SOCIO-ECOLOGICAL TRANSITION IN A PERIOD OF CRISIS: HOW WELL IS THE EU COPING?

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There is considerable overlap between the aims of Europe 2020 and the transitions at the heart of the NEUJOBS project, although the latter imply more extensive, disruptive changes that will re-shape the EU economy more radically, even if the notion of sustainability is common to both.

The effects of ‘the crisis’ that has now been dominating policy-making in the EU for half a decade are likely to be more profound and enduring than could have been foreseen when the EU defined its Europe 2020 strategy. The unfolding of the crisis is, itself, becoming a transition of growing significance.

These effects suggests that although the logic of economic reform and development inherent in the coming socio-ecological transition towards a new energy paradigm remains valid, the trajectory towards a new paradigm may differ from what might have been envisaged prior to the crisis.

Within EU governance processes, notably the implementation of the European semester and its associated growth surveys and country-specific recommendations to Member States, the principal short-term and medium-term policy priorities are competitiveness and trying to limit the negative social consequences of the crisis.

As a result, longer-term concerns, especially about climate change, are being relatively neglected, such that necessary steps towards a socio-ecological transformation risk being delayed and have lost political salience.

Some EU policy orientations, such as flexicurity are under stress and may require rethinking to remain pivotal to the policy toolkit.

A general conclusion is that EU policy-makers - however understandably, given the intensity and immediacy of the crisis - are at risk of failing to lay the foundations for the long-run sustainability of the economy and, by so doing, could undermine the ability of the EU to navigate the many difficult transitions that it faces.

The findings emerging from the NEUJOBS project and referred to throughout this report provide new information relevant to policy makers in understanding the complexities of transformative policy initiatives. In particular, this research provides a deeper analysis of some of the challenges that policy reform has to confront.

* This report has drawn extensively on work undertaken by other participants in the NEUJOBS project, from policy discussion held, in particular, at a brainstorming workshop held in December 2012 and from specific comments on earlier drafts from Miroslav Beblavy and Ilaria Maselli. The author is responsible for remaining errors of interpretation or analysis.
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1. The pervasive effects of the crisis

Until 2008, when the crisis – initially ‘made in America’ as a result of the implosion of sub-prime lending – crossed the Atlantic, the EU had appeared to be developing a socio-economic model that promised to reconcile social, economic and environmental concerns. Compared to other global regions, the EU was leading the way in confronting climate change and, in its approaches to labour markets and social inclusion, had been gravitating towards a modernisation of its social model. As Hemerijck (2012) argues, the charge that the welfare state in Europe was an outdated edifice weighing-down the European economy was belied by evidence of a far greater capacity for reform and adaptation than is often acknowledged.

The crisis (it is more accurate to refer in the plural to ‘crises’) that has afflicted the EU over the last five years has, therefore, come as a rude shock to policy makers and students of European socio-economic development. Certainly, there were reasons for concern prior to 2008. Unemployment had been decreasing as a result of rapid job creation of the period since the launch of the euro, but was still high compared with the ‘golden age’ decades that followed the Second World War. Inequality had been rising and although the EU had – with some difficulty – managed to secure agreement on a package of measures to curb carbon emissions, it was clear that much more extensive changes would be needed. Major societal challenges had been identified, such as the ageing of the population, but responses to them remained piecemeal and, in areas such as pension reform, often fell short of what would be needed to assure the sustainability of the model.

The recognition that the EU has to undergo further far-reaching change is a core theme of the NEUJOBS project, a major research initiative financed by the European Commission, under the 7th Framework Programme. It is being undertaken at a time when the EU economy is struggling to exit from the crises of recent years and when major reforms of governance are being enacted. The project is concerned with longer-term evolution of the EU’s socio-ecological model, and asks what effects this shift will have on the labour market. There is a widespread consensus that Europe faces a number of grand challenges, notably the ageing of the population, growing competitive pressure from emerging economies seeking to make inroads into Europe’s domestic and external markets, climate change, and adapting to a number of broader societal changes. In the labour market, youth unemployment has again become a critical problem, and Europe is finding it hard to make the progress it so often claims to want in re-orientating its economy around knowledge based activities.

Even where there seemed to be considerable progress in confronting the various challenges, the crisis has either disrupted or reversed these developments. As the Commission communication on the Europe 2020 strategy, written in early 2010, noted: ‘the crisis has wiped out years of economic and social progress and exposed structural weaknesses in Europe’s economy’ (Commission, 2010). Since then there has been further deterioration and problems considered largely solved are again central to policy debate. The legacy of the crisis is likely to be a lasting decline in growth potential, while the progress of the previous decade in boosting employment rates has been reversed. However, it is important not to rush into glib condemnation of existing labour market institutions (Arpaia and Mourre, 2012) and to recognise that piecemeal changes can have limited results.

Against this backdrop, it would not be surprising if decision-makers lost sight of the long term transitions required to face up to the ‘grand challenges’, whether in the Europe 2020 strategy or in the even more extensive transitions examined in the NEUJOBS project. This policy report therefore explores the extent to which these longer term imperatives continue to be central to policy debate.
1.1 The notion of a socio-ecological regime

Taking the definition offered by Fischer-Kowalski and Haberl (2007) that a socio-ecological transition is a transformation in the ‘specific fundamental pattern of interaction between (human) society and natural systems’, it can be argued that the EU’s aspiration to achieve sustainable development implies such a transition. As understood in the EU lexicon, ‘sustainable’ is not just about natural systems. Rather, the EU conception has also embraced social cohesion, competitiveness and, latterly, both current and long-term macroeconomic stability. The emphasis has varied over time, varying from the broader notion to one predominantly around ecological concerns, sometimes engendering a degree of confusion about what policy goals are being pursued.

One of the consistent themes of sustainable development has been about legacies. Thus, the Brundtland report (World Commission on Environment and Development, 1987) articulated the well-known line about striking a balance between meeting the needs of the present without compromising the ability of future generations to meet their own needs. As Begg (2013) shows, this implies scarcity in the sense that what one generation uses (or abuses) detracts from what is available to subsequent generations. But there is also a sense of investment that has to be taken into account, insofar as subsequent generations expect to make use of what their predecessors have built-up, whether in terms of physical or social capital, or the stock of knowledge.

1.1.1 Transitions

The NEUJOBS project has identified, and is orientated around, four major transitions that are expected to be at the centre of the EU policy agenda in the coming decades, the first three of which are the focus of this report. These are:

- A shift towards a more sustainable socioeconomic future, motivated by linked concerns about the climate changing effects of carbon emissions and a recognition that, irrespective of concerns about the climate, fossil fuels cannot continue indefinitely to be the main source of energy for a growing global economy.
- A wide-ranging societal change deriving from, on the one hand, well-known demographic trends and, on the other, a plethora of social transformations.
- The transition towards the new skills that will be required for the knowledge economy of subsequent decades of the 21st century.
- A new balance between agglomeration and dispersion effects in territorial dynamics that results from social and ecological transitions that affect the costs of flows of information and ideas.

1.2 What does the crisis change?

The severity and cumulative effects of the succession of crises that hit the EU after 2008 has come as a surprise to many, and it is clear that there will be lasting effects that could transform the policy agenda, often in unexpected ways.

Some direct consequences of the crisis can be enumerated, foremost among which is that GDP has stagnated for half a decade. As figure 1 reveals, EU growth fell sharply in 2009 and has since been anaemic at best. The Commission’s February 2013 forecast is that the EU economy as a whole will have contracted very slightly in 2012 and is only expected to grow by 0.1% in 2013 (Commission, 2013) and other forecasters are similarly pessimistic. Over the decade prior to the crisis, annual growth had averaged 2.5%, but even taking a more...
restrained trend growth of 2% as a benchmark, the chart shows that EU GDP is now some 13 percentage points below what it would have been.

*Figure 1. EU growth during the crisis (index of real GDP, 2007=100)*

The profile of the downturn has been varied among the Member States. Greece is now expected to suffer a sixth consecutive year of recession in 2013 and only to edge into growth in 2014, whereas Poland avoided recession completely. By contrast, the Baltics were badly hit early on, but have since recovered robustly, while Ireland is expected to have a third year of low growth in 2013. It is, nevertheless, striking that in 2012 only the three Baltic states, Slovakia and Poland posted growth rates above 2%; and in 2013 those exceeding that limited threshold will again be the Baltics and (just) Romania. Contrary to widespread perceptions that there is an ever-growing gap between the dynamic, disciplined north of Europe and the lagging south, all the northern euro area Member States have seen growth rates fall to below 1% in 2012, with two (Belgium and the Netherlands) slipping into recession, and are expected to do no better in 2013. Although all the ‘club Med’ states are expected to see GDP fall in both 2012 and 2013 as austerity policies bite, the harsh reality is that the euro area as a whole is under-performing significantly.

Against this backdrop, it is pertinent to ask how the major transitions examined in the NEUJOBS project will be affected by macroeconomic developments and whether additional transitions will now become central to policy narratives. Several comments can be made:

- First, in addition to the lengthy stagnation in GDP shown in figure 1, the further adjustments needed to rebalance economies are likely to extend the period of relative stagnation. Consequently, by the deadline of the end of the present decade for the Europe 2020 strategy or the NEUJOBS horizon of 2025, the level of GDP will be substantially lower than expected – probably by more than 15%.
Lower GDP will have ramifications for labour demand, energy use and, depending on the pace of adjustment in different regions and Member States, the territorial balance of economic activity. It will also affect patterns of investment. Questions for policymakers which arise include:

- Has the crisis has led to a permanent loss of economic capacity, as many fear, or is the downturn merely a ‘bump in the road’ that will prove to be temporary?
- Does the GDP loss merely postpone the need for a socio-ecological transition, or have a qualitative impact that needs to be investigated?
- Will there be a return to business-as-usual in industries such as transport or power generation which had been identified as needing to change radically as part of a socio-ecological transition, or have some previously strong linkages been fundamentally altered?
- With public finances expected to be under pressure for several years, how can public investment in knowledge, education and long-term infrastructure development be maintained?
- Is a rebalancing from public to private provision of such social capital likely to be required?
- Will human capital be eroded and, if so, with what consequences for social cohesion?
- Is a new spatial balance in Europe likely to emerge and, if so, what will it imply for congestion, energy use and other dimensions of socio-ecology?

Second, the downturn has led to dramatic increases in unemployment rates of vulnerable groups, such as youths\(^1\) and can be expected to accentuate the marginalisation of communities prone to social exclusion such as immigrants or the Roma. In both respects, the crisis risks undoing much of the progress of the previous decade and may have a spatially uneven incidence. Among the policy issues that arise are:

- Will there be a resurgence of hysteresis effects in the labour market, leading to an erosion of human capital?
- How will migration flows evolve, especially of the most qualified individuals, and will there be an exodus of talent from the Member States experiencing the most acute adjustment challenges, rendering the adjustment itself still more difficult and having a debilitating effect on future growth?
- With limited job creation in slow-growing economies, is it likely that a higher proportion of workers will be pushed towards jobs that under-use their skills, and with what effects on the dynamics of productivity growth?
- Can a flexicurity remain central to the policy framework?
- What will happen to social mobility?

\(^1\) However, it is important not to confuse the often dramatic headline figures for youth unemployment with the reality of the proportion of the age cohort which is unemployed. A relatively small proportion of the youth population is economically active, because many are in education or training, so that the measured unemployment rate (calculated as the percentage of those economically active who are seeking jobs), a point emphasised by Commissioner Laszlo Andor (speech at the London School of Economics, May 7\(^{th}\) 2013) – see also Gros (2013). Even so, the numbers unable to find work are a disturbing trend.
How much of a contribution can ‘new’ jobs, such as those associated with a socio-ecological transition, make to alleviating the problems in the EU as a whole, in the worst affected Member States or in regions experiencing a concentration of problems?

Third, the evidence of the last three years (especially) is that dealing with the crises and recasting the macroeconomic governance framework have been the dominant political priorities. Unsurprisingly, longer-term transitions have faded from view, with the result that they not only command much less of the (inevitably limited) attention of decision-makers, but are also less likely to be factored-in to the solutions proposed. Consequent challenges include:

- How best to maintain the visibility and salience of politically difficult transformations such as confronting climate change;
- Developing a narrative for decision-makers which emphasises the potential for reaping ‘double-dividends’ through policy initiatives which reconcile short and long term imperatives;
- Restoring public confidence in governance and in the often unpopular policies that are required

### 1.3 The aim of this report

This policy report is the first in a series that will explore the policy consequences of these transitions and relate them to the current and prospective policy agenda, thereby offering answers to many of the questions posed above. It concentrates on the first, second and third transitions investigated in the NEUJOBS project, and looks in particular at how they are covered in the Europe 2020 strategy and cognate policy initiatives at EU level. These policies have been developed under the dark shadow of the crises which have afflicted the EU since 2008 and which have demanded so much attention from policy-makers, raising questions about whether some of the key commitments at the heart of the Europe 2020 strategy can be maintained.

### 2. Taking stock: initial contributions from the NEUJOBS project

A transition involves a move from a dominant, paradigmatic system, such as for the production and use of energy, to a new one, including the sources and crucial conversion technologies, with all the ramifications for the organisation of society. Among the many strands of research in the NEUJOBS project, findings are already emerging that offer insights into how transitions can be expected to proceed. This section briefly mentions and comments on some of this research.

#### 2.1 Setting the framework for understanding transitions

In a rich and wide-ranging NEUJOBS paper which provides a framework for understanding socio-ecological transitions (SET), Fischer-Kowalski et al. (2012), provide a detailed analysis of shifts in energy paradigms and their effects on society. They argue that the current financial crisis could provide a turning point for change, similar to the kind of shift that occurred as a result of the oil shocks of the 1970s and 1980s, although the parallels are open to debate and the nature of the trigger is unclear.

Transitions, though perhaps unavoidable eventually, do not happen easily or spontaneously and can take place in widely differing manners. A key concern is whether the global and
political context is that of a friendly world or a tough world, establishing two over-arching scenarios. Fischer-Kowalski et al. (2012) generate three scenarios which help to understand what is at stake, with the first adjudged to be bad for SET in both friendly and tough worlds, the second viable in a friendly world, but only the third under the more difficult conditions of a tough world:

- No policy change in which a lack of policy transformation towards a new energy paradigm undermines both European welfare and the legitimacy of cooperation among Member States
- Ecological modernisation and eco-efficiency which ensures progress towards energy aims, but has damaging distributive effects
- Sustainability transformation in which a focus on social justice is added to the previous scenario

An immediate policy message from this work is that profound transformations have effects that extend well beyond the immediate policy field. For example, in shifting the energy model, social and labour market consequences should not be regarded as side effects or tangential, but as part of the wider transition that needs to be confronted.

2.2 Technology

As is noted in an overview of the state of the art carried out for the NEUJOBS project (Colijn et al., 2012) general purpose technologies (GPT) have a pivotal role in economic development, and the report cites the emergence of steam power from the 18th century, followed by electricity then information and communications technologies (ICT) as critical advances. The key characteristic of such technologies is that they have a pervasive impact. The two GPTs identified as having the most extensive reach in Europe today are energy technologies and ICT.

The paper argues that the combination of climate change concerns and depletion of supply means that fossil fuels, while still central to the EU economy today and likely to remain so for the foreseeable future, will progressively have to be replaced by renewables over the coming decades. For this reasons, Colijn et al. assert that renewable energy technologies are likely to become a GPT as part of a socio-ecological transition, but they also stress that it is not the innovation itself which is critical, so much as its widespread use. Diffusion is, therefore, of central importance and prompts the question of how it is approached within the Europe 2020 strategy.

A clear policy implication is that a major research, innovation and investment effort will be required to enable Europe to develop, adopt and adapt to these new energy technologies. It is an investment effort that will take a long time, is likely to require public spending rather than being able to rely on private funding and be costly. Equally, policy-makers will require sound analysis of how changing relative energy costs affect the distribution of income and wealth.

2.3 Emerging trends in labour markets

In a NEUJOBS special report, Koster et al. (2011) review how long-run drivers of change are affecting labour markets. They note the profound effect that major influences, including demographic change, are having on the push to reform labour markets and draw attention to the influence of the flexicurity model. They also emphasise that in the political economy of labour market reform, there is a tendency to focus on a single dimension, despite the strong
evidence that labour markets and the way they evolve can only be readily understood by looking at the range of welfare-state institutions in a country.

A NEUJOBS paper by Murphy, Siedschlag and McQuinn (2013) finds that strong employment protection can inhibit innovation in industries with high job reallocation rates or a higher propensity to lay-offs. The clear policy implication is that such protections should be relaxed if innovation is to be enhanced, although the effects are found to be longer term rather than immediate. The paper draws on data from the 1990s, a period of relatively robust economic growth, and it could be that this is of limited resonance for the current decade, a point the authors leave as an open question. One aspect of the findings that is especially policy relevant in today’s labour market is that restrictions on temporary contracts seem to deter innovation in firms facing volatile demand or rapid shifts in technology. There is much more tentative evidence about the effects of strong employment protection for regular contracts.

Looking at services occupations, a paper by Nelson (2013) recalls that there tends to be a high income elasticity of demand for low-wage services as consumers contract out tasks previously done within the household, but also that the rise in the number of women working in what she refers to as ‘gendered tasks such as caring and cleaning’ has partly also been motivated by the need to boost household incomes in the face of declining male-breadwinner wages. Increasing polarisation between high and low end service sector jobs is a likely outcome of these processes, and is borne out by the empirical evidence. A policy issue here is that these sorts of jobs have played a pivotal role in raising female employment, yet are at risk from the squeeze on both private incomes and public finances. In sum, this analysis tentatively concludes that socio-economic changes are driving the expansion of low-wage service jobs and that this process leads to a service underclass. One specific policy implication is that gender equality measured through headcount-based employment rates may overlook a pressure towards increased gender polarisation in job quality.

Nelson also discusses the dilemma for, especially, left parties and trade unions concerned to promote higher employment, but hostile to low wage/poor quality jobs, and the further dilemma that labour interests often care more about those in jobs (insiders) than those seeking employment (outsiders). Very different patterns of service sector employment are found across Europe. Nelson notes, for example the high number of cleaners in Portugal and France, of salespersons in Norway and – perhaps less surprisingly – of restaurant workers in France.

Haita et al (2013) find that ‘the skill-mix demand is very diverse across the countries analysed, implying that there is no universal “European” demand and that domestic institutions and structures affect how demand for workers in the low- and medium-skilled segments of the labour market is formulated’. Even, so they observe that in service occupations employers look for what they refer to as non-cognitive social skills and personal characteristics, but that these requirements are often in addition to formal educational qualifications, depending on the national context. To the authors’ surprise, Danish employers place much less stress on formal education and cognitive skills than do Czech or Irish employers. Their explanation is that Danish employers especially value flexibility, and may have become used to a labour market in which ‘flexicurity’ principles have become well-entrenched. These findings suggest that an insistence on raising qualification standards will be important in many contexts, policymakers should also be alert to the need to strengthen other, apparently softer or less formal labour market attributes.
Analysis of skills tends to focus mainly on the supply-side, concentrating on the links between educational attainment and the labour market, than on demand patterns. Maselli (2012) reviews the evidence on skill trends and finds a continuing rise in the educational qualifications of workers. However, she notes that skill demand, although quite varied across Member States, is less predictable. Labour demand is likely to be stronger in highly specialised occupations at the top end of the skill distribution, but also in occupations – especially in the service industries – that require face-to-face contact and are thus not directly subject to global competition. Hollowing out of the middle of the skills distribution could have a number of policy implications, such as:

- Effects on increasing inequality – though possibly not in as extreme a form as in the US
- Raising the educational entry threshold for jobs that previously did not require higher qualifications
- A possible decanting effect in which individuals with lesser attributes lose ground to more qualified peers, even though the job does not require the qualification – and its corollary of a decline in the return on investment in human capital.

While the policy message that the demand and supply sides of skill have to examined in tandem risks being a statement of the obvious, it is one that is prone to be lost.

2.4 Welfare reform, family trends and societal transitions

The RECWOWE network, funded under FP6, produced a wealth of research on the tensions involved in reforming welfare systems and labour markets. Among the trends in welfare states highlighted are the ascendancy of ‘social investment’ in place of more traditional social protection and a gradual decline of automatic entitlements. Instead, conditionality is playing a growing role.

Following on from this work, NEUJOBS researchers have examined a variety of themes relevant to societal transitions. Telegraphically, some of the emerging findings include the following:

- Institutional factors are affecting the participation rates of women and the types of jobs they obtain. Cipollone et al. (2012) identify differences in the impact of family benefits, depending on whether it is for childcare or supporting elderly relatives. The support encourages women with children to work, but appears to deter women supporting elderly people.
- Work life balance is becoming increasingly complex and less easy to categorise according to standard ‘welfare regimes’ (Greve, 2012). Gauthier (2012) finds very different intentions with regard to return to work by mothers, influenced not only by qualifications but also national social norms.
- Social investment policies offer good returns for society and the EU has been instrumental in promoting it (Hemerijck et al., 2013). However, although the ‘turn’ towards social investment is widely visible across the EU, it is progressing at very different rates because of the sensitivity of welfare arrangements and the political obstacles to creating reform coalitions in some Member States of the EU.

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2 An overview has been produced as NEUJOBS State of the Art report No. 5 by Nelson (2012).
• Social services of general interest (Masyryk et al., 2013) are an under-recognised area of potential employment, as well as having valuable enabling effects for marginalised groups.

A policy message emerging from these studies is the importance of looking carefully at the institutional context and being cautious about one-size-fits all policy prescriptions. Easy assumptions about the link between, for example, in-work benefits and female participation and employment activity rates have to be questioned. Equally, the EU level has a role to play in bringing together the key principles of new strategic approaches such as social investment, both as an advocate and as a repository of policy learning.

3. EU processes

Since the launch of the Lisbon strategy in 2000, the EU has had a series of processes with transformative objectives, all largely predicated on coordination of Member State policies. These are, in practice, the EU level mechanisms through which the transitions studied in the NEUJOBS project are likely to be advanced, so that it is worth examining their content.

3.1 From Lisbon to Europe 2020: the underlying approach

The Lisbon strategy set wide-ranging goals to be attained by 2010 and, although some of these were on track prior to the crisis, it is widely acknowledged that the strategy fell well short of its ambitions. The first five years were criticised by the Kok group (Commission, 2004), leading to a re-launch in 2005 which focused on growth and employment. In parallel, there were strategies for sustainable development (launched in 2001 and re-launched five years later) and for various social policy domains (brought together in 2006 as a strategy for social protection and social inclusion).

In 2010, the various strategies were brought together in the common framework of the Europe 2020 strategy, with its now well-known *leitmotif* of ‘smart, sustainable and inclusive growth’. Although the new strategy inevitably involved some compromises, it was assigned more attainable objectives and five clearly specified headline targets. In addition, the new governance arrangements included seven flagship initiatives ‘to catalyse progress under each priority theme’. This conjunction was intended to spell out the structural reforms national governments need to pursue, both in seeking to transform their economies to meet long-run challenges and in resolving the current crises. As can be seen from the brief presentations of NEUJOBS research in section 2 of this report, the underpinnings for these transformations are complex, and it is clear that turning round the ocean liner that is the EU will involve difficult choices and a demanding policy agenda.

Since the adoption of the Europe 2020 strategy, the ecological component has been equated more explicitly with sustainability than was the case under the 2001 and 2006 versions of the EU’s Sustainable Development Strategy, both of which had much more emphasis on social sustainability. In fact the 2001 variant purported to give equal weight to three pillars of economic, social and environmental sustainability, with the first of these very much associated with competitiveness. In the Europe 2020 strategy, by contrast, the social aspects have been accommodated within the ‘inclusive’ dimension, while competitiveness is linked to ‘smart’. All of this can, plainly, appear to be mere rhetoric, but can be of significance in shaping policy priorities and, from a political economy perspective, determining the attention policy-makers accord to different objectives.
3.1.1 Growth initiatives

Growing disquiet about the potentially perverse effects of austerity policies, together with political developments, has led to some rethinking of the macroeconomics of crisis resolution, but also opens the door to more transformative policies. A possibly significant development at EU level was the agreement at the June 2012 European Council of a new Compact for Growth and Jobs. Many of the elements of this new initiative were anticipated in a Commission communication released in May 2012 which reviewed options. A background paper to the Growth Pact agreed at the June 2012 European Council (Commission, 2012a) reviewed ways in which public policy could kick-start growth. While much of the paper is very sweeping, it tries to identify the areas of greatest concern, asserting that ‘much greater action across the EU is needed, however, to unlock our growth potential, to open up opportunities for business development and tap the potential of new sources of jobs, for instance in the green economy, services, energy sectors, tourism, and in the digital economy as well as to raise the skills and innovation levels. Action is urgently needed to sustain recovery and living standards and to help tackle the challenges of ageing’. Though not exhaustive, this is an intimidating list which manifestly encompasses many of the NEUJOBS transitions.

The communication claims that ‘meeting our climate change and energy targets by 2020 would generate up to five million jobs, increase Europe’s energy security and help meet our climate change goals’. While such claims are carefully hedged and have to be treated with some caution, especially when the evidence suggests that little progress has been made, they have the merit of drawing attention to the win-win character of a well-managed transition. Again, however, the main focus in the text is on efficiency gains as a means of bolstering competitiveness as the primary rationale, rather than a concern to foster a shift to a new socio-ecological regime around sustainable development. Moreover, the lingering worry is that the proposed measures will still be seen as too general and thus disconnected from day-to-day policy-making.

3.1.2 The EU budget

The communication on growth, echoed in the conclusions of the June 2012 European Council which agreed the new Compact, states that the EU budget ‘offers huge added value and can be a catalyst for growth across Europe’. Negotiations on a new Multi-annual Financial Framework for the period 2014-20 are still not concluded because, despite the deal at the European Council meeting on the 18th of February, they remain to be agreed by the European Parliament. Following the initial proposals by the Commission (2011a), published in June 2011, the budget is set to be structured around the Europe 2020 catchphrase, with some adaptation of the principal components of the budget to these three aims. Thus, a major element of ‘smart’ will be a new research programme to be known as Horizon 2020, while within a heading ‘Sustainable growth: natural resources’ the Common Agricultural Policy will be expected to promote ‘sustainable’, and Cohesion Policy will underpin ‘inclusive’.

These policy assignments are by no means mutually exclusive and the expectation is that all three words should be interpreted widely for the budget as a whole. However, if viewed through the lens of the long-term transitions espoused by NEUJOBS, a possibly harsh verdict is that future EU spending will have only a limited impact. For example, the initial Commission proposal allocated €435 billion (around 38% of the full seven year budget) to sustainable growth, yet of that amount, less than 1% (€3.6 billion) was proposed for a budget line entitled ‘Environment and climate action’ and that was not materially changed in the
February 2013 settlement. A heading for social change and innovation was allocated just under €1 billion over seven years. These figures may change in the final stages of the negotiations with the Parliament, but it is inconceivable that there will be radical increases. Instead, to the extent that the EU budget does support investments in training, social change and SET, it will be largely through the Cohesion Policy budget.

Cohesion Policy has, in fact, emerged with a wide-ranging mandate which encompasses target shares for climate action, reducing youth unemployment and a range of other thematic actions. But in a context in which the over-riding priority in several of the Member States that draw the most from the Policy budget (including Italy and Spain) is boosting competitiveness, there must be doubts about whether SET objectives will be given priority.

3.2 Reconciling Europe 2020 and NEUJOBS

On the face of it, Europe 2020 – even though its ambitions extend only to the current decade – ought to be consistent with the sort of socio-ecological transition that now seems in prospect, as well as supporting far-reaching societal change. It is, consequently, instructive to examine progress on Europe 2020 through the lenses adopted for the NEUJOBS project. A key rationale for the Lisbon Agenda was the diagnosis that the EU was falling behind, initially relative to the United States (which had enjoyed a period of rapid growth in the latter half of the 1990s and appeared to be building a strong lead in the knowledge economy sectors), but the concerns were subsequently broadened to encompass competition with emerging markets. To some extent, the Agenda could be seen as a European approach to the challenges of globalisation.

Europe 2020 places considerable emphasis on innovation. It is the focus of one of the Flagship Initiatives (Innovation Union), but also a cross-cutting theme of the strategy as a whole. Several policy objectives have to be reconciled in how the EU approaches innovation. A first is that there is a longstanding aspiration to bridge the persistent productivity gap between Europe and the US (van Ark et al., 2008), alongside a concern to defend Europe’s position vis-à-vis the emerging market economies that now seek to match Europe in advanced industries. Second, as noted above, Europe 2020 is associated with the projection of the EU as a knowledge economy. At the same time it embraces rethinking of the social model. These goals, though strategic, are prone to vagueness and to differing interpretations among different actors, and their long-term nature is often an obstacle to affording them a sharp policy focus.

Sustainability, in particular, is apt to be seen as a policy priority that can only be advanced in ‘good times’ – signalling that it is something of a luxury rather than a necessity – implying that in today’s ‘difficult times’, growth from any source and jobs of any kind are the imperatives. A contrary view is that a context in which so many features of the pre-crisis model have been exposed as inadequate is precisely the right time to seek much more radical changes. The logic of the latter position is that there is extensive scope for achieving the sorts of reforms that yield a double-dividend in the form of contributing to crisis resolution and paving the way for longer-term transitions.

3.3 Assessing progress on Europe 2020 goals

Against this backdrop, it is pertinent to ask whether Europe 2020’s strategic goals and the range of measures adopted are likely to be supportive of long-term transitions. It is, therefore, instructive to delve into the substance and implementation of the Europe 2020 strategy to establish whether it is likely to advance the transitions identified in the NEUJOBS
project. This is partly a question of concepts and overall framework, examined in section 3.3.1, and partly one of implementation. The evidence on what is being done or advocated is examined using current data as revealed by the 2012 and 2013 ‘Country-specific recommendations’ (CSR) to Member States.

3.3.1 The integrated Guidelines: the strategic directions

Several elements of the Europe 2020 strategy are very much in line with the orientations of NEUJOBS. Starting with the ten Integrated Guidelines around which Member States are expected to orientate their National Reform Strategies, four have obvious connections with the NEUJOBS transitions. Number five is entitled ‘Improving Resource Efficiency and reducing Greenhouse Gases’, while numbers seven, eight and nine address various aspects of the societal and skills transitions. In addition, there are elements of Guideline 10 – which covers policies on poverty and social inclusion – which relate to the NEUJOBS agenda.

Formally, the Guidelines remain split between the Broad Economic Policy Guidelines (numbers one to six) and the Employment Guidelines (seven to ten), reflecting the fact that they derive from separate Treaty articles. Table 1 provides a mapping of how these guidelines correspond to the NEUJOBS agenda.

Table 1. Europe 2020 Guidelines and NEUJOBS transitions

<table>
<thead>
<tr>
<th>GUIDELINE</th>
<th>OVERVIEW OF CONTENT</th>
<th>CORRESPONDENCE WITH RELEVANT NEUJOBS TRANSITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. 5 Improving resource efficiency and reducing greenhouse gases</td>
<td>1 Strong emphasis on decoupling 2 Reform should take account of carbon and resource constraints 3 Priority to market mechanisms 4 Phasing out of harmful subsidies [exception for ‘social needs’] 5 Use range of incentives to promote change and adaptation 6 European synergies need to be maximised, including EU funding</td>
<td>- Generally consistent with socio-ecological transition - Principally about state action - Social dimension only implicit - Main concerns are energy efficiency and carbon abatement - Targets limited to energy strategy - Longer-term aspects of transition and societal consequences not prominent - Flagship Initiative mentions much longer term ambitions consistent with SET, but in terms of ‘vision’, not explicit policy mechanisms. Key elements include: o Strategic energy plan o Better pricing o Mix of regulation and tax</td>
</tr>
<tr>
<td></td>
<td>STATED TARGETS: 20% (30%) cut in CO₂ emissions 20% increase in renewables 20% energy efficiency gains</td>
<td></td>
</tr>
<tr>
<td></td>
<td>IMPLEMENTATION Resource Efficient Europe FI; parts of Industrial Policy FI</td>
<td></td>
</tr>
<tr>
<td>No. 7 Increasing labour market participation and reducing structural unemployment</td>
<td>1 Applying flexicurity principles to labour market policies, and doing so in a balanced manner 2 Diminish segmentation 3 Enhance job quality 4 Review range of polices affecting participation rates 5 Improve work-life balance</td>
<td>- Longer-term aspects of transition and societal consequences not as prominent as in NEUJOBS - Not much emphasis on key occupations, especially health and care - Education and skills development in line with NEUJOBS approach</td>
</tr>
</tbody>
</table>
| No. 8 Developing a skilled workforce responding to labour market needs, promoting job quality and lifelong learning | 6 Brief allusion to green jobs  
STATED TARGET  
75% employment rate for 20-64 year old age group  
IMPLEMENTATION  
New skills FI; Youth on the move FI  
- But no explicit reference to ‘green’ skills  
- Limited attention to deep-seated sources of inequality  
- Narrow scope of gender equality  
- Neglects excluded groups, such as Roma  
- Flagship Initiatives embrace many of the directions implicit in the NEUJOBS research  
- New skills FI highlights flexicurity alongside legislative change  
- NEUJOBS research is shedding light on key measures such as:  
  - Educational outcomes  
  - Uneven performance  
  - Relevance of qualifications  
  - Labour market matching  
  - Patterns of skill demand  
  - Changing family structures |
| No. 9 Improving the performance of education and training systems at all levels and increasing participation in tertiary education | 1 Strengthen basic educational systems  
2 Life-long learning  
3 Lower barriers to occupational and geographical mobility  
4 Raise employability of the older and youths – especially ‘NEETs’  
5 Transitions into labour market  
NO HEADLINE TARGET  
IMPLEMENTATION  
New skills FI  
1 Improve educational access and outcomes by investing more  
2 General upgrading of skills; more knowledge-economy competence  
3 Broadening of higher education  
4 Reduce early school-leaving  
HEADLINE TARGET  
Reduce school drop-out rate to 10% and raise share of population with tertiary qualifications to 40%  
IMPLEMENTATION  
Youth on the move FI |
| No. 10 Promoting social inclusion and combating poverty | 1 Promoting full participation in society and equal opportunities  
2 Effective anti-discrimination  
3 Ensuring that social provisions reach the most excluded  
HEADLINE TARGET  
Reduce by 25% numbers living below the poverty line and lift 20 million people out of poverty  
IMPLEMENTATION  
Platform against poverty FI  
- Less direct salience for the NEUJOBS agenda, but bears on underlying themes of equality and inclusion  
- Orientation is more around countering poverty and active inclusion policies  
- Flagship Initiative places strong emphasis on collective responsibility. Measures include:  
  - Helping at-risk groups  
  - Reference to Roma  
  - Sharing of experience |
What is immediately clear from this table is the considerable common ground between the broad objectives of NEUJOBS in relation to the energy and skills transitions, on the one hand, and the general thrust of what is a substantial proportion of Europe 2020, on the other. Although it is the headline targets which have the highest profile in Europe 2020, it is the seven Flagship Initiatives (FI) which constitute the substance of the strategy, setting out a wide range of policies to be undertaken at both EU and Member State levels. As the table indicates, several of these FIs include policy orientations and initiatives that bear directly on NEUJOBS transitions.

3.3.2 Progress on transitions: Annual Growth Surveys and the European semester

Strategic orientations are something the EU tends to have in abundance, but what ultimately matters is whether Member States comply, resulting in genuine reforms. A sense of how the Europe 2020 strategy is progressing can be gleaned by looking at successive Annual Growth Surveys drafted by the Commission. The 2011 Annual Growth Survey (AGS) provided a first overview of how national programmes for Europe 2020 were presented in a progress report annex (Commission, 2011a). It noted that Member States had set their own targets, although some were provisional, qualitative or expressed as ranges. The Commission was mildly critical of a tendency for targets to lack ambition and to be short-term in nature, lacking a trajectory to 2020, let alone the longer term. Aggregating across the Member States, the Commission concluded that the EU as a whole will fall short of meeting the headline targets of the strategy by 2020. The Commission was most critical of Member State commitments to meet goals in the area of ‘climate action and energy policy’ noting (in relation to efficiency) that ‘Member States have taken limited ownership of this target’.

The Commission was critical of the lack of detail in Member State proposals and the vagueness of planned policy actions, and asserts that undue emphasis is given to measures already in progress or well advanced. Its report noted that all Member States identify the need for action on improving labour market participation, labour market functioning and tackling segmentation, but bemoaned the lack of attention to longer term reforms. Indeed, the text has a number of statements stressing how vital it is to build long-term change into today’s policy actions, for example one which emphasises how important it is ‘to generate momentum towards targets that stretch each Member State, no matter what its starting-point’.

However, no specific comment was offered on what NRPs say about climate change and energy actions. Although not too much should be read into the first round of a new process, especially when crisis management was so dominant a policy priority, there is inevitably a worry that transitions that have a less immediate impact on the crisis will be neglected. In addition, in a strategy (Europe 2020) with a ten-year perspective, it may be all too easy to fall behind schedule to such an extent that agreed targets become unattainable. In political economy terms, such backsliding is easily explicable in a context in which governments subject to severe pressures on public finances and loud calls to act on immediate problems.

3.3.3 The advent of the European semester

As a result of the governance reforms that have been steadily introduced since 2010, increasing importance has been assigned to the Annual Growth Surveys as part of the European semester during which ‘Brussels’ puts forward strategic orientations for the coming year. The Commission’s Annual Growth Surveys for 2012 and 2013 both emphasise the same five main priorities (Commission, 2011b, 2012b):
Pursuing differentiated growth-friendly fiscal consolidation
• Restoring normal lending to the economy
• Promoting growth and competitiveness for today and tomorrow
• Tackling unemployment and the social consequences of the crisis
• Modernising public administration

In the 2012 AGS, the first fully to be integrated into the new governance model of the European semester, the Commission (2011b) expresses concern that too much time is being spent on emergency measures and not enough on policy changes orientated towards long-term growth. The thrust of the advice to Member States is to pursue growth friendly policies, such as investing more in education, research, innovation and energy, alongside measures to increase employability. Reform of pension systems is highlighted, as is the need for tax reform both to broaden tax bases and to make tax systems more growth and employment friendly. Proposals for the latter included a presumption of a switch away from labour taxes towards consumption taxes and environmental taxes. Similarly, Member States were enjoined to cut environmentally harmful subsidies.

A socio-ecological dimension is, at best, implicit, rather than central. For example, the Commission calls for action to improve resource efficiency, but justifies it as much on competitiveness grounds as environmental. In a section on jobs, the scope for green job creation is mentioned alongside the potential to create ‘white’ jobs in social sectors. Climate change is mentioned just once (in relation to new sources of revenue), although the sentence in question does recall the commitment to devote the revenue from the auction of greenhouse gas emissions permits to combating climate change. By contrast, the 2012 and (more so) the 2013 AGSs are rich in their discussion of policy measures consistent with the demographic-social and skills transitions. The 2013 AGS discusses various aspects of labour supply, approaches to skills and lifelong learning, and the need to improve opportunities for youths. It also calls on Member States to improve education systems and to be more attentive to changing demands for different occupations. An active inclusion approach is recommended.

However, the reports pay most attention to the resolution of the crisis and tackling its social and economic consequences – for more details, see the appendix to this report. Thus, the 2013 AGS (Commission 2012b) stresses the fragility of the EU economy and notes the increasingly severe social consequences of so protracted a crisis. Although the document draws attention to the growing national differences in terms of both challenges and performance, it also expresses the fears for the EU as a whole, and given that the Commission macroeconomic forecasts published in February 2013 (three months after the survey was published) show a marked deterioration in economic prospects for 2013 and 2014, the concerns are becoming worse as the economic figures slip yet again. From a NEUJOBS perspective, an especially worrying sentence in the document is that:

‘The duration of the crisis has not helped Member States to press ahead with meeting their Europe 2020 targets on employment, R&D, climate/energy, education and the fight against poverty, and overall Europe is lagging behind its objectives’ [page 1]

3.4 The EU processes assessed

Although there is evidently much in common between the aims of Europe 2020 and the NEUJOBS transitions, they only partly overlap. Table 2 brings together the discussions of Europe 2020 and the 2013 AGS by comparing the focus of the Europe 2020 flagship initiatives, the AGS guidance and three of the SET transitions, signalling the consistency
between the NEUJOBS research and the Flagship Initiatives through which Europe 2020 is being implemented. These Initiatives prescribe both EU level and Member States actions that should be taken to advance the overall strategy’s aims. The fourth SET transition, on territorial dynamics, is much less easy to fit into this framework because it is much less prominent in a strategy (and also in the growth survey) focusing on the Member State as the primary territorial unit. However, it could be argued that the several of the FIs should, in principle, bear on such disparities.

Table 2. NEUJOBS Transitions, the Europe 2020 Flagship Initiatives and the Annual Growth Survey

<table>
<thead>
<tr>
<th>EUROPE 2020 FLAGSHIP INITIATIVE</th>
<th>NEUJOBS TRANSITION</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SOCIO-ECOLOGICAL</td>
</tr>
<tr>
<td></td>
<td>Extent of link</td>
</tr>
<tr>
<td>Innovation Union</td>
<td>High</td>
</tr>
<tr>
<td>A Digital Agenda for Europe</td>
<td>Moderate</td>
</tr>
<tr>
<td>Youth on the Move</td>
<td>Marginal</td>
</tr>
<tr>
<td>Resource Efficient Europe</td>
<td>Very high</td>
</tr>
<tr>
<td>An Industrial Policy for the Globalisation Era</td>
<td>High</td>
</tr>
<tr>
<td>An Agenda for New Skills and Jobs</td>
<td>Moderate</td>
</tr>
<tr>
<td>European Platform Against Poverty</td>
<td>Marginal</td>
</tr>
</tbody>
</table>

Source: own elaboration.

3.4.1 National recommendations

Further insights into the fit between current policies in Member States and the transformations associated with the NEUJOBS transitions can be gleaned by examining the country-specific recommendation, now at the heart of the newly established European semester. These follow from the Commission examination of national progress in implementing national reform programmes, and comprise analysis and requests for action to fulfil reform commitments. These recommendations are then adopted, with any agreed amendments, by the Council. Although they tend to be brief, they identify the policy areas adjudged to need most attention and, in so doing, they can signal how much attention is being paid to different transitions.

In the 2012 and 2013 CSR, all the national recommendations, not surprisingly, devote considerable space to macroeconomic stability. An exercise examining the national recommendations looks at the key comments on areas relevant to the NEUJOBS transitions and the ensuing recommendations for each Member State. Appendix table 1 contains the results of this exercise. It confirms the relative absence of attention to the energy transition in the comments addressed to Member States. Energy transitions are also largely absent from the recommendations which tend to be limited to proposals on shifts in the burden of taxation away from taxes on labour from the perspective of promoting employment.
In a separate set of recommendations addressed to the euro area as a whole, attention to the form of fiscal consolidation is emphasised, with growth friendly investment highlighted. Reform of long-term entitlements (health, pensions) is seen as vital for fiscal sustainability. Shifting tax away from labour is encouraged, but which alternative tax base to target is only loosely specified. In the recommendations, a strong emphasis is on coordination, sharing of information and considering spillover effects of policies. There is a very general statement about promoting structural reforms, including flexible wage adjustment, linking this to the unwinding of macroeconomic imbalances. However, it is difficult to read much of substance into these recommendations.

In a parallel, wide ranging study of economic governance before and during the crisis, a senior researcher at the ETUI (a NEUJOBS partner) Christophe Degryse (2012) critically examines the functioning of the European semester. He concludes that it ‘in terms of political and strategic priorities the European semester thus appears at the very outset to have taken precedence over Europe 2020’. Looking at the CSR, he finds that the ‘large majority concern social policy reform’, while the others concern public finances, network industries, financial stability, tax reform, the business environment for SMEs and R&D. Degryse, too, highlights the comparative neglect of the Europe 2020 climate change objective. Table 3, reproduced from his study, summarises these measures.

Table 3. Focus of ‘social’ national recommendations

Unlike 2012, when there was commentary but no recommendations, there is no 2013 CSR for the four Member States subject to programmes (Cyprus, Greece, Ireland and Portugal).
3.4.2 Emerging patterns in CSR 2013

Inspection of the 2013 CSR reveals some intriguing features. They are silent on energy issues for several Member States, and even where energy is mentioned, the focus in several cases is on the nature of the energy market and its impact on competitiveness. Labour market recommendations remain prominent for all Member States, while the societal issue given most attention is the consequences of ageing for fiscal sustainability. Rather less attention is paid to other societal changes with, for example, only occasional references to female participation rates and obstacles to it such as sufficient child care, although social inclusion features for several countries. Themes like quality of work are largely absent.

One pattern which seems to be emerging is a degree of geographical clustering. First, there is a northern group of seven countries (Austria, Finland, Germany, Luxembourg, the Netherlands and Sweden) subject to relatively limited intensity recommendations. These cover:

- Migrant workers and others most distant from the labour market, including NEETs
- Potential further improvements in education
- Further effort on anticipating the costs of ageing, covering social costs and, in some cases such as Austria (employment rates of seniors)
- Scarcely anything on energy or climate change

Similar recommendations have been addressed to Belgium, but the tone of the commentary is more trenchant and much greater concern is expressed about a range of labour market problems which are seen as having deleterious effects on competitiveness, such as retention of wage indexation. Unlike the Northern group, Belgium receives a specific recommendation on its greenhouse gas emissions. For the UK, too, the energy market is highlighted and the recommendations imply greater worries about skills mismatch and the activation of target groups, notably NEETs. By contrast, there are no warnings for the UK about ageing costs and long-run fiscal sustainability, with the emphasis instead on short- to medium term fiscal challenges. The CSR for Poland combine elements of those for Belgium and the UK, although is subject only to milder strictures about public finances.

There is common ground for a somewhat looser ‘Latin’ grouping comprising France, Italy and Spain, in all of which considerable attention is devoted to the youth labour market and the problems of unqualified school-leavers, in analyses that emphasise labour market rigidities. Little is said on energy other than in relation to competition, but there are differences in the emphasis given to longer-term societal changes. For Spain and Italy, the CSR are mainly about structural reforms in the short-term, especially in the labour market, with some differences in the detail (for example highlighting the gender gap in Italy or the need for public employment service reform in Spain). In France and Spain, there is a nod towards long-term pension sustainability, whereas in Italy it is targeting of benefits that is stressed.

An eastern European group, comprising the Baltic countries, Romania (no recommendations in 2012, because it was subject to a programme) and Bulgaria, as well as Slovakia, are all identified as having high energy intensities and/or low energy efficiency, and, in this regard, the 2013 CSR are somewhat more explicit than in the 2012 round in some cases. For example, energy was not mentioned for Slovakia in 2012, but becomes one of six recommendations in 2013, even though the shortcomings highlighted cannot have worsened significantly in the last twelve months. The 2013 CSR for Bulgaria go further than 2012 by referring specifically to the scope for energy efficiency gains in buildings. For Estonia, by contrast, the
recommendation on energy is essentially the same as in 2012 – in fact with precisely the same words used in part of the text.

There are similarities in the recommendations addressed to the Czech Republic, Hungary and Slovenia, although it is harder to qualify these three countries as a coherent cluster. Energy efficiency is mentioned for the Czechs as is the desirability of raising energy/environmental taxes, something also recommended for Hungary, but is not mentioned at all for Slovenia. Containing age-related costs is a theme for all three and there are quite strong recommendations regarding training and skills.

4. Policy messages

The fact that policy attention today is most concentrated on fiscal sustainability and short-term deficit fiscal consolidation testifies to the depth of the crisis and the imperative of rapid crisis resolution. However, it is important to recognise that although the transitions identified in the NEUJOBS project are long-term in nature, they will also require equally long-term policy interventions to prepare and support the necessary transformations. Skills, self-evidently, have to be nurtured not just in formal education, but also through greatly strengthened adult training. Energy shifts on the scale required to achieve a paradigm shift will require not only technological change and the diffusion of innovation, but also heavy investment in new infrastructure and forms of service provision.

Overall, therefore, it is a cause for concern that there is comparatively little evidence from the 2012 and 2013 policy cycles that longer-term objectives are being given due weight. The exception is that there is considerable emphasis on pension systems, although even here the primary motivation is macroeconomic. Societal transitions are touched upon, albeit in a rather tangential manner.

4.1 Reconciling the short-term and longer transitions

While exit from crisis and long-term restructuring are analytically different, they are bound to interact in diverse ways, some of which will be mutually supportive while others may be hard to reconcile. The so-called ‘death spiral’ (in which retrenchment in public finances accentuates recession, cuts tax revenues and – in the worst cases – aggravates the debt to GDP ratio by cutting the denominator) is the sort to be avoided. But there are also policy responses that can be mutually reinforcing. Consequently, the notion of the ‘double dividend’ is one that ought to be especially helpful in the current context. In essence, such a dividend can be realised when the same policy fulfils two (or more) distinct objectives.

An obvious example is spending which simultaneously reduces energy costs and cuts carbon emissions; this is not, it should be noted, some utopian fantasy, because there are straightforward means of achieving energy savings (low wattage light bulbs, housing insulation) that can be shown to pay for themselves very quickly. Moreover, in the many Member States where weakness in the construction sector is dragging down GDP and has been a prime source of job losses, there is great scope for gains from stimulating that sector.

Although some of the ‘low hanging fruit’ of energy savings has already been picked, it is hard to believe that there are not still very substantial opportunities for stemming energy loss from buildings, and it is notable that this features in the CSR for countries like Bulgaria. Such an approach need not require unaffordable public outlays and could, instead, be advanced by a combination of carrot and stick which might comprise moderate incentives in the form of grants or loan guarantees from the state, and the imposition of regulatory
obligations on energy providers and consumers. An implication is that, in times of fiscal austerity, imaginative solutions to burden-sharing are required, rather than expecting the public purse to pay.

Reconciling immediate and longer term goals needs to be embodied comprehensively in policy initiatives, and to ensure that they are coherent with transformative orientations. For example, the Compact for Growth and Jobs includes a range of measures to boost public investment, all of which have the potential to act in a double dividend manner by being growth supporting as well as offering an immediate macroeconomic stimulus, yet it is less evident that they will be attuned to SET. They include many of the ‘usual suspects’ in the form of transport infrastructure and other physical networks, but lack a broader vision of how to be transformative. As the careful work by Fischer-Kowalski et al. (2012) shows, it is precisely this longer-term perspective, rooted in comprehensive analysis of transformation, which policy-makers need to take into account in assessing the coherence of transformational policies.

Equally, there are risks from concentrating on the most visible problems. Youth unemployment has manifestly been one of the direct consequences of the crisis and its rise since 2008 could have lasting effects. As noted above, the rates are astronomical in the worst affected Member States, such as Greece and Spain, in both of which more than half of the youth segment of the working-age population is unemployed, but the headline figures tell only part of the story. Youths are adopting strategies to cope with unemployment that involve temporary withdrawal from the labour market, accepting jobs for which they are overqualified, resorting to temporary and/or part-time work, unpaid internships. These have differing properties in relation to future employability or career prospects, but have in common that they risk squandering the human capital of a generation. The issue is receiving substantial policy attention, but in the words of Gros (2013), it should not become a fad which diverts attention from other employment challenges which could also have debilitating longer-term consequences. The NEUJOBS analysis of work-life balance is relevant here.

4.2 SET friendly public expenditure

In recent years, growing attention has been paid to raising the quality of public expenditure, and the present austerity climate has seen a renewed emphasis on this. On the whole, quality tends to be interpreted as spending which enhances growth, whether by easing bottlenecks associated with infrastructure gaps, facilitating the emergence of new activities with higher productivity and employment potential, or mobilising under-utilised resources. The endogenous growth theory literature has identified a range of factors associated with higher growth, notably investment in human capital and, albeit with some reservations, spending on research and innovation.

It is often easier, in practice, to identify spending that is wasteful or ill-judged than to arrive at an unambiguous delineation of quality. Quality can be equated with investment, widely defined, although what constitutes investment is, itself, a contentious issue. For example, there are many categories of public expenditure which are classified as being current spending (implying that they are not investments), but which manifestly contribute to boosting growth: consider human capital (education) or its maintenance (health care). Equally, there are investments (classified as gross fixed capital, as conventionally measured) that do little for the underlying objectives. As Irish and Spanish policy-makers know only too well, over-investment in property is an illustration, especially if it is of a dubious
standard, insofar as it can lead to problems of macroeconomic instability as well as having adverse environmental consequences.

Tax systems also make a difference, but despite tax shifts being mentioned in the AGS, there are few signs that the EU as a whole is moving in this direction. An intriguing example is the April 2013 vote in the European Parliament on ‘back-loading’ the EU’s emissions trading system – a proposal that would have raised the effective carbon price by suppressing some of the permits that had been given out free of charge. The amount of permits being offered has driven down the carbon price. Strong lobbying by companies, concerned about their competitive position, seems to have been highly influential in the rejection of the proposal, thereby signalling that competitiveness rather than climate change imperatives matter most, at least for the duration of the crisis.

It can be argued that an SET perspective points to a related but distinctive way of appraising public expenditure which is to assess its compatibility with major societal changes, and not just its congruence with growth. Where the quality of spending concept emphasises policies that raise the economy’s potential output, an SET approach would be expected to focus more on the nature of the output. Is the growth that is induced sustainable, ecologically as well as socially and macro-economically? Does it lead to an appropriate balance of investment in long-run capital as well as dealing with today’s imperatives? There will be areas of overlap, such as skills, where there are gains in the short-term from increasing employability, as well as increasing the human capital stock and supporting the transition to the knowledge economy. Some conflicts will also arise, such as in pensions reform, often costly in the short-term, which are nevertheless needed to ensure long-term sustainability of public finances.

A test for SET compatibility in public expenditure can, therefore, be envisaged. It would comprise three stages:

- Does the policy have goals that are consistent with SET objectives?
- If the policy fulfils its objectives, what sort of changes will it induce?
- Are there consequences of the policy that may have adverse effects on desired transitions?

4.3 Labour market models

The concept of transitional labour markets, as initially described by Schmid (1998), can be a valuable tool for arriving at a better understanding of how the various societal transitions that constitute the second axis of NEUJOBS can be effected. Several of the standard labour market transitions that have been at the core of the TLM approach are relevant, notably that from education to employment – especially salient in an era of high and rising unemployment among vulnerable groups in so many Member States – and that from employment to retirement.

An individual’s status in the labour market can be characterised by different forms of employment, unemployment or inactivity, and a key insight from TLM reasoning is that this status can fluctuate over the life-course. Policies on activation and on labour supply have to be sensitive to these differences, especially in a context in which critical drivers of change, such as demography, will substantially alter the underlying parameters. Abrupt retirement at a fixed retirement age, for instance, has a dual negative effect of squandering human

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3 NEUJOBS special report No. 1, by Koster, McQuinn, Siedschlag and van Vliet (2011), provides an overview of flexicurity and of transitional labour markets.
capital and productive potential at the same time as exacerbating age-related demands on public spending. This raises the question of whether radical rethinking of the employment to retirement transition is needed. One option would be to institutionalise more gradual retirement though reduction in working hours. This would go some way to allay the concerns of employers who oppose retention of older workers because they are more expensive or less physically capable. Any move in this direction would not only need to be complemented by changes in remuneration systems, but would also need to take account of pension rules.

Although many governments are already confronting the pension challenges (even if the CSR evidence is that progress is mixed), the NEUJOBS research on work-life balance brings out a number of similar points about the transitions to and from periods of inactivity associated with child-rearing and other forms of care. A policy implication of the work (cited in section 2) by Greve (2012), Gauthier (2012) and Cippolone et al (2012) is that governments have to be sensitive to how national norms and systems affect decisions to be economically active or not.

A more general question is whether the TLM concept can shed light on the many other societal changes underway. Atypical work patterns, including part-time work, have tended to be seen as undesirable and prone to being dominated by lower quality jobs. But as Koster et al. (2011) note, citing work by Viebrock and Clasen (2009), one of the explanations for the success of the Dutch variant on the flexicurity model in recent years is that it has favoured agency and part-time work. The Netherlands has weathered the crisis surprisingly well, with unemployment rising by a mere two percentage points to 5.7% in 2012 since 2007 when, arguably there was full employment. This was despite a quite steep fall in GDP in 2009, with a further decline projected for 2012.

TLM reasoning could also be useful in rethinking policy towards particularly disadvantaged groups like the Roma. For excluded groups, the desired transition is from a distant outsider status in the labour market towards integration, a transition that has long proved to be immensely challenging. An aspect of this is the general approach to informal or undeclared work, with implications not just for inclusion strategies but also the nature of tax systems.

Although a flexicurity approach remains at the heart of EU policy-making, not least in the Europe 2020 strategy, it may do so partly by retaining a degree of ambiguity, and being able to encompass varying national social structures. Indeed, Viebrock and Clasen (2009) suggest that some countries may have been practising flexicurity well before the term entered the policy vocabulary. But what the NEUJOBS findings bring out is that the social trends and contexts that flexicurity has to accommodate are evolving, as well as being markedly differentiated among Member States.

4.4 Scenarios

The optimism that recovery from the crisis would have taken hold by now has manifestly evaporated. Finding explanations is not hard: policy mistakes have been made since 2008, but the main reasons for the persistence of stagnation lie in the difficult political economy of European governance, most visible in the delays in resolving many of the tricky challenges. Procrastination has not only meant that the crisis has endured far longer than it need have done, but also that the costs have escalated and the underlying problems have become much more intractable for some Member States. In addition, the Member States (mainly in northern Europe) with the strongest capacity to act have limited incentives to do so, while
those with strongest incentives to act, lack the capacity to do so on the scale, or with the urgency, that is required. For the European ‘project’, this is perilous.

In previous post-war downturns, the standard pattern has been for a relatively rapid bounce-back from recession – often characterised as ‘V’-shaped. Since 2007, a richer lexicon of shapes has been needed to describe the trajectories of the different EU economies. Some have endured a so-called double-dip in which the initial recovery has been interrupted by a second downturn – implying the letter ‘W’ or even the Russian character ‘II’. Others have had a much more extended downturn in which the flat phase of the economy has been extended – hence the letter ‘U’. In the most severe cases, there is simply no sign of recovery from the initial downturn – best described by the letter ‘L’. For many economies in which successive sets of indicators point to minor changes on either side of zero growth, it may be more fitting to use the metaphor of a see-saw: marginally up in one period, then down again in the next, with as yet no clear sign of what the balance is.

With such diverse trajectories – among which Greece is, so far, by far the worst – it is much harder to coordinate common policies, a difficulty aggravated by the nature of EU decision-making in which those least affected lack understanding of the effects elsewhere, let alone strong incentives to act differently. Moreover, the short-term economic dynamics are becoming perverse. Financing costs in the more robust economies – whether for public debt or private borrowing – are now markedly below those in the worst affected by the crisis. In short, the foundations for virtuous and vicious cycles are being laid in a way that is bound to affect Member States’ abilities to achieve successful socio-ecological transitions.

A possible silver lining in the clouds is encapsulated in the aphorism that a ‘crisis is too good to waste’. Some of the structural reform laggards in Europe have been able to put-off some of the hardest choices because the economic and, above all, political costs of change were considered to outweigh the benefits. But when – as the late Mrs Thatcher was sometimes called – TINA is present (there is no alternative), these shackles can be broken. The difficult transitions in central and eastern Europe after the end of the cold war saw rapid transformations and, it can be argued, imbued these countries with a resilience to crisis which has been conspicuously absent in the previously more comfortable Member States of, especially, southern Europe. The example of the relatively rapid turnaround of the Baltic countries, all now at the top end of the growth forecasts league tables, after they were hit hard in 2008-9 is instructive, although protagonists on both sides of the austerity versus growth debate argue about the implications for others.

It is therefore conceivable that the pessimism surrounding so many countries is misplaced and that they will, after an inevitably rough correction, be able to launch macro-economically sustainable recoveries. However, there is a more open question about whether such reform can also encompass additional transformations as extensive as those required for the transitions examined in the NEUJOBS project.

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4 Successive forecasts for the Greek economy since 2008 have all subsequently been shown to have been over-optimistic

5 See, for example, the Bruegel round up of opinions at:
http://www.bruegel.org/nc/blog/detail/article/814-blogs-review-the-baltic-experience/
5. Conclusions

This report reviews some of the principal influences on the policy landscape, and assesses how the crisis is shaping the political priorities in the current policy agenda. A first conclusion is that crisis management is demanding so much of the attention of policy actors that they have lost sight of longer term imperatives. While most policy documents still allude to the objectives of the Europe 2020 strategy, where hard choices have to be made, the more distant goals are accorded only secondary importance. These shifting policy winds have many ramifications and suggest that in addition to the transitions investigated by the NEUJOBS project, the critical transition over the next decade or longer may well be the one from ‘crisis’ back to some semblance of ‘normality’. If so, other transitions could be sidelined.

Based on policy discussions held as part of the NEUJOBS policy research and on interpretation of the emerging findings from other work packages, key issues that decision-makers need to consider can be summarised under three main headings, the second of which focuses on three of the NEUJOBS transitions referred to in earlier sections of this report. Some of the research findings highlighted in section 5.2 point to areas where policymakers might revisit some of their approaches.

5.1 Interpreting the crisis

The crisis has to be interpreted though different economic lenses. It is, first, macroeconomic because the fall in demand associated with rebalancing of economies has manifestly curbed growth. But there has also been a significant slowdown in EU productivity growth, associated with inadequate incentives for innovation. The obverse of this fall is that employment rates have held-up better in most (though not all – Spain and Greece being prominent exceptions) Member States than would have been expected. This tension between macroeconomic and microeconomic explanations implies that care will be needed in the sequencing of policy responses. Raising productivity too rapidly risks shaking out jobs at the lower end of the wage distribution, while looking for a job-rich recovery when growth is anaemic could extend the period of low productivity growth that characterises much of the EU today.

New patterns of economic geography may be emerging in Europe, driven by a mix of macroeconomic and microeconomic factors. In particular, rates of innovation are systematically higher in the more dynamic northern economies and they, together with the majority of the CEE countries, have weathered the crisis better than the South. While the evidence on economic rebalancing is moderately encouraging, there is still a long way to go and there is a tangible risk that the differences between Member States will endure. A concern is that this will have an endogenous effect in drawing human capital to the more prosperous areas and denuding others, a process which could have adverse longer-term consequences for spatial balance in economic development.

A useful analytic distinction in assessing the crisis is between trends, which can be defined as long-run processes, and shifts in the sense of departures from the trend. There is a further analytic distinction pertinent to the NEUJOBS transitions, which can be thought of as transformations in which a permanent break occurs in a previous trend. Under normal circumstances a shift will either be reversed (a bounce-back) or the past trend will be re-established but at a different level (a step-change). Most postwar recessions can be regarded in this terminology as shifts and the expectation has conventionally been that the downswing of the economic cycle will be followed by an upswing in which the economy
reverts to trend. However, the essence of SET is that the transformation will be a permanent one to a new model.

There is an open question about whether the crisis has led to permanent losses or just a pause in an existing trend. Some of the shifts occasioned by the crisis could become permanent with the implication that the sheer duration of the crisis is itself changing the games. In short, what started as a temporary phenomenon could become an enduring transformation. The Japanese experience of a seemingly permanent lowering of growth rates after the financial crisis of the early 1990s could be an outcome for Europe and, if so, one that would have profound consequences for the models of growth and for the welfare state. These issues are explored further in the next section.

5.2 Implications for the NEUJOBS transitions

Progress on the wide-reaching transitions highlighted in the NEUJOBS project will require 3 ‘C’s: coherent, continuous and comprehensive policy responses. Yet while the analysis in earlier sections of this report has shown the strong congruity between the Europe 2020 strategy and these transitions, the crisis has seen a relative eclipse of Europe 2020 as a policy process. Possible implications for policy towards each of the transitions are now examined.

5.2.1 The skills transition

The nature of labour is changing, but the disruptive effects of the crisis make it hard to distinguish between underlying trends (such as skill demands or new sources of work) and short-term job losses. At present there is also a focus on job preservation rather than job creation. As a result, some of the subtleties of what might done to improve policy and to establish a platform for long-term change in skill can be lost. The findings emerging from the NEUJOBS project, especially work package 6, provides relevant insights that can help to overcome this gap in policy debate. For example, the trends in skill demand examined by Maselli (2012) suggest that the biggest challenges will be for those in the middle of the skills distribution, whereas demand is likely to be more resilient at the top and the bottom. Education and training systems will have to be attuned to these developments.

A further key message from NEUJOBS work is that increasing the level of qualifications of the labour force is a very long-run undertaking, because it requires a succession of policy interventions to alter education trajectories, not just one-off initiatives to offer new options. As Beblavy, Veselkova, Pensiero, Peterson, Thum and Toubeau (2012) show, greatly increasing the enrolment of students in universities or equivalent forms of tertiary education can only happen if there is a prior expansion of advanced secondary schooling. However, there are pitfalls associated with changing systems and these have to be taken into account. Two trends are apparent: first, as the level of education increases, specialisation is delayed; and, second, general education has grown relative to vocational, although there are exceptions. Examples are in Germany and Sweden in both of which the vocational track has remained relevant – sometimes because of connections to major industries such as motor vehicles manufacturing. There can also be considerable inertia in education systems, as a result of which change is both resisted and hard to justify, not least because of local preferences. Beblavy et al. cite the survival of elite secondary institutions (grammar schools in the UK, gymnasium in Germany, the Czech Republic and Slovakia).

Policy-makers also have to consider not just the provision of education or training, but also the attractiveness of the options to, especially, youths. High drop-out rates are partly a consequence of insufficiently attractive education pathways (Beblavy et al., 2012) and an
evident concern is that they result in poor rates of return on human capital investment. Moreover, there is a risk that well-intentioned policies, for example those intended to ‘massify’ higher education, come up against institutional realities that either delay or erode the benefits, potentially resulting in costly policy mistakes. An implication is that top-down policy orientations embodied in strategies such as Europe 2020 or the various more targeted packages (for example, to provide opportunities to youths) have to be sensitive not just to national differences, but to deeper cultural and political determinants of what can plausibly be reformed. A difficult issue is whether the governance of the crisis is paying sufficient attention to vulnerable groups, recognising that the incidence of the crisis is acute not just for youths, but also for marginalised groups, including immigrants or indigenous ethnic minorities such as the Roma. Women are likely to be disproportionately vulnerable to cuts in public spending.

The need to reconcile the natural short-term concern to maintain levels of employment and longer-term skill developments poses challenges for established models of social partner engagement in economic governance. It also calls for a fresh look at the principles behind preferred EU policy approaches, such as flexicurity. The latter remains central to the policy prescriptions from Brussels, but as the crisis continues to bite, the resilience of the labour market is diminishing, witness the continuing rise in unemployment.

5.2.2 The societal transition

Contrary to much received opinion, welfare states in the EU are far from static and have shown considerably dynamism in adapting in recent years. As Hemerijck (2012) stresses, this continuing reinvention of the welfare state is an important backdrop to the hard choices on social protection that will inevitably have to be made. However, what is less clear is how welfare states will evolve as a result of the crisis. Societal transformation necessarily means that the risks they were set up to manage will change, possibly radically. Social investment remains a worthwhile approach, but has to confront an unavoidable squeeze on public finances. There will be a premium on identifying ‘double-dividend’ solutions that achieve social aims at lower cost.

Raising the employment rate, especially that of women, is a core objective of the Europe 2020 strategy and also underpins the societal transition, but The NEUJOBS research suggests that it needs subtlety in policy support mechanisms. The finding by Cipollone et al. (2012: 24) that family benefits may deter women caring for older relatives from working invites caution in the design of policies to increase female activity rates. They suggest that an explanation may be that, in many countries, insufficient weight is given to the security dimension of flexicurity and that where the alternative is a low-paid insecure job it is not an attractive option. They argue that:

‘the growing availability of flexible low-paid jobs, which very often represent a forced alternative rather than an option to more stable forms of employment make unpaid elderly caring more attractive than paid occupations, especially in countries where family caring activities are supported by monetary allowances that can be freely used to complement the family budget’

These findings have ramifications for the effectiveness of flexicurity systems, implying that optimal results will only be achieved where flexibility in employment is accompanied by high enough social protection. While this conjunction is precisely what a well-designed system is supposed to provide, the finding that the effects on female participation rates can be negative if one component is missing is highly relevant for any policy-maker tempted to
focus predominantly on either the flexibility or the security aspect. Work-life balance ought
to be an integral part of an evolving flexicurity agenda, yet the NEUJOBS study by Greve
(2012) suggests that there are not only big differences among Member States, but also that
EU policy has not focused sufficiently on the role of companies in providing child-care.

Greve’s research (2012) also sheds light on the wider impact of the welfare regime on both
work-life balance and female employment rates. He argues that although the EU has actively
sought to promote gender equality and working conditions that facilitate a better work-life
balance, the impact has varied because of systematic differences in regimes. Relevant
dimensions include the cost of child-care, uneven access to support, whether employers have
family-friendly policies and attitudes to unpaid care work. There are also significant
differences in the expectations of whether provision should be through the state or through
private services, and the evidence surveyed by Greve shows that non-statutory approaches
of companies are critical. His findings suggest that policies on reconciliation of work and
family life are evolving in many countries if at varying rates and from very different starting-
points, but that EU policy prescriptions have to be more subtly framed to reflect these trends.
This point is reinforced by the findings of Gauthier (2012) who shows that although there are
big cross-country differences in the employment rates of mothers, individual attributes also
play a significant role, and that what she calls ‘normative support’ for working mothers is
also a relevant influence. Clearly, different national systems are more accommodating in this
regard. A key message from Gauthier’s study is that looking only at benefits and incentives
to return to work does not capture the complexities of this issue.

The finding by Cipollone et al (2012) that a substantial proportion of the increase in female
employment has been in what they call ‘atypical’ jobs – notably part-time and temporary
jobs also has policy relevance, especially in southern European countries with less-developed
family oriented policies. First, it may aggravate gender gaps in job quality; and second, it can
mean that women are not able to exploit their human capital or choose among occupations
as readily as men, with negative effects on overall productivity. In both respects, there are
issues to be confronted in the coordination of employment policy at EU level; in particular,
how to spread good practice and how to tailor policy orientations to distinctive national
contexts. The research points to a tension between the wish for a degree of uniformity in top-
down policy orientations and the reality of diverse national settings: this goes to the heart of
what EU level policy coordination is intended to offer and can plausibly achieve.

Sequencing is again relevant in how long-term problems of ageing and dealing with the
sustainability of pensions are addressed as part of a long-term recasting of social strategies.
There is a direct connection between social investment and sustainable employment. But as
the overview by Nelson (2012) stresses, the social policy agenda needs to extend beyond one
focusing mainly on reconfiguring social protection policies, towards social investment and
flexicurity.

Social services of general interest are an important means of underpinning societal
transitions, but as the research in WP7 of NEUJOBS reveals, it is a policy area that has not
been given sufficient attention. Sirovátka et al (2013) draw attention to a number of emerging
problems in this sector that could endanger its effectiveness. The workforce is ageing and,
reflecting poor pay and job quality, new entrants are typically less qualified than those they
replace. As a result there could be labour shortages and difficulties in assuring the quality of
services, despite the fact that a social investment approach relies on them. The policy
implication highlighted by Sirovátka et al. is that – especially in a period of austerity-driven
reternchment of welfare spending – governments need to be careful not to neglect the vital role of these services.

They set out two scenarios: a low road and a high road. In the low road, either austerity or (possibly ideological) policy choices on welfare result an erosion of finance, leading to, *inter alia*, lower quality services, poorer quality of jobs, a lack of innovation and inequities in provision. In this scenario, the contribution of these services to strategies such as social investment will be undermined. A high road scenario achieves many of the opposite outcomes contributing, notably, to sustainability of the social model. Given the reality of fiscal constraints in so many Member States, the authors emphasise the importance of innovation in service delivery and regulation. They also argue that attention needs to be paid to long-run labour supply.

5.2.3 Energy transitions

The extent of the economic slowdown has had a range of effects on energy markets. A critical one is that the political salience of climate change as a rationale for major shifts in energy policy has manifestly declined. Because of its established link to GDP, energy consumption has fallen, rendering arguments for ‘decoupling’ as a strategic goal less compelling in Europe, notwithstanding the continuing rise in carbon emissions elsewhere. There is not much appetite for tax increases in most European countries and even where there is a case for a fiscally neutral shift from, for example, taxes on labour to taxes on polluting activities, politicians are loath to jump for fear of political backlashes associated with new or sensitive taxes.

Part of the reason is the perception of eco-taxes as a threat to competitiveness on the spurious grounds that, because competitors are not imposing similar taxes, levying them unilaterally in Europe is bound to be self-defeating. This chimes with a broader perception that, in difficult times, policy-makers should concentrate on the ‘here and now’ and not be distracted by more amorphous, distant objectives. Nevertheless, the cumulative effects of inaction have to be considered. The EU is now well over three years into the Europe 2020 programme and even the longer time-horizon of the NEUJOBS project is not that far away.

Yet as the NEUJOBS WP1 research makes clear, policy-makers will be negligent if they fail to provide for longer-term change and require a much broader analytic framework for understanding the dynamics and consequences of an energy transition, including its likely effects on the labour market. Fischer-Kowalski et al. (2012) show, first, that the EU has barely started on the route towards a post fossil fuel energy regime. An energy strategy, such as the 20-20-20 one that fed into the Europe 2020 strategy, has its place and can be expected to contribute to the mitigation of carbon emissions, but that is precisely its weakness: it is only a first step towards a much more fundamental transformation. Similarly, Fischer-Kowalski et al. show that previous energy transitions have had profound effects on the nature of work and the organisation of the labour market which go far beyond a policy emphasis on green jobs. These analyses invite a more far-reaching approach to sustainability than is currently evident in EU policy debates.

5.3 Implications for governance reform

Despite the evident procrastination and an apparent inability to act decisively to resolve the crisis, the pace of reform of EU economic governance since 2010 has been frenetic. The explanation for this paradox is, first, that the EU’s leaders did not initially recognise the extent to which ‘this time is different’ and have repeatedly been wrong-footed by the speed
at which problems blew-up. Second, some of the changes that have been rushed through in the last three years – compared to the EU’s usual customary leisurely pace of change – have required difficult compromises not just among Member States, but also in domestic politics.

The EU role in the governance of transformative policies is evolving, notably with greater weight given to country-specific recommendations. But questions arise about whether the EU still has the means (and legitimacy) to influence national policies – including setting the template and imposing conditionality. Moreover, as the NEUJOBS report by Colijn et al (2012) stresses, whether in the background analysis or the formulation and implementation of policy, it is vital to combine top-down and bottom-up perspectives. It can be argued that a ‘policy methodology’ which appears to impose too much from Brussels may afford too little scope for the diffusion of policy innovations from below.

It is becoming increasingly clear that the transformations either envisaged as part of the Europe 2020 strategy or needed to achieve the transitions foreseen by NEUJOBS up to 2025 will be undertaken against the backdrop of divergent macroeconomic trends at the Member State level. As a result capacities for change will vary substantially. Political support for disruptive policies must also be expected to vary, not least because governments in Member States already struggling to push through difficult structural reforms are likely to have exhausted their limited political capital.

All this points to a range of tensions that will have to be accommodated in an evolving economic governance system that has clearly paid more attention to stability and discipline than to growth, with longer term transitions still further from policy attention.

- A first critical tension is between employment and productivity. The very success of policy measures aimed at maintaining connections to the labour market that flow from the flexibility agenda has meant slower productivity growth (at least as conventionally measured).

- In parallel, there is a tension between competitive imperatives and some longer-term transitions which require substantial investments. Paying for these investments, whether through public finances or private capital will be harder at a time when there are acute pressures on costs. The incentives to put off the payments are likely to encourage delay and thus to slow down transformations, whether of energy supply and use, or of pension systems.

- In a context of high and pervasive unemployment and growing concerns about the prospects for youths or other vulnerable groups in the labour market, a third tension is that policies to stimulate labour supply could become harder to defend. While the memory of the perverse effects of early retirement schemes is fresh enough to avoid a repetition, a more insidious effect of this tension could be to deter action to integrate women or minority groups such as the Roma into the labour market. In this regard, the CSR criticisms of the problems faced by migrants in the Northern EU countries are disturbing.

- A governance tension around economic policy coordination is that there has to be a common framework, yet decision-makers are frequently warned of the dangers of a one-size-fits-all approach. While this danger is undeniable, a NEUJOBS study on education reform makes the point that differences in the wider social and political setting also affects outcomes. Beblavy, Thum and Veselkova (2011: 29) argue that ‘the implementation of education reforms designed to increase equal opportunities in education should be approached with caution, in the sense that the whole system of
the particular country (the country context) should be taken into account to ensure successful policy reform.’

- Public sector retrenchment could, similarly, lead to a tension around provision of social services of general interest. Child care to facilitate female employment is an example of a service that it is tempting for governments to cut, irrespective of its social consequences. But as the NEUJOBS research shows, there are also concerns about the future labour supply for these sectors and of creating a dual system in which only some clients are offered adequate standards of care. It is, therefore, important for policy-makers to look beyond the public finance dimension of this issue.

- Nevertheless, there is a general tension around public finances which derives from the necessity to do ‘more with less’, a contest that is won more often than not by spending on what is popular or has an immediate pay-off rather than what is most in line with transformative policies.

These and other tensions highlight the difficult political and economic choices resulting from the crisis. They also overlap. For example, expanding the labour force is costly, but will boost the tax base and make the public finances more sustainable, while a higher domestic energy supply will be positive for the balance of payments even if it adds to energy costs. Resolution of all these tensions will involve a careful balancing of what matters today against what is needed tomorrow – an echo of the Brundtland report (World Commission on Environment and Development, 1987), so that sequencing will be critical. Yet, the sense that emerges from the examination of EU policies presented in this report is that the longer-term, as embodied in the Europe 2020 strategy, has lost visibility and salience for decision-maker. A core policy message from NEUJOBS is that this is a risky development that needs to be resisted.

An overall conclusion is, therefore, that despite the undoubted challenges and debilitating pressures of dealing with the crisis, longer-term goals still have to be prominent on the policy agenda. As more findings come out of the NEUJOBS project, the scope for policy initiatives that bridge this gap will be explored further, including solutions that offer possible ‘double-dividend’ outcomes.
5.3.1 Appendix: The 2013 Annual Growth Survey in more detail

While the five headline priorities in both the 2012 and 2013 surveys are undeniably important orientations for the short term, the invisibility of the Europe 2020 targets and goals, let alone changes associated with longer-term socio-ecological shifts, is striking. The Commission asserts that postponement of fiscal adjustment ‘would prove much more costly’ [p.4 of the 2013 AGS], because of the likely effect on sovereign interest rates, and also cites the ‘prospect of an ageing population’ [p.4 of the AGS], with its expected deleterious effects on growth, as an argument for persevering with fiscal consolidation. Suggested orientations for public finances include:

- Favouring growth-promoting public spending: on education, research innovation and – intriguingly without any specific reference to renewables – energy.
- Reinforcing public support for the labour market, for example in the form of ALMP, youth guarantees and effective employment services
- Putting in place sustainable pension systems
- Shifting the burden of taxation away from labour towards either consumption or environmental taxes, and broadening tax bases rather than raising tax rates
- Curbing environmentally harmful subsidies

Under the second heading, the Commission proposes a range of measures to counter the credit crunch and to facilitate access to capital by SMEs. In the context of the Compact for Growth and Jobs, the role of the European Investment Bank and of an acceleration of Cohesion policy spending is mentioned. However, the orders of magnitude discussed – similar to the Cyprus bailout – are small compared with the intensity of the problems in vulnerable member States and regions.

At the macroeconomic level, the report recalls that there has been only slow progress in correcting the imbalances widely adjudged to have been a root cause of the euro crisis. Tough and politically difficult fiscal consolidation programmes are making some inroads into deficits, but are not now expected to lead to reductions in the EU aggregate public debt to GDP ratio before 2015. Public debt ballooned during the crisis, with the EU average jumping from 62% (and falling marginally) in the period 2004-08 to a forecast 90% in 2013 and still creeping up in 2014. For the euro area, the equivalent figures are somewhat higher at 69.1%, 95.1% and 95.2%, respectively.

The reason is that the low growth (in some Member States) or declining GDP (in others) means that the denominator of the ratio is stagnating rather than growing, this at a time when the demand for public investment to support economic transformation is substantial. The dilemma is that public investment is nearly always the form of public spending that governments find it easiest to cut and is expected to be just 2.2% of GDP in 2013, down from averages of around 2.5% (already a lacklustre figure compared with emerging markets) in the previous fifteen years. To the extent that the many difficult structural reforms that several Member States need to implement call for higher public investment, the risk is that the squeeze on public finances will compromise growth prospects. It is also noteworthy that the public sector interest burden has crept up to 3.0% of GDP in 2012 and 2013 from 2.70% in 2004-08, with big differences among the Member States: it is expected to be 5.5% of GDP for Italy in 2013, compared to just 0.2% for Estonia.

In its discussion of how to promote growth and competitiveness, the Commission calls for a boost to policies on innovation, education and training, reduction of red-tape affecting
businesses, and ‘tapping the potential of the green economy’ [p.8 of the AGS]. It highlights energy efficiency and the consequent scope for environmental gains alongside job creation - a orientation that offers a ‘double dividend’ as explained above.

The AGS analysis of the social consequences of the crisis highlights the rise in long-term unemployment and the consequent risk of worsening - and increasingly intractable - structural unemployment. Attention is drawn to increasing poverty risks and other negative effects on social cohesion and the probability that there will not be an early labour market recovery. For the Commission, this prospect ‘poses a major challenge for the EU as a whole, as well as for those countries most affected, and calls for more determined action by the public authorities and the social partners’[p.10, AGS].

In spite of the weak labour market, the Commission notes the emergence of skill shortages – as noted in NEUJOBS research by Nelson (2013) and by Haita et al. (2013). The resort in many Member States to a variety of flexible arrangements in the labour market is also noted. There are exhortations to prepare for a job rich recovery, stressing the desirability of lower taxes on labour. In parallel, Member States are enjoined not to resort to repeat the failed policy of using early retirement (with its damaging effects on public finances) as a means of offering chances to younger workers. This recommendation highlights one of the many tensions between dealing with the crisis and longer term transitions. In similar vein, the Commission calls for an increase in the participation rate, notwithstanding the high current unemployment rates.

Much of the section on the labour market builds on the flexicurity approach that had moved centre-stage in EU thinking just before the onset of the crisis. The AGS, for example, praises flexible working arrangements including short-term working and opposes systems that offer very different levels of protection to different groups of workers. Wage indexation is (mildly) criticised, but the importance of minimum wages is reiterated.

But there is little acknowledgement of the depth of the social despair and popular resentment in some of the worst affected Member States, such as Greece or Portugal, and there is only limited acknowledgement of the ‘curity’ side of the argument. Instead the main messages in the AGS concern employability, to be promoted by:

- Enhancement of what public employment services offer, including support for self-employment
- Attention to the transition from school to work, not least through apprenticeship or similar arrangements, backed-up by a youth guarantee
- Reviewing incentives for second-earners in households, notably child-care provision
- Reinforcement of life-long learning and linking it provision better to skill shortages and labour mobility, the latter seen as a necessary component of a more integrated labour market

In relation to countering the negative social consequences of the crisis, the AGS argues for an active inclusion strategy and for linking social inclusion and labour market activation. While most of these prescriptions – whether on growth and competitiveness or countering the negative social consequences of the crisis – make sense, the critical unanswered questions are why governments are not already following these paths and how to change in these directions.

The conclusions of the survey make clear that the imperative is not just to achieve a return to economic growth, but also ‘building the basis for a different quality of growth following the
crisis’ [AGS, page 13]. The latter is explained in rather sweeping terms as competing globally while growing sustainably by equipping the EU with the ‘policies and instruments need to secure a prosperous, inclusive and resource efficient future’. In this bright, almost Panglossian future, there will be solidarity and fairness both within and across Member States.

5.3.2 The Employment Report

The 2013 Employment report accompanying the 2013 AGS (Commission, 2012c) could scarcely be more gloomy:

‘The employment recovery has come to a halt. Employment is decreasing and the prospects are bleak for 2013. Job creation has remained subdued and has worsened despite unexploited potential in some job-rich sectors and throughout the single market. Labour market segmentation has continued to rise with an increase in temporary contracts and part-time work. Taxation on labour remains high and has further increased in a number of Member States’ [p. 2, 2013 Employment Report]

The report also notes the growing unemployment disparities among the Member States, which it attributes to asymmetric shocks and the differences in the resilience of labour markets, the deterioration in the job-matching process and the worsening of social exclusion and poverty risks. The rise in unemployment, especially of vulnerable groups, like youths, is well-understood in the policy debate, but the report also underlines the fact that the job recovery in 2010 has not only petered out, but gone into reversal. Among other potentially worrying findings is that ‘in-work poverty’ and social polarisation are on the increase, a trend that runs counter to the long-standing ambition of EU employment policy to make work pay.

Much of the report consists of statistical analysis that fleshes out these headlines, and it provides a wealth of relevant summary statistics. But what the report only indirectly acknowledges is that these trends have, in some cases, been significantly aggravated by policy choices.
## Appendix table 1. Recommendations to Member States and the NEUJOBS agenda

<table>
<thead>
<tr>
<th>Member State</th>
<th>Analytic comments from Commission on themes relevant to NEUJOBS</th>
<th>Recommendations that bear on skills, societal and energy transitions</th>
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<tbody>
<tr>
<td>BE</td>
<td>Costs of ageing identified as crucial; need to stimulate active ageing; shortcomings in training; tax burden on labour not being reduced; no sign of eco taxes being increased; on track for renewables, but lagging behind in emissions abatement</td>
<td>Advised to curb age-related expenditure; reform wage bargaining and indexation; raise effective retirement age; need to shift taxation, e.g. to environmental taxes; review incentives to work in unemployment system; strengthen coherence between education, LLL, VET and employment policy; broaden activation strategy; more effort needed on reducing GHG from transport</td>
</tr>
<tr>
<td>BG</td>
<td>Pension adequacy is a medium term challenge, especially for those not paying contributions; high risk of material deprivation – worst among Roma; strategic plans exist, but detailed action also needed; youth and LT unemployment; undeclared work and LM segmentation are rife; policies to integrate youth announced, but PES weak; unsatisfactory educational attainment, especially for disadvantaged groups (notably Roma); energy infrastructure and its planning needs improvement</td>
<td>Accelerate youth initiatives and reform pensions further, especially to equalise genders; wide-ranging action needed on targeting social transfers and services to most vulnerable groups; enhance basic education</td>
</tr>
<tr>
<td>CZ</td>
<td>Some progress on pension reform, but still risk of funding shortfall; not enough effort to encourage take-up of funded pensions; risks from new early retirement scheme; inadequate childcare with repercussions for female labour supply; reforms of PES noted but still not enough and system may struggle to cope; doubts about the pace and intensity of education reform; overall poor on long run fiscal sustainability; low energy taxes</td>
<td>Shift from labour to eco-taxes; further efforts on pension reform; much greater childcare needed; strengthen PES; quality evaluation needed in tertiary education; STEM education needs to improve</td>
</tr>
<tr>
<td>DK</td>
<td>Labour supply remains a concern for long-run sustainability; pension reform on right lines; but disability and migrants need attention; some worries about education system and drop-out rates from VET;</td>
<td>Limited recommendations to take further steps to enhance long-run labour supply, and to ensure effective implementation of education reforms; effort needed on excluded groups such as migrants</td>
</tr>
<tr>
<td>DE</td>
<td>Efficiency of health and long-term care being addressed, but need more, and costs increases not fully incorporated; growth enhancing education and research improving; good LM performance, with some quibbles about low wage earners facing high tax wedge and pensions for holders of mini-jobs; female employment still being hindered, e.g. by lack of child-care; need for qualified labour to cope with demographic downturn; major effort underway in energy, but inefficiencies noted</td>
<td>Recalibrate tax system in various ways to improve incentives for low wage earners etc; raise educational levels of disadvantaged groups; competition in energy; more effort needed to support second-earners</td>
</tr>
<tr>
<td>Country</td>
<td>key concerns</td>
<td>recommendations</td>
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<tr>
<td>EE</td>
<td>Worries about rising incapacity benefits; still high unemployment of vulnerable groups; poverty risk in jobless households; rising energy demand because of modal shift, inefficient vehicles; need to diversify energy sources; not enough VET or LLL for low skilled; secondary education reform required; weaknesses in local government;</td>
<td>Better work incentives needed; training and education should be better aligned to LM; energy efficiency should be improved, focusing on buildings and, possibly, vehicle taxation; renewables infrastructure</td>
</tr>
<tr>
<td>GR</td>
<td>Macro concerns, aggravated by regional indiscipline; crisis may slow down impact of age-related reforms; comprehensive LM reform underway, but needs more on ALMP and careful monitoring; Youth Action Plan must be implemented urgently; growing worries about poverty, including among temporary workers; protections of professionals excessive; complex challenges in energy sector;</td>
<td>Link retirement age to life expectancy; strategy for older workers including LLL; shift to eco-taxes; additional ALMP; coordination of PES between tiers of government; quality of training in youth action plan; improve employability of vulnerable groups; open professional services</td>
</tr>
<tr>
<td>ES</td>
<td>Labour market segmentation remains a major problem; continuing uncertainties and costs for companies in dismissing staff; ‘active ageing plans “lack ambition” and do not offer enough incentives to older workers.’; adult learning needs more; poor matching of youth training and apprenticeships with LM needs; PES and benefit reforms not yet paying off; low eco taxes noted ;increasing ULC affecting exports;</td>
<td>Wide-ranging messages about dealing with LM segmentation and reforms of EPL; bolster older workers; improve PES; cut labour taxes, and substitute with eco taxes; open up professions</td>
</tr>
<tr>
<td>FR</td>
<td>Strong demographics, flexible labour market and spare capacity noted;</td>
<td>Recommendations refer to memorandum; nothing else</td>
</tr>
<tr>
<td>IE</td>
<td>Assessed to have imbalances, but not excessive; macro stance about right; beset by administrative problems in absorbing SFs in convergence regions; undeclared work and tax evasion are adversely affecting economic performance; wage bargaining reform has not gone far enough; nor has employment services; low female employment rate and troubling youth unemployment; mismatch and some doubts about apprenticeship schemes; early school leaving and poor performance of tertiary education; professional services need liberalisation</td>
<td>Extensive action needed on improving transitions into work, including in raising the performance of the education system; cut school dropout rate; reforms to diminish segmentation and incentivise women; strengthen controls on undeclared work</td>
</tr>
<tr>
<td>IT</td>
<td>Undeclared work and shortcomings in tax collection need to be addressed; pension reforms need to go further, but on right track; risk of pensioner poverty; sustainability of health insurance system at risk; wage indexation system problematic; not enough to deal with youth LTU and to support transitions; LLL not reaching low-skilled and older workers;</td>
<td>Concentrate on long term sustainability of pensions, including raising retirement age; conclude reforms of health care quickly; deal with youth LTU; make wage indexation more sensitive to productivity</td>
</tr>
<tr>
<td>Country</td>
<td>Challenges and Policy Recommendations</td>
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<tr>
<td>LV</td>
<td>High tax burden on labour, especially low wage earners – linked to undeclared work; case for shift to eco-taxes; resources for activation of youth and countering high youth unemployment not commensurate with scale of challenges; strong risk of poverty and exclusion, and system of social assistance falls short (including ‘traps’ and abuse); energy system has wrong incentives and lacks competition, paradox of good education but inadequate skills</td>
<td>Shift taxation burden to eco-taxes; restore pension contributions; better targeting on work incentives in social assistance; promote energy efficiency; reform higher education</td>
</tr>
<tr>
<td>LT</td>
<td>Serious doubts about sustainability of pensions system, despite recent measures; muted criticism of flexibility in LM; youth unemployment being addressed, but so far with limited success; fresh thought needed on transition mechanisms; high ratio of ‘at risk of poverty’ and exclusion; measures to stimulate activation patchy; energy savings initiatives undermined by perverse incentives; low eco-tax yield – especially on transport; not enough energy competition (NB three paras on energy!)</td>
<td>Switch to pro-growth taxation, including eco-taxes; new pension reform required, should be reinforced by active ageing; tackle high unemployment, including by boosting ALMP and amending LM regulation; boost work incentives; raise energy efficiency and competition in energy markets’ establish pathways for labour market transitions</td>
</tr>
<tr>
<td>LU</td>
<td>Pension reform in right direction, but scope inadequate; early retirement not addressed; reform of wage setting may be required; some problem with youth unemployment and integration; absence of progress on GHG emission targets; low fuel taxes;</td>
<td>Pension reform has to go further and generally curb long-term care costs; reform indexation of wages, taking energy out of the index; address youth unemployment; higher energy taxation to bring GHG targets back on track–specifically motor vehicles excise; support migrants in labour market</td>
</tr>
<tr>
<td>HU</td>
<td>Some progress on employment friendly taxation and greater support for female employment, but not enough; PES has not improved and is urgently needed; Roma strategy not enough or mainstreamed; LLL and general improvements in education are needed;</td>
<td>Employment friendly taxation should be priority; child-care expansion; strengthen PES; mainstream Roma strategy; better educational access for disadvantaged groups as part of wider early leaving approach; intensify action to activate vulnerable groups</td>
</tr>
<tr>
<td>MT</td>
<td>Macro risks; facing age-related sustainability challenges; no active-ageing strategy; undeclared work; skills mismatch; educational attainment; low senior and female participation, the latter linked to childcare etc. and absence of female friendly working conditions; risks from wage indexing system; scope for energy double-dividend</td>
<td>Urgent action needed on pension sustainability and comprehensive ageing strategy needed; encourage older workers and deter early retirement; address early school leaving; action to cut gender gap; review indexing; boost energy efficiency and renewables</td>
</tr>
<tr>
<td>NL</td>
<td>Fiscal incentives needed for second earners; long-term care costs need to be fleshed out;</td>
<td>Some additional policies on pension sustainability; and containment of costs of ageing; review incentives for older and disabled workers, women and migrants</td>
</tr>
</tbody>
</table>
### AT

| Action to limit use of invalidity pensions not enough; acceleration in equalisation of retirement age has not happened and employability of seniors not being enhanced sufficiently; labour supply needs to be addressed via migrants and older workers | Equalise retirement age and raise its effective level; raise employability of older workers and other segments, including by tax changes; lower gender pay gap; care services for dependents; reduce tertiary dropout |

### PL

| Youth unemployment and other forms of segmentation; in-work poverty; reinforce higher education reform; childcare deficiencies affecting female participation; efforts being made to boost older workers, but more needed; restrictions in professional services; lagging in energy commitments | Needs LLL and better transitions such as apprenticeships; some LM deregulation; steps to increase female participation and to deter early exit; incentives for energy investment; rail construction |

### PT

| Reform on track in LM and health; SFs being re-orientated towards curbing youth unemployment | Recommendation is to implement programme in memorandum |

### RO (2013 only)

| High NEET ratio and low activation of youth; ROMA strategy still struggling; uncompetitive and inefficient energy use, especially in buildings | Wide-ranging action needed on energy; tertiary education should be better aligned with labour market; open regulated professions |

### SI

| Risks to public finances; pension reform has been stalled by referendum result, and new proposals considered likely to be inadequate and across the board change needed; active ageing needs to be fleshed-out; lack of action on active ageing strategy; duality on LM and no change in EPL or clear timetable for flexicurity measures; education and training insufficiently responsive to labour demand; concern about relatively high minimum wage and its increase, although noted that it is below poverty threshold | Comprehensive action on pensions; employment rate of seniors via ALMP; correct duality in EPL to lessen segmentation; improve matching; further opening of professional services; link wage growth to competitiveness |

### SK

| Tax reform to boost revenue from more growth friendly sources and to compensate for possible attrition of labour income because of more flexible contracts; long-term pension sustainability not assured; lack of action on unemployment; tax-wedge trap; low employment rate of women and older workers; education and training deficiencies; urgency of youth action plan; Roma and other marginalised groups’. High energy intensity stressed in 2013, but not 2012 | Increase eco-taxes; further reform of payg; improve PES; activation policies including childcare and individualise support; implement youth action plan, especially training components and improve higher education; better access for Roma; improve energy efficiency in industry and construction |

### FI

<p>| Many necessary reforms in pensions and LM integration of vulnerable groups, but skills of target groups need attention; implementation is the order of the day rather than policy design | Monitor the growth of age-related expenditure; reinforce labour supply measures, especially older workers; implementation of existing plans; diversify towards less energy-intensive sectors |</p>
<table>
<thead>
<tr>
<th>Country</th>
<th>Concerns and Issues</th>
<th>Further Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>SE</td>
<td>Minor concern about macro; high youth unemployment and low employment rate of vulnerable groups, especially migrants; doubts about VAT cut as youth strategy; high entry wages and differentiated EPL as possible problems;</td>
<td>Further measures to improve participation by youths and other vulnerable groups, for example by better transitions from school; youth guarantee for NEETs</td>
</tr>
<tr>
<td>UK</td>
<td>Growing LM challenges; high youth unemployment and NEETs; surfeit of low skill supply and deficit of high skill; welfare reform facing tension from risk of poverty; child-care for low income earners not sufficient; electricity capacity at risk, plus struggle to meet energy commitments because of low share of renewables;</td>
<td>Wide ranging challenges on youth employability and skills; more effort on apprenticeship take-up; integration of people from jobless households; network infrastructure; work incentives for jobless households</td>
</tr>
</tbody>
</table>

*Source: Own elaboration from Country Specific Recommendations for 2012 and 2013.*
References


Maselli, I. (2012) ‘Job polarisation and education expansion in European labour markets’ Intereconomics, 47.1,


ABOUT NEUJOBS

“Creating and adapting jobs in Europe in the context of a socio-ecological transition”

NEUJOBS is a research project financed by the European Commission under the 7th Framework Programme. Its objective is to analyse likely future developments in the European labour market(s), in view of four major transitions that will impact employment - particularly certain sectors of the labour force and the economy - and European societies in general. What are these transitions? The first is the socio-ecological transition: a comprehensive change in the patterns of social organisation and culture, production and consumption that will drive humanity beyond the current industrial model towards a more sustainable future. The second is the societal transition, produced by a combination of population ageing, low fertility rates, changing family structures, urbanisation and growing female employment. The third transition concerns new territorial dynamics and the balance between agglomeration and dispersion forces. The fourth is a skills (upgrading) transition and its likely consequences for employment and (in)equality.

Research Areas

NEUJOBS consists of 23 work packages organised in six groups:

- **Group 1** provides a conceptualisation of the socio-ecological transition that constitutes the basis for the other work-packages.
- **Group 2** considers in detail the main drivers for change and the resulting relevant policies. Regarding the drivers we analyse the discourse on job quality, educational needs, changes in the organisation of production and in the employment structure. Regarding relevant policies, research in this group assesses the impact of changes in family composition, the effect of labour relations and the issue of financing transition in an era of budget constraints. The regional dimension is taken into account, also in relation to migration flows.
- **Group 3** models economic and employment development on the basis of the inputs provided in the previous work packages.
- **Group 4** examines possible employment trends in key sectors of the economy in the light of the transition processes: energy, health care and goods/services for the ageing population, care services, housing and transport.
- **Group 5** focuses on impact groups, namely those vital for employment growth in the EU: women, the elderly, immigrants and Roma.
- **Group 6** is composed of transversal work packages: implications NEUJOBS findings for EU policy-making, dissemination, management and coordination.

For more information, visit: [www.neujobs.eu](http://www.neujobs.eu)

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