



Employment and Social Developments in Europe 2019

Sustainable growth for all: Choices for the future of Social Europe

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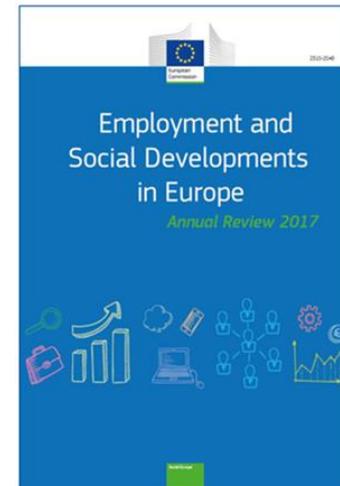
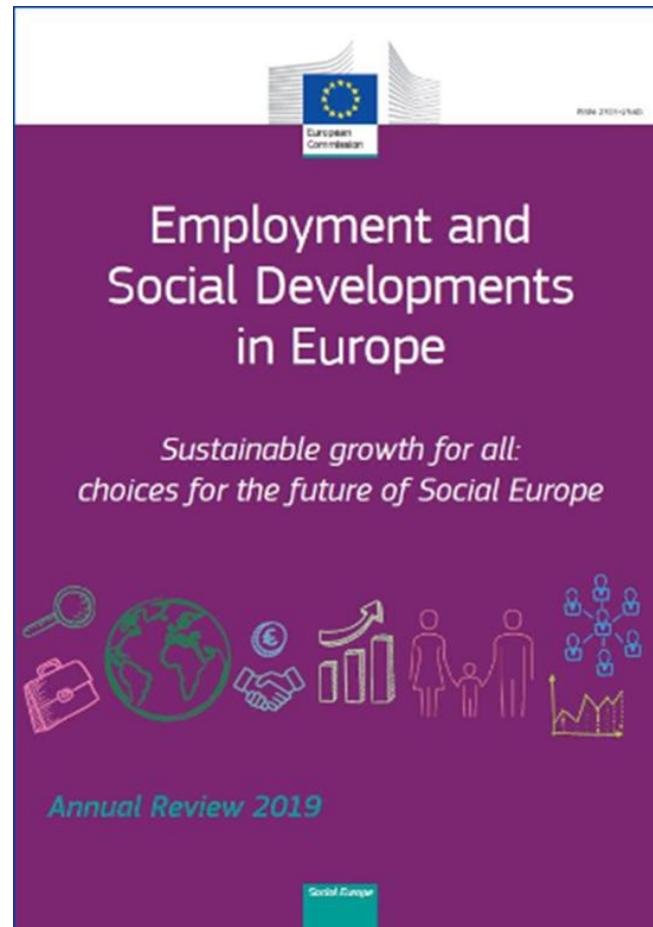
ADEPP, INAP Conference, Rome, 8 November 2019



Employment and Social Developments in Europe annual review

Overarching themes of ESDE reviews 2017-2020:

- **Intragenerational fairness and solidarity (2017)**
- **New world of work: beyond digitalisation (2018)**
- **Sustainable growth for all: choices for the future of Social Europe (2019)**
- **? (2020)**





***Sustainability:
"living well within the
boundaries of our
planet"***



Main sustainability challenges:

- *contrasting socio-economic developments and remaining inequalities - remnants of the crisis*
- *low productivity growth, institutions*
- *investment gaps, incentive structures – short-term costs vs. long-term benefits*
- *unequal employment, social and distributional impacts of megatrends (technological change, ageing, globalisation, climate change)*

Analysis in ESDE 2019:

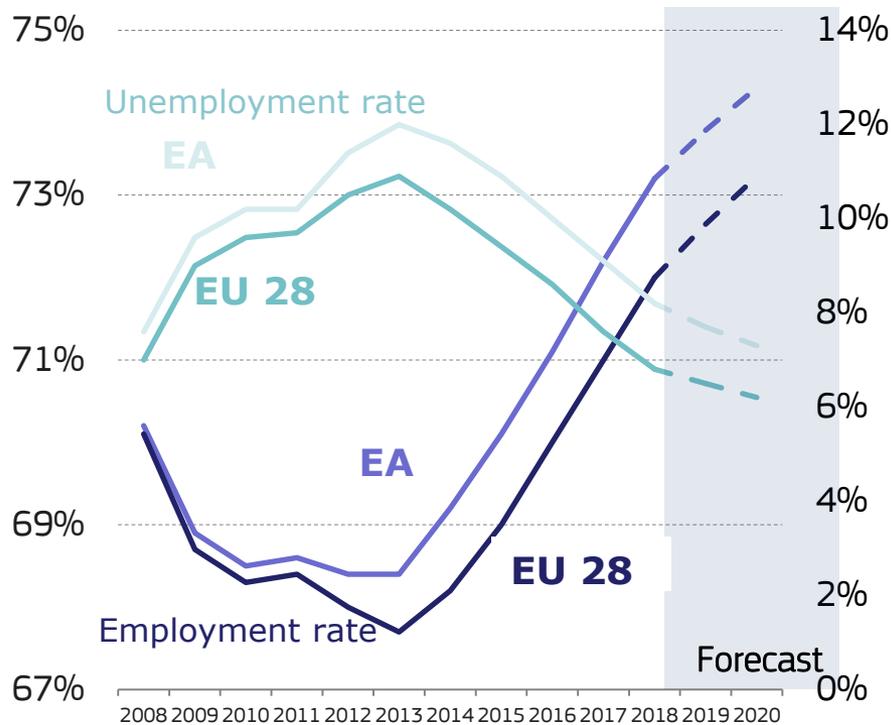
- *Economic growth: boosting productivity*
- *Social investment: productive investment*
- *Climate change: costs of inaction and (net) benefits of action*
- *Social dialogue: promoting sustainability*

Integrating upfront social considerations into policy design and implementation is key



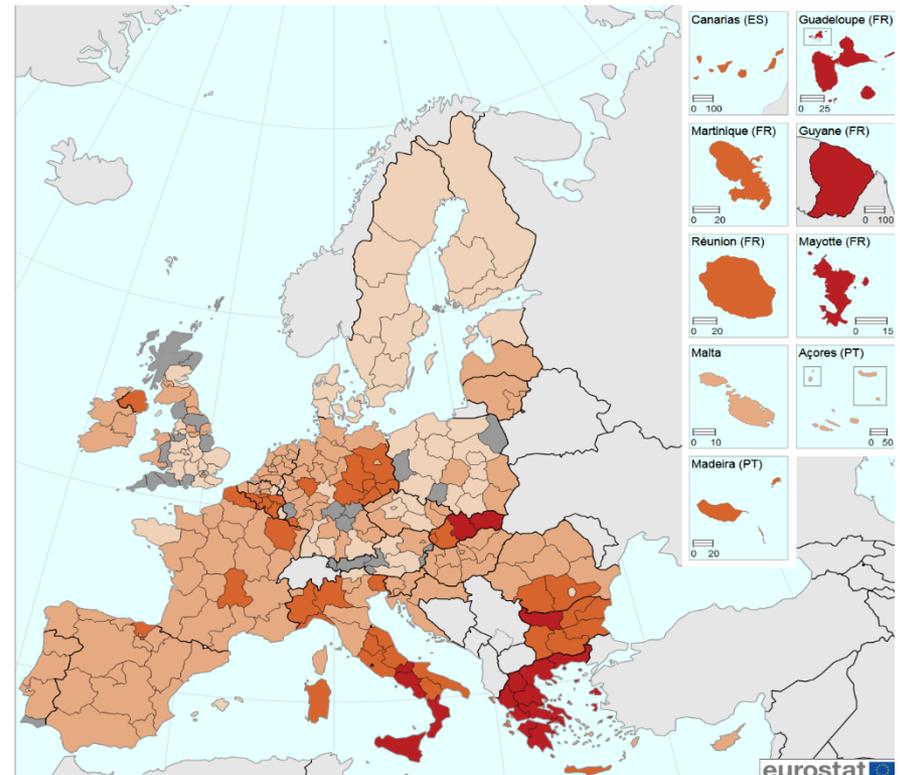
Record EU employment and unemployment rates but still pronounced divergences incl. at regional level

Unemployment rate (15-74): right scale
Employment rate (20-64): left scale



Source: Eurostat EU LFS

Long-term unemployment shares
 (by NUTS 2 regions, 2018, % share of unemployed persons, 15-74)



Source: ESTAT



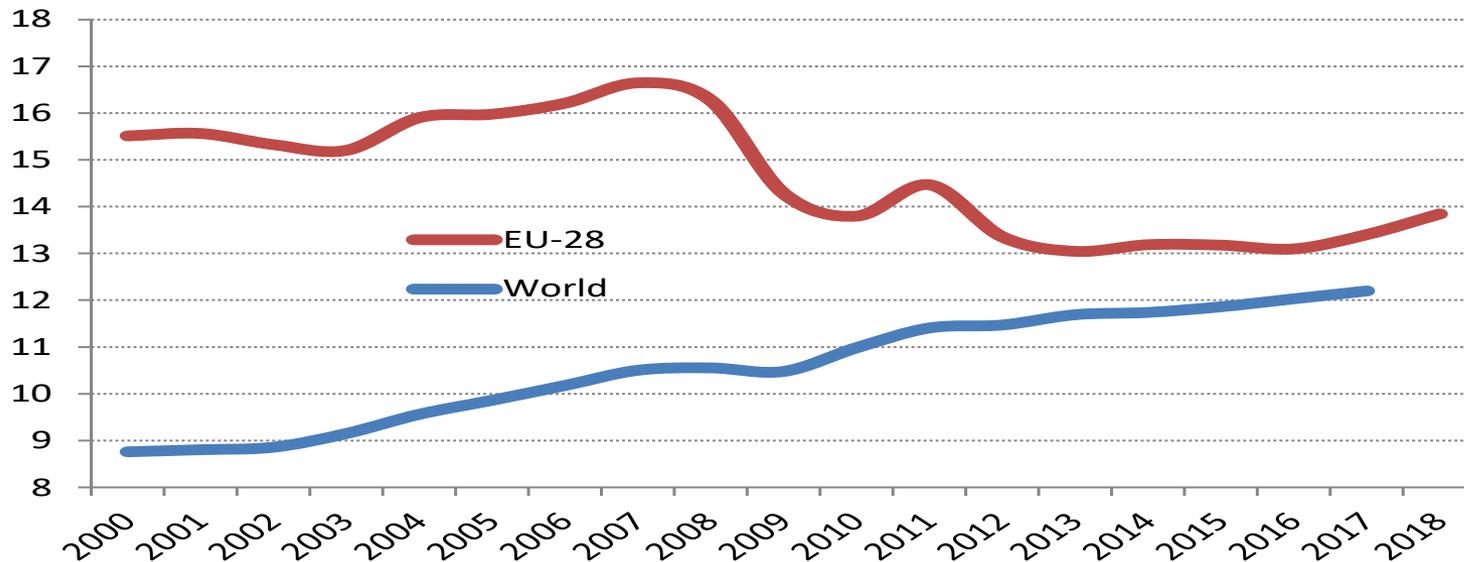
Employment will face its limits soon





In light of planetary boundaries and demographic trends, current economic growth may not be sustainable

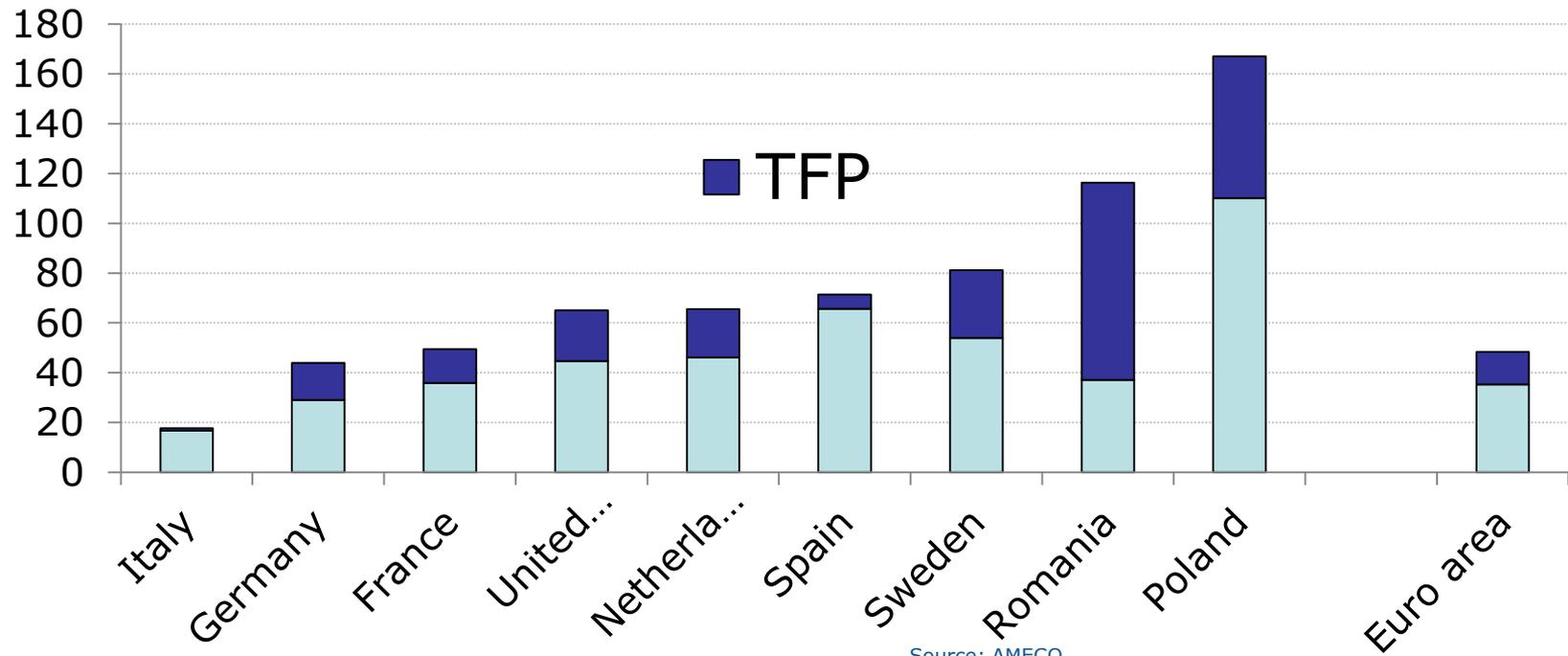
Domestic material consumption (DMC) per capita



Sources:
Eurostat
and UN statistics



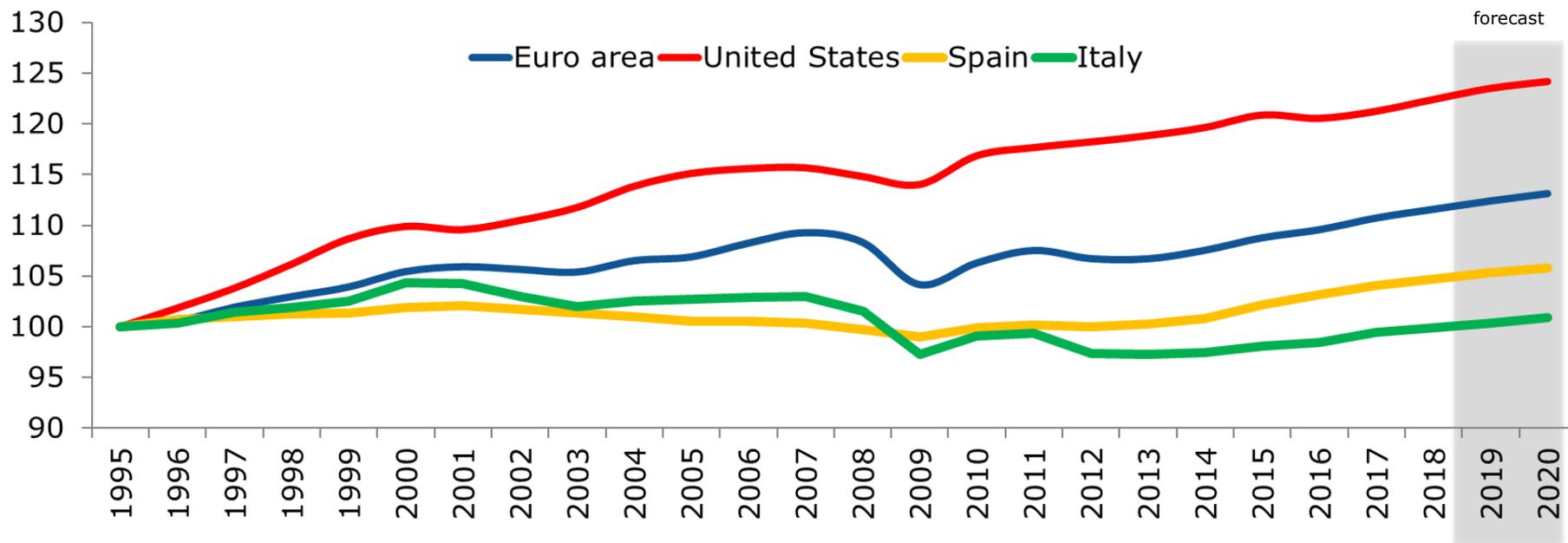
Since 1995, less than 1/3 of Europe's growth has come from TFP



Source: AMECO



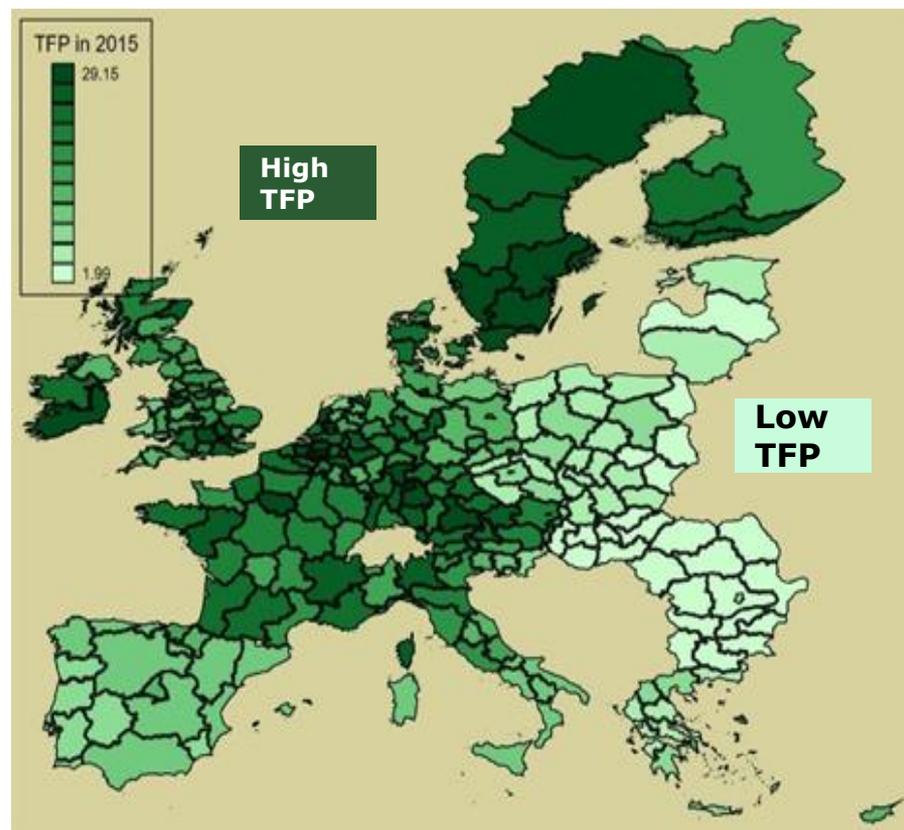
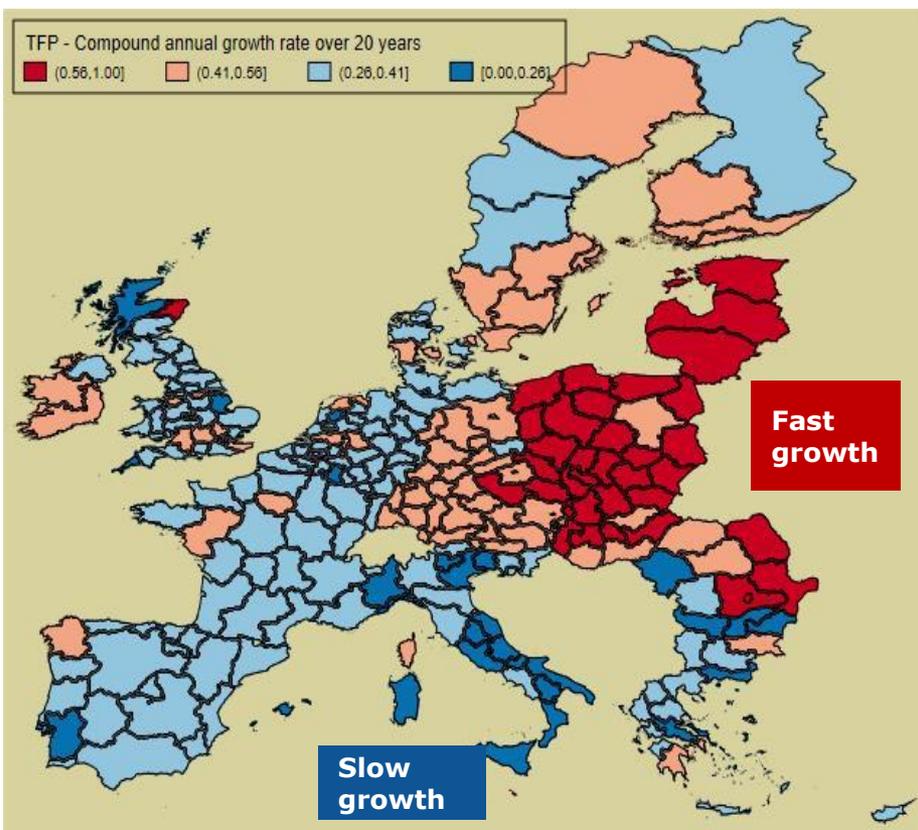
TFP: Europe is not catching up with the US



Total Factor Productivity has been converging ... but large differences remain

TFP Change 1995-2015

TFP Level 2015





Human capital and R&D strongly determine TFP growth

Regression coefficients with TFP as dependent variable

<i>Dependent variable: TFP growth</i>	Model A1	Model A2	Model A3	Model B1	Model C1	Model D1
Human Capital	0.057***	0.016***	0.080***	0.070***	0.070***	0.016
Human Capital*gap	-0.030***	-0.028***	-0.031***	-0.035***	-0.033***	
R&D				0.003***	0.003***	0.005***
KSI					0.013***	0.01
Human Capital*R&D*gap						-0.011***
Constant	-0.093***		-0.146***	-0.122***	-0.128***	-0.037
Dummies countries			yes	yes	yes	yes
Dummies years			yes	yes	yes	yes
Observations	4172	4172	4172	4172	4172	4172
Regions	263	263	263	263	263	263

Source: DG EMPL, based on Eurostat, Cambridge Econometrics, EU-KLEMS and national sources



Institutions and trust are crucial for productivity, too

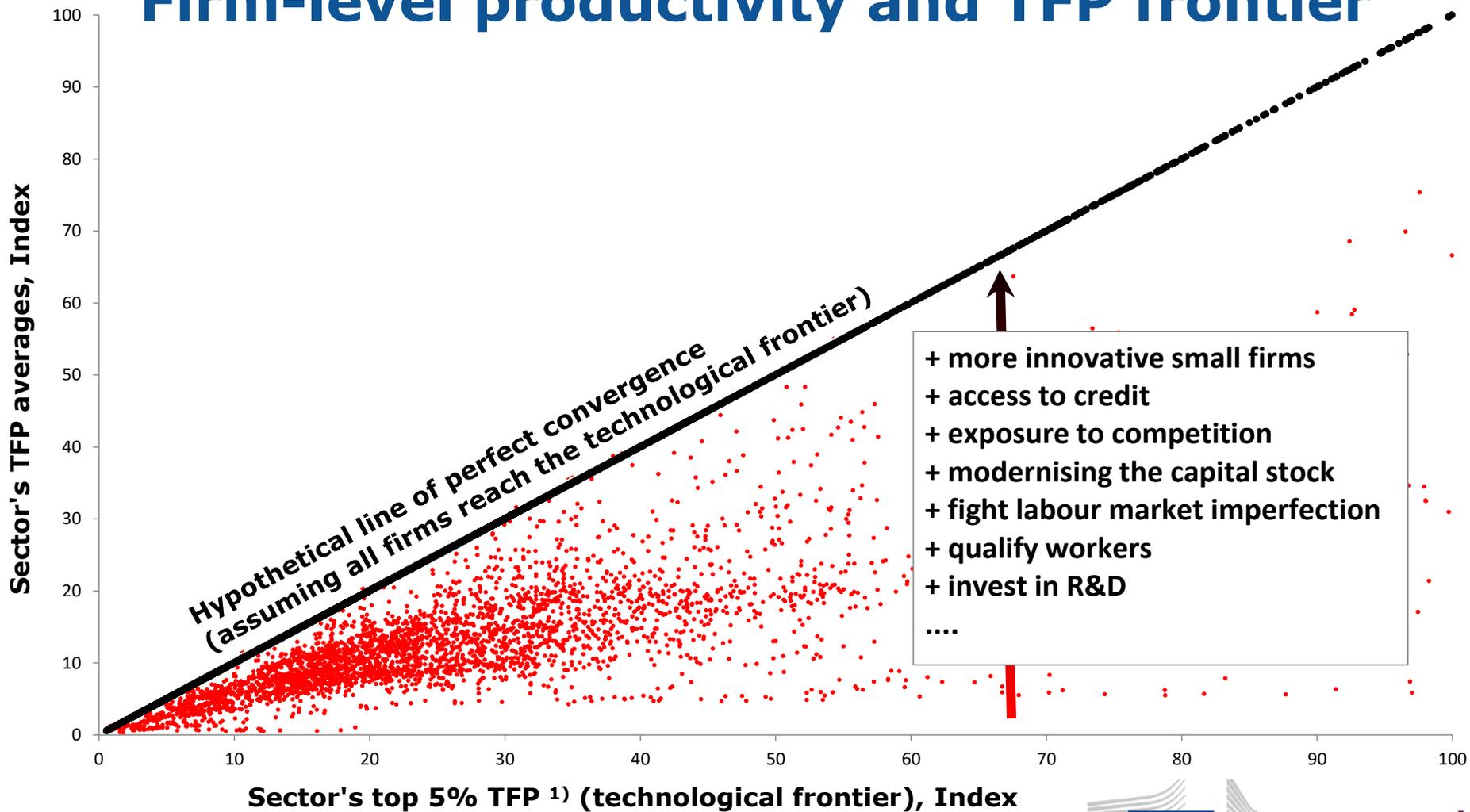
Regression coefficients with TPF as dependent variable

<i>Dependent variable: TFP growth</i>	Model A4	Model B2	Model C2	Model D2	Model E1	Model E2	Model E3
Human Capital	0.0807**	0.0938**	0.0838*	0.054	0.0803**	0.0752**	0.0719**
Human Capital*gap	-0.0230**	-0.0256**	-0.0262**		-0.0217**	-0.0234**	
R&D			0.0007	0.0028		0.0016	0.0056**
KSI			-0.0083	-0.0154			
Human Capital*R&D*gap				-0.0097**			-0.0158**
Quality of Government	0.0003**	0.0001	0.0001	0.0001			
Corruption					0.000	0.000	0.000
Rule of law					0.0003*	0.0003*	0.0002
Effectiveness, voice and accountability					0.0003*	0.0003*	0.0003*
Constant	0.0807**	0.0938**	0.0838*	0.054	0.0803**	0.0752**	0.0719**
Dummies countries		yes	yes	yes			
Dummies years		yes	yes	yes			
Observations	526	526	526	526	526	526	526
Regions	263	263	263	263	263	263	263

Source: DG EMPL, based on Eurostat, Cambridge Econometrics, EU-KLEMS and national sources



Firm-level productivity and TFP frontier





Main messages

Current economic growth may not be sustainable over the long term. Need to focus on efficient use of resources and TFP.

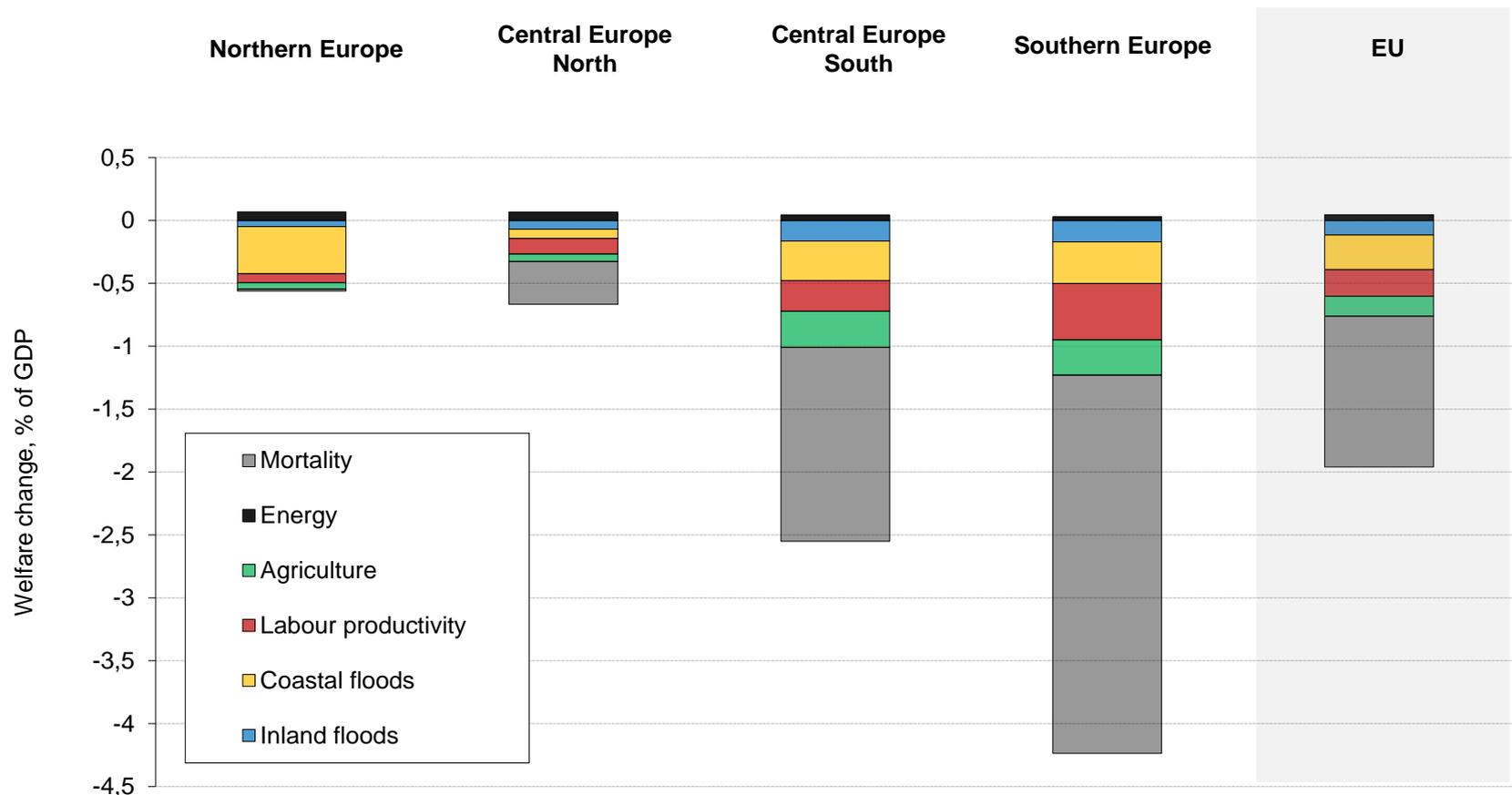
Human capital fosters innovation in regions/firms.

Investment in (high quality) human capital and in R&D accelerates absorption of innovative technologies from frontier regions/firms.

Efficient labour markets help raise TFP.

Single Market helps firms increase TFP, including through diffusion of new technologies and fair competition.

Socio-economic costs of climate inaction in the EU (long-term impact on GDP)

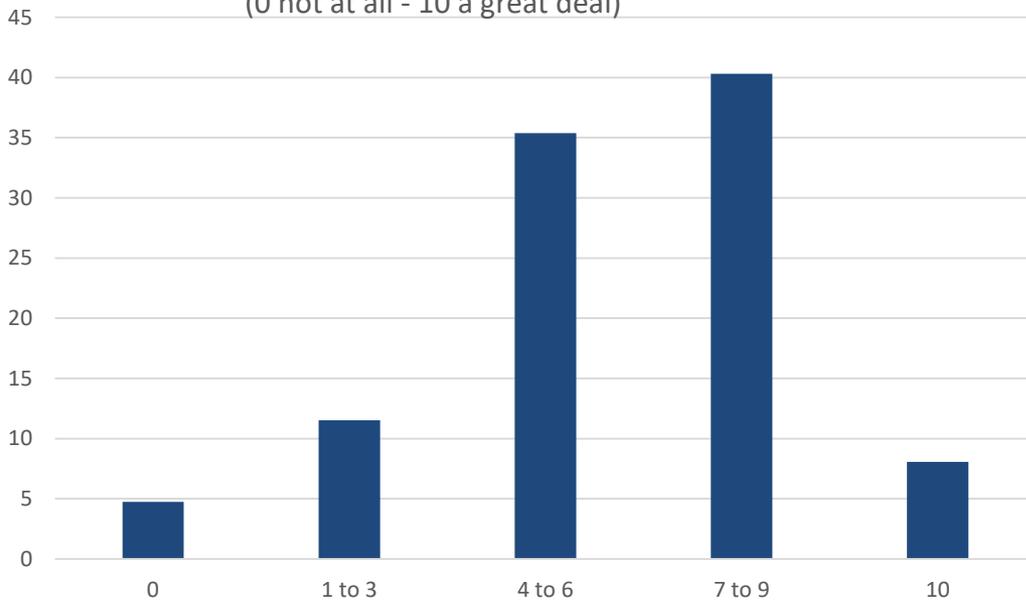


Source: In % of GDP; PESETA III studies, JRC (2018)

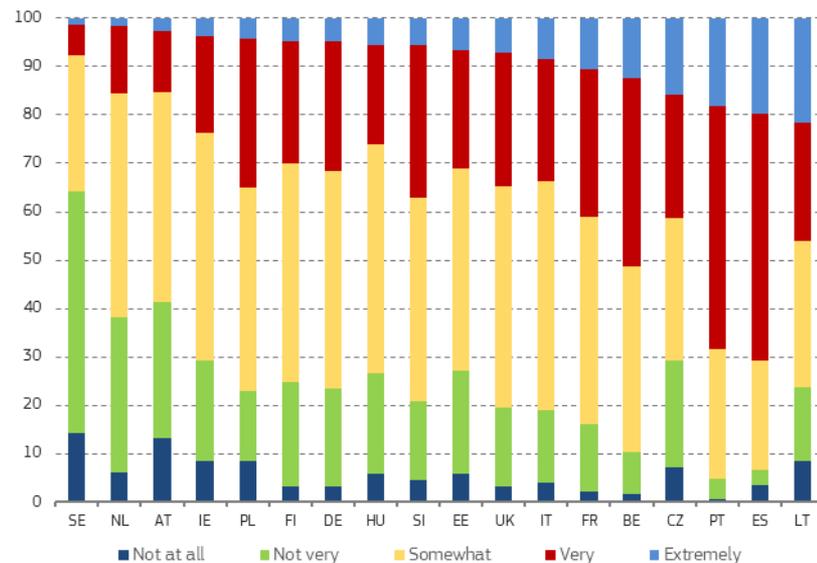


EU citizens broadly support climate action and express concerns about the social dimension

Personal responsibility to tackle climate change
(0 not at all - 10 a great deal)

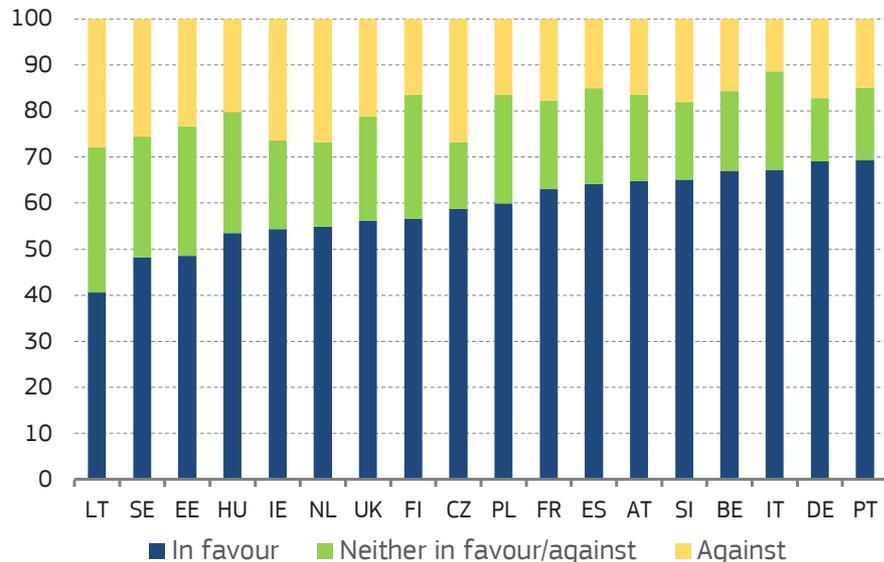


Responses to the question: « how concerned are you that energy may be too expensive for many people in [country]?»

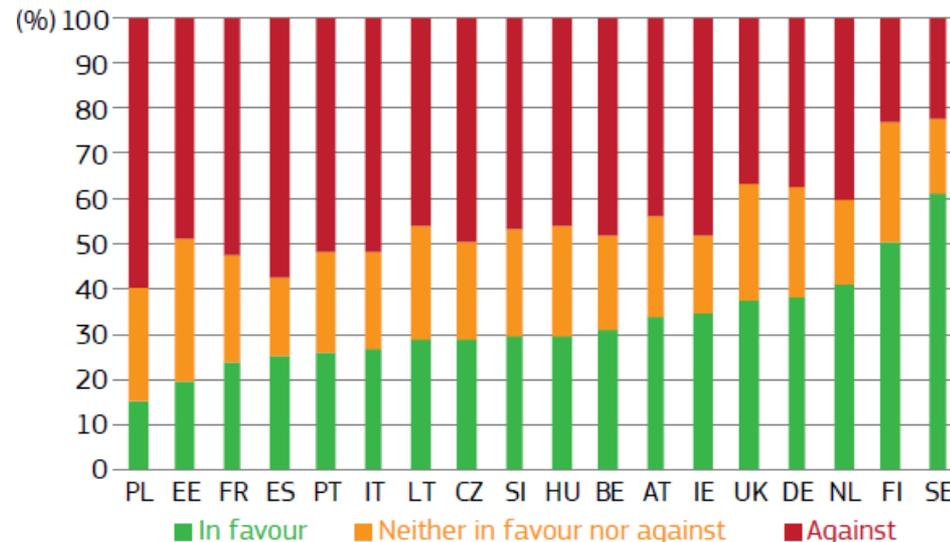


... but views on the most effective policy measures vary widely

Banning the sale of inefficient household appliances



Taxes on fossil fuels to reduce climate change

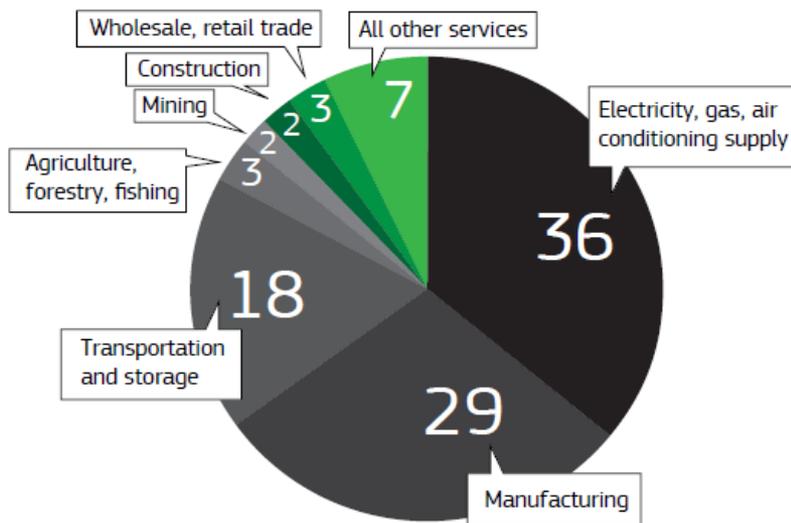


Source: European Social Survey 2016

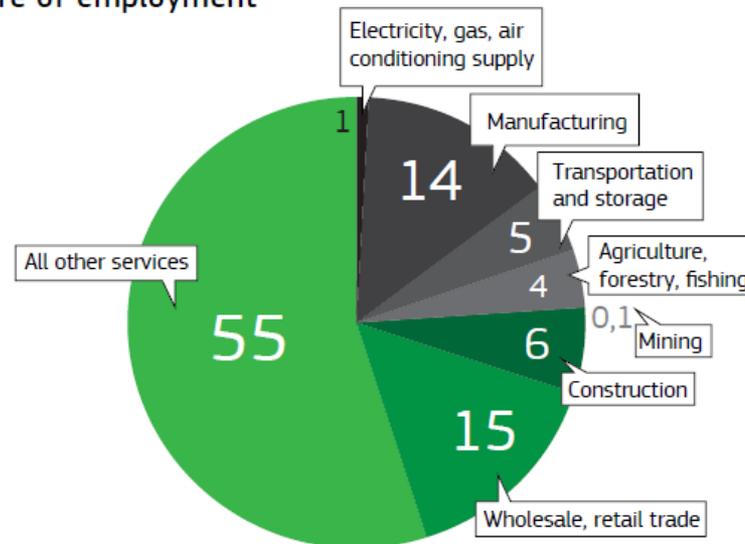
Notes: Categories Refusal to Answer and Do not know omitted.

More than 75% of jobs are in sectors that emit less and grow faster

Share of emissions



Share of employment



Higher CO₂ emission sector
 Lower CO₂ emission sector

Source: Eurostat and calculations by Bowen and Hancké (forthcoming).
 Employment and emissions in % of total, with sectors (NACE 08) ordered by decreasing share of CO₂ emissions.

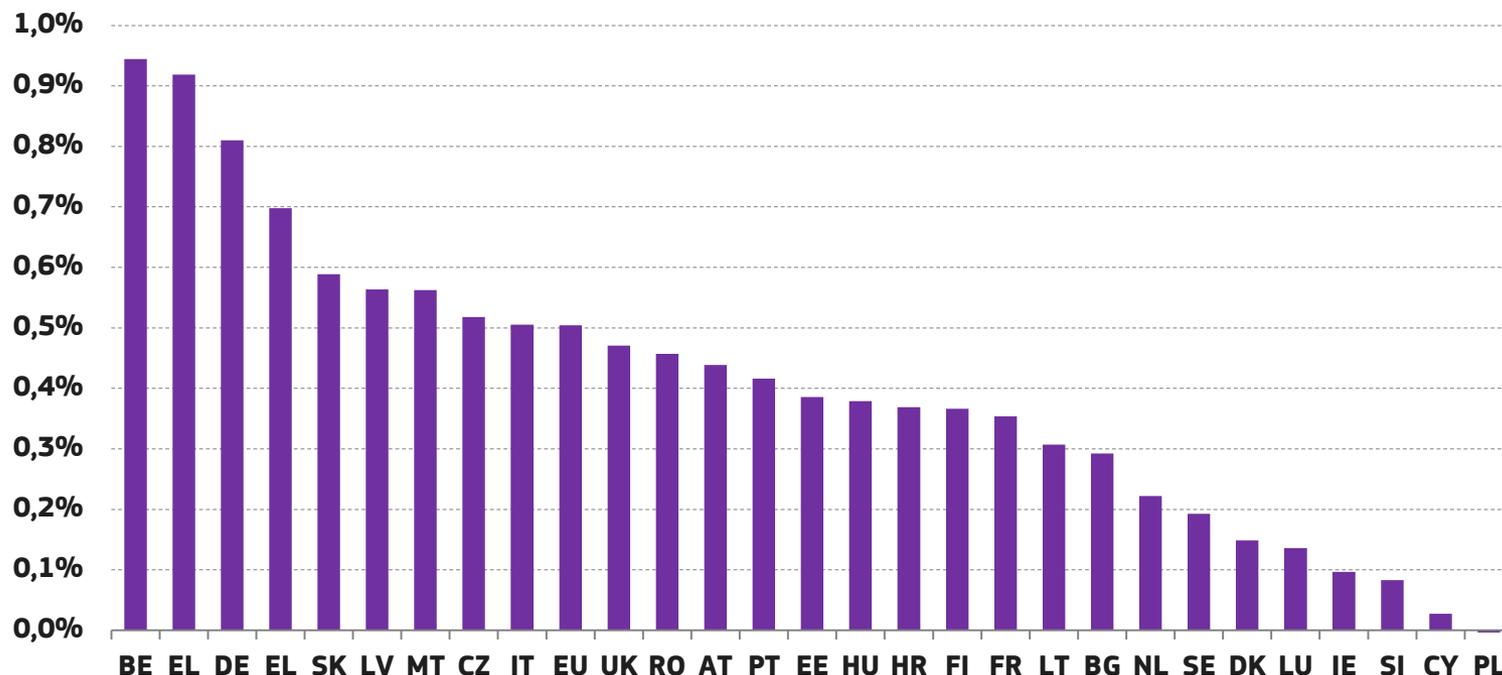


Sectoral employment changes by 2050

Sector	Share of total jobs in 2015	Range of change in jobs by 2050 compared to baseline	Categorisation
Construction	6.7%	+0.3% to +2.8%	✓
Services	71.7%	-2.0% to +0.9%	? Broad sector, depends mainly on GDP
Agriculture	4.5%	-0.7% to +7.9%	✓
Mining & extraction	0.5%	-62.6% to -2.9%	! Fossil fuel-related mining expected to decline
Power generation	0.7%	+3.6% to +22.3%	✓
Manufacturing (EII)	2.0%	-2.6% to +1.8%	! Deep decarbonisation requires substantial changes to production processes
Other manufacturing	13.3%	-1.4% to +1.1%	! Mobility transition will impact automotive manufacturing



Climate action helps total employment to grow, but varies with starting conditions and policies ...





**... requiring reskilling, labour reallocation across sectors
and concentrated job losses ...**

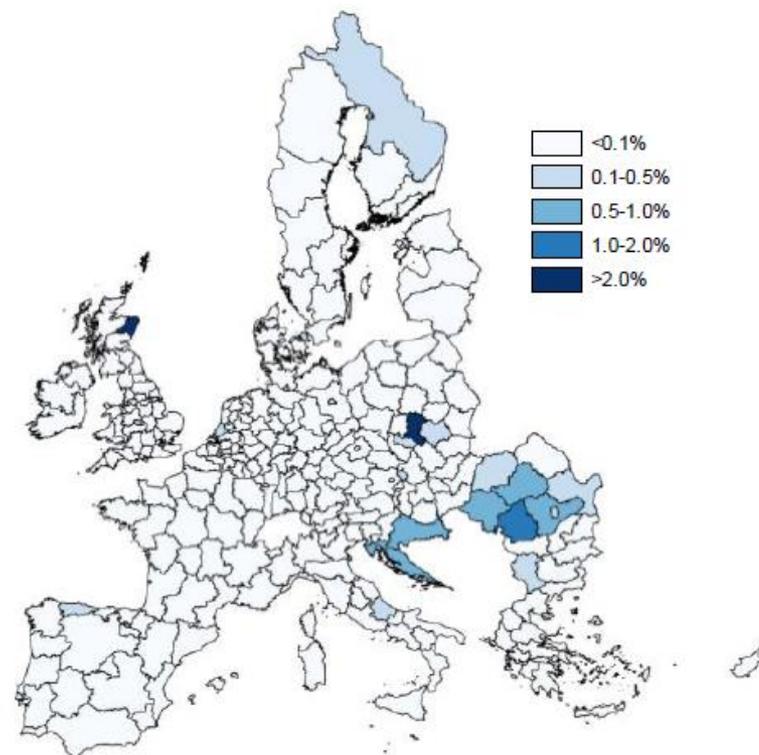
Employment implications in the EU at sectoral level, 2030

Deviation from the baseline in % and thousands of employees

Sector	percent	thousands
Agriculture	0,5	40
Mining	-16,6	-93
Manufacturing	0,7	209
Utilities	-2,4	-72
Construction	1,1	160
Distribution, retail, hotels, catering	0,6	305
Transport, communications	0,5	64
Business services	0,7	473
Non-business services	0,3	142
Total	0,5	1228

Source: Eurofound (2019); Note: in thousand employees

**Share of employment
fossil fuel extraction and mining**

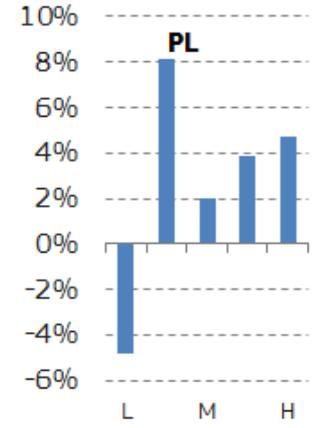
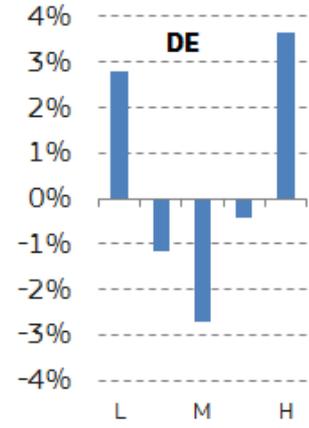


Source: European Commission (2018)

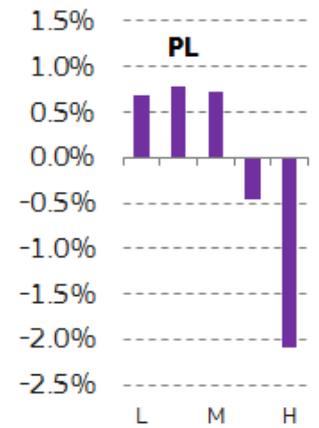
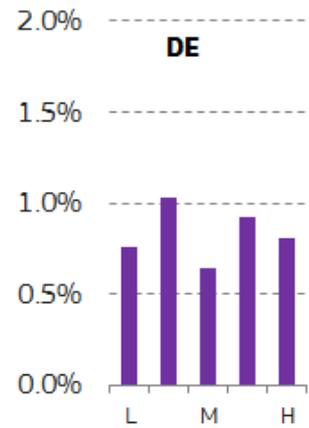


... mitigating job polarisation and supporting inclusive job growth

Employment gains from climate action by skill-wage profile and sector, 2030



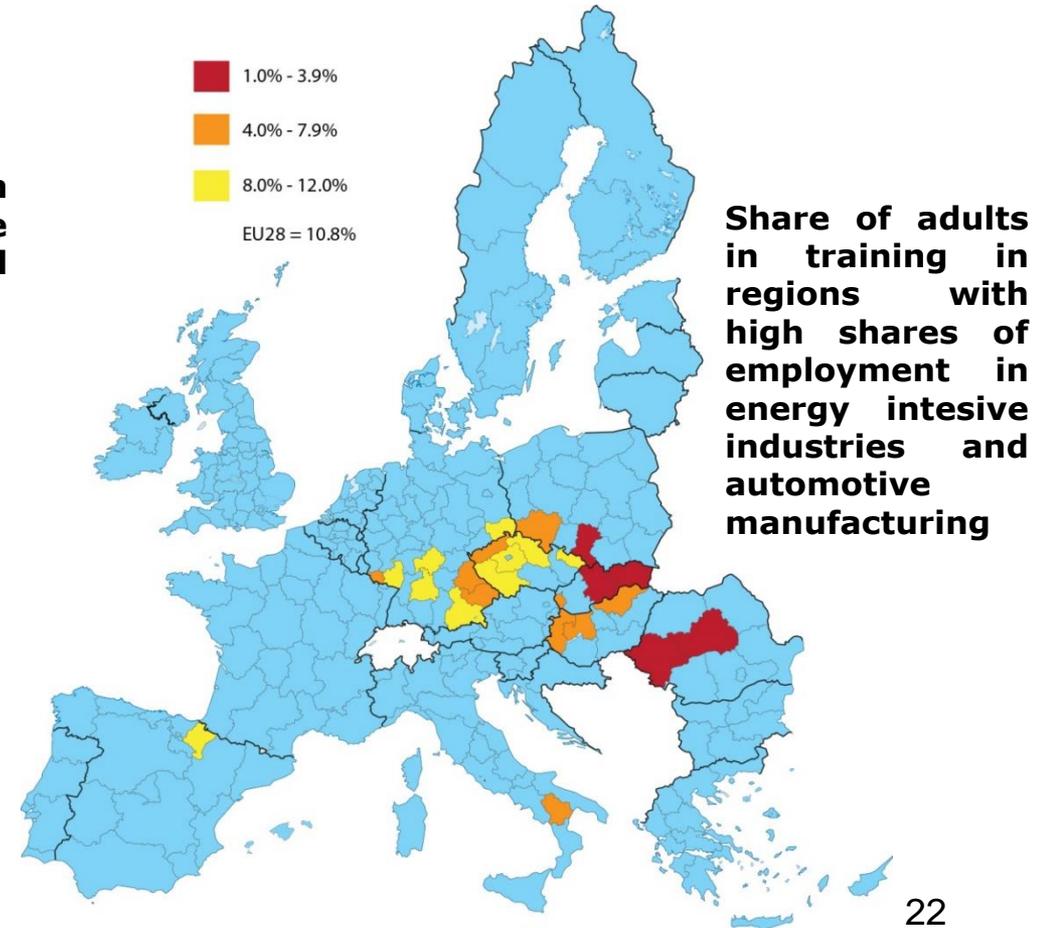
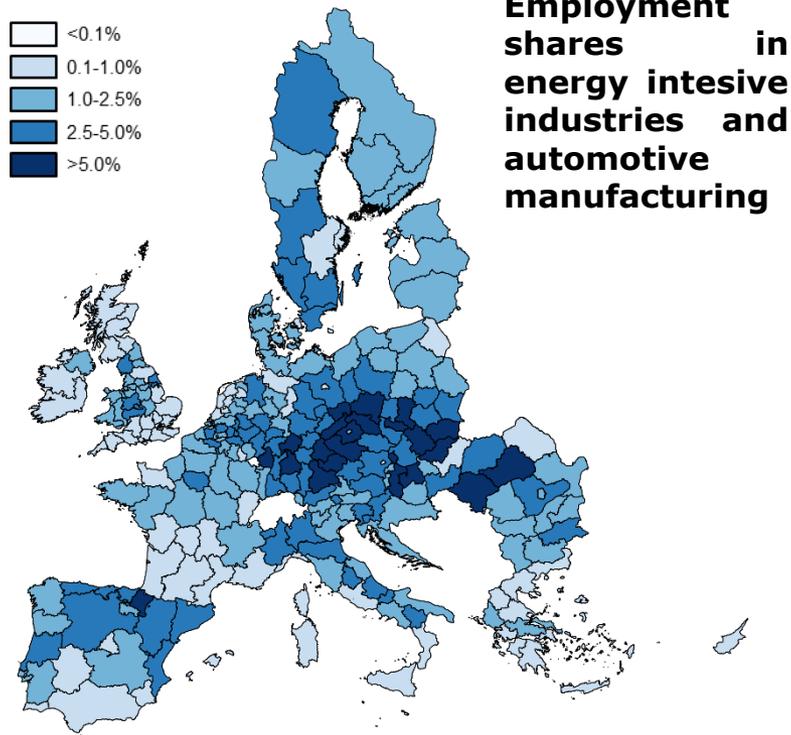
FOME Baseline



FOME Energy scenario



Transition challenges vary across regions





Policy pointers

'Think social from the outset':

→ better invest upfront than compensate ex-post

→ integrated policies and governance to boost productivity and activity through:

- innovation
- new and better skills
- inclusive labour markets
- inclusive social protection
- a just transition to a climate-neutral economy and society (leaving nobody behind)
- social dialogue focus on sustainability solutions



Policy tools for just transition

Key role for social and employment policy to accompany the transition and mitigate potentially adverse effects:

- stimulating investments, including in retraining and upskilling of the workforce
- diversification of the economy and creation of new businesses and employment, including in the social economy
- income replacement, social protection and mobility support to accompany labour market transitions
- energy-efficiency, social benefits and social housing measures to reduce energy poverty and mitigate financial pressures on households
- adequate funding for investments and accompanying or compensatory measures, including revenue recycling and fair burden sharing



Enabling frameworks

EU

- European Pillar of Social Rights
- European Structural and Investment Funds, notably ESF+
- European Globalisation Adjustment Fund
- InvestEU and Horizon Europe programmes

Member States

- Country-specific recommendations under European Semester and Energy Union governance (NECPs)
- Coal and Carbon-Intensive Regions in Transition

Social Partners

- social dialogue for sustainability and just transition



European Green Deal

first priority in political guidelines of President-elect

- Europe as the first climate-neutral continent
- just transition for all, leaving nobody behind
- new industrial strategy and circular economy action plan
- biodiversity strategy, sustainable food, zero-pollution, ...

proposal in the first 100 days in office including:

- European Climate Law
- Just Transition Fund
- European Climate Pact
- Sustainable Europe Investment Plan
incl. "Europe's climate bank"



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in Europe 2019*

*Sustainable growth for all:
choices for the future of Social Europe*

#ESDE2019

ESDE 2019 – FULL REPORT

ESDE 2019 conference, 27 September 2019, Brussels

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