



JOINT ANALYSIS OF KEY CHALLENGES FACING EUROPEAN LABOUR MARKETS

CHALLENGES

RECOMMENDATION OF EUROPEAN
SOCIAL PARTNERS

October 2007

FOREWORD

BUSINESSEUROPE, UEAPME, CEEP and ETUC reiterate their support for the Lisbon strategy aimed at turning Europe into the most competitive knowledge-based society in the world, capable of sustainable economic growth, with more and better jobs and greater social cohesion. Faced with the challenges of globalisation, technological progress and demographic ageing, the Lisbon strategy remains as valid and necessary as when it was adopted in 2000. Europe's weakness in terms of growth and jobs needs to be addressed.

The Lisbon strategy is about improving our competitiveness in high added-value products and services and more generally about securing Europe's place on world markets by moving up the ladder of innovation, technology and productivity. Europe cannot compete with low-wage countries for labour-intensive products.

In order to contribute to enhancing Europe's employment and growth potential and the impact of the European social dialogue, and as foreseen in the social dialogue work programme 2006-2008, the European social partners have undertaken a joint analysis on the key challenges facing Europe's labour markets. This brochure focuses on the challenges and joint recommendations to the EU and national institutions.



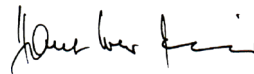
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The full version of the Joint Analysis Report on the key challenges facing Europe's labour markets is available on:

www.busesseurope.eu

www.ueapme.com

www.etuc.org

www.ceep.org

CHALLENGES



To foster the development of more and better jobs, Europe needs to enhance growth, productivity, employment and social cohesion. This requires economic and social policies that are mutually re-inforcing, putting the priority on the twin objectives of employment and productivity and takes into account the existing diversity between Member States. The right mix of policy measures should rest on the following

ACTIVE LABOUR MARKET POLICIES AND ECONOMIC POLICIES

Active labour market policies and education and training

Europe needs to make a decisive choice in favour of active labour market policies which are ‘investing in people’ as well as in favour of linking these with sound macroeconomic policies.

In today’s labour market, it is more than ever necessary to make sure people possess the necessary skills and capacities to adapt to changes, to enter and remain on the labour market and grasp new employment opportunities.

One aspect of assuring higher employability is putting into place effective active labour market policies. This presupposes that the necessary budgetary conditions are created to allow such investment, and the existence of well functioning public employment services, including individual accompanying services. These are all key elements to facilitate the active search of jobs in order to better match labour supply and demand.

In order to achieve a well functioning labour market, the interaction of ALMP with well designed unemployment benefits systems, with rights and obligations for the unemployed is particularly important in order to facilitate reintegration into work.

Another element to improve employability is the promotion of lifelong learning in order to improve competences and qualifications.

A more and more developed knowledge- and service-based economy requires a more and more high qualified and high-skilled workforce. Consequently, Europe needs to increase both educational attainment levels and improve access to lifelong learning

The education and training systems need to be better adapted to the need of the individual and the labour market.

It must provide the individual with a set of necessary basic skills before leaving the education system, including social and entrepreneurial skills, and address the problem of early school leavers. It must also allow for permeability between the different educational routes and systems. This should go hand in hand with a better recognition and valorisation of initial vocational training.

The updating of skills is heavily depending on adequate investment in lifelong learning. The responsibility for investing in this needs to be shared between all interested parties involved, e.g. public authorities, enterprises and the individual, through real partnerships. Individuals need incentives to participate in Lifelong learning continuously updating their knowledge. Employers need facilitation in order to invest in skills development. Furthermore, in particular for SMEs there is a lack of adequate training offers which needs to be addressed. Together with the need to invest more, a stronger effort needs to be made to increase the effectiveness of spending.

Against this background and in the light of future reduction of the workforce due to the demographic ageing, continuous training and skills upgrading is particularly important for older workers. This however has to start early on and be part of a broad active ageing and lifelong learning strategy. Moreover, if Europe is to exploit its labour market potential fully, special attention should be paid to the access to training and learning needs of disadvantaged groups.

Sound macro-economic policies & favourable business environment

Sound macroeconomic policies are essential for an economy to realise its full potential growth potential and to ensure high standard of livings for its citizens. They must be conducive to achieve high and sustainable growth, with an adequate interplay between:

- 1 sound fiscal policies consistent with a stability and growth pact promoting counter cyclicity,
- 2 monetary policy primarily ensuring price stability and, without prejudice to this objective, supporting the general economic policies in the Community with a view to contributing to its objectives of a high level of employment and of social protection, sustainable non-inflationary growth, a high degree of competitiveness and raising the standards of living as stated in Article 2 of the EC Treaty,
- 3 wage policies autonomously set up by the social partners and with real wage developments consistent with productivity growth.

In addition, creating a better and more supportive business environment that stimulates entrepreneurship and innovation is key to boost job creation. Releasing Europe's entrepreneurial potential requires the right regulatory, financial and administrative conditions in order to facilitate the creation and expansion of businesses. This is particularly important in light of the fact that SMEs and young companies represent the highest rate of net job creation in the EU.

At the EU level, a complete and fully functional internal market is essential to foster economic growth, job creation and innovation. Internal market barriers for SMEs need to be removed as a matter of priority in order to enable them to take full advantage of the European Single Market. Ensuring a level playing field on the internal market, including in the social area and in access to public services, requires respect of principles and legislation. This is essential for the well functioning of the internal market and plays a central role in citizens' perception of and support for European integration.

A supportive business environment creates the framework conditions for research and innovation, but needs to be complemented by a strong and coherent innovation policy. A knowledge economy requires a substantial investment in research and development. Therefore spending in research and development should be increased, meeting the Lisbon target of 3 percent of GDP, keeping in mind the balance between private and public spending.

SOCIAL PROTECTION AND COHESION

Tax and social protection systems

Well designed and well functioning tax and social protection systems are essential for effective labour markets, fostering more and better jobs in a competitive economy. One of the core features of European social systems is the provision of guaranteed income support in the event of unemployment, retirement or work incapacity, in particular against the background of an ageing society, a globalising economy and technological change. As a result of these developments, tax and social protection systems face various challenges:

- the challenge of providing the right incentives on the side of labour demand;
- the challenge of providing the right incentives on the side of labour supply;
- the challenge to combine competitiveness and social cohesion including a fair distribution of income;
- the challenge of ensuring the necessary financial basis for high quality and universal public services, education and labour market policies.

In a changing labour market with dynamic job flows and shrinking working-age population, tax and social protection systems should be designed in such a way that they facilitate activation, participation and re-integration into employment. In this respect, the active labour market policies and other labour market measures is of crucial importance. Promoting employment, facilitating mobility and helping workers to accept and be able to cope with change is all the more necessary in an environment in which people are more likely to change jobs.

Finally, Member States must take action to ensure the financial sustainability of their social protection systems.

A supportive public environment

High-quality public services play an important role in the development of effective labour markets and competitive economies. Cost-effective social protection systems; efficient public employment services, the quality of education in publicly-funded schools and universities; the availability of affordable and quality care services; and the effectiveness of public networks are all examples of how public services can underpin the competitiveness of the economy and help increase employment rates. There is a role for both public and private sectors in the provision of public services, with decisions being taken as close as possible to the point of delivery and underpinned by cost-effective private or public investments.

In addition, European social partners strongly support the Commission's efforts to improve legislation and hope that that genuine progress will be made towards reducing the costs of legislation and to achieve better regulation for growth and jobs in the EU. At the same time, the beneficial effects of regulation should be kept in mind.

Social cohesion

Social cohesion, high levels of employment and competitiveness are mutually reinforcing. European social partners consider labour market integration together with high quality and well designed welfare systems as essential in the fight against social exclusion and poverty.

The integration in the labour market of disadvantaged groups is vital for the economic development and social cohesion of both the EU as a whole and Member States. Ensuring equal opportunities for all is important for social cohesion and for mobilizing the full potential of the labour market.

LABOUR REGULATION AND INDUSTRIAL RELATIONS

Mobility

Geographical and professional mobility of workers is a necessary tool for a good labour market functioning and positively contributes to reducing the mismatch between labour demand and supply, decreasing bottle necks in specific sectors and professions. Geographic mobility can contribute to upwards convergence of working and living conditions. Furthermore, geographical and occupational mobility has also a significant impact on the growth and employment levels. In recent years, Member States with the highest overall levels of mobility have also registered strong economic growth and low – or significantly reduced – unemployment rates. This points to a relationship between mobility levels and strong economic and labour market performance.

The relatively low level of workers mobility across Europe can be explained by a multiplicity of factors cutting across the various European and national policy areas such as employment and social policies, internal market, education and training and fiscal policy.

Some of the more obvious barriers to cross-border mobility are the lack of language competences, problems with the recognition of qualifications and professional experience and fiscal problems. Furthermore, workers can also be discouraged from moving within their own country by the lack of adequate and /or affordable transport, housing and other key infrastructures. Additionally there are cultural, sociological and psychological barriers and overcoming them requires long-haul efforts at all levels.

That is why geographic and occupational mobility should be promoted through general labour market measures, respect for the principle of equal treatment as well as fiscal and regulatory instruments.

Undeclared work

European Social Partners are concerned about the high level of undeclared work in many Member States. Undeclared work is a complex phenomenon resulting from an interaction of multiple causes and is a worrying practice for all: employers, workers and the member states. It creates unfair competition for businesses in labour-intensive sectors. It places workers in insecure working conditions and undermines the financing of social protection and tax systems.

Undeclared work can only effectively be combated if actors at all levels are strongly committed to it. Combating undeclared is a shared responsibility of public authorities and social partners.

Social dialogue

Social dialogue is one of the main pillars of the social model in many Member States and at EU-level. It provides a platform for organising the collective voices for workers and employers, in particular setting the references for fair working conditions, contributing to social peace, social cohesion, contained wage inequalities and access to lifelong learning. Strong social partners at all levels play a key role in the smooth functioning of labour markets.

To answer the challenges of globalisation, climate and technological change and an ageing society, an effective social dialogue should also increase the adaptability of workers and employers and combine a high level of competitiveness for employers with the creation of a good working environment for workers.

At European level, social partners have adopted their second multiannual work program in view of tackling Europe's major economic and social challenges.

Labour law and contractual arrangements

Labour law, together with collective bargaining systems in their different forms and traditions, is vital to ensure the protection of workers individual security and collective rights and to provide legal certainty and transparency for employers.

The increasing pressure on workers and employers from globalisation and other economic and social changes requires that labour law responds to these new challenges. The priority is to review, and if necessary, adjust the role that job protection measures play in promoting productive and rewarding transitions into new or existing jobs.

Taking into consideration the different national institutional and socio-economic context, the need for labour law reforms varies in nature and extent.

Addressing the needs of employers and workers should allow them to adjust to changing economic conditions and to better reconcile work and private life. In this context, the availability of various contractual arrangements and the emergence of new forms of contracts need to be addressed.

In order to contribute to achieving a better balance between flexibility and security for workers, the European social partners concluded several framework agreements at European level on different forms of flexible work: on part-time work in 1997 and on fixed-term work in 1999, parental leave in 1996 and telework in 2002. The first three were subsequently implemented by European directives. The agreements illustrate the willingness of the social partners to establish a general framework for protecting the workers concerned against discrimination and to assist the development of opportunities for flexible forms of work on a basis acceptable to employers and workers in a context of mainstream employment.

FLEXICURITY

European Social Partners recognise that in today's labour market it is necessary to improve policy measures which address both the flexibility **and** security dimensions for workers and employers alike. Applied in the right way, the flexicurity approach can create a win-win situation and be equally beneficial for employers and employees.

European Social partners agree that there is no one single model applicable for all 27 Member States of the EU. While any approach of combining flexibility and security for workers and employers needs to address all of the following elements in a holistic and balanced way, the right balance between them needs to be decided at the appropriate level:

- **Labour law and contractual arrangements** facilitating the access to the labour market, the transitions into rewarding jobs, balancing between the need for protection of workers and flexibility for employers.
- **Effective and high quality active labour market policies**, investing in people and helping them to address change in a productive way
- **Lifelong learning policies** ensuring the employability of workers by improving competences and qualifications.
- **Efficient and sustainable social protection** systems providing guaranteed income support and fostering labour market integration
- **A social dialogue** contributing to a negotiated balance between flexibility and security, improving the smooth functioning of the labour market and the adaptability of enterprises and workers.

Important preconditions for flexicurity to work are sound macro economic policies and a favourable business environment realising and supporting the full growth potential and ensuring the necessary financial basis for public services and labour market policies.

Furthermore, flexicurity needs to be accompanied by the provision of good working conditions and quality of jobs as outlined below.

Quality of work has several dimensions: Ensuring career and employment security, maintaining and promoting the health and well-being of workers; developing skills and competencies; and reconciling working and non-working life. In addition, pay, equality and diversity at work are also important.

Quality of work is an important element in making the most of a society's potential and can be conducive to economic growth and productivity.

RECOMMENDATIONS OF SOCIAL PARTNERS

ACTIVE LABOUR MARKET AND ECONOMIC POLICIES

Active labour market policies

Social partners call upon Member States to:

- create the necessary resources to develop high-quality active labour market policies aimed at an early activation of the unemployed so as to improve their skills and minimise unemployment spells;
- Provide additional tailor-made measures to prevent or curb long-term unemployment;
- strengthen efforts to address the needs of disadvantaged groups in order to promote their integration into the labour market;
- improve the quality of activation measures in order to maximise their efficiency and effectiveness.

Social partners call upon the Commission and Council to:

- Make recommendations for national policy changes using the instruments of the Growth and Jobs strategy and monitor their implementation.
- Ensure an improved peer review and follow-up, based on reliable and up-to-date statistics and organise exchanges of experiences on Member States' active labour market policies with a view to learn from country-specific practices;
- focus on quantitative targets, in particular in the field of activation, education and life long learning and gender equality.

Education and training

Social partners call upon Member States to:

- Make the education and training systems better adapted to the need of the individual and the labour market;
- Promote the parity of esteem and the permeability between vocational education and training and other forms of education, including higher education

- Enhance the active participation of adults in further education and training, independent of their previous educational attainments
- Support measures of recognising and validating qualifications and informal and non-formal learning/competencies
- Improve the availability and quality of adequate training offers for individuals and employers, in particular taking into account the needs of SMEs

Social Partner activities:

As shown by their framework of action on this issue, social partners should promote the notion of lifelong learning and ensure that the continuous development of competencies and the acquisition of qualifications are a shared interest by both enterprises and employees

European social partners indicated in their work programme 2006-2008 that would negotiate an autonomous framework agreement on either the integration of disadvantaged groups on the labour market or lifelong learning.

Macroeconomic policies, including demand management policies:

Social partners call upon Member States and EU institutions to:

- Foster sound and counter-cyclical macro-economic policies, in order to realise the full potential of active labour market policies.
- invest, together with the European central banks, even more in the quality of the EU Macro-economic Dialogue (Cologne Process).

European social partners confirm their commitment to the process of the Macro-Economic Dialogue and the importance of discussing an appropriate policy mix between monetary, fiscal, exchange rate, wage and structural policies.

Favourable business environment:

Member States and EU institutions must combine forces to:

- Pursue an ambitious research and innovation agenda, putting in place the framework conditions to reach the 3% of GDP target for R&D spending.
- Strengthen the innovation capacity of SMEs by facilitating access to technology and finance, providing innovation support services and supporting the development of networks and clusters
- Implement the better regulation agenda with an increased attention for simplification, impact assessments and administrative cost reduction, while taking the beneficial effects of regulation into account.

- Implement and enforce the principles and legislation of the internal market, ensuring a level playing field, including in the social area and in access to public services.
- Support effective and full use of Community instruments, be it to develop regional infrastructures or to support transitions in sectors and areas affected by structural changes, such as provided by the European Social Fund (ESF) and the European Regional Development Fund (ERDF).
- Implement an efficient and sustainable energy market, promoting energy efficiency and guaranteeing the long-term supply of energy at competitive prices.

SOCIAL PROTECTION, COHESION AND INCLUSION



Tax and benefit systems

European social partners call upon Member States to:

- maintain and strengthen the role and contribution of social protection systems to social cohesion, solidarity and fighting poverty by providing wide coverage against social risks in work and life, including protection against and during unemployment in a changing labour market;
- examine and, where needed, address the interplay between tax and benefit systems, also considering the link with wage policies, in order to encourage people to enter, remain and progress on the labour market;
- examine, and where needed, address the interplay between social protection systems, active labour market policies, lifelong learning and work-life balance policies;
- implement the necessary reforms to ensure the financial sustainability of social protection systems.

European social partners call upon the EU to:

Increase the effectiveness and coordination with the Lisbon Strategy of the streamlined OMC on social protection and social inclusion by stimulating an in-depth and critical analysis of national policies and promoting exchanges of good practices in order to achieve its objectives of social cohesion, equality between men and women and equal access for all through adequate, accessible, financially sustainable, adaptable and efficient social protection systems and social inclusion policies.

Supportive public environment:

Acknowledging the importance of public services in underpinning competitiveness and employment, social partners call on Member States and EU-institutions to combine forces to optimise:

- efficiency of public services
- universal and equal access
- continuity, affordability and solidarity
- a high level of quality, security and safety
- adaptability to change
- operation close to citizens, respect for consumers and users' rights, transparency and democratic control
- availability and sustainability of social and physical infrastructures.

Social cohesion and social inclusion

Social partners call upon Member States to:

- provide support and incentives for people furthest from the labour market to move from social benefits to work;
- provide support and incentives for employers to hire people furthest from the labour market;
- develop or upgrade skills and address educational disadvantages through tailored education and training;
- ensure equal access to health, education, housing and social security services as well as access to the basic utilities that play an important role in alleviating and addressing the impact of social exclusion;
- enforce European and national anti-discrimination legislation;
- make effective use of existing financial instruments, notably the European Social Fund, to promote and fund policies aimed at the integration of disadvantaged people in employment.

Social partners call upon the Council and Commission to:

- encourage the Member States to implement the Growth and Jobs strategy to integrate more people in the labour market by creating more and better jobs;

The European social partners:

- indicated in their work programme 2006-2008 that would negotiate an autonomous framework agreement on either the integration of disadvantaged groups on the labour market or on lifelong learning.

LABOUR REGULATION AND INDUSTRIAL RELATIONS

Mobility

The European social partners call upon Member States and EU institutions to:

- apply EU provisions relating to free movement of workers;
- improve the quality of cross-border co-operation between public authorities;
- avoid double taxation of supplementary pensions;
- improve the transparency and recognition of education and training qualifications at EU level;
- facilitate cross-border mobility of third-country nationals already legally residing and working in a Member State;
- work to establish equal access to health services;
- address non-competitive clauses and practices in order to promote voluntary mobility of workers;
- enhance the quality of transport services and infrastructures.

Some of these barriers can be addressed at European level while others need to be tackled at national, regional, local or cross-border level. The European social partners held a seminar to identify areas where joint actions by the social partners at EU level could help address obstacles to mobility and included this topic in their 2006-2008 work programme.

Undeclared work

European social partners call upon Member States to fight against undeclared work by:

- ensuring the respect of law and rights (administration, social inspection, courts);
- improving the cooperation between social administrations throughout the EU;
- deciding jointly with the social partners on joint initiatives depending on the national situation; including campaigns against undeclared work, starting in those sectors where abuse is the most prevalent.

The European social partners will continue to discuss further this issue in the context of their 2006-2008 work programme.

Social dialogue

European social partners recommend Member States to promote balance on the labour market and strongly support a climate of trust and social dialogue between employers and worker organisations by:

- respecting the autonomy of social partners, including their right to bargain and to organise;
- closely involving social partners in the governance of the labour market, including the design and implementation of national reform programmes with a view to achieving the Lisbon objectives;
- assisting and supporting social partners and associating them in decisions on how to spend capacity-building funds available notably under the European social fund.

EU institutions should:

- promote social dialogue based on a genuine respect of the autonomy of the (European) social partners, which means recognising that social partners are responsible for the organisation of social dialogue, both interprofessional and sectoral, within the framework of the existing Treaty provisions;
- when consulting social partners, leave them the necessary room to ensure they can contribute to the implementation of the Growth and Jobs Strategy.

Labour law and contractual arrangement:

European Social Partners call upon Member States to:

Review, and if necessary adjust, the design of labour law, job protection systems and, together with social partners, collective bargaining practice with a view to:

- ensuring an optimal balance between flexibility and security for all employment relationships. Provide adequate security for workers under all forms of contracts in order to tackle segmented labour markets;
- developing complementary employment security measures promoting transitions into productive and rewarding jobs;
- enhancing legal certainty and transparency for both employers and workers with regard to the scope, coverage and the enforcement of labour law;
- implementing and respecting at national level the principles and rules of European social directives, including those deriving from a framework agreement among European social partners, as well as the basic principles of equal treatment and non-discrimination;

- promote stable employment relationships and sustainable labour market practices;
- put in place the framework to develop workplace practices improving the work/life balance and in this way promote full use of the productive potential of the European labour force.

FLEXICURITY

Recommendations on Flexicurity

In view of creating more and better jobs

European Social Partners call upon Member States to:

- design a right mix of policy measures addressing flexibility and security dimensions (labour law and contractual arrangements, effective and high quality active labour market policies, lifelong learning policies, efficient and sustainable social protection systems, social dialogue) for workers and employers in a holistic and balanced way.
Flexicurity policies must be accompanied by sound macroeconomic policies, favourable business environment, adequate financial resources and the provision of good working conditions.
- involve social partners in the design of policy measures and develop their capacity where needed;
- integrate the various policy measures in their National Reform Programme;
- strengthen efforts for a real and effective implementation of the various flexicurity measures at the appropriate level.

European social partners call upon the Commission and the Council to:

- involve the social partners in the ongoing debate on defining flexicurity principles at European level and take into consideration the present contribution.

Social partners must:

- actively contribute to the design and implementation of policy measures addressing the flexibility and security dimensions.