EMPLOYMENT PLAN 2014

EUROPEAN UNION

CONTENTS

Introduction

The G20 leaders agreed in Saint Petersburg in 2013 to promote inclusive growth and more and better jobs. Policy reforms to support higher employment and facilitate job creation and better matching of skills with job opportunities are central in the G20 growth strategies. The G20 leaders committed to take a broad-ranged action, tailored to national circumstances, to promote more and better jobs. They also recognised that coordinated and integrated public policies are crucial to achieving strong, sustainable, and balanced growth, and restoring confidence in the global economy.

The European Union (EU) agrees with the priorities set up by the G20 for 2014, namely on boosting jobs and participation, notably female participation; preventing structural unemployment, with a focus on long-term unemployment and policies to support youth; better quality jobs, including how the G20 might contribute to safer workplaces and policy options to address underemployment and informality.

This Employment Plan is prepared by the European Union within the framework of monitoring the commitments assumed by the G20 to promote inclusive growth and more and better jobs. The plan follows the template proposed by the G20 Australian Presidency; however it is adapted to take into account the specific functioning of the EU and the division of competences between the Union and its 28 Member States in the employment and social areas.

While Member States are responsible for their national employment strategies, the EU Treaties stipulate that the Union shall take measures to ensure coordination of the employment policies of the Member States, in particular by defining guidelines for these policies. The current European Employment Strategy's guidelines[1] have remained unchanged since their adoption in 2010 and call for increasing labour market participation, developing a skilled workforce, improving education and training systems, and combating social exclusion. Member States take these guidelines into account when defining their national employment policies. These guidelines must be consistent with the Union's Broad Economic Policy Guidelines. The Guidelines are expected to be revised in 2015 having regard to the outcome of the mid-term review of the Europe 2020 Strategy.

The EU Employment Plan is based on documents already agreed by the Member States and reflects the EU policy coordination and instruments (EU acquis, EU funding etc.) used in the employment and social fields. The plan was consulted with the Employment Committee (EMCO) [2], which is an EU advisory policy committee set up by the treaty to advise the Council and European Commission on issues related to employment and social affairs.

[1] Council Decision 2010/707/EU of 21 October 2010 on guidelines for the employment policies of the Member States [Official Journal L of 24.11.2010]

[2] Council Decision 2000/98/EC establishing the Employment Committee [Official Journal L 029 , 04/02/2000 P. 0021 – 0022]

1. Employment and labour market outlook

The crisis exposed structural weaknesses in Europe's economy and financial system, which came on top of the deeper challenges posed by an ageing population, globalisation, and technological change and mitigating climate change. Its impact on employment and the social situation has been severe and far-reaching in many parts of the European Union, though this picture varies significantly across the EU. From less than 7% in 2008, the EU unemployment rate reached 10.8% in 2013 (i.e. an increase of more than 9 million people). There was a growing divergence between Member States' unemployment situations; while most countries were around 7% in 2008, the best performers saw a slight fall during the crisis and the worst performers saw rates rise to well above 20%. Although they have stopped growing (and reversed somewhat), unemployment rates remain historically high, at 10.5% on average in the EU (in April 2014). Long term unemployment represents now half of the total unemployment on average. Structural unemployment has been growing with mismatches between supply and demand of both the quality and quantity of labour supply. The threat to the future of many young people, with an EU average youth unemployment rate of 23 %, remains acute. Job destruction has mainly affected precarious occupations, with temporary contracts bearing the brunt of the downturn. The overall number of part-time jobs has been increasing.

Activity rates have held up quite well as more women and older citizens have entered the labour market. However, again, these rates vary widely across Europe leading to growing divergence in employment and social outcomes between Member States. The south and periphery of the EU have been particularly hard hit.

The social impact of the crisis is still being heavily felt and likely to continue for many months to come. Nearly a quarter of the EU population is at risk of poverty or exclusion, with the biggest increase among those of working age as levels of unemployment and the number of jobless households have increased. In-work poverty has also risen, partly reflecting the fact that those who remain in work have tended to work fewer hours and/or for lower wages. Children in such households are also exposed to increased poverty. The uneven impact of the crisis within, as well as between, EU Member States has recently seen rising inequality, with the effects being most felt by the lower income groups who were the hardest hit by job losses. A growing divergence is evident across the EU with two thirds of Member States seeing increased poverty, but one third not. Since 2010, household incomes have been declining in real terms and, the stabilising effect of social transfers lessened significantly after 2010. Overall, since 2008, the number of people at risk of poverty and social exclusion rose by more than 6 million to reach 124 million in 2012. The number of people facing severe material deprivation rose by around 7 million.

However economic recovery in the European Union is gaining ground[3]. It began in mid-2013 and is expected to gain further strength and spread to all EU Member States by 2015. Recent figures confirm the stabilisation of unemployment at EU level, and a reduction in some countries, but improvements will take time and the impact of the crisis extends far beyond the labour market. Since labour market developments typically lag behind GDP by half a year or more, the outlook is for a modest rise in employment from this year onwards and a decline in the EU unemployment rate towards 10.1% by 2015.

[3] http://ec.europa.eu/economy_finance/eu/forecasts/2014_spring_forecast_en.htm

Table 1: Economic and labour market conditions, 2008 (LHS) and 2013 (RHS)								
	Real GDP growth		Real GDP per capita (EUR terms)		Employment Growth		Employment to population ratio (15-64)	
EU 28[4]	0.4%	0.1%	23,700	23,200	1.0%	-0.3%	65.7%	64.1%
G20 median	1.4	1.9	$25,339	$26,243	1.1%	0.9%	57.7%	57.1%
	Unemployment rate		Incidence of long-term unemployment		Youth unemployment rate		Youth unemployment to population ratio	
EU 28	7.0%	10.8%	37.2%	47.5%	15.8%	23.5%	6.9%	9.9%
G20 median	6.3%	6.1%	24.1%	31.0%	n/a	n/a	6.9%	7.8%
	Employment rate (20-64)		Participation rate		Female participation rate		Working age (15 to 64) participation rate	
EU 28	70,3%	68,4%	57,5%	57,6%	50%	51,1%	70.7%	72.0%
G20 median	n/a	n/a	60.2%	60.3%	50%	51.8%	70.4%	71.2%

Table 2: Key policy indicators, 2008 (LHS) and 2013 (RHS)								
	Collective bargaining coverage[5]		Informal employment rate[6]		Minimum wage (% of average wage)		Gini coefficient	
EU 28	n/a	62%[7]	16.4%[8]	n/a	n/a	n/a	0.309[9]	0.305[10]
G20 median	n/a	28.8%	n/a	42.2%	34.9%	34.9%	0.341	0.376
	School completion rate Early school leavers[11] for the EU		Literacy rate – low achievers in reading PISA PIAAC[12]		Year 12 attainment (among age 25 to 64 years)[13]		Tertiary education attainment rate (30 – 34 years)[14]	
EU 28	14.7%	12.0%	19.6%[15]	17.8%[16] 19.9%[17]	71.4%	75.2%	31,2%	36,9
G20 median	76.5%	78.9%	n/a	n/a	69.8%	74.2%	n/a	n/a

[4] Eurostat
[5] European Trade Union Institute, based on national sources
[6] Informal workers - % of extended labour force 2008-2009, Source: European Commission 'Tax reforms in EU Member States 2013' 2013, Table 4.7
[7] 2010-2013
[8] EU27
[9] EU27
[10] 2013
[11] Those who are not early school leavers – early leavers from education and training (% of the population aged 18-24 with at most lower secondary education and not in further education or training); EU target for 2020: 10%
[12] OECD PISA – share of low achievers 15 years old in reading PIIAC Survey of Adult Skills 2011-2012 – 20% of population 16-64 in the 17 EU countries reaches at most proficiency level 1 out of 5
[13] For the EU, population with upper secondary or tertiary education attainment 25-64 in the EU 28
[14] Share of 30-34 years old who have completed a tertiary or equivalent education; EU target for2020: 40%
[15] PISA 2009
[16] PISA 2012
[17] PIAAC 2012

2. Employment challenges for the European Union

The legacy of the crisis remains a constraint for the EU's recovery. While signs of recovery are multiplying, Europe's labour market and social fabric will take time to fully recover and need reinvigorating as the economy emerges from the crisis. The high levels of unemployment and social distress are eroding Europe's human and social capital and call for decisive action over time. The EU needs **job rich and inclusive growth**.

The immediate priorities for the Union and the Member States are: **addressing labour market segmentation**; **enhancing active labour market policies** to increase employment opportunities for job seekers; **boosting job creation**, maintaining the employability of the labour force including the long term unemployed and **addressing youth unemployment**. In a context of an ageing labour force, longer and more fulfilling working lives require adequate skills and lifelong learning, enabling working environments. The gender gap in employment also needs to be addressed. Access to affordable care services will help the participation of women in the labour market. Stronger involvement of social partners, in line with national law and practices, is essential for the design and implementation of the policy response.[18]

Within the context of coordination of Member States' economic policies, the EU's Annual Growth Survey 2014 identifies the following challenges, confirmed in the 2014 European Semester package of Country Specific Recommendations (CSRs): Building Growth, published on 2 June 2014.

ADDRESSING SEGMENTATION, SUPPORTING JOB CREATION AND INCREASING DEMAND

Against the background of a deteriorating employment situation, many EU Member States have launched important reforms to tackle labour market segmentation.

To stimulate job creation, many EU Member States committed to reduce the tax wedge on labour, as part of overall efforts to shift the tax burden, in particular for low paid workers and young workers. Some Member States used employer subsidies and promoted entrepreneurship while some additional measures have been taken to address the issue of undeclared work. Many Member States continued to introduce changes to their employment protection legislation to address the balance between flexibility and security and address the segmentation of the labour market.

Many EU Member States have continued to support initiatives exploring job-rich sectors. The greening of the economy, the digital sector and health care services are areas that will generate significant job opportunities in the years to come. There is a need to develop strategic frameworks in which labour market and skills policies play an active role in supporting the job creation in these sectors and anticipating and adjusting to new patterns of growth.

Labour mobility, including cross-border, will benefit from the reinforced cooperation and from a strengthened EURES-network (a job mobility scheme), that will help firms and job-seekers find opportunities in other Member States.

ADDRESSING HIGH UNEMPLOYMENT, IN PARTICULAR YOUTH UNEMPLOYMENT AND LONG-TERM UNEMPLOYMENT

The EU Member States committed to reinforce their active labour market policy (ALMP) measures. Several Member States took measures to improve the effectiveness and quality of their public employment services (PESs). Specific policies were introduced to bring closer to the labour market the unemployed from disadvantaged groups, in particular persons with disabilities, the long-term unemployed and workers with a migrant background. Member States also addressed the situation of young people on the labour market with the early introduction of some elements of the Youth Guarantee and by presenting Youth Guarantee Implementation Plans. They promoted measures to boost female employment rates and to reconcile work and private life by introducing changes to early childhood education and care services and revising parental leave regulations. Attention should be paid to addressing the impact of gender pay and activity gaps on women's pension entitlements.

[18] Annual Growth Survey 2014

Employment-promoting initiatives (e.g. ensuring adequate skills and lifelong learning, enabling working environments) also addressed barriers to longer and more fulfilling working lives.

ADDRESSING THE SKILLS GAP

In the light of increasing long-term unemployment, most EU Member States took measures to raise participation in life-long learning. The EU is still lagging behind its 2020 targets on tertiary educational levels and reducing early school drop-outs. Moreover, according to the OECD, 20% of the EU workforce still has a serious lack of basic skills, including low literacy and low numeracy skills. 25% of adults also lack the skills to effectively make use of ICT. This creates bottlenecks and mismatches for a number of jobs and professions, and more generally reduces the capacity of the EU labour force to adapt and progress in the labour market. It is essential to invest in the modernisation of education and training systems, including life-long learning, for example, dual learning schemes, and to facilitate the transition from school to work, notably by increasing the availability of good quality traineeships or apprenticeships.

ADDRESSING INEQUALITIES AND IMPROVING THE PERFORMANCE OF SOCIAL PROTECTION SYSTEMS

Better performing social protection is essential to support social change and reduce inequalities and poverty over time. A particular focus should be put on the coverage, adequacy and design of unemployment benefits and social assistance. Member States have developed active inclusion strategies, encompassing efficient and adequate income support, activation measures and broad access to affordable and high-quality services, such as social and health services, childcare and long-term care, housing and energy supply. Personalised benefits and services to address people's unique situations, and better integrated support through the development of "one-stop shops" are becoming more widespread. Simplifying access to benefits and services and better-targeting these can help to improve take-up and enhance the efficiency and effectiveness of social protection systems.

3. Current policy settings and new commitments

In 2010 the European Union and its Member States launched a strategy for smart, sustainable and inclusive growth for the coming decade: the Europe 2020 Strategy. The aim was to improve the EU's competitiveness while maintaining its social market economy model and improving significantly its resource efficiency. The Europe 2020 Strategy was initiated against a background of lower growth and productivity levels than in other developed countries and a rapidly deteriorating economic and social environment, in the wake of the worst global financial crisis the EU has ever faced.

The strategy was conceived as a partnership between the EU and its Member States. It set out five interrelated headline targets for the EU to achieve by 2020 in the areas of employment (ensuring 75 % employment of 20–64-year-olds), research and development (R&D), climate change and energy, education, and the fight against poverty and social exclusion. All Member States have committed to achieving the Europe 2020 targets and have translated them into national targets and growth-enhancing policies[19]. Progress towards the Europe 2020 targets has been so far mixed and national performances are very heterogeneous. The EU employment rate stood at 68.3% in 2013, compared to 68.5% in 2010 and 70.3% in the peak year of 2008. Based on recent trends, it is expected to increase to around 72% in 2020. The fulfilment of national targets would bring it up to 74%, just below the 2020 target.

In order to monitor the commitments assumed under the Europe 2020 Strategy, the EU has set up a yearly cycle of economic policy coordination called the European Semester. The current European Semester started in November 2013 when the European Commission adopted its Annual Growth Survey (AGS), which sets out the EU priorities for the coming year to boost growth and job creation. The 2014 AGS was endorsed by the EU Heads of State and Government at the European Council in March[20].

In April, Member States submitted their plans for reforms and measures to make progress towards smart, sustainable and inclusive growth, in areas such as employment, and social inclusion as well as research, innovation and energy (National Reform Programmes). The European Council has called for these National Reform Programmes to be devised and implemented in close cooperation with national parliaments, social partners, regions and other stakeholders in order to increase ownership of the strategy. The Member States also submitted plans for sound public finances (Stability or Convergence Programmes).

The European Commission assessed these programmes and provided country-specific recommendations (CSRs) on how to boost growth, increase competitiveness and create jobs in 2014-2015. This year, the emphasis has shifted from addressing the urgent problems caused by the crisis to strengthening the conditions for sustainable growth and employment in a post-crisis economy.[21] The CSRs' package stresses the importance on implementation over time. Major reform efforts are underway in many Member States and there is a need to follow through and see if they are effective. Policy consistency and sequencing of reforms are crucial for success.

The CSRs were endorsed by the European Council in June 2014. Policy advice is thus given to Member States before they start to finalise their draft budgets for the following year. Policy advice is complemented by a range of measures to monitor the commitment to reform and improved implementation; this involves using evaluation, both ex ante and ex post, as well as multilateral surveillance. The development of robust multilateral surveillance mechanisms is supported by a number of tools such as the Joint Assessment Framework, the Employment Performance Monitor[22], the EMCO Labour Market Report[23], the Social Protection Performance Monitor[24] and a scoreboard of social and employment indicators included in the Joint Employment Report[25] which are agreed each year between the European Commission and the Council of Employment Ministers.

[19] Taking stock of the Europe 2020 strategy for smart, sustainable and inclusive growth
[20] Council conclusions on the 2014 Annual Growth Survey and Joint Employment Report: political guidance on employment and social policies (March 2014)
[21] 2014 European Semester: Country-specific recommendations - Building Growth
[22] http://register.consilium.europa.eu/doc/srv?l=EN&f=ST%2010763%202014%20REV 1
[23] For an overview of the results of the multilateral surveillance in the field of employment see: http://register.consilium.europa.eu/doc/srv?l=EN&f=ST%2010815%202014%20REV 1
[24] http://ec.europa.eu/social/main.jsp?catId=758
[25] http://register.consilium.europa.eu/doc/srv?l=EN&t=PDF&gc=true&sc=false&f=ST%207476%202014%20INIT

BROAD ECONOMIC SETTINGS

The EU has reached a turning point in the crisis but the global economic context presents uncertainties, such as reduced demand in emerging economies. Risks linked to lack of confidence about banking sector resilience and to high sovereign debt are still present. The legacy of the crisis, deleveraging needs in the public and private sector, fragmentation of financial systems and credit markets, sectoral restructuring and adjustment and high levels of unemployment will continue to weigh on growth in the coming period. Its impact will gradually subside as accumulated macroeconomic imbalances are corrected. Improvements in the labour market will take time to materialise, with unemployment expected to remain unacceptably high in many parts of Europe for some time to come, and the broader social situation remains depressed. The duration and depth of the crisis has created hardship across Europe and particularly in countries implementing adjustment programmes.

The gradual recovery will underpin domestic demand which is expected to take over as the main engine of growth. Fairness considerations and clarity about the goals to be achieved will be essential to secure the lasting success, efficiency and public acceptability of efforts at national and European level.

Macroeconomic policy

Note that specificity on the EU's macroeconomic policy is provided in the G20 Growth Strategy. The text below provides a summary.

EU's fiscal policy framework: Growth-friendly fiscal consolidation and better fiscal governance for growth

The EU fiscal strategy focuses on headline and structural balances; it is differentiated according to Member States' fiscal and economic situation and aimed at improving the quality of fiscal consolidation with a view to boosting growth and improving long-term fiscal sustainability.

The aggregate fiscal stance in the EU is expected to evolve towards a broadly neutral stance in 2014-2015 in a no policy change scenario, but substantial challenges remain at the level of Member States. In June 2014 the European Council concluded that, given the persistently high debt and unemployment levels and the low nominal GDP growth, as well as the challenges of an ageing society and of supporting job-creation, particularly for the young, fiscal consolidation must continue in a growth friendly and differentiated manner. This includes an adequate mix of growth-friendly expenditure cuts and revenue measures, accompanied by structural reforms to enhance the economic growth potential. Particular attention has to be paid to areas related to the development of human capital and technological advances that have a positive impact on growth. Following a mandate given by EU Finance Ministers the European Commission is currently analysing options to improve expenditure performance, including through expenditure reviews.

Euro-area's monetary policy

The euro is a floating currency and its exchange rate is determined by market forces. The European Central Bank (ECB)'s monetary policy is geared towards the achievement of medium-term price stability (i.e. annual HICP inflation below, but close to, 2 % over the medium term). Price stability is a necessary condition for strong, sustainable and balanced growth. Over the recent period, the ECB's Governing Council has firmly reiterated its forward guidance and indicated that it continued to expect the key ECB interest rates to remain at present or lower levels for an extended period of time. This expectation is based on an overall subdued outlook for inflation extending into the medium term, given the broad-based weakness of the economy, the high degree of unutilised capacity and subdued money and credit creation. In addition, the ECB's Governing Council stressed that it would monitor developments very closely and that it remained resolute in its determination to maintain a high degree of monetary accommodation and to act swiftly if required. Moreover, the Governing Council emphasised its commitment to using also unconventional instruments within its mandate in order to cope effectively with risks of a too prolonged period of low inflation. As is the case for other G20 central banks, the ECB's monetary policy settings will continue to be carefully calibrated and clearly communicated.

EU's policy to reduce intra-euro-area/EU imbalances

Significant progress in addressing imbalances is on-going. Surveillance of progress is particularly geared through the Macroeconomic Imbalance Procedure (MIP). In November 2013, the European Commission identified several EU Member States, which are to be analysed in order to decide whether a macro imbalance in need of policy action exists in these countries. On 5 March 2014, the European Commission published its analysis in the form of in-depth reviews. The European Commission has put forward country specific recommendations in June 2014, for consideration by the European Council. Better monitoring and taking into account of the social and labour market situations within the Economic and Monetary Union (EMU), notably through the use of a scoreboard of social and employment indicators within the European Semester, has also been established to identify such imbalances at an early stage.

Regulation, finance, incentives, investment and entrepreneurship

Restoring lending to the economy and establishment of a genuine Banking Union

Making sure the banking sector functions correctly in providing finance for productive activity is essential to increasing investment and sustaining the economic recovery. Substantial progress is being made towards the completion of the Banking Union. In addition to the agreement that was already found on the Single Supervisory Mechanism, the Council and the European Parliament have reached a political agreement on a Single Resolution Mechanism, including a Single Resolution Fund.

Improving access to long-term investment finance in the EU

The focus is on three specific aspects: improving the functioning and role of EU capital markets; improving further SME access to finance; and improving infrastructure financing. On 27 March, the European Commission adopted a Communication setting out its roadmap to underpin sustainable economic growth by enhancing the long-term financing of the economy.

The Connecting Europe Facility (CEF) is the EU's new funding mechanism for infrastructure projects of common interest. The CEF will have a budget of EURO 33.3 billion for the period 2014-2020 to improve Europe's transport, energy and digital networks through targeted investments in key infrastructures with demonstrated EU added value. In addition, the EIB group is focusing on investment challenges, notably after the increasing of the capital of the EIB and the EIF.

More and better funding for education, research and innovation

The new Erasmus+ programme provides support for projects and actions in the fields of education, training, youth and sport. The seven year programme has a budget of EURO 14.7 billion for the period 2014 to 2020 - a 40% increase – and offers more opportunities for cooperation across sectors and is easier to access, with simplified funding rules.

Horizon 2020, the EURO 80 billion investment programme for research and innovation for the period 2014 to 2020, brings together all existing EU research and innovation funding and provides support through streamlined funding instruments and simpler programme architecture and rules for participation.

The completion of the Single Market is a central element of the European growth agenda

The priority areas for reform in this field are: the services markets (including financial services) and network industries (including the energy markets; the transport markets and the digital markets).

LABOUR MARKETS AND SOCIAL PROTECTION

The dynamics of the labour market

In the wake of prolonged recession, the Employment Package, launched in April 2012, set out a medium term agenda for EU and its Member States, proposing employment to be a key driver for growth, with three overarching objectives: supporting job creation, restoring the dynamics of labour markets and enhancing EU governance.

As is typical following deep financial crisis, the recovery is fragile and uneven at first and the nature of the challenges is changing rapidly. Just a few years ago, in the midst of the crisis, the vital priority was to re-establish budgetary credibility in the face of swiftly increasing public deficits and sovereign debt, to stop the negative spiral between a deteriorating fiscal situation and the risk of instability of the banking sector, and to correct unsustainable trends in the real economy such as worrying losses in competitiveness, increasing private debts or high housing prices. The main challenge now relates to the strengthening of the real economy – **growth and jobs** – over time.

Priorities vary depending on the Member State and include pursuing policy measures to strengthen sources of growth and jobs; reinforcing the conditions to promote private investment and boost demand; improving skills and helping people back into employment as well as promoting social cohesion.

Most EU Member States committed to strengthen and/or improve the efficiency of their active labour market policies, notably active support and training for the unemployed. Many Member States have launched important reforms, for instance to tackle labour market segmentation. The quality and effectiveness of active labour market policies and the efficiency of public employment services are also essential to fight unemployment and Member States have committed to act in this regard.

The Employment Package also aims to create a genuine EU labour market by **improving labour mobility and improving the matching of jobs with job-seekers**. Free movement of workers is a fundamental principle of the European Union enshrined the EU Treaties. EU nationals have the right to look for work and take up employment in another Member State; to receive assistance from the employment services in the host state when looking for a job; to be treated equally with regard to conditions of employment and work and with regard to social and tax advantages; EU workers have a right of residence for themselves and their family members[26].

From 1998 to 2008, free movement of workers generated an extra 2.77 million jobs in the EU, and an additional 2.13% in GDP.

In 2013, there were around 8.1 million economically active EU citizens in another EU Member State, making up 3.3% of the total EU labour force. In addition, there are just over 1.1 million cross-border or frontier workers[27] , i.e. EU nationals working in another EU Member Stat than where they reside, and an estimated 1.2 million posted workers. Short-term mobility and circular migration must also be considered. In the case of highly mobile workers, among those having lived and worked abroad in the past, 38% did so for a period shorter than a year[28].

In general, however, intra-EU labour mobility remains limited in size, both in comparison to other OECD countries (such as the USA), and in proportion to the overall EU labour market. Higher levels of mobility would help labour market adjustment and increase the growth potential.

While intra-EU labour mobility is a fundamental right, which provides EU citizens with unprecedented possibilities to look for better job opportunities, it also presents challenges for both countries of origin and destination. Appropriate policies must be put in place both by the EU and its Member States to maximise the benefits of mobility and reduce its risks for both countries of origin and destination. In recent years a number of policy and legislative initiatives aiming at promoting labour mobility were taken.

With over 1.7 million job vacancies and over one million CVs across Europe, the European Network of Employment Services (EURES) aims to help EU citizens to make an informed choice about job opportunities in other Member States, which correspond to their skills and their qualifications. Embedded in the public employment services and firmly committed to fair mobility, the network shares information on living and working conditions and labour markets trends in Member States. EURES member organisations provide free assistance to jobseekers looking for work in other Member States and assist employers to fill their job vacancies through matching activities, including online job fairs. A modernised EURES should be in place by 2015. The proposal to modernise the EURES network contains five structural improvements compared to the current one: (1) increasing transparency of labour markets via more data input; (2) using more common tools via automated matching; (3) improving the access to EURES via mainstreaming; (3)better

[26] Article 45 TFEU; Regulation (EU) No 492/2011 of the European Parliament and of the Council of 5 April 2011 on freedom of movement for workers within the Union, OJ L 141, 27.5.2011, p. 1
[27] Eurostat, LFS, 2012
[28] Special Eurobarometer 337 (2010)

managing expectations from workers and employers through mobility support services; (5) sharing more information to reinforce the practical cooperation across Member States within the network through mobility information exchange systems. Financial support, combined with customised job search assistance through targeted mobility schemes for young people looking for opportunities in other EU Member States (such as Your First EURES Job), will be further reinforced.

The European Commission is currently developing ESCO[29] a multilingual classification of European Skills, Competences, Qualifications and Occupations, which categorises and links skills and competences, qualifications and occupations relevant for the EU labour market and education and training in 22 European languages. By introducing a standard terminology, it helps jobseekers and employers to better communicate across borders.

Intra-EU labour mobility could not take place without the guarantee that workers will not lose their social security protection when moving to another Member State. EU rules on social security coordination[30] have existed since the 1950s for this purpose and they have been adapted several times to ensure that they reflect legal and societal changes in Europe. While Member States remain competent for determining their own social security systems, the EU social security coordination rules remove disadvantages for persons who move between these distinct social security systems; they protect EU citizens' acquired rights; give entitlement to receive benefits in the territory of other Member States; guarantee equal treatment; and work to link the distinct systems together for the benefit of citizens.

An important barrier to free movement is the prospect that supplementary pension rights could be lost. On 16 April 2014, a Directive was adopted improving the acquisition and preservation of supplementary pension rights for mobile workers.

In order to further facilitate labour mobility, on 14 April 2014, the EU adopted a new Directive to ensure the better application at national level of EU citizens' right to work in another Member State. Moreover, on 13 May 2014, the EU adopted a new Directive to better enforce EU rules on posting of workers. It will safeguard respect for posted workers' rights in practice and strengthen the legal framework for service providers. Member States now have two years to implement the Directives at national level.

Social protection

The crisis and the policy measures taken to tackle the economic and social situation have resulted in rising levels of inequality. The structural nature of certain forms of unemployment, limitations of access to education and healthcare, certain tax-benefits reforms may all weigh disproportionally on the more vulnerable parts of society.

In some Member States, the real gross disposable income of households has declined and overall, nearly a quarter of the EU population is now considered to be at risk of poverty or exclusion. The main drivers of poverty and social exclusion are long-term unemployment, labour market segmentation and wage polarisation but the weakening of the redistributive impact of tax and benefits systems also plays a role. In a number of countries, the stabilisation impact of social spending has weakened over time as the number of long-term unemployed losing their entitlements increased. The need to restore the financial sustainability of welfare systems has also played a role. In several cases, measures were taken to reduce the level or duration of benefits, with tightened eligibility rules to increase incentives to take up work, but this has also led to excluding beneficiaries from certain schemes.

One of the Europe 2020 Strategy's targets is to bring 20 million people out of poverty by the end of the decade. To help Member States achieve these commitments, the European Commission adopted in February 2013 a Social Investment Package, which sets out an agenda for social policy reform to respond to the above challenges.

The Package provides guidance to Member States on how to adapt their social models to the social consequences of the economic crisis and long-term demographic trends such as increased ageing, as well as changing family structures and changing labour market trends .It does this by drawing on good practices of some Member States. The framework combined with concrete EU support will also help Member States to deliver on the Europe 2020 strategy. The package

[29] https://ec.europa.eu/esco

30 Regulation (EC) No 883/2004 on the coordination of social security systems; Regulation (EC) No 987/2009 on the implementation of Regulation (EC) 883/2004

stresses the importance of prevention and early intervention, to avoid hardship from arising later and "preparing" people against life's risks rather than simply "repairing" the consequences. Investing in children is especially important; tackling disadvantage early, before it compounds, and it is one of the best ways to tackle education inequality and help children live up to their full potential. To this end, the package emphasises the importance of accessible, quality early-childhood education and care services.

Simplifying benefit systems and creating one-stop-shops to access benefits and social services is also an important aspect of this package. By eliminating multiple benefit applications and making it easier to understand and less time consuming to access support, this will help to improve the take-up of support by those who are entitled to it as well as improve efficiency, as integrated systems are also less expensive to administer.

For 2014 a particular focus is put on the coverage, adequacy and design of unemployment **benefits and social assistance** in several Member States. The aim is to strike a balance between supporting people back to work and ensuring adequate income support where there is growing poverty.

Policy measures targeting labour market disadvantage

Addressing youth unemployment

Young people have been particularly affected by the crisis. The EU youth unemployment rate increased sharply – more than 7.5 percentage points between 2008 and 2013 (from 15.6% to 23.3%) - and it is currently nearly 2.5 times higher than the adult rate, affecting 5.6 million young people aged 15-24. There is also a large number of young people neither working nor studying: in total, in 2013 7.3 million people in the age group 15-24 were neither in employment nor in education or training, an overall share of 13% of this age group.

Member States have already started to tackle youth unemployment and skills gaps according to national specificities, including by implementing Youth Guarantees.

All Member States endorsed the principle of the Youth Guarantee in April 2013: to ensure that all young people under 25 receive a good quality offer of employment continued education, an apprenticeship or a traineeship within four months of leaving formal education or becoming unemployed. All EU Member States have presented national Youth Guarantee Implementation Plans, and their implementation is now starting.

The most significant source of EU funding to help Member States to implement the Youth Guarantee is the European Social Fund, with over EUR 10 billion a year from 2014-2020. To top this up, there is a new EUR 6.4 billion Youth Employment Initiative for Member States with regions where youth unemployment rates exceed 25% (in 2012). Currently Member States are preparing Operational Programmes through which these funds will be committed over the next two years.

Member States have also committed to increase the quality of traineeships. The major concern is that some traineeship has a low quality learning content and/or misuse young people as a cheap labour force. The Recommendation on a Quality Framework for Traineeships (QFT) adopted on 10 March 2014 proposes guidelines for traineeships outside formal education to provide a high quality learning content and fair working conditions so that traineeships support education-to-work transitions and increase the employability of trainees. The QFT also contains guidelines on transparency regarding compensation and social security coverage, as well as hiring chances.

Recent analysis confirms that beyond the situation of young people, there is also an alarmingly high share of adults – around 20% – with very low basic skills. Therefore, it is important that education and training systems contribute to the upgrading of the human capital of older workers in order to achieving longer and more productive working lives. The European Structural and Investment Funds can also help to finance action in this field.

Increasing female participation

Gender gaps are still significant in the EU. In 2013, the EU28 employment rate for men (aged 20-64) was 74.2 % while it was only 62.5 % for women. In all Member States, female employment rates are lower than those for males, with big variations across the EU. When employment is measured in full-time equivalents, the gaps are even bigger even in Member States where female employment rate is relatively high.

Measures to help parents reconcile work and family responsibilities are especially important in promoting the labour market participation of women with children. Affordable, quality early childcare is especially important, as high childcare costs can result in large disincentives for parents to re-enter the labour market once having a child. Meanwhile, available and affordable elderly care services are important to facilitate the longer working lives of the senior workforce.

In 2014, encouraging women to participate to the labour market remains a priority for the Member States. This challenge is linked to improving the availability, affordability and quality of childcare services; improve provision of long-term care services; harmonising pensionable ages; tackling the gender pay gap and gender pension gap; tackling fiscal disincentives and promote flexible working arrangements.

EU funding as incentive for reform

An additional incentive for Member States to act on reforms is the possibility to use the EU financial instruments, for employment and social policies, notably the European Social Fund (ESF).

The EU has decided to concentrate its budget for the 2014 -2020 period on measures that foster growth and jobs in line with the Europe 2020 objectives. All funds will operate under a common framework and pursue complementary policy objectives. They are the main source of investment at EU level to help Member States to restore and increase growth and ensure a job rich recovery while ensuring sustainable development.

The programmes for the 2014 – 2020 programming period are currently put in place and will concentrate on thematic priorities that are closely linked with Europe 2020. Hence, there is a close link between the policy priorities identified at EU and Member State level and the EU funding priorities.

An allocation of at least EUR 80 billion has been earmarked for employment and social policy measures.

20% of this amount, at least EUR 16 billion, will be allocated to social inclusion measures in line with the orientations of the Social Investment Package. The ESF contributes significantly to investments in active labour market policies, in particular in poorer regions and countries, where it often makes up more than 50% of ALMP budgets.

The ESF can play a crucial role in supporting labour mobility and facilitating access to employment. It is already funding a transnational learning network on mobility and has been used to fund initiatives to facilitate the entry of disadvantaged youth intro training and employment through intra-EU mobility projects.

For the 2014-2020 programming period, the ESF puts a stronger emphasis on supporting mobility, and it will support the development and implementation of mobility strategies and transnational "targeted mobility programmes". Member States should make full use of these possibilities.

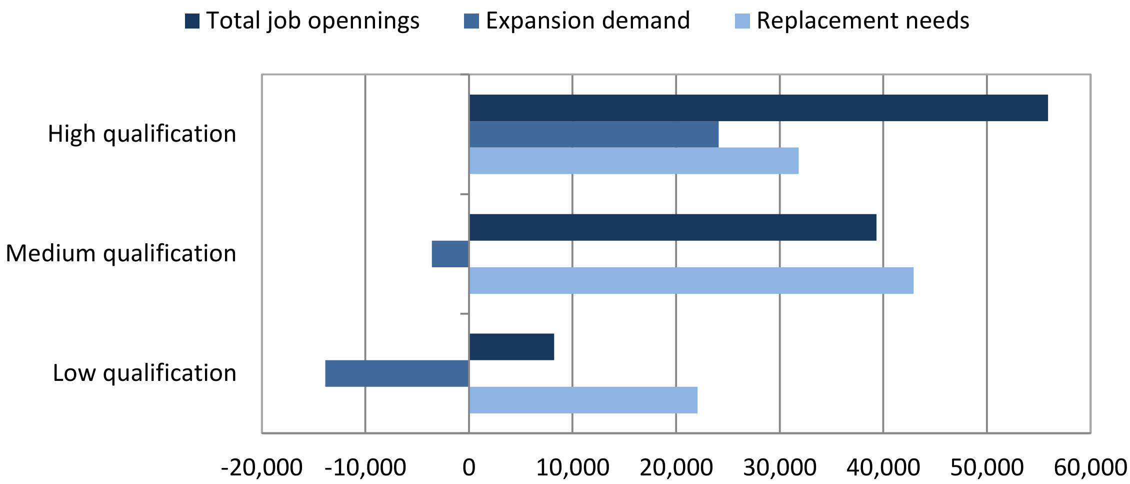
In addition, the EU financial support to youth mobility for 2014-2020 will increase by approximately 40%, compared with 2007-2013, to EUR 14.7 billion.

These funds are topped up by the European Globalisation Adjustment Fund which can mobilise up to EUR 150 million to help workers made redundant find another job or set up their own business.

HUMAN CAPITAL AND SKILLS DEVELOPMENT

In the coming decade, the share of jobs employing higher-educated labour is likely to increase, while the share of demand for lower-skilled workers will continue to decrease. Investing in human capital to upgrade skills is essential for increased employment and productivity. Some of this investment is already happening; the latest labour market forecast data point to a decline in the share of the labour force with no or low level qualifications from 22% in 2013 to 16.8% in 2020. Against this background, the main thrust of coordination at EU level in the area of skills development policies is to support EU Member States in reaching the 2020 headline targets that at least 40 % of 30-34 year olds should have a tertiary or equivalent qualification by 2020, and that the share of early school leavers drops below 10% by 2020. These targets are broadly achievable by 2020. The share of early school leavers has fallen from 15.7% in 2005 to 12% in 2013, with half of Member States having already reached or approaching their targets. While part of this reduction may be attributable to a more difficult employment environment, there is also evidence of structural improvements and the trend is expected to continue, albeit at a slower pace. The share of young people having completed tertiary education has increased from 27.9% in 2005 to 36.9% in 2013. While this may vary from country to country, the trend is also considered structural and the 2020 target is expected to be met.

Figure 1: Proportion of job openings by qualification level, EU, 2013-20 (thousands)



A major concern is the better alignment of education to labour market needs in order to reduce skills mismatches. To address these concerns, the EU develops a range of tools to support the development of skills intelligence in the Member States and at sectoral level.

The Grand Coalition for Digital Jobs launched in 2013 is an EU-wide multi-stakeholder partnership seeking to address the shortfall of several hundred thousands of unfilled ICT employment vacancies. The EU Sector Skills Councils aim to foster cooperation between social partners and education and training sector and better align the education offer to specific sectoral needs. The EU Skills Panorama provides an overview of available forecasts of skills needs across the EU.

As in other policy areas the EU encourages policy adjustment through a combination of country specific advice where reforms are needed and through financial support in particular through the European Social Fund.

The improvement of skills-based matching across the EU labour market is one of the ways to foster increased labour mobility within the EU. The European Commission is currently developing the European Skills/Competences, qualifications and Occupations (ESCO) taxonomy, a multilingual, structured and easy-to-use terminology of skills, qualifications and occupations. The ESCO will facilitate the electronic interchange of vacancy information and CVs and will serve as a common language between education/training and the world of work and a reference for Member States on which to model their own similar tools.

4. Monitoring of commitments

The G20 work on monitoring commitments in the area of growth and employment is moving now closer to EU's approach on policy guidance and surveillance through the European Semester.

The EU has already delivered on the commitments assumed at Saint Petersburg in particular when it comes to addressing youth unemployment, as well as increasing the quality of apprenticeships.

The EU has taken several steps to get young people back into work, education or training. The key priority is now the implementation of the Youth Guarantee. Setting up Youth Guarantee schemes is a fundamental structural reform in the mid- and longer term. This implies establishing effective and innovative structures, processes and measures as well as pursuing reforms to achieve more successful transitions from school to the labour market. It will help public institutions work better (together) and improve the functioning of the economy (increasing skill matching and productivity). The "Youth Guarantee service provider", in many cases the Public Employment Services, will be key to success, bringing millions of young people "not in employment, education or training" (NEETs) under the wings of the Youth Guarantee.

Member States have also committed to increase quantity, quality and supply of apprenticeships. The European Alliance for Apprenticeships was launched on 2 July 2013 in Leipzig, Germany to increase the quality and supply of apprenticeships across Europe and to change mind-sets towards this type of learning. The Alliance is a platform that brings together public authorities, business and social partners, VET providers, youth representatives and other key players such as chambers in order to coordinate and upscale different initiatives for successful apprenticeship type schemes, as well as to promote national partnerships for dual vocational training systems. The strands of action are: (1) targeted knowledge transfer and support for reform of apprenticeship systems; (2) promoting the benefits of apprenticeships; and (3) making smart use of EU funding and resources. 26 organisations (chambers, businesses, VET providers) pledged to take concrete action within the next months, including the exchange of best practices, awareness raising and steps to increase quality and supply of apprenticeships. A pool of 'business ambassadors' was set up upon an initiative by the European Roundtable of Industrialists.

Sharing experiences and best practices within the G20 is important. The Conference on Quality Apprenticeships on 9 April 2014 in Paris co-organized by OECD, European Commission and the G20 Australian Presidency, as well as the high level conference "Youth Guarantee: Making It Happen" on 8 April 2014 in Brussels, represented good platforms for discussions among national and international policy-makers, expert practitioners, social partners and other stakeholders.