

1. PROMOTE  
JOB CREATION

2. INCREASE THE  
SUPPLY OF SKILLED  
WORKERS

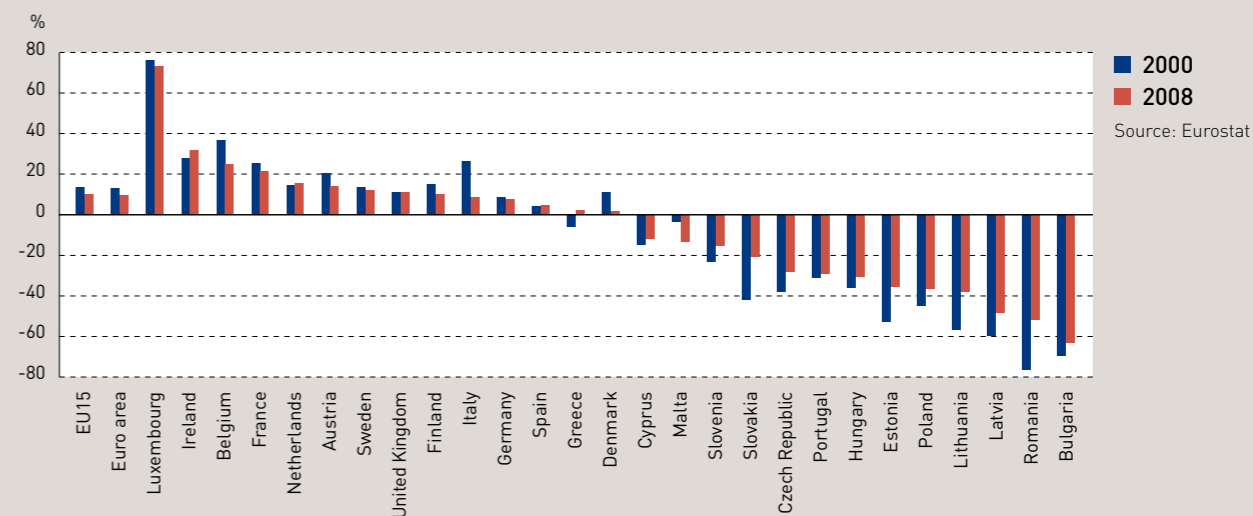
# TWO INGREDIENTS FOR BOOSTING EMPLOYMENT

‘Flexicurity is widely accepted solution to labour market problems – why are we waiting to follow that route?’

## 1. PROMOTE JOB CREATION

After a period of marked improvement, the outlook for employment has become bleak. More than 15 million new jobs were created in the EU between 2004 and 2008 but more than 7 million jobs could be lost in 2009-2010. Solid reforms are needed to ensure that employment growth goes hand in hand with higher productivity.

Chart 13 Labour productivity in Europe compared with EU27 average



Stabilising financial markets, returning to sound public finances, speeding up structural reforms, revitalising the Single Market, pursuing an ambitious international trade policy and supporting innovation and entrepreneurship is the best way to enhance job creation. But modernising national social systems is also part of the answer. Although this falls largely under national competence, the EU has a role to play in monitoring the progress made.

Implementing the agreed EU principles on flexicurity is more important than ever. Having flexible and reliable contractual arrangements, effective active labour market policies, comprehensive lifelong learning strategies, and modern social security systems is essential to find the way back to employment growth. At the same time, Member States must be encouraged to contain labour costs in order to increase labour demand.

In a joint analysis of the challenges facing European labour markets published in 2007, the European social partners called upon Member States to strengthen efforts to implement flexicurity measures. It also important to ensure that these national efforts are not subsequently undermined by unnecessary constraints in new EU social legislation.

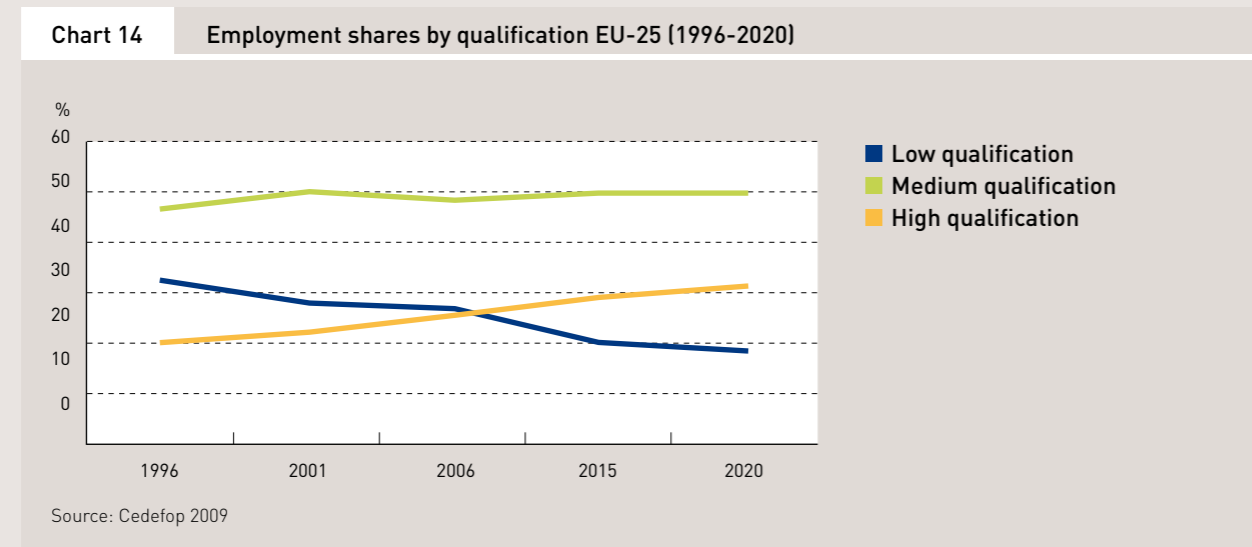


## 2. INCREASE THE SUPPLY OF SKILLED WORKERS

The paradox of Europe's labour markets is that rising unemployment co-exists with unfilled vacancies due to labour shortages. Demographic ageing will reinforce this problem. Addressing the skills mismatch and preparing to deal with the consequences of an ageing and shrinking workforce is indispensable for a sustained recovery. Europe must upgrade and update the skills of the European population, increase labour market participation, encourage mobility and put in place sound immigration policies if it does not want to be faced with structural labour and skills shortages.

Upgrading education and training systems, investing more and better in people and implementing effective lifelong learning measures to adapt skills to changing needs is a central element of the European strategy for building competitiveness through innovation. Associating entrepreneurs more closely in the definition of university curricula and involving social partners when drawing up and implementing EU tools to facilitate mobility such as National Qualifications Frameworks is also part of the answer.

The shortage in science and technology requires particular attention if Europe wants to compete on innovation and technology. Current estimates indicate that the EU lacks 20 million skilled workers. The situation is particularly acute for some sectors, such as the ICT sector which expects a shortage of 300,000 highly qualified employees by 2010. Most of the actions to increase the supply of science and technology graduates are a national competence. However, launching a European industrial doctorate supported through grants from the EU Marie Curie fellowship is part of the solution.



Low participation of older workers is another major component of the inefficient use of available labour. The European Union must encourage Member States to reform pension systems and remove incentives for early exit from the labour market in order to increase the employment rate of older workers, which stood at 45.6% in 2008, if it wants to preserve the main features of its social systems.

Legal economic migration can help to alleviate immediate labour shortages facing Europe. The EU framework on conditions for admission of third-country nationals must be sufficiently flexible and respect national competences in order to ensure that the decisions taken correspond to real labour market needs. Europe needs to improve its general record in attracting qualified migrants. The EU Blue Card proposal is a step in the right direction to ensure this.



### KEY POLICY RECOMMENDATIONS

- **IMPLEMENT** THE PRINCIPLES OF FLEXICURITY.
- **ENCOURAGE** MEMBER STATES TO CONTAIN LABOUR COSTS.
- **UPGRADE** EDUCATION AND TRAINING SYSTEMS AND IMPLEMENT EFFECTIVE LIFELONG LEARNING MEASURES.
- **ENCOURAGE** MEMBER STATES TO MODERNISE SOCIAL SECURITY SYSTEMS AND REMOVE INCENTIVES TO EARLY EXIT FROM THE LABOUR MARKET.
- **IMPROVE** EUROPE'S RECORD IN ATTRACTING QUALIFIED MIGRANTS.

