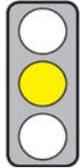


## KEY ISSUES

**Objective of the Communication:** The Commission proposes measures to create new jobs in the EU.

**Parties affected:** Companies, employees, the unemployed and social partners.



**Pros:** Reducing indirect labour costs for employers can increase employment.

**Cons:** (1) Higher taxes on energy or emissions to compensate for the reduction in labour costs destroys jobs.

(2) Minimum wages will destroy jobs whose added value is gained below the minimum wage.

## CONTENT

### Title

Communication COM(2012) 173 of 18 April 2012: **Towards a Job-Rich Recovery**

### Brief Summary

#### ► Objective

- The Commission calls for enhanced coordination of national employment and social policies and reveals measures to create jobs and reforms for the labour markets.
- The Commission emphasises that “real labour market dynamics” need to be generated at national level (p. 3).
- The Communication builds upon the Employment Guidelines of the European Council [Decision 2010/707/EU; s. [CEP Policy Brief](#)].

#### ► General requests

- The Commission calls for enhanced coordination of employment and social policies in the EU, for unemployment, labour costs and the employment rates have an impact on economic stability throughout the EU and must therefore be taken into account in measures to avoid and correct macro-economic imbalance [REG (EU) No. 1176/2011; s. [CEP Analysis](#)].
- The social partners are to be better involved in:
  - the annual ex-ante coordination of the Member States’ economic policies [European Semester; COM(2010) 367; s. [CEP Policy Brief](#)] and
  - preparations for the Spring Councils on “Economic and Financial Affairs” and “Employment, Social Policy, Health and Consumer Affairs” (p. 22 et sqq.).

#### ► Labour market requests

- In order to encourage job creation, the Commission recommends to Member States that they:
  - reduce the indirect labour costs for employers and finance them by raising environmental, consumption or property taxes (p. 4);
  - safeguard hiring subsidies for new hiring (p. 4);
  - promote business start-ups in personnel-intensive intensive sectors through public procurement and easier access to credits (p. 4);
  - transform undeclared work into regular employment (p. 5);
  - align wages with productivity developments and labour market conditions (p. 5).
- The unemployment benefit systems should set incentives for job-searching (p. 10).
- The extension of unemployment benefit coverage carried out during the “crisis” should be maintained as long as the crisis lasts (p. 10).
- Tax systems should not contain any incentives that deter women from gaining employment (p. 10).
- The Commission recommends the introduction of “in-work benefits” for “very low” wages. (p. 5)
- It demands more flexibility in companies, for instance in the form of working-time accounts, so as to be better able to retain jobs in times of crisis (p. 9).

- The Commission deems minimum wages a sufficient means for preventing “in-work poverty” and ensuring “decent job quality” (p. 9).
  - It wishes to “optimize” the duration of maternity and parental leave, though it does not substantiate this any further (p. 10).
  - Older workers should be employed for longer, inter alia through tax-benefit incentives, access to life-long learning and flexible working time arrangements (p. 10).
  - For all employment forms – in particular for part-time work and temporary agency work – a “minimum” of pension claims and social protection is to be established (p. 11).
- **Resource intensive key sectors**
- According to the Commission, the “green economy”, the health sector and the information and communications sector (ICT sector) hold the highest potential for job growth (p. 5 et sqq.). With three action plans it wishes to further increase employment opportunities in these sectors (p. 26 et sqq.).
  - **Action plan 1: Key employment actions for the “Green Economy”** (p. 24 et sqq.)
    - Member States are to support corporate restructurings towards a “green economy” by means of an active labour market policy.
    - The Commission wishes to better match EU “skills anticipation instruments” for occupational skills – EU Skills Panorama, ESCO, CEDEFOP and EUROFOUND surveys – to those skills needed in the “green economy” sectors.
    - Member States are to obtain subsidies from the European Social Fund (ESF) and the European Regional Development Fund (ERDF) for investments in green skills.
  - **Action plan 2: EU Health Workforce** (p. 25 et sqq.)
    - The Commission wishes to improve the health workforce planning and forecasting in the EU. To this end, a platform will be created for sharing good practice in planning and forecasting workforce need and a European Skills Council for care workers.
    - By 2013, the Commission wishes to identify procedures for the recruitment and retention of health workers.
    - By 2014, the Commission wishes to submit recommendations for the training requirements of “healthcare assistants”; this means employees in the field of care, medication, social and business administration.
  - **Action plan 3: Key actions for ICT employment** (p. 26 et sqq.)
    - ICT education and training initiatives are to maintain an EU quality label.
    - The ESF is to increase its support of ICT skills.
- **EU funds for employment policy**
- The ESF is to promote education and entrepreneurship in a target-oriented manner. To this end, at least 84 billion will be available for 2014-2020 (p. 7).
  - The ERDF is to put more of its funds into research and development for 2014-2020 and thus boost SME competitiveness (p. 7).
  - The Commission wishes to prolong until 2020 the European Progress Microfinance Facility, which grants micro-credits of up to 25,000 Euros to self-employed and micro-companies but which is due to expire in 2013 (p. 7).
  - Moreover, the Commission wishes to continue until 2020 the European Globalisation Adjustment Fund (EGF), which is due to expire in 2013 (p. 7).
- **Expansion of the European labour market**
- The Commission wishes to enhance the mobility of employees. To this end, it has already proposed a Directive on professional qualifications [COM(2011) 883; s. [CEP Policy Brief](#)].
  - The Commission intends to submit a legislative proposal to better inform employees as to their rights when being employed in other Member States (p. 22).
  - It wishes to improve the European Employment Services (EURES) in order to enhance the “matching” of employers and job-seekers across borders (p. 17).
  - Member States should:
    - make all job vacancies from all employment services available at EU level (p. 19) and
    - grant their citizens six (currently three) months of unemployment benefits if they are entitled to this in their home country but are seeking employment or live in another Member State (p.19).
  - The Commission calls upon Member States to apply the Regulation on the Coordination of Social Systems correctly [Regulation (EC) No. 883/2004].

## Statement on Subsidiarity by the Commission

The Commission does not address the issue of subsidiarity.

## Policy Context

Under the “Europe 2020” strategy [COM(2010) 2020; s. [CEP Policy Brief](#)], the EU has set an EU-wide 75% employment rate target for people aged 20-64. The measures now stipulated serve to meet these targets.

## Options for Influencing the Political Process

Leading Directorate General:	DG Employment, Social Affairs and Inclusion
Committees of the European Parliament:	Employment and Social Affairs (leading), rapporteur to be nominated ;
Committees of the German Bundestag:	Labour (leading); Economic Affairs; Family

# ASSESSMENT

## Economic Impact Assessment

The employment policy demands the Commission is making of the Member States represent both a help and a hindrance to future employment growth:

**Reducing indirect labour costs for employers can**, where financed in a sustainable manner, **help increase employment**, since this strengthens company demand for labour. A budget-neutral reduction should, however, be funded by consumption and property taxes and not through environmental taxes. **Compensation through higher environmental taxes such as energy and emission taxes would increase production costs and thus eliminate jobs**, thereby defeating either partially or even completely the object of the action.

The call upon Member States to reform their unemployment benefit systems is to be welcomed. Unemployment benefits must set incentives to seek jobs, also across national borders. Therefore, unemployment benefits, which at the beginning of the crisis were increased or extended, should be cut back entirely. Through stronger incentives to take up employment – also in other Member States – both the shortage of skilled workers in some EU regions and the high unemployment rates in other regions could be combated more easily. The call for elimination of tax incentives, which makes it less attractive for women to take up jobs, is correct, as is the call for in-work benefits for very low wages. Both measures lead to an increase in the number of jobs on offer, which as a result of demographic change is essential for future growth.

Apart from these appropriate employment policy suggestions, the Commission’s call for minimum wages is confusing: **Prescribing minimum wages destroys precisely those jobs whose added value lies below minimum wages**. Moreover, calling for minimum wages contradicts the call for in-house benefit systems to increase low wages.

The Commission’s call for an “optimization” of the duration of maternity and parental leave is difficult to assess from an ordoliberal standpoint, as the Communication does not outline any concrete measures. However, in 2008 the Commission already made a proposal to revise the Directive on improving the safety and health protection of pregnant employees, employees who have recently given birth or who are breastfeeding in the workplace [COM(2008) 637; s. [CEP Policy Brief](#)]. In this it proposed extending the maternity leave from 14 to 18 weeks. Such an extension with full or partial pay necessarily leads to additional financial burdens for companies and reduces the employment opportunities of younger women. Regarding parental leave, there is a target conflict between the reconciliation of family and employment and the employment of younger women. Additional benefits for parental leave – extension of the leave or more flexibility in choosing the time – improve the framework conditions for family planning but in principle increase the costs for companies and thus lead to job losses.

If employees were better informed as to the possibilities of working in other Member States, if job offers from national job centres were to be made available and unemployment benefits extended to include those seeking jobs and residing in other EU Member States, then the efficiency of the European labour market and therewith of the employment opportunities of job seekers would be strengthened. However, existing language barriers, the main reason why there is little cross-border employment, remain today.

## Legal Assessment

### Competency

The proposed measures do not infringe the division of powers in any way. The announced “optimization” of maternity leave can be achieved through a revision of the Maternity Directive (DIR 92/85/EEC), the improvement of information of jobs abroad through an amendment to the Regulation on the free movement of workers (REG (EC) No. 492/2011).

**Subsidiarity**

Unproblematic.

**Proportionality**

It is not currently possible to assess whether or not the “optimization” of maternity leave is appropriate.

**Conclusion**

Reducing indirect labour costs for employers can help increase employment. Compensation for this through increased taxation on energy and emissions would lead to increased production costs and thus destroy jobs. Minimum wages destroy jobs whose added value is gained below minimum wages.