

Employment Week 2005

**EU FINANCIAL SUPPORT FOR DEVELOPING
EMPLOYMENT OPPORTUNITIES
*(The EES & ESF in the future)***

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14:30-15:30 session

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Good afternoon ladies and gentlemen

You heard this morning that following the Spring European Council held last March, the European Commission is adopting today a new set of guidelines for growth and jobs, comprising the Broad Economic Policy Guidelines and the Employment Guidelines. These will be presented to the Plenary Session of the European Parliament this afternoon.

At the same time, discussion is on-going in the Council on the role and contribution of the future Structural Funds, notably the European Social Fund, in pursuit of economic and social cohesion and of the Lisbon goals.

These two instruments – the European Employment Strategy and the European Social Fund – are exemplary of what the European Union can do in support of national and regional policies for employment, in complement to EU legislative activities and European-level social dialogue.

The EES is the European coordination process guiding national employment policies; it has been in place for 8 years now and it can claim some success.

It has provided us with a clear framework to progress towards the commitments made by Heads of State and Government to achieve full employment, improve quality and productivity at work and strengthen social and territorial cohesion, the three overarching objectives of the Strategy. And despite continuing and legitimate concerns, the overall performances of EU labour markets have indeed improved over the years.

The ESF has been around for a lot longer than the EES, since the Treaty of Rome in 1957; it is actually the oldest of the EU Structural Funds. Over the years, it has adapted to changing demands, but always with the focus on improving employment opportunities and social cohesion. As it approaches its golden jubilee, the ESF continues to prove its worth, as the main financial instrument backing the implementation of the European Employment Strategy.

Against this background, I would like to address three main points:

- Firstly, to highlight Europe's main employment challenges;
- Secondly, to take stock of the experience of the European Employment Strategy and discuss the future of the Lisbon Agenda;

- Thirdly, to discuss the role of the next generation of Structural Funds, in particular the European Social Fund, in support of the Strategy.

1. Main challenges for the enlarged European Union

Recent progress in terms of employment has certainly been mixed. This is mostly the result of the sluggish economic growth, in a context of low domestic demand and major global imbalances. Employment levels have been stagnating, with an employment rate of about 63% for the EU, and unemployment levels remain very high in a number of countries.

At the same time, labour productivity growth has fallen, progress in improving quality in work has been limited and the economic slowdown has raised the profile of social inclusion problems, in particular for young people. As a matter of fact, after several years of decline, long-term unemployment has again begun to rise.

This rather gloomy picture should not make us forget the improvements that have been achieved:

- unemployment and long-term unemployment were significantly reduced over the first five years of the Employment Strategy (down by 30% and 40% respectively since 1997);
- employment increased by more than 12 million, leading to a sharp rise in employment rates, from 60.5% in 1997 to 64% in 2002 for the EU15;
- and since 2001, European labour markets have shown remarkable resilience in the face of the economic slowdown, in sharp contrast with the poor performance of the early 90s, when employment levels collapsed dramatically.

The employment growth of the late 1990s and the resilience of employment in the recent period provide strong evidence that labour markets and employment policies have become more efficient.

This shows that labour market reforms are possible and that they have already made an important contribution to increasing employment and reducing unemployment. And it demonstrates that we can also succeed in the future.

Having said this, there is of course no room for complacency. Employment levels, especially of older workers and of women, remain too low compared to the Lisbon ambitions and unemployment levels far too high in a number of countries. For the EU as a whole, we still need to create 22 million jobs to reach the employment rate target of 70%.

In addressing short-term priorities, Europe must not lose sight of the wider challenges lying ahead for the enlarged EU:

The first challenge relates to the significant widening of disparities across the Union as a result of enlargement. In statistical terms, disparities between the richest and poorest regions of the Union have doubled, while the EU average per capita income decreased by 12.5%. There are signs of catching up at national level but many regions are still confronted with very low levels of employment, as well as very low levels of productivity.

The second challenge is the accelerating pace of economic restructuring in the context of increased economic integration, both within the enlarged Union and

world-wide. To succeed, Europe must be in a position to better anticipate, trigger and absorb economic change.

And the third challenge relates to the ageing of Europe's population. Demographic change not only requires the modernisation of our social protection systems, it also means that our labour market will have to cope with an ageing and, before long, shrinking workforce.

To sustain prosperity in the longer term, it is vital for Europe to accelerate *both* employment and productivity growth. This is precisely what the revised Lisbon Agenda and the revised European Employment Strategy are seeking to tackle.

2. The future of the European Employment Strategy

This leads me to my second point on the new priorities of the Employment Strategy.

As I said, the experience of the Strategy in terms of governance has been quite positive. What the EES has brought in practice is a new way of working together on employment issues at EU level, keeping the momentum for reforms and supporting exchange of experiences. I will

not discuss here the instruments of the Strategy - we may come back to it in the discussion.

Let me just stress the institutional consequences of the EES - in particular the definition of EU guidelines and country-specific recommendations, backed up by EU quantified targets and indicators, and the adoption of national action plans. These constitute a major breakthrough at EU level.

As regards content, the new set of Employment Guidelines proposed today by the Commission mark a new departure for the European Employment Strategy. The Employment Guidelines are presented as an important part of a package of macro-economic, micro-economic and employment guidelines.

This integrated set of guidelines confirms that, in order to create more and better jobs, the EU requires a consistent range of actions, not just in the labour market, but also in the product, service and financial markets so as to make Europe more attractive and innovative. These structural reforms must be backed up by growth-supporting macro-economic policies.

The Employment Guidelines highlight Europe's overarching objectives of full employment, improved quality and productivity at work and greater social and territorial cohesion. The priorities for action are structured around three key domains, which were already highlighted by the Employment Taskforce chaired by Wim Kok in 2003.

The first priority is to attract and retain more people in employment and to modernise social protection systems. This highlights measures to promote a new lifecycle approach to work, including combating gender disparities and promoting active ageing, with a renewed focus on tackling the situation of young people. It encompasses the development of active labour market measures to facilitate access to employment and the strengthening of labour market infrastructures, notably public employment services. It also refers to the need to better manage economic migration.

The second priority is to improve the adaptability of workers and enterprises and the functioning of the labour market. This priority highlights measures to improve both the flexibility of the labour market and employment security. It gives a specific focus to the better anticipation

and management of economic restructuring. This priority also covers the need to ensure employment-friendly wage and labour costs, as a joint responsibility of social partners and public authorities.

The third priority is to increase investment in human capital through better education and skills. Member States have long paid lip services to the concept of human capital and lifelong learning; it is now high time to deliver. This requires increased and improved investment at all levels of the education and training systems, as well as constant modernisation to meet changing needs.

The Commission also stresses that the Member States must respond to the employment recommendations which were specifically addressed to them in 2004. They are called upon to set commitments reflecting the scope of EU ambitions and targets. The preparation of the national programmes this Autumn must be an opportunity to mobilise all stakeholders for the development and implementation of employment policies.

Clearly, the European Social Fund has a direct role to play in supporting national and regional efforts. This leads me to my last point.

3. The role of ESF in supporting the European Employment Strategy

We are approaching the start of a new programming period for the European Structural Funds which will run from 2007-2013. The Commission made its proposals known back in July 2004 and the discussion is on-going in the Council.

The proposals put forward by the Commission build on the experience of the cohesion policy. There would many success stories to discuss, at national or regional level, and many lessons to draw from past programming periods.

The case of Ireland is quite exemplary of what a country can achieve through an intelligent combination of internal reforms and EU support. The transformation of the Irish economy into a "Celtic Tiger" is based, among other factors, on the value placed on education. This is reflected in a 150% increase in public expenditure on education since 1985. Business expenditure on training has also increased significantly throughout the 1990s. The ESF has made an important contribution to this, representing more than a third of all Structural Funds allocated to Ireland.

The Irish example is often considered with great interest by the 10 Member States having joined the EU in 2004. These Member States are now developing their employment policies within the framework of the EES, and are implementing programmes co-financed by the ESF and the other Community structural funds.

I will not dwell longer on lessons. The case studies presented in this exhibition are testimony of the added value of European action.

Looking ahead, the Commission is proposing to review the ESF, along with the other Structural Funds, to meet the new challenges of the enlarged Union. Whilst the negotiation is not yet finalised, most of the key elements are known and there has been very good progress in discussion in the Council. The main message for those of you who are involved in the ESF is to fully mobilise now for 2007-2013.

A particular concern is to link the implementation of the Structural Funds much more closely to the implementation of the overall Lisbon Agenda, and to the implementation of the European Employment Strategy in particular. Resources should be concentrated on priority themes,

especially in countries and regions facing greatest difficulties.

As you know, the Commission has proposed that ESF support will intervene under two objectives:

- (1) the **Convergence Objective**, which will apply to the least-developed MS and regions, and will constitute the main priority of the Funds; and
- (2) the **Regional Competitiveness and Employment Objective**, which will apply in the remaining Member States and regions of the Union.

The range of eligible actions and financial means will be much more important for the Convergence objective. Under the Regional competitiveness and employment objective, intervention will need to be much more focused to achieve a significant impact. The Employment Recommendations should serve as a reference to identify country-specific challenges and priorities.

In operational terms, operational programmes funded by the ESF can be managed at national or regional level, with the possibility of giving a regional dimension to national programmes if a Member State so wishes.

In line with the revised European Employment Guidelines, ESF support is called upon to contribute to the following priorities throughout the EU:

- Firstly, to improve the adaptability of workers and enterprises, on the basis of lifelong learning systems which promote increased participation in training for low-skilled and older workers and improve the anticipation and management of economic change;
- Secondly, to enhance access to employment of job-seekers and inactive people, preventing unemployment, prolonging working lives and increasing participation of women and migrants. The emphasis is on the development of active labour market measures and on strengthening of labour market services, especially employment services.
- Thirdly, to reinforce social inclusion of people at a disadvantage and combat discrimination in the labour market, including through awareness-raising and the promotion of corporate social responsibility.
- Fourthly, to mobilise for reforms by promoting partnerships and networking among stakeholders, including at the local level.

As I have said, these priorities would apply for both the convergence and the regional competitiveness and employment objective, that is throughout the EU.

Under the convergence objective, which concerns the Member States and regions lagging behind, it is proposed to extend the scope of ESF intervention to also support two additional priorities related to investment in human capital:

- Firstly, the expansion and improvement of education and training, including the implementation of reforms in education and training systems and enhancing research potential;
- And secondly, capacity-building in the delivery of policies and programmes, both within the administration and among key stakeholders such as social partners. Support to administrative and institutional capacity-building is of high importance for a number of Member States to facilitate reforms and embrace good governance, especially in the economic, employment, social, environmental and judicial fields.

This is also why, in the framework of this objective, the Commission proposed that at least 2% of ESF resources be allocated to capacity building and activities jointly undertaken by the social partners.

Under both objectives, the ESF should also play a catalyst role by supporting the promotion and mainstreaming of innovative activities as well as trans-national and inter-regional cooperation. In this respect, the new generation of ESF programmes will take on board the valuable lessons of the current EQUAL initiative in terms of innovation, empowerment and partnership. The European Commission will facilitate mutual learning and networking.

Ladies and gentlemen,

After this session there will be two breakout sessions, one focussing on the ESF and the other on the EES. There, you will have the opportunity to discuss further the achievements and aspirations of the two European instruments.

To conclude, let me just stress we all have a responsibility and a role to play in implementing the EES for more and better jobs and in using the ESF as effectively and as efficiently as possible to support full employment, quality and productivity at work, and greater social and territorial cohesion.

The range of employment initiatives and experience at the local and regional levels that will be presented during this conference will no doubt be a great source of inspiration for future work.

Thank you for your attention.