



Labour market segmentation

21 May 2015, Warsaw

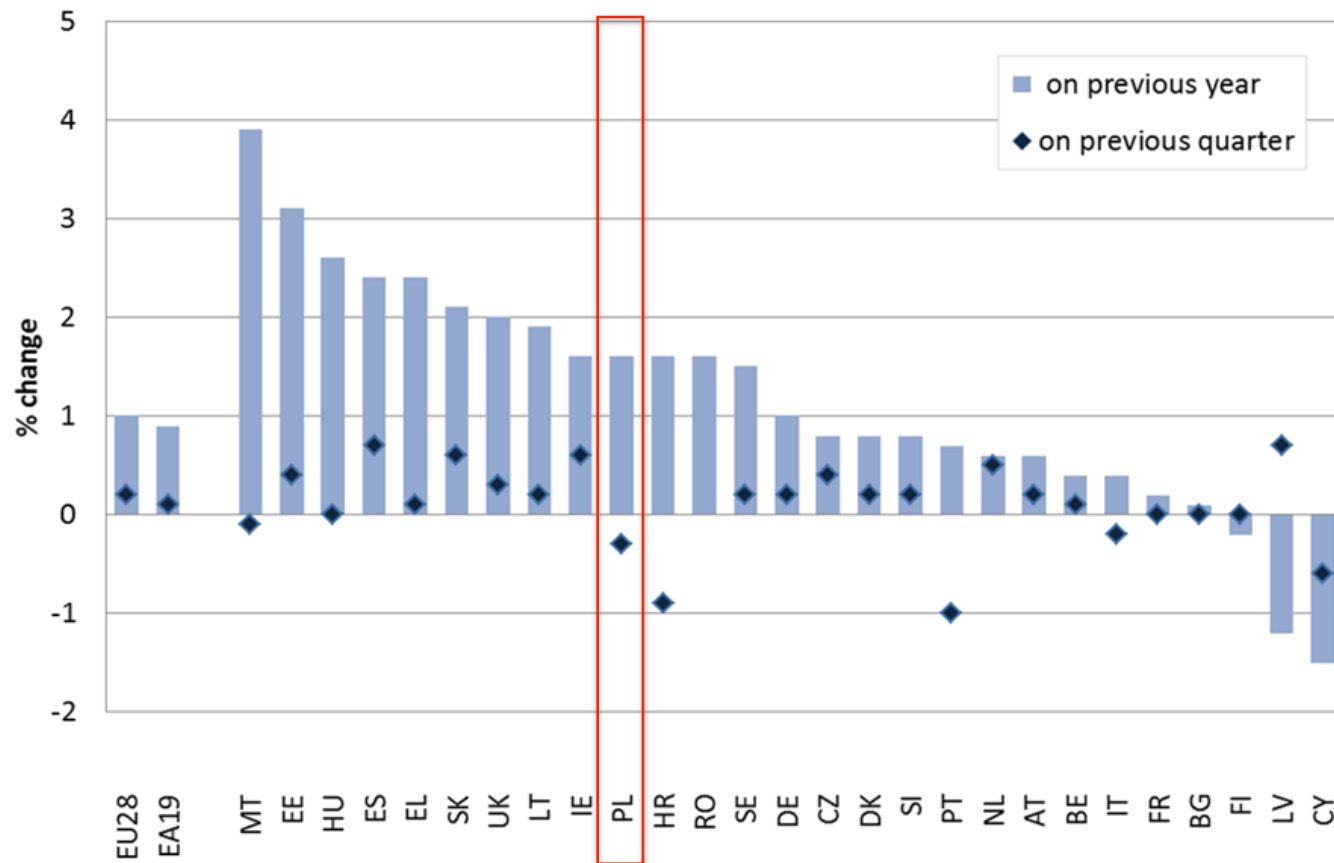
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European Employment Strategy and Governance**



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Employment growth returns slowly for the first time after the crisis



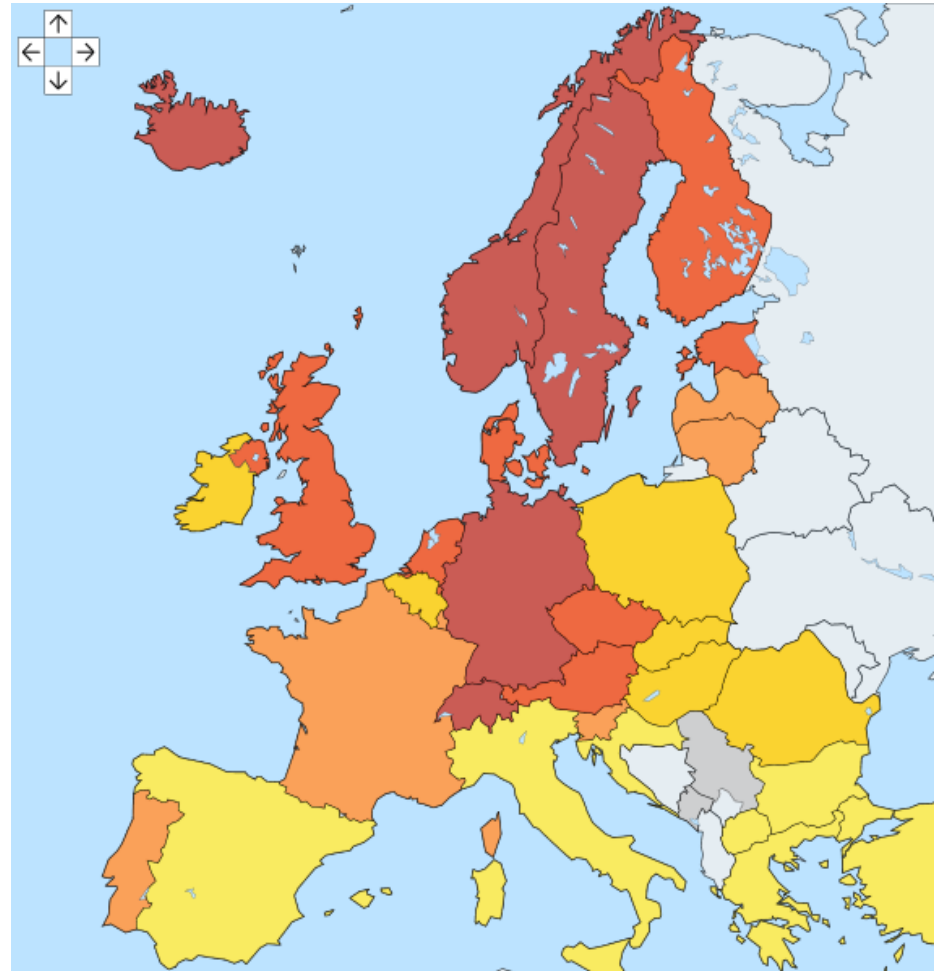
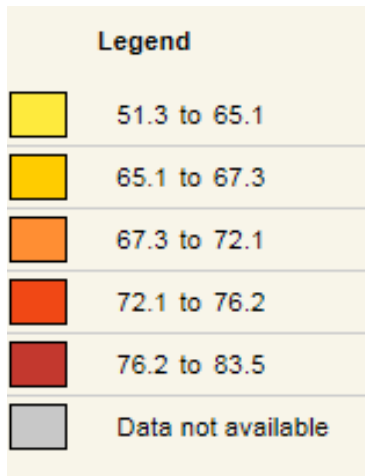
*Data on 4th quarter 2014, Source: Eurostat



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But still there are **large divergencies** among MS...

Employment rates
(20-64 years old) in
EU MS in 2014



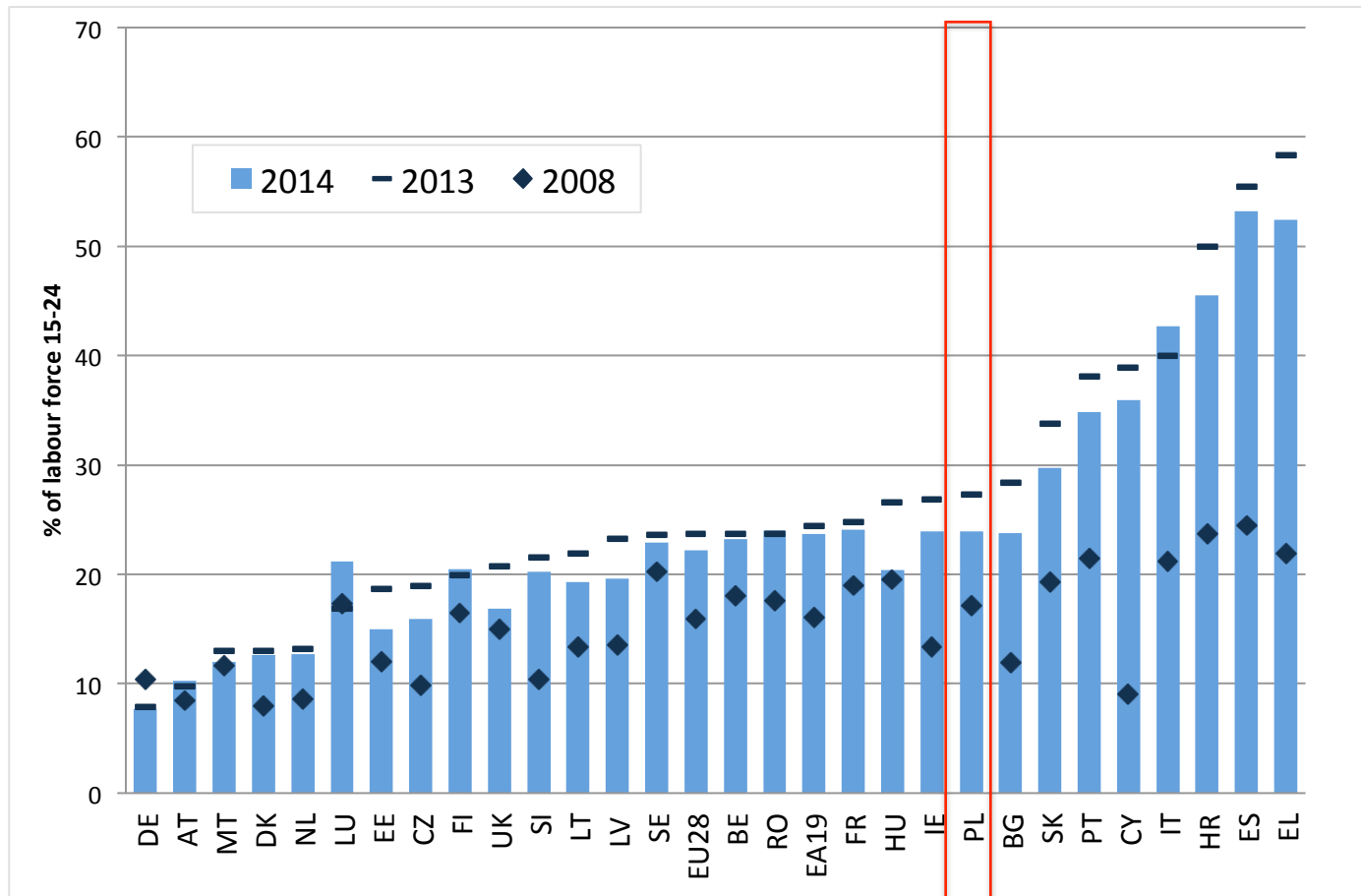
Source: Eurostat



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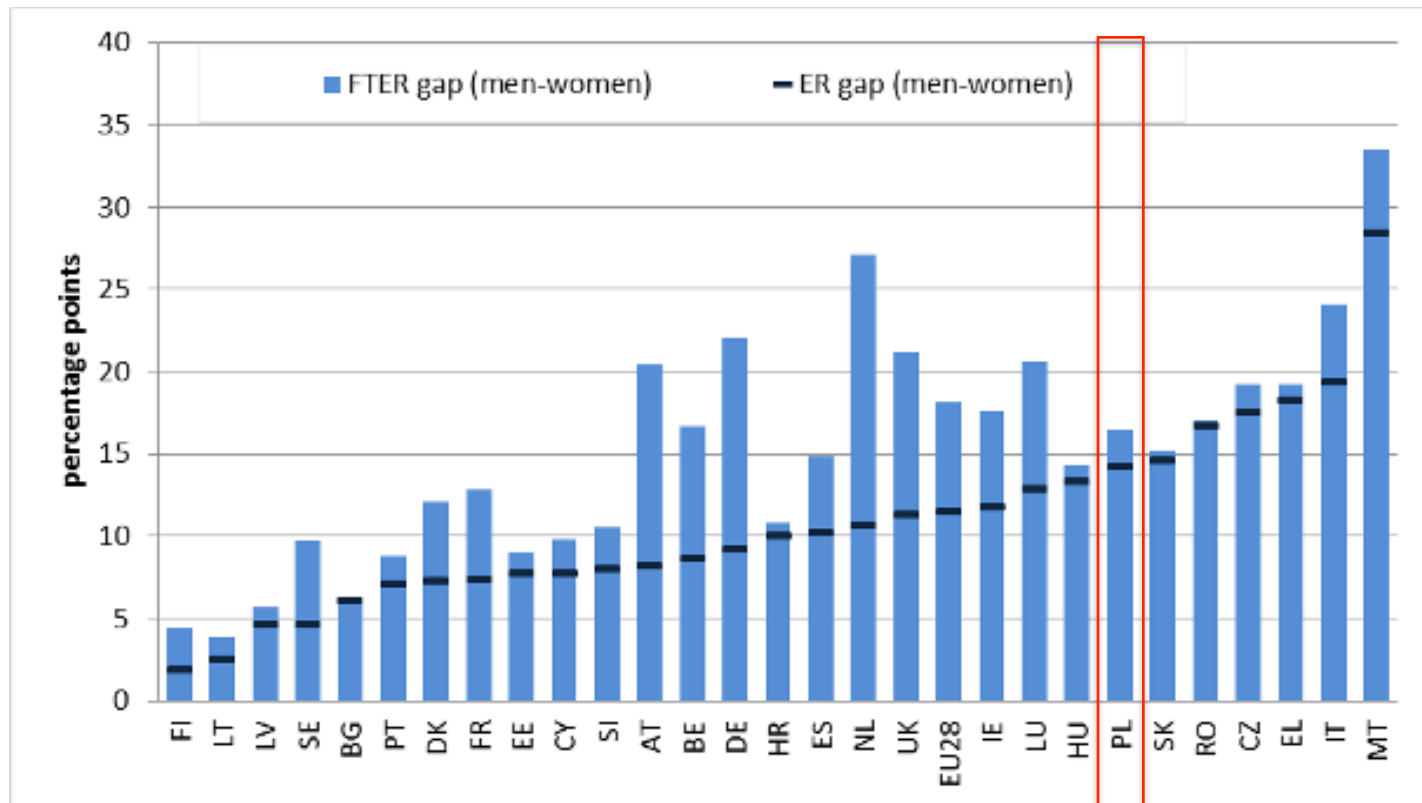
Unemployment among young down by 850.000 in 2014 but still very high...

Youth unemployment rates (15-24 years old) for the EU Member States, 2008, 2013 and 2014



Female labour market participation

Gaps between male and female full-time equivalent employment rates in 2014

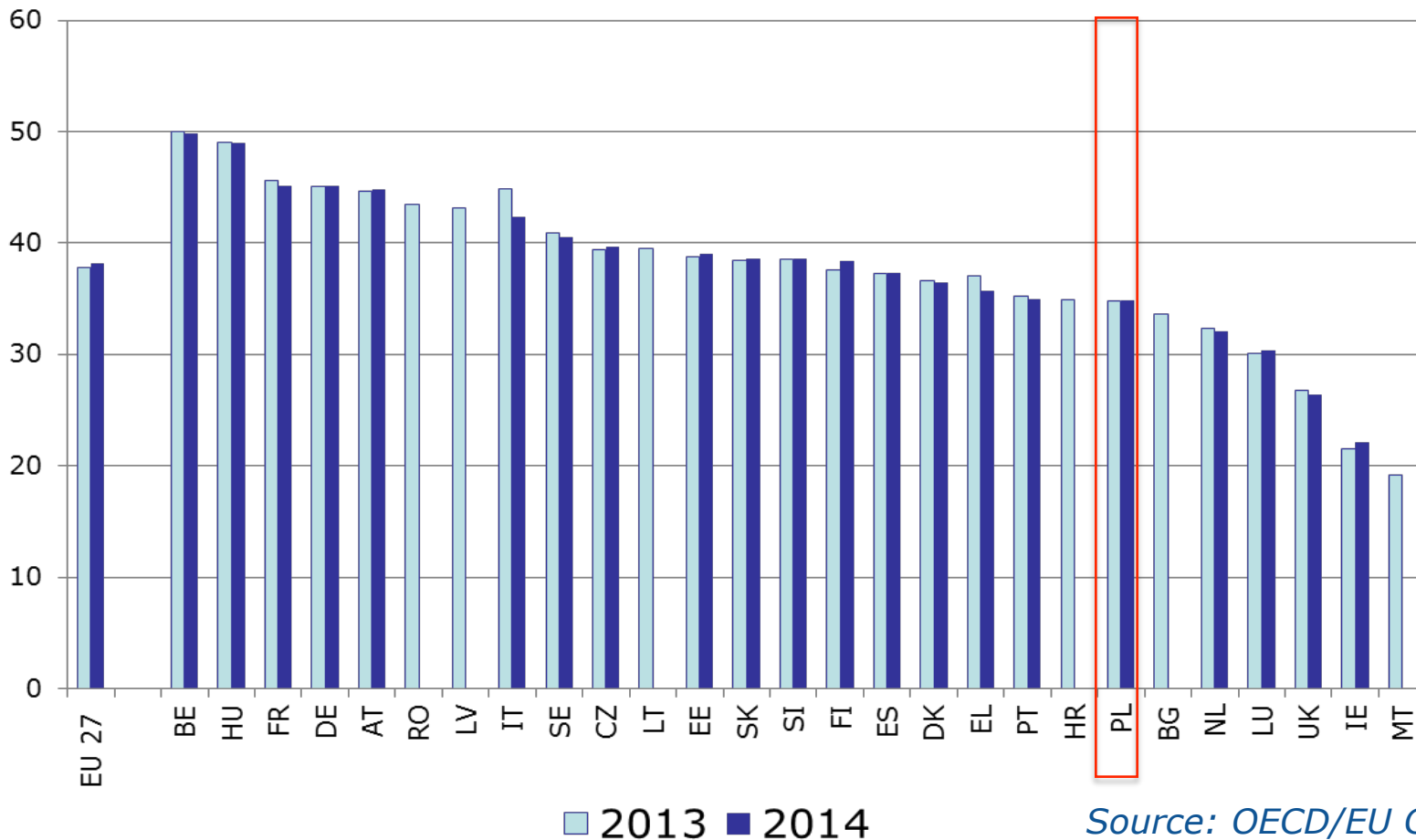


Source:
Eurostat



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Tax wedge remains high for low income earners



Source: OECD/EU Commission

2015 CSRs – a new approach

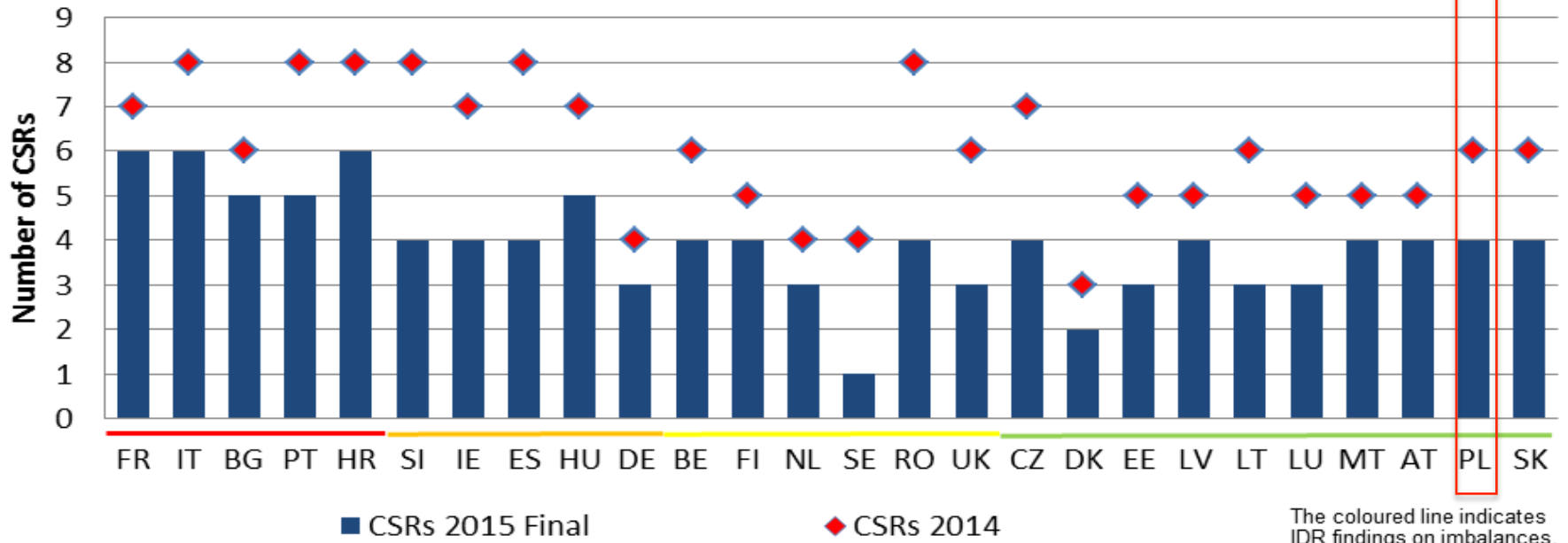
The 2015 Country-Specific Recommendations more focused and streamlined

- Only key priority issues of macro-economic relevance
 - Reflecting the degree of macroeconomic imbalances
 - Actions to be taken within 12-18 months
 - Full use of other processes where appropriate
 - Increasing political ownership and accountability
- **Reduced number of recommendations**
- Implementation will be closely monitored including issues raised in the recitals



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Full CSRs



EUROPEAN SEMESTER: A PARTNERSHIP EU-MEMBER STATES

	November	December	January	February	March	April	May	June	July	August	September	October
European Commission	Autumn Economic Forecasts Annual Growth Survey and Alert Mechanism Report Commission opinion on draft budgetary plans	Bilateral meeting with Member States	Fact-finding missions to Member States	Country Report per Member State (reform agenda and imbalances)		Bilateral meeting with Member States	Commission proposes country-specific recommendations for budgetary, economic and social policies					
European Council / Council	Finance ministers discuss EC opinions on draft budgetary plans	National ministers adopt conclusions on AGS + AMR EU leaders agree main areas for coordination based on AGS + AMR			EU leaders adopt economic priorities based on AGS		National ministers discuss the CSRs	EU leaders endorse final CSRs				
Member States		Member States adopt budgets			Member States present their National Reform Programmes (economic policies) and Stability or Convergence Programmes (on budgetary policies)						Member States present draft budgetary plans + Economic Partnership Programmes (EDP countries)	
European Parliament					Dialogue on economic priorities						Debate / resolution on the European Semester and the CSRs	

Proposed abrogation of EDP

- Durable correction 1 year ahead of deadline
- Excess over 3% explained by net direct costs of 'systemic' pension reform

Commission proposal for CSRs for Poland of 13 May 2015

1. Following the correction of the excessive deficit, achieve a fiscal adjustment of 0.5% of GDP towards the medium-term objective both in 2015 and 2016 Establish an independent fiscal council. Limit the use of reduced VAT rates.
2. Start the process of aligning the pension arrangements for farmers and miners with those for other workers, and adopt a timetable for progressive full alignment; put in place a system for assessing and recording farmers' incomes.
- 3. Take measures to reduce the excessive use of temporary and civil law contracts in the labour market**
(CSR already present in 2014, continued and strengthened in 2015)
4. Remove obstacles to investment in railway projects.

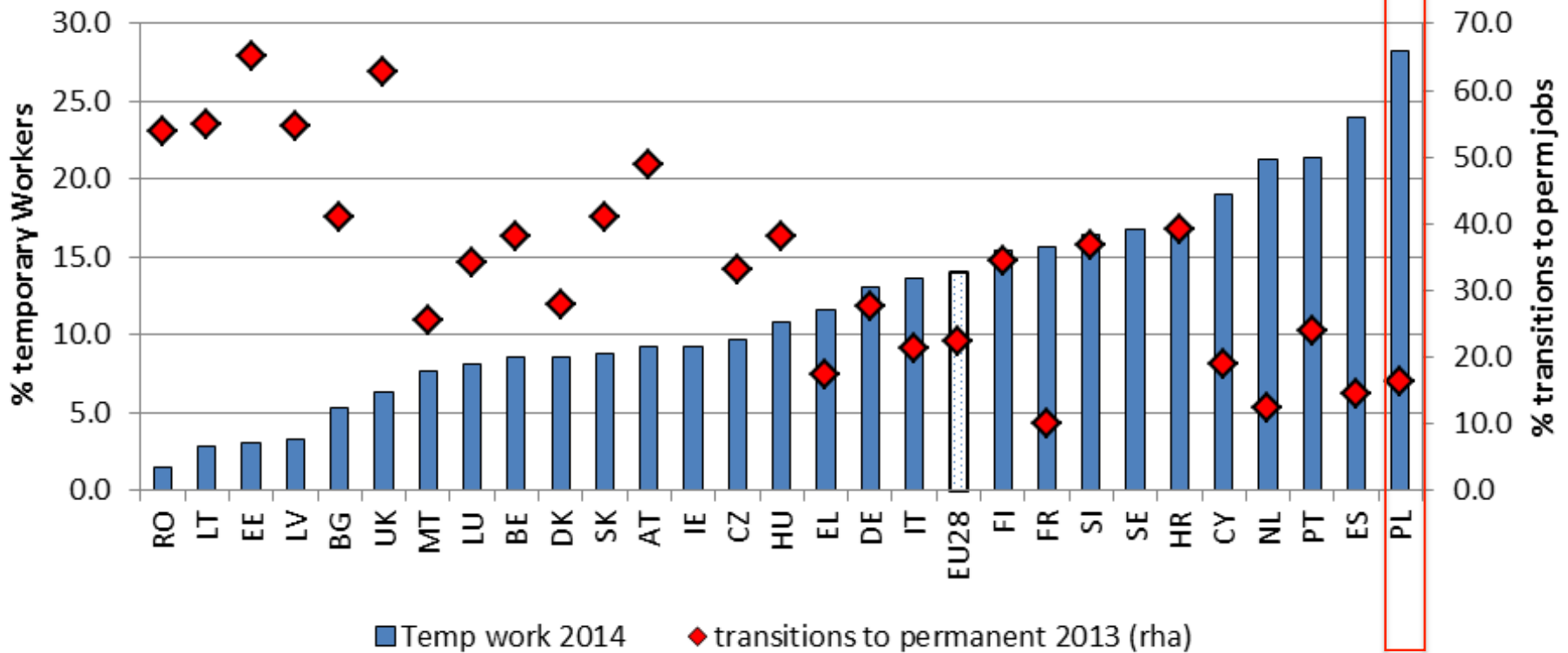
Labour market segmentation – temporary and civil law contracts

- Persistent segmentation
- The highest incidence of temporary contracts in the EU
- Low transition rate from temporary to permanent employment
- High wage penalty
- Two-thirds of temporary employees cannot find a permanent job
- Weak employment quality (especially for young workers)



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Share of temporary contracts (2014) and transition from temporary to permanent (2013)



Source: Eurostat, LFS and SILC

NB: data on transitions for BG, EL, PT, HR refer to 2012, for AT to 2014



New legislative measures

- Social contributions for all order contracts - as of 2016
- Draft law to limit the use of temporary contracts



Commission assessment – Country Report 2015

- The use of temporary and civil law contracts is excessive
- The problem should be tackled, while ensuring sufficient flexibility of the labour market
- The new law on order contacts – a step in the right direction



Commission assessment – Country Report 2015

- The new legislative measures on temporary contracts - a step in the right direction
- Need to be fully implemented
- Fragmented measures, only partially address labour market segmentation

Complexity of the Labour Code

- Complexity and rigidity of the Labour Code, especially for Small and Medium Enterprises:
- High administrative burden related to the Labour Code
- Rigid dismissal provisions
- Long judicial proceedings

Portugal

- Substantial labour law reforms between 2011 and 2013, during the economic adjustment programme
- Main aspects:
 - ✓ Reduction in severance payments
 - ✓ Less strict criteria for individual dismissals
 - ✓ Streamlined unemployment benefits system, with increased eligibility and stronger back-to-work incentives
- Significant employment growth as from 2013 and increased job creation under permanent contracts, but the share of fixed-term employees remains high

Spain

- Labour market reform in 2012
- Main aspects:
 - ✓ Reduction in the gap in severance costs vis-à-vis fixed-term contracts
 - ✓ Subsidised social contributions for open-ended contracts
- Open-ended contracts have slightly increased, but temporary contracts still account for over 90% of the new recruitments

Italy

- *Jobs Act* adopted in 2015
- Main aspects:
 - ✓ Introduction of a "single" contract with increasing protection
 - ✓ Reviewed rules for unfair dismissal
 - ✓ Streamlined unemployment benefits system
- First positive signs but still too early to assess its impact

Netherlands

- *Work and Security Act* adopted in 2014
- Main aspects:
 - ✓ Reviewed dismissal procedures, with severance pay linked to seniority rather than age
 - ✓ Tightened rules for hiring on temporary contracts
 - ✓ Duration of unemployment benefits gradually decreased to 24 months
- Reform is gradually entering into force in the course of 2015; too early to assess its impact



Thank you!

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