

Box 4

The Employment Guidelines for 2001

In recent years, a number of initiatives have been taken to address the problems of high unemployment and labour market rigidities in the European Union (EU). In particular, with the inclusion of a new title on employment in the Treaty of Amsterdam and following the Luxembourg European Council on Employment in November 1997, a co-ordinated strategy for employment was set up at the EU level. According to the newly established Article 126 of the Treaty establishing the European Community, Member States shall contribute to a high level of employment through their national employment policies, which must be consistent with the Broad Economic Policy Guidelines.¹ To this end, under the new strategy, an annual procedure has been established which consists of the adoption of Employment Guidelines and country-specific recommendations, the submission by Member States of National Action Plans for Employment and the preparation by the European Commission and the EU Council of a Joint Employment Report. At the end of each year, the European Council reviews and draws conclusions on the Joint Employment Report, in which the European

1 For more details, see Box 3 on page 29 of the July 2000 issue of the ECB Monthly Bulletin on the Broad Economic Policy Guidelines 2000.

Commission and the EU Council jointly assess the employment situation in the European Community. This report, which draws in particular on the National Action Plans for Employment submitted by Member States, provides an assessment of how Member States have implemented the Employment Guidelines in the previous year and how they have incorporated the Employment Guidelines for the current year in their National Action Plans. The Joint Employment Report also establishes the factual basis for the Employment Guidelines for the subsequent year, which are adopted by the EU Council following their endorsement by the European Council.

The Employment Guidelines for 2001, i.e. the fourth annual edition since the Luxembourg Summit, were endorsed by the Nice European Council in December 2000. The Employment Guidelines for this year reiterate the goal of strengthening the conditions for full employment in a knowledge-based society, already mentioned in the Conclusions of the Lisbon European Council in March 2000. In particular, the objective is to raise the employment rate in the EU to a level as close as possible to 70% by 2010 and to increase the number of women in employment to more than 60% by 2010. The Employment Guidelines for the EU countries are presented in a four-pillar structure.

Under the *first pillar*, entitled “*Improving employability*”, Member States are requested to tackle youth unemployment and prevent long-term unemployment. They are also called upon to review their benefit, tax and training schemes so that they become more employment friendly. In addition, they are invited to develop a policy which would enhance the capacity of and the incentives for older workers to remain in the labour force for as long as possible. Efforts should also be made to provide people with the capacity to access and reap the benefits of a knowledge-based society. Furthermore, Member States are to implement policies so as to reduce mismatches between job seekers and vacancies and to prevent and combat emerging labour market bottlenecks. They are also requested to combat discrimination and promote social inclusion by improving access to employment.

According to the *second pillar*, entitled “*Developing entrepreneurship and job creation*”, Member States should make it easier to start up and run businesses and exploit the employment potential of a knowledge-based society and the services sector. They are also requested to identify the potential for job creation at the local level, promote partnership between all actors involved and strengthen the role of the Public Employment Services. In order to make tax systems more employment friendly, they should be reformed so as to reverse the long-term trend towards higher taxes on labour. Member States are encouraged to set a target both to gradually reduce the overall tax burden and, where appropriate, to gradually reduce the fiscal pressure on labour and non-wage labour costs, particularly for relatively unskilled and low-paid workers. Such reforms should be undertaken without jeopardising the consolidation of public finances or the financial equilibrium of social security systems.

Under the *third pillar*, entitled “*Encouraging adaptability of businesses and their employees*”, Member States are called upon to promote the modernisation of work organisation and develop strong partnerships at all appropriate levels. In particular, there should be the possibility to introduce more flexible types of contracts under national law. In order to develop skills within enterprises, social partners are invited to conclude agreements on lifelong learning so as to facilitate adaptability and innovation.

Under the *fourth pillar*, entitled “*Strengthening equal opportunities for women and men*”, Member States are invited to reinforce their policies towards gender equality and to address all relevant conditions influencing women’s decisions to take up employment. In addition, Member States are requested to tackle gender-related pay gaps and to favour women’s access to jobs and policies that reconcile work and family life.