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to: Mr Uwe CORSEPIUS, Secretary-General of the Council of the European  
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Towards a job-rich recovery

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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL  
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

**Towards a job-rich recovery**

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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL  
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**Towards a job-rich recovery**

**INTRODUCTION**

Europe's 2020 Strategy for smart, sustainable and inclusive growth sets a target of 75% of 20-64 year olds in employment by 2020<sup>1</sup>. If the target is to be met, employment in the EU will have to increase by 17.6 million additional jobs from its current level. However, during the crisis, the employment rate has fallen to 68.9% (3Q2011)<sup>2</sup>, with EU unemployment remaining persistently above 9.5% since early 2010 and climbing to 10,2% mark in February 2012. Although employment gains of 1.5 million were recorded by mid-2011, these have done little to offset the 6 million job losses incurred in the EU since 2008. The deceleration of growth since mid-2011, with a less favourable outlook for 2012<sup>3</sup> and widening divergences between Member States and regions, have only increased the challenge in terms of employment, social inclusion and combating poverty.<sup>4</sup>

Besides a recession expected in some countries and a protracted sovereign-debt crisis, economic activities in Europe are being reshaped by longer-term structural transformations affecting Europe's relative competitiveness in the global economy, such as the need for a changeover to a green, low carbon and resource-efficient economy, demographic ageing coupled with complex population flows, and rapid technological changes combined with the rise of large emerging economies. These structural changes affect and will continue to affect labour markets in various ways, particularly when it comes to creating and maintaining jobs. Dynamic and inclusive labour markets, where people possess the right skills, are essential if the competitiveness of the European economy is to rise, rather than decline, on the back of these developments.

Article 3 of the Treaty establishes full employment and social cohesion as EU objectives. These objectives remain the core concerns of EU citizens and are at the heart of Europe 2020. Prospects for employment growth depend to a large extent on the EU's capacity to generate economic growth through appropriate macroeconomic, industrial and innovation policies. At the same time, strengthening job-rich growth undeniably calls for employment policies that generate favourable conditions for job creation, facilitate positive transitions, increase the labour supply and improve its geographic and skills matching with labour market needs. Besides contributing to a recovery in the short-term, employment policies also form part of essential social investments that prevent a build-up of larger social and fiscal costs over the

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<sup>1</sup> Communication from the Commission Europe 2020 – A strategy for smart, sustainable and inclusive growth, COM (2010) 2020 of 3 March 2010; European Council Conclusions of 17 June 2010.

<sup>2</sup> EU Employment and Social Situation Quartely Review, March 2012

<sup>3</sup> According to the Commission services' February 2012 Interim Forecast: the EU is set to experience stagnating GDP in 2012, and the euro area will undergo a mild recession.

<sup>4</sup> Accompanying Staff Working Document *Labour market trends and challenges*.

longer term<sup>5</sup>. The EU's 2012 Annual Growth Survey calls for resolute action to step up job creation and ensure a job-intensive recovery, and this message was forcefully echoed by Heads of State and Government at the 2012 Spring European Council.<sup>6</sup>

This policy Communication seeks to complement the employment priorities of the Annual Growth Survey with medium-term policy guidance in function of the Europe 2020 employment objectives. It builds upon the Employment Guidelines<sup>7</sup>, sets out actions requiring particular emphasis in the present context and aims at building trust among all actors and generating confidence to put the necessary employment reforms in motion. In doing so, it also responds to the call from the European Council<sup>8</sup> to back up the new economic governance with a closer monitoring of employment and social policy, particularly where these can have an impact on macro-economic stability and growth<sup>9</sup>.

The Communication is accompanied by a series of Staff Working Documents, elaborating on how employment policies intersect with a number of other policy areas in support of smart, sustainable and inclusive growth. Taken together, this “Employment Package”, not only carries forward the EU's 2020 flagship initiative on “New skills and jobs”, but also helps to deliver, through better synergies, on flagship initiatives such as “Digital Agenda for Europe”, “Innovation Union”, “Youth on the move”, “Resource-efficient Europe”, “An Industrial Policy for the Globalisation Era” and “European Platform Against Poverty and Exclusion”. The Employment Package also shows how the EU budget, in particular the European Social Fund, can be mobilised in support of labour market reform and help deliver the necessary investment within the context of an economic downturn.

While labour market dynamics will need to be generated mainly at national level, this Communication puts EU levers into motion in support of a job-rich recovery, addressing both the demand and supply sides of the labour market and taking further steps towards creating a genuine EU labour market.

## **1. SUPPORT JOB CREATION**

Support for job creation and (re)allocation of labour should be aimed at growing sustainable activities, sectors and businesses, particularly among SMEs<sup>10</sup>. Policy must further target improvements in both productivity and employment, contributing to an allocation of human resources that corresponds to economic and social needs as identified in the Europe 2020 Strategy and strikes the right balance between tradable and non-tradable sectors. It should also improve the labour market situation of more vulnerable groups, such as young, female, less-skilled, older workers as well as those from a minority background. Reflecting the key structural economic challenges faced by Europe, cross-cutting measures need to be

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<sup>5</sup> As noted in the statement of the Members of the European Council of 30 January 2012, “Growth and employment will only resume if we pursue a consistent and broad-based approach, combining a smart fiscal consolidation preserving investment in future growth, sound macroeconomic policies and an active employment strategy preserving social cohesion”.

<sup>6</sup> European Council Conclusions of 1-2 March 2012.

<sup>7</sup> Council Decision 2010/707/EU of 21 October on guidelines for employment policies of the Member States.

<sup>8</sup> European Council Conclusions of 9 December 2011

<sup>9</sup> European Council Conclusions of 9 December 2012.

<sup>10</sup> SMEs created 85% of net employment growth over the 2002-2010 period.

complemented by specific action in sectors with particularly strong potential for driving job-rich growth.

### 1.1. Step up job creation across the economy by encouraging labour demand

Employment policies help create conditions favourable to job creation. In doing so, they can mobilise the EU budget (and in particular the European Social Fund) in support<sup>11</sup>. Besides supply-side measures, such as skills and activation investment, and labour matching services, there are also a number of tools that impact positively on labour demand:

- **Target hiring subsidies to new hiring.** Hiring subsidies have been used extensively by Member States as a way of cushioning the unemployment effects of economic crisis, and are usually targeted at disadvantaged groups. Creating the right kinds of incentives and hiring subsidies should motivate employers to engage in net *new* recruitment, thus creating jobs that would otherwise not be created. Targeting vulnerable groups such as young people or the long-term unemployed, can have positive effects particularly where hiring subsidies are combined with additional efforts to help the target population.
- **Reduce the tax wedge on labour in a budgetary neutral way** by shifting towards environmental<sup>12</sup>, consumption or property taxes with proper monitoring of redistributive effects. In many Member States, there is scope for reducing employer social security contributions which account for a lion's share of the tax wedge. Targeting a reduction at the most vulnerable groups - especially low wage earners - is expected to have positive impacts on their employment in the longer term too, making it a preferred tool for enhancing labour demand. Nevertheless, design and implementation needs to be carefully prepared so as not to have an adverse effect on the employment prospects of groups that are (narrowly) ineligible. Moreover, there may be deadweight costs if reductions are not properly targeted.
- **Promoting and supporting self-employment, the social enterprises and business start-ups.** Jobseekers who are motivated to start up and run businesses may have to overcome considerable barriers, including a lack of professional or business skills, mentoring possibilities, and difficulties in accessing finance. Fostering entrepreneurial mind-sets, greater availability of start-up support services and microfinance, as well as schemes converting unemployment benefits into start-up grants, play an important role in facilitating self-employment and creating new jobs. Support should be targeted at groups with the greatest potential (such as unemployed workers with professional skills, women or young people), and should rely on close cooperation between employment services, business support and finance providers. Social economy actors and **social enterprises** are important drivers of inclusive job creation and social innovation and require specific support, including through public procurement and access to finance.

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<sup>11</sup> Compliance with the EU State aid rules must be ensured while keeping in mind the possibilities foreseen in these rules for the employment aid, see in particular Articles 15, 16, 40-42 of the General block exemption Regulation, Official Journal of the European Union, 9 August 2008, L214

<sup>12</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, A Roadmap for moving to a competitive low carbon economy (COM(2011) 112) shows that using revenues from the auctioning of ETS allowances and CO2 taxation to reduce labour cost would have positive impacts on employment.

- **Transform informal or undeclared work into regular employment.** Undeclared work is illegal. It also has serious budgetary implications through decreased tax and social security revenues. It has a negative impact on productivity and working standards, skills development and life-long learning. It represents only a tenuous basis for pension rights and access to health care. Preventing and counteracting undeclared work, implementing fully Directive 2009/52/EC on sanctions and illegal workers, as well as helping undeclared workers integrate in the regular labour market helps in the process of fiscal consolidation, creating a better level playing field for businesses and improving quality of employment. Improved cooperation among Member States is needed.
- **Boost 'take home' pay.** In-work benefits are used by several Member States either to alleviate in-work poverty or to encourage the take-up of work. Common features of schemes that supplement workers' earnings include the targeting of low income individuals or households and a gradual phasing-out with the increase of the earned income. The higher 'take home' pay represents an employment incentive for less skilled workers while, for a given level of wage, employers will more easily fill vacancies with wage pressure alleviated. Yet in designing in-work benefits, low-wage traps should be avoided. Positive effects are achieved where there are significant earnings disparities at the bottom of income distribution.
- **Modernise wage-setting systems to align wages with productivity developments and foster job creation.** Wage-setting mechanisms ensuring that real wage growth reflects productivity developments and local labour market conditions are a pre-condition to ensure that output growth adequately translates into growing labour demand and ultimately job creation. In accordance with national practices of collective bargaining, wage developments should take account of the competitive position of the Member States. Although wage moderation or adjustment might be necessary for some sectors or Member States, targeted increases, which help sustain aggregate demand, might be feasible where wages have lagged significantly behind productivity developments.

## 1.2. Exploit the job creation potential of key sectors

Today's Europe faces profound structural transformations as identified in the Europe 2020 Strategy, in particular the transition towards a green, low carbon and resource efficient economy, the demographic ageing of our society and rapid technological advances. To tackle these challenges and convert them into opportunities, our economy will require a fundamental transformation over the next decade. Transforming the economy along these paths will increase competitiveness and provide important sources of growth and jobs, as well as addressing economic and social needs. The AGS 2012 identifies three main areas, each of which offers an important job creation potential.

- **Job growth in the green economy has been positive** throughout the recession and is forecasted to remain quite strong. Only the energy efficiency and renewable energy sectors could create 5 million jobs by 2020<sup>13</sup>. The evolution of markets for

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<sup>13</sup> Based on different models, by 2020, the implementation of individual energy efficiency measures could lead to two million green jobs being created or retained, while the job potential from renewable energy sector development is estimated at three million jobs -Accompanying Staff Working Document *Exploiting the employment potential of green growth*.

products and services, R&D and innovation policy, new regulatory frameworks and market-based instruments will change our industrial and economic structures towards greater resource-efficiency, leading to a redefinition of many jobs across almost all sectors. While high-carbon sectors will face the challenge of the transition to a low carbon and resource-efficient economy with many jobs in this sectors to be transformed, new jobs in green and low-carbon sectors will be created, affecting territories differently. If the transition towards a green and resource efficient economy will initially benefit mainly high-skilled workers, the upgraded and sustainable manufacturing and services are likely in due course to provide a number of medium-skilled jobs, while lower skilled and older workers will need to adapt. Supportive labour markets and a vision of the skills needs are essential for supporting and developing a green and resource efficient economy, as documented in the accompanying Staff Working Document.<sup>14</sup> Managing such a major transition successfully calls for joined-up efforts on the part of the EU and Member States.

- **Employment in the EU health and social care sectors is growing fast** due to population ageing and an expansion of services to better meet quality requirements and rising demand for personalised care and professional social services. The size and fast growth of these sectors (twice the employment growth overall) suggests they will remain a key driver in providing new jobs in the years to come. To exploit this job creation potential, the sectors have to overcome several challenges. These include the increasing shortages of health professionals; an ageing health workforce with insufficient new recruits to replace those who are retiring; the emergence of new healthcare patterns to tackle multiple chronic conditions; the growing use of technologies requiring new skill mixes; and imbalances in skills levels and working patterns. In addition, recruitment and retention are hampered by demanding working conditions as well as by low and slowly growing wages. Maintaining an adequate supply and quality of health services under increased budget constraints is both a social and employment challenge and is documented in the accompanying Staff Working Document.<sup>15</sup> In addition, as consequences of demographic and family changes and the need for better life-work balance, new services covering broad ranges of activities are created and are a source of job creation, also documented in an accompanying Staff Working Document on which a public consultation is launched<sup>16</sup>.
- **The demand for ICT professionals continues to grow.** Employment among ICT practitioners grew by around 3% a year, with labour demand outstripping the supply. Development and uptake of ICT applications will become crucial for boosting international competitiveness of European business and in turn increasing employment. Making European firms and workers more ICT literate and competent will demand considerable efforts in terms of education, as well as skills policies for workers, and infrastructure, as depicted in the accompanying Staff Working Document<sup>17</sup>.

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<sup>14</sup> Accompanying Staff Working Document *Exploiting the employment potential of green growth*.

<sup>15</sup> Accompanying Staff Working Document *An action plan for the EU health workforce*.

<sup>16</sup> Accompanying Staff Working Document *Exploiting the employment potential of the personal and household services*.

<sup>17</sup> Accompanying Staff Working Document *Exploiting the employment potential of ICTs*.

### 1.3. Mobilise EU funds for job creation

The funds of the Cohesion Policy (ESF, ERDF and the Cohesion Fund) as well as EAFRD and EMFF are important sources of investment stimulating sustainable growth and job creation. They contribute to the strengthening of economic, social and territorial cohesion in the Union. For 2014-2020 the Commission has proposed to closely align these financial instruments with Europe 2020 objectives<sup>18</sup>. It is crucial that national, regional and local authorities use the available resources fully and to maximum result in order for Europe to develop and realise its economic potential, increasing employment as well as productivity.

The **European Social Fund** (ESF) co-finances labour market activation measures, including hiring subsidies, professional and entrepreneurship training courses and microfinance schemes, as well as design and roll-out of employment policies across the EU. For the period 2014-20, the Commission has proposed minimum ESF shares representing a volume of at least €84 billion, addressing investment priorities such as access to employment for job-seekers and people without work; sustainable integration of young 'NEETs' into the labour market including through 'youth guarantees'; self-employment, entrepreneurship and business creation; as well as education and social inclusion investments and capacity-building in public administration.

The **European Regional Development Fund** (ERDF) contribution to job creation 2014-2020 will be strengthened by the proposed concentration of resources on research technological development and innovation, on enhancing the competitiveness of SMEs and supporting the shift towards a low-carbon economy, including the promotion of renewable energies and energy efficiency. ERDF will also invest in the ICT sector and complements ESF financing for promoting employment and supporting labour mobility, such as by financing education, training and employment service infrastructure and supporting self-employment and business creation. It will also support health and social infrastructure investments

The **European Progress Microfinance Facility** provides support for the self-employed and micro-companies by providing guarantees and funded investments for microfinance intermediaries across the EU. This is expected to leverage up to €500 million of microcredit with funding from the 2007-2013 period, and the Commission has proposed to extend it in the period 2014-2020 to address underserved market segments and improve access to finance for social enterprises. Availability of microfinance is also supported by a number of revolving instruments co-financed by the ERDF or ESF.

The **European Globalisation Adjustment Fund** (EGF) which the Commission also proposed to continue in the 2014-2020 period, helps manage restructuring processes by co-financing re-skilling and job-search measures for those workers affected by large-scale redundancies resulting from changing global trade patterns.

The **European Agricultural Fund for Rural Development** (EAFRD) supports job diversification into non-agricultural activities and development of small rural businesses, including by investing in skills, knowledge transfer and start-up aid for young farmers.

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<sup>18</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions , A Budget For Europe 2020 - Part I, COM(2011) 500 of 29 June 2011.

The European Fisheries Fund, to be incorporated in 2014-20 in a single **European Maritime and Fisheries Fund** (EMFF), supports the transition to sustainable fishing as well as diversification of local economies, including through trainings and small business support.

## **JOB CREATION**

### **The Commission proposes:**

- a **Set of Key Employment Actions for the Green Economy**;
- an **Action Plan on Healthcare Employment**;
- a **Set of Key Actions for ICT Employment**,

each of which is annexed to this Communication and further elaborated in the corresponding Staff Working Documents.

### **The Commission launches:**

- a consultation on the potential for quality jobs in personal and household services;
- a consultation on setting up an EU-level platform between labour inspectorates and other enforcement bodies to combat undeclared work, aimed at improving cooperation, sharing best practice and identifying common principles for inspections by the end of 2012;

### **The Commission urges the Member States and the Council to:**

- take the Europe 2020 Strategy forward without delay and, building on the policy orientations in the present communication, adopt an ambitious approach and policies for job creation as part of their National Job Plans (in their National Reforms Programmes).

## **2. RESTORE THE DYNAMICS OF LABOUR MARKETS**

Labour markets are only dynamic if employment policies facilitate the transitions that enhance productivity and job quality, if the workforce has adequate skills, and if people are mobile enough to respond to the geographic trends in job vacancies. The Europe 2020 Strategy places particular emphasis on labour market reform, the development of human capital and geographical mobility for making the EU labour force better equipped for change and providing job opportunities.

### **2.1. Reform labour markets**

The EU's common principles of flexicurity remain an important policy milestone in building dynamic labour markets, seeking to engage Member States on a firm path of integrated structural labour market reforms. Flexicurity brings together a number of labour market policies (contractual arrangements, active labour market measures, lifelong learning, and social protection systems), in an integrated and consistent way, to boost both flexibility and security and make labour markets more resilient to the processes of economic adjustment.

Throughout the crisis, a number of Member States have been engaged in important structural labour market reforms and temporary measures for preserving employment. Yet it is clear that progress towards more flexibility and security has been modest and uneven. Against the backdrop of budgetary constraints, the ongoing EU debate on flexicurity in the context of the flagship initiative *An Agenda for New Skills and Jobs* has enabled a number of necessary

measures to be identified to help labour markets adjust in response to the crisis and to structural challenges in the context of Europe 2020.<sup>19</sup>

Further steps in structural labour market reforms should address notably the following aspects:

### 2.1.1. *Securing labour market transitions and inclusive labour markets*

- **Use internal flexibility to reduce insecurity and fiscal costs.** The crisis has shown that internal flexibility can be very effective in times of economic contraction as a means of maintaining employment and lowering adjustment costs. The use of working-time accounts or hours banks, short-time working arrangements (STWA) and collective bargaining opening clauses on some working conditions have helped save jobs and the competitiveness of firms, by avoiding or delaying layoffs. Although STWAs often reduced productivity somewhat, they nevertheless helped maintain skills, employment and confidence and their costs have been generally lower than the cost of unemployment benefits. However, as the fiscal space to finance such schemes is currently more reduced than two years ago, social dialogue at company and higher levels has assumed a more important role in helping to find optimal solutions for internal flexibility.
- **Decent and sustainable wages and avoiding low-wage traps.** Even before the crisis, having a job has not always been a guarantee against poverty, and the EU in-work poverty rate is still above 8%. The risk of in-work poverty is high, particularly in countries with uneven earnings distribution and low minimum wages, among people with temporary contracts and in low work intensity and single parent households<sup>20</sup>. Setting minimum wages at appropriate levels can help prevent growing in-work poverty<sup>21</sup> and is an important factor in ensuring decent job quality. Most Member States currently have statutory or otherwise legally binding or generally applicable minimum wages in place<sup>22</sup>. The impact of the minimum wage on both demand and supply can differ markedly across Member States, depending on the level set, as well as other labour market policies and institutions. Wage floors need to be sufficiently adjustable, with the involvement of the social partners to reflect overall economic developments. Differentiated minimum wages, as already applied in several Member States, can in that context be an effective means of upholding labour demand.
- **Make transitions pay.** Labour market flexibility requires security in employment transitions. A lifelong career characterised by a number of moves, sometimes upwards but also horizontal or even downwards, is now a reality for many workers, and particularly for young workers. The quality of the transitions will determine the quality of a worker's career. Security throughout one's career, including during the transitions between different types of labour market status (e.g. training to employment, maternity leave to employment, transitions towards self-employment

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<sup>19</sup> Accompanying Staff Working Document *Open, dynamic and inclusive labour markets*.

<sup>20</sup> Employment and Social Developments in Europe 2011; Is working enough to avoid poverty? In-work poverty mechanism and policies in the EU

<sup>21</sup> OECD, divided we stand: why inequality keeps rising, 2011

<sup>22</sup> [http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/Minimum\\_wage\\_statistics](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Minimum_wage_statistics). Minimum wage levels are between 30% and 50% of average gross monthly earnings.

and entrepreneurship etc.), is essential in order to provide individuals with the necessary means to maintain their employability and make transitions work. Some areas deserve particular attention: the transition of **young people** from education to work, where there is evidence to show that apprenticeships and quality traineeships can be a good means of gaining entry into the world of work, but there are also recurring examples of traineeships being misused; the integration of **women** in the labour market, by providing equal pay, adequate childcare, eliminating all discrimination<sup>23</sup> and tax-benefit disincentives that discourage female participation, and optimizing the duration of maternity and parental leave; and transitions of **older workers** in the context of the modernisation of pension systems and extending working lives which require comprehensive measures, such as tax-benefit incentives, access to lifelong learning through career guidance and training, flexible working arrangements for those who need them, and safe and healthy workplaces.

- **Mutual responsibilities to support transitions from unemployment towards employment.** The current high levels of unemployment require that the unemployment benefits schemes supporting the transitions from unemployment back into work are sufficiently adaptable to stimulate a rapid return to sustainable employment. During the crisis, unemployment benefits coverage has in some cases been extended to include some previously unprotected groups, particularly temporary workers, and extending rights in other situations. While taking into account the strained budgetary situation in most Member States, it is essential that these are maintained while the crisis is still having an impact. Where labour demand is weak, the cutting of benefits could increase the risk of poverty without increasing outflows from unemployment. Activation requirements should be part of a mutual responsibilities approach that maintains incentives for work whilst ensuring income, providing personalised job-search assistance and guarding against the risk of poverty.
  
- **Ensure appropriate contractual arrangements to combat labour market segmentation.** The rights associated with contractual arrangements are another factor that makes the quality of transitions fragile. Evidence shows that most of the new jobs created in recent years (even before the crisis) were based on temporary contracts and other non-standard forms of employment<sup>24</sup>. This has increased the fluidity in the labour market and made it easier for firms to adapt labour input to new forms of production and work organisation. Two directives<sup>25</sup> have established part time and fixed term work on the basis of the equal treatment principle, while a more recent Directive<sup>26</sup> seeks to regulate temporary agency work in a similar way. A pronounced preference on the part of employers for these contractual relationships may be due to the much higher severance costs for open-ended/standard contracts. Moreover, in many cases these jobs do not serve as a stepping-stone for more permanent forms of work. There is therefore a need for measured and balanced reforms in employment protection legislation in order to remedy segmentation or to halt the excessive use of non-standard contracts and the abuse of bogus self-employment. More generally, all types of contractual arrangements should give

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<sup>23</sup> Through the full application of Directive 2006/54/EC on the implementation of the principle of equal opportunities and equal treatment of men and women in matter of employment and occupation <http://ec.europa.eu/eures/home.jsp> Labour market and social trends.

<sup>24</sup> <http://ec.europa.eu/eures/home.jsp> Labour market and social trends.

<sup>25</sup> Directive 97/81/EC on part time work, Council Directive 99/70/EC of 28 June 1999 on fixed term work

<sup>26</sup> Directive 2008/104/EC of the European Parliament and of the Council of 19 November 2008 on temporary agency work.

jobholders access to a core set of rights (including pension rights) from the signature of the contract, including access to lifelong learning, social protection, and monetary protection in the case of termination without fault.

- **Anticipate economic restructuring.** In spite of adverse market conditions, many EU companies and their workforces have, by and large, engaged creatively in restructuring processes that have been constructive, effective and instrumental in limiting job losses, through innovative arrangements, often with the support of public authorities and the EU. In fact, over the last two years, there has been a strong demand for measures to support the reallocation of resources between firms and occupations. These measures include changes in employment protection legislation and business practices related to corporate restructuring, as well as appropriate training and activation policies that, together with suitably designed unemployment benefit systems, help displaced workers towards different jobs and professions. The Commission will build on the response to its Green Paper on restructuring<sup>27</sup> so as to disseminate best practices and ensure an appropriate follow up.
- **Develop lifelong learning as a key to security in employment.** Access to lifelong learning, within either employment or unemployment situations, is essential if employability is to be maintained. In this respect, the commitment of employers to training their workforce, particularly in the case of low-skilled and older workers, is essential. For the unemployed, in particular the lower-skilled and vulnerable groups, individualised career guidance and training on market relevant skills is essential. But new technologies combined with globalisation have also increasingly reduced medium-skilled tasks, necessitating important re-skilling policies for medium-skilled workers. The recession has accelerated a polarisation in employment (hollowing out medium skilled jobs), with a risk to increasingly segregate employment into low-quality and high-quality blocks, and thereby limiting career mobility opportunities, which need to be addressed.
- **Deliver youth opportunities.** The European youth suffers most from the economic crisis and the structural labour market problems, as set out in the recent Youth Opportunities Initiative.<sup>28</sup> The Commission reconfirms its commitments to tackle the dramatic levels of youth unemployment, including by mobilizing available EU funding.<sup>29</sup> Echoing a call by the European Council,<sup>30</sup> the support for transition to work, e.g. through youth guarantees, activation measures targeting young people, the quality of traineeships<sup>31</sup>, and youth mobility should be prioritised.

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<sup>27</sup> Communication from the Commission Restructuring and anticipating of change; what lessons from recent experience ? COM(2012)7 of 17 January 2012.

<sup>28</sup> Communication from the Commission Youth Opportunities Initiative, COM(2011) 933 of 20 December 2011.

<sup>29</sup> The Accompanying Staff Working Document *Implementing the Youth Opportunities Initiative: first steps taken* presents an interim report of recent measures taken by the Member States to fight youth unemployment. In February 2012, Commission action teams visited the eight Member States with the highest youth unemployment rate. The results of these missions will be integrated in the National Reform Programmes.

<sup>30</sup> Statement of the Members of the European Council of 30 January 2012.

<sup>31</sup> Accompanying Staff Working Document *Quality Framework for Traineeships*.

### 2.1.2. *Mobilising all actors for a better implementation*

- **Reinforce social dialogue.** The success of employment policies depends crucially on the existence of a consensus around reforms. In many cases, responsibility for design and implementation is not in the hands of governments alone, but also in the hands of the social partners. Strong social dialogue is a common feature in those countries where labour markets have proved to be more resilient to the crisis. In the first phase of the crisis, the contribution of social partners in implementing internal flexicurity solutions was fundamental in cushioning the shock of the recession. It is essential to establish a shared path of reforms that create the conditions for sustainable creation of quality jobs in the future, and where social partners play an active role at all levels in the preparation and implementation of such reforms. In a growing number of companies, this contribution has taken the form of transnational company agreements, through which agreed responses are given at European level to the challenges generated by the crisis, and mechanisms are set up to manage change. Transnational company agreements already cover more than 10 million employees; their role needs to be better recognized and supported.
- **Redefine the primary and core services of Public Employment Services (PES).** PES are the key implementers of activation policies that contribute to smooth labour market transitions. In order to fulfil their tasks in a comprehensive manner, PES need to transform themselves into "transition management agencies" delivering a new combination of the "active" and "passive" functions that support sustainable transitions throughout workers' careers. The major building blocks should be state of the art labour market intelligence, active and preventive labour market measures as well as employability support at an early stage, delivery of individualised services, harnessing the use of e-services and the development of strong partnerships, in particular with other employment services, including in other Member States.
- **Pool resources and focus on effective partnerships.** In times of scarce funds for investment, pooling financial and material resources is as vital as gathering actors around a common objective. One example could be the pooling of resources by groups of employers. By linking up around similar recruitment and training needs, groups of SMEs are capable of overcoming their individual inability to attract qualified staff and establish joint human resources policies. Partnerships at the appropriate territorial level can help make transitions work by encompassing public, private and third sector employment services, social security organisations, municipalities and regional governments, education and training providers, career guidance providers, NGOs, welfare institutions and so on. The composition of the partnerships should be determined by the complementarities of service provision, as well as cost-effective allocation of resources.

#### **LABOUR MARKET REFORMS**

##### **The Commission urges the Member States and the Council to:**

- Take the Europe 2020 Strategy forward without delay and, building on the policy orientations in the present communication, adopt an ambitious approach and policies for labour market reforms as part of their National Job Plans (National Reforms Programmes).

**The Commission will:**

- Present a proposal for a Council Recommendation on a Quality Framework for Traineeships by the end of 2012, on the basis of a Commission services consultation<sup>32</sup>;
- Present a proposal for a Council Recommendation on Youth Guarantees by the end of 2012 and support activation measures targeting young people in the context of Youth Guarantee schemes;
- Develop further action to disseminate good practice and promote debate with respect to Transnational Company Agreements;
- Elaborate by 2012 with the European network of Public Employment Services a European action plan for the delivery of relevant and effective employment services on the ground and its practical implementation in terms of PES models, goals and tasks in light of the Europe 2020 targets;
- Map new forms of employment, such as the pooling resources by employers, and report on common priorities for corresponding policy responses to support actions which make organisations more agile and responsive to changes while boosting durable employment retention and job creation.

**2.2. Invest in skills**

The European Vacancy Monitor indicates that high skills levels remain important with also an increasing number of vacancies for which the appropriate skills are not available<sup>33</sup>. Skills needs in EU labour markets must be anticipated, and mismatches swiftly acted upon. Equipping workers with the skills necessary for jobs is essential in order to help make job creation happen. Europe and its Member States must have a sound understanding of these needs in order to better anticipate economic change and address skills mismatches. Despite the high levels of unemployment, skills shortages have been identified in specific sectors and/or regions. The mismatch between skills available and the needs of the labour markets concern all Member States, but affect them to varying degrees. To address these challenges, several countries have started to put in place national strategies and tools to remedy these skills mismatches. At European level, a start has been made on setting up actions and instruments announced in the Europe 2020 flagship initiative “An Agenda for New Skills and Jobs”. Across the EU, the European Social Fund is a key source of skills investments, with over € 30 billion of ESF funding programmed for skills and life-long learning in 2007-2013.

**2.2.1. A better monitoring of skills needs.**

A number of EU instruments have been developed to forecast and anticipate skills needs: The European Vacancy Monitor provides labour market information on short-term vacancies and tensions, while the Cedefop has regularly developed long-term forecasts and Eurofound – for its part - provides essential information from employers’ and workers’ surveys on working conditions, one of the explanatory elements of mismatch. The Commission has recently also

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<sup>32</sup> Accompanying Staff Working Document *Quality Framework for Traineeship*

<sup>33</sup> Communication from the Commission Annual Growth Survey 2012, draft Joint Employment Report, COM(2011)815, Beveridge curve page 7.

supported the setting up of European Sector Skills Councils to acquire a deeper understanding of the needs at sectoral level.

However, Europe still does not have a comprehensive view of its skills needs. The EU Skills Panorama, to be launched by the end 2012, is the first step towards the converging of all existing anticipation tools. The Panorama will provide a single overview of European, national and sectoral findings on the short-term to medium-term prospects for jobs and skills needs as they evolve up to 2020. The Panorama will help identify emerging skills shortages in specific occupations across or within sectors. It will be a resource for skills observatories at national, regional or sector level and for education and career guidance practitioners, as well as employment and services advisors. Cooperation between EU bodies carrying out forecasts and surveys such as Eurofound and Cedefop will also be improved. By focussing more systematically their analysis on a country basis they will further nourish the understanding of the national development and inform the Europe 2020 structural reform agenda. Convergence of tools and instruments will remain the most important priority in order to govern skills needs more effectively.

### *2.2.2. A better recognition of skills and qualifications.*

EU tools such as the European Qualifications Framework (EQF) or the Europass CV have been put in place to help people moving across education institutions, companies, sectors and countries throughout Europe and facilitate transparency of skills and qualifications. On the basis of the EQF developments, reference of the European qualifications level should be included in all individual qualifications in Europe. The national qualifications framework should also open up to qualifications issued at economic sector level. The Europass CV will be complemented with a European Skills Passport, incorporating an overview of a person's skills, regardless of how these skills have been developed.

### *2.2.3. A better synergy between the worlds of education and work.*

A close cooperation between the worlds of education and work, both at political and operational levels, is essential to address skills mismatches. At political level, cooperation between the relevant Council bodies (EPSCO and EYC) through the Committees (EMCO, Education Committee) is necessary to ensure fruitful policy making.

At operational level, synergies are needed to facilitate the transition from education and training to work. One way forward is through the introduction of short cycle studies at tertiary levels particularly targeted to skills required in sectors where skills shortages have been identified

Furthermore the Knowledge Alliances already build a more structured cooperation between universities and companies creating new curricula promoting entrepreneurship, problem solving and creative thinking. Alliances between the education world and companies at EU level should be expanded to vocational education and training providers to translate the analysis of the Sectors Skills Councils' into practical curricula and training methods.

The European multilingual classification of Skills, Competences and Occupations (ESCO) which is currently being developed should also help in promoting cooperation between labour markets and the education-training sector as it links skills and competencies to occupations. Furthermore, the link between skills tools such as the European CV and skills passports, including the European Skills Passport, will facilitate transitions into and on labour markets.

These tools and measures should be accompanied by efforts to modernise education and training systems, increasing the quantity, quality and relevance of skills supply. The Commission will present an initiative in the second half of 2012 to harness education and training to generate growth, jobs and competitiveness.

## **INVEST IN SKILLS**

**In order to address skills mismatches in the EU and enhance the anticipation of skills needs, the Commission will:**

- Seek, in cooperation with Member States and social partners, that Cedefop and Eurofound complement their expertise at EU and sectoral levels with stronger country-specific knowledge, and that cooperation between both institutions is reinforced;
- launch a EU Skills Panorama, notably based on the European Vacancy Monitor by the end of 2012;
- launch a new phase in the recognition of qualifications and skills with guidance for a systematic indication of European Qualification Framework levels in all new qualifications to be generated in the EU and stronger complementarities with the Qualifications Framework for Higher Education;
- from 2013 onwards ensure that at least one quarter of the qualifications issued every year have a reference of their European qualification level;
- launch the European Skills Passport by the end of 2012;
- support the setup of a network of representatives from both employment and education representatives to support the skills governance.

### **2.3. Towards a European labour market**

Most European labour markets are characterised by a coexistence of persistent high levels of unemployment in many areas and bottleneck vacancies in high-growing regions or sectors<sup>34</sup>. Structural mismatches between labour supply and demand are common. As emphasised in the 2012 Annual Growth Survey<sup>35</sup> labour mobility across Europe is too low<sup>36</sup> compared to the overall size of the EU labour markets and corresponding active populations, which has the effect of hindering adjustments in the allocation of resources that could support economic and employment growth. Deepening European labour market integration and ensuring effective matching between labour demand and supply is crucial in order to enable all employment opportunities to be exploited. In this respect, mobility not only means going to where the jobs are, or having access to better jobs; it is also associated with improvements in generic and occupational skills and increases adaptability and employability.

#### *2.3.1. Remove legal, and practical obstacles to free movement of workers*

Mobility of workers in the EU continues to face important obstacles. Some of them are cultural, such as language or housing or discrimination, and are deeply rooted in society and

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<sup>34</sup> Communication from the Commission Annual Growth Survey 2012, Draft Joint Employment Report, COM(2011)815 of 23 November 2011.

<sup>35</sup> Communication from the Commission, Annual Growth Survey 2012, COM (2011) 815 of 23 November 2011.

<sup>36</sup> In 2010, only 2,8% of the European working age population (15-64) lived in a Member State other than their own (EU Labour Force Survey)

difficult to overcome in the short-term. For their part, language obstacles could be overcome by funding of targeted training schemes on foreign languages for workers on mobility. This requires action in order to create open attitudes towards all the opportunities brought by mobility across Europe. Workers who do choose to move face, nonetheless, other difficulties<sup>37</sup> which relate to the exercise of rights conferred by EU law and the inadequacy of support to geographical intra EU mobility. Although there is a large legislative "acquis"<sup>38</sup>, European citizens still face legal, administrative and practical obstacles when moving across borders:

- **Restrictions on free labour market access to workers from Bulgaria and Romania** are still maintained by nine Member States, despite the overall positive impact that labour mobility from these countries has had on the economy of receiving countries<sup>39</sup>. Whilst recognising the Member States' right to apply these restrictions on labour market access until 31 December 2013 in accordance with the Treaty of Accession, the Commission reiterates the importance of gradually preparing for the full application of EU law on free movement for Bulgarian and Romanian workers.
- **The restriction of access to certain posts in the public service** to its own nationals in accordance with Article 45(4) TFEU can be maintained under exceptional conditions. The European Court of Justice has consistently held that this exception is to be interpreted restrictively and covers only posts involving direct or indirect participation in the exercise of powers conferred by public law and duties designed to safeguard the general interests of the State or of other public authorities<sup>40</sup>. Those criteria must be assessed on a case-by-case basis.
- **The lack of recognition of professional qualifications** remains a real problem to the effective functioning of the Single Market and in particular to free movement of workers and labour mobility. On 19 December 2011 the Commission adopted a proposal to modernise the Professional Qualifications Directive<sup>41</sup> so as to adapt it to evolving labour markets. The proposal introduces a European Professional Card for very mobile professionals and provides better access to information and e-government services.
- **The fear of losing out on social security and pension rights** is still a major issue for workers and jobseekers who are thinking of moving across Europe. One major aspect is the right of jobseekers searching for work in another Member State to keep their entitlement to unemployment benefits for more than three months. Although EU law provides the possibility for Member States to extend the right to this entitlement to a maximum of 6 months, this right is not yet secured by the respective national practices.

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<sup>37</sup> June 2010 Special Eurobarometer on "Geographical and labour market mobility"

<sup>38</sup> The freedom to seek employment in any EU Member State is also recognised in Article 15 of the Charter of Fundamental Rights of the EU

<sup>39</sup> Report on the Functioning of the Transitional Arrangements on Free Movement of Workers from Bulgaria and Romania, COM(2011)729 of 11 November 2011

<sup>40</sup> In particular in case C-290/94.

<sup>41</sup> Commission Proposal for a Directive of the European Parliament and of the Council, (COM(2011)883) of 19 December 2011

- Moreover, **many mobile workers** are still **unaware of their rights and obligations**. The Commission reiterates the need to guarantee the correct application of the Regulations<sup>42</sup> on social security coordination, as they place particular emphasis on the obligations of Member States to provide active assistance to citizens in enforcing their rights<sup>43</sup>. Overall, the failure to apply the existing EU rules means that the Commission will need to explore additional enforcement mechanisms in the pursuit of effective free movement of workers. Insufficient awareness of EU rights and difficult access to help when rights are not respected also remains a wider issue. Within the framework of the Single market, the Commission and Member States are working together to facilitate access to information and free assistance services such as Your Europe Advice and Solvit via the Your Europe portal.
- **Tax obstacles faced by EU citizens** who move to another Member State to work temporarily or permanently or cross borders every day to work raise significant obstacles to labour mobility within the EU. They range from difficulties in obtaining allowances, tax reliefs and deductions in the country of work or higher progressive tax rates applied to non residents, to double taxation problems.

### 2.3.2. *Enhance matching of jobs and job-seekers across borders*

With only 25 000 employers registered and some 150 000 job placements/recruitments per year, the European Employment Services tool (EURES) has not yet made full use of its direct employment potential. The Commission therefore intends to focus EURES on matching, placement and recruitment, giving it the biggest possible outreach and coverage capacity, by rolling out innovative self services in all European languages and full semantic interoperability in the exchange of national job vacancies and CV data<sup>44</sup>. Consequently, EURES will be in a position to deliver easier and real-time access to vacancies available in the EU, while presenting employers with a living pool of candidates where they can find the skills they need to grow their businesses.

EURES will also be expanded through targeted labour mobility schemes supporting under-served occupations and specific groups of workers with a high mobility propensity, as well as national labour markets which are or will become recipients of European workers. In this respect, EURES will make full use of the analysis of job vacancy and hiring developed by the Commission via different tools such as the European Vacancy Monitor<sup>45</sup> and the European Job Mobility Bulletin<sup>46</sup>. Regular consultations with relevant stakeholders, such as social partners and employment services, will further help EURES to tackle bottleneck vacancies for which recruitment difficulties have been identified.

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<sup>42</sup> Regulation (EC) N° 883/2004 of the European Parliament and of the Council, of 29 April 2004 and Regulation (EC) N°987/2009 of the European Parliament and of the Council of 16 September 2009

<sup>43</sup> The entitlement of everyone residing and moving freely within the EU to social security benefits and social advantages in accordance with Union and national law is also specifically recognised in Article 34 of the Charter of Fundamental Rights.

<sup>44</sup> <http://ec.europa.eu/eures/home.jsp>

<sup>45</sup> <http://ec.europa.eu/social/main.jsp?catId=955&langId=en>.

<sup>46</sup> <http://ec.europa.eu/social/main.jsp?catId=955&langId=en>

The goal is for EURES to become an entry point and natural first choice for any citizen or legally resident worker and job seeker and employer considering working or recruiting in another European country, improving the efficiency of the European labour market.<sup>47</sup>

### 2.3.3. Consider impacts of EU inward and outward migration.

With labour needs in the most dynamic economic sectors set to rise significantly between now and 2020, while those in low-skills activities are set to decline further, there is a strong likelihood of deficits occurring in qualified job-specific skills. In the short term, mobility within the EU could help alleviate specific labour shortages and/or mismatches in EU-27. In the longer term, and especially in view of the EU's demographic development, economic immigration by third country nationals is a key consideration for the EU labour market. However, persistently high levels of unemployment in many Member States have affected the public's acceptance of labour immigration, while a number of Member States are facing EU outward emigration of high-skilled people due to the economic crisis.

## TOWARDS A EUROPEAN LABOUR MARKET

### *Free movement of workers*

#### **The Commission will:**

- Present a legislative proposal by the end of 2012 in order to support mobile workers (information and advice) in the exercise of rights derived from the Treaty and Regulation 492/2011 on freedom of movement for workers within the Union<sup>48</sup>.
- In 2012, lend a new impetus to the work on the pension portability Directive setting minimum standards for the acquisition and preservation of supplementary pension rights.
- Continue to improve the Your Europe portal to offer a single entry point for information on EU rights and easy access to personalised help services such as Your Europe Advice and Solvit.
- Examine tax measures for cross-border workers with a view to propose measures aiming at removing tax obstacles faced by employed and dependent workers but also self-employed individuals and pensioners.

#### **The Commission urges Member States to:**

- Adopt the Commission proposal to modernise the Professional Qualifications Directive so as to further facilitate the much needed recognition of professional qualifications.
- Raise awareness of rights conferred by EU law on the anti-discrimination, gender equality and free movement of workers and open and facilitate access by EU nationals to their public sector posts in accordance with EU law as interpreted by the Court of Justice.
- Reconsider the need to maintain existing restrictions on free labour market access of Bulgarian and Romanian workers until the end of the transitional period.

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<sup>47</sup> Accompanying Staff Working Document *Reforming EURES to meet the goals of Europe 2020*  
<sup>48</sup> Official Journal of the European Union, 27.5.2011, L141, p.1

- Export unemployment benefits for a period of maximum 6 months to jobseekers entitled to such benefits and moving to another Member State in order to find a job in accordance with Article 64 of Regulation 883/2004 on the coordination of social security systems.
- Create more effective channels of communication with mobile workers so that they can enjoy full access to information concerning their rights and obligations when moving across Europe.
- Facilitate cross-border tax compliance by seeking greater alignment of tax claim and declaration forms, translating information into other EU official languages and making greater use of information technologies.

*European Employment Services (EURES)*

**The Commission proposes:**

To transform the European Employment Services (EURES) into a comprehensive European employment instrument aligned with the Europe 2020 objectives, by:

- Positioning it as a demand-driven European placement and recruitment tool that satisfies economic needs, while fulfilling the legal obligation of ensuring transparency of vacancies with innovative on-line job matching tools, including mobile internet applications to ensure the best possible outreach and availability;
- Rolling out from 2013 the innovative online self-service "Match and Map" to instantly provide users with a clear geographic mapping of the European job offers matching users' profiles and providing at the same time individual feedback on why jobs and skills do not match, together with corresponding information on where learning opportunities to acquire the missing skills are available.

**The Commission calls on Member States to enhance their use of EURES:**

- Ensuring that all relevant job vacancies from all employment services are made systematically accessible at national level and through EURES at European level;
- Monitoring and enhancing the quality of job vacancy data exchanged within the EURES system;
- Working towards a better Europe-wide interoperability of job vacancies and CVs, contributing to the development of ESCO;
- Mainstreaming EURES into the service offer of relevant all labour market actors.

*Migration*

**The Commission proposes:**

- to launch, before the end of 2012, a consultation inviting broad debate with Member States, social partners and stakeholders on what the role of EU policies should be regarding the opportunities of economic migration.

**3. ENHANCE EU GOVERNANCE**

The European Semester has been the first step in a new approach being adopted at EU level whereby Member States and EU institutions are trying to strengthen fiscal and economic coordination and build a coherent economic policy. The Semester is also the effective governance method for monitoring and steering the implementation of actions to support

Europe 2020 goals. Moreover, the economic and fiscal policy coordination has been recently strengthened by the "six-pack", the proposed "two-pack" and the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union. Better EU employment governance and coordination has become essential for at least two reasons. First, labour market participation, unemployment and labour cost play a role in macroeconomic stability, and are taken into consideration in the new regulation on the prevention and correction of macroeconomic imbalances. Second, the crisis has further revealed the interdependence of EU economies and labour markets, underscoring the need to accompany the new economic governance with strengthened coordination of employment and social policies in line with the European Employment Strategy provided for by the Treaty.

### **3.1. Complement reinforced national reporting and coordination with enhanced multilateral surveillance.**

The December 2011 European Council acknowledged the importance of complementing a reinforced economic coordination with enhanced monitoring of employment and social policies.<sup>49</sup> This political commitment was further confirmed by the 2012 Spring European Council, which called for the preparation of "National Job Plans" by Member States that set out comprehensive initiatives on employment.

As an integral part of a Member State's National Reform Programme, the "National Job Plan" shall provide key deliverables with regard to the employment guidance delivered by the European Council, addressing structural labour market weaknesses and seeking to make a short-to-medium term impact on jobs. The plans should include a clear timetable on how, over the next 12 months, the multiannual reform agenda is to be rolled out.

Besides strengthening the focus of NRPs on improving employment outcomes, National Job Plans should also serve to improve coordination of employment policies at the EU level. Enhanced peer pressure at EU level may support implementation and help maintain focus. The main lever for peer pressure remains the possibility for the Council to adopt country specific recommendations as foreseen in the Treaty. In order to deepen policy coordination, the Employment Committee has this year adopted new working methods, with a series of peer reviews that will enable the Committee to reach a multilateral position on the implementation of reforms, feeding into the assessment by the Commission and the Council. Multilateral surveillance can also be further enhanced by a labour market monitoring system based on objective data and by an individual tracking scheme for countries that do not comply with country-specific recommendations. It would allow for a continuous, transparent and rounded surveillance of Member States' employment performances and progress towards Europe 2020 headline targets.

### **3.2. Reinforce the involvement of the social partners**

Social partners play an important role at the national level in the defining labour market rules or setting of wages, and strongly influence other structural policies through tripartite consultations, such as in the area of social security. They are also key when it comes to implementing measures such as apprenticeships or effective lifelong learning. At the EU level, social partners are currently taking part, besides consultations on relevant legislative

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<sup>49</sup> European Council Conclusions of 9 December 2011 and Council Conclusions (EPSCO) of 1 December 2011

proposals, in a biannual macro-economic dialogue and also hold twice-yearly exchanges of views at the highest political level in the Tripartite Social Summit<sup>50</sup>. Both the macro-economic dialogue and the Tripartite Social Summits constitute important opportunities for involvement of social partners, also in the context of the European Semester. There is however scope for further improving the mechanisms for social partners' involvement in the coordination of economic and employment policies at EU level, notably ahead of the European Semester<sup>51</sup>.

While the autonomy of social dialogue is beyond question and national practices are being respected (*according to Articles 152 and 153§5 TFEU*), in order for European economic governance to be effective and inclusive, involvement of social partners in elaboration and implementation of economic and employment policies needs to be commensurate with the developments in surveillance and coordination mechanisms. Wage-setting mechanisms are a case in point as a number of wage-related issues have been raised in the country-specific recommendations<sup>52</sup> of 2011 and as the evolution of national unit labour costs is being monitored in the context of preventing and correcting macroeconomic imbalances<sup>53</sup>.

### **3.3. Strengthen the link between policy and funding**

It will not be possible to build dynamic and inclusive labour markets, reduce mismatches, upgrade skills and increase geographical mobility without a significant financial investment in human capital. That is why, in the Multiannual Financial Framework for 2014-20, the Commission has proposed minimum allocations for the European Social Fund in each type of region, amounting to an EU total of at least €84 billion. In addition to the necessary (re)assessment of national budgetary priorities in the context of smart fiscal consolidation, coordinated through the European Semester, the close alignment of the EU budget with the Europe 2020 strategy in the next programming period needs to be seized as an opportunity to increase and improve the use that is made of EU funding to support Member States' reform efforts.<sup>54</sup>

This calls for a close connection of the priorities of the post-2013 Partnership Contracts and Operational Programmes which benefit from ESF support with the orientations provided in the context of EU economic governance and in particular of the upgraded governance of employment policies. At the same time the Commission is promoting enhanced coordination and integration of the funds to be covered by the Partnership Contracts, including ESF and ERDF, as well as the EAFRD and the EMFF. This approach aims at maximising synergies, including from the employment perspective.

The strengthened peer review of reform implementation and best practice exchange which will form part of the new role of the Employment Committee should also include an

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<sup>50</sup> In 2012, the Commission will propose to update the Council Decision 2003/174 establishing the Tripartite Social Summit, in line with provisions of the TFEU.

<sup>51</sup> Council Conclusions (EPSCO) of 1 December 2011, point 9.5.

<sup>52</sup> Council recommendations of 12 July 2011 on the National Reform Programmes

<sup>53</sup> Regulation (EU) No 1176/2011 of the European Parliament and the Council of 16 November 2011.

<sup>54</sup> Commission Proposal for a regulation of the European Parliament and the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Council Regulation (EC) No 1083/2006, COM(2011)615.

assessment of the effectiveness of the related investment effort with a view to its further improvement, where needed.

**The Commission proposes:**

**to reinforce coordination and multilateral surveillance** in the area of employment policies by:

- publishing, together with the draft Joint Employment Report and on an annual basis, a benchmarking system with selected employment indicators. The system will be built in cooperation with the Member States and be based on the existing Joint Assessment Framework and Employment Performance Monitor which identifies key employment challenges and is developed with Member States.
- developing, by the end of 2012, in cooperation with the Member States and all relevant actors, a scoreboard to keep track of progress in the implementation of the National Job Plans, as part of NRPs, by Member States, for the first time as part of the 2013 Annual Growth Survey (Joint Employment Report).

**to strengthen the involvement of the EU social partners** in the European Semester by:

- establishing effective involvement of the EU social partners on the main strategic priorities in the area of employment policies i) in the context of the European Semester to exchange views on growth and employment priorities; and ii) ahead of the Spring ECOFIN and EPSCO Council meetings. The latter would involve the Presidency of the Council;
- setting up, in full respect of the autonomy of social partners conferred by Art. 152 of the Treaty, an EU tripartite format for monitoring and exchange views on wage developments in relation to productivity, inflation and internal demand, unemployment and income inequalities.

**to strengthen the link between employment policies and relevant financial instruments** through:

- closely reflecting the priorities of National Reform Programmes, and in particular National Job Plans, in preparing Partnership Contracts and Operational Programmes for 2014-2020, including their performance framework, taking into account relevant country-specific recommendations and observations of the Employment Committee.
- reviewing Partnership Contracts and Operational Programmes where necessary in the light of relevant country-specific recommendations as envisaged in Article 21 of the proposed common provisions regulation for CSF Funds.
- taking into account the assessment arising from the funds' performance framework in the preparation of National Reform Programmes during the 2014-2020.

**The Commission invites Member States and the Council:**

- through the Employment Committee, to prepare the mechanisms for reinforced multilateral surveillance in the area of employment;
- to discuss and adopt these new mechanisms in the framework of the Employment Committee, with an aim of early approval by Council and full implementation during the European Semester 2013;
- to make full use of the financing that will be provided in shared management from - 2014 onwards under the European Social Fund to support investment in identified key employment challenges.

**Conclusion**

The aims of this communication is to show the most effective ways at the current junctunre towards meeting the Europe 2020 employment target thus and reinforcing the employment dimension of the Europe 2020 Strategy. The communication seeks to do this in content, by providing substantive guidance relevant in the context of Member State's National Job Plans, and by suggesting ways to strengthen the employment dimension in EU governance:

- The Commission proposes policy guidance on supporting job creation and labour market reforms, emphasizing the importance of investment, and invites the Council to adopt an ambitious approach to this end.

- The Commission outlines steps to address skills mismatches and to improve labour mobility lifting obstacles towads a genuine European labour market.

- The Commission proposes ways to strengthen multilateral surveillance, improve the involvement of social partners in employment governance and further align policy and funding in order to maximise the employment results achieved through EU budget instruments.

## ANNEX

*The three action plans in this annex (a set of key employment actions for the Green Economy, an action plan for the EU Health Workforce and a set of key actions for ICT Employment) are proposed in line with section 1.2 "Exploit the job creation potential of key sectors" of the present Communication. They are each also underpinned by separate Staff Working Documents*

### **A Set of Key Employment Actions for the Green Economy**

In response to the EPSCO Council Conclusions December 2010 on 'Employment Policies for a competitive, low-carbon, resource efficient and green economy', a *set of key employment actions* is presented in view of achieving a successful transition to the green economy.

#### **The Commission will:**

##### **1. Promote a mainstreaming of green employment into National Job Plans**

- by working with the Employment Committee (EMCO) to build on its green employment indicators and ensure consistent **monitoring of reform measures**;
- by encouraging Member States to address **labour relocation and retraining needs** through **active labour market policies and life-long learning**, including by incorporating such policy responses into regional, urban or local development strategies, as appropriate;
- by emphasising in the 2013 European Semester the **employment dimension of resource efficiency** and the implementation of necessary reforms. In particular, Member States will be encouraged to **make greater use of environmental taxes and ETS revenues in shifting taxation away from labour**.

##### **2. Strengthen green skills intelligence**

- by ensuring that **EU-level skills anticipation instruments** (EU Skills Panorama, ESCO, CEDEFOP and EUROFOUND surveys etc.) cover emerging green skills needs;
- by organising in 2013 a set of **mutual learning actions with relevant labour market actors**, in particular on embedding the skills and training dimension within wider national green growth strategies (DG EMPL Mutual Learning Programme) and on the ways and means of working with business to direct jobseekers and those at risk of redundancy towards emerging green occupations (PES to PES dialogue);
- by promoting further uptake of **standardised skills certification schemes** through the Intelligent Energy Europe Programme in **2013/2014**.

##### **3. Promote greater use of EU financial instruments for smart green investments**

- by engaging with the **European Investment Bank** to **boost further the capacity to lend to public and private ventures** in the field of resource efficiency and renewable energy;
- by encouraging Member States to address in **ESF-supported** operational programmes for **2014-2020** the needs for green training and PES' capacity to assist in green labour market

transitions; and to concentrate **ERDF** resources on energy efficiency and renewables investments in line with the Commission's proposal;

- by launching, in the context of the Progress Microfinance Facility, a **microfinance and social entrepreneurship stakeholders' forum** in 2013 with a view to engaging local financial intermediaries in promoting entrepreneurial activity in the green economy;

- by targeting innovative initiatives addressing the intersection between resource efficiency and inclusive employment through the **social experimentation** window of PROGRESS.

#### **4. Build partnerships between labour market actors**

- by supporting cooperation projects on green jobs and transitions to a green economy under the **PARES** Call for Proposals 2013 for innovative projects between Employment Services;

- by working with the **European Social Partners** on ways to facilitate the shift to a low carbon economy through specific initiatives within their **work programme 2012-2014**;

- by raising awareness on the best bipartite and tripartite initiatives and activities for green employment through the publication in 2013 of a **good practices handbook**.

### **An Action Plan for the EU Health Workforce**

To support Member States in addressing the challenges faced by the healthcare sector and in line with Member States' commitment to work together in this area, as enshrined in Council conclusions of December 2010, the Commission proposes an **Action Plan** with the actions below.

#### **The Commission will:**

##### **1. Improve health workforce planning and forecasting in the EU**

- by creating, by the end of 2012, a European platform of Member States and professional organisations by launching a three year **EU joint action on forecasting and planning under the Health Programme** to share good practice, develop forecasting methodologies on **health workforce needs and effective workforce planning** and improve EU-wide data on the health workforce;

- by developing guidance, by 2014, on the exchange of **education and training capacities in health professions** in order to make best use of existing capacities based on the results of a study to be launched in 2013, mapping Member States' education and training capacities in health, particularly in medical universities and nursing schools;

##### **2. Better anticipate skills needs in the healthcare sector**

- by supporting the creation of a **European Skills Council on nursing and care workers** in 2013 to better analyse and anticipate skill needs in these professions, taking due account of the proposed modernisation of the Professional Qualifications Directive;

- by fostering partnerships between education/vocational training providers and employers in the healthcare sector through the work of a pilot **Sector Skills Alliance** to be set up in 2013;

- by promoting the exchange of good practice on **continuous professional development**, to update skills and competence and to help retain healthcare personnel through lifelong learning, through a review and mapping of national systems and practices to be carried out in 2013;

- by developing, by 2014, recommendations for the **training requirements of healthcare assistants** including **educational support for informal carers** based on an analysis of the scope of skills and competences required from **healthcare assistants**, through setting up a **pilot health care assistants expert network and database**;

### **3. Stimulate exchange on recruitment and retention of health workers**

- by launching, by 2013, a **mapping of innovative and effective recruitment and retention strategies** in the healthcare sector **with a view to exchanging good practices** between Member States through launching a tender for the mapping and through exploring a joint action with Member States;

### **4. Support ethical recruitment of health workers**

- By **supporting** Member States' implementation of the **WHO Global Code of Practice for the International recruitment of Health Personnel** through the development of a common approach.

## **A Set of Key Actions for ICT Employment**

Good progress has been made in the implementation of the Commission's Communication on "e-Skills for the 21<sup>st</sup> Century"<sup>55</sup>. There is now a strong consensus on the need for a long-term EU e-skills strategy building on active cooperation between the Commission, Member States, regions and social partners to exploit the employment potential of ICTs.

### **The Commission will:**

#### **1. Set up multi-stakeholder partnerships** in order to

- Improve the identification of labour-market **mismatches** between demand and supply of ICT-related job profiles

- mobilise organisations and networks offering **design, provision and certification of ICT skills training initiatives**, with special focus on employability and certification of informal competences;

- support **awareness raising campaigns** (European e-Skills Week<sup>56</sup>, Get Online week), and **promote ICT careers** in order to attract and involve young people and underrepresented profiles such as women, mid-career workers and vulnerable groups;

#### **2. Strengthen the European e-skills framework**

- by creating by 2013 a specialised section focusing on ICT careers on the **European Skills**

<sup>55</sup> Evaluation of the implementation of the Commission's Communication on e-Skills for the 21st Century, October 2010, [http://ec.europa.eu/enterprise/sectors/ict/files/reports/eskills21\\_final\\_report\\_en.pdf](http://ec.europa.eu/enterprise/sectors/ict/files/reports/eskills21_final_report_en.pdf).

<sup>56</sup> See <http://eskills-week.ec.europa.eu>.

**Panorama** website;

- by **further elaborating in 2012 the European e-Competences framework** developed by CEN<sup>57</sup> to provide by 2013 descriptors of digital competences and a self-assessment tool for all learners which will be integrated in the forthcoming European Skills Passport;

- by developing in 2013 **European guidelines** for e-learning based on business needs and best practices including industry-led initiatives;

- by promoting **short-cycle qualifications**, both in higher education or vocational education and training, to provide focused and applied e-skills;

### **3. Support an increase in highly qualified ICT labour force**

- by developing during 2012 **quality labels for ICT industry-based training** and certifications compatible with the European quality assurance reference framework for vocational education and training (EQAVET); and developing in 2013 a pilot providing an **interactive landscape of the ICT industry certifications** and an online self-assessment test for ICT practitioners;

- by promoting synergies between actions in the fields of ICT skills, entrepreneurship and cloud computing in the context of the forthcoming EU action plan on **cloud computing**;

- further develop the **EU initiative on e-leadership** launched in 2012 to address the needs of entrepreneurs, managers, ICT practitioners and advanced users, with a focus on start-ups and SMEs;

### **4. Promote greater use of EU financial instruments for investments in ICT skills**

- by encouraging Member States to strengthen digital training within their education and training systems and boost e-inclusion through **ESF-supported operational programmes** in 2014-2020.

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<sup>57</sup> European Standardisation Committee (CEN)