

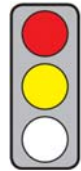
A EUROPEAN CONTRIBUTION TOWARDS FULL EMPLOYMENT

Status: 14 February 2011

MAIN ISSUES

Objective of the Communication: The Commission proposes EU measures to create jobs and train workers.

Parties affected: Employers, employees and public employment services.



Pros: (1) More flexible labour markets and reduced non-wage labour costs help to both maintain and create jobs.

(2) The introduction of professional cards facilitates cross-border job transition.

Cons: (1) Both abolishing temporary and provisional forms of employment and introducing new workers' rights regarding working hours and patterns impede significantly the called for flexibility.

(2) A state pension guarantee that "adequate" pensions be paid irrespective of contribution levels would further erode the state pension scheme model.

(3) Higher taxation on energy or emissions in order to subsidise social insurance would kill jobs and undermine the European emissions trading EU ETS, which already prices energy consumption and emissions at a desirable level in terms of environmental policy.

CONTENT

Title

Communication COM(2010) 682 of 23 November 2010 regarding an agenda for new skills and jobs: **A European contribution towards full employment**

Brief Summary

► Objective of the Communication

- In line with its strategy "Europe 2020" [COM(2010) 2020; see [CEP Policy Brief](#)], the EU wishes to attain an employment rate of 75% by 2020.
- In the present Communication, the Commission calls upon Member States to focus on the following four key priorities:
 - "better functioning and modernised" labour markets,
 - a more skilled workforce and "adjusting" skills to demands,
 - better job quality and working conditions and
 - promoting job creation.
- Along with these key priorities, the Commission proposes 13 "key actions" (see Annex) and sets out accompanying and preparatory measures.

► "Better functioning and modernised labour markets" (key actions 1 to 3)

- According to the Commission, "better functioning and modernised" labour markets can be achieved only by strengthening "flexicurity strategies" as follows:
 - "flexible and reliable" contractual agreements,
 - active labour market policies,
 - lifelong learning,
 - and modern social security systems.
- The Commission's main demands are that there be:
 - Less "segmentation" in the labour market, in particular through the decentralisation of collective bargaining. By segmentation, the Commission means the coexistence of temporary and provisional working conditions and permanent employment contracts.
 - More flexibility in terms of work organisation and working hours in periods of economic downturn, in order to avoid excessive downsizing due to, for example, short-time work and work-time accounts.
 - Better access to lifelong learning and better career counselling, as well as training and work experience programmes for the "more vulnerable" workers through public employment services.
 - Improved social partners' dialogue at regional and local level between public services, education and training providers and employers, in order to adjust training needs to future labour demands. Moreover, incentives for training and cost-sharing arrangements are to be established, for instance in the form of tax allowance schemes, education voucher programmes and learning accounts.

- A reduced risk of long-term unemployment by “adapting” active labour market policies, in particular through the promotion and improvement of individual job counselling, job search assistance and measures to improve skills and employability.
 - A reform of the unemployment benefit systems by, amongst other things, rolling back the extensions of benefits of unemployment insurances introduced during the recession.
 - Improved financial incentives to take up work, accompanied by measures to promote the uptake of training and other activation schemes.
 - A reform of the public pension system in order to “ensure adequate and sustainable pensions for those with gaps in pension-saving contributions” (p. 6).
 - The Commission wishes to arrange a regular review and assessment of the flexicurity strategies throughout the EU.
- **A more skilled workforce and “adjusting” skills to demands** (key actions 4 to 8)
- According to the Commission, in the EU, by 2020 the number of jobs requiring highly-qualified workers will have increased by 16 million, whereas the number of positions available for low-skilled workers will have fallen by around 12 million.
 - In order to address this impending shortage of skilled workers, the Commission proposes in particular:
 - A systematic survey of the labour market’s skills needs and the corresponding alignment of education and training offers.
 - Introducing a benchmark for a training rate of 15% among adults.
 - Already providing people with a basic knowledge of information and communication technologies and of entrepreneurial thinking during their pre-professional education and training.
 - Promoting academic specialisation, e.g. in “green economy” (p. 11).
 - Improving mobility by introducing a professional card instead of a tedious procedure to recognise qualifications.
 - Promoting migrants by mapping their qualification profiles, providing skills needed in future and simplified recognition procedures of professional skills acquired in third countries.
 - Improving the “situation” of highly mobile professional categories, in particular of those engaged in remunerated research activities.
 - As of 2012, the Commission will draw up an “EU skills panorama” that by forecasting labour market needs and with various market indicators could lead to greater transparency for job seekers, companies and public institutions.
- **Better job quality and working conditions** (key actions 9 to 12)
- Apart from “safe and healthy working conditions”, the Commission deems the “working environment” crucial for enhancing the potential of the workforce. The working environment is highly influenced by EU legislation.
 - In order to improve the working environment, the Commission will propose the following:
 - Reviewing the Working Time Directive and the proposed posting of workers directive in 2011.
 - By 2014, revising EU legislation on:
 - the improvement of working and living conditions,
 - ensuring minimum standards in the area of working conditions and health and safety at work, as well as
 - non-discrimination.
 - Reviewing the effectiveness of in particular the rules concerning employee participation, part-time and temporary work and equal pay.
- **Promoting job creation** (key action 13)
- New jobs are, first and foremost, created through economic growth, which depends on a job-friendly business environment.
 - More than 99% of companies in the EU are small and medium-sized enterprises (SMEs). They make up for two-thirds of the total jobs in the private sector. To this end, “due” attention (p. 17) needs to be paid to the special interests of SMEs when designing the pertaining legislation.
 - In order to stimulate recruitment, the Commission proposes:
 - Reducing non-wage labour costs, which could be financed by increasing charges for energy and pollution costs, for instance.
 - Cutting the red tape around creating new businesses and recruitment, in particular for research and development companies.
 - “Promoting enabling conditions for job creation” through “guiding principles” (p. 18).
 - Promoting entrepreneurship within the scope of the Small Business Act [COM(2008) 394; see [CEP Policy Brief](#), in German only].
 - Reinforcing the teacher training in entrepreneurship.

► **EU financial instruments at the service of new skills and jobs**

- The Commission calls upon Member States to focus on making better use of EU funds. This applies in particular to means from the European Social Fund (ESF), the European Regional Development Fund (ERDF), the Rural Development Fund (EARDF) and the Lifelong Learning Programme and Progress.
- According to the Commission, in particular the ESF provides for numerous investment possibilities, such as reforming education and training schemes, networking between research and business centres (clusters), start-ups and creating competences in the field of information and communications technologies.

Statement on Subsidiarity by the Commission

The Commission does not address the issue of subsidiarity.

Policy Context

The Commission's considerations regarding employment policy are based on an EU headline target adopted under the strategy "Europe 2020" [COM(2010) 2020; see [CEP Policy Brief](#)] whose aim it is to achieve an employment rate of 75% by 2020. In order to reach this target, the Commission is shifting its focus from a merely reactive to an anticipatory policy approach, as is already evident in the Single Market Act [COM(2010) 608; see [CEP Policy Brief](#)] and the Flagship Initiative on the Innovation Union [COM(2010) 546; see [CEP Policy Brief](#)], as well as an "Integrated Industrial Policy for the Globalisation Era" [COM(2010) 614]; see [CEP Policy Brief](#).

Options for Influencing the Political Process

Leading Directorate General:	DG Employment, Social Affairs and Equality
Consultation Procedure:	Not provided.

ASSESSMENT

Economic Impact Assessment

Ordoliberal Assessment

In its problem statement, the Commission is correct to point out that there is nothing to be said against improving the performance of European economies in international comparison by making labour markets more flexible and by improving education levels. However, a coordinated reform of labour markets at European level is fundamentally flawed. For ultimately, that would only lead to national labour market rules being harmonised due to political influence. The inherent risk in this is that the reform of labour market conditions would be measured against inner-European benchmarks – using average values as a reference tool rather than the most efficient system – and thus not take into adequate account the international comparison. It would be much better to foster competition between Member States and to only promote the exchange of competition results at European level. One alternative option for a labour market reform is not even mentioned by the Commission: efforts to maintain existing jobs in the manufacturing industry, which would mean saving most of the jobs for lower qualified workers. The wish to create additional "green" jobs in the field of green energy generation is not opposed to this.

Better functioning and modernised labour markets: More flexible labour markets help maintain jobs during recession. Therefore, the Commission's proposal that the social partners should agree on a more flexible work organisation is justified. However, the proposal contradicts the call to reduce "segmentation" in the labour market. Recent history has demonstrated that it was segmentation that helped to prevent excessive job losses in difficult times. **Temporary and provisional forms of employment are therefore vital elements of flexible labour markets. The Commission's proposal to cut them diminished the desired flexibility.**

The call for a reform of unemployment pay is to be welcomed. This kind of benefit must not be limited to overly long and/or high cash benefits. If, during times of crisis, benefits are granted for a prolonged period, this must be cut back after the crisis in order to not increase non-wage labour costs unnecessarily and to set incentives for staying away from the labour market.

The proposal to grant "adequate and sustainable pensions" irrespective of pension-saving contributions mixes up insurance with social policy principles and, ultimately, **leads to a further erosion of the model of pension insurance funds.** Moreover, it would additionally burden the already weak funds of such systems in a number of states.

More skilled workforce and "adjusting" skills to demands: It is important and right that workers keep learning throughout their entire working life. However, it is not a state's responsibility to support lifelong learning. This is purely the responsibility of the workers themselves – or in exceptional cases of the employer, where the company requires special training – as they are the ones who profit directly from improved skills. Therefore, the training rate benchmark proposed by the Commission for adults makes no sense. It can only reflect whether or not training measures have been taken; it does not, however, reflect the reasons for not taking training measures and thus is not helpful in tackling the root causes.

The proposed **introduction of a professional card** replacing long recognition procedures of qualifications **simplifies cross-border job changes** and thus strengthens the single market. The same is true for a simplified recognition of qualifications acquired by migrants in third countries.

The idea to already provide during pre-vocational education and training at least a basic knowledge of information and communication technologies and of entrepreneurial thinking helps to address the expected scarcity of skilled workers.

The proposal to improve the mapping of skills and target-oriented education and training programmes for migrants can help improve substantially their chances on the labour market.

Better job quality and working conditions: The announced revision of the Working Time Directive, which predicts **new workers' rights regarding working times and patterns, threatens to bring about a significant reduction of the propagated labour market flexibility**. The same applies to the announced revision of rules regarding temporary work requirements, for in the past the Commission has regularly voted against temporary work.

Statutory minimum requirements for health protection at work are legitimate. However, such requirements must not lead to a situation where the flexibility and efficiency of companies is restricted.

Promoting job creation: Through appropriate framework conditions for recruitment, higher employment is promoted and existing resources currently lying dormant are used in a productive manner. As proposed by the Commission, tax and social systems should therefore be matched so as to not constitute any obstacle to the uptake of work. The proposed reduction in red tape for start-ups works along the same lines.

The proposed reduction of non-wage costs creates jobs. However, compensating for the resulting loss of revenue for social insurances **through higher energy and emissions taxation for companies** leads first of all to companies being burdened unequally. Secondly, it leads to higher production costs, thereby **destroying jobs** and consequently partially or even completely nullifying the desired effects. **Besides, it constitutes a massive infringement of the system, as the European emissions trading system (EU-ETS) already prices energy consumption and** company emissions at a desirable level in terms of environmental policy.

Legal Assessment

Legislative Competence

The proposed measures do not infringe any powers and responsibilities, for the Commission restricts itself only to measures resembling non-binding recommendations. The few announced legislative measures are in line with the powers and responsibilities. For instance, the revision of the Working Time Directive can be based on Art. 153 (2) TFEU, the revision of the posting of workers directive on Art. 46 TFEU.

Conclusion

The propagated higher flexibility of labour markets helps to maintain jobs. The proposal to reduce temporary and provisional forms of employment, which are crucial to flexibility, is therefore counterproductive. Ensuring "adequate and sustainable" pensions irrespective of the insurers' pension-saving contributions further erodes the model of state pension schemes. The introduction of a professional card facilitates cross-border job transition. Both abolishing temporary and provisional forms of employment and introducing new workers' rights regarding working hours and patterns impede significantly the called for flexibility.

The proposed reduction of non-wage labour costs creates jobs. However, such a positive effect is partially or wholly destroyed if the resulting revenue shortfalls in social insurances is compensated for by higher energy and emissions taxation. Moreover, it undermines the European emissions trading system, which already prices energy consumption and emissions at a desirable level in terms of environmental policy.