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**COMMUNICATION FROM THE COMMISSION**

**Strengthening the implementation of the European Employment Strategy**

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Proposal for a

**COUNCIL DECISION**

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

Recommendation for a

**COUNCIL RECOMMENDATION**

**On the implementation of Member States' employment policies**

(presented by the Commission)

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## COMMUNICATION FROM THE COMMISSION

### Strengthening the implementation of the European Employment Strategy

*Heightening the political debate through more focused and  
forceful EU recommendations to the Member States*

Europe needs more and better jobs. The European Council of March 2004 has underlined the urgency for Europe to take effective action.

The European Employment Strategy (EES) has this role. In line with the Lisbon strategy the new European employment guidelines established by the Council in 2003 have set three overarching objectives: full employment; quality and productivity at work and strengthened social cohesion and inclusion. They include ten specific guidelines and guidance on improving governance of employment policies.

Reforms carried out under the Employment Guidelines in many Member States have proved their worth in improving labour market performance as confirmed by the employment growth of earlier years and by the resilience of employment in the recent economic slowdown. However, EU progress towards the Lisbon 2010 target of a 70% overall employment rate has come to a standstill and, at 64.3%, it is now clear that the EU will miss the intermediate employment rate target for 2005 of 67%. Without further action the 2010 target will also be missed.<sup>1</sup> Labour productivity growth has continued to slow down and quality in work and inclusive labour markets remain important challenges in many Member States.

Against the background of economic slowdown and at the request from Heads of State and Government at the Spring Council of 2003, the Commission established a European Employment Taskforce headed by Wim Kok, former Prime Minister of the Netherlands. The Taskforce identified<sup>2</sup> priorities for action of general relevance for Member States and specific reforms needed. The Employment Taskforce's assessment and policy messages are shared by the Commission and the Council. They are fully consistent with the European Employment Strategy and have been closely integrated in the 2004 Joint Council and Commission Employment Report (JER) to the European Council.

If Europe is to meet its employment objectives in 2010 and increase its competitiveness and growth potential in the global economy, a trend break will be needed: both employment and productivity growth must accelerate strongly. A narrow approach to labour market reforms will not suffice. Sound macro economic policies are necessary to secure confidence and stability. Structural reforms are needed in the goods, services and capital markets to support competitiveness and job creation. Progress on all fronts of the Lisbon agenda, as completed by the environmental dimension at Göteborg, notably in terms of research<sup>3</sup> and innovation, education and training, the development of the employment potential of environmental

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<sup>1</sup> This implies creating more than 15 million jobs in the EU 15 and more than 20 million in the EU 25.

<sup>2</sup> "Jobs, Jobs, jobs – Creating more Employment in Europe", Report of the Employment Taskforce chaired by Wim Kok.

<sup>3</sup> In this context, it should be noted that the Barcelona European Council of March 2002 has set an objective to increase R&D investment to 3% of GDP, two third to be financed by the private sector, whereas in 2002 this ratio was close to 2%.

policies, in particular in the environmental goods and services sector, and the reform of social protection systems including pension arrangements, must go hand in hand. Policies in these areas, including the recent Growth Initiative, should boost business investment both in human and physical capital, and create better conditions for job creation and productivity growth by strengthening Europe's capacity to manage change.

The reform of the Employment Strategy in 2003 placed the emphasis on medium-term orientation and on establishing a policy framework that takes account of increased diversity in the enlarged EU. Member States must vigorously pursue the full range of policies defined in the Employment Guidelines and the Union must give more attention to the follow-up and increase peer pressure. The Employment Taskforce has confirmed the need to put emphasis on an intensive monitoring of reforms undertaken by the Member States, rather than engaging in a process of further change of the guidelines.

The existing overall policy framework is therefore adequate and appropriate to confront today's employment challenges in an EU of 25 Member States. The medium-term character of the new employment guidelines and the streamlining with the Broad Economic Policy Guidelines (BEPGs) justify stability at least until the mid term assessment in 2006. The current and new Member States must pursue their employment policies in 2004 within the same stable framework.

The Commission highlights the need to support and stimulate a real policy debate at the highest political level on the implementation of the EES. In this context, the recommendations should become more forceful and succinct. This direction must be seen together with reinforced dissemination and mutual learning through exchange of experiences. The European Council has confirmed the four key areas for action identified by the Employment Taskforce and in the 2004 JER:

- increasing adaptability of workers and enterprises;
- attracting more people to the labour market and making work a real option for all;
- investing more and more effectively in human capital;
- ensuring effective implementation of reforms through better governance.

These constitute four common recommendations to all Member States and the 2005 JER will need to look critically at their implementation.

Since they were first used in 2000, the country-specific employment recommendations have contributed to steering Member States' policy reforms. The recommendations allow for a differentiation in policy guidance between Member States according to their respective situation and progress in implementation. With an increasing diversity of labour market situations within the EU after enlargement, they assume even greater importance. The 2004 recommendations are, therefore, designed to play this role in a strengthened way. They are sharper and more focused. They address those issues needing priority attention. Many pertain to areas already highlighted in previous years but still not yet resolved. Other recommendations address new issues which require immediate attention.

The new Member States have been introduced to the EES via the Joint Assessment Papers (JAPs) that were agreed with the Commission before membership. They will be submitting NAPs for the first time in 2004 within the framework of the employment guidelines and the

BEPGs. They must pay special attention to the common employment recommendations directed at all Member States. They are also invited to address the particular issues and policy messages identified for each country in the Employment Taskforce Report and the Commission's report<sup>4</sup> on the implementation of the JAPs.

More needs to be done by the EU and national authorities to support the exchange of experience between all stakeholders concerned. This requires a culture change to create an environment where governments and enterprises see themselves as learning organisations open to good ideas from others and keen on sharing experiences. In 2004 the Commission will launch a new ambitious programme of mutual learning centred on the exchange of good practice and the dissemination, including at regional level, of the experience of the EES.

The EU mobilises considerable financial resources especially to promote the development and structural adjustment of Member States and regions that are lagging behind. The next generation of EU funding needs to be more closely linked to the implementation of the employment guidelines, targets and recommendations to Member States<sup>5</sup>. Active labour market measures should be enhanced and public and private investment in human capital should be increased<sup>6</sup>. In this respect the Commission encourages Member States to make full use of the possibilities deriving from the Block exemption regulations on Employment aid and on Training aid designed to correct market failures and to support the implementation of the employment strategy.

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The four common recommendations to all Member States and the country-specific recommendations form a powerful package. Governance will be brought more to the fore of the European Employment Strategy. The shorter, more concentrated, and strengthened recommendations should ensure that Member States are better able to focus action on the main impediments.

Combined with a reinforced exchange of good practices and mutual learning and a better link with the use of EU financial resources, the stronger EU recommendations can give a new dynamic to the European Employment Strategy; a strategy fully involving national parliaments, the social partners, other stakeholders and promoting reform partnerships; one that will form a key component of the Partnership for Change recently announced by the European Social Partners.

The NAPs should respond to the strengthened recommendations and themselves be tighter policy documents without being superficial or incomplete. The implementation of the recommendations will provide the main basis for the JER to be drawn up in late 2004/early 2005. Such improvements should bring about a more hard-hitting and effective European Employment Strategy, one that can contribute to taking the Lisbon process forward with more and better jobs.

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<sup>4</sup> "Progress in implementing the Joint Assessment Papers on employment policies in acceding countries" COM(2003) 663 of 6.11.2003

<sup>5</sup> "Building our common Future – Policy challenges and Budgetary means of the Enlarged Union 2007-2013" COM(2004) 101 final/2 of 26.2.2004

<sup>6</sup> "Third Report on Economic and Social Cohesion", 18.2.2004

Proposal for a

**COUNCIL DECISION**

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

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 128 (2) thereof,

Having regard to the proposal from the Commission <sup>7</sup>,

Having regard to the Opinion of the European Parliament <sup>8</sup>,

Having regard to the Opinion of the European Economic and Social Committee <sup>9</sup>,

Having regard to the Opinion of the Committee of the Regions <sup>10</sup>,

Having regard to the Opinion of the Employment Committee,

Whereas:

- (1) The European Employment Strategy has the leading role in the implementation of the employment and labour market objectives of the Lisbon strategy. The reform of the European Employment Strategy in 2003 has placed the emphasis on medium-term orientation and on the importance of implementation of the full range of policies recommended in the Employment Guidelines.
- (2) The Employment Guidelines should be fully reviewed only every three years, while in the intermediate years their updating should remain strictly limited. The European Employment Taskforce recommended more forceful recommendations and a more effective use of peer review, rather than engaging in a process of further change of the Guidelines.
- (3) The examination of the Member States' National Action Plans for employment contained in the Joint Employment Report 2003-2004 shows that Member States and the social partners should give priority to increasing adaptability of workers and enterprises; attracting more people to enter and remain on the labour market and making work a real option for all; investing more and more effectively in human capital and lifelong learning; and ensuring effective implementation of reforms

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<sup>7</sup> OJ C [...], [...], p. [...].

<sup>8</sup> OJ C [...], [...], p. [...].

<sup>9</sup> OJ C [...], [...], p. [...].

<sup>10</sup> OJ C [...], [...], p. [...].

through better governance. These priorities are fully consistent with and can be pursued in the context of the current Guidelines.

- (4) The Employment Guidelines will apply to the new Member States upon accession.
- (5) In addition to these Employment Guidelines, Member States should fully implement the Broad Economic Policy Guidelines and ensure that action is fully consistent with the maintenance of sound public finances and macro-economic stability.

HAS DECIDED AS FOLLOWS:

*Article 1*

The guidelines for Member States' employment policies as set out in the annex to the Council decision of 22 July 2003 on guidelines for the employment policies of the Member States are maintained.

*Article 2*

All aspects of the guidelines shall be taken into account by the employment policies of Member States in a comprehensive and integrated manner and reported upon in National Action Plans submitted annually on the 1<sup>st</sup> of October.

Done at Brussels,

*For the Council*  
*The President*  
*[...]*

Recommendation for a

## COUNCIL RECOMMENDATION

### On the implementation of Member States' employment policies

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 128(4) thereof,

Having regard to the Commission recommendation,

Having regard to the opinion of the Employment Committee

Whereas:

- (1) The European Employment Strategy has the leading role in the implementation of the employment and labour market objectives of the Lisbon strategy. The successful implementation of the Lisbon agenda calls for the employment policies of Member States to foster, in a balanced manner, the three complementary and mutually supportive objectives of full employment, quality and productivity at work, and social cohesion and inclusion. The achievement of these objectives requires further structural reforms concentrating on 10 key specific priorities and improved governance.
- (2) The reform of the European Employment Strategy in 2003 has placed the emphasis on medium-term orientation and on the importance of implementation of the full range of policies recommended in the Employment Guidelines. The Employment Guidelines should therefore be fully reviewed only every three years, while in the intermediate years their updating should remain strictly limited.
- (3) The Council adopted without change the Guidelines for the employment policies of the Member States in 2004 by Decision...
- (4) The Council adopted a recommendation on the implementation of Member States' employment policies on 22 July 2003.<sup>11</sup> The examination of the Member States' National Action Plans for employment contained in the Joint Employment Report 2003-2004 shows that Member States and the social partners have given limited responses to these Council recommendations.
- (5) The European Employment Taskforce recommended that the EU should address more forceful recommendations to the Member States. Priority should be given to increasing adaptability of workers and enterprises; attracting more people to enter and remain on the labour market, making work a real option for all; investing more and more effectively in human capital and lifelong learning; and ensuring effective

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<sup>11</sup> JO L 197 of 5.8.2003



implementation of reforms through better governance. The Council and the Commission share this assessment and have integrated the policy messages of the Employment Taskforce report in the Joint Employment Report.

- (6) The analysis of the implementation of the Guidelines and 2003 Council recommendations in the Joint Employment Report and the general and country-specific policy messages in the Employment Taskforce report provide the basis for the formulation of the EU recommendations for national employment policies in 2004.
- (7) The Employment Guidelines will apply to the new Member States upon accession. All of the new Member States have reported over the last few years on the implementation of Joint Assessment Papers which refer to the Employment Guidelines. The country specific messages contained in the report of the European Employment Taskforce are fully consistent with the examination of the JAP implementation reports, and may serve as guidance for the implementation of the Employment Guidelines in the new Member States.

HEREBY RECOMMENDS:

1. That all Member States take action along the lines set out in Annex 1.
2. That the Member States, to which the Council recommendation of 22 July 2003 was addressed, should take the actions set out in Annex 2, which replaces the Annex of that recommendation, and report on their follow up in their National Action Plans due to be submitted on 1 October 2004.
3. That Member States joining the Union on 1<sup>st</sup> May 2004 address the priorities set out in Annex 3 in their National Action Plans due to be submitted on 1 October 2004.

Done at Brussels, [...]

*For the Council*  
*The President*  
[...]

**COMMON RECOMMENDATIONS TO ALL MEMBER STATES**

*The assessment of the Employment Taskforce and the analysis in the Joint Employment Report of the implementation of the Guidelines and 2003 Council recommendations show that all Member States and the social partners should give immediate priority to:*

- ***Increasing adaptability of workers and enterprises.*** *Promote flexibility combined with security in the labour market by focusing on improving work organisation and the attractiveness – for employers and employees – of both standard<sup>12</sup> and non-standard labour contracts to avoid the emergence of two-tier labour markets. The concept of job security should be modernised and broadened with a view not only to covering employment protection but also to building on women and men’s ability to remain and progress in work. Maximise job creation and raise productivity by reducing obstacles to setting up new businesses and by promoting better anticipation and management of restructuring.*
- ***Attracting more people to enter and remain on the labour market: making work a real option for all.*** *End unemployment, inactivity and low pay traps by adjusting the balance between taxes and benefits. Build comprehensive active ageing strategies, including incentives and other measures for workers to retire later and for employers to hire and keep older workers in employment. Further develop policies to increase labour market participation and entrepreneurship of women, young people, ethnic minorities, immigrants and of those people at a disadvantage. Strengthen active labour market policies for the unemployed and the inactive, with personalised services to all those seeking employment. Pursue make work pay policies through both financial and non-financial incentives, including individual taxation, quality in work in its all dimensions, childcare and care facilities and other measures to reconcile work and family life.*
- ***Investing more and more effectively in human capital and lifelong learning.*** *Set out ambitious policies for raising levels of human capital and R&D<sup>13</sup> and for promoting entrepreneurial attitudes and skills through education at all levels. Share costs and responsibilities between public authorities, companies and individuals and review incentives for increasing investment in human resources in enterprises. Reduce early school leaving and broaden the supply of training to improve access to lifelong learning, in particular for those most in need such as the low-skilled and older workers, taking into account the present and future needs of the labour market. Develop innovative learning and training methods (such as e-learning) and invest in skills related to new information and communication technologies.*
- ***Ensuring effective implementation of reforms through better governance.*** *Build reform partnerships to mobilise the support and participation of the social partners and various stakeholders. Define clear national policies and, where appropriate, targets to reflect those set at a European level, and ensure an efficient use of public funds. Promote the role and visibility of National Action Plans as key instruments in bringing together these*

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<sup>12</sup> The term ‘standard contracts’ is meant to cover contracts of unlimited duration, whether full-time or part-time.

<sup>13</sup> See the Barcelona target of increasing R&D investment to 3% of GDP.

*elements in the programming of reform. Ensure that they demonstrate the adequacy, transparency and cost-effectiveness in the allocation of financial resources, including the use of EU financial resources, to the implementation of the Employment Guidelines and recommendations. Develop more effective mutual learning.*

**COUNTRY SPECIFIC RECOMMENDATIONS**

**BELGIUM**

Despite positive trends since 1997, the employment rate in Belgium remains markedly below the EU average and far below the Lisbon targets. The employment rate for older workers is amongst the lowest in the EU25. The employment rate of non-nationals is strikingly low. After several years of steady decline, unemployment has started to rise. Participation of adults in education and training is stagnating.

*The assessment of the Employment Taskforce and the analysis in the Joint Employment Report of the implementation of the EU guidelines and 2003 Council recommendations show that Belgium should give immediate priority to:*

***Increasing adaptability of workers and enterprises***

- *better anticipate and accompany restructuring of enterprises, in particular in the case of collective redundancies;*
- *further reduce non-wage labour costs, in particular for the low-paid while safeguarding budgetary consolidation;*
- *improve cooperation between regional employment services to support mobility between regions.*

***Attracting more people to the labour market and making work a real option for all***

- *review tax and benefit systems to remove subsisting unemployment traps and provide adequate incentives for active job search by reviewing the conditionality of benefits;*
- *increase the coverage of unemployed adults, disadvantaged young people and immigrants in the measures run by the employment services;*
- *define a comprehensive strategy for active ageing, including the removal of early retirement schemes, access to continuing training, the promotion of a flexible working environment and effective job search for older unemployed workers.*

***Investing more and more effectively in human capital and lifelong learning***

- *take action to reduce early school leaving;*
- *monitor recent inter-professional agreements to raise worker participation in training, with special attention for the low-skilled.*

**DENMARK**

Denmark has employment rates well above the Lisbon employment targets, including for women and older workers. Despite recent increases, particularly hitting graduates and

worsening the long-term unemployment, unemployment remains relatively low. Given the high employment rates, a key priority for Denmark is to ensure adequate labour supply in the longer term.

*The assessment of the Employment Taskforce and the analysis in the Joint Employment Report of the implementation of the EU guidelines and 2003 Council recommendations show that Denmark should give immediate priority to:*

***Increasing adaptability of workers and enterprises***

- *further reduce the overall fiscal pressure on labour safeguarding budgetary consolidation.*

***Attracting more people to the labour market and making work a real option for all***

- *pursue a comprehensive strategy for active ageing, including the removal of remaining incentives for early retirement, notably the Voluntary Early Retirement Benefit Scheme;*
- *review tax and benefit systems to reduce marginal tax rates and raise incentives for low-income groups to work, including the unemployed and the inactive;*
- *monitor the impact of recent reforms to integrate immigrants into the labour market, in particular of efforts to build up the necessary basic skills required to match job requirements.*

***Investing more and more effectively in human capital and lifelong learning***

- *reverse the deterioration of basic skills;*
- *monitor trends in vocational training in the light of recent increases in training fees.*

**GERMANY**

The German employment rate is above the EU average but still far below the Lisbon targets. The employment rate for older workers is lagging behind. The employment rate for women exceeds the EU average but is still hampered by the lack of childcare provision, a high gender pay gap and tax disincentives. While performance varies across regions, overall, the German labour market has barely benefited from the years of economic growth in the EU since 1997. Unemployment and especially long-term unemployment remain among the highest in the EU. Addressing regional disparities between the eastern and western parts of the country remains a priority, especially in terms of job creation.

*The assessment of the Employment Taskforce and the analysis in the Joint Employment Report of the implementation of the EU guidelines and 2003 Council recommendations show that Germany should give immediate priority to:*

***Increasing adaptability of workers and enterprises***

- *review the financing of the social protection systems to reduce labour costs while safeguarding budgetary consolidation;*

- *encourage social partners to further develop wage-setting mechanisms that reflect local, regional and sectoral differences in productivity and labour market conditions; combine negotiations on wages with progress in working time flexibility and the provision of training facilities for example through training accounts (see BEPG guideline 5);*
- *promote the development of SMEs, notably through simpler regulation and better access to financing; strengthen the entrepreneurial culture in the Eastern part of the country.*

### ***Attracting more people to the labour market and making work a real option for all***

- *continue reform of the tax and social benefit system, thereby ensuring sufficient incentives to take up work; closely monitor and evaluate the implementation of the Hartz reforms with respect to the efficiency of employment services, especially in the Eastern part of the country;*
- *review tax disincentives to female participation in the labour market; increase childcare facilities, especially in the Western Länder, and improve the correspondence between school schedules and working hours; encourage social partners to reduce the gender pay gap in the private sector;*
- *develop a comprehensive strategy for active ageing to ensure that people stay in work longer, especially after the age of 60; further encourage part-time work for men and increase access to training for older workers;*
- *strengthen efforts to integrate immigrants.*

### ***Investing more and more effectively in human capital and lifelong learning***

- *improve education levels of the workforce and strengthen incentives to increase participation in lifelong learning, especially for the low-skilled, SME employees and older workers;*
- *continue the modernisation of the dual system; reduce early school leaving.*

## **GREECE**

Although job creation has increased recently, Greece still has one of the lowest employment rates in the EU, particularly for women, and declining but high unemployment. Undeclared work is substantial. Labour productivity has risen significantly but remains at low levels. Adult participation in training also remains particularly low, especially given the low educational attainment of the working-age population. In recent years, increased immigration has contributed to labour supply.

*The assessment of the Employment Taskforce and the analysis in the Joint Employment Report of the implementation of the EU guidelines and 2003 Council recommendations show that Greece should give immediate priority to:*

### ***Increasing adaptability of workers and enterprises***

- *implement fully the agreed labour market reform package; raise the attractiveness of part-time work and develop temporary work agencies to increase the diversity of work arrangements;*

- *reduce non-wage labour cost safeguarding budgetary consolidation; transform undeclared work into regular employment by improving the attractiveness of standard and non-standard contracts to employers and employees and strengthening law enforcement capacity;*
- *promote a more employment-friendly business environment.*

### ***Attracting more people to the labour market and making work a real option for all***

- *take strong action to increase the level and effectiveness of active labour market policies so as to cover a larger share of the inactive and the unemployed;*
- *speed up the development of efficient employment services throughout the country offering preventative and personalised services; upgrade the statistical monitoring systems;*
- *raise incentives for women to participate in the labour market, including through part-time employment; increase the availability and affordability of care facilities for children and other dependants;*
- *define a comprehensive strategy for active ageing providing flexible working arrangements, incentives to encourage older workers to remain longer in employment and support for skills development.*

### ***Investing more and more effectively in human capital and lifelong learning***

- *reduce early school leaving and strengthen the labour market relevance of tertiary education;*
- *review incentives to promote life-long learning and increase participation in training, in particular for the low-skilled and for immigrants.*

## **SPAIN**

Between 1997 and 2002, Spain had the highest increase in employment rates and the highest reduction in unemployment rates among the Member States. However, unemployment remains well above the EU average, while the employment rate remains well below. With wide differences in performances across regions, addressing regional disparities remains a priority. Female participation and the employment rate of older workers remain particularly low. Moreover, a particularly high share of people (about a third of all workers) is still employed under fixed-term contracts. Labour productivity remains at low levels. Overall levels of educational attainment and participation of adults in training remain particularly low. In recent years, increased immigration has contributed to labour supply.

*The assessment of the Employment Taskforce and the analysis in the Joint Employment Report of the implementation of the EU guidelines and 2003 Council recommendations show that Spain should give immediate priority to:*

### ***Increasing adaptability of workers and enterprises***

- *promote modernisation of work organisation to strengthen productivity and quality at work;*

- *revise the regulatory framework to make permanent contracts more attractive for employers and to discourage the use of fixed-term contracts so as to counter the segmentation of the labour market; remove obstacles to part-time work; make temporary agency work more attractive for companies and workers;*
- *use possibilities of wage differentiation according to local, regional and sectoral conditions (see BEPG guideline 5).*

### ***Attracting more people to the labour market and making work a real option for all***

- *raise incentives for women to participate in the labour market; increase the availability and affordability of care facilities for children and other dependants;*
- *ensure greater access to and efficiency of active labour market measures for disadvantaged people, in particular young people, disabled people, immigrants and long-term unemployed; complete the modernisation of the public employment services, including the statistical monitoring system; strengthen the coordination between regional employment services ; and eliminate obstacles to geographical mobility;*
- *define a comprehensive strategy for active ageing providing flexible working arrangements, incentives to encourage older workers to remain longer in employment and training.*

### ***Investing more and more effectively in human capital and lifelong learning***

- *reduce early school leaving and ensure quality and labour-market relevance of tertiary education;*
- *strengthen incentives for lifelong learning to increase participation, in particular for the low-skilled.*

## **FRANCE**

In France, the overall employment rate is below the EU average. The employment rate for older workers (55-64) is one of the lowest in the EU. Unemployment fell significantly between 1997 and 2000 but has risen again with the economic slowdown. Unemployment remains among the highest in the EU and it is particularly high for young people (15-24). The employment rate of non-nationals is strikingly low, notably for women. The share of fixed-term contracts continues to exceed the EU-15 average, whereas participation of adults in education and training remains below average.

*The assessment of the Employment Taskforce and the analysis in the Joint Employment Report of the implementation of the EU guidelines and 2003 Council recommendations shows that France should give immediate priority to:*

### ***Increasing adaptability of workers and enterprises***

- *facilitate the transition of people employed under fixed-term contracts into permanent contracts to counter the segmentation of the labour market and increase opportunities to remain and progress in the labour market;*



- *develop a more effective system of anticipation and management of restructuring;*
- *promote a business-friendly environment for the development of SMEs and monitor progress in increasing number of business start-ups.*

***Attracting more people to the labour market and making work a real option for all***

- *monitor the impact of the pension reform on the exit age and develop a comprehensive strategy for active ageing to retain older workers longer in employment by adapting working conditions, greater access to training and removing early retirement schemes;*
- *improve coordination of employment services to strengthen the provision of individualised services; build effective pathways to work and training for unemployed young people and for immigrants, notably women;*
- *ensure proper evaluation of the recent reform of the unemployment insurance system and ensure that it is accompanied by appropriate requirements and effective job search.*

***Investing more and more effectively in human capital and lifelong learning***

- *ensure that the social partners' agreement on vocational training effectively results in an increased share of the population participating in training, giving particular attention to the low-skilled and workers in SMEs;*
- *reduce early school leaving; facilitate and encourage wider and easier access to apprenticeships.*

**IRELAND**

Ireland has made impressive progress in terms of employment and productivity performances since 1997. The total employment rate has increased from 57.5% to 65.3% while unemployment has fallen by nearly two-thirds and long-term unemployment from 6.1% to 1.3%. Female participation in the labour force has improved, but there is still a significant gap between employment rates for women and men, as well as a high gender pay gap. Labour shortages remain a problem although they are eased by increased immigration. A significant element in Ireland's success is its capacity to attract foreign direct investment. Social partnership, its tax system, a good regulatory environment and investment in human capital are also major factors.

*The assessment of the Employment Taskforce and the analysis in the Joint Employment Report of the implementation of the EU guidelines and 2003 Council Recommendations shows that Ireland should give immediate priority to:*

***Attracting more people to the labour market and making work a real option for all***

- *increase access to active labour market measures for a larger share of the unemployed and inactive population and ensure their efficiency ; strengthen incentives to make work pay;*
- *increase the supply and affordability of childcare facilities and take urgent action to tackle the causes of the gender pay gap.*

### ***Investing more and more effectively in human capital and lifelong learning***

- *implement a coherent lifelong learning strategy to reduce early school leaving and increase participation in training, especially for the low-skilled and for older workers.*

### **ITALY**

Despite improvements since 1997, the employment rate continues to be one of the lowest in the EU. Female participation and the employment rate of older workers also remain among the lowest in the EU25. Unemployment has slowly decreased over the recent period, but still stands above the EU15 average. With unemployment at about 5% in the centre-north, compared to 18% in the south, addressing regional disparities is a priority. Undeclared work is particularly significant. Overall levels of educational attainment and participation in training remain particularly low.

*The assessment of the Employment Taskforce and the analysis in the Joint Employment Report of the implementation of the EU guidelines and 2003 Council recommendations show that Italy should give immediate priority to:*

#### ***Increasing adaptability of workers and enterprises***

- *simplify the regulatory environment in order to address the imbalances between permanent and non-permanent contracts and to counter the segmentation of the labour market; remove obstacles to part-time work;*
- *pursue further reductions of non-wage labour costs, especially for the low-paid, safeguarding budgetary consolidation; transform undeclared work into regular employment by removing tax disincentives and improving law enforcement capacity;*
- *encourage a review of wage bargaining systems to take account of regional labour market differences (see BEPG guideline 5).*

#### ***Attract more people to the labour market and make work a real option for all***

- *improve the level, coverage and effectiveness of unemployment insurance;*
- *develop effective employment services throughout the country, with particular attention for the situation of young people and immigrants; increase access to personalised services and participation in active labour market schemes, especially in the South, and ensure their efficiency; implement the national computerised labour market data system without any further delay;*
- *increase the availability and affordability of care facilities for children, especially under three years of age, and other dependants to promote female participation in the labour market;*
- *define a comprehensive active ageing strategy, providing adequate incentives to keep workers longer in employment and discouraging early retirement.*

### ***Investing more and more effectively in human capital and lifelong learning***

- *raise educational attainment of the workforce; reduce early school-leaving; increase the labour market relevance of tertiary education;*
- *strengthen incentives to lifelong learning and increase participation in training, in particular for the low skilled, through - inter alia - a quick launch of the inter-professional funds.*

## **LUXEMBOURG**

In Luxembourg, the employment rate is close to the EU average but still below the EU target. Unemployment remains low and the long-term unemployment rate is one of the lowest in the EU. However, the economic boom of the late 1990s has not led to increased employment rates across the board. New jobs were notably taken up by cross-border workers and women, while employment of older workers remained at a very low level. Participation in education and training remains below the EU15 average.

*The assessment of the Employment Taskforce and the analysis in the Joint Employment Report of the implementation of the EU guidelines and 2003 Council recommendations shows that Luxembourg should give immediate priority to:*

### ***Increasing adaptability of workers and enterprises***

- *support the development of start-ups and promote business training with a view to encouraging alternative sources of job creation;*

### ***Attract more people to the labour market and make work a real option for all***

- *develop a comprehensive strategy for active ageing, notably in the private sector and strengthen recent initiatives to retain workers longer in employment by removing early retirement schemes;*
- *promote work-oriented solutions for people covered by the disability scheme who are able to work;*
- *improve services to facilitate a better reconciliation of work and private life, and encourage women to return to work after long periods outside the labour market; take action to tackle the causes of the gender pay gap.*

### ***Investing more and more effectively in human capital and lifelong learning***

- *ensure effective implementation of the framework law on continuing training with a view to strengthening incentives for lifelong learning and increasing participation in training, notably for the low-skilled;*
- *revise the overall lifelong learning system to achieve better coherence between the education and training systems and reduce early school leaving.*

## **The NETHERLANDS**

While the employment rates for women and men well exceed the Lisbon targets, the employment rate of immigrants remains low. The labour market is characterised by an exceptionally high level of part-time work (about 44% of the workforce), and a high number of people on disability benefits. The employment rate of older workers exceeds the EU average but is still far below the EU target. Unemployment has risen significantly since 2001, although it remains among the lowest in the EU. In the autumn of 2003 the government and the social partners have signed an agreement which, among other things, includes a freeze in the development of wages in 2004 and 2005.

*The assessment of the Employment Taskforce and the analysis in the Joint Employment Report of the implementation of the EU guidelines and 2003 Council recommendations shows that the Netherlands should give immediate priority to:*

### ***Increasing adaptability of workers and enterprises***

- *implement and closely monitor wage developments in line with the "Autumn Agreement" between the government and the social partners (see BEPG guideline 5).*

### ***Attracting more people to the labour market and making work a real option for all***

- *carry out systematic work ability screenings of the people on disability benefits and assist those, who are able to work, to prepare for and find a suitable job; pay special attention to over-represented groups in the disability scheme such as women under the age of 40;*
- *reinforce the preventative approach for adults; increase effectiveness of and access to active measures for social benefit recipients and those with the greatest risk of inactivity; facilitate the integration of immigrants;*
- *combine the removal of early retirement schemes with incentives to retain workers longer in work and training, in particular for under-skilled older workers;*
- *facilitate transition from part-time to full-time jobs; take urgent action to tackle the causes of gender pay gaps; increase the affordability of childcare.*

### ***Investing more and more effectively in human capital and lifelong learning***

- *take action to reduce early school leaving; strengthen incentives to develop lifelong learning and increase participation in training, especially for the low-skilled and the inactive.*

## **AUSTRIA**

Austria has achieved a high employment rate overall, and a relatively high employment rate for women, in line with the Lisbon targets. Unemployment is amongst the lowest in the EU. Social partnership plays an important role for modernising work organisation, improving labour legislation and ensuring satisfactory wage developments. The employment rate of older workers, however, is particularly low. Employment growth has slowed down and unemployment has started to rise. Participation of adults in education and training is below the EU average. The gender pay gap remains one of the highest in the EU.

*The assessment of the Employment Taskforce and the analysis in the Joint Employment Report of the implementation of the EU guidelines and 2003 Council Recommendations show that Austria should give immediate priority to:*

***Increasing adaptability of workers and enterprises***

- *monitor and if necessary complement reforms on severance pay legislation and entitlement to unemployment benefit for the self-employed to increase levels of occupational mobility.*

***Attract more people to the labour market and make work a real option for all***

- *develop a comprehensive strategy for active ageing, including the removal of early retirement schemes, broadening the incentives to retain older workers longer in employment, notably older women; monitor the impact of the revision of the pension system on the effective exit age and progress towards the national targets;*
- *take action to tackle the causes of the gender pay gap; increase the availability and affordability of childcare facilities and evaluate the impact of the present childcare allowance scheme on the level and quality of female employment.*

***Investing more and more effectively in human capital and lifelong learning***

- *review incentives to increase participation in training, especially for the low-skilled and for immigrants;*
- *take action to reduce early school leaving; increase the labour market relevance of tertiary education.*

**PORTUGAL**

Portugal is close to achieving the Lisbon target on overall employment and slightly exceeds the employment targets for women and older workers. The recent economic slowdown has led unemployment to rise, although it remains at a relatively low level in comparison to the EU. Levels of productivity, overall levels of educational attainment and access to training remain particularly low. Moreover, a significant share of people (more than 20%) is employed under fixed-term contracts. In recent years, increased immigration has contributed to labour supply.

*The assessment of the Employment Taskforce and the analysis in the Joint Employment Report of the implementation of the EU guidelines and 2003 Council recommendations show that Portugal should give immediate priority to:*

***Increasing adaptability of workers and enterprises***

- *promote modernisation of work organisation to strengthen productivity and quality at work;*
- *building on the new Labour Code, make permanent contracts more attractive to employers as well as employees, and counter the segmentation of the labour market; raise the attractiveness of part-time work;*
- *develop a more effective system of anticipation and management of restructuring.*

### ***Attracting more people to the labour market and making work a real option for all***

- *strengthen active labour market measures for the unemployed and the inactive and ensure their efficiency ; strengthen efforts to integrate immigrants;*
- *take action to tackle the causes of the gender pay gap in the private sector and increase the availability and affordability of care facilities for children and other dependants;*
- *develop a comprehensive active ageing strategy, including removing incentives for early retirement, increasing access to training and providing appropriate working environments.*

### ***Investing more and more effectively in human capital and lifelong learning***

- *ensure that the national strategy for lifelong learning effectively results in raising the educational attainment of the whole workforce, in strengthening the incentives for lifelong learning and in increasing participation in training, in particular for the low-skilled;*
- *reduce early school leaving and strengthen the labour market relevance of tertiary education.*

## **FINLAND**

Finland is close to the overall employment rate target and it exceeds the employment rate target for women. It has achieved a high increase in the participation of older workers over the last decade, coming close to the EU target for older workers. The unemployment rate is above the EU average, and is particularly high for young people.

*The assessment of the Employment Taskforce and the analysis in the Joint Employment Report of the implementation of the EU guidelines and 2003 Council Recommendations shows that Finland should give immediate priority to:*

### ***Increasing adaptability of workers and enterprises***

- *reduce non-wage labour costs on the low-paid while maintaining sound public finances.*

### ***Attracting more people to the labour market and making work a real option for all***

- *monitor the impact of recent reforms of active labour market policies on structural unemployment and regional disparities; take special measures to facilitate the activation and integration of disadvantaged young people, disabled people and immigrants;*
- *further reform tax and benefit systems to remove unemployment traps;*
- *follow-up the national strategy for active ageing by improving working conditions, incentives and the provision of training for the low-skilled and older workers.*

### ***Investing more and more effectively in human capital and lifelong learning***

- *take action to reduce early school leaving and increase training for the low-skilled.*

## **SWEDEN**

Sweden exceeds all EU employment targets including those for women and for older workers. The total unemployment rate stands at about 5%. Efforts should be maintained to avoid labour supply constraints. In view of the ageing population, there will be a need to sustain labour supply by exploiting potential sources of labour among immigrants, the young and the long-term sick, and by improving incentives to work.

*The assessment of the Employment Taskforce and the analysis in the Joint Employment Report of the implementation of the EU guidelines and 2003 Council Recommendations show that Sweden should give immediate priority to:*

### ***Increasing adaptability of workers and enterprises***

- *Facilitate the development of SMEs in particular by reducing administrative burdens.*

### ***Attracting more people to the labour market and making work a real option for all***

- *address the rising number of people on long-term sick leave by promoting work-oriented solutions and improving conditions of work;*
- *eliminate remaining unemployment and inactivity traps;*
- *closely monitor the results of actions to integrate immigrants into the labour force.*

### ***Investing more and more effectively in human capital and lifelong learning***

- *reduce early school-leaving and increase access to training for the low-skilled and the inactive; review education and training policy to address the issue of emerging bottlenecks and skills mismatches in low- and medium-skilled sectors.*

## **UNITED KINGDOM**

The UK exceeds all the employment rate targets, including those for women and for older workers. Despite the slowdown in the global economy, employment rates have remained fairly stable and unemployment levels are well below the EU average. However, concentrations of economic inactivity, and to a lesser extent unemployment, persist in certain communities and amongst particular groups. Productivity levels, especially as expressed per hour worked, remain comparatively low. This is in part due to the prevalence of low skills amongst the workforce, including insufficient basic skills. The gender pay gap remains one of the largest in the EU.

*The assessment of the Employment Taskforce and the analysis in the Joint Employment Report of the implementation of the EU guidelines and 2003 Council Recommendations shows that the United Kingdom should give immediate priority to:*

### ***Increasing adaptability of worker and enterprises***

- *ensure that wage developments do not exceed productivity developments (see BEPG guideline 3).*

### ***Attracting more people to the labour market and making work a real option for all***

- *ensure that active labour market policies and benefit systems prevent de-skilling and promote quality in work, by improving incentives to work and supporting the sustainable integration and progress in the labour market of inactive and unemployed people; address the rising number of people claiming sickness or disability benefits, and give particular attention to lone parents and people living in deprived areas;*
- *improve the access to and affordability of childcare and care for other dependants, increase access to training for low paid women in part-time work, and take urgent action to tackle the causes of the gender pay gap.*

### ***Investing more and more effectively in human capital and lifelong learning***

- *implement national and regional skills strategies to provide better incentives for lifelong learning and thereby increase productivity and quality in work; place particular emphasis on improving literacy and numeracy of the workforce, the participation and achievement of 16-19 year olds, and low-skilled adults working in poorly paid jobs.*



## **PRIORITIES FOR NEW MEMBER STATES**

As part of their preparation for membership and the adoption of the EU acquis in the field of employment and social policy (legislation, social dialogue, open method of coordination and structural funds), each acceding country and the Commission agreed a Joint Assessment Paper (JAP) identifying its employment challenges and policy priorities. The purpose of this cooperation has been to contribute to bringing national employment policies more in line with the European Employment Strategy.

The implementation of the policies identified in the JAPs was followed up with periodic reviews. To successfully pursue the on-going restructuring of their economies, most new Member States, together with the social partners, need to further develop their efforts to modernise their employment policies. A new balance between flexibility and security, increased participation in employment and investment in human capital through lifelong learning are essential, as is the need to improve the health of the workforce. Social partnership, and significant improvements in the administrative capacity of public authorities are still crucial in most new Member States to achieve full implementation and efficient use of European Social Fund support, a major tool for investing in human capital and lifelong learning.

### **CYPRUS**

The employment rate in Cyprus is well above the EU15 average and unemployment rate is low. The share of foreign workers, who are often employed on a temporary basis, has increased significantly over the years in response to labour market needs.

#### **Increasing adaptability of workers and enterprises**

A particular challenge for Cyprus is to raise innovation capacities and to diversify the service sector.

#### **Attracting more people to the labour market and making work a real option for all**

While female participation stands above the EU average, more can be done to bridge gender gaps. Measures should include improving care facilities, increasing the participation of women in training, and raising the attractiveness of part-time work.

Foreign workers who come to Cyprus on a temporary basis constitute a large number of the working population. There is therefore a case for a review of policies in relation to the employment of foreign workers, both in terms of their contribution to labour market flexibility and of rights and opportunities for immigrant workers.

Preventive and active labour market measures should be strengthened to address individual needs and cover a larger share of unemployed and disabled people, ageing job-seekers and women. Strengthening and modernising the public employment services is also a priority.

#### **Investing more and more effectively in human capital and lifelong learning**

Building on the reorganisation of education underway since 2000, Cyprus needs to develop a comprehensive national strategy for lifelong learning. This should contribute to reducing

school drop-outs, improving the links between initial education and continuing training and to ensuring greater participation in training.

## **CZECH REPUBLIC**

The employment rate in the Czech Republic is slightly above the EU15 average. Unemployment is around the EU15 average but has been slowly increasing since the mid-1990s. The employment rate of older workers is close to the EU average but low, particularly for women, given the early statutory retirement age. Regional imbalances are important.

### **Increasing adaptability of workers and enterprises**

In pursuing its strategy for economic and employment growth, the Czech Republic needs to ensure that wage developments remain in line with productivity developments.

The high tax wedge on labour income and the high non-wage labour costs hinder job creation and prices low-skilled labour out of the labour market and into welfare benefits and/or into undeclared work. A coherent reform of the tax and benefit system should therefore further discourage welfare dependency and ensure that regular work pays.

### **Attracting more people to the labour market and making work a real option for all**

While standing above the EU average, raising the participation of women and older workers should be a priority. In this respect, removing obstacles to part-time work can make an important contribution.

More efforts are needed to integrate the most vulnerable groups in the labour market. This is particularly needed in regions other than Prague and for the Roma population. This calls for preventive and active labour market measures, combined with anti-discrimination measures, putting a strong emphasis on education, training, support to entrepreneurship and job creation. Modernising the public employment services should be seen as priority.

### **Investing more and more effectively in human capital and lifelong learning**

Building on the recent strategy for human resources development, raising participation in tertiary education and in training, both overall and for the low-skilled, seem crucial to sustain job creation and support occupational and geographic mobility.

## **ESTONIA**

The employment rate in Estonia is a little below the EU15 average. The unemployment rate has decreased over the years but remains higher than the EU average. Moreover, the share of long-term unemployed is high. Estonia is expected to be most affected by the decline in the working-age population resulting from demographic change.

### **Increasing adaptability of workers and enterprises**

Reducing the tax wedge on labour, especially on lower wage earners, and promoting contractual and working time diversity could contribute to creating more job opportunities. This should go hand-in-hand with efforts to improve the tax systems and to transform undeclared work into regular jobs. It is also important that wage developments remain in line with productivity developments.

### **Attracting more people to the labour market and making work a real option for all**

In the light of the rapid decline of its working age population, Estonia should seek to reduce levels of inactivity and to maintain and attract more people in the labour market. It remains essential for Estonia to raise further the participation of women, older workers and the low-skilled.

To complement to the recent Unemployment Insurance Act, it would seem important to strengthen active labour market measure so as to support active job search, provide greater access to training for the unemployed and ensure that the labour market becomes more inclusive. Public employment services should also benefit from increased resources. Disadvantaged people, such as the long-term unemployed, young people, disabled and older jobs-seekers, need special attention. Belonging to an ethnic minority and lack of knowledge of the national language are particular risk factors.

### **Investing more and more effectively in human capital and lifelong learning**

Bearing in mind the risk of mismatches, Estonia should be encouraged to improve access to training for all employees, especially for the low-skilled. Reducing school-drop outs and ensuring quality of education and training is a particular challenge. Building a system of lifelong learning has to be put clearly on the agenda.

## **HUNGARY**

The employment rate in Hungary is low, particularly for the low-skilled, the disadvantaged, women and for older workers. At the same time, unemployment remains well below the EU15 average. This is explained by a low participation rate, i.e. a large inactive population of working age. There are major labour market imbalances between the central and western regions, where the 'modern economy' is concentrated, and the rest of the country. Regional and sectoral mobility is low, while skills bottlenecks reflect both a lack of skilled labour and the insufficient responsiveness of education and training systems to labour market needs.

### **Increasing adaptability of workers and enterprises**

The tax wedge on labour remains high and represents an obstacle to job creation and a factor likely to contribute to undeclared work. Moreover, given the slowdown in economic growth, further efforts are required to ensure, together with the social partners, more employment-friendly wage developments. These are driven by the more competitive part of the economy and therefore not necessarily conducive to strengthening the job creation capacity of its weaker parts.

### **Attracting more people to the labour market and making work a real option for all**

The health situation of workers is an issue of concern, which may partially explain low activity. To this end, there is a need for a policy to promote better working conditions, and improving preventive and curative healthcare. Reforms of the social benefit systems, including sickness benefits, should be pursued with the view to make work pay and to reduce undeclared work.

This should be accompanied by the development of more flexible and family-friendly working arrangements, including more attractive part-time work, in particular for women and older workers. Strengthening preventive and active labour market measures for the unemployed and the inactive is also necessary, especially in the most disadvantaged regions.

This calls for modern public employment services, so as to support occupational and geographic mobility. Building on the Integration Strategy, efforts are needed to improve the labour market prospects of the Roma population.

### **Investing more and more effectively in human capital and lifelong learning**

Efforts to develop lifelong learning strategies should be pursued and should encompass measures to reduce school drop-outs, to promote equal access to university education and to broaden access to training, in particular for the low-skilled and disadvantaged.

## **LITHUANIA**

The employment rate in Lithuania has risen slightly recently but remains well below the EU15 average. The unemployment rate has decreased significantly but is still well above the EU average.

### **Increasing adaptability of workers and enterprises**

The still comparatively low share of employment in services is a challenge. Although efforts have been made to alleviate the tax burden, there is still a high tax wedge on the low-paid, which hampers job creation. Social partners have a particular role to play in anticipating and accompanying restructuring.

### **Attracting more people to the labour market and making work a real option for all**

Building on the reform of social assistance and further efforts to make work pay, it seems important to strengthen active labour market policies to help unemployed or inactive people move back into employment. Greater access to training, support for job search, including geographic mobility, and the modernisation of the public employment services are key priorities.

Although the participation of women and older workers is comparatively high compared to the EU average, removing obstacles to part-time work could contribute to raising levels further.

### **Investing more and more effectively in human capital and lifelong learning**

Serious efforts are needed to develop lifelong learning, and in particular to modernise education, reduce school drop-outs and increase participation in training, in particular for the low-skilled. The participation of employers in training is low.

## **LATVIA**

Supported by strong economic growth, employment in Latvia has increased quite strongly over the last two years. However, the overall employment rate stands below the EU15 average. Unemployment remains above the EU15 average with wide regional variations. At the same time, labour and skill shortages exist in Riga.

### **Increasing adaptability of workers and enterprises**

To achieve higher job creation, it is important to support the development of the services, especially in disadvantaged regions and to address the issue of undeclared work. The size of

undeclared work reduces social security contributions and leads to a high tax burden on labour.

### **Attracting more people to the labour market and making work a real option for all**

The combination of the minimum wage and of the tax and benefit systems should be made sufficiently attractive for people to take up a job in the formal economy. Particular attention needs to be paid to ensuring that women are encouraged to stay in the labour market.

This also requires greater efforts to develop active and preventive policies for the unemployed, in particular measures supporting job search, entrepreneurship, geographic mobility and greater access to training. The modernisation of public employment services should be seen as a priority. Particular attention is needed to ensure a more equitable and inclusive labour market for the young and the low-skilled. Belonging to an ethnic minority and lack of knowledge of the national language are particular risk factors.

### **Investing more and more effectively in human capital and lifelong learning**

Overcoming skills gaps and skills mismatches is a particular challenge. More efforts are needed to increase access to education and training, reduce school drop-outs and increase access to training, in particular for the low-skilled. This should be part of an overall strategy to develop lifelong learning.

## **MALTA**

The employment rate in Malta is particularly low compared to EU15 average. The employment rate of older workers is particularly low. The employment rate of women is the lowest in the EU25: only a third of women of working age are in work. Unemployment has increased slightly over the last two years but remains below the EU15 average.

### **Increasing adaptability of workers and enterprises**

Key challenges facing Malta are to roll out its privatisation program while redeploying employees as necessary and progressively to reduce administrative costs and tax burden on labour. In this respect, it will be important to build on the provisions of the revised Business Promotion Act and to monitor its impact.

### **Attracting more people to the labour market and making work a real option for all**

Malta's over-riding challenge is to expand its labour supply by raising the employment rate for women. Building on the revised Conditions of Employment Regulations Act, further action is needed to raise female participation in the formal economy. Increasing childcare facilities would significantly contribute.

A reform of the tax-and-benefit systems is also deemed a top priority, as the gap between minimum wage and benefit level is recognised as too small to provide sufficient incentives to take up a job. This reform would also help to transform undeclared work into regular employment.

### **Investing more and more effectively in human capital and lifelong learning**

Low levels of education among the workforce and skills' mismatches are a matter of concern. The high rates of early school-leavers, of illiteracy and of the low-skilled people are

particularly worrying. Raising general educational levels, reducing school drop-outs and raising participation in training, in particular for the low-skilled, are key priorities. Efforts to include the social partners in the development of a more systematic approach to education and training should be pursued.

## **POLAND**

The employment rate in Poland is among the lowest in the EU25. The situation on the labour market has deteriorated during the last four years. The employment rates of women, of older workers, of young people and of the low-skilled are particularly low. At about 20%, the unemployment rate is at its highest level since the start of the economic transformation, and the highest in EU25.

### **Increasing adaptability of workers and enterprises**

Actions to enhance the creation of a more employment-friendly environment and measures to support entrepreneurship are of particular importance, especially in the context of restructuring. Building on recent measures to reduce labour costs for the low-skilled and the young, it seems important to review the tax-benefit system to address the high tax wedge on labour in a comprehensive manner, particularly at the lower end of the wage scale. This would also contribute to reducing undeclared work.

Social partners have a key role not only for sustaining employment-friendly wage developments but also for actively promoting change at enterprise level and facilitating job mobility.

### **Attracting more people to the labour market and making work a real option for all**

As part of the endeavour to build up effective partnerships for employment at local level and to develop active labour market policies, Poland should accelerate the establishment of the new public employment services, with sufficient resources in terms of funding, staff numbers, training and equipment.

It is also important that the reform of the different benefit systems including disability benefits and social assistance continues with a focus on promoting active job search and reintegration. Disadvantaged young people deserve particular attention.

Efforts to remove obstacles to part-time work would also contribute to sustaining job opportunities for women and older workers.

### **Investing more and more effectively in human capital and lifelong learning**

Building on efforts to develop a coherent lifelong learning strategy, it will be important to ensure that the education and training system provides new labour market entrants with the skills needed in a labour market characterised by structural change. Particular attention will be needed to ensure equal access to education and to improve the efficiency and quality of education. Greater incentives to invest in training and to facilitate access to training as well as the commitment of the social partners are key requirements for the development of the lifelong learning strategy.

## **SLOVENIA**

The employment rate in Slovenia is slightly below the EU15 average, but is particularly low for older workers. The unemployment rate is well below the EU average.

### **Increasing adaptability of workers and enterprises**

The interaction between the minimum wage and the different components of tax burden on labour should be assessed to increase activity and reduce undeclared work. It is important to pursue the efforts in order to promote flexible forms of work while maintaining the appropriate balance between flexibility and security.

### **Attracting more people to the labour market and making work a real option for all**

Increasing the employment of people over 55 is a clear priority for Slovenia. Further efforts should include reducing the use of early retirement schemes, ensuring consistency between tax and benefit reforms (e.g. measures aimed at reducing undeclared work and at reforming pensions), to promote flexible forms of work and access to training for older workers.

In order to make work pay, it is important to review the interactions between unemployment, social benefits and the minimum wage, to increase the incentive to take up a job in the formal economy.

The public employment service has developed a comprehensive model of management in its implementation of the preventive approach, yet it would be necessary to improve staff training in the public employment service in order to deal efficiently with the most difficult to employ. The relations between private and public employment services could be intensified.

### **Investing more and more effectively in human capital and lifelong learning**

Building on recent progress and initiatives to develop lifelong learning systems, it would seem important to increase the share of the adult population participating in further education and training. Adequate resources and incentives for workers and employers to invest in training as well as a clear definition of all stakeholders' roles are needed. Reducing drop-out rates appear to be an important problem.

## **SLOVAKIA**

The overall employment rate in Slovakia remains low compared to the EU15 average. Although it is declining, unemployment is still very high, with a large share of long-term unemployed. The employment rate of women is low and the employment rate of young people, of the low-skilled and of older workers (especially women) is particularly low. Regional imbalances are important.

### **Increasing adaptability of workers and enterprises**

Reducing the high tax wedge on labour, mostly composed of social contributions, is seen as a priority. Social partners should be encouraged to promote more contractual and working time diversity (e.g. remove obstacles to part-time work) so as to create more job opportunities and facilitate job mobility.

### **Attracting more people to the labour market and making work a real option for all**

Building on the ongoing reforms of the tax and benefit systems, it is important to remove effectively unemployment and inactivity traps, which stand at a very high level for certain groups of the population, as well as reducing undeclared work. The implementation and impact of the reforms should be properly monitored.

In addition to efforts aimed at making work pay, special attention is needed to increase the participation of older workers in employment, including a review of the employment legislation, more flexible forms of work and greater use of part-time work. This could also contribute to raising female participation.

The financing of active labour market policy and the share of people taking part in active measures remain at a very low level. It is important to consider how to make the labour market more inclusive and encourage active job search. This calls for modern active labour market policies, greater access to training for the unemployed and the inactive and modern public employment services to ensure a wider coverage of the population. Special attention is needed for groups at risk (e.g. the long-term unemployed, young people, people with disabilities, older workers) and disadvantaged regions. The new priority given to integrating the Roma population needs to be rapidly translated into action.

### **Investing more and more effectively in human capital and lifelong learning**

The alarmingly high unemployment rate of young people points to the need to bridge the gap between skills acquired in the initial education and the skills needed to succeed on the labour market. Economic restructuring, regional and skills mismatches also call for greater support for occupational and geographic mobility throughout the life-cycle. Greater incentives to invest in training and to facilitate access to training are key requirements for the development of a lifelong learning strategy.