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NOTE

From: Employment Committee (EMCO)
To: Permanent Representatives Committee/Council

Subject: Key Employment Challenges: Key messages from the EMCO based on the Annual Employment Performance Report and Employment Performance Monitor
- Endorsement of the key messages

Delegations will find attached the key messages from the Employment Committee (EMCO) based on the Annual Employment Performance Report (AEPR) and Employment Performance Monitor (EPM).

The full AEPR can be found in doc.: 12563/17 ADD 1.

The EPM can be found in doc: 12563/17 ADD 2.

Key messages to accompany the Annual Employment Performance Report and Employment Performance Monitor

1. In line with its mandate in Article 150 TFEU the Employment Committee has produced its annual review for the Council of the employment situation in the EU. This is contained in the "Employment Performance Monitor" (EPM) which monitors progress towards the 2020 targets, and identifies key employment challenges and good labour market outcomes across the EU and in each Member State. The Employment Performance Monitor is submitted to Council alongside the EMCO Annual Employment Performance Report which summarises the main findings of the EPM and, looking forward, the developments required at EU and national levels to reach the respective employment rate targets by 2020. From this review EMCO would highlight the following messages.
2. In 2016, the EU employment rate (20-64) continued to increase and reached 71.0%, surpassing the pre-crisis level for the first time since 2008. Latest figures show that this positive trend has continued, with the rate reaching 71.7% in the first quarter of 2017. If the employment rate continues increasing at the same pace as in 2016, the EU would be broadly on course to meet the Europe 2020 employment rate target of 75%. This welcome news should not obscure disparities: six Member States have employment rates considerably below their pre-crisis levels.
3. The majority of Member States have achieved the minimum employment growth that, if maintained, would allow them to hit their targets in 2020, and seven Member States have already achieved their national target. However, the gap remains significant (a further average increase of 3 to 4 percentage points is required) which points to a substantial challenge for Member States. In 2016, almost all the Member States which have not yet achieved their national targets have decreased the gap between their national target and the employment rate in 2016 as compared to 2015.

4. To support Member States' efforts, EMCO has identified, per country, those labour-market sub-groups where increased employment rates would have the highest potential impact on the overall national employment rate, and where efforts could be strengthened if needed. Across the EU, these are: women and men aged 30 – 54; women aged 55 – 64; the low-skilled.
5. In terms of horizontal employment trends to watch, thirteen Member States have seen an increase in the overall employment rate, and eighteen an increase in total employment. There has been an increase in the employment rate of older workers in twenty-four Member States. However, eleven Member States have seen deteriorations in inactivity and part-time work due to personal or family responsibilities.
6. The thematic spread of Key Employment Challenges and Good Labour Market Outcomes shows clearly that education, training, skills, and lifelong learning must all remain a key focus of our work. Although good outcomes have been reported by a number of Member States in these areas, many challenges remain. Particular challenges include the dependence of educational outcomes on socio-economic and migrant backgrounds, low participation in lifelong learning, and skills mismatches. EMCO's multilateral surveillance work has identified many reforms in these areas in recent years, but has also stressed the importance of sustained efforts to implement these, given the time that it takes to both implement such reforms, and to see their benefits.

7. Two-thirds of Member States reported good labour market outcomes in the area of labour market participation, although almost all Member States have outstanding challenges in this area, which hamper the achievement of future increases in the employment rate. Most of these challenges relate to low labour market participation of non-EU28 migrants, older workers, and the low skilled. Policies targeting these groups need to be embedded in a general labour market strategy, whilst addressing their specific challenges. Regarding integration of migrants, many countries continue to experience problems with second and third generations: Member States should learn from past policy mistakes and focus on early labour market integration and language acquisition. When it comes to older workers, reforming systems of early retirement is notoriously difficult: the experience of Member States emphasises the need for a broad policy approach which attracts public buy-in and support. Considerable efforts have been made to improve the offer of vocational education and training in recent years, but work needs to be done to ensure that the take-up reaches the desired level.
8. A number of Member States also continue to experience a high incidence of youth unemployment and /or NEETs, underlining the need for ongoing commitment to the Youth Guarantee. Outreach and capacity of services, including Public Employment Services, remains crucial in tackling youth unemployment. Member States need to ensure the quality of offers, and the sustainability of labour market integration.
9. The EPM also indicates ongoing challenges and relatively few positive outcomes in the field of active labour market policies and PES reforms. Given the scale and number of significant and profound reforms in this field in recent year, monitoring and evaluation of policy measures to ensure optimal use of public money is of great importance.
10. Challenges in combatting labour market segmentation remain persistent in a number of Member States. There is considerable heterogeneity here: in some Member States its effects are cyclical and in others structural, being linked to laws on dismissal, differences in tax treatment, contract renewal or litigation procedures.

11. Challenges related to work-life balance also feature prominently in the EPM, and should be tackled in order to utilise untapped labour market potential. These primarily relate to family obligations: more than half concern the provision of childcare or dependent care facilities. Member States are trying new regulatory approaches and investing in childcare allowances in order to tackle the ongoing tension between the quality and availability of childcare facilities.
 12. The EPM identifies relatively few challenges relating to wage setting mechanisms and labour cost developments. Despite this, issues related to wages feature more prominently than previously amongst the CSRs for this year.
 13. Many Member States face challenges related to the provision of adequate and employment oriented social security systems. Getting the balance of these systems right in order to prevent poverty and promote active inclusion is an area where there has been progress over the last years in many Member States but where much remains to be done.
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