

## II

(Acts whose publication is not obligatory)

## COUNCIL

## COUNCIL DECISION

of 22 July 2003

on guidelines for the employment policies of the Member States

(2003/578/EC)

THE COUNCIL OF THE EUROPEAN UNION,

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

Having regard to the proposal from the Commission <sup>(1)</sup>,

Having regard to the opinion of the European Parliament <sup>(2)</sup>,

Having regard to the opinion of the European Economic and Social Committee <sup>(3)</sup>,

Having regard to the opinion of the Committee of the Regions <sup>(4)</sup>,

Having regard to the opinion of the Employment Committee,

Whereas:

(1) Article 2 of the Treaty on the European Union sets the Union the objective of promoting economic and social progress and a high level of employment. Article 125 of the Treaty establishing the European Community states that Member States and the Community shall work towards developing a coordinated strategy for employment and particularly for promoting a skilled, trained and adaptable workforce and labour markets responsive to economic change.

(2) Following the extraordinary European Council meeting on employment on 20 and 21 November 1997 in Luxembourg, the Council resolution of 15 December 1997 on the 1998 employment guidelines <sup>(5)</sup> launched

a process with high visibility, strong political commitment and a wide-ranging acceptance by all parties concerned.

(3) The Lisbon European Council on 23 and 24 March 2000 set a new strategic goal for the European Union to become the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion. To this end the Council agreed overall employment targets and employment targets for women, for 2010, which were completed at the Stockholm European Council on 23 and 24 March 2001, by intermediate targets for January 2005, and a new target for 2010, reflecting the demographic challenge, for the employment rate of older women and men.

(4) The Nice European Council on 7, 8 and 9 December 2000 approved the European Social Agenda, which states that the return to full employment involves ambitious policies in terms of increasing employment rates, reducing regional gaps, reducing inequality and improving job quality.

(5) The Barcelona European Council of 15 and 16 March 2002 called for a strengthening of the European Employment Strategy through a reinforced, simplified and better-governed process, with a time frame aligned to 2010, and which incorporates the targets and goals of the Lisbon strategy. The Barcelona European Council also requested a streamlining of policy coordination processes, with synchronised calendars for the adoption of the broad economic policy guidelines and the employment guidelines.

<sup>(1)</sup> Proposal of 8 April 2003 (not yet published in the Official Journal).

<sup>(2)</sup> Opinion of 3 June 2003 (not yet published in the Official Journal).

<sup>(3)</sup> Opinion of 14 May 2003 (not yet published in the Official Journal).

<sup>(4)</sup> Opinion of 3 July 2003 (not yet published in the Official Journal).

<sup>(5)</sup> OJ C 30, 28.1.1998, p. 1.

- (6) The Brussels European Council of 20 and 21 March 2003 confirmed that the employment strategy has the leading role in the implementation of the employment and labour market objectives of the Lisbon strategy, and that the employment strategy and the broad economic policy guidelines, which provide the overarching economic policy coordination for the Community, should operate in a consistent way. The same European Council called for guidelines to be limited in number and to be result orientated, allowing Member States to design the appropriate mix of action, and for them to be supported by appropriate targets. 2003 provides a particular opportunity to use streamlined key policy coordination instruments — the broad economic policy guidelines, the employment guidelines and the internal market strategy — and give them a new three-year perspective.
- (7) The employment strategy has been exhaustively evaluated, including a thorough mid-term review, completed in 2000, and a major evaluation of the experiences of the first five years completed in 2002. This evaluation pointed to the need for continuity in the strategy to address remaining structural weaknesses, as well as the need to address new challenges facing an enlarged European Union.
- (8) The successful implementation of the Lisbon agenda calls for the employment policies of Member States to foster, in a balanced manner the three complementary and mutually supportive objectives of full employment, quality and productivity at work, and social cohesion and inclusion. The achievement of these objectives requires further structural reforms concentrating on 10 key interrelated priorities and special attention should be paid to the coherent governance of the process. Policy reforms require a gender-mainstreaming approach in implementing all actions.
- (9) On 6 December 2001 the Council adopted a series of indicators to measure 10 dimensions for investing in quality in work and called for these indicators to be used in monitoring the European employment guidelines and recommendations.
- (10) Active and preventative policies should be effective and contribute to the goals of full employment and social inclusion by ensuring that unemployed and inactive people, are able to compete in and integrate into the labour market. Those policies should be supported by modern labour market institutions.
- (11) Member States should encourage the creation of more and better jobs by fostering entrepreneurship and innovation in a favourable business environment. Member States are committed to implementing the European Charter for Small Enterprises and are engaged in a process of benchmarking of the enterprise policy.
- (12) Providing the right balance between flexibility and security will help support the competitiveness of firms, increase quality and productivity at work and facilitate the adaptation of firms and workers to economic change. In this context the Barcelona and Brussels European Councils called in particular for a review of employment legislation, while respecting the role of Social Partners. Levels of health and safety standards at work should be raised in line with the new Community strategy for 2002 to 2006. Particular focus should be placed on high-risk sectors for accidents at work. Access of workers to training is an essential element of the balance between flexibility and security and the participation of all workers should be supported, taking into account the returns on investment for workers, employers as well as society as a whole. Economic restructuring poses a challenge for employment both in current and future Member States and calls for positive management involving all relevant actors, including the Social Partners.
- (13) The Barcelona European Council welcomed the Commission action plan on skills and mobility and the Council Resolution of 3 June 2002 on skills and mobility further invited the Commission, Member States and the Social Partners to undertake the measures required. Better occupational and geographic mobility and job matching will help increase employment and social cohesion, taking into account the labour aspects of immigration.
- (14) The implementation of coherent and comprehensive lifelong learning strategies is critical in delivering full employment, improved quality and productivity at work, and better social cohesion. The Barcelona European Council welcomed the Commission communication 'Making a European area of lifelong learning' which spelt out the essential building blocks of lifelong learning strategies of partnership, insight into demand for learning, adequate resources, facilitating access to learning opportunities, creating a learning culture, and striving for excellence. The ongoing process on concrete future objectives for education systems, launched by the Lisbon

European Council, plays an important role with respect to human capital development and synergies with the Employment strategy should be fully exploited. On 5 to 6 May 2003, the Council adopted a series of benchmarks of European average performance in education and training, several of which are of particular relevance in the context of employment policies. The Lisbon European Council called for a substantial per capita increase in investment in human resources. This requires sufficient incentives for employers and individuals, and redirecting public finance towards more efficient investment in human resources across the learning spectrum.

- (15) An adequate labour supply is needed in order to meet the demographic challenge, support economic growth, promote full employment, and support the sustainability of social protection systems. The joint report from the Commission and the Council, 'Increasing labour-force participation and promoting active ageing' adopted by the Council on 7 March 2002, concludes that this requires developing comprehensive national strategies based on a life cycle approach. Policies should exploit the employment potential of all categories of persons. The Barcelona European Council agreed that the European Union should seek, by 2010, a progressive increase of about five years in the effective average exit age at which people stop working. This age was estimated at 59,9 in 2001.
- (16) Gender gaps in the labour market should be progressively eliminated, if the European Union is to deliver full employment, increase quality at work and promote social inclusion and cohesion. This requires both a gender mainstreaming approach and specific policy actions to create the conditions for women and men to enter, re-enter, and remain in the labour market. The Barcelona European Council agreed that by 2010 Member States should provide childcare to at least 90 % of children between three years old and the mandatory school age and at least 33 % of children under three years of age. The underlying factors of the gender gaps in unemployment and in pay should be addressed and targets on the reduction of such gaps should be achieved as a result, without calling into question the principle of wage differentiation according to productivity and labour market situation.
- (17) The effective integration into the labour market of people at a disadvantage will deliver increased social inclusion, employment rates, and improve the sustainability of social protection systems. Policy responses need to tackle discrimination, provide a personalised approach to individual needs, and create adequate job opportunities by providing recruitment incentives for employers. Council Decision 2001/903/EC<sup>(1)</sup> of 3 December 2001 designated 2003 as the 'European year of people with disabilities'. Access to the labour market is a major priority with respect to people with disabilities who are estimated to represent some 37 million people in the European Union, many of whom have the ability and desire to work.
- (18) In order to improve the prospects for full employment and social cohesion, the balance between income from work against income in unemployment or inactivity should be such as to encourage people to enter, re-enter and to remain in the labour market, and to foster job creation.
- (19) Undeclared work is taken to mean 'any paid activities that are lawful as regards their nature but not declared to public authorities'. Studies estimate the size of the informal economy on average at between 7 % and 16 % of EU GDP. This should be turned into regular work in order to improve the overall business environment, the quality in work of those concerned, social cohesion and the sustainability of public finance and social protection systems. Improving knowledge about the extent of undeclared work in Member States and the European Union should be encouraged.
- (20) Employment and unemployment disparities between regions in the European Union remain large and will increase after enlargement. They should be tackled through a broad approach involving actors at all levels in order to support economic and social cohesion, making use of the Community Structural Funds.
- (21) The evaluation of the first five years of the employment strategy highlighted better governance as a key for the strategy's future effectiveness. A successful implementation of employment policies depends on partnership at all levels, the involvement of a number of operational services, and adequate financial resources to support the implementation of the employment guidelines. Member States have responsibility for the effective implementation of the employment guidelines, including ensuring a balanced delivery at regional and local level.

<sup>(1)</sup> OJ L 335, 19.12.2001, p. 15.

- (22) The effective implementation of the employment guidelines requires active participation of social partners, at all stages, from designing policies to their implementation. At the Social Summit on 13 December 2001 the Social Partners expressed the need to develop and improve coordination of tripartite consultation. It was also agreed that a Tripartite Social Summit for Growth and Employment would be held before each spring European Council.
- (23) In addition to the employment guidelines, Member States should fully implement the broad economic policy guidelines and ensure that their action is fully consistent with the maintenance of sound public finances and macroeconomic stability,

HAS DECIDED AS FOLLOWS:

*Sole Article*

The guidelines for Member States' employment policies ('employment guidelines'), annexed hereto, are hereby adopted. Member States shall take them into account in their employment policies.

Done at Brussels, 22 July 2003.

*For the Council*  
*The President*  
G. ALEMANNIO

## ANNEX

## THE EMPLOYMENT GUIDELINES

**A European strategy for full employment and better jobs for all**

Member States shall conduct their employment policies with a view to implementing the objectives and priorities for action and progressing towards the targets specified below. Special attention will be given to ensuring good governance of employment policies.

In addition to the Employment guidelines and their associated Employment recommendations, Member States should fully implement the Broad economic policy guidelines and ensure that the two instruments operate in a consistent way.

Reflecting the Lisbon agenda, the employment policies of Member States shall foster the three overarching and interrelated objectives of full employment, quality and productivity at work, and social cohesion and inclusion.

These objectives should be pursued in a balanced manner, reflecting their equal importance in achieving the ambitions of the Union. They should be pursued involving all relevant actors. Synergies should be fully exploited, building on the positive interaction between the three objectives. Equal opportunities and gender equality are vital for making progress towards the three objectives.

Such an approach would also contribute to reducing unemployment and inactivity.

*Full employment*

Member States shall aim to achieve full employment by implementing a comprehensive policy approach incorporating demand and supply side measures and thus raise employment rates towards the Lisbon and Stockholm targets.

Policies shall contribute towards achieving on average for the European Union:

- an overall employment rate of 67 % in 2005 and 70 % in 2010,
- an employment rate for women of 57 % in 2005 and 60 % in 2010,
- an employment rate of 50 % for older workers (55 to 64) in 2010.

Any national targets should be consistent with the outcome expected at European Union level and should take account of particular national circumstances.

*Improving quality and productivity at work*

Improved quality at work is closely interlinked with the move towards a competitive and knowledge-based economy and should be pursued through a concerted effort between all actors and particularly through social dialogue. Quality is a multi-dimensional concept addressing both job characteristics and the wider labour market. It encompasses intrinsic quality at work, skills, lifelong learning and career development, gender equality, health and safety at work, flexibility and security, inclusion and access to the labour market, work organisation and work-life balance, social dialogue and worker involvement, diversity and non-discrimination, and overall work performance.

Increasing employment rates must go hand in hand with raising overall labour productivity. Quality at work can help increase labour productivity and the synergies between both should be fully exploited. This represents a specific challenge for social dialogue.

*Strengthening social cohesion and inclusion*

Employment is a key means to social inclusion. In synergy with the open method of coordination in the field of social inclusion, employment policies should facilitate participation in employment through promoting access to quality employment for all women and men who are capable of working; combating discrimination on the labour market and preventing the exclusion of people from the world of work.

Economic and social cohesion should be promoted by reducing regional employment and unemployment disparities, tackling the employment problems of deprived areas in the European Union and positively supporting economic and social restructuring.

### SPECIFIC GUIDELINES

In pursuing the three overarching objectives, Member States shall implement policies which take account of the following specific guidelines which are priorities for action. In doing so they shall adopt a gender-mainstreaming approach across each of the priorities.

#### 1. ACTIVE AND PREVENTATIVE MEASURES FOR THE UNEMPLOYED AND INACTIVE

Member States will develop and implement active and preventative measures for the unemployed and the inactive designed to prevent inflow into long-term unemployment, and to promote the sustainable integration into employment of unemployed and inactive people. Member States will:

- (a) ensure that, at an early stage of their unemployment spell, all jobseekers benefit from an early identification of their needs and from services such as advice and guidance, job search assistance and personalised action plans;
- (b) based on the above identification, offer jobseekers access to effective and efficient measures to enhance their employability and chances of integration, with special attention given to people facing the greatest difficulties in the labour market.

Member States will ensure that:

- every unemployed person is offered a new start before reaching six months of unemployment in the case of young people and 12 months of unemployment in the case of adults in the form of training, retraining, work practice, a job, or other employability measure, combined where appropriate with ongoing job search assistance,
  - by 2010, 25 % of the long-term unemployed participate in an active measure in the form of training, retraining, work practice, or other employability measure, with the aim of achieving the average of the three most advanced Member States;
- (c) modernise and strengthen labour market institutions, in particular employment services,
  - (d) ensure regular evaluation of the effectiveness and efficiency of labour market programmes and review them accordingly.

#### 2. JOB CREATION AND ENTREPRENEURSHIP

Member States will encourage the creation of more and better jobs by fostering entrepreneurship, innovation, investment capacity and a favourable business environment for all enterprises. Particular attention will be given to exploiting the job creation potential of new enterprises, of the service sector and of R & D. Supported by the process of benchmarking of enterprise policy and the implementation of the European Charter for Small Enterprises, policy initiatives will focus on:

- simplifying and reducing administrative and regulatory burdens for business start-ups and SMEs and for the hiring of staff, facilitating access to capital for start-ups, new and existing SMEs and enterprises with a high growth and job creation potential (see also BEPGs, guideline 11),
- promoting education and training in entrepreneurial and management skills and providing support, including through training to make entrepreneurship a career option for all.

#### 3. ADDRESS CHANGE AND PROMOTE ADAPTABILITY AND MOBILITY IN THE LABOUR MARKET

Member States will facilitate the adaptability of workers and firms to change, taking account of the need for both flexibility and security and emphasising the key role of the social partners in this respect.

Member States will review and, where appropriate, reform overly restrictive elements in employment legislation that affect labour market dynamics and the employment of those groups facing difficult access to the labour market, develop social dialogue, foster corporate social responsibility, and undertake other appropriate measures to promote:

- diversity of contractual and working arrangements, including arrangements on working time, favouring career progression, a better balance between work and private life and between flexibility and security,
- access for workers, in particular for low skill workers, to training,

- better working conditions, including health and safety; policies will aim to achieve in particular: a substantial reduction in the incidence rate of accidents at work and of occupational diseases,
- the design and dissemination of innovative and sustainable forms of work organisation, which support labour productivity and quality at work,
- the anticipation and the positive management of economic change and restructuring.

Member States will address labour shortages and bottlenecks through a range of measures such as by promoting occupational mobility and removing obstacles to geographic mobility, especially by implementing the skills and mobility action plan, improving the recognition and transparency of qualifications and competencies, the transferability of social security and pensions rights, providing appropriate incentives in tax and benefit systems, and taking into account labour market aspects of immigration.

The transparency of employment and training opportunities at national and European level should be promoted in order to support effective job matching. In particular, by 2005, jobseekers throughout the EU should be able to consult all job vacancies advertised through Member States' employment services.

#### 4. PROMOTE DEVELOPMENT OF HUMAN CAPITAL AND LIFELONG LEARNING

Member States will implement lifelong learning strategies, including through improving the quality and efficiency of education and training systems, in order to equip all individuals with the skills required for a modern workforce in a knowledge-based society, to permit their career development and to reduce skills mismatch and bottlenecks in the labour market.

In accordance with national priorities, policies will aim in particular to achieve the following outcomes by 2010:

- at least 85 % of 22-year olds in the European Union should have completed upper secondary education,
- the European Union average level of participation in lifelong learning should be at least 12,5 % of the adult working-age population (25 to 64 age group).

Policies will aim in particular to achieve an increase in investment in human resources. In this context, it is important that there is a significant increase in investment by enterprises in the training of adults with a view to promoting productivity, competitiveness and active ageing. Efficient investment in human capital by employers and individuals will be facilitated.

#### 5. INCREASE LABOUR SUPPLY AND PROMOTE ACTIVE AGEING

Member States will promote an adequate availability of labour and employment opportunities to support economic growth and employment, taking into account labour mobility, as indicated in specific guideline 3. In particular, they will:

- increase labour market participation by using the potential of all groups of the population, through a comprehensive approach covering in particular the availability and attractiveness of jobs, making work pay, raising skills, and providing adequate support measures,
- promote active ageing, notably by fostering working conditions conducive to job retention — such as access to continuing training, recognising the special importance of health and safety at work, innovative and flexible forms of work organisation — and eliminating incentives for early exit from the labour market, notably by reforming early retirement schemes and ensuring that it pays to remain active in the labour market; and encouraging employers to employ older workers,

In particular, policies will aim to achieve by 2010 an increase by five years, at European Union level, of the effective average exit age from the labour market (estimated at 59,9 in 2001). In this respect, the social partners have an important role to play. Any national targets should be consistent with the outcome expected at the European Union level and should take account of particular national circumstances,

- and, where appropriate, give full consideration to the additional labour supply resulting from immigration.

## 6. GENDER EQUALITY

Member States will, through an integrated approach combining gender mainstreaming and specific policy actions, encourage female labour market participation and achieve a substantial reduction in gender gaps in employment rates, unemployment rates, and pay by 2010. The role of the social partners is crucial in this respect. In particular, with a view to its elimination, policies will aim to achieve by 2010 a substantial reduction in the gender pay gap in each Member State, through a multi-faceted approach addressing the underlying factors of the gender pay gap, including sectoral and occupational segregation, education and training, job classifications and pay systems, awareness-raising and transparency.

Particular attention will be given to reconciling work and private life, notably through the provision of care services for children and other dependants, encouraging the sharing of family and professional responsibilities and facilitating return to work after a period of absence. Member States should remove disincentives to female labour force participation and strive, taking into account the demand for childcare facilities and in line with national patterns of childcare provision, to provide childcare by 2010 to at least 90 % of children between three years old and the mandatory school age and at least 33 % of children under three years of age.

## 7. PROMOTE THE INTEGRATION OF AND COMBAT THE DISCRIMINATION AGAINST PEOPLE AT A DISADVANTAGE IN THE LABOUR MARKET

Member States will foster the integration of people facing particular difficulties on the labour market, such as early school leavers, low-skilled workers, people with disabilities, immigrants, and ethnic minorities, by developing their employability, increasing job opportunities and preventing all forms of discrimination against them.

In particular, policies will aim to achieve by 2010:

- an EU average rate of no more than 10 % early school leavers,
- a significant reduction in each Member State in the unemployment gaps for people at a disadvantage, according to any national targets and definitions,
- a significant reduction in each Member State in the unemployment gaps between non-EU and EU nationals, according to any national targets.

## 8. MAKE WORK PAY THROUGH INCENTIVES TO ENHANCE WORK ATTRACTIVENESS

Member States will reform financial incentives with a view to making work attractive and encouraging men and women to seek, take up and remain in work. In this context, Member States should develop appropriate policies with a view to reducing the number of working poor. They will review and, where appropriate, reform tax and benefit systems and their interaction with a view to eliminating unemployment, poverty and inactivity traps, and encouraging the participation of women, low-skilled workers, older workers, people with disabilities and those furthest from the labour market in employment.

Whilst preserving an adequate level of social protection, Member States will in particular review replacement rates and benefit duration; ensure effective benefit management, notably with respect to the link with effective job search, including access to activation measures to support employability, taking into account individual situations; consider the provision of in-work benefits, where appropriate; and work with a view to eliminating inactivity traps.

In particular, policies will aim at achieving by 2010 a significant reduction in high marginal effective tax rates and, where appropriate, in the tax burden on low paid workers, reflecting national circumstances.

## 9. TRANSFORM UNDECLARED WORK INTO REGULAR EMPLOYMENT

Member States should develop and implement broad actions and measures to eliminate undeclared work, which combine simplification of the business environment, removing disincentives and providing appropriate incentives in the tax and benefits system, improved law enforcement and the application of sanctions. They should undertake the necessary efforts at national and EU level to measure the extent of the problem and progress achieved at national level.



#### 10. ADDRESS REGIONAL EMPLOYMENT DISPARITIES

Member States should implement a broad approach towards reducing regional employment and unemployment disparities. The potential for job creation at the local level, including in the social economy, should be supported and partnerships between all relevant actors should be encouraged. Member States will:

- promote favourable conditions for private sector activity and investment in regions lagging behind,
- ensure that public support in regions lagging behind is focused on investment in human and knowledge capital, as well as adequate infrastructure (see also BEPGs, guidelines 18 and 19).

The potential of the Cohesion and Structural Funds and the European Investment Bank should be fully exploited.

#### **GOOD GOVERNANCE AND PARTNERSHIP IN THE IMPLEMENTATION OF THE EMPLOYMENT GUIDELINES**

Member States will ensure the effective implementation of the Employment guidelines, including at the regional and local level.

##### **Involvement of parliamentary bodies, social partners and other relevant actors**

Good governance and partnership are important issues for the implementation of the European employment strategy, while fully respecting national traditions and practices. The European Parliament will play an important role in this respect. Responsibility for implementation of the European employment strategy lies with the Member States. In accordance with national traditions, relevant parliamentary bodies as well as relevant actors in the field of employment at national, regional and local level have important contributions to make.

In accordance with their national traditions and practices, Social Partners at national level should be invited to ensure the effective implementation of the Employment guidelines and to report on their most significant contributions in all areas under their responsibility, in particular concerning the management of change and adaptability, synergy between flexibility and security, human capital development, gender equality, making work pay and active ageing as well as health and safety at work.

European Social Partners at interprofessional and sectoral level are invited to contribute to the implementation of the Employment guidelines and to support efforts undertaken by the national social partners at all levels, such as at interprofessional, sectoral and local level. As announced in their joint work programme, the European social partners at interprofessional level will report annually on their contribution to the implementation of the Employment guidelines. European Social Partners at sectoral level are invited to report on their respective actions.

Moreover, operational services should deliver the employment policies in an efficient and effective way.

##### **Adequate allocation of financial resources**

Member States will ensure transparency and cost-effectiveness in the allocation of financial resources to the implementation of the Employment guidelines, while complying with the need for sound public finances in line with the Broad economic policy guidelines.

They will fully exploit the potential contribution of the Community Structural Funds, in particular the European Social Fund, to support the delivery of policies and to strengthen the institutional capacity in the field of employment.

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