## RELEVANT PROVISIONS IN THE LEGISLATION

<table>
<thead>
<tr>
<th>Regulation</th>
<th>Article</th>
</tr>
</thead>
</table>
| CPR (1303/2013) | Article 9 (8) - Thematic objective: promoting sustainable and quality employment and supporting labour mobility  
Annex I CPR: sections 4.7, 5.3 and 5.5  
Annex XI Thematic ex-ante conditionalities: sections 8.1 to 8.6 |
| ESF Regulation (1304/2013) | Article 3: Scope of support  
(a) Promoting employment and supporting labour mobility through:  
(i) access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility  
(ii) sustainable integration of young people not in employment, education or training into the labour market  
(iii) self-employment, entrepreneurship and business creation  
(iv) equality between men and women and reconciliation between work and private life  
(v) adaptation of workers, enterprises and entrepreneurs to change  
(vi) active and healthy ageing  
(vii) modernisation and strengthening of labour market institutions, including actions to enhance transnational labour mobility |
| **ERDF Regulation (1301/2013)** | Article 3: Scope of support  
(d) Investment in social, health, research, innovation, business and educational infrastructure  
(e) Investment in the development of endogenous potential through fixed investment in equipment and small-scale infrastructure, including small-scale cultural and sustainable tourism infrastructure, services to enterprises, support to research and innovation bodies and investment in technology and applied research in enterprises  

Article 5: Investment priorities  
(9) Promoting employment and supporting labour mobility through:  
(a) Supporting the development of business incubators and investment support for self-employment, micro-enterprises and business creation  
(b) Supporting employment friendly growth through the development of endogenous potential as part of a territorial strategy for specific areas, including the conversion of declining industrial regions and enhancement of accessibility to and development of specific natural and cultural resources  
(c) Supporting local development initiatives and aid for structures providing neighbourhood services to create jobs  
(d) Investing in infrastructure for employment services |
| **EAFRD Regulation (1305/2013)** | Article 5: Union priorities for rural development  
(6) promoting social inclusion poverty reduction and economic development in rural areas |

*This is a draft document based on the new ESIF Regulations published in OJ 347 of 20 December 2013 and on the most recent version of the relevant Commission’s draft implementing and delegated acts. It may still require review to reflect the content of these draft legal acts once they are adopted.*
1. POLICY BACKGROUND

- The **Europe 2020 Strategy** for smart, sustainable and inclusive growth sets a target of 75% of 20-64 year old in employment by 2020.\(^1\)

- Article 3 of the Treaty on European Union establishes full employment and social cohesion as EU objectives. These objectives remain the core concerns of EU citizens and are at the heart of Europe 2020. Prospects for employment growth depend to a large extent on the EU’s capacity to generate economic growth through appropriate macroeconomic, industrial and innovation policies. At the same time, strengthening job-rich growth calls for employment policies that generate favourable conditions for job creation, facilitate positive transitions, increase the labour supply and improve its geographic and skills matching with labour market needs.

- The **Annual Growth Survey** identifies tackling unemployment as one of the economic and social priorities.

In order to prepare for a job-rich recovery, further efforts to improve the resilience of the labour market and invest in human capital are essential to help companies to recruit and adapt, and to allow more people to remain active and take up opportunities. Therefore, the Commission recommends:

- To limit the tax burden on labour, notably for the low-paid, as part of broader efforts to shift tax burden away from labour. Temporary reductions in social security contributions or job subsidy schemes for new recruits, notably the low-skilled and long-term unemployed, could also be considered to promote job creation, provided they are well targeted.

- To continue modernising labour markets by simplifying employment legislation and developing flexible working arrangements, including short-time working arrangements and work environments conducive to longer working lives. Reducing the gaps in employment protection between different types of work contracts should also help to reduce labour market segmentation, as well as undeclared work, in several countries. The impact of unemployment benefits should be monitored to ensure appropriate eligibility and effective job seeking requirements.

- To monitor the effect of wage-setting systems, in particular indexation mechanisms, and if necessary to amend them, respecting national consultation practices, in order to better reflect productivity developments and support job creation. It is important that minimum wage levels strike the right balance between employment creation and adequate income.

- To tap the job potential of expanding sectors, such as the green economy, healthcare and ICT, through a future-oriented and reliable legal framework, the development of adequate skills and targeted public support

Member States should do more to fight unemployment, improve employability and support access to jobs or a return to the world of work, in particular for the long-term unemployed and young people. This includes measures:

- To boost public employment services and step up active labour market measures, including skills upgrading, individualised job seeking assistance, support for entrepreneurship and self-employment, and mobility support schemes. Despite some additional resources devoted to these activities or efforts to improve their efficiency, the support provided hardly matches the surge in the number of registered jobseekers experienced in several countries.

---

To reduce early school-leaving and facilitate the transition from school to work by developing quality traineeships, apprenticeships and dual learning models - classroom-based education combined with hands-on experience in the workplace. Efforts to develop entrepreneurial skills are needed to support new business creation and improve employability levels of the young.

To develop and implement “youth guarantee” schemes whereby every young person under the age of 25 receives an offer of employment, continued education, an apprenticeship or a traineeship within four months of leaving formal education or becoming unemployed. Such schemes can be co-financed by the ESF.

To facilitate labour market participation and access to jobs for second earners through adequate tax-benefit incentives and the provision of quality affordable childcare.

To improve access to lifelong-learning systems throughout working life, including for older workers, by strengthening partnerships of public and private institutions involved in the provision, application and updating of specific skills.

To improve the connection between education and lifelong-learning systems and labour market needs. Short-cycle tertiary qualifications of two years, focused on areas where a skills shortage has been identified, as well as targeted mobility schemes, can prove particularly effective in current circumstances.

To encourage cross-border labour mobility by removing legal obstacles and facilitating the recognition of professional qualifications and experience. Cooperation between employment services should be reinforced, and the EURES platform can provide the basis for a more integrated European labour market.

The Employment Package is a set of European Commission policy recommendations to national governments with a clear focus on job creation and better employment policies. Measures are proposed in the following areas:

Supporting job creation:
- Stepping up job creation across the economy by: encouraging labour demand, targeting hiring subsidies to new hiring, reducing the tax on labour while ensuring fiscal sustainability, promoting and supporting self-employment, social enterprises and business start-ups, transforming informal or undeclared work into regular employment, boosting 'take home' pay, modernising wage-setting systems to align wages with productivity developments and fostering job creation.
- Harnessing the potential of job-rich sectors: ICT, green economy, healthcare.
- Mobilising EU funds for job creation: European Social Fund.

Restoring the dynamics of labour markets:
- Reforming labour markets by: encouraging companies' internal flexibility to protect jobs in crisis times, encouraging decent and sustainable wages, making job transitions pay, reducing the labour market segmentation between those in precarious employment and those on more stable employment, anticipating economic restructuring, developing lifelong learning and active labour market policies, delivering youth opportunities and the youth employment package, reinforcing social dialogue and reinforcing public employment services.

---

• Investing in skills by: coping with skills mismatches, ensuring better recognition of skills and qualifications and anticipating skills needs and improving synergy between the worlds of education and work.

• Moving towards a European labour market by: removing legal and practical obstacles to the free movement of workers and enhancing the matching of jobs and job-seekers across borders (EURES).

  o Improving the governance of employment policies:
    • Reinforcing coordination and multilateral surveillance in employment policy by: publishing a benchmarking system with selected employment indicators together with the draft Joint employment report and developing a reform tracking device to keep track of progress implementing national reform programmes
    • Effectively involving the social partners in the European semester exercise by setting up an EU tripartite format for monitoring and exchanging views on wage developments
    • Strengthening the link between employment policies and relevant financial instruments. Partnership contracts and operational programmes should be prepared in the light of the priorities of the national reform programmes and national job plans, and revised taking into account the country specific recommendation.

2. REGULATORY SCOPE

The ESF shall support, among others, the investment priority\(^{3}\): promoting employment and supporting labour mobility through:

(i) access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility.

(ii) sustainable integration of young people not in employment, education or training into the labour market.

(iii) self-employment, entrepreneurship and business creation.

(iv) equality between men and women and reconciliation between work and private life.

(v) adaptation of workers, enterprises and entrepreneurs to change.

(vi) active and healthy ageing.

(vii) modernisation and strengthening of labour market institutions, including actions to enhance transnational labour mobility.

Employment policies include, in addition to the ESF measures, investments to ensure that enterprises can create the jobs which are needed. These investments fall within the scope of the ERDF. ERDF shall support, among others, the investment priority\(^{4}\): promoting employment and supporting labour mobility through:

  o Supporting the development of business incubators and investment support for self-employment, micro-enterprises and business creation;

  o Supporting employment friendly growth through the development of endogenous potential as part of a territorial strategy for specific areas, including the conversion of declining industrial regions and enhancement of accessibility to and development of specific natural and cultural resources;

---

\(^{3}\) Art. 3 of the ESF Regulation.

\(^{4}\) Article 5 of the ERDF Regulation.
 Supporting local development initiatives and aid for structures providing neighbourhood services to create jobs, where such actions are outside the scope of the Regulation on the ESF;

 Investing in infrastructure for employment services.

The EAFRD shall promote the Union priority5 aimed at social inclusion, poverty reduction and economic development in rural areas, with a focus on the facilitating diversification, creation of new small enterprises and job creation.

3. POLICY RECOMMENDATIONS

The Employment Package seeks to complement the employment priorities of the Annual Growth Survey with medium-term policy guidance in function of the Europe 2020 employment objectives. It builds upon the Employment Guidelines, sets out actions requiring particular emphasis in the present context and aims at building trust among all actors. In doing so, it also responds to the call from the European Council to back up the new economic governance with a closer monitoring of employment and social policy, particularly where these can have an impact on macro-economic stability and growth.

- **Step up job creation across the economy by encouraging labour demand:** Employment policies help create conditions favourable to job creation. In doing so, they can mobilise the EU budget (and in particular the ESF) in support. Besides supply-side measures, such as skills and activation investment, and labour matching services, there are also a number of tools that impact positively on labour demand.

- **Exploit the job creation potential of key sectors:** Today's Europe faces profound structural transformations as identified in the Europe 2020 Strategy, in particular the transition towards a green, low carbon and resource efficient economy, the demographic ageing of our society and rapid technological advances. To tackle these challenges and convert them into opportunities, our economy will require a fundamental transformation over the next decade. Transforming the economy along these paths will increase competitiveness and provide important sources of growth and jobs, as well as addressing economic and social needs.

- **Mobilise EU funds for job creation:** the funds of the Cohesion Policy (ESF, ERDF and the Cohesion Fund) as well as EAFRD and EMFF are important sources of investment stimulating sustainable growth and job creation. They contribute to the strengthening of economic, social and territorial cohesion in the Union. For 2014-2020 the Commission has proposed to closely align these financial instruments with Europe 2020 objectives. It is crucial that national, regional and local authorities use the available resources fully and to maximum result in order for Europe to develop and realise its economic potential, increasing employment as well as productivity.

The ESF co-finances labour market activation measures, including hiring subsidies, professional and entrepreneurship training courses and microfinance schemes, as well as design and roll-out of employment policies across the EU. For the period 2014-20, the Commission has proposed minimum ESF shares addressing investment priorities such as access to employment for jobseekers and people without work; sustainable integration of young 'NEETS' into the labour market including through 'youth guarantees'; self-employment, entrepreneurship and business creation; as well as education and social inclusion investments and capacity-building in public administration.

---

5 Art. 5 of the EAFRD Regulation.
The ERDF contribution to job creation 2014-2020 will be strengthened by the proposed concentration of resources on research technological development and innovation, on enhancing the competitiveness of SMEs and supporting the shift towards a low-carbon economy, including the promotion of renewable energies and energy efficiency as well as ICT. ERDF will also promote employment and support labour mobility, such as by financing education, training and employment service infrastructure and supporting self-employment and business creation. It will also support health and social infrastructure investments. The European employment strategy identifies a number of areas which have the potential to create jobs: horizontal areas (SMEs and innovation) and sectoral areas (green economy, ICT and healthcare). These areas match well with the priorities of the ERDF, especially as funds will be concentrated specifically on these.

Where ERDF finances territorial strategies in specific areas the objective will be to identify the local assets for growth with the aim to develop activities which generate jobs. This exercise should start by identifying the areas with a potential and for which strategies should be carried out. Territorial strategies should consider all facets of endogenous growth with all the related costs and benefits (integrated approach). These should have an Action Plan (with deadlines, resources and responsibilities) and clear indicators about the expected impact, especially in terms of sustainable jobs. Overall, there should be a clear support by the national authorities.

The EGF which the Commission also proposed to continue in the 2014-2020 period, helps manage restructuring processes by co-financing re-skilling and job-search measures for those workers affected by large-scale redundancies resulting from changing global trade patterns.

The EAFRD supports job diversification into non-agricultural activities and development of small rural businesses, including by investing in skills, knowledge transfer and start-up aid for young farmers. [AGRI – please add more info if necessary]

The European Progress Microfinance Facility provides support for the self-employed and micro-companies by providing guarantees and funded investments for microfinance intermediaries across the EU. This is expected to leverage up to €500 million of microcredit with funding from the 2007-2013 period, and the Commission has proposed to extend it in the period 2014-2020 to address underserved market segments and improve access to finance for social enterprises. Availability of microfinance is also supported by a number of revolving instruments co-financed by the ERDF or ESF.

The European Fisheries Fund, to be incorporated in 2014-20 in a single European Maritime and Fisheries Fund (EMFF), supports the transition to sustainable fishing as well as diversification of local economies, including through trainings and small business support. . [MARE – please add more info if necessary]

The Europe 2020 Strategy places particular emphasis on labour market reform, the development of human capital and geographical mobility for making the EU labour force better equipped for change and providing job opportunities.

- **Reforming labour markets**: The EU’s common principles of flexicurity remain an important policy milestone in building dynamic labour markets, seeking to engage Member States on a firm path of integrated structural labour market reforms. Flexicurity brings together a number of labour market policies (contractual arrangements, active labour market measures, lifelong learning, and social protection systems), in an integrated and consistent way, to boost both flexibility and security and make labour markets more resilient to the processes of economic adjustment.
Throughout the crisis, a number of Member States have been engaged in important structural labour market reforms and temporary measures for preserving employment. Yet it is clear that progress towards more flexibility and security has been modest and uneven. Against the backdrop of budgetary constraints, the ongoing EU debate on flexicurity in the context of the flagship initiative An Agenda for New Skills and Jobs has enabled a number of necessary measures to be identified to help labour markets adjust in response to the crisis and to structural challenges in the context of Europe 2020.

Further steps in structural labour market reforms should address notably the following aspects: securing labour market transitions and inclusive labour markets (use internal flexibility to reduce insecurity and fiscal costs, avoid low-wage traps, make transitions pay, support transitions from unemployment towards employment, ensure appropriate contractual arrangements to combat labour market segmentation, anticipate economic restructuring, develop lifelong learning as a key to security in employment and deliver youth opportunities) and mobilising all actors for a better implementation through reinforcing social dialogue, redefining the primary and core services of Public Employment Services, pooling resources and focusing on effective partnerships.

- **Investing in skills:** high skills levels remain important with also an increasing number of vacancies for which the appropriate skills are not available. Skills needs in EU labour markets must be anticipated, and mismatches swiftly acted upon. Equipping workers with the skills necessary for jobs is essential in order to help make job creation happen. Europe and its Member States must have a sound understanding of these needs in order to better anticipate economic change and address skills mismatches. Despite the high levels of unemployment, skills shortages have been identified in specific sectors and/or regions. The mismatch between skills available and the needs of the labour markets concern all Member States, but affect them to varying degrees. To address these challenges, several countries have started to put in place national strategies and tools to remedy these skills mismatches. At European level, a start has been made on setting up actions and instruments announced in the Europe 2020 flagship initiative “An Agenda for New Skills and Jobs”. Across the EU, the European Social Fund is a key source of skills investments, with over € 30 billion of ESF funding programmed for skills and lifelong learning in 2007-2013. The actions will focus on a better monitoring on skills needs, better recognition of skills and qualifications and ensuring better synergy between the worlds of education and work.

- **Towards a European labour market:** Most European labour markets are characterised by a coexistence of persistent high levels of unemployment in many areas and bottleneck vacancies in high-growing regions or sectors. Structural mismatches between labour supply and demand are common. Labour mobility across Europe is too low compared to the overall size of the EU labour markets and corresponding active populations, which has the effect of hindering adjustments in the allocation of resources that could support economic and employment growth. Deepening European labour market integration and ensuring effective matching between labour demand and supply is crucial in order to enable all employment opportunities to be exploited. In this respect, mobility not only means going to where the jobs are, or having access to better jobs; it is also associated with improvements in generic and occupational skills and increases adaptability and employability. The actions will focus on removing legal and practical obstacles to free movement of workers and enhancing matching of jobs and job-seekers across borders. In the short term, mobility within the EU could help alleviate specific labour shortages and/or mismatches in EU. In the longer term, and especially in view of the EU’s demographic development, economic immigration by third country nationals is a key consideration for the EU labour market.
4. FURTHER READING

- Annual Growth Survey:

- Joint Employment Report:

- Employment package:

- European employment strategy: