

# Labour market and social developments

## Introduction

After several years of recession, which led to rising social and labour market inequality and an unemployment crisis that particularly affected Europe's youth population, there are currently some signs of recovery. Some labour market indicators are showing improvement and resumed job creation. However, this recovery is arguably still too fragile to allow for a quick reversal of the damage inflicted both socially and on the labour market in previous years, and Europe still has some challenges ahead before its scars can properly begin to heal. Some of these challenges are directly related to this 'collateral damage' caused by crisis management policies, but some are also a result of political and geopolitical developments.

This chapter takes a closer look at recent developments in order to shed some light on the variety of experiences among workers and across countries and socio-economic groups. We examine the evolution of public spending in labour market and social protection policies as well as that of various indicators of inequality before and after social transfers. The latest developments in intra-EU labour mobility are also analysed, particularly regarding their concentration in a small number of countries.

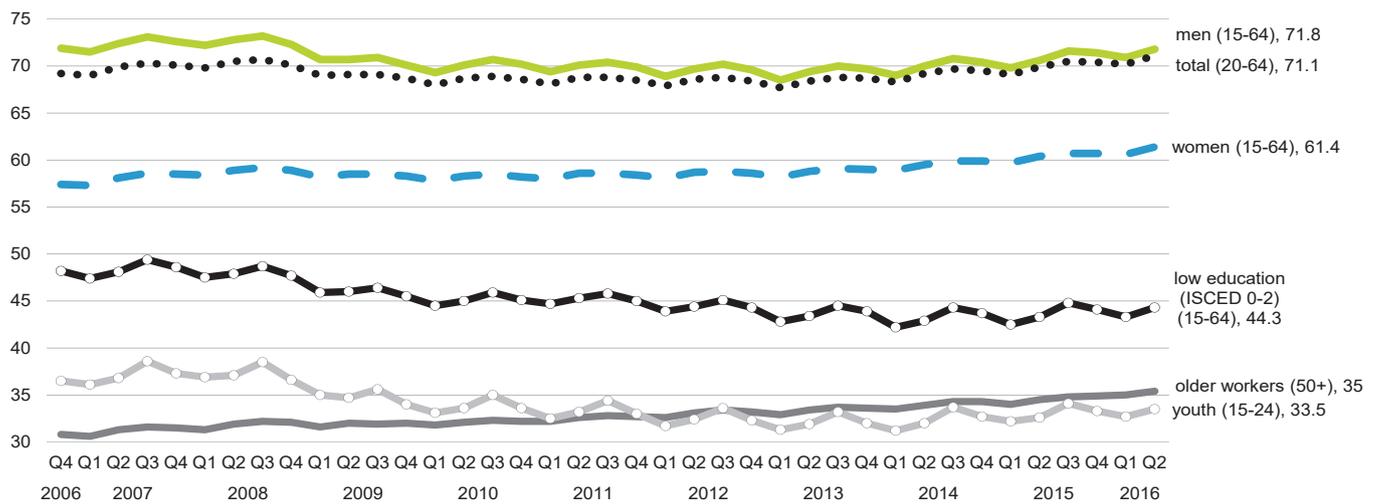
We observe many of the old divides reasserting themselves, both among workers and between countries. At the same time, there are clearly new and growing divides related to atypical forms of work and the policy responses to the historical wave of asylum seekers and refugees.

### Topics

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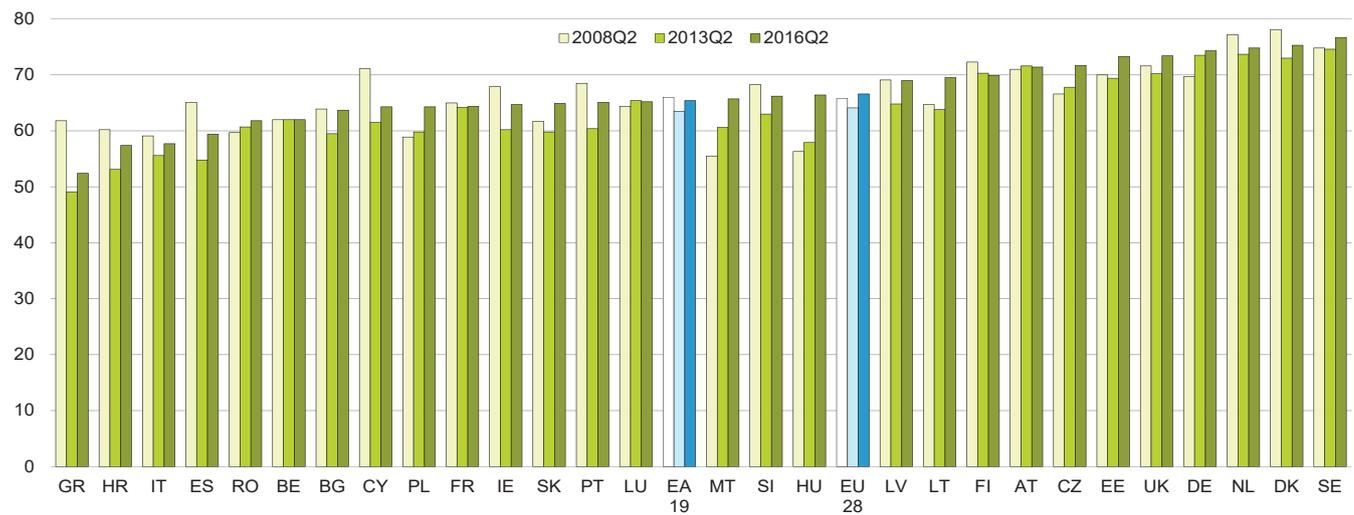
# Overview of labour market developments

Figure 2.1. Employment rates by age, education and gender (EU28)



Source: Eurostat (ELFS), lfsq\_ergaed.

Figure 2.2. Employment rates by country (ages 15-64)



Source: Eurostat (ELFS), lfsq\_ergaed.

## Gains in employment not for all

The proportion of the EU28 population in employment continued to increase and by 2016 (66.6% in q2) had surpassed pre-crisis levels (65.8% in 2008q2) (Figure 2.1), yet the actual number of jobs was

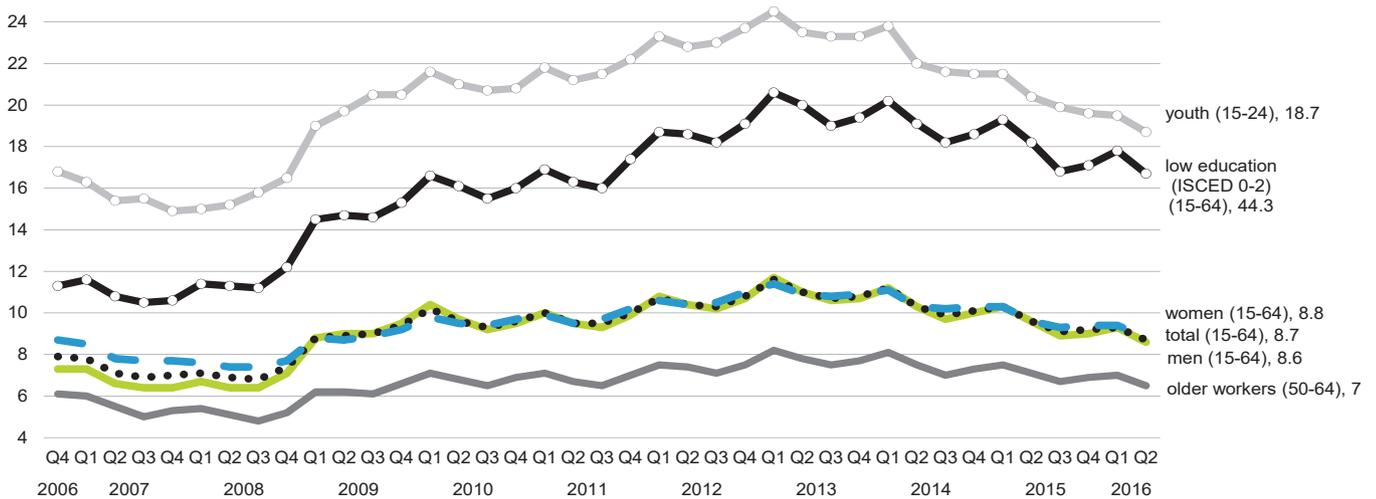
still lower in 2016 (218.9 million in q2) than in 2008 (219.1 million in q2). The employment rate for the age group 20-64 increased from 68.7% in 2010q2 to 71.1% in 2016q2, yet the slow pace of recovery leaves the Europe 2020 target of 75% still beyond reach. The improvement has been weaker for men compared to women, while the employment rates of young people and those with low levels of educational attainment remain very low and show little signs of improvement.

Employment trends reveal a considerable divergence across countries

(Figure 2.2), from a low rate of 52.4% in Greece in 2016 all the way up to 74.3% in Germany and 76.7% in Sweden. Between 2013 and 2016 all EU countries except Austria, Finland, Luxembourg and Belgium noted improvements in their overall employment rates. However, in 14 out of 28 countries the situation in 2016 was still worse than before the crisis. In Greece, Cyprus and Spain not only were the employment rates among the lowest in the EU, but the proportional loss of employment between 2008 and 2016 has also been the greatest.

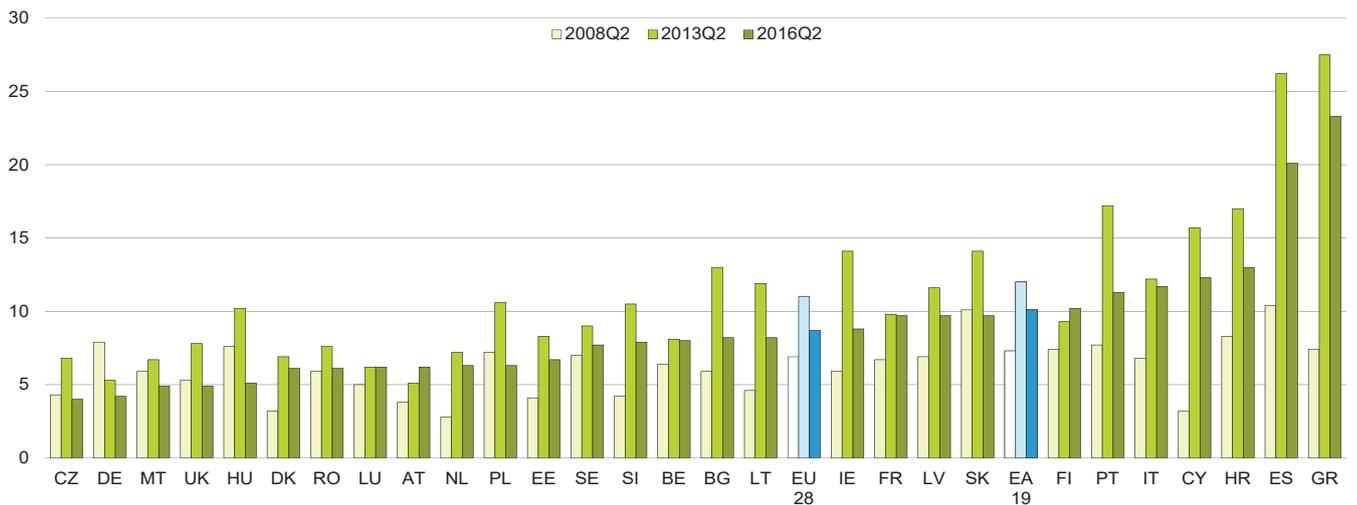
# Overview of labour market developments

Figure 2.3. Unemployment rates by age, education and gender (EU28)



Source: Eurostat (ELFS), lfsq\_urgaed.

Figure 2.4. Unemployment rates by country (ages 15-64)



Source: Eurostat (ELFS), lfsq\_urgaed.

## Joblessness remains high

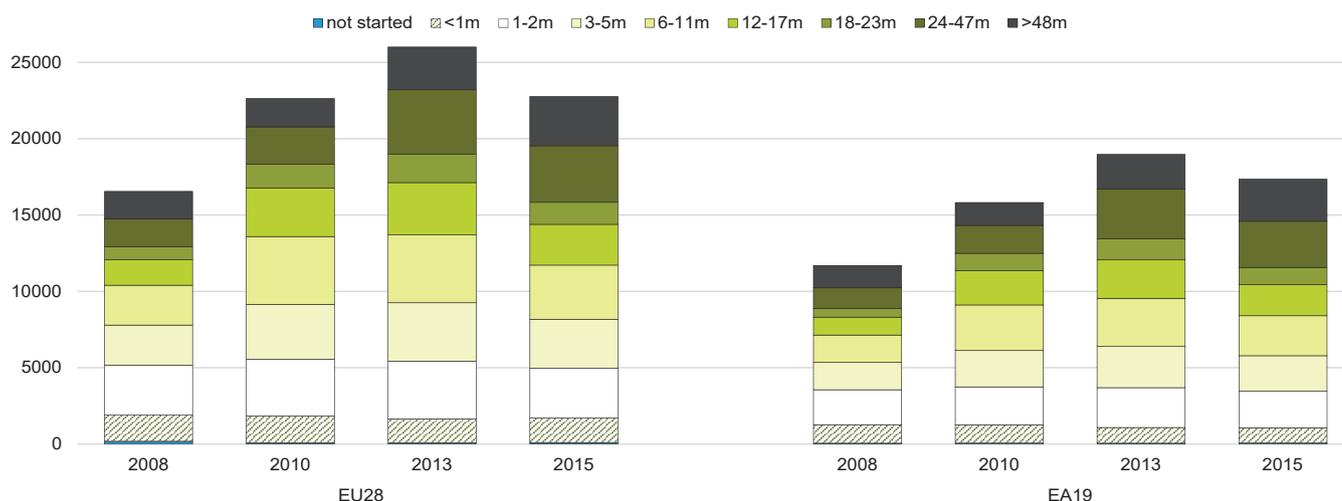
In 2016q2, the unemployment rate was 8.7% in the EU28 and 10.1% in the euro area, which corresponds to a total of 20.8 million unemployed, compared to 16.1 million in 2008q2. It was considerably higher among young people (18.7%) and workers with low levels of

education (16.7%), remaining far above the pre-crisis levels (Figure 2.3). The faster recovery in the employment rates compared to unemployment is partly due to the decline of the EU population size, meaning that the same number of jobs appears as a higher employment rate. Moreover, the inactivity rate dropped significantly (due among other reasons to older workers staying longer in employment) but was not matched by an increased demand for labour, therefore contributing to the sharper increase in unemployment.

In the majority of Member States, unemployment rates did not recover to pre-crisis levels (Figure 2.4), with Greece, Spain and Cyprus suffering particularly high rates of joblessness. In seven countries – Poland, Czechia, Slovakia, Hungary, the UK, Germany and Malta – unemployment rates in 2016 were below 2008 levels.

## Overview of labour market developments

Figure 2.5. Number of unemployed (in thousands) by duration (in months) (EU28, EA19) (2008, 2010, 2013, 2015)



Source: EU (ELFS), ifsa\_ugad series.

### High and persistent long-term unemployment

Figure 2.5 shows the numbers of unemployed people in the EU28 and the euro area by groups categorised according to the duration of their unemployment spell, which is defined as the duration of an unemployed person's job search or the time since they left their last job, whichever is shorter. The height of the bars shows the total numbers of unemployed.

Overall, unemployment started declining after 2013, at a slower rate in the euro area than in the EU28. However, a closer examination of which groups of unemployed people have decreased in size produces a more nuanced picture. In principle, the shorter the spell of unemployment, the easier the return to employment should be; whereas the longer the spell, the more difficult reintegration is, making a transition to inactivity more likely. Large groups of people unemployed for twelve months or more are likely to lead to lower growth potential in an economy as they represent a lower labour input. Moreover, insofar

as long-term unemployment leads to a depreciation of skills, it may result in a waste of previous public expenditure on resources for educating and training the labour force.

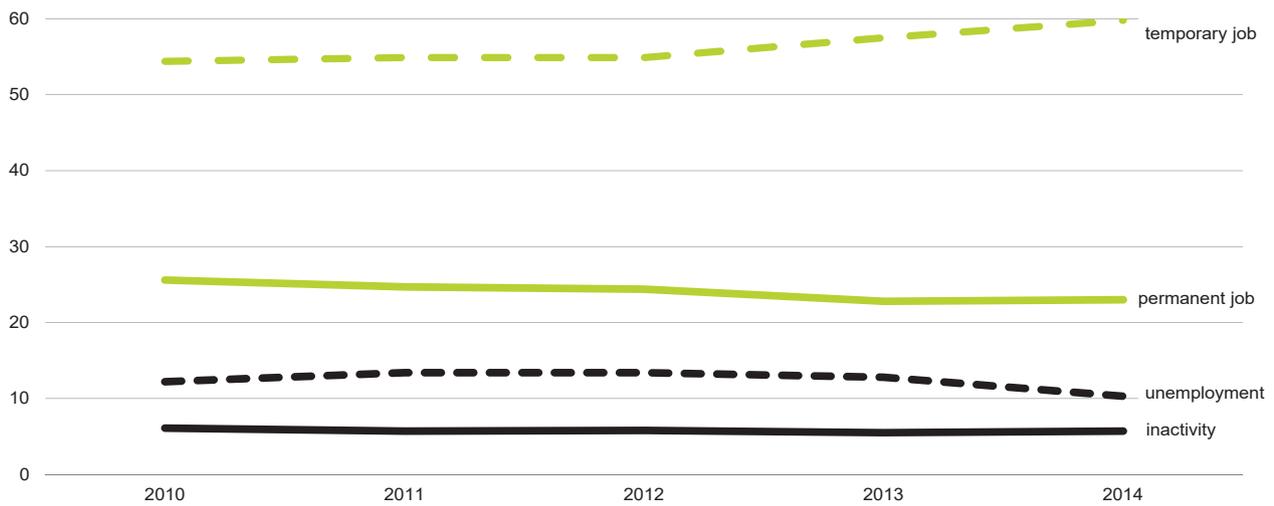
The data in Figure 2.5 show that in both the eurozone and the EU, the total shares of long-term unemployed in total unemployed continued growing from 2013 to 2015. In particular, the group of those unemployed for more than four years grew by 15% and 22% in the EU and the euro area respectively, representing around 15% of total unemployed in 2015 in both areas. While the groups of long-term unemployed for shorter durations (e.g. between 12 and 18 months or between 24 and 47 months) appear to have shrunk in size, it is not clear whether they did so because people found jobs, because they got too discouraged to keep on actively searching for employment (particularly given the widespread unemployment), or because they just moved on to a longer-term duration group.

Nevertheless, two policy-relevant points can be made. First, labour market policies supporting the income of the long-term unemployed and helping them return to employment will be necessary for tackling these growing numbers lest the hysteresis effects on output and unemployment increase further. Secondly, the need for a macroeconomic policy mix that puts recovery on a firm footing cannot be overstated. The longer

the stagnation continues, the more the numbers of long-term unemployed will keep growing.

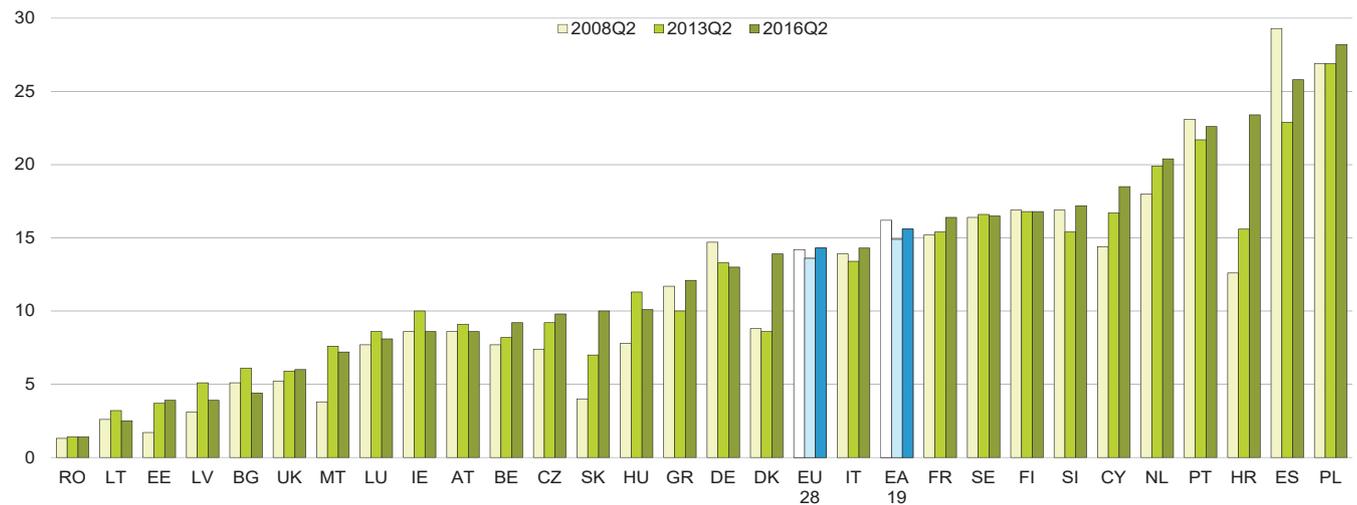
## Patterns of job creation

Figure 2.6. Labour market status of employees who had a temporary job in the previous year (EU28) (2010-2014)



Source: Eurostat (EU-SILC), ilc\_lvhl32; own calculations.

Figure 2.7. Temporary employment rates by country (ages 15-64)



Source: Eurostat (ELFS), lfsq\_etpga.

## Return to temporary employment

The temporary employment rate in the EU28 has increased from 13.6% in 2013q2 to 14.3% in 2016q2 (Figure 2.7), with the share of temporary jobs in total employment increasing in 16 EU countries. In

2016, Poland topped the rankings with 28.2% of its workforce in temporary jobs. The lowest temporary employment rates were noted in the Baltic states, Romania and Bulgaria. Thus, after a decline in temporary jobs during the first wave of the crisis, mostly driven by developments in Spain, newly created positions have again become increasingly temporary.

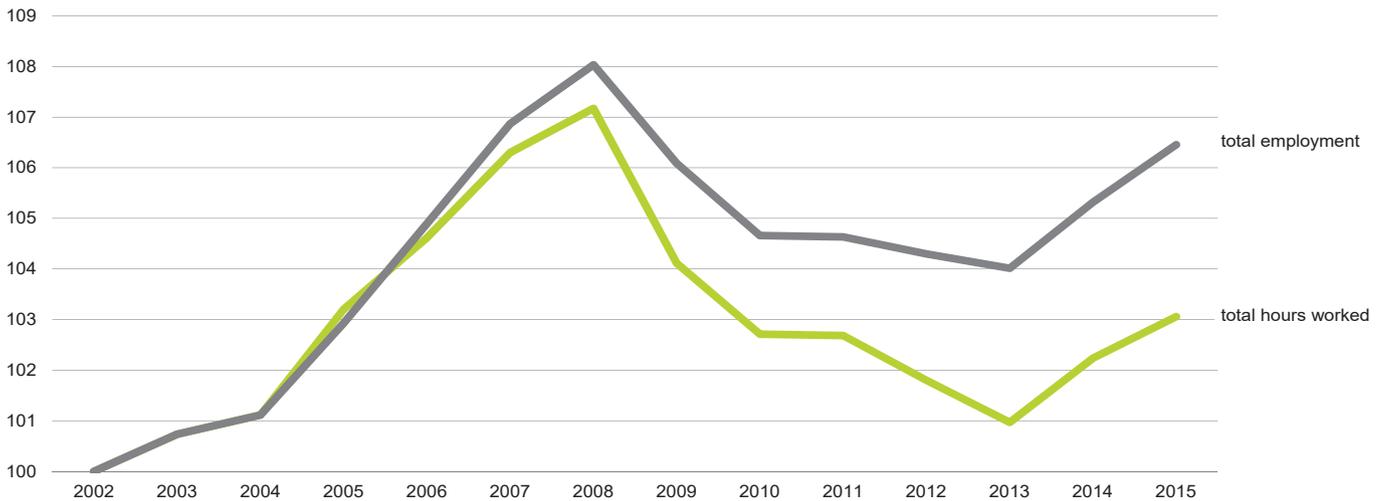
When we look at the labour market prospects of temporary workers, their chances of escaping such employment have worsened noticeably (Figure 2.6). While in 2010 54% of temporary

employees still had a temporary job one year later, this had increased to 60% by 2014. Accordingly, the chances of getting a permanent position dropped from 26% to 23%, while transitions to unemployment decreased from 12% to 10%. Transitions to inactivity remained stable over the analysed period.

These developments are testimony to the ineffectiveness of the policies pursued in recent years which aimed to make permanent employment more 'attractive' to employers through deregulatory measures.

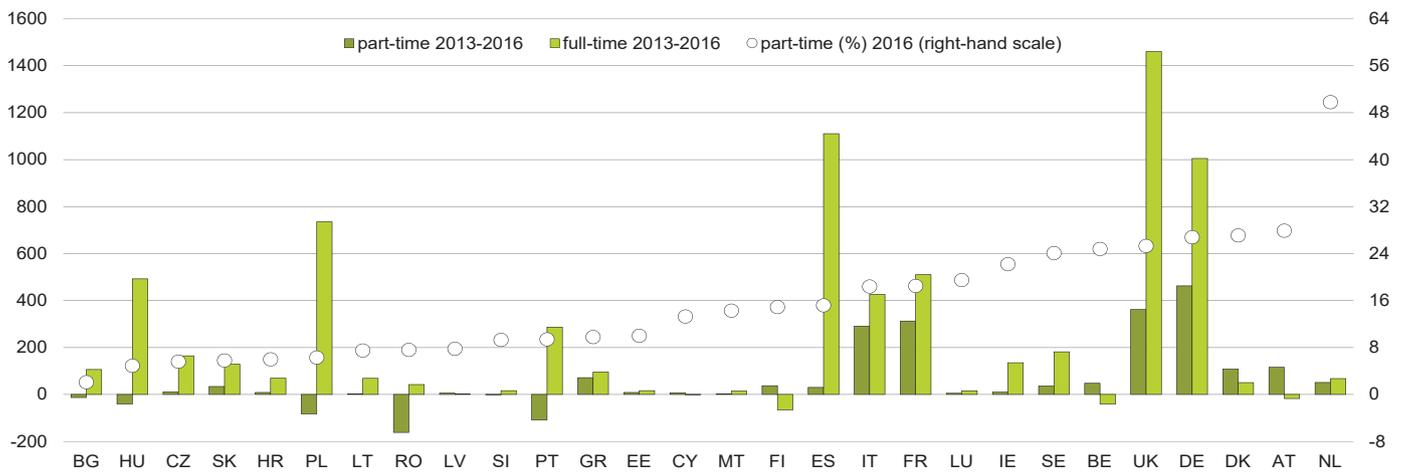
## Patterns of job creation

Figure 2.8. Trends in employment and total hours worked (index 2002=100) (EU28)



Source: Eurostat (ELFS), lfsa\_ewhais; lfsa\_eftpt; own calculations.

Figure 2.9. Changes in part-time and full-time employment (in thousands) between 2013 and 2016, and part-time employment rate in 2016 (ages 15-64) (data for second quarters)



Source: Eurostat (ELFS), lfsq\_epgan2; lfsq\_eppg; own calculations.

### More jobs but not more work

The number of people in employment recovered much faster than the amount of available work (Figure 2.8). Between 2002 and 2006 the growth in employment was proportional to the increase in total hours worked. However, in the post-2008 crisis working hours declined more

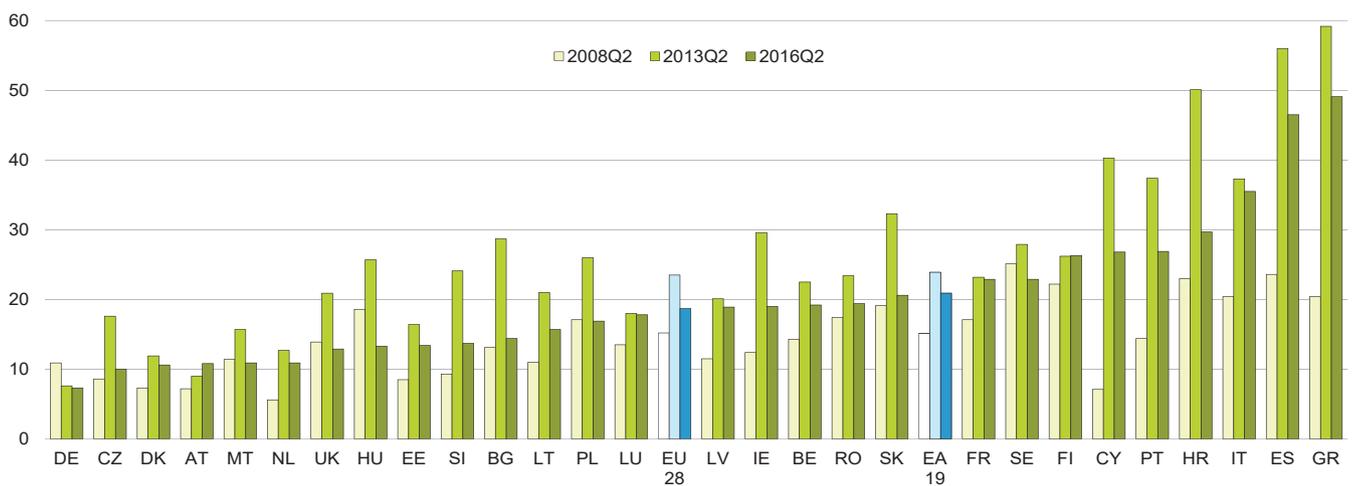
sharply (by 3.8% between 2008 and 2015) than the number of jobs (by 1.5%). In 2013, at the peak of the jobs crisis, employment fell to levels below those of 2006, while total hours worked dropped to levels not seen since 2003.

Part-time work accounted for a substantial share of net job growth after 2013 (Figure 2.9), with the part-time share of total employment at 19.6% in the EU28 in 2016q2 (compared to 17.6% in 2008q2). Between 2013 and 2016, there were more part-time than full-time jobs created in Austria, Denmark, Belgium,

Finland, Cyprus and Latvia, while in the Netherlands, Germany, France, Italy and Greece the rate of growth in part-time employment outpaced the growth in full-time jobs. This is a worrying development given that most of the increases in part-time work concerned low-wage and low-skilled workers (see ETUC and ETUI 2016).

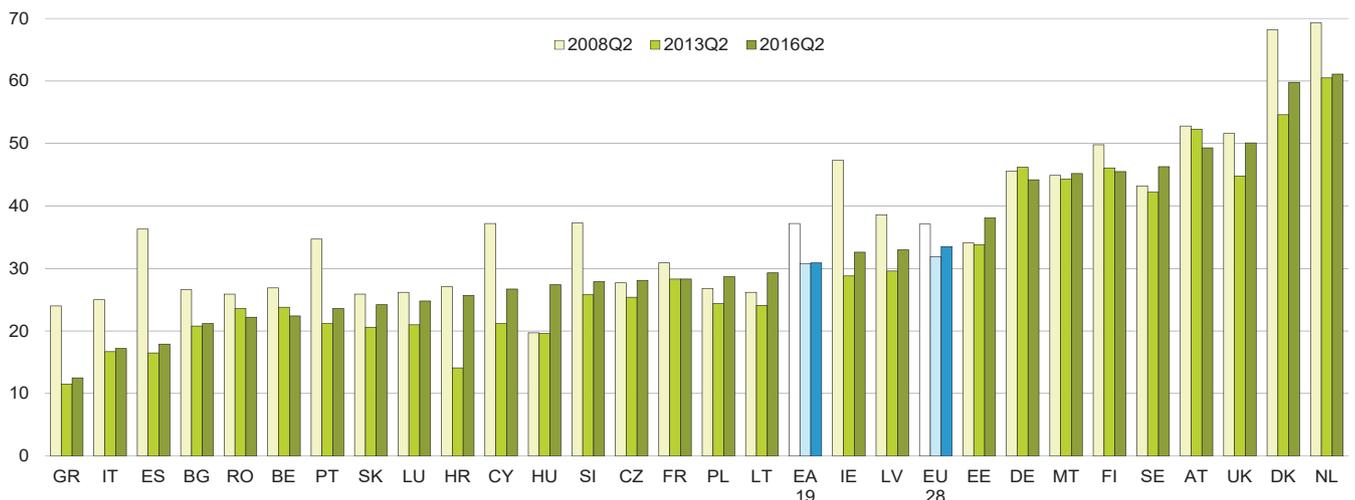
## Youth

Figure 2.10. Unemployment rates for young people (ages 15-24), ordered by unemployment rate in 2016 (data for second quarters)



Source: Eurostat (ELFS), lfsq\_urgan.

Figure 2.11. Employment rates for young people (ages 15-24), ordered by unemployment rate in 2016 (data for second quarters)



Source: Eurostat (ELFS), lfsq\_ergan.

## Big regional disparities in youth employment

Between 2008 and 2013, the unemployment rate for young people (aged 15-24) increased in all EU countries except for Germany, reaching 23.5% in the EU28 (Figure 2.10). By 2016 it had

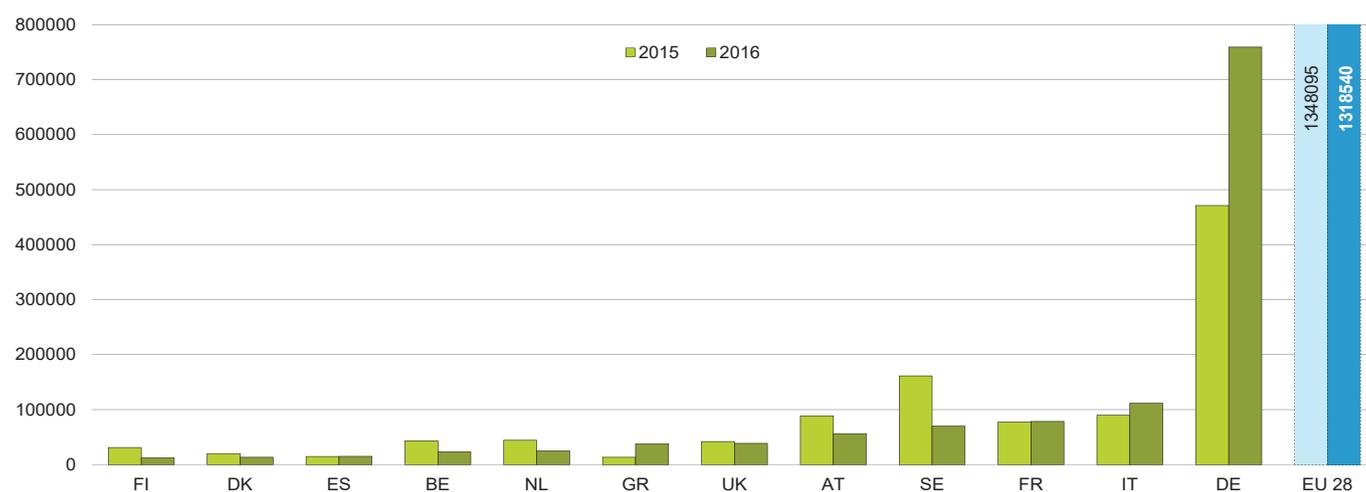
fallen to 18.7% (4.21 million), remaining 3.5p.p. above pre-crisis levels (15.2%, or 4.02 million, in 2008q2). On average, every third young person in the EU was employed in 2016, nearly 10% less than before the crisis (Figure 2.11). There was a considerable variety of experiences across EU Member States, with a re-emergence of some of the traditional regional divides. In particular, in Greece, Spain and Italy, extremely high unemployment rates coincided with the lowest youth employment rates in the EU. In central and eastern Europe, relatively

low unemployment coincided with low employment rates, while in Finland and Sweden similar unemployment rates concurred with employment rates nearly twice as high as those in CEE countries. In 2016, the lowest unemployment rate was in Germany, although it was the only EU country with a drop in the youth employment rate between 2013 and 2016.

A fuller picture of the participation of young people in the labour market, comparing activity rates and unemployment ratios, was provided in *Benchmarking working Europe 2015*.

## New migration fault lines in Europe

Figure 2.12. First-time asylum applications in selected EU Member States



Source: Eurostat.

Note: 2015 and 2016 show the twelve months preceding November of each year.

### Fresh challenges despite refugee flow subsiding

The historical refugee wave that the EU was facing in 2015 abated substantially in 2016, but the cleavages it exacerbated between and within Member States have remained.

Figure 2.12 shows first-time asylum registrations of third-country nationals in selected Member States for the years 2015 and 2016. For the EU28, in the 12 months up to the end of November 2015, 1.34 million first-time registrations were completed. Over the following year, between November 2015 and November 2016, first-time registrations in the EU28 dropped to 1.31 million. However, this apparent lull masks a great amount of change and variation.

While arrivals of asylum seekers had peaked by the end of 2015, there is a time lag for first-time registrations, which therefore reached their highest levels in mid-2016, with variations across Member States.

The distribution of registrations by Member State represented here gives an indication of the actual absorption of asylum seekers by individual countries

and in this respect the 2016 figures are closer to reality than the 2015 figures were. As the numbers of refugees dwindle, registrations in transit countries play a less important role.

The main picture, however, remains the same as it was a year before. Asylum seekers are concentrated in only a handful of Member States: Germany, Italy, Sweden and Austria. In the 12 months leading up to November 2016, Germany had 759,000 first-time asylum applications; Italy had 111,000, Sweden 70,000 and Austria 56,000. With 9,370 registrations per million of the population in 2016, Germany also tops the list in terms of hosting asylum seekers relative to its population. Sweden (7,368) and Austria (6,714) follow, while France (1,189) and the UK (605) are far behind.

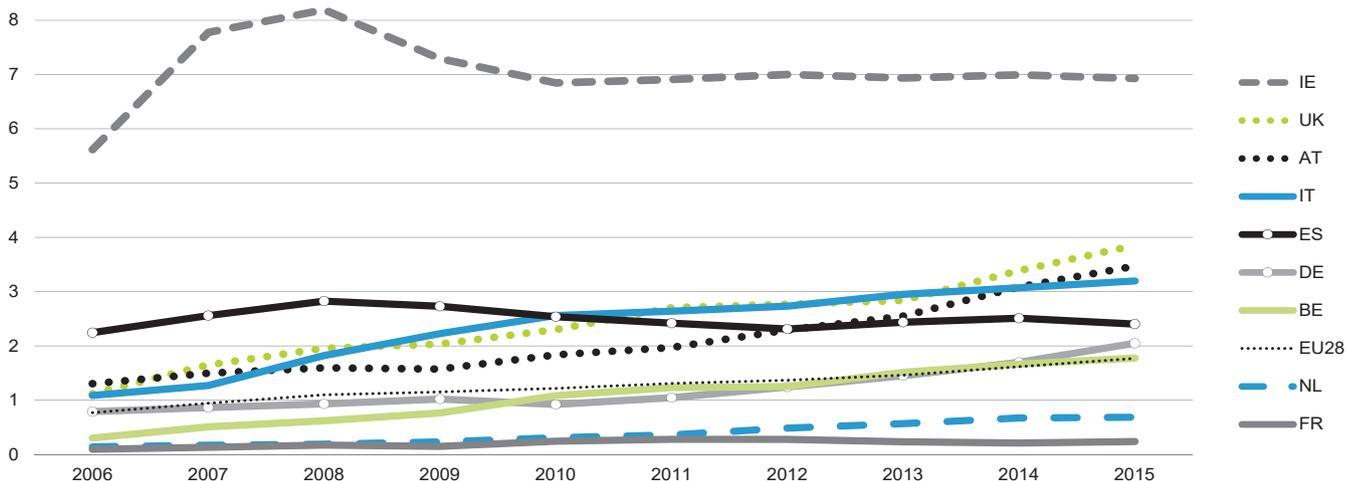
All the other Member States show marginal absorption of asylum seekers and this means that coping with the historical challenge of this refugee wave has remained a national matter. There is still no visible prospect of a European solution, as was most apparent with the failure of the proposed redistribution quotas. The EU-Turkey deal does not function either; according to the International Organization for Migration (IOM), a total of 800 migrants were returned from Greece to Turkey before the end of 2016 as part of the agreement. During the same period, 10,128 individuals were resettled from Turkey to 23 European countries.

Data by the IOM (2017) shows a sharp reduction in the number of arrivals of non-EU citizens to the EU from 2015 (1,005,504) to 2016 (387,487). However, despite appearances, this is just a temporary phenomenon due to the unilateral closure of the Balkans route (with 75,711 stranded persons in Greece and the Western Balkans by early 2017) and not due to successful European policies. Is Europe waiting for the next refugee crisis to materialise before it will act?

The second major challenge posed by the refugee influx will be labour market integration. By the end of 2015 there had been no sign yet in any of the Member States of a noticeable increase in the share of non-EU nationals in total employment.

## East-west intra-EU labour mobility

Figure 2.13. Share of EU10 employment in total employment for selected EU15 Member States (%) (ages 15-64)



Source: Eurostat.

### Shifting patterns of intra-EU labour mobility

The year 2015 saw further shifts in east-west intra-EU labour mobility, but it was still concentrated in a small number of receiving EU15 Member States.

Figure 2.13 demonstrates the main trends of EU10 (CEE new Member States of the 2004 (EU8) and 2007 (EU2) enlargement rounds) mobility by showing the share of EU10 employment in total employment for the main EU15 countries in the period 2006-2015.

With nearly 7%, Ireland has the highest share of EU10 employment in total employment, followed by the UK (3.85%), Austria (3.45%) and Italy (3.20%). While there has been an increase of EU10 employment in Italy, the share in Spain shows continuing erosion since the crisis. Germany on the other hand shows an upward trend of EU10 employment, even if its share in total employment is rather moderate at 2.05%, not much higher than the EU average of 1.77%.

As regards EU10 population in absolute numbers, 2015 was the year when Germany took over the lead from the UK with a population stock of over

1.4 million EU10 citizens (BAMF 2016). Unlike the UK, Germany applied transitional regulations with regard to the labour market access of EU8 citizens (between 2004 and 2011), as a result of which historical east-west migration patterns were reoriented towards the UK. The current shift in east-west intra-EU labour mobility is driven by labour market opportunities and recent signs seem to indicate a reorientation of EU10 labour flows towards Germany.

In the UK, EU8 migration has been showing a downward trend in the last three years; in fact, it was only due to an increase in EU2 immigration that kept the EU10 inflow at the same level as in previous years (Migration Watch UK 2016). A striking phenomenon for the UK is that EU14 immigration (from the EU15 minus the UK) has been picking up dynamically in the last three years, with EU14 yearly labour flows double those of EU10 immigration. In Germany, over the same period, labour flows from the EU14 have remained at a rather low level.

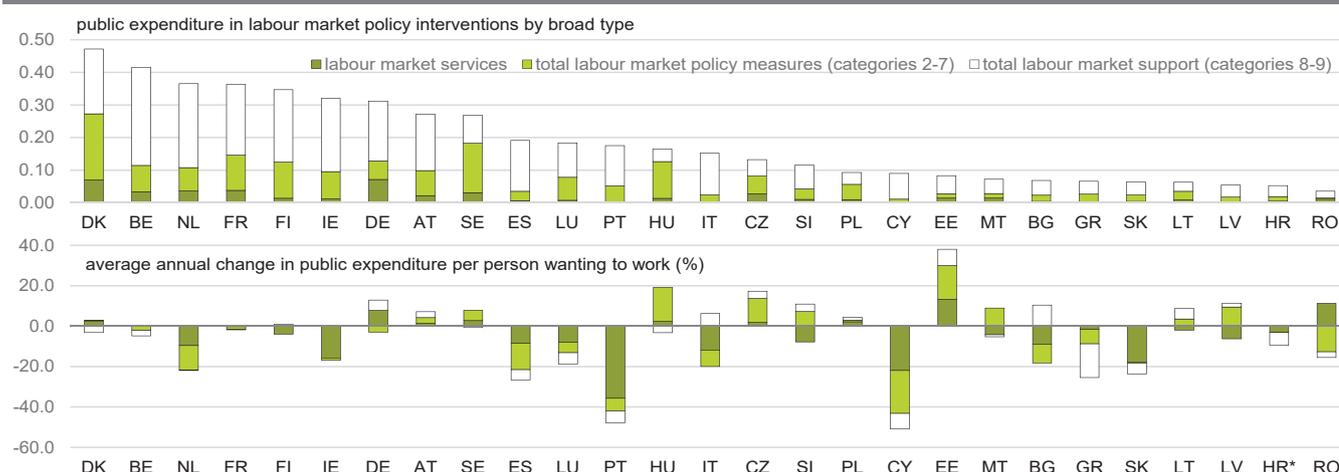
The divisive effect that the movement of people to and within the EU has had is strongly related to its uneven distribution.

As with the refugee wave, east-west intra-EU labour flows are also concentrated on a small number of Member States. Asylum seekers are concentrated in Germany, Sweden, Italy and Austria, while Ireland, Germany, the UK, Italy and

Austria are the focus for intra-EU labour mobility. France, however, along with the rest of the Member States, has not been affected by either of the two population movements. Challenges posed by the historical refugee wave and the still-lacking European policy framework to handle it have also had an effect on public opinion regarding intra-EU labour mobility. Besides the urgent necessity for such a common European policy approach, it is also vital to address the still-existing shortcomings in the way labour mobility functions in the EU. The recent revision of the Posted Workers Directive, which closed some of the loopholes that could be abused, was a step in the right direction. More attention should also be devoted to tackling the under-utilisation of skills in east-west labour mobility in order to make freedom of movement a real success in the EU.

## Labour market policy developments

**Figure 2.14. Public expenditure in labour market policy interventions by broad type (share of spending per person wanting to work in GDP per head, both in PPS) (2014) and average annual change in public expenditure per person wanting to work (%), EU Member States (2008-2014)**



Source: European Commission (DGEMPL), *Imp\_exp\_ind*; Eurostat *prc\_ppp\_ind*; own calculations. \* Data for 2012-2014.

### Public expenditure: fit for purpose?

Figure 2.14 above shows the public expenditure in labour market policies per person wanting to work as a share of the GDP per head in 2014, the year for which European Commission data are available for all but a couple of countries. Distinction is made between three types of public policy interventions: labour market services, labour market policy measures (that is, active labour market policies, henceforth ALMPs) and labour market supports (income support received when not working).

In 2014, there were large disparities in the level of total expenditure dedicated to each person wanting to work as a share of GDP per head across the EU. Figure 2.14 shows that there was a clear divide between north-west European countries – which, with the exception of Ireland, Denmark and the Netherlands, have not been or have been far less severely affected by the crisis – and southern and central-eastern Europe.

Figure 2.14 (bottom panel) shows the average annual growth rate of public expenditure for labour market policy interventions per person wanting to work in the period 2008-2014. The data

suggest that in 14 Member States the part of spending for ALMPs declined, while spending on out-of-work income support declined in 15 Member States. The average annual growth rate of expenditure on labour market services per person wanting to work was negative in 17 Member States. The total public expenditure on all types of labour market interventions per person wanting to work fell by an (unweighted) average annual rate of 0.6% in the period 2008-2014. Although public expenditure alone cannot provide a complete picture of the effectiveness of policy interventions, this is a remarkable development given the magnitude of the unemployment challenge in Europe since the economic crisis began.

The Member States where annual average public expenditure on ALMPs fell the most were Cyprus, Spain, Romania, the Netherlands, Bulgaria, Italy, Greece and Portugal. The biggest average annual increases in ALMPs for the period 2008-2014 were in Hungary, Estonia, Czechia, Latvia, Malta, Slovenia and Poland.

In the period 2008-2014, public expenditure on income support (per person wanting to work) was reduced the most in Greece by an average annual rate of 16.7%, while it increased the most in Bulgaria, Estonia, Italy, Lithuania, Germany and Slovenia.

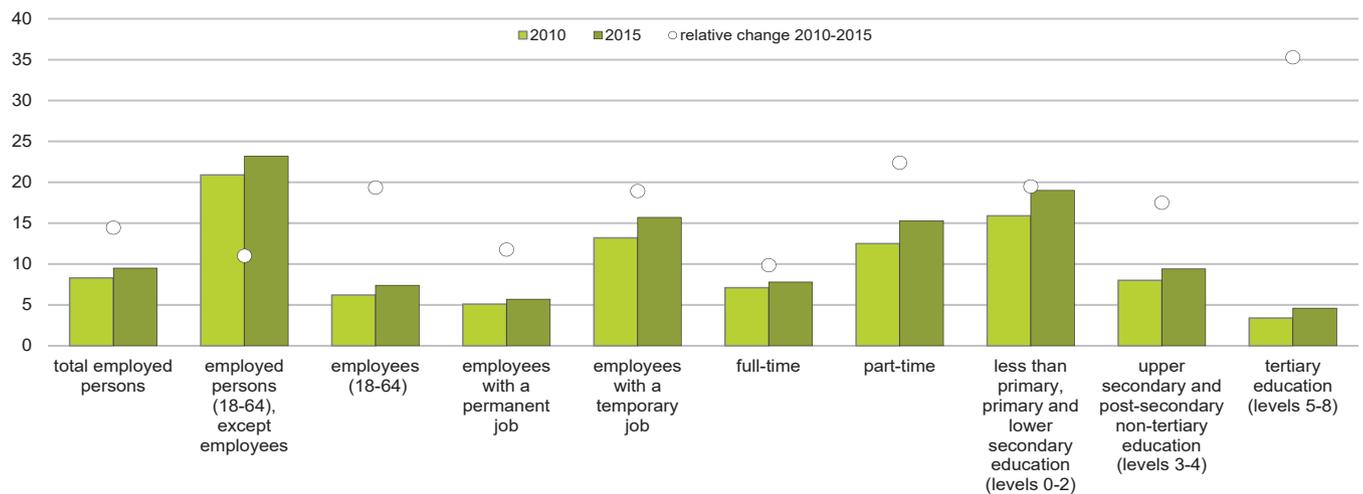
Spending (per person wanting to work) on labour market services was actually the category of labour market

interventions that saw on (unweighted) average the largest cuts in the period 2008-2014 (-4.5% each year), a development that is rather remarkable given the recent trend of providing tailor-made services and programmes to unemployed people to help them better reintegrate into the labour market. The fastest average annual reductions in this type of public expenditure were recorded in Portugal, Cyprus, Slovakia, Ireland and Italy. Conversely, Estonia, Romania and Germany saw the biggest average annual increases.

Overall, changes in public expenditure on labour market policy interventions per person wanting to work do not seem to be clearly characterised by any particular divides between regions, economic situations or labour market regimes.

## In-work poverty

Figure 2.15. In-work risk of poverty rates (% of population) and relative change in levels thereof (%) EU28



Source: Eurostat (EU-SILC), ilc\_iw04, ilc\_iw01, ilc\_iw05, ilc\_iw07; own calculations.

## In-work risk of poverty remains high

The in-work risk of poverty measure examines the prevalence of what are commonly called ‘the working poor’. The measure is defined as the share of the population in employment whose household income falls below 60% of the median average household income. This indicator combines individual activity characteristics (income from labour) with a measure of income that is calculated at the household level (the poverty line). For this reason, we cannot clearly determine the causes of evolutions over time and across countries, which could be due to developments in the labour market, the structure of households, social and fiscal policies or some combination of these factors (Pontieux 2010: 28). To counter this difficulty, the data presented here refer to the EU28 average for different categories of employment contracts. The implicit assumption is that across the EU and over the course of a relatively short period of six years, household structures did not change substantially and that any changes that did occur cancelled each other out on average. So the question is

whether we can observe any indications of shifts in the in-work poverty rate that may suggest labour market and/or social and fiscal policy changes.

Figure 2.15 shows that in both 2010 and 2015 it was the self-employed (employed persons aged 18-64 excluding employees) that faced the highest risk of in-work poverty, at 21% in 2010 and 23.2% in 2015; this is more than half the average in-work poverty risk for all employed people and more than three times higher than that of employees aged 18-64. The in-work poverty risk for the latter was 19.4% higher in 2015 than in 2010, while the risk for the self-employed increased by 11%.

Among those employed, persons with only lower (that is, pre-primary, primary and lower secondary) education, those on fixed-term contracts, and the part-time employed faced the highest in-work poverty risk.

The share of ‘employed at-risk-of-poverty’ in part-time workers was in 2015 22% higher than in 2010. The in-work poverty risk for those on fixed-term contracts was 19% higher in 2015 than it was in 2010.

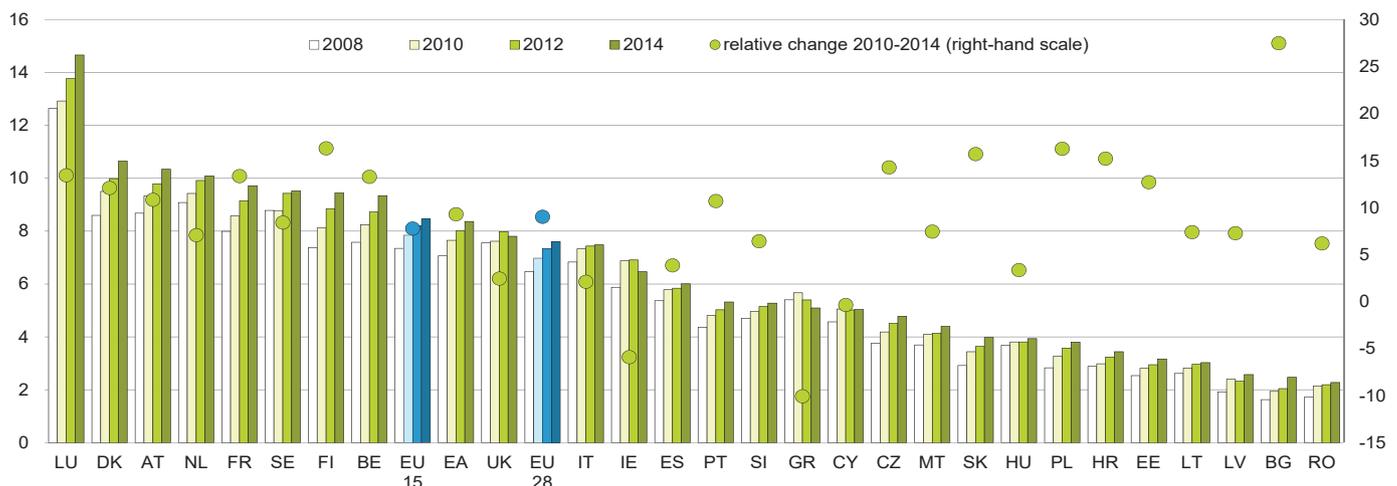
Other things being equal, higher educational attainment has been associated with a lower in-work risk of poverty, though this risk did increase across all groups of educational attainment between 2010 and 2015. However, the risk of in-work poverty for those with the

highest qualifications was in 2015 35.3% higher than in 2010, a relatively greater change than in all other qualification level groups as well as all other categories of employed people.

This development gives much cause for concern. Investment in skills has been central to the EU’s strategies for inclusive growth, and for good reason, given the substantial difference in the in-work risk of poverty between those with higher and those with lower educational qualifications. However, in the context of the crisis and its consequences, higher skills no longer seem to be as effective at shielding people from the in-work risk of poverty, most likely because of developments in the labour market.

## Social protection and inequality

Figure 2.16. Social expenditure per inhabitant (PPS per head, EUR thousands) and relative change 2010-2014 (%) (EU28 Member States, 2008-2014)



Source: Eurostat, spr\_exp\_ppsh; own calculations.

### Social protection expenditure disparities

Figure 2.16 shows the evolution of social expenditure per inhabitant, for all types of social protection programmes, measured in purchasing power standards (PPS) for the EU28 Member States in selected years between 2008 and 2014 (latest available data).

The ranking of countries in terms of levels in 2014 is fairly predictable, with richer Member States (especially Scandinavian and western European countries, but also Austria) spending more (in relation to the EU average) than poorer ones in southern and central-eastern Europe. What is more interesting is the evolution of these levels of spending.

The relative difference in the levels of social protection expenditure per inhabitant between 2010 and 2014 was 9% and 9.3% in the EU28 and the euro area respectively. Behind these averages, there was, however, a wide degree of variation. Social expenditure per inhabitant was higher everywhere in 2014 than it was in 2010, except in Ireland, Cyprus and Greece where it was relatively lower – all countries with below average public

social spending per capita and that have been particularly hard hit by the crisis since 2008.

More generally, in most Member States that were badly affected by the crisis, the relative change in levels of public social spending per inhabitant between 2010 and 2014 was lower than the EU average, with the exception of Portugal where the level of spending rose by 10.5%.

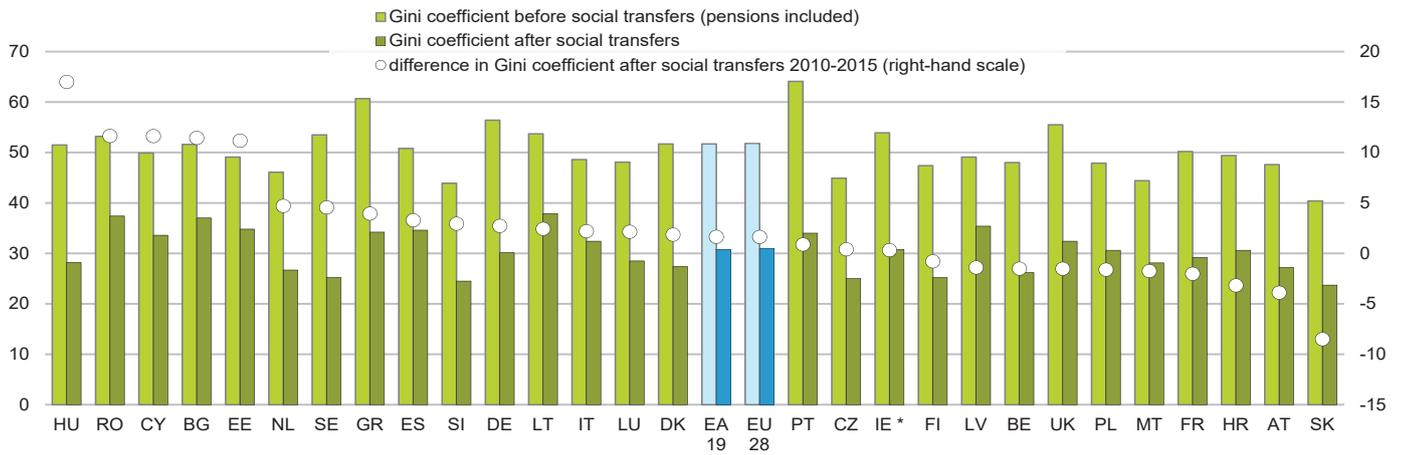
However, when it comes to the evolution of this expenditure per inhabitant, the distinctions between groups of Member States are not as clear as with the levels. Social expenditure per capita experienced some of its higher growth between 2010 and 2014 in several of both the richest and the poorest (and lowest-spending) Member States. Bulgaria for example had the highest average annual growth rate of social expenditure per capita between 2010 and 2014, at 4.9% per year, followed by Finland and Poland (3%), Slovakia (2.9%), Croatia (2.8%) and Czechia (2.7%). At the other end of the scale, in addition to Greece, Ireland and Cyprus, already mentioned above, we find Italy (0.4% per year), the UK (0.5%) and Spain (0.8%), but also Hungary (0.7%).

Overall, however, common statistical indicators of disparities suggest that they have increased between 2010 and 2014. These figures also seem to suggest that there was a divergence between Member States, with those which had to

adopt financial support programmes seeing a reduction in their social protection expenditure, even though these are arguably the countries with the greatest need for a safety net. In Greece, for example, not only was public social expenditure per inhabitant relatively low in 2008 but it continued falling from 2010 to 2014, in spite of the massive contraction in Greek output and the increase in unemployment.

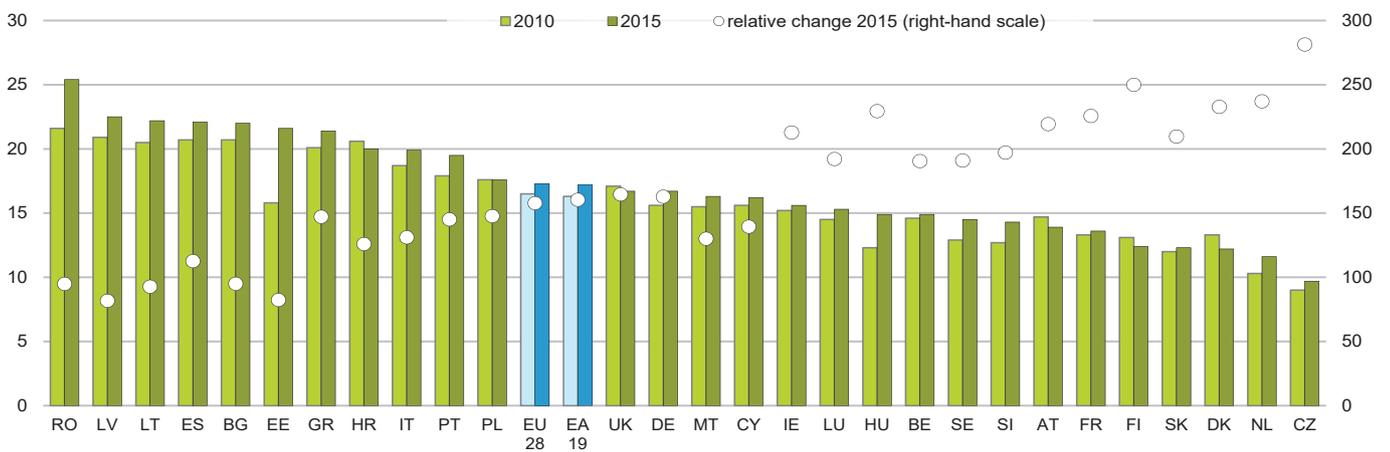
# Social protection and inequality

**Figure 2.17. Income dispersion: Gini coefficient in 2015 (0-100) before and after social transfers, and relative change between 2010 and 2015 (%) after social transfers (EU28, 2010, 2015)**



Source: Eurostat (EU-SILC), ilc\_di12, ilc\_di12b; own calculations. \* Data for 2014 instead of 2015.

**Figure 2.18. At-risk-of-poverty rate (monetary poverty, at 60% of equivalised income) in 2010 and 2015, and relative change before and after social transfers in 2015 (%)**



Source: Eurostat (EU-SILC), ilc\_li02; own calculations.

## Persistent income inequalities

Figures 2.17 and 2.18 illustrate two aspects of income inequality, whose alleviation is one of the objectives of social protection. The first graph shows the Gini coefficient, a measure of income dispersion (before and after social transfers) as well as its evolution (after social transfers)

between 2010 and 2015. The higher the Gini coefficient is, the higher the income dispersion. Between 2010 and 2015, on average, the Gini coefficient increased in the EU28. Income dispersion was reduced in only ten of the twenty-eight Member States, only two of which (Ireland and the UK) are among those with relatively high income dispersion. There is a non-negligible disparity between different countries in the effectiveness of social transfers to reduce income disparities. Northern European countries such as the Scandinavian states, Benelux, Ireland, and the

UK perform the best, while at the bottom of the scale we find southern European countries and the Baltic states.

Figure 2.18 shows the risk of monetary poverty in 2010 and 2015, and its change before and after social transfers in 2015. On average the risk of monetary poverty rose in the EU, while the Member States with the highest poverty risk are also the ones whose social transfers provide the weakest safety nets. Among them we find the countries that have made cuts or show the weakest increases in or lowest levels of social expenditure per inhabitant.

## Conclusions

### Divisions old and new

Several of the labour market indicators showed improvement after hitting rock bottom around 2012-2013. An undoubtedly positive development is that a higher proportion of the working age population was in employment in 2016 than at the outbreak of the crisis in 2008. This, together with steadily falling unemployment rates across the EU, sparked enthusiasm among policymakers who took it as evidence that their 'efforts of the last years are bearing fruit' (European Commission 2016). Nevertheless, the analysis presented in this chapter shows a more nuanced picture, with growing divides between countries and groups of workers along multiple dimensions, and with many of the improvements in indicators driven by demographic processes and not labour market recovery. In fact, numerous negative socio-economic developments cast quite a different light onto the reform effort of recent years.

Increasing employment rates need to be considered in conjunction with a decline in the overall population size in the EU over the crisis period. Between 2008q2 and 2016q2, the number of people aged 15-64 shrank by nearly four million (1.2%) in the EU28. Therefore, an unchanged number of jobs would result in an increase in the employment rate. In fact, while such an increase did occur, the number of jobs actually declined between 2008 and 2016. According to Eurostat data (accessed 17/01/2017), there were 850,000 fewer people in employment among the working age population (15-64) in 2016q1 compared to 2008q1, and 180,000 fewer when comparing the second quarters. We witnessed an increasing proportion of older workers staying in employment beyond the standard retirement age of 65, which might show an increasing sustainability of employment over the life course, but may also reflect low pension levels, their scaled-back coverage and a crisis in

pension financing. Moreover, the long-standing divides between labour market groups have begun to re-emerge; there seems to have been little improvement over the recent period in the difficult situation facing young people and those with low educational attainment, while the numbers of long-term unemployed seem to remain persistently high and on the rise.

The amount of work (as measured by the number of working hours) has been increasing at a slower pace than the number of jobs, which resulted in a growing proportion of involuntary part-time or short-hour jobs with low incomes. This puts workers and their families at risk of poverty and social exclusion; a risk that has substantially intensified among atypical workers since the onset of the crisis. The lock-in effect of temporary employment is further aggravating the situation, as workers find it increasingly difficult to escape insecure employment and move on to a permanent job.

Against this background, public expenditure on labour market policy interventions has in most cases not been increasing at a sufficient rate to deal with the numbers of those wanting to work, with cuts affecting labour market services in particular but also activation and income support policies. Given the high rate of unemployment and the persistently high numbers of long-term unemployed mentioned above, these developments are undoubtedly cause for concern. Developments in labour market policies do not seem to follow a consistent pattern of 'catching up' between high- and low-spending Member States.

Expenditure per inhabitant in social protection policies has on average been increasing across the EU and at an accelerating rate; in itself not an unexpected development given the increasing levels of need generated by the recent economic crisis but also by demographic changes. However, large disparities remain and are even increasing across Member States. Income inequalities have risen since the onset of the crisis and remain high, whether we look at income distribution or the risk of monetary poverty. With regards to the Europe 2020 growth strategy, the

latest data suggest an outright failure in meeting the headline target of lifting 20 million people out of the risk of poverty and social exclusion. According to Eurostat (EU-SILC) data, in 2015 there were slightly over 1 million more people facing the risk of poverty and social exclusion than in 2010 when the target was set, while in the euro area there were almost 3.8 million more people facing that risk. The only broad group of countries where some improvement was made in this respect were the 12 new Member States that joined between 2004 and 2008.

The refugee crisis may have subsided in 2016, but the cleavages it exacerbated between and within Member States remained and we are still missing a European policy framework. The labour market integration of refugees is in its initial phase and will be the next big challenge for the countries involved. However, the aforementioned developments in public expenditure in labour market and social protection policies do not provide much cause for optimism that these policies are gearing up to deal with such challenges.