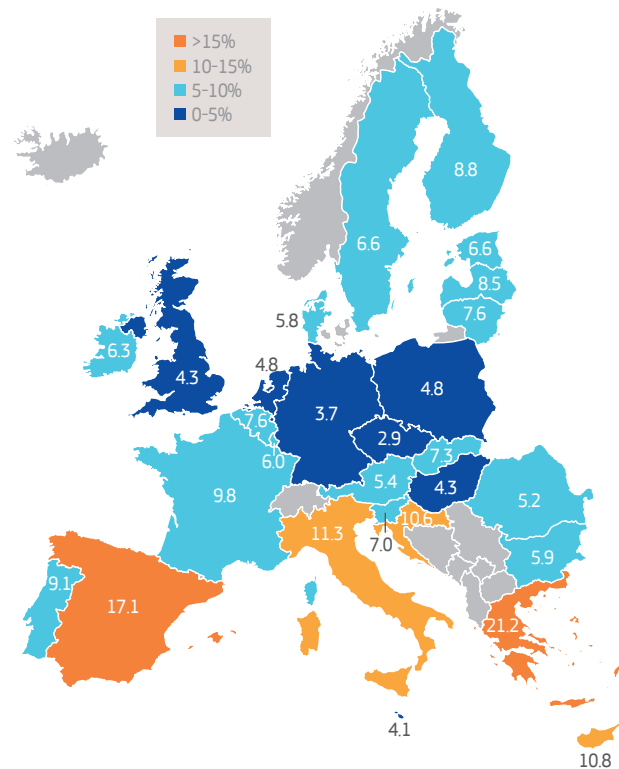
Source: European Commission

Women remain a largely untapped pool of competence for the workforce, and although there are notable differences between Member States, their employment rate is overall lower than that of men. The employment rate for women is 65.3%, whereas the employment rate for men is 76.9%. Differences between women and men in the labour market remain pervasive at both sectoral and occupational levels. Female-dominated occupations tend to be under-valued and characterised by lower pay, while men continue to be

over-represented in higher positions in both the public and private sectors. There also remains significant potential for the employment of older workers, migrants, and people with disabilities to be improved. At the same time, youth and long-term unemployment remain high.

Figure 3. Differences in unemployment rates persist across Europe

In %, August 2017 or latest available (seasonally adjusted)



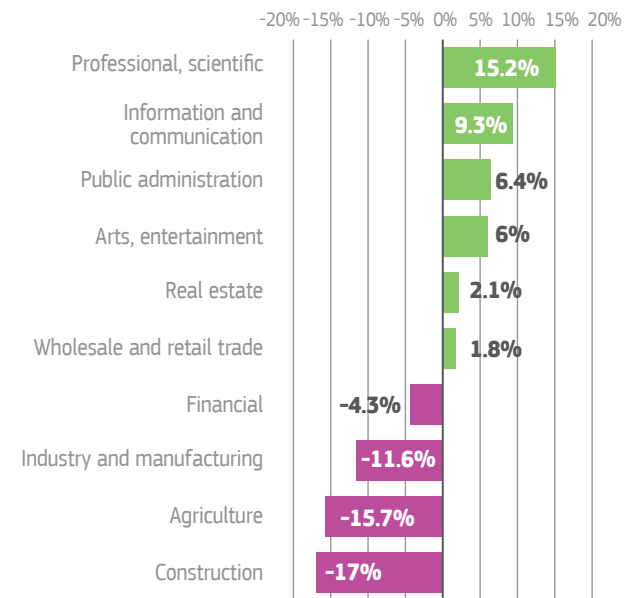
Source: European Commission

Where are jobs being created?

Service-oriented and knowledge-intensive sectors are those where the most new jobs are being created. Moreover, around 85 % of new jobs are created in small and medium-sized businesses, and in younger firms.

The total number of jobs in the construction, agricultural, and manufacturing sectors declined during the crisis (Figure 4). However, there has been a rebound in the manufacturing and industry sectors, as over 1.5 million net new jobs have been created since 2013. While most jobs lost during and after the crisis were in mid-paid, blue-collar production, job creation has since mainly taken place in higher-paid engineering and management positions.

Figure 4. Some sectors create more jobs than others
% change, 2008-2016



Source: European Commission

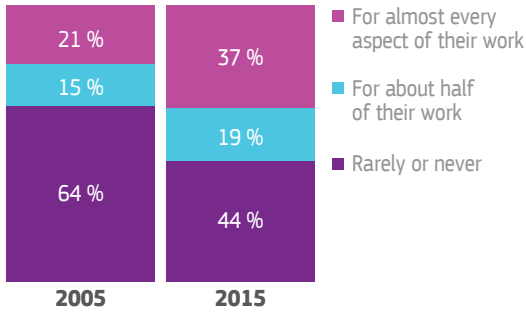
Technology is transforming jobs at a faster pace than ever before as all professions and tasks increasingly require at least some level of **digital skills and know-how** (Figure 5). As an example, the demand for information and communication technology (ICT) specialists has grown. Today, they account for approximately 4% of total employment, but this share is likely to increase significantly as automation and digitalisation reshape all sectors of the economy (Figure 6). Overall, as all sectors adapt to technological innovations and new markets, their employment needs are expected to change further.

Sustainability is another key driver of job creation. Employment in the **environmental goods and services sector** has grown at faster rates than overall employment (Figure 7) particularly in the field of energy renewables, driven by increased awareness of climate and environmental issues and the need for sustainable management of natural resources.

Social enterprises and the **social economy** have also shown resilience and job retention during the economic crisis and are projected to grow due to the changing demographic needs of our **ageing, urban and diverse societies**.

Figure 5. Digital skills are ever more important at work

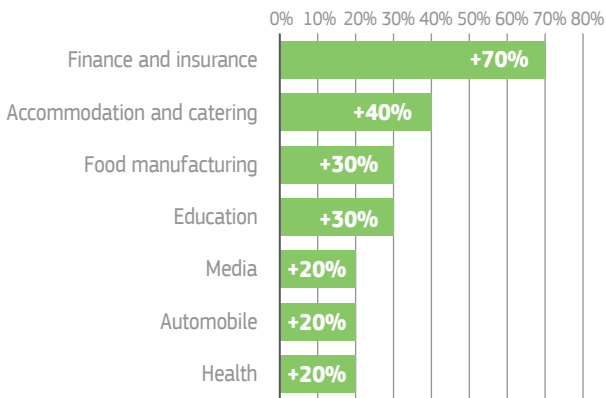
% of workers that use a computer/tablet device at work



Source: Eurofound

Figure 6. As technology transforms all sectors of the economy, the demand for digital professionals is projected to grow

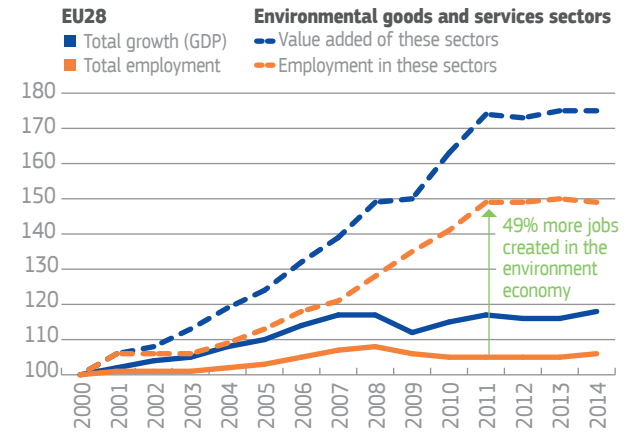
Estimated increase of information, communication and technology (ICT) professionals by sector in OECD countries between 2015-2025. In %



Source: Organisation for Economic Cooperation and Development

Figure 7. Jobs and growth in the environmental goods and services sectors

Index 2000 = 100, EU28



Source: European Commission

Who is entering the labour market?

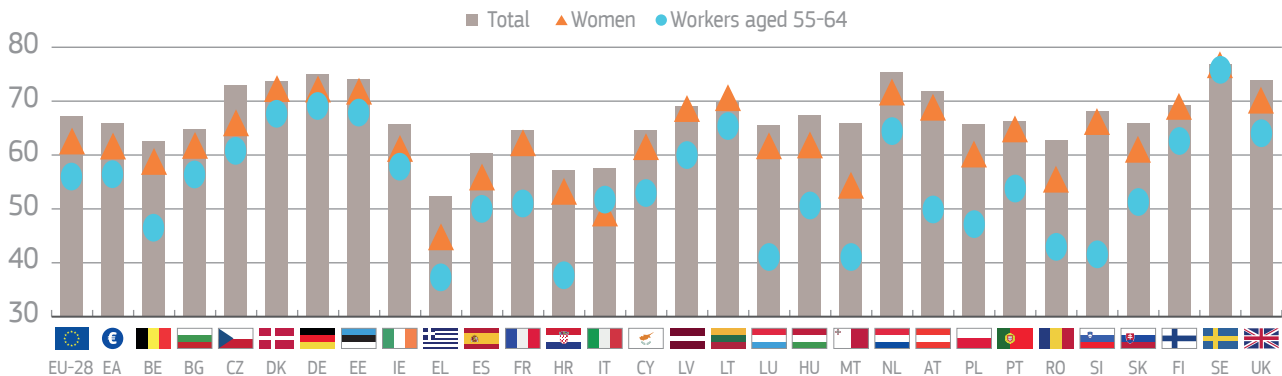
The overall improvement in employment rates across Europe is largely a result of the increased labour market **participation of women** and **older workers** (Figure 8) and comes as an encouraging sign that targeted measures and reforms taken to bring these people into the labour market and retain them are bearing their fruit.

Some of the factors that contributed to these positive trends include: the rise of the services sector; a more adapted and flexible work environment, including better childcare facilities; the removal of tax disincentives for second earners to work; pension reforms; skills development; and improved health and working conditions.

There is still, however, a reservoir of untapped talent and capabilities among women, older workers, migrants and people with disabilities who continue to encounter obstacles in accessing the labour market. The most inactive parts of the working age population, in other words people who are not working or looking for work even though they are of working age, remain hard to reach.

Figure 8. Employment rates for women and older workers remain lower but are on the rise

In %, 2016



Source: European Commission

2. Main challenges ahead

Globalisation, technological progress and demographic change have been transforming Europe. **Since 2010, Europe's working-age population has started to shrink. By 2060, estimates suggest that there will be 38 million fewer people in the workforce.** The recent inflows of refugees and migrants have the potential to partly improve this situation, but the trend of ageing populations will not change much.

To sustain its living standards, Europe will need to further increase employment rates, and to raise productivity further, including through upskilling and technology, innovation and better migration management. These social and economic challenges also have financial implications: whereas today there are 4 working age persons for every elderly person (over 65 years old), by 2060, under current trends, there will be only 2.

As regards technological change and digitalisation, these are likely to **affect low qualified workers the most** as their jobs tend to be at **higher risk of automability**. They are also more likely to encounter a higher degree of difficulty in adjusting to changing jobs and tasks due to technological innovations. At the same time, technological change is expected to generate **new and more productive jobs** in Europe. **Accessing these jobs**

will largely depend on skills and on wider conditions that enable and facilitate men and women to take on and keep a job.

Accessing these jobs will also be more difficult for some people than for others, making the need to address the various barriers to recruitment and hiring that remain, all the more critical.

Social dialogue can have a key role in addressing these challenges and contributing to a social market economy that delivers economic performance and social fairness.

A skills-force fit for the jobs of today and tomorrow

Today, Europe has the most educated workforce in its history. Almost 40% of Europeans aged 25-39 hold a tertiary degree; just over a decade ago it was around 25%. There are more women than men in higher education across Europe today, though there are differences between fields of study and in the choice of disciplines that men and women make. **Looking ahead, skills and education will be even stronger determinants for access to good-quality jobs.**

Yet, paradoxes remain. In 2016, **70 million Europeans, which is approximately 14% of the EU's population, lacked adequate reading and writing skills**, and even more had poor numeracy skills. Furthermore, **44% of European citizens do not have the basic digital skills** necessary to fulfil the simplest set of tasks in a technology-rich environment, though young individuals are much more digitally proficient than older ones.

The number of early drop-outs from education and training has been falling continuously in the EU since the early 2000's. Nonetheless, there are still parts of Europe where **the share of low-qualified youth stands between 20 and 40%**. For these young men and women, the risk of unemployment, poverty and social exclusion is high.

Having the **right skills-set is fundamental whether for getting a job, creating one, or for keeping it**. And yet, not everyone has access to the educational, vocational and other professional training support that they may need, at the time they may need it. Nor do all educational systems adequately nurture **talent, innovation, entrepreneurial and problem-solving skills**, or the skills **to work collaboratively and flexibly**.

There is also a growing phenomenon of **unfilled vacancies and labour shortages** in specific sectors and regions of Europe, with evidence of hard-to-fill vacancies and skills mismatches. **40% of European employers have difficulty finding people with the skills they need to grow and innovate**. At the same time, 10.8 million people currently work in **occupations below their qualifications level**.

Reforms in the field of education and training, as well as modernisation of public employment services, could improve workers' geographical or occupational mobility, increase the efficiency of matching people to jobs, and thereby enhance the good use of skills and talents in the economy.

Leaving no one behind

Europe is far fairer and more equal than any other part of the world and has a thorough anti-discrimination framework. Nonetheless, **gains in employment have not been evenly distributed across the population**.

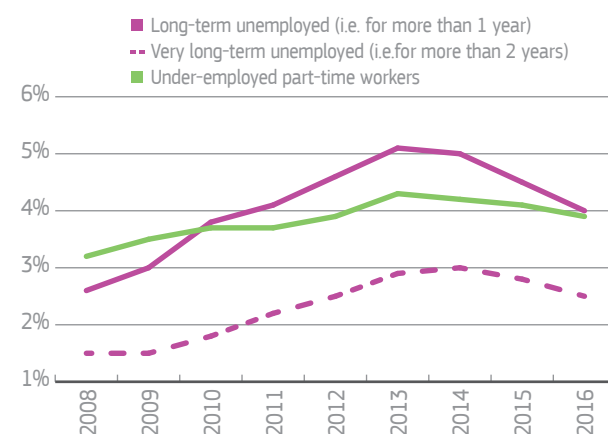
Europe's **youth unemployment** rate has fallen to 16.7% in August 2017, but it is still more than double the total unemployment rate. **More than 4.2 million young people** (aged 15-24 years) were unemployed in 2016 across the EU. The differences between countries are

significant, with a gap of more than 30 percentage points between Member States with the lowest rates of youth unemployment and those with the highest rates. The number of young people who are neither in employment, education or training has declined substantially compared to its peak in 2012 and is now slightly above the 2008 level. In 2016, just over 3.1 million young men between the ages of 15 and 24, and another 3.1 million young women in this age group were neither in employment, education or training (approximately a total of 6.25 million people NEET). Most women in this group are not looking for a job, whereas most men in this category are unemployed.

Total unemployment is at a nine-year low. Nonetheless, in 2016, **19 million people were unemployed** and approximately 9.6 million had been unemployed for more than a year. This is 4% of Europe's labour force. Of these, almost 6.1 million had been unemployed for over two years (Figure 9).

Figure 9. Under-employment, long-term and very long-term unemployment are falling, yet they remain substantial across the EU

% of total active population (15-74 years old)



Source: European Commission

People in such **long-term unemployment**, have lower prospects of returning to jobs as they are more likely to suffer from skills loss combined with limited opportunities to acquire new on-the-job skills, lower earnings potential, poorer health, unfavourable employers' attitudes and accumulated discouragement.

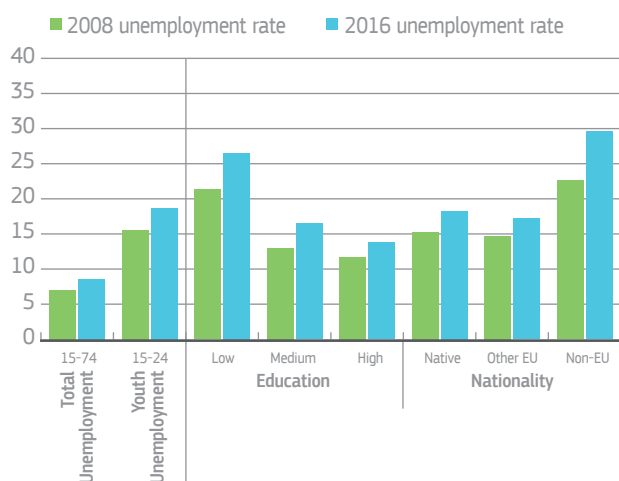
In addition, another **9.5 million people in Europe are 'under-employed'**. These include people who **work part time but who want to work more**, as well as **discouraged job seekers** who want a job but have given up looking

for one. The number of under-employed is highest in countries most impacted by the crisis and has been decreasing at a very slow pace. **65% of under-employed part-time workers are women.**

Employment rates for third-country nationals, especially for migrant women, remain lower than they were before the crisis and lower than the employment

Figure 10. Young people, particularly with lower levels of education, and third-country nationals find it harder to get a job

Youth unemployment rates by level of education and nationality, in % (15-24 years old)



Source: European Commission

rates of people born in the same country (Figure 10). As numerous initiatives across Member States have illustrated, particularly since the refugee crisis in 2015-2016, employers, including large companies, SMEs and public employers, as well as social partners and municipal authorities have a core role in facilitating integration in the workplace for **newly arrived refugees.**

As regards the employment rate for **people with disabilities**, it has improved yet remains under 50%. For women it is close to 46% and for men it is estimated at around 52%. People with basic activity difficulty, or who are limited in work because of a long-standing health problem often require flexible working hours, so part-time work tends to be a strong incentive. People also tend to be more affected by their disability as they grow older, and this in turn determines their ability to remain in the labour market. Europe's ageing population highlights the need for further action in this area.

Finally, differential employment and unemployment rates of **minorities**, especially the Roma, their concentration in specific sectors and branches of the economy which are generally associated with income and wage disparities and more precarious working conditions, suggest patterns of inequality and discrimination that need to be further addressed at the national and local levels.

Reconciling work and private life

Across Europe, **gender differences** in labour-market access and employment outcomes are gradually being reduced, though not fast enough.

Women's employment rates remain lower than those of men in all Member States. As an average within the EU, just **over 50% of women work full-time compared to 71.2% of men, while 31.5% of working women have part-time jobs against just 8.2% of working men.** On average, 20% of women that are not on the regular labour market mention caring responsibilities as the principal reason for their inactivity; this is the case for less than 2% of men in the EU.

Measures aimed at better reconciling work and private life could act as useful levers to **encourage a better sharing of caring responsibilities between men and women and allow all individuals to maximise their potential regardless of their sex.** Measures could include offering accessible, affordable and quality formal care services; reducing tax and benefits disincentives for women to work more; enhancing paternity and parental leave provisions; and facilitating **flexible working arrangements** for working parents of children and carers with dependent relatives.

Bringing down obstacles to job creation

Labour markets and employment policies differ between Member States. Reforms aimed at addressing obstacles to job creation depend on each country's characteristics and are also reflected in EU policy guidance.

In some cases labour regulation can hinder employment participation, especially for groups facing specific challenges (low-skilled, youth, older workers, women) if rules and costs render their employment economically unattractive to employers. It may also **induce undeclared work** through unintended incentives for firms to circumvent legislation, and it may provide inadequate coverage and protection to newly emerging job patterns and contracts.

Complex and uncertain regulation governing the termination of open-ended contracts, for instance, makes firms **reluctant to hire** and to engage in innovative activities in anticipation of unpredictable costs of dismissal. It can also discourage workers to pursue cases of unfair dismissal. Changing employment patterns and increased transitions between jobs and employment statuses are posing new challenges in terms of ensuring **equitable access to rights and protections** and counterbalancing greater contractual flexibility with **effective active labour market policies** and lifelong learning opportunities. In this context, the introduction of measures such as single open-ended contracts that link worker's protection to tenure, or services voucher schemes that subsidise the provision of certain services (such as domestic care help) have contributed to job creation, and they have also helped reach out to the long-term unemployed and bring workers out of the informal economy.

Introducing individual taxation contributes to increasing the labour market participation of men and women, while well targeted reductions in social security contributions contribute to boosting employment, particularly among low-skilled workers and youth. In some countries, smaller businesses are exempt from tighter labour law rules in order to encourage job creation.

Lastly, as regards self-employment, 14% of Europeans are self-employed, of those 10% are independent professionals and freelancers and another 4% employ other people. Only about one quarter of these employers are women.

Since the start of the crisis, the **number of self-employed workers with employees has decreased by almost a million** without any sign of improvement during the recovery. Self-employed persons do not always have access to finance to expand their activity and hire people, often due to a lack of collateral and high fixed costs for a loan (independent of the size of the loan). In addition, self-employed are not always fully covered by social protection schemes, leaving them with limited options for reconciling work and private life responsibilities. They also often lack the entrepreneurial skills that are crucial for identifying and pursuing new opportunities, while access to entrepreneurship education is rather limited (especially for disadvantaged groups). Measures aimed at developing managerial skills, especially among women and young people, and supporting the innovation capacity of micro and small firms also have positive impacts.

Effective social dialogue is at the core of tackling challenges related to access to labour markets for all. Increased labour market shortages leads to an ever greater need to find solutions for improved skills matching. The involvement and constructive engagement of social partners can be key in the design and implementation of relevant reforms, including finding new ways for facilitating access to the labour market and the integration in particular of disadvantaged groups.

Overall, measures aimed at improving the functioning of the labour market are most effective when there is constructive engagement of the social partners, and when these measures are in tune with wider macroeconomic efforts aimed at ensuring stability and sustainability, fostering investment, and improving long-term growth (ranging from taxation, housing, education and training policies inter alia).

3. Ongoing EU initiatives: a selection

Commission initiatives	Current status
Mainstreaming social priorities and indicators in country-specific guidance and priorities under the European Semester of Economic Policy Coordination .	Adopted in November 2014 and embedded in the annual cycle of the European Semester.
<p>Prioritising youth, notably through:</p> <ul style="list-style-type: none"> • a financial boost to the Youth Guarantee by means of the Youth Employment Initiative; • the launch of the European Solidarity Corps. 	<ul style="list-style-type: none"> • The broadening and financial boost of the Youth Guarantee scheme has assisted Member States in mobilising their share of the European Social Fund. As a result, 11 million young people have taken up an offer of employment, apprenticeship, traineeship or continued education since 2013. • A dedicated budget for the European Solidarity Corps was proposed on 30 May 2017.
<p>Investing in skills and Europe's human capital through the New Skills Agenda for Europe which includes:</p> <ul style="list-style-type: none"> • a Skills Guarantee/‘Upskilling Pathways: New Opportunities for Adults’ particularly targeting low-skilled adults with basic literacy, numeracy and digital skills; • the revision of the European Qualifications Framework; • the Digital Skills and Jobs Coalition bringing together Member States, companies, social partners, non-profit organisations and education providers; • the revision of the Europass framework to better support transparency of skills and qualifications across Europe; • the EU Skills Profile Tool to facilitate access to the labour market for third country nationals; • the promotion of vocational training; • and a Blueprint for Sectoral Cooperation on Skills in a context of technological change. 	<p>Following the Commission proposal on 10 June 2016:</p> <ul style="list-style-type: none"> • the Council Recommendation on ‘Upskilling Pathways: New Opportunities for Adults’ was adopted on 19 December 2016; • the European Qualifications Framework was adopted by Council on 22 May 2017; • the Digital Skills and Jobs Coalition was launched on 1 December 2016; • the European Parliament and the Council are discussing the new Europass framework; • the EU Skills Profile Tool was launched on 20 June 2017; • the first European Vocational Skills Week was held in December 2016, the next is planned for 20-24 November 2017; • the proposal for a Framework for Quality and Effective Apprenticeship is currently discussed in Council; • Sector Skills Alliances launched in 6 pilot sectors of the Blueprint in January and another 6 in October 2017.
Guidance to bring the long-term unemployed into the labour market.	Commission proposal on 7 December 2015 and Council Recommendation adopted on 15 February 2016.
Improve equality between men and women with regard to labour market opportunities and treatment at work and improve access to work-life balance arrangements.	Commission proposal for a Directive on 26 April 2017 is currently discussed in the European Parliament and the Council.
Presentation of a Social Scoreboard to monitor Member States’ performance on social indicators.	Operational on 26 April 2017, to be embedded in the European Semester of Economic Policy Coordination.
Presentation of a European Pillar of Social Rights consisting of 20 principles and rights essential for fair and well-functioning labour markets and welfare systems in 21st century Europe.	Commission proposal presented on 26 April 2017. The Pillar will be jointly proclaimed by the European Parliament, the Council and the Commission at the Social Summit for Fair Jobs and Growth on 17 November in Gothenburg.

For a more complete overview: https://ec.europa.eu/commission/sites/beta-political/files/social_dimension_of_europe_overview_of_initiatives_en.pdf