



Monday, 30 November 2009

PES Social and Employment Ministers demand a European Entry Strategy into the Labour Market

We, as PES Ministers on Social and Employment Policy, met on November 30th 2009 on the margins of the Social and Employment Affairs Council of the European Union to discuss a European Entry Strategy into the Labour Market.

We believe that the crisis in the EU is far from being overcome. While there are increasingly positive signs of economic recovery, the unemployment crisis has just begun. It is likely that in 2010 more than 27 million people will be unemployed. Mass unemployment will be the central problem to be addressed. Especially young people will be hit hard. Already more than 5 million of them are unemployed and by forcing those who have recently finished their education into long term unemployment, there is a huge risk of losing an entire generation. As a result of the economic and employment crisis, large sections of society could become socially excluded and pushed into poverty.

An exceptional situation requires exceptional measures and thus the European discussion about an exit strategy of recovery programmes comes too early. Especially the sharp rise in unemployment, which is expected if we fail to implement employment-supportive measures, would:

- jeopardise future growth prospects,
- endanger the sustainability of public finances,
- threaten the economy with the risk of undermining the level of demand and therefore falling into a negative spiral,
- increase social exclusion and inequalities.

We are convinced that we need a European Entry Strategy into the Labour Market, to swiftly provide sustainable employment. Maintaining and creating new jobs should be the central focus, based on the following political priorities:



- coordinating policies to promote employment,
- more efforts to create new sustainable and decent jobs in growth sectors,
- sustainable private and public finances as well as a sustainable international monetary and financial architecture,
- active labour market policies,
- reforming the Lisbon Strategy into a ten-year economic, social, employment and environmental long term recovery and development programme for the EU.

Coordinating policies to promote employment

An increase in unemployment can only be prevented if labour market, social, economic, competition, internal market, industrial and fiscal policies are better coordinated and if they are targeted to growth and more and better jobs. Even more than in the past, the protection of viable jobs and the creation of new quality jobs must be introduced as a top priority in all fields of European and national policy. Therefore, the macro-economic coordination on the European and national levels should be improved.

Already before the crisis, the need for transforming our economies became clear. On the path to social, environmental and economic sustainable development, production processes and products will change. Consequently, many jobs of the future will be different to today's jobs. To manage these transformations in a social just way and in order to increase employment opportunities, the coordination of innovation, industrial, research, education and retraining as well as employment policies at all relevant levels must be improved. At the European level, a single strategic platform should be created for bringing together all key actors to work on growth, innovation and jobs in each sector and to coordinate existing instruments: technology platforms, skills expert panels, joint technology initiatives, lead markets, clusters and high level industrial groups.

Create new jobs in future sectors

Despite the crises, there is enormous potential for new job creation in Europe. Supporting green growth by implementing the right political measures and investing in renewable energies, increased energy efficiency, a reformed transport system and by "greening" the existing economy, will lead to the creation of millions of new jobs. With additional investments in the IT industry, the content and creative industries and by building new broadband networks, the employment in this high-tech sector can be boosted. Also in nanotechnology, biotech and other future sectors there is big employment growth potential in Europe. In an ageing society, the biggest increase in employment can most likely be realised



in the health care system and in social services. The job potential in all those sectors is much bigger than the number of jobs we will have lost by the end of the crisis.

Europe needs to set the right conditions to support these sectors and therefore create new jobs, not only by granting subsidies, direct investment and funds for training but also through the right policy and regulatory framework, notably enabling market access for these new technologies. Workers need to be retrained and qualified to be able to take up the new jobs, which is at the heart of the European initiative “New Skills for New Jobs”. New standards for new products and services need to be set, for example for green products and services. In all sectors a special emphasis must be put on supporting small and medium sized enterprises.

Job creation endeavours, however, should not focus only on future sectors. Neither should they only provide opportunities for the best qualified and most experienced workers. For all those who want and are able to work, although less competitive in the labour market, the opportunity should be provided. In this regard the principles of solidarity and equal access in employment and economic policies should be promoted. A diverse and tailored job creation approach could be also an effective tool, especially in the short term, to tackle the mismatch of labour supply and demand. The trap however, should be avoided, that the lower skilled, simple jobs eventually do not provide a spring board towards the true integration into the labour market.

Sustainable private and public finances

Making private and public finances more sustainable is a precondition for more long-term and high quality jobs in Europe. Financial market regulation should contribute to redirect capital into the real economy and allow it to contribute to job creation and economic growth. Current reform initiatives regarding a new financial architecture are very disappointing at the moment, as they show that forces arguing in favour of going back to the status quo ante seem to succeed. This is not at all an option. Public investment is urgently needed to avoid a further rise in unemployment and all its social and economic consequences. In the framework of the revised Stability and Growth Pact, Member States, able to redirect their public expenditure and tax structures, should be allowed to run higher public deficits, provided they can demonstrate that this will contribute to higher growth and a consolidation of their public finances.

Especially in times of crisis, more incentives to create new jobs must be given, for example by temporarily decreasing labour costs for low skilled jobs. Furthermore, tax cuts favouring



consumption by lower income groups are needed. In order to stabilise consumption and to avoid a negative spiral, wages, pensions and social benefits for low income groups should be increased, not reduced. In the medium and long term, real wage increases in line with inflation and productivity increases should be the aim, since domestic demand was the only, though not sufficient shield against the financial crisis. European member states must collectively envisage converting national bonds into Eurobonds, in order to be able to launch new investment projects, to support business in general by decreasing the cost of capital, to attract domestic and foreign savings and to prevent hostile takeovers by foreign investors.

Better use must be made of all existing EU funds. They should be better focused on labour effective measures and should contribute more strongly to the transition towards a green and social economy, than they currently do. The EU must furthermore envisage the introduction of additional own resources, for example to help member states in financing programmes for growth and job creation.

Active social inclusion policies, labour market policies and training

The transition from an old job to a new job must be simplified by active labour market policy, by strengthening social security systems, improving training and education as well as increased mobility. The principle of negotiated flexicurity should be enhanced by the very relevant concept of internal flexibility (for example a strengthening of short term work) and by introducing higher social standards (e. g. higher replacement rates) with a view to support transition in employment and over the life cycle.

However, without jobs, job placement will remain impossible. Therefore more must be done to avoid the destruction of viable jobs. Short term work and other measures to keep people in viable jobs need to be introduced, further extended or prolonged. Those measures must include targeted training offers or even obligations for those not being able to work fulltime during the crises. In case existing jobs are not viable, workers should be retrained to find new jobs. The upcoming European initiative for new skills for new jobs should be swiftly implemented and it must become an inclusive initiative. The creation of new businesses should be more encouraged. Especially existing small and medium sized enterprises should receive more support to overcome the crises and to start creating new jobs. European and national micro credit programmes are important instruments on this path.



A long term strategy for sustainable growth and for a sustainable economic system is needed

Such an entry strategy into the labour market must be embedded in a long term strategy for sustainable growth, which should succeed the Lisbon Strategy. We need to adopt a new growth model, putting the well being of people first and giving equal attention to employment, social, environmental and economic aspects. The new strategy needs to strongly focus on decent work and creating new high quality jobs as well as increasing social coherence in the European Union. For that the Lisbon Strategy needs to be completely reformed and developed into a ten-year economic, social, employment and environmental long term recovery and reform programme for the EU. The current sustainable development strategy should be merged into this new long term development strategy. The new strategy should focus on five key strategic objectives:

- shifting to a low-carbon economy by transforming our patterns of production, consumption and transport;
- establishing a creative and inclusive knowledge-intensive economy;
- safeguarding and strengthening our welfare systems, in order to enable, include and protect all citizens and fight inequalities;
- improving macroeconomic coordination and reforming financial markets;
- strengthening the external dimension of the Lisbon Strategy, including a better promotion of social and environmental standards in our partner countries and the implementation of the ILO Decent Work Agenda and the Global Employment Pact.

In order to achieve those targets, the ownership by all stakeholders in the strategy must be improved. In order to ensure that the strategy's targets will be met across the entire European Union, the governance mechanisms of the Lisbon Strategy should be strengthened and more use should be made of binding legislation. The EU budget as well as national budgets should be better aligned with the strategy.

The Commission working document for the consultation on the future "EU 2020" strategy is a good starting point to launch the discussion, but some important elements are not yet sufficiently addressed:

1. When defining the strategic goal of the new strategy, the Commission only speaks about more jobs, but not about more and better jobs, which should become a major objective for the EU 2020 strategy.



2. Although the Commission proposes as second strategic priority to “empower people in inclusive societies”, it does not refer at all to social protection and social inclusion as a key priority.
3. The Commission has failed to propose key actions regarding social protection, for example on unemployment or pension systems and there are no key actions to fight poverty, including child poverty.
4. The Commission document is very ambiguous about the exit strategy: Before you can successfully launch exit strategies, you need to implement an entry strategy into growth and employment.
5. The Commission’s proposal does not refer to tax policies. Future tax policies must be reformed in order to avoid increasing the burden on the low income groups. Taxation of labour should be reduced. Instead more green taxes should be introduced.
6. When mentioning the single market, the Commission has failed to underline the need to protect the principle of good public services.
7. The governance of the new strategy should be strengthened and opened up to the participation of all stake holders. It must be underlined that the integrated guidelines should also cover social protection and social integration.
8. A European Strategy needs European targets (e.g. employment rate of 70% by 2020, unemployment rate of 7% and 10 Mio new jobs, including 2 Mio green jobs by 2015)

Ministers attending the PES Social Ministers meeting:

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Jean Marc Delizée, Belgium

Andreas Loverdos, Greece

László Herczog, Hungary

Nicolas Schmit, Luxemburg

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