



Council of the
European Union

Brussels, 21 February 2017
(OR. en)

6265/17

SOC 87
EMPL 57
ECOFIN 87
EDUC 42

NOTE

From: Presidency

To: Permanent Representatives Committee/Council

Subject: European Semester 2017: Enhancing labour market access and reducing divergence across the EU
- Policy debate

Delegations will find attached a Presidency steering note on the above mentioned subject, with a view to the Council (EPSCO) meeting on 3 March 2017.

Enhancing labour market access and reducing divergence across the EU

European Semester – policy debate

EPSCO Council, 3 March 2017

The economic and financial crisis which began in 2008 did not hit all Member States in the same way. In some countries, the effects of the crisis were magnified by structural weaknesses and imbalances accumulated in the pre-crisis years. The crisis revealed that in the hardest-hit countries welfare and social policy frameworks were inadequate to withstand prolonged shock. Since the onset of the crisis, several reforms have therefore been implemented to modernise existing policy settings and improve the adjustment capacity of European labour markets. Attention has increasingly focused on revising social policies, labour taxation and overall labour market settings in such a way as to increase the resilience of national welfare systems.

Divergences in labour market participation have recently begun to stabilise and reverse, with those countries more severely hit by the crisis showing a boost in economic growth and employment. Nevertheless, wide differences remain, not only across but also within Member States, with outcomes varying significantly by gender, age, education or socio-economic background. High labour market participation is not only a matter of equal opportunities, fairness or economic independence; it is also an economic imperative, since inactivity represents an underutilisation of human potential in the context of demographic shifts, an ageing population and the consequent shrinking of the labour force.

Labour market access is conditioned by a number of factors, including overall competitiveness levels, economic growth, regulatory frameworks, social security provisions including unemployment benefits, skills levels and quality of education, effectiveness of job-search assistance and support services, active labour market policies including in-work benefits, and childcare and other care services.

Policy measures across a number of policy dimensions may be general or may target specific groups so as to have the biggest impact. The set of policies is wide and includes access to affordable and quality services and in-kind benefits (such as childcare, healthcare and long-term care, and availability of flexible work-life arrangements and adequate leave arrangements); access to modern and quality education and training systems, including continuing professional development and lifelong learning to provide the skills needed to adapt to current and future labour market needs; well-designed labour taxation; effective Public Employment Services (PES); effective active labour market measures; and accessibility of work places and the work environment.

Looking forward, labour market policies have to be designed keeping in mind not only short-term considerations linked to macroeconomic pressures, but also the needs of a changing world. New technologies imply changing economic structures, with employers seeking new skills sets and with a greater reliance on entrepreneurship and atypical contracts.

Skills will matter more in markets where there is likely to be less job security. To also ensure social stability and resilience within our societies, it is vital to reflect on the adequacy of social insurance systems, as well as their financing. Changing approaches to labour, with more short-term contracts, atypical contracts and subcontracting, in the context of a general drive for more flexibility, pose new challenges in terms of social insurance and taxation. The challenge will be to ensure that more contract flexibility and atypical contracts do not translate as less security and lower investment in skills, so as to avoid a deterioration in competitiveness in the medium to long term.

The assessment of the European Semester since 2011 and of the implementation of the Country-Specific Recommendations (CSRs), shows that most progress has been made on reforms related to investing in skills, labour market participation measures and employment protection legislation. These fields show relatively high average CSR implementation rates over the years. Labour taxation, active labour market policy and social inclusion lag behind somewhat compared with these domains.

It is important to keep up the momentum of reforms and ensure their time consistency. A better awareness of the distributional implications of reforms may lead to reform designs that minimise their short-term costs. This, together with proper communication and transparency about both the expected costs and the intended benefits of policy measures, could be instrumental in increasing overall reform acceptance and ownership.

Social dialogue is a key element of successful economic and social reforms. The social partners are best placed to understand the needs of workers and industry, and to defend their interests during major reforms, thus helping to legitimise reforms.

Against this background, Ministers are invited to consider the following issues:

- 1. With a view to the future, what are the most pressing reform areas with a view to enhancing labour market participation? What strategies are needed to ensure an adaptive and dynamic labour market?*
- 2. What is the scope for Member States to learn from and provide advice to each other during the process of designing and implementing reforms?*
- 3. What should be the role of the European Commission's integrated assessment? What can and should be done to better involve other players, including social partners, in the process?*