



Social dimension of the EMU

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Social dimension of the EMU

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- *Divergence in the EU since the crisis*
- *Unemployment and social problems need collective action esp. in an EMU (no currency devaluation nor inflation of debt allowed)*
- *Improve governance to better anticipate & address serious employment & social problems in the EMU*

Next steps:

- **Committees to work on operationalisation of scoreboard**
- **December European Council (JER)**

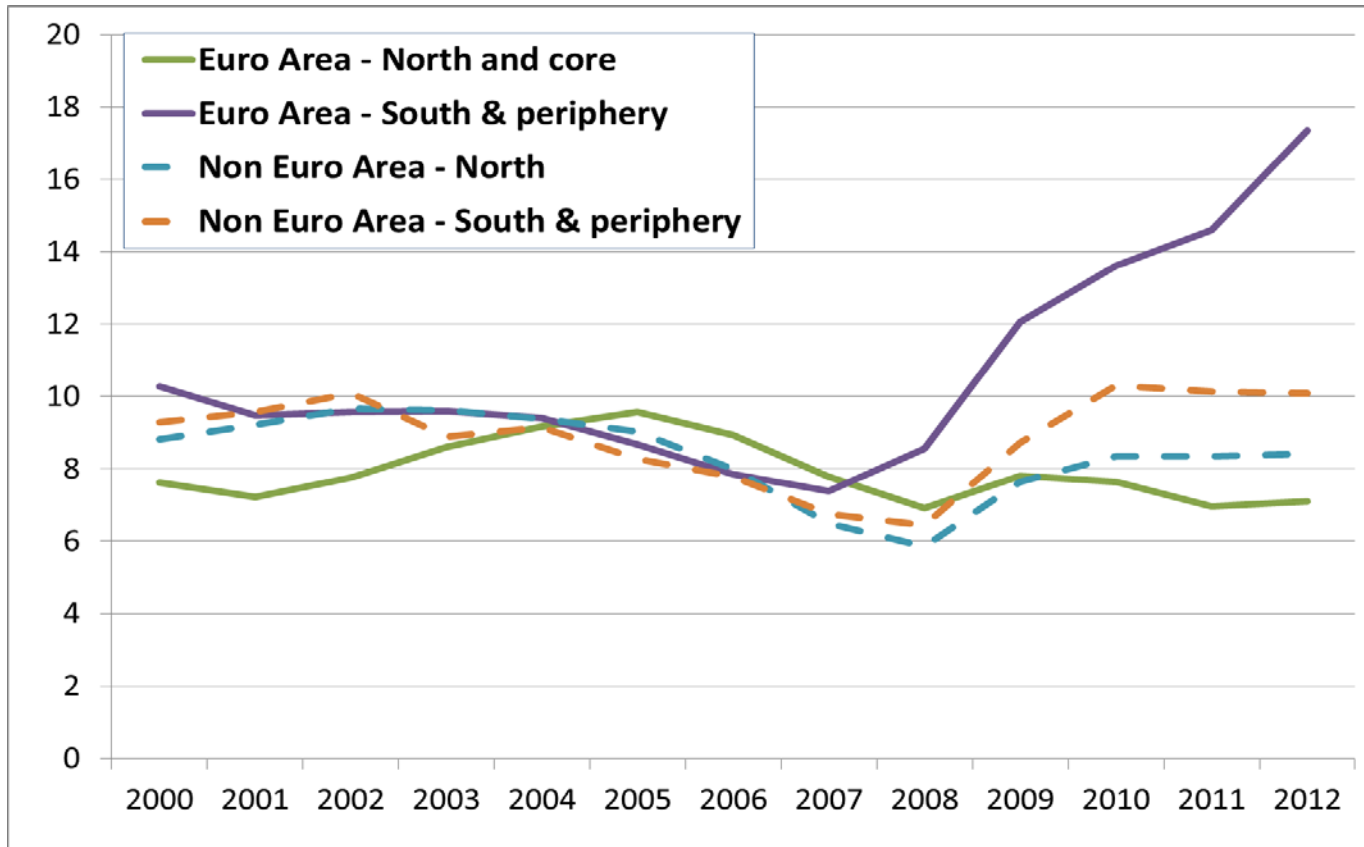
Tools

- Better **monitoring** to improve policy coordination
 - In MIP (additional indicators Alert Mechanism Report)
 - In the European Semester: the scoreboard
- **EU level instruments**
 - **Better use of EU solidarity Funds** (ESF, YEI, Most deprived, etc)
 - **Labour mobility**
 - **Steps towards deeper EMU (follow up of Blueprint)**
 - Proposed Convergence and Competitiveness Instrument = contractual reforms
 - After Treaty change: € area budget, stabilisation scheme (EU unemployment fund?)
- Better involvement of EU-level & national **social partners** in EMU governance

Better monitoring: in the MIP

- *Currently main focus on labour cost (and unemployment)*
- *Better take account of the **social implications** of macro-economic imbalances*
- *Auxiliary indicators in the scoreboard used for the Macro-Economic Imbalances Procedure*
 - **Activity rates**
 - **Long-term unemployment rate**
 - **Youth unemployment rate + NEETs**
 - **Share of people at-risk-of poverty or social exclusion (Europe 2020 target)**
- *Analysed in a section of the In-Depth Reviews*

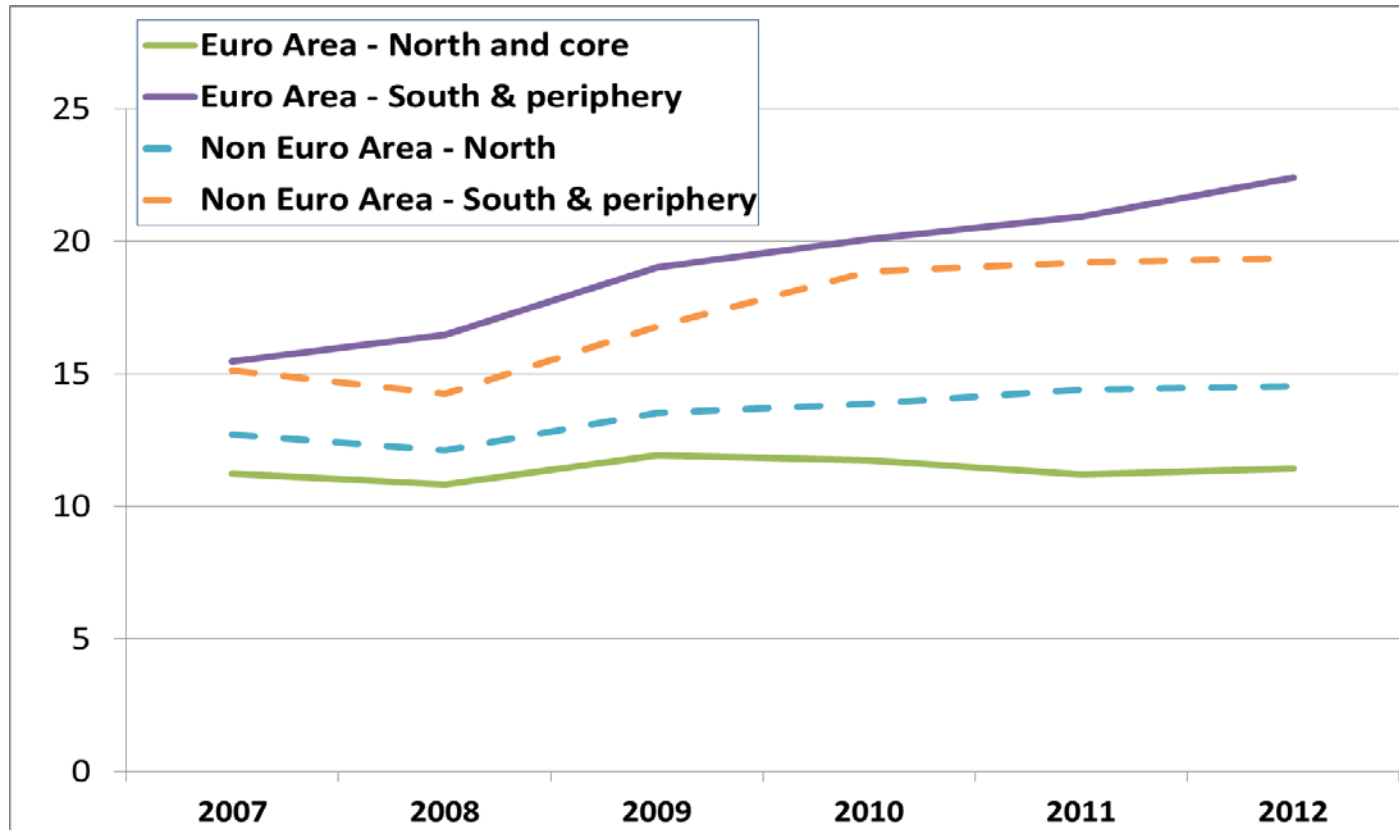
Divergence in unemployment rates



Source: Eurostat, DG EMPL calculations

EA - North & core: AT, BE, DE, FI, FR, LU, NL; **South & periphery:** EE, EL, ES, IE, IT, CY, MT, PT, SI, SK
Non EA – North: CZ, DK, PL, SE, UK; **South and periphery:** BG, HR, LV, LT, HU, RO

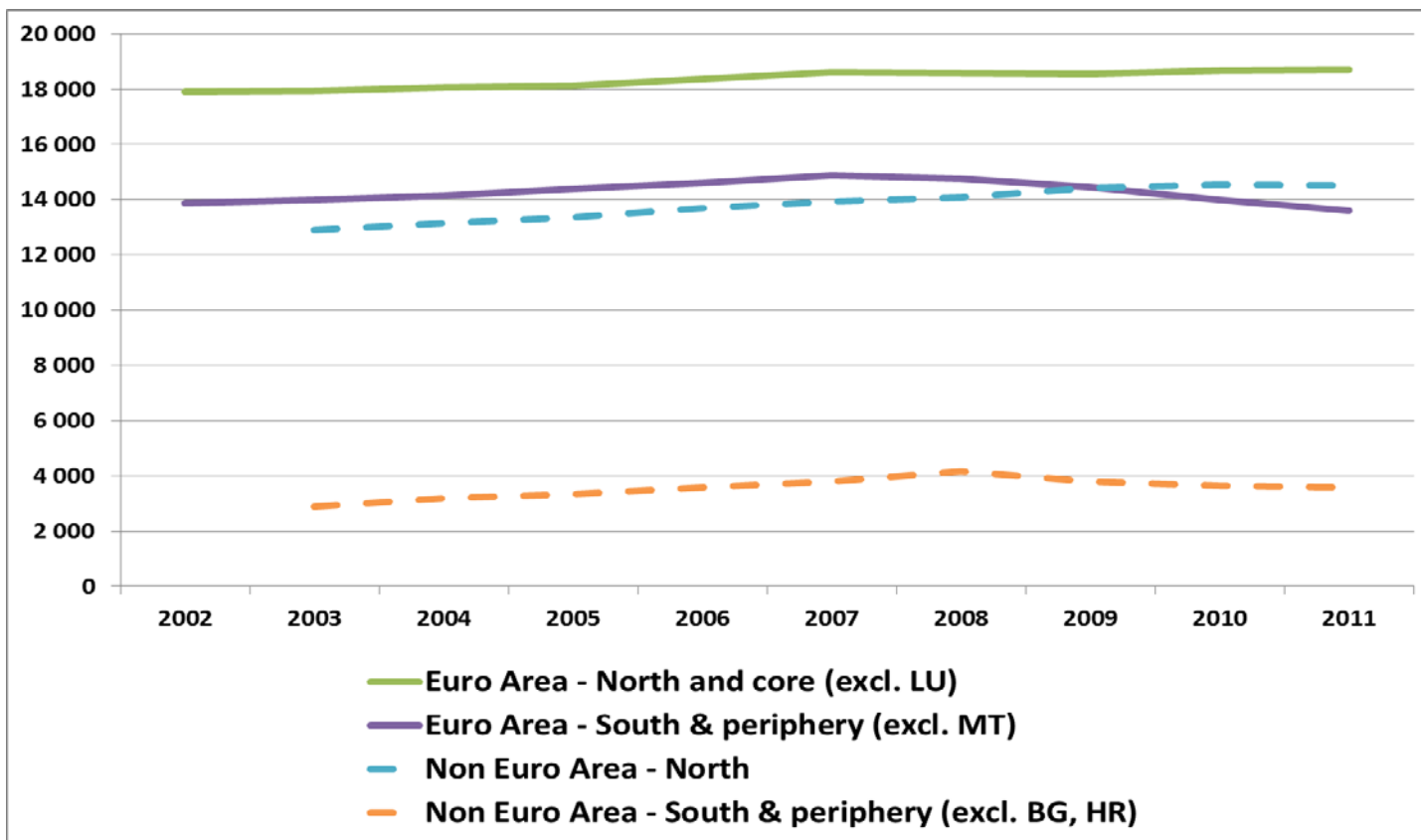
Divergence in NEET rates (15-29)



Source: Eurostat, statistics on education and training, DG EMPL calculations

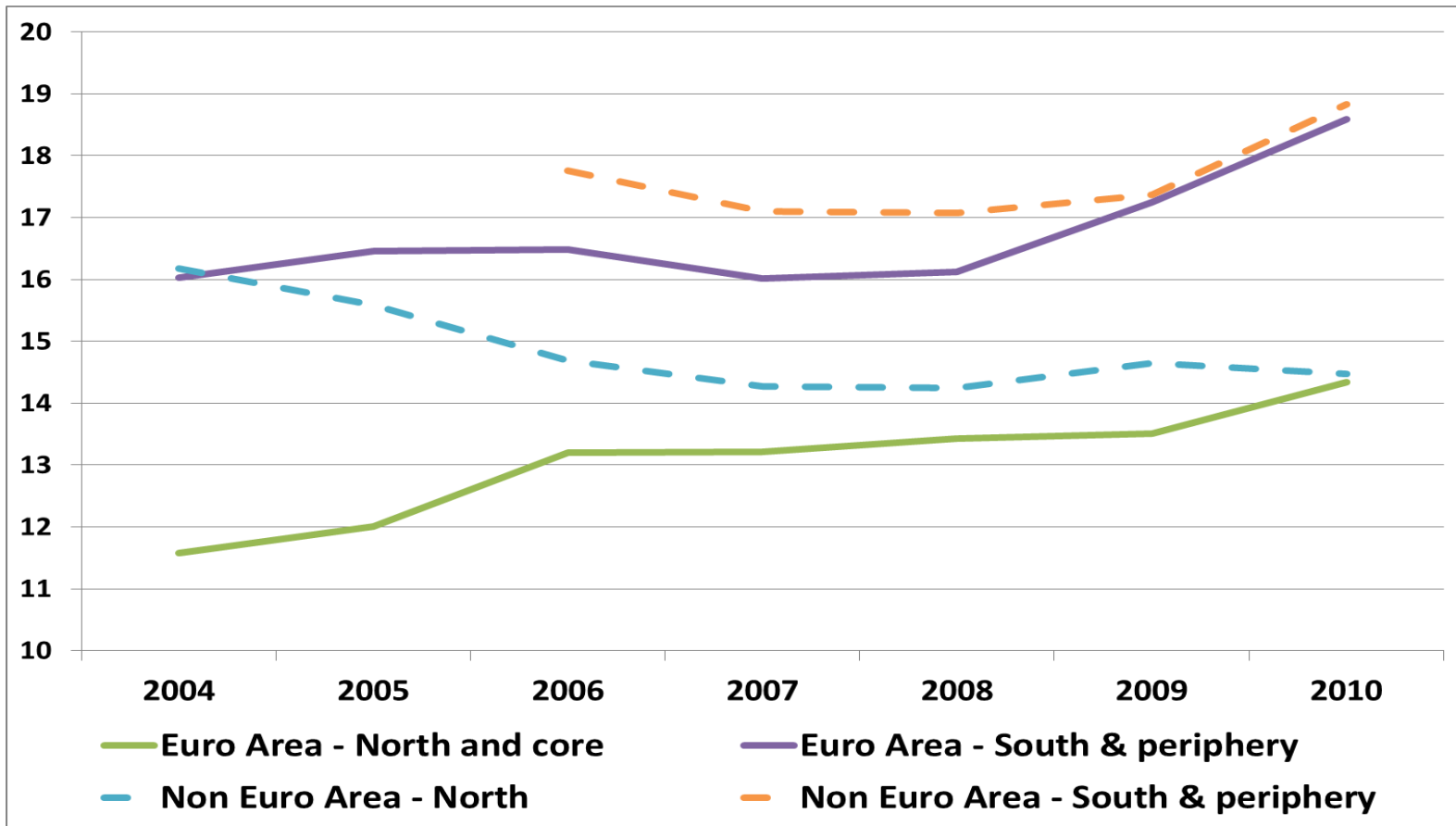
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Divergence in gross household disposable income per capita (GHDI)



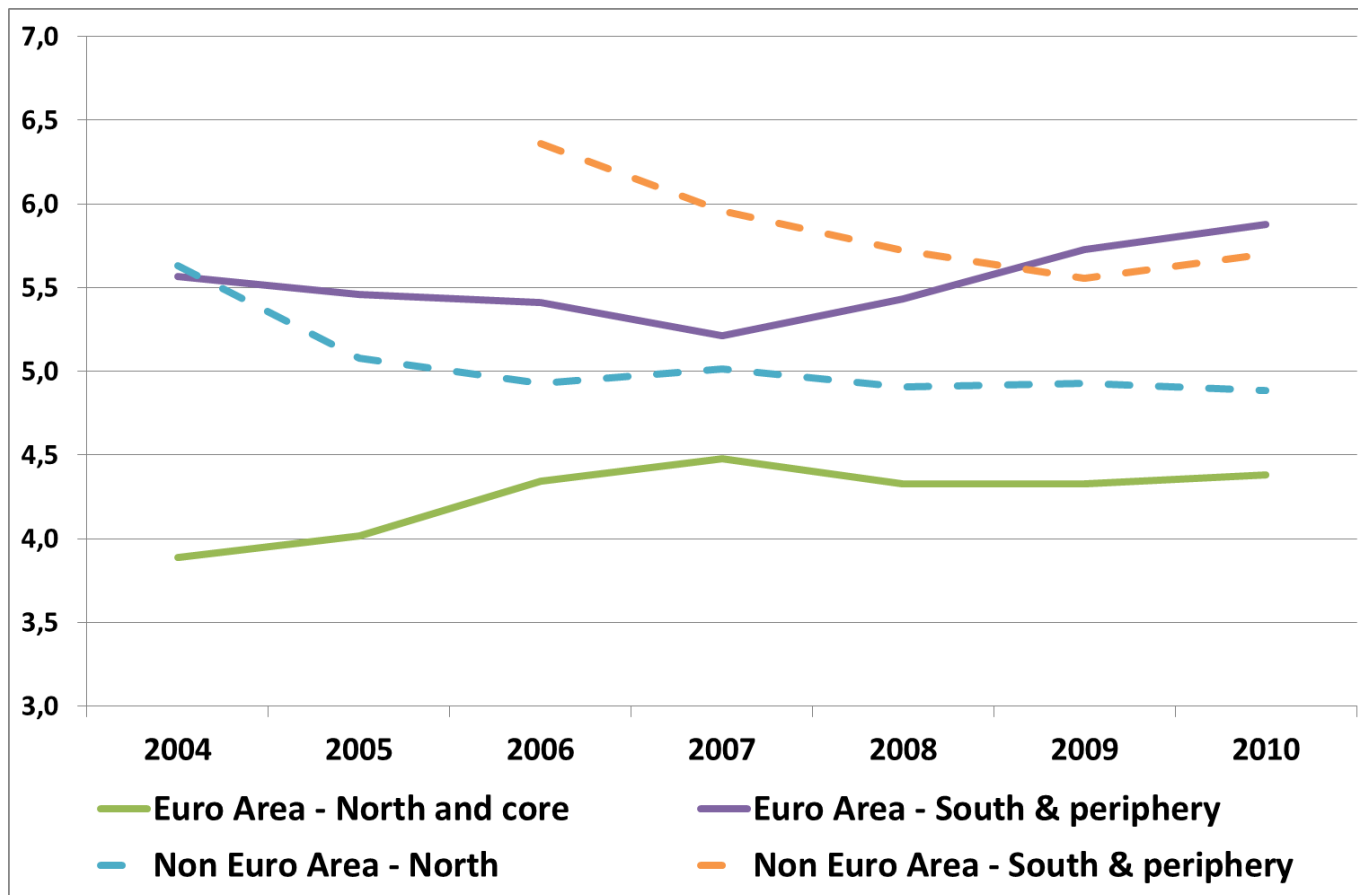
Source: Eurostat, DG EMPL calculations – adjusted for inflation and at fixed exchange rates for countries outside the euro area

Divergence in at-risk-of-poverty rates (18-64)



Source: Eurostat, DG EMPL calculations. Years refer to income reference years

Divergence in income inequality (S80/S20)



Source: Eurostat, DG EMPL calculations – Years refer to income reference years

Better monitoring: the scoreboard

- **5 indicators to detect major employment and social problems in the EMU at an early stage**
 1. High and rising unemployment rates
 2. High and rising shares of young people not in education, employment or training (NEET) + Youth UR
 3. Falling household incomes (in real terms)
 4. High and rising poverty in working age
 5. High and rising inequalities (S80/S20)
- **early detection of divergences within EMU**
- **Possible negative spill-over effects**
- **for which collective attention and coordinated response is necessary**



Divergences are a sign that the EU doesn't deliver on its fundamental objectives

- To benefit all its members by promoting economic convergence,
- and to improve the lives of citizens in the Member States

Spill-over effects stronger in the EMU context through:

- Aggregate demand and internal trade
High unemployment and falling household incomes weaken aggregate demand in one country and in other member countries through trade
- Lost productivity and competitiveness:
Long term unemployment, NEETs, working age poverty signal under-utilisation and lack of investment in human capital likely to affect the growth potential of the all EA
- Financial markets:
Unemployment, poverty, NEETs, etc create social tensions and pressures on social budgets that undermine market confidence

How will the scoreboard be used?

- *In the context of the **European Semester***
- *Analysis presented in the **Joint Employment Report***
- ***Complements the EPM and SPPM** that are meant to identify the challenges hampering progress towards the Europe 2020 objectives*
- *Detects divergences and negative developments that are **relevant to the EMU** and require urgent collective attention and action*
- *Equip EPSCO with better knowledge and understanding to ensure that the social element is better taken into when making policies for the EMU*