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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**

***VOLUME 2: ANNEXES***

## Annex 1

### RECENT EMPLOYMENT MEASURES TAKEN BY MEMBER STATES

#### Introduction

This overview presents and analyses a selection of recent measures enacted in each of the three priority fields identified in the Communication. It is based on work undertaken by the Commission services with the help of the EPC, EMCO and SPC representatives and should be read in conjunction with Annex 2 which focuses on temporary short-time working arrangements. It also includes the results of discussions with Member States and social partners in three workshops leading to the 7 May Employment Summit confirming i.a. the need for: maintaining employment, creating jobs and promoting mobility; upgrading skills and matching labour market needs; and increasing access to employment.

Following the European Recovery Plan, most Member States have set a national recovery plan including provisions for employment and social policies. On the basis of information collected on the Stability and Convergence Programmes and their Addenda (national recovery plans) and through the policy committees, almost 300 measures have been identified as being announced across the EU. (See overview table<sup>1</sup> page 8).

The measures demonstrate examples of targeted and productive ways forward to soften the impact of the crisis on the labour market. At this stage, bearing in mind that there is still uncertainty about their precise outcomes, and that the effectiveness of these measures also depends on economic and labour market developments in individual Member States, it is not yet possible to identify "best" practices to guide policy action throughout the EU. This, however, will be subject of work over the coming months in cooperation with Member States and other institutions like the OECD. However, despite the fact that measures vary in how they meet country-specific situations, there is a clear basis – as acknowledged in the Employment Committee's contribution to the Employment Summit (28 April 2009) – to achieve agreement already at this stage of the crisis on certain policy principles to assist European economies and labour markets thrive on recovery.

#### Maintaining Employment, Creating Jobs, Promoting Mobility

A first priority is to avoid job losses, particularly in sectors and firms that were fundamentally sound prior to the crisis. In particular, the Communication for the Spring European Council ("Driving European recovery") suggests Member States focus on keeping people in employment, notably by providing financial support to short time working arrangements (STWAs). It appears that in a number of European countries, job losses have indeed been contained so far, largely due to these measures. With the risk of unemployment increasing, better use of these arrangements must be ensured, including their accessibility for SMEs and workers on part time and non-permanent contracts. These improvements can include making eligibility conditional on pre-specified criteria, one of which may be the coupling of STWAs

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<sup>1</sup> First presented as part of the "Preliminary assessment of employment and social policies to soften the impact of the crisis" prepared for the EPC of 16/04/2009.

with work-related training to improve the employability of workers and ease their possible transition to new jobs. To support this process, the Commission has identified a number of elements through a stocktaking exercise with Member States<sup>2</sup> (see annex 2)

For measures to be well-targeted, one must minimise the risk of protecting non-viable firms in order to ensure the economy can reallocate resources to more productive uses. Measures should also exclude, as far as possible, firms that would have retained their workers in any case.<sup>3</sup> On selecting viable firms, some Member States operate STWAs which can only be used by firms that demonstrate that their long-term financial position is sufficiently sound according to government set minimum thresholds. Other Member States have solved this problem by providing lending schemes to businesses instead of subsidies.<sup>4</sup> Alternatively, some STWAs (NL and to some degree ES) partly subsidise short-time working *only* if the worker is fully employed again after the STWA-period is over.

Although affecting labour markets in all Member States, some regions or countries are hit worse than others by the crisis. Experience shows that business cycle shocks can be softened by workers moving from regions with high unemployment to those with low unemployment.<sup>5</sup> However, geographic mobility in Europe is limited due to a number of obstacles. Aside from an uncertainty over the advantages of being mobile, individuals face a number of hurdles to free movement. These can range from legal and administrative obstacles, housing costs and availability, employment of spouses and partners, portability of pensions, linguistic barriers and issues on problems with the acceptance of qualifications in other Member States.

In the current situation, labour market policies facilitating mobility might be asked for, like unemployment benefits designed with built-in incentives for mobility. Properly targeted economic incentives could help job-seekers and workers to move within a country or across national borders. Another example is the removal of remaining restrictions on the free movement of workers within the EU. Belgium and Denmark have just fully opened their labour markets to workers from the Central European Member States which joined the EU in 2004 (Denmark also for Romanian and Bulgarian citizens). Lifting restrictions now also helps to avoid some of the more serious problems associated with closed labour markets, in particular undeclared work, bogus self-employment and social dumping.

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<sup>2</sup> Meetings with the Employment Committee; and Member States replies to the joint questionnaire from EC and the OECD

<sup>3</sup> First Interim Report on the OECD's Strategic Response to the Financial and Economic Crisis, 11 March 2009, OECD

<sup>4</sup> This is likely to act as a self selection mechanism, leading more healthy firms to take loans, helping them to survive, while deterring less healthy firms

<sup>5</sup> For example, research for the US suggests that about half of any business cycle shock is absorbed by people moving around. In the current downturn a significant number of US workers are unable to move because they are tied to their region as they are unable to sell their property.

Member State and stakeholders' views on possible areas of concrete EU-action as reflected in the Prague workshop 'Maintaining employment, creating jobs, promoting mobility':<sup>6</sup>

- Use of the ESF more for supporting short time working schemes.
- Support anticipation and management of restructuring.
- Do more to improve occupational mobility.
- Monitor applications of the Posted Workers Directive.

### **Upgrading Skills, Matching Labour Market Needs**

Skills are critically important for Europe's future growth and productivity, its capacity to adapt to change and create quality jobs and the crisis now provides an opportunity to invest in skills via education and training. Young people, given their lack of work experience and being at the early stages of skills development, are critically affected by the current crisis. Skills matching and upgrading is essential in the short term, and it is also the best way to address structural changes and exploit new opportunities for sustainable jobs, such as the shift to a low-carbon economy, green jobs and the development of new technologies. Training and retraining are essential to occupational/professional mobility in mid to longer term perspectives, as many people who lose their job now will not be able to get back into their old job, occupation, or industry after the crisis. Indeed, the crisis may be an opportunity for people to change professional track and move into more promising occupations. Moreover, in the long run, Member States will need to have a highly skilled and educated workforce to ensure that the EU continues to compete on the quality of its products and services.

Training opportunities and incentives have been expanded in most countries in the face of the crisis (e.g. AT, BG, EL, FI, FR, HU, PT, RO, SI, SE, UK). On-the-job training was increasingly recognised as a key tool for improving the employability of employed workers. RO introduced a 50% support for costs of continuous vocational training for both employees and unemployed. DE established a new programme to support further vocational training for temporary workers, through a system of training vouchers. PT expanded the provision of job training to beneficiaries of minimum income. Financial support for access to education was enhanced in AT, PT and SE.

Furthermore, 19 EU countries have introduced measures to improve the design and capacity of their active labour market policies (ALMPs) and training offers to respond to the new, pressing needs resulting from the widening of the crisis. Some countries invested heavily in improving and tailoring services provided by their public agencies to ease labour market transition (DK, EL, FI, UK), whilst others only introduced minor changes to date (IT, MT). The majority of interventions have been characterised by clear targeting, to adequately respond to changing needs and priorities. Measures explicitly designed to support and ease the re-integration into the labour market of recently laid-off workers were adopted in at least ten Member States (AT, BE, FI, FR, ES, NL, SE, SI, SK and UK).

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<sup>6</sup> Workshop "Maintaining employment, creating jobs and promoting mobility" Prague, Czech Republic - 27th April 2009

## *Modernising capacities of Public Employment Services*

Modernising and improving the administrative capacity of Public Employment Services (PES) has been a central focus for several Member States (DE, DK, EL, ES, FR, HU, SE, SK and UK) in response to the growing numbers of new unemployment benefit applicants and of clients in need of labour market assistance. It is important to assess the capacity to deal with current needs, resulting from the significant inflows of new clients. At least three major changes have occurred relative to the situation facing the pre-crisis: i) the number of clients is growing, and will continue to grow at a fast pace ii) the general skills profile of clients is higher than before and iii) the effectiveness of counselling and placement activities is expected to be generally lower than in normal cyclical conditions because of the lower level of vacancies during recession.

Given these changes in the market for employment services, some Member States are considering introducing private incentives in outplacement and employment services. Along these lines, three ideas are worth mentioning: i) steering towards public private partnerships between public employment agencies and private human resource firms to accommodate the increased demand for placing and counselling activities, ii) making use of the expertise that private (out) placement agencies have with the increased variety of skills, education and work experience of their clients, and iii) creating positive outplacement incentives for the "former" employer letting some of its workforce go.<sup>7</sup>

Some countries also focused on reinforcing the preventative arm of their ALMPs. NL developed so-called "mobility centres", temporary public-private partnerships aimed at intensifying timely assistance to jobseekers and businesses, to prevent forced lay offs as far as possible. Employees who are threatened by unemployment will be assisted in finding a new job, or temporarily be sent on secondment with other employers, if necessary through additional education and training.

Subsidised job creation schemes in the public sector have been introduced, notably in CZ, HU, SK and RO. While such schemes could prove necessary at a certain stage - in case of very large unemployment growth, to prevent severe social consequences of the crisis, but also to prevent discouragement of disadvantaged groups and to preserve the mutual obligations approach of social security systems - they need to be well targeted and properly designed to avoid longer term negative effects on both public budgets and their beneficiaries.

Member State and stakeholders' views on possible areas of concrete EU action as reflected in the Madrid workshop 'Upgrading skills, matching labour market needs':<sup>8</sup>

- Exploiting the possibilities of the European Social Fund, for skills upgrading and to increase anticipation and forecasting capacity, including frontloading ESF spending in 2009-2010.
- Using the ESF for facilitating recognition of qualifications for people who are entering or moving within the labour market. Possible issues for improvement are the harmonization of qualifications and increasing the number of apprenticeships for young people leaving school.

<sup>7</sup> Based on the notion that this firm knows best the qualities of the workers it lets go and may know about alternative placement opportunities in its sector or region.

<sup>8</sup> Workshop "Upgrading of skills, matching of labour market needs" Madrid, Spain - 15th April 2009

- Identification of best practice and benchmarking, to help Member States and social partners learn from each other.
- Promoting mobility to facilitate the transitions into jobs within Europe. Enhancing the EURES portal to improve the transparency of mobility.
- Better anticipation of skills needs. The New Skills for New Jobs initiative is the beginning of a process; the Commission should help improve the capacity at EU, Member State and sector level.

There is a clear role for mutual learning about ALMP effectiveness at the EU level. So far evidence suggests that well placed training policies (meeting firms needs), together with counselling/placement activities of PES are among the most effective types of ALMPs in terms of raising the chances of being hired and/or keeping a job for longer.<sup>9</sup> Labour market training per se does not create jobs and needs to be seen as complementary to other ALMP measures. In short, these measures that are often supported by the European Social Fund are valuable both for increasing employability and improving matching of people with vacant jobs.<sup>10</sup>

EU, Member States and Social Partners should step up their efforts to avoid larger numbers of young people falling into long term unemployment. This is all the more needed as time spent out of education or employment when young can have lasting effects. One example of such action is that in NL, social partners have agreed to ensure an apprenticeship place for every school-leaver who has been unemployed for at least three months. Other unemployed aged up to 27 will, according to proposed legislation, receive a working/learning offer from their municipality.

### **Increasing Access to Employment**

Joblessness, whether due to unemployment or inactivity, is one of the main driving factors of poverty and exclusion. According to most recent data (2006) 27% of the inactive in the EU live below the poverty line, and the corresponding figure for the unemployed is as high as 41%, with a peak of 60% or more in some Member States. These are worrying figures in the context of what does not seem to be a short-lived economic crisis. Moreover, reduced demand is probably a short-term phenomenon and most longer-term projections foresee increasing labour shortages due to the ageing of our societies.

#### *Supporting employment by reducing labour costs and reinforcing activation*

Rebates on social security contributions to boost labour demand during the crisis are typically made conditional upon job creation (BE, ES, FR HU, PT, SE, SK). Measures are often targeted at those most difficult to employ, sometimes to SMEs (e.g. FR, PT) or to the self-employed (SI, SK). In a few cases the fiscal boost was directed towards sustaining employment in specific sectors, such as household-related employment services and building

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<sup>9</sup> More evidence can be found in Chapter 3 of *Employment in Europe 2006*, and references found there.

<sup>10</sup> European Employment Observatory, 11.04.09, Background paper on measures to deal with the economic crisis

maintenance (DE, SE), or strategic activities or sectors such as R&D and investment and renewable energies (BE, ES).

Lowering labour costs for both employers and employees featured already in some medium-term national reform programmes, in line with the Country-Specific Recommendations or Points to Watch under the Lisbon Strategy, and gained additional relevance in the framework of the crisis (BE, FR, SE, DE). Increased competitiveness was pursued also in the NL, where wage moderation over the medium term was traded against cuts in social security contributions for both employers and employees. In the same vein, BE extended the intersectoral structural wage adjustment system, which is a scheme consisting in a reduction of wage costs and taking the form of a partial exemption from the withholding tax on wages. HU froze minimum wages in an attempt to preserve employment. BG announced its intention to align wage increases in the public sector with productivity growth.

Improving the incentives to work embedded in the tax and benefit system was also high on the policy agendas, and in line with the long term goals of most countries. Income supplements and targeted in-work tax credits (BE, NL, SE, SK) were reinforced, the design of unemployment insurance modified so as to increase work attractiveness (BG, ES, IT), and new social assistance schemes implemented, conditional upon availability to work (FR). A few measures were also taken to support female labour market participation (e.g. MT, NL).

Apart from tax measures, where the tax pressure on labour was mainly reduced especially for low-wage earners (e.g. FI, MT, PL, SE), most of these measures appear to be temporary and contingent to the economic crisis. The risk of permanent adverse effect on public budgets seems to be quite limited in this field.

#### *Mitigating the impact of financial crisis on household and individuals*

Most Member States have taken action to provide additional support to people's income, although to different degrees. Measures range from increasing the level of minimum income or minimum wage, extending the coverage or duration of unemployment benefits, reinforcing other social benefit, to introducing tax rebates or exemptions for specific groups. Comprehensive social welfare packages were adopted in IE and UK, to face the social consequences of the crisis in an integrated way. In IE, this includes increases in old-age and other pensions, fuel allowances, unemployment and child benefits. Measures have been taken to protect mortgage holders against repossessions, to address over-indebtedness, or to create incentives for banks to give access to credit to individuals, including people on low income (ES, FR, IT, PT).

Member State and stakeholders views on possible areas of concrete EU-action as reflected in the Stockholm workshop:<sup>11</sup>

- Better use of the ESF for active inclusion measures.
- Ensure older workers and other potentially vulnerable groups see specific measures for staying or regaining employment such as reduced social security contributions.
- Envisage greater use of employer financed funds to provide training for about-to-be made redundant workers.

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<sup>11</sup> Workshop "Increasing access to employment" Stockholm, Sweden - 20th April 2009

## Overview of labour market and social protection measures in Member States' recovery efforts (as of 31.03.2009)\*

	No of measures	Countries	Best practices	Consistency with principles/criteria suggested in the Commission Communication for the Spring European Council 'Driving European Recovery' (COM (2009) 114 final)		
				HIGH	MEDIUM	LOW
Encouraging flexible working-time	20	16 MSs: AT, BE, BG, CY, CZ, DK, DE, FR, HU, IT, LT, LU, NL, PT, SI, SK	9	15	5	1
Improving job placement and investing in re-training	64	21 MSs: AT, BE, BG, CZ, DK, DE, EL, ES, FI, FR, HU, IE, IT, MT, NL, PT, RO, SE, SI, SK, UK	24	33	33	0
Maintaining/reinforcing social protection	21	12 MSs: BE, BG, EL, FI, FR, IE, IT, LV, PT, RO, SE, UK	0	4	17	1
Reinforcing activation	34	19 MSs: AT, BE, BG, CZ, DK, DE, EL, ES, FI, FR, IE, IT, LT, LU, MT, PL, SE, SI, SK	5	8	31	0
Supporting employment by cutting labour costs	35	17 MSs: AT, BE, BG, DK, DE, ES, FR, HU, LT, LU, LV, NL, PT, RO, SE, SI, SK	5	11	26	0
Revising EPL in line with flexicurity	2	4 MSs: BG, EE, CY, LT	0	2	2	0
Enhancing education and life-long learning	10	7MSs: AT, BG, DK, DE, LT, PT, SE	1	4	10	0
Supporting household purchasing power	48	18 MSs: AT, BE, BG, DK, DE, ES, FI, FR, IT, LU, LV, MT, PL, PT, RO, SE, SK, UK	3	4	42	1

<b>Mitigating the impact of financial crisis on individuals</b>	27	13 MSs: AT, BG, CZ, EE, ES, FI, FR, HU, IE, IT, LT, LU, PT	2	1	25	0
<b>Others</b>	12	11 MSs: AT, BE, CZ, DK, EE, FI, FR, LT, LV, RO, SE	0	1	7	3

**\* Information is based on National Recovery Plans and information provided by EPC, EMCO and SPC members. Since the data are currently in the process of being collected the overall picture on measures adopted to respond to the crisis is still incomplete.**

*\*\* Nine main types of policy action have been identified. Each measure is assigned to one or several of these types of policy action: note a single measure can be classified under several headings and thus a degree of double counting occurs which explains why the totals do not sum up. Each measure is assessed using criteria such as timeliness, the degree of targeting, the time consistency of short-term support measures with long-term policy such as those in the Lisbon strategy, and the possible need for coordination in light of cross-border spill-overs. On this basis, it is possible to tentatively identify a number of measures which can be considered as best practice and thus which could be useful for other Member States to consider (for details on this assessment refer to the note prepared by DG ECFIN for the EPC of 16/04/2009 "Preliminary assessment of employment and social policies to soften the impact of the crisis"). Also, a preliminary attempt has been made to assess the consistency of measures relative to the principles/criteria. A 'high' degree of consistency is considered to occur when the measures are considered to be ambitious and comprehensive enough. A 'medium' degree of consistency is considered to occur when measures go in the right direction but are relatively limited in scope. A 'low' degree of consistency is considered to occur when measures potentially go in the wrong direction*

### PROMOTING TEMPORARY SHORT-TIME WORK

#### Overview: Short-Time Work to Maintain Employment

In response to the deteriorating employment situation, several Member States have introduced, or are introducing, different forms of public support, to encourage businesses to use temporary short-time working arrangements (STWAs) instead of making employees redundant. It appears that in a number of Member States, job losses have indeed been contained so far, largely due to these measures. With the risk of unemployment increasing, better use of these arrangements must be ensured and to ensure accessibility for SMEs and workers on part time and non-permanent contracts. Experience gained so far and possible extension of such measures provide the opportunity for closer monitoring and exchange of best practice at EU level.

#### Country Experiences

Within the last few months, 12 Member States have introduced (SI, HU, BG), extended (AT, DE, NL), or made use of provisions for flexible working time (e.g. ES, BE, DK, FI, FR, IT, SE). Some others are planning to follow the same direction (CZ). The measures allow companies to temporarily reduce work levels or wages below the contractual agreement or to momentarily suspend all, or part of, its activity. In these cases, any loss of employee salary is, in almost all cases, partly or fully compensated by the State.

Member States mainly provide support through wage top-ups to compensate for shortened working hours (AT, IT, SI, SK) and/or temporary unemployment benefit if a full suspension from work is taking place (BE, FR). The level of public support under those schemes is, in some countries, higher than the minimum wage or the normal unemployment benefit (AT, BE). At the same time, as a consequence of the financial crisis, a number of countries have relaxed/extended certain eligibility criteria and have increased the amount of financial support that is available for employers; e.g. in AT and DE, social security contributions that are normally met by employers are now being met, or part-met, by the State. Similarly, in some cases, the country is reimbursing or subsidising training costs (DE, HU, SI), and/or travel and childcare expenses (DE).

In most cases, there is a requirement in place for companies to demonstrate the clear economic reasons for engaging with any reduced working time/temporary unemployment scheme: decreased orders/loss in demand (BE, DE, FI); restructuring (FR, IT). Some Member States who have introduced new measures require the employer to establish a plan for sustained employment after completion of the scheme (AT, HU). Some countries have tried to encourage the further training of workers who are on temporary unemployment/reduced working time schemes (AT, BE, DE, HU).

The time limits for the use of any such scheme differ widely between the Member States, with some schemes being made available for 3 months (BG, FI), others for up to 18 months (AT, DE), and in some cases for up to a maximum of 36 months (IT).

There are some differences in how countries manage the provision of support. Whilst most manage and monitor the funds/support themselves through employment agencies (AT, DE,

BE, SI), in other MS the scheme is managed by agreements between social partners and individual enterprises (IT, SE). The latter option may contain some potential benefits, such as the removal of an administrative burden and the insurance of greater levels of collaboration and agreement between the parties affected.

### **Expected Benefits of Temporary Short-Time Working Arrangements**

The rationale for instituting systems of temporary partial unemployment/reduced working time during a crisis is based on the critical success factor of **maintaining employment**, which itself can be linked to a range of economic and social benefits, such as supporting incomes (including of disadvantaged groups) and preventing social costs.

At the level of the individual company and worker, such schemes can be beneficial in reducing wasteful shedding and providing job security to workers otherwise being made redundant, as well as allowing companies to protect human capital and retain experienced/skilled workers, thereby preventing loss of “match specific” capital. Individual workers also benefit from protecting their own skills. If complemented with targeted training, whether specific to an individual company or more generally applicable, the measures can bring long-term benefits to both workers and companies, in terms of **driving up the individual skills base**.

Furthermore, such systems are often considered less costly for companies than making workers redundant, and then re-hiring them after a period of unemployment, as well as assisting in the **prevention of redundancies**, the **maintenance of purchasing power**, the preservation of functioning plants, and the bolstering the morale of staff, and indeed the overall population, during economically difficult times.

At a governmental level, such schemes can assist in reducing the number of benefit claimants, and consequently benefit claim costs, as well as cushioning the impact of the crisis and providing time to put in place structural measures.

### **Potential risks and concerns**

A number of potential risks have, however, been identified with the implementation of these measures. Beyond the overall financial concerns – i.e. the extent and duration of public funding, and the balance between public and private contributions - the most prominent shortcoming of STWAs is that they may **not be able to differentiate between cyclical and structural** problems within individual companies.

By supporting private industry with financial assistance from the state, there is the potential to inadvertently introduce **perverse incentives**, which may encourage some companies to avail of financial support and assistance, even though they may have no real need to avail of such funding.

STWAs are designed to be short-term measures. Therefore, in the case of a prolonged crisis, they risk losing their effectiveness, as any move towards long-term implementation will diminish the benefits derived from STWAs' temporary nature, and limit the capacity for adjustment. Similarly, if schemes last over an extended period with an increasing percentage of time spent not working, then any accompanying measures (validated workplace training, skills coaching) may result in over-shooting. This point also gives rise to the notion that

STWAs are not at their most effective when implemented in isolation, but should therefore be examined in comparison and conjunction with other ALMPs.

It has also been noted that there is currently a lack of uptake by SMEs and micro-businesses due to the significant administrative burden that some schemes can entail, and other companies may be reticent about implementing STWAs, as this can be construed as negative publicity. Similarly, they are often limited to full-time contractual workers.

### **Effective Short-Time Working Arrangements**

Short-time working arrangements (STWAs) can be an effective way of preserving employment, preventing unemployment, and maintaining purchasing power through compensation of lost earnings. The ESF can and should be used more intensively to support them, especially for financing training that should be concomitant (see annex 3 for details). The following elements could help maximise their benefits and reduce their potential risks. STWA should:

- support sustainable jobs in small and large businesses that are suffering from cyclical difficulties, but are likely to be competitive with recovery. They should not be discriminatory on any ground, including gender and the contractual status of the worker concerned, and be consistent with existing Community State aid rules. In particular, this might be the case when the measure concerned is general and when the public support is provided directly to the workers. STWA should have clearly defined compensation parameters in place for workers, to address any hours of pay lost, including a maximum number of days per week not working, as well as have agreed and appropriate parameters for the payment of employers' social security contributions for hours not worked.
- see targeted training provided during a substantial proportion of those hours that are not worked but are compensated, to ensure longer-term benefits and competitiveness for companies. Training should be delivered in line with robust labour market information, or to develop individuals for employability progression/transition. Clear rules should specify whether the public authorities, the company, or the individual pay for training, and whether there should be training incentives. Sanctions should be in place to prevent informal work during non-worked, but compensated hours;
- be timely, accessible, and have minimal bureaucratic burdens on companies, to encourage SMEs and micro-businesses to take up such schemes; they should be implemented and supported through full cooperation with relevant social partners. A positive presentation of the benefits of the schemes should aim at improving the company's image both internally and externally;
- see the renewal of any such scheme involves the prior consideration of three factors: i) the compatibility with long-term reform objectives (enhanced competitiveness, sustainability of public finances) and flexicurity principles; ii) the explicit preference to alternative active labour market policies; and iii) the link with the national recovery framework;
- be designed as short-term measures, have a clear time limit, after which, alternative solutions should be sought in order not to inhibit necessary restructuring and adaptation stemming from structural change;

- be part of the peer review exercise, and should figure in the yearly assessment of Lisbon NRP and recovery plans. The exchange of information on the different national STWA schemes and an EU coordinated approach are essential to avoid negative spill-over effects that may damage growth, undermine the functioning of the internal market, or further hamper job prospects.

### BETTER USE OF THE ESF

#### **Rapid reaction packages**

Several Member States are already using European Social Fund (ESF) resources to palliate the negative consequences of the crisis; examples are presented in the sections below.

However, ESF rapid reaction packages, adapted to the situation of each Member State, should provide a more comprehensive, focussed and strategic support to the EU Shared Commitment for Employment, its three key priorities and its actions in accordance with existing State aid rules.

#### **(a) Maintaining employment, creating jobs and promoting mobility**

**Supporting workers threatened by unemployment, jobseekers and companies undergoing restructuring.** Member States should fully use the ESF to support employment, facilitate restructuring and promote mobility. In particular, the ESF should provide skills upgrading services during the paid down time when short time working arrangements are introduced. For those workers at risk of unemployment this can be coupled with guidance till the new job is found, support to set-up new business and with financial incentives to increase mobility to regions with job vacancies. Guidance towards new opportunities in the greener economy should be taken into consideration especially in sectors where a lack of awareness about market and technology evolution might result in scarce training opportunities. The ESF can support the adaptation of companies undergoing restructuring which can be made conditional on putting in place restructuring or training plans. To support job creation employment incentives can be offered to companies to recruit recently unemployed people or to provide employment to those groups which face particular difficulties to find employment. Timely delivery of such measures is crucial: best results are achieved when the assistance is provided before workers are made redundant.

#### **Examples of ESF interventions:**

Several Member States are already using the ESF for such measures, offering threatened companies assistance before the lay-offs occur including career advice, job search assistance, job brokering, skills upgrading and (re)qualification. For example, in Spain the ESF supports training for those on a temporary suspension of their employment contracts and reacts when the redundancy procedures lead to closing of the company. Also in Spain, and under the UK regional programmes, the ESF provides rapid assistance for companies where more than 20 or 25 redundancies occur or for local communities disproportionately affected by multiple smaller scale redundancies. Training is already offered to short-time working employees in the Czech Republic, Italy, Portugal, UK, Hungary, Bulgaria, Greece and Germany, where the ESF also finances training in transfer companies. Mobility incentives helping people to take up jobs in other regions than their current one are part of broader ESF packages in Poland and Spain and are also developed in Bulgaria. Some ESF measures are tailored to address workers in sectors most hit by the crisis: for example, construction and tourism in Greece, textiles and

clothing in Italy or the automotive sector in Portugal. Romania launched ESF schemes encouraging job creation through salary subsidies for the recruitment of unemployed disadvantaged workers, vocational training and the improvement of health and safety conditions. In the UK, the ESF provides wage subsidies to hire people who have recently lost their jobs. Grant schemes for employers to finance up-skilling of their staff on partial unemployment and the development of in-company training programmes, training of trainers and human resources management systems are implemented in the Czech Republic. In-company related training is also financed in Belgium and Austria.

**Promoting entrepreneurship and self-employment.** A significant amount of ESF resources should be devoted to job creation and to incentives to establish a business or become self-employed. These initiatives can be particularly attractive for the young, people active in household and care services and women. This possibility has not been widely used in ESF programmes to date but it has a substantial potential in today's context where lack of capital can be a hindrance for starting up your own business. The ESF should also provide help for borrowers to design viable business plans; interest-rate rebates to bring down the cost of borrowing; and mentoring in the first months or years of new business. Wider ESF actions promoting entrepreneurship can stimulate job creation and acquiring important skills. The potential of job creation in the low-carbon economy, renewable energy sector and other developing sectors should be explored. Where possible the ESF should also assist in reducing red tape and simplifying administrative procedures to establish a business.

*Examples of ESF interventions:*

It is encouraging that there are already several examples of ESF support for new start-ups. Slovenia has been successful in promoting self-employment through subsidies. In Slovakia support is offered in the form of social and health insurance contribution for a limited period of time. Strengthening support to self-employment is also foreseen in Latvia. ESF activities in Bulgaria concentrate on developing entrepreneurship skills through the training of unemployed persons who would like to start their own business. The ESF has also some experience in reducing red tape and facilitating administrative procedures: for example in Portugal the reform of public services provided to enterprises permitted a decrease in the number of days needed to open a business from around 60 some years ago to a day now.

***(b) Upgrading skills, matching labour market needs***

**Matching skills and labour market needs.** The ESF should strengthen the capacity of regional and national actors to better anticipate and forecast future skills needs and to better match skills demand with skills supply. One important element is investment in the quality and accessibility of education and training systems. Linking these systems closer to labour market needs must be a priority in the times of crisis; these measures should include the introduction of new curricula and training paths on entrepreneurship and the "greener" economy with the use of modern training methods and ICT tools. The ESF should also support companies to better understand their skills-needs and better exploit the existing competences of their workers. Support to researches to strengthen innovation should also be considered.

*Examples of ESF interventions:*

A significant number of ESF interventions support skills upgrading and new qualifications. For example, in Spain the ESF targets new sectors with a high potential of job creation such as renewable energy sources, waste management, care services and high-technology sectors; the ESF scheme "Green Employment" trains in eco-innovation and sustainable development, and supports the creation of new companies in this area. Italy also supports innovative sustainable companies.

In the UK the ESF supports apprenticeships. In Ireland, the number of places on ESF funded short term training courses has been significantly increased to cope with the recent surge in job losses. Luxembourg supports training for workers in public works and in the construction sector to better link the competencies with the changing labour market needs. Bulgaria is developing a voucher scheme for training of laid-off workers; matching is ensured by an employer survey and by commitment to subsequent employment prior to the training. To meet the needs of adaptability and employability, the ESF in Sweden aims at improving the supply of skills through competence development schemes. In France, the ESF is part of a social investment scheme for 2009-2010 which brings together all available funding and stakeholders to deliver required vocational training to different target groups.

Strengthening the anticipation capacity in Poland and in the Czech Republic includes development of an instrument which should enable better monitoring of the labour market and the individual sectors and thus strengthen anticipation of the restructuring processes. Similarly, Germany is developing an instrument for modeling current and future labour market requirements, while Finland is developing a labour market anticipation methodology examining future business developments.

**Immediate support for young people.** The ESF must provide urgent and substantial help to tackle the rapidly deteriorating employment situation of young people, particularly of those concluding their education in 2009 and 2010. The ESF should be used to ensure access to guidance and/or further training, and provide activation measures to every young unemployed person at a very early stage. Tailored ESF packages should in particular focus on: creating more places in training and formal education and strengthening the quality and labour market relevance of skills and competencies; introducing entrepreneurship and "green" education in schools and universities; incentives for companies to provide internships, apprenticeships and employment for young people; support for entry into third sector or social economy jobs, and lengthening the education period to upgrade the achieved qualification level through training grants or loans. Furthermore, the ESF can help preventing early school leaving and school dropping-out through the provision of alternative education pathways, second-chance schools, early identification of at-risk pupils, and specific programmes including additional classes and pedagogic support for at-risk youngsters.

#### Examples of ESF interventions:

In Slovenia, the ESF subsidises employment for young people entering the labour market after having finished university. In Spain, a "school-workshop" programme seeks to insert the young unemployed people into the labour market through a combination of training and professional practice. To combat early school leaving and dropping out from the education system, the ESF financed in Spain the creation of a national network based on a broad partnership including national and regional administrations and social partners. Measures supporting the young and counteracting early school leaving are also implemented in Portugal, with interventions improving recognition of acquired qualifications. In Ireland, the

ESF aims to encourage lifelong learning among unemployed, unqualified young people or early school leavers by integrating them into further education and training. Similarly, Greece implements a special programme for upgrading skills offered to young early school leavers.

### **(c) Increasing access to employment**

**Helping the most vulnerable.** The ESF should strengthen the employability of those furthest away from the labour market (including long-term unemployed, immigrants, disabled, minorities) and support people on precarious contracts. The ESF can offer a combination of activation measures such as improvement of work-related skills and incentives for companies to employ disadvantaged workers or to offer them internships. Social services can also be targeted by reinforcing measures to provide more services of better quality. ESF funding can also focus on strengthening co-operation between employment services, social services and social partners. Adaptation of internal processes and of working arrangements to address the needs of specific groups of workers (such as older or disabled workers) can also be supported. These actions are essential to effectively support vulnerable groups, and to respond to the long-term challenge of the inevitable demographic decline in most Member States.

#### **Examples of ESF interventions:**

The promotion of new employment opportunities for vulnerable groups is already an important ESF priority in a number of Member States, including the UK, Ireland, Estonia, Austria, Belgium, Germany and France. In Cyprus, actions include grants for enterprises to employ persons belonging to vulnerable population groups with simultaneous measures enhancing their employability. Similarly, the ESF in Slovenia provides subsidies for enterprises employing vulnerable groups for 1 or 2 years and programmes for long-term unemployed in the non-profit sector (training for a specific working place and subsidised employment in the later phase). Hungary introduced targeted contribution allowances to promote the employment of disadvantaged groups, such as older workers, the low-skilled and women returning from maternity leave, and plans to broaden the scheme to those who have been made redundant due to the crisis. ESF interventions in Sweden address labour supply issues with measures targeting the long-term unemployed, people returning from sick leave, the young and people with a migrant background to increase their labour market participation. In Spain actions target those at risk of discrimination, including schemes for the most deprived neighbourhoods. Interventions in the Czech Republic pay a particular attention to minorities like the Roma. UK support for the newly unemployed and for those at risk of redundancy includes specialised motivation and job search schemes for those who suffer significant barriers to enter labour market. Portugal introduced exceptional measures to support fixed term recruitment of unemployed over 55 years and the most disadvantaged.

**Strengthening Public Employment Services (PES) for timely assistance.** With the mounting job losses, strengthening the capacity of PES must be at the heart of ESF interventions. Services must be of high quality and target all groups of clients including those who used to have low unemployment rates such as high-skilled workers in the service sector. ESF support can increase the provision of these services and support development of new tools. Supporting the capacity of PES can include training for the staff of PES, including career and guidance professionals, to improve matching and mobility.

### Examples of ESF interventions:

The ESF already has a long tradition in supporting the modernisation of PES. Intensification of such measures can be observed in some Member States e.g. in Lithuania, Poland, Slovenia and the UK. The UK is stimulating co-operation of public services with other partners such as skills agencies. Poland supports PES through measures ranging from designing new instruments to reinforcing the capacity of staff, and is developing a quick reaction mechanism.

**Public-private partnerships to strengthen the social economy and social innovation.** The ESF should support the development of effective public-private partnerships, bringing together all stakeholders including social partners, public and private employment services, social services, public administrations, civil and professional society representatives, training and education institutions. The contribution of the ESF to build and develop partnership approaches across Europe is well acknowledged. Now it is time to capitalise on this experience and take it to a next stage by mobilising all actors to agree and act on commonly agreed objectives. The aim should be to develop high quality rapid reaction schemes, with clear rights and obligations for all partners spelled-out whatever appropriate in territorial or sectoral pacts for employment. Joint work to develop new approaches gives grounds for developing social innovation.

### Examples of ESF interventions:

In Austria local employment offices, regional governments and social partners work together in the framework of 'Territorial Employment Pacts', where they jointly develop new approaches to reach out to groups furthest from the labour market. In the UK, the ESF will support co-operation between private and public institutions providing employment and skills up-grading services. Improving co-ordination between all actors involved in social inclusion measures such as national and regional authorities and third sector entities will be further reinforced in Spain through a creation of a national network. In the Netherlands mobility centres are established in regions with high number of redundancies with local cooperation between employers, trade unions, educational institutions, job centres, chambers of commerce and other local partners. In Belgium partnerships promote social inclusion through a multidimensional approach emphasising not only jobs but also healthcare, accommodation, literacy, mental health and cultural differences.

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### **Supporting social partners**

Successful implementation of actions under the rapid recovery packages largely depends on the involvement of **social partners**. To play their pivotal role social partners should make full use of the EUR 1.2 billion allocation foreseen in the least developed regions for strengthening their capacity and to undertake joint actions. These resources might be particularly useful to support the creation of sector partnerships aiming to support the restructuring and adaptation process in particular sectors.

### **Monitoring progress**

In partnership with Member States, the Commission will monitor progress made and the impact of the rapid reaction packages but also to promptly react to any problems and

difficulties which might occur. Exchange of experiences between Members States and regions should help identify best practices and adopt new approaches.

The ESF annual reporting system will provide the basis to continually monitor the implementation of the rapid reaction packages. The strategic reporting will allow an assessment of the effects of ESF rapid recovery packages. On this basis, the Commission will present in the 2010 report its reflection on the implementation of the ESF anti-crisis measures for the attention of the Council, the European Parliament, the Economic and Social Committee and the Committee of Regions.

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