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ANNEX 1

**ANNEX**

**- Integrated guidelines -**

**to the**

**Proposal for a**

**COUNCIL DECISION**

**on guidelines for the employment policies of the Member States**

## ANNEX

### **Guidelines for the employment policies of the Member States** **Part II of the Integrated Guidelines**

#### ***Guideline 5: Boosting demand for labour***

Member States should facilitate job creation, reduce barriers for business to hire people, promote entrepreneurship and in particular support the creation and growth of small enterprises in order to increase the employment rate of women and men. Member States should also actively promote the social economy and foster social innovation.

The tax burden should be shifted away from labour to other sources of taxation that are less detrimental to employment and growth while protecting revenue for adequate social protection and growth enhancing expenditures. Reductions in labour taxation should be aimed at the relevant components of the tax burden and at removing barriers and disincentives to labour market participation, in particular for those furthest away from the labour market.

Member States should, together with the social partners, encourage wage-setting mechanisms allowing for a responsiveness of wages to productivity developments. In this respect, differences in skills and local labour market conditions as well as divergences in economic performance across regions, sectors and companies should be taken into account. When setting minimum wages, Member States and social partners should consider their impact on in-work poverty, job creation and competitiveness.

#### ***Guideline 6: Enhancing labour supply and skills***

Member States should promote productivity and employability through an appropriate supply of relevant knowledge and skills. Member States should make the necessary investments in education and vocational training systems while improving their effectiveness and efficiency to raise the skill level of the workforce, allowing it to better anticipate and meet the rapidly changing needs of dynamic labour markets in an increasingly digital economy. Member States should step up efforts to improve access to quality adult learning for all and implement active ageing strategies to enable longer working lives.

High unemployment should be tackled and long-term unemployment prevented. The number of long-term unemployed should be significantly reduced by means of comprehensive and mutually reinforcing strategies, including the provision of specific active support to long-term unemployed to return to the labour market. The youth unemployment needs to be comprehensively addressed, including by equipping the relevant institutions with the necessary means to fully and consistently implement their national Youth Guarantee Implementation Plans

Structural weaknesses in education and training systems should be addressed to ensure quality learning outcomes and prevent and tackle early school leaving. Member States should increase educational attainment and consider dual learning systems and upgrading professional training while at the same time increase opportunities for recognising skills acquired outside the formal education system.

Barriers to labour market participation should be reduced, especially for women, older workers, young people, the disabled and legal migrants. Gender equality including equal pay must be ensured in the labour market as well as access to affordable quality early childhood education and care.

Member States should make a full use of European Social Fund and other Union funds support in order to improve employment, social inclusion, education and public administration.

### ***Guideline 7: Enhancing the functioning of labour markets***

Member States should reduce labour market segmentation. Employment protection rules and institutions should provide a suitable environment for recruitment while offering adequate levels of protection to those in employment and those seeking employment or employed on temporary contracts or independent work contracts. Quality employment should be ensured in terms of socio-economic security, education and training opportunities, working conditions (including health and safety) and work-life balance.

Member States should closely involve National Parliaments and social partners in the design and implementation of relevant reforms and policies, in line with national practices, while supporting the improvement of the functioning and effectiveness of social dialogue at national level.

Member States should strengthen active labour market policies by increasing their targeting, outreach, coverage and interplay with passive measures. These policies should aim at improving labour market matching and support sustainable transitions on the labour market, with public employment services delivering individualised support and implementing performance measurement systems. Member States should also ensure that their social protection systems effectively activate and enable those who can participate in the labour market, protect those (temporarily) excluded from the labour markets and/or unable to participate in it, and prepare individuals for potential risks, by investing in human capital. Member States should promote inclusive labour markets open to all and also put in place effective anti-discrimination measures.

Mobility of workers should be ensured with an aim of exploiting the full potential of the European labour market, including by enhancing the portability of pensions and the recognition of qualifications. Member States should at the same time guard against abuses of the existing rules.

### ***Guideline 8: Ensuring fairness, combatting poverty and promoting equal opportunities***

Member States should modernise their social protection systems to provide effective, efficient, and adequate protection throughout all stages of an individual's life, ensuring fairness and addressing inequalities. There is a need for simplified and better targeted social policies complemented by affordable quality childcare and education, training and job assistance, housing support and accessible health care, access to basic services such as bank account and Internet and for action to prevent early school leaving and fight social exclusion.

For that purpose a variety of instruments should be used in a complementary manner, including labour activation enabling services and income support, targeted at individual needs. Social protection systems should be designed in a way that facilitate take up of all persons entitled, support investment in human capital, and help prevent, reduce and protect against poverty.

The pension systems should be reformed in order to secure their sustainability and adequacy for women and men in a context of increasing longevity and demographic change, including by linking statutory retirement ages to life expectancy, by increasing effective retirement ages, and by developing complementary retirement savings.

Member States should improve the accessibility, efficiency and effectiveness of healthcare and long term care systems, while safeguarding fiscal sustainability.