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

A Shared Commitment for Employment

TABLE OF CONTENTS

1.	INTRODUCTION.....	3
2.	A SHARED COMMITMENT FOR EMPLOYMENT: KEY PRIORITIES AND ACTIONS	3
2.1.	MAINTAINING EMPLOYMENT, CREATING JOBS, PROMOTING MOBILITY	4
2.2.	UPGRADING SKILLS, MATCHING LABOUR MARKET NEEDS.....	7
2.3.	INCREASING ACCESS TO EMPLOYMENT	9
3.	MAKING BETTER USE OF COMMUNITY FUNDS	10
3.1.	MOBILISE ALL AVAILABLE FUNDS IN RESPONSE TO THE CRISIS	11
3.2.	ACCELERATING FUNDING TO TACKLE THE CRISIS.....	12
4.	PREPARING THE FUTURE	13
5.	CONCLUSION	14

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A Shared Commitment for Employment

1. INTRODUCTION

The main impact of the recession is on people: the top challenge for the EU today must be to prevent high levels of unemployment, to boost job creation and pave the way for economic renewal, sustainable recovery and growth. This will only be achieved with stronger cooperation between all stakeholders, better policy coordination and mutual learning, i.e. with a shared commitment to develop and implement the right policies and actions: to preserve sustainable jobs in sound economic activities and help people into productive employment; to support the most vulnerable; and to prepare for the jobs and skills of the future. The measures needed to combat the social and employment impact of the current crisis must go hand-in-hand with the necessary structural reforms addressing the long-term challenges of globalisation, demographic and climate change.

The EU's Lisbon strategy has underlined how job creation relies on active employment policies, a sound macro-economic framework, investment in skills, research and infrastructure, better regulation and the promotion of entrepreneurship and innovation. The EU reacted rapidly to the crisis through the European Economic Recovery Plan which highlighted the need to counter the effects of the crisis on jobs; the first effects of the Plan are already promising, and social safety nets play their stabilising role. The recovery measures taken by Member States are largely in line with the Union's long-term reform objectives (see Annex 1).

However, as labour markets continue to deteriorate in reaction to the economic downturn, additional action is needed. Since the Spring European Council, the Commission, Member States, European Parliament, social partners and representatives of civil society have been working on the best ways to tackle the impact of the crisis on jobs.

2. A SHARED COMMITMENT FOR EMPLOYMENT: KEY PRIORITIES AND ACTIONS

Europe must not just tackle the recession but turn it into an opportunity to create a more productive, more innovative, better skilled and low carbon economy; one with open and inclusive labour markets, offering a more cohesive and equal society and jobs that are responsive to age, gender equality and work/life balance concerns. This cannot be a one-off effort but rather a continuous collective process.

European labour markets will be changed profoundly by the crisis. Workers and companies must be given the necessary means to successfully adjust to these changing realities: to retain sound jobs, enhance skills at all levels, get people back to

work and set the conditions for new job creation. 'Green jobs' have the potential to become a key growth segment of future EU labour markets: already today more than 20 million EU jobs can be considered as 'green' (10% of total employment), and recent evidence shows that jobs in the renewable energy sector alone have a potential to double to 2.8 million by 2020¹.

Flexicurity remains the right approach to modernise and foster the adaptability of labour markets, increase competitiveness and prepare for recovery; the Commission welcomes the EU social partners' agreement, within their joint work programme, to monitor the implementation of the EU common principles of flexicurity and draw joint lessons.

The Commission Communication "Driving European recovery"² outlined a number of elements to help Member States design and implement appropriate and effective employment policies. On this basis, the Spring European Council and the three employment workshops held in Madrid, Stockholm and Prague in April 2009 helped define **three key priorities**: maintaining employment, creating jobs and promoting mobility; upgrading skills and matching labour market needs; increasing access to employment. Finally, the Employment Summit of May 7 allowed for an exchange of views on these priorities, and found common ground on 10 actions³.

Building on this common effort, this Communication proposes an EU Shared Commitment for Employment, aiming to strengthen cooperation between the Union and its Member States as well as between EU social partners, on the three key priorities, focussing on concrete actions and supported by all available Community instruments, particularly the European Social Fund (ESF) and the Globalisation Adjustment Fund. The priorities and actions should be tailored to the changing labour market and budgetary situations of each Member State, and maximise the added value of EU action in supporting the efforts of Member States and social partners. The Shared Commitment should contribute to Europe's role in shaping the global effort of the international community towards recovery and sustainable growth. Progress in implementation should be discussed by the Commission, Member States and the social partners at the Tripartite Social Summits.

2.1. MAINTAINING EMPLOYMENT, CREATING JOBS, PROMOTING MOBILITY

Temporary short time working arrangements have been effective in maintaining employment in several Member States, especially if accompanied by financial support for income loss and training. They are an important part of the EU flexicurity principles and the national flexicurity pathways. These arrangements can save considerable firing and (re)hiring costs for firms, prevent the loss of firm-specific human capital, and at the same time enhance workers' employability. They should be temporary and well targeted, not undermine labour participation and competitiveness, and SMEs and workers on non-permanent contracts should also benefit.

¹ See: http://ec.europa.eu/energy/renewables/studies/doc/renewables/2009_employ_res_report.pdf

² COM(2009) 114, 4.3.2009.

³ See: <http://ec.europa.eu/social/main.jsp?catId=103&langId=en&eventsId=173&furtherEvents=yes>

Creating jobs requires the right environment for entrepreneurship, innovation and self-employment as well as a stronger focus on demand side policies. Similarly, a practical culture of anticipation and management of business restructuring - with the participation of companies, workers, social partners and public authorities - can improve competitiveness and adaptability, and secure career paths for workers while preserving the economic fabric of regions and communities. The Commission welcomes the EU social partners' joint work on restructuring, which should serve as the basis for better informed practices. Agreements involving public employment services and social partners could ensure that workers who are made redundant get the support they need to find new employment including training. Member States can grant State aid in favour of newly created small enterprises in assisted regions or by women entrepreneurs. Eurofound, the European Foundation for the improvement of living and working conditions, and Cedefop, the European centre for the development of vocational training, will be mobilized to provide information and expertise on managing change and skills forecasting.

Even in the midst of the current crisis, many job vacancies remain unfulfilled across Europe due to mismatches between skills offered and labour market needs. Workers who lose their job should be given a better opportunity to seek employment abroad without losing their entitlement to unemployment benefits in their country of residence; this possibility exists but is generally limited to a short, three-month period. Mobility is also currently very limited, including for apprentices and trainees, due to the very different situations of the Member States and to citizens' lack of information on mobility opportunities. Public employment services have a key role to play in this context. An effective implementation of the Posted Workers Directive requires reinforced administrative cooperation and exchange of good practice.

Proposed priority actions

Better use of short-time working arrangements

- The development by Member States of effective schemes, supported by the European Social Fund (ESF), to maintain viable employment and optimise the impact of temporary short-time working arrangements and training while avoiding negative spill-overs (see Annex 2).

Better anticipation and management of restructuring

- The Commission has established a practical "Toolkit for restructuring"⁴; on this basis, an exchange of experiences between all stakeholders could lead to the development of best practices to facilitate anticipation and management of business restructuring, with the support of the ESF;
- To facilitate restructuring processes, social partners could establish sectoral partnerships i.e. specific action plans and burden sharing agreements with regional and local authorities with ESF support. With the support of the Commission, such partnerships could suit sectors facing EU-wide challenges and draw on the example of the car industry. Similarly, social partners and local authorities should establish, wherever possible, negotiated agreements to

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See: <http://ec.europa.eu/social/main.jsp?catId=103&langId=en>

help workers facing redundancy to find a new job through training, coaching and jobs search: redundancy should only be the last option.

Boosting job creation

- Member States should step up the work to create a friendly environment for entrepreneurship, e.g. through a sustainable reduction of non wage labour costs including taxation, investing in research and infrastructure, reducing administrative burdens, promoting better regulation and encouraging the development of SMEs;
- Member States, together with social partners and with ESF support, should assist unemployed and young people in starting their own business on a sustainable basis, e.g. by providing business training and start-up capital.

Facilitating mobility

- The Commission will launch a large-scale awareness-raising and information campaign on intra-EU mobility opportunities, based on the job vacancies portal 'EURES'⁵. It will also establish a new 'Match and Map' on-line service, with a pilot action ready by end-2009, providing information on occupations, learning and training opportunities to help match a person's competences with available job vacancies throughout Europe;
- Member States are encouraged to extend to 6 months the entitlement to unemployment benefits of unemployed citizens looking for a job in another Member State;

2.2. UPGRADING SKILLS, MATCHING LABOUR MARKET NEEDS

Europe's prosperity depends on its ability to create competitive and sustainable jobs carried out by a highly-skilled workforce: a shared commitment to upgrade skills at all levels is critically important, both to address the short-term employment impact of the crisis and to pave the way for a low carbon, competitive, knowledge-based economy.

Education and training need to be more relevant to labour market needs, including in traditional sectors of the economy: young people need the right skills to seize the current employment opportunities and the transversal skills for adaptability in a rapidly changing labour market. The lack of recognition of skills and competences acquired in informal learning hampers employment opportunities. Social dialogue has an important role to play in skills definition, acquisition and recognition, especially in emerging economic sectors.

To grasp the opportunities for recovery, and to promote social innovation, it is essential to identify current and future skill needs as provided for in the New Skills for New Jobs Initiative. In some Member States, sector-level councils on employment and skills already help bring together business, social partners and public authorities for the identification of future needs; several partnerships between universities and business aim at improving curriculum development, entrepreneurship and knowledge transfer. These initiatives should become general practice and provide the basis for education and training plans.

⁵ <http://ec.europa.eu/eures/home.jsp?lang=en>

The need to modernise education and training does not stop with initial education. Evidence shows that firms that don't train their workers are twice as likely to go out of business as those which do. SMEs and innovative businesses in particular are often in need of targeted support, since they face a particular skills challenge and greater financing constraints than bigger companies. Joint funding mechanisms by public authorities, companies and social partners could contribute to sustaining and increasing participation in training.

Given the reduced number of job openings in the downturn, people now finishing their education risk facing unemployment and inactivity spells, which may damage their employability even after recovery. Without basic skills, and these are too often lacking, it is even more difficult to find a job. Young people now seeking to enter the labour market need the best possible support in the form of job placements, practical job-linked training, or access to further studies to gain the key competences needed for future labour market success. This can be supported through: maintaining and developing apprenticeships in companies and the public sector in spite of the crisis through well designed national targets; more opportunities for learning mobility, including for apprentices and for vocational education and training and graduate trainees; and resolute action to reduce the number of early-school leavers and of young people with an insufficient level of key competences. The EU Lifelong Learning Programme should also be mobilised to support innovative actions which explore how to improve learning of job-relevant skills and partnerships between businesses and educational institutions.

Proposed priority actions

Upgrading skills, strengthening lifelong learning

- The Commission will step up the New Skills for New Jobs agenda. It will present a sector-by-sector analysis of emerging skills needs, including skills for a low carbon economy. It will disseminate a Guide for Training in SMEs and explore the possibility of establishing EU-level sector skills councils bringing together business, social partners and public authorities;
- Member States should use the ESF support available to urgently strengthen their capacity to anticipate and forecast future skills needs, to better match skills demand and supply in sectors and industries most affected by the crisis. Member States should continue to improve the quality and accessibility of education and training;
- Member States should work with the social partners to further develop and implement national qualification frameworks, based on learning outcomes and linked with the European Qualifications Framework. This should include reinforced schemes for the validation of skills, including those obtained through informal learning, especially in sectors with high employment growth potential such as health or long-term care services;
- The Commission together with Member States, within the new strategic framework for education and training, should reinforce the effectiveness of life long learning by promoting flexible learning and training pathways. The Union has recently agreed that 15% of workers should participate in lifelong learning,

and 40 % of people aged 30 to 34 should have completed university education by 2020. To ensure rapid progress in upskilling the workforce towards these benchmarks, Member States are encouraged to set national targets in the areas covered by the European benchmarks, taking account of their individual needs.

Helping young people now

Member States, with the support of the Commission, the ESF, and where appropriate the social partners, should:

- ensure that at least 5 million young Europeans can enrol in a high quality apprenticeship up to the end of 2010. Companies should also continue to offer traineeship places to develop the employability of students;
- develop urgently strategies to reduce early-school-leaving, and to ensure more young people leave school with an upper secondary level qualification, since many countries are still far from the EU benchmark of a maximum of 10% school drop-outs. This could involve: measures to keep people in school longer; raise the minimum school leaving age; school attendance allowances; flexible and alternative education pathways in schools and vocational education institutes;
- strengthen the 'New Start' EU target for the young unemployed: each individual should receive an early opportunity for training or work: no later than one month after becoming unemployed for 15-19 year olds, and two months for 20-24 year olds; support youth organisations in providing training and helping early school leavers and drop-outs.

2.3. INCREASING ACCESS TO EMPLOYMENT

In order to alleviate the social impact of the crisis, it is essential to retain and bring more people into the labour market, especially women, older workers and other groups facing discrimination, to prevent long-term unemployment and inactivity. The best way out of exclusion is employment: social Europe starts with a job – yet even before the crisis, far too many EU citizens who could join the labour market did not have access to a job.

The EU common principles for active inclusion provide an integrated framework to increase employment, fight social exclusion and support social cohesion through the modernisation of social protection systems: the case for a rapid implementation and monitoring of the recent Commission Recommendation on active inclusion endorsed by the Council is stronger than ever. With the crisis, new types of solidarity will be needed. The minimum income schemes already in place in most Member States can play an important role as automatic stabilisers, and be strengthened if necessary to help maintain the purchasing power of those without a job particularly in countries where unemployment benefit coverage or duration is lowest.

Urgent actions are needed to make transitions pay and improve access to employment: reducing employers' costs of hiring, and exploiting the potential of job creation especially for the low-skilled; reducing disincentives to work; improving the structure of tax and benefits to make work pay, including reducing the tax burden on

second earners; providing incentives for the unemployed to set up their own business, e.g. through entrepreneurship training and micro-credits. Countries now facing inflows of returning emigrant workers due to the crisis should also facilitate their swift integration in the labour market. Since women are on precarious contracts or outside the labour market more often than men, measures to ensure gender equality should be reinforced.

To improve the chances of the disadvantaged to succeed in the labour market, including legal third country immigrants, and to help redundant workers and the unemployed at the earliest possible stage, there is a strong case for better cooperation between public authorities, public and private employment services, social services, adult education services, social partners and civil society. Member States and public employment services in particular, should also step up mutual learning to improve the efficiency and effectiveness of active labour market policies.

Proposed priority actions

Reinforcing activation and facilitating access to employment

Member States should devote a significant amount of their ESF resources to improve the efficiency of their national employment systems and active labour market policies, and provide incentives to establish a business or become self-employed. Member States should step up efforts to actively implement and monitor the EU common principles for active inclusion. In line with these principles and given the large possibilities opened by existing State aid rules, they are encouraged to:

- strengthen the 'New Start' EU target for unemployed adults, to ensure they receive a new job, additional training, an apprenticeship or other employability measure not later than 3 months after registering with the public employment service;
- help the long-term unemployed back into jobs by lowering non-wage labour costs, e.g. by eliminating social security contributions upon hiring a long-term unemployed for 6 months, and applying a reduced level for a further period;
- promote the employment of vulnerable groups and older workers through targeted in-work benefits and recruitment incentives, including in the social economy, while discouraging early retirement schemes;
- stimulate demand and jobs for low skilled labour, e.g. by introducing tax breaks or other incentives, such as service cheques for household and care services;
- strengthen, with the support of the Commission, cooperation and exchange of experience between public and private employment services, to increase their capacity to deal with the new and large inflow of jobseekers.

3. MAKING BETTER USE OF COMMUNITY FUNDS

A Shared Commitment for Employment must be underpinned by all available Community instruments. Through the ESF, Member States already support many recovery measures which match the key priorities and actions identified in this Communication (see Annex 3). Furthermore, since the adoption of the European

Recovery Plan, EU institutions have agreed a number of legislative changes to strengthen the role of the ESF in mitigating the effects of the crisis. The European Regional Development Fund should also be fully exploited to support anti-crisis actions.

Access to, and use of, the ESF has been simplified; ESF advance payments to Member States have been accelerated and increased: some EUR 1.8 billion have been paid out. The scope of the European Globalisation adjustment Fund (EGF) has also been widened, and it can now be fully mobilised: any company closure resulting from the crisis involving at least 500 workers can now be covered; eligibility criteria have also been simplified.

3.1. MOBILISE ALL AVAILABLE FUNDS IN RESPONSE TO THE CRISIS

The ESF is an exceptional tool for investing in people: approximately 9 million citizens benefit directly from ESF support every year. More can be done to fully exploit these possibilities. The sudden impact of the crisis requires the urgent mobilisation of ESF resources that are normally disbursed gradually over a period of 9 to 10 years. Through the full use of the budget available within the EU financial perspectives, the Commission will ensure the availability of approximately **EUR 19 billion for the ESF in 2009-2010 alone**.

The Commission will actively support Member States in the swift delivery of these funds while respecting Community State aid rules⁶; it will introduce a fast-track procedure whenever the adaptation of an ESF programme is required, shortening the process to not more than 1 month, and will provide operational guidance to national authorities. The Commission also calls on Member States to accelerate spending and reduce bottlenecks in national funding systems, so that ESF payments to national Treasury accounts are rapidly disbursed to the beneficiaries of ESF programmes. Member States are also encouraged to take full advantage of European Investment Bank (EIB) loans to enhance ESF spending on their rapid recovery packages.

The involvement of social partners is of key importance for the success of employment measures, as illustrated by their valuable "Joint Recommendations on support to economic recovery by the ESF". The ESF can help: **EUR 1.2 billion are earmarked for social partners within the ESF** in regions lagging behind, exclusively for capacity building and joint actions; social partners, in cooperation with the Member States, should make full use of this facility.

In order to maximise the impact of EU and national financial support for the key priorities and actions outlined in this Communication, Member States, with the participation of social partners, will be helped to put in place **rapid reaction packages, focussing ESF financial support on:**

- **helping workers and companies undergoing restructuring** including in-company training schemes, combined when appropriate with incentives to

⁶ The Commission has today adopted guidance on compatible State aid for training (COM(2009)xxx) as well as guidance on compatible State aid for disadvantaged and disabled workers (COM(2009)xxx).

recruit the long-term unemployed; incentives to/ reduction of the cost of mobility to regions with job opportunities (e.g. subsidising transport costs);

- **promoting entrepreneurship and self-employment** including setting up new businesses or reducing the cost of borrowing; designing sustainable business plans and mentoring for new business; reducing red-tape and simplifying procedures for establishing business;
- **matching skills and labour market needs** including high quality training and education schemes; new training schemes or curricula on entrepreneurship and a low carbon economy; researchers to promote innovation; instruments, including ICT, to better monitor and anticipate labour market needs;
- **young people** including creating more places or grants and loans for training and formal education; incentives to companies to provide traineeships and apprenticeships or employ young people; alternative training paths for early school leavers;
- **the most vulnerable groups** including activation measures and incentives for companies to employ disadvantaged workers or adapt working conditions for work-life balance and specific needs (e.g. for older workers, people with a disability);
- **public employment services** including providing services to the growing number of clients, upgrading the skills of PES staff, and promoting co-operation with other stakeholders.

3.2. ACCELERATING FUNDING TO TACKLE THE CRISIS

Two accelerated funding possibilities will significantly help Member States' recovery measures:

- To support the implementation of the rapid recovery packages, as well as Cohesion Policy investment more generally, the Commission will propose shortly an amendment to the Structural Funds Regulation, to give Member States the option to **not provide national co-funding during 2009 and 2010**. Without changing the distribution of funds between Member States or the annual ceiling of the EU financial framework for payment appropriations, this option of frontloading expenditure through an EU reimbursement rate of 100% during the expected peak of the crisis should accelerate project implementation, while reducing financial constraints particularly in Member States where ESF co-funding represents a significant amount of overall employment expenditure. The Commission, in partnership with the Member States, will closely monitor the impact of the rapid reaction packages through the current ESF annual and strategic reporting systems.
- To offer a new chance to the unemployed and open the road to entrepreneurship for some of Europe's most disadvantaged groups, including the young, the Commission will shortly propose a new **EU microfinance facility for employment**, to develop micro-enterprises and the social economy. By reallocating EUR 100 million from the existing budget which could leverage more

than **EUR 500 million**, in a joint initiative with international financial institutions particularly the EIB Group, this new facility will extend the range of targeted financial support to new entrepreneurs in the current context of a reduced credit supply. Founders of microenterprises will also be supported by mentoring, training, coaching and capacity building, in addition to interest-rate support by the ESF.

4. PREPARING THE FUTURE

In order to emerge stronger from the crisis, the EU must fully exploit the opportunities of the European social market economy by pursuing its long-term reform strategy, to transform the Union into a low carbon, more competitive, innovative economy with open labour markets, offering a more inclusive society with better workplaces. To this end, Europe must invest in people's skills and employability, and ensure inclusive and efficient labour markets anchored in the flexicurity principles.

While the impact of the current crisis is unprecedented and many jobs have been lost over the last few months, many more were created in the years of growth that preceded it. Over the last twelve years, the EU has been instrumental in fostering progress in labour market policies and performance, first with the European Employment Strategy (EES) and then in the framework of the Lisbon Strategy: through the identification of common challenges, priorities and best practice; through ambitious common objectives and targets; and through mutual learning.

The main responsibility for developing labour market and social policies will continue to rest with the Member States; and the diversity of situations between and within Member States may require a more differentiated approach. Yet the shared values of openness, solidarity and opportunity, supported by the different national and EU policies and institutions and by the extensive body of Community legislation, provide real benefits and EU added value to European citizens.

These values should continue to underpin the Union's response to the crisis; in fact, the role of the Union is more important now than ever; the EU post-2010 strategy in the field of employment will need improved instruments, resources and methods, as well as a clear vision of the key challenges faced by our societies, to help Europe and its citizens come out of the recession stronger than before.

Policy coordination in the frame of the EES, including through employment guidelines and country-specific recommendations, has been a key tool for the promotion of reforms to foster economic growth and jobs creation. However, in the light of past experience and of the global, strategic, technological, demographic and environmental challenges, future policies and objectives will need to be strengthened to further promote productivity, competitiveness and social equity.

The Commission will present proposals for the post-2010 growth and jobs strategy, including the Employment Strategy, by the end of 2009. In doing so, the Commission will take into account the ongoing discussion among EU Institutions and all stakeholders, particularly on a number of orientations highlighted so far:

- The three key policy priorities described in this Communication will be equally relevant for the future EES, as the European Union bridges the gap between alleviating the crisis and preparing for recovery. The EES should help labour market policies drive growth and employment, dramatically enhance skills levels, and exploit the positive economic role of inclusion policies in employment performance and financial sustainability;
- Within a renewed EU strategy for growth and jobs, the EES should be simpler, with more focussed objectives, to ensure greater consistency;
- National ownership should be strengthened, with stronger involvement of national parliaments, social partners and other stakeholders in the design and adoption of the Member States' reform programmes; a more focussed use of the Structural Funds, in particular the ESF, should support the implementation of employment policies;
- The coordination role of the Commission and Member States in association with social partners will be essential to facilitate cross-country comparison and benchmarking.

5. CONCLUSION

An EU Shared Commitment on the key priorities outlined in this Communication should help address the Union's medium and long term challenges and ensure consistency between these and the short term recovery measures.

The Commission invites the European Council to:

- Agree on the three key priorities of the EU Shared Commitment for Employment;
- Endorse the process for the implementation, by Member States, the Commission and the social partners, of the actions proposed within each priority, taking into account the specific situation of each Member State;
- Endorse the Commission's proposals for better use of Community funds in response to the crisis;
- Invite the Tripartite Social Summit ahead of each Spring European Council, to discuss and monitor progress made with the establishment and implementation of the Shared Commitment's priorities and actions;
- Take note of the Commission's proposal to monitor the implementation of the EU Shared Commitment, in cooperation with Member States and the EU social partners, and to report on progress made and on its implications for the Union's post-2010 agenda to the Spring European Council of 2010.

Annexes:

1. Recent employment measures taken by Member States
2. Promoting temporary short-time work

3. Better use of the ESF