The Joint Employment Report in the context of the Annual Growth Survey 2011: political guidance on employment policies

Draft Council conclusions
EMCO proposal

The Council of the European Union:

RECALLING that Article 148(1) of the Treaty of the Functioning of the European Union provides for the European Council to consider each year the employment situation in the Union and adopt conclusions thereon, on the basis of a joint annual report by the Council and the Commission,

REITERATING its full readiness to put the Council's expertise on employment and social policies at the service of the European Council and to actively contribute to the successful implementation of the Europe 2020 strategy for growth and jobs and the European Semester, including its key feature of enhanced economic governance,

REAFFIRMING that the success of the strategy Europe 2020 for growth and jobs depends on the mutual reinforcement of its goals and that employment, social, education and economic policies are interdependent,

RECALLING the Employment Guidelines adopted by the Council as provided for in Article 148(2) TFEU, including employment guideline 10 "promoting social inclusion and combating poverty",

UNDERLINING that employment and labour market policies are an essential part of the reforms to be carried out under both macro-economic surveillance and the monitoring of growth-enhancing reforms (thematic coordination) of the Europe 2020 strategy for growth and jobs,

UNDERLINING that the effects of the financial and economic crisis continue to be felt on

Contact Address: The Employment Committee, EMPL/D (J27 5/6), European Commission, 200 rue de la Loi, B-1049 Bruxelles/Wetstraat 200, B-1049, Brussel - Belgium
Telephone: +32.2.296.26.31 Fax: +32.2.299.45.71

European labour markets and that unemployment is a top concern for EU citizens and UNDERLINING also that at least one out of six people in the EU is at risk-of-poverty or social exclusion,

RECALLING the country examination on the draft National Reform Programmes and the opinion of the Employment Committee thereon which lists the priority areas for policy reforms as well as progress towards headline and national employment rate targets,

RECALLING that although the preliminary national employment targets indicated in the draft National Reform Programmes are overall realistic and express ambition, taking due account of the national starting position, the collective estimated outcome would fall short of the EU ambition of aiming to raise the employment rate to 75% by 2020, possibly by up to 2.2 – 2.6 percentage points,

RECALLING also that although most Member States have set national targets for the reduction of the risk of poverty and social exclusion, these targets fall short of the EU ambition to lift at least 20 million people out of the risk of poverty and exclusion by 2020,

REAFFIRMING that, although Member States show a great diversity of labour market conditions and of room for fiscal manoeuvre, they continue to share common challenges and objectives,

UNDERLINING that an appropriate, efficient and sufficient provision of accessible education and lifelong learning opportunities is a necessary precondition for increasing the productivity and employability of the workforce and for increasing and sustaining employment in a way that helps improve social cohesion,

TAKING INTO ACCOUNT the outcome of the meeting of the Employment Committee with the social partners, whose role is essential in putting in place labour market reforms,

1. WELCOMES the utmost importance that the Annual Growth Survey places on labour market reforms with clarity and in an integrated way, reflecting the interdependencies

between all macro-economic policies including employment policies and NOTES that it highlights ten main priority actions for 2011/12.

2. EMPHASISES that the urgent need for fiscal consolidation should go hand in hand with restoring economic growth and increasing employment; and STRESSES the importance of strengthening efficient job-centred policies that stimulate labour supply of women and men, reduce exclusion and the risk of long-term unemployment and enhance mid- and long-term growth prospects. At the same time, efforts to restore sound public finances and to reform social protection systems should aim at ensuring the sustainability and adequacy of the latter.

3. STRESSES that, despite the fiscal constraints, the role of social safety nets should be secured and strengthened if needed to ensure support for those most in need. Active inclusion strategies are in this regard an adequate way of preventing long-term exclusion and increase efficiency and effectiveness of social spending.

4. STRESSES that labour market reforms are on their own insufficient to generate labour demand. A more employment-friendly business environment and stronger economic growth, driven by innovative and high value-added economic activities and opportunities from greening the economy, are necessary to create more and better jobs, to enhance social cohesion and reap the full potential of the Union's human capital.

5. INVITES Member States, when presenting their National Reform Programmes by mid-April 2011, to define appropriate measures, according to their specific national starting position and conditions as well as having regard to the role of national social partners, to implement the Employment Guidelines and so that:

   - tax and benefits systems are growth- and employment-friendly, shifting where appropriate taxes away from labour to activities with negative externalities (e.g. environmentally harmful activities), favouring the employment of second-earners (mainly women) and new hires, extending the use of more effective in-work benefits, for instance through tax credits, and combating undeclared work;
   - flexible work arrangements and child care facilities aim at facilitating labour

market participation and promote hours worked;

- comprehensive flexicurity policies, including flexible and reliable contractual arrangements, help to fight labour market segmentation that impedes young people entering in the labour market and to effectively secure their career paths;
- the effective retirement and exit ages are increased by reducing early retirement schemes and adapting pension rights to developments in life expectancy, pension entitlements are linked more closely to paid contributions and active ageing policies secure training, health and working conditions for older workers;
- labour costs evolve in line with labour productivity and compatible with low levels of inflation, while respecting the role of the social partners regarding wage setting;
- targeted activation measures support vulnerable groups particularly to avoid the risk of long-term unemployment and social exclusion;
- unemployment benefit systems are designed to make work pay and based on an approach of mutual responsibilities between the unemployed and the employment and other social services. Active labour market policies such as training and support to job search have an essential role in this context;
- unemployment and other employment-related benefit systems continue to ensure adequate level of protection at any phase of the economic cycle. Nonetheless, where relevant, they may need to be sufficiently flexible to enable benefits to be easily adjusted to fluctuations of the cycle. Temporary extensions of benefits and duration of unemployment insurance introduced in the context of the economic crisis should be reviewed as the economic recovery becomes more stable and when more jobs opportunities become available.
- well-designed and cost-effective education and training policies are invested in and learners receive the right incentives to raise their skills levels. This can be achieved particularly through a focus on learning outcomes responsive to labour market needs, efforts to combat early school leaving, measures to increase tertiary attainment levels, effective systems for recognition of professional qualifications and non formal learning and through more efficient funding streams in the provision of lifelong learning.

6. AGREES that each Member State should prioritise its action on the basis of its available

room for fiscal manoeuvre and its position in the business cycle. In particular, Member States with large current account deficits and high levels of indebtedness should present concrete corrective measures. Nonetheless, all Member States should seek a stronger emphasis on efficiency, adequacy and targeting of labour market and social policies.

7. CALLS on all Member States to set, taking into account their relative starting conditions and national circumstances, ambitious national targets for "employment" and to "promote social inclusion, in particular through the reduction of the risk of poverty" in light of the EU headline targets aiming at an employment rate of 75% and to lift at least 20 million people out of the risk of poverty and social exclusion by 2020; and CONSIDERS a mid-term review by 2014 of national targets set an opportunity to revise their ambition.

8. RECALLS that policy responses to macro-economic imbalances are complex and where relevant social partners have an important role to play. Their participation in debates on the objectives of the National Reform Programmes can also offer a decisive means of strengthening the social foundations of competitiveness and improving the environment necessary for economic and employment growth.

9. INVITES the Member States and the Commission, in cooperation with social partners at EU and national level to examine how wage determination at national level can contribute to preventing and rectifying the macro-economic imbalances and enhancing competitiveness.