

## INCLUSIVE VECTOR OF LABOR MARKET DEVELOPMENT AS A COMPONENT OF ECONOMIC SUSTAINABILITY

### VECTOR INCLUZIC AL DEZVOLTĂRII PIETEI MUNCII CA COMPONENTĂ A SUSTENABILITĂȚII ECONOMICE

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#### *Abstract*

*The article is devoted to the substantiation of the importance of inclusiveness in the labor market in the current conditions of economic development.*

*It substantiates that inclusiveness has become one of the main aspirations of the 2030 Agenda for Sustainable Development. However, social inclusion encompasses a broader set of concerns than those reflected in the Sustainable Development Goals. It is noted that promoting inclusion is not easy and requires concerted political efforts over time.*

*The article is contained several definitions of «social inclusion», as well as features (elements) of inclusive labor market. There is contained an analysis of the main aspects of the EU policy on supporting the development of the labor market, in particular from the point of view of inclusiveness. Attention is drawn to the study of the priorities that should guide the preparatory work for sustainable growth (based on the Social Protection Committee Annual Report 2023). The study is provided a list of aspects securing labor market transitions and inclusive labor markets.*

**Key words.** Labor market, inclusion, sustainability, development, economy.

The 2030 Agenda for Sustainable Development adopted by Member States in September 2015 has inclusion at its core. With its central pledge to leave no one behind, the global development agenda recognizes that development will only be sustainable if it is inclusive. The emphasis on sustainability, equity and inclusion reminds us that pursuing development grounded in social justice will be fundamental to achieving a socially, economically and environmentally sustainable future. The 2030 Agenda therefore aims to put people at the heart of the development process.

Underpinning the renewed focus on inclusion and social justice is the realization that the benefits of social and economic progress have not been equitably shared. Inequalities pervade not only the economic, but also the social and environmental pillars of development. Differences in religion, ethnicity, age, gender, sexual orientation, disability and economic and migrant status are used to exclude and marginalize. Furthermore, climate change and recurring global economic, political, food and energy crises can quickly weaken or reverse achievements made in poverty reduction and human development.

Since 2000, the Millennium Development Goals (MDGs) have inspired Governments and other stakeholders to take concrete actions around a set of measurable goals. Building on lessons

from the implementation of the MDGs, the 2030 Agenda for Sustainable Development emphasizes that global development requires a more integrated vision, grounded in sustainability, equity and inclusion. Sustainable development, therefore, is not only a matter of making progress towards narrow poverty, employment or health targets within a short time horizon or amid growing inequalities. It calls for securing social progress and resilience for all people and ensuring that it will be sustainable in the long run. It requires identifying who is being left behind by development processes and removing those underlying structural barriers that limit their inclusion.

Promoting inclusion is not easy and requires concerted political effort over time. Change is possible and need actions that can promote social inclusion. Crucially, these actions are necessary both to meet the moral imperative to leave no one behind as well as to avoid the potential economic and social costs of exclusion.

Enshrined in the 2030 Agenda is the principle that every person should reap the benefits of prosperity and enjoy minimum standards of well-being. This is captured in the 17 Sustainable Development Goals that are aimed at freeing all nations and people and all segments of society from poverty and hunger and to ensure, among other things, healthy lives and access to education, modern energy and information. Recognizing that these goals are difficult to achieve without making institutions work for those who are deepest in poverty and most vulnerable, the Agenda embraces broad targets aimed at promoting the rule of law, ensuring equal access to justice and broadly fostering inclusive and participatory decision-making [1, p. 17].

These goals and targets, represent essential elements of social inclusion processes. However, social inclusion encompasses a broader set of concerns than those reflected in the Sustainable Development Goals. No single global, goal-setting agenda can adequately address the multiple dimensions of exclusion or comprehensively promote inclusion, particularly given the diversity of circumstances around the globe. Social inclusion is on the agenda of governments, policymakers, and nonstate actors around the world. Underpinning this concern is the realization that despite progress on poverty reduction, some people continue to feel left out [1, p. 17-18].

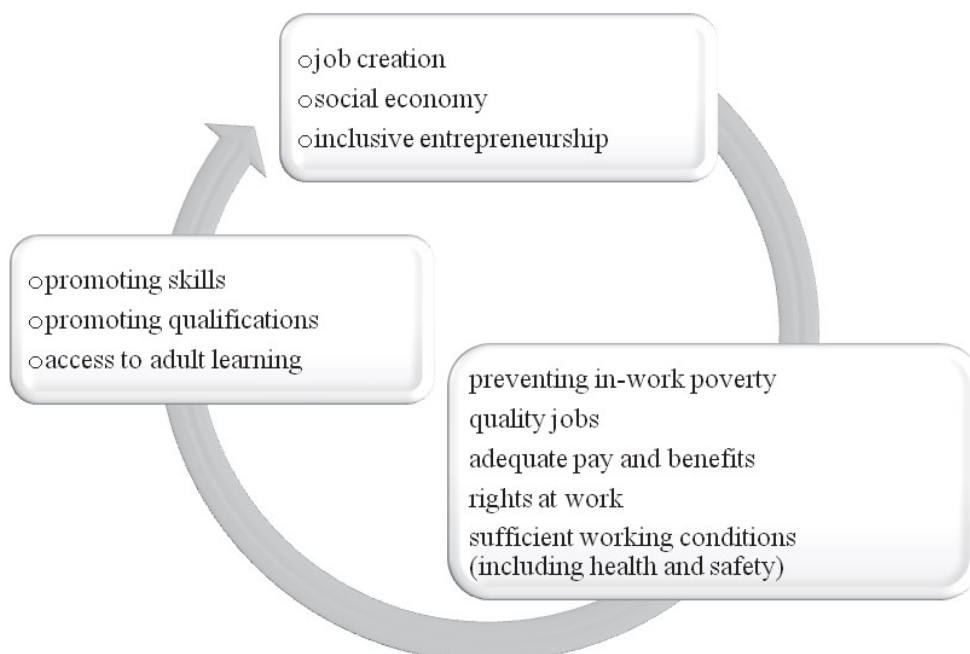
The Commission of the European Communities defined social inclusion as «a process which ensures that those at risk of poverty and social exclusion gain the opportunities and resources necessary to participate fully in economic, social, political and cultural life and to enjoy a standard of living that is considered normal in the society in which they live. It ensures that they have greater participation in decision making which affects their lives and access to their fundamental rights» [2, p. 9].

Social inclusion is defined by the World Bank firstly, as «the process of improving the terms for individuals and groups to take part in society» and «the process of improving the ability, opportunity, and dignity of people, disadvantaged on the basis of their identity, to take part in society» [3].

Social inclusion is the locus of development for the global community and the global economy in particular. It is very important to analyze who is being left behind and in what ways, identifying patterns of social exclusion and considering whether economy development processes are inclusive. In particular, very important are the linkages between exclusion / inclusive and employment trends. Particular attention should be paid to processes that prevent social inclusion in the labor market.

According to EU laws, labor markets are inclusive, when everyone of working age, in particular vulnerable and disadvantaged people, can participate in quality, paid work. Promoting inclusive labor markets enables people to join (or re-join) the workforce and concretely means [4]:

- supporting job creation, promoting the social economy and inclusive entrepreneurship as well as removing obstacles to work helps people integrate in the labor market;
- preventing in-work poverty, quality jobs are essential and policies focusing on adequate pay and benefits, rights at work, sufficient working conditions, including health and safety are key;
- promoting skills and qualifications and ensuring access to adult learning improves stay in work and helps people advance in their careers (Fig. 1).



**Fig. 1. The components of promoting the development of inclusive labor markets**

*Source:* compiled by the author based on data from [4]

Let's look at some aspects of EU policy support for labor market development, in particular in terms of inclusiveness.

The European Pillar of Social Rights, in particular its principles 4, 13 and 14, provide for active employment support, unemployment benefits and a minimum income for every EU citizen.

In 2008, the EU's active inclusion recommendation asked governments to develop a comprehensive strategy based on 3 social policy areas of adequate income support, inclusive labor markets and access to quality services. Particularly on inclusive labor markets, practical measures such as adult learning, in-work support, etc. were recommended [5].

In 2012, the Communication from The Commission to The European Parliament, The Council, The European Economic and Social Committee and The Committee of The Regions set out the towards a job-rich recovery. The full employment and social security were established as EU objectives. The Communication was accompanied by a series of Staff Working Documents, elaborating on how employment policies intersect with a number of other policy areas in support of smart, sustainable and inclusive growth. Taken together, this «Employment Package», not only carried forward the EU's 2020 flagship initiative on «New skills and jobs», but also helped to deliver, through better synergies, on flagship initiatives such as «Digital Agenda for Europe», «Innovation Union», «Youth on the move», «Resource-efficient Europe», «An Industrial Policy for

the Globalisation Era» and «European Platform Against Poverty and Exclusion». The Employment Package also showed how the EU budget, in particular the European Social Fund, can be mobilised in support of labor market reform and help deliver the necessary investment within the context of an economic downturn [6].

In 2013, the EU's Social Investment Package urged governments to speed up the implementation of the Active Inclusion recommendation. An accompanying paper highlighted 2 key problems of in-work poverty and disincentives to work – linked to tax and benefits systems.

In 2016 the Council adopted a Recommendation on the integration of the long-term unemployed in the labor market putting forward three key steps: while encouraging the registration of long-term unemployed with an employment service, each registered person should be provided with an individual in-depth assessment to identify their needs and potential and offered a job integration agreement at the very latest at 18 months of unemployment [5].

On 4 March 2021, the European Commission published its Communication on the European Pillar of Social Rights Action Plan, outlining concrete actions to further implement the Pillar principles as a joint effort by the Member States and the EU. As part of the Action Plan the Commission proposed three EU headline targets to be achieved by the end of the decade in the areas of employment, skills, and social protection:

- at least 78% of the population aged 20 to 64 should be in employment by 2030;
- at least 60% of all adults should participate in training every year;
- the number of people at risk of poverty or social exclusion should be reduced by at least 15 million by 2030 (compared to 2019).

The European Council welcomed these three targets at the Porto Summit in May 2021. The historical Porto Social Commitment and the Porto Declaration will drive the implementation of the European Pillar of Social Rights in the coming years.

As under the Europe 2020 Strategy, Member States have proposed national targets to support the achievement of the common EU headline targets for 2030. These were discussed by EU employment and social affairs ministers at the Council meeting of 15 June 2022, and reveal a strong commitment to achieving the target, as shown by the individual poverty-reduction ambitions of the Member States summing to a figure higher than the EU level commitment to reduce poverty and social exclusion by 15 million. Complementary goals were also set out by the Action Plan, which aim to support the achievement of the headline targets. With regard to the poverty and social exclusion target, out of the 15 million people to lift out of poverty or social exclusion, at least 5 million should be children.

The national targets will contribute to the shared ambition of reaching the EU headline targets by 2030 in the areas of employment, skills, and poverty reduction and their implementation will be closely monitored by the Social Protection Committee and the Employment Committee [5, p. 18].

In the current economic environment, work on further measures in the area is undertaken by the Social Protection Committee (SPC).

The Social Protection Committee (SPC) is an EU advisory policy committee to the Ministers in the Employment and Social Affairs Council (EPSCO). The SPC is established with a Council decision under article 160 of the Treaty on the Functioning of the EU.

The SPC uses as its main policy framework the social Open Method of Coordination (OMC), which aims to meet EU goals in the social policy area. It encompasses all major social policy strands:



- social protection and social inclusion,
- pensions,
- healthcare and long-term care [7].

Therefore, the SPC monitors social conditions in the EU and promotes discussion and coordination of policy approaches among national governments and the Commission. Delivering on its mandate, the Social Protection Committee (SPC) on October 2023 has produced Annual review of the social situation in the EU and the policy developments in the Member States, based on the most recent data and information available. On this basis, the SPC highlights the following findings and common priorities, which should guide the preparatory work for the sustainable growth.

In 2022, Russia's war of aggression against Ukraine came at a time when Europe was showing strong signs of recovery from the unprecedented economic shock due to the COVID-19 pandemic. It led to a subsequent sharp downturn. Economic growth in the EU slowed down over 2022, but despite fears of recession, positive growth in the first half of 2023 has demonstrated the resilience of the European economy in a challenging global context. Total employment continued to expand in 2022, though at a slower pace over the course of the year, and with the employment rate of people aged 20-64 reaching 75.3% in the first quarter of 2023. The unemployment rate remained very stable at 6.2% over 2022 (which is well below the rate of 6.5% in March 2020, just before the COVID-19 crisis began), and hit a new record low of 5.9% in April 2023, with high participation and employment rates [5, p. 8].

On poverty reduction target, there has been an overall stability in the EU in 2022 compared to the previous year (with a 0.1 percentage point decrease in the at-risk-of-poverty-or-social-exclusion rate) and over the last 3 years. Eurostat's flash estimates referring to 2022 incomes also suggest that poverty remained broadly constant on average in 2022 [5, p. 9].

Certain positive developments in the social situation could be observed, despite remaining challenges [5, p. 10]:

- reductions in the share of the population living in (quasi-)jobless households in almost half of the Member States in long-term unemployment in almost one third, and continued rises in the employment rate of older workers in almost all Member States, reflecting improvements in the labor market;
- the situation for youth also improved, with declines in the number of those not in employment education or training (NEETs) in many Member States and the overall EU rate also declined;
- there were also significant declines in the depth of poverty for the general population in more than a third of Member States as well as for the child population.

Nevertheless, there were some areas to watch concerning the latest developments, namely [5, p. 10-11]:

- a deterioration in the poverty and relative income situation of older people (aged 65 or older), with rises in their at-risk-of-poverty-or-social-exclusion rate in more than half of Member States. Relative incomes from pensions as reflected by the aggregate replacement ratio worsened in a similar number of Member States.
- mixed developments with regard to income inequalities, with deterioration in almost half of the Member States but improvements in a similar number of Member States.

In the current uncertain international and economic environment, the positive employment dynamics of the post COVID-19 recovery should be accompanied by social protection and inclusion policies supported by social investment to ensure fair growth, further improve the

resilience of the economies and societies and reduce the risks for vulnerable households and individuals, including those related to the green and digital transitions [5, p. 11].

Member States should continue to modernise their social protection and social inclusion systems, paying attention to the adequacy, coverage and take up of benefits, effectively combined with active inclusion measures, also building on the lessons learned during the COVID-19 crisis while designing more permanent measures [5, p. 11-12].

Social protection for all workers and the self-employed should be fostered. Around half of the Member States have planned important reforms to improve participation to social protection schemes for specific categories of people on the labor market, however they are not yet all implemented [5, p. 12].

Member States should protect the living standards of the retired population by adopting measures targeting vulnerable groups, such as low-income pensioners. Efforts to safeguard the effectiveness of social protection in old age, adequacy of pensions and sustainability of the pension systems should be continued by Member States, in a context of structural reforms to face the challenges of an ageing population, shrinking number of working-age Europeans, and evolving labor markets. Fostering increased participation in the labor market in general or specifically supporting employment of older workers can help improve the level of pensions and the fiscal sustainability of the pension system [5, p. 14].

Systemic weaknesses in the national care systems need to be addressed to ensure access to high quality affordable long-term care services, against the background of strong increase in the demand for health and long-term care services and less people of working age contributing to social protection schemes. The implementation measures of the 2022 Council Recommendation on access to affordable and high-quality long-term care can help address these challenges. Provision of long-term care is key also in the context of women's labor market participation and upholding basic human rights of persons in need of care. While expanding the offer of high-quality services that are person-centred and respect the freedom of choice, investments in healthy ageing, prevention and rehabilitation can help reduce the demand for long-term care. Better integration of health and long-term care services can respond better to care needs and also ensure best use of limited financial and human resources. Stronger focus is needed on quality standards and quality assurance. Measures to improve working conditions and retain and attract staff need to be pursued. Digitalization and other innovative solutions can help improve working conditions as well as empower longer independent living at home [5, p. 14-15].

Coordination of efforts to promote sustainable and inclusive economic growth, competitiveness, employment and adequate social protection and social inclusion remains a very important area of development [5, p. 16].

In the joint opinion called for establishing closer coordination between economic, fiscal, employment and social policies. In this context, it is recognized the need to modernize existing monitoring tools, in particular social monitoring, for their simplification and consolidation [5, p. 16].

Thus, among the overall priorities for sustainable growth, considerable attention is paid to the development of the labor market and its components. In today's environment, elements that contribute to the development of dynamic labor markets and the implementation of integrated structural reforms of the labor market are of great importance. It is also important to boost both flexibility and security and make labor markets more resilient to the processes of economic adjustment.

Labor markets are only dynamic if employment policies facilitate the transitions that enhance productivity and job quality, if the workforce has adequate skills, and if people are mobile enough to respond to the geographic trends in job vacancies. Governments should pay particular emphasis on labor market reform, the development of human capital and geographical mobility for making the labor force better equipped for change and providing job opportunities.

Further steps in structural labor market reforms should address notably the following aspects securing labor market transitions and inclusive labor markets [7]:

- use internal flexibility to reduce insecurity and fiscal costs: internal flexibility can be very effective in times of economic contraction as a means of maintaining employment and lowering adjustment costs;

- decent and sustainable wages and avoiding low-wage traps: the risk of in-work poverty is high, particularly in countries with uneven earnings distribution and low minimum wages, among people with temporary contracts and in low work intensity and single parent households;

- make transitions pay: labor market flexibility requires security in employment transitions. A lifelong career characterised by a number of moves, sometimes upwards but also horizontal or even downwards, is now a reality for many workers, and particularly for young workers. The quality of the transitions will determine the quality of a worker's career. Security throughout one's career, including during the transitions between different types of labor market status (e.g. training to employment, maternity leave to employment, transitions towards self-employment and entrepreneurship etc.), is essential in order to provide individuals with the necessary means to maintain their employability and make transitions work;

- mutual responsibilities to support transitions from unemployment towards employment: the current high levels of unemployment require that the unemployment benefits schemes supporting the transitions from unemployment back into work are sufficiently adaptable to stimulate a rapid return to sustainable employment. During the crisis, unemployment benefits coverage has in some cases been extended to include some previously unprotected groups, particularly temporary workers, and extending rights in other situations;

- ensure appropriate contractual arrangements to combat labor market segmentation: the rights associated with contractual arrangements are another factor that makes the quality of transitions fragile. There is therefore a need for measured and balanced reforms in employment protection legislation in order to remedy segmentation or to halt the excessive use of non-standard contracts and the abuse of bogus self-employment. More generally, all types of contractual arrangements should give jobholders access to a core set of rights (including pension rights) from the signature of the contract, including access to lifelong learning, social protection, and monetary protection in the case of termination without fault;

- anticipate economic restructuring: in spite of adverse market conditions, many EU companies and their workforces have, by and large, engaged creatively in restructuring processes that have been constructive, effective and instrumental in limiting job losses, through innovative arrangements, often with the support of public authorities and the EU. These measures include changes in employment protection legislation and business practices related to corporate restructuring, as well as appropriate training and activation policies that, together with suitably designed unemployment benefit systems, help displaced workers towards different jobs and professions;

- develop lifelong learning as a key to security in employment: access to lifelong learning, within either employment or unemployment situations, is essential if employability is to be

maintained. In this respect, the commitment of employers to training their workforce, particularly in the case of low-skilled and older workers, is essential. For the unemployed, in particular the lower-skilled and vulnerable groups, individualised career guidance and training on market relevant skills is essential. But new technologies combined with globalisation have also increasingly reduced medium-skilled tasks, necessitating important re-skilling policies for medium-skilled workers. The recession has accelerated a polarisation in employment (hollowing out medium skilled jobs), with a risk to increasingly segregate employment into low-quality and high-quality blocks, and thereby limiting career mobility opportunities, which need to be addressed;

– deliver youth opportunities: the support for transition to work, e.g. through youth guarantees, activation measures targeting young people, the quality of traineeships, and youth mobility should be prioritised.

Thus, inclusiveness and shared prosperity have emerged as core aspirations of the 2030 Agenda for Sustainable Development. The focus of the 2030 Agenda on inclusiveness underscores the need to identify priorities for the development of all social and economic spheres. Many EU legislative documents already highlight the key challenges to social inclusion, as well as the political imperatives to promote it. In this case, the labor market is one of the most important areas. It is so important to make labor markets more resilient to the processes of economic adjustment by increasing their flexibility and security. Access to lifelong learning and social protection are also very valuable as leading factors in the development of society, which directly determine the effectiveness of an inclusive labor market today.

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