



**EESC Workshop 'The Future of Employment in Europe and Japan'
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The impact of the economic crisis on employment in Europe

The EU policy response

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Outline of the presentation

- The impact of the economic crisis on employment in the EU
- Measures taken by the Members States
- Role of the EU
- Ways forward

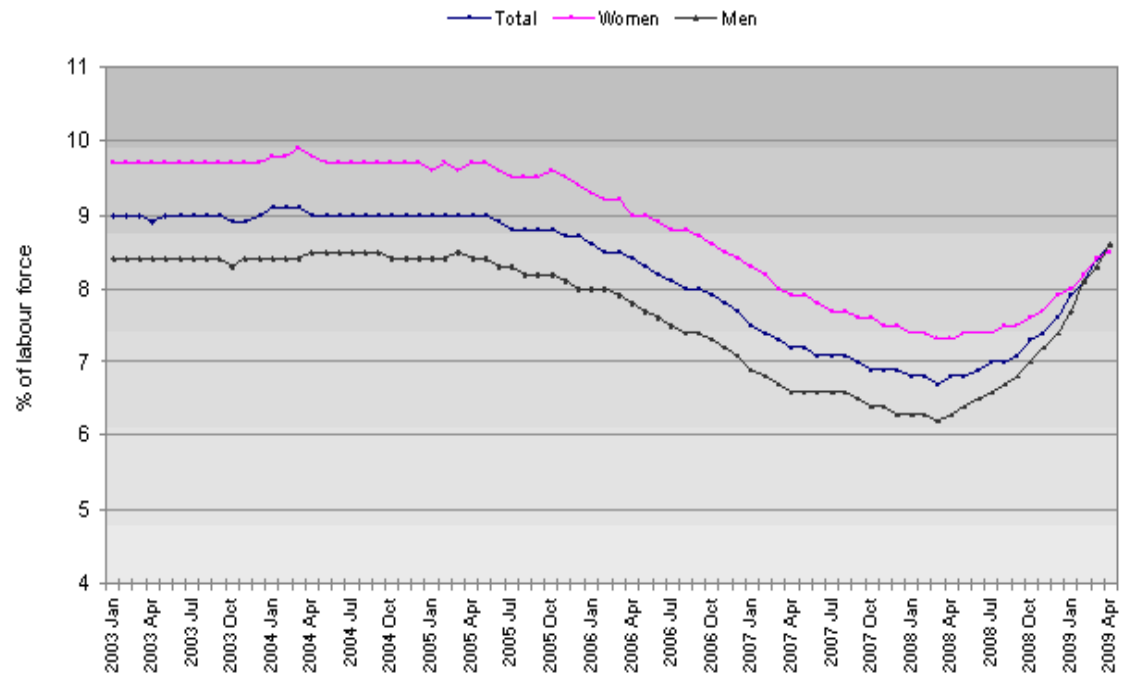


Economic crisis: Labour markets deteriorating

Sharp rise in EU unemployment since March 2008

⇒ UR ↑ 1.8 pps in 1 year to **8.6%**
(i.e. by 4.7 million to **~21 million** overall)

Chart 1: Unemployment rates for the EU



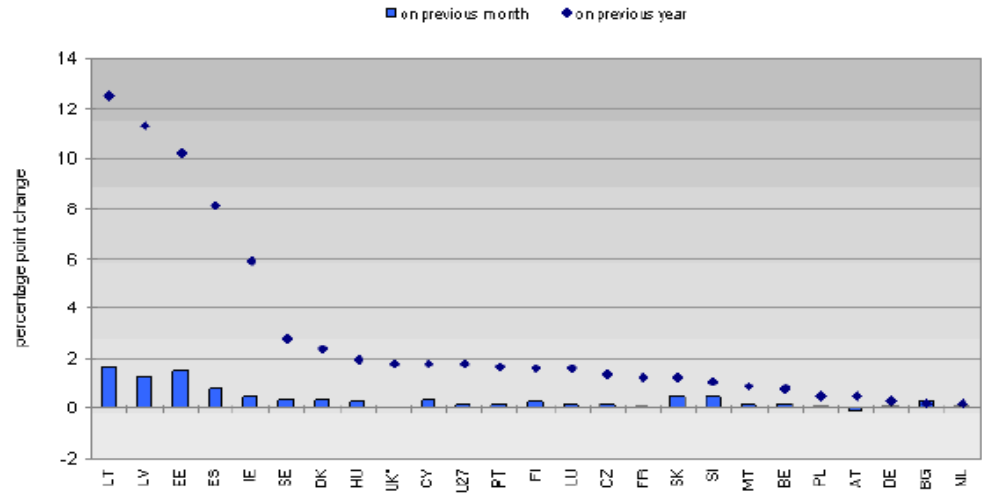
Source: Eurostat, series on unemployment. Data seasonally adjusted.



- For all MS* UR is higher than a year ago
- particular rise in Baltic states, Spain and Ireland (12.5 - 5.9 pps)
- Men are more effected, especially young ones
- unemployment in the EU less affected than in US (↑ 1.8 vs. 3.9 pps)
- + Declining numbers of job vacancies
- Firms' employment expectations remain negative

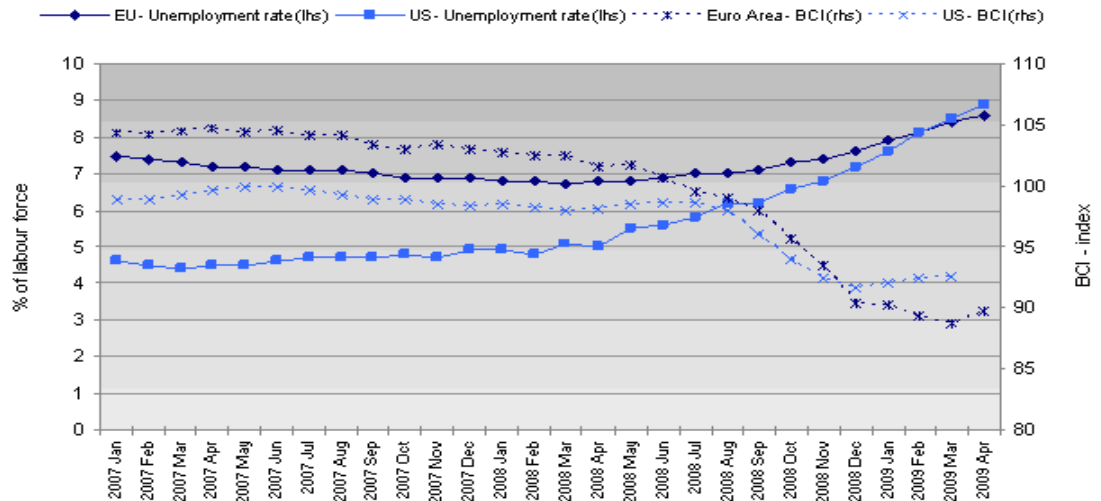
*Where recent data is available

Chart 3: Unemployment rate changes to April 2009



Source: Eurostat, series on unemployment. Data seasonally adjusted. *Resent data for EL, IT, RO and UK not available. Annual change for UK refers to February 2008 - February 2009.

Chart 6: Unemployment rate and Business Confidence Indicators (BCI), EU vs. US



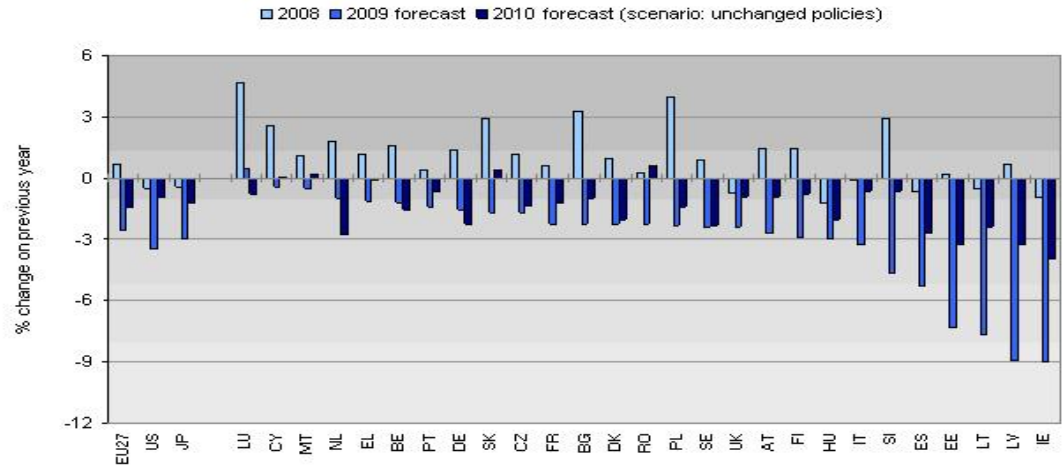
Source: Eurostat, series on unemployment; OECD, Composite leading indicators. Data seasonally adjusted.

Outlook remains bleak

Commission forecasts:

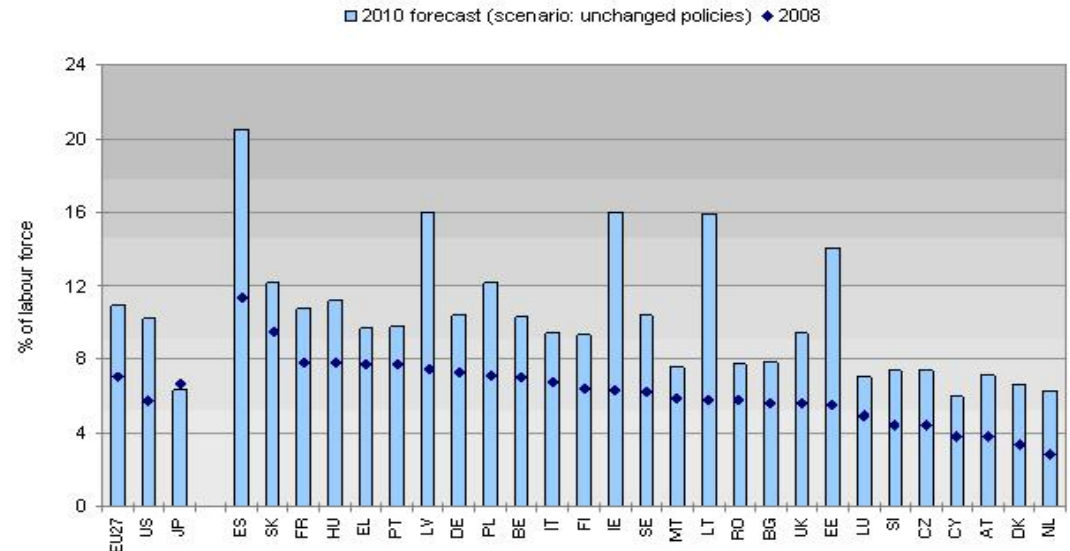
- EU GDP ↓ 4% in 2009 to stabilise in 2010
- Employment ↓ 2.6% in 09 and ↓ 1.4% in 2010
- So 8½ ml jobs lost, vs. net job creation 9½ ml 06-08
- UR ↑ to 9.4 (09), 10.9 (10)
- Baltics, Ireland and Spain (more than 20%) hit hardest
- In line with other international forecasts (IMF, OECD...)

Chart 20: Forecast employment growth



Source: Commission 2009 spring economic forecasts.

Chart 21: Forecast unemployment rates



Source: Commission 2009 spring economic forecasts.



Measures taken by Member States to increase labour demand

- Reduce non-wage labour costs/ soc. sec. contributions
- Preserve existing jobs
 - Short time working arrangements
 - Support to badly hit sectors
- Investments infrastructure
- VAT cuts



Active labour market policies

- Increase ALMP funding
- Public employment service
- Special focus on young workers
- Increase activating elements of ALMPs
- Regional mobility
- Focus on retaining older workers



To support income

- Expanding eligibility rules
- Increase social benefit levels
- Fiscal help for low earners
- Support for education and vocational training
- Targeting household over-indebtedness



Role of the EU

- European economic recovery plan (200 bn)
- Reinforce financial supervision
- Respect state aid regulation + Internal market
- Frontloading structural funds
- Involvement EU social partners
- Coordinate and focus on 3 priority themes
- Mutual learning



Ways forward

- Maintaining employment: better use of short-time working arrangements, toolkit restructuring, “Match and Map” job search, facilitate mobility
- Upgrading skills: New skills for new jobs, skills validation, lifelong learning facilities, new start young
- Access to employment: activation vulnerable groups, tax breaks, reinforce public/private employment services
- Mobilise ESF funding 2009-2010 (€ 19 bn): support restructuring, training, promote entrepreneurship, support young people...



Ways forward (2)

- Seek private public partnerships to increase capacity/ expertise to deal with new clients and client types
- MS and social partners to focus more on young people
- Assure soc. sec. rebates are temporary as they erode long term sustainability of systems



Flexicurity

- Integrated strategy to enhance, at the same time, flexibility and security in the labour market
- Unique policy framework to balance short-term actions to address the current needs, with long-term reforms responding to the overall challenges
- Relevance in the current situation endorsed by the MS (June European Council)



Thank you very much for your
attention

More information:

<http://ec.europa.eu/social/>