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Foreword

2012 has been another very bad year for Europe. After five years of economic crisis, recession has returned, unemployment has reached levels not experienced in nearly two decades and the social situation is also deteriorating. The effect of national automatic stabilisers, intended to keep up household expenditure and protect the most vulnerable, has weakened compared to early years of the crisis. With increasing long-term unemployment, marginalisation risks also increase. Groups already at a heightened risk of poverty, such as young adults, children and to some extent migrants, are now experiencing an even worse situation. The ESDE (Employment and Social Developments in Europe) 2012 review analyses both the risks of entering into poverty and the prospects of escaping it, with striking differences between Member States.

Wage developments have been subject of increasing attention throughout the crisis because of their importance for competitiveness, domestic demand, employment as well as social inequalities. Any fair analysis of this complex subject needs to take these multiple dimensions into account, and this review seeks to make a substantial contribution. ESDE 2012 also analyses the functioning of Europe's social protection systems over recent years. At the same time, recognising the importance of the revenue side of the welfare state, the review presents evidence on recent developments in taxation systems, shifts in the tax base and their employment and distributional implications.

The analysis crystallizing in this publication has underpinned the Commission's Annual Growth Survey 2013 as well as a number of new Commission initiatives. Within 12 months, the Commission is likely to have adopted three policy packages supporting Member States' efforts to make progress towards the Europe 2020 targets despite a worsening economic environment. First, in April 2012 the Commission adopted the Employment Package, setting out a reinforced agenda for job creation and dynamic labour markets. Second, the Commission responded to the fact that young people are particularly hard-hit by the crisis in many different ways, as can be seen throughout this report, and in December 2012 adopted a Youth Employment Package, including a proposal for development of Youth Guarantee schemes across the Union. Third, the Commission is preparing a Social Investment Package, intended to help reconcile the need for effective and activating social policies in the context of a fiscal crisis in many Member States.

I am convinced that the analysis in this review gives a clear picture of the need and points towards the means for the EU, its Member States and all other players to take action, to address divergences both between countries and between citizens, and to create a viable path for a job-rich and inclusive recovery.

László Andor
Commissioner for Employment,
Social Affairs and Inclusion

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