Employment and Social Developments in Europe 2019

Sustainable growth for all: Choices for the future of Social Europe

DG Employment, Social Affairs and Inclusion
European Commission

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ETUI, 10 September 2019
Employment and Social Developments in Europe annual review

Overview

Overarching themes of ESDE reviews 2017-2020:

- Intrigenerational fairness and solidarity (2017)

- New world of work: beyond digitalisation (2018)

- Sustainable growth for all: choices for the future of Social Europe (2019)

- ? (2020)
ESDE 2019: overview

1. Main Employment and Social Developments
2. Sustainable growth and developments in the EU: concepts and challenges
3. Economic and social fundamentals: from productivity to fair and sustainable growth
4. Investing in people and social sustainability: short-term costs vs. long-term benefits
5. Towards a greener future: employment and social impacts of climate change policies
6. Sustainability and governance: the role of social dialogue
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Sustainable growth for all: Choices for the future of Social Europe

Setting the Scene:
Main Employment and Social Developments
Recent Developments

Record EU employment and unemployment rates but still pronounced divergences incl. at regional level

Unemployment rate (15-74): right scale
Employment rate (20-64): left scale

Long-term unemployment shares (by NUTS 2 regions, 2017)

Source: Eurostat EU LFS

Source: ESTAT, 2018
The social situation continues to improve (AROPE)

Recent Developments

At risk of poverty indicators

At-risk-of-poverty-or-social-exclusion
At-risk-of-poverty
People living in very low work intensity households (0-59)
Severe material deprivation
At-risk-of-poverty-or-social-exclusion (thousands, rhs)

(EU2020 Target)
Total Factor Productivity has been converging … but large differences remain

Source: DG EMPL, based on Eurostat, Cambridge Econometrics, EU-KLEMS and national sources
Returns on social investment are particularly high at early life stages.
Education and work experience during studies put people into jobs

- Tertiary education
- Secondary education
- Paid work experience
- Unpaid work experience
- Vocational educational attainment
- Vocational started
- Woman
- Age
- EU 13 mover
- African or Asian migrant

Note: Average marginal effect on the probability of being employed.
Source: LFS AHM 2016 - Young people on the labour market – microdata.
Many Europeans are overburdened by housing cost

Housing cost overburden: >40% of income spent on housing (EU, 2016)

Source: EU-Statistics on Income and Living Conditions
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Setting the Scene:
Key Challenges to address the Sustainability Puzzle
Sustainability: “living well within the boundaries of our planet”

Challenges:
- contrasting socio-economic developments
- low productivity growth; divergences
- megatrends (ageing, technological change, globalisation, climate change)
- contrasting views and expectations

ESDE 2019 looks at:
- economic growth: boosting productivity
- social investment: productive investment
- climate change: costs of inaction and (net) benefits of action
- social dialogue: can help sustainability

Integrating upfront social considerations into policy design and implementation is key
Sustainability: “about upgrading people’s living standards by giving them real choices, creating an enabling environment”

Sustainability Puzzle

- interconnected nature of sustainable development
- links between safe and just space for humanity, between social shortfall and ecological overshoot
- need for policy action directed at capturing the multiple dimensions of sustainability
- “time for systemic change”

“no matter how tumultuous the coming years will be, not losing sight of our goals for the future will be the most important task.”
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Towards a Greener Future: Employment and Social Impacts of Climate Action
Socio-economic costs of climate inaction in the EU
(long-term impact on GDP, high (>3°C) warming scenario)

Source: In % of GDP; PESETA III studies, JRC (2018)
EU citizens broadly support climate action and express concerns about the social dimension.

Personal responsibility to tackle climate change
(0 not at all - 10 a great deal)

Responses to the question: « how concerned are you that energy may be too expensive for many people in [country]?»

Source: European Social Survey 2016
Notes: Categories Refusal to Answer and Do not know omitted.
... but views on the most effective policy measures vary widely

Source: European Social Survey 2016
Notes: Categories Refusal to Answer and Do not know omitted.
Unaffordable energy and poorly equipped homes affect households in several Member States

Population share facing difficulties to heat their homes

Source: EU-SILC 2017
Significant proportions of those unable to keep their home warm are middle income households

Population share facing difficulties to heat their home by income

Source: EU-SILC 2017
More than 75% of jobs are in sectors that emit less and grow faster

Source: Eurostat and calculations by Bowen and Hancké (forthcoming).
Employment and emissions in % of total, with sectors (NACE 08) ordered by decreasing share of CO2 emissions.
Climate action helps total employment to grow, with labour reallocation and concentrated job losses.

### Employment implications in the EU at sectoral level, 2030

<table>
<thead>
<tr>
<th>Sector</th>
<th>percent</th>
<th>thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>0.5</td>
<td>40</td>
</tr>
<tr>
<td>Mining</td>
<td>-16.6</td>
<td>-93</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>0.7</td>
<td>209</td>
</tr>
<tr>
<td>Utilities</td>
<td>-2.4</td>
<td>-72</td>
</tr>
<tr>
<td>Construction</td>
<td>1.1</td>
<td>160</td>
</tr>
<tr>
<td>Distribution, retail, hotels, catering</td>
<td>0.6</td>
<td>305</td>
</tr>
<tr>
<td>Transport, communications</td>
<td>0.5</td>
<td>64</td>
</tr>
<tr>
<td>Business services</td>
<td>0.7</td>
<td>473</td>
</tr>
<tr>
<td>Non-business services</td>
<td>0.3</td>
<td>142</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>0.5</strong></td>
<td><strong>1228</strong></td>
</tr>
</tbody>
</table>

Deviation from the baseline in % and thousands of employees

Source: Eurofound (2019); Note: in thousand employees

Source: European Commission (2018)
Climate action helps total employment to grow, yet varying with starting conditions and policies.

Source: Eurofound (2019); Note: in thousand employees
Climate action can promote more inclusive job growth

Employment gains from climate action by skill-wage profile and sector, 2030

Employment impacts (2030) from climate action

Job polarisation mitigated by climate action

Climate action promotes more inclusive job growth.
### Sectoral employment changes by 2050

<table>
<thead>
<tr>
<th>Sector</th>
<th>Share of total jobs in 2015</th>
<th>Range of change in jobs by 2050 compared to baseline</th>
<th>Categorisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>6.7%</td>
<td>+0.3% to +2.8%</td>
<td>![Green Check]</td>
</tr>
<tr>
<td>Services</td>
<td>71.7%</td>
<td>-2.0% to +0.9%</td>
<td>![Question Mark] Broad sector, depends mainly on GDP</td>
</tr>
<tr>
<td>Agriculture</td>
<td>4.5%</td>
<td>-0.7% to +7.9%</td>
<td>![Green Check]</td>
</tr>
<tr>
<td>Mining &amp; extraction</td>
<td>0.5%</td>
<td>-62.6% to -2.9%</td>
<td>![Red Exclamation Point] Fossil fuel-related mining expected to decline</td>
</tr>
<tr>
<td>Power generation</td>
<td>0.7%</td>
<td>+3.6% to +22.3%</td>
<td>![Green Check]</td>
</tr>
<tr>
<td>Manufacturing (EII)</td>
<td>2.0%</td>
<td>-2.6% to +1.8%</td>
<td>![Red Exclamation Point] Deep decarbonisation requires substantial changes to production processes</td>
</tr>
<tr>
<td>Other manufacturing</td>
<td>13.3%</td>
<td>-1.4% to +1.1%</td>
<td>![Red Exclamation Point] Mobility transition will impact automotive manufacturing</td>
</tr>
</tbody>
</table>

**Source:** European Commission (2018), based on JRC-GEM-E3 an E3ME simulations
Transition challenges vary across regions

Share of adults in training in regions with high shares of employment in energy intensive industries and automotive manufacturing

Environmental Sustainability

Source: ESDE 2019
Social Dialogue supports sustainability and fair transition

Countries with a high trade union density have lower poverty rates

Employee representation improves the quality of work environment

Source: DG EMPL based on EU-SILC, OECD and EWCS
Short-term health benefits of climate action
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Towards a Greener Future: Policy pointers and conclusions
Policy pointers

‘Think social from the outset’

Integrated policies and governance

Better invest upfront than compensate ex-post

- Support innovation
- Support new and better skills
- Foster inclusive labour markets
- Promote inclusive social protection
- **Support a just transition to a climate-neutral economy and society** (leaving nobody behind)
- Focus social dialogue on sustainability solutions
Policy tools for just transition

Key role for social and employment policy to **accompany** the transition and **mitigate** potentially adverse effects:

- stimulating investments, including in retraining and upskilling of the workforce
- income replacement, social protection and mobility support to accompany labour market transitions
- energy-efficiency, social benefits and social housing measures to reduce energy poverty and mitigate financial pressures on households
- adequate funding for investments and accompanying or compensatory measures, including revenue recycling and fair burden sharing
- diversification of the economy and creation of new businesses and employment, including in the social economy
Enabling framework for just transition

*EU policies and programmes in support of a just transition*

- European Pillar of Social Rights
- European Structural and Investment Funds, notably European Social Fund
- European Globalisation Adjustment Fund
- ETS Modernisation Fund
- InvestEU and Horizon Europe programmes
- economic policy coordination in European Semester and Energy Union governance (NECPs)
- Coal and Carbon-Intensive Regions in Transition
- social dialogue and involvement of stakeholders
European Green Deal

• *First priority in the political guidelines of the President-elect von der Leyen*
  
  • Europe as the first climate-neutral continent
  • just transition for all, tailored support, leaving nobody behind
  • new industrial strategy and circular economy action plan
  • biodiversity strategy, sustainable food, zero-pollution, ...

• *proposal in the first 100 days in office*

• *includes, among others:*
  
  o European Climate Law
  o Just Transition Fund
  o European Climate Pact
  o Sustainable Europe Investment Plan
    incl. “Europe’s climate bank”
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Merci pour votre attention.
Thank you very much for your attention.
Vielen Dank für Ihre Aufmerksamkeit.

ESDE 2019 – FULL REPORT
ESDE 2019 conference, 27 September 2019, Brussels
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