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Subject : Foundations and structures for a Joint Assessment Framework (JAF), including an Employment Performance Monitor (EPM) to monitor the Employment Guidelines under Europe 2020
- COM-EMCO-SPC report

Delegations will find attached the joint COM/EMCO/SPC report "*Foundations and structures for a Joint Assessment Framework (JAF), including an Employment Performance Monitor (EPM) to monitor the Employment Guidelines under Europe 2020*", as transmitted to the Council Secretariat on 24 November 2010.



EUROPEAN COMMISSION
Employment, Social Affairs and Equal Opportunities DG

The Employment Committee

The Social Protection Committee

EMCO/57/101110/EN – FINAL

Foundations and structures for a Joint Assessment Framework (JAF), including an Employment Performance Monitor (EPM) to monitor the Employment Guidelines under Europe 2020

COM-EMCO-SPC report

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1 Introduction

The Europe 2020 National Reform Programmes (NRPs) should provide information on both the macro-economic surveillance and surveillance of growth-enhancing structural reforms (thematic coordination) of key measures to achieve the national targets and ensure consistency on these two main strands. As regards monitoring of growth-enhancing reforms the NRPs should help to identify (starting in 2011) the key national challenges and main bottlenecks that prevent a Member State from closing the gap to the objectives set in Integrated Guidelines 4 to 10 and to set out national trajectories and key measures to attain national targets to remove obstacles to growth and employment.

The successful delivery of reforms in practical terms depends on regularly tracking progress towards targets and implementation of individual measures "on the ground". It has been agreed that the Commission will together with the sector Councils establish a transparent assessment and monitoring framework for tracking progress towards the headline targets as well as assessing progress towards implementing the Integrated Guidelines.

In light of the employment guidelines referred to in Art.148, EMCO and SPC have received the mandate to identify practical arrangements for the monitoring of progress of policies to be designed to deliver smart, sustainable and inclusive growth and employment creation, by removing obstacles to growth and focusing on the five Europe 2020 headline targets and the national targets which underpin them.

This note presents a joint COM-EMCO-SPC proposal for a framework for monitoring growth-enhancing reforms under the employment and social policy strands of the Europe 2020 strategy that complements and is consistent with EPC LIME tools for macroeconomic surveillance.

This proposal presents the backbone and main elements of the framework although some technical details would require further work in the coming months

2 The Europe 2020 monitoring framework for the employment guidelines

The Europe 2020 Governance structure suggests that the associated surveillance framework for Employment Guidelines would have to comprise the following two main elements (see figure 1):

- Monitoring and assessment of structural reforms under the Employment Guidelines through a qualitative and quantitative assessment methodology. The framework should lead to the identification of key employment challenges (KEC) and potential risk areas (PRA). This will take into account the economic, social and demographic and different starting positions in each Member States.

- Quantitative monitoring of progress towards the EU headline and related national targets in the light of the implementation of the Integrated Guidelines. This element of the surveillance framework is supposed to provide a quantitative tracking device for progress in view of the headline and national targets, as well as for the labour market participation and social inclusion of specific groups.
- The results produced by these two JAF elements should nourish an "employment performance monitor", a clear, transparent and concise and easy to communicate summary that can be used to identify at a glance the main challenges and that periodically can be submitted to the EPSCO Council, accompanied by a full quantitative and qualitative analysis. At a later stage, and upon future agreement with the SPC and EPSCO, the JAF could also incorporate a similar performance monitor in the area of social policies.

The JAF will constitute **an analytical tool to underpin evidence-based policy making based on a three-step approach**. Steps 1 to 3 can primarily be used as an analytical tool in the dialogue between the Commission and the Member States to support the identification of key challenges and help Member States establish their priorities. The value added of the JAF in this context is its EU cross-country comparative dimension, which can, for instance, help MS evaluate the relative magnitude of their challenges. The JAF results should test the analytical soundness of political deliberations but should not replace them or empty the political mandate that is provided by Art.148° TFEU and several European Council conclusions and that Member States, the Commission and the Council legitimately wish to preserve in remit of their competence. Nor will the JAF results, in this context, impinge on national practices related to the social partners.

The JAF results should also be seen as a tool to promote multilateral surveillance and support an overall assessment of the situation at EU level.

In light of the EMCO mandate for the new policy cycle and determined by EPSCO in its meeting of 21 October¹, the JAF results will be used for multiple purposes:

- While respecting the prerogative of Member States to identify their national bottlenecks to growth and employment, to provide them with a tool which allows a "reality check" on progress to address their main employment challenges and provide them early warnings on policy areas which could become potentially at risk.
- While respecting the Commission's prerogative to submit country-specific recommendations (CSR) in view of Council recommendations, to support her in political judgement when preparing the CSR in view of the June EPSCO Council
- To support EMCO and thereafter the Council in taking a multilateral position on the progress reached by each Member State at its country examination referred in Art.148 TFEU to take place in Spring every year
- To nourish EMCO's report on the employment situation to be prepared every year in view of the December EPSCO

¹ See Council Doc 14478/10

- To contribute to the elaboration of Annual Growth Survey and the Joint Employment Report in view of the Council debates at the beginning of each European Semester and the policy orientations to be adopted by the Spring European Council.
- Special analysis of the JAF results can also be constructed with the perspective of looking at more complex policy concepts such as flexicurity or quality work. On a regular basis EMCO will also transmit to the EPSCO council and to the EPC the analysis of JAF results which are relevant to macroeconomic surveillance

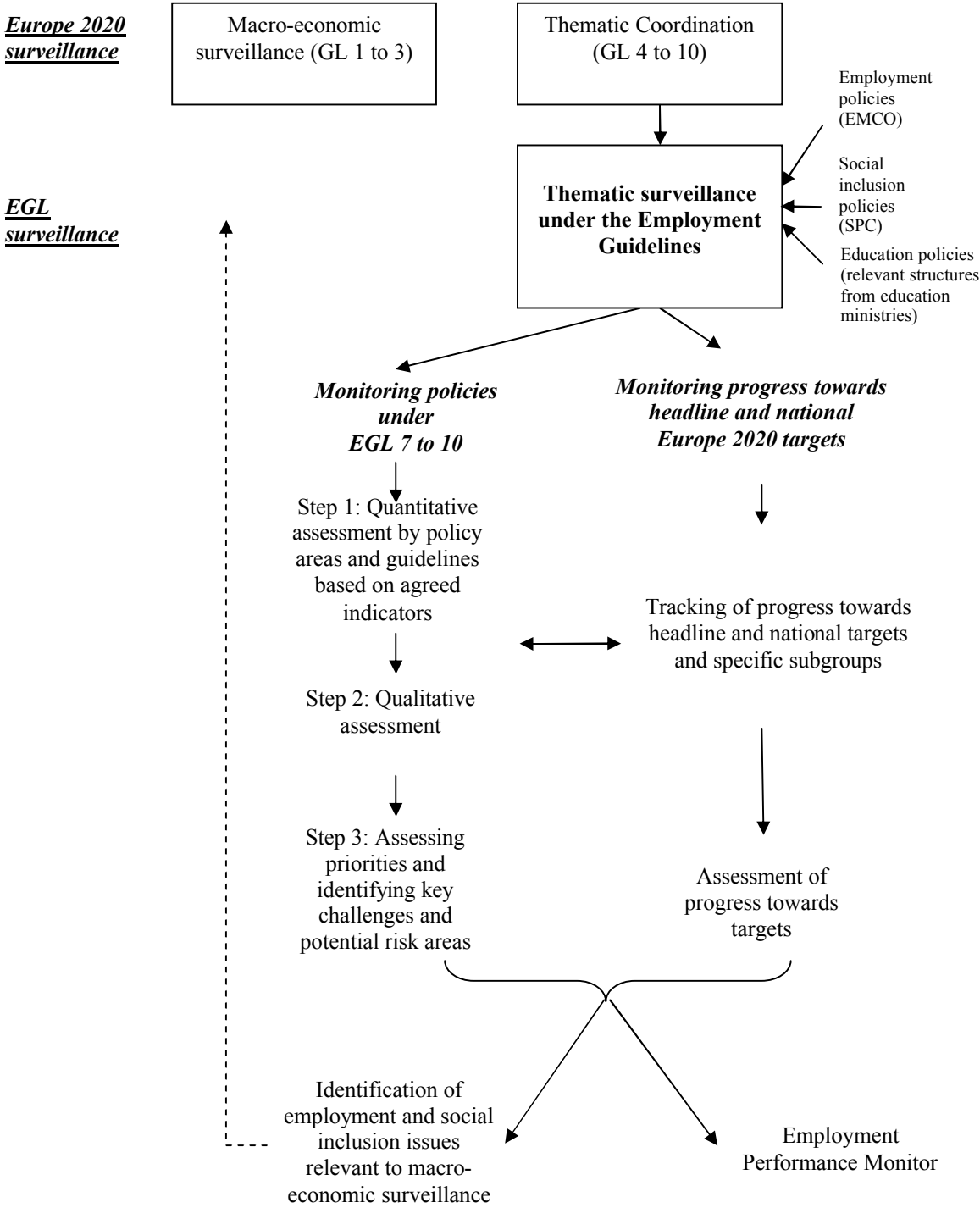
In line with its treaty mandate to monitor the social situation and the development of social protection policies, the SPC will play its role in the implementation and monitoring of Europe 2020. As requested by EPSCO², the JAF will provide an analytical tool with a strong cross country comparative dimension that will support:

- the monitoring of progress in relation to the social aspects of the employment guidelines, in particular of IG 10, and in this way contributing to the Joint Employment Report;
- the overall assessment by the SPC of progress towards the EU headline target on social inclusion and poverty reduction;
- the elaboration of the Annual Growth Survey and the SPC report on the social dimension of Europe 2020 in view of the Council debates at the beginning of each European Semester and the policy orientations to be adopted by the Spring European Council.

At this stage the JAF is a DG Employment-EMCO-SPC proposal taking on board contributions from other Commission services, namely DG EAC and DG ECFIN. It is envisaged that a more formal consultation with the Education Committee will take place in the forthcoming months. Moreover, cooperation with EPC/LIME will be also reinforced.

² SPC Opinion approved by EPSCO on 21 October 2010 (Council doc. 14254/1/10)

Figure 1: Proposed structure for a Joint Assessment Framework for the Employment Guidelines³



³ Based on Commission Communication on Enhancing economic policy coordination – COM(2010) 367)

3 The Joint Assessment Framework

This Chapter describes in more detail the different elements of the joint assessment framework (JAF) that need to be developed and agreed upon. A number of basic requirements for such a framework were agreed upon between the Commission (DG EMPL) and EMCO and SPC, notably:

- ⇒ the new system should be transparent and understandable;
- ⇒ the new system should draw on the experience with and, where useful, use elements from similar frameworks such as those developed by EMCO for the assessment of flexicurity or by the LIME group for evaluating progress with structural reforms in the annual Lisbon cycle.
- ⇒ the framework will be reviewed periodically and in particular after the first cycle of Europe 2020. This will allow for the possibility to review the agreed selection of policy areas and indicators, as well as the functioning of the framework.
- ⇒ new, well founded indicators should be developed, e.g. reflecting new socio-economic conditions, adaptation of education and training to new skill requirements, or new developments in the measurement of poverty (including its links to the labour market situation of individuals) as foreseen by the June 2010 EPSCO.
- ⇒ The new framework should be flexible enough to incorporate potential new subjects and should allow for covering general and specific areas (European/national/regional, sectoral, thematic areas).

3.1 Policy areas and indicators

3.1.1 Selection of specific policy areas to be monitored under the JAF

While covering four main and distinct areas, Employment Guidelines 7 to 10 each comprise a number of different sub-areas. Moreover, there are a number of themes where the Employment Guidelines overlap between each other, for example with respect to the issue skills and education or social inclusion. In addition, some themes of the Employment Guidelines also feature in the Broad Economic Policy Guidelines 1 and 2, namely the issues of wage bargaining, labour cost developments and sustainability of social protection.

For the purpose of setting up an indicator based monitoring system and given the existence of sub-areas within the Guidelines and certain overlaps between them, it seems necessary to identify from the Guidelines more specific policy areas that are relatively homogenous in their content and to which relevant indicators can be attached.

A draft proposal for such a list of policy areas covered by the Guidelines is presented in *table I* below and in more detail in *Annex table A1*.

The policy areas and related indicators derive from a detailed analysis of the guidelines while building as much as possible on existing monitoring practices as developed by the two Committees under the Lisbon Strategy and the Social OMC.

Policy area 1 on labour market participation is oriented rather towards employment outcomes, namely in view of the overall employment rate and labour market performance of specific labour market sub-groups. Policy areas 2 to 10 are more geared towards specific employment policies, that certainly each have an impact on overall labour market performance and the performance of specific sub-groups.

Policy Areas 11 (a, b, c) and 12 relate to social inclusion that falls under the main responsibility of the SPC.

The policy areas proposed here would also allow for the analysis of broader and more complex policy concepts. In the case of **Flexicurity**, policy areas 2, 3, 4, 5 and 8 also cover the flexicurity components from the agreed EMCO Flexicurity monitoring framework. Concerning **quality in work**, a comprehensive analysis would take into account elements from sub-policies under areas 2, 4, 5 and 8.

Another transversal area is **social dialogue** which features prominently in the Guidelines and is relevant in the context of a number of policy areas, in particular areas 2 and 10, but for which presently no agreed indicators are available.

The Europe 2020 Employment Guidelines make reference to the appropriate use of the **European Social Fund** and other EU funds. No specific policy areas or indicators covering the European Social Fund are proposed at this stage, given that this issue will need further investigation.

Table 1: Suggested policy areas under Employment Guidelines 7 to 10

Policy areas		Corresponds to integrated guideline nr.					
		1	2	7	8	9	10
1	Increase labour market participation			X			
2	Enhancing labour market functioning, combating segmentation <i>Including Flexicurity component "Flexible and reliable contractual arrangements"</i>			X			X
3	Active labour market policies <i>Corresponding to Flexicurity component "Effective active labour market policies"</i>			X			X
4	Adequate and employment oriented social security systems <i>Including Flexicurity component "Modern social security systems"</i>	X		X			X
5	Work-life balance <i>Including Flexicurity (sub)component "Reconciliation of work and private life"</i>			X			X
6	Exploiting job creation possibilities			X			
7	Gender equality			X	X		X
8	Improving skills supply and productivity, lifelong learning <i>Including Flexicurity component "Comprehensive lifelong learning systems"</i>			X	X	X	X
9	Improving education and training systems			X	X	X	X
10	Wage setting mechanisms and labour cost developments	X	X	X			
11	Preventing poverty through inclusive labour markets, adequate and sustainable social protection and access to high quality, affordable and sustainable services	X		X			X
11a	Breaking the intergenerational transmission of poverty – tackling child poverty			X		X	X
11b	Active inclusion – tackling poverty in working age			X	X		X
11c	Tackling poverty in old age						X
12	Social inclusion of groups at special risk and anti-discrimination			X			X

3.1.2 Selection of JAF indicators

In each policy area, progress in the implementation of policies and towards the related objectives will be assessed quantitatively on the basis of a limited number of indicators. The initial list proposed in the annex (**table A2**) mainly draws from the list of indicators developed for the monitoring of the Employment Guidelines under the Lisbon Strategy⁴. Moreover, the agreed indicators for monitoring Flexicurity policies are used to monitor those policy areas that relate to the existing Flexicurity framework.

This is to be understood as an **initial list of indicators** which will have to be further developed and refined, both with respect to individual indicators as well as in the light of the quantitative assessment mechanism, by the EMCO Indicators Group (IG), the SPC Indicators Sub-Group (ISG) and the Standing Group on Indicators and Benchmarks in the area of education (SGIB).

Concerning the social aspects of the guidelines and guideline 10 in particular, the proposed list draws from the three indicators underpinning the EU headline target, from the Social OMC indicators⁵ as well as from the monitoring practices established in the context of the supporting documents to the joint reports and other thematic SPC analytical reports.

In view of gender mainstreaming and where appropriate, the indicators should come in a breakdown by gender.

Allowing for new indicators to be developed

The list is largely composed of existing indicators from the current EMCO/SPC lists or indicators not yet on the list, but recently adopted, e.g. NEETs ("A" indicators). Some areas could be covered by indicators that would be available from existing sources, but that are not yet agreed and still may require discussion ("B" indicators). For some sub-areas in which indicators are missing or are still not sufficiently developed to be included yet, possible indicators to be developed will be listed ("C" indicators). This work will take account of the areas for developments (poverty measurement, link between poverty and labour market exclusion of individuals, effectiveness of social security systems) indicated in the conclusions of the EPSCO council of 7 June 2010 (council doc 10828/1/10).

For the preparation and assessment of the NRPs, "A" indicators will be primarily used. Exploring "B" and "C" indicators will be one of the main future tasks of the IG, the ISG and the SGIB.

Main and context indicators

The following categories of indicators need to be distinguished in view of the implementation of the framework:

- “Main” indicators that will be used in the quantitative assessment step of the framework. These “Main” indicators will have to satisfactorily meet the quality

⁴ See associated indicators compendium: <http://ec.europa.eu/social/main.jsp?catId=477&langId=en>

⁵ <http://ec.europa.eu/social/BlobServlet?docId=3882&langId=en>

criteria already agreed upon at EU level⁶. In particular, they should be relevant for explaining the corresponding policy area, have a clear and accepted normative interpretation, they should be robust and statistically validated, they should provide a sufficient level of cross countries comparability, and they should be responsive to policy interventions but not subject to manipulation.

- “Context” indicators and information that can provide important context information in the (qualitative) assessment, but which are not immediately used in the quantitative assessment mechanism.

3.2 Identification of key employment challenges under the Employment Guidelines

The main purpose of the JAF is to identify key employment challenges in the Member States and at the European level in the areas covered by the Europe 2020 Employment Guidelines. Key employment challenges could be defined as major areas of underperformance that are more crucial to be solved for improving employment performance than other challenges.

It is proposed to identify key employment challenges in a three step approach:

- Step 1: Quantitative assessment based on indicators
- Step 2: Qualitative assessment that qualifies and complements the findings from step 1
- Step 3: Prioritising challenges and identifying key challenges

Proposals for each of the three steps are laid out in the following sections.

3.2.1 Step 1 - Quantitative assessment

3.2.1.1 General approach

The first step in the assessment process is a quantitative performance check of Member States' progress in view of the Guidelines. Its objective would be to provide an indication for spotting possible performance problems which will then be complemented by an analysis of the context indicators and a qualitative analysis of the policy measures.

⁶

See for instance report on indicators: <http://ec.europa.eu/social/BlobServlet?docId=3882&langId=en> which lists the following quality criteria for individual indicators: (a) An indicator should capture the essence of the problem and have a clear and accepted normative interpretation; (b) An indicator should be robust and statistically validated; (c) An indicator should provide a sufficient level of cross countries comparability, as far as practicable with the use of internationally applied definitions and data collection standards; (d) An indicator should be built on available underlying data, and be timely and susceptible to revision; (e) An indicator should be responsive to policy interventions but not subject to manipulation.

It is proposed that the quantitative step of the the JAF should have the following general properties:

- A simple and transparent standardisation method that is applied to all main indicators (centred on the EU weighted average).
- Determine per country and indicator whether the “performance” has been high, medium or low.
- Determine per country and indicator whether the evolution has been positive, neutral or negative.

Following previous discussions in EMCO, SPC and their respective indicators groups, it is proposed to follow a differentiated standardisation approach that follows the following stages⁷:

- Identification of a key overall indicator per policy (sub-)area and a limited number of corresponding sub-indicators
- Standardisation of these indicators
- Producing a visual picture of the situation for each country in each policy area
- Identifying specific performance groupings

3.2.1.2 Stage 1: Identifying one key overall indicator per policy area

In a first stage the quantitative assessment mechanism requires the definition of a single key overall indicator per policy area (or sub-area) that can be interpreted as providing representative summary of a policy objective.

For example, the policy aim of increasing total employment would be represented by the overall employment rate.

In addition to this key overall indicator, a limited set of other (usually outcome type) sub-indicators which are relevant to the overall main indicator would be identified. Their purpose would be to shed light on why the overall indicator behaves as it does (i.e. indicates a degree of relative under or over-performance). Any remaining indicators, in particular those of an input or process nature, would be used as context indicators for further background information and a more qualitative assessment, but not be subjected to the quantitative performance check.

This approach of identifying on key outcome indicator per policy area is similar to the approach taken by the SPC in the area of social inclusion policies (now covered by policy area 11).

⁷ Note that this multi-stage approach should be flexible enough to allow to explore and possibly include additional methodological elements such as the ones proposed by the UK.

Applying this approach to the employment policy areas will require a review of the initial list of indicators presented in this note and imply a thorough analysis and selection of adequate key and sub-indicators per policy area.

The following provides some *tentative* examples for this kind of approach which are meant to illustrate the principle, but which will need to be further developed on the basis of a more detailed proposal before it can be applied. :

Policy area 1. Increase labour market participation

Overall objective: raise employment (alternatively, raise participation)

Overall indicator: employment rate (alternatively activity rate (20-64))

Sub-indicators:

- Employment gender gap
- Employment rate of popn (55-64 overall, men, women)
- NEET youth
- Employment rate of low-skilled persons
- Employment rate of non-EU nationals

Policy area 4. Adequate and employment oriented social security systems

This area could have two key priority objectives:

Overall objective (a): to protect individuals sufficiently when out of work

Overall indicator : At risk of poverty rate of unemployed

Sub-indicators:

- PLMP expenditure on supports per person wanting to work
- Support LMP measures in % of GDP
- No. recipients of out of work income and maintenance

Overall objective (b): to encourage people to work (i.e. make work pay)

Overall indicator: Unemployment trap

Sub indicators: Low wage trap

Policy area 5. Work-life balance

Overall objective: Raise employment by addressing obstacles to participation due to personal care responsibilities

Overall indicator: Inactivity and part time work due to lack of care services for children and other dependents

Sub indicators: Child care

Care of dependent elderly
Inactivity trap after child care cost
Employment impact of parenthood
Drop in theoretical replacement rates due to career interruptions

Policy area 10. Wage setting mechanisms

Overall objective: wages in line with productivity

Overall indicator: (Real) unit labour cost growth [or level?]

Sub indicators : Tax wedge on labour cost
Implicit tax rate on employed labour

Policy area 11b. Inter-generational transmission of poverty: tackling child poverty

Overall objective: Reduce poverty and exclusion of children

Overall indicator: Children at risk of poverty or exclusion

Sub-indicators: At-risk- of poverty rate of children
Children in households suffering from severe material deprivation
Children in jobless households
Impact of social transfers (excl. pensions) in reducing child poverty
Early school leavers

3.2.1.3 Stage 2: Standardise the key indicator and the individual outcome sub-indicators

This stage consists in normalising the values of each indicator per policy areas according to a common standardisation formula. The reason for that is to put the different indicators on the same scale and therefore allow for an easier comparison and analysis.

The calculation for that would consist in standardising the value of the considered indicator by the mean and the standardised deviation and multiplying it by ten.

More formally, it can be expressed as

$$\text{Individual Score for each indicator} = [(\text{Indicator} - \text{EU average})/\text{Standard deviation}] * 10$$

It is proposed to use the EU 27 average as the mean, but other reference means could also be explored (e.g. average of a group of best performers).

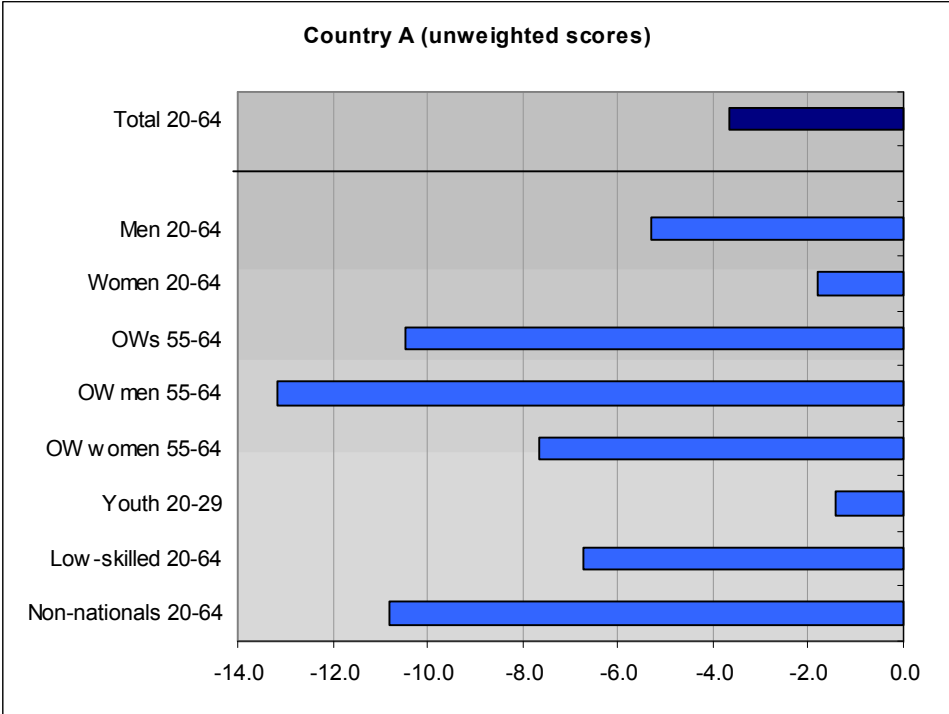
3.2.1.4 Stage 3: Produce a visual picture of the situation for each MS in each policy area as below.

A country examination per policy area could start by examining a visual representation of the country situation in that policy area, based on standardised indicator values. The below chart shows at the top the standardised value for the overall indicator, and below the same for the sub-indicators. This highlights first the situation for the key overall outcome indicator for the specific policy area (compared to the reference point, in this case the EU 27 average), and then shows the underlying indicators to explain why the outcome is like it is.

In this way there is no artificial composite indicator to develop, nor debate over what weightings to use, but a key indicator and associated sub-indicators to highlight where the problem(s) resides. Furthermore, as the actual standardised values of the indicators are used it is clearer to get a direct overview of the extent of over- or under-performance.

In this particular example, the **graph 1** indicates that lower than average overall employment may be particularly due to a low labour market participation of older workers and non-nationals.

Graph 1: Policy area "Increase labour market participation" (unweighted scores)

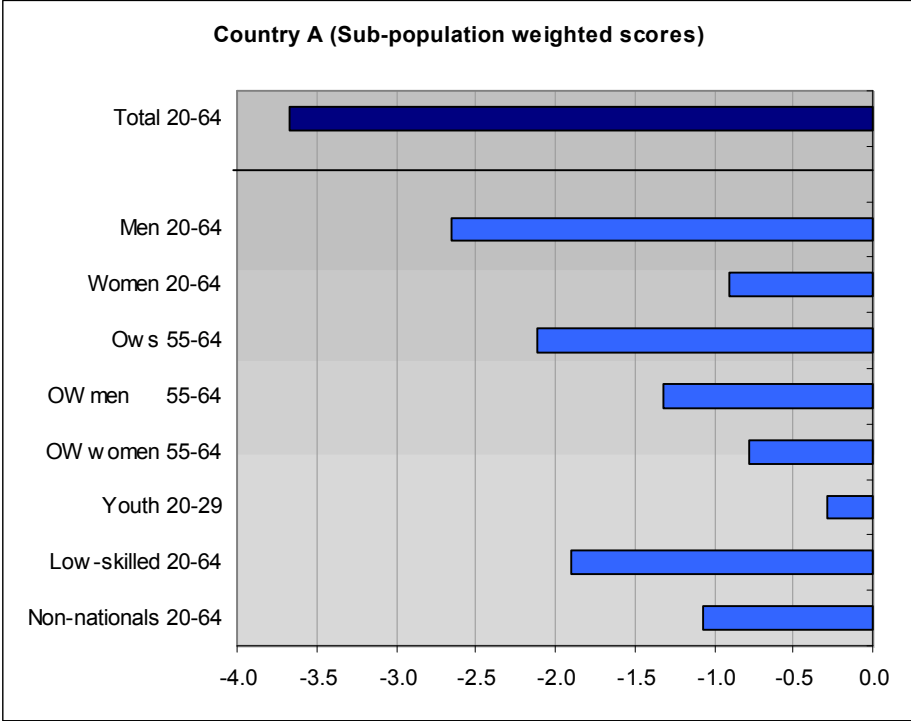


In addition, and specifically in this policy area which covers labour market participation of different sub-groups, it seems useful to refine the approach by weighing the normalised values obtained through the standardisation formula with the share of the individual sub-groups in the overall population of a country.

This produces the picture shown in **graph 2** which confirms that low employment of older workers, and in particular older men, seems to be a main issue for this country. However,

compared to the previous graph based on unweighted values, the weighted scores indicate that low employment of non-nationals appears to be less of a problem than low employment of low-skilled persons. (Note that one may include additional indicators here, such as employment of prime age population, and that a deeper analysis would also have look into inter-linkages between the sub-groups.)

Graph 2: Policy area "Increase labour market participation" (weighted scores)



The information obtained from these graphs can then be followed by looking into the data from other policy areas to investigate possible underlying reasons.

3.2.1.5 Stage 4: Identifying specific performance grouping

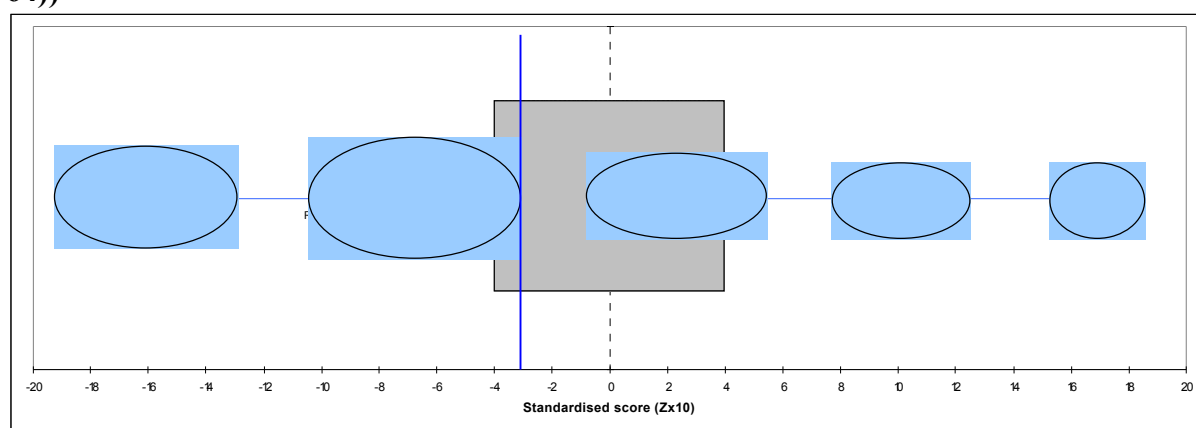
Natural groupings approach based on the data

Assessing outcomes in specific policy areas does require certain criteria marking the difference between good and poor outcomes. Given that the line between good and poor outcomes can vary depending on the policy area and indicator under consideration, it is proposed to examine Member State outcomes on the basis of natural groupings.

Graph 3 tries to illustrate the principle of such natural groupings. In this particular example, which shows the standardised values of countries' employment rates vis-à-vis the EU-27 average, the visual picture suggests five distinct groupings, with two groups of countries showing relatively low employment rates, one group centered around the average and two groups showing good or very good outcomes according to this indicator.

The graph also illustrates why it could be problematic to apply the same fixed cut-off points to all policy areas and indicators. The square in the graph marks the range between ± 0.4 standard deviations which are the performance thresholds used by current LAF system. In this example, the application of such a threshold would make it difficult to explain why a country just slightly below -0.4 standard deviations would be considered a poor performer, but a country just slightly within ± 0.4 standard deviations receive a neutral mark.

Graph 3: Standardised scores of employment rates for population aged 20-64 (ER(20-64))



However, while avoiding a "one-size-fits-all" approach for performance thresholds, the identification of natural groupings should not be arbitrary, but according to clear rules and through the application of quantitative methods. There are various statistical methods (hierarchical clustering, k-means clustering) that could be applied to assign countries to different groups based on individual outcome scores and clearly defined performance levels, or even on the basis of combinations of indicators. These groupings could then define the different levels of performance in the policy area.

Such a method was already used in defining the groupings for the EU benchmarking exercise developed in the 2008 SPC report on child poverty and well-being in the EU.⁸

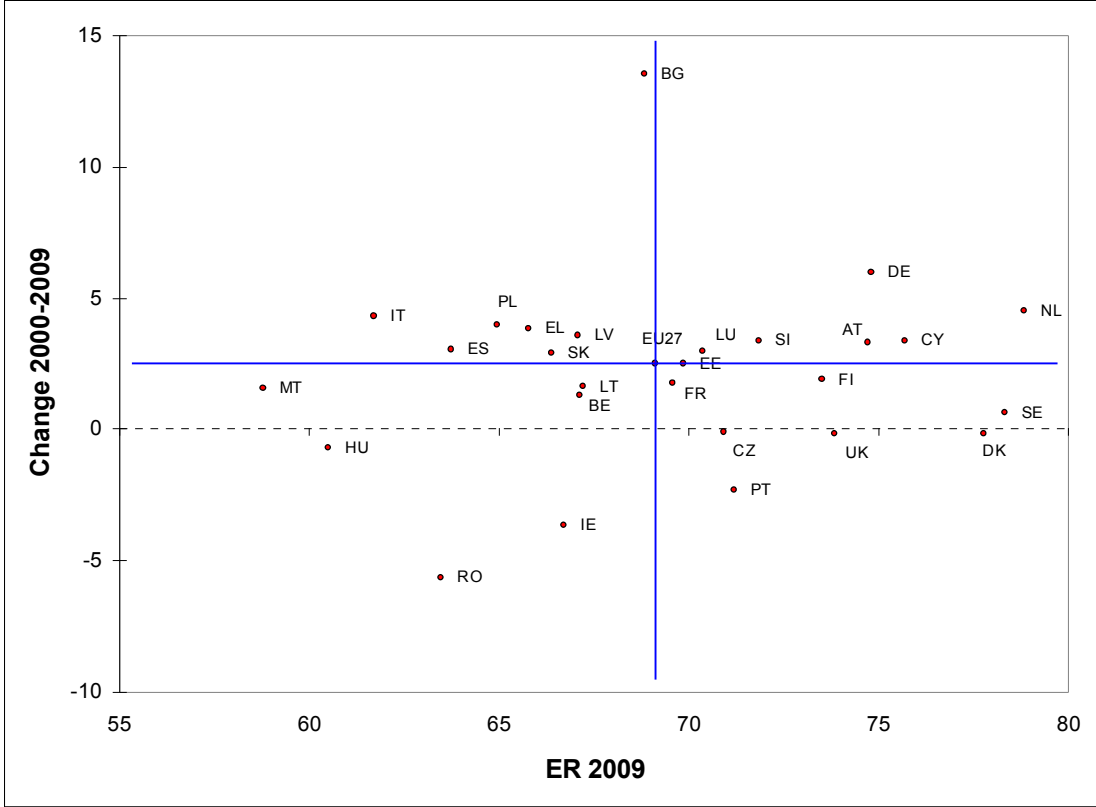
Levels and changes

The above approach could be applied to examine indicators both in terms of the current level and the change over a given reference period. While levels remain the key element for assessment of the country situation, information on changes can feed in to the overall assessment of progress under the qualitative assessment.

For example, **graph 4** suggests that there is a number of countries with relatively low employment rates, but that the situation may be the most challenging for those that have a low and falling level of employment (lower left-hand quadrant).

⁸ See <http://ec.europa.eu/social/main.jsp?langId=en&catId=437&newsId=222&furtherNews=yes>

Graph 4: Employment rate (20-64) 2009 and change between 2000-2009



3.2.1.6 Installation and maintenance of a Europe 2020 database

Regardless of the option chosen, and given the large number of indicators and data involved, the monitoring system will require the installation and regular maintenance of a dedicated database that keeps all the data and metadata for the indicators used in the exercise and allows performing the necessary calculations for the quantitative assessment. This database should be capable of providing timely regular updates, allow for a user-friendly and quick access to the data, ideally through a web based solution, and provide user-friendly possibilities for extracting data to be used for further analysis. It should also be flexible enough to easily accommodate changes or additions to indicators.

3.2.2 Step 2 - Qualitative assessment

While helpful in spotting potential problem areas, the quantitative assessment of policies under the Guidelines needs to be complemented by a qualitative part. Moreover, policy areas for which there a no or not sufficiently well established indicators, can only be based on a qualitative approach.

In the most general of terms such a qualitative assessment would be based on an analysis of contextual information and additional country specific evidence, taking also into account expert knowledge and the findings of the relevant literature.

More specifically, the qualitative assessment could involve the following elements:

- Change over time: While the quantitative part of the assessment is mainly based on the level from the latest available period, it can be important to also take into account the pace of growth. A priori, a negative relative "growth" is not a sufficient reason for qualifying the picture obtained from looking at levels score. However, in exceptional cases, a positive or neutral performance in level terms could be qualified on the basis of a very negative growth.
- Data problems: This involves taking into account known problems with certain indicators, e.g. in terms of data gaps, methodological breaks etc.
- Recent changes not yet reflected in the data: There will be cases in which significant recent changes in policy (or of a cyclical or structural economic nature) are not yet reflected in the data, but which are likely to have a significant impact and which can be covered by additional data sources.
- Covering (sub-)areas for which no indicators are available: For some areas, no adequate indicators are available at all (e.g. social dialogue) or they lack output type indicators. In those cases other (country specific) data sources and information should be used to arrive at an assessment.

3.2.3 Step 3 – Identifying key challenges and best practices

The quantitative and qualitative assessment done under the first two steps could, in principle, lead to longer list of underperforming areas, many of which might be of only little or secondary nature, compared to other problem areas. However, a primary objective of the JAF is to highlight only the most important challenges which, if tackled, would make the biggest difference towards good labour market and social outcomes.

Identifying the most important or "key" challenges (as well as areas of good performance or "best practice") is the purpose of the third step. This will require a way to rank areas of underperformance according to their importance in view of achieving progress towards good outcomes, in particular concerning progress towards the Europe 2020 targets.

The proposal envisages three different priority levels shown below:

<i>Priority</i>	<i>Definition</i>
High	Given the national context, solving this challenge would make a strong difference towards good labour market and social outcomes.
Medium	Solving this challenge would make some difference towards good labour market and social outcomes and/or this challenge could become of high importance if not addressed in the near future.
Low	Solving this challenge would make only relatively little difference towards good labour market and social outcomes

Assigning priority levels will have to involve several aspects, e.g.

- a review of already identified key challenges,
- an integrated look across all policy areas

- a quantitative look at employment structures and groups most at-risk of poverty and exclusion to see which specific problem areas, if tackled, would contribute strongest to achieving progress in the implementation of the guidelines.

The decision tree below summarises the relation between the three steps and the final qualification reached.

JAF DECISION TREE				
STEP 1 and STEP 2 Findings from quantitative qualitative performance check	STEP 3 Assessing priority	Key Employment /Social Challenge	Potential Risk Area	Best Practice
High performance	Low	-	-	-
High performance	Medium	-	-	-
High performance	High	-	-	YES
Medium performance	Low	-	-	-
Medium performance	Medium	-	-	-
Medium performance	High	-	(YES)	-
Low performance	Low	-	-	-
Low performance	Medium	-	YES	-
Low performance	High	YES	-	-

The strongest message which could come from this system is a '**Key employment/social challenge**'. This qualification will be given to specific areas in Member States where:

- The quantitative assessment indicates a low level of performance, and
- The qualitative assessment confirms a low level of performance, and
- The priority is deemed high, meaning that solving this challenge would make a strong difference towards good labour market and social outcomes.

The second strongest message would be a '**Potential Risk Area**'. This identifies challenges which might also need proper attention and response as they would otherwise turn into a key employment challenge in the near future. A Potential Risk Area qualification would be given to specific areas in Member States where:

- The quantitative assessment indicates a low or medium level of performance, and
- The qualitative assessment confirms a low or medium level of performance, and
- There is a risk that a medium performance could deteriorate towards a worse condition and/or this challenge could become of high priority if not addressed in the near future.

In addition, this method for reaching an overall assessment could also be used to highlight areas of good performance or best practice. A "Best practice qualification could be given to areas where

- The quantitative assessment indicates a high level of performance, and
- The qualitative assessment confirms a high level of performance, and
- The priority is deemed high, meaning that this is a high performance area which strongly contributes to good labour market or social outcomes.

3.3 Tracking progress towards Europe 2020 targets

As part of the overall quantitative assessment process, but distinct from the assessment of the Guidelines, this element of the framework aims at periodically tracking progress towards the Europe 2020 headline targets associated with EGL 7, 9 and 10.

Such a target tracking device needs to be tailored to each of the headline targets under the EGL, but serve to provide the following basic information per target:

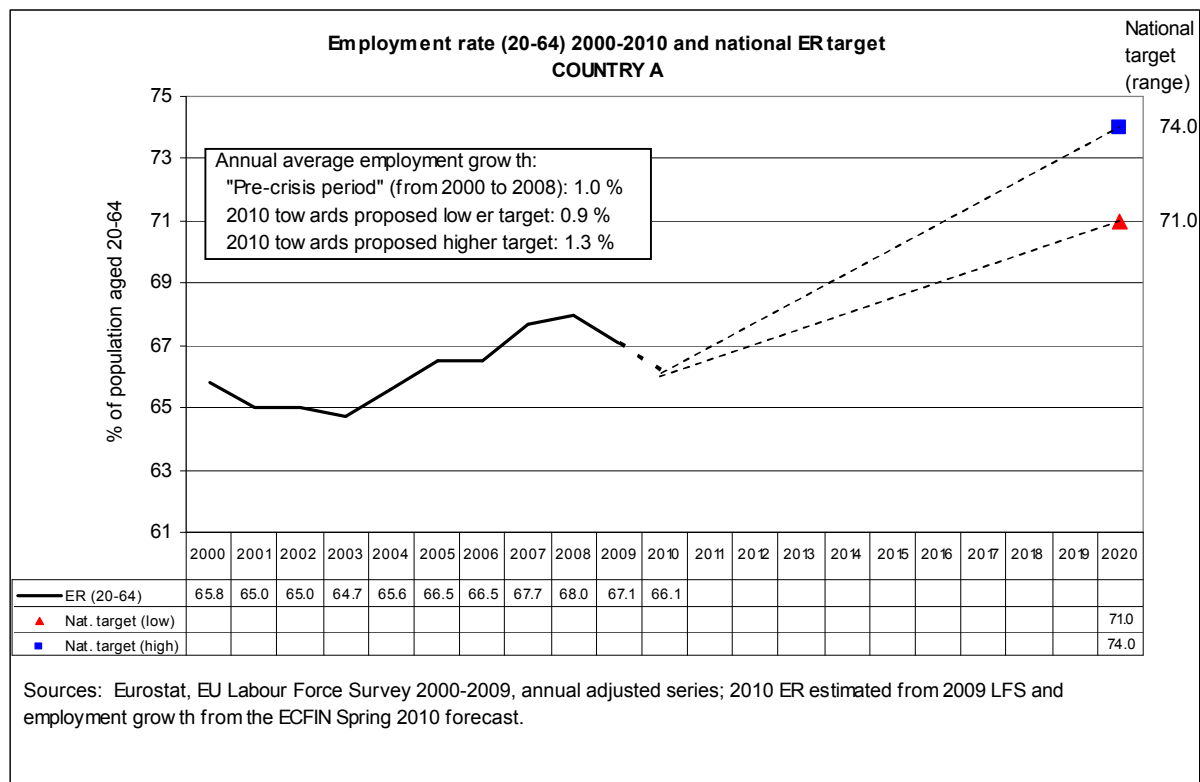
- What is the remaining distance between the current value of the (national) indicator(s) and the national target(s) value?
- What would be the trajectory to achieve the target over the remaining time until 2020?
- What are the implications of national developments for the overall EU headline target?

3.3.1 Tracking progress towards the employment rate headline target

Concerning the EU-level headline employment rate target of 75% by 2020 and corresponding national employment rate targets, the tracking process could involve the following elements:

Graphical overview of progress towards the national employment rate target

This would involve a straightforward descriptive graph showing the recent development of a member state's employment rate and the national 2020 employment rate target (or target range if no point target has been chosen).



Additional information to be included in the chart could cover the following items:

- Annual average employment growth in the "pre-crisis" period
- Annual average employment growth required in the remaining periods to 2020
- Annual average employment growth since the start of the Europe 2020 strategy in 2010 (plus ratio between empl. growth required in years left until 2020 and employment growth achieved from 2010 to most recent year).
- Include as reference scenario, once available, new, post-crisis projections on future demographic developments and labour market participation produced by the EPC Working Group on Ageing Populations and Sustainability.⁹

Decomposition into major labour market sub-groups

A deeper, more detailed analysis should take into account the following elements:

- Potential returns of focussing on certain population groups (i.e. the scope to raise the overall ER)
 - Comparison of current employment rate profile (by year of age) and reference to EU average (and/or "best performer").
 - Profiles of ERs for specific sub-populations, in order to give an impression of which groups have relatively low ERs and at what ages these are most pronounced (thus showing groups of potentially interest in scope for raising their rates) ...
 - ... in combination with information on the relative weight of the sub-populations in the overall population, to determine what the impact of addressing their situation would be on meeting the overall ER target. This type of information could be summarised in a table such as the following:

⁹ See http://europa.eu/epc/working_groups/ageing_en.htm. For the 2009 Ageing Report see http://europa.eu/epc/pdf/2009_ageing_report.pdf

Impact of raising population subgroup ERs on overall ER		
	Impact on overall ER	
ER in 2009		67.1
No change (2009 ER structure on 2020 popn)		66.0
ER of 55-64	2009 ER	35.3
	Up 2pps	66.5
	Up 5pps	67.1
	Up 10pps	68.3
ER of women	2009 ER	62.5
	Up 2pps	68.3
	Up 5pps	69.8
	Up 10pps	72.3
:		
:		
:		
:		
National target	Lower	71
	Upper	74

- Expected demographic developments until 2020 and beyond, in order to identify relevant population effects likely to impact on employment, including by labour market sub-groups (youth, older persons).

Other relevant (qualitative) factors which may affect potential progress to the target

- Country's starting position:
 - Ambition of the target, i.e. does it require in fact little effort to achieve, or is a more substantial effort required?
 - Have there been big job losses during the crisis or labour hoarding? Can one therefore expect a "job rich" or a jobless recovery?
- Strength of the recovery and implied potential employment growth taking into account pre-crisis employment elasticity to GDP and national GDP forecasts
- Level and focus of fiscal consolidation: What are the expected level and impact on employment of fiscal consolidation and related the austerity measures?
- Skill trends: Is there a clear trend to of improving the skill composition of the population? What is the expected impact on employment?
- Expected sectoral development

- Where were jobs lost in downturn?
- Which activities are likely to have scope for job creation in upturn (→ requirements e.g. skills)?
- Anticipating likely effects of announced and/or implemented LM reforms on future employment creation (based on literature review)

3.3.2 Tracking progress towards the social inclusion headline target

The monitoring of the EU-level headline target on promoting social inclusion, in particular through the reduction of poverty and related national targets will be developed at a later stage, once the national targets are known. It will be developed in a broader context including work under the poverty platform and thematic work conducted by the SPC.

4 The Employment Performance Monitor

The aim of the Employment Performance Monitor (EPM) is to provide an easy to understand summary of the assessment produced by the JAF. The EPM wants to provide a condensed overview of the key challenges and potential risk areas emerging from the analysis undertaken through the JAF.¹⁰

It is proposed to structure the EPM into three parts:

- **Part I:** A one page table giving a summary overview of areas where key challenges and potential risk areas occur in Member States.
- **Part II:** A more detailed list of key challenges and potential risk areas that are common to several Member States.
- **Part III:** A short country fiche providing at a glance key information on each Member State's employment performance, including progress towards the national target and key challenges.

More specifically, **part I** with the **summary overview of key challenges and potential risk areas** would serve the following purpose and provide the following information:

- The table aims at identifying at a glance policy areas where the analysis finds, on the basis of a thorough quantitative and qualitative assessment, key challenges and potential areas of risk.
- The key employment challenge/potential risk areas could be represented by letter code
- The table also could, at a later stage, include a column summarizing progress towards the national ER target.
- The overview should also allow to include the situation on transversal frameworks such as flexicurity or quality in work.

Part II – Common key challenges

- This table is more detailed than the overview table from part I. It serves to list the key challenges and potential risk areas per policy area and across Member States, in order to gain an overview of which key challenges and potential risk areas are common across the EU.
- Key employment challenge/potential risk areas to be represented by letter code.

¹⁰ The current proposal covers only guidelines 7 to 9. SPC at its meeting on 17 November 2010 agreed to examine ways to extending this tool to policy areas covered by guideline 10.

Part III – Country overview

This overview could consist of the following elements:

1. A graph illustrating progress towards the national employment rate target and summarizing additional information in view of the target.
2. A table of key indicators on labour market performance, allowing for comparison of Member State's position vis-à-vis EU 27 average.
3. A table giving an overview on MS specific key challenges and potential areas of risk.

Note: all information in this table is purely fictional

Part I - Summary overview of key employment challenges and potential risk areas

MS	Labour utilisation						Fiscal and long term sustainability	Competitiveness		
	Labour market participation	Labour market functioning, combating segmentation	Active labour market policies	Job creation	Gender equality	Work-life balance	Social security systems	Wage setting mechanisms and labour cost developments	Skill supply and productivity, lifelong learning	Education and training systems
A	KEC	KEC						KEC		PR
B		PR	KEC		KEC	PR	KEC		KEC	
C	KEC		PR	KEC		KEC	PR			KEC
D		PR	KEC		KEC	PR	KEC	PR	KEC	
E	PR		KEC		KEC	PR	KEC		KEC	
F	KEC		PR	KEC		KEC	PR			KEC
G		PR	KEC		KEC	PR	KEC		KEC	
H		KEC	KEC		KEC		PR	KEC		PR
I	PR					PR	KEC			
J		KEC			KEC		PR	KEC	KEC	
K			KEC	KEC		PR	KEC	KEC		PR
L		PR	KEC		KEC	PR	KEC		KEC	
M	KEC		PR	KEC		KEC	PR			KEC
N		PR	KEC		KEC	PR	KEC		KEC	
O		KEC	KEC		KEC		PR	KEC		PR
P	PR					PR	KEC			
Q		KEC			KEC		PR	KEC	KEC	
R			KEC	KEC		PR	KEC	KEC		PR
S		PR	KEC		KEC	PR	KEC		KEC	
T	KEC		PR	KEC		KEC	PR			KEC
U		PR	KEC		KEC	PR	KEC		KEC	
V		KEC	KEC		KEC		PR	KEC		PR
W						PR	KEC			PR
X		KEC			KEC		PR	KEC	KEC	
Y			KEC	KEC		PR	KEC	KEC		PR
Z		PR	KEC		KEC	PR	KEC		KEC	
Ä		KEC	KEC		KEC		PR	KEC		PR
EU 27 summary	KEC=5, PR=3									

KEC = Key employment Challenge, PR = Potential risk area

Note: all information in this table is purely fictional

Part II - Common key employment challenges and potential risk areas

Macro-structural bottlenecks	Employment policy areas	Key Employment Challenges/ Potential Risk Areas	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z	Ä	EU-27 sum		
Labour Utilisation	Labour market participation	Low female employment rate			KEC		PR		KEC		PR	KEC			KEC	PR		KEC			KEC			KEC			KEC			KEC=8, PR=3		
		Low participation of older workers	KEC				KEC						PR	KEC				PR	KEC						KEC			KEC				
		Labour market exclusion of youth				KEC							KEC						KEC						KEC			KEC				
		Low participation of low-skilled persons																														
		Low participation of migrants		KEC							KEC						KEC						KEC									
	Labour market functioning , combating segmentation						KEC	PR					KEC						KEC						KEC			KEC				
				PR	KEC						KEC						KEC				PR		KEC					PR				
		Low labour market mobility across regions and coexistence of high and low employment areas across the country	KEC			PR			KEC			PR			KEC						KEC					PR						
							KEC							KEC						KEC							KEC		KEC			
				KEC							KEC						KEC							KEC								
	Job creation				KEC						KEC						KEC							KEC								
									KEC							KEC																
										KEC						KEC							KEC									

KEC = Key employment challenge, PR = Potential risk area

Macro-structural bottlenecks	Employment policy areas	Key Employment Challenges/ Potential Risk Areas	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z	Ä	EU-27 sum		
			Labour Utilisation	Active labour market policies																												
		KEC									KEC						KEC							KEC								
Gender equality				KEC							KEC						KEC							KEC								
Work-life balance								KEC						KEC							KEC						KEC			KEC		
Fiscal policy and long-term sustainability	Social security systems			KEC							KEC						KEC							KEC								
									KEC							KEC						KEC						KEC			KEC	

KEC= Key employment challenge, PR = Potential risk area

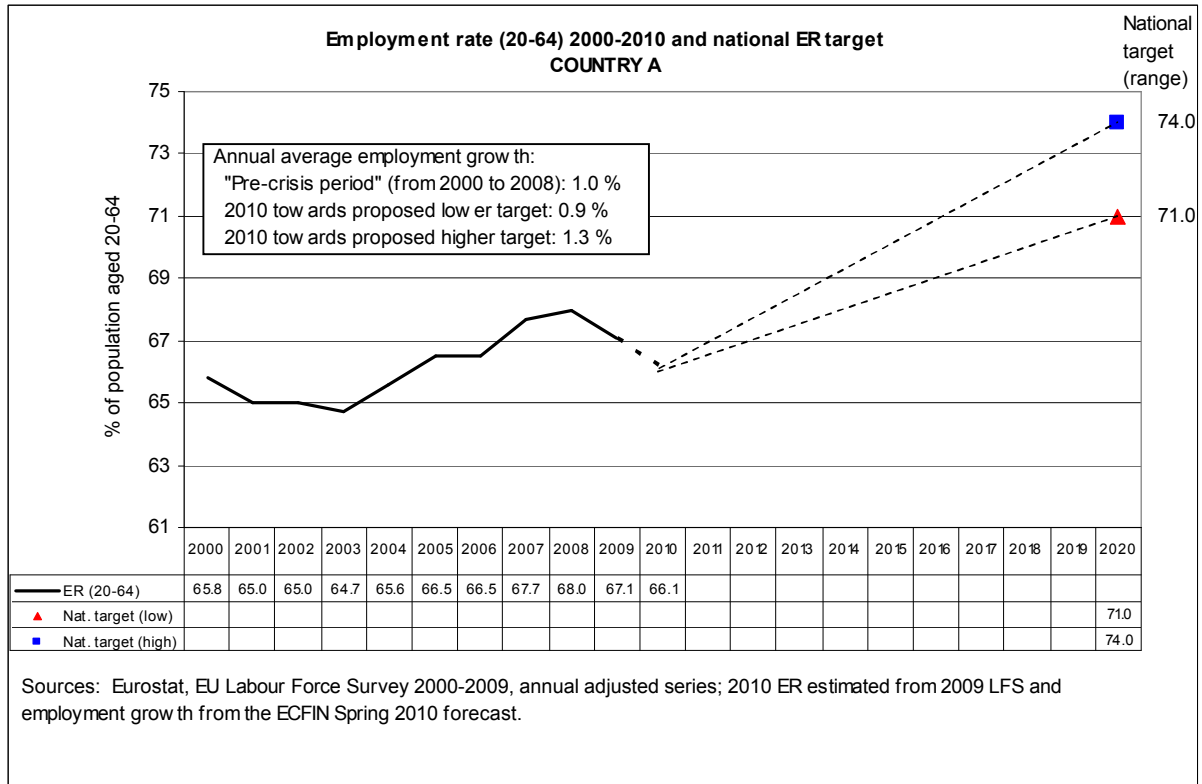
Macro-structural bottlenecks	Employment policy areas	Key Employment Challenges/ Potential Risk Areas	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z	Ä	EU-27 sum	
Competitiveness	Wage setting and labour cost							KEC						KEC						KEC						KEC			KEC		
		Rigid wage setting mechanism	KEC				KEC		KEC				KEC		KEC					KEC		KEC				KEC			KEC		
	Skills supply and productivity, lifelong learning																														
				KEC							KEC						KEC							KEC							
	Education and training systems				KEC							KEC																			
		PR: Insufficient provision of education and training opportunities to meet labour market needs	PR																												
										KEC						KEC						KEC						KEC			KEC

KEC= Key employment challenge, PR = Potential risk area

*Note: all information
in this table is purely
fictional*

Part III - Country overview - COUNTRY A

1. Progress towards the national employment rate target



2. Key indicators on labour market performance

	Unit	2000	2008	2009	2010 (est.)	2020 national target	2009	2010 (est.)
							EU-27 total	
Overall employment rate	% of population aged 20 - 64	65.8	68	67.1	66.1	71 - 74	69.1	68.2
Overall employment growth	% change from previous year	3.4	1.4	-0.5	-0.9		-1.5	-0.9
Employment rate of women	% of female population (20 - 64)	56	61.3	61	:		62.5	:
Employment rate of men	% of male population (20 - 64)	75.5	74.7	73.2	:		75.8	:
Employment rate of older workers	% of population aged 55 - 64	26.3	34.5	35.3	:		46	:
Youth NEET ratio	% of population aged 15-24	:	10.1	10.3	:		11.5	:
Youth unemployment rate	% of youth labour force (15-24)	15.2	18	21.9	:		19.8	:
Employment rate of low skilled persons	% of population with at most low educational attainment (20-64)	:	49.1	47.7	:		54.4	:
Employment rate of non-EU nationals	% of population with non-EU citizenship (20-64)	:	42.1	40.9	:		59.1	:
Overall unemployment rate	% of labour force	6.9	7	7.9	:		8.9	:
Long-term unemployment	% of total unemployment	3.7	3.3	3.5	:		3.0	:

Sources: Eurostat, Commission estimates.

3. Key employment challenges

	Key Employment Challenge (KEC) and Potential Risk Areas (PR)	Comments
Labour market participation	KEC: Low employment rates of older workers	
Labour market functioning, combating segmentation	KEC: Low labour market mobility across regions and coexistence of high and low employment areas across the country	
Job creation		
Active labour market policies		
Gender equality		
Work-life balance		
Social security systems		
Wage setting mechanisms and labour cost developments	KEC: Rigid wage setting mechanism	
Skills supply and productivity, lifelong learning		
Education and training systems	PR: Insufficient provision of education and training opportunities to meet labour market needs	Low supply of science and engineering graduates

5 Organisational Aspects

Running the JAF will require both a division of labour and close-cooperation between Commission services and EMCO, SPC and the Education Committees.

The Commission will take responsibility for building and running the database which will nourish the results of the JAF. In order to keep the process transparent, Members of the Committees will have full access to all the data and information used in the process. At an initial stage access to the database will be provided via Circa. The ultimate aim will be an access via the Web.

Although this is an integrated approach EMCO will take the main responsibility of analysing the results under policy areas 1 to 10 and running the EPM, whereas the SPC will devote its attention mainly to policy areas 11 and 12. As a result of formal consultations with the Education Committee, a different division of tasks could be envisaged

Regarding EMCO's activities:

Within the framework of EMCO use of the JAF, the quantitative and qualitative analysis of the JAF results (particularly related to policy areas 1 to 10) will be a main task for the Ad Hoc and Indicators Group in preparation of EMCO's inputs to EPSCO in view of two particular moments of the year:

- i) preparing the country examination to take place in Spring every year in view of the June EPSCO Council and
- ii) preparing EMCO's report on the employment situation in view of the December EPSCO Council.

The analysis shall be based on an initial draft by the Commission.

Both the Ad hoc and Indicators Group may be mandated by EMCO to revisit the JAF methodology. For this task, the sub-groups will be asked to cooperate with their counterparts in the SPC and Education Committees.

Regarding SPC's activities:

Within the framework of SPC, the use of the JAF, the quantitative and qualitative analysis of the JAF results (particularly related to policy areas 11 and 12) will be a main task of the Indicators Sub-Group in preparation of the SPC report on the social dimension of Europe 2020 and its contribution to JER with regards to the monitoring of integrated guideline 10. The analysis shall be based on an initial draft by the Commission.

The Indicators Sub-Group may be mandated by the SPC to revisit the JAF methodology in cooperation with the EMCO-IG.

GLOSSARY

Best practices

Areas of high performance that have a strong impact on good labour market or social outcomes.

Context indicators

Indicators and information that can provide important additional and contextual information in the (qualitative) assessment of the JAF, but which are not immediately used in the quantitative assessment mechanism.

EPM - Employment Performance Monitor

A clear, transparent and concise and easy to communicate summary of the findings of the JAF that can be used to identify at a glance the main challenges and that periodically can be submitted to the EPSCO Council, accompanied by a full quantitative and qualitative analysis.

JAF - Joint Assessment Framework

An indicators-based assessment system used jointly by the Commission and Member States identify key employment and social challenges, to monitor and assess structural reforms under the Employment Guidelines, and to monitor progress towards the Europe 2020 EU headline and related national targets.

Key employment challenges (KEC)

Areas of low performance whose solution would make a strong difference towards good labour market and social outcomes.

Labour Market Bottlenecks

Labour market bottlenecks can be understood as obstacles to attaining full employment and achieving productivity growth. They can be defined as institutional organisational barriers to smooth functioning of Member States' labour markets with negative effects on employment growth and labour market performance.

Main indicators

Limited list of indicators that will be used in the quantitative assessment step of the framework. Main indicators will have to satisfactorily meet the quality criteria already agreed upon at EU level. In particular, they should be relevant for explaining the corresponding policy area, have a clear and accepted normative interpretation, they should be robust and statistically validated, they should provide a sufficient level of cross countries comparability, and they should be responsive to policy interventions but not subject to manipulation.

Potential Risk Areas (PRA)

Areas of medium or low performance that carry a high risk of turning into a key challenge in the near future if not addressed adequately.

ANNEX

Table A1: Suggested policy areas under Employment Guidelines 7 to 10

Policy areas	Relates to integrated guideline					
	1	2	7	8	9	10
<p>1. Increase labour market participation</p> <p>→ Covers main developments with respect to overall employment, unemployment and participation of specific groups mentioned in the Europe 2020 strategy (women/men, young people, low skilled, legal migrants, people with disabilities) while stimulating longer careers for workers in general.</p> <p>→ Indicators also to be used for tracking progress towards headline and national employment rate targets</p>			X			
<p>2. Enhancing labour market functioning, combating segmentation, stepping up social dialogue</p> <p>→ This covers the first flexicurity component on combining the flexibility of the allocation of labour with the continuity of individual professional careers. This can be achieved by a strong flexibility of external labour markets in combination with the support of transitional unemployment or by strong internal (workplace) flexibility in combination with long job tenure and public support of internal adaptation (short-time work, vocational training).</p> <p>→ In a wider context, this area also covers issues related to regional and cross-border mobility, health and safety at work, and work organisation.</p> <p>→ Area relates also to aspects of Quality in Work</p> <p>→ Use flexicurity indicators already agreed at EU level for this component</p>			X			X
<p>3. Active labour market policies (Flexicurity component 3)</p> <p>→ One component of Flexicurity framework</p> <p>→ Use flexicurity indicators already agreed at EU level for this component</p>			X			X
<p>4. Adequate and employment oriented social security systems (Flexicurity component 4)</p>	X		X			X

<p>→ The adequacy of social security benefits is the question of benefit levels compared to labour income and the question of targeted measures which reach the population in need. As part of the flexicurity approach this is closely linked to the mobility of labour and the achievement of a high employment rate. The provision of health and pension insurance are integral parts of social security.</p> <p>→ Adequate social security should also be insured for those on fixed term contracts and the self-employed.</p> <p>→ Area relates also to aspects of Quality in Work</p> <p>→ Use flexicurity indicators already agreed at EU level for this component</p>						
<p>5. Work-life-balance (part of Flexicurity component 4)</p> <p>→ Covers work-life balance policies geared towards raising employment rates</p> <p>→ Area relates also to aspects of Quality in Work</p> <p>→ Use flexicurity indicators already agreed at EU level for this component</p>			X			X
<p>6. Exploiting job creation possibilities</p> <p>→ This policy area is closely related to economic restructuring. It addresses the identification of job potentials in different market segments: green jobs, white jobs, knowledge-based services etc. Moreover it looks at alternative forms of employment: self-employment, agency work, marginal employment. It also touches upon the issue of undeclared work.</p>			X			
<p>7. Gender equality</p> <p>→ This policy area addresses gender segmentation and discrimination in the labour market with respect to professionals status and incomes (gender pay gap) (Guideline 7), as well as the need to tackle gender stereotypes, enhance training, skills and experience of women in scientific, mathematical and technology fields (Guideline 8). All measures to tackle social inclusion and social protection (under Guideline 10) should aim to increase gender equality.</p> <p>→ Moreover, gender mainstreaming of all policy areas and guidelines is expected (Recital 11a)</p>			X	X		X

<p>8. Improving skills supply and productivity, lifelong learning</p> <p>→ This refers to the adaptation of the labour force skills to labour demand restructuring. The target is to avoid occupational and regional mismatch. This is a policy area which reflects the effects of a series of measures like the promotion of job quality, ALMP measures and training measures in particular.</p> <p>→ includes Effective life-long learning (Flexicurity component 2)</p> <p>→ Use agreed Flexicurity indicators</p>			X	X	X	
<p>9. Improving education and training systems</p> <p>→ Covers areas such as raising skills levels of workforce through formal and non/in formal learning, Acquisition of key competences (e.g. ICT), Learning mobility, Improve openness and relevance of education and training systems, attractiveness of teaching profession, prevent early school leaving.</p>			X	X	X	X
<p>10. Wage setting mechanisms and labour cost developments</p> <p>→ Part of integrated guideline 1 and 7, used to be part of the Lisbon employment guidelines</p>	X	X	X			
<p>11. Preventing poverty through inclusive labour markets ,adequate and sustainable social protection and access to high quality, affordable and sustainable services</p> <p>→ Part of integrated guideline 10. In this policy are, we will assess to what extent <i>adequate and sustainable social protection systems</i>, inclusive labour markets and <i>high quality and affordable social services</i> are playing their fundamental role in preventing poverty by creating a favourable environment for an <i>active participation of all in society and the economy</i>.</p>	X		X			X
<p>11a. Breaking the intergenerational transmission of poverty – tackling child poverty</p> <p>→ Part of integrated guideline 10, in this policy area, we will assess to what extent social inclusion policies help fighting poverty of <i>children</i> and breaking the intergenerational transmission of poverty. This involves a combination of adequate income support for children and their families,</p>			X		X	X

support for the labour market participation of parents and accessible and affordable enabling services such as child care.						
<p>11b. Active inclusion – tackling poverty in working age</p> <p>→ Part of integrated guideline 10 with overlaps with guidelines 7 and 8, in this policy area, we will assess to what extent there are active inclusion policies in place to <i>empower people of working age and promote the labour market participation for those furthest away from the labour market while preventing in-work poverty</i>. Active inclusion strategies involve a combination of policies to provide adequate income support, support for access to the labour market and enabling services for those furthest away from the labour market.</p> <p>→ This policy area overlaps with the policy areas 6 – "adequate social security systems"</p>			X	X		X
<p>11c. Tackling poverty in old age</p> <p>→ Part of integrated guideline 10 we will assess to what extent policies in place help to <i>reduce poverty of elderly men and women</i>. Policy tools include adequate minimum income provisions for Older People and Access to adequate and high quality services notably in the field of health & Long-Tem Care and housing</p>						X
<p>12. Social inclusion of groups at special risk and anti-discrimination</p> <p>→ Part of integrated guideline 10: we will assess to what extent specific social inclusion and anti-discrimination measures in place help <i>reducing poverty among groups most at risk from social exclusion such as minorities including the Roma, people with disabilities, legal migrants, the homeless</i>.</p>			X			X

Table A2: Initial list of suggested indicators per policy area

[To be revised in light of further technical discussions]

Policy (sub-) area	Indicator	Current use of indicator¹¹ or indicator to be developed¹²	Main or context indicator and information
1. Increase labour market participation			
Increase overall employment	Employment rate of population aged 20-64 (Overall, women, men) 75% of women and men aged 20 – 64 should be employed	EMCO 17.M1	Target
	Annual percentage change in employed population	EMCO 17.M2	Main
Gender equality	Employment gender gap	EMCO 18.A1	Main
Older workers/active ageing	Employment rate of population aged 55 – 64 (Overall, women, men)	EMCO 17.M1	Main
	Average duration of working life (Overall, women, men)	EMCO new	Main
Youth	NEET ratio for population aged 15 – 24 (Overall, women, men)	EMCO new	Main
	Unemployment ratio for population aged 15 - 24 (Overall, women, men)	18.M1	Main
	Unemployment rate for population aged 15 - 24 (Overall, women,	17.M3	Main

¹¹ See : <http://ec.europa.eu/social/main.jsp?catId=477&langId=en> for EMCO and <http://ec.europa.eu/social/BlobServlet?docId=3882&langId=en> for SPC indicators

¹² Indicators to be developed will notably take account of the conclusions of the EPSCO council of June 2010 (Council document 10560/10)

	men)		
Low skilled workers	Employment rate of low skilled persons aged 20 to 64 (Overall, women, men)	EMCO new	Main
	Employment rate gap between low-skilled workers and non low-skilled workers (age group 20-64) (Overall, women, men)	EMCO new	Main
Legal migrants	Employment rate of non-EU nationals aged 20-64 (Overall, women, men)	EMCO new	Main
	Employment rate of persons born outside the EU (age group 20-64) (Overall, women, men)	EMCO new	Main
Unemployment	Unemployment rate (by different age groups) (Overall, women, men)	EMCO 17.M3	Main
	Long-term unemployment rate(Overall, women, men)	EMCO 19.M1	Main
Activity	Activity rate(Overall, women, men)	EMCO 17.M4	Main
	Labour supply growth (Annual % change in active population)	EMCO 17.A3	Main
Labour productivity growth	Growth in GDP per hour worked	EMCO 17.M5	Main
Labour reserve	Inactive persons wanting to work as a proportion of working age population 15-64; Main reason for inactivity	EMCO 19.A7	Context
Employment rate in full time equivalents	Total hours worked divided by the average annual number of hours worked in full-time jobs, calculated as a proportion of total population in the 15-64 age group	EMCO 17.A1	Context
Working time	1. Average weekly number of hours usually worked per week defined as the sum of hours worked by full-time employees divided by the number of full-time employees 2. Average effective annual working time per employed person	EMCO 21.A2	Context

2. Enhancing labour market functioning, combating segmentation			
=> EMCO Indicators covering Flexicurity component "Flexible contractual arrangements"	Access to flexitime	EMCO 21.A4	Context
	Employees with overtime work	EMCO 21.A3	Context
	Overtime hours	EMCO 21.A3	Context
	Transitions by type of contract (Fraction of individuals with at least the same employment security as in the previous year)	EMCO 21.M1	Main
	Diversity and reasons for contractual and working arrangements (part-time, temporary contracts, self-employment)	EMCO 21.M2	Main
	Job tenure in months	B indicator	Context
	Labour turnover (hires and separations)	B indicator	Context
	Transition from temporary to permanent jobs	B indicator	Context
Promoting regional and cross-border mobility	Dispersion of regional (un)employment rates	EMCO 17.A5	Main
	Regional disparities – underperforming regions	EMCO 17.M6	Main
	Recent immigrants to and within the EU (Foreign born persons/persons with another nationality than the country of residence who have been resident five years and less in the reporting country)	EMCO 20.A1	Context
Work organisation, health and safety at work	Work organisation	B or C indicator based on EWCS and ECS	Context

	Accidents at work	EMCO 21.M3	Context
	Occupational diseases	EMCO 21.A5	Context
Average exit age from labour force	The average age of withdrawal from the labour market, based on a probability model considering relative changes of activity rates from one year to another at a specific age	18.M4	Context
Transitions by employment status	Transition by employment status for a person in age 15-64 in year t, percent of the status in year (t-1)	17.A4	Context
Transitions by pay level	Transitions by pay level for persons 15-64 in year t, percent of persons in pay decile D in year (t-1)	18.A8	Context
Employment/Activity of recent immigrants	Employment/Activity of recent immigrants to and within the EU	20.A2	Context
3. Active labour market policies			
ALMP =>EMCO Indicators covering Flexicurity component "Active Labour Market Policies"	ALMP expenditures per person wanting to work (cat.1,2,4,5,6,7)	EMCO 19.A6	Context
	ALMP expenditure as % of GDP (cat. 2,4,5,6,7)	EMCO 19.A5	Context
	Activation/Support	EMCO 19.M2	Context
	Activation of registered unemployed	EMCO 19.A3	Context
	New start/Prevention	EMCO 19.M3	Context
	Follow up of participants in regular activation measures	EMCO	Context

		19.A4	
Activation of long-term unemployed	Activation of long-term unemployed in regular activation (LMP cat. 2-7)	19.M4	Context
Inflow into long term unemployment	Inflow into long term unemployment (young 6 months, adult 12 months)	19.A1	Context
Timely activation	The proportion of entrants in regular/assisted activation measures taken up by persons not yet long term unemployed (target=100%)	19.A2	Context
4. Adequate and employment oriented social security systems => EMCO Indicators covering Flexicurity component "Adequate Social Security Systems"			
Passive LMP	PLMP expenditure on supports per person wanting to work (cat 8 out of work income and maintenance)	EMCO 19.A6	Context
	Support LMP measures in % of GDP (cat 8 and 9)	EMCO 19.A7	Context
	Number of recipients of out of work income and maintenance (cat 8)	EMCO 19.M2	Context
Make work pay	Low wage trap	EMCO 19.M6	Context
	Unemployment trap	EMCO 19.M7	Context
At-risk of poverty of unemployed	At risk of poverty rate of unemployed	SPC SI-S1c	Main
Impact of career interruption on pension entitlements	Drop in theoretical replacement rates due to career interruptions (due to unemployment spells)	SPC. PN P4	Context
5. Work-life balance			
	Child care	18.M3	Context

=> EMCO Indicators covering Flexicurity sub-component "Reconciliation of work and private life"	Care of dependent elderly	18.A7	Context
	Inactivity trap after child care cost	SPC-OV 9b	Context
	Employment impact of parenthood	18.A5	Context
	Drop in theoretical replacement rates due to career interruptions	SPC.PN P4	Context
	Inactivity and part-time work due to lack of care services for children and other dependants.	18.A6	Main
6. Exploiting job creation possibilities			
Self-employment	Share of self-employed workers among overall employment (by age groups)	(B Indicator)	Context
White jobs	Share of employment in health care activities	(B Indicator)	Context
Green jobs	Jobs in the environmental goods and services sector	(B Indicator)	Context
	Tertiary graduates in science and technology per 1000 of population aged 20-29	LIME iGrowGreen (B Indicator)	Context
Development of services	Employment rate in services	19.A9	Context
Undeclared work	Size of undeclared work as share of persons employed	21.A1	Context
Anticipation of skill needs	Future skill needs	24.A1	Context
Real GDP growth rate	Growth rate of GDP volume – percentage change on previous year	17.A2	Context
Employment in newly established enterprises	Number of persons employed in newly born enterprises (in year n) and in surviving enterprises (set up in years n-3, n-2 and n-1) in relation to number of persons employed in all active enterprises (in year n)	21.A6	Context

7. Gender equality	Gender segregation	18.A4	Main
	Employment gender gap	18.A1	Main
	Gender pay gap	18.M2	Main
	Difference in poverty rate of single women and single men (18+)	(B Indicator)	Main
Employment gender gap in fte	The difference in employment rates measured in full-time equivalent between men and women in percentage points	18.A2	Context
Unemployment gender gap	The difference in unemployment rates between men and women in percentage points	18.A3	Context
8. Improving skills supply and productivity, effective life-long learning			
Anticipation of skill needs	Future skill needs	24.A1	Context
Matching supply and demand	Vacancies per unemployed	20.M1	Main
Productivity	Labour productivity	22.A1	Main
Improving skills	Percentage of adult population aged 25-64 having attained low, medium or higher education	EMCO 23.A3	Main
Life-long learning (EMCO Indicators covering Flexicurity component "Effective lifelong learning")	Percentage of adult population aged 25 – 64 participating in education and training	EMCO 23.M4, ET 2020 benchmark indicator	Main
	Investment by enterprises in training of adults	EMCO 23.A1	Context
	Computer skills	EMCO 24.A2	Context
	Internet skills	EMCO 24.A2	Context
	Participation in continuous vocational training	EMCO	Context

		23.A2	
	Total expenditure on education as a percentage of GDP	EMCO 23.M1	
9. Improving education and training systems			
Early leavers	Early leavers from education and training (Europe 2020 headline target: less than 10%)	Europe 2020 target	Target
Tertiary education	Completion of tertiary or equivalent education in the age group 30-34 (Europe 2020 headline target: at least 40%)	Europe 2020 target	Target
Low achievers in basic skills	Share of low-achieving 15-years olds in reading, mathematics and science	ET 2020 benchmark indicator	Main
Early childhood education	Share of children between 4 years old and the age of starting compulsory primary education that participate in early childhood education	ET 2020 benchmark indicator	Main
10. Wage setting mechanisms and labour cost developments			
Labour cost developments	Unit labour cost growth	22.M1	Main
None wage labour costs	Tax wedge on labour cost	22.M2	Main
	Implicit tax rate on employed labour	22.A2	Main
11. Preventing poverty and social exclusion through inclusive labour markets, adequate and sustainable social protection and high quality services			
Target	People at-risk-of poverty or exclusion	EU-Target	Main

Income and standard of living	At-risk-of poverty rate (60% of median income) + value of threshold (in PPP)	SPC-OA-1A	Main
	S80/S20	SPC-OA-2	Context
	Severe material deprivation rate (4+ items)	EU-Target component	Main
Inclusive labour markets	People aged 0-59 living in jobless households ¹³ (by sex)	EU-Target component	Main
	In-work poverty (by sex)	SPC-OA-11	Context
Sustainability	Current and Projected total public social expenditure	SPC-OA-6	Context
	Employment rate (by sex)	SPC-OA-10	Context
	Social protection expenditure by function (% of GDP)	SPC-OA-C7	Context
Adequacy	Impact of social transfers (other than pensions) in reducing poverty ¹⁴	SPC-OA-C11	Context ¹⁵
	Median relative income of elderly people (65+)	SPC-OA-7a	Context
	Aggregate replacement ratio (<i>excluding other social benefits</i>)	SPC-PN-P3/S3	Context
Health inequalities	Healthy life years + Life expectancy (by sex)	SPC-OA-3	Context
	Unmet need for care by income quintile + care utilisation (by sex)	SPC-OA-8	Context
11.a Breaking the intergenerational transmission of poverty – tackling child poverty			
Outcome	Children at-risk-of poverty or exclusion (0-17)	Target	Main
	At-risk-of poverty rate of children (0-17)	SPC-OA-1A	Main

¹³ “Jobless” household refers here to the definition agreed upon in the context of the Europe 2020 poverty/ social inclusion target, i.e. households with a very low work attachment (work intensity less than 0.20).

¹⁴ **The indicator for the poverty risk before social transfers (excluding pensions) must be interpreted with caution** for a number of reasons. First, no account is taken of other measures that can have the effect of raising the disposable incomes of households and individuals, namely transfers in kind, tax credits and tax allowances. Second, the pre-transfer poverty risk is compared to the post-transfer risk with all other things being equal — namely, assuming unchanged household and labour market structures, thus disregarding any possible behavioural changes that the absence of social transfers might entail.

¹⁵ Belgium expressed its reservation on the decision to consider this indicator as "context" instead of "main".

	Children living in a household suffering from severe material deprivation(4+)	Target component	Main
Income support	Impact of social transfers (other than pensions) in reducing child poverty	SPC-OA-C11	Main
Parents' access to labour market	Children (0-17) living in jobless households ¹⁶	Target component	Main
Adequate income from parental work	At-risk-of poverty rate of children living in household at work (WI>=0.5) – SPC Child poverty report	To be developed (A)	Context
Access to child care	Childcare (by age group)	EMCO 18-M3	Context
Education	Early leavers from education and training		Target
Health	Infant mortality		Context
Housing	Housing deprivation (0-17) + Housing cost overburden for children (0-17)	SPC-SI-C12/S5	
11b Active inclusion – tackling poverty in working age			
	People at risk of poverty or exclusion (18-64)	EU-Target	Main
	At-risk-of poverty rate (18-64) by sex	EU-Target component	Main
	Adults (18-64) living in a household suffering from severe material deprivation(4+)	EU-Target component	Main
Adequate income support	<u>Adequacy of benefit</u> : Net income of social assistance as a % of the at-risk-of poverty threshold	SPC-OA-C10	Context
	<u>Coverage</u> : % of people declared unemployed who receive any benefit (new SSO based on Eurostat)	To be developed (B)	Context
Access to the labour market	Adults 18-59 not students living in jobless households ¹⁷	EU-Target component	Main

¹⁶ “Jobless” household refers here to the definition agreed upon in the context of the Europe 2020 poverty/ social inclusion target, i.e. households with a very low work attachment (work intensity less than 0.20).

	In-work poverty (by sex)	SPC-OA-11	Main
	Long-Term Unemployment share/rate of the low skilled (SPC Lisbon TF report)	To be developed (A)	Context
	Inactivity trap (MWP)	SPC-OA-C9	Context
Access to services	Percentage of adult population aged 25 – 64 participating in education and training (unemployed/inactive)(SPC Lisbon TF report)	EMCO 23-M4	Main
	Housing cost overburden for working age adults at-risk-of poverty: Percentage of people aged 18-64 at-risk-of poverty and who live in household where total housing costs exceed 40% of the total disposable household income	SPC-SI-S5	Main
	Unmet need for care (18-64) by income quintile	SPC-SI-P10	Context
Migrants	Employment gap of migrants (born abroad, other EU, non-EU)	SPC-SI-P7	Context
People with disabilities	Employment gap of people with disabilities	EMCO-19-M5	Context
11c Tackling poverty in old age			
Elderly poverty	People at risk of poverty or exclusion (65+)	EU-Target	Main
	At-risk-of poverty rate of older people (65+) by sex	EU-Target component	Main
	Severe Material deprivation of older people (65+) by sex	EU-Target comopnent	Main
Adequate income support in old age	Aggregate replacement ratio (<i>excluding other social benefits</i>)	SPC-PN-P3/S3	Context
	Median relative income of elderly people (65+)	SPC-OA-7a	Context
	Change in Theoretical replacement rates	SPC-PN-P4	Context
	Impact of social transfers (including pensions) in reducing poverty ¹⁸	tbd	Context

¹⁷ “Jobless” household refers here to the definition agreed upon in the context of the Europe 2020 poverty/ social inclusion target, i.e. households with a very low work attachment (work intensity less than 0.20).

¹⁸ **The indicator for the poverty risk before social transfers (excluding pensions) must be interpreted with caution** for a number of reasons. First, no account is taken of other measures that can have the effect of raising the disposable incomes of households and individuals, namely transfers in kind, tax credits and tax allowances.

Sustainable pensions	Current and Projected change in pensions expenditure (public and total) 2006-2050	SPC-PN-P8	Context
Access to services	Unmet need for care (65+) by sex	SPC-OA-C9	Context
	Housing deprivation (65+)	SPC-SI-C12	Context
	Life expectancy at 65		Context
12. Social inclusion of groups at special risk and anti-discrimination	The social inclusion of vulnerable groups will be monitored on the basis of national indicators in the context of the qualitative assessment. ¹⁹		

Second, the pre-transfer poverty risk is compared to the post-transfer risk with all other things being equal — namely, assuming unchanged household and labour market structures, thus disregarding any possible behavioural changes that the absence of social transfers might entail.

¹⁹ Possible EU indicators that could be developed following an assessment of feasibility: At-risk-of poverty rate of immigrants (total, women/men); Employment gap of migrants (adjusted); Unemployment gap of people with disabilities; Activity gap of people with disabilities; Inactivity gap of people with disabilities; Sheltered- open labour market employment gap of people with disabilities; At-risk-of poverty rate of people with disabilities (total, women/men) before and after social transfers