

Box 4

The Employment Guidelines for 2002

The Treaty of Amsterdam in June 1997 and the Luxembourg European Council on Employment in November 1997 established a co-ordinated strategy for raising employment levels in the European Union. According to Article 126 of the Treaty establishing the European Community, Member States are obliged to contribute to a high level of employment through their national employment policies, which must be consistent with the Broad Economic Policy Guidelines¹. To this end, Employment Guidelines are adopted every year by the EU Council and transposed into National Action Plans for Employment (NAPs) by Member States. These NAPs, which also contain information on the implementation of the Employment Guidelines of the previous year, are analysed by the European Commission and the EU Council. The assessment of how Member States have transposed the Employment Guidelines of the current year into their NAPs and how they have implemented the Employment Guidelines of the previous year² feed into a Joint Employment Report (JER) by the EU Council and the Commission, which is submitted to the European Council. On the basis of the JER, the European Council draws conclusions on the employment situation in the Community and on the implementation of the Employment Guidelines. These conclusions, in turn, guide the EU Council in reshaping the previous Guidelines and country-specific Recommendations for Member States' employment policies in the subsequent year, thus initiating a new round of the cycle described above.

The Employment Guidelines for 2002, the fifth annual edition since the Luxembourg Summit, were endorsed at the Laeken Summit in December 2001. They emphasise the goal of strengthening the conditions for full employment in a knowledge-based society, an objective set in the conclusions of the March 2000 Lisbon European Council. This year, the "Lisbon targets" for 2010 (70% for the overall employment rate and 60% for the employment rate of women) have been complemented by the additional targets agreed upon at the Stockholm European Council in March 2001. These are intermediate targets for 2005 of 67% and 57% for men and women respectively, and a new target of 50% for the employment rate of persons aged between 55 and 64, to be reached by 2010. The Guidelines also emphasise the need to ensure "quality in work" in the European Union.

The Employment Guidelines for the Member States are presented in a four-pillar structure.

The *first pillar*, "Employability", asks Member States to actively tackle youth and long-term unemployment. To this end, unemployed people should be offered training or some other re-employment measure before reaching 6 months of unemployment in the case of young people, or 12 months for adults. In addition, Member States are called upon to review their benefit, tax and training systems to make them more employment-friendly and to encourage older people to remain in work. Efforts should be made to improve the quality of educational systems, to reduce the number of young people dropping out of education early and to provide them with the skills needed both in the labour market and to adapt to technological and economic change. The promotion of skill development and lifelong learning remains important for the whole workforce. Member States are asked to step up their efforts to alleviate mismatches between job seekers and vacancies and to prevent and combat emerging labour market bottlenecks. Here, the need to encourage labour mobility across Europe is emphasised. Member States are also requested to combat discrimination and promote social inclusion by improving access to employment.

According to the *second pillar*, "Entrepreneurship", Member States should make it easier to start up and run businesses and exploit the employment potential of a dynamic and enterprising climate. They are asked to pay particular attention to reducing overhead costs and administrative charges for businesses, to promote new sources of employment (including self-employment) and to identify the potential for job creation at a local

¹ See Box 4 on the Broad Economic Policy Guidelines 2001 in the July 2001 issue of the Monthly Bulletin.

² For details of last year's Employment Guidelines, see Box 4 in the January 2001 issue of the Monthly Bulletin.

level. Tax systems should be reformed to make them more employment-friendly and reverse the long-term trend towards higher taxes on labour. Member States are encouraged to set targets for the gradual reduction of the overall tax burden and, where appropriate, for gradually reducing 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*, “*Adaptability*”, Member States are called upon to promote the modernisation of work organisation and develop a strong partnership between players at all levels. The social partners are invited to negotiate flexible working arrangements with the aim of increasing productivity and competition, while at the same time maintaining the balance between job flexibility and security. In addition, Member States are to examine the possibility of introducing more flexible contract types into their national law.

Under the *fourth pillar*, “*Equal opportunities*”, Member States are to strengthen their policies towards gender equality across all pillars, and to address all conditions influencing women’s decisions to take up employment. Further attention is to be directed towards rectifying the gender imbalance in some sectors and occupations, and tackling gender pay gaps. Member States are requested to improve women’s access to jobs and policies that reconcile work and family life. This includes ensuring adequate provision of good-quality childcare in order to support women’s and men’s entry and continued participation in the labour market and to help workers re-enter the labour market following periods of absence.

The Employment Guidelines lay out wide-ranging recommendations for the achievement of full employment in the EU. In the current environment, it is important that national governments strengthen their efforts to implement structural labour market reforms. The strengthening of the flexibility of European labour markets and the promotion of labour mobility within and between them will not only support the ongoing process of job creation but will also help to alleviate labour market bottlenecks, thus contributing to the maintenance of a favourable outlook for growth and price stability.