Break-out session 4: room Teck

Socio-economic governance: achieving the Porto targets by 2030

Interaction between social, economic and employment performance

04 Socio-economic governance: achieving the Porto targets by 2030

Interactions between the social and employment objectives of the European Union

István György Tóth, András Gábos, Bea Cantillon and Brian Nolan

Purpose of the paper

❑ To highlight the role of the employment and social targets as an important part of the EPSR, reflecting the social face of EU governance

❑ To explore the interaction between employment and anti-poverty and social exclusion policies

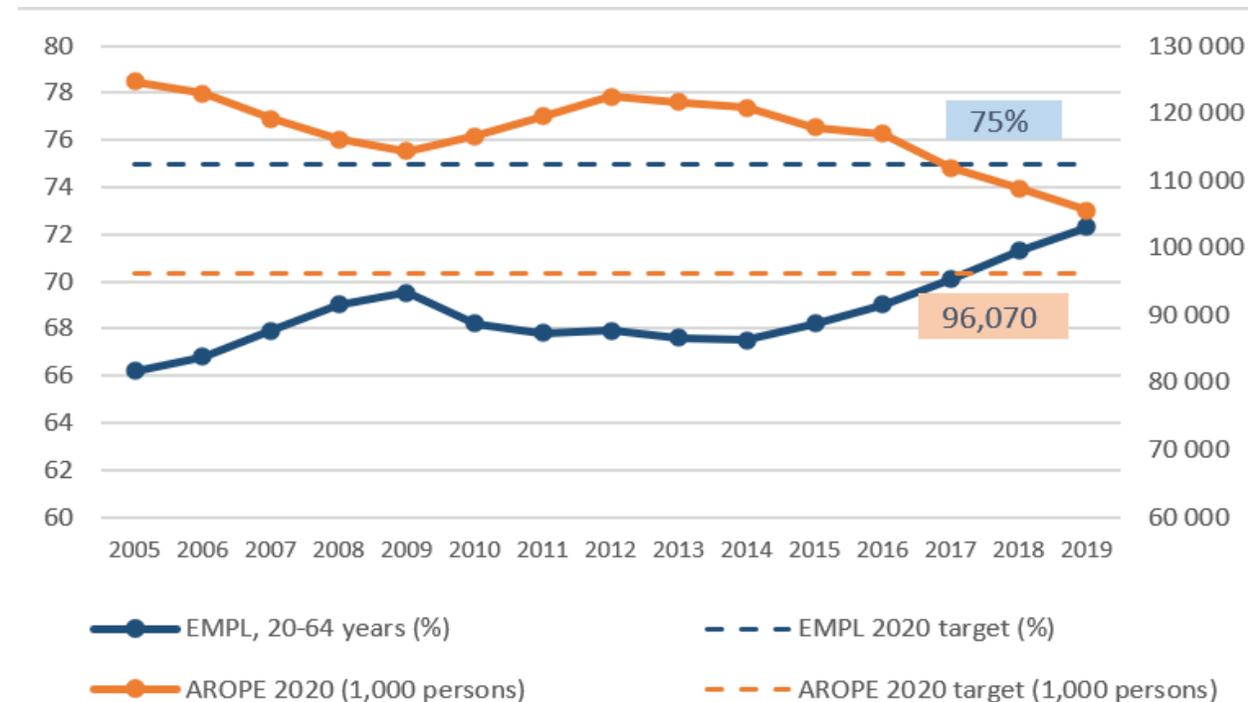❑ To make recommendations on the methods to monitor the targets and the related policies

The paper focuses on understanding the relationship between employment and poverty, within the actual context: record high employment and record low unemployment, but still labour shortages and persisting poverty levels.

Employment and social target indicators in the EU

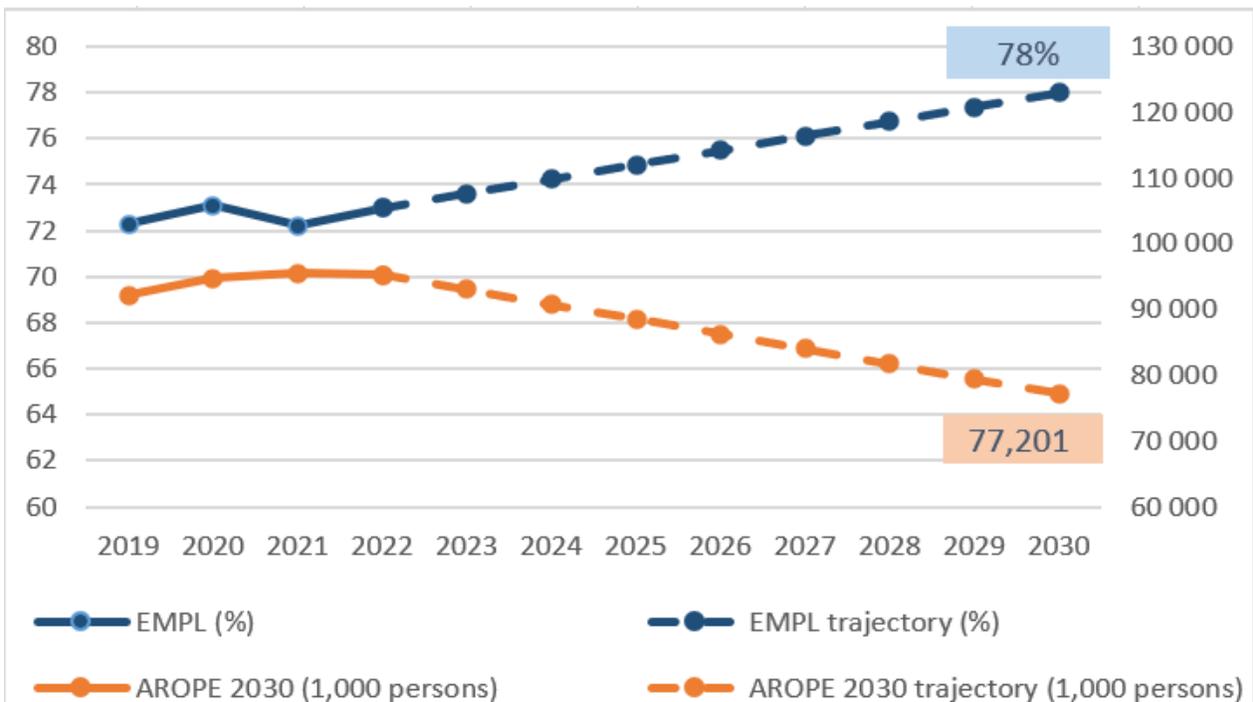| Indicator		Definitions

Employment target		Employment rate:
		   75% by 2020
		   78% by 2030

Social target		People at risk of poverty or social exclusion rate (AROPE):
		   AROPE 2020: -20M between 2010 and 2020
		   AROPE 2030: -15M between 2020 and 2030 (of which at least 5M children)

	Relative income poverty	At-risk-of-poverty rate (AROP), AROP threshold: 60% of the national median hh equivalised income
	Deprivation	In the "old" 2020 AROPE target: severe material deprivation rate (SMD): enforced lack of 4+ out of 9 hh level items In the "new" 2030 AROPE target: severe material and social deprivation rate (SMSD): unforced lack of 7+ out of 13 individual and hh level items

	Household joblessness	Share of individuals living in (quasi-)jobless households (WI<0.2):
		   AROPE 2020: population aged 0-59
		   AROPE 2030: population aged 0-64 (and some minor changes in the definition)

Employment (left axis, %) and AROPE (right axis, thousand persons) indicators are strongly and negatively correlated

Trends in the employment and the social target (AROPE 2020) indicator (total population, EU average, 2005-2019) and 2020 target values

Trends and required trajectories of the employment and the social target (AROPE 2030) indicator (total population, EU average, 2019-2030) and 2030 target values

Left chart labels: 75% ; 96,070

Legend (left): EMPL, 20-64 years (%) ; EMPL 2020 target (%) ; AROPE 2020 (1,000 persons) ; AROPE 2020 target (1,000 persons)

Right chart labels: 78% ; 77,201

Legend (right): EMPL (%) ; EMPL trajectory (%) ; AROPE 2030 (1,000 persons) ; AROPE 2030 trajectory (1,000 persons)

- **Strong overall increase in employment rate,** but still **short of the 2020 target**

- **Considerable improvement** in AROPE: 117,4M (2008) → 109,6M (2020), **but far from the target**

- Changes in the definition of two AROPE components and country coverage

- Concerted efforts are needed to simultaneously reach the Porto 2030 targets in both fields

Source: Eurostat database, retrieved on 31/7/2023.
Note. EMPL: year t-1, EU-27 from 2020. AROPE2020: EU-27, 2007-2019 (incl. UK, excl. Croatia), AROPE2030: EU-27, 2015+ (incl. Croatia, excl. UK).

The development of AROPE components at EU level

Trends in the employment (left axis), the social target (AROPE) indicator and its components, and anchored poverty rate (right axis), total population EU average, 2005-2021 (%)
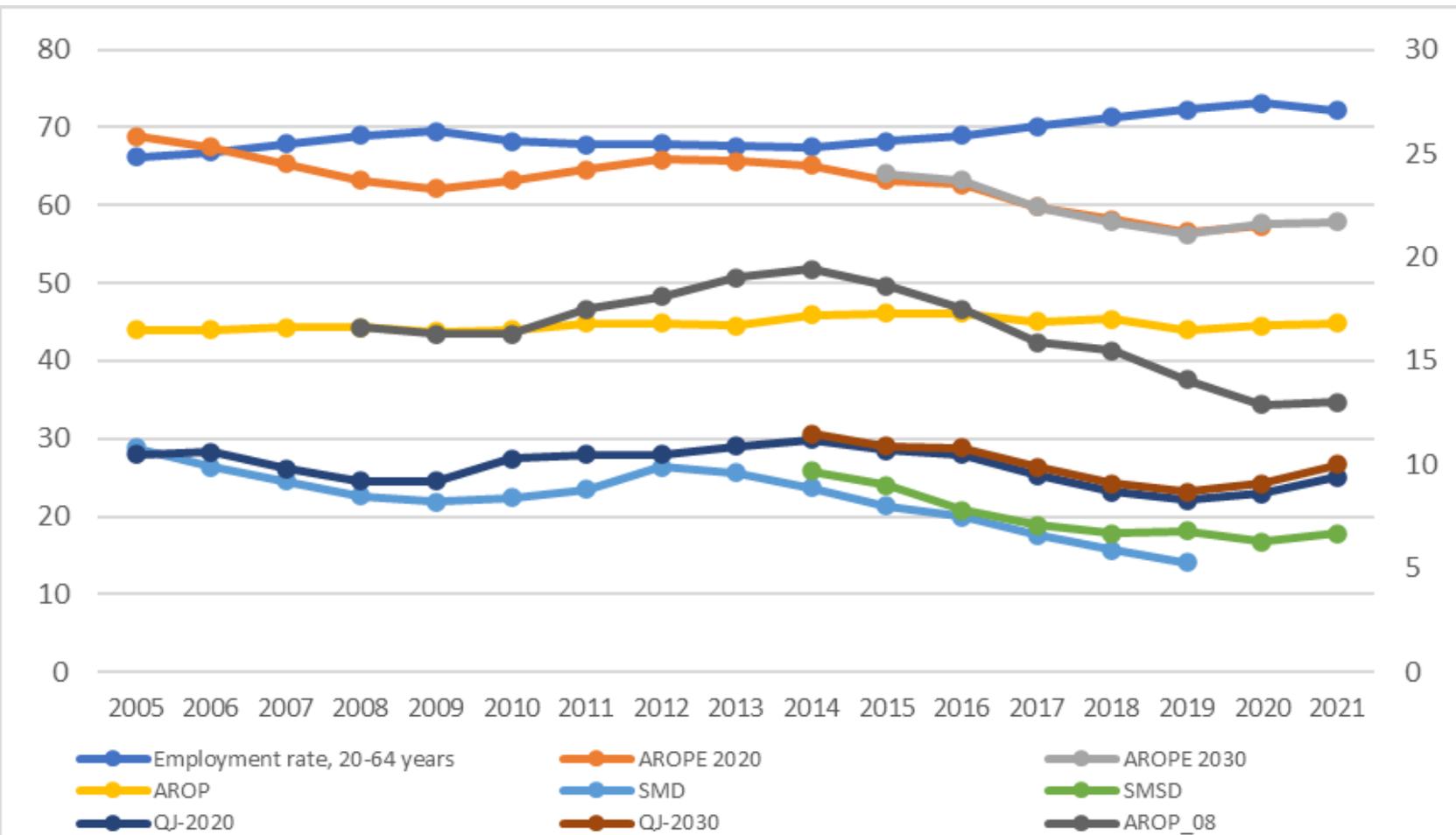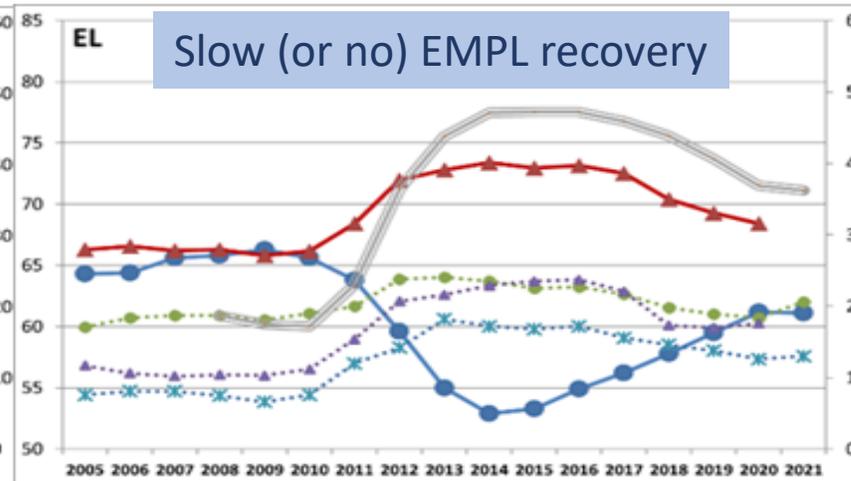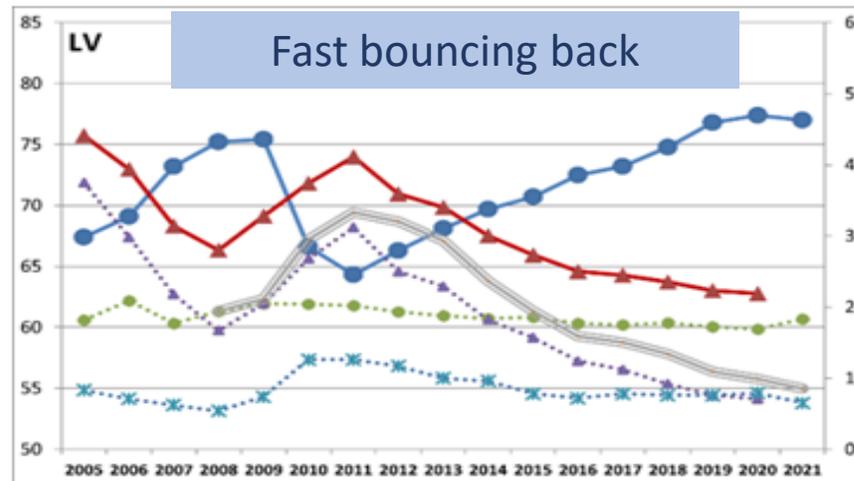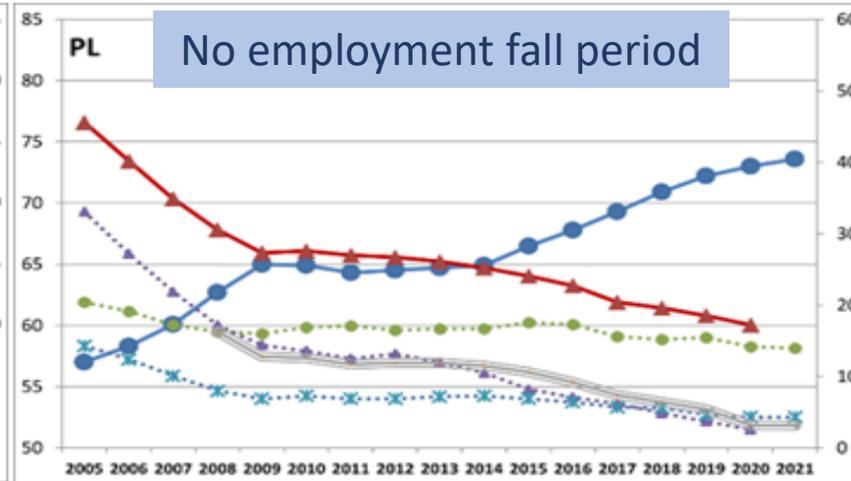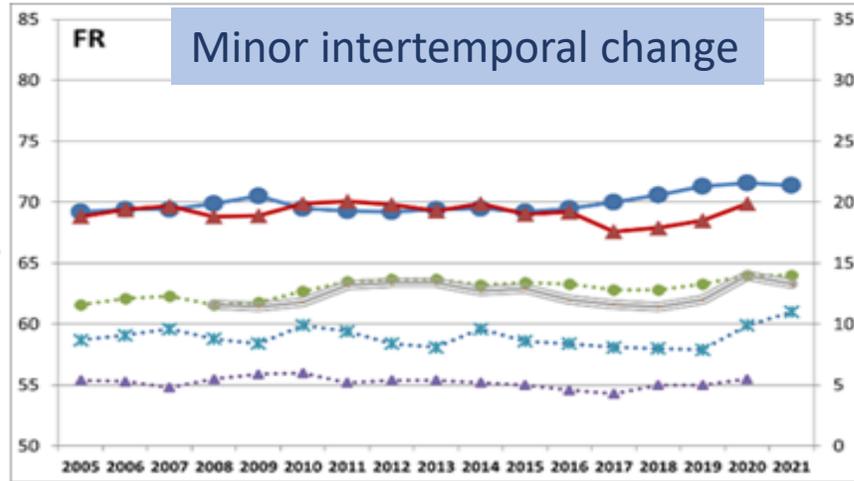

- **New definitions** for AROPE and components show **similar trends**

- There is no significant over time change in AROP

- However, **anchored AROP has been more responsive** during the analyzed period

The development of employment and AROPE at national level

The evolution of employment rate (left scale, for year t-1), AROPE-2020 and its components (AROP, SMD, QJ-2020), and anchored AROP in four idealtypical Member States, 2005-2021 (all data are for 18-64)

FR — Minor intertemporal change

PL — No employment fall period

LV — Fast bouncing back

EL — Slow (or no) EMPL recovery

Legend: Employment rate, 20-64 years — AROPE 2020 — AROP — SMD — QJ-2020 — Anchored_AROP_08

- In all types, AROPE shows a **clear negative correlation** (mirror image) with EMPL

- All Member States belong to one of these types

- It is only in **very few MSs and very short periods** when EMPL and AROPE **correlates positively**

- **Correlation between EMPL and anchored AROP is always stronger** than EMPL with AROP

Change in the number of persons at risk of poverty or social exclusion between 2008 and 2020, decomposed by source, EU Member States, (thousand persons)
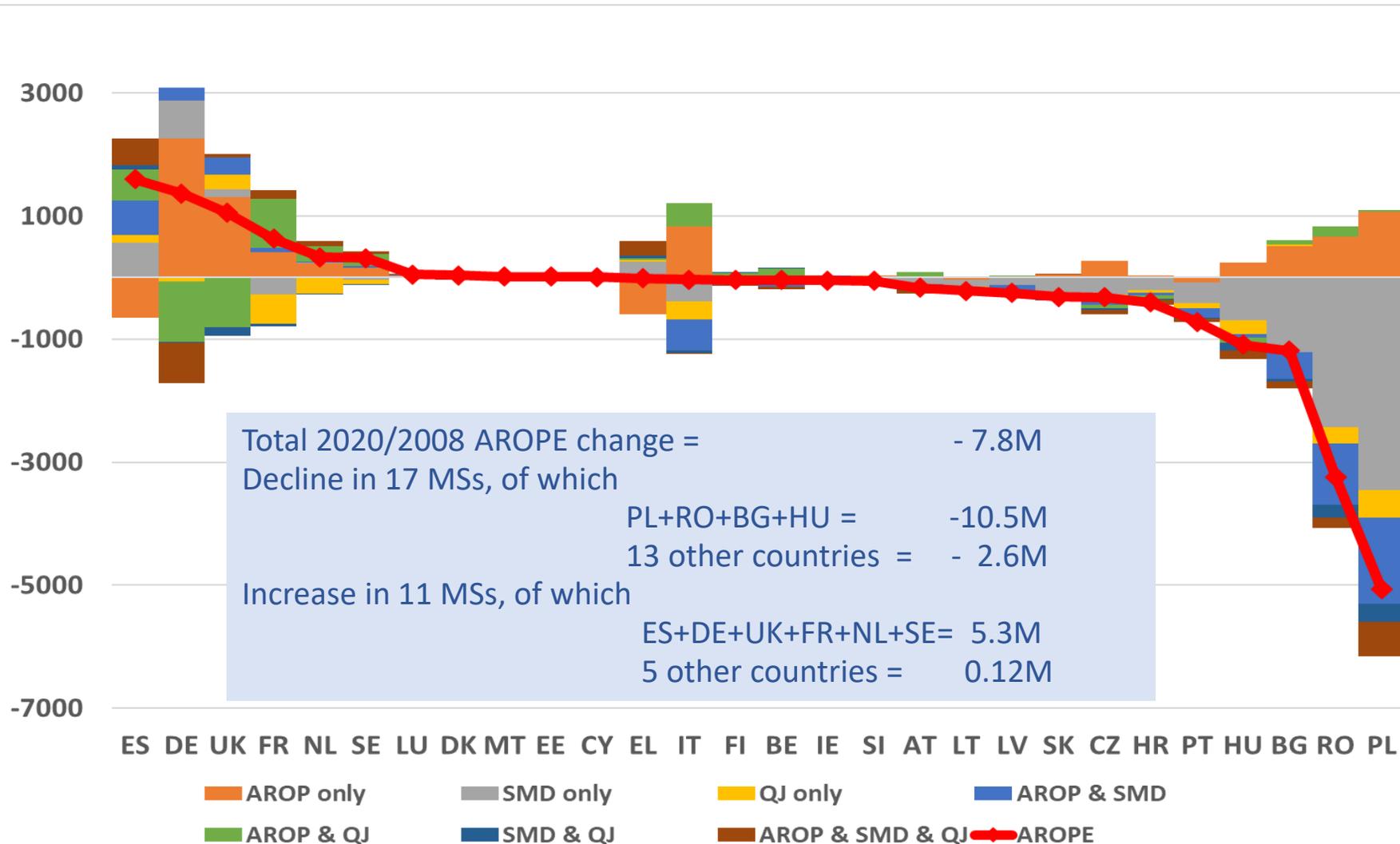
#1. driver: only SM(S)D

- mostly in CEE, and in FR, IT & PT

only AROP:

- positive (on the rise) in most countries (esp: DE & UK)

- also positive in PL, RO, BG, HU & CZ, but drops in SMD rates offsets

- decline only in few cases (ES & EL)

only QJ:

- negative in several countries (e.g. FR, PL, IT, RO, NL, HU)

- positive in the UK and ES

Total 2020/2008 AROPE change =   - 7.8M
Decline in 17 MSs, of which

                PL+RO+BG+HU =   -10.5M
                13 other countries =   - 2.6M
Increase in 11 MSs, of which

                ES+DE+UK+FR+NL+SE= 5.3M
                5 other countries =   0.12M

Core factors that mediate the impact of individual employment growth on (hh level) poverty and social exclusion

Hypotheses

Findings

Individual employment

Mechanism 1: Distribution of jobs across households

Strong positive and significant coefficients (of QJ), also supported by simulations.

Mechanism 2: Quality of employment

Significant effects in most of the models applied.

Mechanism 3: Poverty reduction capacity of wages

Poverty outcomes: AROPE(a), AROP(a), Anchored AROP(a), SMD(a)

Not tested, further indicator development is required.

Mechanism 4: Poverty reduction capacity of transfers

Significant effects in some of the applied models.

Mechanism 5: Changes in median income

Strongest estimates for all correlates when the AROP threshold is fixed (anchored AROP).

Method for testing the mechanisms: macro level multivariate regressions (time-series cross-sectional with country-level FE & first-difference design)
Units: country (27 EU MSs + UK) and year (2005-2021)

Lessons for policy

❑ Employment growth is very important for poverty alleviation, but other factors may further improve effectiveness.

❑ The distribution of new jobs across households is a key transmission mechanism between employment and poverty, therefore the focus should be on policies that are effective in reducing the share of persons living in QJ households.

❑ Quality of employment matters: better jobs improve both household income and well-being.

❑ Social protection contributes to direct poverty reduction, and also to resilience and human capital maintenance/development.

Lessons for analytic approach and indicators

❑ Member States' experiences in the field provide the opportunity for policy lab + mutual learning.

❑ The individual employment target should be closely monitored together with the share of persons living in (quasi-)jobless households.

❑ Aggregate income growth and employment growth (in itself) have a very moderate effect on relative income poverty. There is a need to further invest in a better understanding of the relatively weak correlation between AROP, employment and material deprivation.

❑ It is important to strengthen the monitoring of the targets, by making use of the full set of EU agreed social indicators (including the anchored AROP rate), as well as by enhancing statistical capacity for more timely indicators and for a better assessment of the impact of policies.

More details:

Tóth, I. Gy., A. Gábos, B. Cantillon and B. Nolan (2024). Interactions between the social and employment objectives of the European Union. *Background paper for the Belgian Presidency of the Council of the European Union (January - June 2024)*. https://tarki.hu/sites/default/files/2024-04/BE%20Presidency_interactions_paper_Toth%20et%20al_final_240213_online.pdf

Thank you for your attention

Justina Jakštienė

Vice Minister of Social Security and Labour at the Ministry of Lithuania

Riina Sikkut

Minister of Health of Estonia

Sophia Metelius

State Secretary to Minister for Employment and Integration of Sweden

Wilm Geurts

Director International Affairs at Ministry of Social Affairs and Employment of the Netherlands

Monika Queisser

Senior Counsellor to the Director of the OECD's Employment, Labour and Social Affairs Directorate and Head of Social Policy Division of the OECD

Thank you for yourn attention