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COMMUNICATION FROM THE COMMISSION

Proposal for Guidelines for Member States Employment Policies 1999

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The Luxembourg process

1. Following agreement at the Amsterdam Summit in June 1997 to anticipate the application of the new Employment Title in the Treaty, the Commission presented proposals for Guidelines for Member States' Employment Policies 1998. At the extraordinary European Council meeting on employment in Luxembourg on 20/21 November 1997, the Heads of State and Government endorsed a co-ordinated strategy for national employment policies and approved a set of Employment Guidelines for 1998.
2. The Member States subsequently agreed to incorporate the Guidelines into national employment action plans and undertook to submit their first national action plans (NAPs) in sufficient time before the Cardiff European Council in June¹. Following receipt of the NAPs, the Commission submitted a report to the Cardiff Summit which examined what the Member States had committed themselves to doing, and whether these commitments were in line with the contents and objectives of the Employment Guidelines². The Cardiff Summit welcomed the progress made and urged the Member States to proceed with the practical implementation of the NAPs.
3. Since the Cardiff Summit, all Member States have submitted implementation reports and, in accordance with the agreed procedures, the Commission is now submitting a draft Joint Report, containing an assessment of the measures taken by the Member States under the Guidelines, for the Vienna European Council. Drawing on the analysis contained in the Joint Report, and also the first Employment Rates Report requested by the Luxembourg Jobs Summit, this Proposal sets out the Guidelines for Member States' Employment Policies 1999. After the Vienna Summit, the Commission will submit a draft Resolution, in accordance with the procedure followed in 1997, to implement this proposal in accordance with the Summit Conclusions.

Economic and employment context

4. Progress is being made in creating jobs and tackling unemployment in the EU. Employment grew by 800,000 jobs in 1997 and is now at its highest level since 1992. The unemployment rate is expected to have fallen to about 10% by the end of 1998. Much more needs to be done, however, to improve the employment performance of the EU; the present rates of job creation are insufficient to prevent inflows into long-term unemployment, absorb the existing stock of unemployed people and provide jobs for new entrants to the labour market. The current EU employment rate of 60.5% is much lower than the 64% rate of the mid-1970s, and lags far behind the current US rate of 74%. Sound macroeconomic policies and structural reforms in line with the Broad Economic Policy Guidelines will be required to redress this situation. A restructuring of public expenditure in line with the conclusions of the Florence European Council, while respecting the Stability and Growth Pact, will also be required to implement the Employment Guidelines.

¹ Council Resolution of 15 December 1997.

² From Guidelines to Action : the National Action Plans for Employment COM(1998)316

5. The analysis contained in the Joint Report demonstrates that considerable efforts are underway in Member States to implement the Employment Guidelines. Determined efforts to raise skill levels, improve the environment for enterprises and encourage job creation, prevent long-term unemployment and modernise work organisation have been launched. Some success is already evident but this is a multi-annual process and sustainable progress will require a continuing commitment over a number of years by the Member States. The contribution of the social partners will also be vital to ensuring success.
6. Recent changes in the global economy, which the Commission is monitoring closely, have made the international environment less favourable than expected. However, the strong economic fundamentals within the EU and the real convergence achieved in the run-up to EMU is conducive to continuing non-inflationary and sustainable economic growth. Furthermore, the actions now being implemented by Member States in their NAPs to make labour markets more efficient will also help to mitigate any such negative effects and bring the EU employment rate to higher levels in future.

A consistent approach

7. The current 4-pillar structure of the Guidelines - employability, entrepreneurship, adaptability and equal opportunities - provides the basis for an integrated and multi-annual approach to employment and does not require adjustment. Furthermore, in the interests of consistency and continuity of policy, and the need to consolidate the process, the Commission takes the view that changes to the Guidelines for 1999 should be kept to a minimum.
8. Discussions with the Member States in the context of preparing the NAPs earlier this year did reveal a number of gaps in the scope and coverage of the 1998 Guidelines, and a need for further clarification in relation to certain issues. Indeed, some of these are referred to in the Cardiff Summit conclusions. In these circumstances, the Commission has decided to propose a limited number of adjustments for 1999. (For ease of reference the 1999 Guidelines will be numbered and the proposed changes are shown in bold print in the Annex.)
9. The principal changes for 1999 are as follows:

➤ **More emphasis on active measures**

Many Member States are striving to reform tax and benefit systems in order to encourage active participation in the world of work and to prevent social exclusion. The aim is to make it more attractive to take up work or training opportunities³. The Commission believes that a new Guideline providing for a review and reform of tax and benefit systems is justified to take account of those efforts. At the same time the Commission believes that a critical reassessment of existing measures such as early retirement schemes which induce workers to leave the labour force early is called for (Guideline 4). Also, the Commission will shortly present a Communication on 'Modernising the Public Employment Services (PES) to support the European employment strategy' in order to raise awareness of the important role played by the PESs in implementing the preventive and activation approach.

³ Commission Report 'Social Protection in Europe 1997' Com (1998)243

➤ Lifelong learning

The importance of lifelong learning in the development of a skilled and adaptable workforce is insufficiently recognised in the current Guidelines. The Commission is proposing, therefore, to strengthen this Guideline through making a specific reference to skill needs in information and communication technologies, and the need for easy access for older workers. The Commission is also calling on Member States to set themselves targets to progressively increase the numbers benefitting from such measures each year (Guideline 6).

➤ A labour market open to all

The inclusion of a 1998 Guideline specifically related to the integration of people with disabilities into working life highlights the absence of such a provision in relation to other disadvantaged groups and individuals. Evidence shows that certain groups, for example, groups with disabilities and ethnic minorities, suffer disproportionately from unemployment and lack of opportunity in the workplace. It is proposed, therefore, to re-locate this Guideline under the employability pillar and to broaden its scope to cover groups and individuals experiencing difficulty in acquiring skills and access to the labour market (Guideline 9).

➤ Exploiting the dynamic jobs potential of the services sector

The 1998 Guidelines make reference to the need to exploit the potential for job creation at local level, in the social economy and in relation to needs currently not met by the market. The Commission believes that for 1999 a specific Guideline is required in order to encourage more dynamic job creation in the services sector where the EU is lagging behind the US. Furthermore, Member States must become more active in exploiting the employment potential of the information society. Recent studies reveal the emergence of bottlenecks, particularly in relation to skills, which must be remedied if the employment potential of this sector is to be realised (Guideline 13). As requested by the Luxembourg Jobs Summit, the Commission will present a report to the Vienna European Council on job opportunities in the Information Society.

➤ Reconciling work and family life

Ministerial meetings organised by both the UK and Austrian Presidencies have focussed attention on the importance of affordable, accessible and high-quality care services and flexible working conditions in promoting the reconciliation of career and family responsibilities. The Commission is, therefore, proposing a strengthening of this Guideline for 1999 (Guideline 19).

10. A number of lesser changes, mainly to clarify the scope or interpretation of certain Guidelines, are also suggested:

- Under the Employability pillar, the reference to reducing the number of young people who drop out of the school system early is expanded to make specific mention of the needs of young people with learning difficulties (Guideline 7). This clarification is required because the definition of leaving school early varies between Member States. The involvement of Education Ministers and ministries is drawing up the NAPs, and the strong links now developing between education and labour market policies, is a very encouraging feature of the Luxembourg process.

- Under the Entrepreneurship pillar, references to encouraging greater awareness of entrepreneurship across society and the need for training for entrepreneurship and targeted support services for entrepreneurs are included (Guideline 10). The reference to reducing overhead costs and administrative burdens for businesses is broadened to include those involved when an enterprise is being set up (Guideline 11). The recent Commission Communication and Action Plan⁴ submitted in response to the Report of the Business Environment Simplification Task Force (BEST) contains certain recommendations in areas such as reducing barriers and simplifying the business environment which are complementary to the Employment Guidelines. The Plan contains a timetable for action. In order to achieve real progress in improving the environment for enterprise, it will be important to ensure coherence between the Action Plan and these Guidelines at both policy and implementation levels.
- Under the Adaptability pillar, the text now provides that a strong partnership should be developed at all appropriate levels (European, national, sectoral and enterprise levels) (Guideline 15) and that the existing regulatory framework should be reviewed in order to support adaptability (Guideline 17). While it is recognised that the Social Partners have a key role to play under this pillar, there is evidence of uncertainty concerning the extent of their responsibilities and the level at which action is appropriate. With a view to establishing an agenda for action and a basis for progress in the crucial area of work organisation, the Commission will shortly submit a Communication on modernising the organisation of work. The aim is to create a positive approach to change which balances flexibility for enterprises with security for workers.

Horizontal Issues

11. While not requiring changes in the text of specific Guidelines, Member States should take account of the following issues in the implementation of their NAPs in 1999 and in reporting on their implementation.

➤ **Mainstreaming of equal opportunities between women and men**

In addition to the specific action called for under the Equal Opportunities pillar, Member States should adopt a mainstreaming approach under the other pillars. This means, for example, ensuring that active labour market policies under the employability pillar are made available to women in proportion to their share of unemployment. In a similar way, actions under the Entrepreneurship pillar should take account of the under-representation of women. In order to meaningfully evaluate progress on mainstreaming, Member States will need to ensure adequate data collections systems and procedures.

➤ **Information society**

While the job-creating potential of the information society is mentioned specifically under the Entrepreneurship pillar, information and communication technologies also open up new learning possibilities in the field of employability and new, more flexible and adaptable forms of work organisation. The scope it presents for progress on equal opportunities is also evident. When updating their

⁴ Com (1998)550

NAPs in 1999 to take account of the Guideline changes now proposed, Member States should take the opportunity to update their Information Society strategies and report on this in their 1999 implementation reports.

➤ **Undeclared Work**

The Commission's Communication on Undeclared Work⁵ has launched a debate on the policy options for tackling this problem as part of the overall employment strategy. The Commission believes that actions under several of the proposed 1999 Guidelines - redesigning tax and benefit systems to make work more attractive; reducing overhead costs and administrative burdens for businesses; reducing non-wage labour costs on relatively unskilled and low paid labour; recognising more diverse and flexible work patterns - could help to bring undeclared work into the open. Sanctions and compliance controls also have a role to play.

➤ **Promoting local development**

The role and responsibility of partners at the regional and local levels needs to be more fully recognised. Since all jobs are created at a local level, regional and local authorities have an important role to play in ensuring supportive conditions and structures. They must, therefore, be encouraged to design and implement strategies for development and job creation. Partnership with those involved in the social economy and the local social partners is important in this respect.

➤ **Quantitative targets and indicators**

The 1998 Guidelines contains three EU-level operational targets towards which Member States must approximate and eventually reach. In the case of certain other Guidelines, however, Member States are expected to set their own targets and deadlines. The Commission considers the setting of such concrete targets or objectives as vital to the success of the strategy; without quantitative data and comparable indicators, it will be difficult to assess progress and measure success. The Commission will, therefore, continue to work with the Member States in the development of comparable data and indicators of progress. In the 1999 Joint Report, for example, the Commission hopes to identify best performance under three headings related to enterprise and job creation:-

- I. ease of setting up a new enterprise
- II. costs of hiring an additional employee
- III. complexities and costs of hiring a home help.

A comparative approach could also be envisaged for measuring job growth in the social economy or in the field of local development where there are significant differences in performance between Member States. Similarly, the employment impact of environment policies, where the potential is significant, must be better understood and appropriate indicators must be developed to monitor and assess

⁵ Com (1998)219

progress.⁶ Practical exercises of this nature will help in the peer review process and in the dissemination of good practice.

➤ **European Social Fund (ESF)**

Many Member States have already taken action to integrate ESF support into mainstream labour market policies. Further efforts are required to underpin the activation and prevention approach with ESF support, as well as to improve the monitoring data in this respect. In the meantime, the Commission has tabled proposals to reform the Structural Funds, including the ESF, which makes an explicit link between the European employment strategy and the proposed new Objective 3 under the Structural Funds⁷. These proposals are under discussion in the Council and the European Parliament. Following adoption of the proposals in due course, the Commission will expect to see this link recognised in the plans for Structural Fund support submitted by the Member States.

Consolidating the process

12. The progress made in establishing the Luxembourg process in the last year is truly remarkable; the endorsement by Heads of State and Government of common Employment Guidelines for Member States' employment policies in November last, and the submission by the Member States of their National Action Plans by the end of April is a major political achievement by any standards. It is important to remember, however, that while a process has been launched, and plans have been put in place, success will depend on implementation of agreed measures during 1998 and subsequent years as well as committed participation by all those concerned. After such a period of great activity, consolidation is now important both in terms of the content of the Guidelines and the process itself. In addition to keeping the Guideline changes to a minimum for 1999, the Commission is therefore also proposing a simplification of procedures.
13. In 1999 Member States will be expected to update their NAPs to take account of Guideline changes. Unlike 1998, however, Member States will be required to submit only one report which both updates the NAP and reports on its implementation in the previous year. This report should contain all the detailed information on which the Joint Report will be based and be submitted by mid-June at the latest.

⁶ Council Resolution of 6 October 1998.

⁷ Com (1998)131

THE 1999 EMPLOYMENT GUIDELINES

I. IMPROVING EMPLOYABILITY

Tackling youth unemployment and preventing long-term unemployment

In order to influence the trend in youth and long-term unemployment the Member States will **intensify their efforts** to develop preventive and employability-oriented strategies, building on the early identification of individual needs; within a period to be determined by each Member State which may not exceed **four** years and which may be longer in Member States with particularly high unemployment, Member States will ensure that:

1. ⇒ every unemployed young person is offered a new start before reaching six months of unemployment, in the form of training, retraining, work practice, a job or other employability measure;
2. ⇒ unemployed adults are also offered a fresh start before reaching twelve months of unemployment by one of the aforementioned means or, more generally, by accompanying individual vocational guidance.

These preventive and employability measures should be combined with measures to promote the re-employment of the long-term unemployed.

Transition from passive measures to active measures

Benefit, tax and training systems – where that proves necessary – must be reviewed and adapted to ensure that they actively support employability. Each Member State:

3. ⇒ will endeavour to increase significantly the number of persons benefiting from active measures to improve their employability. In order to increase the numbers of unemployed who are offered training or any similar measure, it will in particular fix a target, in the light of its starting situation, of gradually achieving the average of the three most successful Member States, and at least 20%.
4. ⇒ will review and re-design its benefit and tax systems and provide real incentives for unemployed or inactive people to seek and take up work or training opportunities. In addition, existing measures which induce workers to leave the labour force early need to be critically reassessed.

Encouraging a partnership approach

The actions of the Member States alone will not suffice to achieve the desired results in promoting employability. Consequently:

5. ⇒ the social partners are urged, at their various levels of responsibility and action, to conclude as soon as possible agreements with a view to increasing

the possibilities for training, work experience, traineeships or other measures likely to promote employability;

6. ⇒ In order to reinforce the development of a skilled and adaptable workforce, the Member States together with the social partners will endeavour to develop possibilities for lifelong learning, particularly in the fields of information and communication technologies, and set a target for increasing the numbers benefitting from such measures each year. Easy access for older workers will be particularly important.

Easing the transition from school to work

Employment prospects are poor for young people who leave the school system without having acquired the aptitudes required for entering the job market. Member States will therefore:

7. ⇒ improve the quality of their school systems, *inter alia*, by giving particular attention to young people with learning difficulties, in order to reduce substantially the number of young people who drop out of the school system early;
8. ⇒ make sure they equip young people with greater ability to adapt to technological and economic changes and with skills relevant to the labour market, where appropriate by implementing or developing apprenticeship training.

Promoting a labour market open to all

Many groups and individuals experience particular difficulties in acquiring relevant skills and in gaining access to, and remaining in, the labour market. A coherent set of policies promoting the integration of such groups and individuals into the world of work and combatting discrimination is called for. Each Member State will:

9. ⇒ give special attention to the needs of the disabled, ethnic minorities and other disadvantaged groups and individuals, and develop appropriate forms of preventive and active policies to promote their integration into the labour market.

II. DEVELOPING ENTREPRENEURSHIP

Making it easier to start up and run businesses

The development of new enterprises, and the growth of SMEs, is essential for job creation. This process must be promoted by encouraging greater entrepreneurial awareness across society, by providing a clear, stable and predictable set of rules and by improving the conditions for the development of risk capital markets. The Member States should also reduce and simplify the administrative and tax burdens on small and medium-sized enterprises. To that end the Member States will:

10. ⇒ give particular attention to reducing significantly the overhead costs and administrative burdens for businesses, and especially small and medium-sized enterprises, in particular when an enterprise is being set up and when hiring additional workers;

- 11.⇒ encourage the development of self-employment by examining, with the aim of reducing, any obstacles which may exist, especially those within tax and social security regimes, to moving to self-employment and the setting up of small businesses as well as by promoting training for entrepreneurship and targeted support services for entrepreneurs.

Exploiting the opportunities for job creation

If the European Union wants to deal successfully with the employment challenge, all possible sources of jobs and new technologies and innovations must be exploited effectively. To that end the Member States will :

- 12.⇒ promote measures to exploit fully the possibilities offered by job creation at local level, in the social economy and in new activities linked to needs not yet satisfied by the market, and examine, with the aim of reducing, any obstacles in the way of such measures.
- 13.⇒ develop a policy framework to fully exploit the employment potential of the services sector, in particular by identifying and removing those obstacles which continue to hinder the growth of enterprises and the creation of more and better jobs, and by tapping the employment potential of the information society.

Making the taxation system more employment friendly

and reversing the long-term trend towards higher taxes and charges on labour (which have increased from 35% in 1980 to more than 42% in 1995). Each Member State will:

- 14.⇒ set a target, if necessary and taking account of its present level, for gradually reducing the overall tax burden and, where appropriate, a target for gradually reducing the fiscal pressure on labour and non-wage labour costs, in particular on relatively unskilled and low-paid labour, without jeopardizing the recovery of public finances or the financial equilibrium of social security schemes. It will examine, if appropriate, the desirability of introducing a tax on energy or on pollutant emissions or any other tax measure.

III. ENCOURAGING ADAPTABILITY OF BUSINESSES AND THEIR EMPLOYEES

Modernizing work organization

In order to promote the modernization of work organization and forms of work, a strong partnership should be developed at all appropriate levels (European, national, sectoral and enterprise levels):

- 15.⇒ the social partners are invited to negotiate at all appropriate levels agreements to modernize the organization of work, including flexible working arrangements, with the aim of making undertakings productive and competitive and achieving the required balance between flexibility and security. Such agreements may, for example, cover the expression of working time as an annual figure, the reduction of working hours, the reduction of overtime, the development of part-time working, lifelong training and career breaks.

- 16.⇒ for its part, each Member State will examine the possibility of incorporating in its law more adaptable types of contract, taking into account the fact that forms of employment are increasingly diverse. Those working under contracts of this kind should at the same time enjoy adequate security and higher occupational status, compatible with the needs of business.

Support adaptability in enterprises

In order to renew skill levels within enterprises Member States will:

- 17.⇒ re-examine the obstacles, in particular tax obstacles, to investment in human resources and possibly provide for tax or other incentives for the development of in-house training; they will also **review the existing regulatory framework** to make sure they will contribute to reducing barriers to employment and helping the labour market adapt to structural change in the economy.

IV. STRENGTHENING EQUAL OPPORTUNITIES POLICIES FOR WOMEN AND MEN

Tackling gender gaps

Member States should translate their desire to promote equality of opportunity into increased employment rates for women. They should also pay attention to the imbalance in the representation of women or men in certain economic sectors and occupations. Member States will:

- 18.⇒ attempt to reduce the gap in unemployment rates between women and men by actively supporting the increased employment of women and will act to reverse the under-representation of women in certain economic sectors and occupations and their over-representation in others.

Reconciling work and family life

Policies on career breaks, parental leave and part-time work, **as well as flexible working time**, are of particular importance to women and men. Implementation of the various Directives and social-partner agreements in this area should be accelerated and monitored regularly. There must be an adequate provision of good quality care for children and other dependents in order to support women's and men's entry and continued participation in the labour market. The Member States will:

- 19.⇒ **design and implement programmes to promote family-friendly policies, including affordable, accessible and high quality care services for children and other dependents, as well as parental and other leave schemes.**

Facilitating reintegration into the labour market

The Member States will:

20. ⇒ give specific attention to women, and men, considering a return to the paid workforce after an absence and, to that end, they will examine the means of gradually eliminating the obstacles in the way of such return.

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