

MEETING OF CHAIRPERSONS OF COMMITTEES ON EMPLOYMENT, RESEARCH AND INNOVATION

Session I – The European way to stable and high-quality employment

Concept note

The [most recent data on employment](#) in Europe reveal a worsening of the problems that have afflicted the European labour market since the explosion in 2008 of the ongoing economic crisis.

Over the last few years, the labour market of the European Union has displayed numerous limitations and divergences.

First, there has been a lack of coordination with the world of education and training, complicating the transition from school to the workplace and the matching of job seekers with the skills required by employers.

Between 2008 and 2011, the [unemployment rate](#) for people with a low level of educational attainment rose by almost 3.8 percentage points, while the unemployment rate for those with a high level of attainment increased by 1.5 percentage points. [The most recent OECD data](#) confirm this trend, showing that, on average, over 80% of university graduates are employed, compared with less than 60% of adults with less than higher secondary education. The level of education does not only affect employability, but also income from employment. On average, university graduates earn 1.5 times more than those with less than higher secondary education, while those who have less than higher secondary education earn 25% less, on average, than those who graduated from higher secondary school. This trend has been confirmed in recent OECD figures. The crisis has only exacerbated this income gap: in 2008, unskilled workers made, on average, 75% less than the rest of the labour market in OECD countries; in 2011, this gap widened to 90%.

Second, the European labour market is also unbalanced: while in some markets there is a surplus of job-seekers, others report the existence of an unmet labour demand. Despite the high unemployment rates, in the second quarter of 2013, [2.1 million positions](#) remained vacant in 19 European Union countries. Unemployment in sectors in decline coexists with [new demand for workers in expanding sectors](#). As a result, there is a need to encourage worker mobility from one market to another and to facilitate the job matching process in order to eliminate the skill/education mismatches and regional/sectorial mismatches that characterize the European labour market.



Third, multiple reports have indicated that many European countries have inadequate job placement systems, and calls have been made for improvements. The transparency of access to the system and the comparability of European-wide levels of the job supply and, especially, the demand for jobs, presented using common standards, are necessary conditions for the effective circulation of information and the identification of job positions and the skills required. The panorama of European job placement networks is extremely varied and marked by a varying level of efficiency. Generally, over the last decade, private-sector operators have become increasingly integrated in the system. On the one hand, this ensures a wider range of channels to reach the job market, but, on the other, if integration with the public network is not complete, it could further contribute to the fragmentation of the labour market as a result of inadequate circulation of information.

European policy in recent years has above all reflected the need to combat youth unemployment. This is the basis for the Youth Employment Initiative (YEI), the Youth Guarantee, funding for this purpose under the European Social Fund, and measures to improve the content of apprenticeships and traineeships.

The crisis has not only had an impact on young people, whose [unemployment rate](#) has reached over 40% in some part of the EU (in 2013, it was 24% for the euro area), but also on older workers, for whom the job placement process has proven more challenging. Since 2008 there has been a sharp increase in the [long-term unemployment rate](#) (6% in the euro area in 2013), while, on the other hand, the welfare system and existing safety nets do not appear to be equipped to help these people keep above the poverty line.

Measures for the creation of a European network for public employment services, for the reform of EURES, the European network for matching jobseekers and employers, for improving cross-border mobility for workers, and, finally, for standardising skill certification procedures, are aimed at the general labour force in order to boost worker employability.

Another limitation that has come to light in recent years is the quality of jobs. Indeed, in just the last few months, there has been a small increase in the [number of full-time employment contracts](#). Most of the new jobs created since the second half of 2013 have been [part-time](#) or [temporary](#) positions. Extreme flexibility seems to characterise the new jobs created in the EU, but its continuance over the span of a worker's career suggests we could be witnessing the emergence of a permanent precariat class.

In the light of these factors, a need to encourage investment in education and worker training, in order to establish a permanent system for updating skill levels to reduce the gap between the supply of and demand for labour to the greatest extent possible, has been recognised.



Reducing the impact of the tax wedge on income has been identified as one measure for leveraging the labour of the individual, spurring an improvement in quality and productivity.

The policies adopted so far at the EU level are essentially aimed at the labour supply side, while measures adopted to enhance labour demand appear to have had little impact as of yet.

Thus, it remains to be clarified whether the policies undertaken so far have actually been useful in achieving the results required to improve competitiveness. More specifically, the key points are:

- a) the strengthening of worker skill sets. Effective measures must be adopted, all the more so given the impact of the gradual aging of the labour force (including the reduction in the labour force), to restore the European economy's competitiveness with competing countries;
- b) apprenticeships. This involves assessing what experiences can serve as a benchmark for apprenticeship as a preferred channel for linking the educational system with entry into the labour force;
- c) the efficiency of the job placement system. It appears necessary to supplement the reforms undertaken by the EU (for example, the reform of the network for public employment services and the EURES network) with an intensive examination of national experiences in order to identify best practices to make those networks more efficient;
- d) worker mobility. Matching labour demand and supply and communication and exchange between the labour markets of the Member States appear to be necessary, not just to remedy current imbalances, but to create a future single European labour market capable of competing on a global scale, fostering a rise in the quality standards of competing economies to its own level;
- e) re-employment and countering long-term unemployment. In recent years, the debate in Europe has focused largely on the need to combat youth unemployment, but the expulsion from the labour market of those over 50 years of age, even those who possess specific skills, poses a serious problem, including of a social nature, due to the loss or reduction of household income. There does not seem to be any unified policies on the measures to be adopted to promote the re-hiring of older workers, continuing education for them, and support in the event of job loss;
- f) incentives for self-employment. This is an alternative, but equally valid, option for ensuring that broader segments of the labour force contribute to the economic growth of the European Union, particularly in the most innovative sectors;



- g) the tax wedge and the reduction of the taxation of the labour factor. In line with the guidelines established by the European Commission, this result can also be achieved by shifting the tax burden to other factors, such as, for example, through indirect taxes;
- h) the quality of work. Positive experiences should be identified to serve as models for reducing temporary work and promoting more stable employment.