



**COUNCIL OF  
THE EUROPEAN UNION**

**Brussels, 21 May 2010**

**10031/10**

**SOC 371  
ECOFIN 293  
EDUC 95**

**COVER NOTE**

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from: The Employment Committee  
to: Permanent Representatives Committee (Part I) / Council (EPSCO)

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Subject: **Europe 2020 Strategy**  
**- EMCO Contribution**

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Delegations will find attached a Contribution by the Employment Committee, as finalised by the EMCO on 20 May 2010 and presented with a view to the session of the Council (EPSCO) on 7-8 June 2010.



# The Employment Committee

## CONTRIBUTION BY THE EMPLOYMENT COMMITTEE TO EPSCO ON EUROPE 2020

The Spring European Council welcomed the strategy "Europe 2020: A European strategy for smart, sustainable and inclusive growth" and agreed on some of its elements such as the EU headline targets and the aim of addressing the main bottlenecks constraining growth at national and EU level.

EMCO has been underlining that the weakness of the current Lisbon Strategy was rather in the implementation and ownership of policies, than in the formulation of priorities. Considering the key role the EPSCO Council should play in shaping a simpler and more efficient governance of Europe 2020 on matters related to employment policies, EMCO draws EPSCO attention to the following elements:

### **Employment Targets**

The Spring European Council called on Member States to set their respective employment targets consistent with the European headline target and will examine this issue in June 2010. The headline employment target and its translation into national employment rate targets is strongly interlinked with achieving the other priorities of the strategy, in particular social inclusion through the reduction of poverty and improving educational levels. Furthermore, raising employment rates requires appropriate demand side policies.

#### ***Reaching the Europe 2020 Employment Rate target***

- Raising participation and employment levels is essential for achieving the Europe 2020 aim of smart, sustainable and inclusive growth. Aiming to bring the employment rate for women and men aged 20 – 64 to 75% by 2020 requires firm commitment and strong ambition by Member States and the Union to increase labour market participation and reduce unemployment.

- Bilateral meetings between Member States and the Commission at the end of April and early May have confirmed that all Member States are working towards national employment rate targets. Several are also considering underpinning their aggregate target with sub-targets by gender and for specific age groups.
- However, not all Member States have yet indicated concrete national employment rate targets and others have provided only preliminary values. It is nevertheless expected that the targets currently foreseen by individual Member States would fall short of the aim of reaching the headline employment rate target of 75% at the EU-level. An adequate level of ambition at national level is required.

### *Ensuring consistency between national targets and the EU headline target*

- In view of setting national targets, it should be recognized that the socio-economic and fiscal conditions differ between Member States, and that the crisis has had an important and differentiated impact on them. This calls for a balance between realism and ambition in setting the national targets. At the same time, targets should be simple and easy to communicate in order to ensure ownership by all relevant stakeholders and EU citizens.
- As a reference for setting national targets, consistent with the EU headline target, the following principles should be taken into account:
  - all Member States should be required to make an effort (i.e. all should raise rates by a minimum amount),
  - Member States with the largest gaps below the aggregate target of 75% should do more,
  - the combined efforts of Member States should be (at least broadly) consistent with reaching the aggregate 75% target.

- Notwithstanding Member State's prerogative in setting their national target in dialogue with the Commission, the Committee has identified a technical approach which could serve as guidance for setting national targets that comply with the European Council's aim of ensuring consistency with the headline target (see Annex I).

### *Considerations on possible national targets for specific labour market groups*

- The long-term goal of equal labour market participation for men and women and bringing the employment rate of women closer to the level indicated by the 75% headline target will require specific and dedicated policy attention.
- The Europe 2020 Strategy also refers to the greater labour market participation of youth, older workers and low skilled workers and the better integration of legal migrants. While crucial for achieving the necessary increases in employment, the labour market participation of these individual groups and corresponding needs for policy actions differ widely across Member States. EMCO therefore believes that no binding secondary employment targets should be defined for such groups at EU level.
- However, Member States are encouraged to define and set their own national targets for the labour market participation of specific groups in view of devising, implementing, and monitoring their national policies in the context of the overall EU strategy. In the dialogue with the Commission, several Member States have indeed indicated that they are considering the use of such sub-targets. EMCO suggests that Member States setting national secondary-targets do so on the basis of indicators which are comparable across Member States (see suggestions in Annex II), and in coherence with their employment rate target.

## **Labour market bottlenecks**

- Labour market bottlenecks can be understood as obstacles to attaining full employment and achieving productivity growth. They can be defined as institutional organisational barriers to smooth functioning of Member States' labour markets with negative effects on employment growth and labour market performance.
- The provisions of Title IX of the Treaty and in particular the Employment Guidelines continue to be the relevant policy framework for European and national actions addressing these bottlenecks. Economic growth and sound macroeconomic conditions are essential to underpin these efforts.
- The Spring European Council agreed that the new strategy Europe 2020 will address the main bottlenecks constraining growth at national and at EU levels. Taking into account the experience gained through the implementation of the European Employment Strategy in the past and considering that a number of obstacles to growth may be common to a large majority of Member States, the Committee will identify the main bottlenecks at the EU level and assist Member States to identify bottlenecks at national level in view of drawing up the National Reform Programmes.

## **Other governance aspects**

- While a number of elements of the new strategy have already been agreed by the Spring European Council, the articulation between its different instruments (guidelines, targets, bottlenecks, National Reform Programmes, etc) needs to be fine-tuned. The Commission is called to present a proposal on the overall governance of Europe 2020 in time for the preparation of the National Reform Programmes.

- Mutual learning is a clear yet underutilised EU value added in the open method of coordination. The mutual learning programmes managed by the Commission, be they directed to policy makers or to practitioners, should be developed in light of the new set of integrated guidelines so that results of the programmes are visible and can be transferred into national and European employment policies easily.
- The Committee reiterates the importance of real dialogue and cooperation between different Council formations and their respective committees responsible for the implementation of the future strategy in order to set coherent policies to reach EU objectives.
- The National Reform Programmes (NRPs), to be drawn by Member States according to the Integrated Guidelines and geared by their national circumstances, will present policy priorities and actions at national level. The Committee, in cooperation with the Commission and the EPC, is ready to review the reporting and assessment mechanisms of the NRPs to ensure a better alignment with the process of the Stability and Convergence Programmes and reach more consistency of policy advice. While striving for more coherence, future reporting and assessment mechanisms should nevertheless ensure that EPSCO plays fully its role, as provided by the Treaty, in examining the implementation of employment policies in Member States and, if appropriate, in making policy recommendations.
- The Committee invites the Commission to work closely with it to fully exploit the work carried in the past, namely on indicators, on the analysis of national labour market developments and to develop together the monitoring and assessment framework which the Commission and the Committee may use in the assessment of national labour market reforms.
- EMCO will examine how to make the social clause stipulated by the Treaty operational in regards to the European Employment Strategy.

- The Committee and the Commission are determined to work closely together in the design of EU and national actions under the Europe 2020 Flagship Initiatives and in particular that entitled “An agenda for new skills and jobs”.
  - The Committee notes that the adequate involvement of social partners, in particular regarding flexicurity policies, plays an important role in the effectiveness and success of labour market policy formulation and implementation.
  - Structural funds should, where appropriate, support actions to achieve full employment and inclusive labour markets.
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## Annex I

### **Possible technical approaches for setting national employment rate targets under Europe 2020**

- Member States could at least halve the gap between their 2010 employment rate and the 2020 overall employment rate target of 75%.
- Moreover, and given that this effort alone would not be consistent with the headline target value, Member States could take as a reference the following technical approaches:

i) Member States halve their gaps to the 75% target (for those below the target and compared to the situation in 2010), and all add a standard rise of 4 percentage points;

or

ii) Member States' employment rates increase by a weighted average between the EU gap in 2010 to the 75% aggregate target (weighted 2/3), and the closing of the individual gap to the target (weighted 1/3).

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## **Annex II**

### **Possible indicators for national targets on specific labour market groups**

Women/men: Employment rate by gender for age group 20-64, employment rate gender gap

Youth: NEET rate (15-24); youth unemployment ratio/rate (15-24)

Older workers: Employment rate (55-64); average duration of working life (once available)

Low skilled workers: employment rate of low skilled persons (20-64); employment rate gap between low-skilled workers (20-64) and non-low-skilled workers (20-64)

Legal migrants: Employment rate of non-EU nationals; employment rate of persons born outside the EU (20-64)

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