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**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 8 June 2005

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Subject : Integrated Guidelines for Growth and Employment (2005-2008)
**- Proposal for a Council Decision on Guidelines for the Employment
Policies of the Member States**
= General Approach

Delegations will find attached the text of the 2005 Employment Guidelines, on which the Council (EPSCO) reached a general approach on 2 June 2005^(*), which is being forwarded to the European Council with a view to its meeting on 16-17 June 2005.

^(*) At this stage, the French and United Kingdom delegations have maintained Parliamentary scrutiny reservations.

The Council will be invited to mark its formal political agreement on the draft Decision, once the opinions of the Economic and Social Committee and of the Committee of the Regions have been examined.

Draft

COUNCIL DECISION

on Guidelines for the employment policies of the Member States

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 128(2) thereof,

Having regard to the proposal from the Commission¹,

Having regard to the Opinion of the European Parliament²,

Having regard to the Opinion of the European Economic and Social Committee³,

Having regard to the Opinion of the Committee of the Regions⁴,

Having regard to the Opinion of the Employment Committee,

Whereas:

- (1) Article 2 of the Treaty on the European Union sets the Union the objective of promoting economic and social progress and a high level of employment. Article 125 of the Treaty establishing the European Community states that Member States and the Community shall

¹ OJ C ..., ..., p. .

² OJ C ..., ..., p. .

³ OJ C ..., ..., p. .

⁴ OJ C ..., ..., p. .

work towards developing a coordinated strategy for employment and particularly for promoting a skilled, trained and adaptable workforce and labour markets responsive to economic change;

- (2) The Lisbon European Council in 2000 launched a strategy aimed at sustainable economic growth with more and better jobs and greater social cohesion, with long term employment targets, but five years later the objectives of the strategy remain far from being achieved;
- (3) The presentation of an integrated package of Employment Guidelines and Broad Economic Policy Guidelines contributes to refocusing the Lisbon Strategy on growth and employment. The European Employment Strategy has the leading role in the implementation of the employment objectives of the Lisbon strategy. The strengthening of social cohesion constitutes also a key element for the success of the Lisbon Strategy. Conversely, as set out in the Social Agenda, the success of the European Employment Strategy will contribute to the achievement of greater social cohesion;
- (3a) In line with the conclusions of the Spring European Council of 22 and 23 March 2005, the Union must mobilise all appropriate national and Community resources - including the cohesion policy - in the Lisbon Strategy's three dimensions (economic, social and environmental) so as better to tap into their synergies in a general context of sustainable development;
- (4) The objectives of full employment, job quality, labour productivity and social cohesion must be reflected in clear priorities: to attract and retain more people in employment, increase labour supply and modernise social protection systems; to improve adaptability of workers and enterprises; and to increase investment in human capital through better education and skills;

- (5) The Employment Guidelines should be fully reviewed only every three years, while in the intermediate years until 2008 their updating should remain strictly limited;
- (5a) The Employment Committee and the Social Protection Committee have formulated a joint opinion on the Integrated Guidelines for Growth and Jobs (2005-2008);
- (6) The employment recommendations adopted by the Council on 14 October 2004⁵ remain valid as background reference.

HAS DECIDED AS FOLLOWS:

Article 1

The guidelines for Member States' employment policies as set out in the Annex are hereby adopted.

Article 2

The guidelines shall be taken into account in the employment policies of the Member States which will be reported upon in the national reform programmes.

Article 3

This decision is addressed to the Member States.

Done at ,

For the Council
The President

⁵ OJL326 of 19.10.2004

The Employment Guidelines (2005-2008)

(Integrated Guidelines Nos.17-24)

- Guideline No.17: Implement employment policies aiming at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion
- Guideline No.18: Promote a lifecycle approach to work
- Guideline No.19: Ensure inclusive labour market, enhance work attractiveness, and make work pay for job-seekers, including disadvantaged people, and the inactive
- Guideline No.20: Improve matching of labour market needs
- Guideline No.21: Promote flexibility combined with employment security and reduce labour market segmentation, having due regard to the role of the social partners
- Guideline No.22: Ensure employment-friendly labour cost developments and wage-setting mechanisms
- Guideline No.23: Expand and improve investment in human capital
- Guideline No.24: Adapt education and training systems in response to new competence requirements

Guidelines for the employment policies of the Member States

Member States, in cooperation with the social partners, shall conduct their policies with a view to implementing the objectives and priorities for action specified below. Reflecting the Lisbon strategy, the Member States' policies shall foster in a balanced manner:

- *Full employment*: Achieving full employment, and reducing unemployment and inactivity, by increasing the demand for and supply of labour, is vital to sustain economic growth and reinforce social cohesion.
- *Improving quality and productivity at work*: Efforts to raise employment rates go hand-in-hand with improving the attractiveness of jobs, quality at work and labour productivity growth, and reducing the share of working poor. Synergies between quality at work, productivity and employment should be fully exploited.
- *Strengthening social and territorial cohesion*: Determined action is needed to strengthen social inclusion, prevent exclusion from the labour market and support integration in employment of people at a disadvantage, and to reduce regional disparities in terms of employment, unemployment and labour productivity, especially in regions lagging behind.

Equal opportunities and combating discrimination are essential for progress. Gender mainstreaming and the promotion of gender equality should be ensured in all action taken. As part of a new intergenerational approach, particular attention should be paid to the situation of young people, implementing the European Youth Pact, and to promoting access to employment throughout the working life. Particular attention must also be paid to significantly reducing the employment gaps for people at a disadvantage, including disabled people, as well as between non-EU and EU nationals, in line with any national targets.

In taking action, Member States should ensure good governance of employment policies. They should establish a broad partnership for change by involving parliamentary bodies and stakeholders, including those at regional and local levels. European and national social partners should play a central role. A number of targets and benchmarks which have been set at EU level in the framework of the European Employment Strategy in the context of the 2003 guidelines are included in the text and should continue to be followed up with indicators and scoreboards. Member States are also encouraged to define their own commitments and targets, for which they should take these into account, as well as the 2004 recommendations agreed at EU level.

Good governance also requires greater efficiency in the allocation of administrative and financial resources. In agreement with the Commission, Member States should target the resources of the Structural Funds, in particular the European Social Fund, on the implementation of the European Employment Strategy and report on the action taken. Particular attention should be paid to strengthening institutional and administrative capacity in the Member States.

Guideline No.17: Implement employment policies aiming at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion. Policies should contribute to achieving an average employment rate for the European Union (EU) of 70% overall, of at least 60% for women and of 50% for older workers (55 to 64) by 2010, and to reduce unemployment and inactivity. Member States should consider setting national employment rate targets.

In addressing these objectives, action should concentrate on the following priorities:

- Attract and retain more people in employment, increase labour supply and modernise social protection systems;
- Improve adaptability of workers and enterprises;
- Increase investment in human capital through better education and skills.

1 ATTRACT AND RETAIN MORE PEOPLE IN EMPLOYMENT, INCREASE LABOUR SUPPLY AND MODERNISE SOCIAL PROTECTION SYSTEMS

Raising employment levels is the most effective means of generating economic growth and promoting socially inclusive economies whilst ensuring a safety net for those unable to work. Promoting an increased labour supply in all groups, a new lifecycle approach to work and modernising social protection systems to ensure their adequacy, financial sustainability and responsiveness to changing needs in society are all the more necessary because of the expected decline in the working-age population. Special attention should be paid to tackling the persistent employment gaps between women and men, and the low employment rates of older workers and young people, as part of new intergenerational approach. Action is also required to tackle youth unemployment which is on average double the overall unemployment rate. The right conditions must be put in place to facilitate progress in employment, whether it is first time entry, a move back to employment after a break or the wish to prolong working lives. The quality of jobs, including pay and benefits, working conditions, employment security, access to lifelong learning and career prospects, are crucial, as are support and incentives stemming from social protection systems.

Guideline No.18: Promote a lifecycle approach to work through:

- *a renewed endeavour to build employment pathways for young people and reduce youth unemployment as for in the Youth Pact;*
- *resolute action to increase female participation and reduce gender gaps in employment, unemployment and better reconciliation of work and private life and the provision of accessible and affordable childcare facilities for other dependants;*
- *support to active ageing, including appropriate working conditions, improved (occupational) health status adequate incentives to work and discourage early retirement;*
- *modern social protection systems, including pensions and healthcare, ensuring their social adequacy, financial sustainability and responsiveness to changing needs, so as to support participation and better retention in employment and longer working lives.*

See also integrated guideline “To safeguard economic sustainability” (No.2).

Facilitating access to employment for job seekers, preventing unemployment and ensuring that those who become unemployed remain closely attached to the labour market and increase their employability are essential to increase participation and combat social exclusion. This requires breaking down barriers to the labour market by assisting with effective job searching, facilitating access to training and other active labour market measures and ensuring that work pays, as well as removing unemployment, poverty and inactivity traps. Special attention should be paid to promoting the inclusion of disadvantaged people, including low-skilled workers, in the labour market, including through the expansion of social services and the social economy, as well as the development of new sources of jobs in response to collective needs. Combating discrimination, promoting access to employment for disabled people and integrating immigrants and minorities are particularly essential.

Guideline No.19: Ensure inclusive labour markets, enhance work attractiveness, and make work pay for job-seekers, including disadvantaged people, and the inactive through:

- *active and preventive labour market measures including early identification of needs, job*

search assistance, guidance and training as part of personalised action plans, provision of necessary social services to support the inclusion of those furthest away from the labour market and contribute to the eradication of poverty;

- *continual review of the incentives and disincentives resulting from the tax and benefit systems, including the management and conditionality of benefits and a significant reduction of high marginal effective tax rates, notably for those with low incomes, whilst ensuring adequate levels of social protection;*
- *development of new sources of jobs in services to individuals and businesses, notably at local level.*

To allow more people to find better employment, it is also necessary to strengthen the labour market infrastructure at national and EU level, including through the EURES network, so as to better anticipate and resolve possible mismatches. In this context, mobility of workers within the EU is key and should be fully ensured within the context of the EU Treaties. Full consideration must also be given on the national labour markets to the additional labour supply resulting from immigration of third country nationals.

Guideline No.20: Improve matching of labour market needs through:

- *the modernisation and strengthening of labour market institutions, notably employment services, also with a view to ensuring greater transparency of employment and training opportunities at national and European level;*
- *removing obstacles to mobility for workers across Europe within the framework of the EU Treaties;*
- *better anticipation of skill needs, labour market shortages and bottlenecks;*
- *appropriate management of economic migration.*

2 IMPROVE ADAPTABILITY OF WORKERS AND ENTERPRISES

Europe needs to improve its capacity to anticipate, trigger and absorb economic and social change. This requires employment-friendly labour costs, modern forms of work organisation and well-functioning labour markets allowing more flexibility combined with employment security to meet the needs of companies and workers. This should also contribute to preventing the emergence of segmented labour markets and reducing undeclared work.

In today's increasingly global economy with market opening and the continual introduction of new technologies, both enterprises and workers are confronted with the need, and indeed the opportunity, to adapt. While this process of structural changes is overall beneficial to growth and employment, it also brings about transformations which are disruptive to some workers and

enterprises. Enterprises must become more flexible to respond to sudden changes in demand for their goods and services, adapt to new technologies and be in a position to innovate constantly in order to remain competitive. They must also respond to the increasing demand for job quality which is related to workers' personal preferences and family changes, and they will have to cope with an ageing workforce and fewer young recruits. For workers, working life is becoming more complex as working patterns become more diverse and irregular and an increasing number of transitions need to be managed successfully throughout the lifecycle. With rapidly changing economies and attendant restructuring, they must cope with new ways of working, including enhanced exploitation of Information and Communication Technologies (ICT) and changes in their working status, and be prepared for lifelong learning. Geographical mobility is also needed to access job opportunities more widely and in the EU at large.

Guideline No.21: Promote flexibility combined with employment security and reduce labour market segmentation, having due regard to the role of the social partners, through:

- *the adaptation of employment legislation, reviewing where necessary the different contractual and working time arrangements;*
- *addressing the issue of undeclared work;*
- *better anticipation and positive management of change, including economic restructuring, notably changes linked to trade opening, so as to minimise their social costs and facilitate adaptation;*
- *the promotion and dissemination of innovative and adaptable forms of work organisation, with a view to improving quality and productivity at work, including health and safety;*
- *support for transitions in occupational status, including training, self-employment, business creation and geographic mobility;*

See also integrated guideline "To promote greater coherence between macroeconomic and structural policies" (No.4).

To maximise job creation, preserve competitiveness and contribute to the general economic framework, overall wage developments should be in line with productivity growth over the economic cycle and should reflect the labour market situation. Efforts to reduce non-wage labour costs and to review the tax wedge may also be needed to facilitate job creation, especially for low-wage employment.

Guideline No.22: Ensure employment-friendly labour cost developments and wage-setting mechanisms by:

- *encouraging social partners within their own responsibilities to set the right framework for wage bargaining in order to reflect productivity and labour market challenges at all relevant levels and to avoid gender pay gaps;*
- *reviewing the impact on employment of non-wage labour costs and where appropriate adjust their structure and level, especially to reduce the tax burden on the low-paid*

See also integrated guideline “To ensure that wage developments contribute to macroeconomic stability and growth” (No.5).

3 INCREASE INVESTMENT IN HUMAN CAPITAL THROUGH BETTER EDUCATION AND SKILLS

Europe needs to invest more in human capital. Too many people fail to enter or remain in the labour market because of a lack of skills, or due to skills mismatches. To enhance access to employment for all ages, raise productivity levels and quality at work, the EU needs higher and more effective investment in human capital and lifelong learning for the benefit of individuals, enterprises, the economy and society.

Knowledge-based and service-based economies require different skills from traditional industries; skills which also constantly need updating in the face of technological change and innovation. Workers, if they are to remain and progress in work, need to accumulate and renew skills regularly.

The productivity of enterprises is dependent on building and maintaining a workforce that can adapt

to change. Governments need to ensure that educational attainment levels are improved and that young people are equipped with the necessary key competences, in line with the European Youth Pact. All stakeholders should be mobilised to develop and foster a true culture of lifelong learning from the earliest age. To achieve a substantial increase in public and private investment in human resources per capita and guarantee the quality and efficiency of these investments, it is important to ensure fair and transparent sharing of costs and responsibilities between all actors. Member States should make better use of the Structural Funds and the European Investment Bank for investment in education and training. To achieve these aims, Member States commit themselves to establishing comprehensive lifelong learning strategies by 2006 and implementing the Education and Training 2010 Work Programme.

Guideline No.23: Expand and improve investment in human capital through:

- *inclusive education and training policies and action to facilitate significantly access to initial vocational, secondary and higher education, including apprenticeships and entrepreneurship training;*
- *reducing significantly the number of early school leavers;*
- *efficient lifelong learning strategies open to all in schools, businesses, public authorities and households according to European agreements, including appropriate incentives and cost-sharing mechanisms, with a view to encouraging participation in continuous and workplace training throughout the life-cycle, especially for the low-skilled and older workers.*

See also integrated guideline "To increase and improve investment in R&D with a view to establishing the European Knowledge Area" (No.7).

Setting ambitious objectives and increasing the level of investment by all actors is not enough. To ensure that supply meets demand in practice, lifelong learning systems must be affordable, accessible and responsive to changing needs. Adaptation and capacity-building of education and training systems is necessary to improve their labour market relevance, their responsiveness to the needs of the knowledge-based economy and society and their efficiency. ICT can be used to improve access to learning and better tailor it to the needs of employers and employees. Greater

mobility for both work and learning purposes is also needed to access job opportunities more widely in the EU at large. The remaining obstacles to mobility within the European labour market should be lifted, in particular those relating to the recognition and transparency of qualifications and competences. It will be important to make use of the agreed European instruments and references to support reforms of national education and training systems, as is laid down in the Education and Training 2010 Work Programme.

Guideline No.24: Adapt education and training systems in response to new competence requirements through:

- *raising and ensuring the attractiveness, openness and quality standards of education and training, broadening the supply of education and training opportunities and ensuring flexible learning pathways and enlarging possibilities for mobility for students and trainees;*
- *easing and diversifying access for all to education and training and to knowledge by means of working time organisation, family support services, vocational guidance and, if appropriate, new forms of cost-sharing;*
- *responding to new occupational needs, key competences and future skill requirements by improving the definition and transparency of qualifications, their effective recognition and the validation of non-formal and informal learning.*

Targets and benchmarks set in the framework of the European Employment Strategy

The following targets and benchmarks have been agreed in the context of the European Employment Strategy in 2003:

- *that every unemployed person is offered a new start before reaching 6 months of unemployment in the case of young people and 12 months in the case of adults in the form of training, retraining, work practice, a job or other employability measure, combined where appropriate with on-going job search assistance*
- *that 25% of long-term unemployment should participate by 2010 in an active measure in the form of training, retraining, work practice, or other employability measure, with the aim of achieving the average of the three most advanced Member States*
- *that jobseekers throughout the EU are able to consult all job vacancies advertised through Member States' employment services*
- *an increase by five years, at EU level, of the effective average exit age from the labour market by 2010 (compared to 59.9 in 2001)*
- *the provision of childcare by 2010 to at least 90 % of children between 3 years old and the mandatory school age and at least 33 % of children under 3 years of age*
- *an EU average rate of no more than 10% early school leavers*
- *at least 85% of 22-year olds in the EU should have completed upper secondary education by 2010*
- *that the EU average level of participation in lifelong learning should be at least 12.5% of the adult working-age population (25 to 64 age group)*