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**on labour market trends and challenges**

*Accompanying the document*

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL  
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

**Towards a job-rich recovery**

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### Towards a job-rich recovery

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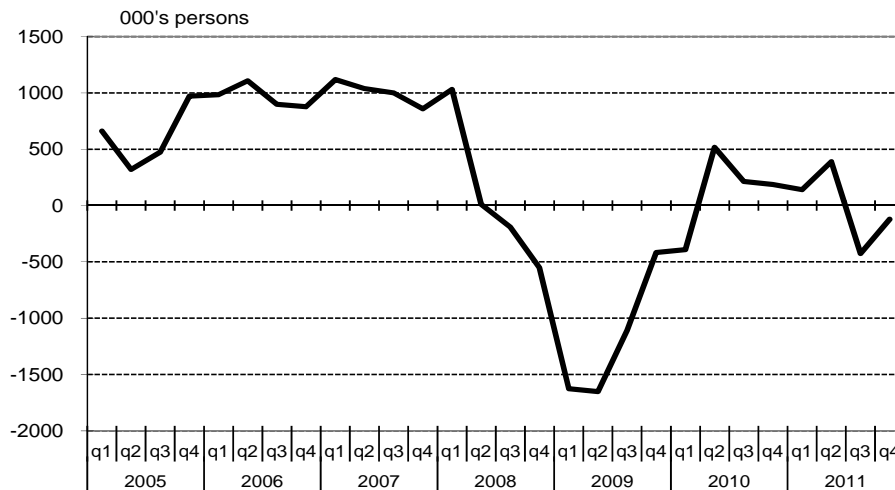
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# 1. EMPLOYMENT TRENDS

## 1.1. Evolution at EU level

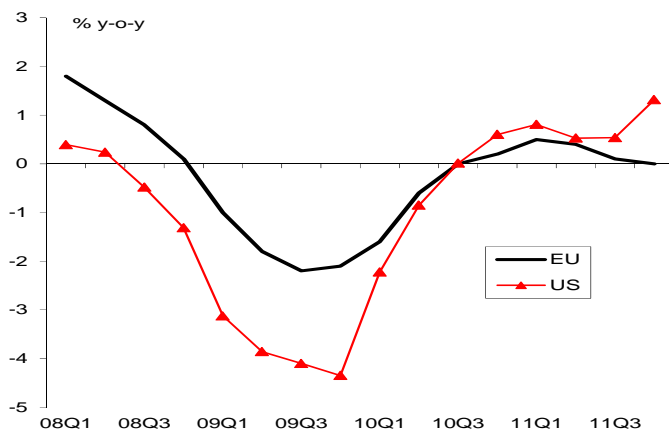
**Chart 1:** Employment in the EU, change on the previous quarter (000 persons)



**Source:** Eurostat, National accounts [namq\_aux\_pem], total employment - domestic concept, data are seasonally adjusted and adjusted data by working days

Starting in the second quarter of 2010, EU employment grew by around 0.9 million jobs until the end of 2011 (see Chart 1). But this recovery amounted to less than a fifth of the jobs lost between mid-2008 and the first quarter of 2010 (down by about 6 million, from 228 to 222 million). The slight recovery was interrupted in the third and fourth quarter of 2011, with drops by, respectively, 430 000 and 120 000 jobs. By contrast, the US labour market cycle had a larger amplitude, losing 7.5 million jobs between early 2008 and end-2009 and recuperating since then 2.5 million jobs, or a third of the previous loss.

**Chart 2:** Employment growth in the EU and US



**Source:** Own calculations based on Eurostat, National accounts [namq\_aux\_pem], total employment - domestic concept, data are seasonally adjusted and adjusted data by working days (EU) and Employment level – non-agriculture, wage and salary workers (LNS12032187), seasonally adjusted (Federal Reserve Economic Data)

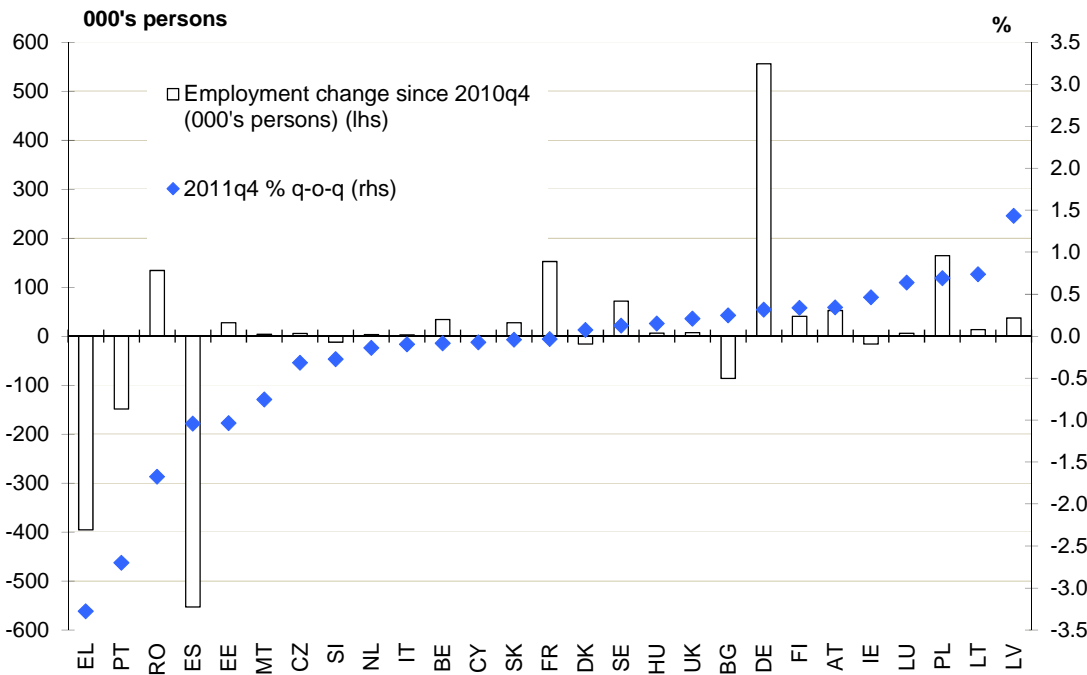
Employment fluctuations in the EU did only partly and with a lag follow the ups and downs of the economy. The drop in employment in 2009 (-1.8%) was moderate compared to the fall in GDP, but continued in 2010 (-0.5%), despite the recovery. This is partly explained by the widespread use of internal flexibility and short-time working arrangements adopted by some Member States – such as Austria, Belgium and Germany – which served to reduce working hours rather than cut jobs, but subsequently tempered the impact of the recovery on employment.

The effects of the crisis were reflected in a drop in the employment rate for the working-age group (15-64 years) in all but four Member States. Taking a longer-term perspective, despite the crisis, substantial progress has been made in EU labour markets since 2000. The number of people aged 15 or over in employment had increased by 19.7 million between 2000 and 2008. Even after the impact of the crisis, the 2010 figure was still 14.4 million higher than in 2000.

The employment rate for the EU working-age population in mid-2011 stood at 64.5% (age group 15-64), resp. 68.9% (20-64), still more than 2 pps higher than in 2000. At EU level, in order to achieve the 75% headline target, 17.6 million jobs will have to be created by 2020 within the 20–64 age group, meaning that employment will have to grow by 0.8% per annum on average between 2010 and 2020.

**1.2. Evolution at Member State level**

**Chart 3:** Member States' employment changes in 2011 q4 (yearly change, 000's persons and quarterly change, %, q-o-q)



**Source:** Own calculations based on Eurostat, National accounts [namq\_aux\_pem], total employment - data are seasonally adjusted and adjusted data by working days (except for RO and EL). 2011q3 for LU.

Employment gains and losses have been uneven. For about half of the Member States employment rose in the year to 2011q4. Germany added more than half a million jobs and

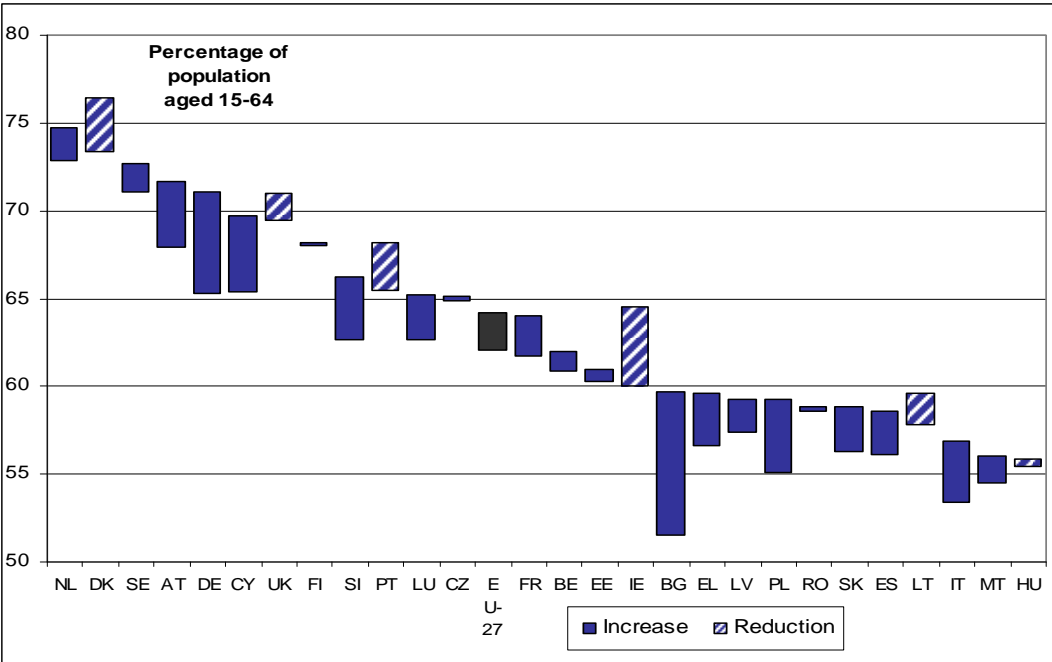
about the same number was lost in Spain (see Chart 3). Poland and France also recorded significant rises in employment (above 150 000) over the last four quarters, while employment was stable in Italy and the United Kingdom. A large number of jobs was added in Romania (130 000), Sweden (70 000) and Austria (50 000).

Besides Spain, some other Member States experienced marked job losses over the same period. Employment dropped sharply in Greece and Portugal (respectively 400 000 and 150 000 jobs lost). Falls were also recorded in Bulgaria, Ireland, Slovenia and Denmark.

Regaining pre-crisis (2008q2) levels of employment appears to be more and more difficult in most Member States. Only eight Member States have more than offset job losses due to the crisis (Luxembourg, Malta, Poland, Belgium, Germany, Austria, Sweden and Cyprus).

The apparent stability in the EU employment rate over the year to the third quarter of 2011 hides again substantial contrasts among Member States. Taking a longer-term perspective on employment rates, Chart 4 shows the progress made by each Member State in the ten years to 2010, with improvements in twenty-one Member States, particularly strong in Bulgaria, Germany, Cyprus and Poland, and relative improvements in most of the others. Conversely, the employment rates in Ireland, Denmark, Portugal, Lithuania, the United Kingdom and Hungary fell<sup>1</sup>.

**Chart 4:** Employment rate developments in Member States between 2000 and 2010 (age group 15-64)



**Source:** Eurostat LFS, employment rate (15 to 64 years), annual averages [lfsi\_emp\_a]

<sup>1</sup> Please note that the comparison is affected by breaks in the series for Germany, Spain, Italy, The Netherlands, Austria, Romania and Sweden.

### **1.3. Evolution by age, gender and skill level**

The stability in the EU employment rate over the year to the third quarter of 2011 (at 64.6%) masks a decrease for younger workers (down by 0.5 pp), stabilisation for prime age workers and an increase for older workers (up by 1.1 pps). Compared with three years ago, employment for older workers is 1.7 pps higher, while it has fallen for younger and prime age workers (down by 3.9 pps and 1.9 pps respectively).

Over the year to the third quarter of 2011, the employment rate for men fell slightly (by 0.2 pp to 70.5%) and the rate for women went up (by 0.2 pp to 58.7%). Overall, proportionally worse hit by the economic downturn, the employment rate for men lost more ground than the rate for women. The rates are down by 2.8 pps for men and 0.5 pp for women, as compared with three years earlier. This relative stability in the employment rate observed for women resulted from a decrease in inactivity which compensated for an increase in unemployment<sup>2</sup>.

Over the year to the third quarter of 2011, the employment rates for all education levels fell slightly. The economic downturn has hit the lowest skilled (up to lower secondary education) hardest, with a 3.4 pps drop in the employment rate (to 45.4%), compared with three years earlier. The decreases for medium skilled (having upper secondary and post-secondary non-tertiary education) and high skilled (first and second stage of tertiary education) were clearly smaller, at respectively 2.3 pps and 1.7 pps.

### **1.4. Permanent vs. temporary jobs**

The number of permanent jobs was up by 680 000 (+0.4%) to 154 million in the year to the third quarter of 2011. This increase remains subdued compared to pre-crisis years, when average growth for permanent jobs (between 2006 and 2008) was four times higher. At the same time, temporary jobs were up by 220 000 (+0.9%) to 26 million, but self-employment fell by 1.8% (down by 630 000) to 33.8 million. The respective contributions of permanent jobs, temporary jobs and self-employment were +0.3 pp, +0.1 pp and -0.3 pp, yielding an overall change in employment of 0.2% over the previous four quarters.

The number of permanent jobs for older workers grew by 1.2 million (5.8%) over the year to the third quarter of 2011, a trend confirmed in each quarter. In a medium-term perspective, the number of older workers in permanent jobs has considerably increased, with 2.1 million more than three years ago, reaching 21.2 million in the third quarter of 2011.

There was a slight reduction in the number of permanent jobs for prime-age workers, at -0.1%, close to stabilisation. Currently, 122.4 million people of prime age work on a permanent contract in the EU, 3.9 million, or 3% fewer than three years ago. The number of young workers on permanent contracts fell by 0.4 million (-3.7%) to 10.3 million over the year to the third quarter of 2011.

The number of young workers on temporary contracts was still decreasing in the year to the third quarter of 2011, by 80 000 (-1.0%). The net loss (down by 0.8 million or -9%) for this age group is considerable when compared with three years earlier. The present trend remains slightly negative.

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<sup>2</sup> For a detailed analysis of the situation of men and women during the crisis, see also "The impact of the economic crisis on the situation of women and men and on gender equality policies", report from IRS and FGB, commissioned by DG JUST.

First to decline during the 2008 crisis, temporary jobs have reacted sooner and the trend has been upward for the last six quarters. Among temporary workers, young people are over-represented, with 32% of all temporary jobs. In fact, 44% of young workers are on temporary contracts. Young people have not benefited from the recovery in temporary work. For prime-age employees, of whom only 12% are on temporary contracts, temporary jobs still remain the driver of recent employment growth, with an increase of 300 000 (up by 1.8%) over the year.

Both the share of temporary jobs in total employment and their role in the labour market vary significantly across the EU. While in some Member States temporary contracts often serve as a stepping stone to more permanent employment and/or carry a relatively low wage penalty, in others temporary workers find themselves trapped in poor working conditions. Transition rates from temporary to permanent contracts range from less than 30% in FR, NL, PT to more than 50% in AT, BG, EE, HU, SI, SE, SK and UK<sup>3</sup>. A related aspect of temporary jobs is in-work poverty; that is people who despite their jobs live under the at-risk-of poverty threshold. A low labour market attachment in terms of hours worked, or poor contractual conditions can lead to poverty. In-work poverty is much more prevalent among people with temporary contracts.

### **1.5. Wages and labour productivity**

In recent years we have seen business cycle effects in labour productivity due to the lagged response of employment growth to output growth. During the downturn (2008-2009), output decreased faster than employment and productivity fell. During the upturn (2010), output increased faster than employment so that productivity rose. The strong productivity growth in most Member States that joined the EU in 2004 reflects to a large extent catching-up following the ongoing restructuring of the inefficient production structure inherited from the past, fuelled by large FDI which helped to renew outdated capital stock. In the EU as a whole labour productivity growth averaged a modest 1.3% per annum over the 2001-2007 period<sup>4</sup>. For 2008 and 2009 a negative growth of respectively -0.6% and -2.5% is recorded, followed by a positive strong growth of 2.5% in 2010. The available data for the first quarter of 2011 seem to indicate that productivity growth was weakening.

In the EU, the nominal unit labour cost increased over the whole period from 2001 until 2010, indicating that overall nominal compensation per employee increased more than labour productivity. At the level of the Member States there are some remarkable differences. Most new Member States listed strong growth in the unit labour cost on the back of catching up effects. In the euro area, Germany compounded by far the lowest growth in its unit labour cost over the 2001-2010 period, i.e. 4.4%<sup>5</sup>. By contrast, Southern Member States (Italy, Spain, Portugal, Greece) and Ireland, Denmark and the United Kingdom all registered compounded increases of 25% or more<sup>6</sup>. An annual inflation close but below 2% would yield a compounded inflation rate of about 20% over the period 2001-2010. During that period, the euro area as a whole saw a compounded growth in its unit labour cost of 18.7% - mainly due to the modest increase in Germany. The low unit labour cost growth in the euro area as a

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<sup>3</sup> See for instance Employment and Social developments in Europe 2011, chapter 4; pp. 147-148 ( <http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=6176> ).

<sup>4</sup> Source: Eurostat variable: Labour productivity - annual data [nama\_aux\_lp]; real labour productivity per person employed; percentage change on previous period; and own calculation.

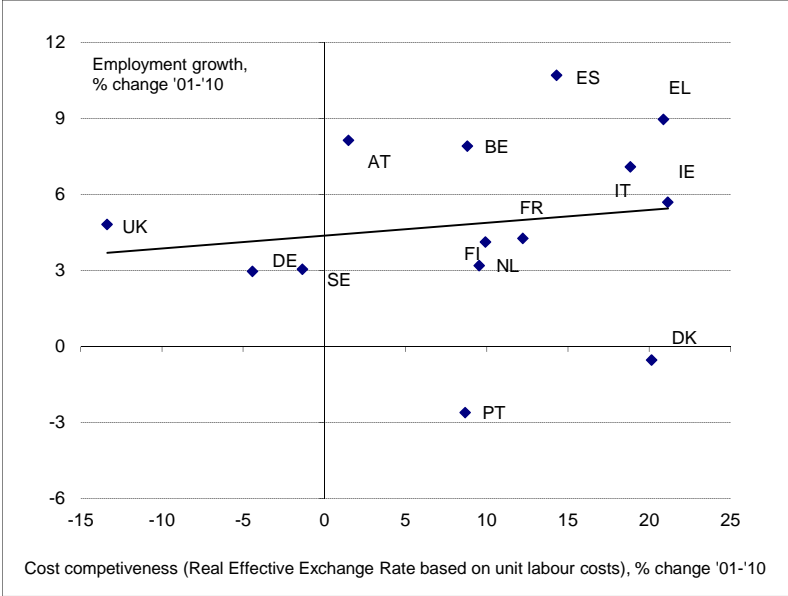
<sup>5</sup> Source: Eurostat variable: Nominal unit labour cost [nama\_aux\_ulc], percentage change on previous period; and own calculation.

<sup>6</sup> Same variable and same calculation method as in previous footnote.



whole contributed to a monetary policy that kept euro-area nominal interest rates low. This had an indirect impact on employment as it fuelled in some Member States the availability of credit at low real interest rates for consumption (Greece) and construction (Spain, Ireland) which led to overheating and cyclical expansion of employment (as well as other socio-economic imbalances).

**Chart 5:** Changes in cost competitiveness and employment in EU15, 2001-2010



Source: AMECO<sup>7</sup>

International competitiveness is determined by the margins realized by domestic producers relative to foreign producers, which in turn depend on unit production costs of domestically produced goods and services relative to the unit production costs of goods and services produced by trading partners, and on the relative prices for these products derived from quality, innovativeness, reputation, marketing and other factors.<sup>8</sup> The previous section showed that cost push pressures induced by nominal unit labour cost growth were unevenly spread across the Member States from 2001 until 2011 – contributing to notable divergence across the Member States' real effective exchange rate (REER). For the EU as a whole, the real effective exchange rate showed an upward trend over the period from 2001 until 2008, indicating a steady deterioration of external competitiveness. At the onset of the financial and economic crisis the REER reversed path - depreciating by about 10% over the 2008-2010 period<sup>9</sup>. When the REER depreciates (appreciates), international competitiveness will increase (decrease), having the potential to lead to higher (lower) net exports which may have a positive (negative) effect on employment as output will increase (decrease).

<sup>7</sup> Real effective exchange rate (AMECO variable XUNRQ): real effective exchange rates based on unit labour costs (total economy), relative to the rest of 35 industrial countries, double export weights; Employment, persons: total economy (National accounts) (AMECO variable NETN).

<sup>8</sup> Labour is not the input whose productivity matters in this context – total factor productivity depends also on efficient utilisation of natural resources and fixed and financial capital.

<sup>9</sup> Rate calculated from AMECO variable XUNRQ: real effective exchange rates based on unit labour costs (total economy), relative to the rest of 35 industrial countries, double export weights.

Chart 5 shows an unexpected apparent positive correlation between the REER and employment growth as exuberant credit growth in most Southern Member States and Ireland led to higher inflation (higher REER) and stronger, but ultimately unsustainable employment growth. Unwinding the imbalances accumulated before the crisis in the least economically and socially damaging way requires a rebalancing between the tradable and non-tradable sectors in the respective countries, facilitated by a combination of wage flexibility especially in the non-tradable sector, measures supporting an expansion of the tradable sector where relevant, and investment in professional and geographic mobility.

**2. UNEMPLOYMENT TRENDS**

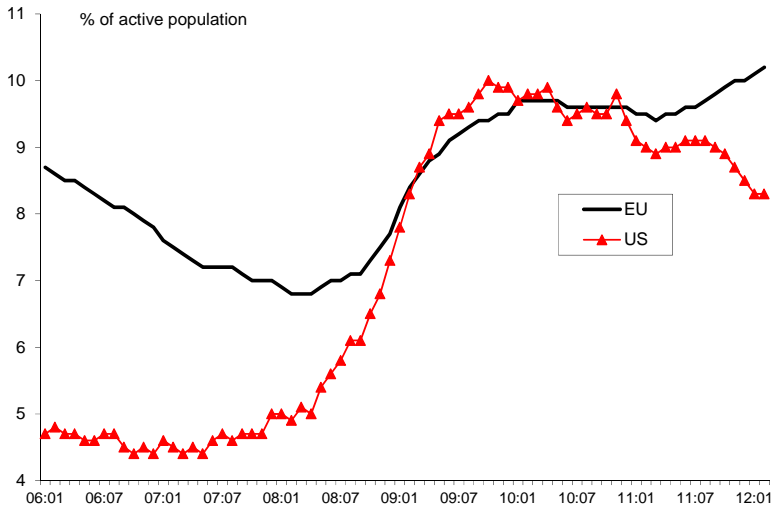
**2.1. Evolution at EU level**

With a new phase of steady increases since spring 2011, European unemployment has reached a historically high level cancelling out the previous moderate recovery.

Between April 2008 and April 2010, the number of unemployed people in the EU surged by around 7 million, reaching 23.3 million, causing the EU unemployment rate to rise by 2.9 pps to 9.7%. A moderate recovery occurred in the subsequent months until March 2011, lowering the number of unemployed by around 640 thousand and the unemployment rate by 0.2 pp (9.5% in March 2011). Since then, the number of jobless has increased again by more than one and a half million until February 2012, outweighing previous improvements.

The EU unemployment rate still stood at its historic high of 10.2% in February 2012, and 10.8% in the euro area. Nearly two thirds of the Member States saw unemployment rising over the last three months, driving up EU unemployment to 24.550 million. A different pattern has been seen in the US, where the unemployment rate has been oriented downward since the end of 2010, down by 0.7 pp over the last twelve months, to 8.3% in February 2012.

**Chart 6:** Unemployment in the EU and US



**Source:** Eurostat, unemployment rate, seasonally adjusted data (%) [une\_rt\_m]

## 2.2. Evolution at Member State level

Divergences among Member States are persistently high. Since March 2011 there are signs that the downward trend has clearly been reversed in the majority of countries. Only six countries were still benefiting from falling unemployment over the last three months to February 2012: Austria (-0.2 pp to 4.2%), Romania (-0.5 pp to 7.1%), Finland (-0.2 pp to 7.4%), Latvia (-0.2 pp to 14.6% in December), Lithuania (-1.0 pp to 14.3% in December) and Ireland (-0.1 pp to 14.7%).

Over the three months to February 2012, the number of unemployed increased in almost all Member States. The largest increases were seen in Spain (+166 000; unemployment rate: +0.7 pp to 23.6%), Italy (+134 000; +0.5 pp to 9.3%), Greece (+129 000; +2.5 pps to 21.0% in December 2011), France (+66 000; +0.2 pp to 10.0%), Portugal (+49 000; +1.0 pp to 15.0%), as well as in Poland (+41 000; +0.2 pp to 10.2%). The largest decrease in unemployment over the last three months was seen in Romania (-44 000; -0.5 pp to 7.1%).

## 2.3. By duration

The severe rise in unemployment over the period 2008-2009 has continued to feed into long-term unemployment. Whilst there has been relatively little inflow into unemployment since 2010 and demand has not picked up, the share of the unemployed who remained without a job for more than one year started to swell from a third in the third quarter of 2009 to 43% two years later. In the third quarter of 2011, close to 10 million people were unemployed for more than a year. This structural feature of unemployment will make it more and more persistent and difficult to bring down.

After bottoming out in mid-2008 just after unemployment bottomed, the long-term unemployment rate in the EU has risen again. At 4.1% in the third quarter of 2011, the long-term unemployment rate was still up 1.6 pps compared to the 2.5% recorded in the third quarter of 2008. As a result of three years of deterioration, the long-term unemployment rate now varies more markedly across Member States, ranging from around 1% in Austria to more than 8% in Ireland, Lithuania, Greece, Slovakia and Spain. More than half of the unemployed have been without a job for more than a year in these latter countries (except for Spain) but also in Bulgaria, Estonia, Italy, and Latvia, while in Austria, Cyprus, Denmark, Finland and Sweden less than 30% of the unemployed have been without a job for more than one year.

If the recent upturn in the unemployment trend continues, long-term unemployment might intensify. In line with the impact of increased unemployment, the increased risk of long-term unemployment may have more severe effects on many population segments. The negative effects in terms of loss of human capital, including skill depreciation and loss of motivation, and thus of future employability, career prospects and earnings can be significant. Moreover, long-term unemployment may often lead to eventual discouragement and exit from the labour market. Overall, long-term unemployment results in a high risk of poverty and associated social failure. Considering total unemployment, in 2010 just below 65% of the unemployed (aged 18+) in the EU were ranked as living in poverty or social exclusion. Remaining in long-term unemployment for several years may lead to a persistent risk of poverty and social exclusion<sup>10</sup>. Long-term unemployment puts an added burden on the social safety nets of last resort (such as minimum income). As people lose their unemployment benefits they are relying more and more on these benefits of last resort.

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<sup>10</sup> See also "Special Focus: Social impact of the crisis" in EU Employment and Social Situation Quarterly Review, December 2011.

## 2.4. Evolution by age, gender and skill level

The youth (15-24) unemployment rate jumped rapidly from the beginning of 2008, rising from 15% in February 2008 to more than 21% in the beginning of 2010, before easing moderately and stabilising until spring 2011. Subsequently, the rate went up to an unprecedented high level of 22.4% in February 2012 (see Section 2.5). For adults (25-74), the unemployment rate increase since spring 2011 has similarly cancelled out the previous amelioration, reaching 8.8% in February 2012. This new phase of unemployment increase has again disproportionately hit young people, since three out of ten new unemployed persons are young, at a time when youth is only 10% of the total labour force. Consequently, the gap between young people and adults has widened to 13.6 pps, compared to 9.4 pps in 2007.

At EU aggregate level, men were proportionally worse hit than women by the surge in unemployment between April 2008 and April 2010, representing two thirds of the new jobless. Among the 1.86 million additional unemployed since March 2011, men were predominant (58%) compared to women (42%), mirroring the previous 2009 unemployment rise, which also affected men more, but the gap was even bigger at that time. However, the current measures of fiscal consolidations could have a greater impact on the unemployment rate of women who are more frequently employed in the public sector<sup>11</sup>. In February 2012, the gender gap was almost closed, as men posted a 10.1% unemployment rate (+0.8 pp on March 2011), whereas the increase was 0.6 pp on March 2011 for women (to 10.2%). Overall, in February 2012, there were 5.1 million more unemployed men and 3.3 million more unemployed women than in March 2008.

Standing at around 16% in the third quarter of 2011, the unemployment rate for the low-skilled remained well up on the level of 10½% recorded four years earlier, before the crisis hit the labour market. Moreover, the gap in the unemployment rate between the low-skilled and the high-skilled widened to above 10 pps. The low-skilled have experienced the most severe increase in their unemployment rate since the crisis first hit their labour market, with rates rising by just below 5 pps over the three years to the third quarter of 2011, compared to rises of 2.5 and 1.7 pps for the medium- and high-skilled respectively.

## 2.5. Youth: unemployment and inactivity

The level of youth unemployment remains very worrying, reaching 22.4% in February 2012, 1.4 pps up on February 2011. The unemployment rate for young women stood at 21.5% and for young men at 23.1%. There were 5.5 million young people unemployed in February 2012, an increase by 222 000 compared to the beginning of 2011.

Huge contrasts persist between Member States: the youth unemployment rate is higher than 20% in about two-thirds of countries and exceeds 50% in Spain and Greece. Another six countries posted youth unemployment rates significantly above the EU average (and above the 30% mark), i.e. Portugal, Lithuania, Slovakia, Bulgaria, Italy and Ireland. Conversely, it is less than 10% in only three countries: Germany (8.2%), Austria (8.3%) and the Netherlands (9.4%).

The inactivity of young people in the EU has continued to rise, although recently at a slower pace. In the third quarter of 2011, the inactivity rate for young people, at 56.0%, was up by 0.3 pp compared to a year earlier. The increase in youth inactivity may partly result from

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<sup>11</sup> See also "The impact of the economic crisis on the situation of women and men and on gender equality policies", report from IRS and FGB, commissioned by DG JUST.

discouragement. In the third quarter of 2011, among those who were inactive, around 2% of young people were seeking employment (but were not classified as ILO unemployed), while around 12% wanted to work but were not seeking employment — both shares have not changed much over the 2010. In fact, the share of inactive youth who think that no work is available increased from 1.6% in 2009 to 1.8% in 2010.

At the same time, the share of young persons who are inactive because of being in education and training, which is the main reason for inactivity, has remained broadly stable since 2005, at 87-88%. Given this high share, inactivity as such should not be a consideration, but it is young people who are neither in employment, education or training (NEET), which constitute the most problematic group. In the second quarter of 2011, more than 13% of young people were in this case, slightly up on the second quarter of 2010; this is 2 pps above the 2008 level. In the same period, the share of inactive youth who think that no work is available increased from 1.3% to 1.8%.

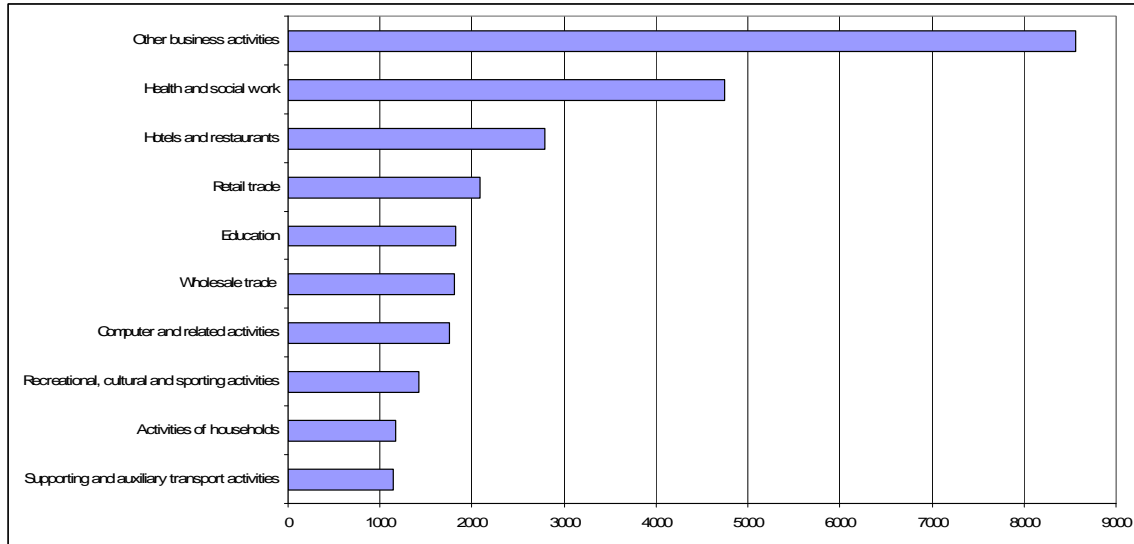
The marked deterioration in the labour market situation for young people during the crisis of 2008-2009 and the current downturn in the labour market, reflecting in part their high exposure to temporary work contracts, has exacerbated the challenges of youth unemployment. At 5.5 million, youth unemployment in the EU is up by nearly 40% (1.4 million) compared to the low of spring 2008. The period since spring 2008 can be divided into three phases: the initial years of 2008-2009 with a marked increase in unemployment among young men, a weak recovery in 2010-2011 when unemployment stabilised and any small unemployment increases were driven by women, and the period since May 2011 where both young women and men contributed to the unemployment rise.

The increase in the long-term unemployment rate for young people during the crisis was more noticeable than for other age groups, though the rise levelled out by mid-2011. In the third quarter of 2011, the long-term unemployment rate for young people was up by 0.5 pp compared to a year earlier, an increase lower than for adults and older people aged 55-64. Overall, the long-term unemployment rate for youth increased by 2.5 pps from its low of 3.4% in the third quarter of 2008 to 6.4% three years later, while the rate for adults rose by 1.7 pps from 2.2% to 3.9% in the same period. The recent unfavourable developments in unemployment for youth may soon intensify the long-term unemployment issue and have serious social consequences.

### 3. JOB CREATION: SECTORAL ASPECTS

#### 3.1. Evolution by sector

**Chart 7:** Top 10 "job creating" service sectors between 1995 and 2009



**Source:** Eurostat, National accounts, R1

Service sectors occupy an increasingly large share of the EU economy. They represented about three quarters of the economy in 2010, up from little more than two thirds in 1995. Services are also increasingly offered by the manufacturing sector, of which the share in total value added decreased from 20% to 15% over the same time period<sup>12</sup>. The share of agriculture has diminished from around 3% to 2%, while construction, as well as mining and quarrying, remained roughly stable at 6% and 1% respectively.

Changes in the industrial structure are also reflected in employment. Among other impacts, these sectoral shifts played a role in the ongoing trend of jobs and wage polarisation in the EU, whereby the job creation in the expanding service sector has been concentrated in relatively high and low pay levels, while the shrinkage of manufacturing (accelerated in the crisis and accompanied by deflation of the construction sector bubble) has brought about large destruction of medium-paid jobs<sup>13</sup>. The large majority of the 23 million extra jobs created since 1995 were in services. Except for health and social work and supporting and auxiliary transport activities, these sectors also contributed most to growth in services. Contrary to that, financial intermediation, public administration and post and telecommunications were in top 10 "growing" services in terms of output, however they did not qualify among top 10 "job-creating" service sectors.

<sup>12</sup> High-tech products are often sold in combination with maintenance services. See European Competitiveness Report 2011 for more details about the phenomenon of 'convergence process' between manufacturing and services ([http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item\\_id=5702&lang=en](http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item_id=5702&lang=en)).

<sup>13</sup> For a detailed analysis, see Employment and Social developments in Europe 2011, chapter 1 (<http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=6176>).

In contrast to services, primary and secondary sectors have lost about 10 million jobs since the mid-1990s. While average annual employment growth in the EU in 1995-2010 was 0.7%, it was -1.1% in manufacturing industries. The losses of jobs in industry reflect technological progress and greater productivity, outsourcing or relocation strategies, as well as changing consumer demand. In addition to that, the recession and crisis severely impacted industry employment, which decreased by 4.6 million jobs over 2008-2010. In manufacturing, only the car sector contributed both to job creation and to growth in the industrial sector. Besides transport equipment, manufacturing employment grew only in two other sub-sectors, rubber and plastics and other manufacturing.

Human capital is an important growth factor and improves the international competitiveness of companies and sectors. The leading sectors in employing high-skilled people in the EU in 2009 were education, professional, scientific and technical activities; the information and communication sector; the pharmaceutical industry; the financial and insurance activities and human health and social work (more than 40% of employment)<sup>14</sup>. Financial and insurance activities have the lowest proportion of low skilled.

Sectors with a high component of high-education employment are less sensitive to competition from low-wage countries. E.g. the chemical industry, a manufacturing sector with 33% high-skilled employed, ranks highly in revealed comparative advantage<sup>15</sup>. Furthermore, the high-tech sector, i.e. sectors with a large proportion of high-skilled jobs, has grown much more rapidly than the rest of economy (4.1% versus 1.8%) and it has created 1.4 million extra jobs between 1995 and 2009. This is particularly the case for high-tech services such as telecommunications, computer services and research & development<sup>16</sup>.

Developments in 2011 show that the services sector continued to lead the employment recovery, mainly in financial services and in the trade sector. After strong losses, the construction sector is stabilising, but the job destruction in the public sector is expected to intensify. The industrial sector is not yet in growth territory – except for export-led segments as is the case in Germany and Sweden - while the unwinding of labour hoarding should be exhausted by now and business services are strongly positively oriented. This diverse picture is expected to remain broadly the pattern for 2012 although any sustained downturn in growth will clearly have a negative effect. According to the Commission's business surveys, employment expectations in the EU have declined continuously since reaching a peak in March 2011 in industry, services, and retail trade. Employment expectations in construction remain stable at a low level.

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<sup>14</sup> Formal educational attainment according to the International Standard Classification of Education (ISCED97) was used as a proxy for skills. Levels of education were aggregated to three categories: low skilled (0-2), medium skilled (3 and 4) and high-skilled (5 and 6). European Commission, Industrial Structure 2011 - Trends and Performance ([http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item\\_id=5635&lang=en](http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item_id=5635&lang=en)).

<sup>15</sup> Even though wage differences can show countries dis/advantages, the relevant indicator for assessing cost competitiveness is unit labour costs. Moreover, gains from trade, for both high- and low-wage countries, are determined by comparative, rather than absolute, advantages. (see Industrial Structure 2011 - Trends and Performance ([http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item\\_id=5635&lang=en](http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item_id=5635&lang=en))).

<sup>16</sup> Background presentation by President Barroso to European Council, 23 October 2011. [http://ec.europa.eu/europe2020/documents/documents-and-reports/subject/europe-2020-presentations/index\\_en.htm](http://ec.europa.eu/europe2020/documents/documents-and-reports/subject/europe-2020-presentations/index_en.htm)

### 3.2. SMEs

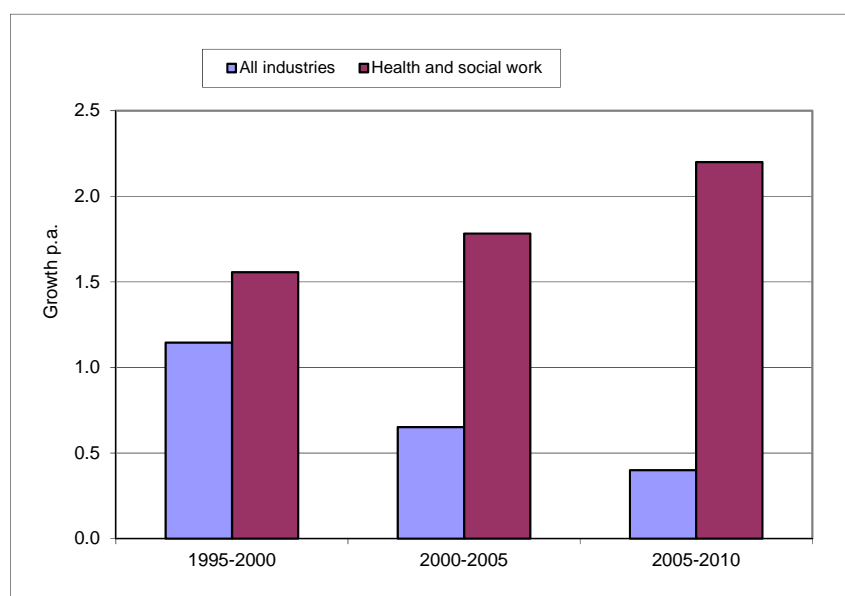
Between 2002 and 2010, net employment in the EU rose substantially, by an average of 1.1 million new jobs per year. 85% of that net employment growth was created by small and medium-sized enterprises (SMEs), according to a study<sup>17</sup> made for DG ENTR. This figure is considerably higher than the 67% share of SMEs in total employment.

With annual average growth at 1%, employment growth for SMEs was higher than for large enterprises (0.5%). A clear exception is the trade sector, in which employment in SMEs increased by 0.7% annually, compared to 2.2% in large enterprises. This is due to the strong increase of large trade enterprises, in particular in sales, maintenance and repair of motor vehicles. 58% of net employment growth in the EU was created by micro firms (less than 10 employees).

The study has also shown that new firms (younger than five years) are responsible for an overwhelming majority of the new jobs. New enterprises operating in business services create more than a quarter (27%) of the new jobs, while the new firms in transport and communication contribute least (6%).

### 3.3. White jobs

**Chart 8:** Employment growth in the health and social work sector, 1995-2010 (average annual growth for each period, in %)



**Source:** Eurostat, National accounts by 60 branches - employment data [nama\_nace60\_e]

Employment in the EU health and social work sector – the so-called "white jobs" - is growing fast (Chart 8), due to population ageing and an expansion of services to better meet quality requirements and rising demand<sup>18</sup>. Its share in total EU employment increased from 8.6% in 2000 to 9.9% in 2010. Over the same period, the total number of workers in the sector increased by 3.9 million, which accounts for more than a quarter of total net employment

<sup>17</sup> See study for DG ENTR, [http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/pdf/do-smes-create-more-and-better-jobs\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/pdf/do-smes-create-more-and-better-jobs_en.pdf)

<sup>18</sup> Statistical Classification of Economic Activities (NACE), rev. 1, N Health and social work.



growth in the EU economy. The vast majority of 22 million people employed in the health and social services in 2010 worked in the EU-15 Member States (89% or 19.6 million). The health and social services sector generates around 5% of the total economic output in the EU-27.

The sector has also an important employment potential in the future given the ageing of the population and increased demand for health and social services. In the EU-27, between 2008 and 2060, the population aged 65+ is projected to increase from 84.6 to 151.5 million, while the population aged 80+ is projected to increase from 21.8 to 61.4 million.

Employment growth is forecast to slow, with white jobs increasing on average by 0.5% p.a. between 2010 and 2020 and all sectors seeing only 0.3% p.a. average growth<sup>19</sup>. The size of the sector and its relatively fast growth suggest that it will remain a key actor in providing new jobs in the years to come and of paramount importance if macro conditions produce low growth. In addition to more than 1 million new jobs created in this sector, there will be about 7 million additional job openings due to the replacement needs, i.e. around 8 million of total job openings. Although most jobs will require highly qualified people (more than 5 million) there will be still job opportunities for those with medium and even low qualification<sup>20</sup>.

Yet, in order to exploit this job creation potential, the sector has to overcome several challenges. Its overwhelmingly female workforce is ageing. There are growing imbalances in skill levels and working patterns; whereas recruitment and retention are hampered by demanding working conditions as well as by low and slowly growing wages<sup>21</sup>. Moreover, social protection, including health and social services, is mostly financed from public budgets. Maintaining an adequate supply and quality of health and social services under increasing budget constraints is a key challenge faced by policy makers. The reports from independent experts on social protection policies confirm that social services have already been affected by austerity measures aimed at reducing public expenditure.

For further information on white jobs, please refer to the Commission Staff Working Document on the health workforce and a Commission Staff Working Document on "personal and household services" which addresses social care at home, childcare and the long-term care of the elderly, both informal and formal. Both documents are also accompanying the Communication "Towards a job-rich recovery".

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<sup>19</sup> Based on new Cedefop Skills demand and supply forecast released in 2012 (<http://www.cedefop.europa.eu/EN/about-cedefop/projects/forecasting-skill-demand-and-supply/skills-forecasts.aspx>).

<sup>20</sup> In the period up to 2020 the forecast indicates around 80 million job opportunities in the EU due to a modest net increase in employment of around 7.5 million new jobs (expansion demand) and around 72.5 million jobs that will need to be filled as people retire or leave the workforce (replacement demand). Cedefop, *ibid*.

<sup>21</sup> More detailed analysis can be found in the Employment in Europe 2009 report and the Second Biennial Report on social services of general interest, 2011 (<http://ec.europa.eu/social/main.jsp?catId=794&langId=en&pubId=5940&type=2&furtherPubs=yes>).

### 3.4. Green jobs

Green jobs<sup>22</sup> cover a wide range of employment opportunities with many environment-improving jobs in non-environmental industries, e.g. eco auditors in steel plants or car workers producing hybrid vehicles. Jobs growth in the eco-industry has been positive throughout the recession and is forecast to continue to be quite strong. Total numbers employed have grown from 2.2 million in 2000 to 2.7 million in 2008, which represented 0.8% of the total workforce. The average annual growth (2000 – 2008) in eco-industries was 2.7%, whereas it was 1% in the total economy. Employment is forecast to reach around 3.4 million in 2012<sup>23</sup>.

The products and services of this sector are enabling productivity gains and innovation in many other sectors and it is these green skills and associated green jobs that can be a major source of demand for new jobs. Nevertheless, expected EU net employment and GDP growth impacts of the move to a greener economy at the aggregate level are modest, reaching around 1-1.5% by 2020<sup>24</sup>. On the other hand, significant impacts are expected at sectoral and local levels. Sectors that produce investment goods are expected to create more jobs, while those that produce consumer goods see a fall in employment reflecting the impact on eroding real disposable income due to increases in prices of energy goods. Employment in energy transformation and supply sectors, such as manufactured fuels and gas distribution, is expected to fall in comparison to baseline, in line with reduced demand for (non-renewable) energy. The results for output and employment in the energy-intensive sectors are unclear: some could lose out due to competitiveness effects, while some feature in the value chains of investment goods so could benefit.

The main driver of the employment effects in the promotion of the renewable energy sector and energy efficiency are the substantial investments required to upgrade the infrastructure — which will create jobs in construction and mechanical engineering — and their supply chains. Analysis undertaken for the Commission suggests that whilst annual capital investment in renewable energy today averages €5bn, this would need to rapidly double to €70bn to ensure we achieve renewable goals. However, according to the International Energy Agency (IEA) investments in renewable energies in Europe decreased by 10% in 2009 while they increased by more than 50% in China. Given public finance constraints, it is important to increase private-sector investment.

The greening of the European economy will lead to a redefinition of many jobs across almost all sectors. In an initial phase, high-skilled workers may benefit more as transitions to new activities call for the implementation of advanced technologies. However, lower-skilled workers should also be able to fill these jobs by receiving adequate training. In any case, the role of employment services at large will be key in accompanying these transitions through a

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<sup>22</sup> A narrow definition for green jobs is those in eco-industries which produce goods and services to measure, prevent, limit, or correct environmental damage to water, air, and soil, as well as problems related to noise, waste, and ecosystems. This includes technologies, products, and services that reduce environmental risk and minimise pollution and resources. For more detailed discussion of green jobs see "Employment in Europe Report" (2009), OECD: "The job potential of a shift towards a low-carbon economy" (forthcoming) and ILO-EC (2011) "Towards a greener economy: the social dimension".

<sup>23</sup> Ecorys, European Commission, forthcoming, "The number of jobs dependent on the Environment and Resource Efficiency Improvements".

<sup>24</sup> A comprehensive literature overview of different studies is provided in Cambridge Econometrics et al, (2011), Studies on sustainability issues – green jobs; trade and labour; study prepared for the European Commission, DG Employment, social affairs and inclusion.

thorough provision of services such as counselling, advice, training and general re-skilling initiatives to ensure participation of the most vulnerable.

New investments and regulation will bring additional demand for skilled workers and the rapid market developments in certain sectors could induce skills shortages especially for rare and specialised skills/occupations or just simply for skills/occupations that will see a steep rise in demand due to expansion of new industries trying to absorb new. At the same time some of the analysis show, that deficits in management skills and technical, job-specific skills, especially related to science, technology, engineering and mathematics (STEM) might matter more for the EU capacity for green growth than shortages in specialist 'green tech' know-how<sup>25</sup>.

For further information on green jobs, please refer to the Staff Working Document on "Exploiting the employment potential of green growth" which is also accompanying the Communication "Towards a job-rich recovery".

### **3.5. Digital jobs**

The demand for ICT professionals continues to grow. Even during the crisis, the number of ICT practitioners grew at around 3% a year. By the end of 2010, 4.1 million Europeans worked as ICT practitioners in the narrowest definition (programmers and computer assistant staff), up from 2.7 million ten years earlier, with another 1.1 million in closely related occupations. Furthermore, labour demand is already outstripping the supply of ICT practitioners, and will continue to do so<sup>26</sup>.

Advanced ICT professions undoubtedly require a graduate degree in a computer-related field. However, for many other ICT occupations, shorter training is sufficient, especially for workers with experience in technical or scientific areas. ICTs can therefore be a promising option even for workers who become unemployed in mid-career.

Moreover, the emergence of new ICT applications creates the potential for talented ICT practitioners to start-up their own company. Since ICT services tend to be easily scalable, ICT start-ups usually have a higher growth potential than other start-ups, and thus a significant employment potential as well. Furthermore, cloud computing services reduce the need for up-front investment in ICT hardware.

Beyond ICT professionals, we have to recognise that most jobs already require some ICT knowledge. In fact, advanced ICT users account for 18.5% of employed persons, ranging from 9% to 31% in different Member States<sup>27</sup>. It has been forecast that by 2015 90% of jobs will need at least basic ICT skills<sup>28</sup>. Acquiring and maintaining ICT skills are vital in becoming and remaining employable.

For further information on digital jobs, please refer to the Commission Staff Working Document on "The role of ICT for employment", also accompanying the Communication "Towards a job-rich recovery".

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<sup>25</sup> Cedefop (2010), Skills for green jobs, European Synthesis Report.

<sup>26</sup> Report for the European Commission "Anticipating the Evolution of the Supply and Demand of e-Skills in Europe (2010-2015)" Empirica and IDC Europe, December 2009. Updated forecast presented at the European e-Skills Conference on 13 December 2011 in Brussels.

<sup>27</sup> [http://ec.europa.eu/information\\_society/digital-agenda/scoreboard/docs/pillar/digitalliteracy.pdf](http://ec.europa.eu/information_society/digital-agenda/scoreboard/docs/pillar/digitalliteracy.pdf)

<sup>28</sup> IDC White Paper "Post Crisis: e-Skills Are Needed to Drive Europe's Innovation Society" (November 2009).



## **4. SKILLS AND MOBILITY**

### **4.1. Skills, mismatches, demography and mobility**

Even though the EU is undergoing a crisis in which jobs are being lost, certain Member States and employment categories continue to experience a shortage of labour. Unemployment from declining sectors co-exists with encouraging signs of economic recovery and new labour demands from high-productivity industries. Vacancies in some economic sectors (such as IT specialists, health care, engineers) are not easy to fill. At the overall EU level this is reflected in a coincident rise in unemployment and vacancy rates. Over the next years, ageing will have serious implications on both the size and age structure of the workforce, making the match between labour supply and labour demand even more difficult. Currently, the EU workforce is still growing at a very slow pace, with half of the Member States already experiencing a declining workforce. By 2014, the overall EU workforce will start declining. In the long run, it is estimated that the working-age population in the EU will shrink by more than 10% between 2010 and 2050<sup>29</sup>. The Europe 2020 Strategy puts particular emphasis on promoting labour mobility, both domestic and migrant, for addressing labour and skill shortages and rendering the EU workforce more adaptable to change.

While fighting against unemployment, Europe should be able in the future to respond quickly to the emerging new demands from the most competitive parts of the economy. Within the very competitive global environment, a slow or inadequate response may imply the loss of a new economic activity and the jobs associated with it. Recent Cedefop studies on Europe's future skill needs indicate that labour market needs in the most dynamic economic sectors may rise significantly between now and 2020, while those in low-productivity sectors may further decline. Deficits in qualified job-specific skills are already observed in areas critical for innovation. Recent Cedefop reports on future labour market needs indicate a rapid shift of labour demand towards higher qualifications. According to Cedefop by 2020, 42% of employment will be in high-skilled non-manual occupations<sup>30</sup>. Migration from outside the EU could play a role in filling these identified labour shortages.

### **4.2. Vacancies and unemployment**

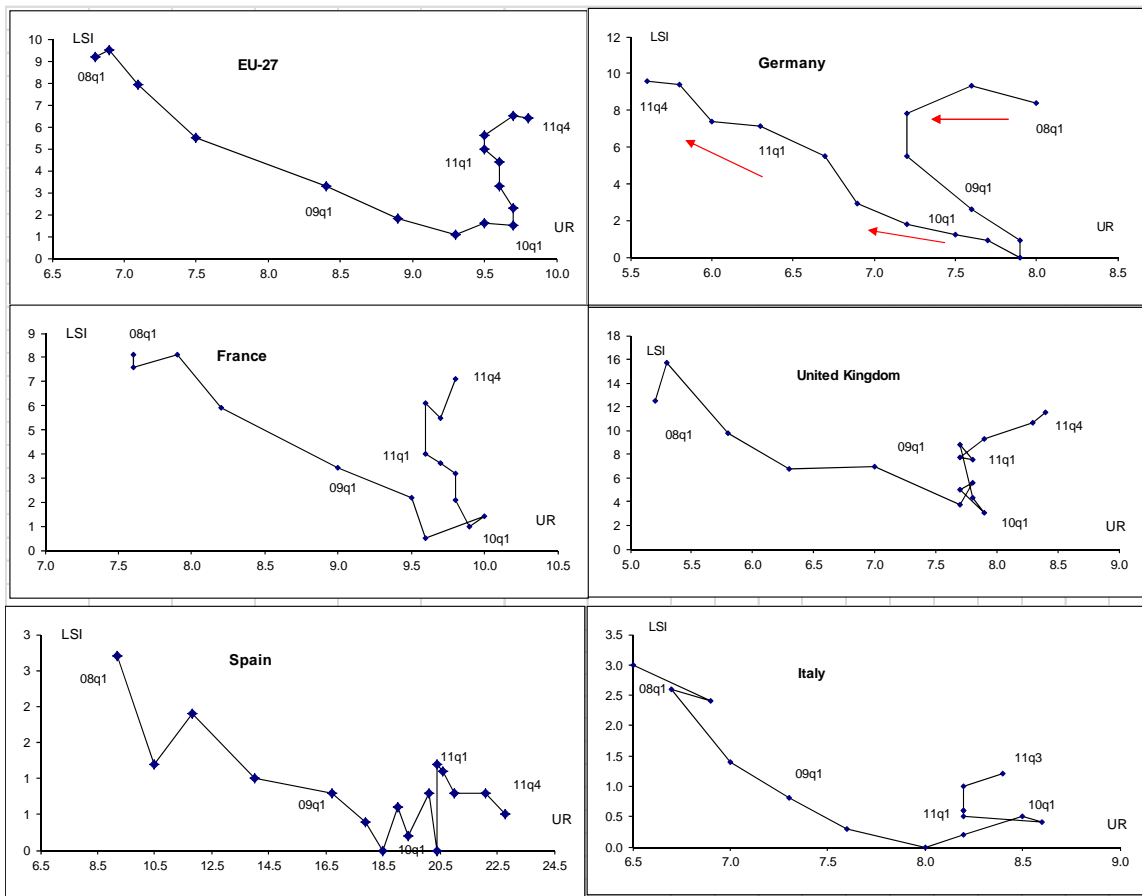
The coincident rise in unemployment and vacancy rates, mentioned above, can be seen at the EU level, where the job vacancy rate has been picking up. At 1.5% in the fourth quarter of 2011, it was unchanged over one year ago. This means more than six unemployed per vacancy. Some Member States – Austria, Germany, Belgium and Finland – see rather higher vacancy rates and, with lower unemployment than the EU average, a much better demand situation of two to four unemployed per vacancy. This latter situation suggests an economy which is much closer to seeing real labour shortages in some sectors. However, Poland, which remained relatively unscathed during the crisis, is seeing little rise in vacancies and Spain has seen a further decline in vacancies to 1.0%, thus giving a rate of about 23 unemployed per vacancy.

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<sup>29</sup> Eurostat, Population statistics, Population projections, Europop 2010. These projections are based on the assumptions of positive net migration to the EU. Without taking migration into account, the decrease of the working-age population in the EU between 2010 and 2050 would be much more pronounced (more than 25%).

<sup>30</sup> Cedefop (2010), Skills supply and demand in Europe – Medium-term forecasts up to 2020.

**Chart 9: Beveridge curves for the EU-27 and the largest Member States**



**Source:** Eurostat. UR = unemployment rate (%), quarterly average [une\_rt\_q]. LSI = labour shortage indicator, derived from EU business survey results (% of manufacturing firms pointing to labour shortage as a factor limiting production) [bsin\_q\_r2].

Plotting the Beveridge curve, which relates job vacancies and unemployment rates, suggests a risk of increased mismatches of skills post-crisis and higher so-called equilibrium unemployment<sup>31</sup>. At the EU level, both unemployment and vacancy rates increased since early 2010, suggesting such a risk. Individual Member States see rather different movements in their Beveridge curve. Germany has seen a leftwards shift indicating lower equilibrium unemployment and less labour demand and supply mismatch. Conversely, the French, Italian and the UK Beveridge curves are more similar to the EU-level curve. Finally, there is no clear movement in the labour shortage indicator in Spain, while unemployment continues to rise. This diversity reflects a polarisation of labour market and macro-economic situations across the EU.

### 4.3. Intra-EU mobility

Cross-border labour mobility in the EU has increased over the last decade thanks to the flows fostered by the 2004 and 2007 enlargements. The number of EU citizens living in another Member State (than their own) has increased by 5 million between the end of 2003 and the

<sup>31</sup> See also Special Focus in the Quarterly Review of the EU Employment and Social Situation, March 2011 and March 2012.

end of 2010 (from 7.7 to 12.7 million)<sup>32</sup>. Nevertheless, only 2.8% of the working age (15-64) European citizens live in another EU Member State than their own.

International comparisons also indicate that cross border mobility between EU Member States is limited compared to other regions (such as the US or Australia), even when taking into account mobility between large regions (NUTS1) inside EU Member States, between which linguistic and administrative differences are quasi inexistent<sup>33</sup>. Although the relatively low level of geographic mobility between EU Member States can be explained by the very large linguistic diversity and various institutional frameworks, these comparisons still suggest that more scope exists for higher geographical mobility in the EU, whether of EU citizens or third-country nationals.

Moreover, the massive gaps currently existing between EU countries and regions (even inside some Member States) in terms of unemployment rates and job vacancy rates are another sign that the potential of geographical labour mobility is insufficiently tapped. Mobility of workers is essential for achieving dynamic labour markets, efficient matching of jobseekers to jobs and of employers to skills.

Finally, geographical labour mobility can have large economic benefits for the economies of both receiving and sending countries<sup>34</sup>. For instance, the GDP of EU-15 countries is estimated to have increased by almost 1% in the long-run due to the post-enlargement mobility and no significant impact was found on the level of unemployment or wages of the domestic workers. Labour mobility flows have helped to fill job vacancies and mobile citizens have higher employment rates than the average working-age population.

Geographical labour mobility within the EU can be a powerful adjustment mechanism to respond to the needs of labour markets by making them more efficient and further adaptable to change in economies. For instance, following the crisis of 2008-09, the flows of mobile workers between EU Member States has been diminishing due to the decline of labour demand. Countries such as Ireland and Spain would have had higher unemployment rates than they currently have, without the adjustment of migration flows due to the recession (i.e.: reduced inflows and increased outflows)<sup>35</sup>.

#### **4.4. Employment of third-country nationals**

Around 20 million third-country nationals live in the EU, thus making up 4.0% of the total population. Since they tend to be of working-age, their share of the labour force is slightly larger, at 4.5%. Roughly a third of the economically active third-country nationals have settled in their present country of residence within the past seven years<sup>36</sup>.

In the early years of this century, large numbers of immigrants arrived in the EU, but with the economic downturn in 2009, these numbers fell. In addition to declining immigration, a rise

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<sup>32</sup> Eurostat migration statistics and EU-Labour force survey, see details in EC, Employment and Social Developments in Europe 2011, chapter 6.

<sup>33</sup> Eurofound, Labour mobility in a transatlantic perspective, 2007 and OECD, 2012 Economic Review of the European Union, 2012.

<sup>34</sup> See Employment and Social Developments in Europe 2011, chapter 6 and NIESR, Labour mobility within the EU – the impact of enlargement and the functioning of the transitional arrangements, 2011.

<sup>35</sup> Deutsche Bank, Working paper, Labour mobility in the Euro area, 2011.

<sup>36</sup> For detailed figures on migration from third-countries, see Eurostat publication 'Migrants in Europe', 2011, [http://epp.eurostat.ec.europa.eu/cache/ITY\\_PUBLIC/3-08122011-AP/EN/3-08122011-AP-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-08122011-AP/EN/3-08122011-AP-EN.PDF).

in the flows of return migration to home countries has also been witnessed for many Member States, due to a particularly adverse labour market situation among third-country nationals<sup>37</sup>. Nevertheless, the overall population of immigrants has continued to grow, though at a slower pace. Statistics on migration flows during 2010 are not yet available but the increase in the number of residence permits granted to third-country nationals in 2010 seems to indicate that migration flows from non-EU countries are picking up again, having fallen in 2009. In 2010, 32.4% (or around 800 000) of all residence permits granted were for remunerated activities.

In the third quarter of 2011, the employment rate of third-country nationals was 55.5%, much below the level recorded for nationals (65.0%) and other EU nationals (68.3%). This was already true before 2008 but the economic downturn made the situation much worse.

The gap between employment rates of nationals and third-country nationals, which was already substantial before the economic downturn, has widened. In 2008q2 it was 6.5 pps: one year later it was around 9 pps, and since then it has fluctuated between 9 and 10 pps. This gap differs widely across education levels. Third-country nationals have higher employment rates than nationals in the low-educated category. In the medium-skilled category, however, third-country nationals tend to have lower rates than nationals, and the gap is even wider in the high-skilled group. This suggests that the skills of migrants residing in the EU are being very much under-used.

Many third-country nationals employed in the EU are over-qualified for the job they have. At aggregate level, this can be measured roughly by comparing the current occupations of migrant workers with their level of education. In 2010, 46% of highly-educated third-country nationals were overqualified for their job, compared to around 20% among nationals. Among third-country nationals, the rate of over-qualification was particularly high for women (49%) compared to men (44%). One of the main factors appeared to be the difficulty in getting recognition for qualifications obtained outside the EU. Cedefop studies also indicate that workers with a migrant background are disproportionately affected by over-qualification when they have acquired their qualifications abroad<sup>38</sup>.

In terms of unemployment, third-country nationals have been one of the groups most affected by the economic downturn. Their unemployment rate, already high in 2008q2 (14.0%), rose very quickly to reach 19.2% one year later, and has remained at high levels (around 19-21%) ever since<sup>39</sup>. The gap between nationals and immigrants from outside the EU increased from 7.6 pps in 2008q2 to 11 pps one year later, and has remained around that level.

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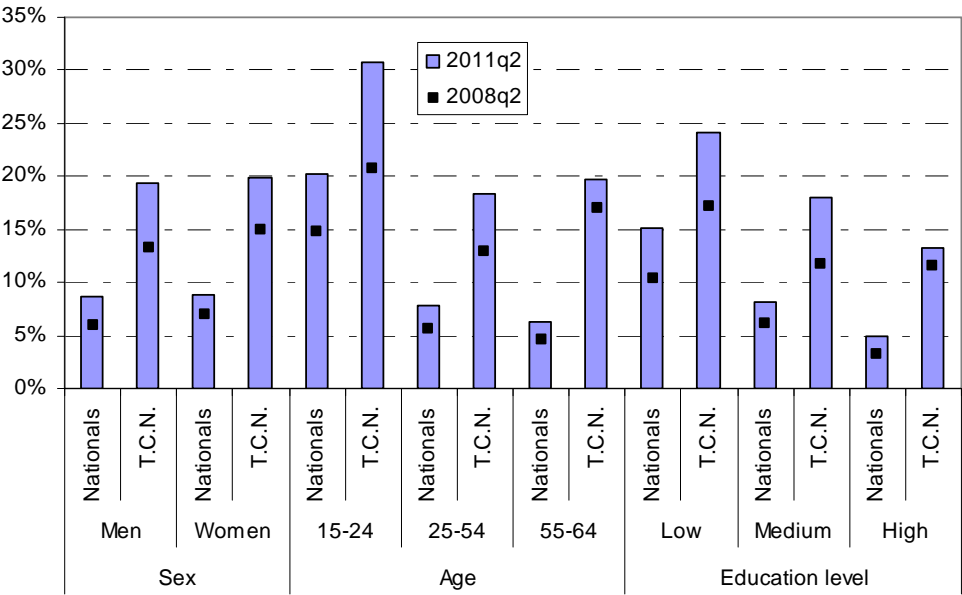
<sup>37</sup> OECD, Migration Outlook 2011, SOPEMI.

<sup>38</sup> Cedefop (2011), "Migrated and mismatched? An empirical analysis of skill mismatch among migrants and ethnic minorities in Europe", Cedefop research paper.

<sup>39</sup> The EU average hides however great variations between the Member States and more than 60% of the net increase in unemployment among third-country nationals in the period 2008-2011 occurred only in Spain.



**Chart 10:** Unemployment rates by group of citizenship, sex, age and education level, in the EU (in %)



**Source:** Eurostat, EU-LFS, quarterly data

Third-country nationals in the EU have, on average, a lower level of educational attainment than nationals. As many as 43% of economically active third-country nationals have a low level of education, compared to 22% of the nationals. This partly explains their higher unemployment rates, but it is only one factor: third-country nationals have higher unemployment levels than nationals whatever their skill level. Other factors at play here are difficulties in having third-country qualifications or experience recognized in the EU, lack of language proficiency, discrimination and lack of access to information or networks.

Analysis of the reasons for migration of the third-country nationals currently residing in the EU indicate that in many Member States the majority of them arrived for reasons other than employment. Family reunions and asylum seekers represent large groups of lawful non-economic migration inflows. These groups are generally associated with higher levels of unemployment/inactivity, partly for reasons related to the legal access to the labour market.

In conclusion, analysis of the labour market outcomes of migrants from third countries over the past decade indicates that Europe is still far from reaping the full potential of third-country nationals currently residing in the EU. At the same time, the EU is currently not attracting the migrants that it would need to respond to the challenges in terms of demographic ageing and skill shortages. On the basis of the experience gained in other industrialised countries namely in Canada and Australia, it appears that the EU could improve its attractiveness as a destination for qualified migrant workers by promoting permanent and more transparent admission rules for economic immigrants while providing full labour market access for spouses and facilitating free mobility of migrants between EU Member States. Attracting talented international students and researchers represents another promising policy pathway.

## 5. LABOUR MARKET CHALLENGES

Despite the crisis, substantial progress has been made in EU labour markets since 2000. The employment rate for the EU working-age population in 2010 stood at 64.2%, i.e. 0.4 pp below the level recorded in 2009 but still 2.1 pps higher than in 2000.

The severe rise in unemployment over the period 2008-2009 has continued to feed into long-term unemployment. If the recent upturn in the unemployment trend continues, long-term unemployment might intensify. The increased risk of long-term unemployment may have severe effects on many population segments. The negative effects in terms of loss of human capital, including skill depreciation and loss of motivation, and thus of future employability, career prospects and earnings can be significant. Moreover, long-term unemployment may often lead to eventual discouragement and exit from the labour market. Overall, long-term unemployment results in a high risk of poverty and associated social failure.

The youth unemployment rate stood at an unprecedentedly high level of 22.4% in February 2012. Young people who are neither in employment, education or training or employment (NEET), constitute the most problematic group. In the second quarter of 2011, more than 13% of young people were in this case, this is 2 pps above the 2008 level. Youth's high exposure to temporary work contracts has exacerbated the challenges of youth unemployment. At 5.5 million, youth unemployment in the EU is up by nearly 40% compared to the low of spring 2008. The recent unfavourable developments in unemployment for youth may soon intensify the long-term unemployment issue and have serious social consequences.

There is clear scope for positive spillovers to the labour market from other policies, such as policies focusing on SMEs, white, green and ICT jobs. Between 2002 and 2010, 85% of net employment growth was created by small and medium-sized enterprises (SMEs), considerably higher than the 67% share of SMEs in total employment. New firms (younger than five years) are responsible for an overwhelming majority of the new jobs.

Employment in the health and social work sector ("white jobs") is growing fast, due to population ageing and an expansion of services to better meet quality requirements and rising demand. However, maintaining an adequate supply and quality of health and social services under increasing budget constraints is a key challenge faced by policy makers.

Green jobs cover a wide range of employment opportunities with many environment-improving jobs in non-environmental industries, e.g. eco auditors in steel plants or car workers producing hybrid vehicles. The products and services of the eco-industry are enabling productivity gains and innovation in many other sectors and it is these green skills and associated green jobs that can be a major source of demand for new jobs.

The demand for ICT professionals continues to grow. Beyond ICT professionals, we have to recognise that most jobs already require some ICT knowledge. In fact, advanced ICT users account for 18.5% of employed persons, while it has been forecast that by 2015 90% of jobs will need at least basic ICT skills. Acquiring and maintaining ICT skills are vital in becoming and remaining employable.

Vacancies in some economic sectors are not easy to fill. This is reflected in a coincident rise in EU unemployment and vacancy rates. Over the next years, ageing will have serious implications on both the size and age structure of the workforce, making the match between

labour supply and labour demand even more difficult. By 2014, the overall EU workforce will start declining. The Europe 2020 Strategy puts particular emphasis on promoting labour mobility, both domestic and migrant, for addressing labour and skill shortages and rendering the EU workforce more adaptable to change. The EU should be able in the future to quickly respond to the emerging new demands from the most competitive parts of the economy. Recent studies on Europe's future skill needs indicate that labour market needs in the most dynamic economic sectors may rise significantly between now and 2020, while those in low-productivity sectors may further decline. Deficits in qualified job-specific skills are already observed in areas critical for innovation. By 2020, 42% of employment will be in high-skilled non-manual occupations.

Mobility and migration flows should be supportive of labour market smoothing. Nevertheless, international comparisons indicate that cross border mobility between EU Member States is limited compared to other regions. Although this can be partly explained by the very large linguistic diversity and various institutional frameworks, these comparisons still suggest that more scope exists for higher geographical mobility in the EU. Moreover, the massive gaps currently existing between EU countries and regions in terms of unemployment rates and job vacancy rates are another sign that the potential of geographical labour mobility is insufficiently tapped. However, Europe is still far from reaping the full potential of third-country nationals currently residing in the EU. At the same time, the EU is currently not attracting the migrants that it would need to respond to the challenges in terms of demographic ageing and skill shortages.



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**COMMISSION STAFF WORKING DOCUMENT**

**Exploiting the employment potential of green growth**

*Accompanying the document*

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL  
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

**Towards a job-rich recovery**

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# COMMISSION STAFF WORKING DOCUMENT

## Exploiting the employment potential of green growth

### *Accompanying the document*

#### COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

### Towards a job-rich recovery

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## 1. INTRODUCTION

The gradual transition towards a competitive, low carbon and resource efficient economy is above all an opportunity to minimise the negative consequences of climate change and resource depletion for future generations. In the current recessionary context, this shift also represents an unprecedented chance for the EU to reconsider its traditional economic model based on labour and capital productivity and begin a move towards a new one founded on the principle of **resource efficiency**. Transforming our economies will bring advantages in terms of enhancing energy security, improving the health of European citizens and boosting international competitiveness of EU industries. In relation to employment, many new jobs will be created and redefined while others might be lost.

The right choice of employment and skills policies can make an important contribution to realising this vision by capitalising on new possibilities and at the same time addressing existing bottlenecks. It is therefore essential that labour markets and associated policies at EU and Member State level act as a catalyst and not an obstacle that could halt this transformation process. Governments will need to engage public and private actors, mobilise existing resources and financial instruments at European and national level to ensure that policies are backed up by funds to business, entrepreneurs, workers and the research community so that new companies and jobs can flourish. Whilst freeing up credit and building consensus might seem like a difficult choice at present, all stakeholders must perceive this shift as a medium to long term development that will require resolute short term action if it is to succeed. A **unique opportunity** is therefore before Europe to leap into a new economic era of competitiveness.

This Staff Working Document informs and advances an on-going strategic reflection process on how to build a competitive, low carbon and resource efficient economy in line with the Europe 2020 Strategy. Employment policies are only a piece in a bigger puzzle but in depth discussions and **smart articulation of tools and policies**, including the European Employment Strategy, can go a long way in tackling the challenge. The emphasis placed on the transition towards a greener economy in worldwide fora (G20, ILO, UNEP – Rio+20, OECD) also calls for the EU and its Member States to provide clear and credible answers on this front.

As a follow up to the EU flagship initiative on new skills and jobs<sup>1</sup>, the December 2010 EPSCO conclusions<sup>2</sup>, the conclusions of the informal European Council of January 2012<sup>3</sup> and the report by the European Parliament<sup>4</sup>, the Commission has undertaken research on how to build a competitive low carbon and resource efficient economic model. The results of this work have been used to feed into this Staff Working Document.

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<sup>1</sup> COM (2010) 682 final, *An Agenda for new skills and jobs: A European contribution towards full employment*, available at:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0682:FIN:EN:PDF>

<sup>2</sup> Doc. 18131/10, available at: <http://register.consilium.europa.eu/pdf/en/10/st18/st18131.en10.pdf>

<sup>3</sup> Statement of the Members of the European Council of 30 January 2012, available at:

[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/ec/127599.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/127599.pdf)

<sup>4</sup> European Parliament (2010), *Report on developing the job potential of a new sustainable economy (2010/2010(INI))*, A7-0234/2010, available at:

<http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P7-TA-2010-0299&language=EN&ring=A7-2010-0234>

## 2. DEFINING AND MEASURING 'GREEN JOBS'

Development of a competitive, low carbon and resource efficient economy will bring about a fundamental transformation in terms of business processes and related skill sets, whilst also giving rise to so-called 'green jobs'. In the longer term, many of existing jobs will be transformed into 'green jobs'. In this context also the concept of 'green jobs' could refer to each sector of the economy and not only to certain sectors such as renewables or energy efficiency. This paper understands 'green jobs' as

*...covering all jobs that depend on the environment or are created, substituted or redefined (in terms of skills sets, work methods, profiles greened, etc.) in the transition process towards a greener economy.*

This broad definition is complementary and not opposed to the one coined by the United Nations Environmental Program (UNEP)<sup>5</sup>. For instance, additional employment will be **created** through increasing of the renovation rates of buildings, development and deployment of new technologies such as renewables or carbon capture and storage, some employment will be **substituted** as manufacturing of hybrid cars gradually replaces production of traditional cars, and existing jobs will be **redefined** as gas-fitters move towards installing gas combined heat and power instead of traditional systems or the builders constructing new buildings would move to the retrofitting business<sup>6</sup>, etc.

Several difficulties exist when measuring 'green jobs' defined that way primarily because these are not a clearly delineated part (and certainly not a sector) of the labour market. In terms of the skills that these jobs require, these are not necessarily distinct from many existing skills, and empirical data shows that skill requirements for jobs associated with a competitive, low carbon and resource efficient economy can already be found in existing occupations. Therefore, it would be safe to assume that **specific skill sets will evolve as jobs change** and adapt to new business practices. Finally, the very concept of a 'green job' is a moving target, since virtually every new product is greener than the one it replaces and involves more intelligent use of resources, changes in production processes and associated skills and technological evolution, all of which affect training and education curriculums.

At EU level Eurostat collects data on the so-called "eco-industries" (i.e. environmental goods and services sector (EGSS)<sup>7</sup>. This measurement is more limited than the abovementioned

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<sup>5</sup> UNEP defines green jobs as positions in agriculture, manufacturing, construction, installation, and maintenance, as well as scientific and technical, administrative, and service-related activities that contribute substantially to preserving or restoring environmental quality. Specifically, but not exclusively, this includes jobs that help to protect and restore ecosystems and biodiversity; reduce energy, materials, and water consumption through high-efficiency and avoidance strategies; decarbonize the economy; and minimize or altogether avoid generation of all forms of waste and pollution.

<sup>6</sup> UNEP/ILO (2009), *Green Jobs: Towards decent work in a sustainable, low-carbon world*; available at: [http://www.ilo.org/wcmsp5/groups/public/@ed\\_emp/@emp\\_ent/documents/publication/wcms\\_158727.pdf](http://www.ilo.org/wcmsp5/groups/public/@ed_emp/@emp_ent/documents/publication/wcms_158727.pdf)

<sup>7</sup> Eurostat (2009), *The environmental goods and services sector. A data collection handbook*, available at: [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-RA-09-012/EN/KS-RA-09-012-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-RA-09-012/EN/KS-RA-09-012-EN.PDF)

definition for 'green jobs' but is the only source of harmonized European data providing information on employment related to activities with environmental purposes.<sup>8</sup>

The overall employment in the so-called "eco-industries" as defined by Eurostat is estimated at 1-2% of total European employment. Job creation in these industries has been positive throughout the recession in comparison to many other sectors, even if investments have dropped, and is forecast to continue to be quite sound in future years. Average annual growth in employment in the eco-industries in 2000-2008 was 2.7%. Total numbers employed have grown from 2.4 million in 2000 and 3.0 million in 2008 and are forecast to reach 3.4 million in 2012<sup>9</sup>.

At present, the size of the "eco-industries" sector in Europe is larger than the aerospace and defence sectors<sup>10</sup>. Estimates for countries such as United States and Germany indicate that 2-3% of total employment is related to activities to reduce CO2 emissions<sup>11</sup>.

Available evidence on a sectoral level regarding the impact on employment shows that certain sectors are already experiencing strong employment dynamics, with solar, wind and biomass technologies progressing most rapidly<sup>12</sup>. All in all, the renewables sector in Europe has seen an increase of more than 300,000 employees within only five years (2005-2009)<sup>13</sup>.

### 3. LABOUR MARKET CHALLENGES TO DEVELOPING A GREEN ECONOMY

Current available evidence in so called 'green jobs' and eco-industries appears to point to a bright future in terms of potential for employment creation in this area. Indeed, the sector has shown some impressive resilience and **positive growth in the face of the crisis**. Below an overview of the main drivers having an effect on job creation rates in the context of a greener economy is provided, as well as a qualitative assessment of job creation potential and labour market challenges and factors that can be expected as a result of this transformation.

#### 3.1. Drivers influencing the rate of employment creation

Several factors will affect the employment creation potential associated with a transition to a new economic model based on a more efficient use of resources. These include particularly the **additional investments needed to reach the EU 2020 targets** (especially the Climate and Energy 20-20-20 targets for reducing greenhouse gas emissions, increasing the share of renewables and improving energy efficiency) and to pursue the 2050 vision in line with targets as set out in the 2050 Low-carbon and Energy Roadmaps<sup>14</sup>. For example, the

<sup>8</sup> In addition the Commission pursues work and research to develop and produce measures other than GDP that better encompass environmental quality and sustainability. See: <http://www.beyond-gdp.eu/index.html>.

<sup>9</sup> For all data linked to "eco-industries" see: Ecorys (forthcoming), *The number of jobs dependent on environmental and resource efficiency improvements*, Study for European Commission, Directorate General for Environment

<sup>10</sup> See: [http://ec.europa.eu/enterprise/policies/sustainable-business/eco-industries/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sustainable-business/eco-industries/index_en.htm)

<sup>11</sup> EC/ILO (2011), *Towards a greener economy: the social dimensions*, p. 16, available at:

<http://ec.europa.eu/social/main.jsp?catId=87&langId=en&moreDocuments=yes>

<sup>12</sup> The first two are developed for electricity generation while the latter is predominantly for the heating sector.

<sup>13</sup> European Renewable Energy Council statistics available at: <http://www.erec.org/statistics.html>

<sup>14</sup> COM (2011) 112 final, *A Roadmap for moving to a competitive low carbon economy in 2050*, available at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0112:FIN:EN:PDF>; COM (2011) 885/2, *Energy Roadmap 2050*, available at:

[http://ec.europa.eu/energy/energy2020/roadmap/doc/com\\_2011\\_8852\\_en.pdf](http://ec.europa.eu/energy/energy2020/roadmap/doc/com_2011_8852_en.pdf)



Renewable and the Energy performance of Buildings Directives were crucial for the development of renewables and energy efficiency market niches and led to new employment opportunities. The impact was coupled with a number of regulatory, financial and fiscal policies at Member States level. The process of job creation in energy efficiency will intensify with the implementation of more measures under the Ecodesign and Energy Labelling Directives and upon the adoption of a new Energy Efficiency Directive and more measures on financing.

Other important drivers will be higher **prices of energy goods**, needed to recover the cost of investments in the long run; and factor substitution between labour, capital and energy caused by higher carbon prices if emission permits are auctioned and/or by regulation that affects the allocation of production factors.

The employment impact can also be reinforced by the way in which **green-tax revenues are recycled** should market based instruments be used to reach the Europe 2020 targets. Recent studies show that the best employment outcomes will be yielded when revenues are used to subsidise low-carbon technologies, lower taxes and social security contributions paid by employers and/or employees, or raise or introduce in-work benefits that top up the wage income of most disadvantaged working households<sup>15</sup>. It should be noted that the average contribution of environmental taxes in the EU amounts to 6.3% of the overall tax bill. If all Member States were to raise this figure to 10% the result would yield an additional tax revenue equivalent to around 1.4% of EU GDP that could be used to reduce budget deficits or labour taxes<sup>16</sup>.

Studies show that the positive job creation impacts of green policies would outweigh the shortcomings. For example, the increased investments in energy efficiency would stimulate job creation in the construction and manufacturing of construction materials and sectors and would have limited impact on the reduction in jobs in the fossil fuels mining sectors.

### 3.2. Sectoral developments affecting job creation prospects

A recent study by the European Commission<sup>17</sup> sought to analyse the sectors and occupations which might benefit from a transition to the low carbon economy in the coming decades. These are outlined in table 1.

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<sup>15</sup> Cambridge Econometrics et al, (2011), *Studies on sustainability issues – green jobs; trade and labour*; Final Report, Research Project for the European Commission, DG Employment, Social Affairs and Inclusion prepared by Cambridge Econometrics, GHK and the Warwick Institute for Employment Studies; Institute of Communication and Computer Systems of National Technical University of Athens, (2010), MODELS, Final Publishable Activity Report for Contract No: 044089 (SSPI). OECD (forthcoming), *The jobs potential of a shift towards a low-carbon economy*, study prepared for the European Commission, DG Employment, Social Affairs and Inclusion, p.90. OECD analysis did not include recycling of revenues towards R&D and low-carbon technologies.

<sup>16</sup> Ecorys (2011), *The role of market-based instruments in achieving a resource efficient economy*;

<sup>17</sup> Cambridge Econometrics et al, (2011), *op.cit.*

**Table 1.** Sectors and occupations with potential to benefit from the low-carbon transition

OCCUPATIONS WITH POTENTIAL TO BENEFIT FROM THE LOW-CARBON TRANSITION, BY SECTOR						
	R&D	Manufacture & installation/ engineering	Operation & maintenance	Management	Administration	Sales
Renewable energy	✓	✓	✓	✓	✓	✓
Conventional power generation			✓	✓	✓	
Cement		✓				
CCS	✓	✓	✓			✓
Iron & steel	✓		✓	✓		
Machinery & electrical equipment	✓	✓		✓		
Construction	✓	✓		✓	✓	✓
Transportation			✓	✓	✓	

*Source: Cambridge Econometrics et al, (2011)*

Several studies show the potential employment gains at EU level in a more disaggregated manner. They illustrate types of employment critical for achieving green growth. However, these estimates are not cumulative as they are based on various modelling exercises performed under different scenarios and, are subject to some forecasting uncertainty. Some selected results from recently conducted studies are outlined below.<sup>18</sup>

In the coming years, advancement and implementation of **climate adaptation measures** will spur demand for both high- and low-skilled labour. Construction will be one of the sectors directly benefiting from this as major investments in adaptation could offer employment and income opportunities in activities such as extending coastal defences, reinforcing buildings and infrastructures, water management and relocation of exposed settlements<sup>19</sup>. Other activities will also gain, such as the development and manufacture of advanced water management technologies; development, distribution, and cultivation of drought-resistant

<sup>18</sup> For a more detailed overview of studies see: Cambridge Econometrics et al, (2011), *op.cit.*, available at: <http://ec.europa.eu/social/keyDocuments.jsp?policyArea=&type=0&country=0&year=0&advSearchKey=tacklingclimatechange&mode=advancedSubmit&langId=en>

<sup>19</sup> UNEP/ILO (2008), *Green jobs. Towards decent work in a sustainable, low carbon world*, available at: [http://www.ilo.org/wcmsp5/groups/public/@ed\\_emp/@emp\\_ent/documents/publication/wcms\\_158727.pdf](http://www.ilo.org/wcmsp5/groups/public/@ed_emp/@emp_ent/documents/publication/wcms_158727.pdf). Also according to an on-going study commissioned by DG MARE, "Blue Growth: scenarios and drivers for sustainable growth from the oceans, seas and coasts", (ECORYS) both coastal protection and the marine and maritime monitoring and surveillance sectors are set to grow both in terms of turnover and employment.

seeds; development of ecosystem based adaptation measures; integrated modelling and climate risk assessment; or development of early warning systems.<sup>20</sup>

Climate adaptation measures will also decrease disruptions on economic activity and workforce availability due to climate change related natural phenomena (e.g. floods, heat waves, changes in precipitation patterns). The forthcoming EU Adaptation Strategy will provide additional evidence on the employment implications of adaptation to climate change.

In terms of **resource efficiency**, a number of tested policy simulations demonstrate that the EU could realistically reduce the total material requirements of its economy by 17%. It could then boost the GDP by up to 3.3% and create between 1,4 and 2,8 million jobs. Every percentage point reduction in resource use could therefore lead to up to 100,000 to 200,000 new jobs<sup>21</sup>.

The implementation of individual **energy efficiency** measures could lead to 2 million green jobs being created or retained by 2020<sup>22</sup>. These are jobs mainly for the renovation of the building stock, the uptake of products covered by eco-design and labelling measures (e.g. electric motors and drivers, refrigerators and freezers, circulators), and the improvement of energy efficiency in the manufacturing sector. A large part of these jobs would be in the construction sector – linked to a move from new construction to renovation of existing buildings – therefore having a direct positive impact on one of the sectors worst affected by the economic crisis. Taking into account the scope of the challenge to renovate Europe's buildings stock this could be a long-term engagement, lasting for at least 30 years, mainly for local SMEs.

Job potential from **renewable energy (RE)** sector development is estimated at 3 million jobs by 2020<sup>23</sup>. Also, implementation of the revised **Energy Taxation Directive** could create 1 million jobs by 2030<sup>24</sup> in cumulative terms. These might be associated equally with high-, medium-, as low-skilled positions in: equipment manufacturing and distribution, project development, construction and installation, operation and maintenance. A closer look at the types of employment created in the renewable energy field reveals that the policy approach matters. More ambitious RES policy targets trigger investments and hence employment in knowledge intensive generation technologies while a less ambitious policy target provides an impulse for employment via biofuels. Capital-intensive technologies such as photovoltaic and wind off- and on-shore, solar thermal and heat pumps dominate in absolute terms under a strong RES promoting policy. For many of these technologies, the construction phase is the most labour intensive one. However, this is not the case for biomass-based renewable energy use.

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<sup>20</sup> See for instance: Oxfam America (2010), *A fresh look at the green economy. Jobs that build resilience to climate change*, available at: <http://www.oxfamamerica.org/files/a-fresh-look-at-the-green-economy.pdf>

<sup>21</sup> GWS (2011), *Macroeconomic modelling of sustainable development and the links between the economy and the environment*, Report for the European Commission, DG Environment prepared by Cambridge Econometrics, the Institute of Economic Structures Research (GWS), the Sustainable Europe Research Institute (SERI) and the Wuppertal Institute for Climate, Environment and Energy (WI); available at: [http://ec.europa.eu/environment/enveco/studies\\_modelling/pdf/report\\_macroeconomic.pdf](http://ec.europa.eu/environment/enveco/studies_modelling/pdf/report_macroeconomic.pdf)

<sup>22</sup> COM (2011) 109 final, *Energy Efficiency Plan 2011*, available at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0109:FIN:EN:PDF>

<sup>23</sup> COM (2011) 31 final, *Renewable Energy: progressing towards the 2020 target*, available at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0031:FIN:EN:PDF>

<sup>24</sup> COM (2011) 168/3, *Smarter energy taxation for the EU: proposal for a revision of the Energy Taxation Directive*, available at: [http://ec.europa.eu/taxation\\_customs/taxation/excise\\_duties/energy\\_products/legislation/index\\_en.htm](http://ec.europa.eu/taxation_customs/taxation/excise_duties/energy_products/legislation/index_en.htm)

Raising revenue through **carbon pricing**, such as through auctioning of allowances via the Emissions Trading System (ETS) or taxing CO<sub>2</sub> in other non-ETS sectors and lowering taxation on labour can have positive effects for employment. Full recycling of revenues to reduce the costs of labour potentially could increase employment in the EU by 0.7% or up to 1.5 million jobs by 2020<sup>25</sup>.

Moving away from a wasteful economy towards one based on durability and reparability of products is likely to create job opportunities throughout the product lifecycle in terms of, maintenance, repair, upgrade, and reuse. Full implementation of the EU **waste acquis** would increase the annual turnover of the EU waste management and recycling sector and create over 400 000 jobs by 2020. Some research shows also, that by **recycling** 70% of key materials the EU could create over 560 000 new jobs by 2025<sup>26</sup>.

Achieving the objectives of the **EU 2020 Biodiversity Strategy**<sup>27</sup> is expected to have a positive impact on jobs and to create a need for special skills. **Conserving, managing and restoring the natural environment** will push up demand for workers in sustainable agriculture and forestry, eco-tourism, sustainable fisheries, the marine environment, environmental monitoring, nature conservation, forestry, use of genetic resources (pharmaceutical, cosmetic), spatial planning for green infrastructures, and more resource efficient methods of managing maritime space<sup>28</sup>. These niche opportunities also offer good prospects for the development of social economy activities and reinsertion of vulnerable workers. The numbers of jobs provided directly and indirectly by biodiversity and ecosystem services is significant – in the EU they are projected at 14.6 million of people<sup>29</sup>.

### 3.3. Managing labour shortages and skills transformation

As stated in the Commission flagship initiative ‘*An agenda for new skills and jobs: A European contribution towards full employment*’<sup>30</sup>, Europe has to be able to rely on a skilled workforce, capable of contributing and adjusting to technological change with new patterns of work organisation.

The gradual shift towards a new economic model will lead to a **progressive redefinition of many jobs across almost all sectors**. New skills will be demanded of employees in order to satisfy business growth needs and meet changes in job profiles and content. A more low carbon and resource efficient economy is likely to create demand for both transversal competences and "specific" skill sets<sup>31</sup>. Transversal competences are gaining in importance since a lot of green projects are done within multidisciplinary teams bringing together professionals with different backgrounds. In this context, certain skill sets are essential in order to ensure successful outcomes, among these: strategic planning, leadership and

<sup>25</sup> SEC(2011) 288 final, *Impact assessment. Accompanying document to the Roadmap for moving to a competitive low carbon economy in 2050*, p. 90; available at:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52011SC0288:EN:NOT>

<sup>26</sup> Friends of Earth (2010), *More jobs, less waste – potential for job creation thorough higher rates of recycling in the UK and EU*, available at: [http://www.foe.co.uk/resource/reports/jobs\\_recycling.pdf](http://www.foe.co.uk/resource/reports/jobs_recycling.pdf)

<sup>27</sup> COM (2011) 244 final, *Our life insurance, our natural capital: an EU biodiversity strategy to 2020*, available at:

[http://ec.europa.eu/environment/nature/biodiversity/comm2006/pdf/2020/1\\_EN\\_ACT\\_part1\\_v7\[1\].pdf](http://ec.europa.eu/environment/nature/biodiversity/comm2006/pdf/2020/1_EN_ACT_part1_v7[1].pdf)

<sup>28</sup> [http://ec.europa.eu/maritimeaffairs/policy/maritime\\_spatial\\_planning/index\\_en.htm](http://ec.europa.eu/maritimeaffairs/policy/maritime_spatial_planning/index_en.htm)

<sup>29</sup> GHK (2011), *The Social Dimension of Biodiversity Policy*; available at:

<http://ec.europa.eu/environment/enveco/biodiversity/pdf/Social%20Dimension%20of%20Biodiversity.pdf>

<sup>30</sup> COM (2010) 682 final, *op.cit.*

<sup>31</sup> CEDEFOP (2009), *Green economy*, Skillsnet Sector Flash, June, available at:

[http://www.cedefop.europa.eu/etv/Upload/Projects\\_Networks/Skillsnet/Flashes/SkillsnetSF\\_GreenEco\(HR\).pdf](http://www.cedefop.europa.eu/etv/Upload/Projects_Networks/Skillsnet/Flashes/SkillsnetSF_GreenEco(HR).pdf)

management skills, communication in order to advise users about new technologies, adaptability/transferability skills, systems analysis, risk analysis, coordination, etc.

The "specific" skills associated with the green economy are not entirely new skills<sup>32</sup>. They are add-on or a mixture of existing skills such as knowledge of sustainable materials, relevant traditional skills for installation of new technologies (e.g. fitting or electrical skills for installation of solar tube or panel technologies), skills to measure the carbon footprint and environmental impact assessment skills (e.g. energy assessment, diagnostic skills).

In an initial phase, **high-skilled** workers may benefit more as the transition to new activities calls for the roll out of advanced technologies<sup>33</sup>. Indeed, many of these sectors are characterised by intense innovation implying that generic skill requirements might be somehow higher overall than for similar occupations in other parts of the economy. With market deployment of new technologies, **lower-skilled** workers will also benefit from diversifying and enhancing their skills to adjust their current job content or to fill new positions. This is currently the case in the area of building renovation where in addition to planners (e.g. architects, designers, engineers and auditors), lower-skilled workers are needed to carry out the actual work. As for the **medium skilled workers**, the challenge will be to ensure that their skills are up-to-date and to prevent them from falling down the skills ladder as a result of inadequate adaptation and access to training possibilities.

Ensuring that workers have the right skills will be a challenging task as it will require **mapping employers' fast evolving needs** in a nascent field and delivering adequate and increasingly demanded tailored training. This will be essential in avoiding a 'muddle through' approach where insufficient planning is done by enterprises, especially SMEs, and employees receive inappropriate re-skilling and the possibility of recruiting new competent staff is disregarded<sup>34</sup>. Multiple entry routes, **varied levels of qualification and insufficient recognition** of skills acquired through non-formal or informal learning **could limit mobility** of workers into green occupations. Moreover, a lack of qualified **professional coaches/trainers** enabling the delivery of new skills to workers could well slow down the process of equipping the workforce with the skills sought by employers.

**Certain sectors already face skill shortages** and European companies are lacking the qualified labour needed for working with emerging low-carbon technologies. For instance, in Germany the renewables industry has pointed to a lack of qualified workers, including technical engineers, while companies in Britain are facing a shortage of supply of technical specialists, designers, engineers and electricians in sectors going green (Ecorys, 2008). An acute shortage of engineers was reported also by wind energy companies in other EU countries<sup>35</sup>.

The more environmentally friendly modes of transport are also vulnerable to skill shortages in part related to deep demographic trends but also to more immediate causes such as changes in

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<sup>32</sup> Szovics, P., M. Tessaring, Cl. Walmsley and J. McGrath (2008), *Identification of future skill needs for the green economy*, Conclusions from the workshop on Future skill needs for the green economy, October, available at: [http://www.cedefop.europa.eu/etv/Upload/Projects\\_Networks/Skillsnet/Flashes/GreenEco-conclusions.pdf](http://www.cedefop.europa.eu/etv/Upload/Projects_Networks/Skillsnet/Flashes/GreenEco-conclusions.pdf); and GHK (2009), *Thematic Expert Work on Green Jobs for DG EMPL/D1*, unpublished report submitted by GHK for DG Employment, European Commission.

<sup>33</sup> In this respect, figures show that three quarters of high-skilled workers in the EU-15 are employed in low-carbon intensive sectors.

<sup>34</sup> CEDEFOP (forthcoming), *Green Skills and Environmental Awareness in Vocational Education and Training*

<sup>35</sup> Blanco, M. and G. Rodrigues (2009), *Direct employment in the wind energy sector: An EU study*, Energy Policy, Vol. 37, No 8, pp. 2847-2857.

the organisation of markets or the economic crisis itself which has slowed down the hiring and training of new workers. In the railway sector for example, the average age of workers is rising constantly and skill renewal is thus a major challenge.<sup>36</sup> A lack of skilled personnel is also a problem for sea and inland navigation and may soon harm the different forms of collective public transport as well as the greening of transport and logistics in general. As for the maritime economy the potential for green jobs is not fully perceived due to the **lack of visibility**. This creates a barrier to growth, despite the fact that qualifications required in the maritime context are often similar to those required in land-based sectors. As a consequence, these sectors are also suffering from a shortage of workers.

A fundamental weakness in the EU's skills base is the deficit in management skills and technical, job-specific skills, especially related to **science, technology, engineering and mathematics (STEM)**. This might weigh even more heavily on the EU's capacity for green growth than shortages in specialist clean-tech know-how<sup>37</sup>. At the same time, research and innovation are critical to make new, more efficient and cost-effective low-carbon energy technologies commercially attractive at the scale needed to deliver a sustainable energy system by the middle of the century, to regain a European industrial leadership on low carbon technologies as prioritised within the Strategic Energy Technology (SET-) Plan<sup>38</sup>, and to achieve the European Commission's 2050 Low-carbon and Energy Roadmaps vision<sup>39</sup>.

Whilst companies may take it upon themselves to revamp employees' skills, the role of **Public Employment Services (PES)** is key in preparing jobseekers to benefit from new job openings by ensuring quick labour market transitions and successful matching practices. A pro-active approach by PES is needed to provide comprehensive services such as counselling, advice, training and general re-skilling initiatives with a particular effort made to ensure participation of the most vulnerable. Ensuring that **Active labour market policies** provide return on investment in employment terms and that they are targeted and designed to meet labour demand needs, will be of critical importance so that they can lead to a real work experience and/or placement.

On the side of employers, special attention should be paid to **SMEs** and their needs, as they could especially benefit from external support in upgrading the skills of their workforce in the transition to a greener economy. Often, SMEs are not aware of training schemes offered by PES and/or are sceptical about such programs because of the disruption it may cause to their business. However, SMEs are open to in-house informal training (e.g. tutorship, mentorship, apprenticeship) as a preferential way of recruiting proven workers.

The importance of human capital investments in enabling the transition to a low-carbon and more resource efficient economy is well-recognised in the Commission's proposal<sup>40</sup> for the **European Social Fund 2014-2020**. ESF resources can be used by national, regional and local authorities for example to strengthen provision of relevant skills through their education and

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<sup>36</sup> CER Annual report 2009-2010, pp 28-29, available at: <http://www.cer.be/publications/annual-reports/2011-annual-report-2009-2010-a-closer-look-at-the-railways>

<sup>37</sup> Cedefop (2010), *Skills for green jobs*, European Synthesis Report, available at: [http://www.cedefop.europa.eu/EN/Files/3057\\_en.pdf](http://www.cedefop.europa.eu/EN/Files/3057_en.pdf)

<sup>38</sup> COM (2007) 723 final, *A European Strategic Energy Technology Plan (SET-Plan). Towards a low carbon future*, available at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2007:0723:FIN:EN:PDF>; and COM (2009) 519 final, *Investing in the Development of Low Carbon Technologies (SET-Plan)*, available at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2009:0519:FIN:EN:PDF>

<sup>39</sup> COM (2011) 885/2, *op. cit.*

<sup>40</sup> COM (2011) 607 final, *Proposal for a Regulation of the European Parliament and of the Council on the European Social Fund and repealing Regulation (EC) No 1081/2006*, available at: <http://ec.europa.eu/esf/BlobServlet?docId=231&langId=en>.

training systems, support the adaptation of workers and enterprises or improve the capacity of PES to assist in green transitions.

It should be noted that the shift to a low carbon economy is expected to have very diverse effects in terms of the overall levels of skills required, but also in terms of **how novel these skills are** compared to familiar occupational requirements for which training is already established<sup>41</sup> – this is demonstrated by various examples of greening of occupations as depicted in Table 2.

**Table 2. The skill profile of low carbon occupations: selected illustrative examples**

Occupations	Growth profile	Skill profile	Policy challenges and national initiatives
<b>Recycling &amp; Waste management</b> (continued development of long-established sector)			
Waste sorting and reception	Long-established occupation	Low qualification (minimal on-the-job training)	Low job quality and health risks are main concerns, not skill deficits
Hazardous waste management specialist	Growing demand expected in medium and long run due to tighter regulations	Medium and high level	Identified shortage of qualified workers e.g. in Spain in the medium term
<b>Transportation</b> (increase energy efficiency and/or reduce the environmental impact of various modes of transportation)			
Specialized technicians of fuel cell batteries, automotive maintenance technicians	Introduction of renewable and cleaner fuels for transportation	Low to medium level for installation and maintenance	Uncertainty about which fuels for transportation will eventually mainstream
Automotive engineers, freight forwarders, fuel cell engineers, logistics analysts, logistics engineers, logistics managers, supply chain managers, transportation engineers and transportation planners	Reorganisation and the re-engineering of the transportation systems	Medium and high level skills, combined with sector-specific, pre-existing medium and high-level competencies	Best candidates could be incumbent employees with retraining to get needed skill mix, but with a substantial retraining process for some occupations and a role for new professional development tracks in tertiary education
<b>Vehicle manufacturing</b> (energy-efficiency, waste and product lifecycle management, shift of business model from products to services)			
Engineering technicians, welders, transportation equipment painters, metal fabricators, computer-controlled machine operators, engine assemblers, and production helpers	Greening production techniques for vehicles components	Low to medium general skills with medium job-specific skills	Close integration of industry and education. For example, in the UK North East's Low Carbon Economic Area (LCEA), the National Training Centre for Sustainable Manufacturing was created
Computer software engineers, electrical engineers and operations managers	Changes in production methods and business models	Medium and high	E.g. the Low Carbon Future Leaders Graduate Placement Scheme in the UK
<b>Mining and extractive industry</b> (shrinking the environmental footprint)			
Operators of heat coproduction, Geospatial Information Technologists	Upgrading core technologies	Medium	E.g. Eesti Energia's training programmes for current and new employees
Geospatial Information	Supply chain re-	High level for	Estonia, for example, revised

<sup>41</sup> OECD (forthcoming), *op. cit.*

Occupations	Growth profile	Skill profile	Policy challenges and national initiatives
Scientists and Technologists, managers for heat coproduction, energy auditing, and technology developers and managers	organization, and upgrading management practices	development of new technologies and production re-organization	and coordinated higher-education programmes in mining

Source: OECD (forthcoming)

Finally, shifts both within and across sectors require support for those with low and obsolete skills, so as to prevent the risk of structural unemployment and inactivity prospects.

**In declining sectors some skills/occupations are already becoming obsolete.** For instance, utility meter reading services will be phased out by the introduction of ‘smart’ household meters that automatically relay data to utility companies. **The skills composition of workers in high- and low-carbon intensive sectors will influence the employment transition to a greener economy.** Evidence shows that in all but two countries, the share of low-skilled labour in high-carbon sectors is higher<sup>42</sup> than in low carbon sectors. Moving workers from high to low carbon intensive sectors will thus require additional re-skilling strategies.

**This transition process might impact on particular regions, urban/rural development and workers' mobility.** Employment in areas with a high concentration of either traditional energy-intensive and high-carbon industries or by poor economic diversification risk being hit during the transition process and development of integrated strategies for economic revitalisation of such areas is therefore an important element of the transition process. The fisheries sector offers a good example as changes to fisheries policy and the scaling down of the fishing fleet has put many workers at risk of redundancy. This requires accompanying targeted measures that prevent this particular group from falling into long-term unemployment or inactivity. Growing sectors may offer opportunities to use skills acquired from workers employed in declining sectors. This is notably the case for some coastal and maritime activities. Synergies between such sectors could be developed hence facilitating the sectoral mobility of workers.

However, and contrary to other transitions (e.g. globalisation, ICT), short to medium term costs linked to firm restructuring in the context of a green economy might not be fully compensated by productivity improvements and companies could be searching for additional compensation through cheaper labour. A potential risk exists that the low pay trap or unemployment **will affect in particular older and low-skilled workers** over-represented in the most polluting industries<sup>43</sup>. Investments in innovation and re-skilling are crucial for counteracting this threat.

Much of the adjustment in the high-carbon sector is expected to occur in only 15 industries<sup>44</sup> occupying up to 12% of EU workers (or some 24 million people). At the same time, the gap between EU-15 and EU-10 is particularly striking – more than 20% of all employees in the

<sup>42</sup> EC/ILO (2011), *Towards...*, *op.cit.*, p. 52

<sup>43</sup> OECD (forthcoming), *op.cit.*

<sup>44</sup> These include following industries: electrical energy, gas, steam and hot water; coal and lignite, peat; products of agriculture, hunting and related services; other non-metallic mineral products; crude petroleum and natural gas; basic metals; sewage and refuse disposal services; glass and glass products; coke, refined petroleum products, nuclear fuel; other land transportation services; articles of paper and paper board; manufactured gas and distribution services of gas; pharmaceuticals, medicinal chemicals, botanical prod.; chemicals, chemical products, manmade fibres; air transport services.



EU-10 are working in the top 15 emitting industries, which is more than double the rate in EU-15 countries<sup>45</sup>.

### 3.4. Securing sufficient levels of investment

If the transition to a resource efficient and low carbon economy is to succeed, **smart investment plans will be needed to capitalise on emerging opportunities and tap into the job creation potential** in this area. Recent developments show that as many other segments of the economy, the clean technologies area is also vulnerable to the impacts of the economic and financial crisis, as well as to the increasing competition from emerging economies such as China and India.<sup>46</sup> Indeed, according to the International Energy Agency (IEA), investments in renewable energies dropped by 14% in Europe during the second semester of 2008 alone, and they decreased further in 2009 by 10%, while increasing by more than 50% in China. The February 2012 Renewable Energy Country Attractiveness Indices cites China as the most attractive location in which to invest in renewable energy projects, followed by the US<sup>47</sup>.

Strategic medium to long term policy planning in this field will require that **governments create conditions for substantial investments** in low carbon and resource efficient industries, while ensuring compliance with the EU State aid rules, in an attempt to prepare the ground for tomorrow's economic model. For instance, the main driver of the employment effects in the promotion of the renewable energy sector are the considerable investments required to upgrade the energy infrastructure.

Analysis undertaken by the Commission suggests that whilst annual capital investment in renewable energy today averages €35 bn, this would need to rapidly double to €70 bn to ensure we achieve our renewables goals. Previous analysis showed that, from a base of 1.4 million people across the EU, i.e. 0.7% of the total EU workforce, the renewable energy sector would generate roughly 2.3 million jobs in 2020 under business as usual, and 2.8 million jobs under ambitious policies consistent with the 2020 targets (growing up to 3.4 million in 2030)<sup>48</sup>.

The analysis on the 2050 Low-carbon Roadmap shows that to prepare the transition to a low-carbon economy, over the next 40 years additional annual investment equivalent to 1.5% of EU's GDP, or around €270 billion, would be needed on top of current annual investment equivalent to 19% of GDP in 2009. It is not a net cost for the economy or a reduction of GDP, but an additional investment in our own economy that would bring multiple benefits such as reduced energy bill, less health care costs and damage to ecosystems, crops, materials and buildings.

**Joint public-private ventures** can use public finances, while ensuring compliance with the EU State aid rules, and regulatory policy to support the scaling up of private investment in energy efficiency. As identified by the International Energy Agency (IEA)<sup>49</sup> three main mechanisms are needed to put in place such initiatives i) dedicated credit lines ii) risk guarantees and iii) energy performance service contracts. Equally important factors in making

<sup>45</sup> EC/ILO (2011), *op.cit.*, p.17

<sup>46</sup> E.g. European Restructuring Monitor reported that Danish turbine maker Vestas, a world-leader in the field, announced it would have to cut more than 2,300 jobs – 10% of its workforce – to restore profitability as it faces firm competition from China. And in Spain approximately 15 000-25 000 jobs were lost because of austerity measures and withdrawal of the feed-in tariffs to solar energy contributed to the bankruptcy of a number of newly created establishments.

<sup>47</sup> Ernst&Young (2012), *Renewable Energy Country Attractiveness Indices*, available at: <http://www.ey.com/GL/en/Industries/Power---Utilities/Renewable-energy-country-attractiveness-indices>

<sup>48</sup> See: [http://ec.europa.eu/energy/renewables/studies/renewables\\_en.htm](http://ec.europa.eu/energy/renewables/studies/renewables_en.htm)

<sup>49</sup> See: [http://www.iea.org/publications/free\\_new\\_Desc.asp?PUBS\\_ID=2489](http://www.iea.org/publications/free_new_Desc.asp?PUBS_ID=2489)

such initiatives a success are careful **planning**, diligent **implementation**, **continuous monitoring** of measures and regular **evaluation** of results.

Ensuring that **SMEs fully benefit** from the transition to a low carbon economy in terms of improved competitiveness, growth and market coverage is also of utmost importance. A strong SME sector is fundamental for a healthy economy. Indeed, studies show that<sup>50</sup> about two thirds of the jobs created in the renewables sector are based on SMEs. Policies must therefore take into account the specificities and needs of this particular group of companies. For instance, transition to a greener economy will require adaptation of workforce skills in order to ensure the necessary supply of high-skilled or intermediary-skilled workers. Normally SMEs are at a disadvantage when recruiting such workers, as SMEs cannot match the wages and non-financial arrangements offered by larger companies. Also, it has to be noted that SMEs have more difficulties to train their workforce in-house as compared to larger companies.

### 3.5. Job quality

'Green jobs' will only be sustainable if they also integrate safe, healthy and decent working conditions. They should not only be good for the environment but also for workers. As the Community Strategy 2007-2012 on Health and Safety at Work acknowledges, occupational safety and health plays a vital role in increasing the competitiveness and productivity of enterprises and contributing to the sustainability of the economy.

The greening of the economy stimulates the demand for high, medium and low skilled jobs. Increased demand for high-skilled labour is likely to have an overall positive impact on **job quality** as in general, the higher the level of skill (or qualification) associated with an occupation, the higher the job quality. It is however also to be expected that there are occupations, which are currently associated with relatively high quality employment, which may contract, i.e high quality jobs amongst office clerks in high-carbon industries and skilled agricultural and fishery workers while job quality in newly arising 'green' economic activities is generally satisfactory.

Adjustments in the transition to a more low carbon and resource-efficient economy may equally create challenges in terms of improving the gender balance on the labour market in terms of both quality and quantity of green jobs. Apart from the total and sectoral employment effects it is to be noted that **women** and **young** people are currently more likely to be employed in non-green occupations compared to other workers. Some sectors (as for instance, the maritime economy) suffer from a **lack of attractiveness** and difficulties in appealing to young people into what is perceived to be 'dirty' manual work. The job potential in sectors suffering from the image problems therefore remains underexploited as many typically male-dominated jobs are sometimes wrongly seen as having unattractive work conditions with low pay<sup>51</sup>. Here again, the increased skills requirements associated with the need for greater efficiency in using natural resources may improve job quality and perception.

Where jobs are created in companies and sectors with little tradition of **social dialogue** and employee representation, safeguarding the fundamental rights of workers<sup>52</sup>, ensuring equal pay and decency of work can present particular challenges. Changes in working conditions

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<sup>50</sup> EC/ILO (2011), *Skills...*, *op.cit.*

<sup>51</sup> CEDEFOP (forthcoming), *op.cit.*

<sup>52</sup> Such as: freedom of assembly, workers' rights to consultation within the undertaking, right of collective bargaining and action. Also a requirement of adequate representation of women in the collective structure is a way to ensure that social partners work towards new jobs that provide quality work for both women and men.

and their impact on workers will have to be accounted for while social security coverage of workers as well as the portability of social rights of mobile workers are also issues to be addressed. 'Green' construction, building insulation activities and consumer waste disposal are examples of sectors experiencing employment growth and meriting further investigation of possible problematic areas in terms of job quality, such as precarious forms of employment or health and safety issues<sup>53</sup>. Risks can include manual handling during collection and sorting of waste management and potential exposure to hazardous chemicals.

Indeed, examples exist of 'green jobs' where workers' health was damaged (e.g. in the waste management sector)<sup>54</sup>. Also, jobs where traditional skills are needed but in new contexts (e.g. installation of solar panels) attract workers from traditional sectors who may not have the appropriate skills to perform these new jobs in a safe and healthy manner (e.g. electricians not trained for working at height, or construction workers not trained against electrical hazards). This shows the importance of ensuring that workers have the adequate prevention culture and occupational safety and health skills to perform green jobs.

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<sup>53</sup> For more information see: WALQING (Work and Life Quality in New & Growing Jobs) project financed under the 7<sup>th</sup> Framework Programme, available at: <http://www.walqing.eu/>

<sup>54</sup> EU-OSHA (forthcoming), *Foresight of new and emerging risks to occupational safety and health associated with new technologies in green jobs by 2020*. This foresight project has 3 phases. Phase 1 report on key drivers of change, available at: <http://osha.europa.eu/en/publications/reports/foresight-green-jobs-drivers-change-TERO11001ENN/view>. Phase 2 report on key new technologies, available at: <http://osha.europa.eu/en/publications/reports/foresight-green-jobs-key-technologies>  
EU-OSHA (2009), *Expert forecast of emerging chemical risks related to occupational safety and health*, available at: [http://osha.europa.eu/en/publications/reports/TE3008390ENC\\_chemical\\_risks](http://osha.europa.eu/en/publications/reports/TE3008390ENC_chemical_risks)  
EU-OSHA (2007), *Expert forecast of emerging biological risks related to occupational safety and health*, available at: <http://osha.europa.eu/en/publications/reports/7606488>



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**COMMISSION STAFF WORKING DOCUMENT**

**on an Action Plan for the EU Health Workforce**

*Accompanying the document*

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL  
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

**Towards a job-rich recovery**

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# COMMISSION STAFF WORKING DOCUMENT

## on an Action Plan for the EU Health Workforce

### *Accompanying the document*

#### COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

### Towards a job-rich recovery

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## 1. INTRODUCTION

The healthcare sector constitutes one of the most significant sectors in the EU economy with an important employment potential due to an ageing population and increasing demand for healthcare.

However, the sector faces major challenges which are similar to all Member States: the health workforce itself is ageing with insufficient new recruits to replace those that are retiring, problems of retention due to demanding working conditions and relatively low pay in some health occupations. In addition, new care patterns to cope with chronic conditions of the elderly and the rise in new technologies will require new skills and competences.

Given the current tough budget constraints, health expenditures are under strong pressure to provide high quality healthcare cost effectively and to make fundamental reforms in the way in which they deliver healthcare. EU health systems need to find innovative solutions through new technologies, products and organisational changes which depend on **a high quality motivated health workforce of sufficient capacity and with the right skills to meet the growing demands of healthcare.**

Recognising the European dimension of the challenges at hand, Member States agreed on the added value of EU action and European collaboration, inviting the Commission to propose an **action plan to assist Member States tackle the key challenges facing the health workforce in the medium to longer term**<sup>1</sup>.

This Commission Staff Working Document describes the contribution of the EU's health workforce to meet the 2020 employment target of 75% for women and men aged 20-64. It provides the rationale for measures proposed in the action plan, annexed to the accompanying Communication "Towards a job rich recovery", to assist Member States to address the shortages of the EU health workforce and boost job creation in the sector.

## 2. DEFINING AND MEASURING HEALTHCARE JOBS

The healthcare sector comprises workers primarily delivering healthcare services such as health professionals (doctors, nurses, midwives, pharmacists and dentists), allied health professionals, public health professionals, health management and administrative and support staff. Many people also work indirectly for the healthcare sector such as those employed in the healthcare industries and support services, pharmaceutical, medical device industries, health insurance, health research, e-Health, occupational health, spa etc<sup>2</sup>.

Health professionals can be salaried or self employed. In several countries<sup>3</sup> General Practitioners and outpatient specialists are mostly independent self employed with private practices or are contracted by funds or hospitals to provide services.

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<sup>1</sup> See conclusions of the 3053rd EPSCO Council meeting, Brussels, 7 December 2010, *Investing in Europe's health workforce of tomorrow: Scope for innovation and collaboration*.

<sup>2</sup> Alcimed (2010), Study on Healthcare Services, Sectors and Products in Europe for the European Commission, Final Report February 2010

<sup>3</sup> AT, BE, DK, FR, DE, EL, NL, LU, SK – European Economy, Joint Report on Health Systems, December 2010cf. p. 111

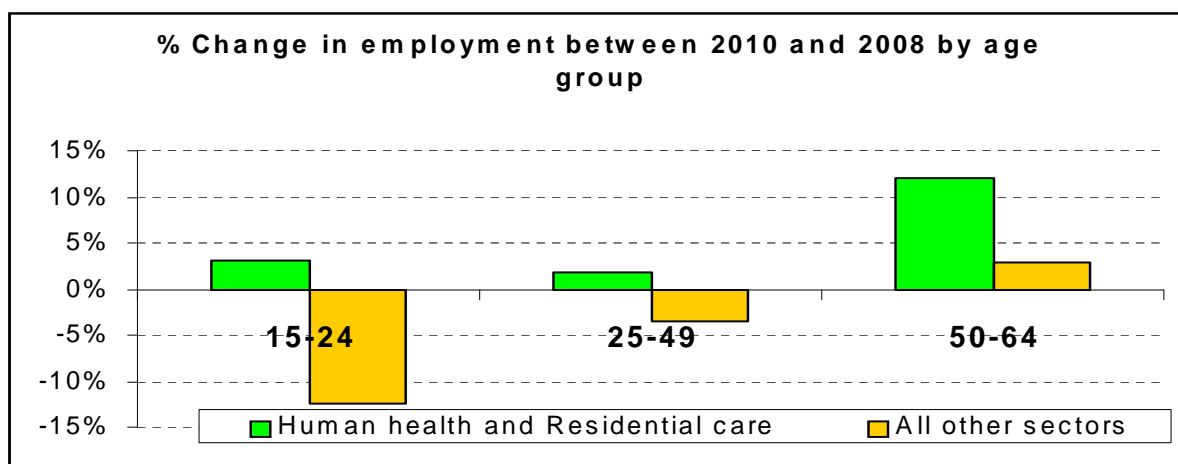
The healthcare workforce thus makes up a large part of the so-called "white jobs" which also include professionals delivering social care services.

A modern and innovative healthcare sector is a driver for economic growth as keeping people healthy benefits productivity and competitiveness. The healthcare sector is also a key driver for research and development and absorbs the highest amount of innovative products and services.

Healthcare is a highly labour intensive activity and one of the largest sectors in the EU: in 2010 there were around 17, 1 million jobs in the healthcare sector which accounted for 8% of all jobs in EU-27<sup>4</sup>. The number of jobs in the sector increased by 21% between 2000-2010 creating 4 million new jobs. Even during the economic crisis, employment in the healthcare sector has continued to grow: while overall employment fell by 5 million people over the period 2008-2010, the healthcare sector increased its share of total employment by half a percentage point, creating more than 770 000 new jobs<sup>5</sup>.

Most importantly, this positive trend is reflected across all age groups and includes a 3% rise in the employment of young people when youth employment fell by 11.3 % in the economy overall<sup>6</sup>.

**Figure 1: Employment growth in health & residential care sector, 2008-10 by age groups**



Source: based on Eurostat Labour Force Statistics for NACE Rev.2 sectors 86 and 87

As regards the level of education, the health and social work<sup>7</sup> sector employs a higher than average number of highly educated people. According to Eurofound's data on working conditions<sup>8</sup>, more than 55% of people employed in this sector hold at least a post-secondary degree whereas the average for all sectors is below 33%.

4 Eurostat (2011) NACE Rev.2 categories 86 & 87  
 5 Eurostat (2011) NACE Rev.2 categories 86 & 87  
 6 Eurostat (2011)  
 7 Disaggregated data for the healthcare sector only are not available  
 8 Eurofound (2010)

The employment trend observed so far in the healthcare and social sector will continue<sup>9</sup>. It will remain a growing sector according to the forthcoming CEDEFOP skills forecasts<sup>10</sup>, even though employment growth will be more modest compared to 2000-2010. More than 1 million new jobs are expected to be created between 2010-2020. The growth rate in this sector is projected to be 5%, which is higher than EU average slightly above 3%. There will be about 7 million additional job openings between 2010-2020 due to replacement needs. Together with net employment change around 8 million of total job openings are projected. Most jobs will require highly qualified people (more than 5 million) while the need for medium qualified personnel will remain rather significant (around 3 million). Around 200 000 job openings will be for low qualified people.

### **3. KEY CHALLENGES FACING THE EU HEALTH WORKFORCE**

#### **Labour demand will increase as the population ages...**

The demand for healthcare will increase dramatically with Europe's ageing population. The number of elderly persons aged 65 and over is projected to almost double over the next 50 years, from 87 million in 2010 to 152,7 million in 2060<sup>11</sup>. Long-term and formal care is likely to increase with an expected reduction in the availability of informal carers, for example as a result of changing family structures.

#### **... with consequences for future skills and competences...**

These demographic changes will have significant consequences on the way in which healthcare systems respond to patient needs. The increasing numbers of elderly people with multiple chronic conditions will require new treatments and new care delivery models and necessitate changes in skill mixes and new ways of working for health professionals.

#### **... while the number of health professionals decreases...**

Most Member States are currently facing critical workforce shortages - in certain health professions and medical specialisations or geographic areas – which could be exacerbated if no action is taken. The retirement bulge is drastically shrinking the EU's healthcare workforce. In 2009, about 30% of all doctors in the EU were over 55 years of age and by 2020 more than 60 000 doctors or 3.2% of all European doctors are expected to retire annually. Based on data collected by some Member States<sup>12</sup> the average age of nurses employed today is between 41-45 years.

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<sup>9</sup> Disaggregated data for the healthcare sector only are not available

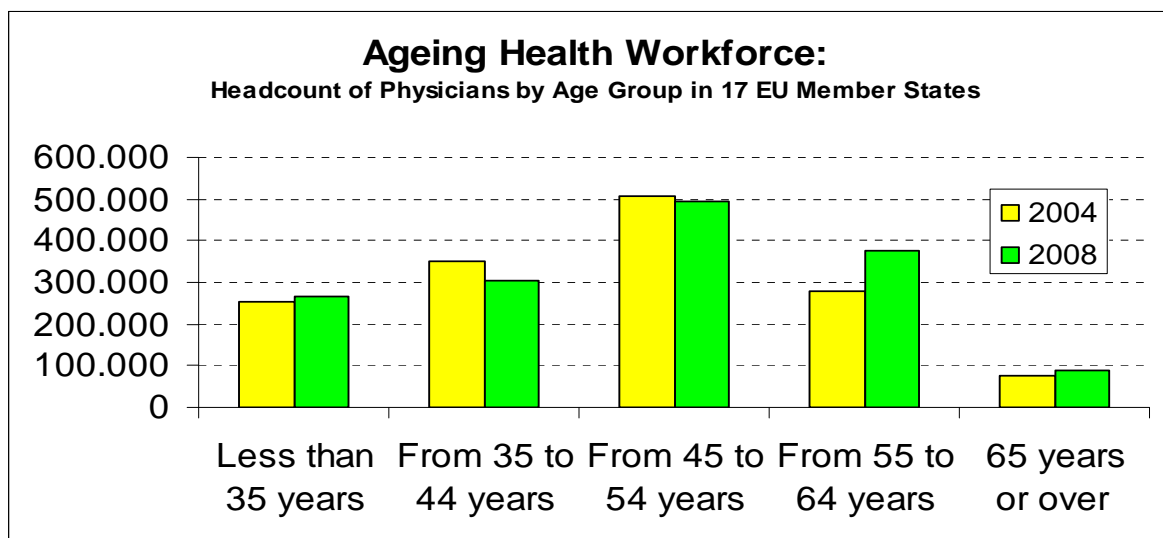
<sup>10</sup> Based on new CEDEFOP skills demand and supply forecast in 2012 (<http://www.cedefop.europa.eu/EN/about-cedefop/projects/forecasting-skills-demand-and-supply/skills-forecast.apx>)

<sup>11</sup> Eurostat: Europop2010 population projections (online data code: proj\_10c2150p)

<sup>12</sup> Based on data collected from 6 MS: DE, DK, IE, FR, SE, UK. (<http://www.euro.who.int/en/what-we-do/health-topics/Health-systems/health-workforce/facts-and-figures>, [http://www.icn.ch/images/stories/documents/pillars/sew/DATASHEET\\_SUMMARY\\_NURSING\\_PROFILE\\_2011.pdf](http://www.icn.ch/images/stories/documents/pillars/sew/DATASHEET_SUMMARY_NURSING_PROFILE_2011.pdf))



**Figure 2: Number of physicians by age group in 17 EU member States in 2004 and 2008**



Source: Eurostat, 2011. Absolute numbers. Data available from 17 MS: AT, BE, CZ, DK, DE, ES, FI, FR, HU, IT, LV, LT, NL, RO, SK, SE, UK – note that for F, NL and IT data refers to professionally active doctors who may or may not have direct contact with a patient.

### ... and difficulties to recruit and retain healthcare staff

This retirement bulge risks not being offset by a sufficient number of new healthcare professionals. Not enough young recruits are coming through the system to replace those who leave: In Italy, 13 400 nurses were due to retire in 2010, but only 8500 nurses graduated in 2008-2009. Germany is facing serious difficulties in training sufficient number of graduates, Slovakia has insufficient nurses, midwives, physiotherpists, radiological assistants and paramedics and Hungary faces serious bottlenecks in supply caused by reductions in nurse training. Unfilled specialist training places are reported in Romania, France, Hungary and Austria<sup>13</sup>. The health labour market has to compete with other employers for the younger generations making career choices. On the other hand, people who have recently left the health workforce to take up other types of jobs, may consider returning to the health sector because of greater job security.

Evidence from some countries shows an increasing turnover in the health professions. Low pay, but also non financial factors such as long working hours, stress or difficult work life balance constitute reasons for healthcare workers to leave their jobs<sup>14</sup>. Preliminary findings from one the largest nursing workforce studies ever conducted in Europe and the USA, *Nurse Forecasting in Europe (RN4Cast)*<sup>15</sup>, confirm that, despite considerable differences in health

<sup>13</sup> M. Wismar, C. B. Maier, I. A. Glinos, G. Dussault and J. Figueras (eds., 2011), Health professional mobility and health systems. Evidence from 17 European countries, Observatory Study Series No. 23, European Observatory on Health Systems and Policies, WHO Regional Office for Europe, Copenhagen. ([http://www.euro.who.int/\\_data/assets/pdf\\_file/0017/152324/e95812.pdf](http://www.euro.who.int/_data/assets/pdf_file/0017/152324/e95812.pdf))

<sup>14</sup> More detailed analysis can be found in the Employment in Europe 2009 report and the Second Biennial Report on social services of general interest, 2011 (<http://ec.europa.eu/social/main.jsp?catId=794&langId=en&pubId=5940&type=2&furtherPubs=yes>).

<sup>15</sup> RN4CAST (forthcoming 2012), *Nurse forecasting: Human resources planning in nursing*. 12 European countries (Belgium, UK, Finland, Germany, Greece, Ireland, Norway, Poland, Spain, Sweden, Switzerland and Netherlands) and also USA, China, Botswana and South Africa

systems, all twelve European countries studied face problems of nurse burnout and dissatisfaction due to working conditions. Many European nurses report they intend to leave their hospital positions, from 19 % in the Netherlands, rising to 49% in Finland and Greece.

The issue of work life balance is all the more relevant in the healthcare sector as the participation of women in the workforce has historically been significant and is increasing. Overall, there were more than 13,1 million women working in the healthcare sector in 2010, making up up more than three quarters of the health workforce in the EU<sup>16</sup>. In many Member States the intake of women to medical schools is now over 50%. However, so far, this growing feminization of the healthcare workforce has not always been properly reflected in measures to improve the reconciliation of professional and private life. It is a factor which might increase the difficulties to retain the healthcare workforce in the future.

Moreover, although skill levels are relatively high and working conditions are often demanding (for instance, night and shift work), overall wage levels in the health and social services sectors tend to be lower than in other sectors of the economy. This tendency, which is related to the high rate of female employment in the sector and to the gender pay gap, is becoming more pronounced<sup>17</sup> and may be regarded as another disincentive to work in this sector.

The working conditions and the level of wages of the healthcare workforce may be affected longer term by the current economic crisis. There is recent and worrying evidence that the cost containment measures to reduce public expenditure is profoundly affecting the recruitment and retention of healthcare staff and in particular nurses, the largest health profession, in almost half of EU 27<sup>18</sup>. Maintaining an adequate supply and quality of healthcare services under severe budget constraints is thus a key issue to be addressed by policy makers.

**... resulting in worsening healthcare labour shortages**

Without further measures to meet these challenges, the Commission estimates a potential shortfall of around 1 million healthcare workers by 2020 rising up to 2 million if long term care and ancillary professions are taken into account<sup>19</sup>. This means around 15% of total care will not be covered<sup>20</sup> compared to 2010.

Potential shortfalls might worsen the working conditions and increase pressures on the healthcare workforce raising concerns over the impacts on patient safety and quality of care.

**Table 1: SHORTAGES IN SELECTED EU MEMBER STATES**

Country	
Bulgaria	There is an acute shortage of nurses and medical specialists (in particular of

<sup>16</sup> Eurostat (2011), NACE Rev.2 categories 86 & 87  
<sup>17</sup> More detailed analysis can be found in the Employment in Europe 2009 report and the Second Biennial Report on social services of general interest, 2011 (<http://ec.europa.eu/social/main.jsp?catId=794&langId=en&pubId=5940&type=2&furtherPubs=yes>).  
<sup>18</sup> European Federation of Nurses (2011), *Caring in Crisis: The Impact of the Financial Crisis on Nurses and Nursing, A Comparative Overview of 34 European Countries*  
<sup>19</sup> These figures are subject to several assumptions and hypotheses.  
<sup>20</sup> *An Agenda for new skills and jobs: A European contribution towards full employment*, COM (2010) 682 final.

	anaesthesiologists, gynaecologists and paediatricians).
<b>Finland</b>	Shortages are particularly severe in health centres in remote rural municipalities. Significant shortage among dentists. 235,450 additional vacancies in the healthcare and social sector projected over the period 2008-2025.
<b>France</b>	Shortages of obstetrics and gynaecologists. Geographic misdistribution of physicians and nurses
<b>Germany</b>	Shortage of 17,000 doctors in 2010, rising to 45,000 doctors by 2020 and 165,000 by 2030. Projections for other health professions: 150,000 in 2020, rising to 800,000 in 2030. There is also a shortage of elderly care nurses.
<b>Hungary</b>	19% of available posts of public health physicians were vacant and 13% of posts of physicians in 2008.
<b>Netherlands</b>	Shortages of doctors in the mental healthcare sector, dental surgeons, gastroenterologists, nuclear physicians, nurses in homes for the elderly and in nursing homes.
<b>Spain</b>	Forecasting shortfall of 14 % of medical specialists (including GPs) by 2025. Persistent shortages of specialists in anaesthetics, orthopaedic and traumatic surgery, paediatric surgery, reconstructive surgery, family and community medicine, paediatrics, radiology and urology.
<b>UK</b>	Severe shortages of 35 specific health-related professions, including medical practitioners, specialist nurses, midwives and therapists. Vacancy rates pharmacy (5.3% vacancy rate), other physiological sciences (7.6%), and respiratory physiology (6%). Estimates for 2014 the average number of entry-level posts for specialty training will be around 6511. Unless training posts are revised accordingly, there might be a shortage of GP and medical specialists of more than 6,000.

Source: European Commission (forthcoming in 2012), Feasibility Study EU level collaboration on forecasting health workforce needs, workforce planning and health workforce trends

**Table 2: ESTIMATED SHORTAGE IN HEALTHCARE SECTOR BY 2020**

Health professionals or other health workers	Estimated shortage by 2020	Estimated percentage of care not covered
Physicians	230.000	13,5%
Dentists, pharmacists and physiotherapists	150.000	13,5%
Nurse	590.000	14,0%
<b>Total</b>	<b>970.000</b>	<b>13,8%</b>

Source: European Commission

Many Member States also face the challenge of shortages caused by **an unequal distribution of health professionals** within their country, raising serious concerns over the availability of

healthcare in certain regions. The EU research project on *Health Professional Mobility and Health Systems (PROMeTHEUS)*<sup>21</sup> provides evidence from 17 European countries, that there is an undersupply of health professionals in rural and sparsely populated areas, for example in Denmark, Finland, France, Germany, Romania, and an oversupply of doctors in some urban areas, particularly in Germany, and an oversupply of nurses in Belgium.

In addition, the number of medical specialists is increasing much more rapidly than generalist practitioners<sup>22</sup>. This trend is raising concerns about the access to care for certain population groups. Many countries are therefore looking to improve the attractiveness of general practice as well as the development of new roles other healthcare providers.

With regard to mobility of health professionals within the EU, the PROMeTHEUS research concludes there are significant differences in cross-border movements with a clear east-west asymmetry for doctors, nurses and dentists. While all 27 Member States experienced migration of health professionals, western and northern Member States are simultaneously receiving health professionals from other countries. However, based on the limited data available, outflows have rarely exceeded 3% of the domestic workforce, although there are serious shortages in certain medical specialists in some countries.

The EU faces competition from other countries as many health professionals migrate to non-EU countries: for example, health workers migrate to the United States, Australia, New Zealand and Canada and the inflows of foreign doctors with long-term permits have also increased markedly in Switzerland (+70% between 2001 and 2008), mainly from Germany<sup>23</sup>. Forthcoming findings from the EU project *Mobility of Health Professionals (MoHProf)*<sup>24</sup> will improve understanding of the complex phenomenon of international migration of health workers in 25 countries with a focus on migration within, to and from the EU.

The high outflow of health professionals ("brain drain") has provoked policy debates on the impact on healthcare systems in some Member States, reinforcing the need for accurate and comparable data on mobility and migration flows in the EU to develop policy responses based on evidence.

Health workforce shortages in many Member States have increased the reliance on the recruitment of healthcare professionals from outside the EU. National patterns of migration flows of doctors coming from outside the EU vary widely: out of 10 Member States, nearly 30% of all migrant doctors come from outside the EU in Austria, Belgium, Denmark, Germany, Netherlands and Poland. This figure rises to 60% in France and Italy and to 80% in Ireland and the UK<sup>25</sup>. To mitigate the negative effects of migration on fragile health systems, Member States are committed to the 2010 WHO Global Code on the international recruitment of health personnel, currently in its implementation phase.

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<sup>21</sup> M. Wismar, C. B. Maier, I. A. Glinos, G. Dussault and J. Figueras (eds., 2011), Health professional mobility and health systems. Evidence from 17 European countries, Observatory Study Series No. 23, European Observatory on Health Systems and Policies, WHO Regional Office for Europe, Copenhagen. ([http://www.euro.who.int/\\_\\_data/assets/pdf\\_file/0017/152324/e95812.pdf](http://www.euro.who.int/__data/assets/pdf_file/0017/152324/e95812.pdf))

<sup>22</sup> OECD report 2010 "Health at a Glance", <http://www.oecd.org/health/healthataglance/europe>

<sup>23</sup> OECD policy brief on the migration of health workers, February 2010, [www.oecd.org/publications/Policybriefs](http://www.oecd.org/publications/Policybriefs)

<sup>24</sup> EU project, Mobility of Health Professionals (MoHProf), <http://www.mohprof.eu/LIVE/>

<sup>25</sup> Gilles Dussault, Inês Fronteira and Jorge Cabral (2009) Instituto de Higiene e Medicina Tropical, Lisbon, Migration of health personnel in the WHO European Region.

#### 4. ACTIONS TO PROMOTE A SUSTAINABLE WORKFORCE FOR HEALTH IN EUROPE

Recognising the European dimension of the above challenges, Member States agreed on the added value of European cooperation to help tackle EU health workforce shortages and invited the Commission to propose concrete actions in the following areas, bearing in mind the Member States competence for organising and delivering healthcare systems<sup>26</sup>:

- Forecasting workforce needs and improving workforce planning methodologies
- Anticipating future skills needs in the health professions;
- Share good practice on effective recruitment and retention strategies for health professionals

These areas for action reflect feedback from the Commission's public consultation on the Green Paper European Workforce for Health<sup>27</sup> which drew over 200 responses from a wide range of stakeholders, the majority of which saw added EU value in European collaboration to exchange best practice, to foster European networks and to improve European data on the health workforce.

##### 4.1. Forecasting Health Workforce Needs

Across the EU there is growing interest in the development of integrated health workforce planning and forecasting which takes account of a number of factors – the age, gender, number, specialisations and distribution of health workers, skills and competence mix, working practices – to develop policy interventions and inform investment decisions in education, training and recruitment to better match demand and supply of health professionals while offering long-term job prospects for healthcare workers.

A three year **EU joint action on forecasting health workforce needs for effective planning in the EU** will be launched by the end of 2012. This joint action, as foreseen in the 2012 work plan of the Health Programme<sup>28</sup>, will create a partnership of Member States and professional organisations to share good practice and to develop methodologies on forecasting health workforce and skill needs, workforce planning methods and to improve EU wide data availability on mobility and migration trends of health professionals.

To assist Member States with forecasting scenarios on the future training needs for health professionals, a study will be carried out, in cooperation with the OECD, on the structure and training capacities in the EU. Moreover, the Commission will work with partners in the EU joint action on workforce planning to **produce guidance to develop effective partnerships to make best use of training capacities** and to help respond to recent European Court of Justice cases on the mobility of medical students<sup>29</sup>.

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<sup>26</sup> Council Conclusions (7 December 2010), Investing in Europe's health workforce of tomorrow: Scope for innovation and collaboration.

<sup>27</sup> Commission report on the open consultation on the Green Paper on the European Health Workforce, 2010

<sup>28</sup> Commission Implementing Decision (2011/C/ 358/06

<sup>29</sup> C-73/08; C-417/03

## 4.2. Anticipating skills needs in the health professions

Anticipating future skill needs for health professionals to meet new healthcare demands is a further challenge. Member States need to act swiftly to avoid skills mismatches and gaps in the healthcare sector to ensure tomorrow's health professionals are equipped with the right skills.

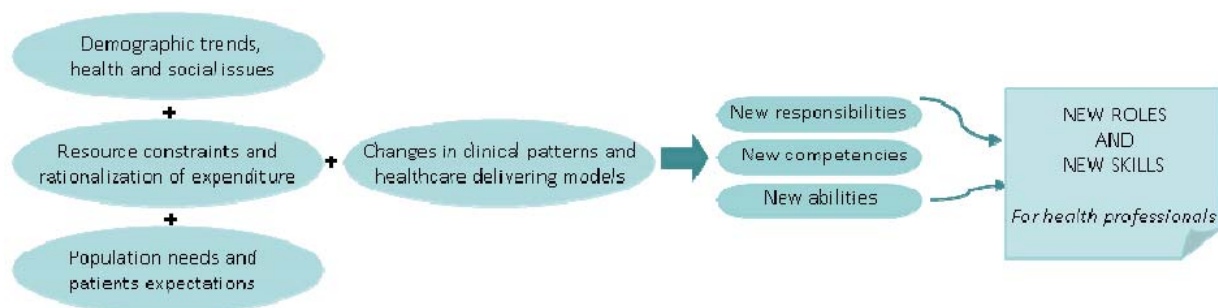
While national health authorities are responding to the challenge of delivering high quality healthcare in different ways, there are nonetheless common trends in the EU which are changing the way in which health professionals work and creating new employment opportunities in healthcare:

The **development of new integrated care delivery models** - with a shift from care in hospitals to the delivery of primary care closer to home - to cope with elderly patients with multiple chronic conditions, such as heart disease and diabetes, requires different skill mixes and, new ways of working within a wider interdisciplinary team.

The **growth of new technologies, new medical appliances and diagnostic techniques**, requires technical know-how in addition to clinical knowledge. The expansion of e-health, which enables distant diagnostics services, is leading to new ways of working and a new mix of skills including technical and e-skills. The expansion of telemedicine, to improve access to specialised health services will require doctors to work beyond the boundaries of face-to-face counselling and to be trained to work in a technological environment.

The operation of e-health systems such as telemonitoring for nurses or teleradiology will change work patterns and open new job opportunities in the healthcare sector, including the need for ICT specialists.

**Figure 4: Health Professionals in Europe: New Roles, New Skills**



Source: European Hospital and Healthcare Federation (2009), *Health Professionals in Europe: New Roles, New Skills*

At the same time the increased use of telemedicine will help address shortages of health workers and secure better healthcare coverage in remote areas as it will enable medical specialists to provide quality services to more patients in different care settings and across different Member States.

Member States need to adjust their education and training curricula to fast moving changes in healthcare and to equip people with the right skills for the job market and improve their employability. These changes require increased coordination between education/training providers and employment to assess and anticipate the different mix of skills and competencies needed in the healthcare sector in the future.

At EU level, there are several actions under development to assist Member States to better anticipate skills' needs and competences in the healthcare sector: an **EU skills council in the area of nursing and care**, which will review the competence profiles of the nursing and care sector, and a **pilot health care assistants expert network and database**<sup>30</sup> which will examine the scope of skills and competences required from healthcare assistants for uptake by national education and training programmes. In addition, the EU joint action on health workforce planning (cf. 4.1.) will develop European guidelines on forecasting methodologies and analyse future skills need in the healthcare sector.

The outcomes from these initiatives will contribute to the **EU skills panorama**<sup>31</sup> to be launched by the end of 2012 will provide a comprehensive overview of emerging skills needs as they evolve up to 2020. Furthermore, the **common multilingual classification of occupations, qualifications and skills (ESCO)**, will provide a resource for education and training providers in the healthcare sector. The outcome of these initiatives needs also to be aligned with the proposal on the modernisation of the Professional Qualifications Directive once agreed by the Council and the European Parliament.

To help bridge the gap between education and employment, a pilot **EU sector skills alliance in the healthcare sector** will seek to investigate the feasibility for developing new sector-specific curricula and innovative forms of vocational teaching and training<sup>32</sup>.

Transnational mobility offers access to new jobs and new training opportunities to enhance skills. Intra-EU professional mobility, facilitated by the **Directive 2005/36/EC on the mutual recognition of professional qualifications**, can help address the mismatches between labour supply and demand, while offering health professionals new career and training opportunities or better pay and conditions. The Commission proposal to modernise the Directive<sup>33</sup> aims to simplify rules and make it easier for health and other regulated professionals to practise in other EU countries.

The EU funding programmes *Erasmus* and *Leonardo da Vinci*<sup>34</sup> and its proposed successor programme *Erasmus for All 2012-2014*<sup>35</sup> provide support for cross-border education and training, also for medical students and healthcare workers. More promotion could help raise the visibility of these programmes in the healthcare sector

Access to lifelong learning and **continuous professional development (CPD)** plays an important role to update professional competence and also to motivate and retain staff. The Directive on the mutual recognition of professional qualifications obliges Member States already since 2005 to ensure that individuals are able to **keep abreast of professional developments** to the extent necessary and the Commission's recent proposal would require Member States to report to the Commission and other Member States on their continuing education and training procedures related to the regulated health professions<sup>36</sup>.

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30 <http://www.hca-network.eu>

31 Communication "Towards a job rich and inclusive recovery, COM add ref 2012

32 *Erasmus Programme 2012*

33 EC Directive on the mutual recognition of professional qualifications, 2005/36/EC.

34 [http://ec.europa.eu/dgs/education\\_culture/index\\_en.htm](http://ec.europa.eu/dgs/education_culture/index_en.htm)

35 *Erasmus for All, the EU Programme for Education, Training, Youth and Sport, COM (2011) 787 final*

36 Article 22, EC Directive on the mutual recognition of professional qualifications, 2005/36/EC.

CPD systems and regulations vary significantly across Member States and country specific data remain scarce. A majority of stakeholder respondents and the European Parliament<sup>37</sup> suggested that, while lifelong learning is a competence of the Member States, European collaboration in sharing good practice on CPD approaches and accreditation systems would also help improve mutual understanding between Member States.

#### **4.3. Share good practice on effective recruitment and retention of health professionals**

To ensure a sustainable health workforce in the EU crucially depends on attracting people to work in the healthcare services as well as retaining qualified experienced staff in a highly competitive global labour market.

Member States need to step up efforts **to attract and recruit young people into the health professions** and raise awareness in schools on the high employment potential of the healthcare sector and the wide variety of careers available in the healthcare sector requiring different skills and levels of qualifications. Moreover, return to work campaigns are important to attract experienced older health workers back into the professions.

While wage levels play a crucial role, non-financial factors such as a supportive and safe work environment are important to recruit and retain health workers, particularly women<sup>38</sup>. Moreover, recent evidence from the project *Nurse forecasting in Europe (RN4Cast)* suggests that low cost approaches to improve the hospital work environment, through nurse participation in decision-making or managerial support for nursing care for example, can retain staff. Workforce planning should therefore factor in an analysis of the work environment as it influences recruitment, retention, mobility, performance and ultimately health outputs and quality of care<sup>39</sup>.

The **European Social Dialogue in the hospital and healthcare sector**<sup>40</sup> has led to several agreements aimed at improving working practices, among which Council Directive 2010/32/EC on the prevention of sharp injuries in the hospital and healthcare sector, the Code of Conduct on the Ethical Cross-Border Recruitment and Retention in the Hospital Sector, and the Framework of Actions on Recruitment and Retention. Working conditions are an important factor to retain workers in the health professions as they grow older and the Commission is working closely with the social partners, European Federation of Public Service Unions (EPSU) and European Hospital and Healthcare Employers Association (HOSPEEM), on the EU Social Dialogue Committee to develop common guidelines in relation to the ageing workforce. As set out in the Commission's White Paper on sustainable pensions<sup>41</sup>, Member States need to adapt work place and labour market practices to improve opportunities for older workers.

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<sup>37</sup> EP Report on the implementation of the Professional Qualifications Directive, Committee on the Internal Market and Consumer Protection (2005/36/EC) (2011/2024(INI)).

<sup>38</sup> WHO Policy *Brief How to create an attractive and supportive working environment for health professionals*, Health Evidence Network and the European Observatory on Health Systems and Policies, 2010

<sup>39</sup> Interview with RN4Cast coordinator, <http://www.rn4cast.eu/en/index.php>

<sup>40</sup> <http://ec.europa.eu/social/main.jsp?catId=480&langId=en&intPageId=37>

<sup>41</sup> White Paper "An agenda for adequate, safe and sustainable pensions", COM (2012) 55 final



Feedback from stakeholders and Member States<sup>42</sup> suggest that the EU could assist in further exploration of factors that contribute to a supportive working environment and that European cooperation could help promote good practice on innovative and effective recruitment and retention strategies in the EU.

#### 4.4. Addressing the ethical recruitment of health professionals

There is a range of EU policies in the fields of education, development aid and migration policy which support the implementation of the WHO Global Code on the international recruitment of health personnel and reinforce Member States' commitment to the Code to help reduce the negative impact of migrants' flow on fragile healthcare systems.

The EU Blue Card Directive which facilitates the admission of highly qualified migrants in the EU also allows Member States to reject applications in order to ensure ethical recruitment from countries suffering from a lack of qualified workers<sup>43</sup>, for example in the health sector. Member States using this possibility must communicate to the Commission and the other Member States the countries and sectors involved<sup>44</sup>. The Commission must present a report on the application of the Directive in 2014, which will be an occasion to look at how, and to what extent, these provisions on ethical recruitment have been used.

### 5. DELIVERING THE ACTIONS

Implementation of actions to tackle the challenges facing the EU health workforce requires **enhanced cooperation** - between the Commission, the Member States, stakeholders, social partners - and **improved coordination across a range of policies** - health, education, social policy, employment, internal market, development and cohesion.

**Member States are urged to maximise the use of European funding instruments** to support actions to tackle health workforce shortages and to boost job creation in the healthcare sector:

In line with the Common Strategic Framework<sup>45</sup>, the *proposed Cohesion and Structural Funds 2014-2020* could be used for investments in jobs in the healthcare sector, for example to support measures for upgrading skills and training as well as counselling on long-term employment opportunities in the healthcare sector.

The EU programmes *Leonardo da Vinci*<sup>46</sup> and *Erasmus*<sup>47</sup> and the proposed successor *"Erasmus for All"*<sup>48</sup> support cross-border education and training projects to help healthcare workers to develop new skills and to support schemes to attract young people into the healthcare sector.

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<sup>42</sup> Council Conclusions *Scope of innovation and collaboration*, 7 December 2010

<sup>43</sup> Article 8(2) and recital 22

<sup>44</sup> Article 20

<sup>45</sup> Common Strategic Framework

<sup>46</sup> Leonardo Da Vinci Programme, [http://ec.europa.eu/education/programmes/leonardo/leonardo\\_en.html](http://ec.europa.eu/education/programmes/leonardo/leonardo_en.html)

<sup>47</sup> Erasmus Programme, [http://ec.europa.eu/education/lifelong-learning-programme/doc80\\_en.htm](http://ec.europa.eu/education/lifelong-learning-programme/doc80_en.htm)

<sup>48</sup> COM(2011) 787 final Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Erasmus For All: The EU Programme for Education, Training, Youth and Sport

The proposed *Health for Growth Programme 2014-2020*<sup>49</sup> puts the contribution of innovative and sustainable health systems to economic growth as a key objective. The programme proposes to help Member States to develop common tools and mechanisms at EU level to address shortages of resources and to facilitate the uptake of innovation in healthcare.

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<sup>49</sup>

Proposal for a Health for Growth Programme 2014-2020, COM (2011) 709 final of 9.11.2011



EUROPEAN COMMISSION

Strasbourg, 18.4.2012  
SWD(2012) 96 final

**COMMISSION STAFF WORKING DOCUMENT**

**Exploiting the employment potential of ICTs**

*Accompanying the document*

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT, THE COUNCIL, THE EUROPEAN SOCIAL AND ECONOMIC  
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

**Towards a job-rich recovery**

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# COMMISSION STAFF WORKING DOCUMENT

## Exploiting the employment potential of ICTs

### *Accompanying the document*

#### COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN SOCIAL AND ECONOMIC COMMITTEE AND THE COMMITTEE OF THE REGIONS

### Towards a job-rich recovery

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**Disclaimer:** This document is a European Commission staff working document for information purposes. It does not represent an official position of the Commission on this issue, nor does it anticipate such a position.

## 1. INTRODUCTION

Since the financial crisis began to hit labour markets in 2008, Europe has lost 5.6 million jobs. Recovering this lost ground is only possible if the EU returns to sustained economic growth, which in turn requires European industries and services to retain or regain international competitiveness. In this respect, the capability of industry and services to compete and evolve is becoming increasingly dependent on the innovative and effective use of information and communication technologies (ICTs).

ICTs, together with globalisation, have already altered the global value chains and the economic structure of the world and consequently labour markets too. Whereas twenty years ago globalisation only affected the production of goods and touched blue-collar workers, it now permeates into every sector of the economy. Indeed, specific routine tasks across almost all existing sectors are inevitably affected by the pervasiveness of ICTs. As a result, international competitiveness has become crucial for a much bigger part of the economy and ICTs play a key enabling role in this respect.

Faced with new emerging markets and rising competition from lower-cost countries with a fast growing and increasingly skilled workforce such as in China and India, European enterprises have little choice but to adapt to this new environment. Thus, industry has to be ready to source talents and up its workforce skill levels. In today's technological environment, innovation almost always involves embracing ICTs, which in turn allows for optimisation of business processes, efficiency gains and improved knowledge management processes and, consequently bigger market share.

Hence, if European enterprises take full advantage of the potential of ICTs they will contribute to creating an important number of jobs and enhancing competitiveness. The demand for ICT professionals continues to grow whilst other jobs are disappearing. ICTs help improve business development and growth across all sectors thus creating further employment. Ensuring that EU workers have the necessary higher end skills will help attract investment and prevent loss of key ICT employment to other regions of the world.

In its Communication on "e-Skills for the 21<sup>st</sup> Century: Fostering Competitiveness, Growth and Jobs" and its Europe 2020 flagship 2010 Communication entitled: "A Digital Agenda for Europe", the Commission already addressed the conditions that need to be met to exploit the potential of ICTs.

The present Staff Working Document focuses on the impact of ICT on employment in more detail<sup>1</sup>. Thus the focus of this document is on the potential for job creation and the labour market challenges which need to be addressed in order to exploit it. A proposed list of actions for advancing action in this field can be found annexed to the main Communication heading this Employment Package.

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<sup>1</sup> It only partly addresses the concept of Digital Inclusion (the capacity of all citizens to participate in a digital society) since this has been covered recently by a separate staff working document. Communication "European i2010 initiative on e-Inclusion - to be part of the information society" [http://ec.europa.eu/information\\_society/activities/einclusion/docs/i2010\\_initiative/comm\\_native\\_com\\_2007\\_0694\\_f\\_en\\_acte.doc](http://ec.europa.eu/information_society/activities/einclusion/docs/i2010_initiative/comm_native_com_2007_0694_f_en_acte.doc)

## 2. DEFINING AND MEASURING THE ICT WORKFORCE

The relationship between ICT and the workforce can be classified into three categories:

- ICT practitioners have ICT as the focus of their work, for example they develop, sell, and maintain or support ICT systems.
- ICT users apply ICT in support of their own work. Typically, this implies the use of common software tools and specialised tools that support business functions within an industry.
- Entrepreneurs and individuals in management positions exploit strategic opportunities provided by ICTs and require a particular set of skills, called e-business or e-leadership skills.

The analysis that follows here on will focus exclusively on ICT practitioners and ICT users.

### 2.1. Demand for ICT staff: practitioners and users

There are several ways in which ICT affects employment and the world of work. On the one hand, ICTs allow many tasks which had been previously carried out by humans to be automated, thus potentially leading to job losses, in particular with regard to routine tasks. This has a negative impact on the labour market for medium-skilled white collar workers. Although it is difficult to quantify the specific role of ICT in this regard, it forms part of a general long-run trend towards more automation<sup>2</sup>. In any case, as ICT is a global technology this impact is felt everywhere in the world: postponing ICT investments is therefore not an option for Europe.

On the other hand, more and better qualified ICT practitioners, researchers, entrepreneurs, managers and users are needed. For example, the demand for ICT professionals continues to grow. Indeed, ICT practitioners were one of the very few employment categories which continued to grow (at around 3% per year) even during the current economic crisis. As a result, by the end of 2010, 4.1 million Europeans worked as ICT practitioners in the narrowest definition (programmers and computer assistant staff), up from 2.7 million ten years earlier, with another 1.1 million in closely related occupations. It is also important not to confuse the work of ICT practitioners with the ICT sector – 55% of practitioners work in user industries rather than in the ICT industry itself.

### 2.2. Potential for re-insertion into the labour market...

The employment of ICT practitioners is growing so fast that there are not enough workers to fill all the vacancies available in the sector. According to a recent estimate<sup>3</sup>, there will be up to 700 000 unfilled ICT practitioners' vacancies in the EU by the year 2015. The same trend applies in the United States and in the emerging economies of India and China. These developments offer excellent job opportunities for workers who are willing to pursue a career in this field. For advanced ICT professions, this will require a graduate degree in a computer related field or a training certificate provided by an ICT vendor and is thus mostly of relevance for students and younger workers. For many other ICT occupations, a shorter and/or

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<sup>2</sup> On the other hand, ensuring higher productivity and competitiveness thanks to the new technologies also means preserving jobs in Europe in the future.

<sup>3</sup> Report for the European Commission "[Anticipating the Evolution of the Supply and Demand of e-Skills in Europe \(2010-2015\)](#)" Empirica and IDC Europe, December 2009. Updated forecast presented at the European e-Skills Conference on 13 December 2011 in Brussels.

on the job training period will be sufficient, especially for workers with experience in technical or scientific areas. ICT professions are multidisciplinary and extend beyond technical requirements necessitating soft skills such as communication and business related skills (project management, problem solving, creative thinking, team working etc.). ICTs can therefore be a promising option even for workers who become unemployed in mid-career.

### **...and/or starting your own business**

Moreover, the emergence of new digital applications creates the potential for entrepreneurial and talented ICT practitioners to start up their own companies. Since ICT is a global technology and digital services tend to be easily scalable, start-ups in this field usually have a higher growth potential than other start-ups, and thus a significant employment potential as well. Unfortunately, however, so far, most of the start-up and growth activity of ICT and Internet companies worldwide has taken place outside the EU.

### **ICT facilitates business creation...**

ICTs make it much easier to create a new business, thereby enabling more would-be entrepreneurs to pursue their ambition. It does this in two ways. On the one hand, eGovernment services (where offered by Member States) can facilitate and greatly speed up business creation processes. On the other hand, emerging cloud computing services reduce financial stress for new companies by removing the need for up-front investment in any additional ICT hardware other than a terminal. These developments can help speed up payments and establish a payroll thus enabling a business to take off quickly and easily whilst also reducing its risks of failure. The emergence of cloud computing has been estimated to provide an additional 400 000 jobs per year in the EU from 2010 to 2015.<sup>4</sup>

### **...but needs high-speed broadband**

Finally, one should not forget that ICT has the potential to provide even more employment in the future if the network infrastructure is improved. Jobs in ICT nowadays, whether as an ICT practitioner or ICT user, typically require access to the Internet, i.e. the presence of broadband networks. Yet many of the areas with persistently high unemployment have only limited broadband deployment (e.g. rural and remote areas), which limits the potential for future ICT careers for people in these areas. Also, flexible ICT working arrangements such as tele-work are typically only possible where there are high-speed connections, as is cloud computing<sup>5</sup>.

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<sup>4</sup> "The Cloud Dividend: Part One. The economic benefits of cloud computing to business and the wider EMEA economy"; centre for economics and business research; OECD IT Outlook 2010 <http://www.redstor.com/downloads/cloud-dividend-report.pdf>

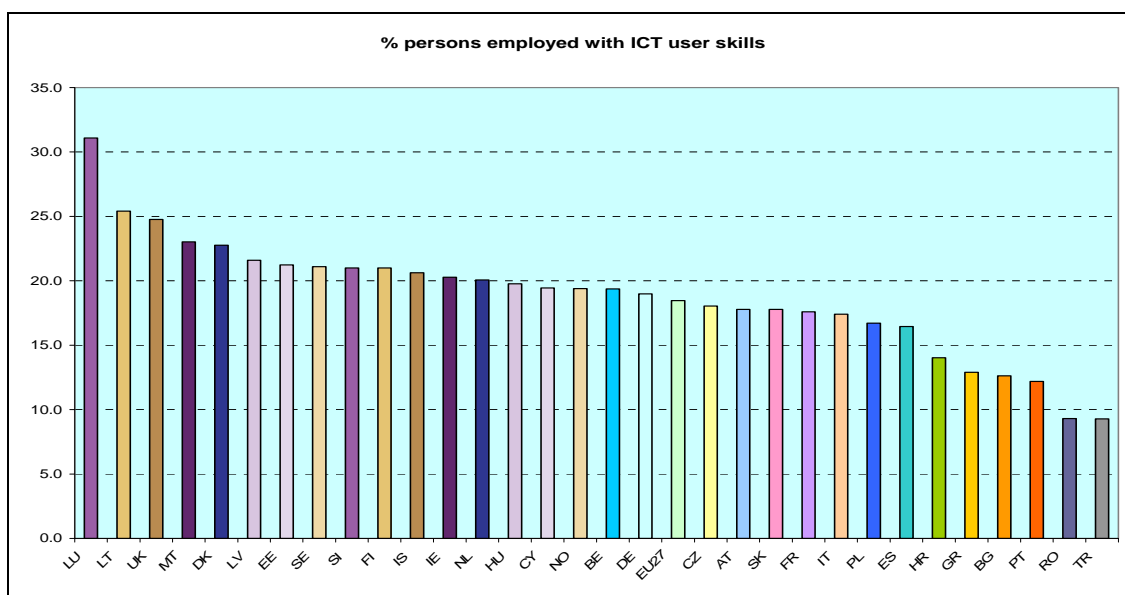
<sup>5</sup> To enhance improved coverage of broadband connection and ICT applications, the European Regional Development Fund (ERDF) provides about EUR 15 billion to ICT priorities (or 4.4% of total cohesion policy funds) to ensure access to basic Broadband (EUR 2.3 billion) and supporting ICT applications and services for citizens and SMEs (EUR 12.7 billion) in the programming period 2007-2013.

### 3. LABOUR MARKET CHALLENGES IN RELATION TO ICTS

#### 3.1. The pervasiveness of ICT skills

Most jobs nowadays already require some kind of computer related knowledge. Whilst ICT specialists account for 3.2% of EU employment, advanced ICT users account for six times as many, i.e. 18.5% of employed persons<sup>6</sup>, ranging from 9% to 31%, depending on the Member State. It has been forecast<sup>7</sup> that, by 2015, 90% of jobs will need at least basic computer skills. Acquiring those skills is thus rapidly becoming a precondition for workers to become and remain employable.

**% persons employed with ICT user skills – 2010**



Source: Digital Agenda Scoreboard 2011 (Commission services on the basis of the Eurostat European Labour Force Survey).

#### 3.2. The labour market for ICT practitioners

The labour market for ICT practitioners has been characterised for a number of years by a shortage of supply, i.e. a lack of skilled workers. As a result, there has been a persistently large number of unfilled vacancies, which is often referred to as the "ICT skills gap". The financial crisis has barely affected ICT practitioners: their unemployment rate rose by a mere 0.6% to 1.8% in 2010<sup>8</sup>.

#### Surprisingly low interest of young people in a career as an ICT practitioner...

Recent statistics on the number of ICT graduates in the EU give rise to additional concerns. Although their number increased from 71 000 per year in 2000 to 127 000 in 2006, it decreased again in the following years, down to 114 000 by 2009.

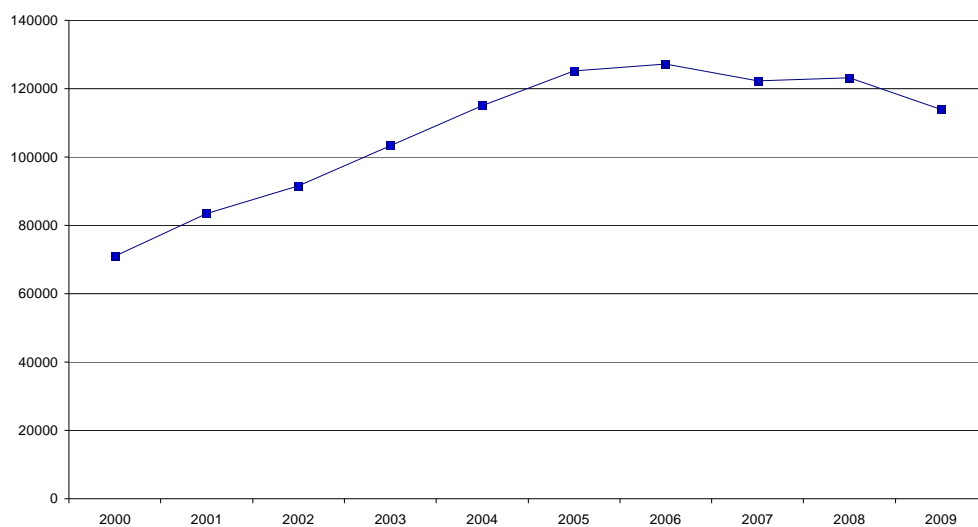
<sup>6</sup> [http://ec.europa.eu/information\\_society/digital-agenda/scoreboard/docs/pillar/digitalliteracy.pdf](http://ec.europa.eu/information_society/digital-agenda/scoreboard/docs/pillar/digitalliteracy.pdf)

<sup>7</sup> IDC White Paper "Post Crisis: e-Skills Are Needed to Drive Europe's Innovation Society" (November 2009).

<sup>8</sup> Empirica presentation at European e-Skills conference, Brussels, 13 December 2011



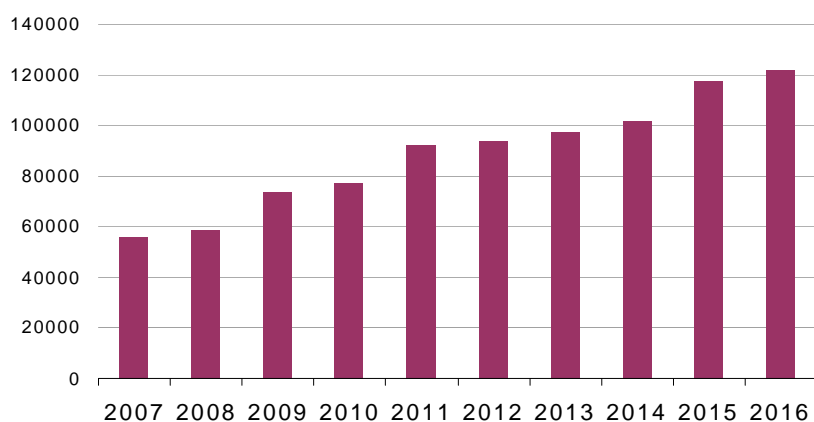
### Computer science graduates in EU27



Source: empirica presentation at European e-Skills conference, Brussels, 13 December 2011.

An additional complication arises from the increasing number of ICT graduates leaving the work force due to retirement: the number will increase from around 80 000 per year in 2010 to about 120 000 in 2015. As a result, the number of ICT graduates in the labour force could soon actually drop, while the number of ICT vacancies continues to rise.

### ICT staff retirement forecasts, EU27



Source: empirica presentation at European e-Skills conference, Brussels, 13 December 2011

It is intriguing that the number of young people choosing a career in ICT remains so low. On the one hand, there has been a great deal of activity in Member States in terms of stepping up provision for ICT skills and digital competence. This has included curriculum reform, extra funding and resources, new programmes, the creation of virtual learning environments, and the use of ICT in communication, administration and management<sup>9</sup>. On the other hand,

<sup>9</sup> See the 2010 joint progress report "Key competences for a changing world" of the Council and the Commission on the implementation of the "Education & Training 2010 work programme" provides the evidence of SEC (2009) xxx and SEC (2009) xxx. Similar results have been obtained through the EURYDICE study 2011.

Internet usage surveys show that regular Internet usage by 16-24 year olds ranges from 87% for the low-educated to 97% for the highly-educated<sup>10</sup>.

In other words, virtually all young people now have at least basic ICT skills and are familiar with a number of internet applications<sup>11</sup>.

Yet, the number of them who make the jump from 'cool' ICT, such as installing a webcam or converting a song into a different format for their personal listening, to 'boring' ICT, such as entering a graduate ICT programme, a vocational ICT education, or creating their own web company, remains limited. Despite the good employment prospects in the sector labour supply is scarce particularly among youngsters and this reticence to take a career in the field of ICT remains a serious challenge for policy-makers. Often, the difficulty of entering the ICT sector is overestimated. A recent survey in the UK<sup>12</sup> showed that **36%** of students thought that in order to work in ICT they would need a degree in ICT.

Another important reason for this mismatch is that today's youngsters might be 'digital natives', but they are not yet digitally competent<sup>13</sup> in the sense that they are not able to use ICT in a professional, collaborative, critical or creative way. Despite the many initiatives undertaken at European, national and regional level, formal education and training systems have not systematically integrated innovative pedagogical strategies supported by new technologies<sup>14</sup>. At the same time, ICT companies are increasingly providing education and training through commercial or not-for profit initiatives. Recently, some efforts have been made to build bridges between formal education, training and accreditation systems and these new ICT industry led initiatives.

In addition, we have to deal with a gender issue related to the ICT career. Among ICT specialists in the OECD, women still account for a relatively low share of the total workforce and only represent 20%<sup>15</sup> of the overall figure. One of the reasons is that the already small number of women choosing ICT related careers is further reduced by them leaving the sector.

### **Reorientation of mid-career jobseekers - problem of mobility and cost of the training**

A major alternative source of skilled ICT workers has always been unemployed mid-career workers from related fields such as engineering, mathematics or sciences, with adequate retraining, as they usually share the same basic bodies of knowledge. Moreover, for more basic digital technology jobs (such as web site designers, call centre or network administrators) skills can be acquired by those who have a certain aptitude but lack previous formal education in this field. Such courses are often available through informal training

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<sup>10</sup> [http://ec.europa.eu/information\\_society/digital-agenda/scoreboard/docs/pillar/usage\\_content.pdf](http://ec.europa.eu/information_society/digital-agenda/scoreboard/docs/pillar/usage_content.pdf)

<sup>11</sup> See also "Eurostat, Survey on ICT usage in households and by individuals, 2011" data on skills related to using office applications, e.g. using excel, presentation software, creating a web page etc.

<sup>12</sup> CompTIA survey

<sup>13</sup> Digital competence is one of the 8 Key Competences identified under the "European Reference Framework on Key Competences" (2008); OECD, PISA results on Digital reading, 2011. IPTS, *Mapping Digital Competence: Towards a Conceptual Understanding*, Sevilla, European Commission, and JRC 67075, 2011. <http://ipts.jrc.ec.europa.eu/publications/pub.cfm?id=4699>.

<sup>14</sup> Key Data on Learning and Innovation through ICT at School in Europe: Eurydice, 2011; Pisa Digital reading (2011); STEPS survey (2010). Ferrari, A., Cachia, R., & Punie, Y. (2011). *Educational Change through Technology: A Challenge for Obligatory Schooling in Europe*. Lecture Notes in Computer Science, 6964, 97-110.

<sup>15</sup> OECD IT Outlook 2010; <http://www.redstor.com/downloads/cloud-dividend-report.pdf>

centres<sup>16</sup> and non-formal community groups<sup>17</sup>. However, this is not happening as much as it could be, as is shown by the simultaneous existence of ICT vacancies and persistent unemployment among workers in related fields. This can be explained partly by a problem of geographical mobility, as job vacancies and unemployed workers may be in different areas, and partly by reluctance on the part of either workers or companies to invest the necessary retraining resources in terms of training cost and adaptation period. Finally, there is also the question of whether the wage premium for ICT skills is sufficiently high to make such retraining profitable.

### 3.3. The labour market for ICT users

#### ICT skills as precondition for employability in all fields

It is difficult to think of a job in the present day economy that does not require some degree of ICT knowledge. As stated above, 18.5% of workers in the EU can be regarded as advanced ICT users<sup>18</sup>. At the same time as routine jobs are being displaced by ICTs, other jobs become more complex and require more ICT knowledge. The emphasis of the demand from European enterprises is increasingly focusing on higher level problem-solving and entrepreneurial skills to address the needs emerging from cloud computing, cyber-security, green technologies and eHealth applications. Yet, despite the many efforts over the last years, ICT training as part of other (either university or vocational) training programmes is lagging behind the fast-moving development of technology.

Moreover, it is necessary to ensure that workers already in the workforce adapt new ICT applications to their work as they emerge. However, basic ICT knowledge by workers aged over 25, as measured by regular Internet usage, depends much more on educational attainment than is the case for young people. Among 25-54 year olds, 94% of highly educated people are regular users, whereas among the low educated the figure is less than 50%. Among the over 55 year olds, even a quarter of the highly educated do not regularly use the Internet; the corresponding figure for the low-educated is a staggering 80%.

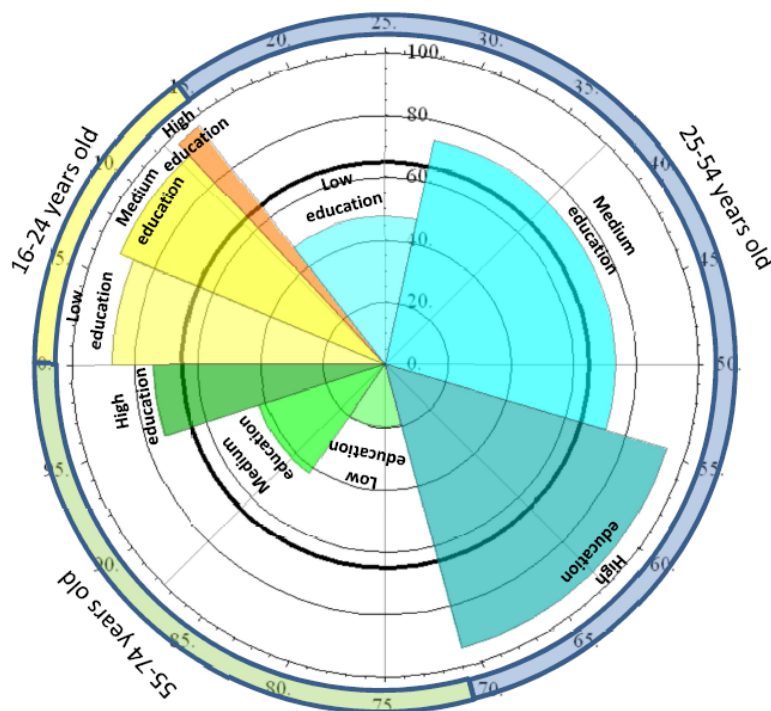
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<sup>16</sup> [www.interface3.be](http://www.interface3.be)

<sup>17</sup> IPTS study on ICT supporting 3<sup>rd</sup> sector organisations and social innovation *ePractice Digital Literacy Workshop on Digital Competences for Social Inclusion Actors and Intermediaries*, <http://ipts.jrc.ec.europa.eu/publications/pub.cfm?id=4340> and *Under the Radar: The Contribution of Civil Society and Third Sector Organisations to eInclusion*, <http://ipts.jrc.ec.europa.eu/publications/pub.cfm?id=4339>

<sup>18</sup> Digital Agenda Scoreboard (Commission services on the basis of Eurostat European Labour Force Survey).

## Regular Internet use in the EU27 in 2010 – breakdown by age-education groups



**Sector chart:** the amplitude of each sector represents the demographic weight of each age-education group in total EU27 population while its height represents the percentage of regular Internet use for that group.

**Source:** Digital Agenda Scoreboard (Commission services on the basis of Eurostat Community Survey on ICT Usage in Households and by Individuals).

### ICT skills can lower the risk of unemployment...

Yet, ICT skills are increasingly important in order to lower unemployment prospects even among senior workers. For example, one econometric study of the Italian labour market, monitoring for age and education and following individuals over time, found that low-educated workers aged between 35 and 49 with no digital skills have a 5% higher probability of being unemployed than those with digital skills; and highly-educated 50-64 workers with no digital skills have a 20% higher probability of being unemployed than those with digital skills<sup>19</sup>.

ICTs can also be used to improve one's skills, whether ICT or otherwise. In the EU, jobs held by highly-qualified people in all sectors are expected to rise by 16 million between now and 2020, while those held by low-skilled workers will decline by around 12 million<sup>20</sup>. This enormous task of increasing high level skills and up skilling existing skills, including the digital competences of users can be facilitated by ICTs. For example, by enabling education and training through open and easily available learning resources, open educational practices or the use of open networks.

<sup>19</sup> The dataset used provides four different waves of data (2000, 2002, 2004, and 2006). For the illustration of the dataset see Main Report (Codagnone et al 2009), § 8.2.

<sup>20</sup> "An agenda for new skills and jobs: A European contribution towards full employment" <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1541&format=HTML&aged=0&language=EN&guiLanguage=fr>

New educational practices like virtual mobility can support collaborative methods preparing for new forms of work and at the same time support the development of eLearning, as well as open educational resources. Moreover, eLearning can also provide an avenue for lifelong learning (re-skilling and up skilling), which is recognised as a necessity in today's fast-moving economies.<sup>21</sup>

### **...and have positive impact on young people at risk of exclusion**

Another study on the role of ICT for young people at risk of exclusion<sup>22</sup>, relying on a survey of sixty-one ICT based initiatives for the inclusion of youth at risk, shows that the positive short term outcomes reported by these initiatives refer inter alia to re-engagement in education and training and re-insertion into employment. The impacts of ICTs stem from the skilling, empowerment and social capital effects of their use, which are all relevant for employability. A third study found that people who have ICT skills on their curriculum vitae increase the probability of receiving a call-back by 1% or more<sup>23</sup>.

The importance of ICT for employment aspects is increasingly understood by workers, too – only 40% of unemployed people consider their ICT skills sufficient for finding a job. Even among employed persons, only 53% believe that their ICT skills would be sufficient if they had to look for another job<sup>24</sup>.

### **3.4. ICT as an enabling work and social tool**

ICTs are a key enabling tool in the development of new forms of work. Thanks to their pervasiveness people can work remotely, on the go from virtual work stations and indeed also according to their own rhythm. This flexibility allows workers to take up employment positions which otherwise would have been too far away or not compatible with other personal obligations such as child or elderly care or with limitations in activities imposed by a disability.

ICT is a key enabler of social innovation, indeed digital social innovation exists thanks to ICT tools and networks. Two broad categories can be distinguished: on the one hand, activities where ICTs increase the effectiveness of existing processes (e.g. Living labs, Web entrepreneurs, Young entrepreneurs, Digital champions, etc.) and, on the other hand, activities aimed at exploiting the enormous potential of the "network effect" ("collective intelligence") to the full in order to find effective solutions to societal challenges.

### **3.5. ICT as a tool for better functioning of labour markets**

ICTs also play a role in improving labour market matching processes. To start with, 46% of unemployed people use the Internet to look for a job or submit a job application<sup>25</sup>. Moreover, ICTs help employment services to deal with the bulk of their routine requests, freeing up human resources to deal with more complex or sensitive cases in a face-to-face manner. ICTs also allow employment services to complement a traditional repository of job vacancies with

<sup>21</sup> IPTS, *The Future of Learning: Preparing for Change*, Sevilla, European Commission, EUR 24960 EN, 2011. <http://ipts.jrc.ec.europa.eu/publications/pub.cfm?id=4719>

<sup>22</sup> See IPTS study *ICTs for disadvantaged youth: Opportunities and challenges*, Policy Report, Forthcoming 2012, <http://is.jrc.ec.europa.eu/pages/EAP/eInclusion/youth.html>

<sup>23</sup> *ICT Skills and Employment: A randomized experiment*, Mariana Blanco (Universidad del Rosario) and Florencia Lopez Boo (Inter-American Development Bank) (November 2010).

<sup>24</sup> Eurostat Community survey on ICT usage in households and by individuals 2011

<sup>25</sup> Eurostat Community survey on ICT usage in households and by individuals 2011

additional services, such as online career guidance, self-assessment tools, and databases of training opportunities, e-recruitment and sophisticated real-time labour market information systems.

Moreover, ICT enables better job matching by taking more parameters into account. Skills-based job matching is the most prominent example. By analysing the individual skills profiles of job seekers and the skills required for each job, computer systems can compare how an individual fulfils the necessary requirements of a vacancy. Also, with automated job matching, jobseekers can immediately receive notifications once new job vacancies meet their personal profile. Results of job matching can be presented in a user-friendly way, e.g. by showing job vacancies on a map or by adding information from other data sources.

Concerning recruitment across borders, employers and jobseekers are often separated by large distances. ICT systems are an efficient means to bring jobseekers and employers together. Nowadays, most employers prefer online applications over paper applications. The use of social media for recruitment, virtual job interviews and virtual job fairs are other examples how e-recruitment facilitates communication between employers and jobseekers.



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**COMMISSION STAFF WORKING DOCUMENT**

**Open, dynamic and inclusive labour markets**

*Accompanying the document*

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL  
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

**Towards a job-rich recovery**

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{SWD(2012) 99 final}  
{SWD(2012) 100 final}

# COMMISSION STAFF WORKING DOCUMENT

## Open, dynamic and inclusive labour markets

### *Accompanying the document*

#### COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

### Towards a job-rich recovery

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This paper is organised as follows: after an introduction, section 2 quickly presents the different pillars of flexicurity providing both security and flexibility, section 3 outlines five country groups which share commonalities in their flexicurity approaches. Section 4 provides examples of recent labour market measures showing how flexicurity is anchored in national policy making, and how social partners are involved. To what extent flexicurity measures have been continued in the period 2008 – 2010 is discussed in section 5, with observations on labour market performance in section 6. Concluding comments in the final section of this document support the chapeau communication of the Employment Package.

**Disclaimer:** *This document is a European Commission staff working document for information purposes. It does not represent an official position of the Commission on this issue, nor does it anticipate such a position.*



## 1. INTRODUCTION

Since the mid-2000s, flexicurity has been developed and refined as a policy concept through common work between the European Commission, the Member States, social partners and academic experts.<sup>1</sup> The Commission has defined flexicurity as “*an integrated policy strategy to enhance both flexibility and security within the labour market*”.<sup>2</sup> The concept was developed as a comprehensive response to the challenges faced by European labour markets and societies in a context of globalisation and technological and demographic change

The flexicurity approach has provided a framework supporting the implementation of the European Employment Strategy under both the Lisbon and the Europe 2020 Strategies. The flexicurity framework was conceived in a time of relatively favourable economic conditions. The crisis and its negative employment and social impacts have heightened existing concerns and spurred criticisms of the flexicurity concept, especially from the side of the trade unions and in some academic circles. Apprehension from trade unions stems from their feeling that in times of crisis all balance has been lost as the term flexicurity has been used when only labour market flexibility has been increased, while the crisis has increased the need for employment and income security. Questions are also raised whether such a policy approach is still viable in a context of fiscal tightening: how is it possible to finance the security aspects of flexicurity? How is it possible to cope with rising demand for income support and ALMP measures? What is the role of activation measures (either train or work first) in a period of low labour demand? What is the role of social dialogue in implementing flexicurity?

It is therefore important to show the added value of the concept in a tangible form, while adapting it to the changing socio-economic context characterised *inter alia* by higher unemployment and tighter budgetary constraints. Furthermore, the crisis has highlighted the urgent need to pursue labour market reforms, without reducing the scope for consensus and trust between social partners - a key principle for successful flexicurity policies.

In 2010 the Commission's communication *An Agenda for new skills and jobs*<sup>3</sup> considered that the EU common principles of flexicurity remained valid but that a comprehensive debate on strengthening the four components of flexicurity was needed to consolidate the consensus towards a new momentum in the first half of 2012. In November 2011 a Stakeholder Conference on Flexicurity was organised by the Commission bringing together representatives of Member States, social partners and European institutions. Furthermore, several surveys and studies, some of them still on-going, allow an informed assessment to be made of the implementation of flexicurity and how it could further evolve to support job creation and reduce poverty.

The purpose of this Staff Working Document is to review the implementation of flexicurity and its integration in national policies; identify concrete examples of how flexicurity policies and measures have helped weather the crisis and in what ways for the concept of flexicurity can be further useful in supporting the modernisation of European labour markets.

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<sup>1</sup> An expert group on Flexicurity was set up by the Commission to elaborate proposals.

<sup>2</sup> Add reference to 2007 flexicurity communication

<sup>3</sup> COM(2010)682 final

## 2. THE FLEXICURITY FRAMEWORK: THE EU COMMON PRINCIPLES AND THE FOUR COMPONENTS

In 2007, the Commission issued a Communication ‘Towards Common Principles of Flexicurity’, which aimed to raise awareness in the Member States of the benefits of introducing flexicurity arrangements for those in work and those out of work. It did so by outlining four inter-related components of flexicurity, which comprise:

- **Flexible and reliable contractual arrangements.** The idea is to help ‘outsiders’, who are employed on short-term or irregular contracts or are unemployed (many of whom are women, young people and migrants) to find work and to move into stable contractual arrangements. Modern work organisation should promote work satisfaction and at the same time make enterprises more competitive. Flexicurity is also to help ‘insiders’, who are permanent employees with open-ended contracts, prepare themselves for job changes ahead of time in the case of redundancy due to economic change.
- **Comprehensive lifelong learning (LLL) strategies.** Lifelong learning is about ensuring that EU citizens have the opportunity to have a high quality initial education, that they complete at least their secondary education, that they develop a broad range of key skills and that they acquire new skills and upgrade existing skills throughout their working lives. It is also about ensuring that enterprises invest more in human capital and allow employees to develop their skills, as well as the recognition of all types of learning; formal, informal or non-formal.
- **Effective active labour market policies (ALMPs).** Active labour market policies help unemployed people back to work through job placement services and labour market programmes such as training and job creation. By implementing ALMPs such as an efficient job search support and good work incentives, jobseekers can be encouraged to find new employment. Job search courses and job clubs have been shown to be among the most effective measures to help the unemployed find a job.
- **Modern social security systems.** It is important for EU governments to provide adequate unemployment benefits to act as a safety net when people are changing jobs and to offer healthcare benefits in case they fall ill as well as pensions for when they retire. Childcare is another important area as it helps people to combine work and private life and thus keep them in the labour market. Maternity and parental leave should also facilitate transitions and reconciliation between working and family life.

There are **eight Common Principles** which provide a general framework and guidance for the implementation of integrated flexicurity strategies in the Member States.

According to these principles, flexicurity is a means to create more and better jobs, modernise labour markets and promote good work through new forms of flexibility and security. It involves the combination of the above mentioned four components. It has to be tailored to the specific circumstances of each Member State and progress should be monitored. It should promote open, responsive and inclusive labour markets in which transitions pay. Both internal (within enterprises) as well as external flexicurity are equally important and should be promoted. Flexicurity should support gender equality, notably by allowing reconciliation between work and family (flexible working time arrangements, smooth transitions, etc.). It

requires broad-based dialogue among all stakeholders and social partners should be involved in the design and implementation of flexicurity policies. Finally, it requires a cost-effective allocation of resources compatible with sound and financially sustainable public budgets.

Since 2007 the Common Principles including the four components have been the framework underpinning the labour market policies in the EU Member States, leading to a number of countries developing integrated flexicurity approaches. Under the Europe 2020 strategy, the 2010 Employment Guidelines, agreed by the Member States and adopted by the Council, urged Member States to integrate and apply the flexicurity principles in their labour market policies and recommended that measures to enhance flexibility and security should be both balanced and mutually reinforcing.<sup>4</sup> The 2011 Annual Growth Survey (AGS) identified balancing security and flexibility as one of the priority measures to mobilise labour markets and create job opportunities.<sup>5</sup> More recently, the 2012 AGS reiterated that the implementation of balanced flexicurity policies can help workers to move successfully between jobs and labour market situations.<sup>6</sup>

### 3. MAIN APPROACHES TO FLEXICURITY

The third common principle acknowledges that there is no one size fits-all approach to flexicurity, since they should be tailored to the specific circumstances of each Member State. The 27 Member States are characterised by very different modalities and combinations of flexibility and security elements, reflecting the diversity of European employment regimes. However, Member States may be classified into clusters based on a number of commonalities. Taking account of the existing literature, in 2006 the Commission identified, according to prevailing combinations of policies and/or institutions, five different flexicurity approaches within the European Union:<sup>7</sup>

- **The Anglo-Saxon system**, covering the **UK and Ireland**, features a high degree of flexibility, relatively low security and low taxation. These countries have looser employment protection legislation, making it easier for enterprises to restructure in the face of changing economic circumstances. Countries in this grouping spend intermediate-to-low amounts on labour market policies aimed at helping the unemployed back to work. Cash transfers are primarily oriented to benefits linked to regular employment. The model is characterised by weak unions, moderate to high rates of unemployment and comparatively high disparities in wages.
- **The Continental system**, covering **Austria, Germany, France, Luxembourg and Belgium**, is characterised by intermediate-to-low flexibility, intermediate-to-high security and intermediate-to-high taxation. These countries rely extensively on insurance-based benefits and have stricter employment protection legislation. Although union membership is in decline in most countries, the unions remain strong and are regularly included in processes of decision-making and implementation.

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<sup>4</sup> Guideline 7 urges Member States to integrate the flexicurity principles endorsed by the European Council into their labour market policies and apply them; the Guideline also makes explicit reference to the four components of flexicurity

<sup>5</sup> COM(2011) 11 final

<sup>6</sup> COM(2011) 815 final

<sup>7</sup> Employment in Europe 2006, Chapter 2 'Flexibility and security in the EU labour market', DG Employment, European Commission

These countries tend to have higher levels of long-term unemployment than the Anglo-Saxon countries but, thanks to higher levels of redistribution via taxes and transfers, they have lower numbers of people in or at risk of poverty.

- **The Nordic system**, comprising **Denmark, Netherlands, Sweden and Finland**, is characterised by high security, intermediate-to-high flexibility and intermediate-to-high taxation. These countries have Europe's highest levels of social protection expenditure and universal welfare provision. The strictness of employment protection legislation tends to be low, but accompanied by extensive active labour market policies and generous social assistance. They see comparatively high levels of employment, low long-term unemployment rates, high job turnover and a much higher sense of security among the population than in other European countries. Social partners tend to play an important role in decision-making.
- **The Mediterranean system**, covering **Spain, Italy, Portugal, Greece, Cyprus and Malta**, features low flexibility, relatively low security, and no clear pattern of taxation. These countries generally have strict employment protection legislation for workers on open-ended contracts, while a growing number of people with part-time and/or fixed-term contracts (especially women, ethnic minorities and the young) enjoy very little if any employment security at all. The social protection expenditure of these countries tends to be concentrated on old-age pensions, with low coverage of unemployment benefits. Countries in this system reveal high levels of unemployment and a wider incidence of poverty and social exclusion.
- **The Eastern European system**, covering the **Baltic States, Poland, Hungary, Czech Republic, Slovakia, Slovenia, Romania and Bulgaria** are characterised by low levels of employment security, intermediate-to-high flexibility and intermediate-to-high taxation. With lower levels of employment protection legislation than the Mediterranean system, the provision of social assistance in these countries is also weaker. The countries in this system tend to have high long-term unemployment rates, with unemployment particularly high among young and older workers.

These clusters – relying on a modelisation - present a simplification of the variety of the EU labour markets and empirical evidence supports them less than when they were identified.<sup>8</sup> They can nevertheless be helpful in analysing further the implementation of flexicurity during the recent years and what concrete measures have been developed to help weather the crisis.

#### 4. IMPLEMENTING FLEXICURITY

One of the criticisms addressed to flexicurity has been that it is a complex concept, too abstract and that is subject to a certain ambiguity. It is therefore important to identify tangible ways in which flexicurity has taken form.

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<sup>8</sup> There is an extensive literature trying to map different flexicurity models, most of which have drawn comparable conclusions, though the number of clusters and their composition may vary. The clusters were defined mainly on the basis of commonalities in labour market rules, institutions and practices, rather than on the basis of labour market outcomes, which have been in some cases different for different countries within the same cluster. Also, in some cases, the nature or intensity of reforms undertaken since 2006 by different countries within the same clusters has differed (as also illustrated by country examples throughout this document) and the cluster analysis does not aim to be a perfect substitute for a country-by-country analysis.

Several studies<sup>9</sup>, some of them still on-going, have identified a large number of concrete labour market policy measures considered flexicurity practices. The research of EUROFOUND identifies more than 230 public and social partner based instruments, a high share of which were either initiated or amended in the course of the crisis, pointing to the validity of flexicurity in times of economic hardship. Some initiatives were innovative and creative. However, more information is still needed regarding the effectiveness of the measures.

Each of those **policy measures** or instruments **can provide various forms of security and various forms of flexibility**. Striking the right balance between flexibility and security dimensions determines the perception that stakeholders have of the implementation of flexicurity. Measures combining external flexibility and employment security seem to be most prevalent. In general, measures combining these flexicurity dimensions include those that aim at replacing traditional job protection by measures enhancing the employability of outsiders of the labour market while easing hiring and lay-off procedures and costs for the employers, backed up by active labour market policies. This back-up tends to be government programmes to help unemployed find a fixed term or permanent job by (temporarily) offering subsidies to employers or reducing their social security contributions, while ensuring compliance with state aid rules.

In a second big group of measures, external flexibility is combined with job security. These measures often contain elements to facilitate hiring and laying off, which is combined with incentives for employees to maintain their existing jobs. Most of these measures are related to new regulations on types of employment contracts in terms of their duration. Prominent examples are legal regulations obliging companies to provide workers with an open ended contract after repeated use of fixed-term contracts or after a certain period of time has elapsed (see box for examples combining various forms of security and flexibility).

#### *Various forms of flexibility and security*

##### *External flexibility and job security*

Measures combining external flexibility and job security are often aimed at preventing abuse arising from the use of successive fixed-term contracts, for example by requiring objective reasons justifying the renewal of such contracts, maximum duration or maximum number of repeats (see also the Council directive on fixed term work).<sup>10</sup> In **the Netherlands** this has been made operational by labour laws dictating a maximum of either three fixed-term contracts or three years of use. After this has elapsed the fixed-term labour contract will by law be considered as open-ended with the according degree of employment protection.<sup>11</sup>

**Labour pool companies** make possible the combination of external flexibility with specific job security in several Member States including Germany, France, Belgium, The Netherlands, Sweden or Finland. The commonality of these measures is that a pool organisation composed of several employers usually from the same activity branch and/or located in the same area is voluntarily formed. This pool hires workers, trains them and sends them to the companies during their period of activity peaks. Throughout this cycle, workers keep on being

<sup>9</sup> *Measuring the impact of flexicurity policies on the EU labour market*, Final Report, June 2011, by Institute for Advanced Studies Vienna; *Social Partners and flexicurity in contemporary labour markets*, Synthesis report, May 2011, by E. Voss, A. Dornelas, A. Wild and A. Kwiatkiewicz. *Evaluation of the first phase of flexicurity (2007-2010): Interim Report*, by GHK, 10 February 2012; *The second phase of flexicurity: an analysis of practices and policies in the Member States (forthcoming)*, October 2011, by EUROFOUND

<sup>10</sup> Council Directive 1999/70/EC concerning the framework agreement on fixed-term work concluded by ETUC, UNICE and CEEP.

<sup>11</sup> The Commission is currently evaluating the functioning of the Council Directive on fixed-term work.

employed and paid by the pool company as such, guaranteeing them a permanent income, even in times of inactivity. In most of the examples, such initiatives are partly or fully subsidised by the national or regional administration. In **Belgium**, the employees in the pool are entitled to indefinite contracts offered by the pool organisation. In some cases, however, the pool is used only as a platform for exchange of information and good practices and for short-term employee mobility.

#### *External flexibility and employment security*

Creating a secure framework for labour market transitions can help workers by providing employment security while delivering flexibility to firms. To this end, in 2011 **France introduced regulation called career security contract (CSP)** which offers workers, who lose their jobs in economic redundancies, 80% of previous wages. This protection holds for a period of up to maximum one year. Participating in this CSP, which is voluntary to the employee, means laid off workers will need to enlist in an intensified 'return to work' programme. Workers will have to accept the first job offer made to them. Actual take-up rates of the new CSP so far have been low as workers feared that needing to accept any first job offer could mean moving across the country.

At a regional level, the Austrian **Work Placement Foundations (Implacement Arbeitsstiftung)** have proven to be good examples to remedy structural problems in the labour market. There are currently 45 placement foundations in Austria. These foundations target fast growing sectors where there is relatively little labour supply and aim to match the enterprises' personnel needs with unemployed people, trained and qualified in accordance with their specific needs. They offer training and a comprehensive service package including career guidance, job search, and work experience programmes that can last up to three years (four in case of jobseekers that are above 50 years of age). The participating companies report their demand to the local public employment office which looks for suitable candidates from the pool of registered unemployed candidates. During the training, the participants receive financial support amounting to the unemployment benefit from the public employment service. As a final step, the trainees are employed in the company.

Overall, work placement foundations provide firms with the skilled labour that they are seeking, specifically trained for their needs. During the training period, the company does not have any wage or related costs and saves costs for training and HR administration. In return, employers give job-seekers the opportunity to gain qualifications that hold out the promise of employment at the end of the training process. Work foundations promote greater occupational, remunerative and regional mobility. This is also a good example where a support measure can be implemented without tremendous cost burden for one single stakeholder as several stakeholders share the financial burden of the measure.

In **Spain** the labour market reform approved in September 2010, inspired by the reforms in the severance pay reforms in Austria, has foreseen the creation of a **worker's capital fund** that will enter into force in 2012. Instead of paying the total amount of severance pay at dismissal, employers would pay regularly an amount equal to a certain number of day's wages per year into this fund. The employee may benefit from this fund in the event of dismissal, geographical mobility, for training purposes, or in the case of retirement. The money is kept in the worker's account in the case that the worker changes employer voluntarily. As a transitional arrangement, until the creation of the Capital Fund, part of the severance payment of dismissal of permanent contracts (eight days per year of service) will be funded through recourse to the government **Fondo de Garantía Salarial, FOGASA**, created in 1985.

#### *External flexibility and income security*

In **Estonia**, the first policy document to tie together the four major elements of flexicurity was the explanatory note to the new **Employment Contracts Act (in 2008)**. As the unemployment insurance came into force in 2002 and labour market services were reformed in 2006, the 2008 act dealt mostly with individual labour relations. The original act i.e. the one accepted by social partners, addressed also the security of workers during unemployment with a more generous unemployment insurance benefits system but these changes were cancelled as a crisis measure. In addition, the Act also increased the opportunities for lifelong learning.

#### *Internal flexibility and job (and income) security*

In **Germany**, **Working time accounts** were widely exploited by German companies between summer 2008 and autumn 2009 to combat the adverse impact of the economic crisis and may have been an alternative to the use of short-time work in the adjustment process during the 2008-2009 recession. If employees work fewer hours than

their contractual obligation, working time accounts ensure that this debt will be balanced later; in this case, firms give a credit to their employees (full salary), and they receive a compensation once demand improves (in the form of labour). It is estimated that about one third of the companies in Germany with more than 20 employees have used working time accounts to maintain employment levels during the crisis. In 2009, the reduction in working hours that was due to working-time accounts was about half of the size of the reduction that was due to short-time work. About half of the firms that used short-time work also used working time accounts, whereas it is estimated that one in ten firms that used working time accounts also made use of short-time work. The use of working time accounts provides for the adaptation of labour to production needs. Its use is previous to the possibility of using short-time work. In case of working-time accounts, the State doesn't pay any compensation. As well as the introduction of short-time working, the use of flexible working time accounts is said to be one reason why adverse effects on employment were avoided at both the company and the macroeconomic level.

In **Italy** the Solidary Contract (**Contratto di Solidarietà**), modified in 2009, made use of company-level arrangements based on the principle of solidarity among current employees who reduce, all at the same extent, their working hours in order to avoid dismissals or to allow the recruitment of new employees. The company-level agreement grants a reduction of working hours (maximum 60%), corresponding to an equal reduction in wage. This income loss is compensated by public employment services. In 2009, the government increased the annual amount paid into the fund for job-security agreements to €40 million. Consequently, for the period of 2009-2011, the wage supplement has been raised to 80% of the wage reduction. The job security agreements can last for an initial period of maximum 24 months, which can be extended for 24 further months (36 months for Southern Italy). At the end of the maximum period, a new job-security agreement for the same units can be agreed following an at least 12 months production resume period. The agreements create a win-win-win situation for employees, employers and unemployed. As the reduction in pay of employees is not reflected in their social security contributions (this difference is also financed by the national government), incumbent employees enjoy reduced working times with minimal income loss while new jobs are created for the unemployed. Employers deciding to use job security agreements benefit from a reduction of the amount of social security contributions to be paid for the workers using the scheme. One drawback of the scheme is reported to be the complexity of related procedures.

Social partners have found ways in collective bargaining to support both flexibility and security at the same time. In **Germany**, sectoral employers have the power to oppose increases in minimum wages if they can argue increased levels would be harming employment in their sectors; in specific cases they can opt out of the bargaining agreement which has been reached collectively and which still holds in other dimensions. Operating this way, firms or sectors have the flexibility to better follow labour productivity developments in their wages, avoiding employment threatening 'gaps' between wages and productivity. The way it is organised, employment in these firms is protected.

#### ***Functional flexibility and employment security***

**Skillnets in Ireland** funds and facilitates training through 60 networks of private sector companies, in a range of sectors and regions. Each network delivers training that is relevant to both member company and specific industry needs (see [www.skillnets.ie](http://www.skillnets.ie)). This is an example where lifelong learning and human capital accumulation is used to ensure employment security. Skillnets is a state funded, enterprise-led support body dedicated to the promotion and facilitation of training and upskilling as key elements in sustaining Ireland's competitiveness. The organization supports and funds networks of enterprises to engage in training under the Training Networks Program (TNP). These networks, now referred to as 'Skillnets', are led and managed by the enterprises themselves to design, manage and deliver specific training programs across a broad range of industry and service sectors nationwide. Since 1999, Skillnets has facilitated over 60,000 Irish enterprises, in over 350 networks to improve the range, scope and quality of training and allowed over 275,000 employees to upskill and meet their work related training needs.

94% of companies funded by Skillnets are classified as SMEs. In a 2010 survey with member companies, more than four out of five companies (82%) agreed that Skillnets training helped them to fill skill gaps whilst 68% agreed that it improved productivity. A high proportion of companies reported that Skillnets training helped to achieve market developments such as enhancements to products and services (70%). 84% agreed that Skillnets training represents good value for money and 89% agreed that they would recommend to other companies to join a Skillnet network.

Though most of the measures have been taken by governments, **social partners have also themselves taken initiatives or have been involved in the government actions.** In fact, one of the important aspects highlighted in the initial Commission Communication on flexicurity, and re-iterated subsequently, is the importance of the involvement of social partner organisations in giving shape to flexicurity policies and their implementation.

In the first phase of the crisis, the contribution of the social partners to implement internal flexicurity was considerable. The short time work arrangements and collective bargaining opening clauses, are some direct examples (see also section 5). These efforts have cushioned the shock of the recession, controlled wage costs thus protected the competitiveness of firms and as a consequence avoided a steeper decline in employment. The involvement of all relevant stakeholders in the design and implementation of flexicurity policies can be seen as an important precondition for reforms leading to a win-win situation delivering both security and flexibility. However, those involved should not allow the current short term focus, induced by the economic crisis, to eclipse the long term view needed to observe and steer the process of structural reforms in the flexicurity approach.

The findings of the project implemented by the European cross-industry social partners between 2010/2011 on the *Implementation of the Flexicurity Concept in the EU*<sup>12</sup> concludes that the level of social partners' involvement has depended very much on existing traditions of social dialogue and social partner involvement and cultures of labour relations. As a result, the integration of social partners in the decision making process and shaping reforms ranges from strong to weak.

#### *Flexicurity measures initiated by social partners*

In **Finland**, in response to the recent economic crisis, **Tripartite Flexicurity Committees** (Kolmikantainen joustoturva-työryhmä) have been formed at a sectoral or company level, which can be considered as a pioneering measure that is explicitly labelled as flexicurity. These working groups try to identify the needs for amendments in the existing labour market support system and potential new tools necessary to cope with the economic crisis and changing working environment. In doing so, a relatively strong emphasis is put on the need to address these challenges in the flexicurity spirit (ETUC, BusinessEurope, UEAPME and CEEP, 2011).

Recently, social partners in **Spain** reached an Agreement for employment and collective bargaining for the years 2012-2014 that has been able to improve the internal flexibility in terms of working-time, functional flexibility and to link wages to the situation and results of firms, and in particular productivity. This much improves long term employment security for workers because viability of firms is ensured by preventing wage-productivity gaps which could eventually lead to bankruptcies and termination of business activities.

The Employers' Associations for the Bavarian Metalworking and Electrical Industries and IG Metal in **Germany** initiated an action programme called **Employment Bridge Bavaria** (Beschäftigungsbrücke Bayern) to ensure employability and vocational training for young skilled workers and engineers. Young skilled workers and engineers are hired therefore by a special company which posts these people to other companies. Hereby, the targeted young people are encouraged to opt for a technical training. The programme, expected to last until 2012, is funded by the regional government of Bavaria and involved social partners together (Source: ETUC, Business Europe, UEAPME and CEEP, 2011).

Central to flexicurity policies is their integrated nature; all parties relevant to labour market functioning do, or at least should, take part in agreeing and implementing policies, but also many thematic policy areas are included, ranging from labour law to unemployment benefits

<sup>12</sup> For more information see <http://www.erc-online.eu/content/default.asp?PageID=514>



and training. This integrated nature means that views from all stakeholders on all topics should be included in policy reforms. This implies that economy-wide agreements can take a long time to materialize but if and when achieved, substantial economy-wide gains can be generated. Certainly the added pressure of the current economic crisis has diverted focus away from structured approaches to more ad-hoc measures vis-à-vis labour market outcomes. The text box below reports on a number of Member States showing a comprehensive approach to flexicurity.

In order to help Member States, at EU level, a common language has been developed, in terms of flexicurity pillars (ALMP, lifelong learning, contractual arrangements and modern social security), common goals have been articulated concerning improving labour market functioning and fighting segmentation and common instruments have been identified in terms of various types of securities and flexibilities.

### *Comprehensive flexicurity strategies*

**Denmark** demonstrated in the 1990s how an integrated policy approach can lead to favorable labour market outcomes. In the fifteen years leading up to 2008 Denmark reduced its unemployment rate by almost three quarters – from 9 to 2.5% – adding considerably to employment security. Of course, part of this was due to positive macro economic trends which helped job creation and reduced unemployment but active labour market policies (ALMPs) and the benefits system saw clear reforms. Furthermore, wage bargaining and income taxation were reformed in support of job creation. Benefits were made more difficult to access through stricter eligibility criteria while benefits themselves were shorted in time and job-seeking requirements were installed taking away passive elements which had been present in the system. ALMPs changed their focus to more human capital investments.

In **Estonia**, different opinions emerged linked to the coherence between the four components of flexicurity: government representatives argued that all components are taken into account in the policy making process and that the connections between them are thoroughly analysed whereas the social partner perspective was that the four components of flexicurity have been dealt with rather separately and that this is a serious shortcoming. In 2008, the explanatory note to the new Employment Contracts act tied together the four major flexicurity elements.

In **Poland**, on-going reforms refer to all four components of flexicurity. Reforms were taken first in the areas of lifelong learning and effective active labour market policies, subsequently complemented with measures relating to flexible and reliable contractual arrangements and modern social security systems. The 2009 report on the implementation of the NRP discusses significant issues related to the implementation of an integrated model of flexicurity.

In **Austria**, flexicurity is seen as an overarching strategy. This is exemplified by the fact that some measures alternately appear as related to different flexicurity components in the 2011 NRP ; for example the training guarantees can be listed as a lifelong learning or active labour market policy measure and the social security coverage for self-employed and freelancers is mentioned under contractual arrangements and social security measures. It is in the areas of lifelong learning and social security modernisation that there has been the greatest renewed policy emphasis as a result of the EU flexicurity strategy. Although efforts and expenditure may have focused (particularly in the crisis years) on ALMP measures, there is arguably greater policy stability in this area, whereas responses to the policy challenges in the field of LLL and social security took longer to develop, and are in some cases (e.g. the lifelong learning strategy) not yet finalised and in need of further work. Flexicurity considerations feature highly in collective bargaining and because of the strong interlinkages of social partners in policy making the focus here has been rather similar.

Since mid-2010, also **Spain** has performed a considerable reform effort, aimed at reducing labour market segmentation and increasing flexibility at company level, improving the functioning of active labour market policies, enhancing the adjustment of wages to local conditions. Major steps include the reform of employment protection legislation passed in June 2010, the overhaul of active labour market policies in February 2011, the reform of collective bargaining system with a view to de-centralise wage setting in June 2011, and the pension reform passed in July 2011 to extend the statutory retirement age and increase the contribution period. Most recently, on 10 February 2012, the Spanish government presented to Parliament new labour market measures

which include changes to employment protection legislation, the collective bargaining system, internal flexibility, job incentives and labour market intermediation services. The Social partners have also reached a wage moderation agreement until 2014 that includes agreed ways to implement internal flexibility.

In the context of its adjustment programme, **Portugal** is passing a major reform package, agreed with all the employers' organisations and only one of the trade unions, touching upon the employment protection legislation, working time arrangements and the wage-setting system. A draft law will also thoroughly revise the unemployment insurance system, while action on streamlining and strengthening active labour market policies and education policies is taking place with a view to speeding up transition to employment, and facilitating job matching.

## 5. DELIVERY OF FLEXICURITY BY COMPONENT DURING THE CRISIS

### Flexible and reliable contractual arrangements

One of the more cited outcomes of the crisis in policy terms has been the key role played by internal flexibility instruments to help weather the crisis. A good number of them have tried to achieve increased income security and job security.

**The short time work arrangements (STWAs) are the clearest and best documented instrument used to support labour demand and protecting jobs.** In one way or another 20 Member States made use of these arrangements where government subsidies were given to either firm or worker to compensate for loss of income resulting from a temporary reduction in working time in response to crisis-induced reductions in output, all of this intended to maintain existing job relations and skills. Some of these arrangements were phased out in 2011 because of the need for more austerity in public finances. Specifically considering crisis induced measures, it is found that many of these include job security.

Evaluation studies from OECD<sup>13</sup> and those initiated by the European Commission<sup>14</sup> show that as a result many jobs were saved. Estimates range around a million jobs saved. Possible downsides to using these STWAs are the fiscal costs (although these have to be considered against unemployment and social benefits saved) and the presumption that the reductions in firm output are temporary after which they will resume their pre-crisis levels. In this sense using STWAs could obstruct necessary changes to the economy's production structure that may prove necessary in the longer term. Properly targeting this measure, thereby avoiding jobs get subsidised which would have survived anyway even without subsidies (avoiding deadweight losses), is another challenge in designing these arrangements. Some experts have also pointed to the fact that STWA have coexisted with external flexibility for non-permanent forms of work and that it has made visible the dualism of the labour market.

These problems can be minimised by including a number of criteria for a public contribution to STWA: firms being required to prove the economic necessity of using STWAs; firm-level social partners having to agree to the use of these arrangements; provisions that the cost of absorbing the productivity loss should be shared roughly equally by workers, firms and

<sup>13</sup> OECD, Hijzen and Venn, 'The role of short time work schemes during the 2008-9 recession', OECD Working paper 115, 2011

<sup>14</sup> Research voor Beleid Panteia, 'Short time working arrangements during the crisis and lessons to learn', draft version December 2011

government; temporary character of fiscal support for the use of STWAs; subsidies should be paid back by the firm if after use workers still get dismissed; and finally, the time not worked should be used for training activities.

Successful experiences with the use of **working-time accounts**, e.g. in Germany, show that there is a possibility to use firm-based instruments that help foster flexibility in the use of labour, helping firms to be more competitive, and at the same time being an instrument of resilience and job security in terms of temporal dampening of demand. These experiences are now being also introduced in other Member States (e.g. Portugal).

However, the crisis has also increased concerns about **growing labour market segmentation resulting from the rise in the use of (involuntary) fixed term employment and successive fixed-term contracts in some Member States**, which – rather than acting as a stepping stone – can trap workers for many years in precarious employment. This leads not only to low job security, reduced access to training and reduced opportunities for career advancement and wage progression, but also has an impact on wider opportunities, for example access to a mortgage, saving for a pension or making long-term decisions about family formation.

One of the major reasons for segmentation is the inadequate dovetailing of regulations of the various contractual forms: disparities in employment protection rights for permanent and fixed term contracts have been identified as a, if not the, key source of segmentation. During the crisis, a number of Member States started reviewing their labour laws to reduce protection for permanent contracts with a view to making hiring more attractive. The latter has been particularly the case in some countries of the Mediterranean and Eastern European groups.

#### **Reducing labour market segmentation - Single open ended contract**

The economic crisis has put into spotlight the issue of labour market segmentation. Job losses were concentrated to a large extent on workers with fixed term contracts. As one round of fixed term contracts was finished, it was followed for many workers by unemployment rather than another fixed term contract.

In 2011 the Commission proposed to address the issue through the introduction at Member State level of a “single open ended contract” to encourage employers to hire workers on a more permanent basis. No specific contract examples have been proposed but only a general direction. Ideally, a single open ended contract would provide flexibility to employers while preventing segmentation. All workers would be protected by such a contract against lay-off at will, by forms of legal and/or monetary protection – clarity about this protection would be available from day one of the contract. Furthermore, these protection rights would build up continuously with job tenure until a maximum, and there would be no ex-ante time limits specified in the contract.

The issue has been debated at length in some Member States though as such it has not been adopted in any. However the debate has succeeded in focusing attention on the problem and has triggered at debate on the ways to improve the design of contractual arrangements to address the segmentation problem.

### **Active labour market policies**

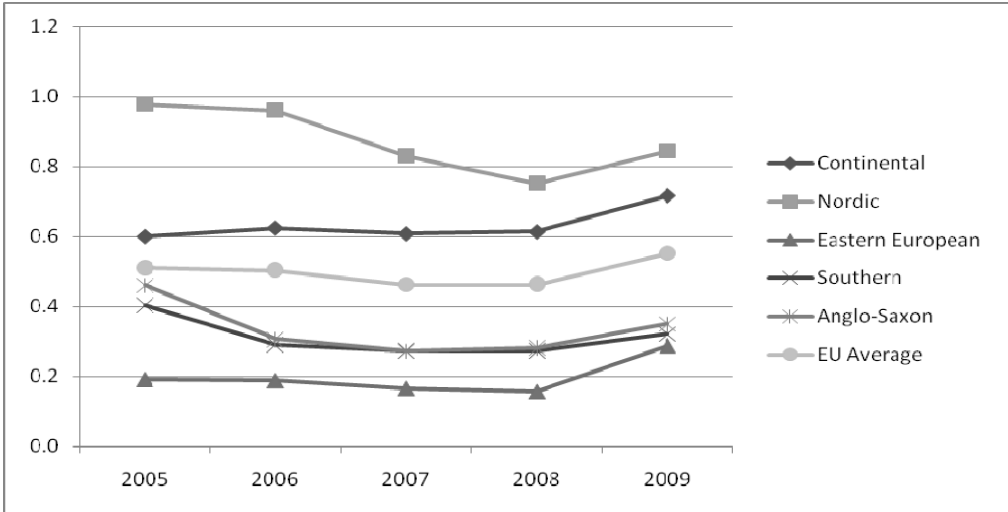
Active labour market policies are a key component of flexicurity in facilitating transitions from an unemployment situation towards a job. The crisis has challenged the use of ALMPs because of the severe increase in the numbers unemployed and the decrease in labour demand may cast doubts on the effectiveness of measures. Furthermore, the limits in the availability of

funds due to fiscal consolidation have raised an additional challenge just when the demand for such funds has risen with increased numbers of unemployed.

Overall, spending on ALMPs as a proportion of GDP has increased across the EU as a result of greater use of existing schemes as well as newly introduced active labour market policies. An analysis of this indicator for the five flexicurity clusters shows the Nordic and Continental clusters devoted the highest proportion of GDP to ALMP, with an average 0.8% and 0.7% of GDP spent on these measures respectively. These are the two flexicurity clusters with spending above the EU average (0.6%). In 2009 the other three flexicurity clusters (the Eastern European, Southern, and Anglo Saxon clusters) each spent substantially less with an average of 0.3% of GDP on ALMP measures. A major source for ALMP funding during the crisis has been the **European Social Fund**, which for some Member States provided a significant contribution to limited national budget allocations, in particular for training measures, including in the context of short-time work arrangements.

Before the crisis, between 2005 and 2008, expenditure on ALMP remained rather stable for the EU, as well as among the Continental and Eastern European clusters. The Nordic cluster experienced a decline in expenditure between 2006 and 2008 (consistent with falling rates of unemployment). Such a decline was also evidenced in the Anglo-Saxon and Southern clusters between 2005 and 2006. All clusters experienced a rise in ALMP expenditure between 2008 and 2009 as a result of the economic crisis and subsequent rises in unemployment. The lowest rates of increase during this period can be found in Anglo-Saxon and Southern clusters which traditionally place less emphasis on ALMP spending. Figure 1 illustrates these findings.

Figure 1. Spending on active labour market policies (as % of GDP)



Source: Eurostat

Within ALMPs, the trend has been towards a stronger use of hiring subsidies. There has also been a strengthening of the conditionality of unemployment benefits to the participation in ALMPs. In some cases, even some income-support benefits provided after the exhaustion of unemployment benefits now require some kind of participation in activation measures.

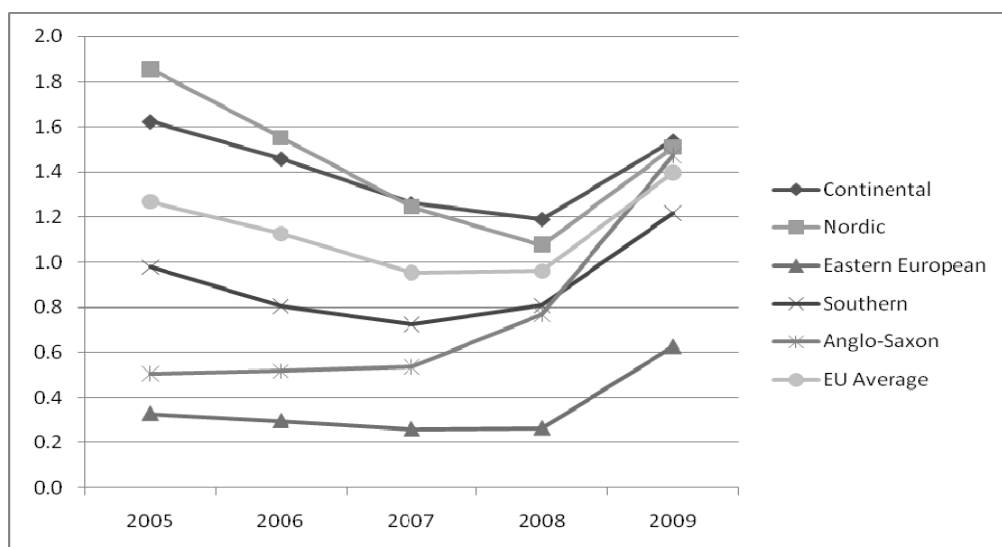
## Modern social security systems

The modernisation of social security systems is of particular relevance to the flexicurity agenda. One obvious link is that improvements or expansions in social insurance systems (for example to extend unemployment benefit durations) can serve to balance potential liberalisation in contractual arrangements by providing greater income security during transitions.

Social insurance systems can be adapted to the economic cycle to build up greater reserves to provide additional income support in times of higher unemployment (and therefore more difficult transitions). Beyond that, passive measures including income support have an important role to play as automatic stabilisers during recession, but if badly designed, can also affect incentives to work and go against the notion of “making work pay” (especially if coinciding with high tax wedge on low-paid labour).

Between 2005 and 2009 the Continental and Nordic clusters were responsible for the highest proportions of GDP spent on such measures (each spending 1.5% of GDP by 2009, compared to an EU average of 1.4% - see figure 2). The Anglo-Saxon cluster also reached this figure by 2009, following a rapid increase from a low level since 2008 (largely as a result of the crisis and rising unemployment). In common with most other flexicurity clusters, the Continental and Nordic clusters saw a consistent reduction in the proportion of GDP spent in these areas between 2005 and 2008, followed by a significant increase in 2009. This is consistent with declining rates of unemployment (and indeed declining early retirement) during these earlier years and increases in unemployment following the crisis, necessitating higher income maintenance payments. Figure 2 summarises the figures which reflect developments in numbers of income support users as well as crisis induced support schemes.

Figure 2. Expenditure on income support and early retirement (as % GDP)



Source: Eurostat

Increasing conditionality of unemployment and other benefits is intended to make the unemployed and inactive groups more pro-active in their efforts to seek work or retrain, with sanctions applied in case of non-compliance. However, whether such effects are achieved depends on there being adequate provision of effective active labour market measures and training opportunities to support those who cannot find work and, ultimately, on adequate

demand in the labour market to give people a chance of finding work after participating in ALMP measures. However, ALMP budgets have mostly not grown to reflect the increase in the number of unemployed. Moreover, conditionality also risks that the most vulnerable groups, who need the most support, are de-motivated and put off trying to find work and fall back to inactivity. There needs to be flexibility in the approach, individualised support for those that need it, and adequate fall-back systems to avoid long-term exclusion.

Although some groups do very well out of atypical employment arrangements (e.g. successful entrepreneurs, high-skilled freelance workers, etc.), **many people** who are self-employed, in part-time or fixed term contracts **continue to be inadequately covered** by social protection as well as often being rewarded unfavourably (levels of pay, holiday rights, etc.) compared to people in full-time permanent contracts doing the same or similar jobs.

The **Hartz reforms** undertaken during the 2000s in Germany were an example of strengthening benefit conditionality. At the core of the Hartz reforms was the introduction of a so-called '**mutual responsibilities approach in social security**'. This meant the social security system would be aimed more at stimulating a return to work (more employment security) while income security continued to be available. In this approach, on the one hand *PES organisations* provide unemployment benefits when needed combined with increased frequencies of face-to-face contact, strengthened follow-up and generally becoming more accountable for their results, while on the other hand, *jobseekers receiving benefits* need to show clear job-search efforts, which are monitored, and sanctions may be used for non-compliance. Furthermore, benefit durations were made time-limited and conditionality was introduced linking training and job search effort more directly to receiving benefits. Evaluations show that jobseekers found jobs quicker and PES offices delivered more targeted and efficient services at the same or lower costs.

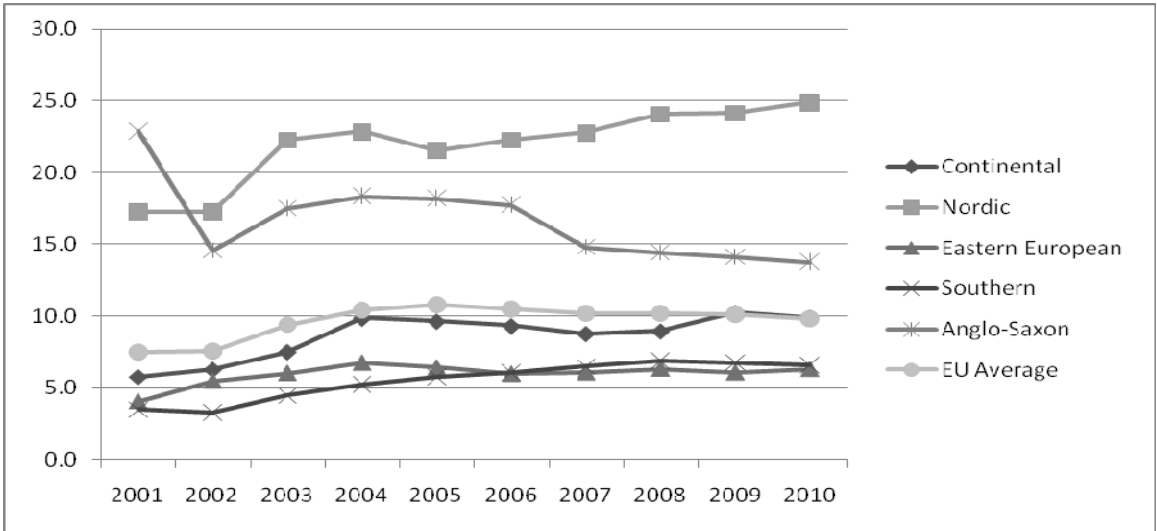
## Lifelong learning

In addition to a good macro economic situation, employment security is to a large extent generated by ensuring continued human capital accumulation throughout workers' careers. Relying only on initial education undergone before the beginning of one's working life is insufficient in modern European economies with constantly changing technological production processes. Whether education and training activities are of a nature specific to the firm or sector influences firm incentives to make the required investments. Some of the short time work arrangements have used training participation as a criterion. Typically, this sort of training activities has been firm-specific.

The economic crisis seems to not have had a major impact on education and training participation rates among employed persons (see figure 3). During the 2008-2010 period, worker participation in training or education per flexicurity country group have remained more or less constant (Anglo-Saxon, Mediterranean and Central European) or continued to grow (Nordic). In the Continental group an increase in participation has been registered in 2009, most likely related to the participation in short time work arrangements which contained training requirements. Again, the ESF proved to be an important funding instrument in the Member States for such activities.

Considering levels, clearly workers in the Nordic, and to a somewhat lesser degree the Anglo-Saxon group, obtain a considerable portion of their employment security from high levels of human capital accumulation through education and training participation. For the other country groups, employment security via education and training seems to play a lesser role.

Figure 3. Participation in education and training among employed persons



Source: Eurostat

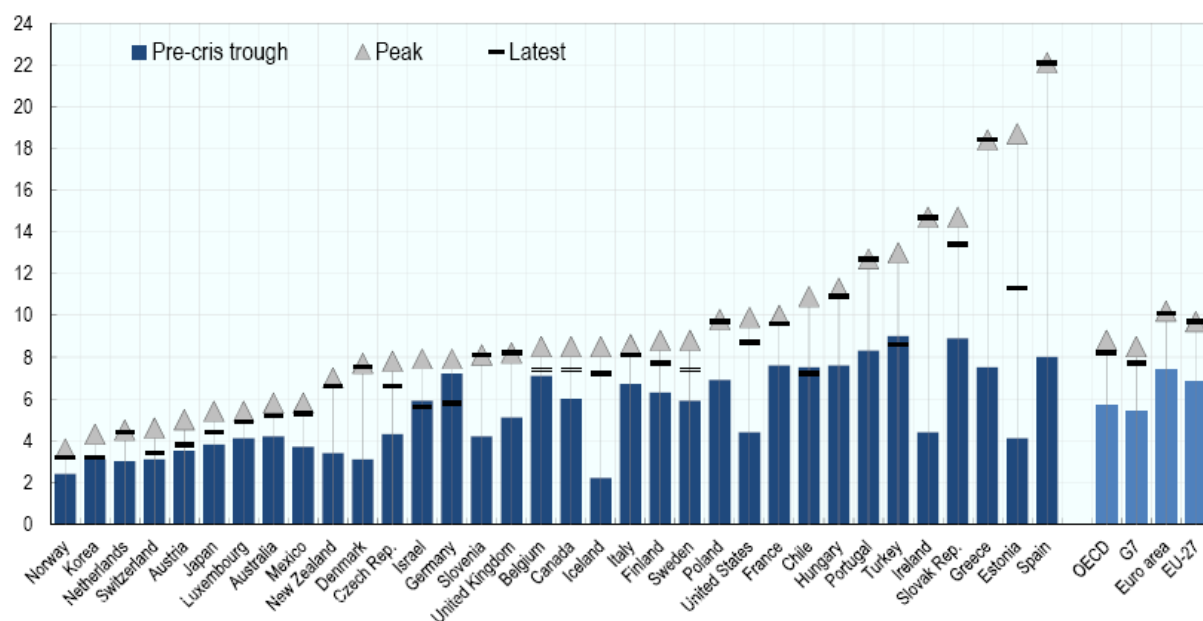
## 6. PERFORMANCE OF FLEXICURITY DURING THE CRISIS

Flexicurity was intended to help create more and better jobs. It is therefore important to see how the various flexicurity regimes have weathered the crisis and how flexicurity policies have helped in terms of better labour market outcomes, such as employment, unemployment, segmentation, income protection and polarisation. This section discusses these themes in turn.

From an aggregated perspective the crisis has had a varied impact on Member States' labour markets. The various country groups replicate also this disparity in the way the crisis has manifested itself in terms of employment, unemployment and segmentation.

If we examine **unemployment**, between April 2008 and December 2011, the EU-level unemployment rate increased by 4 pp to a historic high of 9.9%. Considering the big drop in GDP and general economic activity, this rise in unemployment is moderate compared to other parts of the developed world; the US for example witnessed a stronger initial increase in unemployment even though GDP reductions were similar to those in the EU.

Figure 4. Unemployment impact of crisis various over countries



Countries are shown in ascending order by the unemployment rate at its peak.

\* Trough (peak) dates are defined as the start of the longest spell of consecutive increase (decrease) of the quarterly OECD harmonised unemployment rates since 2006 Q1.

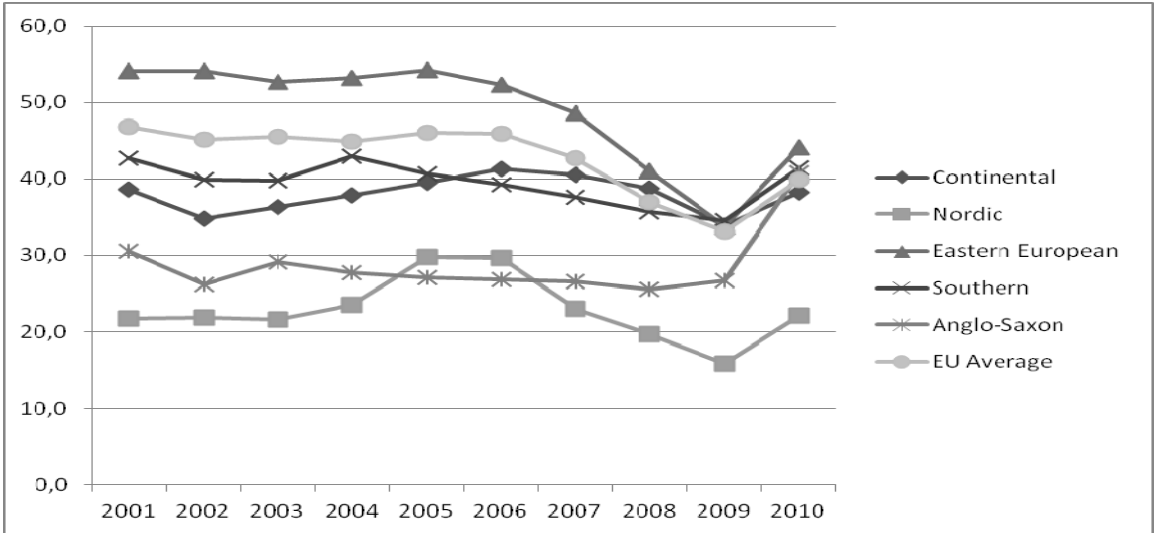
Source: OECD calculations based on OECD Main Economic Indicators Database.

Within the EU, looking at the flexicurity country groups, some patterns emerge in the labour market performance over the crisis period. **The countries in the Nordic and Continental countries groups have seen smaller unemployment increases**, while Central/Eastern Europe witnessed EU-average levels of unemployment growth during the crisis and the Mediterranean countries experienced large (PT) to very large unemployment increases (EL, ES), see Figure 4. There are some exceptions to the above pattern with DK and the Baltic states with unemployment growth above their respective country group average, and IT below.



Another important aspect is how unemployment is turning into long-term unemployment. Previous to the crisis there was a general trend towards the reduction of long-term unemployment rates. This trend has been generally reversed, but it can be noted that the increase has been particularly steep in the case of the Anglo-Saxon cluster and that **Nordic and Continental countries have seen a slower increase in the long-term unemployment rate** than the other groups of countries. This would appear to show that they are still more successful in supporting transitions back to the labour market.

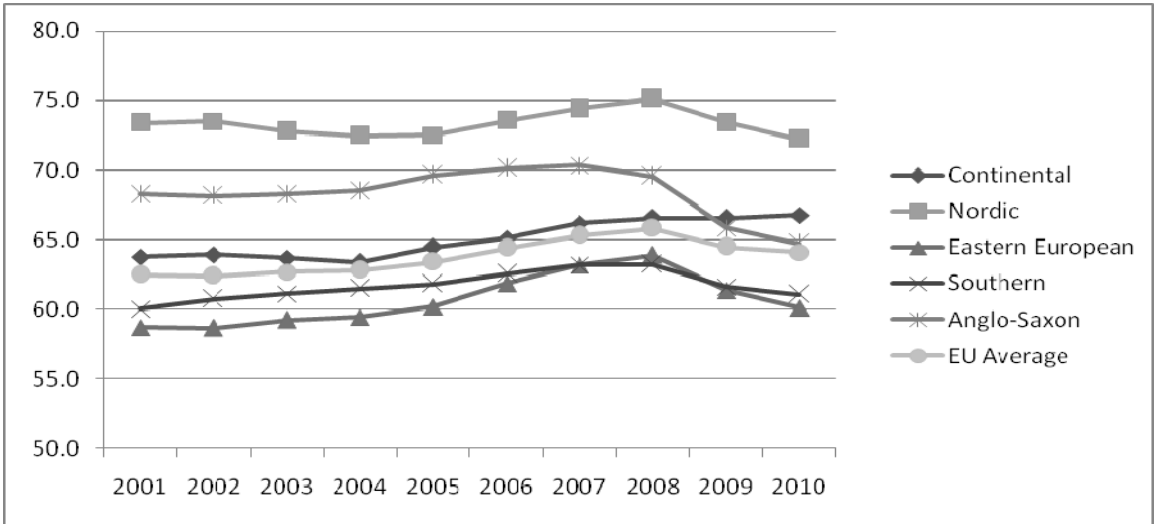
Figure 5. Long-term unemployment rates (2001-2010)



Source: Eurostat

The crisis has triggered a reduction in the EU **employment rate** from 2007-2010 of 2.9 pp. After the crisis period 2008–2010 the Nordic and Continental groups show the highest employment rates. The higher unemployment rates in DK pushed Nordic employment rates down but they are still at the highest level compared to other groups in the EU. The Continental group is the only group which managed to increase its employment rates over this period.

Figure 6. Employment rates for flexicurity clusters (age group 15-64 years old)

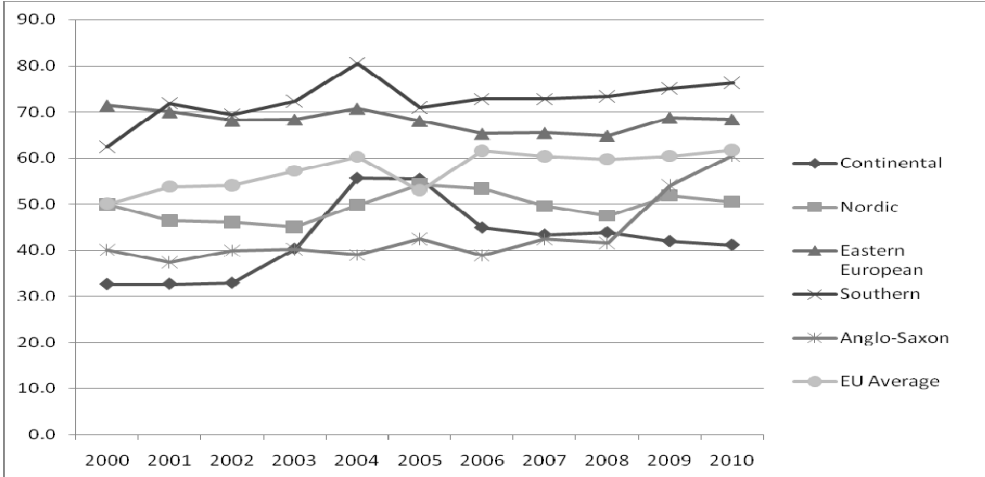


Source: Eurostat

Analysing **labour market segmentation** is difficult as it can not be observed directly. The numbers of workers in fixed term contracts in some cases can provide a useful but often only partial insight into the issue, since a fixed term contract is not necessarily an unfavourable contract for every worker. He or she may switch easily to a permanent contract after a fixed term contract, using it as a stepping stone, or it may well match his or her preferences. Still, labour market segmentation can be caused by repetitive use or over-use of fixed term contracts, so that it causes scarring effects, repeated unemployment spells between contract periods and a generally unbalanced development of work and private life. Using involuntary fixed term as an indicator work does provide a better insight regarding segmentation and over-use of fixed term contracts as people are increasingly likely to want to work in a permanent job, especially after they have done a series of fixed-term contracts leaving them to experience the downside of repeated fixed-term contract use.

Southern and Eastern European clusters are characterised by high levels of involuntary fixed term workers (between 70-80%, see figure 7), suggesting segmented labour markets. Workers are trying but not finding access to permanent employment. **Nordic and Continental countries have lower levels of workers with involuntary fixed term contracts and these two groups showed an improvement since 2009.**

Figure 7. Proportion of those in fixed term employment that ‘could not find permanent job’



Source: Eurostat

When we look at **income protection**, mainly delivered through unemployment benefits, we see that the crisis has put social security schemes under stress, and has revealed strong variation across the EU in their capacity to provide adequate income support (i.e. acting as automatic stabilizers) and to cover the new unemployed.

Table 1 below illustrates for selected countries the extent to which gross disposable incomes of households (GDHI) have been sustained in the first and second phases of the crisis. It shows that it is mainly in the Continental and the Nordic countries, and the Czech Republic that incomes were well sustained during both periods, despite important initial economic shocks – as indicated by severe drops in GDP. Elsewhere the picture is mixed. In some countries (UK, Spain, Portugal), automatic stabilizers played their smoothing role in the first phase running 2007-2009, but this effect was not continued in the period 2009-2011.

Table 1. Economic shocks and effects on gross disposable household incomes, selected countries

		2007-9		2009-11	
		GDP	GDHI	GDP	GDHI
Anglo-Saxon	United Kingdom	-5,4	1,9	2,4	-1,1
Continental	Austria	-2,5	-0,5	5,3	-0,8
	Germany	-4,1	0,4	6,7	1,6
	France	-2,8	1,7	3,1	1,3
	Belgium	-1,9	5,2	4,5	0,1
Nordic	Denmark	-6,3	-0,8	3,0	5,9
	Netherlands	-1,8	-0,6	3,5	-1,0
	Finland	-7,3	3,9	6,8	1,1
	Sweden	-5,8	5,1	9,8	5,1
Mediterranean	Spain	-2,9	5,1	0,7	-6,2
	Greece	-3,4	-2,7	-8,8	-12,4
	Italy	-6,1	-2,5	2,1	-1,0
	Portugal	-2,5	4,9	-0,5	-3,5
Eastern and Central European	Estonia	-17,4	-6,2	10,4	-1,9
	Latvia	-20,4	-15,5	4,1	-3,3
	Hungary	-6,0	-5,6	2,7	:
	Slovenia	-4,7	2,2	2,4	-0,3
	Czech Republic	-1,7	3,5	4,6	0,9
	Poland	6,8	8,1	8,1	5,8

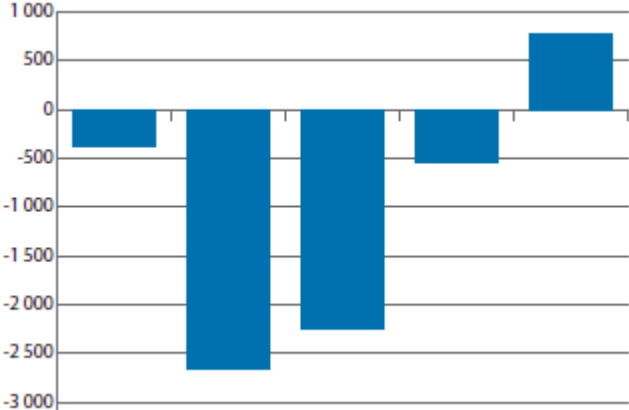
Figures represent percentage change in given periods. Source: National Accounts

Furthermore, the crisis revealed strong variations in the capacity of unemployment benefit schemes to absorb the shock and to allow for adjustments in terms of benefit duration and conditionality. In some countries, tight conditionality combined with short durations had the effect of pushing people from unemployment benefits towards social assistance schemes as employment opportunities contracted. In other countries, recent data indicates that there is an increasing gap between the number of unemployed and the number of benefit recipients (over all types of schemes), indicating that an increasing number of people are not covered at all.

A final dimension worth considering in performance of flexicurity is the effects the crisis has had on the jobs structure. Jobs are structured in terms of occupations, like managers, machine operators and crafts workers, and in terms of economic sectors, like financial services, construction or manufacturing. Jobs, or occupation and sector pairs, have shown a clear **pattern of polarisation** over the economic crisis; jobs in the middle earnings quintiles have been terminated very clearly while jobs both in the lowest highest quintiles have seen no changes or even growth, see figure 8.

At country level, it seems Mediterranean countries including CY, ES, EL and PT show stronger patterns of polarisation, while Nordic (SE, FI, NL) and Continental groups (AT, BE, DE, LU) show less polarisation and more upgrading in job structures, i.e. job growth in higher earnings quintiles and job losses in lower quintiles.<sup>15</sup>

Figure 8. Changes in numbers of jobs by wage quintiles, 2008Q2 – 2010Q2, in thousands



<sup>15</sup> <http://ec.europa.eu/social/main.jsp?catId=113&langId=en&pubId=6176&type=2&furtherPubs=yes>

## 7. CONCLUDING OBSERVATIONS

The experience of recent years has confirmed flexicurity as a framework and a tool to understand and implement employment policy-making and to identify good and bad practices. It continues to be a useful concept within the employment agenda, supporting Europe's effort to build open, dynamic and inclusive labour markets. The following points stand out:

- (1) **Labour market segmentation** remains a serious concern and the wide variety of the employment impacts from similar declines in economic activity shows that segmentation matters. Employment losses were far more serious in more segmented labour markets and also largely concentrated on the young which tended to have the greatest share of fixed term contracts.
- (2) There is evidence that **countries that reformed their systems** - for example by shifting the emphasis from protection in the job to improving unemployment insurance - offered better employment protection and facilitated labour market adjustment. Similarly, those countries that allowed workers at the lower end to combine income support with the taking up of jobs - notably if efforts were made to facilitate further positive transitions to avoid that people were stuck in low productivity job – saw better outcomes.
- (3) During the crisis, **internal flexibility** (or internal flexicurity) - through the use of short time work arrangements, working time accounts, use of temporary opt-out clauses, as well as other forms of managing labour market adjustment through investment in training of employed workers - has proved itself to be just as important as external flexibility.
- (4) Countries with the best experience before, during, and successfully exiting the crisis, are indeed those that balance flexibility in adjustment to the crisis related shocks and structural change with employment security measures. Among those are **Member States in the Nordic and Continental groups**. However the Nordic group has seen rapidly rising unemployment and rather jobless recoveries and the Continental group rather divergent experiences, possibly so extensive that they no longer really form a coherent cluster.
- (5) **Flexicurity is both about structural reforms and social investments**. What is important at this juncture is to agree on the need to undertake and implement the labour market reforms that can help put back Europe on the path to recovery and growth. In some cases the favourable impacts of reforms may take several years to see their full impacts and implications. The reforms in unemployment benefits show the importance of doing it as part of implementing an integrated policy package; a comprehensive approach delivers stronger labour market results than individual measures would.
- (6) Discussions with Member States and the November Stakeholder conference have provided important inputs when considering the future for flexicurity. Through the work of the Employment Committee a common body of concepts, in terms of flexicurity pillars (ALMP, lifelong learning, contractual arrangements and modern

social security) and common principles has been developed, feeding into the implementation of the Europe 2020 strategy

- (7) The current analysis shows that there is a high number of measures which include multi-stakeholder cooperation and which are characterised by an explicit definition of the flexibility and security dimensions - leading to an agreed upon and accepted combination of the two. Furthermore, the new perspective on the benefits of internal flexibility instruments places a renewed onus on a **reinforced social dialogue at all levels, including firm level**, that contributes to the design, implementation and monitoring of flexicurity.
- (8) The concept of **flexicurity translates into concrete policies and practices**. Ongoing initiatives in the field can be described with their expected effectiveness in terms of jobs and income security, and not necessarily at great (public) costs. Central to these examples is a renewed balance between various forms of flexibility combined with appropriate forms of security. Because not all can be delivered by national stakeholders, **some flexicurity measures and mutual risk management can be generated by new partnerships** between local governments, social partners, networks of firms (notably SME's) and communities.



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**COMMISSION STAFF WORKING DOCUMENT**

**Implementing the Youth Opportunities Initiative: first steps taken**

*Accompanying the document*

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL  
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

**Towards a job-rich recovery**

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## 1. INTRODUCTION

*Implementation of the Youth Opportunities Initiative has started...*

In response to the dramatic rise of youth unemployment in many Member States, the Commission launched the "Youth Opportunities Initiative" (YOI) in December 2011.<sup>1</sup> Its key objective is to combine concrete action by Member States and the EU implementing the priorities identified in the Europe 2020 strategy, the June 2011 Council conclusions on youth employment<sup>2</sup>, the 2012 Annual Growth Survey and the Joint Employment Report.

This paper presents an interim account of recent measures and policies in the Member States with high youth unemployment, with regard to the YOI priorities, and illustrates first results of the reinforced policy cooperation with the Member States. It will inform the debate at the informal Council of Employment and Social Affairs Ministers on 23-24 April 2012.

*...with the strong commitment of the Member States at the highest level...*

The Commission President proposed at the informal European Council of 30 January 2012 to strengthen cooperation with the 15 Member States where the situation of young people is most difficult. For the eight Member States with the highest youth unemployment rates<sup>3</sup>, action teams of EU and national officials have been set up in order to develop specific action plans for tackling youth unemployment. These teams have met in the Member States concerned in February 2012. With the other seven Member States with youth unemployment rates above EU average<sup>4</sup>, bilateral meetings at technical level took place in February 2012 to explore ways of making full use of EU funding for tackling youth unemployment.

*... and the support of the European Social Partners....*

At the Tripartite Social Summit on 1 March 2012, the European Social Partners have presented their work programme 2012-2014; it includes a framework of actions on youth employment with a focus on the link between education, young people's expectations and labour market needs. The first contributions to this framework have been presented by BusinessEurope and UEAPME; they highlight in particular policy measures supporting skills development, recruitment and entrepreneurship. ETUC established a focus group within its Youth Committee, which will contribute to the framework with analysis and proposals.

*The assessment of national policies will continue in the European Semester 2012*

Already in the European Semester 2011, ten Member States received country-specific recommendations on youth employment<sup>5</sup>, and eleven in the area of education<sup>6</sup>. Member States are expected to report on these recommendations in their National Reform Programmes (NRP) to be submitted to the Commission by mid-April 2012. The March 2012 European Council invited Member States to develop and implement comprehensive initiatives on

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<sup>1</sup> COM(2011) 933 of 20 December 2011.

<sup>2</sup> Council Conclusions 11838/11 of 20 June 2011 on promoting youth employment.

<sup>3</sup> EL, ES, IE, IT, LT, LV, PT, SK.

<sup>4</sup> BG, CY, FR, HU, PL, RO, SE.

<sup>5</sup> BG, CZ, EE, ES, FI, LU, SE, SI, SK, UK.

<sup>6</sup> AT, BG, CY, DK, EE, ES, MT, PL, SI, SK, UK.

employment, education and skills; each Member State will include a specific "National Job Plan" in its NRP. The Commission will provide its NRP assessment in the Staff Working Documents presenting the Commission's proposal for country-specific recommendations in May 2012.

## **2. EU YOUTH UNEMPLOYMENT REMAINS AT A HISTORIC HIGH**

*No reversal of the negative trend of 2011 is in sight...*

The youth (15-24) unemployment rate jumped rapidly from the beginning of 2008, rising from 15 % in February 2008 to more than 21 % in the beginning of 2010, before easing moderately and stabilising by spring 2011. The labour market recovery for youth did not last long; unemployment began to climb again in May 2011, at a faster rate than for adults. Subsequently, the rate has risen to an unprecedented high level of 22.4% at the beginning of 2012. In total 5.5 million young people are unemployed, an increase by 265 000 compared to early 2011. The strongest increase between 2010 and 2011 occurred in peripheral Member States.<sup>7</sup> For the age group 25-29 the EU average unemployment increased strongly between 2008 and 2010 from 8.6 to 12.6% and has since remained at that level (12.4% in 2011q3); again the increase was concentrated in some Member States.<sup>8</sup> Young people are particularly vulnerable since longer unemployment spells in the current context have a more permanent scarring effect in their future adult life, with potential risks of marginalisation, poverty and social exclusion.

*... low-skilled young people are most at risk of unemployment, ...*

Young people with at most lower secondary education completed (these are the early leavers from education and training) bear the highest risk of unemployment. The most recent figures available for all 27 Member States of September 2011 indicate that while the EU average youth unemployment rate was 21.2%, it reached 27.7% for low skilled youth. In many Member States their unemployment rates are 10pp. higher than for the whole youth population; in some Member States the gap exceeds even 20pp<sup>9</sup>.

*.... highly skilled have increasingly difficulties in finding a job*

Although the unemployment rate among young people decreases the higher the education levels attained, the unemployment rates for youth with upper secondary and higher education qualifications (18.5% resp. 17.9%) indicate that the employment advantage for better skilled individuals has diminished.

## **3. IMPLEMENTATION OF THE EU POLICY PRIORITIES IN THE MEMBER STATES**

Despite the generally high attention that is given in national policies to the youth employment situation, there is less of a consensus regarding to which extent measures should specifically address young people. Member States with overall strong increase in unemployment stress that only an improvement in the overall economic and labour market situation in their country

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<sup>7</sup> EL +10pp., CY+9pp., PT +9pp., ES +6pp., EE +5pp.

<sup>8</sup> BG, CZ, DK, EL, ES, IRL, LT, LV, SI, SK.

<sup>9</sup> BG 45%, IE 50.5%, SK 63%, ES 52%.

would then also accrue to youth, for example in **Greece** and **Spain**. Policy actors in Member States which experienced downturns in whole economic sectors, such as in **Ireland**, underline that young people are not the only group struggling to remain in employment. Other Member States acknowledge that they considered the strong rise in youth unemployment in the first place as cyclical, but now realise that structural problems need to be tackled (**Bulgaria**, **Slovakia**). In this context it is worthwhile underlining that there is no trade-off between different groups of workers in the labour market; well-performing labour markets show high employment rates for youth as well as prime-age and older workers.

Several Member States put in place new comprehensive policy strategies for youth seeking coordinated policy responses involving different policy sectors. The new longer-term youth policy framework in **Hungary** focuses in particular on youth employment. In **Bulgaria**, a national initiative for youth employment has been launched in October 2011. **Portugal** is currently setting up a comprehensive strategic plan for including youth in the labour market with a substantial allocation of €1bn, of which €352m would come from Structural Funds re-programming. In **Spain**, the labour market reform of February 2012 includes a wide range of measures such as apprenticeship and training contracts, hiring incentives and measures to promote self-employment among the young. **Italy** is preparing the approval of an overall reform of the labour market in order to improve in particular youth employment. To ensure a faster implementation of measures for youth, the country has transferred ESF funds (€311m including national contribution) from the regional to the national level.

The following sections present an overview of the measures<sup>10</sup> recently put in place or under preparation in the Member States with high youth unemployment along the YOI priorities, and informs of the state of play of the corresponding Commission contributions (see boxes).

### 3.1. Preventing early-school leaving

Under the Council Recommendation of 28 June 2011, Member States have undertaken to put in place comprehensive strategies to combat early school leaving, combining prevention, intervention and compensation measures, by end 2012. Several are developing comprehensive approaches and report increased efforts, especially in preventing students from dropping out. However, a balanced and coherent strategy is often still missing, and the collection, monitoring and analysis of data and information on the incidence and drivers of early school leaving, which is essential for developing more effective and targeted policies, needs to be improved.

Many Member States report efforts to increase participation in good quality early childhood education and care, and to extend compulsory education. More individualised learning approaches and measures such as better targeted support for pupils at risk of dropping out, early warning systems, and extra curricular activities to broaden opportunities for learning and personal development are also being implemented. In **Ireland**, the School Completion Programme aims to retain young people in formal education and improve educational attainment.

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<sup>10</sup> The EU funding of these on-going or foreseen actions is in line with the provisions of the multi-annual financial framework 2007-2013 (MFF) and does not generate costs above the ceilings set in the MFF. Furthermore, it applies to all measures listed hereafter in the document that Member States have to ensure they respect the EU legislation on state aid rules.

Measures for preventing early-school leaving will show effects mainly in the medium-to-longer term. However, the recent increase of youth unemployment in some Member States is also due to the fact that many low-skilled jobs have been destroyed in the crisis, so that many young people leaving education early fall into unemployment. In addition, vocational education and training streams at upper secondary level often have high drop-out rates, especially among students belonging to vulnerable groups. Immediate and effective action is needed to reintegrate these young people into education or training measures that fit their needs.

Several countries are increasing opportunities for early school leavers to re-enter into education. **Romania** continues its "second chance" programme which shall reach out to around 29 000 young people, with an ESF envelope of € 100m. In **France**, completion of secondary education can be undertaken in "*micro-lycées*" (secondary schools) and special programmes will support low skilled youth in critical urban areas. **Poland** introduces training vouchers for low skilled unemployed who are not yet in further education or training. **Ireland** implements with the ESF the "Youth reach" programme for young people to complete their education, which will be further stepped up with additional €25m of reallocated ESF support for continuation of the programme until the end of 2013.

### **3.2. Developing skills that are relevant to the labour market**

*Measures focus on curricula reforms...*

A major trend in reforming education and training is the development of curricula based on skills and competences that are crucial for working life. In addition to introducing a competences-based approach, Member States are strengthening project-based and work-based learning particularly in the initial vocational education and training (VET) and higher education sectors. Curricular reforms are on-going in a number of Member States, aimed at strengthening competence-based teaching, ensuring high quality teaching and increasing the flexibility and permeability of learning pathways. There is an increasing awareness of the need to foster in higher education programmes work-relevant transversal skills such as problem-solving and team work, alongside the acquisition of specialist subject knowledge. Equally, traineeships and other forms of work experience are increasingly being integrated into curricula (in the form of "sandwich courses" for example) and efforts are being made in some Member States to expand more vocationally oriented higher education provision.

In **Italy** new Higher Technical Institutes (*Istituti Tecnici Superiori*) will start in 2012 with post-secondary level training in key economic sectors of the country. **Poland** will implement a reform of the vocational education and training system in 2012/2013 to focus on learning outcomes and foster cooperation with employers and more practical work based training. At the same time Poland has just started the implementation of Higher Education reform where employers have more possibilities to be involved in the creation of the curricula.

*...and increasingly Member States launch specific initiatives...*

There are a number of new initiatives for closing skills gaps. **Poland** supports maths, science and technology faculties at universities with ESF projects; so far 45 000 students have benefited from these projects. In Southern **Italy** more foreign-language learning will be supported from the ESF, and in **Spain** the development of linguistic skills among young people is considered for future measures under the ESF. **Ireland** set up a new action plan to

improve higher skills, including the provision of 5 875 free higher education places in ICT, business/management skills and other growth sectors for jobseeker retraining. In **Cyprus**, new post-secondary vocational education and training institutes and an evening technical school are expected to start operations in 2012 with ESF support (€7.8m). **Bulgaria** launched a new ESF operation (€7.5m) improving the literacy of low-skilled youth.

In **Hungary**, a new scheme for supporting people (18-35) in becoming entrepreneurs will soon be launched under the ESF, promoting the acquisition and development of entrepreneurial knowledge and skills. **Portugal** funds training initiatives for entrepreneurship and innovation with the ESF, and the government's new comprehensive strategic plan for youth in the labour market also aims at supporting entrepreneurship and the enhancement of professional skills.

*...however initiatives for filling skills gaps show mixed results...*

Member States however also report that despite high youth unemployment in their country it is difficult to attract young people to training in sectors in demand for labour. In **Bulgaria** for example, vocational training places have been offered with support from the ESF, but no candidates were found. Low earning prospects and the lack of esteem for more technical jobs are considered to be reasons why such schemes are not taken up.

There is still a great need for Member States to take initiatives and implement policies aimed at further developing forward-looking labour market tools, to anticipate skills, to enhance the responsiveness of education and training systems, and to disseminate their results in order to develop work opportunities for people and to make easier their possibilities to find or to keep a job.

### **3.3. Supporting a first work experience and on-the-job training**

*Recognition of the need for stepping up apprenticeship training...*

There is evidence that apprenticeship-type training performs favourably compared to school-based vocational education and training (VET) and tends to increase employment opportunities in early working life. Apprenticeship-type training also has the capacity to be more responsive to changing skills demands than school-based VET.

A new study on the supply of apprenticeships in the Member States, however, finds that apprenticeship-type schemes which formally combine and alternate company-based training with school-based education and lead to a nationally recognised degree exist in some Member States, but that the majority of students in vocational streams have a mainly school-based training complemented by components of in-company training.<sup>11</sup> Apprenticeship-type students represent approximately an 85% of total secondary VET students and 40.5% of total secondary students in the EU-27. A stronger emphasis of the importance and use of the workplace training in initial VET is needed to ensure the future skills supply.<sup>12</sup>

*...is reflected in a variety of new initiatives...*

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<sup>11</sup> Study on the apprenticeship supply in Member States, European Union 2012 ISBN 978-92-79-23166-7  
<sup>12</sup> Cedefop forecast briefing note: <http://www.cedefop.europa.eu/EN/news/19632.aspx>

Setting-up a country- or sector-wide apprenticeship training system is a complex challenge in itself, all the more in a tight economic context, and does not happen overnight. Therefore, some Member States take first steps towards such a system by introducing practical training components in the vocational education stream.

In **Lithuania**, a voucher scheme has recently been introduced with ESF support to promote *inter alia* in-company training. In **Greece** and **Slovakia**, the provision of on-the-job training *after* the theoretical education is offered for graduates from secondary or post-secondary technical colleges. A pilot scheme for a dual VET system is being developed in **Spain**. **Poland** introduces a national voucher scheme for access to vocational training, and the ESF has recently supported 27 000 students of vocational schools for undertaking a practical training spell in a company.

**Cyprus** invests €16.7m in setting up a new apprenticeship system with ESF support. **France** is beefing up the existing apprenticeship schemes with the aim of reaching 800 000 places by 2015. In October 2011 a new apprenticeship scheme was launched in **Italy**; in addition, the educational component in apprenticeships has been increased from 40 to 400 hours, co-financed by the ESF.

Some legislative measures are also introduced, such as in **France** (increase of the levy for companies not respecting apprenticeships quotas; progressive increase of the quota for large enterprises), **Romania** (more flexible legal framework for apprenticeship contracts), and **Hungary** (incentives to employers for hiring their apprentices after the training period). In **Spain**, the recent Labour Market Reform includes a reform of the apprenticeship contracts and training contracts to reduce youth unemployment: the extension of the age limit to 30 years to get access to these contracts will be extended beyond 2013 as long as the overall unemployment rate remains at 15% or higher.

#### *Social Partners and enterprises play an active role...*

Introducing high-quality apprenticeship-type training requires a close cooperation between national authorities, Social Partners and enterprises, as has been highlighted in several position papers of European and national Social Partners. However, there are also different views among the stakeholders with regard to the ambition of introducing new systems. In **Latvia** for example, the government would like to conclude longer term agreements (4 years) with enterprises for apprenticeships, but agreement with employers and trade unions is still to be reached. Another concern of enterprises, for example in **Lithuania**, is to facilitate the arrangements for concluding contracts with the apprentice without having the education institution involved in the contract.

Professional organisations, in particular chambers of commerce, are in some countries closely involved in the organisation of the apprenticeship system. In **Hungary**, the role of the National Chamber of Commerce and Industry has expanded in vocational education to strengthen dual training elements, curricula development and the quality of the in-company training. In **Slovakia**, there are pleas for a stronger role of the chambers in introducing apprenticeships. In general, more joint initiatives seem essential to overcome the sometimes bad image and low take-up of apprenticeship-training opportunities, which is a problem in some Member States, as for example in **Bulgaria**.

Overall, there is a strong interest in learning from countries with a "dual" or "twin-track" company-based apprenticeship system as in **Austria, Denmark** or **Germany**. In **Slovakia**, there is strong interest from the employers' side to develop cooperation projects with Austria.

The Commission prepares for technical assistance worth €1.3m to **support setting up apprenticeship-type schemes** through the ESF.

*Traineeships support skills development and acquiring work experience...*

Traineeships and other on-the-job training schemes are introduced in a number of Member States. Some Member States have measures in place for people up to 30 years old in order to help university graduates in acquiring practical experience. In **Cyprus**, a national scheme for job placement and training of tertiary education graduates is being implemented. In **Poland**, the ESF has recently supported nearly 20 000 higher education students to undertake a traineeship in a company. **Poland** introduced in 2010 a national programme for postgraduate traineeships. The **Czech Republic** plans to launch a project under ESF which would provide several months traineeships in companies. In **Ireland**, a traineeship scheme allows companies of different sizes to take on trainees for 6-9 month periods. The trainees retain their previous social security payment and gain an extra €50 payment per week. Further to this an employer may avail of an 18 month break in payment of employee social security if they engage the trainee as a full time employee. **Romania** intends to introduce further support guidance and professional counselling, as well as practical training in companies for around 300 000 young people, from an ESF envelope of €116m.

Work placements abroad are a specific form of traineeships. A recently adopted benchmark sets ambitious targets to raise the levels of transnational learning mobility both in higher education and initial vocational education and training.

Certain Member States also have schemes in place for providing a workplace experience to disadvantaged young people as part of active labour market policies. In **Germany** a successful national scheme for transnational work placements ("IDA") has been put in place with ESF support; this scheme is currently expanded to other Member States, starting with **Spain** (Galicia region) in spring 2012.

The Commission will substantially reinforce support to **transnational learning mobility for VET and higher education students** (apprentices included) with a view to an additional 30% of placements targeting **at least 130 000 placements in 2012 under Erasmus and Leonardo da Vinci**.

The Commission has launched in April 2012 the "We Mean Business" campaign to **raise business awareness of Erasmus and Leonardo da Vinci** transnational placements and encourage companies to host European trainees.

*... however these need to be of good quality and must not replace regular jobs...*

In **Greece**, an ESF funded scheme worth €54m will provide opportunities to 10 000 unemployed people aged 16-24 for acquiring work experience through subsidising the social security contribution. In **Slovakia**, the ESF-supported scheme for "Graduate Practice" has been implemented over the past years, but evaluations of the scheme point to its limited effectiveness with regard to labour market integration of beneficiaries. Such schemes are

certainly welcome initiatives; however it would be important to shape them clearly with regard to the target groups and distinguish between placements for jobs or on-the-job training.

In **Latvia**, the on-the-job training scheme for unemployed has led to concerns of poor or non-existent learning content and replacement of regular workers by trainees presenting a lower cost for the employer. Similar concerns exist in other Member States, including for transnational placements, and point to the need of ensuring quality and transparency of these types of measures.

The Commission services have launched a consultation on a **quality framework for traineeships** with a view to a proposal for a Council Recommendation to be adopted by the end of 2012. The Commission will soon present the results of a comprehensive study on the legal provisions and practice of traineeships in the EU.

*...while there is also a basic need for setting up measures at all levels.*

In the absence of any operational apprentice- or traineeship systems, governments plan to introduce other opportunities for young people, for example **Lithuania** introducing a pilot project on volunteering.

The EU budget allocation for the European Voluntary Service will be reinforced in order to provide **at least 10 000 volunteering opportunities** in 2012.

### **3.4. Improving access to the labour market for getting a first job**

*Financial incentives for hiring young people are introduced ...*

Measures entailing financial incentives for hiring young people, including for the training components within an employment contract, are more and more in use in Member States and often supported by the ESF. In **Lithuania**, the "be active on the labour market" project for young people providing financial support for work experience and hiring has been a successful measure (after 6 months 83% of participants were still employed) that will be prolonged in 2012-13 for around 10 000 beneficiaries. In **Greece**, wage subsidies for hiring higher education graduates worth €110m will be disbursed. **Latvia** has introduced a wage subsidy scheme targeted at young people with unemployment spell longer than 4 months, young parents after maternity/paternity leave and disabled youth. In **Spain**, the labour reform provides for tax rebates of maximum €3 600 to firms creating jobs for young and long term unemployed people. In **Italy**, a tax credit scheme worth €142m from ESF has been put in place to encourage the employment of disadvantaged people including youth in the Southern regions. **Cyprus** funds wage subsidies and work experience programmes with ESF support. In **Hungary**, the "Start" programme provides a two years social contribution rebate to employers recruiting career starters.

To promote hiring of candidates from other Member States, the Commission launched "**Your first EURES job**" in 2011 with a budget of €4m. Implementation in cooperation with selected EU employment services has started in the first quarter 2012. A second wave with a budget of €3.25m will be launched in Spring 2012 and, most likely, a third one will follow in 2013. The scheme will directly support around **5 000 young people** to take up vacancies in other Member States in 2012-2013.

*...but careful consideration should be given to the modalities of such schemes...*



**Lithuania**, for example, considers replacing a social security reduction scheme for first jobholders by wage subsidies in order to provide better social protection to the young beneficiaries. **Romania** plans to make the subsidies for hiring young graduates more flexible.

*Adaptations to the legal framework are discussed...*

In **Lithuania**, a political discussion is under way whether a liberalisation of the Labour Code could improve access to jobs for the young, whereas in **Portugal** the planned Labour Code reform is expected to ease the labour market access of young people. Labour market segmentation to the disadvantage of young people being trapped in sequences of fixed-term contracts and little progression perspectives is on the policy agenda in **Spain** and **Italy**. The recent labour market reforms in **Spain**, for example, include the introduction of an unlimited contract with a training component, which should help to overcome the reluctance of employers to recruit young jobseekers lacking work experience.

*Support to self-employment and business development for young people is increasing...*

Youth entrepreneurship is unlikely to be a panacea for solving the youth unemployment problem but it can be a part of the response. To maximise effectiveness and efficiency, policies should target resources on young people with the best chance of success, provide sufficient support to allow them to start businesses and provide integrated packages of complementary support rather than one-shot instruments.

In **Greece**, €240m are programmed with the ESF for supporting business start-ups for up to 12 000 young professionals. In **Hungary**, a scheme for supporting people aged 18-35 years in becoming entrepreneurs will be launched under ESF in 2012, promoting the development of entrepreneurial knowledge and skills and providing seed capital, as well as counselling and mentoring in order to help business sustainability. In **Spain**, the recent Labour Market reform introduces the so-called "capitalization of unemployment": young people may access 100% of the unemployment insurance in one instalment for becoming self-employed. In **Poland**, the ESF provides grants and loan schemes for start-ups.

*...but take-up is uneven and an area for further action.*

However, in practice take-up of such schemes is diverse. In **Cyprus**, a €6m ERDF scheme for youth entrepreneurship is heavily oversubscribed, whereas in **Lithuania** only 10% of loans available in the "Entrepreneurship Promotion Fund" have been disbursed so far. The design of such schemes is a crucial factor for their success, and sometimes additional incentives seem to be necessary to increase take-up.

With a budget of budget €3m of ESF Technical Assistance the Commission will focus on setting up **support schemes for young business starters** and social entrepreneurs.

**Erasmus for entrepreneurs** is expected to finance around **600 further exchanges** in 2012.

### 3.5. Youth Guarantees

*Timely support for young people is now recognised to be essential...*

In the Youth on the Move flagship initiative, the Commission encouraged Member States to ensure that all young people are in a job, further education or training within four months of leaving school, recalling in fact earlier commitments of the European Council in 2006. Upon

reiterated calls from the Commission, the informal European Council in January 2012 committed to the objective that within a few months of leaving school, young people should receive a good quality offer of employment, continued education, an apprenticeship or a traineeship.<sup>13</sup>

*...and there are good examples of youth guarantees in place...*

In **Austria**, a *training guarantee* for young people until the age of 18 was put in place in 2008. A *job and training guarantee* for youth aged 19 to 24 under the action programme “Future for Youth” ensures that unemployed young people receive tailor-made skills training within the first six months of their registration with the public employment service (PES) or are integrated into the labour market using special employment subsidies. Production Schools (some co-funded by the ESF) aim at reintegrating young people having dropped out from school or apprenticeship or with specific difficulties requiring special support into the education and training system. In **Denmark**, all people aged 16-17 are supposed to draw up a personal career plan for the period after compulsory education, with specialised local authorities providing support to youngsters and their parents.

*...providing inspiration for new initiatives...*

In **Finland**, the government is launching in 2012 a *social guarantee* for young people, whereby each person younger than 25 years and each recent graduate under 30 years of age has to be offered work, a traineeship, or a study, workshop or labour market rehabilitation place within three months of becoming unemployed. The budget envelope is €60m per year.

*...however most Member States need to step up outreach to young unemployed.*

The coverage rate of active labour market policies for young people is still low in many Member States. The need for capacity-building and increasing service provision for the unemployed is reflected in the 2011 country-specific recommendations to several Member States as regards the PES.

In **Lithuania** for example, only a quarter of the young unemployed benefit from active labour market measures. In **Bulgaria**, outreach to young unemployed will be improved by facilitating the registration procedure at the PES. **Hungary** continues the development of career information and guidance services offered by PES as well as by supporting career services for students in higher education institutions under ESF. In **Portugal**, there has been a recent reinforcement of the role of PES providing career information and guidance, enhancement of effective early interventions, as well as improvement of the cooperation with PES in other countries in order to facilitate international mobility for young people.

<p>The Commission will present by the end of 2012 a proposal for a Council Recommendation on <b>Youth Guarantees</b> and support activation measures targeting young people in the context of Youth Guarantee schemes at national, regional or local level.</p>
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<sup>13</sup> Statement of the Members of the European Council of 30 January 2012.

#### **4. USE OF EUROPEAN FUNDS FOR POLICY IMPLEMENTATION: FIRST LESSONS LEARNT**

Enhancing the delivery of measures tackling youth unemployment with greater use of the ESF is a cornerstone of the YOI. During February 2012 joint action teams of Commission and national officials met in the eight Member States with the highest youth unemployment rates. Equally, the Commission held bilateral meetings with seven additional Member States with the purpose of exploring for each individual country how uncommitted ESF funding could be used for specific activities tackling youth unemployment. The possibility of shifting ERDF funding to the ESF was also raised. In general, Member States expressed willingness to strengthen their policies to combat youth unemployment and showed openness to consider the reorientation of structural funds.

Some Member States have demonstrated adequate levels and pace of ESF absorption. They have designed and are implementing appropriate ESF interventions in order to tackle youth unemployment (e.g. Ireland, Lithuania, Portugal).

In several Member States, a constructive discussion has taken place between the Commission and the national authorities on possible orientations for future actions. These exchanges have led to clear commitments from national governments for a proactive management for the remaining ESF period in view of improving the effectiveness and targeting of existing or planned youth measures supported by the ESF (e.g. Cyprus, Greece, Hungary, Italy, Spain).

For some Member States, there is a need to develop a clear strategy to strengthen measures tackling high youth unemployment, including re-allocation of funding between or within Operational Programmes, which should also contribute to a better absorption of the ESF funds available (e.g. Slovakia).

For some Member States, while the ESF absorption rate is high, tackling youth unemployment has not been particularly targeted (Latvia).

#### **5. THE WAY FORWARD**

The Commission will continue to help Member States fighting youth unemployment, in particular those where the situation of young people is most difficult, by implementing the measures announced in the YOI and further developed in the accompanied Communication *Towards a job-rich recovery*.

It is now important to keep the momentum, intensify joint efforts among all the different actors in the Member States, swiftly proceed with the changes in the use of the EU funds and ensure a rapid delivery of actions on the ground.

The Commission will assess the take-up of actions aimed at tackling youth unemployment in the upcoming NRPs and present a number of proposals for country-specific recommendations relating to this issue.

Finally, the Commission will report on the actions taken in follow up to the action teams at the European Council meeting in June 2012.



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**COMMISSION STAFF WORKING DOCUMENT**

**Reforming EURES to meet the goals of Europe 2020**

*Accompanying the document*

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL  
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

**Towards a job-rich recovery**

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## 1. INTRODUCTION

Intra EU labour mobility can simultaneously increase economic activity and employment levels<sup>1</sup> by helping overcome mismatches and imbalances on the labour market and making them function dynamically and more efficiently. Geographic mobility is also a potential source of economic growth<sup>2</sup> that helps improve the (re)allocation of resources by acting as an adjustment mechanism for distorted labour markets whilst also enabling economies to better cope with sudden shocks.

Limited geographic mobility has been identified in the 2012 Annual Growth Survey as one of the reasons for the structural mismatch between the supply and demand for labour and a hindrance for recovery and long-term growth. The labour matching process has deteriorated since 2009 with the number of unfilled vacancies on the increase since mid-2009 and unemployment at record levels<sup>3</sup>. Only 2.8% of the EU working age citizens (15-64) live in a Member State different from the one of their nationality. This figure is insufficient<sup>4</sup> when considered against a free movement area of 25 Member States and the pressing need to develop a dynamic and well-functioning European labour market.

The present economic situation calls for bold action at European and national level to stimulate intra-EU mobility in order to remedy labour shortages and bottlenecks vacancies in high growth areas and persistently high unemployment in other regions. The EU needs more labour mobility nationally and across borders. A strengthened EURES will facilitate mobility and direct jobseekers and job changers to where the jobs are, as well as providing an easier and real-time access to these jobs and presenting employers, notably SMEs, with a living pool of candidates where they can find the skills they need to develop and grow their businesses.

## 2. EURES –THE TOOL FOR INTRA EU RECRUITMENT AND PLACEMENT

Set up in 1993, EURES is the European network for worker mobility involving the European Commission and the public employment services (PES) of the EEA Member States (the EU countries plus Norway, Iceland and Liechtenstein) and social partners' organisations. The EURES network is responsible for exchanging information and enabling cooperation among its stakeholders in order to allow for the freedom of movement of workers across the EU. The main legal basis of EURES is provided for in Chapter II of Regulation (EU) 492/2011 (recent codification of Council Regulation 1612/68).

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<sup>1</sup> Mobility of workers has proven to contribute to both, employment and economic growth, as e.g. Employment in Europe 2008 and Employment and Social Developments in Europe 2011.

<sup>2</sup> Studies discussing the relationship between geographical mobility and economic and employment indicators : Eurofound, *Economic benefits of long distance mobility* <http://www.eurofound.europa.eu/publications/htmlfiles/ef0702.htm> and IZA, *Geographical mobility in the EU – optimising its economic and social benefits* [http://www.iza.org/en/webcontent/publications/reports/report\\_pdfs/iza\\_report\\_19.pdf](http://www.iza.org/en/webcontent/publications/reports/report_pdfs/iza_report_19.pdf)

<sup>3</sup> See Beveridge curve for the EU 2000Q1-2011Q3 in European Economic Forecast, Autumn 2011

<sup>4</sup> See Employment and Social Developments in Europe report 2011

The EURES objectives were defined in 1968 in the Regulation (EEC) No 1612/68 which stipulated that:

*"the central employment services of the Member States shall cooperate closely with each other and with the Commission with a view to acting jointly as regards the clearing of vacancies and applications for employment within the Union and the resultant placing of workers in employment"<sup>5</sup>.*

EURES is in effect European network between the European Commission and the Public Employment Services of the EEA Member States (the EU Member States plus Norway, Iceland and Lichtenstein) and partner organisations. Switzerland also takes part in EURES.

To date the services offered by EURES consist of information, advice and assistance for placement and recruitment. This may include databases on job vacancies, job search, living and working conditions as well as personalised services throughout the Union. Personalised services are provided in particular by EURES advisers, who have received specialised training and who deliver information and advice about all issues related to the free movement of workers to job seekers, job changers and employers. These services are provided free of charge to all persons benefiting from the freedom of movement in accordance with European Union law.<sup>6</sup>

Transforming EURES into an employment instrument with a special focus on placement<sup>7</sup> and paying special attention to the needs of employers is fully consistent with its legal base - Regulation (EEC) No 1612/68 now codified by Regulation EU No 492/2011. The post-crisis situation affecting EU labour markets is characterised by a growing need for intra-EU-mobility and calls for a firmer contribution of all tools and instruments to improve labour market performance in line with the objectives of the Europe 2020 Strategy. The external evaluation of EURES completed in 2010 brought to light a need to reform the EURES service delivery<sup>8</sup>. With all these developments in mind, the Commission is proposing a major reform of EURES consisting of several elements.

EURES will be reformed in order to bring it up to speed with the challenges posed by the post-crisis labour market scenario. In this respect, it will first and foremost be transformed into an instrument effectively contributing to the Europe 2020 goals. It will thus be expanded to support both specific groups of workers with a high propensity for mobility, as well as employers experiencing recruitment difficulties on their domestic turf.

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<sup>5</sup> The development of EURES and its predecessor CEDOC from 1968 and onwards is described in the book EURES: the story so far. Matching jobs and skills in Europe for 15 years, Luxembourg 2009.

<sup>6</sup> The right of freedom of movement for workers can be exercised by EU nationals and their family members, EEA nationals and their family members, in accordance with Art 45 TFEU, and developed through secondary law (Regulation (EU) n° 492/2011 and Directive 2004/38, as well as Directive 2005/36, and by case-law of the Court of Justice of the EU). Swiss nationals and their family members can benefit of the free movement of workers in accordance with the Agreement of 21 June 1999 between the Swiss confederation and the EU on the free movement of persons.

<sup>7</sup> Within the context of EURES, placement can be understood as the provision of services by an intermediary between the supply and demand on the labour market with the objective of a recruitment taking place., where recruitment is the filling of a job vacancy.

<sup>8</sup> Ex-post evaluation of the EURES programme covering the period 2006-2008, European Policy Evaluation Consortium (EPEC), 2010

EURES should combine a supply and demand driven approach by keeping its original function as transparency tool, serving both the right to free movement of workers and the needs of employers experiencing recruitment difficulties. At the same time the delivery capacity of EURES and its result-orientation need to be strengthened. Finally, EURES shall contribute to increasing the intra-European job mobility rate by providing easier and actual access to more employment opportunities and support to employers in recruiting the talents and skills they are looking for.

The EURES on-line portal gathers job vacancies processed by national Public Employment Services covering an estimated 30- 40% of the overall European job vacancy market. EURES allows access to more than 1 million vacancies and on average 750 000 CVs are live in the system at any one time in a given month. The number of monthly visits is circa 3, 6 million thus making it the most frequently visited site of any initiative run by the European Commission.

EURES also caters for the delivery of personal client services in the fields of information, advice and placements. EURES member organisations in the EEA countries and more than 20 EURES cross-border partnerships are offering these services through a network of more than 850 EURES advisers; altogether they have more than 150 000 contacts per month to jobseekers and employers

Unfortunately though, skills shortages and bottleneck vacancies in high growth areas still coexist with persistent unemployment, which indicates that spatial mismatches remain and prevent vacancies from being made available to workers with the right skills This points to a, an insufficient linkage of EURES with the wider employment aims and objectives of the Europe 2020 strategy.

The June 2010 Special Eurobarometer survey on "Geographical and labour market mobility" found that whilst 12% of Europeans have heard of EURES only 2% have actually used it. This is rather low when considering that 34% of Europeans think that their chances of finding a job abroad are better than in their own countries while close to one Europeans in five envisages working abroad in the future. Moreover, with only 25 000 employers registered and an estimated 150 000 job placements/recruitments per year<sup>9</sup>, EURES has not yet realised its full potential. Against this backdrop, the EURES reform seeks to take full advantage of the untapped employment opportunities available and by better reaching out and serving the employer community. This shall be done by re-orienting the EURES portal and EURES national program activities towards labour demand needs and in particular under-serviced occupations. This is an essential next step in facilitating recruitment across borders and helping meet the employment goals of Europe 2020.

The EURES reform will also mirror major changes taking place both in labour markets (new patterns of mobility and career paths, faster, frequent and more complex transitions between jobs, occupations, sectors and employment status) as well as in the field of employment service provision (new partnerships for better understanding labour demand and delivery of integrated tailor made services enhancing security of transitions). As a result, the growing number of actors involved in fighting unemployment (public, private, third sector,

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<sup>9</sup> The extrapolation of results of the external EURES evaluation study and the analysis of the reports of the national EURES members suggests that around 150000 persons find a job or get a job offer through EURES.



municipalities) will be encouraged to cooperate and interact so as to

- a) broaden the EURES coverage of vacancy markets<sup>10</sup>,
- b) increase the EURES flexibility to adapt and adjust its services
- c) increase its effectiveness and efficiency for responding to all potential clients groups.

The overarching goal of the reform should be the creation of a more integrated European jobs market.

### **3. TIMING AND ELEMENTS OF THE EURES REFORM**

On 6 October 2011 the Commission presented a legislative package of EU regional, employment and social policy for 2014-2020. Two proposals are particularly relevant for EURES, one concerns its financing, the other its service delivery. It is proposed that from 2014 onwards the horizontal EURES activities would be covered under the EU Programme for Social Change and Innovation (PSCI)<sup>11</sup> and that the national and cross-border EURES activities implemented by its members and partners should be funded by the European Social Fund (ESF)<sup>12</sup>, unless national authorities decide to use their own budgets.

#### **3.1. PSCI - Programme for Social Change and Innovation**

The first element of the reform relates to the so-called 'horizontal activities' to be included in the future PSCI Programme: i.e. support activities initiated and partly carried out by the Commission such as training of EURES advisers, new and specific mutual learning (e.g. identification, exchange and transposition of EURES good practices, peer reviews among EURES actors...) to support all the actors of the EURES network<sup>13</sup> in boosting EURES capacity building while guaranteeing quality of EURES services in line with its recruitment logic, information and communication activities at EU level and the further development of the EURES Job Mobility Portal.

The operational objective for the EURES Job Mobility Portal will be to deliver modern user-friendly filtering, flagging and matching functionalities while making it the main entry point for any European jobseeker or employer considering working abroad or recruiting from another European country. The EURES portal and related IT systems will be further developed in order to fully support the services to be provided by the reformed EURES network via numerous channels including self-service tools, virtual jobs fairs and social media.

A new technical platform, using the ESCO classification<sup>14</sup> as a basis, will allow full interoperability<sup>15</sup> (semantic and syntactic) between EURES members and partners and other

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<sup>10</sup> e.g. Service Level Agreements between Public Employment Services, Private Employment Services and employers' organisations...

<sup>11</sup> COM(2011) 609 final

<sup>12</sup> COM(2011) 607 final

<sup>13</sup> Article 6.3b) of the Commission proposal for a Regulation on a European Union Programme for Social Change and Innovation

<sup>14</sup> European Skills, Competences and Occupations classification

stakeholders for the exchange of all relevant information including job vacancies, CVs and other labour market related information, thus overcoming language barriers. The EURES portal will thus provide high quality services for skills-based matching, guidance, information and advice. Any processing of personal data will comply with relevant legislation such as Directive 95/46/EC and Regulation (EC) N° 45/2001.

The PSCI also includes a proposal for expanding EURES to support targeted mobility schemes at EU level. Targeted mobility schemes combine a demand and supply driven approach by focusing either on a) countries with recruitment difficulties or b) occupations under particular strain or c) specific groups of workers facing difficulties entering the labour market such as young people.

The implementing organisations delivering services to jobseekers and employers will be selected in open call for proposals to which all employment services and labour market institutions with experience in offering employment services and developing partnerships for customer oriented service delivery across Europe will be able to apply. The Commission itself will not act as an employment service but shall ensure a strong coordination of these targeted mobility schemes and full respect for applicable labour law and standards. The Commission has opted for a 'broad' definition of the targeted mobility schemes to make these adaptable and flexible in the face of new emerging employment market demands. Targeted labour mobility schemes could be designed for certain sectors, occupations, countries or group of countries wherever a clear economic need is identified and Europe-wide recruitment could provide added value, for example in the area of bottleneck vacancies and niche vacancies for which recruitment difficulties have been identified.

The type of tailor made and client oriented support measures offered under the targeted mobility schemes will be defined in the corresponding calls for proposals; these will be based on the provisions of article 11.2 of PSCI and should include services in the areas of information, advice, job search, matching, post-placements assistance as well as limited financial support for the jobseekers and the employers. A preparatory action for these schemes - named Your First EURES Job<sup>16</sup> - is currently being carried out. The lessons learned from the implementation of Your First EURES Job will be taken into account when designing the call for proposals for the targeted mobility schemes.

### **3.2. ESF – the European Social Fund**

The second element of the reform covers the national and cross-border EURES activities that traditionally formed the bulk of all EURES activities and which should be further strengthened in the future. From 2014 onwards these EURES activities could be funded under the European Social Fund (ESF) under shared management. This will considerably increase the ownership of Member States in relation to EURES activities while providing a significant administrative simplification and allowing for mainstreaming of EURES into the service offer of the Public Employment Services and EURES partners.

Member States may include their EURES activities in relevant priorities of their Operational Programmes. This choice will enable access to bigger funding possibilities and boost

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<sup>15</sup> Interoperability in the EURES context refers to the ability of systems or components to exchange information and use the information that has been exchanged. Interoperability counteracts the segmentation of labour markets which are due to the inability of exchanging information.

<sup>16</sup> <http://ec.europa.eu/social/main.jsp?catId=631&langId=en&callId=328&furtherCalls=yes>

ownership by allowing Member States to tailor their EURES service offer to the specific needs of their own labour markets. Moreover, it will allow them to integrate EURES activities with other activities promoting a more effective matching between labour demand and supply, as part of the national efforts towards modernising labour market institutions and public administration. Both types of EURES services (universal actions in the sense of Regulation No 492/2011 and complementary actions based on specific economic needs) will be eligible for support. Regulation No 492/2011 defines EURES cross-border partnerships<sup>17</sup> as complementary services that Member States can set up, if their services are needed.

Member States will decide themselves how to include the different types of EURES services in the ESF Operational Programmes and to which extent they will make use of the funding from ESF. The national or regional ESF Managing Authorities will be required to be closely involved in the future governance of EURES.

In its proposal for the ESF Regulation the Commission has defined transnational labour mobility as one of its top investment priorities. Further guidance on Member States programming will be provided in the Common Strategic Framework (CSF) 2014-2020; the CSF translates the objectives and targets of smart, sustainable and inclusive growth into key actions for the EU structural funds, and in particular for the ESF and the ERDF. The Commission's proposal for the CSF indicates that transnational labour mobility activities are EURES activities in the areas of matching, recruitment and placement, together with the related information, advice and guidance services at national and cross-border level.

#### **4. OUTLINE OF THE COMMISSION DECISION ON EURES**

The third element of the reform of EURES is the Commission Decision implementing Regulation (EU) No 492/2011 that should enter into force on 1 January 2014. The main components of the new decision are described in the following sections.

##### **4.1. The EURES network**

As the new decision entails fundamental changes to the structure and governance of EURES the text makes it clear that the network is re-established and that the Decision 2003/8/EC is repealed.

##### **4.2. Objectives**

From a legal point of view, the objective of EURES is to ensure a co-ordinated implementation of the provisions of Chapter II of Regulation (EU) No 492/2011 on freedom of movement for workers within the Union.

This means in practice that EURES should ensure that the obligations put on Member states by the Regulation, namely to undertake a "Clearance of vacancies and applications for employment" as well as the exchange and provision of labour market related information is fulfilled in an efficient and effective manner, fully respecting applicable labour standards and legal requirements (fair mobility).

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<sup>17</sup> Art 15.1.B. "If necessary, the services territorially responsible for border regions shall also set up cooperation and service structures"

The decision will translate these obligations into operational terms by defining the composition of the network, the roles and responsibilities of the various actors, the services to provide and the governance structure. It is not possible to define in detail the catalogue of services, operational objectives and quality standards etc. in a document like the Commission Decision. These definitions will therefore be reflected in a new EURES Charter that will replace both the current EURES Charter and the three-yearly EURES guidelines.

#### **4.3. Composition of the network**

The current EURES network consists of Members and Partners. Members are the Commission and what the Regulation refers to as "specialist services" that the Member States must appoint. The term "specialist services" has in practice been interpreted as the Public Employment Services at national level. EURES Partners can, among other things be employment services at regional and cross-border level and social partners organisations. This category has in particular encompassed the EURES cross-border partnerships.

The new Decision will make important changes in this respect and the reformed EURES will comprise four categories of actors:

- The European Commission
- The EURES members. Each Member State should still designate a EURES member, who would be the "specialist services", referred to in the Regulation, but the roles and responsibilities of the EURES members will be different from today. The EURES member should assume the role of a National Co-ordination Office and should not as such carry out any of the EURES services. The same *organisation* that has been appointed as the EURES member can, however also be a provider of EURES services, but will *in that respect* be considered a EURES partner. Effectively, a EURES member can also be a EURES partner if desired.
- The EURES Partners are the actual providers of EURES services to jobseekers and employers. In order to qualify as a EURES partner they must undertake to fulfil the roles and responsibilities laid down in the Decision, in particular to provide the obligatory Universal services that are further explained below. As the provision of these services is an obligation for the Member States there must at least be one EURES Partner in each country.
- The Associated EURES partners. Organisations that do not provide all the obligatory Universal services can nevertheless participate in the EURES network as Associated EURES partners under the responsibility of a EURES partner. For other EURES services that they do not offer themselves, a referral system to other EURES partners must be set up. This will ensure that clients will still have access to the full EURES service package.

#### **4.4. The European co-ordination office (EURESCO)**

The European Commission will ensure the overall co-ordination of the network and assist in helping it carry out the relevant activities. In concrete terms this will be done by providing horizontal support in terms of:

- Operation of the EURES Job Mobility portal and other IT services needed for the exchange and clearance of vacancies, CVs and other information and for external and internal communication
- Information and communication activities
- Training of EURES staff
- Facilitation of networking, mutual learning, exchange of good practice etc.
- Supporting the implementation of targeted labour mobility schemes, such as Your First EURES Job.
- To support the implementation of the Decision and the Regulation, the overall coordination of the EURES network and its activities will be reinforced. This will be to the benefit of the EURES network as it would reflect better the post crisis reality on the ground i.e. the needs of the growing number of actors involved in contributing to the Europe 2020 objectives and the major changes in labour markets and employment service provision. The national co-ordination offices and EURES partners will be called upon to actively participate in the development and implementation of such horizontal support activities to ensure ownership and an adequate roll out across the Union.
- Bearing in mind the increased demand for a high quality personalised service covering the full service package on matching, placement and recruitment, job descriptions and profiles for EURES advisers need to be updated and corresponding training activities to build a common service culture will need to be enhanced. Moreover, new communication activities could increase the awareness of the services provided by the network and the EURES Job Mobility Portal by targeting more and different categories of jobseekers, job changers and employers, thus reinforcing opportunities for employment through geographical labour mobility.

#### **4.5. The national coordination offices**

The national coordination offices will be responsible for the organisation and coordination of the work of the EURES partners in their respective countries. They should in particular ensure that the technical and functional infrastructure is in place allowing for the exchange of vacancies, CVs etc.

The national co-ordination office will appoint EURES partners and supervise their activities, as well as plan and co-ordinate the activities of the national EURES network. The appointment of EURES partners is described in the following section.

As the designation of a national co-ordination office is an obligation following directly from the Regulation, Member States must ensure that the co-ordination office gets the staff and other resources necessary to carry out its tasks. There should be one National EURES co-ordinator in charge of the management of the office, assisted by a sufficient number of staff to ensure the coordination and provision of horizontal support to the national network.

#### **4.6. The EURES partners**

EURES partners will be appointed by the National co-ordination offices. Organisations that would like to become EURES members should therefore apply to their respective national co-ordination office. Making use of the implementing powers conferred by article 38 of Regulation 492/2011 on freedom of movement for workers, the European Commission may also appoint EURES partners. This should, however, be exceptional, notably when an organisation that is not already a EURES partner is selected as beneficiary in a Commission call for proposals for a targeted labour mobility scheme. Even if the Partner has been appointed by the Commission the national co-ordination office should be responsible for co-ordination and supervision of its work in the context of EURES.

The appointment of EURES partners will be based on a transparent accreditation system designed to achieve best possible outreach both in terms of geographical and labour market coverage by ensuring an adequate participation of relevant employment services and labour market actors. The criteria for accreditation will be set at European level, but the accreditation will be carried out by the national co-ordination office / the Member State concerned. This would mean that, in principle, all organisations, whether public or private, meeting the criteria laid down in the accreditation system and undertaking to provide at least all the obligatory EURES services respecting the required service levels and other quality standards should be accepted as EURES partners, including in relation to the training of EURES advisers.

A EURES Partner should set up one or several contact points where the clients can access its services. Contact points should preferably comprise several channels, such as placement and recruitment offices, call centres, self service tools, online web sites etc. and could be operated by the EURES partner itself or in co-operation with other EURES Partners or Associated EURES partners. This could, for example, be the case with contact-points in cross-border regions.

Each contact point must clearly indicate which services in the EURES Service catalogue are available. It is not necessary for every contact point to provide all obligatory universal services but a EURES Partner must be able to provide these in their entirety. EURES partners must also be fully aware of the services provided by all other EURES partners so that clients can always be referred to the most appropriate EURES partner.

A EURES Partner must in particular participate in what in the Regulation is referred to as the "machinery for vacancy clearance". This means the exchange of "details of vacancies which could be filled by nationals of other Member States" and "details of applications for employment" which has been interpreted as including CVs of jobseekers potentially interested in working in another country. The Commission will develop and maintain the necessary IT solutions to allow for this exchange.

Subject to the above requirements, Member States could envisage developing different criteria and modalities for the participation of associated EURES Partners to reflect the national, territorial and institutional set-up and competences and build up the best possible composition of the national EURES network.

#### **4.7. EURES services**

The full service package of EURES should cover all phases of the process leading to a placement, including recruitment, job matching, information and advice, from pre-recruitment

preparation to post-placement assistance. The nature of all services will be detailed in the EURES service catalogue. There will be a distinction between Universal and Complementary services.

Universal services are those that follow directly from the obligations set out in the Regulation and will, therefore be obligatory for all EURES partners to provide. Universal services are essentially related to the "clearance of vacancies and applications for employment" and the connected activities in recruitment, matching, placement and provision of information and advice.

Complementary services are not obligatory in the sense of the Regulation but fulfil important labour market needs, such as assistance and help to integrate incoming or returning jobseekers.

All services to jobseekers and workers must be entirely free of charge. If EURES partners charge for their services to other clients they may not levy charges that are different from what applies to other similar services. If EURES partners receive EU funding they must make sure that there is no double financing of the services they provide.

#### **4.8. The EURES Management Board**

The current High Level Strategy Group will be replaced by a EURES Management Board. Each Member State will have two representatives, one of whom may represent the national ESF authority where ESF funding is used to support the national co-ordination office. Representatives of social partner organisation at the European level shall be invited as observers. The Management Board shall assist the Commission and the national co-ordination offices by promoting and overseeing the development of EURES and will be consulted on all strategic aspects of planning, development, implementation, monitoring and evaluation of EURES services.

#### **4.9. The EURES Co-ordination group**

The Commission and the representatives of the national co-ordination offices will regularly meet in the EURES Co-ordination group to co-ordinate the development, implementation and monitoring of EURES, e.g. by preparing annual work programmes and their implementation. Representatives of Social partner's organisations, EURES partners, EURES Associated Partners and other experts can be invited when appropriate.

Permanent or ad hoc expert working groups can be set up to handle specific issues, such as planning and implementation of horizontal support activities..

#### **4.10. The EURES Charter**

The current EURES Charter and the EURES guidelines will be replaced by a new EURES Charter, valid for a specific period of time and that will provide guidance for the EURES service delivery. In particular, the Charter will define the accreditation system to be used for the appointment of EURES partners as well as details on operational issues such as objectives, reporting, data collection and quality standards, the EURES Service catalogue, the development and operation of innovative and efficient transnational and cross-border co-operation, task descriptions and profiles of co-ordinators and other EURES personnel.

## **5. THE WAY FORWARD**

The proposed new Commission decision is subject to consultation in the Advisory Committee for free movement of workers and the EURES High Level Strategy as foreseen in the Regulation 492/2011 and the COM decision 2003/8. It is foreseen to terminate the consultation process by summer 2012 and then quickly proceed with the adoption of the new Commission decision that should enter into force by 1 January 2014. In parallel the legislative process will continue with regards to the Commission proposals for the EU Programme for Social Change and Innovation (PSCI) and the European Social Fund (ESF) regulation under which EURES activities at European and national/cross border levels will be respectively eligible for funding.

The three elements of the EURES reform cannot be seen in isolation; they are logically linked and interdependent. With this reform EURES will be transformed into an effective and efficient employment instrument using the full potential of Regulation 492/2011 and creating added value for jobseekers, job changers and employers to the benefit of a better functioning European labour market. In conjunction with the other legislative initiatives to remove outstanding legal, tax and practical obstacles to the free movement of workers as listed in the Communication "Towards a job-rich recovery". It should also lead to more intra-EU mobility and a better matching between the supply and demand for labour, thus contributing to employment, recovery and long-term growth.

The reformed EURES will in particular provide more transparency on the European job vacancy market. New EURES partners from all types of employment services will be involved in the clearance of vacancies at European level. The EURES outreach both in terms of geographical and labour market coverage will be significantly increased by the inclusion of new partner organisations into EURES; this will also strengthen the delivery of personalised services to jobseekers, job changers and employers through the reinforced network of EURES advisers. The demand-driven elements of the EURES service offer will be at the disposal of the employers experiencing recruitment difficulties and are especially focusing on filling bottleneck vacancies.

Overall the reformed EURES will produce more and better results in terms of placements and advice given to jobseekers, job changers and employers.