

# Annual Growth Survey 2019

## *For a stronger Europe in the face of global uncertainty*

### Analytical Note

EPR analytical note on the Annual Growth Survey informs the network members about the priorities the European Commission (EC) sets for the year to come. EPR looks particularly at informing its members on any priorities related to employment, social issues, training/skills or education and funding social services.

#### Introduction

The European Commission's Annual Growth Survey (AGS) sets out the general economic priorities for the EU in the year to come and offers EU Member States' governments policy guidance for the following year. The Commission guidance is built around 3 inter-connected strands: investment, structural reforms and fiscal consolidation. The AGS analyses the employment and social situation in Europe and the policy responses of national governments.

In 2019 the [European Semester](#), the cycle of economic and social policy coordination, began against a backdrop of strengthened but less dynamic growth in an environment of acute unpredictability. Although a remarkable effort has been achieved since the 2014 financial crisis, the European Commission stresses in the Annual Growth Survey that efforts must not be slackened. The EU priority remains to support inclusive and sustainable growth and job creation while increasing and enhancing the resilience of Member States' economies.

Europe's economy is set to continue expanding, more jobs are expected to be created employing a record number of people hence contributing to reduce social exclusion and poverty in the EU. However, evidence shows an increased in work poverty in Member States such as the United Kingdom. Working towards creation of quality jobs, employment that pays, should be emphasized. The EC points out that structural reforms, investment and responsible fiscal policies implemented by the Member States, combined with decisive action at European level, including the Investment Plan for Europe, have contributed to the restored stability and greater prosperity enjoyed today in the European economy. Employment has risen to a record level of 239 million people and unemployment has fallen back to pre-crisis level, helping more than 10 million people.

#### Annual Growth Survey 2019

This year Annual Growth Survey includes Greece for the first time after the reform programme implemented over the past four years.

#### *Economic growth, job and investment delivered*

In the AGS, the European Commission highlights the EU economy is now on its sixth year of ongoing growth turning the page to the economic and financial crisis. Although different Member States follow different growing levels, and strong variances are perceived between some of them, the AGS remarks that the situation of the EU economy is of positive growth as a whole. Following the ambitious Juncker Plan, focused in "Jobs, Growth, Fairness and Democratic Change", progress has been made to ensure debt levels were reduced and stimulate the creation of more and better jobs. As the AGS states, better conditions for businesses, including measures to lighten administrative burden or make the tax systems more efficient, have also been essential to create the right regulatory environment and promote a climate of entrepreneurship and job creation. The main areas where progress has taken place, both at national and EU level, are: services, infrastructure, broadband, energy, transport, circular economy, labour market



reforms, healthcare, education, research, training and innovation. As a result, new opportunities for jobs and growth raised.

### *Employment and social conditions*

Key data provided by the AGS:

- employment rate of people aged 20-64 rose to 73.2 % in the second quarter of 2018
- EU is well on track to reach the Europe 2020 target of 75% employment in 2020
- unemployment rate has recently dropped to 6.8 %, back to pre-crisis level
- long-term unemployment and youth unemployment are also declining
- the number of people at risk of poverty or social exclusion, at 113 million people in 2017, has dropped for the first time below pre-crisis levels
- the risk of poverty or social exclusion remains a challenge in particular for children, people with disabilities and people with a migrant background

Since 2018, the European Pillar of Social Rights was mainstreamed within the European Semester helping to support the improvement and monitoring of social policies within Member States.

### **Future Challenges Ahead**

#### *Globalisation and its link to income inequality*

Rapidly changing global environment pushes the EU to strengthen a united response to possible external risks.

This is why, in 2017, the European Commission had already posed the following dilemma: How should economic policy respond to increased inequality? Clearly, the answer to this question should be based on a sound understanding of the key factors driving inequality trends such as:

- Globalisation;
- Skill biased technological change;
- Economic reforms like deregulation in financial markets;
- Rolling back the welfare state or reforms of the tax system;
- The growing role of telecommunication and the mass media;
- Growing regional disparities within countries.

The Annual Growth Survey underlies the main challenges ahead of the EU in the upcoming years. They are divided into persisting, existing challenges presenting difficulty to be overcome, short term and long term challenges.

Persisting challenges in the EU are: low productivity growth; income inequality and slow reduction in poverty; regional and territorial disparities; high public and private debt and other remaining macroeconomic imbalances, notably within the euro area.

Short-term challenges: skills mismatches and emerging labour shortages in some countries and sectors; migration; slow diffusion of new digital technologies.



Long-term challenges: growth potential of digitisation; the impacts of technological transformations on workers and specific sectors; the impacts of demographic changes and the role of migration; mitigation of and adaptation to climate change; sustainable use of natural resources.

#### *Education, digitisation and jobs in the EU*

To thrive, increasingly digitised and globalised economies require greater and smarter investments in skills and education. Digitisation in the labour market will imply challenges for both workers and employers. It will also mean important shifts to a faster work pace that will require better-qualified and upskilled workforce.

At present, employers report considerable challenges to recruit employees with the right skills. As pointed out in the AGS, more than 60 million adults lack necessary literacy, numeracy and digital skills.

#### *Europe's ageing population is a challenge for pension, healthcare and long-term care systems*

Europe ageing population represents a key challenge for sustainable societies within the EU. In the future, younger generations might face the reality of paying higher tax contributions and receiving lower pensions. Now the EU needs to take action to avoid future generations to face these burdens. To do so, more inclusive labour markets are needed.

### **What key priorities for the EU future?**

#### *Investing in education*

Investment in education, training and skills is crucial to increasing productivity and sustaining employment in the context of rapid change and digitisation. Member States should equip young people with skills that are relevant to labour market needs, while enabling and encouraging lifelong learning. They should pay particular attention to adaptability of the workforce, especially the low-skilled, to ensure the optimal uptake of technological progress. Particular attention is also needed to addressing inequalities in access to quality education and training, which persist in most Member States.

#### *Education reforms for a better skilled European nation*

Better skill match with labour market needs: Future European generations need to be better skilled according with the needs of the labour market. This will allow better employment rates and help combating poverty levels. Together with new technologies, future employees need to have quality training and education that can overcome the impact innovations are having in the workplace. Therefore, measures aiming at promoting public investment on skills development and making a stronger link between education and training and business are crucial. In many Member States of the EU, it means to invest more and make reforms in the education and training systems.

**Access to quality education:** In order to improve education of EU citizens and high educational outcomes at the levels of what the labour market needs, equal access to quality education is fundamental. The path to follow to achieve this, says the EC, is to start by having equal access and quality early childhood education and care. Investment in the continuous education of professionals, teachers and trainings, is part of the investment needed. Together with strengthening vocational education and training systems so that they are an attractive option offering alignment with the needs of the labour market.

**Lifelong learning:** In the near future, given the mentioned changes in technologies and the constant innovation of the labour market, lifelong skills development will be and it is already becoming essential. Future workers will need to be prepared to be resilient to constant change. To do so, adults will need support in reskilling or upskilling activities. Those adults that have low skills should be given the opportunity and support to upskill to join the labour market helping also the inclusion of migrants.

The European Commission proposals for the next EU Multiannual Financial Framework are aligned with supporting more investment both by the national authorities and the private sector.



**Reforms in the labour market:** The right balance between security and flexibility at work will be needed and to do so reforms will have to be put in place. Fostering mobility and flexibility and addressing in work poverty and segmentation. Both, active and efficient labour market policies and efficient public employment services will be key.

**Inclusion should be put as one key point within the reforms of the labour market.** For this to be achieved, previously mentioned investment in quality and equal access to public education, training and adult learning is necessary. Complemented by a tax benefits systems with an innovative approach and access to quality healthcare, and childcare and long term care services.

*Access to quality care services*

Better access to high quality care services such as childcare or long term care are necessary to make sure women, main care givers, can continue in the labour market developing their professional careers. While women are on employment, child poverty is reduced. Supporting migrants to access the labour market will support a wider integration. In order to make these points a reality in the whole EU a sustainable fiscal system is necessary and Member States are called to use cost efficient policies investing in innovation and make stronger links between healthcare and social care to respond to the demands of the increased ageing population.

Having set up the priorities for the year to come, the European Commission expects Member States to include into their national reform programmes the suggestions and considerations exposed. This will help Member States addressing the challenges coming from the effects of globalisation on those who have weaker economies.

