

Ten years of the European Employment Strategy (EES)

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Foreword

Against a backdrop of high unemployment, the European Council launched the European Employment Strategy (EES) at the Luxembourg Jobs Summit in November 1997. This paved the way for Member States and the Commission, through cooperation and sharing of experiences, to reach common targets and objectives for more and better jobs in Europe.

At the Lisbon European Council in March 2000 the European Union set itself a new strategic goal for the following decade: 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. The focus of the EES shifted from reducing unemployment to regaining the conditions for full employment.

In 2005, the European Council and Commission agreed that the Lisbon Strategy needed to be amended and centered on growth and jobs. Refocusing Lisbon brought about the need for more and better jobs. As a result the EES came into the very heart of European policy priorities.

Today, ten years after its launch, the EES is a benchmark. It has been the model for several open methods of coordination including social protection and education and training, but above all it has achieved concrete results at the forefront of European citizens' concerns. Since 1997, the employment rates of older workers, women, as well as the overall rates, have risen substantially while both unemployment and long-term unemployment rates have fallen significantly (the latter by about a third). This success cannot all be attributed to the EES, but a substantial part can: employment performance is better because Member States can better enact their employment policies and learn from each other how to achieve common targets.

I believe that the European Employment Strategy is one of the key successes of the Union. I am sure it will continue to help bring more and better jobs to Europeans. I have every hope that a second decade will be even more successful than the first, enabling us to reach the EU's employment targets set for female and older workers and subsequently the overall employment rate target of 70%. I also look forward to a continued commitment to active inclusion policies contributing to both increased labour supply and strengthened society's cohesiveness.

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 Introduction

Since its launch in 1997, the European Employment Strategy (EES) has played a central role in coordinating the EU's policies in order to create improved work for all. Its role has been underscored by the European Council on many occasions and it has become an essential tool to respond to one of EU citizens' main preoccupations: more and better jobs.

The EES is designed to give direction to and ensure co-ordination of the employment policy priorities to which Member States subscribe at EU level. Heads of State and Government agreed on a framework for action around common objectives and employment policy priorities. This co-ordination of national employment policies at EU level is built around an annual process laid down in the EU Treaty revision of 1998, which was integrated in a renewable three-year cycle since the re-launch of the Lisbon Strategy in 2005.

 The EES components:

- **Employment Guidelines**, which are adopted every year by the Council upon a proposal from the Commission. The Guidelines reflect common priorities for Member States' employment policies. Since 2005, they are part of the Integrated Guidelines for Growth and Jobs.
- **National Reform Programmes**, which Member States draw up in order to implement these Guidelines into national policy. Until 2005, the employment parts of these programmes were known as National Action Plans for Employment.
- **Joint Employment Reports**, adopted by the Commission and Council, which reviews the progress made at both national and community levels in response to the Employment Guidelines. Since 2005, the Joint Employment Report constitutes the employment chapter of the EU Annual Progress Report on the Lisbon Strategy.
- **Country Specific Recommendations**. The Council can also adopt, upon a proposal by the Commission, country-specific recommendations on employment policies which need to be considered by Member States in drawing up their National Reform Programmes.

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In its first decade, the EES has seen the EU's employment rate increase from 60.7% to 64.3% (see chart 3), within which the employment rate for women has risen from 51.8% to 57.1% and the one for older workers (aged 55-64) from 35.7% to 43.5%. Even bigger improvements in the employment rates have been seen for those Member States that have benefited longest from the EES. Unemployment rates have varied over the ten years with big decreases prior to 2001, a rise between 2001 and 2004 — especially in the new Member States — and a decline after 2004. Structural reforms in labour markets seem to have borne fruit. This is reflected in a reduction of the long term unemployment rate from about 5% to 3.6% (see chart 6) and shorter average periods of unemployment.

The institutional structure of the European Employment Strategy

1.1 Origins

In the 1990s, a political consensus developed around the structural nature of Europe's employment problem and on the need to increase the employment intensity of growth¹. Both the monetary stabilisation policy, followed to prepare for Economic and Monetary Union (EMU), and the common nature of the employment and unemployment challenges, called for a more co-ordinated employment oriented policy response at European level.

Debate began during the negotiation of the Maastricht Treaty (1992), which strengthened the social dimension of the European model through a social protocol. This in turn led to the agreement at the Amsterdam European Council (1997) on new employment provisions in the Treaty. While confirming national competence for employment policy, employment was declared in Article 126 of the Treaty

¹ Cf. the Delors White Book on Growth, Competitiveness and Employment, 1993

Article 128 TEC:

framework for shared employment priorities

Under this framework, policy co-ordination is fostered by a "management by objectives" approach. Accordingly, *European Employment Guidelines* are decided each year by the Council following a proposal from the Commission; these Guidelines have to be taken into account in national action plans (NAPs), which are assessed through the *Joint Employment Report* from the Commission and the Council, with a view to set the next annual guidelines. Since 2000, the Council, following a proposal from the Commission, issues specific recommendations to Member States, in order to complement the Employment Guidelines. The "management by objectives" approach is also supported by the setting of measurable targets at EU or national level in a number of areas, as well as by the progressive development of statistical indicators — agreed between the Commission and Member States — to measure progress.

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establishing the European Community (TEC) a matter of common concern and Member States were called on to develop a coordinated employment strategy at EU level. Largely inspired by the Treaty's provisions on economic policy co-ordination² and by the co-ordination of employment policies launched at the Essen European Council of 1994, the new Article 128 TEC instituted a framework for developing national employment policies on the basis of shared European priorities and interests.

Implementation of the EES allowed for a number of approaches and called for the involvement of all actors, namely national governments, EU institutions, social partners, civil society, academics, etc. This is in accordance with the wide range of national institutional set-up and social dialogue practices. The openness of the co-ordination process led, inter alia, to calls on social partners, both at national and EU level, to develop specific actions and initiatives to develop regional and local involvement. Since the Amsterdam Treaty, the European Parliament, other Community institutions and the Employment Committee have also played an active part in the development of the Employment Guidelines.

² Art. 98 and 99 TEC

In anticipation of entry into force of the Amsterdam Treaty, the Luxembourg Jobs Summit (November 1997) launched the implementation of the new, open method of co-ordination embedded in Article 128 TEC and endorsed the first set of Employment Guidelines.

These guidelines were presented under four integrated strands of action, or the so-called pillars of the Employment Guidelines: employability, entrepreneurship, adaptability, and equal opportunities. These actions constituted a comprehensive response to the employment challenge, integrating essential supply and demand oriented policies.



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The EES in action

Employment expansion of 18 million

The employment situation in the EU has witnessed a clear improvement since the inception of the European Employment Strategy in 1997. Between 1997 and 2006 the overall employment rate has increased from 60.7% to 64.3% (see charts 1 and 3). Especially since the revision of the strategy in 2005, employment growth has picked up resulting in increasing employment rates and declining unemployment rates (including long term unemployment). Importantly, the increase in employment and participation rates in the EU has demonstrated less sensitivity to cyclical conditions. This reflects both the effects of reforms and long-lasting socio-economic change. The former is also shown by an increase in the employment rate of 5.3 percentage points for the Member States which launched the EES in 1997. It should be noted, also, that employment rates vary considerably between Member States ranging from 54.5% in Poland to 77.4% in Denmark (see chart 3).

1.2 The Amsterdam Treaty: mainstreaming employment

While the Amsterdam Treaty did not change the basic principle of the Member States having the sole competence for employment policy, it entrusted the Council and the European Commission with a stronger role, new tasks and more forceful tools. It also integrated the European Parliament more closely into the decision making process. The responsibilities of the Social Partners and their possibilities to contribute are also enhanced through the inclusion of the Social Protocol into the Treaty.

Beyond the overall strengthening of the Community approach to employment, the key elements of the Amsterdam Treaty in this area were the following:

1. It spelled out the commitment to achieve a high level of employment as one of the key objectives of the European Union. It also declared that this objective is equally important as the macroeconomic objectives of growth and stability. The importance of the employment objective was further enhanced by the fact that the Employment ar-

ticles were included in the Treaty as a title (like the monetary and economic articles), not as a mere chapter.

2. It emphasised that employment is an issue of “common concern”. The Member States committed themselves to co-ordinate their employment policies at Community level, and as the way labour market measures were implemented in one country inevitably influenced the parameters of other Member States’ labour market policy.
3. It obliged Member States and the Community to work towards developing a co-ordinated strategy for employment and in particular promoting a skilled, trained and adaptable workforce and labour market responsive to economic change.

4. It emphasised the important principle of “mainstreaming” employment policy. Article 127 requires that the employment impact of all community policies must be taken into account.
5. It created the framework for a country surveillance procedure (Article 128). Member States’ employment policies are examined through a yearly Joint Employment Report established by the Commission and Council. Furthermore, the Commission proposes and the Council adopts yearly Employment Guidelines for the Member States (broadly in a similar manner as in the field of economic and monetary policy), on the basis of which Member States develop National Action Plans for Employment. Finally the Commission may propose and the Council adopt Recommendations to individual Member States.

6. It established permanent, treaty-based institutional structures (Article 130, the Employment Committee) which allowed a visible, continuous and transparent debate on employment and other structural policy issues at the European level. It further enabled improved preparation of Council deliberations.
7. It created a legal basis for the analysis, research, exchange of best practices and promotion of incentive measures for employment (Article 129) as well as other work undertaken by the Commission at the Community level in this area, which did not exist before.

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1.3 The Luxembourg process: spurring partnership, co-operation and mutual learning



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The “open method of co-ordination” of the Luxembourg Process has proven its worth and was considered by the Lisbon Summit in 2000 as a model to be adopted into other policy fields such as social inclusion.

A recognised strength of the Luxembourg Process is multi-lateral surveillance. Based on annual reporting and comparable indicators, it has highlighted the best performers in the EU. Annual reporting and monitoring has led to increased and more thorough exchanges of information between Member States and the peer review process set up to evaluate the transferability of good practices³ has allowed for more in-depth evaluations. Many Member States have intensified their bilateral contacts and found inspiration in other Member States’ approaches. The establishment of the Employment Committee, which regularly brings together top

³ See <http://peerreview.almp.org>

national officials in charge of designing and implementing national employment policies, has facilitated such intensified exchanges.

The EES has recognised the key role of social partners in a wide range of areas related to employment. While the initial guidelines referred to the social partners in relation to their specific area of adaptability, their wider role and recognition was acknowledged after the Lisbon Summit. The involvement of social partners in the preparation of the NAPs at national level has improved steadily. European social partners engaged in their own processes of implementation around key issues such as lifelong learning.

The EES has supported the development of a territorial dimension to employment policies, as demonstrated by the emergence of territorial action plans (see section 3.4). Local and regional authorities, whether as social service providers or local employers, have increasingly become partners in implementing employment policies, not least through the use of the European Social Fund, the priorities of which were aligned to the EES in 2000 (see section 3.7).

Institutional co-operation was intensified at EU level between different Council formations (notably ECOFIN and the Employment/Social Affairs ministers (EPSCO)) and their corresponding committees⁴, as well as between Commission services in charge of designing and monitoring various employment related policy processes (e.g. in the fields of education/training, economic policy, taxation or entrepreneurship). Co-operation between the Commission and the Council, notably via the Employment Committee, has been strengthened as a result. The European Parliament was closely involved in the annual review process and thereby contributed to the development of the strategy, while the other institutions also made valuable contributions. Public employment services, represented in an active EU level network, have been strongly mobilised around EU priorities.

⁴ E.g. the Employment Committee, the Economic Policy Committee and the Social Protection Committee

2. Milestones of the EES⁵

2.1 The EES: complementing the Lisbon Strategy, strengthening priorities

The success of the open method of coordination of the EES was acknowledged at the Lisbon European Council (March 2000) and a new strategic goal for the next decade was agreed upon; namely, the European Union should 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. Also, the focus was shifted from the reduction of unemployment to regaining the conditions of full employment and that the overall aim should be to raise the EU employment rate to 70% and increase the number of employed women in to more than 60% by 2010.

⁵ http://ec.europa.eu/employment_social/employment_strategy/index_en.htm

⁶ To be compared with the US where the unemployment rate continued to fall and was at 4.6% in 2006.

⁷ Source "Employment in Europe 2005", chapter 2

The EES in action

Higher labour market participation, slower progress on unemployment

The increase in employment rates from 1997-2006 mainly reflects higher labour market participation (see chart 4 showing a 3.7 percentage point increase for the EU15 and 2.8 points in the EU25). The improvements in the unemployment rate were more modest; down from 9.8% to 7.4% for the EU15 and from 9.3% to 7.9% for the EU25⁶ (see charts 2, 3 and 5) and the issue of youth employment remains a major concern (see section 3.3). Structural improvements in the functioning of labour markets are reflected in lower structural unemployment rates; increased efficiency in matching between the unemployed and unfilled vacancies; wage formation processes that take better account of prevailing conditions in the economy and competitiveness constraints; development of certain types of labour contracts (part-time and temporary work) that are positively correlated with employment creation; and expenditure on Active Labour Market Policies (ALMPs) that has been increased and better targeted⁷.

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The Lisbon European Council discussed progress in the delivery of the Strategy, which covered a number of other open methods of co-ordination (education, social inclusion, pensions, etc.), every year at a spring European Council.

Subsequent European Councils recommended new or strengthened priorities such as quality in work (Nice, December 2000), active ageing and lifelong learning (Barcelona, March 2002). These priorities were integrated into the annual Employment Guidelines together with the employment rate targets.

2.2 “Jobs, jobs, jobs”; the European Employment Taskforce

In 2003, the EES was subject to a five year evaluation. Considerable progress was noted in terms of job creation, curbing long term unemployment, reducing taxation of low paid labour, and spreading lifelong learning and equal opportunity policies for women and men. However, it became clear that the Strategy needed to be more focused on priorities and improved governance. The 2003 Employment Guidelines were therefore articulated on the three overarching priorities of full employment, quality in work and social inclusion, as well as a number of newly quantified targets (notably in the field of lifelong learning).

Later that year, a taskforce headed by Wim Kok, former Prime Minister of the Netherlands, was charged with carrying out an independent in-depth examination of key employment-related policy challenges. The taskforce was to identify practical reform measures that would have the most direct and immediate impact on the ability of Member States to implement the revised European Employment Strategy and to achieve its objectives and targets.

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The taskforce report (**“Jobs, Jobs, Jobs – Creating more employment in Europe”**) presented the main challenges and priorities for increasing employment in Europe: increasing adaptability of workers and enterprises; making work a real option for all through strengthening active labour market policies and targeting more vulnerable groups like women, older people and ethnic minorities; investing in human capital, especially in lifelong learning; and improving governance for employment by mobilising all actors in society. The taskforce also sought more effective management of labour migration in view of a shrinking working age population and the need to improve labour market integration of non-EU nationals. The findings of the report inspired the 2004 Employment recommendations to Member States (covering the ten new Member States as well) and were mainstreamed in the 2005 Employment Guidelines.

The taskforce report also stressed the wide experience with employment reforms throughout the EU and the potential for mutual learning between Member States. Therefore, from 2004 onwards the Commission integrated the activities of peer review and exchange of good practices into a mutual learning programme⁸ under the financial instrument covered by Article 129 (currently the “PROGRESS” programme⁹).

2.3 Adapting the EES to EU Enlargement

Since the late 1990s, an objective of the Commission has been to ensure that candidate countries define employment policies that prepare them for membership of the Union. The intention is that progressively these countries will adjust their institutions and policies to the European Employment Strategy, thus allowing the full implementation of the Employment Title of the Treaty as from Accession. In enlarging first to 25 in 2004, and then 27 in 2007, the extensive and elaborate preparation for full membership of the EES via the Joint Action Plans helped ensure the smooth integration of the new Member States.

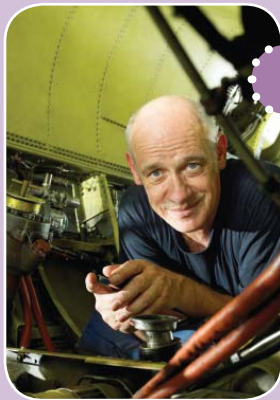
⁸ <http://www.mutual-learning-employment.net/>

⁹ http://ec.europa.eu/employment_social/progress/index_en.htm

The EES in action

Employment rate growth driven by women and older workers

While both genders and all main age groups participated in the job creation in the EU25 over the past ten years, the strongest growth was recorded in the employment rates for women (6.2 percentage points) and older workers (7.9 percentage points). In terms of the net increase in employment, women accounted for 62%, and with regard to age groups, older workers (aged 55-64) around a quarter (see charts 7 and 8).



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2.4 Globalisation and an ageing Europe: revising the Lisbon Strategy

In the beginning of 2005, the EU was (and still largely is) facing serious structural difficulties. An ageing population and a decline in economic performance have led to a strong pressure on the European social model. It was in this context that the European Commission proposed to revamp the Lisbon Strategy to focus on delivering stronger, longer-lasting growth and more and better jobs. This included a complete revision and integration of macro-economic, micro-economic and employment policy reform strands (and open methods of coordination), with the aim to maximise the synergies at the national level and Community actions, and to increase their efficiency.

This process saw the approval by the European Council of the Integrated Guidelines for Growth and Jobs (2005-2008). The eight Employment Guidelines are now part of a package of 24 guidelines of the Lisbon Strategy, in conjunction with the macro-economic and micro-economic guidelines (formally the Broad Economic Policy Guidelines) for a period of three years.

Features of the EES

3.1 The social dimension

An increase in employment rates is a prerequisite for being able to maintain and increase Europe's prosperity and for preserving and enhancing our social models in a changing world. Maintaining such values requires constant adaptation to the new environment generated by greater international competition, the demographic situation and the shift to a new paradigm based on knowledge. There is no necessary trade-off between the economic and the social dimension, neither between efficiency and equity issues, nor between productivity and employment. The purpose of the EES is to ensure that all these common concerns are addressed simultaneously in a coherent and comprehensive policy package.

Employment plays both an essential economic and social role in the Strategy because it is only by getting more people into work that we can ensure that our societies cope with demographic change. Indeed, we need more people of all ages in employment to finance social

spending as our populations age. Moreover, social inequities in the form of social exclusion and their related compensatory measures have huge hidden costs which are rarely shown in public accounting systems. Therefore, if we forget the social dimension of the Lisbon Strategy, we risk incurring huge corrective costs later on and endanger the financial sustainability of our countries.

Moreover, while growth is an essential component of the European Social Model, growth alone is not an efficient instrument to fight against poverty and social exclusion, unless it comes with falling inequality. Economic growth and even job creation do not lead automatically to reduced income disparities, in-work poverty, or regional disparities. In-work poverty is linked to low pay, low skills, precarious and often undesired part-time employment. To create a sustainable way out of poverty and to contribute to economic growth and competitiveness, better quality jobs are required as well as enhanced investments in human and social capital. Within the EES (and the ESF) action has been pursued to reduce regional disparities in terms of employment, unemployment and labour productivity, especially in regions lagging behind.

3.2 Human capital

Education and training are critical factors to develop the EU's long-term potential for competitiveness as well as for social cohesion. Europe needs to step up its efforts to improve both the efficiency and the equity of its education and training systems. Education and training policies should increase efficiency by raising the average skill level in the population to ensure a better match between skills and labour market needs and therefore raise both employability and productivity. They should also reduce inequality by improving the employment perspectives of those most in need, including the disadvantaged and the immigrants. This would allow education and training systems to contribute to activation and cohesion measures to ensure that all citizens can play their full part in society and the economy over the whole life cycle, e.g. through lifelong learning policies. These are not mutually exclusive objectives, since achieving high quality and excellence does not necessarily mean sacrificing equitable opportunities, access, treatment and outcomes for individual Europeans.



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The EES in action

Skill content of work increased

The employment expansion since 1997 has been accompanied by increasing skill content of work. Reflecting this, the share of highly-skilled non-manual workers in the overall EU15 occupational structure has increased from about 36% in 1997 to almost 40% in 2006. Correspondingly, both the shares of low-skilled non-manual and skilled manual workers have decreased and only the elementary occupations recorded a slight increase from about 9% to 10%.

3.3 Youth employment policies

The youth educational attainment level¹⁰ has increased over the last years and there has been a slight improvement in reducing early school leaving (see chart 10). This reflects the increased focus on investments in human capital and the reinforced efforts to build employment pathways for young people and to promote efficient lifelong learning strategies. However, youth unemployment remains a key concern for Europe: today it stands at 17.4%. Over the last 25 years, no real breakthrough has been achieved in reducing youth unemployment. In the current economic upswing with an estimated 7 million more persons moving into employment during the 2005-2008 Lisbon cycle, labour market performance continues to develop less favourably for young people.

¹⁰ The youth education attainment level is the percentage of young people aged 20-24 having attained at least an upper secondary education (ISCED level 3).

They are more than two times as likely to be unemployed than prime age-adults. Low participation of young people also raises concerns as to their integration into society overall. Using the full potential of youth is a requisite for future economic growth and social cohesion in the EU. Therefore urgent action is required in the field of educational and labour markets policies resulting in improved participation of young people in society in the context of ageing societies where every person is to be considered as a resource.



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The EES in action

Employment growth concentrated in services and construction

In terms of sector composition, the net employment creation has been concentrated in services and construction. According to the EU Labour Force Survey of the rise in employment in the EU15 between 1997 and 2006, around 6 million jobs came from real estate renting and business activities, and some 4 million from health and social work. Strong employment increases of over 2 million were also recorded in wholesale and retail trade, construction and education. In contrast, both agriculture and manufacturing have seen employment drop by more than 1 million.

3.4 Going local: involving local actors in delivering the EES

Since the beginning of the Luxembourg Process, and in the Employment Guidelines in particular, the Member States have been invited to involve the regional and local level actors in the delivery of the EES. This followed the positive response to the initiative on Territorial Employment Pacts in 1997 as a follow up of the Delors White Paper of 1993, and the importance of a decentralised approach and partnerships was again stressed at the Lisbon European Council of 2000.

In 2003 during the “European Forum on local employment development”, organised by the European Commission and the European Union’s Presidency with the support of the European Parliament, the Committee of the Regions and the Economic and Social Committee, as well as interested institutions, social partners and other stakeholders, discussed ways to strengthen the local dimension of the European Employment Strategy. In 2006, the Committee of the Regions produced a decla-

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ration in which they advocated that local and regional authorities should be better incorporated into the ongoing formulation and implementation of the Lisbon Strategy. Finally, in 2007 Ministers meeting in Leipzig agreed to a Charter on Sustainable European Cities, which advocated integrated urban development, and a Territorial Agenda of the EU, which recognised the need to understand the territorial impact of new challenges within efficient multi-level governance.

Local employment development has further been explored through various programmes at the Community and Member State level. The latest work highlights the role of local multi-stakeholder partnerships within a holistic approach to local employment development.

3.5 Free movement: a European Pillar

Free movement of labour is seen as a way of promoting labour market efficiency by improving the matching of the available labour supply to the demand from employers. Mobility is driven by both the desire of workers to improve their economic situation and companies' search for workers to meet their requirements for labour. Greater labour force mobility, both between jobs (job mobility) and

within and between countries (geographic mobility) can help the European economy and labour force to adapt to changing conditions more smoothly and efficiently, as well as respond to change in the competitive global economy. However, while mobility is widely regarded as a positive feature of the labour market, actual mobility levels within Europe have remained comparatively low with fewer than 2% of all EU citizens living in another EU Member State.



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The Commission has started to inform European citizens about the possibilities of working abroad by means of the European Year of Worker's Mobility (2006) and the European Job Mobility Portal – a network provided by EURES comprising public employment services across the European Economic Area and Switzerland. As freedom of movement is one of the key principles of European integration, the Commission welcomed the fact that many Member States have opened their labour markets completely since the enlargement in May 2004 and that other Member States have simplified their existing national access regimes or procedures to varying degrees.

The EES in action

Closing the employment gap with US and Japan

The sustained employment growth over the last decade helped the EU narrow the gap against both the US and Japan. While in 1997 the EU15 employment rate trailed 12.8 percentage points behind the US and 9.3 points behind Japan, by 2005 the gap had more than halved to 6.3 and 4.1 points, respectively (see chart 1).

The EES in action

Higher prevalence of part-time and fixed-term work

More flexible forms of employment have clearly made a strong contribution to employment expansion, with part-time accounting for over half the overall increase. Atypical forms of employment, namely part-time and fixed-term employment, have consequently become more prevalent in the EU25 over the period. The share of part-time employment in total employment has grown from 16% in 1997 to 18.8% in 2006, and the share of fixed-term contracts among employees from 11.7% to 14.9% (see chart 9).

3.6 Flexicurity: a new perspective on working life

Ten years on, in 2007, the European labour market continues to change. Four main reasons can be highlighted: European and international economic integration; the rapid development of new technologies, particularly in the information and communication areas; the demographic ageing of European societies, together with still relatively low average employment rates and too high long-term unemployment, which put at risk the sustainability of social protection systems; and the development of segmented labour markets in many countries where both relatively protected and unprotected workers coexist (“insiders” and “outsiders”).

In order to achieve the Lisbon objectives of more and better jobs, new forms of flexibility and security are needed for individuals of all ages and companies as well as for Member States and the EU. Individuals increasingly need employment security rather than job security, as fewer have the same job for life. Companies, including the many SMEs in

Europe, need to be able to better adapt their workforce to changes in economic conditions. They should be able to recruit staff with a better skills match, who will be more productive and adaptable leading to greater innovation and competitiveness.

In the beginning of 2006, in an informal Council in Villach, Austria, the Member States debated 'flexicurity' for the first time. The European Council called on the Member States "to develop more systematically in the National Reform Programmes comprehensive policy strategies to improve the adaptability of workers and enterprises". The Commission, jointly with Member States and Social Partners, was asked to "explore the development of a set of common principles on flexicurity" as a useful reference in achieving more open and responsive labour markets and more productive workplaces.



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At the European Council in Finland in 2006, an informal Tripartite Social Summit took place. During this summit the need to adapt to globalisation and change the perspective towards working life in order to find a balance between flexibility and security where economic efficiency and social justice can co-exist was stressed.

A Communication entitled “Towards common principles of flexicurity” was adopted by the Commission in June 2007. Its purpose is to facilitate a comprehensive debate between EU Institutions, Member States, social partners and other stakeholders, so that the European Council may adopt a set of common principles of flexicurity by the end of 2007. These common principles should then inspire and contribute to the implementation of the Integrated Guidelines for Growth and Jobs, and in particular the Employment Guidelines.

The Commission has defined the four components of flexicurity as:

- *flexible and reliable contractual arrangements* (from the perspective of the employer and the employee, of “insiders” and “outsiders”) through modern labour laws, collective agreements and work organisation;

- *comprehensive lifelong learning (LLL) strategies* to ensure the continual adaptability and employability of workers, particularly the most vulnerable;
- *effective active labour market policies (ALMP)* that help people cope with rapid change, reduce unemployment spells and ease transitions to new jobs;
- *modern social security systems* that provide adequate income support, encourage employment and facilitate labour market mobility. This includes broad coverage of social protection provisions (unemployment benefits, pensions and healthcare) that help people combine work with private and family responsibilities such as childcare

It has also worked on establishing typical “pathways” to be used by Member States towards achieving more flexicurity. Pathways are sets of measures that can, if introduced in conjunction with each other, improve a country’s performance in terms of flexicurity.

The next Joint Employment Report of 2007-2008 should focus its analysis on the extent to which Member States are developing comprehensive policy strategies covering the four

components of flexicurity. In its analysis of this year's Lisbon National Reform Programmes, the Commission will provide initial comments on the way Member States might benefit from common principles and pathways of flexicurity to design their own specific policies.

Throughout the next cycle of the Employment Guidelines (2008-2010), Member States will be invited to use their National Reform Programmes to report explicitly on their flexicurity strategies. The Commission will monitor these strategies in the Annual Progress Reports, and report on progress made in flexicurity strategies at the end of the Lisbon cycle. This will be combined with a strengthened and more focused mutual learning programme to ensure Member States benefit from flexicurity policies that work. The European Employment Strategy will focus especially on integrated flexicurity policies in the next few years.



3.7 The role of the European Social Fund (ESF)

At the Berlin European Council in 1999, the mission and priorities of the ESF were redefined and its financial “envelope” set at €60 billion for the period 2000-2006. The ESF has supported important priorities of the EES including active labour market policies, the development of human resources, the integration of vulnerable groups and gender equality on the labour market. Through the ESF operational programmes agreed between the European Commission and the Member States, the support to national employment policies was conditioned by their consistency with the EES priorities.

For the programming period 2007-2013 (with a financial envelope of €70 billion for the ESF), the ESF priorities have been further synchronised with those of the EES. The measures that fall within the Employment Guidelines (including a range of flexicurity policies) are eligible for ESF support, and in many cases the European Regional Development Fund can also provide financial support. Among the actions that can be funded are training at company level and active labour market measures, including job-finding assistance of the unemployed, lifelong learning and the promotion of self-employment and entrepreneurship.



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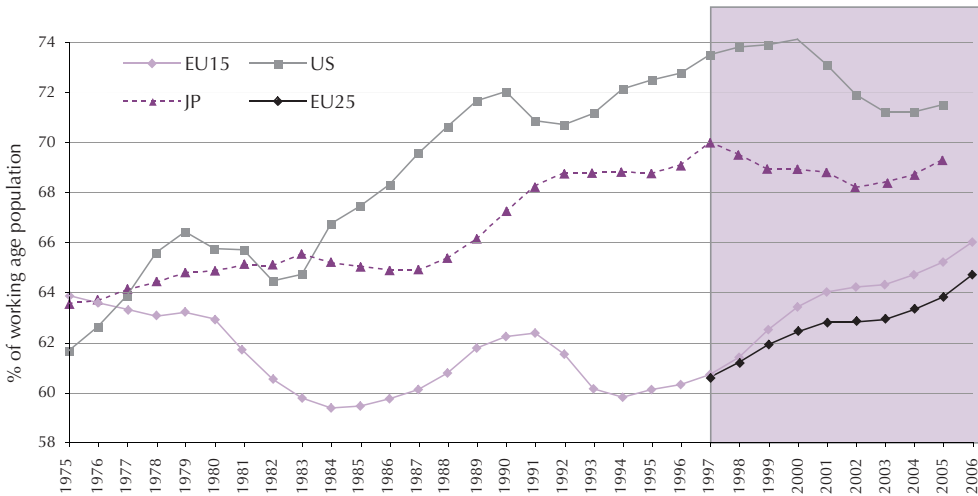


3.8 The international dimension

EU's Social Policy Agenda seeks to promote and disseminate, also beyond the borders of the EU, its values and experience of a model of development combining economic growth and social justice. Advancing the social dimension of globalisation and decent work for all are key commitments in this respect. International exchanges on how best to implement various facets of employment policy, at both the technical but also the more political level, are also undertaken. The Commission has developed policy dialogues and cooperation at multilateral and bilateral levels with international organisations, especially the OECD, the International Labour Organisation and G8, and with countries including the USA, Japan, China and India.

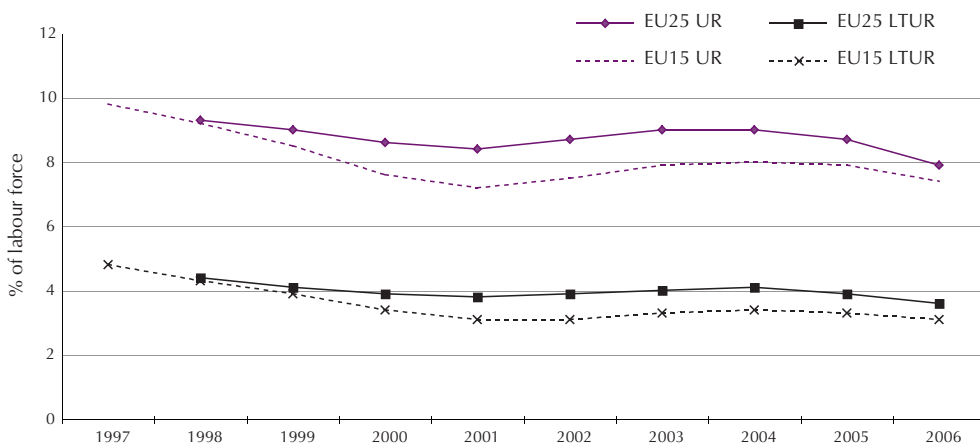
Trends in employment and unemployment rates in the EU

Chart 1: Employment rates in the EU, US and Japan, 1975-2006



Source: DG EMPL calculation based on long-term trends in employment and population, Commission Services.

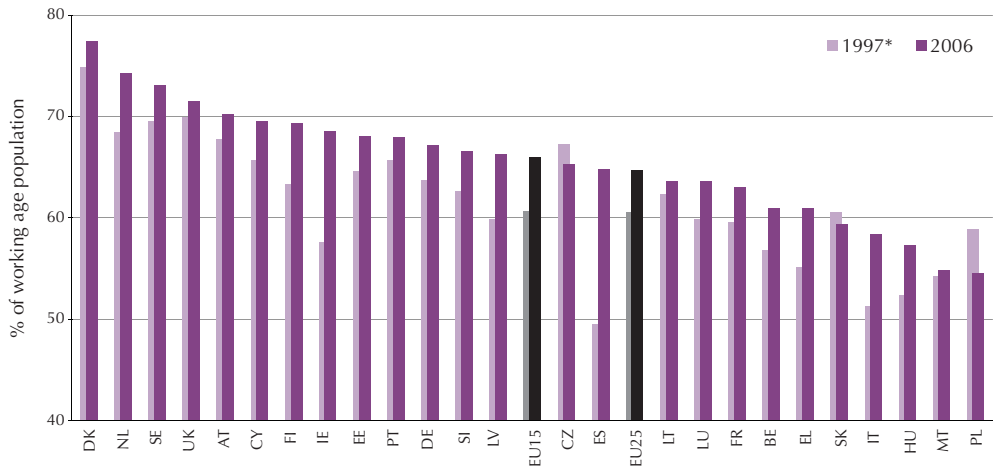
Chart 2: Unemployment and long term unemployment rates in the EU, 1997-2006



Source: Eurostat, harmonised series on unemployment and EU labour force survey, annual results.

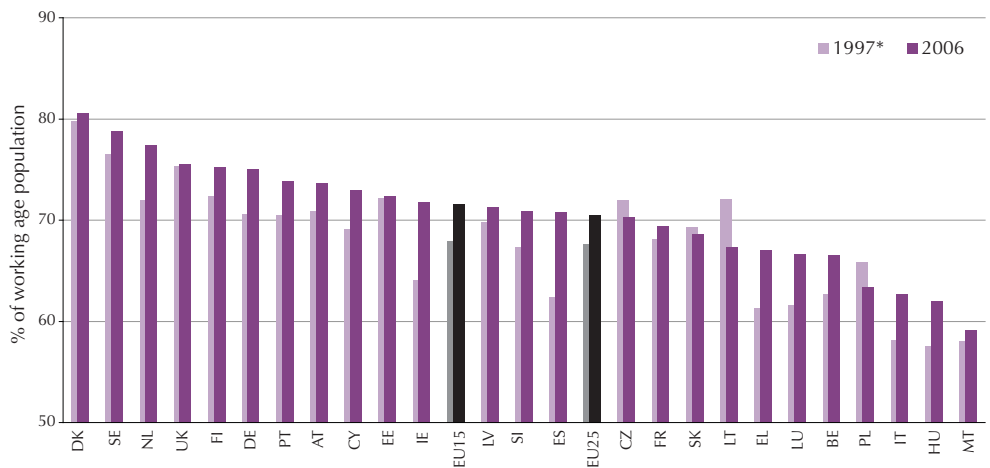
Trends in employment and activity rates across Member States¹¹

Chart 3: Employment rates in EU Member States, 1997 and 2006



Source: Eurostat, EU labour force survey, annual averages. Note: * Data refer to the year 1998 for the Czech Republic, Estonia, Latvia, Lithuania and Slovakia, and 2000 for Cyprus and Malta. 2006 data for France and Luxembourg is provisional.

Chart 4: Activity rates in EU Member States, 1997 and 2006

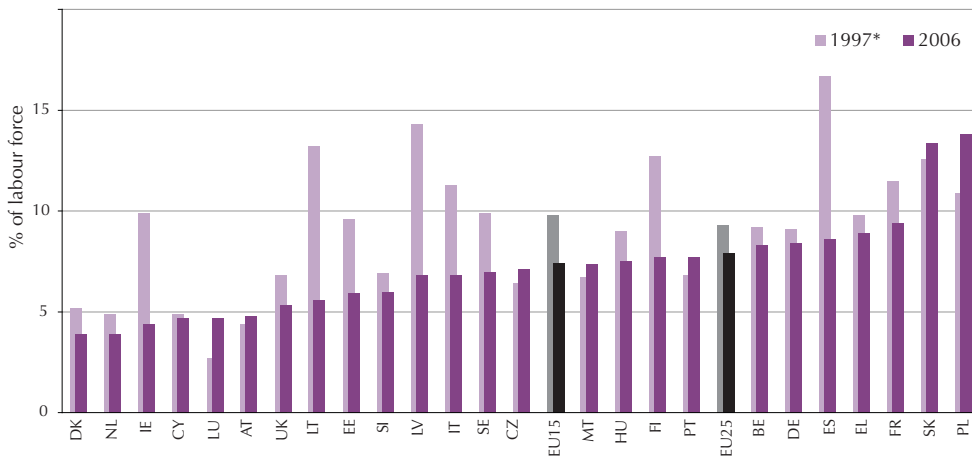


Source: Eurostat, EU labour force survey, annual averages. Note: * Data refer to the year 1998 for the Czech Republic, Estonia, Latvia, Lithuania and Slovakia, and 2000 for Cyprus and Malta. 2006 data for France and Luxembourg is provisional.

¹¹ In the subsequent graphs Bulgaria and Romania are not included since they joined the EU only in 2007.

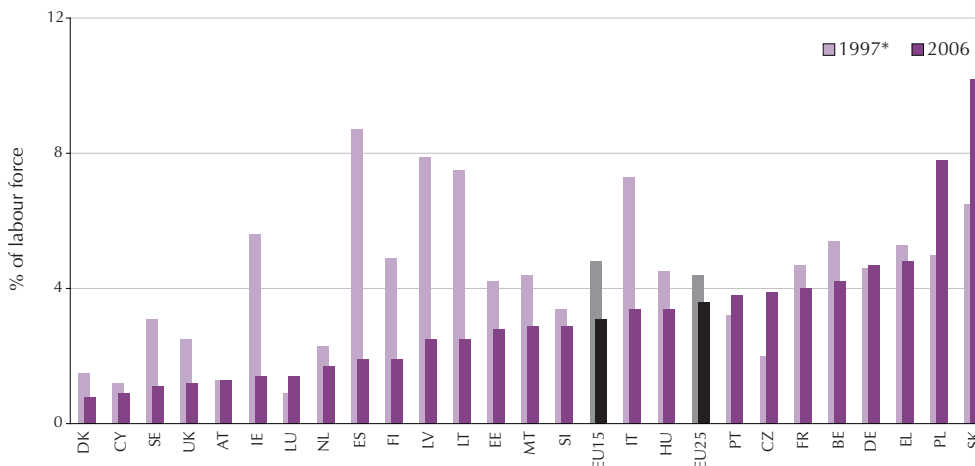
Trends in unemployment and long-term unemployment rates across Member States

Chart 5: Unemployment rates in EU Member States, 1997 and 2006



Source: Eurostat, harmonised series on unemployment. Note:* Date refer to the year 1998 for the EU25, Czech Republic, Latvia, Lithuania and Slovakia, and 2000 for Cyprus and Malta. 2006 data for France and Luxembourg is provisional.

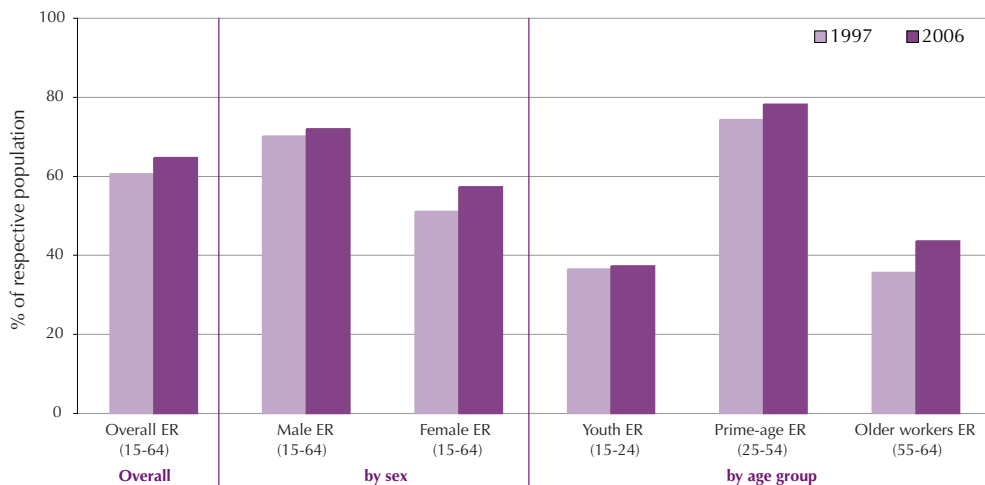
Chart 6: Long-term unemployment rates in EU Member States, 1997 and 2006



Source: Eurostat, harmonised series on unemployment. Note:* Date refer to the year 1998 for the EU25, Czech Republic, Latvia, Lithuania and Slovakia, and 2000 for Cyprus and Malta. 2006 data for France and Luxembourg is provisional.

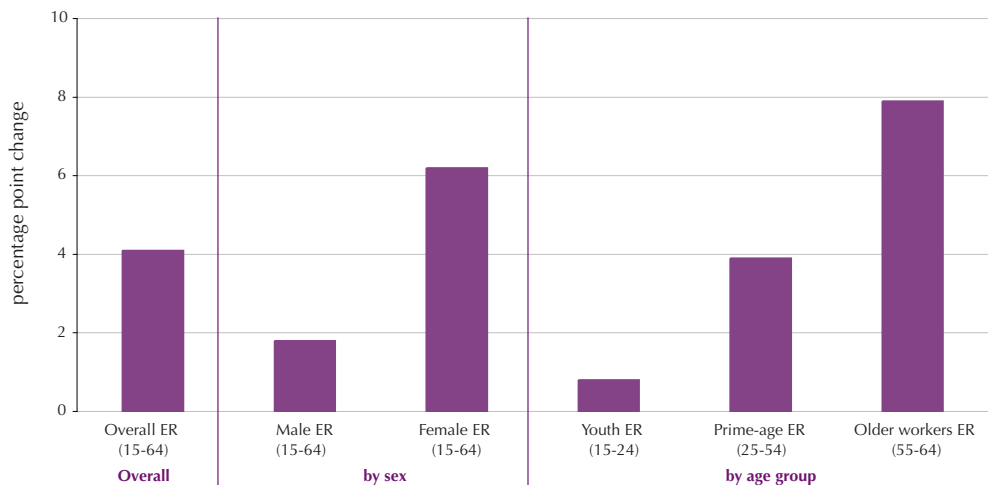
Changes in employment rates in the EU by sex and age groups

Chart 7: Employment rates in EU25, 1997 and 2006



Source: Eurostat, EU labour force survey, annual averages

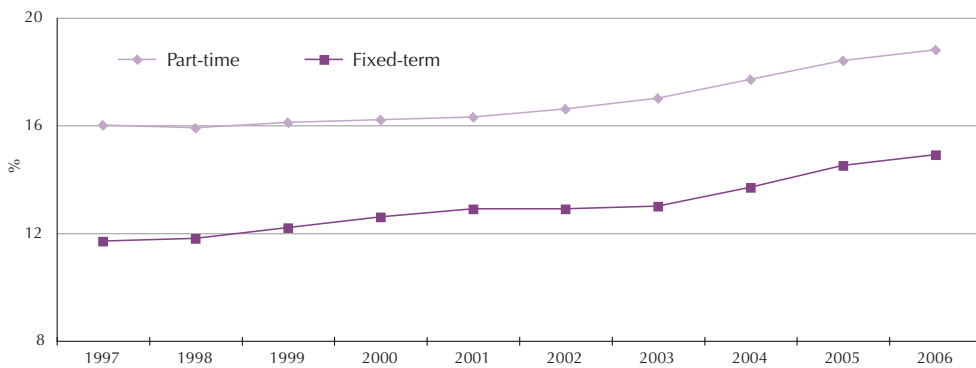
Chart 8: Employment rates in EU25, 1997 and 2006



Source: Eurostat, EU labour force survey, annual averages.

Trends in part-time and fixed-term employment in the EU

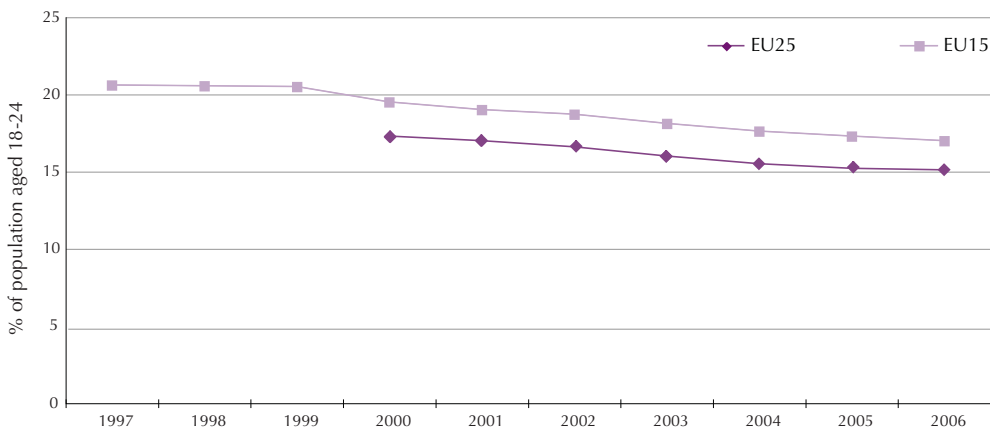
Chart 9: Share of part-time employment and share of employees in fixed term employment in EU25, 1997 and 2006



Source: Eurostat, EU labour force survey, annual averages.

Chart 10: Early school-leavers, 1997-2006

Percentage of the population aged 18-24 with at most lower secondary education and not in further education or training



Source: Eurostat, EU labour force survey, annual averages.

European Commission

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