

European Economic and Social Committee

SOC/124

**The European employment
strategy**

Brussels, 26 March 2003

OPINION

of the European Economic and Social Committee
on the

**Communication from the Commission to the Council, the European Parliament, the Economic
and Social Committee and the Committee of the Regions**

**The future of the European Employment Strategy (EES)
"A strategy for full employment and better jobs for all"**

COM(2003) 6 final

On 14 January 2003 the Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions: The future of the European Employment Strategy (EES) "A strategy for full employment and better jobs for all"

(COM(2003) 6 final).

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 4 March 2003. The rapporteur was **Mr Koryfidis**.

At its 398th plenary session (meeting of 26 March 2003), the European Economic and Social Committee adopted the following opinion by 93 votes to five with three abstentions.

1. Introduction

1. At the end of 1997 the Luxembourg summit launched the European Employment Strategy (EES). The ambition was to achieve decisive progress within five years, especially in the areas of long-term unemployment and youth unemployment. Even before the entry into force of the Treaty of Amsterdam, the summit initiated implementation of the new open method of coordination, which is enshrined in Article 128, by ratifying the first set of Employment Guidelines.

2. Article 126 of the Treaty reaffirms national competence for employment policy while also stating that employment is a common concern and inviting the Member States to develop a coordinated strategy at EU level.

1. Largely inspired by the Treaty provisions on coordination of economic policy¹ and by the coordination of employment policies which began at the Essen European Council in 1994, the new Article 128 laid down the framework for the development of national employment policies based on the EU's common priorities and interests.

2. According to this new framework, policy coordination is achieved on the basis of a "management by objectives" approach. More specifically, this involves the following steps:

- The Employment Guidelines are decided each year by the Council following a proposal by the European Commission.
- National employment action plans (NAPs) are drawn up by the Member States based on the guidelines.
- The NAPs are evaluated in a joint report on employment by the European Commission and the Council.
- The next year's guidelines are laid down on the basis of this evaluation.

3. Since 2000, the Council, following a proposal from the Commission, has published specific recommendations for the Member States as a supplement to the Employment Guidelines.

4. The "management by objectives" approach was also backed up with measurable targets at European and national level in many areas and with the progressive development of agreed statistical indicators to measure progress.
5. Synchronising the Luxembourg process with the process of coordinating the broad economic policy guidelines constitutes the new framework for implementation of the new EES.
6. Since the very start, the EESC gave effective support² for the preparatory work that led to adoption of the European employment strategy. Since then it has been involved, always actively, in formulating the guidelines and more generally in assessing and shaping the European employment strategy³.

2. The Commission Communication

1. In the Communication from the European Commission, the EES is singled out as being a key tool to meet the ambitious Lisbon objectives of full employment, quality in work and social inclusion/cohesion through employment.
2. However, it is pointed out that, in order to be effective, the EES will have to be articulated with a range of other policies which are well established and Treaty based, as in the case of the Broad Economic Policy Guidelines, or more recent, such as in the area of education and training, entrepreneurship, social inclusion, pensions and immigration.
3. The open method of coordination of the EES based on Article 128 of the Treaty is considered to have proved its value. Following the request of the Barcelona European Council calling for a strengthening of the EES and the conclusion of the Council debate on the "streamlining", consideration must be given to the optimal use of the instruments provided by the Treaty and developed by the practice so far. In specific terms, the requirements are as follows:

- stable and result-oriented Employment Guidelines;
- specific policy guidance through recommendations;
- focus on implementation through NAPs;
- the Joint Employment Report;
- building on evaluation and mutual learning;
- ensuring consistency with other processes;
- better governance.

4. The Communication points to the need for a new generation of Employment Guidelines which will move away from the horizontal objectives and specific guidelines clustered under four pillars of the first period of the EES (1997-2002). The new generation will have to incorporate:

- the three overarching objectives reflecting the Lisbon balance;
- a stronger emphasis on the delivery and governance of the EES;
- the identification of a limited number of priorities;
- specific messages addressed to the social partners;
- the definition of appropriate targets.

5. The three overarching objectives of employment policy associated with the Lisbon strategy are:

- full employment;
- quality and productivity at work;
- cohesion and an inclusive labour market.

6. The priorities proposed by the Commission as being essential for achieving the overarching objectives above define the content of the new EES more specifically. These are:

- active and preventive measures for the unemployed and the inactive;
- making work pay;
- fostering entrepreneurship to create more and better jobs;
- transforming undeclared work into regular employment;
- promoting active ageing;
- immigration;
- promoting adaptability in the labour market;
- investment in human capital and strategies for lifelong learning;
- gender equality;
- supporting integration and combating discrimination in the labour market for people at a disadvantage;
- addressing regional employment disparities.

7. Lastly, the Communication refers to the effective delivery and governance of the new EES. Making particular mention of the European Parliament Resolution of September 2002 emphasising the need to better integrate the EES with national, regional and local labour market policy and with ESF policies, the Communication highlights the importance of the involvement of national parliaments, local actors, NGOs and civil society in the European employment process. The emphasis must be on achieving the following goals:

- effective and efficient delivery services;
- a strong involvement of the social partners;
- mobilisation of all relevant actors;
- adequate financial allocations.

3. General comments

1. The EESC agrees that the employment policies implemented by the Member States under the EES over the period 1997-2001 in order to improve the functioning of labour markets have led to an increase in the employment rate and a reduction of unemployment.
 1. However, compared to the Lisbon targets on levels of employment and participation, and on unemployment and productivity per worker in the EU as a whole – targets which the EESC accepts and endorses - there are still substantial weaknesses and deficiencies.
 2. Moreover, disparities related to gender, age and disability, as well as disparities between Member States and between regions within Member States, continue to give cause for concern.
 3. On the one hand, responsibility for this lies with the Member States and their inadequate response to the demands and obligations arising from the Lisbon strategy and objectives. On the other hand, it should also be pointed out that achieving these objectives will require European economic policy to be more strongly geared towards the objective of high levels of employment. That can only be secured by considerable improvements in future coordination between the European broad economic policy guidelines and the EES employment policy guidelines. In this context, the EESC deeply regrets the loss of impetus in the Lisbon strategy as a result, inter alia, of the global economic crisis. Consequently, all European leaders and, in particular, monetary and fiscal authorities must reiterate their commitment to achieving the Lisbon objectives and must learn the lessons of past failures in order to remain on course, in particular by supporting reflationary macroeconomic policies. These measures are essential to achieving the objective of 3% growth which underpins the whole Lisbon strategy and which will enable more, better quality jobs to be created.
2. This being the case, in order to achieve the Lisbon objectives, also bearing in mind the forthcoming enlargement⁴ in particular, the EESC feels that the Member States must promote the structural changes envisaged.
 1. The EESC supports the view that the key priority of the new EES must be to achieve the objectives set at Lisbon on more and better jobs and greater social cohesion.
 2. At the same time, the EESC supports the view that the Lisbon objectives on increasing employment rates and the supply of jobs, promoting better quality in work and increased productivity, consolidating labour markets without exclusion and reducing disparities between regions are interlinked and complementary.
 3. The Committee also takes the view that achieving the above-mentioned objectives will require first and foremost:

- strong and sustainable economic growth⁵ and
 - rebuilding confidence among European citizens and creating a positive vision for the future, based on citizens' involvement, ensuring a more balanced distribution of the wealth produced and the surplus created by modern technology⁶.
1. The EESC obviously endorses the aim of sustainable economic growth in particular, the policies associated with it and the interlinking of these with employment policies. However, it would stress particularly the need for a multi-faceted approach to the problem taking account of the international economic situation, the single market and optimum utilisation of it, consolidating the Eurozone and using it to greater effect and the need to develop more integrated and uniform policies on all matters, including immigration.
 4. In addition, the Committee would point out that the unemployment problem in a 25-member EU may assume different, more critical forms and proportions if there are no integrated preventive policies developed immediately.
 3. The EESC emphasises its agreement with the three similarly interlinked objectives of the new EES, namely:
 - increasing the employment rate and full employment;
 - quality and productivity at work;
 - social cohesion in a labour market without exclusions.
 4. The EESC feels that fewer, simpler and more constant guidelines concentrating on the new priorities of the EES and on measurable objectives will make the EES more effective.
 1. In line with the views expressed in previous EESC opinions, the guidelines must maintain a broad and integrated policy scope, encompassing labour market policies, economic growth, entrepreneurship, employee protection and social protection, which help to increase employment and improve quality in work.
 5. In the course of its work, the EESC has welcomed the new priorities put forward, such as the policy on active ageing⁷, the combination of social protection and employment⁸, the priority concerning immigration⁹ and the priority of transforming undeclared work into regular employment¹⁰. The EESC would also stress the need to marry active ageing policies with consideration for difficult work situations and the current state of the economy, which is leading to company restructuring on a major scale, all too often resulting in redundancy for older workers. Ambitious social programmes must ensure that redundancies are accompanied by back-to-work or retraining measures while also leaving open current opportunities for early retirement.

1. The Committee also stresses the need to promote quality in work under the policy for more and better jobs given that quality jobs are proven to be more viable and are associated with increased productivity.
 2. It also emphasises the importance of ensuring a balance between flexibility and safety in the labour market.
6. The EESC feels that synchronising the Luxembourg process with the process of coordinating the Broad Economic Policy Guidelines is essential for effective management of the EES. As the EESC has reiterated many times in the wider context of viable development, employment must be a major part of the economic policy mix and the objectives thereof.
 7. The EESC feels that there is a need for a strong commitment by the social partners at all levels – European, national and local – from the policy-making stage through to policy evaluation and implementation.
 1. The EESC welcomes the fact that significant progress has been made in developing a true territorial dimension and endorses the willingness to increase the involvement of civil society at local level.
 2. The Committee would also point out that the quality of the EES would certainly be improved if the national action plans were discussed and approved by national parliaments in the context of annual national employment policy budgets.
 8. As pointed out in previous EESC opinions, in order to improve the effectiveness of the new EES, there is still a need for:
 - the guidelines to be combined with quantitative objectives, especially at national, regional and local level;
 - greater emphasis to be put on results and on more effective implementation (including the monitoring thereof) and
 - these results to be accompanied by recommendations.
 1. The EESC firmly believes that these recommendations in particular provide the key to implementation of the strategy by the Member States. Therefore, the annual review of implementation and progress in relation to the objectives set (based on the NAPs and the performance indicators) will have to continue, and EES reform will thus also have to focus on increasing the onus on Member States, for instance, through additional quantifiable objectives.
 2. In any event and irrespective of the results, the relevant statistical data are vital for feedback on the EES. The EESC highlights the importance of such data and calls on the Commission to work in a coordinated manner and with all its resources to secure in good time reliable

statistical data based on comparable and credible indicators for all the Member States.

4. Specific comments

1. Based on the points made above, the EESC feels that the new EES, which includes concrete intermediate targets, may help to achieve the Lisbon objectives inasmuch as it will be accompanied by firm and integrated guidelines. The effectiveness of these will be monitored systematically.
2. If the choice of guidelines with a three-year time frame is to be productive, it must tie in with the major challenges of the present time, of which the most prominent are the economic situation (recession) and the forthcoming enlargement of the EU.
 1. In any event, the EESC particularly welcomes the new element of the EES, i.e. guidelines with a three-year time frame, as this makes it possible to develop medium-term policies to solve the unemployment problem.
3. In order to create the conditions for addressing the major medium and long-term challenges, as well as quality in jobs and improved productivity, the EESC attaches particular importance to the question of investment in human capital. It considers lifelong learning to be a guideline of prime importance and strongly emphasises the need to substantially increase the relevant investment using public and private resources. At the same time, it highlights the need to find and develop a more flexible and productive way of using the funds available, emphasising the role and contribution of the Structural Funds and particularly of the European Social Fund for this purpose.
4. In addition to tying the guidelines in with today's major issues (point 4.2) and giving priority to investment in human capital, as well as simplifying the guidelines and underpinning those in the previous EES which have proved effective, it will be necessary to reinforce the newly introduced elements in the new generation of employment guidelines, specifically:
 1. There should be a guideline devoted to enhancing preventive and active measures for the long-term unemployed, the inactive, the disabled, women, young people and ethnic minorities with the aim of removing the obstacles preventing them from entering and staying in the labour market and in viable jobs. In that connection, particular importance is also attached to identifying jobseekers' requirements at an early stage and the appropriate provision of support and reintegration schemes.
 1. As regards the disabled¹¹, an integrated institutional approach is required, including strengthening employment guideline 7, powerful incentives for employers who employ disabled workers and the creation of the necessary conditions for familiarising disabled people with modern technologies.

2. There should also be a guideline devoted to the gradual conversion of undeclared work into legal employment and of the black economy into legitimate economic activity. This can be achieved with a combination of measures and incentives, by simplifying procedures and by reducing taxation on work.

3. Another guideline should be devoted to the creation of favourable conditions for developing businesses and reinforcing entrepreneurship, especially for small and medium-sized enterprises, as well as partnerships (cooperatives, associations, mutual societies), the prime objective of which would be to create more high-quality and durable jobs.

1. On the subject of entrepreneurship in particular, the EESC would point out that

- entrepreneurial activity, including that by people who aim to provide social services and/or services of general interest, is the real job creator;
- small enterprises are usually labour-intensive, creating more jobs than large enterprises, which tend to be more capital-intensive;
- an increase in the number of small and medium-sized enterprises in the EU on its own is not an adequate indicator of policy success;
- care must be taken to ensure that there is an increase in the number of small businesses and that people are not being forced to opt for independent entrepreneurial activity because the regular labour market does not provide any opportunity or prospect of paid employment¹²;
- businesses in the traditional sectors still contribute to job creation and should therefore be included in European and national policies in support of enterprises;
- there is a need to improve quality in the creation of enterprises by providing appropriate training for prospective entrepreneurs and support services for emerging businesses.

4. Another guideline should be devoted to the management of migration trends¹³ and the integration of immigrants into an evolving society through employment.

1. The EESC believes it is necessary for the EU to develop a uniform immigration policy as immigration, illegal immigration and undeclared work are interlinked. With regard to the new EES, the EESC supports the inclusion of immigrants in the formal labour market as this may contribute to achieving the Lisbon objectives and social cohesion.

2. In this connection, the Committee endorses the Commission principle of non-discrimination in relation to non-EU workers, but feels that this must be linked to the clear and reliable management of new labour immigration and effective measures to combat undeclared work.

5. Lastly, the removal of regional disparities in employment, both between Member States and within them, is also a priority to which the new EES should devote a guideline.

1. The EESC feels that this guideline should focus on mobilising the Member States and local social partners and territorial authorities.

5. The EESC does not agree with the Commission's argument¹⁴ regarding "poverty traps" as it is too much of a generalisation¹⁵.

6. The Committee endorses the high priority given to reducing the number of accidents at work¹⁶. This should also be a priority in the Member States.

7. The Committee welcomes and endorses the line taken by the Commission in promoting the mobilisation of all players, including civil society and NGOs, in the employment strategy and creating opportunities for them to be involved¹⁷.

5. Conclusions and proposals

1. The EESC endorses the three interlinked objectives of the new EES, i.e.:

- increasing the employment rate and full employment;
- quality and productivity at work;
- cohesion in a labour market without exclusions.

The Committee feels it is extremely important that these objectives be translated into clear guidelines for the Member States.

2. This endorsement, as well as the EESC's proposals, take account of the following factors:

- the role of economic policies in creating growth and therefore jobs;
- the current economic slowdown;
- the major step of enlargement;
- the longstanding trend towards an ageing population;
- the continuing disparity between the sexes, despite a slight improvement.

3. The EESC feels that investment in human capital and the development of the institution of lifelong learning are key factors for achieving the objectives of the new EES. With regard to the latter in particular, the EESC proposes that there should be higher quantitative objectives for 2010 in the EES than those given¹⁸.

4. The proposal to make work pay highlights the complex interconnection between social protection and employment, as well as the need for synergy between policy areas which affect one another (e.g. fiscal policy and taxation, benefit policy and social protection, job protection).
 1. In this context, the EESC proposes that the Member States establish incentives to subsidise unemployed people who are receiving education or training (lifelong learning). It is clear that these incentives will be provided in addition to the unemployment benefit paid by the state where the unemployed person resides. Social Fund resources could be used for this purpose.
5. The EESC feels it is right that immigration policy is highlighted as a facet of the new EES and points out the need to give priority to developing a single EU immigration policy.
6. The Member States will have to commit administrative and financial resources (even if, in some cases, it is necessary to restructure public spending) to support implementation of the ambitious goals of the new EES.
 1. On this point, the Committee calls for national parliaments to be involved in procedures to do with the EES. If NAPs were discussed and approved by national parliaments in the context of the corresponding annual national budgets, this would certainly improve the quality of employment policy, as well as helping to integrate it more effectively with the various other national and European policies.
7. The EESC proposes the immediate implementation of the social partners' proposal for tripartite cooperation on growth and employment, as well as formalisation of the subsequent proposal of the European Commission to hold a tripartite social summit before the Spring European Council.
8. The Committee also agrees with the proposed quantitative objectives in the new EES with 2010 as the target date and feels that relevant intermediate national objectives should be set. These should be determined by the Member States and systematically assessed under the open method of coordination.
9. The EESC feels that an integrated policy to create more high-quality and viable jobs requires favourable conditions to foster entrepreneurship in general and thus all kinds of enterprises. It therefore calls on the Member States and the Commission to develop specific and integrated policies according to circumstances. With the prime objective being to create more high-quality and viable jobs, the EESC points out in particular the importance of actually implementing the recommendations of the European Charter for Small Enterprises and bolstering such enterprises, as well as partnerships (cooperatives, associations, mutual societies).

Brussels, 26 March 2003.

The President
of the European Economic and Social
Committee

The Secretary-General
of the European Economic and Social
Committee

Roger Briesch

Patrick Venturini

*

* *

N.B.: Appendix overleaf.

APPENDIX

The following amendment was rejected but obtained at least one-quarter of the votes cast :

Point 4.4.2

Last sentence – amend to read as follows:

" 3.4.2 There should also be a guideline devoted to the gradual conversion of undeclared work into legal employment and of the black economy into legitimate economic activity. This can be achieved with a combination of measures and incentives, and by simplifying procedures ~~and by reducing taxation on work.~~"

Result of the vote

For: 41

Against: 48

Abstentions: 8.

Reason

Reducing taxation on all types of work would lead to huge reductions in revenue, as taxes would have to be removed almost completely in order to make illegal work unprofitable. If taxes were only to be cut in sectors where illegal work is rife, whole sections of industry would have to be subsidised. This would lead to completely unacceptable distortions of competition between sectors.

¹ Treaty Articles 98 and 99

² cf. CES 1198/97

³ OJ C 209 of 22.7.1999, OJ C 368 of 20.12.1999, OJ C 14 of 16.1.2001, OJ C 36 of 8.2.2002

⁴ cf. CES 591/2002

⁵ cf. CES 317/2003 (Resolution to the Spring European Council of 21 March 2003)

⁶ *ibid.*

⁷ cf. EESC opinion on ageing workers, OJ C 14 of 16.1.2001 and OJ C 36 of 8.2.2002, point 2.2

⁸ cf. OJ C 117 of 26.4.2000

⁹ cf. OJ C 125 of 27.5.2002

¹⁰ COM(2002) 487 of 3.9.2002

¹¹ cf. OJ C 241 of 7.10.2002

12 cf. CES 943/99 (appendix)

13 cf. OJ C 125 of 27.5.2002, point 4.1.12

14 cf. point 2.2.2 of the Communication

15 Experience in the Member States shows that this only happens in particular cases and that there are legal provisions prohibiting abusive claims. The EESC fears that this generalisation might be interpreted in the Member States as an incentive to cut all social welfare services.

16 cf. last sentence of point 2.2.7 of the Communication

17 This approach follows on from the positive example set by involving the economic and social partners in the Structural Funds monitoring committees. The economic and social partners see it as their own particular challenge to be involved in national dialogue on the EES. For example, they are directly implicated in the use of the term "Social Economy" in point 2.2.11, in pursuing the goal of cohesion and an inclusive labour market and in delivery and governance at local level.

18 "By 2010, the EU-average level of participation in lifelong learning should be at least 15% of the adult working age population (25-64 age group) and in no country should it be lower than 10%" COM(2002) 629 final, point 59.

"The EESC therefore feels that the proposed European benchmark for lifelong learning should be modified to make it more ambitious. A target of bringing the country with the lowest performance today up to the level of the highest performer by 2010 is ambitious, but necessary." EESC opinion in preparation (point 3.5.2), on COM(2002) 629 final (European benchmarks in education and training).

- -

- -

SOC/124 - CESE 405/2003 EL/JW/ym

Rue Ravenstein 2, B-1000 Brussels. Tel. +32 (0)2 546 90 11 Fax +32 (0)2 513 48 93 Internet <http://www.esc.eu.int>

EN

.../...

CESE 405/2003 EL/JW/ym