

**BusinessEurope's response to first-stage consultation of social partners
under Article 154 TFEU on possible EU action on activation of persons facing
significant barriers to enter the labour market**

BusinessEurope fully supports the objective of having more people enter and remain active on the labour market. In reply to the 1st stage consultation on possible EU action on activation of persons facing significant barriers to enter the labour market published on 22 July 2026, BusinessEurope would like to underline some key elements to be taken into account when defining a way forward on the issues raised in the Commission's consultation document.

GENERAL REMARKS

1. Labour market participation is essential for competitiveness, growth and social inclusion

Activation of persons excluded from the labour market is both an economic and social necessity. BusinessEurope shares the Commission's view that labour market exclusion is a structural constraint on European competitiveness, productivity and the long-term sustainability of public finances, but it is also a driver of poverty and social exclusion. Around 1 in 4 people of working age in the EU are economically inactive¹, far exceeding headline unemployment and representing significant untapped potential at a time of persistent skills and labour shortages.

2. Activation policies are primarily a public responsibility

Primary responsibility for activation lies with public authorities, public employment services (PES) and social protection systems. Employers play a role as partners and as end-receivers of activated workers, but the design, funding and delivery of activation pathways is a public function.²

Any EU initiative must respect this division of responsibilities, must not place disproportionate obligations onto business, particularly SMEs, and must refrain from duplicating systems that already exist and generally function well. Where barriers to labour market participation originate in the design of welfare or social protection systems, the primary response must be sought within those systems. Employers cannot be expected to assume responsibility for challenges arising from public policy choices. However, employers are important partners in increasing labour market participation. Their contribution - through inclusive recruitment, workplace adaptation, mentoring and cooperation with employment services - is best supported through voluntary engagement and enabling conditions staying away from new regulatory obligations.

The consultation document also raises labour and skills shortages in specific sectors. In this context, greater attention should be given to gender-segregated labour markets and gendered educational choices, which are structural factors contributing to persistent skills shortages in some sectors. Addressing these patterns requires action

¹ BusinessEurope, Policy orientation note on [Reducing Inactivity Rates in Europe](#) (May 2023).

² BusinessEurope, Position paper on [Active Labour Market Policies](#) (June 2017).



beyond activation policies, including measures to support more diverse educational and career choices.

3. Incentives and skills, not regulation, are the key drivers of successful activation

The goal of activation is to enable individuals to become active labour market participants, not simply to move them off benefit registers. Well-designed incentive structures that reward employment entry, and clear conditionality linking benefit receipt to active participation, are more effective tools than passive income support. Economically, the challenge will be to make sure that higher rate of activation not only leads to reduced inactivity but also to an increased labour productivity, which will depend on the success of parallel efforts to upskill and reskill the workforce.

Inactive and unemployed people participate to a lesser extent in training than employees, even though their employability will depend much on the way in which their skills are updated. As the main actor in measures to support the labour market participation of the inactive and unemployed, Member States should actively work with all employment services, and foster stronger cooperation between, public and private employment services in the provision of training that responds to labour market needs. It is also important that training programmes, which are provided within an activation support context, are regularly evaluated in order to assess their effectiveness in fostering labour market integration and, where necessary, that the training content is updated accordingly.³

4. Labour market flexibility must be preserved

Flexible labour markets are a fundamental precondition for effective activation.

The ability of employers to offer diverse contractual arrangements and adjust workforce needs to changing economic conditions, directly enables labour market entry for those furthest from the market. Any EU initiative on activation must therefore preserve and reinforce, not constrain, labour market flexibility.

Measures that reduce employers' capacity to adapt workforce arrangements may inadvertently reduce opportunities for those furthest from the labour market.

5. Europe should support, not regulate, labour market activation

We share the Commission's view that effective employment measures can be crucial in preventing long-term poverty, marginalisation and exclusion from the labour market. An EU initiative could contribute to this by supporting Member States' active labour market policies (ALMPs), for example, through a strengthened process within the European Semester or through better-targeted use of the EU social funds, in particular the European Social Fund Plus (ESF+).

Such support should take the form of advice and the sharing of best practices for active employment measures and for the use of training and work placement programmes. The EU should refrain from regulating the provisions or design of ALMPs. ALMPs

³ BusinessEurope, Recommendations on [Access to training for people that are inactive and unemployed](#) (September 2022).



should continue to be a national competence, so as to maintain the flexibility necessary to adjust swiftly to local, regional and national circumstances.

However, it should be considered whether some EU funding could be made conditional on Member States investing in ALMPs and addressing labour shortages, so as to provide an economic incentive for employment reforms.

6. Any initiative must respect subsidiarity, social dialogue and regulatory coherence

Several further principles must guide any EU initiative in this area. Many of the issues covered by the proposed measures are, in several Member States, regulated through social dialogue and collective bargaining. Any EU initiatives should therefore fully respect national industrial relations systems and avoid interfering with the autonomy of the social partners.

The Commission and Member States should also review whether existing and incoming legislation is at odds with the objective of labour market activation: the interaction of multiple regulatory frameworks, including the Platform Work Directive, the AI Act and the GDPR, can create overlapping compliance obligations that inadvertently reduce employers' capacity to offer access to jobs. Any new initiative in the field of activation should therefore be preceded by a coherence check against the existing regulatory framework.

Furthermore, any proposal must be accompanied by a robust assessment of its administrative impact on competitiveness and of the administrative burden it may generate for businesses, with particular attention to SMEs. Measures that increase regulatory complexity, compliance costs or legal uncertainty risk undermining job creation and labour market participation.

For these reasons, EU legislative initiatives in the field of labour market activation would not be necessary and would not be proportionate to the objectives pursued.

The EU legislative framework governing labour markets is already highly developed and a legislative approach to labour market activation would neither be appropriate nor proportionate to the objectives pursued.

7. Policy proposals must be evidence-based and consistent with competitiveness objectives

Before considering possible measures to address demand-side barriers, the Commission should conduct a thorough evidence-based assessment of the barriers to labour market participation.

While barriers may also occur in recruitment, job matching and workplace integration, their relative importance should be established on the basis of robust evidence. In this context, the consultation appears to place significant emphasis on demand-side barriers, including employer biases and the perceived overestimation of hiring costs for certain groups. However, the available data do not appear sufficiently robust to substantiate the scale and prevalence of these barriers as presented in the consultation. Employers are nevertheless important relevant partners in addressing certain practical barriers to labour market entry. EU action should therefore focus on enabling and supporting such cooperation, rather than assuming that employer



behaviour is a primary cause of inactivity or introducing new regulatory obligations without a clear evidence base.

In addition, Europe already has an extensive body of social legislation. Priority should therefore be given to the effective implementation of existing rules, their simplification where appropriate, and ensuring coherence with the objective of increasing labour market participation. The competitiveness of European companies remains the foundation of quality job creation and of the social model that supports poverty reduction: regulatory burden that inhibits investment works directly against the goals of this initiative.

SPECIFIC REMARKS

The consultation document identifies eight possible areas of EU action. BusinessEurope presents below the approach it recommends and the specific concerns to be avoided in each area.

1. Identification, outreach and registration

BusinessEurope supports more systematic and targeted approaches to identifying and reaching those excluded from the labour market. The Commission rightly notes that many inactive persons, particularly those with care responsibilities, are not registered with PES and are therefore invisible to support systems. Closer cooperation between PES, social security institutions and civil society organisations is essential to address this. It is important to prioritise support measures and incentives.

We also note a conceptual question about the scope of the outreach objective. Targeting persons not registered with any public employment or social service raises practical and definitional challenges. It is important to acknowledge that activating inactive people is a more challenging task in comparison to the traditional focus on activating the unemployed. This is due to the fact that a good share of inactive people is either further away from the labour market (i.e. less employable) than unemployed people, or less available for work. Having said this, inactive people are the right focus as this group is the most numerous and, therefore, it is where the greatest labour market potential lies.

Given that women are the target group where the labour market potential is highest, we support the objective to have more women enter and increase their participation in the labour market. It is essential to look at activation overall, with a focus on improving individual outreach and labour market participation incentives for all relevant target groups of under-employed people (e.g. old, young, disabled, migrants).

As regards the group of migrants, given that employment rate of non-EU migrant women (56.8% in 2024) is much lower than for migrant men (74.3% in 2024)⁴, it is important to widen the gender equality focus of this consultation to the group of migrants.

⁴ Rockwool foundation Berlin, Tommaso Frattini & Giuseppe Pulito, Report on [Employment of Migrants in the European Union](#) (July 2025).



To achieve results, a key aspect of this consultation should be to provide support at EU level for national employment services, both public and private, to cooperate better and identify country by country priority groups where to focus activation efforts.

EU support should focus on sharing lessons learnt at national level and creating a community of practice on the design of policy tools and incentives that have proven to make a difference in terms of activation outcomes. EU funding mechanisms (i.e. ESF+, cohesion fund, ECF, EU reform support mechanism) should help Member States in making the best of the available resources to achieve better activation outcomes. The upcoming revision of the PES network regulation is an important opportunity that must be seized to enable this improved cooperation.

Social partners also have a central role to play to achieve the right focus of activation policies at EU and national level. In this respect the EU social partners are foreseeing to take action on enhancing labour market participation in the framework of the future EU Social Dialogue Work Programme 2027-2028, with a review and update of the 2017 Autonomous Agreement on active ageing and an intergenerational approach, as well as the preparation of joint social partner recommendations on how to enhance labour market participation across all groups. The European Commission should take into account the European social dialogue planned actions when considering the way forward.

What we propose

- Support in improving PES cooperation with private employment services in proactive outreach to inactive groups.
- It is important that PES take a more data and evidence-based approach to identification and outreach. Research consistently shows that digital tools can be effective for reaching younger inactive groups, while in-person appointments involving guidance, counselling and individual conversations are equally effective for those further from the labour market. Activation efforts centring around work trials, workplace visits and part-time employment in companies also show strong results in terms of sustained employment outcomes and should be actively promoted as part of outreach and pathway design.
- As suggested by the Commission, the responsible use of AI can help improve the effectiveness of employment services by supporting more targeted outreach and reducing administrative burdens. This can free up resources for direct engagement with jobseekers and employers. The Commission can help advance this development by promoting the exchange of best practices, benchmarking and peer learning between Member States. The ongoing evaluation of the Public Employment Services network is also an opportunity to make concrete steps forward to strengthen the responsiveness of PES to employers' needs, to consider and frame the role of social partners in line with diverse industrial relations practices, and to improve the cooperation between public and private employment services.
- Outreach measures for parents and carers should be embedded in existing ECEC, social welfare and healthcare touchpoints.
- The European Employment Services network (EURES) should not be omitted from this initiative. The consultation provides a concrete opportunity to bolster



EURES as a practical tool for companies seeking to fill vacancies, and to strengthen its dissemination and use across Member States. A more effective EURES directly complements domestic activation efforts and supports the labour mobility dimension of this dossier.

- The initiative should favour guidance and sharing of well-functioning national practices rather than minimum standards for outreach. What matters is not compliance with a standard but the initiation of projects and initiatives adapted to local circumstances. Different Member States face very different starting points, and standardised approaches risk adding administrative burden on employment services without improving outcomes.

Points of attention

- Any employer reporting obligations on hiring from excluded groups that create administrative burden on companies, particularly SMEs.
- Prescriptive minimum outreach standards that fail to reflect differences in PES capacity, national systems and local labour market conditions across Member States.

2. Individualised pathways to employment and self-sufficiency

BusinessEurope supports the individualised approach to activation. Individual guidance, by assessing professional goals, designing appropriate training and providing support during the first months of employment, is the foundational tool for those furthest from the labour market.⁵ Extending elements of the 2016 Long-Term Unemployed (LTU) Recommendation⁶ to a broader group of inactive persons is a constructive starting point.

What we propose

- Employer needs must be central to the design of individual pathways and any associated training. Training that is not matched to actual labour market demand is counter-productive and wastes public resources.
- PES should cooperate actively with employers and private employment agencies in designing pathway content, identifying vacancies and facilitating placement.
- Post-pathway monitoring should assess employment retention, not just placement.
- Reskilling efforts need to be tailored to a specific job offer or opening before they are effective. Generic upskilling disconnected from concrete employment opportunities consistently produces poor outcomes. Skills assessment frameworks offer a replicable model for identifying training needs in relation to employer demand, and training must be regularly evaluated against employment outcomes rather than participation rates.

⁵ BusinessEurope, Policy orientation note on [Reducing Inactivity Rates in Europe](#) (May 2023).

⁶ Council Recommendation of 15 February 2016 on the [Integration of the long-term unemployed into the labour market](#).



Points of attention

- Obligations on employers to accept candidates from activation pathways, provide mandatory traineeships or give preferential treatment in recruitment. Such obligations risk producing artificial placements and poor matches rather than genuine employment: when companies are required to hire specific candidates or offer traineeships regardless of actual need, the result is box-ticking rather than real labour market integration, which ultimately serves neither the employer nor the individual.
- Any cooperation framework with employers should be based on voluntary participation. Voluntary engagement allows companies to offer meaningful, high-quality placements that reflect genuine business needs, without generating administrative burden or compliance obligations that divert resources away from real hiring. Incentives and the exchange of good practices are more effective and proportionate than mandatory obligations.

3. Closing the childcare gap

BusinessEurope considers investment in affordable, quality early childhood education and care (ECEC) to be one of the most effective activation tools available. ECEC participation raises parental employment by up to 10 percentage points⁷ and, closing the ECEC gap for children under three in low-income households could raise women's employment by up to 5 percentage points in some Member States.⁸ Only 40.5% of children under three currently receive formal childcare in the EU, and 19 Member States have not reached the revised 2030 Barcelona targets.

Childcare infrastructure is a matter of Member State competence. The Commission's own consultation document (Section 4) sets out the comprehensive EU acquis already in place on gender equality in employment, parental and care-related leave, instruments that together constitute a complete legal framework. The legal requirements are already there, and the gap is one of investment and implementation, not of legislation. We do not see a compelling case for EU added value in directly regulating childcare provision, and we oppose any binding EU regulation in this area. The appropriate EU role is to facilitate investment through the structural funds and track progress through the European Semester, not to legislate on the design of childcare systems.

What we propose

- EU action should prioritise monitoring Barcelona target progress through the European Semester and linking EU structural funds directly to ECEC infrastructure investment, particularly in Member States that are lagging behind.
- EU coordination to shape EU and national investment strategies in childcare infrastructure in the Member States, including the role of public and private providers.

⁷ European Commission Communication of 6 May 2026 on [Breaking the cycle of child poverty - strengthening the European Child Guarantee](#).

⁸ BusinessEurope, Position paper on [Priorities for strengthening gender equality in Europe](#) (March 2025).



- Improvements in out-of-school care availability and school meal provision would directly support parental employment.
- The childcare gap is primarily a public investment and service provision challenge. The appropriate response is public funding.

Points of attention

- New employer obligations on the management of parental leave or mandatory measures to promote father uptake beyond the existing Work-Life Balance Directive framework. Parental leave decisions, within the framework of the existing EU acquis, are shaped primarily by national systems, financial incentives and family circumstances. Additional employer obligations will only increase burdens without necessarily leading to a more equal up-take of parental leave.
- Measures that effectively require employers to provide or contribute financially to childcare, which would impose disproportionate costs, especially on SMEs.
- The Commission indicates that EU action could further encourage employers to offer flexible working arrangements. While flexible working arrangements may support labour market participation for some groups, they are unlikely to address the underlying drivers of inactivity on their own. Instead, investment in childcare and removal of tax-benefit disincentives should be the focus. The appropriate EU role is to facilitate investment through structural funds, facilitate the sharing of good practice across Member States, track progress through the European Semester as well as ensuring that the existing EU acquis does not create disproportionate barriers for employers to offer those flexible forms of work, including part-time and remote work.

4. Addressing additional care barriers

The unavailability of long-term care services forces family members, predominantly women, to provide informal care, often at the cost of their own labour market participation. This is a structural issue requiring public investment in care infrastructure.

What we propose

- Social security systems should provide adequate support and protection for informal carers, recognising that taking on caring responsibilities can result in reduced working hours, lower income and weaker social protection, while avoiding financial disincentives to remain in or return to formal employment.
- Flexible working arrangements for informal carers, where compatible with business needs, should emerge from company-level practice and collective agreement, not EU-level measures.

Points of attention

- New EU obligations on employers to accommodate informal care responsibilities beyond the existing Work-Life Balance Directive provisions on carers' leave. The focus should instead be on effective implementation of existing rights and on strengthening care infrastructure, as additional employer



obligations risk reducing flexibility and may not address the underlying drivers of labour market inactivity.

- Any EU action on long-term care should not extend to regulating working conditions in the care sector at EU level. Working conditions are best addressed through national social dialogue and/or collective agreements, which can take account of sectoral and national circumstances while preserving the autonomy of the social partners.

5. Promoting integrated service provision and cooperation between authorities

Effective activation requires coordination across employment, social welfare, health, housing and education services. The Commission itself acknowledges that the single point of contact concept, already embedded in the 2016 LTU Recommendation, the Youth Guarantee and the 2023 Minimum Income Recommendation, has shown potential in several national contexts.

What we propose

- Improved data sharing and interoperability between relevant public authorities would reduce fragmentation and prevent individuals from falling through the cracks of multiple service systems.
- Approaches should be tailored to rural and remote areas, where the gender employment gap is higher and access to services more limited.
- The once-only principle should be applied systematically in integrated service provision, particularly for companies. Employers should not be required to provide the same information multiple times to different public authorities. Promoting digital tools and data interoperability with the once-only principle as a guiding design principle would reduce administrative burdens on companies and improve efficiency and coordination between services.
- Employers should have a dedicated contact person and a clear entry point to employment services. Companies should not be required to navigate multiple authorities and case workers when an employee's situation involves support from several different public services at the same time. A coordinated employer-focused approach would reduce administrative burdens and support labour market participation.

Points of attention

- Administrative burden on companies arising from data-sharing requirements or compliance with coordinated service protocols.

6. Post-placement monitoring and support

Sustaining employment after activation is as important as achieving initial placement. Persons who enter employment after a period of inactivity remain at higher risk of returning to inactivity, particularly in the absence of continued support. Continued



support during employment, mentoring, workplace adaptation, progress towards full-time hours, improves retention outcomes.

What we propose

- Voluntary post-placement follow-up frameworks, involving PES, can add value in supporting newly placed workers during their first months of employment.
- Employer involvement in onboarding and early retention support for persons hired from activation pathways should be encouraged as good practice and, where appropriate, supported through guidance and ESF+ incentives.
- Transitions from part-time to full-time employment should be supported through making-work-pay measures (tax-benefit design) rather than employer obligations.

Points of attention

- Mandatory employer reporting on retention rates or employment outcomes for persons hired through activation schemes.

7. Addressing financial disincentives

Work must always pay more than inactivity. Financial disincentives, such as inactivity traps, unemployment traps and secondary earner traps, are significant barriers to labour market participation, particularly for women, single parents and low-income households. The Commission correctly identifies that 78% of second earners facing inactivity traps are women. This is primarily a tax-benefit design challenge that falls within national competence.

What we propose

- Well-designed, means-tested in-work benefits targeted at secondary earners, single parents and low-income households can improve participation rates without increasing labour costs for employers. To avoid unnecessary complexity and potential disincentives as support is phased out, such measures should be carefully targeted at groups facing significant barriers to labour market participation.
- Minimum income schemes should be conditional, include an activation component, and be designed so that any income from employment is clearly financially preferable to remaining on benefit.
- Income tax threshold adjustments can incentivise labour market entry without imposing costs on employers.
- Reform of joint taxation systems that structurally penalise secondary earners is a priority in Member States where this remains an issue.

Points of attention

- EU-level guidance on benefit adequacy levels, minimum income floors or wage-setting framed as financial incentive measures, that fall within national



competence. As these factors vary significantly across Member States, decisions on benefit adequacy, minimum income levels and wage-setting are best taken at national level, where they can be tailored to local labour market realities.

- Any encroachment on national tax-benefit competence.

8. Supporting employers and social partners

BusinessEurope supports the principle of engaging employers as active partners in activation, and recognises that employer-side barriers should be addressed. However, the measures proposed in this area require careful calibration.

What we propose

- Good practice sharing on inclusive recruitment, workplace adaptation, return-to-work support for persons after care-related inactivity, and mentoring during the first months of employment.
- Strengthened cooperation between employers, PES and private employment agencies in job matching, vacancy identification and placement.
- Social dialogue at company and sectoral level on a voluntary basis, in line with national industrial relations systems.

Points of attention

- Anti-discrimination obligations in recruitment beyond the existing EU framework. The existing *acquis* already prohibits discrimination on grounds of sex, racial or ethnic origin, and religion or belief, disability, age and sexual orientation. Extending this to new categories such as career gaps or inactivity periods would create significant legal uncertainty and liability risk for employers.
- Mandatory flexible working arrangements for parents and carers as an employer obligation. Flexibility in working arrangements is most effective when it emerges from company-level practice and collective agreement, reflecting the specific needs of the company and its workers.

THE WAY FORWARD

- **Question I: Are the issues and possible areas for EU action correctly identified?**

Largely yes, with important caveats. The Commission correctly identifies the scale of inactivity, the gender dimension, the role of care barriers and the structural paradox of labour shortages alongside labour market exclusion. We agree that these are genuine challenges requiring policy attention.

However, the document underestimates supply-side and institutional barriers and over-estimates demand-side (employer) barriers. Most inactive persons are not outside the labour market because of employer discrimination but because of:

- Insufficient or inadequate skills
- care responsibilities
- health conditions
- financial disincentives or



- lack of contact with support services.

All Member States have to tackle those problems by:

- investment in public education
- care infrastructure, e.g. for children
- support by health insurances and rehabilitation measures
- well targeted social and tax systems which do not create disincentives and
- well-designed employment agencies which follow evidence-based programs.

The proposed action frame seems to be based on an insufficiently evidenced assumption that employer behaviour is a contributor to labour market exclusion. The available evidence does not support placing such emphasis on employers as a source of the problem.

- **Question II: Is EU action needed and if so, what direction and scope?**

EU action can add value in this area, provided it respects the principles of subsidiarity and proportionality, and is addressed primarily to Member States and public employment services.

A Recommendation providing guidance to Member States on individualised pathways, ECEC investment, PES-private sector cooperation and integrated service provision, would be proportionate, actionable and consistent with the existing body of EU instruments. It should also simplify and consolidate existing instruments where possible, rather than adding a further layer.

A directive under Article 153 TFEU would be inappropriate, disproportionate and counterproductive. Activation and the operations of employment services, and especially social benefits, are already very comprehensively regulated at national level. A further risk is that EU regulation would limit the existing flexibility of Member States to initiate and manage targeted ALMPs tailored to specific local, regional and sectoral circumstances, flexibility that is of high value to successful activation initiatives. Beyond this, a directive would risk imposing legally enforceable obligations on employers in areas such as recruitment practices, flexible working and social dialogue, where voluntary good practice and incentives are more effective and less likely to deter hiring from excluded groups.

- **Question III: Would you consider initiating a dialogue under Article 155 TFEU?**

In the context of its discussions with ETUC on a Social Dialogue Work Programme 2027-2028, BusinessEurope indicated that, in order to contribute to enhancing labour market participation, it would be prepared to review and update the 2017 Autonomous Agreement on active ageing and an intergenerational approach, and to do joint recommendations of the EU social partners on how to enhance labour market participation for all groups.

Furthermore, BusinessEurope recalls that any action by the EU must respect national competences as well as preserve the voluntary nature of collective bargaining and social partners' autonomy, in line with the 2023 Council Recommendation on social dialogue.
