

FINAL DRAFT (04/26/96)  
Version B (for E.U. records)

Library

441.2(103)

Memorandum of Understanding  
between  
The Department of Labor  
of the United States of America  
and  
The European Commission  
Regarding the Implementation of the  
E.U./U.S. Action Plan in the Field of Employment

On December 3, 1995, the President of the United States of America, the Prime Minister of Spain in his capacity as President of the European Council, and the President of the European Commission signed the "New Transatlantic Agenda" in Madrid. One of the provisions of this Agenda is cooperation in the field of jobs and growth. One element of this cooperation is the establishment of a working group on employment and labor-related issues.

**I. The Challenge**

The central challenge confronting both the United States and the European Union in this field is the creation and maintenance of high rates of employment combined with rising living standards. The agenda for the Working Group should address itself to the fundamental question of achieving this objective, namely ensuring that the results of economic growth are translated into the creation of jobs and widely shared prosperity.

To this end, we have today agreed to the following administrative arrangements for the operation of the Working Group.

**II. The Agenda**

The E.U./U.S. Action Plan foresees the intensification of the dialogue in particular on new forms of labor management cooperation; increased investment in human resources, including in education and skills training; smoothing the transition from school-to-work and job-to-job; active labor market policies and the relationship between work and welfare; employment and new technologies; and encouraging entrepreneurialism.

To this end, the Working Group will, in a first phase, focus notably on the analysis of the following issues.

-2-

#### INVESTMENTS IN HUMAN CAPITAL

In an increasingly global economy, boosting growth and productivity must come from the promotion of knowledge-intensive activities. Ensuring that the workforce can meet the needs of the new technologies will require major efforts in training and retraining. The Working Group intends to examine the effects of, and the returns to new investment in human capital.

#### ACTIVE LABOR MARKET POLICIES

Governments spend more on income maintenance or "passive" labor market policies than on "active" labor market policies. The Working Group plans to examine the different types of active labor market measures, compared with passive income support policies. It will analyze the effect of labor market policy on labor market outcomes.

#### SMOOTHING TRANSITIONS - IMPROVING EMPLOYABILITY SECURITY AND INCOMES

Labor markets will function most efficiently if flexibility within enterprises and mobility in the labor market do not threaten or jeopardize the employability or living and working conditions of employees. The Working Group will examine ways of promoting internal and external flexibility (including job-to-job and school-to-work transitions) through policies such as wage subsidies, welfare/earned income support, portability of benefits, flexible working patterns and training.

#### LABOR MANAGEMENT COOPERATION

The Working Group will examine the role of employers and workers in implementing policies that lead to widely-shared prosperity, including investments in human capital, developing new forms of labor-management cooperation, the design and implementation of labor market policies and ensuring employability.

#### INTERNATIONAL CONTEXT

The Working Group can keep under review developments in the wider international context, notably work underway in the OECD and ILO as well as the follow-up to the recent G7 conference on employment in Lille.

-3-

### III. Composition

The Working Group should be composed of a small number of senior officials representing the United States and the European Union designated by the appropriate authorities on each side. The Working Group should meet at least once a year, alternating between Washington and Brussels. Other occasional meetings may be held as necessary, and joint activities, such as seminars or round tables, may be sponsored. The Working Group should produce a report on the outcome of its work at least once a year.

### IV. Consultations

Where it considers necessary, in order to improve the implementation of this joint agenda, and to maximize its effectiveness, the Working Group may invite contributions from the representatives of workers and employers through the appropriate mechanisms.

### V. Implementation

In light of these arrangements, the Commissioner and the Secretary are pleased to announce that the first meeting of the Working Group will be held on this day after the signature of this memorandum and expect it to continue to work in the spirit of the E.U./U.S. Transatlantic cooperation.

For the European  
Commission:

For the Department of Labor  
of the  
United States of America:

Washington, May 2, 1996