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Opinion of the European Economic and Social Committee on 'Proposal for a Council Decision on guidelines for the employment policies of the Member States'

(COM(2023) 599 final — 2023/0173 (NLE))

(C/2023/870)

Rapporteur: **Carlos Manuel TRINDADE**

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1. **Conclusions and recommendations**

1.1. The European Economic and Social Committee (EESC) welcomes the proposal for a Council Decision on guidelines for the employment policies of the Member States. These guidelines are a valuable reference for creating quality jobs in an environmentally and socially sustainable and competitive economy. Coordinating employment policies and monitoring Member States' social indicators are key to promoting upward convergence between Member States and reducing social and economic disparities.

1.2. The EESC calls on the Member States to apply the upward convergence principle to labour market operation, and calls on the Commission to develop a process to implement this principle.

1.3. The EESC warns of persisting political instability and high levels of inflation and high interest rates, which reduce citizens' purchasing power and businesses' competitiveness, affecting investment decisions in the private and public sectors. These difficulties could jeopardise the implementation of employment policy guidelines in the Member States, the achievement of the European Pillar of Social Rights and 2030 targets.

1.4. Under these circumstances, the EESC believes that it is all the more necessary to take steps to strengthen both the role of the social partners and their involvement in designing and implementing employment, social and economic reforms and policies, including by building their capacity.

1.5. The EESC calls on the Member States to create an enabling environment, including for civil society organisations that are active in employment and social issues.

1.6. The EESC reiterates its concerns about the possible consequences of reinstating fiscal rules in 2024, ending the suspension of recent years. In this regard, the EESC points to its recent positions on changes to the EU's fiscal framework: namely that it should (a) strengthen public investments; (b) allow for more cyclical leeway; and (c) permit greater flexibility and country-specific differentiation as far as debt adjustment paths are concerned, while at the same time guaranteeing fiscal sustainability ([1]).

([1]) Opinion of the European Economic and Social Committee on reshaping the EU fiscal framework for a sustainable recovery and a just transition (own-initiative opinion) (OJ C 105, 4.3.2022, p. 11).

1.7. The EESC firmly believes that austerity is not a solution, as the past has shown. On the contrary, the necessary solution is sustainable solidarity-based public policies, similar to those implemented during the pandemic and at the outbreak of the war.

1.8. The EESC advocates facilitating access to the labour market, in particular by increasing the participation rate of women, young people, persons with disabilities, inactive people, low-skilled citizens, people from non-EU countries and people from other vulnerable groups. This would foster the economic and social sustainability of businesses and help to raise employees' qualifications and improve working conditions. This goal can be achieved by fully harnessing digital technologies and environmental sustainability tools adopted and promoting lifelong learning. The EU and the Member States should strengthen sustainable employment in rural regions, in particular by increasing the competitiveness of SMEs and micro-enterprises and regional production, for example by supporting social economy enterprises and promoting entrepreneurship, including through appropriate tax policy and support funds.

1.9. The EESC notes that it is vital to increase labour supply and improve access to lifelong employment, skills and competences. This means that each Member State must be able to plan effective coordination of the investment measures for training and the labour market provided for by the national recovery and resilience plans (NRRPs) and the Structural Funds. In the context of rapid technological developments and the green transition, it is even more important to recognise and ensure the right to lifelong learning and effective access to quality education and training and to skills upgrading. Employing third-country nationals and recognising qualifications can be important tools for tackling labour shortages and improving labour market integration.

1.10. As regards improving the functioning of labour markets and the effectiveness of social dialogue, the EESC reiterates views it has previously expressed, such as ([2]):

— each Member State must adopt safety and risk prevention measures as a basis for promoting a more widespread culture of prevention, which is a fundamental component for the dissemination and sharing of a 'work culture',

— social dialogue and collective bargaining are an important pillar of the sustainability and resilience of European economies, but in some Member States there is still a need for a national regulatory and institutional framework that facilitates and supports industrial relations systems.

1.11. With regard to the issues of promoting equal opportunities for all, fostering social inclusion, and fighting poverty, the EESC reiterates the importance of designing effective inclusion policies, including appropriate measures for low-skilled and inactive persons in order to support their participation in the labour market and enhance their employability, as it is crucial to adopt measures to avoid the risk of 'new poverty' among low-income workers, in conjunction with other coherent anti-poverty strategies.

The EESC also reiterates the following views ([3]):

1.11.1. Combined action by different policy instruments and measures negotiated by the social partners are needed to reduce in-work poverty. Apart from decent wages, including adequate minimum wages, these policy instruments can include well-designed and temporary financial incentives, accompanied by targeted and effective skilling and upskilling measures. Member States should be supported in these processes.

1.11.2. Targeted support is especially important for the long-term unemployed and/or inactive people, as it increases their chance of breaking (back) into the labour market and is an important factor in job retention. As the pandemic has hit young people particularly hard, specific measures are crucial.

([2]) Opinion of the European Economic and Social Committee on Proposal for a Council decision on guidelines for the employment policies of the Member States (COM(2021) 282 final — 2021/0137 (NLE)) (OJ C 517, 22.12.2021, p. 97).

([3]) Opinion of the European Economic and Social Committee on the Proposal for a Council decision on guidelines for the employment policies of the Member States [COM(2022) 241 final] (OJ C 486, 21.12.2022, p. 161).

1.11.3. Efforts are needed to reintegrate those furthest from the labour market in order to reduce the inactivity rate. This is especially important in the current context of serious labour force shortages across the EU. Member States, especially those identified as low performers in the Social Scoreboard, should be encouraged, also through the consistent use of EU resources, to facilitate an enabling framework for employers to employ people with disabilities or activate self-employment opportunities where possible. Social economy entities are key in this respect.

2. **General comments and background**

2.1. The European Semester 'spring package' includes a communication on its main elements, the reports and specific recommendations for each of the 27 Member States ([4]).

2.2. In 2023, the European Commission's proposal for guidelines for the employment policies of the Member States is identical to that of 2022, as the context remains unchanged, particularly those elements relating to Russia's invasion of Ukraine.

2.3. The EU's performance has been better than expected in the context stemming from the pandemic and the war in Ukraine and, despite the expected slower growth in 2023 (1,0 % in 2023 as against 3,5 % in 2022), estimated growth of 1,7 % is forecast for 2024. However, the continuing war and persisting inflation have led to significant losses in purchasing power ([5]), remaining a challenge for businesses, particularly SMEs and micro-enterprises.

2.4. Interest rate hikes have affected investment levels, particularly for SMEs and micro-enterprises, as well as the cost of housing, impacting the competitiveness of businesses and the purchasing power of households and diminishing the capacity of the European economy to generate jobs and ensure decent standards of living, thereby potentially jeopardising Europe's 2030 targets.

2.5. The EESC reiterates that '[w]hile aiming to ensure inclusiveness and fairness, Member States' employment policies should also reflect economic and social developments. The impact of labour market policies should be carefully assessed so that they stimulate a sustainable recovery rather than reduced employment rates, lower quality jobs and reduced purchasing power for individuals. Labour and skills shortages should be given more attention, and specific policy recommendations and initiatives in line with the EPSR Action Plan should follow' ([6]).

2.6. The EESC notes ([7]) that the upward convergence between Member States as regards the functioning of the labour market has not been implemented, and it calls on the Member States to apply the employment guidelines and ensure this convergence.

2.7. The EESC notes that the employment guidelines have a direct link with the criteria of the Stability and Growth Pact (SGP), with deficit and government debt ceilings in the Member States of 3 % and 60 % of GDP respectively. These rules were suspended from 2020 to 2022 and in 2023 following the pandemic and the war in Ukraine, which raised energy and food prices, leading to high inflation and a rise in interest rates, thereby negatively impacting debt servicing, deficits and public investment in the Member States.

2.8. Ongoing uncertainty, inflation and high interest rates justify continuing with public policies that support households and businesses, which might mean increasing, or at the very least not reducing, public spending. The EESC calls for an evaluation of the effectiveness of public policies, including ideas for potential savings/reallocations, to ensure that they are well-designed and achieve the expected results.

([4]) COM(2023) 600 final, 24.5.2023; COM(2023), 599 final, 24.5.2023.
([5]) Joint Employment Report, 2023 (COM(2022) 783 final), p. 21.
([6]) OJ C 486, 21.12.2022, p. 161.
([7]) Joint Employment Report, 2023 (COM(2022) 783 final).

2.9. However, if the SGP rules are reinstated in 2024, as the Commission plans to propose ([8]), the EESC expresses serious concerns, based on past experience, about potential austerity measures and their possible impact on the implementation of the employment guidelines.

2.10. The proposed new rules ([9]) envisage that the Commission would present a reference fiscal adjustment path, covering four years, based on its debt sustainability analysis methodology. Each Member State is to present a medium-term plan that sets out its fiscal trajectory as well as priority public investment and reform commitments that together ensure sustained and gradual debt reduction and sustainable and inclusive growth, avoiding a pro-cyclical fiscal policy, as well as broader reform and investment commitments, including in relation to the green and digital transitions, social and economic resilience and the implementation of the European Pillar of Social Rights. To provide guidance to the Member States in the drafting of their medium-term fiscal structural plan, the Commission is to put forward a technical trajectory to ensure that the government deficit is brought and maintained below the 3 % of GDP reference value. The EESC has concerns that the new rule envisaged by the Commission would require Member States with a deficit above 3 % of GDP to reduce their deficit by at least 0,5 % of GDP per year. This would mean that all 14 Member States in question will have to reduce their expenditure, reallocate expenditure, and/or increase taxes.

2.11. In this context, the EESC highlights the fact that the EU should avoid reproducing the economic and social environment of the 2008 crisis, when austerity was the solution applied in certain Member States. This resulted in the bankruptcy of many SMEs, fewer jobs, lower wages, more poverty, and underfunded public services, affecting people's access to health and education. Now, 15 years on, and faced with another exogenous crisis in the form of the war, austerity could seriously affect the implementation of the employment guidelines, as well as the green and digital transition and the implementation of the EPSR.

2.12. In the current framework, the EESC calls for the following proposals to be duly taken into account by the Commission: (i) exploring the feasibility of introducing a 'golden rule for public investment' in order to allow Member States to allocate sufficient funding to support the green and digital transitions and meet EU targets; (ii) maintaining successful EU solidarity mechanisms, such as the Recovery and Resilience Facility; (iii) ensuring that conditions for access to public funding are met in the Member States and that companies that do not comply with tax obligations and labour legislation are excluded from access to public funding.

3. **Specific comments**

3.1. *Guideline 5: Boosting the demand for labour*

3.1.1. Member States should focus specifically on actively promoting a sustainable social market economy and facilitating and supporting investment in the creation of quality jobs, harnessing the potential of the digital and green transitions, with a view to meeting the 2030 employment targets. They should also concentrate on increasing the participation rate of women, young people, people with disabilities, inactive people, low-skilled citizens, people coming from third countries and people from other vulnerable groups ([10]), ensuring that adequate employment support services and measures are made available.

3.1.2. In 2021, five Member States had an inactivity rate of more than 30 % ([11]), which is unacceptable. The EESC calls for a swift response from Member States and for effective measures to be proposed, to reduce the inactivity rate and bring more people back into the labour market.

3.1.3. The EESC believes that the Member States should speed up the implementation of the recovery and resilience plans and use the available financing tools to increase public and private investment. The involvement of national social partners in implementing these plans is crucial for the effectiveness and added value of the solutions proposed. The EESC believes that the aim of public funds is to promote the creation of quality jobs, with a particular focus on young people, women and people with disabilities, and that access to such funds should be directly linked to this.

([8]) COM(2023) 600 final, p. 10.
([9]) Proposal for a Regulation of the European Parliament and of the Council on the effective coordination of economic policies and multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 (COM(2023) 240 final, 2023/0138 (COD)).
([10]) Guideline 5.
([11]) Statista Research Department 'Economically inactive population in Europe by country 2022', and Joint Employment Report (COM (2022) 783 final), p. 24.

3.1.4. Inflation and interest rates are leading to a decline in economic growth and a drop in wages in real terms across the Member States ([12]), which maintain a high percentage of working poor in Europe. The EESC supports the call for Member States to monitor and mitigate the impact of inflationary pressure, particularly on energy, food and household purchasing power, including by tackling energy poverty and supporting energy consumption and energy efficiency measures. The Member States should promote collective bargaining and wage development, including statutory minimum wages, thereby safeguarding purchasing power, in particular that of low-waged workers, while respecting the autonomy of the social partners and national practices.

3.1.5. The EESC reiterates the positions set out in opinion SOC/737 ([13]) concerning the continuing need to invest in the culture of preventing accidents, occupational diseases and risks in the workplace (3.1.6), minimum wages (3.1.7) and the autonomy of the social partners and collective bargaining (3.1.8).

3.2. *Guideline 6: Enhancing labour supply and improving access to employment, lifelong acquisition of skills and competences*

3.2.1. The EESC reiterates its support for the Commission's call for the Member States to promote sustainability, productivity, employability and human capital by fostering the lifelong acquisition of skills and by responding to current and future labour market needs, with a view to achieving the EU's headline target on skills for 2030. It also agrees with the call for the Member States to modernise and invest in education and training systems in order to provide high-quality, inclusive education, including vocational education and training, as well as access to digital, linguistic and entrepreneurial skills. Skills such as problem-solving, creativity and innovation continue to be important while the world of work is changing.

3.2.2. On the basis of the Joint Employment Report 2023, some aspects of the existing situation may be highlighted, including:

3.2.2.1. The education and training drop-out rate was 9,7 % in 2021, with disparities between Member States, regions and the most disadvantaged sections of the population, where the rate is highest;

3.2.2.2. Socioeconomic differences continue to translate into inequality in learning outcomes: 22 % of 15-year-olds do not achieve the minimum standards of learning (in reading, mathematics and science). This is higher than the European 2030 targets, which aim for below 15 %. In the most disadvantaged sections of the population, the range is greater, and this is where learning and revitalising traditional occupations and skills could help to find solutions;

3.2.2.3. The level of digitalisation among year 8 pupils (age 13) is still insufficient, with under performance in computer and information literacy, at below 15 %, with a favourable variation among girls (in the order of 10 percentage points);

3.2.2.4. Despite the increase in tertiary education, reaching 41,2 % in the EU in 2021, disparities between Member States and between genders persist;

3.2.2.5. Participation in adult training in all Member States is higher for the most highly educated and decreases for those with the lowest levels of education, with disparities between Member States, between urban and rural areas, and among the most disadvantaged population segments, where the gap is. The EESC believes that, in rural areas, the use of technologies should be reinforced with good infrastructure, which would support online education and training, as well as potential remote business;

3.2.2.6. In 2021, only 54 % of the EU adult population had basic digital skills, well below the target of 80 % for 2030;

([12]) Only Poland, Hungary and Bulgaria saw real gains between 2021 and Q3-2022; Joint Employment Report, p. 41.
([13]) OJ C 486, 21.12.2022, p. 161.

3.2.2.7. The situation of young people has improved, although often at the price of precarious, low-quality employment: the unemployment rate for young people aged 15–24 fell from 19,1 % (T3-2020) to 15,3 % (T3-2022). This rate is almost three times higher than the rate among those aged 25–74 (5,2 %), and the gap between Member States persists; the EESC considers it important to update the quality framework for traineeships in order to help young people get into the labour market;

3.2.2.8. The rate of young people not in employment, education or training remained at 13,1 %, with disparities persisting between Member States. There are differences between women and men (14,5 % as against 11,8 %) and between young people from third countries and nationals (24,7 % as against 12,3 %). The EESC considers that employment disparities between rural and urban areas need to be addressed via appropriate public policies. The EESC recognises the great potential of dual learning when it comes to encouraging and increasing the entry of young people into the labour market and calls on the Member States to reinforce and implement this instrument.

3.2.2.9. Gender differences in employment rates remain high in the EU (78,5 % for men and 67,7 % for women); the gender pay gap still stands at 13 % (2020);

3.2.2.10. The employment rate for older people (those aged 55–64) reached 60,5 % in 2021 (1,3 percentage points higher than in 2020 and 15,4 percentage points higher than a decade ago). It should be noted that, among the elderly population, the increase in employment was greater among women than among men. There are big disparities between EU Member States (Northern EU countries have rates above 70 % and others have rates below 50 %);

3.2.2.11. In the EU, employment rates between nationals and people from third countries differ by 10,8 percentage points (74,2 % as against 63,4 %), with disparities between Member States ([14]). It is noted that, while for those with high levels of education there are hardly any differences in employment rates, for people with low levels of education the employment rate of nationals is 54,7 %. The EESC calls on the Member States to make use of skilled workers from third countries to address labour shortages, ensuring decent working, housing and other social conditions and access to citizenship when relevant conditions for it are met.

3.2.2.12. There is considerable potential for greater labour market participation among people with disabilities, as the difference in employment rates is as high as 23 percentage points and there are significant disparities between Member States; the EESC stresses that the key condition for increasing employment among this group is for this group to have the skills required by employers, often in the context of local labour markets. Teleworking also provides new opportunities to make it easier for them to access the labour market. The EESC calls on the Member States to remedy this situation.

3.2.3. The EESC reiterates the positions set out in opinion SOC/737 concerning the need for lifelong skills and training (3.2.1), severe labour shortages and investment in adult learning (3.2.4), the need to increase skills in all Member States (3.2.7), and the gender pay gap (3.2.9).

3.3. *Guideline 7: Enhancing the functioning of labour markets and the effectiveness of social dialogue*

3.3.1. The EESC supports the call for the Member States to work together with the social partners in order to set fair, transparent and predictable working conditions, ensuring a balance between the rights and obligations of employers and workers. They should propose appropriate policies and measures to reduce and prevent segmentation and insecurity within labour markets, combat undeclared work and bogus self-employment, and foster the transition to open-ended forms of employment. Working together with the social partners, the Member States should improve the functioning of labour markets and the effectiveness of social dialogue ([15]).

([14]) Joint Employment Report (COM(2022) 783 final).
([15]) Guideline 7.

3.3.2. On the basis of the Joint Employment Report 2023, some aspects of the existing situation may be highlighted, including:

3.3.2.1. temporary work among employees aged 20–60 reached 11,2 %, with disparities showing between the Member States. Some Member States have high rates of temporary work (above 15 %) and, at the same time, low rates of transition to permanent contracts (less than 30 %);

3.3.2.2. temporary agency work is most widespread among young people aged 15–24 (48,9 %), 37 percentage points above those aged 25–54 and 42,7 percentage points above those aged 55-64. The Member States have very varied rates, ranging between 3 % and 55 %. The gender gap in temporary work has slightly increased and there are differences between Member States;

3.3.2.3. involuntary temporary employment reached 7,8 %, disparities persist between Member States;

3.3.2.4. part-time work was 17,2 %, with significant disparities between Member States. In general, a significant proportion of part-time work in the Member States is involuntary. The EESC believes that barriers should be removed that prevent people from making other choices. They should be given the means necessary to achieve a work-life balance and family support services. The availability of care for children and the elderly is particularly important;

3.3.2.5. self-employment (without employees) in the EU in 2020 accounted for 9 % of total employment among those aged 20–64. There are differences between the Member States;

3.3.2.6. digital platforms have expanded their business in the EU, with revenues estimated to have increased from 3 billion in 2016 to 14 billion in 2020 (a 4,7-fold increase). Their consolidated profits in the same period rose from 2,6 billion to 6,3 billion (a 2,4-fold increase). 9 out of 10 platforms in the EU classify their workers as being self-employed. As noted by the European Commission ([16]), it is estimated that, out of a total of 28 million, 'up to 5,5 million people working via digital platforms find themselves falsely labelled as self-employed and not entitled to employee rights and protections that are applied to others. In these situations, they often experience poor working conditions and/or inadequate access to social protection'. Some Member States have adopted legislative measures to improve working conditions on platforms, while in other Member States the social partners have negotiated sector-specific collective agreements;

3.3.2.7. labour inspectorates and trade unions have played a key role in detecting and preventing poor working conditions and in combating undeclared work. The EESC believes that much more needs to be done in this area, especially in labour-intensive sectors characterised by the mass employment of immigrants. In this respect, the EESC welcomes the good work done by the European Labour Authority.

3.3.2.8. with the pandemic, teleworking has become established in the EU, and the Member States have used different means to regulate this form of work, including legislation, sectoral collective bargaining, company collective agreements and individual agreements between employers and workers. Risks associated with teleworking have been noted, such as high periods of work, isolation, imbalance in working and family life, and psychosocial risks. However, telework also offers many opportunities, especially in that it facilitates access to the labour market for those further from the labour market, for example people with disabilities or those living in rural areas. If properly managed and remunerated, teleworking could improve work-life balance;

3.3.2.9. long-term unemployment in the EU stood at 2,8 % in 2021. There are differences between the Member States;

3.3.2.10. in 2021, 42,2 % of those who were short-term unemployed in the EU were covered by unemployment benefits, with significant disparities remaining between Member States (some with coverage above 50 % and others with coverage below 25 %);

3.3.2.11. public employment services play a key role, but it is important that they strengthen their capacities and boost their activities. Their work with private employment services and social services should also be promoted. The EESC believes that relations with the social partners should be further developed.

([16]) Joint Employment Report 2023.

3.3.3. The EESC reiterates the positions set out in opinion SOC/737 concerning the role of the social partners in the transition of the labour market and social dialogue (3.3.2 and 3.3.4).

3.4. *Guideline 8: Promoting equal opportunities for all, fostering social inclusion and fighting poverty*

3.4.1. The EESC supports the Commission's call for the Member States to promote inclusive labour markets that are open to all by putting in place effective measures to combat all forms of discrimination and to foster equal opportunities for all, especially for groups that are underrepresented in the labour market. Equal treatment should be ensured with regard to employment, social protection, healthcare, childcare, long-term care, education and access to goods and services, including housing, regardless of gender, racial or ethnic origin, religion or belief, disability, age or sexual orientation ([17]). The EESC calls on the Member States to improve access to employment support services, including by expanding the use of supported forms of work and continued support for social entrepreneurship.

3.4.2. The EESC believes that inclusive labour markets require social partners, employment services and civil society in general to work together in order reach out to inactive people and (re)integrate them into the labour market. The best way out of poverty is quality jobs and up-to-date skills that are continuously developed, contributing to personal fulfilment and ensuring full participation in social life and the exercise of each and every citizen's rights.

3.4.3. The EESC reiterates the positions set out in opinion SOC/737 concerning promoting equal opportunities for all and inclusive labour markets (3.4.1), a personalised approach to vulnerable groups (3.4.2), combating child poverty (3.4.5) and population ageing and social security (3.4.7).

Brussels, 20 September 2023.

The President
of the European Economic and Social Committee
Oliver RÖPKE

([17]) Guideline 8.