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**Proposal for Guidelines for Member States' Employment Policies 2000**

(presented by the Commission)

## **Proposal for Guidelines for Member States' Employment Policies 2000**

### **Luxembourg process**

1. Following agreement at the Amsterdam European Council meeting in June 1997 to anticipate the application of the new Employment Title in the Treaty, the Commission has already presented proposals for Guidelines for Member States' Employment Policies for both 1998 and 1999. Following their approval by Heads of State and Government at the Luxembourg and Vienna European Council meetings in November 1997 and December 1998 respectively, Member States have incorporated the Employment Guidelines into national action plans (NAPs) and have reported to the Commission on their implementation.
2. The most recent implementation reports were submitted by early June this year and, in accordance with agreed procedures, the Commission is now submitting a draft Joint Employment Report for the Helsinki European Council meeting which contains an evaluation of the measures taken by the Member States. Drawing on the analysis contained in this draft report, and the recommendations to Member States being proposed this year for the first time following the entry into force of the Amsterdam Treaty on 1 May last, this Proposal sets out the Employment Guidelines for Member States' Employment Policies for the year 2000. The Commission has been mindful of the need to ensure consistency between the Employment Guidelines and the Broad Economic Policy Guidelines in preparing this proposal.
3. After the Helsinki European Council meeting, the Commission will submit a formal proposal to implement the Guidelines in accordance with the Summit's conclusions.

### **Economic and employment context.**

4. Progress is being made within the EU in creating new jobs and in tackling unemployment. The number employed in the European Union increased by 1.8 million in 1998, a rise of 1.2% (twice the 1997 increase and the highest since 1990). Unemployment fell to 9.4% in May this year compared with 10.1% in May 1998. Both youth unemployment and long-term unemployment have also fallen, admittedly to a lesser extent.
5. This progress is indeed welcome, but more needs to be done - and faster - to improve the employment rate within the EU. The current EU rate of 61% lags far behind the US and Japan and a sustainable increase is required in order to fully exploit the growth potential of the EU economy and to improve the sustainability of social security systems and public finances. Increasing the numbers at work will also help to improve social cohesiveness by spreading the benefits of economic growth and increased prosperity.
6. Sound macro-economic policies, appropriate wage developments and structural reforms in line with the Broad Economic Policy Guidelines, and a determined implementation of the Employment Guidelines based on the 4 pillars of employability, entrepreneurship, adaptability and equal opportunities, are required in order to make the necessary progress. As foreseen in Article 126 of

the Treaty, Member States are required to implement their employment policies in a way which is consistent with the Broad Economic Policy Guidelines. The macro-economic dialogue launched by the Heads of State and government at the European Council meeting in Cologne will serve to increase mutual understanding and confidence on the part of participants and help preserve a non-inflationary growth dynamic.

7. The analysis contained in the draft Joint Employment Report demonstrates clearly that a considerable amount of activity is now underway in Member States to promote employment by modernising labour market, training and education systems. Issues such as the activation of benefits, tackling of gender gaps, improving the transition from school to work, modernising work organisation and creating a more supportive environment for enterprises, are being addressed across the Member States. This is a medium-term process, however, and lasting progress requires a continuing commitment over a number of years. The Member States and social partners must reaffirm their commitment to the Luxembourg process and deliver fully on the commitments they have entered into. Only in this way will the prize of lasting success be achieved.
8. Despite last Autumn's deterioration in the global economy, the prospects within the EU are now in many ways less gloomy than predicted. Indeed the strong economic fundamentals, the launch of the euro and the actions being taken by Member States to make their labour markets more efficient, provide a sound basis for a speedy recovery and improved job creation. According to the Commission's Spring forecasts, GDP growth should reach 2.1% this year and increase to about 2.7% in 2000. Job creation will continue, but at a lower rate than in 1998. About 2.5 million jobs are expected to be created over the 2-year period 1999/2000.

#### **Consistency and Continuity**

9. Experience over the past 2 years has shown that the existing 4-pillar structure of the Employment Guidelines - employability, entrepreneurship, adaptability and equal opportunities - provides a good basis for an integrated, medium-term approach. It is an approach which has also evoked a positive response outside the EU, most recently in the G7 context. In the interests of consistency and continuity of effort, and taking account of views expressed by Member States, the Commission believes that changes to the Employment Guidelines for 2000 should be kept to a minimum. Keeping changes to a minimum will also allow the Autumn discussions in the Council, European Parliament, Committee of the Regions and Economic and Social Committee to focus more particularly this year on the recommendations to Member States.

#### **Employment Guidelines 2000.**

10. The Commission is not proposing any new guidelines for 2000. Nevertheless, discussions with the Member States and social partners earlier this year have revealed a need for a limited number of adjustments and further clarification in relation to certain existing guidelines (changes in the text of guidelines are shown in bold print in the attached Annex):

## Employability:

The following adjustments are being proposed under this pillar for 2000:

→ The *preventive approach* set out in guidelines 1 and 2 lies at the heart of the strategy. Stemming the flow into long-term unemployment is an essential prerequisite for tackling the scourge of unemployment; otherwise the skills of those becoming unemployed become obsolete, and even the will to work can fade. The preventive approach requires early intervention at the level of the individual and the aim must be an effective and rapid integration of the individual concerned into the labour market. As indicated in the draft Joint Employment Report, certain Member States are currently defining preventive measures in an unsatisfactory way. A clarification of the aim of the preventive approach is, therefore, being added to both guidelines for the year 2000.

→ The *transition from passive to active measures* is dealt with in guidelines 3 and 4. The latter deals with 2 issues: incentives to seeking and taking up work or employability measures and job creation and, secondly, active ageing policies in order to retain older workers in the labour force. It is proposed to re-structure this guideline in order to clarify its meaning and improve presentation.

Guideline 5 deals with the involvement of the social partners in promoting employability. In order to make it clear that this guideline is intended to benefit the unemployed and inactive, a small textual amendment is proposed. The needs of those in employment are dealt with under the Adaptability pillar.

→ Guideline 6 deals with *lifelong learning* and the text needs to be adapted to take account of the work of the Employment and Labour Market Committee in developing an appropriate definition. A report on this work was submitted to the European Council meeting in Cologne<sup>1</sup>.

→ Easing the *transition from school to work* is the aim of guidelines 7 and 8. In view of the emphasis being given to improved IT skills, the Commission is proposing to make specific reference to developing computer literacy, to equipping schools with computer equipment and to facilitating student access to the Internet by 2002 in guideline 8. This is in line with the approach set out in the Commission's Communication on job opportunities in the Information Society<sup>2</sup>.

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<sup>1</sup> Report on progress achieved in implementing the Luxembourg Process: Common indicators and Lifelong learning.

<sup>2</sup> "Job opportunities in the Information Society - Exploiting the potential of the information revolution" Com(98)590.

### **Entrepreneurship:**

A small number of adjustments is foreseen under this pillar:

- *Exploiting new opportunities for job creation* is the subject matter of guidelines 12 and 13. The latter, a guideline introduced in 1999, focuses particularly on the services sector and industry-related services, including the environmental sector. Since, however, there is also a reference to the latter in guideline 12, a clearer structure is called for in order to avoid overlap and duplication. In addition, the reference to the regional and local dimension is being strengthened and, in order to take account of the role of Public Employment Services in this respect,<sup>3</sup> an appropriate reference is being added.
- Guideline 15 deals with the possibility of *reducing VAT on labour-intensive services* not exposed to cross-border competition. The Commission has already made an appropriate proposal<sup>4</sup> and a revised wording is required to reflect the current situation.

### **Adaptability:**

One important change is foreseen under the work organisation heading.

- As a follow-up to the debate on *modernising work organisation*, and particularly the Commission's communication of November 1998<sup>5</sup> and to take account of the publicly-expressed willingness of the social partners to engage in a joint process for modernising the organisation of work, the Commission is proposing to adjust the content of guideline 16. The changed wording also reflects the extended range of issues to be addressed in this way.

### **Equal opportunities:**

Following the significant breakthrough made in the 1999 guidelines in respect of gender mainstreaming, only one clarification is foreseen for 2000.

- Guideline 22 is about *facilitating re-integration into the labour market* and is focussed on the problems encountered by women and men returning to the labour market after an absence. This guideline currently lacks an introduction to make its aim sufficiently clear, and this is now being attended to.

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<sup>3</sup> "Modernising Public Employment Services to support the European Employment Strategy" Com(98)641.

<sup>4</sup> Com(99)62

<sup>5</sup> "Modernising the organisation of work - A positive approach to change" Com(98)592.

## Consolidating the process

11. The progress already made in establishing and developing the Luxembourg process since its launch at the extraordinary European Council meeting in Luxembourg in November 1997 is remarkable by any standards. The adoption of Employment Guidelines, their transposition by the Member States into NAPs and the submission of implementation reports in order for the Commission to evaluate the measures being taken, have marked a real breakthrough in the way employment policy is treated at EU level. Member States and social partners are now learning more about each other's problems and policies; good practice is being identified and exchanged; peer group review is underway; the need for real complementarity between the Broad Economic Policy Guidelines and the Employment Guidelines has been recognised.
12. While the Commission is not proposing major changes for 2000, the entry into force of the new Treaty on 1 May last has imposed some additional requirements this Autumn. Formal consultation of the European Parliament, the Economic and Social Committee, the Committee of the Regions and the Employment Committee referred to in Article 130 is required this year. As regards the latter, the Commission is proposing a Council Decision to establish an Employment Committee to replace the current Employment and Labour Market Committee.
13. While the Commission and the Member States have made good progress in 1999 by defining a first set of commonly-agreed indicators to measure the progress being made towards EU-level targets on prevention and activation, further improvement is required for setting up a comparable monitoring system for the Employment Guidelines. Existing indicators should be refined in the light of the experience gained in 1999 with the preparation and analysis of the NAPs, and the set of common indicators should be expanded so as to cover other equally important areas such as education and training, entrepreneurship and taxation, adaptability and equal opportunities. Also, several Member States must intensify the efforts already under way to set up a monitoring system capable of providing the detailed data of sufficient quality and comparability which is required for a full evaluation of policy implementation and outcome.
14. The process in 2000 will broadly follow the pattern established this year. This means that only one implementation report, encompassing a description of the implementation of the NAP and its updating to take account of the employment guidelines for 2000, will be required. A further streamlining of these reports could also be envisaged, in particular by focussing more on commonly-agreed indicators to measure the progress being made towards EU-level or national targets, evaluation of policy initiatives in order to identify good practices and reporting any new initiatives or interesting measures. This is an issue which can be taken up by the new Employment Committee in due course.

## THE EMPLOYMENT GUIDELINES FOR 2000

## 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 **three** 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 **with a view to effective integration into the labour market;**
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 **with a view to effective integration into the labour market;**

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, where appropriate, refocus its benefit and tax system
  - to provide incentives for unemployed or inactive people to seek and take up work or measures to enhance their employability and for employers to create new jobs, and
  - to develop a policy for active ageing, encompassing appropriate measures such as maintaining working capacity, lifelong learning

and other flexible working arrangements, so that older workers are also able to **remain and** participate actively in working life.

### ***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 **of the young and adult unemployed and to promote entry into the labour market.**

6. In order to reinforce the development of a skilled and adaptable workforce, both Member States and the social partners will endeavour to develop possibilities for lifelong learning, particularly in the fields of information and communication technologies, and **each Member State will set a target according to national circumstances for participants benefiting from such measures.** 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 in order to reduce substantially the number of young people who drop out of the school system early. Particular attention should also be given to young people with learning difficulties.

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. **Particular attention should be given to the development and modernisation of apprenticeship systems, to developing appropriate training for the acquisition of computer literacy and skills by students and teachers as well as to equipping schools with computer equipment and facilitating student access to the Internet by the end of 2002.**

### ***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 combating discrimination is called for. Each Member State will:

9. give special attention to the needs of the disabled, ethnic minorities and other groups and individuals who may be disadvantaged, 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 small and medium-sized enterprises (SMEs), is essential for job creation and for the expansion of training opportunities for young people. This process must be promoted by encouraging greater entrepreneurial awareness across society and in **educational curricula**, by providing a clear, stable and predictable set of rules, by improving the conditions for the development of risk capital markets and **access to the stock market**. The Member States should also reduce and simplify the administrative and tax burdens on SMEs. These policies will support Member States' attempts to tackle undeclared work. To that end the Member States will:

10. give particular attention to reducing significantly the overhead costs and administrative burdens for businesses, and especially SMEs, 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 and would-be entrepreneurs.

### ***Exploiting new 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 and in the social economy, **especially 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. In this respect, the special role and **responsibility of partners at the regional and local levels, as well as the social partners, needs to be more fully recognised and supported**. In addition, the role of the **Public Employment Services in identifying local employment opportunities and improving the functioning of local labour markets, should be fully exploited**.

13. develop framework conditions to fully exploit the employment potential of the services sector and industry-related services, inter alia by tapping the employment potential of the information society and the environmental sector, to create more and better jobs.

### ***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 jeopardising 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.

15. examine, without obligation, the **Commission's proposal** for reducing the rate of VAT on labour-intensive services not exposed to cross-border competition.

### III. ENCOURAGING ADAPTABILITY OF BUSINESSES AND THEIR EMPLOYEES

#### ***Modernising work organisation***

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

16. The social partners are **urged to agree and implement a process in order** to modernise the organisation of work, including flexible working arrangements, with the aim of making undertakings productive and competitive and achieving the required balance between flexibility and security. **Subjects to be covered** may, for example, **include training and re-training, the introduction of new technologies, new forms of work and working time issues such as** the expression of working time as an annual figure, the reduction of working hours, the reduction of overtime, the development of part-time working, **and access to training and career breaks.**

17. 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:

18. 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 examine new regulations and 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

##### ***Gender mainstreaming approach***

Women still have particular problems in gaining access to the employment market, in career advancement, in earnings and in reconciling professional and family life. It is therefore important, inter alia:

- to ensure that active labour market policies are made available for women in proportion to their share of unemployment;
- to reduce tax-benefit disincentives, wherever identified, because of their negative effects on the female labour supply;
- to give particular attention to obstacles which hinder women who wish to set up new businesses or become self-employed;
- to ensure that women are able to benefit positively from flexible forms of work organisation. Therefore, the Member States will:

19. adopt a gender-mainstreaming approach in implementing the Guidelines of all four pillars. In order meaningfully to evaluate progress on this approach, Member States will need to provide for adequate data collection systems and procedures.

##### ***Tackling gender gaps***

Member States and the social partners 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, as well as to the improvement of female career opportunities. Member States will:

20. attempt to reduce the gap in unemployment rates between women and men by actively supporting the increased employment of women and will take action to bring about a balanced representation of women and men in all sectors and occupations. They will initiate positive steps to promote equal pay for equal work or work of equal value and to diminish differentials in incomes between women and men. In order to reduce gender gaps, Member States will also consider an increased use of measures for the advancement of women.

##### ***Reconciling work and family life***

Policies on career breaks, parental leave and part-time work, as well as flexible working arrangements which serve the interests of both employers and employees, 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 dependants in order to support women's and men's entry and continued participation in the labour market. An equal sharing of family responsibilities is crucial in this respect. In order to strengthen equal opportunities, Member States and the social partners will:

- 21. design, implement and promote family-friendly policies, including affordable, accessible and high quality care services for children and other dependants, as well as parental and other leave schemes.

***Facilitating reintegration into the labour market***

**Those returning to the labour market after an absence may have outmoded skills and experience difficulty in gaining access to training. Moreover, tax and benefit systems may interact to reduce the incentives to return. The Member States will:**

- 22. 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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