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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL  
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

**An Agenda for new skills and jobs:  
A European contribution towards full employment**

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**INTRODUCTION**

The European Union has agreed on an employment rate target for women and men of 75% for the 20-64 years age group by 2020: an ambitious commitment to the sustainability of Europe's social model, welfare systems, economic growth and public finances.

Bridging the gap to the target will be no easy task. The crisis has brought the employment rate down to 69%, and the unemployment rate up to 10%; assuming the labour market stabilises in 2010-2011, achieving an employment rate of 75% by 2020 will require an average employment growth slightly above 1% per annum. With declining fertility rates, the EU working age population (15-64) will start shrinking as early as 2012; even with continuing immigrant flows. A skilled workforce is an essential asset to develop a competitive, sustainable and innovative economy in line with Europe 2020 goals. In times of budgetary constraints and unprecedented global competitive pressures, EU employment and skills policies that help shape the transition to a green, smart and innovative economy must be a matter of priority.

The EU can meet all these challenges and raise employment rates substantially, particularly for women and young and older workers, **but only with resolute action focussing on four key priorities:**

- **First, better functioning labour markets.** Structural, chronically high unemployment rates represent an unacceptable loss of human capital: they discourage workers and lead to premature withdrawal from the labour market and to social exclusion. Flexicurity policies are the best instrument to modernise labour markets: they must be revisited and adapted to the post-crisis context, in order to accelerate the pace of reform, reduce labour market segmentation, support gender equality and make transitions pay.
- **Second, a more skilled workforce,** capable of contributing and adjusting to technological change with new patterns of work organisation. This is a considerable challenge, given the rapidly-changing skills needed, and the persistent skills mismatches in EU labour market. Investment in education and training systems, anticipation of skills needs, matching and guidance services are the fundamentals to raise productivity, competitiveness, economic growth and ultimately employment. The EU is committed to improving education levels by reducing school drop-outs to 10% or less, and by increasing completion of tertiary or equivalent education to at least 40% in 2020. The potential of intra-EU mobility and of third-country migrant inflows is not fully utilised and insufficiently targeted to meet labour market needs, despite the substantial contribution of migrants to employment and growth.
- **Third, better job quality and working conditions.** There is no trade-off between quality and quantity of employment: high levels of job quality in the EU are associated with

equally high labour productivity and employment participation. Working conditions and workers' physical and mental health need to be taken into account to address the demands of today's working careers, which are characterised by more transitions between more intense and demanding jobs and by new forms of work organisation.

- **Fourth, stronger policies to promote job creation and demand for labour.** It is not enough to ensure that people remain active and acquire the right skills to get a job: the recovery must be based on job-creating growth. The right conditions to create more jobs must be put in place, including in companies operating with high skills and R&D intensive business models. Selective reductions of non-wage labour costs, or well-targeted employment subsidies, can be an incentive for employers to recruit the long-term unemployed and other workers drifting from the labour market. Policies to exploit key sources of job creation and to promote entrepreneurship and self-employment are also essential to increase employment rates.

**The main responsibility and instruments to achieve these objectives rest with the Member States**, in conformity with the Treaty and the subsidiarity principle. However, the EU employment rate target for women and men of 75 % by 2020 will only be achieved by pooling all efforts and instruments. **This 'Agenda for new skills and jobs' flagship initiative sets out, in 13 key actions with accompanying and preparatory measures**, the possible EU contribution to this joint effort as part of the Europe 2020 strategy. In the framework of the EU enlargement process and within the European Neighbourhood Policy, the Commission will also ensure the objectives of this Agenda are taken up in the relevant countries.

## THE AGENDA'S PRIORITIES

### 1. TOWARDS A NEW MOMENTUM FOR FLEXICURITY: REDUCING SEGMENTATION AND SUPPORTING TRANSITIONS

*Lessons learned: flexicurity policies helped weather the crisis, but vulnerable groups have been hit the hardest*

In December 2007, the Council adopted the EU Common Principles of Flexicurity including its four components, as a means of modernising labour markets and promoting work through new forms of flexibility and security<sup>1</sup>. In order to increase adaptability, employment and social cohesion, Member States were called upon to develop their own national flexicurity arrangements and to devise strategies to reform their labour markets together with social partners. Since then, the crisis has put national reform strategies and flexicurity to the test; the lessons of the last two years are both encouraging and challenging<sup>2</sup>.

On the one hand, evidence shows that flexicurity policies have helped weather the crisis. Many Member States have temporarily introduced new publicly sponsored short-time working arrangements, or have increased their level, coverage and duration, and made their use more manageable. By increasing internal flexibility, Member States countered the fall in

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<sup>1</sup> Council conclusions on 'Towards Common Principles of Flexicurity' of 5/6 December 2007 (doc.16201/07).

<sup>2</sup> Council conclusions on "Flexicurity in times of crisis" of 8 July 2009 (doc.10388/09).

the growth of employment in 2008-09 by 0.7 percentage points on average on an annual basis. They helped companies avoid the loss of firm-specific human capital and re-hiring costs, and contributed to mitigate hardship for workers.

Similarly, several Member States have strengthened unemployment insurance systems (i.e. the level of benefits, their duration, and their coverage for new groups). Active labour market measures have increased, including business start-up incentives, training and work experience programmes. Public Employment Services provided more targeted job-search assistance for particular groups such as young people, immigrants, workers on short-term contracts, the newly redundant, or those not receiving benefits. In some countries, employment services raised their staffing levels by 10% or more to cope with the rise in the number of job seekers.

On the other hand, the crisis has highlighted the urgent need to pursue labour market reforms, without reducing the scope for consensus and trust between social partners — a key prerequisite for successful flexicurity policies. Policies to reduce segmentation have been insufficient: young, temporary workers and migrants have been among those hardest hit by the recession. The unemployment rate for young people (up to 25 years) has risen by 5.8 percentage points since March 2008 to over 20%, while the rate for adults (25-64 years) increased only by half as much and currently stands at 8.3%. At the height of the recession, job losses for workers in temporary work were almost four times higher than for those in permanent employment. Unemployment has also risen sharply among the migrant population.

The crisis has also shown how hard it is to implement truly integrated policies. For example, the short-term working arrangements have not been complemented often enough with training opportunities for employees. Even in Member States offering additional incentives for training, not enough potential beneficiaries took up the offer to re-train.

### *A new momentum: strengthening the flexicurity components and implementation*

The EU Common Principles for flexicurity are well-balanced and comprehensive; they remain valid today. However, the four components of flexicurity (flexible and reliable contractual arrangements, active labour market policies, life-long learning, and modern social security systems) must be strengthened to ensure that, in the post-crisis context, countries focus on the most cost-effective reforms while providing better flexibility and security.

Member States' national flexicurity arrangements can be strengthened and adapted to the new socio-economic context, through a new balance within and between the four components of flexicurity, and in the time sequence of different policies. Labour market institutions also need to be strengthened, to ensure that workers benefit from transitions between jobs, occupations, sectors or employment statuses. Making transitions pay is essential to provide workers with the necessary security to accept and cope adequately with mobility. Lastly, implementation and governance must enhance the coordination of policies, and the involvement of social partners and other relevant stakeholders.

#### **1.1. Priorities for reinforcing the four components of flexicurity**

In order to strengthen labour market reform and modernisation, building on the EU Common Principles, **the Commission proposes the following key policy priorities to reinforce the four components of flexicurity, in partnership with Member States and social partners:**

### Flexible and reliable contractual arrangements:

- *Focusing on the reduction of segmentation in the labour market.* Different avenues can be pursued in line with the national context such as the decentralisation of collective bargaining or the revision of existing contractual arrangements. While in some cases greater contractual variety may be needed to answer territorial and sectoral specificities, in highly segmented labour markets, one possible avenue for discussion could be to extend the use of open-ended contractual arrangements, with a sufficiently long probation period and a gradual increase of protection rights, access to training, life-long learning and career guidance for all employees. This would aim at reducing the existing divisions between those holding temporary and permanent contracts.
- *Putting greater weight on internal flexibility in times of economic downturn.* While both internal and external flexibility are important over the business cycle, internal flexibility can help employers adjust labour input to a temporary fall in demand while preserving jobs which are viable in the longer term. Employers can thus retain the skills of firm-specific workers which will be at a premium when the recovery takes hold. Forms of internal flexibility include the adjustment of work organisation or working time (e.g. short-time working arrangements). Flexibility also allows men and women to combine work and care commitments, enhancing in particular the contribution of women to the formal economy and to growth, through paid work outside the home. Notwithstanding the importance of internal flexibility, external flexibility remains essential in case of necessary structural adjustment in order to allow an efficient reallocation of resources.

### Comprehensive life long learning:

- *Improving access to lifelong learning,* to help people move to high-value added sectors and expanding occupations such as those emerging from ‘sustainable growth’ policies, equal opportunities policy and legislation, and ‘white’ jobs. More flexible learning pathways can facilitate transitions between the phases of work and learning, including through modularisation of learning programmes. These pathways should also allow for the validation of non-formal and informal learning and be based on learning outcomes, as well as the integration of learning and career guidance systems.
- *Adopting targeted approaches for the more vulnerable workers,* particularly the low skilled, unemployed, younger and older workers, disabled people, people with mental disorders, or minority groups such as migrants and the Roma: Public Employment Services (PES) should provide career guidance and well-targeted and adapted training and work-experience programmes. Specific priority should also be given to i) skills- upgrading of older workers who are particularly vulnerable to economic restructuring, ii) re-skilling of parents returning to work after a period taking care of family dependants and iii) re-skilling of blue collar workers with a view to a transition towards green-collar jobs.
- *Enhancing stakeholders' involvement and social dialogue* on the implementation of lifelong learning. Partnerships at regional and local levels between public services, education and training providers and employers, can effectively identify training needs, improve the relevance of education and training, and facilitate individuals' access to further education and training. Social partners' dialogue is particularly important on effective cost sharing arrangements, on the provision of learning in the work-place, and on the promotion of cooperation between public sector organisations and business.

- *Establishing effective incentives and cost sharing arrangements*, to enhance public and private investment in the continuing training of the workforce, and increase workers' participation in lifelong learning. Measures could include: tax allowance schemes, education voucher programmes targeted at specific groups, and learning accounts or other schemes through which workers can accumulate both time and funding. While these measures should comply with EU state aid rules, Member States can benefit from the possibilities offered by the General block exemption Regulation (EC) No 800/2008.

#### Active Labour Market Policies (ALMP)

- *Adapting the mix of ALMPs and their institutional setting to reduce the risk of long-term unemployment*. Member States have made significant progress in this component of Flexicurity: thanks in part to the European Employment Strategy, ALMPs are far better and stronger than they were a decade ago. However, there is scope for improvement on several aspects: individual job counselling, job search assistance, measures to improve skills and employability. Cost-effectiveness of ALMPs and the conditionality of unemployment benefits with the participation in ALMPs are also two areas requiring further attention. These labour supply measures may not suffice if the pace of job creation is subdued: they should then be complemented by labour demand measures, such as cost-effective targeted hiring subsidies. To minimise the burden on public finances, these subsidies should focus on net job creation and 'hard-to-place' workers, such as those with low skills and little experience.

#### Modern Social Security Systems:

- *Reforming unemployment benefit systems to make their level and coverage easier to adjust over the business cycle* (i.e. offer more resources in bad times and fewer in good times). This would enhance the role of benefits as automatic stabilisers, by promoting income insurance and stabilisation needs over job search incentives during downturns, and the reverse in upturns. As labour markets recover, Member States should consider rolling back the temporary extensions of benefits and duration of unemployment insurance introduced during the recession, to avoid negative effects on re-employment incentives. The review of out-of-work and in-work benefits to improve financial incentives to take up work, should be combined with measures to promote the uptake of training and other activation schemes, while making sure that benefits still provide poverty alleviation for those who remain out of work.
- *Improving benefits coverage for those most at risk of unemployment*, such as fixed-term workers, young people in their first jobs and the self-employed. This can be achieved, where necessary, through extending unemployment benefit systems coverage, and reinforcing other social security entitlements (parental leave and other reconciliation entitlements, sickness leave, disability benefits, etc.); the level of unemployment benefits should be commensurate to the individual work history.
- *Reviewing the pension system to ensure adequate and sustainable pensions for those with gaps in pension-saving contributions*, due to periods of unemployment, sickness or caring duties, or to short-term contracts. Pension reforms should go along with policies to support labour market transitions of older people, particularly from unemployment back to work.

## 1.2. Priorities to enhance the implementation, monitoring and governance of flexicurity

European social partners supported the adoption of the Common Principles of flexicurity and have stressed the importance of an approach combining internal and external flexicurity. While in many countries social partners have been engaged in the implementation and monitoring of national flexicurity approaches, consultation and dialogue should be strengthened: flexicurity policies can only succeed if social partners take full ownership of labour market reforms.

As announced in the "Single Market Act"<sup>3</sup> and the Flagship Initiative "Industrial Policy for the Globalisation Era"<sup>4</sup>, the Commission is consulting again the European social partners to develop an EU framework for restructuring with a view to encourage a shift from purely reactive actions to more anticipative strategies and ensure its full application. Anticipative strategies allow taking into account the needs arising from the transition to a low-carbon economy, and from sectors with structural excess capacities. They can also help avoid social conflict through the negotiated management of restructuring operations, for example by developing occupational training and economic reconversions.

One crucial lesson learnt over the past two years is the importance of labour market institutions. Employment services and in particular Public Employment Services (PES) can act as transitions agencies by strengthening their service delivery. While their main role currently is to address the needs of the unemployed, employment services can play a more comprehensive role as lifelong service providers, delivering services in skills assessment, profiling, training delivery, individual career guidance and client counselling (workers and employers), matching people to job profiles, and offering services to employers, as well as catering for the challenges of those furthest away from the labour market. Employment services should also promote partnerships between and among services (public, private and third sector employment services), education and training providers, NGOs and welfare institutions.

Finally, the delivery of sound Flexicurity policies requires a systematic and efficient monitoring of Member States' progress. Since the adoption of the Common Principles, the Employment Committee (EMCO) has developed an analytical framework, including a broad set of indicators. The Commission will build on this framework and provide regular monitoring and assessment of flexicurity policies across the EU.

### *Flexicurity - Key Actions 1 to 3:*

1. A new momentum for flexicurity must be the result of a common approach by EU institutions, Member States and social partners. Building on the EU Common Principles of Flexicurity, the priorities proposed in this Flagship initiative set out the terms of a **comprehensive debate on strengthening the four components of flexicurity** (e.g. on the single contract or the reform of benefits systems). These priorities could be debated in early 2011 at a **Stakeholder Conference on Flexicurity**, organised by the Commission with Member States, the European Parliament and social partners. The consensus on flexicurity as a key contribution to the Europe 2020 employment target should be consolidated in a Communication on a new momentum for Flexicurity in the first half of 2012.

<sup>3</sup> COM(2010) 608, 27.10.2010.

<sup>4</sup> COM(2010) 614, 28.10.2010.



2. The key importance of acquiring skills and competences throughout the working life requires comprehensive strategies for **Lifelong Learning and in particular a new approach to adult learning, based on common principles** such as shared responsibility and partnership, effective financing mechanisms, flexible pathways, and quality initial education and targeted continuing training. Drawing on progress achieved in the Copenhagen process, the Commission will present in 2011: a Communication on **the implementation of lifelong learning strategies and competence development**; a **European policy handbook** setting out a framework for lifelong learning implementation; and a renewed **action plan for adult learning**.

3. To enhance the social partners' participation and ownership of the New Skills and Jobs Agenda at EU level, the Commission proposes to hold as of 2011 **a Tripartite Social Forum**. The Forum would discuss the implementation of the Agenda and flexicurity policies in particular, ahead of the Tripartite Social Summit that precedes the Spring Council within the European Semester.

*Accompanying and preparatory measures:*

In complement to these Key Actions, in order to strengthen the governance and implementation mechanisms and support Member States, the Commission will:

- Introduce, as of 2011, **a comprehensive methodology to monitor** Member States' progress in implementing the principles of flexicurity, based on the ongoing work with the Employment Committee.
- Establish, by the end of 2011, **a partnership between employment services** from the public, private and third sectors to encourage an EU-level strategic dialogue to make transitions pay. The partnership will also provide small-scale funding for best-practice projects; a new web tool will disseminate the evaluated and tested good practices.
- Launch in 2011 **a consultation of European social partners on a European framework for restructuring**.

## 2. EQUIPPING PEOPLE WITH THE RIGHT SKILLS FOR EMPLOYMENT

### *Matching skills supply with labour market needs remains a challenge*

In 2008, the Commission Communication "New Skills for New Jobs", followed by two Council Conclusions and an independent experts Report, established the anticipation and matching of labour market and skills needs as a top priority for the EU<sup>5</sup>. In May 2009, Member States agreed the "Strategic Framework for European cooperation in education and training" to address lifelong learning and skills development of citizens of all ages.

The crisis has underlined the importance of the challenge: it has accelerated the pace of economic restructuring, displacing many workers from declining sectors to unemployment due to a lack of the skills required by expanding sectors. Now the first signs of economic recovery go hand in hand with difficulties in recruiting high-skilled staff.

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<sup>5</sup> COM(2008) 868, 16.12.2008. Council conclusions of 9.3.2009 and 7.6.2010. 'New Skills for New Jobs: Action Now' Expert Group Report, Feb. 2010.

Long-term prospects also emphasise the importance of skills. Jobs occupied by highly-qualified people are expected to rise by 16 million between now and 2020 in the EU, while those held by low-skilled workers will decline by around 12 million. Too many people do not have the competences needed to succeed in the labour market; adults with low educational attainment are seven times less likely to be involved in continuing education and training than those with high attainment levels, and as a result face increasing difficulty in adapting to newly-emerging and evolving skills needs.

Serious deficits in qualified professionals, in management and technical, job-specific skills are hampering Europe's sustainable growth objectives. This is also the case for shortages in areas critical for innovation, in particular Science Technology Engineering Mathematics. In the automotive sector and shipbuilding, for example, demand for hybrid vehicles and offshore investment in sustainable energy already requires many skills other than those which workers in those sectors currently have. Indeed, significant investments in "green" skills need to be made to ensure Europe lives up to its ambition of having 3 million green collar workers by 2020. By 2015, there will be a shortage of ICT practitioners estimated at 384 000 to 700 000 jobs, jeopardising the sector itself but also the ICT dissemination across all sectors of the economy. Moreover, more than 30% of Europeans have rarely or never used the internet which significantly hampers their employment opportunities since most jobs already require e-skills<sup>6</sup>. By 2020, in the health sector a shortage of about 1 million professionals - and up to 2 million if ancillary healthcare professions are taken into account is estimated, i.e., 15% of the care needed in the EU. An additional 1 million researchers are needed to meet our ambitions to establish an Innovation Union.

The mismatch between skills needs and supply has also a geographical component: skills shortages and bottlenecks in high growth areas coexist with areas of persistent high unemployment. Yet, mobility remains very low in the EU: in 2009, only 2.4% of the EU's population were citizens of another Member State. Economic migration is also acquiring strategic importance in dealing with skills shortages. Non-EU citizens amounted to almost 20 million, or 4.0% of the total EU-27 population; without net migration, the working-age population would shrink by 12% in 2030 and by 33% in 2060 compared with 2009. Yet, skilled migrant workers too often occupy low skill low quality jobs, underlining the need for a better management of these migrant workers' potential and skills.

### ***Strengthening the Union's capacity to anticipate and match labour market and skills needs***

The impact of the crisis and the persistent high level of unemployment have increased the need to better understand where future skills shortages are likely to be in the EU. The knowledge acquired since 2008 through different actions must be brought together into a systematic review of EU skills needs. Member States' actions to raise skills levels must be complemented by EU action, with a strong emphasis on geographical mobility as an adjustment mechanism to ease regional pockets of unemployment, and respond to market needs. The Commission will also continue to support the creation of sectoral skills' councils at European level when an initiative comes from stakeholders such as social partners or the relevant observatories. Similarly, in line with the Stockholm Programme<sup>7</sup>, and in particular the development of EU legislation on legal migration, the Commission will take action to tap more effectively the potential of migrants already in the EU. There are five core areas for action:

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<sup>6</sup> See definition in COM(2007) 496, 7.9.2007.

<sup>7</sup> COM(2010) 171, 20.4.2010.

## **2.1. Developing labour market intelligence and skills governance**

Most Member States develop their labour market intelligence on current and future skills needs, through bodies such as Observatories which bring together labour market actors and education and training providers. These analyses help shape qualification standards and adapt training systems to labour market needs.

However, there is still wide scope to further develop the existing forward-looking labour market tools at Member State, regional, sectoral and EU level, and to disseminate their results in order to better address skills shortages. The Commission will facilitate cooperation between bodies in Member States involved in skills governance (anticipation of skills needs and responsiveness of education and training systems), in order to promote information sharing and better use of labour market intelligence in employment, education and training policies.

## **2.2. Providing the right mix of skills**

Irrespective of age, gender, socio-economic background, ethnicity or disability, all EU citizens should have the opportunity to acquire and develop the mix of knowledge, skills and aptitudes they need to succeed in the labour market.

To this end, education and training systems must deliver the right mix of skills, including digital and transversal key competences, media literacy, and communication in a foreign language. They must also ensure that young people, graduating from secondary and tertiary education, possess the skills and competences needed to make a rapid and successful transition to employment. Fighting against early school leaving and low educational achievement in basic competences such as literacy, numeracy and science, including among adults, is an essential element for inclusion, employment and growth. Continuing training must reach the benchmark of 15% of all adults participating in lifelong learning<sup>8</sup>.

Good progress has been made in adapting school curricula, introducing reforms along the European Key Competences Framework for Lifelong Learning, and using the Europass. However, Member States should step up the pace of reform and implement national qualifications frameworks based on learning outcomes, as indicated in the European Qualifications Framework Recommendation. Similarly, the Copenhagen process should further help improve the attractiveness of initial vocational education and training.

Given the transversal role of digital competences across the economy, the Digital Agenda for Europe is an essential catalyst that can help provide the right digital competences for workers and job-seekers, with targeted efforts to promote basic digital literacy for those with least competences such as the elderly, less-educated persons or SMEs employees but also to promote specialised and advanced ICT competences for those holding specific job profiles such as ICT practitioners.

## **2.3. Matching people's skills and job opportunities, and capitalising on Europe's potential jobs**

While delivering the right mix of skills is important, avoiding the under-utilisation of people's talents and potential is just as essential. This requires better cooperation between the worlds of

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<sup>8</sup> Council conclusions on the "Strategic Framework for European cooperation in education and training ET(2020)" (doc. 9845/09).

work, education and training, and an increased transparency in the labour market, beyond traditional approaches which measure skills only through formal qualifications.

The shift towards competence- and skills-based approaches is already leading to a significant change in education systems, labour markets, and their interaction. This in turn has important implications for the work of employment services in the area of skills assessment, profiling processes, training delivery, cooperation with training providers, career guidance and client (including employers) counselling. Cooperation between employment services and guidance centres in the education field must be reinforced, so that the latter can provide advice directly relevant to the labour market.

Counselling, incentives and assistance to companies, including SMEs, is also essential to help them develop and make the best use of competences in the work place. Employers should be encouraged to co-invest and participate in the activities of education and training institutions, particularly in higher education and vocational education and training; these partnerships can develop and update skills profiles, multidisciplinary curricula and qualifications, and facilitate the provision of work-based learning, from apprenticeships to industrial PhDs. These structured partnerships could offer an efficient and systemic means of developing this interaction.

In order to bridge the skills gap for the jobs of the future and make our education systems more responsive to the future needs of our economy (e.g. green economy), new academic specialisations need to be promoted so to achieve a critical mass that will raise European competitiveness.

#### **2.4. Enhancing geographical mobility throughout the EU**

Many non-regulatory factors influence interregional and transnational mobility: housing, language, the employment opportunities of partners, return mechanisms, historical ‘barriers’, and the recognition of mobility experience, particularly within SMEs. Recent efforts to improve geographical mobility have focused on the removal of legal and administrative obstacles (e.g. in the area of recognition of qualifications and portability of supplementary pension rights). Citizens must now be better informed of these changes to embrace with confidence cross-border career moves; more emphasis must also be put on raising the transparency of job vacancies across the EU. In the context of the coordination of social security systems, the Commission in cooperation with Member States will also examine the situation of highly mobile professional categories, in particular researchers engaged in remunerated research activity, to facilitate their geographical and inter-sectoral mobility, in order to complete the European Research Area by 2014.

Some professionals must still comply with long and cumbersome procedures before their qualifications are recognized. The Commission is currently carrying out an evaluation of the Professional Qualifications Directive, in order to identify possible solutions such as a professional card and simplify the current situation.

#### **2.5. Reaping the potential of migration**

To maximise the potential contribution of migration to full employment, migrants already legally residing in the EU should be better integrated, particularly through removing barriers to employment, such as discrimination or the non-recognition of skills and qualifications, which put migrants at risk of unemployment and social exclusion. The lower performance of

third-country nationals with respect to the indigenous population in Member States' education systems should also be addressed.

A better monitoring and anticipation of skills needs, as well as improvements in the recognition of skills and qualifications, also those obtained outside the EU, can substantially reduce the 'brain-waste' of highly educated migrants employed in low-skilled or low-quality jobs. While respecting the principle of Community preference and of the right of Member States to determine the volumes of admission of third-country national workers, a mapping of the skills profile of third-country nationals already living in the EU, would be instrumental in determining how the expanding legal framework of EU and national admission schemes for migrant workers could help mitigate skills shortages. A flexible, demand-driven admission policy can make an important contribution to meeting future labour needs. Skills matching can also be improved through reinforced cooperation with third countries in the areas of skills recognition, sharing information on labour market needs, and working with recruiters and employment agencies.

*Skills upgrading and matching - Key Actions 4 to 8:*

The Commission will:

- 4. As of 2012, produce **an EU skills Panorama** to improve transparency for jobseekers, workers, companies and/or public institutions. The Panorama will be available online and contain updated forecasting of skills supply and labour market needs up to 2020. It will provide: i) up-to-date information on the top 25 growth occupations in the EU, and on the top five 'in demand' occupations per Member State; ii) an analysis of skills requirements based on the European Vacancy Monitor; iii) an analysis of skills mismatches and use of skills in the workplace, through surveys of employers, learners and graduates; iv) foresight analysis at sector level, based on the work of the European Sector Councils' on Skills and Employment; and v) CEDEFOP<sup>9</sup> and Member States' projections. Where relevant the Panorama will report on skills needs in particularly important areas such as science, technology, engineering and mathematics.
- 5. By 2012, complete in all European languages the **European Skills, Competences and Occupations classification (ESCO)**, as a shared interface between the worlds of employment, education and training.
- 6. In 2012, consider the possibility of presenting proposals to help **reform the systems for the recognition of professional qualifications**, on the basis of the evaluation of the Professional Qualification Directive.
- 7. In 2011, launch a **New Agenda for Integration** of third country nationals, to provide improved structures and tools to facilitate the exchange of knowledge, and the mainstreaming of integration priorities of the Member States in all relevant policy areas.
- 8. In 2012, consider the possibility of presenting proposals to help improve **the enforcement of rights of EU migrant workers** in relation to the principle of free movement of workers.

*Accompanying and preparatory measures:*

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<sup>9</sup> European Centre for the Development of Vocational Training

The Commission, in cooperation with Member States, will also:

- By 2011, propose a **new benchmark on education for employability** to stimulate a new focus on preparing young people for the transition to the labour market, propose a Council Recommendation on **reducing early school leaving**, and set up a **High Level Expert Group on improving literacy** among young people and adults.
- By the end of 2010, launch an **awareness campaign on how citizens can benefit from EU social security coordination rules to move within Europe**, without losing their rights.
- In the framework of the **SME Performance Review**, assess future skills needs in micro and craft (-type) enterprises for a representative sample of EU Member States, to better mainstream the needs of these enterprises in existing EU policy initiatives.
- As of 2011, support competences for sustainable development, and promote skills development, in sectors covered by **the Roadmap towards a resource-efficient Europe and by the new Eco-Innovation Action Plan**.
- As of 2011, support '**knowledge alliances**', i.e. ventures bringing together business and education/training institutions to develop new curricula addressing innovation skills gaps and matching labour market needs. The EU Industrial PhDs in the framework of Marie Curie actions and the Erasmus placement in companies will also be developed.
- In 2011, propose a Council Recommendation on the identification, recording and **validation of competences** gained outside of formal education and training, including in particular a **European Skills Passport** to help individuals record and present the skills acquired throughout their life.
- In 2011, present **an analysis of the contribution of migration policies to labour market and skills matching** in line with the Stockholm programme. A **policy network to improve the education of migrants** will be established to address the educational achievement gap between migrant students and the indigenous population at school.
- By 2012, **reform the European Employment Services EURES and its legal basis**, to develop its matching and placement capacity at the service of the European Employment Strategy and to expand it to support Your First EURES Job.
- By 2012, propose an EU-wide approach and instruments to support Member States in the **integration of ICT competences and digital literacy (e-skills) into core lifelong learning policies**.
- By 2012, present a **Communication on the European policy for multilingualism**, proposing priorities in the education and training systems, and a European language benchmark based on results of the European Survey on Language Competence so as to achieve the "mother tongue +2" Barcelona objective.
- By 2012, develop in cooperation with Member States an **action plan to address the gap in the supply of health workers**. The action plan will be accompanied by a Joint Action under the Health Programme on forecasting health workforce needs and workforce planning.

- By 2012, map out and promote European **centres of excellence within new academic specialisations** for tomorrow's job. The Commission will analyse the best way to support mobility of students (European and international) towards these centres of excellence.

### 3. IMPROVING THE QUALITY OF WORK AND WORKING CONDITIONS

#### *Mixed results on job quality across the EU over the last decade*

High quality of work goes hand in hand with high employment participation. This is because the working environment plays a crucial role in enhancing the potential of the workforce and is a leading competitiveness factor. In order to innovate and to deliver promptly and efficiently, EU companies depend for their survival and expansion on a committed workforce, thriving in a high-quality working environment, with safe and healthy working conditions.

During the last decade, there has been good and bad news on job quality across Europe. Job satisfaction has increased overall; accidents at work, including fatal accidents, have decreased although, at least for a minority of people, work has become more intense and stressful. On the other hand, workers in involuntary temporary and part-time work have increased from 53.7% and 18% in 2001 respectively, to 60.3% and 25.6% in 2009. Wages have tended to grow below productivity in most Member States, and in-work poverty is persistent: employed people living under the poverty threshold have remained stable at around 8% since 2005. In many countries, undeclared work continues to leave important segments of the workforce unprotected and vulnerable.

Due to the crisis, more jobs have been exposed to competitive pressures and deteriorating working conditions. In many instances, new forms of work and a higher number of job transitions have not been accompanied with appropriate working conditions, increasing psychological stress and psychosocial disorders. This has social and economic costs and may undermine Europe's capacity to compete: unsafe, unhealthy work environments result in more claims for disability benefits and earlier exits from active life.

#### *Reviewing EU legislation and promoting 'soft' instruments*

Improving job quality will require an integrated policy response at EU level as well as action by Member States. The Union has a solid legislative 'acquis' as a complement to Member States' action in improving working and living conditions, ensuring minimum standards across the EU on working conditions, health and safety at work, information, consultation, participation rights of workers, gender equality and non-discrimination, underpinning fairer competition, high levels of productivity, and for the creation of quality jobs. The 'acquis' must nevertheless be adapted: to clarify the implementation or interpretation of rules, and make them easier to understand and apply by citizens and businesses; to respond to the emergence of new risks for human health and safety in the workplace; and to cut red tape. More generally, the legislative 'acquis' must be kept in tune with new working patterns and technologies, so that it helps rather than hinder workplace adaptation.

Legislation at EU level is not always enough. 'Soft' instruments such as comparative analysis, policy coordination, exchange of good practice, benchmarking, implementing guides, frameworks of action, codes of conduct and recommendations, can help significantly in shaping consensus and creating the right incentives for action at national or company level. Other initiatives should therefore be put in place, to underpin a smarter legal framework,

consolidate a long-term strategic approach to improve the way national authorities and social partners implement legislation at national level, and to revise the concept and indicators of quality of work.

### **3.1. A smarter EU legal framework for employment and health and safety at work**

The Commission will carry out a large-scale, step by step evaluation of the present legislative ‘*acquis*’. Work has already started with the evaluation of two significant pieces of legislation — on working time and on the posting of workers; it shall expand to other elements related to employment and health and safety. This comprehensive evaluation will not hinder the preparation of new legislative proposals, if a clear need arises for immediate action, and if new provisions are justified by a full-fledged assessment of their economic and social impact.

Moreover, there is a need to assess in depth a number of legal provisions which may appear as ineffective or difficult to enforce, such as the rules applying to the protection of beneficiaries of supplementary occupational pensions in case of the employer’s insolvency. The Commission will propose to include, after appropriate assessment, seafarers and fishermen within the scope of the EU employment legislation. In the area of occupational health and safety, priorities will include the review of the directives dealing with the protection of workers exposed to electro-magnetic fields, to carcinogens and mutagens, and to the prevention of musculoskeletal disorders. The risks from exposure to environmental tobacco smoke will deserve special attention. In addition risks associated with nano-materials and the causes of the growing incidence of mental illnesses in the work place will be investigated.

### **3.2. A strategic approach based on 'soft' instruments**

The Commission can play a role and mobilise resources from Member States, social partners and EU agencies. Through European social dialogue, cross-industry and sectoral social partners have also developed an important body of 'soft' instruments, including autonomous agreements; these contribute to improve working standards and have a direct, concrete impact on the working conditions of millions of workers in the EU. While respecting the autonomy of social partners, the Commission will continue to support and facilitate this activity and, where justified, evaluate the impact of such agreements.

The lessons learned from the EU Strategy on Health and Safety at Work 2007-2012 should serve to launch a debate about the renewal of that Strategy, as well as its possible extension to other policy areas.

Undeclared work, including misclassification by employers of employees as independent contractors, continues to expand and increasingly gains a cross-border dimension: further efforts are needed to strengthen cooperation at EU level between labour inspectorates and other bodies whose mission is to control the application of employment law.

Efforts are also needed to review the EU definition and common indicators of quality of work, and make them more operational for the evaluation and benchmarking of Member State policies in this area. In particular, the approach to job quality should be re-examined in the light of recent policy developments such as flexicurity and ‘making transitions pay’, and the development of new working patterns.

*Quality of work and working conditions - Key Actions 9 to 12:*

The Commission will:



- 9. In 2011, review **the Working Time Directive**, and make a legislative proposal aiming at improving the implementation of the **posting of workers directive**. Wherever appropriate, the Commission will initiate action to **amend, clarify or simplify existing employment-related legislation**, if justified by an impact assessment, and after consulting EU social partners.
- 10. In 2011, undertake **the final evaluation of the EU Strategy 2007-2012 on Health and Safety at Work**, and on this basis propose in 2012 **a follow-up Strategy for the period 2013-2020**.
- 11. In 2012, review **the effectiveness of EU legislation in the area of information and consultation of workers, as well as EU directives on part-time work and fixed-term contracts and their impact on female participation in employment and the equal pay**; working with social partners and respecting the autonomy of the social dialogue.
- 12. By 2014, conduct **a comprehensive review of health and safety legislation** in partnership with Member States and the European social partners, in the framework of the Advisory Committee on Safety and Health at Work.

Accompanying and preparatory measures:

The Commission, in cooperation with Member States and social partners, will:

- In 2011, examine **the feasibility of an initiative to reinforce cooperation among labour inspectorates and other enforcement bodies**, with the aim of preventing and fighting undeclared work.
- In 2011, **review and streamline the policy concept of quality of work**, in cooperation with Member States and social partners.
- In 2012 **examine the impact of employment-relevant non-discrimination directives**, namely 2000/78/EC<sup>10</sup> and 2000/43/EC<sup>11</sup>.

#### 4. SUPPORTING JOB CREATION

*The economic crisis had a dramatic impact on job creation, but some obstacles to labour demand are structural*

It is not enough to ensure that people remain active and acquire the right skills to get a job: the recovery must be based on job-creation, which depends first and foremost on economic growth. And indeed, since 2008 the economic downturn has had a tremendous impact on job creation: it has wiped out much of the steady gain in EU employment growth and the reduction in unemployment witnessed over the preceding decade. Economic growth in the EU began again in the second half of 2009, after five quarters of consecutive contractions; EU

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<sup>10</sup> Council Directive 2000/78/EC of 27 November 2000 establishing a general framework for equal treatment in employment and occupation

<sup>11</sup> Council Directive 2000/43/EC of 29 June 2000 implementing the principle of equal treatment between persons irrespective of racial or ethnic origin

labour markets have started to show some signs of stabilisation, and job vacancy rates have gained some ground in recent quarters.

While these positive developments should be celebrated, not all the changes seen over the last two years were the result of the economic climate: job creation also depends on the labour market policies implemented at EU and national level. Stimulating growth may not be sufficient to create more and better jobs: the business environment needs to be job-friendly.

Policies designed to promote job creation must take into account the important contribution of small and medium-sized enterprises (SMEs) for a large proportion of Europe's economic and professional activity. Over 99% of businesses in the EU are SMEs, which provide two-thirds of all private sector jobs, pointing to the importance of paying due attention to the needs of SMEs in the design of employment-relevant legislation. Yet too few of our innovative SMEs grow into larger companies employing a bigger number of people; there are also fewer young, R&D-intensive innovative firms in the EU than in the US. Important shortages in innovation and e-skills prevent SMEs from adopting innovative smart business models and new technologies. The self-employed account for 15% of the EU workforce, and even in periods of economic prosperity their numbers have not increased substantially: the proportion of self-employed workers within the total EU workforce fell by 1 percentage point between 2000 and 2008.

### ***Restoring job creation to ensure that all those who want to work can have a job***

Economic growth remains the main lever to job creation. The Europe 2020 Flagship Initiatives 'Innovation Union'<sup>12</sup> and 'Industrial Policy for the Globalisation Era'<sup>13</sup> set out an important package of actions for a new strategic approach to innovation and a competitive industrial base; they should contribute to boost economic growth, anchoring it on knowledge and high value-added activities and to help identify opportunities for investment and job creation. The "Single Market Act"<sup>14</sup> also puts forward a package of proposals to reap the full potential of the single market and enhance growth and jobs. Similarly, the "Youth on the Move"<sup>15</sup> Flagship Initiative has already outlined a specific framework for youth employment.

Beyond these initiatives, however, the right conditions to create more jobs must also be put in place, particularly at both ends of the skill-spectrum. Acknowledging that the EU still has substantial room to improve the way it brings innovation to the production systems, the Commission will propose ways to facilitate job creation in companies operating with high skills and R&D intensive business models. It will also look at incentives for employers to recruit the long-term unemployed and other workers drifting from the labour market. In complement to Member States efforts, the Commission will also pay particular attention to entrepreneurship and self-employment as essential means to increasing employment rates. All initiatives will respect the "think small first" principle to take into account the specific characteristics of SMEs.

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<sup>12</sup> COM(2010) 546, 6.10.2010.

<sup>13</sup> COM(2010) 614, 28.10.2010.

<sup>14</sup> COM(2010) 608, 27.10.2010.

<sup>15</sup> COM(2010) 477, 15.9.2010.

#### 4.1. Strengthening the framework conditions for job creation

Commission estimates indicate that a 25% reduction of administrative burden could, in the long-run, result in a GDP increase of 1.4%. In order to combine economic growth with job creation, administrative obstacles to set up one's business and to hiring should be removed. This is particularly important in companies operating in fast-moving sectors and with R&D intensive models, where the demand for high skills can be significant. Indeed, achieving the target of spending 3% of EU GDP on R&D by 2020 would induce the creation of 3.7 million jobs by 2020<sup>16</sup>. In this respect, more investment should be undertaken to increase the number of graduates in science, technology, engineering and maths (STEM) so as to create the right conditions to deploy key enabling technologies, essential in the R&D and innovation strategies of industry and services.

Stimulating recruitment through a reduction of non-wage labour costs (e.g. with a shift from labour taxes to energy consumption or pollution) is paramount in times of high unemployment, since the costs of sustaining unemployment insurance systems will most probably outweigh the reduction of revenue for the social security system. This is particularly important for those who experience particular difficulties to find new jobs after a recession, such as the low skilled or the long-term unemployed. Incentives to shift jobs from the informal into the regular economy are also essential; a good case in point is the development of regular employment in domestic, social care and other not-for-profit activities, offering an important entry to the labour market for those furthest away from it.

#### 4.2. Promoting entrepreneurship, self-employment and innovation

The social economy enterprises, co-operatives, mutual societies as well as micro-enterprises, including self-employment, can offer a source of innovative solutions to respond to social demands in a participative process, providing specific employment opportunities for those furthest away from the labour market. The Commission communication on the "Single Market Act"<sup>17</sup> already announced a number of initiatives actions aiming at the development of the social economy sector and social businesses, such as the Social Business Initiative or the public consultation on the implementation of the regulation on the European Cooperative Statute. The European Institute for Innovation and Technology (EIT) will foster business creation and development through innovation-driven research, particularly through a strong emphasis on entrepreneurship.

Entrepreneurship should become a more widespread means of creating jobs, as well as fighting social exclusion. The accent must be put on training to ensure that education systems truly provide the basis to stimulate the appearance of new entrepreneurs, and that those willing to start and manage an SME acquire the right skills to do so. Member States should develop entrepreneurship in school curricula to create a critical mass of entrepreneurship teachers, and to promote cross-border universities and research centres' collaborations in the area of innovation and entrepreneurship.

*Supporting job creation - Key Action 13:*

13. In 2011, the Commission will propose **guiding principles to promote enabling conditions for job creation**. These will include ways to: i) address administrative and legal

<sup>16</sup> COM(2010) 546, 6.10.2010.

<sup>17</sup> COM(2010) 608, 27.10.2010.

obstacles to hiring and firing, to creating new businesses and to self-employment ii) reduce non-wage labour costs; iii) move from informal or undeclared work to regular employment.

*Accompanying and preparatory measures:*

The Commission, within the Small Business Act, will:

- By the end of 2010, launch a proposal to **extend and transform the Preparatory Action Erasmus for Young Entrepreneurs (EYE) into a permanent programme.**
- Support specific teacher-training programmes as well as the exchange of best practice to **develop teachers' training in entrepreneurship**, and launch a policy handbook on entrepreneurship education in order to enhance the spread, impact and quality of entrepreneurship education in Europe.

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### **EU FINANCIAL INSTRUMENTS AT THE SERVICE OF NEW SKILLS AND JOBS**

In light of the current fiscal constraints on national budgets, Member States and the Commission must focus on making better use of EU funds. Cohesion policy contributes already to the development of new skills and to job creation, including in the expanding area of the green economy. More can be done to fully exploit the potential of the EU financial instruments and regulations that support reforms in the fields of employment, education and training: this means the European Social Fund (ESF) in the first place, but also the European Regional Development Fund (ERDF), the Rural Development Fund (EARDF), the Lifelong Learning Programme and Progress.

In particular, in line with the proposals set out in the Budget Review<sup>18</sup> and in the Fifth Cohesion Report<sup>19</sup>, the impact of the Cohesion policy instruments, including ESF, should be enhanced by focusing on four priorities: 1) concentrating financial resources in a fewer number of priorities; 2) strengthening conditionality and incentives to stimulate Member States to achieve institutional reforms announced in the National Reform Programmes; 3) focusing on results, through a set of clear and measurable targets and indicators agreed between the Commission and Member States; and 4) establishing development and partnership investment contracts between the Commission and Member States.

While the substantial review of financial instruments will be part of the discussions accompanying the preparation of the next Multiannual Financial Framework, these four core priorities should serve as guidance to strengthen, as of now, the contribution of the EU funds and of the EU budget to the New Skills and Jobs Agenda.

Member States are invited to focus ESF and other EU funds interventions on key structural reforms, on fostering structural conditionality, and thus contribute to the key actions and measures proposed in this Agenda, and to the objectives and national targets of Europe 2020. In particular:

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<sup>18</sup> COM(2010) 700, 19.10.2010.

<sup>19</sup> COM(2010) 642, 9.11.2010.

**1. On Flexicurity:** ESF programmes can support the design of better policies such as active labour market measures and lifelong learning, tools and institutions including public employment services. **Social partners** can also be supported by the ESF through partnerships for reform in employment. ESF support to strengthen administrative capacity can underpin integrated flexicurity approaches; the **7<sup>th</sup> Framework Programme for research, technological development and demonstration activities** can contribute to evidence-based decision making.

**2. On skills upgrading and matching:** The ESF can invest in the forecasting and development of qualifications and competences, and support the reform of education and training systems to strengthen their labour market relevance. The exchange of experiences and networking between higher education, research and business centres to address new skills requirements can also be funded. Jobs related to the greening of the economy, and to the health and social services sector can also benefit from strengthened ESF and other EU funds support, as well as ICT competences in view of the importance of ICT in today's economy and society. ERDF supports investments in education infrastructure. Lastly, the ESF and other Structural funds could act in synergy with other instruments, such as the **European Fund for the Integration of third-country nationals** to increase the participation of migrants in employment and combat discrimination, and the **Lifelong Learning Programme**.

**3. On quality of work and working conditions:** The ESF can co-fund the design and dissemination of innovative and more productive forms of work organisation, including better health and safety at work. With a view to eliminating gender gaps, the ESF can support measures to reconcile work and private life, gender mainstreaming, and actions for tackling gender-based segregation in the labour market.

**4. On job creation:** The ESF and other EU funds can support the promotion of entrepreneurship, business start-ups and self-employment. Financial engineering can provide the missing link between financial markets and small entrepreneurs. The ESF, the ERDF-funded Joint Action to Support Micro-finance institutions in Europe (**JASMINE**) and the recently created **European Progress Microfinance Facility** can help individuals get out of unemployment and social exclusion by setting up business or becoming self-employed. These measures are complementary to other ESF investments for the most vulnerable.

Lastly, the ESF and other EU funds can also provide specific, **targeted support to specific groups in all the priorities areas of the Agenda**; a case in point is the support provided in some Member States to the **Roma**, in areas such as counselling, education, training and guidance for the self-employed.

## CONCLUSION

The 13 key actions and the accompanying and preparatory measures proposed in this 'Agenda for new skills and jobs' require a mix of EU policy instruments, including legislation, policy coordination, social dialogue, funding and strategic partnerships. The Agenda is complemented by other EU initiatives aiming to address the concerns of specific groups, such as the Europe 2020 Flagship Initiative 'Youth on the Move'<sup>20</sup>, and the 'Strategy for equality between women and men 2010-2015'<sup>21</sup>. More importantly, many of the policy areas of this

<sup>20</sup> COM(2010) 477, 15.9.2010.

<sup>21</sup> COM(2010) 491, 21.9.2010.

Agenda, such as job creation, depend on – and are only part of - the integrated approach of the Europe 2020 strategy.

**Delivery and participation are essential to the success of the Agenda.** In particular, social partners play a key role in the implementation of flexicurity and other aspects of this flagship initiative. These actions could be analysed at EU level every year in a Tripartite Social Forum. Cooperation at local and regional level — between social partners, Public Employment Services, social services, education/training institutions, civil society organisations — will be important to reach those who find it hard to get a firm foothold in the labour market.

**EU funds, particularly the European Social Fund,** can significantly contribute to the EU Agenda and act as a catalyst and as leverage in support of the Union’s policy priorities.

**The Commission will also advance the international dimension of this Agenda.** The crisis has prompted the emergence of a global consensus for economic and financial objectives to co-exist equally with employment and social ones. Now that the recovery is starting to take shape, the Commission will encourage pooling of resources internationally, in multilateral frameworks (ILO, G20, OECD, and UN), within existing bilateral cooperation structures with strategic partners (notably the US, Canada, China, India, Japan, South Africa, Russia and Brazil), within regional policy frameworks (ASEM and EU-Latin America).

The Commission will **revise the Agenda’s priorities in 2014**, and adapt them to the new Multiannual Financial Framework. Till then, it will report on progress in the Annual Growth Surveys within the Europe 2020 strategy.