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## NOTE

From:	Permanent Representatives Committee (Part 1)
To:	Council
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Subject:	Proposal for a Council Decision on guidelines for the employment policies of the Member States - Political agreement

## I. INTRODUCTION

On 22 November 2017, the Commission submitted a proposal for a Council Decision on guidelines for the employment policies of the Member States, based on article 148(2) TFEU.

These guidelines were first adopted together as an integrated package in 2010, underpinning the Europe 2020 Strategy. The set of integrated guidelines proposed in 2015 aimed to reflect the new approach to economic policy making, built on investment, structural reform and fiscal responsibility, as set out in the Annual Growth Survey.

Since the 2015 revision, the employment guidelines have been maintained stable. They are now being amended to align them with the principles of the European Pillar of Social Rights.

The European Council, at its meeting on 22-23 March 2018, considered the employment situation of the Union and adopted conclusions thereon.

The Employment Committee (EMCO) transmitted its Opinion on the employment guidelines to the Council, including the Social Protection Committee's (SPC) contribution on the social aspects of the guidelines. In their work, both committees took due consideration of the European Parliament's Opinion, which was adopted in its plenary session of 16-19 April 2018.

The opinion of the Economic and Social Committee was adopted at its plenary of 14-15 March 2018. The Committee of the Regions decided not to issue an opinion.

Based on the work of the Committees, the Social Questions Working Party examined the proposal, introducing some modifications to the articles and recitals of the draft Decision, and a couple of minor amendments to the guidelines. In doing so, it also duly examined and took account of the European Parliament's Opinion.

The text of the draft Decision is annexed to this report (Annex I). The text of the Employment Guidelines is also attached (Annex II).

## **II. CONCLUSIONS**

The Council (EPSCO) is invited to reach a political agreement at its meeting on 21 June 2018.

The text will then be revised by the jurist-linguists with a view to its final adoption.

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2017/0305 (NLE)

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,

Having regard to the opinion of the European Economic and Social Committee,

Having regard to the opinion of the Committee of the Regions,

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

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, with a view to achieving the objectives of full employment and social progress set out in Article 3 of the Treaty on European Union. Member States, taking into account 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 poverty and social exclusion, and a high level of education and training.
- (3) In accordance with the Treaty on the Functioning of the European Union (TFEU), the Union has developed and implemented policy coordination instruments for fiscal, macroeconomic and structural policies. As part of these instruments, the present Guidelines for the Employment Policies of the Member States, together with the Broad Guidelines for the Economic Policies of the Member States and of the Union set out in Council Recommendation (EU) 2015/1184, form the Integrated Guidelines for Implementing the Europe 2020 strategy. They are to guide policy implementation in the Member States and in the Union, reflecting the interdependence between the Member States. The resulting set of coordinated European and national policies and reforms are to constitute an appropriate overall economic and social policy mix which should achieve positive spill-over effects.
- (4) The Guidelines for the Employment Policies are consistent with the Stability and Growth Pact, the existing European Union legislation and various EU initiatives, including the Council recommendation on establishing a Youth Guarantee<sup>1</sup>, the Council Recommendation on the integration of the long-term unemployed into the labour market<sup>2</sup>, the Council Recommendation on Upskilling Pathways<sup>3</sup> and the Council Recommendation on a European Framework for Quality and Effective Apprenticeships<sup>4</sup>.

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<sup>1</sup> OJ C 120, 26.4.2013, p. 1–6

<sup>2</sup> OJ C 67, 20.2.2016, p. 1–5

<sup>3</sup> OJ C 484, 24.12.2016, p. 1–6

<sup>4</sup> Council Recommendation of 15 March 2018 on a European Framework for Quality and Effective Apprenticeships, OJ C 153/1, of 2.5.2018

- (5) The European Semester combines the different instruments in an overarching framework for integrated multilateral surveillance of economic, budgetary, employment and social policies and aims to achieve the Europe 2020 targets, including those concerning employment, education and poverty reduction, as set out in Council Decision 2010/707/EU<sup>5</sup>. While promoting the policy objectives of boosting investments, pursuing structural reforms, and ensuring responsible fiscal policies, the European Semester has been continuously reinforced and streamlined since 2015. Notably, its employment and social focus has been strengthened, and dialogue with the Member States, social partners and representatives of civil society has been deepened.
- (6) The European Union's recovery from the economic crisis is supporting positive labour market trends, but important challenges and disparities in economic and social performance remain between and within Member States. The crisis underscored the close interdependence of the Member States' economies and labour markets. Ensuring that the Union progresses to a state of smart, sustainable and inclusive growth and job creation is the key challenge faced today. This requires coordinated, ambitious and effective policy action at both Union and national levels, in accordance with the TFEU and the Union's provisions on economic governance. Combining supply- and demand-side measures, such policy action should encompass a boost to investment, a renewed commitment to appropriately sequenced structural reforms that improve productivity, growth performance, social cohesion and economic resilience in the face of shocks and the exercise of fiscal responsibility, while taking into account their employment and social impact.
- (7) Reforms to the labour market, including the national wage-setting mechanisms, should follow national practices of social dialogue and allow the necessary opportunity for a broad consideration of socioeconomic issues, including improvements in competitiveness, job creation, life-long learning and training policies as well as real incomes.

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<sup>5</sup> OJ L 308, 24.11.2010, p. 46–5

- (8) Member States and the Union should also address the social consequences of the economic and financial crisis and aim to build an inclusive society in which people are empowered to anticipate and manage change, and can actively participate in society and the economy, as also outlined in the Commission recommendation on the active inclusion of people excluded from the labour market<sup>6</sup>. Inequality and discrimination should be tackled. Access and opportunities for all should be ensured and poverty and social exclusion (including of children) should be reduced, in particular by ensuring an effective functioning of labour markets and of social protection systems and by removing barriers to education/ training and labour-market participation, including investments in early childhood education and care. The potential of people with disabilities to contribute to economic growth and social development should be further realised. As new economic and business models take hold in EU workplaces, employment relationships are also changing. Member States should ensure that employment relationships stemming from new forms of work maintain and strengthen Europe's social model.
- (9) Following an extensive and broad public consultation, the European Parliament, the Council and the Commission signed on 17 November 2017 an inter-institutional proclamation for a European Pillar of Social Rights<sup>7</sup>. The Pillar sets out twenty principles and rights to support well-functioning and fair labour markets and welfare systems. They are structured around three categories: equal opportunities and access to the labour market, fair working conditions and social protection and inclusion. The Pillar constitutes a reference framework to monitor the employment and social performance of Member States, to drive reforms at national level and to serve as a compass for a renewed process of convergence across Europe. Given the relevance of these principles for the coordination of structural policies, the employment guidelines are aligned with the European Pillar of Social Rights principles.

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<sup>6</sup> COM/2008/0639 final

<sup>7</sup> xxx

- (10) The European Pillar of Social Rights is accompanied by a scoreboard that should monitor the implementation and progress of the Pillar by tracking trends and performances across EU countries and assess progress towards upwards socio-economic convergence. This analysis will, where appropriate, feed into the European semester of economic policy coordination.
- (11) The Integrated Guidelines should form the basis for country-specific recommendations that the Council may address to the Member States. Member States should make full use of the European Social Fund and other Union funds to foster employment, social inclusion, upskilling of the workforce, lifelong learning and education and to improve public administration. While the Integrated Guidelines are addressed to Member States and the Union, they should be implemented in partnership with all national, regional and local authorities, closely involving parliaments, as well as social partners and representatives of civil society.
- (12) The Employment Committee and the Social Protection Committee should monitor how the relevant policies are implemented in the light of the guidelines for employment policies, in line with their respective Treaty-based mandates. These committees and other Council preparatory bodies involved in the coordination of economic and social policies should work together closely.

Policy dialogue between the European Parliament, the Council and the Commission, in particular as regards the guidelines for the employment policies of the Member States, should be maintained.

- (13) The Social Protection Committee was consulted.

HAS ADOPTED THIS DECISION:

### *Article 1*

The guidelines for the employment policies of the Member States, as set out in the Annex, are hereby adopted. These guidelines shall form part of the Europe 2020 integrated guidelines.

### *Article 2*

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

### *Article 3*

This Decision is addressed to the Member States.

Done at Brussels,

*For the Council*

*The President*

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

Member States should facilitate the creation of quality jobs, including by reducing the barriers that businesses face in hiring people, by fostering responsible entrepreneurship and genuine self-employment and, in particular, by supporting the creation and growth of micro and small enterprises. Member States should actively promote the social economy and foster social innovation. Member States should encourage those innovative forms of work which create quality job opportunities.

The tax burden should be shifted away from labour to other sources of taxation that are less detrimental to employment and growth, taking account of the redistributive effect of the tax system, while protecting revenue for adequate social protection and growth-enhancing expenditure.

Member States should, whilst respecting the autonomy of social partners, encourage transparent and predictable wage-setting mechanisms which allow for the responsiveness of wages to productivity developments and provide fair wages for a decent standard of living. These mechanisms should take into account differences in skills levels and divergences in economic performance across regions, sectors and companies. Respecting national practices, Member States and social partners should ensure adequate minimum wage levels, taking into account their impact on competitiveness, job creation and in-work poverty.

## **Guideline 6: Enhancing labour supply and improving access to employment, skills and competences**

In the context of technological, environmental and demographic change, Member States, in cooperation with social partners, should promote productivity and employability through an appropriate supply of relevant knowledge, skills and competences throughout people's working lives, responding to current and future labour market needs. Member States should make the necessary investment in both initial and continuing education and training (lifelong learning). They should work together with social partners, education and training providers, enterprises and other stakeholders to address structural weaknesses in education and training systems, to provide quality and inclusive education, training and life-long learning. They should seek to ensure the transfer of training entitlements during professional transitions. This should allow everyone to anticipate and adapt to labour market needs better, and to successfully manage transitions, thus strengthening the overall resilience of the economy to shocks.

Member States should foster equal opportunities for all in education, including early childhood education. They should raise overall education levels, particularly for the least qualified and learners from disadvantaged backgrounds. They should ensure quality learning outcomes, reinforce basic skills, reduce the number of young people leaving school early, and increase adult participation in continuing education and training. Member States should strengthen work-based learning in their vocational education and training systems (including through quality and effective apprenticeships), enhance the labour-market relevance of tertiary education, improve skills monitoring and forecasting, make skills more visible and comparable, and increase opportunities for recognising and validating skills and competences acquired outside formal education and training. They should upgrade and increase the supply and take-up of flexible continuing vocational education and training. Member States should also support low skilled adults to maintain or develop their long term employability by boosting access to and take up of quality learning opportunities, through the establishment of Upskilling Pathways, including a skills assessment, an offer of education and training matching labour market opportunities, and the validation and recognition of the skills acquired.

Unemployment and inactivity should be tackled, including through effective, timely, coordinated and tailor-made assistance based on support for job-search, training, and requalification.

Comprehensive strategies that include in-depth individual assessment at the latest after 18 months of unemployment should be pursued with a view to significantly reducing and preventing long-term and structural unemployment. Youth unemployment and the issue of young people not in employment, education or training, should continue to be addressed through prevention of early school leaving and structural improvement in the school-to-work transition, including through the full implementation of the Youth Guarantee<sup>8</sup>.

Member States should aim to remove barriers and disincentives to, and provide incentives for, participation in the labour market, in particular for those furthest away from the labour market. Member States should support an adapted work environment for people with disabilities, including through targeted financial support and services that enable them to participate in the labour market and in society.

Member States should ensure gender equality and increased labour market participation of women, including through ensuring equal opportunities and career progression and eliminating barriers to participation. The gender pay gap should be tackled, including by ensuring equal pay for equal work, or work of equal value. The reconciliation of work, family and private life for both women and men should be promoted, in particular through access to long-term care and affordable quality early childhood education and care services. Member States should ensure that parents and other people with caring responsibilities have access to suitable family leave and flexible working arrangements in order to balance work, family and private life, and promote a balanced use of these entitlements between women and men.

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<sup>8</sup> *OJ C 120, 26.4.2013, p. 1–6*

## **Guideline 7: Enhancing the functioning of labour markets and the effectiveness of social dialogue**

To benefit best from a dynamic and productive workforce and new work patterns and business models, Member States should work together with social partners on flexibility and security principles, balancing rights and obligations. They should reduce and prevent segmentation within labour markets, fight undeclared work and foster the transition towards open-ended forms of employment. Employment protection rules, labour law and institutions should all provide both a suitable environment for recruitment, and the necessary flexibility for employers to adapt swiftly to changes in the economic context, while preserving appropriate security and healthy, safe and well-adapted working environments for workers. Employment relationships that lead to precarious working conditions should be prevented, including by fighting the abuse of atypical contracts. Access to effective and impartial dispute resolution and a right to redress, including adequate compensation, should be ensured in case of unfair dismissal.

Policies should aim to improve and support labour-market participation, matching and transitions. Member States should effectively activate and enable those who can participate in the labour market. Member States should strengthen the effectiveness of active labour-market policies by increasing their targeting, outreach, coverage and better linking them with income support to the unemployed, whilst they are seeking work and based on their rights and responsibilities. Member States should aim for more effective and efficient public employment services by ensuring timely and tailor-made assistance to support jobseekers, supporting labour-market demand and implementing performance-based management.

Member States should provide the unemployed with adequate unemployment benefits of reasonable duration, in line with their contributions and national eligibility rules. Such benefits should not constitute a disincentive to a quick return to employment and should be accompanied by active labour market policies.

The mobility of learners and workers should be promoted with the aim of enhancing employability skills and exploiting the full potential of the European labour market. Barriers to mobility in education and training, in occupational and personal pensions and in the recognition of qualifications should be removed. Member States should take action to ensure that administrative procedures are not an unnecessary obstacle to workers from other Member States taking up employment. Member States should also prevent abuses of the existing rules and address potential ‘brain drain’ from certain regions.

Building on existing national practices, and in order to achieve more effective social dialogue and better socio-economic outcomes, Member States should ensure the timely and meaningful involvement of social partners in the design and implementation of employment, social and, where relevant, economic reforms and policies, including through support for increased capacity of social partners. Social partners should be encouraged to negotiate and conclude collective agreements in matters relevant to them, respecting fully their autonomy and the right to collective action.

Where relevant and building on existing national practices, Member States should take into account the experience on employment and social issues of relevant civil society organisations.

## **Guideline 8: Promoting equal opportunities for all, fostering social inclusion and combatting poverty**

Member States should promote inclusive labour markets, open to all, by putting in place effective measures to fight all forms of discrimination and promote equal opportunities for under-represented groups in the labour market. They should ensure equal treatment regarding employment, social protection, education and access to goods and services, regardless of gender, racial or ethnic origin, religion or belief, disability, age or sexual orientation.

Member States should modernise social protection systems to provide effective, efficient, sustainable and adequate social protection throughout all stages of an individual's life, fostering social inclusion and upward social mobility, incentivising labour market participation and addressing inequalities, including through the design of their tax and benefit systems.

Complementing universal approaches with selective ones will improve effectiveness of social protection systems. The modernisation of social protection systems should lead to better access, sustainability, adequacy and quality.

Member States should develop and implement preventive and integrated strategies through the combination of the three strands of active inclusion: adequate income support, inclusive labour markets and access to quality services, meeting individual needs. Social protection systems should ensure adequate minimum income benefits for everyone lacking sufficient resources and promote social inclusion by encouraging people to participate actively in the labour market and society.

The availability of affordable, accessible and quality services such as early childhood education and care, out-of-school care, education, training, housing, health services and long-term care is essential for ensuring equal opportunities, including for women, children and young people. Particular attention should be given to fighting poverty and social exclusion, including reducing in-work and child poverty. Member States should ensure that everyone has access to essential services. For those in need or in a vulnerable situation, Member States should ensure access to adequate social housing or housing assistance. Homelessness should be tackled specifically. The specific needs of people with disabilities should be taken into account.

Member States should ensure timely access to affordable preventive and curative health care and long-term care of good quality, while safeguarding sustainability over the long run.

In a context of increasing longevity and demographic change, Member States should secure the adequacy and sustainability of pension systems for workers and self-employed, providing equal opportunities for women and men to acquire pension rights, including through supplementary schemes to ensure an adequate income. Pension reforms should be supported by measures that extend working lives, such as by raising the effective retirement age, and be framed within active ageing strategies. Member States should establish a constructive dialogue with the relevant stakeholders, and allow an appropriate phasing in of the reforms.