

Brussels, 7 May 2009

EU Employment Summit – questions and answers

What is the Employment Summit?

Following the conclusions of the Spring Council and as part of the EU response to the economic crisis, a special Summit dedicated to employment is taking place in Prague today. The meeting is an opportunity for the European institutions, Member States and social partners to work together to set out a common framework and proposals to address the employment impact of the crisis and its social consequences.

It will include presentations from the current and next two EU Presidencies and the social partners at EU level and a debate on the results of the preparatory workshops held during April in Madrid, Stockholm and Prague, and in the European Parliament on Tuesday.

President Barroso and Commissioner Špidla will participate on behalf of the European Commission, Prime Minister Topolánek and Prime Minister designate Fischer and Deputy Prime Minister Minister Nečas for the Czech Presidency, Prime Minister Reinfeldt and Minister Littorin for the future Swedish Presidency and Minister Corbacho for the future Spanish Presidency. The President of the European Parliament, Mr Pöttering, will also attend, together with the European social partners and the European Investment Bank. Finally, the chairs of the Employment Policy Committee, the Social Policy Committee and the Economic Policy Committee – which bring together all Member States – will also participate.

What is the EU doing to counter the employment impacts of the crisis?

The EU has already taken coordinated and effective action to counter the effects of the crisis, on employment in particular. There are two main challenges: first, to mitigate the effects on individuals and families of unemployment induced by the crisis; and second, to prevent cyclical unemployment becoming structural, for example through long term unemployment, labour market rigidity and build up of skills gaps.

As a stable financial sector is a prerequisite for building sustainable recovery and the right conditions for jobs and growth, coordinated European action was taken to recapitalise and guarantee banks across the EU, preventing the meltdown of the European banking industry.

The European Economic Recovery Plan, endorsed by all Member States last December, aims to relaunch the economy and thus protect and create employment, both now and in the future, including by setting out short-term measures to boost demand and by promoting major investment in infrastructure projects (see [IP/08/1171](#)). It is crucial for our short term actions to be coherent with our long term goals.

The national discretionary recovery measures over 2009 and 2010 are estimated at more than €200 billion, exceeding the target set in the December Recovery Plan. After adding the measures taken at EU- level, the increase in unemployment benefits and other public expenditure (the automatic stabilisers) and other measures without an impact on the budget (e.g. operations through public enterprises to support demand), we come to a total of around 5.5% of EU GDP, or around €550 billion.

Although most of the financial resources to tackle unemployment are at Member State level, the EU also has a role to play. The Commission has also proposed changes to both the European Social Fund and the European Globalisation Fund to make them more effective during the crisis and help keep more people in jobs as well as help them find new ones. There is now a political agreement on the new regulation for both funds. Concretely this means that the procedure to access them will be simplified and that for the European Social Fund, advance payments from early 2009 have been stepped up. As a result, Member States have earlier access to up to €1.8 billion to reinforce active labour market policies, refocus support on the most vulnerable, step up action to boost skills and where necessary opt for full Community financing of projects during this period.

For the EGF, this means more redundancy cases will be eligible so more workers can be helped. Member States will also be able to use the Fund more easily, and longer support will allow the best measures to assist workers.

Flexicurity continues to offer the right framework for action – including by enabling the use of internal flexibility such as short-time work which helps workers stay in jobs and maintain or upgrade their skills, and will also help employers avoid the costs of recruiting and retraining when the economy picks up again.

Restructuring will take place and is never easy. It should be implemented through active social dialogue to find the best possible solutions in difficult circumstances. The European Commission is developing a comprehensive toolkit on anticipating, managing and reacting to restructuring to assist all actors involved when restructuring takes place: companies, employees' representatives, regions, national authorities and employees themselves.

What are the key issues on the table at the Summit?

The Commission organised, together with the Czech EU Presidency and the next two presidencies (Sweden and Spain) a series of workshops bringing together a wide range of stakeholders to prepare today's summit. The consolidated report from these workshops raises the following key issues for discussion:

- **Maintaining employment and promoting mobility** Measures are needed to retain people in employment and ease transitions between jobs. Implementing further flexicurity strategies in times of crisis (e.g. by supporting temporary flexible working-time arrangements, combined with training) could substantially reduce lay-offs, mitigate the social impact of the crisis, save considerable future (re)hiring costs for firms, and prevent the loss of firm-specific human capital. Promoting professional and geographical mobility is part of a coordinated response to the crisis, helping to redress labour market imbalances. Whilst retraining can help, for some workers, the way to remain in or return to the labour market may also require moving to other places, other regions or even to another Member State where work is available.

- **Upgrading skills, matching present and future labour market needs.** Skills are critically important for bringing young people into the labour market, to be ready to take full advantage of the opportunities of economic recovery and Europe's future growth and productivity, its capacity to adapt to change and create quality jobs. At the same time, it is essential to ensure a better match between skills and labour market needs, since even in these times of growing unemployment, many job vacancies remain unfilled.
- **Increasing access to employment.** The unemployed and people furthest away from the labour market, often from vulnerable groups such as people with disabilities, the low skilled or migrants, should be given support to (re) enter the labour market to avoid long term unemployment and social exclusion. In this context, Public Employment Services have an important role to play, for example by providing individualised advice to the unemployed.

What did the Summit agree?

The key messages agreed emphasise that future action on employment should be guided by a number of principles and, in particular, aim at maintaining employment and create jobs; increase access to employment and upgrade skills, match labour market needs and promote mobility. Ten concrete actions, addressing both short-term and long-term challenges, are suggested that should be implemented at national and European levels together with the social partners:

At national level:

- 1. Maintain as many people as possible in jobs, with temporary adjustment of working hours combined with retraining and supported by public funding (including from the European Social Fund).
- 2. Encourage entrepreneurship and job creation, e.g. by lowering non-wage labour costs and flexicurity;
- 3. Improve the efficiency of national employment services by providing intensive counselling, training and job search in the first weeks of unemployment, especially for the young unemployed.
- 4. Increase significantly the number of high quality apprenticeships and traineeships by the end of 2009.
- 5. Promote more inclusive labour markets by ensuring work incentives, effective active labour market policies and modernisation of social protection systems that also lead to a better integration of disadvantaged groups including the disabled, the low-skilled and migrants.
- 6. Upgrade skills at all levels with lifelong learning, in particular giving all school leavers the necessary skills to find a job.
- 7. Use labour mobility to match supply and demand of labour to best effect.

At European level:

- 8. Identify job opportunities and skills requirements, and improve skills forecasting to get the training offer right.
- 9. Assist the unemployed and young people in starting their own business, e.g. by providing business support training and starting capital, or by lowering or eliminating taxation on start-ups.
- 10. Anticipate and manage restructuring through mutual learning and exchange of good practice.

What tools can the EU offer to help tackle the crisis?

The EU can complement Member States' action on employment through instruments and mechanisms like:

- The current **European Social Fund** (ESF) programmes support 9 million workers each year. € 10.8 billion in grants will be available through the ESF in 2009 alone. The Fund can respond to crisis-driven needs, e.g. to improve matching of labour demand and supply by providing appropriate training or career advice, support setting up one's own business, or strengthen public employment services. The simplification of the rules for the ESF will allow an immediate increase of advance payments of €1.8 billion (see also [IP/09/703](#)). In all cases where there is a need to adapt the ESF programming to better face the crisis, the Commission will ensure that programme changes are completed in the shortest possible time.
- The EU's broader **cohesion package** includes a battery of measures, ranging from a massive cash injection in the form of additional advance payments from the Structural Funds to fast-track procedures to accelerate project implementation and the possibility for the EU to co-finance energy-efficiency improvements in housing. Member States have already received an additional €6.25 billion in advance payments: €4.5 billion from the European Regional Development Fund was paid out in mid-April, with a further €1.5 billion from the European Social Fund (ESF) soon after.
- The renewed **European Globalisation Adjustment Fund** (EGF) will extend its support to workers made redundant in the current crisis (see also [MEMO/09/221](#)). Its scope is being significantly broadened, and new procedures should allow support for a wider range of people who lose their jobs to be helped back into work. The annual envelope available under the EGF amounts to up to €500 million.
- **EURES** – the European jobs portal – helps people find a job in another European country and is supported by a network of over 300 specialist mobility advisers. The portal welcomes over 1 million visitors every month and offers direct access to job vacancies as well as information on labour market developments and living and working conditions in the different countries covered.
- The **European Employment Strategy** (EES) establishes common EU objectives and priorities, and ensures coordination of employment policies across the EU, creating more and better jobs. EU leaders agree on a framework for action around common objectives and priorities which are then translated into national programmes. This co-ordination forms the employment part of the EU's broader strategy for jobs and growth and has already saved millions of jobs in the context of the crisis. The Renewed Lisbon Strategy for Growth and Jobs and its targets still provide the right framework for action.
- The Open Method of Coordination (OMC) – the EU's system for coordinating national policies to **tackle poverty and social exclusion** – can help mitigate the impact of the economic crisis on the most vulnerable in Europe and on the economy as a whole. The EU's involvement encourages Member States to meet commonly agreed objectives, while each country can implement flexible policies that acknowledge the different national contexts.

- It also provides a mechanism for coordinating national policies on **modernising social protection systems**, for example to help ensure adequate and sustainable pensions and provide high quality and accessible health and long term care services. EU coordination of social policies can cushion the impact of the economic crisis and help recovery, by continuing long-term reforms balanced with short-term measures aimed at preventing job losses and sustaining household incomes.
- The **New Skills for New Jobs** initiative aims to help ensure a better match between skills and labour market needs in the EU and to more effectively analyse and predict which skills will be needed in tomorrow's labour market. It includes a series of actions to match skills with vacancies, to organise skills assessments on a permanent basis, to pool the efforts of Member States and other international organisations, and to develop better information on future needs. This will help Europe address the short-term employment impact of the economic crisis and improve the long-term job prospects of the EU workforce.

Why should skills upgrading and matching be a priority?

Across Europe, technological change, the impact of globalisation, ageing populations and the evolution of social structures are shaping future skills requirements. We need to have a much clearer understanding of the skills the economy will need in the future so that we can train people for the jobs that will exist in the years to come (e.g. "green" jobs or more jobs in the care sector).

19.6 million additional jobs are expected to be created between 2006 and 2020 in the EU-25 (according to projections from CEDEFOP), while 80 million jobs would become available as workers retire or leave the labour market. The gradual shift in Europe away from the primary sector and traditional manufacturing industries towards services and the knowledge-intensive economy is likely to continue. According to recent studies, by the year 2020, almost three quarters of jobs in the EU-25 are likely to be in services.

Lifelong learning and upgrading skills are critically important for Europe's future growth and productivity, its capacity to adapt to change, and for equity and social cohesion. It is the best way to exploit new opportunities for sustainable job creation, such as the shift to a low-carbon economy and the development of new technologies.

But upgrading education and skills levels alone is not enough: ensuring a better match between the supply of skills and labour market demand is even more important in times of crisis. Despite rising unemployment, job vacancies still exist, but people looking for work do not necessarily have the right skills to fill them.

Why is protectionism not the answer?

The EU's Internal Market plays a key role in creating more growth and jobs. In recent years, it has created millions of jobs across Europe and billions of euros in prosperity. Protectionism and erecting barriers, in whatever shape or form, have never created jobs. The Commission encourages free movement of workers as all the evidence shows it makes sense, and brings substantial economic benefits to all involved. The right to work in another Member State is a core principle of the EU, which also allows companies to operate in any EU country. Closing borders down will not bring more jobs. On the contrary, free movement and open borders in the EU contribute to more and better growth.

Whilst unemployment overall is rising in many Member States and in many sectors, there are still hundreds of thousands vacancies in the EU which are proving difficult to fill. Single market freedoms allow European citizens to find work in other parts of the Union. Intra-EU mobility, however, has generally remained at rather low levels (around 2% of the population).

Why is it important to keep people on the labour market?

We need above all to avoid long term unemployment and the vicious circles of exclusion and poverty setting in. Once out of the labour market, it is very difficult for people who have lost their jobs to get back in, and the economy as a whole loses out on their skills and human capital. A job is the first step out of poverty – which is why it is so important to keep people in jobs.

In the short term, it is vital to safeguard household incomes. Unemployment benefits and other benefits play a crucial role as automatic stabilisers and maintain demand and also avoid those most affected by the crisis from suffering a disproportionate impact. At the same time, we must continue to act to make our social models sustainable in the long term, for example preparing for the consequences of an ageing society, which means we must not sacrifice progress already made or lose sight of our long term goals.

Declining employment at a time when the number of older people in need of adequate pensions and health and long-term care is rising will make it a challenge to provide sufficient resources for social protection in a sustainable way. The projected increase in these expenditure categories by 2050 is about 4.5 percentage points of GDP in the EU-25.

What will be the impact of the crisis on social inclusion?

A crisis is more than ever a time for solidarity and it is by acting together that we will weather the storm best. Now is not the time to abandon initiatives to tackle discrimination and promote inclusion of vulnerable groups in society. Indeed, vulnerable groups risk being hit hardest by the crisis, for example by being the last to be hired and the first to be fired. And we need the talents of everyone to overcome the crisis.

The Commission is working hard at creating incentives for employers to provide stable and lasting employment to vulnerable groups. For instance, there is a regulation in place (General Block Exemption Regulation) that allows the Member States to subsidise the employment of disadvantaged members of society more generously than ever before. For example, up to 75% of wage costs and 100% of additional costs for employing persons with disabilities can be subsidised.

As part of the Renewed Social Agenda, the Commission proposed in 2008 to extend the existing legal protection against discrimination in employment to areas beyond the workplace, meaning areas like goods and services, education and social protection. This proposal is currently under discussion by ministers in the Council of the EU.

And the European Commission is continuing to take actions to improve the social inclusion of minorities like the Roma, most recently by launching a new EU level platform for Roma inclusion.

What will be the next steps?

The Employment Summit will help to develop concrete solutions to tackle the social dimension of the crisis. It is a key step in bringing about these solutions in the run-up to the European Council on 18-19 June.

Now is the time for a shared commitment to implement practical measures and solutions. Today's Summit has shown a new consensus with the social partners and other stakeholders about how to address the employment and social impact of the crisis and modernise policies to the mutual benefit of employees and employers. We will now pursue work on that basis.

Based on the workshops, messages from today's Summit and other contributions (for example from the social partners), the Commission intends to make specific follow-up proposals to the June European Council in a Communication.