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from :            Presidency  
to :                Delegations

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Subject :        **Employment Committee's contribution to the informal Employment Summit**

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Delegations will find attached, for information, the Employment Committee's contribution to the informal Employment Summit, which took place in Prague on 7 May 2009.

## EMCO CONTRIBUTION TO THE EMPLOYMENT SUMMIT

As the current adverse employment situation is likely to worsen further over the next months, the Employment Committee underlines the importance of this Summit in clearly identifying risks for employment and social exclusion.

This crisis will end and efforts made now to tackle it should also place Europe in a better position to maximise everybody's potential and build the conditions required to face future challenges.

The Committee recognises this Summit as an opportunity to:

- reiterate the importance of **increasing access to employment** and maintaining employability as key for sustainable economic recovery, growth, social cohesion, and welfare;
- underline the necessity of a **strong, coordinated EU response** which mobilises all available resources, including Community resources, existing mutual learning structures, and **temporary, timely, targeted short-term actions fully consistent with structural reforms needed to meet long-term challenges** faced by European labour markets;
- **reach a consensus amongst all actors** on the need to make the European labour market structurally stronger and more inclusive and strengthen the involvement of social partners in helping to identify challenges as well as ensuring effective delivery of policy initiatives;
- **reject all forms of protectionism and unfair competition** in a context of consensus on the role the EU can play to avoid spill-over effects and maximise the impact of national plans to tackle the crisis;
- insist on an **effective and efficient use of public resources** on measures that mitigate the employment and social aspects of the crisis.

The views expressed hereunder are the Employment Committee's contribution to the Summit, in the hope that it can help achieve agreement on common policy principles to assist European economies and labour markets thrive on recovery.

### **Maintaining and creating Employment**

Maintaining employment is a short-term priority to reduce the social impact of the crisis and help contain the pressure on social security expenditure. It is important to allow for necessary structural changes to take place, in order to come out of the economic crisis stronger and more competitive. The introduction of **temporary unemployment/reduced working time** schemes as short-term measures could have positive effects, by temporarily preserving employment that was threatened specifically by extreme cyclical fall in demand or financial constraints, allowing firms and workers to retain firm-specific skills, and maintain purchasing power of workers.

Negative spill-over effects of short term measures should however be avoided through the use of a better co-ordinated EU approach or better targeting, when, for instance, supporting the same company in different EU Member States. Considering the risk of deadweight losses and the risk of postponing adjustment procedures that may be necessary for a healthy economic structure, those companies who need to improve their competitiveness must take advantage of short term financial support to foster their restructuring. Taking into account the negative employment prospects till the end of the year, consideration might be given to the financial sustainability of past and present measures, and to the implementation of new ones to tackle the persisting negative effects on employment and to help the recovery<sup>1</sup>.

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<sup>1</sup> This negative outlook is supported by recent forecasts released by the ECB, IMF and OECD, and Business Europe, which paint a rather gloomy picture for economic and employment prospects in the near future.

The **creation of new jobs** could be promoted through, for example, investing in research and infrastructures, supporting innovative companies and new dynamic sectors (e.g. green economy), moderating non-wage labour costs, improving the entrepreneurial environment, reducing administrative burdens on businesses, and addressing the rigidities of the labour market, all the while ensuring that all forms of protectionism are avoided. In addition, measures introduced to create new jobs should be supportive of high social standards.

The social consequences of the crisis already show that all measures must be **compatible with the long-term sustainability of public finances and of our social protection systems**. As automatic stabilisers, social protection systems are a key instrument in cushioning the social impact of economic downturns and a fundamental pillar of the European social model. Ensuring adequacy of social protection is a key aspect of the social security component of flexicurity.

The introduction of any measures that can reduce labour supply such as **early retirement schemes should be avoided or an inappropriate use of disability schemes**, as they have significant negative effects on the labour supply in the long-run, hampering employment growth and potential growth, thereby putting a strain on the sustainability of the public finances and on the level and continuity of pension contributions.

### **Increasing Access to Employment**

**All labour resources should be mobilised** during recovery, including those disadvantaged groups who have a greater risk of being discouraged and becoming inactive, or who are already outside the labour market. Adequately funded, well-targeted and effective ALMPs should be considered as a means of preventing deterioration in activity rates and individuals' skill levels.

**Direct job-creation schemes could be useful** if well targeted at these vulnerable groups to help them keep in touch with the labour market. For greater effectiveness of public support, conditionality should be maintained by ensuring that unemployment benefit recipients take up active labour market measures, thereby preserving the mutual obligation approach.

Deeper consideration should be given to the **role and effectiveness of social benefit systems** in contributing to the activation of the unemployed and the economically inactive, as well as enhancing social cohesion. Schemes to make work and transitions pay, and also marginal effective tax rates, can contribute further to increasing participation rates. Adequate income support is particularly needed in the context of the crisis, when opportunities to enter, or re-enter, the labour market are diminished.

**Employment services and activation policies** face specific challenges with the large inflow of people into unemployment, so that they might need to expand and improve their capacity to ensure tailored and intensive assistance or counseling to all job seekers, including the long term unemployed. Where appropriate, public-private partnerships may be a quick means to increase capacities while including more specific expertise.

### **Upgrading Skills and Matching Labour Market Needs**

More efficient measures should be introduced to **improve the transition from education into the labour market**, as well as upward career transitions; to improve the anticipation and matching of skills with labour market needs. Apprenticeships play an important role in this respect and should be supported. A more inclusive labour market requires focusing on lifelong learning strategies on adults, low-skilled workers, workers in declining industries, and disadvantaged groups. Upgrading skills remains critically important for Europe regarding competitiveness, growth potential, social cohesion, and evolution towards an eco-efficient economy.

Furthermore, **it is crucial that education and training programmes correspond to both current and future labour market needs**. Matching could be improved by more and better dissemination of labour market information and the removal of barriers to switching jobs between economic sectors and enrolling in vocational education.

Innovation and anticipation are key to **raising skills for new and fast-growing sectors**, such as the green economy, health services, etc. Workers moving from locally declining to expanding sectors must be encouraged and supported by all means, whilst capitalising on their general skills.

Sustained development and **upgrading of skills result from a demand driven process**. Building knowledge-based growth implies creating more high value-added jobs which call for higher skills. Innovation, growth and employment in high value-added sectors, especially in small and medium-sized innovative companies, should be supported to ensure that such demand grows and becomes key to the dynamics of the European economy.

### **Promoting Mobility**

Strategies for labour market mobility, both occupational and geographical are necessary conditions for easing restructuring processes, by contributing to a more efficient allocation of resources and improving the growth potential of economies. Clearly marked variation in unemployment rates between, as well as within, countries and the existence of unfilled vacancies show potential upsides to geographical and occupational mobility. While underlining the importance of stepping up efforts at national and EU levels to promote mobility, the following actions should be considered:

- **Easing mobility barriers**, through the promotion of language capacity, recognition of skills and qualifications, access to services, access to housing, but also the portability of social security rights as part of comprehensive national policy approaches.
- **Strengthening the institutional framework for mobility**, through stimulating investment in training and incentives for participation in lifelong learning, and ensuring that mobility really pays for individuals.
- **Developing effective information networks and tools**, through initiatives such as "Match and Map", "European dictionary of occupations", effective implementation of the European Qualification Framework, as well as a better use of the Public Employment Services (PES) Network to report on skills mismatches to better meet labour market needs.