



## European Commission Employment, Social Affairs & Inclusion

### News

## EU labour market developments report: stronger job creation

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Job creation continued to be stronger in 2015 and the beginning of 2016 than could be expected based on economic growth according to the findings of the Commission's 2016 Labour Market and Wage Developments in Europe report, published today.

This outcome can be linked to

- stronger job creation in the services sector, which is more labour intensive and more reactive to the dynamics of consumption
- supportive labour cost developments
- the materialisation of the effects of structural reforms enacted since the onset of the crisis.

The **gradual improvement in economic and labour market conditions** that started in the second half of 2013 continued throughout 2015 and the beginning of 2016 in both the EU and the euro area. In August 2016, the **unemployment rate** reached 8.6% in the EU, about **2.5 percentage points below the peak reached in 2013** but still almost 2 percentage points above its pre-crisis level. While job finding prospects have gradually improved, about half of the unemployed in the EU and in the euro area have been looking for a job for 12 months or longer.

After falling for several years, **labour costs picked up** in euro area countries that had experienced current account deficits, while growing at an unchanged pace, or even decelerating, in countries with previous current account surpluses.

### Policy response

Increased policy action in Member States after 2008 can be divided onto **three phases**.

- In a **first phase**, the policy response largely consisted of stimulus measures aimed at cushioning the short-term impact of the crisis on employment and incomes.
- **Starting from 2010**, sovereign debt crises erupting within the euro area, the focus shifted towards improving the adjustment capacity of labour markets, especially in countries with major

adjustment needs.

- **Since 2013** attention has been increasingly paid to revising labour taxation, social policies and overall labour market settings in such a way to set the conditions for well-functioning labour markets, increased protection and a fair redistribution of the benefits of growth.

## Minimum wages

The Report also focuses on the **macroeconomic implications** of statutory **minimum wages** in the EU. The minimum wage is a tool to improve the distribution of income and reduce wage inequality. At the same time, especially if set too high, it involves risks to the employment of low-wage groups, such as young adults and low-skilled workers.

The Report also **surveys the institutional minimum wage setting mechanisms** in place in EU Member States. Institutional settings have to balance the need for predictability of minimum wage updates with the flexibility to respond to economic shocks.

## Background

**Addressing youth unemployment, long-term unemployment and evolving skills needs** are among the **key priorities** of the jobs and growth agenda of the Juncker Commission. A strengthening of the economy will not be enough to get all the long-term unemployed back to work. **Policies** are required both on the **demand side**, to encourage job creation, and on the **supply side**, supporting especially those with long spells out of work in re-training and searching for a job.