



27 November 2020

### Introduction

The public consultation launched by the Commission to feed into its forthcoming action plan to implement the European Pillar of Social Rights will allow for a broad input from stakeholders. Nonetheless, given the specific role of social partners in many of the areas covered by the pillar, to ensure that it has the right focus and impact requires us being involved in a thorough and timely way in its development and implementation. We therefore appreciate the separate track of discussions with social partners, by way of a dedicated meeting earlier this year.

***However, an important aspect is still missing from the preparations – a tripartite exchange,*** to allow for EU and national social partners, national governments, and the European Commission to work together to develop the action plan. We regret that the European Commission did not take up this proposal yet and reiterate our call to the Commission to organise such an exchange before the action plan is published. We would also welcome holding such a tripartite exchange on the content of the proposed action plan at the initiative of the Portuguese Presidency of the EU Council in due time before the Porto summit of 7-8 May 2021.

***Please find below our main requests for the forthcoming action plan:***

***1. The action plan needs to prioritise measures which will support employment and deal with the impact of COVID 19.***

The EU is currently facing an unprecedented sanitary crisis, which is having a profound impact on our economies and labour markets. This is a very different situation to when the action plan was announced by the Commission in January 2020 and even compared to when the pillar was proclaimed in 2017 with the backdrop of the 2008 economic and social crisis.

Whilst the recovery and resilience package will provide much needed investment supporting the recovery of enterprises and workers, this has to be combined with the right policies and reforms so that the available resources are well spent on projects that truly improve Europe's long-term growth and job creation potential without windfall effects. This focus on investment and reforms needs to be reflected in the approach and initiatives that will be included in the action plan, supporting economic growth as the basis for further developing the EU social model and action linked to the pillar. It is crucial that it refrains from any measures that could potentially pose additional burdens on businesses and increase unemployment.



Many important measures have been taken at national level to mitigate the impacts of the pandemic, including by social partners, in particular introduction of short-time working schemes. However, the full impact of these is not yet possible to assess, and the situation on labour markets remains very uncertain, also increasing those facing social hardship and poverty. The pillar must therefore focus on actions that support employment, ensure the good functioning of labour markets and thereby mitigate poverty risks.

This means focusing on actions aiming to strengthen coordination of national reforms to improve functioning of labour markets and making sure Member States deliver on the reforms they already promised to take. The European Semester process is the right tool for this and should therefore be at the heart of the action plan. The investments made available through the recovery and resilience facility and related national plans should act as a “carrot” for Member States to be incentivised to speed up their efforts with respect to the necessary structural labour market reforms’ implementation.

It is also important to ensure that we have good, reliable data in Europe, to support evidence-based policy-making. Eurofound plays an important role in this respect. We also call on the Commission to investigate the possibilities of using data from national administrative registers, by mapping the main content of the data gathered, data users, availability for the public etc, to ensure access to quality data.

***2. The action plan must fully respect the division of competences between the EU, national level and social partners.***

Initiatives included in the action plan must be taken at the right level, bearing in mind that the EU, Member States and social partners have clearly defined roles when it comes to social policy, enshrined in the Treaty. It is also important to respect the autonomy of social partners, as well as leaving space for them to provide their own solutions, at the most appropriate level according to national industrial relations systems. Both aspects are essential if the commission wants to keep its promise of supporting social dialogue.

The action plan must be fully in line with the commitments in the pillar itself:

- “Delivering on the European Pillar of Social Rights is a shared political commitment”.
- “The European Pillar of Social Rights should be implemented at both Union level and Member State level within their respective competences, taking due account of different socio-economic environments and the diversity of national systems, including the role of social partners, and in accordance with the principles of subsidiarity and proportionality”.
- “At Union level, the European Pillar of Social Rights does not entail an extension of the Union’s powers and tasks as conferred by the Treaties”.



### **3. Reiterating key messages on the 3 chapters of the pillar:**

The approach and requests made in BusinessEurope's brochure on the future social dimension of the EU ([link](#)) remain valid for the action plan. In addition, regarding:

**Chapter I of the pillar: Equal opportunities and access to the labour market** – In addition to the comments above on the need to focus on supporting employment in view of the impact of COVID-19, please also find attached our calls for action regarding Active Labour Market Policies and Vocational Education and Training. On the latter issue, rather than promoting one example of tool at EU level, e.g. individual learning accounts, the action plan should focus on improving the functioning of training systems. Together with the social partners, the EU and Member States should aim to make best possible use of the social partnership culture Europe has in terms of employee training to incentivise both the provision of and participation in training activities and achieve better innovation and skills related outcomes across Europe.

**Chapter II of the pillar: Fair working conditions** – The current situation shows even more strongly the need to make our labour markets more resilient to crises. This means we need an appropriate regulatory framework, which provides for adequate flexibility on labour markets so that companies are able to create jobs and hire people and thereby provide security for workers. This includes supporting diverse forms of work as an essential way to get people back onto the labour market.

This approach is also necessary for the European Pillar of Social Rights to effectively **accompany the rapid changes in our societies and in the world of work**. For example, regarding digitalisation, the initiatives included in the action plan must fully take into account that the extent and impact varies greatly between sectors, companies and jobs. Therefore actions which take a blanket EU approach introducing new one-size-fits-all rules would not be adequately tailored to these different circumstances, as well as stifling roll-out of digital tools and innovation. Furthermore, the European Social Partners framework agreement on **digitalisation** already covers key issues related to use of digital tools at the workplace (work organisation, working conditions) and supports social partners to work together to reap the benefits but also deal with the challenges of the digital transition. This also means that a **right to disconnect** should not be introduced at EU level. The European Social Partners autonomous framework agreement specifically includes modalities for connecting and disconnecting. Jointly managing the use of digital tools with positive gains for employers and workers, is best done at the workplace, including through social dialogue. EU legislation would completely disrespect social partner autonomy. Also, existing legislation on working and rest time and health and safety at work already provides an adequate framework of protection.

We are not in favour of new EU legislation regulating working conditions of **people providing services via online platforms / platform workers**. This does not make sense, given the diversity of such work and the fact that there is not a typical 'platform



worker'. Those providing services via platforms are in the main correctly classified as self-employed and choose this type of work. Also, the Platform to Business regulation already places obligations on platforms to be transparent about their terms and conditions and to provide an internal complaint handling system. Where platform workers are found to be employees according to national legislation and the European court of justice, then they will be covered by existing social rights. Determining the status of workers should be left to the national level. The focus should be on ensuring that existing EU legislation is well-implemented, for example the Directive on transparent and predictable working conditions, which already provides new rights for workers, including those working on-demand, as well as the recommendation on access to social protection.

The action plan must fully respect, promote and support **social dialogue**, where social partners jointly request it, at the appropriate levels, according to national industrial relations systems. Further progress is necessary to ensure the more meaningful involvement of the social partners in EU policy-making, with an important focus in the coming years needed on ensuring good involvement in the rolling out of the Recovery and Resilience Facility. The action plan should also recognise and promote the well-developed EU rules regarding involvement and participation of workers, implemented effectively at national level, in line with diverse industrial relations systems. The action plan should focus on awareness-raising and guidance on the rules, for example on the European Works Councils Directive.

**Chapter III: Social protection and inclusion** - Investment in healthcare and social infrastructure has been vital to deal with the COVID-19 situation. In the long-term, growth-friendly investment will be necessary to ensure that societies become active and stable again. Measures to support the most vulnerable, i.e. unemployed and those facing poverty and social hardship, have also been vital and many are likely to continue to need social support for some time. This has to be done in a way which ensures that social protection and welfare systems can provide sustainably and adequately for future generations.

Measures are mainly needed at national level, however if done appropriately, actions at EU level can provide support and coordination between member states. For example, as highlighted in the draft council conclusions on **minimum income**, it is for member states to design and implement national provisions ensuring minimum income protection, however there could be a strengthening of the ongoing work as part of the European Semester process, including further elaboration of the EU benchmarking framework.

Regarding the forthcoming **child guarantee**, please find attached our joint European social partner statement on provision of childcare. Actions to increase economic activity of parents/care-givers are crucial in preventing children from experiencing poverty. It is also important to look at ways to further reduce early school leaving and prevent school drop outs, as this creates inequalities in childrens' chances in life. It is also very important

to strengthen the skills and capacities of public administrations to better manage the EU funding streams that can be mobilized in support of a future European child guarantee.

***In annex:***

- BusinessEurope brochure on the future of the Europe's social dimension – available via this [link](#);
- BusinessEurope's recovery plan;
- Call for actions regarding Active Labour Market Policies and Vocational education and training;
- Joint European social partners statement on childcare.

27 November 2020

## **BusinessEurope priorities for reforms to vocational education and training systems**

### **Introduction**

This note provides BusinessEurope's insights and priorities for the reform of national vocational education and training (VET) systems through a coordinated framework at EU level, while simultaneously respecting member state competences in the field of education and training. These priorities have been developed in view of the Commission's action plan for the implementation of the European Pillar of Social Rights and relate to principles one (education, training life-long learning) and four (active support to employment).

### **Proposed action**

BusinessEurope calls on the European Commission to include in its Action Plan to implement the European Pillar of Social Rights support to member states that enables them to undertake the following priority actions, taking into account the context of their national labour markets and education training systems:

- Enhance the quality and effectiveness of VET provision, both initial and continuous, through involving employers in the timely updating of curricula and qualifications in order to better take into account changing labour market needs. Benchmarking and mutual learning approaches should be better utilised to this effect.
- Fully utilise financial resources, particularly those available through the Recovery and Resilience Facility, to invest in skills provision and attainment. The national recovery and resilience plans should identify investments in skills as one of the priorities and be devised and implemented in cooperation with social partners. Particular attention should be paid to the attainment of STEM and digital skills, as well as the infrastructure that would facilitate online and blended learning.
- It is important that the reform of VET systems is undertaken in full consultation with, and the active involvement of, employers, taking into account national practices. This includes promoting the role of employers in the design and delivery of VET, and giving sufficient flexibility to public authorities and social partners at the national and regional level to orient the structure and content of training programmes to the needs of employers and workers within their labour market context. Appropriate support and incentives (financial and non-financial) should also be envisaged to help companies and social partners to fulfil this role.

### **EU level context and the way forward**

The overarching context for a coordinated approach to reforms at the EU level, including in the area of labour markets and VET, is the European semester process. The undertaking of reforms identified through the semester can be further supported by the Structural Reform

Support Programme and the EU's financial instruments. In the area of education and training, the new Recovery and Resilience Facility (RRF) and the focus of the flagship area on up and re-skilling, especially as concerns digital skills, is helpful in this respect. It is also welcome that the Commission Communication on "Achieving the European Education Area by 2025" identified that funding available through the RRF will provide "major support to education reforms and investments in education, from infrastructure and construction to trainings, digital devices or the funding for open educational resources." Likewise, there is money available for investing in education and training through the European Social Fund+ (ESF+) as part of the EU's multi-annual financial framework for the period 2021-2027.

In turn, the specific context for VET policies at the EU level is provided by the recently published EU Skills Agenda and its accompanying Council recommendation, as well as initiatives that aim to provide strategic orientation to the EU's VET policy and cooperation in education and training more broadly. Namely, this concerns the Osnabruck Declaration and the communication on a European Education Area.

BusinessEurope views the role of the new Skills Agenda as contributing to putting in place an EU framework that supports reforms, mutual learning and exchanges. One element of the Skills Agenda is the proposed Council recommendation on VET, which aims to renew and modernise the EU's VET policy. BusinessEurope recognises the value of the European semester and the strategic orientation that is provided by initiatives such as the Skills Agenda, Osnabruck Declaration, European Education Area and European Research Area to provide a framework within which member states undertake reforms to their education and training systems. Such reforms should be underpinned by the full involvement of relevant stakeholders, especially social partners, taking into account national labour market and education and training circumstances, in order to design and implement reforms in the most effective way over the medium and long term. In this respect, BusinessEurope sees particular relevance in reforms that aim to enhance the labour market relevance of VET; develop and strengthen apprenticeship systems; and promote VET as a first choice education and training option. To achieve this there needs to be a strong degree of coherence between the strategic framework and the EU's relevant financial tools, Notably the RRF, ESF+ and the REACT-EU fund in the shorter term.

## **Specific policy context**

### Enhancing the labour market relevance of VET

#### a) A joined-up approach

The aim of enhancing the coherence between EU level VET policies and strategies and the funding instruments should be to create stronger ties between labour markets and education and training systems through putting more emphasis on learning outcomes and employability in order to foster education to work transitions, to guide up-skilling and re-skilling and to overcome skills mismatches and labour shortages. In this respect, EU level benchmarks could play a positive role to support member states' reform agendas.

The bench-learning process that is being introduced to assist apprenticeship reforms at national level is a good practice that could be used as an inspiration to steer and support the necessary reforms to improve training access for adults. Additional data and a more evidence-based approach to policy making could be particularly helpful in VET. For example, it could be useful to benchmark the following:



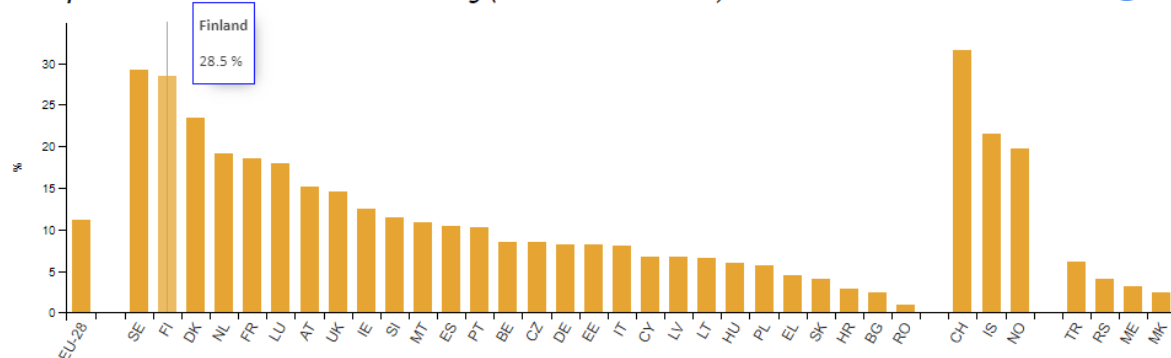


- Timeliness and effectiveness of education and training systems in terms of updating qualifications to changing jobs demands;
- Effectiveness of training provided by governments to inactive and unemployed people to support transitions back to the labour markets;
- Availability and effect of public financial incentives to encourage enterprises and workers to invest and participate in skills training opportunities;
- Governance and responsiveness of training markets and actors to changing labour market needs.

## b) Governance and support structures

There is good evidence that access to training, including in the form of continuous VET, in the EU is highest in countries where there is a strong social partnership.

*Participation rate in education and training (last 4 weeks - 2018)*



Source: Eurostat (online data code: trng\_ifse\_01)

eurostat

This article provides an overview of adult learning statistics in the [European Union \(EU\)](#), on the basis of data collected through the [labour force survey \(LFS\)](#), supplemented by the [adult education survey \(AES\)](#). Adult learning means the participation of adults aged 25-64 in education and training, also referred to as [lifelong learning](#). For more information about this subject, please also see the article [Adult learning statistics - characteristics of education and training](#).

In general, lifelong learning encompasses all purposeful learning activities, whether formal, non-formal or informal, undertaken on an ongoing basis with the aim of improving knowledge, skills and competences. The intention or aim to learn is the critical point that distinguishes these activities from non-learning activities, such as cultural or sporting activities.

A flexible training market is helpful to identify skills needs because the flexibility presupposes that training providers are able to perceive changing training demands and to respond quickly to new skills needs. This flexibility can only be achieved by an exchange between companies and training providers. Social partners can promote the dialogue between training market and labour market by bundling the interests of their members. Alternatively, social partners can act as an intermediary and communicate the needs of their members to the training providers.

Consequently, within national education and training structures, social partners should have the possibility to be more actively involved, where this is not already the case, in the design and implementation of VET curricula, as they can best assess what skills are needed on the labour markets. Equally, member states, in partnership with VET providers, employers and



social partners, should ensure that teachers and trainers, in schools and enterprises, are adequately trained and able to update their skills and competences to train VET learners in accordance with the latest teaching methods and labour market needs.

In addition, career guidance in education is crucial to help students make informed education and labour market choices. It is also vital for those already in the labour market with a perspective to up and re-skilling. Therefore, public employment services, education and training providers as well as employers have a role to play in providing such advice and support. To be effective, advice should be personalised and holistic, taking into account what skills are in demand, and to match these against an individual's personal circumstances, skills, abilities and preferences.

#### Developing and strengthening apprenticeship systems

Initial VET, notably apprenticeships, plays an important role in the achievement of transversal and subject specific and entrepreneurial skills, but also in STEM and digital skills, which are in high demand by employers. Information from EU-level benchmarks (see above) could be used to help enhance the image of apprenticeships. Such information could be combined with European and national level initiatives to promote the excellence and attractiveness of VET through awareness raising campaigns, including the European Vocational Skills Week. Such campaigns would also benefit from enhanced cooperation with relevant organisations that already undertake such work, notably World Skills Europe.

Member states should make use of available funding streams, notably including the youth employment initiative, to establish or adapt their apprenticeship systems to make them more attractive for employers and to support an easier integration of young people into the labour market. In this respect, ESF resources should support member states in implementing the 2018 Council recommendation on quality and effective apprenticeships. This particularly concerns working towards the aim that at least half of an apprentice's training time should be spent in the workplace, noting that the more time apprentices spend in companies the higher the costs that companies incur which also necessitates a cost-effective approach to the governance of apprenticeship systems.

#### STEM and digital skills

##### a) STEM skills

STEM skills are increasingly required by employers across a broad range of sectors and will have an important role to play in the digital and green transition. For example, the European Centre for the Development of Vocational Training (CEDEFOP) forecasts that by 2025 employment in STEM-related sectors will have increased by around 6,5% compared to 2013. In this respect Europe does have a competitive advantage compared to the US where just 4.4% of undergraduate degrees were in engineering, compared with 13% in Europe. However, the figure jumps to 23% in Asian countries.

Improving the attainment of STEM skills should be a key priority for up and re-skilling initiatives. These skills help to foster innovation as well as systemic and critical thinking in a number of areas and are not confined to four subjects alone. Therefore, BusinessEurope strongly supports the need to increase the number of STEM graduates and advocates that 25% of all tertiary graduates should study STEM-related subject areas by 2030 (it is currently around 21%). Important for reaching this target is to arouse pupils' and students' interest for STEM

subjects and to increase female participation in tertiary level STEM subjects and their following job/career choice.

#### b) Digital skills

The Skills Agenda rightly identifies digitalisation and the green transition as key focal areas for up and re-skilling initiatives. These developments are having a significant impact on production processes and service provision and it is crucial that workers have the skills needed to adapt to the changing nature of work.

In particular, by 2025, 90% of all jobs are projected to require some level of digital skills. At the same time, around 37% of workers currently lack basic digital skills. Digital skills are increasingly required across all sectors of the economy and in a range of emerging occupations, such as cyber security specialist and big data manager. There are different types of digital skills that are needed, such as what could be termed “digital soft skills” in terms of using the internet, creating a website or an app and basic coding. There are also the “harder digital skills” of computer programming and advanced coding.

Therefore, it is essential that priority is given to investments that support governments (national/local); social partners and companies to make the best possible use of new technologies in education and training, both in terms of the learning process (modern infrastructure/equipment allowing for digital /distant / interactive / intuitive learning methods) and to improve learning outcomes (focusing on training that delivers the skills that are in high demand on our labour markets, notably digital skills, as well as transversal/social/linguistic skills). The Covid pandemic has only served to reinforce the relevance of such investments.

The Council Recommendations that were announced in the new Digital Education Action Plan on improving the provision of digital skills in education and training and on online and distance learning for primary and secondary education could play an important role in facilitating the provision of and access to digital skills and learning. In particular, it would be important that the future proposals include recommendations aimed at encouraging the design of education and training pathways in digital technologies that combine second and third-level education with applied workplace skills, and that involve strong engagement of employers with the school and higher education systems.

#### Transversal skills

VET, notably apprenticeships, plays an important role in the achievement of transversal and entrepreneurial skills, which are also in high demand by employers. These include skills such as creativity, persuasion, leadership, collaboration, adaptability, the ability to analyse and innovate, problem solving, organisational skills and time management.

Learning to learn is also an essential skill that can be developed through VET. People need to be encouraged to feel more responsible for their learning and work trajectories. They need to be given the means to think for themselves and learn continuously in their lives to increase their employability.

## **National examples of VET reforms and practices**

### **Finland**

For decades, all the reforms in Finnish VET have aimed to strengthen a learning-outcomes-based approach and work-based learning. The 2018 reform to the VET system saw a decrease in the number of qualifications, while the content of qualifications was broadened to support individual learning pathways and to enable more rapid responses to the changing competence needs in working life. Each student now has the possibility to design an individually appropriate path to finishing an entire qualification or a supplementary skill set. The primary importance is on what the student learns and is able to do.

### **France - Reforming initial and continuing vocational training**

Introduced in September 2018, the “*Bill for the freedom to choose one’s professional future*” aims to radically transform the French initial and continuing vocational training system. Governance, financing and tools have been redefined. The law places the individual at the centre of the system. It aims to meet the skills needs of businesses better and to promote access to training for all workers, especially the least qualified. The law also includes new arrangements for the governance, financing and rules of apprenticeships. The aim is to develop a training system more reactive to labour market needs and create more opportunities for young people to engage in apprenticeships training.

### **Germany - Act on the Promotion of Continuing Vocational Training in Structural Change**

This act came into force in May 2020 and strengthens the promotion of initial and continuing vocational training. The support quotas for CVET have been increased depending on the size of the company. The instruments for promoting IVET have been made more flexible: every learner in need of further assistance for successfully completing the vocational training can receive tailored support to their specific challenges.

### **Ireland – National skills bulletin**

A useful practice in the use of labour market intelligence for updating education and training curricula is the approach in Ireland whereby skills shortages are identified annually in the National Skills Bulletin. The Irish National Skills Council aims to address skills mismatches and labour shortages through gathering research and intelligence via an expert group on Future Skills Needs, the Skills and Labour Market Research Unit, and network of 9 Regional Skills Fora.

### **Poland – Upgrading employees’ competencies and qualifications**

In 2019, Lewiatan presented a proposal to establish Competitiveness and Qualifications Fund (FPKiK) at the employer level, financed from a part of contributions paid to the Labour Fund and the employer’s own contribution. In Poland, the majority of the working age population has not updated or developed their competences. The initiative is at the stage of discussion within the Social Dialogue Council.

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27 November 2020

## **Reforming active labour market policies in turbulent times**

### **Introduction**

This note provides BusinessEurope's insights and priorities to improve the provision of ALMPs at national level through an improved investment and reform coordination framework at the EU level. The note also proposes concrete actions to be included in the Commission's action plan to implement the European pillar of social rights. It takes stock of short-term policy challenges and responses to the Covid-19 crisis. It highlights selected national examples of undertaken efforts to enhance the effectiveness of ALMPs, both before and during the Covid-19 crisis.

### **Proposed action**

BusinessEurope calls on the European Commission to include in its Action Plan to implement the European Pillar of Social Rights an action aiming to improve reform coordination in the area of ALMPs. This improved coordination process should involve social partners and should be aimed at:

1. Enhancing efficiency of Public Employment Services, notably by fostering progress towards better use of evidence based employment measures that leads to more employment and digital solutions supporting the operation and coordination of employment services offered to employers, the unemployed/inactive, and workers.
2. Fostering cooperation-oriented partnerships between Public and Private Employment Services, building on their respective strengths.
3. Supporting the development of innovative solutions, on top of short-time work schemes, and of traditional employment services, to strengthen the resilience of labour markets in responding to the challenges and new needs created by Covid-19.

### **State-of-play**

Active labour market policies (ALMPs) involve a variety of instruments and measures such as public and private employment services, in-work incentives, incentives to start up a business, job-sharing, job rotation, training, or special assistance for certain groups in the labour market.

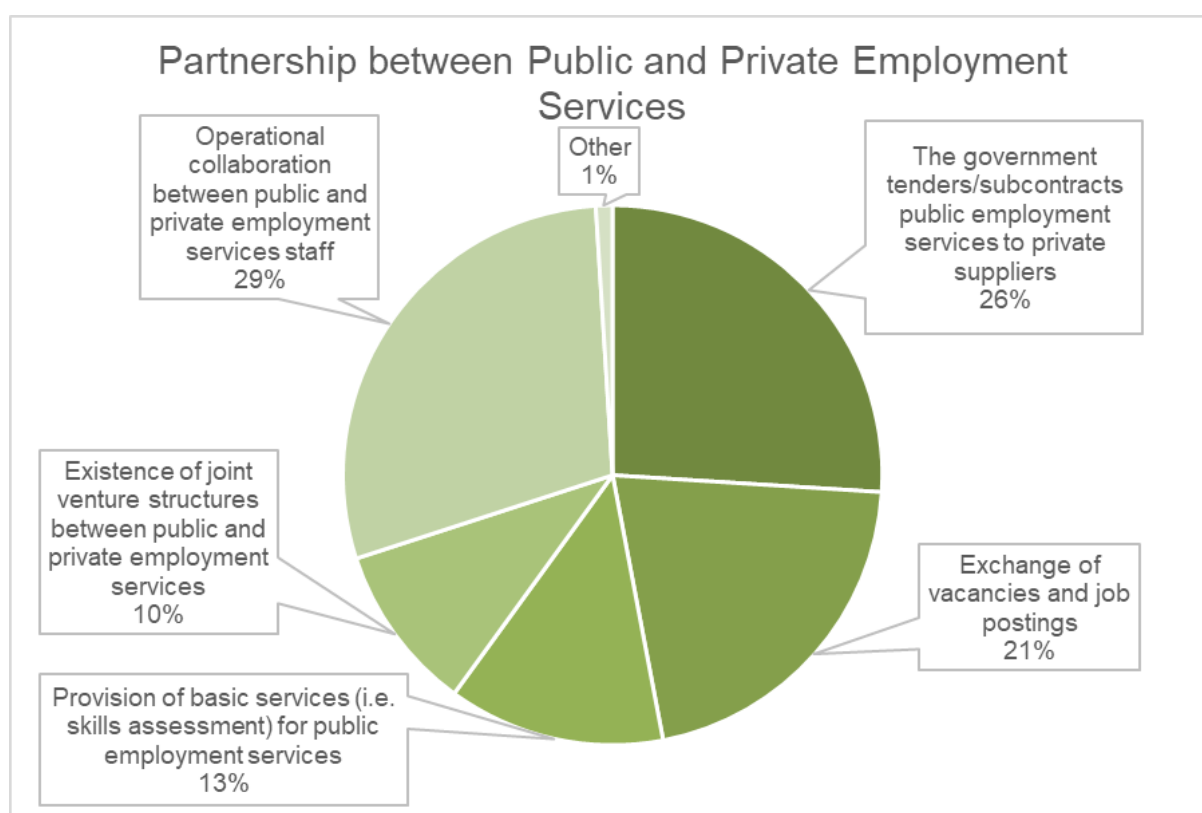
On the other hand, passive labour market policies (PLMPs), such as unemployment benefit, provide partial or full income support while someone is out of work or underemployed.

Both active and passive policies are important. A balance between the rights and responsibilities of job seekers should be struck in-so-far as passive means of support should be conditional upon individuals actively looking for work, including taking part in reasonable activation measures, as appropriate.



A longstanding structural reform agenda related to the activation function of employment services is to improve and, where needed, better structure the cooperation between Public Employment Services (PES) and Private Employment Services (PrES), with a view to strengthening at all levels the responsiveness of active labour market policies' matching function to changing employer demand. This agenda must be pursued steadily: effective cooperation between public and private employment services is a tool to deliver desired labour market outcomes. Furthermore, introduced reforms should provide for more labour with the right qualifications in particular in view of Europe's demographic challenges and changing skills demands.

Graph 1. Different areas of partnership between public and private employment services



Source: WEC 2019, Member Survey

Private employment services in Europe in the countries with developed forms of cooperation between public and private employment services (such as for example in the Netherlands and France) often centre around:

1. Anticipation of layoffs (and working with the employers before the layoffs)
2. Acceleration of redeployment
3. Digitalization / access of support measures entirely online (capability)
4. Lower the pressure on PES during crisis times (capacity)
5. Contribution to lower long-term unemployment.

It is worth noting that appropriate policy framework will facilitate effective job matching and social innovation. The figure below presents interplay between the conditions for a quality labour market matching and how it contributes to social innovation.

The policy framework: appropriate regulations and social innovation

Quality Private Employment Services  
Legal recognition of PrES allowing for transparency and quality services to jobseekers and businesses:

- Ratification and implementation of Convention 181 on Private Employment Agencies
- Abolishing unjustified restrictions to the use of agency work and private recruitment services
- Ensuring a level playing field for quality providers within and across borders
- Promoting PES / PrES partnership



Social Innovation

An empowering environment for labour transitions through new ways of working, learning and social protection:

- Contract neutral access to safety nets
- Portability of benefits built up across jobs, sectors and forms of work
- Ensuring skilling and employability
- 'Early warning': proactive career guidance and transition support



Source: WEC 2020, internal materials.

Public authorities have the key role when it comes to organising training activities for the unemployed and the inactive that are well targeted in view of where job openings and unfilled vacancies are. In this respect, new tools such as *Skills-OVATE: Skills Online Vacancy Analysis Tool for Europe* by Cedefop can provide relevant and precise information on skills intelligence which can be helpful in better targeting employment services in future - <https://www.cedefop.europa.eu/en/data-visualisations/skills-online-vacancies>

The recent Covid-19 crisis has led to a widespread use of “quasi-passive” labour market measures such as short-term work schemes, and financial transfers such as financing entirely or partly social security contributions. Introducing short-term emergency measures to mitigate the impact of Covid and keep people in employment is very important. At the same time, continuing reforms to modernise ALMPs and their provision is very important in the long-term perspective. At present, market services provision aims mainly at facilitating return to work and performing work in a secure way in the phase of recovery/“slow motion” due to the second wave of the Covid-19 pandemics across the EU.

The Covid-19 situation is different to pre-existing crises, therefore calls for design of tailor-made solutions. Tens of thousands of companies have suffered greatly due to the effects of the pandemic, resulting in layoffs and increased unemployment. Falls in hours worked were equivalent to 18 million full time jobs in Q3 2020. At the same time, millions of new and emerging jobs are being created<sup>1</sup>, and this trend is likely to increase with the implementation of the Recovery and Resilience Facility. It is worth noting that during the crisis some innovative measures have been put into action. One of them - “Employment Bridge” - is described in the table on the next page.

Table 1. “Employment Bridge” – PrES measure to mitigate the effect of the Covid-19 crisis and prevent unemployment

<sup>1</sup> BusinessEurope (2020), *Economic Outlook Autumn*, pp. 7-8.



Over the last months the private employment industry has engaged in actions to build a secure and orderly pathway between companies that need to temporarily shed workers and find them work with organisations that urgently need to hire. This approach needs to be supported by policy makers because it is beneficial to employers and workers. Employers can reduce their payroll in a cost-effective way without the need to cover additional severance and separation costs. Additionally, they have the possibility to recall their workers when business starts to return to normal. Workers, on the other hand, have the opportunity to gain new experience and skills by working at another organisation. And under the terms of the agreement with the destination company, employees are guaranteed to earn comparable wages and benefits. As unemployment is expected to increase in the coming months, this kind of measures may act as a stabilizer on a rapidly changing labour market.

Appropriate ALMPs will be very important in the nearest future where significant lay offs and restructuring processes are likely to happen and the free movement of persons is still limited due to the persisting Covid-19 pandemics. When relevant, the ALMPs should take actions before someone becomes unemployed. In the current worsening economic conditions, and in the views of the limited resources, it would be desirable that PES focussed primarily on measures shortening unemployment spells, helping to find a new job, preventing the trap of long-term unemployment as well as on effective guidance for up skilling (if relevant to find a new job) and reskilling (if relevant) for existing jobs. ALMPs are also crucial to avoid growing disparity between teleworkable and non-teleworkable jobs. Necessary reflection should focus on such questions as which sectors will permanently be smaller after the crisis and which ones will grow. Only then appropriate ALMPs will ensure that resources go to the right sectors/businesses and help people move to sustainable employment opportunities rather than support “zombie” firms and obsolete jobs.

## **Policy context**

The Joint Employment Report 2020 observes that ALMPs can increase the employment opportunities of jobseekers and improve labour market matching. In doing so, ALMPs can contribute to better employment outcomes and labour market functioning, while helping to reduce unemployment and benefit dependency<sup>2</sup>. Their role is especially important to foster the integration of the long-term unemployed. PES are the main institutions in charge of supporting job search efforts of the unemployed and referring them to activation measures. European Member States have made different policy choices related to participation and investment in ALMPs. Moreover, effectiveness of PES in providing job search support is heterogeneous across and, sometimes, even within Member States. While majority of Member States have taken important steps to focus on the provision of individualised services, several Member States have scope to reinforce their ALMPs systems (12 Member States<sup>3</sup> were encouraged to improve effectiveness of their ALMPs in the 2019 CSRs and 7 Member States<sup>4</sup> in the CSRs 2020). The 2019 and 2020 CSRs remain valid for 2021.

The draft Joint Employment Report 2021 indicates that among existing ALMPs there is room to increase targeted outreach, to improve the quality of assessment done by PES and to

<sup>2</sup> European Commission (2019) *Joint Employment Report 2020*, p.117.

<sup>3</sup> Austria, Belgium, Cyprus, Czechia, Finland, France, Ireland, Italy, Luxembourg, Poland, Slovakia and Slovenia.

<sup>4</sup> Belgium, Bulgaria, Croatia, Cyprus, Finland, Hungary and Lithuania, however, a reference to an important role of active labour market measures is also made for Czechia, France, Italy and Latvia.



strengthen cooperation with employers<sup>5</sup>. The suggested improvement as well as overall performance of PES can be assessed through Performance Benchmarking Indicators (eight quantitative indicators grouped under four sections). As such, the indicators aim at ensuring transparency and comparability on PES performance outcomes<sup>6</sup>.

Table 2. PES Network Performance Benchmarking Indicators

<b>Performance Benchmarking Indicators</b>
<p>1) Contribution to reducing unemployment for all age groups and for vulnerable groups:</p> <ul style="list-style-type: none"> <li>▶ Transition from unemployment into employment per age group, gender and qualification level, as a share of the stock of registered unemployed persons;</li> <li>▶ Number of people leaving the PES unemployment records, as a share of registered unemployed persons.</li> </ul>
<p>2) Contribution to reducing the duration of unemployment and reducing inactivity, so as to address long-term and structural unemployment, as well as social exclusion:</p> <ul style="list-style-type: none"> <li>▶ Transition into employment within, for example, 6 and 12 months of unemployment per age group, gender and qualification level, as a share of all PES register transitions into employment;</li> <li>▶ Entries into a PES register of previously inactive persons, as a share of all entries into that PES register per age group and gender.</li> </ul>
<p>3) Filling of vacancies (including through voluntary labour mobility):</p> <ul style="list-style-type: none"> <li>▶ Job vacancies filled;</li> <li>▶ Answers to Eurostat's Labour Force Survey on the contribution of PES to the finding of the respondent's current job.</li> </ul>
<p>4) Customer satisfaction with PES services:</p> <ul style="list-style-type: none"> <li>▶ Overall satisfaction of jobseekers;</li> <li>▶ Overall satisfaction of employers.</li> </ul>

Source: European Commission (2017), *PES Network Benchmarking Manual*, p.12.

Given diversity of approaches to allocation of funding for social spending, Member States would benefit from mutual learning to achieve more cost-effective labour market policies. It is worth noting that spending on labour market services and measures is not directly linked with unemployment levels, however, long-term unemployment rate remains a good proxy of the effectiveness of ALMPs.

Member States make various decisions concerning allocation of available funds to ALMPs and PLMPs. A simplistic answer would be to push for shifting public spending from financing PLMPs to ALMPs. However, the evidence showed that countries implementing this strategy - shift from PLMPs to active interventions – did not automatically improve their labour market performance. This finding suggests that active and passive policies should be seen as two

<sup>5</sup> European Commission (2020), *Proposal for a Joint Employment Report 2021*, p.80.

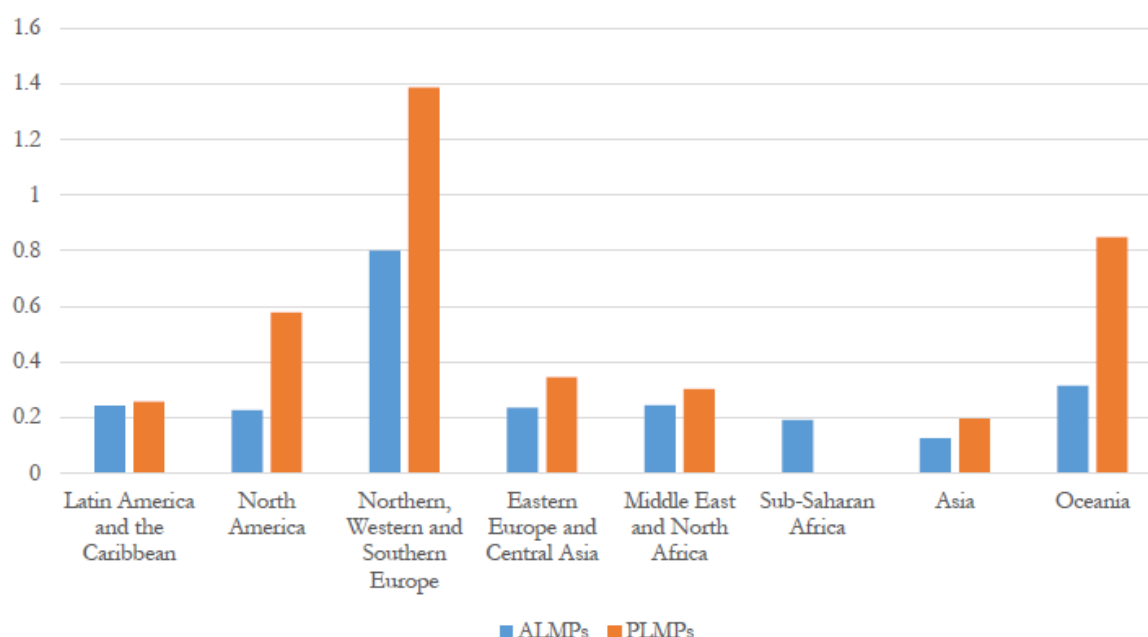
<sup>6</sup>



essential components of a broader social protection system<sup>7</sup>. Following on this assumption, the recent ILO study proves that spending in passive labour market policies can have positive labour market effects such as decreasing unemployment and increasing employment rates, on the condition that sufficient amounts are spent in active interventions<sup>8</sup>.

The figures below are taken from the ILO paper on active and passive labour market policies<sup>9</sup>.

**Figure 1: Average spending in ALMPs and PLMPs across regions**



Note: Authors' calculations based on different data sources as reported in Section 2.

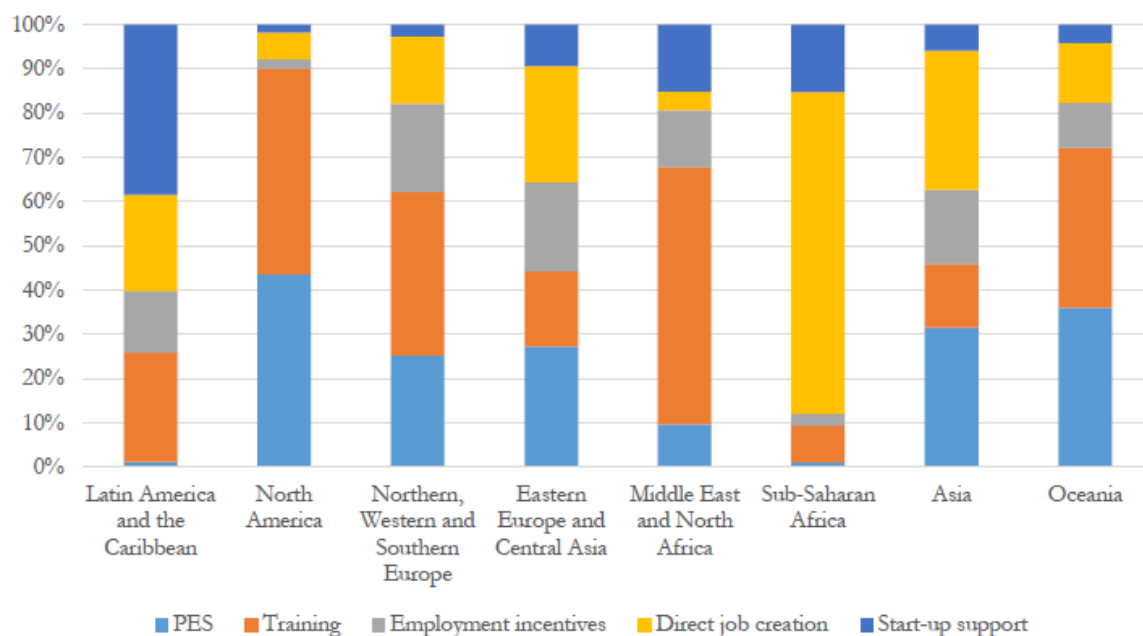
<sup>7</sup> ILO (2012), *Social Security for All. Building Social Protection Floors and Comprehensive Social Security Systems*, Geneva.

<sup>8</sup> C. Pignatti, E. Van Belle (2018), *Better together: Active and passive labour market policies in developed and developing economies*, ILO Working Paper No 37, Geneva.

<sup>9</sup> Figure from the above-mentioned ILO paper presenting the effect on additional unit spending on ALMPs (PLMPs) given spending on PLMP scan be found in Annex.

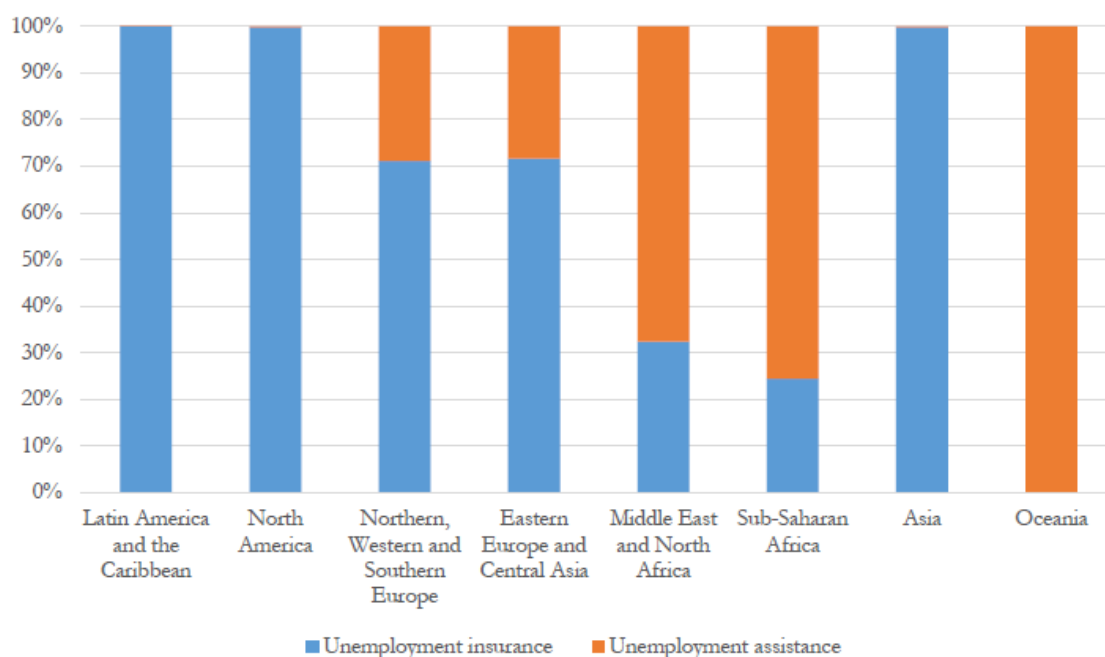


Figure 2: Distribution of spending in ALMPs by type of intervention



Note: Authors' calculations based on different data sources as reported in Section 2.

Figure 3: Distribution of spending in PLMPs by type of intervention



The importance of activating the inactive has a growing role<sup>10</sup>. This group is not a traditional target group for PES, but in the light of persisting labour market shortages this pool of potential workforce cannot be ignored. The evidence shows that one in four working age people is inactive and the rate of inactivity varies significantly across the EU (from 17% in Sweden to 34% in Italy<sup>11</sup>). “Activation potential” is correlated with the attachment to the labour market of different sub-groups of the inactive: prime age women often with caring duties represent the largest number of inactive willing to work (32%)<sup>12</sup> followed by prime age men with health problems or disabilities. Reaching out to this group is challenging, therefore it is necessary to establish a framework for PES cooperation with other institutions, i.e. social security organisations or NGOs active in the inclusion area, women and migrant organisations etc.

Aligning social protection schemes (i.e. introducing conditionality of social benefits) with PES activation efforts is a pre-condition of their effectiveness. Last but not least, all involved in the activation process need to concentrate on “work ability” of an individual rather than his/her incapacity or barriers to work. A good example of this shift of paradigm is work ability reform in Estonia, where in 2016 PES have taken over the workability assessment of disable people from social security organisations<sup>13</sup>.

Well functioning labour markets make use of diverse employment contracts and relations. Such options as temporary employment contracts, self-employment or part-time employment are examples of employment relationships that can meet the needs of companies and workers. They enlarge the pool of potential workers by candidates from such groups as women or men with caring duties, people with disabilities, the low skilled who want to combine employment with further education or older workers often not interested in full-time work or want to be self-employed and be their “own boss”. It is also important to understand that availability of diverse forms of employment are important to maximise employment opportunities created by employers, keeping in mind that it is not always possible or a suitable solution for employers to create full-time indefinite duration employment opportunities. The use of diverse employment contracts and relations is the best defined at the national level as it needs to mirror national labour market specificities as well as social dialogue practices. Social partners have an important role to play to combine in the best possible way economic and labour market efficiency with social fairness. Additionally, diverse work contracts and employment relations will become even more important in the recovery phase (...or potential “mini-recovery” phases between the following waves of pandemics) as capacity of businesses to create jobs is likely to be weak after the spring lockdown and the current wave of pandemics.

The situation has changed significantly with the outbreak of the Covid-19 pandemics in March 2020. Across the EU, the ALMPs were adapted to the situation of the lockdown, and public employment services (PES) started to operate in an emergency mode. Majority (35%) of introduced measures were to support business afloat, followed by protecting income (close to 20%) beyond short-term work schemes (STWS) and protection of employment (some 13%, where around 10% were STWS)<sup>14</sup>.

<sup>10</sup> European Network of PES, (2020) *Activating of the Inactive: PES initiatives to support activation of inactive groups*.

<sup>11</sup> Inactivity rate over 30% can be also found in Croatia, Romania, Greece and Belgium.

<sup>12</sup> Women are often in a trap of “forced” inactivity. As a result, flanking measures such as affordable and available childcare or care provisions for elderly become a precondition for their labour market participation.

<sup>13</sup> European Network of PES, *Activating of the Inactive...* p. 17.

<sup>14</sup> ILO (2020), *COVID-19: Public employment services and labour market policy responses*, Geneva ([https://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/documents/publication/wcms\\_753404.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_753404.pdf))

The main **policy responses to the crisis** have been:

- Channelling income compensation
- Reducing the risk of more job losses
  - STWS: expanding their coverage and/or relaxing eligibility criteria
  - Supported recruitment in essential sectors: dedicated job-matching services mainly via web-based system
  - Organised temporary mobility of workers between different enterprises across sectors
  - Strengthening employability to maintain labour market attachment: reinforcing support for target groups in need of improving and/or acquiring digital skills, for example digital technology used to ease access to free skills training, online learning tools and resources

The main **policy implications for the return to work and recovery phase** are:

- PES need to tap opportunities to improve cost effectiveness, notably by providing services via technology-based delivery channels
  - Investment in service digitalisation is a priority
  - PES should be inclusive, i.e. adapting their service offer in response to employers' needs, shaping structured cooperation with PrES on employment services delivery
  - PES mandate should be expanded to prevention (job retention/temporary mobility between different enterprises/support for employers) and early intervention (NEET youth, before unemployment)
- Short-term work schemes (STWS) should be gradually replaced with effective ALMPs
- ALMPs and social protection should be designed in an integrated way.

It is worth noting that both PES and PrES need to scale up their capacities to make larger use of digital sources without giving up standard in-person meetings with people with weaker digital skills<sup>15</sup> Progress is needed towards better use of measures and instruments (such as rating and profiling instruments), to improve efficiency and ensure that the important resources dedicated to ALMPs are used with positive return on investment in terms of employment outcomes.

## **National ALMPs-related examples**

### Ireland – Effective governance of ALMPs

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<sup>15</sup> OECD (2020), *Employment Outlook 2020: Worker Security and the Covid-19 crisis*, Paris.



Ireland's Labour Market Council remains a good example of how labour market experts, trade unions and industry leaders can work together to deliver effective and efficient ALMPs. The Council provides input on where labour market activation should be focused as a result of COVID as well as to the government's 'Pathways to Work' programme, which is targeted towards helping unemployed people into work. This programme, combined with a general economy recovery, helped to reduce the long-term unemployment rate from over 9% in 2012 to 5% in 2015; and to reduce the youth unemployment rate from over 30% in 2012 to a little over 19% in 2016.

In total, up to €2.2 billion will be spent on employment and activation programmes in Ireland in 2021 primarily by the Department of Social Protection and the Department of Further and Higher Education. New measures have been developed and introduced aimed at subsidising employment, developing work experience opportunities and enhancing the supports and services available to people who may wish to seek to expand their skillset and avail of education, training and employment supports. In addition:

- Funding has been given to enhance the capacity of Job Search Advice and Assistance through an expanded Public Employment Service
- A new funded work experience placement programme is being developed to provide work experience for up to 10,000 jobseekers, of any age, who have been unemployed for more than six months
- Under the JobsPlus Scheme employers receive a recruitment subsidy, paid over two years, of between €7,500 and €10,000 for each person that they recruit from the Live Register.
- The number of places on State Employment Schemes (schemes that provide long term unemployed people with an opportunity to work part-time in their community and acquire work experience and skills while receiving an additional payment on top of their normal jobseeker payment) is being increased by 3,000
- The Department of Further and Higher Education is investing significantly in over 35,000 new places on programmes for unemployed jobseekers. Also jobseekers are being directly supported to access short duration training programmes by increasing the value of the grant it pays to jobseekers to take up a short employment focussed course from €500 to €1,000. This is estimated to benefit at least 12,000 jobseekers in 2021. A new €1,000 training grant per person is also being introduced to help people with disabilities access training through the Employability service.

#### Czech Republic - New Employment policy strategic framework 2030

In August 2020 the Czech Government adopted a new Framework of the Employment policy 2030. In 2030 the Czech labour market based on a cooperative and effective public employment service should be able to react on global trends and ensure both a decent work for the citizens and sufficient labour force matching needs of the economy. The Strategic frame is based on 4 pillars: 1) Anticipation and enforcement of the preventive measures on the labour market, 2) individualisation and more tailored made measures, 3) Adaptation of all actors on the labour market changing conditions (particularly industry 4.0), 4) efficiency base on services using new technological procedures and networks. A part of this strategic framework is ALMP supporting firstly creation of the new jobs particularly for the groups that are furthest from the



labour market, secondly providing consulting services and reskilling. The social partners were consulted and involved in the process.

Italy – European youth guarantee brought about a cultural change in PES functioning, but today urgent reform of the Italian ALMPs is needed

A few years ago, the implementation of the Youth Guarantee scheme by the PES at the regional level has played a key role in bringing about a cultural change in the way in which PES provide support to people (young and adults) getting into work. This has led to PES becoming more active in taking contact with companies to learn what their needs are and how the activation and support measures could be better organised to address those needs. With the outbreak of the Covid crisis, the reform of the labour market policies has become urgent in Italy. This requires a transition to a new system of labour market policies, which urges reforms to support and reinforce ALMPs, through the strengthening of training, reskilling, and outplacement paths for unemployed persons and for workers involved in company crises, with clear consequences on their employment situation. In this context, it is necessary to integrate the private system of the Employment Agencies - which are better placed to identify the specific needs of companies, thus allowing an effective matching of demand and offer of employment - with the PES. An additional action required in this context should be a deep revision of the law providing the minimum income (so called *reddito di cittadinanza*) so as to allow the recovering of financial resources to be allocated to ALMPs.

Sweden – Reforming PES to enhance job matching

The Swedish public employment system is undergoing a significant change. A more cost-effective and results-oriented system for job matching will be put in place in the course of 2022. Private providers already operate based on a payment-by-results scheme. Approximately 30 000 job seekers are enrolled in the program. A rating-system – based on four stars - is in place to measure job performance. The Swedish National audit office has recently assessed this system as appropriate and well functioning. The government will increase volumes and resources in this system; approximately 3 billion Swedish crowns will be available during 2021 and 2022. At the same time, an even more “aggressive” payment-by-results scheme is underway in a pilot-scheme in 30 municipalities. Finally, the instrument to monitor job seekers’ activation is being centralized.

Spain – Youth Employment Shock Plan 2019-2021 and Plan Reinforced 2019-2021

- Youth Employment Shock Plan 2019-2021

The Youth Employment Shock Plan focuses on two transversal dimensions: the promotion of specific actions for the incorporation of young people into the labour market and the promotion of the preventive nature of the actions of the PES, social partners and other social entities, to identify risk factors and vulnerability to employment among young people.

The Shock Plan has the following objectives: 1/ to improve competitiveness of the Spanish economy and support job creation in sectors with high added value; 2/ to strengthen the commitment to comprehensive training and qualifications of young people, providing professional skills to young people with low qualifications, taking care of young people in rural areas and strengthening the role of the PES; 3/ to develop initiatives to return to school, to support training in strategic skills, dual vocational training, employment with rights, youth entrepreneurship.



The Plan encompasses fifty measures, divided into six areas. It is module-based so it is possible to allow for their combination and adjustment to each profile and to the existing needs in terms of labour insertion. The Youth Employment Shock Plan 2019-2021 has been drawn up in collaboration with the Autonomous Communities and the most representative trade union and business organisations have been consulted.

- Plan ReincorporaT 2019-2021

This is a three-year plan to prevent and reduce long-term unemployment.

The Plan focuses on the promotion of specific actions for the incorporation of the long-term unemployed into the labour market and on the promotion of the preventive nature of the actions of the Public Employment Services, social partners and other social entities, in order to identify risk factors and vulnerability to employment among the unemployed.

It includes 63 measures that aim, among others, to support sustainable growth and job creation, to re-insert long-term unemployed into the labour market, to integrate excluded and especially vulnerable people into the labour market as well as to improve analysis of employability to ensure appropriate support for individuals deciding between staying on the labour market and leaving it definitively (for example due to retirement).

The three-year plan to prevent and reduce long-term unemployment 2019-2021 has been drawn up in collaboration with other Ministries, the High Commissioner for the Demographic Challenge, the Spanish Federation of Municipalities and Provinces, the Autonomous Communities and the most representative trade union and business organisations have been consulted.

#### Germany – “Express” digitalization of the German Federal Employment Agency during the Covid-19 crisis

Intervention capability and innovation are the two main contributions of BA-IT to ensure that millions of companies and citizens receive services and cash benefits promptly during the Covid-19 pandemics. BA-IT benefits from the fact that it has laid important IT-architectural foundations with its digital transformation in recent years. Since the beginning of the Corona crisis, these have now made possible scaling and making flexible IT capacities in such a way that BA-employees in changing areas of responsibility can process applications and customer concerns promptly. A kind of “express digitalisation” was made possible that would not have been realistic under normal circumstances in this form and time density.

### **EU level context and the way forward**

The economic and labour market consequences of the Covid-19 crisis will be much more serious than the ones of the 2008-2009 financial crisis. The European Commission has already

predicted in its Economic Forecast for Spring 2020 a steep rise in EU unemployment levels from 3.7% in 2019 to 9,2% in 2020, with effects persisting in 2021. The situation may turn worse than this<sup>16</sup>. In this context it is of the utmost importance to showcase national best practices/working solutions via benchmarking system and facilitate learning between Member States. National recovery plans include necessary ALMPs reforms and should be their implementations should be carefully assessed against the defined objectives. The allocation of funds from the Recovery and Resilience Facility (RRF) should be made conditional upon reform realization. National social partners should be involved in the process of designing and implementing necessary reforms as they are ones that know realities on the ground (at the company, local, regional, and national levels).

### *Benchmarking and benchlearning*

At the EU level a benchmarking framework on unemployment benefits and ALMPs has been developed in the Council's Employment Committee (EMCO) and Social Protection Committee (SPC). This was used for the first time in the 2018 European Semester and concerned a comparative analysis of specific design features and performance of unemployment benefit systems, notably as concerns eligibility and adequacy aspects. The analysis was included in the 2018 Joint Employment Report and Country Reports. This exercise was continued in the 2019 Joint Employment Report.

In 2015 PES Network put into practice the concept of benchlearning, which integrates benchmarking and mutual learning. Benchlearning is to support national PES institutions in improving their own performance through a structured and systematic reflection on their performance against the performance of other PES and through institutional learning from peers.

- We assess benchlearning as highly useful and would be interested to **organise a dedicated forum between the PES network and the European social partners**, based on the currently used indicators, to improve the existing benchlearning framework by making it more closely connected to employers and workers needs.

### *National recovery plans and the EU funds allocation*

The 2021 Annual Sustainable Growth Strategy (ASGS) published in September 2020 is a strategic guidance on implementation of the Recovery and Resilience Facility (RRF). The European Semester 2021 cycle starts with the publication of ASGS 2021. Since the deadlines within the European Semester and the RRF overlap, the European Semester will be temporarily adapted. National Reform Programme and national recovery and resilience plan are to be submitted in a single document. The deadline is 30 April 2021, however, Member States are encouraged to send draft plans as soon as possible. The implementation of reforms will be monitored on the basis of the 2019 and 2020 CSRs. Member States should provide a detailed explanation of how the country-specific recommendations from 2019 and 2020 which have not been assessed by the Commission as having been implemented satisfactorily, are addressed by the proposed measures, with any prioritisation of CSRs properly justified.

- National recovery plans should include concrete proposals (including both financial and non-financial aspects) on implementing necessary reforms related to ALMPs

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<sup>16</sup> See, for example: OECD Employment Outlook, European Economic Forecast Summer 2020, or ILO World Employment and Social Outlook 2020.

provisions, they should include qualitative targets and objectively verifiable milestones to monitor progress and effectiveness of the undertaken reforms

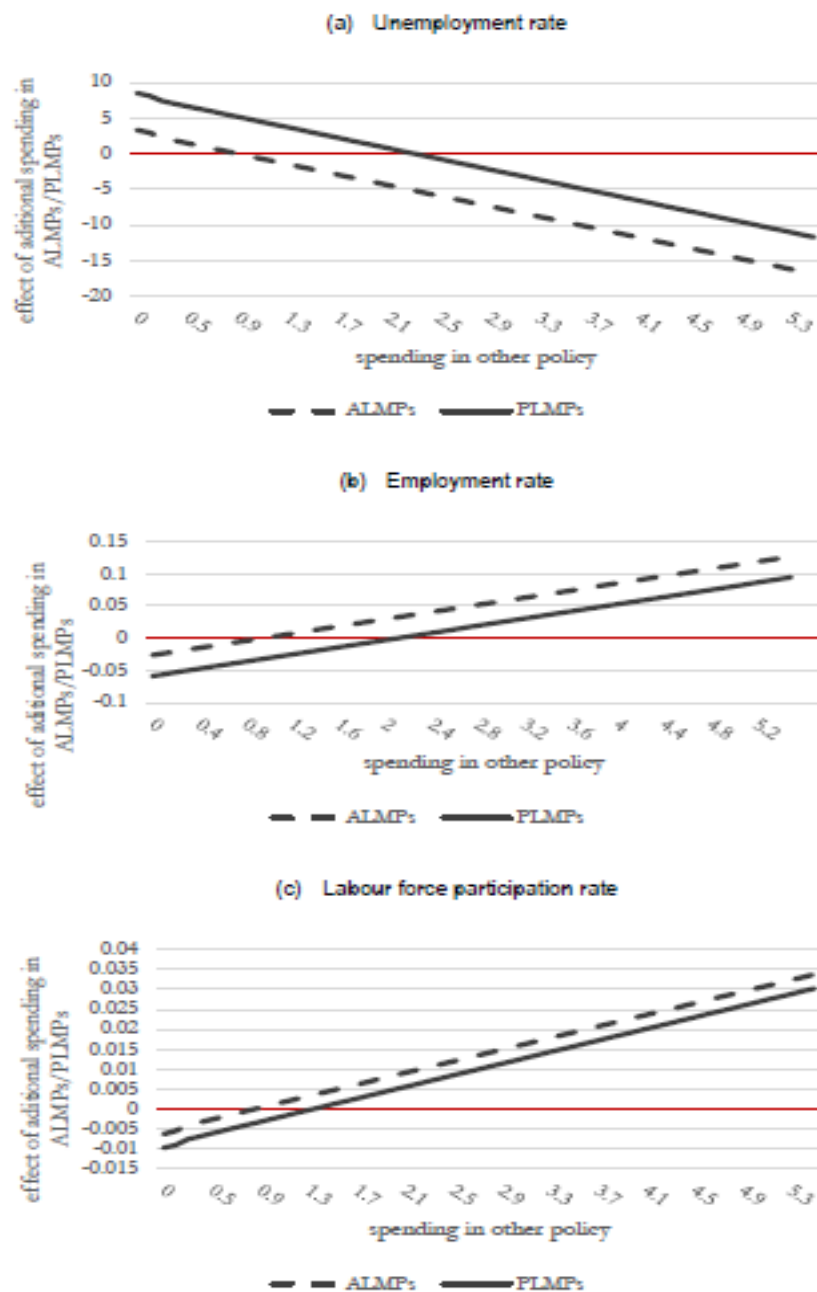
- Member States should make the necessary investments to speed up the digitalisation of PES services, and improve service orientation and clarity of processes and avoid to create unnecessary red tape for employers;
- Member States should fully involve the national social partners , both for the design and implementation of their national recovery and resilience plans, and the Commission should take action where needed to make sure that this is the case.

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Annex 1: Relation between additional spending on ALMPs (PLMPs) and spending on PLMPs

Annex 1:

**Figure 5: The effect of one additional unit spending on ALMPs (PLMPs) given spending on PLMPs**



Note. Interaction effects as described in Section 4. The presented statistics are coefficient estimates for the panel model outlined in Section 3.

# BUSINESSEUROPE PROPOSALS FOR A EUROPEAN ECONOMIC RECOVERY PLAN

## EXECUTIVE SUMMARY

Despite the extraordinary efforts of governments and the EU Institutions to support businesses and workers through the crisis, Europe's economic and political environment as we gradually exit from the severe restrictions placed on economic activity is likely to look significantly different to that at the start of the year. In particular, we will see high levels of business bankruptcies, reduced investment plans, high unemployment, weaker government finances, and increased protectionist pressures on both the internal market and external trade. Smart European leadership and efficient forms of solidarity will be needed to recover from this unprecedented crisis and strengthen European sovereignty in the post-COVID-19 world.

Controlling the virus whilst preserving our economies and societies requires, in the first instance, a **co-ordinated EU emergency response and an effective risk-based exit strategy**.

In addition, the EU and its Member States must work with the social partners to immediately define a **clear, ambitious, predictable and co-ordinated EU recovery plan** in order to give businesses the confidence to keep going through this crisis, ensure that we rapidly address the damage to our economies, and start restoring businesses capacity for investment and employment.

**BusinessEurope's EU recovery plan** sets out detailed proposals under 4 pillars which if implemented together can help create a regulatory and fiscal environment for businesses that enables them to invest, grow and create jobs:

1. **A rapid deployment of EU investment funds as part of an ambitious and co-ordinated EU fiscal stimulus**, including immediate agreement on a new and revised Multi Annual Financial Framework (MFF), and a specific European Recovery Fund to bring new money to the table without mutualising existing debt between Member States<sup>1</sup>.
2. **A revitalised and open single market and strengthened single currency**, as part of a greater focus on supporting sustainable investment, growth and employment.
3. **The EU as a leading advocate for rules-based, fair and free trade and investment and a strong supporter of multilateral solutions**.
4. **Strengthened EU governance to ensure EU financial support increases Member States' implementation of growth and employment enhancing structural reforms and upward convergence**.

<sup>1</sup>This paragraph is not supported by the Confederation of German Employers' Associations (BDA)

# INTRODUCTION

Despite the extraordinary efforts of governments and the EU Institutions to support businesses and workers through the crisis, Europe's economic and political environment as we gradually exit from the severe restrictions placed on economic activity is likely to look significantly different to that at the start of the year:

- Economic activity will sharply contract in all economies, in most much worse than in the Great Financial Crisis.
- A sustained shutdown is likely to lead to **bankruptcy and closure of many businesses**, particularly SMEs, in both services sectors hit directly by the shutdown as well as in the manufacturing industry.
- In many sectors, **investment plans are likely to be delayed or reduced**, given sharply lower domestic and external demand, lower cash reserves, and increased uncertainty.
- **Unemployment** or short time work will be considerably higher, with March unemployment data from Member States already pointing to huge job losses.
- **Government finances will be in worse condition**, with higher short-term deficits and overall debt levels.
- The functioning of the **single market is likely to be under continued pressure** due to the introduction of temporary intra-EU border controls, export restrictions and diverse approaches to the definition of essential goods and services.
- **Trade restrictions and supply chain disruptions have increased**, with closures and additional checks at the EU's external borders and a number of export restrictions and bans having been introduced especially targeting the healthcare and food sectors. A narrative favouring self-sufficiency could also lead to additional trade and investment restrictions.

Controlling the virus whilst preserving our economies and societies requires both a **coordinated EU emergency response and an effective risk-based exit strategy**. In particular, this means, support to companies, including SMEs, to ensure a safe revitalization of economic activity over time through appropriate health and safety at the workplace followed by the use of flexible formulas to suspend or reduce working time in order to limit as much as possible negative impacts on the recovery phase from COVID-19 crisis.

**The EU and its Member States must start immediately to define a clear, ambitious, predictable and co-ordinated EU recovery plan** in order to give businesses the confidence to keep going through this crisis, ensure that we rapidly address the damage to our economies, and start restoring businesses capacity for investment and employment. Smart European leadership and efficient forms of solidarity will be needed to recover from this unprecedented crisis and strengthen European sovereignty in the post-COVID-19 world.

In these testing times, the resolve and responsibility of all public authorities on EU and national level as well as **social partners** at all levels will be key to ensure the healthy functioning of our economies and preserve the European social model.

In line with the proposed 'Roadmap for Recovery', welcomed by **EU leaders on April 23rd, the EU recovery plan should be based on 4 pillars which together create a regulatory and fiscal environment for businesses that enables them to invest, grow and create jobs:**

1. **A rapid deployment of EU investment funds as part of an ambitious and co-ordinated EU fiscal stimulus**, including immediate agreement on a new and revised Multi Annual Financial Framework (MFF), and a specific European Recovery Fund to bring new money to the table without mutualising existing debt between Member States<sup>2</sup>.
2. **A revitalised and open single market and strengthened single currency**, as part of a greater focus on supporting sustainable investment, growth and employment.
3. **The EU as a leading advocate for rules-based, fair and free trade and investment and a strong supporter of multilateral solutions.**
4. **Strengthened EU governance to ensure EU financial support increases Member States' implementation of growth and employment enhancing structural reforms and upward convergence.**

<sup>2</sup>This paragraph is not supported by the Confederation of German Employers' Associations (BDA)

# PILLAR 1: A RAPID DEPLOYMENT OF EU INVESTMENT FUNDS AS PART OF AN AMBITIOUS AND CO-ORDINATED EU FISCAL STIMULUS.

Kick-starting the EU economy will require **an ambitious and coordinated fiscal stimulus** to support demand, and in particular, private consumption and investment. This can best be delivered through:

- national measures **supporting disposable incomes** of private households,
- **safeguarding public investment at both national and EU level**, particularly in education and health care,
- **rapidly channelling investment into key strategic areas that can reinforce Europe's long-term competitiveness, growth and employment creation potential.**

This stimulus needs to be underpinned by a European Union able to streamline resources and investment to support Member States deploy targeted instruments, reflecting the extraordinary nature of the crisis. **Where new instruments are developed (for example SURE), they should be temporary** and directly connected to the COVID-19 crisis.

**The Commission's Corona Response Investment Initiative (CRII)** is a good starting point to provide immediate support to businesses in need through the crisis, maintain employment and ensure the supply of essential goods and services. Future instruments similarly designed to the CRII should build on more flexible criteria to better channel support to countries and sectors most hit by COVID-19, particularly those sectors with limited access to market-based support. All unused structural funds should be rapidly deployed, including by **reducing national co-financing rates** for both public and private investment, as well as temporarily easing application, monitoring and reporting requirements. At the same time, we need to develop accompanying instruments to ensure that the money is well spent and improves Europe's global position.

It is essential to reach **rapid agreement on an ambitious new multi-annual financial framework (MFF) focusing on growth and structural reforms**, including the possibility of a specific **European Recovery Fund**, as discussed at the video conference of the members of the European Council on 23rd April 2020, to bring new money to the table. This new fund should be ambitious enough to relaunch the European economy and to give a clear signal to markets about Member States' commitment to the EU, without mutualising existing debt between Member States<sup>3</sup>.

Solidarity during the crisis is crucial in **helping maintain convergence between Member States**, stimulating overdue reforms, and thus helping to enhance the level playing field of the single market.

In order to address the extraordinary challenges we face, **the EU budget must play a greater counter-cyclical role**, with measures taken to increase the amount of expenditure at the start of the programming period. The EU budget must rapidly channel investment into the following key areas:

- **Investment to support an industrial and growth strategy for all branches of industry.** A successful manufacturing industry and its services component will continue to be the foundation for our economic prosperity given the fundamental role this sector plays in driving innovation, productivity and employment, and its spill-overs and linkages across the whole economy. Investing in clean and digital technologies and enhancing strategic value chains will play a central role in relaunching and modernising Europe's economy. The crisis has also reminded us of the importance of companies to the resilience of our economies and broader societies, with a need to build a more resilient industry and to strengthen our ability to face and manage future crisis.

Achieving this ambition should go hand in hand with the Green Deal ambitions, by ensuring that the recovery plan provides **a new impetus for investment in energy, environment and climate programmes.**

<sup>3</sup>This paragraph is not supported by the Confederation of German Employers' Associations (BDA)



BusinessEurope supports the objective to transform the European society to climate-neutrality and circularity, but more than ever these ambitions will need to be accompanied by a strong business plan. There needs to be significant public support to help deploy key low-carbon technologies such as batteries, hydrogen, low carbon liquid fuels, off-shore wind and carbon capture and storage, in order to reach the scale where they become increasingly competitive. In addition, **state aid rules should act as an accelerator of transformation**, supporting investments that drive the deployment of low-carbon and circular solutions, products and technologies, and thus aim for a sustainable recovery. Investments must strengthen European competitiveness and mitigate risks of carbon and investment leakage.

Such impetus needs to be accompanied by investment to **improve energy efficiency in industry and of buildings (i.e. the “renovation wave”)**, as well as measures to **support consumer demand** for more low-carbon products such as clean vehicles (in combination with the roll out of investments in infrastructure for zero-emission vehicles such as charging infrastructures).

- **Strengthen collaborative R&D and innovation:** Increasing R&D in environmental areas needs to be part of a wider focus within the revised MFF on R&D, technology and innovation. Resilience and flexibility to production systems cannot be reached without R&D and industrial innovation. Public support will become key for businesses in such a recovery phase: private investment readiness will likely reduce but companies’ need to innovate will remain crucial. Cooperation will be vital, and industry, technology centres and universities must join forces in this innovation-driven reactivation.
- **Enhanced support for entrepreneurship and SMEs:** There must be an increase in the EU’s support for SMEs, start-ups and mid-caps. Every measure announced, especially those providing financial support, should be accompanied by clear, business-friendly information on what type of support is provided, how an SME can effectively access the different EU financial instruments that exist, who to contact at EU level if they have questions, who are the national bodies involved in channeling the funds, who are the national players SMEs can turn to, what is the role of national banks and what are their obligations, etc.
  - **Public Procurement** should be used as an effective tool to support SMEs in particular. In addition to supporting new entrepreneurs, EU funds should help entrepreneurs and workers whose businesses have had to close as well as their workers, to quickly re-start. We support in particular, the creation of a **pan-European Guarantee Fund**, managed by the EIB, to generate up to €200bn of additional targeted financing for SMEs, midcaps and corporates impacted by the COVID-19 crisis. EU projects such as **VentureEU** (Europe-wide venture capital fund program) must also be expanded to attract more private investment.
  - Ensuring effective support for SMEs will be an important means of helping sectors such as tourism and hospitality which have been particularly impacted by the shutdown, regain their financial health. But the EU will need to consider what further broader sectoral support can be provided to businesses in those sectors particularly hit by the crisis.
- **A step change in EU investment to take advantage of digital opportunities:** including support for the next phase of digitalization of industry and digital services provision, and to maintain a high degree of quality and capacity of digital infrastructure. This means in particular:
  - increased public funding to support the widespread roll-out of a high quality, cyber-secure digital infrastructure, including investment in European data spaces,
  - improving the rollout of 5G in order to allow digitalisation of industry, the application of innovative business models and the use of digital technologies along the supply chains throughout European Member States,

- incentives to promote digital skills training and helping companies and workers, including through support for Social Partners, benefit from the distance learning and training,
- improvements in the IT infrastructure and digital fitness of the EU institutions, in order to ensure continuity in the legislative procedures.
- **A significant boost to trans-European infrastructure, going well beyond the Commission's previous MFF proposals:** As well as building the EU's digital capacity, significantly higher investment is needed to urgently boost transport infrastructure, including through promoting co-modality between different type of transport and inter-connectivity of logistics systems. A similar boost is required for energy infrastructure, particularly in relation to trans-European energy grids and interconnections to finally achieve an Energy Union.
- **A new EU e-learning fund to support EU providers and users:** Employment gaps caused by COVID-19 related reduced work intensity, and increased unemployment rates require to rapidly respond to up-skilling and re-skilling needs of workers in order to allow them to re-enter or stay fit for changing labour markets. A fund financed by the EU should be developed to support European e-learning providers, including private providers, and to support both workers and the unemployed who want to engage in e-learning. To ensure that the content of the e-learning provision responds to labour market needs, the social partners and employment services should be closely involved.
- **Greater focus on accessible, affordable, and high-quality childcare infrastructure across Europe:** Greater childcare infrastructure investment is needed to support working parents to remain in employment and increase their working hours, as well as attract inactive parents into the labour market. Increased EU funding, including through InvestEU, the European Social Fund and the European Regional Development Fund can allow us to go beyond the 2002 Barcelona target of 33% of EU children under 3 years old benefiting from formal care arrangements.
- **Improved support for capacity building of social dialogue in all EU member states where this is needed,** with a view to ensure a sustainable recovery of the European labour markets across Europe. The EU and Member States should respond in priority to the specific needs of social partners organisations particularly in some Central and Eastern European Countries.

## PILLAR 2: A REVITALISED SINGLE MARKET AND STRENGTHENED SINGLE CURRENCY, AS PART OF A GREATER FOCUS ON SUPPORTING SUSTAINABLE INVESTMENT, GROWTH AND EMPLOYMENT.

Providing new EU funds for investment will not be enough to drive a sustained recovery. Public investment needs to be accompanied by ambitious policy measures which will generate trust, and increase the attractiveness of the EU as a location for long-term private investment. At EU level this means a renewed focus on **further integration of the single market and strengthening the single currency**, based on **regulation that is balanced and risk-based**.

We believe the EU can foster a renewed drive to increase investment in the EU through the development of policy in the following key areas:

- **Short-term actions to restore the normal functioning of the single market, whilst avoiding placing additional burdens on business:** Addressing the introduction of temporary intra-EU border controls and export restrictions, as well ensuring that extraordinary measures such as the temporary state aid framework remain in place only as long as the crisis requires, must be a priority. In particular:

- **Border controls, particularly regarding the free movement of workers** and inconsistent action by Member States across the EU have created legal uncertainty for businesses and workers as well as threatening one of the core pillars of the single market. Although the Commission called on the Member States to ensure that workers in international transport, as well as frontier workers, posted workers and seasonal workers in critical occupations, border management was often dominated by unilateral action. The EU must ensure that Member States respect the principles of free movement notably to allow frontier and seasonal workers to continue to work by establishing green corridors for them, as part of a broader and stronger coordination of border management strategies. Consideration also needs to be given to an EU-wide certificate to ease essential worker mobility in such crises in future.
- As governments may still take additional steps by re-nationalising some businesses in reaction to the present crisis, a strict framework to adhere to the **single market** rules will be necessary.
- More broadly, **the EU must avoid placing additional costs on businesses during a period when many are fighting to survive**, and therefore avoid a 'business as usual' regulatory and legislative approach. Businesses need room to breathe and recover, hence the need to postpone non-essential public consultations and allowing temporary flexibilities around implementation deadlines of existing regulations at EU level.
- A more comprehensive picture of the newly emerging situation and its consequences is also required to determine how the key **new initiatives** the Commission launched prior to the crisis, or planned to launch in the coming months, can be implemented and combined in synergy with the broader recovery strategy. **Without questioning the overall objectives, we urge the EU not to press on with these pre-crisis initiatives as if nothing has happened.**
- **Better regulation principles need to be fully applied** with a strong focus on the reduction of unnecessary burdens.
- **Removing longer-term bottlenecks in the single market**, focussing on enforcement and strengthening its freedoms of movement of capital, goods, services, and people as well as data. In particular:
  - New impetus to the **Services Single Market**, the potential of which had been underused for years. The EU has a chance to take further steps through a review of authorization and licensing regimes in Member States and a further opening of markets where job creation potential is greatest, like in business services, transport and logistics, retail, and lifting conditions for all mobile workers on an equal foot.
  - To support a relaunch of the industry sector, companies need tools facilitating compliance efficiently, such as **harmonised European standards**. Companies currently face significant and unnecessary costs and burdens because of bureaucratic bottlenecks in the process of harmonised standardisation, therefore the Commission should fundamentally revise processes for technical harmonisation of products and reduce intervention of public EU authorities in this traditionally stakeholder-driven process.
  - Additional measures to **ensure the level-playing field** are necessary to reinforce cooperation within the market surveillance system, significantly supporting it with the EU financing under the new MFF.
  - **Proportionality test criteria**, as spelled out in the rules for Member States before regulating a profession, should be applied to all legislative proposals.
  - **Strengthening connectivity and supply chains** as well as individual mobility by ensuring much needed liquidity and thus functioning logistics and mobility in the long run. It is imperative to examine temporary adjustments to applicable legislation on common rules for compensation in case of travel cancellations by passenger transport operators which could allow them to provide appropriate alternative solutions, that could help soften the massive economic damage in the sector and keep also cargo carrying capacities as much as possible. This way a drain of liquidity can be halted and transport operators can regain footing needed for the business survival and investments in efficient technologies.

- **Greater cross-border public procurement** including when used in a sustainability context (green public procurement) can help support demand for European products, reduce import dependency of key materials for manufacturing industries and assist the transition to a climate neutral Europe,
- **Ensuring the regulatory framework allows the EU to be a leader in the implementation of the next phase of services digitalization:**
  - Full Member State implementation of the **EU 5G Toolbox with emphasis on securing a robust infrastructure**, to enable risk assessments of suppliers and service providers and future proof use of spectrum allocation to roll-out 5G as a priority.
  - Strengthening the capacities of the European Union Agency for **Cyber Security** (ENISA) to protect recovery through digitalization.
  - Ensuring basic **cybersecurity literacy**, thanks to initiatives like “cyber-security training for all” to keep everyone educated on cyber-threats would benefit businesses and citizens alike.
  - **Making sure that all regulatory measures function as stimuli for innovative (digital) business models** rather than red tape. Bearing this in mind, legislative initiatives, such as the Digital Services Act, should promote the development and up-take of fair digital solutions in both society and industry in order to increase their resilience, while at the same time foster competition.
  - **Digital learning** should become an everyday reality. In addition to providing equipment and developing skills of educators, it is important to implement comprehensive educational concepts in a way that meets the technological, social and personal skills requirements of a digitized world. An initiative like “**e-commerce available to all**”, could help ensure that all businesses, SMEs, and citizens can fully benefit from e-commerce without any barriers.
- **Ensuring the regulatory framework supports business innovation**
  - **Fast-track the ‘industrial ecosystems’** as a mean to restore investment in sectors heavily impacted by COVID-19 crisis, as well as in strategic value chains. This is key to strengthening our industrial location and autonomy over time. Particular attention should be given to technology neutral approaches as we need to use the full potential of diverse contributions for in support of the EU’s Green Deal and Digital agenda – from all areas of technology and economic sectors.
  - Establish the design of an **innovation-friendly regulatory environment**. For instance, establish regulatory sandboxes at EU level. This would encourage a risk-taking approach, by easing the testing of potential breakthrough technologies.
  - **Speed up planning, permit and approval procedures** for projects of particular public interest, including trans-European large-scale infrastructures and network projects in order to make them start as early as possible. Designing specific authorization proceedings for TEN-T projects, as well as a more efficient coordination among managing authorities, shall be of essence in order to avoid delays by Member States.
  - **EU competition rules on horizontal cooperation** should encourage companies to collaborate to carry out joint technology development and achieve the objectives of other EU policies such as environmental and sustainability objectives. EU state aid rules for the **funding of Important Projects of Common European Interest**, should be adapted to facilitate and speed-up decision-making, be more flexible in order to accelerate implementation of concrete projects and reduce administrative burdens.

- **Innovators and businesses in Europe must rely on a solid IP system.** A stable and reliable IP legislative framework is key to facilitating investment and ensuring that companies continue to innovate and grow and are ready to face global challenges. The already announced EU Action Plan on IP should be adopted without delay.

**Ensure that the Unitary Patent system**, including the Agreement on a Unified Patent Court and the EU Regulations on the Unitary Patent, **enters into operation as soon as possible** to boost competitiveness and economic growth in Europe, which would certainly be needed for an economic recovery after the current COVID-19 crisis<sup>4</sup>.

- **Strengthening Economic and Monetary Union (EMU):**
  - We must do everything it takes to protect our single currency, including **ensuring all Member States have market access to funds needed for their recovery plans**. Building on the strong action taken by the ECB to launch a new Pandemic Emergency Purchase Programme representing over 7% of EU GDP, we welcome the agreement amongst finance ministers to ensure existing tools, in particular the ESM, can be rapidly adapted to meet the needs of the present crisis. Discussions should also progress on further possible instruments.
- **Completing the banking and capital markets unions to revitalise access to finance for the benefit of all:**
  - Strengthening the EMU also means putting in place a **Banking Union and reinforcing and implementing the Capital Markets Union** to ensure a genuine single market in financial services alongside the development of **complementary sources of finance to bank lending**, specifically enhancing long-term debt financing and equity investments, including **venture capital**.
  - Actions to support **sustainable finance** must be proportionate, practicable and accommodate the needs of both the financial markets as well as the real economy. They should help companies to finance their transition and funnel investments to support the transition towards a climate-neutral economy, without imposing excessive burdens to companies.
  - It will be key to **incentivise greening activities** and to make sure that European financing instruments include transition and enabling activities that demonstrate credible pathways towards, or contribute to reaching, long-term sustainability goals. It is important to ensure sufficient financing of all market players and avoid that companies struggle to get sufficient financing because of unproportionate rules or business models that are unduly regarded as non-sustainable.
  - We welcome the postponement of the implementation of the final **Basel III** requirements. **New prudential rules for financial institutions must** not increase capital requirements overall to support companies' need for capital for investment and trade (bank loans, bonds, equity investment, venture capital and trade finance) and must ensure access to risk management products at competitive terms.

<sup>4</sup>This paragraph is not supported by the Spanish Confederation of Employers and Industries (CEOE), the Confederation of Industry of the Czech Republic (SPCR) and the Confederation of Portuguese Business (CIP).

## PILLAR 3: THE EU AS A LEADING ADVOCATE FOR RULES-BASED, FAIR AND FREE TRADE AND INVESTMENT AND A STRONG SUPPORTER OF MULTILATERAL SOLUTIONS.

We are experiencing a global crisis that requires strong international coordination both in the exit as well as in the recovery phase, with a key role for multilateral institutions like the International Monetary Fund (IMF), the WHO (World Health Organisation) and the WTO (World Trade Organisation). Trade will be key to promoting a sustainable economic recovery and allowing companies to rebuild and re-organise value chains that have been disrupted by the COVID-19 emergency. For a successful uptake of trade and investment flows we recommend to:

- Eliminate restrictions at intra-EU and external borders for international **transport**, in particular air and water freight but also road transport and international rail freight.
- Ensure common and uniform approach across all Member States in opening air transport to avoid distortions and hindering procedures at the restart of air traffic (passenger and cargo).
- Ensure through working with the G20 that **export restrictions or bans** are lifted, minimizing the disruption of value chains and allowing production lines to gradually resume their operations throughout the EU.
- **Extend the tariff suspension** on goods that are critical to fight COVID-19 to the private sector. This is absolutely essential to allow companies to resume economic activity while ensuring the protection of workers. We support all efforts on the international level for a broad, ambitious and unbureaucratic tariff liberalization agreement on pharmaceutical and medical products and their inputs, that is permanent in order to facilitate trade, economic recovery and the fight against future health crises.
- **Simplify and adjust customs procedures**, for instance by promoting the use and acceptance of electronic documents, reducing non-essential physical inspections, being flexible on payments and delays and ensuring there are enough human resources to perform the tasks.
- Keep **foreign direct investment** afloat, as Europe's growth and productivity benefit particularly from the technology transfer and innovation that such investment from third countries brings. Screening of FDI must be effective, proportional and directed to what is necessary for the protection of strategic assets and the prevention of risks to national security and public order but must not curtail Europe's openness. The COVID-19 crises emphasized criticality of some sectors, technologies and supplies and this experience can be utilized while forming the FDI screening mechanisms setup in order to keep EU open for investments, while securing diversified and reliable value chains.
- Continue to lead and support the **WTO reform process**, including adjusting its rule-book to the new post-crisis trade reality, to ensure it is a strong and effective organisation that can act against protectionism and unilateralism.
- **Enhance plurilateral and multilateral trade negotiations** within the WTO. The COVID-19 crisis has shown the importance of global cooperation and that national and unilateral solutions are not an answer. This should give a new impetus to plurilateral and multilateral trade negotiations in critical sectors like digital trade and e-commerce, healthcare and environmental goods.
- **Negotiate an agreement with the US** that leads to the elimination of existing additional duties, finds a solution for the Airbus/Boeing dispute and looks for ways of regulatory cooperation especially in the healthcare sector. A bilateral reduction of industrial tariffs could give a positive impulse to businesses on both sides of the Atlantic and strengthen transatlantic value chain resilience. Reaching a consensus on the recognition of conformity assessments would also lead to a stronger momentum in economic recovery and business opportunities.
- Resume an ambitious **bilateral trade agenda**, especially with countries that were less hard hit or that more quickly recovered from the COVID-19 crisis.

- Modernisation of the **EU-Turkey Customs Union Agreement**, while ensuring Turkey maintains the process of alignment with EU legislation in key areas, would support the supply chains' recovery as well as single market operations and regulations in foreign trade in parallel with EU's upcoming ambitious bilateral trade agenda.
- Strive for an ambitious and comprehensive investment agreement with China that effectively allows European companies the same level of access that Chinese companies already benefit from now in Europe.
- Conclude the negotiations for an ambitious free trade agreement between the EU and Mercosur also technically and ratify it swiftly. For both sides, this agreement can lead to new approaches to cooperation in many areas, also with regard to the digital economy. Furthermore, free trade with Mercosur would significantly increase EU exports to the region, while at the same time favouring market diversification.
- To support a diversification of value chains via the EU trade policy rather than discuss efforts for wide self-sufficiency.
- Ensure that the existing **Free Trade Agreements** (FTAs) are effectively used by European companies, especially SMEs, and more companies benefit from the trade and investment opportunities created by these agreements while ensuring that our trading partners fully respect their commitments.
- Ensure that any new EU FTA will be equipped with effective **"Digital Chapter"** to allow businesses to fully benefit from those agreements. The COVID-19 crisis is showing even more clearly the importance of the digital economy and digital trade. Where this chapter is missing (EU-Japan), it needs to be finalized as soon as possible.
- **Pave the way for a close economic relationship between the EU and the UK** by negotiating an ambitious agreement governing their future relations. Considering the short time ahead of us and the disruptions caused by COVID-19, we ask both sides to do their utmost to achieve progress in the negotiations in the coming weeks and be open to practical solutions in case an agreement is not achievable by the end of the transition period.



## PILLAR 4: STRENGTHENED EU GOVERNANCE TO ENSURE EU FINANCIAL SUPPORT INCREASES MEMBER STATES' IMPLEMENTATION OF GROWTH AND EMPLOYMENT ENHANCING STRUCTURAL REFORMS.

Action at EU level needs to be accompanied by reforms by Member States if we are to rapidly return the EU economy to pre-COVID-19 output and employment levels and ensure long-term, sustainable growth.

BusinessEurope's Annual Reform Barometer has consistently shown that whilst EU country-specific reform recommendations focus on the right reform objectives, levels of reform implementation in Member States have been unsatisfactory. Our 2020 Reform Barometer shows that only 13% of the recommendations have been implemented appropriately according to our members.

Now, more than ever is the time to deliver on our long-held aspiration to ensure the EU really is the best place in the world to start and expand a business which is able to deliver high quality job opportunities for all, whilst simultaneously decreasing carbon emissions.

**We need to relaunch the European Semester, with a new focus on implementation, including ensuring that all EU support for Member States' public borrowing is accompanied by a commitment by Member States to implement sustainable growth and employment enhancing structural reforms** that will be essential to delivering long-term fiscal sustainability.

**The EU's review of economic governance** can help Member States put their finances on a sustainable footing by improving the clarity of the Stability and Growth Pact, by simplifying the fiscal rules and reducing their pro-cyclicality. The review should consider how the framework can best support growth-enhancing public investment, recognising the flexibility in the current rules, for example, as shown by the use of the general escape clause during the current crisis.

### **Key areas of reform at Member State level include:**

- **Tax:** To address the likely significant reduction in tax revenue, which could last for several years, Member States should ensure that their tax systems are adapted to become more supportive of growth by reducing taxation on both labour (including social contributions) and capital, including corporate tax, which are particularly damaging to employment. In addition, removing double taxation, and digitalising and simplifying tax systems (in particular in the area of VAT) would make investment and trade more economically viable. This would be particularly helpful for SMEs whose tax compliance cost is particularly acute as they work with more limited resources. Moreover, measures to support businesses re-capitalization and companies at risk of insolvency should be sustained. In this regard, fiscal incentives (like tax credit) for companies or physical persons investing in companies capital should be encouraged.
- **Labour market reform:** It is essential to make our labour markets more resilient, to be better prepared when crises like this hit. Therefore, the EU should support Member States' efforts to reform their labour markets during the recovery phase. In many countries, Member States and social partners' cooperation is already helping ensure short-time working schemes help to mitigate the effects on employment and to provide planning security for employees and companies for mastering the recovery phase. In the long run, the EU can support Member States and Social Partners to design, implement and evaluate policies tailored to address the structural labour market challenges they face, such as long-term unemployment, whilst providing an adequate regulatory framework to diverse forms of work.

- Better cooperation between the Commission, national governments, employers and trade unions can also help social protection systems adapt to the changing economic and social context in Europe. In the context of the EPSCO Council, the existing 'Open Method of Coordination' should be further improved to support Member States in benchmarking progress toward reform, involving the national social partners more closely in the work.
- **Skills:** We must safeguard the necessary financial support to training systems and create stronger ties between labour markets and education and training systems by putting more emphasis on learning outcomes and employability in order to foster education to work transitions, to guide up-skilling and re-skilling and to overcome skills mismatches and labour shortages. This means pro-actively involving companies in defining the skills base that needs to be developed via education and training, as well in providing concrete support to their development. In addition, Investment in skills should ensure that also people in diverse forms of work have access to re- and upskilling opportunities.
- EU-level benchmarks could play a positive role in supporting Member States' reform agendas, around the key areas of:
  - timeliness and effectiveness of education and training systems in terms of updating qualifications to changing jobs demands;
  - effectiveness of training provided by governments to inactive and unemployed people to support transitions back to the labour markets, including the extent of collaboration between public and private employment services;
  - effects of public financial incentives on encouraging enterprises and workers to invest and participate in skills training opportunities;
  - governance and responsiveness of training markets and actors to changing labour market needs.