Social Monitoring and Reporting Activities by the European Commission

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Merging employment and social monitoring

Main objectives

- *Underpinning employment and social aspects of Europe 2020 strategy and other EMPL policies…*
- *Developing the necessary social data*

Topics

- *Labour market and social developments, flexicurity, skills, wages, job quality, active ageing, labour mobility, welfare systems, social dimension of EMU, poverty, income inequalities, well-being…*

Key publications

- *Employment and Social Developments in Europe (ESDE) Review*
- *EU Employment and Social Situation Quarterly Reviews (ESSQR)*

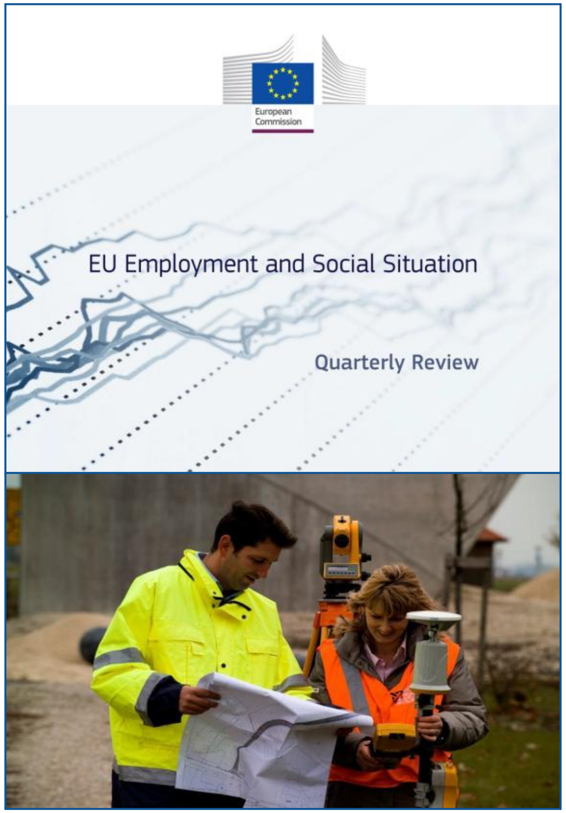
Quarterly reviews

Employment and social trends

- ***Quarterly LFS data, by social groups***
- ***Consumer surveys by income quintiles (monthly data)***

Special focuses (e.g.)

- ***Child poverty***
- ***Material deprivation***
- ***Efficiency of social spending***
- ***Impact of austerity measures***
- ***Eurobarometer results***
- ***Etc…***



European
Commission

EU Employment and Social Situation

Quarterly Review

Employment and Social Developments in Europe (annual review)

2011: 6 chapters integrating employment and social issues

- ***Shifts in job structure***
- ***Income inequalities***
- ***Poverty and social exclusion***
- ***In-work poverty***
- ***Active ageing***
- ***Workers' mobility after enlargement***

2012 themes:

- ***Dynamics of poverty and social exclusion***
- ***Long-Term unemployment***
- ***Effectiveness and efficiency of welfare systems***
- ***Impact of taxation on labour market and social outcomes***
- ***Wages and productivity***
- ***Skill mismatches***

HIGHLIGHTS from the analysis (making better use of available data)

1. *Understanding the divergence in unemployment rates*
2. *Fighting long-term unemployment*
3. *Monitoring poverty and social exclusion, and understanding the dynamics of poverty*
4. *Efficiency and effectiveness of social protection systems*

ACTIONs to improve data availability

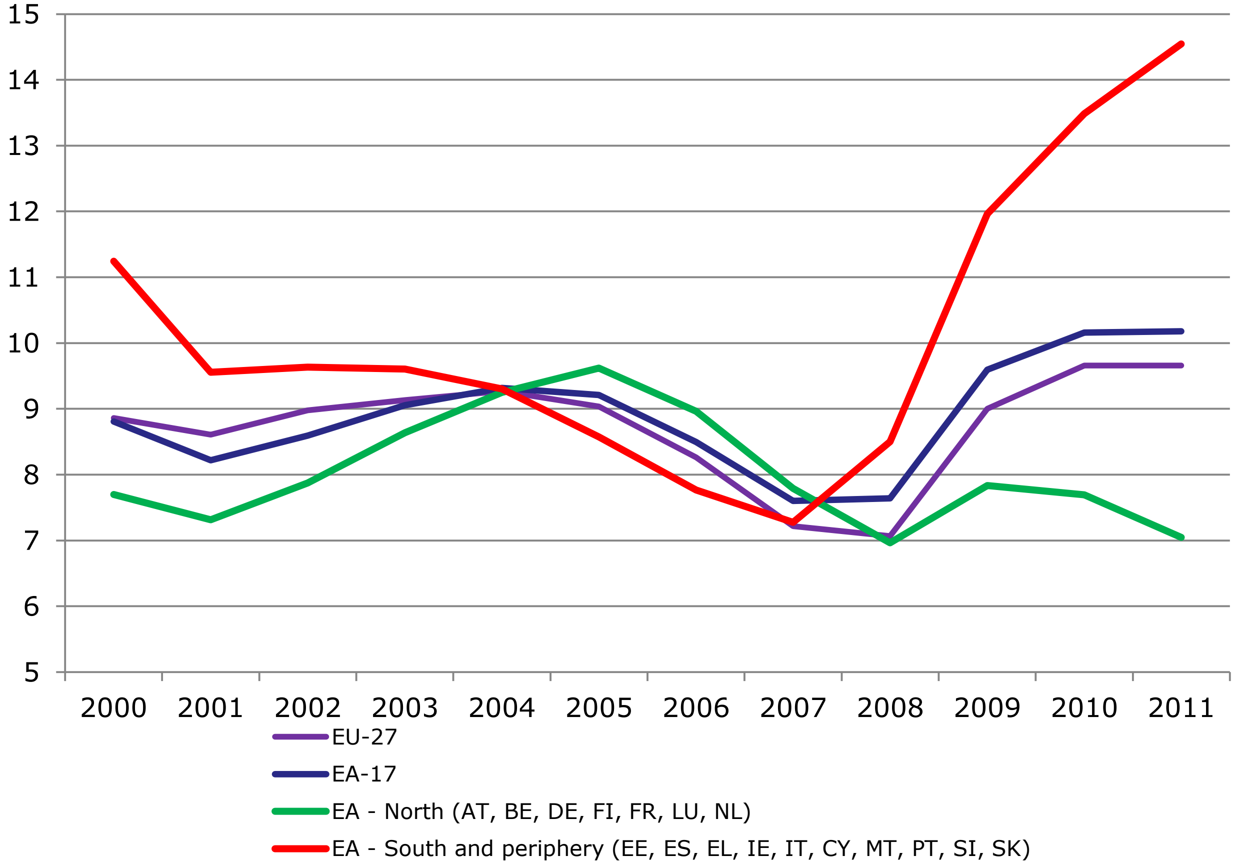
(1) Widening gap of unemployment

2011 gap between North and South

- **Euro area**: **7.5** pps
- Non Euro-area: **1.5** pps

September 2012 gap on Member State level: 22,1 pps: Spain(26.6%) Austria(4.5%)

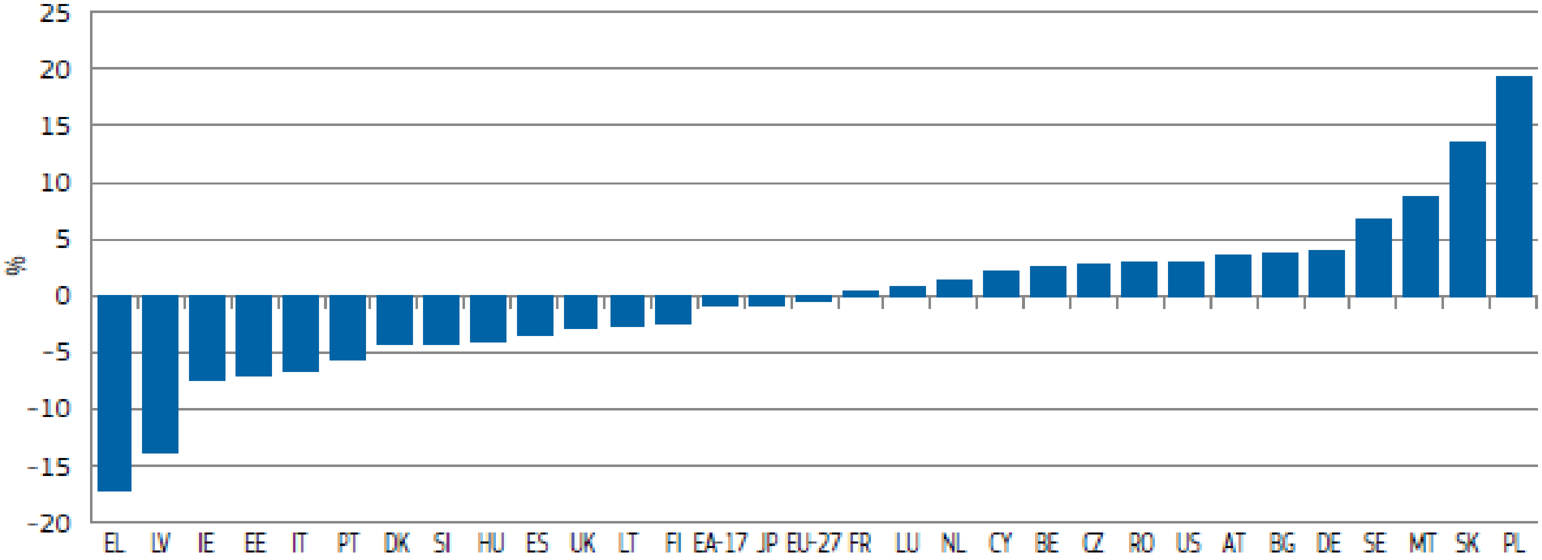
Unemployment rates (2000 – 2011)



Source: Eurostat, EU LFS and DG EMPL calculations.

(1a) Reasons behind the widening gap – Growth divergence

Change in GDP – second quarter 2012 compared to second quarter 2007, in percentages

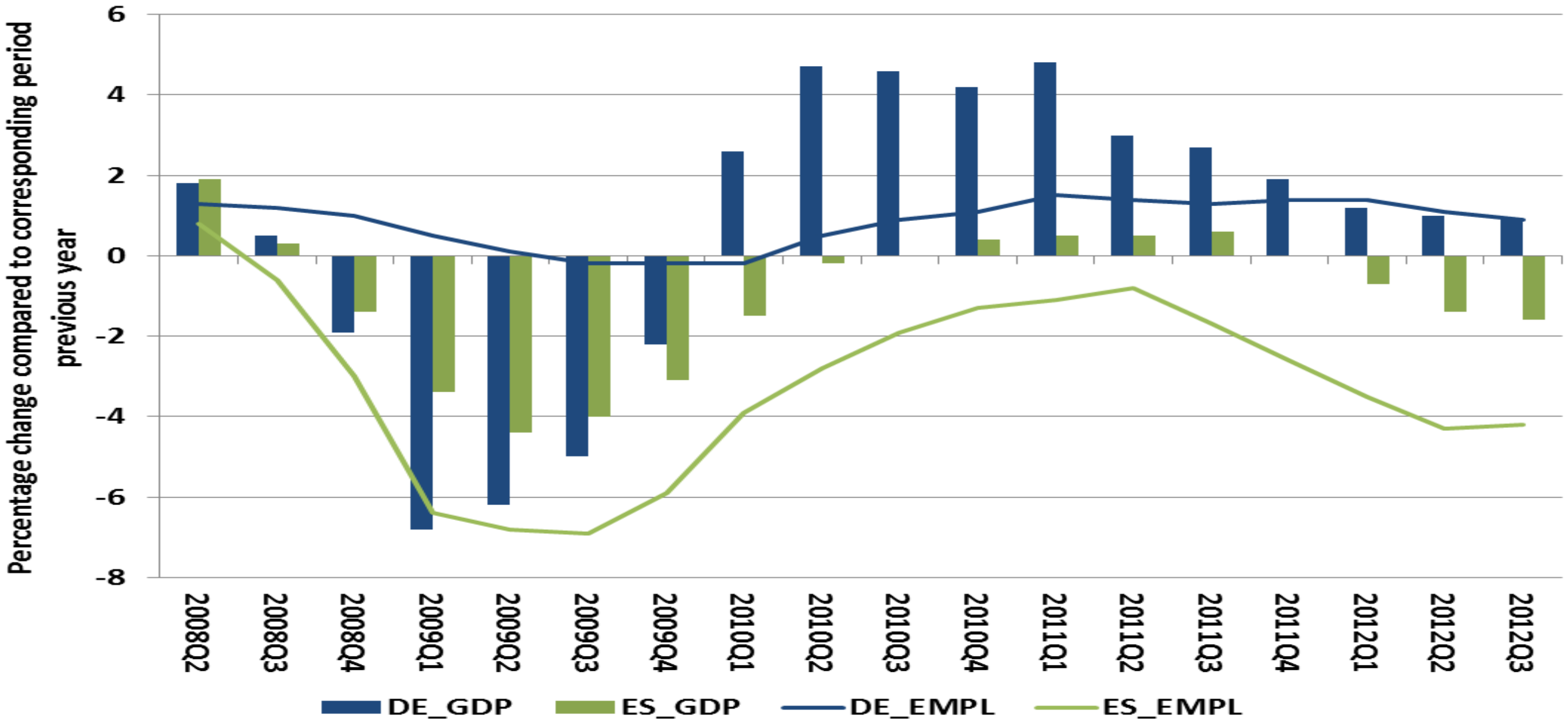


Source: Eurostat, National Accounts [namq_gdp_k].

Note: Seasonally-adjusted data except for EL; data for EE, IE, LU refer to the 2007q1-2012q1 period. Millions of national currency, chain-linked volumes, reference year 2005 (including 'euro fixed' series for euro area countries).

(1b) Reasons behind the widening gap – Difference in employment responsiveness to GDP

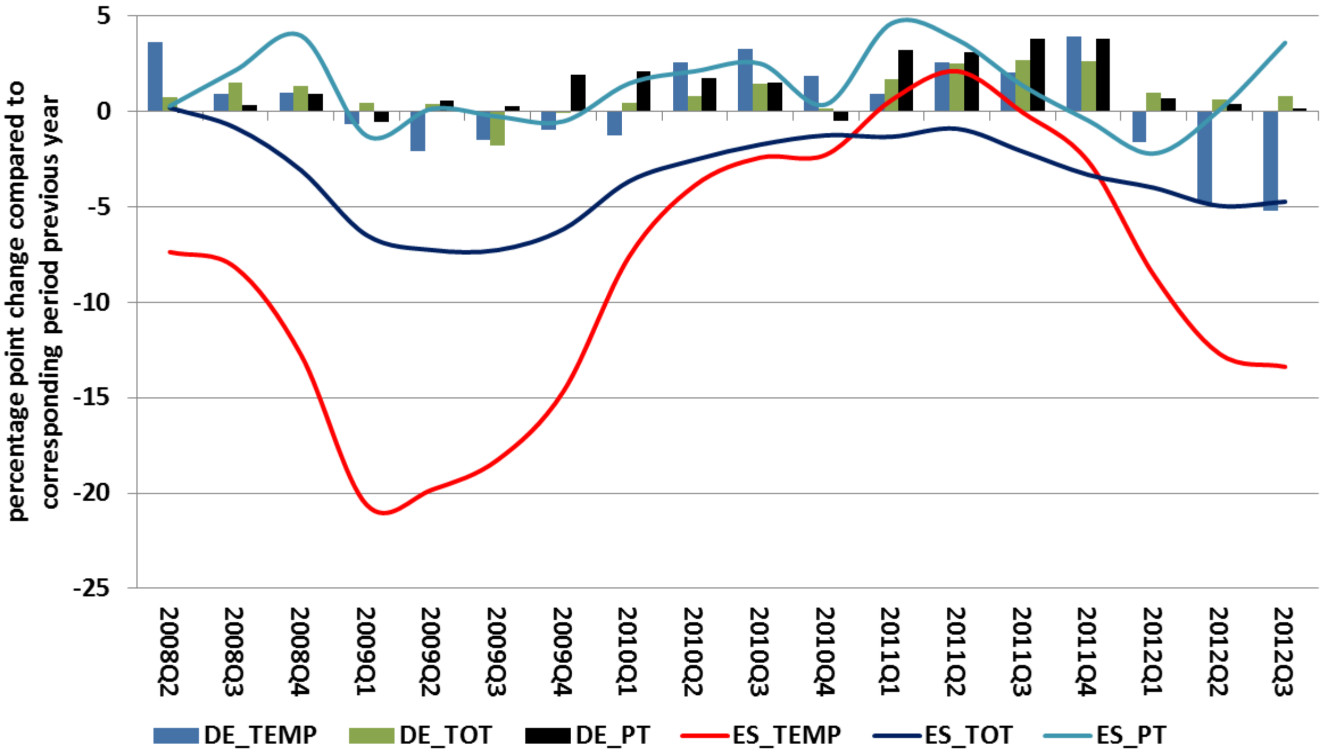
GDP and employment change



Source: Eurostat, National Accounts [namq_gdp_k], Quarterly National Accounts [namq_nace10_e];
Note: Seasonally adjusted and adjusted data by working days, Percentage change compared to corresponding period of the previous year

(1c) Reasons behind the widening gap – Segmentation

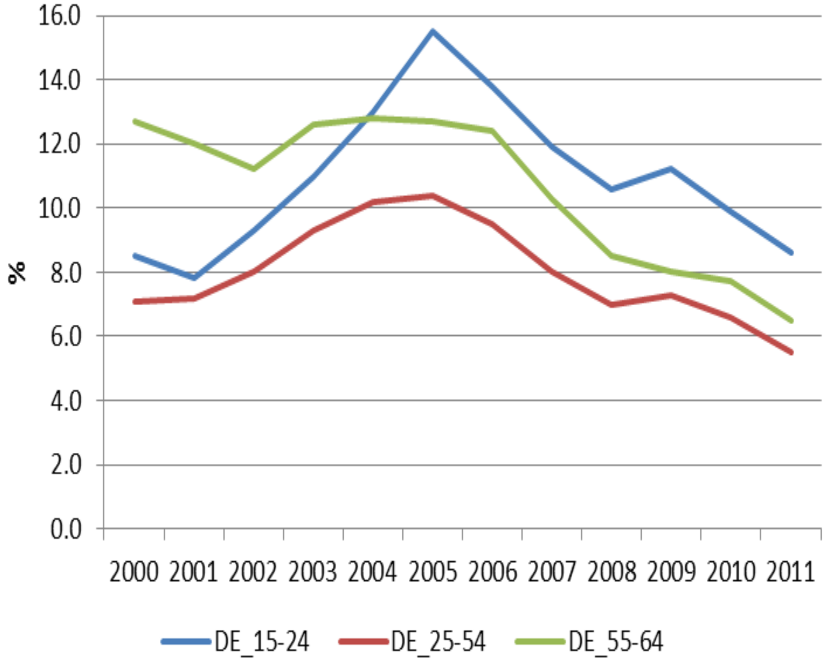
Temporary + part-time employment far more vulnerable – leading to massive decline in total employment



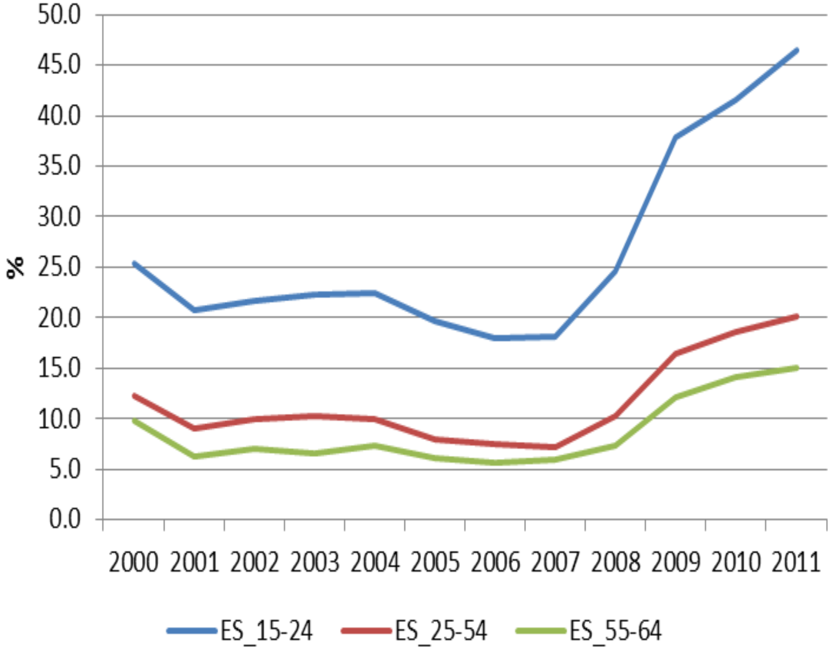
Source: DG EMPL calculation based on Eurostat, LFS, [lfsq_egan], [lfsq_etgaed], [lfsq_epgaed], [lfsa_etgar], [lfsa_etpgacob], [lfsa_eppgai] Note: TEMP refers to temporary employees, TOT refers to total employment, PT refers to part-time employment.

(1d) Unemployment rates for different age-groups: youth massively affected in Spain

Germany



Spain:



… and increase in NEET (15-24) to 12,9% in EU; 18,5% in Spain by 2011

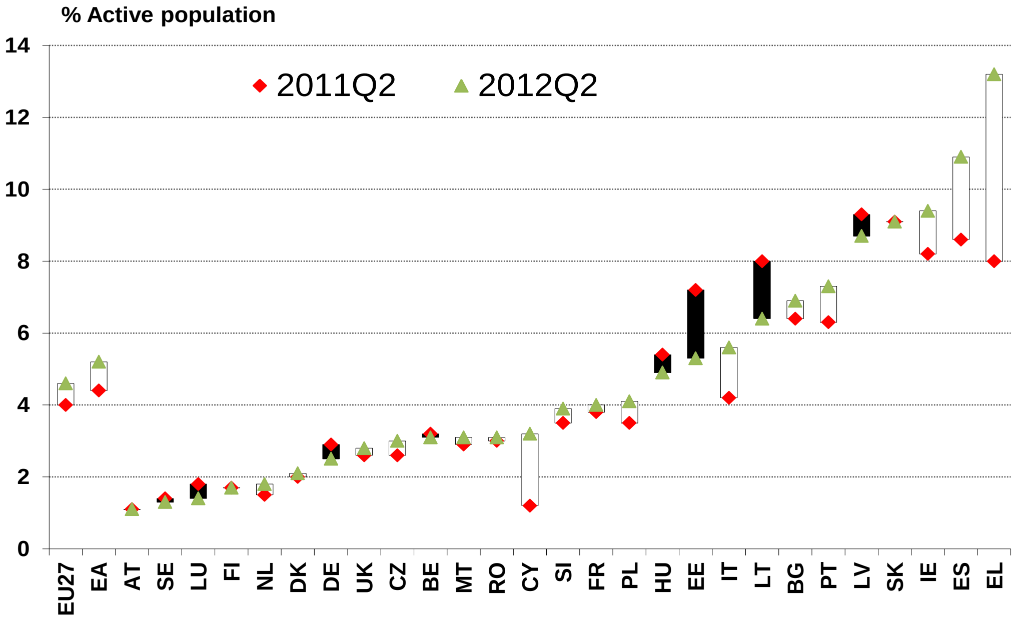
Source: Eurostat, LFS, [lfsa_urgan]

THE DYNAMICS OF LONG-TERM UNEMPLOYMENT

(2) Long-term unemployment alarming

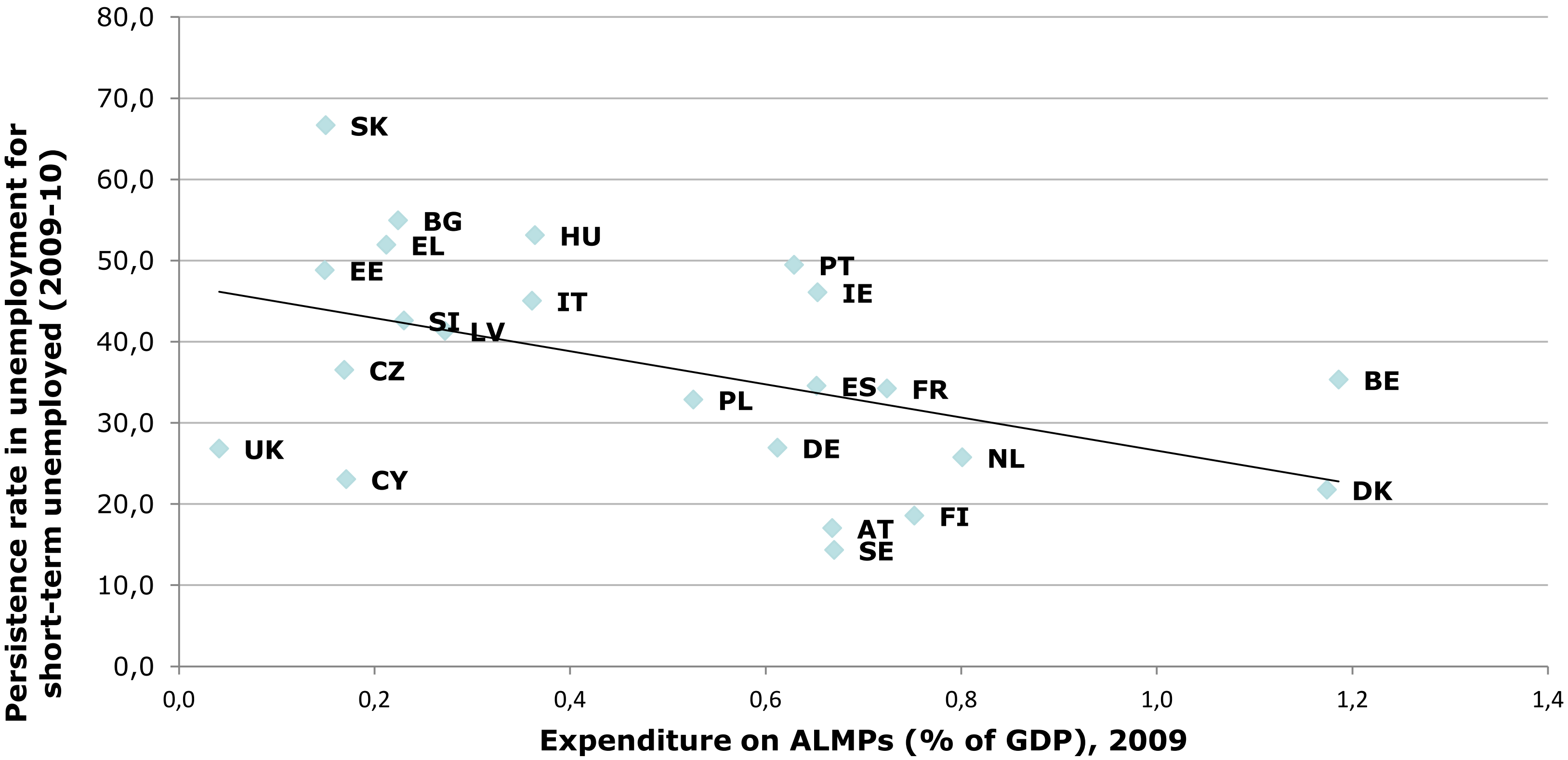
- LTU affecting 10.9 mln Europeans in 2012q2
- LTUR = 4.6% of the active population at EU level in 2012q2
- LT unemployment still increasing in most MS, with Spain and Greece in particularly bad position

Long-term unemployment rates for EU, EA and in the Member States in 2011 q2 and 2012 q2



Source: Eurostat, LFS.

(2a) Which policies help the unemployed back to work? – Active Labour Market Policies



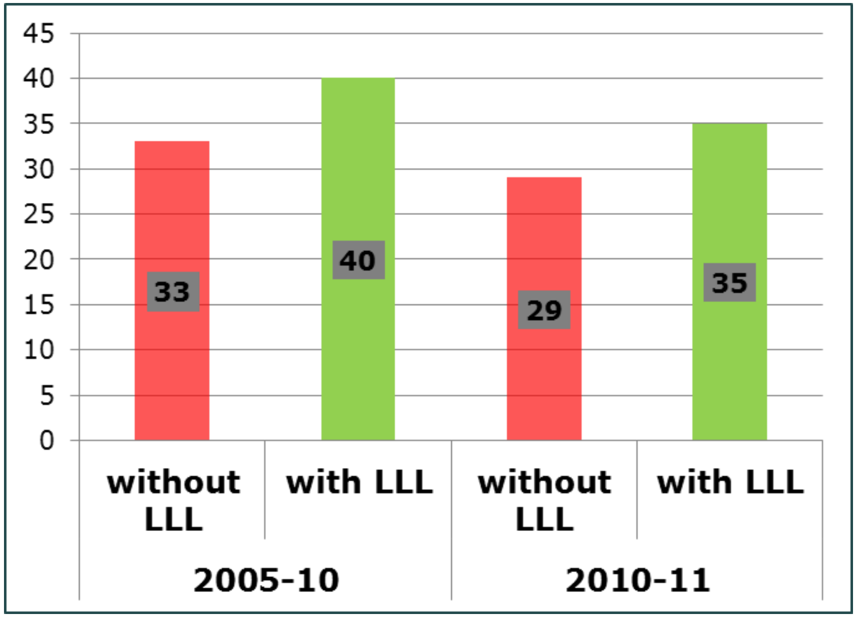
Source: Eurostat EU-LFS, and LMP database – DG EMPL calculations

(2b) Which policies help the unemployed back to work? (LFS panel data)

Better macro-economic conditions and policies supporting job creation

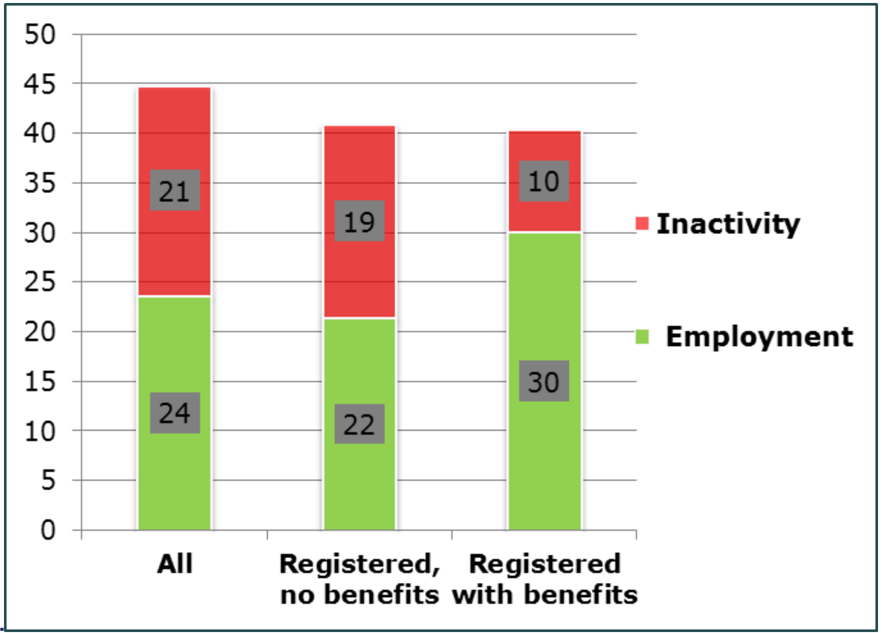
ACTIVATION:
Participating in lifelong learning (LLL)

% of unemployed returning to work



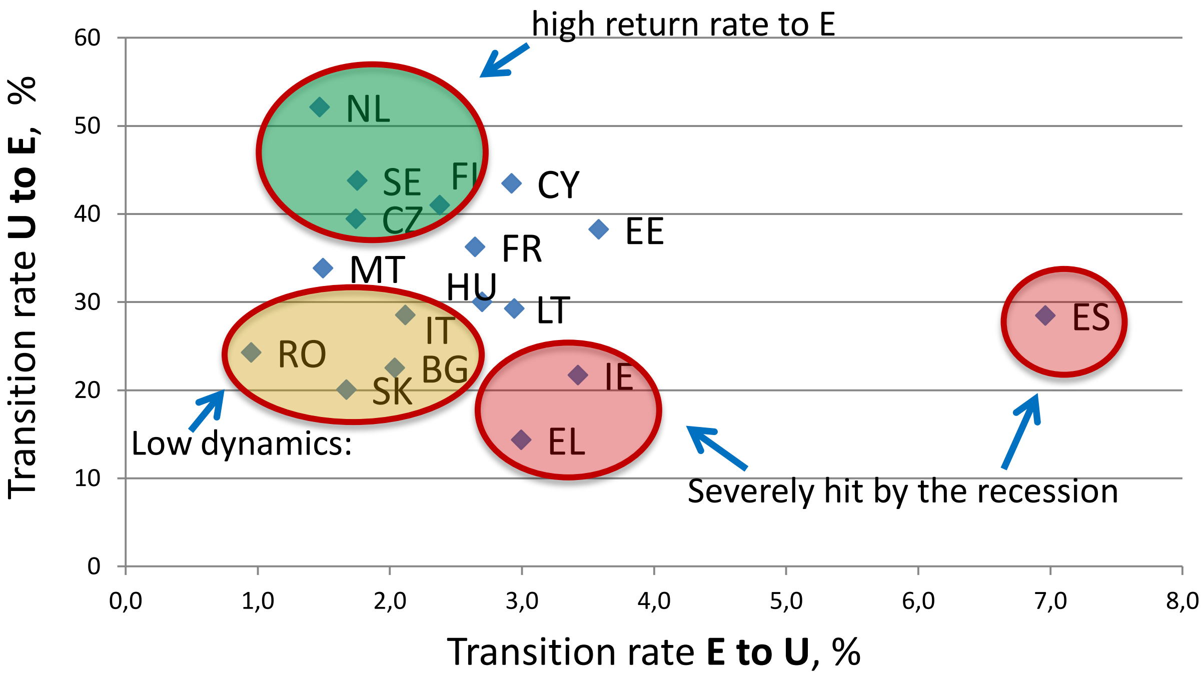
PROTECTION:
Receiving benefits

% of unemployed returning to work /to inactivity



Source: EU-LFS longitudinal data – DG EMPL calculations

(2c) Institutional setting help explaining transition rates, 2010-2011 (LFS panel data)



high return rate to E

Low dynamics:

Severely hit by the recession

🟩 Generous UB + strong activation requirements

🟨 Low & short UB + low activation

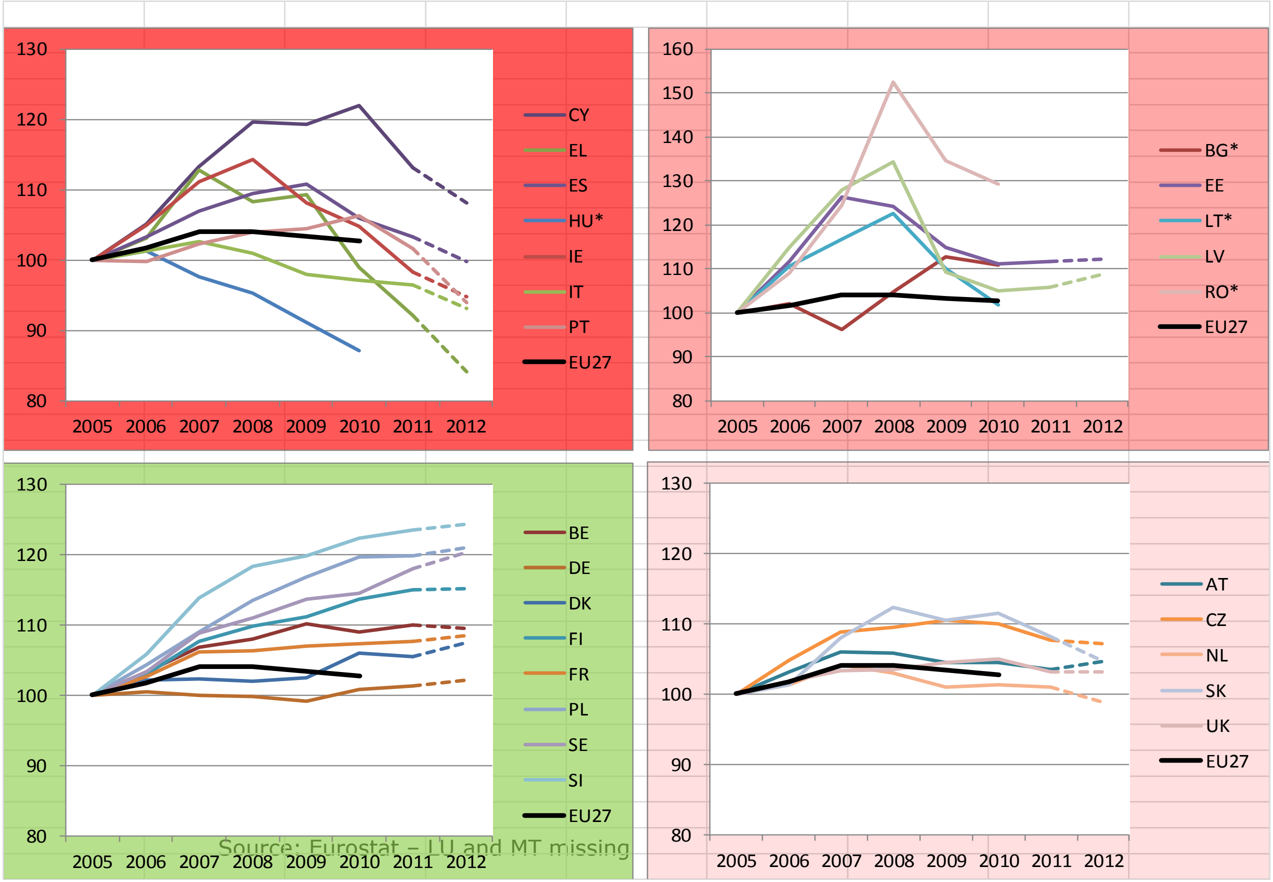
🟥 Low to average UB + ALMP spending

THE DYNAMICS OF INCOME, POVERTY AND SOCIAL EXCLUSION

(3) Household incomes declining in 2/3 of EU countries (NA)

- Gross household disposable income declined in 2/3 of EU countries between 2009 and 2011
- Strongest declines registered in IE, EL, ES, IT, CY, HU, and PT undermining private consumption and aggregate demand
- Stabilisation in the Baltics (economy/LM bouncing back after a sharp fall)

Evolution of GHDI in real terms (2005=100) 2005 to 2011 (2012 forecast)



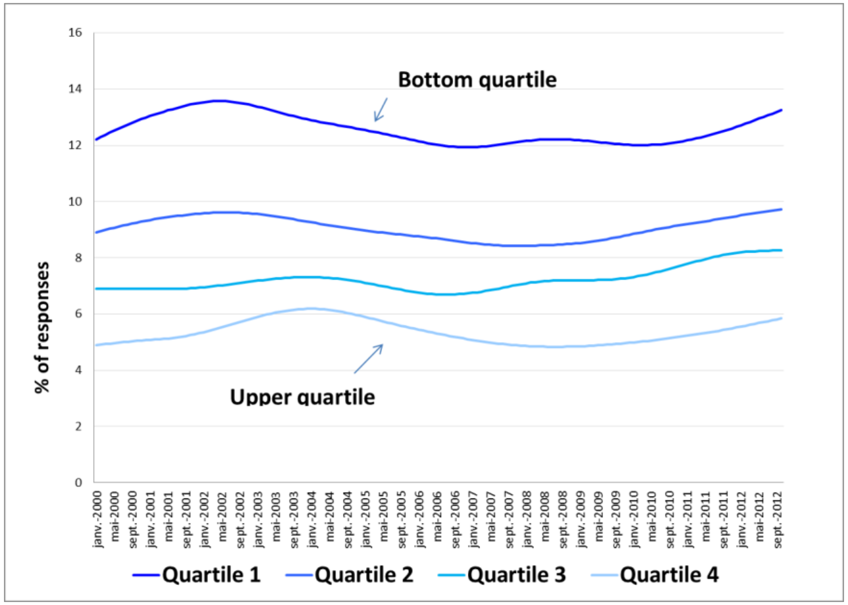
Source: Eurostat – LU and MT missing

Source: Ameco.

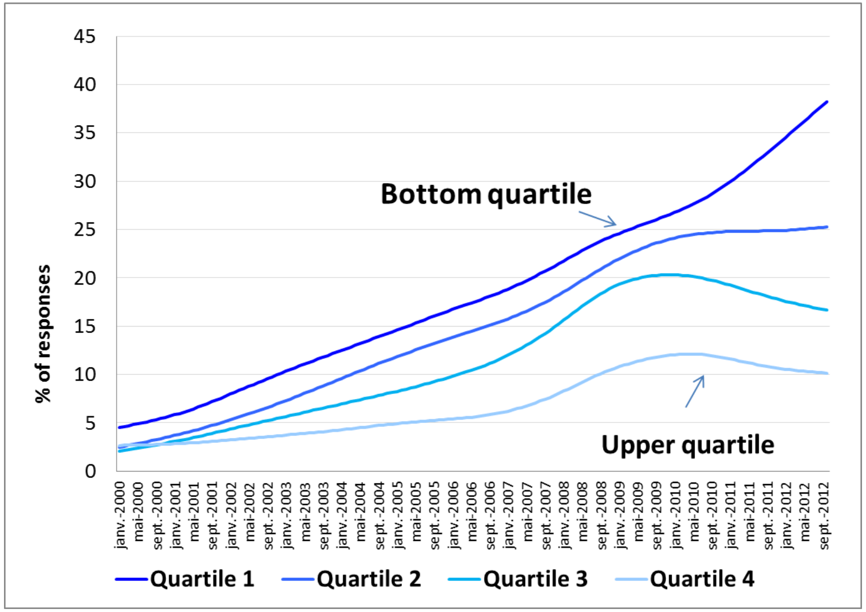
(3a) Financial distress on the rise (new indicator based on consumer surveys)

Share of people having to draw on savings or go into debt to keep up current expenses, by income quartile (2000-2012)

Austria



Spain



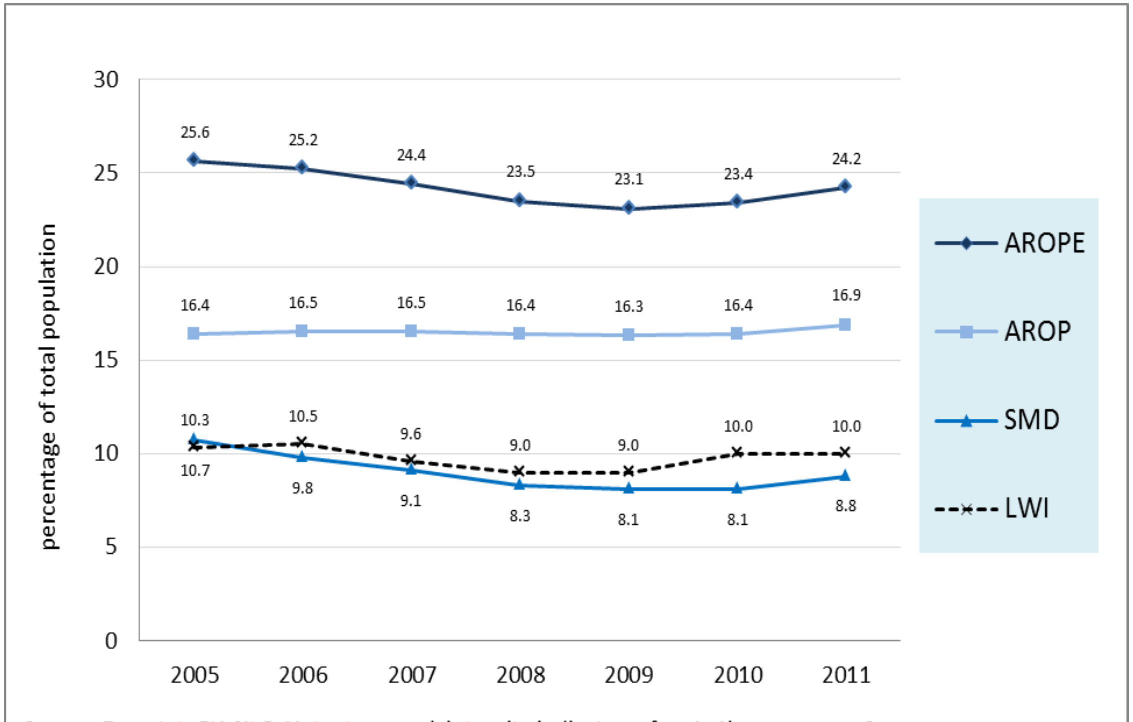
Source: Joint harmonised EU consumer surveys & DG EMPL calculations.

(3b) Risk of poverty and exclusion on the rise

- the risk of **poverty or exclusion** increased to 24.2 in 2011 (+0.8 ppt in one year)

- Increase in the number of **jobless** households is the most significant

- **Relative poverty also on the rise**



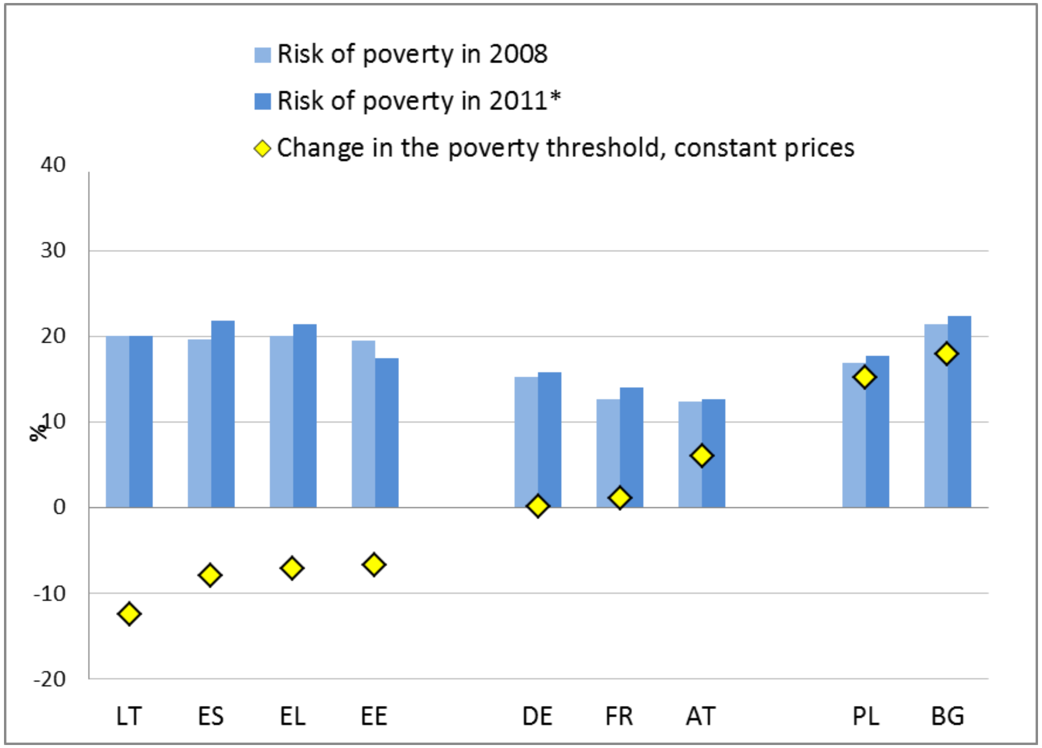
Source: Eurostat, EU-SILC. Note: Low work intensity indicator refers to the age group 0-59. 2011 figures are Eurostat estimates.

Source: Eurostat – EU-SILC

(3c) Evolution of the risk of poverty and of the poverty threshold

- the risk of poverty increased in Spain and Greece even if the poverty threshold dropped significantly

- Relative poverty increased in Germany and France despite stagnating poverty threshold



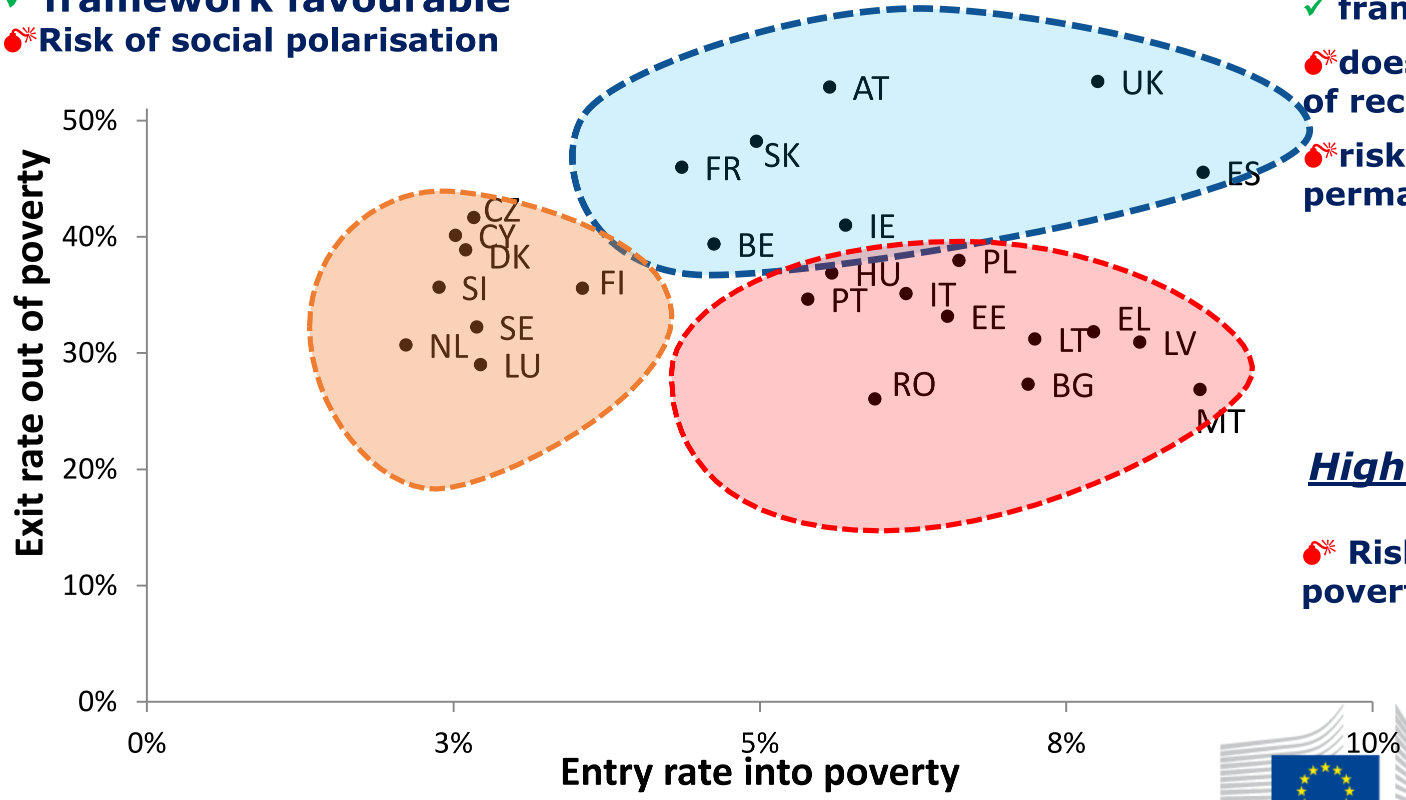
Source: Eurostat – EU-SILC

(3d) Looking at entries and exits separately rather than at poverty itself (Longitudinal SILC)

Low entry & low exit rates

✓ **framework favourable**

💣**Risk of social polarisation**



High turnover of poverty

✓ **framework favourable**

💣**does not exclude risks of recurrence**

💣**risk of 'core bulk permanently poor'**

High entry & low exit rates

💣 **Risk of massive poverty trap.**

2006-2009, EU-SILC, 18-64 population

(3e) Nowcasting changes in poverty (Microsimulation)

Table - Nowcasting the development of income distribution up to 2012— Change in indicator since income year of latest SILC statistics

	Period	Median (%)	Gini (ppts)	AROP (all) ppts	AROP (18-) ppts	AROP (65+) ppts
Estonia	2010-12	14%	-0.4	0.8	-2	10.3
Greece	2010-12	-20%	0.4	0.8	3.7	-10.2
Spain	2010-12	-3%	0.5	0.4	1.5	-2.8
Italy	2010-12	2%	0.2	-0.3	-0.2	-0.5
Latvia	2010-12	16%	0.5	0.1	-0.8	4.2
Lithuania	2010-12	10%	-0.4	1.8	4.2	2.4
Portugal	2010-12	-3%	-1.4	-0.6	0.7	-3.6
Romania	2010-12	2%	-0.6	0.0	0.1	-0.4

Source: Euromod estimates on the basis of SILC 2008 data (2007 incomes)— XXX. AROP60: at-risk-of-poverty rate (60 % of median

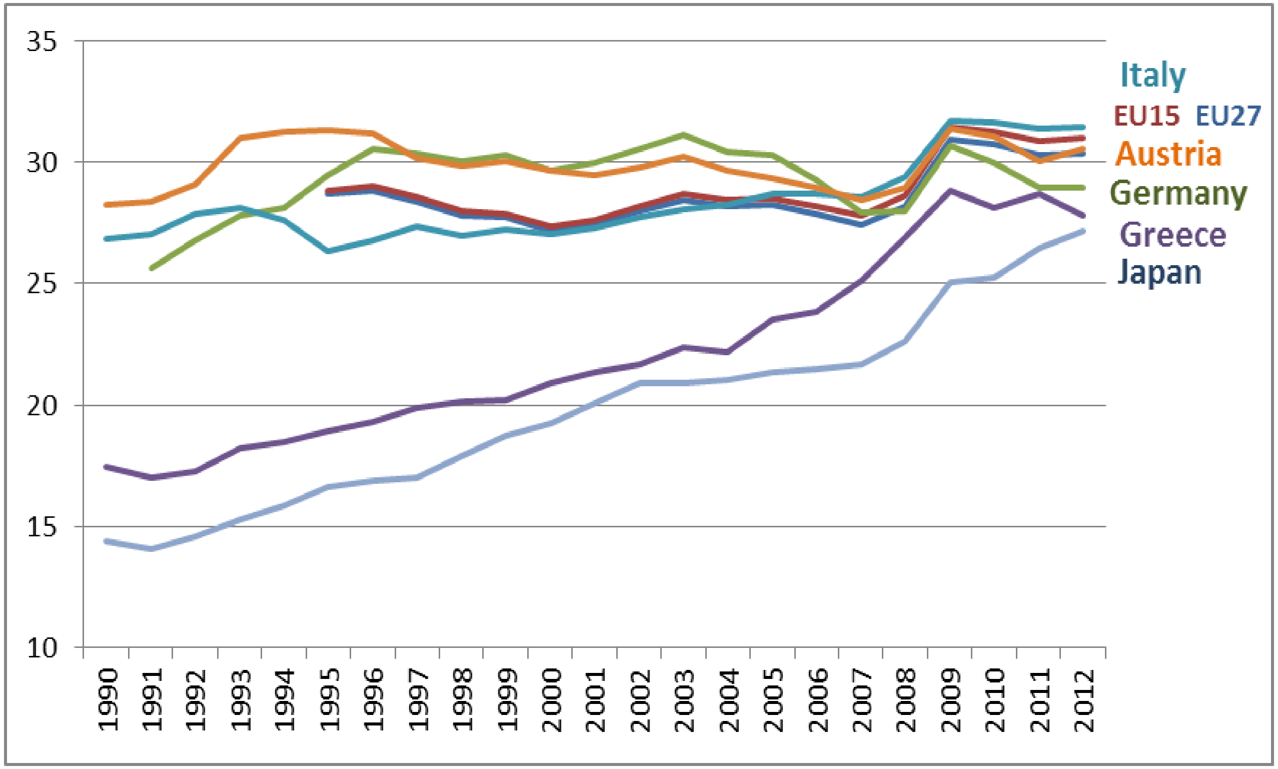
NB: Preliminary results from forthcoming Net-SILC2 working paper – not for dissemination

MORE EFFECTIVE AND EFFICIENT SOCIAL PROTECTION

(4) Evolution of social expenditures (ESSPROS)

Before and during the recession – Selected EU countries + Japan

% of GDP – forecast for 2011 and 2012

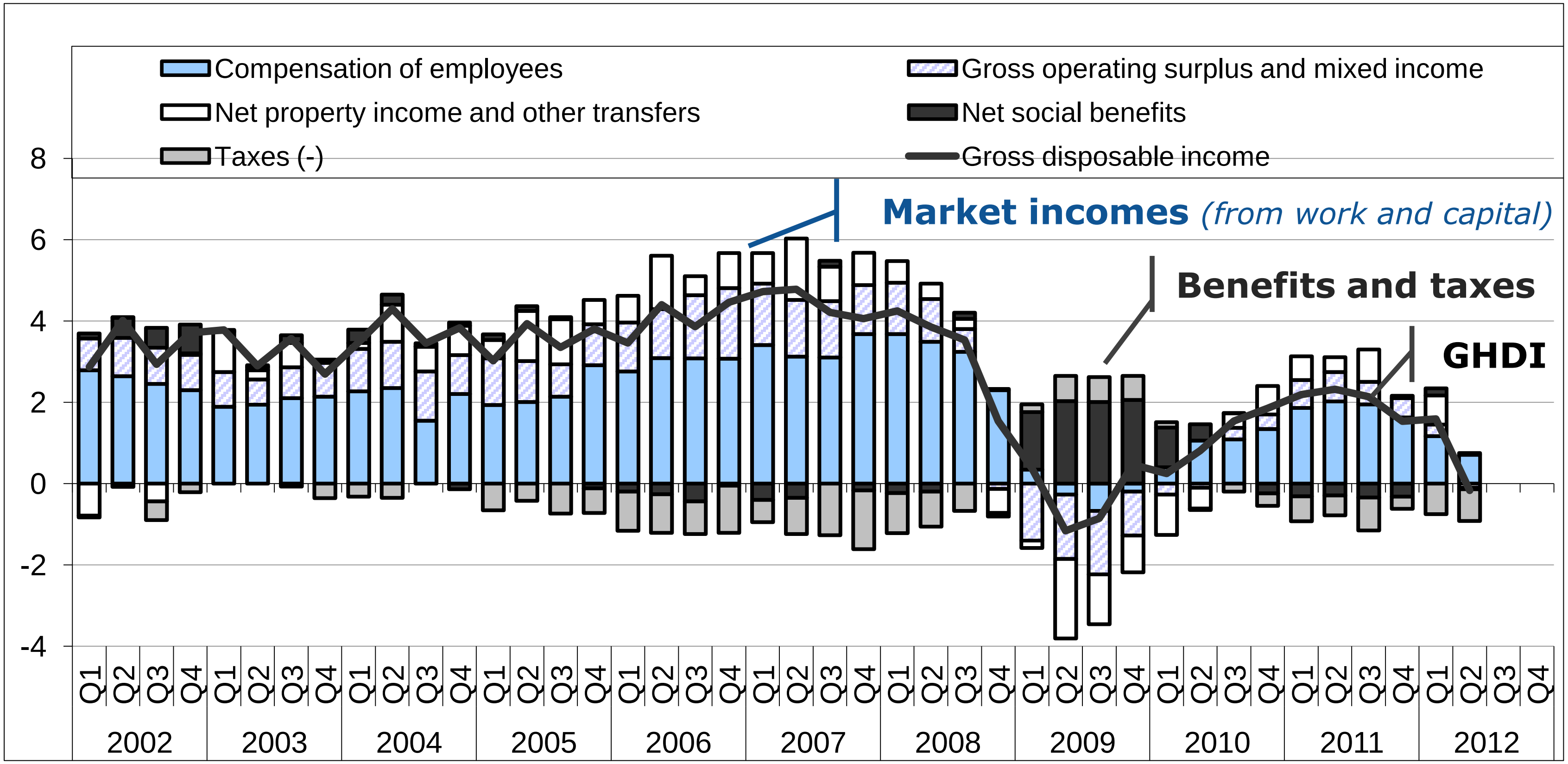


Source: National Accounts - AMECO database

Social expenditure reach 31% of GDP on average in the EU

(4a) Social transfers helped supporting household incomes in the crisis (National Accounts)

Change in Gross Disposable Household Income by component Euro area (year on year; quarterly 2000 – 2012)

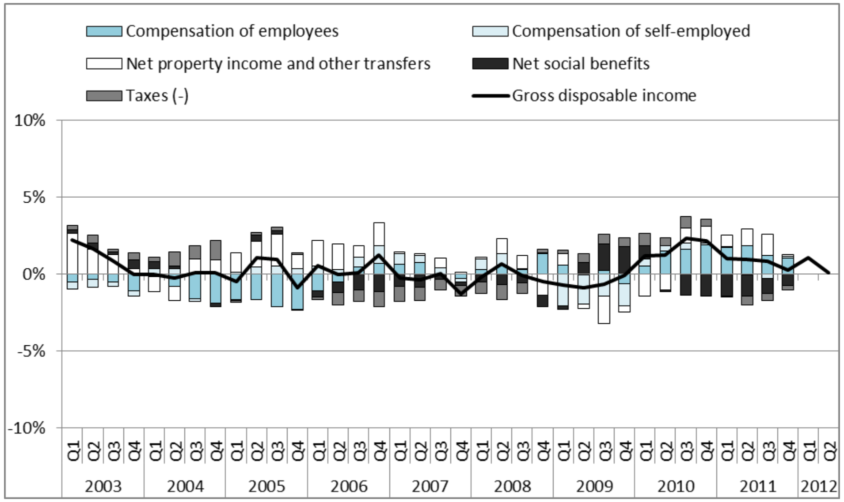


Source: Eurostat and ECB.

(4b) By country

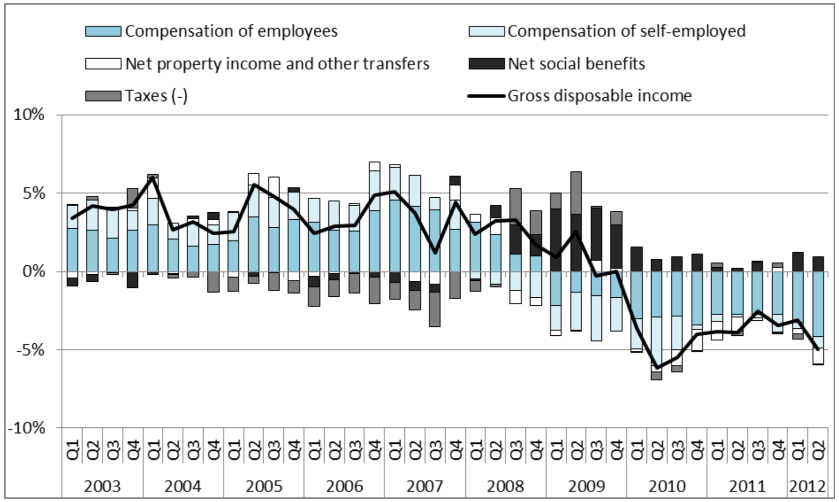
After 2010

Germany: Market incomes increase again with recovery; benefits not needed anymore



After 2010

Spain: Weakened social benefits do not compensate for falling market incomes



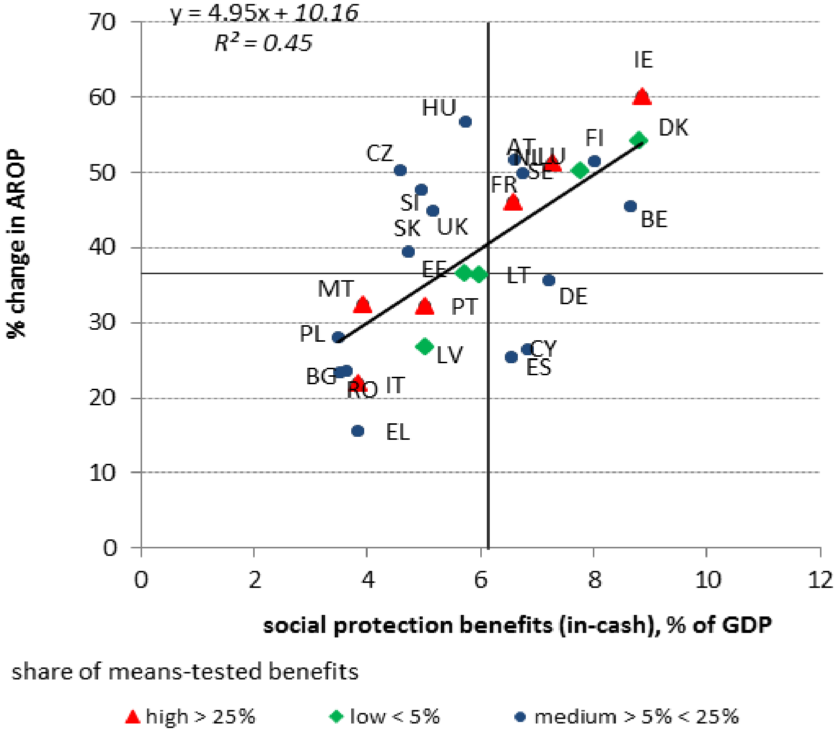
(4c) Redistributive role of social transfers: room for efficiency gains (SILC and ESSPROS)

- *Poverty reduction impact of social transfers depends on size and design*

- *Potential for efficiency gains*

- *Efficiency not a direct function of the level of targeting of cash transfers*

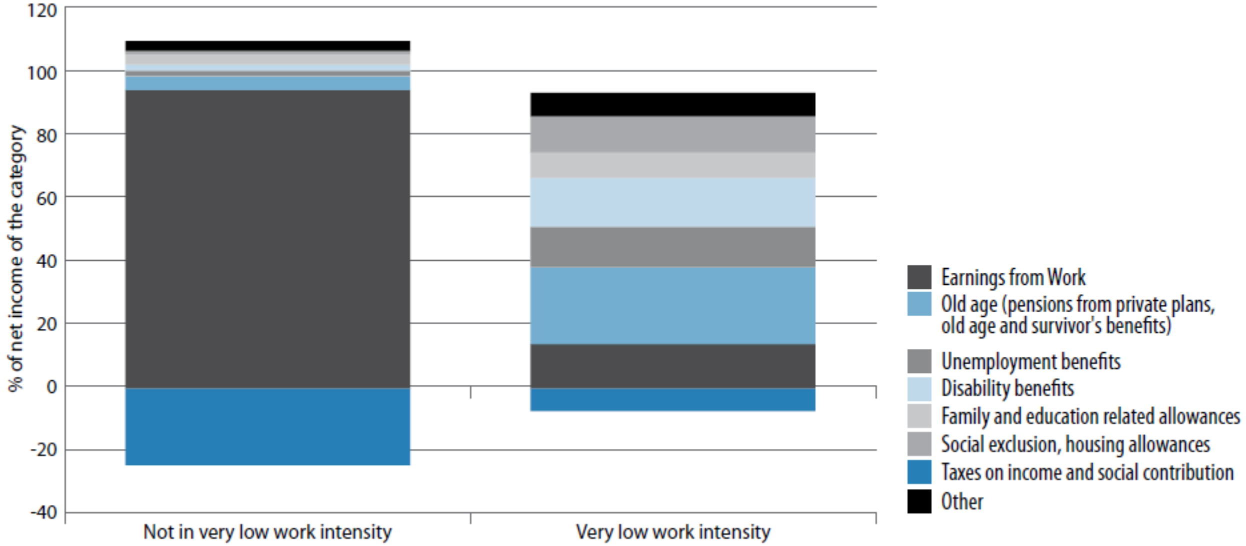
Social protection benefits expenditure (excluding pensions) and poverty reduction impact of social transfers



Source: Eurostat, EU-SILC 2010 (income year 2009) and ESSPROS 2009

(4d) Income composition of households – the role of benefits (SILC micro-data)

Chart 5: Income composition for people by work intensity of the household, 2009



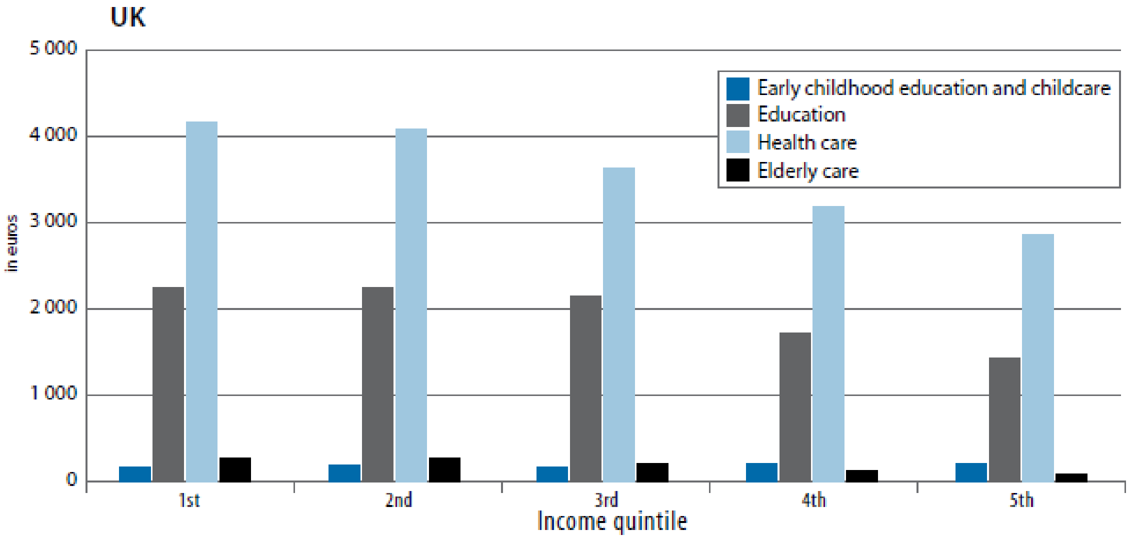
Source: DG EMPL calculations based on EU SILC

Population: EU-27 total population aged 18-64

Reading note: incomes from work represent 17 % of the net income of the household of people living in very low work intensity households and 112 % of the net income of the rest of the population. Old age-related incomes (pensions, old age benefits, survivor's benefit) represent 30 % of the gross income of the household of people living in very low work intensity households and 5 % of the income of the rest of the population. For both populations (living or not living in a very low work intensity households), the sum of the components is equal to 100 % (representing net income). 'Other' refer to taxes on wealth, inter-household transfers, interest repayments on mortgages, income from capital/rental of property.

(4e) Modelling: Redistributive impact of in-kind services

Distribution of in-kind benefits by quintiles



Beyond disposable income inequality: in-kind benefits reduce inequality further by one-fifth

Education, training, healthcare is also investment

- ***Source: ESDE (2011)***

IMPROVING DATA AVAILABILITY

Timeliness
SILC and other sources
Data on social protection systems
Modelling (Euromod)

Statistical Priorities and modelling (1)

Improving timeliness

- Improving SILC delivery, especially for material deprivation
- Adding auxiliary data in LFS (monthly income)
- Use models to produce nowcasts
- Use alternative sources: e.g. consumer surveys (financial distress indicator)

Upcoming SILC revision (with European Statistical systems)

- Improving the measurement of material deprivation,
- Improving the longitudinal component of SILC to better analyse the dynamics of poverty and exclusion
- Improve data on access to services to better measure the redistributive impact of in-kind benefits
- Better documentation of indicators

Statistical Priorities and modelling (2)

Data on social protection systems

- ESSPROS: Good identification of in-kind benefits, means-tested benefits, net expenditure
- Data on benefit recipients (Coverage rates, Take-up rates, Characteristics of the beneficiaries)

Alternative sources

- Special data collection efforts « extreme » poverty (homelessness, Roma): Poverty maps and Roma with World Bank and FRA

Modelling

- Euromod microsimulation to illustrate impact of reforms on poverty, budgets, labour market incentives or economic stabilisation
- OECD/EC tax benefit model