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THE EUROPEAN UNION**

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Subject : **Proposal for a Council Decision on the Guidelines for the Employment Policies of the Member States**

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**I. INTRODUCTION**

On 11 December 2007, the Commission submitted on the basis of Article 128(2) of the Treaty a proposal for a Decision of the Council on Guidelines for the employment policies of the Member States. This proposal forms part of the Integrated Guidelines package, which also includes the draft Broad Economic Policy Guidelines.

The Employment Committee formulated its Opinion (doc. 5997/08) during its meeting of 7/8 February 2008. The Economic and Social Committee delivered its Opinion during its plenary session of 13/14 February 2008. The Committee of the Regions has indicated that, while it has delivered a resolution on the whole of the Lisbon agenda during its February 2008 plenary, it would not deliver a specific opinion on the Employment Guidelines.

The European Parliament has still to deliver its opinion<sup>1</sup>.

The Permanent Representatives Committee examined the proposal on 20 February 2008. The Maltese delegation maintained its reservation on the formulation of the sentence on the European Alliance for Families on page 9, considering that the reference to the Alliance in the introductory text to Guideline No. 18 should not refer to the "implementation of" the Alliance (see also footnote on page 9). The Polish delegation entered a parliamentary scrutiny reservation.

While the German delegation recalled that it would have preferred to reinforce the social dimension of the Employment Guidelines by introducing a new guideline on active social integration to highlight the common social goals of the Member States, it acknowledged that the Commission and other Member States had stressed the importance of maintaining the stability of the Guidelines and consequently had not rallied to this position.

At the conclusion of the discussion on the text, the Chair noted that the Committee had reached a broad agreement on a general approach to be submitted to the EPSCO Council session on 29 February 2008. The text of the draft Council Decision as it stands following the Committee's examination is annexed to this introductory note.

## II. CONCLUSION

The Council is invited to consider the outstanding reservations with a view to reaching a general approach on the proposal at the EPSCO Council session on 29 February 2008. The general approach will be reconsidered once all the opinions required by Article 128(2) of the Treaty have been received, when the conclusions of the Spring European Council will also be taken into account.

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<sup>1</sup> It is expected that the Parliament will deliver its opinion in May.

**Draft**  
**COUNCIL DECISION**

**on guidelines for the employment policies of the Member States**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 128(2) thereof,

Having regard to the proposal from the Commission<sup>2</sup>,

Having regard to the Opinion of the European Parliament<sup>3</sup>,

Having regard to the Opinion of the European Economic and Social Committee<sup>4</sup>,

Having regard to the Opinion of the Committee of the Regions<sup>5</sup>,

Having regard to the Opinion of the Employment Committee,

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<sup>2</sup> OJ C ..., ..., p. .

<sup>3</sup> OJ C ..., ..., p. .

<sup>4</sup> OJ C ..., ..., p. .

<sup>5</sup> OJ C ..., ..., p. .

Whereas:

1. The reform of the Lisbon Strategy in 2005 has placed the emphasis on growth and jobs. The Employment Guidelines of the European Employment Strategy and the Broad Economic Policy Guidelines have been adopted as an integrated package<sup>6</sup>, whereby the European Employment Strategy has the leading role in the implementation of the employment and labour market objectives of the Lisbon Strategy.
2. The examination of the Member States' National Reform Programmes contained in the Commission's Annual Progress Report and in the draft Joint Employment Report shows that Member States should continue to make every effort to address the priority areas of
  - attracting and retaining more people in employment, increasing labour supply and modernising social protection systems,
  - improving adaptability of workers and enterprises, and
  - increasing investment in human capital through better education and skills.
3. In the light of both the Commission's examination of the National Reform Programmes and the European Council conclusions, the focus should be on effective and timely implementation, paying special attention to the agreed targets and benchmarks, and in line with the conclusions of the European Council.
4. The Employment Guidelines are valid for three years, while in the intermediate years until the end of 2010 their updating should remain strictly limited.

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<sup>6</sup> OJ L 205, 6.8.2005 p. 21 (Employment Guidelines) and p. 28 (Broad Economic Policy Guidelines).

5. Member States should take the Employment Guidelines into account when implementing programmed Community funding, in particular of the European Social Fund.
6. In view of the integrated nature of the guideline package, Member States should fully implement the Broad Economic Policy Guidelines.

HAS ADOPTED THIS DECISION:

*Article 1*

The guidelines for Member States' employment policies as set out in the Annex are hereby adopted.

*Article 2*

The guidelines shall be taken into account in the employment policies of the Member States, which shall be reported upon in the National Reform Programmes.

*Article 3*

This decision is addressed to the Member States.

Done at .....

*For the Council*

*The President*

## **Guidelines for the employment policies of the Member States**

The Employment Guidelines are part of the Integrated Guidelines for the period 2008 -2010, which are built on three pillars – macroeconomic policies, microeconomic reforms and employment policies - which together contribute to the objectives of sustainable growth and employment and reinforce social cohesion.

Member States, in cooperation with the social partners and where appropriate other stakeholders, shall conduct their policies with a view to implementing the objectives and priorities for action specified below so that more and better jobs and a better educated and skilled labour force support an inclusive labour market. Reflecting the Lisbon strategy and taking into account the common social objectives, the Member States' policies shall foster in a balanced manner:

- *Full employment:* Achieving full employment, and reducing unemployment and inactivity, by increasing the demand for and supply of labour, is vital to sustain economic growth and reinforce social cohesion. An integrated flexicurity approach is essential to achieve these goals. Flexicurity policies address simultaneously the flexibility of labour markets, work organisation and labour relations, and employment security and social protection;
- *Improving quality and productivity at work:* Efforts to raise employment rates go hand in hand with improving the attractiveness of jobs, quality at work, labour productivity growth, substantially reducing segmentation and in work poverty. Synergies between quality at work, productivity and employment should be fully exploited;
- *Strengthening economic, social and territorial cohesion:* Determined action is needed to strengthen and reinforce social inclusion, fight poverty - especially child poverty-, prevent exclusion from the labour market, support integration in employment of people at a

disadvantage, and to reduce regional disparities in terms of employment, unemployment and labour productivity, especially in regions lagging behind. Strengthened interaction is needed with the Open Method of Coordination in Social Protection and Social Inclusion.

Equal opportunities and combating discrimination are essential for progress. Gender mainstreaming and the promotion of gender equality should be ensured in all action taken. Particular attention must also be paid to significantly reducing all gender related gaps in the labour market in line with the European Pact for Gender Equality. As part of a new intergenerational approach, particular attention should be paid to the situation of young people, implementing the European Youth Pact, and to promoting access to employment throughout working life, including for older workers. Particular attention must also be paid to significantly reducing employment gaps for people at a disadvantage, including disabled people, as well as between third-country nationals and EU citizens, in line with any national targets. This will assist Member States in addressing the demographic challenge.

Member States should aim towards active inclusion of all through promotion of labour force participation and fight poverty and exclusion of marginalised groups.

In taking action, Member States should ensure good governance of employment and social policies and ensure that the positive developments in the fields of economics, labour and social affairs are mutually reinforcing. They should establish a broad partnership for change by fully involving parliamentary bodies and stakeholders, including those at regional and local levels and civil society organizations. European and national social partners should play a central role. The targets and benchmarks which have been set at EU level in the framework of the European Employment Strategy in the context of the 2003 guidelines should continue to be followed up with indicators and scoreboards. Member States are also encouraged to define their own commitments and targets, which should be taken into account, along with the country specific recommendations agreed at EU level. In addition, Member States are encouraged to monitor the social impact of reforms.

Good governance also requires greater efficiency in the allocation of administrative and financial resources. In agreement with the Commission, Member States should target the resources of the Structural Funds, in particular the European Social Fund, on the implementation of the European Employment Strategy and report on the action taken. Particular attention should be paid to strengthening institutional and administrative capacity in the Member States.

**Guideline 17. Implement employment policies aiming at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion.**

Policies should contribute to achieving an average employment rate for the European Union (EU) of 70 % overall, of at least 60 % for women and of 50 % for older workers (55 to 64) by 2010, and to reduce unemployment and inactivity. Member States should consider setting national employment rate targets.

In addressing these objectives, action should concentrate on the following priorities:

- attract and retain more people in employment, increase labour supply and modernise social protection systems,
- improve adaptability of workers and enterprises,
- increase investment in human capital through better education and skills

**1. Attract and retain more people in employment, increase labour supply and modernise social protection systems**

Raising employment levels is the most effective means of generating economic growth and promoting socially inclusive economies whilst ensuring a safety net for those unable to work.

Promoting labour supply, a lifecycle approach to work and modernising social protection systems to ensure their adequacy, financial sustainability and responsiveness to changing needs in society are

all the more necessary because of the expected decline in the working-age population. Special attention should be paid to substantially reducing the persistent employment gaps between women and men, and the gender pay gap. Further increasing the employment rates of older workers and young people, as part of a new intergenerational approach, and promoting active inclusion of those most excluded from the labour market is also important. Intensified action is also required to improve the situation of young people in the labour market, especially for low skilled, and to significantly reduce youth unemployment, which is on average double the overall unemployment rate.

The right conditions must be put in place to facilitate progress in employment, whether it is first time entry, a move back to employment after a break or the wish to prolong working lives. The quality of jobs, including pay and benefits, working conditions, access to lifelong learning and career prospects, are crucial, as are support and incentives stemming from social protection systems. To enhance a life cycle approach to work and to promote reconciliation between work and family life policies towards childcare provisions are necessary. Securing coverage of at least 90% of children between 3 years old and the mandatory school age and at least 33% of children under 3 years of age by 2010 is a useful benchmark at national level but specific efforts are also needed to tackle regional disparities within countries. The increase in the average employment rate of parents, especially single parents, who are usually exposed to higher poverty risk, requires measures to support families. In particular, Member States should take account of the special needs of single parents and families with many children. Furthermore by 2010 the effective average exit age from the labour market should increase by 5 years at EU level compared to 2001.

Member States should also enact measures for improved (occupational) health status with the goal of reducing sickness burdens, increasing labour productivity and prolonging working life.

The implementation of the European Youth Pact, the Pact for Gender Equality and the European Alliance for Families<sup>7</sup> should also be a contribution to a lifecycle approach to work in particular by facilitating transition from education to the labour market. Young people with fewer opportunities should be given equal chances for social and professional integration through individually tailored measures.

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<sup>7</sup> MT: reservation on linking the Alliance for Families with the words "the implementation of".

### **Guideline 18. Promote a lifecycle approach to work through:**

- a renewed endeavour to build employment pathways for young people and reduce youth unemployment, as called for in the European Youth Pact,
- resolute action to increase female participation and reduce gender gaps in employment, unemployment and pay,
- better reconciliation of work and private life and the provision of accessible and affordable childcare facilities and care for other dependants,
- support for active ageing, including appropriate working conditions, improved (occupational) health status and adequate incentives to work and discouragement of early retirement,
- modern social protection systems, including pensions and healthcare, ensuring their social adequacy, financial sustainability and responsiveness to changing needs, so as to support participation and better retention in employment and longer working lives.

See also integrated guideline 'To safeguard economic and fiscal sustainability as a basis for increased employment'(No 2).

Active inclusion policies can increase labour supply and strengthen society's cohesiveness and are a powerful means of promoting the social and labour market integration of the most disadvantaged.

Every unemployed person should be offered a job, apprenticeship, additional training or other employability measure; in the case of young persons who have left school within no more than 4 months by 2010 and in the case of adults within no more than 12 months. Policies aiming at offering active labour market measures to the long-term unemployed should be pursued, taking into consideration the participation rate benchmark of 25% in 2010. Activation should be in the form of

training, retraining, work practice, a job or other employability measure, combined where appropriate with on-going job search assistance. Facilitating access to employment for job seekers, preventing unemployment and ensuring that those who become unemployed remain closely connected to the labour market and employable are essential to increase participation, and combat social exclusion. Attaining these objectives requires removing barriers to the labour market by assisting with effective job searching, facilitating access to training and other active labour market measures. Ensuring affordable access to basic social services, adequate levels of minimum resources to all, combined with the principle of fair remuneration in order to make work pay are equally important. This approach should, at the same time, ensure that work pays for all workers, as well as remove unemployment, poverty and inactivity traps.

Special attention should be paid to promoting the inclusion of disadvantaged people, including low-skilled workers, in the labour market, including through the expansion of social services and the social economy, as well as the development of new sources of jobs in response to collective needs. Combating discrimination, promoting access to employment for disabled people and integrating immigrants and minorities are particularly essential.

**Guideline 19. Ensure inclusive labour markets, enhance work attractiveness, and make work pay for job-seekers, including disadvantaged people, and the inactive through:**

- active and preventive labour market measures including early identification of needs, job search assistance, guidance and training as part of personalised action plans, provision of necessary social services to support the inclusion of those furthest away from the labour market and contribute to the eradication of poverty,
- continual review of the incentives and disincentives resulting from the tax and benefit systems, including the management and conditionality of benefits and a significant reduction of high marginal effective tax rates, notably for those with low incomes, whilst ensuring adequate levels of social protection,
- development of new sources of jobs in services for individuals and businesses, notably at local level.

To allow more people to find better employment, it is also necessary to strengthen the labour market infrastructure at national and EU level, including through the EURES network, so as to better anticipate and resolve possible mismatches. Better transitions between jobs and into employment are essential and policies to enhance mobility and matching on the labour market should be promoted. Job-seekers throughout the EU should be able to consult all job vacancies advertised through Member States' employment services. Mobility of workers within the EU should be fully ensured within the context of the Treaties. Full consideration must also be given on the national labour markets to the additional labour supply resulting from immigration of third-country nationals.

**Guideline 20. Improve matching of labour market needs through:**

- the modernisation and strengthening of labour market institutions, notably employment services, also with a view to ensuring greater transparency of employment and training opportunities at national and European level,
- removing obstacles to mobility for workers across Europe within the framework of the Treaties,
- better anticipation of skill needs, labour market shortages and bottlenecks,
- appropriate management of economic migration.

## **2. Improve adaptability of workers and enterprises**

Europe needs to improve its capacity to anticipate, trigger and absorb economic and social change. This requires employment-friendly labour costs, modern forms of work organisation, promoting 'good work' and well-functioning labour markets allowing more flexibility combined with employment security to meet the needs of companies and workers. This should also contribute to preventing the emergence of segmented labour markets and reducing undeclared work (see also Guidelines 18, 19, 20 and 23).

In today's increasingly global economy with market opening and the continual introduction of new technologies, both enterprises and workers are confronted with the need, and indeed the opportunity, to adapt. While this process of structural change is overall beneficial to growth and employment, it also brings about transformations which are disruptive to some workers and enterprises. Enterprises must become more flexible to respond to sudden changes in demand, adapt to new technologies and innovate constantly, in order to remain competitive.

They must also respond to the increasing demand for job quality related to workers' personal preferences and family changes, and they will have to cope with an ageing workforce and fewer young recruits. For workers, working life is becoming more complex as working patterns become more diverse, irregular and an increasing number of transitions need to be managed successfully throughout the lifecycle. With rapidly changing economies, workers must be furnished with lifelong learning opportunities, in order to cope with new ways of working, including enhanced exploitation of Information and Communication Technologies (ICT). Changes in working status with associated risks of temporary losses of income should be better accommodated through the provision of appropriate modernised social protection.

To successfully meet these challenges an integrated flexicurity approach is needed. Flexicurity involves the deliberate combination of flexible and reliable contractual arrangements, comprehensive lifelong learning strategies, effective active labour market policies and modern, adequate and sustainable social protection systems.

Member States should implement their own flexicurity pathways, based on the common principles adopted by the Council. These principles serve as a useful basis for reforms, framing national policy options and specific national arrangements in the field of flexicurity. There is no single pathway and no single principle is more important than another.

**Guideline 21. Promote flexibility combined with employment security and reduce labour market segmentation, having due regard to the role of the social partners, through:**

- the adaptation of employment legislation, reviewing where necessary the different contractual and working time arrangements,
- addressing the issue of undeclared work,
- better anticipation and positive management of change, including economic restructuring, notably changes linked to trade opening, so as to minimise their social costs and facilitate adaptation,
- the promotion and dissemination of innovative and adaptable forms of work organisation, with a view to improving quality and productivity at work, including health and safety,
- support for transitions in occupational status, including training, self-employment, business creation and geographic mobility.

See also integrated guideline ‘To promote greater coherence between macroeconomic, structural and employment policies’ (No 5).

To maximise job creation, preserve competitiveness and contribute to the general economic framework, overall wage developments should be in line with productivity growth over the economic cycle and should reflect the labour market situation. The gender pay gap should be substantially reduced. Particular attention should be given to explain and address the reasons for the low level of wages in professions and sectors which tend to be dominated by women. Efforts to reduce non-wage labour costs and to review the tax wedge may also be needed to facilitate job creation, especially for low-wage employment.

**Guideline 22. Ensure employment-friendly labour cost developments and wage-setting mechanisms by:**

- encouraging social partners within their own areas of responsibility to set the right framework for wage bargaining in order to reflect productivity and labour market challenges at all relevant levels and to avoid gender pay gaps,
- reviewing the impact on employment of non-wage labour costs and where appropriate adjust their structure and level, especially to reduce the tax burden on the low-paid.

See also integrated guideline ‘To ensure that wage developments contribute to macroeconomic stability and growth’ (No 4).

**3. Increase investment in human capital through better education and skills**

Europe needs to invest more and more effectively in human capital. Too many people fail to enter, progress or remain in the labour market because of a lack of skills, or due to skills mismatches. To enhance access to employment for men and women of all ages, raise productivity levels, innovation and quality at work, the EU needs higher and more effective investment in human capital and lifelong learning.

Knowledge-based and service-based economies require different skills from traditional industries; skills which also constantly need updating in the face of technological change and innovation. Workers, if they are to remain and progress in work and be prepared for transition and changing labour markets, need to accumulate and renew skills regularly. The productivity of enterprises is dependent on building and maintaining a workforce that can adapt to change. Governments need to ensure that educational attainment levels are improved and that young people are equipped with the necessary key competences, in line with the European Youth Pact. In order to improve labour market prospects for youth, the EU should aim at an average rate of no more than 10 % early school leavers; and that at least 85 % of 22-year olds should have completed upper secondary education by 2010. Policies should also aim at increasing the EU average level of participation in lifelong

learning to at least 12.5 % of the adult working-age population (25 to 64 age group). All stakeholders should be mobilised to develop and foster a true culture of lifelong learning from the earliest age. To achieve a substantial increase in public and private investment in human resources per capita and guarantee the quality and efficiency of these investments, it is important to ensure fair and transparent sharing of costs and responsibilities between all actors. Member States should make better use of the Structural Funds and the European Investment Bank for investment in education and training. To achieve these aims, Member States must implement the coherent and comprehensive lifelong learning strategies to which they have committed themselves.

**Guideline 23. Expand and improve investment in human capital through:**

- inclusive education and training policies and action to facilitate significantly access to initial vocational, secondary and higher education, including apprenticeships and entrepreneurship training,
- significantly reducing the number of early school leavers,
- efficient lifelong learning strategies open to all in schools, businesses, public authorities and households according to European agreements, including appropriate incentives and cost-sharing mechanisms, with a view to enhancing participation in continuous and workplace training throughout the life-cycle, especially for the low-skilled and older workers.

See also integrated guideline ‘To increase and improve investment in R & D, in particular by private business’ (No 7).

Setting ambitious objectives and increasing the level of investment by all actors is not enough. To ensure that supply meets demand in practice, lifelong learning systems must be affordable, accessible and responsive to changing needs. Adaptation and capacity-building of education and training systems and measures to improve the evidence base of education and training policies are

necessary to improve their labour market relevance, their responsiveness to the needs of the knowledge-based economy and society and their efficiency, excellence and equity. An easily accessible, widespread and integrated system of lifelong career orientation should increase both access of individuals to education and training and the relevance of education and training offer to skills needs. ICT can be used to improve access to learning and better tailor it to the needs of employers and employees.

Greater mobility for both work and learning purposes is also needed to access job opportunities more widely in the EU at large. The remaining obstacles to mobility within the European labour market should be lifted, in particular those relating to the recognition and transparency and use of learning outcomes and qualifications, notably by implementing the European Qualifications Framework by relating national qualification system to that Framework by 2010 and where appropriate, by developing national qualification frameworks. It will be important to make use of the agreed European instruments and references to support reforms of national education and training systems, as is laid down in the Education and Training 2010 Work Programme.

**Guideline 24. Adapt education and training systems in response to new competence requirements by:**

- raising and ensuring the attractiveness, openness and quality standards of education and training, broadening the supply of education and training opportunities and ensuring flexible learning pathways and enlarging possibilities for mobility for students and trainees,
- easing and diversifying access for all to education and training and to knowledge by means of working time organisation, family support services, vocational guidance and, if appropriate, new forms of cost sharing,
- responding to new occupational needs, key competences and future skill requirements by improving the definition and transparency of qualifications, their effective recognition and the validation of non-formal and informal learning.

## Overview of targets and benchmarks set in the framework of the European Employment Strategy

The following targets and benchmarks are agreed in the context of the European Employment Strategy:

- that every unemployed person is offered a job, apprenticeship, additional training or other employability measure; in the case of young persons who have left school within no more than 4 months by 2010 and in the case of adults within no more than 12 months;
- that 25% of long-term unemployment should participate by 2010 in an active measure in the form of training, retraining, work practice, or other employability measure, with the aim of achieving the average of the three most advanced Member States;
- that jobseekers throughout the EU are able to consult all job vacancies advertised through Member States' employment services;
- an increase by five years, at EU level, of the effective average exit age from the labour market by 2010 compared to 2001;
- the provision of childcare by 2010 to at least 90 % of children between 3 years old and the mandatory school age and at least 33 % of children under 3 years of age;
- an EU average rate of no more than 10% early school leavers;
- at least 85% of 22-year olds in the EU should have completed upper secondary education by 2010;
- that the EU average level of participation in lifelong learning should be at least 12,5% of the adult working-age population (25 to 64 age group).