

The European Network of Public Employment Services (PES) response to the consultation on the European Pillar of Social Rights

1. Introduction

The European Network of PES was established by Decision no 573 /2014/EU of 15th May 2014 on enhanced co-operation between PES. All Member States (MS) plus Iceland and Norway are members. The Decision aims to encourage cooperation between MS in the field of employment within areas of PES responsibility, in order to contribute to "Europe 2020" and to the implementation of relevant Union policies, thereby supporting:

- Vulnerable social groups with high unemployment rates
- Decent and sustainable work
- The better functioning of labour markets in the EU
- The identification of skill shortages
- The better integration of labour markets
- Increased voluntary geographical and occupational mobility
- The integration of persons excluded from the a labour market as part of the combat against social exclusion
- The evaluation and assessment of active labour market initiatives and their effective and efficient implementation

As such the Decision forms a part of the Social Acquis. This input reflects the view of the Network as endorsed by the Network Board (comprised of PES DGs). The comments focus upon those policy domains identified as having an especial link to PES operations as follows:

- Skills education and life-long learning
- Secure professional transitions
- Active support to employment

- Integrated social benefits and services
- Unemployment benefits
- Minimum income
- Sickness benefits

2. General Comments

The PES Network views the principle of the Pillar of Social Rights as a positive development if orientated towards improving the operation of the European labour market.

An existing Benchmarking process (established under the Decision establishing the PES Network) provides a framework to assess and encourage PES reform, the Pillar proposals, and policy instruments emerging from them, can complement this process, assisting in the evolution of more dynamic labour markets.

The Network recognizes that well-functioning labour markets are an essential driver for the growth necessary to sustain social welfare support systems. At present the external environment within which employment systems operate is undergoing a significant transformation with trends including; globalization, technological enhancement with the 4th industrial revolution, increased migration, more heterogeneous societies, changing gender roles, demographic and climate change, and new social attitudes from younger jobseekers especially to the concept of career management and use of social media. The world of work is consequently undergoing a rapid change, it is therefore vital that policy instruments support reforms needed to ensure that institutional developments keep pace with such developments.

3. Questions for Consultation

On the social situation and the European social acquis

i. What do you consider the most pressing employment and social priorities?

- Europe continues to face significant challenges. Unemployment remains high with an increase in numbers of people at risk of poverty and social exclusion since the crisis along

with negative demographic trends in most of MS which in the longer run could cause serious problems on the supply side of the labour market.

- Increased migration flows to Europe imply challenges for labour market integration but also offer opportunities to meet future labour shortages due to an aging population.
- Modernization of systems must aim to strike an optimal balance between flexibility and security for citizens fostering quality employment and seeking to reduce the potential for disruption and more precarious situations from labour market restructuring.
- Improved partnerships between organizations offering employment and social support, education, and skills and competency development should be a priority to enable successful transformation of integration systems.
- To ensure that citizens take full advantage of opportunities to update their employability, including through life-long learning, development of policies to combat labour market discrimination, the promotion of work-life balance, fostering social inclusion, equal opportunities for men and women, and supporting activation policies (including training schemes focused on employability) which will need to be in place which stimulate labour market participation, particularly for the most vulnerable jobseekers farthest from the labour market.
- The Decision establishing the European PES Network recognises within the social acquis the central role of PES in increasing labour market participation, especially amongst more vulnerable groups, including migrants, women, older workers and young persons. It specifically addresses the PES role in contributing to the achievement of the Europe 2020 employment rate headline target of 75% for women and men aged between 20 and 64 by 2020, in particular by decreasing youth unemployment.

What are the likely challenges for PES to 2020 and beyond in meeting objectives?

- Differing levels of unemployment across Member States, especially youth/long-term unemployment (LTU). The unemployment rates within vulnerable groups (including older workers, the lower skilled and migrants) persons at risk of poverty and social exclusion disproportionately affect some MS over others. This can lead to labour market segmentation.

What policy response is needed from PES?

- Encouragement of labour demand support for/meeting employers' needs.
- Support for career transitions, work security (NB not necessarily job security), including provision of enhanced career guidance services.
- Promotion/encouragement of ALMPs promoting/enhancing employability – PES to complement lifelong learning.
- Developing closer policy co-ordination and stronger institutional links including new partnerships especially with the education and training sectors.
- Synthesis between PES activation strategies and skills agenda (labour supply to meet labour market needs), support for development and recognition of competencies to prevent skills obsolescence and inactivity.
- PES engagement with jobseekers to stimulate labour market participation, good co-ordination between PES ALMP provision and *active social security/social assistance policies*, balancing adequate protection with obligation for those who can to participate in the labour market.
- Impact of the changing world of work, especially digital recruitment platforms, predictive analytics, and big data. PES modernization will need to adapt services to meet these challenges so they therefore become more effective and efficient.
- PES developing customer focused services optimizing the benefits of new data sources to offer quality services to customers.

What is future role for PES in this new context, how/where should it/can it add value?

To support macro level growth PES will need to continue to develop quality delivery models offering a mixed menu of services. Enhanced technological including digital capability can facilitate more efficient job matching, labour market transparency and efficient labour supply to meet employer demand. Operational efficiencies from this service transformation can release resources for more intensive, personalized, and often face-to-face personalized assistance for social excluded people, including discouraged jobseekers, not currently participating in the labour market.

What is PES' role in supporting social/collaborative economy and encouraging self-employment /entrepreneurship?

The collaborative economy will generate new employment opportunities, generating revenues beyond traditional linear employment relationships. This will enable people to

work more flexibly and more people to become economically active where traditional forms of work have not been suitable for them. To both respond to and take advantage of this trend PES will need to offer services which assist those seeking to work independently, including potential entrepreneurs, and promote these types of new work patterns to jobseekers who may be able to benefit from such opportunities.

ii. How can we account for different employment and social situations across Europe?

- Social and employment policies are largely a MS competence.
- PES responses are chiefly defined by political, cultural, socio-economic situation and institutional setting. Consequently there are major differences between MS labour markets and social security systems.
- In developing new initiatives MS start from different places.
- There are no single 'one-size-fits-all' answers, future EU PES Strategy must be comprehensive, overarching, but not be too prescriptive.
- Mutual learning can enhance service delivery standards enabling employment policy instruments to be successfully operationalized.
- There will be a continuing role for Benchmarking so that PES can learn from each other when it comes to effective delivery of labour market policies. Exchange of knowledge and best practices between MS can contribute to improving the quality of policies and lead to a process of upward convergence.
- The crisis suggests that well-functioning PES can support better labour market function alleviating negative impacts and supporting achievement of sustainable growth and jobs.
- Reforms to enhance PES capacity as part of broader package can assist MS to overcome impact of crisis, especially responding to cyclical labour market fluctuations

iii. Is the EU acquis up to date and do you see scope for further EU action?

How far does the current PES co-operation framework address European labour market challenges?

The PES Network Decision extends to 31st December 2020, the Social Pillar proposals can reinforce the current framework as a vehicle to address both the current and future challenges that the EU PES face on a rapidly evolving European labour market. Both

Benchmarking and Mutual Learning as provided for in the Decision provide a solid evidence based framework to assist PES in evolving their delivery systems to meet future challenges.

Does the initiative for the establishment of a Social Pillar provide a good (early) opportunity to examine elements of the PES Network Decision for potential revision?

- Promoting best practice with learning from best performers and increasing 'ownership' for necessary reforms by MS and stakeholders are important. Improving the PES response to meeting employer needs will be essential.

On the future of work and social security systems

iv. What trends would you see as most transformative?

What will be the most significant impact on PES?

- The socio-economic context within which governmental and inter-governmental organizations operate is changing due to globalization, migration, de-regulation, geopolitical changes, citizens' empowerment, the demographic situation, climate change and digitalization.
- Technological change, including increased use of new technology within PES, new skill requirements, new forms of work and new types of employment relationships, new recruitment models; changing composition of the working population (due to ageing, migration).

How fast will technology spread in the future in different sectors?

- The overall impact is unpredictable, there will be significant developments from artificial intelligence, robotics, and job automation. Some occupations may become extinct. Technological developments may drive reductions in staffing levels in particular sectors including; logistics, transportation, manufacturing, construction, sales, and services.
- Technological developments are certain to have a major impact on the labour market and social security.
- The pace of change will increase.
- The rate of labour market transitions is likely to increase.

- PES will have to respond earlier, more quickly and flexibly to prevent longer spells of unemployment; a (stronger) competence-based approach will be needed; non-formal/informal skills will be increasingly important.
- PES will have to deal with new target groups potentially those already employed, and especially currently inactive people who do not currently engage with them, there will need to be an enhanced emphasis on career management approach; these changes will require new ways of addressing them; improved communication with customers and transformed service offerings
- There will be an increasing demand for resources for counselling and training of jobseekers (including retraining/ re-education).
- Digitization offers opportunities for better co-ordination of PES and social security systems at both the individual service to citizen, and macro level. This can assist institutional adjustment to the changing world of work with more effective administration of both labour market re-integration and income transfer systems.

What impact will new skills requirements have upon PES?

- Some current knowledge and skills becoming obsolete will require continuing investment in (re-)training; this will be especially driven by the increasing rate of technological development.
- Labour market changes will produce both winners and losers, in assisting their customers to deal with this transformation process PES will need to deal with more complex cases requiring integrated services (case management).
- Higher demands will be placed upon PES staff in terms of service quality, counselling, lifelong guidance, and support across the work/life cycle.
- There will be (many) fewer jobs for life. PES will have to deal with jobs which require higher levels of skill specialization and creativity whilst others may increasingly need a richer and more varied blend of skills (e.g. telemarketing). Even within the same job demands will change over time.
- Education/training systems will need to prepare people for a working life of transitions. PES will be dealing with any failure from this process.

What will be the impact of new forms of work?

- There will be changes at macro labour market level, supply/demand relationship and micro level organization of work.
- Technology/automatisation can reduce costs.

- There will be more individualized modes of employment, micro/single traders offering services via internet.
- The structure of companies/organizations and the potential employers of jobseekers may change – there may be increase both in smaller specialist (high skilled) enterprises and larger generalist service providers. More job opportunities will be identified online; an increasing proportion of these may be on short term contracts. Legal structures may need to be adopted to enable the continuance of existing levels of employment production in the context of significantly altered working patterns and structures.

How will PES need to adapt to new recruitment models?

- More (most) recruitment will be via digital channels and networks.
- PES will invest in improved (including auto) matching technology, and introduce more on-line skills and competence assessment for clients.
- PES may need to develop closer links with business and training organizations to improve the volume of sustainable job to job and training to job transitions.
- There will be less need for traditional (personal-face to face) recruitment mediators for the majority of clients, but an extra demand for these services to meet the needs of the most disadvantaged clients, those hardest to integrate.
- Direct PES input to integration will focus on those farthest from the labour market. This will change the competences required of PES staff: i.e. more specialists/ case managers; staff with improved networking competences.
- International recruitment may become more important, this would need PES support.

v. What would be the main risks and opportunities linked to such trends?

- There will be opportunities from technology supporting prosperity, growth, employment.
- Risks will be generated by extent to which social support structures and legal frameworks can balance benefits with potential downsides from:
 - More contract working and flexibility.
 - New relationships between workers and employers (or clients) with different balance of relationship, personalized not collective links may lead to more precarious work, individuals in more vulnerable situations.
 - Some groups are at risk of being left behind, not benefitting from technological change.

- There will be changes in demand for labour in middle range occupations as well in labour supply due to anticipated negative demographic trends.
- More qualified jobseekers will be competing for entry level jobs.
- In order to detect and ideally take advantage of new, emerging and transformative trends, PES should adopt a pro-active position. This will enable their efforts to be combined with those of other labour market players as part of networks that can develop adequate responses to address these challenges.
- Efficiency savings from technology may be accompanied by negative impacts upon employment levels and greater inequality. Older workers and those with disabilities may be disproportionately impacted by these developments.

vi. Are there policies, institutions or firm practices – existing or emerging – which you would recommend as references?

- The PES 2020 Strategy, which can be both updated and future-proofed.
- The European Heads of PES Contribution to EU 2020, the PES 2020 Strategy Output Paper (2011) states that *"to guarantee the optimal functioning of the labour market, as a critical success factor for the EU 2020 Strategy, PES should acquire a mandate to fulfill conducting functions. When defining "conducting", several levels can be distinguished, a thorough understanding of the multiple transitions presenting themselves continuously on the labour market, a clear view on services offered by labour market actors, and a maximal disclosure and use of labour market intelligence (LMI). Conducting also implies stimulating labour market actors to co-operate and innovate, collaborating closely with public or private partners and aligning labour market actors with labour market policy"*.

Regarding the European Pillar of Social Rights

vii. Do you agree with the approach outlined here for the creation of a European Pillar of Social Rights?

The PES Network agrees the approach as necessary, however not necessarily sufficient to meet the challenges described.

viii. Do you agree with the scope, the domains and the principles of the Pillar, as proposed here? Are there aspects that are not clear at this stage or you feel have received insufficient attention?

As above these are necessary steps however further actions will be needed in order to address the issues identified. The PES have an important role, especially at the micro level, as a tool to encourage a more flexible, fluid and successful labour market. The role of employers should also be reviewed, especially within the context of supporting and investing in skills (including in apprenticeship), of those already employed and of job-seekers. This will involve, adapting workers to cope with change and assisting wider societal developments and inclusion, including through positive actions to recruit disadvantaged people and the exercising of corporate social responsibility. Micro measures will be a necessary component of a reform agenda which need macro structural reforms to provide a framework for dynamic labour markets to adjust and provide jobs particularly for the young, low skilled and long-term unemployed.

Furthermore, the PES Network recognizes the importance of both unemployment and minimum income benefit systems (noting that both systems are an MS competence) for the automatic stabilisation of labour markets and societies during economic crisis. The PES Network also recognizes that ideally both systems should be provided with enough resources at a national level (as schemes which should continue to operate at the MS not European tier) with convergence in systems well designed and equipped to serve this need. Stress tests could identify the ability to achieve this aim and Best-Practice exchange and mutual technical assistance for adjusting, redesigning or implementing both systems should be the core of action at European level. Areas to be addressed to secure the automatic stabilisation function include eligibility, level of payment, duration of payment, services targeted to the recipients of payments, non-cyclical financial reserves in hypothecated funding systems, and mutual obligation mechanisms. The Network opposes development of European level unemployment and minimum income benefit systems weakening MS responsibility.

What domains and principles would be most important as part of a renewed convergence for the euro area?

Well-functioning labour markets are an essential enabler for the continuance of the European social model. They are an especially important prerequisite for the provision of welfare systems which can protect citizens mitigating risks from social exclusion. In this

regard , and subject to respective European and MS competencies all the principles and policy domains described form part of an inter related fabric of supportive policy instruments.

- ix. How should these be expressed and made operational? In particular, do you see the scope and added value of minimum standards or reference benchmarks in certain areas and if so, which ones?**

A level playing field in terms of employment protection, and minimum agreed levels of welfare support are needed for the single market to function as an engine for job creation and economic growth. Shared objectives can facilitate the establishment of dynamic and fair labour markets, these should not however extend to prescriptive rights which can fail to take account of differences between MS and may compromise subsidiarity and proportionality.

From the specific perspective of PES there is much benefit from mutual learning and subsequent self-reflection, especially from the bench learning process introduced as a key aspect of the PES Decision on enhanced co-operation. Developing the positive shared objectives and sound common principles foreseen in the Social Pillar into rights could be counter-productive. Specifically this could risk presenting unrealistic demands on MS PES with a variety of institutional settings and resource settlements.

4. Detailed Comments on Policy Domains of especial relevance to the PES

i. Skills, Education, and Life-long learning

Investment in Basic Skills, though important, is a first step, and is not enough in itself to transform labour market operation. Education systems and labour markets must be more closely aligned and investment in transformative skills is needed. It should be noted that many LTU people have only received primary level education.

Addressing skills deficits can assist in transforming labour market operation, especially focusing on technical training in skill shortage occupations. PES have an important role to play in addressing the issue of low skill levels including by developing links with other (skill provision) agencies. They can also make an important contribution through encouraging work-based learning projects. This is part of an agenda to transform the workplace into an

environment where skills, training and life-long learning is fully integrated to the benefit of all stakeholders.

For many intermediate rather than highly skilled jobs transferable rather than specialist skills are required, an appropriate level of proficiency in areas such as IT being an example.

If institutional settings allow and appropriate data is available PES can have a role inputting to planning skills investment, and seeking to anticipate future skills requirements.

The PES Network recognizes the importance of this policy domain in principle but notes MS specific issues related to service delivery capacity.

iii. Secure Professional Transitions

PES traditionally focus on salaried regular as opposed to freelance employment, this will not be sufficient to equip all clients to cope with the future challenges of a rapidly changing labour market. Some have a role in referring clients for vocational training and education, this needs to be extended to offering support to encourage self-employment.

Secure Professional Transitions require an emphasis on sustaining employment, not necessarily sustain jobs, as such some employers and workers need assistance to enable this. Future career patterns will increasingly involve several changes of employers during a working life. To ease this transition an appropriate balance between flexibility and security should be sought so as to optimize labour market operation.

PES need to be increasingly aware of the evolving situation on a rapidly changing labour market, utilizing sound Labour Market Information (LMI) in order to match job seekers for more sustainable outcomes.

Employers will need to respond to labour market transitions, including work force development and skills investment. PES can support them in this role including assisting them in dealing with labour shortages and encouraging them to work with unemployed people, and vulnerable groups such as older jobseekers, the young unemployed, LTU and migrants, as part of their recruitment strategies.

PES need to be mindful of deadweight and insufficient delivery capacity issues when designing their interventions. Focusing on those most at risk of LTU at points of entry to the public employment system can assist in alleviating such risks.

iv. Active support for employment

Both the Youth Guarantee and LTU Recommendation already provide a legislative basis for MS to provide active support for employment for vulnerable groups, including people with disabilities. The PES Network recognizes the clear need for more holistic support for people with particular social problems; this is provided for in other policy domains (particularly 11 – Integrated Social Benefits and Services). The Network also maintains that further reference should be made to adequate activation measures. These should take into account the social situation of jobseekers, and wider labour market conditions, and form an essential aspect of provision of active support. It should also be noted that ALMPs need to be designed to consider potential employability outcomes for participants.

x. Integrated social benefits and services

The PES Network recognizes the advantages from optimum integration of social benefits and services. It also believes that it should be noted that for many clients the effectiveness of such measures can be enhanced through extending this provision to include labour market re-integration measures along with good cooperation with the social welfare institutions

The PES Network, especially through its mutual learning programme can provide a rich source of experience and good practice on the technical challenges that need to be overcome to facilitate such developments. The design of social assistance measures presents particular issues in some MS.

xii. Healthcare and Sickness Benefits

The PES Network primarily notes that issues relating to replacement levels of sickness benefits fall within MS competence.

Within this context systems enabling early intervention with clients and where appropriate supporting rather than discouraging re-integration can have advantages, both for clients and the wider society, including consideration of the role of workers as contributors to sickness insurance funds. Schemes designed to promote capability rather than disability, inclusion rather than exclusion, and capacity as opposed to incapacity can assist with this process.

Improved partnerships and institutional relationships between PES, medical professionals, social-security institutions and employers is an enabler for this change of emphasis. In addition to improved labour market outcomes individuals can benefit from reformed programs which can counter and remove negative perceptions. These can arise from negative labelling of people with certain health problems which do not necessarily preclude labour market re-integration and employment.

PES also wish to note capacity issues which need to be addressed with increased caseloads of previously inactive clients.

xiv. Unemployment Benefits

The PES Network broadly endorses the recommendations concerning unemployment benefits whilst also stressing MS competence in this policy area. The Network particularly endorses the view that receipt of unemployment benefits should be conditional upon clients' participation in support services offered and active job search. The function of unemployment benefits as enablers for re-integration could be further elaborated (see also question viii. regarding the European Pillar of Social Rights).

xv. Minimum Income

The PES Network stresses that beneficiaries with the capacity to work should be required to participate in active re-integration support measures. Minimum Income Schemes must be designed to ensure that they do not have a negative impact upon labour market incentives. In principle such schemes could enable more effective targeting of support and reduce administrative overheads and delivery costs associated with managing complex income transfer schemes (see also question viii. regarding the European Pillar of Social Rights).