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**EMPLOYMENT COMMITTEE (EMCO) DISCUSSION ON LABOUR MARKET REFORMS AND NATIONAL REFORM PROGRAMMES
23 MAY 2012****Rebekah Smith, Senior Adviser, Social Affairs**

- 24.5 million men and women are without jobs in the EU. Almost 5.5 million unemployed are under 25.
- Four million jobs are vacant in the EU due to a mismatch between the skills of the unemployed and the skills required for available jobs.
- Contrasting situations on labour markets in different member states since the crisis, including in terms of unemployment level.
- Differences due to EU countries experiencing strong disparities regarding the functioning of their labour markets.
- Some countries had already carried out major structural reforms before the crisis, enabling them to manage unemployment smoothly despite the crisis.
- Useful to explore the various reforms carried out in Europe to assess their effectiveness. They could also serve as examples or avenues to be explored for other countries.

Key areas of action:**1. *Modernisation of employment policies***

- Before the crisis, some countries had reduced unemployment benefits because they were deemed not to provide incentives for finding a job. However, the crisis has prompted countries to reactivate them, and even to complement them with exceptional measures.
- This is not sustainable in long-term, therefore some countries have reduced their benefits. In parallel, some countries have put in place an obligation to accept a job to encourage a return to work or the possibility to combine unemployment benefits with a wage if the latter does not exceed a certain ceiling. This is a policy which provides an incentive to take a job.
- The European Commission's 18 April employment package correctly underlines the need to support job creation by encouraging demand on the part of companies.
- The main purpose of active demand-side employment policies today is to reduce labour costs in order to encourage companies to recruit more. This includes lighter taxation of labour (promoted by the Commission in the 2012 employment package) and negotiation of wages closer to the company level in order to take maximum account of productivity.
- In its Employment package, the Commission rightly highlights the importance of the role of social partners in the negotiation and implementation of structural reforms. This is a factor in ensuring effectiveness of the reforms.



2. Labour flexibility at the heart of job creation

- Flexibility in work contracts and flexibility in working time are necessary.
- The possibility to have easy recourse to temporary employment is an important factor for employers.
- The difficulty for an employer to terminate a work contract is an important barrier to job creation.
- In many countries, notably in southern Europe, the rigidity of indefinite contracts has led to segmentation on the labour market, with companies making greater use of temporary contracts.
- It is important to make indefinite contracts more attractive for companies. Moreover, in the Annual Growth Survey 2012 the Commission's first recommendation for employment is a rethink of the practicalities of indefinite work contracts.
- Use of part-time work is positive in a number of countries in increasing the employment rate and facilitating integration of women in the workforce.

3. Managing human resources intelligently and targeting young unemployed and long-term unemployed

- In all EU countries, particularly where there is limited room for additional public spending, more has to be achieved with existing resources. This requires putting labour market needs at the centre of education systems.
- Reducing unemployment relies on governments managing human capital more proactively. Education and training systems need to be reformed to ensure that curricula better match skills' needs on the labour market. The EU should support member states' efforts to modernise education and training.
- The Commission's employment package 2012 rightly encourages Member States to concentrate more resources on apprenticeship in order to better match young people's skills to labour market needs.
- One way could be for the Commission to earmark resources through the European Social Fund (period 2014-2020) to dual training (time shared between learning in class and the company).
- Limiting long-term unemployment is essential. Lifelong learning is important in this respect in enabling workers to remain adapted to the labour market and therefore to find a job more easily in the event of unemployment.