



## 2016 Employment and Social Developments in Europe Review: questions and answers

Brussels, 20 December 2016

**The latest annual review of Employment and Social Developments in Europe (ESDE) published today shows encouraging results.**

See also [IP/16/4429](#)

### **What is the Employment and Social Developments in Europe review?**

The Employment and Social Developments (ESDE) review reports on the latest employment and social trends, and reflects on upcoming challenges. Based on the latest data and literature available, the review underpins Commission initiatives in the employment and social policy field.

The ESDE review is the Commission's main in-depth report, combining data analysis with analysis of best practices and policy outcomes in the Member States. It focusses on key themes which are defining for the Commission's main upcoming political initiatives.

This year's review focuses on five themes:

- Convergence and divergence in the Economic and Monetary Union, and the role of employment and social policies;
- Employment dynamics and their social implications, notably how jobs and wages can tackle poverty and inequality;
- The labour market integration of refugees;
- The labour market implications of ICT development and digitalisation;
- And capacity building for social dialogue.

### **Has the employment situation improved over the last year in the EU?**

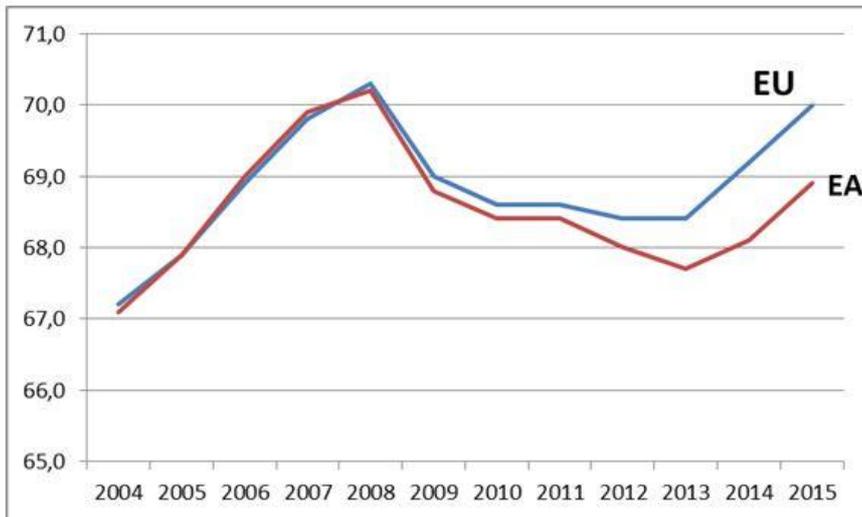
The economic growth observed since 2013 has been accompanied by significant improvements in labour market conditions.

With 232 million men and women employed in the second quarter of 2016, employment reached the highest level ever recorded. The employment rate for the EU as a whole was above its 2008 values, at 71.1% (Chart 1). If this trend continues, the EU could still achieve its employment rate target of 75% in 2020. Also, the unemployment rate has also been receding quite steadily since 2013, reaching 8.3% in October 2016. This is the same rate as recorded in February 2009.

However, some important challenges persist. For the euro area, the employment rate is still below the 2008 level, at 70% in the second quarter of 2016. At the same time, the overall unemployment rate remains high at 9.8% as recorded in October 2016. More timely data on total unemployment show that 20.1 million people in the EU were still out of work in the third quarter of 2016, including almost 4.2 million young people. Long-term unemployment, although steadily declining since early 2014, is still almost twice as high as in 2008.

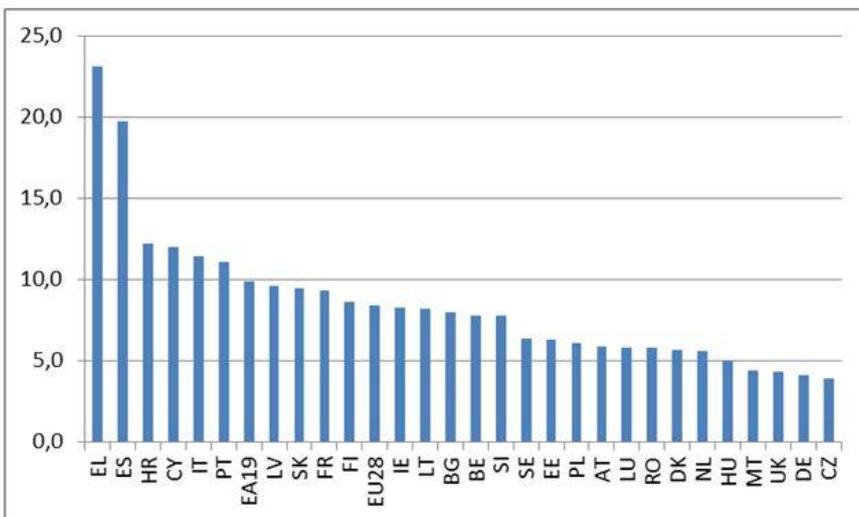
Large variations across Member States persist, ranging from 1.3% of the active population in Denmark, Sweden and the United Kingdom, to 16.7% in Greece. The differences in the employment rates across Member States are also considerable, ranging from 81.5% in Sweden to 56.6% in Greece. Unemployment rates are at the lowest level in Germany 4.1% and the highest in Greece at 23.1% (Chart 2).

### **Chart 1: EU employment rate**



Source: Eurostat (lfsa\_ergan)

**Chart 2: Strong variation in unemployment rates - 2016q2**



Source: Eurostat, LFS (lfsq\_urgan)

### Has the improved employment situation decreased poverty?

The last three years (2012-2015) most Member States recorded a decline in the share of persons at risk of poverty or social exclusion, which reached with 23.7% of the total population (i.e. about 119 million people) its lowest level since 2010. Although progress has been made, poverty and inequality remain too high – especially for certain groups of society (i.e. children and minority groups).

Low employment rates are a key factor in rising inequality and poverty. Being in work, however, is not always enough to keep people out of poverty. Indeed, although everywhere in the EU, full-time workers are relatively well protected against poverty, 'in-work poverty' has increased from about one in ten before the crisis to one in eight persons. Part-time workers have a higher risk of poverty than full-time workers. The share of self-employed with incomes below the poverty threshold is much higher than the share of salaried workers at risk of poverty (see Chart 3). Full-time self-employed people have a risk of poverty that is more than 3.5 times higher than that of full-time workers.

**Chart 3 - At-risk-of-poverty rate by activity status (20-64 years old), 2013.**

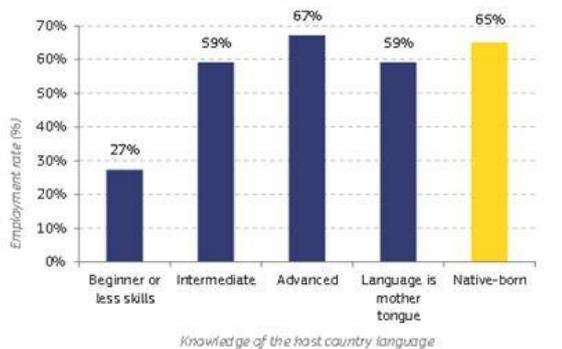


In the past, the labour market integration of refugees that arrived before 2014 took quite some time. The good news is, while it might take 15-20 years for them to achieve parity with the native-born at this moment in time, their integration improves significantly over time. Refugees have skills that their host countries can build on, with at least one in five of refugees having a tertiary education.

The employment rate of refugees greatly depends on their skills and education level. Highly-educated refugees aged 25-64 achieve a much higher employment rate than their less well-educated peers (70% vs. 45% - Chart 9). Refugees with an intermediate language level have an employment rate of 59% (Chart 10), more than twice that of those with a lower language proficiency (27%)

**Chart 5: Employment rate by reason for migration and education level (25-64), EU total\*, 2014**

**Chart 6: Employment rate of refugees, depending on knowledge of the host country language, EU total\*, 15-64, 2014**



Source: Own calculations based on EU LFS 2014 AHM. Data cover 25 countries of the European Union except for "Language is mother tongue" where data from Germany was excluded due to lack of reliable data.

**How can the integration of refugees in our labour markets be facilitated?**

The above figures (Charts 9 & 10) clearly indicate that knowledge of the host country language and raising the education level greatly improve employment outcomes.. Raising refugees' host country language knowledge to even just an intermediate level brings significant employment gains.

Both refugees and the host countries benefit from investing in refugees' education: it improves refugees' labour market prospects, while contributing to the economic growth of the receiving country. However, these efforts should be combined with more comprehensive support and the removal of integration obstacles, such as combating discrimination, integration programmes, access to enabling services, recognition of qualifications, health, social services and childcare.

**Do new technologies, particularly ICT, destroy jobs?**

Analysis suggests that higher ICT investment and related robotisation have not led to technology replacing labour. On the contrary, most evidence shows a net increase in employment. ICT development and digitalisation have contributed directly to job creation and are expected to continue to do so. For example, over the last decade, an extra two million ICT specialist jobs have been created, one million in the last three years alone. Yet, it is clear that ICT development and digitalisation will have different impacts in different occupations and sectors.

**How is the collaborative economy influencing the future of work?**

It is difficult to quantify the emerging 'collaborative economy', in terms of revenues or the number of individuals directly involved, but estimates indicate that it is already sizeable. In 2015, there were at least 20 platforms worth more than USD 1 billion. Uber is valued at USD 50 billion and is active in 230 cities in 60 countries. Airbnb is worth USD 20 billion, is active in 34,000 cities in 190 countries, and has had 35 million guests and 2 million listings since its launch in 2008. BlaBlaCar has expanded beyond France's borders and has now recruited 10 million members in 13 countries. The importance of the collaborative economy goes without saying.

Businesses following the sharing economy model and digital platforms are growing fast and are becoming major players in the economy and society. They change the functioning of the market, transforming competition and work arrangements and influencing job quality. Their potential benefits include better matching of labour demand and supply. They may facilitate the transition to high-productivity jobs by allocating human capital more efficiently and avoiding skills depreciation. But also entrepreneurship can be stimulated, such as additional earnings possibilities, albeit often in precarious forms. By transforming informal employment/undeclared work into formal employment they can support job creation in the official economy.

The employment rights of workers on these sharing economy platforms, as well as the legal statute of their relation, however, are sometimes unclear. The 'platformisation' of the economy is commonly associated with the growth of self-employment and appears to challenge traditional and more secure forms of employment.

### **How are the social partners adapting to new challenges?**

New forms of employment can blur the distinction between employers and workers, making the organisation of the existing structures difficult and posing a challenge to collective interest representation. As employment relationships and business activities change in the future, the role of social dialogue may become more important.

In many Member States, wage setting is at the core of social partners' bipartite activities. In line with diverse national traditions, workers' and employers' representatives conclude collective agreements at company, sector or cross-industry level. Across the EU, some 60% of employees are covered by collective (wage) agreements. In the Eurozone, this rate is nearly 75%. In many Member States, the social partners (and in some cases governments) are looking to modify wage setting systems, so as to allow flexible wage adjustments within a coordinated framework that takes account of the macro-economic situation. Where national minimum wages apply, social partners play different roles in setting this wage floor.

The effectiveness of social dialogue rests primarily with the social partners themselves as they must learn to adapt their organisations to a new world of work. Social partners have already begun to respond to new developments such as the emergence of the collaborative economy and have put in place policies and strategies to attract new types of workers. For example, in several Member States new forms of digital companies such as Uber and their affiliated workers are increasingly included as social partners members.

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