

## Opinion of the Economic and Social Committee on the 'Proposal for guidelines for Member States' employment policies 2000'

(1999/C 368/12)

On 6 October 1999, the Council decided to consult the Economic and Social Committee, under Article 128 of the Treaty establishing the European Community, on the above-mentioned proposal.

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 30 September 1999. The rapporteur was Mr Lustenhouwer.

At its 367th plenary session (meeting of 20 October) the Economic and Social Committee adopted the following opinion by 78 votes to one, with one abstention.

### 1. Introduction

1.1. The Economic and Social Committee has noted with great interest the Commission's draft employment policy guidelines for 2000. The Committee is pleased that it can now state its views on this issue via a formal referral from the Council, as is now required following the entry into force of the Amsterdam Treaty. The Committee considers this as key recognition of its role in formulating a European employment policy.

The Commission proposals are in response to the call made by the Cologne European Council of 3 and 4 June 1999. They reflect the Commission's intention to press ahead with the strategy established under the Luxembourg process.

1.2. The Committee recognises that these draft guidelines must, for the first time, be considered against the backdrop of the European employment pact adopted by the Cologne European Council. This pact directly links employment policy (Luxembourg) with the coordination of economic policy (Cologne process) and the strategy designed to boost capacity for innovation and to enhance the markets in goods, services and capital (Cardiff process).

1.3. In adopting this overall approach — the ultimate aim of which is a lasting cut in unemployment in the EU — the Council had broadly met the Committee's wishes in this field.

In point of fact, the Committee Opinion on the implementation of the employment policy guidelines for 1999<sup>(1)</sup> highlighted the need for a comprehensive, overall strategy of this kind. The Committee felt — and still feels — that such an overall approach must forge links between macroeconomic policy and other policy areas with an impact on employment.

The Committee notes, for example, the desirability of linking employment policy with industrial health and safety policy. Indeed, an effective strategy on health and safety at work boosts employability and improves the quality of work.

The Committee is therefore pleased that this coherent approach has already been reflected in the Council Recommendation of 12 July 1999 on the broad guidelines of the economic policies of the Member States and of the Community (under Article 99(2) of the EC Treaty)<sup>(2)</sup>. This paper focuses economic policy entirely on the twin priority of strong, sustainable growth and employment.

1.4. Now that Council has translated this approach into a European pact, the Committee too will consider these draft guidelines as one component of a more extensive whole. Accordingly, the Committee will also address developments within the Cologne and Cardiff processes and work out a coherent stance for submission to the special European Council in Portugal in spring 2000, where the progress made in the three processes mentioned above will be discussed.

In the meantime, however, data supplied by the Member States may be used to carry out an initial assessment of the efficiency and quality of action taken. The Committee is aware that, with upcoming EU enlargement, it will be particularly difficult, but all the more essential to involve the applicant countries as quickly as possible in (the discussion of) this employment strategy and to set up exchanges of experience wherever 'best practices' might be emulated.

### 2. Overall assessment

2.1. The Committee notes that the Commission proposals retain the main features of the current employment policy guidelines. The ESC endorses this continuity. The employment strategy does, after all, require Member States to adapt in ways

<sup>(1)</sup> OJ C 209, 22.7.1999.

<sup>(2)</sup> OJ L 217, 17.8.1999.

that take time and are not particularly amenable to radical annual adjustments. The Committee nevertheless feels that an effort should be made to incorporate into the employment guidelines more targets which are verifiable in terms of time and/or quantity. The Committee is also aware that the experience gained still gives only a limited picture of the measurable effects of the current approach. Adjustments should therefore only be possible where there is a more quantifiable impact on the objectives in mind. The special European Council in Portugal may possibly conduct an initial midterm review. As the Commission Recommendation for Council Recommendations on the implementation of Member States' employment policies also indicates, improvements in statistics will be needed in the short term, particularly at national level.

2.2. The Committee also feels that it is important to maintain the four pillars set out in the guidelines and to press ahead with them in a coherent and balanced way, particularly with regard to those Member States which, according to the draft joint employment report published at the same time as the draft guidelines, are still trailing behind on a number of fronts with regard to actual implementation. In that sense, the current proposals also act as a reminder to drive the point home.

### 3. The four pillars

#### 3.1. *Improving employability*

3.1.1. Clearly, the Committee supports pressing ahead with work done under this pillar. Every Member State will have to continue working on a precautionary, pro-active approach designed to prevent people becoming unemployed. Although economic prospects appear brighter than they did a year ago, there must be no question of complacency in regard to the situation on the jobs front, particularly for young people and the long-term unemployed. This is all the more important since reports from various Member States indicate that efforts to reach the quantifiable targets have as yet met with only limited success. The adjustments involved in this section of the guidelines in particular are a long-haul undertaking requiring more time. This requires the expansion of job-centre services and more general labour-market education and training services, as well as sufficient funding to achieve the targets. Indeed, a pro-active labour market policy is often possible only as part of an adapted tax and social security system. Unfortunately, the lack of adequate convergence among the Member States in these key areas still makes it difficult for any European labour market policy to have maximum impact. It takes time to make adjustments of this kind, and these take several years to work through. Although at EU level and in certain Member States, good progress has been made on some fronts, such as life-long learning/training, where each Member State can accommodate its own specific circumstances, action

still has to be stepped up in a whole range of other areas. At this point, the Committee would reiterate the importance of promoting vocational training, for example, through apprenticeship schemes (sandwich courses). For some groups of young people in particular, learning through work may be an attractive way to acquire training and boost their employability. In order to gauge the impact of action taken in this field, Member States will have to do more — as the Commission now proposes — to provide data on how many jobless young people have actually found work. Explicit indicators must be used to determine whether training, assistance with job search and other pro-active policy measures genuinely deliver on employment. Ultimately, it is results — not a Member State's assurances — which count when it comes to framing future action. It must also be remembered in this regard that, in addition to training activities provided, those involved also have a certain degree of individual responsibility to help maintain and expand their own employability through a broad readiness to get actively involved in the retraining and further training opportunities on offer.

3.1.2. The Committee feels that it is wrong to take any satisfaction from a marginal drop in unemployment. Unemployment is not the only issue involved in this approach. In the long run, labour force participation will be a much greater cause for concern as demographic changes raise potentially serious questions about the funding of old age pensions by a shrinking work force. As the Council notes in its above-mentioned recommendation on broad economic policy guidelines (see footnote 2): 'At about 61 % in 1998, the employment rate in the European Union as a whole is low, both in historical and international comparative terms. Achieving a significantly higher employment rate and lower unemployment rate over the medium term would be beneficial for improving living standards significantly, facilitating the sustainability of public finances and ensuring a cohesive society.'

3.1.3. If we fail to increase labour force participation, the social and economic unacceptability of unemployment today could well undermine the very foundations of society in the future. In addition, the emphasis which the Commission guidelines (particularly guideline 4) currently put on the need to keep older people in the labour market for as long as possible would seem in the short term to be at odds with efforts to get more long-term unemployed young people into work. In policy terms, a balance will have to be struck which does not trigger an artificial conflict between younger and older people. A detailed discussion is thus needed on all issues surrounding work and working time in the course of a person's professional career (including questions of voluntary demotion, voluntary part-time retirement and mentoring arrangements) in conjunction with a more modern approach to work organisation.

The Committee is pleased that the Commission takes the evolving information society into account under this pillar. As part of the transition from school to work, schemes will have to be developed to dovetail school leavers' IT skills with corporate requirements and practices. A high level of training can help achieve this objective, provided that schools and other educational establishments have the same facilities (computers, internet connections and databases) as those used in business. Member States' education systems will have to adapt accordingly and the requisite investments will have to be made to ensure that first-time job seekers are not already at a disadvantage when it comes to working with information and communication technologies of this kind.

3.1.4. The Committee would reiterate the importance it attaches to combatting and preventing social exclusion; this is also reflected in guideline 9. The Committee has the strong impression that, in the Member States, specific action to translate this aspect of the guidelines into practice has remained very limited. It is extremely important to provide equal opportunities for disadvantaged sections of society (people with disabilities, ethnic minorities and other groups) and to integrate promotion of equal opportunities into all policy areas; this is also the case as regards mainstreaming of equal opportunities policy for women (see point 3.4).

### 3.2. *Developing entrepreneurship*

In practically all Member States and within the EU and its institutions<sup>(1)</sup>, independent entrepreneurship is seen by public authorities as a key economic driving force which not only contributes to GNP, but is also a genuine locomotive for job creation. Indeed, small companies are often labour-intensive and create proportionally more jobs than large, more capital-intensive enterprises. Once again, this bears out the importance of the recommendation to reduce the fiscal pressure on labour — something which has still been achieved in only a few Member States. As the majority of Member States' national action plans (NAPs) show, business training schemes primarily involve providing guidance and information, and fostering an entrepreneurial spirit among young people and in schools; only a limited amount of attention is given to specific adjustment of laws and regulations. Much remains to be done, however, to eliminate unnecessary red tape and formalities, not least in arrangements for starting up and expanding businesses; this will be of particular benefit to microenterprises. That said, the Committee endorses the findings of a recent study carried out by the European Trade Union Institute<sup>(2)</sup> that a straightforward rise in the number of SMEs in the EU is

not, in itself, a reliable indicator of policy success. The aim is to increase the number of innovative small businesses and to prevent people being forced into self-employment because the normal labour market is unable to offer them the opportunity or prospect of paid work. Entrepreneurship must be fostered from this angle and must not be confined to traditional market-based (and thus profit-driven) corporate activities. Entrepreneurship remains underdeveloped in the social economy. Some caring tasks (for children, the elderly and the disabled) which are under pressure from curbs on public expenditure — could thrive on new types of operation. Thus, the Committee feels that the Commission is right to stress the importance of this type of company for local development. In business management terms, professional entrepreneurship often remains underdeveloped in companies such as these and requires very specific support. The Committee also believes that it is essential to ensure the equal treatment of more conventional companies in this respect so as to prevent any distortion in competition.<sup>(3)</sup> In this context, a cut in VAT on these services would also be a potentially good way to make them more affordable for the target group. The Committee would ask the Member States to bear this in mind when compiling the lists of services they would like to benefit from reduced VAT rates<sup>(4)</sup>.

### 3.3. *Encouraging adaptability of businesses and their employees*

3.3.1. In conjunction with innovation, discussed in point 4.1 below, this pillar is essential to European companies. It involves — as far as possible — lining up a diverse range of issues (attitudes and assumptions, cultural acceptance, statutory framework and worker and company interests) so that each dovetails with the others. A delicate balance between security and dynamism is the key feature of these complex issues. It is thus right that the social partners should be given a key role in operations under this pillar<sup>(1)</sup>.

3.3.2. As the Committee pointed out in its Opinion on the Commission Green Paper: partnership for a new organisation of work<sup>(5)</sup>: 'In a global economy, Europe's competitiveness will depend on the extent to which it manages to boost its ability to innovate, and find more "intelligent" solutions to the organisation of work and technology. The aim must be to optimise the relationship between technology and work organisation, and the use of human resources. Hierarchical

<sup>(1)</sup> OJ C 219, 30.7.1999.

<sup>(2)</sup> Entrepreneurship in the European employment strategy, European Trade Union Institute (ETUI), Brussels, 1999.

<sup>(3)</sup> OJ C 209, 22.7.1999.

<sup>(4)</sup> See also Ecofin Council conclusions, 12 July 1999.

<sup>(5)</sup> OJ C 73, 9.3.1998.

forms of corporate organisation and traditional Tayloristic methods of organising work do not always meet the demands of a flexible organisation of production and services which can immediately adapt to changed market requirements. They must be replaced by new formulas for production and work organisation, in which human potential can fully develop as the prerequisite for the ability to innovate.'

3.3.3. These new forms of work organisation are hallmarked by cooperative labour structures geared to participation and highly-skilled, varied jobs. A survey of companies in ten European countries carried out by the Dublin-based European Foundation for the Improvement of Living and Working Conditions showed that direct employee participation had boosted production in 72 % of the companies polled and led to quality improvements in 96 % of cases. Job satisfaction also improved, with about one third of companies recording a reduction in sick leave and absenteeism<sup>(1)</sup>.

3.3.4. These results show that new approaches to work organisation based on cooperation and employee participation can help boost productivity and competitiveness and improve working conditions. This is why, the ESC Opinion on the Commission Green Paper also expressed the view that the social partners could be encouraged 'to engage in in-depth talks'. These talks must be held at company level with the aim of initiating specific projects to modernise work organisation. The experience and outcome of company projects such as these may be incorporated into the debate on new forms of work organisation at sectoral level, in order to consider whether — in line with the call made to the social partners in the employment policy guidelines sectoral level — agreement is possible on the issue. The ESC feels that the clarifications put forward by the Commission in this guideline adequately define the range of issues to be discussed and where possible agreed upon. Particularly important among these are basic and further training, which must take account of the new demands created by the evolution of information technology and new forms of work organisation.

3.3.5. In this context the EU Commission could play a supporting role by promoting the exchange of experience about good examples of new forms of work organisation, e.g. by staging conferences.

#### 3.4. *Strengthening the policies for equal opportunities*

3.4.1. In a range of opinions, the Committee has pointed to the fact that women still have a disadvantaged position in society. The inclusion of equal opportunities as a priority issue was thus endorsed in the Committee opinion on the

Commission's first draft regulations for 1998<sup>(2)</sup>. The Committee is pleased that, at EU level, the Commission has taken steps to implement the task set out in the Amsterdam Treaty, i.e. to eliminate inequalities between men and women and to foster equal opportunities in all spheres of EU activity.

3.4.2. The Commission's extremely readable 1998 annual report on equal opportunities for women and men<sup>(3)</sup> notes that mainstreaming (i.e. the inclusion of equal opportunities in all EU policy areas), backed up by specific measures, is now being applied in practice at EU level. The Committee considers that Member States should take much more forceful action so that genuine progress can at last be made on equal employment opportunities for women. The Committee would stress that it is still absolutely essential to press ahead with these measures<sup>(4)</sup>. We also welcome the pledge given by the commissioner-designate for this policy at the European Parliament hearing on 31 August to pave the way for an adequately funded fifth equal opportunities action programme. Moreover, without tangible results, Member States' credibility is seriously challenged, particularly since some of them have not even met their treaty obligations to transpose the Directive on parental leave into national law<sup>(5)</sup>. The Committee feels that the social partners must also play their part at every level in areas such as getting women into or back into work or fostering access to (continuing) training which is compatible with family and work responsibilities; regrettably, despite demonstrable efforts by a number of Member States, inadequate childcare provision remains an issue.

## 4. **New factors spanning several guidelines**

### 4.1. *Innovation*

4.1.1. One of the key features of these draft guidelines is the emphasis on innovation. The Committee stresses that innovation must not be understood only in the strictly technical sense of the word. Innovation must also come into play in the context of social processes, wherever labour markets are not operating as well as they should. This may mean a new division of responsibilities between the competent public authorities and the social partners, designed to involve the latter more closely in all measures taken, for instance, to combat unemployment. At local level in particular, 'best practices' may be used to ensure the success of an innovative, modern, pro-active labour market policy.

<sup>(2)</sup> OJ C, 21.1.1998, point 2.8.

<sup>(3)</sup> European Commission, Equal opportunities for women and men in the European Union, 1998 annual report, Brussels, March 1999.

<sup>(4)</sup> For instance, in the fifteen EU Member States, the labour force participation rate for women is only a mere 50 %, with six Member States even falling below this EU average.

<sup>(5)</sup> 1998 equal opportunities annual report, page 25.

<sup>(1)</sup> Cf. The EPOC research group: new forms of work organisation. Can Europe realise its potential? Dublin 1998.

4.1.2. Innovation in the technical sense (involving both products and production processes) will have to be the point of departure for both EU and national employment policies in order to boost know-how in the European manufacturing and service industries. This is the only way to secure more added value which will enable European businesses to confront global competition on a level playing field. The special European Council in Portugal in March 2000 — which will focus on the issue 'Towards a Europe of innovation and knowledge' — will have to give particular impetus to this process.

In this context attention will also have to be paid above all to the disadvantaged position of women, in terms both of access to training and involvement in scientific research.

4.1.3. The Committee welcomes the decisions taken by the Cologne European Council to channel more resources via the European Investment Bank into the European Technology Facility and risk capital funding of state-of-the-art technologies in SMEs. The Committee also expects greater willingness on the part of the EIB itself to adopt a more adventurous attitude so that these resources go precisely to those companies which, because of the high risks involved, are unable to access the requisite funding for their investments elsewhere. A forthcoming EIB annual report should consider this issue more fully.

4.1.4. In addition to the equal opportunities pillar mentioned above, the Committee also expects Member States to incorporate innovation in broad terms into their NAPs in respect of the pillars 'developing entrepreneurship' and 'encouraging adaptability'.

#### 4.2. *Emphasising the importance of the service sector*

A recent study carried out on the Commission's behalf indicated that Europe has considerable untapped potential for job creation in the service sector. Developments in the USA and Japan show that a high proportion of jobs lost in the traditional manufacturing industry have been offset by a sharp increase in service sector employment. The Committee feels

that, across all pillars of employment policy, Member States should take every opportunity to develop the service sector in promising, knowledge-intensive markets. Furthermore, the service sector is marked by a great diversity of enterprises, including many that are extremely labour-intensive. Such enterprises are generally small and are found above all in the consumer sector (including retail and consumer craft industries). From an employment angle, therefore, it is essential to retain these companies and promote their continued prospects. This will be essential, not only from an economic angle, but also to improve the labour market position of women who are traditionally well represented in the service sector.

#### 5. Conclusions

5.1. The Committee considers that for too long, inadequate attention has been paid to involving local players (particularly local-level social partners). The guidelines undoubtedly lean towards a certain top-down approach.

5.2. As the representative of civil society organisations and associations, the Committee speaks for many players within our society. As in the case in point, however, policy implementation takes place at local level. This is indeed where it has to happen — close to the people and working together with them. This is the only way to highlight the process of European integration and cooperation and to allow people to learn from each other's experiences. Only then can the top-down approach be supplemented by input from the bottom up which combines requirements, demands and also successes to make for better, more effective policy adjustments in the future.

5.3. The Committee would therefore issue a broad appeal to the Commission, the Member States, local authorities and the social partners to make the package of employment policy guidelines a reality at local level. The Committee provides a platform for exchanging local experiences of this kind.

5.4. The ESC undoubtedly adds value to the debate. The desired outcome can only be achieved by the interplay of all those involved (organisations and institutions).

Brussels, 20 October 1999.

*The President*  
*of the Economic and Social Committee*  
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