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NOTE

from: General Secretariat of the Council
to: Delegations

Subject: Lisbon Post-2010
- EMCO Discussion Paper

Delegations will find attached the EMCO Discussion Paper as adopted by the Employment Committee during its meeting on 20 May 2009.



The Employment Committee

Lisbon Post-2010 EMCO Discussion Paper

Introduction

The existing Lisbon Strategy expires in 2010. During almost a decade of structural reforms, refocused on growth and jobs from 2005 onwards, Europe has created 16.514 million jobs¹ and grew on average 2.2% per year. The EU is today better placed and better prepared than before to face the challenges posed by economic downturns.

The impact of the current economic recession is, however, undeniably significant – 3.5 million jobs are expected to be lost during 2009, affecting not only those types of employment that would typically be more sensitive to economic swings, but also high quality jobs that require high levels of qualification.

The uncertainties and challenges raised by the crisis do not put a halt to the need to pursue structural reforms. On the contrary, this has introduced an additional degree of urgency and the need for an even stronger political commitment. The overarching employment objectives of the existing Lisbon Strategy and the European Employment Strategy – full employment, quality and productivity at work, and social and territorial cohesion – are still appropriate and should be pursued further. The **revision of the Lisbon Strategy should not entail a radical departure** from the existing one and should build on past achievements.

Nevertheless, whilst the political ambition enshrined in the current Strategy remains valid, the fact that most of the Lisbon objectives remain unmet **calls for a renewed ambition** of the Lisbon Strategy post-2010, with more vigorous reform impetus and effective involvement of all relevant actors.

The Lisbon Strategy post-2010 also needs to **take account of new realities**: the increasing domestic challenge of ageing populations, maturing welfare provisions, evolving family structures, as well as the global dimensions of climate and technological change, have all contributed to a change in societal trends that, in turn, call for revised public policies. Rethinking more innovative approaches to the policies and instruments in use might therefore be a more solid axiom for the new phase of the Strategy.

¹ Net creation of employment between 2000 and 2008, DG EMPL calculations based on LFS data

Strategic Challenges and Policy Priorities

Since 2000, the EU political and economic landscapes have changed. A re-examination of the key employment challenges indicates that already identified challenges have become far more urgent today and now co-exist with new ones:

- The risk of rising public debt, lower labour participation and increased structural unemployment are possible threats from the **current financial and economic crisis**. These elements imply important constraints to future economic growth and financing social cohesion and might have significant impact on everyone in the labour market and in particular to disadvantaged groups.
- The continuing process of **globalisation and technological progress** leads to constantly changing patterns of work organisation and greater international competition. Avoiding a race to the bottom and not pursuing a competitiveness strategy that is based on low costs, suggests a need to improve the EU's capacity to anticipate labour market demand, to intensify the use of EU's untapped innovation potential, and to focus on Europe's knowledge triangle: research, education, innovation.
- The decreasing labour supply provoked by **demographic ageing** brings a threat of decreasing prospects for growth, higher pressure on public finances, and lower welfare. This calls for an urgent need to raise labour productivity and bring more people into the labour market, including migrants.
- Combating **climate change** encompasses a better reconciliation of competitiveness and sustainable development which will require an economic restructuring towards a low-carbon economy and stresses the importance of adapting the labour force and work processes to green technologies and activities.
- The economic growth in the EU during the last decade has been accompanied by **higher income inequalities**, lower labour shares of income in GDP, and persistently high poverty rates, calling for a greater emphasis on policies which ensure that everyone has access to, and enjoys the benefits of, economic prosperity, whilst recognising the motivating factors in opportunities to earn more.
- The high degree of labour segmentation of some countries underlines the importance of further pursuing labour modernisation so that new processes of social exclusion are avoided.

In order to tackle these challenges, and to ensure a strong focus of the future strategy on a limited number of core issues, future employment policies should consider the following priorities:

- **bring more people into the labour market**, increase work incentives and labour market activation, as a means of anticipating labour supply shortages, widening the tax base and promoting both labour market inclusion and the role of the social economy (third sector);
- invest in **human capital and raise skill levels** as a means of raising labour productivity, allocating more and better resources namely to high-value added activities, and adapting to new labour market needs with a special emphasis on an eco-efficient economy;

- promote **innovation, entrepreneurship** and an environment capable of **identifying and rewarding talent** as a means of promoting the creation of jobs explicitly with high value added and with a view to promoting *inter alia* the green economy;
- continue **modernising labour markets** to tackle rigidities and imbalances, combat labour market segmentation, facilitate access to employment especially for vulnerable groups, promote social dialogue, increase security and allow for greater flexibility, and reduce any imbalances through, for example, gender mainstreaming;
- raise **quality in work** in all its dimensions;
- improve **anticipation and matching** between labour demand and labour supply and between skills and jobs, to be better equipped to follow economic and sectoral trends; and
- **review wage-setting mechanisms and taxation policies** to make work and transitions pay while making these policies compatible with sustainable financing of social spending; and
- On the basis of the European social model, strengthen **EU international cooperation** with external partners particularly the emerging economies, so as to take better advantage of worldwide economic and social networks

Questions for discussion

Are the priorities outlined above the right ones?
 Is there scope for further streamlining and concentration?
 Should any key issues be added?

Governance

The Open Method of Coordination, supported by Integrated Guidelines, National Reform Programmes, country-specific recommendations and a Community programme, provides a suitable framework under which Member States can share best practice and collaborate on policy development. Furthermore, the specificities related to the governance of the European Employment Strategy enshrined in Art. 128 of the Treaty, such as the existence of annual employment guidelines, annual national reports, and a policy committee should remain unchanged in the case that the Lisbon Treaty is ratified and enters into force.

The **Lisbon Strategy could be strengthened** to give countries further incentives to deliver results, to respond to the need of an enlarged EU, and to increase national ownership of the Strategy. In particular, consideration might be given to:

- take greater account of **country-specific factors** reflecting the increased heterogeneity of an enlarged Union;
- balance and **coordinate better economic, employment, environmental and social policies** to ensure a more strategic and mutually reinforcing direction to reforms;
- strengthen **peer pressure** and focus on the implementation of reforms across countries. This may include a clarification of how the process of mutual policy learning and the evaluation of progress can have better mutual reinforcement;

- **reinforce the role of the country-specific recommendations**, proposed by the European Commission, on the basis of robust evaluation frameworks and a transparent assessment of Member States' performance;
- **improve effective communication** and raise public awareness of the impact of reforms and the value-added from an exchange of best practice;
- articulate better the European, National and Regional levels, namely to ensure that **National Reform Programmes**, the **Community Lisbon Programme** and **territorial cohesion programmes** are fully complementary;
- engage better **non-governmental actors, mainly social partners** to support the effective delivery of reforms, also through trans-national networks in their own field that do not duplicate national co-ordination nor overburden Member States' involvement in EU-level co-ordination; and
- reduce the **administrative burden** for a smarter and efficient governance structure.

Questions for discussion

Do you find the current OMC suitable to attain its objectives?

Could a cluster-based approach, anchored on a common set of strategic goals but with differentiated paths according to national institutional settings and the level of economic development, ensure common goals whilst avoiding a "one-size-fits-all" approach?

How can we raise the visibility, national accountability, and ownership of the Lisbon Strategy?

How to achieve a better participation of social partners, regions and other stakeholders in the process?

Targets and Benchmarks

An essential part of the Lisbon strategy has been the targets set to express the policy objectives (see annex 1). The **Open Method of Coordination** contains **target-setting** and **peer pressure** as a driver of collaborative policy development and of sharing best practice, which have both proven to be robust methods of ensuring a clear focus on key political challenges.

Targets are part of the governance process. They are a means of expressing a commitment to achieving agreed policy objectives and are a method of transferring policy goals onto an operational level. The concept of a **benchmark** means a monitoring position (or standard), against which the progress in achieving a target will be compared. They are a means of examining whether sufficient progress is being made towards the achievement of a policy goal. There are different ways of setting targets and benchmarks.

Currently, the Integrated Guidelines include quantitative employment-related targets, which correspond to a mix of both policy and performance targets. However, to address future strategic challenges and take account of the economic situation and the ageing of the population, the revised targets must take account of the following issues:

- **EU level targets** (averages) have great visibility and send a strong political signal of a commitment to EU policy goals. However, they are not always easily translated into goals at national level.
- **Country specific targets**, agreed at the EU-level, allow account to be taken of **different starting positions of MS**. However, such targets would have less visibility at an EU level but peer pressure could still be good. To avoid over- or under-ambitious targets they can be **relative** and be complemented by **minimum targets** and thus triggering the necessary impetus to pursue reforms.
- Some targets are relatively easily **monitored** using good quality statistics. For some others, however, this task has proved to be more complex given the difficulties in developing appropriate indicators. New indicators and statistics may need to be developed when setting new targets particularly in emerging policy areas.

Questions for discussion

Should there be **quantitative targets** for main policy priorities in the Lisbon post-2010 strategy? And what should be their role?

Should EU-targets be complemented by targets for which the **starting positions** of Member States are taken into account?

Should further consideration be given to ensure **measurability** of targets and robust **monitoring** of progress?

Targets and benchmarks agreed in the context of the European Employment Strategy and the Employment Guidelines²:

- **employment rates:** overall 15-64 to 70%, female 15-64 to 60% and persons aged 55-64 to 50%
- **new start:** that every unemployed person is offered a job, apprenticeship, additional training or other employability measure; in the case of young persons who have left school within no more than 4 months by 2010 and in the case of adults within no more than 12 months;
- **activation of long term unemployed:** 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;
- **transparency of vacancies:** that jobseekers throughout the EU are able to consult all job vacancies advertised through Member States' employment services;
- **postponing exit age of the labour force:** an increase by five years, at EU level, of the effective average exit age from the labour market by 2010 compared to 2001;
- **child care:** securing coverage of childcare for 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 by 2010;
- **early school leavers:** an EU average rate of no more than 10% early school leavers;
- **educational attainment:** at least 85% of 22-year olds in the EU should have completed upper secondary education by 2010;
- **lifelong learning:** 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).

² <http://register.consilium.europa.eu/pdf/en/08/st10/st10614-re02.en08.pdf>