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EU institutions, Member States, social partners and other stakeholders.

Issues paper to prepare the Employment Summit

After some years of relatively high growth and job creation (8 million new jobs alone in 2006-2008), taking Europe back to employment levels not seen since the 1980's, the global financial crisis and its repercussions on the real economy are hitting the labour market and are increasingly affecting the prospects and livelihoods of European citizens.

Europe is expected to lose some 3.5 million jobs this year, and unemployment could reach 10% in 2010. The current economic crisis is clearly exceptional, and exceptional measures are called for.

The Commission proposes that the European institutions, Member States and social partners work together towards an Employment Summit. The Summit should set out a common framework and concrete proposals to address the employment impact of the crisis and its social consequences. It should help accelerate recovery and prepare the exit from the crisis, through a new consensus with the social partners and other stakeholders about how to modernise social policies to the mutual benefit of employees and employers.

The Employment Summit, and the process leading to it, should focus on **4 main issues**:

- **Maintaining employment** Measures are needed to retain people in employment and ease transitions between jobs.
- **Promoting mobility** is part of a coordinated response to the crisis, helping to redress labour market imbalances.
- **Upgrading skills, matching labour market needs.** Skills are critically important for bringing young people into the labour market, for economic recovery and Europe's future growth and productivity, its capacity to adapt to change and create quality jobs.
- **Increasing access to employment.** The unemployed and people furthest away from the labour market, often from vulnerable groups, should be given support to (re) enter the labour market in order to avoid long term employment and social exclusion.

Finally, resources at EU level such as the European Social Fund and the European Globalisation Adjustment Fund must be mobilised to contribute to and complement national efforts in the fight against the employment impact of the crisis. The forthcoming increase in ESF advance payments will provide rapid additional support to improve employment and job opportunities and enhance social cohesion. This is urgently needed as the crisis puts public budgets under pressure. New ways to deploy the resources of the Funds to react to the crisis should also be considered.

1. MAINTAINING EMPLOYMENT, PROMOTING MOBILITY

As demand and investments have fallen, many companies have begun to adjust their production capacity. Yet large-scale redundancies not only cause very severe social consequences for the individuals concerned, they also further fuel the downturn by depressing consumer demand and increasing pressure on social security expenditure. Therefore, the first priority must be to avoid unnecessary job losses, particularly in sectors and firms that were fundamentally sound prior to the crisis.

Cases of restructuring and large scale redundancies are becoming more frequent across Member States as the crisis unfolds. Restructuring processes can be better anticipated, accompanied and coordinated to avoid negative spill-over effects across Member States,

and their effects mitigated both by policy guidance and financial support for redundant workers. Different actors, including social partners and governments, can work together both to anticipate and to mitigate the negative effects of restructuring on individuals.

Developing the concept of flexicurity in times of crisis (e.g. by supporting temporary flexible working-time arrangements, combined with training) could substantially reduce mass lay-offs, mitigate the social impact of the crisis, save considerable firing and (re)hiring costs for firms, and prevent the loss of firm-specific human capital. This concept should take into account the issue of equal access by SMEs to such measures. It should also include integrating measures aimed at revising employment protection legislation to improve the functioning of labour markets. Despite efforts to keep as many people in jobs as possible, there will inevitably be people who will be made redundant as a result of the crisis: it is therefore particularly important to help them actively to find a new job and support them through the transition phase.

Certain regions or sectors are particularly hard hit by the recession. Whilst retraining can help, for some the way to remain in or return to the labour market may require moving to other places, other regions or even to another Member State where work is available. Whilst unemployment overall is rising in many Member States and in many sectors, there are still hundreds of thousands vacancies in the EU which are proving difficult to fill. Single market freedoms allow European citizens to find work in other parts of the Union. Intra-EU mobility, however, has generally remained at rather low levels.

Temporary provision of services is also a way to meet short-term demand for labour in other Member States, notably where there are skills shortages. Temporary service provision is governed by the Posted Workers Directive, which provides a significant level of protection for workers, who may be vulnerable given their situation (temporary employment in another Member State, difficulty to obtain proper representation, lack of knowledge of local laws, institutions and language). However, significant concerns have arisen about the effective implementation and enforcement of the directive and they need to be addressed.

The individual right of EU citizens to work in another Member State goes hand-in-hand with the right to equal treatment with nationals in access to employment, working conditions, pay and all other social and tax advantages as well as housing that may help integrate in the host country.

Issues for discussion:

- ***How can support for sector and company restructuring be strengthened and better coordinated?***
- ***How can temporary flexible working arrangements, combined with skills upgrading or retraining, mitigate the impact of the crisis? Are these arrangements most effective as a first reaction to the crisis or can they have value over a longer period?***
- ***How can the single market be used more effectively to meet demand and supply for labour, and what are the specific obstacles to labour mobility that could be removed through public policy actions?***

2. **UPGRADING SKILLS, MATCHING LABOUR MARKET NEEDS**

Across Europe, technological change, the impact of globalisation, ageing populations and the evolution of social structures are shaping future skills requirements. We need to have a much clearer understanding of the skills the economy will need in the future so that we can train people for the jobs that will exist in the years to come.

Upgrading skills is critically important for Europe's future growth and productivity, its capacity to adapt to change, and for equity and social cohesion. It is the best way to exploit new opportunities for sustainable job creation, such as the shift to a low-carbon economy and the development of new technologies. But upgrading education and skills levels alone is not enough: ensuring a better match between the supply of skills and labour market demand is even more important in times of crisis.

Bringing young people into the labour market is essential for the dynamism of Europe's economy – yet even in good times, youth unemployment tends to remain at relatively high levels in many Member States. A lack of professional experience means that young people risk exposure to the consequences of the crisis. Young people leaving school early without any relevant qualifications represent a loss of talent and potential the EU cannot afford. In the current crisis, it may prove useful to provide incentives to ease the transition from school to employment, to promote apprenticeships, or to keep young people in education longer provided this equips them with the skills and knowledge required by a changing labour market.

Other groups are also likely to experience growing difficulties in finding or maintaining a job: older workers, the low skilled, immigrants and all those on precarious contracts. One of the recurring findings on life-long learning is that too few people benefit from it and that those who may need it most have the lowest employment participation levels. Therefore, while the national and EU resources dedicated to life-long learning strategies and measures are significant already an urgent reflection on a more effective approach towards life-long learning is needed.

Issues for discussion:

- *What incentives work best to promote retraining and to help workers to acquire and employers to provide new skills (e.g. introduction of training vouchers, pooling training resources within sectors)?*
- *How can the EU and Member States improve their capacity to match skills and labour market needs and strengthen their anticipation and forecasting in the mid-to long-term perspective?*
- *Is there scope for keeping young people in education longer (or to re-integrate young unemployed into education)? What are the most effective ways to reduce early school leaving?*
- *Would a significant expansion of the number of apprenticeships be feasible to facilitate the entry of young people into the labour market?*

3. INCREASING ACCESS TO EMPLOYMENT

Despite recent reforms there is still a need to further address some of the weaknesses of the EU labour market. There should also be a strong and sustainable safety net that helps people get back into work, ensures inclusive labour markets and prevents long term benefit dependency for those who have the ability to work. The number of people outside the labour force is already too high and risks increasing substantially as an effect of the crisis.

All actors, including governments, social partners and the civil society, need to play a full role and work together. Measures need to be designed and implemented to assist redundant workers, the unemployed and people outside the labour force in order to avoid long term benefit dependency. In a coming economic upturn, all labour resources will be needed not least due to the demographic changes with a shrinking labour force of working age. The promotion of equal opportunities, and more specifically a continued effort to increase female employment, is of particular importance in this context.

Specific groups, such as young people, older workers, low skilled, foreign workers and all those on precarious contracts are particularly vulnerable in the labour market, as the complex problems these groups face in obtaining and sustaining employment are exacerbated by the crisis, in particular in the cases of labour market segmentation.

Enhanced and more efficient employment services and other (private and public) actors are needed for improved activation measures, training, coaching and matching when the number of unemployed is increasing. For some individuals, subsidised jobs and work in the social economy might be the best or only way to get a job. Self employment might also be an option for some, not least among new groups of unemployed such as the high skilled. Specific measures to support job creations in SMEs are needed, including for instance to develop the use of micro-credits. Assisting with finance for new businesses and a reduction of social security contributions and non wage labour costs, especially for certain groups could increase job creation.

Issues for discussion:

- What are the best practices, and how can different actors work together to (re) integrate redundant and the newly unemployed in the labour market, avoiding long term unemployment?***
- How can people that are furthest away from the labour market, including long term unemployed and inactive people, be (re) integrated into the labour market? How can active inclusion policies be strengthened?***
- How can the demand for labour, especially for the low skilled and those furthest away from the labour market, be increased? Could labour taxation changes contribute to preserving employment in the Member States, and if so, which?***

4. MAKING BEST USE OF THE EUROPEAN SOCIAL FUND AND THE EUROPEAN GLOBALISATION ADJUSTMENT FUND

The **European Social Fund**, (ESF) supports 9 million workers every year, with over €10 billion in grants. In some Member States the ESF, together with its national co-financing, is already the main funding source for employment promotion and social inclusion measures.

The renewed **European Globalisation Adjustment Fund** (EGF) will extend its support to workers made redundant in the current crisis. Its scope is being significantly broadened, and new procedures should allow support for a wider range of people who lose their jobs.

In order to ensure maximum impact, ESF funds should be focussed on a limited number of priority areas with direct and immediate relevance to the crisis situation (e.g. assisting the young in obtaining practical, job-related-skills; providing incentives for start-up businesses; assisting re-entry into labour market for the most vulnerable groups). Furthermore, when the current ESF programmes do not allow for adequate adaptations, they can be re-programmed in order to tailor priorities to the new needs imposed by the economic recession.

Some Member States might still encounter problems with co-financing ESF activities, which might put in question new and on-going projects. This contrasts with the need to accelerate ESF support to provide stimulus for people to remain employed or to gain a new job, and for companies to adapt to new circumstances.

Issues for discussion:

- ***Given the fundamental changes in the economic situation since the ESF operational programmes were established, is there a need to refocus and target ESF programmes or priorities?***
- ***On which specific interventions could the ESF and the Globalisation Adjustment Fund focus to respond to the challenges of the crisis, without compromising the need to support long-term structural reforms?***
- ***Which steps should be taken to accelerate the absorption of ESF finance and ensure the most effective use of resources? Is there room for further simplification and streamlining?***

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Today's EU policies and instruments are the result of collective efforts to overcome the challenges the Union has faced in the past and which in many areas is still confronted with today. But the crisis entails new challenges, and the path to recovery will call for a new collective effort to define common objectives, policy instruments, new solutions for the Union. This will require reflection and contributions from all stakeholders, and social partners have a key role to play: the Employment Summit should signal the beginning of the process of reflection on the future of the European Employment Strategy.

ANNEX: ORGANISATION

1. Themes

The Jobs Summit should build on the above themes and the policies and initiatives agreed at EU level (EES, recovery plan, Spring European Council), and between social partners (e.g. common analysis on Flexicurity, forthcoming common position on New Skills for New Jobs).

To this end, work shops will be organised to prepare the summit; they will be articulated around three themes, which also coincide with the priorities of the three forthcoming Presidencies in the field of employment:

- ***Workshop in Spain: Upgrading of skills, matching of labour market needs*** - Integration of younger workers into the labour market; Investing in retraining and skills; Support to tackle youth unemployment; early-school leaving(3rd week of April, tbc)
- ***Workshop in Sweden: Increasing access to employment***: concerted approach to reinforced activation, facilitating job transitions into and back to work; (4th week of April, tbc)
- ***Workshop in Czech Republic: Maintaining employment, promoting mobility***: Keeping people in employment; concerted approach to restructuring; ensuring the free movement of workers; (4th week of April, tbc)

2. Preparatory steps

- 19 March: Tripartite social summit (and Spring Council) to confirm objectives, themes; launch of the consultation (invitation/consultation letter from Commissioner Spidla to Member States, social partners, accompanied by dedicated website) on the same day;
- 26-27 March: Czech Presidency Ministerial conference on "Flexicurity in times of crisis" to provide policy input to the summit;
- April, 15th, 20th, 23rd (tbc), three workshops in the forthcoming and current Presidencies on the three themes outlined above: Spain, Sweden and Prague.
- End of April (tbc): seminar at European parliament (with NGOs, civil society representatives).
- 29 April (tbc): Commission to adopt synthesis of the 3 thematic workshops and proposal to the employment summit. Paper could include update of annex of 4 March Communication (i.e. Country analysis of the employment impact of the crisis and Member States' Measures, and identification of good practices).

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