



Brussels, 12 June 2015  
(OR. en)

9632/15

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**Interinstitutional File:**  
**2015/0051 (NLE)**

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SOC 408  
EMPL 265  
ECOFIN 449  
EDUC 206  
JEUN 48

## REPORT

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From:	Permanent Representatives Committee
To:	Council
No. prev. doc.:	8694/15 SOC 293 EMPL 176 ECOFIN 309 EDUC 123 JEUN 40
No. Cion doc.:	6144/15 SOC 70 EMPL 31 ECOFIN 97 EDUC 28 JEUN 21 - COM(2015) 98 final + ADD 1
Subject:	Proposal for a COUNCIL DECISION on guidelines for the employment policies of the Member States - General approach

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### I. INTRODUCTION

On 2 March 2015, the Commission submitted the package of Integrated Guidelines, including a proposal for a Council Decision on guidelines for the employment policies of the Member States (Part II), based on article 148(2) TFEU. The other proposal is for a Council Recommendation on broad guidelines for the economic policies of the Member States and of the Union (Part I).

These guidelines were first adopted together as an integrated package in 2010, underpinning the Europe 2020 Strategy. The 2010 employment guidelines, reviewed every year, have been maintained until this year.

The set of integrated guidelines proposed in 2015 aims to reflect the new approach to economic policy making, built on investment, structural reform and fiscal responsibility, set out in the 2015 Annual Growth Survey.

The Employment Committee (EMCO) transmitted its Opinion on the employment guidelines to the Council on 2 April 2015. In order to establish a comprehensive Opinion, EMCO consulted the Economic Policy Committee, the Social Protection Committee, the Education Committee, the European Network of Public Employment Services and the Social Partners at European level.

The European Parliament is expected to adopt its opinion at the plenary session of 6-9 July.

The opinion of the Economic and Social Committee was adopted at its Plenary of 27-28 May. The opinion of the Committee of the Regions was adopted at its Plenary of 3-4 June.

The European Council, at its meeting on 19-20 March 2015, considered the employment situation of the Union and adopted conclusions thereon.

The Social Questions Working Party examined the proposal, introducing minor modifications to the articles and recitals of the draft Decision. At Coreper another minor modification was introduced (recital 6a new).

The text of the draft Decision is annexed to this report (Annex I). Changes in relation to the document 8694/15 are indicated as follows: new text is marked in **bold**. The text of the Employment Guidelines can be found in Annex II.

## II. CONCLUSIONS

The Council (EPSCO) is invited to agree on a general approach at its meeting on 18 June 2015.

The general approach will need to be reconsidered once all the opinions required under Article 148(2) of the Treaty have been received.

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Proposal for a

**COUNCIL DECISION**

**on guidelines for the employment policies of the Member States**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 148(2) thereof,

Having regard to the proposal from the European Commission,

Having regard to the opinion of the European Parliament<sup>1</sup>,

Having regard to the opinion of the European Economic and Social Committee<sup>2</sup>,

Having regard to the opinion of the Committee of the Regions<sup>3</sup>,

Having regard to the opinion of the **Employment Committee**,

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<sup>1</sup> OJ C , , p.

<sup>2</sup> OJ C , , p.

<sup>3</sup> OJ C , , p.

Whereas:

- (1) Member States and the Union are to work towards developing a coordinated strategy for employment and particularly for promoting a skilled, trained and adaptable workforce and labour markets responsive to economic change and with a view to achieving the full employment and social progress objectives set out in Article 3 of the Treaty on European Union. Member States, having regard to national practices related to the responsibilities of management and labour, are to regard promoting employment as a matter of common concern and coordinate their action in this respect within the Council.
- (2) The Union is to combat social exclusion and discrimination and promote social justice and protection, as well as equality between women and men. In defining and implementing its policies and activities, the Union is to take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education and training.
- (3) The employment guidelines are consistent with the broad guidelines for the economic policies of the Member States and of the Union. Employment guidelines and broad economic policy guidelines, which together form the integrated guidelines, are to be adopted by the Council to guide Member States' and Union policies.
- (4) [...]
- (5) In accordance with the Treaty provisions, the Union has developed and implemented policy coordination instruments for fiscal, macroeconomic and structural policies. The European Semester combines the different instruments in an overarching framework for integrated multilateral economic and budgetary surveillance. The streamlining and strengthening of the European Semester as set out in the Commission's 2015 Annual Growth Survey are expected to further improve its functioning.

- (6) The financial and economic crisis revealed and emphasised important weaknesses in the economy of the Union and its Member States. It has also underscored the close interdependence of the Member States' economies and labour markets. Moving the Union to a state of strong, sustainable and inclusive growth and job creation is the key challenge faced today. This requires coordinated and ambitious policy action both on Union and national level, in line with the provisions of the Treaty and the Union economic governance. Combining supply and demand side measures, these actions should encompass a boost to investment, a renewed commitment to structural reforms and exercising fiscal responsibility, whilst considering their employment and social impact.
- (6a) Reforms to the labour market, including the national wage setting mechanisms, should follow national practices of social dialogue and allow the necessary policy space for a broad consideration of socio-economic issues.**
- (7) Member States and the Union should also address the social impact of the crisis and aim at building a cohesive society in which people are empowered to anticipate and manage change, and can actively participate in society and the economy. Access and opportunities for all should be ensured and poverty and social exclusion reduced, in particular by ensuring an effective functioning of labour markets and social protection systems and removing barriers to labour market participation. Member States should also make sure that the benefits of economic growth reach all citizens and all regions.
- (8) Action in line with the integrated guidelines is an important contribution to reaching the goals of the Europe 2020 strategy. The Europe 2020 strategy has to be underpinned by an integrated set of European and national policies, which Member States and the Union should implement in order to achieve the positive spill-over effects of coordinated structural reforms, an appropriate overall economic policy mix and a more consistent contribution from European policies to the Europe 2020 strategy's objectives.
- (9) While these integrated guidelines are addressed to Member States and the Union, they should be implemented in partnership with all national, regional and local authorities, closely associating parliaments, as well as social partners and representatives of civil society.

(10) The integrated guidelines give guidance to the Member States on implementing reforms, reflecting interdependence. These integrated guidelines are in line with the Stability and Growth Pact and with existing European legislation. They should form the basis for country-specific recommendations that the Council may address to the Member States.

(10a) The Employment Committee and the Social Protection Committee should monitor how the relevant policies are implemented in the light of the employment guidelines, in line with their respective Treaty-based mandates. These committees and other Council preparatory instances involved in the coordination of economic and social policies should work closely together.

HAS ADOPTED THIS DECISION:

*Article 1*

The guidelines for Member States' employment policies, as set out in the Annex, are hereby adopted. These guidelines shall form part of the 'integrated guidelines'.

*Article 2*

The guidelines in the Annex shall be taken into account in the employment policies and reform programmes of the Member States, which shall be reported in line with Article 148(3) of the Treaty.

*Article 3*

This Decision is addressed to the Member States.

Done at Brussels,

*For the Council  
The President*

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**Guidelines for the employment policies of the Member States**

**Part II of the Integrated Guidelines**

Action in line with these guidelines is an important contribution for the EU to the Europe 2020 strategy's objectives.

***Guideline 5: Boosting demand for labour***

Member States should facilitate the creation of quality jobs, reduce the barriers business faces in hiring people, and promote entrepreneurship and in particular support the creation and growth of small enterprises. Member States should actively promote the social economy, foster social innovation.

The tax burden should be shifted away from labour to other sources of taxation less detrimental to employment and growth, while protecting revenue for adequate social protection and growth enhancing expenditures. Reductions in labour taxation should be aimed at removing barriers and disincentives for labour market participation, in particular for those furthest away from the labour market.

Member States should, together with the social partners and in line with national practices, encourage wage-setting mechanisms allowing for a responsiveness of wages to productivity developments. Differences in skills and divergences in economic performance across regions, sectors and companies should be taken into account. When setting minimum wages, Member States and social partners should consider their impact on in-work poverty, job creation and competitiveness.



## ***Guideline 6: Enhancing labour supply, skills and competences***

Member States, in cooperation with social partners, should promote productivity and employability through an appropriate supply of relevant knowledge, skills and competences. Member States should make the necessary investment in all education and training systems to improving their effectiveness and efficiency in raising the skill and competences of the workforce, and thereby allowing them to better anticipate and meet the rapidly changing needs of dynamic labour markets in an increasingly digital economy and in the context of technological, environmental and demographic change. Member States should step up efforts to improve access for all to quality lifelong learning and implement active ageing strategies that enable longer working lives.

Structural weaknesses in education and training systems should be addressed to ensure quality learning outcomes, and to reduce the number of young people leaving school early. Member States should increase educational attainment, encourage work-based learning systems such as dual learning, upgrade professional training, and increase opportunities for recognising and validating skills and competences acquired outside formal education.

High unemployment and inactivity should be tackled. Long-term and structural unemployment should be significantly reduced and prevented by means of comprehensive and mutually reinforcing strategies that include individualised active support for a return to the labour market. Youth unemployment and the high number of young people neither in employment, education, nor training (NEETs), should be comprehensively addressed, through a structural improvement in the school-to-work transition, including through the full implementation of the Youth Guarantee.

Barriers to employment should be reduced, especially for disadvantaged groups.

Female labour market participation should be increased and gender equality must be ensured including through equal pay. The reconciliation between work and family life should be promoted, in particular access to affordable quality early childhood education, care services and long-term care.

Member States should make a full use of European Social Fund and other Union funds to foster employment, social inclusion, lifelong learning, education and improve public administration.

### ***Guideline 7: Enhancing the functioning of labour markets***

Member States should take into account the Flexicurity principles. They should reduce and prevent segmentation within labour markets and fight undeclared work. Employment protection rules, labour law, and institutions should all provide a suitable environment for recruitment, whilst offering adequate levels of protection to all those in employment and those seeking employment. Quality employment should be ensured in terms of socio-economic security, work organisation, education and training opportunities, working conditions (including health and safety) and work-life balance.

In line with national practices, and supporting an improved functioning and effectiveness of social dialogue at national level, Member States should closely involve National Parliaments and social partners in the design and implementation of relevant reforms and policies.

Member States should strengthen active labour market policies by increasing their effectiveness, targeting, outreach, coverage and interplay with passive measures, accompanied by rights and responsibilities for the unemployed to actively seek work. These policies should aim at improving labour market matching and support sustainable transitions.

Member States should aim for better, more effective Public Employment Services to reduce and shorten unemployment by supporting job seekers through tailored service offers, supporting labour market demand and implementing performance measurement systems. Member States should effectively activate and enable those who can participate in the labour market to do so, whilst protecting those unable to participate. Member States should promote inclusive labour markets open to all men and women, putting in place effective anti-discrimination measures, and employability by investing in human capital.

The mobility of workers should be promoted with an aim of exploiting the full potential of the European labour market. Mobility barriers in occupational pensions and in the recognition of qualifications should be removed. Member States should at the same time guard against abuses of the existing rules as well as recognise potential “brain drain” from certain regions.

***Guideline 8: Fostering social inclusion, combatting poverty and promoting equal opportunities***

Member States should modernise social protection systems to provide effective, efficient, and adequate protection throughout all stages of an individual’s life, fostering social inclusion, promoting equal opportunities including for women and men, and addressing inequalities. Complementing universal with selective approaches will improve effectiveness while simplification should lead to better accessibility and quality. Stronger attention should go to preventative and integrated strategies. Social protection systems should promote social inclusion by encouraging people to actively participate in the labour market and society. Affordable, accessible and quality services such as childcare, out of school care, education, training, housing, health services and long-term care are essential. This also includes particular attention to basic services and actions to prevent early school leaving, reduce in-work poverty and fight poverty and social exclusion.

For this purpose a variety of instruments should be used in a complementary manner, in line with the principles of active inclusion, including labour activation enabling services, accessible quality services and adequate income support, targeted at individual needs. Social protection systems should be designed in a way that facilitates take up for all those entitled, supports protection and investment in human capital, and helps prevent, reduce and protect against poverty and social exclusion through the life cycle.

In a context of increasing longevity and demographic change Member States should secure the sustainability and adequacy of pension systems for women and men. Member States should improve the quality, accessibility, efficiency and effectiveness of health and long term care systems, while safeguarding sustainability.